

CENTRAL HAWKE'S BAY



I hereby give notice that a Meeting of Council will be held on:

Date: Thursday, 23 May 2019
Time: 9.00am
Location: CHB Municipal Theatre
18 Kenilworth St
Waipawa

AGENDA

Council Meeting 23 May 2019

Our vision for Central Hawke's Bay is a proud and prosperous district made up of strong communities and connected people who respect and protect our environment and celebrate our beautiful part of New Zealand.

**Monique Davidson
Chief Executive**

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1 PRAYER

*“We dedicate ourselves to the service of the District of
Central Hawke’s Bay/Tamatea and its people.*

*We ask for God’s help
to listen to all
to serve all
and to lead wisely.
Amen.”*

2 APOLOGIES**3 DECLARATIONS OF CONFLICTS OF INTEREST****4 STANDING ORDERS****RECOMMENDATION**

THAT the following standing orders are suspended for the duration of the meeting:

20.2 Time limits on speakers

20.5 Members may speak only once

20.6 Limits on number of speakers

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in a free and frank manner.

5 CONFIRMATION OF MINUTES

Ordinary Council Meeting - 9 May 2019

**MINUTES OF CENTRAL HAWKES BAY DISTRICT COUNCIL
MEETING
HELD AT THE CHB MUNICIPAL THEATRE, KENILWORTH STREET, WAIPAWA
ON THURSDAY, 9 MAY 2019 AT 9.00AM**

PRESENT: Mayor Alex Walker
Cr Ian Sharp (Deputy Mayor)
Cr Shelley Burne-Field
Cr Kelly Annand
Cr Tim Aitken
Cr Tim Chote
Cr Gerard Minehan
Cr Brent Muggeridge
Cr David Tennent
Dr Roger Maaka

IN ATTENDANCE: Monique Davidson (Chief Executive)
Joshua Lloyd (Group Manager, Community Infrastructure and Development)
Bronnda Smith (Group Manager, Corporate Support and Services)
Doug Tate (Group Manager, Customer and Community Partnerships)
Nicola Bousfield (People and Capability Manager)
Darren De Klerk (3 Waters Programme Manager)
Leigh Collecutt (Governance and Support Officer)

1 PRAYER

Mayor Walker opened the meeting with a prayer

2 APOLOGIES

Cr Tim Chote leave of absence granted as per Council meeting 10th April.

3 DECLARATIONS OF CONFLICTS OF INTEREST

No conflicts of interest were declared.

4 STANDING ORDERS

RESOLVED: 19.21

Moved: Cr Ian Sharp
Seconded: Cr Brent Muggeridge

THAT the following standing orders are suspended for the later parts of the meeting after the submissions hearing is complete:

20.2 Time limits on speakers

20.5 Members may speak only once

20.6 Limits on number of speakers

And that Option C under section 21 General procedures for speaking and moving motions be used for the meeting.

Standing orders are recommended to be suspended to enable members to engage in discussion in

a free and frank manner.

CARRIED

5 CONFIRMATION OF MINUTES

RESOLVED: 19.22

Moved: Cr Kelly Annand

Seconded: Cr Tim Aitken

That the minutes of the Ordinary Council Meeting held on 10 April 2019 as circulated, be confirmed as true and correct.

CARRIED

6 REPORTS FROM COMMITTEES

Nil

7 REPORT SECTION

7.1 SUBMISSIONS ON THE ANNUAL PLAN 2019-2020

PURPOSE

The purpose of this report is to present to Council submissions received on the Annual Plan 2019-2020 for their consideration.

RECOMMENDATION

- a) That the submissions on the Annual Plan Parts 1 to 4 be received and**
- b) That Council resolves to accept late submissions and further late submissions for consideration**

Submission 59 – Clint Deckard

Submission 54 - Arthur Rowlands

Submission 33 - Angus Mabin

A copy of Mr Mabin's further comments was provided.

Submission 105 - Lon Anderson

A copy of Mr Anderson's further comments was provided.

Submission 49 – Robby Smith

Submission 47 – CHB Forest and Bird – Louise Phillips

Meeting adjourned for morning tea at 9.49am
Meeting reconvened at 10.10am

Submission 55 - Louise Phillips

Submission 79 – Sharleen Baird

Submission 103 – Gren Christie

Submission 82 - Charles Nairn

Submission 86 - Harold Petherick

Submission 84 – John Jukes

Submission 67 – Murray Howarth

Meeting adjourned due to gaps in hearing schedule at 10.52am
Meeting reconvened at 11.24am

Submission 101 - Trevor Le Lievre

Submission 113 – Rei Sciascia
A handout was provided.

Submission 117 – Peter Kittow

Submission 118 – Fred Nichol

Submission 119 - Bruce Stephenson

Submission hearing was ahead of time and moved to the notice of motion – item number 7.2

Meeting adjourned for lunch at 12.15pm
Meeting reconvened at 1.00pm

Submission 42 – Robin Horder

Submission 15 – Sir Graeme Avery

Marcus Agnew was in attendance with Sir Graeme. Sir Graeme delivered a Powerpoint presentation to support his submission.

Submission 100 – Biodiversity Hawke’s Bay – Charles Daugherty and Sam Jackman
A powerpoint presentation was delivered in support of the submission.

Submission 80 – Murray Cammock

Mr Cammock provided a demonstration of the principles of base aggregates and soil and the impact that this could have on water storage and filtration.
Further comments were distributed.

Submission 88 – Malcolm Gourlie

Submission 61 – Forest and Bird NZ – Tom Kay

Submission 6 – Mike Smith

Submission 93 - Rebecca Baker

Further Late submission – not processed or numbered – Jenny Nelson-Smith

Further Late submission – not processed or numbered – Carol Slingsby

7.2 NOTICE OF MOTION - IMPLEMENTATION OF DUST SUPPRESSION POLICY

PURPOSE

In accordance with Standing Order 26, the Chief Executive has received a Notice of Motion from Councillor Burne-Field, seconded by Councillor Minehan, with the request that the Notice of Motion be placed on the agenda for the 9 May 2019 Council meeting.

The purpose of report is to provide Councillor Burne-Field and Councillor Minehan an opportunity to speak to the Notice of Motion and for Council to consider appropriate courses of action.

RESOLVED: 19.23

Moved: Cr Shelley Burne-Field

Seconded: Cr Gerard Minehan

That having considered all matters raised in the report:

- a) That Council requests that the Chief Executive prepare a report to be considered as part of Annual Plan deliberations on the 23 May 2019 on the funding and finance options to prioritise the implementation of the Dust Suppression Policy;**
- b) And further that the report include options and recommendations on allocation from the Rural Reserve Fund, reprioritisation of existing transport investment, and options for investment via the general rate.**

CARRIED

Cr Burne-Field spoke to the Notice of Motion.

Cr Minehan spoke in support of the motion and about the dissatisfaction in the district about the condition of rural roads. Cr Minehan highlighted that through the Project Thrive process, the community was clear that they wanted Council to bring a new approach to dust suppression issues.

Mayor Walker agreed that getting more information from staff was a good idea but did have some reservations about how much funding could be allocated to dust suppression at this moment in time.

Mayor Walker indicated that this would likely need to inform the next Long Term Plan discussion.

8 CHIEF EXECUTIVE REPORT

Nil

9 PUBLIC EXCLUDED BUSINESS**RESOLUTION TO EXCLUDE THE PUBLIC****RESOLVED: 19.24**

Moved: Cr Ian Sharp

Seconded: Cr David Tennent

That the public be excluded from the following parts of the proceedings of this meeting.

The general subject matter of each matter to be considered while the public is excluded, the reason for passing this resolution in relation to each matter, and the specific grounds under section 48 of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are as follows:

General subject of each matter to be considered	Reason for passing this resolution in relation to each matter	Ground(s) under section 48 for the passing of this resolution
9.1 - Supplier Recommendation : Waipawa Trunk Sewer Main Renewal	s7(2)(i) - the withholding of the information is necessary to enable Council to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations)	s48(1)(a)(i) - the public conduct of the relevant part of the proceedings of the meeting would be likely to result in the disclosure of information for which good reason for withholding would exist under section 6 or section 7

CARRIED**RESOLVED: 19.25**

Moved: Cr David Tennent

Seconded: Cr Tim Aitken

That Council moves out of Closed Council into Open Council

CARRIED**10 DATE OF NEXT MEETING****RESOLVED: 19.26**

Moved: Cr Shelley Burne-Field

Seconded: Cr Brent Muggerridge

THAT the next meeting of the Central Hawke's Bay District Council be held on 23 May 2019.

CARRIED

11 TIME OF CLOSURE

The Meeting closed at 2.50pm.

The minutes of this meeting were confirmed at the Council Meeting held on 23 May 2019.

.....
CHAIRPERSON

6 REPORTS FROM COMMITTEES

Nil

7 REPORT SECTION

7.1 DELIBERATIONS - ANNUAL PLAN 2019/2020 - MANAGEMENT OVERVIEW

File Number: COU1-1400

Author: Bronda Smith, Group Manager, Corporate Support and Services

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. Letter from CHB Community Trust 2 May 2019  

PURPOSE

The purpose of this report is to present to Council for deliberation a management overview and issues identified since the adoption of the Annual Plan Consultation Document and Supporting Information.

RECOMMENDATION

That having considered all matters raised in the report:

- a) That Council note the changes requested to the 2019/2020 Annual Plan budget, which will be included in the Annual Plan 2019/2020 that is presented for adoption on 20th June 2019.

OVERVIEW

Procedure

This Management Overview report is intended to help set the scene for the matters that form part of the Annual Plan 2019/2020 deliberations. This report strives to make the Council's starting point clear and set out those matters that have been identified post the adoption of the Annual Plan 2019/2020 Consultation Document and Supporting Information in February 2019 and includes a recommendation for these matters to be incorporated into final Annual Plan. The report also collectively identifies the specific funding requests that have been presented to Council through the consultation and submission process.

Background

The Annual Plan 2019/2020 Consultation Document was the compilation of six months of Council briefings and information that has been presented to Council to review the levels of services, capital programme and the budgets from Year 2 of the 2018-28 Long Term Plan (LTP) for Central Hawke's Bay.

Council adopted the Consultation Document on 28 February 2019. A formal consultation and submission process followed with seven community Have Your Say meetings enabling members of the community to engage with elected members and officers on the issues they would like addressed.

The Annual Plan Consultation Document was seeking community feedback on the following key items:

- #the even bigger water story
- Changes to the Revenue and Financing Policy
- Establishment of a Disaster Relief Fund Trust
- Draft Environmental Strategy

As part of the Consultation Document and Supporting Information, Council consulted with the community on a proposed rate increase of 4.36%.

Submissions closed on 12 April 2019 with an extension to 18 April 2019 for Porangahau residents due to the postponement of the Have Your Say meeting. Council received a total of 134 submissions. Hearings were held on 9 May 2019 with 28 submitters presenting their submissions to Council.

This report forms part of a suite of reports that officers have compiled to provide elected members to inform the deliberations on the submissions received. Following deliberations and the associated resolutions, the Annual Plan will be compiled and presented to Council for adoption on 24 June 2019.

OVERVIEW OF IMPACTS

As part of the Consultation Document and Supporting Information, Council consulted with the community on a proposed rate increase of 4.36%.

As Council went through the formal consultation process, and in particular as it considered submissions and heard from submitters at the hearings officers observed and listened actively to all Elected Members and submitters.

Rates affordability was a strong message from many submitters. That of course is a challenging exercise. On the one hand we have submitters raising the issue of rates affordability and the other we have submitters asking Council to do more. That coupled with issues uncovered by management subsequent to the publishing of the Consultation Document makes for an extremely difficult task.

Officers have completed the following table which summaries the impact of the issues identified by Management and requests for funding that have been presented to Council through the Consultation and Submission Process.

No	Description	Cost	Budget Type	2019/20 Rates Impact	Report
Overview Report					
1	Three Waters Compliance	\$113,191	Opex	0.59%	Overview
2	LiDAR	\$100,000	Capex	0.12%	Overview
3	Elected Members Remuneration	\$16,624	Opex	0.08%	Overview
4	CHB Community Trust Additional	\$8,909	Opex	0.05%	Overview
5	Emergency Management	\$43,500	Capex	Reserves Funded	Overview
				0.84%	
Dog Pound Report					
6	Dog Pound	\$297,000 \$6,000	Capex Opex	0.09%	Dog Pound
Finance Reports					
7	Ongaonga Historical Society	\$2,572	Opex	0.01%	Finance
8	Hawke's Bay Fitness Trust	\$20,000	Opex	0.10%	Finance
9	Biodiversity Hawke's Bay	\$10,000	Opex	0.05%	Finance
				0.16%	

In summary if all the issues identified by Management and requests for funding that have been presented to Council through the Consultation and Submission Process were to be supported by Council as per the above table the rates increase for 2019/20 would be 5.45%.

ISSUES IDENTIFIED BY MANAGEMENT SINCE THE ADOPTION OF THE ANNUAL PLAN CONSULTATION DOCUMENT

During the period between the Council adopting the Annual Plan 2019/20 Consultation Document and Supporting Information and Council reviewing and hearing the submissions, officers have identified a number of items that are recommended as amendments to the Annual Plan.

Many of these represent costs that Council is required to spend as a result of compliance and giving effect to decisions outside of the Council's influence.

TOPIC 1. THREE WATERS COMPLIANCE

Officers request an alteration to the 2019/20 Annual Plan to allow for necessary increases in internal and contracting resource to meet new and changing legislative and wider regulatory and compliance requirements for drinking water, storm water and waste water. An increase in the following budgeted amounts within the presented Annual Plan are requested:

The increases in operating expenditure required are necessary given changes in the regulatory and compliance regimes for all three waters. The changes necessitating an increase in Council investment are described below categorised under each of the three waters.

The total increase in targeted rates is \$113,191 which has a rates impact of 0.59%

Drinking Water

A national move to a new format of Water Safety Plans has been embraced by the HBDHB and local Drinking Water Assessors (DWAs). The new format has been accompanied by an increased enthusiasm of the DWAs who are seeking now to review many previously accepted practices, processes and procedures. DWAs locally are now requiring reviews of all supporting documentation to all water-safety-related activities at a level much greater than previous. Weekly reviews are occurring internally now to meet the compliance workload and this is considered unsustainable in the medium to long term.

The HBRC have also tightened up on requirements now requesting much greater detail and timeliness in water-use information. HBRC are also more strictly enforcing consent conditions for water takes requiring additional monitoring and reporting on Councils part.

	Current Budgeted Amount	New Requirement	Budget Additional Budget required
Water Operational Monitoring	\$87,485	\$148,818	\$61,333

Waste Water

The extension of consents for some plants to optimise capital investment has resulted in an increase in short-medium term monitoring and reporting requirements. The sophistication of analysis and information processing for monitoring and reporting against all wastewater consents has also increased with annual return reports increasing from 20 to 60 pages in most cases.

	Current Budgeted Amount	New Requirement	Budget Additional Budget required
Wastewater Operational Monitoring 4081129	\$153,000	\$196,630	\$43,630

Storm Water

The implementation of and adherence to CHBDCs Stormwater Resource Consent is requiring a radical increase in resource. New monitoring and sampling programmes are being created, new reporting frameworks published and landowners are being engaged with under a totally new model and approach to managing Stormwater. Stantec have been supporting the work to date and have compiled a 12-month roadmap of actions required to meet consent conditions complete with estimated resource requirements for each task.

	Current Amount	Budgeted	New Requirement	Budget	Additional Budget required
Stormwater Operational Monitoring	\$32,640		\$40,868		\$8,228

TOPIC 2. LIDAR DATA

Following the initiation of Consultation on the Annual Plan 2019/20, Officers were advised of a project for the completion of gathering LiDAR data for the Hawke's Bay Region.

As part of the Provincial Growth Fund, Land Information New Zealand (LINZ) has co-funding available to help regions obtain a baseline elevation dataset which will deliver practical value and multiple uses over the coming decades for councils and regional industries.

LiDAR data is x,y,z coordinate points, surveyed using laser (from aircraft in this case) to produce high-resolution maps that are able to assist with future planning.

It is used widely in local government and other sectors including mining, forestry and farming. For example, it has been used for roading design and set out (Gisborne and New Plymouth), to understand of sea-level rise impacts (Dunedin), Stormwater design (many Councils in NZ) and geohazard mapping (Hastings).

Funding

The funding required for the project has been estimated at \$2.1m for the Hawke's Bay Region and LINZ have indicated they will contribute between 50-60% of the costs (\$1.3-1.5m) from the Provincial Growth Fund. Hawke's Bay Regional Council is providing \$305K of the funding with the balance to be split across the remaining Hawke's Bay Councils.

Central Hawke's Bay District Council has been requested to contribute \$100K to the project.

Based on the nature of the expenditure, Officers recommend that this be funded by loan funding over a period of 5 years and increase rates by of \$22,779 for the Annual Plan 2019/20 which is 0.12%.

TOPIC 3. ELECTED MEMBERS REMUNERATION

Following the Remuneration Authority's major review of the remuneration of elected members of local government, each council was resized and the first stage of the adjustment to the remuneration was completed this financial year.

The Remuneration Authority has since provided additional information for the next two stages with stage 2 taking effect on 1 July and the third stage taking effect following the local government elections.

Based on information from the Remuneration Authority this requires an increase to the budgets of \$16,264 which is 0.08%.

TOPIC 4. CHB COMMUNITY TRUST REQUEST FOR FUNDING

Officers have received a request from the Central Hawke's Bay Community Trust to provide an increase above and beyond the current funding allocation provided for in their service agreement with Council. The increase is requested to cover operational costs that have increased beyond the Trusts capability to sustainably fund these.

Council currently provides \$209,146 (excluding GST) in the 2018/19 year as part of the service agreement. The agreement provides for a compounding inflation value each year.

Based on the anticipated inflation figure for the 2018/19, the expected value of the service agreement for the 2019/20 year is \$211,237. The budget in the 2019/20 year is \$216,828, providing a surplus of \$5,590.

The Trust have requested an increase in funding of their service agreement to \$225,737. This increase is \$14,499 above the value in the 2019/20 year that the service agreement anticipates, and \$8,909 above the budgeted value in the 2019/20 Annual Plan and is an increase in rates of 0.05%.

The request from CHB Community Funding is attached to this report.

TOPIC 5. ADDRESSING DEFICIENCIES IN COUNCILS EMERGENCY MANAGEMENT PREPAREDNESS

In November 2017 an audit of Central Hawke's Bay Districts Councils Civil Defence preparedness was undertaken by the Hawkes Bay Emergency Management Group. The Audit identified some 80 corrective actions to lift the preparedness of the organisation.

Substantial progress on the corrective action list has been made, with the list of actions now over 70% complete.

Councillors will recall in the December-January Organisational Report that an audit of Councils VHF radio capability was being done following the failure of the main Omakere Repeater late last calendar year. This audit has identified major deficiencies in Councils VHF radio capability.

Areas of the District only have communication through the radio network, such as parts of Pourerere where radio was the only communication link with these areas in previous events such as the Coastal Storm event in 2011. The radio network is a key part of Councils business-as-usual processes, providing health and safety cover where there is no cellphone coverage and for other day-to-day services such as animal control.

We have also finalised our review following our organisations first Tier 1 exercise in some time, with a number of basic deficiencies being identified that require addressing for the operation of our Emergency Operating Centre.

The Hawke's Bay Emergency Management Group, while regional does not fund or provide for the basic operation of Emergency Operations Centres and preparedness. This is a cost that is required to be borne by each Territorial Authority.

The Council is currently using an emergency services radio frequency (ESB) for business-as-usual operations. The penalty for anyone using an ESB channel for non-emergency purposes is \$10,000 per transmission. Napier City Council were warned and threatened with a fine for using their ESB for parking wardens. They have since moved to a non-ESB channel.

Radio tests have identified that a number of base radio sets are near failure or have failed and our Council own VHF radio aerial network is deficient.

We are proposing to establish a new Radio Channel for Central Hawke's Bay District Council, removing our services from the emergency services radio frequency. We are also proposing to replace Councils current radio antennae and to establish new repeater hardware on a new channel, requiring the programming of all suitable radios with the new channel. The number of community radios will be decreased from 27 to seven, with these being replaced shifting to mobile radio devices.

Other organisational radio sets that have failed will be replaced, including our basic handheld units with modern digital units. These will be able to be used for other basic events such as Christmas parades and other events and activities.

The cost to upgrade the radios is \$36,300 (excluding GST).

Our Emergency Operating Centre also requires new dedicated technology, including an additional fixed smart projector, and specific notebooks/chromebooks for the roll-out of the new National Emergency Management Operating Systems expected in September. This technology will also be available for use in the organisation for other training use.

This cost is \$7,200 (excluding GST).

We are proposing the total cost of \$43,500 (excluding GST) is funded from the Rural Fire Fund, which has a balance of \$94,093. This will result in no impact on rates, being funded from a reserve fund.

TOPIC 6. BUILDING CONTROL FEES AND CHARGES

Officers have reviewed the budget requirements and compared fees to other councils and request an increase to aspects of the Building Control fees and charges to accurately reflect the increasing costs to serve and costs to maintain level of service.

The fees below were not updated during the initial review.

Building Control fees and charges are comprised of numerous (exceeding 60) separable rates applied depending on the work undertaken. This disaggregation is purposeful and designed to provide an effective and fair means of recovering costs.

The existing and the proposed fees are set out below.

Activity	Current Fee	Proposed Fee	Difference
Simpli Consent Fee	Not currently charged	Actual Cost – to be set by Simpli based on building cost	
GoGet Administration Fee - all consents	Not currently charged	\$50.00	New
Hourly Charge Out Rate - Plan check of building consent	Not currently charged	\$165.00	New
Hourly Charge Out Rate - Pre-lodge of building consent	Not currently charged	\$165.00	New
Hourly Charge Out/Processing Rate - Building Consent Officer/Monitoring and Compliance	\$160.00	\$165.00	\$5.00

RECOMMENDATION

That having considered all matters raised in the report:

- a) **That Council note the changes requested to the 2019/2020 Annual Plan budget, which will be included in the Annual Plan 2019/2020 that is presented for adoption on 20th June 2019.**

CENTRAL HAWKE'S BAY DISTRICT COMMUNITY TRUST
P O BOX 397
WAIPUKURAU 4242

2 May 2019

The Chief Executive
Ms Monique Davidson
Central Hawke's Bay District Council
P O Box 127
WAIPAWA 4240

Dear Monique,

A W PARSONS HEATED POOL, WAIPUKURAU

As required under the terms of the Service Agreement you will find enclosed a copy of the budget for pool operations for the 2019/2020 year (commencing on 1 July 2019).

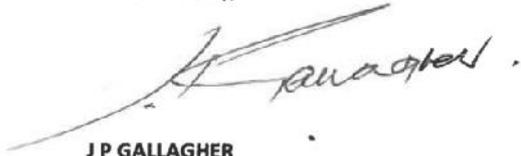
I need particularly to draw attention to an increase in insurance costs which necessitates a request for an increase in annual funding beyond the stipulated annual CPI adjustment. For a few years now the Trust's insurances have been included in the Council's portfolio of covers. Recently the Trust undertook a review of the replacement value of its buildings. The pool facility, inclusive of its operating plant, along with the stadium and gymnasium was valued at just over \$17million to replace. (Additionally the Trust now needs to insure the new hockey turf and netball facility.) The Trustees are of the view that, acting responsibly, they must ensure that the assets are fully insured to the level of the current replacement value.

At the premium rates applied by the Council's underwriters, the total premium for the complex based on the new valuation could well approach \$100,000. The Trust engaged Hurford Parker to explore the possibilities and have accepted their quotation of an annual premium (for all of the Trust's assets) of \$50778.65 exclusive of GST.

The portion of this premium which is applicable to the pool facility alone is \$29517.55 exclusive of GST. This is an increase of \$14,500 for the pool beyond the 2018/19 level and the Trust is requesting that the service payment for the year commencing 1 July 2019 be adjusted to cover this increase. The attached budget includes this increase.

As always, I will be pleased to meet with Councillors to answer any questions they may have concerning this matter.

Yours faithfully,

A handwritten signature in black ink, appearing to read "J P Gallagher", written over a horizontal line.

J P GALLAGHER
CHAIRMAN

CENTRAL HAWKE'S BAY COMMUNITY TRUST
WAIPUKURAU HEATED POOL
BUDGET 2019/2020

Outgoings (Exclusive of GST)

Aqua Management Ltd		
\$161,591 plus est CPI adjustment, as per contractual arrangements, say 1%		163,207
Trust Administration Expenses		
Accountancy and Full Audit		6,500
Insurance (Inclusive of additional premium cost following replacement cost revaluation)		29,500
Provision for Maintenance and Replacement		<u>33,030</u>
Total Expected Outgoings		<u>\$232,237</u>

Funded by (Exclusive of GST):

Interest earned on invested Reserves	6,500	
Requested Service Payment from CHBDC	<u>225,737</u>	<u>\$232,237</u>
Total requested from CHBDC	2019/2020	2018/19
(Subject to actual CPI adjustment and incl additional insurance premium cost)	+ CPI 1%	(Actual)
	225,737	209,146
Add: GST	<u>33,861</u>	<u>31,372</u>
Total	<u>\$ 259,598</u>	<u>\$240,518</u>

7.2 DELIBERATIONS - ANNUAL PLAN 2019/20 - #THE EVEN BIGGER WATER STORY**File Number:** COU1-1400**Author:** Monique Davidson, Chief Executive**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. Discussion Document - Water Holdings CHB  **PURPOSE**

The purpose of this report is to present to Council the submissions received on the Annual Plan consultation in relation to whether the Council should provide a suspensory loan to Water Holdings CHB for the purpose of exploring and assessing workable options to achieve water security.

RECOMMENDATION

That, having considered all matters raised in the report that Council deliberate to determine their preferred option.

THE EVEN BIGGER WATER STORY**Submissions:**

3 Lorraine Keighley, 4 Kevin Davidson, 5 Joan Chatfield, 6 Michael Smith, 7 Gregory Kent, 8 Jennifer Woodman, 9 David Lewis, 11 Peter Watson, 17 Bruce Stern, 18 Tony Cunningham, 19 Andrew Renton-Green, 20 Sarah von Dadelszen, 21 George Harper, 24 Martin Lord, 25 Nicky Harper, 28 Kathryn Bayliss, 29 Graham Palmer, 30 Myles Henderson, 31 Duncan Smith, 32 Mike Petersen, 33 Angus Mabin, 34 Reidun Marshall, 35 Duncan Holden, 36 Sheryl Bayliss, 37 Lorraine Horder, 38 Sharon Ritchie, 39 Kevin Davidson, 40 Hay Rose, 41 Tony Murphy, 42 Robin Horder, 43 Jamie Gunson, 45 Alan Neckelson, 47 CHB Forest and Bird Society, 48 Angus Robson, 49 Robby Smith, 51 David Bishop, 52 Alan and Delphine Delugar, 53 Peter Meredith, 54 Arthur Rowlands, 55 Louise Phillips, 57 Liz and Ian Bayliss, 58 Dan Elderkamp, 59 Clint Deckard, 60 David and Kerry Mackintosh, 61 NZ Forest and Bird, 62 Victoria Bloomer, 63 Megan Fitter, 64 Murray Rosser, 65 Dean Hyde, 66 Greenpeace, 67 Murray Howarth, 68 Bruce Anderson, 69 William Stevenson, 70 Nicola Hobson, 71 Gill Tracy, 72 Adrienne Tully, 74 Diane Seager, 75 Jim and Yvonne Macaulay, 76 Tony Ward, 77 Catherine Pedersen, 78 Andrew Robb, 79 Sharleen Baird, 80 Murray Cammock, 81 Rawiri Barlow Johnston, 82 Charles Nairn, 83 George T Konia, 84 John Jakes, 85 Ray Freemantle, 86 Harold Petherick, 87 Terry Lamont, 88 Justin Courtney, 89 Peter Charlton-Jones, 90 Fiona Harty, 91 Neil Bayliss, 92 Rachel Hornblow, 94 Vera Smith, 95 Hugh Ritchie, 96 R Pickering, 97 L Guy and R Bell, Denise Cox, Gerard Pain, 101 Trevor Le Lievre, 102 Larry Dallimore, 103 Gren Christie, 104 Helen Walker, 105 Lon Anderson, 107 Ian Walker, 109 Nicolette Brasell, 110 Anne Wallace, 115 Dawn Le Lievre, 116 Ali Schaper, 117 Peter Kittow, 118 Fred Nichol, 119 Bruce Stephenson, 120 Di Murphy, 121 Maureen Clegg

Late submissions: 111 Richard Thomas, 112 Chris Davis, 125 Genne Rapaea, 128 Sam and Claire Bradley, 130 Sam and Megan Meadows

Summary of Submissions:

Whether or not Council should provide a suspensory loan of \$250,000 to Water Holdings CHB was one of the key topics council sought public feedback on as part of the Annual Plan 2019/20 process. In total Council received 106 submissions on this topic.

Introduction

Water storage has been a focus of much discussion in Central Hawke's Bay for several years now.

We now need to invest our energy and resources into finding water security solutions which seek to balance the impact we have on the Tukituki catchment, with security of water not just for social and economic reasons, but with the health and sustainability of the river and aquifer at the centre of our decisions.

Water security presents significant challenges for Central Hawke's Bay and the wider Hawke's Bay region. If sustainable solutions are navigated it will afford the opportunity for businesses to return to or explore value adding opportunities for a Central Hawke's Bay of the future.

The reality is though that Water Storage alone is not the silver bullet that will resolve the challenges that Central Hawke's Bay is facing. Water Storage may be one part of a wider solutions package for water security in Central Hawke's Bay.

As part of the Draft Annual Plan 2019/20 Central Hawke's Bay District Council sought feedback from the community on the proposition that a \$250,000.00 suspensory loan be provided to Water Holdings CHB Limited.

The purpose of this report is to summarise the submissions sought from the community through the special consultative process, and to provide Council options on how they might proceed.

What was the proposal?

Council proposed to allocate \$250,000 from the Rural Ward Funds to work specifically with Water Holdings CHB Limited and other key stakeholders to determine feasible water storage options for Central Hawke's Bay. Given the high public interest that water storage to date has received, Council chose to consult with the public on their thoughts about providing the suspensory loan.

Water Holdings CHB Ltd is a Limited Liability company set up to purchase the Intellectual Property (IP) for the Ruataniwha Water Storage Scheme from Hawke's Bay Regional Council Investment Company.

The entity, while a private business, promotes itself as being not for profit from the assets which have been purchased.

A suspensory loan is a non-repayable loan, which is dispensed over time or upon the completion of a set of agreed outputs. A suspensory loan normally is not repayable, however there can be mechanisms whereby repayment can be required. In the instance of the investment being proposed, this could include Water Holdings CHB Ltd commercialisation of the IP or the sale, divestment or transfer of IP or the company who holds the IP.

This project sought to support Water Holdings CHB Ltd and key stakeholders to further assess the IP of the Ruataniwha Water Storage Scheme to explore and produce workable options to achieve water security for inter-generational economic, social and environmental resilience of Central Hawke's Bay.

The proposed money would support Water Holdings CHB Ltd to investigate existing IP and work in a collaborative way with Te Taiwhenua o Tamatea, Hawke's Bay Regional Council and other key stakeholders to determine a solutions package for sustainable and reliable summer water supply both in Central Hawke's Bay Ruataniwha Plains and the lower Tukituki catchment.

Attached to this report is a copy of the initial discussion paper provided for public engagement.

No detailed agreement or conditions were proposed as part of the Discussion Document, recognising the very preliminary stage of seeking community feedback on whether to proceed with the proposal or not.

What did our community say?

45 submitters supported Council providing the suspensory loan to Water Holdings CHB. Some of the key matters raised by submitters in support of this option included:

- That Central Hawkes Bay is at risk of costing many jobs if no adequate water storage solution is found
- The previous attempt at looking at a water storage solution had the wrong ownership structure
- Water is necessary for long term sustainability for the future of Central Hawke's Bay's future economic and population growth
- There would be considerable benefit to the entire community if an environmentally acceptable but commercially viable solution can be found.
- Ratepayers will benefit from the Council investing in a lasting solution, especially given the water restrictions currently in place.
- That a low level dam would likely be all that was required and if the concept were feasible that the loan would be supported
- That a large proportion of winter and spring rainfall in the catchment ends up in the sea so to dam water courses would be sensible
- That to delay implementation of a solution will stifle growth and enterprise in the district
- That although the submitter had no issue with the suspensory loan, that they question the point of the proposal, given the legalities of swapping DOC land for the main dam. The submitter questioned whether a smaller dam would have any affect during low rainfall.
- That there is no easy solution to water shortages
- Storage of water would provide water to the growing towns and allow development and diversified crops on the Ruataniwha Plain
- That the proposal would allow irrigators to move away from ground water use and combined with possible flushing could restore the Tukituki River.
- That Council should be encouraging the public towards water storage in Central Hawke's Bay
- The economic and social wellbeing of the district depends on a thriving rural economy
- Water security is vital in ensuring that Central Hawke's Bay can withstand the challenges of climate change in the future
- The opportunity to take surplus water for storage needs to be explored to enable innovative crop opportunities
- That we need an overarching look into the best solution for water storage, allocation and distribution in the district to meet everyone's needs
- That plenty of countries have no water, but we are only short in the summer months so need to find a way to manage how to have a supply year round
- Restriction through the Regional Council's Plan Change 6 restricts a large amount of water that has not been restricted previously
- That this is a good opportunity for the district now that the ownership is in Central Hawke's Bay
- That this is a no brainer for the future prosperity of the community
- Security of water would enable a mosaic of land uses increasing economic resilience for the region
- The future for Central Hawke's Bay development lies in land use change driven by water availability
- That this is a conflict of interest for the council to be involved in as a regulator and funder

- That although this is supported, that the submitter questions why it is coming from the Rural Ward Fund
- That checks and balances will need to be done by the Council to ensure the loan is a sound investment
- That the proposal is supported, but with reservations

59 submitters opposed Council providing the suspensory loan to Water Holdings CHB. Some of the key matters raised by submitters in support of this option included:

- That although there is an understanding of the need for a secure water supply, that the investment does not change the previous decisions made, where DOC lands can't be flooded and a land swap is not a viable option.
- That it would be preferable to revise existing water resource consents for pastoral users
- Taking water out of the water table would mean it was not available for forests
- That the Council should not give money to a private company without any accountability to the Council
- That the Makaroro River is unsuitable for a dam for a number of reasons, and that we should head towards using the land in a way that requires less water.
- That ratepayers have already contributed enough to a water storage solution
- That there is no security offered by the recipients to back the loan
- That land owners need to plan and fund their own water storage and supply
- That it would be wise to develop ways to use land in a manner that requires less water to be sustainable
- That in order to pay for the scheme, users must increase production, further polluting aquifers and waterways
- That there is a lack of transparency and that there has not been any detail on how the money would be spent
- That although the Council says that Water Storage is critical for the future security of water in CHB, it doesn't seem to have explored any other options to ensure adequate quantity and quality for community users year round
- That the Council has said there will be strict criteria but have not elaborated on what these are
- That there is a lack of clarity about what the Rural Ward Fund would otherwise be for and that if it is available to use that this should be used to encourage water conservation and to encourage primary producers to improve the efficiency of their water use
- That the amount of water used for irrigation is disproportionately higher than water used for drinking
- That ratepayer money should be spent on ensuring water is used sustainably
- That there is concern about the suspensory status of the loan and that if the IP is sold by Water Holdings CHB, the loan should be repaid.
- That given the significant investment made by the regional council on a solution, that the district council and Water Holdings CHB would be unlikely to make it a reality
- The loan exposes ratepayers to a high risk, through imprudent use of public funds
- That the loan would contradict the Council's Treasury Management Policy which outline that investments should be low risk and that Water Holdings CHB does not have a credit rating.
- That Council is not required to supply water to rural areas for irrigation. Most irrigation schemes are owned by famers and very few, if any, Councils help fund them.
- That Council will not have the resources to set up the loan and actively manage the conditions of it.
- That there are a number of conflicting statements that have been released including the fact that the Ruataniwha Water Storage Scheme is not being revisited, despite it being the IP from the scheme which is being reviewed.

- That a proposal to build a dam would be a contradiction to the proposed Environmental and Sustainability Strategy and the HB Biodiversity Strategy and Action Plan.
- That it would be a terrible catastrophe to cause destruction of our natural environment
- That Council has previously voted not to invest in the Ruataniwha Water Storage Scheme
- That the Council would not get Provincial Growth Funding for a mega dam
- That Water Holdings CHB Limited should find the money elsewhere
- That there are alternative methods for farmers and growers to farm sustainably so as not to degrade the environment
- That if funding is going to benefit everyone in the district, why is it just being taken from the rural fund and not an urban equivalent fund?
- That there would be probable poor economic and environmental outcomes if the project should proceed
- That the likely downstream impacts would be significant and extend all the way to the coast
- That ratepayers and the environment would end up bearing the cost for the benefit of an interested few
- That it is not right to make changes to Council policies to allow the loan to occur
- That the money could be put to better use
- That this is simply 'flogging a dead horse'
- That we should wait until the HBRC Ruataniwha Aquifer study is released in order for Water Holding's CHB to get a more solid business case to put to Council to secure public funding
- No guarantee that a private company will deliver benefits and that Council should employ consultants to do this work
- That Sole assets in the company are the IP of the previous scheme, so what other options are Water Holdings CHB likely to consider?
- That the interests of ratepayers are inadequately protected from the conflicting interests of the company's shareholders.
- The risks are understated and the benefits exaggerated
- The company plans a public relations campaign for a law change to allow the land swap for the high dam. Any other options offered are misleading and designed to secure public funding.
- Once public funds have been secured the company can change policies at any time
- That risk mitigation would need to include rigorous loan conditions and staged payments on the basis of milestones and that the Council should take a majority shareholding with rights to appoint the board
- Surface water users are the main beneficiaries and should be required to fund the scheme
- It is unlikely that the water storage would provide sufficient augmentation of river flows so it is unlikely that the dam will make economic sense
- Dairy farming and associated water demand will be curtailed by Plan Change 6
- Secure water supplies discourage adaptation to water scarcity and consideration of alternatives that have less impact on the environment, e.g. restoration of wetlands and rebalancing water take consents granted by the regional council
- That it doesn't stack up environmentally, socially or financially
- A legal framework needs to be put in place to hold Water Holdings CHB to account for any negative consequences of their proposed scheme
- Water storage is not mitigation for climate change
- The loan is not a loan, but a gift
- Council needs to work with the regional council and central government to implement law change to decrease water allocations. Summer conservation campaigns do nothing to save water when irrigators are carrying on business as usual.
- That giving money to a private company undermines community involvement such as through the Tukituki Task Force

- That given the law that directors of the company must act in the interests of shareholders, community interest will be secondary
- That if an off river water storage option was suggested it would be received better
- That Council should lobby Minister for the Environment to change legislation around ground water takes for large scale irrigation
- A more equitable water solution for all could prevent a water storage scheme being necessary
- That instead of fighting nature, that we should promote farming practices that align with the environment
- The loss of thousands of trees will further increase greenhouse gas emissions
- That Water Holdings CHB need to spend their own money to make sure that they will meet water quality and quantity objectives in the short and long term.
- That any further increase in farm output will increase nitrate levels further frustrating the objectives of Plan Change 6
- That Council grants should be available to more than one contestant, not just one company because they have asked for it

As can be read above within the analysis of submissions, a number of points were made in either support or against the proposal to provide a suspensory loan to Water Holdings CHB Limited.

Before presenting options to Council, the following part of the report attempts to pull out the key themes raised during submissions and provide further or clarified information for Council to consider.

The report also contains updates to Council on any matters that have progressed or changed since Council first considered this proposal in February 2019.

What could we possibly find in the IP that hasn't already been found before?

Water Holdings CHB Ltd, as the holder of the IP associated with the RWSS, is in a unique position to explore what value remains in the science, consents and construction plans to create a new approach to water storage as a part of the regional solutions for water security.

The direction of work has its foundational intent to store sufficient water during the winter period to secure minimum river flows during the summer months.

The scope of work that Water Holdings CHB Limited are seeking financial support for intends to work through the IP and engage with key stakeholders on a number of factors involved in the current consented structure.

The work will measure and prioritise the role of each factor in reaching a water storage solution that has wide community benefits and acceptance.

These factors include:

1. The volumes of water required in the main Makaroro, Waipawa and Tukituki tributaries to achieve minimum flow rates
2. The volume of water able to be held behind different wall heights
3. The breadth and composition of distribution network required to achieve coverage of the catchment, or parts thereof
4. The role water storage in this project could play in the wider regional approach to water security in the Tukituki Catchment – including Managed Aquifer Recharge and other private or community based water storage initiatives

There is clearly a relationship between the minimum flow level and the volume of storage required to guarantee that flow level in drier years. This, in turn, implies that there is a significant trade-off between the provision of the minimum flow and the availability of water for irrigation purposes.

The focus of the assessment work is to evaluate this trade off to find an option that is acceptable to a majority of the community that looks at the priority of bringing environmental flow to the river and how that could be leveraged to support the land use changes we want to achieve in Central Hawke's Bay.

What is unique with Water Holdings CHB Limited proposal is the level of investment made to date in validating and designing a scaled water storage development. It is worth noting that the investment to date was via the Hawke's Bay Regional Investment Company before the transfer of the IP to Water Holdings CHB Limited.

While significant investment in the proposition of water storage has already been made via the Hawke's Bay Regional Council Investment Company, the proposition that exists now is for community ownership and leadership of the IP to determine whether a refreshed approach can navigate a positive way forward.

Elected Members are requested to consider whether the investment proposition of providing what has been described as a last chance to look at the IP with fresh eyes to determine whether value can be found in the IP to help solve water security challenges for Central Hawke's Bay.

What does the money get us? And how is the budget made up?

Water Holdings CHB Limited maintain that an opportunity exists to take a fresh look at the IP.

The IP was purchased by Water Holdings CHB Limited for \$100,000.00. Since the purchasing of the IP, the shareholders have provided further capital to enable the startup of the company and some early work on the investigation of the IP.

Mike Smith has been engaged by Water Holdings CHB Limited and has completed early work in developing a high level programme plan.

The investment being sought by Water Holdings CHB Limited from Central Hawke's Bay District Council is for \$250,000.

Water Holdings CHB Limited initially proposed that these funds will be matched by alternative funding sources.

The following Table provides a breakdown of the funding split that makes up the total proposed quantum of funds being sought.

Table 1. Water Holdings CHB Limited Investment Split.

Funder	Quantum	Comment
Provincial Growth Fund (or alternative funding sources)	\$250,000	Not confirmed
Other	\$50,000	To be confirmed from other partners
CHBDC	\$250,000	Council investment being sought
Total	\$550,000.00	

Water Holdings CHB Limited have provided a comprehensive budget to Council Officers.

The budget provides a 4 stage priority process in which stage 2, 3 and 4 only commence should stage 1 present a clear pathway forward.

The stages are described as follows:

Table 2. Water Holdings CHB Limited Expenditure Split.

Stage	Outcomes	Budget
Stage 1 Corporate Stakeholders Technical Project Management	Legal structure and asset ownership plan Stakeholder engagement and storage decision analysis Design basis and critical design decisions (power generation) Management of above activities	\$165,000
Stage 2 Operations Project Deliverables Technical Economic Project Management	Operating philosophy for completed assets (who, where, how) Hazards Management Plan, Project Execution Strategy Geotech data plan, power generation preliminary design Regional benefits update Management of above activities	\$55,000
Stage 3 Corporate Project Deliverables Technical Economic Project Management	Business process set up for project execution PM plans – cost, schedule, logistics, IT, project controls etc Technical project scope confirmation Project economics evaluation Management of above activities	\$200,000
Stage 4 Corporate Technical	Communications and IM Plans Secondary Distribution scope confirmation	\$30,000
SUBTOTAL		\$450,000
Travel Costs Allowance		\$10,000
Contingency		\$50,000
Other Activities – Legal, Accounting etc		\$40,000
TOTAL		\$550,000

At the time of writing this report, it remains unclear whether Water Holdings CHB Limited will be successful in attaining short term funding from the Provincial Growth Fund. Water Holdings CHB Limited are currently exploring alternative funding options but will not pursue this further until Stage 1 of the next steps is completed, as stage 1 will determine whether through a collaborative engagement process key stakeholders can find compromise and determine a positive way forward.

Water Holdings CHB Limited have an annual science charge payable to Hawke's Bay Regional Council. This is currently \$120,000 including GST per annum and is essential to keeping the resource consents active, which have 8 years left to run. Consequently, there is some urgency to completing review of the IP to ensure unnecessary cost is not incurred in keeping any unusable consents alive.

Where will Council fund the suspensory loan from?

If Council provides a suspensory loan to Central Hawke's Bay it is proposed Council's funding will be made available via the Rural Ward Funds.

The funds were established to provide funds for the provision or maintenance of recreational, cultural or infrastructural assets within the Aramoana / Ruahine Wards.

The Special Funds Policy is the Council policy that governs the use of the Rural Ward Funds. The Rural Funds, also known as the Aramoana / Ruahine Ward Disbursement Reserve Accounts were established following the 1989 Central Hawke's Bay Councils amalgamations.

The Special Funds Policy states that unless otherwise stated, only the interest earned on each fund shall be available to be spent, thereby preserving the individual fund amounts.

A decision by Council to provide \$250,000 by way of suspensory loan to Water Holdings CHB Limited, would require an amendment to the Special Funds Policy given the current policy is limited to only granting interest earned.

The Aramoana / Ruahine Rural Ward Funds have a current balance of \$811,114. By drawing on the reserve funds there would be no further impact on rates. The money is managed as part of the treasury function and is invested as part of the overall funds of Council as per the Treasury Policy – NZ Registered Banks A+/A-1 ratings

In the last 5 years the funds have been used to assist with the installation of a heat pump at the Settlers Museum, Tamatea Trails feasibility and Porangahau Hall War Memorial Project.

Feedback was raised during submissions that given it would not only be the rural sector that benefited from a long term water storage solution, that alternative funding provisions other than the Aramoana / Ruahine Rural Ward Fund should be considered.

Council could utilise funds from the Urban Ward Fund, but should note that the balance of this fund is only \$82,000.

How does the proposal apply to current Council Policies?

The proposed structure of the funding is consistent with the intent of the fund and the potential benefits to the district could be significant. While the Rural Ward Fund have typically been used for Council owned assets, the policy does not specify that it must be Council assets.

Council's current investments policy limits equity investments to shares. The proposition to provide funding to Water Holdings CHB Limited via a suspensory loan is considered an investment because of the nature of the proposed key terms and conditions.

For Council to go ahead with this proposal a small change to the current Investment Policy would be required to allow this structure.

This would include the addition of "and other appropriate structures" in the definition of equity investments.

It may be appropriate to have limited investment(s) in equity (shares) and other appropriate structures when Council wishes to invest for strategic, economic development or social reasons, such as Local Government Insurance Corp^[1].

Council will approve equity investments on a case-by-case basis, if and when they arise.

[1] Council currently holds 8,290 shares in the NZ Local Government Insurance Corporation Ltd. The purpose of the entity, in which most local authorities are shareholders, is to ensure that

adequate insurance arrangements are available to local authorities at the lowest possible cost. The shares are not readily transferable.

Both changes to the Special Funds Policy and Investments Policy can be achieved via Council resolution and would only be recommended following community consultation and once Council make deliberations on the Annual Plan 2019/20.

Commentary was made through submissions that the proposition was in breach of Council's Investment Policy.

This comes down to the definition of the Investment. Although this is a loan, it is being considered as an equity investment in nature rather than as a financial investment (such as term deposits and bonds).

Financial Investments has the following objective:

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties.

These investments are done to protect the capital invested for future use and to produce a return to Council.

Equity Investment has the following objective:

It may be appropriate to have limited investment(s) in equity (shares) or appropriate structure when Council wishes to invest for strategic, economic development or social reasons, such as Local Government Insurance Corp.

Council will approve equity investments on a case-by-case basis, if and when they arise. The suspensory loan is being considered as equity investment as it is being considered for strategic and economic development reasons rather than as capital protection.

If Council chose to provide a grant or enter a service level agreement with Water Holdings CHB Limited, rather than provide a suspensory loan then Council's Investments Policy does not apply; only the special funds policy.

Should Council be providing a suspensory loan to a Limited Liability Company?

Concerns were raised during formal submissions that Council were giving money to a private company.

Water Holdings CHB Limited is a limited liability company, 100% owned by private shareholders and describes itself as a conglomerate of community and business leaders in Central Hawke's Bay with an interest in securing the long term and sustainable water security for the region.

The entity, whilst a private business, promotes itself as being not for private profit from the assets which have been purchased.

Water Holdings CHB Limited shareholding (of 9999 shares) is split between six shareholders being:

- Hugh Ritchie
- Gavin Streeter
- Tim Gilbertson
- Bruce Stephenson
- Bruce Worsnop
- Arthur Rowlands

In addition to the shareholder/ directors, Water Holdings CHB Limited has an independent chair, Angus Mabin.

All shareholders are actively involved in local businesses throughout Central Hawke's Bay and the wider Hawke's Bay region.

Water Holdings CHB Limited holds the IP for the Ruataniwha Water Storage Scheme that was developed by Hawke's Bay Regional Investment Company Ltd and was sold in 2018 following Hawke's Bay Regional Council's decision not to pursue the feasibility of the Ruataniwha Water Storage Scheme.

The proposed investment being sought by Water Holdings CHB Limited is not a unique investment precedent.

There are multiple examples whereby private/ public investment has been made into large scale infrastructure/ social infrastructure projects by Government and Councils, where there is a direct tangible community benefit and return.

Throughout submissions concerns were raised regarding the proposition that Council are providing financial assistance to a private company.

The proposition of Water Holdings CHB Limited, which is currently a holding company transferring to a Charitable Trust has been explored. However the complexity associated with the development of a Charitable Trust when the intent is for Water Holdings CHB Limited to be a holding company until a time that it can be determined whether there is a way forward to extract value from the IP means there is little merit in further exploring this.

What are the proposed Key Terms and Conditions, and what checks and balances will be put in place?

In Council making any form of investment, whether by way of a grant, loan or as a direct investment; careful consideration needs to be given to how the funds will be used and what caveats or conditions will be imposed so as to ensure Council's position is protected. The nature of the caveats or conditions will largely depend on the commercial structure Council elects to choose.

Whilst the investment being sought is not significant in the context of the overall potential opportunity, it is still a significant sum of monies for Council to consider and the final implementation and commercialisation of the IP will require a significant level of investment to be made.

Council Officers have intentionally not gone down the path of engaging expert legal advice to draw up the key terms and conditions, or a draft agreement. Should Council in principle proceed with the proposal to provide a suspensory loan, the next step would be to engage legal experts in develop a robust commercial agreement that outlined key terms and conditions which protected Council's interests. The agreement would seek accountability and line of sight to progress of milestones and ensured a staged approach to any investment was followed.

In terms of the investment being treated as a loan, we believe the most appropriate mechanism would be for Council's investment into Water Holdings CHB Limited to be a suspensory loan.

Based on the feedback during community engagement, it is critical that should Council approve in principle the suspensory loan, strict checks and balances need to be put in place.

The basis of payment of any funds would be made on a milestone basis being the completion or satisfaction of agreed outputs. This will protect Council's position and the potential for any loss. It will also ensure if the initiative is not feasible there will be no unnecessary Council expenditure occurring. This will also provide a feedback loop for reporting purposes.

The following condition precedents for repayments or dispensation of liabilities are likely to include:

Repayment:

- The sale or divestment of Water Holdings CHB Limited.
- The transfer of IP to a subsidiary entity or third party, other than Council.
- Failure to deliver outputs identified

Dispensation:

- The development of water storage facilities and measureable economic benefits being created and realised; being:
 1. Contribution towards water security solution identified
 2. Employment.
 3. New business/ investment.
 4. The review of IP does not identify any tangible or financially sustainable water storage solution that can be implemented.

We believe if Water Holdings CHB Limited do receive a dispensation under point 4 Council should as condition of the loan agreement have access to all IP obtained and developed by Water Holdings CHB Limited as part of the investigation exercise.

Some options available for Council to consider but not necessarily recommended to agreeing to a \$250,000 suspensory loan are as follows:

1. The appointment of an observer to Water Holdings CHB Limited.
2. Seek the suspensory loan to be converted to equity in any commercial proposition should one eventuate.

Another option available to Council is rather than providing a suspensory loan of \$250,000 a smaller sum of money could be provided by way of grant or service level agreement to Water Holdings CHB Limited. As an example, Council could enter a service level agreement of a smaller sum of money with Water Holdings CHB Limited to allow Stage 1 or part of the work identified by Water Holdings CHB Limited work to be completed so they are in a position to constructively contribute to the Tukituki Water Taskforce in finding collaborative water security solutions.

Does the proposal contradict the Draft Environmental and Sustainability Strategy?

The Draft Environmental and Sustainability Strategy aims to capture those activities and initiatives that Council can influence, coordinate or facilitate, and in some instances actually deliver.

At its heart, the Strategy has four primary objectives or priorities and four supporting themes that set out how Council will act to work towards the priorities. The four priorities are:

- Managing our impact on waterways
- Increasing recycling and reducing waste to landfill
- Conserving water
- Managing for climate change

A key issue raised throughout feedback was the perception that the adoption of the Strategy is contradicted by Council's proposal to provide a suspensory loan to Water Holdings CHB Limited.

While the issues need to be debated and determined separately, Officers advice is that there is connection between the two issues.

Council Officers advice to Elected Members is that the security of water to landowners presents greater opportunities to enhance the environmental, social, economic and cultural aspirations of Central Hawke's Bay through positively enabling change in land use to allow a move from product volume to product value and keeping within Plan Change 6 limitations, while potentially also enhancing environmental summer flows.

The proposal to provide Water Holdings CHB Limited with a suspensory loan has the opportunity to support the objectives of the Environmental and Sustainability Strategy.

Security of water will assist the Central Hawke's Bay economy in further transitioning to a high-value less animal intensive, lower nutrient producing activities which ultimately supports the priorities set out in the Environmental and Sustainability Strategy.

How does the proposal fit into the Tukituki Water Taskforce and Hawke's Bay Regional Council's role?

The Tukituki Water Taskforce was formed from a view within both Hawke's Bay Regional Council and the Central Hawke's Bay District Council that action was needed within the catchment community to work through what was anticipated to be a very dry summer and the recognition that it had potential impacts on both commercial and domestic water users and required both short-term and long term strategies.

However, in light of some of the challenges experienced by the Tukituki Water Taskforce and what has been learnt from other processes across the region and nationally, the Hawke's Bay Regional Council are taking some time to reflect on the approach to ensure that we have the right model and the right resourcing to support a collaborative approach in understanding and solving our water security problem in Central Hawke's Bay.

Despite a pause for the Tukituki Water Taskforce at the moment, The Hawke's Bay Regional Council have made it clear they are committed to taking a leadership role in partnership with Central Hawke's Bay District Council.

Further to the role of the Water Tukituki Taskforce, the Hawke's Bay Regional Council are currently awaiting to hear the outcome of the Regional Water Security application to the Provincial Growth Fund. It is expected an outcome will be known on Monday 10th June.

Options for Council to consider

One of the points raised through submissions was the risk that Council in supporting the suspensory loan were superseding the Tukituki Water Taskforce process. In the re-formation of the Taskforce with HBRC, it is suggested that the following questions need to be posed to bring more advice back to Council, these questions include:

- What does the future model for Tukituki Water Taskforce look like?
- How does the work of Water Holdings CHB Limited potentially fit into this model?
- What is the opportunity for Water Holdings CHB Limited to contribute to the water security solutions framework within the Tukituki Water Taskforce process?
- How does the Regional Water Security Package impact Central Hawke's Bay and is there any synergy with the work Water Holdings CHB Limited intend to undertake?

It is anticipated that this information could be available to Council on 20 June 2019.

While Council may consider making a decision in the absence of this information, Council may also consider awaiting this additional information.

Either way the Chief Executive seeks direction from Council on the general approach in principle Council seeks to take on this matter, so that the required advice can be researched and provided.

If Council agreed in principle to the tagging of \$250,000 from the Rural Reserves Fund to exploring water security solutions for Central Hawke's Bay, then further work could be completed to develop a framework for Council to consider. The framework would consider the roles of the Tukituki Taskforce, Hawke's Bay Regional Council, and the capacity for Water Holdings CHB Limited to contribute to a collaborative community approach.

Options available for Council consideration could include:

Option 1	<p>That Council agree in principle to provide a suspensory loan to Water Holdings CHB Limited of up to \$250,000.00.</p> <p>That the Chief Executive be delegated authority to negotiate a Draft Services Agreement with Water Holdings CHB Limited which includes Key Terms and Conditions to bring back to Council for further consideration.</p> <p>That the Draft Services Agreement which includes Key Terms and Conditions include provisions for a staged approach to the funding with a high level of checks and balances.</p>
Option 2	<p>That Council does not agree in principle to provide a suspensory loan to Water Holdings CHB Limited of up to \$250,000.</p>
<p>Additional options Council may consider as alternatives or in addition to these options are:</p> <ul style="list-style-type: none"> • Council's leadership and participation in the Tukituki Water Taskforce. • Contributing a smaller sum of money to Water Holdings CHB Limited by way of grant or service level agreement to complete a particular stage of the work identified to allow Water Holdings CHB Limited to contribute to a collaborative community approach. • Contributing financially to the Tukituki Water Taskforce • Considering Central Hawke's Bay District Council's own resource requirements to contribute to an enhanced collaborative community approach. 	

Next Steps

On decision from Council the Chief Executive will take appropriate direction, and then provide advice on next steps.

RECOMMENDATION

That, having considered all matters raised in the report that Council deliberate to determine their preferred option.



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

together we thrive

Rural Ward Fund Investment Commercial Structuring Discussion Paper

Supporting documentation for community consultation
Annual Plan 2019/2020
January 2019

Introduction

For many years, Central Hawke's Bay has been immersed in a conversation about the future prospects of the Ruataniwha Water Storage Scheme. The reality is that the Ruataniwha Water Storage Scheme as proposed is unlikely to ever be fully implemented.

Water security however, is the greatest challenge to overcome the environmental, social and economic challenges the District faces now and in the future.

The requirement for water storage in some form is required to not only ensure water security and resilience for the District, but to allow for future growth and economic development.

As a Council and key infrastructure provider responsible for ensuring the long term social, cultural, environmental and economic development of the District, the need for some form of investment in finding and implementing a solution to the current requirements and demands for water security need to be considered. The reality is the scale required to achieve the District and Region wide outputs will require collaboration and partnership across a range of stakeholder groups.

What was learnt from the Ruatanwhia proposal is no one entity alone will have the resources or ability to enable any water storage proposal of the required scale or scope alone.

How Council support such initiatives will vary and will need to be carefully managed as both a regulator and potential partner and funder of public funds.

Council have explored with Water Holdings CHB Limited (Water Holdings CHB) the proposition of providing financial assistance to support Water Holdings CHB in completing a review of the Ruataniwha Intellectual Property to identify potential water storage solutions and commercialisation opportunities.

Purpose of this paper

This paper sets out a proposal to provide a \$250,000 suspensory loan from Council's Rural Ward Funds to Water Holdings CHB.

Council have confirmed any such investment would require public consultation.

The purpose of this paper is to provide the public with an assessment of potential commercial and legal structures that Council considered and to provide additional information so that members of the community can make a submission to the Annual Plan 2019/2020.

The paper provides a high-level assessment of who Water Holdings CHB are, a review of the strategic and policy fit for any investment by Council, a review of the structures available to Council for making the investment and recommendations on the preferred option as well as condition precedents for any investment being made.



Water Holdings CHB Limited

Water Holdings CHB Limited is a limited liability company, 100% owned by private shareholders and describes itself as a conglomerate of community and business leaders in Central Hawke's Bay with an interest in securing the long term and sustainable water security for the region.

The entity, whilst a private business, promotes itself as being not for private profit from the assets which have been purchased.

Water Holdings CHB shareholding (of 9999 shares) is split between six shareholders being:

- Hugh Ritchie
- Gavin Streeter
- Tim Gilberston
- Bruce Stephenson
- Bruce Worsnop
- Arthur Rowlands

In addition to the shareholder/ directors, Water Holdings CHB has an independent chair, Angus Mabin.

All shareholders are actively involved in local businesses throughout Central Hawke's Bay and the wider Hawke's Bay region.

Water Holdings CHB holds the intellectual property for the Ruataniwha Water Storage Scheme that was developed by Hawke's Bay Regional Investment Company Ltd and was sold in 2018 following Hawke's Bay Regional Council's decision not to pursue the feasibility of the Ruataniwha Water Storage Scheme.

The investment made by the Shareholders is relatively modest in the context of the overall investment that will be required and having visibility of this and their longer-term strategy is recommended.

Proposed Investment

The investment being sought by Water Holdings CHB from Council is for \$250,000.

Water Holdings CHB have proposed that these funds will be matched by the shareholders/ private investors and a funding grant being sought from the Government's Provincial Growth Fund (PGF).

The following table provides a breakdown of the funding split that makes up the total proposed quantum of funds being sought.

Table 1. Water Holdings CHB Investment Split

FUNDER	QUANTUM	COMMENT
Provincial Growth Fund	\$250,000	Not confirmed
Water Holdings CHB	\$100,000	Investment to date in purchasing IP
Other	\$50,000	To be confirmed from other partners
CHBDC	\$250,000	Council investment being sought
Total	\$650,000	

It is proposed Council's funding will be made available via the Rural Ward Funds.

The funds were established to provide funds for the provision or maintenance of recreational, cultural or infrastructural assets within the Aramoana / Ruahine Wards.

The Special Funds Policy is the Council policy that governs the use of the Rural Ward Funds. The Rural Funds, also known as the Aramoana / Ruahine Ward Disbursement Reserve Accounts were established following the 1989 Central Hawke's Bay Councils amalgamations.

The Special Funds Policy states that unless otherwise stated, only the interest earned on each fund shall be available to be spent, thereby preserving the individual fund amounts. A decision by Council to provide \$250,000.00 by way of suspensory loan to Water Holdings CHB, would require an amendment to the Special Funds Policy given the current policy is limited to only granting interest earned.

The Aramoana / Ruahine Rural Ward Funds have a current balance of \$811,114. By drawing on the reserve funds there would be no further impact on rates.

As reported in the Annual Plan 2017/18, the Ruataniwha Water Storage Scheme was supported by Council and viewed as a key infrastructure development, from which Council would consider to take water to service the community's needs.

In addition to providing a water source, the project as proposed was projected to result in significant economic benefit. Water Holdings CHB believe any such adaptation of the original proposal will have comparable 'scaled' benefits for the region and further economic development, as to a range of further value add outputs for the District and Region as a whole, that could include:

- Improved summer flows in the Tukituki River
- Improved river health and habitat
- A predicted increase of between 1.9-5.5% in current GDP (between \$130 to \$380million a year by full water uptake)
- The potential to create between 1,130 and 3,580 jobs across Hawke's Bay through increased activity and its flow-on impacts

(Based on RWSS benefits assessment)

Water Holdings CHB, as the holder of the intellectual property associated with the RWSS, is in a unique position to explore what value remains in the science, consents and construction plans to create a new approach to water storage as a part of the regional solutions for water security.

The direction of work has its foundational intent to store sufficient water during the winter period to secure minimum river flows during the summer months.

The scope of work that Water Holdings CHB are seeking financial support for intends to work through the intellectual property and engage with key stakeholders on a number of factors involved in the current consented structure. The work will measure and prioritise the role of each factor in reaching a water storage solution that has wide community benefits and acceptance.

These factors include:

1. The volumes of water required in the main Makaroro, Waipawa and Tukituki tributaries to achieve minimum flow rates
2. The volume of water able to be held behind different wall heights
3. The breadth and composition of distribution network required to achieve coverage of the catchment, or parts thereof
4. The role water storage in this project could play in the wider regional approach to water security in the Tukituki Catchment – including Managed Aquifer Recharge and other private or community based water storage initiatives

There is clearly a relationship between the minimum flow level and the volume of storage required to guarantee that flow level in drier years. This, in turn, implies that there is a significant trade-off between the provision of the minimum flow and the availability of water for irrigation purposes. The focus of the assessment work is to evaluate this basic trade off to find an option that is acceptable to a majority of the community that look at the priority brining environmental flow to the river and how that could be leveraged to support the land use changes we want to achieve in Central Hawke's Bay.

We believe the proposed structure of the funding is consistent with the intent of the fund and the potential benefits to the district could be significant. While the Rural Ward Fund have typically been used for Council owned assets, the policy does not specify that it must be Council assets.

Council's current investments policy limits equity investments to shares.

The proposition to provide funding to Water Holdings CHB via a suspensory loan is considered an investment because of the nature of the proposed key terms and conditions.

For Council to go ahead with this proposal a small change to the current Investment Policy would be required to allow this structure.

This would include the addition of **"and other appropriate structures"** in the definition of equity investments. The change is outlined below in red.

It may be appropriate to have limited investment(s) in equity (shares) and **other appropriate structures** when Council wishes to invest for strategic, economic development or social reasons, such as Local Government Insurance Corp¹.

Council will approve equity investments on a case-by-case basis, if and when they arise.

¹ Council currently holds 8,290 shares in the NZ Local Government Insurance Corporation Ltd. The purpose of the entity, in which most local authorities are shareholders, is to ensure that adequate insurance arrangements are available to local authorities at the lowest possible cost. The shares are not readily transferable.

Both changes to the Special Funds Policy and Investments Policy (attached to this paper) can be achieved via Council resolution and would only be recommended following community consultation when Council make deliberations on the Annual Plan 2019/20.

Funding Structure

The proposed investment being sought by Water Holdings CHB is not a unique investment precedent. There are multiple examples whereby private/ public investment has been made into large scale infrastructure/ social infrastructure projects by Government and Councils, where there is a direct tangible community benefit and return.

What is unique with Water Holdings CHB proposal is the level of investment made to date in validating and designing a scaled water storage development. It is worth noting that the investment to date was via the Hawke's Bay Regional Investment Company before the transfer of the IP to Water Holdings CHB.

In Council making any form of investment, whether by way of a grant, loan or as a direct investment; careful consideration needs to be given to how the funds will be used and what caveats or conditions will be imposed so as to ensure Councils position is protected. The nature of the caveats or conditions will largely depend on the commercial structure Council elects to choose.

There are a range of options for Council in making the investment proposed, the following options have been considered by Council.



Grant

A grant would comprise of a one off non repayable grant of monies provided as payment for a set of outputs. Payment can made in advance, milestone or upon the successful completion of the contracted outputs.

The grant would be documented between the parties via a funding agreement. The funding agreement would set out the mechanism by which the investment would be made, timings for payments, requirements and outputs of the funding.

This approach is similar to how Government allocates its investment in similar activities.



Non interest bearing loan

Non interest bearing – A non interest bearing loan is a repayable facility that accrues nil interest. In the instance of the investment proposed, the interest would be registered over the all of the IP and repayment could be time bound i.e. a set term or upon a agreed trigger being effected (implementation or divestment).

The legal and accounting structures around establishing such a facility would be a lot more complex than that of a grant or suspensory loan and the establishment and ongoing compliance requirements would be costly. The facility would also need to be accounted for as a liability on Council's books.

If Council were going to pursue this option further legal and accounting advice on this matter would be required.



Interest bearing loan

An interest bearing loan would see Council investments being treated as conventional loan facility at an agreed rate of return. The level of return could be based on Council's cost of borrowing plus an agreed basis points adjustment to cover the cost of administration. This is likely to be circa 3.5 to 3.7%.

The legal and accounting structures around establishing such a facility would be a lot more complex than that of a grant or suspensory loan and the establishment and ongoing compliance requirements would be costly, however recoverable via the cost of funding. The facility would also need to be accounted for as a liability on Councils books.



Investment for ownership stake

An alternative to Council making a grant or providing a loan would be Council making a direct investment into the Water Holdings CHB for a shareholding in the entity and Councils ongoing role could be passive or active whereby it seeks a governance and decision making position in the entity. Investment in ownership would also trigger the need to assess whether it meets the test to become a Council Controlled Organisation, adding a further layer of audit and legislative requirements.

The risk of assuming such a role will be an ongoing requirement or potential for further investment being required as to Council's role potentially becoming confused.



Make no contribution to Water Holdings CHB Limited

An option that Council may consider is to provide no contribution to Water Holdings CHB. This will ultimately reduce any financial contribution from the reserve funds.

In doing this Council limits the ability for water storage solutions based on the already established IP to be developed without alternative other funding streams been identified, as well as potentially compromising the Provincial Growth Funding money that has been applied for.

While the options on the previous page were considered, Council's preferred option is the proposition of a suspensory loan and we are seeking feedback from the community.

A suspensory loan is generally a non-repayable loan that is dispensed over time or upon the completion of a set of agreed outputs.

A suspensory loan normally is not repayable; however, there can be mechanisms whereby repayment can be required.

In the instance of the investment being proposed, this could include Water Holdings CHB commercialisation of the IP or the sale, divestment or transfer of IP or the company who holds the IP.

With a suspensory loan there is normally no requirement for a guarantee or security interest to be noted.

It is worth noting that Council in providing a suspensory loan would be foregoing the annual interest which could be gained, which is at today's rates of 3.5% is \$8,750 on \$250,000.

It is deemed that the suspensory loan will best achieve the outcomes that are sought from Water Holdings CHB while still managing risk and protecting Central Hawke's Bay District Council's interests.

It is worth noting that the proposed suspensory loan is not dependent on Provincial Growth Funding, but Council acknowledges that without Provincial Growth Funding, Water Holdings CHB will need to explore other funding avenues.

Strategic Alignment

Water Holdings CHB's work strategically aligns with the Regional Economic Development Strategy – Matariki, the CHB Water Taskforce objectives of providing security/ quality of supply of water across the District.

The proposal and the economic benefits of the proposal also aligns directly with Council's own development objectives - Thrive. Which upon the successful implementation will result in further economic growth and development, attract and retain business and whanau and result in an environmentally responsible response to providing additional resilience and water security for the region.

Water Holdings CHB have also proactively engaged with mana whenua at a Taiwhenua level, who passed a motion at the most recent board meeting supporting the funding applications and a review of the intellectual property.

Conditions

Whilst the investment being sought is not significant in the context of the overall potential opportunity, it is still a significant sum of monies for Council to consider and the final implementation and commercialisation of the IP will require a significant level of investment to be made.

In terms of the investment being treated as a loan, we believe the most appropriate mechanism would be for Councils investment into Water Holdings CHB to be a suspensory loan, with the following condition precedents for repayments or dispensation of liabilities:

Repayment:

- The sale or divestment of Water Holdings CHB.
- The transfer of IP to a subsidiary entity or third party, other than Council.

Dispensation:

- The development of water storage facilities and measureable economic benefits being created and realised; being:
 1. Water security (agreed m3 quantum).
 2. Employment.
 3. New business/ investment.
 4. The review of IP does not identify any tangible or financially sustainable water storage solution that can be implemented.

We believe if Water Holdings CHB do receive a dispensation under point 4 Council should as condition of the loan agreement have access to all IP obtained and developed by Water Holdings CHB as part of the investigation exercise.

The basis of payment of any funds we would also recommend are made on a milestone basis being the completion or satisfaction of agreed outputs. This will protect Councils position and the potential for any loss. It will also ensure if the initiative is not feasible there will be a short NO rather than a long NO with any unnecessary Council expenditure not occurring. This will also provide a feedback loop for reporting purposes.

Next Steps

Council and Water Holdings CHB will need to agree the upfront Key Commercial Terms (KCTs) in advance of any funding agreement being confirmed. The KCTs will form the basis of the funding agreement.

This will also mitigate any unnecessary costs in drafting the agreements between the parties as well as confirm upfront and earlier the expectations of the two parties.

The KCTs will set out the requirements of the parties, expectations and key deliverables tagged to the funding. The KCTs will provide the framework for documenting the agreement.

In terms of recommendations in making any payment, suggested conditions are as follows:

1. Prior to any funds being released Water Holdings CHB provide a full work programme and budget for expenditure
2. Water Holding CHB confirm the funding sources for undertaking the works and commitment of funds
3. The release of Council funds are milestone and ideally matched (prorated) by shareholder, private or other investment.
4. Failure to complete will provide for a default of the IP to Council. We believe this will be of benefit to Council for other purposes.
5. There is regular reporting.

Community Consultation

It is important to note at this point that the proposed investment is only that – a proposal.

Council have deemed community engagement and consultation an important step so that Elected Members can make an informed decision whether this investment should be made. Council will be consulting with the community as part of the Annual Plan 2019/20 consultation.

Conclusion

The proposed investment being sought by Water Holdings CHB from Council is not inconsistent with investments made by Government and Councils into strategic infrastructure/ social infrastructure projects.

The proposal aligns strategically with Council's and the Region's wider economic strategies and the uniqueness of the investment made to date can be augmented into a potential project of significant value to the District, subject to a range of external variables being confirmed.

There are a range of commercial structuring options available to Council in making this investment. On the basis of wanting to manage risk, Council preferred option is the proposition of a suspensory loan. The loan will be subject to the parties agreeing a set of KCTs prior to any agreement drafting is undertaken.

Central Hawke's Bay District Council	POLICY MANUAL	
	Document #	7.20
<i>SPECIAL FUND ACCOUNTS POLICY</i>	Approved by:	Council
	Adoption Date:	14-12-2017
	Last Amended:	14-12-2017
	Review Date:	December 2020
	Page:	Page 1 of 3

That Council operate Special Fund Accounts in terms of this Policy.

All Special Fund Accounts shall be pooled for the purpose of accounting and investment.

That investments made from the Special Fund Account Pool be made in accordance with Council's Investment Policy.

That at no time will any Special Fund Account be taken into a debit balance position.

That interest payments, capital gains or losses be credited/charged on a pro-rata basis to all Special Fund Accounts within the pool.

Unless otherwise stated, only the interest earned on each fund shall be available to be spent thereby preserving the individual fund amounts.

DESCRIPTION OF PURPOSES STATEMENT

Special Funds are those funds, or reserves, which Council has established by resolution, the terms of which restricts the use of the funds. Each fund has been set up as a separate account to maintain a degree of independence from Council's general funds. All funds are invested as part of a larger pool of funds and are not available for any other purpose.

ELECTION AND BY-ELECTION FUNDING RESERVE

To provide for the smoothing of election expenses by the annual transfer of funds to the account.

MAYOR'S FUND

To provide for payments to worthy individuals or groups at the sole discretion of the Mayor.

Income for this fund comes from public donations, and if required, an allocation of interest from Special Fund Investments.

The balance of the Fund will be maintained at a minimum of \$5,000 as at each 30th June.

The Mayor will report to Council on a 6 monthly basis on expenditure from this Fund.

RURAL FIRES RESERVE

To provide funds for the non-recoverable costs incurred by Council in fighting rural fires.

The value of the fund should be preserved by transfers from the Fire Control Account so that a level of \$25,000 is maintained and annually adjusted for inflation using the cost of construction index.

ESPLANADE RESERVE FUND

To provide immediate finance to; purchase land, pay legal costs, pay survey costs or pay acquisition costs associated with the purchase or access to Esplanade Reserve land as and when it becomes available.

Withdrawals from this fund will only be made when the purchase or access to Esplanade Reserve land has been approved by Council.

TE AUTE DRAIN CHANNEL CLEARING RESERVE

To provide funds for the programmed clearing of channels and major maintenance of the system. Funds may be provided annually from the Te Aute Drainage Rate for the maintenance of this account.

RETIREMENT HOUSING DEPRECIATION RESERVE ACCOUNT

To provide for extensions, major upgrading, major maintenance or capital purchases whenever such is necessary in the provision of Retirement Housing or other social housing facilities within the district. Funds will be provided annually from the Retirement Housing rentals for the maintenance of this account.

The fund may also be used at the discretion of Council for any reviews undertaken of Retirement Housing and consideration of future options with regards to social housing generally in Central Hawke's Bay.

ADVERSE EVENTS CONTINGENCY

To provide funds to assist with the repairs to or to replace damaged Council assets in the event of an unforeseen, major, short duration, natural event. Adverse events include those that would not normally be covered by operational expenditure and those not covered by insurance. Each adverse event will be assessed on a case by case basis. In the case of an adverse roading event the New Zealand Transport Agency definition of an emergency will be used.

The value of the fund should be preserved by transfers from the appropriate operational rate so that a level of \$500,000 is maintained and annually adjusted for inflation using the cost of construction index.

CATASTROPHIC EVENTS FUND

To provide funds for the financial protection of the district in the event of an unforeseen catastrophic natural event.

This event would be such that substantial damage occurred to the vital infrastructure of the district.

Each catastrophic event will be assessed on a case by case basis.

There are three ways these funds may be used.

1. The capital sum used to repair damage to infrastructure assets.
2. The sum used to provide the "first cover" of an insurance policy for the district's infrastructural assets.
3. The sum used as part or all of Council's contribution to a proposed co-operative national emergency fund.

The value of this fund should be preserved by transfers from the appropriate operational rate so that a level of \$2.0 million is maintained and annually adjusted for inflation using the cost of construction index.

INFRASTRUCTURE PROTECTION RESERVE

To provide funds for the financial protection of the district in the event of an unforeseen catastrophic natural event on infrastructure assets.

The fund may be used to replace/repair damage to assets or infrastructure caused by a natural disaster/event.

ARAMOANA WARD DISBURSEMENT FUND

To provide funds for the provision or maintenance of recreational, cultural or infrastructural assets within the Aramoana Ward.

RUAHINE WARD HALLS MAINTENANCE RESERVE

To provide funds for the larger maintenance items of the Ward Halls in the Ruahine Ward to enable them to operate without large fluctuations in rate requirements due to major maintenance.

RUAHINE WARD DISBURSEMENT RESERVE ACCOUNT

To provide funds for the provision or maintenance of recreational, cultural or infrastructural assets within the Ruahine Ward.

RUATANIWA WARD DISBURSEMENT RESERVE ACCOUNT

To provide funds for the provision or maintenance of recreational, cultural or infrastructural assets within the Ruataniwha Ward.

CAPITAL PROJECTS FUND

To provide funds for the purchase or construction of recreational, cultural or infrastructural assets anywhere in the district.

The funds will be used to provide substantial assistance for the provision of new facilities.

The net proceeds from the sale of Council owned Infrastructure, Land and Buildings, shall be credited to this Fund.

WAIPAWA BUILDING SOCIETY SCHOLARSHIP TRUST FUND

A fund held in trust for the trustees of the scholarship to enable them to allocate grants to assist with further education for selected residents of Central Hawke's Bay district who are intending to attend, or are attending, a course of tertiary education.

ERIC TATE SCHOLARSHIP TRUST FUND

A fund held in trust for the trustees of the scholarship to enable them to allocate grants to assist with further education for selected CHB College students who normally reside in the district served by the former Waipawa District High School.

Central Hawke's Bay District Council TREASURY MANAGEMENT POLICY INCLUDING LIABILITY MANAGEMENT AND INVESTMENT POLICIES	POLICY MANUAL	
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	Approved by:	Council
	Adoption Date:	5 May 2016
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Page:	Page 1 of 23	

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1 Introduction

1.1 Policy purpose

The purpose of the Treasury Management Policy ("Policy") is to outline approved policies and procedures in respect of all treasury activity to be undertaken by Central Hawke's Bay District Council ("Council"). The formalisation of such policies and procedures will enable treasury risks within Council to be prudently managed.

As circumstances change, the policies and procedures outlined in this Policy will be modified to ensure that treasury risks within Council continue to be well managed.

It is intended that the Policy be distributed to all personnel involved in any aspect of the Council's financial management. In this respect, all staff must be completely familiar with their responsibilities under the Policy at all times.

2 Scope and objectives

2.1 Scope

- This document identifies the Policy of Council in respect of treasury management activities, incorporating both borrowing and investment activity.
- The Policy has not been prepared to cover other aspects of Council's operations, particularly transactional banking management, systems of internal control and financial management. Other policies and procedures of Council cover these matters.

2.2 Treasury management objectives

The objective of this Policy is to control and manage costs, investment returns and risks associated with treasury management activities, incorporating both borrowing and investment activity.

Statutory objectives

- All external borrowing, investments and incidental financial arrangements (e.g. use of interest rate hedging financial instruments) will meet requirements of the Local Government Act 2002 and incorporate the Liability Management Policy and Investment Policy.
- Council is governed by the following relevant legislation:
 - Local Government Act 2002, in particular Part 6 including sections 101,102, 104, 105 and 113.
 - Local Government (Financial Reporting and Prudence) Regulations 2014, in particular Schedule 4.
 - Trustee Act 1956. When acting as a trustee or investing money on behalf of others, the Trustee Act highlights that trustees have a duty to invest prudently and that they shall exercise care, diligence and skill that a prudent person of business would exercise in managing the affairs of others.
- Council will not transact with any Council Controlled Trading Organisation (CCTO) on terms more favourable than those achievable by Council itself, without charging any rate or rates revenue as security.
- A resolution of Council is not required for hire purchase, credit or deferred purchase of goods if:
 - The period of indebtedness is less than 91 days (including rollovers); or
 - The goods or services are obtained in the ordinary course of operations on normal terms for amounts not exceeding in aggregate, 5.0% of the Council's consolidated annual operating budget for the year (as determined by Council's Significance and Engagement Policy).

General objectives

- Ensure that all statutory requirements of a financial nature are adhered to.
- Minimise Council's costs and risks in the management of its external borrowings.
- Minimise Council's exposure to adverse interest rate movements.
- Arrange and structure external long term funding for Council at a favourable margin and cost from debt lenders. Optimise flexibility and spread of debt maturity terms within the funding risk limits established by this Policy statement.
- Maintain appropriate liquidity levels and manage cash flows within Council to meet known and reasonable unforeseen funding requirements.
- Manage investments to optimise returns in the long term whilst balancing risk and return considerations.
- Develop and maintain relationships with financial institutions, brokers and LGFA.
- Comply, monitor and report on borrowing covenants and ratios under the obligations of Council's lending/security arrangements.
- To minimise exposure to credit risk by dealing with and investing in credit worthy counterparties.
- Borrow funds, invest and transact risk management instruments within an environment of control and compliance.
- Monitor, evaluate and report on treasury performance.
- Ensure the Council, management and relevant staff are kept abreast of the latest treasury products, methodologies, and accounting treatments through training and in-house presentations.
- Ensure adequate internal controls exist to protect Council's financial assets and to prevent unauthorised transactions.

In meeting the above objectives Council is, above all, a risk averse entity and does not seek risk in its treasury activities. Interest rate risk, liquidity risk, funding risk, investment risk or credit risk, and operational risks are all risks which Council seeks to manage, not capitalise on. Accordingly activity which may be construed as speculative in nature is expressly forbidden.

2.3 Policy setting and management

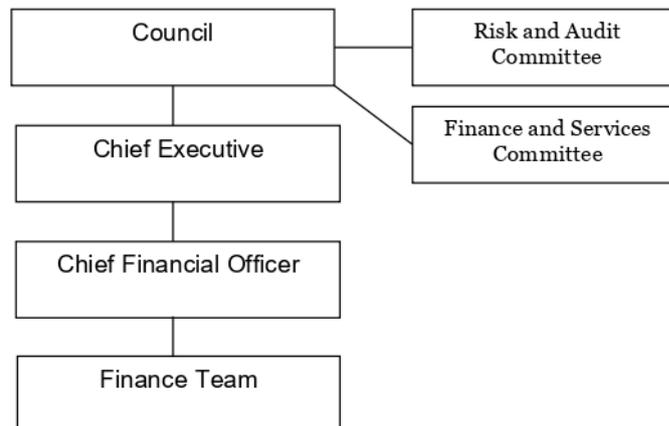
Council approves Policy parameters in relation to its treasury activities. The CE has overall financial management responsibility for the Council's borrowing and investments, and related activities.

The Council exercises ongoing governance over its subsidiary companies (CCO/CCTO), through the process of approving the Constitutions, Statements of Intent, and the appointment of Directors/Trustees of these organisations.

3 Governance and management responsibilities

3.1 Overview of management structure

The following diagram illustrates those individuals and bodies who have treasury responsibilities. Authority levels, reporting lines and treasury duties and responsibilities are outlined in the following section:



3.2 Council

The Council has ultimate responsibility for ensuring that there is an effective Policy for the management of its risks. In this respect the Council decides the level and nature of risks that are acceptable, given Council's statutory objectives.

The Council is responsible for approving the Policy. While the Policy can be reviewed and changes recommended by other persons, the authority to make or change Policy cannot be delegated.

In this respect, the Council has responsibility for:

- Approving the long-term financial position of Council through the Long Term Plan (LTP) and Financial Strategy along with the adopted Annual Plan.
- Approve and adopt the Liability Management and Investment Policies (the Treasury Management Policy).
- Approval for one-off transactions falling outside Policy.

3.3 Finance and Services Committee

Under delegation from Council:

- Monitor and review treasury activity through at least six monthly reporting, supplemented by exception reporting.

3.4 Risk and Audit Committee

Under delegation from Council:

- Review formally, on a three yearly basis, the Treasury Management Policy document.
- Evaluate and recommend amendments to the Treasury Management Policy to Council.

3.5 Chief Executive Officer (CE)

While the Council has final responsibility for the Policy governing the management of treasury risks, it delegates overall responsibility for the day-to-day management of such risks to the CE. The CE has approval and monitoring responsibilities over the treasury function.

3.6 Chief Financial Officer (CFO) and Finance Team

The CFO along with the Finance Team share the treasury tasks and responsibilities of the treasury function ensuring an adequate segregation of treasury duties and cross-checking of treasury activity. Oversight is maintained by the CE through regular reporting and approval delegations.

3.7 Delegation of authority and authority limits

Treasury transactions entered into without the proper authority are difficult to cancel given the legal doctrine of "apparent authority". Also, insufficient authorities for a given bank account or facility may prevent the execution of certain transactions (or at least cause unnecessary delays).

To prevent these types of situations, Council's Delegations Register must be complied with at all times.

4 Liability Management Policy

4.1 Introduction

Council's liabilities comprise of borrowings and various other liabilities. Council maintains external borrowings in order to:

- Raise specific debt associated with projects and capital expenditures.
- Raise finance leases for fixed asset purchases.
- Fund the balance sheet as a whole, including working capital requirements.
- Fund assets whose useful lives extend over several generations of ratepayers.

Borrowing provides a basis to achieve inter-generational equity by aligning long-term assets with long-term funding sources, and ensure that the cost are met by those ratepayers benefiting from the investment.

4.2 Borrowing limits

Debt will be managed within the following limits:

Item	Council Limit
Net External Debt / Total Revenue	<95%
Net Interest on External Debt / Total Revenue	<10%
Net Interest on External Debt / Annual Rates Income	<20%
External, term debt + committed bank facilities + unencumbered cash/cash equivalents to existing external debt.	>130%
Total debt per head of population	<\$2,000

- Total Revenue is defined as cash earnings from rates, government capital grants and subsidies, user charges, interest, dividends, financial and other revenue and excludes non-government capital contributions (e.g. developer contributions and vested assets).
- Net external debt is defined as total external debt less unencumbered cash/cash equivalents.

- The liquidity ratio is defined as external debt plus committed bank facilities, plus unencumbered cash/cash equivalents divided by external debt.
- Net interest on external debt is defined as the amount equal to all interest and financing costs (on external debt) less interest income for the relevant period.
- Annual Rates Income is defined as the amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating) Act 2002 (including volumetric water charges levied) together with any revenue received from other local authorities for services provided (and for which the other local authorities rate).
- Financial covenants are measured on Council only not consolidated group.
- Disaster recovery requirements, urgent financing of emergency-related works and services are to be met through the special funds and liquidity policy.

4.3 Asset management plans

In approving new debt Council considers the impact on its external borrowing limits as well as the economic life of the asset that is being funded and its overall consistency with Council's LTP and Financial Strategy.

4.4 Borrowing mechanisms

Council is able to externally borrow through a variety of market mechanisms including issuing stock/bonds, commercial paper (CP), direct bank borrowing, accessing the short and long-term wholesale debt capital markets either directly or through the LGFA, or internal borrowing of reserve and special funds. In evaluating strategies for new borrowing (in relation to source, term, size and pricing) the following is taken into account:

- The size and the economic life of the project.
- Available terms from banks, the LGFA and debt capital markets.
- Council's overall debt maturity profile, to ensure concentration of debt is avoided at reissue/rollover time.
- Prevailing interest rates and margins relative to term for debt issuance, the LGFA, debt capital markets and bank borrowing.
- The market's outlook on future interest rate movements as well as its own.
- Legal documentation and financial covenants considerations.
- Alternative funding mechanisms such as leasing should be evaluated with financial analysis in conjunction with traditional on-balance sheet funding. The evaluation should take into consideration, ownership, redemption value and effective cost of funds.

Council's ability to readily attract cost effective borrowing is largely driven by its ability to rate, maintain a strong financial standing and manage its relationships with the LGFA, and financial institutions/brokers.

4.5 Security

Council's external borrowings and interest rate management instruments will generally be secured by way of a charge over rates and rates revenue offered through a Debenture Trust Deed. Under a Debenture Trust Deed, Council's borrowing is secured by a floating charge over all Council rates levied under the Local Government Rating Act. The security offered by Council ranks equally or *pari passu* with other lenders.

From time to time, and with Council approval (or through an approved person as per the delegations register), security may be offered by providing a charge over one or more of Councils assets, where it is beneficial and cost effective to do so.

- Any internal borrowing will be on an unsecured basis.

- Any pledging of physical assets must comply with the terms and conditions contained within the Debenture Trust Deed.

4.6 Debt repayment

The funds from all asset sales, operating surpluses, grants and subsidies will be applied to specific projects or the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use.

Debt will be repaid as it falls due in accordance with the applicable borrowing arrangement. Subject to the appropriate approval and policy limits, a loan may be rolled over or re-negotiated as and when appropriate.

Council will manage debt on a portfolio basis and will only externally borrow when it is commercially prudent to do so.

4.7 Guarantees/contingent liabilities and other financial arrangements

Council may act as guarantor to financial institutions on loans or enter into incidental arrangements for organisations, clubs, trusts, or Business Units, when the purposes of the loan are in line with Council's strategic objectives.

Council is not allowed to guarantee loans to Council-controlled trading organisations under Section 62 of the Local Government Act.

Council will ensure that sufficient funds or lines of credit exist to meet amounts guaranteed. Guarantees given will not exceed any amount agreed by Council in aggregate. The Finance Team monitors guarantees and reports six-monthly to the CE.

4.8 Internal borrowing of special funds

Special Funds must generally be used for the purposes for which they have been set aside. Council currently has a Capital Projects Fund, a Disaster Fund and an Adverse Event Fund, held for the benefit of all ratepayers. Council may, however, modify such purposes from time to time. Funds held in excess of the special funds requirement are held as ratepayers equity reserves, and can be utilised as needed. Recorded special fund balances must be used for their intended purpose.

Council maintains its funds in short term maturities emphasising counterparty credit worthiness and liquidity. The interest rate yield achieved on the funds therefore is a secondary objective. Liquid assets are required to be held physically against Special Fund amounts.

Any internal borrowing of equity reserves must be reimbursed for interest revenue lost.

The cost of internal borrowing is set by the Finance Team from time to time.

For reasons of cost distribution, records on internal borrowings will be maintained to ensure Funds are not disadvantaged.

4.9 New Zealand Local Government Funding Agency (LGFA) Limited

Despite anything earlier in this Policy, Council may borrow from the New Zealand Local Government Funding Agency Limited (LGFA) and, in connection with that borrowing, may enter into the following related transactions to the extent it considers necessary or desirable:

- Contribute a portion of its borrowing back to the LGFA as an equity contribution to the LGFA. For example borrower notes.
- Provide guarantees of the indebtedness of other local authorities to the LGFA and of the indebtedness of the LGFA itself.
- Commit to contributing additional equity (or subordinated debt) to the LGFA if required.
- Secure its borrowing from the LGFA and the performance of other obligations to the LGFA or its creditors with a charge over the Council's rates and rates revenue.

- Subscribe for shares and uncalled capital in the LGFA.

5 Investment Policy

5.1 Introduction

Council generally holds investments for strategic reasons where there is some community, social, physical or economic benefit accruing from the investment activity. Generating a commercial return on strategic investments is considered a secondary objective. Investments and associated risks are monitored and managed, and reported at least six-monthly to the Finance and Services Committee. Specific purposes for maintaining investments include:

- For strategic and intergenerational purposes consistent with Council's LTP and AP.
- The retention of vested land.
- Holding short term investments for working capital and liquidity requirements.
- Holding assets (such as property and land parcels) for commercial returns.
- Provide ready cash in the event of a natural disaster. The use of which is intended to bridge the gap between the disaster and the reinstatement of normal income streams and assets.
- Invest amounts allocated to specific reserves.
- Invest funds allocated for approved future expenditure.
- Invest proceeds from the sale of assets.

Council recognises that as a responsible public authority all investments held, should be low risk, giving preference to conservative investment policies and avoiding speculative investments. Council also recognises that low risk investments generally mean lower returns.

To minimise raising external debt, Council can internally borrow from equity, reserves and investment funds, in the first instance to meet operational and capital spending requirements.

5.2 Policy

Council's general Policy on investments is that:

- Council may hold financial, property, and equity investments if there are strategic, commercial, and economic or other valid reasons.
- Council will keep under review its approach to all investments and the credit rating of approved creditworthy counterparties.

5.3 Mix of investments

Council maintains investments in the following assets:

- Equity investments
- Property investments
- Financial investments

5.4 Equity investments

It may be appropriate to have limited investment(s) in equity (shares) when Council wishes to invest for strategic, economic development or social reasons, such as Local Government Insurance Corp¹.

Council will approve equity investments on a case-by-case basis, if and when they arise.

¹ Council currently holds 8,290 shares in the NZ Local Government Insurance Corporation Ltd. The purpose of the entity, in which most local authorities are shareholders, is to ensure that adequate insurance arrangements are available to local authorities at the lowest possible cost. The shares are not readily transferable.

Generally such investments will be (but not limited to) Council Controlled Trading Organisations (CCTO) or Council Controlled Organisations (CCO) to further district or regional economic development. Council does not invest in offshore entities.

Council reviews performance of these investments as part of the annual planning process to ensure that stated objectives are being achieved.

Any disposition of these investments requires approval by Council. Acquisition of new equity investments requires Council approval. The proceeds from the disposition of equity investments will be taken to the Capital Projects Fund. .

All income, including dividends, from Council's equity investments is included in general revenue.

Equity investment performance is reported to the Finance and Services Committee at least annually, along with the consideration of and approval of the Statement of Intent.

5.4.1 New Zealand Local Government Funding Agency Limited

Despite anything earlier in this Policy, Council may invest in shares and other financial instruments of the New Zealand Local Government Funding Agency Limited (LGFA), and may borrow to fund that investment.

Council's objective in making any such investment will be to:

- Obtain a return on the investment.
- Ensure that the LGFA has sufficient capital to remain viable, meaning that it continues as a source of debt funding for the Council.

As a borrower, Council's LGFA investment includes borrower notes.

5.5 Property investments

Council's overall objective is to only own property that is necessary to achieve its strategic objectives as stated in the LTP or deemed to be a core Council function. Council reviews property ownership through assessing the benefits of continued ownership in comparison to other arrangements which could deliver the same results. This assessment is based on the most financially viable method of achieving the delivery of Council services. Council generally follows similar assessment criteria in relation to new property investments.

Council reviews the performance of its property investments at least annually and ensures that the benefits of continued ownership are consistent with its stated objectives. Council's policy is to dispose of any property that does not achieve a commercial return having regard to any restrictions on title or other requirements or needs to achieve Council objectives. All income, including rentals and ground rent from property investments is included in the consolidated revenue account. All rented or leased properties will be at an acceptable commercial rate of return so as to minimise the rating input, except where Council has identified a level of subsidy that is appropriate.

Proceeds from the disposition of property investments are used firstly in the retirement of related debt and then are credited to the Capital Projects Fund.

Council's investment in properties, other than reserves and those required for own occupation and infrastructural services, will not exceed 50% of total fixed assets.

Any purchased properties must be supported by a current registered valuation, substantiated by management including a fully worked capital expenditure analysis.

5.6 Financial investments

Objectives

Council's primary objectives when investing is the protection of its investment capital. Accordingly, Council may only invest in approved creditworthy counterparties. Creditworthy counterparties and investment restrictions are covered in section 5.4. Credit ratings are monitored and reported at least six-monthly.

Council may invest in approved financial instruments as set out in section 6.2. These investments are aligned with Council's objective of investing in high credit quality and liquid assets. The CE approves the investment strategy within the scope and parameters of this policy and does so with input from Council's investment advisors.

Council's investment portfolio will be arranged to provide sufficient funds for planned expenditures and allow for the payment of obligations as they fall due. Council prudently manages liquid financial investments as follows:

- Any liquid investments must be restricted to a term that meets future cash flow and capital expenditure projections.
- Council may choose to hold specific reserves in cash and financial investments. Interest income relating to special reserves is allocated to those accounts annually based on the opening balance.
- Internal borrowing will be used wherever possible to minimise external borrowing.
- Financial investments do not include shares/equities.
- All unsecured financial investment must be senior in ranking. Subordinated and perpetual debt instruments are not permitted.

Special funds

Liquid assets are required to be held against recorded Special Fund amounts.

Trust funds

Where Council hold funds as a trustee, or manages funds for a Trust then such funds must be invested on the terms provided within the Trust Deed. If the Trust's Investment Policy is not specified then this Policy should apply.

5.7 Investment management and reporting procedures

Council's policy for the management and reporting of investments includes:

- The legislative necessity to maintain efficient financial systems for the recording and reporting (inter alia) of:
 - All revenues and expenditures;
 - All assets and liabilities; and
 - The treatment and application of special funds.
- Adherence to Council's financial processes and delegations to Council's staff to invest surplus short-term funds and negotiate reinvestments, subject to the provision of adequate cash resources to meet normal expected cash demands;
- Treasury reporting is completed on at least a six-monthly basis.

6 Risk recognition / identification management

The definition and recognition of liquidity, funding, investment, interest rate, counterparty credit, operational and legal risk of Council is detailed below and applies to both the Liability Management Policy and Investment Policy.

6.1 Interest rate risk on external borrowing

6.1.1 Risk recognition

Interest rate risk is the risk that funding costs (due to adverse movements in market wholesale interest rates) will materially exceed or fall short of projections included in the LTP or Annual Plan so as to adversely impact revenue projections, cost control and capital investment decisions.

The primary objective of interest rate risk management is to reduce uncertainty relating to interest rate movements through fixing/hedging of interest costs. Certainty around interest costs is to be achieved through the management of underlying interest rate exposures.

6.1.2 Interest rate risk control limits

Exposure to interest rate risk is managed and mitigated through the risk control limits below. Council's forecast core external debt should be within the following fixed/floating interest rate risk control limit, and will apply when forecast 12 month core debt exceeds \$10 million.

Core external debt is defined as gross external debt. When approved forecasts are changed, the amount of fixed rate protection in place may have to be adjusted to ensure compliance with the Policy minimums and maximums.

Master Fixed / Floating Risk Control Limits	
Minimum Fixed Rate	Maximum Fixed Rate
50%	95%

"Fixed Rate" is defined as an interest rate repricing date beyond 12 months forward on a continuous rolling basis.

"Floating Rate" is defined as an interest rate repricing within 12 months.

The percentages are calculated on the rolling 12 month projected core debt level calculated by management (signed off by the CE).

The fixed rate amount at any point in time should be within the following maturity bands:

Fixed Rate Maturity Limit		
Period	Minimum Hedge %	Maximum Hedge %
1 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	0%	60%

A fixed rate maturity position that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.

- Floating rate debt may be spread over any maturity out to 12 months. Bank advances may be for a maximum term of 12 months.
- Any interest rate swaps with a maturity beyond 10 years must be approved by Council.

- Hedging outside the above risk parameters must be approved by Council.
- At all times these instruments must be used within the context of the prudent financial objectives of Council's treasury function.

6.2 Approved financial instruments

Approved financial instruments (which do not include shares or equities) are as follows:

Category	Instrument
Cash management and borrowing	Bank overdraft Committed cash advance and bank accepted bill facilities Loan stock /bond issuance <ul style="list-style-type: none"> ▪ Floating Rate Note (FRN) ▪ Fixed Rate Note (Medium Term Note/Bond) ▪ Commercial paper (CP)/Promissory notes
Financial investments – no more than 12-month term (except for LGFA borrower notes, investments linked to debt pre-funding and bank bonds)	Bank call/term deposits Bank registered certificates of deposit (RCDs) Secured/unsecured senior bank bonds for terms up to 5-years LGFA borrower notes
Interest rate risk management	Forward rate agreements ("FRAs") on: <ul style="list-style-type: none"> ▪ Bank bills Interest rate swaps including: <ul style="list-style-type: none"> ▪ Forward start swaps. Start date <24 months, unless linked to existing maturing swaps ▪ Swap maturity extensions and shortenings Interest rate options on: <ul style="list-style-type: none"> ▪ Bank bills (purchased caps and one for one collars) ▪ Interest rate swaptions (purchased swaptions and one for one collars only)
Foreign exchange management	<ul style="list-style-type: none"> ▪ Spot foreign exchange ▪ Forward exchange contracts (including par forwards)
Carbon price risk management	<ul style="list-style-type: none"> ▪ New Zealand Units (NZUs) and Assigned Amount Units (NZAAUs) ▪ Emission Reduction Units (ERUs), Certified Emission Reduction Units (CERs), Removal Units (RMUs) – until such time as inadmissible on the NZ Emission Trading Scheme (ETS)

Any other financial instrument must be specifically approved by the Council on a case-by-case basis and only be applied to the one singular transaction being approved.

6.3 Liquidity risk/funding risk

6.3.1 Risk recognition

Cash flow deficits in various future periods based on long term financial forecasts are reliant on the maturity structure of cash, short-term financial investments, loans and bank facilities. Liquidity risk management focuses on the ability to access committed funding at that future time to fund the gaps. Funding risk management centres on the ability to re-finance or raise new debt at a future time at acceptable pricing (fees and borrowing margins) and maturity terms of existing loans and facilities.

A key factor of funding risk management is to spread and control the risk to reduce the concentration of risk at one point in time so that the overall borrowing cost is not unnecessarily increased and desired maturity profile compromised due to changing market conditions.

6.3.2 Liquidity/funding risk control limits

To ensure funds are available when needed Council ensures that:

- There is sufficient available operating cash flow, liquid investments (cash/cash equivalents) and unused committed bank facilities to meet cash flow requirements between rates instalments as determined by the Finance Team.
- For liquidity purposes Council maintains the following;
 - External term debt plus committed bank facilities, plus unencumbered cash/cash equivalents to existing external debt of at least 110%.
 - Unencumbered liquid financial investments (cash/cash equivalents) used for liquidity management purposes are to not have a maturity term greater than 30-days.
- Council has the ability to pre-fund up to 12 months forecast debt requirements including re-financings.
- The CE has the discretionary authority to re-finance existing external debt.
- Council will only borrow from strongly rated banks with a minimum long-term credit rating of at least "A+" (S&P, or equivalent Fitch or Moody's rating).
- The maturity profile of the total committed funding in respect to all external term debt and committed bank facilities is to be controlled by the following system. The limits will apply when core debt exceeds \$10 million:

Period	Minimum %	Maximum %
0 to 3 years	15%	60%
3 to 5 years	15%	60%
5 years plus	0%	60%

A funding maturity profile that is outside the above limits, however self corrects within 90-days is not in breach of this Policy. Maintaining a maturity profile beyond 90-days requires specific approval by Council.

6.4 Counterparty credit risk

Counterparty credit risk is the risk of losses (realised or unrealised) arising from a counterparty defaulting on a financial instrument where the Council is a party. The credit risk to Council in a default event will be weighted differently depending on the type of instrument entered into.

Credit risk will be regularly reviewed by the Finance and Services Committee at least six-monthly. Treasury related transactions would only be entered into with approved counterparties.

Counterparties and limits are only approved on the basis of the following Standard & Poor's (S&P, or equivalent Fitch or Moody's rating) long and short-term credit ratings matrix. Limits should be spread amongst a number of counterparties to avoid concentrations of credit exposure.

Counterparty / Issuer	Minimum S&P long term / short term credit rating	Investments maximum per counterparty (\$m)	Risk management instruments maximum per counterparty (\$m)	Total maximum per counterparty (\$m)
NZ Government	N/A	Unlimited	None	Unlimited
Local Government Funding Agency (LGFA)	A+/A-1	10.0	None	10.0
NZ Registered Bank	A+ /A-1	8.0 (with the exception of Council's transactional bank which may exceed this for up to 5 working days)	5.0	13.0

In determining the usage of the above gross limits, the following product weightings will be used:

- Investments (e.g. Bank Deposits) – Transaction Principal × Weighting 100% (unless a legal right of set-off exists).
- Interest Rate Risk Management (e.g. swaps, FRAs) – Transaction Notional × Maturity (years) × 3%.
- Foreign Exchange / Carbon Credit - Transactional face value amount x (the square root of the Maturity (years) x 15%).

Credit ratings should be reviewed by the Finance Team on an ongoing basis and in the event of material credit downgrades should be immediately reported to the CE and assessed against exposure limits. Counterparties exceeding limits should be reported to the Council.

Risk management

To avoid undue concentration of exposures, financial instruments should be used with as wide a range of approved counterparties as possible. The approval process must take into account the liquidity of the market and prevailing market conditions the instrument is traded in and repriced from.

6.5 Foreign currency

Council has minor foreign exchange exposure through the occasional purchase of foreign exchange denominated services, plant and equipment.

All individual commitments over NZ\$100,000 equivalent are hedged using approved foreign exchange instruments, once expenditure is approved, legal commitment occurs and the purchase order is placed, exact timing, currency type and amount are known. Only approved foreign exchange instruments are used.

Council shall not borrow or enter into incidental arrangements, within or outside New Zealand, in currency other than New Zealand currency. Council does not hold investments denominated in foreign currency.

6.6 Emissions Trading Scheme (ETS)

The objective of the ETS carbon credit policy is to minimise the financial impact of carbon price movements on Council's forward carbon liability. The objective requires balancing Council's need for price stability with the benefit of realising market opportunities to reduce costs as they arise. ETS is risk managed on a case-by-case basis, with any strategy approved by the CE.

6.7 Operational risk

Operational risk is the risk of loss as a result of human error (or fraud), system failures and inadequate procedures and controls. Detailed controls and procedures are agreed between the CE and CFO on an annual basis.

6.8 Legal risk

Legal risks relate to the unenforceability of a transaction due to an organisation not having the legal capacity or power to enter into the transaction usually because of prohibitions contained in legislation.

Council will seek to minimise this risk by adopting Policy regarding:

- The use of standing dealing and settlement instructions (including bank accounts, authorised persons, standard deal confirmations, contacts for disputed transactions) to be sent to counterparties.
- The matching of third party confirmations and the immediate follow-up of anomalies.
- The use of expert advice.

6.8.1 Agreements

Financial instruments can only be entered into with banks that have in place an executed ISDA Master Agreement with Council. All ISDA Master Agreements for financial instruments and carbon units must be signed under seal by Council.

6.8.2 Financial covenants and other obligations

Council must not enter into any transactions where it would cause a breach of financial covenants under existing contractual arrangements. Council must comply with all obligations and reporting requirements under existing bank funding facilities, LGFA, Trustee and legislative requirements.

7 Measuring treasury performance

In order to determine the success of Council's treasury management function, the following benchmarks and performance measures have been prescribed.

Those performance measures that provide a direct measure of the performance of treasury staff are to be reported to the Finance and Services Committee on, at least, a six-monthly basis.

Management	Performance
Operational performance	<ul style="list-style-type: none"> All Policy limits must be complied with, including (but not limited to) counterparty credit limits, control limits and exposure limits. All treasury deadlines are to be met, including reporting deadlines.
Management of debt and interest rate risk (borrowing costs)	<ul style="list-style-type: none"> The actual borrowing cost (taking into consideration any costs/benefits of entering into interest rate management transactions) should be below the budgeted YTD/annual interest cost amount.
Treasury investment returns	<ul style="list-style-type: none"> The actual investment income should be above the budgeted YTD/annual interest income amount.

8 Cash management

The Finance Team has responsibility to manage the day-to-day cash and short-term cash management activities of Council. The Finance Team prepares rolling cash flow and debt forecasts to manage Council's cash management and borrowing requirements. The overdraft facility is utilised as little as practical with any operational surpluses prudently invested.

9 Reporting

When budgeting interest costs and investment returns, the actual physical position of existing loans, investments, and interest rate instruments must be taken into account.

9.1 Treasury reporting

Regular treasury reporting on at least a six monthly is provided to the Finance & Services Committee.

9.2 Accounting treatment of financial instruments

Council uses financial arrangements ("derivatives") for the primary purpose of reducing its financial risk to fluctuations in interest rates.

Under New Zealand Public Benefit Entity (PBE) International Public Sector Accounting Standards (IPSAS) changes in the fair value of derivatives go through the Statement of Comprehensive Revenue and Expense unless derivatives are designated in an effective hedge relationship.

Council's principal objective is to manage Council's interest rate risks within approved limits and chooses not to hedge account. Council accepts that the marked-to-market gains and losses on the revaluation of derivatives can create potential volatility in Council's financial accounts.

The Finance Team is responsible for advising the CE of any changes to relevant New Zealand Public Sector PBE Standards which may result in a change to the accounting treatment of financial arrangements.

All derivative instruments must be revalued (marked-to-market) at least six-monthly for reporting purposes.

10 Policy review

The Policy is to be formally reviewed on a triennial basis in conjunction with the LTP.

The CFO has the responsibility to prepare the annual review report (following the preparation of annual financial statements) that is presented to the CE. The report will include:

- Recommendation as to changes, deletions and additions to the Policy.
- Overview of the treasury function in achieving the stated treasury objectives and performance benchmarks.
- Summary of breaches of Policy and one-off approvals outside Policy.

Council receives the report, approves Policy changes and/or rejects recommendations for Policy changes. The Policy review should be completed and presented to the Council, through the Finance and Services Committee within five months of the financial year-end.

11 Appendix 1: Glossary of Terms

BKBM - The bank bill mid market settlement rate, as determined at 10.45 am each business day on Reuters page BKBM. This is the standard rate for the settlement of interest rate swaps, forward rate agreements and interest rate floors, caps and collars.

Bank Bill - A "bill of exchange" security document issued by a corporate borrower, but guaranteed by a bank, who then in turn sells the security into the bank/investor market to re-liquefy itself with cash. Normally for terms of 30, 60, 90 or 180 days.

Benchmark - An agreed market related yardstick that investor returns, funding costs or average exchange rate achieved are compared against for performance measurement purposes.

Bond - The security instrument that is issued by a borrower whereby they promise to repay the principal and interest on the due dates. A bond's interest rate is always fixed.

Borrower Notes. On occasion when Council borrows from the LGFA it will be required to contribute part of that borrowing back as equity in the form of "Borrower Notes". A Borrower Note is a written, unconditional declaration by a borrower (in this instance the LGFA) to pay a sum of money to a specific party (in this instance the Council) at a future date (in this instance upon the maturity of the loan). An interest return is paid on the Borrower Notes and can take the form of a dividend if the Borrower Notes are converted to redeemable preference shares.

Cap - A series or string of interest rate put options whereby a borrower can have protection against rising short term interest rates, but participate in the lower rates if market rates remain below the "capped rate." A cap is normally for more than one 90-day funding period. Also called a "ceiling".

Certificate of Deposit "CD" - A debt instrument (normally short term) issued by a bank to borrow funds from other banks/investors.

Closing-Out - The cancellation/termination of a financial instrument or contract before its maturity date, resulting in a realised gain/loss as the current market rate differs from the contract rate.

Collar - Two option contracts linked together into the one transaction or contract. A borrower's collar is normally a "cap" above current market rates and a "floor" below current rates. Over the term of the collar contract, if rates go above the cap the borrower is protected and pays an interest cost no more than the cap rate. Likewise, if market rates fall below the floor, the borrower pays the floor rate and does not participate in the lower market rates. Also called a "cylinder".

Commercial Paper - The debt security instrument issued by a prime (and normally credit-rated) borrower to raise short-term funds (30, 60, 90 or 180 days). Also called "one-name paper" and "promissory notes" issued by competitive public tender to investors, or by private treaty to one investor.

Counterparty - The contracting party to a financial transaction or financial instrument.

Covenants - Special conditions and financial ratios required to be met or maintained by a borrower for a lender under the legal security documents.

Cover - A term used to describe any action of entering financial instruments that reduces risk or puts protection in place against adverse future price movements.

Credit Rating – The credit rating of a Corporation/Council is a financial indicator to potential investors of debt securities such as bonds. These are assigned by credit rating agencies such as Standard & Poor's, Moody's or Fitch Ratings and have letter designations such as AAA, B, CC. A poor credit rating indicates a high risk of defaulting, therefore constitutes a higher level of interest rates.

Credit Risk - The risk that the other party to a financial transaction (bank deposit, interest rate swap contract) will default on or before the maturity date and not be able to fulfil their contractual obligations.

Credit Spread - The interest rate difference (expressed as basis points) between two types of debt securities. The credit spread being a reflection of the difference in credit quality, size and liquidity between the two securities e.g. five year corporate bonds may be at a credit spread of 200 basis points above Government bonds.

Debenture - A debt instrument similar to a bond whereby a borrower (normally a finance company) borrows for a longer term at a fixed rate. Also a legal instrument provided as security to a lender.

Derivative(s) - A "paper" contract whose value depends on the value of some "underlying" asset e.g. share market stocks, bank bills, bonds or foreign currency. Also called a "synthetic". The value of the assets will change as its market price changes, the derivative instrument will correspondingly change its value.

Exercise Date/Price - The day and fixed price that an option contract is enforced/actioned or "exercised" because it is in the interests of one of the parties to the contract to do so.

Fair Value - The current market value of an off-balance sheet financial instrument should it be sold or closed-out on the market rates ruling at the balance date.

Fixed Rate - The interest rate on a debt of financial instrument is fixed and does not change from the commencement date to the maturity date.

Floating Rate - The interest rate on a loan or debt instrument is re-set at the ruling market interest rates on the maturity date of the stipulated funding period (usually 90-days).

Floor - The opposite of a "cap". An investor will buy a floor, or a series/string of call options (the right to buy) to protect against falling interest rates, but be able to invest at higher interest rates if rates move upwards.

Forward Exchange Contract - A contract to buy and sell one currency against another at a fixed price for delivery at some specified future date.

Forward Rate Agreement - A contract ("FRA") whereby a borrower or investor in Bank Bills agrees to borrow or invest for an agreed term (normally 90-days) at a fixed rate at some specified future date. A FRA is an "over-the-counter" contract as the amount and maturity date is tailored by the bank to the specific requirements of the borrower/investor.

Forward Starting Swap - An interest rate swap contract that commences at a future specified date. The rate for the forward starting swap will differ from the current market rate for swaps by the shape and slope of the yield curve.

Funding Risk - The risk that a borrower cannot re-finance its debt at equal or better terms at some date in the future, in terms of lending margin, bank fees and funding time commitment. Funding risk may increase due the company's own credit worthiness, industry trends or banking market conditions.

Guaranteeing borrower LGFA – a Council borrower that guarantees the interest and loan principal obligations of other Councils borrowing from the LGFA and the LGFA itself.

Hedging - The action of reducing the likelihood of financial loss by entering forward and derivative contracts that neutralise the price risk on underlying financial exposures or risks. The gain or loss due to future price movements on the underlying exposure is offset by the equal and opposite loss and gain on the hedge instrument.

ISDA - International Security Dealers Association: a governing body that determines legal documentation/standards for over-the-counter swaps/options/FRA's and other derivative instruments for interest rates, currencies, commodities etc. Corporate users of such instruments sign an ISDA Master Agreement with banking counterparties that covers all transactions.

Interest Rate Collar Strategy - The combined purchase (sale) of a floor or cap with the sale (purchase) of another floor or cap. This can be a zero premium cost strategy. See the interest rate option for further details. This product can be used by both an investor and a borrower. From a borrower's perspective, this product is transacted to provide a limited amount of participation in a downward movement in interest rates to an agreed strike rate. If the interest rate continues to move downwards, Council cannot participate in any movement beyond the strike rate. If interest rates move in an unfavourable direction (upwards) then the predetermined strike rate provides certainty through a known worst case rate. For an investor, the zero cost collar allows some participation in an increase in rates and provides a worst case rate if interest rates decline. This product outperforms the forward rate agreement if rates fall but under performs if rates rise. This product would be used by a borrower, for known exposures, where the interest rate is expected to decline moderately from current levels.

Interest Rate Options - The purchase of an interest rate option gives the holder (in return for the payment of a premium) the right, but not the obligation, to invest (described as a floor) or borrow (described as a cap) at a future date for a specified period. Council and the counterparty agree to a notional future principal amount, the future interest rate, the benchmark dates and the benchmark rate (usually BKBM). Interest rate option products include caps, floors, swaptions and bond options.

From a borrower's perspective, these products offer Council maximum flexibility, protecting Council from a rise in rates but allowing full participation in a fall in rates. When used by an investor, this product protects Council from a decline in rates and allows full participation in rising rates. This product is used either where there is some uncertainty in the underlying debt exposure or the outlook for interest rates is favourable but the policy requires some form of protection.

Interest Rate Swaps - A binding, paper contract where one party exchanges, or swaps, its interest payment obligations from fixed to floating basis, or floating to fixed basis. The interest payments and receipts under the swap contract being offsetting, equal and opposite to the underlying physical debt.

Liability Management - The policy, strategy and process of actively managing a portfolio of debt.

Limit(s) - The maximum or minimum amount or percentage a price or exposure may move to before some action or limitation is instigated. Also called "risk control limits".

Liquidity Risk - The risk that a company cannot obtain cash/funds from liquid resources or bank facilities to meet foreseen and unforeseen cash requirements. The management of liquidity risk involves working capital management and external bank/credit facilities.

LGFA Bonds - A medium term note (MTN) where a fixed coupon payment is made semi-annually to the LGFA by the Council borrower over the term of the bond, or a floating rate notes (FRN) where interest is paid quarterly at a margin over the bank bill bid rate over the term of the bond.

LGFA guarantee – Provided by a guaranteeing borrower, Council guarantees the interest and principal loan obligations of other Councils that are borrowing from the LGFA and the LGFA itself. The guaranteeing amount is to proportionate to Council's rate revenue relative to the rate revenue of all other LGFA borrowing guaranteeing Councils.

Marked-to-Market - Financial instruments and forward contracts are revalued at current market rates, producing an unrealised gain or loss compared to the book or carrying value.

Margin - The lending bank or institution's interest margin added to the market base rate, normally expressed as a number of basis points.

Medium Term Notes (MTN) - A continuous program whereby a prime corporate borrower has issuance documentation permanently in place and can issue fixed rate bonds at short notice under standard terms.

Non - guaranteeing borrower LGFA – a Council borrower that does not guarantee the interest and loan principal obligations of other Councils borrowing from the LGFA or the LGFA itself. The Council borrower has no more than \$20 million of borrowing from the LGFA.

Revaluation - The re-stating of financial instruments and option/forward contracts at current market values, different from historical book or carrying values. If the contracts were sold/bought back (closed-out) with the counterparty at current market rates, a realised gain or loss is made. A revaluation merely brings the contract/instrument to current market value.

Roll-over - The maturity date for a funding period, where a new interest rate is reset and the debt re-advanced for another funding period.

Spot Rate - The current market rate for currencies, interest rates for immediate delivery/settlement, and normally two business days after the transaction is agreed.

Subordinated debt – Upon liquidation of a company, subordinated debt holders rank behind other senior unsecured and secured creditors.

Strike Price - The rate or price that is selected and agreed as the rate at which an option is exercised.

Swaption - An option on an interest rate swap that if exercised the swap contract is written between the parties. The option is priced and premium paid similar to bank bill and bond interest rate options.

Swaption Collar – The simultaneous position of entering into 2 option contracts on 2 interest rate swaps linked together into one transaction. A swaption collar performs similarly to a 'collar' where from a borrower's perspective a top-side position above current market rates and a bottom-side position below current market rates are entered into. On maturity of the options and depending on current interest rates relative to the strike levels on the swaps will determine if either swap is transacted.

Treasury - Generic term to describe the activities of the financial function within a company that is responsible for managing the cash resources, debt, foreign exchange risk, and sometimes the commodity price and energy price risk.

Treasury Bill - A short term (<12 months) financing instrument/security issued by a Government as part of its debt funding program.

Volatility - The degree of movement or fluctuation (expressed as a percentage) of an asset, currency, commodity or financial instrument price over time. The percentage is calculated using mean and standard deviation mathematical techniques.

Yield - Interest rate, always expressed as a percentage.

Yield Curve - The plotting of market interest rate levels from short term (90-days) to long term on a graph i.e. the difference in market interest rates from one term (maturity) to another.

7.3 DELIBERATIONS - ANNUAL PLAN 2019/20 - REVENUE AND FINANCING POLICY**File Number:** COU1-1400**Author:** Bronda Smith, Group Manager, Corporate Support and Services**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. Revenue and Financing Policy - Statement of Proposal [↓](#) **PURPOSE**

The purpose of this report is to present to Council for deliberation of the submissions received on the Annual Plan consultation in relation to proposed minor variations to the Council's Revenue and Financing Policy.

RECOMMENDATION

That, having considered all matters raised in the report:

- a) That Council adopt the Revenue and Financing Policy as proposed.

REVENUE AND FINANCING POLICY**Submissions:**

5 Joan Chatfield, 6 Michael Smith, 7 Gregory Kent, 11 Peter Watson, 17 Bruce Stern, 19 Andrew Renton-Green 23 Tony Robson, 24 Martin Lord, 26 Di Petersen, 27 Magali Martin, 31 Kathryn Bayliss, 29 Graham Palmer, 32 Mike Petersen, 36 Sheryl Bayliss, 38 Sharon Ritchie, 45 Allan Neckelson, 51 David Bishop, 56 Rhea Dasent Federated Farmers, 58 Dan Elderkamp, 68 Bruce Anderson, 72 Adrienne Tully, 74 Diane Seager, 77 Catherine Pedersen, 79 Sharleen Baird, 82 Charles Nairn, 83 George T Konia, 85 Ray Freemantle, 86 Harold Petherick, 91 Neil Bayliss, 94 Vera Smith, 95 Hugh Ritchie, 96 R Pickering, 97 L Guy and R Bell, 98 Denise Cox, 99 Gerard Pain, 104 Helen Walker, 107 Ian Walker, 117 Peter Kittow, 119 Bruce Stephenson, 120 Di Murphy

Late submissions: 113 Rei Sciascia, 125 Genne Rapaea, 128 Sam and Clare Bradley, 130 Sam and Megan Meadows

Summary of Submissions:

The Council's Revenue and Financing Policy being amended to reallocate the Leadership, Governance and Consultation activity from the General Rate to the Uniform Annual General Rate (as well as other minor amendments) was one of the key topics council sought public feedback on as part of the Annual Plan 2019/20 process. In total Council received 44 submissions on this topic.

Analysis:

29 submitters supported the proposed amendments to the Revenue and Financing Policy. Some of the key matters raised by submitters in support of this option included:

- That there is still some concern with the way a higher UAGC can impact on the viability of small agricultural holdings that don't include housing.
- That the changes would mean that the submitter's rates were cheaper if the Leadership, Governance and Consultation activity was moved whereas if it was funded from the UAGC the increase would be over the Rates Affordability Index
- Agree with the proposal for a fairer rating system

- That in light of valuation changes, that this change would be supported
- As long as it was a cost of Council and could be identified so that it could be understood.
- For too long there has been an attitude of reducing cost of rates without considering long term investment in the area, meaning that infrastructure maintenance has been short changed and now requires major investment to gain proper functionality.

1.

7 submitters opposed amendments made to the Revenue and Financing Policy. Some of the key matters raised by submitters in support of this option included:

- It is not fair....UAC charges should be greater as people use Council services and charging on value means aging land owners pay for everyone else.
- That the upcoming rating review would be a more appropriate mechanism and time to change the rating policy.
- That the whole community benefits from the Leadership, Governance and Consultation activity and so the proper place for that rate should be the UAC.
- The change does not reflect the true cost of these activities across all ratepayers and places an unfair burden on land owners relative to general population.
- It increases the rates burden for the rural ratepayer without any increase in benefit
- Requests that Council fully utilises the UAGC mechanism at 30% of total rates income to ensure equity between ratepayers.
- That if the Council believes that some ratepayers deserve to pay lesser rates then these rate payers should be given a specific rebate so that it is clear and evident what is happening
- That District Planning is moved into the UAGC from the general rate
- That the Council should make better use of uniform charges as these more accurately target ratepayers that benefit from services provided
- Impact of revaluations on rates affordability would not be alleviated by using the General Rate more and that uniform charges were not vulnerable to property value fluctuations
- Rates should be assessed on the area you live in

In addition, there were 8 submitters who made comment on the Revenue and Financing Policy without indicating their preference. 4 submitters were not clear what the changes meant, so were not able to support or oppose the proposal. One of these submissions expressed that it was not clear how the proposed variation would achieve fairness and that it seemed rates for rural properties would increase.

1 submitter sought that Council apportion the costs of animal control time between register or non-registered dog owners, in order to realistically evaluate the Council approved rating share for this activity.

1 submitter asks whether such a change is necessary or merely desirable.

1 submitter's view was that the Council would never get the perfect solution to this issue.

1 submitter agreed with areas in the policy relating to economic development but did not agree with the policy areas dealing with waste and drinking water.

Attached to this report is a copy of the Draft Revenue and Financing Policy which Council sought public feedback on.

Every three years Council is required to perform a revaluation of the rating valuations for the rating units within the district to use for setting rates. In 2018 the revaluation was conducted and the new valuations will be used for the setting of rates for the 2019/20 financial year.

Residential property values have increased significantly, with much of the growth being driven by land value increases, and section prices at unprecedented levels. Housing at the lower end of the market, has experienced substantial capital value increases compared to the District average increase of 54.9%. Residential land values have increased on average 55.6% with some lower land values more than doubling, and high land values increasing approximately 25%. The average capital value for lifestyle properties has increased 38% to \$740,000, with the corresponding average land value increasing by 54% to \$460,000. The rural sector values have increased between 13% and 71% with property types transitioning between lifestyle and larger farms with already strong values. The Commercial and Industrial value changes are generally positive, however there have been some decreases in value for properties which are earthquake prone or potentially earthquake prone.

As part of the Long Term Plan Consultation, Council resolved to initiate a full Rating Review, however this process, which is expected to take between 12 to 18 months would not be completed in time for the 2019/20 rating year.

Following the completion of the revaluation, Council considered the impact of the revaluation changed the overall impact for the liability of rating revenue on the community and considered the impact to be high enough that the rating revenue needs were no longer appropriate for the 2019/20 year.

During the Submission Hearings a number of points were raised. The proposed targeted rates for 2019/20 is calculated as 9.2% of rates (excluding water and wastewater rates) against the cap of 30% set by the Local Government (Rating) Act 2002. In comparison, Hastings District Council is 22% and Manawatu District Council is 26%. This will form part of the full Rates Review that is being conducted by Council.

The impact on the rural properties across the district is varied based on the impact of the revaluation as identified in the Rates Sample included in the Funding Impact Statement. There are rural properties that are receiving a rates reduction based on lower changes to the Capital and Land Value in comparison to the rest of the District.

If the Leadership, Governance and Consultation activity remained as part of the UAGC, the UAGC would increase to \$416.95 for 2019/20 from \$276.63 and the General Rates would reduce to 0.0911 cents from 0.10743 (prior to any other changes resulting from the Annual Plan Consultation). The UAGC for 2018/19 was \$383.51

With the majority of submitters having supported the proposal (29 out of 44 submissions), officers conclude that there is sufficient support to adopt the Revenue and Financing Policy as proposed. Officers also propose that all the feedback and comments included in the submissions inform the full Rating Review.

RECOMMENDATION

That, having considered all matters raised in the report:

- a) That Council adopt the Revenue and Financing Policy as proposed.**



Revenue and Financing Policy

Statement of Proposal February 2019

CENTRAL HAWKE'S BAY DISTRICT COUNCIL



STATEMENT OF PROPOSAL FEBRUARY 2019

Background

As part of the review of the Annual Plan, Council has recognised the need to review the rates funding following the Rating Valuations as at 1 September 2018 that will be used to set the Rates from 1 July 2019.

Residential property values have increased significantly, with much of the growth being driven by land value increases, and section prices at unprecedented levels. Housing at the lower end of the market, has experienced substantial capital value increases compared to the District average increase of 54.9%. Residential land values have increased on average 55.6% with some lower land values more than doubling, and high land Values increasing approximately 25%. The average capital value for lifestyle properties has increased 38% to \$740,000, with the corresponding average land value increasing by 54% to \$460,000 The rural sector values have increased between 13% and 71% with property types transitioning between lifestyle and larger farms with already strong values. The Commercial and Industrial value changes are generally positive, however there have been some decreases in value for properties which are earthquake prone or potentially earthquake prone.

Council has also considered the funding of Capital Expenditure for the Recreation and Community Facilities Group and has added the ability to use borrowings for Capital Expenditure.

This matter affects everyone in the district and will determine how the Council derives the revenue it needs in order to undertake these activities on behalf of the community at desired service levels. In accordance with s82 of the Local Government Act 2002, this Statement of Proposal initiates a consultation that is being run in conjunction with the Consultation on the Annual Plan. Council is seeking the community's views on the proposed changes. The full proposed Revenue and Financing Policy is included with this Statement of Proposal.

Funding Allocation Among Available Revenue Sources

Leadership, Governance and Consultation

In performing its review of revenue sources, Council gave consideration to the availability of alternative funding sources, the cost effectiveness of administration and collection, and the factors that determine the scope and level of service for Leadership, Governance and Consultation.

The analysis is based on the following criteria:

- a) The community outcomes to which the activity primarily contributes
- b) The distribution of benefits
- c) The period in or over which those benefits are expected to occur
- d) The extent to which behaviour affects the scope and need for an activity
- e) The costs and benefits of funding the activity distinctly from other activities

Council is then required to consider the overall impact of any allocation of liability for revenue needs on the community.

Council seeks to achieve an appropriate balance considering factors such as affordability and its vision for the district.

For these reasons, Council has taken a holistic view and applied weightings to ensure that the distribution of its funding needs is appropriate and sustainable.

Based on the review the Council has proposed a change to the rating of Leadership, Governance and Consultation from the Uniform Annual General Charge to the Capital Value Based General Rate.

Recreation and Community Facilities Group

Council has also considered the funding of Capital Expenditure for the Recreation and Community Facilities Group and has added the ability to use borrowings for Capital Expenditure.

Council takes into account the useful life of the asset and the use by future generations in the funding of the capital expenditure. Borrowings is used for Capital Expenditure as a way to spread the funding requirements over a longer period. Therefore, funding capital expenditure by utilising borrowings has been included within the policy for the Recreation and Community Facilities Group as many of the assets have a useful life beyond a rating year.

The Submission Process

The proposal contained in this document along with the full Revenue and Financing Policy is open for public submission in conjunction with consultation on the Annual Plan from 18 March to 12 April 2019. This is your opportunity to let the Mayor and Councillors understand your views about the policy proposals.

The operative Revenue and Financing Policy of Council may be found on the Council website as part of the Long Term Plan 2018-28.

Your submission can be sent to Council by:

- Sending an email to thrive@chbdc.govt.nz

STATEMENT OF PROPOSAL FEBRUARY 2019

- Completing the online submission form
- Completing the submission form at the end of the Annual Plan Consultation Document and delivering it to:

Central Hawke's Bay District Council
28-32 Ruataniwha Street
Waipawa 4210

Or mailing it to:

Central Hawke's Bay District Council
PO Box 127
Waipawa 4240

Once the public consultation period has concluded, Council will schedule hearings on the proposal as part of the Annual Plan Consultation. Submitters will be advised of the hearing dates, and those who have indicated that they wish to present their views in person will be advised of their allocated speaking time. Council will consider all submissions received and submitters will be advised of the outcome of their submission as part of the Annual Plan submission process. As provided by section 82(1)(d) of the Local Government Act, you may present your views in a manner that best suits your preferences and therefore is not limited to speaking to a written submission. You can also present your views to the Council verbally at the hearings on the proposal. Please complete an Annual Plan submission form stating if this is your preference.

Revenue and Financing Policy

The Revenue and Financing Policy is required under Section 102 of the Local Government Act 2002 (**LGA**) and the required contents are set out in section 103 of the LGA. The policy must be included in full in the LTP. Section 103(2) allows the following funding mechanisms to be used when funding operating and capital expenditure:

- General Rates
- Uniform Annual General Charge
- Targeted Rates
- Grants and Subsidies
- Interest and Dividends from Investments
- Fees and Charges
- Borrowing
- Proceeds from Assets Sales
- Development or Financial Contributions
- Lump Sum Contributions
- Any other source

This policy summarises the funding sources to be used by Council and their intended use. Sources are identified for each Council activity, including those that may be used to fund operating and capital expenditure. The General Rate is set on a District Wide basis (not on a differential basis), on the capital value of the rating unit. Council sets a Uniform Annual General Charge that is assessed on separately used or inhabited parts of a rating unit in the district.

Council must consider the following elements in deciding on appropriate funding mechanisms for each activity:

- *Community Outcomes* – the community outcomes an activity will primarily contribute to.
- *Distributions of benefits* – the distribution of benefits between the community as a whole, any identifiable parts of the community and individuals.
- *Timeframes of benefits* – the period in and over which those benefits are expected to occur. For example, the benefits may occur on an ongoing basis, but may also benefit future generations.
- *Contributors to need for activity* – the extent to which actions or inactions of particular individuals or groups contribute to the need to undertake the activity.
- *Costs and Benefits of distinct funding* – the cost and benefits, including for transparency and accountability, of funding the activity distinctly from other activities.

The Council has also considered the overall impact of any allocation of liability on the community and has determined this doesn't require any modification to the activity by activity analysis.

STATEMENT OF PROPOSAL FEBRUARY 2019

Funding of Operating Expenditure

The following table shows which mechanisms may be used to fund operating expenditure for Council's activities:

	General Rates	Uniform Annual General Charge	Targeted Rates	Grants and Subsidies	Fees and Charges
Community Leadership Group					
Leadership, Governance and Consultation	✓	✓		✓	
Economic and Social Development	✓	✓	✓		
Planning and Regulatory Group					
District Planning	✓				
Land Use and Subdivision Consents	✓				✓
Building Control	✓				✓
Public Health	✓				✓
Animal Control	✓				✓
Compliance & Monitoring	✓				✓
Land Transport Group					
Land Transport	✓		✓	✓	✓
Solid Waste Group					
Solid Waste	✓	✓	✓		✓
Water Supplies Group					
Water Supplies			✓		✓
Wastewater Group					
Wastewater			✓		✓
Stormwater Group					
Stormwater			✓		
Recreation and Community Facilities Group					
Parks, Reserves and Swimming Pools	✓	✓			✓
Public Toilets	✓				
Retirement Housing					✓
Libraries	✓	✓			✓
Theatres, Halls and Museums	✓				✓
Cemeteries	✓				✓
Property and Buildings	✓				✓

- Council does not fund operating expenditure by Borrowing unless in exceptional circumstances by way of Council resolution or for Asset Management Planning where the information has relevance over more the 10 years
- Interest and Dividends are used to offset the general rate requirement except where the interest is credited to a special fund or reserve fund.
- Proceeds from the Sale of Land and Buildings are transferred to the Capital Projects fund for funding future capital projects by resolution of Council. Proceeds from Sale of other Assets are used to fund the renewals of assets within the activity.

STATEMENT OF PROPOSAL FEBRUARY 2019

Funding of Capital Expenditure

The following table shows which mechanisms may be used to fund capital expenditure for Council's activities:

	General Rates	Targeted Rates	Borrowings	Reserves	Funding assistance/User Charges	Development Contributions
Community Leadership Group						
Leadership, Governance and Consultation	No Capital Expenditure					
Economic and Social Development	No Capital Expenditure					
Planning and Regulatory Group						
District Planning			✓			
Land Use and Subdivision Consents	No Capital Expenditure					
Building Control	No Capital Expenditure					
Public Health	No Capital Expenditure					
Animal Control	No Capital Expenditure					
Compliance & Monitoring	✓				✓	
Land Transport Group		✓	✓	✓	✓	✓
Solid Waste Group	✓		✓	✓		
Water Supplies Group		✓	✓	✓		✓
Wastewater Group		✓	✓	✓		✓
Stormwater Group		✓	✓	✓		✓
Recreation and Community Facilities Group						
Parks, Reserves and Swimming Pools	✓		✓	✓	✓	
Public Toilets	✓		✓	✓		
Retirement Housing				✓	✓	
Libraries			✓	✓		
Theatres, Halls and Museums	✓		✓	✓	✓	
Cemeteries	✓		✓	✓		
Property and Buildings	✓		✓	✓		
Overheads	✓	✓	✓	✓		

- Council takes into account the useful life of the asset and the use by future generations in the funding of the capital expenditure. Lump sum contributions are not utilised by Council.

STATEMENT OF PROPOSAL FEBRUARY 2019

Community Leadership Group

Leadership, Governance and Consultation

Description

The Leadership, Governance and Consultation activity includes the elected Council.

Community Outcomes

This activity contributes to all of the community outcomes.

Distributions of benefits

Benefits from the Leadership, Governance and Consultation activity are for the community generally. Council is the vehicle for making decisions affecting the district.

Timeframes of benefits

Ongoing.

Contributors to need for activity

Living in a democratic society contributes to the need for this activity.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 100% public funding for this activity. Public funding is through the capital value based general rate.

Economic and Social Development

Description

Economic and Social Development is undertaken by a number of outside organisations.

- These are CHB Promotions, Business Hawke's Bay and joint study by Hawke's Bay Councils, funded partly by the Council
- Department of Internal Affairs –which funds a Community Development Coordinator

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Connected Citizens
- Smart Growth

Distributions of benefits

Benefits from economic development accrue largely to the community, due to the ongoing economic benefits of visitor spending, creation of employment and investment in the potential of the district. Similarly social benefits accrue the wider community. Some benefits may accrue to businesses or individuals using these services, but it is difficult and illogical to recover these benefits.

Timeframes of benefits

Ongoing.

Contributors to need for activity

All groups contribute to the need for this activity.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 100% public funding for this activity. Public funding is collected through the Uniform Annual General Charge.

Planning and Regulatory Group

District Planning**Description**

The Land Use Planning and Management Activity, as part of Council's statutory obligations under the Resource Management Act 1991, involves -

- Providing advice on the District Plan
- Providing Policy advice on planning and rules of the District Plan
- Monitoring of the effectiveness and efficiency of the policies and rules in the District Plan

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

The district planning services benefit the users of the District Plan through clear information available for development and land use.

The community benefits highly through protection of the environment, appropriate and sustainable development of land and property.

Timeframes of benefits

Ongoing.

Contributors to need for activity

People who do not comply with legislative regulations may contribute to the need for this activity.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 100% public funding for this activity. Public funding is through the capital value based general rate.

STATEMENT OF PROPOSAL FEBRUARY 2019

Land Use and Subdivision Consents***Description***

The Council is required by the Resource Management Act 1991 to prepare, implement and administer a District Plan that meets the needs of the community. The Resource and Subdivision Activity ensures that development occurs in a manner that complies with the District Plan, through processing resource consent applications and monitoring.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Smart Growth
- Environmentally Responsible

Distributions of benefits

The district planning services mainly benefit the users of the resource and subdivision consent process through meeting legislative requirements.

The community benefits through protection of the environment, appropriate and sustainable development of land and property.

Timeframes of benefits

Ongoing.

Contributors to need for activity

People who do not comply with legislative regulations may contribute to the need for this activity. Generally this is met through extra charges on these people.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 37-49% private funding for this activity, with the remainder coming from public funding. Public funding is through the capital value based general rate and private funding is collected through fees and charges.

Building Control***Description***

Building Control is responsible for administering and enforcing the Building Act 2004 (and related legislation). This includes -

- Processing applications for building consents
- Enforcing the provisions of the Building Act 2004 and associated regulations
- Processing Land Information Memoranda

Once a consent has been obtained, Council monitors compliance through inspections and provides code compliance certificates confirming that new building work meets the provisions of the building code.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Smart Growth

STATEMENT OF PROPOSAL FEBRUARY 2019

Distributions of benefits

Benefits from building control accrue mainly to users of these services (ie people who build or alter buildings) through meeting legislative requirements and safe buildings. The community benefits through the enforcement of regulations that ensure safe, sanitary and accessible buildings in which people live, play and work.

Timeframes of benefits

Ongoing.

Contributors to need for activity

People who do not comply with legislative regulations may contribute to the need for this activity. In some cases (e.g. property purchase where consent standards are not met), it may be difficult to identify who should pay.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 70-85% private funding for this activity, with the remainder funded from public funding. Private funding is collected through various fees and charges. Public funding is through the capital value based general rate.

Public Health**Description**

The Public Health Activity covers the regulatory functions relating to environmental health, liquor licensing, hazardous substances, and other environmental monitoring.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Smart Growth

Distributions of benefits

Benefits from environmental health services accrue to both the community and individuals and organizations. Individuals and organizations benefit from assurances that their premises are of an acceptable standard to the consumer and meet other legislative requirements (e.g. liquor licensing). The community benefits through the expectation that

- standards of operation are being met and
- assurances of a safe and healthy environment for residents and visitors.

Timeframes of benefits

Ongoing.

Contributors to need for activity

People who do not comply with legislative regulations may contribute to the need for this activity. Generally this is met through extra charges on these people.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 27-36% private funding for this activity, with the remainder from public funding. Public funding is through the capital value based general rate and private funding is collected through fees and charges.

STATEMENT OF PROPOSAL FEBRUARY 2019

Animal Control***Description***

This activity includes the implementation of requirements of Dog Control Act 1996 and related legislation and Council bylaws. Main objectives include education, response to complaints and management of registration systems for dogs and stock.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities

Distributions of benefits

Benefits from the animal control service accrue mainly to animal owners from the provision of a service that either confines or returns lost or stray animals. The community generally benefits through the enforcement of regulations against aggressive and straying animals.

Timeframes of benefits

Ongoing, but occur mainly in the short-term.

Contributors to need for activity

People who do not properly control their animals can be a significant contributor to this activity. In some cases, it can be difficult to identify who these people are.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 91-95% private funding for this activity, with the remainder from public funding. Private funding is collected through various fees and charges – including fines and impounding costs. Public funding is through the capital value based general rate.

Compliance and Monitoring***Description***

Compliance and Monitoring primarily involves the monitoring of resource consent conditions, responding to noise complaints and bylaw breaches, and carrying out territorial authority responsibilities as defined in legislation such as the inspection of swimming pool fences, earthquake prone buildings, and processing of Land Information Memoranda (LIMS), Compliance Schedules and Building Warrants of Fitness.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

Benefits from this activity accrue across the wider community, through ensuring that activities are monitored and comply with legislative, policy and bylaw requirements, thereby minimising negative impacts on residents of, and visitors to, the District.

Timeframes of benefits

Ongoing. Benefits occur now through continuous monitoring of activities, response to complaints, and public education.

Contributors to need for activity

Where matters of non-compliance are brought to Council's notice, there is a requirement to ensure that compliance is achieved for the safety and wellbeing of the wider public.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council has agreed on 10% private funding for this activity, with the remainder from public funding. Public funding is collected through the capital value based general rate. Private funding is obtained through various fees and charges including fines.

Land Transport Group

Land Transport

Description

The Local Government Act 2002 and Land Transport Management Act 2003 provide the framework under which Council operates a land transport network within the District. Council aims to achieve an integrated safe, responsive and sustainable land transport network. Council maintains 1261.81 km of roads, 64 km footpaths, 265 bridges, street lighting and other roading assets.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Connected Citizens
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

There is a mix of public and private benefits with these activities. Public benefits include an attractive urban environment and streetscape, tidy roadsides, the ability to transport people, goods and services throughout the district, connections to other transport networks and location and property identification. Private benefits are for people and businesses using roads and footpaths to carry out their day to day business.

Timeframes of benefits

Ongoing.

Contributors to need for activity

All groups contribute to the need for this activity. In some cases damage may be caused, additional costs may be caused to Council through vandalism, accidents and activities beyond normal usage.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

STATEMENT OF PROPOSAL FEBRUARY 2019

Recommended Funding

Council has agreed to 100% public funding. Public funding is collected through the land value based targeted rate.

New Zealand Transport Agency funding applies to subsidised roading projects.

A small amount of private funding is recovered through fees and charges.

Solid Waste Group**Solid Waste****Description**

Central Hawke's Bay District Council provides the following services:

District landfill, transfer stations, recycling drop off centres, and kerbside refuse and recycling collections, litter bins and management of closed landfills.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Connected Citizens
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

The benefits of the solid waste activity are largely public and private. Individuals benefit from not having to arrange their own systems of waste disposal. An environmentally sound landfill and rubbish collection maintains a sustainable and clean district.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits from having solid waste collection and disposal available. In some cases, illegal dumping and inappropriate disposal of hazardous wastes may result in extra costs to the Council.

Costs and Benefits of distinct funding

It is appropriate to recover the private benefit via a separate funding mechanism.

Recommended Funding

Council has agreed on 46-48% private funding for this activity. The remaining Public funding is collected through a combination of a Capital Value based General Rate, Uniform Annual General Charge and targeted rates for kerbside recycling and refuse collection. Private funding is derived from fees and charges.

Water Supplies Group

Water Supplies

Description

The Central Hawke's Bay District Council owns and operates 8 water supply schemes.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Connected Citizens
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

Provision of water supplies provides a number of public benefits, including access to potable water and availability of water for key public services and amenities (eg fire fighting, landscaping, swimming pools). There are significant direct benefits to ratepayers and consumers connected to a Council piped water scheme through access to water for drinking and water availability for industry.

Timeframes of benefits

Ongoing and long-term for future generations.

Contributors to need for activity

Those sections of the community where water services are available benefit widely from having a supply available. The wider community who use the facilities and business who depend on the water supply also benefit.

Costs and Benefits of distinct funding

Because the benefits of this activity are predominantly private, it is considered appropriate to fund the activity through targeted rates and charges.

Recommended Funding

Council has agreed on a 100% private funding for this activity. Private funding is derived from a targeted rate from those connected to water systems, volumetric water meter rates and fees and charges.

Wastewater (Sewerage) Group

Wastewater (Sewerage)

Description

Central Hawke's Bay District Council sewer systems comprise of six reticulated systems and associated treatment plants.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Connected Citizens

STATEMENT OF PROPOSAL FEBRUARY 2019

- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

Provision of a sewerage system provides a number of public benefits, including maintenance of public health standards, prevention of disease and maintenance of a healthy environment. All properties, both domestic and industrial, that are connected to Council's sewerage system receive a direct benefit which relates to the cost of providing the service. A sewerage system is a key infrastructural need for maintaining public health and growth of business opportunities.

Timeframes of benefits

Ongoing and long-term for future generations.

Contributors to need for activity

The community benefits widely from having a sewerage system available. Additional costs may be caused through overloading of systems, disposal of hazardous material and illegal connections.

Costs and Benefits of distinct funding

Because the benefits of this activity are predominantly private, it is considered appropriate to fund the activity through targeted rates and charges.

Recommended Funding

Council has agreed on a 100% private funding split for this activity. Private funding is collected through a targeted rate from those connected to wastewater systems and with fees and charges and levies raised through the Trade Waste Bylaw.

Stormwater Group

Stormwater**Description**

Central Hawke's Bay District Council stormwater systems comprise of 7 systems. The systems generally consist of a primary piped network with some open channel and secondary flow paths.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Prosperous District
- Strong Communities
- Connected Citizens
- Smart Growth
- Environmentally Responsible
- Durable Infrastructure

Distributions of benefits

Provision of a stormwater system provides a number of public benefits, including decreased risk from flooding and encouraging residential development. Private benefits are particularly to property owners via stormwater disposal away from their properties.

Timeframes of benefits

Ongoing and long-term for future generations.

Contributors to need for activity

The community benefits widely from having a stormwater system available.

Costs and Benefits of distinct funding

Because the benefits of this activity are predominantly private, it is considered appropriate to fund the activity separately.

Recommended Funding

Council has agreed on 100% private funding for this activity. Private funding is collected through a targeted rate from those within stormwater catchment areas. The funding of the Te Aute drainage scheme is based on a targeted rate on scheme members.

Recreation and Community Facilities Group

Parks, Reserves and Swimming Pools

Description

A number of parks, reserves, war memorials and camping grounds are provided throughout the district for recreation, including sports fields, children's playgrounds and amenity areas. There are two swimming pools, one owned by the Council and one owned by a Community Trust that is largely funded by the Council.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens
- Environmentally Responsible

Distributions of benefits

Benefits from parks accrue to the community generally through the provision of facilities for groups and individuals to pursue active and passive leisure pursuits, education on the natural environment, community pride and contributing to community health and well-being.

There can be private benefits to people and sports groups through the use of sports fields for organized sport, but these are available to the wider community at other times.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits widely from having these facilities available.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council have agreed a 97% public, 3% private funding split and that the cost of funding the public component of the Parks, and Reserves should occur by way of 70% from the General Rate assessed on Capital Value and 30% (to meet the cost of swimming pools) from the Uniform Annual General Charge. The private funding component will be collected from fees and charges with market rentals being applied to camp grounds.

STATEMENT OF PROPOSAL FEBRUARY 2019

Public Toilets***Description***

The Council provides 24 public conveniences located throughout the District.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens
- Environmentally Responsible

Distributions of benefits

Public toilets provide a mix of public and private benefits. While private benefits are obvious, public benefits are through having these essential facilities available for residents and visitors, and maintaining standards of public hygiene.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits widely from having public conveniences available.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council have agreed 100% public funding and that the cost of funding the public component of the Public Toilets should occur by way of 100% from the General Rate assessed on Capital Value.

Retirement Housing***Description***

A total of 48 one bedroom flats are owned by Council in different locations in Waipukurau and Waipawa. These provide affordable housing for those elderly in need.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens

Distributions of benefits

Benefits from housing accrue to tenants of the housing units. This is a relatively small and identifiable group who are provided with affordable accommodation in convenient locations. There may be some small community benefits through the availability of low cost housing to vulnerable groups in the community.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits from having housing available. The main benefit is to people who choose to tenant these units.

Costs and Benefits of distinct funding

The activity is self-funding and separate funding is not required.

STATEMENT OF PROPOSAL FEBRUARY 2019

Recommended Funding

The Council believes the optimum funding is 100% private, through user rental charges.

Libraries**Description**

Libraries include the two libraries in Waipukurau and Waipawa.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens

Distributions of benefits

Benefits from libraries accrue largely to the community, through contributing to a community that is literate and informed, has access to information and provision of a community resource. There is also direct benefit to each individual who reads a book or uses one of the other library services, and some of these can be recovered, although a high level of recovery may restrict the ability of some people to continue to use these services.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits widely from having library services available.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

The Council have agreed the optimum allocation of costs is 90% public to 10% private. Public funding is through the Uniform Annual Charge, with private funding through user charges for some library services.

Theatres and Halls**Description**

Theatres, halls and museums include several community halls located throughout the District.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens

Distributions of benefits

Theatres and halls have a mix of public and private benefits. Public benefits are from the ability to use the facilities for public events and gatherings and as a hub for communities in the event of natural disaster. There are direct benefits for individuals and groups who choose to use the facilities available for personal functions.

STATEMENT OF PROPOSAL FEBRUARY 2019

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits widely from having theatres, halls and museums available.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is not benefit perceived from separate funding.

Recommended Funding

Council have agreed 100% public funding. Public funding is 100% from the capital value based general rate, with limited private funding through user charges for hireage services.

Cemeteries***Description***

Council currently operates ten cemetery sites for burial and cremation interments.

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens
- Environmentally Responsible

Distributions of benefits

Benefits from cemeteries are considered to be largely private, although it is necessary for communities to have an interment system that meets appropriate health standards. Private benefits are from the provision of individual gravesites for remembrance and burial.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits widely from having cemeteries available. In some cases, vandalism and failure to maintain headstones may cause additional costs.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

The Council have agreed a 90% public, 10% private funding split. Public funding is from the capital value based general rate, with private funding through fees and charges.

Property and Buildings***Description***

Council owns a number of properties and buildings that are used to providing services to the public, but do not fit into a specific Activity grouping. These are owned for community or administrative reasons.

The properties included in this Activity are, the Council administration building, two library buildings, two other community building and miscellaneous sections.

STATEMENT OF PROPOSAL FEBRUARY 2019

Community Outcomes

This activity contributes primarily to the following community outcomes:

- Proud District
- Strong Communities
- Connected Citizens
- Environmentally Responsible

Distributions of benefits

Benefits from this activity largely accrue to the community, through cultural enrichment and community identity. There may be direct benefits to some people using these services, but a high level of recovery may restrict the ability of some people to continue to use these services.

Timeframes of benefits

Ongoing.

Contributors to need for activity

The community benefits from having safe community buildings.

Costs and Benefits of distinct funding

Benefits from this activity are community wide and there is no benefit perceived from separate funding.

Recommended Funding

Council have agreed 98 - 100% public funding. Public funding is from the capital value based general rate, with limited private funding (2%) through user charges for hireage and rentals.



7.4 DELIBERATIONS - ANNUAL PLAN 2019/20 - FINANCE**File Number: COU1-1400****Author: Bronda Smith, Group Manager, Corporate Support and Services****Authoriser: Monique Davidson, Chief Executive****Attachments: Nil****PURPOSE**

The purpose of this report is to present to Council the submissions received on the Annual Plan consultation in relation to Finance.

RECOMMENDATIONS

That having considered all matters raised in the report:

- a) That funding for Ongaonga Historical Society is increased to \$4,000 each year as a grant for mowing; OR**
- b) That Council increases the Parks budget each year for Council to take over the maintenance of the Ongaonga Historic Reserve.**

- a) That funding for Hawke's Bay Community Fitness Trust is granted funding of XX for XX year(s) to assist with completion of the EIT Institute of Sport and Health in Hastings; OR**
- b) That Council continues to invest in our facilities in CHB to allow us to act as a feeder to the Regional Programme and are fully in support of the trust's initiatives.**

- a) That funding for Biodiversity Hawke's Bay is granted funding of XX for XX year(s) to contribute to the biodiversity endowment fund; OR**
- b) That Council will not make any financial contribution in any form AND**

- a) For the other submissions, the submitters' comments are noted and no recommendation is necessary with regard to the Annual Plan 2019/20.**

FINANCE - TOPICS FOR CONSIDERATION

Topic One	Rates Increases and Service Levels
Topic Two	Rates Remission Policy relating to revaluations
Topic Three	Targeted rates
Topic Four	Funding for Ongaonga Historical Society
Topic Five	Funding for Hawke's Bay Community Fitness Centre
Topic Six	Funding for Biodiversity Hawke's Bay
Topic Seven	Rates Affordability

Topic One – Rates Increases and Service Levels**Submissions:**

8 Jennifer Woodman, 13 Annette Libby, 24 Martin Lord, 27 Magali Martin,

Summary of submissions:

These submitters raise concerns about rates increases, including concerns about rising property values and the associated rates implications.

Ms Woodman requested that Council did not increase rates in future.

Ms Libby expressed concern about the recent increase given new housing developments in the area and therefore having the ability to spread the rates load across more households.

Mr Lord questions the average rates increase figures and indicated that this was not an accurate assessment of how much the true average rise was across the district. He also raises concerns about service levels in rural areas and a higher proportion of increases for rural ratepayers versus urban ratepayers.

Ms Martin indicates that the increase was high considering the limited number of services received in a rural community.

Analysis:

The proposed average rate rise of 4.36% has been calculated on the additional total rates required (excluding water meter rates) in 2019/20 as a portion of the total rates from 2018/19 (excluding water meter rates). These figures are calculated as GST exclusive figures as the GST component of rates is not revenue for the Council. The total rates of \$23.7m included in the Funding Impact Statement on page 3 are GST inclusive as required by legislation.

The individual increase for each property will depend on the rates that are levied on each property and therefore a sample of the rates impact across the district are included as part of the Funding Impact Statement. The overall rate increase percentage is included for information at the bottom of the rate sample.

During the Long Term Plan, Council must consider the need to deliver on the purpose of Local Government set out in Section 10 of the Local Government Act 2002 (LGA) and the financial management required by Section 101 of the LGA. As costs of services go up, Council must consider the affordability of the service, the overall impact of the liability for the revenue needs on the Community and the requirement to deliver the service.

On an Annual basis, Council considers the delivery of service and the costs of delivering those services. As the costs of delivering those services increase by factors such as inflation, increased compliance requirements or regulation changes, the revenue required will also need to increase.

As part of the Long Term Plan Consultation, Council resolved to initiate a full Rating Review and the scope and timing of the Rating Review was adopted by Council on 10 April 2019. The concerns raised by the submitters will help to inform the process of the Rating Review. The draft Revenue and Financing Policy will be open for public consultation and submitters will have an opportunity at this time to provide feedback.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Two – Rates Remission Policy relating to revaluations

Submissions:

56 Rhea Dasent – Federated Farmers

Summary of submissions:

Ms Dasent requests that a Rates Postponement or Remission Policy is introduced to provide relief for revalued properties where their new valuation is disproportionately higher than comparable properties due to unrealised development potential.

Analysis:

As part of the Long Term Plan Consultation, Council resolved to initiate a full Rating Review and the scope and timing of the Rating Review was adopted by Council on 10 April 2019. The concerns raised by the submitters will help to inform the process of the Rating Review. The draft Revenue and Financing Policy will be open for public consultation and submitters will have an opportunity at this time to provide feedback. The inclusion of a Rates Postponement or Remission Policy would be considered during the Rate Review to understand the overall impact in Rates Revenue.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Three – Targeted rates

Submissions:

56 Rhea Dasent – Federated Farmers

Summary of submissions:

Ms Dasent sought that water and wastewater continued to remain funded by rates targeted at connected properties.

Analysis:

As part of the Long Term Plan Consultation, Council resolved to initiate a full Rating Review and the scope and timing of the Rating Review was adopted by Council on 10 April 2019. The concerns

raised by the submitters will help to inform the process of the Rating Review. The draft Revenue and Financing Policy will be open for public consultation and submitters will have an opportunity at this time to provide feedback.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Four – Funding for Ongaonga Historical Society

Submissions:

14 Ongaonga Historical Society – Karen Bedogni

Summary of submissions:

The Ongaonga Historical Society seeks additional funding of \$2,572 funding per annum to \$4,000 to assist with maintenance, advertising and rates.

Analysis:

Currently the Ongaonga Historical Society only receives funding of \$1,428 each year. This funding is a grant paid that covers the maintenance of reserves, including all mowing, spraying and general care of the reserve. If the society were to return the maintenance of the site to Council, costs to Council would be in excess of \$4,000 each year. The funding is also used to support the existing historic buildings in Ongaonga that are unique and part of the fabric of the Central Hawke's Bay community.

There are limited other funding mechanisms for the Society to seek external funding for operational costs such as grounds maintenance – essentially being a core function of Council.

Options for Council to consider include providing new funds to the society or alternatively, providing new funding for the Parks activity for the work to be undertaken instead by Council.

The rates impact of increasing the funding to OngaOnga Historical Society is 0.01%.

Recommendation:

That funding for Ongaonga Historical Society is increased to \$4000 each year as a grant for mowing.

OR

That Council increases the Parks budget each year for Council to take over the maintenance of the Ongaonga Historic Reserve.

Topic Five – Funding for Hawke's Bay Community Fitness Centre

Submissions:

15 Hawke's Bay Community Fitness Centre Trust – Sir Graeme Avery

Summary of submissions:

Hawke's Bay Community Fitness Trust seeks ongoing annual financial support of \$20,000 per annum for the next five years to assist with completion of the EIT Institute of Sport and Health in Hastings.

Analysis:

During the Long Term Plan 2018-28 consultation, Council considered the submission by the Hawke's Bay Community Fitness Trust to fund \$250,000 over 5 years and the resolution of Council was

That CHB feels that we are better to invest in our facilities in CHB to allow us to act as a feeder to the Regional Programme and are fully in support of his initiatives.

Options for Council to consider include:

1. Making a financial contribution to the project;
2. Offering written support to funders;
3. Or providing both with the financial contribution being lower than requested.

Based on the current Revenue and Financing Policy, the funding of \$20,000 over 5 years for the submission would have an impact on rates as it would be considered a grant to the Hawke's Bay Community Fitness Centre Trust. Based on the current Revenue and Financing Policy, this would be funded from the General Rate.

If Council was to consider funding \$20,000 from Rates, the rate increase would be 0.10%

Recommendation:

That funding for Hawke's Bay Community Fitness Trust is granted funding of XX for XX year(s) to assist with completion of the EIT Institute of Sport and Health in Hastings.

OR

That Council continues to invest in our facilities in CHB to allow us to act as a feeder to the Regional Programme and are fully in support of the trust's initiatives.

Topic Six – Funding for Biodiversity Hawke's Bay

Submissions:

100 Biodiversity Hawke's Bay – Genevieve Bennett

Summary of submissions:

Biodiversity Hawke's Bay seeks that Council provides an annual contribution to the biodiversity endowment fund, ongoing operational financial support and continues to grow its partnership through collaboration on biodiversity projects.

Analysis:

During the Long Term Plan 2018-28 Council considered a submission from Biodiversity Hawke's Bay to allocate \$50,000 per year for four years to support the establishment of the endowment fund and to become a member of the Biodiversity Guardians. During the deliberations, Council resolved not to provide any financial support, Council resolved to provide \$10,000. However during the Council Meeting on 31 May 2018, Council resolved to provide \$10,000 from the rural fire fund is allocated for Year 1 of the Long Term Plan to support activities for protection and promotion of Biodiversity in Hawke's Bay through the Biodiversity Foundation. Council also resolved that Central Hawke's Bay District Council become financial guardians of the Biodiversity foundation, which is \$1,000.00, to be funded out of existing budgets.

As part of the Long Term Plan 2018-28 Council indicated it would develop an Environmental and Sustainability Strategy to help Council with the way it would deliver services in the future and identify further initiatives that may form part of Council's services.

The Draft Strategy has been considered during the Annual Plan Consultation and the resulting submissions and deliberation report is being considered as part of the Deliberations meeting on 23 May 2019. With the large majority of submitters having supported the intent of the strategy, officers conclude that there is sufficient support to adopt the Environmental and Sustainability Strategy.

Through the strategy, Council would look to grow its partnership through collaboration on biodiversity projects and would work with Biodiversity Hawke's Bay on projects within Central Hawke's Bay.

Options for Council to consider include:

1. Funding via a grant through General Rates for the contribution to the biodiversity endowment fund.
2. Funding via a grant through General Rates for ongoing operational support of the foundation.
3. Not making any financial contributions in any form.

Recommendation:

That funding for Biodiversity Hawke's Bay is granted funding of XX for XX year(s) to contribute to the biodiversity endowment fund.

OR

That Council will not make any financial contribution in any form

Topic Seven - Rates Affordability

Submissions:

118 Fred Nichol

Summary of submissions:

The submitter raises the point that the Council needs to consider affordability for pensioners, as pensions do not keep up with rates rises.

Analysis:

As part of the Long Term Plan Consultation, Council resolved to initiate a full Rating Review and the scope and timing of the Rating Review was adopted by Council on 10 April 2019. The concerns raised by the submitters will help to inform the process of the Rating Review. The draft Revenue and Financing Policy will be open for public consultation and submitters will have an opportunity at this time to provide feedback.

Council would also like to remind rate payers of the availability of the Rates Rebate Scheme from the Department of Internal Affairs which offers rebates to low income household such as those on pensions and will contact the submitter to ensure they are aware of the scheme.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

RECOMMENDATIONS

That having considered all matters raised in the report:

- a) **That funding for Ongaonga Historical Society is increased to \$4,000 each year as a grant for mowing; OR**
- b) **That Council increases the Parks budget each year for Council to take over the maintenance of the Ongaonga Historic Reserve.**

- a) **That funding for Hawke's Bay Community Fitness Trust is granted funding of XX for XX year(s) to assist with completion of the EIT Institute of Sport and Health in Hastings; OR**
- b) **That Council continues to invest in our facilities in CHB to allow us to act as a feeder to the Regional Programme and are fully in support of the trust's initiatives.**

- a) **That funding for Biodiversity Hawke's Bay is granted funding of XX for XX year(s) to contribute to the biodiversity endowment fund; OR**
- b) **That Council will not make any financial contribution in any form AND**

- a) **For the other submissions, the submitters' comments are noted and no recommendation is necessary with regard to the Annual Plan 2019/20.**

7.5 DELIBERATIONS - ANNUAL PLAN 2019/20 - ENVIRONMENT**File Number: COU1-1400****Author: Josh Lloyd, Group Manager - Community Infrastructure and Development****Authoriser: Monique Davidson, Chief Executive****Attachments: Nil****PURPOSE**

The purpose of this report is to present to Council the submissions received on the Annual Plan consultation in relation to Environmental matters.

RECOMMENDATION

That having considered all matters raised in the report;

- a) That submitters' comments are noted, with no specific recommendation necessary with regard to the Annual Plan 2019/2020.**

ENVIRONMENT - TOPICS FOR CONSIDERATION

Topic One	Waste Management
Topic Two	Footpath on Porangahau Road
Topic Three	Investment in core infrastructure
Topic Four	Otane Footpaths and Streetlights
Topic Five	Road sealing – Cooks Tooth Road
Topic Six	Road Sealing – Whangaehu Road
Topic Seven	Water Quality - Porangahau
Topic Eight	Maintenance of Wilder Road
Topic Nine	Maintenance of North Block Road
Topic Ten	Sewage Ponds – Porangahau
Topic Eleven	Porangahau River Health
Topic Twelve	Repairs on Blackhead Road

Topic One Waste Management**Submissions:**

11 Peter Watson

Summary of submissions:

The submitter seeks that Council fix the waste management problem

Analysis:

Council is soon to consult with the community on the Solid Waste Management and Minimisation Plan. This plan will aim to improve the management of waste in Central Hawke's Bay. Council Officers will include this specific submission when developing the Draft Solid Waste Management and Minimisation Plan.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Two – Footpath on Porangahau Road**Submissions:**

11 Peter Watson

Summary of submissions:

The submitter seeks that the footpath is completed between 77 to 113 Porangahau Road. The submitter is also seeking expansion of street lights.

Analysis:

This section of footpath is on the new footpath construction list. For Council to construct this footpath requires the removal of numerous property fences and hedges; a complete design as a retaining structure for the footpath would be required along with a safety rail . This would be beyond the current budget to implement.

This footpath location is in the programme and will be completed when funding allows and other higher priority footpaths have been completed

An inventory of street light requirements will be undertaken in the 19/20 fiscal year to determine a future course of action

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Three – Investment in core infrastructure**Submissions:**

85 Ray Freemantle, 87 Terry Lamont

Summary of submissions:

The submitters seeks that Council focus their costs on core infrastructure such as water, wastewater and footpaths.

Analysis: The submitters will be pleased to note the significant investment in drinking water, wastewater and stormwater via #thebigwaterstory programme. Council's 30 year infrastructure strategy reflects increased investment in core infrastructure.

It is also worth noting that as a result of a change to the Government Policy Statement for investment in transport, Council has been able to increase its investment in footpaths across the District.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Four – Otane Footpaths and Streetlights**Submissions:**

93 Rebecca Baker

Summary of submissions:

Submitter seeks more footpaths and streetlights in Otane to encourage safety in the community.

Analysis:

Based on the Council approved footpath policy and the supporting matrix all footpath requests are evaluated and ranked on need and potential usage. Numerous footpaths in Otane have been run through the matrix and 2 new ones will be constructed this year. Higginson Street and Dee Street are both programmed for construction in 2019 with Rochfort Street and Lawrence Street on the programme for 2020. The Council will continue to undertake analysis of all areas over the next couple of years to determine the requirements for new footpaths

An inventory of street light requirements will be undertaken in the 19/20 fiscal to determine a future course of action

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Five – Road sealing – Cooks Tooth Road

Submissions:

108 Wade Stoddart, 114 Rosalie and Ossie Buchanan, 124 Ian Scott

Summary of submissions:

The submitters seek that Cooks Tooth Road is re-sealed. Mr Scott highlighted that this should extend to the junction at Ireland Road.

Analysis:

The re-seal programme is based on need, age, condition and remaining life of the existing seal. It is a yearly programme with suggested sites for the following 2 years which have to be confirmed in the field. Once they are confirmed they are scheduled for re-seal and the work is completed. There are currently 2 sections of Cooks Tooth Road that are scheduled for re-seal pending a final investigation. These are scheduled for the 2019/20 fiscal year. Council will be re-sealing 2 sections of the road during the next sealing season starting in November 2019 and running through to March 2020

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Six – Maintenance Whangaehu Road

Submissions:

114 Rosalie and Ossie Buchanan

Summary of submissions:

The submitter seeks that maintenance is undertaken on Whangaehu Road

Analysis:

Whangaehu Road is located at the southern end of our district and is a metal road accessing the beach. Storms and natural springs in this area have damaged the road and in some cases we have had to retreat the road just to maintain access. The road currently has one area that has slumped and requires a geotechnical investigation to determine the cause of the defect and to ensure we are putting in place the correct solution. While this is happening the area will be maintained by the maintenance contractor. There is some potential logging in the area which is scheduled to take place next summer which will have a major negative impact on the road as the road was never designed to handle the heavy vehicles of today. This will be investigated over the winter and a repair and design implemented early spring.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Seven: Water quality Porangahau**Submissions:**

124 Ian Scott

Summary of submissions:

The submitter seeks that something is done about the water quality at Te Paerahi

Analysis:

Through the #bigwaterstory Council has a project in motion to upgrade the water treatment plant in Te-Paerahi supplying the townships of Porangahau and Te-Paerahi. The project has milestones where designs will be completed by the end of May 2019 with the upgrade construction planned for July to October 2019. Commissioning of the upgraded plant is planned for October 2019.

A community meeting is planned for Mid-May 2019 to inform the community of the project and expected outcomes.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Eight – Maintenance of Wilder Road**Submissions:**

127 Colin Bremer

Summary of submissions:

The submitter raises concerns about the quality of maintenance that is done on Wilder Road

Analysis:

The maintenance programme is guided by inspections and maintenance is programmed accordingly. Grading and metalling are activities which fall under this category. An increase in the amount of or the size of the trucks using any individual road is not always apparent as we have no way of knowing who is expanding their production thus increasing the amount of trucks.

The heavier (larger) truck issue should only be an increase of 2 tonne per truck and as this happened recently (June 2018) we have not had any opportunity to analyse the impact on the road network. We will re-look at our frequency of inspections for Wilder Road and ensure that grading and metalling is carried out in a timelier manner.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Nine – Maintenance of North Block Road**Submissions:**

128 Sam and Clare Bradley

Summary of submissions:

The submitter raises concerns about the slippery road after it has been graded

Analysis:

While red metal does make a good base when put down when the weather is dry it becomes slippery when it gets wet. The material we have used to try to minimise the slippery condition has not worked as we had hoped. The remoteness of the area has made it difficult to find a material which will work year round. As any metal road is trafficked, the top material migrates to the sides of the road and has to be reclaimed by grading. We will need to find a different material to cover the red metal for the seasons when we experience rain. It is sometimes difficult to get the grading right. The Land Transport team along with the maintenance contractor will explore new and different types of metal to alleviate the slippery conditions as well as review the grading practices

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Ten: - Sewage Ponds Porangahau**Submissions:**

129 Rose Tahuparae

Summary of submissions:

The submitter seeks clarification about Council's use of ancestral lands for the sewage ponds and seeks an appropriate outcome to assist people in the community

Analysis:

Council officers will be working with the community and iwi as we develop options for the future of the wastewater plant in line with the current resource consent expiring in May 2021. A key component of the new wastewater plant will involve input from community and iwi around the future of treatment and discharge and what may be acceptable. Community and iwi can expect this work to commence in late 2019.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Eleven: Porangahau River Health**Submissions:**

129 Rose Tahuparae

Summary of submissions:

The submitter seeks that the Council cleans up the Porangahau River

Analysis:

As part of the wastewater consent replacement/ renewals and subsequent upgrade works, Council will be reviewing treatment and discharge options. An improved treatment process will ensure a higher quality effluent is discharged into the river, if the river discharge remains. If sustainable and

feasible council will review the option to remove discharge from the river. This will follow a process commencing late 2019, as we work towards a new or amended resource consent post May 2021.

The other comments related to cleaning up the Porangahau River will need to be discussed in conjunction with the Hawke's Bay Regional Council who manage the waterways.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Twelve - Repairs on Blackhead Road

Submissions:

130 Sam and Megan Meadows

Summary of submissions:

The submitter seeks urgent repairs on Blackhead Road due to the sealed edges crumbling away

Analysis:

Blackhead Road has various sealed sections along its length which due to the heavy vehicles using the road suffers edge break damage. This will be inspected and where required work will be programmed and completed to remove the edge break.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

RECOMMENDATION

That having considered all matters raised in the report;

- a) That submitters' comments are noted, with no specific recommendation necessary with regard to the Annual Plan 2019/2020.**

7.6 DELIBERATIONS - ANNUAL PLAN 2019/20 - COMMUNITY**File Number: COU1-1400****Author: Doug Tate, Group Manager Customer and Community Partnerships****Authoriser: Monique Davidson, Chief Executive****Attachments: Nil****PURPOSE**

The purpose of this report is to present to Council the submissions received on the Annual Plan consultation in relation to Community activities.

RECOMMENDATION

That having considered all matters raised in the report:

- a) That the provision of a new toilet at Whangaehu be considered as part of the Long Term Plan 2021-31;**
- b) That the points raised in submission 123 for the landscaping of Abercrombie Street, Porangahau, are considered as part of the 2021 Long Term Plan review;**
- c) That Officers work with the Porangahau Community to determine the most appropriate location for a netball/tennis court in Porangahau, for consideration as part of the Annual Plan 2019/20 process;**
- d) That Officers work with Forest and Bird to understand local priorities and opportunities for Lindsay bush for consideration as part of the Long Term Plan 2021-31; AND**
- e) That for all other submissions, submitters' comments are noted, with no specific recommendation necessary with regard to the Annual Plan 2019/20.**

COMMUNITY - TOPICS FOR CONSIDERATION

Topic One	Animal Control and Animal Welfare
Topic Two	Community Safety
Topic Three	Reserve and Lawn Maintenance
Topic Four	Toilet and Shower provision in Porangahau
Topic Five	Catering for elderly population
Topic Six	Settlers Museum
Topic Seven	Solar Heating – Waipawa Pool
Topic Eight	Cycle Lane on Main Highway
Topic Nine	Provision for Future Development – Otane and Waipawa
Topic Ten	Maintenance of Whangaehu Beach reserve
Topic Eleven	Whangaehu Beach Toilets
Topic Twelve	Development of Abercrombie Street Porangahau
Topic Thirteen	Porangahau Netball Courts Resurfacing
Topic Fourteen	Lindsay Bush Management Funding

Topic One – Animal Control and Animal Welfare**Submissions:**

8 Jennifer Woodman, 83 George T Konia

Summary of submissions:

Ms Woodman seeks that Council outlaws feedlots as a permitted land use activity, or alternatively ensures that additional welfare checks are made to feedlot locations.

Mr Konia seeks that council manages dog control more actively.

Analysis:

The District Plan is currently under review with the draft District Plan being released to the public on 20 May. The public submission process as part of the draft District Plan is the correct process where the submitter can have their say on feedlots, in relation to Councils regulatory functions.

Following the review of animal and regulatory services late last calendar year, a number of changes have been made in the activity to boost the services and proactivity of the service. This will include more proactively working with communities of focus to reduce the potential for serious injury from dog incidents occurring and to promote appropriate dog owner behaviours.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Two – Community Safety**Submissions:**

83 George T Konia

Summary of submissions:

The submitter seeks that there is more police patrol around town streets.

Analysis:

Council works closely with the New Zealand Police and other agencies to promote the safety of residents of Central Hawke's Bay. Police and community patrols, regularly pass through areas of the District as resource and volunteers are available for this to occur.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Three – Reserve and Lawn Maintenance**Submissions:**

92 Rachel Hornblow

Summary of submissions:

That Council needs to research how to manage cost of maintenance of lawns and reserves.

Analysis:

There is a high cost related to maintenance of mown areas, due to the high labour and regular frequency of mowing required. The District does not receive high levels of maintenance, with the cost of mowing being directly attributable to the level of service provided – ie mow less, pay less.

Officers are exploring avenues to adjust levels of service over the coming months, to determine what opportunities there are to reallocate service.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Four – Toilet and Shower provision in Porangahau**Submissions:**

125 Genne Rapaea, 129 Rose Tahuparae

Summary of submissions:

The submitters seek upgraded or new coastal facilities at Te Paerahi and Parimahu, as well as the launching area near the Porangahau River.

Analysis:

The submitters appear to be concerned with the state of the facilities at the freedom camping areas in Te Paerahi – Council has no facilities at Parimahu. This area is part of an application to the Tourism Infrastructure Fund where funding is sought to upgrade the existing facilities.

There is a request for a new toilet at the Porangahau River Jetty. This area has not been identified for any development at this time, with other areas of priority including Whangaehu for toilet development.

A focus on renewal of existing assets and new assets will be a major priority in the review of Asset Management Plans, ahead of the Long Term Plan 2021-31 review.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Five - Catering for elderly population**Submissions:**

120 Di Murphy

Summary of submissions:

The submitter seeks that Council considers initiatives that cater for the growing elderly population in the district.

Analysis:

Council has a specific Positive Aging Action Plan that forms part of its Community Wellbeing Strategy. The action plan has a number of actions that the community are working on to reflect and ensure services meet the diverse needs of the community – whether young or old.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Six – Settlers Museum**Submissions:**

122 Corrin Coleman

Summary of submissions:

The submitter raises a number of points in relation to development of the Settlers Museum.

Analysis:

Council has an agreement with the Central Hawke's Bay Settlers Museum for the occupation of the building and to provide museum services to the Central Hawke's Bay Community.

The submitter makes a number of observations, specifically noting at a point in the submission that Council should be looking to empower existing talent to explore opportunity in the cultural as well as other legitimate fields.

From the context of the submission, it would appear the submitter is referring to the name of the museum being of greater scope than just 'settlers' of Central Hawke's Bay, instead recognising culture in the wider sense. A number of points are also made in relation to the buildings and the need to be more strategic and considered for the future.

Officers work closely with the Museum Trust, and will brief Councillors on any proposed name change or strategic plans, during the Museum reporting back into Council in September 2019.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Seven– Solar Heating Waipawa Pool

Submissions:

27 Magali Martin

Summary of submissions:

The submitter suggests that the pool should be solar heated, to enable it to be open year round.

Analysis:

Unfortunately solar heating does not provide sufficient guaranteed heating when booster heating is actually required for the complex, being the shoulder periods of the day – morning and evening, and during days of low sunlight, when solar gain cannot be made in the complex.

Most solar solutions work in public pool situations where electrical or gas heating is provided, allowing solar to be an alternate heating source.

The Waipawa Pool reference Group are considering heating as part of Stage 2 of the pool, with the immediate priority being the completion of fundraising for Stage 1 of the pool complex.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Eight – Cycle Lane on Main Highway

Submissions:

83 George T Konia

Summary of submissions:

The submitter requests that the cycle lane is connected on the main highway between Waipawa and Waipukurau.

Analysis:

A cycleway between Waipawa and Waipukurau on the State Highway is a project the New Zealand Transport Agency is currently actively working on. It is expected at the time of writing that this project will be complete by July 2020.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Nine - Provision for Future Development – Otane and Waipawa**Submissions:**

119 Bruce Stephenson

Summary of submissions:

The submitter asks what provision for land is being planned for future development in Otane and Waipawa.

Analysis:

The draft District Plan is due for release for community consultation on 20 May, ahead of the legal statutory process Council is required to go through. In the draft District Plan, consideration is given to future growth areas through the District including Otane and Waipawa.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Ten – Maintenance of Whangaehu Beach reserve**Late Submissions:**

114 Rosalie and Ossie Buchanan

Summary of submissions:

The submitter seeks that the beach reserve at Whangaehu is maintained by the Council regularly

Analysis:

The reserve is part of Council routine maintenance, albeit at with low levels of service. Over the last ten years, Council has not actively engaged with residents in Whangaehu on reserve issues, with the submissions providing a great opportunity to engage with the local community.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Eleven – Whangaehu Beach Toilets**Submissions:**

106 Dianna Karamaena, 124 Ian Scott, 114 Rosalie and Ossie Buchanan,

Summary of submissions:

The submitters express concerns about the impact of freedom camping in Whangaehu and Parimahu. Others request a public toilet at Whangaehu, the nearest toilet being 20km away in Porangahau.

Analysis:

There is clear concern heard from the submitters on the requirement for a toilet block at Whangaehu Reserve.

One submitter notes problems with freedom camping at Whangaehu Beach reserve. Council has not received any complaints over the last 12 months with freedom camping at Whangaehu, however Officers will investigate on site to determine what impact is happening on site, again with submitters noting clear issues on site.

An option for Council to consider is making new provision in the Annual Plan 2019/20 for funding of \$60,000 for a new toilet block, with Council seeking the balance from the Tourism Infrastructure Fund, as is currently occurring at Te Paerahi. If Council were to do this, there would also be new servicing costs of \$10-12,000 each year that Council does not currently have budgeted.

Alternatively, Council could defer any investment decision until the Long Term Plan 2021-31 Review.

Recommendation:

That the submissions are noted.

That the provision of a new toilet at Whangaehu be considered as part of the Long Term Plan 2021-31.

Topic Twelve – Development of Abercrombie Street Porangahau

Late Submissions:

123 Nicola Henderson

Summary of submissions:

The submitter seeks that Abercrombie Street is developed to further enhance the work, which has already taken place at the Porangahau Memorial Hall.

Analysis:

Work outside the Porangahau Memorial Hall was recently completed in time for Armistice Day in 2018. The work is part of a wider package of work that has been designed for the Main Street of Waipukurau.

There is no funding in the Long Term Plan 2018-28 for the continuation of this work, however this could be picked up in the community planning process, prior to the 2021 Long Term Plan Review process.

Recommendation:

That the points raised in submission 123 for the landscaping of Abercrombie Street, Porangahau, are considered as part of the Long Term Plan 2021-31 review.

Topic Thirteen – Porangahau Netball Courts Resurfacing

Late Submission:

Porangahau Memorial Hall Committee

Summary of Submission:

The submitter requests that urgent attention is given to the resealing and repair of the Porangahau Netball Courts.

Analysis:

The netball courts have failed and are dangerous for any type of competitive or even casual play. At the time of writing, Officers have closed the courts for competitive play/training with signage being organised.

The playing surface has major deviations in it, being unsuitable for tennis and it is unclear how Netball training on the surface has continued for some time without injury.

Funding in year 6 of the Long Term Plan 2018-28 of \$56,974 has been made. At the time of writing, it is highly unlikely that this funding will be sufficient to resurface the courts, based on the

high level of remediation work that will be required, not including surrounding surface drainage channels that will need to be established and replacement fencing that will also be required.

While a site for netball training, the area has a single large basketball hoop and is often used as an area for young people to undertake physical activity.

A conversation with the submitter has identified that simply resurfacing and replacing the court in its current location may not be the best solution for the Porangahau Community, with relocation to White Domain or the school two possible options.

Time to work with the community on the appropriate location for upgraded courts should be given, to ensure that investment is provided in the right location, with this proposal likely able to be considered as part of the community planning process for Porangahau. This would also provide an opportunity for the community to seek external funding, with Council possibly needing to bring funding forward from Year 6 to Year 3 to support this.

Recommendation

That Officers work with the Porangahau Community to determine the most appropriate location for a netball/tennis court in Porangahau, for consideration as part of the Annual Plan 2020/21 process.

Topic Fourteen: Lindsay Bush Management Funding

Submission:

47 – Management of Otaia/Lindsay Bush

Summary of Submission:

The submitter has an MOU with Council for the management of Lindsay Bush, with intentions to develop a strategic plan. The drafted strategic plan identifies work including signage, maps, developing the parking area and other things and requests \$5,000 for this work to occur.

Their submission also sought clarification about who was responsible for the safety of members of the public when they entered the bush on work and planting days

Analysis:

Lindsay Bush is a scenic reserve under the Reserves Act 1977. Council has an Memorandum of Understanding in Place with Forest and Bird for activities at the site. At the time of writing, it appears the reserve is vested in Council to administer on behalf of the Crown, rather than Council owning the site outright. The total area that people would consider to be the reserve, also covers other areas outside of Council control, including the river bed. The carpark for example is not on Council land.

Historically, Council Officers have had little interaction with the group – providing an annual payment, with there being little co-ordination between them and other Council activities. It is important that activities are consistent between other Council parks activities, and that activities on Reserve Land are consistent with the Reserves Act.

The preparation of a Strategic Plan, has the inference of being a management plan for the site. The Reserves Act sets out very clear legal processes for how this must be reviewed and when. Council currently has no Reserve Management Plan in place for the site. Council has no other active Reserve Management Plans in place across the District.

The most logical way forward, is for Officers to meet with the group, to determine the most appropriate way forward with any funding being considered as part of the Long Term Plan 2021-31.

Recommendation:

That Officers work with Forest and Bird to understand local priorities and opportunities for Lindsay bush for consideration as part of the Long Term Plan 2021-31.

RECOMMENDATION

That having considered all matters raised in the report:

- a) That the provision of a new toilet at Whangaehu be considered as part of the Long Term Plan 2021-31;
- b) That the points raised in submission 123 for the landscaping of Abercrombie Street, Porangahau, are considered as part of the 2021 Long Term Plan review;
- c) That Officers work with the Porangahau Community to determine the most appropriate location for a netball/tennis court in Porangahau, for consideration as part of the Annual Plan 2019/20 process;
- d) That Officers work with Forest and Bird to understand local priorities and opportunities for Lindsay bush for consideration as part of the Long Term Plan 2021-31; AND
- e) That for all other submissions, submitters' comments are noted, with no specific recommendation necessary with regard to the Annual Plan 2019/20.

7.7 DELIBERATIONS - ANNUAL PLAN 2019/20 - THE ESTABLISHMENT OF A DISASTER RELIEF FUND TRUST**File Number: COU1-1400****Author: Bronda Smith, Group Manager, Corporate Support and Services****Authoriser: Monique Davidson, Chief Executive****Attachments: Nil****PURPOSE**

The purpose of this report is to present to Council for deliberation the submissions received on the Annual Plan consultation in relation to the proposal to establish a Disaster Relief Fund Trust.

RECOMMENDATION**That having considered all matters raised in the report:**

- a) **Council approves the establishment of a Disaster Relief Fund Trust as a Council Controlled Organisation under the Local Government Act.**

ESTABLISHMENT OF A DISASTER RELIEF FUND TRUST**Submissions:**

5 Joan Chatfield, 6 Michael Smith, 8 Jennifer Woodman, 9 David Lewis, 11 Peter Watson, 19 Andrew Renton-Green, 24 Martin Lord, 26 Di Petersen, 27 Magali Martin, 28 Kathryn Bayliss, 29 Graham Palmer, 36 Sheryl Bayliss, 38 Sharon Ritchie, 45 Alan Neckelson, 51 David Bishop, 52 Alan and Delphine Delugar, 53 Peter Meredith, 58 Dan Elderkamp, 65 Dean Hyde, 68 Bruce Anderson, 72 Adrienne Tully, 74 Diane Seager, 75 Jim and Yvonne McAulay, 77 Catherine Pedersen, 79 Sharleen Baird, 83 George T Konia, 85 Ray Freemantle, 86 Harold Petherick, 87 Terry Lamont, 89 Peter Charlton-Jones, 91 Neil Bayliss, 92 Rachel Hornblow, 94 Vera Smith, 95 Hugh Ritchie, 96 R Pickering, 97 L Guy and R Bell, 98 Denise Cox, 99 Gerard Pain, 101 Trevor Le Lievre, 104 Helen Walker, 106 Dianna Karameana, 107 Ian Walker, 115 Dawn Le Lievre, 117 Peter Kittow, 118 Fred Nichol, 119 Bruce Stephenson, 120 Di Murphy

Late submissions: 113 Rei Sciascia, 128 Sam and Claire Bradley

Summary of Submissions:

A proposal to establish a disaster relief fund trust was one of the key topics council sought public feedback on as part of the Annual Plan 2019/20 process. In total Council received 49 submissions on this topic.

Analysis:

40 submitters supported the establishment of a disaster relief fund trust. Some of the key matters raised by submitters in support of this option included:

- That it is a good idea as long as it is closely managed to what events can be classified as a disaster
- That if the Council plans to donate to the fund that it should first consult with ratepayers
- That being prepared is sensible
- That it would be supported so long as the costs of servicing a CCO was minimal

- That although the submitter generally supports the setting up of the trust, that it should also consider allocating some funds to it, particularly from the Rural Ward Fund
- The move to a single collective structure for Civil Defence in Hawke's Bay was welcomed and it makes sense that any potential funds are also managed on a regional basis and in this case through a Trust.
- That trusts can work well provided they are managed effectively with best practice governance mechanisms in place.
- That Council needs to ensure that our community is represented as well as ensuring equity for all communities of interests (rural, urban, coastal, city and smaller communities)
- That although they support the establishment, they are aware that rates will eventually increase to fund it
- That it is important to be prepared for the increasing (in severity and frequency) adverse weather events
- That it is about time this happened
- That it was a good idea provided Central Hawke's Bay gets its share when a disaster happens in the district
- That this is a vital fund for the district
- That the Council is encouraged to align with the relief fund in Hastings for Hawke's Bay Federated Farmers in order not to duplicate administrative costs
- That the eventual rates impact would be lessened by having an intact Rural Ward Fund.
- That there would need to be a process to ensure prudent and responsible spending
- That climate change is going to put heavy strain on all of Hawke's Bay infrastructure
- That the fund would allow central government the instrument to provide funding

3 submitters opposed the establishment of a disaster relief fund trust. Some of the key matters raised by submitters in support of this option included:

- That Council already has a number of other funds (Mayoral Fund, Rural Fires Reserve, Adverse Events Contingency etc) which should cover the Council's assets
- Individuals generally will have recourse to their own insurance and or EQC
- That the submitter could not support the proposal as there was too little information in the consultation document. If such a trust were to proceed that clear and transparent criteria for appointment of trustees would need to be established and that trustees would need to come from all levels of the community

The Hawke's Bay Civil Defence Emergency Management (CDEM) Group is a collective of the five Hawke's Bay local authorities required under the CDEM Act 2002 to govern and manage CDEM within the region.

Following the Christchurch Earthquakes, it was identified that a mechanism to receive and distribute charitable donations for those effected by a civil defence emergency was needed prior to an event occurring.

The approved CDEM Group Plan seeks to establish a Hawke's Bay Disaster Relief Trust with the objective of collecting and distributing donations made by the public and organisations to assist people affected by a civil defence emergency in Hawke's Bay. Establishing the Trust will enable us to put in place the mechanisms to immediately seek and administer donations as a charity before a disaster occurs. This will allow for donated funds to be distributed as quickly as possible to those most in need. The trust would not hold funds other than in times of an emergency when donations would be received and then distributed to the community.

The funds that would be placed in the Trust are not Council funds, nor are they funds that would otherwise be coming to the Council.

As the Trustees will need to be appointed by the Hawke's Bay Councils, it is necessary to establish a Council Controlled Organisation under the Local Government Act to form and administer the Trust. There is no rates impact for the establishment of the trust.

The next steps will be working with the Hawke's Bay Councils to establish the trust deed which will be bought back to Council for adoption including the appointment of trustees to represent Council.

With the large majority of submitters having supported the proposal (40 out of 49 submissions, 81.6%), officers conclude that there is sufficient support to establish a Disaster Relief Trust to support people affected by a civil defence emergency in Hawke's Bay in the event of an emergency.

RECOMMENDATION

That, having considered all matters raised in the report:

- a) That Council approves the establishment of a Disaster Relief Fund Trust as a Council Controlled Organisation under the Local Government Act.**

7.8 DELIBERATIONS - ANNUAL PLAN 2019/20 - DRAFT ENVIRONMENTAL AND SUSTAINABILITY STRATEGY

File Number: COU1-1400

Author: Monique Davidson, Chief Executive

Authoriser: Monique Davidson, Chief Executive

Attachments: 1. **Draft Environmental and Sustainability Strategy - Statement of Proposal** [↓](#) 

PURPOSE

The purpose of this report is to present to Council the submissions received on the Annual Plan consultation in relation to the draft Environmental and Sustainability Strategy.

RECOMMENDATION

That, having considered all matters raised in the report;

- a) That Council adopt the Environmental and Sustainability Strategy and
- b) That Council consider future funding requirements to implement the Environmental and Sustainability Strategy as part of the Annual Plan 2020/21

DRAFT ENVIRONMENTAL AND SUSTAINABILITY STRATEGY

Submissions:

6 Michael Smith, 8 Jennifer Woodman, 19 Andrew Renton-Green, 26 Di Petersen, 27 Magali Martin, 28 Kathryn Bayliss, 38 Sharon Ritchie, 42 Robin Horder, 45 Alan Neckelson, 47 CHB Forest and Bird, 51 David Bishop, 53 Peter Meredith, 55 Louise Philips, 58 Dan Elderkamp, 61 NZ Forest and Bird, 65 Dean Hyde, 68 Bruce Anderson, 71 Gill Tracy, 72 Adrienne Tully, 74 Diane Seager, 79 Sharleen Baird, 83 George T Konia, 84 John Jakes, 85 Ray Freemantle, 88 Justin Courtney, 89 Peter Charlton-Jones, 94 Vera Smith, 96 R Pickering, 97 L Guy and R Bell, 99 Gerard Pain, 100 Hawke's Bay Biodiversity Foundation, 101 Trevor Le Lievre, 104 Helen Walker, 107 Ian Walker, 110 Anne Wallace, 115 Dawn Le Lievre, 119 Bruce Stephenson, 120 Di Murphy

Late submissions: 113 Rei Sciascia

Summary of Submissions

The Council's Draft Environmental and Sustainability Strategy was one of the key topics council sought public feedback on as part of the Annual Plan 2019/20 process. In total Council received 38 submissions on this topic.

Analysis

Overall, submissions received on this topic were in support of the intentions outlined in the strategy and congratulated the Council on its development. However a number of the submissions did note concerns that the objectives for exploring water storage solutions were a contradiction to Question one in the Annual Plan Consultation – i.e the proposal to potentially provide a suspensory loan to Water Holdings CHB.

Specific feedback related to this can be found under the heading "Theme two: Ensuring Environmental vitality through our way of working."

Feedback has been categorised by the four themes outlined in the draft Environmental and Sustainability Strategy initially and then into additional feedback received.

Theme one: Leading the way in environmental sustainability

Submissions received on this theme included the following feedback:

- That Council should take the impact of climate change seriously
- That although it is good for Council to consider its own practises, that this is only a small amount of environmental impact compared to discharges from cows
- That Council should consider use of mopeds or bicycles instead of 4 x 4 vehicles for staff
- That Council intensively zone private land for food and crop production due to the much lower carbon footprint and promote new systems for beef and lamb production.
- That Council should promote smarter farming that chooses crops more suitable to our climate
- Mr Courtney submitted that he supported the establishment of the Community Environmental and Sustainability Reference Group
- Ms Woodman sought clarification on the cost of the reference group
-

Theme two: Ensuring Environmental vitality through our way of working

Submissions received on this theme included the following feedback:

- A number of submitters indicated that the objective around investigating long term water storage solutions was at odds with the proposed suspensory loan to Water Holdings CHB.
- Mr Smith supported the move to provide funding to Water Holdings CHB to manage this, for the sake of efficiency
- Ms Bayliss felt that reference to water storage should be deleted
- Mr Elderkamp sought that Council consider alternative water storage options, including urban water storage in conjunction with regional council initiatives
- Mr Anderson sought that instead of a large dam, that Council implements a water storage scheme based on several storage ponds with local piped water reticulation
- That the strategy states that a top priority is conserving water but instead only focuses on long term storage solutions.
- Dr Le Lievre noted that if the Council wishes to demonstrate genuine intent regarding the strategy, it should not provide the suspensory loan to Water Holdings CHB.

In addition, there were a number of other submissions relating to Theme two in the document as follows:

- Dr Le Lievre requested that water metres were installed for all ratepayers on town supply
- Ms Martin submitted that reducing waste was ideal but that with China now refusing the export of NZ waste that options in this space were limited
- That Council should stop accepting waste from out of the district going to landfill as it is in conflict with the objective of waste minimisation in the district
- That Council should follow the lead of Hastings and Napier and only accept plastics 1 and 2 for recycling
- That high temperature incineration should replace the landfill
- That Council should consider providing wheelie bins for kerbside collection
- CHB Forest and Bird outlined their support for a revised Solid Waste Management and Minimisation Plan.

- That there needs to be attention given to the amount of recycling going to landfill from the transfer station
- That Council needs to implement the programs to fix water and wastewater issues in the district with costs spread over generations.
- That Council should stop discharging wastewater into rivers
-

Theme three: Connecting our people and place

Submissions received on this theme included the following feedback:

- 2 submitters wanted Council to promote sustainable housing including making water tanks or rainwater collection mandatory
- That Central Hawke's Bay should officially become GMO free
- That Council should plant native trees wherever possible
- That Council manages large fires burning e.g. through forestry slashing
- 5 submitters welcome Council's support for biodiversity initiatives
- That the Council should consider ways to create and restore wetlands to retain water, sustain summer flows and encourage biodiversity
- That Council should have a strong website with up to date information on environmental sustainability
- That the establishment of an environmental centre in CHB would be welcomed to raise awareness and empowering the community to do the right thing
- That Council needs to prioritise protection, restoration and conservation of native wildlife species in the district and should spend more time working with government in future on development of national policy statements.
- Hawke's Bay Biodiversity Foundation considered that this was a great theme for the strategy

Theme Four: Building a sustainable economy

Submissions received on this theme included the following feedback:

- That Council would be better to work with regional council and central government to find ways to achieve an equitable distribution of current water consents
- That promoting alternative land use options should be at the forefront of this initiative
- That protecting the environment and enhancing sustainability of it can be achieved parallel to economic growth

Funding the strategy:

• Submissions were received which both supported and opposed investment into the Strategy. Some of the comments about funding included:

- That it looks to be environmentally sustainable and financially sound
- That Council should invest in the strategy and its outcomes
- That it was unclear how funding and resources would be allocated
- That the strategy had the potential to require endless funding to maintain it

General comments:

- Mr Renton-Green highlighted that some of the data on which proposals were based was from pre-destined political positions and so was flawed

- Ms Bayliss suggested some changes in wording in the introduction of the document as follows;
 - Change ‘Managing our impact on waterways to “Improving our rivers’
 - “Successful environmental guardians ensuring future generations THRIVE here” should be changed to “Successful environmental guardians ensuring we and future generations THRIVE here”
- That the strategy lacked substance
- That the proximity of the sewage treatment ponds and refuse station to the Tukituki river has potential to cause issues in the event of a 100 year flood.
- That farmers were going to be taxed heavily by the government, so to take their costs into consideration when making decisions
- Mr Hyde’s submission noted the importance of working in partnership with key stakeholders to achieve meaningful outcomes.

As can be read above significant feedback was provided to the strategy.

By way of background, in the Long Term Plan Council 2018-28 indicated it would develop an Environmental and Sustainability Strategy to help Council with the way it would deliver services in the future and identify further initiatives that may form part of Council’s services. This was in recognition of how important the natural environment is to the community as noted in Project THRIVE. The aim is to work alongside partners across the region to improve the environmental footprint.

The Vision, Themes and Actions outlined in the Environmental and Sustainability Strategy (as attached) align with community views and preferences expressed during Project THRIVE and the following Community Outcomes -

- **Proud District.** The community has identified the importance of the unique landscape ‘from the mountains to the sea’. Through the Environmental and Sustainability Strategy, Council will reaffirm the importance of the natural landscape, strengthen local connection with environmental points of difference and community identity.
- **Prosperous District.** It is anticipated that the actions coming out of the Environmental and Sustainable Strategy will assist towards protecting and promoting the natural landscape. An attractive district with well managed natural resources is vitally important to local iwi, to retaining and attracting new residents and businesses, and supporting industry to flourish and prosper i.e. primary and tourism sectors.
- **Strong Communities.** Central Hawke’s Bay is home to several environmental community groups working to deliver sustainable initiatives and environmental programmes to the community. Council will work alongside of community groups and the Hawke’s Bay Regional Council and others in a collaborative manner in effort to reduce the environmental footprint.
- **Smart Growth.** Growing Central Hawke’s Bay in a smart and sustainable way is important to the Council and the community. It is anticipated that the Environmental and Sustainability will complement the principles of the Central Hawke’s Bay District Plan and Economic Development Strategy.
- **Environmentally Responsible.** Central Hawke’s Bay is home to a unique and beautiful landscape. The Environmental and Sustainability Strategy will include monitoring action and evaluating effectiveness. The monitoring indicators and completed actions will provide Council with data to demonstrate environmental responsibility.

The Draft Environmental and Sustainability Strategy aims to capture those activities and initiatives that Council can influence, coordinate or facilitate, and in some instances actually deliver.

At its heart, the Strategy has four primary objectives or priorities and four supporting themes that

sets out how Council will act to work towards the priorities. The four priorities are:

- Managing our impact on waterways
- Increasing recycling and reducing waste to landfill
- Conserving water
- Managing for climate change

The most contentious issue raised throughout feedback was the perception that the adoption of the Strategy is contradicted by Council's proposal to provide a suspensory loan to Water Holdings CHB Limited.

While the issues need to be debated and determined separately, Officers advice is that there is connection between the two issues.

Officers advice to Elected Members is that the security of water to landowners presents opportunities to enhance the environmental, social, economic and cultural aspirations of Central Hawke's Bay through positively enabling change in land use to allow a move from product volume to product value and keeping within Plan Change 6 limitations, while potentially also enhancing environmental summer flows. Council when considering separately the feedback to the proposal to provide a suspensory loan to Water Holdings CHB Limited will need to consider how the proposal aligns with the intent and priorities of the Environmental and Sustainability Strategy.

To the point that a number of submitters indicated that the objective around investigating long term water storage solutions was at odds with the proposed suspensory loan to Water Holdings CHB. The specific reference to the investigation of water supply storage solution links to one of the four priorities "conserving water". This initiative was specific to Council's goals as part of #thebigwaterstory which is to increase water storage for municipal water supply to increase resilience in the drinking water network.

With the large majority of submitters having supported the intent of the strategy, officers conclude that there is sufficient support to adopt the Environmental and Sustainability Strategy.

Officers recognise the role of the Community Environmental and Sustainability Group as critical to the success of the implementation of the Strategy. Officers see the establishment of the group as the most important next step and should Council adopt the strategy, initial energy will be put on this. The Community Environmental and Sustainability Group will also be able to consider the many ideas suggested as part of consultation and see whether priority can be given to any specific projects.

Officers' view is that the establishment of the Community Environmental and Sustainability Group and implementation of initiatives in Year 1 can be funded via existing budgets. To this point it is worth noting that a number of the initiatives are already programmed within the Long Term Plan 2018-28. This provides time for further projects to be prioritised and a full assessment of costs determined, to then be considered as part of the Annual Plan 2020/21 process.

RECOMMENDATION

That, having considered all matters raised in the report:

- a) That Council adopt the Environmental and Sustainability Strategy and**
- b) That Council consider future funding requirements to implement the Environmental and Sustainability Strategy as part of the Annual Plan 2020/21**



Environmental and Sustainability Strategy Statement of Proposal February 2019

CENTRAL HAWKE'S BAY DISTRICT COUNCIL



Background

To deliver on its commitments made in the 2018-21 Long Term Plan and based on the views of our local communities captured through Project THRIVE, Council has for the first time created an Environmental and Sustainability Strategy (the Strategy). The Strategy was developed alongside the community with the support of a community reference group as well as some external and expert help.

At its heart, the Strategy has four primary objectives or priorities and four supporting themes that set out how Council will act to work towards the priorities. The four priorities are:

- Managing our impact on waterways
- Increasing recycling and reducing waste to landfill
- Conserving water
- Managing for climate change

To support these priorities, the Strategy contains an assessment of the current state and some actions to be taken under four themes:



The Strategy affects everyone and will set the direction for Council with regard to how it manages its impact on the environment for years to come. The Strategy is also designed to pave the way for initiatives where Council works with community. In accordance with s82 of the Local Government Act 2002, this Statement of Proposal initiates a consultation that is being run in conjunction with the Consultation on the Annual Plan. Council is seeking the community's views on the proposed changes. The full proposed Environmental and Sustainability Strategy is included with this Statement of Proposal.

The Strategy on a Page

Themes, Outcomes and Action:

Leading the way in environmental sustainability

The outcome	Actions for 2019/20	Who is responsible?
We are a good example to the rest of New Zealand, leading the way in environmentally friendly and sustainable business practices	Obtain membership on a Sustainable Business Network, complete an audit and plan to reduce Council's emissions and build sustainability into purchasing decisions	Central Hawke's Bay District Council and community
	NEW!	
The outcome	Actions for 2019/20	Who is responsible?
We continue to demonstrate leadership in environmental and sustainability matters locally and on the national stage	Formally establish the Community Environmental and Sustainability Reference Group	Central Hawke's Bay District Council and Community Environmental and Sustainability Reference Group
	NEW!	
	Actions for 2020-23	Who is responsible?
	Council monitors and reports on the progress made in the Environmental and Sustainability Strategy	Central Hawke's Bay District Council



Ensuring environmental vitality through our way of working

The outcome	Actions for 2019/20	Who is responsible?
We will successfully meet our legal obligations	Complete Review of District Plan	Central Hawke's Bay District Council
	Investigate long term water supply storage solution	Central Hawke's Bay District Council
	Implement the Solid Waste Management and Minimisation Plan	Central Hawke's Bay District Council and community
	Continue investment in infrastructure to meet resource consent conditions, specifically those related to discharges to waterways	Central Hawke's Bay District Council
	Council where possible will continue to seek external funding to support various environmental and sustainability initiatives	Central Hawke's Bay District Council
The outcome	Actions for 2019/20	Who is responsible?
We will do more than meet compliance. We will work in a way that ensures environmental vitality – our environment is strong, lively and healthy	Council and the Tuki Tuki Water Task Force will continue to work together with Regional and Central Government on a sustainable water retention solution for the community	Central Hawke's Bay District Council, Tuki Tuki Water Task Force, Hawke's Bay Regional Council and Central Government
	Continue to improve water supply infrastructure to reduce leakage and waste	Central Hawke's Bay District Council
	Proactively work towards meeting resource consent conditions by monitoring and addressing issues as they arise	Central Hawke's Bay District Council
	Support Hawke's Bay Biodiversity Strategy and Action Plan	Central Hawke's Bay District Council
The outcome	Actions 2020/21	Who is responsible?
We will monitor our progress towards environmental vitality and develop a plan for action	Undertake State of Environment Report and report back to Council and Community	Central Hawke's Bay District Council, Hawke's Bay Regional Council
	Develop a State of the Environment Action Plan	Central Hawke's Bay District Council, Hawke's Bay Regional Council, Community Environmental and Sustainability Reference Group



Connecting our people and place

The outcome	Actions for 2019/20	Who is responsible?
We are aware of our unique natural environment and how to care for it	Provide readily accessible information about environmental sustainability	Central Hawke's Bay District Council
The outcome	Actions for 2019/20	Who is responsible?
We are in partnerships with organisations and individuals that can help us be successful environmental guardians	Continue to provide support and resources for the Hawke's Bay Biodiversity Strategy and Action Plan – to protect, stabilise and enhance biodiversity. Signatory to the Biodiversity Accord	Central Hawke's Bay District Council
	Complete Village Planning to identify projects of interest and plan to complete	Central Hawke's Bay District Council and community



Building a sustainable economy

The outcome	Actions for 2019/2020	Who is responsible?
We attract business that our natural environment can sustain	Complete Economic Development Assessment to determine opportunities sustained by our natural environment	Central Hawke's Bay District Council
The outcome	Actions for 2019/2020	Who is responsible?
We encourage businesses to operate sustainably	Develop an Economic Development Strategy incorporating sustainable development	Central Hawke's Bay District Council
	Provide and facilitate access to information about sustainable business practices	Central Hawke's Bay District Council and Sustainable Living Aotearoa
	Encourage businesses to practice end of life product stewardship	Central Hawke's Bay District Council, Sustainable Living Aotearoa



The Submission Process

The proposal contained in this document along with the full Environmental and Sustainability Strategy is open for public submission in conjunction with consultation on the Annual Plan from 18 March to 12 April 2019. This is your opportunity to let the Mayor and Councillors understand your views about the Strategy.

Your submission can be sent to Council by:

- Sending an email to thrive@chbdc.govt.nz
- Completing the online submission form
- Completing the submission form at the end of the Annual Plan Consultation Document and delivering it to:

Central Hawke's Bay District Council

28-32 Ruataniwha Street

Waipawa 4210

Or mailing it to:

Central Hawke's Bay District Council

PO Box 127

Waipawa 4240

Once the public consultation period has concluded, Council will schedule hearings on the proposed Strategy as part of the Annual Plan Consultation. Submitters will be advised of the hearing dates, and those who have indicated that they wish to present their views in person will be advised of their allocated speaking time. Council will consider all submissions received and submitters will be advised of the outcome of their submission as part of the Annual Plan submission process. As provided by section 82(1)(d) of the Local Government Act, you may present your views in a manner that best suits your preferences and therefore is not limited to speaking to a written submission. You can also present your views to the Council verbally at the hearings on the proposal. Please complete an Annual Plan submission form stating if this is your preference.



**CENTRAL
HAWKE'S BAY**
DISTRICT COUNCIL

together we thrive

Environmental and Sustainability Strategy

2019-23

Successful
environmental
guardians, ensuring
future generations
THRIVE here.



January 2019

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Environmental and Sustainability Strategy • 3

Introduction

Our people cherish the unique and beautiful landscape of the Central Hawke's Bay. Project THRIVE reaffirmed that great value is placed on our natural environment, ensuring that it is healthy and can sustain future generations is important to our community.

Together we are: "Successful environmental guardians, ensuring future generations THRIVE here".

The Strategy has been developed to reduce Central Hawke's Bays' environmental footprint and to protect and enhance the environment so that it can sustain future generations. Council has been undertaking research, working alongside the Community Environmental and Sustainability Reference Group and developing ideas gathered in Project THRIVE to identify a vision for the future. By 2023 Central Hawke's Bay community will be recognised as successful environmental guardians, protecting and enhancing the environment so that future generations can THRIVE here. Protecting the environment and acting sustainably means many things to Council and to the community, among these as top priorities are;

- Managing our impact on waterways
- Increasing recycling and reducing waste to landfill
- Conserving water
- Managing for climate change

Council recognises that no single organisation can bring about a healthy environment on its own. We take our responsibility seriously and have pledged to work alongside others to reduce the environmental footprint of the District. We are a small, practical and agile community, grounded in practicality and buoyed by knowing what can be achieved by working together. Our future is bright and thriving, because we choose to make it so.

The Strategy is broken into four key themes that were identified through working with our community in Project THRIVE and through an established reference group for the Strategy. Each theme includes an assessment of where we are now and where we are going and in the back of the Strategy is a table of actions to help us, and our community, bridge the gap.



Environmental and Sustainability Strategy - 4

One



Leading the way in environmental sustainability

Where are we now?

During Project THRIVE our community told us they would like Central Hawke's Bay to be a good example to the rest of New Zealand, leading the way in clean environmental and sustainability practices. Council has a specific role in providing local leadership and decision making, the community also has a local leadership role to play. Council is looking forward to working with community leaders on the Environmental and Sustainability Reference Group to consider how our community can lead the way and be a role model to the rest of New Zealand. We have a number of environmental challenges to face - one of most the significant being the impacts of climate change.

Where do we want to be?

We are a good example to the rest of New Zealand, leading the way in environmentally friendly and sustainable business practices. Council believes that good role models actively demonstrate desired behaviour. It is important to us that we are leading the way and putting our policy into practice by actively work towards reducing our own carbon footprint here at Central Hawke's Bay District Council. We have much to learn. We intend to join a Sustainable Business Network for support and advice and embark upon an audit that will assist us to reduce our greenhouse gas emissions and build sustainability into our purchasing decisions.

We expect our audit findings will increase Council's understanding of sustainable business practices and influence the way we work with other businesses. We may have more stringent expectations about our suppliers taking end of life product stewardship and recycling and reducing their own emissions and environmental footprint.

We continue to demonstrate leadership in environmental and sustainability matters locally and on the national stage. Council will continue to carry out our leadership responsibilities as per the Local Government Act by incorporating environmental wellbeing and sustainability into decision making.

Leading at the local level will require Council to understand some of the likely impacts global environmental issues will have on our community. We will work with our community to develop local solutions. For example, adapting to and mitigating the impacts of climate change are significant challenges and a new priority focus for all Councils. We know that reducing emissions will help mitigate the effects of climate change.

Our whole community will have a part to play in meeting New Zealand's emission reduction targets to by 2050. While work is underway at a national level to develop emission reduction action plan it will be important that local solutions are developed for local communities. Farming and food production are at the heart of our local economy and these industries are some of the biggest contributors to emissions. We are committed to working with Central Government and participating in climate change projects it is equally important to us that we work alongside our Community Environmental and Sustainability Reference Group and involve our community in developing local solutions.



Two

Ensuring environmental vitality through our way of working



Where are we now?

Protecting the natural environment is Council's core business and is not something considered discretionary. We are legally required to supply water, manage waste and land resources to meet strict requirements under the Resource Management Act as stipulated in conditions of the numerous Resource Consents held by Council. While legal compliance is critically important, Council and our community recognise together that much more can be done.

Where do we want to be?

We will successfully meet our legal obligations. Council activity is largely bound by legislation. New ways of addressing environmental challenges mean that legal requirements are subject to change, requiring Council's to respond to new requirements and resources. For smaller Council's like Central Hawke's Bay, just meeting legal requirements requires careful balancing of very limited resources. We allocate resources according to priority. Our priorities for the next 5 years will be on ensuring legal requirements are met by:

- Upgrading wastewater treatment plants to meet resource consent conditions
- Investigating long term water storage solutions
- Implementing the Solid Waste Management and Minimisation Plan

We will do more than meet compliance. We will work in a way that ensures environmental vitality - our environment is strong, lively and healthy. Council has some flexibility about the way it meets legal compliance requirements. The priorities and preferences of the local community to protect natural environment can be reflected in choices and decision making. Often these choices do not require additional resources but a change in focus on a different way of working.

To reflect our way of working we will ensure that:

- We work alongside our community to investigate sustainable water storage solutions
- Our water supply infrastructure is well maintained and reduces leakage and waste



- We exceed expectations for recycling and reducing waste as outlined in the Solid Waste Management and Minimisation Plan
- We proactively work towards meeting consent conditions by monitoring and addressing issues if they arise.

We will monitor our progress towards environmental vitality and develop a plan for action. Good data and information are key to determining how healthy our environment really is. It also provides an evidence base to help distinguish between perception and reality and a guide for action. Council will complete the State of the Environment reporting. Renewed focus will be placed on establishing a core set of environmental indicators that will tell us how healthy our environment is. We will take available information and build upon it, adding a set of local environmental indicators. The State of the Environment Report will be shared in the community to raise awareness of how well we are doing and to develop an action plan and local solutions for addressing issues.

Three

Connecting our people and place



Where are we now?

During Project THRIVE our people told us how special our place is. Our home here in here Central Hawke’s Bay has a unique and beautiful natural landscape, different from anywhere else in the world. The land, native bush, biodiversity, mountains, river, beaches and sea are natural treasures, our taonga to be valued and cherished. However, our community also identified some challenges that were holding us back from THRIVING. Council is committed to working in partnership with others to raise awareness about our special place to ensure our people know how they can take action and play a part in caring for the natural environment.

Where do we want to be?

We are aware of our unique natural environment and how to care for it. We will encourage community organisations to raise awareness of what makes Central Hawke’s Bay landscape special and unique. Whenua is a term that can be used to describe a view point about land, that land is more than just a resource, or something to be owned but an anchor point to create experience and meaning. Whenua can enhance a sense of belonging and connection to a place and increase the likelihood that people will care for it.

We want our community to readily access information they need to live in an environmentally friendly and sustainable way. One of the ways Council can assist the community in this aim is to become a member of Sustainable Living Aotearoa. This is a national organisation that provides the Future Living Skills programme and includes information and suggested actions to the community about living more sustainably.

Website information about energy savings, sustainable buildings, water, food, transport, growing organic vegetables, waste and building resilience is kept up to date by specialist experts.

We are in partnerships with organisations and individuals that can help us be successful environmental guardians.

Central Hawke’s Bay District Council is a signatory on the Hawke’s Bay Biodiversity Accord. Our signature represents our continued support of the Hawke’s Bay Regional Council and partners to implement the actions in the Biodiversity Strategy.

We intend to work alongside landowners, Community Environment and Sustainability Reference Group and biodiversity specialists at Hawke’s Regional Council to protect and enhance sites of significance in the district. Our work will complement the recently completed Biodiversity Inventory and help prioritise effort where it is needed most.

Council recognises that Central Hawke’s Bay is made of towns and villages each with its unique set of characteristics. It is important to Council that local issues are addressed by local solutions, rather than a one size fits all approach. In 2019/20 Council will embark upon Village Planning exercises where local villages will get to identify their own vision for the future, local issues and set of actions. We look forward to working with communities to address environmental issues identified for each village.



Four

Building a sustainable economy



Where are we now?

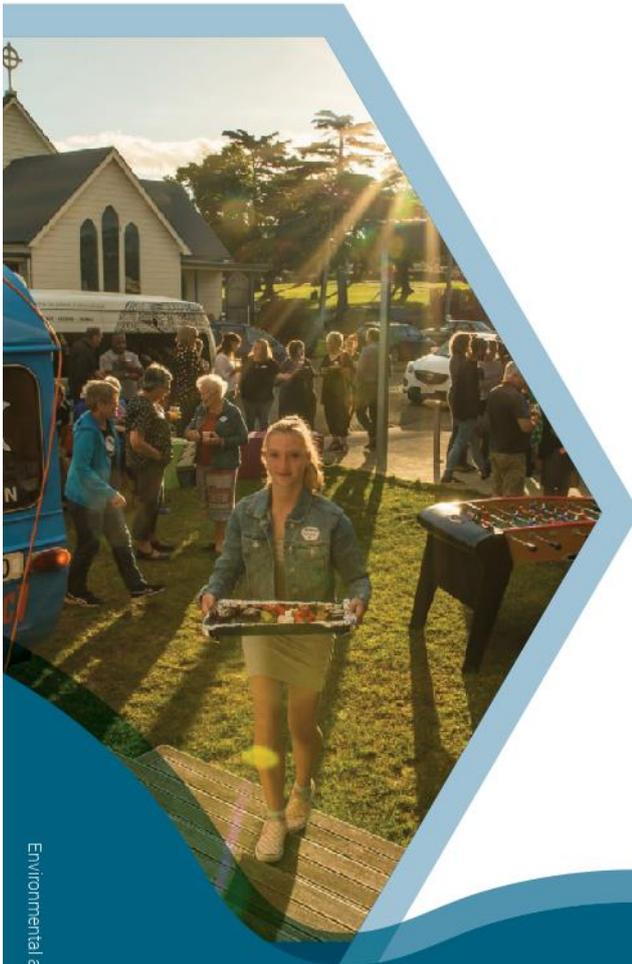
Council has become more active in Economic Development, recently appointing its first Economic Development Officer and planning to develop an Economic Development Strategy. To inform the Strategy, Council is currently undertaking research to identify the types of businesses that our natural assets and environment can sustain.

Where do we want to be?

We attract business that our natural environment can sustain. We know that climate change will impact upon our community and affect what we can produce here. Already water storage is a concern for our community. To prepare for further change it is important that we have good data and information to base decisions on. Council is undertaking an Economic Development Opportunities Assessment to identify the economic development opportunities for the Central Hawke's Bay. The study will consider the District's economic advantages and high productivity assets and attributes including quality agricultural land, natural resources, temperate climate, climate change, central location, and an excellent transport network, including the Napier Port. The aim is to undertake location specific research and make practical recommendations about profitable and sustainable, innovative business initiatives that will grow and diversify the local economy, increase overall productivity, business investment, and jobs.

It is thought the study will include a range of practical solutions and recommendations that may include, for example, alternative land use options. The information will be used for a range of different purposes including the development of investment prospectus to attract businesses to Central Hawke's Bay.

We encourage businesses to operate sustainably. We want to encourage local businesses to practice as sustainably as possible. Providing and facilitating access to businesses seeking information is a role that Council can provide through a range of sources including, Ministry for the Environment and Sustainable Living Aotearoa. Council has also allocated resources to encourage and enable local businesses to work with a Sustainable Business Network. This will involve undergoing business audits to reduce greenhouse gas emissions and build sustainability into purchasing decisions. For example, choosing suppliers, producers, brand owners, importers, that practice product stewardship by accepting responsibility for reducing a product's environmental impact throughout its life.



Environmental and Sustainability Strategy - 8

What we need to do?

Leading the way in environmental sustainability		
Outcome	Actions 2019/20	Responsible
We are a good example to the rest of New Zealand, leading the way in environmentally friendly and sustainable business practices	Obtain membership on a Sustainable Business Network, complete an audit and plan to reduce Council's emissions and build sustainability into purchasing decisions	Central Hawke's Bay District Council and community
Outcome	Actions 2019/20	Responsible
We continue to demonstrate leadership in environmental and sustainability matters locally and on the national stage	Formally establish the Community Environmental and Sustainability Reference Group	Central Hawke's Bay District Council and Community Environmental and Sustainability Reference Group
Outcome	Actions 2020 - 23	Responsible
	Council monitors and reports on the progress made in the Environmental and Sustainability Strategy	Central Hawke's Bay District Council
Ensuring environmental vitality through our way of working		
Outcome	Actions 2019/20	Responsible
We will successfully meet our legal obligations	Complete Review of District Plan	Central Hawke's Bay District Council
	Investigate long term water supply storage solution	Central Hawke's Bay District Council
	Implement the Solid Waste Management and Minimisation Plan	Central Hawke's Bay District Council and community
	Continue investment in infrastructure to meet resource consent conditions, specifically those related to discharges to waterways	Central Hawke's Bay District Council
	Council where possible will continue to seek external funding to support various environmental and sustainability initiatives	Central Hawke's Bay District Council
Outcome	Actions 2019/20	Responsible
We will do more than meet compliance. We will work in a way that ensures environmental vitality – our environment is strong, lively and healthy.	Council and the Tuki Tuki Water Task Force will continue to work together with Regional and Central Government on a sustainable water retention solution for the community.	Central Hawke's Bay District Council, Tukituki Water Task Force, Hawke's Bay Regional Council and Central Government
	Continue to improve water supply infrastructure to reduce leakage and waste	Central Hawke's Bay District Council

	Proactively work towards meeting resource consent conditions by monitoring and addressing issues as they arise.	Central Hawke's Bay District Council
	Support Hawke's Bay Biodiversity Strategy and Action Plan	Central Hawke's Bay District Council
Outcome	Actions 2020/21	Responsible
We will monitor our progress towards environmental vitality and develop a plan for action	Undertake State of Environment Report and report back to Council and Community	Central Hawke's Bay District Council, Hawke's Bay Regional Council
	Develop a State of the Environment Action Plan	Central Hawke's Bay District Council, Hawke's Bay Regional Council, Community Environmental and Sustainability Reference Group

Our People and Place

Outcome	Actions 2019/20	Responsible
We are aware of our unique natural environment and how to care for it	Provide readily accessible information about environmental sustainability.	Central Hawke's Bay District Council
Outcome	Actions 2019/20	Responsible
We are in partnerships with organisations and individuals that can help us be successful environmental guardians	Continue to provide support and resources for the Hawke's Bay Biodiversity Strategy and Action Plan – to protect, stabilise and enhance biodiversity. Signatory to the Biodiversity Accord.	Central Hawke's Bay District Council
	Complete Village Planning to identify projects of interest and plan to complete	Central Hawke's Bay District Council and community

Building a sustainable economy

Outcome	Actions 2019/2020	Responsible
We attract business that our natural environment can sustain	Complete Economic Development Assessment to determine opportunities sustained by our natural environment	Central Hawke's Bay District Council
We encourage businesses to operate sustainably	Develop an Economic Development Strategy incorporating sustainable development	Central Hawke's Bay District Council
	Provide and facilitate access to information about sustainable business practices	Central Hawke's Bay District Council and Sustainable Living Aotearoa
	Encourage businesses to practice end of life product stewardship	Central Hawke's Bay District Council, Sustainable Living Aotearoa

■ Indicate new actions.
All others are existing actions.



Monitoring and evaluation

We will measure our results to ensure we are undertaking actions and achieving the outcomes and vision we seek.

We have identified the following potential measures to help assess our progress against the four themes. Our measures will also help to tell us if we need to stop doing an action and change course, as well as when we should celebrate success. These measures reflect that we are at the beginning of become more environmentally sustainable. As we become more experienced and gather more information our measures will change and become more specific.

We want the actions in the Strategy to bring about real change, as well as understand what works and what does not. It is important to recognise that some measures are influenced by things out of our control.

Leading the way in environmental sustainability

- Being a good example to the rest of New Zealand, leading the way in environmentally friendly and sustainable business practices
- We continue to demonstrate leadership in environmental and sustainability matters locally and on the national stage

Report against implementation of initiated Sustainable Business Network audit recommendations

Report against progress on themes and actions in the Environmental and Sustainability Strategy

Ensuring environmental vitality through our way of working

- Meeting legal obligations
- Doing more than meet compliance. We will work in a way that ensures environmental vitality – our environment is strong, lively and healthy
- We will monitor our progress towards environmental vitality and develop a plan for action

Report against legal obligations

Environmental Health Indicators (State of the Environment Report)

Report against implementation of initiated in the State of the Environment Action Plan

Connecting our people and place

- Raising awareness of our unique natural environment and how to care for it
- We are in partnerships with organisations and individuals that can help us be successful environmental guardians

Report on outcomes of community education programmes

Report against initiated actions in the Hawke's Bay Biodiversity Action Plan

Building a sustainable economy

- Attract businesses that our natural environment can sustain
- Supporting businesses to operate sustainably

Report against outcomes of the Economic Development Opportunities Assessment

Report against the actions in the Economic Development Strategy

7.9 DELIBERATIONS - ANNUAL PLAN 2019/20 - GOVERNANCE AND LEADERSHIP

File Number: COU1-1400
Author: Monique Davidson, Chief Executive
Authoriser: Monique Davidson, Chief Executive
Attachments: Nil

PURPOSE

The purpose of this report is to present to Council submissions received in relation to Governance and Leadership activities

RECOMMENDATION

That having considered all matters raised in the report;

- a) That submitters' comments are noted, with no specific recommendation necessary with regard to the Annual Plan 2019/20.**

GOVERNANCE AND LEADERSHIP – TOPICS FOR CONSIDERATION

Topic One	Maintaining a Local Voice in Shared Services
Topic Two	Maori representation in Council decision making

Topic One – Maintaining a Local Voice in Shared Services**Submissions:**

75 Jim and Yvonne Macauley

Summary of submissions:

The submitters seek that in any shared services that our local voice and representation remains.

Analysis:

The submitters raise valid points that when decisions on shared services are made local voice and representation is considered. In 2018 the five Hawke's Bay Councils supported a recommendation to make Hawke's Bay Local Shared Services Company dormant, and instead mandate the five Chief Executives to work smarter together on achieving shared service outcomes. Specific projects and outcomes will be explored where it makes sense, and enhanced local value will always be pursued.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

Topic Two – Maori representation in Council decision making**Submissions:**

113 Rei Sciascia

Summary of submissions:

The submitter raises concerns around Council shortcutting processes by select Maori representation and biases regarding iwi based hapu and whanau representation.

Analysis:

Council values the relationship it has with Te Taiwhenua o Tamatea, and appreciates having a forum where all Marae are represented.

The Post Treaty Settlement process presents a greater need for Council to increase its ability to meaningfully partner.

Council have committed to developing a Maori Engagement Strategy in the Annual Plan 2019/20. This Strategy will provide Council a framework moving forward to ensure Iwi, Hapu and Marae are meaningfully engaged.

Recommendation:

The submitters comments are noted, no recommendation is necessary with regard to the Annual Plan 2019/20.

RECOMMENDATION

That having considered all matters raised in the report;

- a) That submitters' comments are noted, with no specific recommendation necessary with regard to the Annual Plan 2019/20.**

7.10 QUARTERLY FINANCIAL REPORTING FOR MARCH 2019**File Number:** COU1-1410**Author:** Bronda Smith, Group Manager, Corporate Support and Services**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. Quarterly Financial Report March 2019 [↓](#) **PURPOSE**

Provide Council with a summary of Council's third quarter financial performance for the 2018/19 financial year.

RECOMMENDATION

That, having considered all matters raised in the report, the report on Council's third quarter financial performance for the 2018/19 financial year be noted.

SIGNIFICANCE AND ENGAGEMENT

This report is provided for information purposes only and has been assessed as being of some importance.

DISCUSSION

This report is to supply Council with a summary of the financial performance of Council and highlights the key financials for the third quarter for the year ended 30 June 2019.

The report contains a Financial Overview for Whole of Council and the Groups of Activities, Treasury Report and Rates Debt Information.

This Financial Report is for the 9 months to 31 March 2019. Council shows a \$5.748m surplus against a budgeted surplus of \$5.108m. March is 75% through the year and the result shows that Council has spent 74.8% of the expenditure budget and received 76.0% of the budgeted income. Personnel Costs is \$84k above budget and includes \$145k of one off expenditure. Other Expenses are under budget by \$38k. Interest income is tracking higher than budgeted as more cash is held due to the reduced capital expenditure. Most other variances are favourable being underspent budgets or timing differences between budget allocations and actual expenditure. Details of the variances can be found in the reports within the attached report.

Elected Members were sent a copy of this report earlier this month.

FINANCIAL AND RESOURCING IMPLICATIONS

Officers will continue to monitor and manage the finances of Council.

IMPLICATIONS ASSESSMENT

This report confirms that the matter concerned has no particular implications and has been dealt with in accordance with the Local Government Act 2002. Specifically:

- Council staff have delegated authority for any decisions made;
- Council staff have identified and assessed all reasonably practicable options for addressing the matter and considered the views and preferences of any interested or affected persons (including Māori), in proportion to the significance of the matter;
- Any decisions made will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses;
- Unless stated above, any decisions made can be addressed through current funding under the Long-Term Plan and Annual Plan;

- Any decisions made are consistent with the Council's plans and policies; and
- No decisions have been made that would alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or would transfer the ownership or control of a strategic asset to or from the Council.

NEXT STEPS

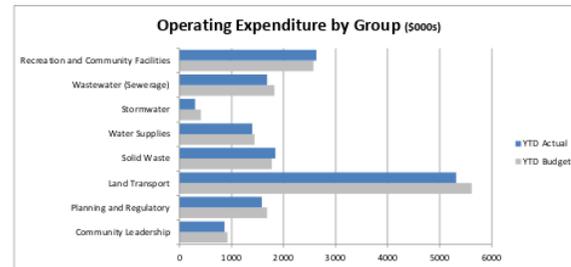
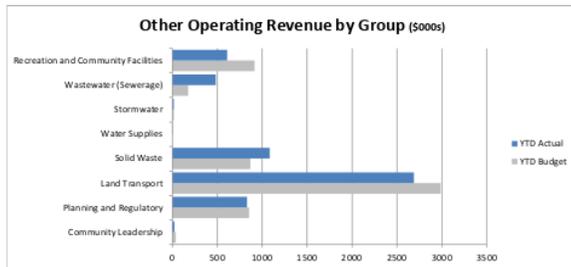
Officers will continue to monitor and management the finances of Council.

RECOMMENDATION

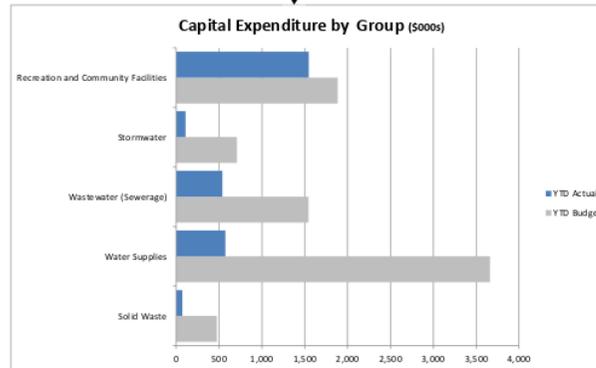
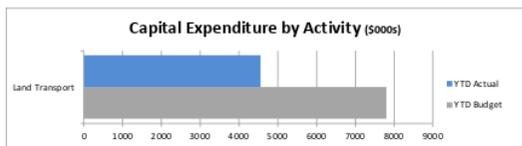
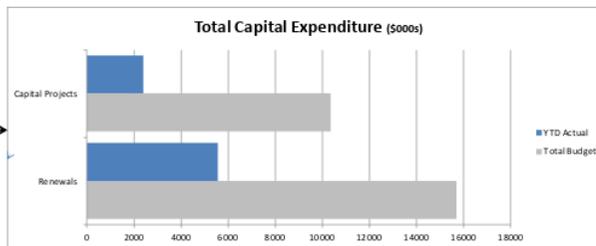
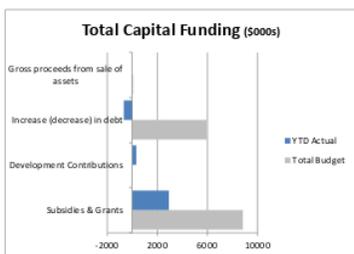
That, having considered all matters raised in the report, the report on Council's third quarter financial performance for the 2018/19 financial year be noted.

Central Hawke's Bay District Council - Whole of Council

Funding Impact Statement - Operational As at 31 March 2019 Key Indicators



Funding Impact Statement - Capital Expenditure As at 31 March 2019 Key Indicators



Central Hawke's Bay District Council: Funding impact statement 2018/19
Whole of Council
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018	2019	2019	2019	2019	2019	2019	2019	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	12,609	12,884	12,884	9,669	9,638	(31)	0%	12,884	0
Targeted rates	6,526	6,888	6,888	5,106	5,169	63	1%	6,927	39
Subsidies and grants for operating purposes	3,905	2,598	3,684	2,946	2,620	(326)	-11%	3,936	252
Fees, charges	2,946	2,950	2,950	2,268	2,572	304	13%	3,332	382
Interest and dividends from investments	170	125	125	94	137	43	46%	151	26
Local authorities fuel tax, fines, infringement fees and other receipts	430	306	689	647	561	(86)	-13%	949	260
Total operating funding	26,586	25,751	27,220	20,730	20,697	(33)		28,179	959
Applications of operating funding									
Payments to staff and suppliers	19,675	17,972	19,721	15,443	14,861	581	4%	21,007	(1,286)
Finance costs	120	239	239	179	88	91	51%	217	22
Other operating funding applications	0	(183)	0	0	0	0	0%	0	0
Total applications of operating funding	19,795	18,028	19,960	15,622	14,949	672		21,224	(1,264)
Surplus (deficit) of operating funding	6,791	7,723	7,260	5,108	5,748	639		6,955	(305)
Sources of capital funding									
Subsidies and grants for capital expenditure	4,771	4,387	8,842	4,851	2,929	(1,922)	-40%	8,088	(754)
Development and financial contributions	95	22	22	16	327	311	1944%	278	256
Increase (decrease) in debt	0	4,798	5,971	872	(684)	(1,556)	-178%	4,960	(1,011)
Gross proceeds from sale of assets	103	67	67	50	0	(50)	-100%	48	(19)
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	4,969	9,274	14,902	5,789	2,572	(3,217)		13,374	(1,528)
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	1,054	7,977	10,356	7,181	2,404	4,777	67%	6,136	(4,220)
to replace existing assets	9,033	9,134	15,702	9,475	5,559	3,916	41%	13,803	(1,899)
Increase (decrease) in reserves	1,466	0	(3,817)	(2,647)	(3,776)	1,129	-43%	0	3,817
Increase (decrease) of investments	207	(115)	(115)	(86)	(286)	200	-233%	(1,300)	(1,185)
Total application of capital funding	11,760	16,996	22,126	13,923	3,901	10,022		18,639	(3,487)
Surplus (deficit) of capital funding	(6,791)	(7,722)	(7,224)	(8,134)	(1,329)	6,805		(5,265)	5,015
Funding balance	0	1	36	(3,026)	4,419	7,444		(1,690)	(5,320)

Central Hawke's Bay District Council - Whole of Council

Executive Summary

As at 31 March 2019

Year to Date Financial Performance - Operating

Council shows a \$5.748m surplus against a budgeted surplus of \$5.108m. March is 75% through the year and the result shows that Council has spent 74.8% of the expenditure budget and received 76.0% of the budgeted income. Personnel Costs is \$84k above budget and includes \$145k of one off expenditure. Other Expenses are under budget by \$38k. Interest income is tracking higher than budgeted as more cash is held due to the reduced capital expenditure. Most other variances are favourable being underspent budgets or timing differences between budget allocations and actual expenditure.

Year to Date Financial Position- Capital

Council borrowing remains behind budget as budgeted capital expenditure is lower than budgeted. Based on current phasing of the capital budgets ,we were budgeted to have spent 63.91% of the capital budget. As of 31 March we have spent 30.55%. Capital projects have been reviewed and are included in the project reporting. The cash balance also reflects the reduction in capital expenditure as cash is held in short term deposits with the view of paying for capital expenditure. This will be reviewed following the reforecast.

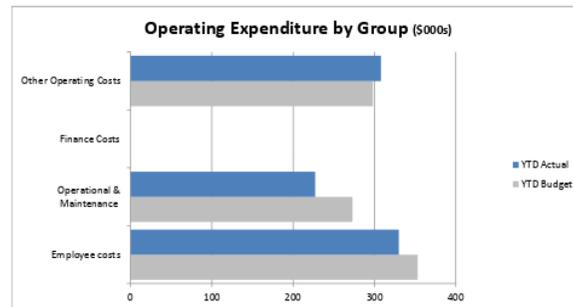
Reforecast Financial Performance - Operating

Council is showing a Reforecast Surplus of \$6.955m against a budgeted surplus of \$7.260m. Personnel Costs are forecast to be above budget by \$279K which includes \$223K of one off expenditure. Operations & Maintenance is \$933K above budget and includes \$354K for Provincial Growth Fund expenditure covered by increased income, \$111k for District Plan, \$101k for Regulatory expenses covered by additional income, \$100k for Water Supplies with a portion covered by additional income, \$79k in Solid Waste covered by additional income and \$103k in Recreation and Community Facilities with a portion covered by additional income. Finance Costs are forecast to be below budget based on the reduction in borrowing. Other Expenditure is expected to be \$74K above budget.

Reforecast Financial Position- Capital

Council borrowing is forecast to be below budget based on the reforecast capital expenditure of \$19.939m (Total Operating Budget \$26.058m). The 3 Waters capital programme is expected to be below budget by \$4.347m this year however the first three years of the Long Term Plan is still expected to be spent as physical works are started following the planning completed in 2018/19. The Land Transport programme also shows \$1.1m reduction in capital programme. This work is being delayed until next year due to the capital works requirement for the June 18, Sept 18 and Dec 18 flooding events.

Community Leadership
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Community Leadership
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	896	1,157	1,157	868	870	2	0%	1,157	0
Targeted rates	27	0	0	0	0	0	0%	0	0
Subsidies and grants for operating purposes	40	46	46	41	26	(15)	-37%	386	340
Fees, charges	0	0	0	0	0	0	0%	0	0
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0%	0	0
Total operating funding	963	1,203	1,203	909	896	(13)		1,543	340
Applications of operating funding									
Payments to staff and suppliers	798	938	948	713	635	78	11%	1,327	(379)
Finance costs	0	0	0	0	0	0	0%	0	0
Other operating funding applications	275	281	281	211	230	(19)	-9%	305	(24)
Total applications of operating funding	1,073	1,219	1,229	924	865	59		1,632	(403)
Surplus (deficit) of operating funding	(110)	(16)	(26)	(15)	31	46		(89)	(63)
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	0	0	0	0	0	0	0%	0	0
Increase (decrease) in debt	0	0	0	0	0	0	0%	0	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	0	0	0	0	0	0		0	0
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	0	0	0	0	0	0	0%	0	0
to replace existing assets	0	0	0	0	0	0	0%	0	0
Increase (decrease) in reserves	(110)	(15)	(61)	(46)	(46)	0	0%	(59)	(2)
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	(110)	(15)	(61)	(46)	(46)	0		(59)	(2)
Surplus (deficit) of capital funding	110	15	61	46	46	0		59	2
Funding balance	0	(1)	35	31	77	46		(30)	(65)

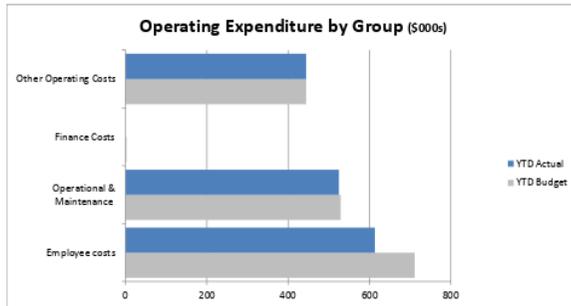
Explanation of changes between Annual Plan and Total Operating Budget
 Addition of grant for Hawke's Bay Biodiversity Trust approved by Council from Reserves - \$10k
 Reserve transfer from Retirement Housing to cover the Housing Strategy - \$36k

Explanation of Variance of Total Operating Budget to Reforecast

Subsidies and grants for operating purposes
 Income expected over budgeted amount due to:
 • \$354k of funds expected to be received by 30 June for the Provincial Growth Fund Projects.

Payments to staff and suppliers
 The Payment to Staff and Suppliers is over the budgeted amount and includes:
 • \$34k for Social housing Strategy funded from the Housing Reserve
 • \$354k of expenditure for the Provincial Growth Fund Projects which is offset by the above subsidy.

**Planning and Regulatory
As at 31 March 2019**



Central Hawke's Bay District Council: Funding impact statement 2018/19
Planning and Regulatory
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	1,177	721	721	541	542	1	0%	721	0
Targeted rates	0	0	0	0	0	0	0%	0	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0%	0	0
Fees, charges	951	1,048	1,048	840	818	(23)	-3%	1,132	84
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	9	16	16	14	14	(1)	-7%	22	6
Total operating funding	2,137	1,785	1,785	1,395	1,374	(23)		1,875	90
Applications of operating funding									
Payments to staff and suppliers	1,781	1,298	1,627	1,323	1,187	135	10%	1,795	(168)
Finance costs	0	2	2	2	0	2	100%	2	0
Other operating funding applications	413	481	481	361	394	(33)	-9%	523	(42)
Total applications of operating funding	2,194	1,781	2,110	1,686	1,581	104		2,320	(210)
Surplus (deficit) of operating funding	(57)	4	(325)	(291)	(207)	81		(445)	(120)
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	0	0	0	0	0	0	0%	0	0
Increase (decrease) in debt	0	78	78	(2)	0	2	-100%	78	0
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	0	78	78	(2)	0	2		78	0
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	0	82	82	51	0	51	100%	82	0
to replace existing assets	0	0	0	0	0	0	0%	0	0
Increase (decrease) in reserves	(56)	0	(329)	(325)	(375)	50	-15%	(375)	46
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	(56)	82	(247)	(274)	(375)	101		(293)	46
Surplus (deficit) of capital funding	56	(4)	325	272	375	103		371	46
Funding balance	(1)	0	0	(19)	168	184		(74)	(74)

Explanation of changes between Annual Plan and Total Operating Budget
 Payment to Staff and Suppliers
 Addition of Carry Forward for District Plan Review \$329k from Reserves.

Explanation of Variance of Total Operating Budget to Reforecast

Operating Income

Fees & Charges is forecast to be above budget by \$84k and includes:

- Land Use and Subdivision Consents \$64k increased to reflect actual income.
- Small increases in the other areas contribute to the remaining increase.
- Building consents income remains below budget.

Operating Expenditure

The Payment to Staff and Suppliers is above budget by \$168k and includes:

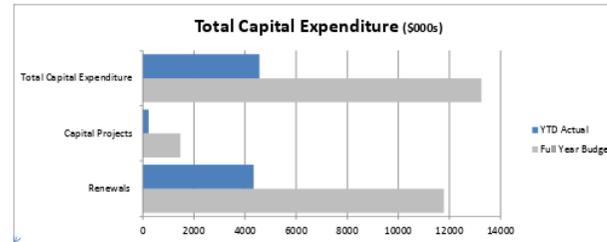
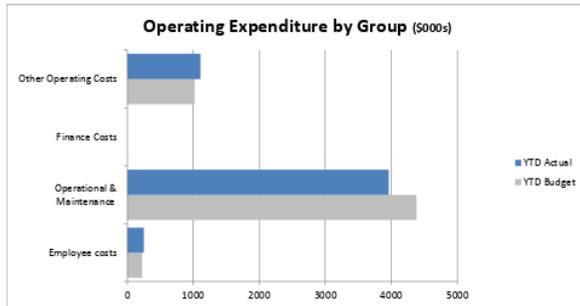
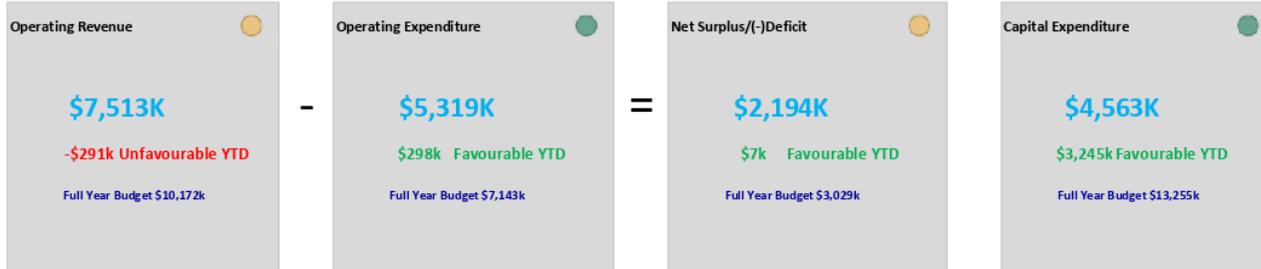
Under budget

- \$11k for Public Health due to staff costs positions filled later than budgeted.
- \$100k for Compliance & Monitoring due to the Territorial Authority Officer yet to be appointed and the implementation of the outcome of the review of Compliance and Monitoring.

Over budget

- \$111k for District Planning due to the decision to expedite the District Plan review.
- \$66k for Land use and Subdivision Consents due to consultants processing consents which is offset by income.
- \$69k for Building Control due to increase in staff costs and training costs.
- \$36k for Animal Control due to the outcome of the review requiring an additional position and the related safety equipment.

Land Transport
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Land Transport
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	6,243	6,426	6,426	4,819	4,823	4	0%	6,426	0
Targeted rates	50	0	0	0	0	0	0%	0	0
Subsidies and grants for operating purposes	3,798	2,483	3,570	2,854	2,541	(312)	-11%	3,472	(98)
Fees, charges	28	18	18	14	22	9	64%	25	7
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	213	158	158	119	127	8	7%	179	21
Total operating funding	10,332	9,085	10,172	7,806	7,513	(291)		10,102	(70)
Applications of operating funding									
Payments to staff and suppliers	6,578	4,488	5,797	4,609	4,218	390	8%	5,830	(33)
Finance costs	3	0	0	0	0	0	0%	0	0
Other operating funding applications	1,062	1,163	1,346	1,010	1,101	(92)	-9%	1,463	(117)
Total applications of operating funding	7,643	5,651	7,143	5,619	5,319	298		7,293	(150)
Surplus (deficit) of operating funding	2,689	3,434	3,029	2,187	2,194	7		2,809	(220)
Sources of capital funding									
Subsidies and grants for capital expenditure	4,771	4,387	8,842	4,851	2,929	(1,922)	-40%	8,088	(754)
Development and financial contributions	1	3	3	2	3	1	50%	3	0
Increase (decrease) in debt	(47)	0	0	0	0	0	0%	0	0
Gross proceeds from sale of assets	80	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	4,805	4,390	8,845	4,853	2,932	(1,921)		8,091	(754)
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	341	1,000	1,471	1,003	227	776	77%	1,419	52
to replace existing assets	7,347	6,809	11,784	6,805	4,336	2,469	36%	10,532	1,252
Increase (decrease) in reserves	(195)	16	(1,380)	(948)	(1,136)	188	-20%	(1,384)	4
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	7,493	7,825	11,875	6,860	3,427	3,433		10,567	1,308
Surplus (deficit) of capital funding	(2,688)	(3,435)	(3,030)	(2,007)	(495)	1,512		(2,476)	(554)
Funding balance	1	(1)	(1)	180	1,699	1,519		333	334

Explanation of changes between Annual Plan and Total Operating Budget

Operating Subsidies and Grants - \$1,087k

- Movement of Subsidy Overhead included in Annual Plan Capital budgets based on NZTA requirements - \$129k
- June Flood reallocation of subsidy - \$116k
- September Flood event included in operating budgets - \$425k
- December Flood reallocation of subsidy - \$416k

Payment to staff and suppliers - \$1,309k

- June Flood event opex - \$194k
- September Flood event opex - \$580k
- Portion of December Flood event that is Opex - \$520k

Other Operating Funding Applications - \$183k

- Movement of Overhead included in Annual Plan Capital budgets based on NZTA requirements into Opex

Capital Subsidies and Grants - \$4,455k

- Subsidy for footpaths renewal and new now being funded - \$471k
- Funding for June Flood Event - \$426k
- Less movement of subsidy Overhead included in Annual Plan Capital budgets based on NZTA requirements - (\$118k)
- Funding for September Flood Event - \$3,056k
- Funding for December Flood Event - \$624k

Capital Expenditure - \$5,446k

- Increase in Footpath budget based on NZTA funding - \$471k
- Remaining June flooding event expenditure - \$711k
- Less movement of Overhead included in Annual Plan Capital budgets based on NZTA requirements - (\$183k)
- Emergency works September flood capital works - \$3,675k
- Emergency works December flood capital works - \$570k

Increase (decrease) in reserves - \$1,136k

- Remaining June flooding event funding carried forward from 2017/18 - \$362k
- September flooding event from carry fwds and reserves - \$774k
- December flooding event from Adverse event fund - \$260k

Explanation of Variance of Total Operating Budget to Reforecast

Operating Expenditure

The Payment to Staff and Suppliers is above budget by \$33k and includes:

Over budget

- Traffic services Maintenance \$26k due to additional line marking still required and budget will be fully expended prior

Capital Expenditure

This is currently \$1.3m underspent

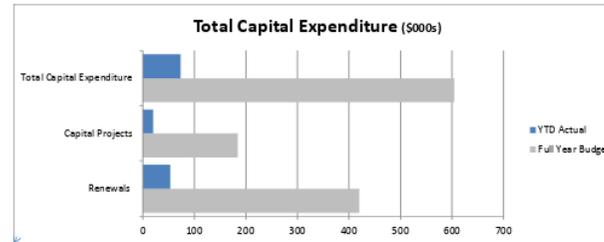
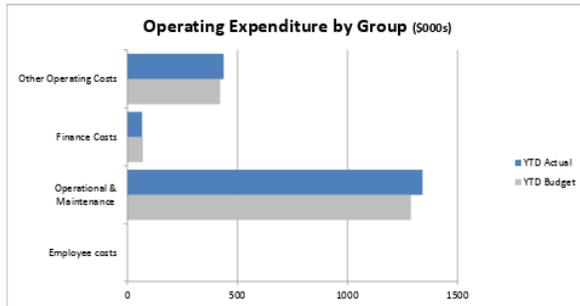
Please see the programme breakdown for variances

Central Hawke's Bay District Council: Renewal Update 2018/19
Land Transport
At 31 March 2019

	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	Forecast to June 30th	Under/ (Over) By Year End	Comments
	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	
Account Name	Adopted Annual Plan Budget 2018/19	Operating Budget Total 2018/19	YTD Operating Budget 2018/19	YTD Actuals	YTD Variance	Forecast to 30 June	Under/ (Over) By Year End	
Subsidised MINOR EVENTS	300	293	219	237	-18	293	0	
Subsidised EMERGENCY REINSTATEMENT	0	5,311	1,856	1,525	131	5,311	0	All work repairs have been designed and most have been priced with the remainder to be priced in the first 3 weeks of April. This work has been forecast to be completed by end of June.
Subsidised UNSEALED ROAD METALLING	475	485	438	420	18	473	12	Winter preparation work is being scheduled and will be completed prior to financial year end. This will be on budget at year end.
Subsidised SEALED ROAD RESURFACING	1,364	1,415	1,067	1,386	-319	1,410	5	The Programme is complete.
Subsidised DRAINAGE RENEWAL	1,207	936	771	364	408	932	4	Work is progressing with the remaining budget to be expended prior to end of financial year end.
Subsidised SEALED ROAD REHAB	1,890	899	524	170	354	899	0	2 contracts have been awarded, 1 is to be completed this financial year. The other being completed next financial year out of the 19/20 budget. Any funds not expended on physical works are being used to prepare designs for other sites for next year so the budget will be expended prior to the end of June
Subsidised STRUCTURES RENEWAL	900	1,883	1,686	50	1,636	700	1,183	The capacity of the industry does not allow for the complete expenditure of the budget this financial year, some funds will be spent on designs and preparation for next years programme with \$1.1 million being carried forward into the 19/20 financial year.
Subsidised ENVIRONMENTAL RENEWAL	0	0	0	0	0	0	0	
Subsidised TRAFFIC SERVICES RNWLS	177	210	160	165	-5	210	0	This is reactive work and is spent as required.
Subsidised FOOTPATH RENEWALS	0	300	245	10	235	300	0	Work has been programmed and is being carried out over the next 3 months will be completed this financial year.
Subsidised PREVENTATIVE MAINTENANCE	0	0	0	0	0	0	0	
Subsidised REPLACE BRIDGES AND STRUCTURES	50	50	25	0	25	0	50	This is to investigate the bridge network to determine the remaining life of our most vulnerable bridges. This work is not likely to be completed this financial year, due to other commitments.
Subsidised PAVEMENT & TRAFFIC FACILITIES	540	397	253	0	253	397	0	This work is programed over the next 3 months will be completed in this financial year.
Subsidised FOOTPATH NEW	0	478	239	0	239	478	0	A contract is being prepared for release to market. Work is expected to start this financial year but may carry over into next financial year depending on weather.
Subsidised MINOR CAP IMPVTS	300	293	292	55	238	290	3	Some minor safety improvements have been completed and the remainder of the work will be completed this financial year.
Subsidised VEGETATION RESILIENCE IMPROVEMENTS	110	253	194	172	22	253	0	Will be on budget at the end of the financial year.
Subsidised CAPITAL RENEWAL	0	0	0	0	0	0	0	
Unsubsidised ROAD LEGALISATION COSTS	0	0	0	3	-3	0	0	
Unsubsidised ANNUAL EMERGENCY REINST RNWL	145	0	0	0	0	0	0	Transferred to Emergency Reinstatement for the September Flooding Event.
Unsubsidised CAPITAL RENEWAL	0	0	0	0	0	0	0	

	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	Forecast to June 30th	Under/ (Over) By Year End	Comments
	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	
Unsubsidised FOOTPATH RENEWALS	301	0	0	5	-5	0	0	
Unsubsidised BRIDGE REPLACEMENTS	51	51	38	0	38	30	21	To be reserved for councils share of future bridge replacements
Unsubsidised WALKING & CYCLING	0	0	0	0	0	0	0	
Unsubsidised CARPARK RNWL	0	0	0	0	0	0	0	
Total	7,809	13,255	7,808	4,562	3,245	11,976	1,279	

Solid Waste
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Solid Waste
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	1,318	1,193	1,193	895	897	2	0%	1,193	0
Targeted rates	240	231	231	173	174	1	1%	231	0
Subsidies and grants for operating purposes	52	52	52	39	40	1	3%	66	14
Fees, charges	1,143	1,107	1,107	830	1,047	216	26%	1,260	153
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0%	0	0
Total operating funding	2,753	2,583	2,583	1,937	2,158	220		2,750	167
Applications of operating funding									
Payments to staff and suppliers	1,863	1,835	1,835	1,411	1,453	(41)	-3%	1,914	(79)
Finance costs	95	94	94	70	67	3	4%	93	1
Other operating funding applications	316	397	397	298	325	(27)	-9%	431	(34)
Total applications of operating funding	2,274	2,326	2,326	1,779	1,845	(65)		2,438	(112)
Surplus (deficit) of operating funding	479	257	257	158	313	155		312	55
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	0	0	0	0	0	0	0%	0	0
Increase (decrease) in debt	(97)	78	78	(80)	(77)	2	-3%	77	(1)
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	(97)	78	78	(80)	(77)	2		77	(1)
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	0	184	184	138	20	118	86%	184	0
to replace existing assets	78	93	420	336	53	284	85%	155	265
Increase (decrease) in reserves	304	59	(267)	(327)	(327)	0	0%	(267)	0
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	382	336	337	147	(254)	402		72	265
Surplus (deficit) of capital funding	(479)	(258)	(259)	(227)	177	404		5	(264)
Funding balance	0	(1)	(2)	(69)	490	559		317	319

Explanation of changes between Annual Plan and Total Operating Budget

Replace Existing Assets - Inclusion of Carry Forward of \$327k from Reserves.

Explanation of Variance of Total Operating Budget to Reforecast

Operating Income

- Fees and Charges is forecast to above budget by \$153k and includes:
- \$96k of Extra Landfill and transfer station Income both local and out of district
 - \$46k of Carbon Credit Income in co-junction with the increase in landfill income.
 - \$14k of Refuse bags Income with a continued demand for refuse bags

Operating Expenditure

The Payment to Staff and Suppliers is forecast to above budget by \$79k and includes:

- \$15k of District landfill levy expenditure in co-junction with the increase in landfill income.
- \$65k for Solid waste Minimisation and Management Plan (SWMMP) which will be funded from extra income

Capital Expenditure

This is currently underspent by \$265k
 Details of the capital projects is on the Project sheet.

Central Hawke's Bay District Council: Project Update 2018/19
Solid Waste
At 31 March 2019

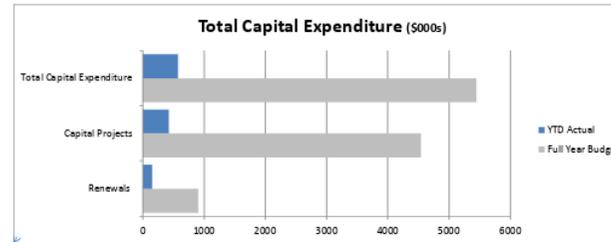
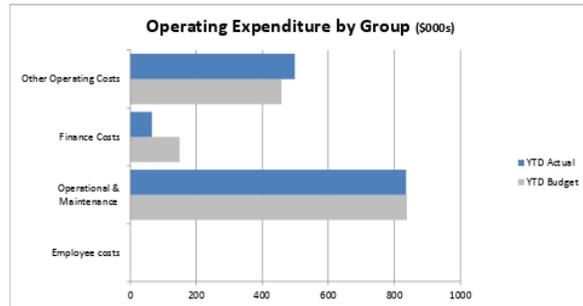
Reforecast Budget included carryforwards

Project	LTP Project Budget	Reforecast Budget	Total Cost to Date 2019	This Year Actual 2019	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
	\$000	\$000	\$000	\$000				
SW 18 Landfill Leachate Disposal	184	360	31	31	199	161	●	Application lodged with regional Council for change to resource consent, samples of capping have been sent off for testing for suitability and additional budget from solid waste reserves has been approved to allow project to be progressed. Design due end of April 2019 to progress to procurement in May 2019.
SW 19 Landfill Cell Capping	0	80	6	6	80	0	●	Investigation into the present covering on the cell has shown that some remedial work is required before capping can commence. The capping has to meet with the required specification and samples have been taken from various sites and sent for testing. More sampling and testing may be required.
SW 19 Closed Dump Minor Renewals	31	31	0	0	0	31	●	Have met with contractors and visited each closed dump site to evaluate potential improvements or renewals. Nothing has been identified and the funding is expected to be carried forward
SW 19 Landfill Minor Renewals	25	25	20	20	25	0	●	Works have commenced. Will be completed this financial year.
SW 19 Litter Bins Minor Renewals	5	5	0	0	5	0	●	
SW 19 Recycling Minor Renewals	6	6	4	4	6	0	●	Work continues and should be close to forecasted figure by financial year end.
SW 19 Transfer Station Minor Renewals	26	26	11	11	24	2	●	Minor renewal upgrades including upgrades to the Waipukurau transfer station and Takapau Drop Off Centre Work has started and will be completed by the end of the financial year.
Total	277	533	72	72	339	194		

Unallocated carry forwards	70	Loan Funding	0
		Rates Funding	33
Agreed to Total Operating Budget 2019	603	Carry FWD Funding	161
			194

- Achieved
- On track
- May not be met
- Deferred

Water Supplies
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Water Supplies
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	0	0	0	0	0	0	0%	0	0
Targeted rates	2,766	2,804	2,804	2,043	2,103	61	3%	2,843	39
Subsidies and grants for operating purposes	0	0	0	0	0	0	0%	0	0
Fees, charges	3	0	0	0	6	6	0%	8	8
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	0	0	0	0%	0	0
Total operating funding	2,769	2,804	2,804	2,043	2,109	67		2,851	47
Applications of operating funding									
Payments to staff and suppliers	1,124	1,195	1,195	914	917	(3)	0%	1,295	(100)
Finance costs	92	199	199	149	65	85	57%	125	74
Other operating funding applications	644	508	508	381	416	(35)	-9%	552	(44)
Total applications of operating funding	1,860	1,902	1,902	1,444	1,398	47		1,972	(70)
Surplus (deficit) of operating funding	909	902	902	599	711	114		879	(23)
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	48	5	5	4	163	159	3975%	150	145
Increase (decrease) in debt	46	3,836	4,120	55	(91)	(145)	-264%	1,584	(2,536)
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	94	3,841	4,125	59	72	14		1,734	(2,391)
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	355	3,990	4,541	3,210	424	2,786	87%	1,717	2,824
to replace existing assets	312	603	903	452	150	302	67%	1,200	(297)
Increase (decrease) in reserves	339	150	(418)	(76)	(782)	706	-929%	(632)	214
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	1,006	4,743	5,026	3,586	(208)	3,794		2,285	2,741
Surplus (deficit) of capital funding	(912)	(902)	(901)	(3,527)	280	3,808		(551)	(350)
Funding balance	(3)	0	1	(2,928)	991	3,922		328	327

Explanation of changes between Annual Plan and Total Operating Budget

Capital Expenditure - \$850k - Inclusion of \$568k from Carry Forward from Reserves and Loans Carried Forward of \$284k.

Explanation of Variance of Total Operating Budget to Reforecast

Operating Income

Metered Water Rates are reforecast to be above budget by \$39k

Operating Expenditure

The Payment to Staff and Suppliers is forecast to be above budget by \$100k and includes:

- An increase of \$62k for Water Monitoring due to increased compliance and lab costs, SCADA review.
- A decrease of \$20k for District wide water AMP that is expected to be a saving for the year and will offset other expected operational costs.
- The remaining increase is due to increases in work volumes carried out under the CF&I contract. The new contractor has identified the need to carry out additional repairs and minor replacements in the network to address leaks and failing infrastructure.

Capital Expenditure

The Spend in Capital Expenditure is below budget by \$2,527k. Details of the capital projects is on the Project sheet.

Central Hawke's Bay District Council: Project Update 2018/19

Water Supply

At 31 March 2019

Reforecast Budget included carryforwards

Project	LTP Project Budget \$000	Reforecast Budget \$000	Total Cost to Date 2019 \$000	This Year Actual 2019 \$000	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
WS 17 Waipukurau SH2 Pump Station Upgrade	308	850	102	68	672	178	●	Land purchase has been done. Reallocation of budgets approved by Council. Contract out for tender closing in April. Works will be due to comment in May. Works to carry over into the next financial year.
WS 16 Waipukurau UV Treatment SH2		530	528	59	530	0	●	Work has been completed.
WS 18 Waipukurau Peel St Water Main Replacement	0	91	95	7	95	(4)	●	Work has been completed.
WS 17 Porangahau Treatment Plant Upgrade	0	220	20	15	220	0	●	This project is budgeted in total as \$1.032m with funding in 19/20 of \$814k. Currently under tender with a supplier to be selected by the end of February. \$220k for this year is expected to be spent by the end of the financial year with the remainder of the project to be completed by 30 September 2019.
WS 18 Waipukurau Second Supply	2,046	2052	106	100	423	1,629	●	Continuing the exploratory work for a water source It is expected that the total project budget of \$5.7 m will be spent over 2019/20 and 2020/21.
WS 17 Waipukurau Porritt Upgrade	0	65	61	61	65	0	●	Completed awaiting final claim this will be received once final information received and reviewed.
WS 19 Takapau Treatment Improvement	767	680	22	22	530	150	●	Currently awaiting contract to be awarded this is expected by April. Works plan to be completed by October 2019, some budget will need to be carried forward to next financial year.
WS 18 Otane Land Development	155	155	106	82	116	39	●	Site works completed and awaiting final claim this will be received once final information received and reviewed. Expected to be on under budget at financial year end.
WS 19 Otane Alternative Water Supply	1,023	939	93	93	318	621	●	Design completed. Tender released to market. Physical work is expected to start in June 2019. Balance of the funding will be carried over to completed the project in 2019/20.
WS 19 Waipukurau Shortfalls Fire Fight Improve Modelling	0	30	2	2	30	0	●	Modelling works now complete. Design to be completed, and tendering to be progressed through the Stage 1 Project
WS 19 Waipukurau Water Shortfalls / Firefighting Stage 1	0	277	0	0	150	127	●	Stage 1 of a 3 year initial program of work to be tendered in May 2019 some of the budget will be carried forward into the next financial year.

Project	LTP Project Budget \$000	Reforecast Budget \$000	Total Cost to Date 2019 \$000	This Year Actual 2019 \$000	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
WS 19 WPK Main upgrades Mackie, McLean, McCarthy Mt View St	0	241	3	3	241	0	●	Contract awarded, Stage 1 works to be completed this financial year. Stage 2 will require additional budget and will be completed next Financial year.
District renewals as required	603	154	69	69	154	0	●	
Total	4,902	6,284	1,207	581	3,544	2,740		

Capital Expenditure In Work In Progress For Previous Years
 Carry Forward for Porangahau not added to Total Operating Budget
 Budget yet to be allocated to projects
 Agreed to Total Operating Budget 2019

-626
 -215
 0

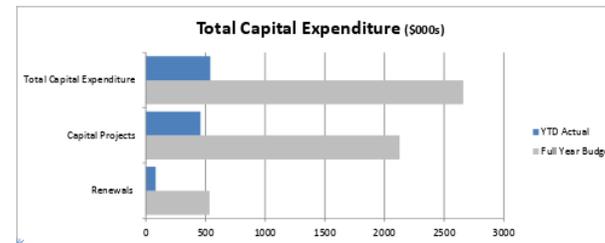
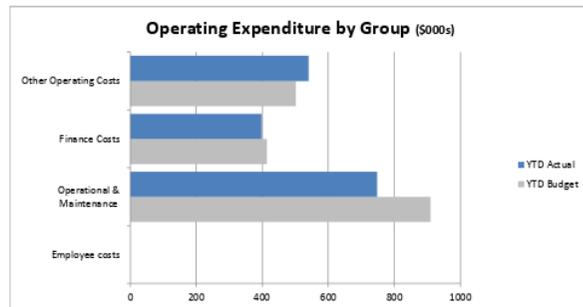
 5,443

Loan Funding 2,565
 Rates Funding (4)
 Carry FWD Funding 179

 2,740

- Achieved
- On track
- May not be met
- Deferred

Wastewater
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Wastewater
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018	2019	2019	2019	2019	2019	2019	2019	2019
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	0	0	0	0	0	0	0%	0	0
Targeted rates	2,952	3,101	3,101	2,326	2,326	0	0%	3,101	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0%	0	0
Fees, charges	353	235	235	176	285	109	62%	384	149
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	200	0	0	0	200	200	0%	200	200
Total operating funding	3,505	3,336	3,336	2,502	2,811	309		3,685	349
Applications of operating funding									
Payments to staff and suppliers	1,502	1,309	1,309	1,030	872	158	15%	1,317	(8)
Finance costs	535	552	552	414	398	16	4%	547	5
Other operating funding applications	533	508	508	381	416	(35)	-9%	552	(44)
Total applications of operating funding	2,570	2,369	2,369	1,825	1,686	139		2,416	(47)
Surplus (deficit) of operating funding	935	967	967	677	1,125	448		1,269	302
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	45	10	10	7	157	149	2129%	120	110
Increase (decrease) in debt	(19)	661	1,488	(54)	(315)	(261)	483%	368	(1,120)
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	26	671	1,498	(47)	(158)	(112)		488	(1,010)
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	292	1,074	2,127	1,143	458	685	60%	990	1,137
to replace existing assets	367	533	533	400	82	318	80%	322	211
Increase (decrease) in reserves	304	31	(195)	(82)	(225)	143	-174%	(15)	(180)
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	963	1,638	2,465	1,461	315	1,146		1,297	1,168
Surplus (deficit) of capital funding	(937)	(967)	(967)	(1,508)	(473)	1,034		(809)	(158)
Funding balance	(2)	0	0	(831)	652	1,482		460	460

Explanation of changes between Annual Plan and Total Operating Budget
 Capital Expenditure - increase of \$1,053k - Inclusion of \$225k from Carry Forward from Reserves and Loans Carried Forward of \$828k.

Explanation of Variance of Total Operating Budget to Reforecast

Operating Income
 Fees and Charges are above budget by \$109k from extra trade waste income.

Capital Expenditure
 The Spend in Capital Expenditure is below budget by \$1,348k. Details of the capital projects is on the Project sheet

Central Hawke's Bay District Council: Project Update 2018/19

Wastewater

At 31 March 2019

Reforecast Budget included carryforwards

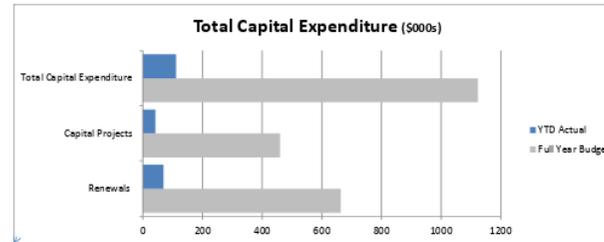
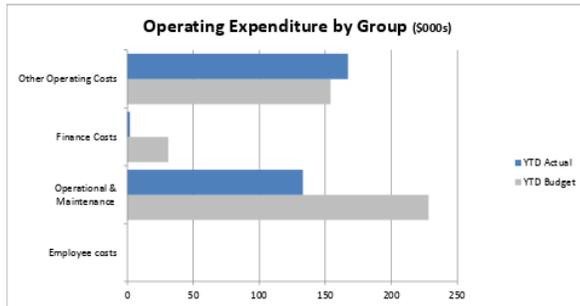
Project	LTP Project Budget \$000	Reforecast Budget \$000	Total Cost to Date 2019 \$000	This Year Actual 2019 \$000	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
WW 18 Otane Treatment Plant Upgrade	1,353	1,353	155	82	173	1,180	●	Project on hold, whilst Otane is considered in the wider WWTP projects, Resource consent extension and I&I studies to be done as part of this project to assist with consent and plant development in future - incorporated into WWTP project scope.
WW 19 Otane Resource Consent Extension	0	40	4	4	16	24	●	Resource consent Granted to 31 March 2021.
WW 19 Otane WWTP I&I Study	0	80	1	1	80	0	●	I & I study is progressing, likely to commence works late April thorough to May 2019. Will be completed this financial year.
WW 18 Takapau Resource Consent	105	105	35	10	50	55	●	3 year consent extension granted by HBRC to 31 October 2021, works for new consent planning via Reference group to commence now mid 2019, once the larger WW project has reached it's milestone.
WW 19 Takapau treatment upgrade	831	831	0	0	0	831	●	Likely will not be used until 20/21 consent requirement, work will start on requirements to get the Consent now mid 2019.
WW 18 Otane Land Development	0	200	182	147	188	12	●	Completed awaiting final claim this will be received once final information received and reviewed. Expected to be slightly under budget.
WW 18 Waipukurau Mt Herbert Landscaping	0	122	111	6	122	0	●	This is the final planting and fencing plus minor improvements for the completion of the Mt Herbert Pump Station completed last year. Will be completed this year
WW 19 Waipukurau Waipawa Treatment Investigation	0	300	156	156	300	0	●	Investigation progressing as expected, working towards Best Practicable by April 2019. Update to be tabled at Council meeting on 24 April 2019. following that working towards report to be taken to council on 20 June 2019 to be approved to be released to environment court late June 2019
WW 19 Waipawa Main Trunk Renewal	1,770	1,770	52	52	440	1,330	●	Tender is out to market. On track for construction to commence in June 2019 and be complete by the middle November 2019. \$1.2m is in 2019/20 budget as per LTP
District Wide renewals	338	180	82	82	180	0	●	Reactive expenditure on renewals for plants etc. Expected to be spent in the financial year
Total	4,397	4,981	778	540	1,549	3,432		

Previous Year Capital Expenditure in WIP -238
 Funding from future years included in Projects -2083
 Agreed to Total Operating Budget 2019 2,660

Loan Funding 2,365
 Rates Funding 386
 Carry FWD Funding 157

- Achieved
- On track
- May not be met
- Deferred

Stormwater
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Stormwater
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	0	0	0	0	0	0	0%	0	0
Targeted rates	491	752	752	564	566	2	0%	752	0
Subsidies and grants for operating purposes	0	0	0	0	0	0	0%	0	0
Fees, charges	0	0	0	0	0	0	0%	0	0
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	16	16	16	0	0%	15	(1)
Total operating funding	491	752	768	580	582	2		767	(1)
Applications of operating funding									
Payments to staff and suppliers	243	335	335	258	165	93	36%	331	4
Finance costs	3	41	41	31	2	29	94%	8	33
Other operating funding applications	114	165	165	124	135	(11)	-9%	179	(14)
Total applications of operating funding	360	541	541	413	302	111		518	23
Surplus (deficit) of operating funding	131	211	227	167	280	113		249	22
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	0	0	0	0	1	1	0%	1	1
Increase (decrease) in debt	(8)	450	450	337	(6)	(343)	-102%	214	(236)
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	(8)	450	450	337	(5)	(342)		215	(235)
Applications of capital funding									
Capital expenditure									
to meet additional demand	0	0	0	0	0	0	0%	0	0
to improve the level of service	0	460	460	345	42	303	88%	223	237
to replace existing assets	64	215	663	365	69	296	81%	428	235
Increase (decrease) in reserves	60	(15)	(447)	(188)	(261)	73	-39%	(448)	1
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	124	660	676	522	(150)	672		203	473
Surplus (deficit) of capital funding	(132)	(210)	(226)	(185)	145	330		12	(238)
Funding balance	(1)	1	1	(18)	425	443		261	260

Explanation of changes between Annual Plan and Total Operating Budget
 Capital Expenditure - increase of \$448k - Inclusion of \$284k from Carry Forward from Reserves and \$163k from Stormwater Reserves.

Explanation of Variance of Total Operating Budget to Reforecast

Capital Expenditure
 Capital Expenditure is under budget by \$472k
 Details of the projects is included on the Project Sheet

Central Hawke's Bay District Council: Project Update 2018/19
Stormwater
At 31 March 2019

Reforecast Budget included carryforwards

Project	LTP Project Budget	Reforecast Budget	Total Cost to Date	This Year Actual	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
	\$000	\$000	\$000	2019 \$000				
Waipukurau Helicoil Pipe work		445	9	9	286	159	●	Contract signed and works due to commence in April 2019. Large portion to be spent in FY18/19, some additional funding required for FY19/20 works as per agreed procurement plan and remainder of this work to be completed in July and early Aug 2019.
Waipukurau Service Land Overflow		132	37	37	72	59	●	Tender out to market. Works to commence early May 2019.
ST 19 Waipukurau Savage Carpenter Churchill		279	28	28	27	252	●	Tender out to market. Works to commence early May 2019.
ST 19 Waipukurau Woburn/Wilder Improvements		203	5	5	201	2	●	Tender out to market. Works to commence early May 2019.
District Minor Renewals	77	75	43	32	75	0	●	Reactive expenditure on renewals. Expected to be spent in the financial year
Total	77	1,134	122	111	661	472		

Capital Expenditure In Work In Progress For Previous Years

-11

Agreed to Total Operating Budget 2019

1,123

Loan Funding 266
 Rates Funding 48
 Carry FWD Funding 158
 Other Funding 0

266

48

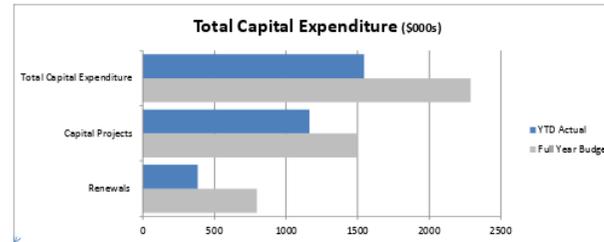
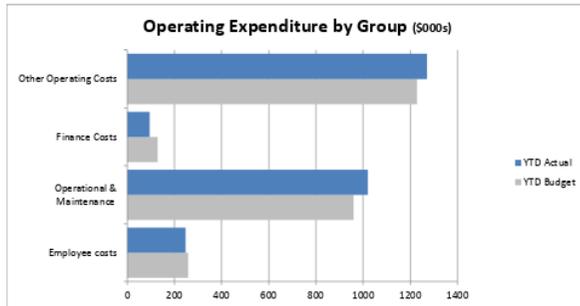
158

0

472

- Achieved
- On track
- May not be met
- Deferred

Recreation and Community Facilities
As at 31 March 2019



Central Hawke's Bay District Council: Funding impact statement 2018/19
Recreation and Community Facilities
As at 31 March 2019

	Full Year Actuals	Annual Plan	Total Operating Budget	YTD Operating Budget	YTD Actuals	YTD Variance	YTD Variance %	Full Year Forecast	Full Year Variance
	2018 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000	2019 \$000
Sources of operating funding									
General rates, uniform annual general charges and rates penalties	2,945	3,359	3,359	2,519	2,524	5	0%	3,359	0
Targeted rates	0	0	0	0	0	0	0%	0	0
Subsidies and grants for operating purposes	14	16	16	13	13	0	0%	13	(3)
Fees, charges	466	542	542	408	395	(13)	-3%	523	(19)
Interest and dividends from investments	0	0	0	0	0	0	0%	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	6	131	498	496	204	(293)	-59%	532	34
Total operating funding	3,431	4,048	4,415	3,436	3,136	(301)		4,427	12
Applications of operating funding									
Payments to staff and suppliers	2,116	2,253	2,272	1,866	1,907	(41)	-2%	2,375	(103)
Finance costs	126	173	173	129	94	36	28%	144	29
Other operating funding applications	496	771	771	578	631	(53)	-9%	838	(67)
Total applications of operating funding	2,738	3,197	3,216	2,573	2,632	(58)		3,357	(141)
Surplus (deficit) of operating funding	693	851	1,199	863	504	(359)		1,070	(129)
Sources of capital funding									
Subsidies and grants for capital expenditure	0	0	0	0	0	0	0%	0	0
Development and financial contributions	1	4	4	3	4	1	33%	4	0
Increase (decrease) in debt	56	740	802	(3)	(93)	(90)	3000%	731	(71)
Gross proceeds from sale of assets	0	0	0	0	0	0	0%	0	0
Lump sum contributions	0	0	0	0	0	0	0%	0	0
Total sources of capital funding	57	744	806	0	(89)	(89)		735	(71)
Applications of capital funding									
Capital expenditure	0	0	0	0	0	0	0%	0	0
to meet additional demand	66	1,187	1,492	1,290	1,163	127	10%	1,368	124
to improve the level of service	637	541	797	593	383	210	35%	581	216
to replace existing assets	47	(134)	(284)	(283)	(255)	(28)	10%	(238)	(46)
Increase (decrease) in reserves	0	0	0	0	0	0	0%	0	0
Increase (decrease) of investments	0	0	0	0	0	0	0%	0	0
Total application of capital funding	750	1,594	2,005	1,600	1,291	309		1,711	294
Surplus (deficit) of capital funding	(693)	(850)	(1,199)	(1,600)	(1,380)	220		(976)	(223)
Funding balance	0	1	0	(737)	(876)	(139)		94	94

Explanation of changes between Annual Plan and Total Operating Budget

- Local authorities fuel tax, fines, infringement fees and other receipts - \$367k increase in donations to cover increase in costs and expectation of timing of receipt for Waipawa Pool Project.
- Payment to Staff and Suppliers - \$19k increase for wages which is covered by Carry Forward for Libraries from Reserves.
- Capital Expenditure - increase of \$561k in expenditure which is covered by the inclusion of \$217k from Carry Forward from Reserves, Loan Funding carried forward of \$141k and increase in Pool costs of \$204k covered by donations.

Explanation of Variance of Total Operating Budget to Reforecast

Operating Income

- Fees and Charges are below budget by \$19k this includes:
- \$34k below budget for Retirement Housing due to less income than budgeted.
 - \$14k above budget for Cemeteries due to a number of cemetery plots being reserved.
 - \$34k above budget for Libraries due to additional income received for AA and EC read'n programmes.

Operating Expenditure

- Payments to staff and suppliers is above budget by \$103k this includes:
- \$68k above budget for Parks and Reserves due to increased unplanned maintenance costs and costs of freedom camping at Pouerere over summer.
 - \$21k above budget for Retirement Housing due to increased operational and maintenance costs which is covered by the Retirement Housing Reserve.
 - \$21k above budget for Libraries due to increased staff costs for AA which is offset by the additional income.

Capital Expenditure

Capital Expenditure is under budget by \$340k
 Details of the projects is included on the Project Sheet.

Central Hawke's Bay District Council: Project Update 2018/19 Recreation and Community Facilities

At 31 March 2019

Reforecast Budget included carry forwards

Activity	Project	LTP Project Budget \$000	Reforecast Budget \$000	Total Cost to Date 2019 \$000	This Year Actual 2019 \$000	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
Parks Reserves and Swimming Pools	Russell Park Projects	82	174	118	103	148	26	●	Work is complete on the construction of an unsealed carpark. The balance of works is currently being scoped for completion in May 2019
	Camping Grounds Waipukurau Toilets	61	61	0	0	0	61	●	Project is unlikely to commence this calendar year. Insufficient budget for scope of works. Full scope in light of future lease sale needs to be completed first.
	Waipawa Pool	900	1,185	1,088	1,007	1,014	171	●	Works underway. Full details available in the 6 weekly Organisational Report. This will be completed by the end of the financial year
	Waipawa Pool Sewer Upgrade		33	105	105	105	-72	●	Some costs were included in the budget for the Pool and will be covered by the Pool underspend.
	Minor renewals	165	156	38	38	137	19	●	Will be spent as required.
	Total		1,208	1,609	1,349	1,253	1,609	205	
Public Toilets	New Te Paerahi Toilet	60	60	0	0	0	60	●	Project still remains dependent on receiving funding from Tourism Infrastructure Fund. We have made application. Outcome likely in
	Minor Renewals	36	36	7	7	7	29	●	Will be spent as required.
	Total	96	96	7	7	7	89		
Retirement Housing	Minor Renewals	36	36	29	29	11	25	●	Depends on refurbishments required when tenants vacate. Funded from Retirement Housing Reserves.
Libraries	Books Renewals	88	88	57	57	88	0	●	Expected to be on Budget
	Minor Renewals	11	11	0	0	11	0	●	Expected to be on Budget
	Kotui Software	51	51	52	52	51	0	●	Project complete.
	Total	150	150	109	109	150	0		

Activity	Project	LTP Project Budget \$000	Reforecast Budget \$000	Total Cost to Date 2019 \$000	This Year Actual 2019 \$000	Forecast for June 30 2019	Under/ (Over) By Year End	Status	Comments or Risks
Theatres and Halls	CHB Municipal Theatre		74	12	9	74	0	●	Quotes currently being received. Works expected to commence in May 2019. Will be completed by financial year end.
	Minor Renewals	132	213	38	38	82	131	●	Planning work for this still underway. Expected to be completed by the end of the year.
	Settlers Museum Painting	11	25	0	0	20	5	●	Works programmed and planned for implementation by end of financial year.
	Total	134	312	50	47	176	136		
Cemeteries	Minor Renewals	29	41	5	5	41	0	●	Planned works underway. Balance of funds will be carried over.
Properties and Buildings	Council Chamber upgrade		61	61	51	61	0	●	Works complete.
	Minor renewals	77	93	41	41	83	10	●	To be spent through year as required.
	Total	77	154	102	92	144	10		
Total		1,730	2,398	1,651	1,542	2,138	465		

Capital Expenditure From Previous Years in WIP

-109

Loan Funding
Rates + Carry FWD Funding
Reserves Funding

87
194
184
465

● Achieved
● On track
● May not be met
● Deferred

Agreed to Total Operating Budget 2019

2,289

0

Interim Treasury Report **As at 31 March 2019**

Cash and Cash Investment Balance

	Full Year Actuals 2017/18 \$000	Total Annual Plan Budget 2018/19 \$000	YTD Actual \$000	YTD Variance \$000
Cash and Cash Equivalents	3,956	2,453	5,422	2,969
Bonds and Stock	2,362	3,135	2,040	(1,095)
Total	6,318	5,587	7,462	1,875

We are retaining liquid cash to meet operational and capital spending requirements especially for the 3 waters projects and the flooding events.

Debt Position

	Full Year Actuals 2017/18 \$000	Total Annual Plan Budget 2018/19 \$000	YTD Actual \$000	YTD Variance \$000
Secured Loans - Less than 12 months	710	727	7	(720)
Secured Loans - Greater than 12 months	2,027	6,980	2,000	(4,980)
Total	2,737	7,707	2,007	(5,700)

Borrowing is being monitored while we manage our short and long term cash facilities. Borrowings are expected to increase in the third quarter of the financial year as the capital projects start physical works.

Finance Costs

	Full Year Actuals 2017/18 \$000	Total Annual Plan Budget 2018/19 \$000	YTD Actual \$000	YTD Variance \$000
Finance Costs	120	239	88	(151)

Below budget due to low borrowings based on timing of capital expenditure.

Compliance with Liability Management Policy

Item	Limit	Actual	Policy
External term debt + committed bank facilities + unencumbered cash/cash equivalents to existing external debt	>130%	546%	
Net Interest on External Debt / Total Revenue	<10%	0.21%	
Net Interest on External Debt / Annual Rates Income	<20%	0.33%	
Total debt per head of population	\$2,000	\$151	

Council is within policy limits.

Reserve Funds

Special Funds	Full Year Actuals 2017/18 \$000	YTD Actual \$000	Movement YTD \$000
Reserves held for Emergency Purposes	3,490	3,245	(245)
Reserves held for Future Asset Purchases	2,463	2,433	(30)
Reserves held for Future Operational Purposes	839	839	0
Reserves held for Other Funds	43	59	16
Total	6,835	6,577	(258)

Reserves for Emergency Purposes
The September Flood event saw \$245k transferred to cover the extra expenses.

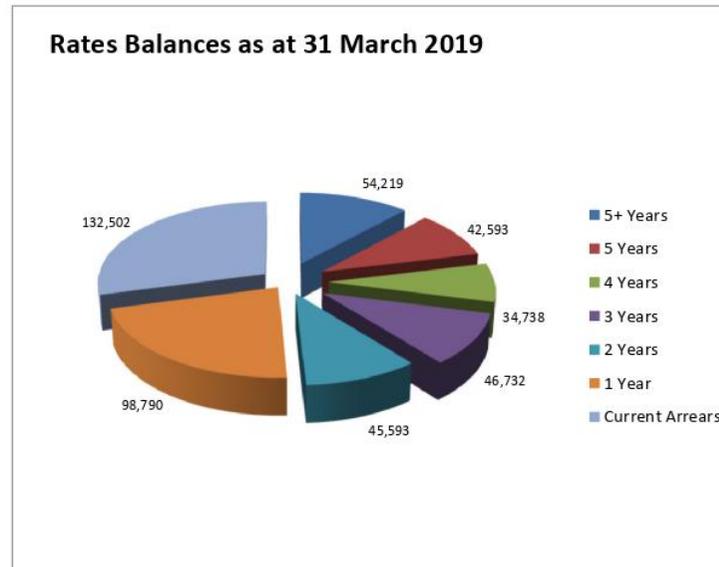
Reserves held for Future Asset Purchases
Biodiversity Funding \$10k has been transferred from Rural Fire.
Porangahau hall War Memorial project \$20k has been transferred from Ward funds

Reserves held for Other Funds
Funding of \$16k from tree felling in the Te Aute Drainage Scheme has been credited to their reserve.

Central Hawke's Bay District Council Rates Debt Information At 31 March 2019

	Jun-18	Mar-19	Movement
5+ Years	111,145	54,219	-56,926
5 Years	55,569	42,593	-12,976
4 Years	28,348	34,738	6,390
3 Years	63,218	46,732	-16,486
2 Years	71,578	45,593	-25,985
1 Year	367,637	98,790	-268,847
Current Arrears	0	132,502	132,502
Total	697,494	455,167	-242,328

There are total rates arrears outstanding of \$455,167. The rates department consistently manage ratepayer debt by ensuring new debt is brought to the attention of the ratepayer quickly. All debt is actively managed by the rates department and a break down of how this is achieved is in the next table.

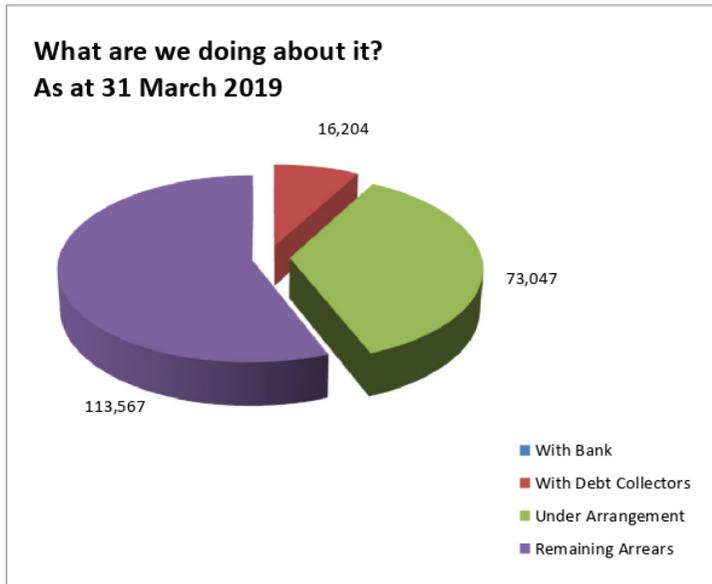


	Jun-18	Mar-19	Count	Movement
With Bank	6,775	0	23	-6,775
With Debt Collectors	81,045	16,204	13	-64,841
Under Arrangement	142,988	73,047	183	-69,941
Remaining Arrears	215,932	113,567	141	-102,365
Maori Land	250,754	252,348	13	1,594
Total	697,494	455,167	373	-242,327

The rates department consistently manage ratepayer debt by ensuring new debt is brought to the attention of the ratepayer quickly. The Rates officers have found that direct phone calls are a very efficient and personable way to contact our ratepayers and this is proving to be well received with more arrangements being accepted and newer debt reducing at a steady rate.

Other Rates Information

Rates emailed to ratepayers 15.7% (14% Jun 18)
 Ratepayers on direct debit 39% (39% Jun 18)



7.11 DELIBERATIONS - ANNUAL PLAN 2019/20 - PROPOSED DOG POUND**File Number:** COU1-1400**Author:** Lisa Harrison, Organisation Transformation Manager**Authoriser:** Doug Tate, Group Manager Customer and Community Partnerships**Attachments:** Nil**PURPOSE**

The purpose of this report is to present to Council for deliberation the proposed options for the issues identified since the adoption of the Annual Plan Consultation Document and Supporting Information in regards to the development of the Dog Pound for Central Hawke's Bay.

RECOMMENDATION FOR CONSIDERATION

That having considered all matters raised in the report:

- a) **That Council approve additional capital expenditure of \$297,000 in the 2019/20 for the development of a pound facility in Central Hawke's Bay; and further:**
- b) **That a report is brought back to Council on the proposed new pound, prior to any capital expenditure commencing.**

BACKGROUND

Under section 67 of the Dog Control Act 1996 Council is required to have a pound available for enforcement of the Act and animal bylaws. Council can do this through by having their own facility available, contracting out, sharing services or any other means – but a pound must be available for use.

Council currently has a pound facility, provided through an agreement with the SPCA at the SPCA's site at 15 Coughlan Road Waipukurau. Council owns small uncompliant kennels on the SPCA's site. For some time, the agreement with the SPCA has been periodic in nature (month to month).

Late last year Council and the SPCA entered into negotiations to develop a new occupation and service agreement on the site. While negotiations were initially forthcoming, the SPCA national office brought those negotiations to an end, prior to the agreement being executed.

The reason negotiations ended, was primarily due to a misalignment in the SPCA's Strategic direction, with that of Council. The SPCA jointly enforces the Animal Welfare Act 1999 with Ministry for Primary Industries (MPI) and the New Zealand Police. The new regulations are resulting in more importance for the SPCA in this role and in their view, fundamentally make it difficult for them to act as a service delivery agent for Council or being seen to align with Council, while enforcing the regulations.

The facilities at 15 Coughlan Road do not comply with the new mandatory regulations under the Animal Welfare Act 1999 that came into force on 1 October 2018. These include minimum kennel sizes, run areas, ensuring they are dry, shade and managing the extremes of heat and cold. Additionally, there are Health and Safety risks associated with the kennels current configuration for staff operating the pound. These standards set a much higher threshold than Council currently provides for animals in the pound.

Council will recall that in the development of the Annual Plan 2019/20, funding of \$125,000 was included for the development of an upgraded pound facility. The funding of \$125,000 was

established, based on upgrading the pound at its current location to meet the requirements, requiring considerably less capital than development of a pound at a new site.

Since notice has been given to Council to vacate the site, further work on options for pound provision have been undertaken, that have identified that additional capital funding above that budgeted in the Annual Plan 2019/20 is required. There is expected to also be new operational expenditure implications as a result of notice being given.

OPTIONS

Council engaged a contractor who has been widely used across the local government sector for animal control services, to investigate options to ensure that we are complying with relevant legislation and can achieve best value for the community in considering the options available to Council.

An options analysis exercise was completed and the following options were considered for pound provision:

- New agreement with SPCA
- Purchase or lease of land at various sites
- Shared Services
- Contracting out the Service
- Other private Sector Partnerships
- Council Land

A brief description of each of these options include:

Option 1 SPCA Occupation

2. This was the primary option for pound provision and was the basis of funding included in the Annual Plan 2019/20. This is not a viable long term solution for Council due to a number of factors that are out of our control. It is not clear and the SPCA would not divulge, what their long term intentions were for this site and the SPCA facility in Central Hawke's Bay long term.

3.

4. There is clear direction from SPCA at the highest national level, that a long term alignment with and occupation of sites with the SPCA is not desirable to them. To this end the status quo arrangement or a modified arrangement are not possible.

Option 2 Existing Council Land Holdings

Working alongside the contractor we have exhausted all Council owned land options as part of this analysis.

Reserve Land cannot be used due to the restrictions under the Reserves Act 1977.

Other sites considered have included wastewater treatment sites and landfills, however until final long term solutions have been identified at these sites, there are no locations within these sites readily available or appropriate for a pound facility.

Option 3 Leasing, Contracting Out and Shared Service Options

We have seriously considered all possible lease, contracting or other shared service options. The options considered have included:

Contracting out

We have explored opportunities to occupy part of a new substantial animal facility development being built to meet the requirements of the Act, with an existing Waipukurau business. This was

not supported by the business due to the types of aggressive or unknown nature of dogs the pound may introduce. There are no other obvious new or complementary businesses available.

Shared Services

We explored shared services with both Tararua and Hastings District Councils. Both of these locations were not feasible, simply due to the distance to travel for day-to-day business as usual and customer inconvenience, with both pounds being in a position where they could be at capacity and unable to take animals.

Leasing

We have had initial discussions with a landowner that would be interested in a design-build and lease option, subject to negotiation. The primary barrier for Council however is the significant resulting increase in operational costs from a lease - covering the build, land lease and developer margin that would be included.

Based on initial estimates, this option is the most financially unachievable option for Council long term. Based on cost-benefit analysis, this option over a whole of life period of thirty years, would see nearly a fourfold increase in costs, versus purchasing and developing outright.

Increases in fees and charges would be ongoing beyond the term of a purchase (20 years), and subject to rental reviews. Council with this option also has limited control over the assets.

The most logical reason why Council would take this approach of leasing an asset and not incurring the debt, would be if they were constrained by debt or their ability to borrow. Neither of these are immediate issues at this time.

Option 4 Outright Land Purchase and Council Development

This option has looked at purchasing land and developing a new purpose built pound facility on a greenfield site. At this time, we anticipate a total capital cost envelope of \$422,000 (excluding GST) for a greenfield development.

The estimated cost of a greenfield build has been estimated at \$272,000. This includes fencing, service connections, consenting – both building and resource consent and construction, for a modest eight bay pound. The costs of these will be relative to the final site location.

An additional land value of \$80,000 - \$150,000 (excluding GST) has been estimated for land purchase, either as an existing parcel or a new parcel created through subdivision, with very limited industrial/commercial land sales available to determine a recent comparable sale price. This provides a large area of risk to the project. The final land costs will be dependent on the ability to finalise and identify a site for purchase and an overall development plan.

Regardless of the option adopted, new direct operational costs of \$24,000 per annum are anticipated. With the development of a new pound facility not expected to realistically be complete until late in the 2019/20 financial year, additional costs will not be fully effected till the 2020/21 year. It is expected that an additional operational costs of \$6,000 would be incurred in 2019/20. Additional costs relating to debt servicing costs of circa \$22,832 per year, would also affect the activity, however would also not take full effect till the 2020/2021 year.

The fees for 2019/20 have been adopted by Council and are therefore unable to be changed at this time. Therefore, the additional funding of \$6,000 for operational costs and an estimated \$11,416 for loan repayment will be required to be funded in the 2019/20 year.

Based on the current number of registered dogs - without any rates input, this would see an average of a \$9.36 increase in Dog Registrations fees and charges, required for the 2020/21 year at the full development and operational costs anticipated at this time.

It is acknowledged that the base capital costs for development may appear high, however when compared to a recent development in Tararua District, are considerably lower.

Option 5 – Do nothing

Do nothing is an option to the elected Council, however is not an option recommended by Officers.

In the near future, Council could find itself without a pound facility, if the SPCA give a specific date to vacate the current pound premises, leaving nowhere to temporarily house dogs while impounded. If audited by the Ministry for Primary Industries, it is highly unlikely that Council could demonstrate compliance.

Council also has a legal responsibility under the Dog Control Act 1996 to have a pound facility available to them. Council could not satisfy this requirement long term, without some provision being made for a new facility.

A doing nothing approach – not complying with legislation, also does not meet Councils adopted risk appetite profile.

Recommended Option

We have concluded that of all of the options, an outright purchase of a new site and construction of a purpose built pound facility is the recommended option. This has been assessed as the most feasible option and best value for money for Council, when considering whole of life costs.

There are limited opportunities to defer the decision long term or not comply with the new regulations. Further, Council could be given four weeks' notice to vacate the current site from SPCA.

The total cost of this option is up to \$422,000 of capital expenditure in the 2019/20 year for the development of a new pound facility for Central Hawke's Bay.

Again, it is acknowledged that it is considerable expenditure, however not significant in terms of Councils significance and engagement policy.

We propose that prior to any capital expenditure on the facility being expended in the 2019/20 year, a full report is brought back to Council finalising the location for purchase and bringing the full and final cost to Council for approval.

Recommended Option

This report recommends Option 4 - outright land purchase and new development of a pound facility for addressing the matter.

NEXT STEPS

Officers will continue to liaise with the SPCA and manage this relationship with care. It is for Council to consider the recommended option, which if adopted, will provide the way forward to address a pound facility for Central Hawke's Bay long term.

RECOMMENDATION FOR CONSIDERATION

That having considered all matters raised in the report:

- a) That Council approve additional capital expenditure of \$297,000 in the 2019/20 for the development of a pound facility in Central Hawke's Bay; and further:**
- b) That a report is brought back to Council on the proposed new pound, prior to any capital expenditure commencing.**

7.12 IMPLEMENTATION OF DUST SUPPRESSION POLICY**File Number:** COU1-1400**Author:** Josh Lloyd, Group Manager - Community Infrastructure and Development**Authoriser:** Monique Davidson, Chief Executive**Attachments:** 1. **Dust Supression Policy - Adopted 10 April 2019** [↓](#) 
2. **Dust Supressions Guidelines - Adopted 10 April 2019** [↓](#) **PURPOSE**

The purpose of the report is for Council to consider the options to expedite the implementation of the Dust Suppression Policy.

RECOMMENDATION FOR CONSIDERATION

That, having considered all matters raised in the report that Council deliberate to determine their preferred option.

COMPLIANCE	
Significance	This matter is assessed as being of some importance
Options	<p>This report identifies and assesses the following reasonably practicable options for addressing the matter:</p> <ol style="list-style-type: none"> 1. Utilise a portion of Rural Ward Funds to invest in sealing to control dust 2. Re-prioritise a portion of the existing Land Transport budget/work programme to seal roads to control dust 3. Capture additional revenue through targeted rates to invest in sealing to control dust 4. The targeting of external funds through the creation of business cases to support investment in sealing to control dust 5. Council request that further work be undertaken by Officers to consider the funding for sealing to control dust as part of the 2020/21 Annual Plan.
Affected persons	The persons who are affected by or interested in this matter are the residents of Central Hawke's Bay who live on or regularly travel on unsealed roads where dust creates nuisance, safety and potential health hazards.
Recommendation	This report recommends that Council deliberate on the options provided to determine their preferred option or combination of options.

COMPLIANCE	
Long-Term Plan / Annual Plan Implications	Option 5 may have implications for the 2020/21 Annual Plan.
Significant Policy and Plan Inconsistencies	No

EXECUTIVE SUMMARY

This report presents options to Council to consider how it could invest, or target investment, to give effect to the recently adopted Dust Suppression Policy. The report considers options for Council to utilise its own existing funds (not currently set for dust suppression) and options for Council to target external funding through the creation of robust business cases. The options are discussed separately but combinations of the options are possible and Officers request that Council provide guidance on next steps and preferred options.

BACKGROUND

In April, Council adopted the Dust Suppression Policy (the Policy) and supporting Guidelines (the Guidelines). The Policy adopted (attached) was a revision of a previous policy that was considered restrictive and did not allow Council the option to invest in sealing unsealed roads to control dust. The Policy adopted would allow Council to invest in sealing roads to control dust where;

1. External funding was available (this could be from NZTA, landowners or other sources)
2. Funds were available within Council (this could be through the creation of dedicated funds, through additional revenue gathering means or through the reprioritisation of existing funds/investment programmes)

The Guidelines created (also attached) provide a transparent, consistent and rigorous means for Officers to consider the need to invest in sealing to control dust. The Guidelines allow Officers to determine where Council investment is appropriate based on the following criteria:

1. Frequency of dust issues
2. Intensity of the dust issue / concentration
3. Duration of exposure to dust
4. Offensive/Character – the type of dust
5. Location of issue and context

Importantly these criteria and the Guidelines also afford Officers an effective means of prioritising between potentially competing uses of funds.

Financial levers to ‘fast track’

Council, in adopting the Policy, requested that the Guidelines (part 7) stated that Council would only invest where Council funds **and** external funds were available. Officers consider broadly the following levers to provide its share of funding:

1. The use of Rural Ward Funds
2. A reprioritisation of existing budgets within Land Transport
3. The capture of additional revenue through rate take
4. The targeting of additional external funds through the creation of business cases

These levers are each considered separately in the options analysis section of this report but some combinations of these options are possible.

Amount to Invest

The Policy, by design, does not set a given amount in any year to be invested to seal roads to control dust. Officers are aware of known areas on the 403km unsealed road network where dust is a serious concern and methods alternate to sealing have proven to not be effective.

Officers consider that approximately 5km of unsealed road are immediately known candidates for sealing to control dust. At approximate (but highly variable) rates of \$250,000/km for sealing, Officers consider a total investment of \$1,250,000 may be required. At an anticipated 50% funding share, Councils contribution, if funds were available, would approximate to \$625,000. This amount could be spread over multiple years with one or several known problem areas being addressed each year.

Officers advise that if a minimum or target amount was to be invested each year it should be sufficient to complete a meaningful and cost-effective amount of work. Officers consider that \$250,000 is an amount that would give effect to a meaningful amount of work and allow for cost-effective construction. This would allow at least 1km of new seal which for example would cover the cost of sealing the problem parts of Blacks Road or (not and) problem parts on Scenic or (not and) Pourerere Beach Roads.

Prioritising Investment

As with any investment, several layers of prioritisation are required. For sealing to control dust, the Guidelines provide the means to prioritise within the category and across other categories. That is, the Guidelines allow Officers to determine if investment is warranted compared with other options for investment (across category prioritisation) and to determine what sections of road should be sealed first to control dust if there are several competing (within category prioritisation).

Officers have not completed a comprehensive assessment of all known areas on the network where dust is an issue against the Guidelines as this has not been formally requested. Officers have begun the exercise on one of the highest ranked problem areas however. Officers advise that to formalise a recommendation about whether or not to invest in sealing to control dust (as opposed to investing in other activities such as road maintenance or footpath creation), more information is required. However, Council could still make an investment decision in the absence of a prioritisation process.

SIGNIFICANCE AND ENGAGEMENT

In accordance with the Council's Significance and Engagement Policy, this matter has been assessed as of some importance because the high public interest in the decision and the potential impact any decision may have on other work programmes or on rates.

OPTIONS

The section below considers each option against pre-defined criteria (financial, risk, alignment etc). The following listed criteria (normally included in standard reports) have not been specifically considered against any option as they are deemed to be non-relevant. Comment is not provided on each of these standard criteria for each of the options below unless it is considered specifically relevant.

- Statutory Responsibilities. All options are considered in line with statutory responsibilities and will be carried out within the limits of existing legislation.
- Participation by Māori. No option is considered to have specific impact on Maori or require a need for specific consultation with Maori.
- Community Views and Preferences.
- Alignment to Project Thrive and Community Outcomes. This criteria is considered relevant for all options below but the same response is appropriate for all so it is covered

here. All options are designed and are being considered specifically to address community outcomes and to respond to issues raised by residents in project THRIVE and following consultation and engagement exercises.

Option 1 Utilise a portion of Rural Ward Funds to invest in sealing to control dust

a) Financial and Resourcing Implications

The Rural Ward Funds contain reserves of \$811,114 (not including a potential outlay of \$250,000 via a suspensory loan to Water Holdings CHB) and were established to provide funds for the provision or maintenance of recreational, cultural or infrastructural assets within the Aramoana / Ruahine Wards.

By drawing on the reserve funds there would be no further impact on rates. The money is managed as part of the treasury function and is invested as part of the overall funds of Council as per the Treasury Policy – NZ Registered Banks A+/A-1 ratings

In the last 5 years the funds have been used to assist with the installation of a heat pump at the Settlers Museum, Tamatea Trails feasibility and Porangahau Hall War Memorial Project.

b) Risk Analysis

The primary risk is considered to be the reduction in the Ward Funds and the inability therefore to utilise them in the future for other needs as and when required. Officers are not able to quantify this risk as currently there are no known other listed items for consideration under the Ward Funds (other than Water Holdings CHB).

c) Consistency with Policies and Plans

The Special Funds Policy is the Council policy that governs the use of the Rural Ward Funds. The Rural Funds, also known as the Aramoana / Ruahine Ward Disbursement Reserve Accounts were established following the 1989 Central Hawke's Bay Councils amalgamations.

The Special Funds Policy states that unless otherwise stated, only the interest earned on each fund shall be available to be spent, thereby preserving the individual fund amounts.

A decision by Council to utilise any amount of the funds to invest in sealing to control dust, would require an amendment to the Special Funds Policy given the current policy is limited to only granting interest earned.

d) Community Views and Preferences

Council and Officers heard through the Annual Plan consultation strong feedback about the use of the Rural Ward Funds when it was being considered to support a suspensory loan to Water Holdings CHB. Officers consider that the use of the Rural Ward Funds to seal unsealed rural roads is in line with the feedback heard from the community which had a strong focus on benefiting rural communities.

e) Advantages and Disadvantages

The primary advantages of this option are the readily available funds.

This option shares disadvantages with other options in that further work would still be required to determine where Council would invest first to ensure value for money.

This option would also have a disadvantage of depleting the Rural Reserve Fund with no plan in place to replenish it.

Option 2 Re-prioritise a portion of the existing Land Transport budget/work programme to seal roads to control dust

a) Financial and Resourcing Implications

An option exists to reprioritise portions of the existing Land Transport works programme to invest in sealing to control dust. An update was provided to the March Finance and Planning Committee that outlined the state of the current work programmes and the amount of work scheduled and expected to be completed within the 2018/19 financial year. This update also provided guidance on the levels of risk of each of the different investment categories within the total Land Transport programme.

Of note, approximately \$1,100,000 is forecast to be carried into the 2019/20 financial year from the structural renewals work category. Structural renewals include planned works to upgrade and repair bridges, retaining walls and large culverts. This work is identified through asset inspections and condition assessment and is prioritised based on risk. A total value of \$1.4M is routinely allocated to this programme of work and is designed by engineering consultants and taken to market for construction.

b) Risk Analysis

Officers consider that utilising a portion (up to \$250,000) of the Structural Renewals carryover and investing in sealing to mitigate dust would not increase risk to the network. This assessment has been made considering the sites identified for renewal/repair within the work category and the risk of deferring work. Officers had planned to complete all carried over work from 2018/19 in the 2019/20 as well as the already planned and budgeted 2019/20 programme of work. Utilising \$250,000 of the carried forward amount would push \$250,000 of other planned works out but this is considered manageable from a risk perspective.

The other activities within the Land Transport programme of works are expected to be all or 'nearly-all' spent this year and all are considered of high risk to the network if any are deferred.

c) Consistency with Policies and Plans

This option can be carried out in line with Councils existing approach (policies) to land transport planning and in line with existing land transport plans.

d) Advantages and Disadvantages

The primary advantages of this option is the relatively low financial and resourcing implications given the funds are available at low risk to the network without depleting other budgets.

This option shares disadvantages with other options in that further work would still be required to determine where Council would invest first to ensure value for money.

Option 3 Capture additional revenue through targeted rates to invest in sealing to control dust

a) Financial and Resourcing Implications

Changes to the rating mechanism could be made to target additional revenue to cover future costs of sealing to control dust. An increase to the existing Land Transport Targeted Rate could be implemented in the 2020/21 or future Annual Plans following the required consultation. The rating review currently underway will also provide an ability to implement a new structure for revenue collection that could target specific roads where sealing will occur. As an example, to fund \$250,000 to invest in sealing to control dust would equate to an approximate rate increase of 1.3%.

b) Risk Analysis

This option is considered of low or negligible risk to the network with the only risk foreseen being one of real or perceived affordability to ratepayers.

c) Consistency with Policies and Plans

A review of the Significance and Engagement Policy will be required based on the type and scale of change to rating proposed and it is likely that most types of changes to rates would trigger significance and require a consultative process.

d) Advantages and Disadvantages

The primary advantages of this option are the potential to raise significant funds if required and to apportion these in a fair and equitable manner based on a well-considered and structure rate take.

This option shares disadvantages with other options in that further work would still be required to determine where Council would invest first to ensure value for money.

This option also has the disadvantage of what would be considered a moderate to high rate impact on residents.

Option 4 The targeting of external funds through the creation of business cases to support investment in sealing to control dust

a) Financial and Resourcing Implications

Officers have considered the use of the Guidelines to properly assess known areas where dust is an issue for Council investment and advise that further work is required to form a clear picture. This work would create the foundations for a business case that could be put to external potential funding providers including NZTA and the Ministry of Health. To complete a business case suitable for external presentation Council will require the support of contracted professionals (such as Stantec) with costs expected to be \$50,000 - \$60,000.

To fund the work to complete the business case Officers would seek an increase in the complete Land Transport budget.

Alternately a combination of this option and Option 2 could be possible where Officers would reprioritise some existing Land Transport funds into the creation of business cases.

b) Risk Analysis

This option is considered to have a low risk to the network. This option is considered however to have a moderate financial risk in that funds invested to create a business case would not guarantee return on investment. The risk is considered to be manageable through effective planning and gates on the process whereby work would only progress and funds would only be spent based on ongoing dialect with potential future investors and confidence of success.

c) Consistency with Policies and Plans

Officers have engaged with NZTA to investigate the potential for future investment. NZTA advise that to be successful in any application for funding Council must demonstrate alignment to the 2018 GPS and the subsequent Targeted Enhanced Funding Assistance Rate. Officers consider that some areas on the network may align closely with the GPS for safety (extended to public health).

d) Advantages and Disadvantages

The primary advantages of this option are that Council's own investment is relatively low and that time would be afforded to carry out a robust study of the network and known problem areas against the Policy and the Guidelines.

The primary disadvantage of this option is the financial risk in that Councils investment would not be guaranteed a return.

Option 5 Council request that further work be undertaken by Officers to consider the funding for sealing to control dust as part of the 2020/21 Annual Plan.

a) Financial and Resourcing Implications

An option exists to defer any decision on Council investment (in line with the Policy adopted) and to request further work be undertaken by Officers within current budgets to provide a recommendation for inclusion of budget to invest in sealing roads to control dust as part of the 2020/21 Annual Plan. Officers will consider all known roads for sealing to control dust against the Guidelines and complete a more thorough analysis of available funding implications.

b) Risk Analysis

This option is considered a low risk to the network with the highest risk being a perception of inaction by Council on the adopted Policy.

c) Alignment to Project THRIVE and Community Outcomes

This option, more so than others presented, will defer the achievement of community outcomes.

d) Consistency with Policies and Plans

This option is consistent with the Dust Suppression Policy.

e) Advantages and Disadvantages

The primary advantage of this option is the time afforded to complete a more thorough consideration of funding options and a proper analysis of roads against the Guidelines. This option also has the advantage of having no immediate budget impact.

The primary disadvantage of this option is the delay in investing in the sealing of new roads.

Recommended Option

This report recommends that Council deliberate to determine their preferred option.

NEXT STEPS

Officers request guidance from Council on the next steps and which option, or combination of options, are desirable.

RECOMMENDATION FOR CONSIDERATION

That, having considered all matters raised in the report that Council deliberate to determine their preferred option.

Central Hawke's Bay District Council	POLICY MANUAL	
	Document #	3.3
<i>DUST SUPPRESSION POLICY</i>	Approved by:	Council
	Adoption Date:	10-04-2019
	Last Amended:	27-08-2001
	Review Date:	10-04-2022
	Page:	Page 1 of 1

Property owners with houses adjacent to metal roads may apply to Council for permission to form, pave and seal the road frontage adjacent to their property for a length of 200 metres.

Council will work with the property owner to determine the responsibilities for up-front construction and ongoing maintenance and the standard to which all works are undertaken.

Council will also work with the property owner to determine who will bear the costs of the works. Council will use a set of its own guidelines to inform its decision making process as to whether or not it contributes financially to the works.

Central Hawkes Bay District Council Dust Mitigation Guidelines

1. Background

Council own and operate a 403km network of unsealed roads across the district that are maintained and serviced to a standard in line with national ONRC guidelines. NZTA provide funding assistance to operational and capital expenditure on these roads as per programmes of investment that are created by Council, based on risk and aligned with NZTA criteria.

Dust is one of several issues that Council manages on its unsealed road network and in the past two years has invested in trials of new and existing products to mitigate dust levels in problem areas. NZTA provide a mechanism for Council's to obtain funding assistance for dust suppression (either through sealing or other means), but strict criteria need to be met. Council are confident through experience that none of our roads meet the NZTA criteria for dust-related funding assistance with this primarily due to low population densities on unsealed roads and low traffic volumes.

The cost of a seal extension is approximately \$250,000 per kilometre. There are several components to a seal extension;

- base course strengthening
- stabilisation and
- sealing

A second seal coat is required 2-3 years after the initial sealing to waterproof the seal extension. The actual sealing portion of the seal extension is around 5% of the total cost.

Council contribute to the physical and financial delivery of dust suppression through sealing in line with the Dust Suppression Policy 2019 (insert Policy ref).

2. Objective

The objective of these Guidelines is to set out, in a clear and transparent manner, Council's guidelines for considering seal extension requests from ratepayers and/or residents. It will outline how and when Council will enter into arrangements with ratepayers and/or residents to ensure consistency, fairness and equity and in line with the Dust Suppression Policy 2019.

3. Factors (FIDOL)

The nuisance effects of dust emissions are influenced by the nature of the source, sensitivity of the receiving environmental and on individual perception. For example, the level of tolerance to dust deposition can vary significantly between individuals. Individual responses can also be affected by the perceived value of the activity producing the dust. For example, people living in rural areas may have a high level of tolerance for the dust produced by activities such as ploughing or top-dressing, but a lower tolerance level for dust from quarries or logging activities.

Whether a dust event has an objectionable or offensive effect always depends on the frequency, intensity, duration, offensiveness/character² and location of the dust event. These factors are collectively known as the FIDOL factors and are described

in table 1 below.

Different combinations of these factors can result in adverse effects. Location is particularly important as this relates to sensitivity of the receiving environment.

¹ Plus ongoing maintenance. ² in this context, offensive is one consideration in whether there is an 'objectionable or offensive' effect occurring as a result of exposure to dust.

Factor	Description	Measure
Frequency	How often an individual is exposed to dust	Provide diary (Appendix A)
Intensity	The Concentration of the dust	Dust deposition test
Duration	The length of exposure	Traffic
Offensive/Character	The type of dust	Receptors
Location	The type of land use and nature of human activities in the vicinity of the dust source	Site Characteristics

Table 1

These factors require a form of measurement to be useful as a way of determining the acceptability of a seal extension proposal by either an individual or group of local residents. The following looks at each of these factors and how they will be measured.

4. Dust Impact Diary

Dust diaries can be used by people in affected communities to record their daily exposure to dust. A dust diary programme can be useful for collecting data on the frequency, intensity, duration, and character of dust impacts at various locations over a given period. They can help to inform a FIDOL assessment to evaluate the overall level of adverse effect from a dust source. Dust diaries generally need to be completed for at least three to four months to provide meaningful information. If there are sufficient respondents and spatial coverage, the resulting data can be used to calculate the percentage of time (hours/year) that people are exposed to dust from a specific source. The information recorded in a comprehensive diary programme includes:

- date and time of day
- duration of the event
- continuity of the dust event
- character and amount of dust particles
- likely source of dust
- wind direction and strength.

5. Dust Deposition

Deposited dust is dust that settles out of the air. Measurement is by means of a collection jar or gauge that catches the dust settling over a fixed surface area over a fixed period of time. The dust is removed from the jar, filtered and weighed, and the results are reported in terms of the weight of dust collected per unit of surface area, and over a fixed period of

time,

The equipment used for deposition monitoring typically collects dust particles greater than about 10–20 micrometers, although there is no sharp cut-off in particle size and the collection efficiency is known to vary for different particle sizes.

The deposition gauge method is relatively simple and can provide an indication of long-term trends. It can also be useful for analysis of dust composition. This method has disadvantages including:

- the measurement period is typically one month and cannot be reduced to anything less than about 15 days without a significant loss in measurement sensitivity. This makes the method unsuitable for the monitoring and control of short-term dust problems
- the wide jar or gauge can be prone to contamination from other sources (eg, bird droppings and leaves).

Deposition gauge dust monitoring is generally not suitable for active site dust management. It may provide some data about the level of soiling nuisance but generally cannot identify the activity creating the nuisance (except where accompanied by source apportionment of dust deposited) or the effectiveness of any on-site dust mitigation techniques, except over very long time periods.

Dust gauges should be carefully sited according to AS/NZS 3580.1.1:2007 Methods for sampling and analysis of ambient air – Guide to siting air monitoring equipment standard, having regard to:

- the risk of tampering or vandalism by members of the public
- the impact of nearby structures on wind flow (and thus dust collection efficiency), as required by the monitoring method
- proximity to other local dust sources (such as a private logging road) that may affect the measurement.

Trigger	Averaging period	Trigger Level	Risk Factor/ Score
Monthly	30 Days	4 g/m ² /30 days	5
Month	30 Days	< 4 g/m ² /30 days	0

6. Dust Deposition

The remaining risk factors and their scores are detailed in Table 2 below. The relative risk assigned to each factor listed in the table is based on a qualitative assessment of the findings from the road dust monitoring. These are basic criteria that are easily explained using a table.

Risk factor/Score	0	1	2	3	4	5
Traffic						

5 day AADT of HDVs	0	1-5	6-10	11-25	26-50	>50
Speed limit of HDVs (km/h)	No HDVs	20 km/hr	50 km/h or greater			
5 day AADT of LDVs	<100	101-300	>300			
Speed of LDVs (km/h)	<50	50-70	>70			
Receptors (within 80m of roadway)						
Number of dwellings (houses/km)	0	1	2-4	5-7	8-10	>10
Other locations where people are likely to be exposed. (eg. schools, marae, or hospitals) (sensitive locations)	None	1-2	3 or more			
Nuisance effects for residents (complaints/year)	None	1-2	3 or more			
Ecologically sensitive areas such as rare species habitats or wetlands (sensitive locations/km)	None	1-2	3 or more			
Horticultural sensitive areas such as fruit orchards (sensitive locations/km)	None	1-2	3 or more			
Site characteristics						
Location of roadway	Open plains or coastal area	Some land features likely to slow winds	Inland enclosed valley			
Frequency of rain days (>5mm)	More than 2 events per week	0-1 events per week	Less than one event every two weeks			
Longevity of logging route use	Not a logging route	1-2 years	Longer than 3 years			

Table 2

The site dust risk score is calculated by totaling the scores for each of the 14 individual factors. The site dust risk score will fall into one of three dust risk categories in Table 2, Table 3 provides a first order assessment on the potential benefits gained by mitigating that section of unsealed road. Finally, Table 3 indicates what action (if any) is needed to complete the decision-making process.

Total dust risk score	Dust risk category	Potential benefit from dust mitigation	Action to be taken
0 to 9	Low	Little or no benefit from mitigation	End of decision-making process

10 to 19	Medium	There may be some benefit from mitigation	Return to and repeat the 'site dust risk factors and scores' with refined site-specific information
20 to 30	High	There is likely to be a benefit from mitigation	Complete assessment of suitable mitigation options

Table 3

If the site dust risk falls into the low category, no further action is required. The actions required if the dust risk falls into either the medium or high-risk categories.

7. Funding

Council will consider its own contribution to funding in light of funds available, the criteria above and where external funding is available. Preference will be given to sealing sections of road where external funding streams are available. These could include NZTA, private funding or others.

Where 100% private funding is chosen, the following considerations will be given and will be communicated with the person providing funding:

The following requirements shall be met for privately funded seal extensions:

- The costs for a second coat of seal must be considered and agreed;
- The minimum length of road to be sealed shall be 100m;
- A per km rate will be agreed between Council and the funder prior to commencement of works;
- The timing and method of payment will be agreed between Council and the funder prior to commencement of works;
- The costs of ongoing maintenance will be agreed between Council and the funder prior to commencement of works;
- Council will provide a receipt for the funds received.

Council will use the current maintenance contractor to undertake the construction works unless otherwise agreed prior to construction. At the completion of the seal extension Council will advise the ratepayers and/or residents the total cost. Should the total cost be less than the funds provided by the ratepayers and/or residents, Council will refund the difference, once the second seal coat is completed.

8. Future Maintenance

The sealing of a road has to be maintained to restore its waterproofing properties and level of service. To do this the section of road has to be resealed within two to three years of the initial seal coat (second coat seal), and then resealed every 12 to 15 years after that. Resealing not only includes the actual resurfacing of the road, it also includes line marking, pothole patching and surface water channel maintenance.

The funds required to be provided by the ratepayers and/or residents shall also

cover the cost of a second coat seal to be undertaken within two to three years after the initial sealing.

Council will then take over and fund the maintenance of the road once it has been sealed including a reseal every 12-15 years. This is estimated to average around \$3,652 + GST per kilometre per year. Currently the on-going maintenance of a sealed road attracts NZTA subsidy.

Any future maintenance obligations will be undertaken by Central Hawkes Bay District Council under the maintenance contract.

8 CHIEF EXECUTIVE REPORT

Nil

9 PUBLIC EXCLUDED BUSINESS

Nil

10 DATE OF NEXT MEETING

RECOMMENDATION

THAT the next meeting of the Central Hawke's Bay District Council be held on 20 June 2019.

11 TIME OF CLOSURE