

**Appendices to report on
reasonably practicable options and preferred option
for Hawke's Bay local government arrangements**

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**Responses received to invitation for alternative
reorganisation applications for Hawke's Bay Region**

A total of 19 responses were received to the invitation for alternative applications following public notification of the reorganisation application received from 'A Better Hawke's Bay' Trust for constitution of one unitary authority covering Hawke's Bay Region.

Of the 19 responses received:

- 7 did not propose alternative reorganisation options, as defined by section 24 of the Local Government Act 2002, and either supported the 'Better Hawke's Bay' Trust application or did not express opposition to the application but proposed some minor amendments or identified specific issues for consideration (i.e. detailed representation arrangements, arrangements in relation to Tararua and Taupo Districts, exclusion of Taupo District from any new unitary authority, representation and participation of Māori)
- 1 supported retention of existing local government arrangements
- 1 proposed arrangements not currently provided for in legislation (being a "metropolitan council" for Napier and Hastings and a "regional council" for the remaining rural area)
- 2 proposed a boundary alteration between Hastings District and Napier City (i.e. a new boundary at Tutaekuri River) with other structural arrangements remaining in place, with 1 referring to the option of the transfer of statutory obligations (but subsequently clarifying the proposal as being more in the nature of a shared service approach in relation to particular responsibilities)
- 3 proposed the union of Napier City and Hastings District with:
 - 1 proposing all other arrangements remain in place
 - 2 proposing Wairoa and Central Hawke's Bay Districts be considered for inclusion at a later date
- 1 proposed constitution of a new council based on the "Tuhoe area of interest and within which Te Urewera Board would have a part"
- 1 proposed the union of the four existing territorial authority districts and retention of the existing regional council
- 1 proposed constitution of two unitary authorities within the rohe of Ngati Kahungunu (one covering Hawke's Bay and one covering Tararua and the three Wairarapa Districts)
- 2 proposed constitution of an "east coast regional council" with:
 - 1 not proposing any arrangements in relation to territorial authority arrangements
 - 1 proposing a northern boundary for the region at the Mohaka River (with the area to the north of the river being combined with Gisborne District) and with three territorial authorities within this region (Hawke's Bay, Southern Hawke's Bay and Wairarapa).

**Individuals, groups and organisations consulted
by the Local Government Commission**

Date	Individual, group, organisation
26 February	Wairoa District Council
27 February	Hastings District Council Napier City Council
28 February	Hawke's Bay Regional Council 'A Better Hawke's Bay' Trust
1 March	Central Hawke's Bay District Council
24 April	Ngati Kahungunu Iwi Inc.
28 May	Ministry of Health and LGC staff
20 June	Ministry for the Environment and LGC staff
25 June	Wairoa District Council
26 June	Hawke's Bay Regional Council Hastings District Council 'A Better Hawke's Bay' Trust
27 June	Central Hawke's Bay District Council Napier City Council
3 July	New Zealand Transport Agency and LGC staff Ministry of Health and LGC staff
22-23 July	Mayor and chief executive of Tararua District Council Mayor of Gisborne District Chair and chief executive of Horizons Regional Council
25 July	New Zealand Transport Agency
14 August	Napier & District Grey Power Association Hawke's Bay Fruitgrowers Association
15 August	Pan Pac Forest Products Ltd Ken Gilligan Hawke's Bay Chamber of Commerce 'Dedicated and Democratic' group
16 August	Napier Port Ltd Whanganui A Orotu Hawke's Bay Tourism
9 September	Wairoa public meetings (morning and evening) 'Upstream Wairoa' business group
10 September	Hastings public meetings (morning and evening) Hawke's Bay DHB
11 September	Napier public meetings (morning and evening) Andrew Newman – Ruataniwha water storage project
12 September	Waipawa public meeting (morning) Waipukurau public meeting (evening)
25 September	Office of Treaty Settlements and LGC staff
30 September	Wairoa District Council officers and LGC staff

Date	Individual, group, organisation
1 October	Central Hawke's Bay District Council officers and LGC staff
2 October	Hastings District Council officers and LGC staff Napier City Council officers and LGC staff
7 October	Ministry of Civil Defence & Emergency Management and LGC staff
11 October	Hawke's Bay Regional Council officers and LGC staff
23 October	Tūwharetoa representatives Tūhoe representatives
24 October	Iwi representatives on Hawke's Bay regional planning committee

In addition the Commission met local and opposition Members of Parliament and also the following national organisations to discuss local government reorganisation proposals generally:

- National Council of Women
- Rural Women
- National Council of Infrastructure Development

Hawke's Bay local government representation and decision-making structures and processes¹

Representation arrangements

Hawke's Bay Regional Council

At its constitution in 1989, Hawke's Bay Region was divided into five constituencies largely based on territorial authority boundaries with Hastings District divided into two constituencies (Hastings and Ngaruroro). The number of constituencies increased to seven for the 1992 and 1995 elections, and then reverted to five for the 1998 and subsequent elections.

The Hawke's Bay Regional Council reviewed its representation arrangements again for the 2013 local authority elections. Following the receipt of appeals, the Local Government Commission determined representation arrangements for those elections. The constituencies mirror territorial authority boundaries but with Hastings District divided into an urban constituency and a rural (Ngaruroro) constituency, and these arrangements are summarised in the following table.

Constituencies	Population*	Number of councillors per constituency	Population per councillor	Deviation from region average population per councillor	% deviation from region average population per councillor
Wairoa	8,430	1	8,430	-8,822	-51.14
Napier	57,780	3	19,260	+2,008	+11.64
Ngaruroro	19,905	1	19,905	+2,653	+15.38
Hastings	55,605	3	18,535	+1,283	+7.44
Central Hawke's Bay	13,430	1	13,430	-3,822	-22.15
Total	155,270	9	17,252		

* These figures do not exactly add to the totals as the figures for the Hastings and Ngaruroro Constituencies are calculated on 2006 meshblock totals while the other constituencies are 2011 estimates.

¹ This paper was prepared before the October 2013 local authority elections and therefore does not include voter turnout levels at those elections or changes that the Hawke's Bay councils have made to their decision-making structures or processes since those elections.

Hastings District Council

From its constitution in 1989, Hastings District has been divided into wards. There were seven wards in 1989 and 1992; nine wards in 1995, 1998, 2001 and 2004; and six wards in 2007 and 2010.

Hastings District Council reviewed its representation arrangements for the 2013 local authority elections and as a result of appeals received, the Local Government Commission determined the following arrangements for those elections.

Ward	Population	Number of councillors per ward	Population per councillor	Deviation from district average population per councillor	Percentage deviation from district average population per councillor
Hastings- Havelock North	43,460	8	5,433	+39	+0.72
Flaxmere	10,400	2	5,200	-194	-3.60
Heretaunga	10,590	2	5,295	-99	-1.84
Mohaka	5,270	1	5,270	-124	-2.30
Kahuranaki	5,790	1	5,790	+396	+7.34
TOTALS	75,510	14	5,394		

Hastings District Council has had a Rural Community Board since 1992. It sought as part of the recent representation review establishment of further boards in Hastings, Havelock North, Flaxmere and Heretaunga along with a proposed reduction in councillor numbers. The Commission did not adopt this proposal.

The Rural Community Board comprises four elected members elected from four subdivisions and two appointed members being the two rural ward councillors.

Napier City Council

Napier City was divided into three wards on its constitution in 1989 and continued to have wards for the 1992 and 1995 elections. In 1998 the elections were conducted at large and this remained the case until the 2007 elections. For the 2007 elections, as a result of appeals received, the Local Government Commission determined that the city would have a mixed system of representation with six councillors elected at large and six from four wards. This basis of election was also retained for the 2010 elections.

Napier City Council reviewed its representation arrangements for the 2013 local authority elections and following receipt of one appeal the Local Government Commission endorsed the existing arrangements i.e. six councillors elected at large and six elected as follows.

Ward	Population	Number of councillors per ward	Population per councillor	Deviation from district average population per councillor	Percentage deviation from district average population per councillor
Ahuriri	9,230	1	9,230	-407	-4.22
Onekawa-Tamatea	9,640	1	9,640	+3	+0.03
Nelson Park	18,450	2	9,225	-412	-4.28
Taradale	20,500	2	10,250	+613	+6.36
TOTALS	57,820	6	9,637		

Napier City has had no community boards since 1989.

Central Hawke's Bay District Council

Central Hawke's Bay District was divided into five wards on its constitution in 1989 and for the 1992 and 1995 elections. For the 1998, 2001 and 2004 elections the district was divided into three wards and for the 2007 and 2010 elections the district was divided into two wards, one encompassing the rural and coastal areas of the district and one encompassing the district's major urban centres of Waipukurau and Waipawa.

Central Hawke's Bay District Council reviewed its representation arrangements for the 2013 local authority elections and these are summarised in the following table.

Ward	Population	Number of councillors per ward	Population per councillor	Deviation from district average population per councillor	Percentage deviation from district average population per councillor
Aramoana/Ruahine	6,550	4	1,638	-47	-2.79
Ruataniwha	6,930	4	1,733	+48	+2.85
Total	13,480	8	1,685		

Central Hawke's Bay District has had no community boards since 1989.

Wairoa District

Wairoa District was divided into five wards on its constitution in 1989 and for the 1992 and 1995 elections. For the 1998 and 2001 elections it was divided into six wards. For the 2004 and subsequent elections, the elections have been conducted at large.

The Wairoa District Council last reviewed its representation arrangements for the 2010 elections and these arrangements are summarised in the following table.

	Population (30 June 2012 estimates)	Councillors	Population per councillor
Wairoa	8,140	6	1,357

Wairoa District has had no community boards since 1989.

Assessment measures/criteria

Fair and effective representation

The following measures/criteria are covered below:

- comparative representation ratios
- voter turnout
- numbers of candidates.

The respective population to councillor ratios of Hawke's Bay districts based on updated 2012 population estimates are set out in the following table.

District	Population	Councillors	Population/ councillor	Community boards
Napier	57,800	12	4,816	0
Hastings	75,550	14	5,396	1
Central Hawke's Bay	13,360	8	1,670	0
Wairoa	8,140	6	1,356	0

The following tables show the population to councillor ratio for the four districts compared to similar sized cities/districts in New Zealand.

City	Population	Councillors	Population/ councillor	Community boards	Land area Km ²
Invercargill	52,900	12	4,408	1	493
<i>Napier</i>	<i>57,800</i>	<i>12</i>	<i>4,816</i>	<i>none</i>	<i>106</i>
Palmerston North	82,300	15	5,487	none	
Porirua	53,050	10	5,305	none	182
Nelson	46,600	12	3,883	none	
Upper Hutt	41,600	10	4,160	none	

District	Population	Councillors	Population/ councillor	Community boards	Land area Km ²
Far North	58,450	9	6,494	3	
<i>Hastings</i>	<i>75,550</i>	<i>14</i>	<i>5,396</i>	<i>1</i>	<i>5,226</i>
New Plymouth	74,150	14	5,296	4	2,205
Rotorua	68,800	12	5,733	1	2,409
Waikato	64,750	13	4,981	5	
Whangarei	80,820	13	6,217	none	

District	Population	Councillors	Population/ councillor	Community boards	Land area Km ²
Buller	10,160	10	1,016		
Carterton	7,730	8	966		
Central Otago	18,540	10	1,854		
<i>Central Hawke's Bay</i>	<i>13,360</i>	<i>8</i>	<i>1,670</i>		
Clutha	17,350	14	1,239		
Gore	12,280	11	1,116		
Grey	13,830	8	1,729		
Hauraki	18,750	12	1,563		
Hurunui	11,520	9	1,280		
Kaikoura	3,800	7	543		
Kaipara	19,110	8	2,389		
Kawerau	6,910	8	864		
Mackenzie	4,090	6	682		
Opotiki	8,710	6	1,452		
Otorohanga	9,340	7	1,334		
Rangitikei	14,620	11	1,329		
Ruapehu	13,130	11	1,194		
South Wairarapa	9,400	9	1,044		
Stratford	9,230	9	1,026		
Waimate	7,670	8	959		

District	Population	Councillors	Population/ councillor	Community boards	Land area Km ²
Wairoa	8,140	6	1,357		
Waitomo	9,540	6	1,590		
Westland	8,900	10	890		

Territorial authority voter turnout

The following table shows voter turnout for territorial authority elections in each of the Hawke's Bay councils since 1989. It shows that voter turnout is generally within the range of the New Zealand average, with Central Hawke's Bay and Wairoa having consistently high voter turnout than Napier and Hastings.

	1989	1992	1995	1998	2001	2004	2007	2010
Napier	60	54	61	59	56	48	46	45
Hastings	57	58	54	53	55	41	42	44
Central Hawke's Bay	72	67	73	67	63	55	58	56
Wairoa	66	73	71	69	67	56	57	57
NZ	56%	52%	48%	53%	49%	45%	43%	47%

Regional council turnout

Hawke's Bay Regional Council more often than not has had a higher turnout than the average of all regional councils in New Zealand.

	1989	1992	1995	1998	2001	2004	2007	2010
Hawke's Bay	60%	57%	58%	56%	55%	47%	45%	46%
NZ	56%	67%	45%	53%	49%	45%	43%	47%

Number of candidates per position in each of the Hawke's Bay Councils

The following table shows the number of candidates, positions and candidates per position for each of the Hawke's Bay councils compared to the New Zealand average since 1989.

Local authority candidates/positions (per position)

	1989	1992	1995	1998	2001	2004	2007	2010
Napier	29/12 (2.4)	26/12 (2.2)	29/13 (2.2)	31/12 (2.6)	29/12 (2.4)	19/12 (1.6)	25/12 (2.1)	26/12 (2.2)
Hastings	42/14 (3.5)	30/14 (2.1)	31/14 (2.2)	27/14 (2.0)	24/15 (1.6)	27/15 (1.8)	28/14 (2.0)	23/14 (1.6)
Central Hawke's Bay	24/12 (2.0)	15/12 (1.3)	19/12 (1.6)	23/10 (2.3)	11/10 (1.1)	18/10 (1.8)	13/8 (1.6)	12/8 (1.5)
Wairoa	13/9 (1.4)	16/9 (1.8)	14/8 (1.8)	19/10 (1.9)	18/9 (2.0)	20/6 (3.3)	19/6 (3.2)	15/6 (2.5)
NZ av.	(2.3)	(1.9)	(1.9)	(2.2)	(2.0)	(1.9)	(2.0)	(2.0)
HBRC	37/14 (2.6)	16/9 (1.8)	17/9 (1.9)	19/9 (2.1)	17/9 (1.9)	13/9 (1.4)	25/9 (2.8)	18/9 (2.0)
NZ av.	(3.4)	(2.3)	(2.1)	(2.4)	(2.2)	(2.3)	(2.4)	(2.1)

Community board voter turnout and candidates/positions (per position)

The following table shows voter turnout, number of positions, candidates and candidates per position for each of the community boards since 1989.

	1989	1992	1995	1998	2001	2004	2007	2010
Hastings Rural	-	56% 4/3 (1.3)	60% 5/4 (1.3)	N.E. 4/4 (1.0)	53% 6/4 (1.5)	N.E. 4/4 (1.0)	N.E. 4/4 (1.0)	37% 5/4 (1.25)
NZ	54% (1.9)	49% (1.6)	50% (1.6)	50% (1.6)	46% (1.4)	42% (1.5)	41% (1.5)	50% (1.3)

Council decision-making structures and processes

Hawke's Bay Regional Council

Council committees

- Environment and Services Committee
- Regional Plan Committee
- Corporate and Strategic Committee
- Tenders Committee
- Māori Committee
- Regional Transport Committee
- Hearings Committee
- Hawke's Bay Civil Defence Emergency Management Group Joint Committee (includes representatives from territorial authorities)

Council entities

The Council has two council controlled organisations. They are:

- The Hawke's Bay Regional Investment Company Ltd (HBRIC Ltd) manages some of HBRC's larger infrastructure investments around the region. It is also managing the next stage of the Ruataniwha water storage project through the consent phase.
- Hawke's Bay Tourism Limited (HBT) supports the region's tourism industry and does the regional tourism work previously carried out by Venture Hawke's Bay.

Consultation policies and processes

The Council has a consultation policy "Policy and Guidelines for Community Consultation".

Māori participation and liaison

Council has recently established a regional plan committee to review and develop regional policy statements and regional plans for Hawke's Bay in accordance with the Resource Management Act 1991.

The committee comprises equal representation of the council and members appointed by the council on the recommendation of Treaty claimant groups.

Council has a charter between the Māori Committee of council and the council itself. The charter contains the council's commitments to a number of issues including policies that directly relate to sections 14 (Principles relating to Local Authorities), 81 (Contributions to decision making processes by Maori) and 82 (Principles of Consultation) of the Local Government Act 2002.

The Maori Committee consists of three councillors and 12 Māori members who are nominated representatives from the four rohe (areas) of Ngati Kahungunu that are within the Hawke's Bay Regional Council boundary.

Council communication and consultation with territorial authorities

The council is required by the Local Government Act to have a triennial agreement containing protocols for communication and co-ordination among the local authorities in the region.

Napier City Council

Council committees

Standing committees:

- City Services Committee
- Finance Audit & Risk Committee
- Regulatory Committee
- Maori Consultative Committee

Special Committees

- Hearings Committee
- LTCCP & Annual Plan Committee
- Major Projects Committee
- Tourism & Economic Development Committee
- Safer Napier Committee
- Staff Contract Committee
- Emergency Committee

Special sub committees

- Grants Allocation Sub Committee
- Creative Communities NZ Assessments Sub Committee
- Arts Advisory Panel

Special Forum

- Napier Tourism Industry Forum
- Napier Health Services Advocacy Forum
- Workshop Committee/Seminar

Community boards

There are no community boards.

Council entities

Napier City Council has the following entities:

- Hawke's Bay Airport Limited (HBAL) is incorporated under the Companies Act and is owned by the Crown 50%, Hastings District Council 24% and Napier City Council 26%.
- Hawke's Bay Museums Trust is a council controlled organisation with three of the five board members being council nominees.

Māori liaison

Napier City Council has a Māori consultative committee that has one representative from the council and five representatives from Mana Ahuriri. The purpose of the committee is to make recommendations on agenda items included on standing committee agendas and other matters as considered relevant by the consultative committee.

Hastings District Council

Council committees

- Appointments Committee
- Audit and Risk Subcommittee
- Chairman's Committee
- Civic Pride Committee
- Commissioner Hearings
- Community Grants Subcommittee
- Crematorium Committee
- District Development Committee
- Finance and Monitoring Committee
- Finance and Operations Committee
- HDC - Maori Joint Committee
- Hearings Committee
- International Advisory Group
- Major Projects Committee
- Omarunui Joint Refuse Landfill Committee
- Planning and Regulatory Committee
- Policy and Strategy Committee
- Works and Services Committee
- Representation Review Subcommittee
- Road Closures Subcommittee
- Rural Community Board
- Tangata Whenua Wastewater Joint Committee
- Tenders Subcommittee

Community Board

The Rural Community Board is made up of six members; four elected by the rural community of the Hastings District, and two council appointees.

Consultation

An example of community consultation is that in 2012 *'The Council received 642 formal submissions to the plan and a further 660 responses to the tear-off questionnaire as part of the summary long term plan document. In addition over 500 residents sited the council's "Voicebox" mobile expo held during April 2012. An Independent survey of 175 residents was also undertaken to get community views on the content of the plan'.*

Council entities

There are proposals in the current long term plan 2012/2022 to establish one council controlled organisation for shared services with other Hawke's Bay councils and one council controlled trading organisation to facilitate more efficient delivery of parks services.

Hawke's Bay Museum Trust is a council controlled organisation with three of the five-member board nominated jointly by Hastings District Council and Napier City Council.

Māori liaison

Hastings District Council has a Māori joint committee with six Māori and six councillor members. It has the same status as other council committees with respect to decision making opportunities.

Central Hawke's Bay District Council

Council committees

Standing committees

- Services Committee
- Audit Committee

Ad hoc committees

- CHB Museum
- CHB Promotions
- Civic Awards Selection Committee
- Community Voluntary Organisation Support Committee
- Creative NZ Funding Assessment Committee
- Finance Advisory Committee
- HB Crematorium Committee
- HB/East Coast Leaders Group
- HBRC Land Transport Advisory Group
- HB Regional Sports Taskforce
- Landfill Liaison
- Roadsafe HB Committee
- Waste Reduction Funding Sub-Committee
- Hall Committees
- Māori Consultative Committee

Community Boards

There are no community boards.

Consultation

Central Hawke's Bay District Council sets out on its website that it follows the Local Government Act 2002 procedures regarding consultation.

Council entities

Central Hawke's Bay District Council has one council controlled organisation: - Tamatea Limited. Tamatea monitors the governance of Infracon Limited (Infracon) – in which it has 34% interest - the balance held by TDC Holdings Limited, a council controlled organisation. Infracon provides construction and infrastructure maintenance services to its shareholder councils, as well as to other customers. These services are primarily for roads, bridges, underground services, water, sewerage and local infrastructure and are supported by its aggregate based resources.

Māori liaison

The council notes that it had a Māori consultative committee but it found it difficult to gain a quorum and the committee did not meet regularly. It has now moved to developing a 'stronger relationship' with Te Taiwhenua o Tamatea, who represent all 9 marae in Central Hawke's Bay. Te Taiwhenua o Tamatea appoints a (non-voting) representative to scheduled ordinary, special, and extraordinary meetings of council.

Wairoa District Council

Council committees

- Māori Standing Committee
- Resource Management Hearings Committee

Community Boards

There are no community boards.

Consultation

Wairoa District Council uses a range of methods to consult, including an online submission form.

Council entities

The Wairoa District Council is a 100 per cent shareholder in Quality Roading & Services (Wairoa) Ltd (QRS) a council-controlled organisation. QRS is a company registered under the Companies Act 1993 to provide physical works and services for a profit.

Māori liaison

The Māori standing committee provides advice and recommendations to the council on a variety of matters that affect Māori within the district. The committee, formed in 2010, is the only full standing committee of council.

Community satisfaction

Each council has its own ways of measuring satisfaction with council services. Set out below are the indicators relating to input into council decision-making or information available from the councils.

Napier City Council

Napier City Council uses Communitrak™ survey to examine satisfaction with services as this method provides peer group and national comparisons. The latest council survey on its website is for August 2011. Key measures that help determine the level of satisfaction are:

- Level of satisfaction with council services and facilities
- Level of contact with council
- Quality of information provided by the council
- Major local issues or concerns.

Generally, those surveyed were satisfied with the council services and facilities. Higher levels of 'not very satisfied' were found in the areas of city parking, swimming pools, parking in other areas, control of dogs, whilst very low levels of 'not very satisfied' were found in cemeteries, water supply, library service, public gardens, parks, sewage, refuse collection, civil defence, town planning, roads and storm water services.

In terms of contact with the Council, the majority (89%) of residents surveyed would make contact with council offices or staff rather than with a councillor. Overall, 42% of residents have contacted the council within the last 12 months, with 7% saying they have contacted a councillor. These results are similar to 2010.

Of those that contacted the council in the last 12 months, 86% of residents were satisfied with the service received, while 13 were not very satisfied.

Wairoa District Council

Wairoa District Council uses Communitrak™ survey to examine satisfaction with services as this method provides peer group and national comparisons. The council only had the 2013 survey on its website. Key measures that help determine the level of satisfaction are:

- Level of satisfaction with council services and facilities
- Level of contact with council
- Quality of information provided by the council
- Major local issues or concerns.

Generally, those surveyed were satisfied with the council services and facilities. Higher levels of 'not very satisfied' were found in the areas of dog control, stormwater drainage, refuse disposal and landfill management, and sewerage systems whilst very low levels of 'not very satisfied' were found in roads in the district, reserves and sportsgrounds, water supply, cemetery maintenance, civil defence, library service and the Wairoa Museum.

In terms of contact with the council, the majority (73%) of residents surveyed would make contact with council offices or staff rather than with a councillor. Overall, 70% of residents have contacted the council within the last 12 months, with 7% saying they have contacted a councillor.

Of those that contacted the council in the last 12 months, 95% of residents were satisfied with the service received.

Central Hawke's Bay District Council

Central Hawke's Bay District Council surveyed satisfaction levels in July 2011 but only received 25 responses. The results are reported in the annual report.

Key results are:

- Land use planning and management – 100% satisfaction
- Building – 62% satisfaction
- Animal control – 74% satisfaction
- Emergency management – 77% satisfaction

1. PWC report on Hawke's Bay Region Roads and Transport

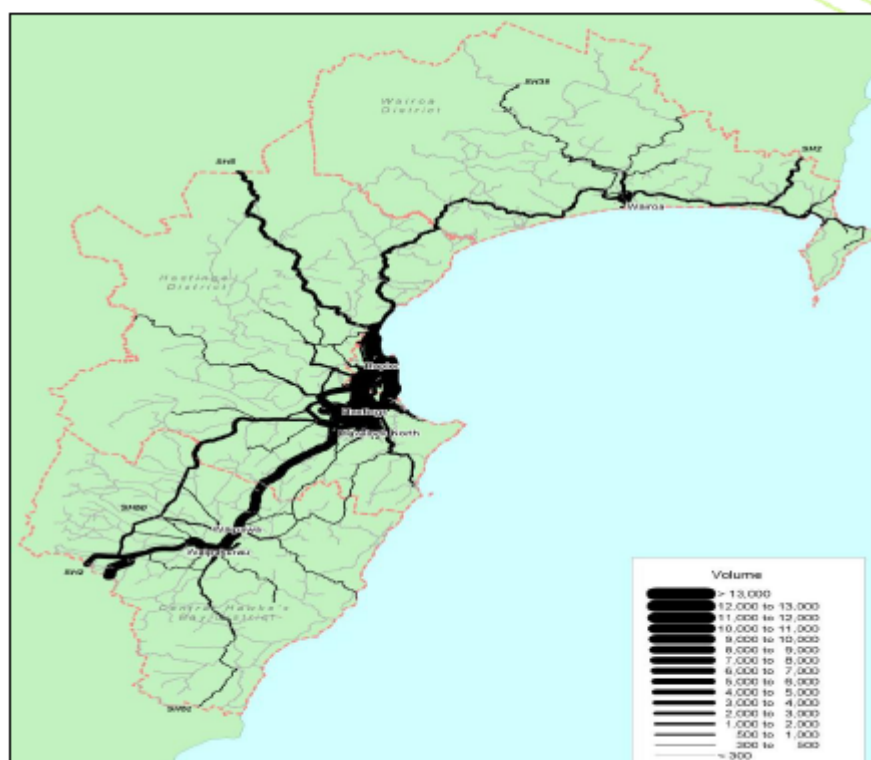
1. Legislative and planning context

The Hawke's Bay region transportation network represents an average sized New Zealand regional network, representing 5% of the national asset. There are approximately 4,500 kms² of maintained roads in the districts including state highway roading which are under the control of the New Zealand Transport Agency (NZTA). In addition, approximately 1,400 kms of these roads, or 30%, are unsealed. Within each of the territorial councils roading represents the largest asset group and is a key core activity.

1.1 Background

The region is crescent-shaped and is based around State Highway 2 which runs north/south through the region. It is bisected by State Highway 5 which is the main route north into the central north island. Figure 8 below illustrates this position including daily traffic volumes.

Figure 8 Daily Traffic Volumes



Source: Regional Land Transport Strategy 2012-2042

² www.nzta.govt.nz/resources/land-transport-statistics

Much of the commercial traffic in the region is resource based activity with agricultural, forestry, dairying and horticulture. The Regional Land Transport Strategy³ (RLTS) highlights that it is these commercial uses that place most demand on the networks.

The dimensions of the roading asset are captured below with the majority of roads contained within the three district areas:

Hawkes Bay Region Roading Summary

Roading Category	CHBDC		HDC		NCC		WCC		Total	
	kms	%	kms	%	kms	%	kms	%	kms	%
Sealed	861.4	68.2%	1,289.0	79.1%	362.4	100.0%	275.7	31.6%	2,788.5	67.5%
Unsealed	401.8	31.8%	340.0	20.9%	0.0	0.0%	597.9	68.4%	1,339.7	32.5%
Total Local Roads	1,263.2	100.0%	1,629.0	100.0%	362.4	100.0%	873.6	100.0%	4,128.2	100.0%
State Highways	89.0		208.2		50.0		172.3		519.5	
Total All Roads	1,352.2	29.1%	1,837.2	39.5%	412.4	8.9%	1,045.9	22.5%	4,647.7	100.0%

Source: Hawke's Bay Eco Study, Service Assessment

The inventory of the transport network is held within the Road Assessment and Maintenance Management (RAMM) database, which is utilised by local government nationally and subject to audit by NZTA along with other aspects of roading services.

Each of the district councils is responsible for managing the local road network within their districts. This involves planning for and supervising the maintenance and renewal and capital works such as new bridges, realignments, etc. The funding projections are set out in the Long Term Plans (LTPs) and reviewed every three years. Annual adjustments are made in the Annual Plans.

Outside of the larger Napier/Hastings metropolitan areas there is minimal provision for public transport in the region. The Hawke's Bay Regional Council (HBRC) in conjunction with NZTA, funds the bus services.

The east coast railway network also runs north/south for the length of the region. The southern line connects the region with both Wellington and the Manawatu. Until its closure in 2012, the northern line extended to Gisborne. There is one commercial airport in the region at Napier. The airport is jointly owned by the Crown (50%), Napier City (26%) and Hastings district (24%).

HBRC is responsible for preparing a regional transport strategy (30 years) and a regional transport programme (3 years) covering all modes of transport, including maritime, air, road and rail.

It is also the owner of Port of Napier Limited through a CCO, Hawke's Bay Regional Investment Company Limited (HBRICL).

HBRC coordinates its planning and regional oversight of transport planning through its regional transport committee, which also includes representatives of the four districts and the New Zealand Transport Agency (NZTA).

³ Section 8.4.6, RLTS, 2012-2042

The long term regional strategy and the implementation programme define the transport priorities for the region as a whole. The regional transport priorities must generally be consistent with the National Transport Strategies and the district expenditure should generally be consistent with the regional priorities.

1.2 Transport funding

NZTA subsidies for maintenance and renewals and capital works on roads are contingent on meeting both the national and regional priority criteria and in particular its associated cost benefit models. NZTA increasingly ensures that the expected outcomes are achieved. They are currently in the process of developing and implementing a new classification system for all local roads, one that will reflect the priority outcomes.

Funding for transport initiatives in the region managed by the territorial local authorities is split between NZTA subsidies and revenue raised by the respective councils. The subsidy levels for capital and maintenance works differ and the levels vary from council to council according to circumstances.

On average the RLTS forecasts the relative cost-sharing arrangement is 50%. We note that this prediction would be based on nominal as opposed to inflated figures. Given NZTA's published advice that the three year funding programme is fixed in dollar terms, the percentage subsidy paid by NZTA is likely to decline with inflation over this period.

The funding mix is generally consistent with funding for other similar rural and provincial areas. We are not aware of any reason for this central government subsidy rate altering if there were to be local government reorganisation in the region. However, this would need to be confirmed with NZTA.

Because the region has no Roads of National Significance (RONS), the RLTS states that the region will need to utilise regionally distributed⁴ funds to progress most projects.

NZTA subsidies are provided within a three year programme of works agreed to by the councils and the Agency.

The NZTA is solely responsible for the funding and active management of all of the State Highway system⁵. The management of the State Highway system is contracted out to private firms. The agency nationally places highest priority on RONS and High Productivity Motor Vehicle (HPMV) routes.

Given the transfer over time of freight from rail to road allied with significant growth in total freight, pressure on the local roading network which for the most part link into the state highway network, is increasing.

1.3 Transport issues and challenges

The RLTS highlights that one of the major issues is the predicted rural development and associated growth requires good connections to the transport network. The roading network and its capacity is accordingly an essential prerequisite for the region to develop economically.

Rural development is expected to be based around a combination of:

⁴ Regionally distributed funds are sourced from fuel taxes and are due to cease in 2015 with no alternative sources proposed.

⁵ Around 520 km

- forestry growth generally located to the north
- dairy/horticulture located to the south and facilitated by irrigation projects on the Ruataniwha Plains
- associated food processing industries
- ongoing expansion of the Port of Napier for export products from the region and the wider east coast and central north island.

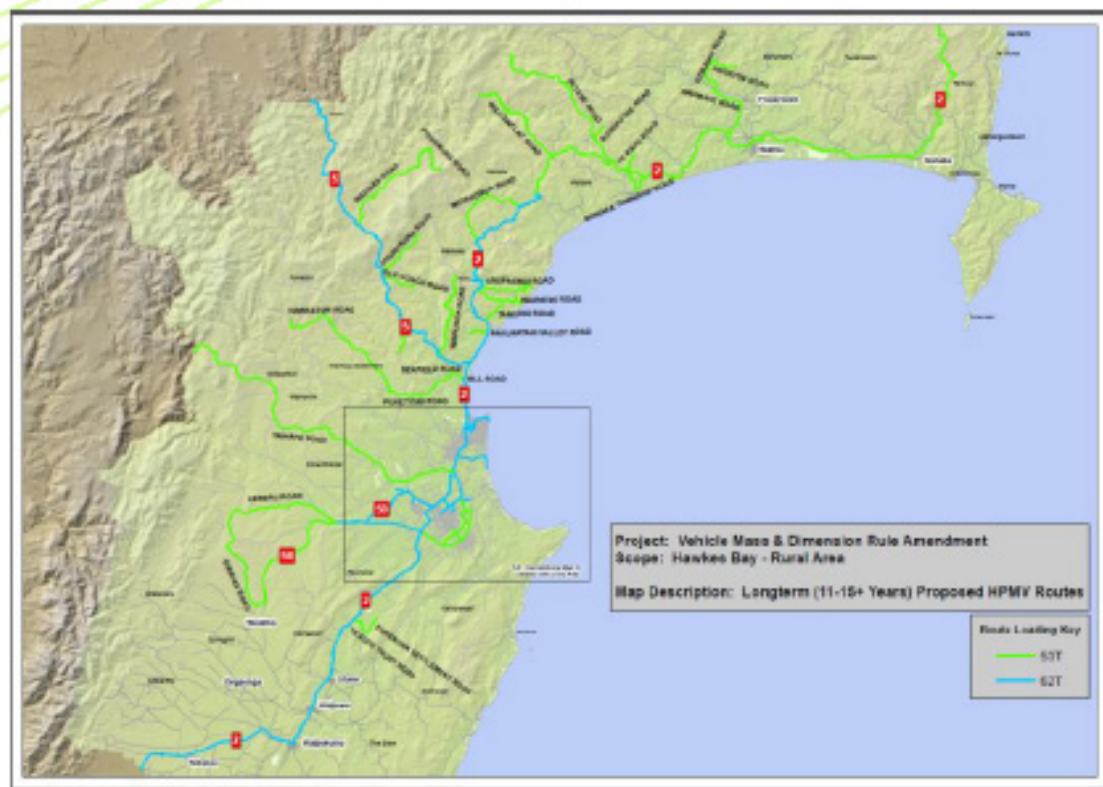
Accordingly the RLTS highlights that insufficient priority on, and funding of, the region's strategic transport infrastructure could become a major hindrance if they are not appropriately coordinated.

This will require improved capacity in and around the plains generally to provide better access and ability to manage heavy weight vehicles.

Roughly one third of the regional road network excluding state highway is unsealed. This becomes nearly 70% in the Wairoa district⁶. In wet periods, the Wairoa AMP highlights through heavy vehicle use roads sometimes have to be closed due to their impassibility.

Section 9.4.6 of the RLTS highlights that forest harvesting is likely to peak around 2021. Utilisation of High Productivity Motor Vehicles (HPMV) has been identified as a means of reducing overall numbers of heavy vehicles on the roads. In this regard, the RLTS anticipates opening up other HPMV routes to complement state highways shown below. Given current NZTA RONS priorities allied with operational funding caps, the current ability to implement is not clear.

Possible future HPMV are shown on the map below:



Source: Regional Land Transport Strategy 2012-2042

Also, gearing up for HPMV will require work on key bridges around the region in addition to road strengthening.

⁶ Tabled 5.2.1, Land Transport Asset Management Plan, December 2011

2. Hawke's Bay Councils Overview

2.1 Central Hawke's Bay District Council (CHBDC)

The CHBDC roading network contain 1263 km of roads comprising 861 kms of sealed (68%) and 402 kms unsealed (38%). Roothing and transportation is council's largest asset grouping, accounting for 90% of total assets.

The Asset Management Plan⁷ highlights that given predominance of motor vehicles as the transportation mode of choice, 94% of households having access to one or more vehicles. Given the highly rural nature of the district, there are few alternatives with rail services for example being limited to freight only.

In terms of demand, the AMP highlights that there have been no significant increases in traffic volumes on the network over the preceding eight years. In addition, the number of heavy vehicles has remained constant and unlikely to increase without a significant change in land use. In this regard, section 9.4.1 of the RLTS notes that if the Ruataniwha irrigation scheme is implemented, it could generate the equivalent of 86 milk tankers of 20,000 litres milk capacity per day. This figure does not include farm to farm collections on local roads, so the impact is likely to be significant.

However, given the current relative stability of the network and its utilisation, the network is believed to be in very good condition relative to other networks. Figure 6.6 by way of example, favourably compares road roughness with comparable councils.

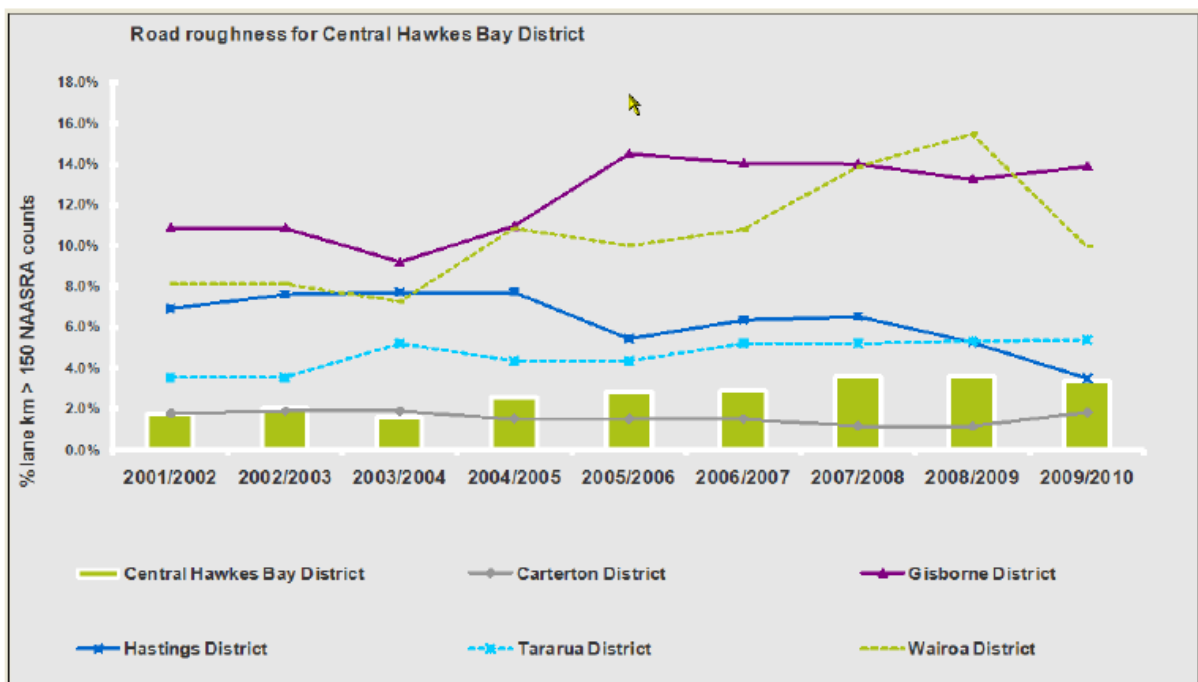


Figure 6.6 Historic Road Roughness for Central Hawke's Bay District Council and Selected Peer Groups)¹

Source: Central Hawke's Bay District Council Land Transport Activity Management Plan

⁷ Central Hawke's Bay District Land Transport Activity Management Plan

This favourable picture is noted as a direct result of previous investments by council reducing renewal backlogs through a combination of sealed road rebuilding, water tabling and unsealed pavement rebuilds. Reseals in particular have seen a reduction in the amount of rehabilitation required to sustain the network as highlighted in the renewal trend from the 1990s depicted in table 6.12 overleaf.

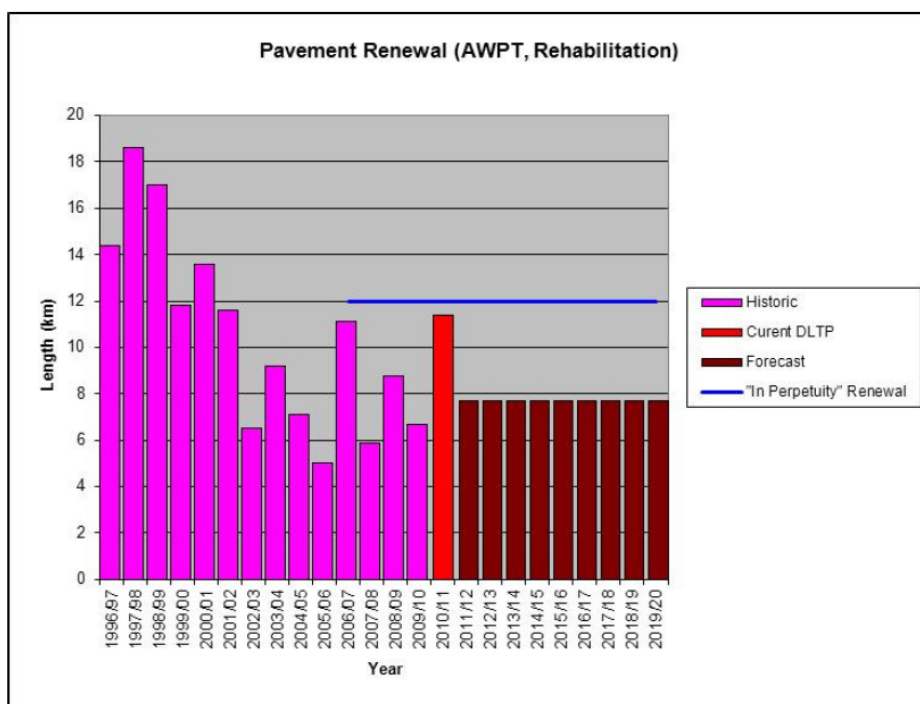
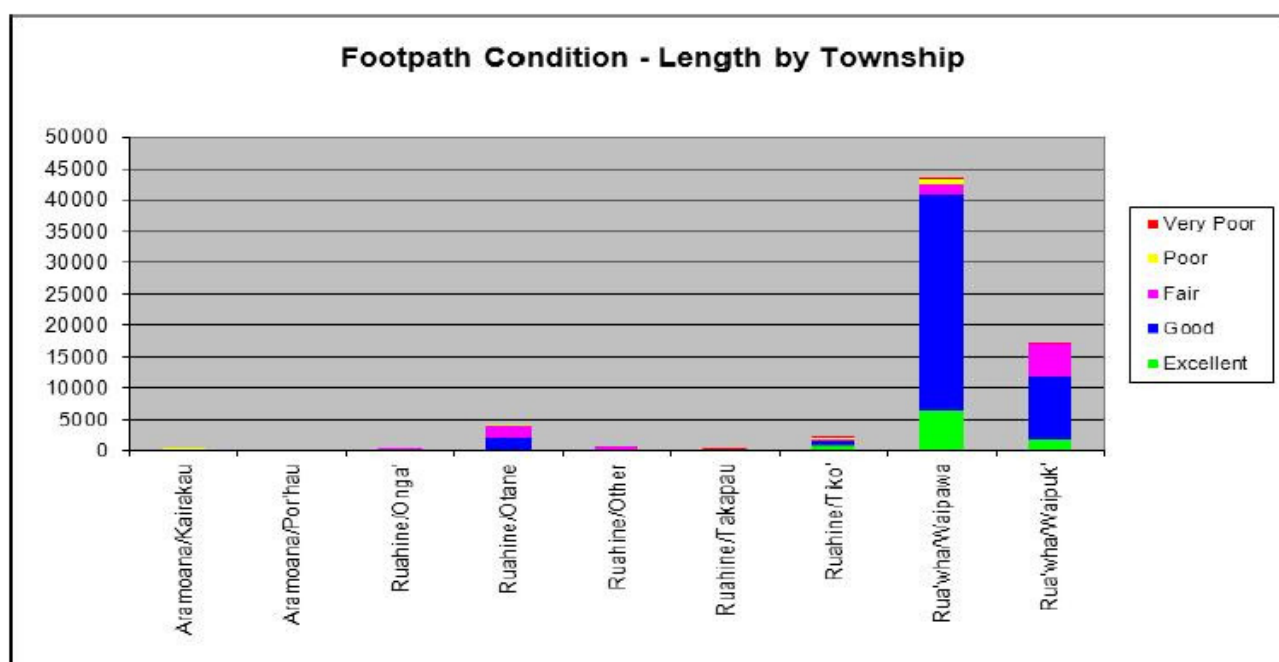


Figure 6.12 – Historic Pavement Renewal and Forecasted Programme

Source: Central Hawke's Bay District Council Land Transport Activity Management Plan

Footpaths where provided, also are in good condition as exemplified by the figure below:

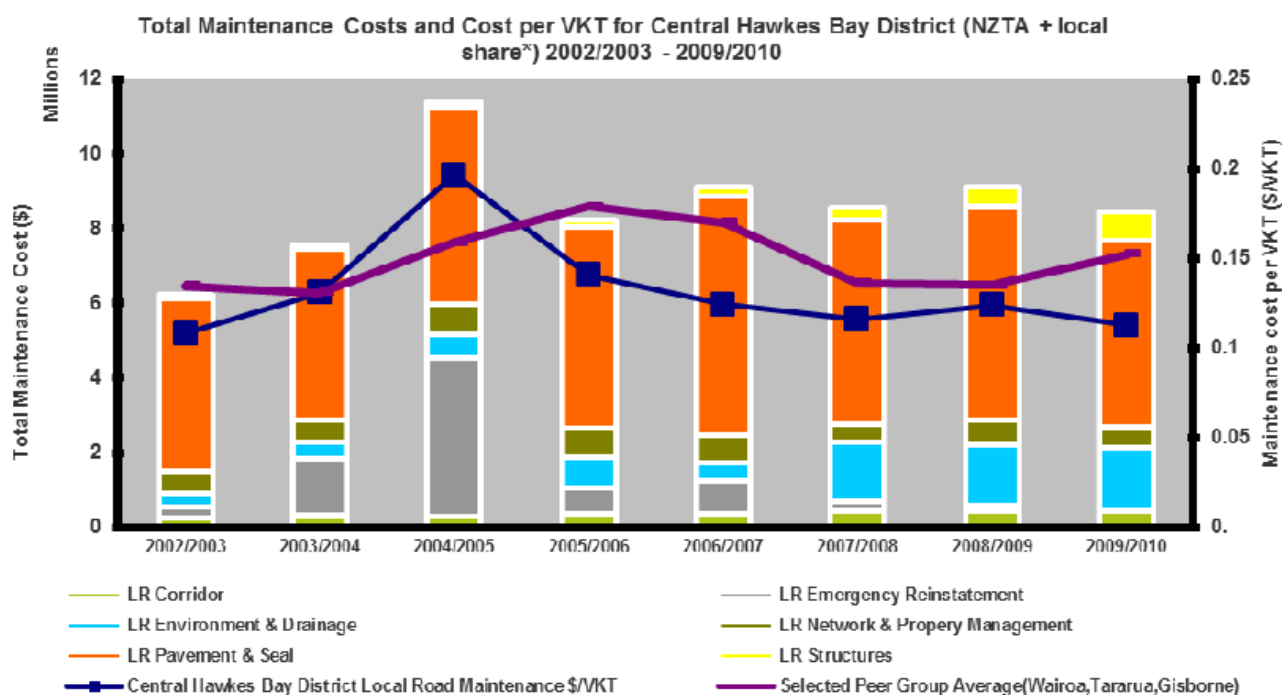


Source: Central Hawke's Bay District Council Land Transport Activity Management Plan

The only area of issue currently appears to be bridges, which section 6 highlights, are beginning to show their age and super-structural problems are beginning to show. The AMP did not quantify the potential cost of this emerging issue which will be accentuated if the dairy industry expands as a result of the proposed irrigation project.

With regard to resource consents, section 3 of the AMP highlights that ongoing consents are related to stormwater discharge. In this instance, CHBDC has established 20 year blanket resource consents for activities of a routine nature to reduce overall compliance costs.

Indexed maintenance costs appear generally in line and according to the same trend as the selected peer group. The overall trend across the eight year period shown below in figure 6.3 is also slightly lower, potentially reinforcing the reasonable condition of the network.



Source: Central Hawke's Bay District Council Land Transport Activity Management Plan

The NZTA funding subsidy rate in 2011/2012 for maintenance and renewal was 58% and 68% for minor works. Whether the council is able to maintain the current level of the network will be highly dependent on these subsidy rates being maintained which, as outlined, may only be possible on a non-inflated basis. In the 2011/2012 financial year⁸, subsidies amounted to the equivalent of 25% of total council revenues.

In terms of customer satisfaction levels, page 30 of the 2011/2012 Annual Report highlighted that these were not completed for this activity.

2.2 Hastings District Council (HDC)

HDC's AMP⁹ confirms the district contains 1,629kms of local roads, 1,289kms of which are sealed and 340kms unsealed. In addition, there are 208kms of state highway that run through the district.

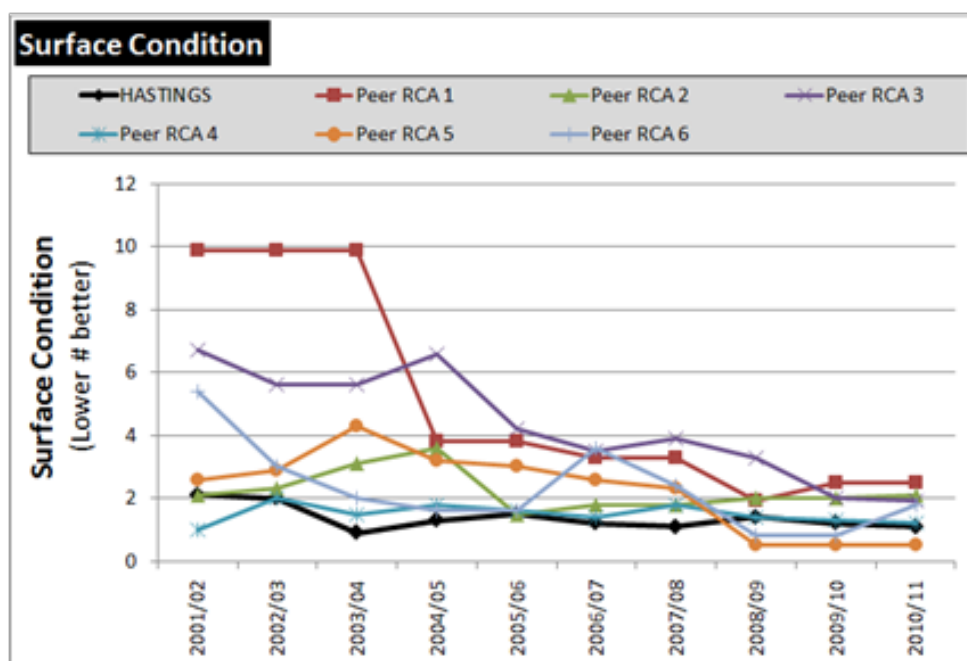
⁸ CHBDC, Statement of Financial Position, Annual Report 2011/2012

⁹ Draft TAMP Main Doc, 2012-2022, HDC

Customer satisfaction levels reported in the AMP at 72% are considered high. This rate is comparable with the 71% achieved by WDC but below the NCC result of 85%. CHBDC did not undertake a survey in 2012. We also note that NCC's roads are all sealed which may be a factor in the higher rating.

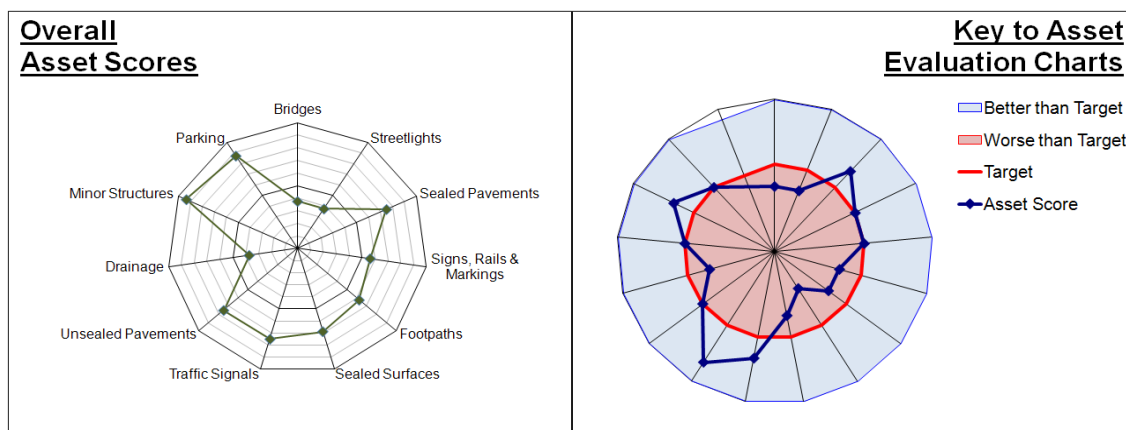
HDC also report that in relation to peer group councils, the condition of the districts roads is rated above average whilst maintenance and renewals costs are lower. In addition the AMP highlights that in the last 10 years, 200kms of unsealed road, being 12% of the total network or 37% of previously unsealed roads, were sealed.

This positive picture is reinforced by a number of comparative charts produced by HDC including surface condition compared to other Road controlling authorities.



Current asset confidence levels are also captured in the AMP's Network Strengths and Weaknesses chart below. This indicates subsidiary roading structures such as drainage and bridges are more of an issue that the core roading asset.

Network Strengths & Weaknesses at a Glance



Source: 1.14 Draft TAMP Main Doc, 2012-2022, NDC

The delivery of the transport programme in the future will need to address the following issues in the AMP:

- deteriorating condition of associated assets such as bridges and drainage
- high medium term renewal requirements for local roads
- price escalation of base materials
- constrained funding sources

This latter issue relating to funding has recently been accentuated by a decision of NZTA to not fully fund the recommended three year programme for HDC. This change reported to HDC's Works and Services Committee on 19 February 2013 incorporated the following:

	Maintenance	Renewals	Total
Overall Programme	\$2.25m	\$3.85m	\$6.10m
NZTA Share	\$1.15m	\$1.96m	\$3.11m
HDC Share	\$1.10m	\$1.89m	\$2.99m

The impact of this change reported¹⁰ by HDC offices would be a less optimal balance between maintenance and renewals. The ultimate outcome will be higher costs to ratepayers and reduced levels of service. The outcome of the meeting was a combination of budgetary reallocation to reduce impact albeit with further advocacy particularly with NZTA.

The report also indicated in Section 2.9 that in order to fund new state highway infrastructure, NZTA on a national basis was requesting that districts work their assets harder and potentially seek to reduce service levels that do not have significant consequences.

We understand that this three year allocation cannot be changed so Council is seeking to have the deficit addressed in the 2015/2018 funding and with NZTA.

Prior to this decision being made, the AMP indicated confidence in meeting the growth demands in the key areas of new infrastructure development such as the Irongate Industrial Area. Given the prior stated issues relating to medium term renewal increases and bridge condition, albeit with the negative funding development, HDC will have to reassess its overall position through the next LTP process in 2014.

We note the HDC is not planning to extend the sealing of unsealed roads following the completion of the aforementioned 10 year seal extension programme.

2.3 Napier City Council (NCC)

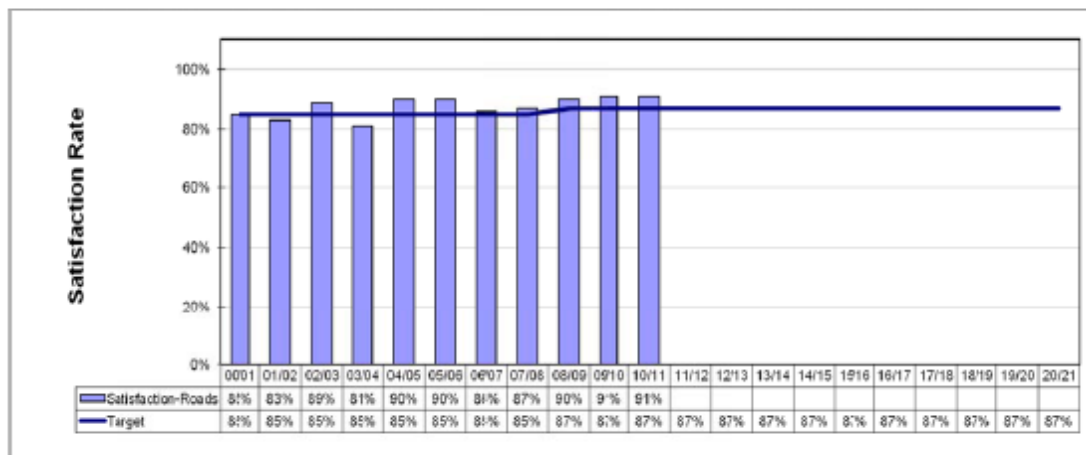
NCC's AMP¹¹ confirms the district contains 362kms of level roads and 43km of state highway, all of which are sealed. Within the local roads category, 58kms are considered rural.

Satisfaction levels for the service are high as highlighted by Figure 3-3-b from the AMP overleaf.

¹⁰ Section 3.6, Transport Issues Report, 19 February 2013, HDC

¹¹ Draft Activity Management Plan 2012, Roadway, NCC

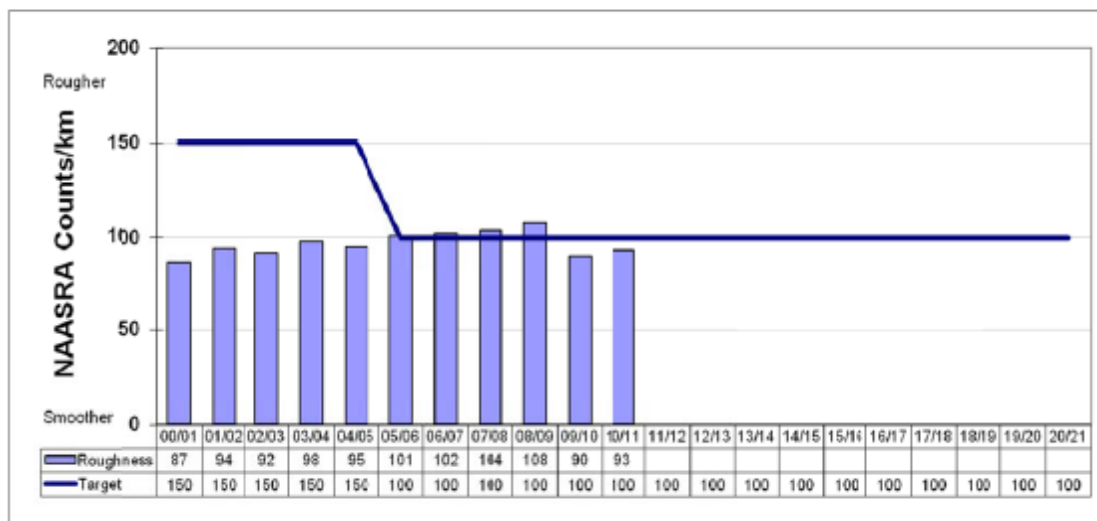
Figure 3.3-b 10 Year Projections - Public Satisfaction Rating – Roads



Source: Activity Management Plan, 2012, Roding, NCC

The average roughness of sealed roads has been consistent over a number of years albeit the target was reduced in 2006 to reflect this performance. Figure 3-3-d captures this profile.

Figure 3.3-d 10 Year Projections - Average Roughness of Sealed Urban Roads

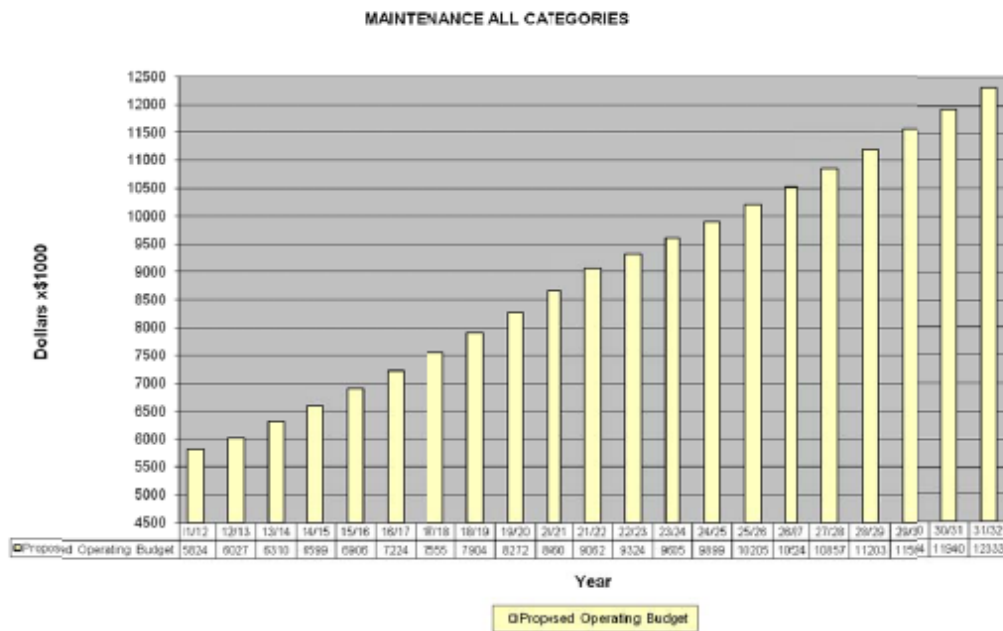


Source: Activity Management Plan, 2012, Roding, NCC

In terms of demand, the Napier Road Network Study 1999 predicted an average annual growth in traffic volumes of 1.15% through to 2020. The ongoing growth of heavy vehicle traffic was identified in the 2010/11 Heretaunga Plain Transportation Study as an ongoing issue for transfer from local roads.

Actual growth as highlighted in section 5.2.3 of the AMP has been running at 1.5% per annum. Projected maintenance costs have accordingly been budgeted to increase by 0.8% per annum per figure 5.2-a.

Figure 5.2-a Projected Road Network Maintenance Cost



Source: Activity Management Plan, 2012, Roading, NCC

This takes into account the current resealing cycle of 12 years but in doing so a number of issues have been identified including:

- Growth in heavy traffic is requiring more expensive surface treatments
- A number of roads lack 'width' and require seal widening
- Higher oil prices will continue to drive bitumen prices up.

With regard to funding, depreciation is fully funded and is used for both capital renewal and repayment of debt.

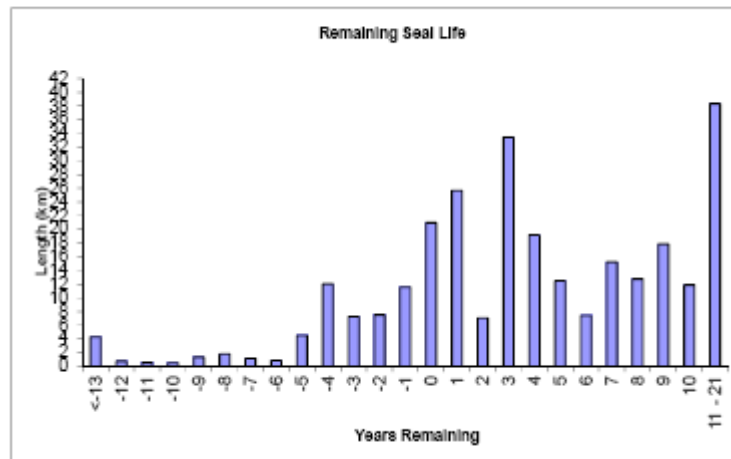
2.4 Wairoa District Council (WDC)

The WDC roading network is 874 kms, with 276 kms sealed and 598 kms unsealed. This unsealed component being 68% of the network is large by national standards.

The Asset Management Plan¹², section 2.1, highlights that the district network is in fair to good condition, mainly attributed to low traffic volumes. The performance of sealed roads as measured through RAMM is considered good and an area of low to medium risk over the next 10 years. Figure 5.5.10 reinforces this view with the majority of roads rated positively in terms of life expectancy of roading but the associated structures such as bridges and culverts tend to have an older profile.

¹² Land Transport Asset Management Plan, December 2011, WDC

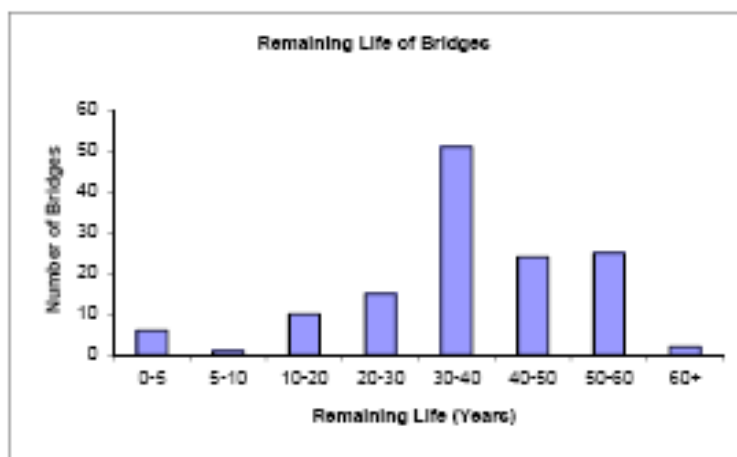
Figure 5.5.10 - Remaining Seal Life Predictions



Source: Wairoa District Council Land Transport Asset Management Plan

This growth in demand contrasts with predicted district population which is in decline and accentuates the affordability of current maintenance levels, let alone network improvements.

Capacity aside, existing bridge life and overall condition rating is considered good as highlighted by the figure 5.5.3 below:

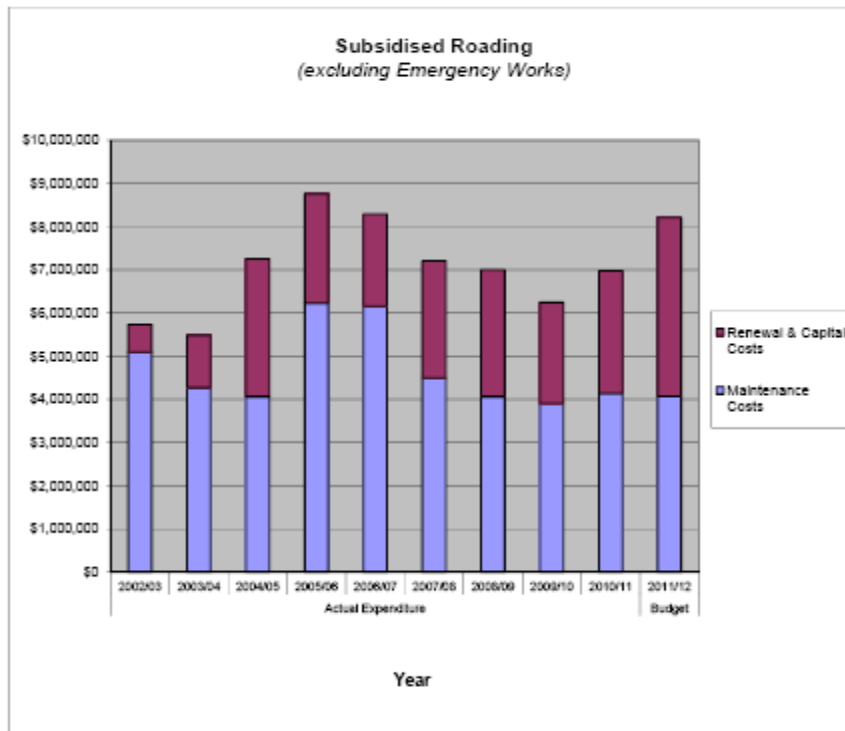


Source: Wairoa District Council Land Transport Asset Management Plan

Footpath condition is viewed as variable but varying assessment work is required to properly assess the district-wide condition.

Overall expenditure levels as judged from subsidised roading work is increasing which again will test affordability levels if the trend continues, as shown by figure 7.2(a).

Figure 7.2(a) – Wairoa District Council Historical Subsidised Land Transport Expenditure



Source: Wairoa District Council Land Transport Asset Management Plan

Non subsidised roading is also on an upward trajectory albeit minor in dollar terms compared to subsidised works.

Confidence levels in unsealed roads are lower and are the subject of a number of issues including:

- low levels of condition rating
- risk given they comprise two-thirds of the network that the asset could be consumed through “metal loss”
- high subsidy rate of 65% which may not continue in the future
- increasing forestry production with the demands of logging traffic which is already being felt.

This position is manifesting itself in customer feedback with section 2.3.2 highlighting the majority of complaints relate to roads in the rural area. The AMP also highlighted that a few roads were not trafficable in 2011/2012 due to wear and tear.

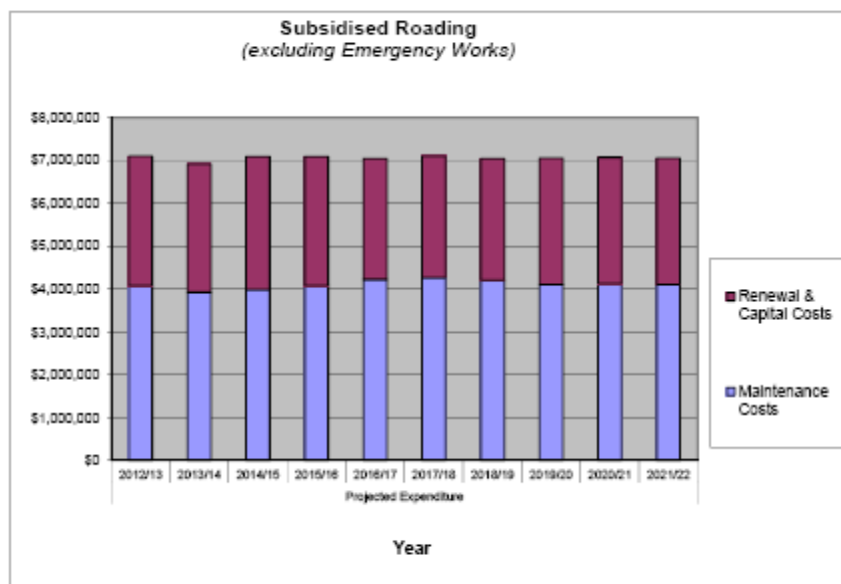
From a mitigation perspective, a strategy was developed in 2008 which prioritised seal extensions, but at an estimated cost of \$250,000 per kilometre¹³, there is a significant affordability issue for the district.

In this regard the network has to accommodate low general traffic use with very high Heavy Commercial Vehicle (HCV) traffic on district roads. Section 3.2.2 of the AMP highlights that the Regional Transport Study 2011 projects that growing logging truck demands will peak between 2021 and 2030. Meeting these demands will require maintaining existing renewal programmes whilst requiring additional funding for capital works to meet capacity increase requirements. This capacity requirement when considering the distributed nature of forestry blocks (Appendix One), may be widespread across the district.

¹³ Section 2.5.2(e) AMP

Project expenditure levels going forward have been capped on the basis that previously increased renewal works will prevent a spiral upward in maintenance expenditure as shown in figure 7.3.4. This does not appear to take account of the increased requirements highlighted.

Figure 7.3.4(a) – Projected 10yr Subsidised Land Transport Expenditure



Note: Costs are *exclusive* of Fixed Costs, Depreciation, Overhead Cost and Emergency Works.

Source: Wairoa District Council Land Transport Asset Management Plan

2.5 Hawke's Bay Regional Council (HBRC)

The HBRC has a responsibility for developing the Regional Land Transport Strategy (RLTS) to provide a planning framework for the development of land transport in the region for the next 10 years. Key transport issues identified during the development of this plan, which was published in May 2012 for public consultation, reiterated all the issues stated by the districts, including funding and significant upgrading of the roading network to meet the predicted economic growth.

In addition to funding the regional transport planning component, the regional council is also responsible for the administration of the public transport service which is principally centred in and around the Napier/Hastings metropolitan areas.

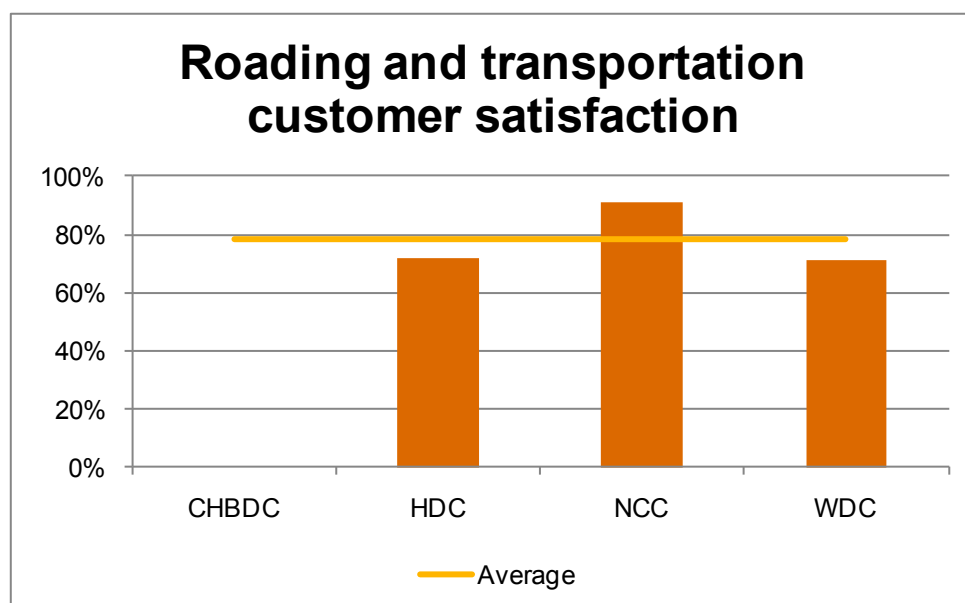
3. Present State versus Future Needs

A significant issue for the region going forward will be its capacity to gear up for actual and potential heavy traffic growth against the backdrop of a potential decline in the resource base. This will likely be accentuated given the extent of the network, the relatively low and dispersed population and economic development patterns.

It would appear that a key part of any mitigation will need to be on a region-wide basis because although the pressures will occur in the north (forestry) and south (dairying/intensified farming), the network is strongly focused around the linkage to the Port in Napier. Accordingly, the transit of primary products originating in Wairoa and central Hawke's Bay, will impact on both Hastings District and Napier City.

Lack of affordability is already affecting WDC and to a lesser extent CHBDC. The extent of loose metal roads allied with very high current NZTA subsidy levels, impending demand from forestry and declining population

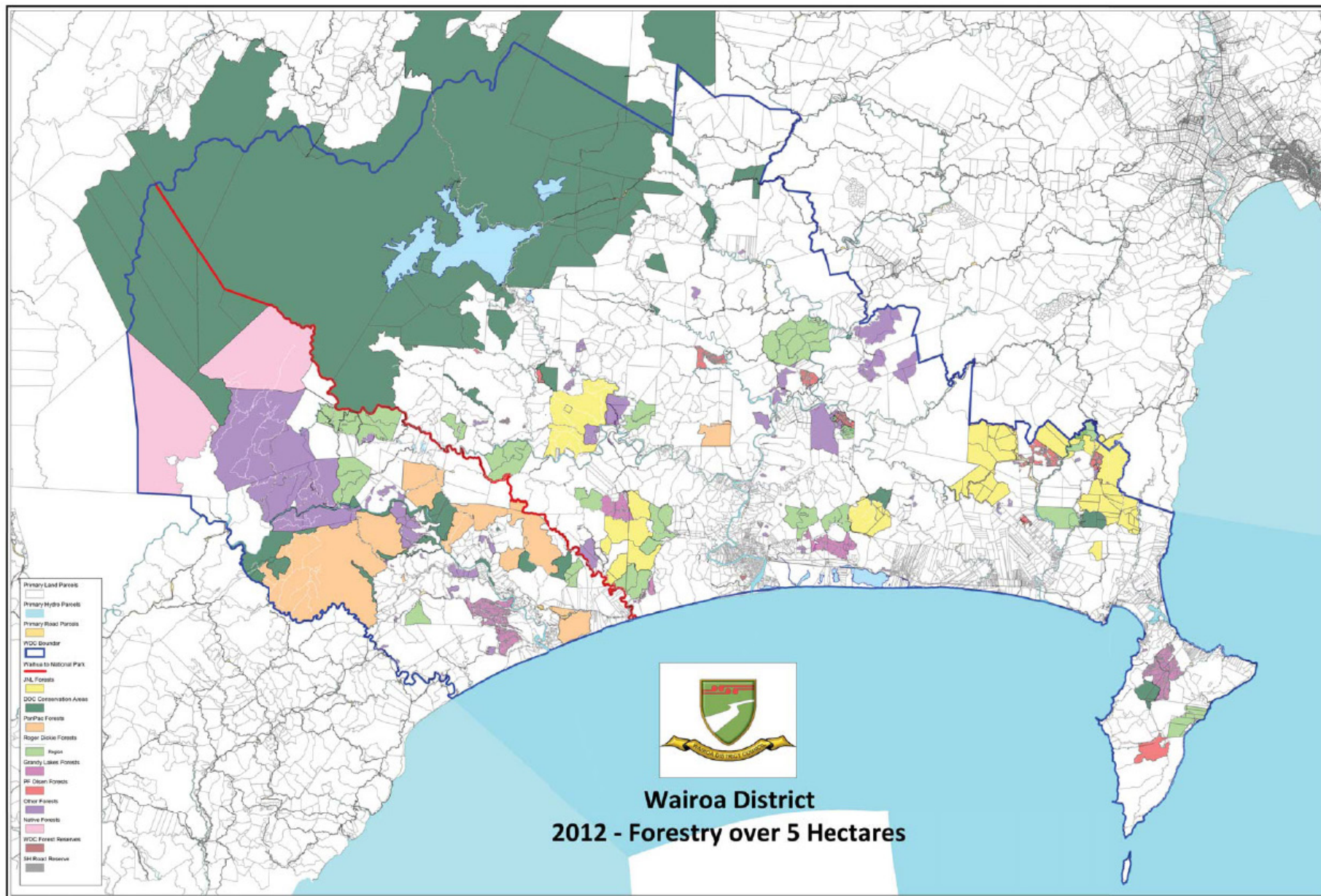
are significant matters in WDC. In addition the recent explicit reduction in NZTA subsidies specifically in HDC allied with effective 'capping' of other district funding at current levels, is likely to accentuate transport resourcing and the associated affordability issues.



Current satisfaction results sourced from the council's annual reports where available appear reasonable. However, taking account of the emerging trends in the region, these may not be able to be sustained if the local road asset is run down. For instance, WDC's decision to extend the life of its sealed surfacing beyond its asset management plan¹⁴ indicated rotation period, may be the type of mitigation required elsewhere as the available subsidies tighten.

Given the high concentration of primary production in the region which is predicted to grow, the criticality of maintaining and enhancing this asset is set to increase over time. An inability to meet this challenge is likely to have an impact on the future cost of operating these primary industries.

¹⁴ NZTA comment



2. PWC report on Hawke's Bay Region Potable Water Services

1. Legislative and planning context

The Hawke's Bay territorial authorities are required to provide water services as a core council function. The Local Government Act 2002 requires the continued operation of any water system that a council operated at the time the Act was passed, in addition to operating any new system that any council constructed from that date. Another key piece of legislation is the Drinking Water Standards for New Zealand 2005 which came into force on 31 December 2008. These standards provide requirements for drinking water safety by specifying the maximum amounts of substances, organisms or contaminants that may be present in drinking water, criteria for demonstrating compliance and remedial action to be taken in the event of non-compliance.

Aspects of water regulation also involve a number of other government agencies and regional councils who issue consents for water extraction. Planning for water services is specified by the Local Government Act 2002 and subsequent amendments. Through this legislation, water services, along with other council functions, are subject to asset management planning requirements which enable the definition of service levels for translation into the council long term and annual plans.

All four territorial authorities have extensive asset management plans (AMPs) in place for water services, which are generally publically available. Hastings District Council (HDC) were in the process of revising their 2012-2022 AMPs so provided key extracts in lieu of the full AMP.

A summary of the water schemes across the region is included in Appendix One. The status of water quality and resource consents is included in Appendices Two-Four.

2. Hawke's Bay Council's overview

2.1 Central Hawke's Bay District Council (CHBDC)

CHBCD's key water assets incorporate eight water schemes, containing seven treatment plants with a total network length of 145 kms. This network enables the connection of 3,926 properties across the district.

The Water Asset Management Plan (AMP¹⁵) confirms the current status of both the network and individual schemes. Appendix Two contains details of current treatment plant grading against drinking water standards. CHBDC has advised that currently seven schemes comply. The last being the Pourere scheme, is currently non potable and is on hold due to land ownership and network rebuild requirements.

Council has outsourced its operations to contractors while retaining internal capability for asset and contract management. However, the risk management assessment in section 1.5 of the AMP highlights that management and supervision of the activity is incomplete due to limited staff resources.

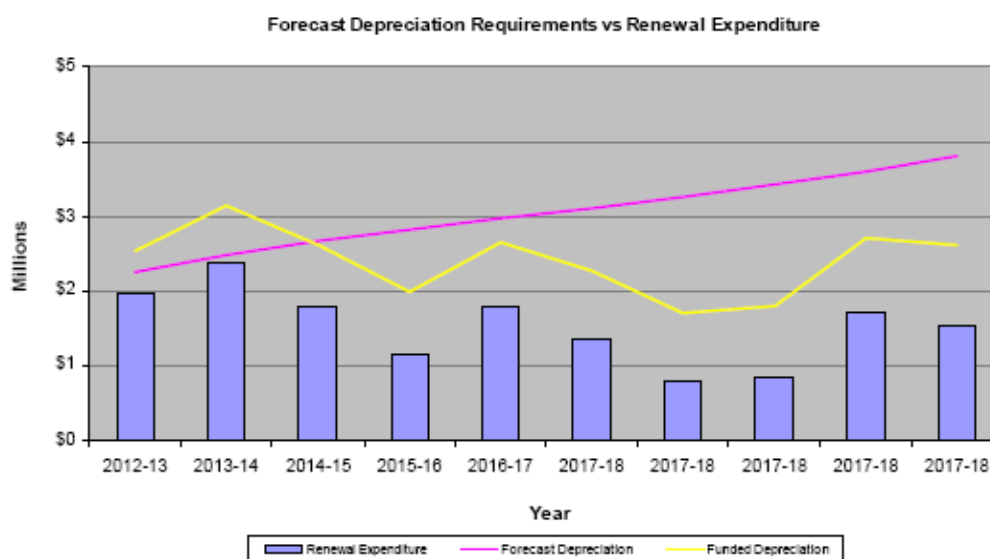
Other limitations include:

- gaps in the inspection and condition rating of key assets (section 6.2 AMP) to form a better picture on which lifecycle management decisions could be made
- cross-district integrated planning of future water requirements

¹⁵ CHBDC Water AMP 2012-2022

- maintaining water demand within consented take limits. However, we note that the earliest expiry on granted consents is 2022 which allows time for mitigation planning
- non inclusion of development projects in the LTP section 1.4 of the AMP also highlights that although there has been an overall trend of decreasing population, it is uneven. This means that there may be a mismatching of supply and demand across the district in the future.

In terms of funding, Council fully funds depreciation but given the long term nature of the assets, has shortfalls from prior years when depreciation was not recovered. Council has a policy of not exceeding its annual depreciation take for renewal expenditure. Section 1.9 of the AMP highlights future shortfalls will have to be met from an accelerated rating programme or new loan funding.



Source: MAAW 2012-2022

2.2 Hastings District Council (HDC)

HDC's Asset Management Plan¹⁶ confirms that the district operates 10 water supply schemes ranging from the small settlements such as Esk through to the Hastings major town supply system. The AMP confirms supplies are managed to comply with the requirements of the New Zealand Drinking Water Standards 2008 (NZDWS).

The source of the water supplies is largely aquifer based other than Waimarama which is a combination of spring and river. Seven of the schemes use secure bores in lieu of treatment. Only Waimarama, Waipatiki and Whirinaki/Esk utilise some form of filtration system.

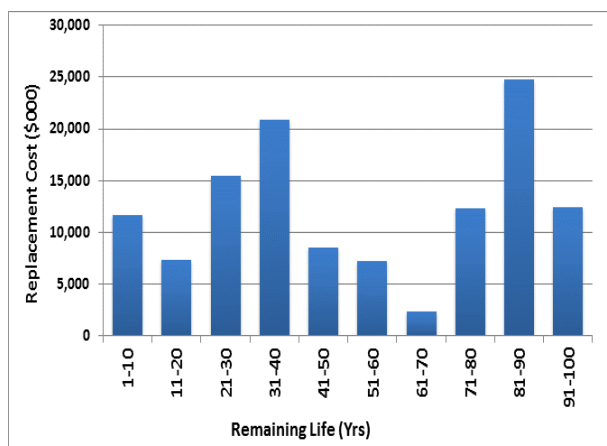
Key issues and risks that HDC is seeking to manage include:

- ongoing compliance activities for NZDWS
- demand management
- physical condition assessments of the pipe network
- new bore investigations to support district growth
- investigation opportunities to extend water supply schemes to other small communities

¹⁶ Water Supply AMP – Executive Summary, Hastings District Council

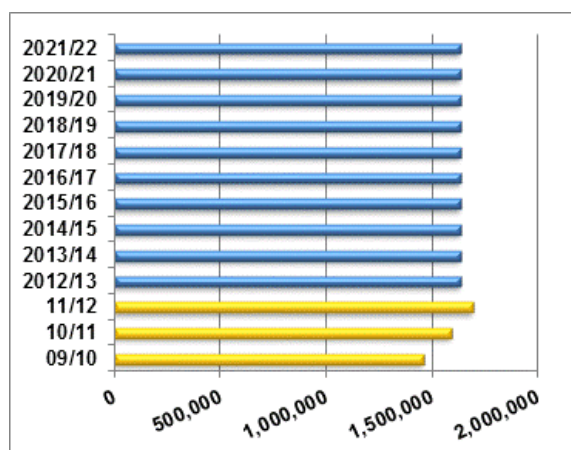
The life profile of assets appears to be reasonably distributed over the 100 years as indicated by the renewal profile for Section 1.9 of the AMP below.

Long term Renewal Profile (All Water Supply Assets)



Operating expenditure requirements are accordingly forecasted to be fairly stable over the life of the 10 year plan.

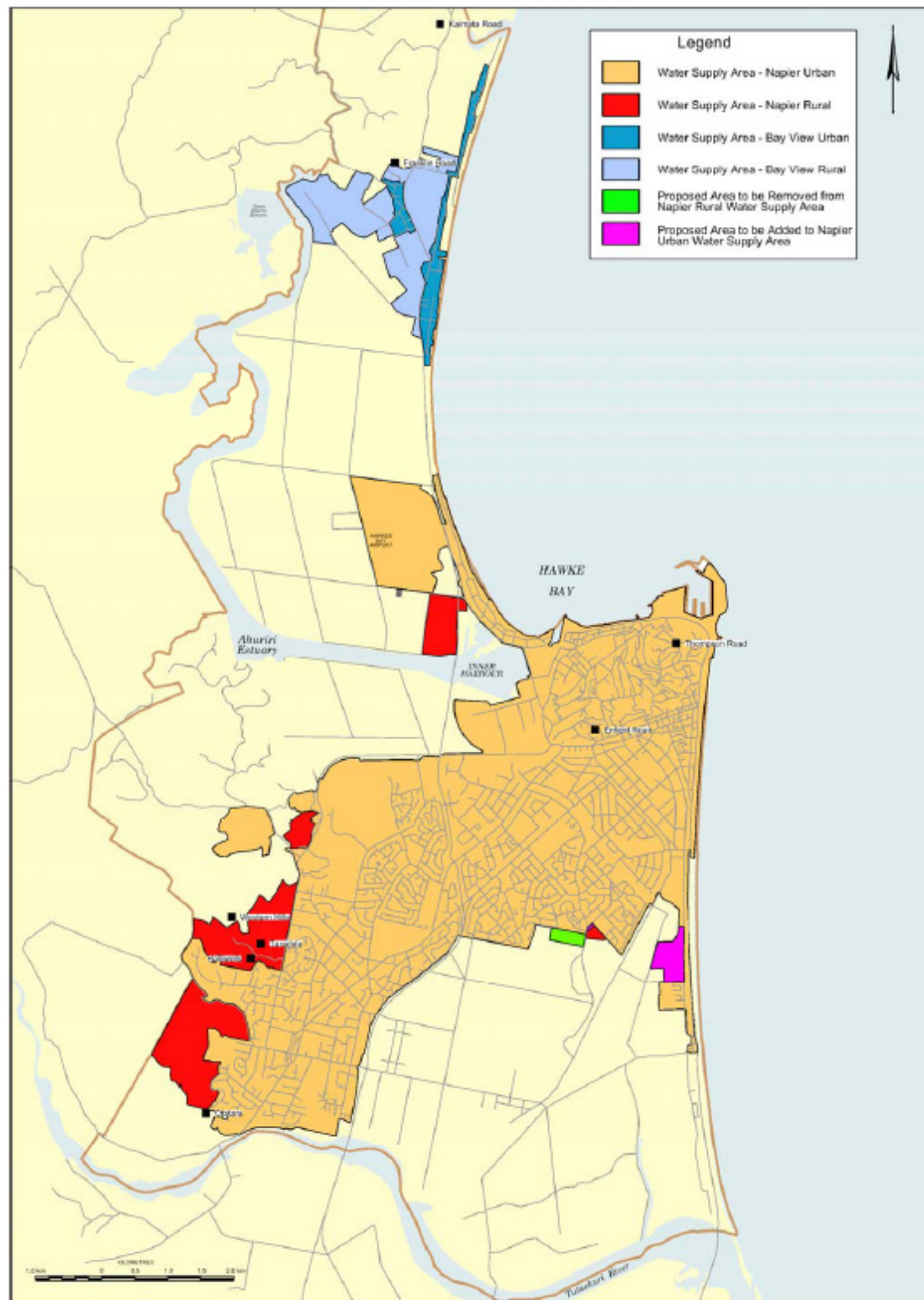
Operating Requirements



2.3 Napier City Council (NCC)

NCC's water supply system described in its Asset Management Plan consists of two District areas as shown in figure 2-3 overleaf, being Napier and Bay View to the north.

Figure 2-3 Water Supply Areas

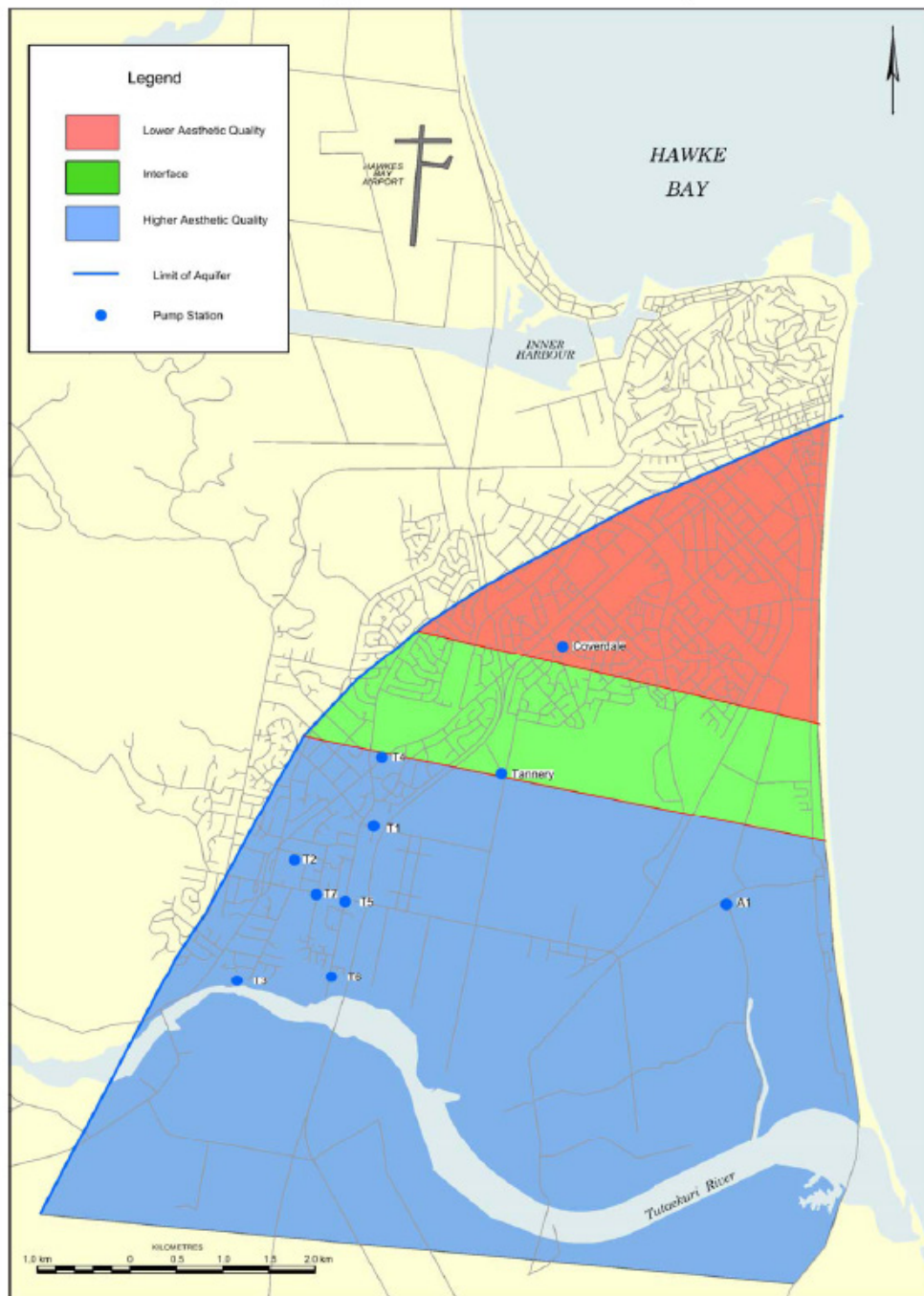


Source: Activity Management Plan 2012, Water Supply NCC

Each scheme is serviced by pump stations that pump water from the Heretaunga Mains aquifer wells. There are nine stations for Napier and one for Bay View. The aquifer is recharged from the Ngaruru river and has adequate capacity for the foreseeable future.

The quality of the water according to the AMP is generally high, however the aesthetic quality of the water toward the northern extent of the aquifer is unsatisfactory, generating taste and odour complaints when sourced from this area. The boundary between high quality and low quality water has been identified and mapped in figure 2.1 below.

Figure 2-1 Approximate Limits of Artesian Aquifer

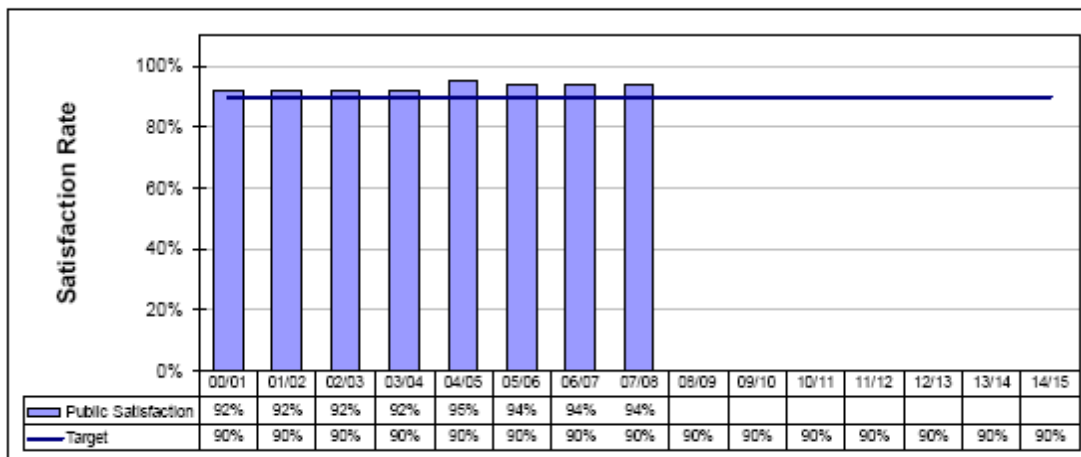


Source: Activity Management Plan 2012, Water Supply NCC

Because the quality of the water from this area is consistently high, NCC has not had to develop any treatment process. Also the water is non-corrosive and well buffered to resist pH change which has considerably reduced traditional cast iron pipe corrosion levels.

The outcome of this water delivery process is a consistently high customer satisfaction rating as shown in figure 3-1.

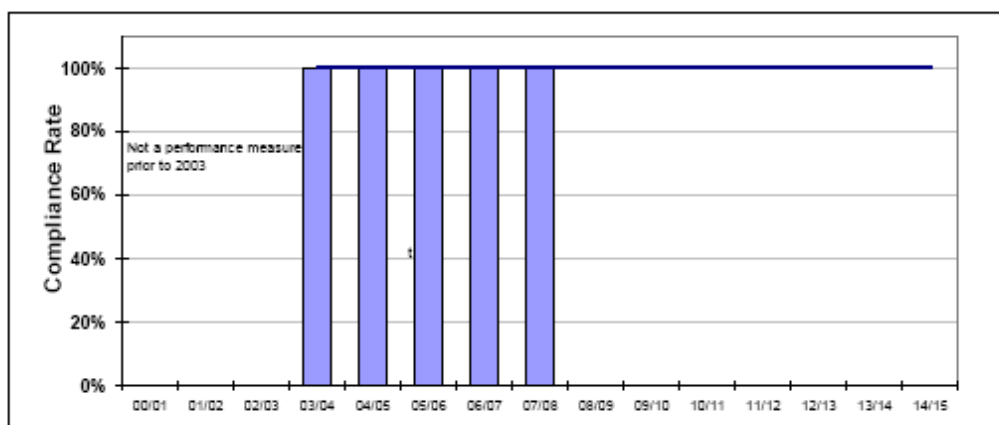
Figure 3-1 Historic Performance and Projections - Public Satisfaction Rate
Performance Measure 1



Source: Activity Management Plan 2012, Water Supply NCC

Compliance with resource consent requirements is also consistently high as shown in Figure 3-3.

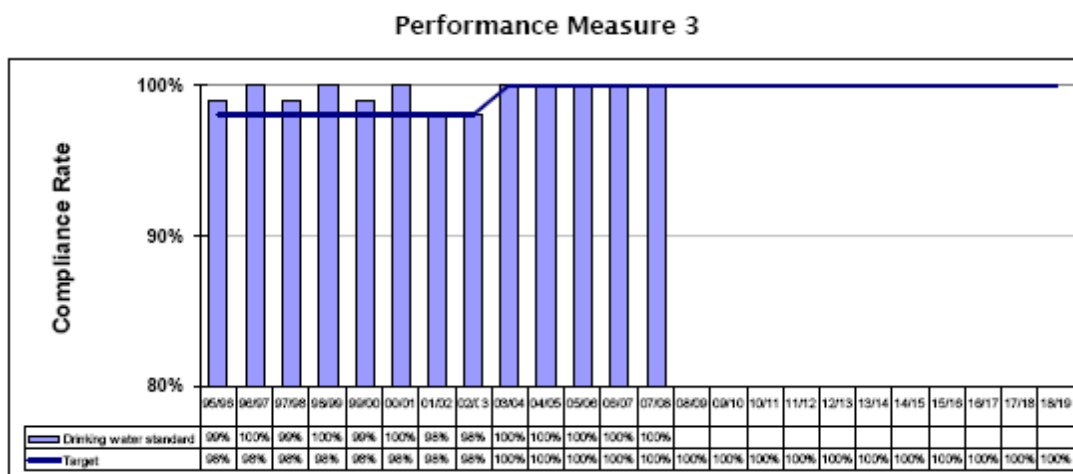
Figure 3-3 Historic Performance and Projections - Compliance with Resource Consent Requirements
Performance Measure 2



Source: Activity Management Plan 2012, Water Supply NCC

NZDWS ratings appear high, although there has been no data since 2007/8 as shown in figure 3-4 below.

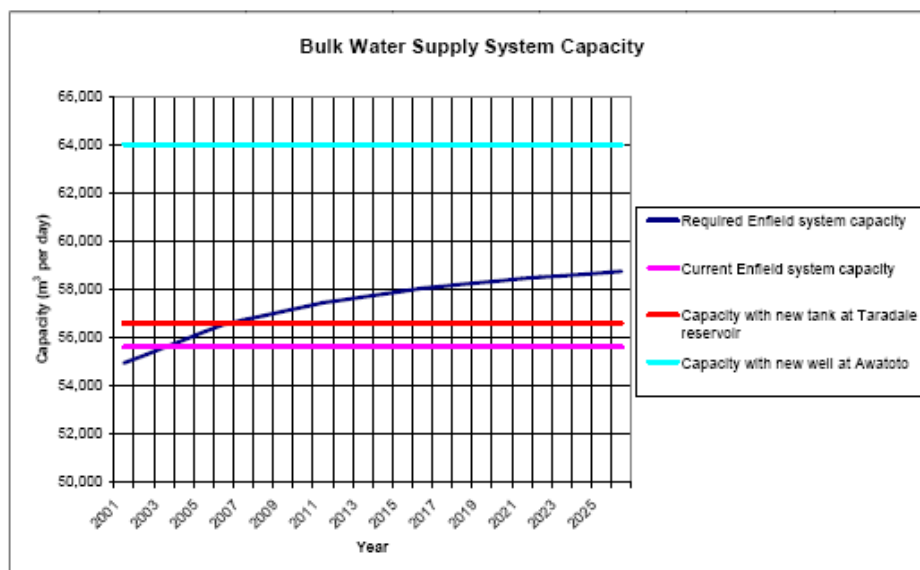
Figure 3-4 Historic Performance and Projections - Compliance with Drinking Water Standards



Source: Activity Management Plan 2012, Water Supply NCC

In terms of growth, additional capacity with the construction of a new well at Awatoto appears to meet foreseeable demand into the future as projected in figure 4-1.

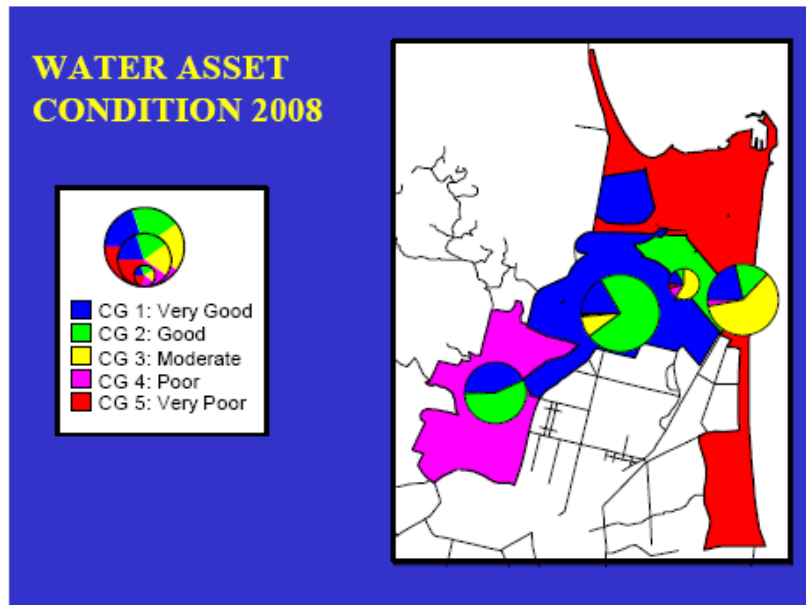
Figure 4-1 Projected Demand and Bulk Supply Capacity



Source: Activity Management Plan 2012, Water Supply NCC

Condition ratings of the water asset indicated significant proportions of the town were rated poor and very poor. However, the AMP confirmed that these assets were subject to programmed replacement in the next 5-10 years per figure 5-3.

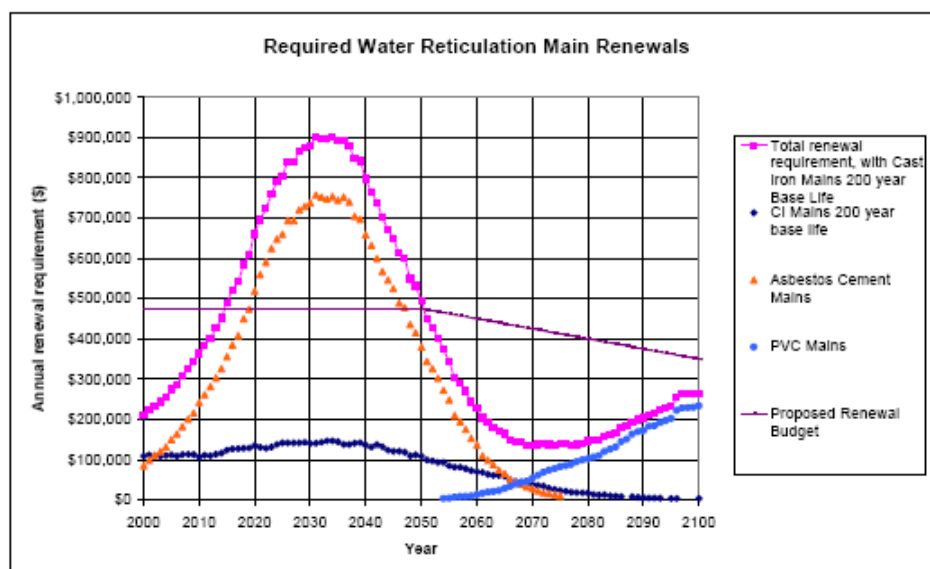
Figure 5-3 Water Asset Condition Grading 2008



Source: Activity Management Plan 2012, Water Supply NCC

This programme of replacement is predicted to peak around 2030-2040 given most of the original installation occurred in the period between 1945-1970. The present level of renewals is accordingly lower than depreciation but will reverse over the longer term as highlighted by figure 5-9.

Figure 5-9 Required Water Reticulation Main Renewals



Source: Activity Management Plan 2012, Water Supply NCC

Other key risks relate to power supply failure given the extensive pump system operation and associated critical mains condition. Mitigations for both issues are currently being implemented.

In terms of resource consents, NCC has a single one (WP060658Ta) which covers all bores. This allows an extraction of 388,000 litres per week which we have been advised allows plenty of head room as evidenced by the ability to cope during the summer draught of 2012/13. The new bore is being done on the basis of planning for growth but is still subject to a pending resource consent.

2.4 Wairoa District Council (WDC)

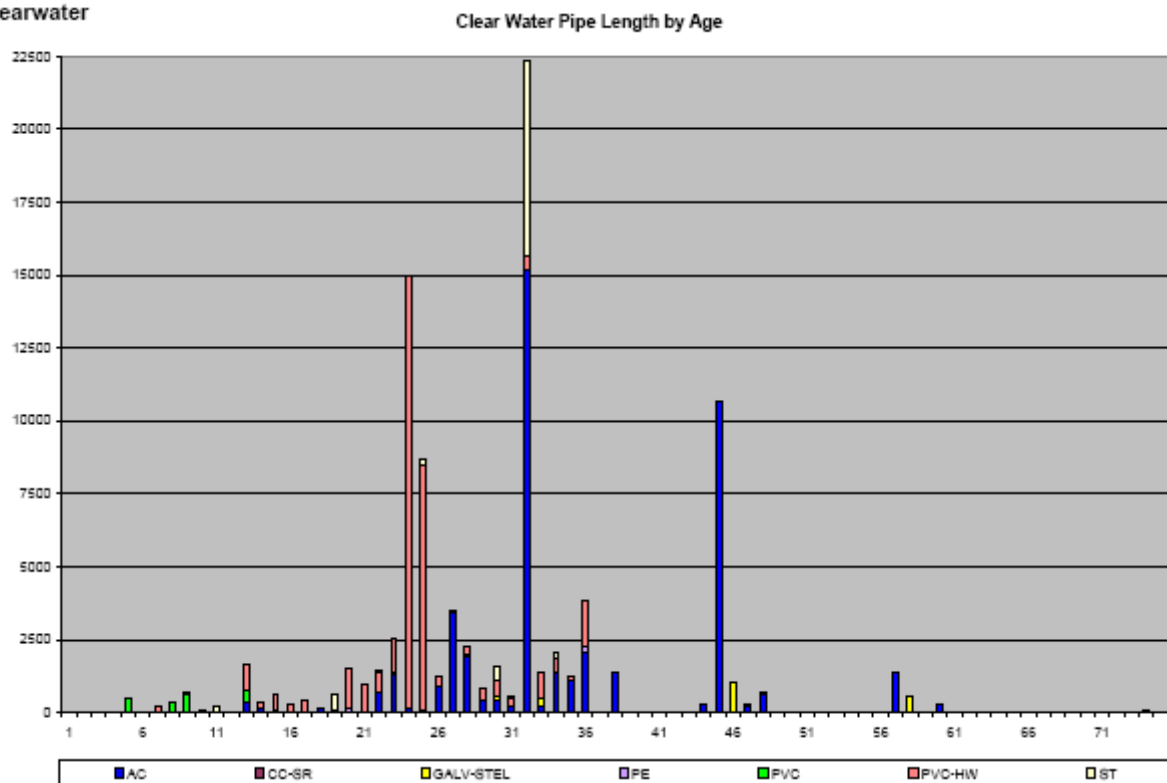
WDC's key water assets comprise three water schemes. The main scheme encompassing the Frasertown Water Treatment Plant supplies potable water to Wairoa and the Frasertown communities. In addition, Council operates non potable supplies at Tuai and Mahanga.

The AMP¹⁷ details the assets and services that comprise the water supply activity. Section 2.2 of the AMP confirms that Council has consents in place for water services and is generally compliant with these consents with the exception of a filter sludge which is subject to a current application.

In terms of water services management, Council has outsourced its operational management network to Quality Roding Services Limited. Water plant production is primarily maintained by Council staff with some contractor assistance. Council has also retained in-house capability for asset and contract management.

Section 5.1 of the AMP highlights that the majority of the Wairoa system was not established until after 1970 albeit some parts date back to the 1940s. This position is reflected in the age profile of the pipe network shown below which is largely grouped in the 20-40 year bracket.

6.1 Clearwater



Source: Wairoa District Council, Water Supply AMP, July 2012

¹⁷ Water Supply Asset Management Plan, Wairoa District Council, July 2012

The Tuai village scheme which is non-potable, non-treated spring water, is noted as being the recipient of a \$250,000 upgrade with 85% of funding coming by way of government subsidy. This will enable the upgrading of this supply to drinking water standard.

Mahanga was also originally intended as a supplementary non-potable supply but will also require upgrading as mandatory standards come into effect.

Condition rating is not comprehensive but based on a combination of some rating and calculated life, condition assessments also appear positive with the majority of assets appearing in the 1-3 categories (excellent to fair) as shown in tables 5.4b and 5.4c below.

Table 5.4b – Condition profile of point and line assets

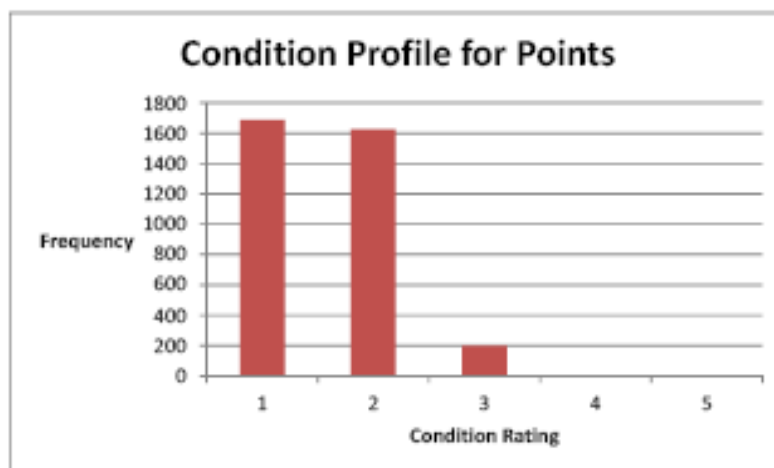
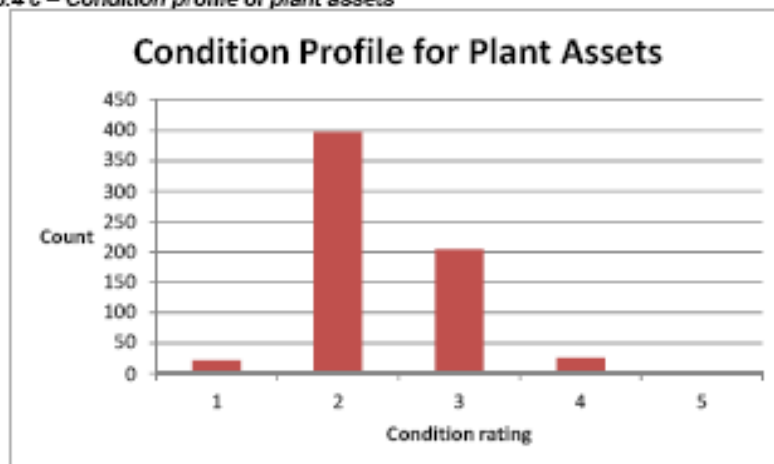


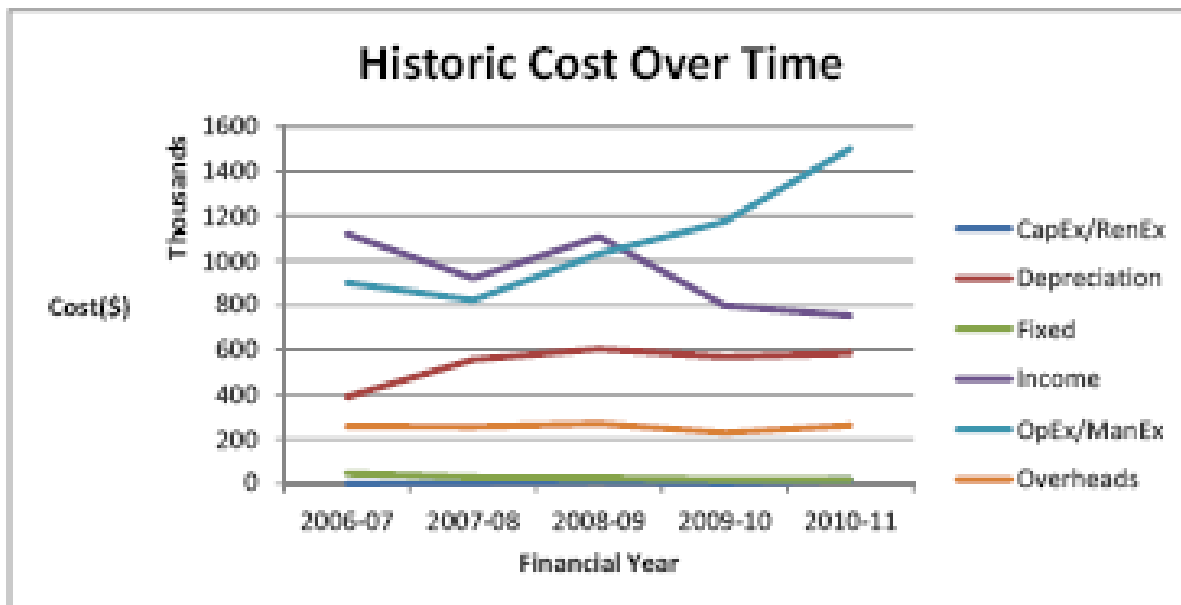
Table 5.4 c – Condition profile of plant assets



Source: Wairoa District Council, Water Supply AMP, July 2012

Section 7.2 Financial Projections forecasts a relatively static expenditure profile which is necessary given the assumed decline in overall district population highlighted in section 3.1. However the historical cost trends with regard to operating expenditure appear to be increasing as shown in figure 7.1 below.

Figure 7.1: Water Services – Historical Annual Expenditure



Source: Wairoa District Council, Water Supply AMP, July 2012

Key issues for the future management of this activity include:

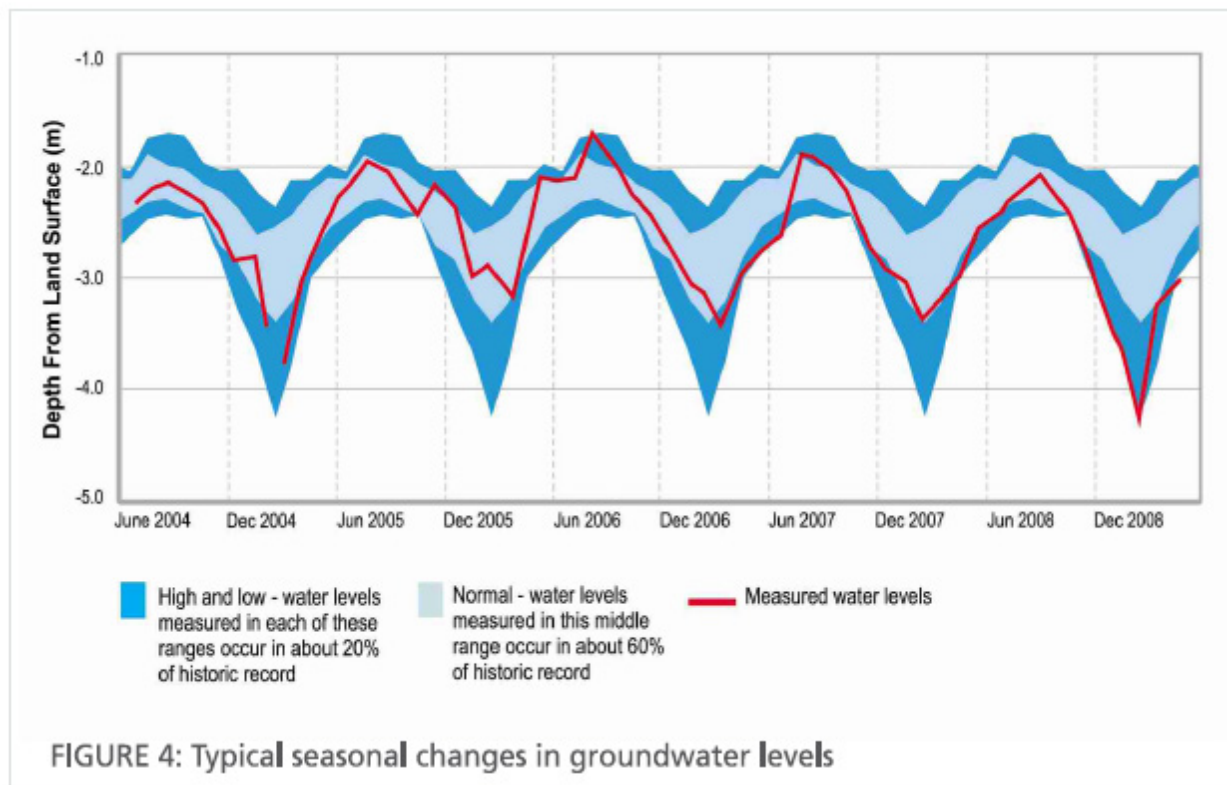
- addressing how the district can continue funding the activity with a declining population base
- funding the full cost of implementing drinking water standards for Mahanga and Tuai
- improving leakage and water consumption trends.

2.5 Hawke's Bay Regional Council (HBRC)

HBRC in its five yearly comprehensive State of the Environment Report¹⁸ highlighted that regional rainfall and river data was showing decline as a result of a predicted drying of the climate. In addition, land and ground water storage reserves were already under pressure.

¹⁸ The State of Our Environment, Summary Report 2004-2008

This change was highlighted in figure 4 from the report which shows changes in groundwater levels from a network of monitoring bores.

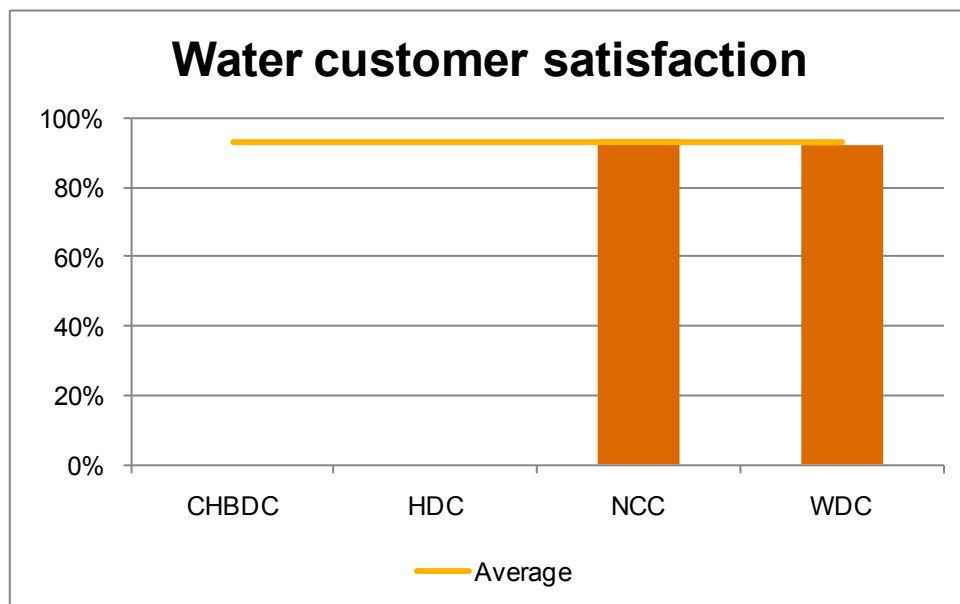


Source: *State of Our Environment Summary Report, 2004-2008*

Given groundwater is the main source of drinking water for Central Hawke's Bay, Hastings and Napier, the declines noted in the Heretaunga and Ruataniwha aquifers may intensify existing supply constraints, albeit population growth is predicted to be relatively modest for the council districts.

3. Present state versus future needs

From a regional perspective, current water services across the region where measured are generally well rated by customers as evidenced by satisfaction survey results as shown below.



Source: Council Annual Report 2010, 2011, 2012

As a region Hawke's Bay has a growing water supply issue but the impact on key towns taking account of moderate population growth is not currently evident. Also, where the supplies are sourced from the plains, the districts are able to extract good quality water that does not require treatment.

Asset management planning appears robust and captures the key issues that the councils need to grapple with. These issues include:

- affordability in CHBDC and WDC particularly given predicted population decline
- staffing shortages in CHBDC
- lack of overall asset condition ratings
- potential issues with the availability of potable water for growth areas

The position of WDC and CHBC may be enhanced through:

- planning and operating all systems as a single regional network
- joint procurement
- utilising "network" pricing to smooth out localised expenditure spikes
- enhanced operation of the schemes through the provision of potentially higher operator capacity and capability available in the larger operations of HDC and NCC.

With regard to this latter point, larger councils generally have a greater range of skills and capacity to fully optimise the performance and strategic management of water assets. Greater optimisation in turn can lead to better quality and cost outcomes. Aside from greater size, providing capacity, larger plants provide the opportunity for developing broader operator knowledge and skill sets.

Hawke's Bay Region Water Schemes

Number and distribution

	CHBDC	HDC	NCC	WDC
1.	Waipukurau	Hastings/Havelock North	Napier	Frasertown
2.	Waipawa	Clive		Tuai
3.	Otane	Haumoana & Te Awanga		Mahanga
4.	Takapau	Omahu		
5.	Porangahau	Pakipaki		
6.	Te Perahi	Waimarama		
7.	Kairakau	Waipatiki		
8.	Pourerere	Waipatu		
9.		Whakatu		
10.		Whirinaki & Esk		
Total Schemes	8	10		3
Length (kms)	145.2	650) ¹⁹	107.1

¹⁹ Section 2.1.4, Activity Management Plan, water Supply 2012

Connections	3,926	21,037 ²⁰	38 ²¹	1,868 ²²
Grand Total Water				
Plants	22			
Length (kms)	1352.3			
Connections	45,769	-		

Source: PwC Analysis, Council AMPs and Annual Reports

²⁰ Section 1.9, Water AMP Executive Summary

²¹ Section .3-c Activity Management Plan, Water Supply 2012

²² Section 4.4.3, Valuation of Infrastructure Assets, 2008, Opus

Hawke's Bay Region Water Schemes

Treatment plant grading²³

	CHBDC ²⁴	HDC ²⁵	NCC	WDC
1.	Waipukurau	Hastings/Havelock North	Napier ²⁶	Frasertown
2.	Waipawa	Clive		Tuai
3.	Otane ²⁷	Haumoana & Te Awanga		Mahanga
4.	Takapau	Omahu		
5.	Porangahau	Pakipaki		
6.	Te Paerahi	Waimarama		
7.	Kaurahau	Waipatiki		
8.	Pourerere	Waipatu		
9.		Whakatu		
10.		Whirinaki & Esk		

Source: PwC Analysis, Council AMPs and Annual Reports

Key	
A – Completely satisfactory	
B – Satisfactory	
C – Marginally satisfactory	
E – Unacceptable, high level of risk	
U – Ungraded	

²³ Assessed by the Ministry of Health against the drinking water standard²⁴ CHBDC has confirmed that their water supplies are currently ungraded with assessment due 2014²⁵ HDC supplies are now graded under the new Ministry of Health Guidelines which assess bacteria, chemical compliance and protozoa. All schemes received pass marks for these three criteria other than Waimarama and Whirinaki which failed two of the three. Council's response will be provided in the revised 2015-2025 AMPs when available²⁶ Napier Supply system has graded "Bb" because it is not chlorinated²⁷ Otane receives its supply from the Waipawa supply system

Hawke's Bay Region Water Schemes

Network grading²⁸

	CHBDC ²⁹	HDC ³⁰	NCC ³¹	WDC
1.	Waipukurau	Hastings/Havelock North	Napier	Frasertown
2.	Waipawa	Clive		Tuai
3.	Otane ³²	Haumoana & Te Awanga		Mahanga
4.	Takapau	Omahu		
5.	Porangahau	Pakipaki		
6.	Te Paerahi	Waimarama		
7.	Kaurahau	Waipatiki		
8.	Pourerere	Waipatu		
9.		Whakatu		
10.		Whirinaki & Esk		

Source: PwC Analysis, Council AMPs and Annual Reports

Key	
A – Completely satisfactory	
B – Satisfactory	
C – Marginally satisfactory	
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U – Ungraded	

²⁸ Assessed by the Ministry of Health against the drinking water standard²⁹ CHBDC has confirmed that their water supplies are currently ungraded with assessment due 2014³⁰ HDC supplies are now graded under the new Ministry of Health Guidelines which assess bacteria, chemical compliance and protozoa. All schemes received pass marks for these three criteria other than Waimarama and Whirinaki which failed two of the three. Council's response will be provided in the revised 2015-2025 AMPs when available³¹ Napier supply system was graded "Bb" because it is not chlorinated³² Otane receives its supply from the Waipawa supply system

Hawke's Bay Region Water Schemes

Schemes with consent issues³³

	CHBDC ³⁴	HDC	NCC	WDC
1.	Waipukurau	Hastings/Havelock North	Napier	Frasertown
2.	Waipawa	Clive		Tuai
3.	Otane	Haumoana & Te Awanga		Mahanga
4.	Takapau	Omahu		
5.	Porangahau	Pakipaki		
6.	Te Paerahi	Waimarama		
7.	Kaurahau	Waipatiki		
8.	Pourerere	Waipatu		
9.		Whakatu		
10.		Whirinaki & Esk		

Source: PwC Analysis, Council AMPs and Annual Reports

Key

Water consent issues	
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³³ Sourced from council AMPs

³⁴ Otane receives its supply from the Waipawa supply system

3. PWC report on Hawke's Bay Region Wastewater Services

1. Legislative and planning context

The Hawke's Bay territorial authorities are required to provide wastewater services as a core council function. The Local Government Act 2002 requires the continued operation of any wastewater system that a council operated at the time the Act was passed, in addition to operating any new system that any council constructed from that date.

Other statutes also set out council's responsibilities for wastewater management, including the Public Health Act and the Resource Management Act. The Resource Management Act in turn empowers the regional council to establish discharge standards from wastewater plants, each of which must go through an individual resource consenting process.

Wastewater discharges from major treatment schemes flow into Hawke's Bay. Hastings district and Napier city have direct outfalls to sea. Wairoa's treated effluent is discharged at the Wairoa River mouth and Central Hawke's Bay puts wastewater into the Tukituki River, which enters the bay close to Hastings town.

There does not appear to be a coordinated planning approach or regional accord to these discharges, and it did not appear as an issue in the last five year Regional Council State of Environment Summary Report 2008. Accordingly each wastewater scheme is treated on its own merits.

All four territorial authorities have extensive asset management plans in place for water services which are generally publically available. Hastings District Council (HDC) were in the process of revising their 2012-2022 AMPs so provided key extracts in lieu of the full AMP.

A summary of the schemes across the region is included in Appendix One. The resource consent status of each scheme is highlighted in Appendix Two.

2. Hawke's Bay Council's overview

2.1 Central Hawke's Bay District Council (CHBDC)

CHBDC operates six schemes (Appendix One) of varying size and scale. All six require some level of investment as highlighted in the AMP³⁵:

- new treatment plants required in Waipukurau and Waipawa to meet new resource consent discharge requirements by September 2014
- upgrading of the Otane treatment plant to allow for growth
- requirement to develop treatment solutions for Porangahau and Te Paerahi
- consideration of Takapau whose resource consent is due for renewal in 2018.

In response, CHBDC has confirmed funding for the completion of the Waipukurau and Waipawa plants in the 2013/14 Annual Plan. Page 19 of the AMP does highlight however, that this funding does not allow for growth of the Waipukurau industrial area which has been deferred until 2017/18.

Section 2.8 of the AMP also highlights that detailed planning of district wastewater requirements for the future and related capital contribution has not been completed. This may create a mismatch with future requirements.

In terms of funding, depreciation is fully funded through targeted rates, but annual renewal work is restricted to that amount raised each year. If the amount raised exceeds renewal expenditure, it is retained for future renewal work.

In terms of capital works, section 2.13 highlights that the LTP 2012/22 incorporates funding for Waipukurau (2013/14) Waipawa (2013/14), Takapau (2015/18), Te Paerahi (2017/22) and Porangahau (2017/22). Excluded from the plan are the Waipukurau industrial area and sewer extensions at Otane and Waipukurau.

We also note that the Otane discharge consent expires in 2015 and assume that the required upgrade will be addressed through renewals as no specific capital project has been identified.

Going forward, key issues highlighted in the AMP to be addressed include:

- incomplete management and supervision of the activity due to limited staff resources (\$1.5)
- inflow and infiltration in the Waipawa and Waipukurau reticulations which are not part of the treatment plant upgrade projects
- meeting the requirements of wastewater resource consents
- completing field surveys to determine asset conditions.

³⁵ Wastewater (Sewage) Activity, Annual Plan 2013-14

CHBDC's key wastewater assets³⁶ incorporate six schemes containing both treatment plants and networks. The two larger systems service the main towns of Waipawa and Waipukurau and four smaller towns as follows:

Scheme	Connections	Establishment Date
Waipukurau	1,920	1923
Waipawa	845	1910
Otane	248	1990
Takapau	193	1982
Porangahau	105	1990
Te Paerahi	124	1990

Accordingly, the two largest schemes are also the oldest in operation.

In terms of demands on these systems, section 2.6 of the AMP predicts that population is expected to remain stable and commercial activity is assumed to be relatively stable. It is acknowledged that the population will age and as a result households may become smaller.

2.2 Hastings District Council (HDC)

HDC's scheme collects wastewater from Hastings, Havelock North, Flaxmere, Whakatu and Clive. All the material collected is conveyed to a treatment plant at East Clive for treatment and sea based outfall disposal.

HDC is allowed to discharge up to 2,800 litres per second but currently only utilises a maximum of 70% of the permitted discharge through its 2.7km outfall pipe. The treatment plant is relatively new, being commissioned in 2009 albeit a new disposal resource consent is required when the existing one obtained in 2001 expires on 31 March 2014. The consent renewal process has been confirmed in the AMP as being underway³⁷.

A special feature of the wastewater treatment scheme is the separated industrial system which is also treated at the East Clive plant. Trade waste accounts for 50% of total wastewater volume and is initially treated on site in the larger factories.

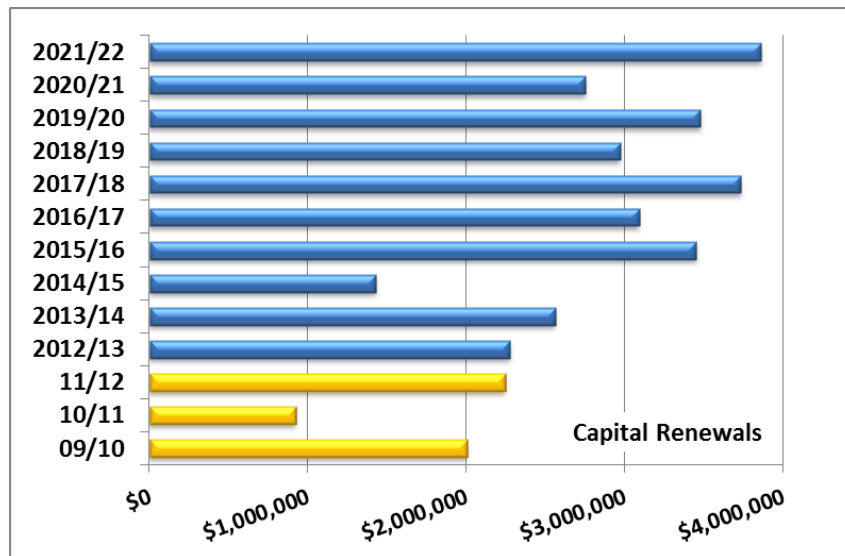
Current priorities aside from the renewal of the discharge consent relate to ongoing improvements to overflows and development of additional capacity. The ten year budget projects as reported in section 1.5 of the AMP include capital and renewal expenditure of approximately \$40m to cover the above mentioned priorities.

Section 1.9 of the AMP profiles this forecasted renewal expenditure as follows over the life of the current ten year plan.

³⁶ CHB Wastewater AMP – 2012 to 2022

³⁷ HDC, Wastewater AMP – Executive Summary

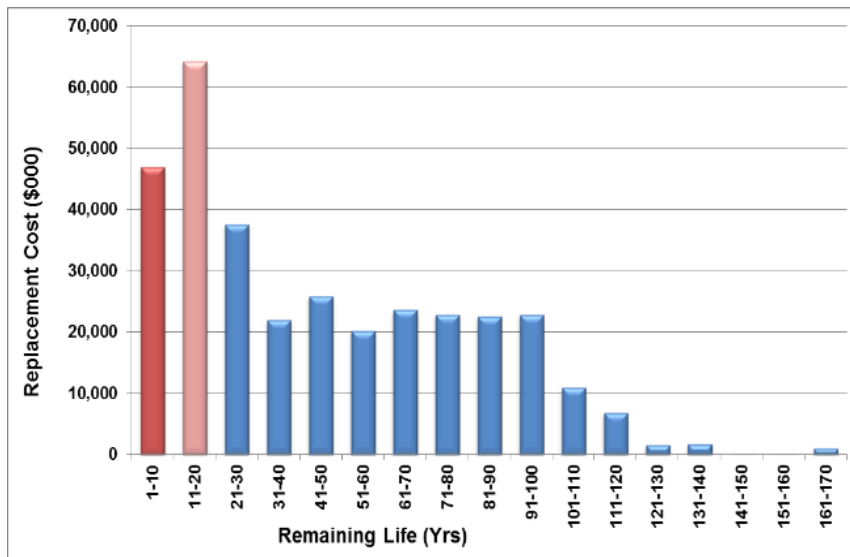
10 Year Renewal Budget



Source: HDC – AMP Executive Summary

Renewals expenditure is also forecasted to increase in the following ten years before dropping to a lower steady expenditure profile as shown below.

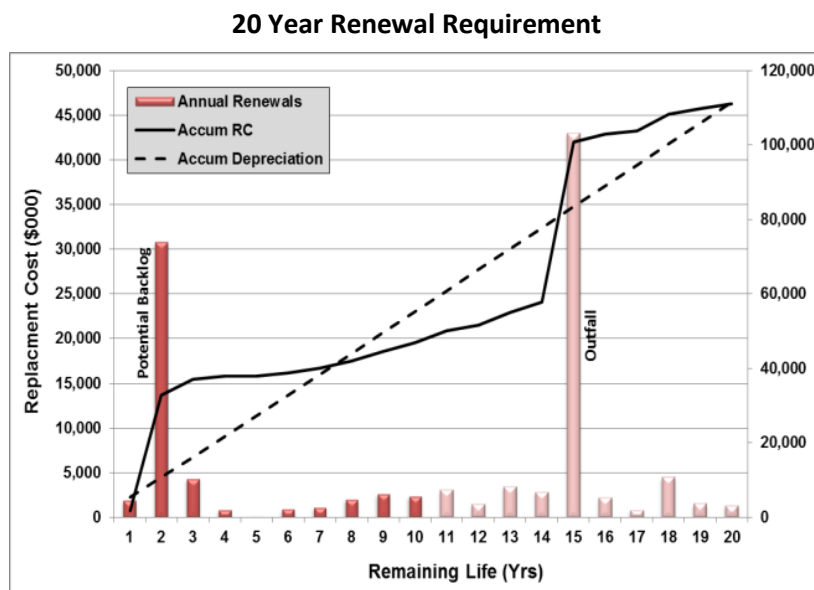
Renewal Requirements – All Assets



Source: HDC – AMP Executive Summary

This profile is a direct result of the 2011 AMP review which identified a potential expenditure backlog of \$30m. This figure has subsequently been refined down to \$14m and is planned to be addressed in the current 10 year plan.

The major factor during the 20 year forecast renewal programme is the planned renewal of the outfall pipe in year 15 as shown below.



Source: HDC – AMP Executive Summary

2.3 Napier City Council (NCC)

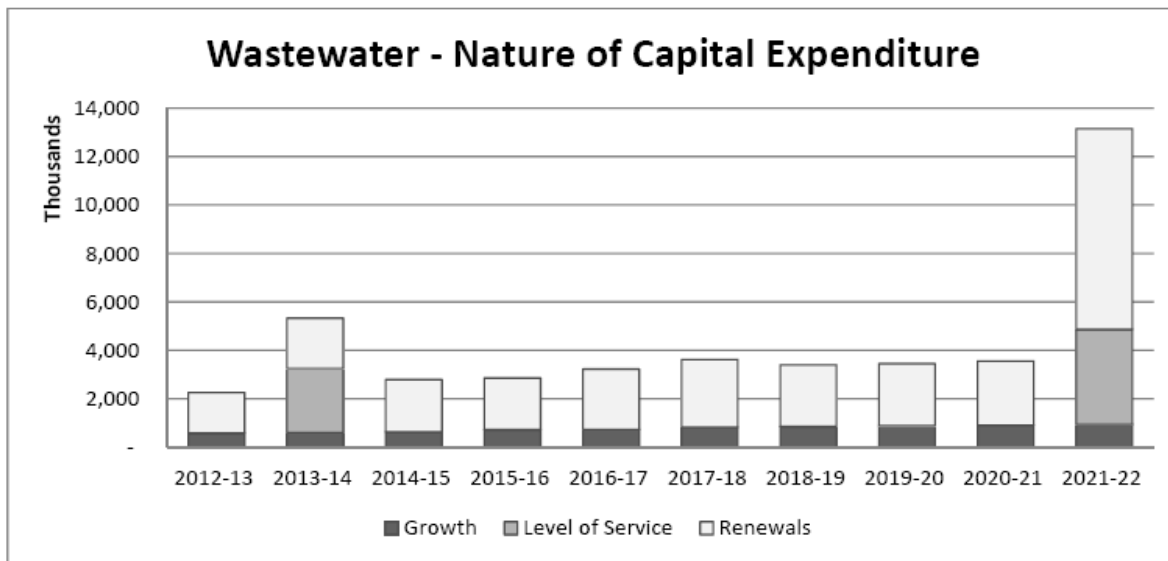
NCC's Asset Management Plan³⁸ confirms 93% of the city's population is served by the collection and disposal system. Unserved areas include Jervoistown, Meeanee and part of Bay View.

Due to the flat nature of the district, there are a series of pump stations which enable the wastewater to flow through to the milliscreen plant at Awatoto. Currently the effluent is only milliscreened and disposed of in Hawke's Bay, but plans are in place to undertake advanced primary treatment of domestic wastewater.

Wastewater ten year capital expenditure profile figure 1-8-a overleaf accommodates treated enhancement and the replacement of the main outfall in 2021-2022.

³⁸ Activity Management Plan 2012, Wastewater, Napier City Council

Figure 1.8-a Prospective Capital Plan 2012/13 to 2021/22



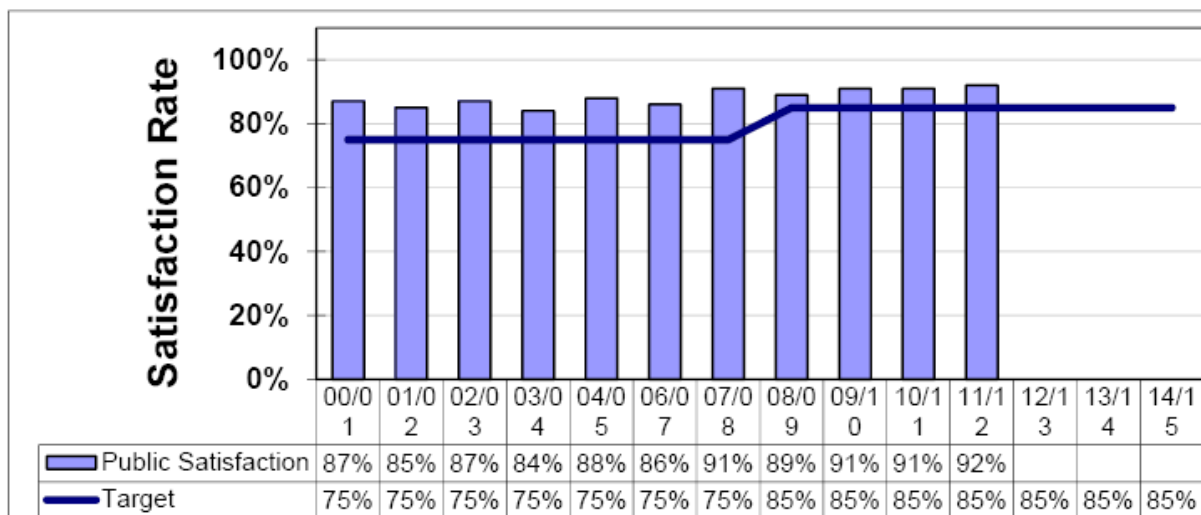
Source: Activity Management Plan 2012, Wastewater, Napier City Council

The existing discharge consent is relatively new and does not expire until 2036 but requires:

- by 31 December 2013, treatment of domestic and industrial wastewater flows
- a comprehensive review by 31 December 2025 and any outcomes by 31 December 2028

Satisfaction levels of the service are relatively high as indicated by Figure 3.3-b below.

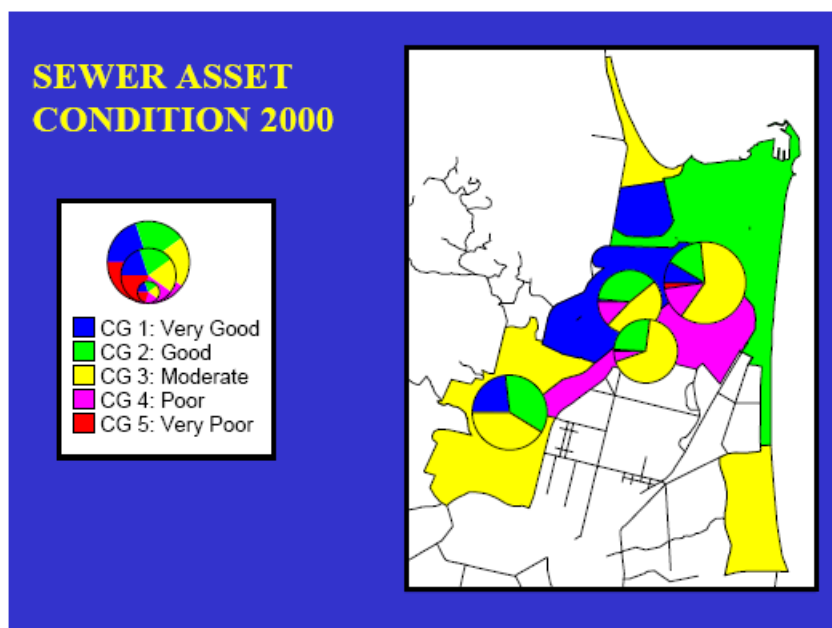
Figure 3.3-b 10 Year Projections - Public Satisfaction Rate



Source: Activity Management Plan 2012, Wastewater, Napier City Council

Asset condition rating is relatively positive as highlighted in Figure 5.1-c below.

Figure 5.1-c 2000 Condition Assessment

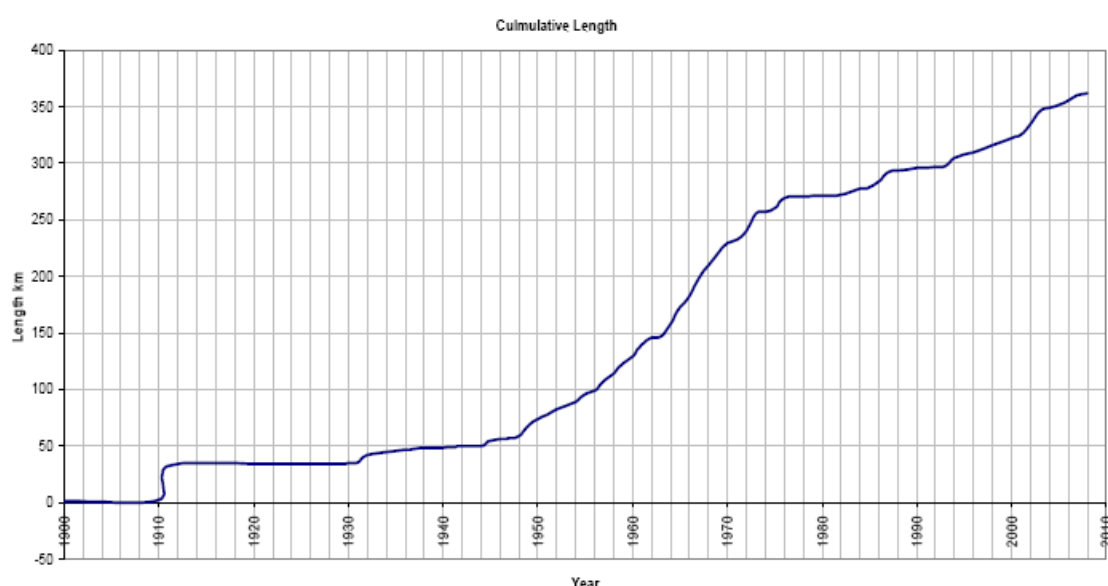


Source: Activity Management Plan 2012, Wastewater, Napier City Council

Aside from the planned implementation of treatment systems, the main condition rating issue relates to the marine outfall which has significant corrosion issues and is the subject of interim measures including a strategic review to address.

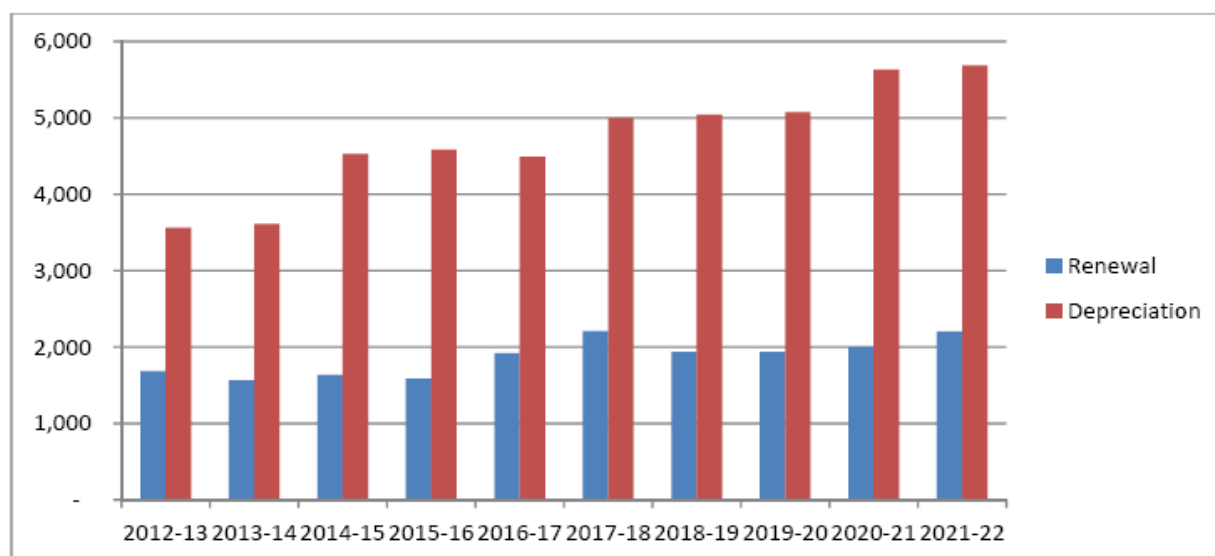
Depreciation currently exceeds renewal spend due to the relatively young age of the reticulation system, with significant portions installed in the 1960s and 1970s. The current profile of both is highlighted in Figure 5.3-a below.

Figure 11.2-b Length of Sewer Main Currently In Service by Year Installed (Cumulative)



Source: Activity Management Plan 2012, Wastewater, Napier City Council

Figure 5.3-a Renewal vs Depreciation 2012-2021



Source: Activity Management Plan 2012, Wastewater, Napier City Council

Other key risks and issues with NCC's scheme include:

- power supply given the extensive pumping operation
- significant stormwater infiltration leading to uncontrolled wastewater overflows during storm events.

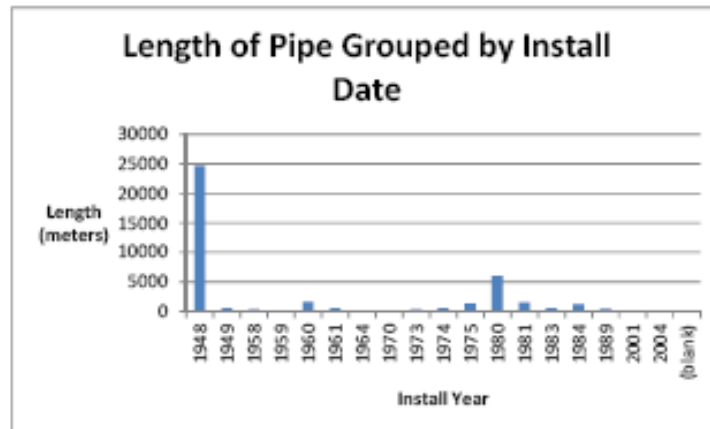
To address both issues the AMP highlights the need for ongoing development of independent power supplies and the need to implement excess flow control programmes. This latter issue is subject to an ongoing project to assess and address infiltration.

2.4 Wairoa District Council (WDC)

WDC's key wastewater assets comprise two treatment plants at Wairoa and Tuai. In addition, collection and disposal systems have been proposed for Mahia township and Opoutama. Both areas currently rely on septic tank systems.

The main reticulated area, Wairoa township, is mainly serviced through pre 1950 piping³⁹ shown overleaf:

³⁹ Wairoa District Council, Sewerage Asset Management Plan, July 2011

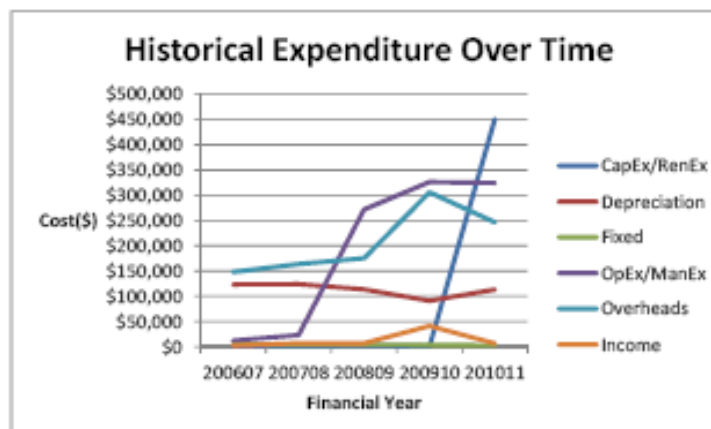


Source: Council Sewerage Asset Management Plan, July 2012

Section 5.4 of the Asset Management Plan (AMP) highlights that there is low confidence in the remaining life values and that Council is working towards a robust condition programme to accurately inform remaining life. Given the age profile of the piped network, this appears to be a key risk area for WDC.

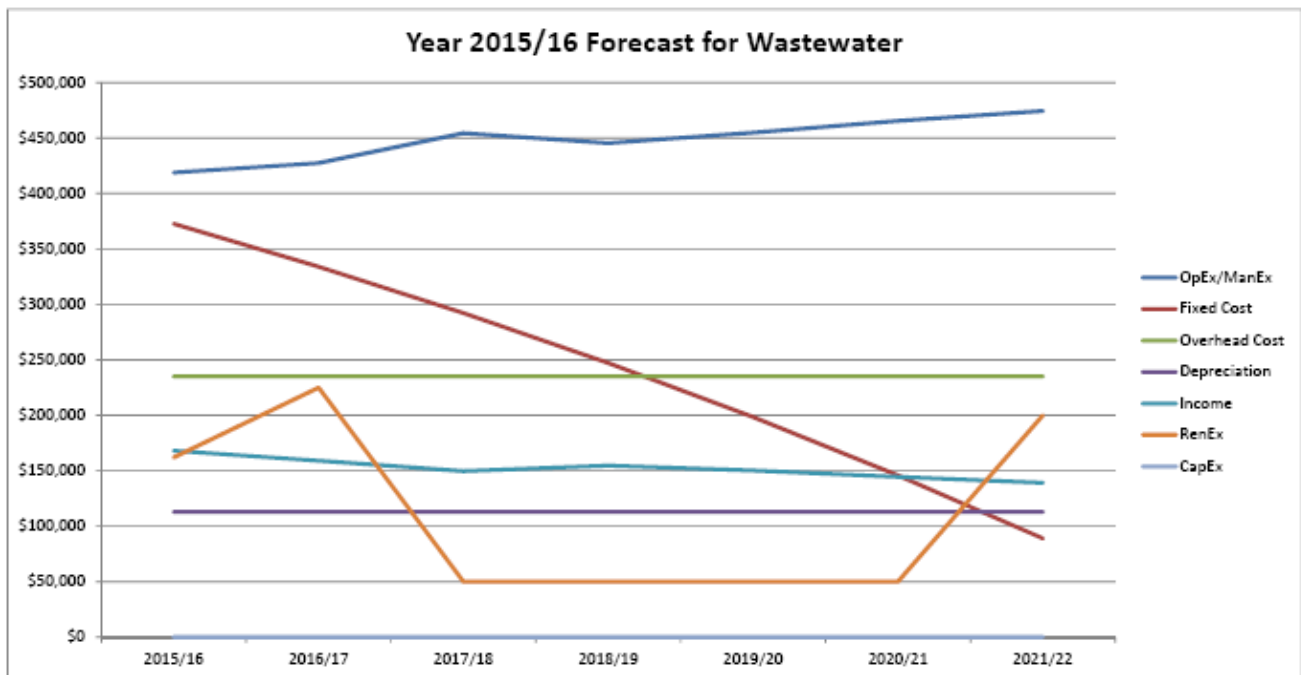
With regard to funding policy, section 7.2 highlights Council’s policy is to fund renewals on an as needed basis with no increases in expenditure unless there is a demonstrated need.

Figure 7.1 below indicates that expenditure appears to have rapidly increased in the last five years both in routine operating expenditure and capital/renewals.



Source: Council Sewerage Asset Management Plan, July 2012

This increasing trend in opex is further reflected in the future forecast as shown in figure 7.2b.

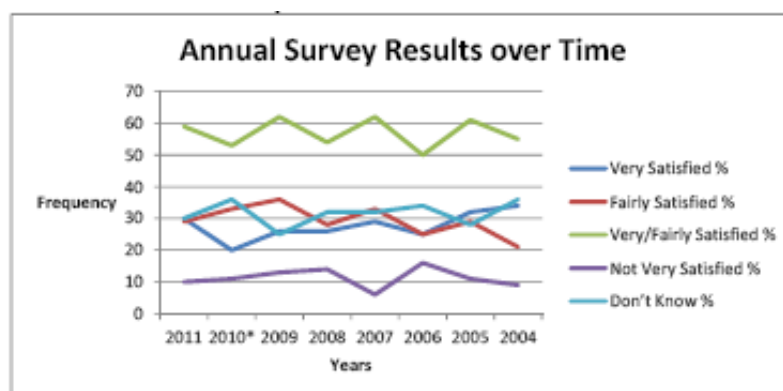


Source: Council Sewerage Asset Management Plan, July 2012

Compounding the age profile of the assets is the lack of growth in the district and upgrades normally associated with growth. The AMP (section 3.1) assumes negative growth and as a result, the ability of the district to continue servicing the assets will be constrained through lower numbers of contributors.

Other issues highlighted include:

- infiltration and inflow of stormwater into the system as the system deteriorates
- non compliance with discharge consents
- static or declining customer satisfaction shown in the figure below.



Source: Council Sewerage Asset Management Plan, July 2012

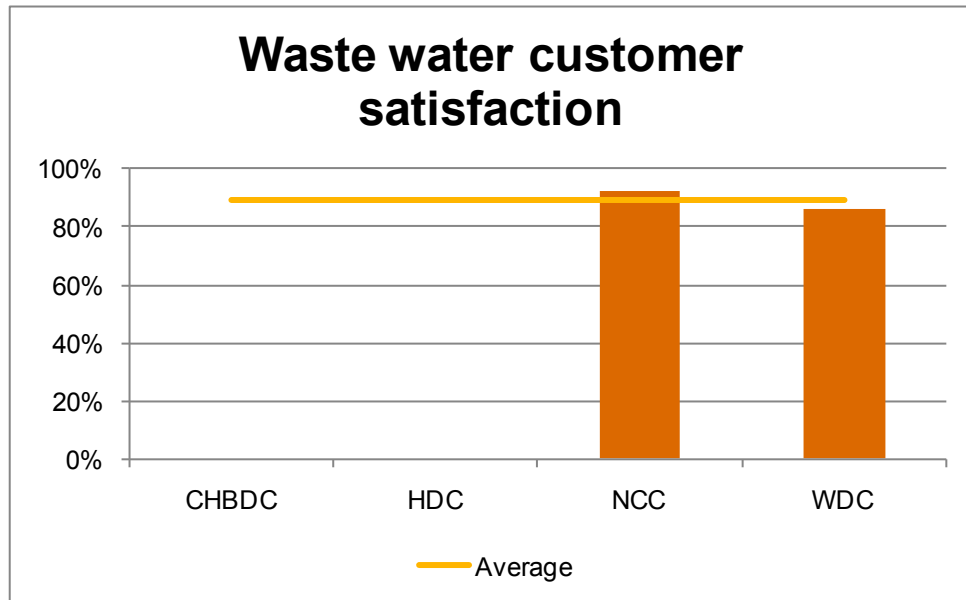
Section 6.3 of the AMP also highlights that the Wairoa treatment plant discharge consent expires in 2018 and that the general consensus is that the current secondary treated effluent discharge into the Wairoa River will not be acceptable.

The Risk Register embedded in the AMP also lists high residual risk scores in the areas of:

- insufficient enforcement in relation to preventing inflows
- inadequate maintenance and renewals resulting in infiltration
- insufficient funding for monitoring and enforcement.

3. Present state versus future needs

Where measured current wastewater services are rated highly by customers with average satisfaction being around 90% NCC and WDC as shown below.



Source: Council Annual Reports 2010, 2011, 2012

Asset management planning appears robust and captures key issues that each of the councils need to grapple with. These issues include:

- affordability in areas of static or declining population
- lack of overall asset condition ratings and staff resources in CHBDC and WDC
- infiltration from stormwater
- ongoing issues with resource consent conditions across a number of the plants
- major sea outfall replacement requirements for the large HDC and NCC plants.

Population projections indicate that the schemes in CHBDC and WDC may come under funding pressure as the areas start to de-populate over the next 20 years. This position may be enhanced through:

- planning and operating all systems as a single regional network
- joint procurement
- utilising “network” pricing to smooth out localised expenditure spikes
- enhanced operation of the schemes through application of potentially higher operator capacity and capability available in the larger HDC and NCC plants.

Hawke's Bay Region Wastewater Schemes

Number and distribution

	CHBDC	HDC	NCC	WDC
1.	Waipukurau	East Clive	Napier	Wairoa
2.	Waipawa			Tuai
3.	Otane			
4.	Takapau			
5.	Porangahau			
6.	Te Paerahi			
Total Plants	6	1	1	2
Length (kms)	86.8	390.1	367.0	92.9
Grand Total Waste Water				
Plants	10			
Length (kms)	936.8			

Hawke's Bay Region Wastewater Schemes

Plants with pending discharge and consent issues

	CHBDC	HDC	NCC	WDC
1.	Waipukurau	East Clive	Napier	Wairoa
2.	Waipawa			Tuai
3.	Otane			
4.	Takapau			
5.	Porangahau			
6.	Te Paerahi			

Key	
Wastewater consent issues	

4. PWC report on Hawke's Bay Region Stormwater Services

1. Legislative and planning context

Throughout the Hawke's Bay, territorial authorities are required, under part 7 of the Local Government Act 2002, to carry out assessments of all stormwater drainage in their districts. These assessments have to incorporate each council's intended role and proposal for meeting the current and future demands.

The Resource Management Act 1991 is another key piece of legislation which deals with various related stormwater aspects including discharges of contaminants into water, which in some instances requires resource consent and monitoring.

There are also a number of other related policy and planning documents that guide the provision of stormwater including:

- New Zealand Coastal Policy Statement 2010
- National Policy Statement for Fresh Management 2011
- Hawke's Bay Regional Resource Plan 2006 incorporating:
 - Hawke's Bay Regional Policy Statement 2006
 - Hawke's Bay Land Use and Freshwater Management Policy 2012.

Each of these policy and planning documents contain a number of directions and guidance which each territorial local authority must take account of.

The four district and city councils have asset management plans in place for stormwater services.

The Hawke's Bay Regional Council (HBRC) also has responsibility for river and flood planning management under the Soil Conservation and River Control Act 1941. For proper controls on activities in and around rivers, NBRC is also dependent on the local district councils to enact complementary bylaws to protect stop-bank integrity or scheme efficiency.

2. Hawke's Bay Councils overview

2.1 Central Hawke's Bay District Council (CHBDC)

CHBDC has two main stormwater areas in Waipawa and Waipukurau consisting of open watercourses and piped reticulation. Other small stormwater systems exist in some of the other townships but these are treated as roading or private property issues. CHBDC also acts as a financial coordinator for a private drainage scheme over a large area of farmland at Te Aute.

In terms of future influencing factors, district population growth is expected to remain stable but there is an expectation of population redistribution and industrial growth that may drive additional stormwater servicing requirements. The Asset Management Plan⁴⁰ also highlights a number of other issues including:

- limited staffing resources
- incomplete verification of stormwater assets

⁴⁰ CHB Stormwater AMP 2012-2022

- requirement to complete actual condition rating of key assets to form a better picture on which to base lifecycle management
- backlog of projects not included in the 2012/22 Long Term Plan totalling \$3m due to funding constraints highlighted in section 2.12
- lack of detailed planning for district future stormwater requirements.

Section 4.5.1 highlights that there are no current issues with resource consents, with no expiry due until 2025. However, the plan indicates HBRC is reconsidering their requirements for stormwater consents with a focus on whole of catchment as opposed to point discharges. If this change required CHBDC to develop formal catchment plans, this would impose a significant additional cost.

2.2 *Hastings District Council (HDC)*

HDC has a stormwater network⁴¹ of various configurations in Hastings, Havelock North, Whakatu, Clive, Haumoana, Te Awanga and the Plains area. These networks comprise pipelines, manholes, pump stations, roadside and outfall drains (drainage channels). Stormwater is fed into the receiving waters of the Karamu Stream, the Raupare Drain and the Clive River.

The Asset Management Plan confirms that HDC's key service level is for the network to cope with a 5 year storm standard. Current associated issues include:

- stormwater infiltration of the sewer network in Havelock North and parts of Hastings
- network not being able to completely cope with development densities permitted within the District Plan. Infill housing in particular is leading to a loss of open space, trees and pervious surfaces in town areas.
- growing awareness around stormwater quality

Current strategies to address these matters include the provision of low impact design principles for future developments, on site attenuation of peak flows and inclusion of treatment devices for stormwater quality improvements.

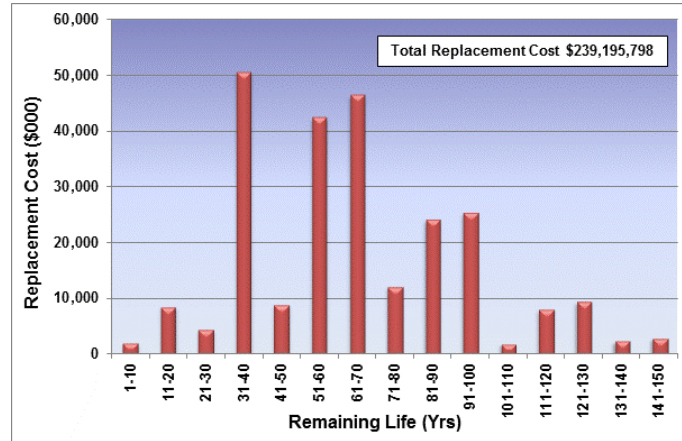
In order to comply with current resource consent discharge and dam safety requirements, the AMP confirms an expenditure requirement of \$2.8m during the 2012-2022 ten year planning period. In addition \$2.5m is required for various assessments and modelling and \$4.7m for backlog renewal works.

Growth related works are also significant, with \$9.5m budgeted for network improvements in residential and industrial development areas.

Asset condition is relatively positive, with the remaining life table below indicating the majority of asset lives are well in excess of 30 years.

⁴¹ HDC, Stormwater AMP – Executive Summary

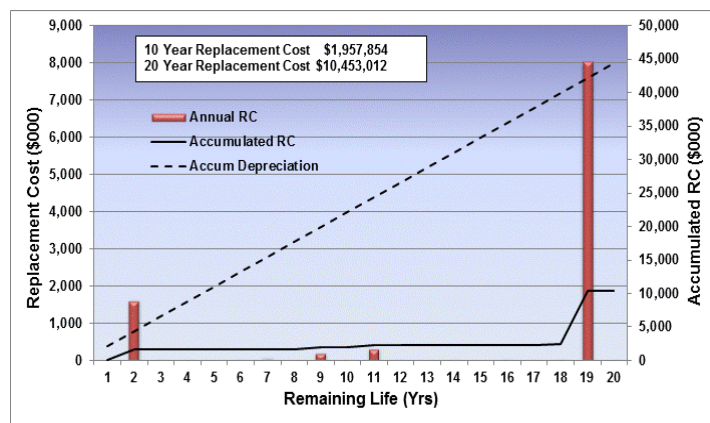
Remaining Life (All Assets)



Source: Section 1.11, Stormwater AMP – Executive Summary

This position is reflected in the 20 year renewal requirement chart below which indicated major replacement work will not occur until year 19.

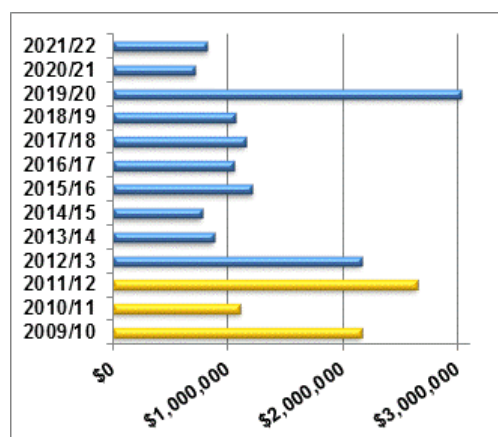
20 Year Renewals Requirements



Source: Section 1.11, Stormwater AMP – Executive Summary

Capital works over the next ten years are more 'lumpy' as identified in the following table and reflect planned new growth requirements.

New Capital Financial Requirements



Aside from addressing the new development needs highlighted, the AMP in section 1.4 confirms steady progress is being made in upgrading existing urban areas to meet the 5 year service standard.

2.3 Napier City Council (NCC)

NCC's stormwater disposal system⁴² consists of 215kms of pipe, 58kms of open drains and 10 pump stations within 13 separate drainage areas. Given the low lying nature of the city, generally stormwater disposal is dependent on pumping.

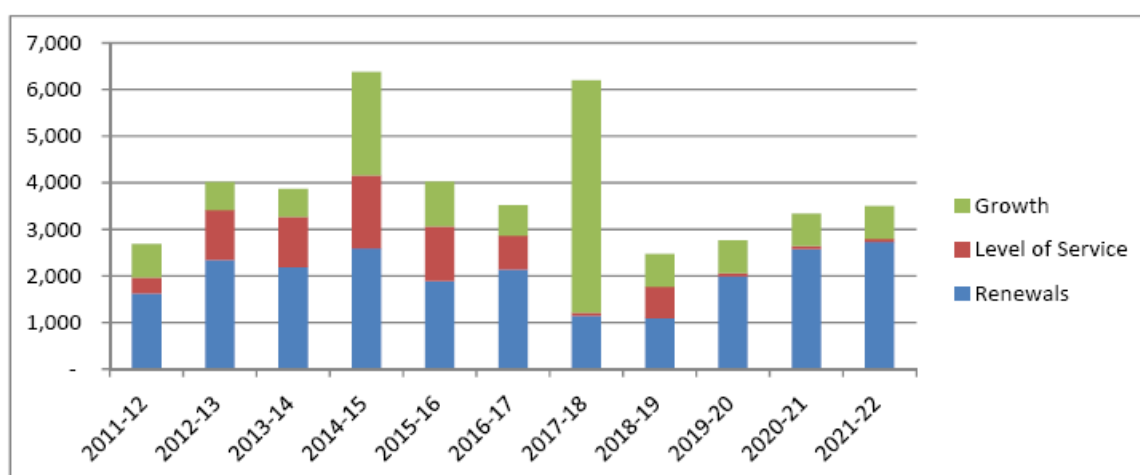
Issues arising with the system include:

- providing greater protection to properties against flooding
- providing adequate disposal systems for new developments
- addressing growing stormwater quality concerns

The AMP confirms recent satisfaction with the service is currently running at 88%, exceeding target which was set at 85%.

To address current issues, NCC has a significant investment programme to upgrade stormwater catchments totalling nearly \$30m over the 2012-2022 ten year period as highlighted in the following table from page 12 of the AMP.

Napier City Council Activity Management Plan – Stormwater 2012 in progress

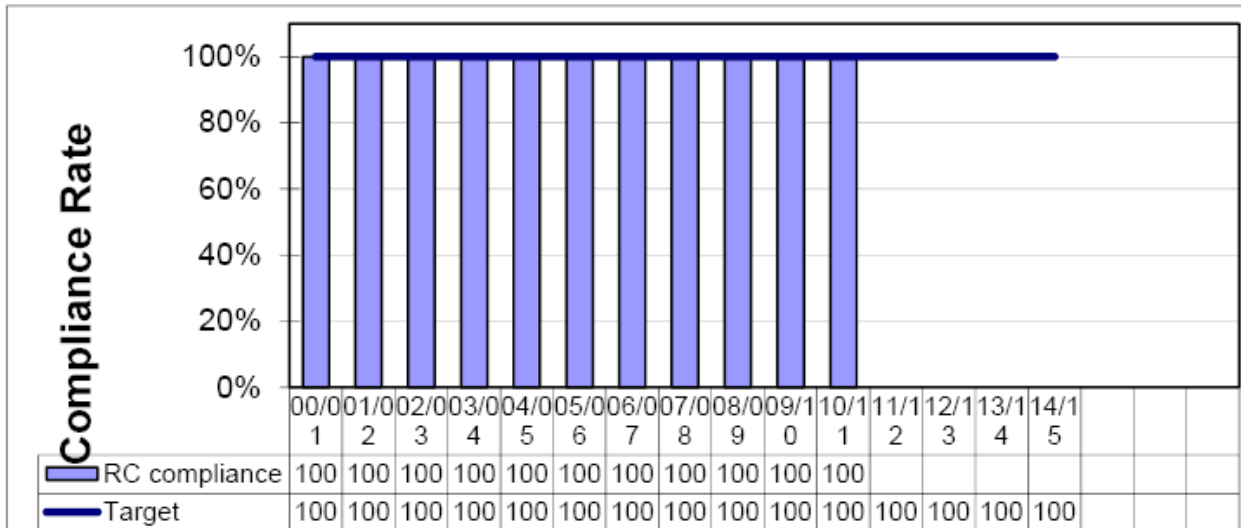


Source: NCC AMP, 2012

⁴² Draft, Activity Management Plan 2012, Stormwater, Napier City Council

Current regulatory compliance levels are rated 100% per table 3.3-b below.

Figure 3.3-b Historic Performance and Projections - Resource Consent Compliance



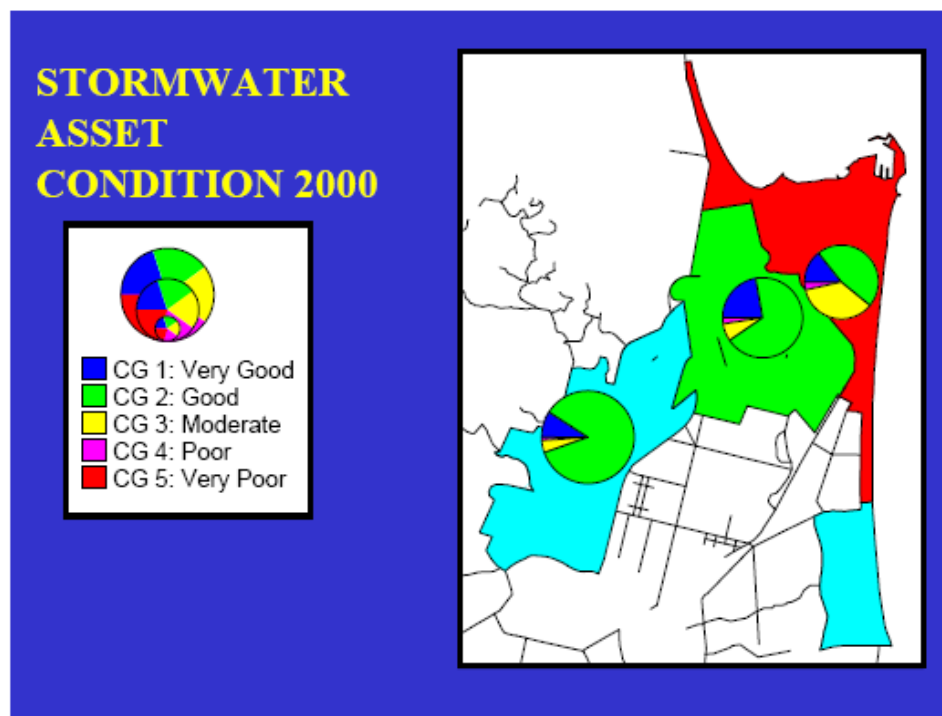
Source: NCCAMP, 2012

Future growth demands on the system appear modest with only 490 new residential properties forecasted in the first three years of the plan according to section 4.2.

In terms of asset life, a significant portion of the mains were installed in the 1960s and 1970s. Because 89% according to section 5.1.1 is reinforced concrete, the life expectancy is high. Aside from natural hazards such as earthquakes, the main risk relates to power failure which would stop the pumping stations from operating.

The state of the assets were captured by the 2000 condition assessment shown in figure 5.1-c overleaf.

Figure 5.1-c 2000 Condition Assessment

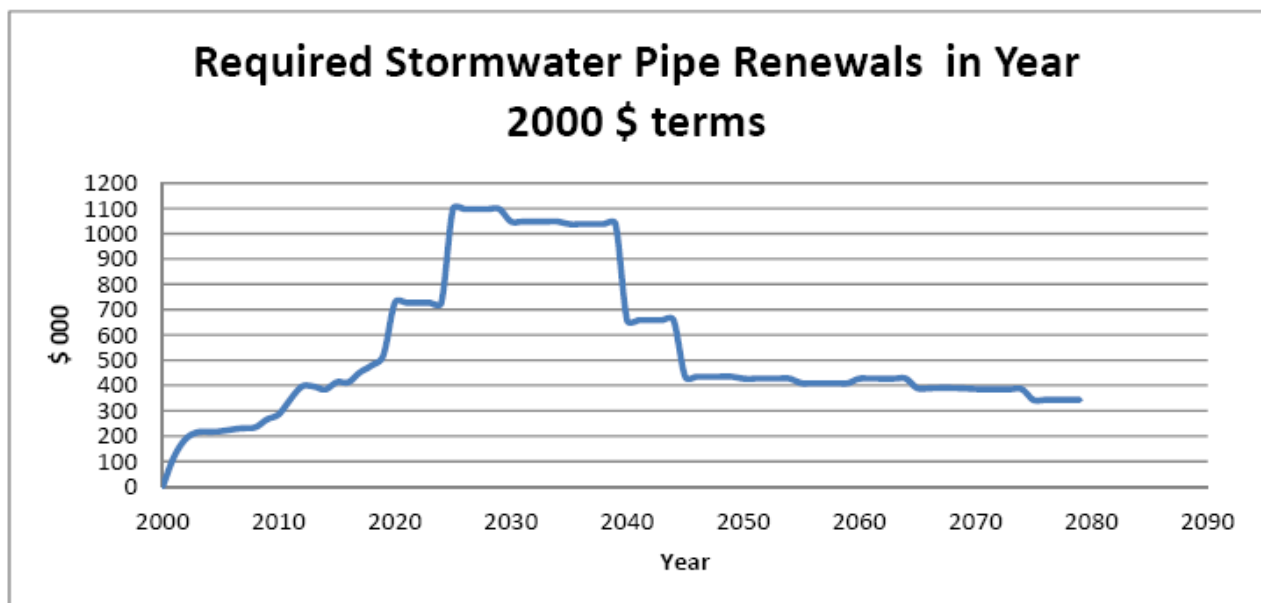


Source: NCCAMP, 2012

The key issue in this condition rating related to the older parts of Napier as highlighted in red.

Future renewal expenditure profile, is also consistent with the general overall rating as highlighted in Figure 5.3-a below.

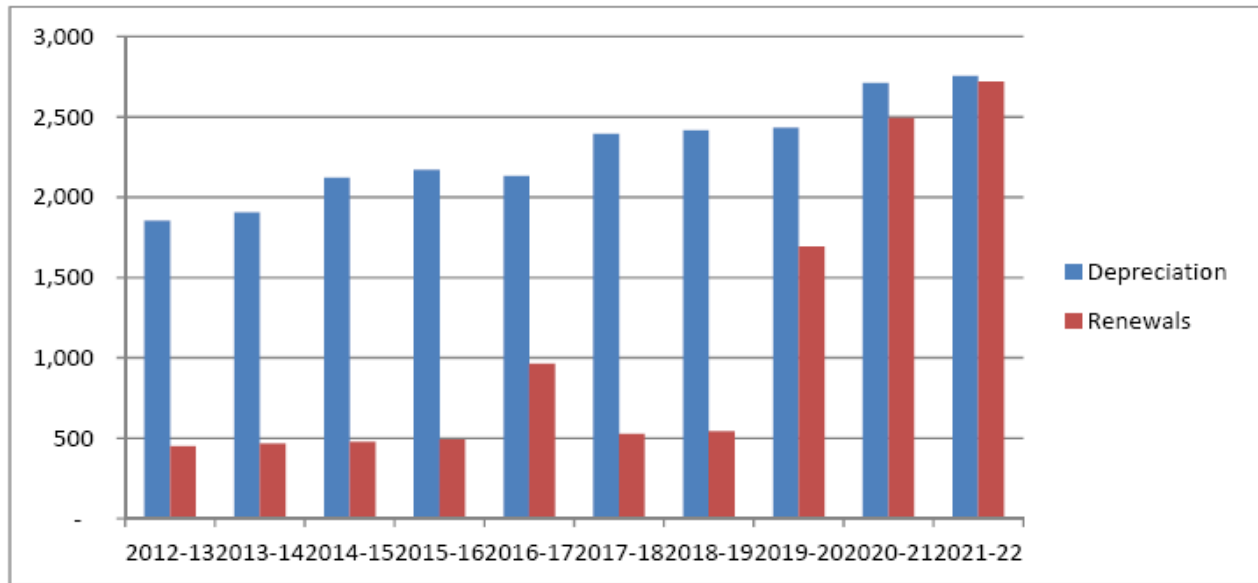
Figure 5.3-a Condition Based Renewals



Source: NCCAMP, 2012

Depreciation is running significantly higher than renewal spend due to the age profile. This is anticipated to reverse in the coming decade as the asset ages. Figure 5.3-6 overleaf confirms this profile.

Figure 5.3-b Renewal v Depreciation



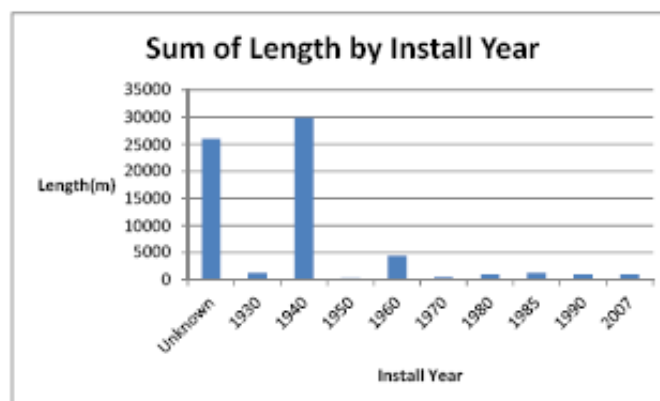
Source: NCC AMP, 2012

2.4 Wairoa District Council (WDC)

WDC stormwater assets are concentrated in Wairoa, Tuai and Mahia Beach. Other stormwater assets are generally considered as part of the roading asset. The main reticulated area is Wairoa township and predates 1948 when it was established by utilising the redundant sewage network which discharged directly into the Wairoa River.

Some more recent subdivisions in the 1960s required the installation of piped stormwater drainage. This historical development of the stormwater system is reflected in figure 5.1a from the Asset Management Plan⁴³ below:

Figure 5.1a – Wairoa Stormwater Pipe Age Distribution by Install Year



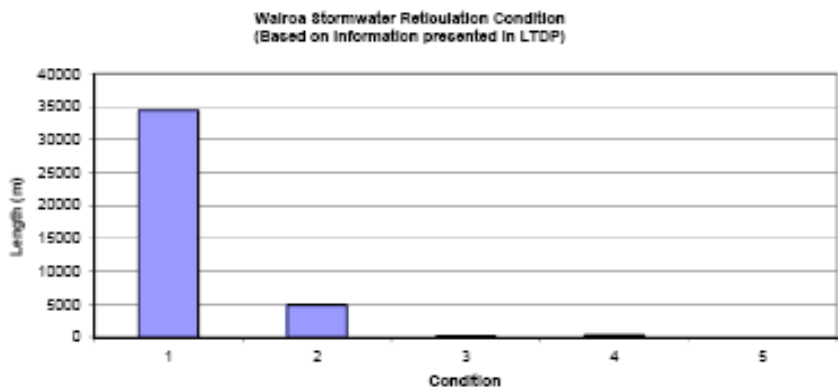
Source: WDC Asset Management Plan

⁴³ Stormwater Asset Management Plan, Wairoa District Council, July 2012

This indicates that over 75% of the stormwater pipes are over 50 years old. Also, section 5.1 of the AMP highlights that there has been insufficient CCTV surveillance to determine the material or condition of these pipes.

Although the AMP acknowledges the need for better condition assessments, limited visual inspections carried out in 2003, allied with the likelihood that the majority of piping is concrete or earthenware, has provided the theoretically high condition rating shown in figure 5.3 below:

Figure 5.3 – Wairoa Stormwater Retiulation Condition

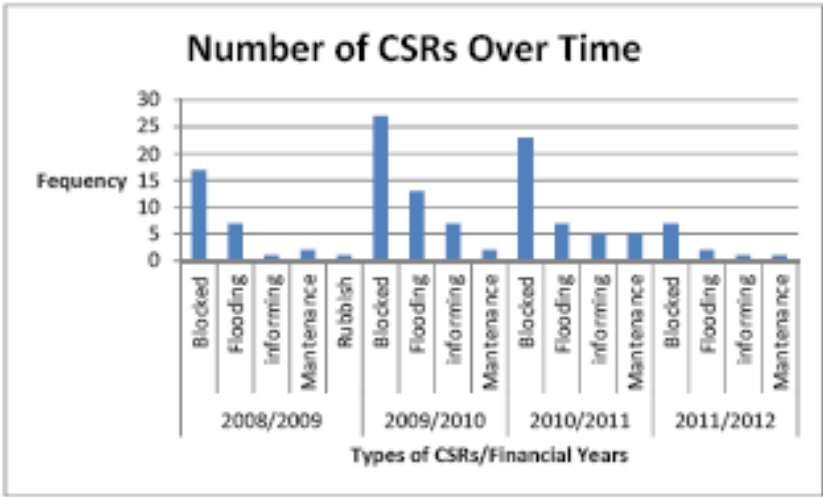


Source: WDC Asset Management Plan

Ratings of 1 and 2 related to excellent and good condition. This theoretical assessment of condition and by default performance, appears to be supported by both the level of customer complaints and satisfaction levels.

Customer complaints as shown in table 2.2b are currently showing a positive downward movement:

Table 2.2b – CSRs by Type and Frequency



Source: WDC Asset Management Plan

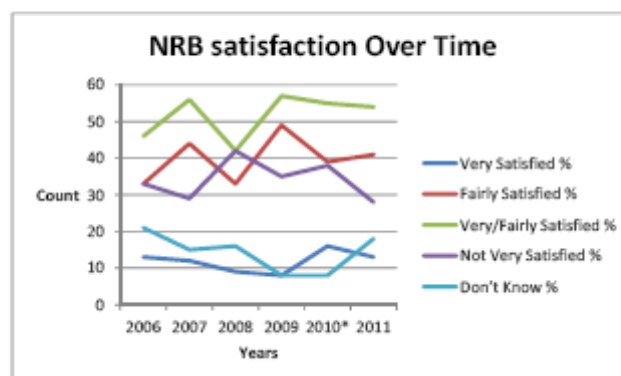
Similarly, customer satisfaction as measured across fair to very satisfied, is increasing as highlighted in table 2.2c and figure 2.2d overleaf:

Table 2.2c NRB Survey Results Overtime

Year	Very Satisfied %	Fairly Satisfied %	Very/Fairly Satisfied %	Not Very Satisfied %	Don't Know %
2011	13	41	54	28	18
2010*	16	39	55	38	8
2009	8	49	57	35	8
2008	9	33	42	42	16
2007	12	44	56	29	15
2006	13	33	46	33	21

* does not total to 100 due to rounding

Figure 2.2d - NRB Survey Results Overtime



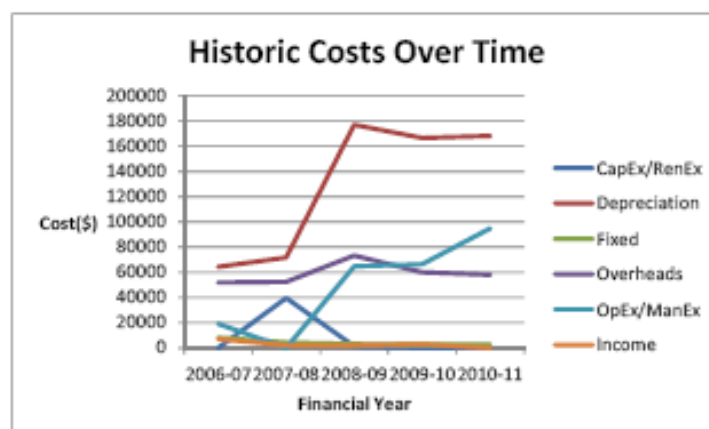
Source: WDC Asset Management Plan

Options for improving service levels are very limited. WDC is currently funded to pipe only 300m of open drains per year of the 22 kms in this category. This equates to a 100 year programme to fully pipe township open drains.

However, maintaining existing service levels is likely to be a larger risk given predicted population decreases across the district and future population's ability to fund the activity. In this regard the AMP highlights any decline in levels of service will potentially lead to extended periods of high water tables, aggravating Wairoa town's existing sewerage infiltration problems.

Annual expenditure in terms of operating is quite variable built across a low base of expenditure shown in figure 7.1 below.

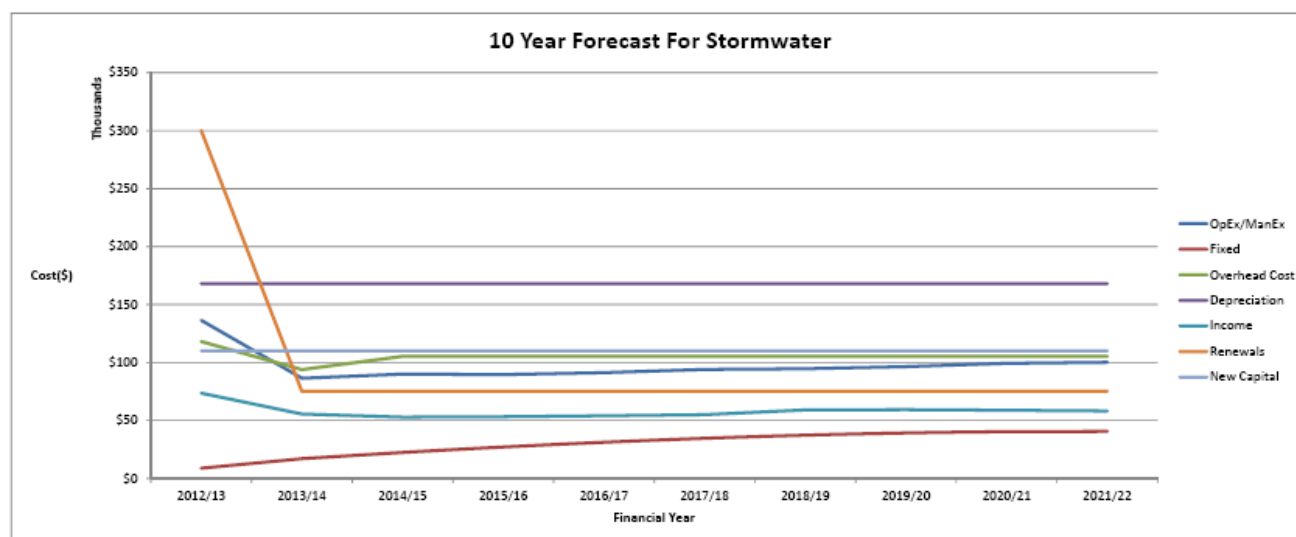
Figure 7.1: Stormwater Services – Historical Annual Expenditure



Source: WDC Asset Management Plan

The 10 year forecast shown in figure 7.3 overleaf shows a decline in both operational and renewal expenditure which is not explained in the AMP. The lack of condition assessments allied with higher current expenditures in both categories suggest this is an area that requires clarification.

Figure 7.3: 10-Year Expenditure Forecast Summary



Source: WDC Asset Management Plan

2.5 Hawke's Bay Regional Council (HBRC)

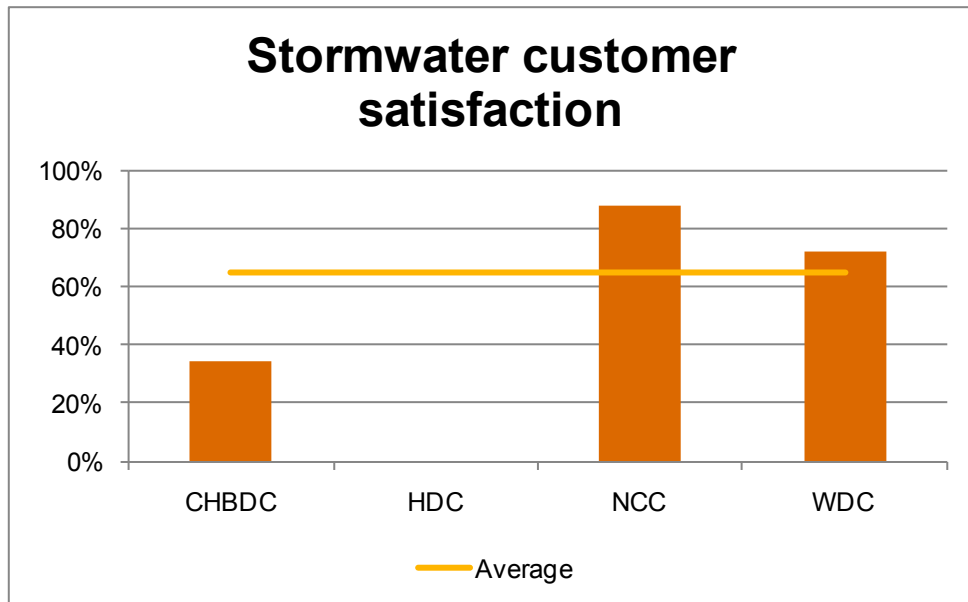
Generally, regional councils across New Zealand are responsible for flood control and river management in their catchment. The boundary between this activity and stormwater is not always clear but an understanding of the boundaries is normally developed with the associated territorial authorities.

Hawke's Bay has seven major river systems (Appendix One) in addition to many smaller rivers and schemes. This extensive network of waterways is reflected by a large number of small flood control schemes. Asset plans reveal (Appendix Two) ten main schemes with a total replacement value of \$35.5 million. These schemes include stop-banks, gates and drainage canals.

Although serving a valuable role in flood preventions, the value of this infrastructure appears minor compared to both other regional councils and associated territorials. As an example Napier City Council's stormwater values equivalent replacement value as reported in section 6.3 of their AMP is \$157.9m.

3. Present state versus future need

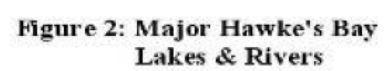
From a regional perspective the performance of stormwater services appears to be variable across the region. This position is reflected in recent customer satisfaction results shown below with CHBDC achieving the lowest rating albeit a small number of respondents.



These issues differ slightly across the region with:

- CHBDC and WDC having limited networks, limited ability to expand them and funding constraints with existing asset maintenance
- HDC and NCC being up to date from a backlog and asset age perspective but having other issues such as stormwater infiltration into the sewer networks and flooding.

From a regional governance perspective, the service of itself at a district level does not appear to present any major benefits from integration. Potentially there may be more benefit from a vertical integration with HBRC's river scheme programme than horizontal integration with the other districts.



Hawke's Bay Regional Council Flood Control Schemes

	Replacement Value \$m
Te Awanga	0.5
Esk	0.3
Kopuwhara	0.1
Makara	2.8
Ohuia	1.5
Paeroa	2.1
Poukawa	1.0
Tawhara	0.7
Whirimaki	0.9
Upper Tukituki	25.6
Total:	35.5m

Source: HBRC Flood Control Asset Database 2013-2014

5. PWC report on Hawke's Bay Region Solid Waste

1. Legislative and planning context

The Hawke's Bay territorial local authorities are required by the Waste Minimisation Act 2008 to develop waste management and minimisation plans. This legislation specifically outlines the form and content of these plans including:

- objectives
- policies
- targets
- delivery mechanisms
- funding plans.

The Act also requires councils to give regard to the New Zealand waste strategy which sets out the framework for the minimisation and management of waste.

These national rules are further reinforced by Rule 16 of the Operative Regional Resource Management Plan 2006, issued by the Hawke's Bay Regional Council, which confirms:

- management of waste on land is a permitted activity
- conditions relating to the onsite management of solid waste.

The territorial response to these rules and objectives has been consistent with each producing:

- the required mandatory plans
- plans that are strategically aligned given the generic waste reduction goals.

2. Hawke's Bay Council's overview

2.1 Central Hawke's Bay District Council (CHBDC)

CHBDC established its initial Waste Management Plan in 2001. This was subsequently replaced by a Waste Minimisation and Management Plan, adopted⁴⁴ by Council in the 2011/2012 financial year.

During this financial year, CHBDC also reported that the successful reduction of waste to landfill had enabled it to significantly extend the life of its landfill at Farm Road, Waipukurau. In addition it was able to enter into an agreement with Tararua District Council to take their municipal waste, reducing overall cost per tonne to ratepayers.

⁴⁴ Annual Report 2011/2012, CHBDC

In addition to the landfill, CHBDC operates four transfer stations and seven recycling drop off centres as follows:

Location	Transfer Station	Recycling drop off centre
Waipukurau	✓	✓
Waipawa	✓	✓
Takapau	✓	✓
Porangahau	✓	✓
Tikokino		✓
Otane		✓
Onga Onga		✓

Kerbside refuse collections are carried out across the district in all towns albeit kerbside recycling collection is restricted to the two larger towns of Waipukurau and Waipawa. These collection services are contracted out to Green Sky Waste Solutions Ltd whilst Infracon Limited operates the landfill.

CHBDC also has to manage eight closed landfills and according to its 2011/2012 Solid Waste Performance Report⁴⁵ had achieved 100% compliance with resource consents.

Customer satisfaction also scored well, being 85% compared to target of 80%. Although being down on target, it also reported record volumes of recycling were achieved in 2011/12 with 1,529 tonnes of hard recyclables and 2,383m³ of green waste composted.

Overall the activity does not appear to have any particular issues. The 2013/2014 Activity Annual Plan⁴⁶ reported slightly lower levels of income compared to Long Term Plan, but this has been accommodated through a combination of lower costs and landfill income reserve.

2.2 Hastings District Council (HDC)

HDC has a joint waste management and minimisation plan⁴⁷ adopted and published in June 2012 to meet the requirements of the Waste Minimisation Act 2008.

HDC operates the Omarunui landfill on behalf of itself and Napier City. Ownership is split 63.7% HDC and 36.3% NCC. The life expectancy of the landfill is substantial, being able to operate until 2068 on current volumes, albeit a new resource consent will be required in 2023 to allow expansion.

HDC's Asset Management Executive Summary⁴⁸ confirms that in addition to the landfill, it operates two refuse transfer stations at Blackbridge and Hastings. The Hastings facility incorporates a reuse and recycling drop off centre which is also a service provider at Havelock North.

Services incorporate:

⁴⁵ Page 34, Annual report 2011/2012 CHBDC

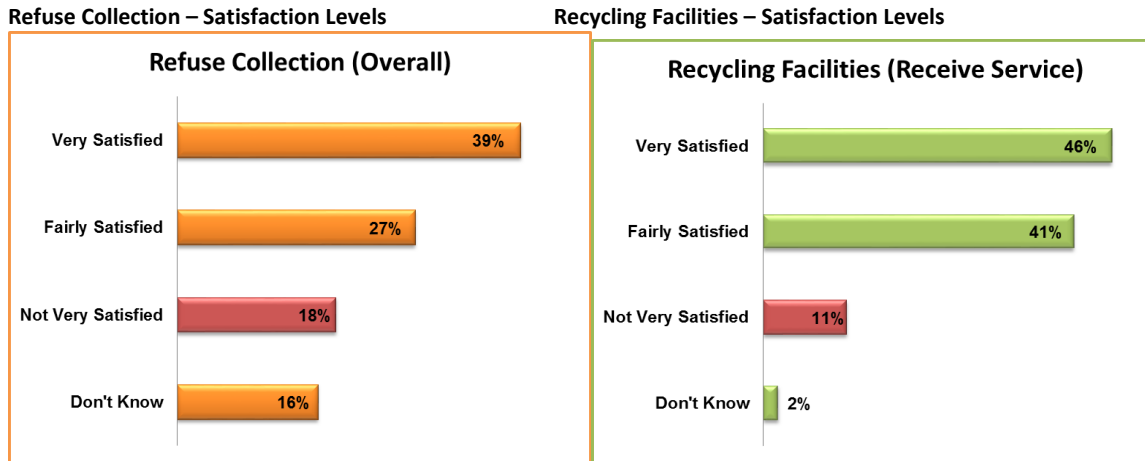
⁴⁶ Solid Waste Activity Annual Plan 2013/2014, CHBDC

⁴⁷ Joint Waste Management and Minimisation Plan, Hastings District Council and Napier City Council, 2012 to 2018

⁴⁸ Executive Summary, Asset Management Plan, Hastings District Council

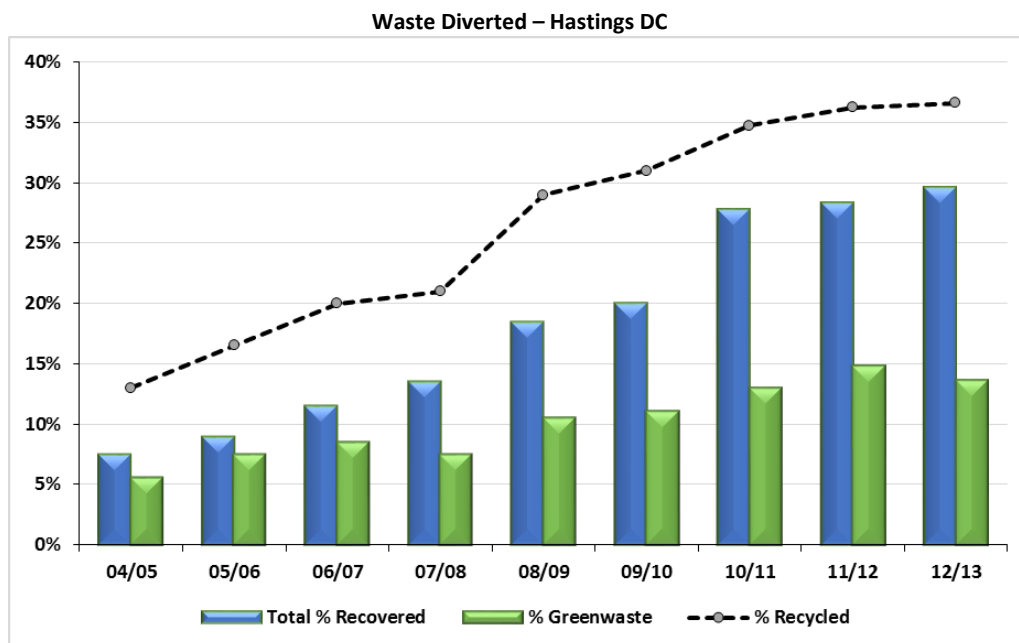
- weekly kerbside bag collection
- fortnightly kerbside recycling collections.

Satisfaction levels are mixed with table 4 highlighting satisfaction levels of 66% and 87% for refuse and recycling collection.



Source: Executive Summary – Solid Waste 2012

Waste diversion results are progressively increasing as highlighted in the table below.



Source: Executive Summary – Solid Waste 2012

Current issues tend to be service rather than asset based. Aside from the landfill resource consent required in 2023, the issues are focussed around matters such as the introduction of wheelie bins, supporting the rural community and dealing with problematic materials.

This position includes the situation with closed landfills. There are four being Tait Road, Roy's Hill, Blackbridge and Perkhill Road. Staff have confirmed each are consented and monitored with no contingent liabilities or clean up required. HDC does as a matter of course carry forward a closed landfill budget of \$85k for monitoring and any aftercare required.

2.3 Napier City Council (NCC)

NCC has a joint Waste Management and Minimisation Plan⁴⁹ adopted and published in June 2012 to meet the requirements of the Waste Minimisation Act 2008.

NCC utilises the Omarunui landfill which is based in and operated by HDC. Ownership is based on 63.7% HDC and 36.3% NCC. The life expectancy of the landfill is substantial, being able to operate until 2068 on current volumes.

NCC's Asset Management Plan⁵⁰ confirms that its other major asset is the Redcliffe Refuse Transfer Station which it wholly owns and operates. The facility also provides for collection of recyclables, hazardous and green waste. A second recycling facility is located in the Onekawa industrial area by Transpacific Allbrite Industries Ltd which currently provides the kerbside recycling contract for both NCC and HDC.

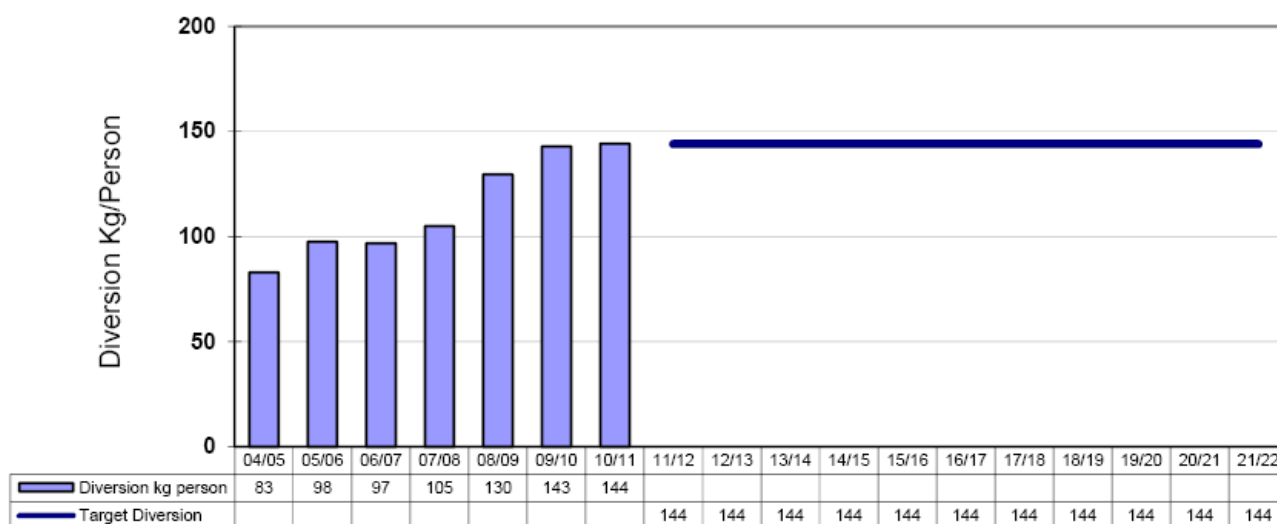
Actual solid waste services comprise:

- weekly kerbside collection of refuse
- fortnightly collection of recyclables
- an annual 'drop off' inorganic service for large domestic waste such as fridges and furniture.

There are seven closed landfills within the city boundaries with some monitored in order to comply with resource consents. This includes the Redcliffe Refuse Transfer Station which occupies the site of a closed landfill.

Performance results highlighted in the AMP include high customer satisfaction with a 92% refuse collection result in 2011/2012. Significant progress also appears to have been made with the diversion of waste from land as shown in figure 3.3-a below.

Figure 3.3-a 10 Year Projections – Quantity of waste diverted per capita



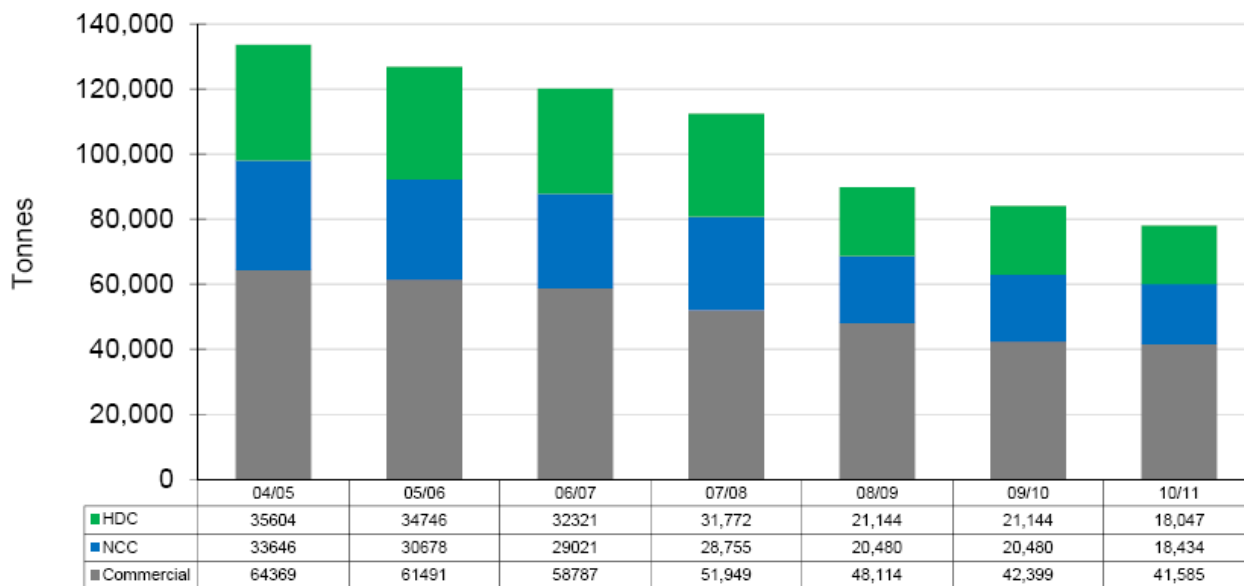
Source: Napier City Council Activity Management Plan – Solid Waste

⁴⁹ Joint Waste Management and Minimisation Plan, Hastings District Council and Napier City Council, 2012 to 2018

⁵⁰ Activity Management Plan 2012, Solid Waste, Napier City Council

This reduction is also reflected in overall combination tonnage going to landfill shown in figure 4.4-a below which incorporates HDC and commercial data.

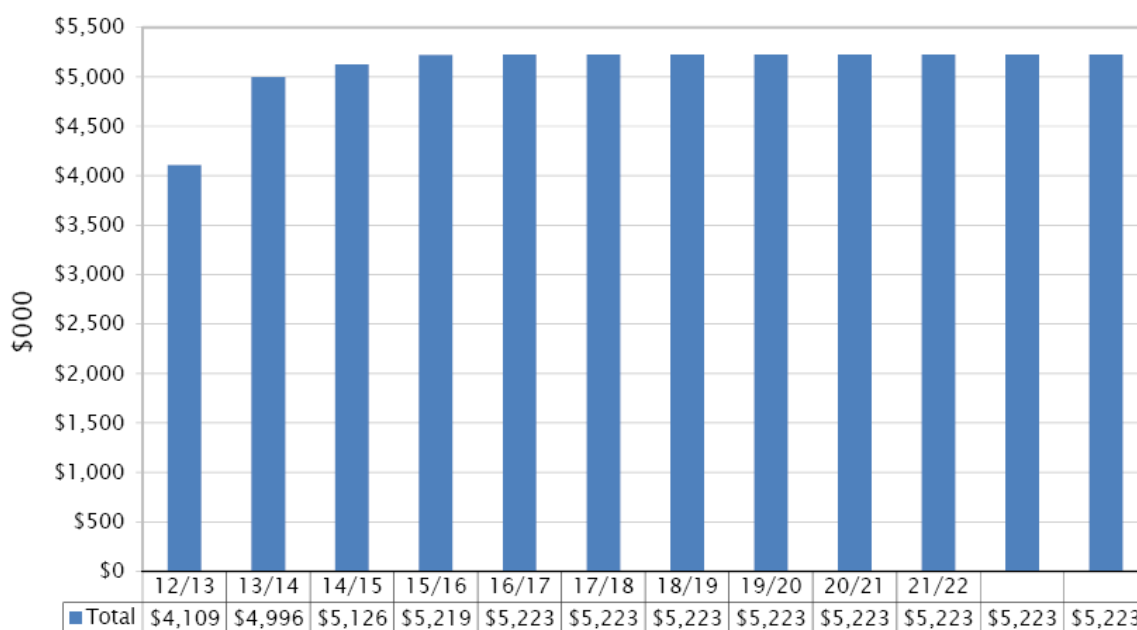
Figure 4.4-a Refuse to landfill by source for 2007/08 to 2010/11



Source: Napier City Council Activity Management Plan – Solid Waste

Operating costs for the Solid Waste Activity are forecasted to be relatively static over the life of the current LTP as highlighted in table 5.2-a below.

Table 5.2-a Projected Solid Waste Operating Costs



Source: Napier City Council Activity Management Plan – Solid Waste

Issues for this activity appear to be more service than asset based. The key asset issue relates to expiry of the current cell being used at Omarunui which is expected to be completed in 2023. A new resource consent will then be required to extend the life of this landfill.

Service based issues relate to matters such as the future composition of services to further encourage waste diversion and pricing of services.

2.4 Wairoa District Council (WDC)

WDC has a Waste Management and Minimisation Plan⁵¹ adopted in 2005 which is currently under review to make it consistent with the requirements of the Waste Minimisation Act 2008.

WDC operates a single landfill at Wairoa which was commissioned in the 2011/12 financial year and an associated recycling centre. Waste collection, disposal and recycling operations are all contracted out to Quality Roding Services Limited.

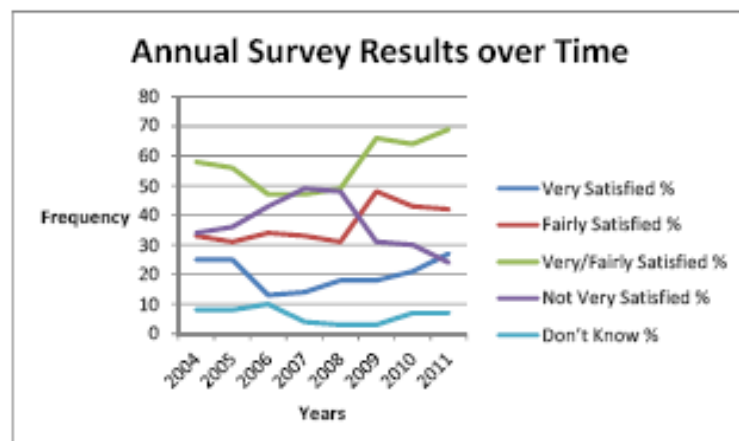
Services incorporate weekly collections of:

- bagged refuse in Wairoa and Frasertown
- bagged refuse from rural areas on designated collection routes
- recyclables in Wairoa and Frasertown.

In addition, various services are available at the landfill site including green waste, car bodies, hazardous waste and general waste diversion.

Customer satisfaction for both the collection and landfill services exceed 70% and those in the non-satisfaction category are showing marked declines as shown in figure 2.2.

Figure 2.2: NRB Communitrak™ Survey Results 2004 – 2011



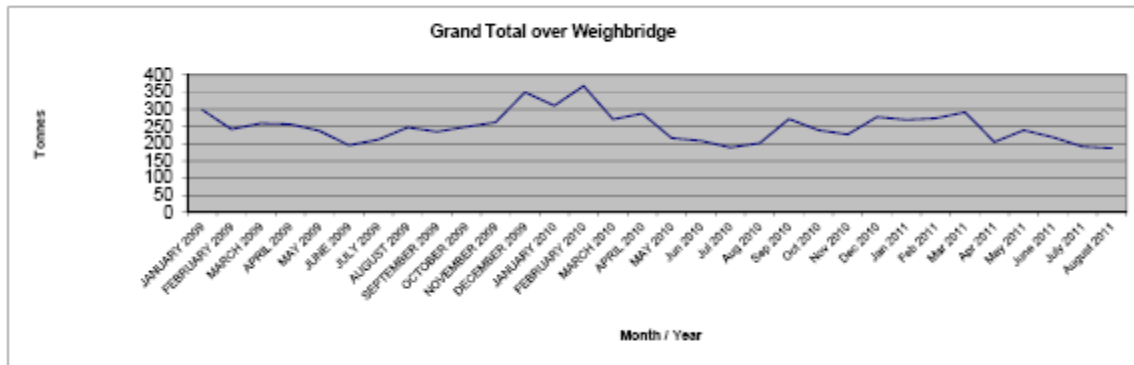
Source: WDC Waste Management Services Asset Management Plan

In terms of issues, declining demand as a result of population decreases allied with recycling diversion, may in the longer term have a direct impact on the viability of the landfill.

⁵¹ Solid Waste Management: Zero Waste to Landfill by 2010

Figure 3.1a below highlights this declining trend:

Figure 3.1a: Total Waste to Landfill by Month 2009 - 2011



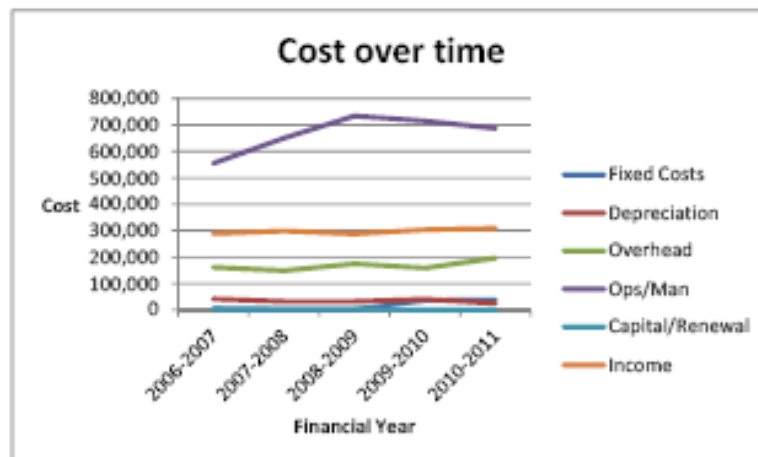
Source: WDC Waste Management Services Asset Management Plan

Current tonnage processed is around 3,000 tonnes per annum. Based on expected capacity of 90,000 tonnes noted in section 3.1 of the plan, the landfill has a useable life of close to 30 years.

This long life expectancy in itself is not unusual for these types of facilities. However, a potential issue will be the ability of the community to cover the fixed operating costs over the long term as tonnage continues to decrease. In this regard section 3.1 contemplates that there may be a time when the population will decrease so much that it will be uneconomical to provide the services in their current form.

Costs are relatively stable given the current state of the assets as profiled in figure 7.1 below.

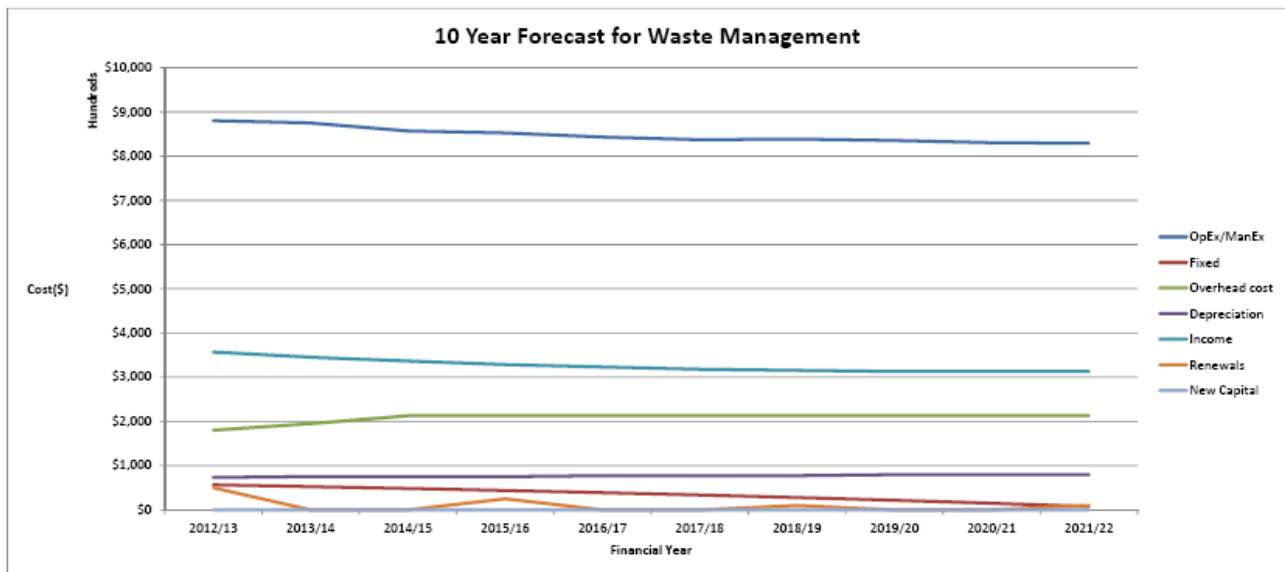
Figure 7.1: Waste Management Services – Historical Annual Expenditure



Source: WDC Waste Management Services Asset Management Plan

This stable picture is reflected in the ten year forecast captured in figure 7.2 which also reflects a decline in income and operating expenditure as would be expected with declining waste volumes.

Figure 7.2: 10-Year Expenditure Forecast Summary

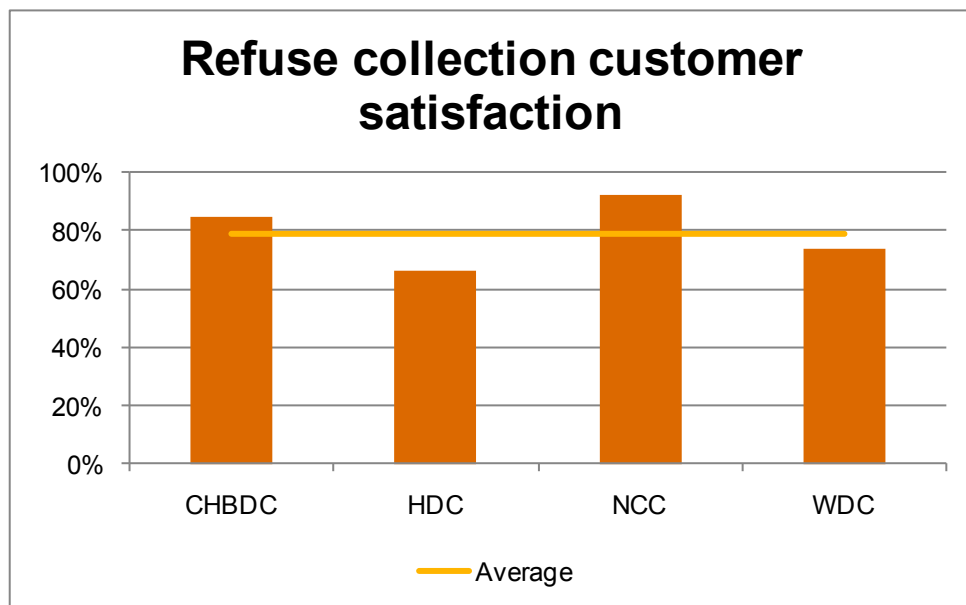


Source: WDC Waste Management Services Asset Management Plan

There appear to be no current resource consent issues with table A2 of the AMP indicating the earliest expiry is 2031.

3. Present state versus future needs

Current refuse collection services across the region receive mixed ratings by customers as evidenced by satisfaction survey results posted in the council AMPs and annual reports as shown below:



Source: Council AMP's and Annual Reports

Existing waste plan initiatives to reduce waste to landfill are achieving long term reductions. In WDC's case this is potentially problematic given the recent commissioning of a new landfill and its associated fixed costs.

The region taken as a whole has a comprehensive network of strategic assets comprising transfer stations and the long term industry standard landfills in CHBDC, HDC and WDC.

Landfill remediation does not appear to be an issue in this region.

Fixed costs apportionment per ratepayer however is likely to be accentuated by the predicted change in population, with population declines expected in WDC and CHBDC.

6. Regulatory and planning functions

Introduction

Each of the five councils in Hawke's Bay have separate regulatory and planning units, although there is a difference between the district councils and the regional council in terms of the integration of these functions with other activities. The regional council has a greater cross-over between its regulatory and planning and service delivery arms, and a primary role of directing district resource management planning.

The annual budget for district regulatory and planning activities varies between 3% and 7% of total expenditure. The level of expenditure on district planning is influenced by a range of factors including the number and type of applications received and the number of affected premises, monitoring visits and enforcements. This relates indirectly to the amount of economic activity in the district.

The percentage of total activity relating to regulatory and planning activities is notably higher for regional councils based on a far greater percentage of their mandate relating to investigation, monitoring and regulating the natural environment than for districts, which instead have a larger service delivery mandate for example in relation to roads, libraries and water supply. The level of regional regulatory and planning activity while still influenced by the economy, is more strongly dictated by legislative requirements, for example in environmental monitoring and regulation of coastal navigation and water quality.

What does regulatory and planning include?

The activities that fall under a planning and regulatory heading, as opposed to governance or operational service delivery, are typically:

- resource management planning (regional and district)
- environmental monitoring (largely regional)
- water and soil management planning (largely regional, with some district rules)
- transport planning (regional)
- coastal and marine planning (regional below MHWS)
- animal (including dogs) control (district)
- building consenting (district)
- resource consenting and plan monitoring (regional and district)
- environmental health monitoring and regulation including liquor, food outlets, gambling (district).

The following documents or part documents are produced as part of the councils' regulatory and planning obligations.

Table 1 – Local authority documents

Documents	HBRC	NCC	WDC	HDC	CHBDC	Potential to integrate
Long term plan	✓	✓	✓	✓	✓	❖
Annual plan	✓	✓	✓	✓	✓	❖
Regional transport strategy	✓					
Regional transport programme	✓					
Regional policy statement	✓					
Regional coastal plan	✓					
Water and soil plan	✓					
Discharge to air plans	✓					
Biodiversity strategies	✓					
Biosecurity plans	✓					
Dam regulation policy & consenting	✓					
Civil defence & emergency management plans	✓	✓	✓	✓	✓	❖
Reserve management plans	✓	✓	✓	✓	✓	❖
Heritage policy	✓	✓	✓	✓	✓	❖
District plans		✓	✓	✓	✓	❖
Resource consent guidelines	✓	✓	✓	✓	✓	❖
Monitoring guidelines	✓	✓	✓	✓	✓	❖
Building consent guidelines		✓	✓	✓	✓	❖
Environmental health policies/plans		✓	✓	✓	✓	❖
Liquor control policies		✓	✓	✓	✓	❖

Documents	HBRC	NCC	WDC	HDC	CHBDC	Potential to integrate
Financial contributions policy		✓	✓	✓	✓	❖
Development contributions policy		✓	✓	✓	✓	❖
Bylaws	✓	✓	✓	✓	✓	❖
Trade waste bylaws		✓	✓	✓	✓	❖
Stock bylaws	✓	✓	✓	✓	✓	❖
Dog control policies		✓	✓	✓	✓	❖
Asset management plans	✓	✓	✓	✓	✓	❖
Engineering standards		✓	✓	✓	✓	❖
Level of service agreements	✓	✓	✓	✓	✓	❖

Relevant patterns and trends

In terms of general competence the five councils do not stand out from their peers in terms of failing to meet processing times, use of statutory time extensions or other obvious process issues⁵². There appears to be no significant problems leading to costly process or poor levels of efficiency even in the smallest council, Wairoa given the current resourcing and demands on the service.

There is also some effort currently being put into reducing differences between plans and bylaws across Central Hawkes Bay, Hastings and Napier and establishing a shared Building Authority accreditation between the districts under a local authority shared services initiative of the five councils.

The population trends in the region, as indicated by the initial 2013 Census figures and Statistics NZ projections, show an ongoing and significant decline in Wairoa, the most isolated of the districts, a decline in Central Hawke's Bay, and moderate increases in both the Hastings and Napier.

The decrease in the outer parts of the region appears to be largely related to local employment prospects and the mix of economic activities occurring in these areas, as well as an ageing of the communities at a faster rate than in the metropolitan areas. Equally, the increase in Hastings and Napier relates to the success of an economy strongly based on natural resources and in Napier's case in particular, its success as a second tier tourism destination.

⁵² Based on processing statistics issued by the councils, the Ministry for the Environment (MfE) and comments received from the Ministry for Innovation, Business and Employment (MBIE)

The significance of the population trends lies partly in the ability of the two outer areas, particularly Wairoa, to continue to provide an efficient and effective level of regulatory and planning services into the future, given also the level of planning and administrative duplication across the district councils in particular. Both the Wairoa and Central Hawke's Bay Councils have a relatively small planning and regulatory team and rely on outside assistance for specialist input to a greater extent than either the Hastings or Napier Councils.

Resource consent process (RMA)

Based on the available information on resource consent applications and processing there has been an overall decline in the numbers of applications over the past five years reflecting the level of economic activity, in particular new development. The Wairoa numbers have been relatively stable, but at a low level consistent with the district population.

The capability of the councils to process applications on time has improved reflecting both the reduced number of applications and an overall improvement in organisational capacity. The use of s.37 extensions of processing time is also consistent with similar councils elsewhere in the country.

The level of notified applications as opposed to non-notified applications is consistent with that of peer group councils and reflects the emphasis in the legislation. The average cost of processing applications is also typical for similar councils elsewhere and any differences are explicable by the relative cost of site visits, the mix of application type and economies of scale, although the cost per non-notified application in Central Hawke's Bay is significantly lower than the others and may reflect a deliberate cross-subsidisation policy.

Both Hastings and Napier have greater capacity within the resource consent and engineering teams than either Wairoa or Central Hawke's Bay, but this reflects size. Both councils have mechanisms to provide specialist skills and review input and there is nothing to suggest that any of the district councils in the region are providing an inferior service, although there are likely to be improved efficiencies in pooling resources through shared services, transfer of obligations or combining of councils.

The regional council appears to be a competent resource consent authority and again there appear to be no questions as to resources or competence of the resource consenting functions, although some aspects of process for one or more of the councils could be questioned – see below.

Four councils delegate the decision-making for most applications to officers and involve independent commissioners for notified applications, with the exception of Hastings which used councillors only to hear notified applications over the past three financial years.

Each council appears to have a systematic approach to processing applications, but the Hastings Council from its responses to process questions, seems to lack formal guides for use by its staff for determining notification and environmental issues, but such issues are not related to scale or resourcing.

Table 2 – Resource consent processing statistics⁵³

Local authority	Number of consent applications	Processed on time	Use of s.37 to extend processing times
Central Hawke's Bay DC	2007/08 – 150	79%	
	2010/11 – 90	73%	0%
	2011/12 – 81	90%	1%
	2012/13 – 67	93%	2%
Hastings DC	2007/08 – 632	37%	
	2010/11 – 419	95.7%	2%
	2011/12 – 381	95%	0.5%
	2012/13 – 371	99.8%	3%
Hawke's Bay RC	2007/08 – 671	96%	
	2010/11 –	98%	15%*
	2011/12 –	99%	
	2012/13 –	100%	
Napier CC	2007/08 – 339	88%	
	2010/11 – 232	93%	1%
	2011/12 – 183	97%	2%
	2012/13 – 195	91%	2%
Wairoa DC	2007/08 – 62	77%	
	2010/11 – 45	100%	6.67%
	2011/12 – 48	98%	4.18%
	2012/13 – 65	100%	6.15%

⁵³ The statistics are drawn from both the MfE website and information supplied by the councils

Planning documents

Each council is responsible for producing a range of documents listed in table 1 above. Involved in this is considerable duplication of effort. Some effort is being put into harmonising the Napier and Hastings district plan rules and the coastal aspects of the Napier, Hastings and Central Hawke's Bay district plans. Other documents or part documents such as development standards and plan formats are being standardised at central government level.

Duplication of effort would however still remain. Although if amalgamation or transfer of obligations were to occur the time horizons involved in integrating the documents and producing a single regional set are at least five years. This applies particularly to resource management plans where the review periods are commonly 10 years apart.

Another advantage of structural reorganisation or transfer of obligations in planning matters is the potential for better integration of regional and district perspectives, policies and rules. This is unlikely to occur through shared service arrangements, as authorities wish to retain responsibility for planning and regulation where there is potential for liability – see below on shared service arrangements.

Building consents

All four district councils currently have a viable building consent and inspection teams, but the three southern councils, in particular, are seeking to form a single building consent authority (BCA) to process building applications to reduce duplication and overheads.

Building consent processing times⁵⁴ and code compliance inspections in all three councils appear to be consistent with national standards and each BCA is certificated and regularly assessed by IANZ (International Accreditation New Zealand). The Ministry for Business, Innovation and Employment, which is responsible for overseeing the building legislation, has indicated that there does not appear to be an issue with any of the Hawke's Bay BCAs at present given the historically low level of economic activity in the region as a whole.

One area that will need to be sorted through if reorganisation or transfer of obligations were to occur, would be the location of the staff or contractors to ensure that travel costs for site visits were managed appropriately across the region.

Environmental health

This covers a range of activities from dog control to noise abatement and inspection of food premises. Functions in this area are commonly contracted out and this group of activities is one of the most flexible in management terms along with parks and recreation maintenance, in terms of working through contractual arrangements.

There appear to be no issues in terms of present council service delivery in this area. The effort on any one component; for example dog control, varies according to whether the area is largely rural or urban, as does the type of issue arising.

⁵⁴ Statistics provided by the councils

Significant monetary savings are unlikely from reorganisation given the present degree of contracting out and small administrative bases within the existing councils, but there would be an improved level of coordination and fewer inconsistencies in terms of how the standards are applied.

Resource management monitoring

Much of the regional and district monitoring sampling is processed by a private laboratory in Napier. There would be little advantage to be gained in terms of economies of scale in combining the council efforts, however, better use of specialist skills may ensure from reorganisation in particular.

The level of water quality monitoring appears to be at the right level, although the issues arising from the Ruataniwha project indicates that more work may be required to determine the links between groundwater and surface flows. The main focus of the regional effort is currently implementing the National Policy Statement into its policies and plans.

Shared service delivery

One perceived restriction on councils exploring shared service arrangements is council fear of liability without oversight if it were to delegate regulatory functions such as building and resource consenting roles.

An example of previous problems is the leaky homes issue which often manifested in cases where the council wasn't in complete control of inspection and code compliance. There were, as a result, additional insurance ramifications for local authorities.

However, the circumstances of a regulatory council controlled organisation (CCO) option are different from delegating functions to a private provider and similar public liability insurance can be obtained for what is still a council activity with delegated (shared) implementation.

An argument against shared service arrangements and mechanisms like CCOs is that they are designed to separate council representatives from decision-making that is arm's length control, whereas elected representatives have traditionally been seen as an important safeguard in regulatory delivery.

This is unlikely to be a concern where operational services are delegated or contracted out either to a CCO or private contractor, as in parks and open spaces maintenance for example, and oversight is retained in-house. The argument has more force in governance-related areas such as strategic planning or organisational policy.

An argument against shared services is that in isolation they can reduce management and practical synergies between council activities. An example is divorcing roading from land use planning. If several activities are removed from direct management of council then that may have a significant impact on the internal capacity of the contributing councils.

A 2011 Local Government New Zealand study of shared services⁵⁵ did not show any examples of shared regulatory and planning services, possibly reflecting the perceived difficulties of managing

⁵⁵ <http://www.lgnz.co.nz/assets/Uploads/Shared-services.pdf>

legislative obligations through arm's length organisations. This may be a matter of perception rather than a 'real' problem and one that could be managed through good governance structures and delegations.

However, reorganisation may be a more simple and permanent tool for reducing duplications and generating efficiencies in the planning and regulatory areas. It also has the advantage of enabling greater coordination between functional areas within a single organisation.

Share services have tended to fail in practice when one or more of the contributing organisations make a political decision to reduce, renegotiate, remove or withhold support.

Other issues

An argument has been presented for retaining a separate regional consenting body largely based around the retention of checks and balances vis-à-vis territorial authority activities. In response to this, it is noted that existing unitary councils use a range of mechanisms for retaining a regional perspective and their success or failure depends on good management and governance practices that maintain necessary separation of activities.

A possible mechanism for retaining a separation of regulatory decision making and service delivery is via a CCO, or at least a separate component of the council or councils.

The increasing availability to all councils of standard (central government) template policies and bylaws for local government activities, for example in dog control, could significantly reduce the amount of duplication between councils in terms of process and, to some degree, content. An examination of the dog control bylaws for each of the territorial authorities in Hawke's Bay suggests they all based on the NZ Standard NZS 9201.1:2007 as the template for their bylaws. The degree to which this applies in other areas depends on the particular regulatory process.

Some of the planning and regulatory activities are not location specific, although public accessibility (electronically, by phone, and in person at service centres, etc), should ideally remain at least at the same level irrespective of future local authority structures. This would probably lead to some service centre rationalisation if regional and district activities were to be combined. Potentially surplus staff would likely be largely in generic and administrative job descriptions rather than specialist planning and regulatory skill-bases such as planners, water scientists, engineers or building inspectors.

Some activities are best delivered as close as practical to the activities concerned, such as building inspections and resource consenting monitoring, to avoid losing technical personnel productivity to significant levels of travel.

With respect to local authority planning and regulatory functions, generally the trend in central government regulations is that they are being designed to promote better performance through two main routes. One route is the introduction of national standards and guidelines, such as for building, water quality and environmental health. The second route, particularly in the case of the Building and Resource Management Acts, is to provide regional templates that allow for the similar policies and rules to be adopted.

This is likely to provide greater consistency and certainty over time and is an extension of existing approaches contained in the NZ Standards and templates referenced in statutory plans and good

practice guidelines on agency websites. It does not however, provide the consistency of a single set of rules and a single process.

Currently central government is amending the Resource Management and Local Government Acts to better define the envelope and methods for local authorities to calculate financial and development contributions on land development.

The above trends will continue irrespective of local authority reorganisation and are based on the principle of 'same service/issue, same plan or standard'.

Reorganisation could lead to more than one unitary authority being created this would still leave some duplication across the wider region. A possible mechanism to minimise this might involve the use of transfer of obligations between the new authorities.

Potential for efficiencies and savings

Amalgamations and other rationalisations typically find low levels of efficiencies and savings in administration areas in small organisations as administration numbers are usually low already, and further reductions then tend to lead to increased levels of administration by specialist staff, which is a non-productive use of scarce specialist resources.

This argument is supported by international research that tends to show that personnel heavy activities such as inspections and field monitoring have relatively low economies of scale on amalgamation, whereas amalgamating capital intensive activities involved in infrastructure such as roading tend to produce greater economies of scale.⁵⁶

Any improvements in the planning and regulatory fields are therefore most likely to stem from a reduction in the number of duplicate processes; for example, district plans, and in being able to afford more specialist skill sets across larger constituencies leading to enhanced productivity, rather than savings from reduced staff numbers.

It is noted that any reduction in general administrative staff would also have some effect on local employment, particularly in areas where employment is low as in Wairoa.

Reserves and open space planning

In regard to council responsibility for reserves and public open space, the districts currently carry out planning and contractual oversight work in-house and contract service delivery of maintenance and capital works. Contracting the service delivery is a standard approach taken by most small to medium councils and reflects the efficiencies to be gained from specifying standards and reducing in-house overheads.

Combining reserves and recreation planning in one regional unit, on the other hand, would be relatively simple to accomplish either via reorganisation or shared service arrangements and result in improvements arising out of increased specialisation. Increased economies of scope and improved

⁵⁶ See pp 171-174 in article by Dollery B. et al on "Population Size and Scale Economies in Municipal Services in Australasian Journal of Regional Studies, Vol 14, No2, 2008

strategic planning are likely to result from combining existing activities but financial savings may be minimal given much of the operational work is already contracted out.

Policies and bylaws under the Local Government Act

Four sets of district policies and bylaws, and one regional, is likely to result in significant duplication and unnecessary costs in relation to management of four separate consultation and decision making processes. The inefficiency is, however, partly mitigated by the availability of some model policies and bylaws.

Providing local communities continue to have input into the reviews of these policies and bylaws and local exceptions are facilitated (as in Auckland's local board areas), there appears to be no reason why a single regional set of documents could not replace the existing plethora of documents.

Overall, the most efficient arrangement structurally appears to be a single unitary council, as other options would still result in duplication of effort and inefficiencies and reduce the potential for a truly regional view of the environment.

Transferring planning and regulatory functions between councils has the fundamental problem of reducing internal council capacity in the council(s) doing the transferring, which would affect the long term viability of the core organisation.

A single unitary model in Hawke's Bay would on balance provide for greater regional consistency, which is one of the main benefits seen in restructuring internationally.⁵⁷ While amalgamation into a single unitary authority is not always necessary to obtain integration but as previously noted, experience indicates that more cooperative approaches appear unlikely and may not be as successful.

Summary and conclusion

Existing Hawke's Bay council regulatory and planning performance appears to be consistent with national levels.

There appear to be limited opportunities for immediate monetary savings in administrative areas of regulatory and planning functions in Hawke's Bay given these are small scale operations now. This finding is in line with international research in relation to amalgamations.

Opportunities for improvements are more likely to relate to consistency of approaches across the region and the removal of duplication in planning documents and processes. This would also lead to reduction of costs in the medium term (beyond a five year time horizon).

While the legislative framework is being altered to encourage more cooperation, this is not guaranteed and the full benefits of an integrated system are not likely to be available from shared services and the status quo, or transfers of obligations, which can reduce the capacity of the existing councils and in practice separate the management of some related functions from others.

⁵⁷ Reese L.A. – pp 603-604, Same Governance Different Day, article in Review of Policy Research, vol 21, No. 4, 2004. this also appears to be the experience in Australia

There are clearly a number of current regulatory and planning activities, in which there are varying degrees of duplication. One example is district planning, in which there are currently four sets of district policies and rules. Another is the preparation of Local Government Act policies and bylaws. A third is in the operation of separate regulatory and contract management units and their process protocols, standards and guidelines.

Central government policy and legislation is creating more opportunities to coordinate planning documents on a regional scale and provide national standards, but it will take some years before this bears fruit. It is also only a partial step towards creating more integrated, and potentially more efficient local government planning and regulatory delivery.

Given the above, reorganisation can be seen as likely to provide the best overall approach to obtaining improved efficiencies in planning and regulatory activities. Structural reorganisation would, all else equal, provide more surety than voluntary shared service arrangements given the tentative nature of past collaboration in the region and the perceived accountability, address liability and insurance issues.

7. Community facilities

Napier City Council (NCC)

The NCC 2013 annual report notes that the council provides the following recreation services and facilities:

- 15 sports parks
- several major facilities (McLean Park complex, Park Island, Nelson Park, Tareha Park, Rodney Green Centennial Events Centre)
- Napier Aquatic Centre (indoor heated facility)
- Marine Parade pools (4 heated outdoor pools, 5 spa pools)
- 36 neighbourhood parks, 46 green belt reserves, 9 foreshore reserves, 9 public gardens
- 95 inner harbour berths.

The council has developed a Park Island master plan designed to “significantly expand and enhance the city’s open space and recreation network and Napier’s outdoor sports facilities”. It aims, over the next 20 to 30 years, to work with sports organisations and other stakeholders “to turn the master plan a reality”. The report notes the council will be collaborating with HBRC and Hawke’s Bay Hockey for particular work to support the establishment of a third artificial hockey turf.

The report notes the council “continued to work in partnership with other councils in the region, regional sports organisations and Sport Hawke’s Bay towards developing the region’s existing sport and active recreation strategy into a better plan for Hawke’s Bay”.

The council also provides the following social and cultural services and facilities:

- 2 libraries (Napier and Taradale) with 38,000 members
- Napier Municipal Theatre (an art deco heritage building with a capacity of 993 including Pan Pac Foyer for exhibitions, functions and conferences)
- Museum Theatre Gallery Hawke’s Bay recently re-opened (including regional collection of heritage, art and artifacts managed under agreement with Hawke’s Bay Museum Trust)
- Community planning function (including community facilitation, grants administration, safer community, youth development and settlement support)
- 6 casual hall hire facilities and 2 leased facilities
- 303 retirement flats in 9 villages, and 72 rental flats in 3 villages
- 6 cemeteries (4 operational and 2 historic)
- 44 public toilets

Wairoa District Council (WDC)

Analysis of WDC's 2012 annual report and the council website shows the following community services and facilities are provided:

- 5 cemeteries (with day-to-day operations and maintenance carried out by private contractors)
- a network of parks and reserves (including 6 management plans for individual reserves)
- library
- community support including grants
- community centre (including indoor sports stadium, fitness centre, swimming pool and function facilities managed by Sport Hawke's Bay)
- 6 community halls
- Museum
- 5 pensioner flat complexes

Hastings District Council (HDC)

Analysis of HDC's 2013 annual report and the council website shows the following community facilities and services are provided:

- 4 cemeteries (with Hastings cemetery including the Hawke's Bay crematorium)
- 3 community centres
- art gallery
- sports centre
- Hawke's Bay Opera House (formerly Hastings Municipal Theatre)
- 9 elderly housing complexes
- 3 libraries
- Network of parks, reserves and playgrounds
- Sports Park Hawke's Bay (owned by HDC, with large commercial/private sponsorship and run by a trust)
- 5 swimming pools/aquatic facilities (not administered by HDC)
- 10 public toilet blocks

Central Hawke's Bay District Council (CHBDC)

Analysis of CHBDC's 2012 annual report and the council website shows the following community facilities and services are provided:

- 48 parks and reserves (maintained through facilities management contract)
- Waipawa swimming pool

- Waipukurau heated indoor swimming pool (owned and operated by Trust with financial assistance from CHBDC)
- 5 camping grounds (leased or licensed for operation)
- 23 public toilets
- 48 retirement flats
- 2 libraries
- 12 theatres/community halls (with 1 managed directly by CHBDC)
- 10 operational cemeteries and 4 closed cemeteries

Hawke's Bay Regional Council (HBRC)

The HBRC does not directly provide community services and facilities but may assist their provision by other parties including territorial authorities through mechanisms like its community facilities fund. The council approved funding of \$500,000 from this fund for both the Wairoa community centre upgrade and the Te Mata visitor and education centre. A further \$2 million is earmarked for regional hockey facilities subject to an agreed plan for hockey facilities from all parties.

8. Economic development activities

Napier City Council (NCC)

NCC's 2013 annual report shows \$9.1 million operating expenditure was allocated to 'city promotion' in 2012/13 being the fourth largest proportion and comprising 11% of total council operating expenditure. A further \$1.5 million was allocated for capital expenditure. The activity is defined as covering:

- city business and promotion (business advisory and facilitation services, business re-focus, business start-up facilitation, business mentoring)
- War Memorial Conference Centre
- National Aquarium of NZ
- Napier i-Site Visitor Centre
- Par 2 Mini Golf
- Kennedy Park Top 10 Resort.

Wairoa District Council (WDC)

WDC's 2012 annual report shows \$65,675 actual expenditure under the 'economic development' activity in 2011/12 compared to \$163,187 budgeted expenditure. The actual expenditure was 0.3% of total council operating expenditure, with a further \$21,897 spent on projects. Objectives of this expenditure were:

- ensure transport and infrastructure planning is coordinated for each community
- ensure active participation in the Tairāwhiti development partnership and achievement of key partnership outcomes
- ensure council plans and processes support the development of strategies for sustainable economic development
- support programmes aimed at restoring the productivity of Māori land and other marginal land types
- ensure the local delivery of national business development programmes
- encourage local networking and clusters
- attract new investment
- continue to provide a visitor information centre
- develop visitor and recreational amenities
- maintain funding support for destination marketing
- ensure responsible environmental practices are encouraged
- encourage enhancement of the town centre to ensure Wairoa retains an attractive retail centre.

Hastings District Council (HDC)

HDC's 2013 annual report identifies an 'economic and community development' activity actual expenditure on which was \$5.1 million compared to budgeted expenditure of \$5.4 million. Actual expenditure for this activity was 5.5% of total council operating expenditure. The report notes the following points as key aspects of the performance of this group of activities:

- slow economic conditions meant the council deferred its planned investment into some of its identified growth areas, while one further structure plan (for the Omaha Road industrial strip) was completed
- a successful partnership with Business Hawke's Bay, Hawke's Bay Chamber of Commerce and the Ministry of Business, Innovation and Employment saw successful inception of a high performance work programme for medium-sized firms
- programmes targeting skill development and work experience for youth via "Youth Futures" project were implemented
- in relation to tourism and visitor attractions, Splash Planet achieved record attendances, council allocated \$85,000 in direct support for events, and an i-site was established in Havelock North
- planning processes were undertaken in respect of Hastings CBD, Anderson Park and Waimarama communities, while a hapu development plan is in progress for the Omaha marae.

Central Hawke's Bay District Council (CHBDC)

CHBDC's 2012 annual report identifies a 'community leadership' group of activities which includes economic development and actual expenditure on this was \$197,000 compared to budgeted expenditure of \$134,000. Actual expenditure for the economic development activity was 0.66% of total council operating expenditure.

The economic development activity is largely delegated to a council controlled organisation 'CHB Promotions' and the CCO had three interrelated strategies for the period:

- CBD promotion (including operation of the Waipukurau i-centre)
- tourism marketing
- district business development.

The report notes that the council was successful in obtaining Department of Internal Affairs funding to assist with economic development in the district through funding for a community development coordinator.

Hawke's Bay Regional Council (HBRC)

HBRC's 2013 annual report identifies a 'strategic planning' group of activities which includes economic development and actual expenditure on this was \$1.4 million (\$70,000 less than that budgeted). Actual expenditure on economic development was less than 1% of total council operating expenditure.

The report identifies the following objectives for the period:

- achievement of indicators relating to HB Tourism Ltd, branding and visitors to region
- a review of the regional economic development strategy
- attracting external funding for research and development
- development of sustainable primary production programmes.

The council has established a council controlled organisation, Hawke's Bay Regional Investment Company (HBRIC), which is currently governed by a transitional board of directors appointed by the council. HBRIC's responsibilities are:

- to own and manage the investment assets and liabilities transferred to it by the council from time to time (includes managing the investment in Napier port following transfer of the council's shares, managing the feasibility assets of the Ruataniwha water storage scheme transferred by the council and responsibility for progressing the project to the conclusion of the resource consent application phase)
- make new investments and dispose of current investments in pursuit of its objectives
- investment in and management of a range of financial and physical assets in accordance with the council's investment policy
- raise funds for investment but at no time by selling any of the council's 100% shareholding in HBRIC or Napier Port without council undertaking a special consultative procedure
- assist its subsidiary and associated companies to increase shareholder value in regional prosperity through growth and investment.

Brian Smith Advisory Services Limited

Public Sector Financial and Management Services

Introduction

This report is on financial and service metrics of the five Hawke's Bay councils and includes:

- Relevant issues from pre-election reports prepared by council CEOs
- The remuneration of elected members, CEO and audit fees
- A summary at the end of each council's analysis.

Methodology

The following methodology was applied;

- The financial/economic metrics used were the financial performance indicators listed on page 3 (Step 2) of the Commission's assessment framework
- The metrics were applied to the five Hawke's Bay councils - Hastings District, Central Hawke's Bay District, Wairoa District, Napier City and Hawke's Bay Regional Councils
- The analysis was entirely desk top using the publicly available annual plans, annual reports, interim financial reporting for the 2012-13 financial year, pre election reports and the 2012-22 LTPs of the respective councils
- No contact has been made with council officers in preparing this analysis.

Format of Report

The information for each council is set out on the attached pages.

As an indicator of whether there are potential or existing financial issues I have used 'traffic lights':



Indicates no issues or concerns from the data reviewed



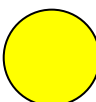



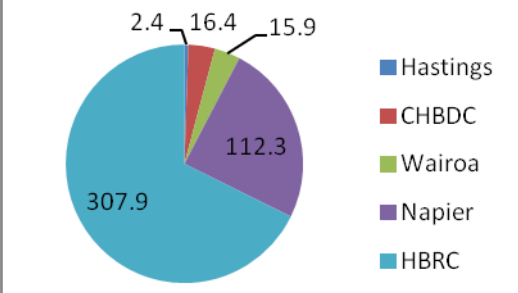
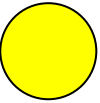
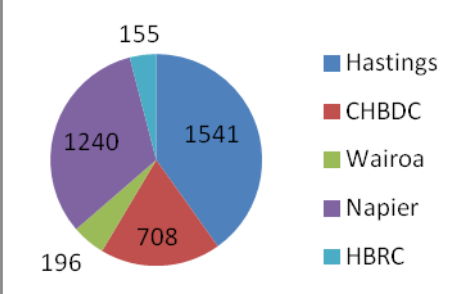




Indicates some concern or issues from the data reviewed



Flags concerns or potential issues that might need further analysis

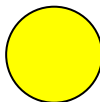
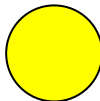
Hastings District Council – Overview


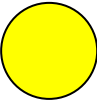

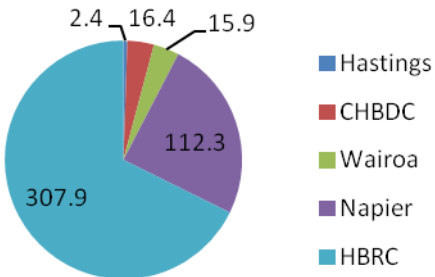

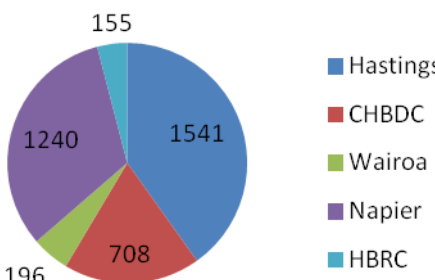

Aspect Reviewed	Comments	Indicator
HDC's financial strategy in the 2012- 22 LTP	<p>The major elements of HDC's financial strategy are:</p> <ul style="list-style-type: none"> • Rates increases limited to CPI plus 4% to cover natural disasters, levels of service increases and new initiatives • Debt and debt servicing managed within stated prudential limits –overall debt to peak at \$101m • Generation of additional funding sources via commercial and property investments and increased user charges • Renewal funding, with a 'just in time' replacement approach for non critical water assets • Development contributions to fund growth expenditure • Shared services with other Hawke's Bay councils 	
Pre-election report update	The recently released pre-election report cites council finances as being in a "healthy state". Expected rate rises to 2017 are under 4% a year (with the exception of 5% in 2016-17). Projected costs of major projects are outlined at \$39m over the next three years. Borrowings are expected to peak in 2016 and then taper off.	
<p>Good financial housekeeping</p> <ul style="list-style-type: none"> • Current year and previous 2 years financial results 	<p>For 2011-12 council incurred a deficit of \$1.1m compared to a budgeted deficit of \$2.5m. In 2010-11 a surplus of \$4.9m was posted against a budgeted surplus of \$1.1m. The 2009-10 year saw a deficit of \$1.1m.</p> <p>In council's March 2013 finances update the projected surplus for the full 2012-13 year was \$1.3m</p>	
<p>Good financial housekeeping</p> <ul style="list-style-type: none"> • Predicted surpluses/deficits 2012- 2022 • Predicted operational expenditure (opex) 2012-22 	<p>Over the 10 years of council's LTP, a collective surplus of \$119m is predicted. No deficits are predicted. This appears to be healthy scenario. However the surpluses in the early years of the LTP are lower than the latter years. The LTP predicted a surplus in 2012-13 of \$3.4m but (from above) it is more likely to be just over \$1m.</p> <p>Over the period of the LTP opex is expected to increase 30%. The year on year increases are below the average nationwide increase of 4% year on year with the exception of 2014-14 (4.6%).</p>	



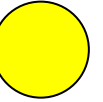

Investment in financial, forestry and commercial property assets (\$ millions at 30 June 2012)	 <p>Hastings has very small holdings of financial assets (\$2.4m)</p>																
Investment in physical assets (\$ millions at 30 June 2012)	 <p>Hastings has \$1.54 billion of physical assets or 40% of the total value of Hawke's Bay councils physical assets.</p>																
Predicted investment in assets	Over the LTP period predicted asset renewals total \$220m, compared with forecast depreciation of \$315m. The renewals/depreciation percentage is therefore 70%. The national council average is 75%. HDC's ratio is close to the average.																
Funding predictions <ul style="list-style-type: none"> • Rates • 'Revenue at risk' 	<p>From the LTP general rates (excluding targeted water rates) are predicted to rise about 3% -4% per year which is less than the year on year national average (5%). The rates revenue forecast in council's draft annual plan for 2013-14 is marginally lower than rates forecast for 2013-14 in the LTP.</p> <p>Revenue at risk has been assumed as revenue streams which are more susceptible to economic downturns, variability and central government funding caps (e.g. NZTA road subsidies). The following table outlines the situation at HDC.</p> <table border="1" data-bbox="478 1545 1388 1792"> <thead> <tr> <th>Revenue Stream</th><th>% of total HDC revenue 2012-22</th><th>Indicator of vulnerability (% of total revenue)</th></tr> </thead> <tbody> <tr> <td>Subsidies</td><td>13%</td><td>>20%</td></tr> <tr> <td>Development contributions</td><td>4%</td><td>>10%</td></tr> <tr> <td>Other income</td><td>21%</td><td>>30%</td></tr> <tr> <td>Rates</td><td>62%</td><td>No indicator</td></tr> </tbody> </table> <p>In a financial report to council on the nine months to 31 March 2013, it was noted that development contributions were \$1.4m down on expectations.</p>	Revenue Stream	% of total HDC revenue 2012-22	Indicator of vulnerability (% of total revenue)	Subsidies	13%	>20%	Development contributions	4%	>10%	Other income	21%	>30%	Rates	62%	No indicator	 
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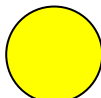
Summary	<p>From the public accountability documents it is observed:</p> <ul style="list-style-type: none"> • HDC is in a sound financial position but two of the last three years have been in deficit • Council has a high value of physical assets and it is investing in them over the LTP period • Council has miniscule financial assets • Council's debt climbs over the middle years of the LTP but settles back at the end of the 10 year period. Debt increases are linked to the extent of growth of the district. • Service performance information suffers from nearly one quarter of intended measures either not being measured or subsequently deemed not relevant. 	
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Central Hawke's Bay District Council (CHBDC) – Overview






Aspect Reviewed	Comments	Indicator
CHBDC's financial strategy in the 2012- 22 LTP	<p>CHBDC's financial strategy for the 2012-22 period can be summarised as follows:</p> <ul style="list-style-type: none"> • Growth in debt to fund wastewater projects; debt will peak in 2016-17 at \$16.6m • Rates increases will average 3.6% in the LTP period; there is a projected 6% increase in 2015-16 • There are predicted to be small deficits in 4 years of the LTP period; this represents years where the depreciation expense exceeds renewals • Council does not fully fund depreciation; over the LTP period \$23.6 of depreciation is not funded (representing about 18% of the collective depreciation expense) • Council aims to contain costs by maintaining existing levels of service • An intention to boost user pays by above average increases in targeted rates. 	
Pre-election report	<p>The Council's CEO has indicated that the issues in the LTP are still relevant but there are two additional issues that have since arisen – the prospect of council reorganisation in the Hawke's Bay and the proposed Ruataniwha water storage scheme. The Ruataniwha scheme will have huge consequences for the district through greater growth and employment but will also necessitate greater council spending on infrastructure.</p> <p>The pre-election report also notes the level of debt will reduce once the \$7m project to upgrade the wastewater treatment plant is completed in 2013-14.</p>	

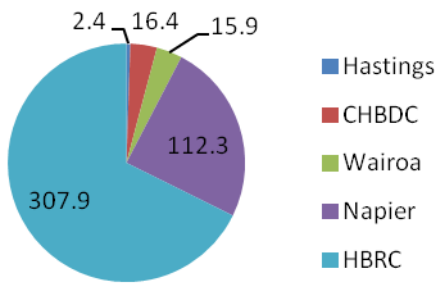

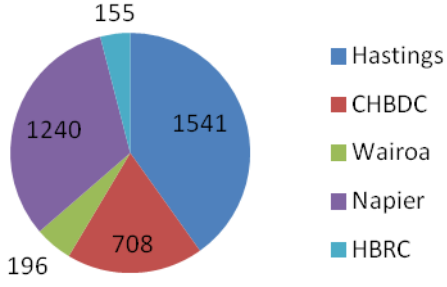

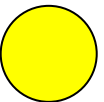

<p>Good financial housekeeping</p> <ul style="list-style-type: none">• Current year and previous 2 years financial results	<p>CHBDC’s financial outturn has been less than expected for the last two financial years.</p> <p>In 2011-12 a deficit of \$1.04m was incurred compared to a budgeted surplus of \$2.5m. Roading and wastewater expenditure was much more than expected.</p> <p>In 2010-11 the surplus was \$1.9m compared to a budgeted surplus of \$2.3m. The 2010 surplus was just \$0.5m.</p>											
<p>Good financial housekeeping</p> <ul style="list-style-type: none">• Predicted surpluses/ deficits 2012- 2022• Predicted operational expenditure (opex) 2012-22	<p>Over the 10 years of Council’s LTP the financial outturn is essentially breakeven. The surpluses and deficits hover around zero each year. The notes in the pre-election report indicate the rationale adopted.</p> <p>Over the period of the LTP opex is expected to increase 37%. The year on year increases approximate the average nationwide opex increases of 4% year on year.</p>	 										
<p>Investment in financial and commercial property assets (\$millions at 30 June 2012)</p>	<div><table><tr><td>Hastings</td><td>307.9</td></tr><tr><td>CHBDC</td><td>2.4</td></tr><tr><td>Wairoa</td><td>16.4</td></tr><tr><td>Napier</td><td>112.3</td></tr><tr><td>HBRC</td><td>15.9</td></tr></table></div> <div><p>Central Hawke’s Bay has \$16.4m of financial assets or 4% of the total value of Hawke’s Bay councils financial assets.</p></div>	Hastings	307.9	CHBDC	2.4	Wairoa	16.4	Napier	112.3	HBRC	15.9	
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<p>Investment in physical assets (\$ millions at 30 June 2012)</p>	<div><table><tr><td>Hastings</td><td>1541</td></tr><tr><td>CHBDC</td><td>708</td></tr><tr><td>Wairoa</td><td>196</td></tr><tr><td>Napier</td><td>1240</td></tr><tr><td>HBRC</td><td>155</td></tr></table></div> <div><p>Central Hawke’s Bay has \$708m of physical assets or 18% of the total value of Hawke’s Bay councils physical assets.</p></div>	Hastings	1541	CHBDC	708	Wairoa	196	Napier	1240	HBRC	155	
Hastings	1541											
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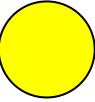
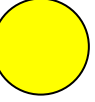


<p>Predicted investment in assets</p>	<p>Over the LTP period predicted asset renewals total \$129m, compared with forecast depreciation of \$133m. The renewals/depreciation percentage is therefore 97%. This compares favourably with the national council average of 75%.</p> <p>The 2013-14 annual plan has forecast renewals at \$13m, \$3m above that shown in the LTP for the 2013-14 year.</p> <p>The LTP does not disclose any growth-related capex, although this could change if the Ruataniwha scheme proceeds.</p> <p>Capex related to improvements to levels of service is only \$1.5m over the LTP period.</p>																			
<p>Funding predictions</p> <ul style="list-style-type: none"> • Rates • 'Revenue at risk' 	<p>From the LTP total rates are predicted to rise from \$16.2m in 2012-13 to \$21.9m by 2021-22 – overall 35% over 10 years. The average year on year increase is less than the national average (5%). The rates revenue forecast in council's annual plan for 2013-14 is \$0.5m above that forecast for 2013-14 in the LTP.</p> <p>Revenue at risk has been assumed as revenue streams which are more susceptible to economic downturns, variability and central government funding caps (e.g. NZTA road subsidies). The following table outlines the situation at CHBDC.</p> <table border="1" data-bbox="475 1167 1385 1447"> <thead> <tr> <th><i>Revenue Stream</i></th><th><i>% of total CHBDC revenue 2012-22</i></th><th><i>Indicator of vulnerability (% of total revenue)</i></th></tr> </thead> <tbody> <tr> <td>Subsidies</td><td>26%</td><td>>20%</td></tr> <tr> <td>Development contributions</td><td>negligible</td><td>>10%</td></tr> <tr> <td>Investment income</td><td>2%</td><td>No indicator</td></tr> <tr> <td>Other income</td><td>10%</td><td>>30%</td></tr> <tr> <td>Rates</td><td>62%</td><td>No indicator</td></tr> </tbody> </table> <p>Council, as a rural council with extensive roading, is particularly subject to any changes to the financial assistance from NZTA.</p>	<i>Revenue Stream</i>	<i>% of total CHBDC revenue 2012-22</i>	<i>Indicator of vulnerability (% of total revenue)</i>	Subsidies	26%	>20%	Development contributions	negligible	>10%	Investment income	2%	No indicator	Other income	10%	>30%	Rates	62%	No indicator	 
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<p>Borrowing and ability to service borrowing</p> <ul style="list-style-type: none"> • Debt predictions 2012-22 	<p>CHBDC's debt at 30 June 2012 was \$12.2m. Over the course of the LTP period the projected debt rises to \$16.6 in the middle years before falling to \$14.8m in 2022. Our benchmark for debt increases is debt at the end of the LTP period more than 30% above debt at the start of the period. CHBDC's net debt increase over this period is 21% although it does peak at 36% in 2018-19.</p> <p>The LTP figures may be somewhat historical (at least in the early years) as council's annual plan for 2013-14 indicates that debt at 30 June 2014 will be \$16.7m compared to the LTP June 2014 figure of \$12.8M.</p>																			

<ul style="list-style-type: none"> • Ability to service debt 	<p>CHBDC is able to service the predicted debt over the LTP period. Our measure of debt serviceability is the quantum of expected loan interest as a percentage of net cash flows from operations (after adding back loan interest). Our indicative benchmark is 20%. CHBDC's percentage range over the ten years is 8%-13%, with the average at 9%. However it is noted that debt appears (from the 2013-14 annual plan) to be initially higher than the equivalent period in the LTP so the timing and quantum of debt servicing may also change.</p> <p>Council has assumed the average of interest rates on debt in the LTP period as 8%. This is above the nationwide average of 5.9%.</p>	
Identification of major projects or issues	Refer to the pre-election section above.	
Disclosure of specific expenditure items for 2011-12 (from 2011-12 annual report)	<p>Elected member remuneration (including mayor):\$261k</p> <p>CEO remuneration: \$179k</p> <p>Audit fees - annual audit \$78k</p> <p>- LTP audit \$61k</p>	
Statement of service performance (SSP) information from the 2012 annual report	<p>In the service performance area of the annual report council has reported on 60 measures and targets.</p> <p>42 of the targets have been reported as met or partly met (70%).</p> <p>Some of the targets not met were in infrastructure services (e.g. many sewer pump stations malfunctions). Also the number of measures in essential service areas appeared minimal compared to other council service areas.</p>	
Summary	<p>From the public accountability documents it is observed:</p> <ul style="list-style-type: none"> • CHBDC is in a sound financial position but its financial outturn has been below expectations in the last two years • Council has a moderate value of physical assets and appears to be investing in them over the LTP period • Council has financial assets commensurate with its size • One quarter of council's revenue is from subsidies; the remainder of revenue is heavily dependent on rating income • Council's debt increases moderately over the middle years of the LTP but settles back at the end of the 10 year period; debt is well able to be serviced • Service performance information was light in respect of measures and targets in the essential services areas. 	

Wairoa District Council (NRC) – Overview




Aspect Reviewed	Comments	Indicator
WDC's financial strategy in the 2012- 22 LTP	<p>The main aspects of Wairoa's LTP financial strategy are:</p> <ul style="list-style-type: none"> • Council has had no debt but plans to borrow \$10m by 2022 to fund new works • Replacement of assets are funded from depreciation • Council has financial reserves of \$16m • A general problem is the declining population in the district • Rates increases are expected to be around 4% per year • Council is not fully funding depreciation on those assets funded by loan or subsidies. 	
Pre-election report	<p>The CEO's report notes that:</p> <ul style="list-style-type: none"> • The Mahia wastewater project is set to cost \$12.6m, and that MoH subsidy for this has increased from \$3.1m to \$5.5m • The Wairoa wastewater reticulation is ageing and the discharge consent expires in 2018 • The district's bridge stock is also ageing and a major task is to determine the replacement needs • Council has established an in-house infrastructure unit. 	
<p>Good financial housekeeping</p> <ul style="list-style-type: none"> • Current year and previous 2 years financial results 	<p>WDC's financial out-turn was solid in 2012 with a surplus of \$2.5m compared to a budgeted surplus of \$3.3m.</p> <p>In 2010-11 a small deficit was posted (\$0.3m) against a budgeted surplus of \$1.8m. In 2009-10 the surplus was \$0.9m.</p>	
<p>Good financial housekeeping</p> <ul style="list-style-type: none"> • Predicted surpluses/ deficits 2012- 2022 	<p>Over the 10 years of council's LTP a small collective surplus of \$6.3m is predicted. However the predicted 2012-13 surplus is \$7.1m meaning that the remaining nine years have a collective deficit of \$0.8m. The 2012-13 year anticipated the receipt of major subsidies. The 2013-14 annual plan indicates the projected surplus will be \$4.5m against an LTP forecast deficit of \$0.2m for the same period. Superficially this looks good but again there is high subsidy income (related to sewerage). A closer examination of the annual plan shows that the forecast rates income for 2013-14 is almost \$1m less than the rates predicted in the LTP for the same year.</p>	
<ul style="list-style-type: none"> • Predicted operational expenditure (opex) 2012-22 	<p>Over the period of the LTP opex is expected to increase by 35%. The year on year increases are slightly lower than the average nationwide opex increases of 4% year on year.</p>	

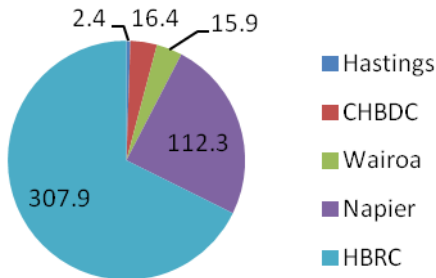
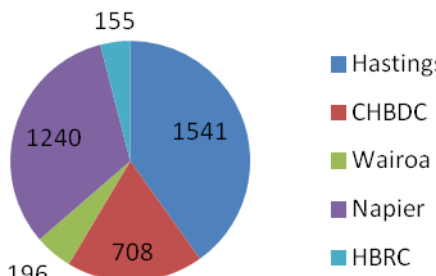
Investment in financial and commercial property assets (at 30 June 2012)	 <table><tr><th>Council</th><th>Investment (m)</th></tr><tr><td>Hastings</td><td>307.9</td></tr><tr><td>CHBDC</td><td>112.3</td></tr><tr><td>Wairoa</td><td>15.9</td></tr><tr><td>Napier</td><td>16.4</td></tr><tr><td>HBRC</td><td>2.4</td></tr></table>	Council	Investment (m)	Hastings	307.9	CHBDC	112.3	Wairoa	15.9	Napier	16.4	HBRC	2.4	Wairoa has \$15.9m of financial assets or 3.5% of the total value of Hawke's Bay councils financial assets.	
Council	Investment (m)														
Hastings	307.9														
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Investment in physical assets (millions at 30 June 2012)	 <table><tr><th>Council</th><th>Investment (m)</th></tr><tr><td>Hastings</td><td>1541</td></tr><tr><td>CHBDC</td><td>708</td></tr><tr><td>Wairoa</td><td>196</td></tr><tr><td>Napier</td><td>1240</td></tr><tr><td>HBRC</td><td>155</td></tr></table>	Council	Investment (m)	Hastings	1541	CHBDC	708	Wairoa	196	Napier	1240	HBRC	155	Wairoa has \$196m of physical assets or 5% of the total value of Hawke's Bay councils physical assets.	
Council	Investment (m)														
Hastings	1541														
CHBDC	708														
Wairoa	196														
Napier	1240														
HBRC	155														
Predicted investment in assets	<p>Over the LTP period predicted asset renewals total \$47m, compared with forecast depreciation of \$53m. The renewals/depreciation percentage is therefore 89%. This compares favourably with the national council average of 75%.</p> <p>The 2013-14 annual plan has forecast renewals at \$7m, \$2.8m above that shown in the LTP for the 2013-14 year. The LTP does not disclose any growth-related capex.</p> <p>Capex related to improvements to levels of service is high in 2012-13 at \$13.5m, reflecting the Mahia sewerage project investment. For the remaining nine years of the LTP the collective investment in levels of service improvement is \$3.9m.</p>		 												



<p>Funding predictions</p> <ul style="list-style-type: none"> • Rates • 'Revenue at risk' 	<p>From the LTP total rates are predicted to rise from \$9.6m in 2012-13 to \$14.1m by 2021-22 – overall 47% over 10 years. The average year on year increase is about the national average (5%).</p> <p>Revenue at risk has been assumed as revenue streams which are more susceptible to economic downturns, variability and central government funding caps. The following table outlines the situation at WDC.</p> <table border="1" data-bbox="475 640 1386 920"> <thead> <tr> <th><i>Revenue stream</i></th><th><i>% of total WDC revenue 2012-22</i></th><th><i>Indicator of vulnerability (% of total revenue)</i></th></tr> </thead> <tbody> <tr> <td>Subsidies</td><td>30%</td><td>>20%</td></tr> <tr> <td>Development contributions</td><td>Nil</td><td>>10%</td></tr> <tr> <td>Investment income</td><td>5%</td><td>No indicator set</td></tr> <tr> <td>Other income</td><td>16%</td><td>>30%</td></tr> <tr> <td>Rates</td><td>49%</td><td>No indicator set</td></tr> </tbody> </table> <p>Wairoa is heavily reliant on subsidies. The 30% in the table above reflects both the yearly NZTA roading assistance and also the MoH health subsidy.</p> <p>Wairoa also has an issue with long outstanding rates receivable. In the 2011-12 annual report it is noted that \$1.9m of rates receivable has been outstanding for 2 years or longer. Council, in its debtor "impairment" assessment, expects to receive \$737k of rate arrears out of a total of \$2.6m rates outstanding.</p>	<i>Revenue stream</i>	<i>% of total WDC revenue 2012-22</i>	<i>Indicator of vulnerability (% of total revenue)</i>	Subsidies	30%	>20%	Development contributions	Nil	>10%	Investment income	5%	No indicator set	Other income	16%	>30%	Rates	49%	No indicator set	  
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<p>Borrowing and ability to service borrowing</p> <ul style="list-style-type: none"> • Debt predictions 2012-22 • Ability to service debt 	<p>WDC did not have any external debt at 30 June 2012.</p> <p>The LTP forecasts debt to rise to \$10m early in the 10 year period and remain stable at this level. Council's 2013-14 annual plan is forecasting debt at 30 June 2014 at \$1.5m below the LTP figure.</p> <p>WDC is able to service the predicted debt over the LTP period. Our measure of debt serviceability is the quantum of expected loan interest as a percentage of net cash flows from operations (after adding back loan interest). Our indicative benchmark is 20%. WDC's percentage range over the ten years is 11%-20%, with the average at 16%. However it is noted that debt appears (from the 2013-14 annual plan) to be initially lower than the equivalent period in the LTP so the timing and quantum of debt servicing may also change.</p> <p>Council has assumed the average of interest rates on debt in the LTP period as 8%. This is above the nationwide average of 5.9%.</p>	 																		

Identification of major projects or issues	As noted in the pre-election report section.	
Disclosure of specific expenditure items for 2011-12 (from 2011-12 annual report)	Elected member remuneration (including mayor): \$210k CEO remuneration: \$188k Audit fees - annual audit: \$108k - LTP audit: \$96k	
Statement of service performance (SSP) information from the 2012 annual report	<p>WDC noted 180 service performance targets and measures in its 2011-12 annual report. Of these 126 were achieved – a 70% achievement rate. This compares with a 76% achievement rate in 2011.</p> <p>On closer review, however, it is apparent that achievement rates were lower for essential service areas. The following are examples:</p> <ul style="list-style-type: none"> • Water: 11 measures – 3 targets achieved, 8 not achieved • Stormwater: 7 measures – 3 targets achieved, 4 not achieved • Solid Waste: 14 measures – 8 targets achieved, 6 not achieved • Transport: 12 measures – 6 targets achieved, 6 not achieved. 	
Summary	<p>From the public accountability documents it is observed:</p> <ul style="list-style-type: none"> • WDC recorded a surplus in 2011-12 but, from its LTP data, is poised to only break even for the collective 10 years ahead • Council has high rate arrears; latest predictions of rates income is down on that forecast in the LTP • Council is heavily dependent on grants and subsidies • Council has a lowish value of physical assets (when compared to other Hawke's Bay councils) but appears to be investing in them over the LTP period • Council has financial assets commensurate with its size • Council's debt increases to a moderate level from a zero base; debt is well able to be serviced • Service performance information indicates that a number of measures and targets are not being met in the essential services areas. 	

Napier City Council (NCC) – Overview

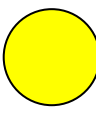
Aspect Reviewed	Comments	Indicator
NCC's financial strategy in the 2012- 22 LTP	<p>The main aspects of NCC's proposed financial strategy for 2012-22 are:</p> <ul style="list-style-type: none"> • Limiting rate increases to no more than 1.1% above CPI increases • Self funding approach to new projects – internal funding for capital projects (i.e. no external borrowing) • Balancing demands for increased levels of service with the expected costs of those increases • No significant rise in base expenditure • Asset renewals are funded annually mainly from rates 	
Pre-election report	<p>Napier has a very comprehensive pre election report. The significant aspects are:</p> <ul style="list-style-type: none"> • Finances are seen as “very healthy” • All external debt will be cleared by 2016 • Projected rate increases average 3.7% annually. Rates increases likely to be \$14m less than the LTP prediction for rate increases in the period to 2017 • Property development activities of council will generate significant revenue • A substantial proportion of growth related capex will be funded via development contributions, though contributions are expected to be less than that forecast in the LTP • Major projects include advanced wastewater treatment estimated at \$36m, of which \$34m is already funded • Comment to the effect there is a \$39m gap between present investment in roading and ideal standards for roading. 	
<p>Good financial housekeeping</p> <ul style="list-style-type: none"> • Current year and previous 2 years financial results 	<p>In 2011-12 council's surplus was \$18.7m compared to a budgeted surplus of \$21m. The shortfall to expectations was mainly due to development property sales slow to come through and less grant money received (in respect of museum and art gallery). Council also notes that fewer visitor numbers has impacted on council's tourism activities.</p> <p>In 2010-11 council's surplus was \$13.9m against a budgeted surplus of \$23.3m. The reasons given for the shortfall were much the same as for 2011-12. In 2009-10 the surplus was \$16.5m.</p> <p>The pre-election report stated the estimated surplus for 2012-13 is \$8.3m.</p> <p>Thus, over a four year period, council's surpluses total around \$58m.</p>	

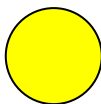
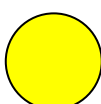

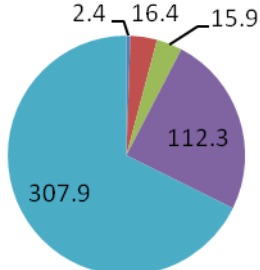

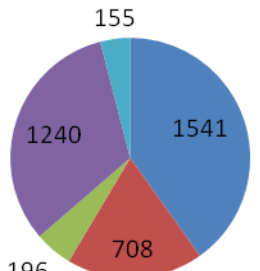

<p>Good financial housekeeping</p> <ul style="list-style-type: none">• Predicted surpluses/deficits 2012- 2022• Predicted operational expenditure (opex) 2012-22	<p>Over the 10 years of council’s LTP a collective surplus of \$108m is predicted. The yearly surplus predictions are relatively even; a \$16m surplus was predicted in the LTP for 2012-13 but the pre-election report has halved this to \$8m. No deficits are predicted in any year.</p> <p>Over the period of the LTP opex is expected to increase by 37%. The year on year increases are slightly lower than the average nationwide opex increases of 4% year on year.</p>	<div></div> <div></div>												
<p>Investment in financial and commercial property assets (\$ millions at 30 June 2012)</p>	<div><table><tr><th>Council</th><th>Investment (\$ millions)</th></tr><tr><td>Hastings</td><td>307.9</td></tr><tr><td>CHBDC</td><td>2.4</td></tr><tr><td>Wairoa</td><td>16.4</td></tr><tr><td>Napier</td><td>112.3</td></tr><tr><td>HBRC</td><td>15.9</td></tr></table></div> <div><p>Napier has \$112.3m of financial assets or 25% of the total value of Hawke’s Bay councils financial assets.</p></div>	Council	Investment (\$ millions)	Hastings	307.9	CHBDC	2.4	Wairoa	16.4	Napier	112.3	HBRC	15.9	<div></div>
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<p>Predicted investment in assets</p>	<p>Over the LTP period predicted asset renewals total \$169m, compared with forecast depreciation of \$290m. The renewals/depreciation percentage is therefore 58%. This compares with the national council average of 75%.</p> <p>Capex to improve levels of service is forecast at \$69m in the LTP for 2012-22. The growth related capex forecast is \$81m over the LTP period.</p>	<div></div>												
<p>Funding predictions</p> <ul style="list-style-type: none">• Rates	<p>From the LTP total rates are predicted to rise from \$45.5m in 2012-13 to \$61.9m by 2021-22 – overall 36% over 10 years. The average year on year increase is about the national average (5%).</p>	<div></div>												



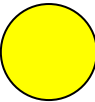
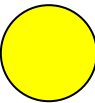
<ul style="list-style-type: none"> • 'Revenue at risk' 	<p>Revenue at risk has been assumed as revenue streams which are more susceptible to economic downturns, variability and central government funding caps (e.g. NZTA road subsidies). The following table outlines the situation at NCC.</p> <table border="1" data-bbox="475 398 1393 678"> <thead> <tr> <th><i>Revenue stream</i></th><th><i>% of total NCC revenue 2012-22</i></th><th><i>Indicator of vulnerability (% of total revenue)</i></th></tr> </thead> <tbody> <tr> <td>Subsidies</td><td>5%</td><td>>20%</td></tr> <tr> <td>Development contributions</td><td>3%</td><td>>10%</td></tr> <tr> <td>Investment income</td><td>1%</td><td>No indicator</td></tr> <tr> <td>Other income</td><td>41%</td><td>>30%</td></tr> <tr> <td>Rates</td><td>50%</td><td>No indicator</td></tr> </tbody> </table> <p>It is assumed that much of Napier's investment income has been treated as "other income" as the investment income in the table looks low given the quantum of financial investments the council has.</p>	<i>Revenue stream</i>	<i>% of total NCC revenue 2012-22</i>	<i>Indicator of vulnerability (% of total revenue)</i>	Subsidies	5%	>20%	Development contributions	3%	>10%	Investment income	1%	No indicator	Other income	41%	>30%	Rates	50%	No indicator	
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<p>Borrowing and ability to service borrowing</p> <ul style="list-style-type: none"> • Debt predictions 2012-22 • Ability to service debt 	<p>NCC's external debt at 30 June 2012 was just \$4m and is expected to be entirely eliminated in 2013-14. No other external borrowing is planned.</p> <p>Not applicable</p>																			
<p>Identification of major projects or issues</p>	<p>No major issues not already noted in pre-election report</p>																			
<p>Disclosure of specific expenditure items for 2011-12 (from 2011-12 annual report)</p>	<p>Elected member remuneration (including mayor): \$555k CEO remuneration: \$263k Audit fees - annual audit: \$124k - LTP audit: \$80k</p>																			
<p>Statement of service performance (SSP) information from the 2012 annual report</p>	<p>Napier has a very comprehensive service reporting section in its annual report.</p> <p>There are 113 targets and measures. My analysis indicates that 80 targets have been met (71%) and 33 (29%) not met.</p> <p>The council appears to be 'hard on themselves' as any result fractionally under a target is regarded as a 'not achieved'. This contrasts with the more liberal approach to reporting achievement of targets by some other councils.</p>																			

Summary	<p>From the public accountability documents it is observed:</p> <ul style="list-style-type: none"> • NCC is in a healthy financial position • Council has a high value of physical assets; over the 10 year LTP the reinvestment rate is moderately below the national average • Council has considerable financial assets • Council is eliminating the small debt that it has and is not planning to undertake any external borrowing • Council has internal funding in place for capex related to levels of service and growth • Service performance information is very good and appears to be robustly reported. 	
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Hawke's Bay Regional Council (HBRC) – Overview

Aspect Reviewed	Comments	Indicator
HBRC's financial strategy in the 2012- 22 LTP	<p>HBRC's main financial strategies per the LTP include:</p> <ul style="list-style-type: none"> • Better utilising existing investment portfolios through careful redeployment of capital and investment • Setting up (as done in 2012) an investment company structure to diversify investments and improve investment returns • The investment company is targeting water storage, better land use and commercial property • Changing investment allocations over the 10 years from: <ul style="list-style-type: none"> ➢ Leasehold land (36% in 2011 to nil in 2022) ➢ Water storage (1% to 24%) ➢ Land use changes (1% to 10%) • Outlaying cash required for these changed allocations which is estimated at \$186m funded mainly by sale of existing investments (\$64m) and borrowing(\$77m) • Other lesser projects including clean heat funding of \$8m • Setting rates at a level of no more than the local government cost indices estimated by BERL. 	
Pre-election report	<p>The recent report by the Acting CEO includes the following features:</p> <ul style="list-style-type: none"> • Council is planning to take up to an \$80m equity stake in the company running the proposed Ruataniwha water storage scheme • Council's "possible" equity investment of \$27m in the Ngaruroro water storage scheme • Hill country afforestation project - \$47m • Disposal of investment properties (\$23m in 2013 and 2014) • Holding rate increases to 4% or less. 	

<p>Good financial housekeeping</p> <ul style="list-style-type: none">• Current year and previous 2 years financial results	<p>HBRC's financial out-turn has been patchy in the past three years.</p> <p>In 2011-12 council incurred a deficit of \$8.4m on its normal operations compared to a budgeted surplus of \$0.7m. The principal reason for the reversal was recognised investment property losses of \$6.5m. There was, however, a one off write-up of \$56.8m associated with a revaluation of Port of Napier consequent on the transfer of the port's shares from council to its investment vehicle.</p> <p>In 2010-11 HBRC posted a surplus of \$2.2m compared to a forecast deficit of \$0.2m. In 2009-10 there was a deficit of \$1.8m.</p>													
<p>Good financial housekeeping</p> <ul style="list-style-type: none">• Predicted surpluses/ deficits 2012- 2022• Predicted operational expenditure (opex) 2012-22	<p>Over the 10 years of council's LTP a collective surplus of \$56.7m is predicted. All years are predicted to be in surplus, with the surpluses modest in the first 5 years of the LTP period and then trending upwards in the second 5 years (75% of the collective surpluses are in the last five years). Presumably this reflects the increased returns expected through the revised investment approach but there will be attendant risks associated with the changed approach.</p> <p>Council's 2013-14 annual plan forecasts a deficit on normal operations of \$2.5m compared to the LTP for the same period which forecasted a surplus of \$1.2m.</p> <p>Over the period of the LTP opex is expected to increase by 41%. These approximate to the average nationwide opex increases of 4% year on year.</p>	 												
<p>Investment in financial and commercial property assets (at 30 June 2012)</p>	<div><table><tr><th>Council</th><th>Value (\$m)</th></tr><tr><td>Hastings</td><td>307.9</td></tr><tr><td>CHBDC</td><td>112.3</td></tr><tr><td>Wairoa</td><td>15.9</td></tr><tr><td>Napier</td><td>16.4</td></tr><tr><td>HBRC</td><td>2.4</td></tr></table></div> <div><p>HBRC has \$307.9m of financial assets or 68% of the total value of Hawke's Bay councils financial assets.</p></div>	Council	Value (\$m)	Hastings	307.9	CHBDC	112.3	Wairoa	15.9	Napier	16.4	HBRC	2.4	
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<p>Predicted investment in assets</p>	<p>Being a regional council, HBRC has modest physical and infrastructural assets compared to a territorial council. Therefore the projected asset renewals are lower. In the LTP period renewals of \$20.4m are forecast, compared to depreciation of \$23.4m. The percentage is therefore 87%, which is favourable to the benchmark.</p> <p>Growth related capex of \$41.6 is forecast over the 10 years.</p> <p>Levels of service related capex is forecast at \$17.3m over the 10 years.</p>																			
<p>Funding predictions</p> <ul style="list-style-type: none"> • Rates • 'Revenue at risk' 	<p>From the LTP total rates are predicted to rise from \$14.4m in 2012-13 to \$19.5m by 2021-22 – overall 35% over 10 years. The average year on year rise is below the national average of 5%.</p> <p>Revenue at risk has been assumed as revenue streams which are more susceptible to economic downturns, variability and central government funding caps. The following table outlines the situation at HBRC.</p> <table border="1" data-bbox="475 936 1393 1216"> <thead> <tr> <th>Revenue stream</th><th>% of total HBRC revenue 2012-22</th><th>Indicator of vulnerability (% of total revenue)</th></tr> </thead> <tbody> <tr> <td>Subsidies</td><td>7%</td><td>>20%</td></tr> <tr> <td>Development contributions</td><td>NA</td><td>>10%</td></tr> <tr> <td>Investment income</td><td>47%</td><td>No indicator set</td></tr> <tr> <td>Other income</td><td>14%</td><td>>30%</td></tr> <tr> <td>Rates</td><td>32%</td><td>No indicator set</td></tr> </tbody> </table> <p>HBRC is heavily dependent on investment income. The above table shows the 10 year income from all forms of investment. Investment returns are projected to be an increasing proportion of total revenue in the latter years of the LTP.</p>	Revenue stream	% of total HBRC revenue 2012-22	Indicator of vulnerability (% of total revenue)	Subsidies	7%	>20%	Development contributions	NA	>10%	Investment income	47%	No indicator set	Other income	14%	>30%	Rates	32%	No indicator set	 
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<p>Borrowing and ability to service borrowing</p> <ul style="list-style-type: none"> • Debt predictions 2012-22 • Ability to service debt 	<p>Debt is predicted to rise from \$14.9m at June 2012 to \$99m in June 2022. The borrowings are associated with the major investment shifts noted previously.</p> <p>HBRC is able to service the predicted debt over the LTP period but the ease of servicing debt may be dependent on investment returns holding up. Our measure of debt serviceability is the quantum of expected loan interest as a percentage of net cash flows from operations (after adding back loan interest). Our indicative benchmark is 20%. HBRC's percentage range over the ten years is 5%-25%, with the average at 17%. The last four years of the 10 year period has the percentage at over 20%, which is more than our benchmark percentage.</p> <p>The interest rates on borrowing vary between 6.5% and 7.5% with the latter being the assumption in later years of the LTP. This is above the nationwide average of 5.9%.</p>																			

Identification of major projects or issues	Covered in pre-election report	
Disclosure of specific expenditure items for 2011-12 (from 2011-12 annual report)	Elected member remuneration (including chair): \$514k CEO remuneration: \$288k Audit fees - annual audit \$87k - LTP audit \$60k	
Statement of service performance (SSP) information from the 2012 annual report	HBRC's performance information was wordy and process focused. Many indicators were noted as progress reports towards multi-year targets. No significant targets stood out as major "not achieved".	
Summary	<p>From the public accountability documents it is observed:</p> <ul style="list-style-type: none"> • HBRC has a very substantial financial asset portfolio which might presently be regarded as a 'passive' portfolio • Council is planning to alter the mix of its investment portfolio into a more 'active' mode via an investment company • Council has signalled that it wishes to widen its scope into water storage schemes, land use changes, and afforestation • To do this council is planning to borrow \$100m by 2022; ease of servicing of the debt will depend on the increased investment returns expected • Council's financial outturn in recent years has been patchy • Council has a lowish value of physical assets (when compared to other Hawke's Bay councils) but appears to be investing in them over the LTP period • Council's service performance information in a particular year is hard to grasp quickly. It has a multi-year dimension – a 'long exposure' as opposed to a 'quick snap shot' 	

**PWC REPORT TO
LOCAL GOVERNMENT COMMISSION**

**HAWKE'S BAY REGION
POPULATION TRENDS 2011 – 2031**

31 October 2013

Contents

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District and region population by age distribution, 2011 and 2031	180

Commentary on population trends

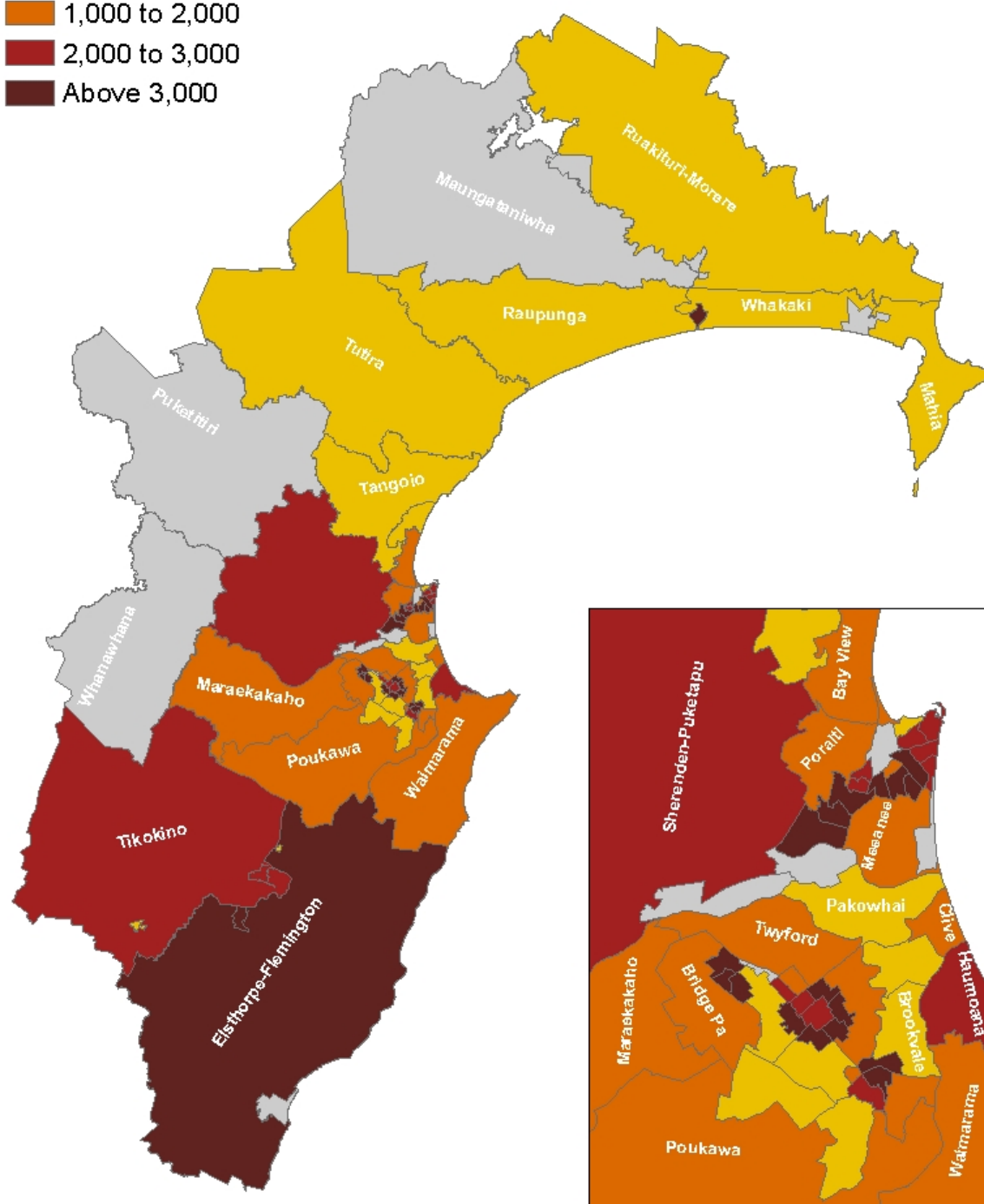
Predicted population changes through to 2031 as captured by the following population maps indicate:

- Regional population will increase by 3.8% between 2011 and 2031. On a small base, this represents only 0.2% a year or 6,000 additional people over the 20 year period.
- This proportional increase is only one quarter of New Zealand's overall growth rate. All of this growth occurs in Hastings District (8.4%) and Napier City (2.1%)
- Wairoa District (-17%) and Central Hawke's Bay District (-2%) are predicted to decline over the same period.
- Central Hawke's Bay District's most significant area of decline is in the western Tikokino area, which may benefit from the establishment of the Ruataniwha irrigation project. The potential impact of this project is unknown and not taken into account in the population projections.
- The predicted growth, being centred in the metropolitan resident population of Napier City and Hastings urban area, is likely to reinforce calls for more integrated management or shared services given their proximity.
- The population is predicted to age much as the rest of the country. This will mean a far higher proportion of people aged over 65 (26% compared to 13%). This prediction across the region highlights the areas of accelerated ageing in the plus 65 age group:
 - Wairoa District (30%)
 - Central Hawke's Bay District (29%)
 - Napier City (26%)
 - Hastings District (23%).
- The Napier City result highlights that the urban areas are not immune to this trend. Given the propensity of older residents to be resistant to a higher rates burden, this may have implications for the ongoing renewal of key regional amenity infrastructure which resides in Napier. Wairoa District may have an issue with the new landfill recently commissioned which is subject to progressively declining waste volumes through a combination of population decline and waste reduction initiatives.
- Hastings District will also have a thinning population in the northern and south-western areas, although neither appear to contain major infrastructure aside from roads.
- The combination of relatively static growth combined with an overall hollowing out of working age population across the region highlights the need for a regional approach to deal with potential future impacts including infrastructure viability and efficiency of operation. This is particularly pertinent for Wairoa District Council and Central Hawke's Bay District Council given their districts are predicted to lead both population decline and the ageing profile

Hawke's Bay Population By Census Area Unit 2011



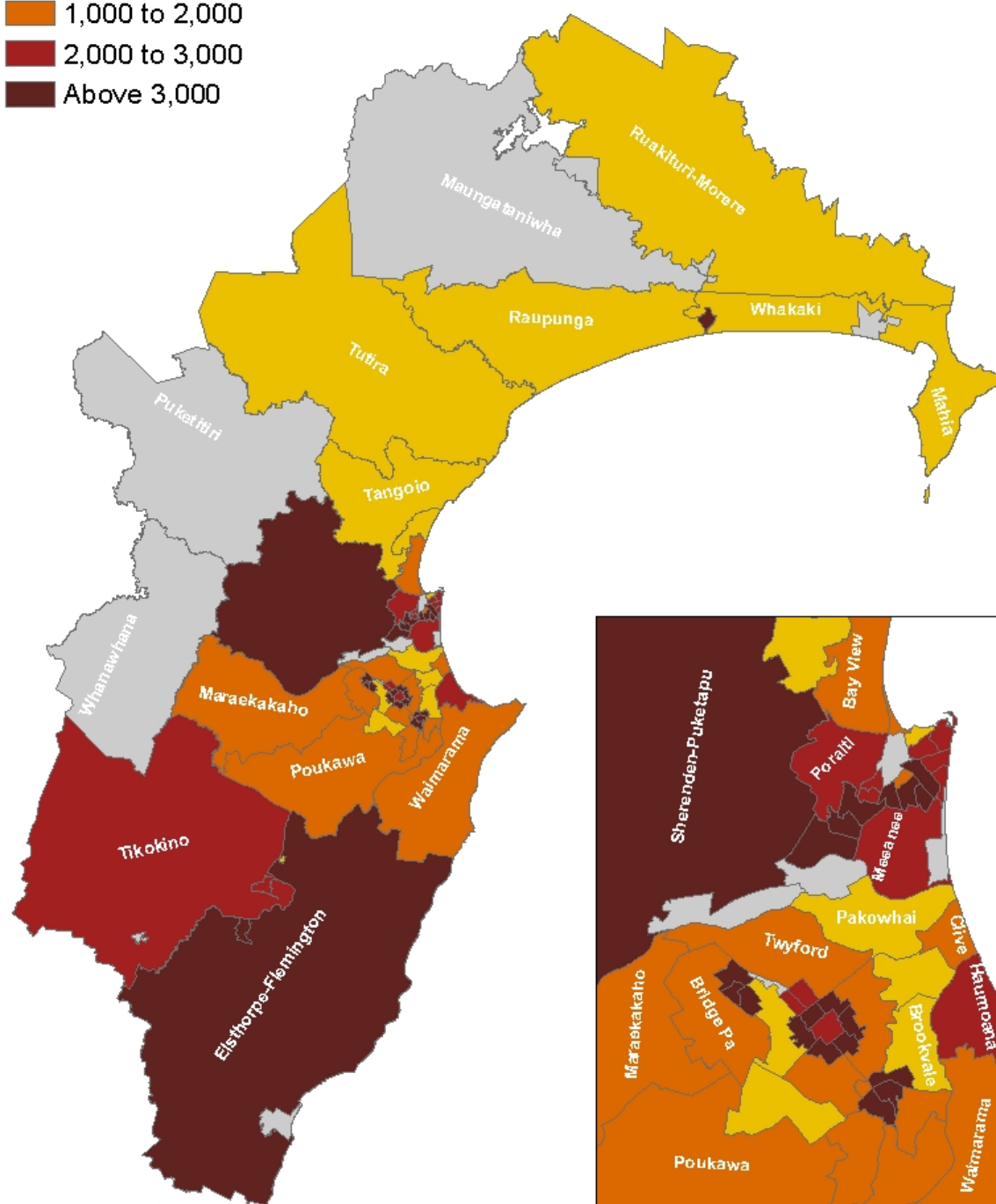
- Under 500
- 500 to 1,000
- 1,000 to 2,000
- 2,000 to 3,000
- Above 3,000



Hawke's Bay Population By Census Area Unit 2031



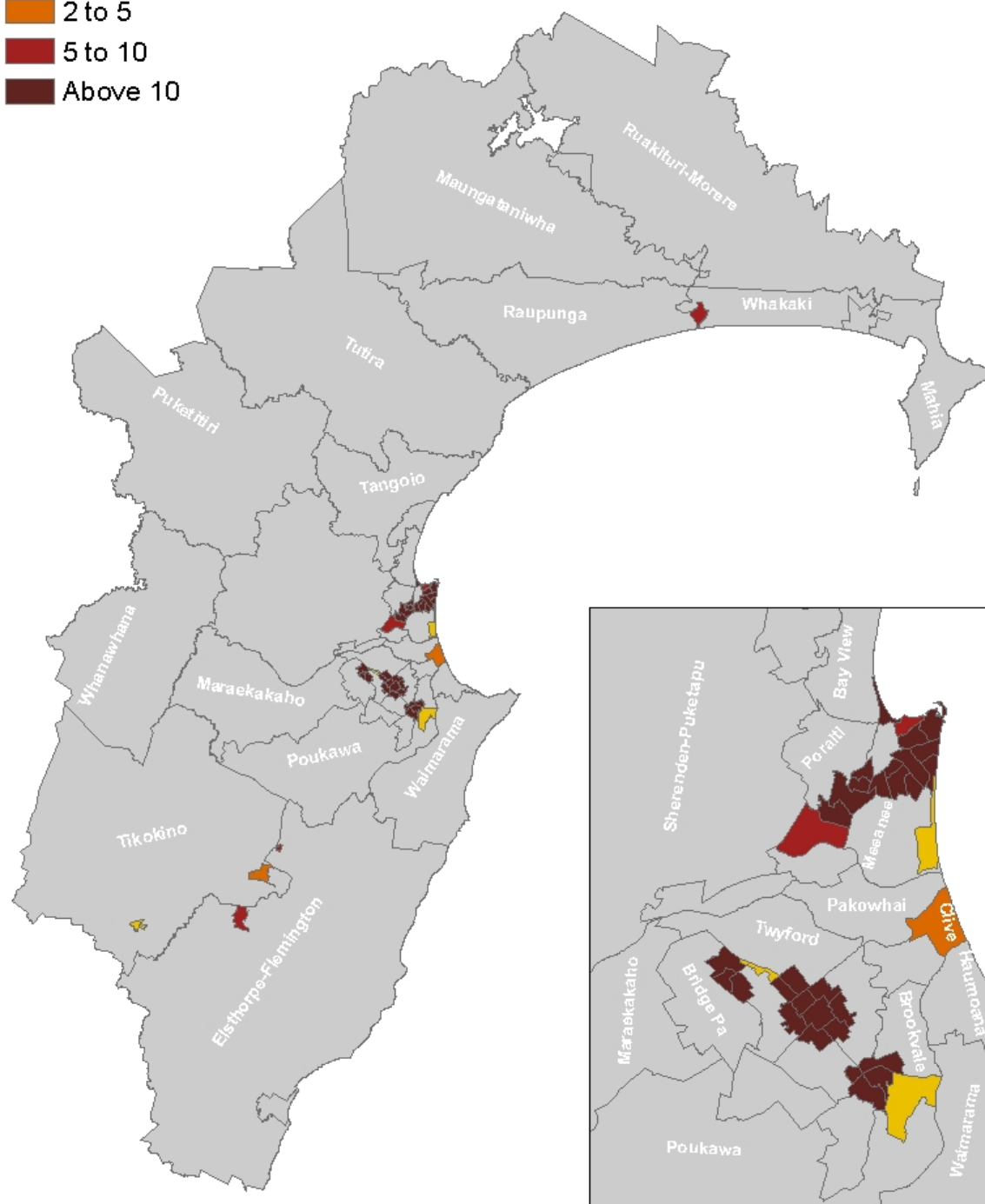
- Under 500
- 500 to 1,000
- 1,000 to 2,000
- 2,000 to 3,000
- Above 3,000



Hawke's Bay Population Density By Census Area Unit 2011



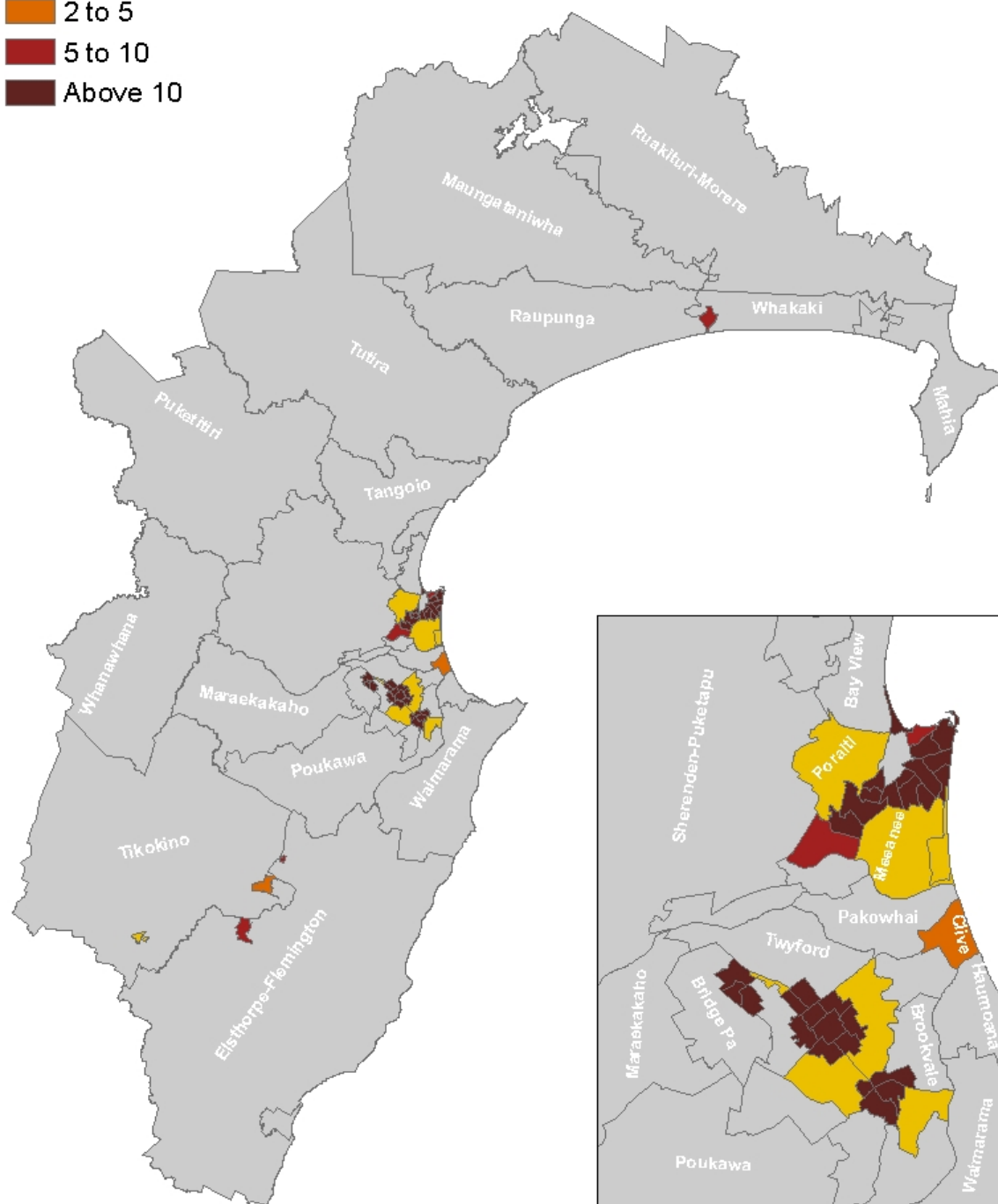
- Under 1
- 1 to 2
- 2 to 5
- 5 to 10
- Above 10



Hawke's Bay Population Density By Census Area Unit 2031

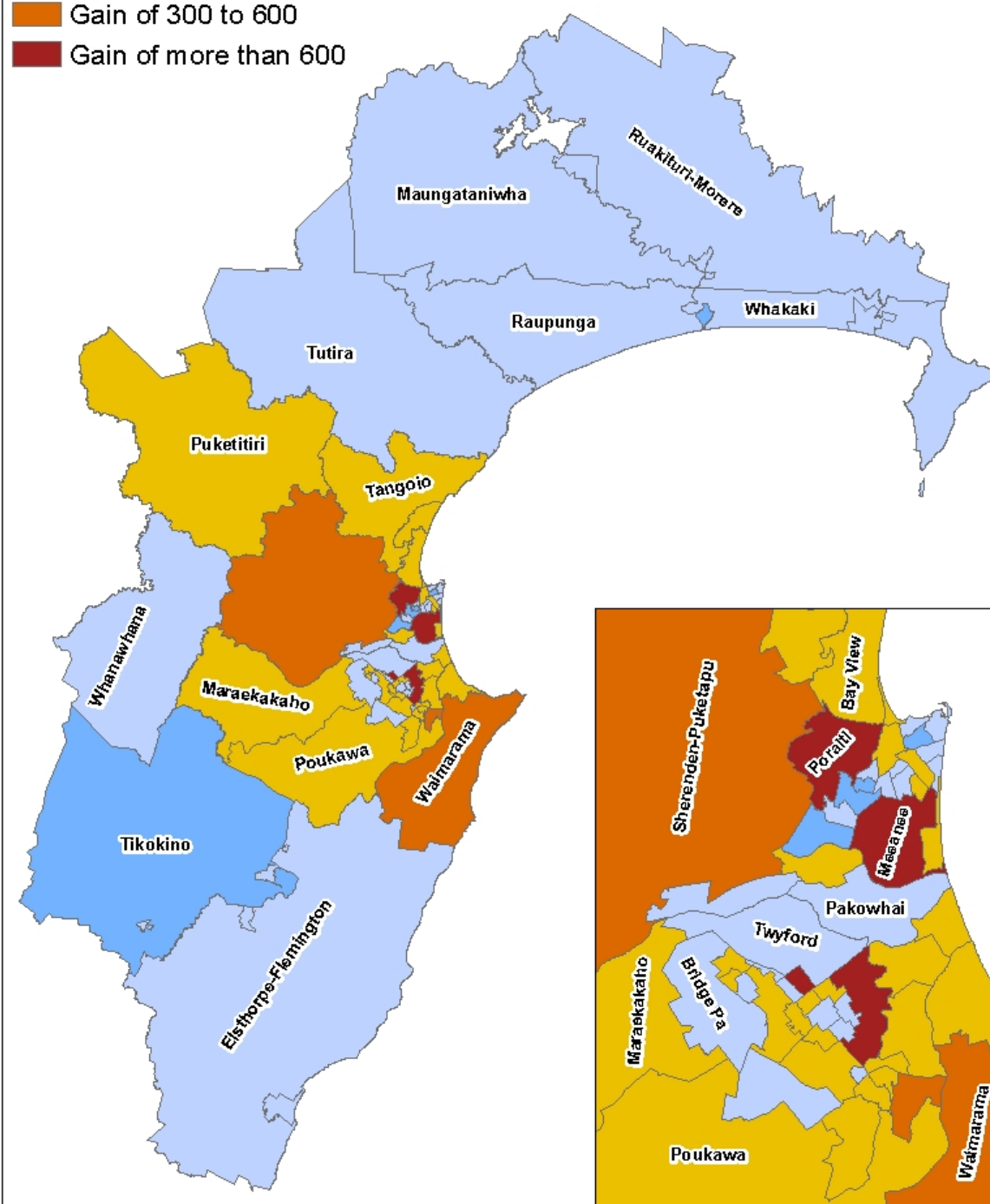


- Under 1
- 1 to 2
- 2 to 5
- 5 to 10
- Above 10



Population changes, 2011 to 2031 Hawke's Bay Region

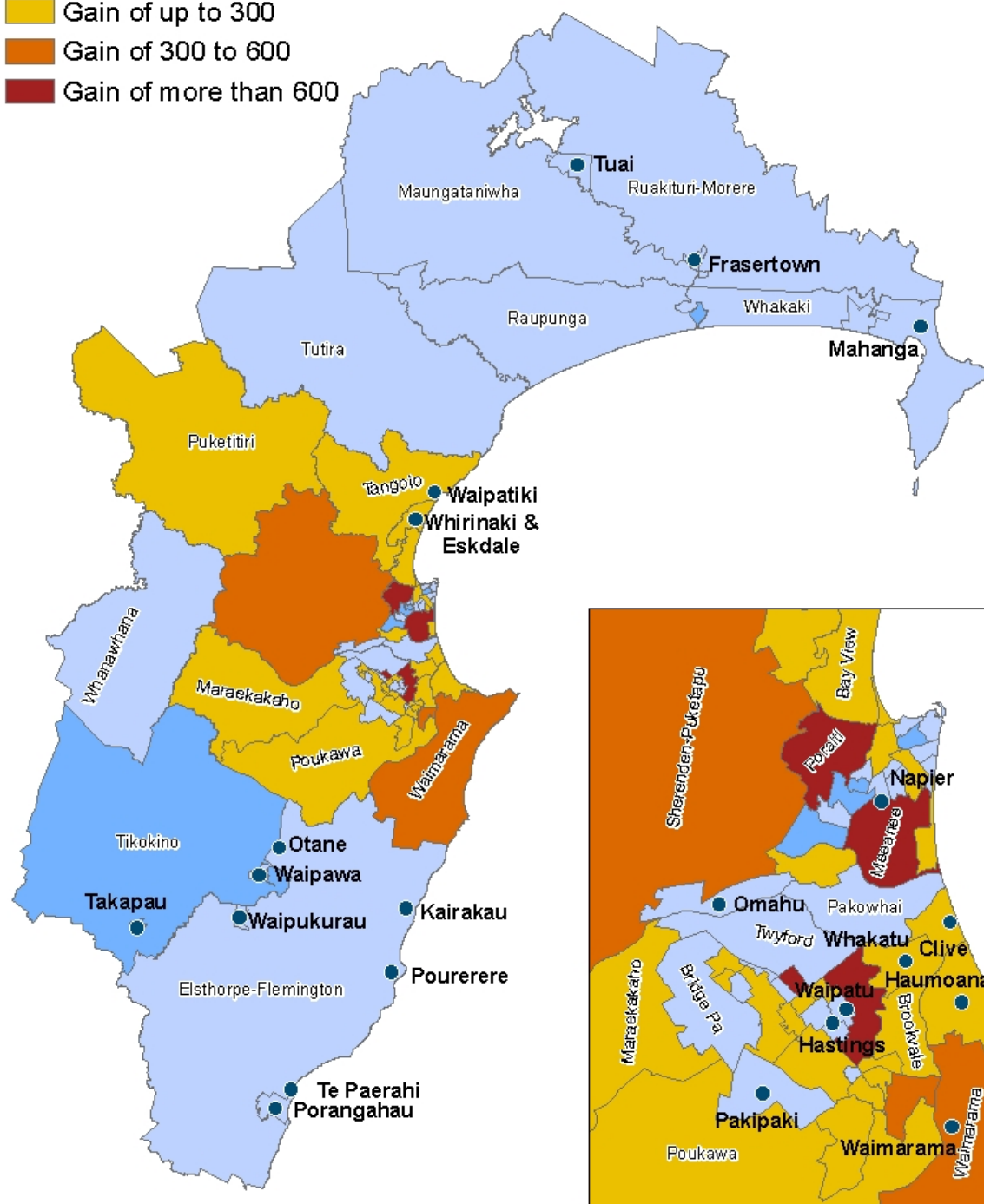
- Loss of more than 300
- Loss of up to 300
- Gain of up to 300
- Gain of 300 to 600
- Gain of more than 600



Population changes, 2011 to 2031 **Hawke's Bay Region** **Water Schemes**



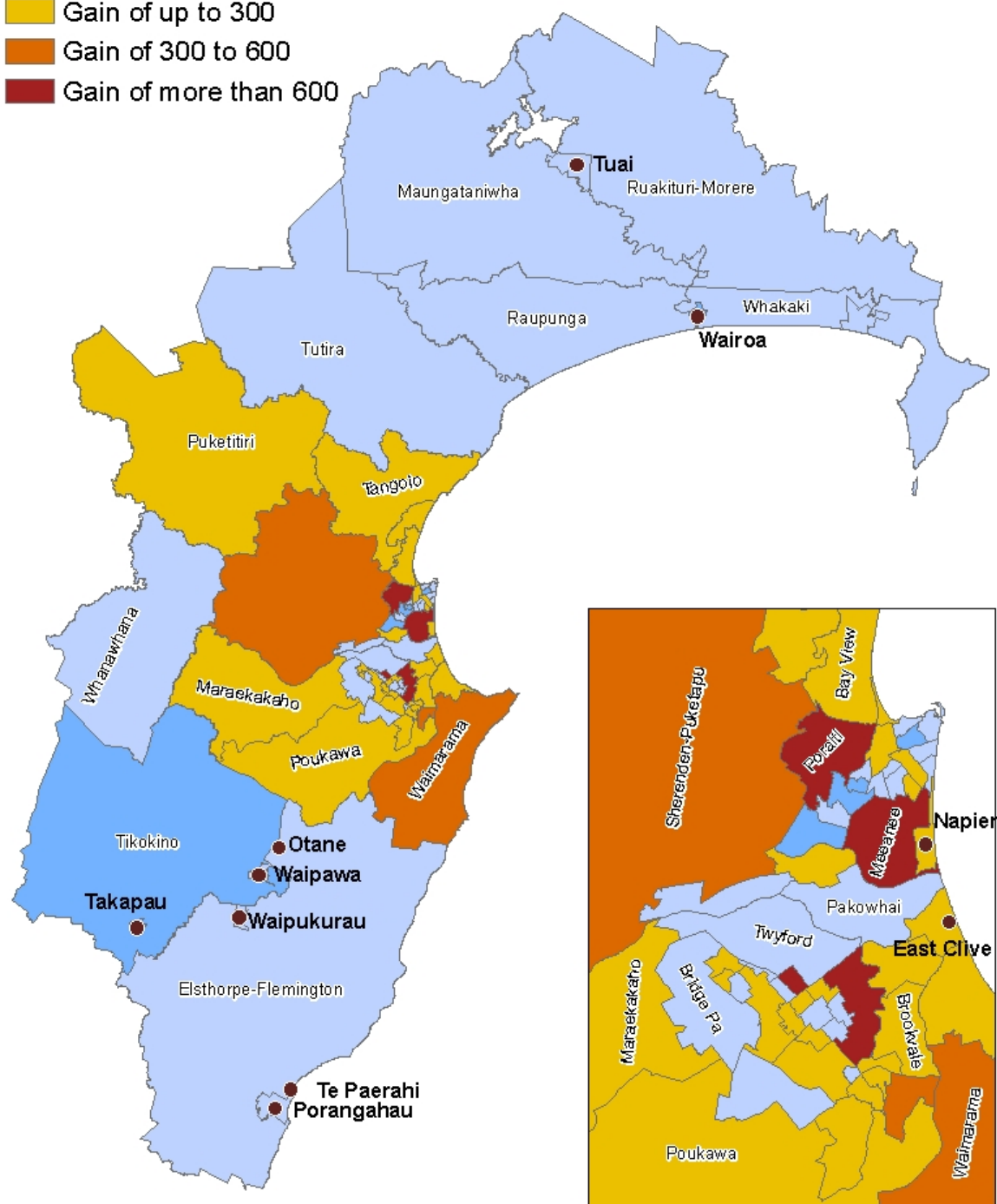
- Loss of more than 300
- Loss of up to 300
- Gain of up to 300
- Gain of 300 to 600
- Gain of more than 600



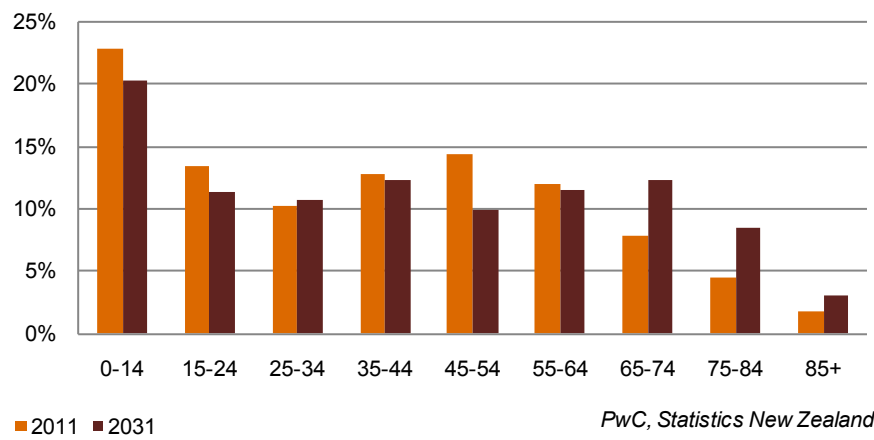
Population changes, 2011 to 2031 Hawke's Bay Region Wastewater Treatment Plants



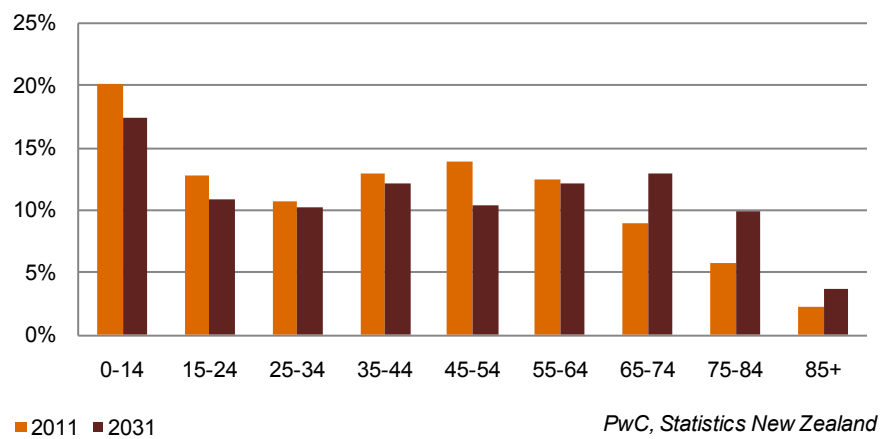
- Loss of more than 300
- Loss of up to 300
- Gain of up to 300
- Gain of 300 to 600
- Gain of more than 600



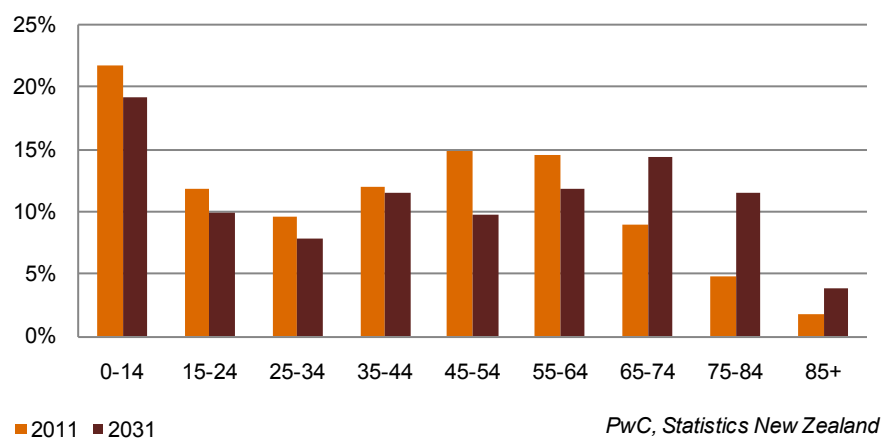
Hastings District Population Structure, 2011 & 2031



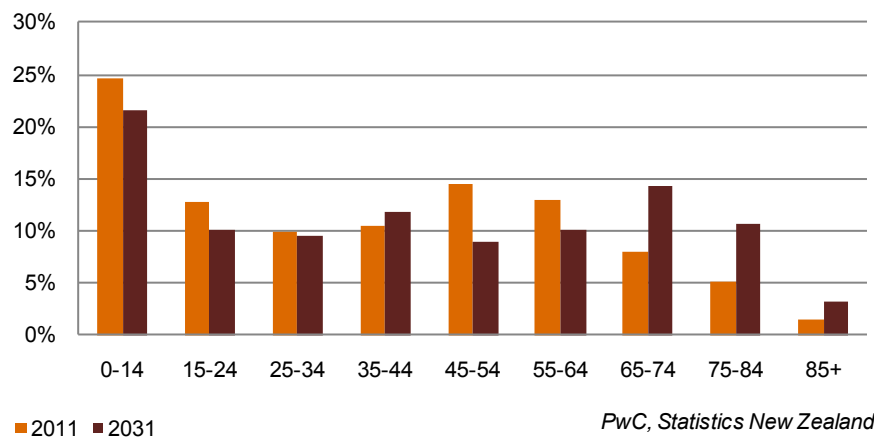
Napier City Population Structure, 2011 & 2031



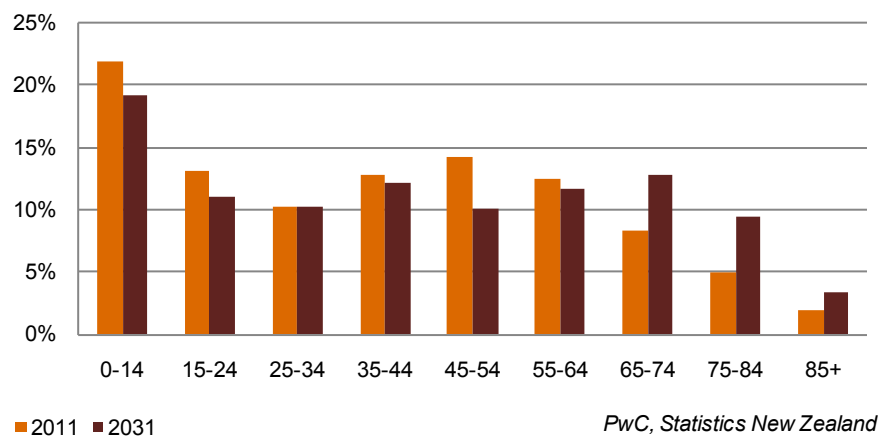
Central Hawke's Bay Population Structure, 2011 & 2031



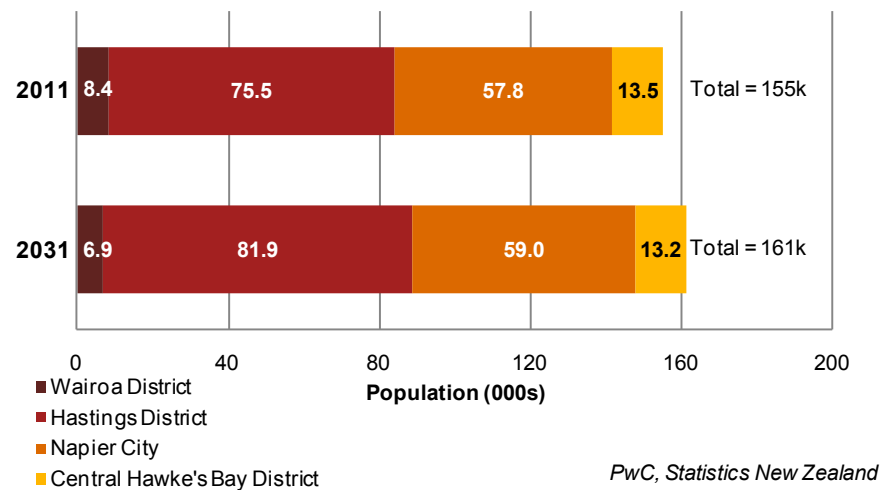
Wairoa District Population Structure, 2011 & 2031



Hawke's Bay Population Structure, 2011 & 2031



Breakdown of Hawke's Bay Population Structure, 2011 & 2031

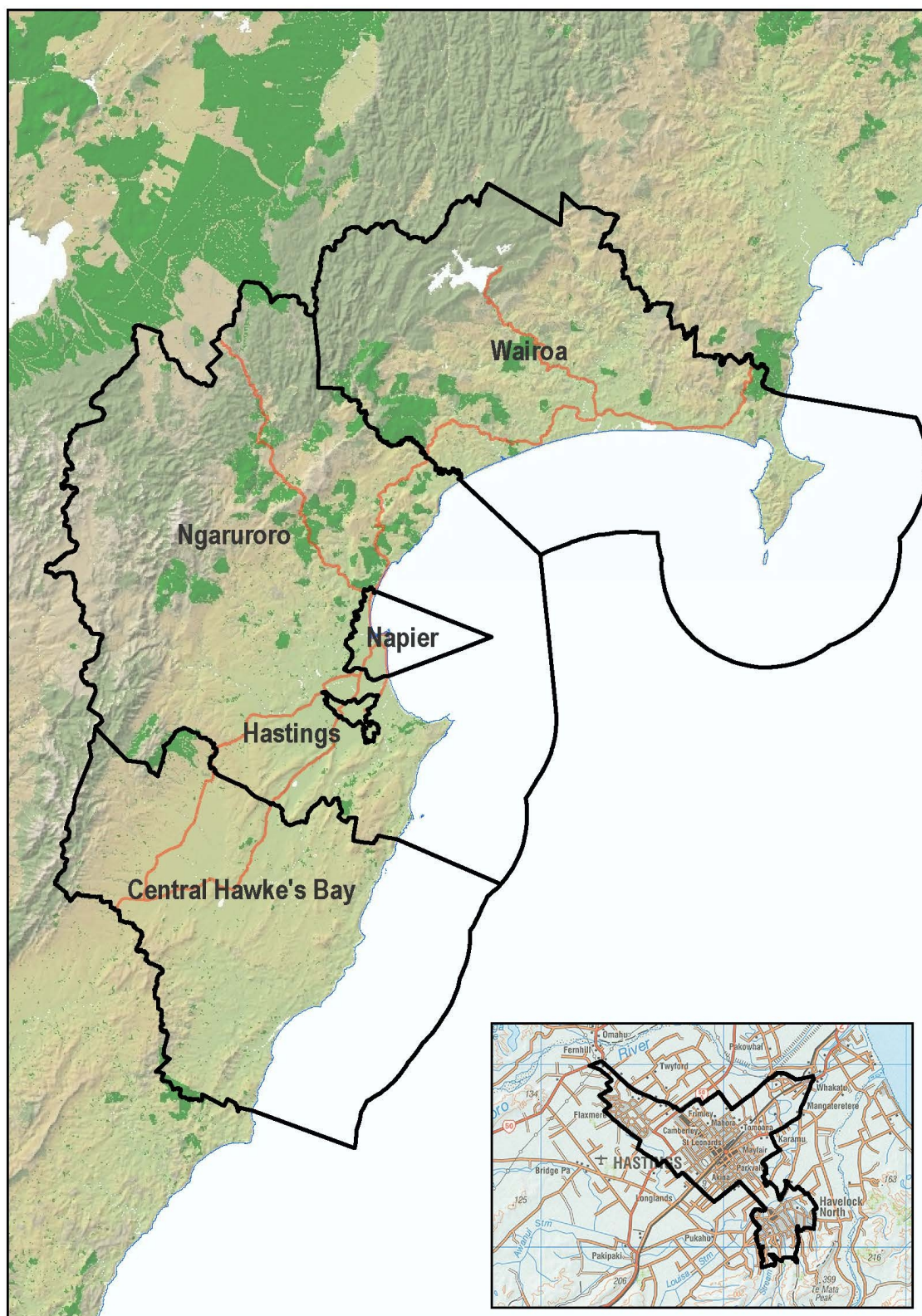


Napier-Hastings rural production/processing and professional/commercial services sector employment profiles 2013
(prepared by Sean Bevin, Economic Solutions Ltd.)

Industry	Total employment (fulltime and part-time) as at February								
	2000			2009			2013		
	Napier City	Hastings District	HB Region	Napier City	Hastings District	HB Region	Napier City	Hastings District	HB Region
Pastoral Farming	65	1423	3816	28	1044	2969	24	1053	2937
Fruit Growing	290	4070	4680	420	4800	5790	240	4470	5360
Horticulture	140	680	880	60	640	780	39	450	590
Forestry	150	40	220	160	85	260	220	50	310
Other Rural	61	42	144	24	20	106	32	22	133
Rural Services	390	1730	2360	640	3050	4040	540	2290	3180
Total Rural Production	1096	7985	12100	1332	9639	13945	1095	8335	12510
Meat Processing	100	1050	3160	200	840	2990	210	1020	3000
Fruit & Vegetable Processing	30	1920	1940	95	1880	1980	120	1740	1870
Wine Making	85	200	290	120	440	570	140	390	530
Textile Processing	750	350	1110	500	470	970	410	280	690
Wood Processing	140	200	420	250	300	610	220	170	430
Total Rural Sector Commodity Processing	1105	3720	6920	1165	3930	7120	1100	3600	6520
Total Rural Production & Processing	2201	11705	19020	2497	13569	21065	2195	11935	19030
Other Processing & Manufacturing	1775	1570	3530	1495	2030	3740	1240	1990	3460
Total Processing & Mfg	2880	5290	10450	2660	5960	10860	2340	5590	9980
Total Direct Wealth Creating Industries	3976	13275	22550	3992	15599	24805	3435	13925	22490

Utility Services (Power/Gas/Water/Drain Construction	55	140	260	170	250	480	120	210	410
Wholesaling	1190	1340	2830	1800	2150	4400	1310	2100	3780
Retailing	1090	1060	2310	950	1190	2300	930	1280	2380
Visitor Accommodation	2860	2880	6500	3360	3290	7420	2930	2960	6610
Hospitality Services	490	270	850	560	370	1100	510	290	920
Transport Services	1380	1070	2620	1690	1370	3260	1530	1460	3150
	1310	1180	2770	1340	1250	2860	1320	970	2550
Business Services	2760	3480	6640	4340	4920	9770	3930	5890	10320
Central/ Local Government	1180	1010	2380	1650	1380	3220	1490	1210	2920
Education/Training Services	1940	2300	5050	2400	3020	6110	2320	2830	5850
Health & Social Assistance Services	2960	2560	6100	2470	5020	8140	2550	5290	8450
Cultural/ Recreational Services	320	370	770	520	460	1070	510	620	1220
Other Services	740	690	1550	1010	850	2030	930	850	1970
Total Services	18275	18350	40630	22260	25520	52160	20380	25960	50530
All Industries	22251	31625	63180	26252	41119	76965	23815	39885	73020

Map of Hawke's Bay Regional Council constituencies



Appendix C2

Analysis of existing Hawke's Bay councils' support costs and approximate assessment of future support costs assuming one unitary council (prepared by Brian Smith Advisory Services Ltd.)

	NCC (000)	WDC (000)	HDC (000)	CHBDC (000)	HBRC (000)	Total (000)
Elected member remuneration	\$555	\$210	\$655	\$261	\$514	\$2,195
CEO remuneration	\$263	\$188	\$278	\$179	\$288	\$1,196
Audit fees – annual plan	\$124	\$108	\$88	\$78	\$87	\$485
Audit fees - LTP	\$80	\$96	\$66	\$61	\$60	\$363
						\$4,239

Support Cost Type	Existing Support FTEs							Assessment under one unitary council		Notes
	CHBDC	HDC	NCC	WDC	HBRC	Total	Yearly \$000's	FTEs	Yearly \$000s	
<i>Financial Services</i>										
Rating	0.8	4	4.5	2	2.5	13.8	713	6	350	1
All other finance activities	4	14	16.2	5	8	47.2	3,269	26	2,125	2
<i>Human Resources</i>	1	4	3.2	1	1	10.2	899	6	475	3
<i>Customer Services</i>	2.2	17	2.6	2	-	23.8	1,203	20	1,000	4
<i>Communications/IS</i>	0.3	5	4	0.8	3.8	13.9	1,059	8	650	5
<i>IT/GIS</i>	0.8	22	7	2	9	40.8	2,791	26	2,050	6
<i>Records</i>	0.6	4	2	2	-	8.6	363	5	225	-
<i>Other professionals; (Business analysts/legal)</i>	-	4	0.5		-	4.5	467	6	575	7
Other corporate support	2.5	22	7	1	9.9	42.4	2,800	23	1,500	8
Total Support FTEs	12.2	96	47	15.8	34.2	205.2	\$13,564	126	\$8,950	
Total Council FTEs	40	371	416	49	135	1,011				
% Support FTEs to Total Council FTEs	30%	26%	11%	32%	25%	20%				
Average Personnel Cost per Support FTE	\$59k	\$66k	\$61k	\$62k	\$72k		\$65k		\$71k	9

Notes and Assumptions

1. Rating Team

At present each council has a rating team, including the Regional Council. It is suggested that there would only be one rating team in a 'one unitary council' rather than the existing five rates sections.

2. Finance Team

Finance functions include financial reporting, treasury, planning and budgeting, revenue accounting (including accounts receivable, expenditure accounting (including accounts payable) and payroll.

In my assessment of the indicative Finance FTEs I have also included provision for three cost and management accountants who may be embedded in key infrastructure activities. The assessment assumes major streamlining of financial services such as Treasury management, accounts payable, revenue and accounts receivable, and reporting of financial management. This is because there would be one reporting entity with one LTP, one Annual Plan and one Annual Report.

Napier City pointed out that their finance team process a large number of transactions related to their i-Site and for tourism activities which are an in-house activity. For example one third of the invoices processed by the accounts payable section are tourism related.

The finance software systems used by the Hawke's Bay Councils vary. Central Hawke's Bay, Wairoa and Napier use Napier Computer Systems which is a long established software system used by Councils nationwide. However it is losing market share to the likes of Technology One which is used by Hastings DC. The Regional Council used a Microsoft application called Navision.

3. HR Team

This would also include Health and Safety resource as well as EEO and EAP services.

4. Customer Services

At present there appears to be a different approach between Napier and Hastings in the way in which customer contact is handled. In my assessment there would be a slight reduction in 'front desk' customer services personnel but a greater streamlining of customer contact centre staff. Front desk duties also include the role of cashiers. All service centres presently available to the public would be retained, except for the HBRC front office which would be merged with Hastings/Napier.

5. Communications/ Information Services

The assessment includes communication resource both internally and externally – website, intranet, publications, external communications officer and a communications/consultation co-ordinator.

6. IT/GIS

A moderate degree of streamlining is seen as realistic in the short to medium term. In the longer term, existing software applications may be able to be rationalised.

7. Other Professionals

This includes legal resource, procurement, internal audit and risk, performance advisor and business analysts. A small increase in additional resources is suggested here, as this resource is seen as important in forging an efficient and effective 'one organisation'.

8. Other Corporate Support

Other Corporate Support mostly comprises Council and Committee clerks and executive assistants (EAs) to Mayors, CEOs and senior managers.

In the assessment of future support FTEs it is assumed that there will be an EA each for the Unitary Council Mayor, CEO and six second tier managers. It is also assumed that there will be secretarial support for six local or community boards in a unitary council. Additional to this is the servicing of the Council and its committees (agendas, minutes etc) which has also been factored in.

9. Average cost per Support FTE

The future average direct employment cost per support FTE has been assumed at \$71k a year. This is \$6k or 9% more than the present average support FTE employment cost across all five councils. As any new arrangement would be at least several years away, it was deemed prudent to factor in an increase.