

Have your say in **SHAPING OUR REGION'S FUTURE**



WELCOME TO THE 2018-28 LONG-TERM PLAN (LTP) CONSULTATION DOCUMENT.

The LTP sets out how Horizons Regional Council plans on managing the Region's natural resources for the next 10 years. This includes identifying the activities we propose to deliver and what rate contributions will be required to help cover the estimated costs for each year.

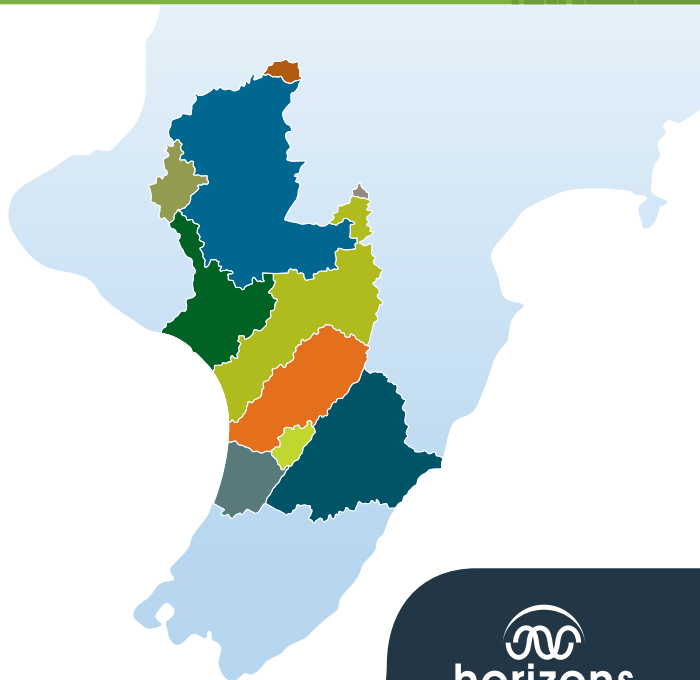


OUR ROLE

Te āhuetanga

The Horizons Region extends over 22,200km² - from Ruapehu in the north and Horowhenua in the south, to Whanganui in the west and Taranaki in the east, and has a population of approximately 240,200 residents.

As your Regional Council our role differs to that of city and district councils - we are responsible for managing the Region's land, air and water resources on behalf of the communities we serve. We also contract passenger transport services, play an important part in regional transport planning and road safety education, work to reduce the risk and impact of flooding and lead the planning for and response to emergencies to help keep people and properties safe.



INTRODUCTION

He kupu whakataki

This consultation document highlights what we believe are the most significant issues addressed in the more comprehensive supporting document that you can find on our website.

We have identified a need to increase expenditure for some of our work programmes. As a result we are forecasting that our rates will increase on average for the Region by 7.44 per cent for Year 1, 4.54 per cent for Year 2. For Year 3 onwards the rates are below the predicted rate of local government (BERL) inflation plus 2 per cent. These rates will vary district to district due to factors such as a district rating revaluation which results in changes to property values, and specific rating inputs such as river schemes and urban passenger transport rates for certain areas. This does mean some districts, such as Rangitikei, Tararua, and Ruapehu will see a rate increase higher than this average. On page 31 of this document you will find a district by district table that will show you what the rate percentages translate into as dollars.

We appreciate that any increase isn't ideal. Council has not come to this decision lightly; we have been workshopping the key challenges our Region faces and what needs to be put in place to mitigate and respond to these over the past six months.

The key issues briefly discussed will help show you what your contribution is proposed to be used for. This includes our 30 year infrastructure strategy for the Region's flood protection assets and proposed changes to river management

schemes, freshwater management, economic development and a proposed regional facilities fund, as well as ways the Capital Connection could be retained. It also explains how we use commercial investment opportunities as an additional revenue stream.

We would also like to consult with you on changing our community outcomes, and changing the Region's and council's name to include a macron over the last letter in 'Manawatu' and adding the 'h' in Whanganui.

All of these activities have a direct impact on the way you live, work, and play in our Region. This is why we'd like to hear from you as to whether we have got it right before formally adopting the LTP on 20 June 2018.

Please note, what we have provided is not an exhaustive list and there may be an issue we haven't identified that particularly concerns you. If this is the case please get in touch. Alternatively if you would like one of our councillors to come and talk to your community group please contact help@horizons.govt.nz and we will do our best to make this happen.

Having your say on how we manage the Region's natural resources really can make a difference. We encourage you to fill in the submission form at the back of this brochure to let us know your thoughts. Forms can also be found online, along with supporting documentation and other ways you can submit, at haveyoursay.horizons.govt.nz as well as at our nearest Horizons' office.



Bruce Gordon
Chair



Michael McCartney
Chief Executive



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KEY:

Te kī



While we have introduced a number of changes and proposals to our work programmes, the ones we are particularly seeking your feedback on are highlighted with this icon.



This could be a change to the level of service, rates or debt. Wherever possible we have given Council's preferred option.



This is new proposed work programmes. Note, some we have budgeted for in this LTP, however some haven't been yet as we are either waiting on your feedback, or central government funding. Wherever possible we have given Council's preferred options and an approximate impact on rates should the proposals be adopted.



Where Council has a preferred option this will be indicated throughout this document.



WHAT DOES THE NEXT 10 YEARS LOOK LIKE?

Te tirohanga mō te ngahurutanga e tū nei?

Our purpose is to meet the current and future needs of our Region's communities. We aim to do this by achieving our goals of facilitating economic growth, maintaining and enhancing the Region's environmental values, increasing our communities' resilience to natural hazards, improving our Region's accessibility and transport links and empowering people and communities to make our Region a great place to live, work, and play.

While putting together the LTP we needed to consider what challenges and opportunities the next decade might bring. For example, anticipated climate change effects are expected to result in a slightly drier east coast, yet increased rainfall across much of the rest of our Region. This will come in the form of more frequent and more intense storm events, heightening the risk of hill-country erosion. Rising sea levels may accelerate coastal erosion and exacerbate flood events. Snowfall and frost days are expected to decrease, with implications for horticulture and tourism. Biosecurity threats, including agricultural pest incursions, may become more frequent and active.

Environmental improvements through local and central government regulation needs to be informed by the social and economic needs of our communities, and will continue to form a big part of our policy and planning decisions. This will be particularly evident through freshwater management as the expectations around water quantity and quality from central government and the community continue.

The New Zealand Productivity Commission has recently proposed an overhaul of the Resource Management Act (RMA) that would go well beyond the incremental change that has characterised that legislation. Should the RMA remain, regular amendments are likely to continue, along with increasing national direction to councils on how to perform their functions. No provision has been made in the LTP for impacts arising from changes in central government policies.

Across the Region, small communities will be faced with the challenge of managing and updating aging infrastructure around water supply, stormwater, and wastewater. Affordability and resilience for these communities will be important.

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PLANNING FOR 2018-28

He whakatakotoranga kaupapa

While this document focuses on the key issues we believe are of the most interest to our communities, there are also other areas of work that will remain a priority for our organisation over the next 10 years. These can be found in the supporting documentation on our website and include regional transport planning, particularly in light of the Manawatū Gorge Road closure and what opportunities an alternative route might bring; freshwater management and what non regulatory and regulatory methods can offer, as well as continuing work associated with the Manawatū River Leaders' Accord, Lake Horowhenua Accord and new Freshwater Improvement Fund projects; responding to civil defence emergencies, and improving flood protection offered to our communities through a number of current and proposed schemes.

We will continue to strengthen our efforts to control plant and animal pests and prevent new incursions of pests and diseases in the Region. We intend to expand the area in which we manage possum control by taking over the land previously managed by OSPRI. To assist with implementing our new Regional Pest Management Plan, the LTP includes further funding for initiatives to curb pest plants, which have a significant impact on agriculture, horticulture and our Region's biodiversity.

In Year 1 of the LTP the amount of central government funding for Sustainable Land Use Initiative (SLUI) has been reduced by \$60,030. Council proposes to increase the rates by the same amount to keep the level of funding and service the same. Within this budget there has been a reduction of approximately \$95,000 of staff time, with this budget reallocated to operating costs to allow for additional groundwork.

Council is also proposing to incrementally increase resourcing over Years 1, 2 and 3 to support the processing and monitoring of resource consents due to significant demand in these areas. We then anticipate that in the following years of the LTP this level of support will meet the resourcing needs in this area. A significant proportion of the cost of this work is recovered either from consent applicants or from consent holders.

In terms of passenger transport, we will continue to roll out the Palmerston North services improvements over the next few years. In Whanganui, following consultation with the community in 2017, we are proposing to increase levels of service (weekends, public holidays and an additional day run in the late afternoon) to meet demand. These Whanganui services

will be at an additional cost of \$130,000 per year and will begin in Year 2 (2019-20) of the LTP.

Under recent changes to the Building Act Legislation it has been identified that Horizons' Emergency Operations Centre (EOC) and Emergency Coordination Centre (ECC) does not currently meet the Building Code seismic structural requirements of a Building of Importance Level 4 (IL4). The cost to upgrade the current facility to IL4 standard is cost prohibitive; therefore the Manawatu-Wanganui Civil Defence and Emergency Management Group office and EOC/ECC function will operate out of a new development being built by MWRC Holdings Ltd, (a Council Controlled Organisation), adjacent to the Horizons Palmerston North office, that is being built to IL4 standard from 2019. This solution offers a long-term and financially viable option that meets legislative requirements and ensures the resilience of the EOC/ECC to serve the regional community both during and after an emergency event. There is no anticipated increase of cost to ratepayers.

Treaty settlements and our evolving relationship with iwi and hapū will change Council's operating environment. Te Awa Tupua has opened a new chapter in our connection with the Whanganui River and its iwi; other settlements will follow. As a result, iwi will be closely and actively involved in decision making, presenting genuine opportunities for Council to partner more effectively with iwi to improve outcomes.

With all of the above (and more) in mind we also need to consider how to manage Council's debt and cash flow. At the same time we have to keep rates at an affordable level, especially as some areas in our Region are small and with aging populations. This will include reviewing our investment opportunities to ensure the greatest return and ultimately lessening the burden from our ratepayers.

This year we will also be consulting with you as part of our representation review. This review assesses whether our current constituencies (city and district boundaries) and the numbers of councillors that represent each is a true reflection of our communities' populations and needs. Submissions for the representation review will begin on 10 April 2018.

As with the key issues highlighted in the following pages, you can find further information on any of our upcoming work activities in the supporting documentation available on our website <http://haveyoursay.horizons.govt.nz> or at your nearest Horizons service centre.



COMMUNITY OUTCOMES

Ngā whāinga ā hapori

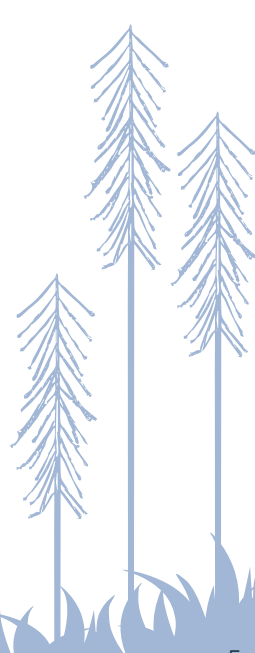
In every Long-term Plan, as a local authority, Horizons is required to set out the Region's community outcomes. These are the outcomes that we aim "to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions" (Local Government Act 2002).

Our current community outcomes can be found in Horizons' 2015-25 LTP on our website. As part of the LTP process we reviewed these outcomes and decided they needed a refresh to ensure they are more relevant, measurable, and aspirational. We have also incorporated the 'four wellbeings' – social, economic, environmental and cultural goals – into the overall outcomes and

contributing activities, rather than presenting them as distinct goals as they currently stand.

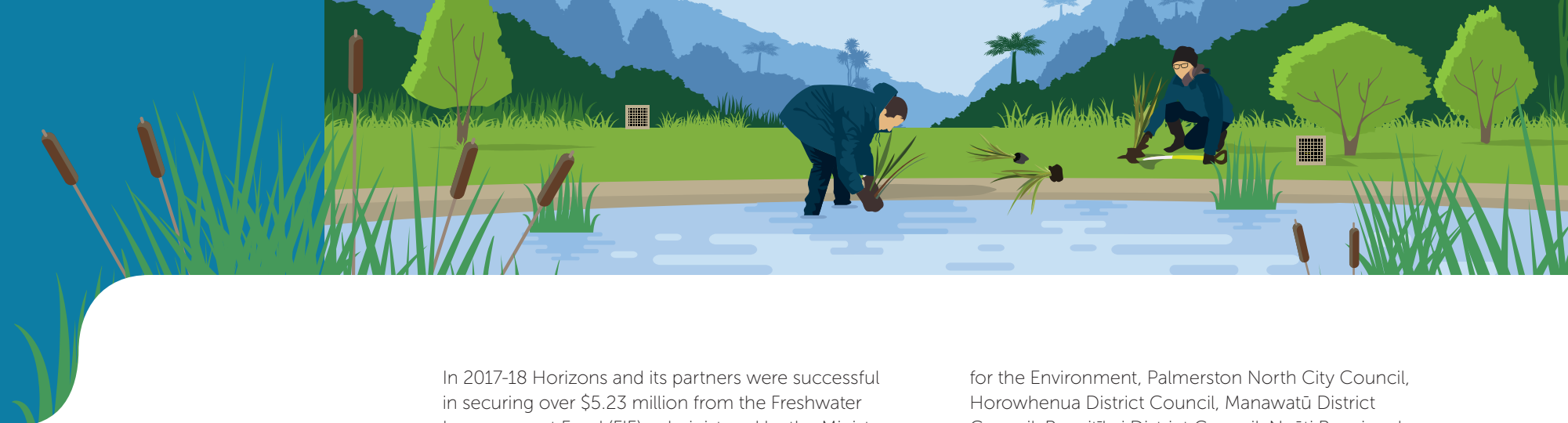
We are proposing the following six new community outcomes, and would like to know whether you think they help Council address future challenges, while meeting the current and future needs of our communities.

- 1 Natural hazard resilience** He manawaroa i te mōrearea
A community that is aware of hazards and is prepared and empowered to respond to, and recover from, a natural hazard or emergency.
- 2 Healthy ecosystems** He taiao matomato
Healthy and diverse ecosystems that provide for community needs now and in the future.
- 3 Human wellbeing** He oranga tangata
Natural and built environments that support healthy people and communities.
- 4 Connected communities** He hapori i tūhonoa
Connected communities supported by safe, reliable, efficient transport systems.
- 5 A robust economy** He ohanga pakari
A regional economy that is diversified to take advantage of a range of opportunities, and resilient to changes in the national and global economy or other influences such as climate change.
- 6 Confidence in decision-making** He māia i ngā whakataunga
A community that has confidence in regional decision-making.



A SIGNIFICANT ISSUE FOR OUR REGION

He kaupapa hirahira nā te rohe whānui



FRESHWATER MANAGEMENT

Ngā whakahaere wai māori

Freshwater is a high priority for both central government, our communities and Horizons. We need to be able to respond to new initiatives, for example the likely revision of the National Environmental Standard for Sources of Human Drinking Water and National Policy Statement for Freshwater Management (NPS-FM) amendments and targets.

Horizons has demonstrated its leadership in freshwater management in recent years – in 2005, through the One Plan, our Region was an early adopter of a new approach to manage the leaching of nutrients into waterways. However science, knowledge, and the regulatory environment continue to change and we need to adapt and change with it – ensuring that our approaches reflect good practice.

We are legally required by government to ensure that our policies and rules contained in the One Plan align with national-level regulations, principally the NPS-FM,

which was amended in 2017. Council needs to have this work completed by 2025. While we are not specifically consulting on this issue, we wanted to make you aware of what we intend to put in place. This includes a catchment by catchment planning process. This will build on the work done for the One Plan and will include significant community engagement as we want to better understand what your expectations are for the Region's waterways. We also want to identify the most effective interventions to continue to progress water quality improvement.

HOW WE WILL RESOURCE THIS

To enable us to undertake this important work, we are planning to increase our capacity in the policy area, as well as redirect some resources within the organisation. For example, we intend to refocus some of our Rural Advice activity to engaging with the rural community as we progress catchment planning. While this will mean a different emphasis for our Rural Advice team, our engagement with the farming community will be more important than ever as it is pivotal to ensuring that we achieve continual improvement in our management of freshwater.

FRESHWATER AND PARTNERSHIPS PROGRAMME



Levels of service	Improved waterways and water quality as well as additional freshwater grants
Rates	Increase by \$513,000 per annum or 1.13 per cent or 94.7 cents per 100,000 capital value per ratepayer
Debt	No change

The freshwater and partnerships programme aims to protect and enhance water quality and aquatic habitat including through partnership with landowners, iwi and external agencies. The programme includes initiatives

to support stock exclusion from waterways (through freshwater restoration grants, advice and education), riparian enhancement and planting, aquatic habitat enhancement and supporting water quality initiatives.

In 2017-18 Horizons and its partners were successful in securing over \$5.23 million from the Freshwater Improvement Fund (FIF), administered by the Ministry for the Environment, toward water quality improvement projects totalling more than \$12.3 million. Our Region's four projects in the Manawatū, Whangaehu, Lake Waipu and Lake Horowhenua catchments are programmed to be completed over three or five years. Horizons will lead three of the projects (Manawatū, Whangaehu and Lake Waipu). The Lake Horowhenua Trust will lead the project in the Lake Horowhenua Catchment.

In order to deliver on these projects, we have reallocated resources within the Council teams to provide for Horizons' contribution over the next three years. This has meant that all of the previous budget for freshwater grant work has been allocated into the catchments with FIF projects. For the three FIF projects that Horizons are leading, \$567,500 of ratepayer funding is projected to be spent in Year 1 of the LTP as part of a budgeted total spend in the catchment on works of \$2.2 million. The balance of funding is from the Ministry

for the Environment, Palmerston North City Council, Horowhenua District Council, Manawatū District Council, Rangitikei District Council, Ngāti Rangi and landowners. Further funding will be leveraged through the \$100,000 contribution over three years to the Lake Horowhenua FIF project that has successfully secured \$1,685,000 in funding.

To enable work to continue in other catchments, Council has allocated a further \$160,000 of grant funding towards water quality improvement grants within the wider Region. Further, Council has allocated new funding for additional staff resource to assist with delivery of the freshwater and partnerships work.

A further inclusion in the LTP's Year 1 budget is new funding of \$75,000 for a programme to reduce nutrient and sediment loss from horticultural operations. This work builds on work completed as part of the Lake Horowhenua Clean-Up Fund project, broadening its scope to include other areas in the Region and a wider range of water quality improvement work.

DRINKING WATER

Levels of service	Improved overall management of drinking water supplies
Rates	Increase by \$100,000 per annum or 0.92 per ratepayer
Debt	No change



The recent enquiry into the contamination of the Havelock North public water supply has highlighted a number of areas for improvement in the management of public water supplies throughout New Zealand.

To ensure the relevant agencies in our Region are meeting their requirements regarding the protection of drinking water quality, Horizons is working in consultation with local public health officers and territorial authorities to improve overall management of drinking water supplies.

Information on drinking water supplies and their contamination risks is held by a number of organisations. Maintaining a continual flow of information is key to ensuring any risks to public health are identified and communicated to the right people at the right time. A stocktake and risk assessment for community

drinking-water supplies in the Horizons Region has also been completed. This assessment has highlighted a number of areas for improvement which is now informing the development of a dedicated work programme to inform decision making around the management of both existing and future public water supplies.

Council has included additional funding of \$100,000 per annum in the LTP to enable Horizons to complete its functions around drinking water supply management, including ensuring communication with other agencies involved in drinking water supply management. The funding is focused on drinking water supplies operated by Councils and equates to 0.92 cents per ratepayer through a Uniform Annual Charge.



SIGNIFICANT ISSUES FOR CONSULTATION

Ngā take hirahira

1

REGIONAL DEVELOPMENT AND PROSPERITY

Ko te whakawhanake ā rohe me te tōnuitanga

Levels of service	No change proposed
Rates	Increase by \$130,000 or \$1.20 per ratepayer
Debt	No change



Government has become increasingly willing to contribute to regional economic development, as illustrated by its support to date of the Manawātū-Whanganui Economic Action Plan through the Accelerate25 programme. Clear and credible intervention plans, and the active engagement of relevant stakeholders within the Region, will continue to be prerequisites for central government investment over the next 10 years.

Since the 2015-16, Council has contributed to regional development and prosperity by working with others to facilitate development and implementation of the Economic Action Plan. Our facilitation role involves coordination across districts and connecting with central government. This has included a financial contribution of \$230,000 per year. This was initially

from reserves in the 2015-16 financial year, and for 2016-17 and 2017-18 \$100,000 was rated for with the balance of \$130,000 from reserve funding.

We are not proposing to change the level of financial contribution to this activity. Council is proposing this remains at \$230,000 per annum, however we are proposing to change the way we fund regional development and prosperity. This will mean the activity becomes fully rate funded through a Uniform Annual General Charge (UAGC). This will mean an approximate increase from 0.92 cents to \$2.12 per ratepayer. Council believes Option 1 is more sustainable than to continue to use reserves to partially fund this activity. Using reserves should only be a short term solution, whereas we are proposing that this continue as part of our on-going activities.

OPTION ONE:

Activity 100 per cent funded from UAGC.

OPTION TWO:

Activity is funded from a mix of rates and reserves.

2

REGIONAL FACILITIES FUND

He tahua hinonga ā rohe

Levels of service	New initiative providing funding for facilities that will benefit the Region
Rates	Increase by \$500,000, not currently budgeted and would add 1.1 per cent to rates
Debt	No change



Our Council has been approached by the Region's city and district mayors to create a Regional Facilities Fund. The intention of the fund is to support the territorial authorities to develop facilities that could contribute to economic growth for our Region. Regional facilities, that benefit the Region, could be anything from a regional park to a sporting facility. We have been asked to contribute and administer \$2 million over four years. Should our community wish us to create this fund, we propose to consider the Whanganui Velodrome roof first (\$2 million over four years), followed by other requests presented to us by the Region's mayors.

Council is seeking your feedback on whether we should fund this proposed new activity.

OPTION ONE:

New activity at \$500,000 per annum for four years at up to \$5 per ratepayer. As this is not currently budgeted for in the LTP \$5 would equate to an additional 1.11 per cent rate increase.

OPTION TWO:

Establish the fund, however at a different amount. This will impact the level of service proposed, either more or less, depending on the final decision of how much to fund by. For every \$100,000 of capital value this will equate \$1 per ratepayer.

OPTION THREE:

To only establish a Regional Facilities Fund should ratepayers' feedback support. This currently has no impact on proposed rates, level of services or debt.





3

CHANGES TO RIVER AND DRAINAGE SCHEMES IN THE REGION

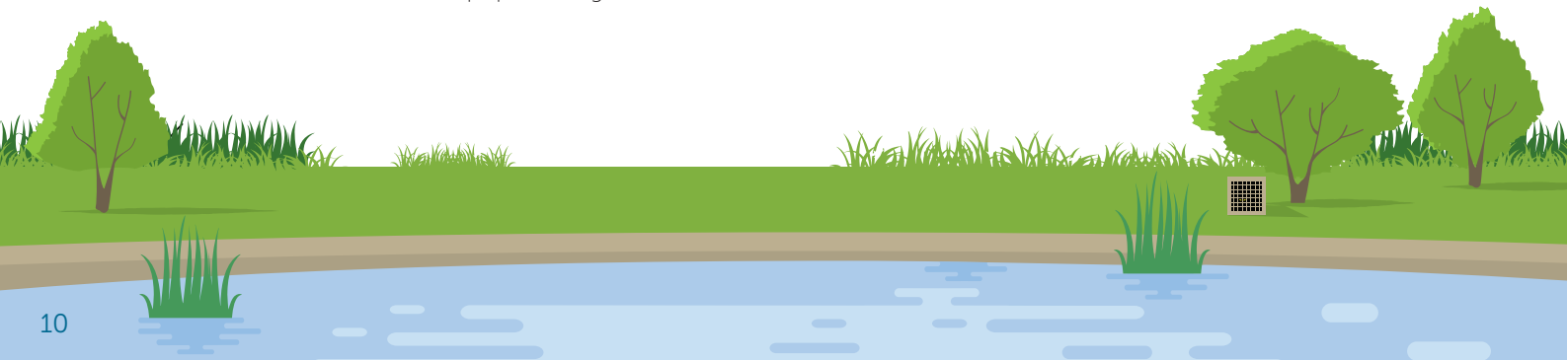
Ngā whakanekeneke i ngā mahi awa me ngā awakeri o te rohe

Horizons currently manages more than 30 river management schemes throughout the Region, providing protection from flooding and river erosion to 10 urban areas and 75,000 hectares of rural land. That involves, amongst other things, managing approximately 1,270km of river channel, and inspecting and maintaining just under 500km of stopbanks and 53 detention dams.

These schemes allow the productive potential of a significant part of the Region to be fully realised and keeps people, their possessions and infrastructure safe from flooding. As part of determining what future services are needed, a 30 Year Infrastructure Strategy has also been completed. This strategy takes into consideration factors such as population growth,

infrastructure effectiveness and reliability, climate change, and the effect of sediment. A summary of this strategy can be found on pages 22-23. Over the next decade we propose to increase the services we provide in a number of areas.

All proposed changes and new river management and drainage schemes in this consultation document are rated 80 per cent targeted to the specific scheme ratepayers, and 20 per cent as a regional river and drainage rate contribution. This is because the most benefit is to those living in the scheme boundaries, while the Region as a whole benefits through this protection due to the economic, social, and cultural impact that could occur should these areas flood.



FOXTON EAST DRAINAGE SCHEME

Levels of service	Increase flood protection for Foxton
Rates	Increased rates across all years as detailed in the table below
Debt	Debt to increase by \$1.831 million, repaid over a 20 year period



Horizons has been working with the Horowhenua District Council to better understand the drainage limitations in and around Foxton, and to identify an effective mitigation strategy that alleviates the flooding that frequently impacts the town. The solution identified is a new pipeline running along Cook Street linking the Horizons drain on the east side of the town (known locally as Kings Canal) with the Foxton Loop. Constructing the pipeline has been costed at \$3 million, and Horizons and Horowhenua District Council have agreed to share the cost 60:40 respectively. This represents a significant increase in expenditure for the Foxton East Scheme, therefore we propose to revisit the targeted rate classification for the Foxton East Drainage Scheme in 2019 (Year 1) of the Long-term Plan.

The pipeline will not provide the absolute solution to flooding and we expect climate change to add to

that challenge over time; the pipeline will be designed and constructed to enabling a pump station to be constructed at some point in the future. No financial provision for pump station design or construction has been included in this LTP. Horizons river management rates for Foxton will rise substantially with this work – to as much as \$80 per \$100,000 capital value per year over the next 10 years.

There are alternative pipeline routes, however we consider Cook Street to be the best option. Foxton's location constrains alternatives to a pipeline (higher, more extensive stopbanking for Kings Canal/Purcell Street drain, for example, would be more expensive and would provide less benefit). Doing nothing risks ongoing flood-related property damage and disruption, with climate change effects likely to accentuate those impacts over time.

OPTION ONE:
Construct a new flood relief pipeline for Foxton. See impact on rates below.

OPTION TWO:
Do nothing - no change to the current level of services, rates or debt levels.

\$ RATES IMPACT PER \$100,000 OF CAPITAL VALUE:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
80% targeted rate	10.19	55.14	81.73	73.90	74.80	75.71	76.08	76.46	76.74	77.15
20% regional river and drainage rate	0.012	0.065	0.096	0.087	0.088	0.089	0.089	0.090	0.090	0.091



LOWER MANAWATŪ SCHEME

A ASHHURST

Levels of service	Protecting Ashhurst Domain from further river erosion
Rates	Increased rates across all years as detailed in the table below
Debt	Debt to increase by \$250,000 which will be paid off over 8 years



In 2017 Ashhurst residents asked Horizons to intervene with the progressive loss of the part of the Ashhurst Domain that fronts the Manawātū River. Stemming back to the June 2015 floods, changes in river alignment have resulted in river erosion of the domain land, owned by the Palmerston North City Council (PNCC). That erosion lies outside the extents of Horizons' Lower Manawātū Flood Protection Scheme (LMS), but in any event the LMS usually only fully-funds river control works of this type where flood protection assets (stopbanks) are threatened.

Horizons shifted the Manawātū River away from Ashhurst Domain in May 2017, work funded 70/30 by PNCC and Horizons (the Horizons share was met by way of a general rate funded Environmental Grant). Permanent work to protect the domain from further erosion began in February 2018 with Horizons again funding 30 per cent of the construction cost, capped at

\$300,000. Up to \$50,000 will come from an additional Environmental Grant with the balance funded by way of a loan.

We're proposing to levy a targeted rate over Ashhurst to repay most of that loan, with 20 per cent coming from the Regional River and Drainage rate. When the Ashhurst Domain protection works are completed, Horizons will consider whether to extend the LMS to include the reach of the Manawātū River adjacent to the Ashhurst Domain. If that decision is to extend the scheme, the rating classification for the LMS will be amended to include Ashhurst.

Clearly with a river the size of the Manawātū there are no feasible alternatives to the work proposed, a sentiment already expressed by Ashhurst residents; doing nothing risks further loss of land. For Year 1 this equates to \$8.44 per \$100,000 of capital value for the Ashhurst ratepayer.

\$ RATES IMPACT PER \$100,000 OF CAPITAL VALUE:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
80% targeted rate	8.44	8.59	8.73	8.73	8.73	8.73	8.73	8.73	-	-
20% regional river and drainage rate	0.014	0.014	0.015	0.015	0.015	0.015	0.015	0.015	-	-

B REID LINE FLOODWAY

Levels of service	Increased flood protection for Feilding
Rates	Increased rates across all years as detailed in the table below
Debt	Debt to increase by up to \$7.6 million, paid off over 15 years



While the Reid Line floodway has worked well in keeping Feilding safe from flooding, we're concerned that it may not be as effective as it should in a large flood. Those concerns relate to both our experience of the Mākino Stream and the speed with which flood flows can be generated, the rate with which Feilding is growing out toward the floodway and the significant operating limitations that exist associated with the floodway being comprised of privately-owned land.

As a result, we're proposing to divert flood flow more frequently along the floodway and to enlarge its capacity to provide Feilding township with a 200-year Return Period flood protection standard. That will require the purchase of some or all of the private land in the floodway, recontour the floodway to remove the stream culverts that pass through the floodway stopbank, and increase the stopbank height. This proposal complements work that the Manawatu District Council have underway, re-zoning rural land between

Feilding and the floodway for residential development and allowing Feilding to continue to grow.

These initiatives are costed at up to \$7.6 million (depending on how much of the floodway corridor is purchased) with a seven year implementation timeframe commencing from Year 1. The timing of the \$7.6 million spend is uncertain. The work is proposed to be loan-funded, repaid over a 15 year period primarily (80 per cent) through an increase to the targeted flood protection rate applied to Feilding, with the balance from the region-wide river and drainage rate.

Alternatives consist of either doing nothing or constructing stopbanks along the Mākino Stream through Feilding. Council believes neither are viable options – doing nothing leaves Feilding vulnerable to substantial flood damage and potential loss of life in a large flood; stopbanking through Feilding is significantly more expensive than upgrading the Reid Line floodway.

OPTION ONE: Complete the work with a 15 year loan. The amounts listed below are the rating impact per \$100,000 of capital value. Our estimates at present assume a loan-funded option, which is Council's preferred option and has been budgeted for. See impact on rates below.

OPTION TWO: Paying for the cost of the work as it is incurred. See impact on rates below.

\$ RATES IMPACT PER \$100,000 OF CAPITAL VALUE:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
OPTION ONE - 15 year loan 80% targeted rate	4.09	12.11	19.46	24.37	26.96	29.85	33.01	32.91	32.91	32.91
20% regional river and drainage rate	0.04	0.12	0.20	0.25	0.27	0.30	0.34	0.33	0.33	0.33
OPTION TWO - Pay as you go 80% targeted rate	40.53	74.52	63.28	43.86	25.07	25.19	25.22	-	-	-
20% regional river and drainage rate	0.41	0.76	0.64	0.45	0.25	0.26	0.26	-	-	-



LOWER WHANGANUI RIVER SCHEME

Levels of service	Reduced flood risk and more resilient river control
Rates	Increased rates across all years as detailed in the table below
Debt	Debt to increase by \$3.397 million which will be paid off over 13 years



The serious impact of the 2015 flood on Whanganui prompted Horizons to gauge the views of the community around flood protection and river management, and where Horizons should concentrate its efforts. That community engagement in 2017 has resulted in Horizons re-thinking our approach to flood management for Whanganui and proposing a suite of

measures to address those issues. The other primary driver for change is the port redevelopment project, initiated by the port owner, Whanganui District Council. This project has prompted the two organisations to consider the future of the ageing and deteriorating river training works that largely hold the lower reach of the Whanganui River in its current alignment.

A ANZAC PARADE

For the Anzac Parade area we're not proposing to make any further investment in higher stopbanks; we consider the technical challenges, impacts on Kowhai Park and associated costs to be too large, and the residual risks too challenging to adequately manage. Instead we're proposing to establish a fund that would incentivise homeowners on the margins of the floodable area to raise their houses. For those homes in the main part of the floodable area that are more at-risk, we're proposing non-mandatory purchase (and removal) of houses when the opportunity arises.

The Lower Whanganui Scheme would establish a

separate fund, setting aside a \$50,000 contribution each year to that fund. That would be funded in the same way as other Lower Whanganui Scheme operating costs - 80 per cent would come from targeted rates with the balance funded through the region-wide river and drainage rate.

Not taking steps to progressively reduce that risk over time has a range of economic and social consequences for Whanganui that we believe (in the absence of more robust flood defences as a feasible option) are too large to ignore. Horizons would not be adequately discharging its statutory responsibilities.

B TAUPŌ QUAY

For the floodable part of Taupō Quay, we propose to work together with the Whanganui District Council to explore ways in which flood protection measures can be integrated with the high amenity value of that area, particularly the precinct upstream of the City Bridge (including the River Traders' Market area). No allowance

has been made for any construction work in our plan, as the trigger would be any future redevelopment plans that the Whanganui District Council might have for the area.

We've allowed \$10,000 for staff time and consultant costs to formulate a plan jointly with WDC.

C PŪTIKI

In contrast to Anzac Parade, we believe that constructing flood defences for the Pūtiki area is a feasible proposition, requiring lower height stopbanking for a more contained area that doesn't have the same technical (foundation) challenges. Further technical work is however required to ensure that flood defences designed to contain Whanganui River floods don't

exacerbate the flood hazard associated with the Ngatarua Stream.

The estimated spend of \$1.2 million to construct stopbanks is scheduled for Year 6 and 7 of the LTP and further consultation will be undertaken as the time for works approach. If this work is not completed the high flood risk for this area will remain.

D LOWER WHANGANUI RIVER STRUCTURES

The section of coastline that meets the mouth of the Whanganui River is a particularly exposed and active part of the west coast, with the river prior to port construction moving backward and forward along several kilometres of coastline. Port operation requires a fixed and navigable mouth, with a significant amount of investment made in infrastructure to achieve that. Whanganui as a city has largely grown around a river in a relatively stable position with significant areas of residential development and critical infrastructure established on either side. That river infrastructure is in relatively poor condition, posing a risk to that infrastructure/development, a matter highlighted by the port revitalisation project.

Managing the alignment of the lower reach of the river was not part of the activity for the Lower Whanganui Scheme when it was established in 2006. Horizons and Whanganui District Council have agreed that this should

be added to the areas of responsibility covered by that scheme, covering inspection and maintenance of this infrastructure and managing the alignment of the lower reach of the river, including the moles located at the mouth.

Expected costs for this work are approximately \$4.9 million over a period of 30 years. Whanganui District Council has agreed to contribute 25 per cent of the cost of work to the moles over a 10 year period commencing in Year 1. If we are able to obtain financial assistance from central government, some acceleration of the work programme is likely.

For all of the projects undertaken in the Lower Whanganui Scheme, the impact to ratepayers per \$100,000 of capital value is minimal, as summarised in the table below. Please note this will be an additional rate requirement on top of current operating costs.

\$ RATES IMPACT PER \$100,000 OF CAPITAL VALUE:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
80% targeted rate	2.70	2.19	5.62	5.10	4.42	10.78	10.15	4.02	4.14	5.56
20% regional river and drainage rate	0.09	0.07	0.19	0.17	0.15	0.36	0.33	0.13	0.14	0.18

MATARAWA SCHEME

Levels of service	New channel maintenance within the existing scheme
Rates	Increased rates across all years as detailed in the table below
Debt	Debt to increase by \$275,000, repaid over a 10 year period



Horizons staff and contractors are currently clearing the section of the Matarawa Stream that passes through Whanganui, part of our response to the June 2015 flood event, work that is due to be completed next summer. This reach of the Matarawa was specifically excluded from the Matarawa Scheme when it was

first established and accordingly the work currently underway is being funded from general reserves. We're proposing to repay the reserves via a scheme loan. We're proposing to spread the cost of repaying that loan over the Whanganui urban area, retaining a smaller maintenance rate once that loan is repaid.

\$ RATES IMPACT PER \$100,000 OF CAPITAL VALUE:

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
80% targeted rate	0.74	0.74	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
20% regional river and drainage rate	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02	0.02

TARARUA AND RUAPEHU DISTRICT-WIDE RIVER MANAGEMENT

Complementing other proposed changes, Horizons is proposing to make our river management activities more responsive to ratepayer needs. River management issues often evolve very quickly and the scheme-based model limits our ability to intervene with equal speed outside those established areas. A scheme-based approach to river management can also be administratively inefficient and is not, in our view, the best way to accommodate management issues such as willow control, where establishing a scheme and a targeted rate area to address a particular issue can be a significant portion of the cost of carrying out the work.

Increased level of service

The proposed new scheme initiatives are increased levels of service and would complete willow control and channel management work throughout the respective districts, similar to that undertaken by the Eastern Manawatū and Taringamotu Schemes. It would provide the ability to undertake simple drain maintenance, give river management advice to all ratepayers, intervene in matters such as mouth openings, and look to develop riparian enhancement areas.

TARARUA DISTRICT

Levels of service	New channel management scheme with increased level of service and benefits
Targeted rate	A new rate of approximately \$3.62 per \$100,000 of capital value for Tararua District ratepayers
Regional river and drainage rate	Approximately \$0.085 contribution per \$100,000 of capital value
Debt	No change



For the Tararua district we plan to dissolve the Akitio, Eastern Manawatū and Ihuraua Schemes and create a district-wide Tararua River Management (TRM) Scheme. Previous contributors to these schemes will now pay the district-wide TRM Scheme rate instead, as budgeted in the LTP, therefore there is no rate increase to previous contributors. However, for all other ratepayers in the district, the TRM Scheme rate is a new rate and new level of service. Three major schemes, the South Eastern Ruahines, Mangatainoka, and Upper Manawatū would remain unchanged. The Tawataia Scheme would also need to be retained as it contains a detention dam as a fixed asset.

OPTION ONE: Create new scheme, as budgeted for in LTP.



OPTION TWO: Do nothing.

RUAPEHU DISTRICT

Levels of service	New channel management scheme with increased level of service and benefits
Targeted rate	A new rate of approximately \$2.92 per \$100,000 of capital value for Ruapehu District ratepayers
Regional river and drainage rate	Approximately \$0.054 contribution per \$100,000 of capital value
Debt	No change



For the Ruapehu district we plan to dissolve the Taringamotu Scheme and create a district-wide Ruapehu River Management (RuRM) Scheme, retaining the Upper Whanganui and Pakihi Schemes in their current forms. Previous contributors to the Taringamotu Scheme will now pay the district-wide RuRM Scheme rate instead. For all other ratepayers in the district, the RuRM Scheme rate is a new rate and new level of service.

OPTION ONE: Create new scheme, as budgeted for in LTP.



OPTION TWO: Do nothing.

HOW MUCH WILL THESE NEW DISTRICT-WIDE SCHEMES COST?

We propose to fund these schemes mostly by levying a uniform capital value-based rates of \$3.62 and \$2.92 per \$100,000 capital value across the Tararua and Ruapehu districts respectively. 80 percent of the operating cost for each scheme will come from targeted rates with the balance obtained through the region-wide river and drainage rate.

In terms of dissolving the current schemes, the Eastern Manawatū reserves and scheme balance would largely cancel current debt. With the Akitio and Ihuraua schemes, ratepayer consultation would be required to decide what to do with the projected surplus of approximately \$20,500 and \$5,300 respectively. With the Taringamotu Scheme, Horizons has nil-rated those within the rating classification in the current year, expending reserves to complete a programme of minor works.

New scheme benefits

This is a new initiative and as such the alternative is to revert to our current operating regime; we believe this new approach has significant long term benefits to those districts, not the least of which will be a local road network that will, over time, be much more resilient to floods with a much reduced debris load.

OHAKUNE SCHEME

Levels of service	New river management scheme to address flood hazard
80% targeted rate	A new rate of approximately \$9 per \$100,000 of capital value for Ohakune township ratepayers
20% regional river and drainage rate	Approximately \$0.0403 contribution per \$100,000 of capital value
Debt	No change



Technical work undertaken in 2014 assessed and ranked flood hazard areas that are not currently within river management schemes. That work identified the town of Ohakune as the Region's highest priority. Historic floods have devastated the town and a flood event in 2013 came close to causing substantial issues. Currently no community-wide approach to flood hazard mitigation exists.

During 2017, Horizons undertook significant consultation with the Ohakune community around what a river management scheme for the town might look like, including a well-attended public meeting. The outcomes from that consultation have led Council to propose a staged approach to addressing that hazard, including the establishment of a targeted rate scheme initially focussed on channel and potential flood debris management issues through a three-year works programme.

Although that work will improve matters, it will still leave Ohakune significantly exposed to flood hazard. Upon

the completion of this initial work we intend, through a future LTP process, to assess the community's appetite for undertaking a range of infrastructure improvements (short sections of stopbank, floodway, flood detention areas and the modification of some bridges and culverts) that will, over time, provide a much higher standard of flood protection. It will also cost significantly more than what we're proposing for this LTP.

The Ohakune Scheme proposal will cost approximately \$58,000 per annum for Years 1 – 3 of the LTP, and \$54,000 from Year 4 onwards, at a cost of approximately \$9 per \$100,000 of capital value for Ohakune property owners. That cost is proposed to be met in part by way of a new targeted river management rate for all of Ohakune, with a contribution from a new district-wide river management rate. We initially proposed an additional contributor rate for those within the catchment area upstream of Ohakune; based on the feedback we received last year we're now proposing to limit the targeted rate to the town only.

OPTION ONE: Create new scheme and rate Ohakune at a targeted cost of \$9 and the rest of the region at \$0.0403 per \$100,000 of capital value.

OPTION TWO: Do nothing.

4

COMMERCIAL INVESTMENTS

Ngā whakangao arumoni

Levels of service	Higher returns to council from the investment
Rates	Estimated rates savings of approximately \$100k-\$200k
Debt	Increase external debt by \$17 million offset by a \$17 million asset to MWRC Holdings Ltd



Horizons has been working towards better future-proofing our investments by increasing the diversity and resilience of our investments and maximising revenues gained through them. This is part of our financial strategy to reduce the burden on ratepayers. In 2010, as part of managing their investment portfolio, Council sold its shares in Napier Port Ltd with the plan to invest in other opportunities as these arise. At the same time, we set up MWRC Holdings Ltd to manage Council's commercial investments.

In managing its investments Council will continually review its portfolio to ensure it remains consistent with its investment policy of optimising returns in the long term while balancing risk in the short term. Council will consult with the community, in accordance with the Local Government Act (2002), if at any stage it deems it prudent to restructure any of its key investments to maximise its returns to the ratepayer, and manage debt and risk.

The effect of the Kaikōura Earthquake on Wellington's port, Centreport, reinforced the importance of increasing the diversity and resilience in our investment strategy. Centreport, in which MWRC Holdings Ltd is a 23 per cent shareholder, sustained considerable damage from the earthquake. As a result, MWRC Holdings Ltd has not received dividends from its

Centreport shares for the year ending June 2017 and it is projected that there will be no dividends in the year ending 30 June 2018. This reduces Horizon's ability to subsidise rates over this period.

Consistent with our ongoing strategy to grow opportunities to diversify and maximise revenue from our investments, MWRC Holdings Ltd won its bid to build a new three-story, modern office building on Victoria Avenue, which will be tenanted by Inland Revenue Department's Palmerston North office. The returns generated from the rental of this building will be a beneficial rate of return over the medium to long-term. This revenue will ensure that we can increase our non-rates-based revenue streams and reduce the burden on our ratepayers.

A portion of the funds to undertake this development comes from revenue generated from the sale of the Napier Port shares (\$6.1 million). The remainder (\$17 million) will be obtained through external funding (i.e. a loan). Council is considering whether they should invest \$17 million of borrowed funds into MWRC Holdings Ltd, or not, as there are two primary means for MWRC Holdings Ltd to obtain this external funding. Either through Council or borrow the funds directly through an external bank, and we would like your feedback on these options.

OPTION ONE:

The first is for Council to borrow the \$17 million required to obtain the funding required to finance the balance of the investment from the Local Government Funding Agency (LGFA). This is allowed for under the Council's Liability Management Policy. The interest rate on a loan obtained through LGFA will be lower than a commercial interest rate, which means higher returns can be achieved from the investment. However, because the loan is being taken directly by Council, this will mean that this debt will be recorded on the Council's balance sheet, with a corresponding loan to MWRC Holdings Ltd, which will be servicing this debt. This secondary loan will be an asset for Council of a value equal to Council's loan with LGFA. In order to comply with the Local Government Act, Council will need to charge MWRC Holdings Ltd a margin for the on-lending. Council will charge a margin over and above the actual interest rate, however any margin will increase council's revenue and increase MWRC Holdings Ltd costs so there is a nil impact to revenue across the group.

OPTION TWO:

The second option is for Council to not borrow the funds to on-lend to MWRC Holdings Ltd, instead MWRC Holdings Ltd will need to borrow the funds directly from a commercial bank at a commercial interest rate. This will mean reduced returns due to higher interest costs. However, because the loan would be taken by MWRC Holdings Ltd directly the debt will be recorded against MWRC Holdings Ltd's balance sheet, rather than with Council.

Based on current figures, the difference between LGFA funding and a commercial bank is anticipated to be between 0.5 to 1 per cent. As shown in the table below, an additional 1 per cent of interest on a loan of \$17 million is \$170,000 per annum in additional costs, resulting in reduced returns.

INDICATIVE INTEREST COST COMPARISON PER ANNUM

	Interest Rate	Interest Cost
Option 1 - Borrow from LGFA and invest in MWRC Holdings Ltd	4.5%	\$765,000
Option 2 - Do not invest in MWRC Holdings Ltd who will borrow from a commercial bank	5.5%	\$935,000
Variance	1.0%	\$170,000

As the margin on the borrowing will come to Horizons rather than to a commercial bank this will reduce pressure on the council to increase rates in the future, Council prefers Option 1 – a loan taken directly by Council and invested in MWRC Holdings Ltd to fund the development.



INFRASTRUCTURE STRATEGY

He rautaki hanganga

One of Horizons' core services to the community is river management and flood protection. A substantial portion of your rates goes towards the construction and ongoing maintenance of stopbanks, dams, floodgates, and other infrastructure designed to maintain the safety and economic wellbeing of our communities.

Horizons must prepare and adopt an infrastructure strategy as part of its Long-term Plan process every three years. This strategy identifies the challenges the Region is likely to face over the next 30 years in terms of river management and flood protection, and the options for addressing these challenges.

Outlined here is a brief summary of each of the issues identified in Horizons' 30 Year Infrastructure Strategy, which can be found on our website <http://haveyoursay.horizons.govt.nz>. While the costs of these works have been based on the best information available the actual costs may be higher than currently included in the budget.

FUTURE POPULATION GROWTH IN URBAN CENTRES

Horizons' population is projected to grow by a third to over 300,000 by 2050. Most of this growth will be concentrated in Palmerston North, Feilding, Horowhenua and Whanganui. This will inevitably lead to the expansion of residential areas in these centres and in the case of the Horowhenua is likely to drive land use change.

We intend to work more collaboratively with territorial authorities in planning for this growth, while still fulfilling our statutory requirements. We're also planning to take a more targeted approach to reviewing schemes, concentrating on the areas where we expect (and where there are already indications) land use change, making sure that the service we provide continues to be well aligned with the needs of the community.

We've assumed that the current projections around population growth for the Region will materialise. We consider this to be a fair assumption given net migration

to New Zealand at present, general economic climate, cost of living and house prices relative to other parts of the country, and the continued investment in transport links between the Region and Wellington.

OPERATIONAL EFFECTIVENESS AND RELIABILITY

We're conscious of the expectations communities who benefit from river management infrastructure, particularly stopbanking, have around the reliability of that infrastructure to contain a large flood when it occurs. We're currently carrying out a comprehensive assessment of the detention dams we look after and we're planning further improvements in the areas of flood protection and land drainage in order to be as certain as we can of keeping people, property and infrastructure safe from flooding. Those improvements include rolling out a new asset management system and re-evaluating the way in which we inspect the more critical (those protecting urban areas) sections of stopbank.

CLIMATE CHANGE

As our climate continues to change in response to increased CO2 concentrations the effects at a regional scale will continue to grow, with hotter temperatures and changed patterns of rainfall. Sea levels will continue to rise, potentially at an accelerated rate. Rainfall is likely to increase across most of the Region west of the Ruahine and Tararua Ranges in winter and spring, while eastern areas are predicted to become drier. In the west of the Region, it is likely that floods will increase in both frequency and magnitude for both the Rangitikei and Whanganui catchments, while higher rainfall is likely to place added pressure on the land drainage schemes that cover much of the Lower Manawātū floodplain.

We're already responding in those impacts, factoring in a component of climate change with the construction of the Balgownie stopbanks in Whanganui. We'll continue to make prudent risk-based decisions around incorporating climate change into operational activities (e.g. making provision with the Foxton pipeline for the addition of pumping at a future stage) and we've also included additional funding in our environmental report programme to better quantify the impacts of climate change on our Region.

THE EFFECT OF SEDIMENT ON OUR FLOOD MANAGEMENT NETWORKS

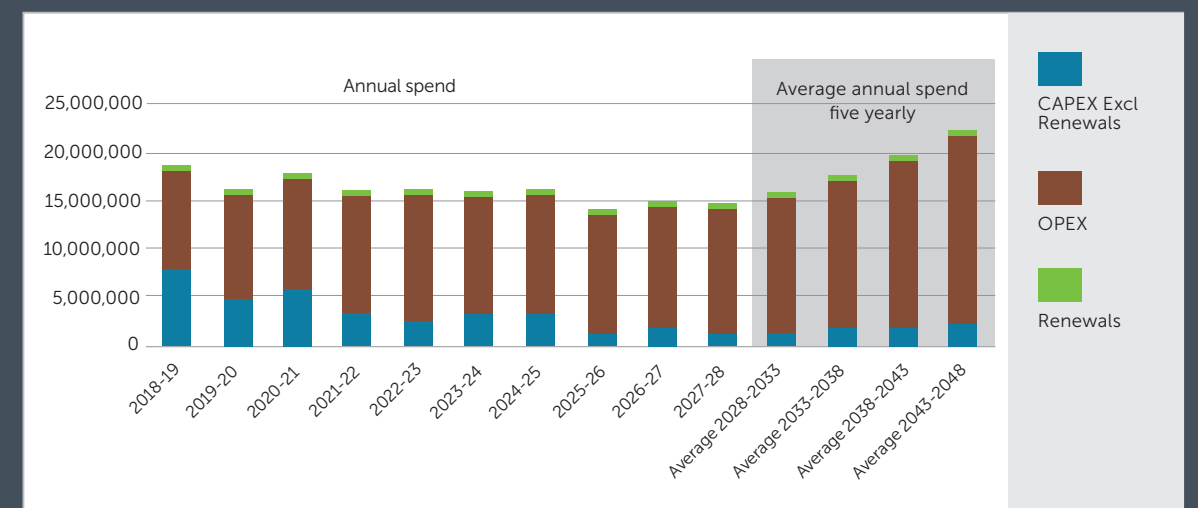
Sedimentation is a significant and growing issue in a number of the catchments in the Region. Sedimentation

refers to the deposition of silt on the berms of lower-lying river systems, either from eroding hill country or riverbanks. This leads to a reduction in the flood-carrying capacity of river systems, particularly in times of high flow. Sedimentation is a significant issue in three areas: the Rangitikei River southwest of Bulls, the lower reach of the Oroua River (Awahuri to the Manawātū River confluence) and the lower reach of the Manawātū River from the Oroua River confluence to the river mouth at Foxton.

Our response to this issue is to make an additional provision of \$50,000 per annum in the fluvial research and monitoring programme to further study rates of sedimentation, and the sources of the sediment; to better understand the issue and accordingly what interventions will provide the best return on investment. We envisage this work will inform future investment in catchment management and river management and could have financial implications in the next LTP. Flood frequency over the next few years will have a significant influence on just how quickly we will need to roll out this intervention plan.

The effects that sedimentation has on levels of service is not a new phenomenon, one that the 2004 floods graphically illustrated. Accordingly, Horizons already has some substantial initiatives in place, such as the Sustainable Land Use Initiative programme and some dedicated operating budget (\$100,000 per year to target sections of the Oroua River corridor where sediment accumulations are particularly pronounced).

INFRASTRUCTURE 30 YEAR PLAN BUDGET



Above is the Infrastructure 30 Year Plan budget. The first ten years show annual spend. The final twenty years show the average annual spend for each five year period.



ADDITIONAL CONSULTATION ITEMS FOR CONSIDERATION

He kaupapa atu anō kia whakaarohia

CHANGING THE REGION'S AND COUNCIL'S NAME

He whakatika ingoa

Recently, elected Council members voted in favour of presenting an application to the New Zealand Geographical Board to change the name of the Region to Manawatū-Whanganui.

The naming of Manawatū is recorded within an oriori (a waiata composed for children to tell stories of their ancestors) composed for a girl called Wharaurangi by her uncle Te Rangitākōrou. The oriori relates to the journey of an earlier ancestor, Haunui-a-Nanaia, and the search for his wife who had eloped with another man. The song provides an account of his quest and the waterways that he named along the way. Ka tatū e hine ko Manawatū describes how his heart (manawa) settled or momentarily stopped (tatū) when he saw the river. The compound noun formed from the two words gives us what we know today as 'Manawatū'.

The inclusion of a macron over the last letter in 'Manawatu' will align it with Māori language

orthography as promoted by the Māori Language Commission, Te Taura Whiri i te Reo Māori. The addition of the 'h' in Whanganui aligns with the official name of the Whanganui district and is formally recognised by the New Zealand Geographic Board.

Consulting with our community is part of the process to have the name change officially recognised. Following your feedback as part of the LTP submission process, should there be general consensus to make the change Horizons will apply to the NZ Geographic Board for formal approval and recognition of the proposed new name.



OPTION ONE:

Should the name change come into effect, Horizons Regional Council's trading name would also change from Manawatu-Wanganui Regional Council to Manawatū-Whanganui Regional Council. Updating material such as signs, letterhead, and other Council collateral will be undertaken as part of a brand refresh that is already budgeted for in the LTP communications activity and has no impact on rates.

OPTION TWO:

An alternative to making the proposed name change is to keep the name as it currently is. However, this would mean that the name will be at odds with the name of the district and its correct te reo meaning that is officially recognised by the NZ Geographic Board.



CAPITAL CONNECTION

Te hononga ki Te Pane



Council will continue to be involved with the retention and provision of passenger rail services between the Horizons and Greater Wellington Regions. With respect to the Capital Connection, Horizons has funded the service for the past three years to a total of \$500,000.

For the 2018-28 LTP, Council has proposed to discontinue this funding contribution. Instead Council, alongside Greater Wellington Regional Council (GWRC), is seeking that the full \$6.2 million operational three year shortfall (including the \$500,000 contribution that we have historically made) be funded by central government.

The new Government has announced a review of the Government Policy Statement, which sets out its approach to transport policy and funding and intends to review rail funding. While there is still uncertainty around this assumption, it is clear that the Government intends to give greater priority to public transport and rail in particular. Recently, signals from the Minister indicate central government funding would likely only be available if a Council contribution was made. Central government's decision isn't expected until May 2018, at this stage it is too early consult on the exact level of

funding required to maintain the capital connection, however we are asking our community whether you are willing to contribute funding (if requested by central government) to continue the Capital Connection service for the next three years (2018-21).

Obviously, Council would prefer central government to fully fund the service. However to help you provide feedback we have provided two examples to show an indicative contribution of \$110,000 and what the impact to ratepayers would be. The first example would equate to \$60,000 from reserves and the balance as targeted rates for Horowhenua, Palmerston North, and Manawatū. This will mean an overall increase to rates for the Region of approximately 0.11 per cent.

The second example would equate to \$110,000 (based on proposed contributions from other funding partners) from fully targeted rates for Horowhenua, Palmerston North, and Manawatū.

This activity is currently not budgeted for in the 2018-28 supporting document as we are seeking your feedback on whether the community is willing to contribute funding and have provided some examples below on the impact if Council was asked to contribute \$110,000.

If there is any funding contribution requests made to Council to retain the Capital Connection service we will consult with the community.

EXAMPLE ONE:

\$ impact on ratepayers	2018-2019		2019-2020		2020-2021	
	Per ratepayer	Additional rates	Per ratepayer	Additional rates	Per ratepayer	Additional rates
Using reserves of \$60,000						
Capital Connection Manawatū UAC	0.76	10,000	0.76	10,000	0.76	10,000
Capital Connection Palmerston North UAC	0.77	25,000	0.77	25,000	0.77	25,000
Capital Connection Horowhenua UAC	0.87	15,000	0.87	15,000	0.87	15,000
Total		50,000	-	50,000	-	50,000

EXAMPLE TWO:

\$ impact on ratepayers	2018-2019		2019-2020		2020-2021	
	Per ratepayer	Additional rates	Per ratepayer	Additional rates	Per ratepayer	Additional rates
Nil use of reserves						
Capital Connection Manawatū UAC	1.67	22,000	1.67	22,000	1.67	22,000
Capital Connection Palmerston North UAC	1.70	55,000	1.70	55,000	1.70	55,000
Capital Connection Horowhenua UAC	1.91	33,000	1.91	33,000	1.91	33,000
Total		110,000	-	110,000	-	110,000

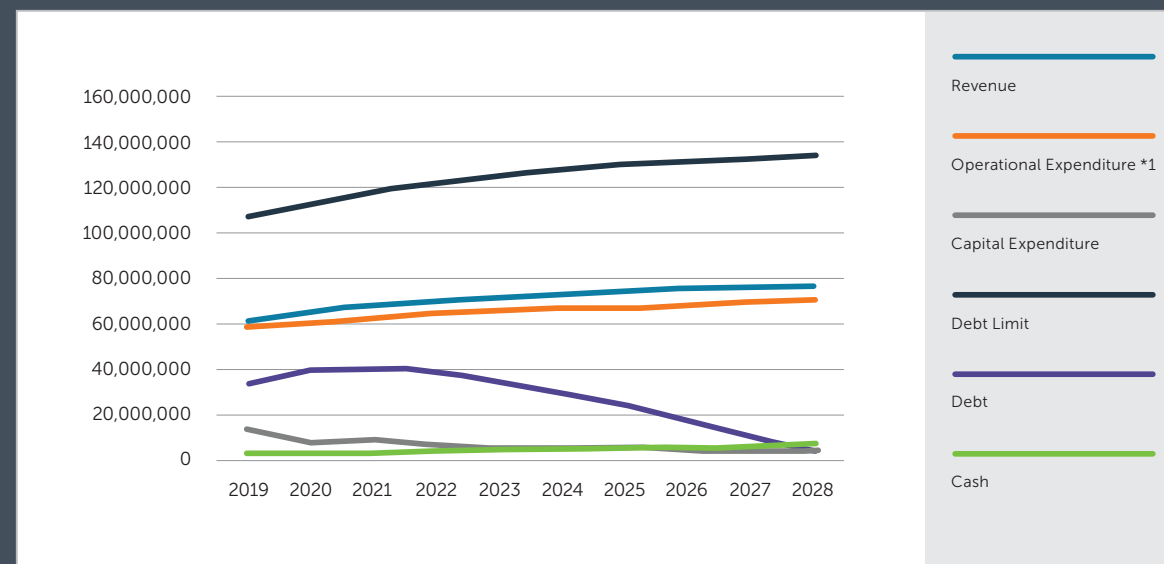


SUMMARY OF THE FINANCIAL STRATEGY

He whakarāpopotanga o te rautaki arumoni ki pae tawhiti

Welcome to our Financial Strategy, which provides a summary of our intended levels of service along with associated cost and funding implications, in particular our current and projected debt levels. It also demonstrates that Council is in a stable and sustainable financial position.

FINANCIAL STRATEGY



Note *1: Expenditure includes non-cash items such as depreciation.

As indicated in the diagram above, we are in a period where our cash reserves will be minimal while our debt grows. At our highest peak in debt (\$41 million) we retain head room of \$75.6 million. This position may limit our ability to respond to contingencies without borrowing further. However, at no time does Council exceed or are close to exceeding its capacity to borrow additional funds should there be an emergency similar to the 2004 flooding event.

In 2017 we commissioned a third high level financial review of Council's finances to aid with the strategic decisions included in this 10-year Plan. This report highlighted there had been a continuing improvement in the net indebtedness as a result of prudent expenditure and the close monitoring of our cash flows. It also highlighted that Council had a high dependency on rating revenue. Council's financial strategy will continue to operate a balanced operating budget while building emergency reserves and actively reducing debt. Council is also aware of its high dependency on rating revenue and as part of its strategy will continue to seek investment opportunities that provide a return to the ratepayer while balancing risk and return, as per the goals of its Investment Policy. This Policy can be found in the supporting documentation at <http://haveyoursay.horizons.govt.nz>.

While Council is retaining a conservative approach to its capital expenditure programme, there remains a balancing act between a conservative approach and meeting the public's needs for increased levels of service. There is also growing awareness of climate change and the impact of sedimentation in a number of the catchments in the Region.

Both issues are addressed throughout our supporting documentation and specifically within the 30 Year Infrastructure Strategy, which can be found on at <http://haveyoursay.horizons.govt.nz>. To best balance these needs Council reviews all its capital programmes and assesses the best approach to funding through the use of rates, debt and reserves. This supports the strategy that the cost of our significant assets should be spread across the generations.

LEVELS OF SERVICE

This LTP sees an increase in the levels of service in river protection to enable us to complete our post 2004 flood commitments, while increasing flood protection for areas such as Feilding, Whanganui, Foxton, Ohakune, and more generally through the Tararua and Ruapehu district-wide river management schemes.

In addition, we see levels of service increase in policy, consents and freshwater management. There will also be a new focus on protecting the sources of drinking water and expanding the investment portfolio.

The table below breaks down how we split funding across the activities and where that funding comes from.



KEEPING PEOPLE SAFE

- Emergency management
- River and drainage scheme rates
- General rate

PLANNING FOR YOUR REGION

- Strategic management
- Information
- General rate
- Uniform annual general change

GETTING YOU PLACES

- Transport safety and planning
- Transport services

MANAGING YOUR ENVIRONMENT

- Water quality and quantity
- Biosecurity
- Consent management
- Environmental initiative
- Sustainable land use initiative
- Pest plant management
- General rate

The balance of Council's remaining activities will retain their levels of service over the life of this LTP. Full details of our significant issues can be found in part one of the supporting documentation on our <http://haveyoursay.horizons.govt.nz>.

INFRASTRUCTURE INSURANCE RESERVE

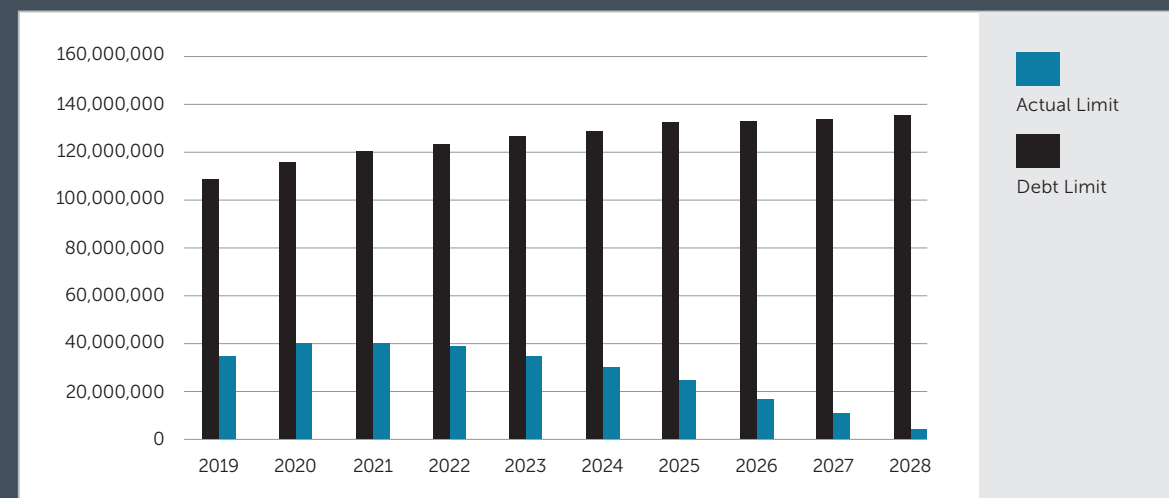
To remain financially prudent while ensuring Council has the funds available to self-insure its assets, we have maintained an Infrastructure Insurance Reserve Rate. We plan to add \$620,000 per year for the 10-year period. We have decided to rate \$120,000 per year of this amount from river and drainage capital value and the rest by a four-tiered Uniform Annual Charge (UAC) differentiated on the capital value of a property. In Year 1 Council is planning to use \$500,000 from this reserve to offset the impact from the Kaikoura earthquake on our investment revenue.

DEBT LEVELS AND RATE INCREASES

Council is seeking support to increase its level of debt across the next 10 year period in order to fund the increases in its proposed capital expenditure. You will see from the Infrastructure 30 Year Plan table on page 23 capital expenditure increases from Year 1 to Year 3 on new or improving assets, which coincides with our proposed levels of debt increase in Years 1 to 3. In addition, Council is also seeking support to increase its level of debt across the next 10 year period in order to borrow and on-loan funds to its 100 per cent Council Controlled Trading Organisation (MWRC Holdings Ltd). However, this will not have an impact on its net indebtedness, as there will be a corresponding asset due to MWRC Holdings Ltd accepting 100 per cent liability for this loan and therefore funding all interest and principal repayments.

The financial strategy sets out the debt limits, below is a table with actual debt compared to limits.

PROPOSED DEBT V LIMIT



As shown above, Council at all times retains headroom to borrow additional funds should there be another major event. Council's debt limit is in line with LGFA and is set at 175 per cent of its revenue and at peak borrowings Council does not exceed 60 per cent capacity for total borrowings.

Council is able to use its rates revenue as security on all debt; however, in the case of funding MWRC Holdings Ltd Council is able to add a margin to its cost of interest to acknowledge this security. Our detailed Liability Management Policy, which can be found in the in the supporting documentation, details the interest rate margin as one of Council's investment returns. Below is a summary of the expected returns.

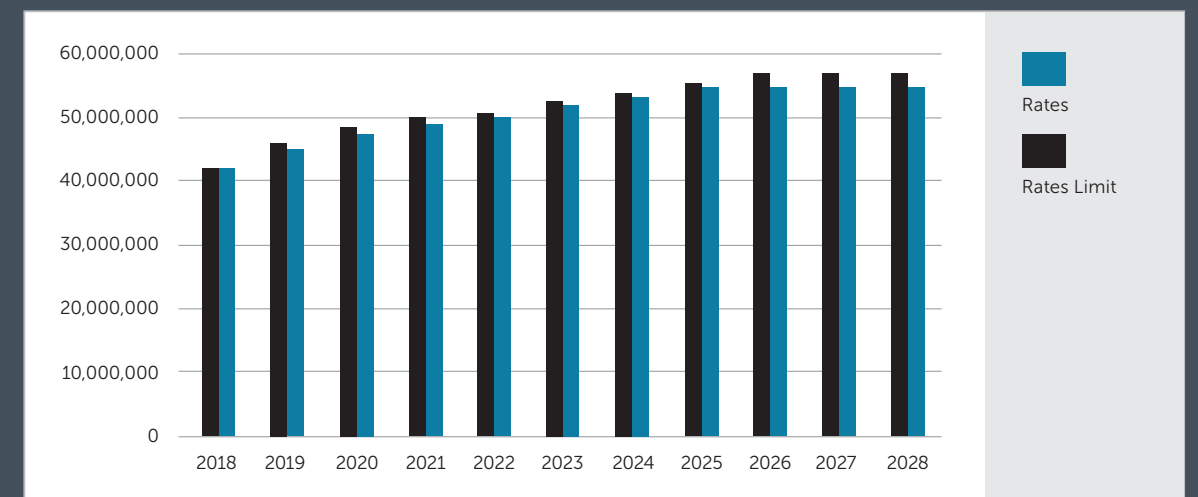
Investment Returns	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028
Term Deposits	3.3%	3.3%	3.3%	3.4%	3.5%	3.8%	4.0%	4.4%	5.0%	5.7%
MWRCH Shares	0.9%	4.6%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%	7.1%
MWRCH Loan*	← 0.5 to 1.0% →									
Hobson Wealth	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%	7.0%

*These are indicative returns as no loan agreement has been reached with the directors of MWRC Holdings Limited. It needs to be noted that Council must comply with Section 63 of the Local Government (2002) Act.

The Financial Strategy also provides detail on the caps we are looking to set ourselves on our rates and proposed increases over the 10-year Plan. For the first year of the LTP we are forecasting our rates to increase on average by 7.44 per cent. It is important to keep in mind that this is only an average and the rate impact will differ per district due to factors such as changes in property values and specific district rating inputs such as river schemes and urban passenger transport rates. This will be followed by an increase of 4.54 per cent (Year 2). For Year 3 onwards the rates are below the predicted rate of local government (BERL) inflation plus 2 per cent.

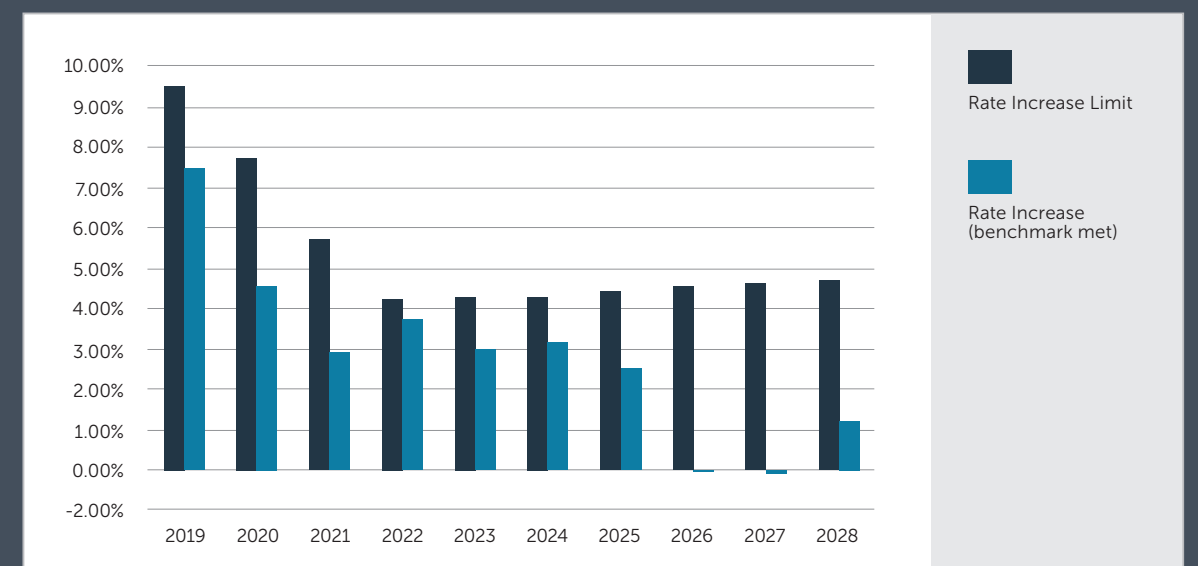
The table below shows proposed quantified rating levels against quantified rates limits.

PROPOSED RATES V LIMIT



The table below shows proposed rating increases against rating increase limits.

RATES (INCREASES) AFFORDABILITY



This graph compares Council's proposed rates increases with a quantified limit on rates increases contained in the financial strategy included in Council's proposed Long-term Plan. Council have set the quantifiable limit at 9.50 per cent for 2018-19, 7.70 per cent for 2019-20 and 5.70 per cent for 2020-21. From Year 4 onwards the proposed limit is Local Government (BERL) projected average inflation rate plus 2 per cent.

REVIEW OF POLICIES

He arotakenga kaupapa

During the last six months Council has spent considerable time reviewing its policies. These policies are important as they set out who will pay for the services we provide to you, the community.

- Annual Administrative Charges
- Financial Contributions Policy
- Investment Policy
- Liability Management Policy
- Rating Policy
- Revenue and Financing Policy
- Significance and Engagement Policy

Through a number of workshops, we closely examined who benefits from activities and who contributes towards the need for activities. Benefits and contributions were considered at individual, local, regional and national levels. We are proposing that the majority of these policies remain unchanged from the 2015-25 Long-term Plan. However, after taking into account the levels of benefit/contribution and practical issues (such as legal ability to charge, cost effectiveness, transparency and affordability), the following revenue and funding policies, and other policies, have had significant changes to who pays for what activities are proposed.

- Biosecurity Pest Animal Management – excluding Rooks
- Climate Change
- Drinking Water – Monitoring and Research
- Regional Development and Prosperity Policy
- Lake Horowhenua Weed Harvester – name change to Lake Horowhenua Restoration
- Porewa Scheme
- Rangitikei District Old Man's Beard Eradication
- River and Drainage Scheme – Review and Audit
- Liability Management Policy

ALL POLICIES

In this consultation document, Council is proposing a new set of community outcomes. Should this proposal be accepted by the public as part of the consultation process then all of our policies will be updated to reflect the updated community outcomes. There is no direct impact on the ratepayer.

To view the above policies please see supporting documentation page 205 at <http://haveyoursay.horizons.govt.nz>

WHAT WILL YOUR RATES LOOK LIKE?

He aha te utu rēti?

	2017-18	2018-19	CHANGE	
Horowhenua District				
General Rates	3,900,666	4,156,293	255,627	6.6%
Individual Rates	2,793,802	2,973,877	180,075	6.4%
	6,694,468	7,130,170	435,702	6.5%
Manawatū District				
General Rates	4,130,142	4,388,602	258,460	6.3%
Individual Rates	2,895,254	2,983,185	87,931	3.0%
	7,025,396	7,371,787	346,391	4.9%
Palmerston North City				
General Rates	7,909,209	8,425,739	516,530	6.5%
Individual Rates	4,349,241	4,436,761	87,520	2.0%
	12,258,450	12,862,500	604,050	4.9%
Rangitikei District				
General Rates	2,016,162	2,366,513	350,351	17.4%
Individual Rates	1,185,688	1,247,834	62,146	5.2%
	3,201,850	3,614,347	412,497	12.9%
Ruapehu District				
General Rates	2,105,437	2,401,770	296,333	14.1%
Individual Rates	579,678	752,130	172,452	29.7%
	2,685,115	3,153,900	468,785	17.5%
Tararua District				
General Rates	2,669,330	2,979,472	310,142	11.6%
Individual Rates	1,897,225	1,962,046	64,821	3.4%
	4,566,555	4,941,518	374,963	8.2%
Whanganui District				
General Rates	4,190,039	4,467,690	277,651	6.6%
Individual Rates	1,085,654	1,268,834	183,180	16.9%
	5,275,693	5,736,524	460,831	8.7%
Part Stratford District				
General Rates	41,881	50,916	8,315	19.9%
Individual Rates	22,588	22,588	0	0.0%
	64,469	72,874	8,315	12.9%
Part Taupō District				
General Rates	843	883	40	4.7%
Individual Rates	4,828	4,828	0	0.0%
	5,671	5,711	40	0.7%
Part Waitomo District				
General Rates	28,120	27,066	(1,054)	(3.7%)
Individual Rates	14,337	14,337	0	0.0%
	42,457	41,403	(1,054)	(2.5%)
Region Total				
General Rates	26,991,829	29,264,224	2,272,395	8.4%
Individual Rates	14,828,295	15,666,420	839,125	5.7%
	41,820,124	44,930,644	3,110,520	7.4%



2018-19 SAMPLE RATEPAYERS

He tīpako kaiutu rēti

Hectares	Old CV	New CV	2017-18 Rates	2018-19 Estimated	2018-19 Change \$	2018-19 Change %
Horowhenua District						
0.082	210,000	210,000	221.34	235.25	13.91	6.30%
0.081	250,000	250,000	238.77	253.37	14.6	6.10%
596.582	1,560,000	1,560,000	2,539.07	2,672.35	133.28	5.20%
260.511	2,614,000	2,614,000	1,624.07	1,694.95	70.88	4.40%
Manawatū District						
0.045	180,000	180,000	240.53	249.43	8.9	3.70%
0.082	285,000	285,000	308.84	317.7	8.86	2.90%
0.441	380,000	380,000	369.42	377.86	8.44	2.30%
926.822	1,880,000	1,880,000	4,871.16	4,930.69	59.53	1.20%
Palmerston North City						
0.085	215,000	215,000	298.33	308.92	10.59	3.50%
0.066	305,000	305,000	305.22	315.87	10.65	3.50%
0.101	470,000	470,000	295.8	308.04	12.24	4.10%
49.305	875,000	875,000	295.82	308.06	12.24	4.10%
0.154	1,420,000	1,420,000	1,216.38	1,247.10	30.72	2.50%
0.428	3,370,000	3,370,000	936.34	1,017.40	81.06	8.70%
Rangitikei District						
0.065	80,000	99,000	151.56	174.01	22.45	14.80%
0.11	155,000	190,000	206.87	238.82	31.95	15.40%
0.081	245,000	255,000	988.29	1,056.49	68.2	6.90%
84.602	1,480,000	1,745,000	912.94	1,059.68	146.74	16.10%
1,844.20	3,360,000	3,980,000	4,525.04	4,876.00	350.96	7.80%
Ruapehu District						
0.103	81,000	115,000	163.43	199.48	36.05	22.10%
0.438	170,000	195,000	183.58	212.53	28.95	15.80%
0.26	235,000	295,000	276.3	339.3	63	22.80%
1,994.31	1,701,000	1,919,000	3,040.53	3,216.88	176.35	5.80%
263.431	4,993,500	5,687,000	2,768.80	3,355.39	586.59	21.20%
Tararua District						
0.075	100,000	118,000	176.31	198.58	22.27	12.60%
0.216	195,000	225,000	282.4	314.14	31.74	11.20%
288.038	1,010,000	1,260,000	869.84	1,054.12	184.28	21.20%
814.48	3,250,000	4,080,000	3,035.09	3,629.63	594.54	19.60%
Whanganui District						
0	107,000	107,000	170.86	183.88	13.02	7.60%
0.03	225,000	225,000	245.63	263.51	17.88	7.30%
0.058	355,000	355,000	329.91	353.62	23.71	7.20%
419.866	900,000	900,000	1,110.82	1,133.09	22.27	2.00%
1,039.36	4,320,000	4,320,000	3,415.30	3,493.11	77.81	2.30%

AUDIT REPORT

He ripōata arotake pūtea

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

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

I am the Auditor General's appointed auditor for Horizons Regional Council (the Council). Section 93C of the Local Government Act 2002 (the Act) requires an audit report on the Council's consultation document. We have done the work for this report using the staff and resources of Audit New Zealand. We completed our report on 27 March 2018.

Opinion

In my opinion:

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

Basis of opinion

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

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

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

Responsibilities of the Council and auditor

The Council is responsible for:

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

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

Independence

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

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

Other than our work in carrying out all legally required external audits, we have carried out engagements in the area of assurance reviews of the Regional Council's Debenture Trust Deed and the Manawatu River clean-up project funding, which are compatible with those requirements, we have no relationship with or interests in the Council.



Debbie Perera
Audit New Zealand
On behalf of the Auditor General, Palmerston North, New Zealand

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