

# HAWKE'S BAY REGIONAL COUNCIL ANNUAL REPORT 2008/09 FINANCIAL INFORMATION

Last year, Hawke's Bay Regional Council published prospective financial information in relation to the 2008/09 year in the Annual Plan 2008/09. Explanations for the major variances from the forecast figures that were published are set out below:

## Income statement

Operating revenue is \$1.02 million or 3.09% greater than budget. The major components of this increase are:

- Income from Council activities was \$1.13 million or 18.75% more than budgeted due to a much higher level of consent application processing than budgeted (\$836,000) and higher engineering consultancy charges (\$152,000);

- Dividend income from the Port of Napier Ltd was \$1.06 million better than budget;

- Grants of \$653,000 were 48% more than forecast due to unbudgeted income from AGMARDT for soil conservation work, from the Ministry of Agriculture for the afforestation initiatives and from the New Zealand Transport Agency for bus and total mobility services;

- Investment property gains were budgeted at \$2.77 million, however, gain of only \$10,000 in one of Council's properties was achieved due to the ongoing recession.

Operating expenditure is \$6.75 million or 22.96% greater than budget due almost entirely to fair value losses on Council's investment property portfolio (\$6.05 million). More detailed explanations of income and expenditure variances against budget Council's

activities are provided in the Statements of Service Performance for each activity in the full Annual Report.

## Statement of changes in equity

Total recognised revenue and expenses are \$4.72 million more than budgeted due to an increase in the value of Council's shares in the Port of Napier Ltd (\$10.78 million), off-set by net downward revaluations in other assets (\$6.0 million).

## Balance sheet

Equity is \$25.4 million or 6.82% more than budgeted. The main reason for this is the large increase in the value of infrastructure assets at the end of 2007/08 (\$19.2 million), which was not included in budget and, for the 2008/09 year, the unbudgeted increase in the value of Council's Port of Napier Ltd shareholding, off-set by downward revaluations of other assets (net \$4.8 million).

Investment property is \$13.4 million or 12.06% lower than budget due to fall in the land market values.

Financial assets (current and non-current) and cash and cash equivalents, taken altogether, are \$29.2 million or 20.3% greater than budget. This unforecasted increase is due to:

- \$10.8 million increase in the value of Council's shareholding in the Port of Napier Ltd in 2008/09;

- \$3.0 of Port of Napier Ltd dividends transferred into the Dividend Equalisation Reserve over the past two financial years;

- \$2.8 million greater than forecast sales of leasehold endowment land;

- \$8.8 million greater than forecast cash flows from operations;

- \$5.0 million increase in other reserves backed by cash.

Forestry assets are \$2.01 million less than budget due to earlier than planned harvesting and falling log prices not being in the opening balances used for the budgets in 2008/09.

Non-current borrowings are \$7.3 million or 58.5% less than budgeted as no funds were required for regional open space purchases during the year.

Trade and other payables are \$2.8 million or 54.1% more than budgeted due to Council holding \$2.3 million of afforestation grants funding at year-end that had not yet been distributed as planned.

## Cash flow statement

Net cash inflows from operating activities are \$6.6 million or 261% greater than budget due to:

- Receipts from customers being \$836,000 more than forecast due higher consent processing and engineering consultancy activity;

- Dividends from the Port of Napier Ltd being \$1.06 million more than forecast;

- Interest received being \$923,000 more than forecast;

- Grants received being \$653,000 more than forecast;

- Payments to suppliers being \$2.7 million lower than forecast due to higher accounts payable at year end.

Net cash outflows from investing activities are \$8.2 million or 73% higher than budget due to the greater than budgeted increase in current financial assets detailed above, which was off-set by purchases of up to \$7.5 million of open spaces/regional parks not proceeding as planned.

Net cash outflows from financing activities was \$7.4 million lower than budget due mainly to Council not borrowing for planned purchases of \$7.5 million of open spaces/regional parks properties not proceeding during the year as planned.

## Significant asset acquisitions or replacements

There were no significant asset acquisitions or replacements this year.

## SUMMARY CONSOLIDATED FINANCIAL STATEMENTS OF THE HAWKE'S BAY REGIONAL COUNCIL AND ITS SUBSIDIARY, PORT OF NAPIER LTD (GROUP) FOR THE YEAR ENDED 30 JUNE 2009

The summary financial statements were authorised for issue by the Chief Executive of the Regional Council on 8 October 2009. The disclosures included in the summary financial statements have been extracted from the full financial statements of the Group and comply with FRS-43, Summary Financial Statements. The full financial statements were prepared in accordance with NZ GAAP for a public benefit entity and were authorised for issue by the Regional Council on 23 September 2009. The full financial statements received an unqualified audit opinion. Summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements. Copies of both the full and summary financial statements can be obtained from the Regional Council's offices at 159 Dalton Street, Napier, or website: [www.hbrc.govt.nz](http://www.hbrc.govt.nz).

	REGIONAL COUNCIL			GROUP	
	Actual 08/09	Budget 08/09	Actual 07/08	Actual 08/09	Actual 07/08
(Presented in thousands of New Zealand dollars)					
<b>Summary Balance Sheet</b>					
Non-current assets	350,957	356,161	346,609	373,151	358,287
Current assets	63,128	36,717	57,346	71,634	67,399
<b>Total assets</b>	<b>414,085</b>	<b>392,878</b>	<b>403,955</b>	<b>444,785</b>	<b>425,686</b>
Non-current liabilities	5,919	13,147	6,950	39,567	27,546
Current liabilities	9,745	6,741	6,944	21,389	15,494
<b>Total liabilities</b>	<b>15,664</b>	<b>19,888</b>	<b>13,894</b>	<b>60,956</b>	<b>43,040</b>
<b>Equity</b>	<b>398,421</b>	<b>372,990</b>	<b>390,061</b>	<b>383,829</b>	<b>382,646</b>
Minority interest included in equity				7,992	7,692
<b>Summary Income Statement</b>					
Operating revenue	34,000	30,269	33,223	75,243	71,611
Fair value gains (net)	(6,003)	2,768	2,928	(6,433)	2,430
Operating expenditure	(29,550)	(28,568)	(29,137)	(61,428)	(59,130)
Finance costs	(532)	-825	(642)	(1,654)	(1,616)
Taxation expense	0	0	0	(4,420)	(3,354)
<b>Surplus before minority interest</b>	<b>(2,085)</b>	<b>3,644</b>	<b>6,372</b>	<b>1,308</b>	<b>9,941</b>
Minority interest share of Port surplus				(825)	(794)
<b>Surplus after minority interest</b>	<b>(2,085)</b>	<b>3,644</b>	<b>6,372</b>	<b>483</b>	<b>9,147</b>
<b>Summary Statement of Changes in Equity</b>					
Surplus for period	(2,085)	3,644	6,372	483	9,147
Increase / (decrease) in fair value reserves	10,445	0	18,894	400	19,154
<b>Total recognised income &amp; expense for period</b>	<b>8,360</b>	<b>3,644</b>	<b>25,266</b>	<b>883</b>	<b>28,301</b>
Minority interest movements in equity	0	0	0	300	277
<b>Total changes in equity</b>	<b>8,360</b>	<b>3,644</b>	<b>25,266</b>	<b>1,183</b>	<b>28,578</b>
Equity at the start of the year	390,061	369,346	364,795	382,646	354,068
Equity at the end of the year	398,421	372,990	390,061	383,829	382,646
<b>Summary Cash Flow Statement</b>					
Net cash inflows from operating activities	9,170	2,539	4,022	20,958	10,225
Net cash outflows used in investing activities	(19,403)	(11,225)	(7,759)	(42,157)	(13,943)
Net cash inflows from / (used in) financing activities	(1,369)	6,008	201	9,806	-417
<b>Total net cash flow</b>	<b>(11,602)</b>	<b>(2,678)</b>	<b>(3,536)</b>	<b>(11,393)</b>	<b>(4,135)</b>



## AUDIT REPORT

TO THE READERS OF HAWKE'S BAY REGIONAL COUNCIL AND GROUP'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2009

We have audited the summary financial statements, performance information and the other requirements as set out in pages 1 to 2.

### Unqualified Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and

- the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 23 September 2009, on:

- the full financial statements; and

- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

### Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, and in conducting the audit of and amendments to the Long Term Council Community Plan, we have no relationship with or interests in Hawke's Bay Regional Council or any of its subsidiaries.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.

Mark Maloney, Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand  
8 October 2009

**AUDIT NEW ZEALAND**  
Mana Arotake Aotearoa