

performance overview

chairman's report

The 2006/07 year presented some interesting new challenges for Councillors and staff, as well as a considerable amount of work continuing on and needing attention.

Perhaps the key change for the Council was the departure of Andrew Caseley as Chief Executive early in 2007. In his 16 years in the Council, Andrew had made an immense contribution to the life and character of the Council and to the region. He also had had a considerable input nationally to many local government and environmental policy developments. While staff and Councillors will miss his knowledge and sound advice, they were able to wish him well for his new role in the South Island. In May Council appointed Andrew Newman as the new Chief Executive and he comes from the forestry industry with a strong business and strategic focus.

The wider acceptance of the need for environmental care has somewhat influenced an increased interest locally in the plans and strategy development. When people hear about Regional Council plans and strategies, they can be forgiven for sometimes thinking these simply arise from the thoughts and opinions of staff and councillors. Nothing could be further from the truth. All Council strategies and plans are developed with extensive consultation with many people (both statutory and voluntary) in an effort to get a broad range of technical and lay opinions. Only after this often lengthy process is a plan made operative. It has been good to see that more people in our community now realise the importance of paying attention to proposed plans and becoming involved in planning processes at the beginning. Councillors certainly appreciate the time and thought these people give in making their useful submissions.

Plans and strategies the Council worked through with the community this year have related to Pest Management, Land Transport and Resource Management. The review of the Regional Coastal Environment Plan will continue through a further consultation process of public hearings into the new financial year. A rolling review programme of the resource management plan has been adopted to make the process, while more continuous, easier on both Council and citizens.

Working effectively with the community as individuals and as groups remains a very important focus for the Council. These partnerships often involve volunteers working hard in partnership with this and other councils; without them the Council's work would be less effective.

Council's work in environmental education continues to touch all sectors of the regional community. It includes the advice of staff, specific work with teachers and schools, events such as our annual Small Blockholders' Field Days, the Hawke's Bay Environmental Awards and events hosted by the Council in conjunction with central government agencies. Many of our Hawke's Bay schools provide excellent role models by demonstrating their commitment to integrating education for sustainability into everyday school life and empowering their students to take action for the environment and to make a real difference in their community. Enviroschools is a national initiative that has taken hold in Hawke's Bay with 17 primary and high schools now on the programme. This year I was pleased to present the first Enviroschools awards. Bronze to Nelson Park, Tutira and Waimarama Schools and the top Green Gold award to Pukehou School in Central Hawke's Bay, the first Hawke's Bay school to achieve this. It was also pleasing to present the Regional Council prizes to winning students in the annual Hawke's Bay Science and Technology Fair for exhibits that best illustrated environmental awareness and understanding.

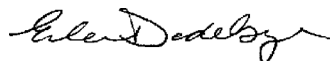
The Local Government Act 2002 has led to an increased focus by the Regional Council on all four well beings: social, economic and cultural as well as the environmental focus. This year Council enhanced its economic focus by developing a new relationship with our sister city, Xuzhou in southern China. This will be a long term relationship which will take time to evolve but aims to develop trade and economic opportunities for the Hawke's Bay region. Soon after this visit the Council worked with Hawke's Bay Inc to present a very successful forum for Hawke's Bay businesses to further discuss issues relating to doing business in China and during the year a management plan for the relationship was approved.

Increasingly the Council is involved in responding to initiatives from central government. While responding to these is time consuming, it is essential that the Council makes sure that the concerns of the Hawke's Bay region are adequately considered by central government. The ability of this Council to do so relies on the excellent relationships with territorial councils and with Members of Parliament through regular meetings.

Keeping the local in local government is essential and the Council worked hard and effectively in making submissions to the Local Government Commission when it undertook a representation review this year. As a result the Council was successful in retaining the Constituency of Wairoa with a single representative, which is significant for this small, distinctive community. However the Ngaruroro constituency has been merged into the Hastings constituency and some boundary changes were made around Napier and Hastings.

I want to thank councillors for the time, thought and commitment to the Council's work, not only during this year but throughout this triennium. There has been a huge amount of work. Not all of it is around the council table, and most of the preparatory work, consultation with constituents and meetings with interested groups happens behind the scenes. On behalf of the whole regional community, I particularly want to thank Councillor Adrienne Williams, who is stepping aside from her role as Councillor for the Central Hawke Bay Constituency, for the leadership, hard work and insight she has contributed over her twelve years of service. Regional Councillors don't just represent their own constituencies needs, they also serve the whole region and Adrienne has done this well through chairing council committees and participating widely in the life of the council.

I especially wish to thank the Regional Council staff who have worked unfailingly, despite changes at the top, to provide the high quality research, policy advice, skills and knowledge that assists Councillors to make decisions.



Eileen von Dadelszen
CHAIRMAN
26 September 2007

performance overview

chief executive's report

The following overview is a snapshot of Council's activities and achievements over the past year and has the dual benefit of providing a permanent record of some of the more important activities undertaken and issues dealt with.

KEY ACHIEVEMENTS AND ISSUES FOR THE YEAR

Willow Sawfly Remediation Works

Year two of the three-year programme of sawfly remediation work was completed with work well ahead of schedule. As a result approximately \$8.7M of the \$9.2M project has been spent leaving tree planting work to be completed in the 07/08 year.

It will however take a number of years for the trees planted as part of the project to become fully established. These trees form an integral part of the flood protection works and therefore the level of risk to the stopbanks remains elevated until those trees are fully established (in the next 4-6 years). The remedial works survived elevated river levels over the winter without damage and this has raised confidence that the work is effective.

The application made to central government for assistance for the works, as provided for under the National Civil Defence Emergency Management Plan, was unsuccessful and therefore Council must fully fund the project.

Flood Control and Drainage Schemes

Council administers and manages 22 flood control drainage schemes throughout the region. Council enters into an annual contract with its Works Group to undertake maintenance work on these Schemes. A total refund of \$354,342 was credited back to the Schemes at the end of the financial year from Works Group surpluses. This refund has resulted in considerably improved Scheme operating account balances at year-end.

Possum Control Areas

Council completed a further 40,120ha of initial possum control work under the possum control area (PCA) programme. There are now 342,671ha under Council's PCA programme and monitoring continues to indicate that low possum numbers are being maintained throughout this area. This continues to be a highly successful programme and both Council and property owners can feel hugely satisfied with the progress of this programme to date and the results being achieved.

Rooks

Council's rook control programme has significantly reduced the number of rooks within the region over the past two years. All known rookeries within the region, with the exception of a small number within Napier urban area, were treated during the year and five ground control operations were carried out. Council is working closely with Horizons Regional Council on a co-ordinated programme to significantly reduce rook numbers throughout the Eastern North Island over the next several years.

Animal Health Board Programme

Under the Animal Health Board programme a total of 672,284ha of land has received initial possum control and continues to be maintained with low possum numbers. Actual control in the 2006/07 year covered 342,126ha.

Council acts as a vector management agency under contract to Animal Health Board to deliver this programme. Positive feedback from the Animal Health Board was received on the performance of the Hawke's Bay vector management team assessed by periodic reviews and an annual audit by Animal Health Board.

Community Grants

Council made numerous grants to various entities throughout the region during the year. Some of the more substantial grants were made to Hawke's Bay Rugby Football Union to assist with meeting the requirements for Premier Division status (\$100,000); for the upgrade of facilities at McLean Park in Napier (\$125,000) and to Hawke's Bay Cultural Trust to assist with archiving activities (\$60,000).

Flood Warning System

Council maintains an extensive network of telemetered rainfall and river gauging sites. This was 95.4% operational throughout the year. A large portion of the downtime is attributable to vandalism and theft at three stations. Improved security has been installed as part of the reinstatement work.

The development of site-specific forecast information through computer modelling on major rivers of Hawke's Bay has progressed to a stage where the objective of providing site-specific information on at least two river catchments through the internet or other cost effective medium by 30 June 2008 can be confidently achieved.

Regional Land Transport Strategy

During the year extensive informal and formal consultation on the new strategy was undertaken. Submissions highlighted the need for an efficient and effective arterial and local roading system in the region to service economic development, while still maintaining the regions environment. The strategy is now being fine tuned to take into account the key points raised in submissions and is likely to be completed and adopted by the Regional Land Transport Committee in October.

Subsidised Bus Services

Subsidised urban bus services continued to operate in Napier and Hastings under the Concessionary Fare Scheme Agreement with Nimons. The contract for the Saturday bus service between the two cities was re-let in March 2007 and awarded to Nimons. A trial bus service between Waipawa and Waipukurau was established in the 2005/06 year but discontinued in July 2006 due to the lack of support and the unsustainable \$140 per passenger subsidy to run the service.

As part of its review of the Regional Passenger Transport Plan Council has been looking at the future shape of passenger transport in the urban areas of Napier-Hastings from technical, financial and consumer demand perspectives. Decisions on these will be reported through the notification of the reviewed Regional Passenger Transport Plan in early 2008 and available for public comment.

Review of Regional Coastal Environment Plan

The Regional Coastal Environment Plan was publicly notified for submissions with over 90 being received. The bulk of these related to the proposals to manage development on land along the regions coastline, so as to avoid coastal erosion and inundation risks. Hearings were programmed to commence in July and should be completed by years end.

Tangoio Soil Conservation Reserve

The harvesting of logs continued during the financial year. Blocks Se1 and Se2 comprising 120ha were harvested . 40ha in 2005/06 and the remaining 80ha in 2006/07. The 80ha in year ending 30 June 2007, provided the Council with harvesting revenue after costs in excess of \$2M and the remaining 30ha will be replanted during the 2007/08 year. It should be noted however that the proceeds from the Tangoio Soil Conservation Reserve is not available for Council operations.

Environmental Monitoring Strategies

Through the year environmental monitoring strategies were developed for air, land, the coast, surface water quantity and quality, and groundwater quantity. These strategies form the basis for Councils ongoing state of the environment data collection and analysis work. They form a comprehensive structure for the long term monitoring of the regions critical resources so as to enable Council to understand long term changes and report to the community on the condition of those resources.

Statutory Advocacy

Council was engaged in a wide range of statutory advocacy work during the year, even so the 2 Environment Court cases which Council became engaged in dominated activity. These cases were Land Equity Group vs Napier City Council and the Department of Conservation vs Wairoa District Council (Waikatea Station). During the year submissions to Government on new legislative proposals (eg. National Environmental Standards (NES) for water meters) also took considerable effort.

Financial Outcomes and Issues

Council budgeted for an operating surplus, under New Zealand International Financial Reporting Standards (NZ IFRS), of \$6,802,000 and achieved an actual result of \$8,369,000. An explanation for the favourable variance of \$1,567,000 is given below.

Operating Revenue: (\$3,072,000 Favourable)

- Revenue from activities was boosted by logging proceeds that were \$1,362,000 better than budget due to 40 hectares of harvesting of the Tangoio Soil Conservation Reserve forestry crop that was programmed for 2007/08 financial year being harvested in the current year. In addition, proceeds from external projects carried out by Council's Works Group, mainly for other Councils, were \$612,000 more than budget. However, this favourable variance was offset by revenue from the Animal Health Board (AHB) being \$917,000 lower than budget, due to a revision of the work programme at the request of the AHB at the beginning of the year. Total revenue from the AHB was in line with the revised budget.

performance overview

- Other revenue was \$1,550,000 greater than budget due to \$878,000 additional dividend payments from the Port of Napier Limited and \$580,000 additional interest income. Interest income benefited from higher than budgeted interest rates and higher than budgeted total funds deposited.

Operating Expenditure: (\$1,505,000 Unfavourable)

- Expenditure on activities was \$723,000 less than budget. The major components of this favourable variance were:
 - net higher than budgeted expenditure (\$590,000) in the Environmental Management group of activities, mainly associated with the cost of the additional 40 hectares of forestry crop harvested during the year,
 - net higher than budgeted expenditure (\$140,000) in the Land Drainage & River Control group of activities, attributable mainly to the increase in external projects carried out by Council's Works Group (\$497,000) and offset by expenditure on Flood Protection & Drainage Schemes (\$265,000) being reduced by refunds from the Works Group surplus,
 - net lower than budgeted expenditure in the Biosecurity group of activities (\$1,003,000) attributable mainly to the \$880,000 cost reduction associated with the revised AHB programme and a reduction in the Council's possum control programme of \$90,000,
 - net lower than budgeted expenditure (\$112,000) in the Hazard Management group of activities mainly due to a study on sediment transport mechanisms for coastal and river gravels being deferred until the 2007/08 financial year \$53,000) and slow progress being made on identifying and agreeing specific responsibilities for a number of voluntary agencies to which payments were planned (\$35,000), and
 - net lower than budgeted expenditure in the Economic, Cultural & Social Wellbeing group of activities (\$220,000) due to the Hawke's Bay Museum and Wairoa Community Trust projects not having proceeded to a stage during the year to support grants payments being made of \$239,000. These funds remain in the Special Regional Projects Reserve Fund for payment to be made during the 2007/08 financial year.
- Fair value losses, under NZ IFRS, amounted to \$2,220,000 this year, and were unbudgeted. The two components of the loss were a \$1,063,000 write-down of the Tangoio Soil Conservation Reserve forestry crop values and a \$1,157,000 write-down on the value of the Napier office accommodation building. The value of the building to a property developer is much less than the original cost given what tenants could be expected to pay for the building's net lettable floor area in the current market.

Leasehold Land Portfolio

A further 47 leasehold properties were sold during the year, realising \$4.7M in sale receipts. The balance held in Council's Sale of Land account at 30 June 2007 was \$27.1M. The sale proceeds will be invested in other suitable investments as per Council's investment policy and Council is continuing to search for such investments.

Port of Napier Ltd

The operating surplus after taxation for year end 30 June 2007 was \$6.817M, compared to \$5.936M in the prior year - an improvement of 14.8%. This represented a 7% return on shareholders' funds. Features of the year's result were:

- Revenue of \$39.6M was above the previous year's figure of \$37.3M, essentially due to higher container throughput.
- The number of containers handled increased by 9% to 143,000 TEU. This was a very good result given that the New Zealand-wide growth for containerised cargo was up by only 3% for the year.
- There was a change in the mix of shipping towards larger vessels which handle the greater tonnages. The number of ship visits were down by 5% to 603 visits. Of these visits, 24 were cruise vessels which compared to 10 in the previous year.

The continued success of the Port of Napier's operations is primarily due to its close proximity to both a growing base of bulk and break-bulk commodities, and increasing containerised cargoes in central New Zealand. Being adjacent to New Zealand's main east coast international shipping lane, along with timely and appropriate investment in Port infrastructure have all contributed to Napier's continuing growth.

During the year, John Newland was re-appointed as a Director for a further term of 1 year, effective from 1 December 2006. There were no other changes to Directors during the financial year ending 30 June 2007.

Staffing

In my short time at Council it is clearly evident that the level of commitment from staff to the vision of the organisation is very strong. Staff are well-focused, positive and operate co-operatively across disciplines to achieve common goals.

While staff turn over has been higher during the year than in the last two years it is still within acceptable levels. Council has been spared any significant problems in attracting suitable candidates to vacant roles, that has been evident with many employers, due to skill shortages in many professions. However, appropriate recruitment and retention policy development is a priority area for Council in the coming years.

There is an on-going need to focus on the skills shortage in many professions to try to ensure that Council is not adversely affected in the near to medium future. This is more clearly focused when assessed against the median age of the Council's work force and the impact this may have in the future.

Staff work loads are an area that also requires monitoring to ensure work pressure is not adversely affecting performance or work fulfilment. This also needs to be considered against provision of a healthy work life balance.

It is not envisaged that work pressure will ease as Government places more responsibilities on local government. I am confident this Council is well placed to accept the challenges it faces in the near future and more importantly that it has the staff who are skilled, trained and resourced to meet those challenges.

Conclusion

Over the next year there will be a number of important initiatives developed and undertaken; specifically, the introduction of a strategic planning role within Council, the assessment of investment opportunities to use the funds made available from the freeholding of Council's Napier leasehold property and on improving the communication of Council's current and future role and initiatives.

There will be numerous opportunities for the regional community to express their view on proposed Council processes and policy development.

We look forward to this contribution.



Andrew Newman

CHIEF EXECUTIVE

26 September 2007