

# report on council-controlled organisations

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## report on council-controlled organisations

### INTRODUCTION

The Local Government Act 2002 (Act) requires the Council to include in its annual report certain information on each council-controlled organisation in which the Council is a shareholder or has the power to appoint directors, or members of the governing body of the organisation.

The Hawke's Bay Regional Council has such a relationship with one council-controlled organisation namely Hawke's Bay Incorporated (HBI). This report sets out below the information required by clause 16 of Schedule 10 to the Act.

### Ownership and Control Policies

Council is required to report on the implementation or attainment of any significant policies and objectives in regard to ownership and control of council-controlled organisations during the year.

During this year there have been no changes to the ownership of Hawke's Bay Incorporated or to the governance arrangements. Hawke's Bay Incorporated continues to be governed by a Board of Trustees appointed by the Appointments Committee set up by the shareholding Councils.

### Nature and Scope of Activities

Council is required to compare the nature and scope of the activities intended to be provided by council-controlled organisations (as set out in the 2006/07 Annual Plan) with the actual nature and scope of activities provided for the year.

There have been no changes to the nature and scope of activities for Hawke's Bay Incorporated as set out in the LTCCP. The information provided below on key performance targets is illustrative of the extent to which these activities have been successfully undertaken.

### Key Performance Targets and Other Measures

Council is required to compare the key performance targets and other measures set out in the 2006/07 Annual Plan with the actual performance achieved for the year.

A number of performance measures were set out in the LTCCP these are reported on as below:

#### 1. Providing strategic direction and leadership.

- On completion of the Regional Strategy, HBI would become a lead agency for promoting the Regional Strategy and will work with relevant stakeholders on its implementation.
  - *The regional development strategy was finalised following receipt of input from public submission. The New Zealand Trade & Enterprise capability funding has been secured for three major projects that were facilitated and driven by Hawke's Bay Incorporated.*
  - *Value added food and agriculture were identified in the proposed Regional Strategy as growth areas in the Hawke's Bay region. HBI successfully established three major initiatives (Capability Studies) in the sheep and beef, pip fruit and winery sectors. They were Increasing the East Coast Agricultural potential (sheep and beef), New Zealand Green Fruit (pip fruit) and Carbon Neutral (winery).*

#### 2. Regional partnership and cooperation

- HBI will establish and coordinate a regional tourism forum comprising regional tourism stakeholders, which is to meet at least six monthly.
  - *The regional tourism forum met periodically during the year. HBI was heavily involved in providing direction for the low season domestic marketing campaign for 2007.*
- HBI to establish and coordinate a regional economic development forum, comprising economic development stakeholders, which is to meet at least six monthly.
  - *HBI has hosted a number of economic development forums. These were attended by representatives from Hastings District Council, Napier City Council, Wairoa District Council and Central Hawke's Bay District Council. Discussions were centred on developing stronger linkages between those represented.*
- Increase the private sector contributions to HBI initiatives including visitor guides, trade directors and regional marketing events.

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- A number of initiatives were undertaken in this regard during this year, for example there were 100 advertisers in the 2006/07 Hawke's Bay visitor guide. A loyalty discount was offered to customers who had advertised in previous years, this resulted in advertisers buying 46 pages of advertising.
- In addition, the major project initiatives attracted \$300,000 NZTE Capability Funding that was complemented by \$293,000; largely sourced from the private sector.

### 3. Return on investment

- Market equivalent advertising (MEA).

HBI hosts members of the media who subsequently produce media stories either written or broadcast. HBI will quantify the value of this publicity and achieve a 400% return on investment (calculated by dividing the MEA by HBI's total hosting costs) for each of the following areas:

- Domestic and international tourism related media;
- National and international business media.
- For the year ending 30 June 2007 it has not been possible to obtain sufficient base data from international media publications with which to calculate the value of the market exposure of the publicity achieved. The return on investment statistic cannot, therefore, be reliably measured.

- Channel marketing

HBI will monitor each domestically based inward bound operators catalogue promoting various regions within New Zealand, the number of pages committed to Hawke's Bay and seek to achieve growth and representation of the region.

- It has been decided that it was more relevant to assess the number of brochures/publications that featured Hawke's Bay operators and also the number of operators who have featured in such brochures, rather than to count the number of pages of publications.

#### Promotion of Hawke's Bay attractions in trade media:

| Market         | No. Publications | No. of HB Operators Featured | % Change in Operators Featured |
|----------------|------------------|------------------------------|--------------------------------|
| Australia      | 8                | 52                           | 16%                            |
| United Kingdom | 8                | 71                           | 27%                            |
| USA            | 11               | 58                           | 53%                            |
| <b>Total</b>   | <b>27</b>        | <b>181</b>                   |                                |

- Cruise ships

HBI in conjunction with the Port of Napier has worked aggressively to increase the tourism spend arising from ship visits, focusing on both increased numbers of cruise ships visiting the Port, and increased spend per visitor while in the region.

- For the year ending 30 June 2007 the region attracted 38% of New Zealand bound cruises. This accounted for 22% of passengers visiting New Zealand over the cruise season. Hawke's Bay hosted a total of 14,402 passengers on 24 ships, representing increases of 23.8 % in passenger numbers.
- The following table details Cruise New Zealand's economic impact assessment of the 2006/07 season to the Hawke's Bay region and New Zealand:

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## Regional Economic Impact of Cruise Industry 2006/07

|             | Direct Spend (\$000's) | Total Output (\$000s) | Total Value Added (\$000's GDP) | Employment (FTE's) | Share of Total Value Added |
|-------------|------------------------|-----------------------|---------------------------------|--------------------|----------------------------|
| Hawke's Bay | 3,582                  | 6,216                 | 2,921                           | 50                 | 5.3%                       |
| New Zealand | 72,000                 | 127,000               | 55,000                          | 835                | 100%                       |

To place Hawke's Bay's 5.3% share of total value added in context. The region is ranked 5<sup>th</sup> behind Auckland (51.3%), Canterbury (10.8%), Bay of Plenty (8.3%) Otago (7.3%)

- Business development

For clients of HBI business development group:

- Increase in profitability, through increased revenues or reduced costs facilitated by this group;
- Increase investment facilitated by this group;
- New jobs created by initiatives facilitated by this group;
- \$750,000 of grants obtained from New Zealand Trade & Enterprise (NZTE) and Technology New Zealand to help accelerate business development in the region.

Business and strategic development opportunities undertaken are as follows:

- Major Initiatives (Capability Studies)

In recognition of the primary sector's contribution to the region's economy, Hawke's Bay Incorporated, in association with New Zealand Trade and Enterprise, initiated 3 Capability Studies. The table below details the initiatives and the respective level of funding during 2006-07:

| Initiative              | Total Funding (GST incl) | NZTE Funding (GST incl) | Other Funding (GST incl) |
|-------------------------|--------------------------|-------------------------|--------------------------|
| Agjobs                  | \$256,549                | \$100,000               | \$156,549                |
| New Zealand Green Apple | \$235,053                | \$100,000               | \$135,053                |
| Carbon Neutral          | \$161,053                | \$100,000               | \$61,053                 |

a. Increasing the East Coasts' agricultural potential (Agjobs)

This initiative was undertaken in conjunction with the organisations detailed below:

|                                      |                                |
|--------------------------------------|--------------------------------|
| New Zealand Trade and Enterprise     | Hawke's Bay Incorporated       |
| Gisborne District Council            | Bernard Matthews New Zealand   |
| Hastings District Council            | Port of Napier                 |
| Central Hawke's Bay District Council | Deloitte                       |
| Tararua District Council             | Langley Twigg                  |
| Go Wairarapa                         | Rural Directions               |
| Tairāwhiti: Land Development Trust   | Agriculture ITO                |
| Federated Farmers Hawke's Bay        | Ministry of Labour             |
| Federated Farmers Wairarapa          | Ministry of Social Development |
| Meat and Wool New Zealand            | Te Puni Kokiri                 |
| Ballance Agri-Nutrients              | Ngati Kahungunu                |

The basis for this initiative was to focus on skills and labour shortages specifically in the sheep and beef sector in the East Coast of the North Island, examining on-farm labour supply issues relating to shepherds, fencers, shearers, farm managers etc.

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The recommendations from this study have been passed to Government and are understood to be under consideration in the context of a "whole of Government" approach that by definition may extend beyond the East Coast and Hawke's Bay Incorporated's sphere of activity.

b. *New Zealand Green Fruit (Pipfruit)*

This initiative involved three regions, involving the organizations detailed below

|                                    |                          |
|------------------------------------|--------------------------|
| New Zealand Trade and Enterprise   | Hawke's Bay Incorporated |
| Nelson Economic Development Agency | Otago Forward            |
| Pipfruit New Zealand Ltd           |                          |

Background to the initiative is the growing market pressure to drive down accepted levels of chemical residue on fruit entering Europe. European supermarkets are increasingly demanding that fruit contains less than 33% of the European Union legislated maximum residue levels.

This New Zealand Green Fruit initiative was successful, resulting in Hawke's Bay Incorporated, Nelson Economic Development Agency and Otago Forward in association with Pipfruit New Zealand Ltd securing New Zealand Trade and Enterprise funding for the first major inter-regional initiative. This 2007-08 initiative will ensure that New Zealand Industry establishes the opportunity to develop a leadership position in supplying low residue fruit to international markets.

c. *Carbon Neutral (Wine Sector)*

This initiative spans the 2006-07 and 2007-08 years with NZTE funding approval and project commencement being approved in the former but extending into 2007-08. The purpose of this project is to develop a region blueprint toward carbon neutrality, with initial focus on the winery sector. Longer term the intention is to extend the initiative to cover other sectors and raise regional awareness of the increasing need to measure, mitigate and manage greenhouse gas emissions.

The funding participants in this initiative are:

|                                  |                                      |
|----------------------------------|--------------------------------------|
| New Zealand Trade and Enterprise | Hawke's Bay Incorporated             |
| Hastings District Council        | Central Hawke's Bay District Council |
| Hawke's Bay Regional Council     | Port of Napier                       |
| CJ Pask Winery                   | Craggy Range Winery                  |
| Mission Estate Winery            | Sileni Estate                        |

The project has engaged Landcare Research to undertake the work which involves three work streams.

These work streams are:

- Report of Hawke's Bay regional greenhouse gas (GHG) balance
- Delivery of a tool kit for winery sector use
- A regional action plan for implementation.

d. *Wine Sector US Market Entry Study*

Hawke's Bay Incorporated facilitated an approach from Massachusetts Institute of Technology (MIT) to Hawke's Bay Winegrowers Association to gauge interest in participating in the MIT Global E-Lab programme. The resulting study involved a group of students determining a strategy for marketing Hawke's Bay wine collectively in the USA; recognising the limited resources of such a group.

Subsequent to the study, the participant wineries have progressed with the initiative. They are currently working on developing the recommended strategy and costing out its implementation.

e. *Increase in value of grants*

The value of grants secured for Hawke's Bay businesses for the year was \$1,308,426 from the Foundation of Research, Science and Technology, and NZTE. (This figure excludes the \$300,000 provided by NZTE for the three major initiatives discussed above.)

# report on maori contribution

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## report on maori contribution to council decision-making processes

### INTRODUCTION

Clause 21 to Schedule 10 of the Local Government Act 2002 requires Council to include in its annual report a report on the activities that Council has undertaken in the year to establish and maintain processes to provide for opportunities for Maori to contribute to Council's decision-making processes.

#### 1. Processes Established this Year

During the year the Council resourced two Wananga to introduce the Cultural Health Index (CHI) for waterways to Ngati Kahungunu hapu.

The CHI has been developed by members of Ngai Tahu and has been promoted with other iwi as a tool to assist tangata whenua to obtain data that can be provided to Councils to assist with their State of the Environment reporting and consequent decision-making on important issues associated with key waterways.

#### 2. Processes Maintained this Year

##### Maori Committee

- There have been five two-monthly meetings of the Maori Committee during the year. There were twelve tangata whenua appointees on the committee as well as three elected representatives of Council.
- Two members of the Maori Committee have been appointed to the Environmental Management Committee of Council, which met on five occasions during the year.
- Two members of the Maori Committee have been appointed to the Asset Management/Biosecurity Committee of Council, which met on five occasions during the year.
- The Chairman of the Council's Maori Committee has attended nine meetings of the Regional Council meetings where he has automatic speaking rights on all issues.
- One of the two members on the Council's Environmental Management Committee was appointed to Council hearings during the year.
- At each meeting of the Council's Maori Committee, the members are given the opportunity to comment on decisions made in regard to the Council's statutory advocacy role.

##### Direct Hapu and Other Involvement

- Council staff and councillors have been involved in a number of hui during the year held directly with various hapu on a range of topics, e.g. biosecurity issues for animal pest control, gravel extraction issues, examination of Section 33 RMA Transfer of Power opportunities.
- Consents staff have consulted on a number of resource consents affecting tangata whenua.
- The Chief Executive has had general issues meetings with the Chief Executive and General Manager of Ngati Kahungunu Iwi Incorporated to discuss topics of mutual interest during the year.

# statement of compliance and responsibility

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## statement of compliance and responsibility

### COMPLIANCE

1. The Council and management of Hawke's Bay Regional Council confirm that all the statutory requirements of the Local Government Act 2002, in relation to the annual report, have been complied with.

### RESPONSIBILITY

2. The Council and management of Hawke's Bay Regional Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
3. The Council and management of Hawke's Bay Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of the Council and management of Hawke's Bay Regional Council, the annual Financial Statements for the year ended 30 June 2007 fairly reflect the financial position and operations of Hawke's Bay Regional Council.



Eileen von Dadelszen  
CHAIRMAN

26 September 2007



Andrew Newman  
CHIEF EXECUTIVE

26 September 2007



Paul Drury  
GROUP MANAGER .  
CORPORATE SERVICES  
26 September 2007

## AUDIT REPORT

### TO THE READERS OF HAWKE'S BAY REGIONAL COUNCIL AND GROUP'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2007

The Auditor-General is the auditor of Hawke's Bay Regional Council (the Regional Council) and group. The Auditor-General has appointed me, Laurie Desborough, using the staff and resources of Audit New Zealand, to carry out an audit on his behalf. The audit covers the Regional Council's compliance with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report of the Regional Council and group for the year ended 30 June 2007, including the financial statements.

#### Unqualified Opinion

In our opinion:

- The financial statements of the Regional Council and group on pages 55 to 94:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:

- the Regional Council and group's financial position as at 30 June 2007; and
- the results of operations and cash flows for the year ended on that date.

The service provision information of the Regional Council and group on pages 16 to 54 fairly reflects the levels of service provision as measured against the intended levels of service provision adopted, as well as the reasons for any significant variances, for the year ended on that date; and

The Council has complied with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report (the other requirements).

The audit was completed on 26 September 2007, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and the Auditor, and explain our independence.

#### Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements, performance information and the other requirements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and the other requirements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements, performance information and the other requirements. We assessed the results of those procedures in forming our opinion.

# report of the auditor-general

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Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Council;

- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and the other requirements.

We evaluated the overall adequacy of the presentation of information in the financial statements, performance information and the other requirements. We obtained all the information and explanations we required to support our opinion above.

## **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Regional Council and group as at 30 June 2007. They must also fairly reflect the results of operations and cash flows and the levels of service provision for the year ended on that date. The Council is also responsible for meeting the other requirements of Schedule 10 and including that information in the annual report. The Council's responsibilities arise from Section 98 and Schedule 10 of the Local Government Act 2002.

We are responsible for expressing an independent opinion on the financial statements, performance information and the other requirements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

## **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

In addition to the audit we have carried out an assignment during the reporting period in the area of a review of internal controls with respect to the Regional Council's Payroll, Accounts Payable and Treasury systems. This assignment is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



L H Desborough  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand