

report on council-controlled organisations

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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 2007/08 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 2007/08 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 last year and has served as the basis for HBI successfully securing funding (Regional Strategy Funding) from New Zealand Trade & Enterprise (NZTE) for 2 initiatives (Export Hawke's Bay and the CEO Forum).*
 - *In addition and under the former NZTE funding regime, the Carbon Neutral Study was completed in the initial part of the year and the AppleFutures Major Regional Initiative commenced 1 July 2007.*

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 2007-08.*
- HBI to establish and coordinate a regional economic development forum, comprising economic development stakeholders, which is to meet at least six monthly.
 - *HBI has coordinated and/or hosted a number of export forums. These were attended by local businesses with interests in exporting to specific export markets.*
- Increase the private sector contributions to HBI initiatives including visitor guides, trade directories and regional marketing events.
 - *A number of initiatives were undertaken in this regard during this year, for example there were 100 advertisers in the 2007-08 Hawke's Bay visitor guide.*

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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.
- *HBI continued to work with Tourism New Zealand's International Media Programme (IMP) with regularly pitching story angles and assisting with itinerary preparation and hosting to journalists confirmed to visit Hawke's Bay. This has resulted in 56 Hawke's Bay media placements throughout the year.*

- 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.*

- 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.

- *The 2007/08 season was overall successful with 29 cruise visits equating to 35,000 passengers and 12,000 crew members. The Cruise Economic Report 2007/08 suggests that this equates to \$7.6 million direct expenditure into the local economy with a forecast of \$10.4 million in 2008/09.*

- 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;
- \$2,472,056 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:

- Inward Investment Opportunities

HBI coordinated the hosting of an exploratory visit by Singapore Technologies Aviation Training Academy (STATA) in March 2008. While the outcome of this exercise did not lead to an investment opportunity, it successfully demonstrated the region's ability to galvanise for these opportunities. This occasion has provided the catalyst for the development of what has become a regional information memorandum.

- Major Initiatives

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 a number of activities. The following table details the initiatives and the respective level of funding during 2007-08:

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Initiative	Total Funding (GST incl)	NZTE Funding (GST incl)	Other Funding (GST incl)
AppleFutures	\$2.667 million	\$2 million	\$667,000
Carbon Neutral	\$161,053	\$100,000	\$61,053
Export Hawke's Bay	\$44,193	\$35,354	\$8,839
CEO Forum	\$17,381	\$13,905	\$3,476
Total Funding	\$2,889,627	\$2,149,259	\$740,368

a. *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 engaged Landcare Research to undertake the work which involves three work streams.

These work streams were:

- *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.*

b. *AppleFutures (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 2006-07 NZ GreenFruit Capability Study that was in response to growing market pressure to drive down accepted levels of chemical residue on fruit entering Europe.

AppleFutures is the Major Regional Initiative that builds on the NZ GreenFruit exercise and includes Hawke's Bay (lead region), Nelson and Central Otago. 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. *Increase in value of grants*

The value of grants secured for Hawke's Bay businesses for the year was \$2,472,056 from the Foundation of Research, Science and Technology, and NZTE. (This figure excludes the \$2.15 million provided by NZTE for the initiatives discussed above.)

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

The Maori Committee adopted a 3 year plan in April 2008 for its term as a committee of Council. This plan outlines various issues and initiatives the committee wishes to achieve or implement during the 3 year term.

Council has adopted a draft document 'Embracing Futures Thinking' which establishes strategic goals and objectives. One of those goals is 'Partnership with Maori' which looks to establish and grow positive and mutually beneficial relationships with Maori in the region.

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 four occasions during the year.
- The Chairman of the Council's Maori Committee has attended ten 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 has continued to have direct interaction with specific hapu on issues of concern to them within their rohe, eg. Ngati Pahauwera
- The Chief Executive of Council has twice yearly 'general issues' meetings with the Chairman of Ngati Kahungunu Iwi Incorporated (NKII) to discuss topics of mutual interest.

statement of compliance and responsibility

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 2008 fairly reflect the financial position and operations of Hawke's Bay Regional Council.



Rex McIntyre
CHAIRMAN

24 September 2008



Andrew Newman
CHIEF EXECUTIVE

24 September 2008



Paul Drury
GROUP MANAGER –
CORPORATE SERVICES
24 September 2008

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 2008

The Auditor-General is the auditor of Hawke's Bay Regional Council (the Regional Council) and group. The Auditor-General has appointed me, Mark Maloney, 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 2008, including the financial statements.

Unqualified Opinion

In our opinion:

- The financial statements of the Regional Council and group on pages 52 to 87:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect :
 - the Regional Council and group's financial position as at 30 June 2008; 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 15 to 51 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 24 September 2008, 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

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

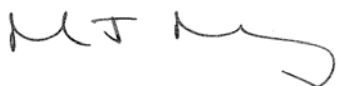
The Council is responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Regional Council and group as at 30 June 2008. They must also fairly reflect the results of 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.

Other than the audit and in conducting the audit of the Long Term Council Community Plan, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



M J Maloney
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand