

# Annual Report 2012/13 Summary

This summary looks at what Hawke's Bay Regional Council achieved during the 2012/2013 year, Year One of the Long Term Plan. The Annual Report gives ratepayers and the regional community an overview of how we did, in relation to what we said we'd do.

Our Annual Report is consistent with the direction in HBRC's Long Term Plan which identified this Council as being in the business of:

- Natural resource management and governance
- Natural hazard assessment and mitigation
- Regional strategic planning
- Provision and assessment of regional scale infrastructure and services.

  
**Cr Fenton Wilson**  
Chairman

  
**Liz Lambert**  
Interim Chief Executive



## Natural Resource Management and Governance

### Tukituki Catchment Proposal

This work includes Plan Change 6 and resource consents for a \$260 million water storage scheme on the Ruataniwha Plains. It was received by the Minister for the Environment and the Minister of Conservation in June 2013. The proposal is being considered by an independent Board of Inquiry which will make a final decision by April 2014. Plan Change 6 introduces new methods for water and land use and will require significant input and focus by HBRC, irrespective of whether or not the water storage scheme gains consent.

### Hill Country Afforestation

HBRC made provision of \$47 million for an investment in this activity in the Long Term Plan but the project was 'parked' during the year, noting the collapse of carbon pricing since 2012. The proposal was based on partnerships to promote forest planting on the steepest and least productive land in return for carbon credit revenue. HBRC is now investigating alternative funding sources and incentives to encourage establishing trees on farms, to complement livestock and agricultural systems, and protect the environment.

### Regional Landcare Scheme

HBRC funds the RLS scheme at \$880,000 per annum to support farmers or groups of farmers on soil erosion, water quality or catchment projects that meet HBRC criteria.

### HeatSmart

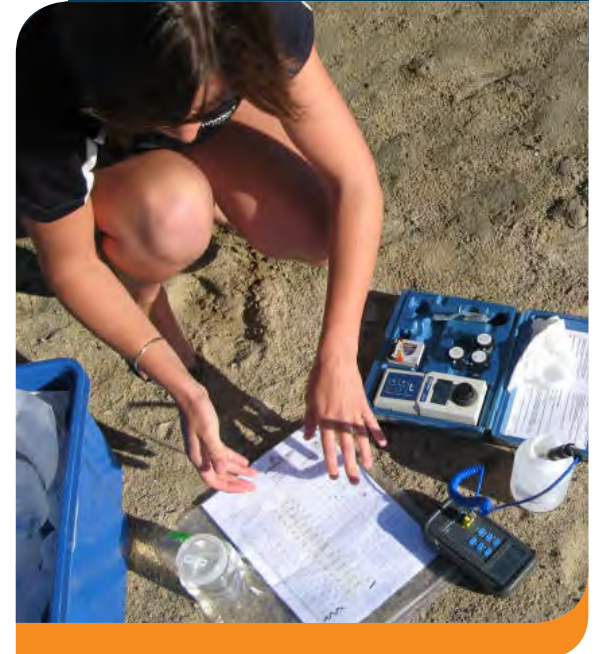
HBRC has a regulation and financial assistance programme in action to help air quality in the Napier and Hastings airsheds to meet Government standards. In the last financial year the HeatSmart programme delivered 1,513 heating upgrades (2,668 in total since the start of the programme) and 809 insulation upgrades (1,651 in total). The estimated cost of this programme is \$8.75 million over 20 years (with 16 years remaining).

### Ngaruroro Water Storage Investigations

In the Long Term Plan, HBRC made provision of \$27 million for a possible equity stake in a water storage scheme in the Ngaruroro catchment. However, full feasibility investigations were deferred, pending the completion of further economic assessment work and the availability of staff resources following completion of the current Ruataniwha Water Storage process.

### Strategic Alliances

- The Regional Planning Committee was established and comprises equal representation from elected Councillors and treaty claimant groups for policy development decision making.
- The 'Nature Central' alliance is under way with the Department of Conservation and two other regional councils. It focuses on nine core projects that are complementary to the work of some or all partners.
- HBRC has hosted a Massey University business development manager since February 2013. His mandate is to develop, enhance and maintain development opportunities for HBRC, making use of Massey research services, particularly in natural resources.



## Natural Hazard Assessment and Mitigation



### Civil Defence and Emergency Management (CDEM)

A Ministry of Civil Defence and Emergency Management Capability Report in 2010 identified a number of capability and organisational issues in Hawke's Bay. Consequently HBRC committed significant resources to increase capacity across the Hawke's Bay CDEM Group, including the establishment of a full-time, professional CDEM Controller. So that funding is transparent for ratepayers, from 2012 HBRC has charged a single targeted rate for CDEM activities on behalf of all Hawke's Bay councils. During the year a review of the Group Plan was started. There were no significant CDEM events in Hawke's Bay during the 2012/13 year.

### Regional Natural Hazards Planning

Following the development of the Joint Natural Hazards Strategy in 2011 with the region's territorial authorities, HBRC allocated \$105,000 over three years to pay for a change to the Regional Policy Statement to improve policies concerning the effects of natural hazards on land use. This was put on hold in 2012/13 pending the Government's decisions on resource management reform. Meanwhile HBRC has continued key projects with local councils – mapping fault lines, modelling tsunami impacts, and liquefaction mapping (began in June 2013).

### Makara Dam

The wear and tear on this 1980s-constructed detention dam was accelerated by both the April 2011 storm and a flood in January 2012. During 2012/13 a hearing followed a special consultative process and HBRC agreed to reinstate the No.1 dam and commence a de-silting programme. The estimated cost of reconstruction is \$1,204,030 with 60% funded from the Regional Disaster Reserve, 18% each from the dam's Depreciation Reserve and ratepayers through loan funding, and the small remaining balance from the dam's Disaster Reserve.

## Regional Infrastructure and Services

### Hawke's Bay Trails

The Wineries and Water Rides were opened in 2012 and final sections of the Landscape Ride will be completed in 2013. A collaborative operations and marketing draft plan was completed and maintenance is now the priority. Hawke's Bay Trails offers more than 200 kilometres of flat, easy, mostly off-road tracks for cycling and walking across the Heretaunga Plains.

### Public Transport

More people are using the bus network in Napier and Hastings as total passenger trips reached a record high of 726,373 in 2012/13 – an increase of 18% on 2011/12. The Bikes On Buses service was introduced and bike racks are now available on all the larger buses so cyclists can commute more easily.

### Operational Efficiency

HBRC has numerous operational activities that sit within HBRC's management responsibilities. The Better Administrative Support Systems (BASS) process helps us to compare our performance and efficiency against six other regional councils. BASS is designed to provide information that improves transparency and scrutiny and helps identify opportunities for efficiency and savings. 2011/12 results showed HBRC at or above the median for organisational efficiency in administrative and governance areas.

### Rates

The Long Term Plan committed to hold rates increases to 4% in each of the first two years and at rate levels below 4% for the remaining years. This year, HBRC was able to make savings to limit the rates increase for 2013/14 to 2.8% from an initial proposal of 4.57%.

### Awareness and Satisfaction Survey

In April 2013, a local research company carried out a public survey on behalf of HBRC, contacting 700 residents throughout Hawke's Bay. HBRC compares the results with previous surveys to better understand community awareness of the work we do and levels of satisfaction with HBRC services. 77% of those surveyed reported satisfaction across all levels of service. We also got information on areas where more work or communication could occur.

### Relationships and Governance

In 2011/12 the relationship between HBRC and Treaty claimant groups was formalised through the signing of the Deed of Commitment and the establishment of the Regional Planning Committee. The Regional Planning Committee has had seven meetings and several workshops since its inception and has contributed to development planning for major Regional Resource Management Plan changes and catchment plans. Outside the specific area of natural resources governance, Council has been involved in a number of meetings with the Crown and representatives of Ngati Pahauwera, Mana Ahuriri, Ngati Hineuru, and Maungaharuru Tangitu Iwi Inc. to consider Te Tiriti o Waitangi claim settlement issues. HBRC is in preliminary discussions with other claimant groups to prepare for the dialogue resulting from their respective claims.



## Regional Strategic Planning

### Urban Growth Planning

The Heretaunga Plains Urban Development Strategy was adopted in August 2010 – a joint project with Napier and Hastings Councils. Urban containment was a principal philosophy. This led to the development and processing of Plan Change 4 – Managing the Built Environment during 2012/13 which has one appeal to the Environment Court outstanding.

### Regional Economic Development

This programme benefitted from a targeted rate as part of the Long Term Plan process. Funding was increased by \$120,000 per annum to provide specifically for increased activity in primary sector growth, to support Business Hawke's Bay and economic reporting.

### Catchment Based Statutory Planning

Significant water management issues were highlighted in the Long Term Plan. The introduction of the government's National Policy Statement for Freshwater Management has led to additional resourcing and the prioritising of catchments for plan changes. Work on policy development for the priority catchments of Tukituki, Taharua / Mohaka and Heretaunga / Ahuriri (TANK) catchments continued this year. HBRC's investment in this 3 year process is \$1 million per annum until 2014/15.

### Freshwater Management Programme

Freshwater is one of our region's most precious natural resources and much of our work revolves around it. In September 2012, HBRC adopted an Implementation Programme to meet the requirements of the National Policy Statement for Freshwater Management. We included programmes which were already in place and added others to meet the region's needs.

### We also committed to annual progress reporting. HBRC has:

- 1 Completed the policy development phase for both the Regional Resource Management Plan Change 5 – Land Use and Freshwater and Plan Change 6 – Tukituki Catchment and these were publicly notified.
- 2 Heard submissions on Plan Change 5 to the Hawke's Bay Regional Resource Management Plan. Decisions were issued in June 2013.
- 3 Requested the Minister for the Environment to call-in Plan Change 6 – Tukituki Catchment as part of the Tukituki Catchment Proposal. This was successful. Plan Change 6 and associated submissions will be considered by a Board of Inquiry during the 2013/14 period as a proposal of national significance.
- 4 Assessed resource management policy options for the Mohaka River and Tukituki River catchments and the Greater Heretaunga / Ahuriri catchment area (TANK) through our Regional Planning Committee.
- 5 Remained on track to achieve 100% compliance with the first phase of the transitional Resource Management Regulations 2010 (Measurement and Reporting of Water Takes).
- 6 Facilitated the establishment of user groups who are working towards efficient water use through alternative management options.

### Biodiversity

Significant progress has been made on intermediate and high level outcomes. The Biodiversity Strategy Steering Group is supported by a Core Working Group and expects to deliver an agreed Strategy during 2014.

### Ruataniwha Water Storage Scheme (RWSS)

This is part of the Tukituki Catchment Proposal and is the highest profile project HBRC has been involved in. If RWSS proceeds, it will help to deliver a healthier river and a secure, sustainable water supply for irrigation. HBRC has made provision in the Long Term Plan for an investment of up to \$80 million as an equity stake in the proposed subsidiary company to run RWSS.

A final decision by HBRC on whether or not to invest in the scheme will be made in 2014. This will occur after receiving a 'go – no go' recommendation from HBRC's investment company, independent advice on the investment risk, and a public consultation process.



## Regional Strategic Planning

480 resource consents were processed during the year and HBRC achieved 100% compliance with statutory timeframes.

The **Hub urban biodiversity programme** reduced possums around Poraiti / Park Island in Napier and property owners were keen to maintain bait stations. This programme will be extended over the next 2-3 years in the peri-urban area behind Taradale.

17 **marine safety** incidents were investigated by the Harbourmaster, with education and enforcement action used where appropriate.

The **Regional Land Transport Strategy** for 2012-2042 (RLTS) was adopted in June 2012. **Road Safe** programmes continued, particularly those targeting younger drivers such as the innovative Youth Alcohol Expo for schools.

All known high risk sites for **plant pests** had their annual check. New infestations of Purple ragwort outside of Havelock North were controlled. New Chilean needle grass sites were monitored and controlled. Pampas around the Ahuriri Estuary and Pekapeka Wetland were controlled. The privet control campaign continued. A total of 52 earthmoving machines were inspected after being washed down.

The **Regional Park Network Plan** for HBRC open space assets (country parks, wetlands) was progressed and is programmed for completion and adoption by Council in late 2013 or early 2014.

The restored **Harakeke Waterway** was officially opened on 22 November 2012, the result of a strong community effort to restore the once neglected reserve, and the first Hawke's Bay Regional Council and Napier City joint-council project in a residential Napier area.





## Major Budget Variances (Parent)

Hawke's Bay Regional Council published prospective financial information in relation to the 2012/13 year in its 2012/22 Long Term Plan. Explanations for the major variances from the forecast figures published in the Long Term Plan are set out below:

### Comprehensive Income Statement

Operating Revenue is \$7.1 million or 19% less than budgeted. This variance is explained below.

Revenue from HBRC activities is \$1.4 million or 24% less than budgeted mainly due to:

- Regulation income is down \$0.6 million. Consent processing income was down on budget as a result of low numbers of consent applications and some staff vacancies not being filled. Also the recoverable time for compliance monitoring was adversely impacted by staff having to spend time on non-recoverable low flow related projects due to the summer drought.
- Regional Resources income is down \$0.6 million. The Huatokitoki SFF project was deferred to next year as was the expected income of \$240,000 and Section 36 charges across Regional Resources project were down from projections.

Other revenue is \$5.8 million or 33% less than budget mainly due to:

- Rental income is \$0.2 million or 7.67% less than budgeted due to much larger sales of endowment leasehold land than budgeted resulting in lower leasehold land rentals.
- Interest income is \$1.6 million or 39% less than budget as the injection of cash from the sale of leasehold property cash flows and Wellington lease property did not take place in the 2012/13 year as budgeted and will now occur in 2013/14.
- Grant income is \$0.7 million or 15.8% more than budget due to HBRC receiving funding for projects not budgeted for.
- Losses on disposal occurred from the sale of endowment leasehold property and amounted to \$2.2 million due to HBRC deciding to offer substantial discounts as an incentive for leaseholders to freehold their properties.
- A loss on disposal of RWSS development costs to HBRIC Ltd of \$2.4 million, due to the grant funding received in the 2011/12 year for the RWSS development cost being excluded from the sale price and so needed to be included as a loss on sale.

Fair value gains are \$4.7 million or 194% above budget mainly due to a significant increase in the value of leasehold land.

Expenses from HBRC activities is \$2.0 million or 5.5% less than budgeted due to:

- Governance and Community Engagement expenditure is down \$2.0 million due to the targeted assistance for regional hockey facilities, Te Mata Park Visitor Centre and the upgrade of the Wairoa Community Centre not being drawn down in the 2012/13 year and has been carried forward to the 2013/14 year. This has also seen a reduction in finance costs during the year.
- Finance costs are down \$0.9 million due to the delay in the sale of leasehold property cash flows which meant that HBRC did not have to pay the annuity expense to the purchaser of the cash flows.

Other comprehensive income is \$4.6 million less than budget due to a \$3.5 million write-down in the value of land and buildings compared to a budgeted write-up in value of \$1.1 million. The major movements were \$1.9 million for the Dalton Street building to reflect remedial work and \$1.3 million for forestry land and crops.

### Operating Surplus / (Deficit) & Statement of Changes in Equity

The operating surplus / (deficit) (total recognised revenue and expenses) is \$4.2 million more than budget. The major causes for this are set-out above.

### Balance Sheet

Equity is \$13.0 million or 2.79% less than budget due to fair value reserve fluctuations.

Property, plant & equipment assets are \$4.6 million less than budget mainly due to the fair value write down of \$3.5 million and the deferral of the \$650,000 to be spent on the Guppy Road property.

Infrastructure assets are \$4.4 million less than budget as not all of the programmed activities for river control assets proceeded or were completed during the year.

Investment property is \$2.7 million (4%) less than budget due to actual sales of endowment leasehold property substantially exceeding those forecast.

Intangible assets are \$4.6 million less than budget as a result of the sale of the development expenditure on the RWSS irrigation water augmentation projects to HBRIC Ltd during the year.

Trade and other receivables are \$6.3 million more than budget mainly due to \$5.9 million advanced to HBRIC Ltd.

Cash, cash equivalents and financial assets are \$66.9 million less than budget as the \$51.0 million budgeted to be received from the sale of leasehold property cash flows and the \$13 million budgeted to be received from the sale of Wellington lease property did not take place in the 2012/13 year.

Borrowings are below budget because funding for the purchase of land for regional park reserves, regional infrastructure and solar hotwater is not yet required.

Provisions for other liabilities and charges are \$51.0 million less due to the sale of leasehold property cash flows not taking place in the 2012/13 year.

Trade and other payables are \$1.5 million or 21% less than budgeted mainly due to increased efficiency processing of HBRC's trade accounts processing at year end.

### Cash flow statement

Net cash out flows from operating activities are \$0.1 million less than budget mainly due to a decrease in interest and a fall in receipts from customers.

Net cash outflows from investing activities are \$9.1 million less than budget. This is mainly due to the investment in financial assets exceeding budget by \$13.0 million. This is offset by \$1.9 million decrease in the construction of infrastructure assets and the \$2.0 million decrease in advances to HBRIC Ltd.

Net cash inflows from financing activities was \$58.0 million less than budget due to \$51.0 million not being received for the sale of leasehold property cash flows. No drawdown occurred of the budgeted \$7.0 million new loans because \$3.1 million of this amount was drawn in the previous year and funding for the purchase of land for regional park reserves, regional infrastructure and solar hot water is not yet required.

### Significant asset acquisitions or replacements

There were no other significant asset acquisitions or replacements.

## Independent Auditor's Report

### To the readers of Hawke's Bay Regional Council and group's summary of the annual report for the year ended 30 June 2013

We have audited the summary of the annual report (the summary) as set out on pages 1 to 2, which was derived from the audited statements in the annual report of the Hawke's Bay Regional Council and group for the year ended 30 June 2013 on which we expressed an unmodified audit opinion in our report dated 25 September 2013.

The summary comprises:

- the summary balance sheet as at 30 June 2013, and summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended; and
- the summary of the Regional Council and group's non-financial performance information and summaries of other information contained in its annual report.

### Opinion

In our opinion, the information reported in the summary complies with FRS43: Summary Financial Statements and represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

### Basis of opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand).

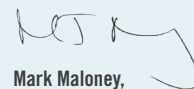
The summary and the audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 25 September 2013 on the audited statements.

The summary does not contain all the disclosures required for audited statements under generally accepted accounting practice in New Zealand. Reading the summary, therefore, is not a substitute for reading the audited statements in the annual report of the Regional Council and group.

### Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary in accordance with FRS43: Summary Financial Statements. The Council is also responsible for the publication of the summary, whether in printed or electronic form. We are responsible for expressing an opinion on the summary, based on the procedures required by the Auditor-General's auditing standards and the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Regional Council or any of its subsidiaries.



Mark Maloney,  
Audit New Zealand

On behalf of the Auditor-General  
Palmerston North, New Zealand  
10 October 2013



## Summary Consolidated Financial Statements of Hawke's Bay Regional Council and its Subsidiaries (Group) for the year ended 30 June 2013.

The summary financial statements were authorised for issue by the Interim Chief Executive of the Hawke's Bay Regional Council on 10 October 2013.

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 HBRC on 25 September 2013. The full financial statements received an unmodified 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 HBRC offices at 159 Dalton Street, Napier, or website: www.hbrc.govt.nz.

Summary Balance Sheet					
(Presented in thousands of New Zealand dollars)	HBRC			Group	
	Actual 12/13	Budget 12/13	Actual 11/12	Actual 12/13	Actual 11/12
Non-current assets	415,004	432,480	418,016	491,018	412,794
Current assets	60,315	111,584	60,702	65,172	72,254
<b>Total assets</b>	<b>475,319</b>	<b>544,064</b>	<b>478,718</b>	<b>556,190</b>	<b>485,048</b>
Non-current liabilities	11,879	65,544	13,754	89,449	82,996
Current liabilities	8,328	10,209	7,275	17,117	18,251
<b>Total liabilities</b>	<b>20,207</b>	<b>75,753</b>	<b>21,029</b>	<b>106,566</b>	<b>101,247</b>
<b>Equity</b>	<b>455,112</b>	<b>468,311</b>	<b>457,689</b>	<b>449,624</b>	<b>383,801</b>
<b>Summary Comprehensive Income Sheet</b>					
Operating revenue	31,131	38,241	34,494	85,035	86,398
Fair value gains (net)	7,159	2,434	(6,084)	7,182	(5,690)
Operating expenditure	(34,270)	(36,261)	(34,163)	(69,668)	(66,760)
Finance costs	(931)	(1,865)	(705)	(4,401)	(4,497)
Depreciation and amortisation expense	(2,134)	(2,053)	(1,898)	(8,940)	(7,882)
Other expenditure	(105)	0	0	(105)	0
Taxation expense	0	0	0	(3,887)	(4,295)
<b>Surplus before other comprehensive item</b>	<b>850</b>	<b>496</b>	<b>(8,356)</b>	<b>5,216</b>	<b>(2,726)</b>
Other comprehensive income	(3,427)	1,128	56,895	58,081	(690)
<b>Surplus after other comprehensive item</b>	<b>(2,577)</b>	<b>1,624</b>	<b>48,539</b>	<b>63,297</b>	<b>(3,416)</b>
<b>Summary Statement of Changes in Equity</b>					
Total comprehensive income for period	(2,577)	1,624	48,539	63,297	(3,416)
Dividends received / paid	0	0	0	0	0
Minority interest movements in equity	0	0	0	0	0
Effect on consolidation	0	0	0	2,526	0
<b>Total changes in equity</b>	<b>(2,577)</b>	<b>1,624</b>	<b>48,539</b>	<b>65,823</b>	<b>(3,416)</b>
Equity at the start of the year	457,689	466,687	409,150	383,801	387,217
<b>Equity at the end of the year</b>	<b>455,112</b>	<b>468,311</b>	<b>457,689</b>	<b>449,624</b>	<b>383,801</b>
<b>Summary Cash Flow Statement</b>					
Net cash inflows from operating activities	(12)	115	(37)	14,279	8,123
Net cash outflows used in investing activities	(8,665)	437	(2,192)	(17,322)	(13,520)
Net cash inflows from / (used in) financing activities	(1,966)	55,777	3,519	(4,366)	6,419
<b>Total net cash flow</b>	<b>(10,643)</b>	<b>56,329</b>	<b>1,290</b>	<b>(7,409)</b>	<b>1,022</b>

\* Group figures include consolidated results for HBRC and HBRIC Ltd. HBRIC Ltd holds the investment in Port of Napier Ltd.