

Annual Report 2014/15 Summary

Kia ora. This summary looks at what Hawke's Bay Regional Council achieved during 2014/15, year three of HBRC's Long Term Plan 2012-22 which identified HBRC's business as:

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

Once again, it has been a busy and fulfilling year for HBRC, working across a range of stakeholder and community groups, addressing activities that will in time have either national, regional or local-scale effects for the wellbeing of our Hawke's Bay community. You can obtain the full Annual Report for 2014/15 at www.hbrc.govt.nz or on request.

Fenton Wilson
Cr Fenton Wilson
 Chairman

Liz Lambert
Liz Lambert
 Interim Chief Executive

Natural Resource Management and Governance

Tukituki Catchment Proposal (TCP)

Final decisions were issued on 25 June 2015 on the Tukituki Plan Change 6 and resource consent conditions relating to the resource consents for a \$275 million water storage scheme on the Ruataniwha Plains.

Regional Landcare Scheme (RLS)

This \$880,000 a year scheme targets support for catchments where objectives must be met under regional plans, linked to the National Policy Statement for Freshwater.

HeatSmart

During the year, 2,151 homes accessed funding for insulation and 6,932 homes grants or loans for clean heat, to gain healthier, warmer homes.

Ngaruroro Water Storage Investigations

A provision of \$27 million for a possible equity stake in a water storage scheme in the Ngaruroro catchment is still on hold. Full feasibility investigations will be done when the Ruataniwha Water Storage Scheme process is complete.

Strategic Alliances

HBRC has made good progress in this area. The Regional Planning Committee has equal representation from elected councillors and treaty claimant groups, and makes important resource management policy development decisions; the legislation making this committee a legal entity was passed by Parliament on 14 August 2015. The Nature Central alliance with the Department of Conservation, Horizons Regional Council and Greater Wellington Regional Council has been beneficial and contributed to management of Cape to City, the region's ultra-low-cost wide-scale pest control project.



Our Three Goals

The Regional Council has set three goals for Hawke's Bay – resilient communities, resilient economy, and resilient ecosystems. All of our work should meet the definition of at least one of our goals and much of it meets all three goals. 'Resilient ecosystems' is the most strategic and underpins the success of the others, as without this our communities will not enjoy living in the region and prosperity may be hard to achieve.



Regional Strategic Planning

Biodiversity Strategy

This had a strong focus and active support from the region's many contributing partners, particularly Federated Farmers and iwi. The strategy's Steering Group delivered a draft Biodiversity Strategy after extensive consultation and was due for adoption early in the 2015-16 year.

Urban Growth Planning

HBRC, Napier City and Hastings District councils completed the Heretaunga Plains Urban Development Strategy in August 2010, which has the principal philosophy of controlling urban spread across the productive plains. This led to the development of Plan Change 4 – Managing the Built Environment being added to the Regional Policy Statement and becoming operative on 1 January 2014.

Regional Economic Development

Support for business growth and attraction in the region continued through Business Hawke's Bay. Highlights included the creation and opening of the Business Hub, and an Infant Formula Conference generated substantial interest from potential producers and processors. HBRC's management of the Callaghan Innovation R&D funding contract again exceeded annual targets.

- A review of the 2011 Regional Economic Development Strategy (REDS) had input from all councils and Business Hawke's Bay. HBRC continued to represent the region's interests at both a regional economic development agency and central government level.
- Wairoa economic development initiatives received support via targeted funding and sponsorship of the Wairoa Horizon Trust Board's business support project.
- A focus on primary sector resilience was assisted by various Ruataniwha Water Storage Scheme-related initiatives and engagement with primary and processing sector organisations.
- Hawke's Bay Tourism continued to perform strongly, supporting a 4.2% increase in visitor arrival numbers with active national and international trade, conferencing and visitor promotion, and has obtained additional funding from HBRC to support tourism for the next three years through the Long Term Plan 2015-25 Plan process.

Freshwater Management Programme

Freshwater is one of our region's most precious natural resources and much of our work revolves around it. HBRC's Implementation Programme 2012 outlines our key actions for fully implementing the National Policy Statement for Freshwater Management.

During the 2014-15 period, HBRC:

- 1 Resolved three out of four appeals in their entirety against decisions made on Change 5 (land and freshwater management) to the Regional Resource Management Plan. The majority of the fourth appeal have also been resolved, with some remaining appeal points relating to the 'wetland' definition and associated provisions.
- 2 Presented its case to the High Court regarding appeals against the Board of Inquiry's decision on the Tukituki Catchment Proposal (Plan Change 6 and HBRC's applications for the Ruataniwha Water Storage Scheme).
- 3 Presented its case to the Tukituki Catchment Proposal's Board of Inquiry on the limited range of matters that the High Court had directed the Board to reconsider. The Board issued its final decisions on the limited range of matters on 25 June 2015.
- 4 Continued assessment of a variety of resource management policy options through the Regional Planning Committee, for catchments including the Mohaka River and the Greater Heretaunga / Ahuriri catchment area.
- 5 Achieved targets for compliance with the second phase of the transitional Resource Management (Measurement and Reporting of Water Takes) Regulations 2010.
- 6 Continued to facilitate the water user groups working towards efficient water use in the Ngaruroro, Ruataniwha and wider Tukituki catchments.
- 7 Continued co-ordination and facilitation of interest groups for preparing regional plan changes in the Greater Heretaunga / Ahuriri catchment area (ie, the 'TANK' catchments) and the Mohaka catchment.

Natural Hazard Assessment and Mitigation



Civil Defence and Emergency Management (CDEM)

The CDEM Group continued to work toward objectives outlined in the 2014 Hawke's Bay CDEM 'Group Plan', with a focus on resilience and planning for readiness, reduction, response and recovery. A review during the year is likely to result in changes to the structure and resourcing of the Group. The Group has done significant work ahead of the 15 October 2015 New Zealand ShakeOut drop-cover-hold exercise.

Regional Natural Hazards Planning

A joint project has reviewed the potential risk for liquefaction in Hawke's Bay. A geo-technical database was also developed. HBRC has coordinated funding for a multi-agency 'East Coast Life at the Boundary' (EastCoastLAB) project, investigating the Hikurangi Trench subduction zone, potential effects from earthquakes and how they might impact east coast communities.

Regional Scale Infrastructure and Services

Ruataniwha Water Storage Scheme (RWSS)

The RWSS is complementary to the Tukituki Catchment Proposal. HBRC agreed to invest up to \$80 million in this scheme, subject to four conditions. The condition to gain workable resource consents for the scheme was due to be met in July 2015. The remaining conditions of signing contracts with farmers for more than 40 million cubic metres of water, getting private and public investors to back the scheme, and having a viable construction contract were under progress with a final go-ahead decision to be made late in 2015.

Regional Parks Network

Individual park plans have been developed to help protect, maintain and enhance the community's popular regional park assets, including the numerous river access points and Hawke's Bay Trails pathway network. Substantial community engagement projects have continued to be delivered by staff through winter planting programmes at numerous locations.

Public Transport

Bus services in Hastings and Napier continue to be popular, although there was a 7% decrease in passenger numbers, the first decrease since 2009 with lower petrol prices thought to be the main reason for this.



Operational Activities

This is an ongoing area of focus for HBRC. Numerous operational activities under HBRC's management responsibilities continued, with an eye on delivering public services, infrastructure and regulation efficiently and effectively.

549 resource consents and 92 bore permits were issued in the 2014/15 year and 100% within statutory timeframes. Notably HBRC's Dairy Compliance Recognition Awards for consistently achieving full compliance with consents over 5 years continued with 21 dairy farms awarded gold certificates.

The Harbourmaster continued to educate on and enforce marine safety, and he initiated an annual boating/lifejacket safety programme in primary schools which involved 760 children.

An online mapping project was completed to make it easier for the public to access map-based data held by HBRC on land use classification, resource consents, wells, soils, environmental monitoring, air sheds, land parcel valuations and iwi/hapū land and natural resources (Pātaka).

HBRC also introduced online consultation for the Long Term Plan.

Archives Central archived and catalogued a large amount of records from HBRC from as early as 1877. These are now held in secure storage and the catalogue makes it easier for the public to search and access information.



Financial Reporting Benchmarks

This is the second year of HBRC reporting on a series of financial performance benchmarks which include rates affordability, debt affordability, balanced budget and others. These reporting measures are in line with Local Government (Financial Reporting and Prudence) Regulations 2014 and are presented in the first part of the full Annual Report.

Annual Report 2014/15 Summary Continued

Major Budget Variances (HBRC)

Hawke's Bay Regional Council published prospective financial information in relation to the 2014-15 year in its 2014-15 Annual Plan. Explanations for the major variances from the forecast figures published in the Annual Plan are set out below:

Statement of Financial Position

Assets are \$42 million or 8% more than budget mainly due to:

- Investment in Council-controlled organisations is \$47 million more than budget due to the revaluation of HBRC Ltd which was estimated to be a gain of \$10 million but was actually a gain of \$57 million. This was driven by the strong valuation of Napier Port which is owned by HBRC Ltd.
- Investment property is \$10 million less than budget mainly due to sales of Napier endowment leasehold property far exceeding forecast.
- Advances to Council-controlled organisations are \$20 million less than budget due to the date of financial close for the Ruataniwha Water Storage Scheme (RWSS) needing to be extended.
- Advances to the Napier/Gisborne Rail are \$4 million under budget as this project has been slower to progress than budgeted.
- Infrastructure assets are \$8 million less than budgeted as a result of revaluation adjustment in the 2013-14 year which was not included in the 2014-15 Annual Plan budget figures.
- Cash, cash equivalents and financial assets are \$36 million more than budget as the funding for the RWSS has been retained for longer due to the delays in the RWSS decision making process and appeals.

Liabilities are \$6 million or 8% less than budget mainly due to:

- Borrowings are \$4 million less than budget as loan funding for Solar Hot Water was not required and also there were reductions in the borrowing required for Open Spaces and Regional Infrastructure.
- Provisions for other liabilities are \$7 million less than budget due to the sale of leasehold property from the end of 2013-14 and 2014-15 which lowers the future liability to ACC as part of the capitalisation of leasehold cash flow arrangements with ACC.
- Trade and other payables are \$4 million more than budget due to the timing of year end payments and increased year end provisions.

Equity is \$48 million or 10% more than budget due to the large increase in the valuation of Napier Port through HBRC Ltd.

Statement of Comprehensive Revenue and Expenditure

Operating revenue is \$1.6 million or 0.4% more than budget mainly due to:

- Rates revenue is \$0.2 million more than budget as a result of rates being applied to more properties than budgeted due to sub-division and new building and penalties placed on late payment of rates.
- Other revenue is \$1.3 million more than budget due to:
 - Rental revenue is \$0.3 million more than budget due to a large number of Napier Leasehold rental renewals during the year that were higher than anticipated.
 - Grant revenue is \$0.5 million more than budget due to grants received for extra work on Cycleways and various Hill Country Erosion and Drylands projects

- Dividend revenue is \$0.5 million down on budget as the dividend from HBRC Ltd included a special dividend for the RWSS investment. As the financial close for the RWSS was moved out during the year the special dividend was not required.
- Miscellaneous revenue is \$1 million over budget due to the write back of a provision for future insurance claims for leaky building claims through Riskpool, the release of uncollectable rates provisions which are no longer required and settlements received from third parties for compensation for previously impaired Property, Plant and Equipment.

Fair value gains / (losses) are \$2 million under budget mainly due to the budget valuation including properties that had been freeholded in prior years. This required an adjustment to valuation of \$2.2 million.

Operating expenditure from Council activities are \$1 million or 6.1% less than budgeted due to:

- Governance and Community Engagement expenditure is down \$0.5 million due to the targeted assistance for the Te Mata Park Visitor Centre not being drawn down in the 2014-15 year and has been carried forward to the 2015-16 year.
- Regulation costs are down \$0.8 million due to staff vacancies, reduced external costs for appeals and general cost savings across the activity.

Other comprehensive revenue is \$47 million more than budget due to the revaluation of HBRC Ltd which was estimated to be a gain of \$10 million but was actually a gain of \$57 million. This was driven by the strong valuation of Napier Port which is owned by HBRC Ltd.

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

The operating surplus / (deficit) (total recognised revenue and expenses) is \$47 million more than budget. The major causes for this are set out above.

Statement of Cash Flows

- Net cash outflows from operating activities are \$2.3 million more than budget mainly due to a decrease in expenditure and an increase in overall revenue.
- Net cash outflows from investing activities are \$4.2 million less than budget. The main reasons for this are the \$4 million increase in cash from the sale of leasehold properties.
- Net cash inflows from financing activities was \$6 million less than budget due to loans drawn down being \$1.7 million less than budgeted and \$4.5 million paid to the ACC for the sale of leasehold properties.

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 annual report for the year ended 30 June 2015

The summary annual report was derived from the annual report of the Hawke's Bay Regional Council (the Regional Council) and group for the year ended 30 June 2015. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

- the summary statement of financial position as at 30 June 2015;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2015;
- the summary statement of service provision of the Regional Council and group.

We expressed an unmodified audit opinion on the Regional Council and group's full audited statements in our report dated 30 September 2015.

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 summary statements comply with FRS-43 (PBE): Summary Financial Statements.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 30 September 2015 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full 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 annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out a range of other assurance engagements in the areas of the Regional Council's 2015-25 Long Term Plan, an independent assurance review of the Regional Council's Debenture Trust Deed and an agreed upon procedures assignment, which are compatible with those independence requirements. Other than this reporting and these assignments, we have no relationship with or interests in the Regional Council or any of its subsidiaries.

S B Lucy
 Audit New Zealand
 On behalf of the Auditor General
 Wellington, New Zealand
 14 October 2015



Summary Consolidated Financial Statements of the Hawke's Bay Regional Council and its Subsidiaries (Group) for the year ended 30 June 2015.

The summary financial statements were authorised for issue by the Chief Executive of the Regional Council on 14 October 2015. The disclosures included in the summary financial statements have been extracted from the full financial statements of the Group and comply with PBE FRS-43, Summary Financial Statements. The full financial statements were prepared in accordance with NZ GAAP and are the first statements presented in accordance with Tier 1 PBE accounting standards. The full financial statements were authorised for issue by the Regional Council on 30 September 2015. 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 Regional Council's offices at 159 Dalton Street, Napier, or website: www.hbrc.govt.nz



(Presented in thousands of New Zealand dollars)	HBRC			Group*	
	Actual 14/15	Budget 14/15	Actual 13/14	Actual 14/15	Actual 13/14
Statement of Financial Position					
Non-current assets	476,923	489,751	422,424	531,826	512,566
Current assets	113,495	58,664	107,520	109,431	110,603
Total assets	590,418	548,415	529,944	641,257	623,169
Non-current liabilities	47,589	58,875	48,760	127,974	131,186
Current liabilities	14,914	9,377	11,389	44,695	20,882
Total liabilities	62,503	68,252	60,149	172,669	152,068
Equity	527,915	480,163	469,795	468,588	471,101
Statement of Comprehensive Revenue and Expense					
Operating revenue	41,065	39,499	38,738	100,438	99,060
Fair value gains (net)	(447)	1,779	2,835	140	2,949
Operating expenditure	(20,499)	(21,490)	(21,549)	(41,970)	(40,753)
Personnel costs	(14,034)	(14,035)	(13,953)	(33,391)	(31,390)
Finance costs	(3,080)	(2,979)	(2,846)	(7,629)	(6,533)
Depreciation and amortisation expense	(2,379)	(2,364)	(2,225)	(9,516)	(9,568)
Other expenditure	(425)	0	(714)	(425)	(714)
Taxation expense	0	0	0	(3,942)	(5,347)
Surplus before other comprehensive revenue and expense	201	410	286	3,705	7,704
Gain/(loss) in other financial assets	57,920	-	(88)	(2,449)	2,817
Gain/(loss) on revalued property, plant and equipment assets	-	10,438	14,485	-	14,485
Other comprehensive revenue and expense	57,920	10,438	14,397	(2,449)	17,302
Surplus after other comprehensive revenue and expense	58,121	10,848	14,683	1,256	25,006
Summary Statement of Changes in Equity					
Total comprehensive income for period	58,121	10,848	14,683	1,256	25,006
Effect on consolidation	0	0	0	(3,768)	(3,529)
Total changes in equity	58,121	10,848	14,683	(2,513)	21,477
Equity at the start of the year	469,795	469,315	455,112	471,101	449,624
Equity at the end of the year	527,915	480,163	469,795	468,588	471,101
Equity at the end of the year comprises of:					
Accumulated funds	303,178	327,706	303,345	242,619	243,050
Fair value reserves	138,682	93,480	80,762	139,914	142,363
Other reserves	86,055	58,977	85,688	86,055	85,688
Equity at the end of the year	527,915	480,163	469,795	468,588	471,101
Summary Statement of Cash Flows					
Net cash inflows from operating activities	3,313	995	437	13,540	14,312
Net cash outflows used in investing activities	(9,337)	(13,502)	(27,749)	(36,245)	(48,216)
Net cash inflows from / (used in) financing activities	(932)	5,144	38,882	8,967	45,082
Total net cash flow	(6,956)	(7,363)	11,570	(13,738)	11,178
Opening cash and cash equivalents	15,838	15,838	4,268	16,055	4,877
Closing cash and cash equivalents	8,882	8,475	15,838	2,317	16,055

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