

## Our Purpose

We enable the wise use of the region's natural resources.

We achieve this through our leadership role in:

- Natural resource knowledge and management
- Natural hazard assessment and management
- Regional strategic planning
- Regional scale infrastructure and services
- Economic Development

## Our Vision

A connected and vibrant region with resilient communities, a prosperous economy, and a clean, healthy environment.

## Our Values

**Leadership** – we anticipate and prepare for the future

**Excellence** – we aim high and take pride in everything we do

**Innovation** – we are open to change and seek better ways of doing things

**Integrity** – we demonstrate openness, honesty and respect in our relationships

**Partnerships** – we seek strong collaborative partnerships to achieve common goals.

## Our Goals

We have adopted three goals for the region – resilient communities, a resilient economy, and resilient ecosystems.

These goals are a bridge between our vision, our community outcomes and our group of activity work programmes. All of our work should meet the definition of at least one of our goals; if not, we should not be doing the work. However much of our work meets all three goals.

“Resilient ecosystems” is the most strategic of the goals and underpins the success of the others. Without resilient ecosystems our communities will not enjoy living in the region and prosperity may be hard to achieve.

## Guide to the Annual Report

The Annual Report is divided into three sections to make it easy to find the information you want.

- **Performance Overview**

This includes an Introduction from the Chairman and the Chief Executive along with an update on key issues including Maori contributions to decision making processes.

- **Accountability Information**

This section includes:

- Financial reporting benchmarks
- The Statement of Service Performance for the year and an overview of each Group of Activity
- How each Group of Activity links to the community outcomes
- A report which measures the performance of each sub-activity
- Financial details for the Group Accounts which include the Council and the Hawke's Bay Regional Investment Company (HBRIC Ltd) for the year ended 30 June 2015.

- **General Information**

This section includes general information about Council's resources, assets and activities, the Councillors, the organisational structure, and an outline of information available for public use.

## Chairman and Interim Chief Executive Commentary

Kia ora. This Report summarises the work of Hawke’s Bay Regional Council (HBRC) during year three of HBRC’s Long Term Plan 2012-22.

In The Right Debate section of the Long Term Plan 2012-22 (the LTP), we highlighted the big issues facing Hawke’s Bay and explained how HBRC would address these – this decade – along with their associated financial calculations.

In the twelve months to year end 30 June 2015, HBRC has made good progress on our major projects, with continuing focus on the delivery of our day-to-day operational activities.

### Our Direction

Our Long Term Plan is based on the overall direction set down in HBRC’s 2011 Strategic Plan, 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.



Tūtira – an idyllic retreat and one of HBRC’s best-known Regional Parks, north of Napier.

## Reporting against ‘The Right Debate’ key issues

The following pages are a summary of HBRC’s achievements over the last reporting year, for key areas identified from The Right Debate section of HBRC’s 2012-22 Long Term Plan.

### Natural resource management and governance

*Tukituki Catchment Proposal (TCP)* – This is both Tukituki Plan Change 6 (TPC6) and resource consents for a \$275 million water storage scheme on the Ruataniwha Plains. The final decisions on TPC6 and resource consent conditions relating to the scheme were issued on 25 June 2015.

*Regional Landcare Scheme (RLS)* – HBRC funds the RLS at \$880,000 per annum, with criteria to make sure the funding is distributed to priority focus areas. The RLS is targeted to support catchments where objectives must be met under regional plans, linked to the National Policy Statement for Freshwater.

*HeatSmart* – Air quality in Napier and Hastings is improving as pollution from domestic fires is being reduced. Hawke’s Bay, if it continues at the same rate with the air quality programme, will meet the government standards required by 2020. HBRC’s programme has helped the region move toward healthier homes and improved health outcomes, with 2,151 homes accessing financial support for insulation and 6,932 homes taking advantage of grants and loans for clean heat.

*Ngaruroro Water Storage Investigations* – HBRC made provision of \$27 million for a possible equity stake in a water storage scheme in the Ngaruroro catchment. However, full feasibility investigations remain deferred by HBRC, awaiting the completion of more economic assessment work and the availability of staff after completing the Ruataniwha Water Storage process.

Not sure  
when to  
replace  
your fire?

Hastings and Napier  
homes are halfway  
to meeting air quality  
targets.

heat**smart**  
cleaner air warmer homes

*Strategic Alliances* – HBRC has made good progress in this area, in particular:

1. The Regional Planning Committee has equal representation from elected councillors and treaty claimant groups. It makes important resource management policy development decisions. They met five times during the year and typically consider a range of natural resource related issues, recorded in more detail following this commentary.
2. The Nature Central alliance with the Department of Conservation and two other regional councils has assisted DOC and Regional Council staff to work more effectively together. It has contributed project management disciplines to Cape to City, the region's ultra-low-cost wide-scale pest control project.



### Natural hazard assessment and mitigation

*Civil Defence and Emergency Management (CDEM)* – The 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 this period is likely to see future changes to the structure and resourcing of the Group. Significant work was undertaken to promote participation in readiness for the 15 October New Zealand ShakeOut drop-cover-hold exercise.

*Regional Natural Hazards, Research & Planning* – A joint project was undertaken to review the potential risk for liquefaction in Hawke's Bay. A geo-technical database was also developed, on the heels on the Canterbury Geotechnical Database (CGD). HBRC also coordinated funding toward a multi-agency East

Coast Life at the Boundary (ECLAB) project, investigating the Hikurangi Trench subduction zone, potential effects from earthquakes and how they might impact east coast communities.

### Regional strategic planning

*Urban Growth Planning* – HBRC, in conjunction with Napier City and Hastings District councils, completed the Heretaunga Plains Urban Development Strategy (adopted in August 2010), with urban containment being a principal philosophy. This led to the development of *Plan Change 4 – Managing the Built Environment* being added to the Regional Policy Statement. Change 4 became operative on 1 January 2014. An Implementation Committee for the Strategy has been established since 2010.

*Regional Economic Development* – Support continued for business growth and attraction in the region through Business Hawke's Bay. Highlights include the creation and opening of the [Business Hub](#) and the Infant Formula Conference that generated substantial interest from potential producers and processors. Council's management of the Callaghan Innovation R&D funding contract again exceeded annual targets. A focus on primary sector resilience was assisted through a number of Ruataniwha Water Storage Scheme-related initiatives as well as engagement with other primary and processing sector organisations. Wairoa economic development initiatives received support via targeted funding and sponsorship of the Wairoa Horizon Trust Board's business scoping project.



A review of the 2011 Regional Economic Development Strategy (REDS) was initiated with input across all councils, with additional resourcing and support provided by Business Hawke's Bay. HBRC continued to represent the region's interests at both a regional economic development agency and central government level.

[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. Additional funding was successfully sought from HBRC through the Long Term Plan process, effective from the start of the subsequent 2015-25 Plan period.

### Report on progressive implementation of the 2011 National Policy Statement for Freshwater Management

Freshwater is one of our region's most precious natural resources and much of the Regional Council's work revolves around it. In May 2011, the Government introduced the National Policy Statement for Freshwater Management (NPSFM). That NPSFM set a new direction for maintaining and improving water quality and protecting life in our rivers, lakes, streams and aquifers. In 2014, revisions were made to the NPSFM. For the most part, it is the Hawke's Bay Regional Council's responsibility to implement the NPSFM as it relates to our region. The NPSFM does not specify exactly how it shall be implemented, nor how policy statements and plans should be amended, as that is for each regional community to determine for themselves.

In September 2012, Hawke's Bay Regional Council adopted an Implementation Programme in accordance with Policy E1 of the 2011 NPSFM. That Programme outlined the key activities that the Council will undertake to fully implement the NPSFM.<sup>1</sup> Policy E1<sup>2</sup> of the NPSFM requires that Council annually report on the extent to which the Programme has been implemented. The Programme does not start from a blank canvas. Even prior to the 2011 NPSFM coming into effect, the Regional Council had significant elements in place that align with and give effect to the NPSFM. Some of those key elements were identified in the NPSFM

---

<sup>1</sup> The 2011 NPSFM required councils to fully implement it by 2030. Amendments made by the Government to the NPSFM that came into effect from 1 August 2014 now require the NPSFM to be fully implemented by 2025.

<sup>2</sup> NPSFM Policy E1(e) reads:

Where a regional council has adopted a programme of staged implementation, it is to publicly report, in every year, on the extent to which the programme has been implemented.

Implementation Programme. The Programme states that the Council will report annually on Programme implementation progress in its Annual Report.

Following is a brief outline of Council's key implementation achievements during the 2014-15 period. Appendix A (at the end of this Annual Report document) provides a fuller description of these achievements and several other activities to implement the NPSFM.

During the 2014-15 period, the Regional Council:

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 parts in the fourth appeal have also been resolved. The remaining appeal points relate 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 HBRIC'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<sup>th</sup> June 2015.
4. Continued assessment of a variety of resource management policy options through the Council's 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 key water user groups working towards efficient water use through alternative water management options, including groups 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 (aka the 'TANK' catchments) and the Mohaka catchment.

*Hawke's Bay Biodiversity Strategy* – The Strategy was given strong focus during 2014, with active support from the region's many contributing partners, not least 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.



### Provision and assessment of regional scale infrastructure and services

*Ruataniwha Water Storage Scheme (RWSS)* – The scheme 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 immediately following this reporting period, 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 passenger numbers decreased for the first time since 2009, with a 7% drop on the previous year. Lower petrol prices are thought to be the main reason for this.



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

### Financial reporting benchmarks

This is the third 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.

To help understand the extent to which council has been able to deliver on the financial benchmarks against targets in the Long Term Plan, please refer to the charts presented in the first part of this Annual Report.

### Lastly

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.

Handwritten signature of Liz Lambert in black ink.

Liz Lambert, Interim Chief Executive

Handwritten signature of Fenton Wilson in black ink.

Fenton Wilson, Chairman

### Report on Māori Contribution to Council Decision-making Processes

Clause 35 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.



*There were plenty of keen helpers at Karewarewa Stream, Mangaroa, who cooled off after planting the nearby stream banks.*

#### Regional Planning Committee

The Regional Planning Committee was established in April 2012 to consider and provide recommendations to Council on resource management and strategic environmental planning. The Committee is made up of an equal number of Regional Councillors and representatives from each of the nine large natural groupings of Treaty Settlement Claimant groups in the Hawke's Bay region.

The Committee is chaired under a dual chairmanship arrangement. The current Co-chairs are the Regional Council Chairman and Mr Toro Waaka, the Ngati Pahauwera representative on the Committee.

Having been permanently established by the Council, the Committee is not dissolved every three years while local body elections take place. This enables the Committee and in particular the Treaty Settlement Claimant groups, to undertake long term planning spanning multiple years.

Since forming, the Committee has worked together without a formal Government mandate, pending the passage of legislation. They operate under the principles of co-governance to ensure that tāngata whenua are active decision makers in managing their taonga under the Resource Management Act 1991.

The Committee met formally three times between 1 July 2014 and 30 June 2015 to consider issues and make recommendations to the Regional Council, plus two workshop sessions to discuss Long Term Plan work programming and priorities. There have been a number of multi-year projects and items that the Committee has considered this year, these are:

- Taharua/Mohaka Catchment Policy Development and Stakeholder Engagement
- Change 5 (Land and Freshwater Management) appeals
- Draft annual report for national policy statement (NPS) freshwater management implementation programmes
- Resource Management reform
- Greater Heretaunga / Ahuriri Catchment Area plan change
- Local Government reorganisation
- Change 6 (Tukituki River Catchment) Draft Board of Inquiry decision
- Intergovernmental Panel on Climate Change Working Group presentation

Five members (including Councillors) are accredited Resource Management Act hearing commissioners.

### Maori Committee

There were 6 two-monthly meetings of the Maori Committee during the year. There were 12 tāngata whenua appointees on the committee as well as 4 elected representatives of Council.

Two members of the Maori Committee were appointed to the Environment and Services Committee of Council, which met on 5 occasions during the year.

Two Maori Committee representatives have been appointed to the Corporate and Strategic Committee, which met on 6 occasions during the year.

One member of the Maori Committee has been appointed to the Regional Transport Committee, which met on 5 occasions during the year.

The Chairman of the Council's Maori Committee attended 12 meetings of the Regional Council where he has speaking rights on all issues.

The Maori Committee is also represented on the Hearings Committee, with 4 members being accredited Resource Management Act hearing commissioners.

Members of the Council's Maori Committee are informed of all consent applications and can request further information and provide comment as well as assist with directing Council officers to the correct tāngata whenua for consultation on other issues.

### Direct Hapū and Other Involvement

Council has continued to have direct interaction with specific hapū on issues of concern to them within their rohe.

The Chairman of the Maori Committee has attended numerous hui involving Marae and hapū of specific interest groups on behalf of the Regional Council.

### 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 Regional Investment Company Limited (HBRIC Ltd). This report sets out below the information required by clause 28 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 HBRIC Ltd, however changes have been made to the company's governance arrangements.

On 25 March 2015 Council resolved to re-appoint the current HBRIC Ltd Directors as Directors of HBRIC Ltd until the earlier of 30 June 2016 or 60 days post-Financial Close of the Ruataniwha Water Storage Scheme.

#### 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 Long Term Plan 2012-22) with the actual nature and scope of activities provided for the year.

The summary of the nature and scope of activities below is illustrative of the key performance targets for HBRIC Ltd set by Council, which are:

That HBRIC Ltd is to actively manage its allocated investment portfolio and any new investment it makes to ensure:

1. Growth in long term shareholder value
2. Increased financial and strategic returns
3. Investments are secure and sustainable over the long term
4. Investments will assist achievement of Council's regional strategic development objectives.

A summary of the nature and scope of activities intended to be provided by HBRIC Ltd (as set out in the Long Term Plan 2012-22) compared to the actual nature and scope of activities provided for the year are as follows.

- Own and manage the investment assets and liabilities transferred to it by Council from time to time.
  - HBRIC Ltd continued to manage the investment in the Napier Port following the transfer of shares from Council on 25 June 2012.
  - On 21 December 2012 the feasibility assets of the Ruataniwha Water Storage Scheme were transferred from Council to HBRIC Ltd along with responsibility for progressing the project to the conclusion of the resource consent application phase. HBRIC Ltd continued to manage this investment through this phase which is anticipated to conclude during the 2015/16 financial year.
- Make new investments and dispose of current investments in pursuit of its objectives.
  - The continued investment in the development phase of the Ruataniwha Water Storage Scheme has been made in pursuit of HBRIC Ltd's objectives.

- Investment in and manage a range of financial and physical assets in accordance with Council’s investment policy detailed in the Long Term Plan 2012-22.
  - HBRIC Ltd has managed its investments in accordance with Council’s investment policy detailed in the Long Term Plan 2012-22.
- Raise funds for investment but at no time by selling any of Council’s 100% shareholding in HBRIC Ltd or Napier Port without Council undertaking a special consultative process.
  - No funds were raised for investment in the current year.
- Assist its subsidiary and associated companies to increase shareholder value in regional prosperity through growth and investment.
  - The HBRIC Ltd Board meets with the Napier Port Chairman and CEO on a regular basis to discuss its operating activities and any investment opportunities that have the potential to increase shareholder value.

### Other Key Performance Targets

Comparison of actual specific financial performance targets compared to those set out in HBRIC Ltd’s 2014-15 Statement of Intent are outlined in the table following.

Consolidated Performance Targets		
Performance Indicator	Target	Actual
Net debt to net debt plus Equity	<40%	33%
Interest cover (EBIT/Interest Paid)	>3x	5x
EBITDA/Total Assets	8%	9%
Return on Shareholders’ Funds	5%	6%

Notes: EBIT = Earnings Before Interest and Tax  
 EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation  
 Net debt means gross borrowings from outside the “HBRIC Ltd “group”, less loans made to parties outside the HBRIC Ltd “group”

## 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 2015 fairly reflect the financial position and operations of Hawke's Bay Regional Council.



**Fenton Wilson**  
Chairman

30 September 2015



**Liz Lambert**  
Interim Chief Executive

30 September 2015



**Paul Drury**  
Group Manager  
Corporate Services

30 September 2015