Note 1: Statement of Accounting Policies

1.1 Reporting Entity

The Hawke's Bay Regional Council (Council) is a regional local authority governed by the Local Government Act 2002 (LGA) and is domiciled in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Hawke's Bay Regional Council group (group) consists of the ultimate parent, the Council, and its subsidiaries. These subsidiaries are The Hawke's Bay Regional Investment Company Limited (HBRIC) and the Port of Napier Limited (Port). HBRIC is a 100% owned subsidiary of Council and the Port is a 100% subsidiary of HBRIC. Both companies are incorporated and domiciled in New Zealand.

The Council provides many services and social benefits to the community including:

- Economic Development and Regional Planning
- Land Drainage and River Control
- Land, Air, Water, Coastal and Gravel Management
- Regulatory Functions
- Biosecurity
- Emergency Management
- Subsidised Passenger Transport and Road Safety
- Community Engagement

The Council does not operate to make a financial return.

The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements are of the Council and group are for the year ended 30 June 2015 and were authorised for issue by Council on 30 September 2015.

1.2 Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

(1.2.1) Statement of compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

These financial statements are the first financial statements presented in accordance with the new PBE accounting standards. There are no material adjustments arising on transition to the new PBE.

The statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, hydrological equipment, investment property, forestry assets and financial instruments.

(1.2.2) Presentation and Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

(1.2.3) Standards issued and not yet effective and not early adopted

In May 2013, the External Reporting Board issued a new suite of PBE accounting standards for application by public sector entities for reporting periods beginning on or after 1 July 2014. The Council has applied these standards in preparing the 30 June 2015 financial statements.

Note 2: Summary of Significant Accounting Policies

2.1 Basis of Consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis. All intragroup balances, transactions, revenues, and expenses are eliminated on consolidation.

The financial statements of the Port have a financial year end of 30 September. In order to consolidate the subsidiary, a reporting package with a financial year end of 31 March is produced. All significant inter-entity transactions are eliminated and significant transactions occurring during the period 1 April to 30 June are adjusted for.

(2.1.1) Subsidiaries

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

The investment in subsidiaries is carried at fair value in the Council's parent entity financial statements.

2.2 Revenue Recognition

Revenue comprises the fair value for the sale of goods and services, net of GST, rebates and discounts and after elimination of sales within the Group. Revenue is recognised as follows.

(2.2.1) Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. The Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

(2.2.2) Sales of Goods and Services

- Revenue from the sale of goods is recognised when a product is sold to the customer.
- Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service provided.

(2.2.3) Interest and Dividends

- Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

(2.2.4) Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied. The majority of grant revenue is from NZTA for subsidised passenger transport. This is recognised when invoiced on a monthly basis as per the contract with NZTA.

(2.2.5) Leasehold Land Rent

Leasehold land rent is recognised as revenue when they become receivable as per the individual lease agreements.

2.3 Expenditure Recognition

(2.3.1) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(2.3.2) Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

(2.3.3) Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

2.4 Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.
- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.5 Leases

(2.5.1) Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(2.5.2) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

2.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.7 Receivables

Receivables are recorded at their face value, less any provision for impairment.

2.8 Derivative Financial Instruments and Hedging Accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The Council and group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

(2.8.1) Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

(2.8.2) Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of “finance costs”.

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

2.9 Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments, and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

(2.9.1) Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking.

Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

(2.9.2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

(2.9.3) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

(2.9.4) Financial Assets at Fair Value through other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

2.10 Impairment of Financial Assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

(2.10.1) Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account.

Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

(2.10.2) Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

2.11 Inventory

Inventory is stated at the lower of cost (using the weighted average cost method) and net realisable value.

2.12 Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2.13 Plant, Property and Equipment

(2.13.1) Operational Assets

Council land and buildings are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by independent, professionally qualified valuers.

Hydrological equipment is shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

All other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of assets constructed by Council include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

(2.13.2) Infrastructure Assets

Infrastructure assets are tangible assets that are necessary to fulfil the Council's obligations in respect of the Soil Conservation and Rivers Control Act 1941 and the Drainage Act 1908. Such assets usually show some or all of the following characteristics.

- They are part of a system or network that could not provide the required level of service if one component was removed.
- They enable the Council to fulfil its obligations to the region's communities in respect of flood control and drainage legislation.

- They are specialised in nature and do not have alternative uses.
- They are subject to constraints on removal.

Infrastructure assets are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

(2.13.3) Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

(2.13.4) Disclosure

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

(2.13.5) Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council or group and the cost can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive revenue and expense during the financial period in which they are incurred.

(2.13.6) Revaluation Adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the statement of comprehensive revenue and expense.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Revaluations are accounted for on a class-of- asset basis.

(2.13.7) Value in use for non-cash-generating and cash-generating assets

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash generating assets, value in use is determined using an approach based on either a depreciated replacement cost approach, restoration cost approach, or a service units approach. The most appropriate approach used to measure value in use depends on the nature of the impairment and availability of information.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets and cash-generating units is the present value of expected future cash flows.

2.14 Intangible Assets

(2.14.1) Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

(2.14.2) Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

Free carbon units received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

(2.14.3) Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

2.15 Depreciation and Amortisation Periods

Land and hard dredging are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives. Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Major depreciation and amortisation periods are as follows.

Major Depreciation and Amortisation Periods	
Asset Category	**Years**
Buildings	10 - 110
Site Improvements	10 - 40
Vehicles	3 - 14
Plant & Equipment	3 - 73
Computer Equipment	5 - 20
Computer Software & Licences	5 - 12
Infrastructure Assets	25 - 70
Dredging	6 - 8

No depreciation is provided for stop banks, berm edge protection, sea or river groynes, drainage works or unsealed roads. These assets are not considered to deteriorate over time and, therefore, will provide a constant level of service unless subjected to a significant flood event.

2.16 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation or depreciation and are tested for impairment at each balance date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive revenue and expense for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.17 Investment Property

Investment property is leasehold land in Napier and Wellington and one property on forestry land held to earn rental revenue and for capital appreciation. Such property is initially recognised at cost. At each balance date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the statement of comprehensive revenue and expense for the period in which it arises.

2.18 Forestry Assets

Forestry assets are measured at their fair value less estimated point-of-sale costs each balance date by independent, professionally qualified valuers. Fair value is determined by the present value of expected net cash flows discounted by the current market-determined pre-tax rate. A gain or loss in value is recorded in the statement of comprehensive revenue and expense for the period in which it arises.

2.19 Payables

Short-term creditors and other payables are recorded at their face value.

2.20 Borrowings

Borrowings are recognised initially at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

2.21 Employee Entitlements

(2.21.1) Short-term Employee Entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

(2.21.2) Long-term Employee Entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis. The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows

2.22 Provisions

Provisions are recognised when:

- Council has a present legal or constructive obligation as a result of past events, and
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense

Provisions are not recognised for future operating losses.

2.23 ACC Leasehold Liability

In December 2013 Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of $37.7 million was received for this to fund investment activity. The liability to ACC reduces by any sales of leasehold property during the year as these are paid to ACC as compensation for lost rental revenue over the 50 year term from the property freeholded.

The liability is held at the net present value as at balance date which is recalculated every year to account for freeholding of leasehold property and rent renewals. Any movements in the liability figure are taken to the statement of comprehensive revenue and expenditure.

2.24 Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- accumulated funds
- fair value reserves
- other reserves.

(2.24.1) Fair Value Reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and other financial assets to fair value.

(2.24.2) Other Reserves

Other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Some of these other reserves are restricted by Council decision. Transfers to and from these reserves are at the discretion of the Council.

2.25 Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

2.26 Budget Figures

The budget figures are those approved by the Council in its 2014/15 annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.27 Basis of Allocation of Council's Indirect Costs

Clearly identifiable costs are directly charged against each activity. Indirect costs are allocated to cost centres in the first instance under a variety of methods including:

- Floor area occupied
- Number of full time equivalent employees
- Assessed use of various services provided.

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

2.28 Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Advances to HBRIC Ltd

The Council has made the assumption that the advances to HBRIC Ltd for the development costs of the Ruataniwha Water Storage Scheme are to be held as a current asset until the project has reached financial close.

Fair Value of Assets

Various assumptions have been made in determining fair value of assets. These assumptions are set out under the individual assets notes.

Useful Life of Assets

The useful life of assets that are depreciated or amortised as based on best estimates and prior knowledge but may not reflect the actual true useful life of individual assets.

2.29 Critical Judgments in Applying Accounting Policies

Management has exercised judgements in applying accounting policies for the year ended 30 June 2015 these are in accordance with the accounting standards and best practice and there is nothing that is deemed critical.

2.30 Changes in Accounting Policies

These policies have been updated to reflect best practice. While most of the changes are variations on wording where the practice is unchanged, the following new policies have been added:

- (2.3.2) Grant Expenditure
- (2.14.2) Carbon Credits
- 2.19 Payables
- 2.23 Equity
- 2.25 Budget Figures

Note 3: Groups of Activities Revenue & Expenditure

		Regional Council			Group	
		Actual 14/15	Budget 14/15	Actual 13/14	Actual 14/15	Actual 13/14
	Note	$000	$000	$000	$000	$000
Revenue						
Groups of activity						
Strategic Planning		26	25	35	26	35
Land Drainage & River Control		1,016	668	1,206	1,016	1,206
Regional Resources		3,327	3,329	2,771	3,327	2,771
Regulation		1,183	1,659	1,069	970	1,020
Biosecurity		-	-	16	-	16
Emergency Management		168	107	211	168	211
Transport		35	35	65	35	65
Governance & Community Engagement		161	114	183	161	183
Total groups of activity revenue		**5,916**	**5,937**	**5,556**	**5,703**	**5,507**
Less internal revenue		-	-	-	-	-
Total groups of activity revenue		**5,916**	**5,937**	**5,556**	**5,703**	**5,507**
Other activity						
Subsidiary operations		-	-	-	67,207	67,023
Total activity revenue		**5,916**	**5,937**	**5,556**	**72,910**	**72,530**
Expenditure						
Groups of activity						
Strategic Planning		4,266	4,185	4,040	4,220	4,015
Land Drainage & River Control		6,924	7,030	6,784	6,924	6,784
Regional Resources		11,345	11,308	10,792	11,345	10,792
Regulation		2,745	3,560	3,014	2,564	2,990
Biosecurity		3,372	3,406	3,325	3,372	3,325
Emergency Management		1,770	1,880	1,637	1,770	1,637
Transport		4,325	4,118	4,570	4,325	4,570
Governance & Community Engagement		3,001	3,512	4,436	3,001	4,436
Total groups of activity expenditure		**37,748**	**38,999**	**38,598**	**37,521**	**38,549**
Less internal expenditure		(131)	(156)	(141)	(131)	(141)
Total groups of activity expenditure		**37,617**	**38,843**	**38,457**	**37,390**	**38,408**
Other activities						
Regional income collection		2,375	2,025	2,116	2,375	2,116
Subsidiary operations		-	-	-	52,741	47,720
Total other activities expenditure		**2,375**	**2,025**	**2,116**	**55,116**	**49,836**
Less personnel costs	**7(a)**	(14,034)	(14,035)	(13,953)	(33,391)	(31,390)
Less finance costs - interest on borrowings		(1,375)	(1,461)	(1,118)	(5,924)	(4,805)
Less finance costs - fees associated with the transfer of Napier leasehold cashflows to ACC		(1,705)	(1,518)	(1,728)	(1,705)	(1,728)
Less depreciation and amortisation expense		(2,379)	(2,364)	(2,225)	(9,516)	(9,568)
Total activity expenditure		**20,499**	**21,490**	**21,549**	**41,970**	**40,753**
Depreciation and amortisation by groups of activity						
Strategic Planning		-	-	-		
Land Drainage & River Control		598	567	537		
Regional Resources		296	269	241		
Regulation		3	4	4		
Biosecurity		-	-	-		
Emergency Management		26	59	47		
Transport		11	20	15		
Governance & Community Engagement		6	9	10		
Total directly attributable depreciation and amortisation						
Depreciation not direclty realted to groups of activity		1,437	1,436	1,369		
Total depreciation and amortisation expense		**2,379**	**2,364**	**2,225**		

Note 4: Rates Revenue

	Note	Regional Council Actual 14/15 $000	Regional Council Budget 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
General funding rates						
Uniform annual general charge		1,735	1,706	1,532	1,735	1,532
General rate on land value		1,140	1,133	982	1,140	982
Total general funding rates		**2,875**	**2,839**	**2,514**	**2,875**	**2,514**
Targeted rates		13,032	12,826	12,388	13,032	12,388
Total rates revenue	**4(a)**	**15,907**	**15,665**	**14,902**	**15,907**	**14,902**

Note 4(a)

Under Council's rates remission policy for multiple ownership land, 79 rates remissions were approved, totalling $29,553 (2013-14 - 84 remissions totalling $41,989)

Rating base information

The number of rating units within the region as at June 2015 are 70,326. (2014: 70,046)

The total capital value of rating units within the region as at 30 June 2015 is $30,920,868,600 (2014: $30,588,812,400)

The total land value of the rating units within the region as at 30 June 2015 is $15,726,768,350 (2014: $15,547,998,650)

Note 5: Other Revenue

	Note	Regional Council Actual 14/15 $000	Regional Council Budget 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Subsidies and grants						
Grants	5(a)	3,277	2,822	5,353	3,277	5,353
Total subsidies and grants		**3,277**	**2,822**	**5,353**	**3,277**	**5,353**
Other revenue						
Dividend revenue		7,103	7,563	6,671	3	17
Rental revenue from investment property	5(b)	2,876	2,588	2,819	2,899	2,832
Interest revenue		4,228	4,223	3,795	4,246	3,808
Gain / (Loss) on disposal of assets - net		6	-	(602)	6	(602)
Subvention payments		562	574	24	-	-
Miscellaneous revenue	5(c)	1,190	127	220	1,190	220
Total other revenue		**15,965**	**15,075**	**12,927**	**8,344**	**6,275**

Note 5(a)

Government grants are received from the New Zealand Transport Agency for bus services and road safety projects, New Zealand Trade and Enterprise for regional development projects, Ministry of Justice and the Ministry of the Environment for Iwi initiatives, and the Ministry of Primary Industries for afforestation, environmental and water initiative projects. The grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled. There are no unfulfilled conditions and other contingencies attached to the grants recognised as other revenue.

Note 5(b)

Under the Hawke's Bay Endowment Land Empowering Act 2002, revenue from leasehold endowment land can only be used for the improvement, protection, management or use of Napier Harbour or the Regional Council's coastal marine area as defined in section 2(1) of the Resource Management Act 1991.

Note 5(c)

Miscellaneous revenue includes 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.

Note 6: Fair Value Gains & Losses through the Statement of Comprehensive Revenue and Expenditure

	Note	Regional Council			Group	
		Actual 14/15 $000	Budget 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Fair value gains						
Investment property gains	**11**	300	1,779	2,176	830	2,176
Financial asset gains	**13**	-	-	-	-	-
Forestry asset gains	**15**	942	-	1,579	942	1,579
Derivative instrument gains	**17**	-	-	54	57	168
Infrastructure asset gains	**10**	-	-	-	-	-
Foreign currency gains		-	-	-	-	-
Total fair value gains		**1,242**	**1,779**	**3,809**	**1,829**	**3,923**
Fair value losses						
Investment property losses	**11**	1,525	-	8	1,525	8
Financial asset losses	**13**	-	-	-	-	-
Forestry asset losses	**15**	92	-	-	92	-
Derivative instrument losses	**17**	72	-	-	72	-
Infrastructure asset losses	**10**	-	-	-	-	-
Fair Value loss adjustment				966	-	966
Foreign currency losses		-	-	-	-	-
Asset impairment losses	**9 &10**	-	-	-	-	-
Total fair value losses		**1,689**	**-**	**974**	**1,689**	**974**

Note:

Fair value gains and losses on trading assets (listed above) are recorded in the Statement of Comprehensive Revenue and Expenditure. In addition, when asset revaluation decrements are greater than the corresponding surplus in the Fair Value Reserve, the excess decrements are also recorded in the Statement of Comprehensive Revenue and Expenditure as an asset impairment.

Note 7: Expense Disclosures

	Note	Regional Council Actual 14/15 $000	Regional Council Budget 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
General disclosures						
Depreciation (refer to Notes 9 & 10)		2,011	1,961	1,847	8,946	8,974
Amortisation (refer to Note 12)		368	403	378	570	594
Personnel Costs	7(a)	14,034	14,035	13,953	33,391	31,390
Donations		13	10	4	13	4
Operating lease expense		73	61	61	273	266
Key management compensation					-	-
[a] short-term employee benefits		2,294	2,278	2,217	3,371	3,162
[b] post-employment benefits		-	-	-	-	-
[c] other long-term benefits		66	58	58	66	58
[d] termination benefits		-	-	-	-	-
[e] share-based payment		-	-	-	-	-
	7(b)	2,360	2,336	2,275	**3,437**	**3,220**
Fees paid to Council's auditors (Audit NZ)						
Financial statements audit fee		97	160	103	113	114
Long term plan audit fee		60	-	-	60	-
Assurance & related services fee		5	-	-	5	-
Fees paid to subsidiaries' auditors (EY)						
Financial statements audit fee		-	-	-	104	107
Non audit services		-	-	-	6	-
Total fees paid to auditors		162	160	103	**288**	**221**

Note 7(a)

Personnel Costs	Regional Council Actual 14/15 $000	Regional Council Budget 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Salaries and wages	13,814	13,595	13,488	32,290	30,096
Defined contribution plan employer contributions	451	440	432	1,353	1,195
Increase/(decrease) in employee entitlements	(231)	-	33	(252)	99
Total Personnel Costs	**14,034**	**14,035**	**13,953**	**33,391**	**31,390**

Employer contributions to defined contributions plans include Kiwisaver and other approved Superannuation schemes

Note 7(b)

Key Management Compensation	Regional Council Actual 14/15 $000	Regional Council Budget 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Councillors					
Remuneration	553	549	531	553	531
Full-time equivalent members	9	9	9	9	9
Executive Management Team, including the Chief Executive and Interim Chief Executive					
Remuneration	1,807	1,787	1,744	1,807	1,744
Full-time equivalent members	9	9	9	9	9
Company Directors and Chief Executive					
Remuneration	-	-	-	1,077	945
Full-time equivalent members	-	-	-	13	11
Total Key Management Compensation	**2,360**	**2,336**	**2,275**	**3,437**	**3,220**
Total full-time equivalent personnel	**18**	**18**	**18**	**31**	**29**

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

Key management comprises Councillors and the Executive Management Team for Council and Directors and Chief Executive for each subsidiary. (Actual figures for 13-14 and 14-15 for the Regional Council include both the Chief Executive seconded to HBRIC Ltd and the interim Chief Executive.)

Prior year comparative figures have been updated to include the rest of the Executive Team as well as the Chief Executives.

Note 7(c)

	Note	Regional Council			Group	
		Actual 14/15 $000	Budget 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Other Expenditure						
Leasehold Liability Movement (adjustment required to correctly state the liability to ACC)		232	-	-	232	-
Grants distributed to Ngati Pahauwera Rivers Initiatives (funded from the Ministry of the Environment)		-	-	714	-	714
Legal fees for Dalton Street Building Remedial work		193	-	-	193	-
		425	-	714	**425**	**714**

Note 8: Income Tax Expense

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Income tax expense					
Current tax		-	-	3,267	5,520
Deferred tax	**22**	-	-	675	(173)
Total income tax expense		**-**	**-**	**3,942**	**5,347**

The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the current corporate rate as follows:

	Regional Council Actual 14/15	Regional Council Actual 13/14	Group Actual 14/15	Group Actual 13/14
Surplus / (deficit) before tax	201	286	7,647	13,051
Tax at domestic rate of 28% (2014 28%)	56	80	2,141	3,651
Plus / (Less) tax effect of:				
Income not subject to tax	(9,089)	(9,324)	(9,089)	(9,324)
Expenses not deductible for tax purposes	11,790	11,833	10,891	11,023
Imputation credits	(2,761)	(2,588)	-	-
Tax effect of income not recognised for accounting	-	-	-	-
Utilisation of previously unrecognised tax losses	-	-	-	-
Group loss transfer	4	2	-	-
Prior period adjustment	-	-	(1)	(3)
Tax losses not recognised/Adjust tax rate changes	-	-	-	-
Tax on changes to building depreciation rates	-	-	-	-
Tax charge	**-**	**-**	**3,942**	**5,347**

The Council and Group have unrecognised income tax losses of $15,333 (2013/14 $5,909) with tax effect of $4,293 (2013/14 $1,654) that are available to carry forward, subject to compliance with the Income Tax Act.

Note 9: Property, Plant & Equipment

	Note	Land $000	Buildings $000	Plant $000	Vehicles $000	Hydrology Equipment $000	Technical Equipment $000	Computer Equipment $000	Other Equipment & Furniture $000	Capital Work in Progress $000	Total $000
COUNCIL											
At 1 July 2013											
Cost or valuation		5,492	5,910	2,136	2,921	1,992	803	1,787	695	754	22,490
Accumulated depreciation		-	(1,004)	(1,216)	(1,384)	(403)	(431)	(929)	(399)	-	(5,766)
Net book amount		5,492	4,906	920	1,537	1,589	372	858	296	754	**16,724**
Year ended 30 June 2014											
Opening net book amount		5,492	4,906	920	1,537	1,589	372	858	296	754	16,724
Revaluation surplus / (deficit)		-	-	-	-	-	-	-	-	-	-
Transfers		-	750	-	-	-	-	-	-	(754)	(4)
Additions		-	1,275	280	236	441	57	86	26	18	2,419
Disposals		-	-	(22)	(24)	-	-	(12)	-	-	(58)
Depreciation charges		-	(297)	(178)	(307)	(218)	(72)	(204)	(54)	-	(1,330)
Asset impairment losses		0	0	0	0	0	0	0	0	0	-
		5,492	6,634	1,000	1,442	1,812	357	728	268	18	**17,751**
At 30 June 2014											
Cost or valuation		5,492	7,937	2,176	3,054	2,433	859	1,845	711	18	24,525
Accumulated depreciation		-	(1,303)	(1,176)	(1,612)	(621)	(502)	(1,117)	(443)	-	(6,774)
Net book amount		5,492	6,634	1,000	1,442	1,812	357	728	268	18	**17,751**
Year ended 30 June 2015											
Opening net book amount		5,492	6,634	1,000	1,442	1,812	357	728	268	18	17,751
Revaluation surplus / (deficit)		-	-	-	-	-	-	-	-	-	-
Transfers / reclassification		-	18	(269)	269	9	(9)	-	-	(18)	-
Additions		-	611	408	396	383	23	174	46	-	2,041
Disposals		-	-	(38)	(116)	-	-	-	-	-	(154)
Depreciation charges		-	(355)	(173)	(338)	(269)	(59)	(181)	(56)	-	(1,431)
Asset impairment losses		0	0	0	0	0	0	0	0	0	-
		5,492	6,908	928	1,653	1,935	312	721	258	-	**18,207**
At 30 June 2015											
Cost or valuation	9(a)	5,492	8,566	2,062	3,323	2,825	873	2,019	756	-	25,916
Accumulated depreciation		-	(1,658)	(1,134)	(1,670)	(890)	(561)	(1,298)	(498)	-	(7,709)
Net book amount		5,492	6,908	928	1,653	1,935	312	721	258	-	**18,207**

Note 9(a)

Council land and buildings were valued at 30 June 2013 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Limited. The total fair value of property, plant and equipment valued by Telfer Young (Hawke's Bay) Ltd was $8,255,000.

Land used for forestry in the Lake Tutira Country Park and Tangoio Soil Conservation Reserve was valued at 30 June 2013 by Morice Limited, independent valuers. The total fair value of this land was $808,000.

Land used for carbon sequestration and wastewater disposal was valued at 30 June 2013 by Morice Limited, independent valuers. The total fair value of this land was $1,647,000.

While ownership of the Tangoio Soil Conservation Reserve is not vested in the Council, full managerial and financial control was transferred to Council in 1989 under section 16 of the Soil conservation and Rivers Control Act 1941.

Hydrological equipment was valued at 30 June 2013 on the basis of depreciated replacement value. This valuation was carried out by David Payne, an experienced hydrologist with independent consulting engineers, Opus International Consultants Limited.

Insurance of Assets

Insurance Contracts	Book Value	Maximum Insured Amount
Hawke's Bay Councils Programme	$,000	$,000
PP&E excl. vehicles	11,312	23,392
Pumpstations	4,348	12,560
Vehicles	1,403	1,403
Timber Crops	5,887	3,717
	22,950	41,072

HBRC uses an insurance broker who acts on behalf of all five Hawke's Bay Councils to leverage the best competitive prices for insurance. Although the insurance contracts are separate and not effected by claims from the other four Councils.

Risk Sharing Arrangements	Book Value	Maximum Insured Amount
LAPP Insurance	$,000	$,000
Infrastructure Assets*	135,874	183,551

* Infrastructure Assets exclude land

HBRC is a member of the Local Authority Protection Programme (LAPP) which is a collective insurance scheme where local authority members share the cost of insuring infrastructure assets from natural disaster.

Infrastructure assets are insured at modern equivalent value with LAPP. LAPP then meets 40% of repair costs above an excess of $2,027,000 with the remaining 60% covered by Central Government under the National CDEM Plan.

The excess amount and any costs under the excess amount are self-insured by Disaster Damage Reserves.

The balances of these reserves as at 30 June 2015 are:

Regional Disaster Damage Reserve (book value)	2,951,000
Flood and Drainage Scheme Reserves	2,819,000
Total	5,770,000

Note 9: Property, Plant & Equipment continued

	Land $000	Site Improve-ments $000	Cargo & Admin. Buildings $000	Other Buildings $000	Tugs $000	Dredging $000	Wharves & Jetties $000	Vehicles, Plant & Equipment $000	Cranes $000	Sea Defences $000	Capital Work in Progress $000	Total $000
<u>Group Subsidaries</u>												
At 1 July 2013												
Cost or valuation	30,343	43,034	12,270	3,537	24,100	9,427	42,458	31,223	13,643	76,527	7,171	293,733
Accumulated depreciation	-	(13,858)	(4,881)	(1,668)	(1,614)	(2,058)	(6,130)	(15,123)	(6,832)	(163)	-	(52,327)
Net book amount	30,343	29,176	7,389	1,869	22,486	7,369	36,328	16,100	6,811	76,364	7,171	**241,406**
Year ended 30 June 2014												
Opening net book amount	30,343	29,176	7,389	1,869	22,486	7,369	36,328	16,100	6,811	76,364	7,171	241,406
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-
Additions	-	731	5,231	64	-	-	146	4,525	11,473	-	20,418	42,588
Disposals	-				(2)		(3,529)	(62)	(200)		(22,987)	(26,780)
Depreciation charges		(1,212)	(895)	(118)	(395)	(477)	(547)	(2,093)	(1,064)	(326)		(7,127)
	30,343	28,695	11,725	1,815	22,089	6,892	32,398	18,470	17,020	76,038	4,602	**250,087**
At 30 June 2014												
Cost or valuation	30,343	43,765	17,501	3,601	24,100	9,427	39,075	35,453	23,616	76,527	4,602	308,010
Accumulated depreciation	-	(15,070)	(5,776)	(1,786)	(2,011)	(2,535)	(6,677)	(16,983)	(6,596)	(489)	-	(57,923)
Net book amount	30,343	28,695	11,725	1,815	22,089	6,892	32,398	18,470	17,020	76,038	4,602	**250,087**
Year ended 30 June 2015												
Opening net book amount	30,343	28,695	11,725	1,815	22,089	6,892	32,398	18,470	17,020	76,038	4,602	250,087
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-
Additions/Transfers	4,466	12,250	-	62	-	-	374	5,169	33	-	8,768	31,122
Disposals/Transfers	-	-	-	-	-	-	-	(86)	-	-	-	(86)
Depreciation charges	-	(1,220)	(494)	(108)	(395)	(408)	(559)	(2,295)	(1,130)	(326)	-	(6,935)
	34,809	39,725	11,231	1,769	21,694	6,484	32,213	21,258	15,923	75,712	13,370	**274,188**
At 30 June 2015												
Cost or valuation	34,809	56,015	17,501	3,663	24,100	9,427	39,449	40,195	23,649	76,527	13,370	338,705
Accumulated depreciation	-	(16,290)	(6,270)	(1,894)	(2,406)	(2,943)	(7,236)	(18,937)	(7,726)	(815)	-	(64,517)
Net book amount	34,809	39,725	11,231	1,769	21,694	6,484	32,213	21,258	15,923	75,712	13,370	**274,188**

Note 9(b)

As at 30 September 2012 the Napier Port chose to revalue the sea defences of the Port. The sea defences are classified as specialised assets and as such were valued on a depreciated replacement cost basis. The value increased by $72,311,000 and this valuation was undertaken by independent valuer Rob Kilgour of AECOM as sub consultant to Darroch Ltd.

GROUP TOTALS	Council	Council Subsidiaries	Group total
At 1 July 2013			
Cost or valuation	22,490	293,733	316,223
Accumulated depreciation	(5,766)	(52,327)	(58,093)
Net book amount	**16,724**	**241,406**	**258,130**
Year ended 30 June 2014			
Opening net book amount	16,724	241,406	258,130
Revaluation surplus / (deficit)	-	-	-
Transfers	(4)	-	(4)
Additions	2,419	42,588	45,007
Disposals	(58)	(26,780)	(26,838)
Depreciation charges	(1,330)	(7,127)	(8,457)
Asset impairment losses	-	-	-
	17,751	**250,087**	**267,838**
At 30 June 2014			
Cost or valuation	24,525	308,010	332,535
Accumulated depreciation	(6,774)	(57,923)	(64,697)
Net book amount	**17,751**	**250,087**	**267,838**
Year ended 30 June 2015			
Opening net book amount	17,751	250,087	267,838
Revaluation surplus / (deficit)	-	-	-
Transfers	-	-	-
Additions	2,041	31,122	33,163
Disposals	(154)	(86)	(240)
Depreciation charges	(1,431)	(6,935)	(8,366)
Asset impairment losses	-	-	-
	18,207	**274,188**	**292,395**
At 30 June 2015			
Cost or valuation	25,916	338,705	364,621
Accumulated depreciation	(7,709)	(64,517)	(72,226)
Net book amount	**18,207**	**274,188**	**292,395**

Note 10: Infrastructure Assets (Parent & Group)

	Note	Infrastructure Land $000	Stopbanks $000	Detention Dams $000	Drainage Networks $000	Pump Stations $000	Culverts & Floodgates $000	Bank & Edge Protection $000	River & Sea Groynes $000	Drainage Telemetry $000	Sawfly Works $000	Tutira Reserve $000	River Dredging $000	Wetland Reserve $000	Pathway & Roadway $000	Capital Work in Progress $000	Total $000
At 1 July 2013																	
Cost or valuation		9,059	50,699	1,539	30,424	4,685	7,377	17,288	1,588	82	10,685	676	759	596	1,588	1,166	138,211
Accumulated depreciation		-	-	(50)	-	(404)	(443)	-	-	(46)	-	-	(190)	(18)	-	-	(1,151)
Net book amount		9,059	50,699	1,489	30,424	4,281	6,934	17,288	1,588	36	10,685	676	569	578	1,588	1,166	137,060
Year ended 30 June 2014																	
Opening net book amount		9,059	50,699	1,489	30,424	4,281	6,934	17,288	1,588	36	10,685	676	569	578	1,588	1,166	137,060
Revaluation surplus (refer Note 18)		1,231	4,494	1,901	2,299	59	120	2,189	171	181	797	-	-	77	-	-	13,519
Additions		946	1,038	122	-	111	26	70	24	-	81	-	-	-	572	959	3,949
Transfers		-	-		-	-	-	-	-	-	-	-	-	-	-	(1,996)	(1,996)
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges		-	-	(25)	-	(197)	(221)	-	-	(4)	-	-	(63)	(8)	-	-	(517)
Asset impairment		-	(757)	-	-	-	-	-	-	-	-	-	-	-	-	-	(757)
		11,236	55,474	3,488	32,723	4,254	6,859	19,547	1,783	214	11,563	676	506	647	2,160	129	151,258
At 30 June 2014																	
Cost or valuation		11,236	55,474	3,488	32,723	4,254	6,859	19,547	1,783	214	11,563	676	759	647	2,160	129	151,511
Accumulated depreciation		-	-	-	-	-	-	-	-	-	-	-	(253)	-	-	-	(253)
Net book amount		11,236	55,474	3,488	32,723	4,254	6,859	19,547	1,783	214	11,563	676	506	647	2,160	129	151,258
Year ended 30 June 2015																	
Opening net book amount		11,236	55,474	3,488	32,723	4,254	6,859	19,547	1,783	214	11,563	676	506	647	2,160	129	151,258
Revaluation surplus (refer Note 18)	10(b)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions		71	-	64	-	121	2	458	-	1	-	-	-	-	219	15	951
Transfers		-	-		-	-	16	-	-	8	-	-	-	-	6	(30)	-
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	(92)	(92)
Depreciation charges		-	-	(40)	-	(229)	(215)	-	-	(21)	-	-	(63)	(12)	-	-	(580)
Asset Impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		11,307	55,474	3,512	32,723	4,146	6,662	20,005	1,783	202	11,563	676	443	635	2,385	22	151,537
At 30 June 2015																	
Cost or valuation	10(a)	11,307	55,474	3,552	32,723	4,375	6,877	20,005	1,783	223	11,563	676	759	647	2,385	22	152,371
Accumulated depreciation		-	-	(40)	-	(229)	(215)	-	-	(21)	-	-	(316)	(12)	-	-	(833)
Net book amount		11,307	55,474	3,512	32,723	4,146	6,662	20,005	1,783	202	11,563	676	443	635	2,385	22	151,538

Note 10(a)

Infrastructure assets were valued by suitably experienced Council employees at 30 June 2014 on the basis of depreciated replacement cost. Significant assumptions used in the methodology include:

- current prices were used for all input costs such as labour rates, plant hire rates, material costs, and contract works rates,
- where current prices were not available, the Capital Good Price Index, published by Statistics New Zealand was used,
- Heretaunga Plains land protected from flooding was valued at $45,000 per hectare,
- Ruataniwha Plains land protected from flooding was valued at $16,000 per hectare,
- floodable land that is grazed was valued at $4,500 per hectare
- floodable land that is not grazed was valued at nil.

The depreciated replacement cost valuation methodology was reviewed by Gary Williams, an independent registered engineer, while the land values were assessed by G S Morice, a registered valuer with Morice Ltd.

Note 10(b)

The Tutira Reserve Assets were valued at 30 June 2013 by M H Morice, a registered valuer, of Morice Ltd on the basis of fair value. The total value of assets valued was $676,000.

Note 10(c)

Flood Control infrastructure assets are made up of all categories excluding Pathway & Roadway and Capital work in progress. All acquisitions are assets constructed by Council. The most recent estimate of the replacement cost of the flood control infrastructure assets was $162,966,000 as at 30 June 2014.

Note 11: Investment Property

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
At beginning of year		57,787	59,695	64,447	65,980
Additions		-	-	-	-
Fair value gains / (losses) (included in income statement)	**11(a)**	(1,225)	2,168	(695)	2,543
Disposals		(3,885)	(4,076)	(3,885)	(4,076)
Transfers	**11(b)**		-	(4,350)	-
Movement during the year		(5,110)	(1,908)	(8,930)	(1,533)
At end of year		**52,677**	**57,787**	**55,517**	**64,447**
Investment property includes:					
Endowment leasehold land	**11(c)**	40,100	45,500	40,100	45,500
Other leasehold land		12,250	11,950	15,090	18,610
Rental Property		327	337	327	337
		52,677	**57,787**	**55,517**	**64,447**

Note 11(a)

The fair value loss on Napier leasehold land includes a $2.2 million loss to reflect 18 properties that had been freeholded in past years but had not been removed from the valuers calculations. The current year valuation included the adjustment to remove those properties. Without this adjustment there would have been a fair value gain on Napier leasehold land of $0.7 million.

Napier leasehold endowment land was valued as a portfolio at 30 June 2015 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Trevor W Kitchin, registered valuer, of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 7.00%. The total fair value of property valued by Trevor W Kitchin as an independent valuer was $40,100,000 (2013-14 $45,500,000). Telfer Young (Hawke's Bay) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.

Wellington leasehold land was valued as portfolio at 30 June 2015 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer, of Telfer Young (Wellington) Ltd. The discount rate used was 7.75%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was $12,250,000 (2013-14 $11,950,000). Telfer Young (Wellington) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.

Property at Tutira was valued at 30 June 2015 to fair value on the basis of market value by M H Morice, registered valuer, of Morice Ltd. The total fair value of property valued by M H Morice as an independent valuer was $327,000 (2013-14 $337,000). Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Council.

Investment property owned by the Napier Port was valued at 30 June 2015 to fair value on the basis highest and best use scenario by Frank Spencer a registered valuer with Logan Stone Limited. The total fair value of property valued was $7,190,000 (2013-14 $6,660,000). Mr Spencer is a member of the New Zealand Institute of Valuers.

Note 11(b)

As at 31 March 2015 the Thames Street property owned by Napier Port had been redesignated Property, Plant and Equipment and transferred from Investment Property at the 30 September 2014 valuation ($4,350,000). This property has become an expansive off-port empty container storage facility to supplement the on-port facilities and is now considered to be a core element of the Napier Port operations.

The following amounts have been recognised in the Statement of Revenue and Expenditure.

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Rental income	5	2,876	2,819	2,899	2,832
Direct operating expense arising from investment properties that generate rental income		(155)	(50)	(153)	(67)
		2,721	**2,769**	**2,746**	**2,765**

Note 11(c)

Under the Hawke's Bay Endowment Land Empowering Act 2002, residential leasehold endowment land can only be sold, using a specified valuation methodology, to the current lessee, or to a person nominated by that lessee.

Note 12: Intangible Assets

COUNCIL Only	Note	Computer Software / Development Expenditure $000	Work-in Progress $000	Council Total $000
At 1 July 2013				
Cost or valuation		3,561	-	3,561
Accumulated amortisation		(1,129)	-	(1,129)
Net book amount		2,432	-	2,432
Year ended 30 June 2014				
Opening net book amount		2,432	-	2,432
Transfers		-	-	-
Additions		246	-	246
Disposals		-	-	-
Amortisation charges		(378)	-	(378)
		2,300	-	2,300
At 30 June 2014				
Cost or valuation		3,807	-	3,807
Accumulated amortisation		(1,507)	-	(1,507)
Net book amount		2,300	-	2,300
Year ended 30 June 2015				
Opening net book amount		2,300	-	2,300
Transfers		-	-	-
Additions		429	-	429
Disposals		-	-	-
Amortisation charges		(368)	-	(368)
		2,361	-	2,361
At 30 June 2015				
Cost or valuation	12(a)	4,236	-	4,236
Accumulated amortisation		(1,875)	-	(1,875)
Net book amount		2,361	-	2,361

Note 12: Intangible Assets (continued)

GROUP	Note	Computer Software $000	Development Expenditure $000	Group Actual $000
At 1 July 2013				
Cost or valuation		7,151	5,443	12,594
Accumulated amortisation		(4,339)		(4,339)
Net book amount		2,812	5,443	8,255
Year ended 30 June 2014				
Opening net book amount		2,812	5,443	8,255
Transfers		-	-	-
Additions		1,066	4,110	5,176
Disposals		-	-	-
Amortisation charges		(594)	-	(594)
		3,284	9,553	12,837
At 30 June 2014				
Cost or valuation		8,218	9,553	17,771
Accumulated amortisation		(4,934)		(4,934)
Net book amount		3,284	9,553	12,837
Year ended 30 June 2015				
Opening net book amount		3,284	9,553	12,837
Transfers		-	-	-
Additions		597	2,015	2,612
Disposals		-	-	-
Amortisation charges		(570)	-	(570)
		3,311	11,568	14,879
At 30 June 2015				
Cost or valuation	**12(a)**	8,815	11,568	20,383
Accumulated amortisation		(5,504)		(5,504)
Net book amount		3,311	11,568	14,879

Note 12(a)

In accordance with Note 2.14 intangible assets, such as Development Expenditure, that have an indefinite life are tested for impairment at each balance sheet date. If the asset is considered to be impaired, it must be written down to its recoverable value immediately against revenue.

Note 13: Other Financial Assets

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Other financial assets					
Current portion					
Term deposits with maturities 92 - 365 days		80,714	74,134	80,714	74,134
Government bonds		1,826	-	1,826	-
Community loans		868	765	868	765
Total current portion		**83,408**	**74,899**	**83,408**	**74,899**
Non-current portion					
Government bonds		1,465	2,794	1,465	2,794
Community loans		7,804	6,886	7,804	6,886
Publicly listed shares		1,080	984	1,080	984
Civic Assurance shares		18	18	18	18
RWSS evaluation costs		212	210	212	210
Advances to Napier / Gisborne Rail		116	-	116	-
Shares in Hawke's Bay Regional Investment Company		235,224	177,500	-	-
Total non-current portion		**245,919**	**188,392**	**10,695**	**10,892**
Total other financial assets		**329,327**	**263,291**	**94,103**	**85,791**

Fair Value

Term deposits

The carrying amount of term deposits approximates their fair value.

The effective interest rate on bank deposits with terms greater than 91 days but less than 365 days was 4.53% (2013/14 4.43%). These deposits have an average maturity of 256 days (2013/14 96 days).

Government bonds

The fair value of government bonds is $3,291,000 (2013/14 $2,794,000). Fair value has been determined using quoted market prices from an independent source. The effective interest rate on government bonds was 4.30% (2013/14 4.52%). This stock has an average maturity of 5.5 years (2013/14 5.5 years).

Publicly listed shares

Publicly listed shares are recognised at fair value. Fair value has been determined using quoted market prices from an independent source.

Shares in Hawke's Bay Regional Investment Company

Council's shareholding in the Hawke's Bay Regional Investment Company Ltd was valued to fair value on 22 July 2015 by independent valuers, Deloitte (Wellington). The total fair value was $235,224,000, an increase in fair value of $57,724,000. The valuation of HBRIC Ltd was based on the Port of Napier valuation also conducted by Deloitte (Wellington). This valuation was completed on a discounted cash flow basis and compared to market benchmark data. The valuation of HBRIC Ltd then included the investment in the Ruataniwha Water Storage Scheme on a cost incurred to date less any assessed impairment and then deducted the value of net debt and future management costs.

Community loans

The Council has provided loans to ratepayers for the installation of clean heat and insulation. The loans are repayable by a targeted rate over a 10 year period. Interest is charged on Insulation loans at between 5.74% - 7.02% and on Clean heat loans at between 2.87% - 3.51% at the inception of the loan.

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
At beginning of year		7,650	5,012	7,650	5,012
Additional loans		2,168	3,493	2,168	3,493
Repayments		(1,146)	(855)	(1,146)	(855)
At end of year		**8,672**	**7,650**	**8,672**	**7,650**

Impairment

There were no impairment provisions on other financial assets in current or prior years.

Note 14: Investment in Joint Venture

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Investment in Joint Venture					
Shares in Longburn Intermodal Freight Hub Ltd		-	-	554	-
Total		-	-	554	-
Movements in the carrying value of joint venture					
Opening Balance				-	-
New Investment				554	-
Share of recognised revenues and expenditure				-	-
Balance at end of year		-	-	554	-
Summarise financial information of joint venture					
Assets				1,662	-
Liabilites				-	-
Net Assets 100%		-	-	1,662	-
Port of Napier Limited share (33.3%				554	-
Revenues				-	-
Net Profit after tax				-	-
Port of Napier Limited share (33.3%)		-	-	-	-

On 13 August 204 Port of Napier Limited acquired a 33.3% shareholding in Longburn Intermodal Freight Hub Ltd, with Ports of Auckland Ltd 33.3% and Icepak NZ Ltd holding the remaining 33.3%. Longburn Intermodal Freight Hub Ltd has been set up as a joint venture by the parties to develop and operate a facility at Longburn near Palmerston North to provide container storage and logistics solutions. The joint venture agreement provides for development funding by way of shareholder advances approved by general resolutions.

Note 15: Forestry Assets

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
At beginning of year		4,936	4,152	4,936	4,152
Additions		102	301	102	301
Fair value gains (included in Statement of Comprehesive Revenue and Expenditure)		942	1,579	942	1,579
Fair value (losses) (included in Statement of Comprehesive Revenue and Expenditure)		(92)	-	(92)	-
Disposals		-	(1,096)	-	(1,096)
Reclassification to Plant, Property & Equipment		-	-	-	-
Movement during the year		951	784	951	784
At end of year		**5,887**	**4,936**	**5,887**	**4,936**
Forestry assets include:					
Forestry on Council Owned Land					
Lake Tutira Country Park Forestry Crop	**15(a)**	2,476	1,783	2,476	1,783
Waihapua Carbon Sequestration Forestry Crop	**15(b)**	284	220	284	220
Rural Waste Water Disposal Forestry Crops	**15(c)**	299	256	299	256
Tutira Manuka Honey Forestry	**15(d)**	277	332	277	332
Forestry on Council Managed Land					
Tangoio Soil Conservation Reserve Forestry Crop	**15(e)**	2,550	2,343	2,550	2,343
Joint Venture Forestry					
Joint Venture Forestry Rights	**15(f)**	2	2	2	2
		5,887	**4,936**	**5,887**	**4,936**

Forestry assets on Council owned land comprise a total of 547 hectares of mixed forestry crops situated in the Lake Tutira Country Park (114 ha), Tutira Manuka Forestry (50ha), Mahia (36 ha), Waihapua (174 ha), Central Hawke's Bay (173 ha).

During the period no forest crops were logged (2013-14 Nil ha).

Forestry assets on Council owned land were fair valued to $3,336,000 at 30 June 2015 (2013-14 $2,259,000) by M H Morice, a registered valuer, of Morice Ltd. The valuation assumed discount rates of 7.0%

Valuation assumptions

The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

Traditional Forestry Crop

- a discount rate of 7% has been used for post tax cash
- a rotation of 27 years
- an inflation adjustment of 2.3%
- log prices adopted $/m3

Grade	CW	FR	GFR	HW	SW
Pruned P40	149	149	144	0	0
Part Pruned	135	135	130	0	0
A40	116	116	111	0	0
A	113	113	108	80	80
K	104	104	99	0	0
KI	59	59	54	0	0
KIS	85	85	80	0	0
Pulp	52	52	52	51	51
CW	Prad Clearwood				
FR	Prad Framing				
GFR	Gisborne Framing				
HW	Hardwood				
SW	Softwood				

Manuka Crop

- a discount rate of 15% for the Manuka forest.
- 40kg honey produced per hive, one hive per hectare and honey at $45/kg
- expenses included in the discounted cash flow for land rent, pest control and administration

Note 15(a)

Lake Tutira Country Park Forestry Crop consists of radiata plantings on 114 hectares situated at Tutira Country Park. These forestry assets were valued to $2,476,400 by Morice Limited, independent valuers at 30 June 2015 (2013-14 $1,782,706). The valuation assumed a discount rate of 7.0%.

Note 15(b)

Council's carbon sequestration forestry assets consist of 174 hectares of mixed plantings situated at Waihapua. These forestry assets were fair valued to $283,500 by Morice Limited, independent valuers at 30 June 2015 (2013-14 $219,605). The valuation assumed a discount rate of 7.0%.

Note 15(c)

Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 69 hectares at Pourere Road Waipawa, and 104 hectares at Mangatarata Road, Waipukurau and 36 hectares at Kinikini Road Mahia. These forestry assets were fair valued to $298,500 by M H Morice of Morice Limited, independent valuers at 30 June 2015 (2013-14 $256,437). The valuation assumed a discount rate of 7.0%.

Note 15(d)

Council is developing 50 hectares of Manuka forestry at Tutira for honey production. These forestry assets were fair valued at $277,000 by M H Morice of Morice Limited, independent valuers at 30 June 2015. This is the first year a valuation has been completed. The valuation assumed a discount rate of 15.0%.

Note 15(e)

Council does not own the land at the Tangoio Soil Converation Reserve, but in 1989, full managerial and financial control of the Tangoio Soil Conservation Reserve was transferred from central government to the Council under Section 16 of the Soil Conservation and Rivers Control Act 1941.

Note 15(f)

Council has entered into eleven joint ventures under the Forestry Rights Agreement Act 1983 under which Council provided grants to farmers to plant and maintain to maturity soil conservation forestry crops on marginal land. In return, Council has a right to a percentage of the profits on harvest. A nominal value of $10 per hectare planted has been ascribed to these rights.

Note 15(g)

Council is exposed to financial risks arising from changes in timber prices. As a long-term forestry investor, Council does not expect timber prices to decline significantly during the foreseeable future and therefore has not taken any measures to manage the risks of a decline in timber prices. Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

Note 15(h)

Council has 14,907 NZ emission units for carbon credits. These where valued between $6.50 - $7.00 per unit (2013-14 $3.60 - $3.90 per unit), giving a value of between $96,896 and $104,349 (2013-14 $53,665 and $58,137).

These values have not been included in these financial statements.

Note 16: Trade & Other Receivables

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Trade receivables	**16(a)**	5,603	4,580	16,325	16,182
Less: provision for impairment of receivables	**16(b)**	(23)	(23)	(23)	(23)
Trade receivables - net		**5,580**	**4,557**	**16,302**	**16,159**
Prepayments		128	186	487	850
GST Receivable		473	-	473	-
Accrued income		3,081	1,759	3,081	1,869
Work-in-progress		183	178	183	178
Intercompany receivables		53	204	-	-
Trade & other receivables	**16(c&d)**	**9,498**	**6,884**	**20,526**	**19,056**
Total Trade & other receivables comprise:					
Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.		9,498	6,884	9,498	6,884
Receivables from exchange transactions - this includes outstanding amounts for commerical sales and fees and charges not subsidised by rates.		-	-	11,028	12,172
		9,498	**6,884**	**20,526**	**19,056**

All trade and other receivables are included as non-exchange transactions as all of Council's receivables are partly subsidised by rates and investment income.

	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Current trade and other receivables	9,164	6,884	20,192	19,056
Non-current trade and other receivables	334		334	-
	9,498	**6,884**	**20,526**	**19,056**
Other Advances				
Advances to Council controlled organisations	**11,986**	**9,853**	**-**	**-**

Note 16(a)

Trade receivables are non-interest bearing and are generally on 30 day terms.

Note 16(b)

Movements in the provision for impairment of receivables are as follows.

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
At beginning of year		23	257	23	257
Additional provisions made during the year		45	43	45	43
Receivables written off during the year		(45)	(277)	(45)	(277)
		-	(234)	-	(234)
At end of year		**23**	**23**	**23**	**23**

Note 16(c)

The carrying amount of trade and other receivables approximates their fair value.

Note 16(d)

The status of trade receivables at reporting dates is set out below.

	Regional Council			Group		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
14/15						
Not past due	4,287	(23)	4,264	13,073	(23)	13,050
Past due 1 - 60 days	777	-	777	2,502	-	2,502
Past due 61 - 90 days	35	-	35	246	-	246
Past due > 90 days	504	-	504	504	-	504
	5,603	(23)	5,580	16,325	(23)	16,302
13/14						
Not past due	2,514	(23)	2,491	12,314	(23)	12,291
Past due 1 - 60 days	820	-	820	2,390	-	2,390
Past due 61 - 90 days	39	-	39	271	-	271
Past due > 90 days	1,207	-	1,207	1,207	-	1,207
	4,580	(23)	4,557	16,182	(23)	16,159

Note 17: Derivative Financial Instruments

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Assets					
Interest rate swaps at fair value	**17(a)**	-	-	27	358
Forward exchange contracts at fair value		-	-	-	-
Total		**-**	**-**	**27**	**358**
Less Non-current portion:					
Interest rate swaps at fair value		-	-	27	358
Forward exchange contracts at fair value		-	-	-	-
		-	**-**	**27**	**358**
Current portion		**-**	**-**	**-**	**-**
Liabilities					
Interest rate swaps at fair value	**17(a)**	(109)	(37)	(3,609)	(1,005)
Forward exchange contracts at fair value		-	-	(766)	(10)
Total		**(109)**	**(37)**	**(4,375)**	**(1,015)**
Less Non-current portion:					
Interest rate swaps at fair value		(109)	(37)	(3,132)	(249)
Forward exchange contracts at fair value		-	-	-	-
		(109)	**(37)**	**(3,132)**	**(249)**
Current portion		**-**	**-**	**(1,243)**	**(766)**

Note 17(a)

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2015 were $134,500,000 (2013-14 $74,500,000). $49,500,000 of these swaps were active at 31 March 2015. The remaining $85,000,000 are forward starting, future dated swaps.

At 31 March 2015, the various interest rates were in the range of 3.81% to 5.34% (2013-14 4.53% to 5.34%).

Note 18: Cash & Cash Equivalents

		Regional Council		Group	
	Note	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Cash at bank and in hand	**17(a)**	8,882	6,907	5,206	7,305
Short-term bank deposits	**17(b)**	-	8,931	-	8,931
		8,882	**15,838**	**5,206**	**16,236**

Note 18(a)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 18(b)

Short term deposits are made for varying periods up to 91 days depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

The effective interest rate on short-term bank deposits as at 30 June 2015 was 0% as there were no short term deposits (2013-14 4.32%).

There is no average deposit maturity after balance date as there were no short term deposits (2013-14 32 days).

Note 18(c)

Cash, cash equivalents and bank overdrafts included the following for the purposes of the Cash Flow Statement.

		Regional Council		Group	
	Note	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Bank overdrafts		-	-	(2,889)	(181)
Cash and cash equivalents		8,882	15,838	5,206	16,236
		8,882	**15,838**	**2,317**	**16,055**

Note 18(d) Reconciliation of Surplus after Tax to Net Cash Flows from Operations

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Net Surplus on Operations		201	286	3,705	7,704
Add (Less) Non-Cash Items:					
Fair value gains		(1,242)	(3,809)	(799)	(5,158)
Fair value losses		1,689	974	1,689	974
Depreciation		2,379	2,225	9,516	9,568
(Loss) on disposal of leasehold land		(6)	267	(6)	267
Deferred tax		-	-	(331)	686
Add (Less) Movement in Working Capital Items:					
(Increase)/decrease in inventories		(9)	(31)	117	55
(Increase)/decrease in trade & other receivables		(2,754)	152	(1,539)	(1,697)
(Increase)/decrease in tax receivables		-	-	27	(44)
(Decrease)/increase in trade & other payables		2,581	113	359	406
(Decrease)/Increase in employee entitlement liabilities		130	39	200	523
Add (Less) Items Classified as Investing or Financing Activities:					
Movement in non-current provisions		344	221	600	982
Net (Gain) / Loss on sale of non-current assets		-	-	2	46
Net Cash Inflow from Operating Activities		**3,313**	**437**	**13,540**	**14,312**

Note 19: Fair Value Reserves

	Note	Parent							Parent
		Land	Buildings	Hydrological Assets	Infrastructure Assets	Other Financial Assets	HBRIC Ltd	Investment Properties	Total
		$000	$000	$000	$000	$000	$000	$000	$000
COUNCIL Only									
At 1 July 2013		**118**	**(966)**	**74**	**66,634**	**250**	**-**	**255**	**66,365**
Year ended 30 June 2014									
Reclassification transfer		-	-	-	-	-	-	-	-
Revaluation - gross		-	966	-	13,519	(88)	-	-	14,397
		-	966	-	13,519	(88)		-	14,397
At 30 June 2014		**118**	**-**	**74**	**80,153**	**162**	**-**	**255**	**80,762**
Year ended 30 June 2015									
Reclassification transfer		-	255	-	-	-	-	(255)	-
Revaluation - gross		-	-	-	-	196	57,724	-	57,920
		-	255	-	-	196	57,724	(255)	57,920
At 30 June 2015		**118**	**255**	**74**	**80,153**	**358**	**57,724**	**-**	**138,682**

Note 19: Fair Value Reserves (continued)

	Note	Land $000	Buildings $000	Hydrological Assets $000	Infrastructure Assets $000	Sea Defences $000	Other Financial Assets $000	Investment Properties $000	Hedged Transactions $000	Group Total $000
GROUP										
At 1 July 2013		**118**	**(966)**	**74**	**66,634**	**62,007**	**250**	**255**	**(2,616)**	**125,756**
Year ended 30 June 2014										
Reclassification transfer		-	-	-	-	-	-	-		-
Revaluation - gross		-	966	-	13,519	-	(88)	-	2,210	16,607
		-	966	-	13,519		(88)	-	2,210	16,607
At 30 June 2014		**118**	**-**	**74**	**80,153**	**62,007**	**162**	**255**	**(406)**	**142,363**
Year ended 30 June 2015										
Reclassification transfer		-	255	-	-	-	-	(255)		-
Revaluation - gross		-	-	-	-	-	196	-	(2,645)	(2,449)
		-	255	-	-		196	(255)	(2,645)	(2,449)
At 30 June 2015		**118**	**255**	**74**	**80,153**	**62,007**	**358**	**-**	**(3,051)**	**139,914**

Note 19(a)

Revaluation increments and decrements on operating and financial assets (listed above) are recorded in the Statement of Changes in Equity. However, if revaluation decrements are greater than the corresponding surpluses in the Fair Value Reserve, the excess decrements are recorded in the Note 6, Fair Value Gains and Losses through the Statement of Revenue and Expenditure, as an asset impairment.

Note 20: Accumulated Funds

	Regional Council		Group	
	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Accumulated funds				
Balance at 1 July	303,345	334,615	243,050	270,431
Surplus / (deficit) for the year	201	286	3,705	7,704
Transfers to other reserves	(368)	(31,556)	(368)	(31,556)
Effect on consolidation			(3,768)	(3,529)
Balance at 30 June	**303,178**	**303,345**	**242,619**	**243,050**

Note 20(a): Other Reserves (Parent & Group)

	Note	Infra-structure Asset Renewal (1) $000	Wairoa Rivers & Streams (2) $000	Special Scheme (3) $000	Port Dividend Equal-isation (4) $000	Coastal Marine Area (5) $000	Specific Regional Projects (6) $000	Asset Replace-ment (7) $000	Regional Disaster Damage (8) $000	Scheme Disaster Damage (9) $000	Clive River Dredging (10) $000	Tangoio Reserve Fund (11) $000	Sale of Land Invmnt (12) $000	Sale of Land Non-Invmt (13) $000	Rabbit Re-serve (14) $000	Ngati Pahau-wera (15) $000	Total $000
At 1 July 2013		525	703	1,732	963	-	47	502	3,333	2,480	196	3,016	38,568	2,030	37	-	54,132
Net surplus																	-
Net fair value gains																	-
Interest income / (expense)			21	24			3	27		100	14	114		-	1	36	340
Rental income - net						1,745											1,745
Depreciation transfers		510						1,620									2,130
Trading gain / (loss)								155	80			1,096	37,561				38,892
Transfers / (use of) reserves		(780)		(1,007)	303	(1,745)	(21)	(507)	(758)	55	50	(299)	(5,837)	(726)	19	1,286	(9,967)
Asset purchases - net								(3,404)									(3,404)
Borrowings - net								1,820									1,820
		(270)	21	(983)	303	-	(18)	(289)	(678)	155	64	911	31,724	(726)	20	1,322	31,556
At 30 June 2014		**255**	**724**	**749**	**1,266**	**-**	**29**	**213**	**2,655**	**2,635**	**260**	**3,927**	**70,292**	**1,304**	**57**	**1,322**	**85,688**
Net surplus																	-
Net fair value gains / (losses)																	-
Interest income / (expense)			48	398			1	36		126	15	165		62	3	55	909
Rental income - net						1,819											1,819
Depreciation transfer - gross		629						1,795									2,424
Trading gain / (loss)								195	13								208
Transfers / (use of) reserves		(446)		2,412	(75)	(1,819)	(30)	(632)	283	58	54	(418)	(3,904)	70		(234)	(4,682)
Asset purchases - net								(2,487)									(2,487)
Borrowings - net								2,175									2,175
		183	48	2,810	(75)	-	(29)	1,083	296	184	69	(253)	(3,904)	132	3	(179)	367
At 30 June 2015		**438**	**772**	**3,559**	**1,191**	**-**	**-**	**1,296**	**2,951**	**2,819**	**329**	**3,674**	**66,388**	**1,436**	**60**	**1,143**	**86,055**

Nature and purpose of reserves

[1] Infrastructure asset depreciation reserve

A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.

[2] Wairoa rivers & streams reserve

A reserve established to fund flood mitigation and recovery work within the Wairoa District.

[3] Special flood & drainage scheme reserves

Reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual revenue and expenditure incurred in any one year.

[4] Port dividend equalisation reserve

A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.

[5] Coastal marine area reserve

A reserve established to meet the statutory requirements on the use of rental revenue earned on Council's endowment leasehold land.

[6] Specific regional projects reserve

A reserve established to meet the statutory requirements on the use of 50% of rental revenue on Council's endowment leasehold land received prior to 1st July 2003.

[7] Asset replacement reserve

A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.

[8] Regional disaster damage reserve

A reserve established to fund the replacement

[9] Scheme disaster damage reserve

A reserve established to provide funding for the cost of responding to and managing an event:

- Cost of reinstatement of any uninsured assets (eg. Pathways on top of stopbanks);
- Any difference between the deductible and the threshold for eligibility for central government assistance (government covers 60% of the loss in the event of a disaster);
- To fund the policy excess of $1.5m included in the policy with private insurers to cover 40% of the loss up to $24 million in the event of disaster;
- The possibility of the cost of reinstating the level of service provided by the asset being considerably more than the optimised replacement value.

[10] Clive river dredging reserve

A reserve established to meet the expenditure of dredging requirements on the Clive River.

[11] Tangoio soil conservation reserve

A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by Council on behalf of the Crown.

[12] Sale of land investment reserve

A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with Council's policy on "Evaluation of Investment Opportunities" approved on 30 April 2008.

[13] Sale of land non-investment reserve

A reserve established to hold transfers from the Sale of Land Investment Reserve to be invested in accordance with Council's policy on "Open Space Investment" approved on 25 June 2008 and Council's Investment Policy set out in the 2009/19 10 Year Plan.

[14] Rabbit reserve

A reserve established to fund costs expected to be incurred with growing rabbit populations.
The reserve is limited to a maximum balance of $133,000.

[15] Ngati Pahauwera reserve

A reserve established to ring-fence funding for Ngati Pahauwera Rivers Initiatives. For the clean up of the Mohaka, Waikari and Waihua Rivers and their catchments.

Note 21: Borrowings

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Non-current					
Bank borrowings		17,835	14,949	77,835	79,449
Finance lease obligations		-	-	-	-
		17,835	**14,949**	**77,835**	**79,449**
Current					
Bank overdrafts		-	-	2,889	181
Bank borrowings		3,289	2,639	21,589	2,639
Finance lease obligations		-	-	-	-
		3,289	**2,639**	**24,478**	**2,820**
Total borrowings		**21,124**	**17,588**	**102,313**	**82,269**

21(a) Security

Council bank loans are secured over the rating base of the Council.

The Napier Port operates two multi-option credit facilities with Westpac Banking Corporation, one for $50 million expiring December 2015 and the other for $60 million expiring December 2016. The facility gives Napier Port the option to raise money on the money market, through wholesale advances or a fixed rate advance for all or any part of the commitment expiring on a date no later than the termination date. Security is by way of a negative pledge over the assets of the Company in respect of both sale of such assets and other security interests.

21(b) Maturity analysis of borrowings

The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity dates at the balance sheet date are as follows:

	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
6 months or less	19	-	2,908	181
Between 6 and 12 months	250	-	18,550	2,580
Between 1 and 2 years	560	538	60,560	6,988
Between 2 and 5 years	1,670	1,400	1,670	56,870
Over 5 years	18,625	15,650	18,625	15,650
	21,124	**17,588**	**102,313**	**82,269**

21(c) Effective interest rates

The effective interest rates at the balance sheet date were as follows:

	Regional Council Actual 14/15 %	Regional Council Actual 13/14 %	Group Actual 14/15 %	Group Actual 13/14 %
Effective interest rate ranges	5.74 - 8.41	5.75 - 8.41	3.72 - 8.41	5.34 - 3.50

21(d) Fair values

The carrying amount for the fair value of non-current borrowings is as follows:

	Regional Council		Group	
	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Bank borrowings	17,968	14,850	96,268	79,350
	17,968	**14,850**	**96,268**	**79,350**

The fair values as based on cash flows discounted using a rate based on the borrowing rate of 5.74% (2013-14 6.45%).

The carrying amount of borrowings repayable within one year approximate their fair value.

21(e) Undrawn facilities

The Group has the following undrawn borrowing facilities:

	Regional Council		Group	
	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Bank overdraft	-	-	-	818
Bank borrowings	-	-	31,700	45,500
	-	**-**	**31,700**	**46,318**

21(f) Internal Borrowings

The following internal borrowings have been funded by Council reserves

	Regional Council		Group	
	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Internal Loans Opening Balance				
Council Wide Activity				
Venture Hawkes Bay	-	233	-	233
Dalton Street Building Remediation	769	855	769	855
Computer Equipment	740	600	740	600
Hydrology Equipment	1,040	600	1,040	600
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	-	-		-
Regional Resources				
Clean Heat	-	1,000	-	1,000
	2,549	**3,288**	**2,549**	**3,288**
Internal Loans Borrowed during the year				
Council Wide Activity				
Venture Hawkes Bay	-	-	-	-
Dalton Street Building Remediation	-	-	-	-
Computer Equipment	-	200	-	200
Hydrology Equipment	300	500	300	500
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	220	-	220	-
Regional Resources				
Clean Heat	-	-	-	-
	520	**700**	**520**	**700**
Internal Loans Repaid during the year				
Council Wide Activity				
Venture Hawkes Bay	-	233	-	233
Dalton Street Building Remediation	226	86	226	86
Computer Equipment	80	60	80	60
Hydrology Equipment	110	60	110	60
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	-	-	-	-
Regional Resources				
Clean Heat	-	1,000	-	1,000
	416	**1,438**	**416**	**1,438**
Internal Loans Closing Balance				
Council Wide Activity				
Venture Hawkes Bay	-	-	-	-
Dalton Street Building Remediation	543	769	543	769
Computer Equipment	660	740	660	740
Hydrology Equipment	1,230	1,040	1,230	1,040
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	220	-		-
Regional Resources				
Clean Heat	-	-	-	-
	2,653	**2,549**	**2,433**	**2,549**
Interest Paid during the year				
Council Wide Activity				
Venture Hawkes Bay	-	-	-	-
Dalton Street Building Remediation	33	33	33	33
Computer Equipment	33	23	33	23
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	-	-	-	-
Regional Resources				
Clean Heat	-	13	-	13
Hydrology Equipment	28	14	28	14
Emergency Management				
Hydrology Equipment	18	9	18	9
	112	**92**	**112**	**92**

Note 22: Deferred Income Tax (Group)

	Note	Property, Plant & Equipment $000	Derivatives $000	Other $000	Total $000
Balance at 1 July 2013		**(18,274)**	**1,018**	**582**	**(16,674)**
Charged to surplus or deficit re current year		76		97	173
Adjustment prior year provision		-	-		-
Charged to surplus or deficit		**76**	**-**	**97**	**173**
Charges to other comprehensive revenue and expense		-	(860)	-	(860)
Balance at 30 June 2014		**(18,198)**	**158**	**679**	**(17,361)**
Charged to surplus or deficit re current year		(677)		2	(675)
Adjustment prior year provision		(23)	-	-	(23)
Charged to surplus or deficit		**(700)**	**-**	**2**	**(698)**
Charges to other comprehensive revenue and expense		-	1,029	-	1,029
Balance at 30 June 2015		**(18,898)**	**1,187**	**681**	**(17,030)**

Note 23: Employee Benefit Liabilities

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Annual leave		926	881	2,835	2,546
Long service leave		323	305	655	640
Sick leave		21	146	21	146
Retirement gratuities		268	437	268	455
Other short term benefits		-	-	235	388
Accured payroll expenses		361	275	361	275
Total employee benefit liabilities	23(a)	**1,899**	**2,044**	**4,375**	**4,450**
Disclosed as:					
Non-current		541	829	873	1,182
Current		1,358	1,215	3,502	3,268
		1,899	**2,044**	**4,375**	**4,450**

Note 23(a) Movement in employee benefit liability

	Regional Council		Group	
	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
At beginning of year	2,044	1,736	4,450	3,592
Additional provisions	1,590	1,476	3,919	4,253
Unused amounts reversed	(156)	(26)	(156)	(26)
Used during the year	(1,579)	(1,142)	(3,838)	(3,369)
Movement during the year	(145)	308	(75)	858
At end of year	**1,899**	**2,044**	**4,375**	**4,450**

Note 24: Trade & Other Payables

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Trade payables		2,839	1,272	5,647	4,497
Accrued expenses		4,552	3,375	7,065	5,440
Deposits & advances		1,604	1,373	1,603	1,373
Intrabusiness payables		115	234	-	-
		9,110	**6,254**	**14,315**	**11,310**
Total trade and other payables comprise:					
Payables and deferred revenue from non-exchange transactions - rates paid in advance		1,175	957	1,175	957
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions		7,935	5,297	13,140	10,353
		9,110	**6,254**	**14,315**	**11,310**

Trade payables are non-interest bearing and are generally on 30 day terms.

The carrying amount of trade and other payables approximates their fair value.

Note 25: Provisions for Other Liabilities and Charges

	Note	Regional Council Actual 14/15 $000	Regional Council Actual 13/14 $000	Group Actual 14/15 $000	Group Actual 13/14 $000
Current portion:					
ACC Leasehold Liability	**25(a)**	1,157	1,281	1,157	1,281
		1,157	**1,281**	**1,157**	**1,281**
Non-current portion:					
ACC Leasehold Liability	**25(a)**	29,076	32,918	29,076	32,918
Other Liabilities		28	27	28	27
		29,104	**32,945**	**29,104**	**32,945**

Note 25(a)

In December 2013 Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of $37.7 million was received for this to fund investment activity. The liability to ACC reduces by any sales of leasehold property during the year as these are paid to ACC as compensation for lost rental revenue over the 50 year term from the property freeholded.

Note 26: Related-Party Disclosures (Group)

Note 26(a) The following transactions were carried out with subsidiaries

	Note	Actual 14/15 $000	Actual 13/14 $000
26(a) The following transactions were carried out with subsidiaries:			
(i) Sales of services			
By parent		1,146	1,469
By subsidiary		171	282
		1,317	1,751
(ii) Purchases of services			
By parent		171	282
By subsidiary		1,146	1,469
		1,317	1,751
(iii) Subvention payments			
Received by parent		562	24
Paid by subsidiary		562	24
		1,124	48
The subvention payment is the tax effect of total losses transferred from Council to Napier Port during the year.			
(iv) Dividends (net)			
Received by parent		7,100	6,654
Paid by subsidiary		7,100	6,654
		14,200	13,308
(v) Share capital			
Paid by parent		-	-
Received by subsidiary		-	-
		-	-

HBRC has advanced an amount of $11,985,765 to HBRIC Ltd as at 30 June 2015 to funds its share of the development cost for the Ruataniwha Water Storage Scheme. This transaction is outside normal commercial terms as no interest has been charged. Commercial terms will commence once the project reaches financial close.

Note 26(b) Transactions with key management personnel

During the year Councillors and key management personnel, as a part of normal customer relationship, were involved in minor transactions with Group (such as payment of rates, purchases of small amounts of goods and services).

As part of the Constitution of Hawke's Bay Tourism Limited, HBRC are entitled to appoint one Director to the Board of Hawke's Bay Tourism Limited. This position is currently filled by Councillor David Pipe. HBRC have paid Hawke's Bay Tourism Limited $850,000 (excl. GST) in the 2014/15 year as per the funding agreement.

Note 26(c) Year-end balances arising from sales/purchases of goods and services

	Note	Actual 14/15 $000	Actual 13/14 $000
Receivables from related parties			
Parent		53	204
Subsidiary		115	234
		168	438
Payables to related parties			
Parent		115	234
Subsidiary		53	204
		168	438

Note 26(d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

At year end, there is no impairment relating to amounts owed by related parties (2013/14 $nil).

Note 27: Commitments & Contingencies

Note 27 (a) Capital commitments

Capital expenditure contracted for at balance sheet date but not yet incurred is as follows:

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Property, plant & equipment					
Cranes		-	-	13,275	7,804
		-	**-**	**13,275**	**7,804**

On February 2015 Napier Port entered into a contract with Gottwald Port Technology GmbH for the purchase and supply of two mobile harbour cranes at a cost of $10,500,000. These cranes are to be delivered to the Napier Port in October 2015 and go into service in December 2015. The Napier Port had put in place foreign exchange contracts to mitigate exchange rate risk.

Note 27 (b) Operating lease commitments as lessee

The Group has entered into commercial leases for certain offices, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms and conditions.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Not later than one year		35	17	149	145
Later than one year but not later than five years		47	18	101	152
Later than five years		-	-	-	-
		82	**35**	**250**	**297**

Note 27 (c) Operating lease commitments as lessor

Napier leasehold land is leased under operating leases with annual rent payments set for a period of 21 years.

As at 30 June 2015 the annual rent receivable by Council is $1,823,837 (2014 $1,767,783)

At the expiry of the 21 year lease term a rent renewal will be calculated on the current market land value. These leases will keep renewing as longer as the land is owed by Council. Leasehold properties may be freeholded at any time at an amount calculated by an independent valuer. The annual rent receivable figures above assume no freeholding will take place in the year.

Note 27(d) Contingencies

In respect of the Council only

The Tangoio Soil Conservation Reserve fund contains the proceeds from the the Reserve since management and control of the Reserve was vested in Council in 1985, less the cost of managing the Reserve. This fund is held by Council on behalf of the Crown. The value of the funds at 30 June 2014 are $3,674,384 (2013/14 $3,927,462).

At balance date Council has a provision of $134,808 in respect of the New Zealand Mutual Liability Riskpool calls to cover the costs of leaky building existing claims for the six years to 30 June 2015. Riskpool did not cover new claims on leaky buildings from 1 July 2009. This provision was based on the best information from the Board of Riskpool, but may not be sufficient to cover all claims eventually settled. In the six year period to 30 June 2015 Council has paid out calls totalling $412,889. The provision was reduced by $138,000 during the year to reflect the reduced likelyhood of further calls.

In respect of HBRIC Ltd only

As at the reporting date HBRIC Ltd has agreed that should a final decision be made to abandon the Ruataniwha Water Storage Scheme project that it will pay a portion of the bid costs to the successful Joint Venture contractor (2014: Nil).

Note 27(e) Contractual Obligations Under LAPP Arrangements

As a part of Council's insurance programme covering damage to Council's infrastructure assets in the event of a natural disaster, Council has insurance cover above a deductible of $2,027,000 for 40% of the cost of repair with the Local Authority Protection Programme (LAPP).

LAPP is a mutual scheme involving approximately 57 local authority members. This scheme has an obligation on all members for a payment of up to five times Council's annual premium, payable in any one event impacting on any of the LAPP members. In any one year Council's exposure is to cover a maximum of two events.

Council's annual premium covering the financial year 2014/15 equals $364,000 excluding GST, which means that Council's maximum obligation would amount to $3,640,000 in the event of two very large natural disasters in any one year.

Council have resolved in June 2015 to give notice to LAPP that the Council will be withdrawing from the fund effective from 1 July 2015.

Note 28 Local Government Act 2002 Disclosures

Note 28(a) Remuneration of Chairman and Elected Members of Council

Remuneration of Elected Members of the Council includes salary, vehicle allowance, meeting and hearing fees that, during the year, was paid or payable to the Councillor by the Council or any council organisation. Remuneration levels are set each year for all local authorities by the Remuneration Authority.

Current Elected Members	Appointments from the October 2013 Election	Length of Elected Term	Number of Meetings Attended 14/15	
Fenton Wilson	Chair	Full Year	56 out of 56	100%
Alan Dick	Chair Regional Land Transport Committee	Full Year	49 out of 56	88%
Christine Scott	Chair of Hearings Committee	Full Year	64 out of 66	97%
Debbie Hewitt	Chair Corporate and Strategic Committee	Full Year	48 out of 53	91%
Rex Graham	Chair Environmental Management Committee	Full Year	42 out of 60	70%
Dave Pipe	Elected Member	Full Year	64 out of 68	94%
Peter Beaven	Elected Member	Full Year	47 out of 59	80%
Rick Barker	Elected Member	Full Year	41 out of 66	62%
Tom Belford	Elected Member	Full Year	53 out of 62	85%

Note that the number of meetings attended above reports elected members' attendance at advertised meetings of the Regional Council and Council Committees. Also included are attendance at Council led stakeholder groups, Council workshops and field trips, and Outside Bodies with Council representation (e.g. HB Tourism Board, HB Sports Council) (excludes paid consent hearings).

Elected Members	Salary 14/15 $	Meeting Fees 14/15 $	Hearing Fees 14/15 $	Councillor Allowances 14/15 $	Total Remuneration 14/15 $
Fenton Wilson	106,773	*Ineligible*	*Ineligible*	-	106,773
Alan Dick	59,126			1,335	60,461
Christine Scott	59,126		3,900	1,050	64,076
Debbie Hewitt	59,126			6,179	65,305
Rex Graham	59,126			1,050	60,176
Dave Pipe	47,300			1,155	48,455
Peter Beaven	47,300			1,816	49,116
Rick Barker	47,300			1,312	48,612
Tom Belford	47,300			2,161	49,461
	532,477	**-**	**3,900**	**16,058**	**552,435**

The Chairman is provided with a vehicle to use on Council business. Use of a vehicle reduces the Chairman's salary in accordance with Remuneration Authority policy.

	Salary 13/14 $	Meeting Fees 13/14 $	Hearing Fees 13/14 $	Councillor Allowances 13/14 $	Total Remuneration 13/14 $
Fenton Wilson	106,061	*Ineligible*	*Ineligible*	-	106,061
Alan Dick	55,544			1,459	57,003
Christine Scott	55,992			997	56,989
Debbie Hewitt	40,462			4,998	45,460
Rex Graham	40,462			985	41,448
Dave Pipe	32,627			829	33,456
Peter Beaven	32,627			1,253	33,881
Rick Barker	32,627			988	33,615
Tom Belford	32,627			1,733	34,360
Ewan McGregor	15,306			319	15,624
Kevin Rose	15,306			346	15,652
Neil Kirton	13,937			228	14,165
Liz Remmerswaal	13,937			287	14,224
Tim Gilbertson	13,937			601	14,538
Murray Douglas	13,937			280	14,217
	515,392	**-**	**-**	**15,303**	**530,695**

Note 28(b) Remuneration of Chief Executive

The Chief Executive of the Hawke's Bay Regional Council received a salary of $337,201 for the year ended 30 June 2015 (2014; $330,091).

The Chief Executive was seconded to HBRIC Limited for the full year and the salary figure includes a higher duties allowance of $71,095 which was funded by HBRIC Limited.

An interim Chief Executive was appointed to cover the Chief Executive role for the secondment period and received a salary of $208,217 (2014; $203,059)

For the year ended 30 June 2015, the value of the total remuneration package received by the Chief Executive (including the value of non-financial benefits) was $368,819 (2014; $361,425), while the total remuneration package received by the interim Chief Executive was $230,279 (2014; $224,511)

Note 28(c) Severance Payments

There were no severance payments made during the year that were outside contractual obligations (2013-14; One payment totalling $6,822)

Note 28(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June	**2014**
< $60,000	58
$60,000 - $79,999	48
$80,000 - $99,999	35
$100,000 - $119,999	16
$120,000 - $139,999	5
$140,000 - $199,999 (combined band)	6
$200,000 - $379,999 (combined band)	2
Total Employees (headcount)	**170**

Total Annual Remuneration by band for Employees as at 30 June	2015
< $60,000	61
$60,000 - $79,999	50
$80,000 - $99,999	33
$100,000 - $119,999	18
$120,000 - $139,999	6
$140,000 - $379,999 (combined band)	8
Total Employees (headcount)	**176**

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 157 (2014 154) full-time employees, with the balance of staff representing 11.2 (2013 9.7) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

Note 29: Major Budget Variances (Parent)

The 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 following.

29(i) Statement of Comprehensive Revenue and Expenditure

Operating revenue is $1,029,000 or 0.35% more than budget. This variance is explained below.

Revenue from Council activities is $21,000 or 0.35% less than budgeted due to:

- Regulation revenue is down $0.5 million. Consent processing revenue was down on budget as a result of low numbers of consent applications and staff vacancies not being filled.
- Land and Drainage revenue was up $0.3 million due to an increase in external revenue earned by the HBRC Works Group and direct charges.

Rates revenue is $242,000 or 1.54% 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 $1,345,000 or 7.52% more than budget due to:

- Dividend revenue is $460,000 or 6.08% down on budget as the dividend from HBRIC Ltd included a special dividend for the RWSS investment. As the financial close for the RWSS was moved out during the year the level of the special dividend that was budgeted was not required.
- Rental revenue is $288,000 or 11.13% more than budgeted due to a large number of Napier Leasehold rental renewals during the year that were higher than anticipated.
- Grant revenue is $455,000 or 16.12% more than budget due to grants received for extra work on Cycleways and various Hill Country Erosion and Drylands projects
- Other revenue is $1,051,000 over budget due to uncollectable rates provisions which are no longer required and have been released and settlements received.

Fair value gains are $537,000 or 30.19% under budget mainly due to an over estimate in the budget of the value of the Napier leasehold land compared to actual.

Expenses from Council activities are $991,000 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.

Fair value losses are $1.6 million over budget due to a decrease in the value of leasehold land against what was budgeted.

Finance costs of $3,080,000 are $101,000 above budget due to increased payments to ACC for annuity costs as a portion of overall increased rental revenue.

Other expenditure of $425,000 includes $232,000 for the adjustment of the liability to ACC based on the NPV of future cash flows which have been altered by an increase in rent renewals and $193,000 for legal fees for the Dalton Street building remedial work.

Other comprehensive revenue is $47.4 million more than budget due to the revaluation of HBRIC Ltd which was estimated as a gain of $10 million but was actually $58 million.

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

The operating surplus / (deficit) (total recognised revenue and expenses) is $47.2 million more than budget. The major causes for this are set-out above.

29(iii) Statement of Financial Position

Equity is $48 million or 9.9% more than budget due to the large increase in the valuation of HBRIC Ltd and the Napier Port.

Investment property is $10 million (16.6%) less than budget due to actual sales of Napier endowment leasehold property far exceeding forecast in both 2013-14 and 2014/15 and the valuation of existing properties went down by $1.5 million against the budget that estimated a gain of $1.8 million.

Intangible assets are $2 million less than budget as a result the timing of internal system integration projects and amortisation and the delay of the $1.7 million in the feasibility of the NWS.

Cash, cash equivalents and financial assets are $36 million more than budget as the funding for the RWSS has been retained for longer than had been budgeted for due to the slowdown in the RWSS decision making process and appeals.

Forestry assets are $987,000 more than budgeted due to revaluations over the past two years driven by higher timber prices.

Advances to Council-controlled organisations are $20 million less than budget due to the deferral of the financial close for the RWSS.

Advances to Napier / Gisborne Rail are $3.8 million less than budget as the project has been slower to progress than anticipated.

Current and Non-current borrowings are $3.7 million less than budget because loan funding for Solar Hot Water, Open Spaces and Regional Infrastructure were not drawn down this financial year.

Provisions for other liabilities and charges are $7 million less due to the sale value of leasehold property cash flows from the end of 2013-14 and 2014-15.

29(iv) Cash flow statement

Net cash out flows from operating activities are $2.3 million more than budget mainly due to a decrease in expenditure and an increase in overall revenue as stated above.

Net cash outflows from investing activities are $4 million less than budget. The main reasons for this are the $4 million increase in cash from the sale of leasehold.

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.

29(v) Significant asset acquisitions or replacements

There were no other significant asset acquisitions or replacements.

Note 30: Financial Risk Management

Introduction

The Group's principal financial instruments comprise bank loans, government stock, shares in listed companies and the Hawke's Bay Regional Investment Company, cash and bank term investments. The main purposes of these financial instruments are to raise finance for the Group's operations and to generate revenue.

The Group also enters into derivatives, consisting principally of interest rate swaps and forward currency contracts. The purpose is to manage interest rate and currency risks arising from the Group's operations and its sources of finance.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Other than government stock and shares in listed companies, the Group does not trade in financial instruments.

Market Risk

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity and securities price risk on its investments, which are classified as available for sale and held to maturity financial assets. The Group manages price risk by diversification of its investment portfolio in accordance with limits set out in its investment policy.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time the Group enters into transactions denominated in foreign currencies and uses forward and spot foreign exchange contracts to manage its exposures to currency fluctuations

Interest Rate Risk

The interest rates on the Group's investments are show at Note 13 and on borrowings at Note 20.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. Borrowing and investing at fixed rates exposes the Group to fair value interest rate risk. The Group does not usually hedge against this risk.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes to market interest rates. Borrowing at variable interest rates exposes the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk on borrowings by using interest rate caps and floating to fixed interest rate swaps.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing it to incur a loss. The Group has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Under the Local Government (Rating) Act 2002, the Council has powers to recover outstanding debts from ratepayers. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers.

The Group invests funds only with registered banks, government stock and its investment policy limits the amount of credit exposure to any one institution or organisation.

Investments in other local authorities are secured by charges over rates. The Group only invests in other entities with a minimum credit rating from Standard & Poors (or other credit agency of similar reputation) of A1 for short term debt (up to twelve months) or A+ for term debt (more than twelve months).

Maximum Exposure to Credit Risk

Maximum Exposure to Credit Risk	Regional Council		Group	
	Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Cash and cash equivalents	8,882	15,838	9,107	16,236
Bank deposits with terms greater than 91 days	80,714	74,135	80,714	74,135
Hawke's Bay Regional Investment Company	235,224	177,500	-	-
Publicly listed shares	1,080	984	1,080	984
Civic Assurance shares	18	18	18	18
Government stock	3,291	2,794	3,291	2,794
Community loans	8,672	7,650	8,672	7,650
Trade & other receivables	21,484	16,737	20,526	19,056
Derivative financial instruments	-	-	27	358
	359,365	295,656	123,435	121,231

Note 30(a): Financial Risk Management

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due.

The Council maintains a level of cash operating balances sufficient to meet its commitments as they fall due as well as managing its borrowings in accordance with its funding and financial policies. Napier Port operates a multi-option credit facility with its bank as set out in Note 21.

Set out below is a contractual maturity analysis of financial liabilities as at balance sheet date. The contractual amount includes scheduled interest payments.

Contractual Maturity Analysis	Carrying Amount $000	Contractual Carrying Amount $000	Less than 1 Year $000	1 - 2 Years $000	2 - 5 Years $000	More than 5 Years $000
Council at 30 June 2015						
Creditors and other payables	8,845	8,845	8,845	-	-	-
Bank borrowings	21,124	26,188	4,487	4,058	9,988	7,655
Bank overdraft	-	-	-	-	-	-
ACC liability	30,233	136,326	1,322	1,407	7,717	125,880
Finance lease	-	-	-	-	-	-
	60,202	171,359	14,654	5,465	17,705	133,535
Council at 30 June 2014						
Creditors and other payables	6,529	6,529	6,529	-	-	-
Bank borrowings	17,588	15,982	1,967	765	7,166	6,084
Bank overdraft	-	-	-	-	-	-
ACC liability	34,199	163,812	1,459	1,631	8,414	152,308
Finance lease	-	-	-	-	-	-
	58,316	186,323	9,955	2,396	15,580	158,392
Group at 30 June 2015						
Creditors and other payables	13,994	13,994	13,994	-	-	-
Bank borrowings	99,424	109,705	26,144	65,918	9,988	7,655
Bank overdraft	2,889	2,889	2,889	-	-	-
ACC liability	30,233	136,326	1,322	1,407	7,717	125,880
Finance lease	-	-	-	-	-	-
	146,540	262,914	44,349	67,325	17,705	133,535
Group at 30 June 2014						
Creditors and other payables	11,585	11,585	11,585	-	-	-
Bank borrowings	82,088	77,657	4,217	60,190	7,166	6,084
Bank overdraft	181	181	181	-	-	-
ACC liability	34,199	163,812	1,459	1,631	8,414	152,308
Finance lease	-	-	-	-	-	-
	128,053	253,235	17,442	61,821	15,580	158,392

Foreign Exchange Risk

The Group enters into transactions denominated in foreign currencies from time to time and is thereby exposed to the risk that movements in foreign currency rates may cause a financial loss to the Group.

The Group uses forward and spot foreign exchange contracts to manage its exposure. The contract amounts of foreign exchange instruments outstanding at balance date are:

Forward Foreign Exchange Contracts	Carrying Amount NZD $000	Currency Amount $000	Less than 1 Year $000	1 - 2 Years $000	2 - 5 Years $000	More than 5 Years $000
Group at 30 June 2015						
Euro	8,394	5,180	5,180	-	-	-
Canadian dollar	335	291	291	-	-	-
United States of America dollar	-	-	-	-	-	-
Singapore dollar	-	-	-	-	-	-
	8,729	5,471	5,471	-	-	-
Euro	329	200	200	-	-	-
Canadian dollar	-	-	-	-	-	-
United States of America dollar	-	-	-	-	-	-
Singapore dollar	-	-	-	-	-	-
	329	200	200	-	-	-

Note 30 (b): Sensitivity Analysis

Council

	2015 $000				2014 $000			
	-0.5%		+0.5%		-0.5%		+0.5%	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equilvalents	(44)	-	44	-	(79)	-	79	-
Other financial assets:								
Term deposits	(404)	-	404	-	(371)	-	371	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	106	-	(106)	-	88	-	(88)	-
Derivatives	1	-	(1)	-	0	-	(0)	-
Total sensitivity	**(342)**	**-**	**342**	**-**	**(362)**	**-**	**362**	**-**
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	-	-	-	-	(44)	-	44	-
Total sensitivity	**-**	**-**	**-**	**-**	**(44)**	**-**	**44**	**-**
Equity Price Risk								
Financial assets								
Publicly listed shares	(5)	-	5	-	(5)	-	5	-
Government Bonds	(16)	-	16	-	(14)	-	14	-
Total sensitivity	**(22)**	**-**	**22**	**-**	**(19)**	**-**	**19**	**-**

Group

	2015 $000				2014 $000			
	-0.5%		+0.5%		-0.5%		+0.5%	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equilvalents	(26)	-	26	-	(81)	-	81	-
Other financial assets:								
Term deposits	(404)	-	404	-	(371)	-	371	-
Financial liabilities								
Bank overdraft	14	-	(14)	-	1	-	(1)	-
Loans	497	-	(497)	-	410	-	(410)	-
Derivatives	22	-	(22)	-	5	-	(5)	-
Total sensitivity	**104**	**-**	**(104)**	**-**	**(35)**	**-**	**35**	**-**
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	(44)	-	44	-	(2)	-	2	-
Total sensitivity	**(44)**	**-**	**44**	**-**	**(2)**	**-**	**2**	**-**
Equity Price Risk								
Financial assets								
Publicly listed shares	(5)	-	5	-	(5)	-	5	-
Government Bonds	(16)	-	16	-	(14)	-	14	-
Total sensitivity	**(22)**	**-**	**22**	**-**	**(19)**	**-**	**19**	**-**

Note 30 (c): Capital Management

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans, and the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities.

The sources and levels of funding are set out in the funding and financial policies in the Council's most recent LTP (2015-2025 Ten Year Plan).

HBRC has the following Council-created reserves:

- reserves for different areas of benefit, and
- self-insurance reserves to cover disaster damage

Reserves for different areas of benefit are used where there is a discrete set of targeted ratepayers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Self-insurance reserves are built up annually from rates and return on investment and are made available for specific unforeseen events.

The release of these funds can generally be approved only by Council.

Note 31 Financial Instrument Categories

	Note	Regional Council		Group	
		Actual 14/15 $000	Actual 13/14 $000	Actual 14/15 $000	Actual 13/14 $000
Financial Assets					
Loans and receivables					
Cash and cash equivalents		8,882	15,838	9,107	16,236
Trade & other receivables		9,638	6,884	20,666	19,056
Advances to Council-controlled organisations		11,986	9,853	0	-
Other financial assets					
Term Deposits		80,714	74,134	80,714	74,134
Community loans		8,672	7,651	8,672	7,651
Total loans and receivables		**119,892**	**98,522**	**119,159**	**117,077**
Held-to-maturity					
Other financial assets					
Government Bonds		3,291	2,794	3,291	2,794
Total held-to-maturity		**3,291**	**2,794**	**3,291**	**2,794**
Fair value through other comprehensive revenue and expense					
Other financial assets					
Publicly listed shares		1,080	984	1,080	984
Civic Assurance shares		18	18	18	18
RWSS evaluation costs		212	210	212	210
Advances to Napier / Gisborne Rail		116	-	116	-
Shares in Hawke's Bay Regional Investment Company		235,224	177,500	-	-
Total fair value through other comprehensive revenue and expense		**236,650**	**178,712**	**1,426**	**1,212**
Financial Liabilities					
Fair value through surplus or deficit - held for trading					
Derivative financial instrument liabilities		109	37	4,375	1,015
Financial Liabilities at amortised cost					
Trade & other payables		9,110	6,529	14,315	11,585
Bank overdraft		-	-	2,889	181
Borrowings		21,124	17,588	99,424	82,088
ACC Leasehold Liability		30,234	34,199	30,234	34,199
Total financial Liabilities at amortised cost		**60,577**	**58,316**	**151,237**	**129,068**

Note 31 (a): Fair Value Hierarchy Disclosure

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position.

	Total $000	Quoted Market Price (level 1) $000	Observable Inputs (level 2) $000	Significant Non-observable Inputs (level3) $000
30 June 2015 - Council				
Financial assets				
Government bonds	3,291	3,291		
Publicly listed shares	1,080	1,080		
Shares in Hawke's Bay Regional Investment Company	235,224			235,224
Financial liabilities				
Derivatives	109		109	
30 June 2015 - Group				
Financial assets				
Government bonds	3,291	3,291		
Publicly listed shares	1,080	1,080		
Financial liabilities				
Derivatives	3,132		3,132	
30 June 2014 - Council				
Financial assets				
Government bonds	2,794	2,794		
Publicly listed shares	984	984		
Shares in Hawke's Bay Regional Investment Company	177,500			177,500
Financial liabilities				
Derivatives	37		37	
30 June 2014 - Group				
Financial assets				
Government bonds	2,794	2,794		
Publicly listed shares	984	984		
Financial liabilities				
Derivatives	249		249	

There were no transfers between the different levels of the fair value hierarchy.

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

	2015 $000	2014 $000
Balance at 1 July	177,500	177,500
Gain and losses recognised in the surplus or deficit		
Gain and losses recognised in other comprehensive revenue and expenditure	57,724	
Purchases		
Sales		
Transfers		
Balance at 30 June	**235,224**	**177,500**

Note 32: Events After Balance Sheet Date (Parent & Group)

There were no significant events after balance date.

Note 33: Adjustments to the Comparative Year Financial Statements

The Council and group has adjusted its comparative year financial statement for the year ended 30 June 2014 due to reclassification adjustments, transition to the new PBE accounting standards, and the correction of prior period error. The adjustments are stated below:

Note 7(a)	A new personnel costs note has been added.
Note 7(b)	A new key management compensation note and been added and the Council's executive management team have been added to the key management group.
Note 13	The disclosure of the note has been amended to align to the new disclosure standards. The information is the same but the format is different
Note 20	Accumulated funds and other reserves have been separated, this has also been amended on the Statement of Financial Position.
Note 22&23	Employee Benefit Liabilities now include accrued payroll expenses which were previously disclosed under accrued expenses, this has also been amended on the Statement of Financial Position.
Cash Flow Statement	Previously the disposal and purchase of financial assets had been combined in the Cash Flow Statement, they have now been separated