

Hawke's Bay Regional Council

Annual Report 2015-16

HBRC Plan number 4823

ISBN 978-0-947499-02-0

Annual Report 2015-16

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Guide to the Annual Report

Guide to the Annual Report

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

- **Performance Overview**

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

- **Accountability Information**

This section includes:

- Financial reporting benchmarks
- How each Group of Activity links to Council's strategic outcomes
- The Statement of Service Performance for the year and an overview of sub-activities within each Group of Activity
- Financial details for the Group Accounts which include the Council and the Hawke's Bay Regional Investment Company (HBRIC Ltd) for the year ended 30 June 2016.

- **General Information**

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

Chairman and Interim Chief Executive Commentary

2015-16 saw the progression of a number of major Council initiatives.

- The **Hawke's Bay Biodiversity Strategy** was adopted by Council in July 2015. This non-statutory document is aimed at improving the effectiveness of biodiversity management among the major parties, by aligning programmes and resources. An official launch saw many strategy stakeholders signing an Accord committing them to support the improvement of Hawke's Bay's native species and habitat, integrating Māori values, improving partnerships and involving the community.
- In August 2015 Council adopted the **Tukituki Plan Change** (known as Plan Change 6), concluding a three year process and paving the way for a comprehensive implementation plan to be delivered. The Land Management team has been actively working with landowners in priority sub-catchments in the Tukituki Catchment to implement Plan Change 6. This has involved workshop sessions and advisory services.
- **Matariki: Regional Economic Development Strategy and Action Plan** was developed over the period of this report, involving HBRC, local councils, iwi, business and government agencies. This includes 44 key actions to build the region's economic performance (launched just outside the period of this annual report, in late July 2016).
- Progress on the **Ruataniwha Water Storage Scheme** continued through the year. In July 2015 the High Court confirmed there were no appeals to the resource consents for the scheme issued by the Board of Inquiry, and those consents were confirmed, the first of four conditions that needed to be met for HBRC's investment in the scheme to proceed. In May 2016 more conditions were met, when HBRIC achieved 196 water user agreements signed or confirmed taking the total water take up to 42.8 million cubic metres, which was in excess of the formal HBRC Condition Precedent. At the close of the financial year, two legal challenges were still outstanding – a High Court enquiry into the decision-making process for the land transfer with DOC, and a judicial enquiry into the resource consent notification decision-making process for the extension of the scheme area.

Subsequent to close of the financial year, on 31 August 2016, the Court of Appeal, in a split decision, granted the appeal by Forest & Bird regarding the revocation step of the land exchange decision by the Director General of the Department of Conservation (DoC). On 28 September 2016, DoC applied to the Supreme Court for leave to appeal this judgement to the Supreme Court. HBRIC Ltd also applied, on that date, for leave to appeal and sought urgency.

The current carrying value of the RWSS assets created by HBRIC Ltd's development expenditure may be affected by the Court of Appeal and Supreme Court decisions. The development expenditure incurred by HBRIC Ltd for the RWSS will, however, be capitalised at full value in the Ruataniwha Water Limited Partnership if the project proceeds.

Extended disclosure on this matter is made in note 12.

- A new website was launched in November for **East Coast LAB (Life At the Boundary)**, a collaborative initiative aimed at fostering new research to increase the understanding of the Pacific-Australasian plate boundary (the Hikurangi Trough), and encourage East Coast communities to be resilient to the associated natural hazards.
- A review of the TANK Group process, looking at future planning of land and water resources on the Greater Heretaunga Plain, has resulted in much better progress and a detailed work programme has been mapped out. The TANK Group (for the **Tutaekuri, Ahuriri, Ngauroro and Karamū water catchments**) is coordinated by HBRC and consists of 30-plus members from tāngata whenua (representing hapū and marae), primary sector, council and environmental interests.
- An end of winter air quality report showed that Hastings and Napier residents enjoyed healthier winter air in 2015. Despite a cold and snowy July, winter air pollution only exceeded the government's **National Environment Standard for Air quality** four times in Hastings, with no exceedances in Napier or Awatoto.

Chairman and Interim Chief Executive commentary

- The Land Management team coordinated the purchase and on sale of 50,000 native plants for river and wetland projects on the Waimarama Stream within **the Cape to City** footprint plus many farm wetlands and streams in Central Hawke's Bay where farmers are adapting their land to meet Plan Change 6 requirements.
- **GoBus Ltd** was confirmed as provider of the **Napier Hastings urban bus** services for a further nine years after winning the contract that commences on 1 August 2016. Hawke's Bay Regional Council continued to maintain the public bus network across Hastings and Napier and kept bus fares for the urban goBay service unchanged as these fares were sustainable.
- The Waimarama Marae welcomed the return of the **Waingongoro Stream** flowing past the marae after a near half-century absence. The marae committee worked with Hastings District Council and HBRC staff on a new design for a weir and culvert to split the stream so that both the original and existing courses could operate.

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

Freshwater is one of Hawke's Bay's most precious natural resources and much of the Regional Council's core business revolves around it. In May 2011, the Government introduced the National Policy Statement for Freshwater Management (NPSFM), which was then amended in 2014. The NPSFM sets a new direction for maintaining and improving water quality and protecting life in our rivers, lakes, streams and aquifers. HBRC has a key role in implementing the NPSFM. The NPSFM does not contain specific details on how it will be implemented, or how our regional policy statements and plans should be amended to incorporate it. This reflects the desire of Government that it is up to each regional community to determine this themselves.

In November 2015, HBRC adopted a revised Implementation Programme (the Programme) in line with Policy E1 of the 2014 NPSFM. The Programme outlines key actions that HBRC will undertake to fully implement the NPSFM.¹

Policy E22 of the NPSFM requires that HBRC annually report on the extent to which the Programme has been implemented. The Programme doesn't start from a blank canvas, and even prior to the 2011 NPSFM coming into effect HBRC had several initiatives in place that aligned with and gave effect to the NPSFM. Some of these initiatives were identified in the Implementation Programme.

The following are some of HBRC's major policy and plan highlights during the 2015-16 period, and the table attached as Appendix A provides more detail of these achievements along with several other activities to implement the NPSFM.

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

² NPSFM Policy E1(e) reads:
Where a regional council has adopted a programme of staged implementation, it is to publicly report, in every year, on the extent to which the programme has been implemented

Chairman and Interim Chief Executive commentary

During the 2015-2016 period, HBRC:

- Continued to progress the Greater Heretaunga/Ahuriri catchment area (aka the 'TANK' catchments) plan change, with the TANK Stakeholder Group assessing a range of policy options to inform a draft policy change which will include input from the wider public. The project is on track to have a proposed plan change ready for Council adoption in December 2017.
- Achieved Regional Planning Committee sign off in November 2015 of the *Mohaka River Catchment State and Trends of River Water Quality and Ecology* and *Influence of the Taharua River on the Upper Mohaka River Food Base for Adult Trout* technical reports outlining the science of ecology and surface water for the Mohaka catchment. The report is significant as it outlines the science pertaining to the surface water and ecology for the catchment, as well as being communicated and shared to external stakeholders.
- Commenced a significant joint project with Auckland Council and funding from the Ministry for the Environment's Community Environment Fund aimed at developing methodology for the identification of 'outstanding freshwater bodies' in the context of the NPSFM. This project is intended for delivery in August 2016.
- Continued to be involved in ongoing negotiations with NZ Fish and Game Council and other parties on the definition of 'wetland' in Plan Change 5. A wetland ecologist was engaged to map the permanently wet margins of five wetland areas which was intended to inform the RRMP's 'wetland' definition. As a result of ongoing disagreement on the definition, an Environment Court hearing is scheduled for late 2016 on this matter.

Lastly

In 2015 there was strong political and community debate about a proposal to amalgamate all five councils in Hawke's Bay. This was rejected at the referendum.

However a progressive meeting of all Hawke's Bay councils saw a commitment from the Hawke's Bay Regional Council Chairman and the four Mayors to work more closely together on matters of joint interest. This is a priority for HBRC.



Liz Lambert, Interim Chief Executive



Fenton Wilson, Chairman

Maori Contribution to Council Decision-making Processes

Report on Māori Contribution to Council Decision-making Processes

Clause 35 to Schedule 10 of the Local Government Act 2002 requires Council to include in its annual report a report on the activities that Council has undertaken in the year to establish and maintain processes to provide for opportunities for Maori to contribute to Council's decision-making processes.



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

Regional Planning Committee

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

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

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

In August 2015 the Hawke's Bay Regional Planning Committee Act 2015 was enacted and formalises the arrangements for the committee. The Committee operates under the principles of co-governance to ensure that tāngata whenua are active decision makers in managing their taonga under the Resource Management Act 1991.

The Committee met formally six times between 1 July 2015 and 30 June 2016 to consider issues and make recommendations to the Regional Council, plus two workshop sessions to discuss Long Term Plan work programming and priorities.

Maori Committee

There were 6 two-monthly meetings of the Maori Committee during the year. There were 12 tāngata whenua appointees on the committee as well as 3 elected representatives of Council.

Two members of the Maori Committee were appointed to the Environment and Services Committee of Council, which met on 4 occasions during the year.

Two Maori Committee representatives have been appointed to the Corporate and Strategic Committee, which met on 5 occasions during the year.

One member of the Maori Committee has been appointed to the Regional Transport Committee, which met on 4 occasions during the year.

The Chairman of the Council's Maori Committee attended 14 meetings of the Regional Council where he has speaking rights on all issues.

The Maori Committee is also represented on the Hearings Committee, with 3 members being accredited Resource Management Act hearing commissioners.

The Chairman of the Maori Committee also attends meetings of the Regional Planning Committee.

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

Maori Contribution to Council Decision-making Processes

Direct Hapū and Other Involvement

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

In addition, Council has developed Pataka, a GIS resource management tool that holds and displays tangata whenua information spatially to meet the requirements of s35A of the Resource Management Act 1991.

Council Controlled Organisations

Report on Council Controlled Organisations

Introduction

The Local Government Act 2002 (Act) requires the Council to include in its annual report certain information on each council-controlled organisation in which the Council is a shareholder or has the power to appoint directors, or members of the governing body of the organisation.

The Hawke's Bay Regional Council has such a relationship with one council-controlled organisation namely Hawke's Bay Regional Investment Company Limited (HBRIC Ltd). This report sets out below the information required by clause 28 of Schedule 10 to the Act.

Ownership and Control Policies

Council is required to report on the implementation or attainment of any significant policies and objectives in regard to ownership and control of council-controlled organisations during the year.

During this year there have been no changes to the ownership of HBRIC Ltd, however changes have been made to the company's governance arrangements.

On 30 March 2016 Council resolved to re-appoint Mr Sam Robinson and Mr Jim Scotland as Directors of HBRIC Ltd until 30 June 2018. Council also resolved on this day to reappoint Ms Danelle Dinsdale as a Director of HBRIC Ltd, and Dr Andy Pearce as Chairman of HBRIC Ltd, until 30 June 2019.

Nature and Scope of Activities

Council is required to compare the nature and scope of the activities intended to be provided by council-controlled organisations (as set out in the Long Term Plan 2015-25) with the actual nature and scope of activities provided for the year.

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

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

1. Growth in long term shareholder value
2. Increased financial and strategic returns

3. Investments are secure and sustainable over the long term
4. Investments will assist achievement of Council's regional strategic development objectives.

A summary of the nature and scope of activities intended to be provided by HBRIC Ltd (as set out in the Long Term Plan 2015-25) compared to the actual nature and scope of activities provided for the year are as follows.

- Own and manage the investment assets and liabilities transferred to it by Council from time to time.
 - HBRIC Ltd continued to manage the investment in the Port of Napier Limited (Napier Port) following the transfer of shares from Council on 25 June 2012.
 - On 21 December 2012 the feasibility assets of the Ruataniwha Water Storage Scheme (RWSS) were transferred from Council to HBRIC Ltd along with responsibility for progressing the project to the conclusion of the resource consent application phase. HBRIC Ltd continued to manage this investment through this phase which is anticipated to conclude during the 2016-17 financial year.
- Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments;
 - The HBRIC Ltd Board meets with the Napier Port Chairman and CEO on a regular basis to discuss its operating activities and any investment opportunities that have the potential to increase shareholder value.
- Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd's ownership
 - HBRIC Ltd has managed its investments in accordance with Council's investment policy detailed in the Long Term Plan 2015-25.
- Monitor the performance of each subsidiary and associated company against their stated economic, environmental and social objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.

Council Controlled Organisations

- The HBRIC Ltd Board meets with the Napier Port Chairman and CEO on a regular basis to ensure it is meeting its stated economic, environmental and social objectives and that it has proper governance procedures in place.
- Make new investments and dispose of current investments in pursuit of its objectives in accordance with its Acquisition/Divestment Policy.
 - The continued investment in the development phase of the RWSS has been made in pursuit of HBRIC Ltd's objectives.
- Advise Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.
 - HBRIC Ltd reports on a monthly basis to Council which includes advising on strategic issues relating to its investments.
- Perform financial, custodial and other functions required by HBRC.
 - HBRIC Ltd undertook all financial, custodial and other functions as instructed by Council.
- Invest in, and manage, a range of financial and physical assets in accordance with Council's investment policy.
 - HBRIC Ltd has managed its investments in accordance with Council's investment policy detailed in the Long Term Plan 2015-25.
- Raise funds for investment by issuing bonds, mortgages, preference shares and other debt instruments (with the approval of HBRC for any sum greater than 5% of the value of HBRIC Ltd) or by reducing its holdings in equity investments in its subsidiary or associated companies.
 - All funds raised for investment in the current year related to development expenditure for the RWSS, which were approved by Council and were sourced by way of advances/loans from Council.
- Comply with the LGA provisions requiring a special consultative process, and with Council policies, in regard to any disposal or part-disposal of shares in any Strategic Asset, for example by way of part sales of shares in Napier Port.
 - There were no disposals or part-disposals of shares in any Strategic Asset in the current year.
- Advise HBRC of any material capital expenditure projects by HBRIC Ltd or via its subsidiaries.

- All material capital expenditure projects undertaken by HBRIC Ltd or via Napier Port were advised to Council at the earliest opportunity during the current year.
- Only invest in, or dispose of, investments, and use all income derived from these activities for Regional Council purposes and functions consistent with Council's investment policy.
 - The continued investment in the development phase of the RWSS is consistent with the objectives set out in Council's investment policy.

Other Key Performance Targets

Comparison of actual specific financial performance targets compared to those set out in HBRIC Ltd's 2015-16 Statement of Intent are outlined in the table following.

Consolidated Performance Targets		
Performance Indicator	Target	Actual
Net debt to net debt plus Equity	<40%	35%
Interest cover (EBIT/Interest Paid)	>3x	4x
EBITDA/Total Assets	8%	9%
Return on Shareholders' Funds	5%	7%

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

Statement of Compliance and Responsibility

Statement of Compliance and Responsibility

Compliance

1. The Council and management of Hawke's Bay Regional Council confirm that all the statutory requirements of the Local Government Act 2002, in relation to the annual report, have been complied with.

Responsibility

2. The Council and management of Hawke's Bay Regional Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
3. The Council and management of Hawke's Bay Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of the Council and management of Hawke's Bay Regional Council, the annual Financial Statements for the year ended 30 June 2016 fairly reflect the financial position and operations of Hawke's Bay Regional Council.



Fenton Wilson
Chairman

13 October 2016



Liz Lambert
Interim Chief Executive

13 October 2016



Paul Drury
Group Manager
Corporate Services

13 October 2016

Independent Auditor's Report



Independent Auditor's Report

To the readers of the Hawke's Bay Regional Council and group's annual report for the year ended 30 June 2016

The Auditor-General is the auditor of the Hawke's Bay Regional Council (the Regional Council) and group. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the Regional Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information);
- report on whether the Regional Council and group have complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Qualified opinion on the financial statements – our work was limited due to insufficient evidence to support the carrying value of the development expenditure intangible asset

The group has incurred expenditure developing the Ruataniwha Water Storage Scheme (the Scheme), which is recognised as an intangible asset. The group proposed an exchange of land to access land it requires for the Scheme. That land exchange has been subject to litigation. As explained in note 12, the Council has not impaired this intangible asset because it considers the final outcome of the litigation, and the timing and likelihood of success of alternative means to gain access to the required land, is uncertain.

We have been unable to obtain sufficient appropriate audit evidence that it is probable access to the land required for the Scheme will be obtained. Therefore, we were unable to determine whether any impairment of the development expenditure intangible asset is required.

In our opinion, except for the possible effects of the matter described above:

- the financial statements on pages 109 to 173:
 - present fairly, in all material respects:
 - the Regional Council and group's financial position as at 30 June 2016;
 - the results of operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.

Opinion on the other audited information

In our opinion:

- the funding impact statement on page 174, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council and group's Long-term plan;
- The Statement of Service Performance for Groups of Activities on pages 19 to 108:
 - presents fairly, in all material respects, the Regional Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand;

Independent Auditor's Report

- The statement about capital expenditure for each group of activities on pages 22 to 100, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council and group's Long-term plan; and
- the funding impact statement for each group of activities on pages 175 to 178, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the Regional Council and group's Long-term plan.

Compliance with requirements

The Regional Council and group have:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 13 to 178 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and group's audited information.

Our audit was completed on 13 October 2016. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the audited information. We are unable to determine whether there were any material misstatements in relation to the valuation of the group's development expenditure intangible asset because the scope of our work was limited, as we referred to in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Regional Council and group's preparation of the information we audited in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and group's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;
- determining the appropriateness of the reported Statement of Service Performance for Groups of Activities within the Regional Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

Independent Auditor's Report

When reporting on whether the Regional Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on.

We did not receive all the information and explanations we required although believe that we have obtained sufficient and appropriate audit evidence to provide a basis for our qualified opinion on the financial statements and our unmodified opinion on the other audited information.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, we have carried out a Limited Independent Assurance Engagement in relation to the Regional Council's Debenture Trust Deed and an agreed upon procedures assignment relating to a contract with the Accident Compensation Corporation which are compatible with those independence requirements. Other than the audit and these assignments, we have no relationship with or interests in the Regional Council or any of its subsidiaries.



S B Lucy
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Financial Reporting Benchmarks

The purpose of the statement set out below is to disclose the Council’s financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

These new reporting measures are set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. This legislation is prescriptive as to the format and content of the benchmarks to be reported on.

1. Rates affordability benchmarks

“The Council meets the rates affordability benchmark if:

- its actual rates revenue equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.”

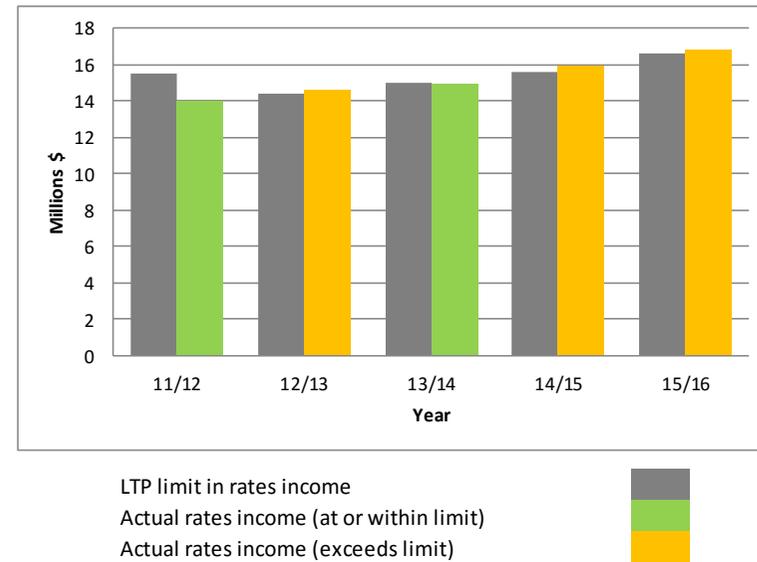
A) Rates Revenue Affordability Benchmark

The following graph compares the Council’s actual rates revenue with a quantified limit on rates contained in the financial strategy as included in Council’s long term plans. The quantified limit used in the graph below is the budgeted rates figure as per the LTP and uses dollars as unit for measurement for budgeted and actual rates.

2011-12 (Below Limit by \$1,549,000)

The reasons why actual rates were below the limit set in the Long Term Plan are:

- Most of the reasons for the variation actual to budget are provided above under the reasons for 2010-11. Further, the 10 Year Plan 2009-2019 provided in the 2011-12 year for an additional \$231,000 of water science expenditure to be collected as a targeted rate. This further amount was also collected by a section 36 charge on water consent holders.
- There was a decrease in general rates of \$124,000 due to efficiencies made in Council’s operations resulting in decreased costs.



2012-13 (Exceeds Limit by \$152,000)

The marginal increase in actual rates over that level planned relates to additional rating units (properties relating to new housing developments etc) being added to the rating database when the Council sends out the rates assessment during October of each year. The rating revenue as included in the Long Term Plan uses as a basis, the rating units on the database at the time of the development of the Plan which is February/March of each year.

2013-14 (Below Limit by \$76,000)

For this year rates did not exceed the limit - the decrease being due to Council resolving to achieve expenditure reductions and limit the rates increase to the level of increase in inflation.

Accountability Information: Financial reporting benchmarks

2014-15 (Exceeds Limit by \$344,000)

For this year rates exceeded the limit for two reasons:

- Actual rates increase was 5.86% (as compared to an LTP increase of 4%). This was 1.86% over the LTP level which was approved by Council to restore the reduction in rate levels during 2013-14. That year saw an actual increase of 2.8% as compared to a 4% figure in the LTP. A decrease of 1.4%.
- Additional flood and drainage scheme rates of \$104,000 (0.7% of total rates) covering the Makara scheme (75 ratepayers) and Opoho scheme (3 ratepayer).

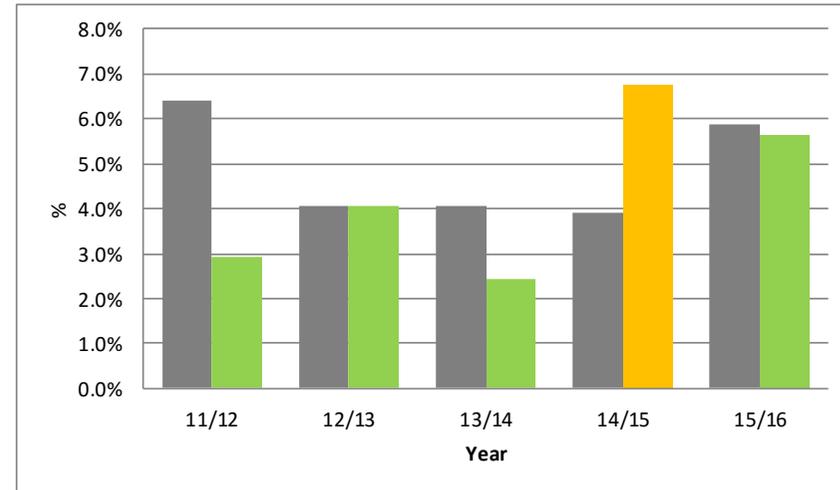
2015-16 (Exceeds Limit by \$220,000)

The marginal increase in actual rates over that level planned relates to additional rating units (properties relating to new housing developments etc) being added to the rating database when the Council sends out the rates assessment during October of each year. The rating revenue as included in the Long Term Plan uses as a basis, the rating units on the database at the time of the development of the Plan which is February/March of each year.

(B) Rates Increases Affordability Benchmark

The following graph compares the Council's actual rate increase with the quantified limit on rate increases included in the financial strategies in Council's long terms plans. The quantified limit used in the graph below is the budgeted percentage increase as per the LTP and uses percentage increase as a unit of measurement from the previous financial year.

The explanations for explaining the variances for each of the years when comparing the budgeted percentage increase in rates as compared to the actual increase in rates are consistent with the explanations as provided in the preceding graphs on Rates Revenue Affordability.



LTP limit on rates increase
 Actual rates increase (at or within limit)
 Actual rates increase (exceeds limit)



Accountability Information: Financial reporting benchmarks

2. Debt Affordability Benchmark

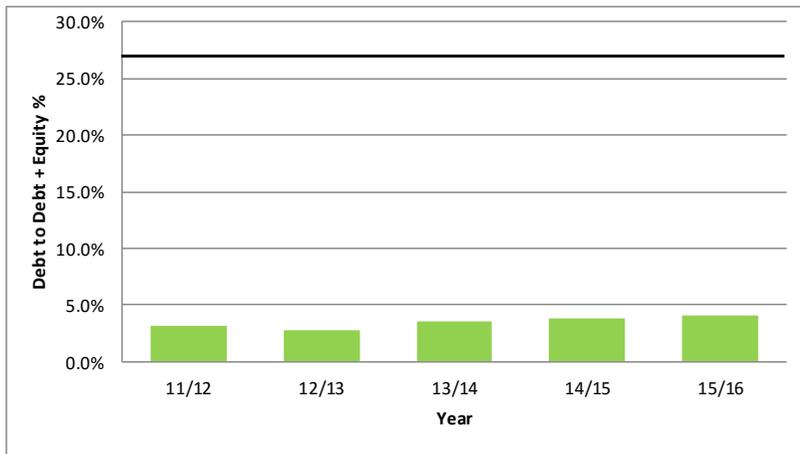
“The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.”

The financial strategy included in Council’s Long Term Plan set out two quantified limits on borrowing, being:

- a) Total interest expense on external public debt (including lease annuity) will not exceed 25% of total annual operating expenditure.
- b) Council loan funding will not exceed a debt to debt equity ratio of 28%.

Graphs are provided below for each of these borrowing limits.

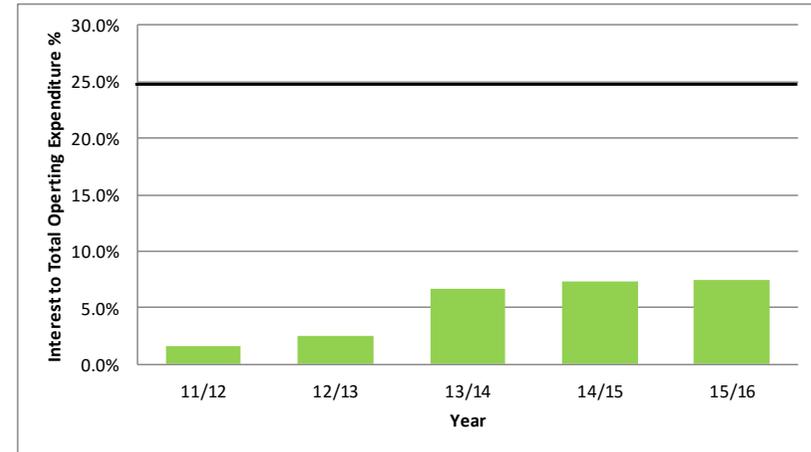
Borrowing limit debt to debt equity ratio



Benchmark met
Benchmark not met



Borrowing limit interest expense to operating expenditure



Benchmark met
Benchmark not met



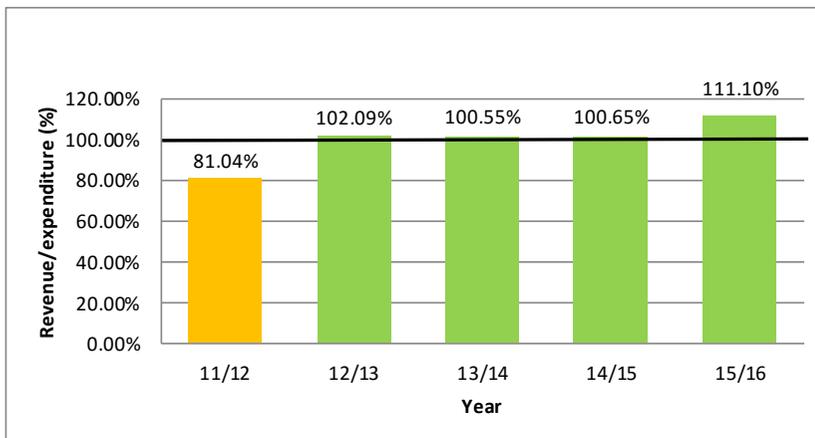
The graphs (left) establish that each of the five years presented are well within the borrowing limits. Fees paid to ACC for the capitalisation of Napier leasehold property cashflows for a 50 year period are included for 2013-14 (\$1.7 million), 2014-15 (\$1.7 million) and 2015-16 (\$1.8 million).

Accountability Information: Financial reporting benchmarks

3. Balanced Budget Benchmark

“The Council meets this benchmark if its revenue equals or is greater than its operating expenses.”

The following graph displays the Council’s revenue (excluding development contributions), financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment, as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant or equipment).



Benchmark met
Benchmark not met

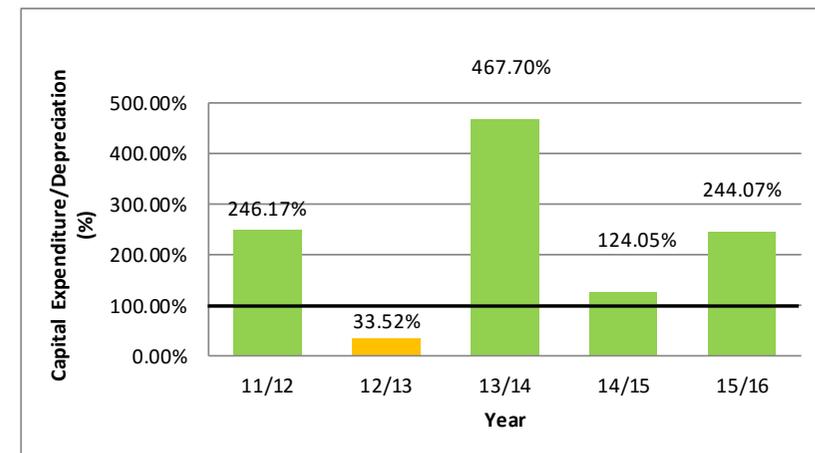


In 2011-12 Council did not achieve a balanced budget as there was a large fair value loss of \$6 million due to the discounting of the Napier leasehold land and this increased the expenditure for the year.

4. Essential Services Benchmark

“The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.”

The following graph displays Council’s capital expenditure on network services as a proportion of depreciation on network services - (NB: Council has only one network service and that covers the flood and drainage schemes):



Benchmark met
Benchmark not met



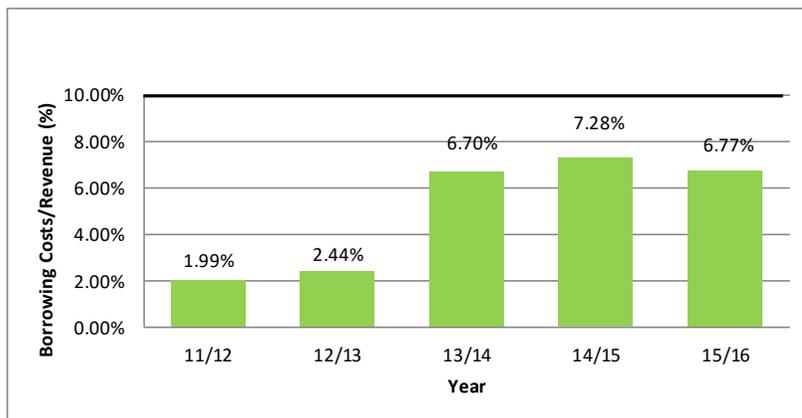
Council has met this benchmark for all the years except 2012-13 where due to the timing of the work plan there was less done on the flood and drainage schemes and more focus on the cycleway infrastructure work which was not included in this benchmark. For years when the expenditure on flood and drainage schemes has exceeded the depreciation set-aside for such schemes, the additional funding in excess of depreciation has been met from scheme reserves and borrowings.

Accountability Information: Financial reporting benchmarks

5. Debt Servicing Benchmark

“The Council meets the debt servicing benchmark if its borrowing costs are equal or less than 10% of its revenue.”

The following graph displays the Council’s borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations on property, plant and equipment).



Benchmark met
Benchmark not met

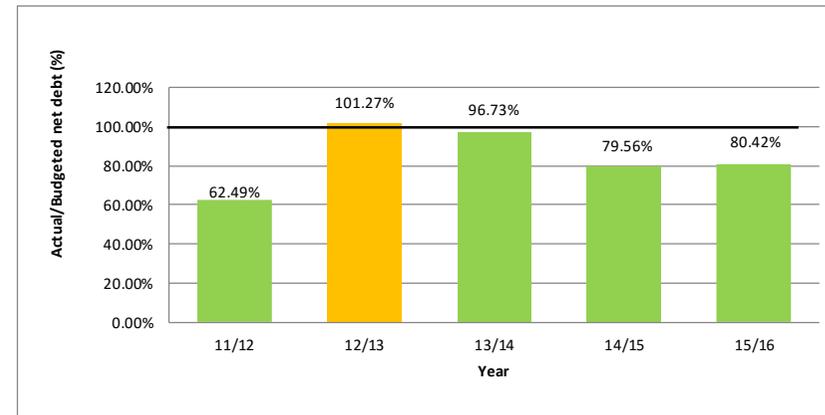


Council has met the benchmark for all years included in the above graph. Fees paid to ACC for the capitalisation of Napier leasehold property cashflows for a 50 year period are included for 2013-14 (\$1.7 million), 2014-15 (\$1.7 million) and 2015-16 (\$1.8 million).

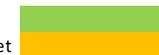
6. Debt Control Benchmark

“The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.”

The following graph displays the Council’s actual net debt as a proportion of planned net debt. In this statement, **net** debt means financial liabilities less financial assets (excluding trade and other receivables).



Benchmark met
Benchmark not met

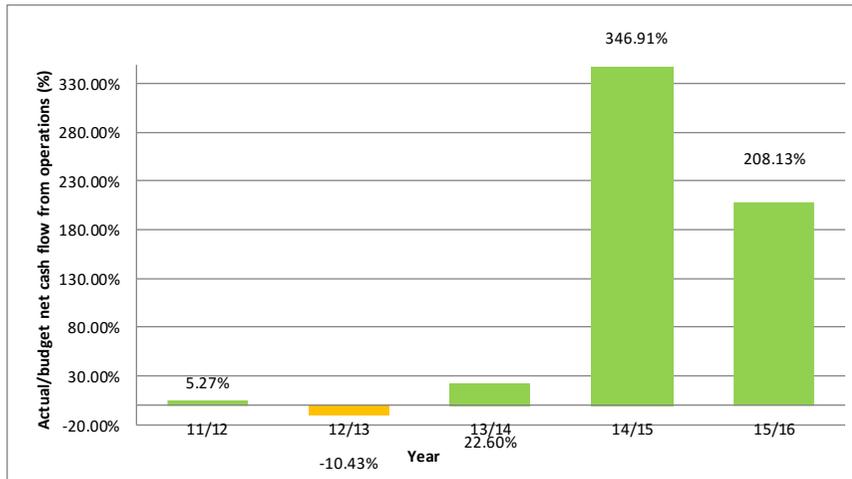


Council has met the benchmark in all of the years except 2012-13 when the percentage is shown as 1.27% over the benchmark.

Accountability Information: Financial reporting benchmarks

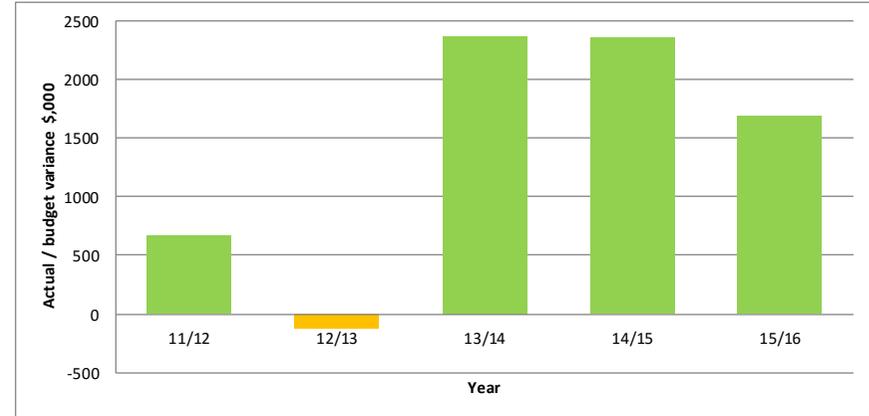
7. Operations Control Benchmark

“The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.”



Benchmark met █
 Benchmark not met █

The following graph displays the Council’s variance between actual and budgeted net cash flow from operations.



Benchmark met █
 Benchmark not met █

Council has met this benchmark (i.e. actual net cash flow from operations has exceeded planned levels) for all the years (other than 2012-13). These variations in operating cash balances use Annual Plan budgets as compared with actual cash balances.

Statement of Service Performance for Groups of Activities

Council separates its operations into eight groups of activities and establishes levels of service and performance targets for each of these, details of which were included in the Long Term Plan 2015-25 (Part 4, pages 3-122).

Under the Local Government Act 2002, schedule 10 (part 3) Council is required to:

- Identify the activities within the group of activities.
- Identify the community outcomes to which the group primarily contributes.
- Report the results of any measurement undertaken during the year of progress toward achievement of those outcomes.
- Describe any identified effects that any activity within the group of activities has had on the community.

Reporting

Council's reporting in this 'Statement of Service Performance' covers:

- A financial summary for each group of activities.
- Performance targets as contained in the Long Term Plan 2015-25 for each activity, including a managerial commentary on the achievements for the year and, where relevant, comments on future activities.
- An explanation of any material financial variances.

The performance targets have been structured so as to include timeliness, cost, quantity, location and quality as following.

Timeliness

Results are reported on an exception basis; consequently references are only made to dates where the target dates were missed.

Cost

Targets within each group of activity have been grouped for the purposes of setting cost targets. Where actual expenditure varies by more than \$50,000 of the budget a short explanation is included.

Quantity

Results are reported on an exception basis. Consequently, if the task was completed at the quantity specified no specific reference to quantity is made.

Location

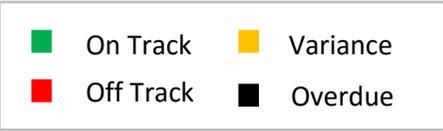
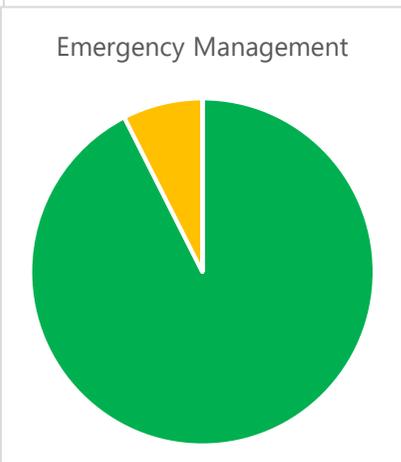
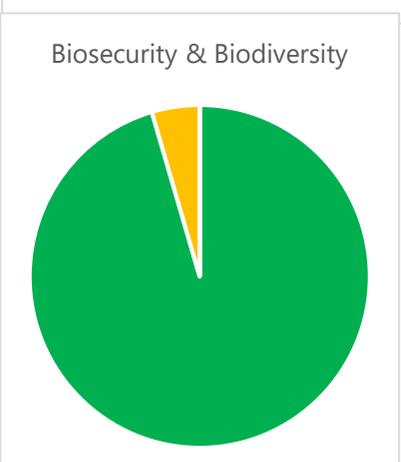
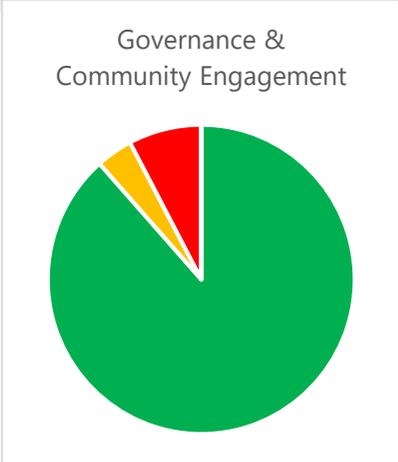
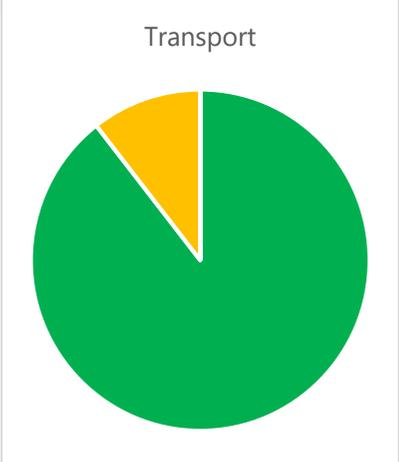
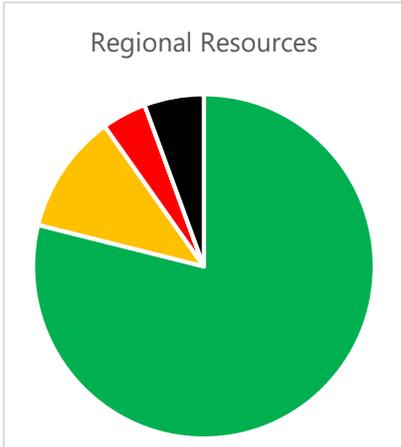
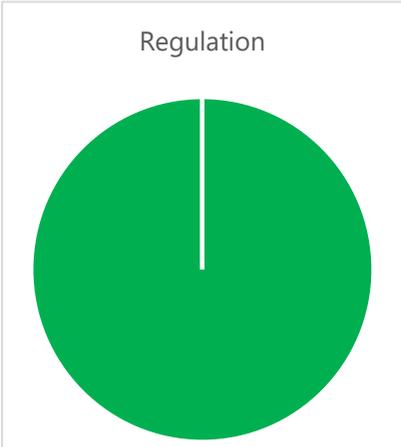
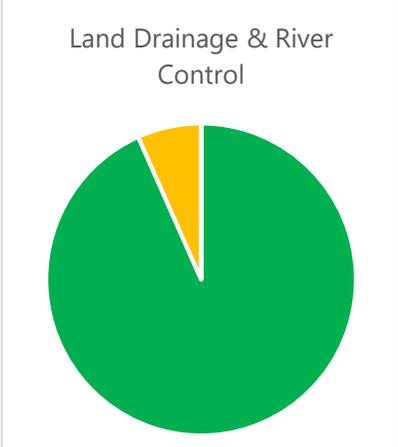
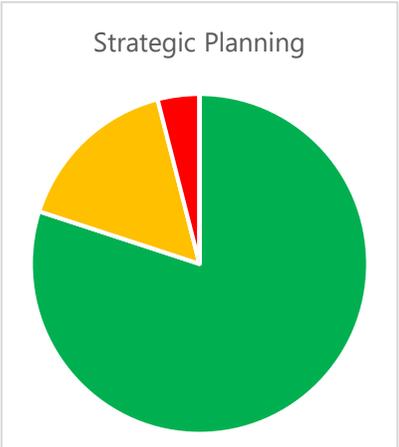
Results are specified on an exception basis. Consequently, if the task was completed at the location specified no specific reference to location is made.

Quality

During 2015-16 Council reviewed, throughout the financial year, the progress made against the individual performance targets at the end of six months and nine months, with consideration being given to the overall targets for the year. In determining whether quality requirements were being met, the elected representatives drew on their knowledge of the activities, the resources utilised to undertake them, and the outcome evident from the activities. They also drew assurance from the knowledge that Council had:

- Employed, either directly or through external agencies, suitably qualified staff (for example registered engineers and surveyors, members of the NZ Planning Institute, a member of the International Harbourmasters' Association, etc) with demonstrable experience relevant to their responsibilities;
- Ensured that staff were aware of current practices and developments relevant to their responsibilities through attendance and involvement in conferences, seminars and training courses;
- Reviewed the performance of flood control schemes after each flood deemed to be in excess of a 5-year event to ensure that schemes functioned as expected;
- Ensured that, where relevant, reference is made to established scientific conventions, international standards set by overseas agencies, professional legal advice and opinions, published case law precedents, and public submissions;
- Ensured that, where relevant, external peer reviews of plans and programmes were carried out;
- Carried out internal technical peer reviews and external legal reviews, throughout Regional Resource Management Plan plan change preparation processes, and actively sought the input of the public through submission and appeal processes.

2015-16 Non-financial Performance Progress Summary to 30 June 2016



Strategic Planning Group of Activities

Introduction

These activities pull together Hawke's Bay Regional Council's (HBRC) strategic thinking initiatives, economic development, investments and resource management policy development. Together with State of the Environment reports, these provide information for further strategic decisions.

Link to Strategic Outcomes

This group of activities contributes to HBRC's strategic outcomes in the following ways.

Resilient communities

Local leadership, strong relationships and affordable, well considered solutions – by funding and undertaking activities which support economic development, particularly those reliant on the region's natural resources; maximising the sustainable input of natural and physical resources into economic activities, engaging the community in making decisions about the future of their region.

Resilient ecosystems

- *Active management linking biodiversity, land, freshwater and our coastal marine areas* – by the development of catchment based regional plans, sustainably managing the region's natural and physical resources to ensure they are used efficiently and effectively; and the State of the Environment (SOE) project that will inform the community of environmental change and the effectiveness of HBRC programmes.
- *Balanced water use for a healthy natural environment that also supports growth* – by setting water quantity allocation limits based on an understanding of the relationship between aquatic habitat requirements, river flows, hydrology and groundwater-surface water connectivity, and economic impacts.

Resilient Economy

Profitable farming systems that can adapt to greater weather extremes, pest threats and take advantage of new opportunities – by funding and undertaking activities which support economic development, particularly those reliant on the region's hill country.

Resilient organisation

Using foresight, strategy, smart investment, strategic alliances and a fit-for-purpose approach to lead our region – by providing a mechanism to coordinate regional initiatives through the Regional Economic Development Strategy, and promoting integrated strategy and planning processes.

Assumptions and Future Demand Incorporated in the Long Term Plan

The planning assumptions for the following activities are:

- HBRC's economic development activity in Hawke's Bay will be based on the Regional Economic Development Strategy (REDS).
- Changes to resource management legislation are expected by Central Government.
- There will be sufficient funding from Year 4 to enable the resource management planning activities to be delivered.
- Implementation of the National Policy Statement for Freshwater Management is a priority.

Strategic Planning Group of Activities

	Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)
EXPENDITURE				
Operating Expenditure				
Economic Development	1	2,006	1,898	1,469
		<u>2,006</u>	<u>1,898</u>	<u>1,469</u>
Strategy & Planning	2	1,373	1,847	1,428
Policy Implementation	3	671	543	521
State of the Environment Monitoring	4	492	363	848
Total Operating Expenditure		<u>4,542</u>	<u>4,651</u>	<u>4,266</u>
Capital Expenditure				
Energy Futures Loan Repayments		20	-	10
Total Capital Expenditure		<u>20</u>	<u>-</u>	<u>10</u>
TOTAL EXPENDITURE		<u>4,562</u>	<u>4,651</u>	<u>4,276</u>
REVENUE				
Activity Revenue				
Direct Charges		67	52	26
Total Activity Revenue		<u>67</u>	<u>52</u>	<u>26</u>
Other Revenue				
Targeted Rates		1,738	1,721	1,406
Grants		332	125	125
Loans Drawn Down		-	-	200
On-Site Waste Water Disposal Loan Repayments		-	-	-
Total Other Revenue		<u>2,070</u>	<u>1,846</u>	<u>1,731</u>
TOTAL REVENUE		<u>2,137</u>	<u>1,898</u>	<u>1,757</u>
TOTAL FUNDING REQUIREMENT		<u>(2,425)</u>	<u>(2,753)</u>	<u>(2,519)</u>
Special Reserve Funding				
Sale of Land (Other Initiatives) Reserve		387	333	(131)
Total Special Reserve Funding		<u>387</u>	<u>333</u>	<u>(131)</u>
NET GENERAL FUNDING REQUIREMENT		<u>(2,038)</u>	<u>(2,420)</u>	<u>(2,650)</u>
MET BY				
General Funding Rates		-	-	498
Investment Income		2,233	2,330	2,207
Operating Reserves		(195)	90	(55)
		<u>2,038</u>	<u>2,420</u>	<u>2,650</u>

Strategic Planning Group of Activities

Activity 1 – Economic Development

Level of Service Statement			
Regional Economic Development Strategy mission statement: “To make Hawke’s Bay the best location in which to visit, work, invest, live and grow”			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Funding contract with approved performance targets and reporting requirements	Revised allocation for the funding agreement with Hawke’s Bay Tourism Ltd \$1,220,000 Continue quarterly reporting to Council on key performance indicators	Review <i>HB Tourism</i> KPIs as part of <i>their 3-year</i> funding contract agreement	Achieved HB Tourism's KPIs were reviewed and revised at the start of their 3 year funding contract. These KPIs are now being reported on and monitored.
Long term Regional Economic Development Strategy (REDS) and three year Action Plan	Annual report on action plan	Key Performance Indicator (KPI) in Business Hawke’s Bay contract to monitor and report on the Action Plan and review the Regional Economic Development Strategy	Achieved BHB has been involved in the governance and project team of REDS and has been working closely with HBRC staff on the Strategy's development. Now that we are moving into an implementation phase BHB is taking a leadership and convening role for driving the Strategy and this is reflected in their 6 monthly reporting to council.

Strategic Planning Group of Activities

Level of Service Statement			
Regional Economic Development Strategy mission statement: “To make Hawke’s Bay the best location in which to visit, work, invest, live and grow”			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Investment for research and development and business development	At least \$800,000 per annum achieved for Research and Development investment	Implement Regional Business Partner programme in partnership with Chamber of Commerce locally, and New Zealand Trade & Enterprise and Callaghan Innovation nationally. Remain proactive in RFP process for next Regional Business Partner program which commences in January 2016.	Achieved HBRC has revised resourcing for the RBP Programme - Chamber has 0.6FTE Business Advisor and HBRC has 0.8FTE (Callaghan Specialist) and 0.7FTE (Business Advisor & Business Mentors NZ Manager). High demand for the services. Regional Business Partner, Research & Development Since 1 July 2015 to date \$814,992 grant funding has been issued to 16 companies (F&B, horticulture, aviation and general manufacturing sectors). Considering these grants are 40% of the project that is a significant spend in the region on R&D. A further 4 R&D intensive Hawke’s Bay companies have secured funding from the Callaghan flagship grant programme which enables them to access a grant of 20% of their annual R&D spend up to a value of \$5m per annum over a 3 year rolling period
Implementation of HBRC led Initiatives to implement REDS Action Plan – with a focus on primary sector resilience	Initiate and progress initiatives as per the yearly REDS Action Plan – including programmes associated with: <ul style="list-style-type: none"> • Maori Economic Development • Wairoa primary sector opportunities • Supporting the resilience of the region’s primary sector Continue to engage on Oil and Gas exploration/development with stakeholders	Implement REDS action plan as it relates to HBRC led initiatives, <i>specifically as relates to HBRC and Maori Agribusiness</i>	Achieved Implementation of the action plan has not yet commenced as the focus this quarter has been on development and finalisation of the plan itself. Ministerial launch on 27th July.

Strategic Planning Group of Activities

Financial Variances Explained

Economic Development activity for the year incurred expenditure \$108,000 higher than had been budgeted due to work on the development of the Regional Economic Development Strategy, economic work on the proposed Ruataniwha Water Storage Scheme and unanticipated investigations into rocket tourism. These costs were offset by increased grant funding due to new funding arrangements with the Regional Business Programme.

Strategic Planning Group of Activities

Activity 2 – Strategy and Planning

Level of Service Statement			
HBRC will help the community prepare for the future and increase community resilience to climate change			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Energy Strategy prepared Hawke's Bay Energy Initiative launched	<ul style="list-style-type: none"> – Develop a Hawke's Bay Energy Strategy with a Draft Strategy adopted by Council by March 2016 – Complete report on the effectiveness of the Regional Resource Management Plan (RRMP) and Regional Coastal Environment Plan (RCEP) in relation to managing the effects of oil and gas exploration and development. – Community Engagement Plan for potential Oil and Gas Exploration and Development in Hawke's Bay adopted by Council in August 2015. – Complete a report for the Regional Planning Committee to consider whether a limited scope regional plan change is necessary and appropriate to address any relevant recommendations from the Parliamentary Commissioner for the Environment's June 2014 report "Drilling for oil and gas in New Zealand: environmental oversight and regulation." 	Project manage the <i>Hawke's Bay Energy Strategy</i> and reports	<p>Not Achieved</p> <p>A stocktake of the work to date in this area was undertaken, as well as discussion with key stakeholders and the development of a working draft strategy. A meeting of key stakeholders is planned for the start of the 2016-17 year.</p>
East Coast Hill Country Strategy	Develop and complete a strategy by July 2018 in preparation for policy development within the RRMP. Strategy adopted by Council by July 2018.	Project manage the <i>East Coast Hill Country strategy for adoption by Council by July 2018 in preparation for policy development within the RRMP</i>	<p>Achieved</p> <p>Ongoing progress is being made in the formation of a hill country strategy. An East Coast Hill Country "governance" group has been formed and another is close to formalisation in Wairoa Both groups have met twice over the last 6 months. Multiple synergies and relationships are being created through joint projects, and stakeholder meetings in a wide range of topics associated with hill country.</p>

Strategic Planning Group of Activities

Level of Service Statement			
HBRC will help the community prepare for the future and increase community resilience to climate change			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Number of sectors through which HBRC promotes/influences reduction in carbon emissions and adaptation to climate change.	Funding for an Approved Solar Hot Water Scheme or an alternative Solar Initiative is available.	Review the business case for the Solar Hot Water Scheme as part of the Energy Strategy initiative.	Achieved No business case has been received from NCC/HDC
		Proactively seek initiatives through which HBRC is able to influence or promote a reduction in regional carbon emissions	Achieved HBRC continues to consider activities that will work towards this outcome, including the construction of cycle trials, continued and increasing investment in public transport and a wide range of land management activities focussed upon sustainable land use. HBRC has begun work on convening a regional energy forum and energy strategy to identify regional opportunities to improve energy use, including reductions in carbon emissions.
Number of Council activities that contribute to climate change adaptation and reduction		Proactively seek opportunities to make investments that provide a satisfactory return for HBRC's investment portfolio and result in sustainable use of the region's resources	Achieved HBRC has investments in forestry throughout the region and is considering investment opportunities in rail and water storage. All of these investments have or will have a financial return component as well as an environmental benefit component to the investment.
		Project manage the preparation of the Contribution to Climate Change Adaption, Mitigation and Reduction report	Achieved This action is programmed for the 2016-17 year.

Strategic Planning Group of Activities

Level of Service Statement			
HBRC will integrate land and water and biodiversity management to deliver environmental, economic, social and cultural outcomes			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Progressive Implementation Plan for 2014 National Policy Statement for Freshwater Management (NPSFM)	Adopt and notify Progressive Implementation Plan for 2014 NPSFM Prepare report on implementation of National Policy Statement for Freshwater Management	Report on NPSFM Implementation Plan progress through the Annual Report	Achieved Revised NPSFM Progressive Implementation Programme adopted and notified in December 2015 following amendments to NPSFM in 2014. Annual report due at end of financial year for 2015-16 period, with Draft report to be presented to 31 August Regional Council meeting.

Level of Service Statement			
HBRC will establish and maintain clear and appropriate policy in a responsive and timely manner that will enable sustainable management of the region's natural and physical resources			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
<ul style="list-style-type: none"> Status of Resource Management Plans and Policy Statements No more than 2 years elapse from notification of a plan change to decisions on submissions being issued 	Plan change for outstanding freshwater bodies publicly notified July 2016	Project manage the development of policy for inclusion in the RRMP and RPS including: <ul style="list-style-type: none"> Coordinate and integrate all the necessary inputs into the planning processes Coordinate and undertake the required stakeholder community engagement before notification 	Achieved Active project management of various plans and plan change projects continues. Particular focus on preparation of TANK and Mohaka catchment plan changes, including proactive programmes of stakeholder engagement. Some limited staffing capacity issues during 2015 had contributed to project management not being fully achieved across all plan change projects. However, this has now been rectified.
	Participate in the implementation and review of the Heretaunga Plains Urban Development Strategy	Participate in the Heretaunga Plains Urban Development Strategy (HPUDS) Technical Advisory Group <i>in support of the Implementation Working Group implementation and review of the Strategy</i>	Achieved HPUDS Review commenced November 2015. Stages 1 & 2 completed by 30 June and Stage 3 (community engagement on Draft revised Strategy) has commenced. Review still on track to be completed Sept 2016.

Strategic Planning Group of Activities

Level of Service Statement			
HBRC will establish and maintain clear and appropriate policy in a responsive and timely manner that will enable sustainable management of the region's natural and physical resources			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Operative Regional Coastal Environment Plan <ul style="list-style-type: none"> At all times there is a regional plan in force for the HB coastal marine area New Zealand Coastal Policy Statement (NZCPS) put into action in accordance with statutory requirements 	<ul style="list-style-type: none"> Prepare and complete Coastal Hazard Management Strategy and Implementation Plans for coastline between Tangoio and Clifton Coastal Hazard Management Strategy (Phase 1) to be adopted by Council by June 2016 	Support and participate in the development of <i>the Coastal Hazard Management Strategy and Implementation Plans for the coastline between Tangoio and Clifton</i> through the Joint Coastal Hazard Committee (refer Regional Resources, Activity 4, Coastal Management)	Partially Achieved Strategy development is ongoing as project transitions into Stages 2 and 3. Erosion hazard zones and associated consequences on building assets has been assessed and presented to Joint Committee. Coastal inundation hazard mapping has been completed. Wider stakeholder engagement re hazard zones was undertaken in April-May 2016.

Financial Variances Explained

Staff vacancies in the Strategy and Planning team (including the Group Manager and 3 planner positions) for the first two quarters of the year were the primary driver of \$474,000 less expenditure than had been budgeted. As a consequence of these vacancies work programmes on freshwater reform, including TANK and Mohaka plan changes, and energy related work, were delayed. This team was at full complement by the end of Q3 and work programmes are now back on track, with a \$165,000 carried forward to 2016-17 to support a ramped up work programme.

Strategic Planning Group of Activities

Activity 3 – Policy Implementation

Level of Service Statement			
HBRC will promote integrated management and benefits of collaboration by proactively communicating its policies and responsibilities through dialogue and submissions on district plans, consent applications and central government initiatives			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Lodging of submissions on district plans, district planning applications and central government initiatives where there are relevant Regional Council policies	Submissions made on district plans, district planning applications and central government initiatives reported to HBRC's Environment and Services Committee.	Continue to receive, review and report on TLA consent applications and plan development activities.	<p>Achieved</p> <ol style="list-style-type: none"> 1. HBRC was a party to one appeal on Napier CC Change 10. Following mediation, appeal was settled without need for formal Environment Court hearing. 2. Hastings DC issued decisions on its proposed district plan. HBRC didn't appeal any decisions itself, but is an interested party to 9 other 'live' appeals against Hastings DC's decisions. Mediation sessions occurring through mid-2016, and possible formal Environment Court hearings to follow as necessary. Several appeals have been resolved by mediation. 3. HBRC had appealed Hastings DC's decision to grant 15-lot subdivision consent at Whirinaki, contrary to the RPS. Following Court-assisted mediation, the appeal was withdrawn.
	Staff of HBRC and territorial local authorities to meet at least twice a year to discuss integration issues and steps to improve the regional and district plan are identified and acted upon.	Facilitate the Hawke's Bay Councils Planners' group	<p>Achieved</p> <p>Ongoing group discussions and meetings operate with high degree of flexibility, depending on issues arising, with two meetings having been held over the 2015-16 year.</p>

Strategic Planning Group of Activities

Level of Service Statement			
HBRC will ensure resource management plans are implemented, monitored and evaluated			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Implementation Plans in place for newly operative Plan Changes or Plan Reviews	Annual Report on Implementation Plan for Tukituki Catchment Plan Change 6)	Project manage reporting on <i>Tukituki Plan Change 6</i> Implementation Plan	Partially Achieved Plan Change 6 (Tukituki River Catchment) became operative October 2015. A project team featuring representatives from multiple sections within HBRC was formed. A Consultant has been engaged to coordinate preparation of a plan 'working towards implementation' for the Tukituki Plan Change, this is being presented to the RPC on 3 August 2016 for approval. Engagement with Iwi as prescribed by RRMP POL TT16 is required and is being worked on by Senior Planner - Maori Policy Advisor, Joyce-Anne Raihania, and Iain Maxwell, this is required before the final formal implementation plan can be completed, Iwi currently working through issues.

Level of Service Statement			
HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Maintain a database of potentially and confirmed contaminated sites	To administer and maintain the database, including checking of record details, site visits to GPS areas of contamination, transfers to Territorial Local Authorities (TLA) as per agreed protocol and advising landowners of the contaminated sites status of their property. To respond to queries and complaints regarding potentially contaminated sites.	<i>Review and upgrade the HAIL database to provide an acceptable solution for TA access and/or information transfer</i>	Partially Achieved Partially achieved. Various changes are being assessed to improve the database, add GIS capabilities and to link the database with the SharePoint/Herbi electronic filing system.
		<i>Continue verification of sites listed on HAIL database</i>	Partially Achieved Partially achieved. The existing records in the "Hot Spots" database have been checked and referred against a list provided by the Ministry for the Environment, however new sites require to be added to the database and existing sites have not been investigated.
		<i>Establish Information Transfer protocols with TLAs</i>	Not Achieved The information transfer protocols with TLAs have not been actioned due to the delay in the upgrade of the HBRC Land Use register.

Strategic Planning Group of Activities

Financial Variances Explained

Policy Implementation activity resulted in expenditure \$128,000 higher than had been budgeted, almost all of which was staff time. This additional work load was in response to an unusually high volume of central government policy consultation requiring analysis and submissions, and iwi liaison, including the development of the Pataka tool and engagement with tangata whenua on regional planning issues.

Strategic Planning Group of Activities

Activity 4 – State of the Environment Monitoring

Level of Service Statement			
HBRC will monitor and provide accurate information to the community so that it understands the State of the Environment (SOE) for Hawke’s Bay			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
<ul style="list-style-type: none"> Data quality as assessed against HBRC’s quality assurance system Amount of State of the Environment monitoring data available through HBRC’s website 	Maintain the current level of SOE data on HBRC’s website. Continue to make information from the following monitoring sites available through HBRC’s website: <ul style="list-style-type: none"> All telemetered river flow sites All telemetered rainfall sites All telemetered climate stations All data collected, processed, analysed and stored in accordance with ISO requirements Maintain ISO accreditation	Update quality assurance system requirements to maintain ISO accreditation.	Achieved Quality assurance is maintained through ongoing review and audit of existing processes, and development of new processes. ISO9001 registration was maintained during the re-registration audit conducted in November 2015 by TELARC.
		Undertake regular auditing of the quality assurance system	Achieved Auditing of processes in the Promapp quality assurance system is undertaken on a regular basis.
		Take corrective action, and respond to “areas of concern” and “opportunities for improvement” identified by internal and external audits	Achieved Areas of concern and opportunities for improvement identified by internal and external audits have been responded to as required. For example, a new approach to JSEAs is being developed with HR
		Maintain monthly SoE reports on HBRC’s website	Achieved Monthly SoE reports continue to be published on HBRC’s website, including data collected by the telemetered river flow, rainfall and climate sites.
State of the Environment Monitoring Report	Annual Update State of the Environment (SOE) Reports available by June each year	Prepare annual <i>State of the Environment</i> update and five yearly reports	Not Achieved The annual report and 5-yearly report were rolled together and published in December 2014. The annual summary report for 2015 will be rolled into the 2016 report.

Financial Variances Explained

Variances in the Water Management activity budgets (\$129k over spent) were primarily the result of additional staff time invested into the production of the technical reports that support the five yearly State and Trends Summary Report produced in the 2015-16 financial year.

Land Drainage & River Control Group of Activities

Introduction

Historically, where frequent flooding or poor drainage have been an issue for local land owners, the Hawke's Bay Regional Council (HBRC) or its predecessor organisation, the Hawke's Bay Catchment Board, have worked with them to establish a flood control and/or drainage scheme to enable them to use their land with reduced risk of flooding and associated improvements to drainage, provided they have been willing to meet a significant portion of both the capital and ongoing maintenance and operating cost. HBRC now administers 25 flood control and drainage schemes throughout the region. The estimated replacement value of these assets is \$153,000,000.

This activity covers the following inter-related programmes:

- Maintenance and improvement of flood protection and drainage schemes
- Investigations and enquiries associated with flood control and/or drainage issues.
- Sundry works.

The empowering legislation for this function of the Hawke's Bay Regional Council (HBRC), is the Soil Conservation and Rivers Control Act 1941, the Land Drainage Act 1908, the Local Government Act 2002 and the Civil Defence Emergency Act 2002.

Link to Strategic Outcomes

HBRC's Land Drainage and River Control activities contribute to Council's strategic outcomes in the following ways.

Resilient Communities

- *Our people and businesses feel safe from natural hazards* - by reducing the risk of flooding to the community, our homes and productive land, and providing safe waterway environments.
- *Quality services for a healthy, connected community* – by providing for public access to HBRC managed waterway environments for recreation and enjoyment and enhancing amenity values where appropriate.

Resilient Ecosystems

Active management linking biodiversity, land, freshwater and our coastal marine area – by managing and enhancing the river environment by mechanically opening river mouths; active river control; enhancement of the waterways with a holistic management philosophy; implementation of an environmental strategy and compliance with a code of practice; and by ensuring activities are sustainable.

Resilient Economy

Quality, future focused infrastructure – by providing first class asset management principles to the design, construction and maintenance of the flood control and drainage schemes.

Assumptions and Future Demand Incorporated in this Plan

The planning assumptions for HBRC's Land Drainage and River Control activities are:

- Budgets have been prepared on the basis that no flood events in the next 10 years that could cause major damage to HBRC's flood protection and drainage assets. Should such an event occur, maintenance and improvement programmes may be reviewed and budgets revised.
- Current arrangements for gravel extraction will continue, with sufficient gravel extraction by commercial extractors to maintain river bed levels at an ideal grade. This is not currently the case for some Upper Tukituki rivers and investigations are underway to determine options for addressing this.
- There will be no changes to legislation that impact on the role of the Regional Council in land drainage and river control.
- HBRC maintains its current policy with regard to responsibility for funding of existing and new flood protection and drainage works.

Land Drainage & River Control Group of Activities

	Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)
EXPENDITURE				
Operating Expenditure				
Flood Protection & Drainage Schemes	1	5,795	6,171	5,794
Investigations & Enquiries	2	858	384	272
Sundry Works	3	322	260	249
Operations Group External Contracts		874	420	609
Subtotal of Sundry Works		1,196	680	858
Total Operating Expenditure		7,849	7,235	6,924
Capital Expenditure				
Infrastructure Asset Construction		785	763	649
Disaster Damage Excess Deposits		-	-	111
Loan Repayments		792	792	785
Total Capital Expenditure		1,577	1,555	1,545
TOTAL EXPENDITURE		9,426	8,790	8,469
REVENUE				
Activity Revenue				
Direct Charges		908	124	227
Operations Group External Contracts		1,171	526	789
Total Activity Revenue		2,079	650	1,016
Other Revenue				
Targeted Rates		6,478	6,452	6,399
Capital Works Charges		-	-	10
Interest on Scheme Reserves		238	92	231
Loans Drawn Down		-	-	220
Total Other Revenue		6,716	6,544	6,860
TOTAL REVENUE		8,795	7,194	7,876
TOTAL FUNDING REQUIREMENT		(631)	(1,596)	(593)
Special Reserve Funding				
Specific Scheme Reserves		(455)	226	(696)
Scheme Depreciation Reserves		5	-	28
Regional Disaster Reserves		-	-	-
Total Special Reserve Funding		-450	226	-668
NET GENERAL FUNDING REQUIREMENT		(1,081)	(1,370)	(1,261)
MET BY				
General Funding Rates		-	-	214
Investment Income		1,139	1,144	948
Operating Reserves		(58)	226	99
		1,081	1,370	1,261

Land Drainage & River Control Group of Activities

Activity 1 – Flood Protection & Drainage Schemes

1a – Heretaunga Plains Scheme

Level of Service Statement			
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Heretaunga Plains Scheme area. All flood protection and river control works associated with the Scheme shall be maintained, repaired and renewed to the standards defined in the Scheme Asset Management Plan. The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP) safely to the sea.			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
<p>Communities and productive land experience no flooding from rivers up to the design level of protection. Work planned through an annual programme of works is completed each year.</p> <p>Work Planned through an annual programme of works is completed each year</p> <p>The level of service will be reported as kilometres and percentage of floodway that provide the design level of service</p>	<p>Prepare an annual programme of works prior to the commencement of each financial year. Complete the annual programme of work.</p> <p>Complete detailed design philosophy and priorities for improved level of service</p>	Prepare an annual maintenance schedule prior to the commencement of each financial year.	Achieved Completed for this year
		Maintenance and gravel extraction to maintain the channel capacity and integrity of the flood protection assets <i>including spraying, mowing, beach raking, lopping, pole planting and sea groyne maintenance.</i>	Achieved Completed for this year
		Monitoring of flood events in accordance with the Flood Manual	Achieved Completed for this year
		Sawfly damage monitoring and alternative species planting	Achieved This project continues with approx 13,000 alternative species planted on the Heretaunga Plains river berms every year
		Annual asset audit by a chartered professional engineer, and full assessment of each of the major rivers every 12 years	Achieved Completed for this year

Land Drainage & River Control Group of Activities

Level of Service Statement			
HBRC will maintain an effective Heretaunga Plains drainage network that provides drainage outlet for rainfall runoff of 32mm in 24 hours from smaller watercourses to communities and productive land within the Heretaunga Plains Scheme			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Frequent out of channel flooding lasting more than 24 hours does not occur for the design rainfall runoff and lesser events.	Complete reviews of the level of service provided within the nine scheme areas covering the drainage network across the Heretaunga Plains and determine new level of service measures and targets.	Commence review of individual catchment areas and complete at least 3 per year.	Partially Achieved Work is proceeding on the Taipo, Purimu, County and Plantation catchments.
		Monitoring, operation and maintenance of the drainage network	Achieved Ongoing
		Annual asset audit by a chartered professional engineer	Achieved Completed

Level of Service Statement			
HBRC will protect and enhance the Heretaunga Plains scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Stream Ecological Valuations (SEV) Ecological Enhancement Plans	On the rivers, increased native planting as measured six yearly based on the River Ecological Enhancement Plans	Complete the Hastings urban streams SEV.	Partially Achieved Field work is completed. The evaluation and report is being carried out and is due end of August 2016
		Continue riparian planting and waterway enhancement	Achieved Ongoing
		Implement an annual enhancement programme from the EMEP	Partially Achieved Ecology management and enhancement is part of the current work programme for the Ngaruroro and Tutaekuri and will proceed on the Tukituki when the report is completed, early 2017.
		Re-evaluate EMEP every 6 years to confirm implementation approach	Achieved First review not due until 2020
		Complete River Ecological Management and Enhancement Plans (EMEP) for enhancement of ecological values for the Scheme rivers	Achieved Ngaruroro completed, Tutaekuri completed 2015-16, Tukituki end of 2016

Land Drainage & River Control Group of Activities

Financial Variances Explained

Heretaunga Plains net expenditure was \$455,000 less than budget. This is made up of a number of areas being less than budget:

- Infrastructure insurance
- Energy costs
- Reduced engineering input as a result of resignation of engineer and difficult process for replacement.
- Special Project work because of reduced engineering input.
- A refund of \$177,000 from Works Group surpluses was returned to the Heretaunga Plains Rivers and Drainage Schemes.

Land Drainage & River Control Group of Activities

1b – Upper Tukituki Scheme

Level of Service Statement			
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Upper Tukituki Scheme area. All flood protection and river control works associated with the Scheme shall be maintained, repaired and renewed to the standards defined in the Scheme Asset Management Plan. The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP) safely to the sea.			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Communities and productive land experience no flooding from rivers up to the design level of protection.	Complete review of river bed gravel resource (ref gravel management) and identify most cost effective approach to sustainable gravel management within scheme area.	Maintenance and gravel extraction to maintain the channel capacity and integrity of the flood protection assets <i>including spraying, mowing, beach raking, lopping, pole planting and sea groyne maintenance.</i>	Achieved Gravel extraction rate reduced due to lack of demand, currently investigating alternatives to maintain channel capacity
		Monitoring of flood events in accordance with the Flood Manual	Achieved Return period about 10 year in Waipawa River, and Tukituki Rivers
		Sawfly damage monitoring and alternative species planting	Achieved On target in accordance with maintenance programme
		Annual asset audit by a chartered professional engineer, and full assessment of each of the major rivers every 12 years	Achieved Protocol has been developed and completed.
Rates fairly reflect the degree of benefit received by the flood protection provided.	Complete a review of the method of allocating to ratepayers the cost of maintaining and improving the flood protection scheme	Complete a review of the rate allocation system and implement a new system if the existing one is deemed to be unfair	Achieved Due to be completed for consultation 2016
		Monitoring of flood events in accordance with the Flood Manual	Achieved Ongoing

Land Drainage & River Control Group of Activities

Level of Service Statement			
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Upper Tukituki Scheme area. All flood protection and river control works associated with the Scheme shall be maintained, repaired and renewed to the standards defined in the Scheme Asset Management Plan. The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP) safely to the sea.			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Work planned through an annual programme of works is completed each year. The level of service will be reported as kilometres and percentage of floodway that provide the design level of service	Prepare an annual programme of works prior to the commencement of each financial year. Complete the annual programme of work.	Prepare an annual maintenance schedule prior to the commencement of each financial year.	Achieved Completed
		Annual asset audit by a chartered professional engineer, and full assessment of each of the major rivers every 12 years	Achieved Completed

Level of Service Statement			
HBRC will protect and enhance the Upper Tukituki scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity.			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Ecological Management and Enhancement plans	Complete Rivers Ecological Management and Enhancement Plans for enhancement of ecological values for the Scheme rivers On the rivers, increased native planting as measured six yearly based on the river Ecological Management and Enhancement Plans (EMEP)	Continue riparian planting and waterway enhancement	Not Achieved Due to the unavailability of the consultant, this report is now expected by December 2016.
		Implement annual programme from the Ecological Management and Enhancement Plan	Not Achieved Due to the unavailability of the consultant, this report is now expected by December 2016.
		Re-evaluate the Ecological Management and Enhancement Plan every 6 years to confirm implementation approach	Achieved Completed

Financial Variances Explained

Expenditure on the Upper Tukituki Scheme was \$106,000 less than budget with the following factors contributing to that

- a- Reduced insurance infrastructure insurance costs \$100,000 following Councils withdrawal from LAPP and renegotiation of insurance with a commercial provider
- b- A refund from Works Group surpluses of \$46,000 being returned to the Scheme.
- c- Increased operational expenditure to the scheme was \$40,000.

Land Drainage & River Control Group of Activities

1c – Other Schemes

Level of Service Statement			
HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas, including: - - Makara Flood Control - - Paeroa Drainage - - Porangahau Flood Control - - Ohuia – Whakaki Drainage - - Esk River - - Whirinaki Drainage - - Maraetotara - - Te Ngarue - - Kopuawhara Flood Control - - Poukawa Drainage - - Kairakau - - Waimarama (proposed)			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
<p>A full assessment of the capacity and integrity of flood control works is completed every 12 years by a chartered professional engineer with interim audits undertaken annually.</p> <p>The level of service will be reported as percentage of assets that provide the design level of service</p>	<p>– Develop a programme of Scheme reviews and commence review process with at least 2 Schemes</p> <p>– Continue with review process and quantify level of service provided by Schemes where this is unknown</p>	Maintenance to preserve channel capacity and integrity of flood protection and drainage assets	Achieved Ongoing
		Monitoring of flood events in accordance with the Flood Manual	Achieved Event in Wairoa in Sept. was monitored and advice provided as needed. Several other minor watches and warnings occurred. All dealt with appropriately, some notifications to CDEM staff and others. All good.
		Complete annual asset audit by a chartered professional engineer of selected areas of Schemes, and a full assessment of each of the scheme areas every 12 years	Achieved Scheme audit completed for selected areas.
	Waimarama Flood Protection Scheme accepted by community and operation phase begun	Consult with Waimarama community regarding the possibility of establishing a flood control scheme to fund improved management of the waterways and flood channels flowing through the community	Not Achieved No progress

Financial Variances Explained

Expenditure in Other Schemes was \$185,000 in excessive budget with the following contributing to that overspend

- a- The Kopuawhara Scheme rate payers wish to reconstruct their stopbank on the Kopuawhara Stream utilising scheme reserve money. This was not programmed at the time of the establishment of budgets however HBRC staff worked with the ratepayers to achieve this outcome.
- b- Esk Scheme additional willow removal and willow clearance work was undertaken on the scheme following ratepayer public comments regarding willows adjacent to the river.
- c- Kairakau Scheme – staff worked with the Kairakau Scheme ratepayers to enable them to construct an additional wall to allow them to improve the reserve land adjacent to the Mangakuri River. Additional contribution towards this was provided by the Kairakau Development Trust on behalf of the community.
- d- Costs associated with the review of the Upper Tukituki Scheme basis for rating were charged to the Central and Southern Schemes.

Land Drainage & River Control Group of Activities

Activity 2 – Investigations & Enquiries

Level of Service Statement			
HBRC staff will provide expert advice on drainage, flooding, and coastal erosion issues			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
All queries are dealt with by appropriate qualified and experienced staff	HBRC retains two chartered professional engineers with experience in flood management, river control and coastal issues on staff	Manage and provide for succession of key staff	Achieved New staff are introduced to gravel management as required and as part of their training.
		Recruit graduates and promote of Local Government careers to ensure staffing capacity for the future	Achieved Students with an interest in river management are employed where practicable. A contract has been renewed to employ a student later this year for 12 months to gain experience.

Level of Service Statement			
HBRC will provide up to a 30% subsidy for river control and flood protection where the criteria set out in the Regional Council's guidelines for technical and financial assistance are met			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Value of subsidies provided annually	\$40,000 plus inflation of subsidy money is provided each year at a subsidy rate of 30%	Continue to promote the HBRC subsidy programme	Achieved This continues to be promoted, having provided \$50,000 in subsidies in the 2015-16 year.

Level of Service Statement			
HBRC will provide a consultancy service for drainage, flooding, and coastal erosion issues according to individual project agreements on a full cost recovery basis			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
<ul style="list-style-type: none"> • Cost recovery • Satisfaction with Service 	<ul style="list-style-type: none"> • Full costs of any consultancy work are recovered • Major clients are satisfied with service provided 	Effectively and efficiently complete consultancy projects	Achieved On track

Financial Variances Explained

The primary reason for this activity being significantly in excessive of budget is the additional demand on the Council engineering consultancy services by Gisborne District Council, and a 2.5km stopbank for private landowner on the Tutaekuri River. The significant part of the cost is associated with this stopbank which was designed and constructed by HBRC with all costs being met by the landowner. In accordance with the agreement with the landowner this stopbank has become an asset on Heretaunga Plains Scheme and will be maintained under that Scheme.

Land Drainage & River Control Group of Activities

Activity 3 – Sundry Works

Level of Service Statement			
HBRC will ensure that the beach at Westshore has erosion checked to 1986 erosion line (The 1986 line was the extent of erosion before beach renourishment began, and is identified on a series of posts along the foreshore)			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
The comparison of annual beach cross section surveys to the 1986 erosion	<ul style="list-style-type: none"> Erosion does not extend landward of the 1986 line by more than 10% of the beach length in any 12 month period An alternative source of gravel or sand for renourishment will be sought The current approach to erosion mitigation at Westshore will be reviewed as part of the Coastal Hazard Management Strategy 	Regular monitoring and renourishment of <i>Westshore</i> is completed annually	Achieved On track and erosion has not extended by more than 10% over 2015-16.
		Renourishment Program Review to be completed, and new source of renourishment material to be found	Achieved New source of renourishment material sourced from river this year.

Level of Service Statement			
HBRC will maintain river mouths so that they do not flood private land above a specified contour subject to suitable river, sea and weather conditions that will allow a safe and successful opening to be made			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Incidences of flooding of private land above levels as specified in the River Opening Protocol	Private land above a specified contour is not flooded as a result of a river mouth being closed	River mouths and lagoon outlets are inspected regularly and opened when required, and when river, sea and weather conditions allow	Achieved Regular inspections and openings undertaken throughout the year

Financial Variances Explained

The annual renourishment programme at Westshore beach cost significantly more than budget because material had to be sourced from new sites. Napier City Council meet 50% of the cost of this renourishment.

Regional Resources Group of Activities

Introduction

Regional Resources addresses the region's public shared resources (air, water, coast, gravel), its land resource (in private ownership) and Hawke's Bay Regional Council (HBRC) owned property managed as a regional resource.

In relation to public shared resources, these activities include the gathering of information about them to improve their sustainable management, and efficient use.

In relation to the land resource, HBRC promotes sustainable land management and enhanced economic and environmental performance. HBRC also leverages government funding to support these initiatives.

In relation to Council-owned land, all activities aim to improve public access to these areas.

Link to Strategic Outcomes

This group of activities contributes to Council's strategic outcomes in the following ways.

Resilient Communities

- *Quality services for a healthy, connected community* - by providing access to the coast, open space and safe off road pathways/cycleway opportunities for recreational enjoyment, protecting sites of cultural significance within open space areas and, where appropriate, identifying and valuing them for public education and interest, protecting the natural environment particularly fresh and coastal swimming water quality, improving air quality and reducing respiratory disease through the Heat Smart and home insulation programme.
- *Local leadership, strong relationships and affordable, well-considered solutions* – by enabling community-led water user groups to develop ways to efficiently use the region's water allocations, through actions such as audited self management.

Resilient Ecosystems

Active management linking biodiversity, land, freshwater and our coastal marine areas –by understanding that the region's natural and physical resources are being managed to ensure they are used efficiently and sustainably; identifying and promoting sustainable land management practices; improving air quality; sustainably managing rivers, coast and the gravel resource; and providing opportunities for access to open space areas.

Resilient Economy

Profitable farming systems that can adapt to greater weather extremes, pest threats and take advantage of new opportunities – by working closely on-farm with the regions land holders to understand their needs, working with the primary sector in joint research and extension initiatives and facilitating collaborative approaches to adaptive governance and management that consider holistically the impact of decision making in the landscape on social, cultural, environmental and economic objectives, for example as proposed in the East Coast Hill Country Resilience Proposal.

Assumptions and Future Demand Incorporated in the Long Term Plan

The planning assumptions for the following activities are:

- Science investigations will not be delayed as a result of unsuitable climatic conditions.
- Funding policies for water management reflect more targeted cost recovery, improving the alignment of costs to those who benefit.
- The funding policies applied to most of these activities will remain constant over the life of the plan. However new funding sources will be evaluated and utilised, as appropriate, for resource investigations and monitoring relating to land, air and the coast.

Regional Resources Group of Activities

- HBRC will continue to own and manage Tutira Country Park, Pakowhai Country Park, and Pekapeka Wetland. HBRC will also continue to manage the Tangoio Soil Conservation Reserve and operate the Soil Conservation Nursery.
- Open Space projects that have been approved by the Council (and therefore comply with HBRC's Open Space Policy and Evaluation criteria) are to be financed through loan funding of up to \$7.5 million. The servicing of any drawdown against this loan will be funded from the Council's Sale of Land (non-investment) Reserve.

Significant Negative Effects

There are no significant negative impacts relating to the collection of information about regional resources, unless the information raises more questions than answers and results in delays in decision-making.

In relation to sustainable land management, the Ministry for Primary Industries also has a role to meet New Zealand's Kyoto Protocol obligations. Therefore there is a risk of landowners being confused by having two agencies engaging with them on the same issue. It is important that HBRC and MAF work together to avoid duplication.

Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)	
EXPENDITURE				
Operating Expenditure				
Land Management	1	3,551	3,876	3,398
Air Management	2	2,016	1,990	1,900
Water Management	3	4,121	3,973	3,707
Coastal Management	4	958	826	690
Gravel Management	5	401	395	471
Open Spaces	6	1,342	1,426	1,179
Total Operating Expenditure		12,389	12,486	11,345
Capital Expenditure				
Clean Heat Advances		2,027	3,599	2,169
Tangoio Soil Conservation Reserve Forestry		-	-	50
Regional Park Network		121	468	222
Loan Repayments		1,872	-	1,470
Total Capital Expenditure		4,020	4,067	3,911
TOTAL EXPENDITURE		16,409	16,553	15,256
REVENUE				
Activity Revenue				
Direct Charges		3,534	3,667	3,327
Total Activity Revenue		3,534	3,667	3,327
Other Revenue				
Targeted Rates		1,149	1,145	620
Community Loan Repayments		1,690	1,153	1,146
Interest on Scheme Reserves		152	154	170
Grants		256	-	460
Loans Drawn Down		3,263	2,912	4,780
Total Other Revenue		6,510	5,364	7,176
TOTAL REVENUE		10,044	9,031	10,503
TOTAL GENERAL FUNDING REQUIREMENT		(6,365)	(7,522)	(4,753)
Special Reserve Funding				
Specific Scheme Reserves		(210)	289	(1,736)
Sale of Land (Non-investment) Reserve		293	437	624
Total Special Reserve Funding		83	726	(1,112)
NET GENERAL FUNDING REQUIREMENT		(6,282)	(6,796)	(5,865)
MET BY				
General Funding Rates		-	-	1,098
Investment Income		6,200	4,944	4,869
Operating Reserves		82	1,852	(102)
		6,282	6,796	5,865

Regional Resources Group of Activities

Activity 1 – Land Management

Level of Service Statement			
Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Annual Land Management Operational Plan. This will outline the strategic focus and alignment of land management programs and projects to regional priorities	<ul style="list-style-type: none"> Proposed activities for each coming financial year will be presented to council via the Operational Plan by 30 June each year. Reporting of performance to the Operational Plan objectives for the previous year will occur by the end of November Continue a programme of research and extension to investigate and field trial issues relevant to land management in Hawke's Bay 	Prepare annual Operational Plan for Council <i>that demonstrates how operational activities contribute to sustainable land management outcomes</i> , prior to the commencement of each financial year and annual report following completion of each financial year.	Achieved Operating Plan approved by Council in August. Report presented December
	Develop an integrated monitoring, evaluation, reporting framework for the Operational Plan	Draft Land Management MERI (Monitoring, Evaluation, Review, Improvement) plan produced	Partially Achieved Land Management stakeholder and sub catchment reviews completed, work on-going in building MERI plan. Completion expected during 2016-17 year
Preparation and Implementation of Sub-catchment Plans in priority "hotspots" catchments to address significant resource management issues	<ul style="list-style-type: none"> Sub-catchment plans implemented for 2 priority sub-catchments in the Tukituki by 2018 Sub-catchment plans to be developed for Tukipo, Kahahakuri, Upper Tukituki Corridor, Whakaki and potential hotspots in the TANK & Mohaka catchments 60% of the RLS grant will be targeted to priority sub-catchments 	Sub-catchment plan developed for the Porangahau Stream & Maharakeke sub-catchment	Partially Achieved Now programmed for 2016-17 financial year
		Develop guidelines for the development of Farm Environmental Management Plans	Achieved Staff have spent considerable effort in building the capacity and capability of potential Farm Environment Management Plan providers. 4 region specific industry templates have been developed and 11 private providers are now working through an approval/accreditation process with staff to ensure they are of a sufficient standard. Staff have held 5 workshops throughout the year to provide guidance and seek feedback on the development of FEMPs and nutrient budgets locally.

Regional Resources Group of Activities

Level of Service Statement			
Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Utilise RLS funding in accordance with priorities and processes established	Achieved Subsidy funding being committed in accordance with processes and policies
		Encourage the early preparation of Farm Environmental Management Plans in the priority sub-catchments of Papanui, Porangahau Stream & Maharakeke	Achieved 73 Farm Environment Management Plans have been completed this financial year with another 30-40 currently in progress. All of these of these FEMPs have been undertaken as a result of the FEMP incentivisation scheme or through staff working collaboratively with industry groups in the organisation and delivery of FEMP workshops.
		Reporting as part of the Tukituki Plan Change 6 Implementation Plan (refer Strategic Planning, Activity 3, Policy Implementation)	Achieved Land Management obligations under the PC6 Plan Change implementation Plan being met and significant contributions being made to the co-ordination of an organisational approach to implementation through the Core implementation team and key practitioners group. Staff have been heavily involved in the preparation of the "Working towards Implementation Plan"

Regional Resources Group of Activities

Level of Service Statement			
Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Collaborative initiatives undertaken to realise regional resource management objectives	<p>Development of a strategy based on an adaptive governance approach to building resilience in East Coast Hill Country</p> <ul style="list-style-type: none"> - At least bi-annual meetings with the Pan Primary Sector Group - At least 5 targeted capacity building events held to improve understanding and uptake of good practices <p>Workshops provided and materials developed to assist landholder adapt their land use practices to meet PC6 rules and regulations</p>	<p>East Coast Hill Country strategic stakeholder group formed to develop resilience framework</p>	<p>Achieved</p> <p>An East Coast Hill Country "governance" group was formed and met twice during the 2015-16 financial year. A group was also formed in Wairoa and has met on several occasions plus a network of land managers from GWRC, GDC and Horizons regional councils have met to share lessons learnt and to build stronger working relationships.</p> <p>Staff have held more than 30 meetings with the primary sector over the last 12 months with regards to the development of the implementation plan for Plan Change 6 and in the development of the regional research institute proposal. This engagement dealt with the pertinent themes of conversation for the last 12 months so formal PPSG meetings were deferred. A wider network of relationships between multiple parties has been built and is actively sharing information and knowledge. All parties will be participating in the hill country resilience planning workshop in October 2016.</p>
		<p>Continue to support research to improve the potential for High UMF manuka plantings as a viable alternative for Hill Country pastoral farming via the Primary Growth Partnership for High performance manuka</p>	<p>Achieved</p> <p>HBRC involved in Manuka Research partnership Ltd and range of initiatives to utilise high UMF manuka on hill country farms. Staff currently working closely with landholders and other stakeholders to identify sites to trial manuka species for flowering variability. Ongoing participation in meetings stakeholders and interested parties.</p>

Regional Resources Group of Activities

Level of Service Statement			
Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Mohaka stakeholder group formed to consider program objectives	Achieved Meeting held with Mohaka stakeholder group Dec 2015. Outcome of meeting now with Policy section and staff have had an ongoing involvement in the development of the Mohaka project plan.

Level of Service Statement			
HBRC will increase its knowledge of the region's land, soil, wetland and terrestrial habitats so it is aware of any current and likely future issues that may arise. This knowledge will allow for a timely and effective response that enables land to be managed			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
State of the Environment monitoring programme for soil quality	Monitor soil quality on an annual basis across the region	Complete the State of the Environment reporting in compliance with statutory requirements	Achieved Completed.
Modelling of hill country erosion to inform the Council and affected stakeholders	Evaluate and quantify erosion/sediment loss for Tutaekuri, Ahuriri, Ngaruroro and Karamu catchments (TANK) using SedNet model	Complete erosion / sediment loss modelling for TANK catchments.	Achieved Completed.
		Complete erosion / sediment loss modelling for the remaining parts of the region	Achieved Not due until 2017
Regional Wetland Inventory	Develop wetland inventory for the remaining catchments	Complete aerial survey and high-level classification and delineation of wetlands <i>across the Hawke's Bay region, and provide an update report by June 2016</i>	Achieved Survey is carried out catchment by catchment. The latest area to be surveyed will be flown in June 2016. The data collected from this survey will take time to be transposed in to the new wetland database but should be cleared before December 2016. An update report was produced by 30 June 2016 as stated.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will increase its knowledge of the region's land, soil, wetland and terrestrial habitats so it is aware of any current and likely future issues that may arise. This knowledge will allow for a timely and effective response that enables land to be managed			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Align the wetland work programmes with National Policy Statement for Freshwater Management (NPS-FM) requirements and the Hawke's Bay Biodiversity Strategy	Achieved Not due before 2019.
Integrated catchment management including staged computer modelling and monitoring of the: <ul style="list-style-type: none"> • Mohaka catchment • Heretaunga/Ahuriri catchments • Tukituki catchment 	<ul style="list-style-type: none"> • Catchment model developed for Taharua and the entire Mohaka catchment • Catchment model for TANK catchments developed 	Complete NIWA nutrient transport model for Mohaka catchment	Partially Achieved Discussion still on going as to whether HBRC continue with this model or opt for different approach. Could be no model is required. Waiting for policy decision.
		Evaluate several existing models and decide most appropriate for the TANK catchment and develop model	Achieved Model type has been selected (Overseer) and work is underway.
Regional soil map	Complete soil mapping of the TANK catchment area	Continue with current soil mapping <i>study of Hawke's Bay hill country soils using SMap methodology and summarise activities and findings in a report by June 2016</i>	Achieved TANK area completed. Moving in to northern Hawke's Bay. Report completed.

Level of Service Statement			
Hawke's Bay's land and soil resources are maintained for future generations			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
<ul style="list-style-type: none"> • Area of highly erodible hill country protected • Length of riparian margin enhanced • Number of significant wetlands protected 	<ul style="list-style-type: none"> • Promote riparian planting as part of regulatory stock exclusion requirements • Identify and promote the protection and or enhancement 	Continue to encourage- through subsidy and education- appropriate riparian planting and wetland protection.	Achieved To date 21 riparian projects and 15 wetland projects have been funded via the 2015/16 Regional Landcare Scheme. Significant work has occurred in promoting the protection of wetlands and riparian margins through the production of communication materials as part of PC6 implementation

Regional Resources Group of Activities

	<p>of wetlands that achieve multiple benefits in the landscape</p> <ul style="list-style-type: none"> • Maintain poplar and willow planting soil conservation programme • Work with the forest industry in Hawke's Bay to mitigate the risks of upcoming forestry harvest 	<p>Participate in the Poplar and Willow Trust and NZ Dryland Forests Initiative to provide other options for Hill Country erosion control</p>	<p>Achieved Actively involved in both Willow and Polar Trust and NZ Drylands Forests. Staff have been involved in several meetings with key parties around the NZ Drylands Forests project at Waihapua. Marketing plan has been produced to build the value of the Willow and Poplar Trust.</p>
		<p>Align activities with the HB Forestry group</p>	<p>Achieved HBRC staff working closely with HBFG and other forestry stakeholders on a number of initiatives</p>
<p>Wise investment to encourage erosion reduction and water quality enhancement through the Regional Landcare Scheme and targeted research</p>	<p>New Regional Landcare Scheme investment is approved only where there is alignment with the Land Management Operational Plan</p>	<p>Apply appropriate criteria when assessing RLS funding applications</p>	<p>Achieved All RLS projects for this financial year were assessed using established assessment criteria. The assessment process & criteria were reviewed and applied to the assessment of 2016-17 RLS projects</p>

Financial Variances Explained

An underspend on Project 380 was signalled at the time of reforecasting due to expected reduced demand from landowners for subsidy on nursery products and soil mapping project. Offsetting this were increased costs of 3 research and extension projects for Hill Country erosion in Wairoa, East Coast drylands and assessing the impact of the 2011 storm on farm productivity. Costs associated with these projects were unbudgeted in the annual plan as full recovery of costs was expected and was achieved.

Regional Resources Group of Activities

Activity 2 – Air Management

Level of Service Statement			
HBRC will have adequate knowledge about the level of air pollutants that may impact on public health and aesthetic values so that it can manage air quality for human health needs and aesthetic values			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
State of the Environment monitoring programme for: <ul style="list-style-type: none"> Air quality Climate 	Monitoring undertaken in accordance with the Regional Air Quality Monitoring Strategy Report on breaches of the National Environmental Standards in accordance with the standard	Monitor PM10 concentrations continuously in the Napier, Hastings and Awatoto airsheds to determine compliance with the National Environmental Standard for Air Quality and provide State of the Environment reporting. {NB Data collected complies with performance targets of less than 5% of data missing and 75% valid data (less than 25% of measured and archived values affected by calibration or instrument fault events)}	Achieved PM10 is monitored continuously at Marewa Park, St John's College and Waitangi Road Awatoto. Monitoring performance targets were met for Marewa Park and Waitangi Road sites. A major upgrade to the St John's College site interrupted monitoring for a period in late September/October this resulted in the performance target for missing data not being met but the valid data target was met.
		Source apportionment monitoring in the region's airsheds as needed to identify pollution sources	Achieved Source apportionment monitoring commenced at Awatoto. Sampling takes place over a period of one year and is currently going to plan.
		5 yearly traffic surveillance monitoring and emissions inventory updating	Achieved The 2015 Emissions Inventory for the Napier and Hastings airshed was completed and also an inventory of emissions in the Awatoto Airshed. Traffic surveillance monitoring is undertaken every 4-5 years and was not scheduled for the 2015-16 financial year.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will provide financial assistance for those who qualify for insulation and clean heat support			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Number of clean heat systems installed under financial assistance programme	Provide loan assistance to homeowners region wide for home insulation, and clean heat in the airsheds under HBRC's financial assistance programme	Manage and maintain a communication strategy to promote the programme, <i>to ensure a high level of understanding of Council's air quality management requirements and Heat Smart financial incentive package.</i>	Achieved The communication plan for the 2016 year related to the heatsmart programme was shared with Council in September 2015. The plan has been successful in helping to meet targets for the replacement of pre-2005 fires that became prohibited from use in January 2016. As the programme progresses, behaviour change strategies and enforcement will become more important.

Level of Service Statement			
Hawke's Bay's air is suitable to breathe			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Compliance with National Environmental Standard (NES) for Air Quality	<ul style="list-style-type: none"> Napier Airshed meets NES: No more than 1 exceedance by 2016 Hastings Airshed meets NES: No more than 3 exceedances by 2016 and no more than 1 exceedance by 2020 	Annual reporting against NES for Air Quality	Achieved An annual report to Council was provided in October. Achieved Zero exceedances in Napier. Not Achieved Four exceedances in Hastings.

Financial Variances Explained

Variances in the Clean Heat Capital Expenditure budgets were minor (\$11k on a \$2.6m budget) where there were 68 additional insulation loans provided and a reduced number of clean heat loans was offset by additional grants.

Regional Resources Group of Activities

Activity 3 – Water Management

Level of Service Statement			
HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
State of the Environment monitoring programme for: - Climate - River flows - Groundwater levels - Surface water quality and ecology (freshwater and coastal) - Groundwater water quality	<ul style="list-style-type: none"> - Establish 1 climate station a year in response to identified requirement - Monitoring undertaken in accordance with national monitoring and reporting requirements where appropriate - Monitor surface water quality on a monthly basis across regional SoE monitoring sites - Upgrade rainfall sites as required to maintain level of service Evaluate and upgrade groundwater/surface water monitoring networks as necessary	Achieve Quality Management System targets	Achieved The Quality Management System has this year been extended to the whole of RMG and eight objectives reviewed accordingly. The targets have been set to be challenging. The objectives relate to achieving ISO certification; ensuring staff are trained and competent in their roles; environmental data collected complies with national standards; monitoring and reporting pollution events; meeting all statutory timeframes; maintaining customer feedback systems and ensuring all processes and procedures are fit for purpose to deliver continuous improvement.
		Maintain International Organisation for Standardisation (ISO) 9001-2008 accreditation for data collection and analysis	Achieved The accreditation through Telarc for the whole of RMG (that was confirmed in December) is a significant achievement, not only in maintaining the high standard for the science team, but also extending the achievement to the Consents, Resource Use and Client Services teams.
		Timely completion of data quality assurance and provision of data to the Land and Water Aotearoa (LAWA) website	Achieved Data continue to be quality assured and provided to LAWA.
		Complete SOE monitoring and reporting in compliance with statutory requirements and Council's agreed approach	Achieved SoE monitoring and reporting programmes continue, and meet statutory requirements and the agreed approach.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Knowledge available to inform environmental flow and allocable volume review of the following river catchments and groundwater basins: Tukituki River; Ngaruroro River; Karamu Stream; Tutaekuri River; Ruataniwha Plains; Heretaunga Plains	<ul style="list-style-type: none"> - Groundwater Abstraction and Allocation report prepared for Heretaunga Plains - Environmental flow, and Allocation Reports for the: <ul style="list-style-type: none"> • Karamu Stream, Tutaekuri River, Ngaruroro River and inflows to the Ahuriri Estuary - Coupled surface-groundwater model built and running scenarios for Heretaunga Plains - Update coupled surface-groundwater model built for Ruataniwha Basin/Tukituki. Undertake Catchment Sensitivity Analysis	Increase Instream Flow Incremental Methodology (IFIM) surveys	Partially Achieved Focused on incorporating changes from peer review by NIWA of spatial oxygen-flow report. These revisions will extend into next quarter, but still expect to be complete in time for relevant TANK stakeholder meetings.
		Increase gauging	Achieved Paritua and Karewarewa gaugings completed.
		Groundwater/surface water interaction gauging	Achieved Paritua-Karewarewa water quality, major ion and flow data collected on one occasion. To help understand groundwater feeding streamflow and origin of high nutrient problems. Assisted with water tracer study (tritium, etc.) of wells and springs, including additional wells for lower-Tukituki shallow aquifer and its interactions with the lower Karamu and Mangateretere Stream.
		Determine methodology for in-stream assessment	Achieved Methods determined in previous quarters.
		Groundwater model development for Heretaunga Plains	Achieved Steady state groundwater model has been modified and recalibration of model has been undertaken. Upper catchment surface flow modelling is completed, to provide input data to the plains groundwater model. Recharge and irrigation demand modelling is completed for climate change scenarios on both the Heretaunga Plains and upper catchments.
		Begin development of geologic model for Ruataniwha Basin	Not Achieved Commencement of developing a new geological model for the Ruataniwha basin is deferred until 2016-17 financial year due to priority of Heretaunga Plains modelling and investigations

Regional Resources Group of Activities

Level of Service Statement HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Knowledge available to inform review of water quality objectives and setting of water quality limits	<ul style="list-style-type: none"> - Review of water quality objectives, guidelines and limits to maintain identified values, including aquatic habitat, completed and reported for the TANK (Tutaekuri, Ahuriri, Ngaruroro and Karamu) catchments and the Mohaka River catchment - Undertake catchment sensitivity analysis in focus river catchments to align with plan change requirements 	Review and update existing plan <i>Water Quality</i> guidelines	Achieved Water quality thresholds and limits have been constantly reviewed, particularly in the context of the NOF. This information has been provided for policy and stakeholder consideration during plan change discussions as required. For example, TANK and Mohaka stakeholder discussion groups.
		Align water quality limits setting process with NPSFW (2014) requirements	Achieved The quantitative objectives developed by the National Objectives Framework and incorporated into the NPS-FM have been reported against. This is being integrated with holistic ecological information collected by council and disseminated to stakeholders to enable the collaborative decision making as required for limit setting under the NPS-FM.
		Provide appropriate information on catchment surface water quality and ecology to inform consultation processes	Achieved TANK SOE water quality technical report has been completed, and a large amount of energy has been invested disseminating technical information to the TANK stakeholder group. Support into the Mohaka plan change process is being provided as required.
Knowledge available to inform Council and stakeholders of 'pressures' on the health of aquatic ecosystems	Provide technical information and advice to Council and stakeholders on 'pressures' on the health and habitat of aquatic ecosystems	Develop catchment characterisation programs for priority catchments to support Council and stakeholder requirements as and when required	Achieved Heretaunga springs report in progress.
		Analyse and report on catchment characterisation programs in a manner that is satisfactory to the Council and priority catchment stakeholders	Achieved Heretaunga springs report started.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Number of active water user groups Implementation of water efficiency tools by Water User Groups	<ul style="list-style-type: none"> Continue to establish and facilitate Water User Groups on a catchment priority basis In conjunction with Water User Groups, investigate and apply for research grants relating to water use and resource allocation efficiency Continue to transfer latest water efficiency and allocation information to Water User Groups 	Establish and facilitate Water User Groups	Partially Achieved No new Water user groups were established during the 2015-2016 year. Continued support was provided to those already established.
		Investigate and apply for water efficiency and allocation research grants	Achieved Continued support was provided to the MBIE Maximising the Value of Irrigation research project with Landcare Research.
		Water user Group facilitators to keep up to date with latest water related information from science and other council departments and forward onto water user groups	Partially Achieved The focus this year was on providing support to existing water user groups, with a particular emphasis on the Twyford and Ngaruroro groups.
		Ensure <i>regular Water User Group</i> meetings are held to transfer knowledge	Achieved Support was provided to the Twyford and Ngaruroro Irrigation Society, specifically relating to irrigation season requirements.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Number of consent holders with water meters operating using telemetry or web/text systems	Cumulative total of 1500 consents using telemetry or a web entry system	Coordinate the implementation of water metering across Hawke's Bay	<p>Achieved</p> <p>The Water Information Services (WIS) team has exceeded the targets set for reporting water use. Standards for installation and verification of systems have been introduced and users are encouraged to submit data electronically both via the web and telemetry. Increasingly the focus of monitoring information and data is being used to inform science modelling for water resources as well as supporting where appropriate the enforcement of consent conditions.</p>
		Establish and maintain web entry and telemetry systems that encourage consent holders to accurately report their water use	<p>Achieved</p> <p>Web entry and telemetry systems reporting continues to increase with a further 200 expected to be reporting the 5-10 litre takes when they come on stream in November 2016.</p> <p>As of 30 June 2016 HBRC has 753 consent holders reporting via the web and 721 via telemetry - 1474 in total; while less than the 1500 target, there has been a shift in the number of consents held generally, with 64 consents being surrendered, and 177 consents being changed or new. The Twyford global consent saw an amalgamation of consents, making up the difference between 1474 and the target of 1500.</p>
		Carry out communication with the Hawke's Bay irrigators to ensure a high level of understanding of water metering requirements	<p>Achieved</p> <p>The WIS team has through the media, shows, national irrigation magazines and sector specialist publications kept consent holders informed of legislative requirements. It has established a programme to verify the installation and operation of water meters in accordance with government regulations by liaising with industry nationally to establish a set of "verification standards". The project manages water take data received by HBRC, and maintains web entry and telemetry systems that encourage consent holders to accurately report their water use and coordinate the implementation of water metering across Hawke's Bay.</p>

Regional Resources Group of Activities

Level of Service Statement			
HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Continue rollout of verification programme of water meters in accordance with government regulations	Achieved WIS has established a programme to verify the installation and operation of water meters in accordance with government regulations by liaising with industry nationally to establish a set of "verification standards". This ensures meter installation continues to provide data that meets best practice quality standards. Compliance are continuing to follow up with meters and telemetry not installed. WIS has changed its focus to assisting the 5-9.99 l/sec takes reach the 10th November install deadline.

Level of Service Statement			
Hawke's Bay's water resource is available for future generations			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Allocation limits and water quality limits Implementation of National Policy Statement for Freshwater Management (NPSFM)	Review of water quality objectives, guidelines and limits to maintain identified values, including aquatic habitat, completed and reported for the TANK (Tutaekuri, Ahuriri, Ngaruroro and Karamu) catchments and the Mohaka River catchment	Annual Reporting against NPSFM and Implementation Plan	Achieved Revised NPSFM Progressive Implementation Programme adopted and notified in December 2015 following amendments to NPSFM in 2014. Annual report due at end of financial year for 2015-16 period. Draft Annual report to be presented to 31 August Council meeting.

Financial Variances Explained

Variances in the Water Management activity budgets (\$148k unfavourable) were primarily the result of additional staff time invested into science investigations to support the policy development programme for the Greater Heretaunga Plan Change (TANK).

Regional Resources Group of Activities

Activity 4 – Coastal Management

Level of Service Statement			
HBRC will measure water quality at key recreation sites and make the results available to promote public health and safety			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Recreational water quality monitoring programme and website management	<ul style="list-style-type: none"> Weekly monitoring of key recreational sites as per recreational water quality monitoring plan from early November to mid-March annually Recreational water information available on website and social network site within 2 days of results being available Identification of pollution sources for sites that regularly exceed guidelines Reporting to Land and Water Aotearoa (LAWA) during bathing season 	Recreational water quality monitoring of 36 contact recreation and 5 shellfish gathering sites undertaken in accordance with monitoring plan and national guidelines	Achieved Recreational Water Quality monitoring programme completed. Reporting is near conclusion.
		Undertake faecal source tracking when sites regularly exceed guideline values and conditions allow, and communication of results to Biosecurity, Land Management, TLA and Public Health teams when results are obtained	Achieved This is on target and achieved with meetings and reporting as results become available.
		Annual reporting on recreational water quality data collected during the preceding season	Partially Achieved Reporting is nearing conclusion.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will continue to monitor, research and investigate coastal processes to inform coastal planning including climate change and coastal hazards			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Annual coastal monitoring and investigation programme including: - Beach profiling - Storm monitoring - Sediment transport and processes investigation and modelling - Hazard prediction including tsunami, inundation, erosion, storm surge	Complete Coastal Hazards Strategy for the coast between Clifton and Tangoio to guide decision making on the mitigation and management of hazards.	Complete the <i>Coastal Strategy for the coast between Cape Kidnappers and Tangoio</i> in conjunction with Napier City Council and Hastings District Council	Not Achieved Development of the Strategy is ongoing, with adoption anticipated late 2017.
	Support territorial authorities in their decision making regarding future management of specific parts of the coast, and determine long term plans for coastal hazard protection assets administered by HBRC. Annual monitoring and investigation programme completed and reported each year	Prepare, implement and annually report on coastal monitoring and investigation programme, including beach profiles, changes and trends.	Partially Achieved Data has been collected, but report has not been completed.

Level of Service Statement			
HBRC will provide long term, relevant and specific information on Hawke's Bay's coastal ecosystems, so that Council and the community can remain engaged with, and informed of, the current state and potential threats to the health of coastal environments			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Identify the state and health of selected regional beaches, reefs and estuaries Identify the state and health of near-shore coastal environments Maintain an operative and relevant Coastal Monitoring Strategy	Monitoring undertaken in accordance with the relevant Coastal Monitoring Strategy Comprehensive State of the Environment reports	Complete State of the Environment monitoring and reporting in compliance with statutory requirements and Council's agreed approach, <i>including quarterly monitoring of 3 reef systems, and annual monitoring of 4 regional estuaries and 3 sandy beach systems.</i>	Achieved Quarterly monitoring of reefs completed autumn round in April 2016. Winter sampling scheduled for August.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will increase its knowledge of coastal ecosystems through targeted research and investigations so that it is better able to understand and respond to the effects of activities on the coastal environment			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Undertake specific investigation and/or research, and report on these outcomes where appropriate	<ul style="list-style-type: none"> Targeted investigations into coastal receiving environments receiving stormwater discharges as and when required Maximum extent and seasonal movement of saline transition zones in priority estuaries will continue to be investigated (weather dependent) Mapping of key sub-tidal habitat throughout Hawke's Bay 	Develop a work programme to assess the effects of stormwater on coastal ecosystems	Achieved This is an ongoing project that has feed-ins from a number of agencies e.g. NCC, HDC, WDC, CHBDC and industries. This project is currently focused on collating existing data to feed in to the TANK plan change process.
		Describe the seasonal movement of the saline wedge at a variety of HB rivers/estuaries	Achieved Kayak surveys of Mohaka and Esk estuaries completed.
		Develop methodology for mapping sub-tidal habitats	Achieved Ocean adventures have bought a new boat with a multi beam sonar. The coastal team have budget in capex to buy a stowed sidescan sonar. WE are currently reviewing technological options for this capex. WE are hoping to begin mapping subtidal habitats this summer 2016-17

Financial Variances Explained

Increased expenditure for the development of the Coastal Strategy above that budgeted was offset by contributions from partner organisations, Napier City Council and Hastings District Council.

Regional Resources Group of Activities

Activity 5 – Gravel Management

Level of Service Statement			
HBRC will monitor and manage river-bed sediment to ensure flood protection schemes work as expected			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
River surveys (3-6 yearly) show all scheme rivers have sufficient capacity	No decline in river flood capacity	Undertake gravel monitoring, assessment and extraction programmes in accordance with Regional Resource Management Plan, and to meet agreed levels of service	Not Achieved Heretaunga Plains extraction programme is ongoing and there are no concerns for channel capacity. The Upper Tukituki gravel extraction suffered from a downturn in the market reducing the demand making it uneconomic to extract. We are looking at ways to resolve this issue.
In rivers where gravel is extracted the riverbed is managed to a design grade based on the design channel flow capacity.	Average riverbed within design grade	Undertake river surveys every 3-6 years	Achieved Ongoing - Completed appropriately for 2015-16
No incidences of erosion or flooding as a result of undesirable gravel levels	Solution to current issues on Ruataniwha Plains rivers to be found No incidences	As part of investigation and research work recommended in riverbed gravel scoping study 2010 investigate options for increased sustainable gravel extraction for rivers crossing Ruataniwha Plains.	Partially Achieved This investigation is proceeding, although no clear cost effective solutions are evident at present.
		Implement outcome of gravel review and continue to monitor sustainability of gravel extraction	Achieved Ongoing

Level of Service Statement			
River-bed gravel is equitably allocated to gravel extractors			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
The gravel allocation process complies with the Regional Resource Management Plan	No compliance issues with gravel extraction	Undertake gravel allocation process as proposed in the Regional Resource Management Plan <i>by 30 June 2016</i>	Achieved Completed on time and extractors notified

Regional Resources Group of Activities

Level of Service Statement			
River gravel management activities have no significant adverse effects on river ecology and water quality			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
No reported incidences of adverse impacts following gravel extraction or beach raking activities	No reported incidences of adverse impacts following gravel extraction or beach raking activities	Undertake gravel management activities in compliance with the RRMP, Ecological Management plans and the River Environment Code of Practice	Achieved Draft River Environment Code of Practice completed ready for consultation. Ecological management plan implementation is carried out for the Ngaruroro and Tutaekuri Rivers, with the plan for the Tukituki due for completion later this year.

Level of Service Statement			
Knowledge necessary for sustainable management of riverbed gravel is improved			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Completion of investigation and research work recommended in riverbed gravel scoping study 2010	Annual Programme of work completed	Complete investigation and research work recommended in riverbed gravel scoping study 2010 by 2017 as programmed.	Achieved This programme of work has been increased to enable a finish time a year earlier than planned. A process for managing the gravel plan change is being worked through at present with the goal of having the changes in place by next financial year, depending on consultation and consenting issues.
		Continue to review knowledge needs and seek to fill any knowledge gaps <i>to improve Council's understanding of the sustainability of river bed gravel extraction in Hawke's Bay, and initiate any long term research projects arising as a result</i>	Achieved Ongoing and as identified in the gravel review.

Financial Variances Explained

There were no significant variances from budgets in this activity.

Regional Resources Group of Activities

Activity 6 – Open Spaces

Level of Service Statement			
HBRC will maintain, develop, and provide public access to existing Council owned regional parks for multi-purpose benefits			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Levels of service associated with all regional parks are set out in Individual Park Plans (IPPs) where present and / or the HBRC Regional Park Network Plan	Adopt and commence implementation of an IPP for Tutira Regional Park	Implementation of Individual Park Plans (IPPs) for Waitangi, Pakowhai and Pekapeka regional parks	Achieved Plan implementation ongoing
	Work towards realisation of the Regional Park Network Plan	Maintain regional parks to levels of service established in IPPs	Achieved Regional parks being maintained to identified levels of service.
	Work towards achieving objectives specified in IPPs Deliver levels of service established in IPPs Secure funding for development of regional park assets	Develop regional park assets in accordance with adopted IPPs as funding allows	Partially Achieved Regional park developments and funding for 15/16 confirmed at August E&SC meeting. Majority of improvements completed. Improvements not completed include: 1. Pekapeka land swap to secure Island Pa. Conversations progressing in right direction with landowner. May be able to achieve in 16-17. 2. Pekapeka toilet installation. Funds for installation not yet raised. 30k required. 3. Waitangi and Tutira Regional Parks gateway signage. Blades completed, frames under construction. To be installed August / September 2016. Link to full list of improvements attached. Budget for outstanding improvements carried forward into 16-17 financial year.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will maintain, develop, and provide public access to existing HBRC pathways for multi-purpose benefits			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Maintain and develop HBRC pathways network on HBRC land in accordance with the NZ Cycle Trail Design Guide	HBRC Pathways integrated as part of the overall HB Pathways network Coordinated approach by all agencies to pathway maintenance and development HBRC Pathways maintained and developed to levels of service in accordance with New Zealand Cycle Trails Inc. guidance and consistent with pathways throughout HB Funding secured for maintenance and development of HBRC Pathways asset	Develop a plan for all pathways maintained by HBRC setting out: -a- Strategic vision and development objectives b-- Framework for coordination of all relevant agencies -c- HBRC Pathways maintenance and development standards	Not Achieved Yet to be undertaken. Seeking the employment of the regional cycle coordinator to assist with plan development.
		Maintain pathways to provide ongoing levels of service agreed by the Cycle Governance Group <i>and in accordance with the Pathways Maintenance contract</i>	Achieved Pathways maintained under service agreement with HBRC works group.
		Provide administrative services to the Regional cycle governance group	Achieved Administrative services provided through regional transport manager

Regional Resources Group of Activities

Level of Service Statement			
HBRC will seek affordable ways to increase public enjoyment opportunities of open space through: - Expansion of the Regional Park Network through partnerships, development of HBRC land or land acquisition - Expansion of HBRC Pathways through partnerships and collaboration - Continuing to assess open space opportunities in accordance with HBRC Open Space policy and evaluation criteria			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Open space policy and evaluation criteria Regional Park Network Plan policy Note Approx. \$600,000 loan provision remaining in HBRC open space and community facilities to provide for new opportunities	Continue to assess affordable open space opportunities in accordance with the Regional Park Network Vision Action any opportunities approved by Council Investigate open space development opportunities with the region's territorial authorities that align with visitor facilities and attractions and meet policy and evaluation criteria	Establish levels of service and Management plans for all <i>proposed</i> additional open space facilities	Achieved Plans developed for the Waitangi Estuary Enhancement.
		<i>Further</i> development opportunities considered as part of <i>existing</i> individual regional park reviews	Achieved Pekapeka shelter requested via Friends of Pekapeka (Peter Dunkerly) for the Pekapeka Interpretation Site. Design completed. Working with Te Mata Park Trust, providing operational and caretaking advice. HBRC Works Group is supplying an interim caretaking service and currently considering a longer term caretaking contract which would see the recruitment of a specialist caretaking resource within the Works Group.

Financial Variances Explained

Under expenditure in this area mainly relates to the Tangoio Soil Conservation Reserve where harvest planning for the N5 block together with some fencing and forestry maintenance did not progress as planned.

Regulation Group of Activities

Introduction

Regulation activities cover the Hawke’s Bay Regional Council’s (HBRC) regulatory functions for resource use and management, building dams and safe navigation of the region’s navigable waters.

The empowering legislation for HBRC functions include the Resource Management Act 1991, the Local Government Act 2002, the Soil Conservation and Rivers Control Act 1941, the Building Act 2004, the Marine and Coastal Area (Takutai Moana) Act 2011, the Hazardous Substances and New Organisms Act 1996, and the Maritime Transport Act 1994.

Link to Strategic Outcomes

This group of activities contributes to Council’s strategic outcomes in the following ways.

Resilient Communities

- *Quality services for a healthy connected community* – by advising and educating the community on resource management requirements and processes, water safety and safe boating.
- *Active management linking biodiversity, land, freshwater and our coastal marine areas; and Balanced water use for a healthy, natural environment that also supports growth* – by administering the rules in regional plans in accordance with the objectives and policy provisions of the plan, the Regional Policy Statement and relevant NPS, and by monitoring compliance with rules and resource consents

Assumptions and Future Demand Incorporated in this Plan

The planning assumptions for Regulation Activities are:

- Changes to resource management processes and direction within legislation are anticipated as a result of Central Government review.
- Changes to Regional Plans have the potential to alter workloads.
- The building consent function for dams will continue to be carried out by Waikato Regional Council through Transfer of Powers procedures.
- *Local leadership, strong relationships and affordable, well-considered solutions* – by working with and helping water users take a collective response to managing water allocation.

	Actual	Budget	Actual
Activity	15/16	15/16	14/15
(#)	(\$'000)	(\$'000)	(\$'000)
EXPENDITURE			
Operating Expenditure			
1	1,408	1,711	1,317
2	1,223	1,132	1,030
3	363	428	353
4	89	98	45
Total Operating Expenditure			
	3,083	3,369	2,745
TOTAL EXPENDITURE			
	3,083	3,369	2,745
REVENUE			
Activity Revenue			
	1,144	1,533	1,183
Total Activity Revenue			
	1,144	1,533	1,183
TOTAL REVENUE			
	1,144	1,533	1,183
TOTAL FUNDING REQUIREMENT			
	(1,939)	(1,836)	(1,562)
NET GENERAL FUNDING REQUIREMENT			
	(1,939)	(1,836)	(1,562)
MET BY			
	1,808	1,663	294
	129	1,768	1,305
	2	(1,595)	(37)
	1,939	1,836	1,562

Regulation Group of Activities

Activity 1 – Resource Consent Processing

Level of Service Statement			
HBRC will ensure that accurate information about resource consent requirements and processes is readily available			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Application and submission guides are available in electronic and hard copy form	No verified reports of inaccurate information being given in relation to resource consent requirements Electronic application and submission forms, application and submission guides are available through HBRC's website	Maintain up-to-date application forms and information packs	Achieved Updates carried out to facilitate going on-line with application forms.

Level of Service Statement			
HBRC will process resource consent applications in a timely manner			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
100% of resource consents processed within statutory timeframes set down in the Resource Management Act 1991	100% of resource consents processed within statutory timeframes	Continued tracking of Resource Management Act timeframes	Achieved All resource consents are tracked from receipt and lodgement to issue or decline / return.
		Ensure professional competency of staff to provide regulatory services	Achieved Staff all competent and active in undertaking training and reading for improvement
		High performance ratings achieved in the Ministry for the Environment Survey on Resource Management Act performance of Local Authorities	Achieved MFE reports are not up to date. Most recent was for 2014-15 year. Council is high performing according to these results.
		Maintain clear communication with resource consent holders and applicants over timelines, information requirements and consent processing	Achieved Processes require this at various stages of processing. Staff maintain additional contact with applicants as required. 100% of resource consent applications were processed within statutory deadlines.

Financial Variances Explained

Variances in the Resource Consent Processing budgets were anticipated at the three quarter year review. The net funding requirement has finished within 2% of the reforecast budget. A reduction in applications lodged meant a reduction in recoverable time against resource consents processing. In addition two appeals to the Environment Court are in progress. There is no recovery of staff time available against these appeals.

Regulation Group of Activities

Activity 2 – Compliance Monitoring

Level of Service Statement			
HBRC will check that consent holders comply with the resource consent conditions imposed to protect the environment			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Number of consents monitoring in accordance with the adopted Compliance Monitoring Strategy	90% of programmed inspections/reports completed each year	Maintain an up-to-date Compliance Monitoring Strategy which reflects the level of risk to the environment	Achieved The maintenance of the Monitoring Strategy is now a component of the TELARC [ISO 9001] accreditation that the Resource Management Group has. This will ensure that the strategy is current and dynamic.
	95% of monitored consents achieve an overall grading of full compliance	<i>Schedule all established monitoring Annual Work programmes to measure compliance with consents, aiming to complete 90% of scheduled inspections/reports</i>	Not Achieved 89% of consents programmed to be monitored were monitored (not all receive an inspection or report). Not Achieved 90.5% of monitored consents achieved an overall grading of full compliance

Level of Service Statement			
HBRC will provide a 24 hr/7 day a week pollution response service for reporting environmental problems			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Duty Management/Pollution Management response system	24 hour duty management/pollution management response system maintained	Appropriate appointments of staff to operate <i>duty management and pollution management response</i> systems	Achieved All positions are currently filled

Financial Variances Explained

Variances in the Compliance Monitoring budgets are because Resource Use workload is split between programmed compliance monitoring, where there is a requirement to recover 70% from resource consent holders, and pollution response work. Resource Use staff have no control over the amount and nature of pollution response reporting and any time spent in attending pollution calls does not allow staff to undertake resource consent monitoring of, lower risk, consented activities. Higher risk, consented, activities are identified and monitored and the recovery target met. The past year has seen Resource Use staff engaged in several large scale pollution incidents that have involved the bulk of the team, this has impacted on their time available to monitor the lower risk consented activities.

External costs relating to the Waihi Dam sediment discharge and Te Mata Mushrooms odour discharges, resulted in significant costs that were not budgeted for. Waihi Dam expenditure has reached \$48,000 and that is expected to be recovered through a successful prosecution of the Eastland Network Limited and the amount of \$11,000 attributed to the Te Mata Mushrooms investigation has been recovered from the 90% of the fine levied on conviction.

Regulation Group of Activities

Activity 3 – Maritime Safety and Navigation

Level of Service Statement			
HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region's navigable waters are safe for people to use			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
The Navigation Safety Bylaws and Port and Harbour Safety Management System	Bylaws to be reviewed in 2016 Maintain a Maritime New Zealand accredited Safety Management System for the Napier Pilotage Area Marine accidents and incidents are investigated and acted upon using education and enforcement as appropriate Complete installation of navigation aids at Pourerere	Hawke's Bay Regional Council provides an appropriately qualified and experienced Harbourmaster <i>to provide statutory harbourmaster functions in accordance with the Port and Harbour Marine Safety Code and Guidelines</i>	Achieved Achieved. HBRC employs an appropriately qualified and experienced Harbourmaster
		Review human resources required to effectively carry out the Harbourmaster role	Achieved Achieved. A review of the functions and responsibilities of the Harbourmaster role has been undertaken. A new Harbourmaster has been employed and some of the recommendations implemented. Discussions are continuing with Gisborne Council on possible sharing of an ongoing Harbourmaster resource.
		Maintain <i>the Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area including the Napier Inner Harbour</i> , and monitor and enforce Navigation and Safety Bylaws	Achieved Hazard identification/risk assessment and SMS up to date. Navigation Safety bylaws enforced as and when required
		Review resources required to enable effective enforcement of bylaws	Achieved Achieved. A review of the functions and responsibilities of the Harbourmaster role has been undertaken. A new Harbourmaster has been appointed and some of the recommendations implemented. Discussions are continuing with Gisborne Council on possible sharing of an ongoing Harbourmaster resource and a sharing of the enforcement function with the HBRC Compliance and Response teams.

Regulation Group of Activities

Level of Service Statement			
HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region's navigable waters are safe for people to use			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Engage with commercial and recreational users to improve relationships	Achieved Through the Harbourmaster engagement is occurring as/when required

Financial Variances Explained

Variances in the Maritime Safety and Navigation budgets relate to an under spend on budget. This has resulted in an underspend of \$60,000, largely attributed to an unforeseen period of time of time the Harbourmaster was on accident compensation and his essential duties being covered by his deputies, rather than by a full time replacement. Other savings were made in the area of contractors for debris removal from the breakwater harbour, while this is usually a variable cost, strategies have been put in place that have reduced the number of logs being dropped into the harbour during ship loading operations. There is also a \$10,000 education cost that we were able to cover from an external grant, that saving will be passed on to the coming year for an enhanced boating safety education programme in schools.

Regulation Group of Activities

Activity 4 – Building Act Implementation

Level of Service Statement			
Process Building Act consent applications within timeframes			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Contract with Waikato Regional Council to process dam consents on behalf of Hawke's Bay Regional Council (HBRC)	Maintain contract with Waikato Regional Council, for the processing of dam building consents	Maintain contract <i>with Waikato Regional Council to process dam consents on behalf of HBRC</i> Review Council's preparedness for Building Act implementation	Achieved Waikato Regional Council remains contracted to provide this service

Level of Service Statement			
Maintain an accurate Dam Register and help dam owners prepare Dam Safety Assurance programmes in accordance with Building Act timeframes			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
All known dams have been recorded on the Dam Register, and dam owners informed of Building Act requirements	100% of dams comply with regulation requirements that come into force in July 2015	Review Council's preparedness for Building Act implementation	Achieved Deferred. Central Government has decided to move the Building Act functions, relating to Dams, to under RMA jurisdiction. No timeframe has been set for this to occur.

Level of Service Statement			
HBRC will investigate illegally built dams and will ensure that they are removed or made compliant			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
An illegally built dam is made compliant or removed within six months of identification	100% of dams comply with regulations	Maintain staff levels and increase their knowledge of Building Act requirements <i>for dams</i>	Achieved Deferred. Central Government has decided to move the Building Act functions, relating to Dams, to under RMA jurisdiction. No timeframe has been set for this to occur.

Financial Variances Explained

There were no significant variances from budgets in this activity.

Biosecurity & Biodiversity Group of Activities

Introduction

Animal and plant pest control is carried out in accordance with Hawke's Bay Regional Council's (HBRC) Regional Pest Management Strategy.

Biosecurity covers the following inter-related programmes:

- Regional animal pest control
- Regional plant pest control
- Regional pest management strategies.

The relevant legislation for this Activity is the Biosecurity Act 1993.

Link to Strategic Outcomes

This group of activities contributes to Council's strategic outcomes in the following ways.

Resilient Communities

Fostering local leadership, strong relationships and affordable well-considered solutions –By working with the community to achieve and maintain the goal of low possum numbers on all productive land, and by assisting land owners in controlling pest plants that have the potential to adversely impact on the Hawke's Bay environment or economy and on the health of our residents.

Resilient Ecosystems

Active management linking biodiversity, land, freshwater and our coastal marine areas - by reducing the presence of pests that impact, or have the potential to impact, on Hawke's Bay's biodiversity, and restoring native biodiversity through co-ordinated work programmes across organisations and land owners

Resilient Economy

Profitable farming systems that can adapt to greater weather extremes, pest threats and take advantage of new opportunities - by reducing the economic impact that pests have on agricultural and horticultural production, and by ensuring that options for economic growth are not impaired by the presence of pests.

Assumptions and Future Demand Incorporated in this Plan

The planning assumptions for this Group of Activities are:

HBRC will not become involved to any great extent in the implementation of a possible Biosecurity Strategy for New Zealand.

Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)	
EXPENDITURE				
Operating Expenditure				
Animal Pest Control	1	2,180	1,872	1,885
Bovine Tb Regional Vector Control	2	65	60	742
Plant Pest Control	3	764	759	718
Biodiversity	4	1	40	-
Pest Management Strategies	5	37	53	27
Total Operating Expenditure		3,047	2,784	3,372
TOTAL EXPENDITURE				
		3,047	2,784	3,372
REVENUE				
Activity Revenue				
Direct Charges		159	14	0
Total Activity Revenue		159	14	0
Other Revenue				
Targeted Rates		1,644	1,638	2,097
Grants		68	25	24
Interest on Scheme Reserves		8	10	15
Total Other Revenue		1,720	1,673	2,136
TOTAL REVENUE				
		1,879	1,687	2,136
TOTAL FUNDING REQUIREMENT				
		(1,168)	(1,097)	(1,236)
Special Reserve Funding				
Specific Scheme Reserves		180	118	122
Rabbit Reserve		-	-	-
Total Special Reserve Funding		180	118	122
NET GENERAL FUNDING REQUIREMENT				
		(988)	(979)	(1,114)
MET BY				
General Funding Rates		-	-	210
Investment Income		976	944	933
Operating Reserves		12	35	(29)
		988	979	1,114

Biosecurity & Biodiversity Group of Activities

Activity 1 – Regional Biosecurity Programmes

Level of Service Statement			
HBRC will implement regional pest management plans that improve biodiversity and economic prosperity			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Maintain a current Regional Pest Management Plan	Review the current Regional Pest Management Plan (RPMP) and complete new plan for period up to 2025	Review of current Regional Pest Management Plan (RPMP) to be completed by 30 June 2017.	Achieved RPMP review process and timeline draft has been prepared and will be submitted to the August Environment and Services committee meeting for consideration.
Undertake research and investigation to quantify and/or increase the economic, biodiversity or animal/human health benefits of pest control	Undertake at least one research/investigation initiative annually	Purchase new releases of biological control agents <i>and financially support new agent development</i> where appropriate	Achieved \$3,500 has been contributed to Old Man’s Beard bark beetle to help facilitate getting this agent quicker. \$1,500 contributed to the Tutsan agent programme.
		Implement research/investigation to quantify the effectiveness of the biosecurity programme, and/or as part of a programme of work to identify more cost effective ways to implement biosecurity plans or the biodiversity strategy	Achieved Eight out of ten research projects will be completed across pest optimisation, social research and outcomes monitoring.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Regional Animal Pest Control and Bovine Tb Vector Control Programmes Hectares of rateable land kept at low possum numbers (means no more than 5 possums caught per 100 traps set out at night)	All rateable land will be reduced to low possum numbers (total rateable land in Hawke's Bay = 1,000,000ha) Rateable land in transition from the Animal Health Board programme: 2015-16: 50,000 ha	Transfer all rateable land under Animal Health Board (AHB) vector control to the PCA programme when AHB vector control stops	Achieved TBfree NZ will be transitioning approximately 44,687ha of vector control projects in northern Hawke's Bay (Wairoa District) across to the Councils PCA programme in 15/16. HBRC will set up bait station networks across this area as part of the transition from TBfree NZ to the councils PCA programme. This has now been completed.
	Rateable land in Possum Control Area (PCA) Programme: June 2016: 660,000ha	Ensure areas under the PCA programme are maintained with low possum numbers by education, encouragement and where necessary, compliance	Achieved Trend and education monitoring is undertaken to confirm the compliance of no less than 10% of the area under PCAs in any one year, and of the area monitored less than 10% of the monitoring lines exceed 5% trap catch.
	Of the PCAs monitored, less than 10% of the monitoring lines exceed 5% trap catch	Provide an effective region wide possum control product subsidy scheme so materials are readily available to occupiers undertaking their own control	Achieved The subsidy scheme continues to be well supported by both urban and rural landowners. Subsidised products can be purchased from both Hawke's Bay Branches of Farmlands Trading and PGG Wrightsons.
		Undertake possum control along boundaries where there is a risk of re-infestation	Achieved Currently the southern regional boundary is subject to an agreement between Horizons and HBRC Biosecurity staff for possum control to be undertaken as necessary to complement HBRC's PCA programme. HBRC Biosecurity staff are currently in discussions with the Gisborne District Council to put in place a boundary control programme to assist ratepayers in the northern part of the region on the PCA programme.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Prepare an annual trend and education monitoring programme before May 30 each year	Achieved Trend monitoring will be carried out over PCAs to provide an indication of the success of the programme and to provide an early warning of any possible problem areas. Education monitors will be undertaken over individual properties to determine the success of individuals control methods, and where it is suspected that the occupier is not meeting the required 5% rtc. The animal pest team will prepare an annual trend and education monitoring programme prior to May 30th for the up and coming financial year.
		Where enforcement action is required staff will issue "Notices of Direction" and encourage land occupiers to comply with that Notice	Achieved A notice of direction has been issued to a landowner in the Waimarama B PCA which expires on the 29th April 2016. Once HBRC has been notified that the control work has been completed or the Notice of Direction has expired, a trap catch monitor will be under taken to establish if the occupier complies with the Regional Pest Management Strategy rule. (Notice of direction number 1062) The non compliant trap catch monitor has been completed and returned a 5.1% rtc.
		Review the management of PCA boundaries and the implementation of Good Neighbour rules under the National Policy Direction	Achieved Boundary control continues along boundaries of PCA areas where there is a risk of re-infestation to land users.
		Undertake monitoring to confirm the compliance of no less than 10% of the area under the PCA programme in any one year	Achieved Trend and education monitoring utilising chew cards will kick off in the new calendar year 2016. We are scheduled to carry out monitoring over 60.975 hectares and comprising some 500 monitoring lines.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
The number of active rook nests treated annually across the region	Monitoring indicates a downward trend in active rook nest numbers in both areas (North and South of SH5)	Annually treat every active <i>rook</i> nest in all known rookeries within Hawke's Bay.	Achieved Aerial rook control has been carried out and completed in all known rookeries across the region during the 2015 rook breeding season (Oct to Nov). An additional 13 new rookeries were located across the region, 5 in the eradication zone and 8 in the control zone. A total of 45 active nests were aerial treated across the eradication zone north of SH5 and 286 active nests were aerial treated across the control zone south of SH5.
		Ground control rooks where operational conditions permit	Achieved 13 rook enquires have been received to date. All enquires have been followed up with and where possible bait lines laid. Approximately 897 birds have been poisoned from these 15 enquiries. All enquiries were appropriately dealt with, some received scare crow birds to reduce the immediate risk of crop damage.
Response time to rabbit complaints/enquiries Responsiveness to properties identified with rabbit populations over McLean Scale 4	An initial response is given within 5 working days of receipt of each rabbit related complaint/enquiry A management plan is prepared within 4 months for each property identified with rabbit numbers above McLean Scale 4	Maintain regional rabbit night count and Rabbit Haemorrhagic Disease (RHD) monitoring programme	Achieved Night counting data obtained from 22 regional night count lines indicate an increase in rabbit densities across the region from 2.8 rabbits per kilometre counted in 13-14 to 3.9 rabbits per kilometre in 14-15. RHD results have also been completed with 131 blood samples out of 210 testing positive to RHD or 62.4%. Rabbit night-counts and RHD blood sampling will now be carried out biennial. The next round of sampling will be carried out between April and June 2017.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Provide advice and education to occupiers where they wish to reduce rabbit or hare impacts on their property	Achieved A total of 66 rabbit enquiries have been followed up with to date. All enquires have been responded to within 5 working days of receiving their initial call. Assistance was provided in the form of environmental topic's, one on one advice, and where appropriate a demonstration on best use of either Pindone rabbit pellets or magtoxin which is used for fumigating rabbit borrows.
		Record and respond to property owner complaints where rabbits are damaging neighbouring properties	Achieved No property owner complaints in regards to rabbits damaging neighbouring properties have been received to date.
		For properties where rabbit numbers have been identified at above McLean Scale 4; identify the cost benefits of undertaking control measures necessary for effective long term management on that property and any risks of not undertaking control to reduce numbers below McLean Scale 4 and where agreement from the land owner is received, prepare a management plan and undertake control	Achieved A Rabbit management plan has been prepared and signed for Opouahi Station Tutira Manager Craig Drysdale. The proposal was to carry out ground poisoning utilizing Pindone carrots with follow up night shooting and fumigation across 253 hectares. This project is now completed which achieved a 99% reduction in rabbit densities across the area poisoned.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Plant Pest Control Routine plant pest inspections of areas infested with plants controlled under HBRC Regional Pest Management Plan	<ul style="list-style-type: none"> All known infestations of 'occupier responsibility' Total Control plant pest sites are visited annually All known 'service delivery' Total Control plant pest sites are visited annually and plants controlled All Privet sites identified through health related complaints controlled within 6 months of complaint The land around all known infestations of Total Control plants is inspected at least every 3 years All areas of high potential risk are visited annually and checked for possible new plant pest incursions 	Undertake at least annual control on all 'service delivery' Total Control plant pests to prevent their seeding -	Achieved Control completed on Spiny emex, Goats rue, Phragmites and Privet.
		Undertake monitoring to measure 'service delivery' for Total Control Plant Pests	Achieved Plant numbers and transects were collected on all applicable plant species.
		Record outputs for key 'service delivery' plant pests (Privet and Pinus Contorta)	Achieved Privet was removed from 206 properties throughout Hawke's Bay. The blocks where Pinus contorta were surveyed and controlled by helicopter had number of trees recorded and whether they were coning/non coning. In the Rangataiki area where regenerating pines/seedlings were cut down by contractors (around the grassed area), numbers were not kept. These areas were dense and literally thousands of seedlings were cut down from small areas.
		Record all visits to Total Control Plant Pest sites	Partially Achieved All visits made have almost all been recorded in the HBRC programme 'Clover' and will be finished by 31 July

Financial Variances Explained

Variances in the Animal Pest Control budgets were. TBfree vector control transition originally agreed to be completed by TBfree was not done and was completed and paid for by HBRC at an additional cost of \$131,000. Also, the incentive scheme was over budget by \$30,000 as a result of higher incentive scheme use.

Biosecurity & Biodiversity Group of Activities

Activity 2 – Regional Biodiversity

Level of Service Statement HBRC will integrate land and water and biodiversity management to deliver environmental, economic, social and cultural outcomes			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Implementation of the Hawke's Bay Biodiversity Strategy	<p>Establish a biodiversity forum that meets annually at a Regional Biodiversity Summit</p> <p>In collaboration with signatories to the Biodiversity Accord, develop an implementation plan for the Regional Biodiversity Strategy</p> <p>In collaboration with signatories to the Biodiversity Accord, establish and administer a charitable trust (or similar entity) to secure new funding for projects that support and align with the Regional Biodiversity Strategy</p>	<p>Engage project manager/administrator (joint funded by Accord partners)</p> <p>HBRC contribution expected to be in the order of 0.4 FTE</p>	<p>Achieved</p> <p>This has been completed and the staff person engaged</p>

Financial Variances Explained

There were no significant variances from budgets in this activity.

Emergency Management Group of Activities

Introduction

Emergency Management covers a range of activities to meet Civil Defence and natural hazard management responsibilities. These activities aim to: identify potential hazards to the community and the means of reducing their impact; prepare the community for potential civil defence emergencies; and assist with the response to and recovery from any emergencies that occur.

Hawke's Bay Regional Council (HBRC) administers both the Hawke's Bay Civil Defence Emergency Management Group and the Coordinating Executive Group, both of which have responsibilities for the implementation of the Hawke's Bay Group Civil Defence Emergency Management Plan.

The relevant legislation for this function of HBRC is the Civil Defence Emergency Management Act 2002 and the Resource Management Act 1991.

Link to Strategic Outcomes

The Emergency Management group of activities contributes to Council's strategic outcomes in the following ways.

Resilient Communities

- *Local leadership, strong relationships and affordable, well-considered solutions*– by co-ordinating groups of organisations, and ensuring their understanding of and collaborative contribution to community resilience and emergency response and recovery activities.
- *Our people and businesses feel safe from natural hazards* - by providing advice that enables individuals to make sound decisions on the risk they are willing to live with and assisting with their effectiveness to respond and recover from a disaster, providing sound advice on rainfall and water flows during flood conditions and hazard information for land use planning purposes, providing flood warning and forecasting and information on how to reduce hazards to encourage community resilience and preparedness, enhancing community resilience through the promotion of community response plans and business continuity planning.

Assumptions and Future Demand Incorporated in this Plan

The planning assumptions for Emergency Management are:

Should a major emergency event occur, resources from across the region will be reallocated from other activities as necessary. Priorities will be reviewed following each event and financial resources may also be reallocated. There is no significant budget provision to respond or recover from a major civil defence emergency.

Expenditure and Funding

A review of the outcomes sought in Civic Defence Emergency Management has been undertaken and the existing resources has identified a funding short fall. This has been dealt with in part by reallocating existing expenditure but some additional funding is proposed as part of years 2 and 3 of this LTP.

This activity is funded by the Civil Defence targeted rate which is rated on a per property basis in the Hastings, Central Hawke's Bay and Wairoa District Councils and Napier City Council areas.

Emergency Management Group of Activities

	Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)
EXPENDITURE				
Operating Expenditure				
	1	1,195	1,111	952
	2	809	824	818
		<u>2,004</u>	<u>1,935</u>	<u>1,770</u>
		Total Operating Expenditure		
		<u>2,004</u>	<u>1,935</u>	<u>1,770</u>
		TOTAL EXPENDITURE		
REVENUE				
Activity Revenue				
		105	119	168
		<u>105</u>	<u>119</u>	<u>168</u>
		Total Activity Revenue		
Other Revenue				
		899	894	921
		3	3	6
		204	172	53
		<u>1,106</u>	<u>1,069</u>	<u>980</u>
		Total Other Revenue		
		<u>1,211</u>	<u>1,188</u>	<u>1,148</u>
		TOTAL REVENUE		
TOTAL FUNDING REQUIREMENT				
		<u>(793)</u>	<u>(747)</u>	<u>(622)</u>
Special Reserve Funding				
		147	98	(24)
		<u>147</u>	<u>98</u>	<u>(24)</u>
		Total Special Reserve Funding		
NET GENERAL FUNDING REQUIREMENT				
		<u>(646)</u>	<u>(649)</u>	<u>(646)</u>
MET BY				
		-	-	122
		637	625	540
		9	24	(16)
		<u>646</u>	<u>649</u>	<u>646</u>

Emergency Management Group of Activities

Activity 1 – HB Civil Defence Emergency Management Group

Level of Service Statement			
HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Assessment of natural and manmade hazards will be completed for at risk areas in Hawke's Bay	Advocate to Territorial Authorities for the consideration and inclusion of hazard information as part of their land use planning functions In conjunction with TAs, provide public advice on the impacts of hazards Complete changes to the Resource Management Act 1991 statutory plans that reflect the integrated approach of the Joint Hazard Strategy for Local Authority Land Use Planning 2012	Implement the Hawke's Bay Civil Defence Emergency Management Plan	Achieved Completed and ongoing as part of Group work programme
		Advocate coordination between the HBRC works programme and the readiness priorities in the HBCDEM Plan	Partially Achieved Completed and ongoing. Some stresses with HBRC priorities on other significant projects which has resulted in some policy development for natural hazards and the RPS being delayed.
		Provide public advice through a range of media (internet/public forums)	Achieved Completed and ongoing. Social media is particularly successful at the moment.
		Become involved in Territorial Authority planning processes under the RMA	Achieved A workshop was held with TA practitioners on 10 December 2015 to review planning processes along with the Hazard Information Portal. The CEG have supported the formation of a Hazard Information Portal Steering Group to ensure a TA planning contribution.
Number of hazards research projects commissioned each year	At least one new research project commissioned each year	Commission research every year based on HBRC Hazard Research Plan and priorities set out in the Hawke's Bay Civil Defence Emergency Management Plan	Achieved Research work scheduled includes: a) the completion of 3-year review of HB liquefaction risk assessments. Draft report received December 2015 and sent out for external peer review. Peer review report received February with a series of recommended improvements which were given to GNS Science and awaiting revised report. b) Update active fault mapping review work in Hastings & Wairoa. A final report for Hastings received January 2016, and work now commissioned for Wairoa.

Emergency Management Group of Activities

Level of Service Statement			
HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Percentage of surveyed residents that are aware of hazard risks and can identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay	Awareness of earthquake, flooding/heavy rainfall and tsunami hazard risks show an increase over time Specific target is at least 75% of residents can identify tsunami as one of the region's major hazards by 2018 As measured in a 3 yearly survey	Prepare and implement a communications plan to target hazards to highlight in a promotion	Achieved There is a current HBCDEM Group Communications Strategy 2015-16 in place. Its overarching theme for 2015 focuses on: "What to do in an earthquake or tsunami". The key promotion for the year was participation in NZ ShakeOut - a national earthquake drill on Thursday 15 October 2015. Supported the 1931 Survivors Afternoon Tea - the Minister of Civil Defence was the speaker to promote hazard awareness.
		Promote hazard awareness through public displays such as tsunami and 1931 earthquake displays and produce hazard education material	Achieved "East Coast LAB" Steering Group meeting 16 June 2the formal launch of East Coast LAB is now scheduled for 22 September and development continues on a new education room/public display at the National Aquarium of NZ, and other initiatives include Citizen science activities, Geocaching, and an education resource. Meeting held with HB Museum to look to improve the 1931 earthquake display in the future.
		Community Survey every three years	Achieved Completed and ongoing
Satisfaction of Territorial Authorities and professionals involved in land use planning decision making with the quality, format and relevance of hazard information supplied	All Territorial Authorities and planning professionals are satisfied with the quality, format and relevance of hazard information supplied/available as assessed by an evaluation and feedback form every 3 years	Continue work to identify sources of hazards and ensure this information is collected, sorted, recorded, and stored in a relevant manner.	Achieved Hazard research work has continued in accordance with the 10 Year Hazard Research Plan. The Hazards Information Portal (GIS platform for both public and inter-organisational sharing) has been maintained and improvements have been made progressively. A hazard workshop was held 10 December to discuss further development and use of hazard information across Councils, and the CEG supported the formation of a Portal Steering Group.

Emergency Management Group of Activities

Level of Service Statement			
HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Actively encourage best practice on hazard avoidance/mitigation by ensuring territorial authorities and professionals involved in land use planning decision making are informed of relevant hazards and risks	Partially Achieved The new Hazard Information Portal easily informs decision makers of hazards & workshop held with TA practitioners December 2015 to promote development as an authoritative single source of hazard information. HBRC hosted a flood scheme education workshop for TAs. A HB Joint Hazard Strategy for Local Authority Land Use Planning adopted 2012 to promote best practice on hazard avoidance in land use planning, recommended stronger regional guidance in the Regional Policy Statement on hazard risk avoidance. But as work wasn't approved in 2015-25 LTP, this has not progressed.

Level of Service Statement			
HBRC will maintain and, where appropriate, increase the readiness of Hawke's Bay Civil Defence Emergency Management (HBCDEM) and the community to respond to a civil defence emergency			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
HBCDEM response to a Civil Defence emergency is coordinated, appropriate, effective and efficient	Complete HBCDEM Group Training Directive 2015. Complete major Group exercise Nov 2015	Review and implement HBCDEM Plan	Achieved Existing plan approved 2014 not due for review until 2018-19. Being implemented as part of Group work programme
	Maintain three yearly exercise programmes	Exercise programme maintained and exercise reports completed with Corrective Action Plans	Achieved Completed and ongoing. Ex Te Mata a Maui Nov 2015

Emergency Management Group of Activities

Level of Service Statement			
HBRC will maintain and, where appropriate, increase the readiness of Hawke's Bay Civil Defence Emergency Management (HBCDEM) and the community to respond to a civil defence emergency			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
	Corrective Actions that the HBCDEM group has responsibility for are implemented in accordance with the Corrective Action Plan	Support the operation and engagement of the Training Advisory Group	Partially Achieved TAG as an entity has not been re-established. However individual members have been consulted on the development of a Group Training and Exercise Strategy which was approved by the CEG on 30 May 2015. The Training and Exercise Programme has been developed for the approval of CEG in Aug 2016. At this stage it would appear that there is no need to establish a formal TAG.
		Support Territorial Authorities in completing Community Response Plans for specific communities	Achieved Ongoing. Currently working with NCC/HDC on a Bayview/Whirinaki/Tongoio Community Resilience Plan. A program of work for CHBDC communities is also being developed.
The level of support given by the HBCDEM Group in directing and co-ordinating personnel and resources for response and recovery operations	Develop and implement an approved Group Work Plan based on the HBCDEM Group Plan 2015 An active Welfare Advisory Group which meets at least 4 times a year Review of Group Welfare Plan 2015 Group Welfare/Controllers Forums are run in 2105	Maintain and support the HBCDEM Joint Committee and Chief Executives Group	Achieved Regular meetings held. Ongoing
		Maintain and support the HB Welfare Advisory Group	Achieved Completed and ongoing. Group Welfare Manager has taken over the Chair of this group in accordance with recent changes to the National CDEM Plan.
The percentage of surveyed residents prepared to cope for at least three days on their own	90% residents have enough food stored for three days and had some way of cooking without electricity 75% have enough water stored As measured by three yearly survey	Maintain and develop information and materials that support the Group Website, regular radio advertising and other promotional opportunities in accordance with communications strategy	Achieved Group web page maintained and regularly reviewed. Radio advertising reviewed and new contract signed in July 2015. Coms strategy developed and being implemented.
		Support the National "Get ready, Get thru" programme and national "Get Ready" week	Achieved Completed and ongoing. Fully participated in Ex Shakeout 2015.

Emergency Management Group of Activities

Level of Service Statement			
HBRC will maintain and, where appropriate, increase the readiness of Hawke's Bay Civil Defence Emergency Management (HBCDEM) and the community to respond to a civil defence emergency			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Maintain Interagency Communication Group who develop and implement a programme of public CDEM education	Achieved Completed and ongoing. Meeting held in this Quarter.
		Survey the community every three years	Achieved Completed and ongoing.

Level of Service Statement			
Through the HBCDEM Group, HBRC will ensure that appropriate levels of response capabilities are in place and maintained across the Hawke's Bay Civil Defence Emergency Management (HBCDEM) Group			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Established Emergency Management Plans including training and procedures	<ul style="list-style-type: none"> Maintain Plans and Standard Operating Procedures and ensure Group Emergency Coordination Centres can be ready for operation within 6 hrs of event Effectively and efficiently manage any emergency events from initial warning until a safe situation returns 	Ensure Plans and procedures confirm agency roles and responsibilities for good coordination	Achieved Existing plans are valid however are due for review. A program of review and development of multi-agency Initial Action Plans for Hawke's Bay's significant hazards is being developed for implementation commencing in the last quarter of 2016. This will be a significant project over a 4-5 year period.
		Maintain 2 Group Emergency Coordination Centres (Hastings & Napier) which are ready for operation, with supporting Group Standard Operating Procedures	Achieved Completed and ongoing.
		Conduct training for staff assigned to Group emergency management roles	Achieved Completed and ongoing.
Maintain the CDEM Group's emergency management and civil defence capacity with the capability of effectively responding to an emergency event	Maintain established teams, training programmes, Emergency Operations Centre, Manuals, in accordance with HBCDEM Group Plan	HBRC staff have been assigned emergency management roles and are having training annually	Achieved Completed and ongoing.
		Effectively and efficiently manage any emergency event from initial warning until a safe situation returns	Achieved No significant events this quarter. Any warnings received were distributed effectively.

Emergency Management Group of Activities

Level of Service Statement			
Through the HBCDEM Group, HBRC will ensure the recovery from emergencies is managed in accordance with the scale of the event			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Facilitate and maintain Lifelines Group who have effective input into Civil Defence Emergency Management (CDEM) Group plans Dedicated CDEM Group Recovery Manager appointed A relevant CDEM Group Recovery Plan is adopted and maintained	<ul style="list-style-type: none"> Partner Territorial Authorities have appointed local recovery managers 2015 A Recovery Exercise is run in 2015 A Group Lifelines Forum is run in 2015 	Provide strategic guidance for Group Recovery Plan as part of the review of the CDEM Group Plan	Achieved Completed and ongoing
		Review and support Lifelines Group	Achieved Completed and ongoing. Lifelines held a forum in July 2016.

Financial Variances Explained

Variances in the HB Civil Defence Emergency Management Group activity budgets were primarily due to the running of a major region wide exercise in November 2015 and some one-off restructuring costs. These were anticipated and as per the 2015 LTP and have been covered from the CDEM rate reserves.

Emergency Management Group of Activities

Activity 2 – Hazard Assessment & HBRC Response

Level of Service Statement			
HBRC will ensure it has an emergency response capability that can provide regional hazard assessments and warning systems to the Civil Defence Emergency Management (CDEM) Group and to manage Council assets			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Effectiveness of response capacity and capability	Maintain established Teams, training programmes, Emergency Operations Centre, Manuals and Business Continuance Plan	Annual training of staff assigned emergency management roles at least once per annum and management of teams	Achieved Most of the staff training sessions were run in the first and second quarters in the lead up to the region-wide exercise in November 2015, with a new Incident Controller appointed and induction training for new staff held in the last quarter. Additional unbudgeted EMIS training sessions were also provided in the final quarter.
		Annual maintenance of Emergency Operations Centre Manual and biennial updates of Business Continuity Plan	Achieved “The Emergency Procedures Manual SOP's have been maintained, with the current version available on Herbi. The current BCP is available on Herbi, and a biennial review of the plan was commenced in March 2016 to be completed in due course.”
24 hour duty management system is in place	Operate an effective 24-hour Duty Management Service and respond to urgent public enquiries and complaints in a timely professional manner	Maintain log of duty calls along with record of warning and watches of severe weather or other hazardous events managed.	Achieved Ongoing

Level of Service Statement			
HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tutaekuri, Ngaruroro and Tukituki areas			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year - 19 priority sites: 98% - Overall: 92%	Percentage of time that the 19 priority telemetered rainfall and river level sites are operational throughout the year averages = or > 98%; and 92% overall	Regular checking and maintenance of all rainfall and level recorder stations	Achieved Ongoing
		Repair of all key sites damaged during storms within 4 weeks	Achieved No major repairs needed, any outages were dealt with and fixed within several days.

Emergency Management Group of Activities

Level of Service Statement			
A flood forecasting system is available on the web to advise the community on likely rainfall and flooding			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Percentage of the region at risk of flooding from large rivers, covered by a flood forecasting model	Percentage of the region covered by a flood forecasting model 2015-18 70%	Continue to develop and upgrade flood forecast models of flood plain areas. -	Achieved Several minor upgrades to flood forecasting model, additional input sites used.
		Continue to survey rivers to update models every 6 years	Achieved Ongoing.
		Calibrate models to significant storm events	Achieved Only one event (10 year in Wairoa River). Models worked well.
Information available on HBRC's website during storm events	No change	Programme for web information during storm events maintained <i>and continue to update Council's web site to disseminate site specific flood information to potentially affected landowners and general information to the public.</i>	Achieved New initiatives in providing flood forecasting information on Website and social media pages has been effective.
Peak flood forecast river flows agree within 25% of the actual flows	Increase in accuracy over time.	Calibration of models to significant storm events	Achieved Only one minor event (10 year) in Wairoa river. Models worked well.

Level of Service Statement			
HBRC will continue to improve its knowledge and understanding of flood risks from the areas exposed to severe weather events and the effects of runoff onto low lying land and into the network of drains, streams and rivers of the region			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Percentage of area mapped for flood hazard, including the impact of climate change.	2015-18: 100% To update flood hazard information for high risk communities	Identification of high flood risk areas	Achieved Ongoing.
		Programme of collection and distribution of flood hazard information for high and low risk areas	Achieved Several advances in the distribution of flood hazard info via web.

Emergency Management Group of Activities

Level of Service Statement			
HBRC will respond to oil spills within the Hawke's Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan which identifies priority areas in HB for protection in the event of a major spill			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Current Tier 2 Oil Spill Plan is in place and training is being implemented	Maintain trained and qualified personnel.	Annual maintenance <i>of the Oil Spill plan including amendment as necessary subject to CE approval</i>	Achieved The Oil Spill Plan has been maintained as required but no formal amendments have been necessary in this quarter.
	Operative Marine Oil Spill Plan is maintained	Annual training and management <i>of Oil Spill Response</i> teams	Achieved Annual training completed for the year, with two Tier 2 exercises and management of teams.

Financial Variances Explained

There were no significant variances from budgets in this activity.

Transport Group of Activities

Introduction

Transport covers regional transport planning, provision of passenger transport services and co-ordination of road safety initiatives across Hawke's Bay.

The driving force is the Regional Land Transport Plan and the Regional Public Transport Plan which must be prepared by the Regional Transport Committee and the Regional Council.

A major part of the Council's transport role is to contract bus and Total Mobility taxi services that provide the community with access to work, education, social and recreational activities. A recent review aims to make services more effective and efficient.

Link to Strategic Outcomes

This group of activities contributes to Council's strategic outcomes in the following ways.

Resilient Communities

- *Quality services for a healthy, connected community* – by providing increased travel options for the workforce, the community and the transport disadvantaged, increased opportunities for social interaction; road safety programmes, more access to essential services and amenities, and ensuring integration with walking and cycling opportunities.
- *Local leadership, strong relationships and affordable well-considered solutions* – by working with local councils and the New Zealand Transport Agency to develop and deliver affordable transport solutions that facilitate economic development, reduce traffic congestion and enable environmentally sustainable transport options.

Resilient economy

Quality future focused infrastructure - by coordinating regional planning for transport infrastructure and advocating on behalf of the region to central government.

Assumptions and Future Demand Incorporated in this Plan

The planning assumptions for Transport are:

- The New Zealand Transport Agency Funding Assistance Rates will be at levels set by a review completed in October 2014.
- There is a demand for the provision of ongoing public transport services.
- That there will be no changes to legislation or national policy that will impact on HBRC's transport role and that would require changes to the programmes outlined in this plan.

	Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)
EXPENDITURE				
Operating Expenditure				
	1	382	340	352
	2	72	75	93
	3	3,788	3,859	3,880
		4,242	4,274	4,325
TOTAL EXPENDITURE				
		4,242	4,274	4,325
REVENUE				
Activity Revenue				
		0	-	35
		0	-	35
Other Revenue				
		1,610	1,604	1,624
		(7)	(3)	(7)
		2,667	2,646	2,529
		4,271	4,247	4,147
TOTAL REVENUE				
		4,271	4,247	4,182
TOTAL FUNDING SURPLUS / (REQUIREMENT)				
		29	(27)	(143)
Special Reserve Funding				
		(100)	(48)	75
		(100)	(48)	75
NET GENERAL FUNDING SURPLUS / (REQUIREMENT)				
		(71)	(75)	(68)
MET BY				
		-	-	13
		69	72	57
		2	3	(2)
		71	75	68

Transport Group of Activities

Activity 1 – Regional Road Safety

Level of Service Statement			
HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke’s Bay roads and pathways are safe and accessible, and the emotional and financial costs of road traffic crashes are reduced			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Reduce the incidence of fatal and serious injury crashes in our region (5 year rolling average)	Achieve a reduction each year in the five year rolling average number of fatal and serious injury crashes	Undertake a programme of road safety education activities in partnership with Police and other road safety stakeholders to address the key causes of road crashes in our region	Achieved Joint projects have been identified as high priority and will be supported by the regions road safety partners: NZ Police, ACC, HBDHB
	Road Safety Action Plans for Wairoa, Napier, Hastings and Central Hawke’s Bay up to date and reflecting key causes of road crashes	Review Road Safety Action Plans quarterly	Achieved Completed

Financial Variances Explained

There were no significant variances from budgets in this activity.

Transport Group of Activities

Activity 2 – Regional Land Transport Plan

Level of Service Statement			
Through the region's transport planning documents HBRC will promote improved integration of all transport modes, land use and efficient movement of freight			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Adopted Regional Land Transport Plan (RLTP) in place	<ul style="list-style-type: none"> Report on current RLTP as set out in the monitoring and reporting section of the Plan three yearly report to the Regional Transport Committee on outcomes of the RLTP annual report to the Regional Transport Committee on activity implementation 	Monitor and report on achievements from the RLTP to the Regional Transport Committee <i>and the Technical Advisory Group</i>	Achieved Quarterly reports on achievements with key projects are provided at TAG and RTC meetings. Annual reports monitor outcomes and longer-term trends in transport indicators
		Begin RLTP review process in 2017	Achieved The review of the RLTP has commenced. The Technical Advisory Group is working on the update of key demographic and transport indicators to determine what changes might be required to the Plan.
Adopted Regional Cycle Plan in place	Report annually to member organisations on the outcomes of the Regional Cycle Plan, as set out in its monitoring section.	Coordinate the preparation, implementation, monitoring and review of the Regional Cycle Plan through the RCP Governance Group	Achieved The Regional Cycle Plan is complete. Implementation is being closely monitored by the RCP Governance Group to ensure that government funding is spent within required timeframes. Good progress has been made in the Plan's first year of implementation.

Financial Variances Explained

There were no significant variances from budgets in this activity.

Transport Group of Activities

Activity 3 – Subsidised Passenger Transport

Level of Service Statement			
HBRC will provide an accessible, integrated bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be targeted to best meet the transport needs of the people of Hawke's Bay			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Annual patronage on the Hawke's Bay bus services	Achieve an annual 1% increase in patronage	Continue to regularly market current services and increase awareness of all services	Achieved Regular marketing of services is undertaken through a variety of media. Some revisions have been made to the marketing plan for 2016.
Annual passenger kilometres travelled on the Hawke's Bay bus services	Achieve an annual 1% increase in passenger – kilometres travelled	Review services regularly to <i>better</i> cater for demand <i>and reduce any operational inefficiencies</i>	Partially Achieved Services have been reviewed during the second half of 2015-16 year and agreed service adjustments will commence on 26 September 2016. Fare recovery for 2015-16 was 37.8%
Proportion of total service costs that are covered by fares	2015-16 40% fare recovery	Investigate and implement cost-effective means of increasing patronage	Not Achieved Bus patronage has declined since September 2014, when petrol prices fell well below \$2 a litre. Promotional activities have not reversed this trend, but improvements to services will commence in September 2016 and it is hoped that these will help to stimulate patronage, particularly between Hastings and Napier.
Adopted Regional Public Transport Plan (RPTP) in place	Report on current RPTP as set out in the monitoring and reporting section of the Plan	Monitor and report on achievements from the <i>Regional Public Transport Plan</i> to the Regional Transport Committee and Regional Council	Achieved Service investigations into requested improvements identified in the Regional Public Transport Plan are now complete and Council has agreed to a number of changes to the bus service. The agreed improvements will commence operation on 26 September 2016.
		Begin <i>Regional Public Transport Plan</i> review process in 2017	Achieved To commence in 2017
Level of signage, infrastructure and information at all bus stops	Implement bus-stop service level standards (as outlined in Regional Public Transport Plan)	Work with the Napier City and Hastings District councils to implement the bus-stop service level at key bus stops	Partially Achieved Some progress has been made. New stops are being installed on route extensions in preparation for the bus service changes in September 2016.
		Work with Napier City and Hastings District councils to agree on the best locations for bus shelters each year	Achieved Two shelters have been installed in Napier and one in Hastings during the financial year.

Transport Group of Activities

Level of Service Statement			
HBRC will provide an accessible, integrated bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be targeted to best meet the transport needs of the people of Hawke's Bay			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Where bus routes exist, the percentage of residences and businesses that are in the following walking distances of a bus stop: 500m normal conditions - 600m low density/outer areas	Achieve 90% compliance in Hastings and 75% in Napier	Ongoing survey to ensure appropriate infrastructure at key bus-stops	Achieved Bus stop use has been monitored during the year to identify demand for improved infrastructure and this has led to the installation of three new shelters.
		Work with Napier City and Hastings District councils to meet targets	Achieved Several service level improvements have been made to bus stops in Hastings and there has also been some progress with the formalising of bus stops in Napier, however more is required. New bus stops have been placed in Kennedy Road and further new stops are planned for Bay View, Havelock North, Meeanee Road.
Fare payment systems utilise technology to provide a simple customer experience and provide HBRC with the passenger data needed to plan and review services	Participate in the national ticketing system project	Evaluate ticketing system proposals and provide useful feedback to the national project group to ensure a best fit system for Hawke's Bay	Achieved The Regional Consortium that has been working on a ticketing solution now has permission to procure an interim solution while the national process is underway. Feedback on Hawke's Bay requirements has been provided and we are hopeful that the interim solution will be in place by late 2017.
		Secure funding to implement the national ticketing system within the agreed time period	Achieved Funding for the national ticketing project has been included in the Long Term Plan and is now expected to be spent during year two.
Improved integration between public transport and walking and cycling results in more multi-modal journeys	Investigate further opportunities for installation of secure bike racks at major bus stops Investigate installation of bike racks on Napier Hastings Express service	Investigate other initiatives around the country Work with Napier City and Hastings District councils to improve integration between public transport and walking and cycling	Achieved Some progress with integration between walking and cycling and public transport with the Hawke's Bay District Health Board's adoption of a travel plan for staff and patients. The commencement of the new bus contract on 1 August will mean that all buses in the fleet now have bike racks.

Transport Group of Activities

Level of Service Statement			
HBRC will continue to deliver the Total Mobility scheme in Napier, Hastings and Waipukurau for those unable to use public transport due to serious mobility constraints			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Membership is increased and service delivered in accordance with New Zealand Transport Agency guidelines	Increase the number of Total Mobility trips taken by at least 3% a year	Actively promote the Total Mobility Scheme	Partially Achieved Total Mobility is promoted in doctor's surgeries and disability agencies, with a 1% increase in the number of Total Mobility trips taken during 2015-16
		Work with government and disability agencies to better understand and try to meet the needs of their clients	Achieved This work is ongoing. Consultation was undertaken with disability and government agencies during the preparation of the Regional Public Transport Plan. Regular liaison takes place throughout the year to maximise the quality of service provided.

Financial Variances Explained

Variances in the Subsidised Passenger Transport activity budgets were in Operating Expenditure which was under budget due to lower costs in Total Mobility and the cost of the Napier-Hastings bus service (Actual \$3,788m vs Budget \$3,859m). This resulted in the addition of more funds to the Scheme Reserve (Actual \$100,000 vs Budget \$48,000).

Governance, Community Engagement & Services Group of Activities

Introduction

Hawke's Bay Regional Council's (HBRC) Governance and Community Engagement role and responsibilities involve decision-making, keeping regional residents informed, and ensuring that tangata whenua and the people of Hawke's Bay have a meaningful say on the direction of their region.

This group covers the following activities to deliver these roles and responsibilities.

- Strategic Alliances – involves HBRC working with a range of organisations such as central government, university, private sector groups and councils – to provide valued services and research that is targeted and efficient.
- Community Engagement and Communication – encompasses all HBRC purposes and functions and engagement with a broad range of stakeholders in the general community through a variety of media.
- Community Representation and Regional Leadership – includes Council elections and the role of Councillors in representing their constituent community, the co-governance arrangement with treaty settlement groups through the Regional Planning Committee, plus providing opportunities for individuals and groups to influence decision-making.
- Investment Company Support – involves the management and administration support that will be provided to the proposed Hawke's Bay Regional Council Investment Company.

Link to Strategic Outcomes

This group of activities contributes to Council's strategic outcomes in the following ways.

Resilient Communities

Quality services for a healthy connected community – by the 9 Councillors representing their constituent communities across Hawke's Bay; by reflecting community views on policies considered by the Council; by actively engaging with the community and providing information and knowledge in regular publications.

Local leadership, strong relationships and affordable, well considered solutions – by supporting Tourism Hawke's Bay and participating in Business Hawke's Bay, through funding from the Regional Economic Development Rate; establishing relationships with Massey University.

Resilient Ecosystems

Active management linking biodiversity, land, fresh water and our coastal marine areas – by working closely with iwi/hapu, primary sector associations, environment groups and government departments to provide for greater catchment/community based management of the environment.

Resilient Organisation

Using foresight, strategy, smart investment, strategic alliances and a fit-for-purpose approach to lead our region - by the 9 Councillors representing their constituent communities across Hawke's Bay; the effective operation of the Regional Planning Committee as the co-governance model for cultural redress in Hawke's Bay, and the effective operation of the Council organisation in its delivery of its functions.

Assumptions and Future Demand Incorporated in the Long Term Plan

The planning assumptions for HBRC's Governance and Community Engagement are:

- Council will continue to have a membership of nine although it is acknowledged that a decision on local government reorganisation proposals may alter the local government structure in Hawke's Bay within the first three years of this Long Term Plan
- The Regional Planning Committee will become a permanent Committee under the Hawke's Bay Regional Planning Committee Act.
- Establishing alliances with other organisations will be necessary to achieve regional success.

Continued expectation of, and increased requirement for, stakeholder and public engagement in HBRC activities.

Governance, Community Engagement & Services Group of Activities

	Activity (#)	Actual 15/16 (\$'000)	Budget 15/16 (\$'000)	Actual 14/15 (\$'000)
EXPENDITURE				
Operating Expenditure				
Community Partnerships	1	325	876	826
Community Engagement & Communications	2	648	544	682
Response to Climate Change	3	-	26	-
Community Representation & Regional Leadership	4	1,736	1,386	1,337
Investment Company Support	5	177	95	156
Total Operating Expenditure		2,886	2,927	3,001
Capital Expenditure				
Solar Heat Advances		-	630	-
Loan Repayment		330	387	305
Total Capital Expenditure		330	1,017	305
TOTAL EXPENDITURE		3,216	3,944	3,306
REVENUE				
Activity Revenue				
Direct Charges		180	133	161
Total Activity Revenue		180	133	161
Other Revenue				
Grants		72	15	86
Loan Funding		-	1,130	500
Solar Heat Repayments		-	32	-
Total Other Revenue		72	1,177	586
TOTAL REVENUE		252	1,310	747
TOTAL GENERAL FUNDING REQUIREMENT		(2,964)	(2,634)	(2,559)
Special Reserve Funding				
Regional Projects Reserve		-	-	25
Sale of Land (Investment) Reserve		476	520	457
Total Special Reserve Funding		476	520	482
NET GENERAL FUNDING REQUIREMENT		(2,488)	(2,114)	(2,077)
MET BY				
General Funding Rates		1,479	1,360	390
Investment Income		996	726	1,729
Operating Reserves		13	28	(42)
		2,488	2,114	2,077

Governance, Community Engagement & Services Group of Activities

Activity 1 – Community Partnerships

Level of Service Statement			
HBRC engages in strategic relationships that help better achieve its vision and purposes			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Formalisation of strategic alliances that are sector and institutionally based	Continue reporting to Council on performance of strategic relationships HBRC reviews the effectiveness of, and funding for, the Massey University Memorandum of Understanding (MoU)	Provision for required resourcing as per respective agreements	Achieved HBRC and Massey University terminated the position of Business Development Coordinator based at HBRC in January 2016, upon the conclusion of the contract period. Insufficient outcomes had been achieved through this process for both parties. Consequently no additional funding resource was required.
		Participate in bi-lateral review of effectiveness of the <i>HBRC-Massey University</i> Memorandum of Understanding	Achieved The Memorandum of Understanding between HBRC and Massey University is still in place but the focus of HBRC expenditure has moved to direct individual engagement with appropriate research specialists.

Level of Service Statement			
HBRC will contribute to support the development of Regional Public Infrastructure projects			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Evaluation of Regional Public Infrastructure projects and which to support	Funding from loans and reserves set aside in the LTP 2012-22 to cover HBRC's contribution to Regional Public Infrastructure projects has now been fully spent and committed. This LTP does not provide for further input into HBRC's Community Facilities Fund.	Requests for funding for Regional Public Infrastructure are received and evaluated, and funding assigned in 2015-16 to the following projects: • \$0.5m provision for Wairoa Community Centre upgrade • \$0.5m provision for Te Mata Park Visitor and Educational Centre	Achieved The Wairoa community centre upgrade is close to completion and the \$0.5 Mil assistance towards the cost of this project from this Council was paid in December 2015 to Wairoa District Council. HBRC has approved a revised development proposal for Te Mata Park Visitor and Educational Centre and, during the 3 years commencing 2016-17 payments totalling up to \$500,000 will be made for various parts of the project.

Financial Variances Explained

There was a variance of \$550,000 underspent in the Community Partnerships activity budgets. The primary reason for this is that the \$500,000 set aside as a contribution towards the development of Te Mata Park Visitor and Educational Centre has not been made to the Te Mata Trust Board and will now be drawn down over the 3 years commencing 2016-17 by Te Mata Trust Board.

Governance, Community Engagement & Services Group of Activities

Activity 2 – Community Engagement & Communications

Level of Service Statement			
We engage the community in activities and decision-making processes, with clear expectations for participation			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Level of engagement with council plans, major decisions and statutory documents	Long Term Plan, Annual and SOE reports, policy and plan change processes	Annual review of statutory document timing with appropriate engagement tools and processes	Achieved Delivery of Consultation Document and subsequent Annual Plan 2016-17 document.
Number of council meetings and workshops	Open reporting of Council and Committee decision items	Maintain focus on trust and confidence, to <i>manage</i> Council workshop and public exclusion expectations	Achieved Minimal items of council sessions held in public excluded.
Number of public meetings, workshops and public events (includes awards and field days)	Develop meetings, workshops and events for major projects and as required	Focus on opportunities for community engagement and public participation <i>in activities and decision-making processes, with clear expectations for participation</i>	Achieved Public given full opportunity to submit to Annual Plan process, including public events, with submissions sought via email, press, radio, online, facebook and in person.
Number of media releases and other significant outputs generated; uptake of digital technologies	>100 media releases per year >10 video clips per year; track social media posts	Adaptation of engagement tools, including print, radio and digital (web, portals, video, social) <i>to ensure use of the most suitable means of communication and engagement</i>	Achieved The most suitable tools are selected for communication and engagement purposes. External Relations team produced 139 media releases, 12 video clips and 417 social media posts through the 2015-16 year.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement			
We give relevant information to our diverse audiences			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Regional news and digital media coverage averages > 90% positive/ neutral	Not less than an average of 95% positive/ neutral rating	Regular review of <i>Council's "Community Engagement"</i> Risk Management profile	Achieved The Community Engagement team continues to reassess that the offering to HBRC is fit-for-purpose, and that key projects have appropriate resourcing. In 2015-16 media coverage achieved a 97.7% positive/neutral rating.
		Maintain Engagement Plans for major work programmes	Achieved Engagement Plans are current for key projects including the Ruataniwha scheme, TANK Plan Change, Tukituki Implementation, Biodiversity Strategy, Vote 20156, HB Coast, Civil Defence Group, Transport, and others.
Delivery of activity updates, actual progress and perception of performance	Generate relevant local and regional newsletters; review at least every three years Awareness and satisfaction survey	Measure and report on community engagement in major decision items, <i>in addition to undertaking a two-yearly awareness and satisfaction survey</i>	Achieved Market research is current, and will be conducted again in 2017.
Facilitation of agreed stakeholder groups	Audit how many groups we work with; revalidate at least every three years	Measure frequency of <i>facilitated</i> engagement with <i>agreed</i> stakeholder groups	Achieved Direct engagement occurs regularly for TANK Plan Change, Tukituki implementation, Biodiversity Strategy, HB Coast, and other core projects.

Financial Variances Explained

Variances in the Community Engagement & Communications activity budgets were \$104,000. This was largely due to an un-budgeted overspend of internal time dedicated to handling LGOIMA requests and non-recoverable council projects, such as Hawke's Bay Trails, Regional Parks and Open Spaces.

Governance, Community Engagement & Services Group of Activities

Activity 3 – Community Representation & Regional Leadership

Level of Service Statement			
HBRC will provide the community with a channel for representation through elected members to enable access and influence on decision making			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Councillors' attendance at monthly Council and Committee meetings achieving at least 90% attendance of elected and appointed members	Attendance rate of at least 90% maintained	Monitor and record meeting attendance, <i>aiming to achieve at least 90% attendance, over the full year, by all elected and appointed members at both Council and Committee meetings</i>	Achieved Sixteen meetings of the Regional Council were held in the period 1 July 230 June 2016, with 96% attendance rate. There were also 43 Committee meetings held over this period, with an overall attendance rate of 90%.
Long Term Plan/Annual Plan consultation during April and May with the final Plan being adopted by HBRC by 30 June	Consultation and submission period of at least 25 working days provided for Long Term and Annual plan processes	The scheduling of at least 25 working days for <i>Annual Plan</i> consultation during April/May, <i>and the scheduling of up to 3 days in June to hear submissions to enable adoption of the Plan by 30 June</i>	Achieved Submissions on the 2016-17 Annual Plan and proposed 2015-25 Long Term Plan Amendment were open Monday 11 April through Friday 13 May 2016. Submissions Hearings were held on 8 and 9 June 2016, with 47 submitters heard. The 2016-17 Annual Plan was adopted by the Regional Council on 29 June, while the proposed amendment to the 2015-25 Long Term Plan was left to lie on the table pending further information and timelines from staff.
Comply with the provisions of the Local Electoral Act 2001	<ul style="list-style-type: none"> Review appropriate representation arrangements for the region by December 2018 Meet statutory timetable requirements leading up to the 2016 Local Government elections 	Council has an appointed Electoral Officer and Deputy Electoral Office in place at all times	Achieved Electoral Officer Leeanne Hooper, and Deputy Electoral Officer Barbara Mear appointed 27 October 2014. Declarations for 2016 Elections made 15 March 2016.
		Carry out a representation review by December 2018 to determine the number of Councillors and the constituents they represent	Achieved Representation Review process ground work will commence in 2018, with full review process undertaken ahead of the 2019 Elections in accordance with statutory requirements.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement			
HBRC will provide the community with a channel for representation through elected members to enable access and influence on decision making			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
		Undertake the election process for the 2016 election	Achieved Electoral Officers' Training undertaken 12-13 October 2015. Meetings of the region's Electoral Officers' held 8 March and 12 May 2016, attended by EOs from Hastings, Wairoa and Central Hawke's Bay District councils, Napier City Council, Hawke's Bay Regional Council and the Hawke's Bay District Health Board. Votext (Election and Candidate Processing software) training undertaken 27 May 2016.

Level of Service Statement			
HBRC aims to maximise Local Government effectiveness and efficiency			
Level of Service Measure	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Facilitate and report on Local Government efficiencies achieved	HB LASS Ltd (the Hawke's Bay local authority shared services company) meets the target specified by its shareholder councils in the company's Statement of Intent	Support for and funding of the operation of HBLASS Ltd, <i>including</i> relevant contribution made to any investigations undertaken by HBLASS in which HBRC can be part of a shared service	Achieved HBRC has made contributions to the operation of HBLASS, as well as to the implementation of shared services for Information Management, Internal Audit Services, Archives and Records management. HBRC has led the IM shared service investigation. In addition HBLASS launched the HBViewer site for GIS information to coordinate the provision of property information across the region.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement			
HBRC works with Hawke's Bay iwi and hapu in the spirit of the principles of the Treaty of Waitangi			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Regional Planning Committee operating successfully	Annual report on Regional Planning Committee activities	Legislation passed to permanently establish Hawke's Bay Regional Planning Committee	Achieved The Hawkes Bay Regional Planning Committee Act was enacted in 2015.
Attendance at Maori Committee meetings	Attendance rate of at least 80% maintained	Monitor and record meeting attendance, <i>aiming to achieve at least 80% attendance over the full year by all appointed members of the Maori Committee, at Maori Committee meetings</i>	Achieved This financial year, six meetings of the Maori Committee were held, with an attendance rate of 80.6%.
Iwi/hapu engagement plans in place for resource management plan development and implementation	Iwi/hapu engagement plans completed and endorsed by Regional Planning Committee	Develop <i>iwi/hapu</i> engagement plans for <i>resource management plan development and implementation</i> in liaison with Ngati Kahungunu Iwi Incorporated (NKII), Taiwhenua and Treaty groups	Partially Achieved The Group Manager, Resource Management has been working alongside the policy team to continue to engage with Ngati Kahungunu Iwi Inc, Taiwhenua and Treaty Groups to develop and complete the Iwi/ Hapu Engagement Plans as required by Policy TT16. Council are currently working with Te Taiwhenua o Heretaunga- Te Manaaki Taiao unit to finalise the TANK Tangata Whenua Engagement Plan. At the Regional Planning Committee meeting (1/6/16) a draft report was received and supported in principle noting that discussion needed to still occur with the wider Tangata Whenua network.
Iwi participation on Council and Committees	Council Committees are established with at least two tangata whenua representatives with full voting rights There is an ex-officio tangata whenua representative at Council meetings	<i>Council's Governance Structure</i> (Committees) is established post triennial elections	Achieved A review of Council's current Governance Structure will be undertaken prior to September 2016 to enable Council to make a recommendation to the incoming Council for 2016-2019 Triennium.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement			
HBRC works with Hawke's Bay iwi and hapu in the spirit of the principles of the Treaty of Waitangi			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
Number of meetings held between HBRC and Ngati Kahungunu Iwi Incorporated (NKII) Board	Two meetings held per year between HBRC and NKII Board	Schedule <i>at least two HBRC-NKII Board meetings per year</i>	Not Achieved No meetings were held in 2016 between the governing authorities although a number of engagements took place at a less formal level.

Financial Variances Explained

Variances in the Community Representation & Regional Leadership activity budgets resulted in an over expenditure of \$350,000 due to:

- Increased costs for undertaking the poll covering the proposed amalgamation of Hawke's Bay Councils (+\$50,000).
- Settlement of litigation and restitution costs relating to an action taken by Cityscape New Zealand covering accommodation at Tourism House (+\$200,000). This relates to "Hawke's Bay Incorporated" occupying Tourism House back in 2004.
- Additional payments to Maori Committee members (+\$30,000).
- Additional staff time spent on community representation activities, specifically covering the joint committee on Coastal Hazards and additional meetings to cover the RWSS Council debate and resolutions (+\$50,000).
- Legal costs covering an opinion on Councillor conflict of interest issues (+\$17,000).

Governance, Community Engagement & Services Group of Activities

Activity 4 – Investment Company Support

Level of Service Statement HBRC will provide support services to the Investment Company and to any associated subsidiaries of the Investment Company			
Level of Service Measures	2015-16 Performance Target	Required Action	2015-2016 Year end Results
A number of Board meetings to be supported by HBRC staff providing administrative and financial services.	Provide support for the Board meetings of the Investment Company and subsidiaries	Ensure the company's statutory requirements are met	Achieved All HBRIC Ltd statutory requirements met as at 30 June 2016.
		Prepare Company Board Agendas	Achieved Company Board agendas prepared on a monthly basis with costs for this work recovered from HBRIC Ltd based on actual costs.
		Keep records including Board Minutes	Achieved Company Board minutes prepared on a monthly basis with costs for this work recovered from HBRIC Ltd based on actual costs.
	Confirm the Statement of Corporate Intent each year	Ratify the Statement of Corporate Intent submitted by the investment company	Achieved Final HBRIC Ltd Statement of Intent accepted by council on 29 June 2016

Financial Variances Explained

The actual costs incurred for this project were \$177,000 as compared to a budget of \$95,000. All costs were recovered from the Hawke's Bay Regional Investment Company Ltd.

Financial Statements

Statement of Comprehensive Revenue and Expenditure

For the year ended 30 June 2016

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		15/16 \$000	15/16 \$000	14/15 \$000	15/16 \$000	14/15 \$000
Revenue						
Revenue from activities	3	7,267	6,168	5,916	78,312	72,910
Rates revenue	4	16,804	16,584	15,907	16,804	15,907
Subsidies and grants	5	3,600	2,983	3,277	3,600	3,277
Other revenue	5	14,657	14,755	15,965	7,176	8,344
Fair value gains on investments	6	6,352	1,589	1,242	6,362	1,829
Total Operating Revenue		48,680	42,079	42,307	112,254	102,267
Expenditure						
Expenditure on activities	3	(20,767)	(21,249)	(20,499)	(40,039)	(41,970)
Personnel costs	7(a)	(15,727)	(15,001)	(14,034)	(37,673)	(33,391)
Finance costs	3	(3,291)	(2,796)	(3,080)	(7,910)	(7,629)
Depreciation & amortisation expense	3	(2,463)	(2,349)	(2,379)	(10,956)	(9,516)
Fair value losses	6	-	-	(1,689)	-	(1,689)
Other expenditure	7(c)	(1,532)	-	(425)	(1,571)	(425)
Total Operating Expenditure		(43,780)	(41,395)	(42,106)	(98,149)	(94,620)
Operating Surplus / (Deficit) before Income Tax		4,900	684	201	14,105	7,647
Income tax expense	8	-	-	-	(4,705)	(3,942)
Operating Surplus / (Deficit) after Income Tax		4,900	684	201	9,400	3,705
Other Comprehensive Revenue and Expense						
Gain/(loss) in other financial assets	19	61	597	57,920	(1,355)	(2,449)
Gain/(loss) on revalued property, plant and equipment assets	19	1,700	-	-	1,700	-
Total Other Comprehensive Revenue and Expense		1,761	597	57,920	345	(2,449)
Total Comprehensive Revenue and Expense		6,661	1,281	58,121	9,745	1,256

The accompanying notes form part of these financial statements.

Accountability Information: Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2016

Note	Regional Council			Group	
	Actual	Budget	Actual	Actual	Actual
	15/16	15/16	14/15	15/16	14/15
	\$000	\$000	\$000	\$000	\$000
Equity as at beginning of year	527,915	480,643	469,795	468,588	471,101
Total Comprehensive Revenue and Expense	6,661	1,281	58,120	9,745	1,255
Dividends received / (paid)	-	-	-	-	-
Share capital issued	-	-	-	-	-
Effect on consolidation	-	-	-	3,981	(3,768)
Equity as at end of year	534,576	481,924	527,915	482,314	468,588

The accompanying notes form part of these financial statements.

Accountability Information: Financial Statements

Statement of Financial Position

For the year ended 30 June 2016

	Note	Regional Council			Group	
		Actual 15/16 \$000	Budget 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
ASSETS						
Non-Current Assets						
Property, plant & equipment	9	20,416	19,467	18,207	305,897	292,395
Infrastructure assets	10	152,341	152,519	151,538	152,341	151,538
Investment property	11	50,566	59,058	52,677	53,416	55,517
Intangible assets	12	3,494	4,231	2,361	20,726	14,879
Forestry assets	15	7,309	5,611	5,887	7,309	5,887
Investment in joint venture	14	-	-	-	675	554
Advances to Council-controlled organisations	16	-	51,153	-	-	-
Trade & other receivables	16	-	-	334	-	334
Derivative financial instruments	17	-	-	-	-	27
Deferred tax assets	22	-	-	-	-	-
Total non-current assets before other financial assets		234,126	292,039	231,004	540,364	521,131
Other financial assets	13	11,425	15,285	10,579	11,425	10,579
Investment in Council-controlled organisations	13	235,224	187,442	235,224	-	-
Advances to Napier / Gisborne Rail	13	163	5,457	116	163	116
Total other financial assets	13	246,812	208,184	245,919	11,588	10,695
Total Non-Current Assets		480,938	500,223	476,923	551,952	531,826
Current Assets						
Inventories		93	46	55	93	139
Trade & other receivables	16	9,309	6,884	9,164	19,862	20,192
Advances to Council-controlled organisations	16	16,002	-	11,986	(0)	0
Derivative financial instruments	17	-	-	-	6	-
Other financial assets	13	60,380	30,985	83,408	60,380	83,408
Cash and cash equivalents	18	27,790	7,426	8,882	28,103	5,206
Current tax asset		-	-	-	380	486
Non-current assets held for sale		-	-	-	-	-
Total Current Assets		113,574	45,341	113,495	108,824	109,431
TOTAL ASSETS		594,512	545,564	590,418	660,776	641,257
NET ASSETS / EQUITY						
Accumulated funds	20	311,947	327,706	303,178	259,869	242,619
Fair value reserves	19	140,443	91,797	138,682	140,259	139,914
Other reserves	20	82,186	62,421	86,055	82,186	86,055
Total Net Assets / Equity		534,576	481,924	527,915	482,314	468,588
LIABILITIES						
Non-Current Liabilities						
Derivative financial instruments	17	70	-	109	4,975	3,132
Borrowings	21	19,065	18,418	17,835	106,165	77,835
Provisions for other liabilities & charges	25	23,925	31,680	29,104	23,925	29,104
Deferred tax liabilities	22	-	-	-	17,976	17,030
Employee benefit liabilities	23	554	893	541	935	873
Total Non-Current Liabilities		43,614	50,991	47,589	153,976	127,974
Current Liabilities						
Bank overdraft	21	-	-	-	124	2,889
Derivative financial instruments	17	-	-	-	1,308	1,243
Borrowings	21	3,520	3,924	3,289	3,520	21,589
Provisions for other liabilities & charges	25	941	2,196	1,157	941	1,157
Current tax payable		-	-	-	-	-
Employee benefit liabilities	23	1,542	-	1,358	3,577	3,502
Trade & other payables	24	10,319	6,529	9,110	15,016	14,315
Total Current Liabilities		16,322	12,649	14,914	24,486	44,695
TOTAL LIABILITIES		59,936	63,640	62,503	178,462	172,669
TOTAL NET ASSETS / EQUITY & LIABILITIES		594,512	545,564	590,418	660,776	641,257

The accompanying notes form part of these financial statements.

Accountability Information: Financial Statements

Statement of Cash Flows

For the year ended 30 June 2016

	Regional Council			Group	
	Actual	Budget	Actual	Actual	Actual
	15/16	15/16	14/15	15/16	14/15
Note	\$000	\$000	\$000	\$000	\$000
CASH FLOW FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
Receipts from customers	9,720	8,745	7,127	83,189	77,566
Rates	16,804	16,584	15,907	16,804	15,907
Dividends received	7,506	7,857	7,103	280	136
Interest received	3,701	2,736	4,374	3,706	4,387
Grants	3,786	2,983	3,221	3,786	3,221
Other Revenue	246	322	1,752	567	1,198
	41,763	39,227	39,484	108,332	102,415
<i>Cash was applied to:</i>					
Payments to suppliers	19,718	19,486	18,837	38,788	41,726
Payments to and behalf of employees	15,374	15,321	14,254	37,320	33,611
Interest expense	3,291	2,796	3,080	7,939	7,495
Income tax expense	-	-	-	3,852	6,043
	38,383	37,603	36,171	87,899	88,875
Net Cash Flows from Operating Activities	18	3,380	1,624	3,313	20,433
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
Disposal of property, plant & equipment	230	275	372	479	456
Disposal of investment properties	6,344	-	3,885	6,344	3,885
Disposal of financial assets	22,921	25,194	155,755	22,921	155,755
Third party contributions for purchase of intangibles	-	-	-	511	1,044
	29,495	25,469	160,012	30,255	161,140
<i>Cash was applied to:</i>					
Purchase of property, plant & equipment	2,149	2,327	2,041	24,259	29,156
Purchase of intangible assets	1,515	250	429	5,403	1,797
Construction of infrastructure assets	900	922	861	900	861
Purchase of financial assets	446	-	163,755	446	163,755
Forestry asset silviculture	23	37	102	23	102
Purchase of intangibles on behalf of third parties	-	-	-	511	1,044
Investment in Joint Venture	-	-	-	121	554
Advances to Investment Company	3,472	39,194	2,045	-	-
Advances to Napier / Gisborne Rail	47	5,342	116	47	116
	8,552	48,072	169,349	31,710	197,385
Net Cash Flows from Investing Activities		20,943	(22,603)	(9,337)	(1,455)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
Loans drawn	5,000	4,744	6,500	13,198	20,300
Leashold Annuity	-	-	-	-	-
	5,000	4,744	6,500	13,198	20,300
<i>Cash was applied to:</i>					
Loans repaid	3,539	3,526	2,964	3,539	2,964
Leasehold freeholding proceeds paid to ACC	6,876	1,443	4,468	6,876	4,468
Effect on consolidation	-	-	-	(3,901)	3,901
	10,415	4,968	7,432	6,514	11,333
Net Cash Flows from Financing Activities		(5,415)	(224)	(932)	6,684
Net Increase / (Decrease) in Cash & Cash Equivalents		18,908	(21,203)	(6,956)	25,662
Opening cash & cash equivalents		8,882	28,629	15,838	2,317
Closing Cash & Cash Equivalents	18	27,790	7,426	8,882	27,979

The accompanying notes form part of these financial statements.

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 Hawke's Bay Regional Investment Company Limited (HBRIC) and 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 primary objective of Council is to provide services and social benefits for the community rather than make a financial return. The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2016 and were authorised for issue by Council on 13 October 2016.

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.

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).

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.

(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 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.
- 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.

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.

(2.13.4) 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.

(2.13.5) Other Adjustments

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive revenue and expenditure. When revalued assets are sold, the amounts included in revaluation reserves are transferred to the accumulated balance in equity.

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:

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 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 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 Crops

Forestry crops 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 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;

(2.23.1) Fair Value Reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets, available-for-sale financial assets and investment properties to fair value.

(2.23.2) 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 Critical Judgments in Applying Accounting Policies

Management has exercised judgements in applying accounting policies for the year ended 30 June 2016 these are in accordance with the accounting standards and best practice.

Development Expenditure Impairment

The group, through its subsidiary the Hawkes Bay Regional Investment Company Limited (HBRIC), has incurred expenditure developing the Ruataniwha Water Storage Scheme (the Scheme). The group has treated these development costs as an intangible asset which have an indefinite life and are tested for impairment at each balance sheet date.

Recent litigation decisions have raised uncertainty into the future of the project and whether there is a need to impair the intangible asset. The directors of HBRIC, and Council have resolved not to impair as the outcome of this litigation is still uncertain.

Extended disclosure on this impairment decision is made in Note 12.

2.29 Changes in Accounting Policies

There have been no changes to accounting policies.

Accountability Information: Notes to the financial statements

Note 3: Groups of Activities Revenue & Expenditure

Note	Regional Council			Group	
	Actual	Budget	Actual	Actual	Actual
	15/16	15/16	14/15	15/16	14/15
	\$000	\$000	\$000	\$000	\$000
Revenue					
Groups of activity					
	67	52	26	67	26
Strategic Planning					
Land Drainage & River Control	2,079	650	1,016	2,079	1,016
Regional Resources	3,533	3,667	3,327	3,533	3,327
Regulation	1,144	1,533	1,183	1,014	970
Biosecurity	159	14	-	159	-
Emergency Management	105	119	168	105	168
Transport	-	-	35	-	35
Governance & Community Engagement	180	133	161	13	161
Total groups of activity revenue	7,267	6,168	5,916	6,970	5,703
Less internal revenue	-	-	-	-	-
Total groups of activity revenue	7,267	6,168	5,916	6,970	5,703
Other activity					
Subsidiary operations	-	-	-	71,342	67,207
Total activity revenue	7,267	6,168	5,916	78,312	72,910
Expenditure					
Groups of activity					
	4,542	4,651	4,266	4,517	4,220
Strategic Planning					
Land Drainage & River Control	7,849	7,235	6,924	7,849	6,924
Regional Resources	12,387	12,486	11,345	12,372	11,345
Regulation	3,083	3,369	2,745	3,065	2,564
Biosecurity	3,047	2,784	3,372	3,047	3,372
Emergency Management	2,004	1,935	1,770	2,004	1,770
Transport	4,242	4,274	4,325	4,242	4,325
Governance & Community Engagement	2,886	2,927	3,001	2,719	3,001
Total groups of activity expenditure	40,040	39,661	37,748	39,815	37,521
Less internal expenditure	(162)	(158)	(131)	(162)	(131)
Total groups of activity expenditure	39,878	39,503	37,617	39,653	37,390
Other activities					
Regional income collection	2,370	1,892	2,375	2,370	2,375
Subsidiary operations	-	-	-	54,555	52,741
Total other activities expenditure	2,370	1,892	2,375	56,925	55,116
Less personnel costs	7(a) (15,727)	(15,001)	(14,034)	(37,673)	(33,391)
Less finance costs - interest on borrowings	(1,470)	(1,353)	(1,375)	(6,089)	(5,924)
Less finance costs - fees associated with the transfer of Napier leasehold cashflows to ACC	(1,821)	(1,443)	(1,705)	(1,821)	(1,705)
Less depreciation and amortisation expense	(2,463)	(2,349)	(2,379)	(10,956)	(9,516)
Total activity expenditure	20,767	21,249	20,499	40,039	41,970
Depreciation and amortisation by groups of activity					
	-	-	-	-	-
Strategic Planning					
Land Drainage & River Control	611	535	598		
Regional Resources	332	268	296		
Regulation	3	4	3		
Biosecurity	-	-	-		
Emergency Management	25	59	26		
Transport	12	17	11		
Governance & Community Engagement	6	-	6		
Total directly attributable depreciation and amortisation					
Depreciation not directly related to groups of activity	1,473	1,466	1,437		
Total depreciation and amortisation expense	2,463	2,349	2,379		

Accountability Information: Notes to the financial statements

Note 4: Rates Revenue

Note	Regional Council			Group	
	Actual 15/16	Budget 15/16	Actual 14/15	Actual 15/16	Actual 14/15
	\$000	\$000	\$000	\$000	\$000
General funding rates					
Uniform annual general charge	1,931	1,837	1,735	1,931	1,735
General rate on land value	1,355	1,293	1,140	1,355	1,140
Total general funding rates	3,286	3,130	2,875	3,286	2,875
Targeted rates	13,518	13,454	13,032	13,518	13,032
Total rates revenue	16,804	16,584	15,907	16,804	15,907

Note 4(a)

Under Council's rates remission policy for multiple ownership land, 93 rates remissions were approved, totalling \$16,297 (2014/15 - 79 remissions totalling \$29,533)

Rating base information

The number of rating units within the region as at June 2016 are 69,843. (2015: 70,326)

The total capital value of rating units within the region as at 30 June 2016 is \$30,826,416,100 (2015: \$30,920,868,600)

The total land value of the rating units within the region as at 30 June 2016 is \$16,126,438,550 (2015: 15,726,768,350)

Accountability Information: Notes to the financial statements

Note 5: Other Revenue

Note	Regional Council			Group	
	Actual	Budget	Actual	Actual	Actual
	15/16	15/16	14/15	15/16	14/15
	\$000	\$000	\$000	\$000	\$000
Subsidies and grants					
Grants					
5(a)	3,600	2,983	3,277	3,600	3,277
Total subsidies and grants	3,600	2,983	3,277	3,600	3,277
Other revenue					
Dividend revenue	7,506	7,857	7,103	3	3
Rental revenue from investment property	2,958	2,577	2,876	2,966	2,899
Interest revenue	3,498	2,736	4,228	3,516	4,246
Gain / (Loss) on disposal of assets - net	78	-	6	78	6
Subvention payments	4	140	562	-	-
Miscellaneous revenue	613	1,445	1,190	613	1,190
5(c)					
Total other revenue	14,657	14,755	15,965	7,176	8,344

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 infrastructure assets gifted to Council, the write back of an over provision for Workplace ACC levies in previous years and forestry income.

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

Note	Regional Council			Group		
	Actual	Budget	Actual	Actual	Actual	
	15/16 \$000	15/16 \$000	14/15 \$000	15/16 \$000	14/15 \$000	
Fair value gains						
Investment property gains	11	4,233	1,589	300	4,243	830
Financial asset gains	13	-	-	-	-	-
Forestry asset gains	15	1,398	-	942	1,398	942
Derivative instrument gains	17	39	-	-	39	57
Infrastructure asset gains	10	-	-	-	-	-
Carbon credit gains	12	682	-	-	682	-
Foreign currency gains		-	-	-	-	-
Total fair value gains		6,352	1,589	1,242	6,362	1,829
Fair value losses						
Investment property losses	11	-	-	1,525	-	1,525
Financial asset losses	13	-	-	-	-	-
Forestry asset losses	15	-	-	92	-	92
Derivative instrument losses	17	-	-	72	-	72
Infrastructure asset losses	10	-	-	-	-	-
Fair Value loss adjustment		-	-	-	-	-
Foreign currency losses		-	-	-	-	-
Asset impairment losses	9 & 10	-	-	-	-	-
Total fair value losses		-	-	1,689	-	1,689

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.

Accountability Information: Notes to the financial statements

Note 7: Expense Disclosures

Note	Regional Council			Group	
	Actual	Budget	Actual	Actual	Actual
	15/16	15/16	14/15	15/16	14/15
	\$000	\$000	\$000	\$000	\$000
General disclosures					
	2,081	1,999	2,011	10,275	8,946
	382	350	368	681	570
7(a)	15,727	15,001	14,034	37,673	33,391
	15	10	13	15	13
	83	75	73	280	273
				-	-
	2,258	2,175	2,294	3,322	3,371
	-	-	-	-	-
	66	61	66	66	66
	-	-	-	-	-
	-	-	-	-	-
7(b)	2,324	2,236	2,360	3,388	3,437
Fees paid to Council's auditors (Audit NZ)					
	92	95	97	107	113
	-	-	60	-	60
	19				
	8	-	5	8	5
Fees paid to subsidiaries' auditors (EY)					
	-	-	-	108	104
	-	-	-	42	6
Total fees paid to auditors	119	95	162	265	288

Note 7(a)

Personnel Costs					
	15,044	14,527	13,814	36,051	32,290
	486	474	451	1,376	1,353
	197	-	-231	246	(252)
Total Personnel Costs	15,727	15,001	14,034	37,673	33,391

Note 7(b)

Key Management Compensation					
Councillors					
	578	560	553	578	553
	9	9	9	9	9
Executive Management Team, including the Chief Executive and Interim Chief Executive					
	1,746	1,676	1,807	1,746	1,807
	9	9	9	9	9
Company Directors and Chief Executive					
	-	-	-	1,064	1,077
	-	-	-	12	13
Total Key Management Compensation	2,324	2,236	2,360	3,388	3,437
Total full-time equivalent personnel	18	18	18	30	31

Accountability Information: Notes to the financial statements

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 Team for Council and Directors and Chief Executive for each subsidiary. (Actual figures for 14/15 and 15/16 for the Regional Council include both the Chief Executive seconded to HBRIC Ltd and the interim Chief Executive)

Note 7(c)

Other Expenditure

Leasehold Liability Movement (adjustment required to correctly state the liability to ACC)	1,291	-	232	1,291	232
Grants distributed to Ngati Pahauwera Rivers Initiatives	241	-	-	241	-
Share of gain/(loss) from equity accounted investees	-	-	-	39	-
Legal fees for Dalton Street Building Remedial work	-	-	193	-	193
	1,532	-	425	1,571	425

Leasehold liability movements are an adjustment to the amount owed to ACC. Under the lease receivables purchase agreement this adjustment is required due to the effect on the net present value (NPV) model of the high number of freeholdings processed during the year. Payments to ACC for these freeholdings include a component of increases in lease renewal payments which reflect the higher increase in valuations in excess of the 1.5% pa valuation increase allowed in the model. Future HBRC liability to ACC needs to be adjusted to reflect these payments

Note 8: Income Tax Expense

Note	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
	Income tax expense			
Current tax	-	-	3,203	3,267
Deferred tax	-	-	1,502	675
Total income tax expense	-	-	4,705	3,942

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

Surplus / (deficit) before tax	4,900	201	14,105	7,647
Tax at domestic rate of 28% (2015 28%)	1,372	56	3,949	2,141
Plus / (Less) tax effect of:				
Income not subject to tax	(10,722)	(9,089)	(10,722)	(9,089)
Expenses not deductible for tax purposes	12,258	11,790	11,483	10,891
Imputation credits	(2,913)	(2,761)	-	-
Tax effect of income not recognised for accounting	-	-	-	-
Utilisation of previously unrecognised tax losses	-	-	-	-
Group loss transfer	5	4	-	-
Prior period adjustment	-	-	(5)	(1)
Tax losses not recognised/Adjust tax rate changes	-	-	-	-
Tax on changes to building depreciation rates	-	-	-	-
Tax charge	-	-	4,705	3,942

The Council and Group have unrecognised income tax losses of \$18,230 (2014/15 \$15,333) with a tax effect of \$5,104 (2014/15 \$4,293) that are available to carry forward, subject to compliance with the Income Tax Act.

Accountability Information: Notes to the financial statements

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 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	-	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	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
Year ended 30 June 2016										
Opening net book amount	5,492	6,908	928	1,653	1,935	312	721	258	-	18,207
Revaluation surplus / (deficit)	789	957	(42)	-	-	-	-	-	-	1,704
Transfers / reclassification	-	-	-	-	-	-	-	-	-	-
Additions	-	141	372	616	685	27	275	33	-	2,149
Disposals	-	-	(39)	(122)	-	-	-	-	-	(161)
Depreciation charges	-	(387)	(200)	(309)	(311)	(49)	(169)	(58)	-	(1,483)
Asset impairment losses	0	0	0	0	0	0	0	0	0	-
	6,281	7,619	1,019	1,838	2,309	290	827	233	-	20,416
At 30 June 2016										
Cost or valuation	6,281	7,619	2,165	3,121	3,510	900	2,292	786	-	26,674
Accumulated depreciation	-	-	(1,146)	(1,283)	(1,201)	(610)	(1,465)	(553)	-	(6,258)
Net book amount	6,281	7,619	1,019	1,838	2,309	290	827	233	-	20,416

Note 9(a)

Council land and buildings were valued at 30 June 2016 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 \$11,315,000.

Land used for forestry in the Lake Tutira Country Park and Tangoio Soil Conservation Reserve was valued at 30 June 2016 by Morice Limited, independent valuers. The total fair value of this land was \$1,047,000.

Land used for carbon sequestration and wastewater disposal was valued at 30 June 2016 by Morice Limited, independent valuers. The total fair value of this land was \$1,799,000.

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 2016 on the basis of depreciated replacement value. This valuation was carried out by Jack McConchie, an experienced hydrologist with independent consulting engineers, Opus International Consultants Limited.

Insurance of Assets

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.

Insurance Contracts	Book Value	Maximum Insured Amount
Hawke's Bay Councils Programme	\$,000	\$,000
PP&E excl. vehicles	18,578	23,392
Pumpstations	3,895	12,560
Vehicles	1,838	1,838
Timber Crops	<u>7,309</u>	<u>5,823</u>
	<u>31,620</u>	<u>43,613</u>

(16/17 insurance will increase to cover the book value at 30/06/16)

Infrastructure Insurance	Book Value	Maximum Insured Amount
	\$,000	\$,000
Infrastructure Assets*	<u>137,125</u>	<u>183,477</u>

* Infrastructure Assets exclude land

HBRC insure infrastructure assets through AON New Zealand. A report prepared by consultant Tonkin & Taylor in conjunction with AON assessed HBRCs maximum probable loss in a 1:2000 earthquake event at \$60m. HBRC holds insurance to cover 40% of this loss (with central government meeting the remaining 60%), for up to two events in any one year. The excess associated with this policy is \$1,500,000.

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 2016 are:

Regional Disaster Damage Reserve (book value)	3,064,000
Flood and Drainage Scheme Reserves	<u>2,959,000</u>
Total	<u>6,023,000</u>

Accountability Information: Notes to the financial statements

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	Capitalised Interest \$000	Capital Work in Progress \$000	Total \$000
Subsidiaries													
At 1 July 2014													
Cost or valuation	30,343	43,765	17,501	3,601	24,100	9,427	42,604	35,453	23,616	76,527	(3,529)	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	35,927	18,470	17,020	76,038	(3,529)	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	35,927	18,470	17,020	76,038	(3,529)	4,602	250,087
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions	4,466	12,250	-	62	-	-	1,079	5,169	33	-	(705)	8,768	31,122
Disposals	-	-	-	-	-	-	-	(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	36,447	21,258	15,923	75,712	(4,234)	13,370	274,188
At 30 June 2015													
Cost or valuation	34,809	56,015	17,501	3,663	24,100	9,427	43,683	40,195	23,649	76,527	(3,529)	13,370	339,410
Accumulated depreciation	-	(16,290)	(6,270)	(1,894)	(2,406)	(2,943)	(7,236)	(18,937)	(7,726)	(815)	(705)	-	(65,222)
Net book amount	34,809	39,725	11,231	1,769	21,694	6,484	36,447	21,258	15,923	75,712	(4,234)	13,370	274,188
Year ended 30 June 2016													
Opening net book amount	34,809	39,725	11,231	1,769	21,694	6,484	36,447	21,258	15,923	75,712	(4,234)	13,370	274,188
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	184	-	-	184
Additions/Transfers	-	1,513	5,278	1	-	5,464	1,118	5,303	11,126	-	(337)	(9,737)	19,729
Disposals/Transfers	-	-	-	-	-	-	-	(196)	(230)	-	-	-	(426)
Depreciation charges	-	(1,673)	(498)	(105)	(396)	(591)	(564)	(2,723)	(1,318)	(326)	-	-	(8,194)
	34,809	39,565	16,011	1,665	21,298	11,357	37,001	23,642	25,501	75,570	(4,571)	3,633	285,481
At 30 June 2016													
Cost or valuation	34,809	57,528	22,779	3,664	24,100	14,891	44,801	45,071	34,775	76,711	(3,866)	3,633	358,896
Accumulated depreciation	-	(17,963)	(6,768)	(1,999)	(2,802)	(3,534)	(7,800)	(21,429)	(9,274)	(1,141)	(705)	-	(73,415)
Net book amount	34,809	39,565	16,011	1,665	21,298	11,357	37,001	23,642	25,501	75,570	(4,571)	3,633	285,481

Accountability Information: Notes to the financial statements

Note 9(b)

During the year Napier Port borrowed funds for the acquisition of new Property, Plant & Equipment. Interest incurred during the acquisition period of \$338,000 at rates of 3.90% to 4.65% (2015: \$364,000) was capitalised. This capitalised interest relates to the wharves and jetties asset category.

All capital work in progress belongs to the Napier Port for various capital projects in progress but uncompleted at the end of the year.

Sea defenses were revalued in 2012 by independent valuer Rob Kilgour (MTech, BE, CPEng, MIPENZ) of AECOM as sub consultant to Darroch Ltd. As at September 2015 the Company commissioned Beca Ltd to complete a visual condition assessment of the eastern and northern breakwater and provide an updated replacement cost estimate of the selected assets. Having taken into consideration the outcomes of the review the Company deemed that no impairment of the asset had occurred over the past 3 years and that the carrying value in the financial accounts was not materially different than the current depreciated replacement value.

GROUP TOTALS	Council	Council Subsidiaries	Group total
At 1 July 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	339,410	365,326
Accumulated depreciation	(7,709)	(65,222)	(72,931)
Net book amount	18,207	274,188	292,395
Year ended 30 June 2016			
Opening net book amount	18,207	274,188	292,395
Revaluation surplus / (deficit)	1,704	184	1,888
Transfers	-	-	-
Additions	2,149	19,729	21,878
Disposals	(161)	(426)	(587)
Depreciation charges	(1,483)	(8,194)	(9,677)
Asset impairment losses	-	-	-
	20,416	285,481	305,897
At 30 June 2016			
Cost or valuation	29,134	358,896	388,030
Accumulated depreciation	(8,718)	(73,415)	(82,133)
Net book amount	20,416	285,481	305,897

Accountability Information: Notes to the financial statements

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	Regional Parks & Wetland Reserves \$000	Pathway & Roadway \$000	Capital Work in Progress \$000	Total \$000
At 1 July 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)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
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	636	2,385	22	151,538
At 30 June 2015																
Cost or valuation	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
Year ended 30 June 2016																
Opening 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
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	(47)	-	-	-	-	(47)
Additions	14	764	7	5	-	-	529	-	-	-	-	-	121	-	14	1,454
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)
Depreciation charges	-	-	(42)	-	(251)	(208)	-	-	(22)	-	-	(63)	(11)	-	-	(598)
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	11,321	56,238	3,477	32,728	3,895	6,454	20,534	1,783	180	11,563	629	379	745	2,385	30	152,341
At 30 June 2016																
Cost or valuation	11,321	56,238	3,559	32,728	4,375	6,877	20,534	1,783	223	11,563	629	759	768	2,385	30	153,772
Accumulated depreciation	-	-	(82)	-	(480)	(423)	-	-	(43)	-	-	(379)	(23)	-	-	(1,431)
Net book amount	11,321	56,238	3,477	32,728	3,895	6,454	20,534	1,783	180	11,563	629	380	745	2,385	30	152,341

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 2016 by M H Morice, a registered valuer, of Morice Ltd on the basis of fair value. The total value of assets valued was \$629,000.

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.

Accountability Information: Notes to the financial statements

Note 11: Investment Property

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		15/16	14/15	15/16	14/15
		\$000	\$000	\$000	\$000
At beginning of year		52,677	57,787	55,517	64,447
Additions		-	-	-	-
Fair value gains / (losses) (included in income statement)	11(a)	4,233	(1,225)	4,243	(695)
Disposals		(6,344)	(3,885)	(6,344)	(3,885)
Transfers	11(b)	-	-	-	(4,350)
Movement during the year		(2,111)	(5,110)	(2,101)	(8,930)
At end of year		50,566	52,677	53,416	55,517
Investment property includes:					
Endowment leasehold land	11(c)	36,200	40,100	36,200	40,100
Other leasehold land		14,000	12,250	16,850	15,090
Rental Property		366	327	366	327
		50,566	52,677	53,416	55,517

Note 11(a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2016 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 \$36,200,000 (2014/15 \$40,100,000).

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 2016 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 7.80%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was \$14,000,000 (2014/5 \$12,250,000). 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 2016 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 \$366,000 (2014/15 \$327,000). Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Council.

As at 30 September 2015 the Napier Port's interest in investment properties was valued at \$2,850,000 resulting in an increase of \$10,000 over the last 12 months. This valuation was undertaken by Frank Spencer a registered valuer with Logan Stone Limited using the fair value basis under the highest and best use scenario. 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.

Accountability Information: Notes to the financial statements

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

	Note	Regional Council		Group	
		Actual 15/16	Actual 14/15	Actual 15/16	Actual 14/15
		\$000	\$000	\$000	\$000
Rental income	5	2,958	2,876	2,966	2,899
Direct operating expense arising from investment properties that generate rental income		(133)	(155)	(119)	(153)
		2,825	2,721	2,847	2,746

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

	Note	Computer Software / Development Expenditure \$000	Carbon Credits \$000	Council Total \$000
COUNCIL Only				
At 1 July 2014				
Cost or valuation		3,807	-	3,807
Accumulated amortisation		(1,507)	-	(1,507)
Net book amount		<u>2,300</u>	<u>-</u>	<u>2,300</u>
Year ended 30 June 2015				
Opening net book amount		2,300	-	2,300
Transfers		-	-	-
Additions		429	-	429
Disposals		-	-	-
Amortisation charges		(368)	-	(368)
		<u>2,361</u>	<u>-</u>	<u>2,361</u>
At 30 June 2015				
Cost or valuation		4,236	-	4,236
Accumulated amortisation		(1,875)	-	(1,875)
Net book amount		<u>2,361</u>	<u>-</u>	<u>2,361</u>
Year ended 30 June 2016				
Opening net book amount		2,361	-	2,361
Transfers		-	-	-
Additions		833	682	1,515
Disposals		-	-	-
Amortisation charges		(382)	-	(382)
		<u>2,812</u>	<u>682</u>	<u>3,494</u>
At 30 June 2016				
Cost or valuation	12(a)	5,069	682	5,751
Accumulated amortisation		(2,257)	-	(2,257)
Net book amount		<u>2,812</u>	<u>682</u>	<u>3,494</u>

Accountability Information: Notes to the financial statements

GROUP	Note	Computer Software \$000	Carbon Credits \$000	Development Expenditure \$000	Group Actual \$000
At 1 July 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		8,815	-	11,568	20,383
Accumulated amortisation		(5,504)	-	-	(5,504)
Net book amount		3,311	-	11,568	14,879
Year ended 30 June 2016					
Opening net book amount		3,311	-	11,568	14,879
Transfers		-	-	-	-
Additions		1,889	682	3,957	6,528
Disposals		-	-	-	-
Amortisation charges		(681)	-	-	(681)
		4,519	682	15,525	20,726
At 30 June 2016					
Cost or valuation	12(a)	10,704	682	15,525	26,911
Accumulated amortisation		(6,185)	-	-	(6,185)
Net book amount		4,519	682	15,525	20,726

Note 12(a)

In accordance with Note 2.10 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.

Development Expenditure Impairment

The group, through its subsidiary the Hawkes Bay Regional Investment Company Limited (HBRIC), has incurred expenditure developing the Ruataniwha Water Storage Scheme (the Scheme). The group has treated these development costs as an intangible asset which have an indefinite life and are tested for impairment at each balance sheet date. If the asset is considered impaired, it must be written down to its recoverable value immediately against revenue.

Accountability Information: Notes to the financial statements

HBRIC proposed an exchange of land to access land it requires for the Scheme. That land exchange has been subject to litigation. On 31 August 2016 the Court of Appeal, in a split decision, granted the appeal by Forest and Bird regarding the revocation step of the land exchange decision by the Director General of the Department of Conservation (DoC).

The Court of Appeal's decision has significantly reduced the probability of gaining access to the land required through that mechanism.

On 28 September 2016 DoC applied for leave to appeal to the Supreme Court. On the same date, HBRIC also applied for leave to appeal and for urgency. The timing of any decision on the leave applications, and for any subsequent hearing of an appeal, is uncertain at the date of this report.

HBRIC is also pursuing alternative means of gaining access to the required land. The timing, and the likelihood of success, of any of the alternatives are also uncertain at the date of this report.

Tangible evidence to assess the probability of success of the appeal process, or for any of the alternative means of access, cannot be provided within the statutory deadline for the HBRC Annual Report. It is uncertain, and unable to be determined at the date of this report, whether the RWSS assets are impaired.

If any impairment of the RWSS assets is required, a robust methodology for determining the amount of any impairment of the RWSS assets cannot be developed and applied (including obtaining and testing the necessary evidence base) within the statutory deadline for the HBRC Annual Report.

By the time of the HBRIC half-year report, they will have more information about the probability of success of the various alternative means of access. It will then be in position to:

- have a sounder basis for assessing whether impairment of the RWSS assets is required;
- have sought advice on, and selected, an appropriate methodology if impairment is required; and,
- have obtained an appropriate evidence base for any methodology selected.

The terms of the agreements as currently negotiated with covenantors provide that the development expenditure incurred by HBRIC will be capitalised at full value (ie at cost) into the Ruataniwha Water Limited Partnership when that is formed.

Carbon Credits

This is the first year that carbon credits have been recognised as an intangible asset. These credits have been gained from the normal forestry and berm enhancement operations of Council. The amount of available for sale carbon units have been valued using a market value of \$17.90 per unit as at 30 June 2016. Although Council has the ability to sell all of the carbon credits it is Council policy to only sell those credits which are deemed safe. These credits are free to sell without creating a liability at the time of harvest. Of the \$682,000 value of carbon credits held in intangibles, \$439,000 is deemed safe carbon.

Note 13: Other Financial Assets

Note	Regional Council		Group	
	Actual 15/16	Actual 14/15	Actual 15/16	Actual 14/15
	\$000	\$000	\$000	\$000
Other financial assets				
Current portion				
Term deposits with maturities 92 - 365 days	59,479	80,714	59,479	80,714
Government bonds	-	1,826	-	1,826
Community loans	901	868	901	868
Total current portion	60,380	83,408	60,380	83,408
Non-current portion				
Government bonds	1,993	1,465	1,993	1,465
Community loans	8,108	7,804	8,108	7,804
Publicly listed shares	971	1,080	971	1,080
Civic Assurance shares	18	18	18	18
RWSS evaluation costs	335	212	335	212
Advances to Napier / Gisborne Rail	163	116	163	116
Shares in Hawke's Bay Regional Investment Company	235,224	235,224	-	-
Total non-current portion	246,812	245,919	11,588	10,695
Total other financial assets	307,192	329,327	71,968	94,103

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 3.51% (2014/15 4.53%). These deposits have an average maturity of 202 days (2014/15 256 days).

Government & Local Government Funding Agency (LGFA) bonds

The fair value of government and LGFA bonds is \$1,993,000 (2014/15 \$3,291,000). Fair value has been determined using quoted market prices from an independent source. The effective interest rate on government bonds was 3.89% (2014/15 4.30%). This stock has an average maturity of 7.6 years (2014/15 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. 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 (RWSS) on a cost incurred to date less any assessed impairment and then deducted the value of net debt and future management costs. As at 30 June 2016 Deloitte (Wellington) have reviewed the valuation. Based on that valuation, Council considers that the fair value is not materially different to that determined as at 30 June 2015.

As set out in note 12, there is uncertainty over whether HBRIC's development expenditure intangible asset should be impaired. If it were to be impaired, this may have an impact on the fair value of the Regional Council's investment in HBRIC. Any fair value adjustments would be recognised in other comprehensive revenue and expense (i.e. not through the surplus or deficit) unless there was a decrement in excess of the current fair value reserve (which was \$57.7 million as at 30 June 2016).

Accountability Information: Notes to the financial statements

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 5.10%-7.02% and on Clean heat loans at between 2.55% - 3.51% at the inception of the loan.

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
Note	\$000	\$000	\$000	\$000
At beginning of year	8,672	7,650	8,672	7,650
Additional loans	2,027	2,168	2,027	2,168
Repayments	(1,690)	(1,146)	(1,690)	(1,146)
At end of year	9,009	8,672	9,009	8,672

Impairment

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

Note 14: Investment in Joint Venture

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
Note	\$000	\$000	\$000	\$000
Investment in Joint Venture				
Shares in Longburn Intermodal Freight Hub Ltd	-	-	675	554
Total	-	-	675	554
<u>Movements in the carrying value of joint venture</u>				
Opening Balance			554	-
New Investment			160	554
Share of recognised revenues and expenditure			(39)	-
Balance at end of year	-	-	675	554
<u>Summarise financial information of joint venture</u>				
Assets			2,025	1,662
Liabilities			-	-
Net Assets 100%	-	-	2,025	1,662
Port of Napier Limited share (33.3%)			675	554
Revenues			-	-
Net Profit after tax			(118)	-
Port of Napier Limited share (33.3%)	-	-	(39)	-

On 13 August 2014 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.

Accountability Information: Notes to the financial statements

Note 15: Forestry Assets

	Regional Council		Group		
	Actual	Actual	Actual	Actual	
	15/16	14/15	15/16	14/15	
Note	\$000	\$000	\$000	\$000	
At beginning of year	5,887	4,936	5,887	4,936	
Additions	24	102	24	102	
Fair value gains (included in Statement of Comprehensive Revenue and Expenditure)	1,398	942	1,398	942	
Fair value (losses) (included in Statement of Comprehensive Revenue and Expenditure)	-	(92)	-	(92)	
Disposals	-	-	-	-	
Reclassification to Plant, Property & Equipment	-	-	-	-	
Movement during the year	1,422	951	1,422	951	
At end of year	7,309	5,887	7,309	5,887	
Forestry assets include:					
Forestry on Council Owned Land					
Lake Tutira Country Park Forestry Crop	15(a)	3,088	2,476	3,088	2,476
Waihapua Carbon Sequestration Forestry Crop	15(b)	412	284	412	284
Rural Waste Water Disposal Forestry Crops	15(c)	345	299	345	299
Tutira Manuka Honey Forestry	15(d)	346	277	346	277
Forestry on Council Managed Land					
Tangoio Soil Conservation Reserve Forestry Crop	15(e)	3,116	2,550	3,116	2,550
Joint Venture Forestry					
Joint Venture Forestry Rights	15(f)	2	2	2	2
		7,309	5,887	7,309	5,887

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 (130 ha), Mahia (36 ha), Waihapua (174 ha), Central Hawke's Bay (173 ha).

During the period no forest crops were logged (2014/15 Nil ha).

Council owned forestry assets were fair valued to \$4,190,000 at 30 June 2016 (2014/15 \$3,335,000) by M H Morice, a registered valuer, of Morice Ltd. The valuation assumed discount rates of 6.5%

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 6.5% has been used for post tax cashflows for traditional forestry
- a rotation of 27 years
- an inflation adjustment of 2.0%
- Log Prices adopted \$/m3

Grade	CW	FR	GFR	HW	SW
Pruned P40	179	179	174	0	0
Part Pruned	159	159	154	0	0
A40	119	119	114	0	0
A	110	110	105	100	100
K	102	102	97	0	0
KI	89	89	84	0	0
KIS	83	83	78	0	0
Pulp	51	51	51	51	51

CW Prad Clearwood
FR Prad Framing
GFR Gisborne Framing
HW Hardwood
SW Softwood

Manuka Forestry 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 cashflow 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 \$3,087,600 by Morice Limited, independent valuers at 30 June 2016 (2014/15 \$2,476,400). The valuation assumed a discount rate of 6.5%.

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 \$411,800 by Morice Limited, independent valuers at 30 June 2016 (2014/15 \$283,500). The valuation assumed a discount rate of 6.5%.

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 \$344,900 by M H Morice of Morice Limited, independent valuers at 30 June 2016 (2014/15 \$298,500). The valuation assumed a discount rate of 6.5%.

Note 15(d)

Council is developing 130 hectares of Manuka forestry at Tutira for honey production. These forestry assets were fair valued at \$346,000 by M H Morice of Morice Limited, independent valuers at 30 June 2016. (2014-15 \$277,000). The valuation assumed a discount rate of 15.0%.

Note 15(e)

Council does not own the land at the Tangoio Soil Conservation 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.

Accountability Information: Notes to the financial statements

Note 16: Trade & Other Receivables

	Regional Council		Group		
	Actual	Actual	Actual	Actual	
	15/16	14/15	15/16	14/15	
Note	\$000	\$000	\$000	\$000	
Trade receivables	16(a)	5,678	5,603	15,518	16,325
Less: provision for impairment of receivables	16(b)	(23)	(23)	(23)	(23)
Trade receivables - net		5,655	5,580	15,495	16,302
Prepayments		125	128	838	487
GST Receivable		259	473	259	473
Accrued income		2,791	3,081	2,791	3,081
Work-in-progress		479	183	479	183
Intercompany receivables		-	53	-	-
Trade & other receivables	16(c&d)	9,309	9,498	19,862	20,526

Total Trade & other receivables comprise:

Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.	9,309	9,498	9,309	9,498
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges not subsidised by rates.	-	-	10,553	11,028
	9,309	9,498	19,862	20,526

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

Current trade and other receivables	9,309	9,164	19,862	20,192
Non-current trade and other receivables	-	334	-	334
	9,309	9,498	19,862	20,526

Other Advances

Advances to Council controlled organisations	16,002	11,986	-	-
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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.

At beginning of year	23	23	23	23
Additional provisions made during the year	28	45	28	45
Receivables written off during the year	(28)	(45)	(28)	(45)
	-	-	-	-
At end of year	23	23	23	23

Note 16(c)

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

Accountability Information: Notes to the financial statements

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
15/16						
Not past due	4,612	-	4,612	12,691	-	12,691
Past due 1 - 60 days	741	-	741	2,502	-	2,502
Past due 61 - 90 days	38	-	38	38	-	38
Past due > 90 days	287	(23)	264	287	(23)	264
	5,678	(23)	5,655	15,518	(23)	15,495
14/15						
Not past due	4,287	-	4,287	13,073	-	13,073
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	(23)	481	504	(23)	481
	5,603	(23)	5,580	16,325	(23)	16,302

Note 17: Derivative Financial Instruments

Note	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
Assets				
Interest rate swaps at fair value	-	-	-	27
Forward exchange contracts at fair value	-	-	6	-
Total	-	-	6	27
Less Non-current portion:				
Interest rate swaps at fair value	-	-	-	27
Forward exchange contracts at fair value	-	-	-	-
	-	-	-	27
Current portion	-	-	6	-
Liabilities				
Interest rate swaps at fair value	(70)	(109)	(6,280)	(3,609)
Forward exchange contracts at fair value	-	-	(3)	(766)
Total	(70)	(109)	(6,283)	(4,375)
Less Non-current portion:				
Interest rate swaps at fair value	(70)	(109)	(4,975)	(3,132)
Forward exchange contracts at fair value	-	-	-	-
	(70)	(109)	(4,975)	(3,132)
Current portion	-	-	(1,308)	(1,243)

Accountability Information: Notes to the financial statements

Note 17(a)

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2016 were \$134,500,000 (2014-15 \$74,500,000). \$49,500,000 of these swaps were active at 31 March 2016. The remaining \$85,000,000 are forward starting, future dated swaps.

At 31 March 2016, the various interest rates were in the range of 3.25% to 5.34% (2014-15 3.81% to 5.34%).

Note 18: Cash & Cash Equivalents

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		15/16	14/15	15/16	14/15
		\$000	\$000	\$000	\$000
Cash at bank and in hand	18(a)	9,901	8,882	10,214	5,206
Short-term bank deposits	18(b)	17,889	-	17,889	-
		27,790	8,882	28,103	5,206

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 2016 was 3.04% (2014/15 0.0%). The average deposit maturity after balance date was 91 days (2014/15 0 days)

Note 18(c)

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

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		15/16	14/15	15/16	14/15
		\$000	\$000	\$000	\$000
Bank overdrafts		-	-	(124)	(2,889)
Cash and cash equivalents		27,790	8,882	28,103	5,206
		27,790	8,882	27,979	2,317

Accountability Information: Notes to the financial statements

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

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
Note	\$000	\$000	\$000	\$000
Net Surplus on Operations	4,900	201	9,400	3,705
Add (Less) Non-Cash Items:				
Fair value gains	(6,352)	(1,242)	(5,812)	(799)
Fair value losses	-	1,689	-	1,689
Depreciation	2,463	2,379	10,956	9,516
(Loss) on disposal of leasehold land	(78)	(6)	(78)	(6)
ACC liability movement	1,291	-	1,291	-
Vested asset	(547)	-	(547)	-
Deferred tax	-	-	945	(331)
Add (Less) Movement in Working Capital Items:				
(Increase)/decrease in inventories	(38)	(9)	46	117
(Increase)/decrease in trade & other receivables	(145)	(2,754)	488	(1,539)
(Increase)/decrease in tax receivables	-	-	(10)	27
(Decrease)/increase in trade & other payables	1,209	2,581	2,727	359
(Decrease)/Increase in employee entitlement liabilities	197	130	137	200
Add (Less) Items Classified as Investing or Financing Activities:				
Movement in non-current provisions	480	344	712	600
Net (Gain) / Loss on sale of non-current assets	-	-	178	2
Net Cash Inflow from Operating Activities	3,380	3,313	20,433	13,540

Accountability Information: Notes to the financial statements

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 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		(255)	57,920
At 30 June 2015	118	255	74	80,153	358	57,724	-	138,682
Year ended 30 June 2016								
Reclassification transfer	-	-	-	-	-	-	-	-
Revaluation - gross	789	958	-	(47)	61	-	-	1,761
	789	958	-	(47)	61	-	-	1,761
At 30 June 2016	907	1,213	74	80,106	419	57,724	-	140,443

Accountability Information: Notes to the financial statements

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 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
Year ended 30 June 2016									
Reclassification transfer	-	-	-	-	-	-	-	-	-
Revaluation - gross	789	958	-	(47)	61	-	-	(1,416)	345
	789	958	-	(47)	-	-	-	(1,416)	345
At 30 June 2016	907	1,213	74	80,106	62,068	358	-	(4,467)	140,259

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 Income Statement, as an asset impairment.

Note 20: Accumulated Funds

	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
Accumulated funds				
Balance at 1 July	303,178	303,345	242,619	243,050
Surplus / (deficit) for the year	4,900	201	9,400	3,705
Transfers to / from other reserves	3,869	(368)	3,869	(368)
Effect on consolidation			3,981	(3,768)
Balance at 30 June	311,947	303,178	259,869	242,619

Accountability Information: Notes to the financial statements

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 Equalisation (4) \$000	Coastal Marine Area (5) \$000	Specific Regional Projects (6) \$000	Asset Replacement (7) \$000	Regional Disaster Damage (8) \$000	Scheme Disaster Damage (9) \$000	Clive River Dredging (10) \$000	Tangoio Reserve Fund (11) \$000	Maunga-haruru Tangitu (12) \$000	Sale of Land Invmt (13) \$000	Sale of Land Non-Invmt (14) \$000	Rabbit Re-serve (15) \$000	Ngati Pahau-wera (16) \$000	Total \$000
At 1 July 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																	-
Interest income / (expense)		48	398			1	36		126	15	165		62		3	55	909
Rental income - net					1,819												1,819
Depreciation transfers	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
Net surplus																	-
Net fair value gains / (losses)																	-
Interest income / (expense)		39	132				62	88	82	15	109	3	43		3	35	611
Rental income - net					1,790												1,790
Depreciation transfer - gross	597						1,865										2,462
Trading gain / (loss)							31	25									56
Transfers / (use of) reserves	323	21	626	(838)	(1,790)		(597)	-	58	54	(315)	203	(4,909)	(203)		(242)	(7,609)
Asset purchases - net							(3,016)										(3,016)
Borrowings - net							1,837										1,837
	920	60	758	(838)	-	-	182	113	140	69	(206)	206	(4,909)	(160)	3	(207)	(3,869)
At 30 June 2016	1,358	832	4,317	353	-	-	1,478	3,064	2,959	398	3,468	206	61,479	1,276	63	936	82,186

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] Maungaharuru Tangitu reserve

A reserve established as a catchments fund in accordance with the Maungaharuru-Tangitu Claims Settlement Act. It is agreed to transfer \$100,000 per year from the Tangoio Soil Conservation Reserve Fund to enable environmental enhancement.

[13] 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.

Accountability Information: Notes to the financial statements

[14] 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.

[15] 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.

[16] Ngati Pahauwera reserve

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

Note 21: Borrowings

Note	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
	Non-current			
Bank borrowings	19,065	17,835	106,165	77,835
Finance lease obligations	-	-	-	-
	19,065	17,835	106,165	77,835
Current				
Bank overdrafts	-	-	124	2,889
Bank borrowings	3,520	3,289	3,520	21,589
Finance lease obligations	-	-	-	-
	3,520	3,289	3,644	24,478
Total borrowings	22,585	21,124	109,809	102,313

21(a) Security

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

The Napier Port has two multi option credit facilities with Westpac, 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 Napier Port in respect of both the sale of such assets and other security

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:

	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
	6 months or less	280	19	(1,098)
Between 6 and 12 months	-	250	1,502	18,550
Between 1 and 2 years	280	560	87,380	60,560
Between 2 and 5 years	3,500	1,670	3,500	1,670
Over 5 years	18,525	18,625	18,525	18,625
	22,585	21,124	109,809	102,313

Accountability Information: Notes to the financial statements

21(c) Effective interest rates

The effective interest rates at the balance sheet date were:

	Regional Council		Group	
	Actual 15/16	Actual 14/15	Actual 15/16	Actual 14/15
	%	%	%	%
Effective interest rate ranges	4.15 - 8.41	5.74 - 8.41	3.25 - 5.34	3.72 - 8.41

21(d) Fair values

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

	Regional Council		Group	
	Actual 15/16	Actual 14/15	Actual 15/16	Actual 14/15
	\$000	\$000	\$000	\$000
Bank borrowings	18,861	17,968	107,463	96,268
	18,861	17,968	107,463	96,268

The fair values as based on cash flows discounted using a rate based on the borrowing rate of 5.10% (2014-15 5.74%).

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 15/16	Actual 14/15	Actual 15/16	Actual 14/15
	\$000	\$000	\$000	\$000
Bank overdraft	-	-	-	-
Bank borrowings	-	-	22,900	31,700
	-	-	22,900	31,700

Accountability Information: Notes to the financial statements

21(f) Internal Borrowings

The following internal borrowings have been funded by Council reserves

	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
Internal Loan Opening Balance				
Council Wide Activity				
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	-	220	-
	2,653	2,549	2,653	2,549
Internal Loans Borrowed during the year				
Council Wide Activity				
Dalton Street Building Remediation	-	-	-	-
Computer Equipment	-	-	-	-
Hydrology Equipment	100	300	100	300
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	-	220	-	220
	100	520	100	520
Internal Loans Repaid during the year				
Council Wide Activity				
Dalton Street Building Remediation	391	226	391	226
Computer Equipment	80	80	80	80
Hydrology Equipment	140	110	140	110
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	7	-	7	-
	618	416	618	416
Internal Loan Closing Balance				
Council Wide Activity				
Dalton Street Building Remediation	152	543	152	543
Computer Equipment	580	660	580	660
Hydrology Equipment	1,190	1,230	1,190	1,230
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	213	220	213	220
	2,135	2,653	2,135	2,653
Interest Paid during the year				
Council Wide Activity				
Dalton Street Building Remediation	18	33	18	33
Computer Equipment	23	33	23	33
Groups of Activities				
Land, Drainage and River Control				
Makara Scheme	8	-	8	-
Regional Resources				
Clean Heat	-	-	-	-
Hydrology Equipment	26	28	26	28
Emergency Management				
Hydrology Equipment	17	18	17	18
	93	112	93	112

Accountability Information: Notes to the financial statements

Note 22: Deferred Income Tax (Group)

Note	Property, Plant & Equipment \$000	Derivatives \$000	Other \$000	Total \$000
Balance at 1 July 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)
Charged to surplus or deficit re current year	(1,502)		-	(1,502)
Adjustment prior year provision	6	-	-	6
Charged to surplus or deficit	(1,496)	-	-	(1,496)
Charges to other comprehensive revenue and expense	-	550	-	550
Balance at 30 June 2016	(20,394)	1,737	681	(17,976)

Note 23: Employee Benefit Liabilities

Note	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
	Annual leave	968	926	3,003
Long service leave	318	323	699	655
Sick leave	22	21	22	21
Retirement gratuities	273	268	273	268
Other short term benefits	-	-	-	235
Accrued payroll expenses	515	361	515	361
Total employee benefit liabilities	2,096	1,899	4,512	4,375
Disclosed as:				
Non-current	554	541	935	873
Current	1,542	1,358	3,577	3,502
	2,096	1,899	4,512	4,375

Note 23(a) Movement in employee benefit liability

	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
	At beginning of year	1,899	2,044	4,375
Additional provisions	1,889	1,590	4,233	3,919
Unused amounts reversed	(387)	(156)	(387)	(156)
Used during the year	(1,305)	(1,579)	(3,709)	(3,838)
Movement during the year	197	(145)	137	(75)
At end of year	2,096	1,899	4,512	4,375

Accountability Information: Notes to the financial statements

Note 24: Trade & Other Payables

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
Note	\$000	\$000	\$000	\$000
Trade payables	2,835	2,839	5,767	5,647
Accrued expenses	5,610	4,552	7,376	7,065
Deposits & advances	1,874	1,604	1,873	1,603
Intrabusiness payables	-	115	-	-
	10,319	9,110	15,016	14,315
Total trade and other payables comprise:				
Payables and deferred revenue from non-exchange transactions - rates paid in advance	1,308	1,175	1,308	1,175
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions	9,011	7,935	13,708	13,140
	10,319	9,110	15,016	14,315

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 & Charges

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
Note	\$000	\$000	\$000	\$000
Current portion:				
ACC Leasehold Liability	941	1,157	941	1,157
	941	1,157	941	1,157
Non-current portion:				
ACC Leasehold Liability	23,897	29,076	23,897	29,076
Other Liabilities	28	28	28	28
	23,925	29,104	23,925	29,104
Total	24,866	30,262	24,866	30,262

Accountability Information: Notes to the financial statements

Movements for each class of provision are as follows:

Council and Group

	ACC Leasehold Liability \$000	Other Liabilities \$000	Total \$000
2015			
Balance at 1 July 2014	34,199	27	34,226
Additional provisions made	232	1	233
Amount used	(4,198)	-	(4,198)
Unused amounts reversed	-	-	-
Discount unwind	-	-	-
Balance at 30 June 2015	30,233	28	30,262
2016			
Balance at 1 July 2015	30,233	28	30,261
Additional provisions made	1,291	-	1,291
Amount used	(6,686)	-	(6,686)
Unused amounts reversed	-	-	-
Discount unwind	-	-	-
Balance at 30 June 2016	24,838	28	24,866

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 15/16 \$000	Actual 14/15 \$000
26(a) The following transactions were carried out with subsidiaries:		
(i) Sales of services		
By parent	1,267	1,146
By subsidiary	40	171
	1,307	1,317
(ii) Purchases of services		
By parent	40	171
By subsidiary	1,267	1,146
	1,307	1,317
(iii) Subvention payments		
Received by parent	4	562
Paid by subsidiary	4	562
	8	1,124
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	7,503	7,100
Paid by subsidiary	7,503	7,100
	15,006	14,200
(v) Share capital		
Paid by parent	-	-
Received by subsidiary	-	-
	-	-

HBRC has advanced an amount of \$13,956,201 to HBRIC Ltd as at 30 June 2016 to fund its share of the development cost for the RWSS. 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 \$1,220,000 (excl. GST) in the 2015/16 year as per the funding agreement.

Accountability Information: Notes to the financial statements

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

Note	Actual	Actual
	15/16	14/15
	\$000	\$000
Receivables from related parties		
Parent	544	53
Subsidiary	-	115
	544	168
Payables to related parties		
Parent	-	115
Subsidiary	544	53
	544	168

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 (2014-15 \$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	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
	\$000	\$000	\$000	\$000
Property, plant & equipment				
Cranes	-	-	-	13,275
Investment property	-	-	-	-
Dalton Street remedial work	-	-	-	-
	-	-	-	13,275

As at the reporting date there were no commitments in respect of contracts for capital expenditure (2015: \$13,275,000)

Note 27 (b) Operating lease commitments

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:

Accountability Information: Notes to the financial statements

Note	Regional Council		Group	
	Actual	Actual	Actual	Actual
	15/16	14/15	15/16	14/15
	\$000	\$000	\$000	\$000
Not later than one year	35	35	79	149
Later than one year but not later than five years	29	47	39	101
Later than five years	-	-	-	-
	64	82	118	250

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 2016 the annual rent receivable by Council is \$1,908,113 (2015 \$1,823,837)

At the expiry of the 21-year lease term a rent renewal will be calculated on the current land value. These leases will keep renewing as long as the land is owned 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 (c) Contingencies

In respect of the Council only

The Tangoio Soil Conservation Reserve fund contains the proceeds from 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 2016 are \$3,468,238 (2014-15 \$3,674,384).

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 seven year period to 30 June 2016 Council has paid out calls totalling \$412,889.

At balance date Council has a provision of \$73,000 for a legal settlement with Cityscape NZ Limited. This liability is contingent on Cityscape deciding to reinstate their premises. This amount is currently under accrued expenses.

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 (2015: Nil).

Accountability Information: Notes to the financial statements

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	Council Meetings 15/16	Council Workshops 15/16	Committee Meetings 15/16	Total Attendance 15/16	
Fenton Wilson	Chair	Full Year	16 out of 16	4 out of 4	27 out of 27	47 out of 47	100%
Alan Dick	Chair Regional Land Transport Committee	Full Year	16 out of 16	4 out of 4	17 out of 18	37 out of 48	97%
Christine Scott	Chair of Hearings Committee	Full Year	16 out of 16	4 out of 4	36 out of 36	56 out of 56	100%
Debbie Hewitt	Chair Corporate and Strategic Committee	Full Year	16 out of 16	4 out of 4	19 out of 20	39 out of 40	98%
Rex Graham	Chair Environmental Management Committee	Full Year	16 out of 16	4 out of 4	23 out of 24	43 out of 44	98%
Dave Pipe	Elected Member	Full Year	16 out of 16	4 out of 4	20 out of 20	40 out of 40	100%
Peter Beaven	Elected Member	Full Year	14 out of 16	2 out of 4	21 out of 22	37 out of 42	88%
Rick Barker	Elected Member	Full Year	15 out of 16	2 out of 4	28 out of 30	45 out of 50	90%
Tom Belford	Elected Member	Full Year	15 out of 16	4 out of 4	14 out of 14	33 out of 34	97%

These figures exclude outside bodies and stakeholder groups

Elected Members	Salary 15/16	Meeting Fees 15/16	Hearing Fees 15/16	Councillor Allowances 15/16	Total Remuneration 15/16
	\$	\$	\$	\$	\$
Fenton Wilson	109,723	<i>Ineligible</i>	<i>Ineligible</i>	-	109,723
Alan Dick	60,459			1,047	61,506
Christine Scott	60,459		10,875	1,222	72,555
Debbie Hewitt	60,459		2,440	6,439	69,337
Rex Graham	60,459			1,047	61,506
Dave Pipe	48,366			1,122	49,488
Peter Beaven	48,366		3,820	1,782	53,968
Rick Barker	48,366			1,318	49,684
Tom Belford	48,366			1,821	50,187
	545,022	-	17,135	15,798	577,955

Accountability Information: Notes to the financial statements

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	Meeting Fees	Hearing Fees	Councillor Allowances	Total Remuneration
	14/15	14/15	14/15	14/15	14/15
	\$	\$	\$	\$	\$
Fenton Wilson	106,773	<i>Ineligible</i>	<i>Ineligible</i>	-	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

Note 28(b) Remuneration of Chief Executive

The Chief Executive of the Hawke's Bay Regional Council received a salary of \$350,962 for the year ended 30 June 2016 (2015; \$337,201). The Chief Executive was seconded to HBRIC Limited for the full year and the salary figure includes a higher duties allowance of \$81,251 (2015: \$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 \$202,381 (2015; \$208,217)

For the year ended 30 June 2016, the value of the total remuneration package received by the Chief Executive (including the value of non-financial benefits) was \$382,968 (2015; \$368,819), while the total remuneration package received by the interim Chief Executive was \$224,861 (2015; \$230,279)

Note 28(c) Severance Payments

There were no severance payments made during the year that were outside contractual obligations (2014-15; NIL payments)

Note 28(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June	2016
< \$60,000	69
\$60,000 - \$79,999	58
\$80,000 - \$99,999	33
\$100,000 - \$119,999	12
\$120,000 - \$139,999	9
\$140,000 - \$379,999 (combined band)	8
Total Employees (headcount)	<u>189</u>
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)	<u>176</u>

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 165 (2015 157) full-time employees, with the balance of staff representing 15.0 (2015 11.2) 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 2015-16 year in its 2015-25 Long Term 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 \$6.6 million or 16% more than budget. This variance is explained below:

Revenue from Council activities is \$1.1 million or 18% up on budget due to:

- Land and Drainage revenue was up \$1.4 million due to an increase in engineering consultancy services for additional project work completed for the year, additional contributions from external parties for projects and an increase in external contract revenue earned by the HBRC Works Group.
- Regulation revenue is down \$0.4 million. Consent processing revenue was down on budget as a result of low numbers of consent applications and staff vacancies not being filled.
- Rates revenue is \$0.2 million or 1% 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 or rates.

Other revenue is 0.6 million or 3% more than budget due to:

- Dividend revenue is \$0.4 million down on budget as the dividend from HBRIC Limited included a special dividend for the RWSS investment. As the financial close for the RWSS was moved out during the year this special dividend was not required as the funding had not been distributed to HBRIC Limited.
- Rental income has increased \$0.5 million as the Wellington leasehold properties have had lease renewals during the year and have increased more than anticipated due to strong market values.
- Interest income has increase due to grants received \$0.8 million as the funds which were to be distributed to HBRIC Limited for the RWSS investment have been delayed so the funds have been earning interest.
- Grant income is up \$0.6 million due to grants received for economic development, biosecurity and various Hill Country erosion and Drylands projects.
- Other revenue is down \$0.9 million as the budget included income from the ACC liability movements and subvention payments which have not occurred during the year.

Fair value gains are \$4.8 million or 300% more than budget as investment property, forestry and carbon credit gains far exceeded expectations

Operating expenditure is \$2 million or 6% more than budget. This variance is explained below:

Expenditure on Council activities is \$0.5 million or 2% down on budget due to:

- Land and Drainage expenditure was up \$0.6 million due to an increase in engineering consultancy services for additional project work completed for the year.
- Biosecurity expenditure was up \$0.3 million due to an increase in work for the Cape to City project and various Hill Country erosion and Drylands projects which was offset by grants.
- Regulation costs were down \$0.3 million due to staff vacancies, reduced external costs
- General cost reductions across all other activities resulted in under spend of \$0.9 million, some of this was used to fund additional fixed term staff rather than consultants.

Personnel costs are \$0.7 million or 5% up on budget due to the transfer of consultant costs to fund additional fixed term staff paid through payroll.

Finance and depreciation costs are up \$0.6 million mostly due to the \$0.4 million extra paid for the fees associated with the transfer of leasehold cash flows to ACC, the timing of these payments can fluctuate from year to year depending on leasehold income received.

Other expenditure includes \$1.5 million 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.

Other comprehensive income is \$1 million more than budget. This variance is more than budget due to the revaluation of property, plant and equipment held by the Council which was significantly more than budgeted.

29 (ii) Statement of Financial Position

Assets are \$49 million or 9% more than budget mainly due to:

- Investment in Council-controlled organisations is \$47 million more than budget due to the revaluation of HBRIC Ltd which was accounted for in the 2014/15 financial statements but the 2015/16 budget was completed before the valuation was known. This was driven by the strong valuation of Napier Port which is owned by HBRIC Ltd.
- Investment property is \$8 million less than budget mainly due to sales of Napier endowment leasehold property far exceeding forecast.
- Advances to Council-controlled organisations are \$35 million less than budget due to the date of financial close for the Ruataniwha Water Storage Scheme (RWSS) needing to be extended.
- Advances to the Napier/Gisborne Rail are \$5 million under budget as this project has been slower to progress than budgeted.
- Cash, cash equivalents and financial assets are \$46 million more than budget as the funding for the RWSS and Napier/Gisborne Rail has been retained for longer due to delays.

Liabilities are \$4 million or 6% less than budget mainly due to:

- Provisions for other liabilities are \$7 million less than budget due to the sale of leasehold property cash flows from the end of 2014-15 and 2015-16 which lowers the future liability to ACC as part of the capitalisation of leasehold cash flow arrangements with ACC.
- Trade and other payables are \$3 million more than budget due to the timing of year end payments and increased year end provisions.

Equity is \$53 million or 11% more than budget due to the large increase in the valuation of Napier Port through HBRIC Ltd which was accounted for in the 2014/15 financial statements but the 2015/16 budget was completed before these figures were known.

29 (iii) Cash flow statement

- Net cash out flows from **operating** activities are \$1.7 million more than budget mainly due to an increase in overall revenue.
- Net cash outflows from **investing** activities are \$44 million more than budget. The main reasons for this are the \$6 million increase in cash from the sale of leasehold properties and the delay of distributing funds to RWSS and Napier/Gisborne Rail.
- Net cash inflows from **financing** activities was \$5 million less than budget due to payments made to ACC for the sale of leasehold properties.

29 (iv) 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).

Accountability Information: Notes to the financial statements

Maximum Exposure to Credit Risk

Maximum Exposure to Credit Risk

	Regional Council		Group	
	Actual 15/16 \$000	Actual 14/15 \$000	Actual 15/16 \$000	Actual 14/15 \$000
Cash and cash equivalents	27,790	8,882	28,103	9,107
Bank deposits with terms greater than 91 days	59,479	80,714	59,479	80,714
Hawke's Bay Regional Investment Company	235,224	235,224	-	-
Publicly listed shares	971	1,080	971	1,080
Civic Assurance shares	18	18	18	18
Government stock	1,993	3,291	1,993	3,291
Community loans	9,009	8,672	9,009	8,672
Trade & other receivables	25,311	21,484	19,862	20,526
Derivative financial instruments	-	-	6	27
	359,795	359,365	119,441	123,435

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 20.

Accountability Information: Notes to the financial statements

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

<u>Contractual Maturity Analysis</u>	Carrying Amount	Contractual Carrying Amount	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
	\$000	\$000	\$000	\$000	\$000	\$000
Council at 30 June 2016						
Creditors and other payables	10,319	10,319	10,319	-	-	-
Bank borrowings	22,585	26,311	3,520	68	9,268	13,455
Bank overdraft	-	-	-	-	-	-
ACC liability	24,838	24,838	941	1,035	3,482	19,380
Finance lease	-	-	-	-	-	-
	57,742	61,468	14,780	1,103	12,750	32,835
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
Group at 30 June 2016						
Creditors and other payables	17,052	17,052	17,052	-	-	-
Bank borrowings	109,685	117,722	6,394	88,605	9,268	13,455
Bank overdraft	124	124	124	-	-	-
ACC liability	24,838	24,838	941	1,035	3,482	19,380
Interest rate swaps	6,209	7,081	1,322	1,265	3,306	1,188
Forward exchange contracts	(3)	147	147	-	-	-
Finance lease	-	-	-	-	-	-
	157,905	166,964	25,980	90,905	16,056	34,023
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
Interest rate swaps	3,473	4,128	671	700	1,760	997
Forward exchange contracts	766	766	766	-	-	-
Finance lease	-	-	-	-	-	-
	150,779	267,808	45,786	68,025	19,465	134,532

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:

<u>Forward Foreign Exchange Contracts</u>	Carrying Amount	Currency Amount	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
	NZD	\$000	\$000	\$000	\$000	\$000
Group at 30 June 2016						
Euro	90	58	58	-	-	-
Canadian dollar	57	48	48	-	-	-
United States of America dollar	-	-	-	-	-	-
Singapore dollar	-	-	-	-	-	-
	147	106	106	-	-	-
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	-	-	-

Accountability Information: Notes to the financial statements

Note 30 (b): Sensitivity Analysis

Council

	2016 \$000				2015 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equivalents	(139)	-	139	-	(44)	-	44	-
Other financial assets:								
Term deposits	(297)	-	297	-	(404)	-	404	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	113	-	(113)	-	106	-	(106)	-
Derivatives	0	-	(0)	-	1	-	(1)	-
Total sensitivity	(323)	-	323	-	(342)	-	342	-
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
Total sensitivity	-	-	-	-	-	-	-	-
Equity Price Risk								
Financial assets								
Publicly listed shares	(5)	-	5	-	(5)	-	5	-
Government Bonds	(10)	-	10	-	(16)	-	16	-
Total sensitivity	(15)	-	15	-	(22)	-	22	-

Group

	2016 \$000				2015 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equivalents	(141)	-	141	-	(26)	-	26	-
Other financial assets:								
Term deposits	(297)	-	297	-	(404)	-	404	-
Financial liabilities								
Bank overdraft	1	-	(1)	-	14	-	(14)	-
Loans	548	-	(548)	-	497	-	(497)	-
Derivatives	31	-	(31)	-	22	-	(22)	-
Total sensitivity	142	-	(142)	-	104	-	(104)	-
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	(1)	-	1	-	(44)	-	44	-
Total sensitivity	(1)	-	1	-	(44)	-	44	-
Equity Price Risk								
Financial assets								
Publicly listed shares	(5)	-	5	-	(5)	-	5	-
Government Bonds	(10)	-	10	-	(16)	-	16	-
Total sensitivity	(15)	-	15	-	(22)	-	22	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity has been calculated based on -5% / +5% (2015 -5% / +5%) movement in interest rates.

Explanation of foreign exchange risk sensitivity

The foreign exchange risk sensitivity has been calculated based on -5% / +5% (2015 -5% / +5%) movement in forward foreign exchange contracts.

Explanation of equity price risk sensitivity

The sensitivity for listed shares and government bonds has been calculated based on -5% / +5% (2015 -5% / +5%) movement in the share price at year-end.

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.

Reserves for different areas of benefit are used where there is a discrete set of rate of levy payers 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 general rates and are made available for specific unforeseen events.

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

Accountability Information: Notes to the financial statements

Note 31 Financial Instrument Categories

Note	Regional Council		Group		
	Actual 15/16	Actual 14/15	Actual 15/16	Actual 14/15	
	\$000	\$000	\$000	\$000	
Financial Assets					
Loans and receivables					
	Cash and cash equivalents	27,790	8,882	28,103	5,206
	Trade & other receivables	9,309	9,164	19,862	20,192
	Advances to Council-controlled organisations	16,002	11,986	(0)	0
	Other financial assets				
	Term Deposits	59,479	80,714	59,479	80,714
	Community loans	9,009	8,672	9,009	8,672
	Total loans and receivables	121,589	110,536	116,453	114,784
Held-to-maturity					
	Other financial assets				
	Government Bonds	1,993	3,291	1,993	3,291
	Total held-to-maturity	1,993	3,291	1,993	3,291
Fair value through other comprehensive revenue and expense					
	Other financial assets				
	Publicly listed shares	971	1,080	971	1,080
	Civic Assurance shares	18	18	18	18
	RWSS evaluation costs	335	212	335	212
	Advances to Napier / Gisborne Rail	163	116	163	116
	Shares in Hawke's Bay Regional Investment Company	235,224	235,224	-	-
	Total fair value through other comprehensive revenue and expense	236,711	236,650	1,487	1,426
Financial Liabilities					
Fair value through surplus or deficit - held for trading					
	Derivative financial instrument liabilities	70	109	6,283	4,375
Financial Liabilities at amortised cost					
	Trade & other payables	10,319	9,110	15,016	14,315
	Bank overdraft	-	-	124	2,889
	Borrowings	22,585	21,124	109,685	99,424
	ACC Leasehold Liability	24,838	30,234	24,838	30,234
	Total financial Liabilities at amortised cost	57,812	60,577	155,946	151,237

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.

Accountability Information: Notes to the financial statements

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 (level 3) \$000
30 June 2016 - Council				
Financial assets				
Government bonds	1,993	1,993		
Publicly listed shares	971	971		
Shares in Hawke's Bay Regional Investment Company	235,224			235,224
Financial liabilities				
Derivatives	70		70	
30 June 2016 - Group				
Financial assets				
Government bonds	1,993	1,993		
Publicly listed shares	971	971		
Financial liabilities				
Derivatives	6,280		6,280	
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	

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:

	2016 \$000	2015 \$000
Balance at 1 July	235,224	177,500
Gain and losses recognised in the surplus or deficit		
Gain and losses recognised in other comprehensive revenue and expenditure	1,700	57,724
Purchases		
Sales		
Transfers		
Balance at 30 June	236,924	235,224

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

On 8 July 2016, Council resolved that all four Conditions Precedent set in its 2014 decision to invest in the RWSS has been met, subject only to final confirmation from investors immediately prior to Financial Close that sufficient funding had been raised, and approved the HBRIC Ltd could proceed to Financial Close subject to that final confirmation regarding funding being received and approved by Council.

On 31 August 2016 the Court of Appeal, in a split decision, granted the appeal by Forest and Bird regarding the revocation step of the land exchange decision by the Director General of the Department of Conservation (DoC). On 28 September 2016, DoC applied for leave to appeal this judgement to the Supreme Court. HBRIC Ltd also applied, on that date, for leave to appeal and sought urgency.

The current carrying value of the RWSS assets created by HBRIC Ltd's development expenditure may be affected by the Court of Appeal decision. If the project proceeds, the terms of the agreements currently negotiated with co-investors provide that the development expenditure incurred by HBRIC will be capitalised at full value (i.e. at cost) into the Ruataniwha Water Limited Partnership when it is formed.

Extended disclosure on the potential impairment of the development expenditure is made in Note 12.

The HBRIC Ltd Board approved the payment of bid costs totalling \$2,934,834 plus. GST to the successful Joint Venture contractor. \$2,000,000 plus. GST was paid on 23 September 2016, the remainder of \$934,834 plus. GST will be paid no later than 28 October 2016.

Financial Impact Statements

Financial Impact Statements

The following information is presented for compliance with Local Government (Financial Reporting) Regulations 2011. In accordance with the regulations, the information presented is incomplete (in particular, the information presented does not include depreciation and internal transactions such as overheads) and it is not prepared in compliance with generally accepted accounting practice. It should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting) Regulations 2011.

Council Funding Impact Statement				
	Annual Plan 2014/15 (\$'000)	Annual Report 2014/15 (\$'000)	LTP 2015/16 (\$'000)	Annual Report 2015/16 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	2,839	2,875	3,130	3,286
Targeted rates	12,826	13,032	13,454	13,518
Subsidies & grants for operating purposes	2,822	3,277	2,983	3,600
Fees & charges	5,937	5,916	6,168	7,267
Interest & dividends from investments	11,786	11,331	10,593	11,004
Fines, infringement fees & other receipts	3,288	4,628	2,899	3,575
Total operating funding	39,498	41,059	39,227	42,250
Applications of operating funding				
Payments to staff & suppliers	35,525	34,533	36,250	36,494
Finance costs	2,979	3,080	2,796	3,291
Other operating funding applications	-	-	-	-
Total applications of operating funding	38,504	37,613	39,046	39,785
Surplus / (deficit) of operating funding	994	3,446	181	2,465
Sources of capital funding				
Subsidies & grants for capital purposes	914	-	1,184	-
Development & financial contributions	-	-	-	-
Increase / (decrease) in debt (See annotation below)	5,144	3,536	1,219	1,461
Gross proceeds from sale of assets	190	4,257	275	6,574
Lump sum contributions	-	-	-	-
Total sources of capital funding	6,248	7,793	2,678	8,035
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	4,621	1,073	2,972	458
- to improve the level of service	728	832	763	780
- to replace existing assets	2,475	2,068	2,447	3,669
	7,824	3,973	6,182	4,907
Increase / (decrease) in reserves	(28,714)	1,420	(47,896)	(750)
Increase / (decrease) of investments	28,131	(1,046)	44,573	6,343
Total application of capital funding	7,242	4,347	2,859	10,500
Surplus / (deficit) of capital funding	(994)	3,446	(181)	(2,465)
Funding balance	-	-	-	-
Reconciliation to Surplus / (Deficit) before Taxation				
Operating Surplus per Income Statement	410	201	684	4,900
Depreciation	2,364	2,379	2,349	2,463
Fair Value Gains/Losses	(1,780)	447	(1,589)	(6,352)
Gain / Loss on sale		(6)		(78)
Other Expenses		425	(1,263)	1,532
FIS Surplus / (deficit) of Operating Funding (above)	994	3,446	181	2,465

Financial Impact Statements

Funding Impact Statement: Strategic Planning			
	LTP	LTP	Annual Report
	2014/15	2015/16	2015/16
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,406	1,721	1,738
Subsidies & grants for operating purposes	173	125	332
Fees & charges	1	52	67
Internal charges & overheads recovered	2,756	2,753	2,233
Fines, infringement fees & other receipts	-	-	-
Total operating funding	4,336	4,651	4,370
Applications of operating funding			
Payments to staff & suppliers	3,627	4,020	3,844
Finance costs	-	10	11
Internal charges & overheads applied	627	621	687
Other operating funding applications	-	-	-
Total applications of operating funding	4,254	4,651	4,542
Surplus / (deficit) of operating funding	82	-	(172)
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(82)	-	(20)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(82)	-	(20)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	(80)	-	195
Increase / (decrease) of investments	80	-	(387)
Total application of capital funding	-	-	(192)
Surplus / (deficit) of capital funding	(82)	-	172
Funding balance	-	-	-

Funding Impact Statement: Land Drainage & River Control			
	LTP	LTP	Annual Report
	2014/15	2015/16	2015/16
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	6,274	6,452	6,478
Subsidies & grants for operating purposes	-	-	-
Fees & charges	137	124	2,079
Internal charges & overheads recovered	1,348	207	529
Fines, infringement fees & other receipts	150	92	238
Total operating funding	7,909	6,875	9,324
Applications of operating funding			
Payments to staff & suppliers	5,394	4,683	6,703
Finance costs	169	118	126
Internal charges & overheads applied	513	1,479	409
Other operating funding applications	-	-	-
Total applications of operating funding	6,076	6,280	7,238
Surplus / (deficit) of operating funding	1,833	595	2,086
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(785)	(792)	(792)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(785)	(792)	(792)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	745	763	1,327
- to replace existing assets	191	-	5
	936	763	1,332
Increase / (decrease) in reserves	112	(960)	(39)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	1,048	(197)	1,293
Surplus / (deficit) of capital funding	(1,833)	(595)	(2,085)
Funding balance	-	-	-

Financial Impact Statements

Funding Impact Statement: Regional Resources			
	LTP	LTP	Annual Report
	2014/15	2015/16	2015/16
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	583	1,145	1,149
Subsidies & grants for operating purposes	-	-	256
Fees & charges	3,599	3,667	3,534
Internal charges & overheads recovered	5,784	7,252	5,873
Fines, infringement fees & other receipts	184	154	152
Total operating funding	10,150	12,218	10,964
Applications of operating funding			
Payments to staff & suppliers	8,060	9,862	9,309
Finance costs	793	905	948
Internal charges & overheads applied	1,296	1,451	1,804
Other operating funding applications	-	-	-
Total applications of operating funding	10,149	12,218	12,061
Surplus / (deficit) of operating funding	1	-	(1,097)
Sources of capital funding			
Subsidies & grants for capital purposes	984	1,153	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	1,459	1,058	1,391
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	2,443	2,211	1,391
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	2,864	2,212	458
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	2,864	2,212	458
Increase / (decrease) in reserves	(420)	(1)	(164)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	2,444	2,211	294
Surplus / (deficit) of capital funding	(1)	-	1,097
Funding balance	-	-	-

Funding Impact Statement: Regulation			
	LTP	LTP	Annual Report
	2014/15	2015/16	2015/16
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	1,802	1,832	1,808
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees & charges	1,604	1,523	1,143
Internal charges & overheads recovered	-	-	127
Fines, infringement fees & other receipts	55	10	-
Total operating funding	3,461	3,365	3,078
Applications of operating funding			
Payments to staff & suppliers	2,773	2,715	2,320
Finance costs	-	-	-
Internal charges & overheads applied	688	650	760
Other operating funding applications	-	-	-
Total applications of operating funding	3,461	3,365	3,080
Surplus / (deficit) of operating funding	-	-	(2)
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(2)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	(2)
Surplus / (deficit) of capital funding	-	-	2
Funding balance	-	-	-

Financial Impact Statements

Funding Impact Statement: Biosecurity			
	LTP	LTP	Annual Report
	2014/15	2015/16	2015/16
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	2,089	1,638	1,644
Subsidies & grants for operating purposes	25	25	68
Fees & charges	604	14	159
Internal charges & overheads recovered	1,276	1,097	976
Fines, infringement fees & other receipts	31	10	8
Total operating funding	4,025	2,784	2,855
Applications of operating funding			
Payments to staff & suppliers	3,540	2,413	2,614
Finance costs	-	-	-
Internal charges & overheads applied	485	371	433
Other operating funding applications	-	-	-
Total applications of operating funding	4,025	2,784	3,047
Surplus / (deficit) of operating funding	0	0	(192)
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(192)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	(192)
Surplus / (deficit) of capital funding	-	-	192
Funding balance	-	-	-

Funding Impact Statement: Emergency Management			
	LTP	LTP	Annual Report
	2014/15	2015/16	2015/16
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	835	894	899
Subsidies & grants for operating purposes	162	172	204
Fees & charges	127	119	105
Internal charges & overheads recovered	634	719	612
Fines, infringement fees & other receipts	-	3	3
Total operating funding	1,758	1,907	1,823
Applications of operating funding			
Payments to staff & suppliers	1,411	1,499	1,503
Finance costs	17	29	26
Internal charges & overheads applied	330	379	450
Other operating funding applications	-	-	-
Total applications of operating funding	1,758	1,907	1,979
Surplus / (deficit) of operating funding	-	-	(156)
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(156)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	(156)
Surplus / (deficit) of capital funding	-	-	156
Funding balance	-	-	-

Financial Impact Statements

Funding Impact Statement: Transport			
	LTP	LTP	Annual Report
	2014/15	2015/16	2014/15
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,604	1,604	1,610
Subsidies & grants for operating purposes	2,941	2,646	2,667
Fees & charges	92	-	-
Internal charges & overheads recovered	49	9	58
Fines, infringement fees & other receipts	10	(3)	(7)
Total operating funding	4,696	4,256	4,328
Applications of operating funding			
Payments to staff & suppliers	4,507	4,119	4,073
Finance costs	-	-	-
Internal charges & overheads applied	189	137	157
Other operating funding applications	-	-	-
Total applications of operating funding	4,696	4,256	4,230
Surplus / (deficit) of operating funding	-	-	98
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	98
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	98
Surplus / (deficit) of capital funding	-	-	(98)
Funding balance	-	-	-

Funding Impact Statement: Governance & Community Engagement			
	LTP	LTP	Annual Report
	2014/15	2015/16	2014/15
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	1,310	1,306	1,479
Targeted rates	-	-	-
Subsidies & grants for operating purposes	15	15	72
Fees & charges	237	133	180
Internal charges & overheads recovered	1,220	1,467	990
Fines, infringement fees & other receipts	-	-	-
Total operating funding	2,782	2,921	2,721
Applications of operating funding			
Payments to staff & suppliers	2,165	2,440	2,445
Finance costs	303	182	146
Internal charges & overheads applied	314	300	289
Other operating funding applications	-	-	-
Total applications of operating funding	2,782	2,922	2,880
Surplus / (deficit) of operating funding	-	(1)	(159)
Sources of capital funding			
Subsidies & grants for capital purposes	189	32	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	1,321	744	(330)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,510	776	(330)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	1,890	630	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	1,890	630	-
Increase / (decrease) in reserves	(380)	145	(489)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	1,510	775	(489)
Surplus / (deficit) of capital funding	-	1	159
Funding balance	-	-	-

General Information

Information is available from Council on a range of matters relating to projects it has undertaken, meetings held and research it has been involved in, including:

- Council meeting agendas and minutes
- Technical reports and educational material
- Pamphlets and newsletters
- Council's website – www.hbrc.govt.nz .

If it is necessary to obtain information under the Local Government Official Information and Meetings Act please contact the Governance and Administration Manager, but note that information is usually readily available without the need for a formal request.

Legislative Framework

It is important to note that there are numerous statutes, which specifically identify regional councils as having a specific function and role in various activities. These include:

- Biosecurity Act 1993
- Building Act 2004
- Civil Defence Emergency Management Act 2002
- Hawke's Bay Endowment Land Empowering Act 2002
- Land Drainage Act 1908
- Land Transport Management Act 2003 and Land Transport Management Amendment Act 2008
- Local Electoral Act 2001
- Local Electoral Act 2001 Amendment Act 2013
- Local Government Act 2002
- Local Government (Rating) Act 2002
- Local Government Act 2002 Amendment Act 2012
- Local Government Act 2002 Amendment Act 2014
- Maritime Transport Act 1994
- Public Transport Management Act 2008
- Resource Management Act 1991
- Soil Conservation and Rivers Control Act 1941
- Hawke's Bay Endowment Land Empowering Act 2002

Plans we use

The Local Government Act 2002 (the Act) came fully into effect on 1 July 2003 and requires Council to produce:

- A Long Term Plan 2015-25, prepared under Section 93 of the Act
- An Annual Report for each financial year ending 30 June, under Section 98 of the Act.

The Resource Management Act 1991 gives the Hawke's Bay Regional Council the responsibility for promoting the sustainable management of the natural and physical resources of the region. Council produced a Regional Policy Statement, in line with the requirements of the Act, which establishes a planning framework to balance the demands placed on the natural resources by users.

In addition to the Regional Policy Statement, the Resource Management Act enables Council to develop plans containing rules and regulations by which the management of the natural resources will be carried out.

Council's resource management plans with legal status are:

- Regional Resource Management Plan (incorporating the Regional Policy Statement) (operative 28 August 2006) plus associated Plan Changes 1-6
- Regional Coastal Environment Plan (operative 6 November 2014)

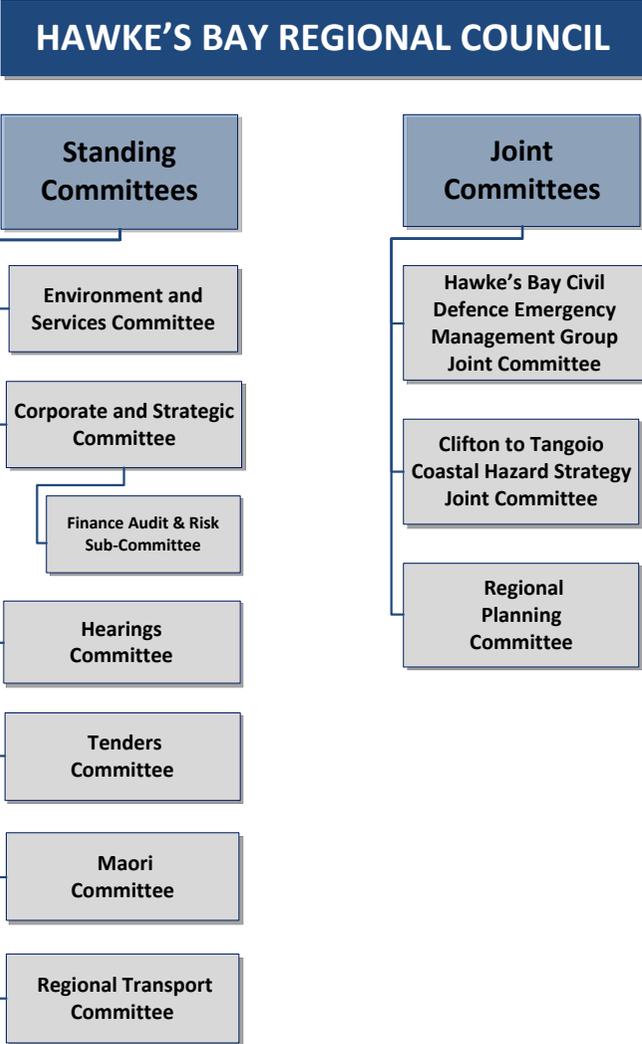
The Resource Management Act also requires the Council to monitor the state of the environment, so State of the Environment (SoE) reports are produced. The latest five-yearly SoE Summary Trends report was published in July 2015 covering the 2009-2013 period.

The Biosecurity Act 1993 allows the Council to undertake biosecurity functions provided they have developed a Pest Management Strategy. The Regional Pest Management Strategy was developed in accordance with the Biosecurity Act 1993 and sets out Council's goals and objectives with regard to its biosecurity functions. The current Regional Pest Management Strategy was adopted in March 2013.

The Regional Land Transport Strategy has been replaced by the Regional Land Transport Plan 2015-25, which was adopted by Council 29 April 2015.

The Regional Land Transport Plan was revised during 2014-15 and the new plan adopted by Council 29 April 2015.

Hawke’s Bay Regional Council Committee Structure



Hawke’s Bay Regional Council Management Structure

Executive Team

HAWKE'S BAY REGIONAL INVESTMENT COMPANY LTD 

CHIEF EXECUTIVE
Andrew Newman

INTERIM CHIEF EXECUTIVE
Liz Lambert

EXECUTIVE ASSISTANT
Diane Wisely

HUMAN RESOURCES MANAGER
Viv Moule

ASSET MANAGEMENT GROUP

GROUP MANAGER
Mike Adye

- Flood control and drainage
- Engineering
- Natural Hazards
- Forest Assets
- Biosecurity
- Land Management
- Climate Change
- Regional Open Spaces

RESOURCE MANAGEMENT GROUP

GROUP MANAGER
Iain Maxwell

- Environmental Regulation
- Environmental Science
- Navigation and Safety
- Hazardous Substances and contaminated sites
- Building Act (Dams)
- Water Information Services
- Client Services
- Heat Smart

STRATEGIC DEVELOPMENT GROUP

GROUP MANAGER
James Palmer

- Regional Strategy and Policy
- Economic Development
- RMA Policy and Statutory Advocacy

CORPORATE SERVICES GROUP

GROUP MANAGER
Paul Drury

- Finance
- Corporate Support
- Information Communication and Technology (ICT)
- Systems Integration Project
- Governance
- Facilities & Vehicle Management

EXTERNAL RELATIONS GROUP

GROUP MANAGER
Liz Lambert
(NB: currently seconded to Chief Executive's role)

- Strategic Partnerships (TLAs/Iwi/Sectors)
- Community Engagement & Communications
- Transport Planning
- Sustainable Transport
- RoadSafe
- Total Mobility

WATER INITIATIVES GROUP

GROUP MANAGER
Graeme Hansen

- Works Group
- Service Delivery for River Control and Drain Maintenance
- RWSS

HB CDEM GROUP

GROUP MANAGER
Iain Macdonald

- Regional Civil Defence
- Regional Emergency Management

Key Implementation milestones and activities for the 2011 National Policy Statement for Freshwater Management

Status key (for 2015-2016 period)

-  Completed within Programme's indicative timeframe
-  In progress during Programme's indicative timeframe
-  Not started during Programme's indicative timeframe
-  Implementation activity/phase ongoing
-  Implementation not programmed in current reporting period

NPSFM Objectives

- A1 – safeguarding life-supporting capacity etc. (water quality)
- A2 – overall water quality in region
- B1 – safeguarding life-supporting capacity etc. (water quantity)
- B2 – over-allocation (water quantity)
- B3 – efficient allocation and use (water quantity)
- B4 – significant values of wetlands (water quantity)

- C1 – integrated management of land and fresh water
- CA1 – approach for establishing freshwater objectives
- CB1 – approach for monitoring achievement of objectives
- CC1 – improving information on water takes & contaminants
- D1 – tangata whenua roles and interests

Activity	2014-2015 Status	2015-2016 Status	Comment on 2015 – 2016 progress	Principal NPSFM Objective(s) relevant to Activity (indicative only)												
				Obj A1	Obj A2	Obj B1	Obj B2	Obj B3	Obj B4	Obj C1	Obj CA1	Obj CB1	Obj CC1	Obj D1		
Change 5 (Land use and Freshwater) to Hawke's Bay Regional Resource Management Plan			During the 2015-16 period, the remaining parts of the appeal by the Hawke's Bay branch of the NZ Fish and Game Council were the subject of ongoing negotiations revolving around the definition of 'wetland' in Change 5. A wetland ecologist was engaged to map the permanently and intermittently wet margins of five wetland areas which was intended to inform the RRMP's 'wetland' definition. Parties involved in the appeal could not reach agreement. An Environment Court hearing is scheduled for late 2016.	●	●	●	●	●	●	●						●
Plan Change: Mohaka River catchment			Supporting science reporting continues to be progressed for wider Mohaka catchment. Two key technical reports were received by Council in November 2015. A 'Mohaka Stakeholder Group' (MSG) is yet to be officially formed, but a meeting of many stakeholders was hosted by HBRC in late November 2015. The MSG will be a sounding board for issues, options, choices and plan drafting prior to notification of a plan change. Similar gatherings of stakeholders is intended in late 2016 following development of a 'project plan', associated milestones and timings for MSG involvement.	●	●	●					●	●	●	●	●	●
Plan Change: Remaining catchment areas (Esk- Tutira, Wairoa, Porangahau and the Southern Coast)			Plan change/review preparation work was not carried out for the 2015-2016 period.	●	●	●	●	●	●	●	●	●	●	●	●	●
Plan Change: Greater Heretaunga/Ahuriri			The TANK (Tutaekurī, Ahuriri, Ngaruroro, Karamū catchments) Collaborative Stakeholder Group meets on a monthly basis to discuss identification of freshwater values and enhance its	●	●	●	●	●	●	●	●	●	●	●	●	●

Activity	2014-2015 Status	2015-2016 Status	Comment on 2015 – 2016 progress	Principal NPSFM Objective(s) relevant to Activity (indicative only)														
				Obj A1	Obj A2	Obj B1	Obj B2	Obj B3	Obj B4	Obj C1	Obj CA1	Obj CB1	Obj CC1	Obj D1				
			<p>understanding of some of the environmental freshwater systems and their current state in the TANK catchments. So far, the Ngaruroro and Tutaekurī Rivers and their tributaries have been covered in detail at these meetings, with the Ahuriri and Karamū catchments to be the focus of future meetings.</p> <p>A significant amount of data collection, together with scientific information and analysis continues to underpin the TANK Group’s deliberations.</p>															
Plan Change: urban stormwater			<p>This Plan Change aligns with Greater Heretaunga/Ahuriri plan change and the policy development will stem from the collaborative process being undertaken by the ‘TANK’ Group.</p> <p>A stormwater plan change notification will take place in parallel to the regional plan change for Greater Heretaunga / Ahuriri Catchment Area (i.e. notification Dec 2017).</p> <p>To inform this, in early 2016 a Stormwater Working Group (SWG) has been established to assist the TANK group in its decision making. Its key purpose is to provide advice about issues and opportunities for stormwater management in relation to the freshwater values and objectives identified by the TANK group. The SWG is convened by HBRC and consists of representatives from tangata whenua, TLA’s, the DHB and NGO’s.</p> <p>The Group is on track to deliver two reports to the TANK Group: a preliminary report of findings in February 2017, and a final report in the March/May 2017 meetings. These reports will inform the drafting of a plan change.</p>	●	●						●	●	●	●	●			
RPS and/or plan change: 2010 Coastal Policy Statement implementation			<p>The Hawke’s Bay Regional Coastal Environment Plan (RCEP) became operative in November 2014, fully replacing the earlier 1999 Regional Coastal Plan.</p> <p>A ‘gap analysis’ of the RCEP’s provisions against the 2010 New Zealand Coastal Policy Statement was completed in 2014. However, staff resources have been since redirected to other projects. Nonetheless, a number of indirectly related investigations have been commissioned in relation to catchment-based regional plan changes (e.g.: Greater Heretaunga/Ahuriri areas) where the coast is ultimately those catchment areas’ receiving environments.</p> <p>Plan change/review preparation work was not carried out for the 2015-2016 period.</p>	●	●						●							●

Activity	2014-2015 Status	2015-2016 Status	Comment on 2015 – 2016 progress	Principal NPSFM Objective(s) relevant to Activity (indicative only)												
				Obj A1	Obj A2	Obj B1	Obj B2	Obj B3	Obj B4	Obj C1	Obj CA1	Obj CB1	Obj CC1	Obj D1		
Identification of outstanding freshwater bodies			A joint project proposed by HBRC and Auckland Council was approved for up to \$80,000 funding from MFE's Community Environment Fund. The project involves developing criteria and a methodology for the identification of 'outstanding freshwater bodies' in the context of the NPS for Freshwater Management. In June 2015, HBRC and MFE reached agreement on the project's funding contract and work programme. The project is intended for delivery in August 2016, and will set out the criteria and methodology outputs before Hawke's Bay-specific plan change preparation can commence.		●						●		●			●
RPS Change for outstanding freshwater bodies			Policy development is subject to completion of the identification of outstanding freshwater bodies (as outlined above).	●	●	●						●				●
Plan change: rest of region			Plan change/review preparation work was not carried out for the 2015-2016 period.	●	●	●	●	●	●	●	●	●	●	●	●	●