

# **Hawke's Bay Regional Council**

## **Annual Report 2016-17**

**HBRC Plan number 4956**

**ISBN 978-0-947499-05-1**

# Annual Report 2016-17

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# Guide to the Annual Report

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## Guide to the Annual Report

The Annual Report is put together in three sections:

- **Performance Overview**  
Includes an introduction from the Chair and Chief Executive, and an update on key issues including Māori contributions to decision-making processes.
- **Accountability Information**  
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 in each Group of Activity
  - Financial details for Group Accounts, which include the Council and Hawke's Bay Regional Investment Company (HBRIC Ltd) for the year, ended 30 June 2017.
- **General Information**  
This section covers Council's resources, assets and activities, the Councillors, the organisational structure, and an outline of information which is available for public use.

## Chair and Chief Executive's Introduction

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### Introduction

We begin our report on the 2016-17 year acknowledging the tragic death of staff member, husband and father, Michael Taylor in March 2017.

Michael's accident was a sobering reminder of the risks our field staff face every day in undertaking their work on behalf of the community. It also underscored the vital importance of the Council's strong focus on the health and safety of its employees.

We also continue to reflect on the widespread, and in some cases enduring, impact of the Havelock North drinking water contamination in August 2016. This event highlighted vulnerabilities and inadequacies in the management of risks to the Havelock North drinking water supply. Following the event the Regional Council has worked closely with partner agencies in a Joint Working Group and actively assisted the Ministerial Inquiry Panel in understanding what occurred and in making recommendations to ensure nothing like this can happen again.

Over a challenging year, the Council also kept its focus on a number of key projects:

- The **TANK** Group met monthly and sustained an aggressive work programme toward a Plan Change, expected to continue until mid-2018. This work has been underpinned by an unprecedented Council investment in scientific research and analysis in understanding land and water in the Greater Heretaunga area. TANK stands for the Tutaekurī, Ahuriri estuary, Ngaruroro and Karamū catchments, and the project is led by a Group of community, business, council, iwi and green-group interests. Recommendations for land and water management in these catchments may be influenced by the outcome of a Water Conservation Order application.
- A comprehensive review of the **Ruataniwha Water Storage Scheme** put a hold on any further investment in the project subject to further work on the scheme's environmental management and financial viability. At the end of the 2016-17 financial year, the Council was awaiting advice from investment company HBRIC Ltd. and the outcome of the Supreme Court appeal on the related conservation land transfer.
- Implementing the **Tukituki Plan** remained a major focus for the Council's land management team, working with individual farmers and farm clusters to improve land use through farm plans, nutrient budgets, planting and riparian programmes, stock exclusion, feedlot and winter feedpad requirements.
- The **Coastal Hazards** project ramped up during the year with the formation of two Assessment Panels, each looking at long-term solutions best suited to the coast north and south of Napier Port.
- **Waitangi Regional Park** re-opened in March 2017 with a dramatic feature - Atea ā Rangī, a star compass. This project was led by the Council's open spaces team in partnership with Te Matau a Māui Voyaging Trust, and has transformed the once rubbish-laden foreshore at Waitangi.
- The **Regional Planning Committee** has continued to build a programme of natural resource management planning reform with the addition of independent advisors. The Committee submitted to central government on reforms in Resource Management and Freshwater Management, adopted a methodology to identify 'outstanding freshwater bodies' and began work to identify these, and adopted a refreshed Heretaunga Plains Urban Development Strategy.
- Work to develop a plan change for greater regulation of **Oil and Gas** exploration and production on or near regional water bodies was initiated and strongly supported by the Regional Planning Committee.

## Chair and Chief Executive's Introduction

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The year was also one of change with Local Government elections in October 2016 bringing a new councillor, Paul Bailey, and returning former councillor Neil Kirton, to the Council table, as well as Cr Rex Graham being elected as Chair.

Andrew Newman completed 10 years' service as Chief Executive in March 2017, and his service to the Council is acknowledged. Greg Woodham briefly served as Acting Chief Executive prior to James Palmer commencing in June.

**Despite a challenging year, the Council has continued to develop its capabilities and capacity and is well-positioned to make even greater impact in enhancing the regional environment in the years that lie ahead.**

A handwritten signature in blue ink, appearing to read 'Rex Graham', with a long horizontal flourish extending to the right.

Rex Graham, Chairman

A stylized handwritten signature in blue ink, consisting of several overlapping loops and a long horizontal flourish extending to the right.

James Palmer, Chief Executive

## Māori Contribution to Council Decision-Making

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### Report on Māori Contributions to 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 Māori to contribute to Council's decision-making processes.

#### Regional Planning Committee

In August 2015 the Hawke's Bay Regional Planning Committee Act 2015 was enacted and formalises the arrangements for the Regional Planning Committee.

Having been permanently established, 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.

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 on eight occasions between 1 July 2016 and 30 June 2017 to consider issues and make recommendations to the Regional Council. A number of areas were considered by the Committee throughout the year including:

- The Framework for Outstanding Water Bodies in Hawke's Bay
- Government's Clean Water Reform Programme
- Greater Heretaunga/Ahuriri (TANK) Plan Change
- Plan Change for the regulation of Oil and Gas activities
- Mohaka Catchment Characteristics
- Implementation of Plan Change 6 (Tukituki catchment)
- HBRC Land Science Strategy

One tangata whenua member of the Regional Planning Committee was appointed to each of the Environment and Services, and Corporate and Strategic Committees.

#### Maori Committee

The Maori Committee generally meets every second month during the year. There are 12 tāngata whenua appointees on the committee as well as 3 elected representatives of Council.

One member of the Maori Committee was appointed to the Environment and Services Committee, which met on four occasions during the year.

One member of the Maori Committee was appointed to the Corporate and Strategic Committee, which met on four occasions during the year.

The Chairman of the Council's Maori Committee has attended 27 meetings of the Regional Council where he has speaking rights on all issues.

One meeting of the Maori Committee was held away from the offices of the Hawkes Bay Regional Council and was hosted by Ruawharo Marae in Opoutama.

Members of the 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 tangata whenua for consultation or other issues.

#### Direct Hapū and Other Involvement

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

In addition, Council has developed Pataka, a web-based GIS resource management tool that holds and displays tangata whenua information spatially to meet the requirements of s35A of the Resource Management Act 1991 but also holds a wider range of tangata whenua-related information too.

## Council Controlled Organisations

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

Dr Andy Pearce resigned in December 2016, and Mr Sam Robinson was appointed interim Chairman. HBRC Councillors Mrs Debbie Hewitt and Mr Peter Beaven were appointed in January 2017, and Mr Chris Tremain, Mr Dan Druzianic and Mr Taine Randell were appointed in May 2017. Mr Chris Tremain was appointed Chairman in July 2017.

#### 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 illustrates 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.
  - On 6 July 2017 the Supreme Court, ruled against the land exchange decision by the Director General of the Department of Conservation (DoC) and HBRIC Ltd.
  - On 30 August 2017 HBRC resolved to invest no further capital in the RWSS and write off the full value of the advance from HBRC to HBRIC of \$14m. HBRC also resolved that HBRIC should actively attempt to sell the asset to a third party. HBRIC Ltd has done an assessment of the recoverable value of the sale of the asset and this has resulted in an impairment of \$11.7m, leaving a value of \$7.8m
- 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.

## Council Controlled Organisations

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- 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.
  - 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 development phase of the RWSS progressed throughout the year but the Supreme Court decision and subsequent HBRC direction has indicated the ceasing of the project with the mandate to try to sell the residual assets.
  - Any future investments are currently being discussed through the HBRC lead Capital Structure Review panel
- 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 regularly 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 were sourced by way of external loan facilities which is an approach approved by 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.

## Council Controlled Organisations

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### Other Key Performance Targets

Comparison of actual specific financial performance targets compared to those set out in HBRIC Ltd's 2016-17 Statement of Intent are outlined in the table following.

Consolidated Performance Targets		
Performance Indicator	Target	Actual
Net debt to net debt plus Equity	<40%	34%
Interest cover (EBIT/Interest Paid)	>3x	6x
EBITDA/Total Assets	9%	11%
Return on Shareholders' Funds	5%	2%

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

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### 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 2017 fairly reflect the financial position and operations of Hawke's Bay Regional Council.



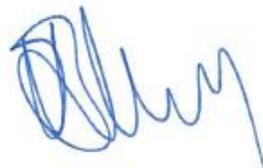
**Rex Graham**  
Chairman

25 October 2017



**James Palmer**  
Chief Executive

25 October 2017



**Jessica Ellerm**  
Group Manager  
Corporate Services

25 October 2017

### 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 2017

The Auditor-General is the auditor of Hawke's Bay Regional Council (the Regional Council) and its subsidiaries and controlled entities (the group). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 25 October 2017. This is the date on which we give our report.

### Opinion on the audited information

#### 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 and related taxation effects

In our opinion, except for the matters described in the *Basis for our qualified opinion* section of our report:

- the financial statements on pages 124 to 190:
  - present fairly, in all material respects:
    - the Regional Council and group's financial position as at 30 June 2017;
    - the results of the operations and cash flows for the year ended on that date; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards.

## Independent Auditor's Report

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### Unmodified opinion on the audited information, excluding the financial statements

In our opinion:

- the funding impact statement on page 191, 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's annual plan; and
- the Statement of Service Performance for Groups of Activities on pages 20 to 123:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2017, 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; and
- the statement about capital expenditure for each group of activities on pages 23 to 116, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 192 to 195, 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's Long-term plan.

### Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 14 to 19, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

### Basis for our opinion on the audited information

As disclosed in note 12, the group has incurred expenditure developing the Ruataniwha Water

Storage Scheme (the Scheme), which is recognised as an intangible asset. The progress of the Scheme has been subject to litigation and an unfavourable Supreme Court decision on 6 July 2017 has created significant uncertainty over the ability to proceed with the Scheme in its current form.

Consequently, the intangible asset has been impaired by \$11.7 million based on an assessment of its recoverable value of \$7.8 million. In addition, as explained in note 8 on taxation, the group cannot determine the amount of deductible temporary differences in relation to the impairment of the intangible asset and so is unable to determine the effect on the deferred tax balances.

We have been unable to obtain sufficient appropriate audit evidence that the \$7.8 million carrying value of the intangible asset is recoverable, or to determine the deferred tax balances that should arise from the impairment of the intangible asset.

## Independent Auditor's Report

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We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under these standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Responsibilities of the Council for the audited information**

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 enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the group or there is no realistic alternative but to do so.

### **Responsibilities of the auditor for the audited information**

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

## Independent Auditor's Report

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- We obtain an understanding of internal control relevant to the audit in order to design audit 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Statement of Service Performance for Groups of Activities, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional Council and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 1 to 7 and 196 to 201, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard. As described in the *Basis for our qualified opinion* section above, we were unable to obtain sufficient appropriate evidence that the carrying value of the Scheme intangible asset is recoverable, or to determine the deferred tax balances that should arise from the impairment of this asset. Accordingly, we are unable to conclude whether or not the other information relating to the Scheme on page 5 and to HBRIC's Consolidated Performance Targets on page 7 are materially misstated with respect to these matters.

## Independent Auditor's Report

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### Independence

We are independent of the Regional Council and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to this audit and our report on the disclosure requirements, 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, our report on the disclosure requirements and these assignments, we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.



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

### Financial Reporting Benchmarks

The statement set out below discloses 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:*

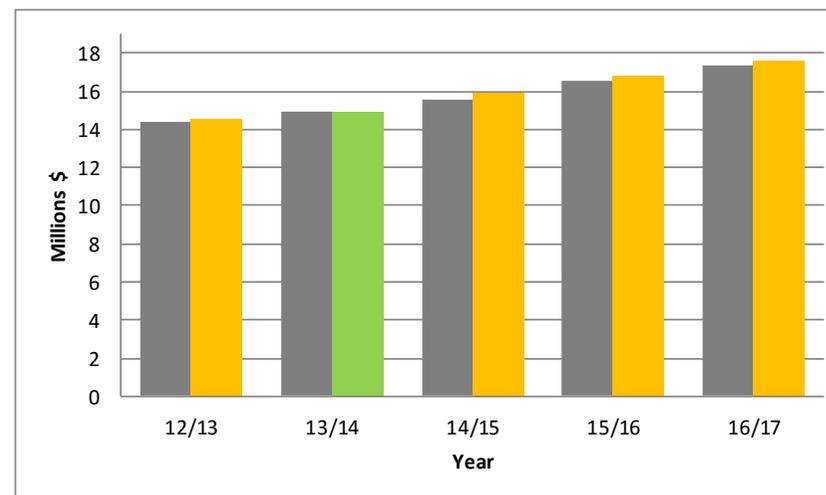
- *its actual rates revenue equals or is less than each quantified limit on rates; and*
- *its actual rates increases equal or are less than each quantified limit on rates increases."*

#### 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.

##### **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.



LTP limit in rates income  
 Actual rates income (at or within limit)  
 Actual rates income (exceeds limit)



##### **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.

##### **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).

## Accountability Information: Financial reporting benchmarks

### 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.

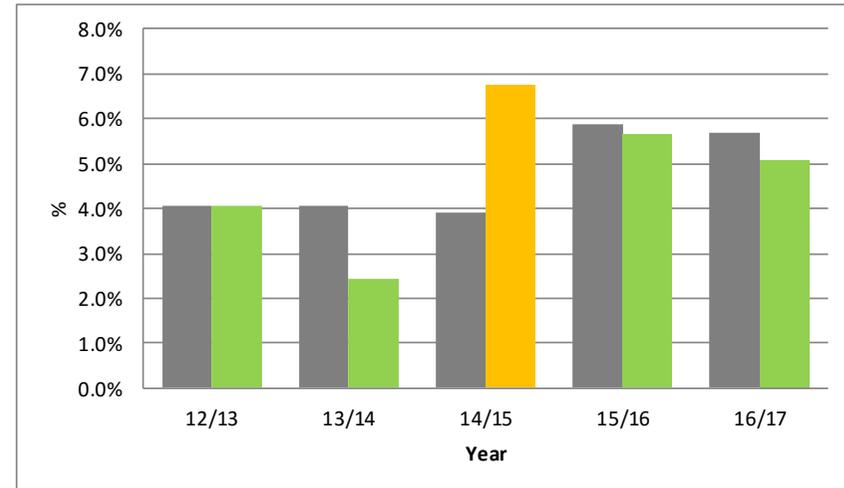
### 2016-17 (Exceeds Limit by \$255,000)

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 and for penalties charged on overdue rates.

### (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

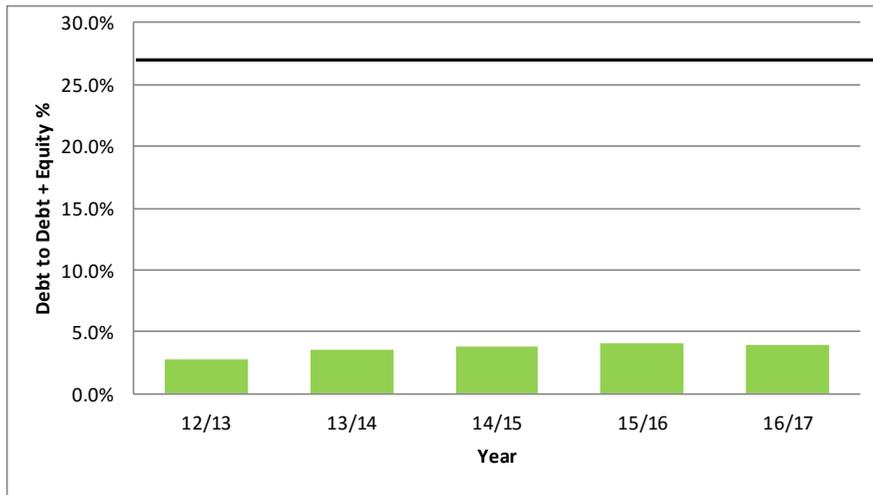
### 2. Debt Affordability Benchmark

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

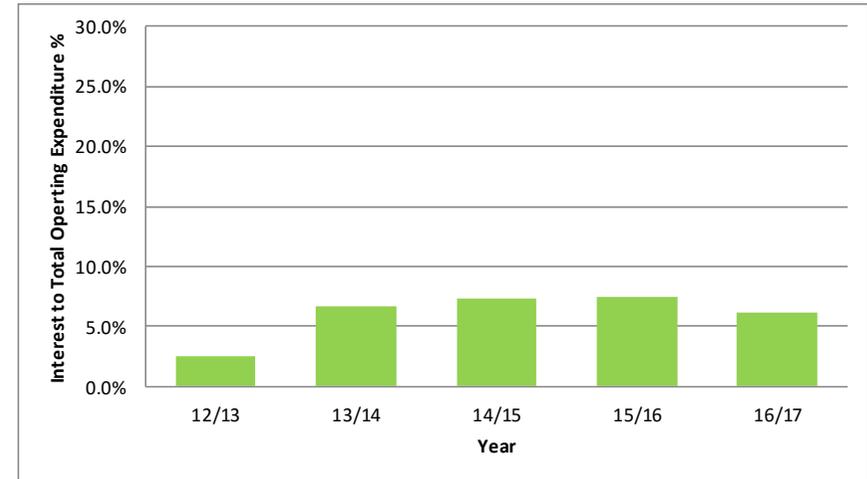
The financial strategy included in Council’s Long Term Plan set out two quantified limits on borrowing, being:

- 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.



Benchmark met  
Benchmark not met



Benchmark met  
Benchmark not met



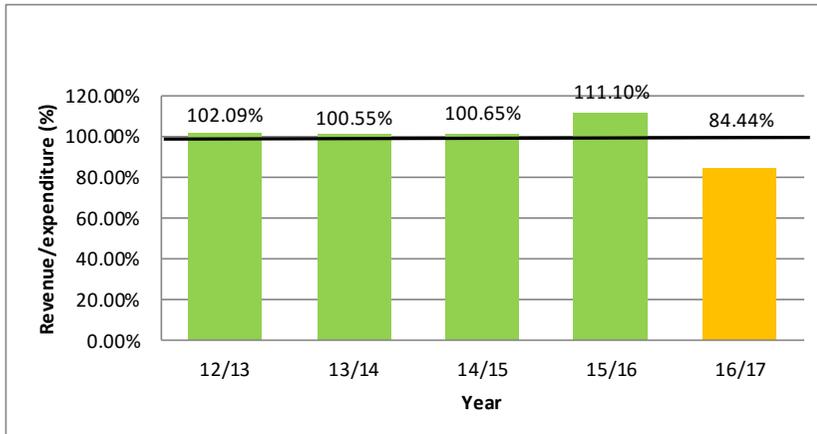
The graphs above establish that each of the five years presented are well within the borrowing limits. Fees paid to ACC for the Napier leasehold property cashflows for 50 year period are included.

## 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 and equipment, as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).



Benchmark met  
Benchmark not met

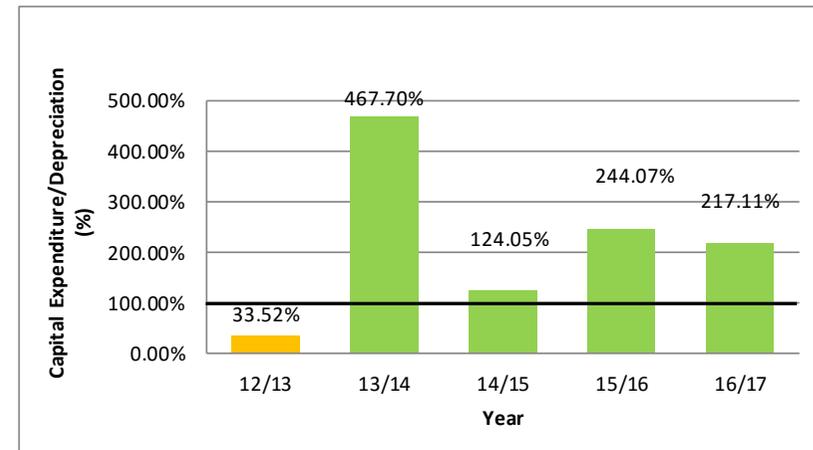


Council has met this benchmark for all years except 2016-17 due to the impairment of the advances made to HBRIC Ltd for the RWSS and the impairment of the RWSS evaluation costs.

### 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



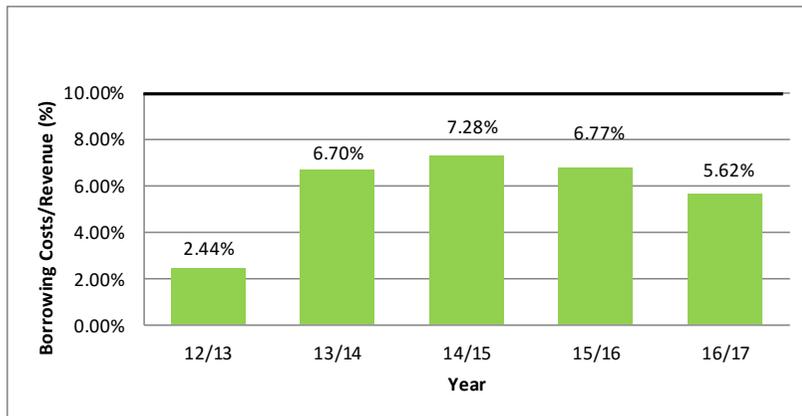
Council has met this benchmark for all years except 2012-13 where due to the timing of the work plan there was less done on the flood and drainage schemes and more focus on the cycleway infrastructure work which is not included in this benchmark. For years when the expenditure on flood and drainage schemes 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

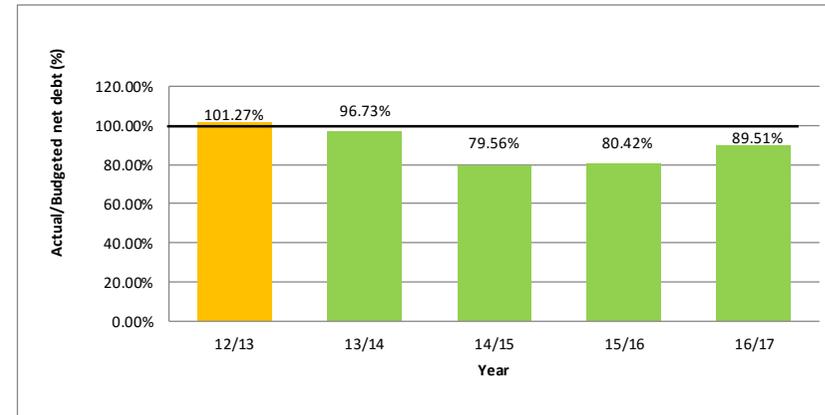


Council has met the benchmark for all years included in the above graph. Fees paid to ACC for the capitalisation of Napier leasehold property cashflows for a 50 year period are included.

### 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

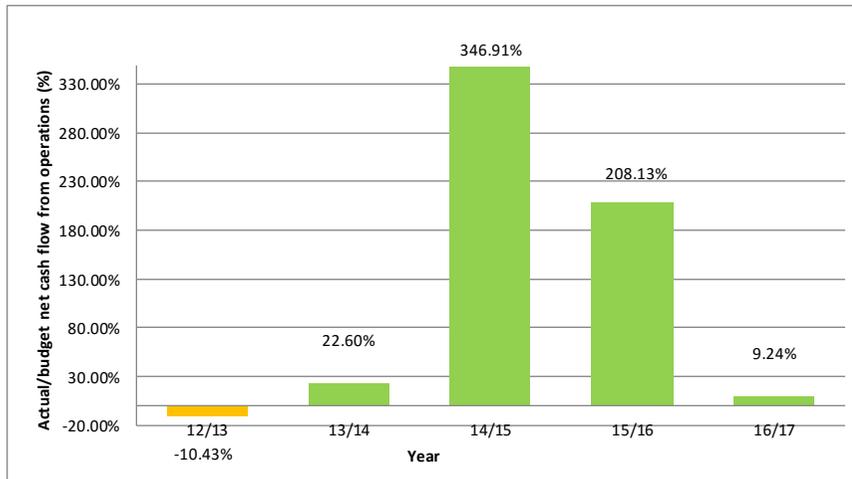


Council has met the benchmark in all of the years except 2012-13 when the percentage is shown as 1.27% over the benchmark.

## Accountability Information: Financial reporting benchmarks

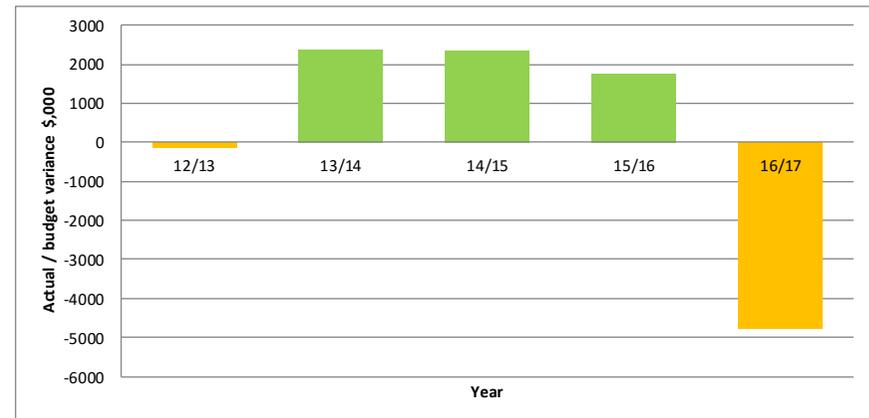
### 7. Operations Control Benchmark

*“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 and 2016-17). These variations in operating cash balances use Annual Plan budgets as compared with actual cash balances.

## Statement of Service Performance for Groups of Activities

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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.

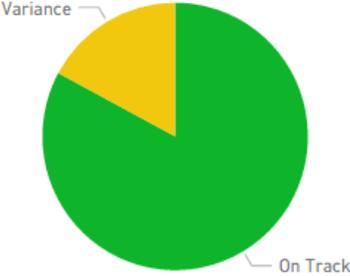
### Quality

During 2016-17 Council reviewed, throughout the financial year, the progress made against the individual performance targets at the end of four, six 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:

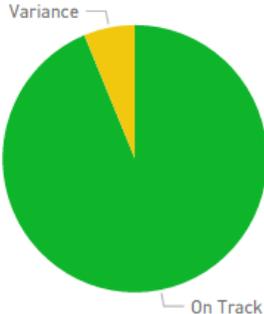
- Employed, either directly or through external agencies, suitably qualified staff (for example registered engineers and surveyors, members of the NZ Planning Institute, a member of the International Harbourmasters' Association, etc) with demonstrable experience relevant to their responsibilities;
- 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.

# 2016-17 Non-financial Performance Progress Summary to 30 June 2017

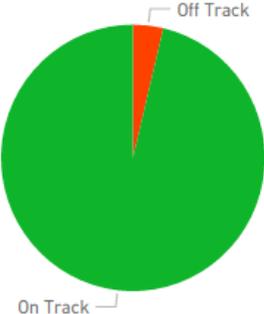
Strategic Planning



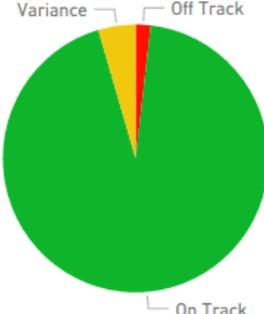
Land Drainage & River Control



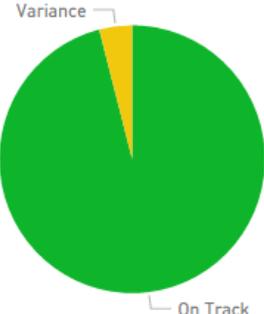
Regulation



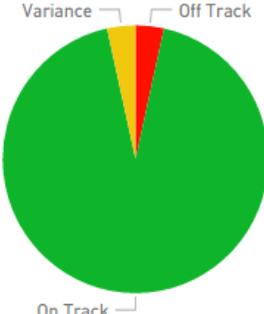
Regional Resources



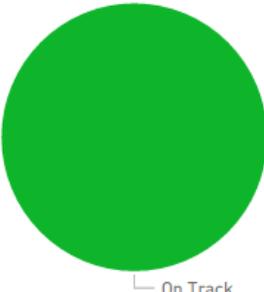
Transport



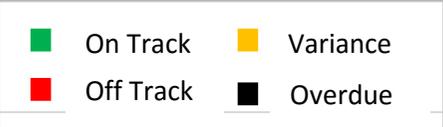
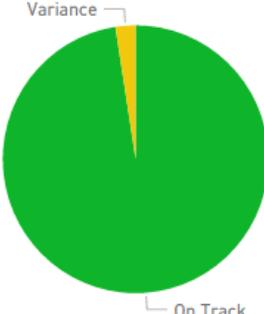
Governance & Community Engagement



Bio-security & Biodiversity



Emergency Management



## Strategic Planning Group of Activities

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### 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 16/17 (\$'000)	Budget 16/17 (\$'000)	Actual 15/16 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Economic Development	1	2,308	2,326	2,006
		<u>2,308</u>	<u>2,326</u>	<u>2,006</u>
Strategy & Planning	2	1,577	2,065	1,373
Policy Implementation	3	641	445	671
State of the Environment Monitoring	4	356	339	492
<b>Total Operating Expenditure</b>		<u>4,882</u>	<u>5,175</u>	<u>4,542</u>
<b>Capital Expenditure</b>				
Energy Futures Loan Repayments		20	20	20
<b>Total Capital Expenditure</b>		<u>20</u>	<u>20</u>	<u>20</u>
<b>TOTAL EXPENDITURE</b>		<u>4,902</u>	<u>5,195</u>	<u>4,562</u>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		56	47	67
<b>Total Activity Revenue</b>		<u>56</u>	<u>47</u>	<u>67</u>
<b>Other Revenue</b>				
Targeted Rates		2,012	1,997	1,738
Grants		420	274	332
Loans Drawn Down		-	-	-
On-Site Waste Water Disposal Loan Repayments		-	-	-
<b>Total Other Revenue</b>		<u>2,432</u>	<u>2,271</u>	<u>2,070</u>
<b>TOTAL REVENUE</b>		<u>2,488</u>	<u>2,318</u>	<u>2,137</u>
<b>TOTAL FUNDING REQUIREMENT</b>		<u>(2,414)</u>	<u>(2,877)</u>	<u>(2,425)</u>
<b>Special Reserve Funding</b>				
Sale of Land (Other Initiatives) Reserve		394	508	387
<b>Total Special Reserve Funding</b>		<u>394</u>	<u>508</u>	<u>387</u>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<u>(2,020)</u>	<u>(2,369)</u>	<u>(2,038)</u>
<b>MET BY</b>				
General Funding Rates		-	-	-
Investment Income		1,573	1,912	2,233
Operating Reserves		447	457	(195)
		<u>2,020</u>	<u>2,369</u>	<u>2,038</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	Performance Target	Required Action	Progress Report (to 30 June 2017)
Funding contract with approved performance targets and reporting requirements	2016-17 HB Tourism funding @ \$1,520,000	Evaluate increased investment in Hawkes Bay Tourism to ascertain value for money and impact.	<b>Achieved</b> Following the National Tourism Conference it is proposed for Mayors, Chairs and CEs meet with Hawke’s Bay Tourism to review the regional funding model currently in place.
	Continue quarterly reporting to Council on key performance indicators	Monitor and report performance of Hawkes Bay Tourism Ltd against agreed KPIs and in line with increased expectations of increased funding provided.	<b>Achieved</b> Hawke’s Bay Tourism is reporting quarterly to the Corporate and Strategic Committee of Council.
Long term Regional Economic Development Strategy (REDS) and three year Action Plan	Annual report on Action Plan	Business Hawke’s Bay to monitor and report on the Action Plan and implementation of the Regional Economic Development Strategy.	<b>Achieved</b> The 2011 Regional Economic Development Strategy has been reviewed and is now reflected in the "Matariki" REDS Framework under which 47 separate actions are being progressed. Oversight of these actions rests with a transitional Governance Group while a permanent operational and governance delivery model is implemented. In the interim, Business Hawke’s Bay continues to lead and support a number of Matariki Actions while also operating the Business Hub.
Investment for research and development and business development	Maintain compliance with Regional Business Partner contractual performance thresholds and Key Performance Indicators	Implement the revised Regional Business Partner programme in Hawke’s Bay where HBRC sub-contracts to the Chamber of Commerce to jointly deliver the New Zealand Trade & Enterprise Capability Vouches, Callaghan Innovation programmes and the Business Mentors NZ services.	<b>Achieved</b> The programme closed the 2016-17 financial year by substantially meeting its NZTE targets and exceeding those set by Callaghan Innovation.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
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: - Maori Economic Development - Wairoa primary sector opportunities - Supporting the resilience of the region’s primary sector	Upon adoption implement REDS action plan as it relates to HBRC led initiatives, particularly Maori economic development, agribusiness and tourism, including in Wairoa District.	<b>Achieved</b> The Matariki REDS has superseded the 2011 REDS. Under Matariki HBRC is designated project lead on 8 Actions and is working with Hawke's Bay Tourism on 2 others. Three of the projects relate to the work of the Regional Transport Committee, four reflect aspects of HBRC core business that support Matariki targets and goals, and three relate to tourism opportunities and/or promotion in Hawke's Bay.
	Continue to engage on Oil and Gas exploration / development with stakeholders	Consider amendment to RRMP following ongoing policy review	<b>Achieved</b> Advice on a plan change to the RRMP to further regulate oil and gas activities in the region is being prepared for the Regional Planning Committee to consider.

### Financial Variances Explained

There were no significant variances from budgets in the activity.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
Energy Strategy prepared Hawke's Bay Energy Initiative launched	Develop a Hawke's Bay Energy Strategy with a Draft Strategy adopted by Council by March 2016	Finalise a Council and stakeholder endorsed Hawkes Bay Energy Strategy.	<b>Achieved</b> The Energy Strategy initiative has progressed to the consideration of an Oil and Gas Plan Change. Opus consultant continues a programme for developing this.
		Implement actions arising from the Hawkes Bay Energy Strategy that have been identified as the responsibility of the Council.	<b>Achieved</b> Specific actions for HBRC have yet to be identified but HBRC is currently providing the leadership on the strategy by convening and facilitating the dialogue.
	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.	Assess the timing implications for any plan change to implement any necessary changes to the Regional Resource Management Plan provisions regulating oil and gas exploration and development.	<b>Achieved</b> Plan effectiveness reporting completed and presented to Regional Planning Committee meeting (during previous financial year reporting) on 1 June 2016. Nevertheless in November 2016, RPC then Council agreed to commence preparation of a regional plan change for oil and gas activity regulation. Indicative milestones and legal advice on prohibited activities was presented to RPC at meetings in February and March. Project being progressed with external consultants as per budgeted external expenses.
	Provide a report to 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".	Provide a report on a limited scope plan change in relation to Oil & Gas Exploration to the Regional Planning Committee	<b>Achieved</b> Plan effectiveness reporting completed and presented to Regional Planning Committee meeting (during previous financial year reporting) on 1 June 2016. Nevertheless in November 2016, RPC then Council agreed to commence preparation of a regional plan change for oil and gas activity regulation. Indicative milestones and legal advice on prohibited activities was presented to RPC at meetings in February and March. Project being progressed with external consultants as per budgeted external expenses.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
East Coast Hill Country Strategy	Develop and complete a strategy for adoption by Council by July 2018, in preparation for policy development within the Regional Resource Management Plan (RRMP)	Project manage the East Coast Hill Country strategy for adoption by Council by July 2018 in preparation for policy development within the RRMP	<b>Partially Achieved</b> Ongoing progress during the reporting period has slowed given other work programme priorities. Nevertheless, multiple synergies and relationships are being created through joint projects, and stakeholder meetings in a wide range of topics associated with hill country. An East Coast Hill Country "governance" group has been formed and another remains close to official formation in Wairoa. Whakaki Lake catchment is the subject of a pilot project for resilience and enhancements.

Level of Service Statement			
HBRC will help the community prepare for the future and increase community resilience to climate change			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Number of sectors through which HBRC promotes/influences reduction in carbon emissions and adaptation to climate change Number of Council activities that contribute to climate change adaptation and reduction	Funding for an Approved Solar Hot Water Scheme or an alternative Solar Initiative is available.	Review any business case for a Solar Hot Water Scheme as part of the Energy Strategy initiative.	<b>Partially Achieved</b> Funding has been provisioned for but no business case has been presented by NCC or HDC - further work halted.
		Funding for an Approved Solar Hot Water Scheme or an alternative Solar initiative is available.	<b>Partially Achieved</b> Funding was provided for but no business case has been presented by NCC or HDC, and further investigation halted.
	Complete a report on the contribution of Council activities make towards climate change adaption and mitigation, and number of sectors that Council supports to promote or influence reductions in carbon emissions and climate change adaptation.	Project manage the preparation of the Contribution to Climate Change Adaption, Mitigation and Reduction report to inform the preparation of the 2018-28 Long Term Plan	<b>Achieved</b> First draft of Dr Sean Weaver's scoping report, which is designed to inform the next Long Term Plan, will be provided to Council by 30 September.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
Progressive Implementation Plan for 2014 National Policy Statement for Freshwater Management (NPSFM)	Prepare an annual report on implementation of National Policy Statement for Freshwater Management	Report on NPSFM Implementation Plan progress through the Annual Report	<b>Achieved</b> Implementation reporting for current 2016-17 year will be documented in 2016-17 Annual report.

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	Performance Target	Required Action	Progress Report (to 30 June 2017)
<ul style="list-style-type: none"> <li>Status of Resource Management Plans and Policy Statements</li> <li>No more than 2 years elapse from notification of a plan change to decisions on submissions being issued</li> </ul>	Plan change for outstanding freshwater bodies publicly notified by July 2017	Project manage the development of policy for inclusion in the RRMP and RPS including: <ul style="list-style-type: none"> <li>- Coordinate and integrate all the necessary inputs into the planning processes</li> <li>- Coordinate and undertake the required stakeholder community engagement before notification</li> </ul>	<b>Partially Achieved</b> NB: Required action statement is not unique to any single plan change project. Draft plan change work programme for Identification of Outstanding Freshwater Bodies was presented to the Regional Planning Committee (RPC) meeting in March 2017, at which further advice was requested before agreeing to any particular work programme proposal. Notification date subject to RPC discussions, but before July 2018. Work was completed on the Ministry for the Environment (MFE)-sponsored Community Environment Fund (CEF) project, with CEF project outputs informing the OFWB plan change, but not delivering actual plan change content itself.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
		Priorities for the year include: substantially advancing the drafting of plan changes for Taharua and Mohaka; the Heretaunga Zone (Clive/Karamu, Ngaruroro, Tutaekuri, Ahuriri, Heretaunga Plains aquifer); and identify regional outstanding freshwater bodies and prepare an associated plan change.	<b>Achieved</b> NB: Required action statement is not unique to any single plan change project, rather it emphasizes the policy development priorities. For the reporting period, the TANK collaborative planning process has remained the key priority plan change project. Completing work associated with the Community Environment Fund (CEF) project on outstanding freshwater bodies remained a priority, coordination of further stakeholder engagement on Mohaka plan change was not a focus due to RWSS Review and oil & gas plan change work presenting challenges to those priorities.
	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 (TAG) and Implementation Working Group (IWG) to complete first Review of 2010 Strategy and ongoing implementation actions	<b>Partially Achieved</b> First 5-yearly review of HPUDS2010 had commenced in 2015-16. In June 2016, draft revised Strategy was presented to HPUDS Implementation Working Group (IWG). IWG approved draft revised Strategy for public release and invited submissions. Over 50 submissions received. Written and verbal submissions presented to IWG meeting on 4 October. IWG worked through submissions and any associated amendments and made recommendations for a revised Strategy to three partner councils (Hawke's Bay Regional, Napier City and Hastings District). IWG's recommendations were presented to NCC, HDC and HBRC in early 2017 and HPUDS2017 subsequently adopted by the three partner councils.

## Strategic Planning Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Operative Regional Coastal Environment Plan <ul style="list-style-type: none"> <li>At all times there is a regional plan in force for the HB coastal marine area</li> <li>New Zealand Coastal Policy Statement (NZCPS) put into action in accordance with statutory requirements</li> </ul>	Prepare and complete Coastal Hazard Management Strategy and Implementation Plans for coastline between Tangoio and Clifton	Support and participate in the development of Stage 2 of the Coastal Hazard Management Strategy and implementation planning for the coastline between Tangoio and Clifton through the Coastal Hazards Joint Committee (refer Regional Resources, Activity 4, Coastal Management).	<b>Achieved</b> Overall Strategy (Phase 1) completed and Phase 2 (options assessment) completed. Wider stakeholder engagement phase (3) has commenced with formation of two stakeholder panels. Policy planning staff role is as supporting participants for this project.
	Coastal Hazard Management Strategy (Phase 1) to be adopted by Council by June 2016	Support and participate in the completion of the Coastal Strategy for the coast between Cape Kidnappers and Tangoio in conjunction with Napier City and Hastings District councils and Tangata Whenua through the Joint Committee	<b>Achieved</b> Overall Strategy (Phase 1) completed and Phase 2 (options assessment) completed. Wider stakeholder engagement phase (3) has commenced with formation of two stakeholder panels. Policy planning staff role is as supporting participants for this project.

### **Financial Variances Explained**

Strategy and planning is under budget of the year. The primary reason was due to delays in commissioning and completing contracted work relating to TANK, the Mohaka Plan Change and Regional Resource Management Plan (RRMP) effectiveness reporting. Staff time has been allocated to the substantial work done in the policy implementation space. A total of \$135,000 of the 2016-17 budget was carried forward to 2017-18 to continue the implementation of the National Policy Statement on Freshwater Management.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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 Regional Planning Committee.	Continue to receive, review and report on TLA consent applications and plan development activities	<p><b>Achieved</b></p> <ol style="list-style-type: none"> <li>1. HBRC is party to a number of appeals on proposed Hastings District Plan. HDC and appellants had agreed to 'park' negotiations until the HPUDS Review process during 2016 had been completed.</li> <li>2. Several submissions made at hearings during previous quarter for Hastings District Plan rezonings at Howard Street (residential), Omaha Road (industrial) and Irongate (industrial). HBRC had joined as an interested party to appeals on the Howard Street rezoning and Irongate rezoning - both for stormwater management interests.</li> <li>3. Update reports on 'Statutory Advocacy' activity are regularly reported to meetings of Regional Planning Committee.</li> </ol>
		Continue to receive, review and prepare submissions where relevant on central government's resource management proposals	<p><b>Achieved</b></p> <p>Submissions made on Hastings District Council's Variations 1-3 proposing a residential rezoning and two industrial rezonings. Joint council submissions were made on several new government proposals including the NPS for Urban Development Capacity, Clean Water reform package and associated 'swimmability' proposal, and a proposed amendment to the NES for Plantation Forestry which would enable councils to impose charges for monitoring of permitted activities under the NESPF.</p>

## Strategic Planning Group of Activities

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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
	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	<b>Achieved</b> Group discussions and meetings operate with high degree of flexibility, depending on issues arising. Discussions during 2016-17 period typically focussed on harmonising of district planning content, new and emerging national direction (e.g. National Policy Statements and National Environmental Standards), plus amendments to the RMA. Joint submissions on national proposals were supported where relevant. Implications of mana whakahono a rohe agreements, national planning standards and e-planning legal requirements were also discussed shortly after the Resource Legislation Amendment Act was passed.

Level of Service Statement			
HBRC will ensure resource management plans are implemented, monitored and evaluated			
Level of Service Measure	Performance Targets	Required Action	Progress Report (to 30 June 2017)
Implementation Plans in place for newly operative Plan Changes or Plan Reviews	Annual Report on Implementation Plan for Tukituki Catchment Plan Change 6	Support and participate in reporting on Tukituki Plan Change 6 implementation	<b>Partially Achieved</b> Plan Change 6 (Tukituki River Catchment) became operative October 2015. A project team featuring representatives from multiple sections within HBRC was formed. A Consultant's report 'working towards implementation' for the Tukituki Plan Change was presented to the Regional Planning Committee meeting on 3 August 2016. Engagement with Iwi as prescribed by RRMP POL TT16 is required before the final formal implementation plan can be completed. Progress on this has slowed due to variety of other tangata whenua engagement issues arising in this project and other projects. RWSS Review also diverted staff resources from this activity during 2016-17.

## Strategic Planning Group of Activities

Level of Service Statement			
HBRC will ensure resource management plans are implemented, monitored and evaluated			
Level of Service Measure	Performance Targets	Required Action	Progress Report (to 30 June 2017)
	Regional Resource Management Plan (RRMP) effectiveness reporting	Prepare a report on the effectiveness of the RRMP where this is not otherwise being reviewed through the policy work programme	<b>Partially Achieved</b> Scoping of plan effectiveness reporting task had commenced in 2016-17 period, but not advanced further due to other work priorities (incl RWSS Review, scoping of regulation of GMOs and oil & gas). Consultant engaged to advance this given limited availability of staff. Report intended to be completed by end of 2017 and presented to the Regional Planning Committee.
		Complete requirements for National Monitoring System plans and policy statement monitoring parameters	<b>Achieved</b> MFE's Survey responses were completed and returned in July 2017 following completion of 2016-17 financial year. Previously NMS audit returns for 2015-16 period also reviewed, clarified and re-submitted to MFE.

Level of Service Statement			
HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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.	Review and upgrade the Hazardous Activities & Industries List (HAIL) database to provide an acceptable solution for TA access and/or information transfer	<b>Achieved</b> The existing database is maintained and new sites added when relevant information is received. Site queries regarding contamination status are answered when received.
		Establish Information Transfer protocols with TLAs	<b>Achieved</b> Achieved
	To respond To queries and complaints regarding potentially contaminated sites.	Continue verification of sites listed on Hazardous Activities & Industries List (HAIL) database	<b>Achieved</b> Sites verified as appropriate and queries answered

## Strategic Planning Group of Activities

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### *Financial Variances Explained*

Policy Implementation activity resulted in expenditure \$196,000 higher than had been budgeted. Significant staff time continues to be spent on iwi liaison projects, especially regarding the Regional Planning Committee and Maori Committee. External costs also incurred on related RPC activities. There was time spent on recent hearings on District plan rezonings proposed by Hastings District Council and continued significant engagement with central government on proposed RMA amendments and other national legislation amendments. Over 30 applications lodged for parts of HB region's coastal area under Marine and Coastal Area (Takutai Moana) Act which HBRC has joined as an interested party.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
<ul style="list-style-type: none"> <li>Data quality as assessed against HBRC’s quality assurance system</li> <li>Amount of State of the Environment monitoring data available through HBRC’s website</li> </ul>	Maintain ISO accreditation	Update quality assurance system requirements to maintain ISO accreditation	<b>Achieved</b> ISO accreditation is maintained
		Undertake regular auditing of the quality assurance system	<b>Achieved</b> Ongoing audits of the QA system continue
	All data collected, processed, analysed and stored in accordance with ISO requirements	Take corrective action, and respond to “areas of concern” and “opportunities for improvement” identified by internal and external audits	<b>Achieved</b> All data were collected, processed, analysed and stored in accordance with ISO requirements
	Maintain the current level of SOE data on HBRC’s website.	Maintain monthly SoE reports on HBRC’s website	<b>Achieved</b> Monthly SOE reports were maintained on HBRC website
	Continue to make information from the following monitoring sites available through HBRC’s website: <ul style="list-style-type: none"> <li>All telemetered river flow sites</li> <li>All telemetered rainfall sites</li> <li>All telemetered climate stations</li> </ul>	Provide regular updates to the HBRC web site regarding river flow, rainfall, groundwater levels, climate, and surface water quality in a form suitable to users.	<b>Achieved</b> All telemetered flow, rainfall and climate sites have their data available on HBRC’s website
State of the Environment Monitoring Report	Annual Update State of the Environment (SOE) Reports available by June each year	Prepare 2016 annual State of the Environment update report	<b>Partially Achieved</b> The annual update for 2016 has been prepared, is in draft form, but has not been printed

#### Financial Variances Explained

There were no significant variances from budgets in the activity.

## Land Drainage & River Control Group of Activities

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### 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 16/17 (\$'000)	Budget 16/17 (\$'000)	Actual 15/16 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Flood Protection & Drainage Schemes	1	5,869	6,131	5,795
Investigations & Enquiries	2	621	383	858
Sundry Works	3	275	320	322
Operations Group External Contracts		964	429	874
Subtotal of Sundry Works		1,239	749	1,196
<b>Total Operating Expenditure</b>		7,729	7,263	7,849
<b>Capital Expenditure</b>				
Infrastructure Asset Construction		857	1,495	785
Disaster Damage Excess Deposits		-	-	-
Loan Repayments		542	542	792
<b>Total Capital Expenditure</b>		1,399	2,037	1,577
<b>TOTAL EXPENDITURE</b>		9,128	9,300	9,426
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		362	144	908
Operations Group External Contracts		1,053	537	1,171
<b>Total Activity Revenue</b>		1,415	681	2,079
<b>Other Revenue</b>				
Targeted Rates		6,718	6,653	6,478
Grants and Other Capital Income		56	-	-
Interest on Scheme Reserves		232	88	238
Loans Drawn Down		-	-	-
<b>Total Other Revenue</b>		7,006	6,741	6,716
<b>TOTAL REVENUE</b>		8,421	7,422	8,795
<b>TOTAL FUNDING REQUIREMENT</b>		<b>(708)</b>	<b>(1,878)</b>	<b>(631)</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		(779)	(111)	(455)
Scheme Depreciation Reserves		23	495	5
Regional Disaster Reserves		-	-	-
<b>Total Special Reserve Funding</b>		-756	384	-450
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(1,464)</b>	<b>(1,494)</b>	<b>(1,081)</b>
<b>MET BY</b>				
General Funding Rates		-	-	-
Investment Income		939	970	1,139
Operating Reserves		525	524	(58)
		<b>1,464</b>	<b>1,494</b>	<b>1,081</b>

## Land Drainage & River Control Group of Activities

### Activity 1 – Flood Protection & Drainage Schemes

#### 1a – Heretaunga Plains Scheme

<b>Level of Service Statement</b>				
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. 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, progressively increasing to 0.2% AEP over the next 20 years.				
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>	
<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 annual programme of works prior o commencement of each financial year, and complete that work within that timeframe.</p> <p>Complete detailed design philosophy and priorities for improved level of service</p> <p>Progress implementation of improved levels of service in accordance with work programme.</p>	<p>Prepare an annual maintenance schedule prior to the commencement of each financial year.</p>	<p><b>Achieved</b> Maintenance schedule completed</p>	
		<p>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></p>	<p><b>Achieved</b> Annual programme of maintenance work has been completed</p>	
		<p>Monitor flood events and channel capacity checks in accordance with the Flood Manual</p>	<p><b>Achieved</b> No significant flood events, channel capacity remains adequate</p>	
		<p>Complete a report on the design philosophy and project approach and priorities for increasing the level of protection provided by the Scheme to 0.2% AEP (1:500 year return period)</p>	<p><b>Achieved</b> Hydrology assessment completed and draft report prepared. Design philosophy delayed to allow more detailed rainfall runoff modelling to be carried out</p>	
	<p>Tutaekuri, Ngaruroro and Lower Tukituki Audits: No change</p>		<p>Monitor recovery from Sawfly damage and plan alternative species</p>	<p><b>Achieved</b> Sawfly recovery largely complete, however monitoring of sawfly impacts and other plant pests ongoing. Alternative planting programme implemented</p>
			<p>A Chartered professional engineer to carry out an annual asset audit, and a full assessment of each of the major rivers every 12 years</p>	<p><b>Achieved</b> Asset audits carried out for HP rivers and trialling a national condition and risk assessment approach</p>

## Land Drainage & River Control Group of Activities

<b>Level of Service Statement</b>			
HBRC will maintain an effective 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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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.	Complete the review of the Napier / Meeanee and catchments in conjunction with Napier City Council.	<b>Achieved</b> Draft Levels of Service (LOS) review for Napier / Meeanee done, awaiting review and further discussion with NCC.
		Monitor, operate and maintain the drainage network.	<b>Achieved</b> Seasonal maintenance works have been carried out in accordance with the programme and contract, including mowing, spraying, excavation, structure inspections, maintenance and repairs
		A chartered professional engineer to carry out an annual asset audit	<b>Partially Achieved</b> While a formal asset audit for the Napier/ Meeanee area was not completed, the LOS review referred to above ensured that an effective drainage network was maintained.

<b>Level of Service Statement</b>			
HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Ecological Management and Enhancement Plans	Complete Rivers Ecological Management and Enhancement Plans for Enhancement of Ecological values for the Scheme Rivers	Riparian planting and waterway enhancement	<b>Achieved</b> Ecological Management and Enhancement Plan were completed and recommendations are being implemented. This includes working in the riverbeds in the prescribed periods outside bird and fish breeding periods as well as riparian planting.
	On the Rivers increased native planting as measured six yearly based On the river Ecological	Implement annual programme from the EMEP	<b>Achieved</b> Planting ongoing with good results starting to be evident.

## Land Drainage & River Control Group of Activities

Level of Service Statement			
HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
	Management and Enhancement Plans (EMEP)	Continue to evaluate and implement riparian planting techniques.	<b>Achieved</b> This work is ongoing. Techniques are developed based on success in the different river berm areas managed.

Level of Service Statement			
HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
Level of Service Measure	Performance target	Required Action	Progress Report (to 30 June 2017)
<ul style="list-style-type: none"> <li>Stream Ecological Valuations (SEV)</li> <li>Ecological Enhancement Plans</li> </ul>	On the rivers, increased native planting as measured six yearly based on the River Ecological Enhancement Plans	Complete the Hastings urban streams SEV and begin the LOS. Implement through a work programme the River Ecological Management and Enhancement Plans (EMEP) for enhancement of ecological values for the Scheme rivers.	<b>Achieved</b> SEV project substantially complete. The annual programme of ecological enhancement and EMEP values work has begun and will be ongoing.
		Continue riparian planting and waterway enhancement	<b>Achieved</b> Planting on river berms is ongoing. Good results are beginning to be evident with native plants on the river berms.
		Implement an annual enhancement programme from the EMEP.	<b>Achieved</b> Native planting on river berms is ongoing

### Financial Variances Explained

The Heretaunga Plains Scheme was less than budgeted. Significant contributors to this include:

- Napier/Meeanee/Puketapu – due to timing of seasonal works not all contract items carried out
- Raupare/Twyford - stream enhancement work not carried out and is deferred to 2017-2018
- Karamu - Awanui stopbank construction work deferred to 2017-2018 summer due to wet weather

## Land Drainage & River Control Group of Activities

### 1b – Upper Tukituki Scheme

<b>Level of Service Statement</b>			
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.			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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.	Prepare an annual programme of works prior to the commencement of each financial year. Complete the annual programme of work.	Maintain the channel capacity and integrity of the flood protection assets through gravel extraction and maintenance including spraying, mowing, beach raking, lopping, pole planting maintenance.	<b>Achieved</b> Annual programme of maintenance work has been completed with no significant issues to report.
		Identify and consult with Farmer Liaison Group for the upper Tukituki Scheme on, a physical solution to the issue of surplus gravel potentially affecting the scheme, together with the associated costs of any solution.	<b>Achieved</b> This issue is ongoing and community meetings have been held. The proposed Gravel Management Plan and new consenting process will enable better management of surplus gravel.
	Complete detailed design philosophy and priorities for improved level of service	Continue with flood frequency review and investigation Level of Service improvement strategy.	<b>Partially Achieved</b> Flood frequency review finished, further work being carried out on rainfall runoff to improve robustness. LOS improvement strategy will be carried over into next financial year.
	Progress implementation of improved levels of service in accordance with work programme.	Complete Level of Service work to enable initiation of the implementation phase.	<b>Partially Achieved</b> LOS work unable to be completed. More work than anticipated needed to verify design discharges.
The level of service will be reported as kilometres and percentage of	Tutaekuri, Ngaruroro and Lower Tukituki Audits: No change	Monitor flood events and channel capacity checks	<b>Achieved</b> No significant flood events, channel capacity remains adequate.

## Land Drainage & River Control Group of Activities

<b>Level of Service Statement</b>			
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.			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
floodway that provide the design level of service		Monitor recovery from Sawfly damage and plant alternative species	<b>Achieved</b> Sawfly recovery largely complete, however monitoring of sawfly impacts and other plant pests ongoing. Alternative planting programme implemented.
		A chartered professional engineer to carry out an annual asset audit, and a full assessment of each of the major rivers every 12 years	<b>Achieved</b> Asset audits carried out for UTT rivers and trialling a national condition and risk assessment approach.
		Complete a report on the design philosophy and project approach and priorities for increasing the level of protection provided by the Scheme to 0.2% AEP (1:500 year return period)	<b>Achieved</b> Hydrology assessment completed and draft report prepared. Design philosophy delayed to allow more detailed rainfall runoff modelling to be carried out.

### ***Financial Variances Explained***

Expenditure on the Upper Tukituki Scheme was less than budget due to the wet winter period of 2017 impacting on seasonal maintenance activities and planting programs.

## Land Drainage & River Control Group of Activities

### 1c – Other Schemes

<b>Level of Service Statement</b>			
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)			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
<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>	Waimarama Flood Protection Scheme accepted by community and operation phase begun	Continue to consult with the Waimarama community regarding the establishment of a flood control scheme to fund improved management of the waterways and flood channels flowing through the community	<p><b>Partially Achieved</b></p> <p>No progress has been made on initiating the establishment of a Waimarama scheme, however maintenance work on the Stream is being undertaken under the Central and Southern Scheme.</p>
	Effective flood control and drainage network that provides protection from frequent flooding to communities and productive land is maintained	Maintenance is carried out to preserve channel capacity and integrity of flood protection and drainage assets	<b>Achieved</b> Seasonal maintenance works have been carried out in accordance with the programme and contract.
		Monitor flood events in accordance with the Flood Manual	<b>Achieved</b> No significant flood events, no problems with smaller events.
		A chartered professional engineer carries out an annual asset audit of selected areas of Schemes, and a full assessment of each of the scheme areas every 12 years	<p><b>Achieved</b></p> <p>The Makara Flood Control Scheme audit was completed as scheduled.</p> <p>Scheme assessments/audits for Paeroa Drainage, Porangahau Flood Control, Poukawa Drainage, Ohuia - Whakaki Drainage, Esk River Control, Whirinaki Drainage, Maraetotaroa River Control, Te Ngarue River Control and Kopuawhara River Control schemes were not programmed for 2016-17.</p>

## Land Drainage & River Control Group of Activities

<b>Level of Service Statement</b>			
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)			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
	Develop a programme of Scheme reviews and commence review process with at least 2 Schemes	On completion of the major scheme Level of Service review, determine a Programme of Scheme reviews within available resources.	<b>Achieved</b> Makara Flood Control Scheme level of service review for this scheme is programmed to be completed in the 2017-18 financial year Levels of service reviews for Paeroa Drainage, Porangahau Flood Control, Poukawa Drainage, Ohuia - Whakaki Drainage, Esk River Control, Whirinaki Drainage, Maraetotaroa River Control, Te Ngarue River Control, and Kopuawhara River Control schemes were not programmed for the 2016-17 year
	Continue with review process and quantify level of service provided by Schemes where this is unknown	Provide Annual Reports on scheme activities covering: a) continued provision of the design level of service and flood protection, and/or provision of drainage to a level that ensures satisfactory operation of contributing surface and subsurface outlets.	<b>Achieved</b> Report for Makara Flood Control Scheme 2016-17 activities was completed. <b>Achieved</b> Design levels of service were maintained throughout the year for Paeroa Drainage, Porangahau Flood Control, Poukawa Drainage, Ohuia - Whakaki Drainage, Esk River Control, Whirinaki Drainage, Maraetotaroa River Control, Te Ngarue River Control, and Kopuawhara River Control schemes.

## Land Drainage & River Control Group of Activities

<b>Level of Service Statement</b>			
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 - - Kōpuawhara Flood Control - - Poukawa Drainage - - Kairakau - - Waimarama (proposed)			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
<p>Communities and productive land experience no flooding from rivers up to the design level of protection</p> <p>Rates fairly reflect the degree of benefit received by the flood protection provided.</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>	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 for the Scheme and, subject to due process, implement a revised rating system for the 2017-18 year.	<b>Achieved</b> Plan to revise the rating scheme has been developed, however any changes proposed to be implemented will require further discussion with the community.
	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.	<b>Achieved</b> Completed prior to the commencement of the financial year and being implemented.
		Continue maintenance and gravel extraction to maintain the channel capacity and integrity of the flood protection assets	<b>Achieved</b> Annual programme of works completed. Gravel extraction options being considered to reduce the risk of loss of flood capacity due to gravel accumulation in some river reaches.
		Monitor flood events in accordance with the Flood Manual	<b>Achieved</b> There have been a number of smaller freshes during the year. The schemes have performed well with only some minor flood related damage.
		A chartered professional engineer to carry out an annual asset audit	<b>Achieved</b> Site audit of contract works done. A new nationally agreed condition and risk assessment is being trialled.

### **Financial Variances Explained**

There were no significant variances from budgets in the activity.

## Land Drainage & River Control Group of Activities

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### Activity 2 – Investigations & Enquiries

Level of Service Statement			
HBRC staff will provide expert advice on drainage, flooding, and coastal erosion issues			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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, train and provide for succession of key staff	<b>Achieved</b> Recruitment is underway for replacement of one staff member.
		Recruit graduates and promote of Local Government careers to ensure staffing capacity for the future	<b>Achieved</b> One student interviewed for summer employment, and are actively looking for other students or recent graduates. It is difficult to attract NZ experienced river engineers.

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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	<b>Achieved</b> There is a steady demand for this service. Five projects were undertaken this year.

## Land Drainage & River Control Group of Activities

<b>Level of Service Statement</b>			
HBRC will provide a consultancy service for drainage, flooding, and coastal erosion issues according to individual project agreements on a full cost recovery basis			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Cost recovery and Satisfaction with Service	Full costs of any consultancy work are recovered and major clients are satisfied with service provided	Effectively and efficiently complete consultancy projects	<b>Achieved</b> Work ongoing with Gisborne District Council. Major project is an upgrade of their Waipaoa Scheme. Modelling work for GDC proposed wastewater wetland. Initial communication and setup for GDC flood hazard mapping. Working with HDC on modelling for urban development at Iona triangle, and Howard St. Working with NZTA on SH2 widening at Petane (Bay View to Esk). Project continues to provide good service and there is a steady demand.

### ***Financial Variances Explained***

There was significant demand on the Council engineering consultancy services during the year by Gisborne District Council and other private stop bank work. The increase in costs were offset by direct charging to the clients.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
The comparison of annual beach cross section surveys to the 1986 erosion	Erosion does not extend landward of the 1986 line by more than 10% of the beach length in any 12 month period	Regularly monitor Westshore Beach profiles	<b>Achieved</b> Cross sections surveyed. Erosion does not extend landward of the 1986 line along the Esplanade.
		Carry out annual renourishment of Westshore Beach	<b>Achieved</b> Annual renourishment completed in November 2016
	An alternative source of gravel or sand for renourishment will be sought	Complete the Westshore Beach Renourishment Program review, and find a new source of renourishment material	<b>Achieved</b> New river gravel source material working okay in front of surf club to protect bank, but is not very good from an amenity point of view. Ongoing talks with Winstones to maintain adequate supply of appropriate material. Recent comments from some public that coarse river material is less desirable.
	The current approach to erosion mitigation at Westshore will be reviewed as part of the Coastal Hazard Management Strategy	Westshore erosion will be considered in the Coastal Hazard Management Strategy due for completion 2018.	<b>Achieved</b> Westshore beach is included as a priority area in the Coastal Management Strategy. Recent workshops with assessment panels have developed options to investigate further, such as increased nourishment (gravel), nourishment in the intertidal zone with sand, as well as options for retreating the acceptable erosion line. Options will be discussed and developed further as the strategy progresses.

## Land Drainage & River Control Group of Activities

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<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	Regularly inspect River mouths and lagoon outlets, and open when required and when river, sea and weather conditions allow	<b>Achieved</b> River mouths inspected regularly and opened when conditions suitable.

### ***Financial Variances Explained***

There were no significant variances from budgets in the activity.

## Regional Resources Group of Activities

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### 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 16/17 (\$'000)	Budget 16/17 (\$'000)	Actual 15/16 (\$'000)	
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Land Management	1	3,993	3,980	3,551
Air Management	2	1,867	1,903	2,016
Water Management	3	4,760	4,511	4,121
Coastal Management	4	1,292	1,162	958
Gravel Management	5	591	398	401
Open Spaces	6	1,390	1,411	1,342
<b>Total Operating Expenditure</b>		<b>13,893</b>	<b>13,365</b>	<b>12,389</b>
<b>Capital Expenditure</b>				
Clean Heat Advances		1,923	3,305	2,027
Tangoio Soil Conservation Reserve Forestry		-	-	-
Regional Park Network		544	689	121
Loan Repayments		2,175	-	1,872
<b>Total Capital Expenditure</b>		<b>4,642</b>	<b>3,994</b>	<b>4,020</b>
<b>TOTAL EXPENDITURE</b>		<b>18,535</b>	<b>17,359</b>	<b>16,409</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		3,736	4,220	3,534
<b>Total Activity Revenue</b>		<b>3,736</b>	<b>4,220</b>	<b>3,534</b>
<b>Other Revenue</b>				
Targeted Rates		1,246	1,244	1,149
Community Loan Repayments		1,911	1,358	1,690
Interest on Scheme Reserves		146	119	152
Grants		923	-	256
Loans Drawn Down		2,797	2,354	3,263
<b>Total Other Revenue</b>		<b>7,022</b>	<b>5,075</b>	<b>6,510</b>
<b>TOTAL REVENUE</b>		<b>10,758</b>	<b>9,295</b>	<b>10,044</b>
<b>TOTAL GENERAL FUNDING REQUIREMENT</b>		<b>(7,777)</b>	<b>(8,064)</b>	<b>(6,365)</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		337	276	(210)
Sale of Land (Non-investment) Reserve		454	487	293
<b>Total Special Reserve Funding</b>		<b>791</b>	<b>763</b>	<b>83</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(6,986)</b>	<b>(7,301)</b>	<b>(6,282)</b>
<b>MET BY</b>				
General Funding Rates		-	-	-
Investment Income		5,439	5,866	6,200
Operating Reserves		1,547	1,435	82
		<b>6,986</b>	<b>7,301</b>	<b>6,282</b>

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Annual Land Management Operational Plan. This will outline the strategic focus and alignment of land management programs and projects to regional priorities	Proposed activities for each coming financial year will be presented to council via the Operational Plan by 30 June each year. And Reporting of performance to the Operational Plan objectives for the previous year will occur by the end of November	Prepare annual Operational Plan for Council that demonstrates how operational activities contribute to sustainable land management outcomes, prior to the commencement of each financial year and annual report following completion of each financial year	Achieved The 2017-18 Operational Plan and 2016-17 Annual Report were presented and received by the Environment and Services Committee Meeting on 12 July 2017.
	Continue a programme of research and extension to investigate and field trial issues relevant to land management in Hawke's Bay	Initiate 1 new research project in collaboration with stakeholders every 6 months	<b>Achieved</b> Staff put considerable effort into supporting the organisations applications for Freshwater Improvement Funding this quarter, which also included an application for further funding of the "Beyond the Rootzone" fluxmeter project, which was successful and will provide for ongoing work quantifying N losses under arable farming systems with local in-ground fluxmeters on 3 farms in the region.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Preparation and Implementation of Sub-catchment Plans in priority “hotspots” catchments to address significant resource management issues	Sub-catchment plans implemented for 2 priority sub-catchments in the Tukituki by 2018	Continued promotion and incentivisation of Farm Environmental Management Plans (FEMPs) to be undertaken in priority catchments to achieve target of 250 FEMPs by 30 June 2017	<b>Partially Achieved</b> There was a significant rush towards the end of the financial year by land owners to capitalise on the FEMP incentive. As at 30 June 2017 there were 100 FEMPs completed, a further 80 in-progress and 40 who had signed up to have FEMPs done. The team has put significant effort in targeting large landholders in priority catchments with the incentive, which has resulted in an average area of catchment now under an FEMP of 30% in our priority catchments (Papanui, Porangahau Stream, Maharakeke, Tukipo & Kahahakuri) and 9% elsewhere in the Tukituki.
		Landholders in priority catchments actively engaged and supported in adoption of good practice	<b>Achieved</b> Staff have been proactively been working with landholders and the wider community in priority sub-catchments all year. For example 13 community or landholder events were held in Whangawehi, 2 in Whakaki, 3 in the Porangahau/Maharakeke sub-catchment and 6 in the Papanui sub-catchment during the 2016-17 financial year.
		Workshops and field days held to promote the adoption of good practice in priority catchments	<b>Achieved</b> During the year, 6 FEMP workshops were held in priority catchments in collaboration with Beef & Lamb. Staff have also been working proactively with the primary sector to support other events and activities in these areas
		Catchment groups formed in the Porangahau Stream and Maharakeke sub-catchments	<b>Achieved</b> Staff have been actively engaging the community in the Porangahau/Maharakeke sub-catchment throughout the year. 3 formal community meetings have been held and the group is now in the process of establishing the pathway ahead through the development of a catchment action 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
	Sub-catchment plans to be developed for Tukipo, Kahahakuri, Upper Tukituki Corridor, Whakaki and potential hotspots in the Greater Heretaunga (TANK) and Mohaka catchments	Science characterisation for the Tukipo catchment to be initiated	<b>Achieved</b> The science team is continued to monitor and characterise the state of water quality in the Kahahakuri sub-catchment. The characterisation of the Tukipo catchment will be delayed until further base information around groundwater interactions in particular can be gathered.
	60% of the Regional Landcare Scheme (RLS) grant will be targeted to priority sub-catchments	Record and report on the percentage of RLS funding invested in priority catchments	<b>Partially Achieved</b> Approximately 53% of discretionary RLS funding (grants and incentives) was spent in the Tukituki catchment. The primary reason for not achieving the target was due to the low uptake of incentives for undertaking FEMPs in the Tukituki
Collaborative initiatives undertaken to realise regional resource management objectives	Development of a strategy based on an adaptive governance approach to building resilience in East Coast Hill Country	Workshops held to consider long term strategic direction in hill country and contribute to the development of a strategy for hill country.	<b>Achieved</b> The development of an East Coast Hill Country strategy has been put on hold however staff have continued to progress a number of work programmes and activities looking at solutions to the long term challenges of reducing soil loss from the region's hill country. A hill country resilience workshop was held in October, staff held 3 afforestation workshops in collaboration with MPI in March and a large case study involving MPI. Wairoa DC, HBRC is currently underway in Whakaki looking at a variety of options for improving the social, cultural, economic and environmental wellbeing of that area.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
	Development of non-regulatory implementation plans to support Catchment Plan changes (TANK & Mohaka)	Primary industry meetings held to coordinate a collective approach to policy implementation in Tuikituki and TANK catchments	<b>Achieved</b> Staff are meeting with the primary sector on a nearly fortnightly basis around FEMP delivery and standards, specific issues such as feedlotting and winter cropping or as part of formal "Pan-Sector" or industry specific meetings. Several staff members have an active role with the TANK catchment planning process supporting the development of management approaches and economic impact considerations of various planning scenarios on farm systems in the region.
	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 - Workshops provided and materials developed to assist landholders adapt their land use practices to meet PC6 rules and regulations	workshops and events held outside of catchment planning focus areas to proactively promote industry good practice adoption elsewhere in the region.	<b>Achieved</b> Over the last 12 months staff and organised or supported 24 field days, workshops or conferences throughout the region to promote good practice adoption, including – winter cropping, feedlots, alternative fodder tree trials, afforestation of steplands, farm forestry and managing phosphorus at FEMP workshops.
		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	<b>Achieved</b> Ongoing participation in the project management of the High UMF Manauka PGP continues as well as ongoing maintenance works at our Manuka trial site at Lake Tutira.

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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 for Soil Quality monitoring in compliance with statutory requirements	<b>Achieved</b> Soil quality monitoring field work on extensive pasture in Hawke's Bay was completed in December 2016 and final report will be published by the end of August 2017.
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 by 30 June 2017, and the remaining parts of the region by 2018	<b>Achieved</b> Complete
Regional Wetland Inventory	Develop wetland inventory for the remaining catchments	Complete aerial survey and high-level classification and delineation of wetlands across the Hawke's Bay region, and provide an update report by 30 June 2017	<b>Achieved</b> Aerial survey of wetlands is continuing across the region with publication of a survey report to be done by the end of June 2017. Estimated coverage of entire region by June 2018.
		Continue to align the wetland work programmes with National Policy Statement for Freshwater Management (NPS-FM) requirements and the Hawke's Bay Biodiversity Strategy	<b>Achieved</b> Development of the state of the environment monitoring for wetland conditions is in progress, aligning with the national wetland survey protocols and nationally-accepted indicators to measure the state. Preliminary draft of the report has been produced by Landcare Research, and it is currently under expert panel review before being provided for HBRC review.
Integrated catchment management including staged computer modelling and monitoring of the: <ul style="list-style-type: none"> <li>• Mohaka catchment</li> </ul>	Catchment model developed for Taharua and the entire Mohaka Catchment	Review existing and alternative nutrient transport model for Mohaka catchment, and complete nutrient transport model if required for Policy development	<b>Not Achieved</b> Mohaka recommencement of policy evaluation and further stakeholder engagement.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
<ul style="list-style-type: none"> <li>Heretaunga/Ahuriri catchments</li> <li>Tukituki catchment</li> </ul>	Catchment model for TANK catchments developed	Complete 'nutrient loss from land' modelling component for TANK process	<b>Partially Achieved</b> Modelling complete but still awaiting final report from consultant. This issue is constantly under review with communications with consultant.
Regional soil map	Complete soil mapping of the TANK catchment area	Complete TANK soil mapping by 31 October 2016	<b>Achieved</b> Soil mapping of the TANK catchment was completed on time, within budget.
		Continue with current soil mapping study of Hawke's Bay hill country soils using SMap methodology and summarise activities and findings in a report by 30 June 2018	<b>Achieved</b> Soil mapping of hill country soils is on track to meet requirements for publication of a findings report by 30 June 2018.

Level of Service Statement			
Hawke's Bay's land and soil resources are maintained for future generations			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
<ul style="list-style-type: none"> <li>Area of highly erodible hill country protected</li> <li>Length of riparian margin enhanced</li> <li>Number of significant wetlands protected</li> </ul>	Maintain poplar and willow planting soil conservation programme	Participate in the Poplar and Willow Trust and NZ Dryland Forests Initiative to provide other options for hill country erosion control	<b>Achieved</b> Staff have been working closely with the NZ Dryland Forests Project manager Paul Millen who has been in regular contact over the last 12 months, both in consideration of our own project locally and also to further promote the work of the initiative throughout the region. On-going work continues with the Willow and Poplar trust where staff were recently involved with the trust in producing short information videos explaining soil conservation planting and practice.

## Regional Resources Group of Activities

Level of Service Statement			
Hawke's Bay's land and soil resources are maintained for future generations			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
	Promote riparian planting as part of regulatory stock exclusion requirements	Continue to encourage through subsidy, education, recording and reporting the kilometres of riparian planting achieved	<b>Achieved</b> Significant emphasis has been put into the promotion of the benefits to riparian planting as an additional outcome to stock exclusion. 30 Riparian projects funded through the RLS this year protecting 12 km (20ha) of riparian margin with the planting of 13,000 plants. The Riparian Planting Program distributed an additional 12,000 plants to landholders (70% in Tuketuki) for planting riparian margins.
	Identify and promote the protection and or Enhancement of wetlands that achieve multiple benefits in the landscape	Continue to encourage through subsidy, education, recording and reporting the area of wetlands protected	<b>Achieved</b> The final result for the 2016-17 financial year was not as high as anticipated but still met the team's expectations. We funded 10 wetland projects protecting approximately 20ha of wetland and planting 10,000 plants this year.
	Work with the forest industry in Hawke's Bay to mitigate the risks of upcoming forestry harvest	Align activities with the HB Forestry Group	<b>Achieved</b> Staff have continued to work closely with the HB Forestry Group and have played a major role in helping develop guidelines for the implementation of the NES for Plantation Forestry. Staff have also been working closely with local forestry industry groups through this work in identifying field sites and looking at industry processes and protocols
Wise investment to encourage erosion reduction and water quality enhancement through the Regional Landcare Scheme and targeted research	New Regional Landcare Scheme investment is approved only where there is alignment with the Land Management Operational Plan	Apply appropriate criteria when assessing RLS funding applications via selection process and annual criteria review	<b>Achieved</b> Staff have assessed this seasons RLS projects and used the criteria that were reviewed and refined from the last financial years Operational Plan. A review of the soil conservation nursery and riparian planting program has been completed and will be incorporated into the next seasons RLS project selection criteria

### Financial Variances Explained

There were no significant variances from budgets in the activity.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
State of the Environment monitoring programme for: <ul style="list-style-type: none"> <li>Air quality</li> <li>Climate</li> </ul>	Monitoring undertaken in accordance with the Regional Air Quality Monitoring Strategy	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)}	<b>Achieved</b> Performance targets were met in the three airsheds. A faulty detector at Awatoto resulted in less valid data than usual but still within targets.
		Source apportionment monitoring in the region's airsheds as needed to identify pollution sources	<b>Achieved</b> Target met. Continuous PM10 monitoring carried on as usual. Source apportionment monitoring at Awatoto and road surveillance monitoring were both undertaken as expected.
	Report on breaches of the National Environmental Standards in accordance with the standard	In accordance of regulation 16 of the NESAQ, publicly report any exceedances of the PM10 standards within the region, as required and within 5 working days of the end of the month in which they occur.	<b>Achieved</b> Targets met. All exceedances of the NES were publicly notified.

## 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	Performance Targets	Required Action	Progress Report (to 30 June 2017)
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, to ensure a high level of understanding of Council's air quality management requirements and Heat Smart financial incentive package.	<b>Achieved</b> The heatsmart team maintain a communication strategy which is reviewed annually. The programme has been running successfully since 2009 providing 2624 insulation loans, 3153 clean heat loans and 6470 clean heat grants to a total of 12,247 ratepayers; and at year end 2016-17 has provided assistance to 1456 people, 300 insulation loans, 352 clean heat loans and 804 clean heat grants.

Level of Service Statement			
Hawke's Bay's air is suitable to breathe			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Compliance with National Environmental Standard (NES) for Air Quality	- 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	Report against NES for Air Quality annually	<b>Achieved</b> Target met. In the 2016-17 financial year there were 3 exceedances in the Hastings airshed, one in Awatoto (an exceptional event application has been submitted) and zero in Napier.

### Financial Variances Explained

There were no significant variances from budgets in the activity.

## Regional Resources Group of Activities

### Activity 3 – Water Management

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
State of the Environment monitoring programme for: - Climate - River flows - Groundwater levels - Surface water quality and ecology (freshwater and coastal) - Groundwater water quality	Establish 1 climate station a year in response to identified requirement	Establish 1 climate station a year in response to identified requirement	<b>Achieved</b> The last Climate Station was installed in 2015-16 so this project is complete.
	Monitoring undertaken in accordance with national monitoring and reporting requirements where appropriate	Annual Monitoring Performance Reports	<b>Achieved</b> Monitoring was undertaken in accordance with national monitoring and reporting requirements where appropriate
		Achieve Quality Management System targets	<b>Achieved</b> Targets are monitored and the QMS is on track for further certification in November 2017
		Maintain International Organisation for Standardisation (ISO) 9001-2008 accreditation for data collection and analysis	<b>Achieved</b> Targets are monitored and the QMS is on track for further ISO certification in November 2017
		Timely completion of data quality assurance and provision of data to the Land and Water Aotearoa (LAWA) website	<b>Achieved</b> All required reporting has been achieved on schedule as requested, to the standard required.
	Monitor surface water quality on a monthly basis across regional SoE monitoring sites	Complete SOE monitoring and reporting in compliance with statutory requirements and Council's agreed approach	<b>Achieved</b> SOE monitoring proceeds as planned. There are 81 SOE river and estuarine sites, with 14 extra Tukituki sites for PC6 compliance reporting.
	Upgrade rainfall sites as required to maintain level of service	Upgrade rainfall sites as required to maintain level of service	<b>Achieved</b> Sites upgraded as required. Kaiapo, Kopanga, Ohutu, Haumoana, Farndon, Waimarama all upgraded.

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
	Evaluate and upgrade groundwater/surface water monitoring networks as necessary	Complete an annual internal audit of eight hydrology and climate monitoring sites, cross referencing to HAMS database. These audits will include site maintenance, condition and identification of system upgrades that may be required.	<b>Achieved</b> Sites were upgraded as necessary. Tutaekuri at Waimate site had a new gauging structure installed. Maraetotara at Waimarama Rd site was totally upgraded and extra sensors installed. Railway Bridge had backup sensors installed. Ruakituri had new permanent staff gauge installed.
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	Groundwater Abstraction and Allocation report prepared for Heretaunga Plains	Report on the allocation and abstraction scenario modelling	<b>Achieved</b> Information and final Heretaunga modelling report will be provided to the TANK stakeholder group and Regional Planning Committee.
		Commence reporting groundwater allocation and abstraction for the Heretaunga Plains	<b>Achieved</b> Information and final Heretaunga modelling report will be provided to the TANK stakeholder group and Regional Planning Committee.
	Coupled surface-groundwater model built and running scenarios for Heretaunga Plains	Run scenarios for the Heretaunga surface and groundwater model	<b>Partially Achieved</b> Scenarios continue to be modelled and presented for demonstration to TANK Group meetings. Further scenarios will be modelled according to direction from TANK Group. Groundwater transport modelling proved to be onerously complex and an alternative approach is being developed
	Investigate and plan a programme of work to investigate the deeper parts of the Heretaunga Aquifer	Investigate the location, target depths and costs of drilling and then maintaining 10 deep observation wells across the Heretaunga Aquifer. Prepare details of this programme for consultation for the 2018-28 Long Term Plan.	<b>Achieved</b> This programme will be delivered as a business case to the 2018-2028 LTP planning process

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
	Environmental flow, and Allocation Reports for the Karamu Stream, Tutaekuri River, Ngaruroro River and inflows to the Ahuriri Estuary	Report on Instream Flow Incremental Methodology (IFIM) surveys – Spatial Oxygen flow models for key surface waters in the greater Heretaunga catchments	<b>Achieved</b> Report on flow requirements to support oxygen is completed and presented to councillors (RPC). Allocation reporting will be part of TANK technical reports anticipated end of 2017
		Commence reporting on environmental flow, and allocation for key surface waters in the greater Heretaunga catchments	<b>Achieved</b> Spatial oxygen modelling report is completed. A draft report on Heretaunga springs is being reviewed. SOURCE modelling of surface water flows and effects of management scenarios is calibrated and predictive scenarios will be run in FY 2017-18. Reporting is anticipated end of 2017
	Update coupled surface-groundwater model built for Ruataniwha Basin/Tukituki.	Progress development of geologic model for Ruataniwha Basin	<b>Achieved</b> Leapfrog modelling continues, and a workshop with the software developer has been valuable for progressing the model. Completion is expected end of 2017.
	Undertake Catchment Sensitivity Analysis	Evaluate sensitivity of groundwater levels and springfed streams to groundwater allocation scenarios	<b>Achieved</b> Scenario modelling is progressing well and results continue to be presented at TANK Group meetings. The model is being used to identify mitigation options for stream depletion effects from groundwater takes. Augmentation from groundwater to lowland streams is currently being explored.

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Knowledge available to inform review of water quality objectives and setting of water quality limits	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	Review and update existing plan Water Quality guidelines	<b>Achieved</b> Water quality guidelines in constant review as and when required. e.g. adoption of new macrophyte assessment protocols, development and adoption of sediment protocols, national objectives framework accommodation, HBRC members represented on EMAR subgroups (habitat, sediment, fish) as well as EMAR Rivers.
		Continue a work programme to assist with the assessment of in-stream ecological values and standards.	<b>Achieved</b> Water quality monitoring continues at sites in the TANK and Mohaka catchments. Assessment of periphyton growth, faecal contamination, macroinvertebrate community index and habitat quality is ongoing, along with standard physicochemical parameters of the water. Monitoring plan for 'ecosystem health' has been designed and will be implemented summer of 17-18.
		Align water quality limits setting process with NPSFW (2014) requirements	<b>Achieved</b> The National Objectives Framework is accommodated by monitoring programmes and reported to community, stakeholders and policy. SOE reporting includes an NPSFM reporting framework. Results have been communicated (written and verbal) to Mohaka and TANK plan change stakeholder groups.
		Provide appropriate information on catchment surface water quality and ecology to inform consultation processes	<b>Achieved</b> Technical information has been collated and presented as required to various council and stakeholder meetings, e.g. for Mohaka and TANK plan change processes and Tukituki implementation.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	<b>Achieved</b> Sampling for Porangahau/Maharakeke has been completed and results have been reported. Intensive sampling has commenced in the Kahahakuri and will proceed through 2017.
		Analyse and report on catchment characterisation programs in a manner that is satisfactory to the Council and priority catchment stakeholders	<b>Achieved</b> Results for Papanui and Porangahau/Maharakeke subcatchments reported on internally and to catchment stakeholder groups.

Level of Service Statement			
HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Number of active water user groups Implementation of water efficiency tools by Water User Groups	Continue to establish and facilitate Water User Groups on a catchment priority basis	Establish and facilitate Water User Groups	<b>Achieved</b> Subject to the outcome of the RWSS and Tukituki plan change a lower Tukituki water user group may be required. If RWSS does not go ahead it will be necessary to coordinate this group. Continuing to work with water user groups as needed. Twyford is maintaining bi-monthly meetings. Other water user groups meet periodically and request assistance from HBRC as required.
	In conjunction with Water User Groups, investigate and apply for research grants relating to water use and resource allocation efficiency	Investigate and apply for water efficiency and allocation research grants	<b>Achieved</b> No funding has been required

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
	Continue to transfer latest water efficiency and allocation information to Water User Groups	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	<b>Achieved</b> Communication between HBRC groups is being maintained as necessary. Irrigation efficiency survey planned for November 2017.
		Ensure regular Water User Group meetings are held to transfer knowledge	<b>Achieved</b> Continuing to work with water user groups as needed. Twyford is maintaining bi-monthly meetings. Other water user groups meet periodically and request assistance from HBRC as required
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	<b>Achieved</b> As at 1 July 2017 there were 1957 consents requiring water meters. 1773 are reporting by web or telemetry (81.75%.as compared with the target of 80%). Adding in the sites that are tamper tagged (as we did previously) we have achieved 90.59%
		Establish and maintain web entry and telemetry systems that encourage consent holders to accurately report their water use	<b>Achieved</b> As at 13 July 2017 there were 1957 consents requiring water meters. 1773 are reporting by web or telemetry (81.75%.as compared with the target of 80%). If we add in the sites that are tamper tagged (as we did previously) we have 90.59%; 5 meters awaiting install and 19 awaiting telemetry install
		Carry out communication with the Hawke's Bay irrigators to ensure a high level of understanding of water metering requirements	<b>Achieved</b> As at 13 July 2017 there were 1957 consents requiring water meters. 1773 are reporting by web or telemetry (81.75%.as compared with the target of 80%). If we add in the sites that are tamper tagged (as we did previously) we have 90.59%; 5 meters awaiting install and 19 awaiting telemetry install

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
		Continue rollout of verification programme of water meters in accordance with government regulations	<b>Achieved</b> As at 1 July 2017 there were 1957 consents requiring water meters. 1773 are reporting by web or telemetry (81.75% as compared with the target of 80%). Adding in the sites that are tamper tagged (as we did previously) we have 90.59%

Level of Service Statement			
Hawke's Bay's water resource is available for future generations			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	Undertake expanded monitoring and reporting required for Tukituki Plan Change Implementation and TANK and Mohaka Plan Change processes	<b>Achieved</b> New sites added to Tukituki monitoring to accommodate Plan Change 6 requirements, and new sites in TANK to inform plan change process.
		Integrate NPS-FM ideology (attribute bands) with RRMP limits during Mohaka and TANK Plan Changes	<b>Achieved</b> Reporting against NOF bands has been undertaken for all monitored sites, including in TANK and Mohaka catchments for plan change discussions.
		Explore options for defining freshwater management units in Hawkes Bay and assess whether existing monitoring networks are suitable for assessing compliance with NOF attributes under the NPS-FM	<b>Achieved</b> Discussion has been undertaken with policy (one FMU monitoring site for each of the main catchment). At present, we plan for 9 monitoring sites to cover 9 FMUs, which will utilise existing SOE sites.
		Assess current performance of existing monitoring sites against NPS-FM attributes, as and where appropriate	<b>Achieved</b> Monitoring sites have been assessed against NOF bands as part of annual SOE reporting (up to end of 2016).
		Consider adding extra monitoring sites if required for NPS-FM reporting	<b>Achieved</b> No extra sites deemed necessary for NPS-FM reporting as of yet - but new sites have been added to the Tukituki to assist with PC6 compliance and evaluation monitoring.

## Regional Resources Group of Activities

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### *Financial Variances Explained*

Overspend in the Water Management activity were primarily the result of additional staff time invested into the TANK Plan Change and Tukituki implementation as well as significant resource directed towards the Havelock North Water Contamination Investigation with increased monitoring of the bore network.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Recreational water quality monitoring programme and website management	Weekly monitoring of key recreational sites as per recreational water quality monitoring plan from early November to mid-March annually	Recreational water quality monitoring of 36 contact recreation and 5 shellfish gathering sites undertaken in accordance with monitoring plan and national guidelines	<b>Achieved</b> Monitoring completed in March 2017 for the 2016-17 season. Sites monitored in accordance with protocols and within budget.
	Recreational water information available on website and social network site within 2 days of results being available	Upload recreational water quality data within 2 days of it being received from the laboratory	<b>Achieved</b> Live feeds into the LAWA portal were successful, with all data being delivered on time.
	Identification of pollution sources for sites that regularly exceed guidelines	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	<b>Achieved</b> Faecal source tracking undertaken for Lake Tutira, results unclear as interaction effect with algal blooms.
	Reporting to Land and Water Aotearoa (LAWA) during bathing season	Annual reporting on recreational water quality collected during the preceding season	<b>Achieved</b> All reporting to the LAWA portal successful.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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 Coastal Strategy for the coast between Cape Kidnappers and Tangoio in conjunction with Napier City and Hastings District councils and Tangata Whenua through the Joint Committee	<b>Achieved</b> Community panels have had several meetings so far. Progress has been good, with options identified in each cell (north/south). Options are taking the pathways approach, where there may be some hard/soft engineering approach for next 10-20 years, then switch to managed retreat option. Options have been scored and costed. Good overall progress, and good public interaction. Project still on target for completion in December.
	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.	Continue to work with Napier City Council and Hastings District Council to identify and consult on future options for the management of the coast.	<b>Achieved</b> Napier City and Hastings District councils are involved in development of the Clifton to Tangoio Coastal Strategy as members of the Joint Committee.
	Annual monitoring and investigation programme completed and reported each year	Report on the annual coastal monitoring and investigation programme, including beach profiles, changes and trends.	<b>Achieved</b> Coastal monitoring report completed and published.

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	Report on regional ecology and water quality as and when necessary.	<b>Achieved</b> Monitoring undertaken at sandy beach, intertidal reef and estuary locations in line with project plans.
		Continue 6 weekly monitoring of nearshore coastal water quality, and monthly monitoring of selected estuarine water quality.	<b>Achieved</b> Nearshore coastal water quality conducted 6-weekly, and monthly monitoring of estuaries undertaken. Monthly water quality also undertaken at investigation sites within the TANK catchments (Waitangi and Ahuriri).
		Develop a work programme to assess the effects of stormwater on coastal ecosystems	<b>Achieved</b> Support provided to the policy development during the TANK plan change and to the Thames/Tyne Stormwater Working Group.
		Complete State of the Environment monitoring and reporting in compliance with statutory requirements and Council's agreed approach, including quarterly monitoring of 3 reef systems, and annual monitoring of 4 regional estuaries and 3 sandy beach systems.	<b>Achieved</b> Monitoring undertaken at reefs and estuaries in line with project plans. Sandy beach ecology was undertaken at one beach (Porangahau) rather than 3 given the length of this beach.
	Comprehensive State of the Environment reports	Continue State of the Environment Monitoring of regional beaches, intertidal reefs and estuaries in line with the HBRC Coastal Monitoring Strategy (2006).	<b>Achieved</b> On time, on target.

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Undertake specific investigation and/or research, and report on these outcomes where appropriate	Targeted investigations into coastal receiving environments receiving stormwater discharges as and when required	Continue to gather information on stormwater effects throughout the region.	<b>Achieved</b> Support provided to TANK plan change stormwater working group, and to the Thames/Tyne Stormwater Working Group.
		Continue to work with stakeholders to develop an understanding of land-based effects on Hawke Bay marine habitats and fisheries.	<b>Achieved</b> Meetings undertaken and stage one roadmap near completion.
		Determine sediment loads at terminal stream reaches to quantify sediment loads into Hawke Bay using SedNet.	<b>Achieved</b> SedNet loading calculations undertaken for Ahuriri, Tutaekuri, Ngaruroro and Karamu catchments.
	Maximum extent and seasonal movement of saline transition zones in priority estuaries will continue to be investigated (weather dependent)	Describe the seasonal movement of the saline wedge at a variety of HB rivers/estuaries.	<b>Achieved</b> Loggers will be installed in the Upper Ahuriri to determine the efficacy of tube worm removal in increasing hydraulic connectivity.
	Mapping of key sub-tidal habitat throughout Hawke's Bay	Develop methodology for mapping sub-tidal habitats	<b>Achieved</b> Method for assessing subtidal habitats developed and has been undertaken at several sites to date.

### **Financial Variances Explained**

There has been significant spending for the development of the Coastal Strategy this was partially 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	<b>Achieved</b> Gravel monitoring and extraction completed for the year. Problems remain with some of the southern rivers with low demand.
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	<b>Achieved</b> Riverbed surveys on-going in accordance with survey programme.
No incidences of erosion or flooding as a result of undesirable gravel levels	Solution to current issues on Ruataniwha Plains rivers to be found	As part of investigation and research work recommended in riverbed gravel scoping study 2010 progress the investigation of options for increased sustainable gravel extraction for rivers crossing Ruataniwha Plains.	<b>Achieved</b> Work is proceeding on this, with a number of options being considered at present. Discussions have been held with the larger gravel extractors to get their ideas/support for proposals. The proposed Gravel Management Plan and resource consent regime will give greater scope to enable initiatives to be tried.
	No incidences of erosion	Monitor and record incidences of erosion	<b>Achieved</b> No incidences recorded or reported

Level of Service Statement			
River-bed gravel is equitably allocated to gravel extractors			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
The gravel allocation process complies with the Regional Resource Management Plan	No compliance issues with gravel extraction	Undertake annual gravel allocation process as proposed in the Regional Resource Management Plan by 30 June 2017	<b>Achieved</b> Gravel allocation process completed on time

## 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	Performance Targets	Required Action	Progress Report (to 30 June 2017)
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 Environmental Code of Practice	<b>Achieved</b> Care has continued to be practiced in terms of the EMEP and COP for river management activities.

Level of Service Statement			
Knowledge necessary for sustainable management of riverbed gravel is improved			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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.	<b>Achieved</b> Annual work programme has been completed ahead of time. The Gravel Management Plan and Code of Practice have been completed and gone out for consultation. Global Resource Consenting has proceeded in order to get the process underway as soon as possible.
		Continue to review knowledge needs and seek to fill any knowledge gaps 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	<b>Achieved</b> A long term research programme is proposed as part of the global consent and Gravel Management Plan. HBRC has joined s study project with Queen Mary University of London to help develop a geospatial toolkit for enhancing river management.

### Financial Variances Explained

Total costs for Gravel Management project are over budget due the gravel management review being completed a year ahead of time along with the Gravel Management Plan and the Environmental Code of Practice however it is expected these costs will be recovered from gravel fees paid in the 2017-18 financial year.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	Work towards realisation of the Regional Park Network Plan	Complete Individual Park Plan for Tutira Regional Park	<b>Partially Achieved</b> Individual park plan completion delayed due to higher priorities such as Freshwater Improvement Fund Project. Action plan for Tutira catchment developed. Drafting of the Tutira individual park plan is being carried forward into 1718 year. Priority is to complete post pine forest harvest replanting plan which forms part of the individual park plan for Tutira. This is in progress presently.
	<ul style="list-style-type: none"> <li>- Work towards achieving objectives specified in IPPs</li> <li>- Deliver levels of service established in IPPs</li> <li>Secure funding for development of regional park assets</li> </ul>	Implement Individual Park Plans (IPPs) for Waitangi Regional Park	<b>Achieved</b> Tutira Regional Park work programme implemented and delivering level of service requirements. Specific works relate to: Plant pest control, Predator control; Plantings maintenance; Community engagement; Event management; Waitangi estuary enhancement project management; Enforcing no vehicles on East Clive beach; Monthly park inspections; Installation of park signage and Designing Waitangi horseshoe wetland extension Pakowhai IPP work programme implemented and delivering level of service requirements. Specific works include: rubbish bin servicing and dog waste management; Predator control; Plantings maintenance; Community engagement (paws in Pakowhai event); Dog agility equipment installation; Monthly park inspections and Installation of park gateway signage Pekapeka IPP work programme implemented and delivering level of service requirements. Specific works include: Interpretation site maintenance; Inlet, outlet and weir maintenance; Supporting recreational and educational use of the wetland; Supporting community restoration and enhancement initiatives; Completing aerial and ground based plant pest control programmes; Enhancement of the western wetland; Monthly park inspections; Ecological monitoring; Animal pest control and Drafting of the "History of Pekapeka"

## Regional Resources Group of Activities

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	Performance Target	Required Action	Progress Report (to 30 June 2017)
		Develop Regional Park assets in accordance with adopted IPPs as funding allows	<p><b>Achieved</b></p> <p>Regional park assets are being developed in accordance with adopted park plans as funding permits.</p> <p>Tutira Regional Park maintenance programme completed, focussed on level of service requirements including: Plantings maintenance; Predator control; Plant pest control; Road and track maintenance; Community relationship management; Event management; Campground water supply maintenance and management; Rubbish management; Health and safety auditing; caretaker auditing; Park inspections and Minimal park development</p> <p>Focus has been on the Waitangi Estuary Enhancement in 2016-17.</p>
		Continue to consider opportunities in Central Hawke’s Bay and Wairoa for Open Spaces development	<p><b>Achieved</b></p> <p>Opportunities being considered for CHB and Wairoa include: public use of river berm planning to be applied to the Tukituki river berm area adjacent to Waipukurau; Wairoa River right bank enhancement; Opoutama wetland enhancement; Mokotahi enhancement support to QEII for construction of pathway and viewing platform; HBLASS programme ideas being developed for shared service provision in open spaces</p>
		Continue to work with Hastings District Council on further development of the Pakowhai Regional Park as a new Park called Hawea Park as part of the development of the Whakatu Arterial Link Road	<p><b>Achieved</b></p> <p>In progress and ongoing. Most effort being invested in managing relationships presently.</p>
		Continue to look for funding opportunities for capital development projects within the Regional Park Network	<p><b>Achieved</b></p> <p>No new funding opportunities identified</p>

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	Develop a plan for all pathways maintained by HBRC setting out Strategic vision and development objectives, and HBRC Pathways maintenance and development standards	<b>Achieved</b> Maintenance and development standards have been developed.
	Coordinated approach by all agencies to pathway maintenance and development	Provide administrative services to the Regional Cycle Governance Group	<b>Achieved</b> The Regional Cycle Governance Group is coordinated and administered through HBRC, with regular quarterly meetings. A coordinator has been employed to ensure a regionally consistent approach to cycling.
	HBRC Pathways maintained and developed to levels of service in accordance with New Zealand Cycle Trails Inc. guidance and consistent with pathways throughout HB	Maintain pathways to provide ongoing levels of service agreed by the Cycle Governance Group and in accordance with the Pathways Maintenance contract	<b>Achieved</b> Maintenance schedule delivered on budget
	Funding secured for maintenance and development of HBRC Pathways asset	Included in annual plan budget	<b>Achieved</b> HBRC has committed sufficient funding to maintain pathways, however there is no funding budgeted to initiate new Pathways projects

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	Consider further development opportunities as part of existing individual regional park reviews	<b>Achieved</b> Ongoing
		Provide assistance to the Te Mata Park Trust where resource allows to support the delivery of both operational and capital development programmes	<b>Achieved</b> Operational assistance and support being provided. Provision of caretaking services and operational expertise. Specialist caretaker has been recruited via the Works Group, working 3 days a week on Te Mata Park. Support and advice being provided for capital projects where appropriate.
	Action any opportunities approved by Council	Establish levels of service and Management Plans for all proposed additional open space facilities	<b>Achieved</b> Waipatiki Holiday Park purchased by HBRC, NCC and HDC. Ownership has been transferred to the HBRC 27 March. Obligations under the HBRC / HDC agreement are currently being revisited. Buildings assessment being completed to understand extent of works required to bring structures up to an acceptable standard in terms of building code compliance and health and safety requirements. Work is ongoing.

## Regional Resources Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
	Investigate open space development opportunities with the region's territorial authorities that align with visitor facilities and attractions and meet policy and evaluation criteria	Liaise with Hastings District Council and Napier City Council to establish levels of service and Management plans for the jointly-owned Waipatiki Holiday Park	<b>Achieved</b> Waipatiki Holiday Park purchased by HBRC, NCC and HDC. Ownership has been transferred to the HBRC 27 March. Obligations under the HBRC / HDC agreement are currently being revisited. Buildings assessment being completed to understand extent of works required to bring structures up to an acceptable standard in terms of building code compliance and health and safety requirements. Work is ongoing.

### ***Financial Variances Explained***

There were no significant variances from budgets in the activity.

## 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.

	Activity (#)	Actual 16/17 (\$'000)	Budget 16/17 (\$'000)	Actual 15/16 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
	1	1,408	1,755	1,408
	2	2,956	1,198	1,223
	3	362	425	363
	4	27	83	89
		<b>4,753</b>	<b>3,461</b>	<b>3,083</b>
<b>TOTAL EXPENDITURE</b>				
		<b>4,753</b>	<b>3,461</b>	<b>3,083</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
		966	1,608	1,144
		<b>966</b>	<b>1,608</b>	<b>1,144</b>
<b>TOTAL REVENUE</b>				
		<b>966</b>	<b>1,608</b>	<b>1,144</b>
<b>TOTAL FUNDING REQUIREMENT</b>				
		<b>(3,787)</b>	<b>(1,853)</b>	<b>(1,939)</b>
<b>TOTAL GENERAL FUNDING REQUIREMENT</b>				
		<b>(3,787)</b>	<b>(1,853)</b>	<b>(1,939)</b>
<b>Special Reserve Funding</b>				
		989	-	-
		<b>989</b>	<b>-</b>	<b>-</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>				
		<b>(2,798)</b>	<b>-</b>	<b>-</b>
<b>MET BY</b>				
		1,847	1,695	1,808
		2,178	1,488	129
		(1,227)	(1,330)	2
		<b>2,798</b>	<b>1,853</b>	<b>1,939</b>

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	Maintain up-to-date application forms and information packs	<b>Achieved</b>
	Electronic application and submission forms, application and submission guides are available through HBRC's website	Maintain and improve on-line forms and information.	<b>Achieved</b> Done and ongoing improvements

Level of Service Statement			
HBRC will process resource consent applications in a timely manner			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
100% of resource consents processed within statutory timeframes set down in the Resource Management Act 1991	100% of resource consents processed within statutory timeframes	Continue to track and report on Resource Management Act timeframes	<b>Achieved</b> Ongoing
		Ensure professional competency of staff to provide regulatory services	<b>Achieved</b> Ongoing
		High performance ratings achieved in the Ministry for the Environment Survey on Resource Management Act performance of Local Authorities	<b>Achieved</b> Achieved to date. Ongoing
		Maintain clear communication with resource consent holders and applicants over timelines, information requirements and consent processing	<b>Achieved</b> Achieved to date and ongoing
		Maintain an accurate database of all resource consents and ensure that the database enables the effective management of consent processing performance.	<b>Achieved</b> Achieved to date. Now committed to Integrated Regional Information System (IRIS) as a replacement to DAISY. To be operative April 2018

## Regulation Group of Activities

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Level of Service Statement			
HBRC will process resource consent applications in a timely manner			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
		Review Council's consent processing methods and practices and implement improvements as required. Continue to review standard conditions and standard consent document templates.	<b>Achieved</b> Ongoing

### *Financial Variances Explained*

The Resource Consent Processing budgets were underspent as a result of staff vacancy and reduction in applications lodged. The drop in chargeable time also reduces the ability to recover costs from direct charging. There were also five significant legal objections and appeals during the year which exceeded the budget by \$150,000.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)	
Number of consents monitoring in accordance with the adopted Compliance Monitoring Strategy	90% of programmed inspections/reports completed each year	Schedule all established monitoring Annual Work programmes to measure compliance with consents, recording and reporting the number of monitoring inspections undertaken, aiming to complete 90% of scheduled inspections/reports	<b>Not Achieved</b> 81.5% of scheduled work was completed. The Havelock North water contamination incident severely impacted on staff time, resulting in monitoring inspections not being carried out. Subsequent to that, ongoing inquiries into bore security and contamination of drinking water bores continued to take staff away from monitoring activities.	
	95% of monitored consents achieve an overall grading of full compliance	Record and report percentage of monitoring inspections resulting in overall grade of full compliance	<b>Achieved</b> 99% of monitored consents achieved an overall grading of full compliance.	
	All monitored consents that receive an overall grading of non compliance or significant non compliance, either achieve a compliance grade within 6 months, face enforcement action, or in cases that relate to a one off technical non compliance, that breach is not repeated within the following year.	Maintain an up-to-date Compliance Monitoring Strategy which reflects the level of risk to the environment		<b>Achieved</b>
		Appropriate follow-up and/or enforcement action undertaken, recorded and reported for consents receiving an overall grading of non compliance or significant non compliance.		<b>Achieved</b>
		Report percentage of monitored consents with improved Compliant grade achieved within 6 months.	<b>Achieved</b>	

## Regulation Group of Activities

Level of Service Statement			
HBRC will provide a 24 hr/7 day a week pollution response service for reporting environmental problems			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Duty Management/Pollution Management response system	24 hour duty management/pollution management response system maintained	Appropriate appointments of staff to operate duty management and pollution management response systems	Achieved
		Maintain an accurate and up-to-date record of action taken on the Council's database	Achieved

### *Financial Variances Explained*

The Compliance Monitoring team had an extremely busy year as a result of the Havelock North Water Contamination Investigation, Inquiry and subsequent follow up action relating to regional bore security and contamination in monitoring bores. All of the costs for this were captured under compliance monitoring which explains the majority of the over spend. Council resolved that all external costs were to be funded through the use of the Disaster Damage Reserve which equated for about \$1 million of the costs. Internal staff costs were not covered by the reserve and were offset from underspending in other areas of Council.

To help deal with the large workload two additional compliance officers were employed during the year with the intention of spending more time on the backlog of chargeable compliance work but most of their time was also spent in environmental incident response. Apart from the Havelock North Water Inquiry there was a 23% increase in the number of other incidents reported and investigated which resulted in additional expenditure, all of which takes away from time spent on chargeable compliance.

## Regulation Group of Activities

### Activity 3 – Maritime Safety and Navigation

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
The Navigation Safety Bylaws and Port and Harbour Safety Management System	Bylaws to be reviewed in 2016	Undertake Special Consultative Process to update HBRC Navigation Safety Bylaws	<b>Achieved</b> Final Bylaw draft is complete and has been prepared for submission to council in September.
		Hawke's Bay Regional Council provides an appropriately qualified and experienced Harbourmaster (HM) to provide statutory harbourmaster functions in accordance with the Port and Harbour Marine Safety Code and Guidelines	<b>Achieved</b> HM and part time deputy in position
		Review human resources required to effectively carry out the Harbourmaster role	<b>Achieved</b> HM is a full time position backed up by a part time casual Deputy HM. The situation may need to be reviewed when the present Deputy HM retires.
		Review resources required to enable effective enforcement of bylaws	<b>Achieved</b> Honorary Boating Advisors are in place around the region and active. There is an on-going campaign for more eyes and ears around some of the hot spots. (i.e, Clive River, Hardinge Road, Mahia and Porongahau)
	Maintain a Maritime New Zealand accredited Safety Management System for the Napier Pilotage Area	Maintain the Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area including the Napier Inner Harbour, and monitor and enforce Navigation and Safety Bylaws	<b>Achieved</b> HBRC review of PHMSC completed Nov. 2016. Regular Meetings with PONL Marine Manager and NCC Inner Harbour Manager are scheduled to compare notes. PHMSC submitted to MNZ Audit by them due 9th August 2017.
Marine accidents and incidents are investigated and acted upon		Record and report all accident and incident investigations, including actions resulting	<b>Achieved</b> Ongoing

## Regulation Group of Activities

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<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
	using education and enforcement as appropriate	Engage with commercial and recreational users to improve relationships	<b>Achieved</b> Ongoing. Relationships are good and getting better.
	Complete installation of navigation aids at Pourerere	install navigation aids as required at Pourerere	<b>Achieved</b> Done

### ***Financial Variances Explained***

Variances in the Maritime Safety and Navigation budgets were under spent mainly due to staff time being diverted to other compliance projects and reduction of external costs. External grant income was also obtained for the educational programmes.

## Regulation Group of Activities

### Activity 4 – Building Act Implementation

Level of Service Statement			
Process Building Act consent applications within timeframes			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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 with Waikato Regional Council to process dam consents on behalf of HBRC Review Council's preparedness for Building Act implementation	<b>Achieved</b> Contact with Waikato RC is being maintained.
		Review Council's preparedness for Building Act implementation	<b>Achieved</b> Awaiting changes from Central Government on any BA changes. Maintaining contact with Waikato RC on this matter.

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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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 through RMA amendments - date to be advised	Regulation requirements will be part of Central Government's RMA amendments, with No timetable still to be advised.	<b>Achieved</b> Dam Safety Regulations have yet to be finalised by Central Government; contact with the working group set up to progress this is being maintained.
		Maintain staff levels and increase their knowledge of Building Act requirements	<b>Achieved</b> Staff levels and knowledge of the Building Act are on hold while Central Government review the Dam Safety Scheme and Building Act.

## Regulation Group of Activities

Level of Service Statement			
HBRC will investigate illegally built dams and will ensure that they are removed or made compliant			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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 for dams	<b>Achieved</b> Staff levels and knowledge of the Building Act are on hold while Central Government review the Dam Safety Scheme and Building Act
		Record and report investigations into illegally built dams, including results of those investigations	<b>Achieved</b> No illegally built dams have been noted during this period

### *Financial Variances Explained*

Variances in the Building Act Implementation budgets were under spent due to staff time being diverted to other compliance projects.

## 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 16/17 (\$'000)	Budget 16/17 (\$'000)	Actual 15/16 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
	1	2,218	1,829	2,180
	2	-	-	65
	3	790	772	764
	4	-	-	1
	5	94	89	37
		<b>3,102</b>	<b>2,690</b>	<b>3,047</b>
<b>TOTAL EXPENDITURE</b>				
		<b>3,102</b>	<b>2,690</b>	<b>3,047</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
		29	-	159
		<b>29</b>	<b>-</b>	<b>159</b>
<b>Other Revenue</b>				
		1,681	1,679	1,644
		292	25	68
		3	6	8
		<b>1,976</b>	<b>1,710</b>	<b>1,720</b>
<b>TOTAL REVENUE</b>				
		<b>2,005</b>	<b>1,710</b>	<b>1,879</b>
<b>TOTAL FUNDING REQUIREMENT</b>				
		<b>(1,097)</b>	<b>(980)</b>	<b>(1,168)</b>
<b>Special Reserve Funding</b>				
		73	(2)	180
		-	-	-
		<b>73</b>	<b>(2)</b>	<b>180</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>				
		<b>(1,024)</b>	<b>(982)</b>	<b>(988)</b>
<b>MET BY</b>				
		-	-	-
		797	789	976
		227	193	12
		<b>1,024</b>	<b>982</b>	<b>988</b>

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
Maintain a current Regional Pest Management Plan	Review the current Regional Pest Management Plan (RPMP) and complete new plan for period up to 2028, with a proposal to be notified by February 2018	Initiate stakeholder discussions for key RPMP initiatives such as wide scale predator control, feral cats, feral goat management and regional biosecurity coordination.	<b>Achieved</b> Discussion document has been made available with 98 submissions received.
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 and financially support new agent development where appropriate	<b>Achieved</b> The release of the Japanese honeysuckle Honshu white admiral butterfly will now happen next season after a Biocontrol release protocol is completed. \$25,000 budgeted for the Biocontrol Collective for next season.
		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	<b>Achieved</b> Fourteen research projects have been completed and four more are carried over to be completed early in the new financial year.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
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 TBFree programme: 2016-17: unable to predict 2017-18: unable to predict Rateable land in Possum Control Area (PCA) Programme: June 2016: 660,000ha June 2017: 680,000ha Of the PCAs monitored, less than 10% of the monitoring lines exceed 5% trap catch	Ensure areas under the PCA programme are maintained with low possum numbers by education, encouragement and where necessary, compliance	<b>Achieved</b> 150 properties where education monitored or 51,381 hectares during our 16/17 season with an average RTCI of 2.3%. Of this area monitored only two notices of directions have been issued. The post notice of direction monitors return 0.8%RTCI and 0.0%RTCI.
		Provide an effective region wide possum control product subsidy scheme so materials are readily available to occupiers undertaking their own control	<b>Achieved</b> The subsidy scheme continues to be very 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	<b>Achieved</b> Boundary control continues along boundaries of PCA areas where there is a risk of re-infestation to land users. Projects receiving boundary control are Smedely Station, Ruahine PCA and Erepeti PCA
		Prepare an annual trend and education monitoring programme before May 30 each year	<b>Achieved</b> Education monitoring has been 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. The animal pest team will prepare an annual education monitoring programme prior to 30 May for the 2017-18 financial year.
		Where enforcement action is required staff will issue "Notices of Direction" and encourage land occupiers to comply with that Notice	<b>Achieved</b> Two notices of direction have been issued over the 16-17 period.

## Biosecurity & Biodiversity Group of Activities

<b>Level of Service Statement</b>			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
		Review the management of PCA boundaries and the implementation of Good Neighbour rules under the National Policy Direction	<b>Achieved</b> 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 in discussions with the Gisborne District Council to put a similar agreement in place to assist ratepayers in the northern part of the region.
	Of the PCAs monitored, less than 10% of the monitoring lines exceed 5% trap catch	Undertake monitoring to confirm the compliance of no less than 10% of the area under the PCA programme in any one year	<b>Achieved</b> All monitoring over our 16-17 season was completed. 150 properties or 51,381 hectares was monitored during our 16-17 season which returned an average RTCI of 2.3%.
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 rook nest in all known rookeries within Hawke's Bay.	<b>Achieved</b> Aerial rook control has been carried out and completed in all known rookeries across the region with a total of 66 active nests aerial treated across the eradication zone north of SH5 and 212 across the control zone south of SH5.
		Ground control rooks where operational conditions permit	<b>Achieved</b> 26 rook enquires have been received and followed up with over the 16/17 period with a total of 1,044 birds poisoned as a result of these enquiries.
Response time to rabbit complaints/enquiries	An initial response is given within 5 working days of receipt of each rabbit related complaint/enquiry	Maintain regional rabbit night count and Rabbit Haemorrhagic Disease (RHD) monitoring programme	<b>Achieved</b> Rabbit night-counts and RHD blood sampling are being carried out between April and June 2017. Night counting data received from 23 regional night count lines indicates we have seen an increase in rabbits across the region from 3.85 rabbits counted per km in 2015 to 5.94 rabbits counted per km in 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
		Provide advice and education to occupiers where they wish to reduce rabbit or hare impacts on their property	<b>Achieved</b> A total of 49 rabbit enquiries have been received and responded to within 5 working days of receiving the initial call. Assistance and or advice was provided as appropriate.
		Record and respond to property owner complaints where rabbits are damaging neighbouring properties	<b>Achieved</b> There have been no property owner complaints of rabbits damaging neighbouring properties received.
		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.	<b>Achieved</b> There have been no properties identified with rabbit densities above Mclean scale 4 at present.
Responsiveness to properties identified with rabbit populations over McLean Scale 4	A management plan is prepared within 4 months for each property identified with rabbit numbers above McLean Scale 4	Prepare a management plan and undertake control within 4 months for each property identified with rabbit numbers above McLean Scale 4	<b>Achieved</b> There have been no properties identified with rabbit densities above Mclean scale 4, and therefore there are no rabbit management plans being prepared at present.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
Plant Pest Control Routine plant pest inspections of areas infested with plants controlled under HBRC Regional Pest Management Plan	<p>All known infestations of 'occupier responsibility' Total Control plant pest sites are visited annually</p> <p>All known 'service delivery' Total Control plant pest sites are visited annually and plants controlled</p> <p>All areas of high potential risk are visited annually and checked for possible new plant pest incursions</p> <p>The land around all known infestations of Total Control plants is inspected at least every 3 years</p> <p>All Privet sites identified through health related complaints controlled within 6 months of complaint</p>	Record and report on all 'occupier responsibility' Total Control plant pests	<p><b>Achieved</b></p> <p>Chilean needle grass Taskforce spraying completed on willing properties. Japanese honeysuckle control completed around Lake Tutira. Planned Pinus contorta operations completed in Rangitaiki and Napier/Taihape Rd area. Urban and rural Woolly nightshade properties visits completed. Planned Australian sedge control operations completed.</p>
		Undertake at least annual control on all 'service delivery' Total Control plant pests to prevent their seeding	<p><b>Achieved</b></p> <p>The second spray on Phragmites completed. Watchman Rd, Westminster Ave and Kel Tremain sites dug up and roots removed. Goats rue site visits completed. Privet complaint list almost clear although complaints still spasmodically coming in. Contractor still has approximately 35 properties to clear but has been held up after severe windstorm damage took priority.</p>
		Record all visits to total control plant sites	<p><b>Achieved</b></p> <p>All visits made recorded in computer programmes 'Budget Clover' and 'Clover'</p>
		Undertake monitoring to measure 'service delivery' Total Control plant pests	<p><b>Achieved</b></p> <p>The second spray on Phragmites completed. Watchman Rd, Westminster Ave and Kel Tremain sites dug up and roots removed. Goats rue site visits completed. Privet complaint list almost clear although complaints still spasmodically coming in. Contractor still has approximately 35 properties to clear but has been held up after severe windstorm damage took priority. Information gathered on numbers/extent of service delivery weeds and recorded.</p>

**Biosecurity & Biodiversity Group of Activities**

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<b>Level of Service Statement</b>			
HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
		Record outputs for key 'service delivery' plant pests (Privet and Pinus Contorta)	<b>Achieved</b> Pinus contorta operations completed on Owhaoko C1, C2, C4, C5 and A East blocks. Planned work completed in Pan Pac Kaweka Forest. Sparrowhawk range and Ngamatea completed. Privet trees removed from a total of 189 properties while 3 hedges were removed.

***Financial Variances Explained***

Variances in the Animal Pest Control budget were over budget due to additional expenditure on the Cape to City project. This has been offset by external funding from the Department of Conservation and Aotearoa Foundation.

## Biosecurity & Biodiversity Group of Activities

### Activity 2 – Regional Biodiversity

<b>Level of Service Statement</b>			
HBRC will integrate land and water and biodiversity management to deliver environmental, economic, social and cultural outcomes			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Implementation of the Hawke's Bay Biodiversity Strategy	Establish a biodiversity forum that meets annually at a Regional Biodiversity Summit	Establish the membership of the Hawke's Bay Biodiversity Forum	<b>Achieved</b> Under the latest and final model of governance model (documented in the HB Biodiversity Action Plan), HB Biodiversity Forum will be an output/milestone of the Guardians, who will be coordinating events. The Forum will be an event, providing a place and opportunities to the community and businesses with sharing information and developing networks. An inaugural event is planned for December 2017, and the sub-committee within the Guardians will coordinate the organisation of the event.
	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	Work with the Accord partners to establish and administer a charitable trust (or similar entity) to secure new funding for projects that support and align with the Regional Biodiversity Strategy	<b>Achieved</b> HBRC has been working with the Implementation Planning Group (IPG) to develop a governance structure to drive the implementation of the HB Biodiversity Strategy. The latest and final thinking (documented in the Action Plan) is a two-staged development; first stage is to set up a charitable trust which will focus on developing an endowment (target \$10M by 2028); stage 2 will be to launch a fully-fledged Foundation, a perpetual trust, in 2028 which will not only grow endowment but also fund on-the-ground projects.
	In collaboration with signatories to the Biodiversity Accord, develop an implementation plan for the Regional Biodiversity Strategy	In collaboration with signatories to the Biodiversity Accord, develop the Biodiversity Strategy Implementation Plan	<b>Achieved</b> Implementation Planning Group is finalising the HB Biodiversity Action plan in August 2017 which details the future governance and pathway of implementing 6 priority actions guided under the HB Biodiversity Strategy. It is yet to be determined if the launch of the Action Plan may be coincided with the "Transforming Biodiversity – Challenging the Boundaries" conference hosted by HBRC in November 2017.

#### **Financial Variances Explained**

There were no significant variances from budgets in the activity.

## Emergency Management Group of Activities

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### 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	Budget	Actual
	(#)	16/17	16/17	15/16
		(\$'000)	(\$'000)	(\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
	1	1,478	1,224	1,195
	2	733	838	809
		<u>2,211</u>	<u>2,062</u>	<u>2,004</u>
		<b>2,211</b>	<b>2,062</b>	<b>2,004</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
		171	175	112
		<u>171</u>	<u>175</u>	<u>112</u>
		<b>171</b>	<b>175</b>	<b>112</b>
<b>Other Revenue</b>				
		1,039	1,033	899
		(4)	1	(4)
		427	172	204
		<u>1,462</u>	<u>1,206</u>	<u>1,099</u>
		<b>1,462</b>	<b>1,206</b>	<b>1,099</b>
		<u>1,633</u>	<u>1,381</u>	<u>1,211</u>
		<b>1,633</b>	<b>1,381</b>	<b>1,211</b>
<b>TOTAL FUNDING REQUIREMENT</b>		<b>(578)</b>	<b>(681)</b>	<b>(793)</b>
<b>Special Reserve Funding</b>				
		2	24	147
		<u>2</u>	<u>24</u>	<u>147</u>
		<b>2</b>	<b>24</b>	<b>147</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(576)</b>	<b>(657)</b>	<b>(646)</b>
<b>MET BY</b>				
		-	-	-
		448	529	637
		128	128	9
		<u>576</u>	<u>657</u>	<u>646</u>
		<b>576</b>	<b>657</b>	<b>646</b>

## Emergency Management Group of Activities

### Activity 1 – HB Civil Defence Emergency Management Group

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	Become involved in Territorial Authority planning processes under the RMA	<b>Achieved</b> Ongoing. Hazard portal adopted by all HB councils.
		Provide public advice through a range of media (internet/public forums)	<b>Achieved</b> Ongoing - hazard portal completed. Hazard information promoted through Facebook and web.
		Implement the Hawke's Bay Civil Defence Emergency Management Plan	<b>Achieved</b> Review completed. Work program approved and implementation reported to CEG
		Advocate coordination between the HBRC works programme and the readiness priorities in the HBCDEM Plan	<b>Achieved</b> Ongoing. HBRC staff part of Hazard Research Strategy review.
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	<b>Achieved</b> Research work scheduled includes the completion of the review of HB liquefaction risk assessment. GNS has been asked to scope requirements to use new HB earthquake ground motion model to develop loading code soil types on maps, with initial focus on Hastings. Supporting small research initiative for welfare planning to understanding societal response to hazards and disasters. Scoping pilot study for rock fall/cliff collapse risk (Napier Hill, Havelock Hills, etc) research potentially for 2018.
Percentage of surveyed residents that are aware of hazard risks and can identify earthquake, flooding, and	Awareness of earthquake, flooding/heavy rainfall and tsunami hazard risks show an increase over time	Prepare and implement a communications plan to target hazards to highlight in a promotion	<b>Achieved</b> The HBCDEM Group communication plan focuses on what to do in an earthquake and tsunami – post Kaikoura EQ.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
tsunami as major hazards in Hawke's Bay	- 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	Promote hazard awareness through public displays such as tsunami and 1931 earthquake displays and produce hazard education material	<b>Achieved</b> East Coast LAB (Life at the Boundary) has been maintained at the National Aquarium, with an education room and website to promote awareness of the subduction zone risks of tsunami, earthquake and volcanic ash. There is also a 1931 display at the HB Museum. Education materials have been produced, including the "Life at the Boundary" education programme, which is now being run by the National Aquarium education team, and over 400 students have already attended. ECLAB is managing a Tsunami Safer Schools project this year for NI East Coast schools funded by MCDEM.
		Community Survey every three years	<b>Achieved</b> SIL Research completed the last survey in July 2017. 86% of residents identified earthquakes, 58% flooding/heavy rain and 45% identified tsunami. The next survey is due in July 2019.
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	<b>Achieved</b> The Hazard Information Mapping Portal (GIS) has been maintained as the key platform to sort, record and store this hazard information in a helpful manner. The steering group have adopted an Application/Data Maintenance & Change Request Manual for the Portal and new portal layers are being sought, such as Landslide risk and including TLA historical ponding/flooding layers.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
		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	<b>Achieved</b> The Hawke's Bay Hazard Information Portal (HBHIP) Steering Group, which has representatives from all HB territorial local authorities, actively encourages best practice on hazard avoidance and mitigation around land use planning. It meets every 6 months.

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	Performance Target	Required Action	Progress Report (to 30 June 2017)
HBCDEM response to a Civil Defence emergency is coordinated, appropriate, effective and efficient	Complete HBCDEM Group Training Directive <b>2015</b> .	Participate in national exercise Ex Tangaroa	<b>Achieved</b> Completed
	Complete major Group exercise Nov 2015	Exercise programme maintained and exercise reports completed with Corrective Action Plans	<b>Achieved</b> Training Directive updated and approved by CEG. Corrective actions process in place for all exercises and events.
	Maintain three yearly exercise programmes	Support Territorial Authorities in completing Community Response Plans for specific communities	<b>Partially Achieved</b> Generally on track however recent staff changes have slowed progress in this area
The level of support given by the HBCDEM Group in directing and co-ordinating personnel and resources for response and recovery operations	Corrective Actions that the HBCDEM group has responsibility for are implemented in accordance with the Corrective Action Plan	Review and implement HBCDEM Plan	<b>Achieved</b> Review programmed for 2019 in line with CDEM Act. Approved Work Programme being implemented.
	Develop and implement an approved Group Work Plan based on the HBCDEM Group Plan <b>2015</b>	Maintain and support the HB Welfare Coordination Group	<b>Achieved</b> Ongoing. Regular meetings and welfare training being held.
	An active Welfare Advisory Group which meets at least 4 times a year		
	Review of Group Welfare Plan		

## Emergency Management Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
	<b>2015</b> Group Welfare/Controllers Forums are run in 2105	Maintain and support the HBCDEM Joint Committee and Chief Executives Group	<b>Achieved</b> Ongoing. Four CEG and three Joint Committee meetings held over the year.
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	<b>Achieved</b> Ongoing. Regular programme of advertising and material review in place.
		Support the National "Get ready, Get thru" programme and national "Get Ready" week	<b>Achieved</b> Active participation in Get Ready week including warning systems test and stand at Hawke's Bay and CHB Shows. New national material imbedded in promotional materials
		Maintain Interagency Communication Group who develop and implement a programme of public CDEM education	<b>Achieved</b> Ongoing - InterComm met in May 2017.
		Survey the community every three years	<b>Achieved</b> Completed this quarter

## Emergency Management Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Established Emergency Management Plans including training and procedures	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	<b>Achieved</b> CEG have agreed to reviewed work program in this area
		Conduct training for staff assigned to Group emergency management roles	<b>Achieved</b> Ongoing. Program and processes in place. Being implemented
		Maintain 2 Group Emergency Coordination Centres (Hastings & Napier) which are ready for operation, with supporting Group Standard Operating Procedures	<b>Achieved</b> Ongoing. Two SOPs reviewed this quarter.
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	<b>Achieved</b> Ongoing and training conducted this quarter
		Effectively and efficiently manage any emergency event from initial warning until a safe situation returns	<b>Achieved</b> Supported BoP response to Edgecombe flood event in April 2017. Planning for Ex Cyclone Cook April 2017. Lead the response to the adverse snow event in July 2017. Post event reviews ongoing but indicate that CDEM response was appropriate and successful.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	Partner Territorial Authorities have appointed local recovery managers <b>2015</b> A Recovery Exercise is run in <b>2015</b>	Implement Group Recovery Plan including the support of local recovery planning	<b>Achieved</b> New Group Recovery Manager appointed and two alternatives identified. Group Plan amended for delegations put in place for transition notices
	A Group Lifelines Forum is run in <b>2015</b>	Support the Hawke's Bay Lifelines Group in developing and managing their work programme	<b>Achieved</b> Lifeline group almost completed Emergency Fuel Plan and looking at GIS portal for critical sites.

### Financial Variances Explained

Variances in the HB Civil Defence Emergency Management Group activity were due to the movement of three additional staff previously employed by Napier City Council, Hastings District Council and Central Hawkes Bay Council coming under a joint CDEM program run by HBRC. These costs were funded directly by those other councils.

## Emergency Management Group of Activities

### Activity 2 – Hazard Assessment & HBRC Response

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> The teams have been updated with staff changes. 7 new staff inducted in CDEM, and training will be scheduled later in the year.
		Annual maintenance of Emergency Operations Centre Manual and biennial updates of Business Continuity Plan	<b>Achieved</b> The EPM SOPs have been maintained and the BCP reviewed Sept 2016 and updated, with current version available on Herbi.
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.	<b>Achieved</b> An effective 24-hour duty management system has been operated with 38 calls logged by the duty manager. The Duty Management system is supported by an afterhours service PNCC. 12 warnings or watches of severe weather, tsunami, volcanic alerts or other events have been effectively managed, including a snow event in July 2017.

<b>Level of Service Statement</b>			
HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tutaekuri, Ngaruroro and Tukituki areas			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> The priority telemetered rainfall and water level sites operated at 98.22%
		Repair of all key sites damaged during storms within 4 weeks	<b>Achieved</b> No major repairs needed. Whanawhana was converted to satellite telemetry.

## Emergency Management Group of Activities

<b>Level of Service Statement</b>			
A flood forecasting system is available on the web to advise the community on likely rainfall and flooding			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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% 2019-25 100%	Continue to develop and upgrade flood forecast models of flood plain areas	<b>Achieved</b> No change to current forecasting regions. Note that part of the modelling software systems used in the flood forecasting is no longer supported by the vendor. Newer software is available as part of our package. We have not implemented the new software in our forecasting system.
	No decrease in model performance	Continue to survey rivers to update models every 6 years	<b>Achieved</b> 1D Model being updated with latest surveys. Waipawa and Middle Tukituki Rivers recently surveyed.
		Calibrate models to significant storm events	<b>Achieved</b> Ongoing. Several minor events (Cyclone Cook and Debbie) Did not cause significant river issues.
Information available on HBRC's website during storm events	No adverse change to information availability	Programme for web information during storm events maintained and continue to update Council's web site to disseminate site specific flood information to potentially affected landowners and general information to the public	<b>Achieved</b> Web info used effectively, teamed up with comms people, we get info out when needed. Several minor rainfall events in this quarter, events too small to cause any issues. Communication system works well.
Peak flood forecast river flows agree within 25% of the actual flows	Increase in accuracy over time	Develop digital elevation models (DEMs) and produce contours from LIDAR data, store and maintain database, and carry out accuracy checks as appropriate where data permits.	<b>Achieved</b> New Lidar info collected for Lake Tutira, and gravel rivers. Processed and available. Being used in several projects.

## Emergency Management Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> Ongoing as part of flood hazard mapping program.
		Programme of collection and distribution of flood hazard information for high and low risk areas	<b>Achieved</b> Recent updates to software used for flood hazard mapping has created opportunities to improve HBRC's identification of flood risks. We are investigating the implementation of the advances in order to improve the information available to public and other councils.

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Current Tier 2 Oil Spill Plan is in place and training is being implemented	Maintain trained and qualified personnel.	Annual training and management of Oil Spill Response teams	<b>Achieved</b> On track
	Operative Marine Oil Spill Plan is maintained	Annual maintenance of the Oil Spill plan including amendment as necessary subject to CE approval	<b>Achieved</b> Operative Marine Oil Spill Plan is currently being reviewed.

### ***Financial Variances Explained***

There were no significant variances from budgets in the activity.

## Transport Group of Activities

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### 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.

## Transport Group of Activities

	Activity (#)	Actual 16/17 (\$'000)	Budget 16/17 (\$'000)	Actual 15/16 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Road Safety	1	500	368	382
Regional Land Transport Strategy	2	82	71	72
Subsidised Passenger Transport	3	3,655	3,776	3,788
Regional Cycling	4	51	-	
<b>Total Operating Expenditure</b>		<b>4,288</b>	<b>4,215</b>	<b>4,242</b>
<b>TOTAL EXPENDITURE</b>		<b>4,288</b>	<b>4,215</b>	<b>4,242</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		(0)	-	0
<b>Total Activity Revenue</b>		<b>(0)</b>	<b>-</b>	<b>0</b>
<b>Other Revenue</b>				
Targeted Rates		1,607	1,604	1,610
Interest		(3)	(5)	(7)
Grants		2,706	2,569	2,667
<b>Total Other Revenue</b>		<b>4,310</b>	<b>4,168</b>	<b>4,271</b>
<b>TOTAL REVENUE</b>		<b>4,310</b>	<b>4,168</b>	<b>4,271</b>
<b>TOTAL FUNDING SURPLUS / (REQUIREMENT)</b>		<b>22</b>	<b>(47)</b>	<b>29</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		(101)	(29)	(100)
<b>Total Special Reserve Funding</b>		<b>(101)</b>	<b>(29)</b>	<b>(100)</b>
<b>NET GENERAL FUNDING SURPLUS / (REQUIREMENT)</b>		<b>(79)</b>	<b>(76)</b>	<b>(71)</b>
<b>MET BY</b>				
General Funding Rates		-	-	-
Investment Income		62	61	69
Operating Reserves		17	15	2
		<b>79</b>	<b>76</b>	<b>71</b>

## Transport Group of Activities

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### Activity 1 – Regional Road Safety

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> Inter agency programmes have been completed (as per the 2016-2017 Work Plans). Major activities for the 2017-2018 period will include: International Research Project, HB Youth Alcohol Expo and the development of the school resource
	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	<b>Achieved</b> Completed/Dates will be set for the 2018 period at the next meeting in September 2017

### ***Financial Variances Explained***

Road safety activities came in over budget due to additional resource being added for the development and testing of in-school resources , as required by NZ Transport Agency best practice guidelines. These additional costs were offset by NZ Transport Agency funding.

## Transport Group of Activities

### Activity 2 – Regional Land Transport Plan

<b>Level of Service Statement</b>			
Through the region's transport planning documents HBRC will promote improved integration of all transport modes, land use and efficient movement of freight			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
Adopted Regional Land Transport Plan (RLTP) in place	Report on current RLTP as set out in the monitoring and reporting section of the Plan <ul style="list-style-type: none"> <li>• three yearly report to the Regional Transport Committee on outcomes of the RLTP</li> <li>• annual report to the Regional Transport Committee on activity implementation</li> </ul>	Monitor and report on achievements from the RLTP to the Regional Transport Committee and the Technical Advisory Group	<b>Achieved</b> Annual implementation reports are prepared. These provide a progress report on activity implementation and update an agreed set of transport monitoring indicators to provide a picture of the state of the transport system in Hawke's Bay. A report on activity implementation was presented to the December 2016 meeting, followed by a report on the status monitoring indicators to the March meeting.
		Begin RLTP review process in 2017	<b>Achieved</b> The review of the RLTP is underway and a draft will be considered by the Regional Transport Committee in December 2017.
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 implementation, monitoring and review of the Regional Cycle Plan through the RCP Governance Group	<b>Achieved</b> Implementation of the Regional Cycle plan is on track, with good progress being made on key actions. Review will take place in 2018

### **Financial Variances Explained**

There were no significant variances from budgets in the activity.

## Transport Group of Activities

### Activity 3 – Subsidised Passenger Transport

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> Marketing of services is ongoing. Passenger numbers are starting to increase in response to the service improvements implemented in 2016
		Review services regularly to better cater for demand and reduce any operational inefficiencies	<b>Achieved</b> A service review during 2016 has resulted in a number of improvements which commenced in September. A review of some suburban routes in Napier is scheduled to commence in 2017.
		Investigate and implement cost-effective means of increasing patronage	<b>Achieved</b> Bus service improvements commenced in late September. These are aimed at increasing patronage while achieving good vehicle utilisation to ensure cost-effectiveness. Direct marketing through key destinations (such as major employers and schools) has also commenced. Patronage increased between January and June 2017.
Annual passenger kilometres travelled on the Hawke's Bay bus services	Achieve an annual 1% increase in passenger –kilometres travelled	Monitor and report on achievements from the Regional Public Transport Plan to the Regional Transport Committee and Regional Council	<b>Achieved</b> Reports on progress with public transport services have been provided quarterly to the Regional Transport Committee and Regional Council
		Begin Regional Public Transport Plan review process in 2017	<b>Achieved</b> The review of the Regional Public Transport Plan has commenced.
Proportion of total service costs that are covered by fares	2016-17 41% fare recovery	Review fares annually and fare structures three-yearly	<b>Achieved</b> A review of bus fares will be presented to council in September 2017.

## Transport Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
		Continue to regularly market current services and increase awareness of all services	<b>Achieved</b> Marketing of services is ongoing via radio, newspaper and social media
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 RPTP to the Regional Transport Committee and Regional Council	<b>Achieved</b> Reports on progress with public transport services have been provided quarterly to the Regional Transport Committee and Regional Council
		Begin RPTP review process in 2017	<b>Achieved</b> The review of the Regional Public Transport Plan has commenced.
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	<b>Achieved</b> Formalisation of bus stops in Napier is ongoing; priority stops are being addressed as identified. Hastings stops meet the required standard.
	Install 4 additional bus shelters each year (2 in Hastings and 2 in Napier) until demand is met	Work with Napier City and Hastings District Councils to agree on the best locations for bus shelters each year	<b>Achieved</b> Shelters have been purchased for Folkestone Drive, Flaxmere, Puketapu Road, Taradale and Wycliffe St, Onekawa.
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	<b>Achieved</b> Feedback from operators and the public is used to identify the need for infrastructure improvements at stops. This process is ongoing
		Work with Napier City and Hastings District Councils to meet targets	<b>Partially Achieved</b> Rates of proximity to bus stops are slowly improving. Further work is required in Napier to address residential growth areas.
Fare payment systems utilise technology to provide a simple customer experience and provide	Implement the agreed national ticketing system	Evaluate ticketing system proposals and provide useful feedback to the national project group to ensure a best fit system for Hawke's Bay	<b>Achieved</b> This process is complete. The new ticketing system should be in operation by June 2018.

## Transport Group of Activities

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
HBRC with the passenger data needed to plan and review services		Secure funding to implement the national ticketing system within the agreed time period	<b>Achieved</b> Funding has been allocated for this upgrade in the Long Term Plan
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 other initiatives around the country	<b>Achieved</b> This task will now take place during the first quarter of 2017-18, due to other higher priorities.
		Investigate installation of bike racks on Napier Hastings Express service	<b>Achieved</b> All express bus services now have bike racks. This action is complete.
		Work with Napier City and Hastings District Councils to improve integration between public transport and walking and cycling	<b>Achieved</b> Some progress is being made in this area through the implementation of the District Health Board's Travel Plan in Hastings.

<b>Level of Service Statement</b>			
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			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> Total Mobility is promoted through doctors surgeries and disability agencies.
		Work with government and disability agencies to better understand and try to meet the needs of their clients	<b>Achieved</b> This is ongoing and achieved through close liaison with local disability agencies.

### ***Financial Variances Explained***

This activity was favourable compared to budget due to a significantly lower bus contract cost and the reimbursement of a historic overpayment. In addition, fare revenues were better than expected, which reduces the cost of the contract.

## Governance, Community Engagement & Services Group of Activities

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### 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	Budget	Actual
	(#)	16/17	16/17	15/16
		(\$'000)	(\$'000)	(\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Community Partnerships	1	858	1,109	325
Community Engagement & Communications	2	681	561	648
Response to Climate Change	3	-	22	-
Community Representation & Regional Leadership	4	1,547	1,427	1,736
Investment Company Support	5	121	108	177
<b>Total Operating Expenditure</b>		<b>3,207</b>	<b>3,227</b>	<b>2,886</b>
<b>Capital Expenditure</b>				
Solar Heat Advances		-	630	-
Asset Construction		900		
Loan Repayment		356	392	330
<b>Total Capital Expenditure</b>		<b>1,256</b>	<b>1,022</b>	<b>330</b>
<b>TOTAL EXPENDITURE</b>		<b>4,463</b>	<b>4,249</b>	<b>3,216</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		159	137	180
<b>Total Activity Revenue</b>		<b>159</b>	<b>137</b>	<b>180</b>
<b>Other Revenue</b>				
Grants		635	15	72
Loan Funding		600	1,230	-
Solar Heat Repayments		-	32	-
<b>Total Other Revenue</b>		<b>1,235</b>	<b>1,277</b>	<b>72</b>
<b>TOTAL REVENUE</b>		<b>1,394</b>	<b>1,414</b>	<b>252</b>
<b>TOTAL GENERAL FUNDING REQUIREMENT</b>		<b>(3,069)</b>	<b>(2,835)</b>	<b>(2,964)</b>
<b>Special Reserve Funding</b>				
Regional Projects Reserve		-	-	-
Sale of Land (Investment) Reserve		495	506	476
<b>Total Special Reserve Funding</b>		<b>495</b>	<b>506</b>	<b>476</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(2,574)</b>	<b>(2,329)</b>	<b>(2,488)</b>
<b>MET BY</b>				
General Funding Rates		1,511	1,387	1,479
Investment Income		2,005	1,870	996
Operating Reserves		(942)	(928)	13
		<b>2,574</b>	<b>2,329</b>	<b>2,488</b>

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
Formalisation of strategic alliances that are sector and institutionally based	Continue reporting to Council on performance of strategic relationships	Provision is made for required resourcing as per respective agreements	<b>Achieved</b> In its deliberations on the 2016-17 Annual Plan Council made provision for resourcing of HBLASS, and increased the contributions budget to provide for a one-off \$200k contribution to Te Matatini Festival which was held in Hawke's Bay in February 2017.

Level of Service Statement			
HBRC will contribute to support the development of Regional Public Infrastructure projects			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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.	Final requests for funding evaluated and funding assigned to projects.	<b>Achieved</b> \$600,000 provided in the 2016-17 year is to cover Council's contribution to the Waipatiki camping ground purchase (\$300,000) and Te Mata Park development (\$300,000)

### **Financial Variances Explained**

There were a couple of significant transactions during the year. \$300,000 was donated to Te Mata Park as per budget and another \$300,000 was contributed into the purchase of the Waipatiki Camp Ground. HBRC took ownership of this asset after contributions from Napier City Council and Hastings District Council.

## Governance, Community Engagement & Services Group of Activities

### Activity 2 – Community Engagement & Communications

<b>Level of Service Statement</b>			
We engage the community in activities and decision-making processes, with clear expectations for participation			
<b>Level of Service Measure</b>	<b>Performance Target</b>	<b>Required Action</b>	<b>Progress Report (to 30 June 2017)</b>
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	<b>Achieved</b> Statutory plans on track for delivery.
Number of council meetings and workshops	Open reporting of Council and Committee decision items	Public Exclusion items allowed only in accordance with LGOIMA provisions, and by Council resolution	<b>Achieved</b> Any items considered in Public Excluded session require resolution by the Council or Committee in accordance with the Local Government Official Information and Meetings Act. Since the 26 October 2016 Inaugural Regional Council meeting, there have been nine (out of 44) meetings that included consideration of Public Excluded items.
		Open reporting on meetings and attendance	<b>Achieved</b> Minutes and Agendas for all Council and Committee meetings are available to the public on Council's website unless there is a legitimate reason to exclude in accordance with the Local Government Official Information and Meetings Act. Councillor attendance is recorded in accordance with legislative and Audit requirements.
Number of public meetings, workshops and public events (includes awards and field days)	Develop meetings, workshops and events resources for major projects as required	Focus on opportunities for community engagement and public participation in activities and decision-making processes, with clear expectations for participation	<b>Achieved</b> On track.
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	Adapt engagement tools, including print, radio digital (web, portals, video, social) to ensure use of the most suitable means of communication and engagement	<b>Achieved</b> Media releases: 48 in Q1, 45 in Q2, 39 in Q3 and 30 in Q4 - a total of 162. HBRC has 2,521 Likes on Facebook. Videos in this quarter focused on the Coastal environment and community planting days.

## Governance, Community Engagement & Services Group of Activities

Level of Service Statement			
We engage the community in activities and decision-making processes, with clear expectations for participation			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
		Record and report the number of media releases, video clips and social media posts made each year	<b>Achieved</b> Exceeded targets set.

Level of Service Statement			
We give relevant information to our diverse audiences			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Regional news and digital media coverage averages > 90% positive/neutral	Not less than an average of 95% positive/neutral rating	Regular review of Council's "Community Engagement" Risk Management profile	<b>Achieved</b> On target.
		Maintain Engagement Plans for major work programmes	<b>Achieved</b> Activity Plans are current for all major projects, i.e. TANK Plan, Tukituki Plan, HB Coastal Hazards, Biodiversity.
Delivery of activity updates, actual progress and perception of performance	Generate relevant local and regional newsletters; review at least every three years	Measure and report on community engagement in major decision items	<b>Achieved</b> On track.
	Awareness and satisfaction survey	Undertake a two-yearly awareness and satisfaction survey	<b>Achieved</b> Survey results shows HBRC as main environmental organisation 66.7%, increase of +15.1% on last survey. 72.2% of residents receive 'acceptable' to 'very good' value from HBRC rates.
Facilitation of agreed stakeholder groups	Audit how many groups we work with; revalidate at least every three years	Measure and report on frequency of facilitated engagement with agreed stakeholder groups	<b>Achieved</b> On track.

### Financial Variances Explained

Variances in the Community Engagement and Communications activity budgets were \$120,000. This was largely due to time dedicated to handling LGOIMA requests which are externally driven, and tending to increase annually.

## 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	Performance Target	Required Action	Progress Report (to 30 June 2017)
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, aiming to achieve at least 90% attendance, over the full year, by all elected and appointed members at both Council and Committee meetings	<b>Achieved</b> Following the 2016-19 Triennial Election on 8 October, there have been 14 meetings of the Regional Council with an attendance rate of 93%, and 30 meetings of Committees with an attendance rate of 91%.
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 Annual Plan consultation during April/May, and the scheduling of up to 3 days in June to hear submissions to enable adoption of the Plan by 30 June	<b>Achieved</b> Submissions period for 2017-18 Annual Plan opened on 10 April and closed 12 May, a period of 5 weeks. Verbal submissions were heard by Council on 12 June and Council deliberations held on 21 June, with adoption of the 2017-18 Annual Plan by resolution of Council on 28 June 2017.
Comply with the provisions of the Local Electoral Act 2001	Meet statutory timetable requirements leading up to the 2016 Local Government elections	Council has an appointed Electoral Officer and Deputy Electoral Officer in place at all times	<b>Achieved</b> Electoral Officer and Deputy Electoral Officer appointments are current.
		Prepare and publish the Pre-Election Report in accordance with LGA Schedule 10 clause 36	<b>Achieved</b> Hawke's Bay Regional Council Pre-Election Report was published on 14 July 2016, within statutory requirements.
		Undertake the election process for the 8 October 2016 election	<b>Achieved</b> All public notices, nomination and information provision statutory requirements met in the lead up to the Election on 8 October 2016. Following the Election, Notification of Final Results, scheduling of Inaugural and First Ordinary Regional Council meetings and publication of the Electoral Donations and Expenses Returns were completed in compliance with requirements.

## Governance, Community Engagement & Services Group of Activities

Level of Service Statement			
HBRC aims to maximise Local Government effectiveness and efficiency			
Level of Service Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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, including relevant contribution made to any investigations undertaken by HBLASS in which HBRC can be part of a shared service	<b>Achieved</b> The Draft HB LASS Statement of Intent for 2017-18 was considered by HBRC on 26 April 2017. The 2016-17 Annual Report for HBLASS will be presented to Council shortly after the end of the financial year.

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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Regional Planning Committee operating successfully	Annual report on Regional Planning Committee activities	Produce an annual report on Regional Planning Committee activities at the end of each financial year	<b>Achieved</b> 2016-17 Annual Activity Report for the Regional Planning Committee will be adopted at the 6 September 2017 committee meeting.
Attendance at Maori Committee meetings	Attendance rate of at least 80% maintained	Record and report members' attendance at Maori Committee meetings	<b>Achieved</b> There have been four meetings of the re-established Maori Committee since the October 2016 Election, with attendance by 87% of committee members.
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 iwi/hapu engagement plans for resource management plan development and implementation in liaison with Ngati Kahungunu Iwi Incorporated (NKII), Taiwhenua and Treaty groups	<b>Partially Achieved</b> Engagement plan specifically for TANK project superseded by Council's engagement of NKII's professional services in coordinating freshwater attributes and values work focusing on Ngaruroro River as a pilot. Engagement Plan preparation for Tukituki PC6 implementation was not progressed due to other participants' limited availability (e.g. Te Matatini event coordination) and key HBRC staff being involved in the RWSS Review project.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
Iwi participation on Council and Committees	Council Committees are established with at least two tangata whenua representatives with full voting rights	Council's Governance Structure (Committees) is established post triennial elections and prior to the end of 2016	<b>Achieved</b> Regional Council adopted its Governance Structure on 9 November 2016, confirming the appointment of the Maori Committee Chairman to Council (with speaking rights only), and the appointment of one Maori Committee and one Regional Planning Committee Tangata Whenua representative to the Corporate and Strategic and Environment and Services committees, and one Maori Committee representative to the Regional Transport Committee as an Advisor.
	There is an ex-officio tangata whenua representative at Council meetings	Chairman of the Maori Committee as elected by that Committee is invited to and receives all Agenda documents for all Regional Council meetings	<b>Achieved</b> Mr Mike Mohi as Chairman of the Maori Committee, is invited to all meetings of the Regional Council and is provided with all related Agenda documents.
Number of meetings held between HBRC and Ngati Kahungunu Iwi Incorporated (NKII) Board	Two meetings held per year between HBRC and NKII Board	Schedule at least two HBRC-NKII Board meetings per year	<b>Not Achieved</b> No meetings have been successfully scheduled although informal engagements have occurred.

### Financial Variances Explained

This project is over budget due to an increase in corporate support staff time charged to the project. A new staff member was employed during the year to assist in meeting minutes and preparation. There has also been an increase in the frequency of the Regional Planning Committee with meetings now monthly rather than every second month and for two days not one. This increases the costs for both administrative and meeting support.

## 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 Measure	Performance Target	Required Action	Progress Report (to 30 June 2017)
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	<b>Achieved</b> This compliance is the responsibility of the HBRIC Ltd Chief Executive Financial Statements for the year ending 30 June 2017 and the HBRIC Ltd Annual General Meeting are on track for completion within Statutory timeframes
		Prepare Company Board Agendas	<b>Achieved</b> HBRIC now employs its own administrative support staff to complete all of this work
		Keep records including Board Minutes	<b>Achieved</b> HBRIC now employs its own administrative support staff to complete all of this work
	Confirm the Statement of Corporate Intent each year	Council ratifies the Statement of Intent submitted by the investment company by resolution each year, within statutory requirements	<b>Achieved</b> The HBRIC Ltd 2017-18 Statement of Intent was approved by Council resolution on 28 June 2017 in accordance with statutory requirements.

#### **Financial Variances Explained**

There were no significant variances from budgets in the activity.

## Financial Statements

### Statement of Comprehensive Revenue and Expenditure

For the year ended 30 June 2017

	Note	Regional Council			Group	
		Actual 16/17 \$000	Budget 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
<b>Revenue</b>						
Revenue from activities	3	6,532	6,868	7,267	88,323	78,312
Rates revenue	4	17,661	17,406	16,804	17,661	16,804
Subsidies and grants	5	5,459	3,055	3,600	5,459	3,600
Other revenue	5	15,601	16,871	14,657	6,076	7,176
Fair value gains on investments	6	7,835	1,670	6,352	7,845	6,362
<b>Total Operating Revenue</b>		<b>53,088</b>	<b>45,870</b>	<b>48,680</b>	<b>125,364</b>	<b>112,254</b>
<b>Expenditure</b>						
Expenditure on activities	3	(24,030)	(22,086)	(20,767)	(46,884)	(40,039)
Personnel costs	7(a)	(16,330)	(15,719)	(15,727)	(39,754)	(37,673)
Finance costs	3	(2,979)	(3,187)	(3,291)	(7,218)	(7,910)
Depreciation & amortisation expense	3	(2,659)	(2,490)	(2,463)	(13,206)	(10,956)
Fair value losses	6	-	-	-	-	-
Other expenditure	7(c)	(2,043)	-	(1,532)	(2,082)	(1,571)
<b>Total Operating Expenditure</b>		<b>(48,041)</b>	<b>(43,482)</b>	<b>(43,780)</b>	<b>(109,144)</b>	<b>(98,149)</b>
Impairment of RWSS intangible asset		-	-	-	(11,740)	-
Impairment of HBRIC RWSS advances		(13,956)	-	-	-	-
Impairment of HBRC RWSS evaluation costs		(831)	-	-	(831)	-
<b>Total Impairment Expenditure</b>		<b>(14,787)</b>	<b>-</b>	<b>-</b>	<b>(12,571)</b>	<b>-</b>
<b>Total Expenditure</b>		<b>(62,828)</b>	<b>(43,482)</b>	<b>(43,780)</b>	<b>(121,715)</b>	<b>(98,149)</b>
<b>Operating Surplus / (Deficit) before Income Tax</b>		<b>(9,740)</b>	<b>2,388</b>	<b>4,900</b>	<b>3,649</b>	<b>14,105</b>
Income tax expense	8	-	-	-	(5,771)	(4,705)
<b>Operating Surplus / (Deficit) after Income Tax</b>		<b>(9,740)</b>	<b>2,388</b>	<b>4,900</b>	<b>(2,122)</b>	<b>9,400</b>
<b>Other Comprehensive Revenue and Expense</b>						
Gain/(loss) in other financial assets	19	8	-	61	1,245	(1,355)
Gain/(loss) on revalued intangible asset	19	529	-	-	529	-
Gain/(loss) on revalued property, plant and equipment assets	19	19,104	21,557	1,700	19,104	1,700
<b>Total Other Comprehensive Revenue and Expense</b>		<b>19,641</b>	<b>21,557</b>	<b>1,761</b>	<b>20,878</b>	<b>345</b>
<b>Total Comprehensive Revenue and Expense</b>		<b>9,900</b>	<b>23,945</b>	<b>6,661</b>	<b>18,755</b>	<b>9,745</b>

The accompanying notes form part of these financial statements.

## Accountability Information: Financial Statements

### Statement of Changes in Equity

For the year ended 30 June 2017

	Regional Council			Group	
	Actual	Budget	Actual	Actual	Actual
	16/17	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000	\$000
<b>Equity as at beginning of year</b>	534,576	529,197	527,915	482,314	468,588
Total Comprehensive Revenue and Expense	9,900	23,945	6,661	18,755	9,745
Dividends received / (paid)	-	-	-	-	-
Share capital issued	-	-	-	-	-
Effect on consolidation	-	-	-	2,722	3,981
<b>Equity as at end of year</b>	<b>544,476</b>	<b>553,142</b>	<b>534,576</b>	<b>503,791</b>	<b>482,314</b>

The accompanying notes form part of these financial statements.

# Accountability Information: Financial Statements

## Statement of Financial Position

For the year ended 30 June 2017

	Note	Regional Council			Group	
		Actual 16/17 \$000	Budget 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant & equipment	9	21,270	21,244	20,416	304,765	305,897
Infrastructure assets	10	172,234	174,821	152,341	172,234	152,341
Investment property	11	49,047	55,240	50,566	51,907	53,416
Intangible assets	12	4,470	2,240	3,494	14,161	20,726
Forestry assets	15	9,769	6,637	7,309	9,769	7,309
Investment in joint venture	14	-	-	-	884	675
Advances to Council-controlled organisations	16	-	1,666	-	-	-
Trade & other receivables	16	-	-	-	-	-
Derivative financial instruments	17	-	-	-	-	-
Deferred tax assets	22	-	-	-	-	-
<b>Total non-current assets before other financial assets</b>		<b>256,790</b>	<b>261,848</b>	<b>234,126</b>	<b>553,720</b>	<b>540,364</b>
Other financial assets	13	10,331	10,579	11,425	10,331	11,425
Investment in Council-controlled organisations	13	235,224	315,254	235,224	-	-
Advances to Napier / Gisborne Rail	13	201	5,458	163	201	163
<b>Total other financial assets</b>	<b>13</b>	<b>245,756</b>	<b>331,291</b>	<b>246,812</b>	<b>10,532</b>	<b>11,588</b>
<b>Total Non-Current Assets</b>		<b>502,546</b>	<b>593,139</b>	<b>480,938</b>	<b>564,252</b>	<b>551,952</b>
<b>Current Assets</b>						
Inventories		35	55	93	35	93
Trade & other receivables	16	8,813	9,164	9,309	22,955	19,862
Advances to Council-controlled organisations	16	-	-	16,002	-	-
Derivative financial instruments	17	-	-	-	173	6
Other financial assets	13	75,375	14,093	60,380	75,375	60,380
Cash and cash equivalents	18	10,261	11,143	27,790	10,642	28,103
Current tax asset		-	-	-	220	380
Non-current assets held for sale		-	-	-	-	-
<b>Total Current Assets</b>		<b>94,484</b>	<b>34,455</b>	<b>113,574</b>	<b>109,400</b>	<b>108,824</b>
<b>TOTAL ASSETS</b>		<b>597,030</b>	<b>627,594</b>	<b>594,512</b>	<b>673,652</b>	<b>660,776</b>
<b>NET ASSETS / EQUITY</b>						
Accumulated funds	20	302,662	373,528	311,947	260,924	259,869
Fair value reserves	19	160,766	160,836	140,443	161,819	140,259
Other reserves	20	81,048	18,778	82,186	81,048	82,186
<b>Total Net Assets / Equity</b>		<b>544,476</b>	<b>553,142</b>	<b>534,576</b>	<b>503,791</b>	<b>482,314</b>
<b>LIABILITIES</b>						
<b>Non-Current Liabilities</b>						
Derivative financial instruments	17	31	-	70	3,350	4,975
Borrowings	21	19,225	30,400	19,065	83,625	106,165
Provisions for other liabilities & charges	25	18,074	27,838	23,925	18,074	23,925
Deferred tax liabilities	22	-	-	-	18,980	17,976
Employee benefit liabilities	23	584	678	554	958	935
<b>Total Non-Current Liabilities</b>		<b>37,914</b>	<b>58,916</b>	<b>43,614</b>	<b>124,987</b>	<b>153,976</b>
<b>Current Liabilities</b>						
Bank overdraft	21	-	-	-	-	124
Derivative financial instruments	17	-	-	-	1,316	1,308
Borrowings	21	3,640	3,829	3,520	22,440	3,520
Provisions for other liabilities & charges	25	775	1,358	941	775	941
Current tax payable		-	-	-	1,238	-
Employee benefit liabilities	23	977	-	1,542	3,917	3,577
Trade & other payables	24	9,248	10,349	10,319	15,188	15,016
<b>Total Current Liabilities</b>		<b>14,640</b>	<b>15,536</b>	<b>16,322</b>	<b>44,874</b>	<b>24,486</b>
<b>TOTAL LIABILITIES</b>		<b>52,554</b>	<b>74,452</b>	<b>59,936</b>	<b>169,861</b>	<b>178,462</b>
<b>TOTAL NET ASSETS / EQUITY &amp; LIABILITIES</b>		<b>597,030</b>	<b>627,594</b>	<b>594,512</b>	<b>673,652</b>	<b>660,776</b>

The accompanying notes form part of these financial statements.

# Accountability Information: Financial Statements

## Statement of Cash Flows

For the year ended 30 June 2017

	Regional Council			Group	
	Actual 16/17 \$000	Budget 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Receipts from customers	10,212	9,584	9,720	88,342	83,189
Rates	17,743	17,406	16,804	17,743	16,804
Dividends received	9,542	11,553	7,506	2,827	280
Interest received	2,967	1,175	3,701	2,970	3,706
Grants	5,412	3,055	3,786	5,412	3,786
Other Revenue	360	276	246	355	567
GST	149	-	-	(49)	-
	<b>46,385</b>	<b>43,049</b>	<b>41,763</b>	<b>117,600</b>	<b>108,332</b>
<i>Cash was applied to:</i>					
Payments to suppliers	25,560	20,439	19,718	46,149	38,788
Payments to and behalf of employees	17,354	15,959	15,374	40,778	37,320
Interest expense	2,979	3,187	3,291	7,234	7,939
Income tax expense	-	-	-	4,292	3,852
	<b>45,893</b>	<b>39,585</b>	<b>38,383</b>	<b>98,453</b>	<b>87,899</b>
<b>Net Cash Flows from Operating Activities</b>	<b>18</b>	<b>492</b>	<b>3,464</b>	<b>3,380</b>	<b>19,147</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Disposal of property, plant & equipment	320	203	230	320	479
Disposal of investment properties	6,871	-	6,344	6,871	6,344
Disposal of financial assets	7,911	39,991	22,921	1,911	22,921
Disposal of forestry assets	-	5	-	-	-
Third party contributions for purchase of intangibles	-	-	-	-	511
	<b>15,102</b>	<b>40,199</b>	<b>29,495</b>	<b>9,102</b>	<b>30,255</b>
<i>Cash was applied to:</i>					
Purchase of property, plant & equipment	2,827	2,618	2,149	11,011	24,259
Purchase of intangible assets	1,243	355	1,515	5,833	5,403
Construction of infrastructure assets	855	1,855	900	855	900
Purchase of financial assets	21,134	-	446	16,634	446
Purchase of Forestry assets	17	22	23	17	23
Purchase of intangibles on behalf of third parties	-	-	-	-	511
Investment in Joint Venture	-	-	-	289	121
Advances to Investment Company	-	39,991	3,472	-	-
Advances to Napier / Gisborne Rail	38	5,342	47	38	47
	<b>26,114</b>	<b>50,183</b>	<b>8,552</b>	<b>34,677</b>	<b>31,710</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(11,012)</b>	<b>(9,984)</b>	<b>20,943</b>	<b>(25,575)</b>	<b>(1,455)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<i>Cash was provided from:</i>					
Loans drawn	4,000	15,627	5,000	9,400	13,198
Leashold Annuity	-	-	-	-	-
	<b>4,000</b>	<b>15,627</b>	<b>5,000</b>	<b>9,400</b>	<b>13,198</b>
<i>Cash was applied to:</i>					
Loans repaid	3,720	3,983	3,539	13,020	3,539
Leasehold freeholding proceeds paid to ACC	7,289	1,407	6,876	7,289	6,876
Effect on consolidation	-	-	-	-	(3,901)
	<b>11,009</b>	<b>5,390</b>	<b>10,415</b>	<b>20,309</b>	<b>6,514</b>
<b>Net Cash Flows from Financing Activities</b>	<b>(7,009)</b>	<b>10,237</b>	<b>(5,415)</b>	<b>(10,909)</b>	<b>6,684</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>	<b>(17,529)</b>	<b>3,717</b>	<b>18,908</b>	<b>(17,337)</b>	<b>25,662</b>
Opening cash & cash equivalents	27,790	7,426	8,882	27,979	2,317
<b>Closing Cash &amp; Cash Equivalents</b>	<b>18</b>	<b>10,261</b>	<b>11,143</b>	<b>27,790</b>	<b>10,642</b>

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

The 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 2017 and were authorised for issue by Council on 25 October 2017.

#### 1.2 Basis of Preparation

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

##### (1.2.1) Statement of compliance

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

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

These financial statements comply with PBE Standards.

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

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

##### (1.2.2) Presentation and Currency

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

### 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.

## Accountability Information: Notes to the financial statements

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

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

### 2.2 Revenue Recognition

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

#### (2.2.1) Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates.
- 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.

## Accountability Information: Notes to the financial statements

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 - 50
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-fo-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 2016/17 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 2017 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 historically 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 have assessed the recoverable value and believe that the asset should be impaired by \$11.7m, leaving a value of \$7.8m.

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
	16/17	16/17	15/16	16/17	15/16
	\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>					
<b>Groups of activity</b>					
	56	47	67	56	67
Strategic Planning					
Land Drainage & River Control	1,415	681	2,079	1,415	2,079
Regional Resources	3,736	4,220	3,533	3,736	3,533
Regulation	966	1,608	1,144	867	1,014
Biosecurity	29	-	159	29	159
Emergency Management	171	175	105	171	105
Transport	-	-	-	-	-
Governance & Community Engagement	159	137	180	41	13
<b>Total groups of activity revenue</b>	<b>6,532</b>	<b>6,868</b>	<b>7,267</b>	<b>6,315</b>	<b>6,970</b>
Less internal revenue	-	-	-	-	-
<b>Total groups of activity revenue</b>	<b>6,532</b>	<b>6,868</b>	<b>7,267</b>	<b>6,315</b>	<b>6,970</b>
<b>Other activity</b>					
Subsidiary operations	-	-	-	82,008	71,342
<b>Total activity revenue</b>	<b>6,532</b>	<b>6,868</b>	<b>7,267</b>	<b>88,323</b>	<b>78,312</b>
<b>Expenditure</b>					
<b>Groups of activity</b>					
	4,882	5,176	4,542	4,882	4,517
Strategic Planning					
Land Drainage & River Control	7,729	7,263	7,849	7,729	7,849
Regional Resources	13,891	13,365	12,387	13,891	12,372
Regulation	4,753	3,460	3,083	4,740	3,065
Biosecurity	3,102	2,689	3,047	3,102	3,047
Emergency Management	2,211	2,063	2,004	2,211	2,004
Transport	4,288	4,215	4,242	4,288	4,242
Governance & Community Engagement	3,207	3,227	2,886	3,089	2,719
<b>Total groups of activity expenditure</b>	<b>44,063</b>	<b>41,458</b>	<b>40,040</b>	<b>43,932</b>	<b>39,815</b>
Less internal expenditure	(186)	(167)	(162)	(186)	(162)
<b>Total groups of activity expenditure</b>	<b>43,877</b>	<b>41,291</b>	<b>39,878</b>	<b>43,746</b>	<b>39,653</b>
<b>Other activities</b>					
Regional income collection	2,121	1,846	2,370	2,121	2,370
Interest Paid on Regional Income loans	-	345	-	-	-
Subsidiary operations	-	-	-	61,195	54,555
<b>Total other activities expenditure</b>	<b>2,121</b>	<b>2,191</b>	<b>2,370</b>	<b>63,316</b>	<b>56,925</b>
Less personnel costs	7(a) (16,330)	(15,719)	(15,727)	(39,754)	(37,673)
Less finance costs - interest on borrowings	(1,422)	(1,780)	(1,470)	(5,661)	(6,089)
Less finance costs - fees associated with the transfer of Napier leasehold cashflows to ACC	(1,557)	(1,407)	(1,821)	(1,557)	(1,821)
Less depreciation and amortisation expense	(2,659)	(2,490)	(2,463)	(13,206)	(10,956)
<b>Total activity expenditure</b>	<b>24,030</b>	<b>22,086</b>	<b>20,767</b>	<b>46,884</b>	<b>40,039</b>
<b>Depreciation and amortisation by groups of activity</b>					
	-	-	-		
Strategic Planning					
Land Drainage & River Control	600	525	611		
Regional Resources	381	375	332		
Regulation	3	4	3		
Biosecurity	-	-	-		
Emergency Management	24	25	25		
Transport	14	44	12		
Governance & Community Engagement	4	6	6		
<b>Total directly attributable depreciation and amortisation</b>					
Depreciation not directly related to groups of activity	1,633	1,511	1,473		
<b>Total depreciation and amortisation expense</b>	<b>2,659</b>	<b>2,490</b>	<b>2,463</b>		

## Accountability Information: Notes to the financial statements

### Note 4: Rates Revenue

Note	Regional Council			Group	
	Actual 16/17	Budget 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000	\$000
<b>General funding rates</b>					
Uniform annual general charge	2,017	1,947	1,931	2,017	1,931
General rate on land value	1,341	1,248	1,355	1,341	1,355
<b>Total general funding rates</b>	<b>3,358</b>	<b>3,195</b>	<b>3,286</b>	<b>3,358</b>	<b>3,286</b>
<b>Targeted rates</b>	<b>14,303</b>	<b>14,211</b>	<b>13,518</b>	<b>14,303</b>	<b>13,518</b>
<b>Total rates revenue</b>	<b>17,661</b>	<b>17,406</b>	<b>16,804</b>	<b>17,661</b>	<b>16,804</b>

### Note 4(a)

Under Council's rates remission policy for multiple ownership land, 114 rates remissions were approved, totalling \$42,296 (2015/16 - 93 remissions totalling \$16,297)

### Rating base information

The number of rating units within the region as at June 2017 are 70,344 (2016: 69,843)

The total capital value of rating units within the region as at 30 June 2017 is \$31,621,171,000 (2016: \$30,826,416,100)

The total land value of the rating units within the region as at 30 June 2017 is \$16,126,969,650 (2016: \$16,126,438,550)

### Note 5: Other Revenue

Note	Regional Council			Group	
	Actual 16/17	Budget 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000	\$000
<b>Subsidies and grants</b>					
Grants	5,459	3,055	3,600	5,459	3,600
<b>Total subsidies and grants</b>	<b>5,459</b>	<b>3,055</b>	<b>3,600</b>	<b>5,459</b>	<b>3,600</b>
<b>Other revenue</b>					
Dividend revenue	9,542	11,553	7,506	3	3
Rental revenue from investment property	2,751	2,716	2,958	2,763	2,966
Interest revenue	2,806	1,175	3,498	2,813	3,516
Gain / (Loss) on disposal of assets - net	142	-	78	142	78
Subvention payments	5	-	4	-	-
Miscellaneous revenue	355	1,427	613	355	613
<b>Total other revenue</b>	<b>15,601</b>	<b>16,871</b>	<b>14,657</b>	<b>6,076</b>	<b>7,176</b>

#### Note 5(a)

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

#### Note 5(b)

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

#### Note 5(c)

Miscellaneous revenue includes the write back of an over provision for Workplace ACC levies in previous years, reversal of provisions for legal and public liability, writing off unidentified deposits 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	
	16/17	16/17	15/16	16/17	15/16	
	\$000	\$000	\$000	\$000	\$000	
<b>Fair value gains</b>						
Investment property gains	11	5,352	1,292	4,233	5,362	4,243
Financial asset gains	13	-	-	-	-	-
Forestry asset gains	15	2,444	378	1,398	2,444	1,398
Derivative instrument gains	17	39	-	39	39	39
Infrastructure asset gains	10	-	-	-	-	-
Carbon credit gains		-	-	682	-	682
Foreign currency gains		-	-	-	-	-
<b>Total fair value gains</b>		<b>7,835</b>	<b>1,670</b>	<b>6,352</b>	<b>7,845</b>	<b>6,362</b>
<b>Fair value losses</b>						
Investment property losses	11	-	-	-	-	-
Financial asset losses	13	-	-	-	-	-
Forestry asset losses	15	-	-	-	-	-
Derivative instrument losses	17	-	-	-	-	-
Infrastructure asset losses	10	-	-	-	-	-
Carbon credit losses		-	-	-	-	-
Foreign currency losses		-	-	-	-	-
Asset impairment losses	9 & 10	-	-	-	-	-
<b>Total fair value losses</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**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
	16/17	16/17	15/16	16/17	15/16
	\$000	\$000	\$000	\$000	\$000
<b>General disclosures</b>					
	2,261	2,114	2,081	12,006	10,275
	398	376	382	873	681
7(a)	16,330	15,719	15,727	39,754	37,673
	10	10	15	10	15
	91	75	83	265	280
				-	-
	2,351	2,180	2,258	5,051	4,689
	-	-	-	-	-
	78	61	66	78	66
	306	-	-	756	-
	-	-	-	-	-
7(b)	2,735	2,241	2,324	5,885	4,755
<b>Fees paid to Council's auditors (Audit NZ)</b>					
	105	98	92	125	107
	-	-	-	-	-
	-	-	19	-	-
	8	-	8	8	8
<b>Fees paid to subsidiaries' auditors (EY)</b>					
	-	-	-	111	108
	-	-	-	-	42
<b>Total fees paid to auditors</b>	113	98	119	244	265

### Note 7(a)

<b>Personnel Costs</b>					
	16,410	15,227	15,044	39,834	36,051
	455	492	486	455	1,376
	(535)	-	197	(535)	246
<b>Total Personnel Costs</b>	16,330	15,719	15,727	39,754	37,673

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

### Note 7(b)

#### Key Management Compensation

<b>Councillors</b>					
	590	571	578	590	578
	9	9	9	9	9
<b>Executive Management Team, including the Chief Executive and Interim Chief Executives</b>					
	1,839	1,670	1,746	1,839	1,746
	306	-	-	306	-
	9	9	9	9	9
<b>Company Directors, Chief Executive and Senior Management</b>					
	-	-	-	2,700	2,431
	-	-	-	450	-
	-	-	-	24	18
<b>Total Key Management Compensation</b>	2,735	2,241	2,324	5,885	4,755
<b>Total full-time equivalent personnel</b>	18	18	18	42	36

## Accountability Information: Notes to the financial statements

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

Key management for the Council comprises Councillors and the Executive Team.

(Actual figures for 15/16 and 16/17 for the Regional Council include both the Chief Executive seconded to HBRIC Ltd and the interim Chief Executives. More detail on the Chief Executive remuneration can be found in note 28b).

Key management for the 16/17 Group figures include Directors, Chief Executive and the Senior Management Team for each subsidiary (HBRIC Ltd and Napier Port).

Key management for the 15/16 Group figures have been restated to include the Directors, Chief Executives and Senior Management team for each subsidiary (HBRIC Ltd and Napier Port).

### Note 7(c)

#### Other Expenditure

Leasehold Liability Movement (adjustment required to correctly state the liability to ACC)	1,270	-	1,291	1,270	1,291
Grants distributed to Ngati Pahauwera Rivers Initiatives	773	-	241	773	241
Share of gain/(loss) from equity accounted investees	-	-	-	40	39
	<u>2,043</u>	<u>-</u>	<u>1,532</u>	<u>2,083</u>	<u>1,571</u>

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

## Accountability Information: Notes to the financial statements

### Note 8: Income Tax Expense

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000
<b>Income tax expense</b>				
Current tax	-	-	5,262	3,203
Deferred tax	-	-	509	1,502
<b>Total income tax expense</b>	-	-	<b>5,771</b>	<b>4,705</b>

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	(9,740)	4,900	3,649	14,105
Tax at domestic rate of 28% (2016 28%)	(2,727)	1,372	1,022	3,949
Plus / (Less) tax effect of:				
Income not subject to tax	(11,299)	(10,722)	(11,299)	(10,722)
Expenses not deductible for tax purposes	17,592	12,258	15,911	11,483
Imputation credits	(3,710)	(2,913)	-	-
Tax effect of income not recognised for accounting	-	-	-	-
Utilisation of previously unrecognised tax losses	-	-	-	-
Group loss transfer	144	5	139	-
Prior period adjustment	-	-	(2)	(5)
Tax losses not recognised/Adjust tax rate changes	-	-	-	-
Tax on changes to building depreciation rates	-	-	-	-
<b>Tax charge</b>	-	-	<b>5,771</b>	<b>4,705</b>

The Council and Group have unrecognised income tax losses of \$315,850 (2015-16 \$18,230) with a tax effect of \$88,438 (2015-16 \$5,104) that are available to carry forward, subject to compliance with the Income Tax Act.

At the date of these financial statements, HBRIC Ltd cannot determine the amount of deductible temporary differences in relation to the \$11.74 million impairment of the RWSS development expenditure intangible asset.

## 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
<b>COUNCIL</b>										
<b>At 1 July 2015</b>										
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
<b>Year ended 30 June 2016</b>										
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	-	-	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-	-	-
	6,281	7,619	1,019	1,838	2,309	290	827	233	-	20,416
<b>At 30 June 2016</b>										
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
<b>Year ended 30 June 2017</b>										
Opening net book amount	6,281	7,619	1,019	1,838	2,309	290	827	233	-	20,416
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-
Transfers / reclassification	(328)	328	-	-	(112)	-	(19)	-	-	(131)
Additions	801	123	277	593	734	29	204	49	-	2,810
Disposals	-	-	(17)	(149)	-	-	-	-	-	(166)
Depreciation charges	-	(424)	(240)	(331)	(343)	(48)	(221)	(52)	-	(1,659)
Asset impairment losses	-	-	-	-	-	-	-	-	-	-
	6,754	7,646	1,039	1,951	2,588	271	791	230	-	21,270
<b>At 30 June 2017</b>										
Cost or valuation	6,754	8,070	2,290	3,634	4,124	929	2,473	837	-	29,111
Accumulated depreciation	-	(424)	(1,251)	(1,683)	(1,536)	(658)	(1,682)	(607)	-	(7,841)
Net book amount	6,754	7,646	1,039	1,951	2,588	271	791	230	-	21,270

### 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

Insurance Contracts	Book Value \$,000	Maximum Insured Amount \$,000
Hawke's Bay Councils Programme		
PP&E excl. vehicles	19,319	26,745
Pumpstations	4,888	12,560
Vehicles	1,951	1,951
Timber Crops	9,769	7,306 (16/17 insurance will increase to cover the book value at 30/06/17)
	<u>35,927</u>	<u>48,562</u>

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.

Infrastructure Insurance	Book Value \$,000	Maximum Insured Amount \$,000
Infrastructure Assets*	<u>153,270</u>	<u>150,000</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 2017 are:

Regional Disaster Damage Reserve (book value)	2,261,000
Scheme Disaster Damage Reserves	<u>3,589,000</u>
Total	<u>5,850,000</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
<b>Subsidiaries</b>													
<b>At 1 July 2015</b>													
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
<b>Year ended 30 June 2016</b>													
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	-	1,513	5,278	1	-	5,464	1,118	5,303	11,126	-	(337)	(9,737)	19,729
Disposals	-	-	-	-	-	-	-	(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
<b>At 30 June 2016</b>													
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
<b>Year ended 30 June 2017</b>													
Opening 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
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions/Transfers	-	1,363	1,336	-	-	-	241	1,732	-	-	-	8,701	13,373
Disposals/Transfers	-	-	-	-	-	-	-	(119)	-	-	-	(5,495)	(5,614)
Depreciation charges	-	(1,701)	(698)	-	-	(688)	(573)	(5,759)	-	(326)	-	-	(9,745)
	34,809	39,227	16,649	1,665	21,298	10,669	36,669	19,496	25,501	75,244	(4,571)	6,839	283,495
<b>At 30 June 2017</b>													
Cost or valuation	34,809	58,891	24,115	3,664	24,100	14,891	45,042	46,376	34,775	76,711	(3,866)	6,839	366,347
Accumulated depreciation	-	(19,664)	(7,466)	(1,999)	(2,802)	(4,222)	(8,373)	(26,880)	(9,274)	(1,467)	(705)	-	(82,852)
Net book amount	34,809	39,227	16,649	1,665	21,298	10,669	36,669	19,496	25,501	75,244	(4,571)	6,839	283,495

## 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 \$114,000 at rates of 3.30% to 4.53% (2016: \$338,000) 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.

<b>GROUP TOTALS</b>	<b>Council</b>	<b>Council Subsidiaries</b>	<b>Group total</b>
<b>At 1 July 2015</b>			
Cost or valuation	25,916	339,410	365,326
Accumulated depreciation	(7,709)	(65,222)	(72,931)
<b>Net book amount</b>	<b>18,207</b>	<b>274,188</b>	<b>292,395</b>
<b>Year ended 30 June 2016</b>			
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	-	-	-
	<b>20,416</b>	<b>285,481</b>	<b>305,897</b>
<b>At 30 June 2016</b>			
Cost or valuation	26,674	358,896	385,570
Accumulated depreciation	(6,258)	(73,415)	(79,673)
<b>Net book amount</b>	<b>20,416</b>	<b>285,481</b>	<b>305,897</b>
<b>Year ended 30 June 2017</b>			
Opening net book amount	20,416	285,481	305,897
Revaluation surplus / (deficit)	-	-	-
Transfers	(131)	-	(131)
Additions	2,810	13,373	16,183
Disposals	(166)	(5,614)	(5,780)
Depreciation charges	(1,659)	(9,745)	(11,404)
Asset impairment losses	-	-	-
	<b>21,270</b>	<b>283,495</b>	<b>304,765</b>
<b>At 30 June 2017</b>			
Cost or valuation	29,111	366,347	395,458
Accumulated depreciation	(7,841)	(82,852)	(90,693)
<b>Net book amount</b>	<b>21,270</b>	<b>283,495</b>	<b>304,765</b>

## 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
<b>At 1 July 2015</b>																
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
<b>Year ended 30 June 2016</b>																
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 (refer Note 18)	-	-	-	-	-	-	-	-	-	-	(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
<b>At 30 June 2016</b>																
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
<b>Year ended 30 June 2017</b>																
Opening 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
Revaluation surplus	2,400	3,868	90	3,285	1,214	537	6,105	116	18	653	-	-	691	127	-	19,104
Additions	355	-	6	-	29	-	253	-	-	-	-	-	664	-	95	1,402
Transfers	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(12)	(12)
Depreciation charges	-	-	(43)	-	(250)	(212)	-	-	(22)	-	-	(60)	(15)	-	-	(602)
Asset Impairment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629	320	2,085	2,512	113	172,233
<b>At 30 June 2017</b>																
Cost or valuation	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629	759	2,085	2,512	113	172,673
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-	(439)	-	-	-	(439)
Net book amount	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629	320	2,085	2,512	113	172,234

## Accountability Information: Notes to the financial statements

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### Note 10(a)

Infrastructure assets were valued by suitably experienced Council employees at 30 June 2017 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 \$80,000 per hectare,
- Ruataniwha Plains land protected from flooding was valued at \$20,000 per hectare,
- floodable land that is grazed was valued at \$6,000 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 \$189,665,000 as at 30 June 2017.

## Accountability Information: Notes to the financial statements

### Note 11: Investment Property

	Note	Regional Council		Group	
		Actual 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
		<b>At beginning of year</b>		50,566	52,677
Additions		-	-	-	-
Fair value gains / (losses) (included in income statement)	11(a)	5,352	4,233	5,362	4,243
Disposals		(6,871)	(6,344)	(6,871)	(6,344)
Transfers	11(b)		-	-	-
Movement during the year		(1,519)	(2,111)	(1,509)	(2,101)
<b>At end of year</b>		<b>49,047</b>	<b>50,566</b>	<b>51,907</b>	<b>53,416</b>
<b>Investment property includes:</b>					
Endowment leasehold land	11(c)	33,076	36,200	33,076	36,200
Other leasehold land		15,600	14,000	18,460	16,850
Rental Property		371	366	371	366
		<b>49,047</b>	<b>50,566</b>	<b>51,907</b>	<b>53,416</b>

#### Note 11(a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2017 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 \$33,076,000 (2015-16 \$36,200,000). 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 2017 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 7.60%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was \$15,600,000 (2015-16 \$14,000,000). 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 2017 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 \$371,000 (2015-16 \$371,000). Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Council.

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

	Note	Regional Council		Group	
		Actual 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
		Rental income	5	2,751	2,958
Direct operating expense arising from investment properties that generate rental income		(122)	(133)	(108)	(119)
		<b>2,629</b>	<b>2,825</b>	<b>2,655</b>	<b>2,847</b>

## Accountability Information: Notes to the financial statements

### 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

		Computer Software / Development Expenditure \$000	Carbon Credits \$000	Work-in Progress \$000	Council Total \$000
<b>COUNCIL Only</b>					
<b>Note</b>					
<b>At 1 July 2015</b>					
Cost or valuation		4,236	-	-	4,236
Accumulated amortisation		(1,875)	-	-	(1,875)
Net book amount		<u>2,361</u>	-	-	<u>2,361</u>
<b>Year ended 30 June 2016</b>					
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>
<b>At 30 June 2016</b>					
Cost or valuation		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>
<b>Year ended 30 June 2017</b>					
Opening net book amount		2,812	682	-	3,494
Transfers		131	-	-	131
Revaluations		-	-	-	-
Additions		714	529	-	1,243
Disposals		-	-	-	-
Impairment		-	-	-	-
Amortisation charges		(398)	-	-	(398)
		<u>3,259</u>	<u>1,211</u>	-	<u>4,470</u>
<b>At 30 June 2017</b>					
Cost or valuation	<b>12(a)</b>	5,921	1,211	-	7,132
Accumulated amortisation		(2,662)	-	-	(2,662)
Net book amount		<u>3,259</u>	<u>1,211</u>	-	<u>4,470</u>

## Accountability Information: Notes to the financial statements

<b>GROUP</b>	<b>Note</b>	<b>Computer Software \$000</b>	<b>Carbon Credits \$000</b>	<b>Development Expenditure \$000</b>	<b>Group Actual \$000</b>
<b>At 1 July 2015</b>					
Cost or valuation		8,218	-	9,553	17,771
Accumulated amortisation		(4,934)	-	-	(4,934)
Net book amount		3,284	-	9,553	12,837
<b>Year ended 30 June 2016</b>					
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
<b>At 30 June 2016</b>					
Cost or valuation		10,704	682	15,525	26,911
Accumulated amortisation		(6,185)	-	-	(6,185)
Net book amount		4,519	-	15,525	20,726
<b>Year ended 30 June 2017</b>					
Opening net book amount		4,519	682	15,525	20,726
Transfers		131	-	-	131
Additions		1,347	529	4,041	5,917
Disposals		-	-	-	-
Impairment		-	-	(11,740)	(11,740)
Amortisation charges		(873)	-	-	(873)
		5,124	1,211	7,826	14,161
<b>At 30 June 2017</b>					
Cost or valuation	<b>12(a)</b>	12,189	1,211	19,566	32,966
Accumulated amortisation		(7,065)	-	(11,740)	(18,805)
Net book amount		5,124	1,211	7,826	14,161

### 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.

On 6 July 2017 the Supreme Court, in a split decision, ruled that the Minister of Conservation acted illegally by making land available for exchange to allow the RWSS to proceed.

The Supreme Court's decision has significantly reduced the probability of gaining access to the land required without a change in legislation, which has created uncertainty for the future success of the RWSS in its current form.

On 30 August 2017 HBRC resolved to invest no further capital in the RWSS and write off the full value of the advance from HBRC to HBRIC of \$14m. HBRC also resolved that HBRIC should actively attempt to sell the asset to a third party. An assessment of the recoverable value has been performed resulting in an impairment of \$11.7m, leaving a value of \$7.8m.

### Carbon Credits

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 \$17.10 per unit as at 30 June 2017 (30 June 2016 \$17.90 per unit). 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.

### Note 13: Other Financial Assets

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000
<b>Other financial assets</b>				
Current portion				
Term deposits with maturities 92 - 365 days	74,110	59,479	74,110	59,479
Government bonds	363	-	363	-
Community loans	902	901	902	901
<b>Total current portion</b>	<b>75,375</b>	<b>60,380</b>	<b>75,375</b>	<b>60,380</b>
Non-current portion				
Government bonds	1,312	1,993	1,312	1,993
Community loans	8,119	8,108	8,119	8,108
Publicly listed shares	882	971	882	971
Civic Assurance shares	18	18	18	18
RWSS evaluation costs	-	335	-	335
Advances to Napier / Gisborne Rail	201	163	201	163
Shares in Hawke's Bay Regional Investment Company	235,224	235,224	-	-
<b>Total non-current portion</b>	<b>245,756</b>	<b>246,812</b>	<b>10,532</b>	<b>11,588</b>
<b>Total other financial assets</b>	<b>321,131</b>	<b>307,192</b>	<b>85,907</b>	<b>71,968</b>

### 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 3.74% (2015-16 3.51%). These deposits have an average maturity of 205 days (2015-16 202 days).

#### Government & Local Government Funding Agency (LGFA) bonds

The fair value of government and LGFA bonds is \$1,675,000 (2015-16 \$1,993,000). Fair value has been determined using quoted market prices from an independent source. The effective interest rate on government bonds was 3.68% (2015-16 3.89%). This stock has an average maturity of 7.6 years (2015-16 7.6 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 2017 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.

#### 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.

<b>At beginning of year</b>	9,009	8,672	9,009	8,672
Additional loans	1,923	2,027	1,923	2,027
Repayments	(1,911)	(1,690)	(1,911)	(1,690)
<b>At end of year</b>	<b>9,021</b>	<b>9,009</b>	<b>9,021</b>	<b>9,009</b>

#### Impairment

The HBRC RWSS evaluation costs have been fully impaired during the year at the value of \$831,000. There were no impairment provisions on other financial assets in prior years.

### Note 14: Investment in Joint Venture

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000
<b>Investment in Joint Venture</b>				
Shares in Longburn Intermodal Freight Hub Ltd	-	-	884	675
<b>Total</b>	-	-	884	675
<b><u>Movements in the carrying value of joint venture</u></b>				
Opening Balance			675	554
New Investment			249	160
Share of recognised revenues and expenditure			(8)	(39)
Provision			(32)	-
<b>Balance at end of year</b>	-	-	916	675
<b><u>Summarise financial information of joint venture</u></b>				
Assets			2,923	2,025
Liabilities			(175)	-
Net Assets 100%	-	-	2,748	2,025
Port of Napier Limited share (33.3%)			916	675
less provision			(32)	-
			884	675
Revenues			-	-
Net Profit after tax			(24)	(118)
Port of Napier Limited share (33.3%)	-	-	(8)	(118)

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

Note	Regional Council		Group		
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16	
	\$000	\$000	\$000	\$000	
<b>At beginning of year</b>	7,309	5,887	7,309	5,887	
Additions	16	24	16	24	
Fair value gains (included in Statement of Comprehensive Revenue and Expenditure)	2,509	1,398	2,509	1,398	
Fair value (losses) (included in Statement of Comprehensive Revenue and Expenditure)	(65)	-	(65)	-	
Disposals	-	-	-	-	
Reclassification to Plant, Property & Equipment	-	-	-	-	
<b>Movement during the year</b>	<b>2,460</b>	<b>1,422</b>	<b>2,460</b>	<b>1,422</b>	
<b>At end of year</b>	<b>9,769</b>	<b>7,309</b>	<b>9,769</b>	<b>7,309</b>	
<b>Forestry assets include:</b>					
<b>Forestry on Council Owned Land</b>					
Lake Tutira Country Park Forestry Crop	15(a)	4,076	3,088	4,076	3,088
Waihapua Carbon Sequestration Forestry Crop	15(b)	660	412	660	412
Rural Waste Water Disposal Forestry Crops	15(c)	360	345	360	345
Tutira Manuka Honey Forestry	15(d)	325	346	325	346
<b>Forestry on Council Managed Land</b>					
Tangoio Soil Conservation Reserve Forestry Crop	15(e)	4,346	3,116	4,346	3,116
<b>Joint Venture Forestry</b>					
Joint Venture Forestry Rights	15(f)	2	2	2	2
		<b>9,769</b>	<b>7,309</b>	<b>9,769</b>	<b>7,309</b>

Forestry assets on Council owned land comprise a total of 661 hectares of mixed forestry crops situated in the Lake Tutira Country Park (114 ha), Tutira Manuka Forestry (130 ha), Mahia (36 ha), Waihapua (213 ha), Central Hawke's Bay (168 ha).

During the period no forest crops were logged (2015-16 Nil ha).

Council owned forestry assets were fair valued to \$5,422,000 at 30 June 2017 (2015-16 \$4,190,000) 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
P40	184	0	181	0	0
P40pp	133	0	130	0	0
A40	130	130	127	0	0
A	121	121	118	110	110
K	116	116	113	0	0
KI	107	107	104	0	0

CW Prad Clearwood  
HW Hardwood

FR Prad Framing  
SW Softwood

GFR Gisborne Framing

### 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 \$4,076,200 by Morice Limited, independent valuers at 30 June 2017 (2015-16 \$3,087,600). The valuation assumed a discount rate of 6.5%.

#### **Note 15(b)**

Council's carbon sequestration forestry assets consist of 213 hectares of mixed plantings situated at Waihapua. These forestry assets were fair valued to \$659,900 by Morice Limited, independent valuers at 30 June 2017 (2015-16 \$411,800). 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 67 hectares at Pourere Road Waipawa, and 101 hectares at Mangatarata Road, Waipukurau and 36 hectares at Kinikini Road Mahia. These forestry assets were fair valued to \$359,700 by M H Morice of Morice Limited, independent valuers at 30 June 2017 (2015-16 \$344,900). 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 \$325,000 by M H Morice of Morice Limited, independent valuers at 30 June 2017. (2015-16 \$346,000). 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

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		16/17	15/16	16/17	15/16
		\$000	\$000	\$000	\$000
Trade receivables	16(a)	5,789	5,678	19,183	15,518
Less: provision for impairment of receivables	16(b)	(23)	(23)	(23)	(23)
Trade receivables - net		<b>5,766</b>	<b>5,655</b>	<b>19,160</b>	<b>15,495</b>
Prepayments		275	125	1,176	838
GST Receivable		303	259	303	259
Accrued income		2,175	2,791	2,175	2,791
Work-in-progress		141	479	141	479
Intercompany receivables		153	-	-	-
Trade & other receivables	16(c&d)	<b>8,813</b>	<b>9,309</b>	<b>22,955</b>	<b>19,862</b>
Total Trade & other receivables comprise:					
Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.		8,813	9,309	8,813	9,309
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges not subsidised by rates.		-	-	14,142	10,553
		<b>8,813</b>	<b>9,309</b>	<b>22,955</b>	<b>19,862</b>

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	8,813	9,309	22,941	19,862
Non-current trade and other receivables	-	-	-	-
	<b>8,813</b>	<b>9,309</b>	<b>22,941</b>	<b>19,862</b>

#### Other Advances

Advances to Council controlled organisations	-	<b>16,002</b>	-	-
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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.

<b>At beginning of year</b>	23	23	23	23
Additional provisions made during the year	52	28	52	28
Receivables written off during the year	(52)	(28)	(52)	(28)
	-	-	-	-
<b>At end of year</b>	<b>23</b>	<b>23</b>	<b>23</b>	<b>23</b>

#### 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	Gross \$000	Impairment \$000	Net \$000
<b>16/17</b>					
Not past due	4,482	-	14,994	-	14,994
Past due 1 - 60 days	945	-	3,168	-	3,168
Past due 61 - 90 days	21	-	680	-	680
Past due > 90 days	341	(23)	341	(23)	318
	<b>5,789</b>	<b>(23)</b>	<b>19,183</b>	<b>(23)</b>	<b>19,160</b>
<b>15/16</b>					
Not past due	4,612	-	12,691	-	12,691
Past due 1 - 60 days	741	-	2,502	-	2,502
Past due 61 - 90 days	38	-	38	-	38
Past due > 90 days	287	(23)	287	(23)	264
	<b>5,678</b>	<b>(23)</b>	<b>15,518</b>	<b>(23)</b>	<b>15,495</b>

### Note 17: Derivative Financial Instruments

Note	Regional Council		Group	
	Actual 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
<b>Assets</b>				
Interest rate swaps at fair value	-	-	148	-
Foreign exchange option	-	-	25	-
Forward exchange contracts at fair value	-	-	-	6
<b>Total</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>6</b>
<b>Less Non-current portion:</b>				
Interest rate swaps at fair value	-	-	-	-
Forward exchange contracts at fair value	-	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Current portion</b>	<b>-</b>	<b>-</b>	<b>173</b>	<b>6</b>
<b>Liabilities</b>				
Interest rate swaps at fair value	(31)	(70)	(4,662)	(6,280)
Forward exchange contracts at fair value	-	-	(4)	(3)
<b>Total</b>	<b>(31)</b>	<b>(70)</b>	<b>(4,666)</b>	<b>(6,283)</b>
<b>Less Non-current portion:</b>				
Interest rate swaps at fair value	(31)	(70)	(3,350)	(4,975)
Forward exchange contracts at fair value	-	-	-	-
	<b>(31)</b>	<b>(70)</b>	<b>(3,350)</b>	<b>(4,975)</b>
<b>Current portion</b>	<b>-</b>	<b>-</b>	<b>(1,316)</b>	<b>(1,308)</b>

### Note 17(a)

The notional principal amounts of the outstanding interest rate swap contracts at 31 March 2017 were \$77,800,000 (2015-16 \$134,500,000). All of these swaps were active at 31 March 2017. There were no forward starting, future dated swaps.

At 31 March 2017, the various interest rates were in the range of 2.89% to 3.00% (2015-16 3.25% to 5.34%).

## Accountability Information: Notes to the financial statements

### Note 18: Cash & Cash Equivalents

	Note	Regional Council		Group	
		Actual 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
		Cash at bank and in hand	18(a)	10,261	9,901
Short-term bank deposits	18(b)	-	17,889	-	17,889
		<b>10,261</b>	<b>27,790</b>	<b>10,642</b>	<b>28,103</b>

#### 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.

There were no short-term bank deposits as at 30 June 2017 (2015-16 3.04%). The average deposit maturity after balance date was NIL (2015-16 91 days)

#### Note 18(c)

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

Bank overdrafts	-	-	-	(124)
Cash and cash equivalents	10,261	27,790	10,642	28,103
	<b>10,261</b>	<b>27,790</b>	<b>10,642</b>	<b>27,979</b>

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

<b>Note 18(d) Reconciliation of Surplus after Tax to Net Cash Flows from Operations</b>				
<b>Net Surplus on Operations</b>	(9,740)	4,900	(2,122)	9,400
<b>Add (Less) Non-Cash Items:</b>				
Fair value gains	(7,835)	(6,352)	(8,372)	(5,812)
Fair value losses	-	-	-	-
Depreciation	2,659	2,463	12,188	10,956
(Loss) on disposal of leasehold land	(142)	(78)	(142)	(78)
ACC liability movement	1,270	1,291	1,270	1,291
Vested asset	-	(547)	-	(547)
Impairment of assets	14,787		13,418	-
Share of loss of equity accounted investee			79	-
Deferred tax	-	-	1,051	945
<b>Add (Less) Movement in Working Capital Items:</b>				
(Increase)/decrease in inventories	58	(38)	58	46
(Increase)/decrease in trade & other receivables	1,041	(145)	(2,618)	488
(Increase)/decrease in tax receivables	-	-	(39)	(10)
(Decrease)/increase in trade & other payables	(1,071)	1,209	2,034	2,727
(Decrease)/Increase in employee entitlement liabilities	(535)	197	(535)	137
<b>Add (Less) Items Classified as Investing or Financing Activities:</b>				
Movement in non-current provisions	-	480	2,777	712
Net (Gain) / Loss on sale of non-current assets	-	-	100	178
<b>Net Cash Inflow from Operating Activities</b>	<b>492</b>	<b>3,380</b>	<b>19,147</b>	<b>20,433</b>

## Accountability Information: Notes to the financial statements

### Note 19: Fair Value Reserves

Note	Parent							Parent	Group	
	Land	Buildings	Hydrological Assets	Infrastructure Assets	Carbon Credits	Other Financial Assets	HBRIC Ltd	Investment Properties	Total	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b><u>COUNCIL Only</u></b>										
<b>At 1 July 2015</b>	118	255	74	80,153	-	358	57,724	-	138,682	141,928
<b>Year ended 30 June 2016</b>										
Reclassification transfer	-	-	-	-	-	-	-	-	-	-
Revaluation - gross	789	958	-	(47)	-	61	-	-	1,761	(1,669)
	789	958	-	(47)	-	61	-	-	1,761	(1,669)
<b>At 30 June 2016</b>	907	1,213	74	80,106	-	419	57,724	-	140,443	140,259
<b>Year ended 30 June 2017</b>										
Reclassification transfer					682				682	682
Revaluation - gross				19,104	529	8			19,641	20,878
	-	-	-	19,104	1,211	8	-	-	20,323	21,560
<b>At 30 June 2017</b>	907	1,213	74	99,210	1,211	427	57,724	-	<b>160,766</b>	161,819

## Accountability Information: Notes to the financial statements

Note	Land \$000	Buildings \$000	Hydrological Assets \$000	Infrastructure Assets \$000	Carbon Credits \$000	Sea Defences \$000	Other Financial Assets \$000	Investment Properties \$000	Hedged Transactions \$000	Group Total \$000
<b>GROUP</b>										
<b>At 1 July 2015</b>	118	255	74	80,153	-	62,007	358	-	(3,051)	139,914
<b>Year ended 30 June 2016</b>										
Reclassification transfer	-	-	-	-	-	-	-	-	-	-
Revaluation - gross	789	958	-	(47)	-	61	-	-	(1,416)	345
	789	958	-	(47)	-	-	-	-	(1,416)	345
<b>At 30 June 2016</b>	907	1,213	74	80,106	-	62,068	358	-	(4,467)	140,259
<b>Year ended 30 June 2017</b>										
Reclassification transfer	-	-	-	-	682	-	-	-	-	682
Revaluation - gross	-	-	-	19,104	529	8	-	-	1,237	20,878
	-	-	-	19,104	1,211	-	-	-	1,237	21,560
<b>At 30 June 2017</b>	907	1,213	74	99,210	1,211	62,076	358	-	(3,230)	161,819

### 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 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
<b>Accumulated funds</b>				
<b>Balance at 1 July</b>	311,947	303,178	259,869	242,619
Surplus / (deficit) for the year	(9,740)	4,900	(2,122)	9,400
Transfers to / from other reserves	1,138	3,869	1,138	3,869
Reclassification transfer	(683)	-	(683)	-
Dividends received / (paid)	-	-	-	-
Effect on consolidation	-	-	2,722	3,981
<b>Balance at 30 June</b>	<b>302,662</b>	<b>311,947</b>	<b>260,924</b>	<b>259,869</b>

## 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
<b>At 1 July 2015</b>	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 fair value gains																	-
Interest income / (expense)		39	132				62	88	82	15	109	3		43	3	35	611
Rental income - net					1,790												1,790
Depreciation transfer	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)
<b>At 30 June 2016</b>	<b>1,358</b>	<b>832</b>	<b>4,317</b>	<b>353</b>	<b>-</b>	<b>-</b>	<b>1,478</b>	<b>3,064</b>	<b>2,959</b>	<b>398</b>	<b>3,468</b>	<b>206</b>	<b>61,479</b>	<b>1,276</b>	<b>63</b>	<b>936</b>	<b>82,186</b>
Net fair value gains / (losses)																	-
Interest income / (expense)		29	124				42	78	120		110	1			3	11	518
Rental income - net																	-
Depreciation transfer	931						2,057										2,988
Trading gain / (loss)							211	105									316
Transfers / (use of) reserves	(606)	23	584	(353)			(868)	(986)	510	38	(308)	30	(40)	(289)		(773)	(3,038)
Asset purchases - net							(2,625)										(2,625)
Borrowings - net							703										703
	325	52	708	(353)	-	-	(480)	(803)	630	38	(198)	31	(40)	(289)	3	(762)	(1,138)
<b>At 30 June 2017</b>	<b>1,683</b>	<b>884</b>	<b>5,025</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>998</b>	<b>2,261</b>	<b>3,589</b>	<b>436</b>	<b>3,270</b>	<b>237</b>	<b>61,439</b>	<b>987</b>	<b>66</b>	<b>174</b>	<b>81,048</b>

### 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

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000
<b>Non-current</b>				
Bank borrowings	19,225	19,065	83,625	106,165
Finance lease obligations	-	-	-	-
	<b>19,225</b>	<b>19,065</b>	<b>83,625</b>	<b>106,165</b>
<b>Current</b>				
Bank overdrafts	-	-	-	124
Bank borrowings	3,640	3,520	22,440	3,520
Finance lease obligations	-	-	-	-
	<b>3,640</b>	<b>3,520</b>	<b>22,440</b>	<b>3,644</b>
<b>Total borrowings</b>	<b>22,865</b>	<b>22,585</b>	<b>106,065</b>	<b>109,809</b>

### 21(a) Security

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

During the period, Napier Port had two multi option credit facilities with Westpac, one for \$50 million and the other \$60 million. On 31 March 2017, the Company repaid and cancelled the \$50 million facility and extended the other to \$65 million with a new expiry date of 31 December 2019. Also on 31 March 2017, the Company entered into a new \$42.5 million facilities agreement with ASB Bank Limited, expiring 31 March 2018.

The facilities give 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 sale of such assets and other security interests. During the year, HBRIC Limited entered into a \$6 million credit facility with Bank of New Zealand Limited. Security is by way of a negative pledge over the assets of HBRIC Limited in respect of both sale of such assets and other security interests.

### 21(b) Maturity analysis of borrowings

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

## Accountability Information: Notes to the financial statements

	Regional Council		Group	
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000
6 months or less	140	280	140	(1,098)
Between 6 and 12 months	-	-	18,800	1,502
Between 1 and 2 years	-	280	64,400	87,380
Between 2 and 5 years	5,250	3,500	5,250	3,500
Over 5 years	17,475	18,525	17,475	18,525
	<b>22,865</b>	<b>22,585</b>	<b>106,065</b>	<b>109,809</b>

### 21(c) Effective interest rates

The effective interest rates at the balance sheet date were:

	Regional Council		Group	
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	%	%	%	%
Effective interest rate ranges	3.85 - 6.46	4.15 - 8.41	2.80 - 6.46	3.25 - 5.34

### 21(d) Fair values

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

	Regional Council		Group	
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000
Bank borrowings	19,724	18,861	102,924	107,463
	<b>19,724</b>	<b>18,861</b>	<b>102,924</b>	<b>107,463</b>

The fair values as based on cash flows discounted using a rate based on the borrowing rate of 5.10% (2015-16 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 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000
Bank overdraft	-	-	-	-
Bank borrowings	-	-	30,300	22,900
	-	-	<b>30,300</b>	<b>22,900</b>

## 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 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
<b>Internal Loan Opening Balance</b>				
<b>Council Wide Activity</b>				
Dalton Street Building Remediation	152	543	152	543
Computer Equipment	580	660	580	660
Hydrology Equipment	1,190	1,230	1,190	1,230
<b>Groups of Activities</b>				
<b>Land, Drainage and River Control</b>				
Makara Scheme	213	220	213	220
	<b>2,135</b>	<b>2,653</b>	<b>2,135</b>	<b>2,653</b>
<b>Internal Loans Borrowed during the year</b>				
<b>Council Wide Activity</b>				
Dalton Street Building Remediation	-	-	-	-
Computer Equipment	-	-	-	-
Hydrology Equipment	100	100	100	100
<b>Groups of Activities</b>				
<b>Land, Drainage and River Control</b>				
Makara Scheme	-	-	-	-
	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>
<b>Internal Loans Repaid during the year</b>				
<b>Council Wide Activity</b>				
Dalton Street Building Remediation	152	391	152	391
Computer Equipment	80	80	80	80
Hydrology Equipment	150	140	150	140
<b>Groups of Activities</b>				
<b>Land, Drainage and River Control</b>				
Makara Scheme	7	7	7	7
	<b>389</b>	<b>618</b>	<b>389</b>	<b>618</b>
<b>Internal Loan Closing Balance</b>				
<b>Council Wide Activity</b>				
Dalton Street Building Remediation	-	152	-	152
Computer Equipment	500	580	500	580
Hydrology Equipment	1,140	1,190	1,140	1,190
<b>Groups of Activities</b>				
<b>Land, Drainage and River Control</b>				
Makara Scheme	206	213	206	213
	<b>1,846</b>	<b>2,135</b>	<b>1,846</b>	<b>2,135</b>
<b>Interest Paid during the year</b>				
<b>Council Wide Activity</b>				
Dalton Street Building Remediation	4	18	4	18
Computer Equipment	19	23	19	23
<b>Groups of Activities</b>				
<b>Land, Drainage and River Control</b>				
Makara Scheme	7	8	7	8
<b>Regional Resources</b>				
Clean Heat	-	-	-	-
Hydrology Equipment	24	26	24	26
<b>Emergency Management</b>				
Hydrology Equipment	16	17	16	17
	<b>70</b>	<b>93</b>	<b>70</b>	<b>93</b>

## Accountability Information: Notes to the financial statements

### Note 22: Deferred Income Tax (Group)

Note	Property, Plant & Equipment	Derivatives	Other	Total
	\$000	\$000	\$000	\$000
<b>Balance at 1 July 2015</b>	<b>(18,898)</b>	<b>1,187</b>	<b>681</b>	<b>(17,030)</b>
Charged to surplus or deficit re current year	(1,502)	-	-	(1,502)
Adjustment prior year provision	6	-	-	6
Charged to surplus or deficit	<b>(1,496)</b>	-	-	<b>(1,496)</b>
Charges to other comprehensive revenue and expense	-	550	-	550
<b>Balance at 30 June 2016</b>	<b>(20,394)</b>	<b>1,737</b>	<b>681</b>	<b>(17,976)</b>
Charged to surplus or deficit re current year	(509)	-	-	(509)
Adjustment prior year provision	(14)	-	-	(14)
Charged to surplus or deficit	<b>(523)</b>	-	-	<b>(523)</b>
Charges to other comprehensive revenue and expense	-	(481)	-	(481)
<b>Balance at 30 June 2017</b>	<b>(20,917)</b>	<b>1,256</b>	<b>681</b>	<b>(18,980)</b>

### Note 23: Employee Benefit Liabilities

Note	Regional Council		Group	
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000
Annual leave	932	968	3,872	3,003
Long service leave	320	318	694	699
Sick leave	26	22	26	22
Retirement gratuities	283	273	283	273
Other short term benefits	-	-	-	-
Accrued payroll expenses	-	515	-	515
<b>Total employee benefit liabilities</b>	<b>1,561</b>	<b>2,096</b>	<b>4,875</b>	<b>4,512</b>
<b>Disclosed as:</b>				
Non-current	584	554	958	935
Current	977	1,542	3,917	3,577
	<b>1,561</b>	<b>2,096</b>	<b>4,875</b>	<b>4,512</b>

### Note 23(a) Movement in employee benefit liability

	Regional Council		Group	
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16
	\$000	\$000	\$000	\$000
<b>At beginning of year</b>	<b>2,096</b>	<b>1,899</b>	<b>4,512</b>	<b>4,375</b>
Additional provisions	1,291	1,889	2,258	4,233
Unused amounts reversed	(31)	(387)	(31)	(387)
Used during the year	(1,795)	(1,305)	(1,864)	(3,709)
Movement during the year	(535)	197	363	137
<b>At end of year</b>	<b>1,561</b>	<b>2,096</b>	<b>4,875</b>	<b>4,512</b>

## Accountability Information: Notes to the financial statements

### Note 24: Trade & Other Payables

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000
Trade payables	3,694	2,835	7,280	5,767
Accrued expenses	3,660	5,610	6,014	7,376
Deposits & advances	1,894	1,874	1,894	1,873
Intrabusiness payables	-	-	-	-
	<b>9,248</b>	<b>10,319</b>	<b>15,188</b>	<b>15,016</b>
Total trade and other payables comprise:				
Payables and deferred revenue from non-exchange transactions - rates paid in advance	1,569	1,308	1,569	1,308
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions	7,679	9,011	13,619	13,708
	<b>9,248</b>	<b>10,319</b>	<b>15,188</b>	<b>15,016</b>

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
	16/17	15/16	16/17	15/16
Note	\$000	\$000	\$000	\$000
<b>Current portion:</b>				
ACC Leasehold Liability	775	941	775	941
	<b>775</b>	<b>941</b>	<b>775</b>	<b>941</b>
<b>Non-current portion:</b>				
ACC Leasehold Liability	18,045	23,897	18,045	23,897
Other Liabilities	29	28	29	28
	<b>18,074</b>	<b>23,925</b>	<b>18,074</b>	<b>23,925</b>
<b>Total</b>	<b>18,849</b>	<b>24,866</b>	<b>18,849</b>	<b>24,866</b>

## Accountability Information: Notes to the financial statements

### Council and Group

	ACC Leasehold Liability \$000	Other Liabilities \$000	Total \$000
<b>2016</b>			
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	-	-	-
<b>Balance at 30 June 2016</b>	<b>24,838</b>	<b>28</b>	<b>24,866</b>
<b>2017</b>			
Balance at 1 July 2016	24,838	28	24,866
Additional provisions made	1,270	1	1,271
Amount used	(7,288)		(7,288)
Unused amounts reversed			-
Discount unwind			-
<b>Balance at 30 June 2017</b>	<b>18,820</b>	<b>29</b>	<b>18,849</b>

### 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 16/17 \$000	Actual 15/16 \$000
<b>26(a) The following transactions were carried out with subsidiaries:</b>		
<b>(i) Sales of services</b>		
By parent	493	1,267
By subsidiary	113	40
	606	1,307
<b>(ii) Purchases of services</b>		
By parent	113	40
By subsidiary	493	1,267
	606	1,307
<b>(iii) Subvention payments</b>		
Received by parent	5	4
Paid by subsidiary	5	4
	10	8
The subvention payment is the tax effect of total losses transferred from Council to Napier Port during the year.		
<b>(iv) Dividends (net)</b>		
Received by parent	9,539	7,503
Paid by subsidiary	9,539	7,503
	19,078	15,006
<b>(v) Share capital</b>		
Paid by parent	-	-
Received by subsidiary	-	-
	-	-

#### 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 the Group (such as payment of rates, purchases of small amounts of goods and services).

As part of the Constitution of Hawkes Bay Tourism Limited, HBRC are entitled to appoint one Director to the Board of Hawkes Bay Tourism Limited. This position is currently filled by Councillor Fenton Wilson. HBRC have paid Hawkes Bay Tourism Limited \$1,520,000 (excl. GST) in the 2016-17 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

Receivables from related parties		
Parent	153	544
Subsidiary	-	-
	<b>153</b>	<b>544</b>
Payables to related parties		
Parent	-	-
Subsidiary	153	544
	<b>153</b>	<b>544</b>

### 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 was impairment relating to amounts owed by related parties of \$13,956,000 owed by HBRIC Ltd to HBRC (2015-16 \$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:

	Regional Council		Group	
	Actual	Actual	Actual	Actual
	16/17	15/16	16/17	15/16
<b>Note</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
<b>Property, plant &amp; equipment</b>				
Property, plant and equipment	-	-	12,500	-
	<b>-</b>	<b>-</b>	<b>12,500</b>	<b>-</b>

Napier Port have entered into various capital contracts that have not yet been incurred. These include development of the Thames Street Depot, Whakatu Depot and Crane equipment.

### 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:

Not later than one year	35	35	45	79
Later than one year but not later than five years	12	29	12	39
Later than five years	-	-	-	-
	<b>47</b>	<b>64</b>	<b>57</b>	<b>118</b>

### 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 2017 the annual rent receivable by Council is \$1,553,385 (2016 \$1,908,113)

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 2017 are \$3,269,999 (2015-16 \$3,468,238).

## 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.

Elected Members	Salary	Hearing Fees	Councillor Allowances	Total Remuneration
	16/17	16/17	16/17	16/17
	\$	\$	\$	\$
Fenton Wilson	67,947		7,968	75,915
Alan Dick	60,991		1,206	62,197
Christine Scott (Part Year)	17,959	5,550	261	23,770
Debbie Hewitt	53,062		6,442	59,504
Rex Graham	96,505		331	96,836
Dave Pipe (Part Year)	14,366		394	14,760
Peter Beaven	57,399		1,464	58,863
Rick Barker	57,873		1,055	58,928
Tom Belford	57,399		1,610	59,009
Neil Kirton (Part Year)	43,032		639	43,671
Paul Bailey (Part Year)	35,103		1,607	36,710
	<b>561,636</b>	<b>5,550</b>	<b>22,977</b>	<b>590,163</b>

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	Hearing Fees	Councillor Allowances	Total Remuneration
	15/16	15/16	15/16	15/16
	\$	\$	\$	\$
Fenton Wilson	109,723	<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
	<b>545,022</b>	<b>17,135</b>	<b>15,798</b>	<b>577,955</b>

## Accountability Information: Notes to the financial statements

### Note 28(b) Remuneration of Chief Executive

		Salary 16/17 \$	Severance Payments 16/17 \$	Other Benefits 16/17 \$	Total Remuneration 16/17 \$
Andrew Newman - Seconded to HBRIC Limited	(01/07/16 - 15/10/16)	94,490		9,069	103,559
Andrew Newman - CE HBRC	(16/10/16 - 31/03/17)	216,188	306,200	20,853	543,241
Liz Lambert - Acting CE HBRC	(01/07/16 - 15/10/16)	65,403		6,924	72,327
Greg Woodham - Acting CE HBRC	(01/04/16 - 18/06/17)	45,792		5,786	51,578
James Palmer - CE HBRC	(19/06/17 - 30/06/17)	10,962		1,032	11,994
		<b>432,835</b>	<b>306,200</b>	<b>43,664</b>	<b>782,699</b>

		Salary 15/16 \$	Severance Payments 15/16 \$	Other Benefits 15/16 \$	Total Remuneration 15/16 \$
Andrew Newman - Seconded HBRIC Limited	(full year)	350,962		32,006	382,968
Liz Lambert - Acting CE HBRC	(full year)	202,381		22,480	224,861
		<b>553,343</b>	<b>-</b>	<b>54,486</b>	<b>607,829</b>

### Note 28(c) Severance Payments

There were three severance payments made during the year that were outside contractual obligations totalling \$323,200. One for the Chief Executive for \$306,200, one for \$9,000 and one other for \$8,000 (2015-16; NIL payments)

### Note 28(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June	2017
< \$60,000	64
\$60,000 - \$79,999	59
\$80,000 - \$99,999	41
\$100,000 - \$119,999	15
\$120,000 - \$139,999	11
\$140,000 - \$299,999 (combined band)	6
Total Employees (headcount)	<b>196</b>

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)	<b>189</b>

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 167 (2016 165) full-time employees, with the balance of staff representing 18.4 (2016 15.0) 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 2016-17 year in its 2016-17 Annual Plan. Explanations for the major variances from the forecast figures published in the Annual Plan are set out following.

#### 29 (i) Statement of Comprehensive Revenue and Expenditure

##### **Operating revenue is \$7.2 million or 16% more than budget. This variance is explained below:**

Revenue from Council activities is \$0.1 million or 4% down budget due to:

- Land and Drainage revenue is up \$0.7 million due to an increase in engineering consultancy services for additional project work and an increase in external contract revenue earned by the HBRC Works Group.
- Regional Resource revenue is down \$0.5 million due to less income received from nursery sales and Heat Smart repayments.
- Regulation revenue is down \$0.6 million due to compliance time being spent on more environment incident response projects rather than chargeable compliance monitoring work.
- Rates revenue is \$0.3 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.

Other revenue is 1.1 million or 6% more than budget due to:

- Dividend revenue is \$2.0 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 the amount of special dividend was far less as the funding had not been distributed to HBRIC Limited.
- Interest income has increased \$1.6 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 at rates higher than budgeted.
- Grant income is up \$2.4 million due to grants received for the Cape to City project, various Hill Country erosion and Drylands projects, assistance for the purchase of the Waipatiki Camp Ground and Waitangi Regional Park.
- Other revenue is down \$1.1 million as the budget included income from the ACC liability movements which have not occurred during the year.

Fair value gains are \$6.2 million or 369% more than budget as investment property gains far exceeded expectations

##### **Operating expenditure is \$19.3 million or 44.5% more than budget. This variance is explained below:**

Expenditure on Council activities is \$2.0 million or 8.8% up on budget due to:

- Strategic Planning expenditure was down \$0.3 million due to delays in commissioning and completing contracted work relating to TANK, the Mohaka Plan Change and Regional Resource Management Plan (RRMP) effectiveness reporting.
- Land and Drainage expenditure was up \$0.5 million due to an increase in engineering consultancy services and an increase in external contract expenditure by the HBRC Works Group.
- Regional Resource expenditure was up \$0.5 million due to work in the hill country erosion, drylands and coastal erosion projects.
- Regulation costs were up \$1.3 million due to the Havelock North Water Contamination Investigation, Inquiry and subsequent follow up action.

Personnel costs are \$0.6 million or 4% up on budget due to severance payments, three additional staff previously employed by Napier City Council, Hastings District Council and Central Hawkes Bay Council coming under a joint CDEM program run by HBRC. These costs were funded directly by those other councils, two additional staff for compliance monitoring and a new governance administration assistant.

Other expenditure includes \$1.3 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 and \$0.7 million grants distributed to Ngati Pahauwera

## Accountability Information: Notes to the financial statements

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Expenditure on impairment is \$14.8 million up on budget due to two separate but related transactions:  
The write down of the \$14 million advance to HBRIC Ltd for the RWSS and the \$0.8 million write off of the costs associated with the Council's own evaluation into the RWSS.

**Other comprehensive income** is \$1.9 million less than budget due to the revaluation of infrastructure assets held by the Council which was less than budgeted.

### 29 (ii) Statement of Financial Position

**Assets are \$30 million or 4.9% less than budget mainly due to:**

- Infrastructure asset are \$3 million less than budget due to a difference in the revaluation assumptions compared to actuals
- Investment property is \$6 million less than budget mainly due to sales of Napier endowment leasehold property far exceeding forecast.
- Investment in Council-controlled organisations are \$80 million less than budget as the assumption was that the whole RWSS advance would be transferred to an investment when financial close was completed.
- 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 \$61 million more than budget as the funding for the RWSS and Napier/Gisborne Rail has been retained.

**Liabilities are \$22 million or 29% less than budget mainly due to:**

- Provisions for other liabilities are \$10 million less than budget due to the sale of leasehold property cash flows which lowers the future liability to ACC as part of the capitalisation of leasehold cash flow arrangements with ACC.
- Borrowing is \$11 million less than budget as the proposed borrowing of \$11.5 for the RWSS was not required due to the hold on the project. This borrowing was instead of selling the Wellington leasehold investment properties.

**Equity is \$9 million or 1.6% less than budget due to movements in the fair value reserve and operating movements with incorporate the \$14.8 million impairment costs.**

### 29 (iii) Cash flow statement

- Net cash out flows from **operating** activities are \$3 million less than budget mainly due to an increase in operating expenditure for the year.
- Net cash outflows from **investing** activities are \$0.7 million less than budget mainly due to the movement in financial assets.
- Net cash inflows from **financing** activities was \$18 million less than budget due to payments made to ACC for the sale of leasehold properties and reduced loan borrowings

### 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 16/17 \$000	Actual 15/16 \$000	Actual 16/17 \$000	Actual 15/16 \$000
Cash and cash equivalents	10,261	27,790	10,642	28,103
Bank deposits with terms greater than 91 days	74,110	59,479	74,110	59,479
Hawke's Bay Regional Investment Company	235,224	235,224	-	-
Publicly listed shares	882	971	882	971
Civic Assurance shares	18	18	18	18
Government stock	1,675	1,993	1,675	1,993
Community loans	9,021	9,009	9,021	9,009
Trade & other receivables	8,813	25,311	23,094	19,862
Derivative financial instruments	-	-	173	6
	<b>340,004</b>	<b>359,795</b>	<b>119,615</b>	<b>119,441</b>

## Accountability Information: Notes to the financial statements

### 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.

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 \$000	Contractual Carrying Amount \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
<b>Council at 30 June 2017</b>						
Creditors and other payables	9,248	9,248	9,248	-	-	-
Bank borrowings	22,865	27,310	4,661	4,505	11,362	6,782
Bank overdraft	-	-	-	-	-	-
ACC liability	18,820	18,820	775	917	2,749	14,380
Finance lease	-	-	-	-	-	-
	50,933	55,378	14,684	5,422	14,111	21,162
<b>Council at 30 June 2016</b>						
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
<b>Group at 30 June 2017</b>						
Creditors and other payables	18,128	18,128	18,128	-	-	-
Bank borrowings	106,065	115,838	31,133	6,251	71,672	6,782
Bank overdraft	-	-	-	-	-	-
ACC liability	18,820	18,820	775	917	2,749	14,380
Interest rate swaps	4,483	4,908	1,327	1,205	2,066	310
Forward exchange contracts	4	121	121	-	-	-
Finance lease	-	-	-	-	-	-
	147,500	157,815	51,484	8,373	76,487	21,472
<b>Group at 30 June 2016</b>						
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

## Accountability Information: Notes to the financial statements

### 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 NZD \$000	Currency Amount \$000	Less than 1 Year \$000	1 - 2 Years \$000	2 - 5 Years \$000	More than 5 Years \$000
<b>Group at 30 June 2017</b>						
Euro	121	76	76	-	-	-
Canadian dollar	-	-	-	-	-	-
United States of America dollar	-	-	-	-	-	-
Singapore dollar	-	-	-	-	-	-
	121	76	76	-	-	-
<b>Group at 30 June 2016</b>						
Euro	90	58	58	-	-	-
Canadian dollar	57	48	48	-	-	-
United States of America dollar	-	-	-	-	-	-
Singapore dollar	-	-	-	-	-	-
	147	106	106	-	-	-

## Accountability Information: Notes to the financial statements

### Note 30 (b): Sensitivity Analysis

#### Council

	2017 \$000				2016 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
<b>Interest Rate Risk</b>								
Financial assets								
Cash and cash equivalents	(51)	-	51	-	(139)	-	139	-
Other financial assets:								
Term deposits	(371)	-	371	-	(297)	-	297	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	114	-	(114)	-	113	-	(113)	-
Derivatives	0	-	(0)	-	0	-	(0)	-
<b>Total sensitivity</b>	<b>(308)</b>	-	<b>308</b>	-	<b>(323)</b>	-	<b>323</b>	-
<b>Foreign Exchange Risk</b>								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
<b>Total sensitivity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity Price Risk</b>								
Financial assets								
Publicly listed shares	(4)	-	4	-	(5)	-	5	-
Government Bonds	(8)	-	8	-	(10)	-	10	-
<b>Total sensitivity</b>	<b>(12)</b>	-	<b>12</b>	-	<b>(15)</b>	-	<b>15</b>	-

#### Group

	2017 \$000				2016 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
<b>Interest Rate Risk</b>								
Financial assets								
Cash and cash equivalents	(53)	-	53	-	(141)	-	141	-
Other financial assets:								
Term deposits	(371)	-	371	-	(297)	-	297	-
Financial liabilities								
Bank overdraft	-	-	-	-	1	-	(1)	-
Loans	530	-	(530)	-	548	-	(548)	-
Derivatives	23	-	(23)	-	31	-	(31)	-
<b>Total sensitivity</b>	<b>129</b>	-	<b>(129)</b>	-	<b>143</b>	-	<b>(143)</b>	-
<b>Foreign Exchange Risk</b>								
Financial assets								
Forward exchange contracts	(1)	-	1	-	(1)	-	1	-
<b>Total sensitivity</b>	<b>(1)</b>	-	<b>1</b>	-	<b>(1)</b>	-	<b>1</b>	-
<b>Equity Price Risk</b>								
Financial assets								
Publicly listed shares	(4)	-	4	-	(5)	-	5	-
Government Bonds	(8)	-	8	-	(10)	-	10	-
<b>Total sensitivity</b>	<b>(12)</b>	-	<b>12</b>	-	<b>(15)</b>	-	<b>15</b>	-

#### **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.

## Note 31 Financial Instrument Categories

Note	Regional Council		Group		
	Actual 16/17	Actual 15/16	Actual 16/17	Actual 15/16	
	\$000	\$000	\$000	\$000	
<b>Financial Assets</b>					
Loans and receivables					
	Cash and cash equivalents	10,261	27,790	10,642	28,103
	Trade & other receivables	8,813	9,309	22,955	19,862
	Advances to Council-controlled organisations	-	16,002	-	(0)
	Other financial assets				
	Term Deposits	74,110	59,479	74,110	59,479
	Community loans	9,021	9,009	9,021	9,009
	<b>Total loans and receivables</b>	<b>102,205</b>	<b>121,589</b>	<b>116,728</b>	<b>116,453</b>
Held-to-maturity					
	Other financial assets				
	Government Bonds	1,675	1,993	1,675	1,993
	<b>Total held-to-maturity</b>	<b>1,675</b>	<b>1,993</b>	<b>1,675</b>	<b>1,993</b>
Fair value through other comprehensive revenue and expense					
	Other financial assets				
	Publicly listed shares	882	971	882	971
	Civic Assurance shares	18	18	18	18
	RWSS evaluation costs	-	335	-	335
	Advances to Napier / Gisborne Rail	201	163	201	163
	Shares in Hawke's Bay Regional Investment Company	235,224	235,224	-	-
	<b>Total fair value through other comprehensive revenue and expense</b>	<b>236,325</b>	<b>236,711</b>	<b>1,101</b>	<b>1,487</b>
<b>Financial Liabilities</b>					
Fair value through surplus or deficit - held for trading					
	Derivative financial instrument liabilities	31	70	4,666	6,283
Financial Liabilities at amortised cost					
	Trade & other payables	9,248	10,319	15,188	15,016
	Bank overdraft	-	-	-	124
	Borrowings	22,865	22,585	106,065	109,685
	ACC Leasehold Liability	18,820	24,838	18,820	24,838
	<b>Total financial Liabilities at amortised cost</b>	<b>50,964</b>	<b>57,812</b>	<b>144,739</b>	<b>155,946</b>

### 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
<b>30 June 2017 - Council</b>				
Financial assets				
Government bonds	1,675	1,675		
Publicly listed shares	882	882		
Shares in Hawke's Bay Regional Investment Company	235,224			235,224
Financial liabilities				
Derivatives	31		31	
<b>30 June 2017 - Group</b>				
Financial assets				
Government bonds	1,675	1,675		
Publicly listed shares	882	882		
Financial liabilities				
Derivatives	4,662		4,662	
<b>30 June 2016 - Council</b>				
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	
<b>30 June 2016 - Group</b>				
Financial assets				
Government bonds	1,993	1,993		
Publicly listed shares	971	971		
Financial liabilities				
Derivatives	6,280		6,280	

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:

	2017 \$000	2016 \$000
Balance at 1 July	236,924	235,224
Gain and losses recognised in the surplus or deficit		
Gain and losses recognised in other comprehensive revenue and expenditure	19,104	1,700
Purchases		
Sales		
Transfers		
<b>Balance at 30 June</b>	<b>256,028</b>	<b>236,924</b>

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

On 6 July 2017 the Supreme Court, ruled against the land exchange decision by the Director General of the Department of Conservation (DoC) and HBRIC Ltd.

On 30 August 2017 HBRC resolved to invest no further capital in the RWSS and write off the full value of the advance from HBRC to HBRIC of \$14m. HBRC also resolved that HBRIC should actively attempt to sell the asset to a third party. An assessment of the recoverable value has been performed resulting in an impairment of \$11.7m, leaving a value of \$7.8m.

## 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.

<b>Council Funding Impact Statement</b>				
	<b>Annual Plan 2015/16 (\$'000)</b>	<b>Annual Report 2015/16 (\$'000)</b>	<b>Annual Plan 2016/17 (\$'000)</b>	<b>Annual Report 2016/17 (\$'000)</b>
<b>Sources of operating funding</b>				
General rates & uniform annual general charges	3,130	3,286	3,195	3,358
Targeted rates	13,454	13,518	14,211	14,303
Subsidies & grants for operating purposes	2,983	3,600	3,055	4,616
Fees & charges	6,168	7,267	6,868	6,532
Interest & dividends from investments	10,593	11,004	12,728	12,348
Fines, infringement fees & other receipts	2,899	3,575	2,992	2,756
<b>Total operating funding</b>	<b>39,227</b>	<b>42,250</b>	<b>43,049</b>	<b>43,913</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	36,250	36,494	37,805	40,360
Finance costs	2,796	3,291	3,187	2,979
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>39,046</b>	<b>39,785</b>	<b>40,992</b>	<b>43,339</b>
<b>Surplus / (deficit) of operating funding</b>	<b>181</b>	<b>2,465</b>	<b>2,057</b>	<b>574</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital purposes	1,184	-	1,389	843
Development & financial contributions	-	-	-	-
Increase / (decrease) in debt (See annotation below)	1,219	1,461	11,644	280
Gross proceeds from sale of assets	275	6,574	203	7,191
Lump sum contributions	-	-	-	-
<b>Total sources of capital funding</b>	<b>2,678</b>	<b>8,035</b>	<b>13,236</b>	<b>8,314</b>
<b>Applications of capital funding</b>				
Capital expenditure:				
- to meet additional demand	2,972	458	2,621	1,456
- to improve the level of service	763	780	1,000	834
- to replace existing assets	2,447	3,669	3,318	3,192
	<b>6,182</b>	<b>4,907</b>	<b>6,939</b>	<b>5,482</b>
Increase / (decrease) in reserves	(47,896)	(750)	(37,001)	(2,213)
Increase / (decrease) of investments	44,573	6,343	45,355	5,619
<b>Total application of capital funding</b>	<b>2,859</b>	<b>10,500</b>	<b>15,293</b>	<b>8,888</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(181)</b>	<b>(2,465)</b>	<b>(2,057)</b>	<b>(574)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### Reconciliation to Surplus / (Deficit) before Taxation

Operating Surplus per Income Statement	684	4,900	2,389	(9,740)
Depreciation	2,349	2,463	2,490	2,659
Fair Value Gains/Losses	(1,589)	(6,352)	(1,670)	(7,835)
Gain / Loss on sale	-	(78)	-	(142)
Capital Grants	-	-	-	(843)
Other Revenue	-	-	-	(355)
Other Expenses	(1,263)	1,532	(1,152)	16,830
<b>FIS Surplus / (deficit) of Operating Funding (above)</b>	<b>181</b>	<b>2,465</b>	<b>2,057</b>	<b>574</b>

## Financial Impact Statements

Funding Impact Statement: Strategic Planning			
	LTP	LTP	Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
Targeted rates	1,721	2,058	2,012
Subsidies & grants for operating purposes	125	125	419
Fees & charges	52	54	55
Internal charges & overheads recovered	2,753	2,838	1,573
Fines, infringement fees & other receipts	-	-	-
<b>Total operating funding</b>	<b>4,651</b>	<b>5,075</b>	<b>4,060</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	4,020	4,428	4,157
Finance costs	10	9	9
Internal charges & overheads applied	621	638	716
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>4,651</b>	<b>5,075</b>	<b>4,882</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>(821)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	(20)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>(20)</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(447)
Increase / (decrease) of investments	-	-	(394)
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>(841)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>821</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>0</b>

Funding Impact Statement: Land Drainage & River Control			
	LTP	LTP	Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
Targeted rates	6,452	6,667	6,718
Subsidies & grants for operating purposes	-	-	-
Fees & charges	124	124	1,415
Internal charges & overheads recovered	207	86	339
Fines, infringement fees & other receipts	92	158	232
<b>Total operating funding</b>	<b>6,875</b>	<b>7,035</b>	<b>8,704</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	4,683	4,860	6,588
Finance costs	118	70	60
Internal charges & overheads applied	1,479	1,501	481
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>6,280</b>	<b>6,431</b>	<b>7,129</b>
<b>Surplus / (deficit) of operating funding</b>	<b>595</b>	<b>604</b>	<b>1,575</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	56
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(792)	(542)	(542)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>(792)</b>	<b>(542)</b>	<b>(486)</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	763	968	834
- to replace existing assets	-	480	23
	763	1,448	857
Increase / (decrease) in reserves	(960)	(1,386)	232
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>(197)</b>	<b>62</b>	<b>1,089</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(595)</b>	<b>(604)</b>	<b>(1,575)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>(0)</b>

## Financial Impact Statements

Funding Impact Statement: Regional Resources			
	LTP	LTP	Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,145	1,245	1,246
Subsidies & grants for operating purposes	-	-	736
Fees & charges	3,667	3,719	3,736
Internal charges & overheads recovered	7,252	6,831	5,058
Fines, infringement fees & other receipts	154	166	146
<b>Total operating funding</b>	<b>12,218</b>	<b>11,961</b>	<b>10,921</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	9,862	9,533	10,445
Finance costs	905	936	1,007
Internal charges & overheads applied	1,451	1,492	2,060
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>12,218</b>	<b>11,961</b>	<b>13,512</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>(2,591)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	1,153	1,358	187
Development & financial contributions	-	-	-
Increase / (decrease) in debt	1,058	85	622
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>2,211</b>	<b>1,443</b>	<b>809</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	2,212	1,644	556
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	<b>2,212</b>	<b>1,644</b>	<b>556</b>
Increase / (decrease) in reserves	(1)	(201)	(2,337)
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>2,211</b>	<b>1,443</b>	<b>(1,782)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>2,591</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>(0)</b>

Funding Impact Statement: Regulation			
	LTP	LTP	Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	1,832	1,829	1,847
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees & charges	1,523	1,614	965
Internal charges & overheads recovered	-	-	2,175
Fines, infringement fees & other receipts	10	10	-
<b>Total operating funding</b>	<b>3,461</b>	<b>3,453</b>	<b>4,987</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	2,715	2,785	3,871
Finance costs	-	-	-
Internal charges & overheads applied	650	668	879
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>3,461</b>	<b>3,453</b>	<b>4,750</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>238</b>
<b>Sources of capital funding</b>			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	<b>-</b>	<b>-</b>	<b>-</b>
Increase / (decrease) in reserves	-	-	238
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>238</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>(238)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Financial Impact Statements

Funding Impact Statement: Biosecurity & Biodiversity			
	LTP		Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,638	1,679	1,681
Subsidies & grants for operating purposes	25	25	292
Fees & charges	14	14	29
Internal charges & overheads recovered	1,097	1,093	797
Fines, infringement fees & other receipts	10	7	3
<b>Total operating funding</b>	<b>2,784</b>	<b>2,818</b>	<b>2,802</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	2,413	2,438	2,574
Finance costs	-	-	-
Internal charges & overheads applied	371	380	528
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>2,784</b>	<b>2,818</b>	<b>3,102</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>(300)</b>
<b>Sources of capital funding</b>			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(300)
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>(300)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>300</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

Funding Impact Statement: Emergency Management			
	LTP		Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	-	-	-
Targeted rates	894	999	1,039
Subsidies & grants for operating purposes	172	174	427
Fees & charges	119	122	171
Internal charges & overheads recovered	719	668	424
Fines, infringement fees & other receipts	3	1	(4)
<b>Total operating funding</b>	<b>1,907</b>	<b>1,964</b>	<b>2,057</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	1,499	1,549	1,669
Finance costs	29	26	24
Internal charges & overheads applied	379	389	494
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>1,907</b>	<b>1,964</b>	<b>2,187</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>(130)</b>
<b>Sources of capital funding</b>			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(130)
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>(130)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>130</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Financial Impact Statements

Funding Impact Statement: Transport			
	LTP	LTP	Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,604	1,652	1,607
Subsidies & grants for operating purposes	2,646	2,738	2,706
Fees & charges	-	-	-
Internal charges & overheads recovered	9	30	48
Fines, infringement fees & other receipts	(3)	(2)	(3)
<b>Total operating funding</b>	<b>4,256</b>	<b>4,418</b>	<b>4,358</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	4,119	4,264	4,080
Finance costs	-	14	-
Internal charges & overheads applied	137	140	194
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>4,256</b>	<b>4,418</b>	<b>4,274</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>84</b>
<b>Sources of capital funding</b>			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	84
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>84</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>(84)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>0</b>

Funding Impact Statement: Governance & Community Engagement			
	LTP	LTP	Annual Report
	2015/16	2016/17	2016/17
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	1,306	1,359	1,511
Targeted rates	-	-	-
Subsidies & grants for operating purposes	15	15	35
Fees & charges	133	187	159
Internal charges & overheads recovered	1,467	952	2,001
Fines, infringement fees & other receipts	-	-	-
<b>Total operating funding</b>	<b>2,782</b>	<b>2,513</b>	<b>3,706</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	2,440	1,990	2,747
Finance costs	182	219	138
Internal charges & overheads applied	300	304	318
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>2,782</b>	<b>2,513</b>	<b>3,203</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>503</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	32	126	600
Development & financial contributions	-	-	-
Increase / (decrease) in debt	744	754	244
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
<b>Total sources of capital funding</b>	<b>1,510</b>	<b>880</b>	<b>844</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	630	1,260	900
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	1,890	1,260	900
Increase / (decrease) in reserves	145	(380)	447
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>1,510</b>	<b>880</b>	<b>1,347</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>(503)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>

## General Information

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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](http://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
- Hawke's Bay Regional Planning Committee Act 2015
- 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

### 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 under the RMA are:

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

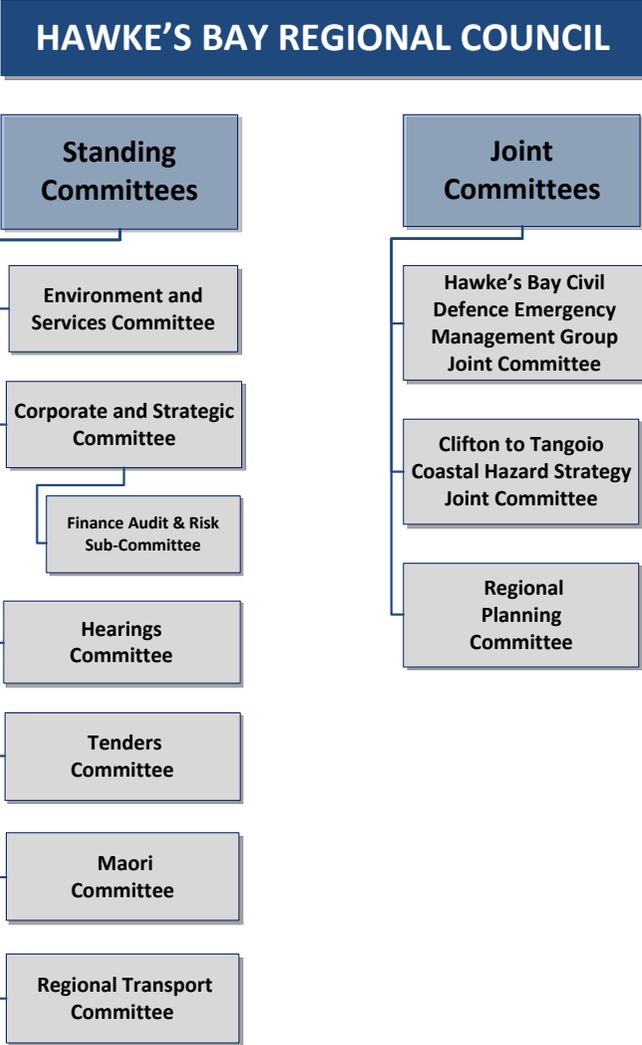
The Resource Management Act also requires the Council to monitor the state of the environment, so State of the Environment (SoE) reports are produced. The latest five-yearly SoE Summary Trends report was published in July 2015 covering the 2009-2013 period.

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



## Key Implementation milestones and activities for the 2014 National Policy Statement for Freshwater Management

### Status key (for 2016-2017 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	2015-2016 Status	2016-2017 Status	Comment on 2016 – 2017 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 2016-17 period, parties to the remaining parts of the appeal by the Hawke's Bay branch of the NZ Fish and Game Council prepared and exchanged evidence ahead of an Environment Court hearing to commence on 11 September 2017. Unresolved issues focus on the definition of 'wetland' in Change 5 and implications for administration of other provisions in the RRMP.	●	●	●	●	●	●	●						●
Plan Change: Mohaka River catchment			Supporting science reporting continues to be progressed for wider Mohaka catchment. Two key technical reports were published in September 2016. The catchment characterisation report described current environmental state and condition of the Mohaka catchment. The second report focussed on state and trends of water quality and ecology within the Mohaka catchment.  Wider stakeholder and community engagement workstreams were not progressed as planned due to key HBRC personnel and resources being re-prioritised to assist in the Ruataniwhana Water Storage Scheme Review and Plan Change 6 (Tukituki River catchment) implementation planning.	●	●	●					●	●	●	●	●	●
Plan Change: Remaining catchment areas (Esk- Tutira, Wairoa, Porangahau and the Southern Coast)			Plan change/review preparation work was not carried out for the 2016-2017 period.	●	●	●	●	●	●	●	●	●	●	●	●	●

Activity	2015-2016 Status	2016-2017 Status	Comment on 2016 – 2017 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	
Plan Change: Greater Heretaunga/Ahuriri			<p>The TANK (Tutaekurī, Ahuriri, Ngaruroro, Karamū catchments) Collaborative Stakeholder Group and working group meetings continue to be well attended and discussion and questions by the group members indicate a high degree of engagement and understanding of the issues and challenges to be addressed in the catchments.</p> <p>The TANK Group has been working with the science team modellers to understand how the aquifer and surface water systems interact, and see how water abstraction affects ground water levels and the flows in connected rivers and springs. Group has been exploring other ways of maintaining river and spring flows, including consideration of how climate change may affect water availability and demand during the next planning cycle.</p> <p>A significant amount of data collection, together with scientific information and analysis continues to underpin the TANK Group’s deliberations. During the 2016/17 period, work was completed by Ngati Kahungunu Iwi Inc. on an approach for translating values to attributes for monitoring that state of water quality using a matauranga Māori approach. Development of the Heretaunga Plains groundwater model (MODFLOW) was progressed during the period. That model is being used for scenario simulations to support TANK group decision making. Contaminant fate and transport modelling also commenced but is not yet as advanced as the hydraulic connectivity components.</p> <p>Extensive data was collected about what is grown on the plains and the hill country areas of TANK’s catchments. This has been combined into a number of ‘model farms’ that represent the majority of land use in the TANK footprint. Impacts of different water management regimes on farm economics will be assessed using those model farms.</p> <p>Feedback was provided by some members of the TANK group in relation to a first draft version of issues and objectives that could be included in the plan change.</p> <p>The looming process associated with the Water Conservation Order application for the Ngaruroro and Clive Rivers poses a real challenge to the TANK work for the future 2017/18 period and beyond.</p> <p>Communications with the wider stakeholder group networks and general public continues to be a key workstream. “Think TANK” bulletins are issued following every TANK group meeting. Further frequent and targeted communications are now being launched. For example, “Talk TANK” is the latest initiative where key messages about TANK progress is now shared via social media and regular media notices.</p>	●	●	●	●	●	●	●	●	●	●	●	●

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				Obj A1	Obj A2	Obj B1	Obj B2	Obj B3	Obj B4	Obj C1	Obj CA1	Obj CB1	Obj CC1	Obj D1		
Plan Change: urban stormwater			<p>During the 2016/17 period, this workstream is now embedded within the Greater Heretaunga/Ahuriri plan change project. Consequently, the “urban stormwater plan change” workstream is focussed on the TANK catchments – not the wider region.</p> <p>The TANK Stormwater Working Group (SWG) formed in early 2016 continues to assist the TANK group in its decision making. The SWG’s 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. Significant effort has gone into understanding stormwater management issues and opportunities for better management. Key inputs into this discussion were provided by Napier City and Hastings District councils. The work of the stormwater group has included discussions with the TLAs about:</p> <ul style="list-style-type: none"> <li>a) contingency planning for the management of unexpected and emergency discharges from stormwater networks</li> <li>b) retrofitting existing networks to improve the ecosystem state and quality of stormwater discharges</li> <li>c) management of actual and potential sources of contamination (particularly from industrial sites)</li> <li>d) improved on-site and infrastructure design and management for stormwater systems in new urban developments</li> <li>e) There is also a particular focus on good integration between city, district and regional council roles and looking for opportunities for improvements, including in relation to resource consent requirements, engineering standards and flooding and drainage management and levels of service.</li> </ul> <p>The review of existing provisions and the potential for an improved policy and regulatory framework for the TANK catchments (includes Napier, Havelock North and Hastings urban areas) is work in progress by this stormwater group. A discussion document containing alternative management approaches for stormwater management for discussion by the TANK group was being drafted at the end of the 2016/17 reporting period.</p>	●	●							●	●	●	●	●

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				Obj A1	Obj A2	Obj B1	Obj B2	Obj B3	Obj B4	Obj C1	Obj CA1	Obj CB1	Obj CC1	Obj D1	
RPS and/or plan change: 2010 NZ Coastal Policy Statement implementation			The Hawke's Bay Regional Coastal Environment Plan (RCEP) became operative in November 2014, fully replacing the earlier 1999 Regional Coastal Plan.  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.  Plan change/review preparation work was not carried out for the 2016-2017 period.	●	●							●			●
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 Round 6. The project was completed and final reporting presented to MFE in May 2017. The project successfully documented the rationale behind the Government's intentions regarding references to "outstanding freshwater bodies" in the NPSFM. However the ambitious project was not able to develop a full set of criteria nor a methodology for the identification of New Zealand's "outstanding freshwater bodies" in the context of the NPSFM. Clarifying the NPSFM's intentions regarding "outstanding freshwater bodies" was an important prerequisite to HBRC commencing a Hawke's Bay-specific plan change identifying the region's outstanding waterbodies.		●					●		●			●
RPS Change for outstanding freshwater bodies			Following completion of the Community Environment Fund project (above), scoping of policy development approaches for identification of outstanding waterbodies in the Hawke's Bay region commenced. Several different approaches were considered by the Regional Planning Committee in March 2017. The Regional Planning Committee's preferred approach is now being advanced with further evaluation and policy drafting to occur during the 2017/18 period.	●	●	●						●			●
Plan change: rest of region			Plan change/review preparation work was not carried out for the 2016-2017 period.	●	●	●	●	●	●	●	●	●	●	●	●