

<b>Contents</b>	<b>Page</b>
Summary of Significant Accounting Policies .....	1
Significant Forecasting Assumptions .....	7
Forecast Financial Statements .....	15
Financial Metrics .....	30
Rate Movements.....	32
Funding Impact Statement .....	33
Explanation of Rating Method .....	39
Resource Management Charges .....	51
Building Act Charges .....	58
Navigation and Safety Charges .....	60
Charge Rates and Other Information .....	61
Charges for the Provision of Information .....	61



## Summary of Significant Accounting Policies

The Hawke's Bay Regional Council is a regional local authority governed by the Local Government Act 2002. The Council was formed on 1 November 1989.

The prospective financial statements presented are those of the Council for the 12 month period beginning on 1 July 2013 and have been prepared in accordance with Sections 95 and 111 of the Local Government Act 2002.

The Council has not presented group prospective financial statements because it believes that parent prospective financial statements are more relevant to users. The main purpose of prospective financial statements in an Annual Plan is to provide users with information about the core services that the Council intends to provide ratepayers, the expected cost of those services and as a consequence how much the Council requires by way of rates to fund the intended levels of service. The level of rates funding required is not affected by subsidiaries except to the extent that the Council obtains distributions from, or further invests in, those subsidiaries. Such effects are included in the prospective financial statements of the Council.

The principal accounting policies applied in the preparation of these prospective financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 1 Basis of Preparation

The financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand for public benefit entities adopting New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and applicable New Zealand Financial Reporting Standards. The statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, available-for-sale financial assets, financial assets and liabilities at fair value through profit and loss and investment property. The Council's functional currency is New Zealand dollars (NZD) and the statements have been presented in thousands of NZD exclusive of New Zealand Goods and Services Tax (GST). Trade accounts payable and receivable are stated at GST inclusive amounts.

### 2 Inventories

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

### 3 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently remeasured each balance sheet date at amortised cost using the effective interest method less provision for impairment.

### 4 Plant, Property and Equipment

#### i. 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 on the basis of market information.

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 the 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.

### ii. 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.

### iii. 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 and the cost can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

### iv. 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 classes are charged against revaluation reserves in equity. All other decreases are charged to the income statement.

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.

### v. Other Adjustments

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

## 5 Investment Property

Investment property is residential and commercial land and buildings held to earn rental income and for capital appreciation. Such property is carried at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the income statement for the period in which it arises.

Under the Hawke's Bay Endowment Land Empowering Act 2002, rental income from endowment land in Hawke's Bay 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. Unspent funds are held in the Coastal Marine Area Reserve Fund.

## 6 Forestry Crops

Forestry crops are measured at their fair value less estimated point-of-sale costs each balance sheet 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 income statement for the period in which it arises.

### 7 Financial Assets

Financial assets are designated at initial recognition into one of the four following categories set out below depending on the purpose for which the financial asset was acquired. At each balance sheet date, all financial asset designations are re-evaluated.

#### i. Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified in this category if acquired principally for the purpose of selling in the short term or are so designated by management. The category includes derivatives and has two sub-categories: financial assets held for trading, and those designated at fair value through the profit and loss at inception. Assets held in this category are classified as current assets if they are either held for trading, or are expected to be realised within 12 months of balance sheet date.

Financial assets in this category, including derivatives, are initially recognised at fair value and are measured at each balance sheet date at fair value. Realised and unrealised gains or losses in value are recorded in the income statement for the period in which they arise.

#### ii. 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 arise, for example, when the Council makes community loans. They are included in non-current assets except when maturities are shorter than 12 months from balance sheet date.

Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or use. At each balance sheet date these financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains or losses in value are recorded in the income statement for the period in which they arise.

#### iii. Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that management have a positive intention and ability to hold to maturity.

Financial assets in this category are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or use. At each balance sheet date these financial assets are measured at amortised cost using the effective interest method. Realised and unrealised gains or losses in value are recorded in the income statement for the period in which they arise.

#### iv. Available-For-Sale Assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or are not classified in any of the other categories. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of balance sheet date.

Available-for-sale financial assets are carried at fair value using a quoted price if an active market exists or using discounted valuation techniques if no active market exists. Any gain or loss in value is recognised directly in equity through the statement of changes in equity for the period in which it arises.

When an available-for-sale financial asset is sold, the accumulated fair value adjustments are included in the income statement.

At each balance sheet date, an assessment is made whether there is any objective evidence that a financial assets or group of financial assets is impaired. If objective evidence of impairment exists for available-for-sale financial assets, then any cumulative loss is transferred from equity to the income statement. Such a transfer is not reversible.

## 8 Intangible Assets

Intangible assets comprise acquired computer software licences. All intangible assets with finite lives are carried at the historical cost incurred to acquire and bring into use the specific software less accumulated depreciation.

## 9 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 sheet 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 income statement 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.

## 10 Depreciation

Land is 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 sheet date. Major depreciation periods are:

Asset Category	Years
Buildings	10 - 100
Site Improvements	10 - 40
Vehicles	3 - 10
Plant & Equipment	3 - 25
Computer Equipment	4 - 10
Computer Software & Licenses	3 - 5
Infrastructure Assets	25 - 70

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.

## 11 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 balance sheet.

## 12 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings 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 sheet date.

## 13 Income Tax

The Council's income is exempt from tax except for amounts derived from any council-controlled organisation or port company or subsidiary port company.

## 14 Employee Benefits

Short-term employee benefits including salaries and wages, annual leave and contributions to superannuation schemes are recognised when they accrue to employees and are measured at undiscounted cost.

The liability for accumulating sick leave is stated as the cost of sick leave that is expected to be used.

Long-term employee benefits including long service leave and retirement gratuities are recognised at the present value of the Council's obligation at balance sheet date.

### 15 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 not recognised for future operating losses.

### 16 Revenue Recognition

Revenue comprises the fair value for the sale of goods and services, net of GST, rebates and discounts. Revenue is recognised as follows:

- Sales of goods are recognised when a product is sold to a customer. A sale occurs when the goods are delivered to the customer. The recorded revenue is the gross amount of the sales.
- 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.
- Interest income is recognised on a time proportion basis using the effective interest method.
- Dividend income is recognised when the right to receive payment is established.
- Government grants are recognised as income when eligibility has been established by the grantor agency.

- Rates are recognised as income in the accounting period in which they are set and assessed.

### 17 Leases

Leases in which a significant proportion of the risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement net of any incentives received from the lessor on a straight-line basis over the period of the lease.

### 18 Financial Risk Management

The Council's activities expose it to a variety of financial risks including:

- Market risk, including currency risk, fair value interest rate risk and price risk;
- Credit risk;
- Liquidity risk; and
- Cash flow interest-rate risk.

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Council's financial performance. The Council uses derivative financial instruments such as foreign exchange contracts to hedge certain exposures.

The Council enters into foreign currency forward exchange contracts to hedge foreign currency transactions, when purchasing major property, plant and equipment and when payment is denominated in foreign currency.

The Council has no significant concentrations of credit risk. It has policies in place to ensure that services are provided to customers with an appropriate credit history.

Collateral or other security is not required for financial instruments subject to credit risk.

### 19 Accounting for Derivative Financial Instruments and Hedging Activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at the fair value at each balance sheet date.

Where the Council determines that it will hedge a transaction it documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as the risk management objective and strategy for undertaking various hedge transactions.

The Council also documents its assessment, both at 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 of hedged items.

#### i. Cash Flow Hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement. The Council accounts for hedges of foreign currency risk of a firm commitment as cash flow hedges.

#### ii. Derivatives that Do Not Qualify for Hedge Accounting

Certain derivatives instruments do not qualify for hedge accounting and changes in the fair value of these instruments are recognised immediately in the income statement.

Any changes in the fair value of interest rate swaps due to changes in interest rates are recognised in the income statement in the period in which they occur.

### 20 Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance sheet date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these are included in the income statement.

### 21 Basis of Allocation of the 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
- The 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 summarized for each activity and group of activities.

### 22 Cautionary Note

The forecast financial statements are prepared based on best estimates available at the time of preparing the accounts. Actual results are likely to vary from information presented and the variations may be material.

The purpose of this plan is to consult with the community on the spending priorities outlined within the plan, and may not be appropriate for any other purpose.

### Introduction

In preparing the Long Term Plan for 2012/22 a number of assumptions and predictions about the future have been made. There are always inherent risks with such forecasting, therefore it is important that the main assumptions used in these forecasts are identified. This section has been designed to identify these assumptions, and explain the risks associated with such assumptions.

A number of additional assumptions are highlighted in the significant activity section of this plan.

### Date of Assumptions

The assumptions underlying this prospective financial information are as at 20 March 2013 (the date of HBRC adoption of this Draft Annual Plan).

*Note: Changes to these LTP assumptions are shown in Part 1 of this plan under the heading "Explanatory Notes of Changes between Year 2 of the LTP 2012-22 and Annual Plan 2013/14"*

### Council's Activities and Functions

Hawke's Bay Regional Council (HBRC) will continue to perform its existing functions in accordance with current legislation and current Council policies. These functions will be primarily carried out to meet its statutory role and responsibilities and to help meet the community outcomes as developed by the community. This plan links community outcomes to Council's activities within each group of activities.

### General Assumption

HBRC has not taken into account forecast changes in population, economic activity or climate change. It is considered that the impact of any changes in these statistics will have a minimal or very low effect on the plan's projections.

### Interest Rates

Information received from HBRC's bankers, the Bank of New Zealand, in January 2012 indicated that the interest rate assumptions below for borrowing would be appropriate for inclusion on the plan:

- The interest rate on future term borrowing between 2012 and 2022 is estimated to be between 6.50% and 7.50%. Accordingly, rates of 6.50% for 2012/13, 7.00% for 2013/14 and a rate of 7.50% for the remaining years have been assumed in this plan.

Information received from the Bank of New Zealand in January 2012 indicated that the official cash rate may gradually rise from its current low level of 2.5% to 4.5% by June 2014. HBRC cash investments and term deposits accomplish an average margin of 1.50% over the official cash rate. The following rates of interest on deposits have been used in this plan:

- For the 2012/13 financial year – 4.15%
- For the 2013/14 financial year – 5.20%
- For the remainder of the plan until 30 June 2022 – 5.75%.

### Cost Adjusters

All expenditure projections in the Income Statements and assets in the Balance Sheet are stated in 2012/13 dollars; however, for the year 2013/14 and subsequent years of the plan, the following adjustments (Table 1) have been made to allow for the effect of inflationary pressures on Council's costs.

Year	Wages, Salaries & other Salary Related Costs		External Expenditure		Assets	
	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)	Annual (%)	Cumulative (%)
2013/14	2.4	2.4	3.2	3.2	3.2	3.2
2014/15	2.4	4.9	3.2	6.5	3.1	6.4
2015/16	2.6	7.6	3.4	10.1	3.3	9.9
2016/17	2.6	10.4	3.5	14.0	3.4	13.6
2017/18	2.4	13.0	3.4	17.9	3.1	17.2
2018/19	2.3	15.6	3.3	21.7	3.1	20.8
2019/20	2.6	18.6	3.3	25.8	3.3	24.8
2020/21	2.7	21.8	3.6	30.3	3.6	29.3
2021/22	2.7	25.1	3.5	34.8	3.6	33.9

\*These assets include infrastructure, land, buildings, hydrological assets and Hawke's Bay Regional Investment Company Limited equity and are derived using an average price change from each of the asset categories.

The above rates have been taken from the BERL forecasts of price level adjusters, dated September 2011.

It is not anticipated that there will be any significant variations over the inflation provisions when Council re-tenders for maintenance and other contracts during the term of the plan.

## Investments

### Establish the Investment Company

The investment company, Hawke's Bay Regional Investment Company Limited (HBRIC) has been established and activities commenced on 1 February 2012. Initially

governance of the HBRIC will be by a Transition Board of Directors who will complete its establishment and move the company through early evaluations of potential investment projects in water storage and harvesting. This board will be replaced by a full board from 1 January 2014 which will direct the company's affairs thereafter.

HBRIC will initially own the Council's shareholding in Port of Napier Limited and be funded by equity wholly owned by HBRC and advances provided by it from time to time. Future investments will be funded from a mixture of equity and advances (provided to HBRIC at no less than the Council's cost of borrowing).

### Investment Activities

During the course of the Long Term Plan, investment of around \$186M (constant 2012 dollars) is proposed to be made in new and existing investments in water storage and harvesting (Ruataniwha Plains and Ngaruroro), commercial property and logistics services (Rail: Port Hub) through advances to HBRIC, with further investment in hill country forestry as a wholly owned activity of HBRC being accounted for on HBRC's Balance Sheet.

Indicative timeframes for the major proposed investments are shown in Table 2.

Proposed Investment	Construction Start	Begin Operations	Expected Rate of Return
Ruataniwha Plains	July 2014	January 2018	6%
Ngaruroro River	January 2015	January 2018	6%
Rail - Port Hub	July 2014	July 2016	7.5%
Forestry	N/A	July 2013	7%

While these projects are expected to yield cash income once they start operations, they will be accruing holding costs on funds advanced by HBRC at the interest rate it paid for its borrowings until they are operational.

### Funding Investments

These investments will be funded by:

- Drawing down existing cash reserves.
- Selling interests in existing leasehold properties.
- Additional borrowings.
- Securing Central Government contributions to specific investment projects.

Funds are proposed to be realised from leasehold properties in Napier by:

- Selling freeholds to existing lessees at discounts ranging from 10%-17% from lessors interest up until 30 June 2012; and then,
- Selling the residual cash flows from rents paid by the remaining leaseholders to an investor by 31 December 2012.

Funds are also expected to be generated from the sale of the Council’s existing portfolio of Wellington leasehold properties during the 2012-2013 financial year.

Where HBRC borrows to fund the proposed investment, it is assumed that these borrowings will be on an interest only basis. When these investments yield a commercial return on funds invested, loans will be renegotiated to reflect some capital payments.

### Forestry

During the course of the LTP, HBRC will manage the following forestry assets:

Site Name	Area (ha)	Significant Assumptions
Wastewater Investments: CHB	180	- Carbon Price of \$20/tonne - Return on use of funds based on Council’s borrowing rates as set out in this policy
Waste Water Investments: Mahia	35	- Farmers will uptake Hill Country planting at a rate that allows the annual planting targets to be made
Waihapua	250	- Hill Country: A planting rate of 1,600ha per annum will be sustained for years 8-10 of the LTP
Hill Country	Year 1: 500 Year 2: 1,000	

Site Name	Area (ha)	Significant Assumptions
Tangoio	320	- 20ha will be harvested in the next two years with a further 20-30ha harvested in 2019-20
Tutira	140	- 140ha will be progressively harvested starting in 2018-19
Tutira: Manuka Honey Plantings	150	- That the actual investment returns from UMF honey will be not reduce significantly over the life of the investment and will be similar to those projected by Council.

These forestry investments are restated to fair value each year; however, for the purposes of this plan the ‘property’ price adjusters as set out by BERL have not been used because it is not possible to predict the future movements and the prices over the period of the plan. This plan therefore assumes that the increase in the value of the forestry asset is limited to the silvicultural or roading work carried out on the forestry assets during each year of the plan.

### Assets

#### Infrastructure Assets

All infrastructure assets (river, flood control and drainage schemes) will be operated, maintained and improved as set out in the asset management plans that have been prepared for each of the river, flood control and drainage schemes.

Schemes are funded to a level that ensures levels of service set for each scheme in the relevant asset management plan are achieved and maintained over the life of the assets.

For the purposes of projecting annual movement in the values of this asset category to fair value, the property price adjusters covering projected movement in asset construction as set out by BERL have been used.

### Plant, Property and Equipment including Intangible Assets

It is assumed that HBRC's other fixed assets continue to be provided at the level required to carry out its activities. Depreciation on operating assets will continue to be fully funded. Combined with the proceeds of asset sales and loan funding, where appropriate, that will be sufficient to fund the ongoing programme of capital expenditure on operating assets.

The useful lives of each category of asset are shown in the Statement of Significant Accounting Policies included in this plan.

For the purposes of projecting annual movement in the values of this asset category to fair value, the property price adjusters as set out by BERL have been used.

### Insurance of Infrastructure Assets

Council currently provides cover for its infrastructure assets through a hierarchy of insurance and other available funding as follows.

1. Commercial insurance covering 60% of infrastructure value excluding live tree edge protection up to a maximum estimated loss of \$19M. (This insurance was discontinued as at 30 June 2013.)
2. Local Authority Protection Programme (LAPP) which covers 40% of infrastructure value above an excess of \$1,259,000 which will apply for the 2013-14 year and may change in subsequent years.
3. Central Government, under the National Civil Defence Recovery Plan, will meet 60% of the value of infrastructure assets critical to the functioning of the community, above 0.002% of regional capital value and provided HBRC has taken demonstrable steps to meet the remainder of the cost.
4. Each flood control and drainage scheme holds a disaster reserve account. These scheme disaster reserves are designed to meet the costs of damage that may occur in any relatively minor flood event.

5. A Regional Disaster Reserve which is intended to cover 60% of the unfunded portion (namely that which is not met from all other funding sources) of asset reinstatement cost following a disaster event. It is a discretionary funding pool of last resort and is designed as a contribution toward the cost of reinstatement of infrastructure assets to an equivalent standard to that in place before the damage was incurred.

A number of major natural disasters, including the Christchurch Earthquake, have put significant financial pressure on the insurance market, which has driven increased insurance premiums. As a result of insurance cost increases and stronger government commitment to meet a share of the disaster cost as set out in the National Civil Defence Emergency Management Plan, Council, in February 2013, decided not to renew its commercial insurance cover for infrastructure assets.

The Regional Disaster Reserve is required to be maintained with between \$2.75M and \$3.75M of investments. The Reserve as at 31 March 2013 holds \$3.6M. Council has committed to utilise approximately \$720,000 as a contribution toward the rebuilding of the Makara No 1 dam.

The budgets established for the 2012-22 LTP assumed that this reserve would not be drawn on within the 10 Year Plan period.

### Dividend Equalisation Reserve

HBRC has established a Dividend Equalisation Reserve with the intention of having funds available to provide additional dividend income in years where the payment of a dividend from the Port of Napier Limited (PONL) is substantially less than the levels forecast. This reserve has in the past been used to insulate Council from needing to increase general rates to make up any shortfall in dividend income.

The current policy as set out in the Statement of Intent between PONL and the Council (and soon to be changed to HBRIC) calculates the dividend payout based on a return of 8% on shareholder funds, with the Council being paid 70% of that return. The remaining 30% is retained by PONL for expansion programmes, etc.

When HBRC established the Dividend Equalisation Reserve, the dividends paid by PONL were calculated as a percentage of net profit after tax, which exposed it to the

risk of fluctuations in dividend payout from year to year. The current basis using a return on equity to calculate dividends has resulted in limited variability in the dividend payouts from year to year.

The Dividend Equalisation Reserve is estimated to be \$2.7M at the beginning of the Long Term Plan (1 July 2012). This is forecasted to be utilised during the next 10 years for operating purposes and is estimated to have a remaining balance of \$1.5M at the end of this Long Term Plan.

### Funding of Open Space Initiatives and Community Facility Assistance

HBRC has adopted a policy to approve expenditure on capital related open space items and a further policy to provide assistance to community facilities within the region. This plan assumes that the majority of the initiatives as approved by these two policies will be funded by the loan facility of \$7.5M. This loan facility is repayable over a 10 year period and is funded by the transfer of about \$1M per annum from Council's Sale of Land Investment account.

### Subsidy Rates

Funding assistance will be provided by Crown agencies, primarily the New Zealand Transport Agency and Animal Health Board at the following levels:

#### NZTA - Operations funding assistance rates

- Bus Services 50%
- Total Mobility Scheme 60%
- Infrastructure Maintenance and Operations 59% (reducing by 1% a year for each year of the LTP).

#### Animal Health Board

- HBRC will continue to undertake work for the Animal Health Board on the basis that they cover all relevant costs.

### Risks to Assumptions

The following tables (4-7) outline the risks to significant forecasting assumptions. If these assumptions prove to be incorrect, there could be significant effect on the level of rates that HBRC plans to collect from the community. In this situation, it will re-examine its work programmes and determine if it's appropriate to rate the community or change the scope of those programmes.

Council Investment Risks

Table 4: Council Investment Risks			
Assumptions	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Forestry: Carbon Investments	Price falls below assumed \$20/tonne	High	This is a complex issue linked to global politics and economic performance. Financial modelling shows that the long term carbon price could reduce to \$15/tonne and the afforestation project would still make a 6% return on investment. In addition Council can hold carbon accumulated from forestry for long periods (i.e. 5-10 years) so has some flexibility to pick the time to sell.
	Project Cost	Medium	Investment would only proceed on a strong business case including a trading strategy for carbon.
Forestry: Manuka Honey Plantings	Honey yield per hectare is lower than forecast	Medium	The projected investment returns are based on MAF apiary data and based on these the project will deliver returns well above Council's 7% Internal Rate of Return hurdle rate. Even with a reduction in honey yield of 30% the project would still deliver an investment return of about 7%.
Forestry: Harvesting	Price for logs is less than forecast	Low	Commodity markets such as timber are cyclical; however, there is the option to defer harvest. Because Council's total harvestable forest asset is a small proportion of its overall investments, the impact of lower harvest prices (to the extent they cannot be managed by deferred harvest) is not believed to be significant.

## Investment Company Risks

Table 5 summarises the principal investment risks in respect of the proposed projects of the investment company.

Investment	Assumptions	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Water Storage and Harvesting (Ruataniwha Plains and Ngaruroro)	Farmer take up	Lower than planned	Medium	This Long Term Plan provides for funding of operating losses equating to a 51% share for any shortfall in HBRIC'S ability to service interest on the debt raised to fund these investments. This Plan provides for an "investment risk reserve" which equates to a reduction of 1.50% from the interest charged in the investment model on holding costs to be paid by HBRIC to Council for its borrowings. This reserve will continue until the projects become operational. The provision of this reserve is considered to be prudent given the significant risks on farmer uptake and the effect this could have on HBRIC's ability to provide a commercial return on funds invested by Council. This reserve will also provide funding if the interest rates used to calculate holding costs paid by HBRC are below those levels budgeted.
	Investment by co-shareholders	Low investment interest	Low	Significant risk however will be managed through the years of the LTP by a proactive approach to relationship building with prospective investors in the project.
	Project cost	Project cost rises	Medium	Significant effect, however this will be mitigated against by strong project management by the Board of HBRIC. The estimate of the potential effects of the uncertainty is best illustrated by stating that for every \$10M increase in project costs, HBRC will need to invest a further \$5M if they are to retain their 51% investment. A commercial return would need to be achieved on any increase in project costs within a reasonable time period.
	Project does not proceed	Not commercially viable	Medium	The 'investment risk reserve' covers the interest differential between interest charged on project advances and interest estimated to be earned from bank deposits.
Rail - Port Hub	Demand from PONL and its clients	Demand falls	Low	
	Project cost	Project cost rises	Medium	Commercial return would need to be achievable on any increased project cost.
	Market conditions steady	Rental yields fall	Medium	Would only proceed with a sound commercial proposal which would include a long term lease commitment from PONL.
Port of Napier	Dividend	Port of Napier Dividends are higher or lower than forecast	Low	The level of uncertainty relating to the Port of Napier Dividend has been substantially reduced as a result of the change in calculation method. The new method of calculation of the dividend by way of a return of 8% on shareholder's funds, with the Council being paid 70% of that return, is deemed to be more certain than the previous calculation method of 75% of Net Profit After Tax.

## Funding Risks

Table 6: Funding Risks

Funding Type	Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Sale of residual cash flows for Napier leasehold	The maximum value will be received on the sale	Demand for this product from the market at a value acceptable to HBRC.	Low to Medium	There would be a loss of interest of between \$42,000 and \$75,000 for each \$1M of reduced sale realisation value.

## Other Risks

Table 7: Other Risks

Assumption	Risk to Assumption	Level of Uncertainty	Reasons and Financial Effects of Uncertainty
Inflation	Inflation is higher or lower than forecast	Medium	Inflation is affected by external economic factors, most of which are outside of HBRC's control and influence. The estimate of the potential effects of the uncertainty is best illustrated by stating that for 2013/14 a move in these projections by plus or minus 0.5% would result in either an under or over provision for external expenditure of \$102,000 and for employment costs of \$59,000.
Interest Rates on Borrowings	Interest rates are higher or lower than forecast	High – especially in later years of the plan	The majority of the borrowing programme proposed in this plan is to provide funding to the Investment Company. As the borrowing programme for HBRC is expected to grow substantially in the later years of the plan, any movement in interest rates are expected to have a major effect on HBRC's interest expense. This plan assumes that the Investment Company will pay for advances at Council's borrowing rate. The effect of any interest rate movements on the borrowing programme can best be illustrated by stating that a 0.5% movement either up or down from the assumed levels of interest rates in this plan would result in an annual exposure of plus or minus \$81,000 for 2012/13 and \$305,000 in 2021/22.
Interest Rates on Deposits	Interest rates are higher or lower than forecast	Medium	Short and long term Council cash investments are estimated to be in the order of \$40M at the start of this plan, therefore a 0.5% movement either up or down from the assumed levels of interest rates in this plan would result in an annual exposure of plus or minus \$225,000 in 2012/13 and \$161,000 in 2021/22.
Occurrence of Natural Disaster	A natural disaster/flood event occurs which damages Council's property, plant and equipment	Medium	Call on commercial insurance, Local Authority Protection Programme and Government funding through the National Civil Defence Recovery Plan. The use of reserves are also available to Council as required.

## Reporting on Significant Changes

The Local Government Act 2002, Section 95 (5)(b) requires that subsequent Annual Plans identify any variation from the financial statements and funding impact statement which are included in the Council's Long Term Plan for the year of that plan. For the purposes of this reporting, the following material and significance levels will apply:

- Where the financial impact of any change exceeds 1.5% of total budgeted expenditure in that year
- Other items of change where it is considered to be of interest to the public as the principal users of the plan. These items would include establishing new land drainage and flood control schemes, new projects, changes in future direction etc.

### Introduction

The following pages cover the forecast financial statements, notes and other financial information required by clauses 18-22 of Schedule 10 to the Local Government Act 2002 (LGA). The significant forecasting assumptions required for the LTP by clause of 17 of Schedule 10 to the LGA are also included.

These financial statements, notes and other financial information comply with Financial Reporting Standard No. 42, "Prospective Financial Statements".

As required by section 100(1) of the LGA, HBRC has ensured that each year's projected operating revenues are set at a level sufficient to meet that year's projected operating expenses.

### The Nature of Prospective Information Presented

The prospective financial information has been presented to comply with the requirements of sections 95 of the LGA in relation to the Annual Plan for the financial year ending on 30 June 2014. The statements and information may not be appropriate for purposes other than those disclosed above.

The prospective information presented is based on the best information that could reasonably be expected to be available at the time of preparation. While every care has been taken in the preparation of the prospective financial information presented, the actual results are likely to vary from the information presented and the variations may be material.

### Authorisation and Responsibility

The prospective financial information presented was authorised for issue by HBRC on 26 June 2013.

HBRC Councillors and management accept responsibility for the prospective financial information presented including the appropriateness of the assumptions underlying the information and all other disclosures.

### Other Disclosures

There is no intention to update the prospective financial information presented after the approval of the Annual Plan on 26 June 2013.

### Comparative Information Linkages

The Prospective Statement of Changes in Equity and Prospective Cash Flow Statement closing positions for 2011/12 do not link to opening positions for 2012/13. This is because the 2012/13 Annual Plan prospective financial statements were finalised before the 2011/12 Annual Report.

The 2013/14 forecast opening positions are based on the 2011/12 Annual Report closing positions after adjusting for the 2012/13 Annual Plan forecast results and cash flows.

PROSPECTIVE COMPREHENSIVE INCOME STATEMENT					
		Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
	Note				
<b>REVENUE</b>					
Revenue from activities	1	5,463	6,169	6,444	5,899
Revenue from rates	2	13,978	14,395	14,978	14,800
Revenue from grants		5,961	4,553	3,192	3,263
Other revenue	3	9,092	13,124	15,561	13,418
Fair value gains on investments	7	868	2,434	2,423	1,659
<b>Total Operating Revenue</b>		<b>35,362</b>	<b>40,675</b>	<b>42,598</b>	<b>39,039</b>
<b>EXPENDITURE</b>					
Expenditure on activities	1	34,163	36,261	36,022	36,937
Finance costs	1	705	1,865	3,176	2,377
Depreciation & amortisation expense	5	1,898	2,053	2,172	2,199
Fair value losses		6,952	0	0	0
<b>Total Operating Expenditure</b>		<b>43,718</b>	<b>40,179</b>	<b>41,370</b>	<b>41,513</b>
<b>OPERATING SURPLUS</b>					
<b>Operating Surplus Before Income Tax</b>		<b>(8,356)</b>	<b>496</b>	<b>1,228</b>	<b>(2,474)</b>
Income tax expense		0	0	0	0
<b>Operating Surplus After Income Tax</b>		<b>(8,356)</b>	<b>496</b>	<b>1,228</b>	<b>(2,474)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Gain / (loss) in revalued assets		56,804	1,128	18,608	18,736
Gain / (loss) in available-for-sale financial assets		91	0	0	(2,059)
<b>Total Other Comprehensive Income</b>		<b>56,895</b>	<b>1,128</b>	<b>18,608</b>	<b>16,677</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>48,539</b>	<b>1,624</b>	<b>19,836</b>	<b>14,203</b>
<b>STATEMENT FOR GENERAL FUNDING POSITION</b>					
<b>CAPITAL EXPENDITURE</b>					
Property, plant, equipment & intangible assets	5	1,936	3,910	1,861	3,342
Infrastructure assets - flood & drainage		1,304	1,062	1,001	2,165
Infrastructure assets - open spaces & regional assets		2,733	3,200	0	1,400
Forestry assets		899	777	2,303	(52)
Investments		3,939	0	0	0
Community net lending from reserves		130	235	198	120
Clean & solar heat net lending from reserves		1,556	2,697	5,387	4,069
Advances to regional investment company		0	3,836	21,577	16,000
Public debt repayments	4(a)	1,481	1,784	2,370	2,156
<b>Total Capital Expenditure</b>		<b>13,978</b>	<b>17,501</b>	<b>34,697</b>	<b>29,200</b>
<b>RESERVE AND PUBLIC DEBT FUNDING</b>					
Reserves funding	6	11,320	(38,827)	28,913	23,418
Public debt funding	4(a)	5,000	7,010	6,930	9,069
Leasehold annuity funding		0	50,551	0	0
Fair value gains on investments	7	6,084	(2,434)	(2,423)	(1,659)
Fair value gains on other comprehensive income		(56,895)	(1,128)	(18,608)	(16,677)
<b>Total Reserve &amp; Loan Funding</b>		<b>(34,491)</b>	<b>15,172</b>	<b>14,812</b>	<b>14,151</b>
<b>UNDERLYING SURPLUS / (DEFICIT)</b>		<b>70</b>	<b>(705)</b>	<b>(49)</b>	<b>(846)</b>

Prospective Statement of Changes In Equity				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Equity at the Start of the Year</b>	409,150	466,687	468,311	462,613
Comprehensive income surplus / (deficit)	48,539	1,624	19,836	14,203
	48,539	1,624	19,836	14,203
Special distribution	0	0	0	0
<b>Equity at the End of the Year</b>	457,689	468,311	488,147	476,816

Prospective Balance Sheet				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>ASSETS</b>				
<b>Non Current Assets</b>				
Property, plant & equipment	18,934	21,333	21,636	23,674
Intangible assets	6,906	7,020	6,888	2,975
Infrastructure assets	136,299	141,490	160,551	161,766
Investment property	67,890	62,368	64,791	58,883
Forestry assets	3,356	4,539	6,842	4,561
Finance assets	7,131	14,494	14,494	7,131
Investment in council-controlled organisations	177,500	177,400	177,400	177,500
Advances to council-controlled organisations	0	3,836	25,413	22,004
<b>Total Non Current Assets</b>	<b>418,016</b>	<b>432,480</b>	<b>478,015</b>	<b>458,494</b>
<b>Current Assets</b>				
Inventories	14	17	17	14
Trade & other receivables	5,612	6,083	6,083	5,612
Finance assets	40,165	34,283	34,283	40,165
Cash & cash equivalents	14,911	71,201	50,062	52,950
<b>Total Current Assets</b>	<b>60,702</b>	<b>111,584</b>	<b>90,445</b>	<b>98,741</b>
<b>TOTAL ASSETS</b>	<b>478,718</b>	<b>544,064</b>	<b>568,460</b>	<b>557,235</b>
<b>EQUITY</b>				
Retained earnings	327,706	178,906	178,906	331,006
Fair value reserves	9 69,792	219,685	238,293	87,597
Other reserves	9 60,191	69,720	70,948	58,213
<b>Total Equity</b>	<b>457,689</b>	<b>468,311</b>	<b>488,147</b>	<b>476,816</b>
<b>LIABILITIES</b>				
<b>Non Current Liabilities</b>				
Borrowings	12,904	14,098	18,030	21,554
Provisions for other liabilities & charges	850	51,446	51,446	51,401
<b>Total Non Current Liabilities</b>	<b>13,754</b>	<b>65,544</b>	<b>69,476</b>	<b>72,955</b>
<b>Current Liabilities</b>				
Trade & other payables	4,297	6,921	6,921	4,297
Borrowings	1,967	2,370	2,998	2,156
Provisions for other liabilities & charges	1,011	918	918	1,011
<b>Total Current Liabilities</b>	<b>7,275</b>	<b>10,209</b>	<b>10,837</b>	<b>7,464</b>
<b>Total Liabilities</b>	<b>21,029</b>	<b>75,753</b>	<b>80,313</b>	<b>80,419</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>478,718</b>	<b>544,064</b>	<b>568,460</b>	<b>557,235</b>

Prospective Cash Flow Statement				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
<i>Cash to be provided from:</i>				
Receipts from customers	8,996	8,894	8,594	7,634
Rates	13,978	14,395	14,978	14,800
Dividends received	6,142	5,800	6,250	6,550
Interest received	1,907	4,159	6,686	5,102
Grants	5,859	4,553	3,192	3,263
Other income	607	440	475	31
	<b>37,489</b>	<b>38,241</b>	<b>40,175</b>	<b>37,380</b>
<i>Cash to be applied to:</i>				
Payments to suppliers	24,090	22,069	21,602	22,928
Payments to and behalf of employees	12,731	14,192	14,420	14,009
Finance expense	705	1,865	3,176	2,377
	<b>37,526</b>	<b>38,126</b>	<b>39,198</b>	<b>39,314</b>
<b>Net Cash Flows from Operating Activities</b>	<b>(37)</b>	<b>115</b>	<b>977</b>	<b>(1,934)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
<i>Cash to be provided from:</i>				
Disposal of property, plant & equipment	0	122	66	66
Disposal of investment properties	14,812	13,100	0	0
Disposal of financial assets	0	0	0	0
	<b>14,812</b>	<b>13,222</b>	<b>66</b>	<b>66</b>
<i>Cash to be applied to:</i>				
Purchase of property, plant & equipment	1,915	3,264	1,701	3,163
Purchase of intangible assets	4,693	646	160	179
Construction of infrastructure assets	2,265	4,262	1,001	3,565
Purchase of financial assets	7,874	0	0	0
Forestry asset development	257	777	2,303	428
Purchase of investments	0	0	0	0
Advances to Investment Company	0	3,836	21,577	16,000
	<b>17,004</b>	<b>12,785</b>	<b>26,742</b>	<b>23,335</b>
<b>Net Cash Flows from Investing Activities</b>	<b>(2,192)</b>	<b>437</b>	<b>(26,676)</b>	<b>(23,269)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
<i>Cash to be provided from:</i>				
Loans drawn	5,000	7,010	6,930	9,069
Leasehold annuity		50,551	0	0
	<b>5,000</b>	<b>57,561</b>	<b>6,930</b>	<b>9,069</b>
<i>Cash to be applied to:</i>				
Loans repaid	1,481	1,784	2,370	2,156
	<b>1,481</b>	<b>1,784</b>	<b>2,370</b>	<b>2,156</b>
<b>Net Cash Flows from Financing Activities</b>	<b>3,519</b>	<b>55,777</b>	<b>4,560</b>	<b>6,913</b>
<b>Net Increase / (Decrease) in Cash &amp; cash equivalents</b>	<b>1,290</b>	<b>56,329</b>	<b>(21,139)</b>	<b>(18,290)</b>
Opening cash & cash equivalents	13,621	14,872	71,201	71,240
<b>Closing Cash &amp; cash equivalents</b>	<b>14,911</b>	<b>71,201</b>	<b>50,062</b>	<b>52,950</b>

Note 1 Activity Revenue & Expenditure				
	Annual Report 2011/12 Note	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>REVENUE</b>				
<b>Groups of Activities</b>				
Strategic Planning	59	(7)	(1)	0
Land Drainage and River Control	1,000	683	598	667
Regional Resources	1,936	3,092	3,309	3,249
Regulation	1,456	1,573	1,636	1,690
Biosecurity	623	558	581	0
Emergency Management	147	107	118	96
Transport	4	92	92	92
Governance & Community Engagement	238	71	111	105
	<b>5,463</b>	<b>6,169</b>	<b>6,444</b>	<b>5,899</b>
Less Internal Revenue	0	0	0	0
<b>TOTAL REVENUE FROM ACTIVITIES</b>	<b>5,463</b>	<b>6,169</b>	<b>6,444</b>	<b>5,899</b>
<b>EXPENDITURE</b>				
<b>Groups of Activities</b>				
Strategic Planning	3,443	4,115	4,141	4,117
Land Drainage and River Control	6,592	6,911	6,947	6,797
Regional Resources	8,715	9,671	9,811	10,216
Regulation	3,341	3,292	3,396	3,544
Biosecurity	3,809	3,662	3,885	3,356
Emergency Management	1,469	1,787	1,791	1,885
Transport	4,844	4,474	4,477	4,442
Governance & Community Engagement	4,051	4,402	3,867	5,451
	<b>36,264</b>	<b>38,314</b>	<b>38,315</b>	<b>39,808</b>
Less Internal Expenditure	(159)	(156)	(156)	(146)
<b>Total Group Activities</b>	<b>36,105</b>	<b>38,158</b>	<b>38,159</b>	<b>39,662</b>
<b>Other Activities</b>				
Regional Income Collection Expenditure	661	2,021	3,211	1,851
<b>Total Other Activities</b>	<b>661</b>	<b>2,021</b>	<b>3,211</b>	<b>1,851</b>
Less finance costs*	(705)	(1,865)	(3,176)	(2,377)
Less depreciation and amortisation expense	(1,898)	(2,053)	(2,172)	(2,199)
<b>TOTAL EXPENDITURE ON ACTIVITIES</b>	<b>34,163</b>	<b>36,261</b>	<b>36,022</b>	<b>36,937</b>

\* The finance costs from 2012/13 included in the main financial statements include interest on borrowings and payments/fees associated with the transfer of Napier leasehold cashflows to an investor.

Notes 2 & 3 Rates & Other Revenue					
	Note	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Note 2: Rates</b>					
<b>General Funding Rates</b>					
Uniform Annual General Charge (UAGC)		2,206	1,500	1,645	1,520
General Rate on Land Value		1,066	1,102	1,041	979
<b>Total General Funding Rates</b>		<b>3,272</b>	<b>2,602</b>	<b>2,686</b>	<b>2,499</b>
<b>Targeted Rates</b>					
Upper Tukituki Catchment Control Scheme		577	605	634	633
Separate Flood Control & Drainage Schemes		207	207	215	266
Wairoa Rivers & Streams Scheme		109	125	144	138
Central & Southern Areas Rivers & Streams Scheme		203	207	213	213
Heretaunga Plains Flood Control & Drainage Schemes		4,383	4,580	4,786	4,763
Biosecurity Schemes		1,867	1,932	2,000	2,000
Subsidised Public Transport		1,460	1,460	1,550	1,550
Clean Heat Administration Rate		591	583	583	583
Economic Development Rate		1,309	1,320	1,362	1,284
Emergency Management Uniform Annual Charge			774	805	871
<b>Total Targeted Rates</b>		<b>10,706</b>	<b>11,793</b>	<b>12,292</b>	<b>12,301</b>
<b>Total Rates</b>		<b>13,978</b>	<b>14,395</b>	<b>14,978</b>	<b>14,800</b>
<b>Note 3: Other Revenue</b>					
Dividends		5,878	5,800	6,250	6,550
Interest		1,907	4,159	6,686	5,102
Leasehold rents		3,223	2,725	2,150	1,735
Forestry income		0	90	125	3
Subvention payments		432	350	350	28
Other income		175	0	0	0
Net gain / (loss) on disposal of assets		(2,523)	0	0	0
<b>Total Other Income</b>		<b>9,092</b>	<b>13,124</b>	<b>15,561</b>	<b>13,418</b>

Note 4(a) External Debt & Interest Expense				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>LOAN REQUIREMENTS</b>				
<b>New Borrowings</b>				
Heat Smart Advances to Householders	1,975	2,355	4,710	3,329
Solar Water Advances to Householders	0	630	1,260	1,260
Computer Systems Integration Loans	925	625	160	160
Computer Servers	0	0	0	0
Operations Group Office Extensions *	0	600	0	600
Technical Equipment Loan (Monitoring Bores)	0	0	0	0
GIS Purchase Loan	0	0	0	0
Digital Terrain Monitoring Loan	0	0	0	0
HPFCS Flood & River Scheme Loan	250	0	0	0
Karamu & Tributaries Scheme Loan	0	0	0	0
Napier Meeanee Scheme Loan	0	0	0	0
Public Good Capital Assets Loans **	1,850	2,800	800	3,500
Raupere - Twyford Scheme Loan	0	0	0	0
Sawfly Remediation Loans	0	0	0	0
Upper Tuketuki Scheme Loans	0	0	0	0
HBRIC Funding Loans	0	0	0	0
Forestry Funding Loans	0	0	0	0
Te Awanga Flood Protection Loan	0	0	0	0
Makara Scheme Loan	0	0	0	220
Ohuia Scheme Loan	0	0	0	0
<b>Total New Borrowings</b>	<b>5,000</b>	<b>7,010</b>	<b>6,930</b>	<b>9,069</b>
<b>Principal Repayments</b>				
Heat Smart Advances to Householders	227	279	573	520
Solar Water Advances to Householders	0	0	63	0
Computer Systems Integration Loans	109	101	152	219
Computer Servers	0	10	10	0
Operations Group Office Extensions	0	0	60	0
Technical Equipment Loan (Monitoring Bores)	10	10	10	10
GIS Purchase Loan	19	19	19	19
Digital Terrain Monitoring Loan	28	28	28	28
HPFCS Flood & River Scheme Loan	20	45	45	45
Karamu & Tributaries Scheme Loan	40	40	40	40
Napier Meeanee Scheme Loan	0	0	0	0
Public Good Capital Assets Purchases	314	552	670	575
Raupere - Twyford Scheme Loan	0	0	0	0
Sawfly Remediation Loans	670	670	670	670
Upper Tuketuki Scheme Loans	30	30	30	30
HBRIC Funding Loans	0	0	0	0
Forestry Funding Loans	0	0	0	0
Te Awanga Flood Protection Loan	14	0	0	0
Makara Scheme Loan	0	0	0	0
Ohuia Scheme Loan	0	0	0	0
<b>Total Principal Repayments</b>	<b>1,481</b>	<b>1,784</b>	<b>2,370</b>	<b>2,156</b>
<b>TOTAL LOAN MOVEMENT</b>	<b>3,519</b>	<b>5,226</b>	<b>4,560</b>	<b>6,913</b>

\* \$600,000 loan funding for the Operations Group Office extensions was not drawn down in the 2012/13 year and was carried forward to the 2013/14 Annual Plan to be borrowed in that year.

\*\*\$2.7 million loan funding for Public Good Capital Assets including Cycleways, Open Spaces projects and Regional Infrastructure were not drawn down in the 2012/13 year and were carried forward to the 2013/14 Annual Plan to be borrowed in that year.

Note 4(a) External Debt & Interest Expense				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Loan Balances</b>				
Heat Smart Advances to Householders	3,950	4,045	8,181	8,835
Solar Water Advances to Householders	0	630	1,827	1,890
Computer Systems Integration Loans	1,860	1,234	1,243	2,325
Computer Servers	0	90	80	(10)
Operations Group Office Extensions	0	600	540	600
Technical Equipment Loan (Monitoring Bores)	90	80	70	70
GIS Purchase Loan	76	57	38	38
Digital Terrain Monitoring Loan	55	28	0	(1)
HPFCS Flood & River Scheme Loan	430	385	340	340
Karamu & Tributaries Scheme Loan	320	280	240	240
Napier Meeanee Scheme Loan	0	0	0	0
Public Good Capital Assets Purchases	4,600	6,249	6,379	7,073
Raupere - Twyford Scheme Loan	0	0	0	0
Sawfly Remediation Loans	3,240	2,570	1,900	1,900
Upper Tukituki Scheme Loans	250	220	190	190
HBRIC Funding Loans	0	0	0	0
Forestry Funding Loans	0	0	0	0
Te Awanga Flood Protection Loan	0	0	0	0
Makara Scheme Loan	0	0	0	220
Ohuia Scheme Loan	0	0	0	0
<b>Total Outstanding Loan Balances</b>	<b>14,871</b>	<b>16,468</b>	<b>21,028</b>	<b>23,710</b>
<b>LOAN INTEREST EXPENSE</b>				
Heat Smart Advances to Householders	125	160	336	289
Solar Water Advances to Householders	0	0	40	0
Computer Systems Integration Loans	61	55	81	115
Computer Servers	0	6	5	1
Operations Group Office Extensions	0	29	37	0
Technical Equipment Loan (Monitoring Bores)	6	5	5	5
GIS Purchase Loan	7	5	3	3
Digital Terrain Monitoring Loan	5	3	1	1
HPFCS Flood & River Scheme Loan	13	26	23	23
Karamu & Tributaries Scheme Loan	22	21	18	18
Napier Meeanee Scheme Loan	0	0	0	0
Public Good Capital Assets Purchases	173	387	432	370
Raupere - Twyford Scheme Loan	0	0	0	0
Sawfly Remediation Loans	272	223	172	172
Upper Tukituki Scheme Loans	20	16	14	14
HBRIC Funding Loans	0	0	0	0
Forestry Funding Loans	0	0	0	0
Te Awanga Flood Protection Loan	1	0	0	0
Makara Scheme Loan	0	0	0	0
Ohuia Scheme Loan	0	0	0	0
<b>TOTAL INTEREST EXPENSE</b>	<b>705</b>	<b>936</b>	<b>1,167</b>	<b>1,011</b>

The loan balances for the end of the 2013/14 year reflect revised 2012/13 actual borrowings which differ from the provision in the LTP for 2012/13.

Therefore the closing balance for 2013/14 can be reconciled as below:

Opening Balance - 2012/13 LTP	<u>14,871</u>
Total New Borrowings - 2012/13	7,010
less: Total Principal Repayments - 2012/13	(1,784)
less: Adjustment - Loans provided in 2012/13 LTP not drawn down in that year	(3,300)
Revised Closing Balance - 2012/13	<u>16,797</u>
Total New Borrowings - 2013/14	9,069
Total Principal Repayments - 2013/14	(2,156)
Closing Balance - 2013/14 Annual Plan	<u>23,710</u>

<b>Note 4(b) Internal Debt &amp; Interest Expense</b>				
	<b>Annual Report</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Ann Pln 2a</b>
	<b>2011/12</b>	<b>LTP</b>	<b>LTP</b>	<b>Ann Pln</b>
	<b>(\$'000)</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2013/14</b>
		<b>(\$'000)</b>	<b>(\$'000)</b>	<b>(\$'000)</b>
<b>LOAN REQUIREMENTS</b>				
<b>New Borrowings</b>				
Venture Hawke's Bay / RWC	130	0	0	0
Building Weather Tightness	0	650	350	0
Computer Equipment	0	600	200	200
Hydrology Equipment	0	600	500	500
<b>Total New Borrowings</b>	<b>130</b>	<b>1,850</b>	<b>1,050</b>	<b>700</b>
<b>Principal Repayments</b>				
Venture Hawke's Bay / RWC	59	75	78	0
Building Weather Tightness	0	0	65	261
Computer Equipment	0	0	60	60
Hydrology Equipment	0	0	60	60
<b>Total Principal Repayments</b>	<b>59</b>	<b>75</b>	<b>263</b>	<b>381</b>
<b>TOTAL LOAN MOVEMENT</b>	<b>71</b>	<b>1,775</b>	<b>787</b>	<b>319</b>
<b>Loan Balances</b>				
Venture Hawke's Bay / RWC	289	220	142	0
Building Weather Tightness	0	650	935	715
Computer Equipment	0	600	740	740
Hydrology Equipment	0	600	1,040	1,040
<b>Total Outstanding Loan Balances</b>	<b>289</b>	<b>2,070</b>	<b>2,857</b>	<b>2,495</b>
<b>LOAN INTEREST EXPENSE</b>				
Venture Hawke's Bay / RWC	0	0	0	0
Building Weather Tightness	0	0	27	43
Computer Equipment	0	0	25	26
Hydrology Equipment	0	0	25	26
<b>TOTAL INTEREST EXPENSE</b>	<b>0</b>	<b>0</b>	<b>77</b>	<b>95</b>

<b>Note 5 Depreciation and Amortisation</b>				
	<b>Annual Report 2011/12 (\$'000)</b>	<b>Year 1 LTP 2012/13 (\$'000)</b>	<b>Year 2 LTP 2013/14 (\$'000)</b>	<b>Ann Pln 2a Ann Pln 2013/14 (\$'000)</b>
<b>Capital Expenditure on Property, Plant &amp; Equipment</b>				
Land and Buildings	140	1,335	350	1,992
Motor Vehicles and Plant	563	736	581	487
Hydrological Equipment	417	634	439	450
Technical Equipment	46	64	26	26
Computer Equipment	358	451	273	175
Office Furniture and Equipment	75	44	32	33
Intangible Assets	4,276	646	160	179
<b>Total Capital Expenditure on Property, Plant &amp; Equipment</b>	<b>5,875</b>	<b>3,910</b>	<b>1,861</b>	<b>3,342</b>
<b>Proceeds of Property, Plant &amp; Equipment Disposals</b>				
Land and Buildings	0	0	0	0
Motor Vehicles and Plant	12	122	66	66
Hydrological Equipment	0	0	0	0
Technical Equipment	0	0	0	0
Computer Equipment	0	0	0	0
Office Furniture and Equipment	0	0	0	0
Intangible Assets	0	0	0	0
<b>Total Proceeds from Disposal of Property, Plant &amp; Equipment</b>	<b>12</b>	<b>122</b>	<b>66</b>	<b>66</b>
<b>Depreciation on Property, Plant &amp; Equipment</b>				
Buildings	324	330	330	336
Motor Vehicles and Plant	430	426	430	442
Hydrological Equipment	116	111	131	168
Technical Equipment	70	101	96	79
Computer Equipment	168	200	240	252
Office Furniture and Equipment	60	105	105	77
Intangible Assets (Amortisation)	182	232	292	297
<b>Property, Plant &amp; Equipment Asset Depreciation</b>	<b>1,350</b>	<b>1,505</b>	<b>1,624</b>	<b>1,651</b>
<b>Depreciation on Infrastructure Assets</b>				
Infrastructure Assets	548	548	548	548
<b>Infrastructure Asset Depreciation</b>	<b>548</b>	<b>548</b>	<b>548</b>	<b>548</b>
<b>Total Depreciation &amp; Amortisation</b>	<b>1,898</b>	<b>2,053</b>	<b>2,172</b>	<b>2,199</b>

<b>Note 6 Reserve Movements</b>				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
Note				
<b>Note 6: Funding from Reserves</b>				
Project Scheme Reserves	579	549	479	560
Dividend Equalisation Reserve	611	718	412	697
Coastal Marine Area Reserve	0	0	0	0
Specific Regional Projects Reserve	0	45	0	45
Tangoio Soil Conservation Forestry Reserve	213	252	165	(226)
Asset Replacement Reserve	1,177	2,735	1,821	2,731
Infrastructure Asset Depreciation Reserve	352	47	91	322
Sale of Land Investment Reserve	4,704	(45,185)	24,766	16,797
Sale of Land Non-Investment Reserve	1,158	2,202	1,742	2,009
Disaster Damage Reserves	0	0	(133)	589
Investment Risk Reserves	0	(106)	(314)	0
Operating Reserve (Loss on Sale - Leasehold)	2,523			
Other Reserves	3	(84)	(116)	(106)
<b>Total Net Funding from Reserves</b>	<b>11,320</b>	<b>(38,827)</b>	<b>28,913</b>	<b>23,418</b>
<b>Note 7: Fair Value Gains from Investments</b>				
<b>Investment Property at beginning of year</b>	<b>91,680</b>	<b>73,034</b>	<b>62,368</b>	<b>57,224</b>
Additions	0	0	0	0
Disposals	(17,335)	(13,100)	0	0
<b>Movement during the year</b>	<b>(17,335)</b>	<b>(13,100)</b>	<b>0</b>	<b>0</b>
Fair value gains (included in income statement)	(6,455)	2,434	2,423	1,659
<b>Investment Property at end of year</b>	<b>67,890</b>	<b>62,368</b>	<b>64,791</b>	<b>58,883</b>

<b>Notes 8 Reconciliation to Underlying Surplus / (Deficit)</b>				
	Annual Report 2011/12 (\$'000)	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
Note				
<b>Note 8: Underlying Surplus / (Deficit) Reconciliation</b>				
<b>Groups of Activities Underlying Surplus / (Deficits)</b> <i>[From Cost of Service Statements]</i>				
Strategic Planning	(1,864)	(2,711)	(2,687)	(2,624)
Land Drainage and River Control	(1,216)	(1,342)	(1,353)	(1,283)
Regional Resources	(4,789)	(5,414)	(5,408)	(5,734)
Regulation	(1,885)	(1,718)	(1,762)	(1,854)
Biosecurity	(1,261)	(1,231)	(1,298)	(1,141)
Emergency Management	(1,062)	(748)	(708)	(718)
Transport	(157)	(91)	3	(61)
Governance & Community Engagement	(2,368)	(2,212)	(2,252)	(2,073)
Less Internal Expenditure & Income	1 159	156	156	146
Regional Income Collection	1 (661)	(2,020)	(3,211)	(1,851)
Fair Value Losses				
<b>Total Groups of Activities Surplus / (Deficit)</b>	<b>(15,104)</b>	<b>(17,331)</b>	<b>(18,520)</b>	<b>(17,193)</b>
<b>Less Capital Expenditure</b> <i>[From Income Statement]</i>				
Capital Expenditure	(13,978)	(17,501)	(34,697)	(29,200)
<i>Add Back:</i>				
Capital Expenditure in Groups of Activities	7,225	9,285	9,447	10,433
<b>Total Non-Groups of Activities Capital Expenditure</b>	<b>(6,753)</b>	<b>(8,216)</b>	<b>(25,250)</b>	<b>(18,767)</b>
<b>Plus General Funding</b>				
Revenue from Rates	2 13,978	14,395	14,978	14,800
Other Revenue	3 9,092	13,124	15,561	13,418
Grants <i>[From Income Statement]</i>	5,961	4,553	3,192	3,263
Loan Funding	4 5,000	7,010	6,930	9,069
Leasehold Annuity Funding	0	50,551	0	0
<i>Less:</i>				
Other Revenue in Groups of Activities	(20,468)	(22,800)	(23,313)	(25,282)
<b>Total Non-Groups of Activities General Funding</b>	<b>13,563</b>	<b>66,833</b>	<b>17,348</b>	<b>15,268</b>
<b>Plus / (Less) Reserves Funding</b> <i>[From Income Statement]</i>				
Reserves Funding	6 11,320	(38,827)	28,913	23,418
<i>Less:</i>				
Reserves Funding in Groups of Activities	(2,956)	(3,164)	(2,540)	(3,572)
<b>Total Non-Groups of Activities Reserves &amp; Loan Funding</b>	<b>8,364</b>	<b>(41,991)</b>	<b>26,373</b>	<b>19,846</b>
<b>Underlying Surplus / (Deficit)</b>	<b>70</b>	<b>(705)</b>	<b>(49)</b>	<b>(846)</b>

Note 9 Council Reserve Funds																		
	Operat- ing Balance	Infra- structure Asset Renewal	Wairoa Rivers & Streams	Special Scheme	Port Dividend Equal- isation	Coastal Marine Area	Specific Regional Projects	Asset Replace- ment	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conser- vation	Sale of Land Invmt	Sale of Land Non- Invmt	Rabbit	Invmt Risk	Total Operat- ing Reserve	Fair Value Reserves
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	-Year 16	(16)	(16)
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>ANNUAL PLAN 2013/14</b>																		
<b>At 1 July 2013</b>	10,302	972	702	1,928	2,063	0	0	840	3,336	2,537	188	2,928	51,363	1,919	139	0	<b>79,217</b>	70,920
Deposits in year	(2,474)	664	21	21,245		1,864	0	3,814	133	145	59	611	0	871	6	0	<b>26,959</b>	16,677
Withdrawals in year	0	(848)		(21,612)	(557)	(1,864)	0	(3,223)	(566)	0	0	(385)	(17,787)	(1,121)	0	0	<b>(47,963)</b>	0
<b>At 30 June 2014</b>	<b>7,828</b>	<b>788</b>	<b>723</b>	<b>1,561</b>	<b>1,506</b>	<b>0</b>	<b>0</b>	<b>1,431</b>	<b>2,903</b>	<b>2,682</b>	<b>247</b>	<b>3,154</b>	<b>33,576</b>	<b>1,669</b>	<b>145</b>	<b>0</b>	<b>58,213</b>	<b>87,597</b>

Related Activities to Reserve Funds																		
Activities	Operat- ing Balance	Infra- structure Asset Renewal	Wairoa Rivers & Streams	Special Scheme	Port Dividend Equal- isation	Coastal Marine Area		Asset Replace- ment	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conser- vation	Sale of Land Invmt	Sale of Land Non- Invmt	Rabbit	Invmt Risk	Total Operat- ing Reserve	Fair Value Reserves
"V" denotes related activity	(1)	(2)	(3)	(4)	(5)	(6)		(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(16)
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)		(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Strategic Planning	v																	
Land Drainage and River Control	v	v	v	v				v	v	v	v							v
Regional Resources	v											v	v	v				v
Regulation	v																	
Biosecurity	v															v		
Emergency Management	v																	v
Transport	v			v														
Governance & Community Engagement	v												v	v				
Regional Income Collection	v				v	v							v			v		v

Purpose of Reserve Funds	
Reserve Type	Definition
<b>1. Operating reserve</b>	A reserve established to fund the day to day cash flow and working capital requirements of Council.
<b>2. Infrastructure asset depreciation reserve</b>	A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.
<b>3. Wairoa rivers &amp; streams reserve</b>	A reserve established to fund flood mitigation and recovery work within the Wairoa District.
<b>4. Special flood &amp; drainage scheme reserves</b>	Reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual income and expenditure incurred in any one year.
<b>5. Port dividend equalisation reserve</b>	A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.
<b>6. Coastal marine area reserve</b>	A reserve established to meet the statutory requirements on the use of rental income earned on Council's endowment leasehold land.
<b>7. Asset replacement reserve</b>	A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.
<b>8. Regional disaster damage reserve</b>	A reserve established to meet the commercial insurance excess of \$600,000 on each event, the uninsured 60% of edge protection damage and the costs of managing the response and recovery for a disaster event.
<b>9. Scheme disaster damage reserve</b>	Reserves established to meet each scheme's share of Local Authority Protection Programme (LAPP) insurance excess and other costs to restore scheme assets that are not recoverable from other sources.
<b>10. Clive river dredging reserve</b>	A reserve established to meet the expenditure of dredging requirements on the Clive River.
<b>11. Tangoio soil conservation reserve</b>	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.
<b>12. Sale of land investment reserve</b>	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.
<b>13. Sale of land non-investment reserve</b>	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.
<b>14. Rabbit reserve</b>	A reserve established to fund costs expected to be incurred with growing rabbit populations. The reserve is limited to a maximum balance of \$100,000.
<b>15. Investment risk reserve</b>	A reserve established to smooth investment receipts from the Hawke's Bay Regional Investment Company and
<b>16. Fair value reserves</b>	A reserve required by generally accepted accounting practice to account for movements in the value of assets subject to regular fair value assessments.

**Introduction**

The LTP set out a number of financial metrics to be monitored. The 2013/14 LTP metrics have been compared to the 2013/14 Annual Plan metrics in the table below along with an explanation of any major difference. Comparison between the 2012/13 LTP metrics and actual 2012/13 metrics will be completed in the 2012/13 Annual Report.

Trends of Other Financial Metrics	LTP	Ann Pln	Variance	Explanation
Metric	2013/14	2013/14		
<p><b>Operating Surplus Margin</b>                      (This shows the annual surplus generated from business as usual activities being available to fund capital expenditure, to meet interest and principal repayments on debt and/or set aside to meet future contingencies. The metric for HBRC is negative because a third of HBRC’s revenue is generated from investment income which is not included in this calculation. This metric therefore shows HBRC’s exposure to the assumption that investment incomes will continue into the future.)</p>	(44.3%)	(54.0%)	(9.7%)	The operating surplus margin has decreased due to increased operating expenses and lower income.
<p><b>Net Surplus Margin</b>                      (This metric shows the percentage of income retained by HBRC after meeting all operating costs for the year).</p>	3.1%	0.7%	(2.4%)	The net surplus margin has decreased due lower than expected interest revenue
<p><b>Return on Investment Assets</b>                      (This metric shows the amount of interest and dividend income generated each year by HBRC’s total investment asset base).</p>	4.7%	4.3%	(0.4%)	The return on investment assets has decreased due to lower than expected interest rates
<p><b>Rates to Total Revenue</b>                      (This metric shows the percentage of HBRC’s total revenue that is collected through rates).</p>	37.3%	39.6%	2.3%	Rates to total revenue have increased even though overall rates have reduced there has been a substantial reduction in overall income
<p><b>General Rates to Total Rates</b>                      (This metric shows the percentage of HBRC’s total rates revenue that is collected through general rates).</p>	17.9%	16.9%	(1.0%)	General rates to total rates have decreased due to a reduction in expenses from the levels proposed in the LTP in general rates and to offset an increase in the targeted rates for Emergency Management
<p><b>Capex to Depreciation:</b>                      (This metric indicates the rate at which HBRC is renewing/replacing its existing fixed assets. For HBRC this rate is high as significant expenditure is proposed in the LTP 2012-22 to be spent on flood and drainage schemes, the majority of these assets not being depreciable). Further, in 2012/13 it is proposed to spend \$1.3m on HBRC’s Dalton Street Office and Operations Group accommodation.</p>	132%	314%	182%	Capex to Depreciation has significantly increased due to additional capital spending on the Dalton Street Office and the Makara Dam repairs as well as unspent capital spending from 2012/13 year being carried forward to 2013/14.

Trends of Other Financial Metrics	LTP	Ann Pln	Variance	Explanation
Metric	2013/14	2013/14		
<b>Capex to Total Cash Payments</b> (This metric shows the proportion of total cash payments that has been spent on fixed assets).	4.2%	10.7%	6.5%	Capex to total cash payments has significantly increased due to additional capital spending on the Dalton Street Office and the Makara Dam repairs as well as unspent capital spending from 2012/13 year being carried forward to 2013/14.
<b>Finance Expense (including lease annuity) to Total Operating Expenditure</b>	7.7%	5.7%	(2.0%)	Finance expenses to total operating expenditure have reduced due to the reduction in annuity expenses on the leasehold cash flows. The value of cash flows to be sold to an investor have reduced as a result of greater than expected freeholding and therefore less payment/fees will be paid to the investor. Also there have been loans which were not drawn down in the 2012/13 year which were carried forward to the 2013/14 year, therefore the timing of the borrowing has deferred the interest costs.
<b>Finance Expense (excluding lease annuity) to Total Operating Expenditure</b>	2.8%	2.4%	0.4%	Finance Expense (excluding lease annuity) of external public debt to operating expenditure has reduced due to loans which were not drawn down in the 2012/13 year which were carried forward to the 2013/14 year, therefore the timing of the borrowing has deferred the interest costs.
<b>Debt to Debt Plus Equity</b>	14.7%	15.4%	0.7%	Debt to debt plus equity has increased due to having lower equity amounts in the Annual Plan than was estimated in the LTP. Equity has reduced due to the loss on sale of \$6 million for the Napier leasehold property. \$5 million of this was a result of the discount offered to lessees. There was also a reduction of equity of \$2 million for the loss on sale of the RWS feasibility study to HBRIC Ltd as the price paid by HBRIC Ltd for this study excluded the Ministry for Primary Industries funding of \$2 million

**Rate Movements**

The 2012-22 Long Term Plan (LTP) committed to hold rates increases to 4% in each of its first two years and at rate levels below 4% for the remaining years. The 2013/14 Annual Plan proposes to increase the rates by 2.8% from the 2012/13 LTP figures. Refer to “Explanatory Notes of Changes between Year 2 of the LTP 2012-22 and Annual Plan 2013/14” section for further explanation for the change.

Rate Increases/(Decreases)	LTP	Ann Pln
	2013/14	2013/14
Rates (\$000's)		
General Rates	↑ 3.2%	↓ (4.0%)
Total Targeted Rates	↑ 4.2%	↑ 11.6%
Total Rates	↑ 4.0%	↑ 2.8%

Financial Measures: Rate Forecasts	LTP	Ann Pln	Variance
	2013/14	2013/14	
Rates (\$000's)			
General Rates	2,685	2,498	(187)
Total Targeted Rates	12,291	12,300	9
Total Rates	14,976	14,798	(178)

## Local Government (Financial Reporting) Regulations 2011

### Introduction

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

Council Funding Impact Statement			
	Year 1	Year 2	Ann Pln 2a
	LTP	LTP	Ann Pln
	2012/13	2013/14	2013/14
	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	2,602	2,686	2,499
Targeted rates	11,793	12,292	12,301
Subsidies & grants for operating purposes	4,553	3,192	3,263
Fees & charges	6,169	6,444	5,899
Interest & dividends from investments	9,959	12,936	11,652
Fines, infringement fees & other receipts	3,165	2,625	1,766
<b>Total operating funding</b>	<b>38,241</b>	<b>40,175</b>	<b>37,380</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	36,261	36,022	36,937
Finance costs	1,865	3,176	2,377
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>38,126</b>	<b>39,198</b>	<b>39,314</b>
<b>Surplus / (deficit) of operating funding</b>	<b>115</b>	<b>977</b>	<b>(1,934)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	1,888	924	1,620
Development & financial contributions	0	0	0
Increase / (decrease) in debt (See annotation below)	55,702	4,482	6,913
Gross proceeds from sale of assets	13,222	66	66
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>70,812</b>	<b>5,472</b>	<b>8,599</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	7,666	6,426	8,179
- to improve the level of service	985	854	1,785
- to replace existing assets	2,652	1,658	1,730
	<b>11,303</b>	<b>8,938</b>	<b>11,694</b>
Increase / (decrease) in reserves	54,597	(26,724)	(21,999)
Increase / (decrease) of investments	5,027	24,235	16,970
<b>Total application of capital funding</b>	<b>70,927</b>	<b>6,449</b>	<b>6,665</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(115)</b>	<b>(977)</b>	<b>1,934</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Annotation:** The increase in debt in Year 1 of the LTP includes cash flows from the creation of a leasehold annuity debt instrument.

Funding Impact Statement: Strategic Planning			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	0	0	0
Targeted rates	1,320	1,362	1,284
Subsidies & grants for operating purposes	165	169	207
Fees & charges	(7)	(1)	0
Internal charges & overheads recovered	2,712	2,689	2,626
Fines, infringement fees & other receipts	0	0	0
<b>Total operating funding</b>	<b>4,190</b>	<b>4,219</b>	<b>4,117</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	3,584	3,550	3,558
Finance costs	0	0	0
Internal charges & overheads applied	531	591	559
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>4,115</b>	<b>4,141</b>	<b>4,117</b>
<b>Surplus / (deficit) of operating funding</b>	<b>75</b>	<b>78</b>	<b>0</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	0	0	0
Development & financial contributions	0	0	0
Increase / (decrease) in debt	(75)	(78)	0
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>(75)</b>	<b>(78)</b>	<b>0</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	0	0	0
- to improve the level of service	0	0	0
- to replace existing assets	0	0	0
	<b>0</b>	<b>0</b>	<b>0</b>
Increase / (decrease) in reserves	(160)	(120)	(120)
Increase / (decrease) of investments	160	120	120
<b>Total application of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(75)</b>	<b>(78)</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement: Land Drainage & River Control			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	0	0	0
Targeted rates	5,723	5,992	6,013
Subsidies & grants for operating purposes	0	0	0
Fees & charges	167	82	151
Internal charges & overheads recovered	1,663	1,468	1,085
Fines, infringement fees & other receipts	171	187	148
<b>Total operating funding</b>	<b>7,724</b>	<b>7,729</b>	<b>7,397</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	5,177	5,246	5,069
Finance costs	288	228	228
Internal charges & overheads applied	455	482	503
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>5,920</b>	<b>5,956</b>	<b>5,800</b>
<b>Surplus / (deficit) of operating funding</b>	<b>1,804</b>	<b>1,773</b>	<b>1,597</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	0	0	0
Development & financial contributions	0	0	0
Increase / (decrease) in debt	(785)	(785)	(565)
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>(785)</b>	<b>(785)</b>	<b>(565)</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	0	0	0
- to improve the level of service	985	854	1,785
- to replace existing assets	77	147	380
	<b>1,062</b>	<b>1,001</b>	<b>2,165</b>
Increase / (decrease) in reserves	(43)	(13)	(1,133)
Increase / (decrease) of investments	0	0	0
<b>Total application of capital funding</b>	<b>1,019</b>	<b>988</b>	<b>1,032</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(1,804)</b>	<b>(1,773)</b>	<b>(1,597)</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement: Regional Resources			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	0	0	0
Targeted rates	583	583	583
Subsidies & grants for operating purposes	226	0	80
Fees & charges	3,091	3,309	3,249
Internal charges & overheads recovered	5,524	5,636	5,962
Fines, infringement fees & other receipts	145	174	149
<b>Total operating funding</b>	<b>9,569</b>	<b>9,702</b>	<b>10,023</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	8,084	7,935	8,334
Finance costs	357	547	490
Internal charges & overheads applied	1,128	1,220	1,199
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>9,569</b>	<b>9,702</b>	<b>10,023</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	1,488	520	1,000
Development & financial contributions	0	0	0
Increase / (decrease) in debt	3,206	3,767	3,909
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>4,694</b>	<b>4,287</b>	<b>4,909</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	5,701	4,816	4,927
- to improve the level of service	0	0	0
- to replace existing assets	0	0	0
	<b>5,701</b>	<b>4,816</b>	<b>4,927</b>
Increase / (decrease) in reserves	(1,007)	(529)	(18)
Increase / (decrease) of investments	0	0	0
<b>Total application of capital funding</b>	<b>4,694</b>	<b>4,287</b>	<b>4,909</b>
<b>Surplus / (deficit) of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement: Regulation			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	1,712	1,753	1,850
Targeted rates	0	0	0
Subsidies & grants for operating purposes	0	0	0
Fees & charges	1,518	1,581	1,635
Internal charges & overheads recovered	0	0	0
Fines, infringement fees & other receipts	55	55	55
<b>Total operating funding</b>	<b>3,285</b>	<b>3,389</b>	<b>3,540</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	2,674	2,731	2,853
Finance costs	0	0	0
Internal charges & overheads applied	611	658	687
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>3,285</b>	<b>3,389</b>	<b>3,540</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement: Biosecurity			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	0	0	0
Targeted rates	1,932	2,000	2,000
Subsidies & grants for operating purposes	25	25	25
Fees & charges	558	581	0
Internal charges & overheads recovered	1,129	1,254	1,310
Fines, infringement fees & other receipts	17	25	22
<b>Total operating funding</b>	<b>3,661</b>	<b>3,885</b>	<b>3,357</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	3,240	3,430	2,955
Finance costs	0	0	0
Internal charges & overheads applied	421	455	402
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>3,661</b>	<b>3,885</b>	<b>3,357</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement: Emergency Management			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	0	0	0
Targeted rates	774	805	871
Subsidies & grants for operating purposes	158	160	200
Fees & charges	107	118	96
Internal charges & overheads recovered	659	610	683
Fines, infringement fees & other receipts	0	0	0
<b>Total operating funding</b>	<b>1,698</b>	<b>1,693</b>	<b>1,850</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	1,410	1,372	1,490
Finance costs	2	10	11
Internal charges & overheads applied	286	311	349
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>1,698</b>	<b>1,693</b>	<b>1,850</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement:Transport			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	0	0	0
Targeted rates	1,460	1,550	1,550
Subsidies & grants for operating purposes	2,764	2,823	2,712
Fees & charges	92	92	92
Internal charges & overheads recovered	129	(17)	59
Fines, infringement fees & other receipts	9	10	9
<b>Total operating funding</b>	<b>4,454</b>	<b>4,458</b>	<b>4,422</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	4,289	4,281	4,258
Finance costs	0	0	0
Internal charges & overheads applied	165	177	164
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>4,454</b>	<b>4,458</b>	<b>4,422</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

Funding Impact Statement: Governance & Community Engagement			
	Year 1 LTP 2012/13 (\$'000)	Year 2 LTP 2013/14 (\$'000)	Ann Pln 2a Ann Pln 2013/14 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	1,303	1,221	1,207
Targeted rates	0	0	0
Subsidies & grants for operating purposes	15	15	40
Fees & charges	71	111	105
Internal charges & overheads recovered	3,004	2,510	4,090
Fines, infringement fees & other receipts	0	0	0
<b>Total operating funding</b>	<b>4,393</b>	<b>3,857</b>	<b>5,442</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	3,921	3,285	4,958
Finance costs	195	280	188
Internal charges & overheads applied	277	292	296
Other operating funding applications	0	0	0
<b>Total applications of operating funding</b>	<b>4,393</b>	<b>3,857</b>	<b>5,442</b>
<b>Surplus / (deficit) of operating funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	0	63	0
Development & financial contributions	0	0	0
Increase / (decrease) in debt	1,748	1,697	3,085
Gross proceeds from sale of assets	0	0	0
Lump sum contributions	0	0	0
<b>Total sources of capital funding</b>	<b>1,748</b>	<b>1,760</b>	<b>3,085</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	630	1,260	1,260
- to improve the level of service	0	0	0
- to replace existing assets	0	0	0
	<b>630</b>	<b>1,260</b>	<b>1,260</b>
Increase / (decrease) in reserves	1,118	500	1,825
Increase / (decrease) of investments	0	0	0
<b>Total application of capital funding</b>	<b>1,748</b>	<b>1,760</b>	<b>3,085</b>
<b>Surplus / (deficit) of capital funding</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Funding balance</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Introduction

This Funding Impact Statement sets out the impact that the Hawke's Bay Regional Council's Revenue and Financing Policy has on ratepayers.

The Revenue and Financing Policy clearly identifies beneficiaries of Council activities paying for the cost of those activities by target rates or direct charges, whichever is the most efficient administratively.

Where a degree of public benefit exists, a combination of funding through investment income and general rates for the public benefit portion and targeted rates and/or direct charges is used for the private benefit portion.

At various points of the Funding Impact Statement, a level of rates or charges is specified. These indicative figures are included to give ratepayers an estimate of what their level of rates is likely to be in the current year. These figures may not be the actual level of rates that will be assessed in the coming year because the actual figure will not be known until the Council's rating information database is finalised.

**All the estimated rates and levels of rates included in this statement are GST inclusive.**

There is no provision for the payment of rates from lump sum contributions, except for the early repayment of Clean Heat loans.

### Due dates for payment of rates

The rates are due and payable on or after 1 October 2013. Pursuant to Section 57 of the Local Government (Rating) Act 2002, a penalty charge of 10% will be imposed on the current rates remaining unpaid as at 1 February 2014.

When a fixed amount is set for each property, whether it be a Uniform Annual General Charge (UAGC) for general funding rates or a Uniform Annual Charge (UAC) for Targeted Rates, then a fixed amount is charged for each separately used or inhabited part of a rating unit. Therefore, units in a rest home, retail shops in a shopping complex, and additional farm houses are charged with separate UAGCs or UACs.

Where two or more rating units are contiguously joined, owned by the same ratepayer and used for the same purpose, or a Farm property with separately titled paddocks, then only one UAGC or UAC will be payable.

This Council's contention is that this mix of rating bases better reflects the benefits delivered to the general community while addressing some of the rate level volatility experienced by those ratepayers in the community whose land values have increased by more than the average.

Council directly collects rates for all rating units contained within its boundaries and where specific rates are set across District/City boundaries on a value basis, then the rates are set on Estimate of Projected Valuation (equalisation) which recognises annual movement of values across the region for each territorial authority.

### Inspection and objection to Council's Rating Information Database

The Rating Information Database (RID) is available for inspection at HBRC offices at 159 Dalton Street Napier and on Council's website [www.hbrc.govt.nz](http://www.hbrc.govt.nz). Ratepayers have the right to inspect the RID records and can object to their rating liability on the grounds set out in the Local Government (Rating) Act 2002.

Explanation of Rating Method			
Types of Rates	Groups of Activities Funded	Types of land to be Funded	Basis of Rating
<b>General Funding Rates</b>			
General Rates Uniform Annual General Charges	<ul style="list-style-type: none"> <li>– Strategic Planning</li> <li>– Land Drainage &amp; River Control</li> <li>– Regional Resources</li> <li>– Regulation</li> <li>– Biosecurity</li> <li>– Emergency Management</li> <li>– Transport</li> <li>– Governance &amp; Community Engagement.</li> </ul>	All Rateable Rating Units within the region.	Land Value Fixed Amount
<b>Targeted Rates</b>			
Subsidised Public Transport	Public Transport System and Total Mobility programme for disabled persons.	Those Rating Units within the urban areas of Napier, Hastings & Havelock North including Clive Township but excluding Bay View.	Land Value
Heretaunga Plains Control Scheme	Catchment Works – Direct Benefit F1  – Indirect Benefit F2	<ul style="list-style-type: none"> <li>– Rating Units receiving direct benefit within Napier City and Hastings District from flood control measures.</li> <li>– All Rating Units within Napier City and Hastings District.</li> </ul>	Capital Value
Upper Tukituki Catchment Control	Catchment Works	All Ratings Units in Central Hawke’s Bay District on a graduated basis. Also, Rating Units on the southern boundary of Hastings District Council.	Land Value
Central & Southern Rivers & Streams	Catchment Works	All Ratings Units in the region excluding Wairoa District.	Capital Value
Wairoa River & Stream	Catchment Works	All Rating Units in the Wairoa District.	Capital Value
Various Stream & Drainage Schemes	Catchment Works	Rating Units identified receiving benefit from specific stream and drainage works. Some on graduated basis.	Land Value and Area

Continued: Explanation of Rating Method			
Types of Rates	Groups of Activities Funded	Types of land to be Funded	Basis of Rating
<b>Targeted Rates</b>			
Animal and Plant Pest Control	Biosecurity  Regional Animal Pest Management Strategy	All rateable rural land containing 4.0469 hectares in the region excluding Rating Units greater than 200 hectares where more than 90% of the land is covered in indigenous vegetation which will be zero rated. A differential rate will be applied to those Rating Units that have between 40 and 400 hectares where more than 75% of the land is covered in production forestry, also any production forestry Rating Units over 400 hectares.	Area
Bovine TB Vector Control	Bovine TB Vector Control	All rateable rural land containing 4.0469 hectares in the region other than property titles subject to QEII Open Space Covenants which are zero rated.	Area
Plant Pest Strategy	Regional Plant Pest Management Strategy	All rateable rural land containing 4.0469 hectares in the region excluding Rating Units greater than 200 hectares where more than 90% of the land is covered in indigenous vegetation which will be zero rated.	Area
Healthy Homes - Clean Heat Financial Assistance	Management of the scheme to encourage the replacement of open fire or wood burners with more efficient form of heating and where necessary the installation of insulation.	All Rating Units in Napier and Hastings within the affected airshed.	Land Value
Clean Heat & Insulation Loans	Repayment of loans to ratepayers to insulate homes and replace open fires or non-compliant woodburners.	Those ratepayers who have opted for a loan to be repaid over 10 years with interest as a fixed amount through a Targeted Differential rate.	Dollar Amount

Continued: Explanation of Rating Method			
Types of Rates	Groups of Activities Funded	Types of land to be Funded	Basis of Rating
Economic Development Rate	To fund economic and tourism development in the region.	30% of the total rates are funded by the Commercial/Industrial Rating Units based on the Capital Value. The remaining 70% is collected from residential and rural Rating Units as an Uniform Annual Charge. The Wairoa District ratepayers' contribution is limited to 5% of the total rate.	Capital Value  Fixed Amount
Emergency Management	Funding of the Hawke's Bay Civil Defence Emergency Management (CDEM) Group Office to manage the provision of effective CDEM consistent with the CDEM Act 2002.	All Rating Units in the region with the exception of Rangitikei and Taupo districts.	Fixed Amount

Details of Rates Calculated within each District and City							
General and Uniform Annual General Rates							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 value per property	2012/13 Rate
<b>General Rate</b>							
	Napier City	Land Value		0.00715	\$318,424	\$7.15	\$370,525
	Hastings District	Land Value		0.00710	\$546,530	\$7.10	\$609,378
	Wairoa District	Land Value		0.00765	\$75,904	\$7.65	\$77,960
	Central H B District	Land Value		0.00764	\$176,847	\$7.64	\$202,282
	Taupo District	Land Value		0.0084	\$4,976	\$8.40	\$5,111
	Rangitikei District	Land Value		0.01597	\$2,681	\$15.97	\$2,865
	<b>Estimate of Projected Valuation</b>			0.0076	\$1,125,362		\$1,225,695
<b>Uniform Annual General Rate</b>							
	Napier City	Fixed Amount	26,220	25.54	\$669,659	25.54	\$662,005
	Hastings District	Fixed Amount	30,696	25.54	\$783,457	25.54	\$770,616
	Wairoa District	Fixed Amount	5,360	25.54	\$ 136,894	25.54	\$135,340
	Central H B District	Fixed Amount	6,176	25.54	\$157,735	25.54	\$155,944
	Taupo District	Fixed Amount	24	25.54	\$613	25.54	\$606
	Rangitikei District	Fixed Amount	6	25.54	\$153	25.54	\$152
	<b>TOTAL</b>		68,482		\$1,748,511		\$1,724,713

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 land value per property	2012/13 Rate
<b>SUBSIDISED PUBLIC TRANSPORT</b>							
	Napier City	Land Value		0.02605	\$1,014,485	\$26.05	\$973,529
	Hastings District	Land Value		0.02587	\$768,015	\$25.87	\$705,471
	<b>Estimate of Projected Valuation</b>			0.02776	\$1,782,500		\$1,679,000
<b>RIVER CONTROL</b>							
				<b>Benefit</b>			
<b>Heretaunga Plains Flood Control Scheme</b>							
	Napier City	Capital Value	Direct	0.01134	\$725,077	\$11.34	\$705,188
	Napier City	Capital Value	Indirect	0.00278	\$266,961	\$2.78	\$260,426
	Hastings District	Capital Value	Direct	0.01106	\$843,023	\$11.06	\$802,602
	Hastings District	Capital Value	Indirect	0.00271	\$405,082	\$2.71	\$385,769
	Estimate of Project Valuation		Direct	0.01147			
	Estimate of Project Valuation		Indirect	0.00282			
	<b>TOTAL</b>				\$2,240,143		\$2,153,985
	Central H B District	Land Value	F1 100	0.62068	\$124,362	\$622.49	\$118,911
	Central H B District	Land Value	F2 75	0.46551	\$186,928	\$466.87	\$177,529
	Central H B District	Land Value	F3 50	0.31034	\$87,908	\$311.24	\$83,216
	Central H B District	Land Value	F4 25	0.15517	\$115,142	\$155.62	\$110,956
	Central H B District	Land Value	F5 10	0.06207	\$68,482	\$62.17	\$65,681
	Central H B District	Land Value	F6 1	0.00621	\$80,656	\$6.21	\$77,971
	Central H B District	Land Value	U1 25	0.15517	\$35,308	\$155.62	\$32,726
	Central H B District	Land Value	U2 15	0.0931	\$5,172	\$93.37	\$4,931
	Central H B District	Land Value	U3 10	0.06207	\$13,105	\$62.25	\$13,100
	Central H B District	Land Value	U4 1	0.00621	\$7,258	\$6.22	\$7,121
	Hastings District	Land Value	F5 10	0.06207	\$1,183	\$57.98	\$1,127
	Hastings District	Land Value	F6 1	0.00621	\$2,387	\$5.79	\$2,279
	<b>TOTAL</b>				\$727,891		\$695,548

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 capital value per property	2012/13 Rate
<b>RIVER CONTROL</b>				<b>Benefit</b>			
<b>Wairoa River &amp; Streams Scheme</b>							
	Wairoa District	Capital Value		0.0099	\$165,482	\$9.90	\$143,897
<b>Central &amp; Southern Area Rivers &amp; Streams</b>							
	Napier City	Capital Value		0.000871	\$83,778	\$0.87	\$82,287
	Hastings District	Capital Value		0.00085	\$127,065	\$0.85	\$122,056
	Central HB District	Capital Value		0.000885	\$32,753	\$0.88	\$32,203
	Taupo District	Capital Value		0.000924	\$741	\$0.95	\$680
	Rangitikei District	Capital Value		0.001524	\$359	\$1.52	\$343
	<b>Estimate of Projected Valuation</b>			0.000861	\$244,696		\$230,651
<b>STREAMS AND DRAINS</b>							
- Napier, Meeanee & Puketapu	Napier City	Land Value	Urban	0.027	\$688,240	\$26.67	\$661,663
	Napier City	Land Value	Industrial	0.10798	\$172,812	\$106.68	\$166,564
	Hastings District	Land Value	Rural	0.027	\$13,438	\$26.01	\$12,629
	<b>TOTAL</b>				\$874,490		\$840,856
- Karamu & Tributaries	Hastings District	Land Value	Urban	0.03716	\$809,442	\$34.64	\$770,600
	Hastings District	Land Value	Industrial	0.14865	\$292,811	\$138.57	\$279,164
	<b>TOTAL</b>				\$1,102,253		\$1,049,764

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 capital value per property	2012/13 Rate
<b>STREAMS AND DRAINS</b>							
- Raupare Enhancement	Hastings District	Area	1097 hectares	12.65	\$13,877	\$12.65/hectare	\$13,877
- Raupare Twyford	Hastings District	Land Value	Rural	0.0912	\$192,371	\$84.99	\$187,345
- Haumoana	Hastings District	Land Value	Rural	0.1163	\$136,980	\$108.39	\$132,348
- Tutaekuri, Waimate & Moteo	Hastings District	Land Value	Rural	0.151	\$202,062	\$140.75	\$195,229
- Pakowhai Brookfields	Hastings District	Land Value	Rural	0.1951	\$139,093	\$181.90	\$135,041
- Puninga	Hastings District	Land Value	Rural	0.2551	\$76,653	\$237.81	\$74,061
- Brookfields Awatoto	Napier City	Land Value	Urban	0.19741	\$98,251	\$195.02	\$95,080
	Napier City	Land Value	Industrial	0.78964	\$54,449	\$780.07	\$52,457
	<b>TOTAL</b>				<b>\$913,736</b>		<b>\$885,438</b>
- Muddy Creek	Hastings District	Land Value	Urban	0.10963	\$203,619	\$102.69	\$199,694
	Hastings District	Land Value	Industrial	0.43852	\$34,888	\$410.77	\$34,136
	<b>TOTAL</b>				<b>\$238,507</b>		<b>\$233,830</b>
- Karamu Drainage Maintenance	Hastings District	Fixed Amount	5,569	10.00	\$55,966	10.00	\$53,301
- Karamu Enhancement	Hastings District	Fixed Amount	5,569	9.39	\$52,319	9.39	\$49,828
- Poukawa Drainage Special Rating Scheme	Hastings District	Land Value	PO1	0.55322	\$26,564	\$553.22	\$26,043
	Hastings District	Land Value	PO2	0.09222	\$1,393	\$92.22	\$1,366
	Hastings District	Land Value	PO3	0.01844	\$542	\$18.44	\$532
	<b>TOTAL</b>				<b>\$28,499</b>		<b>\$27,941</b>
- Porangahau Flood Control	Central HB District	Land Value		0.0137	\$39,621	\$13.70	\$37,378
- Maraetotara Flood Maintenance	Hastings District	Capital Value		0.0904	\$11,402	\$9.04	\$11,070
- Kairakau Community Scheme	Central HB District	Uniform Charge	80 Rating Units	117.76	\$9,421	117.76	\$9,200

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 capital value per property	2012/13 Rate
<b>DRAINAGE SCHEMES</b>							
<b>Paeroa Drainage Scheme Special Rating Area</b>							
	Wairoa District	Area Basis	P1	6734.93	\$13,349	\$67.35	\$13,106
	Wairoa District	Area Basis	P2	4377.71	\$5,864	\$43.78	\$5,734
	Wairoa District	Area Basis	P3	3030.72	\$1,681	\$30.31	\$1,650
	Wairoa District	Area Basis	P4	2357.23	\$1,442	\$23.57	\$1,410
	Wairoa District	Area Basis	P5	336.75	\$746	\$3.37	\$729
	<b>TOTAL</b>				<b>\$23,082</b>		<b>\$22,629</b>
<b>Ohuia Whakaki Drainage Rating Scheme</b>							
	Wairoa District	Area Basis	A	11840.69	\$35,078	\$118.41	\$33,568
	Wairoa District	Area Basis	B	9472.55	\$8,185	\$94.72	\$7,832
	Wairoa District	Area Basis	C	7104.42	\$4,998	\$71.04	\$4,783
	Wairoa District	Area Basis	D	3552.21	\$12,557	\$35.52	\$12,017
	Wairoa District	Area Basis	E	1184.07	\$2,746	\$11.84	\$2,628
	<b>TOTAL</b>				<b>\$63,564</b>		<b>\$60,828</b>
<b>Upper Makara Stream Catchment Special Rating Scheme</b>							
	Central HB District	Area Basis	A	13908.07	\$7,539	\$139.08	\$3,337
	Central HB District	Area Basis	B	11126.46	\$21,122	\$111.26	\$8,679
	Central HB District	Area Basis	C	9040.25	\$32,019	\$90.40	\$11,553
	Central HB District	Area Basis	D	4867.83	\$6,421	\$48.68	\$2,259
	Central HB District	Area Basis	E	695.4	\$16,047	\$6.95	\$4,526
	Central HB District	Area Basis	F	278.16	\$12,671	\$2.78	\$4,446
					<b>\$95,819</b>		<b>\$34,800</b>

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount per Hectare	2012/13 Rate
<b>DRAINAGE SCHEMES</b>							
<b>Esk River &amp; Whirinaki Stream Maintenance Scheme</b>							
	Hastings District	Area Basis	E1	4025.7366	\$9,040	\$40.25	\$9,040
	Hastings District	Area Basis	E2	1700.04	\$2,510	\$17.00	\$2,510
	Hastings District	Area Basis	R11	4180.5	\$1,291	\$41.80	\$1,291
	Hastings District	Area Basis	R12	13371.394	\$623	\$133.71	\$623
	Hastings District	Area Basis	R13	43231.387	\$623	\$432.31	\$622
	<b>TOTAL</b>				\$14,087		\$14,086
	Hastings District	Area Basis	W1	16512.31	\$5,099	\$165.12	\$4,881
	Hastings District	Area Basis	W2	11066	\$515	\$110.66	\$515
	Hastings District	Area Basis	W3	3577.7	\$515	\$35.77	\$515
	Hastings District	Area Basis	W4	17765.5	\$2,700	\$177.65	\$2,520
	Hastings District	Area Basis	W5	369.2241	\$147	\$3.69	\$147
	Hastings District	Area Basis	W6	4460.5963	\$147	\$44.60	\$147
	Hastings District	Area Basis	W7	1582.792	\$147	\$15.83	\$147
	<b>TOTAL</b>				\$9,270		\$8,872
<b>Te Ngarue Stream Flood Protection Scheme</b>							
	Hastings District	Area Basis	TN	2916.28	\$2,773	\$26.16	\$2,773
	Hastings District	Area Basis	TN1	18431.79	\$155	\$184.31	\$155
	<b>TOTAL</b>				\$2,928		\$2,928
<b>Kopuawhara Stream Flood Control Maintenance Scheme</b>							
	Wairoa District	Area Basis	A	14903.75	\$1,821	\$149.04	\$1,716
	Wairoa District	Area Basis	B	5961.5	\$3,693	\$59.61	\$3,482
	Wairoa District	Area Basis	C	2980.75	\$2,160	\$29.80	\$2,036
	Wairoa District	Area Basis	D	745.18	\$749	\$7.45	\$706
	<b>TOTAL</b>				\$8,423		\$7,940

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount 4.047 hectare (10acre) property	2012/13 Rate
<b>BIOSECURITY</b>							
<b>Plant Pest Strategy</b>							
	Napier City	Area Basis	4,474	43.87	\$1,963	\$1.77	\$1,897
	Hastings District	Area Basis	365,883	43.87	\$160,467	\$1.77	\$154,958
	Wairoa District	Area Basis	270,247	43.87	\$118,557	\$1.77	\$114,584
	Central HB District	Area Basis	302,866	43.87	\$132,867	\$1.77	\$128,415
	Taupo District	Area Basis	21,900	43.87	\$9,608	\$1.77	\$9,286
	Rangitikei District	Area Basis	17,912	43.87	\$7,858	\$1.77	\$7,595
	<b>TOTAL</b>		983,282		\$431,320		\$416,735
<b>Regional Animal Pest Management Strategy</b>							
	Napier City	Area Basis	4,475	144.46	\$6,464	\$5.85	\$6,238
	Hastings District	Area Basis	299,017	144.46	\$431,961	\$5.85	\$415,684
	Wairoa District	Area Basis	207,503	144.46	\$299,759	\$5.85	\$289,259
	Central HB District	Area Basis	295,417	144.46	\$426,759	\$5.85	\$411,811
	Taupo District	Area Basis	7,996	144.46	\$11,551	\$5.85	\$11,146
	Rangitikei District	Area Basis	17,912	144.46	\$25,875	\$5.85	\$24,969
	<b>TOTAL</b>		832,320		\$1,202,369		\$1,159,107
<b>Bovine TB Vector Control</b>							
	Napier City	Area Basis	4,426	57.32	\$2,537	\$2.24	\$2,451
	Hastings District	Area Basis	392,528	57.32	\$224,996	\$2.24	\$217,401
	Wairoa District	Area Basis	275,758	57.32	\$158,063	\$2.24	\$152,715
	Central HB District	Area Basis	302,978	57.32	\$173,666	\$2.24	\$167,789
	Taupo District	Area Basis	34,922	57.32	\$20,017	\$2.24	\$19,340
	Rangitikei District	Area Basis	17,912	57.32	\$10,266	\$2.24	\$9,920
	<b>TOTAL</b>		1,028,524		\$589,545		\$569,616

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount 4.047 hectare (10acre) property	2012/13 Rate
<b>BIOSECURITY</b>							
<b>Pest Control - Forestry</b>							
	Napier City	Area Basis	0				
	Hastings District	Area Basis	67,831	50.6	\$34,322	\$2.05	\$34,322
	Wairoa District	Area Basis	62,744	50.6	\$31,748	\$2.05	\$31,748
	Central HB District	Area Basis	7,307	50.6	\$3,678	\$2.05	\$3,678
	Taupo District	Area Basis	13,903	50.6	\$7,035	\$2.05	\$7,035
	Rangitikei District	Area Basis					
	<b>TOTAL</b>		<b>151,785</b>		<b>\$76,783</b>		<b>\$76,783</b>

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 land value per property	2012/13 Rate
<b>CLEAN HEAT &amp; SOLAR HOT WATER SCHEME</b>							
- Healthy Homes (Clean Heat Financial Assistance)	Napier City	Land Value		0.0087	\$355,913	\$8.87	\$362,281
	Hastings District	Land Value		0.00864	\$314,726	\$8.64	\$308,358
	<b>Estimate of Projected Valuations</b>			0.00927	\$670,639		\$670,639
- Rates to repay loans to homeowners for clean heat, insulation and Solar Hot Water Scheme		\$10 per \$100 loan		\$10		\$10.00 per \$100 loan	

Details of Targeted Rates Calculated within each District and City							
Groups of Activities / Rate Type	Districts	Rates set on	Differentials	Calculation Factor	Estimated Rates Revenue 2013-14	Estimated Amount of \$100,000 land value per property	2012/13 Rate
<b>ECONOMIC DEVELOPMENT</b>							
	Napier City	fixed Amount	23628	16.64	\$393,170	\$16.64	\$398,059
	Hastings District	fixed Amount	28580	16.64	\$475,804	\$16.64	\$488,956
	Wairoa District	fixed Amount	4959	13.00	\$64,467	\$13.00	\$68,890
	Central HB District	fixed Amount	5993	16.64	\$99,723	\$16.64	\$106,174
	Taupo District	fixed Amount	18	16.64	\$300	\$16.64	\$413
	Rangitikei District	fixed Amount	4	16.64	\$66	\$16.64	\$108
	<b>TOTAL</b>		<b>63182</b>		<b>\$1,033,530</b>		<b>\$1,062,600</b>
	Napier City	Capital Value	Commercial/	0.01267	\$201,607	\$12.67	\$212,930
	Hastings District	Capital Value	Industrial	0.01259	\$215,855	\$12.59	\$218,556
	Wairoa District	Capital Value		0.01636	\$9,357	\$16.36	\$7,010
	Central HB District	Capital Value		0.13.54	\$16,123	\$13.54	\$16,904
	<b>TOTAL</b>				<b>\$442,942</b>		<b>\$455,400</b>
<b>EMERGENCY MANAGEMENT</b>							
	Napier City	Fixed Amount	26220	14.63	\$383,598	\$14.63	\$341,908
	Hastings District	Fixed Amount	30696	14.63	\$448,849	\$14.63	\$397,876
	Wairoa District	Fixed Amount	5360	14.63	\$90,355	\$14.63	\$69,894
	Central HB District	Fixed Amount	6176	14.63	\$78,417	\$14.63	\$80,535
	<b>TOTAL</b>		<b>68452</b>		<b>\$1,001,219</b>		<b>\$890,213</b>

## Introduction

Section 36 of the Resource Management Act (RMA) enables local authorities to allocate fixed charges for various administrative and monitoring activities to specific resource users. These fixed charges can either be specific amounts or determined by charging scales.

There are five types of resource management charges and they relate to:

- consent applications
- compliance and monitoring
- zone based water management
- gravel extraction
- contaminated sites.

### 1. Charges Relating to Resource Consent Applications

(other than non-notified gravel extraction applications)

Charges for receiving, processing and deciding on applications for:

- resource consents
- certificates of compliance
- changes to, cancellation of, or review of resource consent conditions
- transfers of resource consents

shall comprise a fixed charge payable in advance (a deposit) and an additional charge payable once the application has been decided. An additional fixed charge will be required before notification, and the start of a hearing, if the application requires these processes.

#### Fixed Charges for Processing Resource Consent Applications

Tables 1 and 1a set out the fixed charges payable for processing resource consent applications. These fees are charged in accordance with Section 36(1)b of the RMA.

Section 36(7) of the RMA specifies that where a fixed charge has not been paid, Hawke’s Bay Regional Council HBRC need not perform the action to which the charge relates until it has been paid in full. HBRC can suspend processing an application until a fixed charge has been paid.

**Table 1: Fixed charges payable for processing resource consent applications**  
(other than Non-notified Gravel Extraction Applications - see Table 3 page 57)

Item	Initial Fixed Fee - Payable upon Lodgment (excl GST)	Additional Charge - Payable subsequent to processing
– Land use application for bore permit – Other consent applications (where 3 or more bores are to be drilled for the same purpose on the same site (or in close proximity) an application can be made for a bore field consent with a deposit of \$1000) <sup>2</sup>	– \$350 – \$1000	– N/A – Based on actual and reasonable costs <sup>1</sup>
Minor changes or cancellations of consent conditions	\$500	Based on actual and reasonable costs <sup>1</sup>
Review of conditions as specified in resource consents	\$320	Based on actual and reasonable costs <sup>1</sup>
Transfer a consent to another site	\$400	Based on actual and reasonable costs <sup>1</sup>
Extensions to lapsed dates for land use consents and onsite domestic waste water, less than 2m <sup>3</sup> a day	\$100	N/A
Extensions to lapsed dates	\$200	Based on actual and reasonable costs <sup>1</sup>
Transfer of resource consent (1 only, with transfer form completed and signed) to a new owner/occupier or change of name	\$85	Based on actual and reasonable costs for non-standard process <sup>1</sup>
Transfer of resource consent (2 or more, with transfer form completed and signed) relating to the same property to a new owner/occupier or change of name	\$110	Based on actual and reasonable costs for non-standard process <sup>1</sup>

Table 1 Continued: Fixed charges payable for processing resource consent Applications (other than Non-notified Gravel Extraction Applications - see Table 3 page 57)		
Item	Initial Fixed Fee - Payable upon Lodgment (excl GST)	Additional Charge - Payable subsequent to processing
Certificate of compliance: - Bore sealing - Other	- no charge - \$300	- N/A - Based on actual & reasonable costs <sup>1</sup>
On-site wastewater system where the application is made in conjunction with an accredited designer on a low risk site	\$350	N/A
Renewal of Category 1 domestic on-site wastewater consents (with a good compliance history, and a verified history of complete wastewater system maintenance servicing by an accredited installer/service agent).	\$350	Based on actual and reasonable costs <sup>1</sup>
Renewal of all other (Category 2) domestic on-site wastewater consents.	\$350	Based on actual and reasonable costs <sup>1</sup>
Confirmation of domestic on-site wastewater Permitted Activity status	\$131.25	N/A

Table 1a: Fixed Charges for Resource Consent Applications Requiring Notification or a Hearing				
Application Type	Type of Fixed Fee (excl GST)			Additional Charge – Payable subsequent to processing
	Initial Fixed Fee	Fixed Fee: Payable upon notification	Fixed fee: Payable 5 days before hearing	
Individual resource consent application (including applications for ancillary activities)	\$1000	\$5000	\$5000	Based on actual and reasonable costs <sup>1</sup>
Application processed as part of a catchment wide replacement process	\$1000	\$1500	\$1500	Based on actual and reasonable costs <sup>3</sup>
Request for Independent Commissioner under s 100A	Fixed fee payable on requesting a Commissioner			Additional Charge - Payable subsequent to processing
Fixed fee payable on requesting an independent commissioner	\$3000 per commissioner			Based on actual and reasonable costs <sup>1</sup> of additional cost incurred as a result of using an independent commissioner

Note 1: Actual and Reasonable Costs include time spent by staff in receiving, processing and deciding on the applications, hearing costs and any external disbursements (which shall include any external expert advice from consultants at cost). Staff costs shall be calculated by multiplying the actual hours involved in receiving, processing and granting a consent by the hourly rates for the staff involved and adding any actual disbursements (as in Table 6); and adding any hearing costs and any costs of consultants and commissioned reports; and then subtracting the fixed charge that was paid in advance and any renewal fees that have been paid in advance. The total calculated amount shall then, if necessary, be adjusted to reflect HBRC’s actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA and any relevant discounts. (This does not apply to applications which are not subject to additional charges or refunds).

Note 2: Where a bore field consent is issued for 3 or more bores, bore inspection and compliance administration shall be carried out at an hourly \$97 per hour.

Note 3: Where an activity requires multiple ancillary consents, and the application will be processed in a bundle, HBRC may require payment of only one initial fixed fee (deposit). The deposit shall be equal to the highest deposit required for any of the applications required, as per Table 1.

### Additional Resource Consent Charges

In addition to these fixed charges, in most cases additional charges will be payable subsequent to processing, in accordance with Section 36(3) of the RMA.

### Refunds

Except for applications for bore permits, minor administrative changes or cancellations, and certificates of compliance, a portion of the charge as set out in Tables 1 and 1a will be remitted if the actual cost of receiving, processing and deciding on the application is less than that already paid.

### Hearings

HBRC is conscious of the cost that can be incurred by applicants when a resource consent application goes to a hearing. Therefore, the HBRC Hearings Committee will carefully assess the number of members who will participate in each hearing. The numbers involved in a hearing panel will usually range from three to a maximum of five. Where a hearing is required, the following charges shall be payable by the applicant, except for those costs incurred under s100A of the RMA:

- actual meeting fee allowances at the rate approved by the Remuneration Authority, which is currently \$80.00 an hour for each committee member other than the chairman who is paid \$100.00 an hour, for each of the elected and tangata whenua appointed Committee members participating in the hearing (a six hour hearing with a hearing panel of three members would, therefore, incur meeting fee allowances for the hearing of \$1,560);
- actual mileage for committee members travelling to and from the hearing at the rate approved by the Remuneration Authority which is currently 74¢ a kilometre;
- actual accommodation costs where it is cheaper for a committee member to stay overnight rather than return home;

- actual meeting fee allowances for each of the committee members attending and participating in a formal site inspection, or any meeting subsequent to the hearing for formal deliberations;
- mileage and accommodation costs associated with any formal site inspection or deliberation meetings;
- actual costs (including disbursements) of any commissioner appointed by the Minister of Conservation's representative;
- the actual cost of staff attendance at a hearing (typically the Reporting Officer, hearings administrator, decision writer, relevant technical officers, and the Manager Consents or the Group Manager Resource Management);
- the costs associated with the use of an independent hearing commissioner where the use of a commissioner has been occasioned<sup>1</sup> by the application. The apportionment of costs when an independent hearing commissioner is requested by an applicant and/or submitters is noted below. Independent hearing commissioner costs will be calculated on an actual and reasonable basis and include fees for disbursements, reading the application material, site visit, hearing attendance, deliberations and drafting the decision.
- the costs for photocopying, hall hire, catering (for the Panel and Decision Writer), and any administration services relating to hearings and deliberations will be recovered from the applicant on a case-by-case basis.

### Independent Hearing Commissioners (s100A)

Applicants and/or submitters now have the ability to request that independent commissioners hear and decide publicly or limited notified applications. If an applicant makes the request, he or she is responsible for paying all costs associated with the use of the independent commissioner (as noted above). In accordance with s36(1)(ab), if one or more submitters requests an independent commissioner (and the applicant does not), those submitters are responsible for paying the extra costs incurred as a result of an independent commissioner being used (compared with the cost of using an elected member).

If a request is made for an independent commissioner, a fixed charge of \$3000 a commissioner shall be paid at the time of the request. The actual and reasonable costs of the commissioner will also be charged as an additional charge in accordance with Section 36(3) of the RMA. HBRC decides which accredited independent commissioner(s) will be appointed to the Hearing Panel.

### Hearing Decision Writers

The following charges shall be payable by the applicant except for those costs incurred under s 100A of the RMA:

- The cost of the decision writer to attend the hearing and deliberations, and the decision writing time. Where the decision writer is an independent commissioner sitting as a panel member, the commissioner's time to attend the hearing and deliberations will be charged at actual cost. However, the additional cost of using an independent consultant to write the decision will not be charged to the applicant. That is, the cost of the decision writing time will be charged to the applicant at the same rate as if a HBRC senior consent officer were undertaking the work.
- Where the decision writer is an external consultant not sitting as a panel member any additional cost of the consultant's time to attend the hearing and deliberations, and to write the decision will not be charged to the applicant. That is, the consultant's time will be charged to the applicant at the same rate as if a HBRC senior consent officer were undertaking the work.

### Charging for Consultants

- Where the use of consultants is required to provide particular technical input to the consent process, and the use is occasioned by the application, the applicant will be responsible for the actual costs charged by the consultant.
- Where the use of consultants has not been occasioned by an application, for example, where workloads are such that in-house expertise exists but is unavailable, the applicant will be charged for the use of the consultant at a rate

capped at what would have been charged by HBRC's in-house staff, as in Table 4.

### Contribution to the costs of Commissioning Reports in accordance with Section 92(2)

HBRC may, from time to time, commission reports in accordance with Section 92(2) of the RMA, to determine the cumulative effects of an activity according to resource consent applications. Where the activity meets the following criteria, the HBRC may contribute to the costs of preparing the report to a maximum of 25%, up to a maximum of \$5000. The HBRC's contribution is at the discretion of the Group Manager, Resource Management, and the following criteria must be met for a discount to be considered:

- The commissioned report must directly inform a plan change that the HBRC has committed to in the applicable Long Term Council Community Plan, and/or
- The commissioned report must develop a method, or provide information that is applicable to sites beyond the immediate scope of the application, and
- The commissioned report must contain information that is of benefit to the regional community as a whole.

## 2. Charges to Holders of Resource Consents for Compliance and Impact Monitoring

Charges for the monitoring, administration and supervision of resource consents have been determined based on an estimate of the time for carrying out the inspection/s, assessment, reporting and administration associated with that monitoring.

### Basic Charge

Consent holders whose consents require no more than a single annual inspection, and/or information return, and/or a single sampling undertaken by HBRC staff at the same time as the inspection will be charged as in Table 2. Table 2 does not include water takes with a water measuring device. Consent holders should check the

conditions of the consent to determine whether sampling, water use or other information is required.

These charges are invoiced after inspection for one-off inspections, or at the end of the financial year for the consents that either have more than one inspection or ongoing monitoring throughout the year.

Table 2: Monitoring Task (excluding water takes with water measuring device)	Fixed Basic Annual Charge (Excl GST)
Inspection and associated reporting and administration	\$364
Inspection and associated reporting and administration of unmetered water takes	\$282
Additional inspection, reporting and administration charges where a resource consent authorises groundwater takes from more than two wells	\$66.50 - each additional well over 2.
Additional inspection, reporting and administration charges where additional consents under the same ownership and invoiced collectively, within 5km of each other, and able to be inspected on the same day	\$221 - each additional consent.
Sampling time (sampling analysis will be at cost – see Table 4)	\$104
Other information returns	\$104

An additional charge will only be made to consent holders whose consents fall under the description for the basic charge, where extra compliance monitoring is required as a result of non-compliance with consent conditions or where extra time is spent following up suspected non-compliance where a consent holder has not supplied sufficient information to demonstrate compliance.

### Water Measuring Device Charges

Charges to holders of resource consents to take water which require a water measuring device.

Table 2a: Monitoring Water Measuring Devices	Annual Charge (Excl GST)
Sampling time (sampling analysis will be at cost – see Table 4)	\$104
– Water use returns & Audits – Telemetered, Web/Text entry – Each additional water measuring device	– \$188 – \$30
– Water use returns & Audits – Fax/Email/Standard Mail – Each additional water measuring device	– \$230 – \$63
Where water measuring devices do not meet HBRC’s approved devices criteria or are not installed by an approved installer, a full compliance audit will be undertaken.	\$364
Non exercised consent	\$80

An additional charge will only be made where extra compliance monitoring is required as a result of non-compliance with consent conditions or where water takes require additional monitoring or data returns over and above water use returns.

### Monitoring of RMA Regulations

Where Council is required to monitor regulations under the Resource Management Act, a fixed charge of \$104 for the first hour and then additional charge based on actual and reasonable charges in Table 6.

### Actual and Reasonable Charge

Consent holders whose consents are subject to more than a single inspection a year and/or are subject to specific conditions, will be subject to the basic charge for the first inspection plus an additional charge based on the actual and reasonable costs to undertake the total annual monitoring activity.

For new consents, the consent holder will be advised of the likely annual monitoring costs when the consent is issued; thereafter the previous year’s monitoring costs will act as an indication of monitoring costs.

### Additional Charges for Compliance Monitoring

Where an additional charge is to be made, this shall be calculated by multiplying the actual hours involved in undertaking monitoring of the consent by the hourly rate for the staff involved and adding any actual disbursements (as in Table 6). The total calculated shall then, if necessary, be adjusted to reflect HBRC's actual and reasonable costs having regard to the factors referred to in section 36(4) of the RMA.

### Incentives for Full Compliance

When a consent holder consistently achieves full compliance (a Grade 1 in two consecutive years) the frequency of on-site monitoring may be reduced. An annual inspection may reduce to once every two years or more if the scale of the activity and continued compliance warrants it. Quarterly inspections may reduce to six monthly inspections. The reduction in frequency will be at the discretion of the Manager of Compliance and Pollution Response. Random inspections may be undertaken at no cost to the consent holder to ensure continued compliance during the intervening period.

### Monitoring of Domestic On-site Wastewater Treatment Systems Charges

Consent holders with an on-site wastewater treatment system type that is not on the HBRC's Accredited Manufacturer list, and who do not have that system installed and serviced by a person or company on the Accredited Installer and Service Agent list will be subject to an annual monitoring cost of \$364.

Consent holders with an on-site wastewater treatment system type that is on the HBRC's accredited list and is installed and maintained by an accredited installer/service person or company will not be subject to routine compliance inspection fees.

### Charges to holders of Resource Consents for Low Flow Monitoring

For holders of consents to take water where the abstraction is subject to low flow limits (directly or via gallery intake or wells), the cost of monitoring the low flows will

be recovered for each water take subject to low flow restrictions (excluding any frost consents that are from the same take point as a irrigation consent, held in the same consent holders name):

- A charge of \$100 each primary consent (excl GST)
- Should all of the fixed charge not be adequate to recover the actual and reasonable costs associated with the entire low flow monitoring program, an additional charge shall be added to all consents that are subject to the above low flow fixed charge, to recover the actual and reasonable costs incurred.

### 3. Charges to holders of Resource Consents for Freshwater Management Research/Investigations and Monitoring (Zone Based Water Science Charges)

HBRC policy is to recover 35% of the total costs of investigation and monitoring of freshwater resources from holders of resource consents to take or dam water, or to discharge into water or onto land that may enter water. This recognises that while all residents of the region receive benefits from the sustainable management of our freshwater resources, resource users receive greater benefits than other land owners.

As part of the 2010/11 Annual Plan development the HBRC consulted on the proposed charging with all current consent holders.

#### Allocation of Charges

The costs attributed under this charge are derived from the water investigation and monitoring projects with a proposed total cost to be recovered from consent holders of \$1,180,000 excl GST in 2012/13. HBRC has agreed to directly subsidise \$87,000 from the HBRC's Sale of Land (non investment account). This subsidy (\$87,000) will be available for years 2012/13 to 2014/15.

Costs are recovered from consent holders using a hybrid zone and regional based approach. Twenty per cent of the costs will be charged as a fixed portion (regional) and distributed uniformly among all current consent holders. This is estimated to be

\$83 excl GST per consent for 2012/13. The remaining 80% of the costs (zone based) are separately attributed to the five major categories of consent holders (surface water takes, groundwater takes, (stream depleting – hybrid SW/GW), hydro water takes, discharges to water and discharges to land consents). Charges are weighted against individual allocated volume m<sub>3</sub> for water takes, and a pollution index score for discharge consents.

Charges are weighted against consented volumes not actual use, non-exercised/partially exercised consents do not receive dispensation. HBRC consents will be excluded from these charges.

The pollution index score for each discharge subtype will be reviewed yearly and performed by a suitably qualified scientist.

Charges are struck against the current consent holder at the time of invoicing, no yearly apportioning will apply other than a 1 month discount for consents expiring 31 May. Charges lie where they fall. Charges are payable by the date specified on the invoice, the 2 to 5 year payment plan trialled in 2011/12 is not to be offered due to the low take up rate.

Domestic on site wastewater consents from a single domestic dwelling are excluded from the charging. A 25% discount is struck against the irrigation component of dam fill consents, short term takes and discharges associated with a land use consent are excluded.

## 4. Charges for Gravel Extraction Land Use Consents

### Charges for Non-notified Applications

A charge payable in advance for receiving, processing and deciding on non-notified land use consent applications to extract gravel:

- 0-50 cubic metres           \$20
- 50 cubic metres and over   \$80

(For charges for notified gravel extraction land use consents, see Table 1 and associated text.)

## Compliance Monitoring, Administration Charges and Financial Contributions

Compliance monitoring, administration charges and financial contributions are based on the volume of gravel extracted; the source of the gravel; and its quality. The categories include:

- inferior grade material (as determined by HBRC staff);
- material extracted from above the confluence of the Tukipo and Mangaonuku River tributaries of the Tukituki and Waipawa rivers (Upper Tukituki catchment);
- all other material.

The financial contribution is established in the Regional Resource Management Plan under Section 108 of the Resource Management Act 1991.

Resource consent charges for gravel extraction are due and payable monthly on the same day as extraction declarations.

**Table 3: Gravel Extraction Charges based on \$ per Cubic Metre Extracted per annum (Excluding GST)**

	State of Environment Monitoring Charge (\$35 of RMA)	Compliance / Allocation Charge (\$36 of RMA)	Financial Contribution (\$108 of RMA)	Total
Upper Tukituki catchment	No charge	\$0.20	No charge	\$0.20
Inferior grade	\$0.12	No charge	\$0.08	\$0.20
All Other	\$0.12	\$0.60	\$0.08	\$0.80

## 5. Charges Relating to Contaminated Site Management

These charges are set in accordance with section 150 of the Local Government Act 2002.

## Introduction

The processing of building consents for dams and issuing of project information memoranda (PIMs) for dams and administering dam safety regulations are new statutory functions for the HBRC under the Building Act (2004) and its amendments. Dam safety regulations become operative on 1 July 2010. Amounts stated for Building Act charges below are exclusive of GST.

### PIM costs

A fixed charge (deposit) is payable in advance, and an additional charge may be payable once the application has been decided. The fixed charge for this is listed in Table 3a.

## Building Consent Costs

This function has been transferred to Waikato Regional Council. The transfer agreement specifies that Building Consent costs will be recovered on an actual and reasonable basis, with hourly rates and fixed charges from Waikato Regional Council. These charges are set and recovered directly by Waikato Regional Council. Any HBRC processing costs will be as specified in Table 4 under Resource Management Charges.

## Certificate of Acceptance Costs

This function is retained by HBRC, but Waikato Regional Council will provide technical advice into the process. A fixed charge (deposit) is payable in advance, and an additional charge may be payable once the application has been decided. The fixed charge for this is listed in Table 4.

Where a party requests information about the 'contaminated site' status of a property	A charge of \$200 An additional charge based on actual and reasonable costs may apply if a site inspection is required
Where a party requests HBRC review and comment on contaminated site investigation and remediation reports	Actual and reasonable charges will apply
Where a party requests more extensive involvement of HBRC staff	A charge based on the actual and reasonable costs of staff time incurred

## Department of Building and Housing and Building Research Authority of New Zealand Levies

Department of Building and Housing (DBH) and Building Research Authority of New Zealand (BRANZ) levies were required by regulation on 1 March 2008. These levies may change in accordance with amendments made to regulations. The Hawke's Bay Regional Council (HBRC) is required to collect and pay DBH and BRANZ levies as regulated for all Building Consent Applications and Certificate of Acceptance Applications.

The following fees apply to all building work with an estimated value greater than \$20,000 - DBH levy – \$1.97 for every \$1000 (or part of \$1000) of the estimated value of the building work. BRANZ levy – \$1.00 for every \$1000 (or part of \$1000) of the estimated value of the building work.

## Additional Building Act Charges

Where an additional charge is to be made, the charge will be recovered on an actual and reasonable basis. This shall be calculated by multiplying the actual hours involved in undertaking monitoring of the application by the hourly rate for the staff involved and adding any actual disbursements (as in Table 4).

An additional charge will apply to:

- all PIMs, Certificate of Acceptance Applications, and Amendment to a Compliance Schedule applications when the fixed charge does not cover the costs of processing.
- all other unspecified Building Act duties that deal with its application, processing or compliance, and are attributable directly to a dam. These charges are payable by the owner of a dam.

**Table 4: Fixed Charges for Building Act Applications (Excluding GST)**

Item	PIM	Certificate of Acceptance	Amendment to Compliance Schedule
Large Dam (above \$100,000 value)	\$1000	\$4000	\$1000
Medium Dam (\$20,000 to <\$100,000 value)	\$750	\$2000	\$1000
Small Dam (\$0 to <\$20,000 value)	\$500	\$500	\$1000

**Standard Charges under the Maritime Transport Act 1994 - Marine Tier 1 Oil Transfer Sites**

Maritime Rule Part 130B requires that the operator of an oil transfer site obtain the approval for a site marine oil spill contingency plan from the Director of Maritime New Zealand. The power to approve these plans has been delegated by the Director to the Chief Executive (sub-delegated to HBRC regional On Scene Commanders) of HBRC in an Instrument of Delegation pursuant to Section 444(2) of the Maritime Transport Act 1994. Section 444(12) of the Maritime Transport Act 1994 allows HBRC to charge a person a reasonable fee for:

- Approving Tier 1 site marine oil spill contingency plans and any subsequent amendments
- Inspecting Tier 1 sites and any subsequent action taken thereafter in respect of preparation of inspection reports or reporting on non-conformance issues.

Tier 1 Site operators shall be charged a basic charge of \$312 per Tier 1 Marine Oil Spill Contingency Plan approval. Where the cost incurred by HBRC when approving a contingency plan is greater than \$350, the Tier 1 Site operator will be charged the actual and reasonable cost.

Inspecting Tier 1 sites, auditing response exercises and subsequent follow up reports and corrective actions shall be charged the actual and reasonable cost of the required work.

Actual and reasonable charges shall be calculated using the hourly rates listed in Charge Rates section, Table 6 Page 60.

**Navigation and Safety By-laws Charges**

The Local Government Act enables HBRC to charge for various functions it undertakes in accordance with the Navigation and Safety By-laws.

A fixed charge of \$183 will be charged to all vessels requiring a hot-work permit to be issued outside the hours of 8am – 4pm on a normal working day.

Internal and external costs incurred responding to breaches of Navigation and Safety By-laws, securing of vessels, responding to unseaworthy vessels or sinking vessels, and other tasks required to be undertaken to ensure safe navigation can be maintained, shall be charged actual and reasonable costs (Table 5) to the master, owner or person who caused the cost to be incurred.

<b>Table 5: Navigation and Safety Charges</b>	
<b>Licence Type</b>	<b>Annual Charge Payable in Advance (Excluding GST)</b>
<b>Vessels not Under Safe Ship Management</b>	
<b>Passenger Vessel Licence</b>	
– Passenger Vessel Owner’s Licence	\$70.00
– Passenger Vessel Licence (per vessel)	\$40.00
<b>Hireboat Licence</b>	
– Hireboat Owner’s licence	\$70
<b>Hireboat Licence (per craft)</b>	
– Kayak	\$6.00
– Windsurfer	\$7.00
– Rowing boat	\$10.00
– Sail boat	\$20.00
– Jetski	\$20.00
– Powerboat	\$40.00
<b>Pilot-exemption Recommendations/Revalidation</b>	
– Overall Vessel Length less than 65 metres	\$200.00
– Overall Vessel Length between 65 and 125 metres	\$300.00
<b>Applications for Suspension or Exemptions under Bylaw 5.1</b>	
– Public Notification	Actual Advertising Costs

Item	Per Hour
Executive	\$121.83
Asset Management	\$96.27
Environmental Science	\$89.75
Strategic Direction	\$93.18
Environmental Regulation	
– Resource consent processing	– \$118.45
– Resource consent administration	– \$80.75
– Management input into resource consent processing including attendance at hearings and during deliberations	– \$123.85
– Compliance/impact monitoring of consents and Approving, monitoring & auditing of Tier 1 Marine Oil Spill Contingency Plans, and monitoring of Resource Management Act regulations	– \$104.00
– All other tasks, consent processing	– \$79.33
– All other tasks, compliance monitoring	– \$81.90
Environmental Information	\$68.46
Land Management	\$83.82
Disbursement costs shall be charged at the rates of:	
– Accommodation	– \$120 a night per person
– Public notification	– Actual advertising costs
– Photocopying	– 20c per A4 page B&W 40c per A4 page colour 30c per A3 page B&W 70c per A2 page B&W
– External laboratory testing	– actual cost
– Consultant fees	– actual cost

**Charges for the Preparation of, or Change to the Regional Policy Statement or a Regional Plan**

Applicants for the preparation of or change to the Regional Policy Statement or any regional plan will be subject to the following fixed charge payable in advance: \$1000 (excl GST).

If the actual costs incurred by HBRC in preparing, varying or changing the Regional Policy Statement or any regional plan exceed the charge payable in advance, then

these costs may be recovered by way of an additional charge. The additional charge shall be based on actual costs as calculated by multiplying the actual hours involved in preparing or changing the Regional Policy Statement or any regional plan by the hourly rates for staff involved (see Table 6), adding any actual disbursements (see Table 6) and subtracting the charge referred to above. The total calculated amount shall then, if necessary, be adjusted to reflect HBRC's actual and reasonable costs having regard to the factors referred to in section 36(4) of the Maritime Transport Act 1994 (MTA). An additional charge is levied under subsection 36(3) of the MTA. Such charges are subject to objection and appeal under section 36(6) of the MTA.

**Charges for the Provision of Information**

The Regional Council (HBRC) shall charge for the provision of any information including the Regional Policy Statement, regional plans and resource consents as follows.

- The first hour of time spent actioning a request for information on each or any occasion relating to the same general matter shall be provided free of charge.
- HBRC reserves its rights under section 13 of the Local Government Official Information and Meetings Act 1987 (LGOIMA) to charge for the provision of information above one hour. HBRC delegates the decision for treating requests made by the same person and in quick succession as one request, to the Chief Executive.
- Staff time spent actioning any request over and above the time provided free of charge shall be charged at the rates set out in Table 4. HBRC may also choose to require payment in advance.
- The first 20 pages of black and white photocopying on standard A4 or A3 paper shall be provided free of charge.
- Where the total number of pages of photocopying is in excess of 20 then the rates set out in Table 6 will apply.
- In alignment with the LGOIMA, HBRC does not consider requests for explanations in its definition of information requests.

### For Information Only

#### Charges by the Crown

HBRC is responsible for collecting the following Crown fees, rents and royalties in addition to its charges:

In the Coastal Marine Area:

- Restricted coastal activity application fees as specified;
- Extraction of sand and gravel - \$1.51 excluding GST per cubic metre royalty;
- Rent for the occupation of land from the Crown;
- Geothermal royalties.

#### Due Dates for Payment

- Charges payable in advance for consent applications are due on the filing of an application.
- Charges payable for photocopying of less than \$20 are due on collection of the copies.
- All other charges will be due and payable on the 20th of the month following date of the invoice.

#### Cost of Debt Recovery

All debt collection costs incurred by HBRC in relation to the activities covered in section 4.7 shall be borne as a debt by the party whose actions caused the initial charge.