

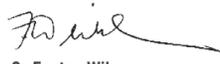
# Annual Report 2013/14 Summary

**Kia ora.** This summary looks at what Hawke's Bay Regional Council achieved during 2013/2014, Year Two of the Long Term Plan 2012 – 2022. In The Right Debate section of the Long Term Plan 2012-22 we highlighted the big issues facing Hawke's Bay and explained how HBRC would address these over this period along with the associated financial calculations.

Our Annual Report is consistent with the direction in HBRC's Long Term Plan which identified HBRC's business as:

- Natural resource management and governance
- Natural hazard assessment and mitigation
- Regional strategic planning
- Provision and assessment of regional scale infrastructure and services.

A fuller description of these achievements and several other activities is included in the full Annual Report 2013/2014.

  
Cr Fenton Wilson  
Chairman

  
Liz Lambert  
Interim Chief Executive



## Natural Resource Management and Governance

### Tukituki Catchment Proposal

This encompasses both Plan Change 6 and resource consents for a \$260 million water storage scheme on the Ruataniwha Plains. TCP was called-in by the Minister for the Environment and the Minister of Conservation and was heard by an independent Board of Inquiry. The Board issued its final decisions on 26 June 2014. Plan Change 6 introduces new requirements for water and land use and requires significant council input and focus, irrespective of whether or not the water storage scheme goes ahead.

### Hill Country Afforestation

HBRC approved a provision of \$47 million for investment but the 2012 collapse of carbon pricing saw this proposal parked. HBRC has investigated alternative funding sources and incentives to help establish trees on farms, to complement livestock and agricultural systems and protect the environment. The High Performance Manuka Primary Growth Partnership has resulted in manuka plantation trial at Lake Tūtira, with results expected by 2018.

### Regional Landcare Scheme

HBRC funds the RLS at \$880,000 per annum to support groups of farmers in catchments where soil erosion, water quality or catchment projects meet HBRC criteria, including the National Policy Statement for Freshwater.

### HeatSmart

Air quality in the Napier and Hastings air sheds each winter still doesn't meet government standards (required by 2016). HBRC's programme is helping the region move to compliance with healthier homes and improved health outcomes. Our programme this year delivered 2,490 heating upgrades (in total 5,158) and 372 insulation upgrades (total 2,023).

### Ngaruroro Water Storage Investigations

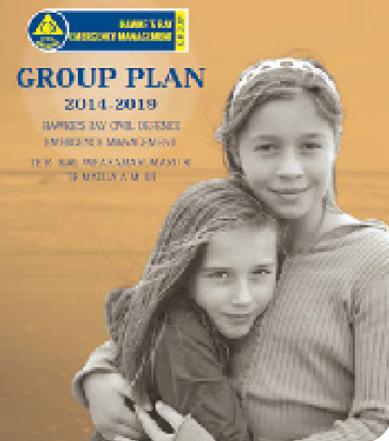
HBRC made provision of \$27 million for a possible equity stake in a water storage scheme in the Ngaruroro catchment. However, full feasibility investigations were deferred, awaiting the completion of more economic assessment work and the availability of staff after completing the Ruataniwha Water Storage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

### Strategic Alliances

- The **Regional Planning Committee** has equal representation from elected councillors and Treaty claimant groups, making important policy development decisions. They met 4 times during the year and typically consider a range of natural resource related issues.
- The **Nature Central** alliance with the Department of Conservation and two other regional councils is continuing, with focus on seven core projects including wide-scale pest and predator control.



## Natural Hazard Assessment and Mitigation



### Civil Defence and Emergency Management (CDEM)

In early 2014, the Hawke's Bay CDEM Group completed a new strategic plan which incorporates the results of a capability report completed by the Ministry of Civil Defence and Emergency Management and lessons from the Canterbury earthquakes. This Plan identifies the work needed to make our community more resilient and is endorsed by all of Hawke's Bay's councils. This year the Group has commenced a review to ensure it has the resources and structure to implement this Plan over the next 5 years.

### Regional Natural Hazards Planning

A joint project has been commissioned to review the potential for liquefaction in Hawke's Bay. This includes the development of a geo-technical database, following the success of the Canterbury Geotechnical Database (CGD). Canterbury Earthquake Recovery Authority (CERA) and Tonkin & Taylor with GNS Science have supported the expansion of the CGD for use in Hawke's Bay, with a view to expanding it to the rest of New Zealand in future. Work continues on a change to the Regional Policy Statement to implement a risk based approach, and strengthen the requirement for local authorities to consider the impacts of natural hazards when considering land use changes.

### Makara Dam

The flood detention dam experienced storm damage in 2011 and 2012. Following a Special Consultative Process and Hearing, HBRC decided to reinstate the No 1 dam and also provide for a de-silting programme. The repair work cost \$1,262,000, 60% funded from the Regional Disaster Reserve and the remainder from flood scheme funds, including a loan.

## Regional Scale Infrastructure and Services

### Ruataniwha Water Storage Scheme (RWSS)

The RWSS is complementary to the Tukituki Catchment Proposal. After receiving independent advice on investment risk and hearing community views through a public consultation process, HBRC's investment company recommended that Council proceed to invest in RWSS. Council subsequently agreed to fund up to \$80M as an equity stake in the proposed subsidiary company to run RWSS. The key consideration ahead will be to decide if the scheme should proceed to implementation at the point of 'financial close', anticipated to be during 2015.

### Regional Parks Network Plan

This new plan was adopted by Council in November 2013. Individual park plans are subsequently being drafted to help protect, maintain and enhance these popular regional park assets.

### Public Transport

Passenger numbers increased for the second year running, with total passenger trips reaching a record high of 799,845, a 5% increase on the previous year.



## Regional Strategic Planning

### Biodiversity

Significant progress has been made on the final Biosecurity strategy document with strong support from partners (including government agencies, local councils, iwi). The Biodiversity Strategy Steering Group is supported by a Core Working Group and expects to deliver the strategy for consultation towards the end of 2014.

### Regional Economic Development

There was continued support for business growth and attraction in the region through Business Hawke's Bay. Hawke's Bay's business allocation of research and development funding through Callaghan Innovation's Regional Partner programme again exceeded annual targets. A focus on primary sector resilience was assisted through a number of Ruataniwha water storage related initiatives, as well as engagement with other primary and processing sector organisations. HBRC continued to represent the region's interests at both a regional economic development agency and central government level. Economic research and reports have been funded and HBRC has played a role in the Napier-Gisborne rail link, and in oil and gas exploration issues.

### Urban Growth Planning

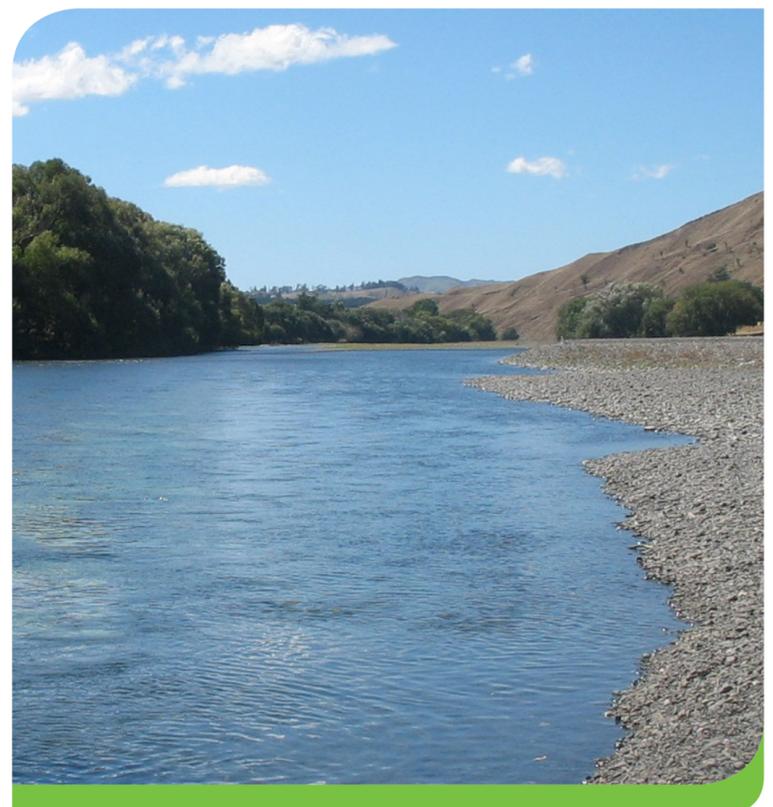
The Heretaunga Plains Urban Development Strategy (2010) led to the development and processing of Plan Change 4 – Managing the Built Environment to the Regional Policy Statement which became operative on 1 January 2014. An Implementation Committee for the Strategy has been established.

### Freshwater Management Programme

Freshwater is one of our region's most precious natural resources and much of our work revolves around it. HBRC's Implementation Programme (2012) outlines key actions that we will undertake to fully implement the National Policy Statement for Freshwater Management.

#### During the 2013-14 period, HBRC:

- 1 Completed the RMA process for Regional Policy Statement Change 4 (Managing the Built Environment) when Change 4 was made operative on 1 January 2014.
- 2 Continued Environment Court-assisted negotiations on four appeals against Change 5 (land and freshwater management) to the Regional Resource Management Plan.
- 3 Presented its evidence to the Board of Inquiry hearing the Tukituki Catchment Proposal (Plan change 6 and HBRC's applications for the Ruataniwha Water Storage Scheme). The Board issued its final decisions on the proposal in June 2014.
- 4 Assessed a variety of resource management policy options through the Regional Planning Committee, for catchments including the Mohaka River and the Greater Heretaunga / Ahuriri.
- 5 Achieved 100% compliance with the first phase of the transitional Resource Management (Measurement and Reporting of Water Takes) Regulations 2010 and on track to achieve phase two by the November 2014 timeframe.
- 6 Facilitated the establishment of key water user groups to work towards efficient water use through alternative water management options, including groups in the Ngaruroro, Ruataniwha and wider Tukituki catchments.
- 7 Continued co-ordination and facilitation of interest groups for preparing regional plan changes in the Mohaka Catchment and Greater Heretaunga / Ahuriri catchment area.
- 8 Supported a submission by Local Government NZ on proposed amendments to NPSFM.



## Operational Activities

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

**709 consents** were issued in the 2013/14 year and achieved 100% compliance with statutory timeframes. 99% of monitored consents achieved a final overall grading of full compliance, and specifically 16 dairy farms were awarded gold certificates for consistently achieving full compliance with their consents over 5 years.

**Marine safety incidents** were investigated by the Harbourmaster with education and enforcement action used where appropriate. A region wide risk assessment was completed.

The **Regional Pest Management Plan (RPMP)** and Regional Phytosanitary Pest Management Plan reviews were completed in March 2013. A further review required following amendments to the Biosecurity Act of the RPMP is scheduled for completion in 2015.

Biosecurity staff made 2428 visits to properties with **total control plant pests**, of which 1148 were checks on urban properties. Occupiers have undertaken control principally on Apple of Sodom, Old man's beard, Chilean needle grass, Cotton thistle, Pinus Contorta, Japanese honeysuckle, Australia sedge, and Woolly nightshade.



**Major Budget Variances (Parent)**

The Council published prospective financial information in relation to the 2013/14 year in its 2013/14 Annual Plan. Explanations for the major variances from the forecast figures published in the Annual Plan are set out below:

**Balance Sheet**

**Non-current assets are \$36 million or 8% less than budget mainly due to:**

- Property, plant & equipment assets are \$6 million less than budget due to the fair value write downs at the end of the 2012/13 year which were not included in the budget and the deferral of projects to upgrade the Guppy Road and Wairoa properties.
- Infrastructure assets are \$11 million less than budget due mainly to the revaluation of river control assets being less than estimated.
- Advances to Council-controlled organisations under non-current assets are \$22 million less than budget due to the reclassification of advances to HBRIC Ltd as current assets and the deferral of the Whakatu Road/Rail Hub project.

**Current assets are \$9 million or 9% more than budget mainly due to:**

- Advances to Council-controlled organisations are \$9 million more than budget due to the reclassification of advances to HBRIC Ltd as current assets.

**Non-current liabilities are \$24 million or 33% less than budget mainly due to:**

- Non-current borrowings are \$6 million less than budget due to the deferral of loan funding for Solar Hot Water, Open Spaces and Regional Infrastructure in the 2013/14 financial year.
- Provisions for other liabilities are \$18 million less than budget due to the sale value of leasehold property cash flows reducing from \$51 million to \$38 million as a result of the high number of properties freeholded by lessees before the sale was completed in December 2013. There have also been an additional \$4 million of leasehold property sales during the remainder of 2013/14 year which have reduced the liability.

**Current liabilities are \$4 million or 53% more than budget mainly due to:**

- Accrued expenses are \$3 million more than budgeted due to the provision for the payment for the leasehold property cash flows to ACC under the capitalisation of cash flow agreement and property sales at the end of the 2013/14 year.
- Current borrowings are \$1 million less than budget due to the deferral of loan funding for Solar Hot Water, Open Spaces and Regional Infrastructure in the 2013/14 financial year.

**Equity is \$7.0 million or 1.5% less than budget.**

**Comprehensive Income Statement**

**Operating revenue is \$1.4 million or 4% more than budget. This variance is explained below:**

Revenue from Council activities is \$0.3 million or 6% less than budgeted mainly due to:

- Regulation income is down \$0.6 million. Consent processing income was down on budget as a result of low numbers of consent applications and some staff vacancies not being filled.
- Regional Resources income is down \$0.5 million. This was mainly due to a reduction of gravel extraction income due to low demand and lower Section 36 charges.
- Land and Drainage income was up \$0.5 million due to an increase in external income earned by the HBRIC Works Group.

Other revenue is \$1.6 million or 9% more than budget due to:

- Rental income is \$1 million or 62% more than budgeted due to deferral of the sale of Wellington Leasehold property.
- Interest income is \$1.2 million or 24% less than budget as the sale of the Wellington Leasehold property did not take place and the proceeds were not invested. Also interest rates were not as high as had been forecast in the budget.
- Grant income is \$2 million or 64% more than budget due to Council receiving funding from the Ministry for the Environment to distribute to Ngati Pahauwera for the cleanup of the Mohaka, Waikari and Waihua Rivers and their catchments.

Fair value gains (net) are \$2.8 million or 71% above budget mainly due to an increase in the value of leasehold land and forestry crops.

**Expenses from Council activities are \$1.4 million or 4% less than budgeted due to:**

- Governance and Community Engagement expenditure is down \$1.0 million due to the targeted assistance for the Te Mata Park Visitor Centre and the upgrade of the Wairoa Community Centre not being drawn down in the 2013/14 year and has been carried forward to the 2014/15 year.
- Regulation and Emergency Management costs are down \$0.4 million due to staff vacancies and delays in recruitment.

Finance costs are \$0.5 million above budget due to the treatment of the leasehold annuity fees which are paid to ACC in return for their lump sum contribution. These fees make up \$1.7 million of the total finance costs.

Other comprehensive income is \$2.3 million less than budget mainly due to the revaluation of Infrastructure Assets.

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

The operating surplus / (deficit) (total recognised revenue and expenses) is \$0.5 million more than budget. The major causes for this are set out above.

**Cash flow statement**

Net cash out flows from **operating** activities are \$2.4 million more than budget mainly due to a decrease in expenditure and an increase in overall income.

Net cash outflows from **investing** activities are \$4.5 million less than budget. The main reason for this is:

- \$24 million decrease in net cash flows for the purchase of financial assets which is the investment of the money received from the sale of leasehold property cash flows.

This is offset by:

- \$4 million increase in net cash flows from disposals of leasehold investment property
- \$2 million increase in net cash flows from reduced spend on construction of infrastructure assets
- \$13 million increase in net cash flows from reduced advances to HBRIC Ltd.

Net cash inflows from **financing** activities were \$32 million more than budget mainly due to \$37 million received sale of leasehold property cash flows which the budget assumed would be received in the 2012/13 year. These were offset by \$3 million paid out to ACC for leasehold annuity fees and property sale contributions and loans borrowed were \$2 million less than budgeted.

**Significant asset acquisitions or replacements**

There were no other significant asset acquisitions or replacements.

**Independent Auditor's Report**

The summary annual report was derived from the annual report of the Hawke's Bay Regional Council (the Regional Council) and group for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 1 and 2:

- the summary balance sheet as at 30 June 2014;
- the summaries of the comprehensive income statement, statement of changes in equity and cash flow statement for the year ended 30 June 2014; and
- the summary statement of service provision of the Regional Council and group.

We expressed an unmodified audit opinion on the Regional Council and group's full audited statements in our report dated 24 September 2014.

**Opinion**

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

**Basis of opinion**

Our audit was carried out in accordance with the Auditor General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 24 September 2014 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the Regional Council and group.

**Responsibilities of the Council and the Auditor**

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS 43 (PBE): Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the Regional Council or any of its subsidiaries.



**S B Lucy**  
 Audit New Zealand  
 On behalf of the Auditor General  
 Wellington, New Zealand  
 8 October 2014



**Summary Consolidated Financial Statements of the Hawke's Bay Regional Council and its Subsidiaries (Group) for the year ended 30 June 2014.**

The summary financial statements were authorised for issue by the Chief Executive of the Regional Council on 8 October 2014.

The disclosures included in the summary financial statements have been extracted from the full financial statements of the Group and comply with FRS-43, Summary Financial Statements. The full financial statements were prepared in accordance with NZ GAAP for a public benefit entity and were authorised for issue by the Regional Council on 24 September 2014. The full financial statements received an unmodified audit opinion. Summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements. Copies of both the full and summary financial statements can be obtained from the Regional Council's offices at 159 Dalton Street, Napier, or website: www.hbrc.govt.nz.

**Summary Balance Sheet**

(Presented in thousands of New Zealand dollars)	HBRC			Group*	
	Actual 13/14	Budget 13/14	Actual 12/13	Actual 13/14	Actual 12/13
Non-current assets	422,424	458,494	415,004	512,566	491,018
Current assets	107,520	98,741	60,315	110,603	65,172
<b>Total assets</b>	<b>529,944</b>	<b>557,235</b>	<b>475,319</b>	<b>623,169</b>	<b>556,190</b>
Non-current liabilities	48,760	72,955	11,879	131,186	89,449
Current liabilities	11,389	7,464	8,328	20,882	17,117
<b>Total liabilities</b>	<b>60,149</b>	<b>80,419</b>	<b>20,207</b>	<b>152,068</b>	<b>106,566</b>
<b>Equity</b>	<b>469,795</b>	<b>476,816</b>	<b>455,112</b>	<b>471,101</b>	<b>449,624</b>

**Summary Comprehensive Income Sheet**

Operating revenue	38,738	37,380	31,131	99,060	85,035
Fair value gains (net)	2,835	1,659	7,159	2,949	7,182
Operating expenditure	(35,502)	(36,937)	(34,270)	(72,143)	(69,668)
Finance costs	(2,846)	(2,377)	(931)	(6,533)	(4,401)
Depreciation and amortisation expense	(2,225)	(2,199)	(2,134)	(9,568)	(8,940)
Other expenditure	(714)	0	(105)	(714)	(105)
Taxation expense	0	0	0	(5,347)	(3,887)
<b>Surplus before other comprehensive item</b>	<b>286</b>	<b>(2,474)</b>	<b>850</b>	<b>7,704</b>	<b>5,216</b>
Gain/(loss) in available-for-sale financial assets	(88)	(2,059)	63	2,817	(436)
Gain/(loss) on revalued assets	14,485	18,736	(3,490)	14,485	58,517
<b>Other comprehensive income</b>	<b>14,397</b>	<b>16,677</b>	<b>(3,427)</b>	<b>17,302</b>	<b>58,081</b>
<b>Surplus after other comprehensive item</b>	<b>14,683</b>	<b>14,203</b>	<b>(2,577)</b>	<b>25,006</b>	<b>63,297</b>

**Summary Statement of Changes in Equity**

Total comprehensive income for period	14,683	14,203	(2,577)	25,006	63,297
Effect on consolidation	0	0	0	(3,529)	2,526
<b>Total changes in equity</b>	<b>14,683</b>	<b>14,203</b>	<b>(2,577)</b>	<b>21,477</b>	<b>65,823</b>
Equity at the start of the year	455,112	462,613	457,689	449,624	383,801
<b>Equity at the end of the year</b>	<b>469,795</b>	<b>476,816</b>	<b>455,112</b>	<b>471,101</b>	<b>449,624</b>

**Summary Cash Flow Statement**

Net cash inflows from operating activities	437	(1,934)	(12)	14,312	14,279
Net cash outflows used in investing activities	(27,749)	(23,269)	(8,665)	(48,216)	(17,322)
Net cash inflows from / (used in) financing activities	38,882	6,913	(1,966)	45,082	(4,366)
<b>Total net cash flow</b>	<b>11,570</b>	<b>(18,290)</b>	<b>(10,643)</b>	<b>11,178</b>	<b>(7,409)</b>

\* Group figures include consolidated results for HBRC and HBRIC Ltd. HBRIC Ltd holds the investment in Port of Napier Ltd.

