



Meeting of the Hawke's Bay Regional Council

Date: Wednesday 26 October 2011
Time: 9.00am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachments Excluded From Agenda

ITEM	SUBJECT	PAGE
9.	Adoption of the Audited 2010-11 Annual Report	
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Hawke's Bay Regional Council			
Reconciliation of Unfavourable Variance			
from Annual Plan to Actual Underlying Surplus			
/ (Deficit) at 30 June 2011			
[Revised 10 October 2011]			
		Variance	
		(\$'000)	
Budgeted underlying result / (deficit)		(600)	
Actual underlying result / (deficit)		(653)	
Underlying result variance [surplus / (deficit)]		(53)	
Carry forward of expenditure from 2010/11 to 2011/12		122	
(Approved 29 June 2011 Council Meeting)			
Cash needed to settle year-end net working capital payables and			
fund other reserve transfers		(760)	
Increase in available cash operating balances		585	
		(53)	

Item 9

Attachment 1

Hawke's Bay Regional Council									
Cash Operating Balances									
[Revised 10 October 2011]									
		Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
		2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19
		Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast	Forecast
	Note	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Opening Cash Operating Balance	1.	7,067	6,758	7,438	8,290	9,118	9,907	10,405	11,131
Annual & 10 Year Plan Underlying Surplus / (Deficit)	2.	(309)	680	852	828	789	498	726	108
Closing Cash Operating Balance (Excluding Contingency)		6,758	7,438	8,290	9,118	9,907	10,405	11,131	11,239
Notes:									
1. Excludes all Reserves and Contingencies. The opening balance at 1 July 2011 is an actual position from the Annual Report 2010/11.									
2. The 2011/2012 Annual Plan was approved by Council on 29 June 2011. Forecasts from 2012/13 to 2018/19 are based on the Ten Year Plan adopted by Council on 30 June 2009.									

**Summary Operating Statement 12 Months Ended 30 June 2011;
Reconciliation of Operating Variances for 2010/11; Cash Operating
Balances**

Attachment 1

Item 9

Attachment 1

HAWKE'S BAY REGIONAL COUNCIL								
SUMMARY OPERATING STATEMENT								
Twelve Months Ended 30 June 2011 (Pd 14 Final)								
	ANNUAL PLAN EXPENDITURE FULL YEAR	ACTUAL EXPENDITURE After 12 Months	ACTUAL INCOME (*) After 12 Months	RESERVE MOVEMENT After 12 Months	NET FUNDING REQUIREMENT			ACTUAL / FORECAST (%)
					ACTUAL After 12 Months	FULL YEAR BUDGET	FULL YEAR RE-FORECAST	
GROUPS OF ACTIVITIES:								
1.0 Strategic Planning	3,301,657	3,795,291	1,515,439		(2,279,851)	(2,095,657)	(2,038,723)	112%
2.0 Land Drainage & River Control	5,566,896	5,496,576	3,351,228	(1,122,824)	(1,022,525)	(1,039,225)	(1,014,765)	101%
3.0 Regional Resources	8,917,020	8,128,310	3,262,611	(19,836)	(4,845,863)	(4,859,741)	(4,805,729)	101%
4.0 Regulation	2,999,910	3,573,583	1,407,274		(2,166,309)	(1,554,542)	(2,059,850)	105%
5.0 Biosecurity	3,484,743	3,620,618	2,499,986	90,039	(1,210,671)	(1,165,429)	(1,167,428)	104%
6.0 Hazard Management	1,220,356	1,393,574	371,249		(1,022,325)	(995,442)	(993,063)	103%
7.0 Transport	3,836,153	3,657,512	3,861,278	361,859	(158,093)	(114,431)	(132,665)	119%
8.0 Governance & Community Engagement	5,913,307	3,658,277	11,251	(1,673,600)	(1,973,427)	(2,297,211)	(2,003,463)	99%
Cost Centre Adjustments							(60,000)	
	35,240,042	33,323,742	16,280,315	(2,364,362)	(14,679,065)	(14,121,678)	(14,275,687)	103%
BUSINESS UNIT ADJUSTMENTS:								
Notional Interest on Ops Grp Fixed Assets			158,186		158,186	156,000	156,000	101%
Operations Group Council Activities	3,900,000	4,067,220	4,067,220					
Operations Group External Activities	361,000	447,998	557,633		109,635	50,000	50,000	219%
Net Operations Group Activities	4,261,000	4,515,218	4,624,853		109,635	50,000	50,000	
Venture Hawke's Bay Activities	1,926,000	1,376,789	1,407,492		30,703			
NET FUNDING REQUIREMENT		39,215,749	22,470,847	(2,364,362)	(14,380,541)	(13,915,678)	(14,069,687)	102%
9.0 Regional Income								
General Funding Rates Levied (net)		287,974	3,264,010		2,976,036	2,962,598	2,962,598	100%
General Funding Interest			1,433,414	313,264	1,120,150	969,584	1,078,000	104%
Port of Napier Ltd Dividends (net)		6,147	7,086,675	751,000	6,329,528	6,318,176	6,318,176	100%
Endowment Leasehold Land Rental (Net)		148,231	2,598,925		2,450,694	2,639,193	2,459,193	100%
Disaster Reserve Interest & Dividends (Net)		54,085	186,057		131,972	83,000	83,000	159%
Investment Property Rental (Net)		10,596	592,765		582,169	719,684	574,684	101%
CHB Wastewater Disposal Investment		103,326	502	(344,824)	242,000	242,000	242,000	100%
Tutira Carbon Sequestration Investment		43,806	14,369	(161,300)	131,864	136,475	161,300	82%
Ruataniwha Water Investment		56,200	69,082	12,882				
Mahia Wastewater Disposal Investment		13,934		(21,000)	7,066	21,000	21,000	34%
Regional Investment Company						(489,599)	(170,745)	
Other Income			211,832		211,832	210,000	210,000	101%
Gain / (Loss) on Disposal of Assets			8,391		8,391			
REGIONAL INCOME		724,301	15,466,024	550,022	14,191,701	13,812,111	13,939,206	102%
OPERATING SURPLUS / (DEFICIT)		39,940,050	37,936,870	(1,814,340)	(188,840)	(103,567)	(130,481)	145%
10.0 Capital Projects								
10.1 Internally Contracted Assets		299,803		(299,803)				
10.2 Strategic Planning		21,749	43,000	43,000	(21,749)			
10.3 Land Drainage & River Control		2,598,579	2,547,514	308,098	(359,163)	(423,241)	(442,991)	81%
10.4 Regional Resources		1,638,650	2,262,551	707,028	(83,127)	(73,000)	(73,000)	114%
10.5 Regional Income		1,839,700	108,696	(1,731,005)				
COUNCIL FUNDING REQUIRED FOR CAPITAL PROJECTS		6,398,483	4,961,761	(972,682)	(464,040)	(496,241)	(515,991)	90%
ANNUAL PLAN SURPLUS / (DEFICIT)		46,338,532	42,898,631	(2,787,022)	(652,880)	(599,808)	(646,471)	101%
(*) Income includes Targeted Rates, Fees and Charges, Grants and Loans								

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Our Purpose

Hawke's Bay Regional Council has a long term focus and it exists because of its role in:

- Natural Resource Knowledge and Management
- Natural Hazard Assessment and Management
- Regional Strategic Planning
- Regional scale Infrastructure and Services

Our Vision

A region with a vibrant community, a prosperous economy, a clean and healthy environment, now and for future generations.

Our Values

Excellence – we aim high and take pride in providing an exceptional service

Forward thinking – We anticipate and prepare for the future

Innovation – We are open to change and seek new ways of doing things

Integrity – We demonstrate openness, honesty and respect in our relationships

Partnerships – We build strong partnerships to achieve common goals

Our Goals

The Hawke's Bay Regional Council has adopted three goals for the region – **a vibrant community, a prosperous economy, and a clean and healthy environment.**

These goals are a bridge between our vision, our community outcomes and our group of activity work programmes. All of our work should meet the definition of at least one of our goals; if not, we should not be doing the work. However much of our work meets all three goals.

"A clean and healthy environment" is the most strategic of the goals and underpins the success of the others – without a good environment our community will not enjoy living in the region and prosperity may be hard to achieve.

Guide to the Annual Report

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

Performance Overview

This includes an Introduction from the Chairman and the Chief Executive along with an update on the Right Debate.

Accountability Information

This section includes:

- The Statement of Service Performance for the year and an overview of each Group of Activity
- How each Group of Activity links to the community outcomes
- A report which measures the performance of each sub-activity
- Financial details for the Regional Council for the year to 30 June 2011 and for the Port of Napier Limited for the 12 months to 31 March 2011, which together make up the Group accounts.

General Information

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

Introduction from the Chairman and the Chief Executive

The Annual Report is the significant statement about Council's performance over the 2010/11 financial year.

In summary, Council has maintained a high standard of performance across its traditional operating areas including flooding and drainage, biosecurity, regulation and science; while also implementing a number of other initiatives signalled in the Ten Year Plan and Annual Plan 2010/11.

With increased central government focus on regional council activities arising from work in the areas of freshwater management and Treaty settlements, Hawke's Bay Regional Council has proactively addressed these issues and challenges through the collaborative development of the Regional Land and Water Strategy and establishment of a Regional Planning Committee.

Reporting on the Right Debate

This section summarises Council's achievements over the last reporting year, in the key strategic areas that were identified in the Right Debate section of Council's 2009-19 Ten Year Plan.

1. Supporting a Vibrant Community through:

Regional Leadership/ High Performing Organisation

During the 2010/11 year, Council was active in planning for the region's future, spending time on future-focused projects and discussions that help to develop a vibrant Hawke's Bay community and prosperous local economy.

- Council's **Embracing Futures Thinking** series started with a two day Regional Water Symposium to workshop water issues facing the region and strategies to address them. This was followed by the establishment of an External Reference Group which has assisted Council with developing the vision, guiding principles and objectives for water management in the region.
- The product of the **Futures Scenarios** project, the **Land River Us: HB2050** tool, was formally launched in April at the Hawke's Bay Opera House.
- **Local Government Collaboration** within Hawke's Bay continued to evolve over several areas during 2010/11, with an insurance buying group being established and saving HBRC alone \$26,000 through bulk purchasing. Other areas for collaborative opportunities include regional rating and valuation data, computer systems integration and a regional GIS portal. Looking forward, the Regional Council is investigating how it may collaborate or achieve shared service efficiencies with other regional councils and central government departments and will be funding this, in part, by contributing \$40,000 to a Local Government Efficiency study in the 2011-12 financial year..
- The **Heretaunga Plains Urban Development Strategy** was adopted early in the year. HPUDS sets the direction for urban growth in the Heretaunga Plains, with clearly defined urban limits steering development away from valuable Heretaunga Plains soils and greater housing density inside existing city boundaries. A key role for HBRC is to embed the HPUDS principles in the Regional Policy Statement and work on this has begun.

Partnerships with Maori

Council has continued to work directly with tangata whenua to develop partnerships and create effective networks with iwi and hapū, to proactively identify and respond to community needs.

Council signed an agreement with Te Taiwhenua O Heretaunga to **support a Community Development Unit** which works within hapū, catering for the resource management needs of local people, with the support of other agencies.

Significant progress on addressing the **co-governance of natural resource management** in Hawke's Bay has occurred, and in April 2011 Council approved the establishment of a Regional Planning Committee comprising equal representation of councillors and Treaty claimant group representatives. Final details of the Terms of Reference for the committee were being discussed at the end of the 2010/11 year.

Other Partnerships

HBRC relies on its partnerships with other organisations to help deliver many of its work programmes and community-based projects; work that contributes to community outcomes and regional goals.

Partners, such as central government departments, are integral to the community seeing progress on major projects like Heat Smart or Open Spaces development. **Organisational partners**, such as Sustaining HB Trust or HB Coastguard, receive an element of HBRC funding to help operate activities that support the community and complement HBRC work, such as community education or pollution response.

HBRC is looking to establish partnerships which deliver critical outcomes faster. To that end, in 2011/12 Council will investigate and consolidate enhanced relationships with primary sector associations, the regional government sector group, central government departments and the research and development sector, in addition to activities already underway around shared services and the co-governance of natural resources.

Open Space Parks and Pathways

HBRC manages **six open space 'parks' for the community** at Karamu Stream, Pakowhai, Pekapeka Wetland, Tangoio, Lake Tutira and Waitangi Estuary, as well as **32 river entry points**. Pekapeka Wetland - the most recent addition to Council's public open spaces - was officially opened in October 2010. This heritage site is fully planted, and facilities include a formal car park, pathways, boardwalks, information panels, an observation deck, seats and tables.

Hawke's Bay will offer **nearly 190 kilometres of trails**. This extensive network is a product of the work undertaken initially by Napier City, Hastings District, HBRC and the Rotary Pathways Trusts. The area available will more than double through the partnership between government-assisted New Zealand Cycle Trails project and HBRC. This equates to 8% of the national total of 2,253 kilometres and will give Hawke's Bay three great rides for locals and tourists to enjoy: a *Water Ride*, a *Landscapes Ride* and a recently approved *Wineries Ride*. With ongoing support from the Napier and Hastings councils, the Regional Council is leading this initiative, budgeted at \$4.38 million to date, with HBRC's contribution to-date having been \$1.5 million in funding with a further \$590,000 committed, as well as project design, management and delivery of the asset. The *Landscapes* and *Water* rides will open officially at the end of 2011.

Regional Infrastructure

Hawke's Bay people want the same high standard of public facilities and large-scale events, places to meet, play sport and be entertained, as in other regions. For that reason, Council has **supported funding for large-scale assets and activities** to meet the various needs of local people as well as attract conferences, sports tournaments and big events to the region.

2010/11

- Hawke's Bay Museum and Art Gallery (\$1.25m)
- 2011 Rugby World Cup (\$80,000)

Proposed for 2011/12

- Regional Sports Park (held awaiting decision on allocation)
- Hawke's Bay Museum and Art Gallery (\$1.25m)
- Hawke's Bay Museum Earthquake display (\$100,000)
- 2011 Rugby World Cup (\$150,000)

Public Transport

Reliable and affordable transport that helps people in the community to travel within and between the region's two main cities is important.

HBRC has made significant **improvements to bus services** during 2010/11, with increased Saturday services, more regular scheduled services on a number of the busier routes, and the **commuter express** service being made permanent.

2. Investing for Economic Prosperity through:

Hawke's Bay Tourism

In May 2011 Council approved a funding agreement for Hawke's Bay Tourism Limited covering a three year period and starting in the 2011/12 financial year. Hawke's Bay Tourism Limited will be partially funded by Council for a three year period (\$850,000 per annum) and will also be partly funded through private investment from the commercial community of Hawke's Bay through Hawke's Bay Wine Country Tourism Association Inc.

Set up as a not-for-profit limited liability company, Hawke's Bay Tourism Limited supports the region's tourism industry and does the regional tourism work previously carried out by Venture Hawke's Bay.

Economic Development

While the tourism functions of Venture Hawke's Bay were transferred to Hawke's Bay Tourism, the economic development functions were aligned and integrated with Council's primary sector activity. The focus here is to build productivity and capacity from this significant contributor to the region's GDP. Activity has started on building applied science capacity in the region, and working with the processing sector to take advantage of opportunities that will come from regional water irrigation initiatives.

A number of significant regional initiatives were taken on by Council's Economic Development Agency. These included coordinating a delegation to the Shanghai World Trade Expo, mapping and integration of regional supply chains, and assisting the Council win funding for the New Zealand Cycle Trails initiative.

The agency facilitated more than \$1.2m in the government's TechNZ R&D funding into businesses in the region, and in a partnership with the Hawke's Bay Chamber of Commerce won the tender to become Hawke's Bay's Regional Business Partner to continue offering TechNZ funding from the Ministry of Science and Innovation alongside business capability and training vouchers from Trade and Enterprise New Zealand.

A refresh of the **Regional Economic Development Strategy** was undertaken, in concert with key regional stakeholders. This work has provided focus, within a framework of "active collaboration", for the various organisations involved with economic development to progress in unison.

Investments

Decisions were made in 2009/10 to invest in land near Waipawa, Waipukurau and Mahia Beach with the intention of these blocks being planted in forestry for wastewater scheme purposes. The Waipukurau and Waipawa sites totalling 200 hectares have been planted, and the 50 hectare property at Mahia Beach is currently being planted.

An investment was made in progressing the Ruataniwha Basin water storage feasibility project and if proved feasible it is intended that this investment be capitalised into the over all project cost.

Investment Company

In June 2011 Council approved, in principle, the establishment of an investment company to improve investment performance and to further the strategic goals of Council. This approval followed an extensive public consultation process carried out in April - June 2011.

The proposed structure of the investment company is intended to facilitate investment in commercially sound regional infrastructure projects. This will allow Council to align its investments with its core activities and encourage partnerships where appropriate to gain better outcomes for the community.

Responding to Climate Change

The effects of climate change are impacting on Hawke's Bay, where the climate is getting dryer, but where rainfall events also leave the community at risk. Rainfall in the April 2011 storm was the greatest in living memory along some of the region's coastal country. During 2010/11 Council:

- **Planted 200 ha of carbon forest on its properties at Tutira and Central Hawke's Bay.** The Central Hawke's Bay properties will receive wastewater from the Waipukurau and Waipawa communities for land treatment, meaning **treated wastewater feeding into local rivers will be significantly reduced** – a major positive for local communities and down-stream users. Land at Mahia Beach will be planted in the 2011/12 financial year.

- Continued investment in water storage feasibility studies which, if feasible, will **provide local communities with additional security of water supply**. The schemes have the potential to double the irrigation land area in Hawke's Bay and deliver higher flows in drought affected rivers in summer months. Noting that the projects are long-term investments and will deliver these scale benefits in time.
- Progressed a review of the region's flood control and drainage assets, i.e. stop bank heights and drain capacities, to **maintain and improve protection from frequent flooding**. This work will assist in consideration of the cost benefit analysis on potentially lifting the flood protection design standard from a one hundred year event to a five hundred year event standard.
- Allowed for **the management of coastal land use** that may be affected by sea level rise.

Council's Napier office **achieved Enviro-Mark NZ Bronze** certification in July 2010, and awaits **confirmation of Enviro-Mark NZ Silver** certification following an audit in July 2011.

Sustainable Land Management

Hawke's Bay's land is extremely varied, being flat and fertile in places but equally rugged, hilly and highly-erodible in others. Estimates suggest that there is some 150,000 ha of class V11e land in Hawke's Bay that could benefit from further protection from soil erosion. In 2010/11, Council implemented changes to its sustainable land management programme to **encourage best practice** and better meet the needs of landowners, agencies and sector groups. Council is undertaking a feasibility study into a proposal to encourage the integration of forestry with pastoral farming using the opportunities associated with carbon forestry to protect steep or fragile soils at risk of erosion.

3. Sustaining a Clean and Healthy Environment through:

Strategic Water Programme and Water Storage

Parts of Hawke's Bay are already limited in terms of the available water supply, with many surface river flows fully allocated and increasing pressure on the region's largest aquifers. Extra water available from river flows during winter months contrasts with the region's dry summer months, and there is potential for water storage to not only allow water to be fed back into low-flowing river levels and improve water quality, but also provides an economic opportunity for the region.

The water programme is a long-term project including science investigations, the development of user groups and policy, specific water studies and work on user demand for water. Through the project, Council hopes to return better minimum flows to key rivers during summer periods and manage the effects of land use with landowners.

In 2010/11, Council:

- Reviewed information on water flows in the Tukituki and Ngaruroro catchments;** allocation-related low-flow and high-flow models were completed and have fed into the Regional Water Demand Availability Study, Water Strategy and Plan Review work.
- Explained the link between surface water and groundwater in the Ruataniwha Basin following geological investigations.
- Worked closely with consent holders in the Tukituki and Ngaruroro River catchments to **set up Water User groups**, leading to more open information-sharing, understanding and ownership around water use.
- Worked with these groups in **support of water metering requirements** and how to use the resulting data for efficient water management.
- Approved a feasibility study for water storage in the Ruataniwha Basin**, supported by considerable government funding. A work programme was established to prove feasibility and prepare the project for consent lodgement by July 2012, subject to satisfying considerable environmental, cultural and economic requirements.
- Completed a pre-feasibility study for water storage in the Ngaruroro/ Karamu catchments.**

Clean Heat (Air Quality)

- The **Heat Smart** programme was a new initiative for Council in 2009/10. It came from the need to improve air quality in Napier and Hastings to meet the National Environmental Standards for Air Quality. Council knew that a compliance-based solution led by rules wouldn't suit the community on its own, and developed a **funding assistance package** (Heat Smart Loans and Grants) as an incentive for homeowners to install insulation and clean heat. At the end of June 2011, 898 funding applications had been made to Council, while overall in the 18 months to June 2011 EECA subsidised **1,432 clean heat conversions** and **6,212 houses received both insulation and clean heat upgrades** in Hawke's Bay. This reflects a **significant number of conversions** and represents significant steps toward achieving both NES compliance and making damp, cold housing an issue of the past.

Fenton Wilson
CHAIRMAN
26 October 2011

Andrew Newman
CHIEF EXECUTIVE
26 October 2011

Report on Maori Contribution to Council Decision-making Processes

Introduction

Clause 21 to Schedule 10 of the Local Government Act 2002 requires Council to include in its annual report a report on the activities that Council has undertaken in the year to establish and maintain processes to provide for opportunities for Maori to contribute to Council's decision-making processes.

1. Processes Established this Year

In 2010/11 the principal focus has been on the development of the relationship between Council and the Treaty claimant groups. A Deed of Commitment expressing the foundations of an ongoing relationship between the parties, and the agreement to establish a Regional Planning Committee comprising councillors and treaty claimant representatives, were the main achievements this year.

Outside of the specific area of natural resources governance Council has been involved in several meetings with the Crown and representatives of Ngati Pahauwera, Mana Ahuriri, Ngati Hineuru, and Maungaharuru Tangitu Iwi Inc to consider Te Tiriti O Waitangi claim settlement issues.

Council representatives attended the signing of the Deed of Settlement of Ngati Pahauwera in December 2010.

Council has commenced preliminary mandated meetings with other claimant groups to prepare for the dialogue resulting from their respective claims.

2. Processes Maintained this Year

Maori Committee

- There have been five two-monthly meetings of the Maori Committee during the year. There were twelve tangata whenua appointees on the committee as well as three elected representatives of Council.
- Two members of the Maori Committee have been appointed to the Environmental Management Committee of Council, which met on six occasions during the year.
- Two members of the Maori Committee have been appointed to the Asset Management/Biosecurity Committee of Council, which met on four occasions during the year.
- The Chairman of the Maori Committee and one other Maori Committee representative have been appointed to the Strategic Planning and Finance Committee, which met on seven occasions during the year.
- The Chairman of the Council's Maori Committee has attended fifteen meetings of the Regional Council where he has speaking rights on all issues.
- One of the two members on the Council's Environmental Management Committee was appointed to Council hearings during the year. The Maori Committee is also represented on the Hearings Committee.
- Members of the Council's Maori Committee are notified of all consent applications and can request further information and provide comment as well as assist with directing various Council officers to the correct tangata whenua for consultation or other contact issues.

Direct Hapu and Other Involvement

- Council has continued to have direct interaction with specific hapu on issues of concern to them within their rohe.
- The Chief Executive of Council has 'general issues' meetings with the Chairman of Ngati Kahungunu Iwi incorporated (NKII) to discuss topics of mutual interest when requested or appropriate.

Statement of Compliance and Responsibility**Compliance**

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

Responsibility

2. The Council and management of Hawke's Bay Regional Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
3. The Council and management of Hawke's Bay Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of the Council and management of Hawke's Bay Regional Council, the annual Financial Statements for the year ended 30 June 2011 fairly reflect the financial position and operations of Hawke's Bay Regional Council.

Fenton Wilson
CHAIRMAN

26 October 2011

Andrew Newman
CHIEF EXECUTIVE

26 October 2011

Paul Drury
GROUP MANAGER
CORPORATE SERVICES
26 October 2011

Independent Auditor's Report

**To the readers of
Hawke's Bay Regional Council and group's
Annual report
For the year ended 30 June 2011**

The Auditor-General is the auditor of Hawke's bay Regional Council] (the Regional Council) and group. The Auditor-General has appointed me, Mark Maloney, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements, the performance information and other information required by schedule 10 of the Local Government Act 2002 (other information) of the Regional Council and group on her behalf.

We have audited:

- the financial statements of the Regional Council and group on pages 81 to 119, that comprise the balance sheet as at 30 June 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies, explanatory information and other information required by schedule 10 of the Local Government Act 2002; and
- the performance information of the Regional Council and group on pages 13 to 79 that includes other information required by schedule 10 of the Local Government Act 2002.

Opinion on the financial statements, the [non-financial performance information] and the other information

In our opinion:

- The financial statements of the Regional Council and group on pages 81 to 119:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:

- the Regional Council and group's financial position as at 30 June 2011; and
 - the results of its operations and cash flows for the year ended on that date.
- The performance information of the Regional Council and group on pages 13 to 79:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the Regional Council and group's levels of service for the year ended 30 June 2011, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term council community plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- The other information of the Regional Council and group contained in the financial statements and the performance information, complies with the requirements of Schedule 10 of the Local Government Act 2002 applicable to the annual report and fairly reflects the required information.

Our audit was completed on 26 October 2011. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements, performance information and other information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the financial statements, performance information and other information;
- determining the appropriateness of the reported performance information within the Council's framework for reporting performance; and
- the overall presentation of the financial statements, performance information and other information.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements, performance information and other information. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and performance information that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the Regional Council and group's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast; and
- other information in accordance with Schedule 10 of the Local Government Act 2002 that fairly reflects the required information.

The Council is responsible for such internal control as it determines is necessary to enable the preparation of financial statements, performance information and other information that are free from material misstatement, whether due to fraud or error.

The Council's responsibilities arise from the Local Government Act 2002.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the financial statements, performance information and other information and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out the audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the New Zealand Institute of Chartered Accountants.

Other than the audit and in carrying out the audit of the long-term plan, we have no relationship with or interests in the Regional Council or any of its subsidiaries.

Mark Maloney

Audit New Zealand

On behalf of the Auditor-General

Palmerston North, New Zealand

Statement of Service Performance for Groups of Activities

Introduction

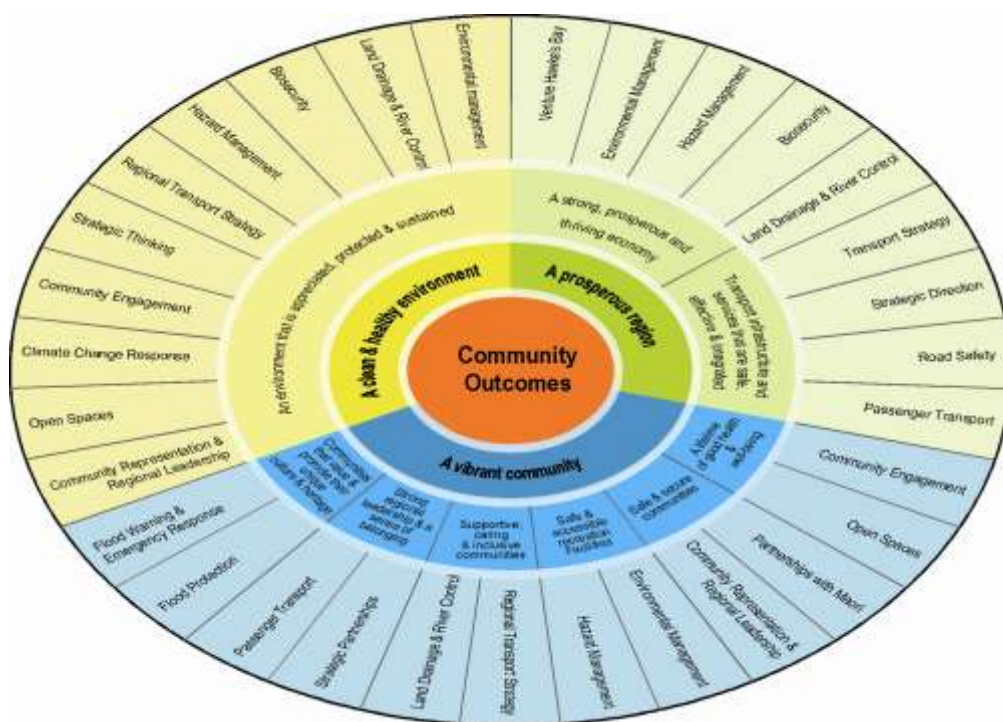
Council separates its operations into eight groups of activities and establishes levels of service and performance targets for each of these, details of which were included in the Long Term Council Community Plan 2009-19.

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

- Identify the activities within the group of activities
- Relate the community outcomes to the group of activities that primarily contributes to the achievement of such outcomes
- Report the results of any measurements undertaken during the year of progress made towards achieving these outcomes
- Describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or social well-being of the community
- Make a comparison between the actual levels of service provision of each group of activities and the intended levels of service provision as set out in the Long Term Council Community Plan in respect of that year for that group of activities
- Describe any significant acquisitions or replacements of assets undertaken by Council during the period covered by this Annual Report, providing reasons for acquiring or replacing those assets along with any significant variations between what has actually occurred and what has been projected in the Annual Plan 2010/11.

Reporting

The diagram below clarifies the relationship between Community Outcomes, the four well-beings set out in the Local Government Act 2002 (LGA), Council's goals and the groups of activities.



This diagram shows the correlation between Council's three goals of '**a clean and healthy environment**', '**a prosperous region**' and '**a vibrant community**', with the four well-beings of **environmental, economic, social and cultural** as included in the LGA.

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

- Community outcomes and the four well-beings, through Council's three goals, are linked to what is planned and achieved for each group of activities.
- An overall role has been established for each group of activities.
- A financial summary has been included for each group of activities.
- Levels of service are stated for each activity within each group of activities.
- Each activity contains a section that addresses each performance target as contained in the 10 Year Plan 2009-19. A managerial commentary on the achievements for the year and, where relevant, comments on future activities are provided.

The performance targets have been structured so as to include five elements: timeliness, cost, quantity, location and quality. Reporting against these targets has been included as follows.

Timeliness

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

Cost

Targets within each group of activity have been grouped for the purposes of setting cost targets. Where actual expenditure incurred exceeds \$50,000 of the budget, whichever is the greater, a short explanation is included.

Quantity

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

Location

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

Quality

During 2010/11 Council reviewed the progress made against the individual performance targets at the end of five months and nine months, with consideration being given to the overall targets for the year. In determining whether quality requirements were being met, the elected representatives drew on their knowledge of the activities, the resources utilised to undertake them, and the outcome evident from the activities. They also drew assurance from the knowledge that Council had:

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

Strategic Direction

		Actual 10/11 (\$'000)	Budget 10/11 (\$'000)	Actual 09/10 (\$'000)
	Activity (#)			
EXPENDITURE				
Operating Expenditure				
Strategic Development	1	2,121	1,729	2,156
Venture Hawkes Bay		1,377	1,878	3,269
		3,498	3,607	5,425
Policy Development	2	955	952	516
Policy Implementation	3	438	438	718
State of the Environment Monitoring	4	281	182	191
Total Operating Expenditure		5,172	5,179	6,850
Capital Expenditure				
Venture Hawke's Bay Loan Repayments		22	66	0
Total Capital Expenditure		22	66	0
TOTAL EXPENDITURE		5,194	5,245	6,850
REVENUE				
Activity Revenue				
Direct Charges		21	6	35
Venture Hawkes Bay		1,407	1,814	2,733
Total Activity Revenue		1,428	1,820	2,768
Other Revenue				
Targeted Rates		1,218	1,200	816
Grants		276	0	235
On-Site Waste Water Disposal Loan Repayments		43	43	43
Venture Hawke's Bay Loan Funding		0	130	0
Total Other Revenue		1,537	1,373	1,094
TOTAL REVENUE		2,965	3,193	3,862
TOTAL FUNDING REQUIREMENT		(2,229)	(2,052)	(2,988)
Special Reserve Funding				
Asset Replacement Reserves		0	0	288
Sale of Land (Other Initiatives) Reserve		(43)	(43)	(43)
Total Special Reserve Funding		(43)	(43)	245
NET GENERAL FUNDING REQUIREMENT		(2,272)	(2,095)	(2,743)
MET BY				
General Funding Rates		207	209	439
Investment Income		791	757	1,365
Operating Reserves		1,274	1,129	939
		2,272	2,095	2,743

role

This group of activities pulls together the Council's strategic thinking initiatives, economic development and investments with the resource management policy development, along with the reporting on the State of the Environment to complete the planning cycle.

Links to Community Outcomes

These initiatives and projects seek to focus on the long term wellbeing of the region from economic, social, cultural and environmental perspectives and so focus conversations on what the future might look like.

Activity 1 – Strategic Planning

This activity contributes to community outcomes in the following ways:

- An environment that is appreciated, protected and sustained for future generations and transport, infrastructure and services that are safe effective and integrated – by developing scenarios to inform strategic planning and development of the region.
- *A strong, prosperous and thriving economy* – by funding and administering regional economic development strategies.
- *Strong regional leadership and a sense of belonging* – by providing a mechanism to coordinate regional initiatives through the Strategic Plan.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will help the community prepare for the future	Future Scenarios for Hawke's Bay	Year 1 - Complete four scenarios for Hawke's Bay	Hawke's Bay 2050 Land River Us is the brand that has been given to the Scenario Report and associated material. The development process involving significant input from the community resulted in three scenarios being prepared with the titles of Land, River and Us. This material was introduced and used at the Water Symposium held in November to help described Rosy and Bleak Water management Futures. The scenarios were successfully launched at an Embracing Futures Thinking Breakfast on 14 April 2011.
	Completion of a Strategic Plan	Year 2 – Complete a Strategic Plan	The Plan will articulate the Council strategic focus for the next ten years and a discussion document will inform the statutory long term process.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	Completion of the Heretaunga Plains Urban Development Study	Year 2 – Complete the Heretaunga Plains Urban Development Study	The Heretaunga Plains Urban Development Strategy (HPUDs) was finally adopted by Napier City, Hastings District and Regional Councils in August 2010. There is an associated Implementation Plan and a key action for the Regional Council is to incorporate the strategic direction of the Strategy into the Regional Policy Statement. An Implementation Committee has been formed with representatives of the three councils.
Venture Hawke's Bay We will position the region as a great place to visit, do business with and invest in	Comprehensive visitor strategy in place within an overall regional marketing plan	Year 2 - Strategy developed in consultation with regional stakeholders	The new Joint Venture entity between Council and Hawke's Bay Wine Country Tourism Association (HBWCTA) in consultation key stakeholders has developed a broader more aligned strategy to meet industry requirements. This incorporates strategies to attract visitors.
	Investment for research and development and business development	Years 1 – 10 – At least \$500,000 per annum achieved for Research & Development (R & D) investment	Research and Development funding achieved \$1.2M. The Regional Partner network initiative has increased capacity for this work and a major marketing programme started in March. A number of workshops and presentations in the region have taken place to promote the regional partner network initiative.
	Long term regional economic development strategy	Year 2 – Complete update of Long Term Regional Development Strategy	A Regional Strategy Fund project to refresh the Regional Economic Development Strategy was undertaken this year and adopted by Council in July 2011. This was undertaken by a steering group comprising Napier, Hastings and Regional Councils, Chamber of Commerce and industry representatives. Two workshops were held with a wider group of stakeholders. The strategy clearly articulates four strategies and lead and support agencies.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	Annual Regional Economic Monitoring Report	<p>Years 1 – 10 – Maintain up to date model</p> <p>Prepare annual report in consultation with stakeholders</p>	Access to information datasets has been maintained. In partnership with Eastern Institute of Technology (EIT) the Industry Projections report has been refreshed. Going forward, HBRC will collaborate with Business Hawke's Bay to provide the underlying economic information requirements for the region.

Financial Variances Explained

During the 2010-11 year, Hawke's Bay Tourism was created to manage the tourism arm of Venture Hawke's Bay with the remaining economic development activity (costs and revenue) being transferred to project 179. The project also managed the New Zealand Trade and Enterprise Regional Strategy Fund contracts however contractor costs and revenue were not specifically budgeted as they were not known at the time. Council administers those contracts.

Activity 2 – Policy Development

The management of the region's natural and physical resources is a key function of the Regional Council. Appropriate resource management allows the region to maximise the economic and social benefits of its resources while minimising detrimental environmental impacts.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will establish and maintain clear and appropriate policy to enable the sustainable management of the region's natural and physical resources by undertaking a rolling review ¹ of the regional plans in a responsive and timely way	Status of resource management plans and policy statements	<p>Year 1 – Plan change for on-site domestic wastewater publicly notified</p> <p>Plan change for stormwater discharges publicly notified <i>Council now proposes to proceed with these plan changes in the first half of year 3</i></p> <p>Plan change for minor changes relating to Land Use intensification <i>Council decided not to proceed with this to give priority to Taharua River plan change</i></p> <p>Decision of whether to proceed with a plan change for land use intensification relating to Taharua River Catchment <i>Council decided to proceed with a plan change with the following Performance Target:</i> Year 2 – plan change for managing land use in Taharua River catchment for water quality purposes publicly notified</p> <p>Year 2 – Initiate a change to the Regional</p>	<p>Council had an endorsed a work programme and revisited that programme in April 2011. Onsite wastewater plan change prepared and notified in July 2011.</p> <p>Stormwater plan change has been deferred to follow release of the 'Growth' plan change. A Regional Stormwater Strategy has been drafted with Territorial Local Authorities (TLA) and iwi input.</p> <p>As indicated, the plan change relating to Land Use intensification was deferred in lieu of Taharua policy development strategy.</p> <p>Working with the Taharua Stakeholders Group (TSG) comprising landowners, iwi, statutory and industry organisations, the TSG has established its vision and values and have agreed in principle to water quality targets and timeframes. These were presented to Council in April 2011 and was also agreed that the timeframe to notify the plan change be extended to December to allow more time to determine the implications and costs of meeting the water quality targets. A Taharua Strategy discussion document was developed to enable wider community consultation. Discussion document was released in July 2011.</p>

¹ Rolling Review Programmes – The Council has made the decision to undertake rolling reviews of its Resource Management Plans and Policy Statement. This will enable it to focus on priority areas and issues and to reduce the timeframe for plan amendments that are considerable when complete reviews are undertaken.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
		<p>Policy Statement following completion of the Heretaunga Plains Urban Development Study by Year 2 <i>Council now proposes to proceed with this in the first half of year 3</i></p> <p>Year 3 – Plan change for Water Allocation and Environmental Flows and Levels for surface and ground water publicly notified <i>Additional resources (2 FTE) are proposed in this Annual Plan to ensure these performance targets are able to be met</i></p> <p>Years 4 - 10 – plan changes as per Rolling Review programme</p>	<p>Council endorsed a work programme with reviewed notification date as July–Oct 2011. The Change will embed relevant parts of Heretaunga Plains Urban Development Strategy into the Regional Policy Statement (RPS), plus various other principles for integrated growth and infrastructure management. Consultant was engaged to prepare initial draft plan change. Draft plan change was presented to Council in August 2011.</p> <p>Indicative timeframes toward freshwater flows and allocation policy development were endorsed by Council in Feb 2010. A Regional Water Symposium held late 2010 to build shared understanding amongst stakeholders. A Reference Group has been established and four meetings have been held to inform preparation of the Regional Water Strategy. The Regional Water Strategy will assist in informing drafting of water flows and allocation changes for notification in 2012. Recruitment difficulties have resulted in the use of consultants to assist in the preparation of the Tukituki Plan Change.</p> <p>The National Policy Statement for Freshwater will have implications for the scheduling of plan changes over this period. So too could other National Policy Statements (NPSs) currently being prepared by the government (e.g. NPSs for biodiversity and infrastructure).</p>

Activity 3 – Policy Implementation

This activity supports a *vibrant community* by actively engaging the youth, business and broader communities so that they understand and can be involved with Council activities.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will promote integrated management by proactively communicating the Council's policies and responsibilities through dialogue and submissions on district plans and consent applications and central government initiatives	Submissions made on district plans, district planning applications and central government initiatives where there are relevant regional Council policies and responsibilities to consider	Years 1 – 10 - Submissions made on district plans, district planning applications and central government initiatives reported to Council's Environmental Management Committee	<p>Regular reports have been presented to Environmental Management Committee and Maori Committee on submissions/ comments etc. made under Statutory Advocacy project.</p> <p>Comments and submissions are made to express the Regional Council's interests in land use and resource management decisions being made by other councils and agencies. Matters expressed in Council's comments and submissions to city and district councils often relate to a development's proposed methods of stormwater disposal; discharge of wastewater; the development's proximity to river control or drainage works; its location relative to known natural hazards; etc. (Example outcome: land use consent granted by Napier City Council included conditions requiring certain works be undertaken for on-site stormwater detention and disposal).</p> <p>Several responses have been made to recent central government proposals:</p> <ul style="list-style-type: none"> • Ministry for the Environment discussion document on 'Building Competitive Cities' as part of Resource Management Act Phase 2 reform; • National Environmental Standard for Plantation Forestry (original plus revised versions); • Proposed National Policy Statement (NPS) for Biodiversity; • Marine and Coastal Area Bill and

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
		Staff of Regional Council and territorial local authorities meet at least twice a year to discuss integration issues <i>Steps for improved integration are identified and actioned</i>	<p>appearance at Select Committee hearing;</p> <ul style="list-style-type: none"> Environmental Protection Authority Bill and appearance by teleconference at Select Committee hearing. <p>The Regional Council has opportunities to submit on proposed National Policy Statements (NPSs) and National Environmental Standards (NESs) like any other person. The Regional Council often submits to ensure NPSs and NESs do not require costly and unnecessary implementation actions that are disproportionate to any benefits of the national instrument.</p> <p>HBRC Policy staff convene "Hawke's Bay Council Planners' Forum." Forum membership comprises key resource management policy managers and advisors from each of the Hawke's Bay councils. Five meetings held since Forum's inaugural meeting in April 2010. Principal purpose of Forum is to assess and share opportunities to harmonise content of regional and district plans in Hawke's Bay.</p>
We will investigate and manage contaminated sites to ensure public health and safety and environmental protection	Number of top priority (Category 1) contaminated sites investigated Maintain a database of potentially and confirmed contaminated sites	Years 1 – 10 - Investigate 4 of the Top Priority Contaminated sites a year	Of the identified 21 top priority sites, all have now been investigated with the last nine being completed this year. Work is continuing on updating the HAIL list, with unverified sites being visited and information updated. A new web-based land use database has been designed in house with two streams – one enabling public access and the other for access by territorial authorities only. It is intended that the database will be online by the end of 2011.

Activity 4 – State of the Environment Monitoring

The Council has a statutory responsibility to monitor the State of the Environment. This is reported on every 5 years, with annual updates in the intervening years. The Council is also required to monitor the suitability and effectiveness of policy statements and plans. This provides important information that is of benefit to the region's social, cultural, environmental and economic wellbeing.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will monitor and provide accurate information to the community so that they understand the State of the Environment (SOE) for Hawke's Bay.	<p>Data quality as assessed against Council's quality assurance system</p> <p>Amount of SOE monitoring data available through the Council's web site</p>	<p>Years 1 – 10 - Maintain current level of State of the Environment (SOE) data on the Council website</p> <p>Year 2 - Make information from the following monitoring sites available through Council's website:</p> <ul style="list-style-type: none"> • All telemetered river flow sites • All telemetered rainfall sites • All telemetered climate stations <p>Year 3 - All data collected, processed, analysed and stored in accordance with ISO requirements</p> <p>Year 4 - Apply for ISO accreditation</p>	<p>Data is regularly updated and made available on the Council website. A number of sites are now available through third party providers to ensure complete coverage (Lake Tutira and Waikaremoana).</p> <p>All telemetered sites are available via the Council website. Climate stations in accordance to the climate station review have increased with five sites to be fully operational by year 5. Currently 3 climate stations have been installed. River flow and rainfall sites have been re-evaluated with recommendations to upgrades now being implemented.</p> <p>Promapp, a tool underpinning the science QA system, has now had all technical processes uploaded, quality auditing procedures are now underway and will be completed ready for year 4 ISO accreditation</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	State of the Environment Monitoring Report	<p>Years 1 – 10 - Annual Update State of the Environment Reports available by June each year.</p> <p>Year 5 - State of the Environment Monitoring Report available</p>	<p>Annual update report currently being written with drafts of each section now complete. Editing process and design now initiated. Annual report will be completed by August 2011 (currently at publishers).</p> <p>Key reports for each resources will be highlighted on the Council's website. Key highlights include:</p> <ul style="list-style-type: none"> • River flows were above the long term average despite very low flows in March and April • The Easter event lasted 3 days (25-27 April) resulting in the normal April rainfall being doubled in many places but tripled in the southern coastal region which was hardest hit and where rainfall totals over the 3 days exceeded a 1 in 100 year event. • Most groundwater levels were within normal range and groundwater quality is suitable for most purposes • A number of stream health assessments using a new 'Stream Ecological Valuation' tool have been done enabling better understanding of restoration potential and targeting of management options. • Information on the location, extent and characteristics of the region's wetlands is being collated to improve understanding of their role within the freshwater system.

Land Drainage and River Control

Item 9

Attachment 2

	Activity (#)	Actual 10/11 (\$'000)	Budget 10/11 (\$'000)	Actual 09/10 (\$'000)
EXPENDITURE				
Operating Expenditure				
Flood Protection & Drainage Schemes	1	4,995	5,066	4,640
Investigations & Enquiries	2	210	301	191
Sundry Works	3	168	199	175
Operations Group External Contracts		448	361	649
Subtotal of Sundry Works	4	616	560	824
Total Operating Expenditure		5,821	5,927	5,655
Capital Expenditure				
Infrastructure Asset Construction		1,855	2,027	1,952
Disaster Damage Excess Deposits		124	0	105
Loan Repayments		744	697	684
Total Capital Expenditure		2,723	2,724	2,741
TOTAL EXPENDITURE		8,544	8,651	8,396
REVENUE				
Activity Revenue				
Direct Charges		79	141	137
Operations Group External Contracts		558	411	788
Total Activity Revenue		637	552	925
Other Revenue				
Targeted Rates		5,338	5,295	5,113
Capital Works Charges		0	0	0
Interest on Scheme Reserves		182	133	116
Loans Drawn Down		300	300	600
Total Other Revenue		5,820	5,728	5,829
TOTAL REVENUE		6,457	6,280	6,754
TOTAL FUNDING REQUIREMENT		(2,087)	(2,371)	(1,642)
Special Reserve Funding				
Specific Scheme Reserves		815	917	54
Scheme Depreciation Reserves		0	42	477
Total Special Reserve Funding		815	959	531
NET GENERAL FUNDING REQUIREMENT		(1,272)	(1,412)	(1,111)
MET BY				
General Funding Rates		208	218	325
Investment Income		791	791	1,009
Operating Reserves		273	403	(223)
		1,272	1,412	1,111

role

Land drainage and river control covers a range of activities focusing on the management of the region's rivers, streams and drainage network to reduce the effects of flooding on the regional community. Much of this work programme relates to the maintenance of the flood control and drainage schemes which have been developed over many years and which now have a replacement value in excess of \$130 million.

Links to Community Outcomes

This activity contributes to community outcomes in the following ways.

- *An environment that is appreciated, protected and sustained for future generations* – by enhancement of the waterways through adoption of a multi-value management philosophy, implementation of an environmental strategy and compliance with a code of practice.
- *A strong, prosperous and thriving economy* – by reducing the risk of flooding so that impact on the community and utilisation of productive land is minimised.
- *A lifetime of good health and wellbeing* – by minimising the frequency of flooding of homes and providing safe waterway environments.
- *Safe and accessible recreational facilities* – by providing for public access to the Council managed waterway environments for recreation and enjoyment and enhancing amenity values where appropriate.

Activity 1 – Flood Protection and Drainage Schemes

This activity supports *a prosperous economy and a vibrant community* by reducing the risk of flooding and minimising the impact on homes and productive land. It also contributes to a *clean and healthy environment* through the multi value management approach to the flood schemes.

Levels of Service Provision and Performance Targets – Heretaunga Plains Schemes (Projects 286 to 299)

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
<p>We will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Heretaunga Plains Scheme</p> <p>The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP) safely to the sea</p>	<p>A full assessment of the capacity and integrity of flood control works is completed every six years by a chartered professional engineer with interim audits undertaken annually</p> <p>The level of service will be reported as:</p> <ul style="list-style-type: none"> • Kilometres and percentage of floodway that provide the design level of service • Kilometres and percentage of river edge that are at no more than low risk of failure 	<p>Years 1 - 3 - Review of the current level of service (LOS) provided by the Scheme to determine whether they are still appropriate or should be increased</p> <p>Years 1 - 3 - No change Year-10 - increasing to 100% Note: LOS = Levels of Service. Currently the LOS is for a 1% Annual Exceedance Probability flood. The LOS review is about decreasing the risk by improving the current level of protection in line with the increased population and economic activity.</p>	<ul style="list-style-type: none"> • A Level of Service review was begun to examine the risks and benefits of future upgrading of the flood protection works. Progress on this was presented to Council at its meeting in April 2010 and again in March 2011 to report on the findings of the review to date. A report to Council in August 2011 outlined the years work, the economic analysis and options. Recommendations were to develop and refine the options, consult with the public over the preferred option with cost implications to be included in the Long Term Plan (LTP 2012-22). • There is 111.2 km of stopbank in the

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
			<p>HP Scheme. Currently the design Level of Service (LOS) (1% Annual Exceedance probability (AEP capacity) is provided.</p> <ul style="list-style-type: none"> There is 192.7 km of river berm edge protection. Current assessment is that 95% are at no more than a low risk of failure. The rivers in some areas are recovering from sawfly damage, hence the downgrading.
We will maintain an effective drainage network that provides protection from frequent flooding from smaller watercourses to communities and productive land within the Heretaunga Plains Scheme	A full assessment of the capacity and integrity of the drainage network within each drainage catchment is completed every three years by a chartered professional engineer with interim audits undertaken annually	<p>Years 1 - 3 - Review the current level of service provided by the scheme and determine new level of service measures and targets</p> <p>Years 4 - 10 - To be defined by the level of service review</p>	The Level of Service (LOS) review for the drainage network is programmed to begin once the bulk of the review for the rivers is complete. This is programmed to begin in the 2011-12 year.
We will protect and enhance scheme riparian land and associated waterways administered by the Council for public enjoyment and increased biodiversity	The level of service will be reported as the length of scheme riparian land enhanced. (Each side of a waterway measured separately)	<p>Years 1 - 10 - 0.5km of riparian land enhanced a year (on average)</p> <p>Years 1 - 3 - Review the current level of service provided by the Scheme and determine new level of service targets</p>	<p>14 km of river berm has been enhanced with native and exotic tree species for the 2010/2011 planting season.</p> <p>An Ecological Management and Enhancement plan has been completed for the Ngaruroro River and work is proceeding with the Tutaekuri River this year. These plans form the Level of Service (LOS) for the future management of the rivers and are being incorporated into the Asset Management Plans (AMPs) and Asset Management (AM) Contracts.</p>

Levels of Service Provision and Performance Targets – Upper Tukituki Scheme

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
<p>We will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Upper Tukituki Scheme</p> <p>The level of protection in technical terms is to convey a flood discharge with a 1% probability of being exceeded in any one year (1%AEP)</p>	<p>A full assessment of the capacity and integrity of flood control works is completed every six years by a chartered professional engineer with interim audits undertaken annually</p> <p>The current level of service will be reported as:</p> <ul style="list-style-type: none"> Kilometres and percentage of floodway that provide the design level of service Kilometres and percentage of river edge that are at no more than low risk of failure 	<p>Years 1 - 3 - Increasing to 98%</p> <p>Years 4 - 10 - increasing to 100%</p> <ul style="list-style-type: none"> Review of the current level of service provided by the Scheme to determine whether they are still appropriate or should be increased. <p>Note: LOS = Levels of Service.</p> <p>Currently the LOS is for a 1% Annual Exceedance Probability flood. The LOS review is about decreasing the risk by improving the current level of protection in line with the increased population and economic activity.</p>	<ul style="list-style-type: none"> A Level of Service review that looks at population change and economic benefit will begin at the completion of the Heretaunga Plains Scheme review, starting programmed for 2012. There is 76.8 km of stopbank in the Upper Tukituki Scheme. Currently 95% the current design LOS (1% Annual Exceedance Probability (AEP) capacity) is provided. A small section of the Tukituki River was below capacity and this has been upgraded. Some reaches remain with reduced free board (distance between design flood level and the top of the stopbank) and they will be addressed in the LOS review. There is 212.2 km of river berm edge protection. Current assessment is that 95% are at no more than a low risk of failure. The rivers in the Upper Tukituki Scheme suffer some flood damage from time to time or are under repair with young vegetation; hence the downgrading.
<p>We will protect and enhance scheme riparian land and associated waterways administered by the Council for public enjoyment and increased biodiversity.</p>	<p>The length of Scheme riparian land enhanced (each side of a waterway measured separately)</p>	<p>Years 1-3 - 1.5km of riparian land enhanced a year</p> <p>Years 4 - 10</p> <ul style="list-style-type: none"> to be determined by Stream Ecological Valuation (SEV) programme and level of service review Review the current level of service provided by the Scheme and determine new level of service targets 	<p>2.8 km of river berm are part of the 2010/2011 enhancement of native and exotic tree species.</p> <p>The Level of Service (LOS) review for the drainage network is programmed to begin once the bulk of the review for the rivers is complete. This will begin in the 2012-13 year.</p>

Levels of Service Provision and Performance Targets – Other Designated Schemes

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
<p>We will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas</p> <p>These Schemes include:</p> <ul style="list-style-type: none"> • Makara Flood Control • Paeroa Drainage • Porangahau Flood Control • Ohuia – Whakaki Drainage • Esk River • Whirinaki Drainage • Maraetotara • Te Ngarue • Kopuawhara Flood Control • Poukawa Drainage 	<p>A full assessment of the capacity and integrity of flood control works is completed every six years by a chartered professional engineer with interim audits undertaken annually</p> <p>The level of service will be reported as:</p> <ul style="list-style-type: none"> • Percentage of assets that provide the design level of service 	<p>Years 1 - 3 - No change</p> <p>Years 4 - 10 - 98%</p>	<p>Current Levels of Service are being achieved across the smaller schemes. Levels of Service vary across the schemes, depending on their purpose. Estimated to be operating at 95% or higher after allowing for periodic flood damage.</p> <p>Kopuawhara suffered damage in the April Floods and significant repair work is required to bring the scheme back to pre-flood protection standard. A discussion paper was been prepared for Council to consider at its August meeting.</p>
<p>We will protect and enhance scheme riparian land and associated waterways administered by the Council for public enjoyment and increased biodiversity</p>	<p>The level of service will be reported as the length of Scheme riparian land enhanced (each side of a waterway measured separately)</p>	<p>Years 1 - 3 - No change</p> <p>Years 4 – 10 - to be determined by Stream ecological Programme (SEV) programme and level of service review</p>	<ul style="list-style-type: none"> • No specific enhancement of the riparian land has been carried out. The Stream Ecological Valuation work and LOS review is necessary to identify areas where such enhancement will be beneficial.

Activity 2 – Investigations & Enquiries (Projects 250, 251 and 255)

This activity contributes to a *prosperous region* by ensuring that advice and assistance is available to ratepayers on flooding and drainage issues. A *vibrant community* is the provision of reasonable subsidies for small flood protection works where there are benefits wider than the location where the problem occurs.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will be available to provide expert advice on drainage, flooding, and coastal erosion issues	All queries are dealt with by appropriate qualified and experienced staff	Years 1 - 10 - No change	Many flood, drainage and coastal queries are handled by staff and are appreciated by the public.
We will provide up to a 30% subsidy for river control and flood protection where the criteria set out in the Council's guidelines for technical and financial assistance are met	Value of subsidies provided annually	Years 1 - 10 - \$40,000 of subsidy money is provided each year at a subsidy rate of 30%	Subsidy of \$40,000 is expected to be allocated by 30 June 2011.
We will provide a consultancy service for drainage, flooding, and coastal erosion issues according to individual project agreements on a full cost recovery basis	Costs are recovered	Years 1 - 10 - Full costs of any consultation work are recovered	Six engineering consultancy jobs have begun or been completed this year to date.

Financial Variances Explained

Increased expenditure has occurred as a result of:

- An increase in staff time into Response Management project 710 as a result of responding to two Tsunami warnings and April storm event (\$73,000).
- Increased expenditure under the Civil Defence Emergency Management Group which has been offset by increased income from Ministry of Civil Defence and Emergency Management (\$45,000).
- Council being administering authority for Task Force Green Teams responding to the April Flood event in the southern part of the region (\$125,000) not this increased cost is recoverable from Ministry of Social Development and through agreement with Hawke's Bay Primary Producers' Adverse Events Trust.

Increased Income reflects the recovery of Task Force Green costs and Civil Defence Emergency Management costs as explained above.

Activity 3 – Sundry Works

This activity contributes to a *prosperous region* as a result of the protection provided to property at risk from erosion or flooding. The activity also supports a *clean and healthy environment* through the enhancement of recreational areas and by minimising the effects of flooding and erosion.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will ensure that the beach at Westshore has erosion checked to 1986 extents <i>(The 1986 line was the extent of erosion before beach renourishment commenced. This line is identified on a series of posts along the foreshore)</i>	The comparison of annual beach cross section surveys to the 1986 extent of erosion	Years 1-10 - Erosion does not extend landward of the 1986 line	The annual nourishment project is successful in holding the Westshore coastline seaward of the 1986 measurements.
We will maintain river mouths so that they do not flood private land above a specified contour	Incidences of flooding of private land above levels as specified in the River Opening Protocol	Years 1-10 - Private land above a specified contour is not flooded as a result of a river mouth being closed	There has been no reported incidences of private land flooded as a result of the river mouth being closed.
Where appropriate, we will make public access available to the Council owned land associated with flood control and drainage schemes and encourage and facilitate development of improved recreational amenities	Number of sign posted vehicle accesses provided Km of pathway constructed and maintained on the Council owned land	Years 1-10 - All 40 vehicle access areas will be maintained in accordance with the Asset Maintenance Contract (this includes rubbish collection, mowing, fencing etc) Years 1 – 10 - To be defined by level of service review but dependent on Rotary Pathways Trusts	<ul style="list-style-type: none"> Vehicle access areas are well maintained and signposted and are frequently used by the public.

Regional Resources

	Activity (#)	Actual 10/11 (\$'000)	Budget 10/11 (\$'000)	Actual 09/10 (\$'000)
EXPENDITURE				
Operating Expenditure				
Land Management	1	2,456	2,700	2,455
Air Management	2	593	1,027	390
Water Management	3	3,171	2,962	2,997
Coastal Management	4	377	461	311
Gravel Management	5	251	369	335
Open Spaces	6	1,280	1,400	1,215
Total Operating Expenditure		8,128	8,919	7,703
Capital Expenditure				
Clean Heat Advances		811	7,123	552
Council Owned Wetlands Development		152	293	233
Tangoio Soil Conservation Reserve Forestry		57	81	30
Soil Conservation Nursery		5	0	0
Lake Tutira Country Park Forestry		42	42	58
Regional Park Reserves		487	5,130	227
Water Information Services Advances		0	375	0
Loan Repayments		85	104	0
Total Capital Expenditure		1,639	13,148	1,100
TOTAL EXPENDITURE		9,767	22,067	8,803
REVENUE				
Activity Revenue				
Direct Charges		1,627	3,011	1,182
Total Activity Revenue		1,627	3,011	1,182
Other Revenue				
Targeted Rates		586	583	582
Capital Works Income		390	3,134	149
Clean Heat Advance Repayments		22	0	(26)
Interest on Scheme Reserves		247	132	279
Grants		803	400	498
Loans Drawn Down		1,850	9,127	1,350
Total Other Revenue		3,898	13,376	2,832
TOTAL REVENUE		5,525	16,387	4,014
TOTAL GENERAL FUNDING REQUIREMENT		(4,242)	(5,680)	(4,789)
Special Reserve Funding				
Specific Scheme Reserves		(17)	(167)	(312)
Sale of Land (Non-investment) Reserve		(670)	911	243
Total Special Reserve Funding		(687)	744	(69)
NET GENERAL FUNDING REQUIREMENT		(4,929)	(4,936)	(4,858)
MET BY				
General Funding Rates		462	440	1,683
Investment Income		1,764	1,594	5,228
Operating Reserves		2,703	2,902	(2,053)
		4,929	4,936	4,858

role

This group of activities covers the region's public resources (air, water, coast, gravel), its land resource (in private ownership) and Council owned property as a regional resource.

In relation to the land resource, Council functions promote sustainable land management and enhanced biodiversity along with the leveraging of Central government funding to support these initiatives.

In relation to public resources, these activities include the gathering of information about the resources to improve our ability to manage them sustainably, and the efficient use of those resources.

In relation to Council owned land, these activities look at how we can improve public access to them.

Links to Community Outcomes

This group of activities contributes to community outcomes in the following ways:

- An environment that is appreciated, protected and sustained for future generations – by understanding that the region's natural and physical resources are being managed to ensure they are used efficiently and sustainably, and encouraging sustainable land management practices
- A strong, prosperous and thriving economy – by maximising the sustainable input of natural and physical resources into economic activity, and providing information and building the knowledge base of landowners to pursue land use opportunities, improve profits and reduce risk
- A lifetime of good health and wellbeing – by protecting the natural environment particularly fresh and coastal bathing water quality and air quality
- Strong regional leadership and a sense of belonging – by engaging the community in making decisions about the future of their environment and promoting policies to territorial authorities to facilitate integrated decision-making
- Safe and accessible recreational facilities – by providing public access to Council owned parks and wetlands for recreational activities
- Communities that value and promote their unique culture and heritage – by restoring Pekapeka Wetland and providing educational information at the site.

Activity 1 – Land Management

This activity supports a *clean and healthy environment* by setting policy frameworks that enable Council to manage natural and physical resources – such as water, air, the coast and lake and river beds – so that these are not degraded.

The activity contributes to a *prosperous region* by permitting activities that would otherwise be restricted by the Resource Management Act, but only where Council is confident that those activities will not have adverse impacts. A *vibrant community* is supported by ensuring that people in the community can participate in the policy-making process and the needs of future generations are taken into account when making policy and regulatory decisions (i.e. ensuring sustainable development).

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
<p>We will encourage land uses and land use practices that:</p> <ul style="list-style-type: none"> • are appropriate to the environmental constraints of any given site; • reduce negative, and produce positive, offsite impacts (including to water bodies and biodiversity); • provide social and environmental benefits; <p>So that land is sustainable for future generations.</p>	<p>Percentage of properties within eight focal catchments/areas implementing plans to enhance environmental and economic function and performance.</p> <p>Focal catchments include: Taharua (Mohaka sub-catchment) Class IV² flats, Class VIe, VIIe Hills, total area 14,400 ha;</p> <p>Huatokitoki (Porangahau sub-catch) Class VI, VII, total area 10,500ha);</p> <p>Maraetotara (Class VIe, 13,000 ha);</p> <p>Pouhokio (Class Ve, VIe, 4200 ha.)</p> <p>Additional focal catchments /areas to be considered:</p> <ul style="list-style-type: none"> • Ruataniwha Basin • Aropaoanui (Class Vie, VIIe) • Waikare (Class VIe, VIIe) 	<p>Percentage of property owners within individual focal catchments /areas actively engaged in dialogue:</p> <p>Year 1 20%</p> <p>Year 2 40%</p> <p>Year 3 60%</p> <p>Years 4-10 60%</p> <p>Percentage of property owners within individual focal catchments/areas actively implementing plans</p> <p>Year 1 0%</p> <p>Year 2 0%</p> <p>Year 3 20%</p> <p>Year 4 40%</p> <p>Years 5 – 10 60%</p>	<p>Taharua - 100%. There are 4 main landowners in this catchment. All are actively engaged through a community group.</p> <p>Huatokitoki - 85%. 24 landowners in this catchment. This catchment is subject to a research project aimed at realising the potential of a summer dry/erodible hill country landscape by working across economic, social and environmental domains</p> <p>Maraetotara - 45%. There are a total of 93 landowners in this catchment. The objective is to covenant and fence the riparian margin of the Maraetotara Stream.</p> <p>Pouhokio - 65%. There are a total of 22 landowners with land area over 6 hectares.</p> <p>Taharua - 100%; 37 km of fencing has been undertaken and 33 ha of a harvested conservation area has been replanted. Council is working closely with all landowners.</p> <p>Huatokitoki - 85%, 4 well supported meetings have been held and research is underway.</p> <p>Maraetotara - 22%, Council encourages landowners to fence and covenant riparian areas through the Regional Landcare Scheme and supports the Maraetotara Tree Trust to plant those areas – 3 new covenants were proposed this year.</p> <p>Pouhokio - 27% Council uses Regional Landcare Scheme grants and one-on-one advice to work with land owners to improve water quality in this priority catchment. Council approved no further grants in 2010/11.</p>

² Note: References to claims relate to the Land Use Capability Classification System. Class VIIe for example is steep land prone to erosion. The highest class is Class VIII.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	Hill Country Erosion sustainable Farming Fund project (Wairoa District) for: <ul style="list-style-type: none"> • Ruakituri • Hangaroa • Whakaki • Kopuawhara 	Percentage of property owners within each of the four catchments actively engaged in dialogue: Year 1 20% Year 2 40% Year 3 60% Years 4-10 60%	Ruakituri 90% Hangaroa 0% Whakaki 100% Nuhaka/Kopuawhara 80% Hangaroa expected to commence 2011/12 financial year in conjunction with Gisborne District Council. Ongoing contact with most landowners in other catchments. Communication continues through a page on Council's website and 2 newsletters. 4 field days have been held.
		Percentage of property owners within each of the four catchments actively implementing plans Year 1 0% Year 2 0% Year 3 20% Year 4 40% Years 5 – 10 60%	Ruakituri 40% Hangaroa 0% Whakaki 80% Nuhaka/Kopuawhara 60% These catchments are part of a Ministry of Agriculture & Fisheries (MAF) funded project to encourage farmers to improve economic and environmental performance on hill country. A number of field trials are used to demonstrate methods of improved practice.
	Hectares of Class VIIIe land in retirement or forestry	Year 2 - 100% Class VIIIe land in retirement or forestry	Majority of Class VIIIe land in Department of Conservation (DoC) estate and therefore retired.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will work with landowners and community groups to protect biodiversity and enhance the environment of coastal dune systems and riparian margins	Number of community groups working in coastal and riparian margins	<p>Number of community groups engaged & actively implementing the protection & enhancement of riparian margins and coastal dune systems:</p> <p>Year 1 - 12</p> <p>Year 2 - 13</p> <p>Year 3 - 14</p> <p>Years 4-10 15</p>	<p>Coastal Groups – (6 Groups) Whakaki (includes wetlands), Mahanga, Waimarama 1 & 2, Pourerere, and Porangahau. Council facilitates work programmes, meetings, planting days, and supports works through Regional Landcare Scheme grants.</p> <p>Riparian Groups -(4 groups) Maraetotara River, Pouhokio, Huatokitoki, Taharua (see first performance target comments). Activity is demonstrated through covenants and riparian planting projects.</p> <p>Urban Groups – (3 groups) Karamu Stream, Harakeke Stream (Plantation Drain) and Old Tutaekuri River Bed. These are all actively engaged in waterway enhancement works.</p> <p>All 13 of the above had projects undertaken during the 2010/11 year.</p> <p>2 other groups engaged but not active through implementation of a 2010/11 project – (Tangoio, Kairakau)</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will increase our knowledge of the region's land, soil and terrestrial habitats so that they can be managed sustainably for future generations	Development and monitoring of pressure, state and response indicators	Year 2 - Develop and monitor indicators for soil erosion, riparian enhancements, changing land use, farm inputs by Dec 2011	Indicators are being developed and monitored as follows. Erosion – Plans for measurement of sediment loads in selected rivers and erosion modelling of specific catchments is underway. Riparian enhancement – working in conjunction with land management to monitor water quality and biodiversity of new areas of riparian protection is underway. Land use change – derived from latest GIS data and supported by ground proofing. Farm inputs – supported by 'overseer' and consent data is underway. A comprehensive nutrient leaching model (including overseer outputs) has been developed for the Taharua catchment. Similar work for the Ruataniwha is under development. Terrestrial habitats – An extensive aerial, ground and GIS survey of the Karamu and Tukituki catchments has been undertaken (final reports due September 2011). This includes Herpetofauna, avian and indigenous flora) and identifies areas of significance for resource management.
	Regional baseline hill country erosion monitoring	Years 1 – 10 - Regional baseline erosion monitoring report completed by Dec 2011 Erosion monitoring repeated and report completed by June 2016, contingent on major regional storm event	A combination of monitoring techniques are being investigated that can be used in conjunction with the new 'kiwi image' satellite imagery being made available to Hawke's bay Regional Council (HBRC). This will lead to a baseline erosion monitoring report for the region by Dec 2011.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	<p>Catchment-scale modelling & monitoring: Taharua/Upper Mohaka Ruataniwha/Tukituki (Land Use intensification).</p> <p>Catchment-scale monitoring of Huatokitoki</p>	<p>Years 1-3 - Catchment models developed for Taharua & Ruataniwha (& reports).</p> <p>Year 3: Start monitoring in Huatokitoki</p>	<p>Currently nutrient contaminant transfer model has been developed for Taharua with Ruataniwha model to be completed by late 2011. Scenario modelling to determine acceptable nutrient levels to meet instream values has been developed for Taharua. A refinement of the model's assumptions is now taking place to reflect the instream standards. The instream values for nitrogen levels have now been set to test the model against river changes.</p> <p>Ruataniwha scenarios will be completed in late 2011.</p> <p>Monitoring weir design has been completed and weir expected to be installed when flow conditions permit.</p>

Activity 2 – Air Management

This activity supports *a clean and healthy environment and a vibrant community* by monitoring air quality, managing discharges from domestic fires and encouraging clean heat and insulation.

This activity contributes to *a vibrant community* by resolving, where possible, complaints from the community regarding environmental pollution and ensuring any damage to the environment is remedied.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will have adequate knowledge on the level of air pollutants that may impact on public health and aesthetic values so that we can manage air quality for human health needs and aesthetic values	State of the Environment monitoring programme for: <ul style="list-style-type: none"> air quality climate 	<p>Years 1 – 10 - Monitoring undertaken in accordance with the Regional Air Quality Monitoring Strategy</p> <p>Year 1 - 3-yearly review of AQMS</p> <p>Year 2 - Revise airshed modelling</p> <p>Years 1 – 10 - Report on exceedances of the National Environmental Standards in accordance with the standard</p>	<p>Continuous monitoring is undertaken in Napier and Hastings. Screening monitoring has been completed in Taradale and will commence in Waipukurau. There is no discernible change in the region's air quality.</p> <p>The Air Quality Monitoring Strategy (AQMS) is reviewed annually and changes made as required. A comprehensive review is currently underway with completion in late 2011.</p> <p>A revised air shed model is currently in development. Model is due for completion late 2011.</p> <p>National Environmental Standards (NES) exceedances continue to occur, with 3 in Napier airshed (3 for 2009/10) and 15 in Hastings airshed (12 in 2009/10) and these have been publicly notified and reported to Ministry for the Environment (MfE). These events are influenced by weather patterns. The National Environmental Standards (NES) has recently changed, with 2016 now a key date for compliance.</p>
	Emissions Inventory	Years 1, 3 and 6 - Complete inventory updates	An emissions inventory was completed in 2010.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will provide financial assistance for healthy homes	Number of clean heat systems installed under financial assistance programme	<p>Years 1 – 10 – 1,500 'clean heat' systems installed under the Council's financial assistance programme each year</p> <p>Years 1 – 10 – Provide loan assistance to homeowners region wide for insulation of homes under Council's financial assistance programme.</p>	<p>Applications for Hawke's Bay Regional Council (HBRC) financial assistance (grants and loans) totalled 521 in 2010/11. 469 Grants and Loans were issued</p> <p>Clean heat installations = 293 Insulation installations = 176</p> <p>Figures from Energy Efficiency & Conservation Authority (EECA) for Hawke's Bay show the total number of clean heat conversions receiving Energy Efficiency & Conservation Authority (EECA) subsidy from December 2009 to June 2011 was 1432, and the total insulation and clean heat in that same period was 6212.</p> <p>While the target of 1500 clean heat systems installed under Council's heat smart programme annually significantly over-estimated the number of homeowners who would seek financial assistance from Council, the figures from Energy Efficiency & Conservation Authority (EECA) show that the number of clean heat conversions is starting to be significant. The challenge now is twofold:</p> <ul style="list-style-type: none"> • To further increase awareness and uptake of the programme; and • To ascertain how to determine the number of "self-funded conversions" outside of the Heat Smart programme as part of the assessment of progress towards an improvement in PM10 air quality.

Activity 3 – Water Management

This activity contributes to a *clean and healthy environment* through its monitoring and investigations of the region's water resources. It also contributes to a *prosperous economy* through the feasibility studies and water demand initiatives.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will increase our knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water resources within Hawke's Bay.	State of the Environment monitoring programme for: <ul style="list-style-type: none"> – Climate – River flows – Groundwater levels – Surface water quality – Groundwater water quality – Aquatic ecosystems 	<p>Years 1 – 5 - Establish 1 climate station a year</p> <p>Years 1 – 10 - Monitoring undertaken in accordance with State of the Environment monitoring strategy</p> <p>Year 3 Upgrade rainfall sites</p>	<p>Taharua, Wallingford and Drumpeel climate stations commissioned and available via the Council's website.</p> <p>Monitoring was collected in accordance to the environmental monitoring strategies. Additional monitoring is took place on the Tukituki, Ngaruroro, Karamu as required in accordance to the regional plan upcoming changes. Information on exceptions and studies for the 2010 year was reported on in the SOE 2010 report. (to be available on the web in September).</p> <p>Rain station upgrades have commenced with the first step of identification of priority sties now complete and additional Capital Expenditure (CAPEX) is sought. Due to the number of changes required upgrades will be spread over a number of financial years.</p>
	<p>Knowledge available to inform environmental flow and allocatable volume review of the following river catchments and groundwater basins:</p> <p>Tukituki River; Ngaruroro River; Karamu Stream; Tutaekuri River; Ruataniwha Plains ; Heretaunga Plains</p>	<p>Year 2 - Groundwater Allocation report</p> <ul style="list-style-type: none"> – Ruataniwha Plains, Heretaunga Plains <p>Year 3 - Environmental flow and Allocation Reports for:</p> <ul style="list-style-type: none"> – Tukituki River, Ngaruroro River, Karamu Stream, Tutaekuri River 	<p>Ruataniwha groundwater model is now complete with scenarios run (4), Heretaunga model has been reassessed to inform future development of the model in line with new information in the Heretaunga Plains. Development of the Heretaunga Aquifer allocation is under way.</p> <p>Reports on the Ngaruroro and Tukituki are now complete, Karamu and Tutaekuri are scheduled for year 3.</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	Knowledge available to inform review of water quality objectives and guidelines	Year 2 - Review of water quality guidelines and objectives completed and reported	Draft regional instream values, guidelines and standards report completed. An international review of the Australia New Zealand Environmental & Conservation Council (ANZECC) guidelines and national monitoring and reporting for water quality review, of which HBRC is closely involved, has delayed completion of this work. Although Australia New Zealand Environmental & Conservation Council (ANZECC) guideline review will not be completed before the end of Year 2 the review of the national monitoring and reporting will be sufficiently advanced to enable consideration be given to the water quality guidelines. The land and water strategy currently under development should assist in reviewing the water quality objectives. These will need to be reviewed in line with the National Policy Statement (NPS) for freshwater management.
	Knowledge available to manage nutrient inputs to rivers	Report on Nutrient limits: Year 1 - Tukituki River, Taharua River Year 2 - Ngaruroro River	Nutrient thresholds and reports describing nutrient limits are currently under development with the initial modelling of the Taharua complete). The Tukituki catchment nutrient limit report is also under development but not expected till December 2011. Delays have occurred due to additional information needing to be collected to inform the models and Foundation for Research Science and Technology programmes that did not commence till October 2010 (nutrient spiralling in the cumulative effects water project). Additionally, the impact of the water storage project needs to be aligned once certainty on options through the feasibility stage are refined.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will increase our knowledge in terms of potential regional water demand and availability and how it is valued so that we can strategically plan for regional economic, social, cultural and environmental benefits	Regional Water Demand /Availability study Regional Water Values study	<p>Year 2 - Regional Water Values study completed</p> <p>Year 3 - Regional Water Demand/Availability study completed</p>	<p>The Water Values Study has been scoped. As the different strands of the Strategic Water Programme progress, the linkages are becoming increasingly apparent with the need to constantly review projects to ensure work is well aligned. Workshops have been held to look at angling and kayaking values and more are planned to be completed by December 2011. These will support policy development, particularly the implementation of the National Policy Statement for Freshwater Management.</p> <p>Regional water availability and demand study has commenced. A number of scenarios have been considered for water availability in the various catchments. Work has commenced on actual and potential water demand based on various land uses and climate change scenarios as part of the storage feasibility study and this work is ongoing. A key element of the third year will be identifying strategies to meet the shortfall in supply and demand.</p> <p>This study will inform and be part of the Regional Land and Water Strategy.</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will encourage efficient and effective water use to maximise the benefits of the water allocated	Number of active water user groups	Year 2 – 3 Water User Groups established and facilitated	Three water user groups have been established; Ruataniwha, Ngaruroro and Twyford. Ngaruroro has been formally constituted with the other two currently going through the formalisation process. Engagement between HBRC Staff and the various water user groups is ongoing with various initiatives such as water rationing and rostering, consent advice, etc being trialled during the year.
	Number of consent holders with water meters operating using telemetry or web/text systems	Year 1 – 570 consents telemetered or using web/text system Year 2 – 677 consents telemetered or using web/text system Year 3 – 786 consents telemetered or using web/text system Year 4-10 – 893 consents telemetered or using web/text system	Approximately 350 consent holders are using telemetry or web entry access for monitoring water use to date.

Activity 4 – Coastal Management

This activity contributes to a *clean and healthy environment* through its monitoring investigations of the region's coastal resources.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will measure water quality at key recreation sites and make the results available to ensure public health and safety	Recreational water quality monitoring Programme and website management	Years 1 – 10 - Weekly monitoring of key recreational sites as per recreational water quality monitoring plan Swimsafe information available on website within 2 days of results being available	This programme continues to provide timely and key information on the recreational water quality of the region. Marine sites achieved between 95-100% compliance with national guidelines. Exceedances were notified to the Public Health Unit (PHU) Hawke's Bay District Health Board (HBDHB) to act upon. Target of 2 days for updated information to be online has been met for the 2010-2011 season. For further information refer to report number: EMT 11/01 HBRC Plan Number 4257 on Hawke's Bay Regional Council (HBRC) website.
	Annual coastal monitoring and investigation programme for: <ul style="list-style-type: none"> beach profiling storm surge monitoring sediment transport coastal inundation 	Years 1 – 10 - Annual monitoring and investigation programme completed and reported each year	Coastal monitoring and investigation is carried out on the regions beaches throughout the year. This work is reported in a report published in July each year.
We will increase our knowledge of the region's coastal resources in terms of water quality, sediment quality and ecology so that we are able to assess the effects of future activities on the coastal environment	State of the Environment monitoring programme for: <ul style="list-style-type: none"> nearshore water quality sediment quality estuarine ecology hard and soft shore ecology 	Years 1 – 10 - Monitoring undertaken in accordance with SOE Monitoring Strategy (2006)	Programme has continued in line with strategy with reports on Sandy Beaches, Estuarine and coastal water quality completed.
	Identification of freshwater/ saltwater transition zone in the region's rivers	Years 1 – 10 - Freshwater/saltwater transition zones identified in 5 rivers a year	Year 2 rivers have now commenced with maritime consents now obtained for work in the Wairoa and Tukituki estuaries.

Activity 5 – Gravel Management

This activity contributes to a *prosperous region* by reducing the risk of flooding so the impact on the community's everyday livelihood is minimal, and by providing a source of gravel for construction purposes, and contributes to a *vibrant community* by ensuring that the health and safety of Hawke's Bay communities living on flood plains are protected from frequent flooding.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will monitor and manage river-bed sediment to ensure flood protection schemes work as expected	<p>River surveys (3-6yearly) show all scheme rivers have sufficient capacity</p> <p>The average riverbed level where gravel is extracted is managed within +/- 200mm of the design grade line</p> <p>No incidences of erosion or flooding as a result of undesirable gravel levels</p>	<p>Years 1 - 10 - No decline in river capacity</p> <p>Average riverbed within design grade range</p> <p>No incidences</p>	<p>River bed surveys are rotated on a 3 to 6 year frequency and analysed. A reach of the Upper Tukituki has been shown to have insufficient capacity and this has largely been corrected. All other rivers that are monitored have sufficient capacity.</p> <p>The average riverbed gravel where gravel is extracted is within the design grade line.</p> <p>There have been no incidences of erosion or flooding that have resulted from gravel levels not being managed appropriately.</p>
River-bed gravel is equitably allocated to gravel extractors	The gravel allocation process complies with the RRMP	Years 1 - 10 - No compliance issues with gravel extraction	The gravel allocation process has complied with the Regional Resource Management Plan (RRMP) and there are no compliance issues.
River gravel management activities have no significant adverse effects on river ecology and water quality	No reported incidences of adverse impacts following gravel extraction or beach raking activities	Years 1 - 10 - No reported incidences of adverse impacts following gravel extraction or beach raking activities	Gravel extraction has been managed to avoid adverse impacts on the ecology. In addition, ecology management plans for the rivers are currently being developed to manage the ecology more effectively.

Activity 6 Open Spaces

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Year 1-3 in detail Year 4-10 outline	Progress Achieved to Date
We will provide public access to, and manage existing Council owned parks and wetlands for multi-purpose benefits.	Pekapeka Wetland Management Plan Tutira Country Park Management Plan Tukituki Estuary Management Plan Waitangi Management Plan Pakowhai Country Park Maintenance Plan	Year 2 - Public walkway access to Pekapeka swamp available subject to resolution of consent appeals Years 1 – 10 - Public access to Pakowhai and Tutira Country Parks continue to be available	Interpretation site, including carpark, pathways, earthworks, planting and signage, boardwalks and bridges all completed in accordance with programme and budget. Maintenance work at Pakowhai Country Park and Tutira Country Park carried out in accordance with programme and budget for the year.
We will actively look for opportunities to provide the public with additional access to coastal areas and 'near urban' rural environments that meet the Open Space policy and evaluation criteria.	Open space policy and evaluation criteria	Years 1 – 10 - Up to 3 proposals evaluated against the criteria Year 2 – <i>complete Landscapes cycleway of the "Heretaunga Ararau" cycleway proposal, subject to Central Government funding</i>	Cycleways Landscapes Trail – Blackbridge to Te Awanga and Moore Road to Blackbridge sections completed prior to Christmas 2010. Red Bridge to Moore road section in conjunction with HDC 90% complete with holdups due to machinery being prioritised for flood clean up duties following May storm event. Access approvals for the Craggy range ride have stalled due to landowner problems and Council is seeking an amendment to the work programme to reallocate funding to the Water and wineries' trails, with a decision due next financial year. Water Trail – Funding and access approvals gained during the year and construction commenced on 2 significant sections of the trail. Napier City Council (NCC) coastal section approximately 75% complete at year end and Hawke's bay Regional Council (HBRC) estuary section of trail approximately 30% complete by year end. Work is programmed for completion by the end of 2011.
We will maintain the stability of part of State Highway 2 by appropriate land use and management of the Tangoio Soil Conservation Reserve.	Tangoio Soil Conservation Management Plan	Years 1 – 10 - Yearly inspections	Annual maintenance works have been carried out in accordance with programme and budget.

Regulation

		Actual	Budget	Actual
	Activity	10/11	10/11	09/10
	(#)	(\$'000)	(\$'000)	(\$'000)
EXPENDITURE				
Operating Expenditure				
Resource Consent Processing	1	2,001	1,345	2,173
Compliance Monitoring	2	1,235	1,280	1,124
Maritime Safety and Navigation	3	268	267	283
Building Act Implementation	4	69	108	54
Total Operating Expenditure		3,573	3,000	3,634
TOTAL EXPENDITURE		3,573	3,000	3,634
REVENUE				
Activity Revenue				
Direct Charges		1,407	1,445	1,888
Total Activity Revenue		1,407	1,445	1,888
TOTAL REVENUE		1,407	1,445	1,888
TOTAL FUNDING REQUIREMENT		(2,166)	(1,555)	(1,746)
NET GENERAL FUNDING REQUIREMENT		(2,166)	(1,555)	(1,746)
MET BY				
General Funding Rates		982	1,020	263
Investment Income		3,749	3,697	817
Operating Reserves		(2,565)	(3,162)	666
		2,166	1,555	1,746

role

This group of activities covers the Council's regulatory functions for resource use, building dams and safe navigation of the region's navigable waters.

The empowering legislation for these Council functions is the Resource Management Act 1991, the Local Government Act 2002, the Soil Conservation and Rivers Control Act 1941, the Building Act 2004, the Foreshore and Seabed Act 2004, the Hazardous Substances and New Organisms Act 1996, and Maritime Transport Act 1994.

Links to Community Outcomes

While largely regulatory in nature the functions of this section can often have major economic and social implications for the Hawke's Bay region.

Activity 1 – Resource Consent Processing**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will ensure accurate information about resource consent requirements and processes is readily available	Application and submission guides are available in electronic and hard copy form	<p>Years 1 – 10 - No verified reports of inaccurate information being given in relation to resource consent requirements</p> <p>Years 1 – 10 - Electronic application and submission forms, application and submission guides are available through the Council's website</p>	<p>Of the 765 consents processed in this financial year (661 processed 2009/10) and the large number of consent enquiries, there were 2 instances of inaccurate information given to a consent holder and an applicant. Both issues have been acknowledged by Council staff and in both instances the issue has been settled. Both issues have been discussed with staff to ensure correct advice on these issues is given in future.</p> <p>Target met.</p>
We will process resource consent applications in a timely manner	100% of resource consents processed within statutory timeframes set down in the Resource Management Act 1991	Years 1 – 10 - 100% of resource consents processed within statutory timeframes	Of the 718 non notified consents processed, (613 processed 2009/10) 97% were processed within statutory timeframes.

Activity 2 – Compliance Monitoring**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will check that consent holders comply with the resource consent conditions imposed to protect the environment	Number of consents monitoring in accordance with the adopted compliance monitoring strategy	<p>Years 1 – 10 - 90% of programmed inspections/reports completed each year</p> <p>95% of monitored consents achieve an overall grading of full compliance or minor non-compliance</p>	<p>There were 1728 consents monitored of which 647 received a site visit, 260 did not require a visit and 821 were monitored in conjunction with the Water Information Services Team. This total equates to 90.5% of programmed inspections/reports completed and therefore meets the target.</p> <p>This target is not appropriate anymore due to changes in Council's grading system to bring it into line with national reporting grades. Historically Hawke's bay Regional Council (HBRC) had grade 1-5. Now we use three grades, Compliance. Non-compliance and significant non-compliance. Minor non-compliance now is included in the non-compliance category.</p> <p>Under the new grading system, there were 70% of assessed consents fully complying with their conditions.</p>
We will provide a 24 hr/7 day a week pollution response service for reporting environmental problems	Duty management/Pollution Management response system	Years 1 - 10 - 24 hour duty Management/pollution management response system maintained	Target met.

Activity 3 – Maritime safety and navigation**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will provide local navigation safety control of shipping and small craft movements to ensure the region's navigable waters ³ are safe for people to use.	Navigation Safety Bylaws and Port and Harbour Safety Management System	<p>Years 1 – 10 – Bylaws to be reviewed in 2012</p> <p>Maintain a Maritime New Zealand accredited Safety Management System for the Napier Pilotage area</p> <p>Marine accidents and incidents are investigated and actioned using education and enforcement as appropriate</p>	<p>Safety Management System (SMS) has been audited by Maritime New Zealand (MNZ) and our accreditation has been maintained.</p> <p>Recent review of this project has identified minor gaps in investigation procedures. New procedures were introduced to ensure appropriate investigation takes place. Target met.</p>

Activity 4 – Building Act implementation**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
Process Building Act consent applications within timeframes	Contract with Environment Waikato to process dam consents on behalf of HBRC	Maintain contract with Environment Waikato, for the processing of dam building consents	Contract maintained. No dam building consents applied for.
Maintain an accurate Dam Register and assist dam owners preparing dam safety assurance programmes in accordance with Building Act timeframes	All known dams have been recorded on the Dam Register, and dam owners informed of Building Act requirements	Years 1-10 – 100% of dams comply with regulation requirements that come into force in July 2012	Regulations have been put on hold by the government, so target date of 2012 no longer applies. Target to be reassessed when regulations re-released.
Investigate and resolve illegally built dams	Any illegally build dam is either legalised or removed within six months of identification	Years 1-10 – 100% of dams comply with regulation requirements	No illegal dams have been identified this year.

³ Department of Conservation currently has navigation safety responsibility for Lakes Waikaremoana and Waikareiti

Biosecurity

Item 9

		Actual	Budget	Actual
	Activity	10/11	10/11	09/10
	(#)	(\$'000)	(\$'000)	(\$'000)
EXPENDITURE				
Operating Expenditure				
Plant Pest Control	1	653	691	696
Animal Pest Control	2	1,646	1,574	1,326
Bovine Tb Regional Vector Control	3	1,293	1,181	1,294
Pest Management Strategies	4	29	37	18
Total Operating Expenditure		3,621	3,483	3,334
Capital Expenditure				
Rabbit Reserve Deposits		15	0	20
Total Capital Expenditure		15	0	20
TOTAL EXPENDITURE		3,636	3,483	3,354
REVENUE				
Activity Revenue				
Direct Charges		609	576	829
Total Activity Revenue		609	576	829
Other Revenue				
Targeted Rates		1,824	1,820	1,757
Grants		67	0	0
Interest on Scheme Reserves		0	8	0
Total Other Revenue		1,891	1,828	1,757
TOTAL REVENUE		2,500	2,404	2,586
TOTAL FUNDING REQUIREMENT		(1,136)	(1,079)	(768)
Special Reserve Funding				
Specific Scheme Reserves		(90)	(84)	(254)
Total Special Reserve Funding		(90)	(84)	(254)
NET GENERAL FUNDING REQUIREMENT		(1,226)	(1,163)	(1,022)
MET BY				
General Funding Rates		982	1,020	263
Investment Income		3,749	3,697	817
Operating Reserves		(3,505)	(3,554)	(58)
		1,226	1,163	1,022

Attachment 2

role

Animal and plant pest control is carried out in accordance with Council's Regional Animal and Plant Pest Management Strategy, the National Strategy for Bovine Tuberculosis(Tb), and the Biosecurity Act 1993, and covers the following inter-related programmes:

- Regional animal pest control
- Regional Bovine Tb vector control
- Regional plant pest control.

Links to Community Outcomes

This activity contributes to community outcomes in the following ways:

- An environment that is appreciated, protected and sustained for future generations – by restoring native biodiversity and ensuring that this is maintained for future generations to enjoy.
- A strong, prosperous and thriving economy – by reducing the economic effects that pests have on agricultural and horticultural production and by ensuring that options for economic growth are not impaired by the presence of pests.

Activities 1 and 2 – Animal Pest Control Programmes (Projects 360, 361)

This activity contributes to a *clean and healthy environment* by reducing the impact of pests on our region's biodiversity and natural resources. It contributes to a *prosperous region* by providing advice and assistance to land occupiers to reduce the effects of animal pests on their property and livelihood.

It also contributes to a *prosperous region* by contributing to a national strategy for possum control. The Animal Health Board (AHB) is the management agency responsible for implementing the National Pest Management Strategy for Bovine Tb. Council has entered into an agreement with the AHB to manage the Bovine Tb Vector Control Programme in Hawke's Bay and to contribute to the funding of the National Pest Management Strategy for Bovine Tb.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress to Date																														
We will provide effective pest management programmes that improve regional biodiversity and economic prosperity	Hectares of rateable land kept at low possum numbers. Low possum numbers means no more than five possums caught per 100 traps set out at night	<p>Years 1 – 10 - Cumulative Rateable Land kept at low possum numbers:</p> <p>June 2009 – 820,000 ha June 2010 – 830,000 ha June 2011 – 840,000 ha June 2016 – 1,000,000 ha</p> <p>Year 7 - By 2016 all rateable land will be kept at low possum numbers (total rateable land in Hawke’s Bay = 1,000,000 ha)</p>	<p>29,802 ha were added to the possum control area programme in the 10/11 financial year. At 30 June 2011 a total of 867,224 hectares of rateable land will be kept at low possum numbers. This comprises 467,224 ha of Possum Control Areas (PCA's) and 400,000 of Animal Health Board (AHB) vector control operations.</p> <p>Cumulative Rateable Land Under Possum Control PCA & AHB</p> <table><caption>Cumulative Rateable Land Under Possum Control (PCA & AHB)</caption><thead><tr><th>Year</th><th>LTCCP Targets (Ha)</th><th>Actual (Ha)</th></tr></thead><tbody><tr><td>2008</td><td>797,000</td><td>797,000</td></tr><tr><td>2009</td><td>825,715</td><td>825,715</td></tr><tr><td>2010</td><td>843,711</td><td>843,711</td></tr><tr><td>2011</td><td>867,224</td><td>867,224</td></tr><tr><td>2012</td><td>875,000</td><td>-</td></tr><tr><td>2013</td><td>905,000</td><td>-</td></tr><tr><td>2014</td><td>935,000</td><td>-</td></tr><tr><td>2015</td><td>970,000</td><td>-</td></tr><tr><td>2016</td><td>1,000,000</td><td>-</td></tr></tbody></table>	Year	LTCCP Targets (Ha)	Actual (Ha)	2008	797,000	797,000	2009	825,715	825,715	2010	843,711	843,711	2011	867,224	867,224	2012	875,000	-	2013	905,000	-	2014	935,000	-	2015	970,000	-	2016	1,000,000	-
Year	LTCCP Targets (Ha)	Actual (Ha)																															
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2014	935,000	-																															
2015	970,000	-																															
2016	1,000,000	-																															
	The number of active rook nests treated annually across the region	<p>Years 1 – 10 – Monitoring shows active rook nest numbers below 300 and trending downwards north of SH5</p> <p>Years 3 – 10 - There is a downward trend in active rook nests south of SH5</p>	<p>A total of 59 active nests were aerial treated across the eradication zone north of SH5 compared to 92 in the 2009/2010 financial year.</p> <p>A total of 824 active nests were aerial treated across the control zone south of SH5 compared to 905 in the 2009/2010 financial year.</p>																														

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress to Date																											
			<div><p>Rook Program</p><table><tr><td></td><td>03-04</td><td>04-05</td><td>05-06</td><td>06-07</td><td>07-08</td><td>08-09</td><td>09-10</td><td>10-11</td></tr><tr><td>Control Zone</td><td>658</td><td>1,075</td><td>2,091</td><td>2,360</td><td>1,955</td><td>1,956</td><td>905</td><td>824</td></tr><tr><td>Eradication Zone</td><td>561</td><td>564</td><td>493</td><td>429</td><td>313</td><td>214</td><td>92</td><td>59</td></tr></table></div>		03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11	Control Zone	658	1,075	2,091	2,360	1,955	1,956	905	824	Eradication Zone	561	564	493	429	313	214	92	59
	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11																						
Control Zone	658	1,075	2,091	2,360	1,955	1,956	905	824																						
Eradication Zone	561	564	493	429	313	214	92	59																						
	<p>Response time to rabbit complaints/ enquiries</p> <p>Responsiveness to properties identified with rabbit populations over McLean Scale 4</p>	<p>Years 1 – 10 - An initial response is given within 5 working days of receipt of each rabbit related complaint/enquiry</p> <p>Years 1 – 10 - A management plan is prepared within four months for each property identified with rabbit numbers above McLean Scale four.</p>	<p>A total of 38 rabbit enquiries have been followed up with to date. All enquires have been responded to within 5 working days of receiving their initial call.</p> <p>McLean Scale four indicates that there are pockets of rabbits with signs and fresh burrows very noticeable. One property has required a rabbit management plan over this reporting period and rabbit control should be completed by mid August 2011. Control includes poisoning, height shoots and fumigation.</p>																											

Financial Variances Explained

At the request of Animal Health Board additional Possum Control work of approximately \$1.1 million was undertaken in the Hawke's Bay region during the year. HBRC met 10% of the cost of this work of which 30% is met from general funding.

Biosecurity and Compliance Staff responded to a request from MAF to assist with a response to PSA in kiwi fruit orchards in Bay of Plenty. The time involved was recorded within the Animal Pest Control budgets and fully recovered (\$21,800). Increased staff costs have resulted in the balance of the increase.

Activity 3 - Plant Pest Control

This activity contributes to both *a clean and healthy environment* and *a prosperous region* by reducing the threat from plant pests to the viability of pastoral, horticultural and forestry land, and to areas of high environmental value.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress to Date
We will provide effective plant pest management programmes that improve regional biodiversity and economic prosperity	Routine inspection by staff of areas infested with plants controlled under Council's Regional Pest Management Strategy	<p>Years 1 – 10 - All known infestations of 'occupier responsibility' total control plant pest sites are visited annually</p> <p>All known 'service delivery' total control plant pest sites are visited annually and plants controlled</p> <p>Years 1 – 4 - All known Privet sites will have been visited and controlled by June 2013</p> <p>The land around all known infestations of total control plants is inspected at least three yearly</p> <p>Years 1 – 10 - All areas of high potential risk are visited annually and checked for possible new plant pest incursions</p>	<p>A total of 2850 visits covering all known infestations were made on total control occupier responsibility plant pests.</p> <p>Total Control Service delivery visits and control have been undertaken on Goats Rue, Yellow Water Lilley, African feather grass and White edged nightshade by Council officers. Control work has been completed by contractors for Nassella tussock, phragmites and Spiny emex. All known sites were visited.</p> <p>The urban Privet programme continues to perform well with 380 properties having had Privet removed by the contractor or council staff. Forty one of these properties were in Wairoa. On track to be completed in 2013.</p> <p>Inspections continue on land around known infestations of total control plants on a 3 yearly basis.</p> <p>All known high risk sites continue to be visited annually to check for possible plant pest incursions. A total of 29 earthmoving machines were inspected after being washed down.</p>

Levels of Service Provision and Performance Targets - Pest Management Strategies

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress to Date
We will develop regional pest management strategies that improve biodiversity and economic prosperity	Maintain a current Regional Pest Management Strategy	Years 1 – 3 - Review the current Regional Pest Management Strategy (RPMS) and publish a proposed reviewed RPMS) by 30 November 2011	There are a number of initiatives underway to assist with the proposed review of the Regional Pest Management Strategy (RPMS) by 30 November 2011. These include a regional goat stakeholder working group, and initiatives associated with identifying effective long term management strategies for argentine ants. The Regional Pest Management Strategy (RPMS) discussion document has been released.
	Undertake research to quantify and/or increase the economic, biodiversity or animal/human health benefits of pest control	Years 1 – 10 - Undertake at least one research initiative annually	There are two research projects that are currently underway using Envirolink or Council funding.

Hazard Management

		Actual	Budget	Actual
	Activity	10/11	10/11	09/10
	(#)	(\$'000)	(\$'000)	(\$'000)
EXPENDITURE				
Operating Expenditure				
Hazard Identification	1	194	300	207
Flood Warning System	2	439	387	395
Emergency Response Mangement	3	760	534	590
Total Operating Expenditure		1,393	1,221	1,192
TOTAL EXPENDITURE		1,393	1,221	1,192
REVENUE				
Activity Revenue				
Direct Charges		326	225	194
Total Activity Revenue		326	225	194
Other Revenue				
Grants		45	0	13
Total Other Revenue		45	0	13
TOTAL REVENUE		371	225	207
TOTAL FUNDING REQUIREMENT		(1,022)	(996)	(985)
NET GENERAL FUNDING REQUIREMENT		(1,022)	(996)	(985)
MET BY				
General Funding Rates		439	326	258
Investment Income		1,676	1,183	800
Operating Reserves		(1,093)	(513)	(73)
		1,022	996	985

role

Hazard Management covers a range of activities from Civil Defence to specific flood event management responsibilities. These activities identify potential hazards to the community and the means of reducing their impact; preparing the community for potential civil defence emergencies; and assist with the response to and recovery from any hazardous emergencies that occur.

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

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

Activity 1 – Hazard Identification

This activity contributes to *a prosperous region* through the identification of natural hazards with the potential to affect the region, and the promotion of community preparedness should a major hazard event occur.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will identify, assess and promote awareness of hazards with the risk potential to cause a Civil Defence emergency event so that the regional community is better prepared	Percentage of surveyed residents that are aware of hazard risks & can identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay	Years 1 – 10 - Awareness of earthquake, flooding/heavy rainfall and tsunami hazard risks show an increase over time Specific target >50% of residents can identify tsunami as one of the region's major hazards by 2018. As measured in a three yearly survey	The last regional survey in 2008 asked residents to identify hazard risks to their livelihood: <ul style="list-style-type: none"> 94% identified earthquake 60% identified flooding/heavy rain 34% identified tsunami The survey planned in Sept 2011 has been postponed due to reprioritisation of funding.
	Number of hazards research projects commissioned each year	Years1 – 10 - At least one new research project commissioned each year	2 hazard projects commissioned this year <ul style="list-style-type: none"> Development of a Joint Hawke's Bay Hazard Strategy for the treatment of hazard risks in the land use planning environment. Further Tsunami Inundation Mapping.
	Satisfaction of Territorial Authorities and professionals involved in land use planning decision making with the quality, format & relevance of hazard information supplied	Years 1 – 10 - All Territorial Authorities and planning professionals are satisfied with the quality, format and relevance of the hazard information supplied/available as assessed by an evaluation and feedback form	A survey undertaken by staff in June 2011 resulted in 67% of the respondents rating the quality of hazard information from the Hawke's Bay Regional Council (HBRC) as excellent, very good or good, while 33% gave no response. 83% said the information was relevant.

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
	HB Engineering Lifelines authorities are satisfied with the quality, format & relevance of hazard information supplied	Years 1 – 10 - HB Engineering Lifelines authorities are satisfied with the quality, format and relevance of the hazard information supplied/available as assessed by an evaluation and feedback form	Engineering Lifelines will be reactivated in coming years now the Civil Defence and Emergency Management Group (CDEM) resource has increased.
	Currently (2011) there are 91 at risk communities identified. Risk is assessed as High or Low and priorities for assessment based mainly on population. The Level of Service measure is the percentage of the total number of High or Low risk areas that have been mapped to date.	<p>Up to date flood hazard information available for high risk community areas</p> <p>Year 1: 91%</p> <p>Year 2: 93%</p> <p>Year 3: 95%</p> <p>Years 4-10: 100%</p> <p>Up to date flood hazard information available for lower risk community areas</p> <p>Year 1: 10%</p> <p>Year 2: 20%</p> <p>Year 3: 30%</p> <p>Years 4-10: 40%</p>	<p>Napier, Hastings, Wairoa and Porangahau have up to date flood hazard information. Coastal inundation (tsunami) hazard mapping has been completed for Te Awanga/Haumoana to Tangoio. The target achieved was 96.9%</p> <p>From the priority list of smaller communities' hazard information was prepared for Tangoio and Whakaki. The target achieved was 20.2%.</p> <p>Note that climate change effects have not been completed in all the above pending future work on rainfall / flow predictions in another project.</p>

Financial Variances Explained

Under expenditure in this area was the result of:

- Delays in receiving consultancy work from GNS on fault mapping. GNS staff were diverted from normal work by the November Darfield and February Christchurch Earthquakes (\$25,000).
- Reduced Engineering time input to flood risk assessment due to the National Cycleways and Ruataniwha Water Storage Projects (\$80,000).

Activity 2 - Flood Warning System

This activity contributes to a *prosperous region* through Council's increased ability to provide early warning and to therefore identify and mitigate the potential effects and to a *vibrant community* by Council's ability to identify the risks of flooding and provide effective protection.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We provide reliable warning of flooding from the region's major rivers to at risk communities, namely the Wairoa, Tutaekuri, Ngaruroro and Tukituki Rivers	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year Year 1 95% Year 2 95% Year 3 95% Years 4 -10 98% average for all key sites	The percentage of time the priority sites were operational is recorded together with causes of any breakdowns. The operational time was 98.4% for key sites and 97.9% for all sites, for the period which is a good result indicating that the system is reliable with good back-ups of essential equipment.
A flood forecasting system is available on the web to advise the community on likely rainfall and flooding	Percentage of the region affected by flooding that is covered by a flood forecasting model.	Percentage of the region affected by flooding covered by a flood forecasting model Year 1 50% Year 2 50% Year 3 60% Years 1-10 75%	The area covered to date by the flood forecasting models includes the Wairoa catchment, Ngaruroro, Tutaekuri and Tukituki. These are all large catchments and represent more than 50% of the catchments that would benefit from a flood forecasting model.
		Years 1-10 No decrease in model performance	The model performance is good; it is a useful tool. Predicting the amount of rainfall and where it will fall is where the greatest error will occur.
	Age of information available on web during storm events	Years 1-10 no change	Currently this is only updated for an event that exceeds a 20% Annual Exceedance Probability (AEP) (1 in 5 year event).
	Peak flood forecast river flows agree within 25% of the actual flows	Years 1-10 no decrease in performance	There has been good agreement to date and sound advice has been able to be passed on to emergency managers, particularly in the Wairoa region.

Financial Variances Explained

Significantly increased staff time into project 718 has also been impacted by increased corporate costs associated with the costs of that staff time (\$58,000). This increased staff time has in part occurred as a result of the April 2011 storm. This over expenditure has in part been offset by reduced engineering input into flood forecasting work (\$23,000).

Activity 3 - Emergency Response Management

This activity contributes to a vibrant community by ensuring Council can adequately assist the community during and following any major hazard event and provide for the protection of the marine and coastal environment following a marine oil spill event.

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will prepare to ensure our response to a (Civil Defence) emergency is coordinated, appropriate, effective and efficient	Implementation of Corrective Action Plans following region wide exercises	<p>Years 1 – 10 - Maintain three yearly exercise programmes</p> <p>Corrective Actions that the Council has responsibility for are implemented in accordance with the Corrective Action Plan</p>	<p>Exercise programme has been maintained, including involvement in the National Tangaroa Exercise Oct 2010.</p> <p>Corrective actions around the Hawke's Bay Regional Council (HBRC) Emergency Operations Centre (EOC) set-up and structures identified and implemented. The Group Emergency Control Centre (EEC) completely reviewed and resources increased and staff trained for their roles. Actions to implement recommendations to relocate the Group Emergency Control Centre (ECC) are well underway and due for completion in August 2011.</p>
	Level of support provided to the HBCDEM Group in directing and co-ordinating personnel and resources for response and recovery operations	Years 1 – 10 - Maintain Plans and SOP's and ensure Group EOC can be ready for operation within 6 hrs of event	Plans and Standard Operating Procedures (SOPs) for Emergency Operations Centre (EOC) operation maintained. A complete review and update of SOPs was completed in June 2011.
	Established Emergency Management Plan including training, procedures and Business Continuation Plan (BCP) Maintain a the Council emergency management and civil defence capacity with the capability of effectively responding to an emergency event and operate an effective 24 hour Duty Management service	Years 1 – 10 - Maintain established Teams, training programmes, Emergency operations Centre (EOC), Manuals, and Business Continuance Plan in accordance with Hawke's Bay Civil Defence Emergency Management (HBCDEM) Group Plan	Civil Defence and Emergency Management Teams maintained with collective and individual training held in the build up to Exercise Tangaroa in October 2010. 24 new staff inducted in Council emergency requirements. Manuals maintained. Business Continuance Plan reviewed, updated and approved by Executive May 2011. Current versions on Intranet.
	24 hour Duty Management response system with capacity to scale up for emergency response	Years 1 – 10 - 24 hour Duty Management response system with capacity to scale up for emergency response is in place	<p>24 hour duty management response system with capacity to scale up for emergency response is in place with 757 calls logged 2010/11.</p> <p>171 warnings or watches of severe weather or other hazardous events were received during the year and have been effectively and efficiently managed, including the three storm events in</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
			July, October 2010 & April 2011, and the Japan Tsunami on 11/12 March 2011. HBRC staff also supported the National Declaration for Canterbury since the 22 February by providing on-going rostered support to the National Crisis Management Centre in Wellington and to the Canterbury EOC.
	Adopted HB Civil Defence and Emergency Management (HBCDEM) Group Plan and a Marine Oil Spill Plan are in place	Years 1 – 10 - Operative Plans for HBCDEM and Marine Oil Spill are maintained	Operative plan for Hawke's Bay Civil Defence Emergency Management (HBCDEM) maintained. New Marine Oil Spill Plan approved by Maritime New Zealand (MNZ) August 2010 sent out to plan holders. 6 oil spill incidents were responded to and two practical exercises completed.
As a member of the HBCDEM Group we will encourage people to be prepared so that community resilience is enhanced	Percentage of surveyed residents prepared to cope for at least three days on their own	Years 1-10 90% residents have enough food stored for three days and had some way of cooking without electricity 75% have enough water stored As measured by three yearly survey	Survey results in 2008 showed: 96% had enough food stored, with 92% having some alternative way of cooking without electricity. 55% had enough water stored not including water in their hot water cylinders. The next survey planned for September 2011 has been postponed due to funding reprioritisation. Nevertheless a national Ministry of Civil Defence Emergency Management (CDEM) survey in July 2011 showed 66% of New Zealanders had taken steps to prepare themselves or their household, up from 44 percent last year, with the main prompt being the Canterbury earthquakes.

Financial Variances Explained

Increased expenditure has occurred as a result of:

- An increase in staff time into Response Management project 710 as a result of responding to the Japan Tsunami warning and April storm event (\$73,000).
- Increased expenditure under the Civil Defence Emergency Management Group which has been offset by increased income from Ministry of Civil Defence and Emergency Management (\$45,000).
- Council being administering authority for Task Force Green Teams responding to the April Flood event in the southern part of the region (\$125,000) not this increased cost is recoverable from Ministry of Social Development and through agreement with Hawke's Bay Primary Producers' Adverse Events Trust.
- Increased Income reflects the recovery of Task Force Green costs and Civil Defence Emergency Management costs as explained above.

Governance and Community Engagement

	Activity (#)	Actual 10/11 (\$'000)	Budget 10/11 (\$'000)	Actual 09/10 (\$'000)
EXPENDITURE				
Operating Expenditure				
Community Partnerships	1	1,932	3,601	986
Community Engagement & Communications	2	472	466	554
Response to Climate Change	3	58	117	39
Community Representation & Regional Leadership	4	1,196	1,336	1,499
Investment Company Support	5	0	393	0
Total Operating Expenditure		3,658	5,913	3,078
Capital Expenditure				
Community Partnerships		50	0	0
Total Capital Expenditure		50	0	0
TOTAL EXPENDITURE		3,708	5,913	3,078
REVENUE				
Activity Revenue				
Direct Charges		11	393	21
Total Activity Revenue		11	393	21
Other Revenue				
Grants		0	0	105
Loan Funding		450	1,300	0
Total Other Revenue		450	1,300	105
TOTAL REVENUE		461	1,693	126
TOTAL GENERAL FUNDING REQUIREMENT		(3,247)	(4,220)	(2,952)
Special Reserve Funding				
Regional Projects Reserve		400	478	4
Sale of Land (Investment) Reserve		874	1,445	712
Total Special Reserve Funding		1,274	1,923	716
NET GENERAL FUNDING REQUIREMENT		(1,973)	(2,297)	(2,236)
MET BY				
General Funding Rates		207	24	349
Investment Income		122	87	1,085
Operating Reserves		1,644	2,186	802
		1,973	2,297	2,236

role

This group of activities covers Community Partnerships, Community Engagement and Communications, Response to Climate Change, Community Representation and Regional Leadership, and Investment Company Support.

Links to Community Outcomes

This group of activities contributes to community outcomes in the following ways.

- Strong regional leadership and a sense of belonging, supportive, caring and inclusive communities – through the nine Councillors representing their constituent communities across Hawke's Bay and reflecting community views on policies considered by the Council involving the community in many aspects of its work; as well as by setting emission reduction targets for Council's carbon footprint and monitoring the region's emission trends.
- An environment that is appreciated, protected and sustained for future generations – by facilitating resource user and school environmental education and providing opportunities for public involvement in enjoying, caring for, and learning about the environment, as well as by reducing the carbon footprint of the region and providing strategies to enable the community to adapt to those changes.
- A strong, prosperous and thriving economy – by actively engaging with the business community and providing information and knowledge in regular publications, and by highlighting opportunities associated with climate change.
- Transport, infrastructure and services that are safe effective and integrated – by working towards more energy efficient ways of travelling and doing business.
- A lifetime of good health and wellbeing – by providing resilience to changes that will occur as a result of climate change.
- Culture and heritage – by restoring Pekapeka Wetland and providing educational information at the site, and providing opportunities to celebrate our heritage.

Activity 1 – Community Partnerships

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will work toward mutually beneficial partnerships with Maori in order to jointly explore sustainable economic opportunities in Hawke's Bay, understand the drivers and desired outcomes of Treaty settlements involving management of natural resources and to actively engaged on resource management matters in general	Level of service agreement in place with Maori entities	Years 1-3 – At least three agreements in place with Maori entities associated with either sustainable economic development initiatives or natural resource management	<p>An agreement was signed in 2009 with Te Taiwhenua o Heretaunga for the establishment of a Community Development Unit, whose purpose is to:</p> <ol style="list-style-type: none"> 1. Support various/hapū in their role as kaitiaki. 2. Coordinate the ongoing identification and prioritisation of Maori development needs and aspirations. 3. Facilitate the integration of Maori strategic priorities into regional development strategy 4. Support implementation of regional development strategy within the capacity of the unit. 5. Provide liaison, advisory and consultancy services to local government and marae/ hapū, in accordance with the Resource Management Act (RMA) and Local Government Act (LGA). <p>The Taiwhenua provides regular written and verbal reports updating progress towards these goals.</p> <p>In 2010 Council signed an agreement with Ngati Pahauwera to ensure liaison around gravel management in the lower Mohaka River.</p> <p>In 2010/11 the focus of the partnership with Maori has been principally on the development of the relationship between Council and the Treaty claimant groups.</p> <p>A Deed of Commitment expressing the foundations of an ongoing relationship between the parties, and the agreement to establish a Regional Planning Committee comprising councillors and treaty claimant representatives were the main achievements this year.</p>
We will deliver some community sustainability and environmental education objectives through strategic partnerships with community based organisations	Level of service agreements in place with community based organisations	Years 1-3 – Agreements have been signed with at least three strategic partner organisations	<p>A template for strategic partners' agreements is yet to be completed. Council is however actively engaged with several potential strategic partner organisations including Massey University, Plant and Food and Ministry of Agriculture & Fisheries (MAF).</p> <p>Council continues to work with a range of community based organisations as its operational partners.</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
		Years 1-10 – Council continues to work in partnership with community based organisations to progress Council's strategic goals	Agreement are in place in 2010/11 with: <ul style="list-style-type: none"> • Sustaining HB Trust (\$30k) • HB Cultural Trust (\$30k) • EcoEd Trust (\$30k) • Creative HB (\$20k) • HB Coastguard (\$8k) • Te Mata Park Trust Board (\$25k) • Helicopter rescue trust (\$100k)
We will contribute to supporting regional activities which benefit the community's social, cultural, economic and environmental wellbeing.	Evaluation of, and make decisions on which regional projects to support.	Years 1-3 – Provide assistance of \$330,000 to support the hosting and events of the Rugby World Cup in Hawke's Bay.	Payments to date for Rugby World Cup: <ul style="list-style-type: none"> • 2009/10 - \$100,000 • 2010/11 - \$80,000
We will contribute to supporting the development of Regional Public Infrastructure projects.	Evaluation of, and make decisions on which Regional Public Infrastructure projects to support.	<p>Years 1-3 – Determine which Regional Public Infrastructure projects will be supported from the \$5.6m contestable fund.</p> <p>Year 1 - \$500,000 paid to assist the Waipawa Town Hall development.</p> <p>Year 2-3 - \$2,500,000 approved in each of the years to cover assistance to the Hawke's Bay Museum and Art Gallery, and the velodrome at the Regional Sports Park.</p> <p>Years 4-10 – a further sum of \$7.9 million subject to annual plan rolling reviews has been allocated to the contestable Regional Public Infrastructure projects.</p> <p>Contestable fund for years 1-3 has been increased to \$5.5M with a corresponding reduction in years 4-10 to \$4.9M</p>	<p>\$500,000 paid in 2009/10 for Waipawa Town Hall development.</p> <p>\$1,250,000 paid in 2010/11 to the Museum and Arts Gallery</p>

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will engage with key resource users and environmental groups so that both parties understand impacts of resource management initiatives on business and environmental concerns	Meetings held in accordance with agreed schedules	Years 1-10 – Meetings held in accordance with agreed schedules	Meetings are held with a range of resource users and environmental groups both formally and informally, and separately and as part of wider groups. In 2010/11 formal stakeholder meetings were held with Hawke's Bay District Health Board (HBDHB), Pan Pac, Winegrowers Association and Hawke's Bay Fruit Growers' Association.

Financial Variances Explained

The \$1,250,000 budgeted as a contribution to the velodrome at the Regional Sports Park was not paid as the Hawke's Bay bid to establish a National Velodrome was not approved by SPARC.

Other target assistance not paid during the 2010/11 years was assistance to the Rugby World Cup (\$150,000) and for heating and insulation to low income homeowners (\$130,000). This assistance will be paid during 2011/12.

Activity 2 – Community Engagement and Communications**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will communicate with the community so that they understand the roles and responsibilities of the Council	Percentage awareness of regional community	Year 2 – 65% of residents surveyed aware of Council's roles and responsibilities Year 5 – 70% Year 8 – 75%	Community Engagement Strategy is on-track and ongoing. Community awareness measurement recorded at 78.9% in May 2011. All four editions of Big Picture were published and delivered.
We will help people get information that they need to make informed sustainable decisions	Percentage of community satisfied with the information available for sustainable decision making	Years 1 – 10 - Targeted information packs developed for frequently requested information or key strategic or environmental issues 80% of people requesting information satisfied with quality, usefulness and timeliness of the information received as measured through feedback forms	Activities in this area have included Home and Garden Show, NZ Cycle Trails, EnviroSchools Programme, Tutira community group, HB2050, Pekapeka wetland, Plantation Drain, and the Eastern Field Day (formerly the Lifestyle Block Field Day) An education resource for Air Quality has been developed for use by schools. All requests have been responded to within a 2-day timeframe, or as agreed.
We will provide opportunities for communities to enjoy, care for, become involved in and learn about sustaining our environment	% of businesses, schools and communities who have participated in council supported educational opportunities that rate their involvement as satisfactory or higher	Percentage of businesses, schools and communities who have participated in Council supported educational events that rate their involvement as satisfactory or higher Year 1 75% Year 2 80% Year 3 80% Years 4 – 10 80%	Coordination of community-focused events during Conservation, Sea and Disaster Awareness weeks. "Your Choice" programme focussing on Whakatu catchment has been completed. Youth Environment Council has remained active. Attainment of Enviromark "Silver" award for Hawke's bay Regional Council (HBRC).
We will engage with key stakeholders so that they are aware and informed on issues that may impact on them and their business	% of Stakeholders satisfied that they were adequately informed on issues that may impact on them and their business	Years 1 – 10 - Percentage of stakeholders satisfied with quality of engagement Year 1 70% Year 2 80% Years 3 – 10 90%	Community involvement last measured satisfaction with opportunities for involvement at 87.9% [May'10]; measured at 90.3% in May 2011. This was derived from an annual survey of some 300 participants, undertaken by Touch Screen Marketing Limited.

Activity 3 – Response to Climate Change**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will increase the community's resilience to climate change	The Council's corporate total annual Greenhouse Gas emissions measure in carbon dioxide equivalents (including Port of Napier Ltd)	Years 1-10 – Reduce corporate (excluding Port of Napier Ltd) carbon emissions from 2005/06 by: <ul style="list-style-type: none"> – 10% by 2014 – 20% by 2020 – 30% by 2050 	Council achieved silver status under the Enviromark in 2011. A baseline is being established for carbon emissions from this process. This included a detailed energy audit which resulted in a series of recommendations to reduce energy and therefore emissions. These have largely been implemented. (Port of Napier has undertaken its own assessment)
	Number of sectors through which Council promotes/influences reduction in carbon emissions and adaptation to climate change	Year 1-3 – Increase sectors through which the Council is promoting / influencing reduced carbon emissions and sustainability <ul style="list-style-type: none"> – At least two investments providing an economic return resulting in sustainable use of regional resources included in the Council's investment portfolio – Establish a process for monitoring and reporting regional carbon emissions with first report completed by 30 June 2012 Years 4-10 – Continue to increase the Council's influence in initiatives to improve regional resilience to the impacts of climate change <ul style="list-style-type: none"> – Continue to update and report regional carbon emissions at least 3 yearly 	The feasibility of a project to integrate carbon forestry with hill country farming is being developed. An investigation into the use of portions of Council river berm land for carbon forestry is being progressed. Initial assessments are that much of the land managed by the Council is crown owned therefore limiting carbon forestry potential. Work has not yet commenced on establishing a process for monitoring and reporting regional carbon emissions.
	The number of areas (where water demand exceeds availability) investigated for water harvesting opportunities	Years 1-3 – At least three areas completed to prefeasibility stage. Ruataniwha Plains area completed to feasibility stage Years 4-10 – Areas investigated as identified by the Regional Water Demand and Availability Study	Ruataniwha Prefeasibility Study was completed and a commitment from Council to proceed to full feasibility was confirmed in December 2010 which included further investigation of two potential dam sites located on the Makaroro Stream and the Makaretu Stream. A full feasibility programme of works was

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
			<p>established and peer reviewed with the aim to have the feasibility study completed in approximately 18 months. The programme identified numerous studies covering engineering, environmental, economics, cultural and communications. Tonkin and Taylor were successfully re-engaged as engineering consultants for the project. Consultants were also confirmed for sections of the environmental and water resources works.</p> <p>Tonkin & Taylor have also completed the Ngaruroro Water Augmentation Scheme Prefeasibility Study. Landowner, stakeholder and community meetings have been held and the project now awaits a decision by Council as to whether it will proceed to the full feasibility phase in the next financial year.</p>

Activity 4 – Community Representation and Regional Leadership

Levels of Service Provision and Performance Targets

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will provide to the community a channel for representation through elected members and Iwi representation to enable access and influence on Council decision making	Councillors' attendance at monthly Council and Committee meetings achieving at least 90% attendance of elected and appointed members	Years 1-10 – Attendance rate of 90%	Attendance rate of 98% (93% 2009/10) for the 17 Council meetings and 92% (85% 2009/10) for the 33 Committee meetings held over this period.
	Attendance at Maori Committee meetings	Years 1-10 – Attendance rate of 80%	Attendance rate of 89% (85% 2009/10) for the 5 committee meetings over this period.
	10 Year Plan/Annual Plan consultation during April and May with the final report being adopted by the Council by 30 June	Year 1-10 – Consultation and submission period of at least 30 days	Draft Annual Plan 2011/12 issued for consideration on 6 April 2011. Submissions close on 10 May 2011.
	Comply with the provisions of the Local Electoral Act 2001	Years 1-10 – Complete the basis of membership of the Council. Hold Council Elections	Elections held in October 2010.
We will provide the Community with an opportunity to influence Local Government activities/agenda	Facilitate and complete the revision of Community Outcomes	Year 3 – Complete revised Community Outcomes by December 2011	The requirement to report on community outcomes was repealed in the Local Government Act 2002 Amendment Act 2010
We will aim to maximise Local Government effectiveness and efficiency	Facilitate and report on Local Government efficiency	Year 1 – Report completed by June 2010 <i>Report now scheduled for 2010/11</i>	Review of efficiency exercises were completed covering Regional Council's Corporate Services and External Relations divisions. This review benchmarked against similar sized Regional Councils established that staff numbers in these areas reviewed were lower when compared to these other Councils

Financial Variances Explained

Actual expenditure was \$140,000 less than budget.

The reasons were a transfer of \$75,000 from contingency funding to offset a portion of the additional legal costs incurred in Council's regulatory activities, and the \$50,000 provided in the budget for a study into Council's efficiencies being carried forward to 2011/12. This carry-forward was necessary as the discussions on undertaking a study on Local Government efficiencies has gathered momentum in 2011/12.

Activity 5 - Investment Company Support**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will provide support services to the proposed Holding Company (if approved) and to any associated subsidiaries of the Holding Company.	A number of Board meetings to be supported by Council staff.	<ul style="list-style-type: none"> • Provide support for the Board meetings of the Investment Holding Company and subsidiaries. • Finalise the Statement of Corporate Intent. 	Establishment of an Investment Company approved by Council on 29 June 2011. This Company will be set up during 2011/12

Financial Variances Explained

The costs budgeted of \$393,000 to provide resources and support to the proposed Investment Company and subsidiary companies was not required as the establishment of the Investment Company was not approved by Council until June 2011. Therefore the Company's establishment is timed to take place during 2011/12.

Transport

	Activity (#)	Actual 10/11 (\$'000)	Budget 10/11 (\$'000)	Actual 09/10 (\$'000)
EXPENDITURE				
Operating Expenditure				
Road Safety	1	491	383	471
Regional Land Transport Strategy	2	491	664	427
Subsidised Passenger Transport	3	2,675	2,789	2,530
Total Operating Expenditure		3,657	3,836	3,428
TOTAL EXPENDITURE		3,657	3,836	3,428
REVENUE				
Activity Revenue				
Direct Charges		128	294	195
Total Activity Revenue		128	294	195
Other Revenue				
Targeted Rates		1,353	1,343	1,308
Interest		0	(10)	0
Grants		2,380	2,192	2,130
Total Other Revenue		3,733	3,525	3,438
TOTAL REVENUE		3,861	3,819	3,633
TOTAL FUNDING SURPLUS / (REQUIREMENT)		204	(17)	205
Special Reserve Funding				
Specific Scheme Reserves		(362)	(97)	(434)
Total Special Reserve Funding		(362)	(97)	(434)
NET GENERAL FUNDING SURPLUS / (REQUIREMENT)		(158)	(114)	(229)
MET BY				
General Funding Rates		246	244	7
Investment Income		936	887	23
Operating Reserves		(1,024)	(1,017)	199
		158	114	229

role

This group of activities comprises integrated transport planning, provision of passenger transport and co-ordination and provision of road safety initiatives across the region.

The key mechanism is through the Regional Land Transport Strategy and the Regional Land Transport Programmes that are required to be prepared by the Regional Transport Committee.

The Land Transport Act 1998 and the Land Transport Management Act 2003 and its Amendment Act 2008 requires that Council consider the transport needs of disadvantaged people; to address this Council has adopted a Regional Passenger Transport Plan to guide Council in providing a passenger transport system that contributes to the social, economic, environmental and cultural wellbeing of the people of Hastings and Napier.

Council also operates a Total Mobility scheme that provides a subsidised taxi service to people with serious mobility constraints by way of taxi vouchers. It also includes coastal transport and rail.

Links to Community Outcomes

This group of activities contributes to community outcomes in the following ways:

Transport, infrastructure and services that are safe effective and integrated – by developing a Regional Land Transport Strategy which ensures integration of social, cultural, economic, environmental considerations and by providing public transport services and road safety programmes.

- *A lifetime of good health and wellbeing* – by reducing traffic congestion and providing an environmentally sustainable choice of transport mode.
- *Safe and accessible recreational facilities* – by offering alternative modes of transport to those who may not be able to afford it or have access to cars; the availability of more transport options for the transport disadvantaged and therefore greater mobility.
- *Strong regional leadership and a sense of belonging* – increased opportunities for social interaction, increased travel options for the workforce and increased access to essential services and amenities.
- *An environment that is appreciated, protected and sustained for future generations* – by taking into account environmental considerations with transport planning.
- *A strong, prosperous and thriving economy* – by providing a reliable and secure transport infrastructure for freight transportation.

Activity 1 – Regional Road Safety**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will engage, co-ordinate and implement sustainable regional road safety initiatives so that our roads and pathways are safe and accessible, and the emotional and financial costs of road accidents are reduced	Implementation of Regional Safety Action Plans and Neighbourhood Accessibility Plans which effectively implement relevant objectives of the Regional Land Transport Strategy and the New Zealand Injury Prevention Strategy	<p>Years 1 – 10 - Review Regional Safety Action Plans (RSAP) for Wairoa, Napier, Hastings, and Central Hawke's Bay on a quarterly basis and prepare updated RSAP for the following quarter</p> <p>Years 1 – 10 – Allocate New Zealand Transport Agency funding to service providers to enable implementation of Regional Safety Action Plan</p>	<p>Quarterly meetings were held during the year to review the priorities listed in the Regional Safety Action Plans (RSAPs). These included the key road safety issues identified in Safer Journeys, Communities at Risk and the New Zealand Transport Agency (NZTA) briefing notes, which include alcohol, speed, intersections and loss of control on rural roads. This has been the key focus of road safety work plans and the RoadSafe Hawke's Bay Strategic Plan during this year.</p> <p>Regional Safety Action Plans (RSAP) meeting was held in June 2011 to re-prioritise road safety issues, review processes and discuss joint activities for the next year. At this meeting it was agreed, by all road safety partners, to focus on youth and alcohol issues. This will be re-evaluated in two years.</p> <p>RoadSafe only provide limited funding to community organisations due to the reduction in funding to RoadSafe budget. Any community funding is monitored and reported to the RoadSafe Governance Group.</p>

Activity 2 - Regional Land Transport Strategy**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will promote improved integration of all transport modes and land use through the region's transport strategy	Regional Land Transport Strategy (RLTS)	<p>Year 3 - Review by June 2012</p> <p>Year 2 – <i>Heretaunga Plains Transportation Study (HPTS) to be completed June 2011</i></p> <p>Year 2 – <i>Hawke's Bay Wider Transportation Study (WRTS) to be completed June 2011</i></p>	<p>The Heretaunga Plains Transportation Study (HPTS) study is being undertaken by GHD Consultants and has been delayed by a number of factors, but is being closely monitored by the Study Management Technical Group (SMTG). The expected completion date is October 2011. The Heretaunga Plains Transport model now contains the 2046 settlement pattern from the Heretaunga Plains Urban Development Strategy (HPUDs) and assessments can be made on the impacts of the transport network.</p> <p>This Wider Region Transportation Study (WRTS) is being undertaken by Murray Tonks and, following an agreed extension is expected to be completed by 30 September 2011.</p> <p>These studies will feed into the Regional Land Transport Strategy.</p> <p>A discussion document on the Regional Land Transport Strategy (RLTS) was sent out in March and presented to the Regional Transport Committee in April. The Regional Land Transport Strategy (RLTS) and Regional Land Transport Programme (RLTP) will be drafted as one document and go out for public consultation early 2012.</p>
	Three yearly Regional Land Transport Programme (RLTP)	Year 4 - Regional Land Transport Programme submitted to New Zealand Transport Agency by 30 June 2012	The Regional Land Transport Programme contains the region's bids for transport funding from the government. It is being developed in conjunction with the review of the Regional Land Transport Strategy (RLTS), and will be consulted on at the same time.

Activity 3 - Subsidised Passenger Transport**Levels of Service Provision and Performance Targets**

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
We will provide an accessible bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be expanded to meet the increasing need for passenger transport for the people of Hawke's Bay	In accordance with Regional Land Transport Strategy	Years 1 – 3 - Services to be expanded and improved over next 3 years <i>Improvements to Routes 10, 11, 13, 16, 20 and Saturday Services on Route 12 were made in November 2009.</i>	Further service improvements were made in 2010/11 on Routes 13, 14, 20 and 21. A trial Sunday service was introduced in January 2011 and due to its success was made a permanent service. Total fares collected in the 2010/11 financial year were \$822,592. Total passenger trips over the same period were 554,647; this was a 15.5% increase on the previous year. The increase in passenger numbers is a very positive result.
	Bus stop signs to be significantly improved to ensure all bus stops have appropriate infrastructure	Years 1 – 2 - Ensure both Hastings and Napier bus stops have appropriate signs at 100% of bus stops on current routes <i>All Hastings and Napier bus stops are now appropriately marked</i> Complete 4 additional bus shelters <i>1 new shelter was installed, working with TAs to identify other sites</i>	All bus stops in Napier and Hastings have some form of identification (ie road markings; poles; or timetable information). Timetable information has been installed at key bus stops. Two new bus shelters were installed. It was agreed to carry over funding for the 2 remaining shelters while appropriate sites are identified including the Home HQ site in Hastings.
	Where bus routes exist, at least 90% of residences and businesses are in the following walking distances of a bus stop: 500m – normal conditions 600m – low density/outer areas	Years 2 – 3 - Increase the number of bus stops in Hastings and Napier to meet the measure by 100% <i>New bus stops considered based on passenger demand</i>	Target of 90% is on track to be completed by the end of Year 3. New bus stops are continually being considered based on demand and in liaison with Napier City Council and Hastings District Council.
	We will increase the frequency and start and finish times of some main services and provide more services on weekends	Years 1 – 2 - Saturday – 7 to 12 hours of service <i>From November 09 on Saturdays there are now nine hours of services</i> Years 2 – 3 - Sunday – between 5 to 10 hours of service	With the introduction of the Sunday service the bus services now provide 10 hours of service.
		Years 2 – 3 Extend start and finish times for main services	Extra funding for extension times of main services was declined but Council

Level of Service Statement	Level of Service Measure	Performance Targets Years 1-3 in detail Years 4-10 outline	Progress Achieved to Date
		<i>Request for funding from NZTA was declined, therefore no extension of services will be implemented</i>	implemented service improvements on Routes 13, 14, 20 and 21 within current budgets to provide a better service to these areas. The extension of start and finish times has been able to implemented as part of the route 12 improvements (see below).
		Years 3 – 4 - Main services run at 15 min intervals (peak times) <i>Request for funding from NZTA was accepted, these improvements will commence 1 July 2011.</i>	This service improvement was due to be implemented on 1 July 2011, the delivery of new buses was delayed and this is now scheduled to commence 5 September 2012. As part of the improvements services on the main route (route 12) are starting earlier and finishing later (see above).
	<i>We will review fares and the fare structures on all services annually</i>	Years 1 – 10 – Review fares and fare structure	A fare review will be carried out in early 2012.
We will provide a subsidised taxi service for Hawke's Bay residents who are unable to use public transport because of serious mobility constraints, through the delivery of a Total Mobility Scheme	Membership is increased and service delivered in accordance with NZTA guidelines	Years 1 – 10 - Increase by 5% per year	Total Mobility scheme users are continuing to increase by more than 5% per year. The increase of total members to end of June 2011 was 18.5%.

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Comprehensive Income Statement

For the year ended 30 June 2011

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000	\$000
Revenue						
Revenue from activities	3	5,524	7,070	6,757	56,753	53,526
Rates revenue	4	13,583	13,502	13,280	13,583	13,280
Other revenue	5	16,654	13,464	14,077	9,503	8,471
Fair value gains on investments	6	1,993	2,900	646	1,993	811
Total operating revenue		37,754	36,936	34,760	81,832	76,088
Expenditure						
Expenditure on activities	3	(32,776)	(34,144)	(31,825)	(61,244)	(58,758)
Fair value losses	6	(462)	0	(2,569)	(1,086)	(2,725)
Depreciation & amortisation expense		(1,779)	(1,942)	(1,697)	(7,390)	(6,685)
Finance costs		(544)	(1,095)	(457)	(4,175)	(1,896)
Total operating expenditure		(35,561)	(37,181)	(36,548)	(73,895)	(70,064)
Operating Surplus / (loss) before income tax		2,193	(245)	(1,788)	7,937	6,024
Income tax expense	8	0	0	0	(3,084)	(6,340)
Operating Surplus / (loss) after income tax		2,193	(245)	(1,788)	4,853	(316)
Other Comprehensive Income						
Gain/(loss) in available-for-sale financial assets	18	(15)	19,142	533	(818)	(1,413)
Gain/(loss) on revalued assets	18	9,234	0	572	9,234	572
Total other comprehensive income		9,219	19,142	1,105	8,416	(841)
Total Comprehensive Income		11,412	18,897	(683)	13,269	(1,157)
<i>The accompanying notes form part of these financial statements.</i>						

Statement of Changes in Equity

For the year ended 30 June 2011

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000	\$000
Equity as at beginning of year		397,738	402,406	398,421	373,948	383,829
Total Comprehensive Income		11,412	18,897	(683)	13,269	(1,157)
Dividends received / (paid)		0	0	0	0	(732)
Movements in minority interest		0	0	0	0	(7,992)
Equity as at end of year		409,150	421,303	397,738	387,217	373,948
<i>The accompanying notes form part of these financial statements.</i>						

Balance Sheet

As at 30 June 2011

		Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000	\$000
ASSETS						
Non-Current Assets						
Property, plant & equipment	9	17,770	15,447	17,826	178,127	173,547
Infrastructure assets	10	134,491	148,884	123,640	134,491	123,640
Investment property	11	91,680	106,480	92,477	98,421	99,657
Intangible assets	12	2,812	1,086	1,419	3,572	2,161
Financial assets	13	125,834	126,145	127,084	5,294	6,544
Forestry assets	14	2,645	1,324	1,820	2,645	1,820
Derivative financial instruments	16	0	0	0	0	1,359
Total Non-Current Assets		375,232	399,366	364,266	422,550	408,728
Current Assets						
Inventories		17	35	41	427	541
Trade & other receivables	15	6,083	4,913	4,861	13,759	12,557
Derivative financial instruments	16	0	0	0	0	4
Financial assets	13	34,283	44,404	34,445	34,283	34,445
Cash and cash equivalents	17	13,621	3,303	9,831	13,646	9,832
Total Current Assets		54,004	52,655	49,178	62,115	57,379
TOTAL ASSETS		429,236	452,021	413,444	484,665	466,107
EQUITY						
Accumulated Balance		178,906	179,776	178,906	250,203	247,544
Fair value reserves	18	161,697	241,527	152,478	68,467	60,050
Other reserves	19	68,547	0	66,354	68,547	66,354
Total Equity		409,150	421,303	397,738	387,217	373,948
LIABILITIES						
Non-Current Liabilities						
Derivative financial instruments	16	75	0	0	224	510
Borrowings	20	9,871	19,612	6,362	67,671	65,462
Provisions for other liabilities & charges		13	0	12	13	12
Deferred tax liabilities	21	0	0	0	6,515	7,450
Employee benefit liabilities	22	807	726	764	1,093	1,053
Total Non-Current Liabilities		10,766	20,338	7,138	75,516	74,487
Current Liabilities						
Bank overdraft		0	0	0	2,382	1,912
Derivative financial instruments	16	0	0	0	1,787	1,550
Borrowings	20	1,481	1,729	1,331	1,481	1,331
Current tax payable		0	0	0	515	311
Employee benefit liabilities	22	918	730	848	3,502	2,598
Trade & other payables	23	6,921	7,921	6,389	12,265	9,970
Total Current Liabilities		9,320	10,380	8,568	21,932	17,672
TOTAL LIABILITIES		20,086	30,718	15,706	97,448	92,159
TOTAL EQUITY & LIABILITIES		429,236	452,021	413,444	484,665	466,107
<i>The accompanying notes form part of these financial statements.</i>						

Statement of Cash Flows

As at 30 June 2011

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000	\$000
CASH FLOW FROM OPERATING ACTIVITIES						
<i>Cash was provided from:</i>						
Receipts from customers		7,571	10,526	9,636	61,754	60,134
Rates		13,583	13,502	13,231	13,583	13,231
Dividends received		7,108	5,650	5,531	22	0
Interest received		1,975	1,549	2,937	1,997	2,938
Grants		3,708	2,599	2,782	3,708	2,782
Other income		375	210	163	208	50
		34,320	34,036	34,280	81,272	79,135
<i>Cash was applied to:</i>						
Payments to suppliers		19,386	22,371	21,598	37,000	40,688
Payments to and behalf of employees		12,482	11,773	11,568	24,460	24,988
Interest expense		544	1,095	457	3,674	1,911
Income tax expense		0	0	0	3,140	3,632
		32,412	35,239	33,623	68,274	71,219
Net Cash Flows from Operating Activities	17	1,908	(1,203)	657	12,998	7,916
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash was provided from:</i>						
Disposal of property, plant & equipment		125	70	95	165	576
Disposal of investment properties		2,364	800	3,935	2,364	3,935
Disposal of financial assets		2,407	0	9,605	2,407	9,605
		4,896	870	13,635	4,936	14,116
<i>Cash was applied to:</i>						
Purchase of property, plant & equipment		1,256	1,792	4,304	11,532	42,555
Purchase of intangible assets		1,597	377	994	1,597	994
Construction of infrastructure assets		2,080	4,587	2,372	2,080	2,372
Purchase of financial assets		1,010	800	9,915	1,010	9,915
Forestry asset silviculture		706	123	394	706	394
Purchase of investment property		24	1,819	264	24	264
		6,673	9,498	18,243	16,949	56,494
Net Cash Flows from Investing Activities		(1,777)	(8,628)	(4,608)	(12,013)	(42,378)
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash was provided from:</i>						
Loans drawn		5,000	11,467	2,500	3,700	87,900
		5,000	11,467	2,500	3,700	87,900
<i>Cash was applied to:</i>						
Loans repaid		1,341	1,765	1,094	1,341	55,294
Dividends paid		0	0	0	0	(695)
		1,341	1,765	1,094	1,341	54,599
Net Cash Flows from Financing Activities		3,659	9,702	1,406	2,359	33,301
Net Increase / (Decrease) in Cash & Cash Equivalents:		3,790	(129)	(2,545)	3,344	(1,161)
Opening cash & cash equivalents		9,831	3,432	12,376	7,920	9,081
Closing Cash & Cash Equivalents	17	13,621	3,303	9,831	11,264	7,920
<i>The accompanying notes form part of these financial statements.</i>						

Notes to the Financial Statements

Note 1: General Information

1.1 Reporting Entity

The Hawke's Bay Regional Council (Council) is a regional local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The Hawke's Bay Regional Council group (group) consists of the parent, the Council, and its 100% owned subsidiary, Port of Napier Limited (Port). The Port is incorporated and domiciled in New Zealand.

The primary objective of Council is to provide services for the community and social benefit rather than making a financial return. Accordingly, the Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Reporting Standards (NZ IFRS).

The financial statements of the Council and group are for the year ended 30 June 2011 and were authorised for issue on 26 October 2011 by the Council.

1.2 Basis of Preparation

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

These financial statements have been prepared in accordance with NZ GAAP as appropriate for public benefit entities adopting NZ IFRS and other 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, hydrological equipment, investment property, forestry assets and financial instruments.

The group's functional currency is New Zealand dollars and the statements have been presented in thousands of dollars (\$'000) exclusive of New Zealand Goods and Services Tax (GST) except for trade accounts payable and receivable, which are stated at GST inclusive amounts.

1.3 New standards and Interpretations issued that are not yet effective and have not yet been adopted

The following new standards are applicable to the group but are not yet effective and have not been early adopted:

- NZ IFRS 9 Financial Instruments (Issued November 2009 to replace NZ IAS 39)
- FRS 44 New Zealand Additional Disclosures and Amendments to NZ IFRS to Harmonise With IFRS and Australian Accounting Standards (Harmonisation Amendments) (Issued in May 2011)

The Group will adopt NZ IFRS 9 for the year ending 30 June 2014 and FRS 44 and the Harmonisation Amendments for the year ending 30 June 2011. The Group has not yet quantified the potential impact of the changes in those periods.

There are a number of amendments to standards and interpretations that are issued but not yet effective and are not considered to have any significant effect on the group.

Note 2: Summary of Significant Accounting Policies

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

2.1 Consolidation

The Council's subsidiary has a financial year ending on 30 September. In order to consolidate the subsidiary, a reporting package with a financial year ending on 31 March is produced so as to avoid peak seasonal work periods. The subsidiary is accounted for using the purchase method, which involves adding together corresponding assets, liabilities, revenues and expenses on a line-by-line basis. All significant inter-entity transactions are eliminated and significant transactions occurring during the period 1 April to 30 June are adjusted for.

2.2

Inventories

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

2.3 Trade Receivables

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

2.4 Plant, Property and Equipment

(2.4.1) Operational Assets

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

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

All other operational assets (including Port assets for consolidated financial statements) 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 asset constructed by the group include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

(2.4.2) Infrastructure Assets

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

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

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

(2.4.3) Subsequent Costs

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

(2.4.4) Revaluation Adjustments

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

(2.4.5) Other Adjustments

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

2.5

Investment Property

Investment property is residential and commercial land and buildings held to earn rental income and for capital appreciation. Such property is initially recognised at cost. At each balance sheet date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the comprehensive 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.

2.6 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 comprehensive income statement for the period in which it arises.

2.7 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.

(2.7.1) 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 comprehensive income statement for the period in which they arise.

(2.7.2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in 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 comprehensive income statement for the period in which they arise.

(2.7.3) 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 comprehensive income statement for the period in which they arise.

(2.7.4) 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 comprehensive 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 comprehensive income statement. Such a transfer is not reversible.

2.8 Intangible Assets

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

2.9 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 comprehensive 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.

2.10 Depreciation and Amortisation

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

<i>Asset Category</i>	<i>Years</i>
Buildings	10 - 100
Site Improvements	10 - 40
Wharves & Jetties	10 - 80
Vehicles	3 - 10
Plant & Equipment	3 - 25
Computer Equipment	3 - 5
Computer Software & Licences	3 - 10
Infrastructure Assets	25 - 70
Soft Dredging	6 - 8

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

2.11 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.

2.12 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 comprehensive 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.

Borrowing costs are recognised as an expense when incurred except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalised as a part of the cost of that asset.

2.13 Income Tax

Income tax expense charged to the comprehensive income statement includes both current and deferred tax and is calculated after allowing for non-assessable income and non-deductible costs.

Deferred income tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for where the initial recognition of assets and liabilities does not affect either accounting or taxable profit. The amount of deferred tax provided is based on tax rates enacted or substantively enacted at the balance sheet date and are expected to apply when the related deferred tax liability is settled.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.14 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 Group's obligation at balance sheet date.

2.15 Provisions

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

2.16 Revenue Recognition

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

- Sales of goods are recognised when a product is sold to a 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.

2.17 Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments.

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are included in the comprehensive income statement as finance costs.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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 comprehensive income statement on a straight-line basis over the period of the lease.

2.18 Financial Risk Management

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

The Group 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.

Interest rate swaps are entered into to manage interest rate risk exposure.

The Group 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.

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

The Group 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.

(2.19.1) 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 comprehensive income statement. The Group accounts for hedges of foreign currency risk of a firm commitment as cash flow hedges.

(2.19.2) Derivatives that Do Not Qualify for Hedge Accounting

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

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

2.20 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 comprehensive income statement.

2.21 Basis of Allocation of Council's Indirect Costs

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

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

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be

allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

2.22 Changes in Accounting Policies

There have been no changes to accounting policies.

Note 3: Groups of Activities Revenue & Expenditure

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000	\$000
Revenue						
Groups of activity						
Strategic Planning		1,428	1,820	2,768	1,428	2,768
Land Drainage & River Control		637	552	925	637	925
Regional Resources		1,628	3,010	1,182	1,628	1,182
Regulation		1,407	1,445	1,888	1,398	1,873
Biosecurity		609	576	829	609	829
Hazard Management		326	225	194	326	194
Transport		128	294	195	128	195
Governance & Community Engagement		11	393	21	11	21
Total groups of activity revenue		6,174	8,315	8,002	6,165	7,987
Less internal revenue		(650)	(1,245)	(1,245)	(650)	(1,245)
Total groups of activity revenue		5,524	7,070	6,757	5,515	6,742
Other activity						
Port of Napier Ltd operations					51,238	46,784
Total activity revenue		5,524	7,070	6,757	56,753	53,526
Expenditure						
Groups of activity						
Strategic Planning		5,172	5,180	6,850	5,172	6,850
Land Drainage & River Control		5,821	5,927	5,655	5,821	5,655
Regional Resources		8,129	8,919	7,703	8,129	7,703
Regulation		3,573	3,000	3,634	3,551	3,607
Biosecurity		3,621	3,483	3,334	3,621	3,334
Hazard Management		1,393	1,221	1,192	1,393	1,192
Transport		3,657	3,836	3,428	3,657	3,428
Governance & Community Engagement		3,658	5,913	3,078	3,658	3,078
Total groups of activity expenditure		35,024	37,479	34,874	35,002	34,847
Less internal expenditure		(650)	(1,401)	(1,402)	(650)	(1,402)
Total groups of activity expenditure		34,374	36,078	33,472	34,352	33,445
Other activities						
Regional income collection		725	1,103	507	725	507
Port of Napier Ltd operations					37,732	33,387
Total other activities expenditure		725	1,103	507	38,457	33,894
Less finance costs		(544)	(1,095)	(457)	(4,175)	(1,896)
Less depreciation and amortisation expense		(1,779)	(1,942)	(1,697)	(7,390)	(6,685)
Total activity expenditure		32,776	34,144	31,825	61,244	58,758

Note 4: Rates Revenue

		Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000	\$000
General funding rates						
Uniform annual general charge		2,193	2,206	2,460	2,193	2,460
General rate on land value		1,071	1,055	1,244	1,071	1,244
Total general funding rates		3,264	3,261	3,704	3,264	3,704
Targeted rates		10,319	10,241	9,576	10,319	9,576
Total rates revenue	4(a)	13,583	13,502	13,280	13,583	13,280
Note 4(a)						
Under Council's rates remission policy for multiple ownership land, 76 rates remissions were approved, totalling \$51,198 (2009/10 67 remissions totalling \$13,612)						

Note 5: Other Revenue

		Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000	\$000
Other revenue						
Dividend income		7,108	5,650	5,531	22	0
Rental income from investment property	5(a)	3,206	3,456	3,076	3,308	3,192
Interest income		2,195	1,549	2,291	2,195	2,263
Grants	5(b)	3,641	2,599	3,159	3,641	3,159
Gain / (Loss) on disposal of assets - net		129	0	(143)	129	(193)
Subvention payments		167	0	113	0	0
Miscellaneous income		208	210	50	208	50
Total other revenue		16,654	13,464	14,077	9,503	8,471
Note 5(a)						
Under the Hawke's Bay Endowment Land Empowering Act 2002, income from leasehold endowment land can only be used for the improvement, protection, management or use of Napier Harbour or the Regional Council's coastal marine area as defined in section 2(1) of the Resource Management Act 1991. Unspent income is held in the Coastal Marine Area Reserve Fund.						
Note 5(b)						
Government grants are received from the New Zealand Transport Agency for bus services and road safety projects, New Zealand Trade and Enterprise for regional development projects, Ministry of Justice for Iwi initiatives, and the Ministry of Agriculture and Fisheries for afforestation, environmental and water initiative projects. The grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled. There are no unfulfilled conditions and other contingencies attached to the grants recognised as other revenue.						

Note 6: Fair Value Gains & Losses Through the Income Statement

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000	\$000
Fair value gains						
Investment property gains	11	1,508	2,900	293	1,508	293
Financial asset gains	13	0	0	0	0	165
Forestry asset gains	14	485	0	353	485	353
Derivative instrument gains	16	0	0	0	0	0
Foreign currency gains		0	0	0	0	0
Total fair value gains		1,993	2,900	646	1,993	811
Fair value losses						
Investment property losses	11	21	0	1,418	460	1,574
Financial asset losses	13	0	0	0	185	0
Forestry asset losses	14	366	0	276	366	276
Derivative instrument losses	16	75	0	0	75	0
Foreign currency losses		0	0	0	0	0
Asset impairment losses	9 & 10	0	0	875	0	875
Total fair value losses		462	0	2,569	1,086	2,725
Note:						
Fair value gains and losses on trading assets (listed above) are recorded in the Income Statement. In addition, when asset revaluation decrements are greater than the corresponding surplus in the Fair Value Reserve, the excess decrements are also recorded in the Income Statement as an asset impairment.						

Note 7: Expense Disclosures

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		10/11	10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000	\$000
General disclosures						
Depreciation (refer to Notes 9 & 10)		1,597	1,743	1,572	6,882	6,313
Amortisation (refer to Note 12)		182	223	125	508	372
Employee benefit expense		12,416	11,996	11,673	25,635	25,428
Donations		29	3	4	29	4
Operating lease expense		25	46	24	301	273
Capitalised borrowing costs		0	0	0	641	1,638
Key management compensation	7(a)					
[a] short-term employee benefits		759	729	748	1,595	1,401
[b] post-employment benefits		0	0	0	0	0
[c] other long-term benefits		9	10	9	9	9
[d] termination benefits		0	0	0	0	0
[e] share-based payment		0	0	0	0	0
		768	739	757	1,604	1,410
Fees paid to Council's auditors						
Financial statements audit fee		85	95	80	85	80
Long term council community plan audit fee		0	0	0	0	0
Assurance & related services fee		0	0	0	0	0
Tax services fee		0	0	0	0	0
Other services fee		0	0	0	0	0
Fees paid to Port's auditors						
Financial statements audit fee		0	0	0	78	113
Total fees paid to auditors		85	95	80	163	193
Note 7(a)						
Key management comprises Councillors and the Chief Executive for Council and Directors and Chief Executive for the Port.						

Note 8: Income Tax Expense

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000
Income tax expense					
Current tax		0	0	3,699	3,149
Deferred tax	21	0	0	(615)	3,191
Total income tax expense		0	0	3,084	6,340
The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the current corporate rate as follows:					
Surplus / (deficit) before tax		2,193	(1,788)	7,937	6,024
Tax at domestic rate of 30% (2010 30%)		658	(537)	2,381	1,807
Plus / (Less) tax effect of:					
Income not subject to tax		(8,289)	(8,057)	(8,289)	(8,057)
Expenses not deductible for tax purposes		10,071	10,685	9,475	12,362
Imputation credits		(3,037)	(2,370)	0	0
Utilisation of previously unrecognised tax losses		0	0	0	0
Group loss transfer		167	113	0	0
Prior period adjustment		0	0	3	72
Tax losses not recognised/Adjust tax rate changes		430	166	82	156
Tax on changes to building depreciation rates		0	0	(568)	0
Tax charge		0	0	3,084	6,340
The Council and Group have unrecognised income tax losses of \$1,434,870 (2009/10 \$554,983) with a tax effect of \$430,461 (2009/10 166,495) that are available to carry forward, subject to compliance with the Income Tax Act.					

Note 9: Property, Plant & Equipment

		Land	Buildings	Plant	Vehicles	Hydrology Equipment	Technical Equipment	Computer Equipment	Other Equipment & Furniture	Total
	Note	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COUNCIL										
At 1 July 2009										
Cost or valuation		4,120	7,707	2,525	1,351	1,421	1,053	1,242	937	20,356
Accumulated depreciation		0	(752)	(1,192)	(581)	(889)	(490)	(852)	(513)	(5,269)
Net book amount		4,120	6,955	1,333	770	532	563	390	424	15,087
Year ended 30 June 2010										
Opening net book amount		4,120	6,955	1,333	770	532	563	390	424	15,087
Revaluation surplus / (deficit)		(322)	794	0	0	100	0	0	0	572
Transfers		0	0	0	0	101	(101)	0	0	0
Additions		3,453	0	257	247	124	56	128	40	4,305
Disposals		0	(12)	(51)	(25)	0	0	0	(1)	(89)
Depreciation charges		0	(374)	(208)	(180)	(136)	(68)	(125)	(83)	(1,174)
Asset impairment losses		(875)	0	0	0	0	0	0	0	(875)
		6,376	7,363	1,331	812	721	450	393	380	17,826
At 30 June 2010										
Cost or valuation		6,376	7,363	2,601	1,467	721	980	832	812	21,152
Accumulated depreciation		0	0	(1,270)	(655)	0	(530)	(439)	(432)	(3,326)
Net book amount		6,376	7,363	1,331	812	721	450	393	380	17,826
Year ended 30 June 2011										
Opening net book amount		6,376	7,363	1,331	812	721	450	393	380	17,826
Revaluation surplus / (deficit)		0	0	0	0	0	0	0	0	0
Transfers		0	(3)	(342)	354	2	(1)	31	(41)	0
Additions		0	20	97	465	313	26	306	29	1,256
Disposals		0	0	(17)	(118)	0	0	(21)	(22)	(178)
Depreciation charges		0	(335)	(162)	(246)	(124)	(65)	(125)	(77)	(1,134)
Asset impairment losses		0	0	0	0	0	0	0	0	0
		6,376	7,045	907	1,267	912	410	584	269	17,770
At 30 June 2011										
Cost or valuation	9(a)	6,376	7,381	2,100	2,113	1,035	1,005	1,152	592	21,754
Accumulated depreciation		0	(336)	(1,193)	(846)	(123)	(595)	(568)	(323)	(3,984)
Net book amount		6,376	7,045	907	1,267	912	410	584	269	17,770
Note 9(a)										
Council land and buildings were valued at 30 June 2010 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Limited. The total fair value of property, plant and equipment valued by Telfer Young (Hawke's Bay) Ltd was \$10,577,100.										
Land used for forestry in the Lake Tutira Country Park and Tangoio Soil Conservation Reserve was valued at 30 June 2010 by Morice Limited, independent valuers. The total fair value of this land was \$1,083,000.										
Land used for carbon sequestration and wastewater disposal was purchased in 2010 and valued at 30 June 2010 by Morice Limited, independent valuers. The total fair value of this land was \$2,577,800.										
While ownership of the Tangoio Soil Conservation Reserve is not vested in the Council, full managerial and financial control was transferred to Council in 1989 under section 16 of the Soil conservation and Rivers Control Act 1941.										
Hydrological equipment was valued at 30 June 2010 on the basis of depreciated replacement value. This valuation was carried out by David Payne, an experienced hydrologist with independent consulting engineers, Opus International Consultants Limited.										

Note 9: Property, Plant & Equipment Continued

	Land	Site Improve- ments	Cargo & Admin. Buildings	Other Buildings	Tugs	Dredging	Wharves & Jetties	Vehicles, Plant & Equipment	Capital Work in Progress	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
PORT										
At 1 April 2009										
Cost or valuation	29,943	22,031	12,531	3,574	9,972	5,259	16,268	22,872	24,335	159,688
Accumulated depreciation	0	(9,448)	(2,848)	(1,286)	(903)	(2,625)	(4,305)	(11,505)	0	(36,535)
Net book amount	29,943	12,583	9,683	2,288	9,069	2,634	11,963	11,367	24,335	123,153
Year ended 31 March 2010										
Opening net book amount	29,943	12,583	9,683	2,288	9,069	2,634	11,963	11,367	24,335	123,153
Revaluation surplus / (deficit)	0	0	0	0	0	0	0	0	0	0
Additions	0	19,445	1,050	0	0	1,511	26,206	3,755	35,560	87,527
Disposals	0	0	0	(32)	0	0	(20)	(583)	(49,583)	(50,218)
Depreciation charges	0	(972)	(622)	(121)	(155)	(214)	(299)	(1,602)	0	(4,741)
	29,943	31,056	10,111	2,135	8,914	3,931	37,850	12,937	10,312	155,721
At 31 March 2010										
Cost or valuation	29,943	41,476	13,581	3,447	9,972	5,508	42,310	24,321	10,312	193,773
Accumulated depreciation	0	(10,420)	(3,470)	(1,312)	(1,058)	(1,577)	(4,460)	(11,384)	0	(38,052)
Net book amount	29,943	31,056	10,111	2,135	8,914	3,931	37,850	12,937	10,312	155,721
Year ended 31 March 2011										
Opening net book amount	29,943	31,056	10,111	2,135	8,914	3,931	37,850	12,937	10,312	155,721
Additions	0	214	49	90	0	0	50	1,021	9,932	11,356
Disposals	0	0	0	0	0	0	0	(11)	(1,424)	(1,435)
Depreciation charges	0	(1,104)	(594)	(119)	(155)	(306)	(555)	(1,695)	0	(5,285)
	29,943	30,166	9,566	2,106	8,759	3,625	37,345	12,252	18,820	160,357
At 31 March 2011										
Cost or valuation	29,943	41,682	13,630	3,537	9,972	4,952	42,360	24,142	18,820	202,941
Accumulated depreciation	0	(11,516)	(4,064)	(1,431)	(1,213)	(1,327)	(5,015)	(12,890)	0	(42,584)
Net book amount	29,943	30,166	9,566	2,106	8,759	3,625	37,345	11,252	18,820	160,357
GROUP TOTALS										
At 30 June 2010						At 30 June 2011				
Cost or valuation	214,925					Cost or valuation	224,695			
Accumulated depreciation	(41,378)					Accumulated depreciation	(46,568)			
Net book amount	173,547					Net book amount	178,127			

Note 10: Infrastructure Assets (Parent & Group)

	Note	Infrastructure Land \$000	Stopbanks \$000	Detention Dams \$000	Drainage Networks \$000	Pump Stations \$000	Culverts & Floodgates \$000	Bank & Edge Protection \$000	River & Sea Groynes \$000	Drainage Telemetry \$000	Sawfly Works \$000	Tutira Reserve \$000	River Dredging \$000	Wetland Reserve \$000	Pathway & Roadway \$000	Capital Work in Progress \$000	Total \$000
At 1 July 2009																	
Cost or valuation		8,993	45,186	1,482	27,151	4,118	6,883	15,328	1,345	120	9,758	715	0	0	426	981	122,486
Accumulated depreciation		0	0	(23)	0	(161)	(192)	0	0	(18)	0	0	0	0	(113)	0	(507)
Net book amount		8,993	45,186	1,459	27,151	3,957	6,691	15,328	1,345	102	9,758	715	0	0	313	981	121,979
Year ended 30 June 2010																	
Opening net book amount		8,993	45,186	1,459	27,151	3,957	6,691	15,328	1,345	102	9,758	715	0	0	313	981	121,979
Revaluation surplus (refer Note 18)		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Additions		462	558	0	32	49	253	268	56	0	138	43	759	458	0	2,372	5,448
Disposals		0	0	0	0	0	0	0	0	0	0	0	0	0	(313)	(3,076)	(3,389)
Depreciation charges		0	0	(23)	0	(163)	(193)	0	0	(19)	0	0	0	0	0	0	(398)
Asset impairment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		9,455	45,744	1,436	27,183	3,843	6,751	15,596	1,401	83	9,896	758	759	458	0	277	123,640
At 30 June 2010																	
Cost or valuation		9,455	45,744	1,482	27,183	4,167	7,136	15,596	1,401	120	9,896	758	759	458	0	277	124,432
Accumulated depreciation		0	0	(46)	0	(324)	(385)	0	0	(37)	0	0	0	0	0	0	(792)
Net book amount		9,455	45,744	1,436	27,183	3,843	6,751	15,596	1,401	83	9,896	758	759	458	0	277	123,640
Year ended 30 June 2011																	
Opening net book amount		9,455	45,744	1,436	27,183	3,843	6,751	15,596	1,401	83	9,896	758	759	458	0	277	123,640
Revaluation surplus (refer Note 18)	10(b)	(823)	4,236	126	2,330	966	706	1,265	(44)	5	523	(43)	0	(14)	0	0	9,233
Additions		358	203	0	614	0	81	119	200	0	0	42	0	124	0	340	2,081
Transfers		0	0	0	16	(16)	0	0	0	0	0	0	0	0	0	0	0
Disposals		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Depreciation charges		0	0	(23)	0	(160)	(196)	0	0	(19)	0	0	(63)	(2)	0	0	(463)
Asset Impairment		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
		8,990	50,183	1,539	30,143	4,633	7,342	16,980	1,557	69	10,419	757	696	566	0	617	134,491
At 30 June 2011																	
Cost or valuation	10(a)	8,990	50,183	1,539	30,143	4,633	7,342	16,980	1,557	69	10,419	757	759	568	0	617	134,556
Accumulated depreciation		0	0	0	0	0	0	0	0	0	0	0	(63)	(2)	0	0	(65)
Net book amount		8,990	50,183	1,539	30,143	4,633	7,342	16,980	1,557	69	10,419	757	696	566	0	617	134,491
Note 10(a)																	
Infrastructure assets were valued by suitably experienced Council employees at 30 June 2011 on the basis of depreciated replacement cost. Significant assumptions used in the methodology include:																	
- current prices were used for all input costs such as labour rates, plant hire rates, material costs, and contract works rates,																	
- where current prices were not available, the Capital Good Price Index, published by Statistics New Zealand was used,																	
- Heretaunga Plains land protected from flooding was valued at \$40,000 per hectare,																	
- Ruataniwha Plains land protected from flooding was valued at \$18,000 per hectare,																	
- floodable land that is grazed was valued at \$4,000 per hectare																	
- floodable land that is not grazed was valued at nil.																	
The depreciated replacement cost valuation methodology was reviewed by Gary Williams, an independent registered engineer, while the land values were assessed by G S Morice, a registered valuer with Morice Ltd.																	
Note 10(b)																	
The Tutira Reserve Assets were valued at 30 June 2009 by M H Morice, a registered valuer, of Morice Ltd on the basis of fair value. The total value of assets valued was \$715,000.																	

Note 11: Investment Property

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
At beginning of year		92,477	97,398	99,657	104,666
Additions		24	264	(415)	332
Fair value gains / (losses) (included in income statement)	11(a)	1,487	(1,125)	1,487	(1,281)
Disposals		(2,308)	(3,802)	(2,308)	(3,802)
Reclassified as Forestry Assets		0	(258)	0	(258)
Movement during the year		(797)	(4,921)	(1,236)	(5,009)
At end of year		91,680	92,477	98,421	99,657
Investment property includes:					
Endowment leasehold land	11(b)	79,800	80,300	85,591	86,500
Other leasehold land		11,080	11,400	11,637	11,995
Rental Property		800	777	1,193	1,162
		91,680	92,477	98,421	99,657

Note 11(a)

Wellington leasehold land was valued as portfolio at 30 June 2011 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer, of Telfer Young (Wellington) Ltd. The discount rate used was between 8.0% and 8.5%. The total fair value of the thirteen properties valued by Martin J Veale as an independent valuer was \$11,080,000.

Napier leasehold endowment land was valued as a portfolio at 30 June 2011 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Trevor W Kitchen, registered valuer, of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 7.75%. The total fair value of property valued by Trevor W Kitchen as an independent valuer was \$79,800,000.

Investment property in Napier was valued at 30 June 2011 to fair value on the basis of market value by W H Peterson, registered valuer, of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 7.75%. The total fair value of property valued by W H Peterson as an independent valuer was \$420,000.

Property at Tutira was valued at 30 June 2011 to fair value on the basis of market value by M H Morice, registered valuer, of Morice Ltd. The total fair value of property valued by M H Morice as an independent valuer was \$380,000.

At 30 September 2010 the Port's interest in investment properties was valued at \$6,741,000, resulting in a net decrease of \$439,000. This value was recorded based on a valuation undertaken by Frank Spencer, a registered valuer with Logan Stone Ltd, using the fair value basis under the highest and best use scenario. Frank Spencer is a member of the New Zealand Institute of Valuers.

The following amounts have been recognised in the comprehensive income statement.

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
Rental income	5	3,206	3,076	3,308	3,192
Direct operating expense arising from investment properties that generate rental income		(97)	(74)	(191)	(169)
		3,109	3,002	3,117	3,023

Note 11(b)

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

Note 12: Intangible Assets

		Computer	Development	Work-in	Council	Group
		Software	Expenditure	Progress	Total	Actual
	Note	\$000	\$000	\$000	\$000	\$000
At 1 July 2009						
Cost or valuation		1,186	0	0	1,186	4,035
Accumulated amortisation		(636)	0	0	(636)	(2,732)
Net book amount		550	0	0	550	1,303
Year ended 30 June 2010						
Opening net book amount		550	0	0	550	1,303
Adjustment to cost		0	0	0	0	0
Adjustment to amortisation		0	0	0	0	0
Additions		67	360	578	1,005	1,241
Disposals		(11)	0	0	(11)	(12)
Adjustment to amortisation		0	0	0	0	0
Amortisation charges		(125)	0	0	(125)	(371)
		481	360	578	1,419	2,161
At 30 June 2010						
Cost or valuation		1,236	360	578	2,174	5,242
Accumulated amortisation		(755)	0	0	(755)	(3,081)
Net book amount		481	360	578	1,419	2,161
Year ended 30 June 2011						
Opening net book amount		481	360	578	1,419	2,161
Transfers		578	0	(578)	0	0
Additions		120	1,174	303	1,597	1,941
Disposals		(22)	0	0	(22)	(22)
Amortisation charges		(182)	0	0	(182)	(508)
		975	1,534	303	2,812	3,572
At 30 June 2011						
Cost or valuation	12(a)	1,624	1,534	303	3,461	6,729
Accumulated amortisation		(649)	0	0	(649)	(3,157)
Net book amount		975	1,534	303	2,812	3,572
Note 12(a)						
In accordance with Note 2.9 assets, such as Development Expenditure, that have an indefinite life are tested for impairment at each balance sheet date. If the asset is considered to be impaired, it must be written down to its recoverable value immediately against income.						

Note 13: Financial Assets

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
Financial assets					
Available for sale financial assets	13(a)	158,749	160,907	38,209	40,367
Held to maturity financial assets	13(b)	1,368	622	1,368	622
Total	13(c)	160,117	161,529	39,577	40,989
Less current portion		(34,283)	(34,445)	(34,283)	(34,445)
Non-current portion		125,834	127,084	5,294	6,544
13(a) Available-for-sale financial assets					
At beginning of year		160,907	160,570	40,367	50,075
Additions		65	9,560	65	210
Revaluation surpluses / (deficits)		(15)	533	(15)	(162)
(Disposals)		(2,208)	(9,756)	(2,208)	(9,756)
At end of year		158,749	160,907	38,209	40,367
Less current portion		(34,225)	(34,344)	(34,225)	(34,344)
Non - current portion		124,524	126,563	3,984	6,023
Available-for-sale financial assets include:					
Shares in Port of Napier Ltd		120,540	120,540	0	0
Publicly listed shares		1,044	1,012	1,044	1,012
Government stock		3,434	3,350	3,434	3,350
Bank deposits with terms greater than 365 days		0	1,661	0	1,661
Bank deposits with terms greater than 91 days but less than equal to 365 days		33,731	34,344	33,731	34,344
		158,749	160,907	38,209	40,367
Council's shareholding in the Port of Napier Ltd was valued to fair value on 31 March 2009 by the Corporate Finance Division of Deloitte. Council's shareholding in the Port of Napier increased to 100% during the year ended 30 June 2010. The additional shares were revalued to fair value based on the 31 March 2009 valuation.					
The effective interest rate on government stock was 6.75% (2009/10 6.13%).					
This stock has an average maturity of 4 years (2009/10 4 years).					
The effective interest rate on bank deposits with terms greater than 91 days but less than 365 days was 4.38% (2009/10 4.59%). These deposits have an average maturity of 206 days (2009/10 125 days).					
13(b) Held-to-maturity financial assets					
At beginning of year		622	86	622	86
Additions		811	579	811	579
Maturities		(65)	(43)	(65)	(43)
At end of year		1,368	622	1,368	622
Less current portion		(58)	(101)	(58)	(101)
Non - current portion		1,310	521	1,310	521
Held-to-maturity financial assets include:					
Community loans	13(d)	0	43	0	43
Clean Heat Ratepayer loans	13(e)	1,368	579	1,368	579
		1,368	622	1,368	622
Note 13(c)					
There were no impairment provisions on investment financial assets in current or prior years.					
Note 13(d):					
The Council has lent to the Hastings District Council a total of \$215,000 to assist the District Council to establish a reticulated wastewater treatment scheme in Waipatiki. The loan is interest free and repayable in five equal amounts of \$43,000 per year commencing on 1 June 2007 with final repayment due on 1 June 2011.					
Note 13(e):					
The Council has provided loans to ratepayers for the installation of clean heat and insulation. The loans are repayable by a targeted rate over a 10 year period. Interest is charged on Insulation loans at 6.9% per annum and on Clean heat loans at 3.45% per annum.					

Note 14: Forestry Assets

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
At beginning of year	14(a)	1,820	1,091	1,820	1,091
Additions		706	394	706	394
Fair value gains (included in income statement)		485	353	485	353
Fair value (losses) (included in income statement)		(366)	(276)	(366)	(276)
Disposals		0	0	0	0
Reclassification from Investment Properties		0	258	0	258
Movement during the year		825	729	825	729
At end of year		2,645	1,820	2,645	1,820
Forestry assets include:					
Tangoio Soil Conservation Reserve Forestry Crop	14(b)	1,074	690	1,074	690
Lake Tutira Country Park Forestry Crop	14(b)	940	782	940	782
Waihapua Carbon Sequestration Forestry Crop	14(c)	225	130	225	130
Rural Waste Water Disposal Forestry Crops	14(d)	404	216	404	216
Joint Venture Forestry Rights	14(e)	2	2	2	2
		2,645	1,820	2,645	1,820

Note 14(a)

Council's forestry assets comprise a total of 362 hectares of pinus radiata forestry crops situated in the Lake Tutira Country Park (122 ha) and the Tangoio Soil Conservation Reserve (240 ha). During the period no forest crops were logged (2010/11 Nil ha).

Note 14(b)

Council's forestry assets were fair valued to \$2,014,000 at 30 June 2011 (2009/10 \$1,472,000) by M H Morice, a registered valuer, of Morice Ltd. The valuation assumed discount rates ranging from 7.0% to 8.0%.

In 1989, full managerial and financial control of the Tangoio Soil Conservation Reserve was transferred from central government to the Council under Section 16 of the Soil Conservation and Rivers Control Act 1941. However, the matter of who has rights to the logging income remains to be clarified. Council includes the value of the Reserve's forestry crop as it considers that its control of the Reserve entitles it to the income flow from the crop.

Note 14(c)

Council's carbon sequestration forestry assets consist of 140 hectares of eucalyptus plantings situated at Waihapua. These forestry assets were fair valued to \$225,000 by Morice Limited, independent valuers at 30 June 2011. The valuation assumed a discount rate of 8.5%.

Note 14(d)

Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 74 hectares at Pourere Road Waipawa, and 108 hectares at Mangatarata Road, Waipukurau. These forestry assets were fair valued to \$241,000 by M H Morice of Morice Limited, independent valuers at 30 June 2011. The valuation assumed a discount rate of 8.5%.

Council is preparing wastewater disposal forestry assets in Mahia. These assets, with a cost of \$163,000, were not valued this year as Council has not yet settled on the underlying land.

Note 14(e)

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

Note 14(f)

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

Note 15: Trade & Other Receivables

		Regional Council			Group	
		Actual	Actual		Actual	Actual
		10/11	09/10		10/11	09/10
	Note	\$000	\$000		\$000	\$000
Trade receivables	15(a)	4,278	3,707		11,722	11,155
Less: provision for impairment of receivables	15(b)	(241)	(328)		(241)	(328)
Trade receivables - net		4,037	3,379		11,481	10,827
Prepayments		228	193		460	441
Accrued income		1,314	1,050		1,314	1,050
Work-in-progress		504	239		504	239
Trade & other receivables	15(c)	6,083	4,861		13,759	12,557
Note 15(a)						
Trade receivables are non-interest bearing and are generally on 30 day terms.						
Note 15(b)						
Movements in the provision for impairment of receivables are as follows:						
At beginning of year		328	228		328	228
Additional provisions made during the year		5	114		5	114
Receivables written off during the year		(92)	(14)		(92)	(14)
		(87)	100		(87)	100
At end of year		241	328		241	328
Note 15(c)						
The carrying amount of trade and other receivables approximates their fair value.						
Note 15(d)						
The status of trade receivables at reporting dates is set out below:						
		Regional Council			Group	
		Gross	Impairment	Net	Gross	Impairment
		\$000	\$000	\$000	\$000	\$000
10/11						
Not past due		2,892	(36)	2,856	9,533	(36)
Past due 1 - 60 days		1,088	0	1,088	1,891	0
Past due 61 - 90 days		85	0	85	85	0
Past due > 90 days		213	(205)	8	213	(205)
		4,278	(241)	4,037	11,722	(241)
09/10						
Not past due		1,535	(104)	1,431	8,341	(104)
Past due 1 - 60 days		879	0	879	1,513	0
Past due 61 - 90 days		70	0	70	78	0
Past due > 90 days		1,223	(224)	999	1,223	(224)
		3,707	(328)	3,379	11,155	(328)

Note 16: Derivative Financial Instruments

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
<u>Assets</u>					
Interest rate swaps at fair value	16(a)	0	0	0	1,359
Forward exchange contracts at fair value		0	0	0	4
Total		0	0	0	1,363
Less Non-current portion:					
Interest rate swaps at fair value		0	0	0	1,359
Forward exchange contracts at fair value		0	0	0	0
		0	0	0	1,359
Current portion		0	0	0	4
<u>Liabilities</u>					
Interest rate swaps at fair value	16(a)	0	0	(1,899)	(2,013)
Forward exchange contracts at fair value		(75)	0	(112)	(47)
Total		(75)	0	(2,011)	(2,060)
Less Non-current portion:					
Interest rate swaps at fair value		(75)	0	(224)	(510)
Forward exchange contracts at fair value		0	0	0	0
		(75)	0	(224)	(510)
Current portion		0	0	(1,787)	(1,550)
<u>Note 16(a)</u>					
The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2011 were \$77,760,000 (2009/10 \$70,500,000). \$60,260,000 of these swaps were active at 30 June 2011. The remaining \$17,500,000 are forward starting, future dated swaps.					
At 30 June 2011, the various interest rates were in the range of 4.53% to 6.85% (2009/10 4.60% to 6.848%).					

Note 17: Cash & Cash Equivalents

	Note	Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
Cash at bank and in hand	17(a)	7,754	3,181	7,779	3,182
Short-term bank deposits	17(b)	5,867	6,650	5,867	6,650
		13,621	9,831	13,646	9,832
Note 17(a)					
Cash at bank earns interest at floating rates based on daily bank deposit rates.					
Note 17(b)					
Short term deposits are made for varying periods up to 91 days depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.					
The effective interest rate on short-term bank deposits was 3.87% (2009/10 3.94%). These deposits have an average maturity of 41 days (2009/10 39 days).					
Note 17(c) Reconciliation of Cash					
Cash, cash equivalents and bank overdrafts included the following for the purposes of the Cash Flow Statement					
Bank overdrafts		0	0	(2,357)	(1,912)
Cash and cash equivalents		13,621	9,831	13,621	9,832
		13,621	9,831	11,264	7,920
Note 17(d) Reconciliation of Surplus after Tax to Net Cash Flows from Operations					
Net Surplus on Operations		2,193	(1,788)	4,853	(316)
				4,853	(316)
Add (Less) Non-Cash Items:					
Fair value gains		(1,993)	(646)	(911)	(301)
Fair value losses		462	2,569	256	2,625
Depreciation		1,779	1,697	7,391	6,687
Forestry crop cost of goods sold		0	0	0	0
Non-current asset accrual				0	0
Deferred tax				(937)	3,020
Add (Less) Movement in Working Capital Items:					
(Increase)/decrease in inventories		24	(6)	114	143
(Increase)/decrease in trade & other receivables		(1,222)	52	(1,201)	(1,201)
(Decrease)/increase in trade & other payables		533	(1,520)	2,499	(3,616)
(Decrease)/Increase in employee entitlement liabilities		70	118	904	393
Add (Less) Items Classified as Investing or Financing Activities:					
Movement in non-current provisions		43	38	40	28
Net (Gain) / Loss on sale of non-current assets		19	143	(10)	454
Net Cash Inflow from Operating Activities		1,908	657	12,998	7,916

Note 18: Fair Value Reserves

		Parent						Parent	Group
		Land	Buildings	Hydrological	Infrastructure	Available-for-	Investment	Total	Total
				Assets	Assets	Sale Financial	Properties		
	Note	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COUNCIL Only									
At 1 July 2009	18(b)	1,882	84	75	57,412	91,665	255	151,373	60,892
Year ended 30 June 2010									
Reclassification transfer		0	0	0	0	0	0	0	0
Revaluation - gross		(322)	794	100	0	533	0	1,105	(842)
		(322)	794	100	0	533	0	1,105	(842)
At 30 June 2010		1,560	878	175	57,412	92,198	255	152,478	60,050
Year ended 30 June 2011									
Reclassification transfer		0	0	0	0	0	0	0	0
Revaluation - gross		0	0	0	9,234	(15)	0	9,219	8,417
		0	0	0	9,234	(15)	0	9,219	8,417
At 30 June 2011		1,560	878	175	66,646	92,183	255	161,697	68,467
Note 18(a):									
Revaluation increments and decrements on operating and financial assets (listed above) are recorded in the Statement of Changes in Equity. However, if revaluation decrements are greater than the corresponding surpluses in the Fair Value Reserve, the excess decrements are recorded in the Note 6, Fair Value Gains and Losses through the Income Statement, as an asset impairment.									
Note 18(b):									
The property at 77 Raffles Street, Napier, was transferred from property, plant & equipment as at 1st October 2006 after being leased to a third party. In accordance with NZ IAS 40, Investment Property, the property was revalued at the date of transfer and any associated fair value surpluses were reclassified as Investment Properties. The fair value surplus on the property will remain in fair value reserves until the property is derecognised.									

Note 19: Other Reserves (Parent & Group)

			Net Fair	Infra-structure	Wairoa		Port		
		Operating	Value	Asset	Rivers &	Special	Dividend	Coastal	Specific
	Note	Reserve	Gains	Renewal	Streams	Scheme	Equal-	Marine	Regional
		(1)	(1a)	(2)	(3)	(4)	isation	Area	Projects
		\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 1 July 2009		14,283	1,842	2,258	601	1,174	4,086	0	415
Net surplus		(1,788)							
Net fair value gains		1,923	(1,923)						
Interest income / (expense)		(549)				72			14
Rental income - net		(2,541)						2,541	
Depreciation transfers		(1,672)		398					
Trading gain / (loss)		(3,965)							
Transfers / (use of) reserves		8,203		(33)	18	971	(1,445)	(2,541)	4
Asset purchases - net		10,712							
		10,323	(1,923)	365	18	1,043	(1,445)	0	18
At 30 June 2010		24,606	(81)	2,623	619	2,217	2,641	0	433
Net surplus		2,193							
Net fair value gains / (losses)		(1,531)	1,531						
Interest income / (expense)		(528)			25	99			20
Rental income - net		(2,704)						2,704	
Depreciation transfer - gross		(1,739)		459					
Trading gain / (loss)		(2,129)							
Transfers / (use of) reserves		6,460		(562)	19	219	751	(2,704)	(408)
Asset purchases - net		1,622							
Borrowings - net		161							
		1,805	1,531	(103)	44	318	751	0	(388)
At 30 June 2011		26,411	1,450	2,520	663	2,535	3,392	0	45
<u>Nature and purpose of reserves</u>									
<i>[1] Operating reserve</i>									
A reserve established to fund the day to day cash flow and working capital requirements of Council.									
<i>[1a] Net fair value gains</i>									
Net fair value gains records the fair value (non-cash) component of the operating reserve.									
<i>[2] Infrastructure asset depreciation reserve</i>									
A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.									
<i>[3] Wairoa rivers & streams reserve</i>									
A reserve established to fund flood mitigation and recovery work within the Wairoa District.									
<i>[4] Special flood & drainage scheme reserves</i>									
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.									
<i>[5] Port dividend equalisation reserve</i>									
A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.									
<i>[6] Coastal marine area reserve</i>									
A reserve established to meet the statutory requirements on the use of rental income earned on Council's endowment leasehold land.									
<i>[7] Specific regional projects reserve</i>									
A reserve established to meet the statutory requirements on the use of 50% of rental income on Council's endowment leasehold land received prior to 1st July 2003.									

Note 19: Other Reserves (Parent & Group) continued

	Note	Asset Replace- ment (8) \$000	Regional Disaster Damage (9) \$000	Scheme Disaster Damage (10) \$000	Clive River Dredging (11) \$000	Tangoio Reserve Fund (12) \$000	Sale of Land Invmt (13) \$000	Sale of Land Non- Invmt (14) \$000	Rabbit Re- serve (15) \$000	Total \$000
At 1 July 2009		1,083	3,230	1,892	409	3,308	31,206	2,278	77	68,142
Net surplus										(1,788)
Net fair value gains										0
Interest income / (expense)		51		81	17	189		121	4	0
Rental income - net										0
Depreciation transfers		1,274								0
Trading gain / (loss)			30				3,935			0
Transfers / (use of) reserves		159		55	(394)	(215)	(4,770)	(32)	20	0
Asset purchases - net		(1,362)					(9,350)			0
		122	30	136	(377)	(26)	(10,185)	89	24	(1,788)
At 30 June 2010		1,205	3,260	2,028	32	3,282	21,021	2,367	101	66,354
Net surplus										2,193
Net fair value gains / (losses)										0
Interest income / (expense)		67		126	3	183		0	5	0
Rental income - net										0
Depreciation transfer - gross		1,280								0
Trading gain / (loss)			65				2,064			0
Transfers / (use of) reserves				55	50	(231)	(3,153)	(511)	15	0
Asset purchases - net		(1,622)								0
Borrowings - net		(161)								0
		(436)	65	181	53	(48)	(1,089)	(511)	20	2,193
At 30 June 2011		769	3,325	2,209	85	3,234	19,932	1,856	121	68,547
Nature and purpose of reserves										
[8] Asset replacement reserve										
A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.										
[9] Regional disaster damage reserve										
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.										
[10] Scheme disaster damage reserve										
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.										
[11] Clive river dredging reserve										
A reserve established to meet the expenditure of dredging requirements on the Clive River.										
[12] Tangoio soil conservation reserve										
A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by Council on behalf of the Crown.										
[13] Sale of land investment reserve										
A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with Council's policy on "Evaluation of Investment Opportunities" approved on 30 April 2008.										
[14] Sale of land non-investment reserve										
A reserve established to hold transfers from the Sale of Land Investment Reserve to be invested in accordance with Council's policy on "Open Space Investment" approved on 25 June 2008 and Council's Investment Policy set out in the 2009/19 10 Year Plan.										
[15] Rabbit reserve										
A reserve established to fund costs expected to be incurred with growing rabbit populations.										
The reserve is limited to a maximum balance of \$100,000.										

Note 20: Borrowings

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000
Non-current					
Bank borrowings		9,871	6,362	67,671	65,462
Finance lease obligations		0	0	0	0
		9,871	6,362	67,671	65,462
Current					
Bank overdrafts		0	0	2,382	1,912
Bank borrowings		1,481	1,331	1,481	1,331
Finance lease obligations		0	0	0	0
		1,481	1,331	3,863	3,243
Total borrowings		11,352	7,693	71,534	68,705
20(a): Security					
Council bank loans are secured over the rating base and the assets of the Council. At year-end Sinking Fund investments held against rate payer loans amounted to \$Nil (2009/10 \$Nil).					
The Port operates two multi-option credit facilities with Westpac Banking Corporation secured by a negative pledge. The facility has been extended until 1 October 2012.					
20(b) Maturity analysis of borrowings					
The exposure of the Group's borrowings to interest-rate changes and the contractual repricing dates or maturity dates at the balance sheet date are as follows:					
		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
6 months or less		0	0	60,182	1,912
Between 6 and 12 months		14	360	14	360
Between 1 and 2 years		0	29	0	59,129
Between 2 and 5 years		3,108	110	3,108	110
Over 5 years		8,230	7,194	8,230	7,194
		11,352	7,693	71,534	68,705
20(c) Effective interest rates					
The effective interest rates at the balance sheet date were as follows:					
		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		%	%	%	%
Effective interest rate ranges		6.46 - 8.49	7.02-8.49	6.85 - 3.50	6.85 - 3.125
20(d) Fair values					
The carrying amount for the fair value of non-current borrowings is as follows:					
		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
Bank borrowings		10,054	6,487	67,854	65,587
		10,054	6,487	67,854	65,587
The fair values as based on cash flows discounted using a rate based on the borrowing rate of 6.50% (2009/10 7.02%).					
The carrying amount of borrowings repayable within one year approximate their fair value.					
20(e) Undrawn facilities					
The Group has the following undrawn borrowing facilities:					
		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
Bank overdraft		0	0	1,000	774
Bank borrowings		0	0	22,200	20,900
		0	0	23,200	21,674

Note 21: Deferred Income Tax (Group)

		Property, Plant & Equipment	Derivatives	Other	Total
	Note	\$000	\$000	\$000	\$000
Balance at 1 July 2009		(4,530)	(304)	403	(4,431)
Charged to income re current year		(1,456)	341	136	(979)
Adjustment to income for changes to building depreciation	21(a)	(2,562)	0	0	(2,562)
Adjustment to income for tax rate reduction	21(b)	399	(13)	(36)	350
Charged to income		(3,619)	328	100	(3,191)
Charges to equity		0	172	0	172
Balance at 30 June 2010		(8,149)	196	503	(7,450)
Charged to income re current year		(673)	0	370	(303)
Adjustment to income for changes to building depreciation	21(a)	918	0	0	918
Charged to income		245	0	370	615
Charges to equity		0	320	0	320
Balance at 30 June 2011		(7,904)	516	873	(6,515)
Note 21(a)					
On 20 May 2010 the government announced that it was removing the depreciation deduction on buildings therefore, NZ IAS 12 requires a deferred tax liability to be recognised at the next reporting date, based on the difference between the carrying amount of the asset and its tax base. The deferred tax liability was estimated to be 28% of \$10.7million or \$3.0 million, of which \$435,000 was recognised in 2009/10, leaving a balance of \$2,562,000 which was expected to be charged to the Income Statement in September 2010. The actual amount charged in September 2010 was 28% of \$5.871 million or \$1.644 million, hence the adjustment in 2010/11.					
Note 21(b)					
Also on 20 May 2010 the government announced that the company tax rate will decrease from 30% to the 2011/12 income year. This was expected effect of reducing the present deferred tax liability by \$350,000, which will reduce the tax expense in the Income Statement in September 2010, however, the actual effect at that time was \$320,000.					

Note 22: Employee Benefit Liabilities

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000
Annual leave		871	796	2,675	2,440
Long service leave		239	229	509	480
Retirement gratuities		519	518	535	556
Sick leave		96	69	96	69
Other short term benefits		0	0	780	106
Total employee benefit liabilities	22(a)	1,725	1,612	4,595	3,651
Disclosed as:					
Non-current		807	764	1,093	1,053
Current		918	848	3,502	2,598
		1,725	1,612	4,595	3,651
22(a) Movement in employee benefit liability					
		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
		\$000	\$000	\$000	\$000
At beginning of year		1,612	1,456	3,651	3,123
Additional provisions		1,193	1,172	4,429	3,747
Unused amounts reversed		(55)	(24)	(55)	(24)
Used during the year		(1,025)	(992)	(3,430)	(3,195)
Movement during the year		113	156	944	528
At end of year		1,725	1,612	4,595	3,651

Note 23: Trade & Other Payables

		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000
Trade payables		5,018	3,188	7,095	5,005
Accrued expenses		1,362	1,715	4,629	3,479
Deposits & advances		541	1,486	541	1,486
		6,921	6,389	12,265	9,970
Trade payables are non-interest bearing and are generally on 30 day terms.					
The carrying amount of trade and other payables approximates their fair value.					

Note 24: Related-Party Disclosures (Group)

		Actual 10/11 \$000	Actual 09/10 \$000
	Note		
24(a) The following transactions were carried out with subsidiaries:			
(i) Sales of services			
By parent		9	15
By subsidiary		22	27
		31	42
(ii) Purchases of services			
By parent		22	27
By subsidiary		9	15
		31	42
(iii) Subvention payments			
Received by parent		167	113
Paid by subsidiary		167	113
		334	226
(iv) Dividends (net)			
Received by parent		7,086	5,531
Paid by subsidiary		7,086	5,531
		14,172	11,062
24(b) Transactions with key management personnel			
During the year Councillors and key management personnel, as a part of normal customer relationship, were involved in minor transactions with Group (such as payment of rates, purchases of small amounts of goods and services).			
24(c) Year-end balances arising from sales/purchases of goods and services			
Receivables from related parties			
Parent		10	1
Subsidiary		3	0
		13	1
Payables to related parties			
Parent		3	0
Subsidiary		10	1
		13	1
24(d) Terms and conditions of transactions with related parties			
Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms.			
Outstanding balances at year end are unsecured and settlement occurs in cash.			
There have been no guarantees provided or received for any related party receivables.			
At year end, there is no impairment relating to amounts owed by related parties (2009/10 \$nil).			

Note 25: Commitments & Contingencies

25(a) Capital commitments					
Capital expenditure contracted for at balance sheet date but not yet incurred is as follows:					
		Regional Council		Group	
		Actual	Actual	Actual	Actual
		10/11	09/10	10/11	09/10
	Note	\$000	\$000	\$000	\$000
Property, plant & equipment		425	425	2,508	3,326
Intangible assets		0	0	0	0
Financial Assets - (Clean Heat Loans)		273	760	273	760
Investment property		0	0	0	0
		698	1,185	2,781	4,086
Council has entered into a contract to purchase land intended for waste water disposal purposes in Wairoa.					
Council has agreed to fund clean heat and insulation loans to ratepayers which are to be repaid by a targeted rate over ten years. At balance date the value of approved applications that had been accepted by the client, but the work was incomplete was \$273,000.					
25(b) Operating lease commitments					
The Group has entered into commercial leases for certain offices, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms and conditions.					
Future aggregate minimum lease payments under non-cancellable operating leases are as follows:					
Not later than one year		30	0	126	150
Later than one year but not later than five years		47	0	209	75
Later than five years		0	0	0	43
		77	0	335	268
25(c) Contingencies					
<i>In respect of the Council only:</i>					
As stated in Note 14, entitlement to Tangoio Soil Conservation Reserve Funds remains undecided. Council has included this income in the Income Statement and in Equity pending clarification of this issue. If the Crown is entitled to these funds, then the sum due at 30 June 2011 is \$3,234,202 (2009/10 \$3,282,048).					
Council provided \$320,000 in the 2009/10 financial year in respect of the New Zealand Mutual Liability Riskpool calls to cover the costs of leaky buildings claims for the five years to 30 June 2009. Riskpool did not cover leaky buildings from 1 July 2009. This provision was based on the best information from the Board of Riskpool, but may not be sufficient to cover all claims eventually settled. During the 2010/11 financial year Council paid a call of \$138,634 leaving a balance in the provision of \$181,366 at balance date.					
<i>In respect of the Port only:</i>					
This year and last year the Port recorded no contingent liabilities or assets.					

Note 26: Local Government Act 2002 Disclosures**26(a) Remuneration of Chairman and Elected Members of Council**

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

					Length of Elected Term	Number of Council / Committee Meetings Attended 10/11
Current Elected Members	Appointments from the October 2010 Election					
Fenton Wilson	Chair				Full Year	32 out of 34
Ewan McGregor	Deputy Chair				Full Year	34 out of 39
Alan Dick	Chair Regional Land Transport Committee				Full Year	43 out of 44
Christine Scott	Chair of Hearings Committee				Full Year	38 out of 38
Kevin Rose	Chair Asset Management & Biosecurity Committee				Full Year	37 out of 38
Eileen von Dadelszen	Chair Environmental Management Committee				Full Year	37 out of 38
Neil Kirton	Elected Member				Full Year	30 out of 36
Liz Remmerswaal	Elected Member				Full Year	38 out of 39
Tim Gilbertson	Elected Member				Full Year	41 out of 44

	Salary	Meeting Fees	Hearing Fees	Councillor Allowances	Total Remuneration
	10/11	10/11	10/11	10/11	10/11
Current Elected Members	\$	\$	\$	\$	\$
Fenton Wilson	85,060	Ineligible	Ineligible	2,827	87,887
Ewan McGregor	47,620		5,746	2,574	55,941
Alan Dick	65,886			1,466	67,352
Christine Scott	49,088		7,650	1,032	57,769
Kevin Rose	49,088			2,469	51,557
Eileen von Dadelszen	49,088		374	2,174	51,635
Neil Kirton	45,896			1,076	46,972
Liz Remmerswaal	44,590			1,738	46,328
Tim Gilbertson	44,590			2,916	47,506
	480,906	0	13,770	18,272	512,948

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

	Salary	Meeting Fees	Hearing Fees	Councillor Allowances	Total Remuneration
	09/10	09/10	09/10	09/10	09/10
	\$	\$	\$	\$	\$
Alan Dick (Chair)	105,646	Ineligible	Ineligible	1,369	107,014
Christine Scott (Deputy Chair)	47,800	230	3,783	1,784	53,596
Kevin Rose (Committee Chair)	47,800			4,041	51,841
Eileen von Dadelszen (Committee Chair)	47,800		4,229	3,733	55,763
Neil Kirton (Committee Chair)	47,800			1,790	49,590
Ewan McGregor (Elected Member)	43,300	230	3,026	3,780	50,336
Liz Remmerswaal (Elected Member)	43,300	230	1,462	3,422	48,414
Tim Gilbertson (Elected Member)	43,300			3,805	47,105
Fenton Wilson (Elected Member)	43,300			10,182	53,482
	470,047	690	12,499	33,905	517,141

26(b) Remuneration of Chief Executive

The Chief Executive of the Hawke's Bay Regional Council receives a salary of \$232,981 per annum (2009/10; \$220,480).

For the year ended 30 June 2011, the value of the total remuneration package received (including the value of non-financial benefits) was \$255,341 (2009/10; \$240,500).

26(c) Severance Payments

During the year five severance payments were made during the year to council employees. (2009/10; Nil)

	\$
	35,476
	50,000
	17,000
	18,436
	13,799
	134,711

Note 27: Major Budget Variances (Parent)

The council published prospective financial information in relation to the 2010/11 year in its 2010/11 Annual Plan.
Explanations for the major variances from the forecast figures published in the Annual Plan are set out below.
27 (i) Comprehensive Income Statement
Revenue from Council activities is \$1.5 million or 22% less than budgeted due to:
- income from the Healthy Homes initiatives programme is \$0.8 million less than budget due to lower conversions and hence lower set up fees and interest on repayments of Heat Smart loans.
- \$0.4 million of income from proposed investment company support did not eventuate as the investment company did not proceed as planned.
Dividend income is \$1.5 million or 25% better than budget due to an improved result by the Port of Napier Limited.
Interest income is \$0.65 million or 42% better than budget due to achieving an average interest rate of 4.84% against a budgeted rate of 4.0% on greater than budgeted deposits (on average approximately \$5 million more than budgeted).
Grants income is \$1.0 million or 40% better than budget because council received funding for projects not budgeted for. Additional funding was received for economic development (\$0.3 million), passenger transport initiatives (\$0.2 million), and sustainable farming initiatives (\$0.4 million).
Fair value gains on Investment property and Forestry crops are \$0.9 million or 31% below budget mainly due to a forecast increase in the fair value of leasehold land was below budget expectations due to slower growth in the property market in Napier leasehold land.
Operating expenditure is \$1.6 million or 4.00% lower than budget. The major components are lower finance costs (\$0.5 million) due to lower borrowings and better borrowing rates; lower expenditure on groups of activities (\$1.4 million) due to fewer grants in the targeted assistance programme and less work being carried out in Regional Infrastructure activities.
Other comprehensive income is \$9.9 million less than budget due to lower than forecast increase in the costs of constructing river control assets incorporated into the revaluation of these assets this year end.
27 (ii) Operating Surplus / (Deficit) & Statement of Changes in Equity
The operating surplus / (Deficit) (total recognised revenue and expenses) is \$7.5 million less than budget. The major causes for this are set-out above.
27 (iii) Balance Sheet
Equity is \$409 million which is \$12.2 million less than budget.
Property, plant and equipment is \$2.3 million or 15% above budget mainly due to the classification of land for carbon sequestration, and wastewater disposal initiatives (\$2.6 million).
Infrastructure assets are \$14.4 million less than budget due mainly to a lower construction costs incorporated into the revaluation of river control assets.
Investment property is \$14.8 million (14%) less than budget. The budget was based on 2008/09 opening data and did not account for sales in the past two years of \$6.1 million and also assumed the portfolio would increase in value by \$5.0 million, where as revaluations have largely off-set each other in the same period. The budget also assumed that \$4.0 million wastewater and carbon sequestration investment would be classified as investment property where as these investments are now classified as fixed assets and forestry crops.
Intangible assets are \$1.7 million (159%) more than budget due to the capitalisation of the Ruataniwha water development project (\$1.5 million) and additional costs incurred in the development of the council's new financial system (\$0.6 million).
Forestry assets are \$1.3 million (100%) more than budget mainly due to the addition of forestry development on carbon sequestration and wastewater disposal properties.
Current and Non-current borrowings taken together are \$10.0 million under budget because loan funding of \$5.9 million for the Clean Heat programme, and loan funding budgeted for the purchase of land for Regional Park Reserves (\$2.7 million) was not needed in the 2010/11 year.

Employee benefit liabilities are \$0.3 million or 18% over budget due to an increase in the number of staff employed and an increase in annual leave owing at balance date.
Trade and other payables are \$1.0 million or 13% less than budgeted mainly due to Council refunding \$1.3 million of afforestation grants at year end that had not yet been distributed as planned.
27 (iv) Cash flow statement
Net cash inflows from operating activities are \$3.1 million greater than budget mainly due to grants and dividend income being \$2.6 million above budget. Receipts from customers and payment to suppliers were both \$2.1 million below budget and off-set each other.
Net cash outflows from investing activities are \$6.9 million (79%) below budget. An explanation for this is set out below.
- Disposal of investment property was \$1.5 million (195%) more than budget due to higher than forecast leasehold land sales.
- Disposal of financial assets is \$2.4 million more than budget to fund Council investments.
- Purchase of property, plant and equipment is \$0.5 million (30%) under budget due mainly to \$0.34 million of improvements to the Operations Group facilities not progressing in \$2010/11 as planned.
- Purchase of infrastructure assets are \$2.5 million (55%) under budget because work on open spaces projects did not progress as forecast and no opportunities for open spaces land purchases arose this year.
- Purchase of intangible assets is \$1.2 million over budget due to capitalising the costs of the Ruataniwha water initiative.
- Forestry investment is \$0.6 million (474%) over budget because of the costs of developing forestry on land purchased for carbon sequestration and wastewater disposal initiatives.
- Purchase of Investment property is \$1.8 million under budget because carbon sequestration and wastewater disposal properties were classified as property, plant and equipment, but budgeted for as Investment property.
Net cash inflows from financing activities was \$6.0 million (62%) lower than budget because planned borrowing for Clean Heat and Regional Park Reserves programmes was not required in 2010/11.
27 (v) Significant asset acquisitions or replacements
There were no significant asset acquisitions or replacements in 2010/11.

Note 28: Financial Risk Management

Introduction				
The Group's principal financial instruments comprise bank loans, government stock, shares in listed companies and the Port of Napier Ltd, cash and bank term investments. The main purposes of these financial instruments are to raise finance for the Group's operations and to generate income.				
The Group also enters into derivatives, consisting principally of interest rate swaps and forward currency contracts. The purpose is to manage interest rate and currency risks arising from the Group's operations and its sources of finance.				
The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.				
Other than government stock and shares in listed companies, the Group does not trade in financial instruments.				
Market Risk				
Price Risk				
Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity and securities price risk on its investments, which are classified as available for sale and held to maturity financial assets. The Group manages price risk by diversification of its investment portfolio in accordance with limits set out in its investment policy.				
The Group holds shares in companies listed on various world stock exchanges. If these exchanges at 30 June 2011 had fluctuated by plus or minus 0.5% and the value of the shareholdings had moved proportionately the effect would have been to increase or decrease the fair value through equity reserve by \$5,220 (2009/10 \$5,060).				
Currency Risk				
Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time the Group enters into transactions denominated in foreign currencies and uses forward and spot foreign exchange contracts to manage its exposures to currency fluctuations.				
If the currencies in which the Group has contract exposures at 30 June 2011 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease profit or loss by \$185 (2009/10 \$215).				
Interest Rate Risk				
The interest rates on the Group's investments are show at Note 13 and on borrowings at Note 20.				
Fair Value Interest Rate Risk				
Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. Borrowing and investing at fixed rates exposes the Group to fair value interest rate risk. The Group does not hedge against this risk.				
If interest rates on borrowings at 30 June 2011 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the fair value through equity reserves by \$183,000 (2009/10 \$125,000).				
If interest rates on government and local body stock at 30 June 2011 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the fair value through equity reserves by \$14,700 (2009/10 \$16,750).				
Cash Flow Interest Rate Risk				
Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes to market interest rates. Borrowing at variable interest rates exposes the Group to cash flow interest rate risk.				
The Group manages its cash flow interest rate risk on borrowings by using interest rate caps and floating to fixed interest rate swaps.				
If interest rates on borrowings at 30 June 2011 had fluctuated by plus or minus 0.5%, the effect would have been to increase or decrease the surplus after tax by \$515,250 (2009/10 \$920,900) as a result of higher or lower interest expense on variable rate borrowings.				
Credit Risk				
Credit risk is the risk that a third party will default on its obligation to the Group, causing it to incur a loss. The Group has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Under the Local Government (Rating) Act 2002, the Council has powers to recover outstanding debts from ratepayers. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers.				

The Group invests funds only with registered banks, government stock and its investment policy limits the amount of credit exposure to any one institution or organisation.				
Investments in other local authorities are secured by charges over rates. The Group only invests in other entities with a minimum credit rating from Standard & Poors (or other credit agency of similar reputation) of A1 for short term debt (up to twelve months) or A+ for term debt (more than twelve months).				
<u>Maximum Exposure to Credit Risk</u>	Regional Council		Group	
	Actual	Actual	Actual	Actual
	10/11	09/10	10/11	09/10
	\$000	\$000	\$000	\$000
Cash and cash equivalents	13,621	9,831	13,646	9,832
Bank deposits with terms greater than 91 days	33,731	36,005	33,731	36,005
Shares in Port of Napier Ltd	120,540	120,540	0	0
Publicly listed shares	1,044	1,012	1,044	1,012
Government stock	3,434	3,350	3,434	3,350
Community loans	1,368	622	1,368	622
Trade & other receivables	6,083	4,861	13,759	12,557
Derivative financial instruments	0	0	0	1,363
	179,821	176,221	66,982	64,741

Item 9

Attachment 2

Note 28 (b): Capital Management

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

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

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

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans, and the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's most recent LTP (2009/2019 Ten Year Plan).

HBRC has the following Council-created reserves:

- reserves for different areas of benefit, and
- self-insurance reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate of levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by Council.

Note 29: Events After Balance Sheet Date (Parent & Group)

There were no significant events after balance date.

Information

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

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

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

Legislative framework

The functions, duties and powers of the Hawke's Bay Regional Council are primarily contained within the following Acts:

- Biosecurity Act 1993
- Building Act 2004
- Civil Defence Emergency Management Act 2002
- Hawke's Bay Endowment Land Empowering Act 2002
- Land Drainage Act 1908
- Local Electoral Act 2001
- Local Government Act 2002
- Local Government Official Information Meetings Act 1987
- Local Government (Rating) Act 2002
- Maritime Transport Act 1994
- Resource Management Act 1991
- Soil Conservation and Rivers Control Act 1941
- Land Transport Management Act 2003 and Land Transport Management Amendment Act 2008
- Transport Services Licensing Act 1989

In addition to legislation, Council also has authority under "The Hawke's Bay Regional Council Bylaw 1990" and "The Hawke's Bay Regional Navigation & Safety Bylaws 2007". Copies of these Bylaws are available at Council offices.

Plans we use

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

- A 10 Year Plan 2009-19, prepared under Section 93 of the Act (Adopted June 2009);
- The Annual Report for the financial year ending 30 June 2011 is prepared under Section 98 of the Act.

The reporting will also include 'a summary of information' contained in the Annual Report for both the Annual Report and the 10 Year Plan.

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

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

The following resource management plans, prepared by the Council have legal status:

- Regional Resource Management Plan (incorporating the Regional Policy Statement) (*operative 28 August 2006*);
- Regional Coastal Plan (*operative June 1999*);
- Proposed Regional Coastal Environment Plan (*publicly notified August 2006*) and amended by Council decisions July 2008.
- The Resource Management Act also requires the Council to monitor the state of the environment, so State of the Environment (SoE) Update Reports are produced annually. The latest full SoE report was completed in 2009/10.

- The Biosecurity Act 1993 allows the Council to undertake biosecurity functions provided they have developed a Pest Management Strategy. The Regional Pest Management Strategy has been developed in accordance with the Biosecurity Act 1993 and sets out Council's goals and objectives with regard to its biosecurity functions. The current Regional Pest Management Strategy was adopted by the Council in December 2006 and must be reviewed again by December 2011.
- A revised Regional Land Transport Strategy and Regional Passenger Transport Plan was adopted by the Council in 2008. These need to be revised in the next two years as a requirement of the Land Transport Amendment Act 2008.
-

About Hawke's Bay

Population	The 2009 Hawke's Bay population estimate of 153,400 represents 3.5% of the national total. At the time of the 2006 Census, the broad ethnic profile of the regional population was European 69%, Maori 24% and remaining ethnicities 7%.
Economy	The Hawke's Bay economy presently accounts for approximately 3.3% of New Zealand GDP. The primary production and manufacturing sectors together generate approximately 42% of the region's economic output. Within the primary industry sector key production activities are pastoral farming/fruit/horticulture and forestry/logging. Within the manufacturing sector, food and beverage processing is a particularly significant contributor to the regional economy. With its natural resources, Hawke's Bay is well placed to capitalise on the growing world demand for high quality food, especially from the rapidly expanding middle class in China and the rest of Asia. However, the region's agricultural and related primary processing industries are susceptible to adverse climatic conditions. For example, the severe drought of 2007/08 is forecast to inhibit growth until 2011.
Labour market	Approximately 75,500 people were employed in Hawke's Bay during the June 2009 quarter which accounted for 3.5% of national employment. The unemployment rate in Hawke's Bay measured 7.4% in the June 2009 quarter, up from 5.7% twelve months previous. The retail trade sector was the largest employer in Hawke's Bay in the year to June 2009, accounting for 13.7% of the region's employment. Manufacturing was the second largest (13.1%) followed by Agriculture, Forestry and Fishing (13.1%).
Community	The overall economic standard of living in the region has improved by an estimated 20% over the last five years. However, the proportion of the regional population on low incomes, whilst having fallen steadily since the mid 1990s, is still significantly higher than at the national level. More than a third of the population at the time of the 2006 Census fell into socio-economic deprivation categories. The proportion of school leavers with higher educational qualifications increased significantly. The proportion of the working-age population with tertiary level qualifications rose from 18% in 2001 to 23% in 2006, while university level achievement rose from 6% to 9%. Maori upper secondary school and tertiary level educational attainment improved noticeably over the past five years.
Environmental priorities	In a 2008 research survey, Hawke's Bay people said their top environmental concerns were waste management, water pollution, pollution and water. When it came to water specifically, participants indicated that the pollution of rivers/streams, wastefulness and the shortage of water were their main concerns.
Natural resources	<p>River catchments (24) comprising seven major rivers - <i>Wairoa, Mohaka, Esk, Tutaekuri, Ngauroro, Tukituki, Waipawa</i></p> <p>Major lakes <i>Waikareiti, Waikaremoana, Tutira</i></p> <p>Significant wetlands <i>Whakaki, Ahuriri Estuary, Waitangi Estuary, Porangahau Estuary, Pekapeka Swamp</i></p> <p>Major aquifer systems <i>Heretaunga Plains, Ruataniwha/ Takapau Plains</i></p> <p>Coastline <i>350km</i></p>



About Hawke's Bay Regional Council

Hawke's Bay Regional Council was established in 1989 following a reform of local government structures.

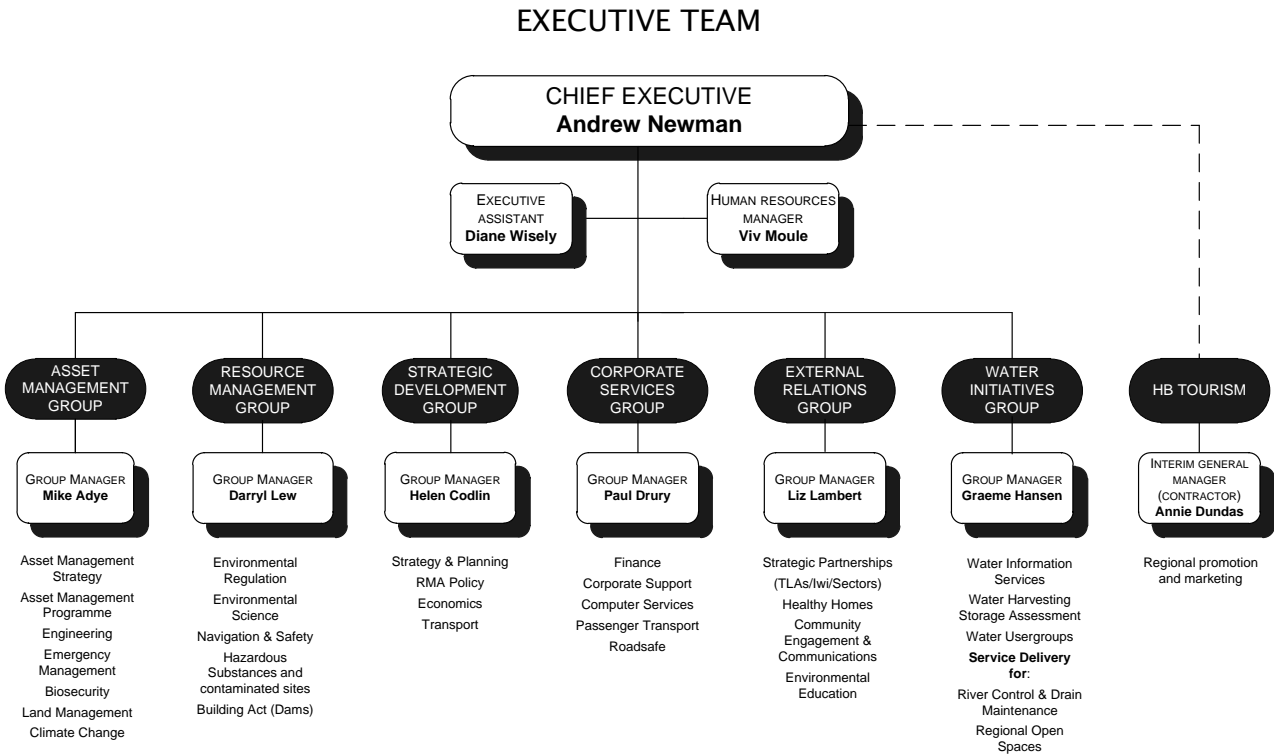
Our role is to

- Use education, information, plans and/or rules to manage the region's natural and physical resources.
- Provide, manage and maintain flood control and drainage schemes.
- Manage and control animal and plant pests.
- Plan and coordinate the region's transport needs, including road safety, subsidised public bus services and a total mobility scheme for people with disabilities.
- Plan for and manage navigation safety.
- Prepare and plan for managing the region in an emergency such as storm, flood, major earthquake or ashfall from a volcanic eruption.
- Plan for and meet the communities identified needs for social, economic, environmental and cultural well-being.
- Act as champion for regional economic development functions.
- Steward and owner of strategic regional assets including Port of Napier, Napier leasehold land, flood protection assets and other investments.

Council Statistics

Regional council employees	176 FTE	
Rateable properties	68,871	
Rateable hectares	1.4 million hectares (approx)	
Resource consents administered	Approx 7400	
Stopbanks	239km	
River control and bank protection works	420km	
Flood detention dams	11	
Rivers, streams and drains maintained	802km	
Drainage and flood control structures	256	
Data collection sites (surface and groundwater, rainfall, climate, air quality)	246	
Total area under PCA programmes	61 PCAs over 467,224 hectares	
Total area under TB control	41 contracts over 655,534 total programme hectares	
Vessels arriving in the Port of Napier	575	
Reserves	Tutira Country Park	463 ha
	Pakowhai	19.22 ha
	Waihapua	550 ha
Leasehold rights administered	River berm land	37
	Napier Leaseholders	1027
	Wellington leasehold properties	12

Management Structure



Office Directory**HAWKE'S BAY REGIONAL COUNCIL**

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Private Bag 6006, Napier 4142

Phone: 06 835 9200 (24 hours)

Fax: 06 835 3601 (24 hours)

Email: info@hbrc.govt.nz

Website: www.hbrc.govt.nz

Office Hours: Mon-Fri 8am-5pm

Tollfree: 0800 108 838

OPERATIONS GROUP OFFICE

280 Guppy Road, Taradale 4112

PO Box 7295, Taradale 4141

Phone: 06 845 9210

Fax: 06 845 9212

Office Hours: Mon-Fri 7.30am-4.30pm

Waipukurau Office

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PO Box 178, Waipukurau 4242

Phone: 06 858 8636

Fax: 06 858 8644

Waipukurau Depot

Takapau Road, Waipukurau 4200

PO Box 178, Waipukurau 4242

Phone: 06 858 8942

Fax: 06 858 8636

Wairoa Office

Freyberg Street, Wairoa 4108

PO Box 12, Wairoa 4160

Phone: 06 838 8527

Fax: 06 838 8527

**Emergency Contact & 24hr
Environmental Pollution Hotline**

Tollfree: 0800 108 838

Your Councillors

Council has nine representatives elected by the community through the local body elections every three years.

The rural constituencies of Wairoa and Central Hawke's Bay are represented by one member each and the urban constituencies of Hastings and Napier have four members and three members consecutively. Councillors elect the Chairman at the first Council meeting following a local body election. The last election was held on 9 October 2010. Council's Maori Committee Chairman, Mike Mohi was elected by the Maori Committee on 23 November 2010.

Councillors welcome your comments on Council activities both formally, through the Annual Plan submission process and informally through direct contact with them.



Wairoa
Fenton Wilson
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Hastings
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Hawke's Bay Regional Sport and Active Recreation Strategy

TERMS OF REFERENCE

Purpose

To develop a coherent and agreed framework to guide long term planning and decision making for the sport and active recreation sector in Hawke's Bay

Vision

To achieve a more healthy, active and vibrant Hawke's Bay community

Scope

All sport and active recreation that occurs in Hawke's Bay as influenced by Local Authorities, regional sport and active recreation organizations and their affiliates members, health agencies, the education sector, central government agencies, and Sport Hawke's Bay.

Definitions.

Sport: Institutionalized competitive activities that involve vigorous physical exertion or the use of relatively complex physical skills by individuals whose participation is motivated by a combination of personal enjoyment and external rewards (Croakley,1998)

Active Recreation: A physical activity that a person voluntarily undertakes in their leisure time for the purpose of mental and/or physical satisfaction.
(Department of Sport and Recreation-WA)

Guiding Principles

The strategy will be developed cognizant of its guiding principles of:

LEADERSHIP

All those involved in sport and active recreation are challenged with ensuring excellence in leadership to encourage and achieve increased participation, to provide opportunities and to ensure fairness and equity.

PARTNERSHIPS

Effective and efficient provision of sport and active recreation services through sound working partnerships between all sectors which have an interest in this area.

COORDINATION

A coordinated approach to the provision of facilities and services that will ensure that greater regional focus is achieved to avoid duplication and the wasting of resources.

COMMUNICATION

Ongoing and consistent communication between the organisations involved with sport and active recreation and with the community will be imperative to the success of this strategy and will assist in avoiding duplication, stakeholder competition and confusion.

SEEKING OPPORTUNITIES

The fundamental value of the sport and active recreation sector to community life is enhanced by stakeholders seeking and realizing new opportunities to increase participation and involvement.

Objectives

To increase sustained participation in sport and active recreation.

To effectively monitor demand and trends in activity to guide decision making.

To initiate a coordinated and regional approach for the development, optimization, management of facilities based on such trends and demands.

To maximize and leverage investment opportunities into sport and active recreation from multiple sources.

To facilitate mechanisms which evaluate the benefits and contribution that sport and active recreation makes to regional economic and social wellbeing

To establish a regional monitoring and review mechanism to ensure the strategy is implemented.

12th September 2011



Hawke's Bay Tourism Ltd – First Quarter Report - July – September 2011

Prepared by Annie Dundas, GM Hawke's Bay Tourism

Overall

Tourism to the region in the first 3 months of this financial year has been buoyed along by the influx of Rugby World Cup visitors in September. July – September is not normally a key visitor arrival period so operators are delighted with the additional business received at this time of the year. General feedback from tourism suppliers of hotels, motels, restaurants activities and attractions are all reporting good business with some moteliors 30% up on the same period last year.

Domestic travel generally in New Zealand is down due to the high dollar and an increase in New Zealanders travelling overseas. Year end July figures have outbound travel up 5% with most Kiwis visiting Australia, Fiji, UK, and the USA. There has also been some displacement of domestic travel during the Rugby World Cup as New Zealanders have stayed home having spent discretionary money on match tickets and so domestic tourism numbers are likely to be down over this period.

Much of Hawke's Bays international success comes down to overall visitor arrivals into the country and they have been very mixed prior to Rugby World Cup. Year end August figures show Australian arrivals down 0.7% or 8000 visitors, UK -10.5% or 25,700 visitors and the USA down 4.2% or 8000 visitors. These are all important international visitor markets for Hawke's Bay and will affect our arrival results in this quarter.

Visitor Arrival Statistics for Hawke's Bay – Year end July 2011

Total visitor arrivals	1,076,933 -2.6%	CAM & Private Household monitor
Total visitor nights	3,438,495 -0.3%	
Visitors nights in commercial accommodation	730,295 -7.4% -Domestic	
	245,200 +0.6% - International	
Visitor nights in private accommodation	1,785,365 +2% -Domestic	
	677,635 +1.4% - International	
Average length of stay	3.13 nights	

Hawke's Bay Tourism Limited has just completed the first three months of a three year journey and its work so far has been well received and well supported by the tourism sector and all councils. To date eighty tourism businesses have signed up to the new partnership programme of Hawke's Bay Tourism and additional marketing funds have been secured from Hastings District Council within this period. Hawke's Bay Tourism is on track to achieve the key performance targets set by The Hawke's Bay Regional Council for the first year. Solid progress has already been made in relation to the new brand roll-out, media visits and website development. Please see the detail within the KPI report.

Key Performance Indicators for Hawke's Bay Tourism

The organisation has been working towards the goals and objectives set out in the Strategic Plan signed off by HBRC in May 2011.

In three months of operation the following KPI's have been met.

1. **Hawke's Bay Tourism** - Establishment of a new Regional Tourism Organisation achieved July 1, 2011. Hawke's Bay Tourism Ltd has successfully brought together the previous tourism team of Venture Hawke's Bay and staff from Wine Country Tourism Association. All now operate under Hawke's Bay Tourism Ltd.
2. **Brand** - Establishment of a "Hawke's Bay" brand and communication tagline. The brand "Hawke's Bay" and tagline "Get me to Hawke's Bay" are well established and are being used in all communication produced by HBT, this includes outdoor signage into the region, all advertising material, brochures i.e. Visitor Guide, Wine Trail Guide, Cycle Trail Map, Rugby World Cup collateral and signage, and the official website. This means we are now delivering a consistent message for Hawke's Bay across all channels.
3. **Consumer marketing** – consumer campaigns are planned and underway. HBT has developed an annual domestic media schedule which includes the promotion of Hawke's Bay in print, online and via social networks from November – June 2012. There is also a strong Search Engine Optimisation (SEO) campaign aligning to this campaign and all HBT work throughout the year. Hastings District Council has contributed \$50k to this schedule of activity. This domestic advertising means we will have a presence online across most of the year via search and online ads, in print we will be visible for a few months of the year only.

The Australian consumer campaign is being driven in partnership with Absolutely Positively Wellington (PWT). Hawke's Bay will become part of a \$3m campaign promoting Wellington as the gateway for Australian visitors on Air New Zealand (ANZ). ANZ and PWT are each putting in \$1m to promote the 60,000 additional seats on the Tasman between Sydney/Melbourne and Wellington. Hawke's Bay will be featured as an add-on to the urban Wellington scene. HBT's contribution is \$100k. The campaign runs from November through June and Hawke's Bay will be included in online marketing, trade initiatives via travel sellers, a pop-up restaurant in Melbourne and Sydney showcasing Hawke's Bay produce and wine and through search mechanisms. The desire is for Hawke's Bay is to be recognized alongside Wellington as a preferred Australian itinerary to New Zealand.

Media – PR HBT has hosted the following media in the first 3 months of the year – Masterchef, TVNZ Breakfast (twice), ANZ Travel Guide, New Idea, Herald on Sunday, Golf Digest (Japan), Men's Club (Japan) and the Sunday Times (UK). In addition over 100 Rugby World Cup media have been hosted in the region – France (40), Japan (63). This equates to coverage in a number of national outlets in NZ as well as some very influential titles in the UK, Japan and France. The Sunday Times (UK) alone has a readership over 800,000. Feedback from TVNZ Breakfast has been exceptionally positive with future trips planned to Hawke's Bay because of the ease of working here and what we have to offer. Masterchef were delighted with their weekend filming in Hawke's Bay – which included a number of food and wine destinations in the region. RWC media have also shown a willingness to report on things other than rugby and we expect a number of travel pieces from key Japanese and French media as a result of their time in Hawke's Bay.

Digital Strategy – For the first quarter hawkesbaynz.com has delivered the following;

- 42,736 visits/user sessions (45,063) -5.5%
- 3.41 mins average time on site (3.58)
- 470 direct enquiries to operators generated from the website.

Whilst this is down year on year (2010 figures in brackets) we can attribute this to less advertising and search work driving web traffic over this period as we have been reassessing the website. We have also added facebook, YouTube, and twitter as ways to engage with Hawke's Bay adding other channels to communicate with visitors.

Content on third party sites is on-going with the focus on increasing Hawke's Bay content on www.newzealand.com, the national tourism site that receives over 1m users a month.

A full review of www.hawkesbaynz.com has been undertaken and a refreshed site will be delivered by December 2011. Options to monetize the site have been reviewed and bookings can now be taken on www.hawkesbaynz.com. The number of bookings through the site is currently small and HBT will assess this over the coming months to determine whether it should take a percentage of sales.

Research – a quarterly visitor performance monitor has been established to accurately report on all aspects of tourism for Hawke's Bay. The report looks at actual statistics related to commercial accommodation, private accommodation, the International Visitor Arrival record and a range of other economic factors that affect our results. These results are communicated quarterly to members of HBT and provide a broader view of the tourism picture.

Consumer Shows – The Auckland Food Show was attended in July. Just under 40,000 consumers attended the show. Hawke's Bay had over 10 local businesses showcasing their products and all under the new Hawke's Bay branding. Feedback from Hawke's Bay businesses has been exceptionally positive with nearly all signifying a return in 2012. Over 3000 names of interested visitors were collected and added to the consumer database for future communication.

4. **Trade Marketing** – HBT attended the UK/Europe International Marketing Alliance Workshop representing the Pacific Coast Highway; appointments were conducted with product managers from UK (18), Holland (6), France (9) and Germany (18). In addition over 150 UK Frontline travel agents, 50 French Frontline and 110 German Frontline were trained and educated about Hawke's Bay tourism products. Hawke's Bay is now more widely understood as a potential travel destination for these travel sellers. Ongoing communication continues to all of these agents.

Air NZ Frontline Chinese Famil - Hawke's Bay hosted 18 frontline travel agents from Jin Jiang Tours and Shanghai CITS with Air New Zealand. Overall the feedback from the Chinese agents was very high. This is a great start for us in developing a tourism strategy for the China market.

5. **Product development** - The Hawke's Bay Trails have been established to support the three national cycle ways funded by the Regional Council. The promotion of these trails has become a key part of the tourism story for Hawke's Bay and are now featured throughout the Visitor Guide, the website and via a dedicated trail map distributed throughout the country via the isite network.

HBT has been working closely with cruise inbound operators to broaden the tourism product offered to cruise passengers. Central Hawke's Bay is being looked at as a potential destination but there are some issues around travel distance and limited hours on-shore.

The first HBT workshop for industry members was held with over 80 members taking part. This workshop delivered the Visitor Research 2010 2011 undertaken by AUT on HBT's behalf.

6. **Events** – the Regional Events Strategy has been signed off by HBRC and has now been delivered to both Napier and Hastings District Councils. We are waiting on a financial commitment from both Councils in order for us to employ an events manager to implement the strategy.

www.events.hawkesbaynz.com is the domain for the regional events calendar. All councils have adopted this as the one-stop shop for promoting Hawke's Bay events. This site has been built as part of a joint initiative with Eventfinder, Rod Drury and Mogul. It now means the region has one events calendar.

Rugby World Cup 2011

Rugby World Cup 2011 has left a positive impression on the Hawke's Bay region. Both matches staged in Hawke's Bay were sold out and both created an incredible atmosphere across the region that has continued post the Napier hosted games. The Napier i-SITE Visitor Centre reported a 47% increase in foot traffic through the door and a 92% increase in revenue. Hastings i-SITE Visitor Centre recorded an increase in 29% with operator bookings 76% higher than the same period last year. Wairoa and Central Hawke's Bay have also reported strong visitor numbers through their respective centres and good crowds through organised events. Hawke's Bay Tourism hosted over 100 international media and the ongoing coverage during the next 12 months will create a strong foundation for future exposure of the region. The Regional Coordination Group is preparing a more detailed report that will be delivered to HBRC after the final RCG meeting on November 3rd.

Hawke's Bay Tourism – Financial Statement

Under the funding agreement with the Council, the yearly assistance payment of \$850,000 is paid on a monthly basis. The expenditure for Hawke's Bay Tourism Limited is light in the initial months as the consumer marketing programme expenditure is incurred in the latter part of the financial year ending June 2012. Accordingly, the three months' operating position has been budgeted for a surplus of \$61,000, however the actual surplus achieved for the three months was only \$40,000. The main reason for the unfavourable variance of \$21,000 is due to expenditure on the Rugby World Cup project not being reimbursed by Council. This reimbursement will be paid by Council in October 2011.



Hawke's Bay Tourism					
Profit & Loss					
1 July 2011 to 30 September 2011					
Revenue/Income	YTD Actual	YTD Budget	Variance (\$)	U/F	Full year Budget
HBRC Grant	212,500	212,499	1	F	850,000
HBTIA Funding Pledges	52,642	39,999	12,643	F	160,000
RWC Grant - HBRC	38,605	112,500	(73,895)	U	150,000
RWC Other Income	17,287	-	17,287	F	-
Industry Partner Membership	30,274	34,374	(4,100)	U	137,500
External/Other Revenue	29,258	35,250	(5,992)	U	141,000
Total Revenue/Income	380,565	434,622	(54,057)	U	1,438,500
Less Direct Marketing Costs					
Consumer Marketing	57,100	33,198	23,902	U	404,670
Trade Marketing	32,168	23,612	8,556	U	103,000
Events	8,000	30,247	(22,247)	F	65,000
RWC	97,799	112,500	(14,701)	F	150,000
Partner Programme	4,425	9,997	(5,572)	F	30,000
Total Direct Marketing Costs	199,491	209,554	(10,063)	F	752,670
GROSS SURPLUS	181,074	225,068	(43,994)	U	685,830
Less Operating Expenses					
Admin & Accounting/Legal	3,801	6,047	(2,246)	F	24,200
Director's Fees	-	4,999	(4,999)	F	50,000
Board Expenses	3,037	1,248	1,789	U	5,000
IT & Telecommunications	9,766	10,122	(356)	F	40,500
Premises - Rent	3,453	3,450	3	U	13,800
Premises - Other	887	2,208	(1,321)	F	8,840
Motor Vehicle Expenses	2,354	4,998	(2,644)	F	20,000
Office Costs	9,349	4,350	4,999	U	17,400
Meetings & Travel	3,484	1,748	1,736	U	7,000
Salaries & Other Staff Costs	104,761	124,773	(20,012)	F	499,090
Total Operating Expenses	140,891	163,943	(23,052)	F	685,830
NET SURPLUS	40,183	61,125	(20,942)	U	0