

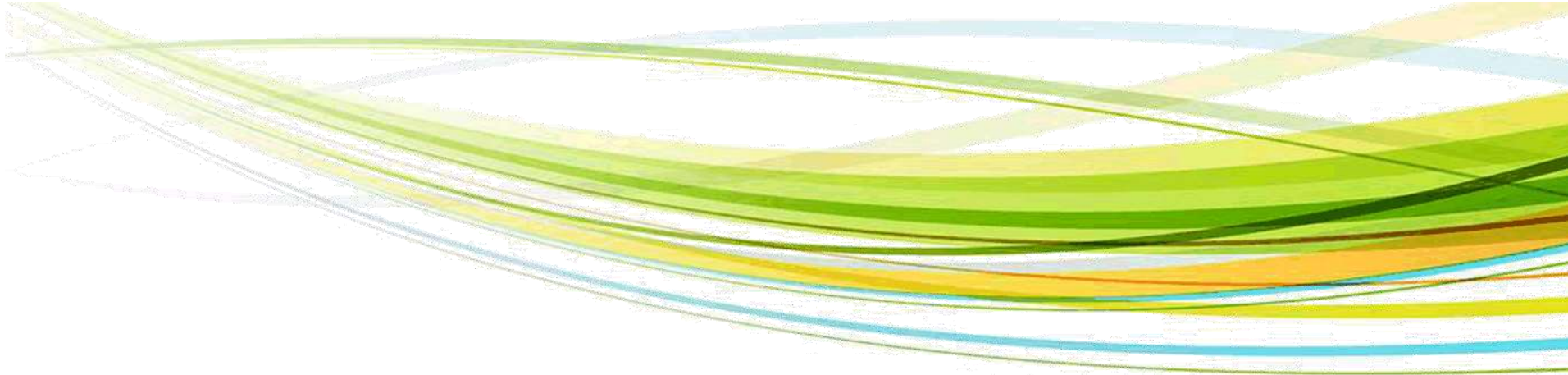


Meeting of the Hawke's Bay Regional Council

Date: Wednesday 29 August 2018
Time: 10.15am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachments Excluded From Agenda

ITEM	SUBJECT	PAGE
8.	Financial Report for 12 months ended 30 June 2018 including Adoption of the Draft 2017-18 Annual Report for Audit	
	Attachment 2: 2017-18 Annual Report 1st draft	2



Hawke's Bay Regional Council

Annual Report 2017-18

HBRC Plan number xxxx

ISBN xxx-x-xxxxxx-xx-x

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Annual Report 2017-18

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Introduction | Kupu Whakataki

Message from the Chair and Chief Executive



Rex Graham
CHAIR

Rex Graham, Chairman

James Palmer
CHIEF EXECUTIVE

James Palmer, Chief Executive

We begin our report on the 2017-18 year

We also ...

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

- The **TANK** Group ...
- Implementing the **Tukituki Plan** ...
- The **Coastal Hazards** project ...
- **Regional Parks** ...
- The **Regional Planning Committee** ...
- Work to develop a plan change for greater regulation of **Oil and Gas** exploration and production on or near regional water bodies was ...

The year was also ...

...

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

Introduction | Kupu Whakataki

Councillors and their constituencies



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Introduction | Kupu Whakataki

Hawke’s Bay Regional Council Committee Structure

Insert graphic or list

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Introduction | Kupu Whakataki

Welcome to the Annual Report

This Annual Report describes the work Hawke’s Bay Regional Council has undertaken over the 2017/18 financial year. It focuses on actual performance against what was planned in the third year of the 2015-25 Long Term Plan and further refined in the 2017/18 Annual Plan.

The Annual Report covers both service and financial performance against targets.

Groups of Activities | Ngā Whakarōpūtanga Kaupapa

This section includes a Statement of Service Performance (or non-financial performance) for the year and an overview of activities in each Group of Activities. The eight Groups of Activities are:

- Strategic Planning
- Land Drainage and River Control
- Regional Resources
- Regulation
- Biosecurity and Biodiversity
- Emergency Management
- Transport
- Governance, Community Engagement and Services

Each Group of Activities includes a brief description of the activities that make up the group, identifies the community outcomes to which the group primarily contributes, and highlights for the year including effects on the community. This is followed by a table showing actual level of service results against the non-financial performance targets from the 2015-25 Long Term Plan and the 2017-18 Annual Plan and finally a summary of financial performance.

Financials | Pūrongo Pūtea

This section includes financial reporting benchmarks and financial details for Group Accounts, which include the Council and Hawke’s Bay Regional Investment Company (HBRIC Ltd) for the year, ended 30 June 2018.

Introduction | Kupu Whakataki

Report on Māori Contributions to Decision-Making Processes

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

Regional Planning Committee

The Regional Planning Committee (‘RPC’) was first established by the Council in 2011. In August 2015, the Hawke’s Bay Regional Planning Committee Act 2015 came into effect and formalised the arrangements for the RPC. The purpose of the Act is to improve tangata whenua involvement in the development and review of plans prepared by the Council under the Resource Management Act.

Having been permanently established, the RPC is not dissolved every three years while local body elections take place. This enables the RPC, and in particular the Treaty settlement claimant groups, to oversee development and review of regional plans and policy statement documents under the RMA – processes which often span multiple years for longer-term environmental outcomes.

The RPC operates under the principles of co-governance to ensure that tāngata whenua are active decision makers in managing their tāonga under the RMA. The RPC has two co-chairs: Mr Toro Waaka (appointed by tāngata whenua members) and Regional Council Chairperson, Mr Rex Graham.

Eleven RPC meetings were scheduled between 1 July 2017 and 30 June 2018.¹ In 2017, the RPC typically met every month, then in 2018, the RPC returned to six-weekly meeting intervals. A number of matters were considered by the RPC throughout the year – many of which were furthering workstreams from the previous year. Matters considered by the RPC during 2017-18 included:

¹ Eleven meetings were scheduled, but three of those meetings were not officially constituted or cancelled in advance due to a lack of a quorum of members in attendance. The Committee’s tāngata whenua members typically convened their own hui a day prior to the full Committee meeting.

- a) deciding on tāngata whenua representative appointments to several of the Council’s other committees (being the Strategic and Corporate Committee, the Hearings Committee, the Environment and Services Committee and also the Biosecurity Working Party).
- b) considering suggestions and options for revising the RPC’s own Terms of Reference to align with the Hawke’s Bay Regional Planning Committee Act which came into effect in August 2015. The RPC considered revisions to the Terms of Reference on a number of occasions during the 2017/18 period, but no revised Terms of Reference have yet been agreed amongst committee members. The current operating Terms of Reference for the RPC date back to 2014.
- c) remuneration of RPC tāngata whenua members is one of the matters covered in the Committee’s Terms of Reference. A special report was commissioned to look at fair and reasonable remuneration for the RPC’s tangata whenua members (and also members of HBRC’s Māori Committee). The Council has since altered remuneration payments for RPC tāngata whenua members from a fixed daily meeting fee to an annual honorarium for each member. Members’ travel expenses to/from meetings continue to be covered by the Council.
- d) considering several options for improving water security within the Tukituki River catchment following the Council deciding to shelve plans for investing in the Ruataniwha Water Storage Scheme.
- e) receiving advice from staff on potential content of a narrowly scoped plan change intended to address urgent implementation matters arising from Tukituki Plan Change 6. The RPC was unable to reach agreement on a process and potential scope of any such plan change. Consequently, there was no recommendation made from the RPC to the Council. In June 2018, the Council adopted its 2018-28 Long Term Plan without any specific resourcing provision being prioritised for a plan change to aid implementation of Tukituki Plan Change 6.

Introduction | Kupu Whakataki

- f) In August, the RPC considered a draft submission for potentially lodging on the Ngauroro and Clive River Water Conservation Order application. The RPC was unable to agree on what it should recommend to Council about content of the submission. Subsequently, the Council decided to lodge a submission to the Special Tribunal in opposition to the WCO application.
- g) maintaining its oversight of the TANK Collaborative Stakeholder Group's discussions and drafting of the draft TANK plan change ('PC9'). This occurred throughout 2017-18 as the TANK Group reached agreements on an increasing number of matters relating to land and freshwater management within the Greater Heretaunga / Ahuriri catchment area.
- h) considering options and further revised options for researching and assessing outstanding recreational, ecological, cultural and landscape values of the region's exceptional freshwater bodies. In May 2018, the RPC had nominated 21 candidate waterbodies for further secondary assessment of those waterbodies' outstanding values. Identification of the region's outstanding freshwater bodies is one action required by the Government's National Policy Statement for Freshwater Management, but this has not been a straightforward exercise. In March, the RPC agreed that its Co-Chairs would write to the Minister for the Environment requesting reconsideration and clarification of the outstanding waterbodies cultural values provisions in the NPSFM.
- i) continuing to oversee development of a stronger approach for regulating oil and gas exploration activities offshore and around the region's waterbodies. The RPC had progressed the project up to a point ready for targeted iwi and stakeholder input. However, in April 2018, the Prime Minister announced that the Government would be banning any further new offshore oil exploration. In light of the Prime Minister's announcement, the RPC supported pausing the Council's own plan change project and the targeted iwi and stakeholder input phase did not proceed.
- j) receiving a consultant's report summarising the effectiveness of some specific parts of the Hawke's Bay Regional Resource Management Plan (RRMP). The RMA requires councils to report on the effectiveness of their regional plans at least every five years.
- k) continuing to receive regular update reports from staff about consent applications and proposed district plan changes that the Council had previously submitted to other councils on.
- l) In early 2018, a review of the RPC's performance was initiated. The Hawke's Bay Regional Planning Committee Act requires the review to be done by September 2018 (i.e. three years after the Act came into force).
- m) presentations from several individuals and organisations covering:
- the Resource Management Amendment Act 2017 and in particular implications of the amendments for the RPC's work overseeing HBRC's RMA planning documents.
 - an introduction by officials from Ministry for the Environment about the RMA's new provisions for Mana Whakahono a Rohe arrangements between councils and iwi groups.
 - Myrtle rust incursion into New Zealand.
 - the experiences of Ngati Pahauwera in progressing application to the Crown for recognition of customary activities in the coastal marine area.
 - the concerns of members of the Central Hawke's Bay community about the impact of Plan Change 6's new minimum flows and water allocation rules coming into effect from mid-2018, and what the RPC/Council could do to assist water users with timing and impact of that step-change.
 - science of the Heretaunga Plains water resource and the system's complex interactions between rivers, stream, springs and groundwater.
 - economic theory, accounting methods and the Māori economy (a presentation by Dr Antony Cole who is a kaupapa Māori transdisciplinary researcher).
 - two presenters' perspectives on the degree of regulation of oil and gas activities in the Hawke's Bay region and in other jurisdictions.

Maori Committee

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

Introduction | Kupu Whakataki

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

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

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

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

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

Direct Hapū and Other Involvement

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

Bi-lateral hui between HBRC leaders and Treaty settlement entities...

Project-based involvement (for example...).

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

Introduction | Kupu Whakataki

Council's contribution to Community Outcomes

A Regional Approach to Community Outcomes

The five Hawke's Bay councils - Hastings District Council, Napier City Council, Central Hawke's Bay District Council, Wairoa District Council and Hawke's Bay Regional Council undertook a regional approach and worked collectively to identify community outcomes in 2004. These outcomes were still considered relevant when re-adopted in the 2015-25 Long Term Plan.

The nine community outcomes are:

- An environment that is appreciated, protected and sustained for future generations
- A strong, prosperous and thriving economy
- Transport, infrastructure and services that are safe, effective and integrated
- A vibrant community
- A lifetime of good health and well-being
- Supportive, caring and inclusive communities
- Strong regional leadership and a sense of belonging
- Safe and accessible recreational facilities
- Communities that value and promote their unique culture and heritage.

In the 2015-25 Long Term Plan, HBRC links its activities to the strategic goals that it aims to achieve in meeting the current and future needs of communities for good quality infrastructure, local public services, and performance of regulatory functions (i.e. the new definition of community outcomes). The strategic goals evolved from the 2011 Strategic Plan and are based on a resilience framework, namely resilience in our communities, in our ecosystems and our economy.



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Progress against Community Outcomes

Under s23 of Schedule 10 of the Local Government Act, Council must report the results of any measurement undertaken during the year of progress towards the achievement of those outcomes.

HBRC contributes to the achievement of the community outcomes through its activities. The table below shows how key activity contributes to community outcomes. The non-financial performance measures in the Groups of Activities section that follows is one way in which the Council reports progress against community outcomes. Progress towards environmental outcomes is through State of the Environment monitoring and reporting.

Strategic Goals	Resilient Communities			Resilient Ecosystems		Resilient Economy			Resilient Organisation
Our Aims	Quality services for a healthy, well-connected community	Local leadership, good relationships and affordable, well-considered solutions	Our people and businesses feel safe from natural hazards	Smart management links biodiversity, land, fresh water and our coastal marine areas	Balanced water use for a healthy natural environment that also supports growth	Profitable farming systems that adapt to pest threats, greater weather extremes and take advantage of new opportunities	A reliable, well-organised water supply that helps us to grow sustainably	Quality future-focused infrastructure	Using foresight, strategy, smart investment, strategic alliances and a fit-for-purpose approach to lead our region
Key Activities	Passenger Transport Total Mobility Road Safety Heat Smart Community Engagement Open Spaces Navigation and Safety	Governance and Leadership Heat Smart Community Engagement HB Local Authority Shared Services company Community Partnerships	Hazard Assessment and Response Emergency Management Land Drainage and River Control Gravel Management	Biodiversity Strategy and Planning Land Management Air Management Water Management Coastal Management Regulation State of the Environment Reporting		Land Management Economic Development Biosecurity Strategy	Water Management State of the Environment Reporting	Land Drainage and River Control Transport Planning Investment	Strategy and Planning Investment Governance and Leadership Economic Development Emergency Management Community Partnerships

Introduction | Kupu Whakataki

State of the Environment monitoring and reporting

During the year, HBRC undertakes a range of land, water and air monitoring as part of its statutory responsibility for monitoring the State of the Environment (SOE). A SOE Report is published every five years and supplemented with annual report cards and monthly updates online.

The annual report cards provide a snapshot of how the environment is tracking. The information gathered helps inform the work that Council does with the community to improve and protect the environment including responding to new risks and informing policy setting.

The full report cards are available online at <https://www.hbrc.govt.nz/hawkes-bay/state-of-the-environment/annual-report-cards/> and cover:



The report cards include too much information to summarise here but are readily available online. Below is an example from the “Can I Swim Here” report card. It shows recreational water quality results at 33 popular recreational water sites monitored weekly or fortnightly through summer. Two sites show improvement and 4 sites show deteriorating recreational water quality.



Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Council's Groups of Activities

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

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

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

Reporting

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

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

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

Timeliness

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

Cost

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

Quantity

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

Location

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

Quality

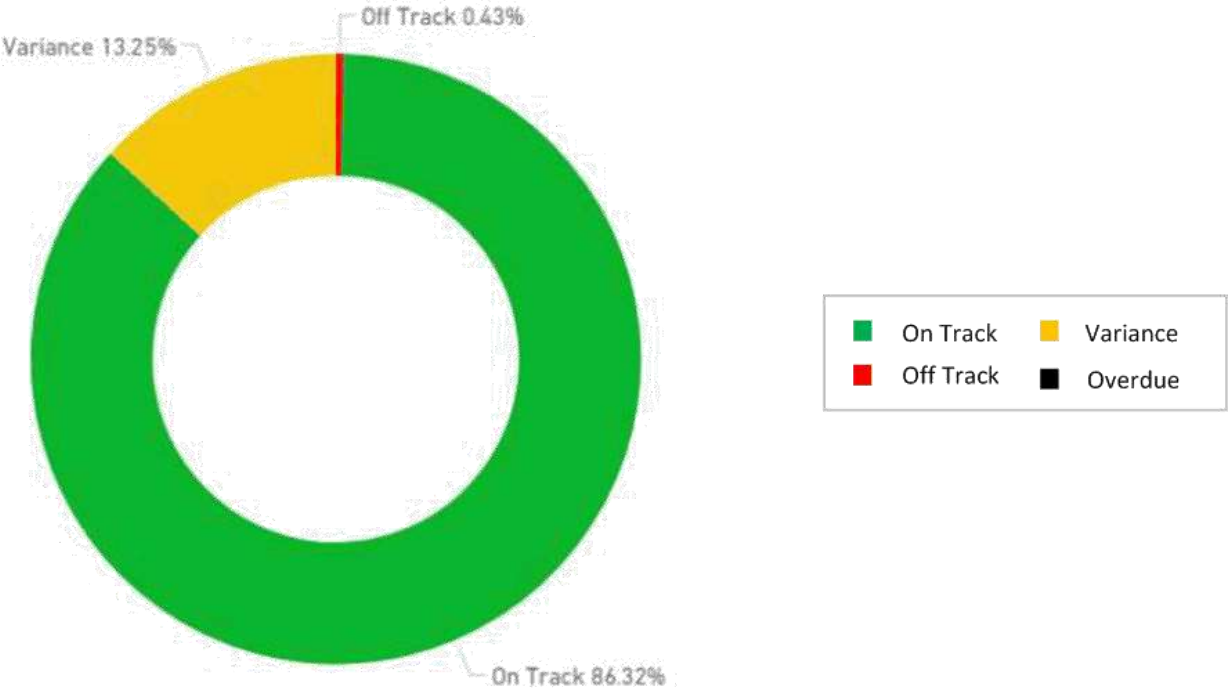
During 2017-18 Council reviewed, throughout the financial year, the progress made against the individual performance targets at the end of four, six and nine months, with consideration being given to the overall targets for the year. In determining whether quality requirements were being met, the elected representatives drew on their knowledge of the activities, the resources utilised to undertake them, and the outcome evident from the activities. They also drew assurance from the knowledge that Council had:

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

2017-18 Non-financial Performance Progress Summary to 30 June 2018

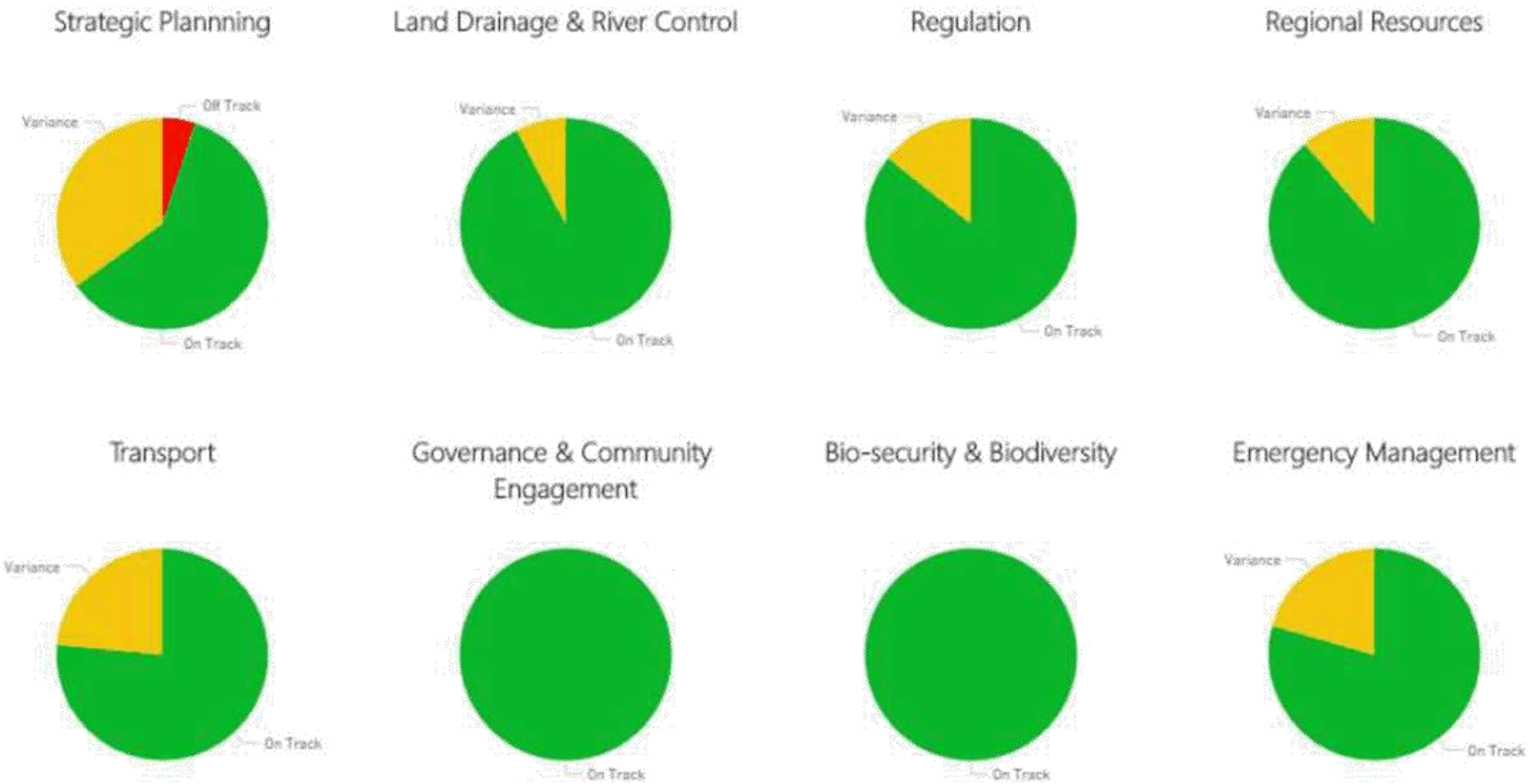
2017-18 Non-financial Performance Progress Summary to 30 June 2018

Overall results for 2017-18



2017-18 Non-financial Performance Progress Summary to 30 June 2018

Group results for 2017-18



Strategic Planning Group of Activities

Strategic Planning Group of Activities

What we do

The Strategic Planning group of activities pulls together Council’s (HBRC) strategic thinking initiatives, economic development, investments and resource management policy development. Together with State of the Environment reports, these provide information for further strategic decisions.

Link to Strategic Outcomes

The Strategic Planning group of activities contributes to:

- Resilient communities
- Resilient ecosystems
- Resilient Economy
- Resilient organisation

Highlights

Highlights for the Strategic Planning group included:

- In August 2017, council adopted a new Strategic Plan. The 2017-2021 Strategic Plan is a non-statutory document that articulates the organisation’s vision, mission, values and resets its strategic priorities for this electoral term and provides the context for the long term plan. It reinforces HBRC’s core role in environmental management and deliberately takes a more proactive, forward looking and aspirational approach. HBRC’s Strategic Plan includes a number of time bound and measurable strategic goals. These demonstrate a desire by this Council to shift from reporting activity or outputs, to managing for and reporting on outcomes



The Regional Council's four focus areas are outlined in the Strategic Plan (2017): water, land, biodiversity, and infrastructure and services.

Strategic Planning Group of Activities

	Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE				
Operating Expenditure				
Economic Development	1	2,621	2,586	2,308
		2,621	2,586	2,308
Strategy & Planning	2	1,898	2,105	1,577
Policy Implementation	3	782	445	641
State of the Environment Monitoring	4	413	403	356
Total Operating Expenditure		5,714	5,539	4,882
Capital Expenditure				
Energy Futures Loan Repayments		20	20	20
Total Capital Expenditure		20	20	20
TOTAL EXPENDITURE		5,734	5,559	4,902
REVENUE				
Activity Revenue				
Direct Charges		48	58	56
Total Activity Revenue		48	58	56
Other Revenue				
Targeted Rates		2,342	2,310	2,012
Grants		377	274	420
Loans Drawn Down		-	-	-
On-Site Waste Water Disposal Loan Repayments		-	-	-
Total Other Revenue		2,719	2,584	2,432
TOTAL REVENUE		2,767	2,642	2,488
TOTAL FUNDING REQUIREMENT		(2,967)	(2,917)	(2,414)
Special Reserve Funding				
Sale of Land (Other Initiatives) Reserve		403	492	394
Total Special Reserve Funding		403	492	394
NET GENERAL FUNDING REQUIREMENT		(2,564)	(2,425)	(2,020)
MET BY				
General Funding Rates		-	-	-
Investment Income		1,825	1,792	1,573
Operating Reserves		739	633	447
		2,564	2,425	2,020

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Strategic Planning Group of Activities

Activity 1 – Economic Development

Level of Service Statement			
Matariki: Regional Economic Development Strategy mission statement: “Every household and every whanau is actively engaged in, contributing to and benefiting from, a thriving Hawke’s Bay economy.”			
Level of Service Measures	Performance Target	Required Action	Progress Report (to 30 June 2018)
Funding contract with approved performance targets and reporting requirements	Revised allocation for the funding agreement with HB Tourism Ltd 2017-18 = \$1,820,000 Continue quarterly reporting to Council on key performance indicators	179 - Monitor and report performance of Hawke's Bay Tourism Ltd against agreed KPIs and in line with increased expectations following third and final tranche of increased funding provided.	Achieved HB Tourism provided a 3rd Quarter report (Attached) and is scheduled to present final quarter report to Council shortly. The significant issue facing HBT was Council's Long Term Plan proposal to step funding back in \$300,000 increments over 3 years. HBT is undergoing a strategic review process which will lead to the development of a new operational plan that reflects the new funding model as well as Council's directive to explore alternative funding sources and to deepen its engagement with the Maori Tourism industry.
Long term Regional Economic Development Strategy (REDS) and Action Plan are implemented	Initiate and progress HBRC led REDS Action Plan initiatives including projects associated with: - Regional Transport Committee activities - Core resource management activities Supporting regional connectivity	179 - report annually on the achievement of HBRC led actions within Matariki: Regional Economic Development Strategy Implementation Action Plan	Achieved Matariki stakeholders have continued to primarily focus on operational and governance issues with significant progress being achieved recently. HBRC actions continue to progress, in particular the Regional Land Transport Actions and Napier to Wairoa rail initiatives. The creation of the Provincial Growth Fund has provided the opportunity for HBRC to seek support for its other actions relating to water storage feasibility, a regional natural capital stocktake, Lidar mapping, and the erosion control programme.

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Strategic Planning Group of Activities

Level of Service Statement Matariki: Regional Economic Development Strategy mission statement: "Every household and every whanau is actively engaged in, contributing to and benefiting from, a thriving Hawke's Bay economy."			
Level of Service Measures	Performance Target	Required Action	Progress Report (to 30 June 2018)
Investment for research and development and business development	At least \$800,000 per annum achieved for Research and Development investment	179 - Manage the Regional Business Partner programme contracts in Hawke's Bay to deliver the New Zealand Trade & Enterprise Business Advisor services, Callaghan Innovation programmes and the Business Mentors NZ services.	Achieved The programme continues to meet all KPIs excluding Business Mentor match numbers which have always proven to be challenging. Recent changes within Business Mentors will hopefully provide an opportunity to address this. Looking ahead, a RFP for the programme is scheduled for the end of the year and HBRC will be registering its intention to continue to manage the programme.

Financial Variances Explained

To be added.

Strategic Planning Group of Activities

Activity 2 – Strategy and Planning

Level of Service Statement HBRC will help the community prepare for the future and increase community resilience to climate change			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Hawke's Bay Energy Strategy prepared & launched	Investigate potential energy efficiency and carbon emissions reducing initiatives for Council to consider.	194 - Proactively seek initiatives through which HBRC is able to influence or promote a reduction in regional carbon emissions	Achieved Final Report authored by Dr Sean Weaver presented to E&S Committee on 15 November 2017. "HBRC Climate Change Adaptation and Mitigation Report formally received by Council.
		194 - Implement actions arising from the Hawke's Bay Energy Strategy that have been identified as the responsibility of HBRC.	Partially Achieved While the Energy Strategy Action has been suspended in favour of Oil and Gas Plan Change, the Long Term Target for this action remains valid, consistent with the Strategic Plan objective for the Region to be carbon neutral by 2040. HBRC submitted in support of the new Governments Zero Carbon Bill
East Coast Hill Country Strategy	Collaborate with councils and central government, iwi and landholders to develop a pilot process in the Whakaki catchment for reducing the impact of sediment loss on waterways while considering opportunities for economic development.	192 - Develop a pilot project for the Strategy in the Whakaki Lake catchment in partnership with Ministry of Primary Industries, then revisit the broader Strategy as part of 2018-28 LTP process.	Not Achieved No work initiated as this action pre-dated the decision to fund hotspot projects including a focus on Whakaki Lake.
Number of sectors through which HBRC promotes/influences reduction in carbon emissions and adaptation to climate change Number of Council activities that contribute to climate change adaptation and reduction	Complete a report on the contribution Council activities make towards climate change adaption and mitigation, and number of sectors that Council supports to promote or influence reductions in carbon emissions and climate change adaptation.	194 - Project manage the preparation of the Contribution to Climate Change Adaption, Mitigation and Reduction report to inform the 2018-28 Long Term Plan	Achieved Report completed by Dr Sean Weaver and presented to Council. Resolution to maintain funding to support community awareness and engagement with climate change issues carried.

Strategic Planning Group of Activities

Level of Service Statement HBRC will integrate land and water and biodiversity management to deliver environmental, economic, social and cultural outcomes			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Progressive Implementation Plan for 2014 National Policy Statement for Freshwater Management (NPSFM)	National Policy Statement for Freshwater Management is progressively and fully implemented by 31 December 2025	192 - RRMP plan change prepared for consideration by the Regional Planning Committee and subsequently publicly notified identifying HB's outstanding freshwater bodies for NPSFM purposes	Partially Achieved Staff reports were presented to Regional Planning Committee during 2017 in March, June then more in February, March and May of 2018. RPC has directed staff to modify approach of project. The scale and complexity of the OWB PC project has grown as a consequence of the RPC's directions (for example, preparation of a report summarising literature review of tangata whenua values of 130+ named waterbodies in HB). This extensive further work directed by RPC combined with limits on planning staff capacity means projected public notification of OWB plan change now very unlikely in 2018
		192 - RRMP Plan change changes for consideration by the Regional Planning Committee for managing freshwater in (a) the Mohaka River catchment; and (b) the Greater Heretaunga / Ahuriri Catchment Area (i.e. TANK)	Partially Achieved For the reporting period, the TANK collaborative planning process has remained the key priority plan change project. TANK project-related updates presented to the RPC in August, September, October, November, March and May. Continuing work on the RPC's preferred approach to identification of outstanding waterbodies in HB also remained a priority during the 2017-18 period. Coordination of further stakeholder engagement on Mohaka plan change was not a focus due to limited policy planning staffing capacity but will pick up again in 2018-19 when TANK peak effort subsides.

Item 8

Attachment 2

Strategic Planning Group of Activities

Level of Service Statement HBRC will establish and maintain clear and appropriate policy in a responsive and timely manner that will enable sustainable management of the region's natural and physical resources			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
<ul style="list-style-type: none"> Status of Resource Management Plans and Policy Statements No more than 2 years elapse from notification of a plan change to decisions on submissions being issued 	2017-18 Progressively report to the Regional Planning Committee on the preparation of a regional plan change for regulation of oil and gas exploration activities in parts of the region.	192 – Prepare draft regional plan change for consideration by the Regional Planning Committee on regulation of oil and gas exploration activities in the region.	Achieved Project was being progressed with external consultants as per budgeted external expenses. Project update reports were written for RPC meetings in September, December and February. Preliminary stakeholder engagement phase was initiated, but halted following announcements by Prime Minister in March. Subsequent staff reports presented to RPC meetings in March and June outlined options for plan change's next steps in light of Government's new policy announcements. At end of 2017-18 period, a decision on preferred next step(s) remains on table pending quorum for a scheduled RPC meeting.
	Participate in the implementation and review of the Heretaunga Plains Urban Development Strategy	192 - Participate in range of actions to implement the 2016 revised version of the Heretaunga Plains Urban Development Strategy (HPUDS) through a staff Technical Advisory Group and joint-council Implementation Working Group.	Achieved HBRC adopted HPUDS2017 in May 2017. Preliminary work by HPUDS TAG members was underway about next steps to action the revised Strategy and re-commence Implementation Working Group meetings. TAG have focussed on critical need for alignment with new requirements of the NPS for Urban Development Capacity which defines Napier/Hastings as a 'medium growth' urban area. No meetings of the joint HPUDS Implementation Working Group were held during the 2017-18 period.

Item 8

Attachment 2

Strategic Planning Group of Activities

Level of Service Statement			
HBRC will establish and maintain clear and appropriate policy in a responsive and timely manner that will enable sustainable management of the region’s natural and physical resources			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Operative Regional Coastal Environment Plan <ul style="list-style-type: none">At all times there is a regional plan in force for the HB coastal marine areaNew Zealand Coastal Policy Statement (NZCPS) put into action in accordance with statutory requirements	2017-18 Commence preparation of plan change(s) to give effect to Tangoio to Clifton coastal hazard management strategy (if necessary).	191 - Support and participate in the Community Panel option assessment phase of the Coastal Hazard Strategy project for the coastline between Tangoio and Clifton.	Achieved Overall Strategy (Phase 1) completed and Phase 2 (options assessment) completed. Wider stakeholder engagement phase (3) was completed during the 2017-18 year with formation of two stakeholder panels and presentation of the panels' recommendations to the Joint Committee. Policy planning staff role is as supporting participants for this project.

Financial Variances Explained

To be added.

Strategic Planning Group of Activities

Activity 3 – Policy Implementation

Level of Service Statement			
HBRC will promote integrated management and benefits of collaboration by proactively communicating its policies and responsibilities through dialogue and submissions on district plans, consent applications and central government initiatives			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Lodging of submissions on district plans, district planning applications and central government initiatives where there are relevant Regional Council policies	Submissions made on district plans, district planning applications and central government initiatives are reported to HBRC's Regional Planning Committee.	196 - Receive, review and prepare submissions where relevant on central government's resource management proposals in consultation with the Regional Planning Committee	Achieved No new submissions made on national or local proposals during the 2017-18 period. Senior staff continue strong involvement in various MFE-led workstreams regarding implementation of amended 2014 NPS for Freshwater Management, 2017 RMA amendments and NPS for Urban Development Capacity in particular.
		196 - Receive, review and prepare submissions where relevant, on consent applications and policy/plan development activities of TLAs and various other resource management agencies	Partially Achieved 1. HBRC is party to a few remaining appeals on proposed Hastings District Plan. Mediation has assisted in reaching settlement of most of those appeals following the adoption of the 2017 Heretaunga Plains Urban Development Strategy Review. 2. Party to an appeal on HDC's Howard Street residential rezoning 3. Submissions made on Hastings and Napier district plan re-zonings during the period. 4. Update reports on 'Statutory Advocacy' activity are regularly reported to meetings of Regional Planning Committee. 5. Substantial staff time effort and external expense associated with involvement in Ngaruroro WCO application submission and Special Tribunal hearing proceedings.

Strategic Planning Group of Activities

Level of Service Statement HBRC will promote integrated management and benefits of collaboration by proactively communicating its policies and responsibilities through dialogue and submissions on district plans, consent applications and central government initiatives			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
	Staff of HBRC and territorial local authorities meet at least twice each year to discuss and identify integration issues; and improvements to content and/or processes for regional and district plans.	196 - Convene the Hawke's Bay Councils' Planners' Group meetings and action any HBRC plan issues or improvements identified	Achieved Ongoing, group discussions and meetings operate with high degree of flexibility, depending on issues arising. Meeting held in October with senior MFE officials in attendance to share national direction workstreams and implications of [then] newly formed Government in terms of resource management policy issues. Similar flexible discussions occurred in relation to draft National Planning Standards, e-plans and MFE-convened workshop on Mana Whakahono a Rohe arrangements.

Level of Service Statement HBRC will ensure resource management plans are implemented, monitored and evaluated			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Implementation Plans in place for newly operative Plan Changes or Plan Reviews	An Annual Report on the Implementation Plan for Tukituki Catchment Plan Change 6 is produced. Reporting on effectiveness of Regional Resource Management Plan provisions in relation to those that are not otherwise being reviewed through the existing policy work programme.	192 - Prepare RRMP plan change to address Tukituki Plan Change 6 implementation issues for consideration by the Regional Planning Committee and subsequent public notification	Partially Achieved Staff reports were presented to 2 August, 4 October and 1 November meetings of Regional Planning Committee outlining potential plan change pathways for addressing urgent PC6 implementation challenges. During the reporting period, the RPC did not agree to any further actions being advanced. Consequently, nothing publicly notified within the period.
		196 - Fulfil requirements of the National Monitoring System for plans and policy statement parameters	Achieved MFE's Survey responses are due following completion of 2017-18 financial year. 2017-18 Survey response was filed on 27 July 2018. Also responded to MFE's queries on past 2016/17 NMS return.

Strategic Planning Group of Activities

Level of Service Statement HBRC will ensure resource management plans are implemented, monitored and evaluated			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
		192 - Prepare a report on the effectiveness of the RRMP where this is not otherwise being reviewed through the policy work programme or having been reviewed by recent past plan changes 1-6	Achieved RRMP effectiveness report was presented to the Regional Planning Committee in March 2018. Consultant was engaged to undertake the targeted evaluation given limited availability of staff on other priority projects.

Level of Service Statement HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Maintain a database of potentially and confirmed contaminated sites	2015-25 Administer and maintain the contaminated sites database, including checking of record details, site visits to GPS areas of contamination, transfers to Territorial Local Authorities (TLA) as per agreed protocols and advising landowners of the contaminated sites status Respond to queries and complaints regarding potentially contaminated sites.	151 - Review and upgrade the HAIL database as necessary to provide an acceptable ongoing solution for TA access and/or information transfer	Partially Achieved Sites added as required. Current records not being checked unless through a site query. No information transfers to TLAs currently.

Financial Variances Explained

To be added.

Strategic Planning Group of Activities

Activity 4 – State of the Environment Monitoring

Level of Service Statement HBRC will monitor and provide accurate information to the community so that it understands the State of the Environment (SOE) for Hawke's Bay			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Data quality as assessed against HBRC's quality assurance system Amount of State of the Environment monitoring data available through HBRC's website	Maintain SOE data on HBRC's website Continue to make the monitoring results available through HBRC's website for: <ul style="list-style-type: none"> All telemetered river flow sites All telemetered rainfall sites All telemetered climate stations All data is collected, processed, analysed and stored in accordance with ISO requirements Maintain ISO accreditation	153 - Continue to provide monthly SoE reports on HBRC's website	Achieved Monthly reports were provided on the HBRC website
		153 - Regularly update the HBRC website with river flow, rainfall, groundwater level, climate, and surface water quality monitoring results in a form suitable to users.	Achieved SoE and climate monitoring data were provided for river flow, rainfall, groundwater level, climate and surface water quality on the HBRC website
		153 - Undertake regular auditing of the quality assurance system	Achieved Annual accreditation achieved; next audit November 2018
State of the Environment Monitoring Report	Annual Update State of the Environment (SOE) Reports available by June each year Five yearly State of the Environment Monitoring Report available by December 2019	153 - Prepare 2017 annual State of the Environment update report	Achieved The annual SoE report was provided as report cards on the HBRC website

Financial Variances Explained

To be added.

Land Drainage & River Control Group of Activities

Land Drainage & River Control Group of Activities

What we do

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

This activity covers the following inter-related programmes:

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

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

Link to Strategic Outcomes

HBRC’s Land Drainage and River Control activities contribute to:

- Resilient Communities
- Resilient Ecosystems
- Resilient Economy

Highlights

Hghlights for the Land Drainage and River Control group included:

- ...

Land Drainage & River Control Group of Activities

	Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE				
Operating Expenditure				
Flood Protection & Drainage Schemes	1	6,133	6,263	5,869
Investigations & Enquiries	2	390	381	621
Sundry Works	3	399	320	275
Operations Group External Contracts		714	437	964
Subtotal of Sundry Works		1,113	757	1,239
Total Operating Expenditure		7,636	7,401	7,729
Capital Expenditure				
Infrastructure Asset Construction		934	1,880	857
Disaster Damage Excess Deposits		111	-	-
Loan Repayments		262	262	542
Total Capital Expenditure		1,307	2,142	1,399
TOTAL EXPENDITURE		8,943	9,543	9,128
REVENUE				
Activity Revenue				
Direct Charges		173	103	362
Operations Group External Contracts		855	548	1,053
Total Activity Revenue		1,028	651	1,415
Other Revenue				
Targeted Rates		6,864	6,814	6,718
Grants and Other Capital Income		-	-	56
Interest on Scheme Reserves		194	175	232
Loans Drawn Down		-	-	-
Total Other Revenue		7,059	6,989	7,006
TOTAL REVENUE		8,087	7,640	8,421
TOTAL FUNDING REQUIREMENT		(856)	(1,903)	(708)
Special Reserve Funding				
Specific Scheme Reserves		(673)	241	(779)
Scheme Depreciation Reserves		110	16	23
Regional Disaster Reserves		-	-	-
Total Special Reserve Funding		-563	257	-756
NET GENERAL FUNDING REQUIREMENT		(1,419)	(1,646)	(1,464)
MET BY				
General Funding Rates		-	-	-
Investment Income		950	1,217	939
Operating Reserves		469	429	525
		1,419	1,646	1,464

Land Drainage & River Control Group of Activities

Activity 1 – Flood Protection & Drainage Schemes

Mandatory DIA Measure and Reporting

The Department of Internal Affairs requires Council to report on what it is doing to meet the DIA measure of:

- The major flood protection and control works that are maintained, repaired and renewed to the key standards defined in the local authority's relevant planning documents (such as its activity management plan, asset management plan, annual works programme or long term plan).

Council's reporting against the above measure is covered following under Activities 1a – Heretaunga Plains Scheme, 1b – Upper Tukituki Scheme, and 1c – Other Schemes in detail.

1a – Heretaunga Plains Scheme

Level of Service Statement			
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Heretaunga Plains Scheme (HPS).			
All flood protection and river control works associated with the Scheme shall be maintained, repaired and renewed to the standards defined in the Scheme Asset Management Plan.			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Communities and productive land experience no flooding from rivers up to the design level of protection. Work planned through an annual programme of works is completed each year.	Prepare an annual programme of works prior to the commencement of each financial year, and complete each successive programme of work. Complete detailed design philosophy and priorities for improved level of service, and progress implementation of priority improvements in accordance with work programme	286 - Maintain the channel capacity and integrity of the Heretaunga Plains Scheme flood protection assets through gravel extraction and maintenance including spraying, mowing, beach raking, lopping, pole planting and sea groyne maintenance.	Achieved The maintenance contract for 2017-18 is completed and as expected with no specific problems to report. Development of the maintenance and capital programme of work for the 2018-19 contract is completed and in place.
		287 - Continue with flood frequency reviews and investigate the Level of Service improvement strategy for Heretaunga Plains Scheme rivers.	Achieved The Awanui stopbank upgrade has been completed in April 2018. The LOS improvement strategy work is ongoing, it is too early to implement any improvements at this stage of the investigation

Land Drainage & River Control Group of Activities

Level of Service Statement HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within the Heretaunga Plains Scheme (HPS). All flood protection and river control works associated with the Scheme shall be maintained, repaired and renewed to the standards defined in the Scheme Asset Management Plan.			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
The level of service will be reported as kilometres and percentage of floodway that provide the design level of service	Tutaekuri, Ngaruroro & Lower Tukituki Audit results show no changes to level of service provided	286 - Monitor and report recovery from Plant Pest damage and plant alternative species	Achieved Annual control and monitoring of old man's beard and giant willow aphid (GWA) is being undertaken, with seasonal work on track. The Willows have been less affected by GWA this year although damage is evident in the early part of 2018. The alternative species planting programme continues to minimise the ongoing threat of GWA
		286 - Complete a report on the design philosophy and project approach and priorities for increasing the level of protection provided by the Scheme to 0.2% AEP (1:500 year return period)	Partially Achieved Work on the hydrologic analysis of the 1 in 500 year flood has been completed. The design philosophy and project approach has not been developed as modelling is required to help formulate this. Staff shortages have meant a delay in getting this work done.

Land Drainage & River Control Group of Activities

Level of Service Statement HBRC will maintain an effective drainage network that provides drainage outlet for rainfall runoff of 32mm in 24 hours from smaller watercourses to communities and productive land within the Heretaunga Plains Scheme			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Frequent out of channel flooding lasting more than 24 hours does not occur for the design rainfall runoff and lesser events.	Complete reviews of the level of service provided within each of the nine scheme areas of the drainage network across the Heretaunga Plains, and determine new level of service measures and targets as required.	290 - A chartered professional engineer will carry out an annual asset audit for the Heretaunga Plains Scheme, and a full assessment of each of the major rivers every 12 years	Achieved The annual asset inspection with a chartered engineer is under way and annual inspection report will be out for review by end of August.
		291 - Complete the review of the Napier / Meeanee and catchments in conjunction with Napier City Council.	Partially Achieved The Level of Services review for the Napier/Meeanee drainage area is underway. Currently working with NCC with catchment management plans and consent renewals parts of which will drive the LOS for Napier / Meeanee. The other (smaller) drainage areas have not yet been started. Progress has been hindered by staff changes and difficulty in recruiting capable staff.

Level of Service Statement HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
Level of Service Measures	Performance targets	Required Action	Progress Report (to 30 June 2018)
Stream Ecological Valuations completed and Ecological Enhancement Plans implemented	Stream Ecological Valuations show no decline and/or show an increase in ecological function of urban streams Increased native planting as measured six yearly based on the River Ecological Enhancement Plans	288 - Implement the River Ecological Management and Enhancement Plans (EMEP) for enhancement of ecological values for the Heretaunga Plains Scheme rivers.	Achieved Ecological Management Plans are now a key component of the annual maintenance programme.

Financial Variances Explained - To be added.

Land Drainage & River Control Group of Activities

1b – Upper Tukituki Scheme

Level of Service Statement HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas, including: - - Makara Flood Control - - Paeroa Drainage - - Porangahau Flood Control - - Ohuia – Whakaki Drainage - - Esk River - - Whirinaki Drainage - - Maraetotara - - Te Ngarue - - Kopuawhara Flood Control - - Poukawa Drainage - - Kairakau - - Waimarama (proposed)			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Communities and productive land experience no flooding from rivers up to the design level of protection Rates fairly reflect the degree of benefit received by the flood protection provided. Work planned through an annual programme of works is completed each year. The level of service will be reported as kilometres and percentage of floodway that provide the design level of service	Prepare an annual programme of works prior to the commencement of each financial year, and complete each successive programme of work.	265 - A chartered professional engineer carries out and reports on an Upper Tukituki Scheme annual asset audit	Achieved The assets of the UTT flood control scheme is under way by Chartered Engineer and the rivers scheme manager and will be completed by end of July 2018.
		265 - Monitor and report flood events in accordance with the Flood Manual	Achieved There have been no significant flood events in the first six months. Civil defence preparedness and an awareness is ongoing and any actions carried out in accordance with the latest Flood Manual.
		265 - Identify and consult with Farmer Liaison Group for the Upper Tukituki Scheme on a physical solution to the issue of surplus gravel potentially affecting the Scheme, together with the associated costs of any solution.	Achieved The annual scheme liaison committee meeting was held in October 2017 and (next one is planned for October 2018) and issues of scheme maintenance and gravel management were traversed. Initiatives such as targeted extraction in problem areas, Heretaunga plains extractors taking a % of their volumes from UTT rivers and interests outside the region were discussed. Work continues on these initiatives.
		265 - Continue maintenance and gravel extraction to maintain the channel capacity and integrity of the Upper Tukituki Scheme flood protection assets	Achieved The annual maintenance programme of beach raking, willow regrowth spraying and targeted gravel extraction continues on the UTT rivers. More emphasis has been placed on directing gravel extraction into problematic areas, as well as targeting UTT rivers in the recently revised Gravel Management plan. The alternative species, including natives, planting programme is being carried in accordance with the capital programme.

Land Drainage & River Control Group of Activities

Level of Service Statement			
HBRC will protect and enhance the scheme’s riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Ecological Management and Enhancement Plans implemented	Increased native planting as measured six yearly, based on the river Ecological Management and Enhancement Plans (EMEP)	265 - Carry out the annual Planting programme from the Upper Tukituki Scheme EMEP	Achieved The annual planting programme is carried out at each end of the financial year due to seasonal requirements. This is over the winter period of July - September and May - June. Work is progressing as planned.

Financial Variances Explained

To be added.

Land Drainage & River Control Group of Activities

1c – Other Schemes

Level of Service Statement HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas, including: - Makara Flood Control - Paeroa Drainage - Porangahau Flood Control - Ohuia – Whakaki Drainage - Esk River - Whirinaki Drainage - Maraetotara - Te Ngarue - Kopuawhara Flood Control - Poukawa Drainage - Kairakau - Waimarama (proposed)			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
A full assessment of the capacity and integrity of flood control works is completed every 12 years by a chartered professional engineer with interim audits undertaken annually The level of service will be reported as percentage of assets that provide the design level of service	Complete the process of Scheme reviews and quantify the level of service provided where this is unknown	240-249 On completion of the major scheme Level of Service review, determine a programme of Scheme reviews within available resources	Achieved LOS reviews have not yet begun. Major scheme LOS has started but is not complete
		240-249 A chartered professional engineer carries out an annual asset audit of selected areas of the Schemes, and a full assessment of each of the scheme areas every 12 years	Achieved Selected audits are under way and will be completed by end of July 2018
		240-249 Provide Annual reports on scheme activities, covering: continued provision of the design level of service and flow protection and/or provision of drainage to a level that ensures satisfactory operation of contributing surface and sub-surface outlets	Achieved Report is to be completed by end of July 2018

Financial Variances Explained

To be added.

Land Drainage & River Control Group of Activities

Activity 2 – Investigations & Enquiries

Level of Service Statement HBRC staff will provide expert advice on drainage, flooding, and coastal erosion issues			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
All queries are dealt with by appropriate qualified and experienced staff	HBRC retains two chartered professional engineers with experience in flood management, river control and coastal issues on staff	250 - Manage, train and provide for succession of key engineering staff including recruitment of graduates and promotion of Local Government careers	Achieved Still seeking replacement for vacancies with the assistance of recruitment agencies.

Level of Service Statement HBRC will provide up to a 30% subsidy for river control and flood protection where the criteria set out in the Regional Council's guidelines for technical and financial assistance are met			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Value of subsidies provided annually	\$40,000 plus inflation of subsidy money is provided each year at a subsidy rate of 30%	251 - Promote the HBRC river control and flood protection subsidy programme; reporting results as subsidy monies granted	Achieved 4 subsidies applied for so far this year, pole planting and lopping on Waipawa and Middle Tukituki Rivers.

Level of Service Statement HBRC will provide a consultancy service for drainage, flooding, and coastal erosion issues according to individual project agreements on a full cost recovery basis			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Cost recovery and Satisfaction with Service	Full costs of any consultancy work are recovered and major clients are satisfied with service provided	255 - Effectively and efficiently complete consultancy projects	Achieved Main project is Waipaoa Stopbank upgrade for Gisborne District Council.

Financial Variances Explained

To be added.

Land Drainage & River Control Group of Activities

Activity 3 – Sundry Works

Level of Service Statement			
HBRC will ensure that the beach at Westshore has erosion checked to 1986 erosion line (The 1986 line was the extent of erosion before beach renourishment began, and is identified on a series of posts along the foreshore)			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
The comparison of annual beach cross section surveys to the 1986 erosion	<ul style="list-style-type: none">- Erosion does not extend landward of the 1986 line by more than 10% of the beach length in any 12 month period- An alternative source of gravel or sand for renourishment will be sought <p>The current approach to erosion mitigation at Westshore is reviewed as part of the Coastal Hazard Management Strategy</p>	264 - Regularly monitor and report Westshore Beach profiles to enable reestablishment of the erosion line, including re-establishment of any of the 10 marker posts along the beach crest on the Esplanade	Achieved Beach measurements have been undertaken. Missing marker posts were reinstated in early 2018.
		264 - Carry out annual renourishment of Westshore Beach	Achieved Completed in Nov. 2017
		264 - The Coastal Hazard Management Strategy development process includes reviewing Westshore erosion and will recommend preferred management/mitigation methods	Achieved Coastal Strategy has developed preferred pathways for all cells. Priority cells include Haumoana/Te Awanga and Westshore. Strategy presented and adopted by HBRC, NCC and HDC. Funding discussions have been occurring.

Level of Service Statement			
HBRC will maintain river mouths so that they do not flood private land above a specified contour subject to suitable river, sea and weather conditions that will allow a safe and successful opening to be made			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Incidences of flooding of private land above levels as specified in the River Opening Protocol	Private land above a specified contour is not flooded as a result of a river mouth being closed	261 - Regularly inspect River mouths and lagoon outlets, and open when required and when river, sea and weather conditions allow	Achieved Openings required at Ngaruroro, Maraetotara, Whakaki, Waihoratuna and Nuhaka between July and Dec. 2018

Financial Variances Explained - To be added.

Regional Resources Group of Activities

Regional Resources Group of Activities

What we do

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

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

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

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

Link to Strategic Outcomes

The Regional Resources group of activities contributes to:

- Resilient Communities
- Resilient Ecosystems
- Resilient Economy

Highlights

Hglights for the Regional Resources group included:

- ...

Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE			
Operating Expenditure			
Land Management	1	4,671	4,178
Air Management	2	1,893	2,176
Water Management	3	5,504	5,348
Coastal Management	4	1,399	1,272
Gravel Management	5	416	396
Open Spaces	6	1,591	1,523
Total Operating Expenditure		15,474	14,893
Capital Expenditure			
Clean Heat Advances		1,267	4,271
Tutira Hotspot	8	-	-
Regional Pathways	271	-	-
Regional Park Network	209	348	544
Loan Repayments	2,452	-	2,175
Total Capital Expenditure		4,207	4,619
TOTAL EXPENDITURE		19,681	18,535
REVENUE			
Activity Revenue			
Direct Charges		3,858	4,350
Total Activity Revenue		3,858	4,350
Other Revenue			
Targeted Rates		1,336	1,325
Community Loan Repayments		1,811	1,506
Interest on Scheme Reserves		137	158
Grants		1,134	-
Loans Drawn Down		2,655	2,766
Total Other Revenue		7,073	5,755
TOTAL REVENUE		10,931	10,105
TOTAL GENERAL FUNDING REQUIREMENT		(8,750)	(9,407)
Special Reserve Funding			
Specific Scheme Reserves		(303)	561
Sale of Land (Non-investment) Reserve		494	448
Total Special Reserve Funding		191	1,009
NET GENERAL FUNDING REQUIREMENT		(8,559)	(8,398)
MET BY			
General Funding Rates		-	-
Investment Income		6,166	6,207
Operating Reserves		2,393	2,191
		8,559	8,398

Regional Resources Group of Activities

Activity 1 – Land Management

Level of Service Statement			
Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Annual Land Management Operational Plan. This will outline the strategic focus and alignment of land management programs and projects to regional priorities	Proposed activities for each coming financial year will be presented to council via the Operational Plan by 30 June each year; with reporting of performance against the Operational Plan objectives for the previous financial year by the end of September Continue a programme of research and extension to investigate and field trial issues relevant to land management in Hawke's Bay	380 - Prepare Annual Operational Plan for Council prior to the commencement of each financial year and annual report of achievements against the Plan by September each financial year	Achieved The 2017-18 Operational Plan & 2016-17 Annual Report were submitted and accepted by Council 12 July 2017
		380 - Initiate 1 new research project relevant to land management in collaboration with stakeholders LTP)	Achieved 3 Sustainable Farming Fund Projects with Land Management support on behalf of HBRC have been funded for the next 3 years, including - "managing annual clovers in dryland hill country", "Reducing sediment loss from winter crops" & "One winter & 2 springs - alternative browsable shrubs in hill country trial"
Preparation and Implementation of Sub-catchment Plans in priority "hotspots" catchments to address significant resource management issues	Sub-catchment plans to be developed for Tukipo, Kahahakuri, Upper Tukituki Corridor, Whakaki and potential hotspots in the TANK & Mohaka catchments	312 – provide science characterisation reports for the Tukipo and Kahahakuri catchments to support Land Management development of Sub-catchment plans	Partially Achieved Kahahakuri data has been analysed and presented and is being designed for a targeted farming audience, along with Porangahau/Maharakeke. Tukipo priority was reduced, with sampling due to be finished summer 2018-19.

Regional Resources Group of Activities

Level of Service Statement Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
	Contribute to the development of implementation plans to support Catchment Plan changes in the Greater Heretaunga (TANK) and Mohaka catchments – 60% of the RLS grant will be targeted to priority sub-catchments New Regional Landcare Scheme investment is approved only where there is alignment with the Land Management Operational Plan	380 – Apply the findings from the Science characterisation report for the Tukipo and Kahahakuri catchments to each of those Sub-catchment plans	Achieved Work is continuing in the characterisation of water quality issues in the Tukipo catchment. 2 meetings have been held with the community during the year and the community is keen to progress to a full catchment group. Intensive water quality monitoring has continued throughout the year and results should be available in 2019. SEV monitoring was postponed due to weather. The community is currently looking into using the SHMACK kits as part of their monitoring program
		380 - Hold workshops with Whakaki community, Iwi, Local & Central Government to develop a strategy for the long term sustainability for that catchment.	Achieved Numerous meetings with the Whakaki community have occurred over the last 6 months - multiple hui with the local Tangata Whenua have occurred around the Freshwater Improvement Fund, involving staff across Council. Separate engagement, through a series of 3 on-farm meetings has been occurring with the catchments farming community in the upper catchment to better understand their long term aspirations and barriers to significant land use change.
		380 - Hold primary industry meetings to coordinate a collective approach to policy implementation in the Greater Heretaunga (TANK) and Mohaka catchments	Achieved Staff have regularly attended and been well involved in the TANK process this year. Including participation in the Economics Assessment Working Group (EAWG), the Sheep & Beef Farmer steering group and the formal TANK Process. The team has worked with AgFirst in the development of sediment loss scenarios and case studies and supported the development of the Implementation plan with the Planning team. The Mohaka process is on-hold until we receive notice from the Policy and Strategy Group

Regional Resources Group of Activities

Level of Service Statement Viable and resilient farming systems are being achieved through the adoption of good land use practice			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
		380 - Apply appropriate criteria when assessing RLS funding applications via selection process and annual criteria review	Achieved All projects for the 2017-18 financial year were selected early last year, following an internal review of the criteria and assessed using that criteria to weight eligible projects for funding
Collaborative initiatives undertaken to realise regional resource management objectives	Collaborate with Local and Central Government, iwi and landholders to develop a pilot process for reducing the impact of sediment loss on waterways while considering opportunities for economic development in the Whakaki catchment	380 - Continue to support research to improve the potential for High UMF manuka plantings as a viable alternative for hill country pastoral farming via the Primary Growth Partnership for High performance manuka	Achieved The High UMF Manuka Primary Growth Partnership project concludes at the end of the financial year. Work on measuring the UMF value of existing Manuka stands across the region, monitoring the growth of Manuka and production of honey at our trial in Tutira and participation in the steering governance and project implementation has continued throughout the year.
		380 - Schedule and hold workshops and events to proactively promote industry good practice adoption across the entire region.	Achieved Staff have been involved in a number of farmer workshops over the last 6 months, including a winter cropping field day in collaboration with Beef & Lamb, a phosphorus management workshop with farmers in the Maharakeke sub-catchment, joint Fonterra/DairyNZ Dairy discussion group meetings. Staff have also been heavily involved with Beef & Lamb Farm Planning workshops providing technical advice and guidance at these meetings. Staff have also organised 5 FEMP workshop information sessions and 5 Planning workshops since Christmas. An alternative fodder shrub field day and riparian management day organised by staff were well received with over 70 attendees.

Item 8

Attachment 2

Regional Resources Group of Activities

Level of Service Statement HBRC will increase its knowledge of the region's land, soil, wetland and terrestrial habitats so it is aware of any current and likely future issues that may arise. This knowledge will allow for a timely and effective response that enables land to be managed			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
State of the Environment monitoring programme for soil quality	Monitor soil quality on an annual basis across the region	340 - Provide Soil Quality monitoring results for incorporation in the State of the Environment Report by June 2018	Achieved completed
Modelling of hill country erosion to inform the Council and affected stakeholders	SedNet erosion/sediment loss modelling has been carried out for the Region	340 - Complete SedNet erosion / sediment loss modelling of the region by 30 November 2018	Achieved completed
Regional Wetland Inventory	Complete a wetland inventory for the Region	340 - Continue to investigate and map wetlands throughout the region, to add to the Inventory	Achieved Inventory completed.
		340 - Complete aerial survey and high-level classification and delineation of wetlands across the Hawke's Bay region and provide Wetland Inventory Report by 30 June 2018	Partially Achieved Report delayed. New due date by end of September.
Integrated catchment management including staged computer modelling and monitoring is implemented for the(not until 2019); Heretaunga/Ahuriri (TANK) (completed 2017) catchment	Soil mapping (S-Map) and sediment modelling for the Heretaunga/Ahuriri (TANK) is completed	340 - Present sediment modelling report to the TANK stakeholder group	Achieved Completed
		339 - Provide soil data (S-Map) for SOURCE and MODFLOW groundwater modelling input to the TANK plan change process	Achieved completed
Regional soil map available	Soil mapping for the Region has been completed	339 - Summarise activities and findings of the Regional Soil Mapping Study in a report by 30 June 2018	Partially Achieved Mapping completed. Consultant report delayed until the end of September.

Regional Resources Group of Activities

Level of Service Statement			
Hawke's Bay's land and soil resources are maintained for future generations			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
<ul style="list-style-type: none"> Area of highly erodible hill country protected Length of riparian margin enhanced Number of significant wetlands protected 	<ul style="list-style-type: none"> Promote riparian planting as part of regulatory stock exclusion requirements Identify and promote the protection and/or enhancement of wetlands that achieve multiple benefits in the landscape Maintain poplar and willow planting soil conservation programme <p>Mitigate the risks of potential environmental effects from upcoming forestry harvests in Hawke's Bay</p>	380 - Continue to encourage riparian planting through subsidy and education; recording and reporting the kms of riparian planting achieved	Achieved 28.3 km of riparian margin has been protected this year through the direct funding of RLS grant. The Riparian Planting Program has contributed a further 4km of riparian protection (72% in the Tukituki Catchment) through the provision of subsidised plants. A riparian management field held was organised by staff in Autumn and was attended by over 40 landholders.
		380 - Continue to encourage wetland protection, through subsidy and education; recording and reporting the new areas protected	Achieved The team had a target of 20 ha of wetland protected this financial year and currently has 19 ha of projects funded with further work occurring at Lake Rununga & Whatuma.
		380 - Participate in the Poplar and Willow Trust and NZ Dryland Forests Initiative to provide other options for hill country erosion control	Achieved The Land Management team remains committed to the work and direction of the Poplar and Willow Trust, and continue to be involved in the attendance of steering committee meetings and supportive of the projects that have required our input & involvement. We have also continued to remain heavily involved with the NZ Dryland Forests project and are currently engaged with NZDFI in planning the next stage of our involvement.
		380 - Work with the forest industry and align activities promoting Best Practice with the HB Forestry Group	Achieved Assistance to industry, HBRC Consents and Compliance teams, landowners in implementation of new forestry standards (NES-PF). Site visits to advise on best practice forestry methods. New standards bedding in well and encouraging good practices.

Regional Resources Group of Activities

Level of Service Statement			
Hawke’s Bay’s land and soil resources are maintained for future generations			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Wise investment to encourage erosion reduction and water quality enhancement through the Regional Landcare Scheme and targeted research	60% of the Regional Landcare Scheme grant funding will be targeted to priority sub-catchments	380 - Report on the percentage of RLS funding invested in priority sub-catchments	Partially Achieved This financial year 38% of the RLS grant was funded in the Tukituki Catchment. The team had a target of increasing erosion control poles sold into the area by 20% and exceeded this significantly by lifting pole sales by 75% from 9,620 to 16, 836. The Riparian planting program had 72% of the 20,500 plants to landholders go to those in the Tukituki Catchment. This year we funded 55 projects at a total cost of \$240,607 leveraging a total project cost of \$710,503

Financial Variances Explained

To be added.

Regional Resources Group of Activities

Activity 2 – Air Management

Level of Service Statement			
HBRC will have adequate knowledge about the level of air pollutants that may impact on public health and aesthetic values so that it can manage air quality for human health needs and aesthetic values			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
State of the Environment monitoring programme for: <ul style="list-style-type: none"> Air quality Climate 	Monitoring is undertaken in accordance with the Regional Air Quality Monitoring Strategy Report on breaches of the National Environmental Standards in accordance with the standard	341 - Undertake source apportionment monitoring and reporting as needed to identify pollution sources in the region's airsheds	Achieved Hazardous air pollutant sampling was completed at Marewa and interim results from GNS supplied. Reporting by GNS will be completed next month.
		341 - Monitor PM10 concentrations continuously in the Napier, Hastings and Awatoto airsheds to determine compliance with the National Environmental Standard for Air Quality and provide State of the Environment reporting.	Achieved Continuous monitoring was undertaken in Napier, Hastings and Awatoto and targets for valid data met.
		341 - Report results against NES for Air Quality annually	Achieved Napier had 1 exceedance between 1 July 2017 and 1 July 2018 which meets the NES. Hastings had 2 and is currently on track (three allowed until Sept 2020).

Regional Resources Group of Activities

Level of Service Statement HBRC will provide financial assistance for those who qualify for insulation and clean heat support			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Number of clean heat systems installed under financial assistance programme	Provide loan assistance to homeowners region wide for home insulation, and clean heat in the airsheds under HBRC's financial assistance programme	342 - Manage and maintain a communication strategy to promote the programme, to ensure a high level of understanding of Council's air quality management requirements and Heat Smart financial incentive package.	Achieved This ten year programme had a target of replacing 10,000 fires, averaged at 1,000 per year. 1022 completed for 2017-18. 10,402 fires replaced to 30 June 2018, two years ahead of plan Total finance packages 13,269 at 30 June 2018 (including insulation)

Level of Service Statement Hawke's Bay's air is suitable to breathe			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Compliance with National Environmental Standard (NES) for Air Quality	Napier Airshed meets NES: No more than 1 exceedance by 2016 Hastings Airshed meets NES: No more than 3 exceedances by 2016 and no more than 1 exceedance by 2020	341 - In accordance of regulation 16 of the NESAQ, publicly report any exceedances of the PM10 standards within the region, as required and within 5 working days of the end of the month in which they occur.	Achieved All PM10 exceedances have been publically notified in the target timeframes.

Financial Variances Explained

To be added.

Regional Resources Group of Activities

Activity 3 – Water Management

Level of Service Statement			
HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
State of the Environment monitoring programme for: - - Climate - River flows - Groundwater levels - Surface water quality and ecology (freshwater and coastal) - Groundwater water quality	<ul style="list-style-type: none"> Establish 1 climate station a year in response to identified requirement Monitor surface water quality on a monthly basis across regional SoE monitoring sites Upgrade rainfall sites as required to maintain level of service Evaluate and upgrade groundwater/surface water monitoring networks as necessary State of the Environment monitoring is undertaken in accordance with National monitoring and reporting requirements where appropriate	360 - Review SoE Climate data to identify whether there is a requirement for additional climate monitoring stations	Achieved All Climate sites have now been installed. Kaiwaka Climate is being upgraded. All SOE monitoring has been undertaken and to required standards
		395 – Produce an annual report of SoE Monitoring Performance against Council and National requirements	Achieved Continuing to monitor all sites, and evaluate networks as required.
		320 - Monitor and record SoE rainfall site performance to ensure sites maintain the level of service required	Achieved All Climate sites have been installed. Surface water has continued to be monitored monthly at SoE sites. Networks have been upgraded as necessary. SoE continues to be monitored according to national standards.
		320 - Complete an annual internal audit of eight hydrology and climate monitoring sites including site maintenance, condition and identification of system upgrades required.	Achieved Haumoana and Kaiapo Rainfall sites have been audited this period.
Knowledge is available to inform environmental flow and allocable volume reviews of the Tukituki River; Ngaruroro River; Karamu Stream; Tutaekuri River;	Environmental flow and Allocation reports are completed for the Karamu Stream, Tutaekuri River, Ngaruroro River and inflows to the Ahuriri Estuary (TANK)	310 - Progress development of a geologic model for Ruataniwha Basin	Achieved Leapfrog modelling of Ruataniwha Basin is completed, along with draft technical report. The report is with an external peer reviewer and expected to be published September 2018.

Regional Resources Group of Activities

Level of Service Statement			
HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Ruataniwha Plains; Heretaunga Plains river catchments and groundwater basins	The coupled surface-groundwater model built for Ruataniwha Basin/Tukituki is up to date. Scenarios are running for the Heretaunga Plains surface-groundwater model, and a programme of work to investigate the deeper parts of the Heretaunga Aquifer is developed	310&311 - Commence reporting on groundwater and surface water allocation and abstraction scenarios modelling for the Greater Heretaunga Plains (TANK) catchments	Achieved SOURCE model construction report completed by Jon Williamson (consultant). Rob Waldron has completed a draft report for the SOURCE scenario modelling and presently being reviewed internally. Peer review and sign off to follow. Heretaunga Springs report completed. Draft addendum report on fish habitat modelling for the Ngaruroro and Tutaekuri rivers completed and reviewed. Awaiting sign off as of July 2018.
		330 Investigate the location, target depths and costs of drilling and then maintaining 10 deep observation wells across the Heretaunga Aquifer by 28 February 2018 for 2018-28 Long Term Plan consultation	Partially Achieved A paper was drafted for this investigation to follow up on papers presented to Council. This works has since been superseded by a skyTEM method for exploring the subsurface properties.

Level of Service Statement			
HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay.			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Knowledge available to inform review of water quality objectives and setting of water quality limits	Undertake catchment sensitivity analysis in focus river catchments to align with plan change requirements	310 - Evaluate sensitivity of groundwater levels and springfed streams to groundwater allocation scenarios and report findings as input to TANK plan change process	Achieved Analysis is completed and presented to TANK stakeholder group meetings. Reporting is nearing completion and publication is expected August 2018.

Regional Resources Group of Activities

Level of Service Statement HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay.			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
		312 - Explore options for defining freshwater management units in Hawkes Bay and suitability of existing monitoring networks for assessing compliance with NOF attributes under the NPS-FM	Achieved Discussions with policy have confirmed potential freshwater management units, with increased monitoring requirements incorporated into the LTP. Due to staggered funding of required resourcing, the increased monitoring will not begin until year 2 of the LTP.
		312 – report on expanded monitoring required for Tukituki Plan Change Implementation	Achieved Fieldwork has begun for Tukipo sub-catchment, extra monitoring sites for PC6 implementation have been sampled and data fed into consent/compliance matters with regard to DIN exceedance. Ecosystem health metric being developed for more informative monitoring.
Knowledge available to inform Council and stakeholders of 'pressures' on the health of aquatic ecosystems	Provide technical information and advice to Council and stakeholders on 'pressures' on the health and habitat of aquatic ecosystems	312 - Analyse and report on catchment characterisation programs to the Council and priority catchment stakeholders	Achieved Tukipo priority subcatchment monitoring is due for completion in December 2018, Kahahakuri and Porangahau/Maharakeke reports have been drafted and are with comms for targetted design.
		312 - Continue monitoring Lake Tutira water quality and report significant water quality events.	Achieved Intensive monitoring has been undertaken around installation and operation of Waikopiro air curtain. Buoys operational on Tutira and Waikopiro. Water quality dynamics being reported as needed.
Number of active water user groups Implementation of water efficiency tools by Water User Groups	<ul style="list-style-type: none"> - Continue to establish and facilitate Water User Groups on a priority sub-catchment basis - In conjunction with Water User Groups, source research grants relating to water use 	314 - Establish and facilitate new Water User Groups in priority catchments	Achieved All water user groups have been supported as required. New water conservation group across councils and industry top 20 users established. Successful water irrigation efficiency project ran November to Feb supported by INZ magazine quarterly four page insert for HBRC

Regional Resources Group of Activities

Level of Service Statement HBRC will increase its knowledge of the region's water resources in terms of quantity, quality and habitats so that a policy framework can be developed to sustainably manage the water and land resources within Hawke's Bay.			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
	and resource allocation efficiency Continue to transfer latest water efficiency and allocation information to Water User Groups	314 - Investigate and apply for water efficiency and allocation research grants	Achieved All water user groups have been supported as required. New water conservation group across councils and industry top 20 users established. Successful water irrigation efficiency project ran November to Feb supported by INZ magazine quarterly four page insert for HBRC
		314 - Water User Group facilitators are kept up to date with the latest water related information from science and other council departments and pass that information onto water user groups	Achieved All water user groups have been supported as required. New water conservation group across councils and industry top 20 users established. Successful water irrigation efficiency project ran November to Feb supported by INZ magazine quarterly four page insert for HBRC
		314 – Schedule and facilitate regular Water User Group meetings to transfer knowledge	Achieved All water user groups have been supported as required. New water conservation group across councils and industry top 20 users established. Successful water irrigation efficiency project ran November to Feb supported by INZ magazine quarterly four page insert for HBRC

Item 8

Attachment 2

Regional Resources Group of Activities

Level of Service Statement HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Number of consent holders with water meters operating using telemetry or web/text systems	Cumulative total of 1500 consents using telemetry or a web entry system is achieved	395 - Continue implementation of water metering across Hawke's Bay in accordance with government regulations	Achieved Final phase of metering required for low volume takes completed and impact audited by OAG; Volumes of consents variable due to global consents; As of 30th June 2018, 84% of exercised consents are using web and telemetry compared with a target of 80% or, out of 2215 consents: 299 not required to return data (not exercised or less than 5ltr/sec): leaving Web and telemetry returns as 1604 out of 1916 = 84%
		395 - Establish and maintain web entry and telemetry systems to enable accurate water use reporting	Achieved As of 30 June 2018, 84% of exercised consents are using web and telemetry compared with a target of 80% or, out of 2215 consents: 299 not required to return data(no exercised or less than 5ltr/sec): leaving Web and telemetry returns as 1604 out of 1916 = 84%

Level of Service Statement Hawke's Bay's water resource is available for future generations			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Allocation limits and water quality limits Implementation of National Policy Statement for Freshwater Management (NPSFM)	Scientific information and reporting, including aquatic habitat, for the TANK (Tutaekuri, Ahuriri, Ngaruroro and Karamu) and Mohaka Catchment reviews of water quality objectives,	312 - Integrate NPS-FM ideology (attribute bands) for in-stream ecological values and standards with RRMP limits through the Mohaka and TANK Plan Changes	Achieved Performance against NOF attributes has been evaluated and reported upon for the TANK plan change process. There have been delays regarding policy development of the Mohaka plan change, but data is being collected to support this when it is required.

Regional Resources Group of Activities

Level of Service Statement Hawke's Bay's water resource is available for future generations			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
	guidelines and limits to maintain identified values, is provided to inform the Plan Change processes under way	315 - Provide appropriate scientific information on catchment surface water quality and ecology to inform the TANK (Tutaekuri, Ahuriri, Ngaruroro and Karamu) and Mohaka Catchment plan change consultation processes	Achieved Information needed for the final stages of the TANK plan change process has been provided and well received. Reassessment of nitrate trends for Mohaka plan change has been undertaken but plan process is still in preliminary stage.
		315 - Assess and update existing RRMP Water Quality guidelines as required in accordance with NPS-FM attributes	Achieved Ongoing reassessment of water quality guidelines and conversations with policy and stakeholders to provide the information as required. TANK well matured, with water quality objectives and guidelines feeding into the draft plan change.

Financial Variances Explained

To be added.

Regional Resources Group of Activities

Activity 4 – Coastal Management

Level of Service Statement HBRC will measure water quality at key recreation sites and make the results available to promote public health and safety			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Recreational water quality monitoring programme and website meet public expectations and statutory requirements	<ul style="list-style-type: none"> Weekly monitoring of key recreational sites is carried out as per recreational water quality monitoring plan and results made available to the public within 2 days of being verified Pollution sources for sites that regularly exceed guidelines are identified 	331 - Recreational water quality monitoring of 36 contact recreation and 5 shellfish gathering sites is carried out and reported over the period of early November to mid-March, in accordance with HBRC's Monitoring Plan and National guidelines	Achieved The recreational water quality monitoring programme has been successfully completed for the 2017-18 summer.
		331 - Undertake faecal source tracking when Recreational Water Quality sites regularly exceed guideline values and conditions allow – and communicate results to Biosecurity, Land Management, TLA and Public Health teams when results are obtained	Achieved Sites for faecal source tracking included Pandora Pond/Ahuriri Estuary, Wairoa and Nuhaka Rivers.

Level of Service Statement HBRC will continue to monitor, research and investigate coastal processes to inform coastal planning including climate change and coastal hazards			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Annual coastal monitoring and investigation programme including: - Beach profiling - Storm monitoring - Sediment transport and processes investigation and modelling - Hazard prediction including tsunamis, inundation, erosion, storm surge	Complete the Clifton to Tangoio Coastal Hazards Strategy to guide decision making on the mitigation and management of hazards. Annual Coastal Processes monitoring and investigation programme is completed and reported each year	322 – Contribute scientific and technical information to support the development of the Clifton to Tangoio Coastal Hazards Strategy	Achieved Coastal Strategy panel concluded with recommended pathways to council, with priority cells being Haumoana/Te Awanga and Westshore. Strategy presented and adopted by HBRC, NCC and HDC. Funding discussions have taken place but no specific conclusion has been reached. TAG has developed strategy to continue with implementation, which will require design work and modelling of effects of proposed works.

Regional Resources Group of Activities

Level of Service Statement HBRC will continue to monitor, research and investigate coastal processes to inform coastal planning including climate change and coastal hazards			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
		322 - Prepare, implement and annually report on coastal monitoring and investigation programme, including beach profiles, changes and trends.	Partially Achieved Annual Hawke's Bay series of Beach Profiles completed in Dec. 2017. Analysis of data was planned to occur in later part of year, however this was not completed due to other commitments. The analysis and report will be completed sometime in the 2018-19 year.

Level of Service Statement HBRC will provide long term, relevant and specific information on Hawke's Bay's coastal ecosystems, so that Council and the community can remain engaged with, and informed of, the current state and potential threats to the health of coastal environments			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Identify the state and health of selected regional beaches, reefs and estuaries Identify the state and health of near-shore coastal environments Maintain an operative and relevant Coastal Monitoring Strategy	Monitoring undertaken in accordance with the relevant Coastal Monitoring Strategy Comprehensive State of the Environment reports	331 - Report on Coastal ecology and water quality monitoring results as input on Marine Hotspots projects	Achieved Subtidal habitat mapping of the Wairoa Hard, satellite imagery analysis of river plumes and sediment composition investigations have been completed.
		331 - Report nearshore coastal water quality monitoring results trends for inclusion in State of the Environment trends reports.	Partially Achieved Only 6.5 of 8 surveys were completed in the 2017-18 FY. Emphasis for 2018-19 will be on ensuring 8/8 runs completed.
		331 - Carry out State of the Environment Monitoring and reporting of regional beaches, intertidal reefs and estuaries in line with the HBRC Coastal Monitoring Strategy.	Achieved Reef, beach and estuary surveys completed in line with current protocols.
		313 - Gather scientific information and report on the effects of stormwater on coastal receiving environments throughout the region.	Achieved Work is ongoing with TANK stormwater working group and Thames/Tyne stormwater working group.

Regional Resources Group of Activities

Level of Service Statement HBRC will increase its knowledge of coastal ecosystems through targeted research and investigations so that it is better able to understand and respond to the effects of activities on the coastal environment			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Undertake specific investigation and/or research, and report on these outcomes where appropriate	Targeted investigations into coastal receiving environments receiving stormwater discharges as and when required	313 - Using SedNet, determine sediment loads at terminal stream reaches to quantify sediment loads into Hawke Bay.	Achieved SedNet modelling has identified sediment loads at the terminal reaches of Ahuriri, Ngaruroro, Karamu and Tutaekuri catchments. Further catchments will be undertaken as planning resources allow.
		313 - Produce a report describing the seasonal movement of the saline wedge at a variety of HB rivers/estuaries.	Achieved Salinity loggers have been deployed continuously in the Ahuriri Estuary to determine whether the Ficopomatus removal has resulted in changes to hydrology of the estuary. This work is ongoing.

Financial Variances Explained

To be added.

Regional Resources Group of Activities

Activity 5 – Gravel Management

Level of Service Statement			
HBRC will monitor and manage river-bed sediment to ensure flood protection schemes work as expected			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
River surveys (3-6 yearly) show all scheme rivers have sufficient capacity In rivers where gravel is extracted the riverbed is managed to a design grade based on the design channel flow capacity. No incidences of erosion or flooding as a result of undesirable gravel levels	No decline in river flood capacity; Average riverbed remains within design grade; and there are no incidences of erosion or flooding	369 - Undertake gravel monitoring, assessment and extraction programmes in accordance with Regional Resource Management Plan, and to meet agreed levels of service	Achieved Flood capacity for HP rivers remains within design limits. Southern rivers in places have reduced freeboard due to gravel build-up. This is being monitored and extraction directed to these areas where there is demand.

Level of Service Statement			
River-bed gravel is equitably allocated to gravel extractors			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
The gravel allocation process complies with the Regional Resource Management Plan	No compliance issues with gravel extraction	Undertake gravel allocation process as proposed in the Regional Resource Management Plan	Achieved

Level of Service Statement			
River gravel management activities have no significant adverse effects on river ecology and water quality			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
No reported incidences of adverse impacts following gravel extraction or beach raking activities	No reported incidences of adverse impacts following gravel extraction or beach raking activities	369 - Undertake gravel management activities in compliance with the RRMP, Ecological Management plans and the River Environmental Code of Practice	Achieved The gravel management plans have been followed. Bird surveys carried out prior to work in critical areas as required.

Regional Resources Group of Activities

Level of Service Statement			
Knowledge necessary for sustainable management of riverbed gravel is improved			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Completion of investigation and research work recommended in riverbed gravel scoping study 2010	Annual Programme of investigation and research work is completed	369 - Continue to review knowledge and to fill knowledge gaps to improve Council’s understanding of the sustainability of river bed gravel extraction in Hawke’s Bay	Achieved Investigation and analysis has been carried out this period to inform the consent process.
		369 - Propose options for increased sustainable gravel extraction for rivers crossing the Ruataniwha Plains	Achieved Options are being examined. These include excavate to waste, incentives and directing extractors to take the first 20% from the southern region. This will take effect when HBRC has global consents

Financial Variances Explained

To be added.

Regional Resources Group of Activities

Activity 6 – Open Spaces

Level of Service Statement			
HBRC will maintain, develop, and provide public access to existing Council owned regional parks for multi-purpose benefits			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Levels of service associated with all regional parks are set out in Individual Park Plans (IPPs) where present and / or the HBRC Regional Park Network Plan	<ul style="list-style-type: none"> - Work towards realisation of the Regional Park Network Plan - Work towards achieving objectives and delivering levels of service specified in IPPs Secure funding for development of regional park assets	362 - Complete Tutira Park Plan	Partially Achieved Preliminary work has been completed identifying areas of focus requiring planning and management: - Community and Stakeholders - Soil conservation and water quality - Cultural heritage - European heritage - Investment (Forestry, Manuka etc) - Recreation - Grazing - Biodiversity - Amenity Priority is to develop post pine harvest planting options for the park. A composite replanting option has been developed. This requires further work to develop the business case for the composite option. Not expecting the overall park plan to be completed this year as time is being invested in other Tutira related projects.
		362-Implement the Individual Park Plan (IPP) for Pekapeka Regional Park	Achieved Park plan implemented as per work programme. Western wetland enhancement completed. Maintenance and plant pest control programmes completed.
		362- Develop Regional Park assets in accordance with adopted IPPs as funding allows	Achieved Park maintenance priorities focused on maintaining infrastructure tracks, signs, fences, culverts/bridges, plant pest control, and soil conservation planting management (poplars etc). Currently managing campground toilet cleaning on behalf of DOC. Considering other areas of DOC work that could be managed / maintained by HBRC as well.

Regional Resources Group of Activities

Level of Service Statement HBRC will maintain, develop, and provide public access to existing Council owned regional parks for multi-purpose benefits			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
		362- Establish levels of service and Individual Park Plan for the jointly-owned Waipatiki Holiday Park	Achieved Levels of service being established Work presently involves: <ul style="list-style-type: none"> • Understanding owner / lessee responsibilities. • Understanding local authority responsibilities and developing constructive working relationships between owners/LA's/Lessee/neighbours. • Establishing and attending to priorities to meet health and safety requirements (water supply, sewerage, hot water heating, building maintenance requirements – significant work required here). • Establishing funding requirements. • Developing multi-year work programme to bring the campground complex up to a satisfactory standard that meets local authority and DHB building code and H&S requirements. • Campground lease to be reviewed / re-drafted. • Landscape / IPP plan to be drafted Financial resourcing limiting factor. To be progressed 1819
		362 - Continue to investigate funding opportunities, third party leveraged funding, for capital development projects within the Regional Park Network	Achieved Stage 2 Waitangi Estuary Enhancement concept development underway

Regional Resources Group of Activities

Level of Service Statement HBRC will maintain, develop, and provide public access to existing HBRC pathways for multi-purpose benefits			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Maintain and develop HBRC pathways network on HBRC land in accordance with the NZ Cycle Trail Design Guide	<ul style="list-style-type: none"> HBRC Pathways are maintained and developed to levels of service in accordance with New Zealand Cycle Trails Inc. guidance and consistent with pathways throughout HB Funding secured for maintenance and development of HBRC Pathways asset 	342 - Manage and maintain a communication strategy to promote the programme, to ensure a high level of understanding of Council's air quality management requirements and Heat Smart financial incentive package.	Achieved This ten year programme had a target of replacing 10,000 fires, averaged at 1,000 per year. 1022 completed for year end 30th June 2018. 10,402 fires replaced to end June 2018, two years ahead of plan Total finance packages 13,269 to end of June 2018 (including insulation)

Level of Service Statement HBRC will seek affordable ways to increase public enjoyment opportunities of open space through: - Expansion of the Regional Park Network through partnerships, development of HBRC land or land acquisition - Expansion of HBRC Pathways through partnerships and collaboration - Continuing to assess open space opportunities in accordance with HBRC Open Space policy and evaluation criteria			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Open space policy and evaluation criteria Regional Park Network Plan policy Note Approx. \$600,000 loan provision remaining in HBRC open space and community facilities to provide for new opportunities	Continue to assess affordable open space opportunities in accordance with the Regional Park Network Vision Action any opportunities approved by Council Investigate open space development opportunities with the region's territorial authorities that align with visitor facilities and attractions and meet policy and evaluation criteria	362- Continue to investigate and consider opportunities for any new open space facilities; and establish levels of service and Management Plans for development proposals	Achieved Concept plans for the Ngaruroro (Fernhill to Awatoto) and Upper Tukituki (Waipukurau) river corridors. Concept plan underway for Waitangi Estuary Enhancement stage 2.

Financial Variances Explained

To be added.

Regulation Group of Activities

Regulation Group of Activities

What we do

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

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

Link to Strategic Outcomes

The Regulation group of activities contributes to:

- Resilient Communities

Highlights

Hghlights for the Strategic Planning group included:

- ...
- ...

Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE			
Operating Expenditure			
Resource Consent Processing	1,314	1,591	1,408
Compliance Monitoring	1,701	1,358	2,956
Maritime Safety and Navigation	390	408	362
Building Act Implementation	16	76	27
Total Operating Expenditure	3,421	3,433	4,753
TOTAL EXPENDITURE	3,421	3,433	4,753
REVENUE			
Activity Revenue			
Direct Charges	1,384	1,547	966
Total Activity Revenue	1,384	1,547	966
TOTAL REVENUE	1,384	1,547	966
TOTAL FUNDING REQUIREMENT	(2,037)	(1,886)	(3,787)
TOTAL GENERAL FUNDING REQUIREMENT	(2,037)	(1,886)	(3,787)
Special Reserve Funding			
Other Reserve Funding	247	-	989
Total Special Reserve Funding	247	-	989
NET GENERAL FUNDING REQUIREMENT	(1,790)	-	(2,798)
MET BY			
General Funding Rates	2,490	2,307	1,847
Investment Income	1,298	1,394	2,178
Operating Reserves	(1,998)	(1,815)	(1,227)
1,790	1,886	2,798	

Regulation Group of Activities

Activity 1 – Resource Consent Processing

Level of Service Statement HBRC will ensure that accurate information about resource consent requirements and processes is readily available			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Application and submission guides are available in electronic and hard copy form	No verified reports of inaccurate information being given in relation to resource consent requirements	402 - Maintain and improve resource consent application and submission forms and information, including the availability of online resources.	Achieved Guidance and forms are available on-line. Electronic application is available. It will change and be improved with IRIS.
	Electronic application and submission forms, application and submission guides are available through HBRC's website	402 - Maintain clear communications with resource consent holders and applicants over timelines, information requirements and consent processing	Achieved

Level of Service Statement HBRC will process resource consent applications in a timely manner			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
100% of resource consent applications are processed within statutory timeframes set down in the Resource Management Act 1991	100% of resource consent applications are processed within statutory timeframes	402 - Continue to track and report on Resource Management Act resource consent application processing timeframes	Achieved

Financial Variances Explained

To be added.

Regulation Group of Activities

Activity 2 – Compliance Monitoring

Level of Service Statement			
HBRC will check that consent holders comply with the resource consent conditions imposed to protect the environment			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Number of consents monitoring in accordance with the adopted Compliance Monitoring Strategy	90% of programmed inspections/reports completed each year 95% of monitored consents achieve an overall grading of full compliance	450 - Maintain an up-to-date Compliance Monitoring Strategy that reflects the level of risk to the environment	Achieved An up to date Compliance Monitoring Strategy is in place. This will be updated during the next 18 months.
		450 - Carry out scheduled resource consent monitoring visits/inspections in accordance with the Annual Work programme, recording and reporting compliance with resource consent conditions	Achieved Total consents to monitor = 3144 Total consents monitored = 2943 Percentage monitored = 94%
		450 - Record and report compliance grades achieved, as percentages across all categories, including follow-up and/or enforcement actions undertaken as required	Partially Achieved Total Consents monitored = 3144 Non compliant at time of monitoring = 213 Compliance percentage = 93.5%
		450 - Record and report the percentage of monitored consents with improved Compliant grade achieved within 6 months.	Achieved There are no outstanding matters of this type.

Regulation Group of Activities

Level of Service Statement			
HBRC will provide a 24 hr/7 day a week pollution response service for reporting environmental problems			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Duty Management/Pollution Management response system	24 hour duty management/pollution management response system maintained	445 - Appropriately qualified staff are appointed to operate the duty management and pollution response systems	Achieved
		445 - Maintain an accurate and up-to-date record of duty management and pollution response actions taken	Achieved Pollution Response: Total number of pollution calls 2018 = 1095 [LY = 915] a 20% increase Calls by type: Air = 696 [LY = 544] a 28% increase Coastal = 56 [LY = 31] an 81% increase Groundwater = 16 [LY = 34] Land = 97 [LY = 66] a 47% increase Surface water = 224 [LY = 235] Navigational Safety = 6 [LY = 5] Enforcement: Abatement Notices issued = 46 [LY = 14] a 229% increase Infringement Notices = 92 [LY = 55] a 67% increase Prosecutions = 5 [LY = 5]

Financial Variances Explained

To be added.

Regulation Group of Activities

Activity 3 – Maritime Safety and Navigation

Level of Service Statement HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region's navigable waters are safe for people to use			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
The Navigation Safety Bylaws and Port and Harbour Safety Management System	2015-25	460 - Retention, at all times, of suitably qualified Harbourmaster and Deputy Harbourmaster	Achieved Done
	– Implement the Maritime New Zealand approved 2017 Navigation Safety Bylaws	460 - 2017 Navigation Safety Bylaws are implemented by the Harbourmaster and Boating Advisors through public education and engagement, and finally through enforcement as required	Achieved Infringement Fee approval is with Ministry of Transport in Wellington. Due back shortly.
	– Maritime safety in relation to the ports, harbours and waters in the Hawke's Bay region will be actively monitored and maintained in accordance with the Maritime Transport Act (Part 3)	460 - Ensure adequate Boating Advisor resources are trained and available to effectively implement and enforce new (2017) bylaws	Achieved New Training and education will be required once the Infringement Fees are back and the new Bylaw is implemented
	– Maintain a Maritime New Zealand accredited Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area	460 - Monitor and report adherence with the Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area including the Napier Inner Harbour, including completion of the Annual Self Assessment	Achieved Annual Self Assessment completed alongside Napier Port in May 2018. First meeting of a pilotage area safety committee comprising all stakeholders is organised for Monday 30th July.
	Marine accidents and incidents are investigated and acted upon using education and enforcement as appropriate	460 - Record and report all accident and incident investigations, including actions resulting, in accordance with Maritime New Zealand requirements.	Achieved All incidents reported to MNZ for joint investigation. Relationship with NZ Police first responders established.

Financial Variances Explained - To be added.

Regulation Group of Activities

Activity 4 – Building Act Implementation

Level of Service Statement Process Building Act consent applications within timeframes			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Contract with Waikato Regional Council to process dam consents on behalf of Hawke's Bay Regional Council (HBRC)	Maintain contract with Waikato Regional Council, for the processing of dam building consents	470 - Maintain HBRC's contract with Waikato Regional Council for processing new resource consent applications for dams on behalf of HBRC	Achieved Contact with Waikato RC is maintained for large dams requiring Building Act consents

Level of Service Statement Maintain an accurate Dam Register and help dam owners prepare Dam Safety Assurance programmes in accordance with Building Act timeframes			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
All known dams have been recorded on the Dam Register, and dam owners informed of Building Act requirements	The Dam Register is maintained and up to date	470 - Record and report investigations into illegally built dams, including results of those investigations	Achieved A dam register is maintained and up to date

Level of Service Statement HBRC will investigate illegally built dams and will ensure that they are removed or made compliant			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Any illegally built dam is made compliant or removed within six months of identification	100% of dams comply with current regulations	470 - Maintain staff levels and increase their knowledge of dam regulation requirements (LTP)	Achieved The Council is unaware of any illegally built dams of any size.

Financial Variances Explained

To be added.

Biosecurity & Biodiversity Group of Activities

Biosecurity & Biodiversity Group of Activities

What we do

The Biosecurity and Biodiversity group of activities is carried out in accordance with Hawke’s Bay Regional Council’s (HBRC) Regional Pest Management Strategy.

Biosecurity covers the following inter-related programmes:

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

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

Link to Strategic Outcomes

The Biosecurity and Biodiversity group of activities contributes to:

- Resilient Communities
- Resilient Ecosystems
- Resilient Economy

Highlights

Hghlights for the Strategic Planning group included:

- ...
- ...

Biosecurity & Biodiversity Group of Activities

	Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE				
Operating Expenditure				
Animal Pest Control	1	2,195	1,983	2,218
Bovine Tb Regional Vector Control	2	-	-	-
Plant Pest Control	3	829	776	790
Biodiversity	4	13	-	-
Pest Management Strategies	5	123	91	94
Total Operating Expenditure		3,160	2,850	3,102
TOTAL EXPENDITURE		3,160	2,850	3,102
REVENUE				
Activity Revenue				
Direct Charges		38	-	29
Total Activity Revenue		38	-	29
Other Revenue				
Targeted Rates		1,719	1,708	1,681
Grants		322	25	292
Interest on Scheme Reserves		1	4	3
Total Other Revenue		2,043	1,737	1,976
TOTAL REVENUE		2,081	1,737	2,005
TOTAL FUNDING REQUIREMENT		(1,079)	(1,113)	(1,097)
Special Reserve Funding				
Specific Scheme Reserves		27	83	73
Rabbit Reserve		-	-	-
Total Special Reserve Funding		27	83	73
NET GENERAL FUNDING REQUIREMENT		(1,052)	(1,030)	(1,024)
MET BY				
General Funding Rates		-	-	-
Investment Income		763	761	797
Operating Reserves		289	269	227
		1,052	1,030	1,024

Biosecurity & Biodiversity Group of Activities

Activity 1 – Regional Biosecurity Programmes

Level of Service Statement HBRC will implement regional pest management plans that improve biodiversity and economic prosperity			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Maintain a current Regional Pest Management Plan	The review of the current Regional Pest Management Plan (RPMP) is completed and the proposed new 2018-2028 RPMP is notified by February 2018	689 - Hold stakeholder meetings to discuss key RPMP initiatives such as wide scale predator control, feral cats, feral goat management and regional biosecurity coordination.	Achieved RPMP review has been completed and the proposed new RPMP notified. We are currently undergoing hearings.
Undertake research and investigation to quantify and/or increase the economic, biodiversity or animal/human health benefits of pest control	Undertake at least one research/investigation initiative annually	650 - Purchase new releases of biological control agents and financially support new agent research and development where appropriate	Achieved Consultation with Wairoa Iwi started regarding Japanese honeysuckle agents but no resolution reached. However Maungaharuru Tangitu iwi have given permission for the release of the Japanese honeysuckle agents (White admiral butterfly and Stem boring beetle) in season 2018-19. Eight releases of Californian Achieved thistle beetles collected and distributed to local farmers who have requested them. Achieved thistle beetle has now established well at site in Wairoa which will act as another collection point. \$25,000 paid to support Landcare Research with continued research. SFF bid to start a biocontrol programme for Calamint won and will start next financial year.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Regional Animal Pest Control and Bovine Tb Vector Control Programmes Hectares of rateable land kept at low possum numbers (means no more than 5 possums caught per 100 traps set out at night)	All rateable land will be reduced to low possum numbers (total rateable land in Hawke's Bay = 1,000,000ha) Of the PCAs monitored, less than 10% of the monitoring lines exceed 5% trap catch	660 - Where enforcement action is required staff will issue "Notices of Direction" and encourage land occupiers to comply with that Notice	Achieved Three notices of direction have been issued over the 17-18 period.
		660 - Prepare an annual trend and education monitoring programme by 30 May each year	Achieved Education monitoring has been carried out over PCAs to provide an indication of the success of the programme and to provide an early warning of any possible problem areas. The animal pest team will prepare an annual education monitoring programme prior to 30 May 2018 for the 2018-2019 financial year.
		660 - Review the management of PCA boundaries and the implementation of Good Neighbour rules under the National Policy Direction	Achieved Currently the southern regional boundary is subject to an agreement between Horizons and HBRC Biosecurity staff for possum control to be undertaken as necessary to complement HBRC's PCA programme. HBRC Biosecurity staff are in discussions with the Gisborne District Council to put a similar agreement in place to assist ratepayers in the northern part of the region.
		660 - Undertake possum control along boundaries where there is a risk of re-infestation	Achieved Boundary control continues along boundaries of PCA areas where there is a risk of re-infestation to land users. Projects receiving boundary control are, Ruahine PCA, Ruahine Extension and Erepeti PCA

Biosecurity & Biodiversity Group of Activities

Level of Service Statement HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
		660 - Provide an effective region wide possum control product subsidy scheme so materials are readily available to occupiers undertaking their own control	Achieved The subsidy scheme continues to be very well supported by both urban and rural landowners. Subsidised products can be purchased from all Hawke's Bay Branches of Farmlands Trading and PGG Wrightsons.
		660 - Undertake monitoring of no less than 10% of the area under the PCA programme in any one year to confirm trap catch compliance	Achieved All scheduled chew monitoring across the 17-18 season was completed in a timely manner. The average RTCI for the 17-18 season was 1.6% with 15.6% of the monitoring lines exceeding 5%
The number of active rook nests treated annually across the region	Monitoring indicates a downward trend in active rook nest numbers in both areas (North and South of SH5)	660 - Annually treat every active rook nest in all known rookeries within Hawke's Bay.	Achieved Aerial rook control has been carried out and completed in all known rookeries across the region with a total of 72 active nests aerial treated across the eradication zone north of SH5 and 146 across the control zone south of SH5. 19 rook enquires have been received and followed up with over the 17/18 period with a total of 489 birds poisoned as a result of these enquiries.
Response time to rabbit complaints/enquiries	An initial response is given within 5 working days of receipt of each rabbit related complaint/enquiry	660 - Record and respond to property owner complaints where rabbits are damaging neighbouring properties	Achieved There have been no property owner complaints of rabbits damaging neighbouring properties received. A total of 54 rabbit enquiries have been received and responded to within 5 working days of receiving the initial call. Assistance and or advice was provided as appropriate. Rabbit night-counts and RHD blood sampling are scheduled to be carried out between April and July 2019.

Biosecurity & Biodiversity Group of Activities

Level of Service Statement HBRC will provide effective pest management programmes that improve regional biodiversity and economic prosperity			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Responsiveness to properties identified with rabbit populations over McLean Scale 4	A management plan is prepared within 4 months for each property identified with rabbit numbers above McLean Scale 4	660 - Prepare a management plan and undertake control within 4 months for each property identified with rabbit numbers above McLean Scale 4	Achieved There have been no properties identified with rabbit densities above Mclean scale 4, and therefore there are no rabbit management plans being prepared at present
Plant Pest Control Routine plant pest inspections of areas infested with plants controlled under HBRC Regional Pest Management Plan	<ul style="list-style-type: none"> – All known infestations of 'occupier responsibility' Total Control plant pest sites are visited annually – All known 'service delivery' Total Control plant pest sites are visited annually and plants controlled – All Privet sites identified through health related complaints controlled within 6 months of complaint – The land around all known infestations of Total Control plants is inspected at least every 3 years – All areas of high potential risk are visited annually and checked for possible new plant pest incursions 	650 - Record and report on actions taken in response to Total Control plant pests, high risk areas and identification of Privet sites	Achieved All known sites of African feather grass, Goats rue and Australian sedge checked and controlled. Second spray of all Phragmites sites done, only one new site found. Privet complaints dealt with, only 12 still to action at end of financial year. Japanese honeysuckle control completed around Lake Tutira and all Old man's beard sites checked and controlled in control area. Pinus contorta programmes in conjunction with MPI in "Kaimanawa management unit" completed. Control work completed on dense iwi block adjacent to SH5 in Rangitaiki. Woolly nightshade rural and urban control programmes completed. Some targeted CNG Taskforce spraying completed.

Financial Variances Explained

To be added.

Biosecurity & Biodiversity Group of Activities

Activity 2 – Regional Biodiversity

Level of Service Statement HBRC will integrate land and water and biodiversity management to deliver environmental, economic, social and cultural outcomes			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Implementation of the Hawke’s Bay Biodiversity Strategy	In collaboration with signatories to the Biodiversity Accord: <ul style="list-style-type: none">- develop an implementation plan for the Regional Biodiversity Strategy- establish and administer a charitable trust (or similar entity) to secure new funding for projects that support and align with the Regional Biodiversity Strategy	662 - Schedule, facilitate and record meetings with the Biodiversity Forum to develop the Biodiversity Action Plan	Achieved Complete - action plan has been developed and launch. Guardian and Trust has been established
		662 - Work with the Accord partners to establish and administer a charitable trust (or similar entity)	Achieved Completed - HB Biodiversity Foundation has been established (interim trustees appointed, the deed signed off). The HB Biodiversity Strategy Project Manager appointed, who will develop a funding strategy and fulfil the administrative role for the Trust.

Financial Variances Explained

To be added.

Emergency Management Group of Activities

Emergency Management Group of Activities

What we do

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

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

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

Link to Strategic Outcomes

The Emergency Management group of activities contributes to:

- Resilient Communities

Highlights

Hghlights for the Emergency Management group included:

- ...
- ...

Emergency Management Group of Activities

	Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE				
Operating Expenditure				
HB Civil Defence Emergency Management Group	1	1,677	1,791	1,478
HBRC Hazard Assessment & Response	2	749	805	733
Total Operating Expenditure		2,426	2,596	2,211
TOTAL EXPENDITURE		2,426	2,596	2,211
REVENUE				
Activity Revenue				
Direct Charges		165	222	171
Total Activity Revenue		165	222	171
Other Revenue				
Targeted Rates (Uniform Annual Charge)		1,072	1,063	1,039
Interest		(2)	(1)	(4)
Grants		697	650	427
Total Other Revenue		1,767	1,712	1,462
TOTAL REVENUE		1,932	1,934	1,633
TOTAL FUNDING REQUIREMENT		(494)	(662)	(578)
Special Reserve Funding				
Specific Scheme Reserves		(80)	34	2
Total Special Reserve Funding		(80)	34	2
NET GENERAL FUNDING REQUIREMENT		(574)	(628)	(576)
MET BY				
General Funding Rates		-	-	-
Investment Income		416	464	416
Operating Reserves		158	164	160
		574	628	576

Emergency Management Group of Activities

Activity 1 – HB Civil Defence Emergency Management Group

Level of Service Statement HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Assessment of natural and manmade hazards will be completed for at risk areas in Hawke's Bay	In conjunction with Territorial Authorities (TAs), provide public advice on the impacts of hazards; and advocate to TAs for the consideration and inclusion of hazard information as part of their land use planning functions	712 - Provide public advice through a range of media (internet/public forums)	Achieved Ongoing - Liquefaction information distributed via a variety of media including digital and traditional media.
		712 - Be actively involved in Territorial Authority RMA planning processes	Achieved Ongoing - considerable work on Liquefaction done with TLAs in December plus submissions made on resource consent applications. Work has also commenced on looking at a change to the RPS to strengthen Natural Hazards provisions.
Number of hazards research projects commissioned each year	At least one new research project commissioned each year	711 - Commission a hazards research project based on HBRC Hazard Research Plan and priorities set out in the Hawke's Bay Civil Defence Emergency Management Plan	Achieved The HB liquefaction risk review was completed and released November 2017. HBCDEM has assisted MCDEM on Phase 1 of a Tsunami vertical evacuation project to produce national guidance. East Coast LAB is subcontracted/funded on several science projects, including the MBIE Hikurangi/SHIRE research, GNS Citizen Science project, MCDEM Tsunami Safer Schools Project, National Science Challenge Kura & P-Tech projects, and NHRP Agent based tsunami evacuation modelling.

Emergency Management Group of Activities

Level of Service Statement HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Percentage of surveyed residents that are aware of hazard risks and can identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay	Awareness of earthquake, flooding/heavy rainfall and tsunami hazard risks show an increase over time, as measured in a 3 yearly survey (July 2018); specifically, by 2018 at least 75% of residents can identify tsunami as one of the region's major hazards	711 - Commission a Community Survey to be carried out in July 2018	Achieved SIL Research ran a survey in July 2017, where 86% identified earthquake, 58% identified flooding, and 45% identified tsunami as a disaster or threat of highest concern. An East Coast LAB Tsunami Hikoi Week from 10-16 March 2018 was run to educate communities about the right actions to take before, during and after an earthquake to promote tsunami risk and awareness.
		711 - Promote hazard awareness through public displays such as tsunami and 1931 earthquake displays and produce hazard education material	Achieved The HBCDEM Group primarily promotes hazard awareness through East Coast LAB (Life at the Boundary) a collaborative project with scientists, emergency managers, experts and stakeholders across the East Coast to make it easy and exciting to learn more about the natural hazards that can affect residents. - The National Aquarium hosts 'The LAB' as part of East Coast LAB which focuses on plate boundary risks including tsunami, earthquake, volcanic and coastal hazard risks. - There is supporting educational ECLAB programme run through the National Aquarium and materials on the website. - The HB Museum also maintains a 1931 display.
		711 - Prepare and implement a communications plan to highlight target hazards in a promotion	Achieved The HBCDEM communications plan, reviewed February 2018, focuses on earthquake and tsunami risks, and has a monthly communication activity plan.

Emergency Management Group of Activities

Level of Service Statement HBRC will reduce the impact of long term natural and man-made hazards to life and property, eliminating these risks if practicable, and if not seek the reduction of their impact			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Satisfaction of Territorial Authorities and professionals involved in land use planning decision making with the quality, format and relevance of hazard information supplied	All Territorial Authorities and planning professionals are satisfied with the quality, format and relevance of hazard information supplied/available as assessed by an evaluation and feedback form every 3 years	711 - Actively encourage best practice on hazard avoidance/mitigation by ensuring territorial authorities and professionals involved in land use planning decision making are informed of relevant hazards and risks	Achieved HBCDEM has continued advocacy for regional policies and plans in Hawke's Bay to provide strong guidance for hazard risk avoidance. As the existing RPS is dated 1996 and is no longer fit for purpose around natural hazard management and is outdated, HBCDEM has recommended developing a risk-based approach to develop a Plan around Risk and is assisting with proposals. The HB Hazard Portal Steering Group involves TA land use planning staff ensuring they are informed of relevant hazards.
		711 - Continue work to identify sources of hazards and ensure this information is collected, sorted, recorded, and stored in a relevant manner	Achieved Hazard research work has continued on the HB Hazard Portal (GIS) which makes it easy for residents to find out which natural hazards might affect their properties. Following the completion of a HB liquefaction risk review, this information was included in the Hazard Portal November 2017. Work has continued to move the Hazard Portal to a new platform with Local Maps later in 2018, as agreed by the Local Authority Hazard Portal Steering Group.

Emergency Management Group of Activities

Level of Service Statement HBRC will maintain and, where appropriate, increase the readiness of Hawke's Bay Civil Defence Emergency Management (HBCDEM) and the community to respond to a civil defence emergency			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
HBCDEM response to a Civil Defence emergency is coordinated, appropriate, effective and efficient	Maintain 3-yearly exercise programmes; and implement Corrective Actions that the HB CDEM group has responsibility for in accordance with the Corrective Action Plan	712 - continue to implement Corrective Actions from the 2016 region-wide exercise in preparation for the next (2019) regional exercise	Achieved Exercise programme approved by CEG and being implemented. Where appropriate corrective actions identified and implemented.
The level of support given by the HBCDEM Group in directing and co-ordinating personnel and resources for response and recovery operations	An active Welfare Advisory Group meets at least 4 times a year	713 - Maintain and support the HB Welfare Coordination Group	Achieved Meeting held in Nov/Feb/July and meeting scheduled for later in year
		713 - Maintain and support the HBCDEM Joint Committee and Chief Executives Group	Achieved Meetings held in accordance with Terms of References and Group Plan.
The percentage of surveyed residents prepared to cope for at least three days on their own	90% residents have enough food stored for three days and had some way of cooking without electricity 75% have enough water stored as measured by three yearly survey	712 - Maintain Interagency Communication Group who develop and implement CDEM public education campaigns	Achieved Completed 2017. Standard met
		712 - Maintain and develop information and materials that support the Group Website, regular radio advertising and other promotional opportunities in accordance with communications strategy	Achieved 3 yr survey completed last year and on track
		712 - Support the National "Get ready, Get thru" programme and national "Get Ready" week	Achieved Completed 2017. Standard met.

Emergency Management Group of Activities

Level of Service Statement Through the HBCDEM Group, HBRC will ensure that appropriate levels of response capabilities are in place and maintained across the Hawke's Bay Civil Defence Emergency Management (HBCDEM) Group			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Established Emergency Management Plans including training and procedures, and the HB CDEM Group Plan are in place	Maintain Plans and Standard Operating Procedures and ensure Group Emergency Coordination Centres can be ready for operation within 6 hrs of event; and an approved Group Work Plan is developed and implemented based on the HBCDEM Group Plan	712 - Maintain 2 Group Emergency Coordination Centres (Hastings & Napier) which are ready for operation, with supporting Group Standard Operating Procedures	Partially Achieved Review of operating model being implemented with some changes to SOPs and procedures. Move into temporary facility while existing coordination centre is upgraded has impacted on this work. Will move back to Achieved as this work is completed.
		712 - Review Plans and procedures to confirm agency roles and responsibilities for good coordination	Partially Achieved Review of operating model being implemented with some changes to SOPs and procedures. Move into temporary facility while existing coordination centre is upgraded has impacted on this work. Will move back to Achieved as this work is completed.
		713 - Review and implement HB CDEM Group Plan	Partially Achieved Review of operating model being implemented with some changes to staff operating models. Move into temporary facility while existing coordination centre is upgraded has impacted on this work. Will move back to Achieved as this work is completed.

Emergency Management Group of Activities

Level of Service Statement Through the HBCDEM Group, HBRC will ensure that appropriate levels of response capabilities are in place and maintained across the Hawke's Bay Civil Defence Emergency Management (HBCDEM) Group			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Maintain the CDEM Group's emergency management and civil defence capacity with the capability of effectively responding to an emergency event	Maintain established teams, training programmes, Emergency Operations Centre, Manuals, in accordance with HBCDEM Group Plan	712 - Conduct annual training for staff assigned to Group emergency management roles	Partially Achieved Review of operating model being implemented with some changes to SOPs and procedures. Move into temporary facility while existing coordination centre is upgraded has impacted on this work. Will move back to Achieved as this work is completed.
		712 - Effectively and efficiently manage any emergency event from initial warning until a safe situation returns	Partially Achieved Review of operating model being implemented with some changes to staff operating models. Move into temporary facility while existing coordination centre is upgraded has impacted on this work. Substantial training underway. Will move back to Achieved as this work is completed.

Emergency Management Group of Activities

Level of Service Statement			
Through the HBCDEM Group, HBRC will ensure the recovery from emergencies is managed in accordance with the scale of the event			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Facilitate and maintain Lifelines Group who have effective input into Civil Defence Emergency Management (CDEM) Group plans Dedicated CDEM Group Recovery Manager appointed A relevant CDEM Group Recovery Plan is adopted and maintained	The Lifelines Group provides active input to the maintenance, review and implementation of the CDEM Group Plan, exercises and event response.	712 - Support the Hawke’s Bay Lifelines Group in developing and managing their work programme	Achieved Ongoing - Lifelines Group engaged with CDEM Group
		712 - Implement Group Recovery Plan including the support of local recovery planning	Achieved Ongoing - Lifelines Group engaged with CDEM Group
		712 - Support Territorial Authorities in completing Community Response Plans for specific communities	Achieved Ongoing - Lifelines Group engaged with CDEM Group. AGM held in April 2018. Lifelines operators continue to support work financially and with other resources.

Financial Variances Explained

To be added.

Emergency Management Group of Activities

Activity 2 – Hazard Assessment & HBRC Response

Level of Service Statement HBRC will ensure it has an emergency response capability that can provide regional hazard assessments and warning systems to the Civil Defence Emergency Management (CDEM) Group and to manage Council assets			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Effectiveness of response capacity and capability	Maintain established Teams, training programmes, Emergency Operations Centre, Manuals and Business Continuity Plan	710 - carry out annual maintenance of the Emergency Operations Centre Manual and biennial updates of the Business Continuity Plan	Partially Achieved The current Emergency Procedures Manual with SOPs as been maintained were appropriate and made available on Herbi. The BCP was updated Sept 2016 and is due for review.
		710 - Provide annual training, ensuring greater than 90% of Council staff are assigned emergency management roles, and management of teams	Achieved The teams have been maintained, with 98% staff assigned roles, noting fixed term staff are not assigned CDEM roles. 37 new staff have been provided induction training and nominated staff have been provided training under the CD Integrated Training Framework and CIMS. Facilities and manuals have been maintained.
24 hour duty management system is in place	Operate an effective 24-hour Duty Management Service and respond to urgent public enquiries and complaints in a timely professional manner	710 - Maintain a log of duty calls along with records of warnings and watches for severe weather or other hazardous events	Achieved The DM service has been operated effectively, with all enquiries managed professionally. An electronic log has been maintained as an official record with 384 calls logged for the year.

Level of Service Statement HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tutaekuri, Ngaruroro and Tukituki areas			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year - 19 priority sites: 98% - Overall: 92%	Percentage of time that the 19 priority telemetered rainfall and river level sites are operational throughout the year averages = or > 98%; and 92% overall	718 - Repair any key sites damaged during storms within 4 weeks of the event	Achieved No sites have been significantly damaged. Sites continue to provide quality data.

Emergency Management Group of Activities

Level of Service Statement			
A flood forecasting system is available on the web to advise the community on likely rainfall and flooding			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Percentage of the region at risk of flooding from large rivers, covered by a flood forecasting model	70% of the region is covered by a flood forecasting model	719 - Continue to develop and upgrade flood forecast models of flood plain areas	Achieved No new areas added to flood forecasting system. Met service upgrading their gridded rainfall predictions. We have investigated incorporating these rainfall forecasts into our flood forecasting. Still working on implementation.
Information available on HBRC's website during storm events	Flood forecasting information is available to the public on the HBRC website	719 - Web information is maintained and updated during storm events to disseminate site specific flood information to potentially affected landowners and general information to the public	Achieved Major event in Esk in March. Information disseminated to affected landowners. Very localised and quick response needed. Focus was on verbal communication with affected parties instead of relying on Web. All systems worked well.
Peak flood forecast river flows agree within 25% of the actual flows	Increase the accuracy of flood forecasting over time.	719 - Continue to survey rivers to update models	Achieved Latest river surveys (LTT, UTT) have been incorporated into models. Model development has been occurring with advancements in modelling techniques.

Level of Service Statement			
HBRC will continue to improve its knowledge and understanding of flood risks from the areas exposed to severe weather events and the effects of runoff onto low lying land and into the network of drains, streams and rivers of the region			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Percentage of area mapped for flood hazard, including the impact of climate change.	100% of flood hazard information is mapped and up to date for high risk communities	715 - Identify and map high flood risk areas	Achieved Major flood in Esk Valley in March 2018. Initial analysis of rainfall has been undertaken. Further work on mapping flood risk zone to occur in 2018-19 year.
		715 - Collect and distribute flood hazard information for high and low risk areas	Achieved Flood hazard information is provided as answers to many queries.

Emergency Management Group of Activities

Level of Service Statement HBRC will respond to oil spills within the Hawke’s Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan which identifies priority areas in HB for protection in the event of a major spill			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Current Tier 2 Oil Spill Plan is in place and training is being implemented	Maintain an Operative Marine Oil Spill Plan and trained and qualified Oil Spill Response teams	720 - Undertake the 5-yearly review of the Oil Spill T2 plan including amendment as necessary subject to CE approval	Achieved Oil spill plan is being maintained, training of responders is up to date and ongoing.
		720 - Carry out regular Oil Spill Response training and management exercises for teams	Achieved Oil spill plan is being maintained. Training of oil spill responders is ongoing, next scheduled exercise is for September 2018

Financial Variances Explained

To be added.

Transport Group of Activities

Transport Group of Activities

What we do

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

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

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

Link to Strategic Outcomes

The Transport group of activities contributes to:

- Resilient Communities
- Resilient economy

Highlights

Hghlights for the Strategic Planning group included:

- ...
- ...

Transport Group of Activities

	Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE				
Operating Expenditure				
Road Safety	1	548	537	500
Regional Land Transport Strategy	2	76	82	82
Subsidised Passenger Transport	3	3,727	3,697	3,655
Regional Cycling	4	66	109	51
Total Operating Expenditure		4,417	4,425	4,288
TOTAL EXPENDITURE		4,417	4,425	4,288
REVENUE				
Activity Revenue				
Direct Charges		14	40	(0)
Total Activity Revenue		14	40	(0)
Other Revenue				
Targeted Rates		1,613	1,605	1,607
Interest		(0)	(4)	(3)
Grants		2,810	2,666	2,706
Total Other Revenue		4,422	4,267	4,310
TOTAL REVENUE		4,436	4,307	4,310
TOTAL FUNDING SURPLUS / (REQUIREMENT)		19	(118)	22
Special Reserve Funding				
Specific Scheme Reserves		(104)	1	(101)
Total Special Reserve Funding		(104)	1	(101)
NET GENERAL FUNDING SURPLUS / (REQUIREMENT)		(85)	(117)	(79)
MET BY				
General Funding Rates		-	-	-
Investment Income		62	86	62
Operating Reserves		23	31	17
		85	117	79

Transport Group of Activities

Activity 1 – Regional Road Safety

Level of Service Statement HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay roads and pathways are safe and accessible, and the emotional and financial costs of road traffic crashes are reduced			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Reduce the incidence of fatal and serious injury crashes in our region (5 year rolling average)	Achieve a reduction each year in the five year rolling average number of fatal and serious injury crashes Road Safety Action Plans for Wairoa, Napier, Hastings and Central Hawke's Bay up to date and reflecting key causes of road crashes	786- Undertake a programme of Road Safety Education activities in partnership with Police and other road safety stakeholders to address the key causes of road crashes in our region	Achieved The tasks in the 2017-2018 work plan have been completed. The focus has been on the High\Medium high road safety risks for Hawkes Bay. These include: Speed, Impaired driving-drugs and/or alcohol, Loss of Control Rural Roads, Distracted Driver (cell phone use in vehicles), fatigue, dangerous and inexperienced drivers. We are currently working on the reporting on this work plan and have are working on the 2018-2019 Work plan. I have made contact with all the Councils Traffic Safety Engineers requesting information on the specific activities they would like in their area
		786 - Review Road Safety Action Plans quarterly and update in accordance with updated statistics and information	Partially Achieved Extensive work has been put in to the RSAP (by myself and Inspector Matt Broderick) to streamline the RSAP and make it more beneficial for the stakeholders. However the RSAP is not functioning well due to lack of attendance and updates on past and future work.

Financial Variances Explained - To be added.

Transport Group of Activities

Activity 2 – Regional Land Transport Plan

Level of Service Statement			
Through the region's transport planning documents HBRC will promote improved integration of all transport modes, land use and efficient movement of freight			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Adopted Regional Land Transport Plan (RLTP) in place	Report on current RLTP as set out in the Monitoring and Reporting section of the Plan, through a three yearly report on outcomes of the RLTP and an annual report on activity implementation to the Regional Transport Committee Preparation of 2018-28 RLTP is completed within statutory timeframes	797- Monitor and report on achievements from the RLTP to the Regional Transport Committee and the Technical Advisory Group	Achieved Reports on the implementation of major works in the RLTP are presented to the Regional Transport Committee at each meeting. An outcomes report is presented at the March meeting each year. This reports on outcomes on a range of transport indicators and identifies key trends in our transport system.
		797 - Complete RLTP review process by 30 April 2018	Achieved The government extended the period for the review until 30 June 2018, to allow time for a new government policy statement (GPS) on transport to be prepared. The RLTP was adopted by HBRC in June as required\ .
Adopted Regional Cycle Plan in place	The preparation, implementation, monitoring and review of the Regional Cycle Plan is undertaken through the Regional Cycle Plan Governance Group and HBRC Pathways are integrated as part of the overall HB Pathways network	364 - Develop a plan for all pathways maintained by HBRC setting out Strategic vision and development objectives, and HBRC Pathways maintenance and development standards	Achieved The Regional Cycling Governance Group met quarterly during 2017-18 and reviewed progress against the Regional Cycle Plan, which sets out the vision, objectives and actions for all cycling networks in HB
		364 - Report annually to member organisations on the outcomes of the Regional Cycle Plan, as set out in its monitoring section	Achieved Quarterly reports are presented to the Regional Cycling Governance Group.

Financial Variances Explained

To be added.

Transport Group of Activities

Activity 3 – Subsidised Passenger Transport

Level of Service Statement			
HBRC will provide an accessible, integrated bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be targeted to best meet the transport needs of the people of Hawke's Bay			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Annual patronage and passenger kilometres travelled on the Hawke's Bay bus services	Achieve an annual 1% increase in patronage and passenger kilometres travelled	790 - Review services regularly to better cater for demand and implement cost-effective means of increasing patronage	Partially Achieved New services implemented in September 2016 have been reviewed and some changes will be proposed to the council. The review of the Regional Land Transport Plan has elicited a number of suggestions for service changes and some of these will be further investigated for possible implementation. Patronage was 3% lower than in 2016-17, with passenger-kilometres down by 4%. This decrease is consistent with bus use in other regional centres and over 4% growth in the rate of vehicle ownership in HB.
Proportion of total service costs that are covered by fares	Achieve 41% fare recovery	790 - Regularly market current services and increase awareness of all services	Achieved Bus services are promoted regularly through radio, newspaper and Facebook. These promotions target all passenger types. However, lower patronage and higher costs resulted in a fare recovery of 37% for the year. The patronage decline is consistent with most other regional centres and with increased vehicle ownership in Hawke's Bay.
		790 - Review fares annually and fare structures three-yearly	Partially Achieved Fares were reviewed in September 2017 and no changes were made. The fare recovery rate in 2017-18 was 37% due to higher operating costs, including fuel costs, and lower revenues

Transport Group of Activities

Level of Service Statement HBRC will provide an accessible, integrated bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be targeted to best meet the transport needs of the people of Hawke's Bay			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Adopted Regional Public Transport Plan (RPTP) in place	Report on current RPTP as set out in the monitoring and reporting section of the Plan Preparation of the 2018-28 RPTP is completed within statutory timeframes	790 - Monitor and report on achievements from the RPTP to the Regional Transport Committee and Regional Council	Achieved Quarterly reports are provided to the Regional Transport Committee and Regional Council
		790 - Complete a review of the Regional Public Transport Plan by 30 June 2018	Partially Achieved The review of the Regional Public Transport Plan was not completed by June 2018, due to the volume of suggestions received during early consultation and also because of the late release of the Government Policy Statement on Land Transport 2018, which sets out government policy and funding signals for public transport. The review will be completed during the second half of 2018. Reports on the current RPTP are provided quarterly to the Regional Transport Committee and HBRC.
Level of signage, infrastructure and information at all bus stops	Implement bus-stop service level standards (as outlined in the current Regional Public Transport Plan) Install 4 additional bus shelters each year (2 in Hastings and 2 in Napier) until demand is met	790- Work with the Napier City and Hastings District councils to implement the bus-stop service level at key bus stops	Achieved A number of bus stop improvements have been made in Napier. A route extension in Flaxmere (Hastings) to improve coverage of the suburb, has resulted in the relocation of several bus stops. Four shelters have been funded for placement in Hastings, and 3 have been placed in Napier.
		790- Work with Napier City and Hastings District councils to agree on the best locations for new bus shelters each year	Achieved Four shelters have been funded for placement in Hastings, and 3 in Napier during 2017-18

Transport Group of Activities

Level of Service Statement HBRC will provide an accessible, integrated bus service and appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas that will be targeted to best meet the transport needs of the people of Hawke's Bay			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Where bus routes exist, the percentage of residences and businesses within 500m (under normal conditions) and 600m (in low density/outer areas) walking distance of a bus stop	Achieve 90% compliance in Hastings and 75% in Napier - for the percentage of residences and businesses within 500m - 600m of a bus stop	790- Work with Napier City and Hastings District Councils to meet targets	Achieved With significant residential growth in both centres, a review of compliance levels is required and some route extensions may be necessary. This review will be undertaken as part of the review of the Regional Public Transport Plan, which will be completed by December 2018.
		790 - Conduct ongoing passenger surveys to ensure appropriate infrastructure at key bus-stops	Achieved Formal passenger surveys are conducted biannually. The 2018 survey is underway during August 2018. Feedback from this will be used to improve bus infrastructure, route coverage, timetables and other aspects of the bus service.
Fare payment systems utilise technology to provide a simple customer experience and provide HBRC with the passenger data needed to plan and review services	Implement the agreed national ticketing system	790 - Implement the new ticketing system within timelines agreed by the project team	Achieved HBRC is on track with its preparations for the implementation of the ticketing system; however, the project has been delayed by the contractor. This is outside the regional council consortium's control.
Improved integration between public transport and walking and cycling results in more multi-modal journeys	Further opportunities for integration between public transport and walking and cycling paths are developed and implemented	790 - Work with Napier City and Hastings District Councils to improve integration between public transport and walking and cycling	Achieved Many of the new iWay routes in Napier connect well with the public transport routes. As all buses can now carry bikes, multi-modal trips are enabled. Approximately 2500 bikes are carried annually

Transport Group of Activities

Level of Service Statement			
HBRC will continue to deliver the Total Mobility scheme in Napier, Hastings and Waipukurau for those unable to use public transport due to serious mobility constraints			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Membership is increased and service delivered in accordance with New Zealand Transport Agency guidelines	Increase the number of Total Mobility trips taken by at least 3% each year	790 - Work with government and disability agencies to better understand and try to meet the needs of their clients	Achieved Total Mobility trips increased by 2.9% during 2017-18 compared with the previous year. This is consistent with the ageing of Hawke's Bay population.

Financial Variances Explained

To be added.

Governance, Community Engagement & Services Group of Activities

Governance, Community Engagement & Services Group of Activities

What we do

Council’s Governance, Community Engagement and Services group of activities involve decision-making, keeping regional residents informed, and ensuring that tangata whenua and the people of Hawke’s Bay have a meaningful say on the direction of their region.

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

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

Link to Strategic Outcomes

The Governance, Community Engagement and Services group of activities contributes to:

- Resilient Communities
- Resilient Ecosystems
- Resilient Organisation

Highlights

Hghlights for the Strategic Planning group included:

- ...
- ...

Item 8

Attachment 2

Governance, Community Engagement & Services Group of Activities

	Activity (#)	Actual 17/18 (\$'000)	Budget 17/18 (\$'000)	Actual 16/17 (\$'000)
EXPENDITURE				
Operating Expenditure				
Community Partnerships	1	566	552	858
Community Engagement & Communications	2	591	593	681
Response to Climate Change	3	-	22	-
Community Representation & Regional Leadership	4	1,810	1,726	1,547
Investment Company Support	5	49	125	121
Total Operating Expenditure		3,016	3,018	3,207
Capital Expenditure				
Solar Heat Advances		-	630	-
Asset Construction		-		900
Loan Repayment		390	427	356
Total Capital Expenditure		390	1,057	1,256
TOTAL EXPENDITURE		3,406	4,075	4,463
REVENUE				
Activity Revenue				
Direct Charges		13	133	159
Total Activity Revenue		13	133	159
Other Revenue				
Grants		43	15	635
Loan Funding		100	730	600
Solar Heat Repayments		-	32	-
Total Other Revenue		143	777	1,235
TOTAL REVENUE		156	910	1,394
TOTAL GENERAL FUNDING REQUIREMENT		(3,250)	(3,165)	(3,069)
Special Reserve Funding				
Regional Projects Reserve		-	-	-
Sale of Land (Investment) Reserve		522	529	495
Total Special Reserve Funding		522	529	495
NET GENERAL FUNDING REQUIREMENT		(2,728)	(2,636)	(2,574)
MET BY				
General Funding Rates		2,038	1,888	1,511
Investment Income		1,978	1,949	2,005
Operating Reserves		(1,288)	(1,201)	(942)
		2,728	2,636	2,574

Governance, Community Engagement & Services Group of Activities

Activity 1 – Community Partnerships

Level of Service Statement HBRC engages in strategic relationships that help better achieve its vision and purposes			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Formalisation of strategic alliances that are sector and institutionally based	Continue reporting to Council on performance of strategic relationships	874 - Sufficient budget provision is made for required resourcing as per respective Strategic Partnership agreements	Achieved Commitments to Strategic Partnerships were met, within budget.

Level of Service Statement HBRC will contribute to support the development of Regional Public Infrastructure projects			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Evaluation of Regional Public Infrastructure projects and which to support	Funding set aside in the LTP 2012-22 to cover HBRC's contribution to Regional Public Infrastructure projects has been fully allocated.	No further reporting required	No further reporting required

Financial Variances Explained

To be added.

Governance, Community Engagement & Services Group of Activities

Activity 2 – Community Engagement & Communications

Level of Service Statement We engage the community in activities and decision-making processes, with clear expectations for participation			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Level of engagement with council plans, major decisions and statutory documents	Long Term / Annual Plan, policy and plan change engagement processes are publicised to encourage public participation	895 - Review engagement tools and processes annually, and implement new tools as appropriate	Achieved Conducted special consultative process for Long Term Plan - met objectives.
Number of council meetings and workshops	Open reporting of Council and Committee decision items	895 - Open reporting of meetings and decisions made is available to media and the public	Achieved All Regional Council, Corporate & Strategic, Environment & Services and Regional Planning Committee public meetings are live streamed to the HBRC facebook page and available for viewing on the HBRC YouTube channel, and all agendas and minutes are published on the HBRC website.
		840 - Public Excluded items are allowed only in accordance with LGOIMA provisions, and by Council resolution	Achieved
Number of public meetings, workshops and public events (includes awards and field days)	Develop public engagement meetings, workshops and events for major projects and initiatives	895 - Create opportunities for community engagement and public participation in HBRC activities, initiatives and decision-making processes	Achieved Coordinated public meetings for Long Term Plan, private drinking water supply community meetings, CHB farmer meetings, environmental education, public expo at Better Home and Living, National Horticulture Field Day, and numerous winter planting events.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement We use the most suitable tools to communicate and engage.			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Number of media releases and other significant outputs generated; uptake of digital technologies	>100 media releases per year; >10 video clips per year; track social posts	895 - record and report the number of media releases, videos and social media posts/ shares made each year	Achieved
		895 - Review effectiveness of engagement tools, including print, radio digital (web, portals, video, social) and adapt as necessary to ensure use of the most suitable means of communication and engagement	Achieved 127 media releases over the 2017-18 year: 51 Jul-Dec and 76 Jan-Jun this year. 23 videos produced to a high standard. Facebook Likes on social media have risen to 4,371.

Level of Service Statement We give relevant information to our diverse audiences			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Regional news and digital media coverage averages > 90% positive/ neutral	Media coverage is not less than an average of 95% positive/ neutral	895 - Produce Community Engagement Plans for major work programmes	Achieved
		895 - Undertake a regular review of Council's "Community Engagement" Risk Management profile	Achieved
Delivery of activity updates, actual progress and perception of performance	Local and regional newsletters are provided to relevant communities and/or groups to support projects and initiatives as required	895 - Measure and report on project and/or initiative specific information sharing publications produced and distributed	Achieved Newsletters regularly provided to Tukituki communities, TANK Group stakeholders, regional decision-makers, and specific ratepayer or community groups.
Facilitation of agreed stakeholder groups	Audit how many groups we work with; revalidate at least every three years	895 - Measure and report on frequency of facilitated engagement with agreed stakeholder groups	Achieved

Financial Variances Explained - To be added.

Governance, Community Engagement & Services Group of Activities

Activity 3 – Community Representation & Regional Leadership

Level of Service Statement			
HBRC will provide the community with a channel for representation through elected members to enable access and influence on decision making			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Councillors' attendance at monthly Council and Committee meetings achieving at least 90% attendance of elected and appointed members	Council and Committee meeting attendance rate of at least 90% maintained	840 - Monitor and record meeting attendance, aiming to achieve at least 90% attendance, over the full year, by all elected and appointed members at both Council and Committee meetings	Achieved 94% attendance (total of 16 meetings) at Regional Council and 88% attendance (total of 37 meetings) at HBRC Committee meetings for the period 1 July 2017 - 30 June 2018
Long Term Plan/Annual Plan consultation during April and May with the final Plan being adopted by HBRC by 30 June	Consultation and submission period of at least 25 working days is provided for Long Term and Annual plan processes	840 - At least 25 working days during April/May is scheduled for Annual/Long Term Plan consultation, and up to 3 days in June to hear and make decisions on submissions	Achieved Consultation period opened 9 March and closed 23 April, during which seven public meetings were attended by over 400 people resulting in a total of 569 submissions being received.
Comply with the provisions of the Local Electoral Act 2001	<ul style="list-style-type: none"> Review appropriate representation arrangements for the region by December 2018 Meet statutory timetable requirements leading up to Triennial Local Government elections 	840 - Council resolution on Electoral System for 2019 and 2022 elections made by 12 September 2017 and publicly notified by 19 September 2017 statutory deadlines	Achieved Council resolved to retain the First Past the Post Electoral System at its meeting on 30 August 2017, and public notice of that decision given within statutory requirements.
		840 - Council has an appointed Electoral Officer and Deputy Electoral Officer in place at all times	Achieved Appointments reconfirmed by Council resolution on 27 April 2016 and remain current.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement HBRC aims to maximise Local Government effectiveness and efficiency			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Facilitate and report on Local Government efficiencies achieved	HB LASS Ltd (the Hawke's Bay local authority shared services company) meets the target specified by its shareholder councils in the company's Statement of Intent	889 - Provide staff resource and funding to support the operation of HB LASS Ltd, including relevant contributions to any investigations into shared service initiatives HBRC can be part of	Achieved Changes have been approved by the Board of HBLASS to its method of operation but all commitments were met by HBRC.

Level of Service Statement HBRC works with Hawke's Bay iwi and hapu in the spirit of the principles of the Treaty of Waitangi			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Regional Planning Committee operating successfully	Annual report on Regional Planning Committee activities	840 - Produce an annual report on Regional Planning Committee activities at the end of each financial year for inclusion in the Council's Annual Report	Achieved Publication adopted at 6 September 2017 Regional Planning Committee and section included in the HBRC 2016-17 Annual Report. Similarly, overview of RPC's activities during 2017-18 year will be reported in the HBRC Annual Report for 2017-18.
Attendance at Maori Committee meetings	Attendance rate at Maori Committee meetings of at least 80% maintained	840 - Record and report elected and appointed members' attendance at Maori Committee meetings	Achieved 86% attendance at Maori Committee meetings achieved for the period 1 July 2017 - 30 June 2018, with total of 6 meetings held.
Iwi/hapu engagement plans in place for resource management plan development and implementation	Iwi/hapu engagement plans completed and endorsed by Regional Planning Committee	192 - Develop iwi/hapu engagement plans for resource management plan development and implementation in liaison with Ngati Kahungunu Iwi Incorporated (NKII), Taiwhenua and Treaty groups	Achieved This engagement continues to be in the development phase, as the Hawke's Bay Treaty Entities themselves consider their operational plan and the expectations that would be developed and implemented, to ensure effective Iwi/ Hapu engagement plans.

Governance, Community Engagement & Services Group of Activities

Level of Service Statement HBRC works with Hawke's Bay iwi and hapu in the spirit of the principles of the Treaty of Waitangi			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Iwi participation on Council and Committees	Council Committees are established with at least two tangata whenua representatives with full voting rights There is an ex-officio tangata whenua representative at Council meetings	840 - Council's Corporate & Strategic and Environment & Services committees each include membership of two tangata whenua representatives	Achieved Appointment of 1 representative each made by the Maori Committee and Regional Planning Committee to the Environment and Services and Corporate and Strategic committees.
		840 - Chairman of the Maori Committee is invited to and receives all Agenda documents for all Regional Council meetings	Achieved
Number of meetings held between HBRC and Ngati Kahungunu Iwi Incorporated (NKII) Board	Regular meetings are held between HBRC and NKII governors	889 - Schedule at least two meetings between the Council and the Ngati Kahungunu Iwi Incorporated Board per year	Achieved No formal meetings were scheduled but significant engagement between HBRC and NKII occurred at both the political level, and through processes such as TANK, the Joint Water Drinking Committee and the Joint Water drinking Group

Financial Variances Explained

To be added.

Governance, Community Engagement & Services Group of Activities

Activity 4 – Investment Company Support

Level of Service Statement			
HBRC will provide support services to the Investment Company and to any associated subsidiaries of the Investment Company			
Level of Service Measures	Performance Targets	Required Action	Progress Report (to 30 June 2018)
Board of Directors meetings are supported by HBRC staff providing administrative and financial services.	Provide support for the Board meetings of the Investment Company and subsidiaries as required Confirm the HBRIC Ltd Statement of Intent each year in line with statutory requirements	881 - Council provides feedback on the HBRIC Ltd Draft Statement of Intent to HBRIC Ltd by 1 May (LGA Sch8 cl3) to enable delivery of the completed Statement of Intent to Council on or before 30 June each year	Achieved Financial support and reporting provided to HBRIC board meetings on an ongoing basis. Statement of Intent adopted at 27 June 2018 Council meeting.

Financial Variances Explained

To be added.

Financials | Pūrongo Pūtea: Financial reporting benchmarks

Financial Reporting Benchmarks

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

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

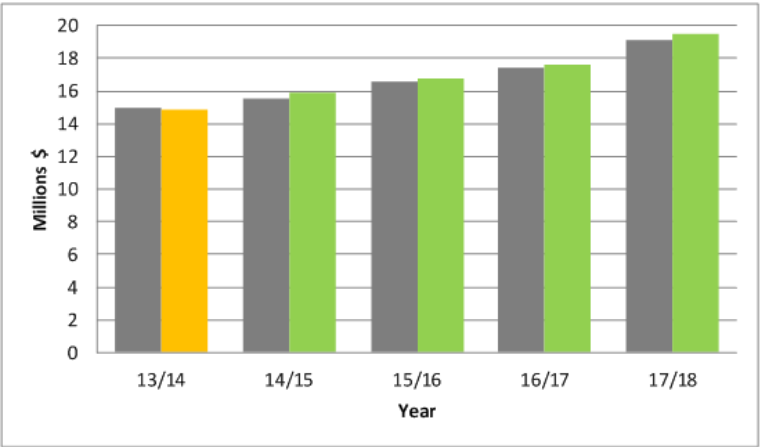
1. Rates affordability benchmarks

“The Council meets the rates affordability benchmark if:

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

A) Rates Revenue Affordability Benchmark

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



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

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

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

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

For this year rates exceeded the limit for two reasons:

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

Financials | Pūrongo Pūtea: Financial reporting benchmarks

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

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

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

The marginal increase in actual rates over that level planned relates to additional rating units (properties relating to new housing developments etc) being added to the rating database when the Council sends out the rates assessment during October of each year and for penalties charged on overdue rates.

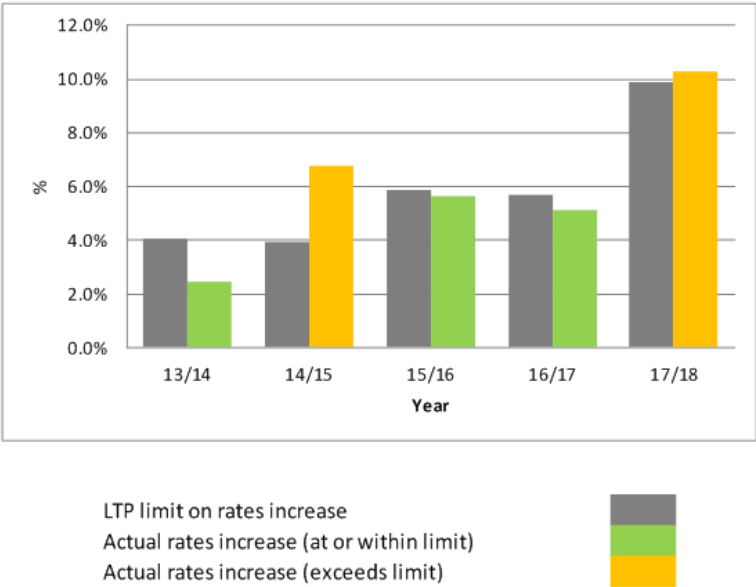
2076-18 (Exceeds Limit by \$350,000)

The marginal increase in actual rates over that level planned relates to additional rating units (properties relating to new housing developments etc) being added to the rating database when the Council sends out the rates assessment during October of each year and for penalties charged on overdue rates.

(B) Rates Increases Affordability Benchmark

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

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



Financials | Pūrongo Pūtea: Financial reporting benchmarks

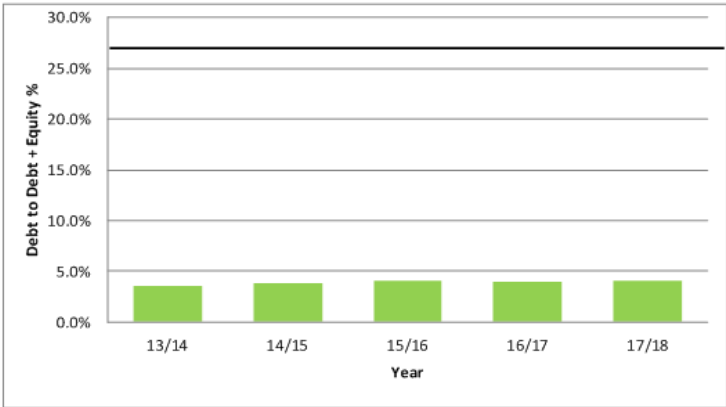
2. Debt Affordability Benchmark

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

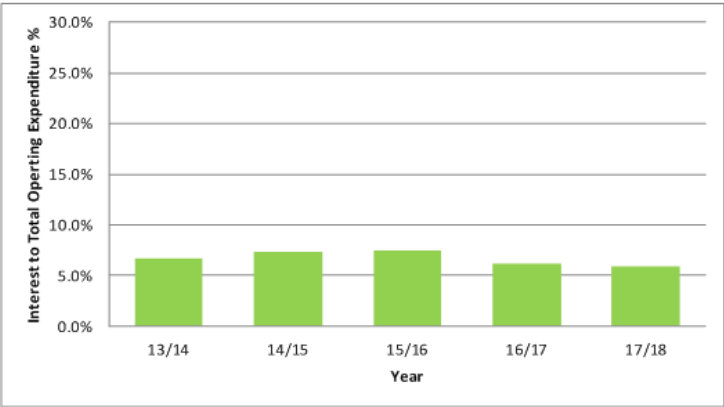
The financial strategy included in Council’s Long Term Plan set out two quantified limits on borrowing, being:

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

Graphs are provided below for each of these borrowing limits.



Benchmark met
Benchmark not met



Benchmark met
Benchmark not met



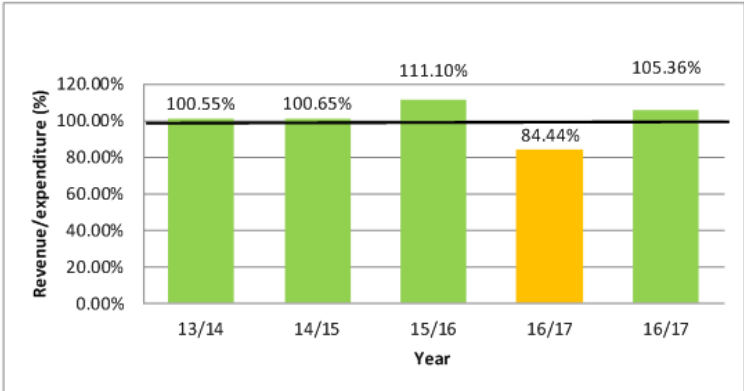
The graphs above establish that each of the five years presented are well within the borrowing limits. Fees paid to ACC for the Napier leasehold property cashflows for 50 year period are included.

Financials | Pūrongo Pūtea: Financial reporting benchmarks

3. Balanced Budget Benchmark

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

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



Benchmark met
Benchmark not met

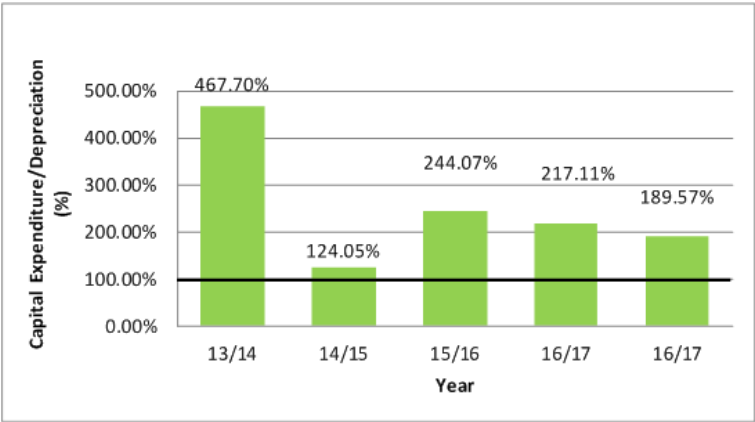


Council has met this benchmark for all years except 2016-17 due to the impairment of the advances made to HBRIC Ltd for the RWSS and the impairment of the RWSS evaluation costs.

4. Essential Services Benchmark

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

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



Benchmark met
Benchmark not met



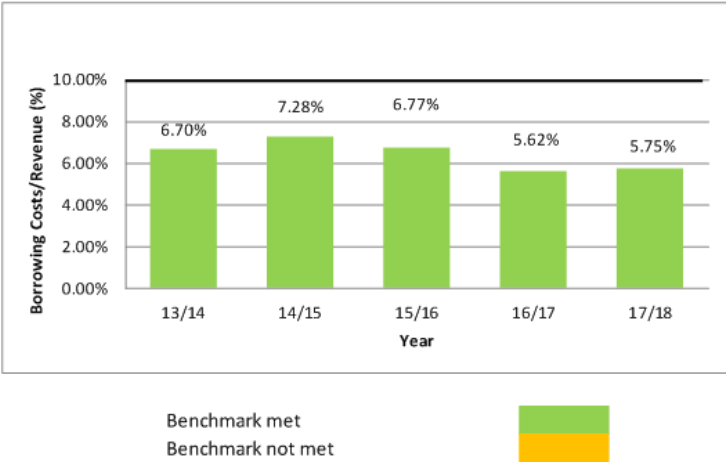
Council has met this benchmark for all years except 2012-13 where due to the timing of the work plan there was less done on the flood and drainage schemes and more focus on the cycleway infrastructure work which is not included in this benchmark. For years when the expenditure on flood and drainage schemes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

Financials | Pūrongo Pūtea: Financial reporting benchmarks

5. Debt Servicing Benchmark

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

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

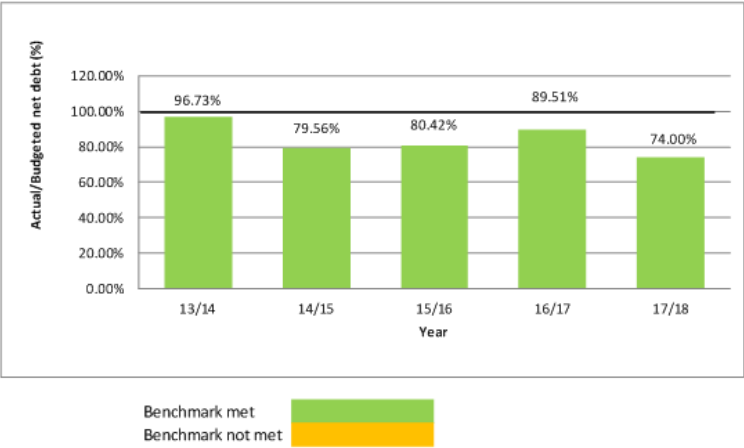


Council has met the benchmark for all years included in the above graph. Fees paid to ACC for the capitalisation of Napier leasehold property cashflows for a 50 year period are included.

6. Debt Control Benchmark

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

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

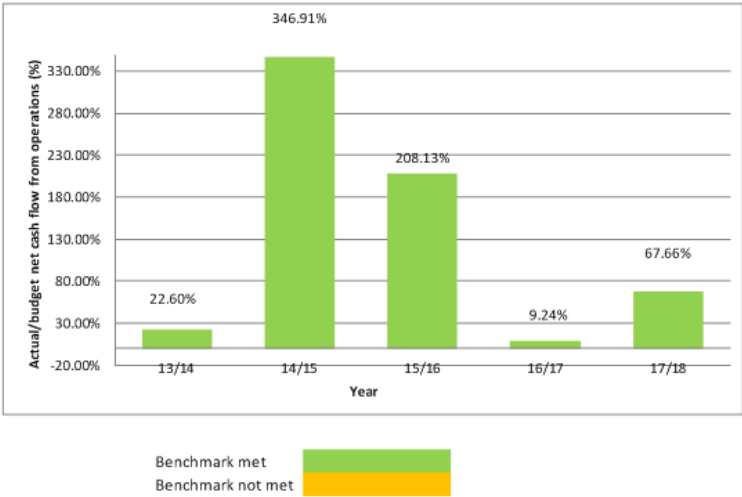


Council has met the benchmark in all of the years..

Financials | Pūrongo Pūtea: Financial reporting benchmarks

7. Operations Control Benchmark

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



Council has met this benchmark (i.e. actual net cash flow from operations has exceeded planned levels) for all the years

Financials | Pūrongo Pūtea: Financial Statements

Financial Statements

Statement of Comprehensive Revenue and Expenditure

For the year ended 30 June 2018

	Note	Regional Council		
		Actual 17/18 \$000	Budget 17/18 \$000	Actual 16/17 \$000
Revenue				
Revenue from activities	3	6,548	6,998	6,532
Rates revenue	4	19,475	19,125	17,661
Subsidies and grants	5	5,383	3,630	5,459
Other revenue	5	15,479	16,459	15,601
Fair value gains on investments	6	3,697	1,737	7,835
Total Operating Revenue		50,582	47,949	53,088
Expenditure				
Expenditure on activities	3	(23,818)	(23,966)	(24,030)
Personnel costs	7(a)	(17,499)	(16,404)	(16,330)
Finance costs	3	(2,803)	(2,648)	(2,979)
Depreciation & amortisation expense	3	(2,905)	(2,739)	(2,659)
Fair value losses	6	-	-	-
Other expenditure	7(c)	(965)	-	(2,043)
Total Operating Expenditure		(47,990)	(45,757)	(48,041)
Impairment of RWSS intangible asset		-	-	-
Impairment of HBRIC RWSS advances		-	-	(13,956)
Impairment of HBRC RWSS evaluation costs		-	-	(831)
Total Impairment Expenditure		-	-	(14,787)
Total Expenditure		(47,990)	(45,757)	(62,828)
Operating Surplus / (Deficit) before Income Tax		2,593	2,192	(9,740)
Income tax expense	8	-	-	-
Operating Surplus / (Deficit) after Income Tax		2,593	2,192	(9,740)
Other Comprehensive Revenue and Expense				
Gain/(loss) in other financial assets	19	118	37,077	8
Gain/(loss) on revalued intangible asset	19	283	-	529
Gain/(loss) on revalued property, plant and equipment assets	19	-	-	19,104
Total Other Comprehensive Revenue and Expense		401	37,077	19,641
Total Comprehensive Revenue and Expense		2,994	39,269	9,900

The accompanying notes form part of these financial statements.

Financials | Pūrongo Pūtea: Financial Statements

Statement of Changes in Equity

For the year ended 30 June 2018

	Regional Council		
	Actual 17/18 \$000	Budget 17/18 \$000	Actual 16/17 \$000
Note			
Equity as at beginning of year	544,476	558,522	534,576
Total Comprehensive Revenue and Expense	2,994	39,269	9,900
Dividends received / (paid)	-	-	-
Share capital issued	-	-	-
Effect on consolidation	-	-	-
Equity as at end of year	547,470	597,791	544,476

The accompanying notes form part of these financial statements.

Item 8

Attachment 2

Financials | Pūrongo Pūtea: Financial Statements

Statement of Financial Position

For the year ended 30 June 2018

		Regional Council			
		Actual 17/18 \$000	Budget 17/18 \$000	Actual 16/17 \$000	
Note					
ASSETS					
Non-Current Assets					
Property, plant & equipment	9	21,453	21,873	21,270	
Infrastructure assets	10	173,004	176,499	172,234	
Investment property	11	47,102	53,122	49,047	
Intangible assets	12	5,273	4,336	4,470	
Forestry assets	15	10,698	8,357	9,769	
Investment in joint venture	14	-	-	-	
Advances to Council-controlled organisations	16	-	1,666	-	
Trade & other receivables	16	-	-	-	
Derivative financial instruments	17	-	-	-	
Deferred tax assets	22	-	-	-	
Total non-current assets before other financial assets		257,530	265,853	256,790	
Other financial assets	13	9,313	16,703	10,331	
Investment in Council-controlled organisations	13	235,224	352,301	235,224	
Advances to Napier / Gisborne Rail	13	218	254	201	
Total other financial assets		13	244,755	369,258	245,756
Total Non-Current Assets		502,285	635,111	502,546	
Current Assets					
Inventories		122	93	35	
Trade & other receivables	16	9,969	9,309	8,813	
Advances to Council-controlled organisations	16	-	-	-	
Derivative financial instruments	17	-	-	-	
Other financial assets	13	57,216	7,694	75,375	
Cash and cash equivalents	18	27,309	11,322	10,261	
Current tax asset		-	-	-	
Non-current assets held for sale		-	-	-	
Total Current Assets		94,616	28,418	94,484	
TOTAL ASSETS		596,901	663,529	597,030	
NET ASSETS / EQUITY					
Accumulated funds	20	305,237	380,612	302,662	
Fair value reserves	19	161,167	199,077	160,766	
Other reserves	20	81,066	18,102	81,048	
Total Net Assets / Equity		547,470	597,791	544,476	
LIABILITIES					
Non-Current Liabilities					
Derivative financial instruments	17	13	-	31	
Borrowings	21	19,125	26,062	19,225	
Provisions for other liabilities & charges	25	14,115	21,694	18,074	
Deferred tax liabilities	22	-	-	-	
Employee benefit liabilities	23	542	651	584	
Total Non-Current Liabilities		33,795	48,407	37,914	
Current Liabilities					
Bank overdraft	21	-	-	-	
Derivative financial instruments	17	-	-	-	
Borrowings	21	3,900	4,171	3,640	
Provisions for other liabilities & charges	25	745	1,672	775	
Current tax payable		-	-	-	
Employee benefit liabilities	23	1,096	-	977	
Trade & other payables	24	9,895	11,488	9,248	
Total Current Liabilities		15,636	17,331	14,640	
TOTAL LIABILITIES		49,431	65,738	52,554	
TOTAL NET ASSETS / EQUITY & LIABILITIES		596,901	663,529	597,030	

The accompanying notes form part of these financial statements.

Financials | Pūrongo Pūtea: Financial Statements

Statement of Cash Flows

For the year ended 30 June 2018

		Regional Council		
		Actual	Budget	Actual
		17/18	17/18	16/17
		\$000	\$000	\$000
Note				
	CASH FLOW FROM OPERATING ACTIVITIES			
	<i>Cash was provided from:</i>			
	Receipts from customers	7,639	9,536	10,212
	Rates	19,475	19,125	17,743
	Dividends received	10,000	10,000	9,542
	Interest received	2,549	2,620	2,967
	Grants	5,720	3,630	5,411
	Other Revenue	174	266	360
	GST	-	-	149
		45,557	45,177	46,385
	<i>Cash was applied to:</i>			
	Payments to suppliers	21,504	22,463	25,560
	Payments to and behalf of employees	17,408	16,643	17,354
	Interest expense	2,803	2,648	2,979
	Income tax expense	-	-	-
		41,715	41,754	45,893
	Net Cash Flows from Operating Activities	3,842	3,423	492
	CASH FLOWS FROM INVESTING ACTIVITIES			
	<i>Cash was provided from:</i>			
	Disposal of property, plant & equipment	215	168	320
	Disposal of investment properties	4,856	-	6,871
	Disposal of financial assets	18,799	67,666	7,911
	Disposal of forestry assets	-	-	-
	Third party contributions for purchase of intangibles	-	-	-
		23,870	67,834	15,102
	<i>Cash was applied to:</i>			
	Purchase of property, plant & equipment	2,198	2,465	2,827
	Purchase of intangible assets	955	1,245	1,243
	Construction of infrastructure assets	970	1,880	855
	Purchase of financial assets	-	-	21,134
	Purchase of Forestry assets	160	113	17
	Purchase of intangibles on behalf of third parties	-	-	-
	Investment in Joint Venture	-	-	-
	Advances to Investment Company	(94)	67,666	-
	Advances to Napier / Gisborne Rail	17	91	38
		4,206	73,460	26,114
	Net Cash Flows from Investing Activities	19,664	(5,626)	(11,012)
	CASH FLOWS FROM FINANCING ACTIVITIES			
	<i>Cash was provided from:</i>			
	Loans drawn	3,900	11,241	4,000
	Leashold Annuity	-	-	-
		3,900	11,241	4,000
	<i>Cash was applied to:</i>			
	Loans repaid	3,740	3,873	3,720
	Leasehold freeholding proceeds paid to ACC	6,618	1,264	7,289
	Effect on consolidation	-	-	-
		10,358	5,137	11,009
	Net Cash Flows from Financing Activities	(6,458)	6,104	(7,009)
	Net Increase / (Decrease) in Cash & Cash Equivalents	17,048	3,901	(17,529)
	Opening cash & cash equivalents	10,261	7,421	27,790
	Closing Cash & Cash Equivalents	27,309	11,322	10,261

The accompanying notes form part of these financial statements.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 1: Statement of Accounting Policies

1.1 Reporting Entity

The Hawke's Bay Regional Council (Council) is a regional local authority governed by the Local Government Act 2002 (LGA) and is domiciled in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

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

The primary objective of Council is to provide services and social benefits for the community rather than make a financial return. The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

The financial statements of the Council and group are for the year ended 30 June 2018 and were authorised for issue by Council on 24 October 2018.

1.2 Basis of Preparation

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

(1.2.1) Statement of compliance

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

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

These financial statements comply with PBE Standards.

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

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

(1.2.2) Presentation and Currency

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

Note 2: Summary of Significant Accounting Policies

2.1 Basis of Consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis. All intragroup balances, transactions, revenues, and expenses are eliminated on consolidation.

(2.1.1) Subsidiaries

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

Financials | Pūrongo Pūtea: Notes to the financial statements

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

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

2.2 Revenue Recognition

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

(2.2.1) Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

(2.2.2) Sales of Goods and Services

- Revenue from the sale of goods is recognised when a product is sold to the customer.
- Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service provided.

(2.2.3) Interest and Dividends

- Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

(2.2.4) Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

2.3 Expenditure Recognition

(2.3.1) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(2.3.2) Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received. Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

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(2.3.3) Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ\$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

2.4 Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.5 Leases

(2.5.1) Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(2.5.2) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

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Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

2.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.7 Receivables

Receivables are recorded at their face value, less any provision for impairment.

2.8 Derivative Financial Instruments and Hedging Accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The Council and group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions.

The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

(2.8.1) Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

(2.8.2) Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the

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surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

2.9 Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments, and
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the purpose for which the instrument was acquired.

(2.9.1) Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on remeasurement recognised in the surplus or deficit.

(2.9.2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

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Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

(2.9.3) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

(2.9.4) Financial Assets at Fair Value through other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

2.10 Impairment of Financial Assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

(2.10.1) Loans and receivables, and held-to-maturity investments

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

(2.10.2) Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

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If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

2.11 Inventory

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

2.12 Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2.13 Plant, Property and Equipment

(2.13.1) Operational Assets

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

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

All other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of assets constructed by Council include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

(2.13.2) Infrastructure Assets

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

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

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

(2.13.3) Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

(2.13.4) Disclosure

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

(2.13.5) Subsequent Costs

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

(2.13.4) Revaluation Adjustments

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(2.13.5) Other Adjustments

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

2.14 Intangible Assets

(2.14.1) Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

(2.14.2) Carbon Credits

Purchased carbon credits are recognised at cost on acquisition. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

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Free carbon units received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

(2.14.3) Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

2.15 Depreciation and Amortisation Periods

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

Major Depreciation and Amortisation Periods	
Asset Category	Years
Buildings and Site Improvements	3 - 41
Vehicles	3 - 20
Plant & Equipment	1 - 31
Computer Equipment	3 - 20
Computer Software & Licences	3 - 50
Infrastructure Assets	5 - 100

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

2.16 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised in the statement of comprehensive revenue and expense for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

2.17 Investment Property

Investment property is leasehold land in Napier and Wellington held to earn rental revenue and for capital appreciation. Such property is initially recognised at cost. At each balance date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the statement of comprehensive revenue and expense for the period in which it arises.

2.18 Forestry Crops

Forestry crops are measured at their fair value less estimated point-of-sale costs each balance date by independent, professionally qualified valuers. Fair value is determined by the present value of expected net cash flows discounted by the current market-determined pre-tax rate. A gain or loss in value is recorded in the statement of comprehensive revenue and expense for the period in which it arises.

Financials | Pūrongo Pūtea: Notes to the financial statements

2.19 Payables

Short-term creditors and other payables are recorded at their face value.

2.20 Borrowings

Borrowings are recognised initially at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

2.21 Employee Entitlements

(2.21.1) Short-term Employee Entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

(2.21.2) Long-term Employee Entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows

2.22 Provisions

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

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2.23 Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components.

- accumulated funds;
- fair value reserves;
- other reserves;

(2.23.1) Fair Value Reserves

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

(2.23.2) Other Reserves

Other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Some of these other reserves are restricted by Council decision. Transfers to and from these reserves are at the discretion of the Council.

2.24 Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

2.25 Budget Figures

The budget figures are those approved by the Council in its 2017/18 annual plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.26 Basis of Allocation of Council's Indirect Costs

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

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

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

2.27 Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Financials | Pūrongo Pūtea: Notes to the financial statements

Fair Value of Assets

Various assumptions have been made in determining fair value of assets. These assumptions are set out under the individual assets notes.

Useful Life of Assets

The useful life of assets that are depreciated or amortised as based on best estimates and prior knowledge but may not reflect the actual true useful life of individual assets.

2.28 Critical Judgments in Applying Accounting Policies

Management has exercised judgements in applying accounting policies for the year ended 30 June 2018 these are in accordance with the accounting standards and best practice.

2.29 Changes in Accounting Policies

There have been no changes to accounting policies.

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Note 3: Groups of Activities Revenue & Expenditure

	Regional Council		
	Actual 17/18 \$000	Budget 17/18 \$000	Actual 16/17 \$000
Note			
Revenue			
Groups of activity			
Strategic Planning	48	58	56
Land Drainage & River Control	1,028	651	1,415
Regional Resources	3,858	4,348	3,736
Regulation	1,384	1,546	966
Biosecurity	38	-	29
Emergency Management	165	222	171
Transport	14	40	-
Governance & Community Engagement	13	133	159
Total groups of activity revenue	6,548	6,998	6,532
Less internal revenue	-	-	-
Total groups of activity revenue	6,548	6,998	6,532
Other activity			
Subsidiary operations	-	-	-
Total activity revenue	6,548	6,998	6,532
Expenditure			
Groups of activity			
Strategic Planning	5,714	5,539	4,882
Land Drainage & River Control	7,636	7,401	7,729
Regional Resources	15,474	14,892	13,891
Regulation	3,421	3,432	4,753
Biosecurity	3,160	2,849	3,102
Emergency Management	2,426	2,596	2,211
Transport	4,417	4,424	4,288
Governance & Community Engagement	3,016	3,019	3,207
Total groups of activity expenditure	45,264	44,152	44,063
Less internal expenditure	(179)	(182)	(186)
Total groups of activity expenditure	45,085	43,970	43,877
Other activities			
Regional income collection	1,940	1,765	2,121
Interest Paid on Regional Income loans	-	22	-
Subsidiary operations	-	-	-
Total other activities expenditure	1,940	1,787	2,121
Less personnel costs	7(a) (17,499)	(16,404)	(16,330)
Less finance costs - interest on borrowings	(1,388)	(1,384)	(1,422)
Less finance costs - fees associated with the transfer of Napier leasehold cashflows to ACC	(1,415)	(1,264)	(1,557)
Less depreciation and amortisation expense	(2,905)	(2,739)	(2,659)
Total activity expenditure	23,818	23,966	24,030
Depreciation and amortisation by groups of activity			
Strategic Planning	-	-	-
Land Drainage & River Control	642	667	600
Regional Resources	415	428	381
Regulation	3	4	3
Biosecurity	-	-	-
Emergency Management	16	16	24
Transport	14	40	14
Governance & Community Engagement	7	6	4
Total directly attributable depreciation and amortisation			
Depreciation not directly realted to groups of activity	1,808	1,578	1,633
Total depreciation and amortisation expense	2,905	2,739	2,659

Item 8

Attachment 2

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 4: Rates Revenue

	Note	Regional Council		
		Actual	Budget	Actual
		17/18 \$000	17/18 \$000	16/17 \$000
General funding rates				
Uniform annual general charge		2,707	2,567	2,017
General rate on land value		1,821	1,733	1,341
Total general funding rates		4,528	4,300	3,358
Targeted rates		14,947	14,825	14,303
Total rates revenue	4(a)	19,475	19,125	17,661

Note 4(a)

Under Council's rates remission policy for multiple ownership land, 127 rates remissions were approved, totalling \$44,849 (2016/17 – 114 remissions totalling \$42,296)

Rating base information

The number of rating units within the region as at June 2018 are 70,212 (2017: 70,344)

The total capital value of rating units within the region as at 30 June 2018 is \$34,674,606,450 (2017: \$31,621,171,000)

The total land value of the rating units within the region as at 30 June 2018 is \$17,799,313 (2017: \$16,126,969,650)

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 5: Other Revenue

	Note	Regional Council		
		Actual	Budget	Actual
		17/18 \$000	17/18 \$000	16/17 \$000
Subsidies and grants				
Grants	5(a)	5,383	3,630	5,459
Total subsidies and grants		5,383	3,630	5,459
Other revenue				
Dividend revenue		10,000	10,000	9,542
Rental revenue from investment property	5(b)	2,593	2,538	2,751
Interest revenue		2,721	2,620	2,806
Gain / (Loss) on disposal of assets - net		(9)	-	142
Subvention payments		144	140	5
Miscellaneous revenue	5(c)	30	1,161	355
Total other revenue		15,479	16,459	15,601

Note 5(a)

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

Note 5(b)

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

Note 5(c)

Miscellaneous revenue includes forestry income and fines.

Financials | Pūrongo Pūtea: Notes to the financial statements

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

	Note	Regional Council		
		Actual 17/18 \$000	Budget 17/18 \$000	Actual 16/17 \$000
Fair value gains				
Investment property gains	11	2,911	1,264	5,352
Financial asset gains	13	-	-	-
Forestry asset gains	15	768	473	2,444
Derivative instrument gains	17	18	-	39
Infrastructure asset gains	10	-	-	-
Carbon credit gains		-	-	-
Foreign currency gains		-	-	-
Total fair value gains		3,697	1,737	7,835
Fair value losses				
Investment property losses	11	-	-	-
Financial asset losses	13	-	-	-
Forestry asset losses	15	-	-	-
Derivative instrument losses	17	-	-	-
Infrastructure asset losses	10	-	-	-
Carbon credit losses		-	-	-
Foreign currency losses		-	-	-
Asset impairment losses	9 & 10	-	-	-
Total fair value losses		-	-	-

Note:

Fair value gains and losses on trading assets (listed above) are recorded in the Statement of Comprehensive Revenue and Expenditure. In addition, when asset revaluation decrements are greater than the corresponding surplus in the Fair Value Reserve, the excess decrements are also recorded in the Statement of Comprehensive Revenue and Expenditure as an asset impairment.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 7: Expense Disclosures

Note	Regional Council		
	Actual	Budget	Actual
	17/18 \$000	17/18 \$000	16/17 \$000
General disclosures			
Depreciation (refer to Notes 9 & 10)	2,470	2,357	2,261
Amortisation (refer to Note 12)	435	382	398
Personnel Costs	17,499	16,404	16,330
Donations	10	10	10
Operating lease expense	102	82	91
Key management compensation			
[a] short-term employee benefits	2,116	2,217	2,351
[b] post-employment benefits	-	-	-
[c] other long-term benefits	64	68	78
[d] termination benefits	-	-	306
[e] share-based payment	-	-	-
7(b)	2,180	2,285	2,735
Fees paid to Council's auditors (Audit NZ)			
Financial statements audit fee	139	100	105
Long term plan audit fee	70	65	-
Assurance & related services fee (lease receivables agreement report)	9	-	8
Fees paid to subsidiaries' auditors (EY)			
Financial statements audit fee	-	-	-
Non audit services (strategic risk consultancy)	-	-	-
Total fees paid to auditors	218	165	113

Note 7(a)

Personnel Costs

Salaries and wages	16,827	15,868	16,410
Defined contribution plan employer contributions	595	536	455
Increase/(decrease) in employee entitlements	77	-	(535)
Total Personnel Costs	17,499	16,404	16,330

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

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 7(b)

Key Management Compensation

Councillors

Remuneration	619	582	590
Full-time equivalent members	9	9	9

Executive Management Team, including the Chief Executive and Interim Chief Executives

Remuneration	1,561	1,703	1,839
Termination benefits	-	-	306
Full-time equivalent members	8	8	9

Company Directors, Chief Executive and Senior Management

Remuneration	-	-	-
Termination benefits	-	-	-
Full-time equivalent members	-	-	-

Total Key Management Compensation	2,180	2,285	2,735
Total full-time equivalent personnel	17	17	18

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

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

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

Other Expenditure

Leasehold Liability Movement (adjustment required to correctly state the liability to ACC)	863	-	1,270
Distributions out of reserves	102	-	773
Share of gain/(loss) from equity accounted investees		-	-
	965	-	2,043

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

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 8: Income Tax Expense

	Note	Regional Council	
		Actual	Actual
		17/18 \$000	16/17 \$000
Income tax expense			
Current tax		-	-
Deferred tax	22	-	-
Total income tax expense		-	-

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	2,593	(9,740)
Tax at domestic rate of 28% (2017 28%)	726	(2,727)
Plus / (Less) tax effect of:		
Income not subject to tax	(10,306)	(11,299)
Expenses not deductible for tax purposes	13,437	17,592
Imputation credits	(3,889)	(3,710)
Tax effect of income not recognised for accounting	-	-
Utilisation of previously unrecognised tax losses	-	-
Group loss transfer	32	144
Prior period adjustment	-	-
Tax losses not recognised/Adjust tax rate changes	-	-
Tax on changes to building depreciation rates	-	-
Tax charge	-	-

The Council and Group have unrecognised income tax losses of \$116,050 (2016-17 \$515,850) with a tax effect of \$32,494 (2016-17 \$144,438) that are available to carry forward, subject to compliance with the Income Tax Act.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 9: Property, Plant & Equipment

Note	Land \$000	Buildings \$000	Plant \$000	Vehicles \$000	Hydrology Equipment \$000	Technical Equipment \$000	Computer Equipment \$000	Other Equipment & Furniture \$000	Capital Work in Progress \$000	Total \$000
COUNCIL										
At 1 July 2016										
Cost or valuation	6,281	7,619	2,165	3,121	3,510	900	2,292	786	-	26,674
Accumulated depreciation	-	-	(1,146)	(1,283)	(1,201)	(610)	(1,465)	(553)	-	(6,258)
Net book amount	6,281	7,619	1,019	1,838	2,309	290	827	233	-	20,416
Year ended 30 June 2017										
Opening net book amount	6,281	7,619	1,019	1,838	2,309	290	827	233	-	20,416
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-
Transfers	(328)	328	-	-	(112)	-	(19)	-	-	(131)
Additions	801	123	277	593	734	29	204	49	-	2,810
Disposals	-	-	(17)	(149)	-	-	-	-	-	(166)
Depreciation charges	-	(424)	(240)	(331)	(343)	(48)	(221)	(52)	-	(1,659)
Asset impairment losses	-	-	-	-	-	-	-	-	-	-
	6,754	7,646	1,039	1,951	2,588	271	791	230	-	21,270
At 30 June 2017										
Cost or valuation	6,754	8,070	2,290	3,634	4,124	929	2,473	837	-	29,111
Accumulated depreciation	-	(424)	(1,251)	(1,683)	(1,536)	(658)	(1,682)	(607)	-	(7,841)
Net book amount	6,754	7,646	1,039	1,951	2,588	271	791	230	-	21,270
Year ended 30 June 2018										
Opening net book amount	6,754	7,646	1,039	1,951	2,588	271	791	230	-	21,270
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-
Transfers / reclassification	-	-	251	(251)	-	-	-	-	-	-
Additions	-	-	460	557	672	103	218	121	67	2,198
Disposals	-	-	(64)	(122)	(11)	-	-	-	-	(197)
Depreciation charges	-	(449)	(232)	(404)	(371)	(46)	(262)	(54)	-	(1,818)
Asset impairment losses	-	-	-	-	-	-	-	-	-	-
	6,754	7,197	1,454	1,731	2,878	328	747	297	67	21,453
At 30 June 2018										
Cost or valuation	6,754	8,070	2,937	3,818	4,785	1,032	2,691	958	67	31,112
Accumulated depreciation	-	(873)	(1,483)	(2,087)	(1,907)	(704)	(1,944)	(661)	-	(9,659)
Net book amount	6,754	7,197	1,454	1,731	2,878	328	747	297	67	21,453

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 9(a)

Council land and buildings were valued at 30 June 2016 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Limited. The total fair value of property, plant and equipment valued by Telfer Young (Hawke's Bay) Ltd was \$11,315,000.

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

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

While ownership of the Tangoio Soil Conservation Reserve is not vested in the Council, full managerial and financial control was transferred to Council in 1989 under section 16 of the Soil conservation and Rivers Control Act 1941.

Hydrological equipment was valued at 30 June 2016 on the basis of depreciated replacement value. This valuation was carried out by Jack McConchie, an experienced hydrologist with independent consulting engineers, Opus International Consultants Limited.

Insurance of Assets

Insurance of Assets

Insurance Contracts	Book Value \$,000	Maximum Insured Amount \$,000
Hawke's Bay Councils Programme		
PP&E excl. vehicles	19,722	27,265
Pumpstations	4,726	13,497
Vehicles	1,731	1,731
Timber Crops	10,698	7,306
	<u>36,877</u>	<u>49,799</u>

(17/18 insurance will increase to cover the book value at 30/06/18)

HBRC uses an insurance broker who acts on behalf of all five Hawke's Bay Councils to leverage the best competitive prices for insurance. Although the insurance contracts are separate and not effected by claims from the other four Councils.

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

The excess amount and any costs under the excess amount are self-insured by Disaster Damage Reserves.

The balances of these reserves as at 30 June 2018 are:

Regional Disaster Damage Reserve (book value)	2,063,000
Scheme Disaster Damage Reserves	<u>3,399,000</u>
Total	<u>5,462,000</u>

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 10: Infrastructure Assets (Parent & Group)

Note	Infrastructure Land \$000	Stopbanks \$000	Detention Dams \$000	Drainage Networks \$000	Pump Stations \$000	Culverts & Floodgates \$000	Bank & Edge Protection \$000	River & Sea Groynes \$000	Drainage Telemetry \$000	Sawfly Works \$000	Tutira Reserve \$000
At 1 July 2016											
Cost or valuation	11,321	56,238	3,559	32,728	4,375	6,877	20,534	1,783	223	11,563	629
Accumulated depreciation	-	-	(82)	-	(480)	(423)	-	-	(43)	-	-
Net book amount	11,321	56,238	3,477	32,728	3,895	6,454	20,534	1,783	180	11,563	629
Year ended 30 June 2017											
Opening net book amount	11,321	56,238	3,477	32,728	3,895	6,454	20,534	1,783	180	11,563	629
Revaluation surplus (refer Note 18)	2,400	3,868	90	3,285	1,214	537	6,105	116	18	653	-
Additions	355	-	6	-	29	-	253	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges	-	-	(43)	-	(250)	(212)	-	-	(22)	-	-
Asset impairment	-	-	-	-	-	-	-	-	-	-	-
	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629
At 30 June 2017											
Cost or valuation	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629
Accumulated depreciation	-	-	-	-	-	-	-	-	-	-	-
Net book amount	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629
Year ended 30 June 2018											
Opening net book amount	14,076	60,106	3,530	36,013	4,888	6,779	26,892	1,899	176	12,216	629
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	-
Additions	516	-	-	-	110	-	402	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges	-	-	(45)	-	(272)	(232)	-	-	(23)	-	-
Asset impairment	-	-	-	-	-	-	-	-	-	-	-
	14,592	60,106	3,485	36,013	4,726	6,547	27,294	1,899	153	12,216	629
At 30 June 2018											
Cost or valuation	14,592	60,106	3,530	36,013	4,998	6,779	27,294	1,899	176	12,216	629
Accumulated depreciation	-	-	(45)	-	(272)	(232)	-	-	(23)	-	-
Net book amount	14,592	60,106	3,485	36,013	4,726	6,547	27,294	1,899	153	12,216	629

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 10(a)

Infrastructure assets were valued by suitably experienced Council employees at 30 June 2017 on the basis of depreciated replacement cost. Significant assumptions used in the methodology include:

- current prices were used for all input costs such as labour rates, plant hire rates, material costs, and contract works rates,
- where current prices were not available, the Capital Good Price Index, published by Statistics New Zealand was used,
- Heretaunga Plains land protected from flooding was valued at \$80,000 per hectare,
- Ruataniwha Plains land protected from flooding was valued at \$20,000 per hectare,
- floodable land that is grazed was valued at \$6,000 per hectare
- floodable land that is not grazed was valued at nil.

The depreciated replacement cost valuation methodology was reviewed by Gary Williams, an independent registered engineer, while the land values were assessed by G S Morice, a registered valuer with Morice Ltd.

Note 10(b)

The Tutira Reserve Assets were valued at 30 June 2016 by M H Morice, a registered valuer, of Morice Ltd on the basis of fair value. The total value of assets valued was \$629,000.

Note 10(c)

Flood Control infrastructure assets are made up of all categories excluding Pathway & Roadway and Capital work in progress. All acquisitions are assets constructed by Council. The most recent estimate of the replacement cost of the flood control infrastructure assets was \$189,665,000 as at 30 June 2017.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 11: Investment Property

	Note	Regional Council	
		Actual	Actual
		17/18 \$000	16/17 \$000
At beginning of year		49,047	50,566
Additions		-	-
Fair value gains / (losses) (included in income statement)	11(a)	2,911	5,352
Disposals		(4,856)	(6,871)
Transfers	11(b)		
Movement during the year		(1,945)	(1,519)
At end of year		47,102	49,047
Investment property includes:			
Endowment leasehold land	11(c)	30,197	33,076
Other leasehold land		16,500	15,600
Rental Property		405	371
		47,102	49,047

Note 11(a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2018 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Trevor W Kitchin, registered valuer, of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 7.00%. The total fair value of property valued by Trevor W Kitchin as an independent valuer was \$30,197,000 (2016-17 \$33,076,000). Telfer Young (Hawke's Bay) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.

Wellington leasehold land was valued as portfolio at 30 June 2018 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer, of Telfer Young (Wellington) Ltd. The discount rate used was 7.60%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was \$16,500,000 (2016-17 \$15,600,000). Telfer Young (Wellington) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.

Property at Tutira was valued at 30 June 2018 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 \$405,000 (2016-17 \$371,000). Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Council.

Financials | Pūrongo Pūtea: Notes to the financial statements

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

	Note	Regional Council	
		Actual 17/18 \$000	Actual 16/17 \$000
Rental income	5	2,593	2,751
Direct operating expense arising from investment properties that generate rental income		(88)	(133)
		2,505	2,618

Note 11(c)

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

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 12: Intangible Assets

		Computer Software / Development Expenditure \$000	Carbon Credits \$000	Work-in Progress \$000	Council Total \$000
COUNCIL Only	Note				
At 1 July 2016					
Cost or valuation		5,069	682	-	5,751
Accumulated amortisation		(2,257)	-	-	(2,257)
Net book amount		2,812	682	-	3,494
Year ended 30 June 2017					
Opening net book amount		2,812	682	-	3,494
Transfers		131		-	131
Revaluations			-	-	-
Additions		714	529	-	1,243
Disposals				-	-
Impairment				-	-
Amortisation charges		(398)		-	(398)
		3,259	1,211	-	4,470
At 30 June 2017					
Cost or valuation		5,921	1,211	-	7,132
Accumulated amortisation		(2,662)	-	-	(2,662)
Net book amount		3,259	1,211	-	4,470
Year ended 30 June 2018					
Opening net book amount		3,259	1,211	-	4,470
Transfers					-
Revaluations			283		283
Additions		955			955
Disposals					-
Impairment					-
Amortisation charges		(435)			(435)
		3,779	1,494	-	5,273
At 30 June 2018					
Cost or valuation	12(a)	6,876	1,494	-	8,370
Accumulated amortisation		(3,097)	-	-	(3,097)
Net book amount		3,779	1,494	-	5,273

Note 12(a)

In accordance with Note 2.10 assets, such as Development Expenditure, that have an indefinite life are tested for impairment at each balance sheet date. If the asset is considered to be impaired, it must be written down to its recoverable value immediately against revenue.

Financials | Pūrongo Pūtea: Notes to the financial statements

Carbon Credits

These credits have been gained from the normal forestry and berm enhancement operations of Council. The amount of available for sale carbon units have been valued using a market value of \$21.10 per unit as at 30 June 2018 (30 June 2017 \$17.10 per unit). Although Council has the ability to sell all of the carbon credits it is Council policy to only sell those credits which are deemed safe. These credits are free to sell without creating a liability at the time of harvest.

Item 8**Attachment 2**

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 13: Other Financial Assets

	Regional Council	
	Actual	Actual
	17/18	16/17
Note	\$000	\$000
Other financial assets		
Current portion		
Term deposits with maturities 92 - 365 days	55,868	74,110
Government bonds	500	363
Community loans	848	902
Total current portion	57,216	75,375
Non-current portion		
Government bonds	870	1,312
Community loans	7,630	8,119
Publicly listed shares	795	882
Civic Assurance shares	18	18
RWSS evaluation costs	-	-
Advances to Napier / Gisborne Rail	218	201
Shares in Hawke's Bay Regional Investment Company	235,224	235,224
Total non-current portion	244,755	245,756
Total other financial assets	301,971	321,131

Fair Value

Term deposits

The carrying amount of term deposits approximates their fair value. The effective interest rate on bank deposits with terms greater than 91 days but less than 365 days was 3.47% (2016-17 3.74%). These deposits have an average maturity of 206 days (2016-17 205 days).

Government & Local Government Funding Agency (LGFA) bonds

The fair value of government and LGFA bonds is \$1,370,000 (2016-17 \$1,675,000). Fair value has been determined using quoted market prices from an independent source. The effective interest rate on government bonds was 3.02% (2016-17 3.68%). This stock has an average maturity of 8.1 years (2016-17 7.6 years).

Publicly listed shares

Publicly listed shares are recognised at fair value. Fair value has been determined using quoted market prices from an independent source.

Shares in Hawke's Bay Regional Investment Company

Council's shareholding in the Hawke's Bay Regional Investment Company Ltd was valued to fair value on 22 July 2015 by independent valuers, Deloitte (Wellington). The total fair value was \$235,224,000. The valuation of HBRIC Ltd was based on the Port of Napier valuation also conducted by Deloitte (Wellington). This valuation was completed on a discounted cash flow basis and compared to market benchmark data. The valuation of HBRIC Ltd then included the investment in the Ruataniwha Water Storage Scheme (RWSS) on a cost incurred to date less any assessed impairment and then deducted the value of net debt and future management costs.

Financials | Pūrongo Pūtea: Notes to the financial statements

As at 30 June 2017 Deloitte (Wellington) have reviewed the valuation. Based on that valuation, Council considers that the fair value is not materially different to that determined as at 30 June 2015.

Community Loans

The Council has provided loans to ratepayers for the installation of clean heat and insulation. The loans are repayable by a targeted rate over a 10-year period. Interest is charged on Insulation loans at between 5.10%-7.02% and on Clean heat loans at between 2.55% - 3.51% at the inception of the loan.

At beginning of year	9,021	9,009
Additional loans	1,268	1,923
Repayments	(1,811)	(1,911)
At end of year	8,478	9,021

Impairment

The HBRC RWSS evaluation costs have been fully impaired during the 2016-17 year at the value of \$831,000. There were no impairment provisions on other financial assets for the 2017-18 year..

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 14: Investment in Joint Venture

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 15: Forestry Assets

	Note	Regional Council	
		Actual	Actual
		17/18 \$000	16/17 \$000
At beginning of year		9,769	7,309
Additions		160	16
Fair value gains (included in Statement of Comprehensive Revenue and Expenditure)		943	2,509
Fair value (losses) (included in Statement of Comprehensive Revenue and Expenditure)		(174)	(65)
Disposals		-	-
Reclassification to Plant, Property & Equipment		-	-
Movement during the year		929	2,460
At end of year		10,698	9,769
Forestry assets include:			
Forestry on Council Owned Land			
Lake Tutira Country Park Forestry Crop	15(a)	4,699	4,076
Waihapua Carbon Sequestration Forestry Crop	15(b)	513	660
Rural Waste Water Disposal Forestry Crops	15(c)	333	360
Tutira Manuka Honey Forestry	15(d)	328	325
Forestry on Council Managed Land			
Tangoio Soil Conservation Reserve Forestry Crop	15(e)	4,823	4,346
Joint Venture Forestry			
Joint Venture Forestry Rights	15(f)	2	2
		10,698	9,769

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

During the period no forest crops were logged (2016-17 Nil ha).

Council owned forestry assets were fair valued to \$5,875,000 at 30 June 2018 (2016-17 \$5,422,000) by M H Morice, a registered valuer, of Morice Ltd. The valuation assumed discount rates of 6.5%

Valuation assumptions

The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

Traditional Forestry Crop

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

Financials | Pūrongo Pūtea: Notes to the financial statements

Grade	CW	FR	GFR	HW	SW
P40	184	0	181	0	0
P40pp	137	0	134	0	0
A40	144	144	141	0	0
A	136	136	133	136	136
K	131	131	128	0	0
KI	119	119	116	0	0
KIS	107	107	104	0	0
Pulp	51	51	51	51	51

CW Prad Clearwood

FR Prad Framing

GFR Gisborne Framing

HW Hardwood

SW Softwood

Manuka Forestry Crop

- a discount rate of 15% for the Manuka forest.
- 40kg honey produced per hive, one hive per hectare and honey at \$45/kg
- expenses included in the discounted cashflow for land rent, pest control and administration

Note 15(a)

Lake Tutira Country Park Forestry Crop consists of radiata plantings on 114 hectares situated at Tutira Country Park. These forestry assets were valued to \$4,699,000 by Morice Limited, independent valuers at 30 June 2018 (2016-17 \$4,077,000). The valuation assumed a discount rate of 6.5%.

Note 15(b)

Council's carbon sequestration forestry assets consist of 213 hectares of mixed plantings situated at Waihapua. These forestry assets were fair valued to \$513,000 by Morice Limited, independent valuers at 30 June 2018 (2016-17 \$660,000). The valuation assumed a discount rate of 6.5%.

Note 15(c)

Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 67 hectares at Pourere Road Waipawa, and 101 hectares at Mangatarata Road, Waipukurau and 36 hectares at Kinikini Road Mahia. These forestry assets were fair valued to \$333,000 by M H Morice of Morice Limited, independent valuers at 30 June 2018 (2016-17 \$361,000). The valuation assumed a discount rate of 6.5%.

Note 15(d)

Council is developing 130 hectares of Manuka forestry at Tutira for honey production. These forestry assets were fair valued at \$328,000 by M H Morice of Morice Limited, independent valuers at 30 June 2018. (2016-17 \$325,000). The valuation assumed a discount rate of 15.0%.

Note 15(e)

Council does not own the land at the Tangoio Soil Conservation Reserve, but in 1989, full managerial and financial control of the Tangoio Soil Conservation Reserve was transferred from central government to the Council under Section 16 of the Soil Conservation and Rivers Control Act 1941.

Note 15(f)

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

Note 15(g)

Financials | Pūrongo Pūtea: Notes to the financial statements

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.

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 16: Trade & Other Receivables

	Note	Regional Council	
		Actual 17/18 \$000	Actual 16/17 \$000
Trade receivables	16(a)	6,228	5,789
Less: provision for impairment of receivables	16(b)	(23)	(23)
Trade receivables - net		6,205	5,766
Prepayments		255	275
GST Receivable		472	303
Accrued income		2,743	2,175
Work-in-progress		235	141
Intercompany receivables		59	153
Trade & other receivables	16(c&d)	9,969	8,813
Total Trade & other receivables comprise:			
Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.		9,969	8,813
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges not subsidised by rates.		-	-
		9,969	8,813
All trade and other receivables are included as non-exchange transactions as all of Council's receivables are partly subsidised by rates and investment income			
Current trade and other receivables		9,969	8,813
Non-current trade and other receivables		-	-
		9,969	8,813
Other Advances			
Advances to Council controlled organisations		-	-

Note 16(a)

Trade receivables are non-interest bearing and are generally on 30 day terms.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 16(b)

Movements in the provision for impairment of receivables are as follows.

At beginning of year	23	23
Additional provisions made during the year	46	52
Receivables written off during the year	(46)	(52)
	-	-
At end of year	23	23

Note 16(c)

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

Note 16(d)

The status of trade receivables at reporting dates is set out below.

17/18

	Regional Council	
	Gross \$000	Impairment \$000
Not past due	3,477	-
Past due 1 - 60 days	858	-
Past due 61 - 90 days	28	-
Past due > 90 days	1,865	(23)
	6,228	(23)

16/17

Not past due	4,482	-
Past due 1 - 60 days	945	-
Past due 61 - 90 days	21	-
Past due > 90 days	341	(23)
	5,789	(23)

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 17: Derivative Financial Instruments

		Regional Council		
		Actual	Actual	
		17/18	16/17	
Note		\$000	\$000	
<u>Assets</u>				
	Interest rate swaps at fair value	17(a)	-	-
	Foreign exchange option			
	Forward exchange contracts at fair value		-	-
	Total		-	-
Less Non-current portion:				
	Interest rate swaps at fair value		-	-
	Forward exchange contracts at fair value		-	-
			-	-
Current portion				
			-	-
<u>Liabilities</u>				
	Interest rate swaps at fair value	17(a)	(13)	(31)
	Forward exchange contracts at fair value		-	-
	Total		(13)	(31)
Less Non-current portion:				
	Interest rate swaps at fair value		(13)	(31)
	Forward exchange contracts at fair value		-	-
			(13)	(31)
Current portion				
			-	-
Note 17(a)				

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 18: Cash & Cash Equivalents

	Note	Regional Council	
		Actual	Actual
		17/18 \$000	16/17 \$000
Cash at bank and in hand	18(a)	10,512	10,261
Short-term bank deposits	18(b)	16,797	-
		27,309	10,261

Note 18(a)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Note 18(b)

Short term deposits are made for varying periods up to 91 days depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

There were short-term bank deposits of \$16,797,000 as at 30 June 2018 (2016-17 NIL). The average deposit maturity after balance date was 30 days (2016-17 NIL)

Note 18(c)

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

Bank overdrafts	-	-
Cash and cash equivalents	27,309	10,261
	27,309	10,261

Financials | Pūrongo Pūtea: Notes to the financial statements

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

Net Surplus on Operations	2,593	(9,740)
Add (Less) Non-Cash Items:		
Fair value gains	(3,697)	(7,835)
Fair value losses	-	-
Depreciation	2,905	2,659
(Loss) on disposal of leasehold land	9	(142)
ACC liability movement	863	1,270
Vested asset	-	-
Impairment of assets	-	14,787
Share of loss of equity accounted investee	-	-
Deferred tax	-	-
Add (Less) Movement in Working Capital Items:		
(Increase)/decrease in inventories	(87)	58
(Increase)/decrease in trade & other receivables	(1,156)	1,041
(Increase)/decrease in tax receivables	-	-
(Decrease)/increase in trade & other payables	647	(1,071)
(Decrease)/Increase in employee entitlement liabilities	77	(535)
Add (Less) Items Classified as Investing or Financing Activities:		
Movement in non-current provisions	1,688	-
Net (Gain) / Loss on sale of non-current assets	-	-
Net Cash Inflow from Operating Activities	3,842	492

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 19: Fair Value Reserves

Note	Parent								Parent
	Land	Buildings	Hydrological Assets	Infrastructure Assets	Carbon Credits	Other Financial Assets	HBRIC Ltd	Investment Properties	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
COUNCIL Only									
At 1 July 2016	907	1,213	74	80,106	-	419	57,724	-	140,443
Year ended 30 June 2017									
Reclassification transfer					682				682
Revaluation - gross				19,104	529	8			19,641
	-	-	-	19,104	-	8		-	20,323
At 30 June 2017	907	1,213	74	99,210	1,211	427	57,724	-	160,766
Year ended 30 June 2018									
Reclassification transfer					283	118			-
Revaluation - gross									401
	-	-	-	-	283	118	-	-	401
At 30 June 2018	907	1,213	74	99,210	1,494	545	57,724	-	161,167

Note 19(a)

Revaluation increments and decrements on operating and financial assets (listed above) are recorded in the Statement of Changes in Equity. However, if revaluation decrements are greater than the corresponding surpluses in the Fair Value Reserve, the excess decrements are recorded in the Note 6, Fair Value Gains and Losses through the Income Statement, as an asset impairment.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 20: Accumulated Funds

	Regional Council	
	Actual 17/18 \$000	Actual 16/17 \$000
Accumulated funds		
Balance at 1 July	302,662	311,947
Surplus / (deficit) for the year	2,593	(9,740)
Transfers to / from other reserves	(17)	1,138
Reclassification transfer		(683)
Dividends received / (paid)		
Effect on consolidation		
Balance at 30 June	305,237	302,662

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 20(a): Other Reserves (Parent & Group)

Note	Infra-structure Asset Renewal (1) \$000	Wairoa Rivers & Streams (2) \$000	Special Scheme (3) \$000	Port Dividend Equalisation (4) \$000	Coastal Marine Area (5) \$000	Specific Regional Projects (6) \$000	Asset Replace-ment (7) \$000	Regional Disaster Damage (8) \$000	Scheme Disaster Damage (9) \$000	Clive River Dredging (10) \$000	Tangoio Reserve Fund (11) \$000	Maunga-haruru Tangitu (12) \$000	Sale of Land Invmt (13) \$000	Sale of Land Non-Invmt (14) \$000	Rabbit Re-serve (15) \$000	Ngati Pahau-wera (16) \$000
At 1 July 2016	1,358	832	4,317	353	-	-	1,478	3,064	2,959	398	3,468	206	61,479	1,276	63	936
Net fair value gains																
Interest income / (expense)		29	124				42	78	120		110	1			3	11
Rental income - net																
Depreciation transfers	931						2,057									
Trading gain / (loss)							211	105								
Transfers / (use of) reserves	(606)	23	584	(353)			(868)	(986)	510	38	(308)	30	(40)	(289)		(773)
Asset purchases - net							(2,625)									
Borrowings - net							703									
	325	52	708	(353)	-	-	(480)	(803)	630	38	(198)	31	(40)	(289)	3	(762)
At 30 June 2017	1,683	884	5,025	-	-	-	998	2,261	3,589	436	3,270	237	61,439	987	66	174
Net fair value gains / (losses)																
Interest income / (expense)		23	145				12	51	97		96				2	4
Rental income - net																
Depreciation transfer	840						2,251									
Trading gain / (loss)							568									
Transfers / (use of) reserves	(497)	5	1,385	-			(1,030)	(249)	(287)	484	(290)	(14)	(1,404)	(289)		(84)
Asset purchases - net							(3,086)									
Borrowings - net							1,285									
	343	28	1,530	-	-	-	-	(198)	(190)	484	(194)	(14)	(1,404)	(289)	2	(80)
At 30 June 2018	2,026	912	6,555	-	-	-	998	2,063	3,399	920	3,076	223	60,035	698	68	94

Financials | Pūrongo Pūtea: Notes to the financial statements

Nature and purpose of reserves

[1] Infrastructure asset depreciation reserve

A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.

[2] Wairoa rivers & streams reserve

A reserve established to fund flood mitigation and recovery work within the Wairoa District.

[3] Special flood & drainage scheme reserves

Reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual revenue and expenditure incurred in any one year.

[4] Port dividend equalisation reserve

A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.

[5] Coastal marine area reserve

A reserve established to meet the statutory requirements on the use of rental revenue earned on Council's endowment leasehold land.

[6] Specific regional projects reserve

A reserve established to meet the statutory requirements on the use of 50% of rental revenue on Council's endowment leasehold land received prior to 1st July 2003.

[7] Asset replacement reserve

A reserve established to fund the replacement of operating property, plant and equipment, which are not scheme based.

[8] Regional disaster damage reserve

A reserve established to fund the replacement

[9] Scheme disaster damage reserve

A reserve established to provide funding for the cost of responding to and managing an event:

- Cost of reinstatement of any uninsured assets (eg. Pathways on top of stopbanks);
- Any difference between the deductible and the threshold for eligibility for central government assistance (government covers 60% of the loss in the event of a disaster);
- To fund the policy excess of \$1.5m included in the policy with private insurers to cover 40% of the loss up to \$24 million in the event of disaster;
- The possibility of the cost of reinstating the level of service provided by the asset being considerably more than the optimised replacement value.

[10] Clive river dredging reserve

A reserve established to meet the expenditure of dredging requirements on the Clive River.

[11] Tangoio soil conservation reserve

A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by Council on behalf of the Crown.

[12] Maungaharuru Tangitu reserve

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

[13] Sale of land investment reserve

A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with Council's policy on "Evaluation of Investment Opportunities" approved on 30 April 2008.

Financials | Pūrongo Pūtea: Notes to the financial statements

[14] Sale of land non-investment reserve

A reserve established to hold transfers from the Sale of Land Investment Reserve to be invested in accordance with Council's policy on "Open Space Investment" approved on 25 June 2008 and Council's Investment Policy set out in the 2009-19 10 Year Plan.

[15] Rabbit reserve

A reserve established to fund costs expected to be incurred with growing rabbit populations. The reserve is limited to a maximum balance of \$133,000.

[16] Ngati Pahauwera reserve

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

Note 21: Borrowings

	Regional Council	
	Actual	Actual
	17/18 \$000	16/17 \$000
Note		
Non-current		
Bank borrowings	19,125	19,225
Finance lease obligations	-	-
	19,125	19,225
Current		
Bank overdrafts	-	-
Bank borrowings	3,900	3,640
Finance lease obligations	-	-
	3,900	3,640
Total borrowings	23,025	22,865

21(a) Security

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

21(b) Maturity analysis of borrowings

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

	Regional Council	
	Actual	Actual
	17/18 \$000	16/17 \$000
6 months or less	-	140
Between 6 and 12 months	-	-
Between 1 and 2 years	500	-
Between 2 and 5 years	3,500	5,250
Over 5 years	19,025	17,475
	23,025	22,865

Financials | Pūrongo Pūtea: Notes to the financial statements

21(c) Effective interest rates

The effective interest rates at the balance sheet date were:

Regional Council	
Actual 17/18 %	Actual 16/17 %
4.15 - 6.46	3.85 - 6.46

Effective interest rate ranges

21(d) Fair values

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

Regional Council	
Actual 17/18 \$000	Actual 16/17 \$000
19,609	19,724
19,609	19,724

Bank borrowings

The fair values as based on cash flows discounted using a rate based on the borrowing rate of 4.55% (2016-17 5.10%).

The carrying amount of borrowings repayable within one year approximate their fair value.

21(e) Undrawn facilities

The Group has the following undrawn borrowing facilities:

Regional Council	
Actual 17/18 \$000	Actual 16/17 \$000
Bank overdraft	-
Bank borrowings	-
-	-

21(f) Internal Borrowings

The following internal borrowings have been funded by Council reserves

Financials | Pūrongo Pūtea: Notes to the financial statements

	Regional Council	
	Actual 17/18 \$000	Actual 16/17 \$000
Internal Loan Opening Balance		
<i>Council Wide Activity</i>		
Dalton Street Building Remediation	-	152
Computer Equipment	500	580
Hydrology Equipment	1,140	1,190
<i>Groups of Activities</i>		
<i>Land, Drainage and River Control</i>		
Makara Scheme	206	213
	1,846	2,135
Internal Loans Borrowed during the year		
<i>Council Wide Activity</i>		
Dalton Street Building Remediation	-	-
Computer Equipment	-	-
Hydrology Equipment	-	100
Tutira Land Loan	100	-
Bus Ticketing System	40	-
<i>Groups of Activities</i>		
<i>Land, Drainage and River Control</i>		
Makara Scheme	-	-
	140	100
Internal Loans Repaid during the year		
<i>Council Wide Activity</i>		
Dalton Street Building Remediation	-	152
Computer Equipment	80	80
Hydrology Equipment	160	150
Tutira Land Loan	-	-
Bus Ticketing System	-	-
<i>Groups of Activities</i>		
<i>Land, Drainage and River Control</i>		
Makara Scheme	6	7
	246	389
Internal Loan Closing Balance		
<i>Council Wide Activity</i>		
Dalton Street Building Remediation	-	-
Computer Equipment	420	500
Hydrology Equipment	980	1,140
Tutira Land Loan	100	-
Bus Ticketing System	40	-
<i>Groups of Activities</i>		
<i>Land, Drainage and River Control</i>		
Makara Scheme	200	206
	1,740	1,846
Interest Paid during the year		
<i>Council Wide Activity</i>		
Dalton Street Building Remediation	-	4
Computer Equipment	16	19
<i>Groups of Activities</i>		
<i>Land, Drainage and River Control</i>		
Makara Scheme	7	7
<i>Regional Resources</i>		
Clean Heat	-	-
Hydrology Equipment	23	24
<i>Emergency Management</i>		
Hydrology Equipment	15	16
	61	70

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 22: Deferred Income Tax (Group)

Note 23: Employee Benefit Liabilities

	Note	Regional Council	
		Actual	Actual
		17/18 \$000	16/17 \$000
Annual leave		1,047	932
Long service leave		336	320
Sick leave		26	26
Retirement gratuities		229	283
Other short term benefits		-	-
Accrued payroll expenses		-	-
Total employee benefit liabilities	23(a)	1,638	1,561
Disclosed as:			
Non-current		542	584
Current		1,096	977
		1,638	1,561

Note 23(a) Movement in employee benefit liability

	Regional Council	
	Actual	Actual
	17/18 \$000	16/17 \$000
At beginning of year	1,561	2,096
Additional provisions	1,402	1,291
Unused amounts reversed	(44)	(31)
Used during the year	(1,281)	(1,795)
Movement during the year	77	(535)
At end of year	1,638	1,561

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 24: Trade & Other Payables

	Regional Council	
	Actual	Actual
	17/18	16/17
Note	\$000	\$000
Trade payables	3,664	3,694
Accrued expenses	4,450	3,660
Deposits & advances	1,780	1,894
Intrabusiness payables	-	-
	9,895	9,248
Total trade and other payables comprise:		
Payables and deferred revenue from non-exchange transactions - rates paid in advance	1,652	1,569
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions	8,243	7,679
	9,895	9,248

Trade payables are non-interest bearing and are generally on 30 day terms.
The carrying amount of trade and other payables approximates their fair value.

Note 25: Provisions for Other Liabilities & Charges

	Regional Council	
	Actual	Actual
	17/18	16/17
Note	\$000	\$000
Current portion:		
ACC Leasehold Liability	745	775
	745	775
Non-current portion:		
ACC Leasehold Liability	14,086	18,045
Other Liabilities	29	29
	14,115	18,074
Total	14,860	18,849

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Financials | Pūrongo Pūtea: Notes to the financial statements

Movements for each class of provision are as follows:

Council and Group

2017

	ACC Leasehold Liability \$000	Other Liabilities \$000
Balance at 1 July 2016	24,838	29
Additional provisions made	1,270	1
Amount used	(7,288)	
Unused amounts reversed		
Discount unwind		
Balance at 30 June 2017	18,820	30

2018

Balance at 1 July 2017	18,820	30
Additional provisions made	863	
Amount used	(4,851)	(1)
Unused amounts reversed		
Discount unwind		
Balance at 30 June 2018	14,832	29

Note 25(a)

In December 2013 Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of \$37.7 million was received for this to fund investment activity. The liability to ACC reduces by any sales of leasehold property during the year as these are paid to ACC as compensation for lost rental revenue over the 50-year term from the property freeholded.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 26: Related-Party Disclosures (Group)

Note 26 (a) The following transactions were carried out with subsidiaries

Note 26 (b) Transactions with key management personnel

During the year Councillors and key management personnel, as a part of normal customer relationship, were involved in minor transactions with the Group (such as payment of rates, purchases of small amounts of goods and services).

As part of the Constitution of Hawkes Bay Tourism Limited, HBRC are entitled to appoint one Director to the Board of Hawkes Bay Tourism Limited. This position is currently filled by Councillor Fenton Wilson. HBRC have paid Hawkes Bay Tourism Limited \$1,820,000 (excl. GST) in the 2017-18 year as per the funding agreement.

Financials | Pūrongo Pūtea: Notes to the financial statements

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

Note 26(d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

At year end, there was impairment relating to amounts owed by related parties of NIL (2016-17 \$13,956,000).

Note 27: Commitments & Contingencies

Note 27 (a) Capital commitments

Capital expenditure contracted for at balance sheet date but not yet incurred is as follows:

	Regional Council	
	Actual	Actual
	17/18	16/17
Note	\$000	\$000
Property, plant & equipment		
Property, plant and equipment	-	-
	-	-

Note 27 (b) Operating lease commitments

The Group has entered into commercial leases for certain offices, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms and conditions.

Future aggregate minimum lease payments under non-cancellable operating leases are:

Not later than one year	120	35
Later than one year but not later than five years	83	12
Later than five years	-	-
	203	47

Note 27 (c) Operating lease commitments as lessor

Napier leasehold land is leased under operating leases with annual rent payments set for a period of 21 years. As at 30 June 2018 the annual rent receivable by Council is \$1,462,451 (2017 \$1,553,385)

At the expiry of the 21-year lease term a rent renewal will be calculated on the current land value. These leases will keep renewing as long as the land is owned by Council. Leasehold properties may be freehold at any time at an amount calculated by an independent valuer. The annual rent receivable figures above assume no freeholding will take place in the year.

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Note 27 (c) Contingencies

In respect of the Council only

The Tangoio Soil Conservation Reserve fund contains the proceeds from the Reserve since management and control of the Reserve was vested in Council in 1985, less the cost of managing the Reserve. This fund is held by Council on behalf of the Crown. The value of the funds at 30 June 2018 are \$3,076,000 (2016-17 \$3,076,000).

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Note 28 Local Government Act 2002 Disclosures

Note 28(a) Remuneration of Chairman and Elected Members of Council

Remuneration of Elected Members of the Council includes salary, vehicle allowance, meeting and hearing fees that, during the year, was paid or payable to the Councillor by the Council or any council organisation.

Remuneration levels are set each year for all local authorities by the Remuneration Authority.

	Salary 17/18 \$	Hearing Fees 17/18 \$	Councillor Allowances 17/18 \$	Total Remuneration 17/18 \$
Elected Members				
Fenton Wilson	50,311		18,168	68,480
Alan Dick	62,889		2,327	65,217
Debbie Hewitt	50,311		7,262	57,574
Rex Graham	115,336		-	115,336
Peter Beaven	62,889		2,589	65,479
Rick Barker	62,889		2,291	65,180
Tom Belford	62,889		3,073	65,962
Neil Kirton	62,889		1,416	64,306
Paul Bailey	50,311		1,597	51,908
	580,718	-	38,724	619,442

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

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Note 28(b) Remuneration of Chief Executive

		Salary 17/18 \$	Severance Payments 17/18 \$	Other Benefits 17/18 \$	Total Remuneration 17/18 \$
James Palmer - CE HBRC	(01/07/17 - 30/06/18)	285,000		26,620	311,620
		285,000	-	26,620	311,620
		Salary 16/17 \$	Severance Payments 16/17 \$	Other Benefits 16/17 \$	Total Remuneration 16/17 \$
Andrew Newman - Seconded to HBRIC Limited	(01/07/16 - 15/10/16)	94,490		9,069	103,559
Andrew Newman - CE HBRC	(16/10/16 - 31/03/17)	216,188	306,200	20,853	543,241
Liz Lambert - Acting CE HBRC	(01/07/16 - 15/10/16)	65,403		6,924	72,327
Greg Woodham - Acting CE HBRC	(01/04/16 - 18/06/17)	45,792		5,786	51,578
James Palmer - CE HBRC	(19/06/17 - 30/06/17)	10,962		1,032	11,994
		432,835	306,200	43,664	782,699

Note 28(c) Severance Payments

There were no severance payments made during the year that were outside contractual obligations (2016-17; 3 payments totalling \$323,200)

Note 28(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June	2018
< \$60,000	61
\$60,000 - \$79,999	62
\$80,000 - \$99,999	45
\$100,000 - \$119,999	19
\$120,000 - \$139,999	11
\$140,000 - \$179,999 (combined band)	5
\$180,000 - \$309,999 (combined band)	4
Total Employees (headcount)	207
Total Annual Remuneration by band for Employees as at 30 June	2017
< \$60,000	64
\$60,000 - \$79,999	59
\$80,000 - \$99,999	41
\$100,000 - \$119,999	15
\$120,000 - \$139,999	11
\$140,000 - \$299,999 (combined band)	6
Total Employees (headcount)	196

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 176 (2017 167) full-time employees, with the balance of staff representing 19.6 (2017 18.4) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 29: Major Budget Variances (Parent)

29 (i) Statement of Comprehensive Revenue and Expenditure

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 30: Financial Risk Management

Introduction

The Group's principal financial instruments comprise bank loans, government stock, shares in listed companies and the Hawke's Bay Regional Investment Company, cash and bank term investments. The main purposes of these financial instruments are to raise finance for the Group's operations and to generate revenue.

The Group also enters into derivatives, consisting principally of interest rate swaps and forward currency contracts. The purpose is to manage interest rate and currency risks arising from the Group's operations and its sources of finance.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Other than government stock and shares in listed companies, the Group does not trade in financial instruments.

Market Risk

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The

Group is exposed to equity and securities price risk on its investments, which are classified as available for sale and held to maturity financial assets. The Group manages price risk by diversification of its investment portfolio in accordance with limits set out in its investment policy.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. From time to time the Group enters into transactions denominated in foreign currencies and uses forward and spot foreign exchange contracts to manage its exposures to currency fluctuations.

Interest Rate Risk

The interest rates on the Group's investments are shown at Note 13 and on borrowings at Note 20.

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. Borrowing and investing at fixed rates exposes the Group to fair value interest rate risk. The Group does not usually hedge against this risk.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes to market interest rates. Borrowing at variable interest rates exposes the Group to cash flow interest rate risk.

The Group manages its cash flow interest rate risk on borrowings by using interest rate caps and floating to fixed interest rate swaps.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing it to incur a loss. The Group has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Under the Local Government (Rating) Act 2002, the Council has powers to recover outstanding debts from ratepayers. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers.

The Group invests funds only with registered banks, government stock and its investment policy limits the amount of credit exposure to any one institution or organisation.

Investments in other local authorities are secured by charges over rates. The Group only invests in other entities with a minimum credit rating from Standard & Poors (or other credit agency of similar reputation) of A1 for short term debt (up to twelve months) or A+ for term debt (more than twelve months).

Financials | Pūrongo Pūtea: Notes to the financial statements

Maximum Exposure to Credit Risk

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 30 (a): Financial Risk Management

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due.

The Council maintains a level of cash operating balances sufficient to meet its commitments as they fall due as well as managing its borrowings in accordance with its funding and financial policies. .

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

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Financials | Pūrongo Pūtea: Notes to the financial statements

Foreign Exchange Risk

The Group enters into transactions denominated in foreign currencies from time to time and is thereby exposed to the risk that movements in foreign currency rates may cause a financial loss to the Group.

The Group uses forward and spot foreign exchange contracts to manage its exposure. The contract amounts of foreign exchange instruments outstanding at balance date are:

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 30 (b): Sensitivity Analysis

Explanation of interest rate risk sensitivity

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

Explanation of foreign exchange risk sensitivity

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

Explanation of equity price risk sensitivity

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

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Financials | Pūrongo Pūtea: Notes to the financial statements

Note 30 (c): Capital Management

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

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

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

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans, and the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities.

The sources and levels of funding are set out in the funding and financial policies in the Council's most recent LTP (2015-2025 Ten Year Plan).

HBRC has the following Council-created reserves:

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

Reserves for different areas of benefit are used where there is a discrete set of rate of levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves. Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events.

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

Financials | Pūrongo Pūtea: Notes to the financial statements

Note 31 Financial Instrument Categories

Note 31 (a): Fair Value Hierarchy Disclosure

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

Financials | Pūrongo Pūtea: Notes to the financial statements

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

There were no transfers between the different levels of the fair value hierarchy.

Valuation techniques with significant non-observable inputs (level 3)

The table below provides a reconciliation from the opening balance to the closing balance for the level 3 fair value measurements:

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Financials | Pūrongo Pūtea: Notes to the financial statements

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

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Financials | Pūrongo Pūtea: Financial Impact Statements

Financial Impact Statements

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

Council Funding Impact Statement				
	Annual Plan 2016/17 (\$'000)	Annual Report 2016/17 (\$'000)	Annual Plan 2017/18 (\$'000)	Annual Report 2017/18 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges	3,195	3,358	4,300	4,528
Targeted rates	14,211	14,303	14,825	14,947
Subsidies & grants for operating purposes	3,055	4,616	3,630	4,972
Fees & charges	6,868	6,532	6,998	6,548
Interest & dividends from investments	12,728	12,348	12,620	12,721
Fines, infringement fees & other receipts	2,992	2,756	2,804	2,737
Total operating funding	43,049	43,913	45,177	46,453
Applications of operating funding				
Payments to staff & suppliers	37,805	40,360	40,370	41,317
Finance costs	3,187	2,979	2,648	2,803
Other operating funding applications	-	-	-	-
Total applications of operating funding	40,992	43,339	43,018	44,120
Surplus / (deficit) of operating funding	2,057	574	2,159	2,333
Sources of capital funding				
Subsidies & grants for capital purposes	1,389	843	1,538	411
Development & financial contributions	-	-	-	-
Increase / (decrease) in debt (See annotation below)	11,644	280	7,368	160
Gross proceeds from sale of assets	203	7,191	168	5,071
Lump sum contributions	-	-	-	-
Total sources of capital funding	13,236	8,314	9,074	5,642
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	2,621	1,456	3,016	(56)
- to improve the level of service	1,000	834	1,865	824
- to replace existing assets	3,318	3,192	3,506	5,894
	6,939	5,482	8,387	6,662
Increase / (decrease) in reserves	(37,001)	(2,213)	(64,932)	(913)
Increase / (decrease) of investments	45,355	5,619	67,778	2,226
Total application of capital funding	15,293	8,888	11,233	7,975
Surplus / (deficit) of capital funding	(2,057)	(574)	(2,159)	(2,333)
Funding balance	-	-	-	(0)
Reconciliation to Surplus / (Deficit) before Taxation				
Operating Surplus per Income Statement	2,389	(9,740)	2,159	2,593
Depreciation	2,490	2,659	(2,739)	2,905
Fair Value Gains/Losses	(1,670)	(7,835)	1,737	(3,697)
Gain / Loss on sale	-	(142)	-	9
Capital Grants	-	(843)	-	(411)
Other Revenue	-	(355)	-	(30)
Other Expenses	(1,152)	16,830	1,035	965
FIS Surplus / (deficit) of Operating Funding (above)	2,057	574	2,192	2,333

Financials | Pūrongo Pūtea: Financial Impact Statements

Funding Impact Statement: Strategic Planning			
	LTP 2016/17 (\$'000)	LTP 2017/18 (\$'000)	Annual Report 2017/18 (\$'000)
Sources of operating funding			
Targeted rates	2,058	2,396	2,342
Subsidies & grants for operating purposes	125	125	377
Fees & charges	54	55	47
Internal charges & overheads recovered	2,838	2,897	1,825
Fines, infringement fees & other receipts	-	-	-
Total operating funding	5,075	5,473	4,592
Applications of operating funding			
Payments to staff & suppliers	4,428	4,800	4,995
Finance costs	9	8	8
Internal charges & overheads applied	638	665	711
Other operating funding applications	-	-	-
Total applications of operating funding	5,075	5,473	5,714
Surplus / (deficit) of operating funding	-	-	(1,121)
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	(20)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	(20)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(739)
Increase / (decrease) of investments	-	-	(402)
Total application of capital funding	-	-	(1,141)
Surplus / (deficit) of capital funding	-	-	1,121
Funding balance	-	-	(0)

Funding Impact Statement: Land Drainage & River Control			
	LTP 2016/17 (\$'000)	LTP 2017/18 (\$'000)	Annual Report 2017/18 (\$'000)
Sources of operating funding			
Targeted rates	6,667	6,883	6,864
Subsidies & grants for operating purposes	-	-	-
Fees & charges	124	122	1,028
Internal charges & overheads recovered	86	(71)	308
Fines, infringement fees & other receipts	158	145	194
Total operating funding	7,035	7,079	8,395
Applications of operating funding			
Payments to staff & suppliers	4,860	4,913	6,443
Finance costs	70	42	37
Internal charges & overheads applied	1,501	1,358	515
Other operating funding applications	-	-	-
Total applications of operating funding	6,431	6,313	6,994
Surplus / (deficit) of operating funding	604	766	1,401
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(542)	(262)	(262)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	(542)	(262)	(262)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	968	1,841	824
- to replace existing assets	480	685	110
	1,448	2,526	934
Increase / (decrease) in reserves	(1,386)	(2,022)	205
Increase / (decrease) of investments	-	-	-
Total application of capital funding	62	504	1,139
Surplus / (deficit) of capital funding	(604)	(766)	(1,401)
Funding balance	-	-	(0)

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Financials | Pūrongo Pūtea: Financial Impact Statements

Funding Impact Statement: Regional Resources			
	LTP	LTP	Annual Report
	2016/17	2017/18	2017/18
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,245	1,343	1,336
Subsidies & grants for operating purposes	-	-	723
Fees & charges	3,719	3,909	3,858
Internal charges & overheads recovered	6,831	7,185	5,751
Fines, infringement fees & other receipts	166	186	137
Total operating funding	11,961	12,623	11,805
Applications of operating funding			
Payments to staff & suppliers	9,533	10,025	11,680
Finance costs	936	983	1,012
Internal charges & overheads applied	1,492	1,614	2,367
Other operating funding applications	-	-	-
Total applications of operating funding	11,961	12,622	15,059
Surplus / (deficit) of operating funding	-	1	(3,254)
Sources of capital funding			
Subsidies & grants for capital purposes	1,358	1,506	411
Development & financial contributions	-	-	-
Increase / (decrease) in debt	85	823	203
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,443	2,329	614
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	1,644	2,402	(56)
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	1,644	2,402	(56)
Increase / (decrease) in reserves	(201)	(72)	(2,583)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	1,443	2,330	(2,640)
Surplus / (deficit) of capital funding	-	(1)	3,253
Funding balance	-	-	(0)

Funding Impact Statement: Regulation			
	LTP	LTP	Annual Report
	2016/17	2017/18	2017/18
	(\$'000)	(\$'000)	(\$'000)
Sources of operating funding			
General rates & uniform annual general charges	1,829	1,875	2,490
Targeted rates	-	-	-
Subsidies & grants for operating purposes	-	-	-
Fees & charges	1,614	1,421	1,383
Internal charges & overheads recovered	-	-	1,295
Fines, infringement fees & other receipts	10	10	-
Total operating funding	3,461	3,306	5,168
Applications of operating funding			
Payments to staff & suppliers	2,785	2,662	2,596
Finance costs	-	-	-
Internal charges & overheads applied	668	644	822
Other operating funding applications	-	-	-
Total applications of operating funding	3,461	3,306	3,418
Surplus / (deficit) of operating funding	-	-	1,751
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	1,751
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	1,751
Surplus / (deficit) of capital funding	-	-	(1,751)
Funding balance	-	-	-

Financials | Pūrongo Pūtea: Financial Impact Statements

Funding Impact Statement: Biosecurity & Biodiversity			
	LTP	LTP	Annual Report
	2016/17 (\$'000)	2017/18 (\$'000)	2017/18 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,679	1,722	1,719
Subsidies & grants for operating purposes	25	25	322
Fees & charges	14	15	38
Internal charges & overheads recovered	1,093	1,107	763
Fines, infringement fees & other receipts	7	4	1
Total operating funding	2,818	2,873	2,844
Applications of operating funding			
Payments to staff & suppliers	2,438	2,478	2,630
Finance costs	-	-	-
Internal charges & overheads applied	380	395	530
Other operating funding applications	-	-	-
Total applications of operating funding	2,818	2,873	3,160
Surplus / (deficit) of operating funding	0	0	(316)
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(316)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	(316)
Surplus / (deficit) of capital funding	-	-	316
Funding balance	-	-	-

Funding Impact Statement: Emergency Management			
	LTP	LTP	Annual Report
	2016/17 (\$'000)	2017/18 (\$'000)	2017/18 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	999	1,066	1,072
Subsidies & grants for operating purposes	174	175	697
Fees & charges	122	123	165
Internal charges & overheads recovered	668	648	400
Fines, infringement fees & other receipts	1	-	(2)
Total operating funding	1,964	2,012	2,332
Applications of operating funding			
Payments to staff & suppliers	1,549	1,582	1,817
Finance costs	26	22	22
Internal charges & overheads applied	389	408	571
Other operating funding applications	-	-	-
Total applications of operating funding	1,964	2,012	2,410
Surplus / (deficit) of operating funding	-	-	(78)
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(78)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	(78)
Surplus / (deficit) of capital funding	-	-	78
Funding balance	-	-	-

Financials | Pūrongo Pūtea: Financial Impact Statements

Funding Impact Statement: Transport			
	LTP 2016/17 (\$'000)	LTP 2017/18 (\$'000)	Annual Report 2017/18 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	1,652	1,702	1,613
Subsidies & grants for operating purposes	2,738	2,810	2,810
Fees & charges	-	-	14
Internal charges & overheads recovered	30	48	48
Fines, infringement fees & other receipts	(2)	(3)	(0)
Total operating funding	4,418	4,557	4,484
Applications of operating funding			
Payments to staff & suppliers	4,264	4,386	4,210
Finance costs	14	25	-
Internal charges & overheads applied	140	146	193
Other operating funding applications	-	-	-
Total applications of operating funding	4,418	4,557	4,403
Surplus / (deficit) of operating funding	-	-	81
Sources of capital funding			
Targeted rates	-	-	-
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	81
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	81
Surplus / (deficit) of capital funding	-	-	(81)
Funding balance	-	-	-

Funding Impact Statement: Governance & Community Engagement			
	LTP 2016/17 (\$'000)	LTP 2017/18 (\$'000)	Annual Report 2017/18 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	1,359	1,363	2,038
Targeted rates	-	-	-
Subsidies & grants for operating purposes	15	15	43
Fees & charges	187	285	13
Internal charges & overheads recovered	952	966	1,971
Fines, infringement fees & other receipts	-	-	-
Total operating funding	2,782	2,629	4,065
Applications of operating funding			
Payments to staff & suppliers	1,990	2,025	2,572
Finance costs	219	292	132
Internal charges & overheads applied	304	313	305
Other operating funding applications	-	-	-
Total applications of operating funding	2,782	2,630	3,009
Surplus / (deficit) of operating funding	-	(1)	1,056
Sources of capital funding			
Subsidies & grants for capital purposes	126	284	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	754	1,227	(290)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Total sources of capital funding	1,510	1,511	(290)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	1,260	1,890	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	1,890	1,890	-
Increase / (decrease) in reserves	(380)	(380)	766
Increase / (decrease) of investments	-	-	-
Total application of capital funding	1,510	1,510	766
Surplus / (deficit) of capital funding	-	1	(1,056)
Funding balance	-	-	-

Council Controlled Organisations

Report on Council Controlled Organisations

Introduction

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

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

Ownership and Control Policies

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

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

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

Nature and Scope of Activities

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

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

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

1. Growth in long term shareholder value
2. Increased financial and strategic returns
3. Investments are secure and sustainable over the long term
4. Investments will assist achievement of Council's regional strategic development objectives.

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

- Own and manage the investment assets and liabilities transferred to it by Council from time to time.
 - HBRIC Ltd continued to manage the investment in the Port of Napier Limited (Napier Port) following the transfer of shares from Council on 25 June 2012.
 - On 21 December 2012 the feasibility assets of the Ruataniwha Water Storage Scheme (RWSS) were transferred from Council to HBRIC Ltd along with responsibility for progressing the project.
 - On 6 July 2017 the Supreme Court, ruled against the land exchange decision by the Director General of the Department of Conservation (DoC) and HBRIC Ltd.
 - On 30 August 2017 HBRC resolved to invest no further capital in the RWSS and write off the full value of the advance from HBRC to HBRIC of \$14m. HBRC also resolved that HBRIC should actively attempt to sell the asset to a third party. HBRIC Ltd has done an assessment of the recoverable value of the sale of the asset and this has resulted in an impairment of \$11.7m, leaving a value of \$7.8m
- Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments;
 - The HBRIC Ltd Board meets with the Napier Port Chairman and CEO on a regular basis to discuss its operating activities and any investment opportunities that have the potential to increase shareholder value.

Council Controlled Organisations

- Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd's ownership
 - HBRIC Ltd has managed its investments in accordance with Council's investment policy detailed in the Long Term Plan 2015-25.
- Monitor the performance of each subsidiary and associated company against their stated economic, environmental and social objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.
 - The HBRIC Ltd Board meets with the Napier Port Chairman and CEO on a regular basis to ensure it is meeting its stated economic, environmental and social objectives and that it has proper governance procedures in place.
- Make new investments and dispose of current investments in pursuit of its objectives in accordance with its Acquisition/Divestment Policy.
 - The development phase of the RWSS progressed throughout the year but the Supreme Court decision and subsequent HBRC direction has indicated the ceasing of the project with the mandate to try to sell the residual assets.
 - Any future investments are currently being discussed through the HBRC lead Capital Structure Review panel
- Advise Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.
 - HBRIC Ltd reports regularly to Council which includes advising on strategic issues relating to its investments.
- Perform financial, custodial and other functions required by HBRC.
 - HBRIC Ltd undertook all financial, custodial and other functions as instructed by Council.
- Invest in, and manage, a range of financial and physical assets in accordance with Council's investment policy.
 - HBRIC Ltd has managed its investments in accordance with Council's investment policy detailed in the Long Term Plan 2015-25.
- Raise funds for investment by issuing bonds, mortgages, preference shares and other debt instruments (with the approval of HBRC for any sum greater than 5% of the value of HBRIC Ltd) or by reducing its holdings in equity investments in its subsidiary or associated companies.
 - All funds raised for investment in the current year related to development expenditure for the RWSS were sourced by way of external loan facilities which is an approach approved by Council.
- Comply with the LGA provisions requiring a special consultative process, and with Council policies, in regard to any disposal or part-disposal of shares in any Strategic Asset, for example by way of part sales of shares in Napier Port.
 - There were no disposals or part-disposals of shares in any Strategic Asset in the current year.
- Advise HBRC of any material capital expenditure projects by HBRIC Ltd or via its subsidiaries.
 - All material capital expenditure projects undertaken by HBRIC Ltd or via Napier Port were advised to Council at the earliest opportunity during the current year.
- Only invest in, or dispose of, investments, and use all income derived from these activities for Regional Council purposes and functions consistent with Council's investment policy.
 - The continued investment in the development phase of the RWSS is consistent with the objectives set out in Council's investment policy.

Council Controlled Organisations

Other Key Performance Targets

Comparison of actual specific financial performance targets compared to those set out in HBRIC Ltd’s 2017-18 Statement of Intent are outlined in the table following.

Consolidated Performance Targets		
Performance Indicator	Target	Actual
Net debt to net debt plus Equity	<40%	34%
Interest cover (EBIT/Interest Paid)	>3x	6x
EBITDA/Total Assets	9%	11%
Return on Shareholders’ Funds	5%	2%
Notes: EBIT = Earnings Before Interest and Tax		
EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation		
Net debt means gross borrowings from outside the “HBRIC Ltd “group”, less loans made to parties outside the HBRIC Ltd “group”		

Statement of Compliance and Responsibility

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 2018 fairly reflect the financial position and operations of Hawke's Bay Regional Council.

Rex Graham
Chairman

24 October 20187

James Palmer
Chief Executive

24 October 2018

Jessica Ellerm
Group Manager
Corporate Services
24 October 2018

Independent Auditor’s Report



Independent Auditor’s Report

To the readers of the Hawke’s Bay Regional Council and group’s
annual report for the year ended 30 June 2017

Independent Auditor’s Report

Independence

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

In addition to this audit and our report on the disclosure requirements, we have carried out a Limited Independent Assurance Engagement in relation to the Regional Council’s Debenture Trust Deed and an agreed upon procedures

assignment relating to a contract with the Accident Compensation Corporation which are compatible with those independence requirements. Other than the audit, our report on the disclosure requirements and these assignments, we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.

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

Appendix A

Key activities for progressively implementing the 2014 National Policy Statement for Freshwater Management

ID	Description	Status
1	<p>Tukituki River catchment plan change (PC6).</p> <p>During 2017-18, the Regional Planning Committee (RPC) considered several options for improving water security within the Tukituki River catchment following the Council deciding to shelve plans for investing in the Ruataniwha Water Storage Scheme. The RPC received advice from staff on potential content of a narrowly scoped plan change intended to address urgent implementation matters arising from Tukituki Plan Change 6. The RPC was unable to reach agreement on a process and potential scope of any such plan change. Consequently, there was no recommendation made from the RPC to the Council. In June 2018, the Council adopted its 2018-28 Long Term Plan without any specific resourcing provision being prioritised for a plan change that would aid implementation of Tukituki Plan Change 6.</p>	Operative 1 Oct 2015
2	<p>Greater Heretaunga / Ahuriri Catchment Area (aka 'TANK' catchments²) plan change.</p> <p>The RPC maintained its oversight of the TANK Collaborative Stakeholder Group's discussions and drafting of the draft TANK plan change ('PC9'). This occurred throughout 2017-18 as the TANK Group reached agreements on an increasing number of matters relating to land and freshwater management within the Greater Heretaunga / Ahuriri catchment area. During 2017-18, the TANK Group held meetings 30 to 41. In addition to the full TANK Group meetings, many additional meetings and discussions were held amongst smaller working groups and sub-groups looking at specific matters such as stormwater, wetlands, protection of human drinking water sources, water augmentation, and cultural values.</p>	Plan Change in preparation. To be publicly notified in 2018-19.
3	<p>Outstanding waterbodies plan change</p> <p>During 2017-18, the RPC considered options and further revised options for researching and assessing outstanding recreational, ecological, cultural and landscape values of the region's exceptional freshwater bodies. In May 2018, the RPC had nominated 21 candidate waterbodies for further secondary assessment of those waterbodies' outstanding values. Identification of the region's outstanding freshwater bodies is one action required by the Government's National Policy Statement for Freshwater Management, but this has not been a straightforward exercise. In March, the RPC agreed that its Co-Chairs would write to the Minister for the Environment requesting reconsideration and clarification of the outstanding waterbodies cultural values provisions in the NPSFM.</p>	Plan change in preparation. To be publicly notified in 2018-19.
4	<p>Plan Change 5 to RRMP (integrated land and freshwater management)</p> <p>Part of the last remaining appeal (by Fish and Game) relating to wetlands in the RRMP and Plan Change 5 is unresolved. An Environment Court hearing was held 11 -12 September 2017 and adjourned, awaiting closing legal submissions from parties and Court-facilitated caucusing of expert witness planners. ETA of Environment Court's decision is not known.</p>	Subject to part of one remaining appeal in the Environment Court.

² 'TANK' catchments refers to the Tutaekuri, Ahuriri, Ngaruroro and Karamu surface water catchment areas, plus the Heretaunga Plains groundwater system.

Appendix A

ID	Description	Status
5	Plan change for greater regulation of oil and gas exploration activities The RPC continued its work overseeing development of a stronger approach for regulating oil and gas exploration activities offshore and around the region's waterbodies. The RPC had progressed the project up to a point ready for targeted iwi and stakeholder input. However, in mid-April 2018, the Prime Minister announced that the Government would be banning any further new offshore oil exploration. In light of the Prime Minister's announcement, the RPC supported pausing the Council's own plan change project and the targeted iwi and stakeholder input phase did not proceed. The oil and gas plan change project is on-hold awaiting further direction from the RPC and the Council about next steps given the Government's announcements earlier in 2018.	Plan change in preparation, but paused pending further direction from RPC and Council.
6	Mohaka River catchment plan change A Draft Mohaka plan change work programme had been prepared and was presented to the RPC in September 2016. Due to other planning staff commitments and priorities, further policy option evaluation and stakeholder engagement has been postponed. Further progress on policy options and stakeholder engagement is subject to recruitment of senior planning expertise in 2018-19. Meanwhile, environmental science data and information gathering in the catchment is ongoing, as is land management liaison with landholders in the upper Mohaka/Taharua catchment area.	Under preparation. Not yet publicly notified.
7	Rest of Region plan change (i.e. covering all other catchments in the Hawke's Bay region that are not within the Tukituki, TANK or Mohaka catchment areas)	Not scheduled for 2017-18. To commence in 2020-21.
8	Ngaruroro Water Conservation Order application The Council lodged a submission in opposition to an application for a Water Conservation Order for the Ngaruroro and Clive Rivers. The application and submissions are being considered by a Special Tribunal appointed by the Minister for the Environment.	Ongoing

NOTE 1: The Council's revised second edition of its progressive implementation programme ('PIP') was notified in November 2015. Following amendments to the NPSFM in 2017, that PIP must now be reviewed and revised if necessary. A further revised third edition of the PIP must be adopted notified by Council before 31 Dec 2018.

NOTE 2: In terms of involvement of tāngata whenua in (i.e. Objective D1 and Policy D1 of the NPSFM), further commentary on this is outlined in the Introductory section of this Annual Report.

NOTE 3: This Appendix does not outline the wide range of other activities (e.g. environmental monitoring, science information, land management services, open space activities etc) that underpin, inform and implement changes to the RRMP. Refer to the separate activity reports elsewhere in this Annual Report.