

ANNUAL REPORT 2015/16

Hastings District Council: Great living, today and tomorrow



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Message from the Mayor and the Chief Executive



Introduction from the Mayor and Chief Executive

The 2015/16 year has seen Council put a real focus on further developing the potential of our district and region.

New and revamped strategies and growing co-operation with neighbouring councils post the local government reorganisation referendum have helped achieve some real gains in this area.

Hastings District Council's economic development programme Great Things Grow Here, instigated in the previous financial year, has made great strides in the past 12 months, becoming a regional brand for economic development. It was officially endorsed by councils from across the region in June, and has been taken up by 137 brand champions – companies using the branding on their products and in their advertising. This is taking the best of Hastings and Hawke's Bay to the world.

Another milestone of note aimed at improving the fortunes of the region and its people has been the completion of the Regional Economic Development Strategy (REDS). While this is a regional project, Council staff have taken lead roles in helping put the strategy together. With input from all of the local government organisations in the region, business, iwi, and central government and non-government organisations, the strategy sets down concrete plans that, once implemented, will improve the region's ability to get its product to market, build tourism attractions, and increase the standard of living throughout Hawke's Bay. The completion of the strategy has already seen central government fund a number of major initiatives aimed at increasing employment and infrastructure investment among other things. The plan was completed in June and made public in July.

Work on the Irongate and Omahu Road industrial areas has progressed to the extent where major industrial developments are now taking off. New developments are expected to underpin hundreds of new jobs over the next two to three years. The

availability of these development areas has coincided well with the upturn in the economy based on the success of our horticultural and other primary production industries.

The tools being used to reach the goals of higher employment, increased GDP and higher incomes have grown to include the Hastings City Centre Vibrancy Plan. This is very much a partnership programme between Council and city centre businesses. A many-faceted plan has been formulated, designed to add colour and atmosphere, and therefore customers and spending, to the core of the city.

The range of initiatives run from the small and easily instigated to the large and more involved; from introducing super-sized play blocks in the city's Albert Park to encourage young families into town and weekly central city concerts, to investigating planning measures which will encourage inner-city living. The work that has been done has contributed toward a rise in retail sales enjoyed by retailers over four consecutive quarters of the year.

Social well-being and ensuring our people have access to modern recreation facilities have also been at the centre of Council's attention.

To that end, programmes designed to encourage youth into employment and/or education continue apace, with Council actively participating in initiatives as well as facilitating them. Of note was the Work Inspiration Programme which saw secondary school students partnered with Council staff across a range of fields over a number of weeks. Council's belief is that because of the very broad range of occupations within councils, from engineering to event organisation, it is in a prime position to share potential career options with students.

Council has continued with its programme to upgrade playgrounds. In a first for the community, a truly innovative revamp of the Frimley Playground has been completed, designed with the requirements of children with disabilities in mind. As well as traditional play gear, it includes sensory equipment, wheelchair-friendly access and a roundabout.

The largest park project was planned and started during the year; the \$1.5 million rejuvenation of the Havelock North Domain, now to be called the Village Green. A comprehensive community consultation programme was held to decide on the design of the green space. This led to a decision to relocate the historic cricket pavilion within the park, and a very successful community-led fundraising drive. The project is an example of how resident's input into a plan can make a very real difference. The physical works started in May with completion targeted at mid-December, weather permitting.

The ever-growing cycling fraternity in the district, as well as our cycling visitors, have been well-served with the opening of a clip-on cycle lane on the Clive Bridge, a second cycle lane between Havelock North and Hastings, and a start made on a clip-on cycle lane for the Chesterhope Bridge. Napier has joined in with Hastings' long-running iWay programme this year, giving the opportunity to share resources, including event planning, and create further network links.

Co-operation has also been at the forefront of the development of a Smokefree Policy in selected areas across Hastings and Napier, meaning residents can be confident of consistency across the two cities.

In the arts sector, the Hastings City Art Gallery has had a very successful year; with a highlight being the Cubic Structural Evolution Project, known as the Lego exhibition. Drawing in tens of thousands of visitors, it has introduced many children and their parents to the art gallery for the first time.

One of the biggest projects for Hastings is the refurbishment of the Hawke's Bay Opera House. Comprehensive public consultation was held in February to find out whether people wanted to strengthen and reopen the Opera House. The communications plan around that consultation ensured that every resident had the opportunity to have their say, and those who responded overwhelmingly backed the restoration of the building. The arts community more broadly, including organisations such as the New Zealand Symphony Orchestra, the Royal New Zealand Ballet and national architecture organisations, were also canvassed for their views. Design work for the refurbishment has been underway since that decision, with physical work expected to start in the 2017 calendar year.

Council again retained its focus on investment in infrastructure to underpin the economy and our community. As well as maintenance and renewal programmes of our existing assets, major progress was made towards the construction of the new Whakatu arterial link road which will link Havelock North, the Whakatu industrial area, the horticultural production of the Heretaunga plains, and the expressway, port and airport. As this report is written, tenders for the physical construction contract have closed and the last property acquisition is being finalised.

While not within the 2015/16 financial year, Council's water supply infrastructure came under intense focus in August 2016 when contamination by campylobacter affected the Brookvale water supply bores and led to an extremely serious outbreak of gastroenteritis in the Havelock North community. This was a major failure in terms of Council's commitment to provide safe drinking water to its community. At the time of writing Council has restored a safe water supply to Havelock North and is working hard with other parties to find the cause of the contamination. This includes looking at the bores themselves to see whether there was equipment fault or failure, and also examining the surrounding catchment to see if earthworks or other bores or ground openings have affected the water supply. Council is also providing welfare and recovery assistance to help the community bounce back from the impacts the widespread illness has caused. Planning for medium to long-term solutions to ensure a safe water supply has commenced. We have expressed our sincere apologies to the Havelock North community for the hardship, illness and distress caused by this contamination event.

Council's sound financial performance is again the result of a strong focus on prudent financial management. External debt is at \$50 million at year end, well below budget forecast. A rating surplus in excess of \$2 million, derived from strong cost control and sound treasury management, has allowed Council to repay more debt, set aside funds to the rural flood damage reserve, and meet additional costs associated with the Havelock North water contamination event without placing any additional burden on ratepayers. While debt will rise over the next year due to the Whakatu arterial roading project and the Opera House strengthening, the costs associated

with this debt have long been provided for within Council's long-term plan and budgets. Unless there is a significant change in Council strategy at the governance level, this prudent financial approach is likely to continue.

In our view, Council overall continues to make good progress in helping the community to overcome the challenges it faces and capitalise on the opportunities and talents it possesses. However, the water contamination event has rightly dented community confidence in Council. We are committed to working with the community to rebuild that confidence and on making the district a better place to live and work.



A handwritten signature in black ink, appearing to read 'L. Yule'.

Lawrence Yule
Mayor



A handwritten signature in black ink, appearing to read 'R. McLeod'.

Ross McLeod
Chief Executive

Our operating framework



Our reporting framework

In this section you will find a summary of performance followed by detailed performance statements as follows:

Level One

- Future Goals (page 15)

Level Two

- Levels of Service (page 17)
- Customer Experience Measures (page 32)
- Key Actions (page 33)

Level Three

- Asset Improvement Plans (currently being updated) (page 13)

The Council has a **three level reporting** framework.

Level One Future Goals – has a future looking focus and measures desired trends over time.

Level Two Today's Promises – is about the promises made in the short term to our community.

Level Three Smart Business – is more internally focused and is about the Council being the best organisation it can be.

Monitoring progress

Year-end progress report
on Council's Long Term
Plan Commitments –
June 2016



Summary performance

Introduction

The pages which follow outline in detail how the Council has progressed against its performance management framework within its 2015-2025 Long Term Plan. This report marks the first year of reporting against the 2015-2025 Long Term Plan. A summary of our progress at the end of Year One is as follows:

Level One: Future Goals

The information on progress toward future goals is best measured by shifts over time. These measures are largely on track with the exception of landfill tonnages which are impacted by external influences. The measurement of walking and cycling mode share is an area under review.

Level Two: Today's Promises

Key actions

There are 26 key actions contained within the Long Term Plan 2015-2025. All actions are on track.

Levels of service and customer experience

There are 79 measures focused on the annual promises made to the community. They relate both to the things Council provides (Levels of Service) and to how the customer interacts with Council's services (Customer Experience). The aim of Council is to fully achieve/substantially achieve these. For reporting purposes we group our activities into the following groups:

- Water & Roads
- Safe, Healthy & Liveable Communities
- Economic & Community Development
- Governance & Support Services

In brief the Council's achievement is as follows:

Levels of service (70 measures)

Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Water & Roads (note i)	15 (71%)	2 (10%)	4 (19%)
Safe, Healthy & Liveable Communities (note ii)	23 (92%)	-	2 (8%)
Economic & Community Development (note iii)	9 (82%)	-	2 (18%)
Governance & Support Services (note iv)	8 (100%)	-	-

Notes:

- Further in-depth data analysis of urgent versus non-urgent calls will rectify the not-achieved result reported. Average consumption of drinking water was marginally over target.
- No Rural Fire Audit was undertaken in 2015/16 and the level of service measure in relation to the Opera House is not applicable at this time due to the closure of the Theatre and Municipal Buildings
- The level of service measure in relation to the Opera House is not applicable at this time due to the closure of the Theatre and Municipal Buildings
- Performance against two public perception measures is yet to be obtained and is not intended to be reported annually. This will take place in the new term of Council

Customer experience (9 measures)

Group of Activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Governance and Support Services	2 (100%)	-	-
Safe, Healthy & Liveable Communities (Note)	2 (33%)	2 (33%)	2 (33%)

Note: Parks User satisfaction not measured in 2015/16.

Customer Service Centre: Mystery Shopping

A mystery shopper program is continuing where ‘shoppers’ visit Council to measure the service delivered against a set of pre-determined criteria. The assessment focuses on the surroundings in the centre, staff interaction with the customer and subject knowledge. The standards are set high and staff are expected to go the extra mile for customers.

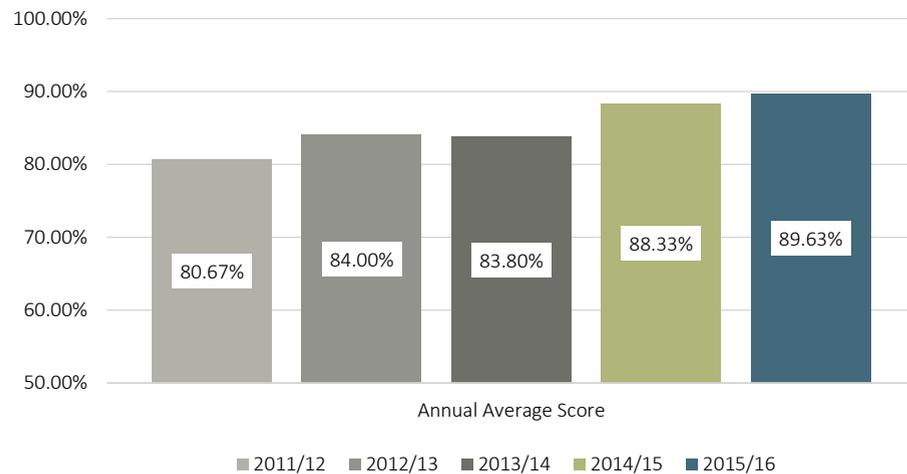
The findings are analysed to identify improvement areas for both individuals and the teams as a whole. Four ‘shops’ undertaken during 2015/16 resulted in the following outcomes:

2015/16 CSC Mystery Shopper results

The minimum target is set at 80% with anything above 90% considered exceptional.

Subject	Score 1	Score 2	Score 3	Score 4	Average
Property Enquiry with Rates Payment Options	81%	99%	58%	93%	83.0%
LIM Application Enquiry	97%	100%	94%	95%	97.0%
Overall Average					89.63%

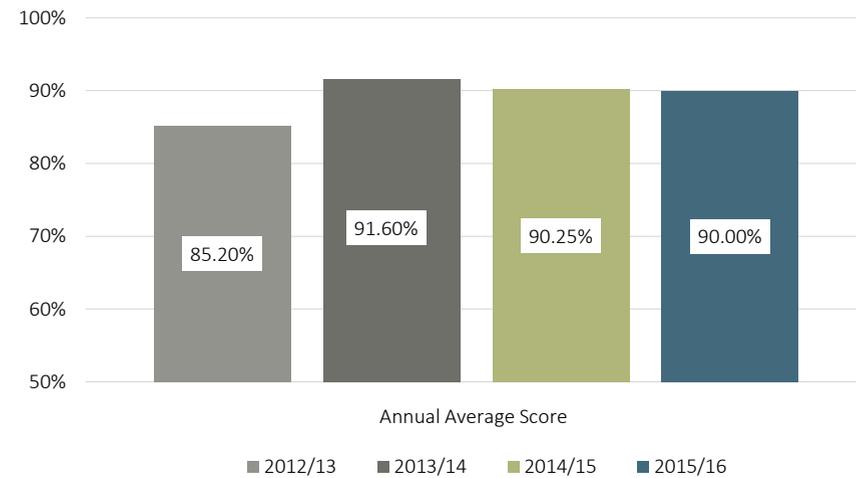
CSC Mystery Shop Results



Contact Centre: Mystery Shopping

The results of mystery ‘shops’ in partnership with the Palmerston North City Council are outlined below. This venture represents an opportunity to share learnings and to benefit from the knowledge of others in the same business, whilst also minimising the on-going survey costs. The annual average scores over the last four years are consistently high.

Contact Centre Mystery Shop Summary

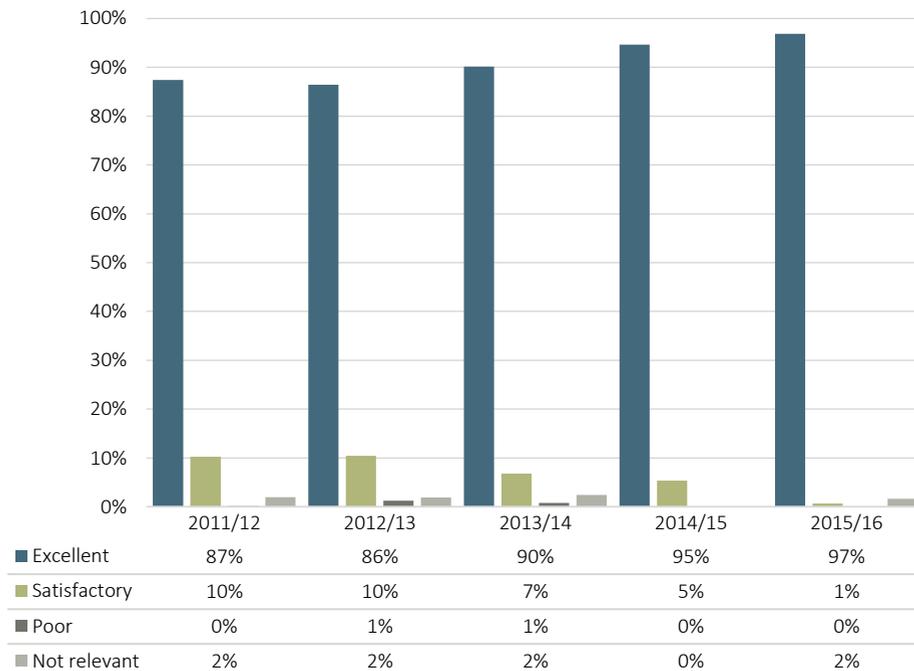


Water Service Requests

At the completion of each job the team from City Care (the Council’s contracted maintenance works service provider) leave a ‘Survey Card’ in the mailbox of the customer who requested assistance. The feedback each year illustrates a high level of customer satisfaction with Council’s response to requests for assistance with water related issues. In 2015/16, 97% of those completing a survey card rated the service excellent (40 completed survey cards received).

The results of the survey cards are discussed with the staff at regular ‘tool box’ meetings, which provide an opportunity to relay the positive comments received from the public and any issues that are identified.

Water Service Request Feedback Summary



Level Three: Smart Business

Asset improvement plans

A significant amount of Council’s expenditure is allocated to maintaining the core assets for the community. For this reason we have detailed Asset Management Plans which set out the optimal management of these assets.

As part of these plans the Council has a process of continuous improvement in the collection of asset data, planning and risk management.

A total of 53 high priority improvement items across the asset areas of Roding, Wastewater, Water Supply, Stormwater, Parks & Reserves, Buildings and Facilities and Solid Waste Services have been either completed, substantially completed or well on track over the last three reporting cycles.

An updated schedule of future improvement items is currently being developed from the various Asset Management Plans for future reporting.

Level One – Future Goals

Water & Roads

Future goal	Baseline performance	Future target	Progress																																
FG01 Modal shift to walking/cycling	9% of school and work journeys	20% by 2020	<ul style="list-style-type: none"> Measurement Under Review – Mode share is complex and difficult to calculate. Nationally the mode share is currently calculated at 14.6%. The Ministry of Transport (MOT) is conducting continuous surveys which will be able to be broken down to a Hastings area calculation. This measure will be updated once the MOT survey outcomes are made available. A range of education and encouragement projects are being rolled out. 																																
FG02 Annual shift to walking and cycling	8% per annum (school and work journeys)	8% per annum	<ul style="list-style-type: none"> Not Achieved – The data indicates that average daily cycle volumes are holding steady, despite external influences such as the decreased cost of petrol. As above, this measure will be updated once Ministry of Transport survey outcomes are made available. <table border="1"> <thead> <tr> <th rowspan="2">Site</th> <th colspan="2">Average Daily Traffic</th> </tr> <tr> <th>2015</th> <th>2016</th> </tr> </thead> <tbody> <tr> <td>Clive Pathway – Whakatu to Clive</td> <td>46</td> <td>47</td> </tr> <tr> <td>Clive Pathway – Kenilworth to Whakatu</td> <td>65</td> <td>69</td> </tr> <tr> <td>Havelock Road Pathway</td> <td>92</td> <td>79</td> </tr> <tr> <td>Karamu Road</td> <td>46</td> <td>62</td> </tr> <tr> <td>Maraekakaho Road</td> <td>57</td> <td>59</td> </tr> <tr> <td>Wilson Road</td> <td>68</td> <td>54</td> </tr> <tr> <td>Crosses Road Pathway</td> <td></td> <td>80</td> </tr> <tr> <td>Windsor Pathway</td> <td></td> <td>26</td> </tr> <tr> <td>Average (2015-2016 sites only)</td> <td>62</td> <td>62</td> </tr> </tbody> </table>	Site	Average Daily Traffic		2015	2016	Clive Pathway – Whakatu to Clive	46	47	Clive Pathway – Kenilworth to Whakatu	65	69	Havelock Road Pathway	92	79	Karamu Road	46	62	Maraekakaho Road	57	59	Wilson Road	68	54	Crosses Road Pathway		80	Windsor Pathway		26	Average (2015-2016 sites only)	62	62
Site	Average Daily Traffic																																		
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Average (2015-2016 sites only)	62	62																																	
FG03 Street lighting efficiency	Installed wattage (2.6kw/km).	20% reduction by 2022	<ul style="list-style-type: none"> On Track – LED replacement programme commenced with the first batch of 550 LED lights being installed in 2016/17. The conversion of LED will have a significant impact on power consumption. 																																

Safe, Healthy & Liveable Communities

Future goal	Baseline performance	Future target	Progress
FG04 Public buildings meet earthquake standards	At project commencement 55.4% meet current standards Note: 2015 LTP referenced 90% as the baseline performance in error	100% meeting future legislative standards.	<ul style="list-style-type: none"> • On Track – 59.09% currently meet legislative standards. 903 buildings have been identified as requiring a seismic assessment. These buildings will be captured under the new provisions in the Building (Earthquake-Prone Buildings) Amendment Act 2016. Regulations supporting the Amendment Act continue to be developed by MBIE; the commencement date for these regulations has been determined as being no later than 13 May 2018. • 447 buildings are above the statutory threshold defining whether a building is potentially earthquake-prone. • 39 buildings have been assessed as less than the statutory threshold of 34% NBS. These buildings require further assessment to determine whether the buildings are likely to collapse in a moderate earthquake-prone causing injury or death, or damage to other property. • 2 buildings are defined as earthquake-prone under s122 Building Act 2004. • The financial impacts on the Council of the new legislation are not yet known.
FG05 Waste diversion rates	% of waste diversion / total waste (Baseline 20% waste diversion rate)	Improvement over baseline	<ul style="list-style-type: none"> • On Track – A diversion percentage of 41.2% has been calculated, based on 8,385 tonnes being actively diverted during 2015/16 from all council waste services and facilities. • The 41.2% is considerably higher than the previous 19.2% achieved. This is the result of improved data collation through the weighbridge software system and the comparing of the total Hastings District Council waste services and facilities data to the known diversion data. NB: does not include commercial or Omarunui Landfill data.
FG06 Declining tonnages to landfill	72,000 tonnes	68,000 tonnes by 2016	<ul style="list-style-type: none"> • Not Achieved – The tonnage increased from 72,000 to 75,000 tonnes during 2015/2016. This reflects a national trend and increased economic activity.

Level Two – Today’s Promises

(A) LEVELS OF SERVICE

Water Services

Detailed Mandatory Non-Financial Performance Measures (Department of Internal Affairs)

The performance measures in the tables below are required to be reported in accordance with section 261B of the Local Government Act 2002.

These are new measures. The baseline performance is based on 2013/14 actual information (unless otherwise stated).

The Council will review the performance targets which have been set in future versions of the Council Long Term Plan.

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
LOCAL INFRASTRUCTURE To provide local infrastructure which contributes to public health and safety, supports growth, connects communities, activates communities and helps protect the natural environment.	Council will provide a safe and reliable stormwater service and ensure that service interruptions are kept to a minimum.	DIA Non-Financial Performance Measure 1: System Adequacy The number of flooding events that occur in the Council’s district. For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the Council network)	0 (zero)	0 (zero) floors affected per 1000 connections up to a 1 in 50 year ARI storm event.	Achieved – 0 (zero) numbers of habitable floors affected, however 25 general surface flooding events
		DIA Non-Financial Performance Measure 2: Discharge Compliance Compliance with Council’s resource consents for discharge from its stormwater system measured by the number of: a) Abatement notices b) Infringement notices c) Enforcement orders d) Convictions	0 (zero)	a) 0 (Zero) Abatement notices b) 0 (Zero) Infringement notices c) 0 (Zero) Enforcement orders d) 0 (Zero) Convictions	Achieved – 0 (zero) abatement, infringement, and enforcement notices, and no convictions

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
		DIA Non-Financial Performance Measure 3: Response Times The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site	1 hour	1 hour	Achieved – no ‘flooding events’ recorded so no response required. The response time to general surface flooding events was 12 minutes
		DIA Non-Financial Performance Measure 4: Customer Satisfaction The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to the Councils stormwater system	15	15 Complaints per 1,000 connections NB: This is a baseline figure for stormwater related complaints received in the past 8 years.	Achieved – 5.18 Complaints per 1,000 connections

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
LOCAL INFRASTRUCTURE Council Objectives to which the wastewater activity relates: <ul style="list-style-type: none">Healthy drinking water and sanitary servicesSustainable use of water resourcesInfrastructure supporting	Council will provide a safe and reliable wastewater service and ensure that service interruptions are kept to a minimum.	DIA Non-Financial Performance Measure 1: Number of dry weather sewerage overflows from the Council’s wastewater system, expressed per 1000 sewerage connections to that sewerage system	5	5 per 1,000 connections per annum	Achieved – 1.77 overflows per 1000 connections per annum (note this includes wet weather overflows)
		DIA Non-Financial Performance Measure 2: Compliance with Council’s resource consents for discharge from its sewerage system measured by the number of: (a) Abatement notices (b) Infringement notices (c) Enforcement orders (d) Convictions	0 (zero)	(a) 0 (Zero) Abatement notices (b) 0 (Zero) Infringement notices (c) 0 (Zero) Enforcement orders (d) 0 (Zero) Convictions	Achieved – 0 (zero) abatement, infringement, and enforcement notices, and no convictions

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
<ul style="list-style-type: none"> economic growth Resilience to hazards and shocks 		DIA Non-Financial Performance Measure 3: Where the Council attends to sewerage overflows resulting from a blockage or fault in the Council's sewerage system, the following median response times are measured:			Achieved:
		(a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site, and	1 hour	(a) 1 hour response time to site (attendance time)	(a) 28 minutes response
		(b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault reach the site	1 day	(b) 1 day Permanent Repair Completed (resolution time)	(b) 4.5 hour Permanent Repair Completion
		DIA Non-Financial Performance Measure 4: Total Number of complaints received by the Council about any of the following:	61	Count expressed per 1,000 connections per annum (Baseline target of 61 complaints to be reviewed to align with current achievement in 2015/16)	Achieved – 11.76 complaints per 1,000 connections per annum
		(a) Sewage odour (b) Sewerage system faults (c) Sewerage system blockages (d) The Council's response to issues with its sewerage system Expressed per 1,000 connections to the Council's sewerage system			

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
<p>LOCAL INFRASTRUCTURE</p> <p>Council Objectives to which the Water Supply activity relates:</p> <ul style="list-style-type: none"> • Sustainable use of land and water resources • Healthy drinking water and sanitary services • Infrastructure supporting economic growth • Resilience to hazards and shocks • Serviced land for industrial development 	<p>Water Supply – Ensuring Healthy drinking water through the provision and effective management of water services</p>	<p>DIA Non-financial performance Measure 1: (safety of drinking water/)</p> <p>The extent to which the local authority's drinking water supply complies with:</p> <p>(a) part 4 of the drinking-water standards (bacteria compliance criteria), and</p> <p>(b) part 5 of the drinking-water standards (protozoal compliance criteria)</p>	<p>100%</p>	<p>Percentage Compliance</p> <p>Target 100%</p>	<p>NZ drinking water bacteria standards</p> <p>The following water sources achieved full compliance:</p> <p>Hastings, Whirinaki/Esk, Omahu, Flaxmere, Waimarama, Waipatu and Paki Paki.</p> <p>Not Achieved – Havelock North Supply</p> <ul style="list-style-type: none"> • Brookvale 3 source confirmed for contamination in September 2015 and subsequently shut down. • Tauroa zone contamination confirmed in January 2016 with the Tauroa zone chlorinated and contamination cleared. • Te Mata Road multiple main bursts identified as a source of contamination in May 2016. Havelock North Supply chlorinated and contamination cleared. Water main has been renewed. <p>Transgressions:</p> <ul style="list-style-type: none"> • Clive, Haumoana/Te Awanga supplies each had a single transgression event. Subsequent testing found no trace of bacterial organisms (E Coli). • Parkhill routine monitoring indicated a low level transgression. Testing since has been clear. The source will continue to be monitored daily as per the drinking water standards. • Waipatiki supply is now chlorinated due to a number of transgressions

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
					<p>NZ drinking water protozoal standards Not achieved – 97% of properties connected to public water supplies were protozoal compliant in accordance with the Drinking Standards.</p> <p>For the following supplies all practicable steps to comply with the standards are being taken. Waimarama and Whirinaki/Esk use ultraviolet treatment technology that does not meet the latest version of the Drinking Water Standards, however they are operated in a way that ensures the provision of safe drinking water. Waipatiki is currently chlorinated and working on secure status. Omaha is being upgraded to comply with the latest standards. Parkhill is a new source with secure status being worked on.</p> <p>These results are provisional, pending the assessment of compliance by the independent Drinking Water assessor.</p> <p>Post 30 June 2016 – The information reported here relates to the 2015/16 financial year. Post 30 June 2016 the Havelock North Water Supply was contaminated with Campylobacter, causing widespread illness in the Havelock North community. This event will affect Council’s performance in terms of delivering safe drinking water and compliance with drinking water standards. At the time of writing this report, investigations into the cause of the</p>

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
					contamination was continuing in conjunction with the Hawke's Bay District Health Board and the Hawke's Bay Regional Council. The investigation work includes examination of Council's water supply bores and the surrounding catchment area
		<p>DIA Non-Financial performance Measure 2: (maintenance of the reticulation network)</p> <p>The percentage of real water loss from the local authority's networked reticulation system</p> <p>(Including a description of the methodology used to calculate this)</p>	20%	20% Percentage Real Losses or other recognised industry standard as specified in the HDC's 'Water Conservation and Demand Management Strategy'	Substantially Achieved – 21% as per MWH Water Loss Assessment Update June 2016
		<p>DIA Non-Financial performance Measure 3: (fault response times)</p> <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <p>(a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and</p> <p>(b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption</p>	1 hour	Urgent – 1 Hour response time to site (note i)	<p>Note i: Response times for urgent and non urgent callouts below are made up of instances</p> <p>(a) where contractors physically arrive at a callout</p> <p>(b) where a phone call is made to assess the original callout's severity</p> <p>(c) where the contractor identifies an issue themselves and resolves it instantly on site</p>
			2 hour	Urgent – 2 Hour Restoration of Service	Not Achieved – 5 hour restoration (Note: Where some callouts initially deemed urgent have been downgraded to non-urgent after assessment, this data is difficult to differentiate but will be removed from 2016/17 onwards)

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2015/16 Target	2015/16 Achievement
		(c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and	3 days	Non-urgent – 3 days response time to site (note i)	Achieved – 32 minute response time
		(d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	7 days	Non-urgent – 7 days call resolution	Achieved – 1 day resolution (Note: Callouts downgraded from urgent to non urgent have not been included in this resolution time.)
		DIA Non-Financial performance Measure 4: (customer satisfaction) The total number of complaints received by the local authority about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply, and (f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.	1	Count expressed per 1000 connections per annum (Current Baseline = 1 complaint per 1,000 connections)	Not Achieved – 2.62 complaints per 1,000 connections (Note: The baseline KPI represents taste and odour complaints only)
		DIA Non-performance Measure 5: (demand management) The average consumption of drinking water per day per resident within the territorial authority district.	400	400 Litre/p/day per resident	Not Achieved – 408 Litre/p/day per resident

Roads and Footpaths

Detailed Mandatory Non-Financial Performance Measures (Department of Internal Affairs)

The performance measures in the tables below are required to be reported in accordance with section 261B of the Local Government Act 2002.

These are new measures. The baseline performance is based on a combination of 2013/14 actual information and an assessment of performance data year to date for the 2014/15 year.

The Council will review the performance targets which have been set in future versions of the Council Long Term Plan.

Community Outcomes	Performance Measure	Baseline Performance	2015/16 Target	Achievement 2015/16
LOCAL INFRASTRUCTURE Council Objectives to which the transportation activity relates: <ul style="list-style-type: none"> • Accessible range of safe transport options • Safe walking and cycling facilities • Infrastructure supporting economic growth • Efficient movement of goods 	DIA Non-Financial Performance Measure 1: Road safety The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number	32	Reducing trend of fatality and serious injury from previous year (Current levels for year 13/14 are 4 fatalities and 28 serious injuries) on the local road network	Substantially Achieved – In 2014/15 there were 28 fatal or serious crashes of which 5 were fatalities. In 2015/16 there were 28 serious crashes of which 2 were fatal
	DIA Non-Financial Performance Measure 2: Condition of the sealed road network The average quality of ride on a sealed local road network, measured by smooth travel exposure	90%	90% smooth travel exposure (Average quality of ride)	Achieved – 91% of the road network has been measured as smooth
	DIA Non-Financial Performance Measure 3: Maintenance of a sealed local road network The percentage of the sealed local road network that is resurfaced	5.5%	5.5% of sealed local road network is resurfaced per annum	Achieved – 6% of the network was resurfaced in 2015/16
	DIA Non-Financial Performance Measure 4: Condition of footpaths within the local road network The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (such as its annual plan, activity management plan, asset management plan, annual works programme or Long Term Plan)	1.5%	No more than 1.5% of footpaths classified poor or worse as measured by Council's condition rating system	Achieved – Only 1% of footpaths were classified as poor or worse in 2015/16
	DIA Non-Financial Performance Measure 5: Response to Service Requests The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the timeframe specified in the long term plan	98%	98% of customer service requests relating to roads and footpaths responded to within 28 days	Achieved – 99% of customer requests were answered within 28 days

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
COUNCIL OBJECTIVE: Reducing public nuisance and threats to public safety	Hours of operation at refuse transfer station	7 days per week	7 days per week	Achieved – Facility only closed on Christmas Day, New Year’s Day and Easter Sunday
	Hours of operation at recycling depots	7 days per week (24 hour operation at Martin Place)	7 days per week (24 hour operation at Martin Place)	Achieved with the addition of 24 hour sites at Pukehamoamoā, Tutira, Poukawa, Waimarama
	Hours of operation at landfill	1 landfill (limited weekend opening)	1 landfill (limited weekend opening)	Achieved – The Omarunui Landfill was open and operational five days a week (Monday to Friday) and a limited number of Saturdays. The facility does not open on Christmas Day, New Year’s Day and Good Friday
	% of urban dwellings serviced by kerbside refuse and recycling services	Weekly collection to 92% of urban dwellings	Weekly collection to 92% of urban dwellings	Achieved – All urban dwellings within the collection zones received a weekly refuse and recycling service. The extension of collection zones is now being considered and reviewed
	% compliance with landfill conditions	100%	100%	Achieved – No abatement notices were issued. HBRC and HDC have reached formal agreement on groundwater trigger levels for the site. In this regard a change in the conditions of consent has been made Omarunui Landfill – Revised surface water trigger levels have now been approved by the HBRC. Groundwater and tell-tale trigger levels are still being decided upon

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
	% of food premises having an excellent or very good grading	100%	95%	Achieved – 100% of food premises have an excellent or very good grading
	% compliance with swimming pool fencing regulations	99%	98%	Achieved – 99.7% compliance with swimming pool fencing regulations
	Number of public cemeteries	4 cemeteries at Hastings, Havelock North, Puketapu, Mangaroa	4	Achieved – Additional capacity at Havelock North and Hastings cemeteries has also been previously established
	Compliance level with crematorium consent conditions	All conditions met	All conditions met	Achieved – All consent conditions met
	% of public buildings with current warrant of fitness	100%	95%	Achieved – 95% of Council buildings with current warrant of fitness
COUNCIL OBJECTIVE: Reduce public nuisance and threats to public safety	Dog pound capacity	34 dogs	27 dogs	Achieved – 31 dogs (includes 5 outdoor pens)
	% of dog registrations of known dogs	100%	99%	Not Achieved – 95.7%
	% release rate of impounded dogs suitable for adoption	New	85%	Achieved – 100% of all suitable dogs were adopted (79% of total impounded dogs)
	Pass grade for National Rural Fire audits (PMEF)	Satisfactory	Satisfactory	Not Measured – No audit occurred in 2015/16. The last audit was in 2014/15 financial year where the Hastings District Council retained a <i>Satisfactory</i> rating following a review of the National Rural Fire Authority Performance Evaluation
	Response time to national emergency warning	15 minutes	15 minutes	Achieved – < 15 minutes
	Number of night time compliance operations on licensed premises per year	12	4	Achieved – 4 night time operations undertaken
	Number of CCTV cameras	22	22	Achieved – 26 CCTV cameras

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
<p>COUNCIL OBJECTIVE:</p> <ul style="list-style-type: none"> Sustainable use of land and water resources A more compact urban form 	A District Plan current at all times within statutory timeframes	Achieved	Achieved	Achieved – 43 appeals lodged to Proposed District Plan. 18 appeals have been resolved to date. The Council has also initiated 3 variations to the Proposed District Plan
<p>COUNCIL OBJECTIVE:</p> <ul style="list-style-type: none"> Places and spaces for recreation Places and spaces for arts, culture, learning Fostering recreational participation Fostering the arts and cultural experience 	Number of public swimming pools that meet Pool Safe water quality standards	4	4	Achieved – All pools meet Pool Safe water quality standards
	Days of operation of public libraries	3 public libraries (6 day service Flaxmere / Havelock Nth, 7 days Hastings)	3 public libraries (6 day service Flaxmere / Havelock Nth, 7 days Hastings)	Achieved – Opening hours as per stated level of service
	% of urban properties within 500m radius (walking distance) of a park	93.8%	94%	Not Achieved – 93.5% of urban properties within a 500m radius of a park. Slight reduction recorded as there has been little new park acquisition and more new houses built away from parks. New acquisition in Lyndhurst and Northwood will reverse trend in 16/17
	% of urban properties within 500m radius (walking distance) of a playground	55.6%	56%	Achieved – 56.6% of urban properties within a 500m radius of a playground
	Number of elderly housing units and average occupancy	220 units with occupancy of 93.3%	90% average occupancy	Achieved – 220 units with 95% average occupancy
	Number of Art Gallery exhibitions per annum	14	12	Achieved – Hastings City Art Gallery hosted 19 exhibitions across its four exhibition spaces in 2015/16 financial year, and received 22,205 visitors

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
	Opera House Qualmark Rating (subject to current review)	Five star	Five star	Not Measured – Opera House Theatre and Municipal Building is currently closed to the public due to earthquake strengthening requirements. These works have been completed on the Plaza and former Opera House Kitchen which is open for meetings and functions
	% of Indoor Sports Centre available booking hours booked	50%	40%	Achieved – 59% of available hours booked
	Days of operation of Splash Planet	Mid November to Waitangi Day (7 days a week)	Mid November to Waitangi Day (7 days a week)	Achieved – Mid November to Waitangi Day (7 days a week)

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
COUNCIL OBJECTIVE: <ul style="list-style-type: none"> Residential development opportunities Industrial development opportunities 	% of vacant industrial land	20.3%	A minimum of 20% of industrial land is vacant	Not Achieved – 19.5% of the zoned land is vacant (excluding Irongate and Omahu at plan variation stage which will substantially increase the land availability)
	Number of hectares of vacant greenfield land	68.8 hectares	A minimum of 20 hectares vacant greenfield land	Achieved – 45.7 hectares of vacant greenfield land and a structure plan for Howard Street will provide a further 21.2 hectares
	Number of significant strategies completed per annum	1	1	Achieved – HPUDS Review commenced in September 2015 and a draft approved for consultation on 30 June 2016
	Number of structure plans completed per annum	0	1	Achieved – A structure plan for Howard Street was publically notified on 30 June 2016.

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
COUNCIL OBJECTIVE: Appealing visitor destination	Opera House Qualmark Rating (subject to current review)	Five Star	Five Star	Not Measured – Opera House Theatre and Municipal Building is currently closed to the public due to earthquake strengthening requirements. These works have been completed on the Plaza and former Opera House Kitchen which is open for meetings and functions
	Number of visitors to i-Site visitor centres per annum	76,990	84,000	Not Achieved – A total of 82,124 visitors (Hastings 60,412 and 21,712 Havelock North)
	Total financial support to events	\$75,000	\$75,000	Achieved – The allocated Event Fund budget for 2015/16 was \$85,000. Other events such as Horse of the Year, the HB Arts Festival and those approved through the contestable grants process represent additional events support
	Total visitors to Splash Planet	103,046 total 48,685 from Hastings (47.1%)	94,000 total 45% from Hastings	Achieved – 112,651 total, 51,427 Hastings (45.7%)
COUNCIL OBJECTIVE: Supporting and attracting business	Total financial support to Business Hawke's Bay	\$100,000	\$100,000 per annum funding support to Business Hawke's Bay	Achieved – Delivered as part of contract agreement with Business Hawke's Bay

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
<p>COUNCIL OBJECTIVE:</p> <ul style="list-style-type: none"> Putting people at the centre of planning and service Effective working relationships with mana whenua 	Number of completed Place Based Plans	3	1 Place Based plan completed per annum	<p>Achieved – 2nd iteration of Camberley Community Plan endorsed by Council</p> <p>Development of Mayfair community Plan underway</p> <p>Consultation of 2nd iteration of Flaxmere Community Plan underway</p>
	Number of social development reviews completed	1	1 social development review completed per annum	<p>Achieved – Youth Potential Action Plan reviewed</p> <p>Youth Strategy reviewed</p>
	Total financial support for Hapu Development Plans	\$40,000	\$40,000 per annum for Hapu development planning	<p>Achieved – Funding included in Long Term Plan 2015 -2025 and 2015/16 Annual Plan. Waipatu scoping report to conclude in September 2016. The Kahuranaki Marae Development Plan is at the first draft stage</p>

Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
COUNCIL OBJECTIVE: <ul style="list-style-type: none"> Putting people at the centre of planning and service (Make open, inclusive and effective decisions) 	Level of community confidence in decision making (measured as some confidence to complete confidence)	new	75%	Not Yet Measured
	Level of community satisfaction in involvement in decision making (measured as (satisfied to very satisfied))	new	75%	Not Yet Measured
	% Compliance with statutory planning processes	100%	100%	Achieved – No breaches of statutory planning processes during 2015/16
	Council and Committee agendas are available within statutory timeframes	100%	100%	Achieved – 100% compliance with required timeframes
COUNCIL OBJECTIVE: <ul style="list-style-type: none"> Ensure prudent financial management 	Complete Annual Report and audit within statutory timeframes	Achieved	Achieved	Achieved – An unmodified audit opinion was issued within statutory timeframes
	Budgets are set within Financial Strategy limits	Achieved	Achieved	Achieved – The 2015-2025 Long Term Plan and 2016/17 Annual Plan were completed and approved by Council and set within the Financial Strategy limits
COUNCIL OBJECTIVE: Putting people at the centre of planning and service (Ensure easy access to Council knowledge and services)	Calls to Council's main number are always answered by a person rather than an answer phone service	Achieved (92% of calls answered within 60 seconds)	Achieved	Achieved – 90% of calls answered within 60 seconds
	Customer service centre open from Monday to Friday 8am to 5pm	Achieved	Achieved	Achieved – Customer service centre opens weekday from 8am-5pm throughout the year
	% of calls to Council's main number answered within 20 seconds	87.8%	80%	Achieved – 81.8%
	Usage of Council website	10,700 unique visitors per month	9,500 unique visitors per month	Achieved – 13,360 unique visitors per month

(B) CUSTOMER EXPERIENCE**Customer Experience – Safe, Healthy and Liveable Communities**

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
COUNCIL OBJECTIVE:	Time taken to process a building consent	99.86% within 20 working days	100% within 20 working days	Substantially Achieved – 99.88% within 20 working days
• Reduce public nuisance and threats to public safety	Time taken to process code of compliance	97.6% within 10 days	100% within 10 days	Substantially Achieved – 98.6% within 10 days
• Putting people at the centre of planning and service	Time taken to process a resource consent	95% within statutory timeframe (20 working days)	97% within statutory timeframe (20 working days)	Achieved – 99% within statutory timeframe
	Time taken to respond to noise complaints	Zone 1 (20-30 minutes) – 96.5%	Zone 1 (20-30 minutes) – 100%	Not Achieved – Zone 1 (20-30 minutes) – 95.6%
		Zone 2 (< 45 minutes) – 98%	Zone 2 (< 45 minutes) – 100%	Not Achieved – Zone 2 (< 45 minutes) – 91.4%
	Parks user satisfaction	97%	97%	Not Measured – No measurement undertaken in 2015/16
	Customer satisfaction with services	Various by facility (new)	Better than baseline	Achieved – See customer feedback section

Customer Experience – Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2015/16	Achievement 2015/16
COUNCIL OBJECTIVE:	Quality of customer service (contact centre)	Average score of 85% in mystery shopper phone calls	85%	Achieved – 90%
• Putting people at the centre of planning and service	Quality of customer service (customer service centre)	Average score of 85% in mystery shopper visits and phone calls	85%	Achieved – 89%
• (Ensure easy access to Council knowledge and services)				

Level Two – Today's Promises

(C) KEY ACTIONS**Water & Roads**

Key action	Achievement
Water Services	
KA01 Complete enhancement works to Havelock North sewage system	<ul style="list-style-type: none"> • On Track – The construction is on track and due for completion in September 2016, with construction of the new pipeline having been completed at the end of February 2016.
KA02 Complete Heretaunga Street trunk main renewal	<ul style="list-style-type: none"> • On Track – Physical works are tentatively planned to commence around March/April 2017 and will likely take 12-18 weeks depending on the preferred construction method. This will not be finalised until after a consultation process with affected properties and businesses is completed.
KA03 Detention dam security investigations	<ul style="list-style-type: none"> • On Track – Compliance has been achieved for all consent conditions related to the Havelock North and Te Awanga dam with no requirement for formal consent inspections and assessments for these dams in the near future. Further detailed dam work is ongoing.
Roads and Footpaths	
KA04 Strengthen some key bridges to allow continued heavy vehicle access	<ul style="list-style-type: none"> • On Track – HPMV Bridge strengthening work is underway on Waitara, Taihape and Kereru roads. Bridge strengthening on Pukehamoamo bridge completed

Water & Roads

Key action	Achievement
<p>KA05 Completion of approved walking and cycling projects</p>	<p>On Track</p> <p>ENGINEERING PROJECTS</p> <ul style="list-style-type: none"> • Chesterhope Bridge cycleway clip-on, due for completion in November 2016. • Pakowhai Cycleway – Design is currently underway with construction in 2016/17. • Brookfield Bridge – Variable Message Sign: in a joint project with Napier City Council and Hastings District Council, a VMS sign will be implemented to warn motorists of the presence of people cycling on the bridge. Design is underway with construction in 2016/17. • Haumoana School links – Site investigations were conducted and design is underway to provide safer crossing points and 680 metres of existing path improvements on Parkhill Road, and construction of a new 700 metre two-way path on East Road. Construction is anticipated in 2016/17. • Napier Road cycleway – Planning and design work commenced for this 4.5km two-way path along Napier Road (between Romanes Road roundabout and the junction with SH2), over the top of a sewer line. Detailed design and construction are anticipated in 2016/17. <p>EDUCATION AND ENCOURAGEMENT PROJECTS</p> <ul style="list-style-type: none"> • Cycle Skills Training programme – For Level 1 training, HDC has reached 658 year 5 and 6 students in 13 schools. For the next financial year, Level 1 training will be augmented with Level 2 training. • Scooter Safety programme – Based on NZ Transport Agency guidelines and tailored for year 4 students, HDC has delivered two 90-minute sessions at two schools: Havelock North Primary and St. Mary’s. For Term 3 (the 2016/17 financial year), three more schools have been booked. • Move It encouragement programme – 60 Wheel and Walk Champion Certificates were presented to senior students who volunteered their time at Havelock North Primary school. For 2016/17, four more schools are planned to take part in Terms 3 and 4. • School Travel Plans – Surveys, site visits and engineering studies have been conducted and travel plans prepared for Havelock North Primary and Parkvale School (Hastings). • Be Safe, Be Seen programme rolled out. • Blossom Ride – Over 300 community members took part in this ride that takes in the rural cycling network. • The Tour of the Bay was held to showcase the coastal cycling network. Hundreds of community members participated.

Water & Roads

Key action	Achievement
KA06	<p>Implement safety improvements on high risk rural routes and urban intersections</p> <ul style="list-style-type: none"> • On Track – Middle Road, Kahuranaki Road and Puketitiri Road have been identified as high risk rural roads with a need to improve safety along each corridor. Seal widening, curve enhancements and signage improvements were undertaken on these routes with investigations for future interventions to be undertaken in 2016/17. • Traffic islands were installed at 35 urban locations to reduce speed of vehicles passing through the intersection and to keep opposing traffic flows separated.
KA07	<p>Road pavement renewals in both urban and rural areas</p> <ul style="list-style-type: none"> • On Track – 4.1km of pavement renewals completed during 2015/16.
KA08	<p>Complete Whakatu Arterial Road</p> <ul style="list-style-type: none"> • On Track – The project is out to tender. Construction is due to start in January 2017 after all the consent conditions have been completed. The project is expected to be completed by end of 2018.

Safe, Healthy & Liveable Communities

Key action	Achievement
KA09	<p>Rollout of additional emergency centres and community response plans</p> <ul style="list-style-type: none"> • On Track – 40 potential Community Lead Facilities identified. Cape Coast and Ocean Beach/Waimarama response plans completed ready for rollout.
KA10	<p>Advancing Hastings Central City Plan</p> <ul style="list-style-type: none"> • On Track – The Hastings Central City Centre Plan is being given effect via the Hastings City Centre Vibrancy Plan. The Vibrancy Plan is an annual plan of action focused on activating the Hastings City Centre. This Plan was first initiated in October 2015 and is currently being refreshed for re-release in October 2016. Current status of the Vibrancy Plan is 41 actions delivered/being delivered, 4 on track, 1 deferred.
KA11	<p>Advance new cemetery site</p> <ul style="list-style-type: none"> • On Track – Initial scoping of land and servicing requirements has been undertaken. Progress had slowed due to the priority and focus of the chapel upgrade. Further advancing this action is a priority for the 2016/17 year.
KA12	<p>Implement changes to Animal Welfare Service</p> <ul style="list-style-type: none"> • On Track – Changes implemented to Animal Welfare Service to ensure consistency in process which will minimise danger, distress and nuisance to the community. Pound has been rebuilt and brought up to standard and approved by MPI.
KA13	<p>Determine earthquake strengthening response on Opera House complex</p> <ul style="list-style-type: none"> • On Track – Community engagement process undertaken in first quarter of 2016 after considerable technical advice and input. Decision made to strengthen the theatre and this work stream is in progress. Options for the Municipal Building are still being worked through.

Safe, Healthy & Liveable Communities

Key action	Achievement
KA14 Enhancement on key reserves	<ul style="list-style-type: none"> • On Track – The following enhancements have been progressed: <ul style="list-style-type: none"> • Frimley Park playscape enhancement, • Windsor Park – Lions playground enhancement • Waimarama Domain enhancements – BBQ, swings and shade structure • Flaxmere Park shade and performance platform
KA15 Implement sports fields facility upgrades	<ul style="list-style-type: none"> • On Track – Pop up irrigation installed at Guthrie Park
KA16 Complete planned toilet enhancements from Sanitary Services assessment	<ul style="list-style-type: none"> • On Track – New toilets constructed at Windsor Park
KA17 Provision of community programmes on waste minimisation	<ul style="list-style-type: none"> • On Track – Community access to information on a range of waste reduction options. Waste education programmes delivered through schools and early childhood centres.
KA18 Complete assessment and selection of future solid waste disposal solution	<ul style="list-style-type: none"> • On Track – Waste Futures findings presented to Council in June 2016. Waste Assessment on waste services and facilities to be undertaken and developed into options for public consultation.

Economic & Community Development

Key action	Achievement
KA19 Support industrial land uptake at Irongate, Omahu and Whakatu	<ul style="list-style-type: none"> • On Track – Marketing of regional industrial land development opportunities is well underway. Council has also introduced organisation-wide key account services for large commercial and industrial developments. Key account services are currently provided for over \$50 million worth of pending new developments, with earthworks and construction on some projects already underway.
KA20 Implementation of China action plan	<ul style="list-style-type: none"> • On Track – An international strategic framework for China investment has been written and implemented. Focus areas of activity have been a China programme newsletter, Hawke’s Bay product portfolio, E-Commerce workshop, Shandong trade group visit, and Auckland Chinese media promotion.

Economic & Community Development

Key action	Achievement
KA21 Progress of various youth futures programmes	<ul style="list-style-type: none"> • On Track – Industry Training Graduation Ceremony held; • Work Inspiration programme held with Hastings Girls High School; • Youth Link tracked 6 schools, 500 students; • Work experience, Youth Onsite (Industry and Teacher visits) held; • Regional stocktake mapping report completed.
KA22 Implementation of Heretaunga Plains Urban Development Strategy (HPUDS) sub strategies	<ul style="list-style-type: none"> • On Track – Draft intensification strategy completed, which will be a focus after the Heretaunga Plains Urban Development Strategy review.
KA23 Development of various place based plans	<ul style="list-style-type: none"> • On Track – 1 plan completed, development of 2 plans underway, Making Magic DVD produced.
KA24 Support the completion of Hapu development plans	<ul style="list-style-type: none"> • On Track – Funding contained in Council budgets. Waipatu Community Development scoping report to conclude September 2016, Kahuranaki Marae Development Plan at first draft stage.
KA25 Advance business attraction and job creation initiatives	<ul style="list-style-type: none"> • On Track – Substantial progress has been made with the market reach of the ‘Great Things Grow Here ‘economic development platform. 137 Organisations have signed into the Brand Champions Club and they are now downloading and using the full range of resources made available and applying these to their own marketing, advertising, promotion and corporate literature. The GTGH Facebook page now ranks in the top 5 Council driven Economic Development/Tourism sites in New Zealand. Council as a participating partner is supporting business investment events in major New Zealand centres and business pitches for new commercial, retail, industrial and contact centre investments.
KA26 Advance Hastings CBD hotel proposal	<ul style="list-style-type: none"> • On Track – Council continues to explore and market the opportunity for developing an international standard hotel for Hastings City. Positive growth in commercial visitor nights for the district and improving economic growth are encouraging potential investors to show renewed interest in a Hastings City Hotel development.

Finance at a glance



2015/16 Annual Report: The Chief Financial Officer overview

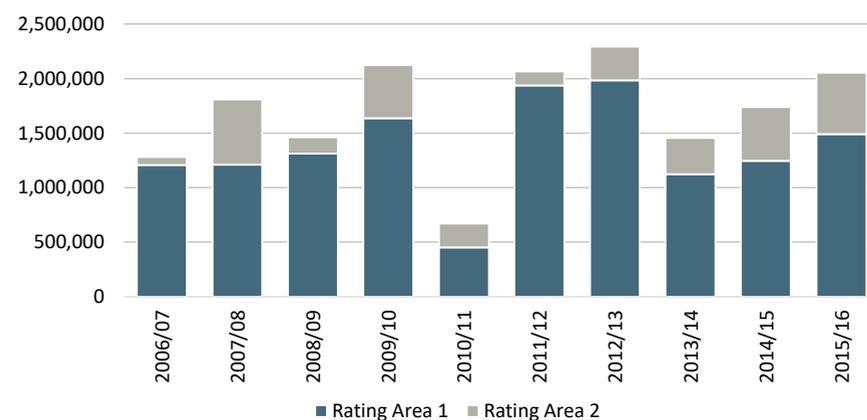
Council's finances are being well managed.

Council continues to prudently manage its finances; carefully balancing need against income.

That attention to detail has seen Council again deliver another positive financial result with a rating surplus of \$2.02 million. This surplus has allowed Council to pay off debt (\$0.75 million), increase the amount of funds set aside for the Rural Flood and Emergency Event Reserve (\$0.41 million) and meet additional costs associated with the Havelock North water contamination event (\$0.71 million).

The rating surplus diagram compares rates collected and how those rates were used, including the funding of capital renewal projects and debt repayment. The surplus means Council has delivered what it budgeted in the Long Term Plan cheaper than expected.

Rating surplus



The 2016/17 surplus has been achieved due to savings across a number of activities of Council. Council's strong emphasis on careful financial management and awareness has delivered \$1.28 million of the overall rating surplus with interest savings of \$0.74 million contributing to the balance. Interest savings have been achieved through a combination of lower interest rates and lower debt than originally budgeted.

The reconciliation to the accounting surplus is detailed in the table below:

	Actual \$'000
Accounting Surplus	5,679
Non-cash Expenses	33,939
Accumulated Funds (including Reserve Transfers)	(1,083)
Net Capital Expenditure	(36,563)
Non-Current Investments	-
Opening balance to fund projects carried forward	4,385
Carry forwards to 2016/17	(4,117)
Net Surplus & carry forwards on separate rates	(224)
Rating Surplus	2,016

The Statement of Comprehensive Revenue and Expense report for 2015/16 has an accounting surplus of \$5.68 million compared to a budgeted surplus of \$14.75 million. Key drivers for this variation to budget include donations and external funding for the Civic Square development project (\$3.8 million) which has yet to eventuate, NZTA funding for the Whakatu Arterial (\$3.9 million) which will start in earnest in 2016/17 and reduced development contribution revenue of \$1.7 million.

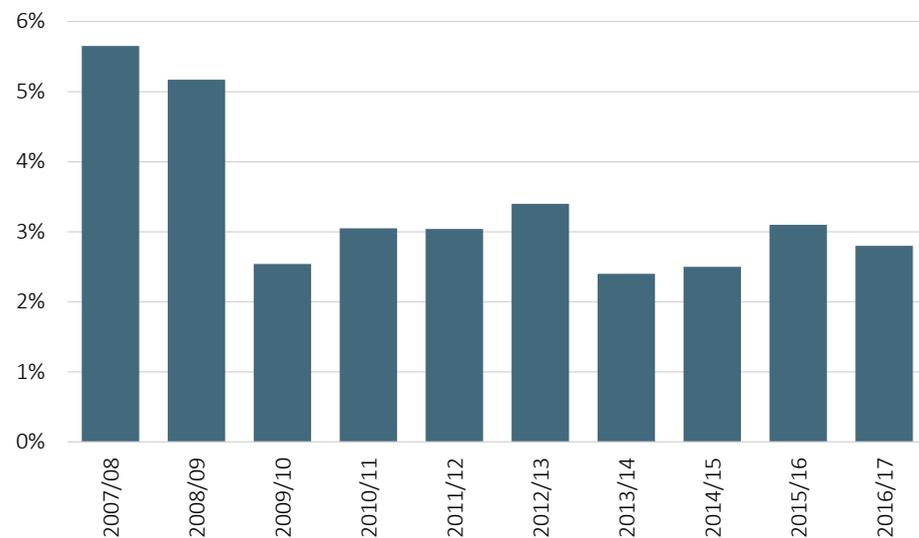
Rates

Council’s Financial Strategy, first adopted in 2009/10, allows that rates will only increase by CPI +/- 4% acknowledging that sometimes events happen that Council needs to react to.

Following rate increases of over 5% in 2007/08 and 2008/09, rates increases have been kept in check and in line with the Financial Strategy with an average increase of just 2.85% over the past eight years while maintaining our essential services.

The budget for 2016/17 was set during the year with an increase of 2.8%. Within this increase Council managed to increase funding for the Discretionary Grant programme (\$200,000), implemented the Flaxmere City Assist programme (\$180,000), met increased Health and Safety requirements (\$300,000) and provided \$590,000 towards new initiatives approved through the submission process.

Rate increases

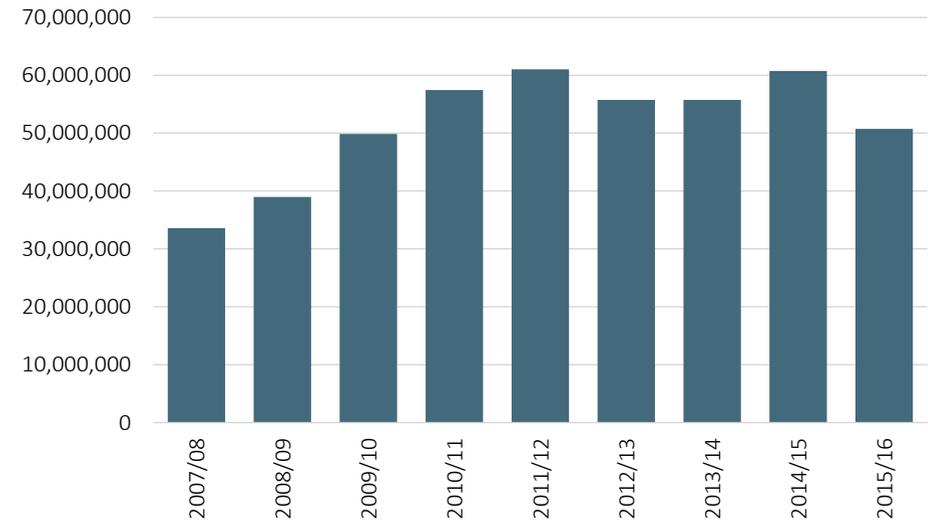


Debt

Core external debt reduced this year by \$10 million to \$50.7 million, well below that budgeted in the 2015-25 Long Term Plan. Council has taken a prudent approach to the timing of capital budgets which has kept debt levels lower than expected. The thorough consultation process undertaken for the strengthening of the Opera House has delayed the expenditure on this project but has ensured Council has made a decision with the support of the majority of the community.

While Council’s debt has been very steady over the past seven years, it is however expected to increase, as signalled in the 2015-25 Long Term Plan, as work on large projects including the Opera House and the Whakatu Arterial get underway.

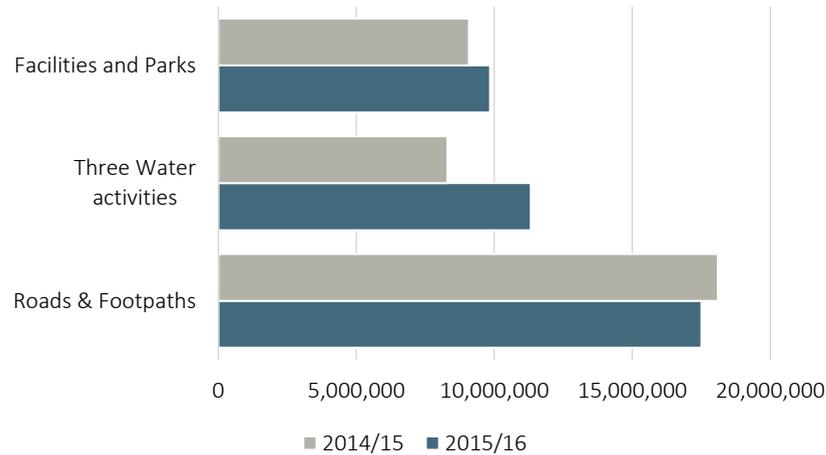
External debt



Capital Projects

Council invested \$38.2 million (\$34.9 million last year) on capital projects during the year.

Capital expenditure



Of the capital expenditure incurred during the year, \$19.5 million was spent on replacing existing assets (asset renewals); \$15.4 million on improving the level of service offered to the community and \$3.3 million was spent meeting additional demands being put on the community through growth.



Bruce Allan
Chief Financial Officer



Key initiatives and projects



Key initiatives and projects

Camberley Orchestra hits the right notes

After watching a television documentary which focussed on the value of using music to improve children's social and mental well-being, music teacher Ngaire Shand set up the Orokohanga Music Trust. Surrounded by a team of helpers, Year 4 children from Camberley School have been given the opportunity to learn to play stringed instruments.

The programme's aim is to build children's self-discipline and confidence while developing life-long skills. Similar programmes around the world have proved very successful at raising children's aspirations, lifting their self-belief and their respect for others.

Council is proud to be supporting such a valuable project and seeing Year 4 students enjoy picking up violins and cellos and playing them. The plan is to add more classes and schools to the programme further down the track.



Hastings City Centre moves forward under new Vibrancy Plan

The Hastings City Centre Vibrancy Plan has been in place since October 2015. The plan has three broad goals: attracting more people, more business and more support to the city centre.

Activities delivered as part of this plan have included weekly music in Albert Square, Christmas trees in the city centre, a regular e-newsletter sent to city centre businesses and property owners, pianos for the public to play, youth events and a family fun day.

One widely popular initiative has been the Imagination Playground equipment. This includes a set of large blue foam blocks which are placed in Albert Square for kids to play with on fine days. This leads to the creation of widely imaginative structures, and, as a result, a livelier atmosphere.

Hastings Icons murals is an innovative project which will see art work start to pop up on walls around the city centre during spring 2016. Each of the series of street art portraits featuring famous characters born in Hastings is accompanied by a QR code which can be scanned with a mobile phone to find out more about the person.

Retail growth in Hastings continues to outstrip the national rate, increasing each quarter for the past 12 months to the end of June 2016. The figures show a rise of more than eight per cent in the last three months of the financial year. That compares with an average 4 per cent across New Zealand over the same three months.



Frimley Park – a playground with a difference

A playground with a difference has enhanced the recreational facilities available to people in Frimley.

It has all the usual park elements but top of the innovation list is sensory play equipment that offers access to all.

Painting the play equipment in bright colours that define the different areas has been of enormous benefit to those with poor vision or with learning disabilities.

Other innovative play equipment includes Congo drums and talk tubes, a wheelchair-friendly roundabout, artificial turf across the play area that provides easy access for all mobilities, and a circular loop path for scooters. A new 6.5 metre high rope climbing frame has been installed for more daring park visitors.

Of course, traditional play equipment is also present and includes swings, slides and rope climbs. Some of the existing equipment was refurbished while other pieces are new.

The enhanced Frimley Park playground has become a key attraction for the whole community. The range of equipment available for all different abilities makes it a key playground destination for Frimley residents.

Fresh air zones introduced in new Smokefree Policy

The new Smokefree Policy in Hastings and Napier was signed off by the Councils in 2015, with the roll-out of signs in the first half of 2016.

The Smokefree theme was used in GO Bus advertising in May, with posters reminding bus users that bus stops and shelters should be Smokefree out to a distance of 10m.

The policy is non-enforceable, and is about encouraging people who wish to smoke to move away from areas the councils have named 'fresh air zones'.

These include parks, sports grounds, public entrances to council buildings and footpath eating areas.

Retailers with footpath dining in Napier and Hastings are able to use 'fresh air zone' signs and stickers advertising the policy.

The Smokefree policy adopted by both Councils aligns with central Government's plan for New Zealand to be Smokefree by 2025.



Second iWay path along Havelock Road

A three metre wide concrete shared pathway for cyclists and pedestrians was completed on the southern side of Havelock Road between Norton Road and the Havelock Road Bridge in February 2016. This project was jointly funded with NZTA.

This is one of the major arterial routes between Havelock North and Hastings and has become increasingly popular with walkers and cyclists all year around.

New look for Havelock North Village Green

An upgrade of the Havelock North Village Green commenced in 2016.

The existing Plunket building has been moved off the park and the historic Cricket Pavilion, previously located next to the swimming pools, has been moved into its place. The pavilion will be refurbished for use as a public facility and will include new public toilets.

Plunket has relocated to Hastings but will return to the Cricket Pavilion once the refurbishment is complete. The toy library will also be located in the pavilion.

The new \$1.5 million playground will include an all-year-round water play feature and new play equipment including swings, slides, climbing frame and merry-go-round. It will also include facilities for outdoor table tennis and chess, offering a wide range of activities for all park visitors.

The Havelock North Business Association is leading a public fundraising initiative, with the aim of raising \$300,000 for the project.



Bin trial increases recycling activity

A trial of Council-supplied recycling bins has nearly tripled the rate of recycling in the trial area.

Recycling bins were issued to 150 houses across four streets in Raureka. The level of recycling prior to the rollout of the bins in those streets was sitting at 28 per cent of homes.

Four months later, 74 per cent of homes were consistently recycling.

Discussions with residents, prior to the trial, showed the most common reasons given for not recycling were not knowing what could and could not be recycled, not knowing the day and time the recycling needed to be at the kerb, and thinking a special bin had to be used.

All that information was included on a sticker on the side of the bin and a flyer that was given to residents when their crate was delivered.

The crates were funded through Council's Waste Levy funds, received from Ministry for the Environment.

The results of the trial will be added into the information being gathered for the Waste Future Project, a committee of the Hastings and Napier councils which is looking at how best to manage rubbish into the future.



Community involvement creates exciting plans for the future

Bringing together community, utilising their wisdom and implementing their solutions leads to the development of a great community plan for the future.

Hastings has ten community-led plans in place, some just started; others in their second or third iteration and Council is encouraging more communities to think about setting up and leading the development of a plan for their community.

Successes range from the new community centre in Camberley and the fully mature community garden in Anderson Park, to the revamped playground in Flaxmere and the revitalisation of the river corridor in Whakatu. Community-led plans are achieving results that Council could never achieve on its own.

The development of the Making Magic video and booklet highlights the value of community-led planning, with a focus on what the partnerships between communities and Council have achieved.

All our communities are different, with different issues, different aims and different strengths. The things they have in common are their vibrancy and their people's passion for their neighbourhoods.

Planning involves the community taking the initiative and Council doing what it can to support communities to achieve their aims. This support could include introducing communities to agencies who can help make their dreams and aspirations happen.

Work inspiration

Hastings District Council hosted 16 students from Hastings Girls High School to participate in a Work Inspiration programme in May 2016, in what is believed to be the first for local government.

Work Inspiration allowed the students to explore different employment options within Council, by speaking with staff and going on an induction tour of Council's many services. Students were challenged to think about their talents, passions and interests, and to meet with a range of women leaders from the community.

The programme gave Council the opportunity to showcase the organisation as a whole and the many career paths available to young people.

Students were very positive about the programme, saying that one of the best aspects was learning to engage with and speak with adults about employment and careers.

Major improvements in rural recycling facilities

Council is installing recycling facilities in the district's far-flung communities using specifically designed bins to collect and transport large volumes of separated recycling materials.



The driver behind the project was a desire to increase recycling rates in rural communities, which have historically buried rubbish on farms or burned it off. A two year trial confirmed that rural residents were keen to recycle if given the opportunity. This resulted in six metre shipping containers being converted into recycling bins.

Traditionally, a major cost of providing recycling services in outlying areas has been the regular trips to empty the receptacles.

The new recycling system relies on local champions advising when the containers are nearing capacity. This avoids making regular trips to empty them and helps keep costs to a minimum.

Pool user numbers improve under new integrated plan

A strong focus on upgrading and integrating council's pool facilities over the financial year has proved successful. A considerable increase in user numbers has been a feature of the past year, particularly those enjoying the extended pool opening hours for family fun time or lane swimming. For example, the number of children receiving Learn to Swim instruction each week has increased from approximately 700 to 870.

The pools are now grouped under one umbrella, Aquatics Hastings, after being run independently by three trusts for 15 to 20 years. Since then the hours have been extended, physical assets modernised, and an entry card, Aqua Card, introduced that can be used across all pools.

Services on offer have also been extended, with the introduction of a range of Aquafit classes, including wet/dry boot camps and classes for children with disabilities.

There is an emphasis on 'Aqua Fun' which includes the very popular family fun inflatable sessions on winter weekends and during school holidays. With a strong focus on health and safety improvements, coupled with rebranding, the facilities are 'fun, fresh and welcoming'.

The refurbishment programme for Frimley Pool will carry on over the next financial year.



Council develops new natural burial site

Covered with a mass of wildflowers and a young oak tree, Oak Meadow is Hastings District Council's only natural burial site.

Unlike traditional cemeteries, the Meadow allows the burial of the deceased in the soil where the body will recycle naturally through the decomposition process.

Natural burial sites are generally left to nature, where flora and fauna flourish and over time become self-sufficient. Headstones or markers are not permitted on the grave.

Natural burial sites are still relatively rare in New Zealand cemeteries and the Meadow has been designed as a place of reflection in a natural, beautiful and peaceful setting.

The seating area surrounding the oak is the perfect spot to take some time and remember your loved one or even hold a small service. The woodland walk is a good way to take in the absolute beauty of Oak Meadow.



Business sign up for Great Things Grow Here

Great Things Grow Here is an economic development platform for Hawke's Bay. It is a vehicle that businesses and organisations can use to promote our region as the best place to do business, work and live.

There have been some very big economic wins right across our region, especially over the last 12 months, and so it is the perfect time to capitalise on those successes.

When Hawke's Bay businesses engage in trade discussions, anywhere in New Zealand or across the world, an important facet is the 'back story.'

Whether it's horticulture, wine making, the agriculture sector, technology-based businesses, transport-based organisations or manufacturing, there are good news stories to be found everywhere in Hawke's Bay.

Great Things Grow Here paints a picture of our beautiful region and its climate, and the importance of it, particularly to our horticulture, viticulture and agriculture.

The new economic platform is available to registered 'brand champions' across the region. The revamped website is populated with good news stories, events that are of interest to website visitors and information on businesses that have registered as brand champions.



Havelock North sewage system upgrade

Construction of a new sewer main from Havelock North to Whakatu has been completed. This provides increased system capacity to meet current and future demand for Havelock North.

The project involved the open cut installation of approximately 7km of 700 mm diameter sewer pipeline.

Three sections of pipeline were constructed:

- 1) Napier Road from Crosses Road to Romanes Drive (urban) – 500m in length, on the western side of Napier Road.
- 2) Napier Road from Romanes Drive to State Highway 2 (rural) – 4,300m in length, on the western berm.
- 3) State Highway 2 from Napier Road/SH2 Intersection to the Railway Road/SH2 Intersection – 2,200m in length, on the western edge of the State Highway.

The sewer construction took around 12 months and was completed on time and within budget.



Council approves earthquake strengthening of the Opera House

After receiving more than 3,000 submissions from the public, an \$11 million project to strengthen the Hawke's Bay Opera House is underway.

The building is to be restored to between 70 and 75 per cent of the national building standard. Detailed design work for the strengthening is complete and a 'funding plan' is being prepared. Funding would be sought from other sources to part-fund the project. Hastings Mayor Lawrence Yule said the public had 'spoken loudly and clearly' in favour of retaining the heritage building and he was delighted his council had supported that view.

Libraries continue to offer free internet service

Hastings District Libraries has offered an internet service for twenty years. Demand has grown massively in that time along with the communities request to access free internet and Wi-Fi.

Free internet is fundamental in supporting communities to be informed, connected and creative in the digital age and making free internet service available to the whole community brings Hastings District Libraries into line with most other public libraries in New Zealand.



Young Flaxmere drivers benefit from Licencing Programme

A need to support members of the Flaxmere community to get their drivers licence was identified after 204 people registered (with a further 100 registration forms being taken for family and friends) at an open day held at the Flaxmere Community Centre.

As a result, the Flaxmere Community Drivers Licence programme held its first learners licence workshop in August with 14 people attending.

10 people went on to sit and pass their learners licence. Six Pacific Islanders tutored by Ave Fakaosi all passed their learners licence test.

In partnership with local Police, Te Atakura Huata-Harawira and the Flaxmere community, the programme continues to grow and has seen two community members trained by a registered drivers licencing instructor to assist people to gain their restricted licence.



Super Sixes

The inaugural Super Sixes tournament in 2015 brought together Year Six students to compete in a tournament that was modelled on the Olympic Games.

More than 700 students from 23 schools across Hawke's Bay and beyond attended the event based at the Hawke's Bay Regional Sports Park in Hastings.

Organised by former Frimley School Principal Malcolm Dixon, the games were a 'last hurrah' for primary school students, before they headed off to intermediate or secondary school. Covering nine different sports, the event had exhibition matches, 'real' medals, a 'parade of nations' and a strong fair play ethos.

In their down time, students were able to enjoy some of Hastings' favourite past-times, including rock climbing and canoe polo.

Super Sixes was a finalist in the Innovation category of the 2016 Hawke's Bay Sport Awards.

Much of the event's success was down to the partnership between the Super Sixes Charitable Trust, chaired by Mr Dixon, and Hastings District Council, with support from sponsors who made the event possible.

International Marathon creates tourism opportunities

The inaugural Air New Zealand Hawke's Bay International Marathon saw almost 5000 competitors take part in what is set to become an iconic event on the running and social calendar.

The event smashed all predictions with all race categories sold out. Athletes had the choice of a Kids Run, 10km Run, Half Marathon or a full Marathon.

Along with the competitors, around 7500 supporters and friends flocked to Hastings and Napier for the event which featured a wine and food festival in the surrounds of the finish line at the stunning Sileni Estates Winery.

All events were held on the Saturday which allowed visitors time to relax and explore the wider region during the weekend. The competitors wound their way through wineries, orchards, olive groves and along bike trails, all on beautiful hard packed trails that made running easier on the feet just as the views were easy on the eye.

The figures show that 76 per cent of entries came from outside Hawke's Bay, with 240 entrants coming from overseas.

The Marathon lived up to its promise of delivering a tremendous boost to the local tourism industry in terms of visitor nights and visitor spend. The event capitalised on the region's great climate, an amazing course with stunning scenery and countless food and wine options that attracted thousands of people to spend some quality time in Hawke's Bay.



Hastings voted New Zealand's most beautiful city

Hastings won the most beautiful city award in 2015.

The awards were coordinated by Keep New Zealand Beautiful and Hastings was the winner of the category open to cities of more than 20,000 residents.

The successful submission included the story of Hastings oldest recreation space, Cornwall Park, from its historic playing fields and heritage trees through to the Osthmansus Gardens and modern play areas. Also included was the success that is the William Nelson Skate Park in the central city; the new ki-o-rahi field and cycleways in Flaxmere; pocket parks in the city, Hastings hidden beauty spot – the Maraetotara Falls, and much more.

Keep New Zealand Beautiful said the award recognised and celebrated positive actions taken by communities to protect and enhance their environments.

It paid tribute to the huge effort put in by organisations across the district and Council's Landmarks initiative, to make the very best of Hastings' natural resources and unique built environments and the creations of its innovative people.



Cyclists safer with Chesterhope Bridge clip-on

A 'clip-on' cycle lane will be attached to the Chesterhope Bridge, cutting out a very dangerous section of the Hastings cycling network.

The 440 metre long Chesterhope Bridge, at the northern end of Hastings on Pakowhai Road, crosses the Ngaruroro River.

The need for a cycleway across the bridge has been on the drawing board for some time, however investigations into the structure's earthquake strength had to be completed before the cycleway could be considered.

The clip-on is being constructed using lightweight modules made in Australia then attached to supporting steel frames. The result will be lighter than traditional solutions, and cheaper. It is the first time this technology will have been used in New Zealand, although it is widely used around the world.

The project is a collaboration between Hastings District Council and the New Zealand Transport Agency, with NZTA contributing 61 per cent of the \$2.2 million cost.

Major upgrade completed at animal welfare centre

Hastings District pound has undergone a major revamp over the past 12 months.

The animal welfare building has been completely rebuilt, along with modifications to the facilities available for exercising impounded dogs, temperature control in the cages and a renovation of the isolation facilities.

The more modern facility has been well received by staff and has resulted in a facility that is much easier to keep clean.

This has helped with disease prevention while a welfare kennel officer has been employed, whose main focus is running the centre.



Closer relationships have been developed with the SPCA and animal adoption agencies resulting in more dogs being adopted.

Public consultation has resulted in a refreshed animal control bylaw and control of dogs' policy.

District Plan update reaches a new milestone

The District Plan reached further milestones in what is the sixth year of its review process.

Appeals have been lodged on a number of Council decisions and those appeals will go through the Environment Court process with mediation the first step.

That was expected to be completed by the end of September, with unresolved matters proceeding to Environment Court hearings toward the end of 2016.

In a further development, variations to the plan were publicly notified in the 2015/16 financial year. These would encourage industrial development in the Omahu and Irongate zones, and bring forward residential development in Howard St in Hastings.

These variations will proceed through the submission process under the Resource Management Act, including the potential for appeals to the Environment Court.

The third development is the publishing of ePlan, the online interactive version of the District Plan, on the Hastings District Council website.

It allows users to click on a point on the map of the district and immediately access planning information relating to the site. The ePlan can be easily updated as the Environment Court process evolves but also allows users to 'look back' through its revision history.

Proposed changes are also easily accessible.

Waste Futures

The way waste is collected and disposed of has the ability to impact every household and business in Hawke's Bay.

Waste Futures is a joint project between Hastings District Council and Napier City Council which has considered a number of alternative waste treatments that would lower landfill disposal.

This project was part funded by The Ministry for the Environment. The Waste Futures Economic Case findings were presented to both Councils in May 2016 with recommendations to:

- Optimise the collection system to maximise the diversion of materials from landfill
- Work towards developing additional landfill capacity at the Omarunui Landfill

The next stage of the Waste Futures project is underway which will involve a joint waste assessment of all Councils' solid waste services and facilities to determine whether the current options meet the needs of the community. It will also look at maximising the amount of waste we divert from landfill.

This assessment will essentially tell Napier City and Hastings District Councils' whether the status quo is working, suggest how improvements could be made and ultimately how the Councils could increase the amount of material that can be diverted away from Omarunui Landfill.

The findings of this waste assessment will form part of a Joint Waste Management and Minimisation Plan, which is a legal requirement under the Waste Minimisation Act 2008, and will be released for public consultation.

A new plan for Te Mata Park

A seven person multi-party governance group oversaw the development of a management plan that will guide the vision, objectives and development priorities for Te Mata Park from 2015-2025.

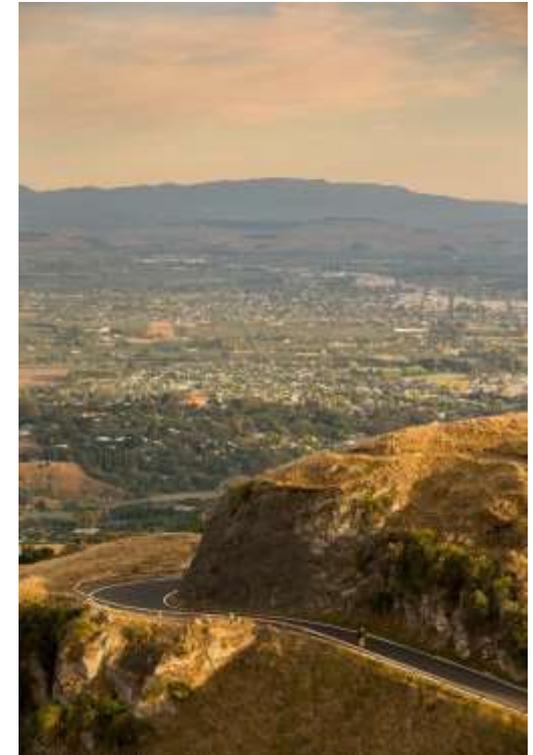
The plan takes into account the park's ecology and landscape, as well as recreational and user expectations for the next ten years.

While Te Mata Park is predominantly used by Hawke's Bay residents, it also attracts overseas visitors and an informal assessment shows around 200,000 visitors annually.

Central to the new plan is the need for improved and extended walking and mountain bike tracks and facilities to improve the park experience. Facility improvements will focus on new toilets and enlarged visitor car parking at the main gates and summit.

The harvesting of exotic plantations will be followed by the extensive re-planting of native species.

Working with Hastings District Council, the Trust will progress plans for the integration of the mountain bike and walking track network within Te Mata Park with new sections that will connect to Havelock North via a 17km loop.



Lego Exhibition proves a hit at Hastings City Art Gallery

Teaming up with local organisations iQualify, Furnware New Zealand, Hastings Business Association and Band allowed the Hastings City Art Gallery get its hands on an internationally-travelled art installation project in 2016.

The Cubic Structural Evolution Project included 50,000 pieces of white Lego and was in the gallery from June till August 2016.

One of the Gallery's most successful exhibitions ever, it was a hands-on exhibition which attracted young and old and allowed participants to build an 'outlandish and titanic' city.

The brainchild of Danish artist Olafur Eliasson, people of all ages are invited to build their vision of a future city on an 'enormous' table and has made its way around the world including Albania, Norway, Denmark, New York and Queensland, among other places.



New clip-on opened on Clive bridge

The iWay walking and cycling network around Hastings celebrated the opening of the new Clive cycle and walkway with its ultra-modern eco-friendly plastic footpath and state-of-the-art lighting.

The \$650,000 project replaced the old narrow uneven concrete path with a wider, smoother, fenced off cycle and walkway with new pedestrian guard rail which has the added touch of LED lighting within the handrails.

The bridge also features recycled plastic, made from the equivalent of 4.2 million recycled shopping bags and used in the construction of the deck.

The finished project was described as a testament to the innovative thinking of the project team, led by Hastings District Council staff, backed by NZTA and their consultants.

The Clive Bridge is an important and well-used link on the Napier and Hastings cycle route and residents had long lobbied for a new 'clip-on'.



Groups of activities

This section shows how we have performed financially in delivering the work programme for 2015/16.

For reporting purposes we group our activities into the following groups:

- Water & Roads
- Safe, Healthy & Liveable Communities
- Economic & Community Development
- Governance & Support Services.

Water & Roads

The section titled 'Our Reporting Framework' outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled 'Key Initiatives and Projects'.

Water & Roads

This group of activities primarily contributes to the following community outcomes:

- Health, drinking water and wise water use
- Management of negative impacts on people, air, land and water
- A community that wastes less
- An environment where people can move around safely
- An attractive and safe walking and cycling environment
- Accessible transport options
- Efficient movement of goods.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

Water and Wastewater Services

- 2015/16 represents the first year of reporting against mandatory performance measures, with most measures achieved against target. Some data collection and reporting refinement will be undertaken during 2016/17
- Construction of a new sewer main from Havelock North to Whakatu was completed.

Negative effects

Any potential negative effects from the Water Supply, Wastewater Disposal and Stormwater Disposal activities are mitigated via a program of environmental monitoring and compliance with consent conditions. No significant breaches of any consent conditions occurred during 2015/16.

Roads

- All mandatory performance measures for Road and Footpaths were achieved against target
- A shared pathway for cyclists and pedestrians was completed on the southern side of Havelock Road
- A clip-on cycle lane has been attached to the Chesterhope Bridge
- A new cycle and walkway was opened on the Clive Bridge.

Negative effects

Any potential negative effects from transportation activities are mitigated by complying with resource consents, adhering to a maintenance program for the roading network and by investing in walking and cycling infrastructure that has less environmental impact.

The negative effects of road accidents are being mitigated through increased investment in safety enhancements throughout the district. The Council's high risk safety programme has been approved by the New Zealand Transport Agency and physical works are continuing throughout the district.

The funding impact statements on the following pages include internal interest but exclude non-cash items such as vested infrastructural assets and depreciation.

FUNDING IMPACT STATEMENT: Water & Roads	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		19,430	18,621	18,586	(35)
Targeted Rates		10,067	12,215	12,189	(26)
Subsidies and grants for operating purposes		5,177	5,226	5,378	152
Fees and charges		4,189	3,908	4,711	804
Internal charges and overheads recovered		7,090	6,608	5,255	(1,353)
Local Authorities fuel tax, fines, infringement fees and other receipts		167	165	426	261
Total operating funding (A)		46,121	46,742	46,546	(196)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		18,475	18,041	18,617	(575)
Finance costs		5,416	3,409	2,400	1,009
Internal charges and overheads applied		11,174	10,235	8,911	1,324
Other operating funding applications		26	38	96	(58)
Total applications of operating funding (B)		35,091	31,723	30,024	1,700
Surplus (deficit) of operating funding (A-B)		11,029	15,018	16,522	1,504
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		9,823	11,695	8,099	(3,596)
Development and financial contributions		6,222	2,863	1,425	(1,438)
Increase (decrease) in debt		(608)	13,693	2,238	(11,455)
Gross proceeds from sale of assets		40	48	751	704
Lump sum contributions		321	300	314	14
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		15,799	28,598	12,826	(15,772)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		4,585	5,369	2,978	2,391
To improve the level of service		10,559	18,133	11,483	6,650
To replace existing assets		13,683	19,590	14,365	5,224
Adjustments for non-cash items to balance FIS		-	-	(126)	126
Increase (decrease) in reserves		(2,000)	525	522	3
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		26,828	43,617	29,348	14,268
Surplus (deficit) of capital funding (C-D)		(11,029)	(15,018)	(16,522)	(1,504)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		22,807	23,718	24,723	1,005

FUNDING IMPACT STATEMENT:						
Water Supply	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000	
SOURCES OF OPERATING FUNDING						
General Rates, uniform annual general charge, rates penalties		61	70	580		Key Financial variances
Targeted Rates		4,893	4,792	5,018	226	Significant Operating variances
Subsidies and grants for operating purposes		-	-	-	-	1. Fees and charges are \$88,000 lower than budget, mainly due to lower than budgeted connection fees (as a result of lower than budgeted building activity levels).
Fees and charges	1	936	779	182	(88)	2. Payments to staff and suppliers are \$51,000 lower than budget mainly due to savings in electricity costs.
Internal charges and overheads recovered		2,395	2,308	2,324	16	3. Finance Costs are \$177,000 lower than budget due to interest savings from capital projects that haven't proceeded as planned and interest rates that are lower than forecast.
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	49	49	
Total operating funding (A)		8,284	7,948	8,152	204	Significant asset acquisitions or replacements and other variances
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers	2	3,520	3,559	3,509	51	4. Capital Subsidy revenue is \$1.5m lower than budget due to the Pakipaki water scheme being deferred into 2016/17.
Finance costs	3	1,190	583	406	177	5. Debt has increased by \$1.96m less than budget due to reduced Capital spending in 2015/16.
Internal charges and overheads applied		1,971	1,717	1,728	(11)	6. Capital expenditure for additional demand projects are below budget by \$598,000 and have been deferred to 2016/17.
Other operating funding applications		2	8	57	(49)	7. Capital Expenditure to replace existing assets and improve the level of service is \$3.1m below budget as several projects such as the Heretaunga Street West upgrade not proceeding as budgeted.
Total applications of operating funding (B)		6,684	5,867	5,700	167	
Surplus (deficit) of operating funding (A-B)		1,600	2,081	2,452	371	
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure	4	-	1,530		(1,530)	
Development and financial contributions		1,385	725	374	(351)	
Increase (decrease) in debt	5	37	2,449	485	(1,963)	
Gross proceeds from sale of assets		7	-	31	31	
Lump sum contributions		-	-	9	9	
Other dedicated capital funding		-	-	-	-	
Total sources of capital funding (C)		1,428	4,703	899	(3,804)	
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						
To meet additional demand	6	1,206	1,192	594	598	
To improve the level of service	7	677	3,956	822	3,134	
To replace existing assets	7	1,072	1,479	1,090	390	
Increase (decrease) in reserves		73	157	845	(688)	
Increase (decrease) of investments		-	-	-	-	
Total applications of capital funding (D)		3,028	6,785	3,351	3,434	
Surplus (deficit) of capital funding (C-D)		(1,600)	(2,081)	(2,452)	(371)	
Total funding balance (A-B) + (C-D)		-	-	-	-	
Group depreciation and amortisation		1,787	2,033	2,022	(11)	

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Water Supply	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		1,192	594	598
Improve level of service		3,956	822	3,134
To replace existing assets		1,479	1,090	390
Total capital expenditure		6,627	2,506	4,121

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Water Supply	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
Reticulate Unserviced Area	1	1,800	223	1,577
Flaxmere – Wilson Rd	2	1,000	46	954
Heretaunga St W – Tomoana to Stortford Lodge	3	500	51	449
New Bore, Rising Main & Reservoir	4	500	2	498
New Source at Whakatu & Rising Main to H/Nth	5	325	-	325
Havelock Hills: New Reservoir and Pumpstation	6	295	5	290

1. Pakipaki project to reticulate unserviced area. Work underway and will be completed in 2016-17.
2. Project no longer required. Replaced with Maraekakaho Road (Irongate).
3. Heretaunga Street work deferred until 2016-17 to allow consultation with affected businesses.
4. New Bore, Rising Main & Reservoir at Haumoana deferred until 2016-17.
5. Project to fund a range of water supply enhancements through the main Hastings/Flaxmere/Havelock North supply. Multi year programme work occurring in 2016-17.
6. Growth project work has not proceeded as planned and deferred into future years.

FUNDING IMPACT STATEMENT: Stormwater Drainage		LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000	
	Notes					
SOURCES OF OPERATING FUNDING						
General Rates, uniform annual general charge, rates penalties		3,464	2,806	2,801	(5)	Key Financial variances Significant Operating variances <ol style="list-style-type: none"> Operational Costs are \$223,000 lower than budget mainly due to savings in reactive maintenance. Finance Costs are \$213,000 lower than budget due to interest savings from capital projects that haven't proceeded as planned and interest rates that are lower than forecast. Development Contributions are below budget by \$2.42m due to slower than budgeted economic development. Debt has increased by \$3m less than budgeted due to projects designed to meet future demands and improve the levels of service being deferred to 2016/17. Capital Expenditure to meet additional demand is \$966,000 below budget. Capital projects such as the Irongate Industrial development have been deferred. Capital Expenditure to improve the level of service is \$1.5m lower than budget. Most of these projects have been carried forward into 2016-17.
Targeted Rates		128	115	114	(1)	
Subsidies and grants for operating purposes		-	-	-	-	
Fees and charges		108	96	43	(53)	
Internal charges and overheads recovered		15	14	14		
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	53	53	
Total operating funding (A)		3,715	3,031	3,025	6	
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers	1	566	623	400	223	
Finance costs	2	1,131	639	425	213	
Internal charges and overheads applied		778	644	679	(35)	
Other operating funding applications		3	10	14	(4)	
Total applications of operating funding (B)		2,478	1,915	1,519	396	
Surplus (deficit) of operating funding (A-B)		1,237	1,116	1,507	391	
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure		-	-	-	-	
Development and financial contributions	3	1,620	834	239	(595)	
Increase (decrease) in debt	4	(890)	2,161	(842)	(3,002)	
Gross proceeds from sale of assets		-	-	-	-	
Lump sum contributions		-	-	6	6	
Other dedicated capital funding		-	-	-	-	
Total sources of capital funding (C)		730	2,994	(596)	(3,591)	
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						
To meet additional demand	5	671	1,142	176	966	
To improve the level of service	6	1,296	2,427	930	1,496	
To replace existing assets		-	541	15	526	
Increase (decrease) in reserves		-	-	(211)	211	
Increase (decrease) of investments		-	-	-	-	
Total applications of capital funding (D)		1,967	4,110	910	3,200	
Surplus (deficit) of capital funding (C-D)		(1,237)	(1,116)	(1,507)	(391)	
Total funding balance (A-B) + (C-D)		-	-	-	-	
Group depreciation and amortisation		2,919	2,715	2,718	3	

FORECAST STATEMENT OF PLANNED CAPITAL WORKS:				
Stormwater Disposal	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		1,142	176	966
Improve level of service		2,427	930	1,496
To replace existing assets		541	15	526
Total capital expenditure		4,110	1,121	2,988

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS:				
Stormwater Disposal	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
Lyndhurst – Stage 2 Trunk Main	1	1,169	84	1,085
Havelock North – Medium Density Housing strategy	1	926		926
Railway Rd – Racecourse to Murdoch	2	500	36	464

1. Growth project work hasn't proceeded as planned. Alternative options for Lyndhurst have been explored with improved design outcomes achieved.
2. The Railway Road project had just started at the end of 2015-16. This budget will be forward carried into 2016-17.

FUNDING IMPACT STATEMENT:					
Sewerage and the treatment and disposal of sewerage	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		78	497	496	(1)
Targeted Rates (other than a targeted rate for water supply)		4,845	7,051	6,789	(262)
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges		1,690	1,754	1,689	(65)
Internal charges and overheads recovered		2,287	2,135	2,136	1
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	110	110
Total operating funding (A)		8,900	11,437	11,220	(217)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	1	2,775	2,592	2,328	264
Finance costs	2	1,737	1,317	946	371
Internal charges and overheads applied		3,582	3,481	3,553	(72)
Other operating funding applications		16	15	11	4
Total applications of operating funding (B)		8,110	7,405	6,838	567
Surplus (deficit) of operating funding (A-B)		790	4,032	4,382	350
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions	3	1,355	705	379	(326)
Increase (decrease) in debt	4	(2,115)	5,922	2,591	(3,331)
Gross proceeds from sale of assets		-	-	7	7
Lump sum contributions		261	244	278	34
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		(499)	6,871	3,255	(3,616)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	5	774	504	61	443
To improve the level of service	6	204	3,910	4,777	(867)
To replace existing assets	7	1,429	6,490	2,853	3,637
Increase (decrease) in reserves		(2,115)	-	(54)	54
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		292	10,904	7,637	3,267
Surplus (deficit) of capital funding (C-D)		(791)	(4,033)	(4,382)	(349)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		5,657	5,693	5,658	(35)

Key Financial variances

Significant Operating variances

1. Payments to staff and suppliers are \$264,000 lower than budget with savings in reticulation maintenance costs.
2. Finance Costs are \$371,000 lower than budget due to interest savings from capital projects that haven't proceeded as planned and interest rates that are lower than forecast.

Significant asset acquisitions or replacements and other variances

3. Development Contributions below budget by \$326,000 due to slower than budgeted economic development.
4. Debt has increased by \$3.3m less than what was budgeted due to Wastewater Treatment Plant Outfall project being deferred into 2016-17.
5. Capital Expenditure to meet additional demand is \$443,000 below budget. Capital projects such as Irongate Industrial development and Lyndhurst have been deferred due to slower than expected economic development and time spent to find alternative engineering and planning solutions.
6. Capital Expenditure to improve the level of service is \$867,000 higher than budget mainly due to Napier road capacity upgrade spending on budget that was carried forward from 2014-15.
7. Capital Expenditure to replace assets is \$3.64m lower than budget mainly due to Wastewater Treatment Plant Outfall project being deferred into 2016-17.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		504	61	443
Improve level of service		3,910	4,777	(867)
To replace existing assets		6,490	2,853	3,637
Total capital expenditure		10,904	7,691	3,213

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
Napier Road Investigations & design	1	3,410	4,323	(913)
Outfall Diffuser	2	2,500	23	2,477
Trunk Sewers	3	2,100	888	1,212
WWTP – Trunk Sewer Renewal	3	-	573	(573)
Collection Network Planned Renewals	4	580	30	550
Park – Rising Main Renewal	5	550	277	273

1. Napier Road project was funded from Capital Budgets brought forward from previous years.
2. Outfall diffuser renewal project deferred until 2016-17.
3. Trunk sewer project funded from Capital Budgets that had been brought forward from previous years.
4. Collection Network renewal budget has been re-distributed to a number of projects including Holt Place, Tainui Drive and Wilson Road.
5. Park Road rising main to be completed in 2016-17. Budget has been carried forward.

FUNDING IMPACT STATEMENT: Roads & Footpath						
	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000	
SOURCES OF OPERATING FUNDING						
General Rates, uniform annual general charge, rates penalties		15,828	15,248	15,219	(29)	Key Financial variances
Targeted Rates		201	257	268	11	Significant Operating variances
Subsidies and grants for operating purposes	1	5,177	5,226	5,378	152	1. Subsidies and grant income are higher than budget due to increased funding of maintenance work from the New Zealand Transport Agency.
Fees and charges	2	1,455	1,279	2,288	1,010	2. Fees and charges are \$1.01m higher than budget mainly due to reimbursement of costs for State Highway work undertaken.
Internal charges and overheads recovered		2,393	2,151	781	(1,370)	3. Payments to staff and suppliers are higher than budget due to increased maintenance work in the roading area.
Local Authorities fuel tax, fines, infringement fees and other receipts		167	165	214	49	6. Significant asset acquisitions or replacements and other variances
Total operating funding (A)		25,221	24,325	24,149	(176)	
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers	3	11,614	11,268	12,380	(1,112)	4. Subsidies and grant income are lower than budget due to several projects such as Chesterhope Bridge and Whakatu Arterial being deferred into 2016-17.
Finance costs		1,358	870	623	248	5. Development Contributions are below budget by \$1.301m due to slower than budgeted economic development.
Internal charges and overheads applied		4,843	4,394	2,952	1,442	6. Debt has not increased as budgeted due to the Whakatu Arterial not yet proceeding.
Other operating funding applications		5	5	14	(8)	7. Capital Works to improve the level of service are \$2.887m below budget, mainly due to timing of CBD developments in Hastings and Havelock North, and Chesterhope Bridge carrying forward into 2016-17.
Total applications of operating funding (B)		17,821	16,537	15,968	570	9. Capital Works to replace existing assets are \$671,000 below budget due to renewal budgets being reallocated for additional maintenance spend.
Surplus (deficit) of operating funding (A-B)		7,401	7,788	8,181	393	
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure	4	9,823	10,165	8,099	(2,066)	
Development and financial contributions	5	1,863	599	433	(166)	
Increase (decrease) in debt	6	2,360	3,148	3	(3,145)	
Gross proceeds from sale of assets		33	48	713	666	
Lump sum contributions		60	56	21	(35)	
Other dedicated capital funding		-	-	-	-	
Total sources of capital funding (C)		14,140	14,015	9,269	(4,747)	
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						
To meet additional demand		1,906	2,531	2,147	384	
To improve the level of service	7	8,410	7,840	4,953	2,887	
To replace existing assets	8	11,182	11,079	10,408	671	
Increase (decrease) in reserves		42	353	(58)	411	
Increase (decrease) of investments		-	-	-	-	
Total applications of capital funding (D)		21,540	21,803	17,450	4,354	
Surplus (deficit) of capital funding (C-D)		(7,401)	(7,788)	(8,181)	(393)	
Total funding balance (A-B) + (C-D)		-	-	-	-	
Group depreciation and amortisation		12,443	13,278	14,325	1,047	

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Roads & Footpaths	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		2,531	2,147	384
Improve level of service		7,840	4,953	2,887
To replace existing assets		11,079	10,408	671
Total capital expenditure		21,450	17,508	3,942

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Roads & Footpaths	Notes	LTP 2015/16 \$'000	Actual Council 2016 \$'000	Variance
New Roads	1	6,300	785	5,515
Maintenance Seals (Sealed Road Surfacing)	2	3,556	2,898	658
Advance Fees – Investigation & Options R	2	520	136	384
Structural Component Replacement	2	670	387	283
Drainage Renewals	2	660	962	(302)
Subdivision Support	3	978	535	443
CBD Redevelopment	4	785	94	691
Cycleways & Pathways	5	544	2,412	(1,868)
State Highway Projects	6	-	1,475	(1,475)

1. The Whakatu Arterial is a multi-year project so variance is due to project timing.
2. Renewal budgets have been substituted to fund other renewal budgets and for maintenance work.
3. Growth projects have not proceeded as planned and deferred into future years.
4. CBD redevelopment work has been deferred to 2016/17.
5. iWay's work completed in 2015/16 was carried forward from previous years.
6. State highway project. This is 100% funded from New Zealand Transport Agency and was not budgeted for.

Safe, Healthy & Liveable Communities

The section titled 'Our Reporting Framework' outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled 'Key Initiatives and Projects'.

In summary this group of activities primarily contributes to the following community outcomes:

- Best use of productive land
- Managing negative effects on people, air, land and water
- A community that wastes less
- Energy efficiency
- An attractive location to live
- Diversity in housing choice
- Attractive and usable public spaces
- Safe, multi-functional urban centres
- Safe neighbourhoods for people
- Connected open space
- Urban areas resilient to hazards and shocks
- Places and space for learning and interaction
- Places and space for recreation and fun
- A strong district identity
- Putting people at the centre of planning and service
- Effective working relationships with mana whenua
- Assisting our people to succeed

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

- A key focus in respect of community safety is our response to meeting Earthquake Prone Building legislation. A public engagement process on strengthening the HB Opera House attracted more than 3,000 submissions
- Waste volumes to the landfill have increased. This is an indication of an increase in economic activity in the region. This increase in waste has been reflected nationally. The Council's waste diversion target was achieved. A programme of rolling out rural recycling facilities has continued with facilities implemented in Tutira, Waimarama, Poukawa and Pukehemoama
- This group of activities contains a broad range of services and facilities. 100% of the levels of service for this group of activities were either fully or substantially achieved
- The District Plan reached a further milestone in its review process, with a number of appeals to Council decisions being worked through. A number of variations to the plan were also publicly notified
- The Hawke's Bay Funding Forum has worked with Council to fund the Marae Whakaute Project to assist Marae to be ready to host Te Matatini 2017, with most of the workstreams now completed. Eastern & Central Community Trust granted \$125,000 towards this project
- The Splash Planet facility exceeded its visitor number target for the year
- The Animal Welfare Centre had a major revamp

- The Waste Futures Project was undertaken with the next stage being to conduct a joint waste assessment of all Council's options
- An enhanced Frimley Park playground has quickly become a key attraction for the whole community
- A significant upgrade of the Havelock North Village Green has commenced
- Free internet and Wi-Fi was introduced within the District libraries
- The inaugural Super Sixes tournament was held in 2015 for Year Six students
- A comprehensive plan to guide the future development and management of Te Mata Park was developed.

Negative effects

The only significant negative effect identified for this group of activities is the potential discharge of contaminants from the Landfill. The Council mitigates these potential adverse effects through adherence with resource consent conditions. No significant breaches were recorded in 2015/16. The Council is also accredited under the ISO9000:2001 standard which is adhered to.



FUNDING IMPACT STATEMENT: Safe, Healthy & Liveable Communities					
	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		26,513	26,969	26,918	(51)
Targeted Rates		1,453	1,311	1,454	143
Subsidies and grants for operating purposes		30	46	240	193
Fees and charges	1	16,006	15,414	16,186	772
Internal charges and overheads recovered		19,014	24,281	23,716	(566)
Local Authorities fuel tax, fines, infringement fees and other receipts		105	84	235	151
Total operating funding (A)		63,121	68,105	68,479	644
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	30,157	31,239	30,719	520
Finance costs		1,909	1,625	1,267	358
Internal charges and overheads applied		20,363	25,521	26,077	(556)
Other operating funding applications	3	2,864	1,663	713	950
Total applications of operating funding (B)		55,294	60,049	58,776	1,273
Surplus (deficit) of operating funding (A-B)		7,828	8,056	9,971	1,915
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	4	1,272	4,080	469	(3,611)
Development and financial contributions		745	713	428	(285)
Increase (decrease) in debt	5	2,229	9,972	(249)	(10,222)
Gross proceeds from sale of assets		80	230	242	12
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		4,326	14,996	890	(14,105)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		56	126	329	(203)
To improve the level of service	6	9,060	18,706	3,906	14,800
To replace existing assets	7	3,032	7,966	5,608	2,358
Increase (decrease) in reserves	8	6	(3,747)	1,018	(4,765)
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		12,154	23,052	10,861	12,190
Surplus (deficit) of capital funding (C-D)		(7,828)	(8,056)	(9,971)	(1,915)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		4,669	4,626	5,063	437

Key Financial variances

Significant Operating variances

1. Fees and Charges are \$772,000 higher than budget mainly due to Council now operating the swimming pools (previously administered by a trust), plus higher than budgeted revenue for Splash Planet.
2. Payments to staff and suppliers are \$950,000 lower than budget due to operational cost savings at the Landfill and lower than anticipated spend on building maintenance.
3. Other operating funding applications are \$950,000 lower than budget due to the timing of the grants to the Regional Sports Park and the Opera House grant not being required due to its closure.

Significant asset acquisitions or replacements and other variances

4. Subsidies and grants are under budget due to the Civic Square development not proceeding as planned.
5. Debt has not increased as budgeted with the Civic Square, Opera House and Te Mata Peak developments not proceeding as planned.
6. Capital Expenditure to improve the level of service is \$14.8m below budget with the Civic Square, Opera House and Te Mata Peak developments not proceeding as planned.
7. Renewal Capital expenditure is below budget mainly due to the timing of building maintenance work.
8. Building maintenance work is funded from reserves.

Economic & Community Development

The section titled 'Our Reporting Framework' outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled 'Key Initiatives and Projects'.

This group of activities primarily contributes to the following community outcomes:

- An enhanced traditional economic base
- New and diversified business investment
- An appealing visitor destination
- Skilled and enterprising people
- An attractive location to live
- Diversity in housing choice
- Attractive and useable public spaces
- Safe, multi-functional urban centres and neighbourhoods
- A strong district identity
- Putting people at the centre of planning and service
- Effective working relationships with mana whenua
- Young people connect and develop positively within the community
- Appropriate services and facilities for an ageing population.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

- A successful partnership with Business Hawke's Bay and Callaghan Innovation has seen the continued delivery of the High Performance Work Programme for medium sized firms

- The Great Things Grow Here economic development platform was developed and launched
- The inaugural Air New Zealand Hawke's Bay International Marathon was held
- The Hawke's Bay Regional Economic Development Strategy has been completed and publicly released
- The Hastings City Centre Vibrancy Plan has been in place since October 2015 with a range of innovative projects rolled out
- A range of social programmes within the Youth Futures Project continued to be delivered during 2015/16
- A total of 10 community-led plans are now in place
- The Flaxmere Drivers Licencing programme was rolled out in the Flaxmere community
- In terms of tourism and visitor attraction Splash Planet exceeded its visitor number target for the year with a total of 112,651 visitors. Council's i-site's, collectively, received 82,124 visitors.

Negative effects

Negative effects can result in the form of environmental issues associated with increased development. The recent Council adoption of a new Infrastructure Code of Practice developed on sustainability principles and best practice sets out infrastructure guidelines for new developments.

FUNDING IMPACT STATEMENT: Economic and Community development					
	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		4,781	6,472	6,460	(12)
Targeted Rates		266	269	269	-
Subsidies and grants for operating purposes		85	-	139	139
Fees and charges	1	383	328	720	392
Internal charges and overheads recovered		159	102	142	40
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	5	5
Total operating funding (A)		5,674	7,170	7,735	565
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	4,034	5,384	5,508	(124)
Finance costs		15	57	43	15
Internal charges and overheads applied		1,151	1,179	1,371	(192)
Other operating funding applications		1,514	900	789	110
Total applications of operating funding (B)		6,715	7,520	7,711	(191)
Surplus (deficit) of operating funding (A-B)		(1,040)	(350)	24	374
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	(6)	(6)
Development and financial contributions		-	-	-	-
Increase (decrease) in debt	3	1,065	368	(32)	(400)
Gross proceeds from sale of assets		-	26	27	1
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		1,065	393	(11)	(404)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	19	(19)
To replace existing assets		-	35	28	7
Increase (decrease) in reserves		25	8	(35)	43
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		25	43	12	30
Surplus (deficit) of capital funding (C-D)		1,040	350	(24)	(374)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		49	53	58	5

Key Financial variances

Significant Operating variances

1. Additional unbudgeted Central Government funding for Social and Economic Development projects were received.
 2. Additional spending on Social and Economic development projects was incurred in line with the external funding received.
 3. Significant asset acquisitions or replacements and other variances
3. The loan funded Flaxmere Village Centre project has not proceeded as planned.

Governance & Support Services

The section titled 'Our Reporting Framework' outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled 'Key Initiatives and Projects'.

This group of activities primarily contributes to the following community outcomes:

- Putting people at the centre of planning and service
- Effective working relationships with mana whenua
- A future we can fund.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

- Customer feedback for both the Customer Service Centre and Contact Centre is very positive with the continuation of high customer satisfaction
- The Council's targets for website usage were exceeded with an average of 13,360 unique visitors per month, well in excess of the target of 9,500. Service levels within the customer service and contact centre areas of Council were achieved
- No breaches of statutory planning processes were recorded during the year
- The financial result for the year has resulted in a rating surplus which has been applied to repay debt in accordance with the Council's financial strategy
- The section titled 'Māori and Decision Making' outlines the activities undertaken during 2015/16 to establish and maintain processes to provide opportunities for Māori to contribute to the decision making processes of the local authority.



FUNDING IMPACT STATEMENT:					
Governance & Support	Notes	LTP Council 2015 \$'000	LTP Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		3,006	2,874	2,869	(5)
Targeted Rates		1,865	(110)		110
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges		98	118	122	4
Internal charges and overheads recovered		11,836	11,111	11,983	872
Local Authorities fuel tax, fines, infringement fees and other receipts		575	596	672	76
Total operating funding (A)		17,386	14,589	15,645	1,056
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	1	9,660	10,621	10,014	607
Finance costs		35	36	24	12
Internal charges and overheads applied		3,719	3,778	3,756	22
Other operating funding applications		859	842	905	(63)
Total applications of operating funding (B)		14,273	15,277	14,700	577
Surplus (deficit) of operating funding (A-B)		3,113	(688)	945	1,633
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	2	2
Development and financial contributions		-	-	-	-
Increase (decrease) in debt		(15)	(340)	(37)	303
Gross proceeds from sale of assets		34	53	76	23
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		19	(287)	41	328
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	-	-
To replace existing assets	2	1,580	2,226	485	1,741
Increase (decrease) in reserves	3	1,523	(3,201)	501	(3,702)
Increase (decrease) of investments		30	-	-	-
Total applications of capital funding (D)		3,133	(975)	986	(1,961)
Surplus (deficit) of capital funding (C-D)		(3,113)	688	(945)	(1,633)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		825	739	373	(366)

Key Financial variances

Significant Operating variances

1. Payments to staff and suppliers are lower than budget due to efficiencies achieved and lower than anticipated expenditure on service reviews, resource consent costs and other projects.

Significant asset acquisitions or replacements and other variances

2. Capital expenditure is lower than budgeted mainly due to Information Technology projects deferred into 2016-17.

3. The Information Technology projects are funded from Council reserves.

Māori and decision-making



Māori and decision-making

The Hastings District Council is committed to establishing and maintaining processes to provide opportunities for Māori to contribute to the decision making processes of the Council.

During 2015/16 the Council provided the following opportunities for Māori contribution to decision making:

- The Hastings District Council – Māori Joint Committee’s focus is on strategic priorities for Māori in the District. The Committee comprises six Māori appointments and six Councillors. The Committee’s terms of reference include input to the Long Term Plan, the Annual Plan and the District Plan.
- The Council’s Strategic Adviser Culture and Heritage has worked closely to enhance strategic relationships between hapu and mana whenua, Ngāti Kahungunu Iwi Inc and the Council.
- The Council established a Tangata Whenua Wastewater Committee 13 years ago. This is a special purpose Committee which was established to work through the development of wastewater solutions and issues facing the District in the future. A long-term wastewater discharge consent was granted for a period of 35 years. The Tangata Whenua Wastewater Joint Committee was integral in achieving this outcome to include culturally appropriate values and practices.
- The Council has resolved to encourage the development of hapu management plans, within the provisions of the Resource Management Act 1991. During 2015/16, Hapu development planning has progressed with both the Kahuranaki community (plan at first draft stage) and the Waipatu community (due to conclude September 2016).
- District Plan review – Members of the Māori Joint Committee have participated in the District Plan review hearings.
- The Marae Whakaute Project was designed to support Marae to host visitors to Te Matatini in 2017. Four funders added to the funding allocation provided by Council, and each participating Marae also made their contribution to resource the project. Eastern & Central Community Trust also granted \$125,000 towards this project.
- A Maori responsiveness framework has been developed and adopted to guide Council activity and to monitor progress.



Financial statements



Financial statements

Actual Council 2015 \$'000	Actual Group 2015 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2016	Notes	Budget Council 2016 \$'000	Actual Council 2016 \$'000	Actual Group 2016 \$'000	
REVENUE							
67,206	67,206	Rates (i)	3	69,108	69,254	69,254	The major reasons for the variance between actual and budgeted surplus on operations were: (i) Increase in rates revenue is due to an increase in the rating base and rate increases. (ii) Unbudgeted New Zealand Transport Agency (NZTA) income received for State Highway works was the major contributor to higher than budgeted fees and charges. (iii) Delays in the Whakatu Arterial project contributed to lower than budgeted NZTA Subsidiaries. (iv) Budgeted development contributions did not materialise due to slower than expected growth. (v) Donations were budgeted for Civic Square project which has not yet commenced as expected. (vi) Interest Revenue is higher than budget with surplus working capital reinvested. (vii) Finance Costs – lower than budget, as consequence of lower debt levels and favourable interest rates.
20,808	20,841	Fees and charges (ii)		19,528	21,469	21,526	
13,536	13,616	Subsidies and grants (iii)		17,241	14,291	14,341	
9,094	9,094	Reversal of revaluation and impairment losses	12	-	-	-	
2,793	2,793	Development and financial contributions (iv)		3,876	2,167	2,167	
92	92	Donations (v)		3,806	31	31	
647	661	Interest revenue (vi)	4	-	429	440	
906	906	Other revenue	5	596	730	730	
951	951	Vested infrastructural assets		1,000	1,097	1,097	
116,033	116,160	Total revenue		115,155	109,468	109,586	
EXPENSES							
66,471	66,559	Operational costs	6	66,139	70,180	70,344	
-	-	Hawke's Bay Opera House Complex – Impairment of building		-	-	-	
28,878	28,893	Depreciation and amortisation expense	7	29,137	30,217	30,230	
3,481	3,481	Finance costs (vii)		5,128	3,392	3,392	
98,829	98,932	Total expenses		100,404	103,789	103,966	
-	212	Share of associate surplus/(deficit)		-	-	91	
17,205	17,441	Surplus/ (deficit) before tax		14,751	5,679	5,711	
-	-	Income Tax expense	8	-	-	-	
17,205	17,441	Surplus/(deficit) after tax		14,751	5,679	5,711	
Other comprehensive revenue and expense:							
120,527	122,820	Gain/loss on infrastructural revaluations		26,887	28,902	28,924	
18	18	Gain/Loss on library book revaluations		-	(123)	(123)	
6	6	Financial assets at fair value through other comprehensive revenue		-	-	-	
120,551	122,844			26,887	28,779	28,801	
137,756	140,285	Total other comprehensive revenue and expense		41,638	34,458	34,512	

The accompanying notes form part of these financial statements.

Actual Council 2015 \$'000	Actual Group 2015 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2016	Notes	Budget Council 2016 \$'000	Actual Council 2016 \$'000	Actual Group 2016 \$'000
Net Surplus /(Deficit) attributable to:						
17,205	17,441	Hastings District Council		14,751	5,679	5,711
-	-	Minority Interest		-	-	-
17,205	17,441			14,751	5,679	5,711
Total comprehensive revenue and expense attributable to:						
137,756	140,285	Hastings District Council		41,638	34,458	34,512
-	-	Minority Interest		-	-	-
137,756	140,285			41,638	34,458	34,512

The accompanying notes form part of these financial statements.

Actual Council 2015 \$'000	Actual Group 2015 \$'000	Statement of changes in equity for the year ended 30 June 2016		Budget Council 2016 \$'000	Actual Council 2016 \$'000	Actual Group 2016 \$'000
1,630,272	1,633,701	Balance at 1 July		1,662,824	1,768,028	1,773,883
17,205	17,441	Surplus/Deficit		14,751	5,679	5,711
120,551	122,844	Other comprehensive revenue and expense for the year		26,887	28,779	28,801
137,756	140,285	Total comprehensive revenue and expense for the year		41,638	34,458	34,512
1,768,028	1,773,985	Balance at 30 June		1,704,462	1,802,486	1,808,395
Total comprehensive revenue and expense attributable to:						
137,756	140,285	Hastings District Council		41,638	34,458	34,512
137,756	140,285	Total comprehensive revenue and expense		41,638	34,458	34,512

The accompanying notes form part of these financial statements.

Actual Council 2015 \$'000	Actual Group 2015 \$'000	Statement of financial position as at 30 June 2016	Notes	Budget Council 2016 \$'000	Actual Council 2016 \$'000	Actual Group 2016 \$'000
CURRENT ASSETS						
16,041	16,356	Cash & cash equivalents (i)		955	10,754	10,952
12,790	12,821	Receivables	9	9,212	7,018	7,021
72	72	Inventory	10	80	101	101
-	-	Non-current assets held for sale		-	-	-
30	30	Short Term Investments		-	30	262
28,933	29,279	Total current assets		10,247	17,903	18,336
NON-CURRENT ASSETS						
Other financial assets						
1,807	7,209	Investments in associates	11 (a)	1,063	1,807	7,330
Other financial assets						
237	1	Investments in CCO's and similar entities	11 (b)	558	237	1
1,331	1,512	Investment in other entities	11 (b)		1,331	1,331
3,375	8,722	Total other financial assets		1,621	3,375	8,662
161,678	161,975	Plant, property and equipment	12	183,802	165,450	165,735
1,659,676	1,659,676	Infrastructural assets	12	1,615,366	1,693,282	1,693,282
349	349	Intangible assets	12	351	281	281
1,825,077	1,830,721	Total non-current assets		1,801,140	1,862,388	1,867,960
1,854,010	1,860,000	Total assets		1,811,388	1,880,291	1,886,296
LIABILITIES						
Current liabilities						
15,923	15,956	Payables and deferred revenue (ii)	13	12,566	15,405	15,501
2,992	2,992	Employee entitlements	14	2,574	2,241	2,241
71	71	Derivative financial instruments	16	-	71	71
10,000	10,000	Borrowings and other financial liabilities (iii)	15	8,691	-	-
28,985	29,018	Total current liabilities		23,831	17,717	17,813
Non-current liabilities						
788	788	Provisions	13	703	737	737
643	643	Employee entitlements	14	676	560	560
4,826	4,826	Derivative financial instruments	16	3,500	8,050	8,050
50,741	50,741	Borrowings and other financial liabilities (iii)	15	78,217	50,741	50,741
56,997	56,997	Total non-current liabilities		83,096	60,088	60,088
85,982	86,015	Total liabilities		106,927	77,805	77,901
1,768,028	1,773,985	Net assets (assets minus liabilities)		1,704,461	1,802,486	1,808,395
Equity						
1,201,062	1,204,726	Accumulated funds	17	1,206,766	1,206,838	1,210,534
3,347	3,347	Restricted Reserves	18	2,901	3,250	3,250
563,619	565,912	Revaluation Reserves	12	494,794	592,398	594,611
1,768,028	1,773,985	Total equity		1,704,461	1,802,486	1,808,395

The major reasons for the variance between actual and budgeted balances at 30 June 2016 were:

- (i) Cash
 - Deferred capital expenditure relating to major infrastructure projects has meant Council has meant more cash on hand.
- (ii) Payables and deferred revenue
 - Due to the timing of major infrastructure projects, there were a number of large projects underway at 30 June 2016 which has increased the amount of payables due.
- (iii) Borrowings and other financial liabilities
 - Debt levels are lower than budgeted with major projects not progressing as planned.

Note:

Investments in CCO's	Actual Council \$'000	Actual Group \$'000
2016	1,300	6,728
2015	1,300	6,495

Actual Council 2015 \$'000	Actual Group 2015 \$'000	Statement of cash flows for the year ended 30 June 2016	Notes	Budget Council 2016 \$'000	Actual Council 2016 \$'000	Actual Group 2016 \$'000
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES						
Cash was provided from:						
66,781	66,781	Receipts from rates revenue		69,108	68,881	68,881
19,725	19,756	Receipts from customers		24,000	29,581	29,656
647	662	Interest received		-	429	441
113	113	Dividends received		-	142	142
13,628	13,646	Subsidies and grants received		21,047	13,628	13,634
(1,325)	(1,325)	GST (net)		-	1,306	1,306
99,569	99,632			114,154	113,967	114,060
Cash was applied to:						
62,650	62,844	Payments to suppliers and employees		66,139	67,419	67,573
3,487	3,487	Interest paid		5,128	3,471	3,471
66,137	66,331			71,267	70,890	71,044
33,431	33,301	Net cash flows from operating activities (note 20)	A)	42,887	43,078	43,016
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
692	692	Receipts from sale of property, plant and equipment		356	1,119	1,063
-	20	Losses and impairment / revaluation prior year		-	-	-
692	712			356	1,119	1,063
Cash was applied to:						
32,666	32,665	Purchase of property, plant & equipment and infrastructural assets		72,151	39,483	39,483
855	920	Purchase of investments		-	-	-
33,521	33,585			72,151	39,483	39,483
(32,829)	(32,873)	Net cash flows to investing activities	B)	(71,795)	(38,365)	(38,420)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
60,940	60,940	Proceeds from borrowings		37,936	-	-
Cash was applied to:						
55,940	55,940	Repayment of borrowings		11,029	10,000	10,000
5,000	5,000	Net cash flows from financing activities	C)	26,907	(10,000)	(10,000)
5,602	5,428	Net increase (decrease) in cash, cash equivalents and bank overdraft	(A+B+C)	(2,000)	(5,287)	(5,404)
10,439	10,928	Cash, cash equivalents and bank overdraft at the beginning of the year		2,955	16,041	16,356
16,041	16,356	Cash, cash equivalents and bank overdraft at the end of the year		955	10,754	10,952
CASH AT END OF YEAR COMPRISES						
16,041	16,356	Cash and cash equivalents		955	10,754	10,952

The accompanying notes form part of these financial statements.

Notes to financial statements

1. Statement of accounting policies

Reporting entity

Hastings District Council ('the Council') is a territorial authority within the definition of the Local Government Act 2002 and domiciled in New Zealand.

The operations of the Council are divided into the following activity groups:

- Water & Roads
- Safe Healthy and liveable communities
- Economic and Community development
- Governance and support services.

The Hastings District Council Group consists of the ultimate parent, the Council, and the following subsidiaries (the Group):

Te Mata Park Trust Board	Hastings District Holdings Limited
100%	100%

The Council also has the following investments in associates:

- HB LASS Limited is a Council Controlled Organisation of which the Council holds a 20% shareholding and is an equity accounted associate.
- A 23.88% shareholding in Hawke's Bay Airport Limited, a Council Controlled Organisation and is an equity accounted associate.
- Horse of the Year (Hawke's Bay) Limited is an equity accounted associate that the Council hold a 33% shareholding.
- Omarunui LFG Generation Limited Partnership is an equity accounted associate that the Council hold a 40% shareholding.

Hastings District Holdings Limited provides the Council with an extra layer of governance and a monitoring structure for Council's other CCOs which include the Hawke's Bay Opera House Limited and the Hastings District Properties Limited.

The Council has a 1.7% interest in the Local Government Funding Agency.

The Omarunui Refuse Landfill is a jointly controlled asset. The Council includes only its 63.68% share of all income, expenditure, assets and liabilities of the Landfill facility.

The primary objective of the Council and Group is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly the Group is a public benefit entity (PBE) for the purposes of financial reporting.

The financial statements of the Council and Group are for the year ended 30 June 2016. The financial statements were authorised for issue by Council on 6 October 2016.

Basis of preparation

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 comply with PBE Standards. The financial statements have been prepared in accordance with Tier 1 PBE Standards. There are no material adjustments arising on transition to the new PBE accounting standards. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Council and Group financial statements presented in this Annual Report include a statement of comprehensive revenue and expense, a statement of cash flows, a statement of financial position and a statement of changes in equity, with supporting notes, encompassing all activities of the Council.

In order to meet its obligations of public accountability, the Council has also included for each group of activity funding impact statements for the whole of council.

Measurement base

The measurement base adopted is that of historical cost, modified by the revaluation of certain classes of property, plant and equipment, and financial instruments (including derivative instruments).

Functional and presentation currency

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

Changes in accounting policies

Standards issued and not yet effective and not early adopted:

In 2015, the External Reporting Board issued Disclosure Initiative (Amendments to PBE IPSAS 1), 2015 Omnibus Amendments to PBE Standards, and Amendments to PBE Standards and Authoritative Notice as a Consequence of XRB A1 and Other Amendments. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2016. The Council will apply these amendments in preparing its 30 June 2017 financial statements. The Council expects there will be no effect in applying these amendments.

Significant accounting policies

Basis of consolidation

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant intragroup balances, transactions, income and expenses have been eliminated on consolidation.

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. The 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.

Investments in subsidiaries are carried at cost in the Council's separate financial statements.

The interest in the Te Mata Park Trust Board has been reflected in the consolidated financial statements and accounted for using the purchase method. This involves adding corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

Hastings District Holdings Limited are 100% owned by the Council and provides Council with an extra layer of governance and a monitoring structure for Council's other CCOs which include Hawke's Bay Opera House Limited and Hastings District Properties Limited.

Associate

The Council's associate investment is accounted for in the Group financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

The Council's 23.88% share of the profit of Hawke's Bay Airport Limited is recognised in the period which matches the reporting period of the Airport Authority. The investment has been equity accounted.

The Council's 33% share of the loss of Horse of the Year (Hawke's Bay) Limited is recognised in the period which matches the reporting period ending 31 May 2016. The investment has been equity accounted.

The Council's 40% share of the loss from the Omarunui LFG Generation Limited Partnership is recognised in the period which matches the reporting period ending 31 March 2016. The investment has been equity accounted.

The Council's has a 20% shareholding in HB LASS Limited, which is a Council Controlled Organisation.

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled assets, the Council and Group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of income that it earns from the joint venture.

The Omarunui Refuse Landfill is a jointly controlled asset and the Council's proportionate interests (63.68%) in the assets, liabilities, income and expenses have been incorporated in Council's financial statements under the appropriate headings.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of consideration received or receivable.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions

General and targeted rates (excluding user charge water rates)

Rates are set annually by a resolution from Council and relate to a financial year.

All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised when payable.

Rates collected on behalf of the Hawke's Bay Regional Council (HBRC) are not recognised in the financial statements, as the Council is acting as an agent for the HBRC.

Fees and charges

Revenue from the provision of services in a non-exchange transaction is recognised when the Group obtains control of the transferred asset and when the transfer is free from conditions that require the asset to be refunded or returned if the conditions are not met. To the extent there is a condition attached that gives rise to a liability to return the asset, a deferred revenue liability is recognised. Revenue is then recognised when the Group has satisfied the conditions. Fees and charges that are non-exchange transactions include parking fines and infringements and dog licenses.

Government grants

Government grants are received from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

Other Government grants with no conditions attached are recognised as income when eligibility has been established by the grantor agency.

Vested assets

Assets vested in the Council are recognised when control over the asset is obtained and as revenue when the transferred asset is free from conditions that require the asset to be returned if the conditions are not met. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised.

Revenue from exchange transactions

Development contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged. Otherwise development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service.

User pays water rates

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Fees and charges

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. Fees and charges that are exchange transactions include consent fees and permits.

Revenue from the sale of goods is recognised when the risks and rewards of ownership pass to the buyer.

Other revenue

Investment income in the form of interest is recognised using the effective interest method.

Dividend income is recognised when the right to receive payment has been established.

Cost allocation

The cost of service for each significant activity of Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (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.

Income tax

The Council is exempt from income tax except on income received from Council Controlled Trading Organisations.

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by 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 financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that any taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Deferred tax is neither recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and the temporary difference will not reverse in the foreseeable future.

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 day. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the current amount of its assets and liabilities.

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 income or directly in equity.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and reward 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.

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 procure 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.

Grant expenditure

Non-discretionary grants criteria 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 a successful applicant has been notified of Council's decision.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Statement of cash flows

The year-end cash balance in the Statement of Cash Flows consists of cash on hand; bank account balances, plus call deposits that form part of the day to day cash management of the Council.

The cash flows are classified into three sources:

- **Operating activities** – includes cash received from all income sources of Council and cash paid for the supply of goods and services, including interest on debt.
- **Investing activities** – includes the purchase and sale of long term assets and investments such as land and buildings, term investments, infrastructural and other operational assets.
- **Financing activities** – includes movements in the Council's public debt from loans raised and loans repaid

Financial assets

PBE Standards classify financial assets into four categories: financial assets at fair value through surplus or deficit, held to maturity investments, loans and receivables and financial assets at fair value through other comprehensive income. The Council does not have held to maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured 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 statement of comprehensive income.

The three categories of financial assets are:

(a) Financial assets at fair value through surplus or deficit

This category has two sub categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values with gains or losses on re-measurement recognised in the statement of comprehensive income. Financial Assets in this category include Interest Rate Swaps.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as 'Debtors and other receivables' in the statement of financial position.

(c) Financial assets at fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. After initial recognition these investments are measured at their fair value.

Gains and losses are recognised in other comprehensive income except for impairment losses, which are recognised in the statement of comprehensive income. On derecognition the cumulative gain or loss previously recognised in other comprehensive income is re-classified from equity to the statement of comprehensive income.

Accounting for derivative financial instruments and hedging activities

Council uses derivative financial instruments to economically hedge exposure to interest rate risk arising from financing activities. Council's derivative financial instruments are not designated as hedging instruments for accounting purposes. Accordingly, derivative financial instruments are reported as financial instruments at fair value through surplus or deficit.

Impairment of financial assets

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

Loans and other receivables

Impairment is established when there is objective evidence that the Council and Group will not be able to collect amount due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy 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 receivable that have been renegotiated are reclassified as current (that is, not past due). Impairment is term deposits, local authority stock, government stock, and community loans are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive income

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

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

If impairment evidence exists for investments at fair value through other comprehensive income, 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 income 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 increase 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.

Property, Plant & Equipment

Property, plant and equipment consist of:

- **Operational assets** – these include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.
- **Restricted assets** – restricted assets are parks and reserves owned by the Council and Group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- **Infrastructural assets** – infrastructure assets are the fixed utility systems owned by the Council and Group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

(a) Revaluation

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years with the exception of heritage assets which are valued every five years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expressed, and then recognised in other comprehensive income.

Land and Buildings were revalued in June 2015 by Mr John Reid (M Property Studies, B Com, ANZIV, SNZPI) of Logan Stone Ltd. Wherever possible, land and buildings are valued at net current value. Those buildings which cannot be easily sold are valued at depreciated replacement cost. Future revaluations will take place at three yearly intervals. The Te Mata Park Trust Board assets are recorded at cost less accumulated depreciation to date.

Library Collections are valued at depreciated replacement cost in accordance with guidelines established by the New Zealand Libraries Association. Library valuations are performed by an independent valuer, Dr Robin Watt MA (Hons.) PhD of R.J. Watt & Associates. The last valuation was performed as at June 2016.

Plant, Machinery and Vehicles are recorded at cost less accumulated depreciation to date. The Council's 63.68% share of all assets of the Omarunui Refuse Landfill has been included at cost less accumulated depreciation.

Brian Wood of Peter Webb Galleries Ltd valued the heritage assets in June 2013, with the valuation being based on images and descriptions provided. The assets were valued on the basis of net current replacement costs. Future revaluations will take place at five yearly intervals.

Infrastructure assets for Roothing were valued at June 2015 by Pauline True (BE Civil) of MWH Ltd. Infrastructure assets for water (excluding land) were valued at June 2016 at depreciated replacement cost by the Council's engineers and independently reviewed by Ms Jennifer Fox of Waugh Infrastructure Management Ltd. Land in this infrastructure class (water) were revalued by Mr John Reid (M Property Studies, B Com, ANZIV, SNZPI) of Added Valuation Ltd at June 2016. These values were determined by calculation of the current cost of replacement adjusted by the estimated remaining useful life of the asset. Future revaluations will take place at two yearly intervals.

Parks assets replacement cost values were completed by Council's staff in June 2015 and independently reviewed and adjusted by John Reid (M Property Studies, B Com, FNZIV, FPINZ) of Logan Stone Ltd, registered valuers. The values were determined by calculation at the current cost of replacement adjusted by the estimated remaining useful life of the asset. Future revaluations will take place at two yearly intervals.

(b) 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 the item can be measure reliable.

Infrastructural asset additions between valuations are recorded at cost, except for assets which are vested in the Council as part of the sub-divisional consent process. Vested infrastructure assets are valued based on the Council's standard unit cost rate and independently reviewed by Mr Ross Waugh of Waugh Infrastructure Management Ltd.

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

Property, plant, and equipment are recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(c) Disposals

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 revaluations reserves in respect of those assets are transferred to accumulated funds.

(d) Depreciation

Land is not depreciated.

All other assets with the exception of Plant, Machinery and Vehicles are depreciated on a straight-line basis at rates estimated to write off their cost over the expected useful economic life. Plant, Machinery and Vehicles are depreciated using a combination of straight line and diminishing value. The expected lives of major classes of assets are as follows:

Expected life (years)		Expected life (years)	
BUILDINGS		Furniture and Fittings	4 – 14
Structure/Envelope	20 – 65	Computer and Office Equipment	2 – 5
Building Services	15 – 35	Library Collections	5 – 10
Building Fit Out	30 – 50	LANDFILL	
Heavy Plant and Machinery	7 – 10	Permanent Facilities	42
Other Plant and Machinery	2 – 15	Valley A & D Development	12 – 15
Motor Vehicles	4 – 15	Other	5
Structure/Envelope	20 – 65		
WATER SUPPLY		ROADING NETWORK	
Pipes	27 – 120	Top Surface (seal)	13
Valves, hydrants	50 – 80	Pavement (including kerbs)	30 – 85
Pump Stations	15 – 80	Formation	Not depreciated
Bores	50	Footpaths	20 – 75
Reservoirs	100	Street Lights (poles)	50
Treatment Plant	5 – 20	Traffic Signals	15
STORMWATER DISPOSAL		Signs	10 – 15
Pipes	100	Unsealed Roads	Not depreciated
Manholes	100	Roading Land	Not Depreciated
Detention Dams	100	Bridges & Culverts	85
Open Channels	50		
Service Laterals	80		
PARKS		WASTERWATER	
Soft Landscaping	38 – 75	Pipes	25 – 100
Hard Landscaping	6 – 100	Manholes	80
Playgrounds	7 – 50	Pump Stations	15 – 80
Services	30 – 80	Treatment Plant	20
Structures	6 – 100	Submarine Outfall	50
Buildings	6 – 100		

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(e) Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Intangible assets

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.

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. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33.3%
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Impairment of property plant and equipment and intangible assets measured at depreciated cost

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The indicators of impairment depend on whether the asset is cash-generating or non-cash-generating. Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return. The majority of the Council and Groups assets that are not revalued are non-cash-generating. For non- cash generating assets value in use is determined using an approach based on a depreciated replacement cost approach.

An impairment loss is recognised 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.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cash flows.

If the asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. The total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss (other than goodwill where impairment cannot be reversed) is also recognised in the surplus or deficit.

Inventories

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first in first out basis.

Cash and cash equivalents

Cash and Cash Equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments original maturities of three months or less, and bank overdrafts.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using face value, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Employee entitlements

Short term employee entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values 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.

Long term employee entitlements

Employee benefits which 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, have been calculated on an actuarial basis. The calculation is based on:

- Like future entitlements accruing to staff, based on years of service, years of 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.

Expected future payments are discounted using market yields on government bonds at balance date with terms of maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Council belongs to the Defined Benefit Plan Contributors Scheme, which is managed by the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Landfill post-closure costs

The Council, as operator and 63.68% owner of the Omarunui landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. The Council's 63.68% share of a provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

Investment properties

Investment Properties are valued at fair value which is measured annually. Revaluation increments and decrements are recognised in the surplus or deficit. Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Council currently has no properties classified as investment properties. Properties owned to provide housing for pensioners are held as part of the Council's social housing policy and are accounted for as property, plant and equipment.

Borrowings

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

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, not 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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are: Retained earnings, restricted reserves and Asset Revaluation reserves.

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council. Restricted reserves are those subjected to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may only be made for certain specified purposes or when certain specified conditions are met.

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Property revaluation reserves relates to the revaluation of property, plant and equipment to fair value.

Budget figures

The budget figures are those approved by the Council in its 2015-25 Long Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Comparative figures

Comparative figures disclosed in the accounts may have minor changes to those presented in the 2014/15 Annual Report. This has only been done in cases where the changes result in more meaningful comparisons, or to comply with the new presentation requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014.

Critical accounting estimates and assumptions

In preparing these financial statements Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements 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:

Landfill aftercare provision

Note 24 discloses an analysis of the exposure of Council in relation to the estimates surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example storm water, wastewater and water supply pipes which are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers peer review the Council's infrastructural asset valuations.

Creditors and other payables

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

Critical judgements in applying Council's accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2016:

Classification of property

The Council owns a number of properties held to provide housing to pensioners. The receipt of market based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant and equipment.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates 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.

Other investments

The carrying amount of term deposits approximates their fair value.

2. Funding impact statement for the whole of council as at 30 June 2016

	Budget Council 2015 \$'000	Actual Council 2015 \$'000	Budget Council 2016 \$'000	Actual Council 2016 \$'000	Variance \$'000	
SOURCES OF OPERATING FUNDING						
General rates, uniform annual general charge, rates penalties	53,178	53,135	54,936	55,342	(104)	The funding impact statement includes internal interest, but excludes non-cash items such as vested infrastructural assets and depreciation. Key financial variances have been explained at an individual Funding Impact Statement level.
Targeted rates	12,801	13,494	13,684	13,912	228	
Subsidies and grants for operating purposes	4,863	4,980	5,272	5,757	485	
Fees and charges	23,135	21,140	19,767	21,229	1,972	
Interest and dividends from investments	5	759	76	571	495	
Local authorities fuel tax, fines, infringement fees and other receipts	781	757	769	767	(1)	
Total operating funding (A)	94,765	94,264	94,503	97,578	3,075	Reconciliation of statement of comprehensive revenue and expense to funding impact statement for the whole of Council for the year ended 30 June 2016
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers	62,161	61,107	65,285	64,857	428	Total revenue from statement of comprehensive revenue and expense 109,468
Finance costs	4,754	3,914	5,128	3,735	1,393	
Other operating funding applications	4,916	2,535	3,443	2,503	939	Less total funding from funding impact statement 97,578
Total applications of operating funding (B)	71,831	67,556	73,856	71,095	2,760	Variance 11,890
Surplus (deficit) of operating funding (A-B)	22,934	26,708	20,648	26,483	5,835	Variance is made up of:
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure	10,209	8,648	15,775	8,565	(7,210)	Capital subsidies 8,565
Development and financial contributions	5,361	2,705	3,576	1,853	(1,723)	Development and financial contributions 2,167
Increase (decrease) in debt	14,691	2,419	26,907	1,919	(24,988)	Vested infrastructural assets 1,097
Gross proceeds from sale of assets	193	720	356	1,096	740	Minor differences 62
Lump sum contributions	300	88	300	314	14	
Other dedicated capital funding	-	-	-	-	-	
Total sources of capital funding (C)	30,754	14,580	46,914	13,746	(33,168)	Total operating expenditure from statement of comprehensive income 103,789
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						
To meet additional demand	14,541	2,859	13,137	3,307	9,829	Less total applications of funding from funding impact statement 71,095
To improve the level of service	18,580	14,116	29,198	15,408	13,790	Variance 32,694
To replace existing assets	21,356	17,931	28,427	19,507	8,920	Variance is made up of:
Increase (decrease) in reserves	(819)	5,528	(3,200)	2,007	(5,207)	Depreciation and amortisation 30,217
Increase (decrease) of investments	30	854	-	-	-	Payments made to suppliers 2,819
Total applications of capital funding (D)	53,687	41,288	67,562	40,229	27,333	Finance costs (342)
Surplus (deficit) of capital funding (C-D)	(22,934)	(26,708)	(20,648)	(26,483)	5,835	
Total funding balance (A-B) + (C-D)	-	-	-	-	-	
Group depreciation and amortisation	-	-	29,137	30,217	1,080	

3. Rates income excluding metered water supply charges

Actual Council 2015 \$'000		Budget Council 2016 \$'000	Actual Council 2016 \$'000
37,993	General Rate	39,193	38,900
9,187	Community & Resource Rate	9,505	9,511
5,720	Uniform Annual General Charge	6,218	6,205
TARGETED RATES			
48	Havelock North Business Association	48	49
93	Swimming Pools	119	101
116	Havelock North Parking	106	117
218	Hastings City Marketing	221	220
290	Security Patrols	364	364
91	CBD Hastings	122	122
22	CBD Havelock North	29	29
-	- Rural Seal Extension	-	-
99	Whakatu Stormwater	99	99
16	Waimarama Seawall	16	16
4,798	Wastewater	5,261	5,003
24	Waipatiki Wastewater Operational	30	24
32	Waipatiki Wastewater Capital	30	32
1,842	Wastewater Levy (80%)	1,731	1,731
4,775	Water supply	4,762	4,997
674	Kerbside Recycling	670	690
337	Refuse Collection	236	299
-	- Waimarama Refuse Collection	41	-
20	Whirinaki Water Supply – Capital	31	21
-	- Waimarama Domain	-	-
235	Rates Penalties and remissions (Net)	(212)	216
66,628		68,620	68,744
578	Metered water supply changes	488	510
67,207		69,108	69,254

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates income. That Deed defines annual rates income as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates income of the Council for the year ended 30 June 2016 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

4. Finance revenue

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
393	393	Special Fund Investment	297	297
647	662	Other Investments	429	440
1,039	1,054		726	740
(393)	(444)	Less Interest on internal borrowings	(297)	(297)
647	610		429	440

5. Other revenue

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
511	511	Petrol tax	526	527
282	282	Property, plant and equipment gains on disposals	62	62
113	113	Dividends revenue	142	142
906	906		730	731

6. Operational costs

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
780	780	Councillors remuneration	809	809
16,220	16,245	Contractors	19,173	19,198
2,985	2,991	Consultants and legal fees	2,950	2,956
230	230	Operating lease expense	292	292
FEES TO AUDITORS				
95	107	Fees to Audit New Zealand for audit of financial statements	100	112
69	69	Fees to Audit New Zealand for other services	11	11
48	48	Total bad debts written off	112	112
(46)	(46)	Change in provision for doubtful debts	(21)	(21)
1,100	1,100	Loss on sale of property, plant and equipment	527	527
6,407	6,409	Maintenance and asset costs	6,233	6,235
3,172	3,172	Energy costs	2,929	2,929
26,925	26,925	Salary and wages	28,174	28,174
751	751	Defined contribution plan – employer contributions	787	787
172	172	Increase/(decrease) in employee entitlements/liabilities	(63)	(63)
1,446	1,479	Administration costs	1,360	1,394
1,299	1,214	Sponsorships and grants	1,288	1,204
1,917	2,012	Other costs	2,295	2,466
2,901	2,901	Unrealised loss on interest rate swaps	3,224	3,224
66,471	66,559		70,180	70,344

7. Depreciation and amortisation expense

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
652	667	Operational buildings	726	738
1,284	1,284	Restricted buildings	1,033	1,033
239	239	Library collection	259	259
959	959	Plant, equipment and motor vehicles	1,106	1,106
94	94	Furniture and fittings	88	88
812	812	Landfill	784	784
435	435	Computers and office equipment	308	308
4,474	4,489	Total property, plant and equipment	4,304	4,316
1,949	1,949	Water supply network	1,993	1,993
5,565	5,565	Wastewater disposal network	5,646	5,646
2,700	2,700	Stormwater disposal network	2,717	2,717
12,857	12,857	Roading foundations and bridges	14,281	14,281
1,141	1,141	Parks	1,071	1,071
24,212	24,212	Total Infrastructural assets	25,708	25,708
AMORTISATION				
191	191	Intangible assets – computer software	205	205
28,878	28,894		30,217	30,230

8. Taxation

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
17,205	17,441	Net operating surplus before taxation	5,679	5,684
-	(236)	Share of associate's retained surplus	-	(275)
17,205	17,204		5,679	5,436
4,817	4,817	Tax at 28%	1,590	1,522
PLUS (LESS) TAX EFFECT OF:				
(4,817)	(4,817)	Permanent differences	(1,590)	(1,522)
-	-	Imputation credits	-	-
-	-	Residual taxation payable	-	-
COMPRISING:				
-	-	Current tax	-	-
-	-	Future income tax benefit	-	-
FUTURE TAX BENEFIT:				
-	-	Opening balance	-	-
-	-	Movement	-	-
-	-	Closing balance	-	-

The following entities unused tax losses are available to carry forward and offset against future taxable income:

Unused Tax Losses	
Hastings District Holdings Limited	\$831,537 (2015: \$823,071)
Hastings District Properties Limited	\$110,548 (2015: \$88,787)
Hawke's Bay Opera House Limited	\$75,094 (2015: \$73,538)
Hastings District Council	\$238,496 (2015: \$238,496)

9. Receivables

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
1,167	1,167	Rates receivables	898	898
10,048	10,059	Other receivables	5,200	5,203
1,788	1,788	GST receivables	1,102	1,102
104	104	Other current assets	114	114
13,107	13,118		7,314	7,317
(317)	(317)	Less Impairment of receivables	(296)	(296)
12,790	12,801		7,018	7,021
There are no material exchange transactions				

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The Council does not provide for any impairment on rates receivable, with the exception of Maori land arrears, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the impact of discounting is material.

Related parties

- At the end of the financial year Hawke's Bay Opera House Limited, a related party, owed the Council \$nil (2015: \$nil).
- At the end of the financial year, Hawke's Bay Regional Sports Park Trust, a related party owed the Council \$6,076 (2015: \$6,734).

The ageing profile of receivables at year end is detailed below:

Council Gross \$'000	Impairment \$'000	The status of receivables are detailed below:	Gross \$'000	Impairment \$'000
DEBTORS				
11,561	-	Not past due	6,124	-
476	-	Past due 1-60 days	442	-
97	-	Past due 61-90 days	13	-
973	(317)	Past due > 90 days	735	(296)
13,107	(317)		7,314	(296)

Group Gross \$'000	Impairment \$'000	The status of receivables are detailed below:	Gross \$'000	Impairment \$'000
DEBTORS				
11,561	-	Not past due	6,124	-
476	-	Past due 1-60 days	442	-
97	-	Past due 61-90 days	13	-
973	(317)	Past due > 90 days	735	(296)
13,107	(317)		7,314	(296)

All receipts greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
45	45	Individual Impairment	30	30
272	272	Collective Impairment	266	266
317	317		296	296

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows:

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
-	-	Past due 1-60 days	-	-
-	-	Past due 61-90 days	-	-
45	45	Past due > 90 days	30	30
45	45		30	30

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

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
363	363	As at 1 July	317	317
-	-	Additional provisions made during the year	-	-
2	2	Provisions reversed during the year	-	-
(48)	(48)	Receivables written-off during the year	(21)	(21)
317	317		296	296

10. Inventories

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
72	72	Inventory held for distribution	101	101
72	72	Total inventory	101	101

No inventories are pledged as security for liabilities (2015: \$nil).

The carrying amount of inventory held for distribution that are measured at current replacement cost as at 30 June 2016 amounted to \$nil (2015: \$nil).

11(a). Investment in associates

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
1,063	6,495	Hawke's Bay Airport Limited	1,063	6,728
-	(4)	Horse of the Year (Hawke's Bay) Limited	-	(59)
744	718	Omarunui LFG Generation Limited Parg2tnership	744	661
1,807	7,209	Total investments in associates	1,807	7,330

Actual 2015 \$'000		Actual 2016 \$'000
	HAWKE'S BAY AIRPORT LIMITED	
	Name of entity: Hawke's Bay Airport Limited	
	Principal activities: Airport	
	Ownership: 24% (2015: 24%)	
	Owner: Hawke's Bay Airport Limited	
	Balance date: 30 June	
1,063	HDC Investment in Hawke's Bay Airport Limited	1,063
2,930	Retained Earnings at the beginning of year	5,432
3,993	Carrying amount at beginning of year	6,495
	Council's share of the results of Hawke's Bay Airport Limited	
230	Share of Surplus	337
-	Share of other recognised revenues and expenses	-
230	Share of total recognised revenues and expenses	337
	Carrying Amount of Investment in Hawke's Bay Airport Limited	
3,993	Carrying amount at beginning of year	6,495
230	Share of total recognised revenues and expenses	337
2,272	Revaluation reserves	(59)
-	Prior year adjustment	(45)
6,495	Carrying amount at end of year	6,728
	There are no contingent liabilities at 30 June 2015	
	Summarised Financial Information	
8,360	Assets	8,475
1,864	Liabilities	1,746
1,050	Revenues	1,265
316	Surplus/ (deficit)	337
24%	Group's interest	24%

The summary financial information for associates only shows the Group's interest

11(a). Investment in associates

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
		HORSE OF THE YEAR (HAWKE'S BAY) LIMITED		
		Name of entity: Horse of the Year (Hawke's Bay) Limited		
		Principal activities: Equestrian Show		
		Ownership: 33% (2015: 33%)		
		Owner: Horse of the Year (Hawke's Bay) Limited		
		Balance date: 31 May		
		Note: Retained earnings at the beginning of the year have been restated under the Public benefit entity international accounting standards reduced disclosure regime. Shareholder loans of \$90,000 do not meet the definition of a financial liability and were therefore taken to retained earnings on transition. (See Horse of the Year financial statement notes for 2016).		
		Movements in the carrying amount of investments in associate		
		HDC Investment in Horse of the Year (Hawke's Bay) Limited		-
	(4)	Retained earnings at the beginning of year		3
	(4)	Carrying amount at beginning of year		-
		Council's share of the results of Horse of the Year (Hawke's Bay) Limited		
	6	Share of Surplus		(62)
	-	Share of other recognised revenues and expenses		-
	6	Share of total recognised revenues and expenses		(62)
		Carrying Amount of Investment in Horse of the Year (Hawke's Bay) Limited		
	(4)	Carrying amount at beginning of year		3
	6	Share of total recognised revenues and expenses		(62)
	-	Revaluation reserves		-
	3	Carrying amount at end of year		(59)
		There are no contingent liabilities at 30 June 2015		
		Summarised Financial Information		
	60	Assets		76
	57	Liabilities		135
	765	Revenues		758
	6	Surplus/ (deficit)		(62)
	33%	Group's interest		33%

The summary financial information for associates only shows the Group's interest.

11(a). Investment in associates

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
		OMARUNUI LFG GENERATION LIMITED PARTNERSHIP		
		Name of entity: Omarunui LFG Generation Limited Partnership		
		Principal activities: Gas & Electricity		
		Ownership: 40% (2015: 0%)		
		Owner: Omarunui LFG Generation Limited Partnership		
		Balance date: 31 March*		
		*12 months of financials ending 31/03/2016 have been included		
744		HDC Investment in Omarunui LFG Generation Limited Partnership		744
		- Retained earnings at the beginning of year		(26)
		- Carrying amount at beginning of year		718
		Council's share of the results of Omarunui LFG Generation Limited Partnership		
(26)		Share of surplus		(57)
		- Share of other recognised revenues and expenses		-
(26)		Share of total recognised revenues and expenses		(57)
		Carrying amount of investment in Omarunui LFG Generation Limited Partnership		
744		Carrying amount at beginning of year		718
(26)		Share of total recognised revenues and expenses		(57)
		- Revaluation reserves		-
718		Carrying amount at end of year		661
733		Assets		691
15		Liabilities		31
31		Revenues		142
26		Surplus/ (deficit)		(57)
40%		Group's interest		40%

The summary financial information for associates only shows the Group's interest.

11(b). Other Financial Assets

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
CURRENT PORTION				
-	-	Term deposits	-	-
-	-	Total current portion	-	-
NON-CURRENT PORTION				
Investment in CCO's and similar entities				
-	1	HB Lass Limited		1
237	-	Subsidiary Hastings District Holdings Limited	237	-
237	1	Total Investment in CCO's and similar entities	237	1
Investment in other entities				
-	149	Term deposits	-	-
373	373	Unlisted shares in LGFA	373	373
800	800	Borrower notes in LGFA	800	800
157	157	New Zealand Local Government Insurance Association	157	157
1,568	1,717	Total investment in other entities	1,331	1,331
1,567	1,480	Total non-current portion	1,568	1,331
3,375	9,571	Total other financial assets	1,568	1,331

Fair value

Term Deposits

The carrying amount of term deposits approximates their fair value.

Unlisted Shares and Borrower notes

The fair value of the unlisted shares have been determined as follows:

- If an active market is present for unlisted shares, the fair value of such shares is determined by their market value.
- If an active market is absent for unlisted shares the fair value of such shares is determined by their redemption value.

Impairment

At balance date the subsidiary Hastings District Holdings was impaired as follows:

Actual 2015 \$'000	Impairment	Actual 2016 \$'000
452	Subsidiaries	452
(215)	Impairment loss	(215)
237	Subsidiary Hastings District Holdings Limited	237

12. Property, Plant & Equipment: 2016

	1 Jul 2015	1 Jul 2015	1 Jul 2015								30 Jun 2016	30 Jun 2016	30 Jun 2016
	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions	Disposals	Impairment charges	Amortisation charges	Depreciation	Depreciation writeback	Revaluation/ other movements	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount
\$'000													
COUNCIL OPERATIONAL ASSETS													
Operational Buildings	29,916	-	29,916	3,196	-	-	-	(726)	-	-	33,112	(726)	32,386
Operational Land	25,168	-	25,168	1,162	(23)	-	-	(2)	-	-	26,307	(2)	26,305
Heritage	537	-	537	-	-	-	-	-	-	-	537	-	537
Library Books	2,330	-	2,330	375	-	-	-	(259)	259	(382)	2,323	-	2,323
Computers & Office Equipment *	6,792	(5,788)	1,004	391	(30)	-	-	(308)	29	-	7,153	(6,066)	1,086
Furniture & Fittings	2,280	(1,816)	464	66	-	-	-	(88)	-	-	2,346	(1,904)	442
Plant, Equipment & Vehicles *	14,327	(8,370)	5,957	1,638	(854)	-	-	(1,106)	549	-	15,111	(8,928)	6,184
Landfill	19,278	(12,545)	6,734	645	-	-	-	(784)	-	-	19,923	(13,329)	6,595
Total operational assets	100,628	(28,518)	72,110	7,473	(907)	-	-	(3,273)	837	(382)	106,812	(30,955)	75,858
COUNCIL RESTRICTED ASSETS													
Restricted Buildings	38,368	-	38,368	1,092	(75)	-	-	(1,034)	-	-	39,384	(1,032)	38,351
Restricted Land	51,200	-	51,200	41	-	-	-	-	-	-	51,241	-	51,241
Total Restricted Assets	89,568	-	89,568	1,133	(75)	-	-	(1,034)	-	-	90,625	(1,032)	89,592
Total Operational & Restricted Assets	190,196	(28,518)	161,678	8,606	(982)	-	-	(4,307)	838	(382)	197,437	(31,987)	165,450
Plant & Equipment	77	(27)	50	1	-	-	-	(9)	-	-	78	(37)	41
Restricted Buildings	136	(19)	117	-	-	-	-	(4)	15	(15)	121	(8)	114
Restricted Land	130	-	130	-	-	-	-	-	-	-	130	-	130
Office Equipment	2	(2)	-	-	-	-	-	-	-	-	2	(2)	-
Total Subsidiary Assets	345	(48)	297	1	-	-	-	(13)	853	(397)	331	(46)	285
Total Group	190,541	(28,567)	161,975	8,607	(982)	-	-	(4,320)	853	(397)	197,768	(32,033)	165,735
INTANGIBLE ASSETS													
Computer Software	4,786	(4,437)	349	137	-	-	-	(205)	-	-	4,924	(4,642)	281
Total Intangible Assets	4,786	(4,437)	349	137	-	-	-	(205)	-	-	4,924	(4,642)	281
COUNCIL INFRASTRUCTURAL ASSETS													
Bridges	65,356	-	65,356	-	-	-	-	(1,145)	-	-	65,356	(1,145)	64,211
Roading – Land	129,017	-	129,017	-	(5)	-	-	-	-	-	129,012	-	129,012
Roading – Other	1,011,755	-	1,011,755	16,637	-	-	-	(13,136)	-	-	1,028,392	(13,136)	1,015,256
Stormwater Disposal Network	161,175	(2,700)	158,475	1,261	(40)	-	-	(2,717)	5,417	(2,906)	159,490	-	159,490
Wastewater Disposal Network	199,893	(5,557)	194,336	8,278	(135)	-	-	(5,646)	11,173	13,667	221,702	-	221,702
Water Supply Network	90,884	(1,949)	88,935	2,851	(218)	-	-	(1,993)	3,942	(2,421)	91,096	-	91,096
Parks	11,802	-	11,802	1,783	-	-	-	(1,071)	-	-	13,585	(1,071)	12,514
Total Infrastructural Assets	1,669,882	(10,206)	1,659,676	30,810	(398)	-	-	(25,708)	20,532	8,340	1,708,633	(15,352)	1,693,282

Historical movements in fair value and impairment for Land and Buildings

Class	2012 Revaluation loss to reserves	2012 Revaluation loss to statement of comprehensive revenue and expense	2014 Impairment of Opera House to Statement of Comprehensive revenue and expense	Reversal of revaluation and impairment losses	Revaluation and impairment losses yet to be reversed
	\$'000	\$'000	\$'000	\$'000	\$'000
Land and Buildings	77	3,650	5,968	9,094	524

Impairment

Land and buildings – Impairment losses of \$5,968,000 were recognised in the statement of comprehensive revenue and expense in the 2014 financial year, as an expense. These losses were due to the recognition of the impairment in value of the Hawke’s Bay Opera House and the Municipal Building, Hastings Street South due to their seismic limitations. Due to an upward movement in the revaluation reserve of Land and Buildings in the 2015 year, this impairment has been reversed and offset against the revaluation reserve.



Property, Plant & Equipment consists of:

- **Operational assets** – these include land, buildings, landfill, library books, plant, equipment and motor vehicles;
- **Restricted assets** – restricted assets are parks and reserves, sportsgrounds, theatre and historical buildings owned by Council which provide a benefit or service to the community and cannot be disposed because of legal or other restrictions;
- **Infrastructure assets** – infrastructure assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example sewer reticulation includes reticulation piping and sewer pump stations.

Capitalised finance leases

The net carrying amount of plant and equipment held under finance leases is \$nil (2015: \$nil).

Work in progress

The total amount per class is as listed below:

Class	Actual Council 2016
Buildings	1,162
Computers & Office Equipment	206
Furniture & Fittings	-
Plant, Equipment & Vehicles	-
Properties sold but not settled	-
Parks	-
Roading	-
Stormwater	1,310
Wastewater	11,128
Water Supply	751
Total	14,557

2016 Core assets	Assets constructed	Assets transferred	Closing value	Replacement cost
WATER SUPPLY				
Treatment Plants and Facilities	612	-	4,728	7,002
Other Assets	1,868	370	86,368	144,322
Total	2,480	370	91,096	151,324
SEWERAGE				
Treatment Plants and Facilities	801		52,809	77,437
Other Assets	6,890	586	168,893	304,767
Total	7,691	586	221,702	382,204
Stormwater drainage	1,121	140	159,490	253,051
Flood protection & Control works	-	-	-	-
ROADING				
Roads & Footpaths	16,632	-	1,208,480	1,348,338

12. Property, Plant & Equipment: 2015

	1 Jul 2014	1 Jul 2014	1 Jul 2014								30 Jun 2015	30 Jun 2015	30 Jun 2015
	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions	Disposals	Impairment charges	Amortisation charges	Depreciation	Depreciation writeback	Revaluation/ other movements	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount
\$'000													
COUNCIL OPERATIONAL ASSETS													
Operational Buildings	27,294	(1,247)	26,047	1,419	(91)	-	-	(652)	1,899	1,294	29,916	-	29,916
Operational Land	24,023	-	24,023	58	(275)	-	-	-	-	1,362	25,168	-	25,168
Heritage	537	-	537	-	-	-	-	-	-	-	537	-	537
Library Books	2,156	-	2,156	395	-	-	-	(239)	239	(221)	2,330	-	2,330
Computers & Office Equipment *	6,419	(5,370)	1,049	374	(2)	-	-	(420)	2	-	6,792	(5,788)	1,004
Furniture & Fittings	2,239	(1,722)	517	41	-	-	-	(94)	-	-	2,280	(1,816)	464
Plant, Equipment & Vehicles *	13,010	(7,939)	5,071	2,020	(702)	-	-	(983)	551	(1)	14,327	(8,370)	5,957
Landfill	18,818	(11,756)	7,063	483	(23)	-	-	(812)	23	-	19,278	(12,545)	6,734
Total operational assets	94,497	(28,033)	66,464	4,790	(1,092)	-	-	(3,199)	2,714	2,434	100,628	(28,518)	72,110
COUNCIL RESTRICTED ASSETS													
Restricted Buildings	41,028	(2,208)	38,820	2,390	(148)	-	-	(1,266)	3,473	(4,901)	38,368	-	38,368
Restricted Land	45,160	-	45,160	71	(20)	-	-	-	-	5,989	51,200	-	51,200
Total Restricted Assets	86,187	(2,208)	83,980	2,461	(168)	-	-	(1,266)	3,473	1,088	89,568	-	89,568
Total Operational & Restricted Assets	180,684	(30,241)	150,443	7,250	(1,260)	-	-	(4,464)	6,187	3,522	190,196	(28,518)	161,678
Plant & Equipment	87	(22)	64	-	(10)	-	-	(5)	-	-	77	(27)	50
Restricted Buildings	137	(15)	121	-	-	-	-	(4)	-	-	136	(19)	117
Restricted Land	130	-	130	-	-	-	-	-	-	-	130	-	130
Office Equipment	2	(1)	1	-	-	-	-	(1)	-	-	2	(2)	-
Total Subsidiary Assets	355	(39)	316	-	(10)	-	-	(9)	-	-	345	(48)	297
Total Group	181,040	(30,281)	150,759	7,250	(1,270)	-	-	(4,473)	6,187	3,522	190,541	(28,567)	161,975
INTANGIBLE ASSETS													
Computer Software	4,584	(4,233)	351	202	-	-	(203)	-	-	-	4,785	(4,436)	349
Total Intangible Assets	4,584	(4,233)	351	202	-	-	(203)	-	-	-	4,785	(4,436)	349

12. Property, Plant & Equipment: 2015

\$'000	1 Jul 2014	1 Jul 2014	1 Jul 2014									30 Jun 2015	30 Jun 2015	30 Jun 2015
	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions	Disposals	Impairment charges	Amortisation charges	Depreciation	Depreciation writeback	Revaluation/ other movements	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	
COUNCIL INFRASTRUCTURAL ASSETS														
Bridges	68,103	(1,238)	66,865	-	-	-	-	(1,181)	2,419	(2,747)	65,356	-	65,356	
Roading – land	128,966	-	128,966	52	-	-	-	-	-	-	129,017	-	129,017	
Roading – other	895,298	(11,878)	883,420	18,010	-	-	-	(11,676)	23,554	98,448	1,011,755	-	1,011,755	
Stormwater disposal network	161,489	(69)	161,420	1,296	(111)	69	-	(2,700)	-	(1,500)	161,175	(2,700)	158,475	
Wastewater disposal network	192,907	-	192,907	7,514	(427)	-	-	(5,589)	32	(100)	199,893	(5,557)	194,336	
Water supply network	89,442	-	89,442	1,731	(289)	-	-	(1,949)	-	-	90,884	(1,949)	88,935	
Parks	12,567	(943)	11,624	2,462	-	-	-	(1,141)	2,084	(3,227)	11,802	-	11,802	
Total infrastructural assets	1,548,772	(14,129)	1,534,643	31,063	(827)	69	-	(24,236)	28,090	90,874	1,669,882	(10,206)	1,659,676	

Historical movements in fair value and impairment for Land and Buildings

Class	2012 Revaluation loss to reserves	2012 Revaluation loss to statement of comprehensive revenue and expense	2014 Impairment of Opera House to Statement of Comprehensive revenue and expense	Reversal of revaluation and impairment losses	Revaluation and impairment losses yet to be reversed
	\$'000	\$'000	\$'000	\$'000	\$'000
	Land and Buildings	77	3,650	5,968	9,094

Impairment

Land and buildings – Impairment losses of \$5,968,000 were recognised in the statement of comprehensive revenue and expense in the 2014 financial year, as an expense. These losses were due to the recognition of the impairment in value of the Hawke's Bay Opera House and the Municipal Building, Hastings Street South due to their seismic limitations. Due to an upward movement in the revaluation reserve of Land and Buildings in the 2015 year, this impairment has been reversed and offset against the revaluation reserve.

Work in progress

The total amount per class is as listed below:

Class	Actual Council 2015
Buildings	1,140
Computers & Office Equipment	72
Furniture & Fittings	6
Plant, Equipment & Vehicles	-
Properties sold but not settled	-
Parks	2
Roading	-
Stormwater	1,420
Wastewater	5,072
Water Supply	652
Total	8,364

2015 core assets	Assets constructed	Assets transferred	Closing value	Replacement cost
WATER SUPPLY				
Treatment Plants and Facilities	262	-	4,148	8,528
Other Assets	1,131	338	84,787	137,469
Total	1,393	338	88,935	145,997
SEWERAGE				
Treatment Plants and Facilities	781	1,500	47,401	69,693
Other Assets	4,785	448	146,935	286,836
Total	5,566	1,948	194,336	356,529
Stormwater drainage	1,129	166	158,475	262,941
Flood protection & Control works	-	-	-	-
ROADING				
Roads & Footpaths	18,061	-	1,206,129	1,348,338

13. Payables and deferred revenue

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
CURRENT				
10,809	10,841	Trade payables and accrued expenses	11,501	11,597
404	404	Interest on public debt	325	325
390	390	Revenue received in advance	293	293
427	427	ETS Levy Provision (Note 24)	401	401
3,894	3,894	Other current liabilities	2,885	2,885
15,924	15,956		15,405	15,501
NON-CURRENT				
607	607	Provision for Landfill Aftercare (Note 24)	579	579
180	180	Other non-current liabilities	157	157
788	788		737	737
Payables and deferred revenue comprise of:				
390	390	Payables from non-exchange transactions – rates and dog registrations	291	291
16,322	16,354	Payables from exchange transactions – commercial payables	15,851	15,944

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

Related parties

- At the end of the financial year Hawke's Bay Opera House Limited, a related party, was owed \$nil (2015: \$nil) by the Council.
- At the end of the financial year Hastings District Properties Limited, a related party, was owed \$nil (2015: \$nil) by the Council.

14. Employee entitlements

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
3,249	3,249	Opening balance	3,634	3,634
385	385	Entitlements paid or relinquished	(834)	(834)
3,634	3,634		2,801	2,801
2,992	2,992	Current	2,241	2,241
643	643	Non-current	560	560
3,634	3,634		2,801	2,801
CURRENT				
552	552	Accrued pay	-	-
2,367	2,367	Annual leave and other benefits	2,162	2,162
73	73	Retirement and long service leave	79	79
2,992	2,992		2,241	2,241
NON-CURRENT				
643	643	Retirement and long service leave	560	560
643	643		560	560

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns and after obtaining advice from an independent actuary. A weighted average discount rate of 6.0% (2015 6.0%) and an inflation factor of 2.0% (2015: 2.0%) were used.

15. Borrowings and other financial liabilities

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
55,741	55,741	Opening total of external public debt	60,741	60,741
5,000	5,000	Debt raised during year	-	-
-	-	Amounts repaid	(10,000)	(10,000)
60,741	60,741	Total gross public debt	50,741	50,741
60,741	60,741		50,741	50,741
Comprises				
CURRENT				
10,000	10,000	Secured loans	-	-
NON-CURRENT				
50,741	50,741	Secured loans	50,741	50,741
50,741	50,741		50,741	50,741
60,741	60,741	Total borrowings and other financial liabilities	50,741	50,741

Secured loans

The Council's secured debt of \$50.7 million (2015: \$60.7 million) is mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk. The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$0.5 million (2015: \$0.5 million). There are no restrictions on the use of the facility. The Councils' loans are secured over either separate or general rates of the Council.

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
REPAYMENT TERMS – TERM DEBT				
10,000	10,000	Payable in less than 1 year	-	-
-	-	Payable between 1 and 2 years	-	-
20,000	20,000	Payable between 2 and 5 years	20,000	20,000
30,741	30,741	Later than 5 years	30,741	30,741
60,741	60,741		50,741	50,741
5.67%	5.67%	Weighted Average Interest Rate	5.25%	5.25%
4.24	4.24	Weighted Average Term (Years)	5.74	5.74

Summary of total public debt

The statement of financial position and note 15 (above) records the total amount of Council's external debt as at 30 June 2016.

In addition to the external debt the Council also utilises funds which are held for other purposes (Council created and restricted reserves) to reduce the amount of external funding required.

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
60,741	60,741	External secured loans	50,741	50,741
30,281	30,281	Plus amount funded by internal loans	32,884	32,884
91,022	91,022	Gross borrowings for activities	83,625	83,625

Internal borrowings

Information about internal borrowings is provided below. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

2015 closing balance	Activity Group	2016 opening balance	CR transfer to	Interest	DR transfer from	Carry forward	2016 closing balance
(12,542)	Safe Healthy and Liveable Communities	(12,542)	(3,069)	(57)	2,263	1,332	(12,073)
(14,785)	Governance and Support Services	(14,785)	(436)	(80)	533	1,361	(13,406)
1,088	Economic and Community Development	1,088	(38)	(4)	203	1,210	2,459
(5,263)	Roads and Footpaths	(5,263)	(14,803)	(35)	15,202	278	(4,622)
(41)	Stormwater Disposal	(41)	(2,718)	-	2,717	-	(42)
6,098	Wastewater Disposal	6,098	(4,831)	(38)	4,874	-	6,103
(516)	Water Supply	(516)	(2,466)	-	1,616	-	(1,367)
(4,320)	Working Capital	(4,320)	-	-	-	(5,616)	(9,937)
(30,281)	Total	(30,281)	(28,361)	(214)	27,408	(1,436)	(32,884)

The fair values are based on cash flows discounted using a rate based on the average rates 5.25% (2015: 5.67%).

The cash flow is working capital cash

The carry forward column in the above table is the rating carry forward from rates collected in 2015/16 and carried forward to 2016/17.

16. Derivative financial instruments

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
NON-CURRENT ASSET PORTION				
-	-	Interest rate swaps – held for trading	-	-
CURRENT LIABILITY PORTION				
(71)	(71)	Interest rate swaps – held for trading	(71)	(71)
NON-CURRENT LIABILITY PORTION				
(4,826)	(4,826)	Interest rate swaps – held for trading	(8,050)	(8,050)
(4,896)	(4,896)		(8,121)	(8,121)

Fair value

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$59.5 million (2015: \$59.5 million) and for the group were \$59.5 million (2015: \$59.5 million). At 30 June 2016, the fixed interest rates for the interest rate swaps varied from 3.9% to 5.9% (2015: 3.9% to 5.9%).

17. Retained earnings

This component of equity comprises the accumulated retained earnings and Council Created Reserves.

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
1,160,632	1,164,061	Balance at 1 July	1,172,852	1,176,515
17,205	17,441	Net surplus (deficit) for the year	5,679	5,711
1,177,837	1,181,502		1,178,531	1,182,226
ADD/(LESS) NET APPROPRIATIONS OF NET SURPLUS				
(4,717)	(4,719)	(To) from council created reserves	(2,476)	(2,476)
(268)	(268)	(To) from restricted reserves	97	97
1,172,852	1,176,515	Balance at 30 June	1,176,152	1,179,847
1,172,852	1,176,515	Accumulated surplus	1,176,152	1,179,851
28,210	28,210	Council created reserves	30,687	30,687
1,201,063	1,204,726	Total accumulated funds	1,206,838	1,210,534

a) Council created reserves

The Council has created a number of reserves, commonly referred to as special funds, to set aside funds for various purposes (e.g. asset replacements, emergency funds etc.).

The Council sets aside and invests funds for these reserves with any interest earned on the investments being credited to the reserves.

The major categories of Council created reserves are:

Plant, Equipment & Vehicle replacement

Funds are set aside to provide for the ongoing replacement of operational assets such as essential plant, vehicles and equipment.

Property Maintenance & Improvements

Funds are set aside to maintain and enhance existing Council assets and also to provide funds for new projects such as motorway linkages.

General purpose reserves

Each of the Council's rating groups has a general purpose reserve. Any year-end balance for the rating group is placed into the general purpose reserves to enable the use of those funds to be debated at the next budget round.

It has been the practice of Council to use the general purpose reserves to either reduce debt or to reduce the rating requirement in subsequent years.

Emergency funds

Council has set aside funds to assist in the event of an emergency. Purposes for which funds are currently set aside are flood damage and rural fire.

Effluent disposal

Council operates an effluent disposal scheme together with major users. Each year funds are placed into a reserve for the maintenance of the scheme with funds withdrawn to fund major works.

Sundry reserves

This represents a number of other reserves set aside for various purposes.

Separate rates reserves

This represents the balance of funds collected from various targeted rates which have not yet been spent.

Other

This represents reserves to be used for the Leachate Treatment Disposal System project.

The balances of Council created reserves are:

Balance 2015 \$'000	Activity Group		Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2016 \$'000
5,701	All activities	Plant, equipment and vehicle replacement fund	1,417	116	(1,734)	5,500
10,405	All activities	Property maintenance and improvements	985	52	(1,169)	10,274
5,308	All activities	General purpose reserves	895	-	(1,029)	5,174
-	Water and roads	Wastewater treatment (HDC funds)	-	-	-	-
4,087	Safe healthy and liveable communities	Emergency funds	574	74	-	4,734
1,146	All activities	Sundry reserves	24,450	-	(23,200)	2,397
2,886	All activities	Separate reserves	1,278	-	(372)	3,792
201	Economic and community development	Other	76	7	-	284
29,735			29,674	249	(27,504)	32,154
(1,525)		Less: NCC share of landfill reserves	(136)	(37)	231	(1,467)
28,210			29,538	212	(27,273)	30,687

18. Restricted Reserves (Council only)

These are reserves, the use of which is restricted by some external force, e.g. trust deeds or legislation.

Trusts and bequests are funds which have been bequeathed to Council for specific purposes. Funds are separately invested with the interest earned on these investments added to the balance of the various special funds.

Reserve purchase and development funds are funds which have been levied on subdivisions under Section 274 of the Local Government Act 1974.

Loan redemption reserves reflect the balance of funds held in sinking fund investments, which are funds set aside for the repayment of debt.

Balance 2015 \$'000	Activity Group		Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2016 \$'000
1,013	Economic and community development	Trusts and bequests	-	26	(33)	1,006
1,820	Economic and community development	Development reserves	356	45	(505)	1,716
514	Economic and community development	Reserve purchase and development funds	-	14	-	528
3,347			356	85	(538)	3,250

19. Revaluation Reserves Asset Revaluation Reserves consist of:

Balance 2015 \$'000		Revaluation movement \$'000	Transfer to retained earnings on disposal of property \$'000	Balance 2016 \$'000
COUNCIL				
Operational Assets				
-	Land and buildings	-		-
406	Library books	(123)		284
Infrastructural Assets				
26,068	Bridges	-		26,068
346,748	Roading	-		346,748
75,209	Stormwater disposal	2,514		77,723
71,013	Wastewater disposal	24,870		95,883
42,901	Water supply	1,518		44,418
1,279	Park assets	-		1,279
563,217		28,902	-	592,118
(4)	Fair value through comprehensive revenue	-		(4)
563,619		28,779	-	592,398
GROUP				
2,293	Hawke's Bay Airport	-	-	2,213
565,912		28,779	-	594,611

20. Reconciliation of net surplus/(deficit) after tax to net cash flows from operating activities

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
17,205	17,441	Net surplus/(deficit) on operations	5,679	5,711
ADD/(LESS): NON-CASH ITEMS				
28,878	28,894	Depreciation and amortisation expense	30,217	30,230
-	(212)	Share of associates retained surplus	-	(91)
(950)	(950)	Vested infrastructure	(1,097)	(1,097)
-	-	Loss on vesting of assets	-	-
(9,094)	(9,094)	Devaluation of Property, Plant & Equipment	-	-
2,901	2,901	Unrealised gains/losses on derivative financial instruments	3,225	3,225
21,735	21,538	Total non-cash items	32,345	32,267
ADD/(LESS): NET MOVEMENTS IN WORKING CAPITAL				
(6,461)	(6,437)	(Increase) decrease in debtors and other receivables	5,772	5,801
76	(116)	Increase (decrease) in creditors and other payables	(1,022)	(1,066)
8	8	(Increase) decrease in inventories	(29)	(29)
51	51	Increase (decrease) in provisions and employee entitlements (non-current)	(133)	(133)
(6,325)	(6,493)	Total net movements in working capital	4,587	4,572
ADD/(LESS): ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES				
817	817	Loss/(profit) on sale of Property, Plant & Equipment and investments	465	465
817	817	Total non-operating activities	465	465
33,431	33,301	Total net cash inflow (outflow) from operating activities	43,078	43,016

21. Other information (Council only)

The Council incurred the following expenditure for the year ended 30 June 2016:

Chief Executive Remuneration

The Chief Executive of Hastings District Council is appointed under section 42 of the Local Government Act 2002.

Total Chief Executive remuneration for the year ending 30 June 2016 is \$328,713 (2015: \$273,196, which was for a Chief Executive and Acting Chief Executive) made up of the following:

Actual Council 2015 \$		Actual Council 2016 \$
6,901	Fringe Benefit Tax	4,894
14,787	Motor Vehicle Allowance	11,060
7,323	Superannuation and Other	8,769
244,185	Salary	303,990

Remuneration of Elected Representatives

Actual Council 2015 \$		Remuneration \$	Allowance \$	Actual Council 2016 \$
MAYOR AND COUNCILLORS				
121,887	Yule L (Mayor)	126,054	233	126,287
54,904	Bowers C M (Deputy Mayor)	55,828	1,534	57,362
52,021	Lester M G	48,215	1,883	50,098
48,218	Watkins K V	48,215	1,434	49,649
38,830	Heaps R J	40,602	1,327	41,929
41,831	O'Keefe H N	44,406	734	45,140
38,972	Bradshaw W L	40,602	734	41,336
54,966	Kerr T	48,215	4,354	52,569
38,309	Poulain J	40,602	734	41,336
41,831	Roil J	44,406	734	45,140
45,356	Hazlehurst S	48,215	1,117	49,332
38,310	Nixon S	40,602	734	41,336
45,128	G Lyons	40,602	2,180	42,782
38,310	A Pierce	40,602	734	41,336
38,310	M Dixon	40,602	734	41,336
7,887	Maxwell S (Rural Community Board)	7,256	1,267	8,523
18,774	Kay P (Rural Community Board)	14,113	2,684	16,797
7,622	N Dawson	7,059	966	8,025
8,264	B Barber	7,059	872	7,931
779,729	Total elected representatives remuneration	783,255	24,989	808,244

Total annual remuneration by band for employees as at 30 June

Actual Council 2015		Actual Council 2016
266	< \$60,000	264
76	\$60,000-\$79,999	75
53	\$80,000-\$99,999	53
25	\$100,000-\$119,999	29
12	\$120,000-\$139,999	10
7	\$140,000-\$159,999	6
7	\$160,000-\$315,049	8
446	Total employees	445

Note: that 2015 data has been re-stated, the 2015 Annual Report data was based on actual earnings during the financial year rather than total remuneration level (plus additional earnings) as at 30 June 2015.

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 325 (2015: 330) full time employees, with the balance of staff equivalent representing 72 (2015: 67) full time employees. A full time employee is determined on the basis of a 40-hour working week.

Severance payments

Severance payments include any consideration (monetary or non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with Council.

For the year ended 30 June 2016 Hastings District Council made four severance payments to employees totalling \$7,000, \$4,000, \$35,015 and \$44,738 (2015: \$5,000).

22. Capital commitments and operating leases**Capital commitments**

Capital commitments are capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
1,083	1,083	Building	3,338	3,338
4,634	4,634	Water System	920	920
1,941	1,941	Roading Network	2,344	2,344
-	-	Investment	-	-
7,658	7,658	Commitments approved and contracted	6,602	6,602

Operating leases as lessee

The Council and group leases property, plant and equipment in the normal course of its business. The majority of these have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
33	33	Not later than one year	30	30
39	39	Later than one year and not later than five years	51	51
-	-	Later than five years	-	-
72	72	Total non-cancellable operating leases	81	81

Operating leases as lessor

The Council leases property in the normal course of its business. The majority of these have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
336	336	Not later than one year	332	332
535	535	Later than one year and not later than five years	490	490
-	-	Later than five years	-	-
871	871	Total non-cancellable operating leases	822	822

No contingent rents have been recognised during the period.

23. Omarunui joint landfill (63.68% owned by Hastings District Council)

The Council's interest in Omarunui Refuse Landfill joint committee is accounted for as a jointly controlled asset. The figures in the note are disclosed at full face value rather than at Hastings District Council's ownership interest of 63.68%. There are no capital commitments and contingent liabilities arising from involvement in the joint venture.

Actual Council 2015 \$'000		Actual Council 2016 \$'000
2,803	Current assets	2,789
6,842	Non-current assets	6,966
879	Non-current liabilities	835
4,133	Revenue	4,266
2,746	Expenses	2,721

24. Provisions

Landfill aftercare provision

The Omarunui Refuse Landfill is owned jointly by the Council (63.68%) and Napier City Council (36.32%). The Omarunui Refuse landfill (Landfill), is operated by the Council on behalf of a joint committee (comprising elected representatives from the two councils). The joint Landfill Committee gained a resource consent in 1985 to operate the Omarunui Landfill. The Councils have responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation
- Incremental drainage control features
- Completing facilities for leachate collection and monitoring
- Completing facilities for monitoring and recovery of gas.

Post-closure responsibilities:

- Treatment and monitoring of leachate
- Ground water and surface monitoring
- Gas monitoring and recovery
- Implementation of remedial measures such as needed for cover, and control systems
- Ongoing site maintenance for drainage systems, final cover and vegetation.

The management of the landfill will influence the timing of recognition of some liabilities – for example, the current landfill will operate in four stages. A liability relating to stages three and four will only be created when the stage is commissioned and when refuse begins to accumulate in these stages.

Capacity of the site

The Landfill is divided into four valleys as below:

	Total capacity	Useful life of Valley	Remaining useful life
Valley A: opened in December 1988 and reached capacity in 2006	2,600,000m ³	17 years	-
Valley D: opened in December 2006 and in operation	1,750,000m ³	17 years	8.05 years
Valley B & C: not in operation yet	<i>Estimated</i>		

Estimates of the life have been made by the Council's engineers based on historical volume information. These estimates may change from year to year depending on the volume of tonnages entering the landfill.

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7.5%. The following major assumptions have been made in the calculation of the provision:

- Aftercare will be required for 30 years after the closure of each stage
- The annual cost of aftercare for Valley A and D is \$76,800
- The provision reported is for Hastings District Council's share only (63.68%).

Actual Council 2015 \$'000		Actual Council 2016 \$'000
LANDFILL AFTERCARE LIABILITY		
554	Opening balance	607
53	Amounts charged to provision during the year	(28)
607	Closing balance	579

The estimated aftercare costs for 2016 were \$76,800 (2015: \$76,800). These estimates are based on information received from Tonkin & Taylor and result in an adjustment in the aftercare liability estimate of \$44,281.

ETS levy provision

Actual Council 2015 \$'000		Actual Council 2016 \$'000
ETS LEVY PROVISION		
277	Opening balance	427
291	Additional provisions made	303
(141)	Amounts used	(329)
427	Closing balance	401

25. Financial instruments

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
FINANCIAL INSTRUMENT CATEGORIES				
Loans and receivables				
16,041	16,356	Cash and cash equivalents	10,754	10,952
12,790	12,821	Receivables	7,018	7,021
800	800	NZ LGFA Borrower notes	800	800
Fair value through surplus or deficit – held for trading				
-	-	Derivative financial instrument	-	-
Fair value through Other comprehensive income				
157	157	NZ Local Govt Insurance Corporation Limited	157	157
373	373	NZ LGFA Unlisted shares	373	373
30,162	30,508	Total loans and receivables	19,102	19,303
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
15,923	15,944	Payables	15,405	15,501
60,741	60,741	Secured loans	50,741	50,741
Fair value through surplus or deficit – held for trading				
4,896	4,896	Derivative financial instrument	8,121	8,121
81,560	81,581	Total financial liabilities at amortised cost	74,267	74,363

The Council (including Group) is risk averse and seeks to minimise exposure arising from its Treasury activities. The Council has established a Treasury Policy specifying what transactions can be entered into.

Fair value hierarchy

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

- **Level 1 – Quoted market price** – Financial instruments with quoted prices for identical instruments in active markets.
- **Level 2 – Valuation technique using observable inputs** – 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.
- **Level 3 – Valuation techniques with significant non-observable inputs** – Financial instruments valued using models where one or more significant inputs are not observable.

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

Total 2015 \$'000	Total	Quoted market price	Valuation technique observable inputs	Significant non-observable inputs
COUNCIL				
Financial assets				
- Derivative financial instrument	-	-	-	-
157 NZ Local Govt Insurance Corporation Limited	157	-	-	157
373 NZLGFA Unlisted shares	373	-	-	373
Financial liabilities				
4,896 Derivative financial instrument	8,121	-	8,121	-
GROUP				
Financial assets				
- Derivative financial instrument	-	-	-	-
157 NZ Local Govt Insurance Corporation Limited	157	-	-	157
373 NZLGFA Unlisted shares	373	-	-	373
Financial liabilities				
4,896 Derivative financial instrument	8,121	-	8,121	-

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

Level 3 – Valuation techniques with significant non-observable inputs.

The table below provides reconciliation from the opening balance to the closing balance for the level 3 fair value movements.

2015 \$'000	2016 \$'000
NZ LGFA UNLISTED SHARES	
373 Balance at 1 July	373
- Purchases	-
- Sales	-
- Transfers into level 3	-
- Transfers out of level 3	-
373 Balance at 30 June	373

2015 \$'000	2016 \$'000
NZ LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED SHARES	
157 Balance at 1 July	157
- Purchases	-
- Sales	-
- Transfers into level 3	-
- Transfers out of level 3	-
157 Balance at 30 June	157

Financial instrument risks

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Council and Group have a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. The Council has established Council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Council had no exposure to currency risk as at 30 June 2016.

Interest rate risk

Council is exposed to interest rate risk and seeks to minimise this exposure through adopted treasury policies. This includes entering into interest rate options or interest rate swap agreements. As at 30 June 2016 the Council had entered into interest rate swap agreements to a value of \$59.5 million at interest rates between 3.9% and 5.9% (2015: \$59.5 million at interest rates between 3.9% and 5.9%).

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 in market interest rates. Borrowing and investments issued at variable interest rates expose the Council and group to cash flow interest rate risk.

Generally, the Council and group raises long-term borrowing at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available is the Council or group borrowed at fixed rates directly. Under the interest rate swaps, the Council and group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, the Council invests surplus cash into term deposits which gives rise to credit risk. As at 30 June 2016 Council had \$7 million on term deposit. The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in note 28.

The Council's treasury policy limits the amount of credit exposure to any one financial institution or organisation. Treasury related transactions would only be entered into with organisations specifically approved by the Council. Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's or Moody's) being A- and above.

Maximum exposure to credit risk

The Council's maximum credit exposure for each class of financial instrument is as follows:

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
16,041	16,356	Cash at bank and term deposits	10,754	10,952
12,790	12,821	Receivables	7,018	7,021
157	157	NZ Local Govt Insurance Corporation Limited	157	157
800	800	NZ LGFA Borrower notes	800	800
373	373	NZ LGFA Unlisted shares	373	373
-	-	Derivative financial instruments assets	-	-
30,162	30,508	Total Credit Risk	19,102	19,303

Credit quality of financial assets

The Council's maximum credit exposure for each class of financial instrument is as follows:

Actual Council 2015 \$'000	Actual Group 2015 \$'000		Actual Council 2016 \$'000	Actual Group 2016 \$'000
CASH AT BANK AND TERM DEPOSITS				
16,041	16,356	Credit Rating B+	10,754	10,952
NZ LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED				
157	157	Credit Rating B+	157	157
Derivative financial instruments assets				
-	-	Credit Rating AA	-	-
NZ LGFA BORROWER NOTES				
800	800	Credit Rating AA+	800	800
NZ LGFA UNLISTED SHARES				
373	373	Credit rating AA+	373	373

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

Receivables mainly arise from the Council's statutory functions, therefore, there are no procedures in place to monitor or report the credit quality of receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. The Council's treasury policy requires that sufficient facilities must be in place to ensure the Council can borrow enough to meet its projected funding requirements plus a further 10% to cover any unexpected events. The Council is exposed to liquidity risk and seeks to minimise this exposure by being able to realise various short term investments and by being able to draw on committed and uncommitted bank facilities totalling \$603 million (2015: \$80 million). Included in the committed facilities is a bank overdraft limit of \$0.5 million at an interest rate of 5.7%. The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 28.

The table below analyses the Council and group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

Carrying amount \$'000	Contractual amount \$'000	Contractual maturity analysis	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
2016						
Contractual maturity analysis of financial liabilities						
15,405	15,405	Payables	15,405	-	-	-
8,121	6,305	Derivative financial instruments liabilities	1,600	1,427	2,881	398
50,741	58,373	Secured loans	1,627	1,627	22,040	33,079
74,267	80,083	Total	18,631	3,054	24,921	33,477
Contractual maturity analysis of financial assets						
10,754	10,754	Cash and cash equivalents	10,754	-	-	-
7,018	7,018	Debtors and other receivables	7,018	-	-	-
-	-	Derivative financial instruments assets	-	-	-	-
17,772	17,772	Total	17,772	-	-	-
2015						
Contractual maturity analysis of financial liabilities						
15,923	15,923	Payables	15,923	-	-	-
4,896	4,722	Derivative financial instruments liabilities	887	833	3,002	-
60,741	76,018	Secured loans	12,560	2,345	26,279	34,834
81,560	96,662	Total	29,369	3,178	29,280	34,834
Contractual maturity analysis of financial assets						
16,041	16,041	Cash and cash equivalents	16,041	-	-	-
12,790	12,790	Debtors and other receivables	12,790	-	-	-
-	-	Derivative financial instruments assets	-	-	-	-
28,831	28,831	Total	28,831	-	-	-

Group figures are the same as the Council figures except for payables that increase by \$95,000 (2015: \$33,000), receivables that increase by \$5,000 (2015: \$10,000) and cash and cash equivalents increased by \$328,000 (2015: \$315,000).

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council and group's financial instrument exposure at balance date.

Actual Council 2015 \$'000 -100bps Surplus	Actual Council 2015 \$'000 +100bps Surplus		Actual Council 2016 \$'000 -100bps Surplus	Actual Council 2016 \$'000 +100bps Surplus
FINANCIAL ASSETS				
(160)	160	Cash and cash equivalents	(108)	108
-	-	Derivative financial instruments assets	-	-
(160)	160	Total sensitivity on financial assets	(108)	108
FINANCIAL LIABILITIES				
Bank Overdraft				
(6,602)	(1,655)	Derivative financial instruments assets	(11,389)	(5,079)
(607)	607	Secured loans (floating interest rate)	(507)	507
(7,210)	(1,048)	Total sensitivity on financial liabilities	(11,896)	(4,572)

1. The Council has floating rate debt with a principal amount totalling \$50.74m (2015: \$60.74m). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$507,000 (2015: \$607,000). A movement in market interest rates on fixed rate debt does not have any impact because secured loans are accounted for and amortised using the effective interest method.

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measure as a basis points (bps) movement. For example, a decrease in 100bps is equivalent to a decrease in interest rates of 1.0%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps / +100bps. (2015 - 100bps/+100bps).

26. Post balance date events

In August 2016, the Havelock North community experienced a gastro outbreak that affected a large portion of the community. On August 12, Council received notification that there were positive results for e-coli in the Havelock North water supply which subsequently tested positive for campylobacter. The result of this significant outbreak is that the bore fields supplying water to Havelock North have been closed and water is now being supplied to Havelock North from Hastings.

At the time of preparing the 2015/16 Annual Report the financial consequences of this event were still unknown. Investigations into how the contamination occurred are underway. Causation and any accompanying liability are still to be determined. The Council has provision in its Long Term Plan for some alternative supply sources to serve Havelock North, and these are likely to be accelerated. The Council will make decisions on these matters in the coming months.

27. Related party transactions

Related party transactions

No related party debts have been written off or forgiven during the year (2015: \$nil).

All related party transactions were conducted on terms equivalent to those prevailing in an arm's length transaction.

The Council made grants to Hawke's Bay Museum Trust \$456,130 (2015: \$442,220) which is a Council Controlled Organisation.

The Council disposed of refuse at the Omarunui Landfill and receipts amounted to \$820,258 (2015: \$704,413). The Omarunui Landfill is jointly owned by the Council (63.68% share) and the Napier City Council (36.38% share). The Council manages the operations of the Landfill.

The Council has a 100% ownership of Hastings District Holdings Limited. The Holding company provides Council and the community with an extra layer of governance and a monitoring structure for Council's other CCO's which include Hawke's Bay Opera House Limited and Hastings District Properties Limited.

The Council made grants totalling \$2,800 (2015: \$35,326) to Hawke's Bay Opera House Limited. The outstanding balance owed to the Hawke's Bay Opera House at 30 June 2016 was \$nil (2015: \$nil). In addition the Council charged Hawke's Bay Opera House Limited \$795 (2015: \$795) during the financial year for various expenses. The outstanding balance owed to the Council at 30 June 2016 was \$nil (2015: \$nil).

Hastings District Properties Limited invoiced the Council \$24,000 (2015: \$9,000) for various services. The balance outstanding at the year end was \$nil (2015: \$5,750). The Council charged Hastings District Properties Limited \$1,060 (2015: \$1,910). The balance outstanding at the year end was \$nil (2015: \$nil).

The Council paid to the Hawke's Bay Regional Sports Park Trust, operational grants and services to the value of \$226,800 (2015: \$234,365) and Capital funding grants of \$54,292 (2015: \$287,000). The balance outstanding to Hawke's Bay Regional Sports Park Trust at 30 June 2016 was \$nil (2015: \$nil).

The Council provided a number of services to the Hawke's Bay Regional Sports Park Trust during the year, including parks maintenance, building consents and other services totalling \$107,742 (2015: \$143,763). The balance outstanding to the Council at 30 June 2016 was \$6,076 (2015: \$ 6,734).

Key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, purchase of rubbish bags, and purchase of dog licences).

Councillor/key management personnel	Organisation	Position/relationship to organisation		\$ amount service rec'd 2015/16	\$ amount service rec'd 2014/15	\$ amount balance year end
Councillor Bradshaw	Wine Country Lodge	Joint Owner	Accommodation	nil	\$3,241	nil
	Havelock North Business Association	Council appointed representative	Contract for Events & other sundry payments	\$18,020	\$18,154	nil
	Te Mata Park Trust Board	Trustee	Sundry Fencing	nil	\$461	nil
Mayor Yule	HB Regional Sports Park	Chairman & Trustee – resigned 27 May 2016	Operating Grant	\$226,800	\$234,365	nil
			Capital Grants	\$54,292	\$286,999	nil
	LGNZ	President	The Council membership & other sundry Payments.	\$54,023	\$56,096	nil
	NZ Local Authority Protection Programme Disaster Fund	Trustee	Disaster Cover for Infrastructural Assets	\$165,280	\$206,600	nil
	U-Turn Trust	Trustee	Grant & other sundry payments	\$35,250	\$30,000	nil
Councillor O'Keefe	U-Turn Trust	Employee of U-Turn Trust	Grant & other sundry payments	\$35,250	\$30,000	nil
Councillor Bowers	Hawke's Bay Opera House Limited	Director (resigned 5.4.16)	Funding & Services	\$2,800	\$35,326	nil
	Horse of the Year (Hawke's Bay) Limited	Director	Funding	\$70,217	\$38,970	nil
Councillor Lyons	Hawke's Bay Museum Trust	Trustee	Funding	\$456,130	\$442,220	nil
Councillor Dixon	Hastings Business Association	Council appointed representative	Funding for Night Markets, entertainment etc	\$132,206	\$63,907	nil
Councillor Hazelhurst	Te Mata Park Trust Board	Trustee	Funding	nil	\$461	nil
Councillor Roil	Hastings Business Association	Council appointed representative	Funding for Night Markets, entertainment etc	\$132,206	\$63,907	nil
Dennis Morgan – resigned from HDC 22.12.16	Opus Consultants Ltd	Stella Morgan (wife of Dennis) is an employee of Opus 14/15 year	Input into projects invoiced to the Council	nil	\$70,947	nil
	Sage planning HB Ltd	Stella Morgan (wife of Dennis) is a director & shareholder of Sage 15/16 year	Professional Services mainly aligned with planning	\$110,628	nil	\$15,051
Alice Heather – resigned from HDC 8.4.16	Creative Hastings Inc	Pitsch Leiser (husband of Alice) is employed as Community Arts Development Manager	Funding for various community arts activities & projects	\$282,180	\$108,471	nil
Ross McLeod	Hawke's Bay Youth Futures Trust	Trustee	Council provides part funding towards H B Industry Graduation	\$3,450	\$65,600	nil
	HB LASS Limited	Director	Provides advisory, purchasing and related services to the Council in relation to shared service opportunities	\$6,125	nil	nil
Bruce Allan	Hawke's Bay Opera House Limited	Director (from 1.9.15)	Funding & Services	\$2,800	nil	nil
Craig Cameron	Hawke's Bay Opera House Limited	Director (from 4.4.16)	Funding & Services	\$2,800	nil	nil

The Council as part of their core business which is providing services to the Hastings District has provided the same services to organisations that are related parties by virtue of having a director or shareholder that is part of the Council's key management personnel.

There were close family members of key management personnel employed by the Council. The terms and conditions of those arrangements were no more favourable than HDC would have adopted if there were no relationship to key management personnel.

Key Management Personnel include the Mayor, Councillors, Chief Executive and other senior management.

Actual Council 2015 \$'000		Actual Council 2016 \$'000
COUNCILLORS		
737	Remuneration	808
15	Full-time equivalent members	15
SENIOR MANAGEMENT TEAM, INCLUDING CHIEF EXECUTIVE		
1,328	Remuneration	1,702
9.85	Full-time equivalent members	7
2,065	Total key management personnel compensation	2,510
24.85	Total full-time equivalent personnel	22

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

28. Contingencies

Actual Council 2015 \$000	Actual Group 2015 \$'000	Actual Council 2016 \$000	Actual Group 2016 \$'000
-	-	-	-
	Contingent liabilities in respect of guaranteed advances to various community organisations, and in respect of performance bonds		

Unquantified claims

RiskPool

RiskPool provides public liability and professional indemnity insurance for its members. Prior to 30 June 2015 Council was a member of New Zealand Mutual Liability RiskPool. The trust deed of RiskPool provides that, if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for that Fund year. The last such call was in the 2012/13 financial year for \$88,300. There have been no further calls or payments and none are expected.

Provision for building claims under Financial Assistance Package (FAP)

The Government's Weathertight Homes Financial Assistance Package aims to help people get their non-weathertight homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair costs and affected homeowners funding the remaining 50% backed by a Government loan guarantee. The impact and cost of future and unknown claims cannot be measured reliably and therefore the Council and Group have an unquantified contingent liability.

On the 11 October 2012 the Supreme Court of New Zealand released a decision clarifying that councils owe a duty of care when approving plans and inspecting construction of a building that was not purely a residential building. The Court held there was no principled basis for distinguishing between the liabilities of those who played a role in the construction of residential buildings as against the construction of non-residential buildings. This extends the scope of the potential liability for the Council to include non-residential buildings consented under the Building Act 1991.

New Zealand Local Government Funding Agency

Hastings District Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Hastings District Council is one of 30 shareholders of the NZLGFA. In that regard it has uncalled capital of \$373,196 (2015: \$373,196). When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders, Hastings District Council

is a guarantor of all of NZLGFA's borrowings. At 30 June 2016 NZLGFA had borrowings totalling \$6.501 billion (2015: \$5.247 billion).

Financial reporting standards require Hastings District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Legal Proceedings and Disputes

There was one employee personal grievance against the Council as at 30 June 2016. This was settled on 5 August 2016.

29. Rate remissions

Rates revenue is shown net of rate remissions. The Council allowed for rate remissions under the Local Government Rating Act 2002 in six broad categories during 2011/12. During the year the Council allowed remission of \$233,645 (2015: \$411,299) excluding GST. In terms of the Act certain properties are designated as non rateable. The Council does not rate such properties and they are not included in the following remission figures.

Actual Council 2015 \$'000		Actual Council 2016 \$'000
22	Special Rateable Value	21
57	Community & Sporting Organisations	67
17	Covenant	18
14	Voluntarily Protected Land	18
6	Swimming Pool Safety	5
28	Penalties	13
53	Unutilised Maori Land	53
214	Sundry	39
411		234

30. Capital management

The 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 LGA requires the 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 LGA and applied by the Council. Intergenerational equity requires today's 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 Council has the following Council-created reserves:

- Reserves for different areas of benefit;
- Self-insurance reserves; and
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or 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 the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

31. Asset insurance

The total value of all assets of the local authority that are covered by insurance contracts and the maximum amount to which they are insured:

Insurance contracts

Actual Council 2015 \$'000	Policy type (Maximum amount insured)	Actual Council 2016 \$'000
240,175	Material Damage (mainly buildings and contents)	253,154
9,174	Motor Vehicles (includes mobile plant and equipment)	9,174

Assets (mainly buildings and contents) with a replacement value of \$253,153,700 (2015: \$240,175,300) are insured under councils Material Damage Policy. The cover is for replacement value (as above) plus an allowance for inflation and the cost of demolition.

Hastings District Council's vehicles, mobile plant and equipment are insured under a Motor Vehicle Policy that covers all such equipment which is owned or otherwise the responsibility of the insured. Cover provides for cost of replacement for vehicles under twelve months old and market value for vehicles over twelve months old. The original purchase price of vehicles, plant and equipment insured under this policy is \$9,173,557 (2015: \$7,974,016).

Claims under both the Material damage and Motor Vehicle Policies are subject to various excesses dependant on the particulars of the claim.

The total value of all assets of the local authority that are covered by financial risk sharing arrangements, and the maximum amount available to the local authority under those arrangements.

In the event of a major disaster or catastrophe the cost of replacing water, sewage and other essential services (not roads and bridges) is shared with 60% of the cost met by central government and 40% met by the local authority. Hastings District Council is a member of the Local Authority Protection Programme (LAPP). The LAPP fund is a cash accumulation mutual pool established to help local authorities meet their 40% share in the event of such a disaster; it does this by maintaining cash reserves and also purchasing infrastructure reinsurance.

For 2015/16 (and 2014/15) the maximum payable by LAPP is up to a limit of \$125 million per event for all member councils (being 40% of \$312.5 million). The central government share is unlimited.

The value of infrastructural assets declared by Hastings District Council to be covered by the LAPP fund is \$638,834,392 (2015: \$633,326,061). Payments from both LAPP and central government are subject to various thresholds and excesses.

Since 30 November 2015 the Council also carries disaster insurance to cover all bridges with a value exceeding \$250,000. This insurance has an excess of \$250,000 with a loss limit of \$10,000,000. In the event of any claim there would also be funding available from NZTA.

The total value of all assets of the local authority that are self-insured and the value of any fund maintained by the local authority for that purpose.

Hastings District Council has a number of other assets not covered by insurance contracts or risk sharing arrangements and are therefore self-insured. The major category in this group would be roads and bridges valued at \$1,079,467,000 (excl. land), (2015: \$1,077,111,000). There would also be a number of other sundry items that would fall into this group.

Council controlled organisations and other interests



Hawke's Bay Museums Trust

Policies and objectives regarding ownership and control

The Trust is a Council Controlled Organisation as three of the five-member Board are nominated jointly by Hastings District Council and Napier City Council. This is in accordance with the revised Constitution and Rules adopted on 30 October 2006. The Trust's Constitution and Rules have been amended to reflect the change in role to that of owner and guardian of the regional collection. The Hawke's Bay Museums Trust is classified as an associate entity for financial reporting purposes.

Scope and nature of activities

The objectives of the Trust are:

- To hold and protect the collection for the people of Hawke's Bay
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay
- To advance and promote cultural heritage and the arts through the use of the collection
- To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council
- To oversee collection development through the regulation of the acquisition and disposal of collection items
- To manage the bequests vested in the Trust in a way in which maximises benefit to the collection.

The Scope and Nature of Activities to be undertaken by the Napier City Council are outlined below. These activities will be achieved in accordance with agreed Museum Industry Standards and consistent with HBMT policies and procedures.

- 1) **Protection:**
 - Storage including pest control, storage media, shelving and air quality
 - Security including alarm and access systems and monitoring, and insurance
 - Records management including Vernon database and other records.
- 2) **Quality** including conservation, accessioning and de-accessioning.
- 3) **Access** including exhibitions, research and archives.
- 4) **Development** including fundraising, reserves management and relationship development.

Performance targets

Key result area	Performance indicator	2015/16 target	2015/16 actual
Protection	Insurance cover as percentage of total collection value	100%	100%
	Air quality meeting pre-defined standards for each storage area	98%	
	Museum Gallery Theatre (MTG)		76%
	British American Tobacco (BAT)		57%
	Number of reported incidents of damage to collection items	-	3
Quality	HBMT Collection Strategy and Policies have been reviewed and agreed by the HBMT Board	Yes	Yes
	Accessions and De-accessions are managed in accordance with the Collective Strategy and reported to the Board	Yes	Yes
Access	Number of HBMT collection enquiries per annum	1,500	258
	Number of Regional Archive research visits per annum (including online)	1,500	
	Reading Room		144
	Online		16,942
	Number of days staff available for collection enquiries	249	252
Development	Percentage of bequest funds income used for acquisitions	100%	70%
	Percentage of conservation funds income used for collection are	100%	69.5%
	Te Rōpū Kaiawhina Taonga hui held	3 per annum	6 per annum

Air quality

The air quality has been below the 98% target at both sites. At the offsite BAT store the temperature and humidity have been very stable while very slightly out of range. The air quality at MTG is also very stable but sometimes out of range.

Access

The number of annual regional archive visits exceeded the target with online visitors reading 16,492.

Development

Unspent bequest fund incomes allocated for acquisitions and collection care are kept in special funds and carried forward to the next financial year for future spending.

Financial performance

(\$)	2015/16 budget	2015/16 actual
Total revenue	944,260	920,033
Total expenses	944,260	880,649
Surplus/(deficit)	-	39,384

Hawke's Bay Airport Limited

Policies and objectives regarding ownership and control

Hawke's Bay Airport Limited (HBAL) is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown: 50% Napier City Council: 26% Hastings District Council: 24%. HBL is defined as a Council Controlled organisation pursuant to Part 5 of the Local Government Act 2002.

HBAL is classified as an associate entity for financial reporting purposes.

Scope and nature of activity

- To provide safe, convenient and appealing services and facilities for airlines, air travellers, employees and all other visitors to the airport
- To support regional economic development through strategic infrastructure
- To generate appropriate returns on assets employed and shareholder's equity
- To position the airport for aviation growth over the long term.

Performance

The following is a statement of service performance relating to key specific objectives listed in the Company's Statement of Intent for the year ending 30 June 2016.

(\$)	2015/16 target	2015/16 actual
Landing charges	2,612,045	3,590,289
Other revenue	2,196,187	1,679,366
Total revenue	4,808,231	5,269,655
Other revenue % of total	45%	32%
Profit before income tax	1,725,718	2,094,137
Profit after tax	1,242,517	1,407,713

Net dividends declared in November 2015 was \$527,371 compared to a target from 2014/15 financial year of \$360,000.

Activity	Measure	Status
CAA recertification	Renewal of Aerodrome Operating Certificate	●
Operate a Successful Business	Achieve Performance Targets:	
	• Revenue	●
	• EBITDA	●
	• NPAT	●
	• Return on Equity – Annualised	●
	• Gearing	●
	• Dividend	●
	• Review of landing charges	●
	• Development of Business Park	●
Appropriate Infrastructure	Progress planning for:	
	• Terminal redevelopment	●
	• New rescue fire station	●
	• Carparking layout	●
	• Rental car valet facility	●
Health & Safety Focus	Zero harm and zero L.T.Is	●
Risk Management Plan	Formalise Risk Framework	●
Customer Focus	Regular engagement with customers	●
Stakeholder Engagement	4 meetings per annum with Shareholders	●

KEY

- Meets or Exceeds target
- Within 10% of target
- 10% or more below target

Hastings District Holdings Limited Group

Policies and objectives regarding ownership and control

Hastings District Holdings Limited (the Holding Company) is a Council Controlled Organisation (CCO), 100% owned by the Hastings District Council. The Holding Company provides Council and the community with an extra layer of governance and a monitoring structure for Council's other CCOs which include:

Hawke's Bay Opera House Limited

Hawke's Bay Opera House Limited was incorporated in May 2009 and commenced trading on 1 July 2009. The Company provides Council and the community with a governance structure for the delivery of activities in the conventions, performing arts, cultural and entertainment sectors and the operation and management of Opera House facilities that will optimise the utilisation of existing community assets.

Due to the closure of the Hawke's Bay Opera House for earthquake strengthening, Hawke's Bay Opera House Limited has ceased trading and as at 30 June 2014 has been exempted by Council from being a CCO under section 7(3) of the Local Government Act 2002.

Hastings District Properties Limited

The Property Company was incorporated in June 2010 as a property development company for Council. The objectives of The Property Company are to carry out property developments to ensure the successful implementation of Council urban development strategies achieving high quality urban outcomes, whilst at the same time carrying out property developments on a commercial basis.

Scope and nature of activity

Activities that are to be undertaken by the Holding Company are:

- Negotiation of the individual annual Statements of Intent for the CCOs that it owns
- Negotiation of the annual Statement of Intent between Council as shareholder and the Holding Company
- Monitoring the performance of the subsidiary companies owned by the Holding Company
- Appointment and monitoring of the directors of the subsidiary companies.

Performance

1. Governance of Council-Owned Entities with accountability to the community

Performance measures for the Holding Company are focused on appropriate monitoring and control of statements of intent for its subsidiaries and reporting back to Council.

Result: The Holding Company met all of its reporting requirements to Council during the year and ensured all reporting requirements of its subsidiaries were met as well.

2. Financial Return or Contribution to Council's Overall Budget

Ensuring that the Holding Company returns a dividend to Council when appropriate and ensuring that the subsidiary companies return a minimum acceptable dividend where appropriate.

Result: No dividends were available during 2016.

3. Ensure subsidiaries deliver on Council's strategic goals

Ensuring that the subsidiary companies draft SOIs are received by HDHL by the statutory deadline are appropriate, measurable, attainable and timely and are strategically aligned and compatible with the strategic goals of Council.

Result: All subsidiary Statements of Intent were received as required within the statutory deadlines and were compatible with Council's strategic goals.

4. Financial

Statement of Financial Performance for the HDHL Group:

(\$)	2015/16 budget	2015/16 actual
Total revenue	600	462
Total operating expenditure	11,500	30,697
Net surplus/(deficit)	(10,900)	(30,235)

NZ Local Government Funding Agency Limited

Policies and objectives regarding ownership and control

The New Zealand Local Government Funding Agency Limited (LGFA) is owned by 30 Local Authority Councils and the Crown. The LGFA is enabled under the Local Government Borrowing Act 2011 and is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. Hastings District Council's shareholding is 1.7%.

Scope and nature of activity

LGFA will raise debt funding either domestically and/or offshore in either New Zealand dollars or foreign currency and provide debt funding to New Zealand local authorities, and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

In lending to Participating Local Authorities, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long term
- Educate and inform participating local authorities on matters within the scope of LGFA's operations
- Provide excellent service to Participating Local Authorities
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders
- Ensure its products and services are delivered in a cost effective manner.

Performance indicators

LGFA has the following performance targets:

Performance measure	Note	Target	Result	Outcome (target met?)
Average cost of funds relative to NZGS	1	<0.50%	0.74%	No
Average base on lending margin above LGFA's cost of funds	2	<0.10%	0.106%	No
Annualised operating expenses	3	<\$5.94m	\$5.98m	No
Lending to participating councils		>\$5.885m	\$6.241m	Yes

Financials	Note	Target	Result	Outcome (target met?)
Net interest income	4	\$16.36m	\$15.53m	No
Issuance and operating expenses	5	(\$5.94m)	(\$5.98m)	No
Net profit		\$10.42m	\$9.55m	No

1. Margins have widened due to a softening in credit market sentiment for non-government bonds and the disproportionate amount of longer dated bonds issued (which have a wider margin) over the past six months.
2. The margin is a function of duration of council borrowing as the current margin of 0.09% for council borrowing to March 2019, 0.10% from April 2020 to May 2021 and 0.11% for terms longer than April 2023. Given that councils have been borrowing for longer tenors, the average margin is above the average margin offered of 0.10%.
3. Expenses exceeded budget by \$40k or 0.5% of the budget due to non-recurring legal expenses due to new lending products, new council members, NZX listing fees and transition to the FMCA.
4. Net interest revenue was \$830k lower than the SOI due to lower than forecast interest rates reducing returns on investment assets, amortisation differences on transition from the NZDMO treasury system to the LGFA treasury management system and timing differences associated with bespoke lending.
5. Issuance and operating expenses were \$40k greater than the SOI forecast due to higher than expected legal and NZX costs associated with listing the LGFA bonds on the NZX, transition to the FMCA, admitting five new member councils and larger take up of short-dated and bespoke lending than planned.

HB LASS Limited

Policies and objectives regarding ownership and control

The Councils that operate within Hawke's Bay have formed a company to investigate, develop and deliver shared services, where and when that can be done more effectively for any combinations of some or all of the councils. HB LASS Limited is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002.

Scope and nature of activity

The principal nature and scope of the activities of HB LASS Limited is to:

- Use Joint Procurement to add value to goods and services sourced for its constituent Councils
- Facilitate Shared Services that benefit Councils and their stakeholders through improved levels of service, reduced costs, improved efficiency, innovation and/or increased value
- Pursue best practice in the management of all activities to obtain best value and minimise risk
- Demonstrate fiduciary responsibility by ensuring that its activities are adequately funded from savings achieved, levies, Council contributions, or Government funding where available
- Allow other Councils or organisations to participate in its activities where this will benefit its constituent councils directly or indirectly
- Represent the collective views of its shareholders in matters with which it is associated.

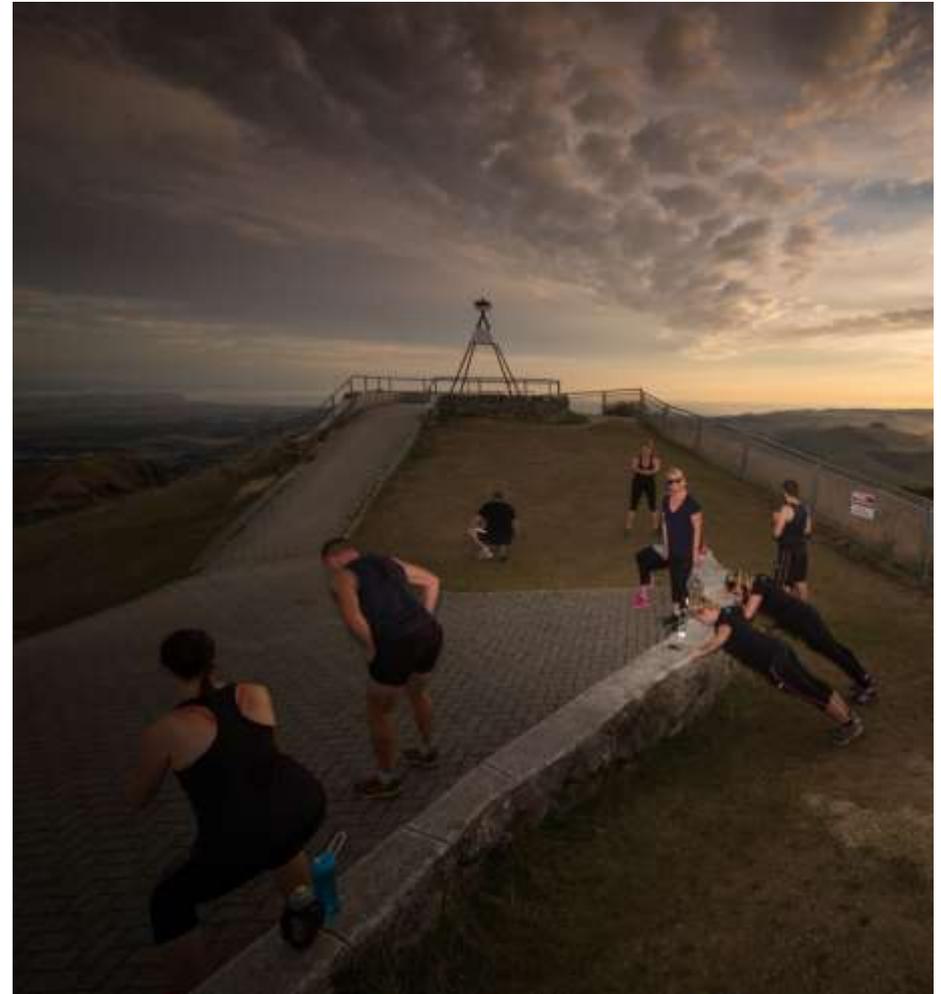
Performance targets

To ensure the Company continues to operate effectively in both governance and management terms over the next three years, the targets are to:

Performance target	Result		
Initiate at least one shared service each year and no less than two shared services successfully implemented within the following three years.	<ul style="list-style-type: none"> • Commenced initiatives to identify opportunities for: <ul style="list-style-type: none"> • Shared Services in Internal Audit • Shared Services in Legal services • Formed a Records Management working party to review document management processes, archive capability and joint opportunities • Contracted Effectus Ltd to prepare a Shared Information Services strategy 		
Implement Shared Services demonstrating best practice and added value to participating councils and stakeholders.	<ul style="list-style-type: none"> • The launch of HB Viewer in September 2015 – an innovative platform giving easy access to mapping, date and web service, without the need for specialist Geographic Information Operator (GIS) skills. • Central Hawke's Bay District Council, Wairoa District Council, Hawke's Bay Regional Council and Napier City Council are transitioning to using the same web framework that will provide a better web experience for customers, is easier to maintain by staff and allows information to be easily shared between the Councils. • As a result of the Shared Information Services strategy, HBRC initiated the pilot project to migrate HBRC's server infrastructure to an external provider. 		
Explore Joint Procurement initiatives for goods and services from sources offering best value, service, and/or continuity of supply.	<ul style="list-style-type: none"> • HB LASS Councils completed tender rounds for: <ul style="list-style-type: none"> • procuring printers • procuring vendor management of Microsoft licences • HB LASS Councils negotiated common pricing for security applications 		
Publish a newsletter setting out the company's activities at least quarterly.	<ul style="list-style-type: none"> • LASSO – newsletter published and circulated in March 2016 		
Ensure sufficient income is available from activities to sustain a viable company.	<ul style="list-style-type: none"> • The Company remains viable. 		
Operate in a manner that conforms with any applicable regulatory requirements.	<ul style="list-style-type: none"> • Regulatory requirements have been met. 		
Financials	Target	Result	Outcome (target met?)
Operating result	Breakeven	Breakeven	Yes

Te Mata Park Trust Board

The Te Mata Park Trust Board has been exempted by Council under section 7(3) of the Local Government Act 2002 from being a CCO.



Treasury Policy



Purpose of Policy

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by the Council. The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

a) Liability Management Policy

Council's liabilities comprise borrowings and various other liabilities. Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the council to the most significant risks. Other liabilities are generally non-interest bearing.

External debt ratios and limits

Debt will be managed within the following macro limits:

Ratio	Target	30 Jun 2016
Net external debt as a percentage of equity	<20%	2.5%
Net external debt as a percentage of income	<150%	41.1%
Net interest as a percentage of income	<15%	3.2%
Net interest as a percentage of annual rates income	<20%	5.0%
Liquidity (Term Debt + Committed Loan Facilities v Existing Debt)	110%-170%	137.2%

There were minor breaches of the Treasury Policy which were reported to the Audit and Risk Subcommittee during the year.

b) Investment policies

As Council is a net borrower of funds and applies surplus funds to debt repayment, investments are only maintained to meet specified business reasons.

Annual Report Disclosure Statement for the year ended 30 June 2016



Financial Reporting and Prudence Benchmarks

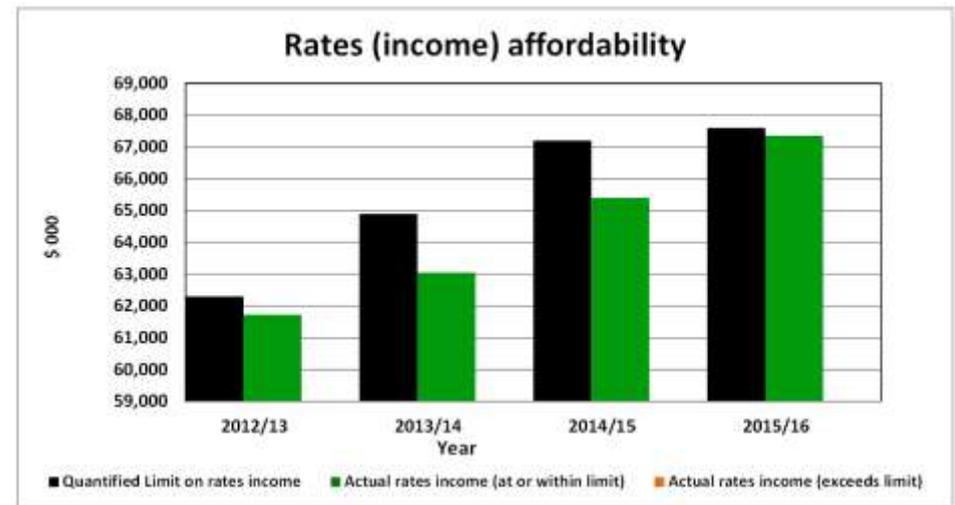
Annual Report Disclosure Statement for the year ended 30 June 2016. What is the purpose of this statement?

The purpose of this statement is to disclose 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.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. Refer to the regulations for more information, including definitions of some of the terms used in this statement.

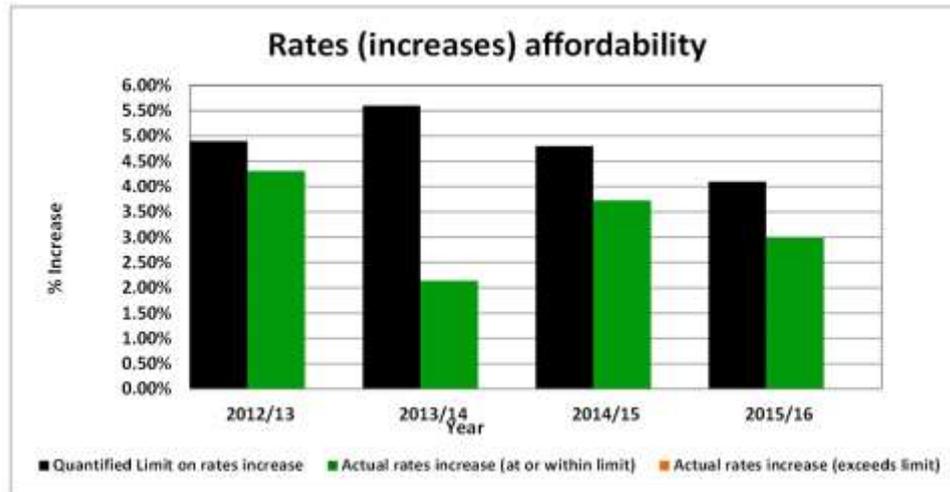
Rates (income) affordability benchmark

The following graph compares the Council's actual rates income with a quantifiable limit on rates income contained in the financial strategy included in the Council's long term plan. The quantifiable limit is the rates as forecast in the 2012-2022 and 2015-2025 Long Term Plans. The Council's actual rates income excludes location specific targeted rates, but includes projects dependant on external funding support. This is now consistent with the calculation of the quantifiable limit on rates. Previously the Council's actual rates income did not exclude the location specific targeted rates, the 2012/13, 2013/14 and 2014/15 Council's actual rates income have been adjusted to reflect this correction.



Rates (increases) affordability benchmark

The following graph compares the Council’s actual rates increases with a quantifiable limit on rates increases contained in the financial strategy included in the Council’s 2012-2022 and 2015-2025 Long Term Plans.



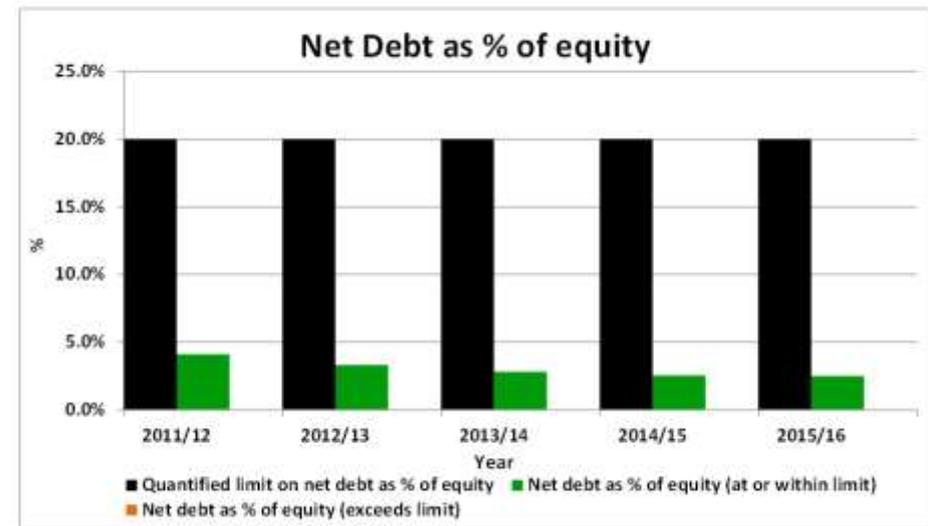
Debt affordability benchmark

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

The following graphs compares the Council’s borrowing with the quantified limits on borrowing stated in the financial strategy included in the 2009-2019 LTCCP, and the 2012-2022 and 2015-2025 Long Term Plans.

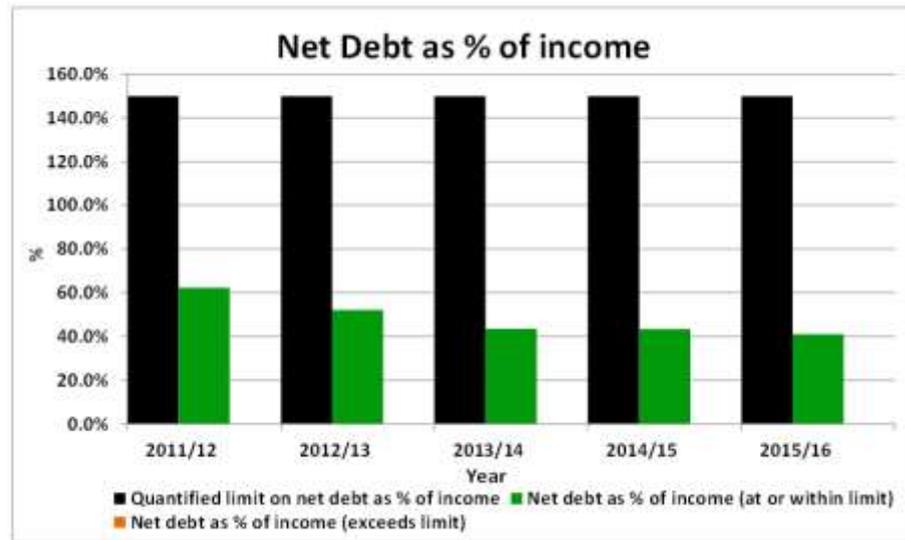
Net debt as a percentage of equity

The following graph compares the Council’s actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-2022 and 2015-2025 Long Term Plans. The quantified limit is net debt as a % of equity. A value of less than the quantified limit of 20% indicates compliance with the prudential limit.



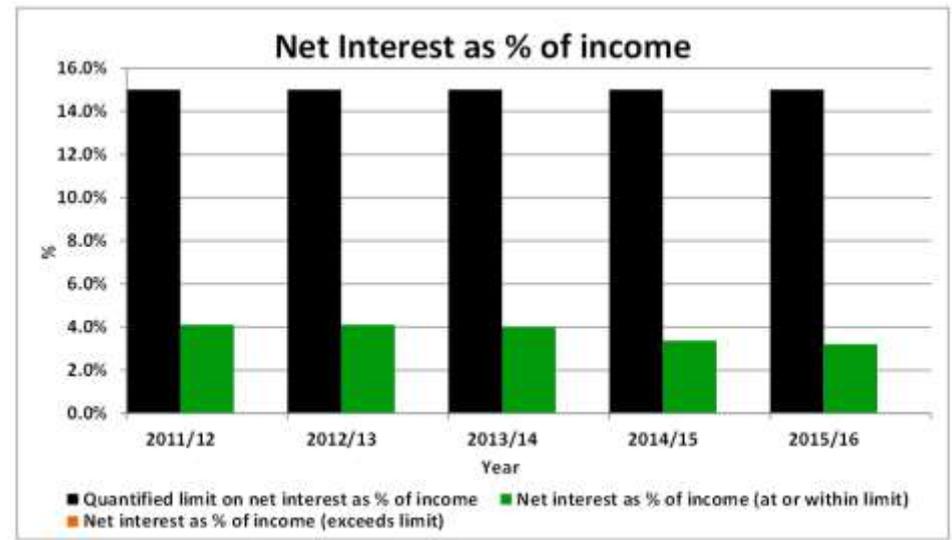
Net debt as a percentage of income

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-2022 and the 2015-25 Long Term Plans. The quantified limit is net debt as a % of income. A value of less than 150% indicates compliance with the prudential limit.



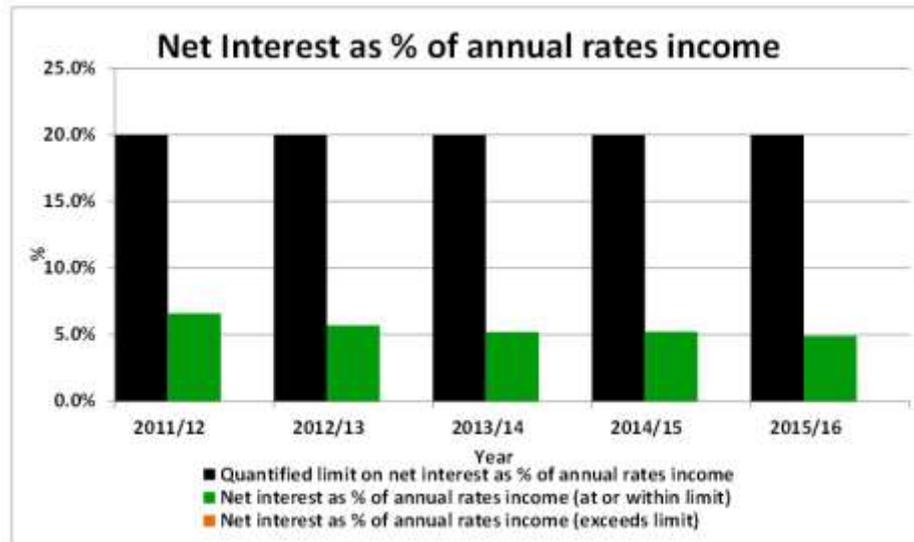
Net interest as a percentage of income

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-22 and the 2015-25 Long Term Plans. The quantified limit is net interest as a % of income. A value of less than the quantified limit of 15% indicates compliance with the prudential limit.



Net interest as a percentage of annual rates income

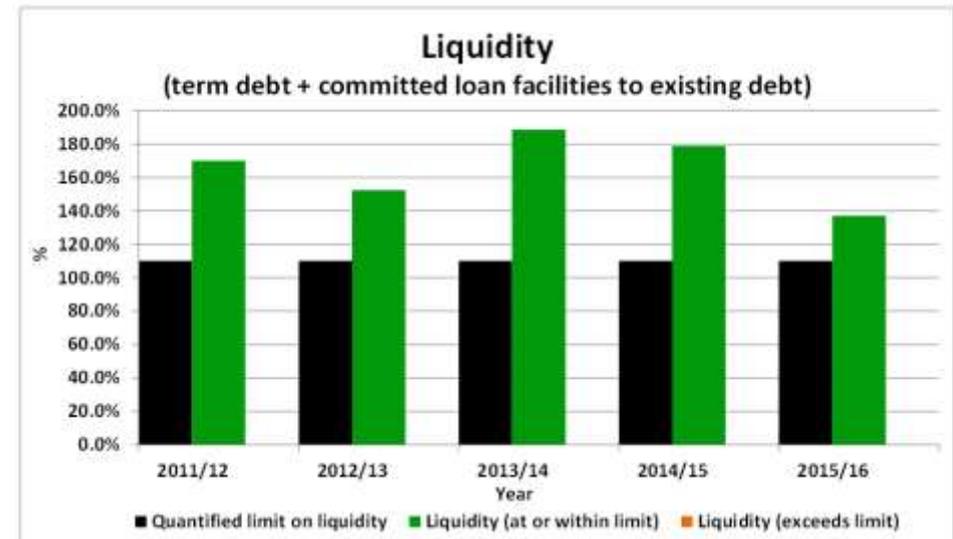
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-22 and the 2015-25 Long Term Plans. The quantified limit of 20% indicates compliance with the prudential limit.



Liquidity

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-22 and the 2015-25 Long Term Plans.

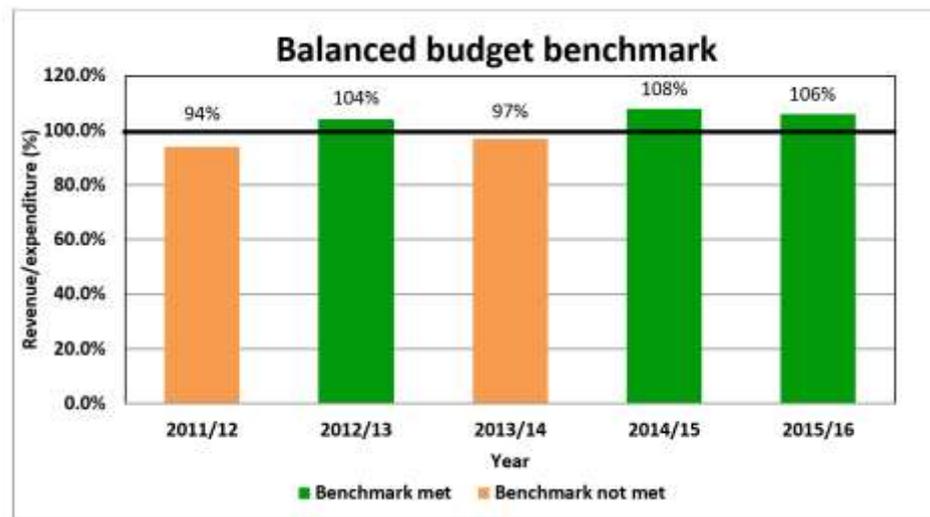
The quantified limit is term debt + committed loan facilities to existing debt. Prior to 2015/16 a value of greater than the quantified limit of 110% indicated compliance with this prudential limit. The 2015/16 Long Term Plan implemented a new range for this quantified limit of between 110% and 170%.



Balanced budget benchmark

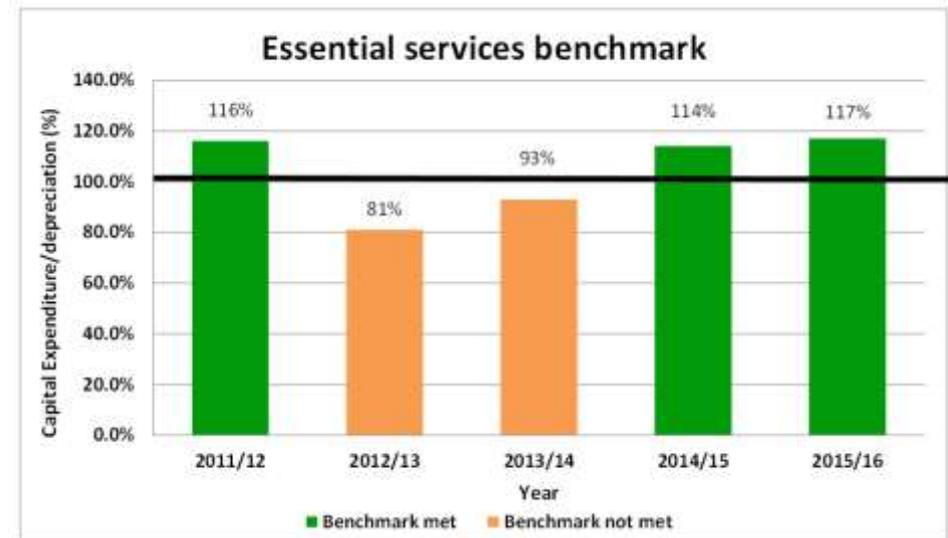
The following graph displays the Council's revenue (excluding development contributions, financial contributions vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a percentage of operating expenses (excluding losses on derivative financial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

The Council meets this benchmark if its revenue exceeds its operating expenses.



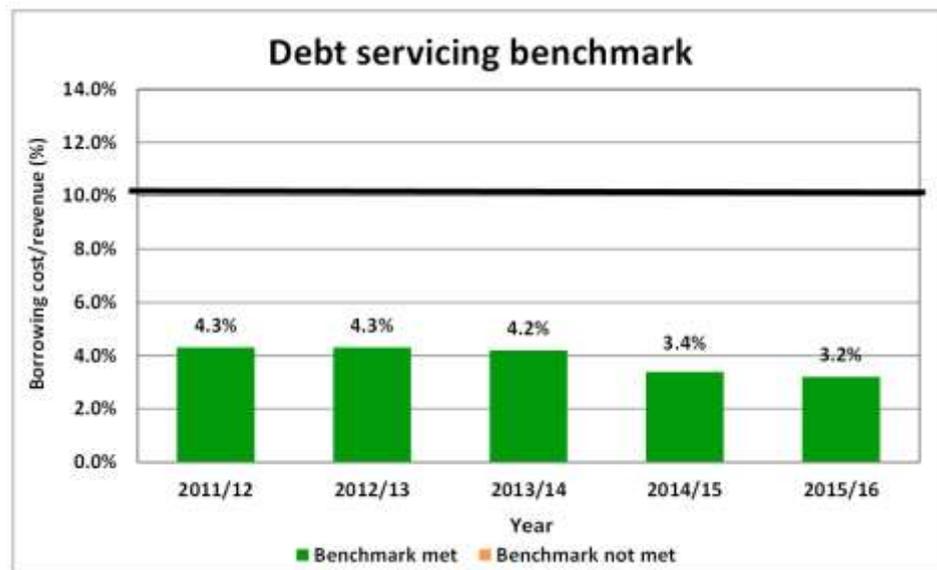
Essential services benchmark

The following graph displays the capital expenditure on network services as a percentage of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

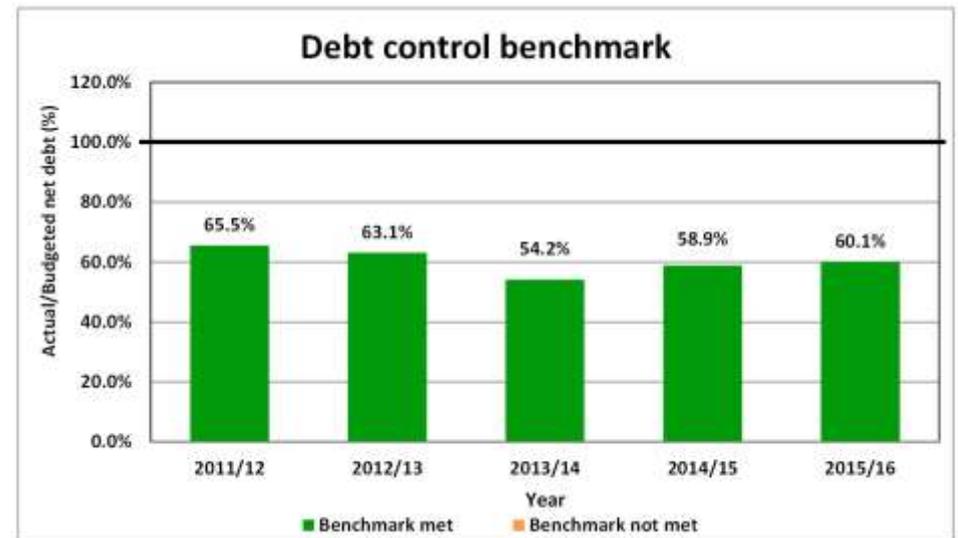
The following graph displays the Council’s borrowing costs as a percentage of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council’s population will grow more slowly than the national population rate, the Council meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.



Debt control benchmark

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

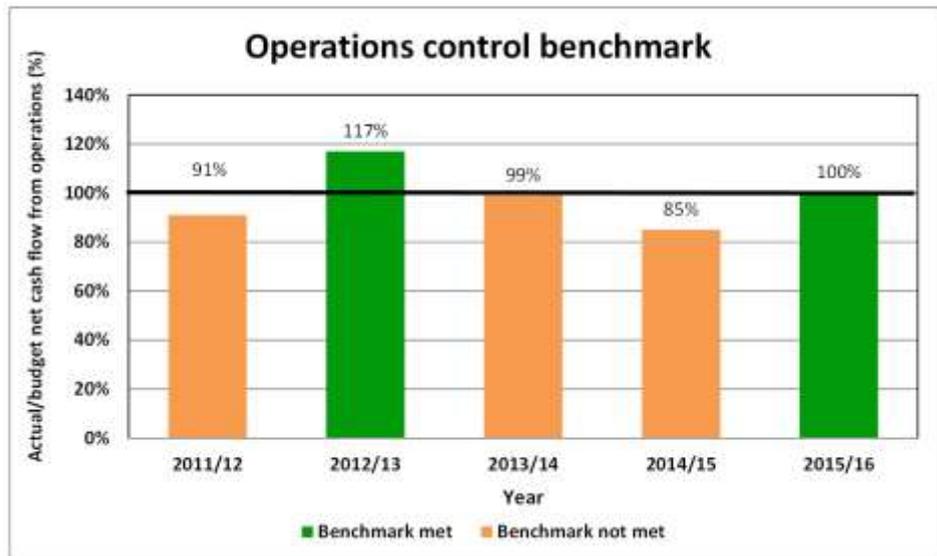
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned debt.



Operations control benchmark

The following graph displays the Council's net cash flow from operations as a percentage of its planned net cash flow from operations.

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.



Independent Auditor's Report



Independent Auditor's Report

To the readers of the Hastings District Council and group's annual report for the year ended 30 June 2016.

The Auditor-General is the auditor of the Hastings District Council (the District Council) and group. The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the District Council and group's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the District Council and group have complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In our opinion:

- The financial statements on pages 75 to 126:
 - present fairly, in all material respects:
 - the District Council and group's financial position as at 30 June 2016; and
 - the results of operations and cash flows for the year ended on that date.
 - comply with generally accepted accounting practice in New Zealand and have been prepared in accordance with Public Benefit Entity Standards.
- the funding impact statement on page 91 presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council and group's Long term plan; and
- the statement of service provision (called "Our Reporting Framework") of the District Council on pages 10 to 37:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2016, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved; and
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service.
 - complies with generally accepted accounting practice in New Zealand.
- the statement about capital expenditure for each group of activities on pages 58 to 64 presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council and group's Long term plan; and
- the funding impact statement for each group of activities on pages 56 to 71 presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council and group's Long term plan.

Compliance with requirements

The District Council and group has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 56 to 144 which are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and group's audited information.

Our audit was completed on 6 October 2016. This is the date at which our opinion is expressed.

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

Basis of opinion

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

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the audited information. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

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

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;
- determining the appropriateness of the reported statement of service provision within the District Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the District Council and group complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, we have carried out a Limited Independent Assurance Engagement in relation to the District Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than the audit and this assignment, we have no relationship with or interests in the District Council or any of its subsidiaries.



S B Lucy

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

Statement of Compliance and Responsibility



Statement of Compliance and Responsibility

Compliance

The Council and Management of Hastings District Council confirm that all the statutory requirements of the Local Government Act 2002 have been complied with.

Responsibility

- 1) The Council and Management of Hastings District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
- 2) The Council and Management of Hastings District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as the integrity and reliability of financial reporting.
- 3) In the opinion of the Council and Management of Hastings District Council, the annual Financial Statements for the year ended 30 June 2016 fairly reflect the financial position and operations of Hastings District Council.

Lawrence Yule
Mayor



Ross McLeod
Chief Executive



Dated: 6 October 2016

Equal Employment Opportunity Policy



Equal Employment Opportunity Policy

The Hastings District Council is committed to the principle of equal opportunity in the recruitment, employment, training and promotion of its employees.

The organisation has continued to provide a welcoming, positive environment and ensured that its activities and services were carried out with an awareness of, and intent to eliminate discrimination in the area of race, colour, ethnic or national origin, gender, religion, marital status, sexual orientation, family responsibilities, age or disabilities.

The Council will continue to ensure that the principles of Equal Employment Opportunity are developed, implemented, and regularly reviewed by way of appropriate programmes.



Your Council



Directory of Council



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Mayor

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Deputy Mayor

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Kahuranaki Ward



TANIA KERR

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councillor.kerr@hdc.govt.nz
Mohaka Ward

Rural Community Board		HDC Māori Joint Committee		Council representatives:	
Mr Peter Kay, Maraekakaho Chairman	Mr Nick Dawson, Kaweka Council appointees:	Mr Robin Hape, Chair	Mr Barney Tihema	Cr John Roil	Cr George Lyons
Mr Bayden Barber, Poukawa	Cr Tania Kerr, Deputy Chair	Mr Bayden Barber	Mr Toro Waaka	Cr Wayne Bradshaw	Cr Henare O'Keefe
Mrs Sue Maxwell, Tutira	Cr Mick Lester, JP	Mr Te Rangihau Gilbert	Ms Tracee Te Huia	Cr Sandra Hazlehurst	Cr Adrienne Pierce

Directory of Senior Management



**ROSS
MCLEOD**

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rossm@hdc.govt.nz
Chief Executive



**JOHN
O'SHAUGHNESSY**

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Group Manager
Planning & Regulatory



**BRUCE
ALLAN**

06 871 5019
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Chief Financial Officer



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Statistical information (Council only)

2014		2015		
	30,650	Rateable Assessments	30,799	
Land Value	\$7,640,860,100	Valuations (Net)	\$7,680,027,600	
Improvements	\$7,017,567,700		\$7,146,084,700	
Capital Value	\$14,658,427,800	Capital Value	\$14,826,112,300	
2015		2016		
	522,893ha	Land Area	522,893ha	
Source – Statistics NZ	73,245	Population (2013 Census)	73,245	
Permanent Staff	378	Employee numbers as at 30 June	374	
	\$26,806,000	Total Salary & Wages	\$24,208,412	
	\$91,022,000	Gross Public Debt	\$83,625,000	
	\$2,970	Gross Debt per rateable assessment	\$2,715	
Sealed Road	1,296.70	Roading (km)	1,299.20	
Unsealed Roads	340.40		340.10	
State Highways	198.40	State Highways	198.40	
	\$76,882,341	Rates Levied (incl. GST)	\$79,199,766	
Average Rate	Average Land Value	Analysis by differential category	Average Rate	Average Land Value
Rating Area 1 (Urban)				
\$2,019	\$128,169	Residential	\$2,078	\$128,122
\$1,720	\$218,065	Residential Non Urban	\$1,788	\$216,868
\$1,675	\$151,426	Residential Clive	\$1,753	\$150,837
\$2,593	\$489,466	Horticulture / Farming	\$2,683	\$493,774
\$9,857	\$577,667	Chartered Clubs	\$10,165	\$565,000
\$12,296	\$480,420	Commercial (CBD)	\$12,428	\$480,064
\$8,972	\$387,385	Other Commercial	\$8,662	\$386,563
\$8,316	\$439,352	Commercial Non Urban	\$8,363	\$440,071
Rating Area 2 (Rural)				
\$1,303	\$207,470	Residential	\$1,332	\$207,755
\$1,908	\$218,253	Commercial	\$1,821	\$220,797
\$2,631	\$673,898	Lifestyle / Horticulture / Farming	\$2,647	\$669,851

Glossary of terms

Budget	Refers collectively to the figures in the Annual Plan or Ten year Plan (LTP), including forecasts and projections
Capital Expenditure	Relates to the creation or enhancement of assets for the purpose of improving existing or providing new services to the community
Carry Forwards	Are projects which, for various reasons, are unable to be completed during the year in which they were budgeted and will be undertaken in the next plan year (e.g. projects not completed in 2015/16 will be 'carried forward' to 2016/17). Funding allocated to each project will also be carried forward
Depreciation	Is a value, which represents the wearing out of an asset over time
Objectives	Identify short-term targets relating to the plan period
Operating Expenditure	Is expenditure, which is used for the operation and maintenance of Council assets that are used in the provision of services to the community
Overheads	Are defined as administrative costs incurred for the common benefit of more than one centre of activity. The Council has attempted to show the true cost of providing services and amenities by adding overheads to the basic cost components
Performance Indicators	Are measures by which the Council's performance is to be measured
Rating Area 1	Includes all of the Urban Areas, all of the former Plains Areas, and 10.27% of the former Rural Areas
Rating Area 2	Covers the remaining 89.73% of the Rural Area
Significant Activity	Identifies a grouping of Council activities or functions into a major category for the purpose of reporting in the Annual Plan and Annual Report

Abbreviations

AWPT	Area Wide Pavement Treatment
CBD	Central Business District
CCO	Council Controlled Organisation. This is a term for a company where local authorities hold a controlling interest
CR	Councillor
DRA 1	District Rating Area One (Urban Area)
DRA 2	District Rating Area Two (Rural Area)
GST	Goods and Services Tax
FRS	Financial Reporting Standard
HBRC	Hawke's Bay Regional Council
BPS	Basis Points
HCAG	Hastings City Art Gallery
SHBT	Sustaining Hawke's Bay Trust
EERST	Environmental Education for Resource Sustainability
HDC	Hastings District Council
HPUDS	Heretaunga Plains Urban Development Strategy
LATM	Local Area Traffic Management
LGA	Local Government Act 2002
LOS	LOS Level of Service
LTP	Long Term Plan or Ten Year Plan
NCC	Napier City Council
NZ GAAP	NZ Generally Accepted Accounting Principles
PA	Per Annum
IFRS	International Financial Reporting Standards
UAGC	Uniform Annual General Charge

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TE KAUNIHERA O HERETAUNGA