

2018-19 Annual Report



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Message from the Chair and Chief Executive

He Kupu nā te Toihau me te Kaiwhakahaere Matua

Kia ora koutou

At the start of 2018-19 we proposed a step-change approach to fix some of the big issues in our environment. Thanks to your support through rates, the last twelve months have been a year of accelerated action for our region.

During the 2018-19 year, the Council and staff worked alongside Napier Port to secure funding for **the port's new wharf** and infrastructure. This put the Regional Council in a strong position to approve Napier Port to proceed to offer shares in 45% of the value of the Port. This active move on the part of the Regional Council delivers on one of our 23 strategic goals and contributes to this region's economic prosperity.

With **370,000 new plants** in the ground this winter, we're ramping up our plan to control erosion and reduce sediment loss from steep land and near waterways.

We also extended the Sustainable Homes programme across the region, and now offer improved access to insulation and venting, solar, double glazing, domestic water storage and septic tanks, and clean heating.

Behind the scenes, we've been working closely with the government on practical changes to **freshwater policy** – we were happy to offer this support as we anticipate it leading to simpler rules and policies for land users that also gives better protection to our environment.

For the first time we are reporting against our 23 outcome targets. This work and numerous other projects we are working on all contribute to protecting and enhancing our environment.

It has been an energetic year of focused activity and positive change. With climate change clearly in our sights, we're on the right track to a healthy environment, a vibrant community and a prosperous economy.

Ngā mihi nui

Rex Graham
Chair

James Palmer
Chief Executive

Message from the Chair of the Māori Committee

He Kupu nā te Toihau me te Komiti Māori

The focus of activity over the last year was about getting on with the job of improving land use, rivers and streams. I've said before that this is well-aligned with Māori aspirations.

This report also sees my retirement from the role of Māori Committee Chair with the Regional Council, after 18 rewarding years at the table.

Gradual changes in attitude over that time have seen Councillors and senior staff recognise Tāngata Whenua not just as another interest group, but increasingly as Treaty partners.

After five years of lobbying alongside fellow Māori Committee members Marei Apatu, Mike Paku and Roger Maaka, I am delighted to see the Māori Partnerships Manager role created in the Council's senior managers' team, and Pieri Munro in this new role with two senior Māori staff. A high calibre of Māori staff at a senior level is appropriate for the Regional Council.

The Regional Council's Māori Committee has been a great way of getting alongside the people who make the decisions, where both parties benefit from the discussions that take place. We can only move forward by communicating openly and with good honest intentions. The Māori Committee members and the Māori staff on the Council welcome your views and concerns at any time.

Nāku noa, nā

Mike Mohi

Māori Committee Chair (2011-19)

Part 1 - Introduction | Kupu Whakataki

Councillors and their Constituencies



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Committee Structure

Regional Council and Committee meetings are open to the public, except where items of business exclude the public for specific reasons. Meeting dates and times are published in Hawke’s Bay Today and on Council’s website www.hbrc.govt.nz.

Hawke’s Bay Regional Council had the following committees during 2018-19.



Part 1 - Introduction | Kupu Whakataki

Leadership Team

Hawke's Bay Regional Council is supported by a professional corporate organisation, led by the Chief Executive. Officers provide the Council with policy advice and are responsible for implementing the Council's policies to achieve the results the Council wants. The Chief Executive and staff are responsible for managing day-to-day issues and implementing the Councils' decisions and policies. The organisation has been structured under eight Groups, each headed by a member of the Executive Leadership Team.



James Palmer
Chief Executive



Jo Lawrence
Chief Exec & Chair
Group Manager



Liz Lambert
Regulation
Group Manager



Jessica Ellerm
Corporate Services
Group Manager



Iain Maxwell
Integrated
Catchment
Management
Group Manager



Tom Skerman
Strategic Planning
Group Manager



Pieri Munro
Te Pou Whakarae
Māori Partnerships
Group Manager



Chris Dolley
Asset
Management
Group Manager



Ian Macdonald
Hawke's Bay Civil
Defence Emergency
Management
Group Manager/
Controller

Part 1 - Introduction | Kupu Whakataki

Welcome to the Annual Report

This Annual Report describes the work the Regional Council has undertaken over the 2018-19 financial year. It focuses on actual performance against what was planned in the first year of the 2018-28 Long Term Plan and covers both service and financial performance against targets.

Part 2 Groups of Activities | Ngā Whakarōpūtanga Kaupapa

The seven Groups of Activities are:

- Governance and Partnerships
- Strategic Planning
- Integrated Catchment Management
- Asset Management
- Consents and Compliance
- Emergency Management
- Transport

Each Group of Activities includes a brief description of the activities that make up the group, identifies the community outcomes to which the group primarily contributes, and highlights for the year including effects on the community. This is followed by a table summarising financial performance and finally a table showing actual level of service results against the non-financial performance targets from the 2018-28 Long Term Plan.

Part 3 Financials | Pūrongo Pūtea

This section includes financial reporting benchmarks and financial details for Group Accounts, which include the Council and Hawke's Bay Regional Investment Company (HBRIC Ltd) for the year ended 30 June 2019.

Appendices

These include the *Independent Auditor's Report* (required under the Local Government Act 2002) and a report on *Key activities for progressively implementing the National Policy Statement for Freshwater Management* (required under the NPS-FM).

Statement on the Development of Māori Capacity to Contribute to Decision-making Processes

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

Regional Planning Committee

The Regional Planning Committee (RPC) was first established by the Council in 2011. In August 2015, the Hawke's Bay Regional Planning Committee Act 2015 came into effect and formalised the arrangements for the RPC. The purpose of the Act is to improve Tāngata Whenua involvement in the development and review of plans prepared by the Council under the Resource Management Act 1991 (RMA).

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

The RPC operates under the principles of co-governance to ensure that Tāngata Whenua are active decision makers in managing their taonga under the RMA. The RPC has two Co-Chairs: Mr Toro Waaka (appointed by Tāngata Whenua members) and the Regional Council Chair, Mr Rex Graham.

Seven RPC meetings were scheduled between 1 July 2018 and 30 June 2019 and a number of workshops.¹ The RPC typically met every six weeks. A number of matters were considered by the RPC throughout the year including:

- a) Consideration of the draft Greater Heretaunga/Ahuriri Plan Change (PC9) known as TANK as it covers the Tūtaekurī, Ahuriri, Ngaruroro and Karamū catchments. A number of workshops were held to ensure the members were familiar with the content of the plan and to understand the issues which the TANK collaborative stakeholder group had considered since 2012. The TANK Plan Change and the issues considered within it were discussed at a number of meetings, gaining in-principle support. In December 2018, the RPC recommended that the Council approve the release of the draft plan for pre-notification consultation (in January 2019). The plan was sent to affected iwi authorities, territorial authorities and the Minister for the Environment for comment.
- b) The RPC were presented with additional reports for consideration in relation to the development of the Outstanding Water Bodies Plan Change (PC7), including 'Selecting a List of Outstanding Water Bodies in Hawkes Bay' and 'Outstanding Water Bodies in Hawkes Bay: Report of the Expert Panel'. The RPC recommended to the Council that the draft Plan Change including a list of 43 water bodies be released for pre-notification consultation (in May 2019).
- c) A third edition of the revised Progressive Implementation Programme for implementing the NPS-FM was presented to the RPC in October 2018. The RPC recommended that Council agrees to extend the full implementation of the National Policy Statement for Freshwater Management (NPS-FM) policies out to 31 December 2030. This was considered appropriate as meeting the 31 December 2025 timeframe would result in lower quality planning and it would be impracticable for the Council to complete implementation of all of the NPS-FM policies within that timeframe.

¹ The Committee's Tāngata Whenua members typically convened their own hui a day prior to the full Committee meeting.

Part 1 - Introduction | Kupu Whakataki

- d) It was agreed that an independent review of the remuneration of RPC Tāngata Whenua members was to be undertaken.
- e) On 12 April 2018, the Labour-led government announced that there would be no further offshore oil and gas exploration permits granted. In response to this announcement the Regional Planning Committee at their meeting on the 12 September 2018 recommended to the Council to cease further work on the preparation of the Oil and Gas Plan Change, with a view to incorporating this work, as appropriate in future coming reviews of the Regional Resource Management Plan and the Regional Coastal Environment Plan.
- f) In December 2018, a request was presented to the RPC from the Tukituki Taskforce to consider amending the date for which the minimum flows would come into effect, to allow the community time to adapt to the new flows. In December, the RPC directed staff to scope and initiate a preliminary plan change process. Staff reported back to the RPC and after consideration of the views of affected parties, the RPC agreed not to progress a plan change to defer the 2018 minimum flow regime.
- g) The RPC continued to receive regular update reports from staff about consent applications and proposed district plan changes that the Council had previously submitted to other councils on.

Māori Committee

The Regional Council has a representative group of Ngāti Kahungunu Tāngata Whenua as its Māori Committee. The Committee consists of 12 Māori members, three from each of the four Taiwhenua in the Hawke's Bay region, plus up to three councillors.

The Committee meets every second month to consider relevant issues and provides the Council with recommendations, taking into account Tāngata Whenua views, expectations and aspirations. The Māori Committee is a key mechanism established by the Regional Council to comply with its obligations to engage and consult with Māori, as set out under sections 81 and 82 of the Local Government Act 2002. It is a standing committee under clause 30(1)(b) of Schedule 7 to the LG Act. A Charter sets out the way the Māori Committee and Regional Council will engage, last reviewed in October 2017. The Charter includes the Regional Council's responsiveness to its statutory obligations including policies aligning to Te Tiriti O Waitangi, resource consents consultation, and communication and engagement.

Over the past year, the Committee work programme has included a number of initiatives such as:

- Participation in the Three Waters Review
- Hosting a number of external speakers on key topics for Tāngata Whenua, such as Oranga Mārae (Department of Internal Affairs)
- Progressing the Committee's resolve to cease commercial eel fishing in Hawke's Bay.

One member of the Māori Committee is appointed to each of Council's Environment and Services and Corporate and Strategic Committees, and two qualified RMA Hearings Commissioners on the Committee are appointed to Council's Hearings Committee.

The Chair of the Council's Māori Committee attends Regional Council and Regional Planning Committee meetings where they have speaking rights on all issues. The Māori Committee holds every second meeting in one of the four taiwhenua takiwa, to give the opportunity for Tāngata Whenua of that area to participate in discussions of particular relevance to their rohe. In 2018-19, meetings were hosted by Ruataniwha Marae, Matahiwi Marae, Te Taiwhenua O Tamatea in the Waipukurau Community Hall, Whakakī Marae, and Pukemokimoki Marae.

Part 1 - Introduction | Kupu Whakataki

Direct Hapū and Other Involvement

The Council has continued to have direct interaction with a number of hapū and marae on issues of concern to them within this takiwa. Bi-lateral hui between HBRC leaders and Treaty settlement entities including the Iwi Chairs, is part of the Council's commitment to developing and strengthening our partnership with Tāngata Whenua. Topics are raised and discussed with consideration for the next steps being planned and agreed to by both parties. At the three or six month follow-up meetings, the Council provides both updates and feedback of the actions taken on those issues.

Project-based involvement by Tāngata Whenua is very important in many of the Council's work programmes. Projects such as Hawea Historical Park, engagement within the Council's hot spots such as Whakakī and Lake Tūtira rely on the contributions of Tāngata Whenua to ensure the project's environmental success.

Council has Pataka, a web-based GIS resource management tool that holds and displays Tāngata Whenua information spatially to meet the requirements of s35A of the Resource Management Act 1991 but also holds a wider range of Tāngata Whenua-related information too. Pataka is a living website therefore it must continue to be reviewed for accuracy to assist the Council and also the greater public who need to consult with Tāngata Whenua at various times, including when submitting resource consent applications.

A key decision made by the Council in its 2018-28 Long Term Plan, was to grow capacity and partnerships for co-governance and co-management with Tāngata Whenua to better meet the Regional Council's obligations, with increased funding beginning in 2018-19. The Māori Partnerships Group was established and resourced during 2018-19 to help drive this capacity and partnership from within the Council with Tāngata Whenua.

Part 1 - Introduction | Kupu Whakataki

Community Outcomes

Under the Local Government Act 2002, our Long Term Plan must describe the community outcomes for the Hawke’s Bay region and link our activities to these outcomes.

Community Outcomes are what “... a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future”.

Our community outcomes are:

Healthy Environment Vibrant Community Prosperous Economy

These icons are used in the Groups of Activities statements to show when activities primarily contribute to a specific community outcome.



Outcome measures

Under section 23 of Schedule 10 of the Local Government Act, the Council must report the results of any measurement undertaken during the year of progress towards the achievement of community outcomes. For the first time, the Regional Council has time-bound strategic goals that are being used as community outcome measures. These demonstrate a desire by the Council to shift from reporting activity or outputs, to managing for and reporting on outcomes – the things that matter to the community. Typically, the Regional Council does not have full control over the achievement of these outcomes, but it has a clear statutory role in achieving them. Where possible, the outcomes align with national targets or an existing Hawke’s Bay strategy or plan.

The outcome measures are grouped by the Regional Council’s four focus areas – Water, Land, Biodiversity and Infrastructure/Services. The four areas are interconnected and mutually reinforcing so success in one area cannot be at the expense of another. For example, the work we are doing on farms to keep soil on the land directly contributes to water quality.

Part 1 - Introduction | Kupu Whakataki

This is the first year we have reported against the community outcome targets. In some cases the methodology for data collection and reporting is still being developed. The table below provides results or progress made to date and the actions the Regional Council is undertaking to contribute to the achievement of the 23 community outcome targets. The status against the target is described as **Completed**, **On track**, **Under way**, or **Off Track**. Longer term, it is intended to develop time series (where relevant) to enable trend reporting (i.e. improving, worsening or no change).

Water quality, safety and certainty

| Community Outcome Target | Commentary | Status |
|---|---|-----------------|
| By 2025, plans for catchments where life-supporting capacity is compromised are in place and actively implemented | Following amendments to the National Policy Statement for Freshwater Management (NPS-FM) in August 2017, the Regional Council adopted a third edition of its Progressive Implementation Plan NPS-FM (PIP) on 31 October 2018. The updated implementation programme replaced the previous programme adopted by the Council in November 2015 and the original September 2012 edition. | Underway |
| By 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management Plan | Under the PIP, all catchments will have been through a plan change to set objectives and limits as required under the NPS-FM by 2030, including consulting on Tāngata Whenua values and quantity and quality limits (amongst other things). | |
| By 2030, all aquifers, lakes and rivers will have community-agreed quantity and quality limits in force | Under the Essential Freshwater package (formally announced on 5 September 2019), the government is bringing forward the date for limits to be in force to 2025. This will require a rethink of the PIP and the way the Regional Council undertakes plan changes. | |
| By 2030, cultural monitoring tools are in-use in all catchments | The Regional Council has been working with Te Taiwhenua o Heretaunga to establish a Tukituki Matauranga Māori framework (a Māori values-based monitoring and Māori wellbeing framework for the Tukituki Awa/River), including the development of the monitoring tohu/indicators. It is intended that this will provide a partnership approach that can be rolled out to other catchments in parallel with future plan changes. | Underway |
| By 2030, all popular Hawke’s Bay swimming sites will be swimmable 80% of the time, and 90% of the time by 2040 (source: NPS –FM updated Aug 2017) | <p>Results For the period July 2013 to June 2018, 83% of our recreational water quality sites were considered safe to swim on more than 80% of sampling occasions during November to March.</p> <p>What we are doing to contribute</p> <p>Under the Tukituki Plan Change, stock exclusion is mandatory in the catchment from 31 May 2020 and 1010 farm plans have been completed to identify potential critical source areas for faecal contamination. Similar regulations will come into effect for other catchments as limit setting plan changes are progressed. It is too early to explore relationships between this work on the ground and trends in the data but it should enable us to reach the outcome target. Particular focus will be required in the estuaries which make up 67% of the non-compliant sites.</p> | On track |

Part 1 - Introduction | Kupu Whakataki

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| <p>By 2050, there will be an improving trend in the life-supporting capacity of all of the region's degraded rivers and major streams</p> | <p>Results</p> <p>We are currently developing a fit-for-purpose monitoring programme to assess whether the life -supporting capacity of all of the region's degraded rivers and major streams is being improved or not. This will include the need to agree suitable definitions for many of these terms.</p> <p>As of June 2018, 41 out of 76 (54%) monitored sites had a Macroinvertebrate Community Index (MCI) score of either 'poor' or 'moderate'. The MCI is currently our best measure of ecosystem health, but we are working on developing our monitoring network and methods to more holistically capture the 'life-supporting capacity' of our waterways.</p> <p>What we are doing to contribute</p> <p>Like the outcome above, the Regional Council's FEMP (Farm Environment Management Plan) initiative, riparian planting programme and erosion control scheme is focused on on-farm planting and planting to improve freshwater quality. The Council has also successfully leveraged significant external funding for specific projects including \$1.38 million for the Whakakā Lake Project secured from the Freshwater Improvement Fund in June 2019, and \$1.5 million for Te Waiū o Tūtira – the milk of Tūtira, secured from the Freshwater Improvement Fund in 2018 to accelerate existing efforts to improve water quality and ecological habitat.</p> <p>Extra Council funding has been earmarked for the installation and maintenance of continuous water quality instrumentation to measure temperature, dissolved oxygen and pH at key monitoring sites around the region. These variables form a key part of 'life-supporting capacity'. A holistic ecosystem health programme is also being designed in tandem with the Cawthron Research Institute. This is scheduled to commence in 2020-21.</p> | <p>Underway</p> |
|---|--|-----------------|

Part 1 - Introduction | Kupu Whakataki

Smart sustainable land use

| Community Outcome Target | Commentary | Status |
|---|---|-----------------------|
| By 2025, stock is excluded from all year-round flowing streams and rivers and at least 30% are fenced and planted to filter contaminants | <p>We have begun a riparian monitoring assessment project through Land Science to statistically assess the condition of the regions 'riparian margins. This is beginning in the Tukituki catchment.</p> <p>This outcome target will be reinforced by the regulations in the Essential Freshwater package. Under these regulations stock is defined as cows and pigs (not sheep and deer).</p> | On track |
| By 2025, Land Use Suitability information is available to all commercial land owners to inform smarter land use | <p>In September 2019, the Hawke's Bay Regional Council (HBRC) will start working with Manaaki Whenua-Landcare Research to develop region wide Land Use Suitability assessments. Project planning is underway.</p> | Underway |
| By 2030, all commercial farms, orchards and vineyards operate under a Farm Environment Management Plan (FEMP) or an independently audited industry best practice framework | <p>Results</p> <p>Currently this information is only available for the Tukituki catchment. All farms over 4 hectares (ha) must have a FEMP under the Tukituki Plan. 96% by land area is being managed using a FEMP. This equates to 1010 FEMPs. 49 non-compliant farms are being dealt with by the compliance team.</p> <p>What we are doing to contribute</p> <p>In the 2018-28 Long Term Plan, the Council resolved to borrow \$5 million over ten years to provide incentives to change in the form of interest-free loans for Farm Plans. Landowners can take up the subsidy prior to regulations coming into effect through plan changes. Farm Plans will also become compulsory as part of the Essential Freshwater package under a National Environmental Standard with a phased implementation. This will support the achievement of this outcome target.</p> <p>This is measured by area of land by catchment covered by a Farm Plan by ownership. Farm Plans are defined here as any plan that addresses contaminant risk and identifies mitigations to reduce that risk.</p> | On track for Tukituki |
| By 2030, all farms in priority sub-catchments will have phosphorus management plans being implemented, with at least 50% of highly erodible land treated with soil conservation plantings | <p>Currently this information is only available for the Tukituki catchment.</p> <p>24% of the 250,000 ha within the Tukituki is in an over allocated sub-catchment. The sub-catchments are Papanui, Mangaonuku, Kahahakuri. All properties within the sub-catchments have a comprehensive phosphorous management plan as part of their FEMP. Reporting on implementation is a work in progress.</p> <p>As in the above outcome target, the Essential Freshwater package includes limits on Nitrogen and Phosphorous so will support the achievement of this outcome target.</p> | On track for Tukituki |

Part 1 - Introduction | Kupu Whakataki

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| <p>By 2050, all highly erodible land will be under tree cover</p> | <p>Results</p> <p>There is an estimated 252,000 ha of highly erodible land in Hawke’s Bay. This contributes an estimated 3.3 million tonnes of sediment to Hawke’s Bay waterways every year.</p> <p>In 2018-19, staff worked with landowners to complete 69 Erosion Control Plans which relate to \$2.3 million of total works on the ground (\$1.7 million of that is being funded by the Council). The total area under an Erosion Control Plan is estimated at 29,640 ha. This equates to approximately 12% of the total area of modelled highly erodible land (noting that not all of the area covered by a plan requires planting). This was the first year of the Erosion Control Scheme (ECS) with systems and processes still under development including how to measure the actual area of highly erodible land under land cover both spatially and by landowner.</p> <p>What we are doing to contribute</p> <p>The ECS helps Hawke’s Bay landholders keep soil on their hills and out of the water by providing significant financial support for erosion control work such as non-commercial tree planting, fencing and land reversion. The Council has committed \$30 million over 10 years through the ECS. Further funding of \$5 million was secured from the Ministry for Primary Industries (MPI) Hill Country Erosion Scheme. Improved ecological health of the region’s waterways and biodiversity enhancement are secondary benefits to this scheme.</p> | <p>Underway</p> |
| <p>By 2030, there will be 20% less contaminants from urban and rural environments into receiving waterbodies</p> <p>By 2050, there will be 50% less contaminant from urban and rural environments into receiving waterbodies</p> | <p>Monthly water quality sampling is good for assessing the state and trend of contaminant <u>concentrations</u> over time. Monthly water quality sampling does not however provide accurate assessments of contaminant <u>loads</u> because the large loads carried on floods are often missed. We have committed extra resourcing to more accurately measuring contaminant loads, which includes continuous water quality instrumentation at key sites around the region as well as automatic water quality samplers that target flood events. These new monitoring programmes will provide the information needed to assess our progress towards contaminant load reductions.</p> | <p>Underway</p> |

Part 1 - Introduction | Kupu Whakataki

Healthy and Functioning Biodiversity

| Community Outcome Target | Commentary | Status |
|---|--|--|
| <p>By 2020, regional priority locations for ecosystem restoration – including in the coastal marine area – have been identified</p> | <p>900 priority terrestrial ecosystem sites have been identified, based on type, how many there are, size, connectivity and condition using a conservation planning software tool called Zonation which was then verified using expert local knowledge. Zonation helped us determine the top 30% priority terrestrial sites to put our efforts to deliver the biodiversity outcomes for the investment.</p> <p>Ecosystem-based site prioritisation was one of six priority actions identified in the HB Biodiversity Action Plan 2017-21 and will underpin much of the subsequent work to achieve the objectives in the HB Biodiversity Strategy (and the next community outcome target).</p> <p>In June 2019, the HBRC engaged NIWA to identify key coastal/marine ecological areas.</p> | <p>Completed for land</p> <p>Underway for coastal marine</p> |
| <p>By 2030, key (target) species and habitat (sites) are prioritised and under active restoration (<i>HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020</i>)</p> | <p>Results</p> <p>In the past year, 13 sites (six wetland sites, six bush remnants and one estuary) were fenced and weed-controlled to protect the endangered ecosystems. This is the first year of the programme making it difficult to assess how many ecosystems we can feasibly secure and/or restore each year. Successfully securing all 900 identified priority sites will require a multi-agency joined-up approach.</p> <p>What are we doing to contribute</p> <p>The HBRC has committed \$200,000 per annum to fund operations on the ground to secure, manage and restore identified sites. A further \$40,000 of operating expenditure is dedicated to developing a monitoring framework for biodiversity outcomes on sites prioritised through this process.</p> <p>Ongoing work also involves building partnerships with other teams within the Regional Council such as Catchment Management, Open Spaces and Engineering and other agencies such as QEII, NZ Landcare Trust, Forest & Bird, the forestry sector, local authorities, Biodiversity Hawke’s Bay and the Native Forest Restoration Trust to leverage funding. Over the past year our partnerships have resulted in an extra \$140,000 funding to protect and enhance ecosystem prioritisation sites, resulting in more sites being actively managed than would have been achievable using the current resource allocation.</p> <p>The team is actively exploring external funding such as the One Billion Trees Programme, the Department of Conservation’s Community Conservation Fund and the Lottery Grants Board in partnership with Biodiversity Hawke’s Bay.</p> | <p>Underway</p> |

Part 1 - Introduction | Kupu Whakataki

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|---|---|-----------------|
| <p>By 2050, a full range of indigenous habitats and ecosystems, and abundance and distributions of key species are maintained and increased in every catchment in Hawke’s Bay (<i>HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020</i>)</p> | <p>The Environment Aotearoa 2019 report released by the Ministry for the Environment identifies “Our native plants, animals and ecosystems are under threat” as one of nine priority issues for NZ. The number of endangered species is growing making this an ambitious target to achieve. The methodology for identifying key species across the region, and how we measure the abundance and distribution of these species is being worked on.</p> <p>What are we doing to contribute</p> <p>As mentioned above the Council has dedicated funding for ecosystem protection and monitoring as well as a range of other work programmes that deliver biodiversity outcomes, including but not limited to Predator Free Hawke’s Bay, Possum Control Areas programme, pest plant management, regional parks, river management, and the Erosion Control Scheme. The Council is working closely with others to leverage funding for this critical work. In 2018, the HBRC seed funded the HB Biodiversity Trust with \$200,000 for its endowment and fully funded the Biodiversity Hawke’s Bay Project Manager. The HB Biodiversity Foundation’s goal is to grow its endowment to \$10 million in ten years, and \$50M+ longer term to transform biodiversity outcomes in the region.</p> | <p>Underway</p> |
| <p>By 2050, Hawke’s Bay is predator free in line with NZ 2050 target</p> | <p>Result</p> <p>14,500 ha of land on Mahia Peninsula is targeted for possum eradication and predator suppression (feral cats, stoats and ferrets) over four years. This is the first phase of Predator Free Hawke’s Bay.</p> <p>What are we doing to contribute</p> <p>The Regional Council has successfully leveraged \$3.1 million of the \$4.8 million for the Whakatipu Mahia project from PF2050 Ltd and other external funders. Staff have re-located to Mahia to work on this alongside education and biodiversity restoration actions.</p> | <p>Underway</p> |

Part 1 - Introduction | Kupu Whakataki

Sustainable services and infrastructure

| Community Outcome Target | Commentary | Status |
|---|---|-----------------|
| <p>By 2025, regional air quality consistently meets World Health Organisation guidelines</p> | <p>Results</p> <p>Napier and Hastings airsheds have met National Environmental Standards for air quality over the past five years. Awatoto breached in 2018 and is likely to have in 2015. The highest concentrations recorded have approximately halved in Napier and Hastings since continuous monitoring began in 2005-06. There are no trends in the Awatoto airshed.</p> <p>PM10 has been exceeded 79 times in Hastings and 17 times in Napier in the last ten years but it is trending in the right direction. Fine particles standards PM2.5 are likely to come into effect in the near future (aligned to World Health Organisation guidelines). This may result in more exceedances.</p> <p>What we are doing to contribute</p> <p>In 2009, the HBRC established the HeatSmart programme to replace non-compliant wood burners and promote the use of dry wood. The programme has exceeded its target of providing 10,000 financial packages (e.g. grants/loans for compliant heating and insulation) over ten years. The introduction of new ultra low emission burners will also help reduce emissions from household heating.</p> <p>The Regional Council has also been working to improve air quality through setting and enforcing rules in the Regional Resource Management Plan related to emissions of harmful substances into the atmosphere (e.g. through winter burn-offs).</p> <p>The HBRC contributes to lowering emissions from traffic through provision of public transport and cycleways as well as use and promotion of electric cars.</p> | <p>On track</p> |
| <p>By 2025, coastal hazards are being managed to meet foreseeable climate change risks to coastal communities out to 2100</p> | <p>In early 2018, the Clifton to Tangoio Coastal Hazards Strategy 2120 was adopted, following intensive multi-criteria options analysis and stakeholder engagement. The Strategy is a joined-up approach between the Hawke’s Bay Regional Council, Napier City Council, Hastings District Council and iwi groups Mana Ahuriri, He Toa Takitini and Maungaharuru-Tangitū Trust with a focus on long-term workable solutions.</p> <p>In May 2019, the Coastal Hazards Joint Committee recommended the establishment of a coastal contributory fund to help the councils to rate for the future costs of implementing actions such as groynes, shingle renourishment and sea walls. This is a significant step toward funding the major infrastructure costs that form part of the region’s growing response to climate change.</p> <p>The details associated with the coastal hazards contributory fund will be the focus of public consultation in 2020, with remaining matters to be further consulted on after 2021, including specific designs for each priority coastal area, the prioritisation of works and the triggers for action. The focus will then move to other coastal areas. More information is at hbcoast.co.nz</p> | <p>On track</p> |

Part 1 - Introduction | Kupu Whakataki

| | | |
|--|--|-----------------|
| <p>By 2025, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructure</p> | <p>In June 2019, the Regional Council instructed Napier Port to proceed with a 45% initial public offer (IPO) of shares in the Port, paving the way to deliver the funds needed to help the Port to grow. On 20 August 2019, access to capital was confirmed through an IPO listing on NZX.</p> <p>The HBRC invested over two-and-a-half years in this process - much of this time spent thoroughly investigating all viable options to deliver the results the Council needed on behalf of the Hawke’s Bay community.</p> <p>The process focused on establishing the most appropriate capital structure for the Regional Council, particularly with Napier Port needing a new wharf investment, at a cost of up to \$190 million.</p> <p>After extensive community consultation, the Regional Council settled on a minority IPO for 45% of Napier Port. This was agreed to be the best solution for our Port and our region. It gives the funding the Port needs, protects ratepayers from the costs, diversifies the Council’s income streams, and keeps majority Regional Council ownership and control of the Port.</p> <p>KiwiRail re-commenced log service between Wairoa and Napier in June 2019.</p> | <p>On track</p> |
| <p>By 2030, flood risk is being managed to meet foreseeable climate change risks out to 2100</p> | <p>Phased design and construction planning is under way to improve the level of protection provided by the Heretaunga Plains Flood Control and Drainage Scheme from 1% (1 in 100 years return period) to 0.2% (1 in 500 year return period) to accommodate climate change impacts. The Upper Tukituki Scheme will follow.</p> | <p>Underway</p> |
| <p>By 2030, HB has environmentally sustainable, harvestable water identified and stored or plans to be stored if required</p> | <p>The 2018-28 Long Term Plan set aside \$5 million to develop an integrated set of freshwater security of supply solutions. This funding has been leveraged to secure \$30 million funding from the Provincial Growth Fund for four regional water security projects.</p> <ul style="list-style-type: none"> • \$2.15 million for a high-resolution, aerial electromagnetic survey of Hawke’s Bay’s aquifers. • \$450,000 to produce a regional freshwater assessment, including detailed analysis of the region’s freshwater requirements over the next 30 – 50 years, as well as the ability for known water sources to meet demand. • Two focused areas of investigation in relation to the region’s two significant groundwater catchments on the Heretaunga and Ruataniwha plains. <p>In March 2019, the Council approved a Regional Freshwater Security Policy to guide this work.</p> | <p>Underway</p> |

Part 1 - Introduction | Kupu Whakataki

| | | |
|---|---|-----------------|
| <p>By 2040, Hawke's Bay is carbon neutral</p> | <p>No baseline has been set for existing greenhouse gas emissions but work is underway to develop a Climate Change Strategy which will help us set a baseline that complies with global standards for measuring greenhouse gas emissions (the GHG Protocol).</p> <p>What we are doing to contribute</p> <p>On 26 June 2019, the Council declared a climate emergency, recognising global warming to be an urgent and pervasive threat to human and ecological wellbeing. This has signalled the development of a comprehensive climate response including changes to governance structures, developing a current regional state of knowledge with an analysis of risks and opportunities, the Regional Council's own corporate response, regular reporting and extensive community engagement. In a subsequent meeting on 7 August, the Environment and Services Committee requested a community campaign be developed to gain community commitment to achieving the Council's 2040 goal of becoming carbon neutral.</p> | <p>Underway</p> |
|---|---|-----------------|

Part 2:
Groups of Activities |
Ngā Whakarōpūtanga Kaupapa

How to read this section

The Council aggregates and reports its financial and service performance information in Groups of Activities for ease of understanding.

The Groups of Activities are:

1. Governance and Partnerships
2. Strategic Planning
3. Integrated Catchment Management
4. Asset Management
5. Consents and Compliance
6. Emergency Management
7. Transport.

Change in Group of Activities

In the 2018-28 Long Term Plan (LTP) the Regional Council reorganised its activities into seven groups (compared to eight in the previous LTP) to better mirror its organisational structure. As a result some activities have shifted from one group to another. This combined with changes to the service (or non-financial) performance measures means the information in this section is different to the previous year's annual report.

The table below shows the difference in the Groups of Activities (GOA) between the 2015-25 and 2018-28 LTPs. Prior year comparative (2017-2018) financial information has been restated to reflect the updated Group of Activities in the Cost of Service Statements and Group of Activity Funding Impact Statements:

| Current GOA as per the 2018-28 LTP | Previous GOA as per the 2015-25 LTP | Changes |
|------------------------------------|---|--|
| Governance and Partnerships | Governance, Community Engagement and Services | Name change plus activities within the new GOA amalgamated from four to two. |
| Strategic Planning | Strategic Planning | Policy Implementation and State of the Environment Monitoring activities renamed/amalgamated with other activities and shifted to Integrated Catchment Management GOA. |
| Integrated Catchment Management | Biosecurity and Biodiversity | Biodiversity and Biosecurity now included in Integrated Catchment Management GOA as an activity. |
| | Regional Resources | Coastal Management, Gravel Management and Open Spaces activities shifted to Asset Management GOA. The remaining activities included in renamed Integrated Catchment Management GOA. |
| Asset Management | Land Drainage and River Control | GOA and activities sitting within it renamed and Coastal, Gravel And Open Spaces activities moved into GOA from old Regional Resources GOA. Flood Risk and Warning moved into GOA from old Emergency Management GOA. |
| Consents and Compliance | Regulation | Name change only. |
| Emergency Management | Emergency Management | Flood Risk and Warning moved into Asset Management GOA. |
| Transport | Transport | Regional Cycling (previously in Open Spaces activity) shifted from Regional Resources GOA to Transport. |

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Each Group of Activities describes:

What we do

A brief description of the activities that make up the Group of Activities.

Why we do it

Describes the rationale for delivery of the Group of Activities and the community outcomes² to which the activities primarily contribute as well as identified effects that any activity has had on the four well-beings. The Regional Council's community outcomes are derived from the vision statement in its Strategic Plan 2017-2021 and are represented by the following icons:



What we did

Gives brief highlights for the 2018-19 year in chronological order.

What we spent

This is the Cost of Service Statement for each Group of Activities. It covers:

- Actual financial performance against budget for
- A comparison with the previous year's actual expenditure (2017-18)
- An explanation of any material financial variances.

How we did

This is the Statement of Service Performance for each Group of Activities. It covers:

- Actual service performance against targets set in the 2018-28 Long Term Plan expressed as
 - Achieved**
 - Partially Achieved**
 - Not Achieved**
 - Not Measured**
- The previous year's result (2017-18) where relevant
- Commentary to provide context and more information on the performance result.

² Community outcomes means the outcomes that a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future.

Governance & Partnerships

What we do

There are two activities within the Governance and Partnerships Group of Activities:

- Community Representation and Leadership
- Tāngata Whenua Partnerships and Community Engagement

Community Representation and Leadership

This activity aims to support elected members in their governance roles to make robust and transparent decisions. It also maintains the integrity of council processes such as triennial elections, representation reviews and council meetings by ensuring they are run correctly and providing timely and appropriate responses to official information requests and Ombudsmen's office enquiries.

Tāngata Whenua Engagement and Community Engagement

This activity covers our engagement with Tāngata Whenua as required by the Local Government Act, co-governance arrangements with Treaty settlement groups through the Regional Planning Committee and other strategic relationships. It also includes our engagement and communication with the general community through a variety of media and the EnviroSchools programme.

Why we do it

This Group of Activities primarily contributes to a Vibrant Community by giving Tāngata Whenua and the people of Hawke's Bay opportunities to have a meaningful say on the direction of their region.

Most of what the Council does in this Group of Activities is prescribed by the following legislation:

- Local Government Act 2002
- Local Electoral Act 2001
- Local Government Official Information and Meetings Act 1987
- Local Authorities (Members' Interests) Act 1968
- Hawke's Bay Regional Planning Committee Act 2015

What we did

Highlights in 2018-19 for the Governance and Partnerships group included:

- In August 2018, the Regional Council and Ngāti Kahungunu Iwi Incorporated signed the Kahutia Accord MOU (Memorandum of Understanding). The Kahutia Accord is a formal partnership with the aim to reforest 100,000 hectares of land across Hawke's Bay by 2030. Key objectives are also economic and social outcomes by way of industry creation, skills development and employment. Reconnecting the community with the environment is also an intended co-benefit



Governance & Partnerships

- The Regional Council formed a Māori Partnerships team. The Council appointed a Te Pou Whakarae in its executive leadership team reporting directly to the Chief Executive and two supporting roles; Senior Advisor Māori Partnerships and Māori Engagement Coordinator. The team's focus is growing council-wide cultural capability, enhancing council's engagement with Tāngata Whenua and facilitating technical input to meet all statutory requirements.
- In March 2019, A "Stand, Enrol, Vote" campaign was developed to increase public awareness, attract a diverse range of candidates, and promote greater participation in the local election process. Staff have worked in partnership with the other territorial authorities on some shared communication collateral and candidate briefing evenings.
- On 26 June 2019, a final decision of the Council was made to proceed with a 45% Initial Public Offering (IPO) of shares in the Napier Port to fund the Port's growth and diversify the Council's investments. This followed more than two-and-a-half years of work investigating options, consulting the community and setting up an appropriate structure.
- Councillors and management continue to represent the HBRC on a number of joint committees and collaborative forums such as the regional Three Waters Service Delivery Review, the Drinking Water Governance Joint Committee, Coastal Hazards Strategy, Heretaunga Plains Urban Development Strategy implementation working group, Tukituki Taskforce and HBLASS (Hawke's Bay Local Authority Shared Services).
- The EnviroSchools Programme continued to grow with 60 kindergartens and schools now participating. A highlight is the participation of all 16 kindergartens in the Heretaunga Kindergarten Association. Council's Environmental Education resources aim to play a key role in connecting schools to catchment groups, riparian planting and restoration projects.

Governance & Partnerships

What we spent

| Governance and Community Engagement | | | | | |
|--|---|-----------------|-----------------|-----------------|----------------|
| | | Actual | Budget | Actual | |
| | Activity | 18/19 | 18/19 | 17/18 | |
| | (#) | (\$'000) | (\$'000) | (\$'000) | |
| EXPENDITURE | | | | | |
| Operating Expenditure | | | | | |
| | Community Representation and Leadership | 1 | 2,252 | 1,449 | 1,746 |
| | Tanagata Whenua Partnerships & Community Engagement | 2 | 1,488 | 2,116 | 1,262 |
| | Depreciation/Amortisation Expense | | 7 | 8 | 7 |
| | Total Operating Expenditure | | 3,748 | 3,573 | 3,016 |
| Capital Expenditure | | | | | |
| | Solar Heat Advances | | - | - | - |
| | Asset Construction | | | | - |
| | Loan Repayment | | 390 | 405 | 390 |
| | Total Capital Expenditure | | 390 | 405 | 390 |
| | TOTAL EXPENDITURE | | 4,138 | 3,978 | 3,406 |
| REVENUE | | | | | |
| Activity Revenue | | | | | |
| | Direct Charges | | 61 | 122 | 13 |
| | Total Activity Revenue | | 61 | 122 | 13 |
| Other Revenue | | | | | |
| | Grants | | 25 | 15 | 43 |
| | Loan Funding | | 100 | 100 | 100 |
| | Solar Heat Repayments | | | - | - |
| | Total Other Revenue | | 125 | 115 | 143 |
| | TOTAL REVENUE | | 186 | 237 | 156 |
| | TOTAL GENERAL FUNDING REQUIREMENT | | (3,952) | (3,741) | (3,250) |
| Special Reserve Funding | | | | | |
| | Regional Projects Reserve | | | - | - |
| | Sale of Land (Investment) Reserve | | 485 | 520 | 522 |
| | Total Special Reserve Funding | | 485 | 520 | 522 |
| | NET GENERAL FUNDING REQUIREMENT | | (3,467) | (3,221) | (2,728) |
| MET BY | | | | | |
| | General Funding Rates | | 2,668 | 2,603 | 2,038 |
| | Investment Income | | 2,069 | 826 | 1,978 |
| | Operating Reserves | | (1,270) | (208) | (1,288) |
| | | | 3,467 | 3,221 | 2,728 |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Financial Variances Explained

Operating expenditure exceeded budget by \$175,000 largely due to additional costs related to establishing the most appropriate capital structure of Napier Port. This led to the most significant consultation in the Council's history and resulted in a record number of submissions. This was expended through the Community Representation and Leadership activity.

Governance & Partnerships

How we did

Community Representation and Leadership Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|---|--|---|
| HBRC will make transparent decisions, deliver cost-effective infrastructure and services and engage the community in activities and decision-making processes, with clear expectations for participation. | Council meetings are conducted in compliance with statutory requirements and Standing Orders. | Achieved (New measure) | Achieved All Council and Committee meetings were advertised, conducted and minuted in accordance with relevant Local Government Act and Local Government Official Information & Meetings Act requirements. |
| | LTPs and annual reports receive "unmodified" audit opinions. | Achieved (New measure) | Partially Achieved An unmodified audit report was received for an amendment to the 2018-28 Long Term Plan. A qualified audit opinion was received on Regional Council's group financial statements for the 2017-18 Annual Report. An unmodified audit opinion was received on Regional Council and group's other audited information. The basis for the qualified audit opinion was the result of Audit NZ being unable to obtain sufficient appropriate audit evidence to determine the tax effects of Ruataniwha Water Storage Scheme (RWSS) expenditure. The amount of tax deductions available in relation to the \$19.594 million losses on the RWSS intangible asset has since been determined through a binding ruling from the Inland Revenue Department (made in December 2018). The tax benefit has been recognised in Regional Council's group financial statements this year. A qualified audit opinion was also received on Regional Council's group financial statements for the 2018-19 Annual Report. An unmodified audit opinion was received on Regional Council and group's other audited information. The basis for the qualified audit opinion was due to the group financial statements including the financial statements of the company's subsidiary, Port of Napier Limited, for the year ended 31 March 2019 rather than for the year ended 30 June 2019. |

Governance & Partnerships

| | | | |
|--|--|--|---|
| | <p>Percentage of surveyed residents who perceive "acceptable to very good" value of services from HBRC rates (source: 2-yearly SIL perception survey).</p> | <p>75% (New measure)</p> | <p>Not Achieved 73.8% (48.5% acceptable, 25.3% good/ very good). Despite not hitting the self-selected target this is a 1.6% increase on the previous survey result (2017-18: 72.2%) so signifies an improvement in resident satisfaction. Note: The SIL perception survey was undertaken between May – June 2019 so has been reported in this financial year, not 2019-20 as scheduled in the 2018 -2028 Long Term Plan.</p> |
| <p>HBRC will make sound investment decisions to grow its assets and generate investment incomes to fund council projects, programmes and activities.</p> | <p>Rate of returns on investment as set out in Council's Investment Policy* are met.</p> | <p>Achieved (New measure)</p> | <p>Partially Achieved Above target returns were achieved for some but not all of Council's revenue generating assets. Commercial property returned a cash yield of >5%. The Napier Port achieved its forecast dividend and exceeded expectations in the recent IPO. The exception was managed funds. During the course of the financial year, \$40 million was placed into diversified investment portfolios or 'managed fund'. As at 30 June 2019 the combined balance of the fund was \$41,909,541 representing an increase of 4.77% (before fees and inflation). While certain investments have met or exceeded the target rate of return (e.g. NZ equities, Trans-Tasman equities), the overall investment returns for the managed fund are below Council's FY19 targeted net inflation-adjusted return of 4.50% due to (1) Council's allotment of capital between Income and Growth assets; and (2) Target asset allocation and portfolio composition have yet to be fully realised by one of the two fund managers. Target asset allocation for funds under management has not been achieved partly due to gradual, deliberate and systematic staggering of investment portfolio positions in a volatile macroeconomic environment. Annualised returns reporting relative to the benchmark will commence in 2020.</p> |

***Investment Performance Objectives** [excerpt from Statement of Investment Policy and Objectives (SIPO)]
Council's Fund is targeted to earn a return at least equal to a real return (after inflation and fees) of 4.5% in Year 1 and 5.0% per annum in Year 2 and beyond. All returns are assessed in NZD.

Governance & Partnerships

Tāngata Whenua Partnerships and Community Engagement Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|---|---|--|
| HBRC engages in strategic relationships to better achieve its vision and purposes. | Annual reporting to Council on performance of strategic relationships. | Achieved (New measure) | <p>Not measured</p> <p>Performance of strategic relationships was not measured and therefore not reported prior to the Annual Report. A methodology for measuring performance will be developed in 2019-20.</p> <p>Strategic relationships with Tāngata Whenua are held through a range of mechanisms; Regional Planning Committee (RPC), Māori Standing Committee (MSC), Post-Settlement Governance Entities (PSGE) Chairs, and bi-laterals that are open to all PSGEs as a one-on-one with the HBRC Chair, Chief Executive and elected councillors. Only three PSGEs are participating in regular bi-laterals whereas all PSGEs except Te Uru Taumatua (Tūhoe) have appointees to the RPC which is a statutory committee. RPC and MSC met on their scheduled dates whereas the bi-laterals have been scheduled to accommodate business demand on respective participants.</p> |
| HBRC has the internal capability and capacity to engage effectively with Tāngata Whenua. | An annual programme to improve cultural competency for staff and councillors is resourced, developed and implemented. | Achieved (New measure) | <p>Not Achieved</p> <p>Annual programme delayed due to Māori Partnerships Group not achieving full capacity and induction of staff until May 2019. Building the cultural competency programme is a priority for the 2019-20 work programme.</p> |

Strategic Planning

What we do

There are three activities within the Strategic Planning Group of Activities:

- Strategy
- Planning
- Sustainable Regional Development

Why we do it

This Group of Activities contributes to the following community outcomes:



The Strategic Planning Group of Activities is focused on maximising the economic and social benefits of the region's resources while minimising detrimental environmental impacts. The HBRC carries out this role because it is able to provide an integrated overview of the entire region and has a statutory mandate under the Resource Management Act.

What we did

Highlights in 2018-19 for the Strategic Planning group included:

- In August 2018, a Project Management Office (PMO) was established to act as a centre of excellence for project management at the HBRC. This is the first time the Regional Council has had dedicated resources to implement a consistent best practice project management framework across the whole organisation. Project delivery is decentralised with subject matter experts acting as project managers following the agreed project management methodology with support provided by the PMO.
- In October 2018, an Establishment Working Group was convened to develop the mission, scope, programme and appropriate structure for the Future Farming Initiative which was created as an outcome of the Council's consultation on the 2018-28 Long Term Plan. Recruitment for trustees began in May 2019 with nine high-calibre applicants selected including a Council appointee. The Future Farming Charitable Trust's ambition is to make Hawke's Bay's farming the pride of our entire community; to shine a light on our region's existing and emerging expertise and create a local hub of knowledge, research, education and opportunity for profitable and resilient farming that ensures the health of the region's soil and water, communities and farmers into the future. A public launch is due in late 2019.

Strategic Planning

- The past year has seen intensive involvement by HBRC staff in reviewing the Government's NPS-FM (National Policy Statement for Freshwater Management) resulting in the Essential Freshwater package. A Senior Planner was seconded to the Ministry for the Environment for six months to work on freshwater reform and our Group Manager ICM (Integrated Catchment Management) and Chief Executive (CE) sat on the Regional Sector Water Sub-Group directly influencing and shaping the national policy. Ongoing, our staff are well represented on regional sector special interest groups (including the Group Manager ICM's role as the Convenor of the Resource Management Group), on National Science Challenges and our CE sits on a Ministerial Forestry advisory group.
- In January 2019, the draft Greater Heretaunga/Ahuriri Catchment Area (TANK catchments) Plan was released for pre-notification consultation, and was sent to affected iwi authorities, territorial authorities and the Minister for the Environment for comment. Prior to that, in August 2018, the draft plan was handed over from the TANK collaborative stakeholder group, who had been working on this piece of work for six years, to the Regional Planning Committee. The TANK Plan Change (PC9) is part of ongoing work to implement the NPS-FM. It will set new rules of water quality and quantity in the TANK catchment area. The Plan Change is progressing towards public notification in late 2019 with hearings to follow in 2020.
- In February – March 2019, stage 2 hearings were held for the Ngaruroro Water Conservation Order application. The hearings focused on the lower Ngaruroro River and Clive River. Stage 1 hearings took place from 14 November – 6 December 2018 and focused on the upper Ngaruroro River. The Council submitted in opposition to the application in 2017 due to it cutting across the TANK (PC 9) community decision-making process and presented evidence at the hearings.
- On 17 May 2019, the draft Outstanding Water Bodies Plan Change was released for pre-notification consultation. The Council worked with the Regional Planning Committee, Tāngata Whenua, territorial authorities, local experts and other key stakeholders to identify outstanding water bodies within the region. The Plan Change (PC 7) proposes to include this identified list and a framework which prescribes a high level of protection for these water bodies in future plan making. This project is also a key part of ongoing work to implement the NPS-FM.
- In June 2019, it was announced that Hawke's Bay was awarded more than \$64 million from the Government's Provincial Growth Fund (PGF). Funding will be distributed from Wairoa to Central Hawke's Bay and will fast track new initiatives, with water and infrastructure projects the major recipients. Overall, the PGF has earmarked \$30.6 million funding support split between grant funding and loan funding (if required) for four regional water security projects which will be administered by the Hawke's Bay Regional Council:
 - \$2.15 million for a high-resolution, aerial electromagnetic survey of Hawke's Bay's aquifers
 - \$450,000 to produce a regional freshwater assessment, including detailed analysis of the region's freshwater requirements over the next 30 – 50 years, as well as the ability for known water sources to meet demand
 - Two focused areas of investigation in relation to the region's two significant groundwater catchments on the Heretaunga and Ruataniwha plains.
- On 26 June 2019, the Hawke's Bay Regional Council joined other councils around the country in declaring a climate emergency. The resolution directed staff to:

Strategic Planning

- Provide an annual progress report in relation to existing work and additional future programmes relating to climate change
 - Include climate change as a primary factor for consideration in its decision making processes
 - Commit to developing a comprehensive programme of work in response to climate change, including regional leadership for climate change awareness and action
 - Request staff develop a programme of community engagement on climate change mitigation and adaption
 - Direct the Chief Executive to further reduce the Council's greenhouse gas emissions and report annually on progress
 - Advocate the Ministry for the Environment to include greenhouse gas emissions in the consenting process under the Resource Management Act.
- In 2018-19, the Hawke's Bay Regional Business Partners team supported over 247 businesses to achieve their business growth objectives; issued \$327,300 in Capability Development funding for business training; placed 49 Business Mentors into Hawke's Bay organisations; and linked 62 Hawke's Bay businesses into Callaghan Innovation resources to undertake Research & Development.

Strategic Planning

What we spent

| Strategic Planning | | | | |
|--------------------------------|--|-----------------|-----------------|-----------------|
| | | Actual | Budget | Actual |
| | Activity | 18/19 | 18/19 | 17/18 |
| | (#) | (\$'000) | (\$'000) | (\$'000) |
| EXPENDITURE | | | | |
| Operating Expenditure | | | | |
| | Strategy | 281 | 204 | |
| | Planning | 2,131 | 2,618 | 2,586 |
| | Sustainable Regional Development | 2,237 | 2,124 | 2,621 |
| | Depreciation/ Amortisation Expense | | | |
| | Total Operating Expenditure | 4,648 | 4,946 | 5,208 |
| Capital Expenditure | | | | |
| | Energy Futures Loan Repayments | 20 | | 20 |
| | Total Capital Expenditure | 20 | - | 20 |
| | TOTAL EXPENDITURE | 4,668 | 4,946 | 10,849 |
| REVENUE | | | | |
| Activity Revenue | | | | |
| | Direct Charges | - | - | - |
| | Total Activity Revenue | - | - | - |
| Other Revenue | | | | |
| | Targeted Rates | 1,850 | 1,850 | 2,342 |
| | Grants | 274 | 274 | 377 |
| | Loans Drawn Down | - | - | - |
| | On-Site Waste Water Disposal Loan Repayments | - | - | - |
| | Total Other Revenue | 2,124 | 2,124 | 2,719 |
| | TOTAL REVENUE | 2,124 | 2,124 | 2,719 |
| | TOTAL FUNDING REQUIREMENT | (2,544) | (2,822) | (8,129) |
| Special Reserve Funding | | | | |
| | Sale of Land (Other Initiatives) Reserve | | 89 | 403 |
| | Total Special Reserve Funding | - | 89 | 403 |
| | NET GENERAL FUNDING REQUIREMENT | (2,544) | (2,733) | (7,726) |
| MET BY | | | | |
| | General Funding Rates | 2,812 | 2,733 | - |
| | Investment Income | 1,518 | 89 | 1,825 |
| | Operating Reserves | (1,786) | (89) | 5,901 |
| | | 2,544 | 2,733 | 7,726 |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Strategic Planning

Financial Variances Explained

There is an underspend in operating expenditure for the Strategic Planning group as a result of planning processes progressing more slowly than expected, particularly TANK's extended deliberations through the Regional Planning Committee and vacancies in the Planning team.

Strategic Planning

How we did

Strategy Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|--|--|--|
| HBRC will keep informed about organisational, local, regional, national and international issues and trends, periodically develop a high quality and relevant Strategic Plan and align the organisation to deliver on strategic outcomes. | Annual reporting to Council on the development and/or implementation of the Strategic Plan to maintain its currency and relevance. | Achieved (New measure) | Achieved An information paper was presented to the Corporate and Strategic Committee on 5 June 2019 to update Council on progress with implementing the 2017-2021 Strategic Plan. Attached to the information paper was a Strategic Snapshot which gave a holistic view of council activity at a point in time and demonstrated how the programme of work contributes to achieving the 23 strategic goals from the Strategic Plan. |

Planning Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|---|--|---|
| HBRC develops and maintains clear and appropriate policies that promote the sustainable management of the region's natural and physical resources and protects the community from resource management related risks. | Compliance with statutory timeframes for RMA planning documents. | Achieved (New measure) | Achieved A statutory timeframe met this year was the adoption of Council's third edition National Policy Statement for Freshwater Management (NPS-FM) Progressive Implementation Plan (PIP). Under Policy E1 (f) of the NPS-FM the PIP had to be formally adopted by 31 December 2018. Regional Council adopted the PIP on 31 October 2018. See Appendix 2 for more detail. |
| HBRC will proactively work with territorial authorities to achieve alignment on policies, plans and strategies. | Planning managers from HBRC and territorial authorities meet at least twice each year to discuss and identify integration issues; and improvements to content and/or processes for regional and district plans. | 2 or more Achieved (Achieved in 2017-18) | Achieved Meetings were held with HB council planners on 26 November 2018 and 27 May 2019. The November meeting held at Napier City Council was to discuss potential draft national planning standards for network utility operations. The May meeting was a round table catch-up of the HB Planners Forum on current |

Strategic Planning

| | | | |
|---|---|--|---|
| | | | <p>work programmes and an introduction to the new Relationship Manager from Ministry for the Environment. Discussion around other items included:</p> <p>Further Submissions on plan changes under amended RLAA 2017</p> <p>Mana Whakahono ā Rohe on horizon and close inter council liaisons</p> <p>Marine and Coastal Area Applications (MACAA) into 2020+</p> <p>National Monitoring System (NMS) review feedback</p> <p>National planning standards</p> <p>Quality planning website rebuild.</p> <p>This performance measure also relates to action 4.4 in the multi-partner <i>Matariki Hawke’s Bay Regional Economic Strategy</i> - “Ensure regional and district plans take a coherent and consistent approach to regulating common activities”. This action is largely focused on TLA building and land use consenting but involves HBRC as all HB councils are joint lead agencies.</p> <p>It is also worth noting that 2019 New Zealand Planning Institute Conference 'Weaving the Strands' took place in Napier 2 - 5 April 2019 providing an opportunity for the HB planning managers to network not only with each other but also with many of their planning counterparts from around NZ.</p> |
| <p>HBRC will regularly submit on national direction, plan and consenting matters.</p> | <p>Number of submissions on resource management-related proposals made to local and central government per annum.</p> | <p>Maintain 3-year rolling average (6.3 in 2017-18)</p> <p>(New measure)</p> | <p>Achieved</p> <p>8.7 (3-year rolling average)</p> <p>12 submissions were made on resource management topics during 2018-19. This compares to 5 in 2017-18 and 9 in 2016-17.</p> <p>Feedback was provided on the Government’s Zero Carbon Consultation Document in July 2018 (Q1) and 11 submissions were presented on the Water Conservation Order (see table below).</p> |

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

| | | | |
|--|--|--|--|
| | | | The WCO submission and subsequent hearings was a significant investment in time and resources and overspent the statutory advocacy budget. |
|--|--|--|--|

WCO submissions

| TOPIC | FORMAT | DATE | |
|--|--|------------|----------|
| | | STATEMENTS | HEARING |
| TANK Group's final recommendations | Memo on behalf of Council | 30/08/18 | |
| Hydrology | Technical Statement of Evidence | 25/01/19 | 28/02/19 |
| Water quality, indigenous fish habitat | Technical Statement of Evidence | 25/01/19 | 1/03/19 |
| Indigenous fish | Technical Statement of Evidence | 25/01/19 | 1/03/19 |
| Hydrology | Technical Statement of Evidence | 25/01/19 | 1/03/19 |
| Planning | Technical Statement of Evidence | 25/01/19 | 1/03/19 |
| Ecology | Technical Statement of Evidence | 25/01/19 | 5/03/19 |
| Native bird values | Technical Statement of Evidence | 5/02/19 | 1/03/19 |
| HBRC activities and interests | Non-technical Statement of Evidence | 15/02/19 | 28/02/19 |
| Legal | Legal submission provided at the hearing | n/a | 1/03/19 |
| Demarcation of Upper and Lower | Memo on behalf of Council | 08/03/19 | |

Sustainable Regional Development Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|---|--|---|
| HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy. | Funding contracts with approved performance targets and reporting requirements are in place for HB Tourism, Matariki REDs and the Regional Business Partners Programme. | Achieved (Achieved in 2017-18) | Partially Achieved Contracts with performance indicators are in place with Business Hawke's Bay (as part of HBRC's contribution to Matariki REDs) and the Regional Business Partners Programme. An interim funding agreement is in place with HB Tourism and proposed KPIs went to the Corporate and Strategic Committee and Council in June 2019. The KPIs are being further developed and are expected to be adopted in September 2019. |

Integrated Catchment Management

What we do

There are three activities within the Integrated Catchment Management Group of Activities:

- Science and Information
- Catchment Management
- Biodiversity and Biosecurity

Why we do it



This Group of Activities primarily contributes to a Healthy Environment. Integrated Catchment Management activities are a mix of statutory requirements and non-regulatory methods. A combination of both is required to achieve the land and water outcomes set in the Council's Strategic Plan 2017-2021, the National Policy Statement for Freshwater Management and the Regional Resource Management Plan. This approach enables the Council to direct funding and resources in a strategic and prioritised manner based on

the specific needs of each catchment, based on the best available science.

What we did

Highlights in 2018-19 for the Integrated Catchment Management group included:

Science and Information:

- Twelve technical reports were published to assist with the TANK Plan Change, and seven Regional Council technical experts provided evidence to the Ngaruroro Water Conservation Order hearing, which was held in the first quarter of 2019.
- A Land Science Regional Wetland Inventory was completed following several years of flying across Hawke's Bay photographing and recording details regarding the region's wetlands. For the first time the Regional Council have a grasp of the extent, type and location of the region's wetlands. This has enabled staff to statistically select wetlands to monitor as part of the Council's wetland monitoring programme.
- To reduce winter air pollution the Regional Council has developed, and is currently trialling, an online 'outdoor burning tool'. This helps orchardists know when the conditions are appropriate to light fires by pulling data from the Council's closest monitoring sites. This data includes air quality, wind speed, airshed boundaries and uses air temperature at different heights to indicate whether smoke might be trapped at low levels by a temperature inversion. It then displays a burning status, either "don't burn" or "caution". If it displays "caution" conditions are suitable for burning.
- The Regional Council Land Science team, in partnership with Manaaki Whenua, won an award at the Science New Zealand National Awards for its role in the development of 'S-map', a comprehensive, quantitative online spatial soil database, paving the way to making it a national database.

Integrated Catchment Management

- Visits were made to 98 properties to provide advice around water metering, telemetry and consent requirements. The Irrigation Check Up programme resulted in 60 irrigation systems checked for uniformity and application depth with direction provided on how to improve system application efficiency.
- Hot Spot – Marine: To build a better understanding of our coastal habitats and the effects from land the Regional Council, working with the National Institute of Water and Atmospheric Research and Ministry of Primary Industries, have mapped the seafloor of the Wairoa Hard and Clive Hard. The mapping feeds into a roadmap developed to address cumulative effects on coastal environments.
- Hot Spot - Te Waiū o Tūtira: As part of this project Environmental Farm Plans have been completed for five properties which cover an area of 927 hectares (ha). Nutrient budgets associated with these Environmental Farm Plans have been carried out over 770 ha. Farm works that have been implemented as a consequence of developing these farm plans this year included the retirement and planting of 4.8 ha of wetland and riparian areas. Approximately 5900 native plants have been planted.
- Hot Spot – Ahuriri: An aerial survey of Ahuriri Estuary was completed. This will enable assessment of the volume of the invasive worm *Ficopomatus enigmaticus* currently in the estuary and help to assess the effectiveness of the mechanical removal programme currently underway. Fencing of 4,100 metres of waterways, wetlands and estuary margin has been completed. Annual planting this year includes 14,936 native plants from the riparian plant programme and 240 poplar and willow poles.
- Hot Spot – Lake Whatuma: Key stakeholders and iwi agreed a collaborative approach to understand local community and iwi vision and values for the lake. Discussions also include potential opportunities around lake ownership and management approaches to long term protection and enhancement of Lake Whatuma.
- Hot Spot – Whakakī: In June 2019, a five-year project to revitalise Whakakī Lake, north-east of Wairoa, was granted \$1.38 million from the Government’s Freshwater Improvement Fund (FIF) to accelerate existing efforts. The project’s total investment is over \$3 million and aims to revitalise the taonga of Whakakī Lake, so tuna are fit for consumption and people can access the lake and swim safely.

Catchment Management

- The Regional Council introduced an Erosion Control Grant Scheme, which provides a 75% subsidy to landowners for erosion mitigations such as fencing, planting and reversion. Staff have worked with landowners to complete 69 erosion control plans which relate to \$2.3 million of total works on the ground, \$1.7 million of that is being funding by the Council.
- In the first quarter of 2019, Te Uru Rākau (Forestry New Zealand) announced funding of \$5 million over four years through the Hill Country Erosion Fund to protect erosion-prone hill country across the Hawke’s Bay region, further supporting us to achieve our strategic goals.
- Approximately 370,000 plants have been planted this winter. Through a number of initiatives the Council has been working across Hawke’s Bay alongside the community, Tāngata Whenua and private landowners on this year’s planting programmes.

Integrated Catchment Management

Biodiversity and Biosecurity

- In July 2018, Predator Free Hawke's Bay was launched with the announcement of a \$1.6 million kick-start in funding from the government. Significant progress was made in the first phase of the \$4.86 million project in our wide scale predator control and ecological restoration project at Whakatipu Mahia, which is the largest mainland possum eradication programme ever undertaken in New Zealand. This work, if successful, will help provide the template to deliver a regional possum eradication programme which has the potential to be transformational for biodiversity within the region.
- In October 2018, the Whangawehi Catchment Management Group from Mahia won a prestigious Asia Pacific International River Prize Award. Under a community-led catchment management plan, the Group has helped landowners to fence off their waterways, revegetate river margins, better manage their soil by establishing soil conservation areas planted in trees and carry out pest control work.
- From October 2018, the HeatSmart programme was extended to include domestic solar heating, double glazing, water storage, septic tanks and ventilation, in addition to clean heating and insulation. The programme was relaunched as Sustainable Homes and is available across the region. It enables eligible ratepayers to borrow up to \$20,000 at 4% from the Regional Council for assistance to improve resilience in an emergency, to reduce energy consumption and reduce leachates. Ratepayers are able to repay the money over ten years by way of a voluntary targeted rate.
- In February 2019, the Regional Pest Management Plan became operative. The new plan is a big step forward from the previous plan, with the inclusion of 11 new pest plants, inclusion of feral goat, predator, and possum eradication programmes, tightening of programme rules and for the first time a marine pest exclusion programme aimed at preventing invasive marine pests from establishing in Hawke's Bay. The inclusion of large scale possum eradication areas for farmland is a first for a Regional Pest Management Plan in New Zealand.
- The Regional Council, in partnership with the Hawke's Bay Biodiversity Foundation and Guardians, successfully identified priority ecosystems, with 13 of these sites now being under active management.

Integrated Catchment Management

What we spent

| Integrated Catchment Management | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | | | | |
| | Activity | Actual | Budget | Actual |
| | (#) | 18/19 | 18/19 | 17/18 |
| | | (\$'000) | (\$'000) | (\$'000) |
| EXPENDITURE | | | | |
| Operating Expenditure | | | | |
| Science and Information | 1 | 9,130 | 8,825 | 9,123 |
| Catchment Management | 2 | 5,799 | 4,464 | 4,267 |
| Biodiversity and Biosecurity | 3 | 4,535 | 4,047 | 3,161 |
| Depreciation/ Amortisation Expense | | 471 | 444 | 415 |
| Total Operating Expenditure | | 19,935 | 17,780 | 16,966 |
| Capital Expenditure | | | | |
| Clean Heat Advances | | 1,925 | 2,700 | 1,811 |
| Regional Park Network | | 65 | 160 | 561 |
| Tangoio Soil Conservation Reserve Forestry | | | - | |
| Biodiversity | | | 100 | - |
| Integrated Catchment Activities | | 161 | 2,000 | 1,835 |
| Public Good Capital Purchases | | | - | |
| Loan Repayments - Regional Park Reserve | | 2,590 | 2,860 | |
| | | | | - |
| Total Capital Expenditure | | 4,741 | 7,820 | 4,207 |
| TOTAL EXPENDITURE | | 24,677 | 25,600 | 21,173 |
| REVENUE | | | | |
| Activity Revenue | | | | |
| Direct Charges | | 3,446 | 4,181 | 2,568 |
| Total Activity Revenue | | 3,446 | 4,181 | 2,568 |
| Other Revenue | | | | |
| Targeted Rates | | 3,365 | 3,197 | 3,055 |
| Community Loan Repayments | | 1854 | 1,882 | 1,811 |
| Interest on Scheme Reserves | | 63 | 27 | 138 |
| Grants | | 599 | 82 | 1,456 |
| Loans Drawn Down | | 1,465 | 4,960 | 2,655 |
| Total Other Revenue | | 7,346 | 10,148 | 9,115 |
| TOTAL REVENUE | | 10,792 | 14,329 | 11,683 |
| TOTAL GENERAL FUNDING REQUIREMENT | | (13,885) | (11,271) | (9,490) |
| Special Reserve Funding | | | | |
| Specific Scheme Reserves | | 3,607 | 862 | (202) |
| Sale of Land (Non-investment) Reserve | | 263 | 270 | 389 |
| Total Special Reserve Funding | | 3,870 | 1,132 | 187 |
| NET GENERAL FUNDING REQUIREMENT | | (10,015) | (10,139) | (9,303) |
| MET BY | | | | |
| General Funding Rates | | - | - | - |
| Investment Income | | 6,449 | 9,849 | 6,320 |
| Operating Reserves | | 3,566 | 290 | 2,983 |
| | | 10,015 | 10,139 | 9,303 |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Integrated Catchment Management

Financial Variances Explained

Operating costs exceed budget in all areas, \$900,000 of which relates to the Erosion Control Scheme which was budgeted as capital expenditure for the 2018-19 financial year (changed in the 2019-20 Annual Plan). There was a genuine overspend in catchment management with the remainder of the increased operating expenditure being the result of higher than budgeted allocation of internal overheads.

A delay in capital projects resulted in greater staff time spent on internal projects for which time and cost is associated.

Capital budgets for delayed projects carried forward to the 2019-20 year within Integrated Catchment are Regional Groundwater Research \$430,000 and \$175,000 for an Environmental Data Management System. Both projects were unable to be progressed due to a lack of internal resource and organisational changes.

The capital budget for Clean Heat advances was the provision of a funding mechanism for the procurement of compliant heating options to be repaid via Voluntary Targeted Rates. The take up of the programme was as expected however many chose not to borrow for the service.

Integrated Catchment Management

How we did

Science and Information Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|---|--|--|
| HBRC will monitor and provide accurate and timely information to decision makers and the community on the State of the Environment (SOE) for Hawke's Bay. | Council maintains its International Organisation for Standardisation (ISO) 9001-2018 accreditation for data collection, analysis and storage. | Achieved (Achieved in 2017-18) | Achieved Revalidation of ISO 9001:2015 was achieved in November 2018. The purpose of the 4-day (3-yearly) revalidation assessment was to determine the capability and effectiveness of the Environmental Science, Environmental Information, Consents, Compliance and Harbour Master sections to ensure continual compliance with customer, statutory and regulatory requirements; meeting our specified objectives; and conformity of the management system to stated criteria. No non-conformances were raised. |
| | SOE monitoring programmes are in place and results are published on HBRC and LAWA (Land, Air, Water Aotearoa) websites for: <ul style="list-style-type: none"> • Climate and Air Quality • Surface water • Groundwater • Land Science • The Coast. | Achieved (Achieved in 2017-18) | Achieved During the year monitoring programmes ran to plan and relevant data was published on appropriate websites. Regional Council has provided all data required for the LAWA modules and met the due dates for LAWA refreshes. The HBRC website environmental data area has been refreshed and now displays data in a more user-friendly way. The source of the data is aligned with that used for LAWA, meaning we are reducing the maintenance requirements, improving consistency and improving our communication by being able to feed data to automated dashboard pages such as for the Papanui and Tukituki. |
| | A 5-yearly State of the Environment (SOE) Monitoring Report is produced along with annual scorecards and monthly updates. Results are made available primarily through digital media and summarised in the Annual Report. | Achieved (Achieved in 2017-18) | Partially Achieved Monthly reports were delivered as scheduled. Annual report cards have been produced. The 5-yearly SOE summary report and technical reports are in production, but delivery has been delayed until December 2019 due to unanticipated data analysis and quality assurance required. |

Integrated Catchment Management

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|---|--|
| HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and stakeholders. | The Science team develops and implements an annual work programme in line with plan change requirements. | Achieved (New measure) | Achieved During the year, the Science team developed and implemented 20 Project Briefs to drive their year's work. Together these formed the annual work programme. The key plan changes supported by the Science team were the Water Conservation Order, TANK Plan Change, Plan Change 6 (Tukituki) implementation and Mohaka Plan Change activities. |
| HBRC will reduce harmful air pollution and comply with the National Environmental Standard (NES) for Air Quality. | Number of exceedances of PM10* in the Napier and Hastings airsheds. | Napier 1 Hastings 3 (Napier 1 Hastings 2 in 2017-18) | Partially Achieved Napier 0 Hastings 4 To meet the NES the Napier airshed must have no more than 1 exceedance by 2016, the Hastings airshed must have no more than 3 exceedances by 2016 and no more than 1 exceedance by 2020. |
| | Number of clean heat systems installed annually under financial assistance programme. | 1000 per annum (on average over 10 years) (10,402 by 30 June 2018; 1022 in 2017-18) | Achieved 11,203 by 30 June 2019 2018-19: 801 The HeatSmart programme started in 2009 with an objective of replacing 10,000 fires over 10 years (an average of 1000 per year). The programme target has been exceeded with more than 11,000 fires replaced and 13,500 packages in total (including insulation) therefore the result is recorded as Achieved. The programme is currently in its 10th year and been extended to 2023. However, the uptake of packages is expected to be lower over the next 3 years. |

*PM10 are tiny airborne particles smaller than 10 micro-metres in size. High concentrations of PM10 are in the smoke from fires and increase the risk of respiratory and cardiovascular illnesses, including cancer. The government has set a National Environmental Standard (NES) for PM10 at an average concentration of no more than 50 µg/m³ measured in open air over 24 hours.

Integrated Catchment Management

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|---|---|
| HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated and comply with regulations under the RMA for measuring and reporting water takes. | Percentage of consent holders with water meters operating using telemetry or web/text systems. | 90% (84% in 2017-18) | Achieved 93% Of the water meters in use 93% are returning data via web or telemetry. Note: 8% of consent holders have wells with a security seal (tamper tag) fitted. These wells are not in use. The security seal allows us to confirm that they have not been used. |
| | Total water consented as a percentage of the allocation limit for each significant water resource. 1. Esk 2. Karamū 3. Ngaruroro 4. Maraekakaho 5. Nuhaka 6. Raupare 7. Tūtaekurī 8. Tūtaekurī-Waimate 9. Tukituki <u>Note:</u> Additional rivers will be added as allocation regimes are set through catchment based plan changes to give effect to NPS FM. | For catchments at or below allocation when limit set the target is: Less than or equal to 100%. For fully allocated catchments when limit set the target is: Decreasing trend towards less than or equal to 100%. (New measure) | Achieved 100% for Surface water in Tukituki 50% for Groundwater stream depleting takes in Tukituki. Tukituki is the only catchment with a rule-based limit set since the NPS-FM came into effect and is less than or equal to 100% for the total catchment for surface water and groundwater stream depleting takes (see table below). The TANK Plan Change will address how the allocation, particularly from stream depleting groundwater, is to be counted in the next catchment to come under the NPS-FM. In the meantime, no more water will be allocated from the surface low flow allocation block or groundwater from over allocated catchments. |

Tukituki Allocation

| | Total allocated (L/s) | | Total limit (L/s) | | Percentage of the allocated limit (L/s) | |
|----------------------------|-----------------------|---------------------|-------------------|---------------------|---|---------------------|
| | Surface water | GW stream depleting | Surface water | GW stream depleting | Surface water | GW stream depleting |
| Zone 1 - Lower Tukituki | 529 | 114 | 519 | 412 | 101.9% | 27.7% |
| Zone 2 - Waipawa River | 643 | 173 | 643 | 269 | 100.0% | 64.3% |
| Zone 3- Upper Tukituki | 758 | 409 | 763 | 716 | 99.3% | 57.1% |
| Total for catchment | 1930 | 696 | 1925 | 1397 | 100.3% | 49.8% |

Integrated Catchment Management

Catchment Management Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|---|--|--|
| HBRC will partner with Tāngata Whenua and community groups in identified priority areas to achieve land and water outcomes. | Annual reporting to Council on engagement, actions and impacts within priority areas. | Achieved (Achieved in 2017-18) | Achieved Reporting on the priority areas within the 3 catchment zones was completed at the Environment and Services Committee on 19 June 2019. All activity over the preceding 12 months in the relative catchments was presented, including itemised reporting on Tāngata Whenua engagement. At the same meeting we also outlined our respective business plans for the following 12 months. |
| HBRC will work with farmers, growers and industry to transfer knowledge on environmental risks and impacts, and support the adoption of good management practice on-farm to achieve smart, sustainable land use. | Percentage of land area (by catchment) that operates under a Farm Environment Management Plan (FEMP) or an independently audited industry good management practice framework as required under the Regional Resource Management Plan (RRMP).* | Tukituki-100% (New measure) | Partially Achieved 96% (by land area) The number of FEMPs within the Tukituki catchment increased from 542 in July 2018 to 1010 in June 2019. This significant increase was due to regulations coming into force as well as a new dedicated resource and ongoing presentations to industry and small farmer groups. It also built on the momentum initiated in previous years through education, advocacy and relationship building by catchment management staff. The 100% target relates to the rules set by the Board of Inquiry. The small number of non-compliant farms are being dealt with by the consents and compliance teams. |

Integrated Catchment Management

| | | | |
|--|--|---|---|
| <p>HBRC will encourage through subsidy, education, working with industry and recording and reporting riparian planting and fencing, wetland protection and afforestation to improve soil conservation and water quality.</p> | <p>Additional area of highly erodible land planted in trees (ha).</p> | <p>2000 ha of land under cover (New measure)</p> | <p>Not measured This was the first year of a 10 year programme of work. The first 6 months saw the 3 zone teams (Northern, Mid and Southern) established and operating guidance and criteria to deliver the Erosion Control Scheme (ECS) developed. Reporting tools were also in construction, along with an interim 'tracker/EROS' to record works on the ground and their financials. End state reporting and data management systems are still in development. HBRC are currently finalising how to measure performance against this outcome in GIS and CRM (recording and reporting systems).</p> |
| | <p>Additional kilometres of riparian margin protected annually to reduce sediment, nutrient and/or bacterial contamination of water.**</p> | <p>100km (New measure)</p> | <p>Not measured HBRC are currently finalising how to measure performance against this outcome in GIS and CRM (recording and reporting systems).</p> |

* Other catchments will be added as new management regimes are set through catchment based plan changes to give effect to NPS FM.

**Includes streams, drains, wetlands, lakes, estuaries and the coast.

Integrated Catchment Management

Biodiversity and Biosecurity Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|--|---|--|
| HBRC will work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning. | Additional number of targeted priority sites where biodiversity is actively managed. | 1-2 (New measure) | Achieved 13 Management actions were undertaken at 13 selected sites. This is well above the target of 1-2 sites p.a. of additional sites which reflects that this is the first year of the programme and from now on sites will be cumulative. This result has also been made possible via partnerships with Catchment Management, Engineering/Open Spaces, and external parties such as Native Forest Restoration Trust, Forest & Bird and Biodiversity Hawke's Bay. |
| HBRC will undertake research, and implement and review regional pest management plans that improve biodiversity, human health and economic prosperity. | Maintain and implement current Regional Pest Management Plan. | Achieved (Achieved in 2017-18) | Achieved The Regional Pest Management Plan became operative in February 2019. |
| HBRC will provide effective pest management programmes that improve regional biodiversity, human health and economic prosperity. | Percentage of monitored Possum Control Areas (PCAs) with a 5% or less trap catch. | 90% (The average residual trap catch (RTCI*) index for the 2017-18 season was 1.6% across the 37,843 hectares monitored with 91.66% of the 18 PCAs monitored below a 5% RTC.) (note this measure changed in 2018-19 and the previous year's result has been restated using the new methodology) | Achieved 100% The average RTCI* index for the 2018-19 season was 1.5% across the 85,932 ha monitored with 100% of the 18 PCAs monitored below a 5% RTC. |

Integrated Catchment Management

| | | | |
|--|--|---|--|
| | Decreasing trend in the number of active rook nests. | Achieved Decreasing trend 5-year rolling average (362.2 in 2017-18) | Achieved 307.2 5-year average Aerial rook control has been carried out and completed in all known rookeries across the region with a total of 45 active nests aerial treated across the eradication zone north of SH5 and 223 across the control zone south of SH5. |
| | Percentage of animal pest enquiries responded to within target timeframe. (5 days for rabbits). | 100% (100% in 2017-18, 54 rabbit enquiries) | Achieved 100% A total of 68 rabbit enquiries have been received and responded to within 5 working days of receiving the initial call. Assistance and or advice was provided as appropriate. |
| | Percentage of plant pest inspections and actions completed within target timeframes (see schedule for specific plant pests**). | 100% (New measure) | Achieved 100% All known sites of African feather grass, Goats rue, Nassella tussock, Spiny emex, White edged nightshade and Yellow water lily checked and controlled. No Yellow water lily found, this plant may now be eradicated. Two sprays of all Phragmites sites done, only two new sites found. All Privet complaints dealt with. Japanese honeysuckle control completed around Lake Tūtira and all Old man's beard sites checked and controlled in control area. Pinus contorta programmes in conjunction with MPI in "Kaimanawa management unit" completed. Control work started on dense iwi block adjacent to SH5 in Rangitaiki near the Waipunga Falls. Woolly nightshade rural and urban control programmes completed. Some targeted Chilean Needle Grass (CNG) Taskforce spraying completed. New sites of CNG found down the Tukituki river. |

*Residual trap catch index (RTCI) is a standardised method for estimating relative densities of possums. RTCI is the percentage of trap-nights in which a possum was captured.

**Plant Pest Schedule

The RPMP defines a Total Control plant pest as one that is of limited distribution in the region, and the long-term goal is its eventual eradication. Seventeen plants are listed as Total Control plant pests. The RPMP places these into two categories, Service Delivery and Occupier Responsibility. For each of these plant categories the Biosecurity Pest Plant team's Operational Plan provides a brief description of what activities HBRC will undertake to achieve the RPMP objectives and by when.

Asset Management

What we do

There are five activities within the Asset Management Group of Activities

- Flood Protection and Control Works³:
- Flood Risk Assessment and Warning
- Coastal Hazards
- Open Spaces
- Works Group

Why we do it

This Group of Activity primarily contributes to the following community outcomes:



The aim of this activity is to reduce the likelihood of damage from flooding on people, property, productive land and businesses, which provides long-term benefits to our economy.

The aim is also to contribute to a vibrant community by providing public access to HBRC managed waterway environments, the coast and open spaces for recreation and enjoyment, and where appropriate enhancing amenity values, protecting sites of cultural significance, and identifying and valuing them for public education and interest.

The empowering legislation for this Group of Activities is the:

- Soil Conservation and Rivers Control Act 1941
- Land Drainage Act 1908
- Local Government Act 2002
- Civil Defence Emergency Act 2002
- Resource Management Act 1991.

In addition to the legislative mandate and responsibility, these activities are undertaken by the Regional Council because it has the necessary river engineering skills, historical understanding and regional overview required to integrate and manage large-scale schemes. The flood protection schemes, in particular, impact on a wide area, so a consistent approach across the region to their management is important. A consistent regional approach is also relevant to coastal hazards and open spaces.

³ This activity is the mandatory “Flood Protection and Control Works” Group of Activities as required under Schedule 10(2) of the Local Government Act 2002.

Asset Management

What we did

Highlights in 2018-19 for the Asset Management group included:

Flood Protection and Control works

- A review of Marae and Urupa on the Wairoa River was completed to investigate the impact of river erosion on these sites. Following this report protective plantings have been scheduled for a number of locations on the Wairoa River.
- In early 2019, planning for the dredging of lower Clive River started. Community engagement with residents and key stakeholders will be undertaken and resource consent needs to be granted before dredging can start. The aim of the dredging is to remove sediment and increase water depth, channel storage capacity, whilst enhancing this reach of the Clive River for recreational use. The lower Clive River dredging was previously successfully completed in 1997 and 2009.
- Maintenance of the flood protection and drainage schemes was completed as planned. HBRC administers 25 flood control and drainage schemes throughout the region.

Coastal Hazards

- The Regional Council has been, and continues to, work directly with Napier and Hastings councils, iwi and the community on Coastal Hazards - a long-term project to better understand causes and effects of coastal hazards such as coastal inundation (flooding by the sea) and coastal erosion to find solutions to reduce their impact. Coastal hazard risk is expected to increase due to climate change projections of increased storm intensities and sea level rise. A final report by the Northern and Southern Cell Assessment Panels delivered to the Joint Committee in February 2018 outlines the panel's process and presents their 100-year adaptive pathway for nine priority units along the Clifton to Tangoio coastline.

Open Spaces

- In July 2018, a community planting event in Twyford was held as part of the plan to restore Raupare Stream, associated with the local irrigation take consent. The stream is part of the Karamū Stream catchment and the Raupare Enhancement Strategy which sets targets to enhance a 20km length of the upper Raupare catchment and improve water quality. The planting programme aims to develop a native bird corridor and instream habitats, while continuing to provide flood capacity drainage for the high value production land, access for maintenance and work in with surrounding cropping land.
- In 2019, planning started for the harvesting all of the Tūtira Forest and 95 hectares of the Tangoio Soil Conservation Reserve. The forests were planted in the 1990s for the primary purpose of erosion control, and the secondary purpose of financial returns on harvest. Harvesting is expected to start in 2021.
- Earthworks were completed for the new wetland at Waitangi Regional Park and a community planning day was held in June 2019. The aim is to provide another haven for fish and birdlife and to also increase the amount of habitat in an important whitebait spawning area. The new wetland is next to the Horseshoe Wetland created in the regional park by the Regional Council in 2009 and sits in the flood plain of the Tūtaekurī and Ngaruroro Rivers, near the coast at

Asset Management

Awatoto. The project was funded and constructed in a partnership with Te Wai Mauri Trust, Ngāti Kahungunu Iwi Incorporated, Napier Port and the Regional Council which manages the project for the long term.

- Phase 2 development of Hawea Historical Park has progressed well in 2018-19 with the formation of the Hawea Historical Park Management Committee and the development of a koru-shaped wetland which was completed in May 2019. The Committee includes representatives from the four hapu; Nga hapu o Kohupatiki, Matahiwi, Ruahapia and Waipatu, along with Hawke's Bay Regional Council officers. The Regional Council and the hapu have an equal partnership to provide sustainable co-governance and co-management of the ownership and management of the park.

Works Group

- Works Group completed a sheetpile retaining wall on the Wairoa River to protect a new playground facility constructed by Wairoa District Council from river erosion.

Asset Management

What we spent

| Asset Management | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | | Actual | Budget | Actual |
| | Activity | 18/19 | 18/19 | 17/18 |
| | (#) | (\$'000) | (\$'000) | (\$'000) |
| EXPENDITURE | | | | |
| Operating Expenditure | | | | |
| Flood Protection & Control Works | 1a, b & c | 6,179 | 6,580 | 6,503 |
| Flood Assessment and Warning | 2 | 710 | 642 | 569 |
| Coastal Hazards | 3 | 921 | 757 | 890 |
| Open Spaces | 4 | 1,409 | 1,458 | 1,126 |
| Works Group External Contracts | 5 | 1,304 | 446 | 714 |
| Depreciation/ Amortisation Expense | | 686 | 648 | 657 |
| Total Operating Expenditure | | 11,209 | 10,531 | 10,460 |
| Capital Expenditure | | | | |
| Infrastructure Asset Construction | | 1,055 | 3,307 | 934 |
| Disaster Damage Excess Deposits | | | | 111 |
| Loan Repayments | | 122 | 124 | 262 |
| Total Capital Expenditure | | 1,177 | 3,431 | 1,307 |
| TOTAL EXPENDITURE | | 12,386 | 13,962 | 11,767 |
| REVENUE | | | | |
| Activity Revenue | | | | |
| Direct Charges | | 1,534 | 1,474 | 1,550 |
| Operations Group External Contracts | | 1,440 | 559 | 855 |
| Total Activity Revenue | | 2,974 | 2,033 | 2,405 |
| Other Revenue | | | | |
| Targeted Rates | | 6,912 | 7,081 | 6,864 |
| Grants and Other Capital Income | | - | - | - |
| Interest on Scheme Reserves | | 177 | 267 | 194 |
| Loans Drawn Down | | - | - | - |
| Total Other Revenue | | 7,089 | 7,348 | 7,059 |
| TOTAL REVENUE | | 10,063 | 9,381 | 9,464 |
| TOTAL FUNDING REQUIREMENT | | (2,324) | (4,581) | (2,303) |
| Special Reserve Funding | | | | |
| Specific Scheme Reserves | | 174 | 301 | (636) |
| Scheme Depreciation Reserves | | 118 | 1,280 | 104 |
| Sale of Land | | | - | - |
| Regional Disaster Reserves | | - | - | - |
| Total Special Reserve Funding | | 292 | 1,581 | -532 |
| NET GENERAL FUNDING REQUIREMENT | | (2,032) | (3,000) | (2,835) |
| MET BY | | | | |
| General Funding Rates | | - | - | - |
| Investment Income | | 1,225 | 2,277 | 1,031 |
| Operating Reserves | | 807 | 723 | 1,804 |
| | | 2,032 | 3,000 | 2,835 |

Asset Management

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Financial Variances Explained

The works group exceeded both revenue and expenditure compared to budget with a favourable net result driven by increased utilisation of Works Group services by both internal and external clients. The favourable net result is due to positive margins on external contracts. Works Group provides all in-house and internal services at cost to the Council.

The most significant variance within Asset Management is an under-spend in Infrastructure Asset Construction of \$2.2 million. This group was under resourced for much of the year. The capital budget has not been carried forward as feasibility work will continue through the next 12 months to more effectively inform the next Long Term Plan.

Asset Management

How we did

Flood Protection and Control Works (Rivers) Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|---|---|---|
| HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within designated flood protection schemes in the Heretaunga Plains and Ruataniwha Plains. | The major flood protection and control works that are maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works program. | Achieved (Achieved in 2017-18) | Achieved Our major flood protection and control works that are being maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan. Planned annual maintenance works were executed. |
| | Changes to flood levels of protection* are consulted on with the affected communities and delivered within agreed timeframes. *Current levels of protection are 1% Annual Exceedance Probability (AEP) (1:100 year return period) for both Heretaunga Plains and Upper Tukituki Schemes. | Heretaunga Plains: Phased design and construction Upper Tukituki: Consultation on change to 0.2% AEP (Partially achieved for HPFCS in 2017-18; no measure for Upper Tukituki) | Not Achieved Level of service reviews to assess options for raising the current level of flood protection from 1% to 0.2% AEP are behind target owing to severe staff shortage during this reporting period and more information resulting in the targets now being unachievable. With staff now in place the review of the Heretaunga Plains Flood Control Scheme (HPFS) is a top priority project for 2019-20. The focus will be on hydraulic modelling and cost benefit analysis for physical works and options analysis. There is 2-3 years of planning and design required prior to any construction commencing. Once options analysis, planning and design are completed for HPFCS we will commence a review of the Upper Tukituki. |

Asset Management

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|---|--|---|
| HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity. | The ecological function of urban streams is maintained or enhanced (source: 6-yearly rolling review and Ecological Valuations of River Ecological Management and Enhancement Plans (EMEP)). | Achieved (New measure) | Not measured No survey (or ecological valuation) was undertaken this year but tasks associated with targets within the EMEP are progressing. This includes river bird surveys, pre gravel extraction inspections and writing a new Standard Operating Procedure for eel rescue. |

Flood Protection and Control Works (Drainage) Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|---|--|---|
| HBRC will maintain an effective drainage network that provides drainage outlet for rainfall runoff for communities and productive land within the drainage scheme. | Number of reported incidences of out-of-channel flooding lasting more than 24 hours for the design rainfall runoff and lesser events. | Zero (New measure) | Achieved No incidences were reported. |

Flood Protection and Control Works (Small Schemes) Activity

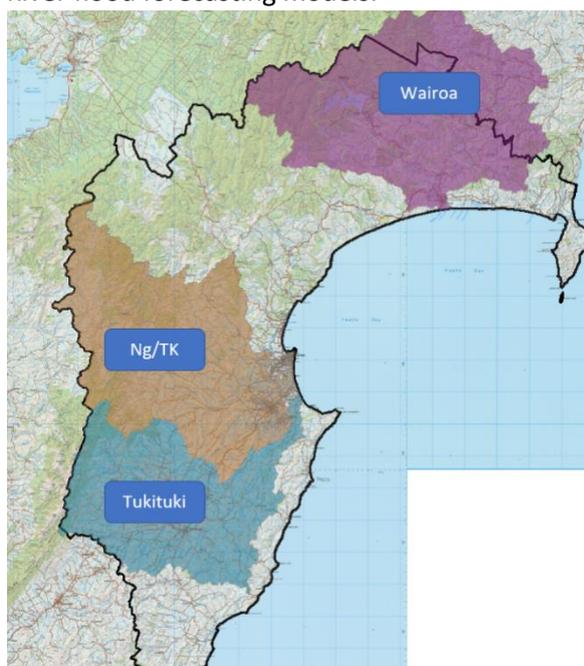
| Level of Service Statement | Level of Service Measures | Performance Target (previous year's AR result) | Performance Result |
|--|--|--|---|
| HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas, including: - Makara Flood Control - Paeroa Drainage - Porangahau Flood Control - Ohuia – Whakakī Drainage - Esk River - Whirinaki Drainage - Maraetotara - Te Ngarue - Kopuawhara Flood Control - Poukawa Drainage - Kairakau | Flood protection and drainage networks are maintained, repaired and renewed to the key standards defined in the Scheme Asset management plan and annual works program. | Achieved (New measure) | Achieved Our flood protection and drainage networks are maintained, repaired and renewed to the key standards defined in the Scheme Asset management plan. Planned maintenance works were all executed. |

Asset Management

Flood Risk Assessment and Warning Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|--|--|
| HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tūtaekurī, and Ngaruroro and Tukituki areas. | Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year. | 98% (New measure) | Achieved 98.06% Priority sites were operational 8,590 days out of a total of 8,760 days. |
| Council provides accurate and timely flood forecasting information online to advise the community on likely rainfall and flooding. | Percentage of the region (at risk of flooding from large rivers) covered by a flood forecasting model. | 70% (New measure) | Achieved The area of these catchments cover about 70% of the entire region (see map below). Flooding from the rivers in these catchments could cause large economic loss. Modelling is focused on the lower reaches of these major river systems. |

River flood forecasting models.



Asset Management

Open Spaces

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|---|--|
| <p>HBRC will maintain, develop, and provide public access to existing Council owned regional parks and investigate affordable new opportunities for public enjoyment of open space for multi-purpose benefits.</p> | <p>Regional parks are managed to the key standards defined in Individual Park Plans (IPPs) where present and / or the HBRC Regional Park Network Plan.</p> | <p>Achieved (New measure)</p> | <p>Achieved Maintenance contracts are in place and maintenance schedules are clear in these documents. Draft IPPs complete for Waitangi Regional Park, Pakowhai Regional Park, Pekapeka Regional Park and Tūtira Regional Park</p> |

Consents & Compliance

What we do

There are three activities within the Consents and Compliance Group of Activities:

- Consents
- Compliance and Pollution Response
- Maritime Safety

These activities cover the Hawke's Bay Regional Council's regulatory functions for resource use management and safe navigation of the region's navigable waters.

Why we do it

This Group of Activities seeks to balance the requirement to safeguard the environment for future generations while providing for the social, economic and cultural needs of the wider community.

This activity includes the processing of resource consents required under the HBRC's Regional Resource Management Plan, Regional Coastal Environment Plan or through National Environment Standards, and advice and education on resource management matters. This activity also involves consent monitoring and enforcement of any non-compliance, and acting on environmental complaints, incidents and breaches.

The Marine Safety activity monitors and enforces the Navigation and Safety Bylaw and provides navigation aids to ensure the region's navigable waters are safe for people to use. Through the Harbourmaster the Regional Council provides advice and education to commercial and recreational users and the community at large on water safety and safe boating.

This Group of Activities contributes to the following community outcomes:



The empowering legislation for these regulatory functions include the:

- Resource Management Act 1991
- Local Government Act 2002
- Soil Conservation and Rivers Control Act 1941
- Building Act 2004
- Marine and Coastal Area (Takutai Moana) Act 2011
- Hazardous Substances and New Organisms Act 1996
- Maritime Transport Act 1994.

Consents & Compliance

What we did

Highlights in 2018-19 for the Consents and Compliance group included:

- In November 2018, the replacement regulatory management information system, IRIS (Integrated Regional Information System), went live for Consents and Compliance, and Incidents and Enforcements went live in February 2019.
- In November 2018, the Consents and Compliance sections and Harbourmaster (Maritime Safety activity) completed a four-day (three-yearly) revalidation assessment of their ISO 9001:2015 certification. This gives confidence that the work carried out by these teams meets an international standard.

Consents

- A total of 455 resource consents were processed during the year, compared with 438 in the previous year. 100% were processed within statutory timeframes.
- Notified consents related to the Pan Pac coastal outfall in Whirinaki and construction of a new wharf at Napier Port, with associated channel dredging and sediment disposal, were issued. A highlight is that no appeals were received on the Napier Port consent.
- Work has continued on consent applications related to Wairoa's waste water discharge, Tranche 2 Ruataniwha groundwater consents, Te Mata Mushroom's site expansion and alternative site, Silver Fern Farms and about 220 expired/replacement water take applications in the unconfined aquifer area of the Heretaunga Plains.
- Increased consent activity in the Tukituki Catchment resulting from Plan Change 6 (due to come into full effect in June 2020). More than 300 land use consent applications need to be lodged in advance of this date. Preparatory work has included establishing procedural guidelines, application forms and guidance, sub-catchment science reports, sub-catchment meetings, Farm Environment Management Plan data management and audits.
- During the 2018-19 FY, 128 notices, 24 consent applications and 104 permitted activity advices were received under the National Environmental Standards for Plantation Forestry (NES-PF) which came into force on 1 May 2018. Of these, multiple activities e.g. harvesting, earthworks and river crossings, have been bundled into one notice. Site visits found generally very good systems in place to control forestry environmental risk. An aerial survey of forestry activities showed no significant non-compliance.

Consents & Compliance

Compliance and Pollution Response

- 3,198 out of 3,519 resource consents, or 90.9%, were monitored during the year, compared to 94% in the previous year.
- Compliance and enforcement activity remained busy with a total of 1,116 calls to the pollution hotline compared with 1,095 calls last year (a 2% increase). Calls by type included 660 Air (696 last year), 54 Coastal (56 last year), 13 Groundwater (16 last year), 237 Land (97 last year), 151 Surface Water (224 last year), and one Maritime Safety (six last year). Forty abatement notices were issued (compared with 46 last year), 101 infringement notices were issued (92 last year) and four prosecutions (five last year). Enforcement of annual winter burning restrictions was a focus.
- In December 2018, Hawke's Bay dairy farmers who consistently achieved full compliance with their resource consents were recognised at the dairy Compliance Awards. Thirty-four farms maintained full compliance for at least five consecutive years to achieve or maintain a Gold award status. 13 farms with four years' consecutive compliance were at the Silver tier, and 7 farms with three years' compliance at the Bronze tier.
- In May 2019, investigations for PFAS (per- and poly-fluoroalkyl substances) in drinking and ground water surrounding the Hastings Fire Station were undertaken by the HBRC. No detectable levels were found in any samples taken. The investigations were undertaken to determine if historical use and storage of firefighting foam had impacted the underlying aquifer. PFAS are a class of man-made chemicals that have been used since the 1950s in the production of a wide range of products that resist heat, stains, grease and water, including specialised firefighting foam. In the late 1990s they were identified as substances of environmental concern. Investigations are ongoing at the fire station and any further testing will be undertaken on a risk based approach.
- The HBRC undertook two oil spill exercises as required under the Council's agreement with Maritime NZ and by the Maritime Transport Act. Both field-based exercises were centred around a vessel spilling oil either in the Napier Port or near to the Port which required different clean-up methods. The emphasis was on the response team being familiar with the response equipment under different scenarios.
- In July 2019, aerial monitoring of the region's farming operations to check for over-stocking or that winter grazing practices meet land use rules found all properties complied. The Regional Council has 16 resource consents for feedlots, with 15 of those active and one which was not active this year.

Maritime Safety

- In September 2018, the updated Navigation and Safety Bylaw came into force. This includes a new requirement for all jet skis to be registered with the Regional Council or another council before they can be used in Hawke's Bay waters. A six-digit number must be displayed on either side of the ski, which makes jet skis easier to identify.
- Steel piles were installed in to the sea bed 200 metres off the beach at Mahia and Onepoto (Taylor's Bay) for speed restriction markers. These withstand the weather extremes better than

Consents & Compliance

buoys and have been very effective in reducing the number of nuisance calls of boats speeding too close to swimmers.

- There has been an ever-increasing number of passenger ships calling at Napier and also an increase in the size of some of the container ships. The planned new wharf will help accommodate the ships, as the Harbourmaster often has to close some of the berths to allow for safer vessel manoeuvring.

Consents & Compliance**What we spent**

| Consents and Compliance | | | | |
|--|-----------------|-----------------|-----------------|-----------------|
| | | Actual | Budget | Actual |
| | Activity | 18/19 | 18/19 | 17/18 |
| | (#) | (\$'000) | (\$'000) | (\$'000) |
| EXPENDITURE | | | | |
| Operating Expenditure | | | | |
| Consents | 1 | 1,754 | 1,824 | 1,314 |
| Compliance & Pollution Response | 2 | 2,227 | 2,444 | 1,714 |
| Maritime Safety | 3 | 72 | 68 | 390 |
| Depreciation/Amortisation Expense | | 4 | - | 3 |
| Total Operating Expenditure | | 4,057 | 4,336 | 3,421 |
| TOTAL EXPENDITURE | | 4,057 | 4,336 | 3,421 |
| REVENUE | | | | |
| Activity Revenue | | | | |
| Direct Charges | | 1,904 | 2,589 | 1,384 |
| Total Activity Revenue | | 1,904 | 2,589 | 1,384 |
| Grants | | | 67 | - |
| Total Other Revenue | | - | 67 | - |
| TOTAL REVENUE | | 1,904 | 2,656 | 1,384 |
| TOTAL FUNDING REQUIREMENT | | (2,153) | (1,680) | (2,037) |
| TOTAL GENERAL FUNDING REQUIREMENT | | (2,153) | (1,680) | (2,037) |
| Special Reserve Funding | | | | |
| Other Reserve Funding | | - | - | 247 |
| Total Special Reserve Funding | | - | - | 247 |
| NET GENERAL FUNDING REQUIREMENT | | (2,153) | - | (1,790) |
| MET BY | | | | |
| General Funding Rates | | 1,370 | 1,294 | 2,490 |
| Investment Income | | 1,285 | 385 | 1,298 |
| Operating Reserves | | (502) | 1 | (1,998) |
| | | 2,153 | 1,680 | 1,790 |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Financial Variances Explained

Both expenditure and revenue within the compliance function was less than budgeted for the year. Compliance monitoring expense was \$217,000 less than expected and also impacted the revenue recovered from related activity. The regulation team spent more time than anticipated responding to non-recoverable activity such as the pollution hotline.

Consents & Compliance

How we did

Consents Activity

| Level of Service Statement | Level of Service Measures | Performance Target (previous year's AR result) | Performance Results |
|---|--|--|--|
| HBRC will process resource consent applications in a timely manner. | Percentage of resource consents processed within statutory timeframe in Resource Management Act. | 100% (100% in 2017-18) | Achieved 100% 455 resource consents were processed to completion within the statutory timeframe. |

Compliance and Pollution Response Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|--|--|
| HBRC will monitor consent holders to ensure compliance with the resource consent conditions imposed to protect the environment and human health. | Percentage of programmed inspections/reports completed each year as per the adopted risk-based Compliance Monitoring Strategy. | 100% (94% in 2017-18) | Not Achieved Percentage Monitored: 90.9% Consents to be monitored 3,519 Consents Monitored 3,198 The percentage of resource consents monitored is down on the previous year (2017-18: 94%) due to compliance staff taken away from their key function to assist with the setting up and implementation of the IRIS data base and the implementation of the NES Plantation Forestry. Two new full time equivalent staff (FTEs) will be employed in 2018-19 to improve capability and capacity in this area. |

Consents & Compliance

| | | | |
|--|---|--|---|
| | <p>Percentage of monitored consents which receive an overall grade of full compliance.</p> | <p>95% (93.5% in 2017-18)</p> | <p>Not Achieved Full Compliance 92.17% Low Risk Noncompliance 1.79% Moderate Noncompliance 3.11% Significant Noncompliance 2.83% Incomplete (work in process) 0.11%</p> <p>This compares to 93.5% in the previous year (2017-18) and is likely to reflect the introduction of a new grade classified as “low risk non-compliance” within our new reporting system called IRIS rather than any notable worsening of performance. Council escalates its regulatory response on a case-by-case basis according to the risk to the environment and human health, the seriousness of the non-compliance, the apparent attitude to compliance, and the compliance history and frequency of issues arising.</p> |
| <p>HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities.</p> | <p>Maintain a 24- hour/7 day a week duty management/pollution management response system.</p> | <p>Achieved (Achieved in 2017-18)</p> | <p>Achieved Appropriately qualified staff operate the 24/7 duty management and pollution response system. The number of calls continues to increase (2% on the previous year).</p> <p>See the highlights section for more information on the number and type of pollution calls and enforcement action taken.</p> |

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

| | | | |
|---|---|---|--|
| HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection. | A Hazardous Activities & Industries List (HAIL) database of potentially and confirmed contaminated sites is maintained. | Achieved (Partially achieved in 2017-18) | Achieved. Work is continuing to make the HAIL list available by web link or similar to enable free access to those regularly requiring that information. Presently there is a charge for that service. There is ongoing work to verify all listed HAIL sites. |
| HBRC will respond to oil spills within the Hawke's Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan, which identifies priority areas in HB for protection in the event of a major spill. | An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times. | Achieved (Achieved in 2017-18) | Achieved An operative and approved T2 oil spill plan is in place. All oil spill training is up-to-date with the next exercise scheduled for September 2019. |

Maritime Safety Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Results |
|---|--|--|--|
| HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region's navigable waters are safe for people to use. | Maintain a Maritime New Zealand accredited Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area. | Achieved | Achieved Undertaken as part of the Port and Harbour Marine Safety Code (PHMSC) self-audit in June 2019 |
| | Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations. | Decreasing trend Baseline: 3-year rolling average to June 2018 = 43 | Not Achieved 73 (3-year rolling average) There were 105 incidents reported compared to 82 in 2017-18 and 33 in 2016-17. Approximately half of this year's notified events were regarding log handling at the port or pilot ladder standards on foreign vessels. The new Wharf 6 due to be constructed at Napier Port will reduce congestion and contribute to addressing the increasing number of reported incidents. More focus on reporting incidents is also driving the increase. |

Emergency Management

What we do

There are two activities within the Emergency Management Group of Activities:

- Hawke's Bay Civil Defence Emergency Management (HBCDEM)Group
- HBRC Emergency Management

Why we do it

This Group of Activities contributes to the following community outcomes:



The Emergency Management activities aim to enhance community resilience and reduce the impact of emergency events on people, property, businesses and the economy. The activities aim to identify potential hazards to the community and the means of reducing their impact; prepare the community for potential civil defence emergencies; and assist with the response to and recovery from any emergencies that occur.

The Hawke's Bay Civil Defence Emergency Management Group (the CDEM group or the group) is responsible for the implementation of the Hawke's Bay Civil Defence Emergency Management Group Plan. The group operates as a shared service across councils with all civil defence staff working in the same organisation, improving the capability in our region to respond to and bounce back from a disaster.

The Hawke's Bay Regional Council administers this group and also maintains an emergency response capability to support the group. It does this by ensuring that staff are trained to help coordinate a response, including management of HBRC assets and ensuring essential business continues despite any disaster.

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

What we did

Highlights in 2018-19 for the Emergency Management group included:

- A single regional rate for civil defence was introduced, which completed the consolidation of the CDEM group as a shared service across all councils within the Hawke's Bay region. Previously the councils (Wairoa, Napier, Hastings and Central Hawke's Bay) rated their residents and were invoiced by the Regional Council for their share of civil defence work. With savings from the shared service consolidation, the focus is on strengthening civil defence capability with more emphasis on public education before and public information during an event. As part of this a Public Information Manager (PIM) was appointed in November, 2018.

Emergency Management

- In July 2018, the Hikurangi Response Plan project commenced with a busy first year. The purpose of the three-year project is to develop an inter-agency initial response plan for a credible and realistic Hikurangi subduction zone earthquake and tsunami scenario. The Hikurangi subduction zone is where the Pacific and Australian tectonic plates collide. It is New Zealand's largest fault running from off the Kaikoura coast and right past Hawke's Bay to off East Cape. The Hikurangi Response Plan is a collaborative East Coast LAB (Life at the Boundary) project between five lower-North Island CDEM groups with the HBCDEM group leading the initiative. It is funded by the Ministry of Civil Defence & Emergency Management Resilience Fund.
- In December 2018, a duty on-call emergency advisor system was established to ensure someone is always available to support the group and initial response activities when national watches and warnings are issued. The on-call role has already proven a valuable addition to the group's regional warning system by providing timely communication and advice to key response staff. The group issued 109 watches and warnings to regional response agencies over the year.
- An independent Capability Assessment Report was undertaken to find out how the new centralised model is tracking. The HBCDEM group scored 72.2% (an increase of more than 20% since 2009-10). The assessment, usually undertaken every five years, highlighted the overall confidence in the new group structure and the work already carried out under these changes. The assessment identified some standout areas and areas for improvement which the group will work towards.
- During 2018-19, a focus for the HBCDEM group was stronger engagement with communities. This included the completion of its community resilience programme 2019 – 2026. The Canterbury earthquakes showed the pivotal role communities play in emergency management and the group have identified the need to move from an organisational response-centric planning model to building resilience across our communities. In the past year the group worked with several rural coastal communities to develop resilience plans: Porangahau, Ocean Beach, Iwitea, Whakakī, Nuhaka and greater Mahia. Clive and Cape Coast community resilience plans are well underway and staff are looking to review existing plans to ensure they are up to date and relevant.
- An extensive exercise and training programme was carried out across the group to ensure there is enough people trained and capable of responding to an emergency event. Altogether 540 people received training and 148 took part in exercises.
- The HBCDEM Group Welfare Plan was adopted. This plan outlines how the group will organise a coordinated welfare response and what is required in readiness for us to be effective. This plan differs from previous plans as it takes a more holistic look at welfare in an emergency, helps us to better understand the social environment we operate in and takes an empathetic view to the experience of our effected community, their journey through to recovery and the outcomes they are seeking.
- During 2018-19, the redevelopment of HBCDEM's building in Lyndon St, Hastings was undertaken, due to be completed in August, 2019. The new office will provide an alternative district operations centre for the New Zealand Police in the case of an emergency and will be the group coordination centre for the Hawke's Bay Region.

Emergency Management**What we spent**

| Emergency Management | | | | |
|--------------------------------|---|-----------------|-----------------|-----------------|
| | | Actual | Budget | Actual |
| | Activity | 18/19 | 18/19 | 17/18 |
| | (#) | (\$'000) | (\$'000) | (\$'000) |
| EXPENDITURE | | | | |
| Operating Expenditure | | | | |
| | HB Civil Defence Emergency Management Group | 1,826 | 2,240 | 1676 |
| | HBRC Emergency Management | 88 | 132 | 99 |
| | Depreciation/Amortisation Expense | 1 | 17 | 1 |
| | Total Operating Expenditure | 1,915 | 2,389 | 1,777 |
| | TOTAL EXPENDITURE | 1,915 | 2,389 | 1,777 |
| REVENUE | | | | |
| Activity Revenue | | | | |
| | Direct Charges | 23 | 119 | 179 |
| | Total Activity Revenue | 23 | 119 | 179 |
| Other Revenue | | | | |
| | Targeted Rates (Uniform Annual Charge) | 2,130 | 2,130 | 1,072 |
| | Interest | 3 | (1) | (2) |
| | Grants | 0 | - | 683 |
| | Total Other Revenue | 2,133 | 2,129 | 1,753 |
| | TOTAL REVENUE | 2,156 | 2,248 | 1,932 |
| | TOTAL FUNDING REQUIREMENT | 241 | (141) | 155 |
| Special Reserve Funding | | | | |
| | Specific Scheme Reserves | (330) | (8) | (80) |
| | Total Special Reserve Funding | (330) | (8) | (80) |
| | NET GENERAL FUNDING REQUIREMENT | (89) | (149) | 75 |
| MET BY | | | | |
| | General Funding Rates | 144 | 149 | - |
| | Investment Income | 53 | (25) | 56 |
| | Operating Reserves | (108) | 25 | 19 |
| | | 89 | 149 | 75 |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Financial Variances Explained

The CDEM team carried personnel vacancies through the first half of the year which resulted in \$400,000 less than budgeted expenditure for this function.

Emergency Management

How we did

Hawke's Bay CDEM Group Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|---|--|---|---|
| The HBCDEM Group will educate people about hazards, increase natural hazards knowledge through research and provide this information for risk reduction measures including land use planning, asset management, and infrastructure. | A 5-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group. | Achieved (New measure) | Achieved Ongoing research was commissioned in accordance with the Plan and has been reported to the Coordinating Executive Group (CEG). The last report was in August 2018 on the Hikurangi Response Plan project. |
| | Percentage of surveyed residents that identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay (source: 2-yearly SIL perception survey). | Same or better result than last survey. (Last survey was in 2017: 86% of residents identified earthquakes, 58% of residents identified flooding/heavy rain, 45% of residents identified tsunami) | Not Achieved Earthquake (74.9%); Flooding (47.3%); Tsunami (43.3%) Risk awareness for the top 3 risks was worse than the previous survey undertaken in 2017. A dedicated Public Information Manager was appointed in November 2018 to improve both awareness and preparedness. Public education campaigns and place-based community engagement are a priority for the CDEM group in 2019-20. Note: The SIL perception survey was undertaken between May – June 2019 so has been reported in this financial year, not 2019-20 as scheduled in the 2018 -2028 Long Term Plan. |

Emergency Management

| | | | |
|--|--|-------------------------------|--|
| The HBCDEM Group will increase readiness, and ensure a coordinated and appropriate response and recovery from a civil defence emergency to reduce the impact on people and property. | An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee. | Achieved (New measure) | Achieved A review has commenced with the Joint Committee. Monitoring and evaluation process completed and report finalised for next Joint Committee meeting. |
| | A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group. | Achieved (New measure) | Achieved Group work programme developed and approved for Coordinating Executives Group. Performance reporting completed and reported at 24 June meeting. |
| | Overall percentage score from the Ministry of CDEM assessment of the Hawke's Bay CDEM Group's capability (source: 5-yearly assessment). | 80% (New measure) | Not Achieved 72% The 5-yearly independent Capability Assessment was undertaken in May 2019 (a year earlier than planned). Despite not achieving the target of 80%, this is a significant improvement on previous results (2014/15: 60.8% and 2009-10: 51.4%). It shows a general improvement from developing to advancing and maturing capability. |

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

| | | | |
|--|---|--|---|
| | <p>Percentage of surveyed residents prepared to cope for at least three days or more on their own (source: 2-yearly perception survey).</p> | <p>Increasing trend</p> <p>Last survey was in 2017: 90% of residents have enough food for three days and some way of cooking 75% have enough water stored.</p> | <p>Not Achieved</p> <p>84% of residents have enough food for three days; 62% enough water; and 82% some way of cooking without electricity.</p> <p>This result is worse across all 3 measures of preparedness when compared to the previous survey undertaken in 2017.</p> <p>A dedicated Public Information Manager was appointed in November 2018, to improve both awareness and preparedness. Public education campaigns and community engagement are a priority for the CDEM Group in 2019-20.</p> <p>Note: The SIL perception survey was undertaken between May – June 2019 so has been reported in this financial year, not 2019-20 as scheduled in the 2018 -2028 Long Term Plan.</p> |
|--|---|--|---|

HBRC Emergency Management

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|--|--|
| <p>As the HBCDEM Group's Administering Authority, HBRC will provide an agreed budget and support to enable the Group to achieve the CDEM outcomes agreed to in the Group Plan.</p> | <p>HBRC provides support to the HBCDEM Group in accordance with a service level agreement.</p> | <p>Achieved</p> <p>(New measure)</p> | <p>Achieved</p> <p>Relationships continue to be constructive between group member councils in this area as referenced in Capability Assessment Report 2019.</p> |

Emergency Management

| | | | |
|---|--|--|---|
| <p>HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency.</p> | <p>Maintain established team, training, procedures including Emergency Operations Centre Manual and Business Continuance Plan (BCP).</p> | <p>Achieved (Partially achieved in 2017-18)</p> | <p>Achieved The Emergency Standard Operating Procedures (SOPs) and team structures have been maintained, including inductions and training for new staff, and team refreshers, the BCP was reviewed in September 2016. A consultant reviewed the BCP and the Executive commenced work on implementing recommended improvements, which is 50% complete.</p> |
| | <p>24-hour duty management system in place.</p> | <p>Achieved (Achieved in 2017-18)</p> | <p>Achieved An effective 24-hour duty management system, supported by Palmerston North City Council afterhours, has been operated with 348 calls managed and logged by the duty managers for the year. 79 warnings or watches or severe weather, tsunami, or other events have been effectively managed.</p> |

Transport

What we do

There are three activities within the Transport Group of Activities:

- Transport Planning and Road Safety
- Passenger Transport
- Regional Cycling

Why we do it

This Group of Activities contributes to the following community outcomes:



The Hawke's Bay Regional Council is responsible for regional transport planning, provision of passenger transport services and co-ordination of road safety education across Hawke's Bay. The driving force is the Regional Land Transport Plan and the Regional Public Transport Plan which must be prepared by the Regional Transport Committee and the Regional Council.

A major part of the Council's transport role is to contract bus and Total Mobility taxi services that provide the community with access to work, education, social and recreational activities.

The Regional Council also has an important role in the coordination of cycling activities through the Regional Cycling Governance Group and the Regional Cycling Plan 2015, which is currently being reviewed. The Plan aims to maximise the financial and social returns from cycling for health, tourism and liveability.

What we did

Highlights in 2018-19 for the Transport group included:

- In December 2018, the new website (www.goBay.co.nz) went live. Feedback has been very positive.
- In early 2019, terms of reference were prepared for a joint transport study to evaluate traffic patterns in Hawke's Bay, predict future demand and programme any necessary improvements to the transport network and services. The study will be overseen by the Regional Transport Committee with technical support from the Transport Technical Advisory Group.

Transport

- In April 2019, it was announced that the Hawke's Bay Trails network would receive \$1.3 million from the government's New Zealand Cycle Trail Enhancement and Extension Fund. Hawke's Bay Trails is one of the Great Rides of Ngā Haerenga - the New Zealand Cycle Trail. The funding will be used on three projects costing an estimated \$3.6 million and creating an extra 34.5 kilometres of trails around Napier and Hastings. The costs will be split between the Ministry of Business, Innovation and Employment (MBIE) and local councils, up to 2022, with close collaboration with New Zealand Transport Agency and the local community.
- In June 2019, the Napier-Wairoa rail line was officially reopened. This follows years of discussions and advocacy led by the Regional Council. As Chair of the Regional Transport Committee, Councillor Alan Dick was instrumental in getting the rail line reinstated. Discussions began with KiwiRail over a decade ago around the future of the rail line and continued after it was closed in 2012 due to a washout.
- In June 2019, the Regional Public Transport Plan 2019 – 2029 was adopted following public consultation. The plan was prepared by the HBRC and is reviewed every three years. The plan sets out how the Regional Council manages the goBay bus and Total Mobility services. Priority actions from the plan include improving bus service reliability between Napier and Hastings, and investigating transport needs in Central Hawke's Bay and Wairoa.
- In June 2019, work commenced on future public transport initiatives to contribute to the Regional Council's strategic goal of a carbon neutral Hawke's Bay by 2040.
- A number of major roadworks on key routes around Hawke's Bay were under construction, including the completion of Te Ara Kahikatea (the new link from Whakatu), the Pakowhai Links Roundabout, the Watchman Road Roundabout and the new entrance to the Hawke's Bay Airport. These works are a result of the strategic plan developed by the Regional Transport Committee to improve safety and efficiency across the region's strategic routes.
- The project to implement a new bus ticketing and smartcard system for nine regional councils progressed. Initial testing was carried out but the project has been delayed due to further development and testing requirements. The new system will provide faster boarding, online smartcard top-ups and other benefits for passengers.

Transport

What we spent

| Transport | | | | | |
|--------------------------------|--|-----------------|-----------------|-----------------|--------------|
| | | Actual | Budget | Actual | |
| | Activity | 18/19 | 18/19 | 17/18 | |
| | (#) | (\$'000) | (\$'000) | (\$'000) | |
| EXPENDITURE | | | | | |
| Operating Expenditure | | | | | |
| | Transport Planning and Road Safety | 1 | 571 | 782 | 624 |
| | Passenger Transport | 2 | 4,208 | 3,914 | 3,713 |
| | Regional Cycling | 3 | 261 | 143 | 66 |
| | Depreciation/Amortisation Expense | | 18 | 25 | 14 |
| | Total Operating Expenditure | | 5,058 | 4,864 | 4,417 |
| | TOTAL EXPENDITURE | | 5,058 | 4,864 | 4,417 |
| REVENUE | | | | | |
| Activity Revenue | | | | | |
| | Direct Charges | | 8 | 153 | 14 |
| | Total Activity Revenue | | 8 | 153 | 14 |
| Other Revenue | | | | | |
| | Targeted Rates | | 1,620 | 1,620 | 1,613 |
| | Interest | | (1) | (2) | (0) |
| | Grants | | 3,056 | 2,929 | 2,810 |
| | Total Other Revenue | | 4,676 | 4,547 | 4,422 |
| | TOTAL REVENUE | | 4,684 | 4,700 | 4,436 |
| | TOTAL FUNDING SURPLUS / (REQUIREMENT) | | (374) | (164) | 19 |
| Special Reserve Funding | | | | | |
| | Specific Scheme Reserves | | 172 | (9) | (104) |
| | Total Special Reserve Funding | | 172 | (9) | (104) |
| | NET GENERAL FUNDING SURPLUS / (REQUIREMENT) | | (202) | (173) | (85) |
| MET BY | | | | | |
| | General Funding Rates | | 144 | 173 | - |
| | Investment Income | | 121 | (34) | 62 |
| | Operating Reserves | | (63) | 34 | 23 |
| | | | 202 | 173 | 85 |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Financial Variances Explained

Road and Safety and Passenger Transport expenditure was higher than budget overall. This is a result of lower patronage and the resulting reduction in fares received.

Regional Cycling expenses also exceeded budget due to internal time allocations being greater than planned.

Transport

How we did

Transport Planning and Road Safety Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|--|---|
| HBRC will develop and implement the region's transport planning documents to promote improved integration of all transport modes, land use and efficient movement of freight. | Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place. | Achieved (RLTP and Regional Cycling Plan Achieved; RPTP Partially Achieved in 2017-18) | Achieved The Regional Land Transport Plan was adopted in June 2018 in accordance with statutory timeframes. The Regional Public Transport Plan 2015 was reviewed during the 2018-19 year and was adopted by Council in June 2019. The Regional Cycle Plan 2015 is in place but under review during 2019. |
| HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay roads and pathways are safe and accessible, and the emotional and financial costs of road traffic crashes are reduced. | Incidence of fatal and injury crashes in our region (5-year rolling average). | Decreasing trend 2016: 335 (5-year rolling average for the region) (In the 2018-28 LTP, this measure was changed from reporting fatal and serious injury crashes to fatal and injury crashes and the previous year's result has been restated using the new methodology) | Partially Achieved 2017: 344 (5-year rolling average of fatal and injury crashes for the Hawke's Bay region). As there was a decreasing trend in Central Hawke's Bay and Napier and an increasing trend in Wairoa and Hastings districts this measure is recorded as Partially Achieved. Note: 2018 results published by the Ministry of Transport were not available at the time this report was produced. |

Transport

Passenger Transport Activity

| Level of Service Statement | Level of Service Measure | Performance Target (previous year's AR result) | Performance Result |
|--|--|--|--|
| HBRC will provide an accessible, integrated bus service and work with the relevant territorial authority to ensure appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas to meet the transport needs of the people of Hawke's Bay. | Annual patronage on Hawke's Bay bus services. | Maintain or increasing trend (5-year rolling average to Jun 2017: 737,794) | Not Achieved 2018-19: 645,297 trips taken. 5-year rolling average to Jun 2019: 687,831. Patronage has decreased by 3% this year, while the 5-year average has decreased by 4%. The longer services (between Napier and Hastings) have maintained or increased patronage, but many of the suburban services are showing significant declines. In response to the continued drop in patronage and in light of the Council's recent climate change declaration, the Regional Transport Committee tasked staff with recommending innovative new ways to mitigate climate change through public transport. The first report is scheduled to be tabled at the Regional Transport Committee in September 2019. |
| | Annual passenger kilometres travelled on the Hawke's Bay bus services. | Maintain or increasing trend (5-year rolling average to June 2017: 7,561,510) | Not Achieved 2018-19: 6,949,061 passenger kilometres travelled. 5-year rolling average to June 2019: 7,218,669 km. As patronage is less than last year, the 5-year rolling average for passenger kilometres is also down, although not by the same percentage. This is because the decline in patronage is less apparent on our longer routes than on the shorter suburban routes. |

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

| | | | |
|--|--|--|--|
| | Proportion of total service costs that is covered by fares. | Maintain or increasing trend (5-year rolling average to June 2017: 37.5%) | Not Achieved 2018-19: 34.6% 5-year rolling average to June 2019: 37.3% The annual and rolling average fare recovery rate has worsened due to higher costs and lower revenues as a result of declining patronage. |
| | Percentage of residences and businesses within 500m (under normal conditions) and 600m (in low density/outer areas) walking distance of a bus stop within existing bus routes. | 90% Hastings 75% Napier (Not achieved in 2017-18) | Achieved 90% Hastings 90% Napier A re-calculation exercise conducted using Napier and Hastings district plan maps has shown that 90% of residential and commercial business are now within 500m of a bus stop. Low density/outer urban areas were not able to be calculated using this method. |

Note: Trends are based on a 5-yearly rolling average to smooth out anomalies and/or fluctuations to get a long term picture of performance. To do this we take the last five year's data, average it then the next year we drop the earliest year off and add the latest one and average again.

Part 3:

Financials | Pūrongo Pūtea

Financial Overview

Year one of the 2018-28 Long Term Plan signalled a step change in activity - particularly in the areas of land and water. The Financial Strategy in the 2018-28 Long Term Plan began implementation in the 2018-19 year. This effectively means we have accelerated and scaled up our activities to influence land and water use practices and to achieve a greater impact sooner.

As a result, operating expenditure in 2018-19 was \$53 million, an increase of \$5.1 million or 10% compared to the previous year. External operating expenditure increased by \$2.5 million and personnel costs increased by \$2.8 million or 16%. This demonstrates the significant increase in capacity and capability which has been required to carry out an ambitious, up-scaled programme of work.

Total capital expenditure was budgeted at \$11.7 million for the year. However, \$3.2 million of this has been carried forward to 2019-20. Despite an increase in staffing numbers and cost, many vacancies were difficult to fill and were vacant for part or all of the year, particularly Asset Management where a lack of resource and capability meant an underspend in Infrastructure Asset Construction of \$2.2 million.

Another \$1 million of capital carried forward relates to Information Technology (IT) projects or spend. Following a full review of the approach to IT transformation, greater priority has now been given to ensure the organisation is appropriately set up to benefit from system implementation before work begins.

The set-up and implementation of some new initiatives took longer than anticipated, such as the Integrated Catchment Management team's Erosion Control Scheme where \$600,000 has been carried forward. Approximately \$1 million of budgeted operating expenditure has been carried forward to the 2019-20 year for various work streams, due to resourcing challenges, difficulty gaining access to land, reliance on partnership or external funding or where reserve balances are being carried over.

Overall, operating expenditure exceeds budget due to the reallocation or prioritisation of internal work streams over debt fund capital projects which have been delayed or deferred to the new financial year.

The increased level of activity in 2018-19 was funded through:

- **Rates** – rates revenue makes up 50% or less of annual revenue.
An average 19% increase in rates (including 5.3% related to the regional collection of Civil Defence Emergency Management).
Rates revenue for the year was \$23.2 million, an increase of \$3.7million from 2017-18.
- **Recovery of user charges via fees and charges** – fees and charges provide around 20% of the Regional Council's annual funding requirements.
A greater 'user pays' approach.
Consents and Compliance were 80% chargeable to consent holders (up from 60% and 70% respectively in previous years).

Part 3- Financials | Pūrongo Pūtea

\$1.9 million total revenue collected from direct charges – an increase of \$520,000 from 2017-18, however \$600,000 less than budget due to more time than anticipated spent responding to important but non-recoverable activities, such as the Pollution Hotline.

- **Investment income** – total Investment income including \$10 million in dividends was \$14.5 million.

Included leasehold income of \$2.8 million, forestry income of \$23,000, returns from managed funds and cash on term deposit of \$1.8 million.

Our investment strategy aims to maintain and grow investments to generate income, which allows general rates to continue being subsidised by investment income. In 2018-19, The Regional Council received \$10 million in dividends from the 100% ownership of Napier Port via Hawke's Bay Regional Investment Company Ltd (HBRIC Ltd). Following the balance date of this Annual Report, the ownership in this asset has been diluted to 55% via an Initial Public Offering. Full details are outlined in the full Annual Report at hbric.govt.nz. search: #AnnualReports. This post balance date event has already had a significant impact on the valuation of the asset. The Regional Council's valuation of assets has increased by over \$66 million in the 2018-19 year including a revaluation of HBRIC Ltd.

Overall investment income was \$1.5 million less than budget due to returns from managed funds being un-realised (they are balance sheet gains) and a delay in expected Forestry income, to be recognised when the forests are harvested. During the course of the 2018-19 year, \$40 million of funds were placed into diversified investment portfolios managed by two separate fund managers. Appointment of the fund managers and subsequent establishment of the funds took longer administratively than anticipated which has an impact on the timing of the placement of funds (planned July 18, allocated in November 2018), however, the \$40 million placed achieved overall gains of \$1.88 million or 4.7% including adjustment for inflation. Forecast returns were 4.5% net of inflation which has resulted in a shortfall of investment income for 2019-20. Gain on invested funds is recognised in the financial statements as an un-realised gain as the returns were not divested in the year, due to favourable cash flow position.

Debt – The 2018-28 Long Term Plan outlines a preference for funding intergenerational projects through debt. In 2018-19 the Regional Council borrowed \$2.5 million to fund regional infrastructure projects, work on regional parks and open spaces, and research and development projects. Overall debt levels have decreased due to repayment of existing debt.

External grant funding – Government grants are received from the New Zealand Transport Agency for bus services and road safety projects, New Zealand Trade and Enterprise for regional development projects, Ministry of Justice and the Ministry of the Environment for Iwi initiatives, and the Ministry of Primary Industries for afforestation, environmental and water initiative projects.

The closing financial position for the year is an operating surplus of \$3.08 million compared to a planned surplus of \$5.8 million. The total comprehensive revenue and expense position is \$69.6 million which exceeds the planned \$8.2 million surplus. This significant increase is due to unrealised revaluation gains across all asset classes most specifically a \$56.9million increase in the valuation of HBRIC (reflecting the value of ownership of Napier Port).

Financial Reporting Benchmarks

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

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

1. Rates Affordability Benchmark

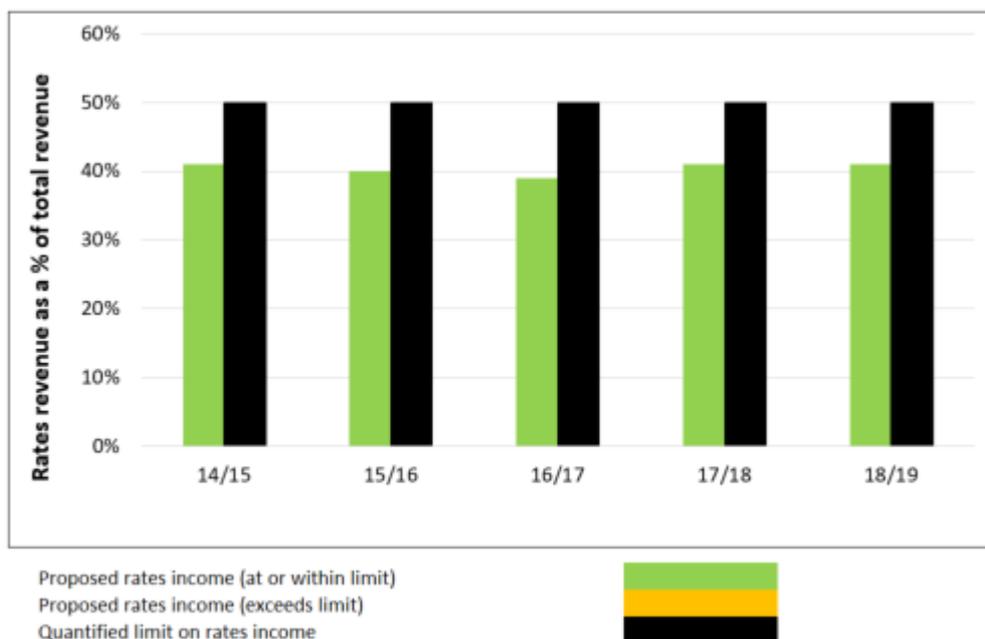
“The Council meets the rates affordability benchmark if:

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

A) Rates Income Affordability Benchmark

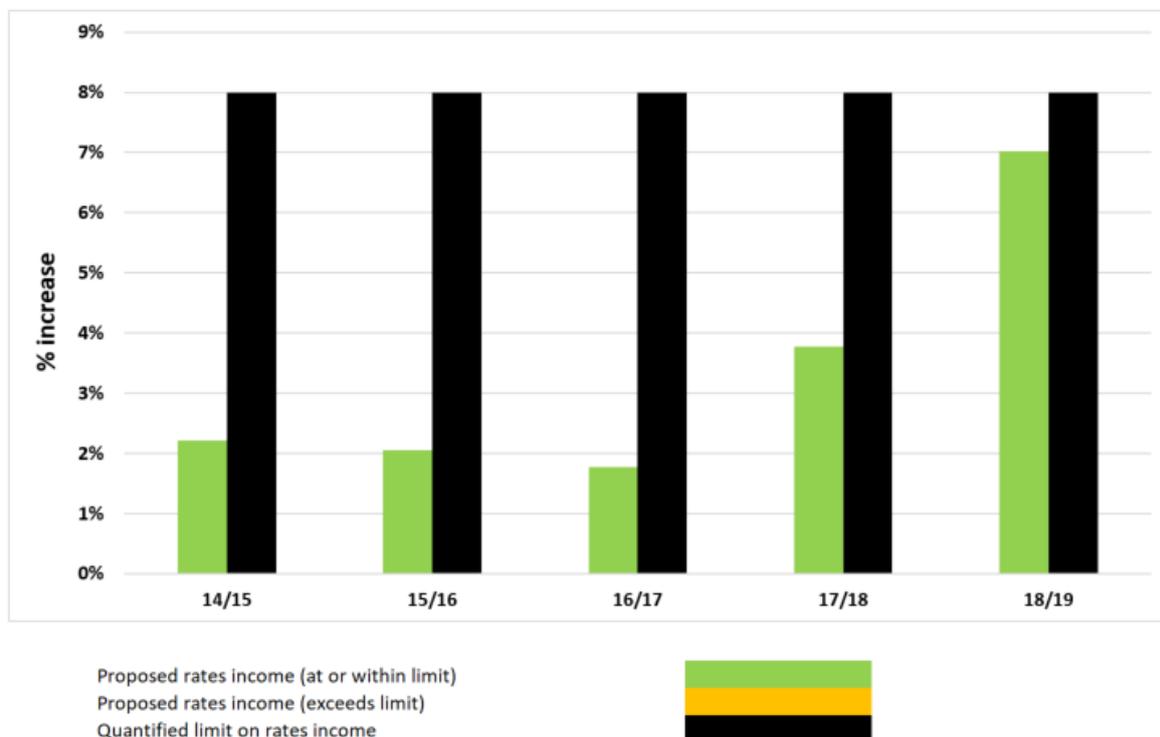
The following graph compares the Council’s actual rates revenue with a quantified limit on rates contained in the financial strategy as included in the Council’s 2018-28 Long Term Plan. The quantified limit used in the graph below is that total rates revenue will not exceed 50% of Council’s annual revenue requirements. The graph uses percentage as a unit of measurement.

The graph below establishes that each of the five years presented are within the 50% benchmark.



(B) Rates Increases Affordability Benchmark

The following graph compares the Council's actual rate increase with the quantified limit on rate increases included in the financial strategies in the Council's long term plans. The quantified limit is that increase in the annual rate revenue requirement will not exceed 8% of HBRC's annual operating expenditure requirements. The graph uses percentage as unit of measurement.



The graph above establishes that each of the five years presented are within the benchmark limits.

2. Debt Affordability Benchmark

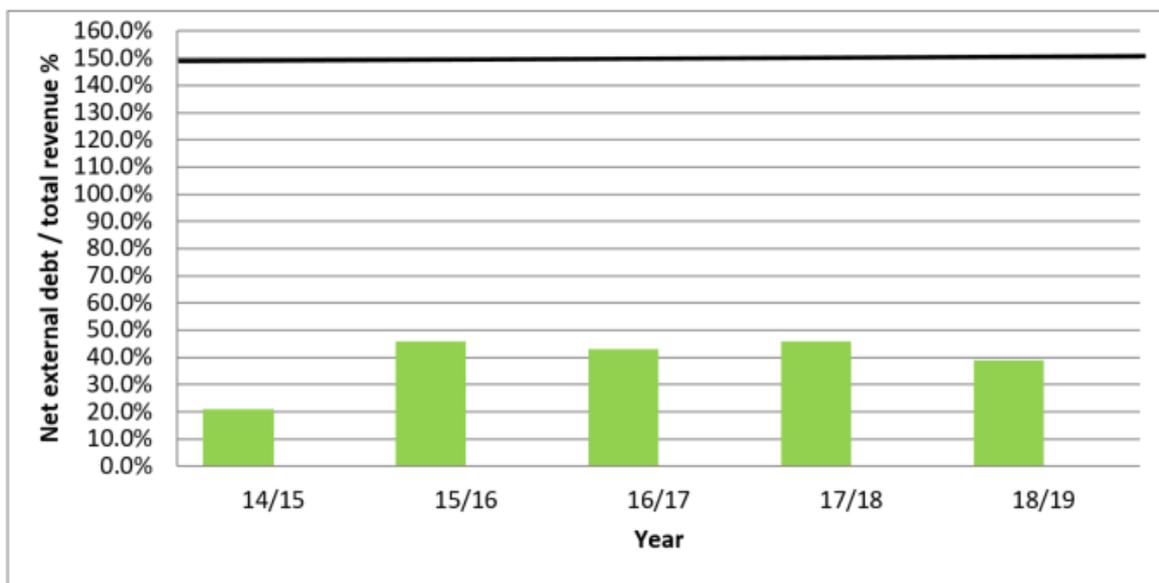
“The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.”

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

- Net external debt as a percentage of total revenue must be less than 150%.
- Net interest on external debt as a percentage of annual rates income must be less than 20%.

Graphs are provided below for each of these borrowing limits.

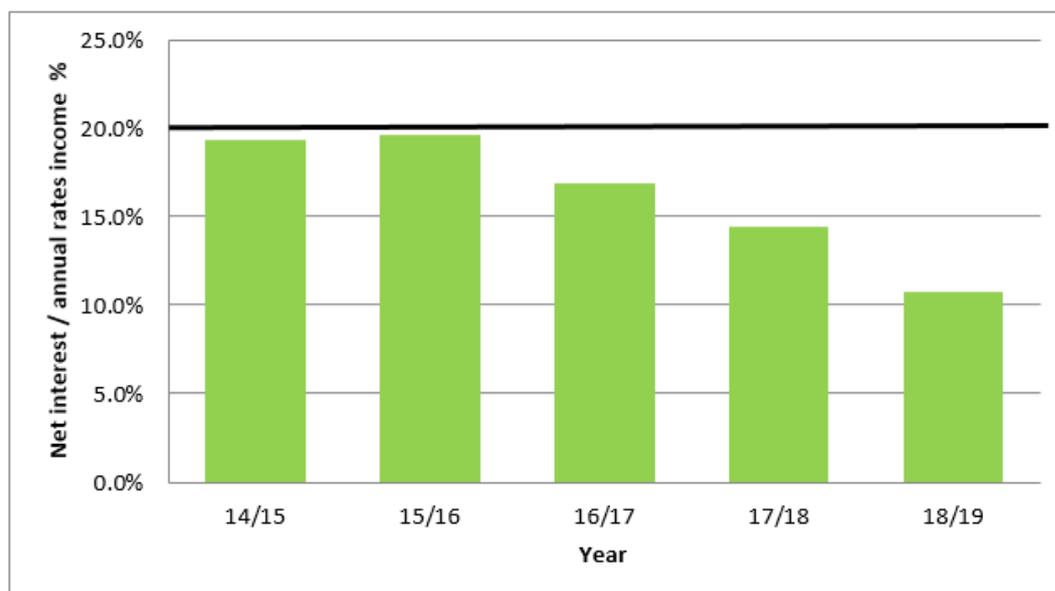
Borrowing limit debt to total revenue ratio



Benchmark met
Benchmark not met



Borrowing limit interest expense to annual rates income



Benchmark met
Benchmark not met

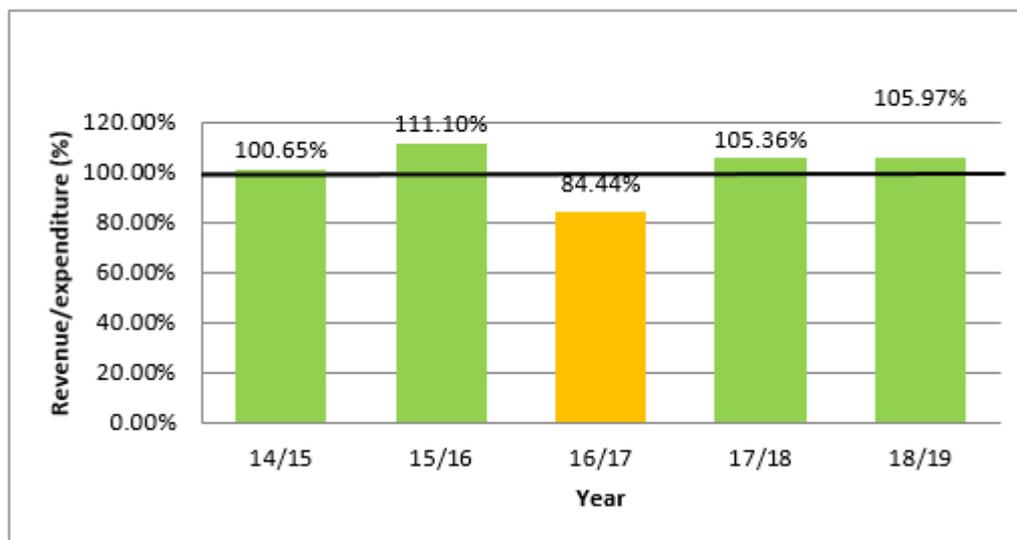


The graphs above establish that each of the five years presented are within the borrowing limits.

3. Balanced Budget Benchmark

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

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



Benchmark met
 Benchmark not met

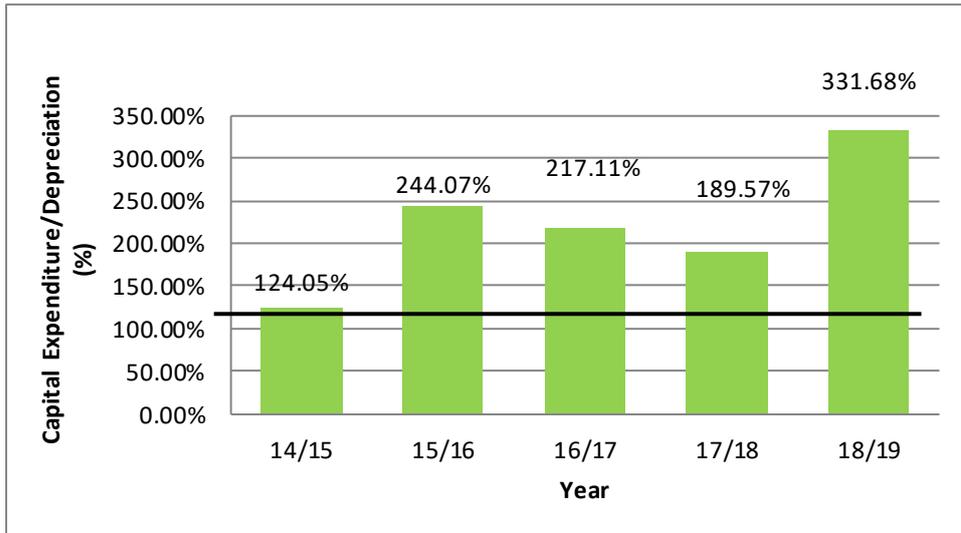


The Council has met this benchmark for all years except 2016-17 due to the impairment of the advances made to HBRIC Ltd for the RWSS and the impairment of the RWSS evaluation costs.

4. Essential Services Benchmark

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

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



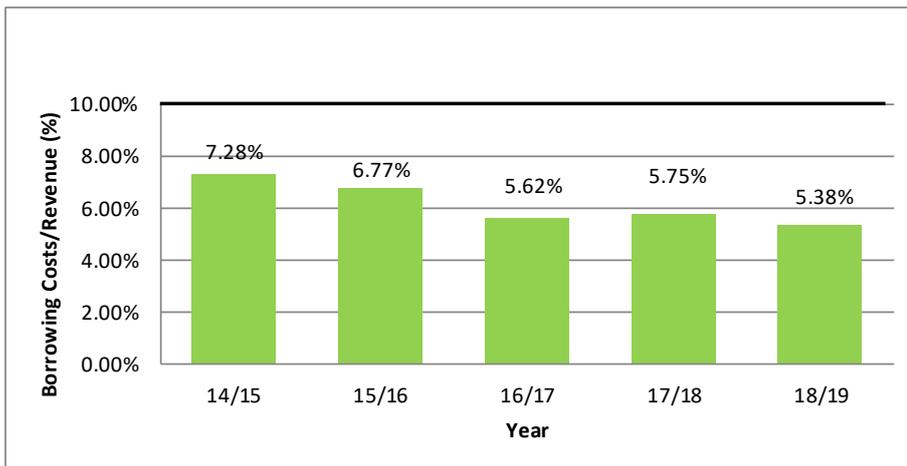
Benchmark met ■
 Benchmark not met ■

The Council has met this benchmark for the last five financial years.

5. Debt Servicing Benchmark

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

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



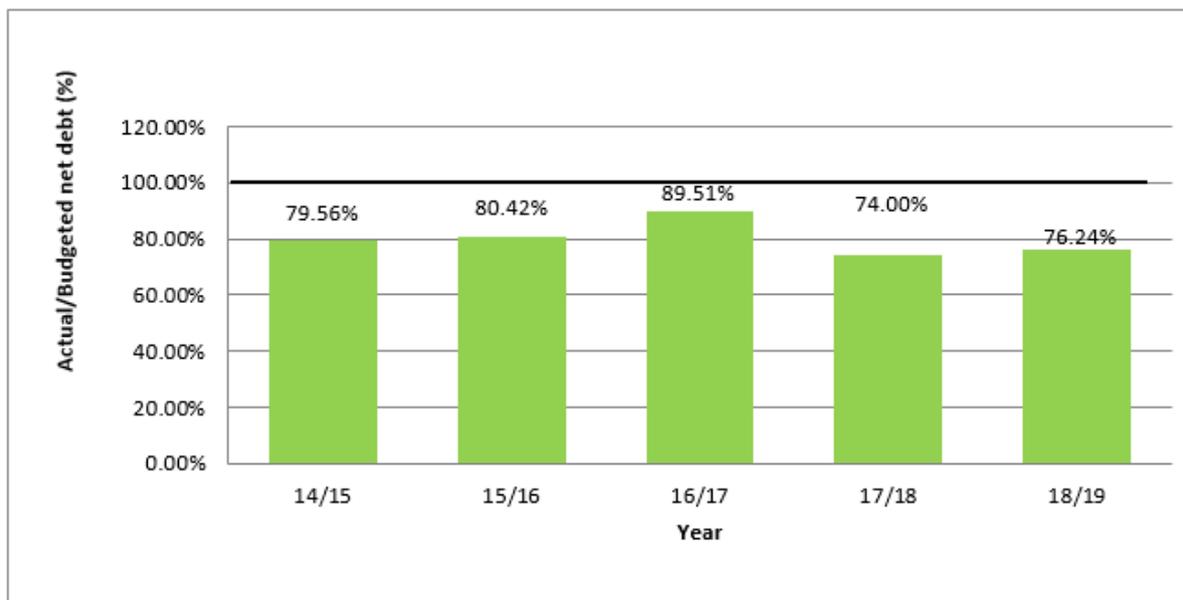
Benchmark met ■
 Benchmark not met ■

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

6. Debt Control Benchmark

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

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

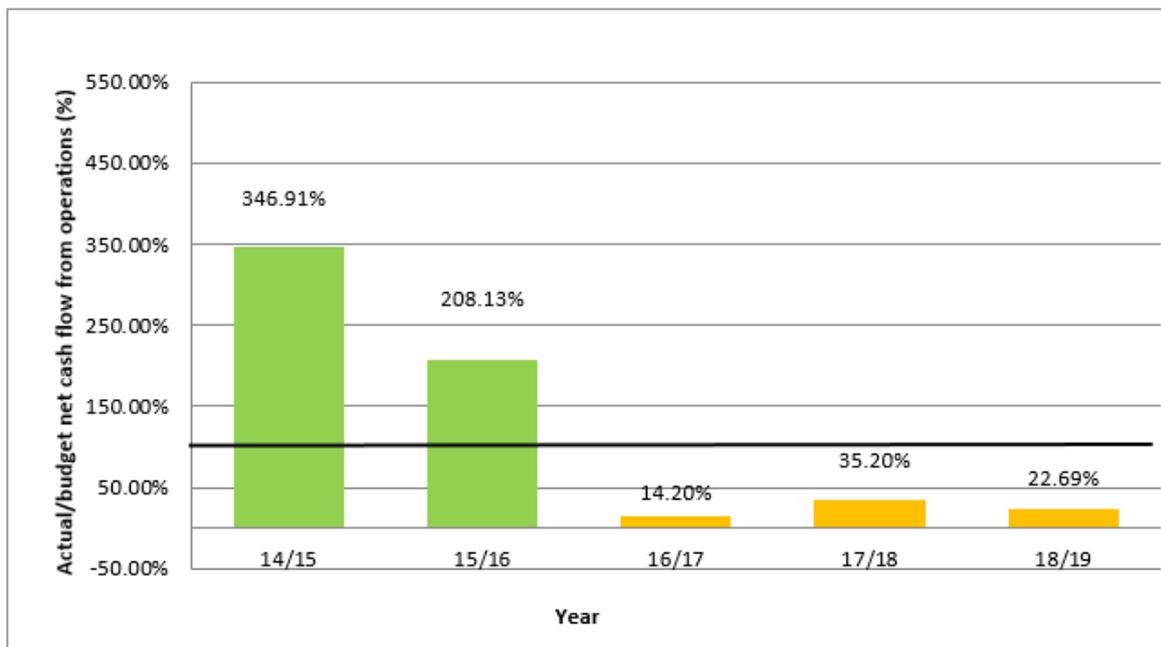


Benchmark met █
Benchmark not met █

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

7. Operations Control Benchmark

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



Benchmark met
 Benchmark not met



The Council has met this benchmark (i.e. actual net cashflow from operations has exceeded planned levels) for all the years except 2016-17, 2017-18 and 2018-19 where the operating net cashflows were under budget but still positive.

Financial Statements

| | Note | Regional Council | | | Group | |
|--|------|------------------|-----------------|-----------------|------------------|------------------|
| | | Actual | Budget | Actual | Actual | Actual |
| | | 18/19 | 18/19 | 17/18 | 18/19 | 17/18 |
| | | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | | |
| Revenue from activities | 3 | 8,416 | 9,198 | 6,548 | 103,056 | 96,307 |
| Rates revenue | 4 | 23,186 | 22,829 | 19,475 | 23,186 | 19,475 |
| Subsidies and grants | 5 | 3,989 | 3,368 | 5,383 | 3,989 | 5,383 |
| Other revenue | 5 | 14,490 | 16,029 | 15,479 | 5,590 | 5,400 |
| Fair value gains on investments | 6 | 5,802 | 3,195 | 3,697 | 6,487 | 4,171 |
| Reduction in ACC Leasehold Liability | | | 917 | | | |
| Total Operating Revenue | | 55,884 | 55,536 | 50,582 | 142,309 | 130,736 |
| Expenditure | | | | | | |
| Expenditure on activities | 3 | (26,369) | (24,593) | (23,818) | (58,442) | (49,792) |
| Personnel costs | 7(a) | (20,394) | (19,738) | (17,499) | (47,759) | (43,436) |
| Finance costs | 3 | (2,489) | (2,447) | (2,803) | (6,542) | (7,384) |
| Depreciation & amortisation expense | 3 | (3,081) | (2,925) | (2,905) | (14,330) | (14,836) |
| Fair value losses | 6 | - | - | - | - | - |
| Other expenditure | 7(c) | (475) | | (965) | (1,359) | (1,206) |
| Total Operating Expenditure | | (52,808) | (49,704) | (47,990) | (128,432) | (116,654) |
| Loss on sale of intangible asset | | - | - | - | - | (7,755) |
| Total Impairment and Loss on Sale Expenditure | | - | - | - | - | (7,755) |
| Total Expenditure | | (52,808) | (49,704) | (47,990) | (128,432) | (124,409) |
| Operating Surplus / (Deficit) before Income Tax | | 3,076 | 5,832 | 2,593 | 13,877 | 6,328 |
| Income tax expense | 8 | - | - | - | (2,034) | (5,402) |
| Operating Surplus / (Deficit) after Income Tax | | 3,076 | 5,832 | 2,593 | 11,842 | 926 |
| Other Comprehensive Revenue and Expense | | | | | | |
| Gain/(loss) in other financial assets | 19 | 58,879 | 1,000 | 48,394 | 1,356 | (394) |
| Gain/(loss) on revalued intangible asset | 19 | 1,290 | - | 283 | 1,290 | 9,778 |
| Gain/(loss) on revalued property, plant and equipment assets | 19 | 6,364 | 1,436 | - | 10,738 | - |
| Effect on Consolidation | | | | | | - |
| Total Other Comprehensive Revenue and Expense | | 66,533 | 2,436 | 48,677 | 13,384 | 9,384 |
| Total Comprehensive Revenue and Expense | | 69,609 | 8,268 | 51,270 | 25,225 | 10,310 |

The accompanying notes form part of these financial statements.

Statement of Financial Position

| Note | Regional Council | | | Group | | | |
|--------------------------------|---|--------------------------|--------------------------|--------------------------|--------------------------|----------------|----------------|
| | Actual 18/19 \$000 | Budget 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 | | |
| ASSETS | | | | | | | |
| Non-Current Assets | | | | | | | |
| | Property, plant & equipment | 9 | 27,472 | 24,120 | 21,453 | 334,367 | 326,853 |
| | Infrastructure assets | 10 | 174,709 | 176,268 | 173,004 | 174,709 | 173,004 |
| | Investment property | 11 | 48,393 | 54,520 | 47,102 | 56,363 | 54,387 |
| | Intangible assets | 12 | 7,347 | 6,895 | 5,273 | 8,467 | 6,834 |
| | Forestry assets | 15 | 11,482 | 10,589 | 10,698 | 11,482 | 10,698 |
| | Investment in joint venture | 14 | - | - | - | - | 823 |
| | Advances to Council-controlled organisations | 16 | - | - | - | - | - |
| | Trade & other receivables | 16 | - | - | - | - | - |
| | Derivative financial instruments | 17 | - | - | - | - | - |
| | Deferred tax assets | 22 | - | - | - | - | - |
| | Total non-current assets before other financial assets | | 269,403 | 272,392 | 257,530 | 585,388 | 572,599 |
| | Other financial assets | 13 | 51,590 | 71,331 | 9,313 | 51,590 | 9,313 |
| | Investment in Council-controlled organisations | 13 | 340,396 | 246,985 | 283,500 | - | - |
| | Advances to Napier / Gisborne Rail | 13 | 236 | 1,701 | 218 | 236 | 218 |
| | Total other financial assets | 13 | 392,222 | 320,017 | 293,031 | 51,826 | 9,531 |
| | Total Non-Current Assets | | 661,625 | 592,409 | 550,561 | 637,214 | 582,130 |
| Current Assets | | | | | | | |
| | Inventories | | 113 | 35 | 122 | 113 | 122 |
| | Trade & other receivables | 16 | 10,063 | 8,989 | 9,969 | 26,510 | 23,561 |
| | Advances to Council-controlled organisations | 16 | 6,500 | - | - | - | - |
| | Derivative financial instruments | 17 | - | - | - | - | - |
| | Other financial assets | 13 | 4,110 | 20,732 | 57,216 | 4,110 | 57,216 |
| | Cash and cash equivalents | 18 | 28,436 | 3,900 | 27,309 | 32,227 | 27,574 |
| | Current tax asset | | - | - | - | 389 | 288 |
| | Non-current assets held for sale | | - | - | - | - | - |
| | Total Current Assets | | 49,222 | 33,656 | 94,616 | 63,349 | 108,761 |
| | TOTAL ASSETS | | 710,847 | 626,065 | 645,177 | 700,563 | 690,891 |
| NET ASSETS / EQUITY | | | | | | | |
| | Accumulated funds | 20 | 358,003 | 325,116 | 305,237 | 326,711 | 260,924 |
| | Fair value reserves | 19 | 275,976 | 174,963 | 209,443 | 179,625 | 171,201 |
| | Other reserves | 20 | 31,375 | 71,098 | 81,066 | 31,375 | 81,066 |
| | Total Net Assets / Equity | | 665,355 | 571,177 | 595,746 | 537,711 | 513,191 |
| LIABILITIES | | | | | | | |
| Non-Current Liabilities | | | | | | | |
| | Derivative financial instruments | 17 | - | - | 13 | 4,312 | 3,718 |
| | Borrowings | 21 | 17,685 | 20,753 | 19,125 | 98,385 | 105,725 |
| | Provisions for other liabilities & charges | 25 | 11,282 | 16,967 | 14,115 | 11,282 | 14,115 |
| | Deferred tax liabilities | 22 | - | - | - | 17,063 | 21,028 |
| | Employee benefit liabilities | 23 | 519 | 657 | 543 | 993 | 964 |
| | Total Non-Current Liabilities | | 29,486 | 38,377 | 33,796 | 132,035 | 145,550 |
| Current Liabilities | | | | | | | |
| | Bank overdraft | 21 | - | - | - | 129 | - |
| | Derivative financial instruments | 17 | - | - | - | 1,708 | 1,494 |
| | Borrowings | 21 | 3,900 | 5,165 | 3,900 | 3,900 | 9,586 |
| | Provisions for other liabilities & charges | 25 | 668 | 977 | 745 | 668 | 745 |
| | Current tax payable | | - | - | - | 2,001 | 1,396 |
| | Employee benefit liabilities | 23 | 2,119 | - | 1,916 | 4,971 | 4,601 |
| | Trade & other payables | 24 | 9,320 | 10,369 | 9,074 | 17,440 | 15,034 |
| | Total Current Liabilities | | 16,007 | 16,511 | 15,635 | 30,817 | 32,856 |
| | TOTAL LIABILITIES | | 45,493 | 54,888 | 49,431 | 162,852 | 178,406 |
| | TOTAL NET ASSETS / EQUITY & LIABILITIES | | 710,847 | 626,065 | 645,177 | 700,563 | 691,597 |

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
For the Year Ended 30 June 2019

| Note | Regional Council | | | Group | |
|---|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Budget 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| | Equity as at beginning of year | 595,746 | 562,909 | 544,476 | 512,486 |
| Total Comprehensive Revenue and Expense | 69,608 | 8,268 | 51,270 | 25,225 | 10,310 |
| Dividends received / (paid) | - | - | - | - | - |
| Share capital issued | - | - | - | - | - |
| Effect on consolidation | - | - | - | - | (1,615) |
| Equity as at end of year | 665,354 | 571,177 | 595,746 | 537,711 | 512,486 |

The accompanying notes form part of these financial statements.

Statement of Cash Flows

| | Regional Council | | | Group | |
|---|------------------|----------------|-----------------|----------------|-----------------|
| | Actual | Budget | Actual | Actual | Actual |
| | 18/19 | 18/19 | 17/18 | 18/19 | 17/18 |
| Note | \$000 | \$000 | \$000 | \$000 | \$000 |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| <i>Cash was provided from:</i> | | | | | |
| Receipts from customers | 9,905 | 11,376 | 6,770 | 102,590 | 96,119 |
| Rates | 23,186 | 22,829 | 19,475 | 23,186 | 19,475 |
| Dividends received | 10,000 | 10,000 | 10,000 | - | - |
| Interest received | 1,818 | 3,297 | 2,549 | 1,821 | 2,549 |
| Grants | 3,989 | 3,368 | 5,720 | 3,989 | 5,720 |
| Other Revenue | - | 554 | 174 | (144) | 32 |
| GST | - | - | - | 278 | (176) |
| | 48,898 | 51,424 | 44,688 | 131,720 | 123,719 |
| <i>Cash was applied to:</i> | | | | | |
| Payments to suppliers | 24,707 | 23,530 | 23,272 | 52,995 | 49,925 |
| Payments to and behalf of employees | 20,394 | 19,683 | 17,408 | 47,759 | 43,345 |
| Interest expense | 2,489 | 2,447 | 2,803 | 6,749 | 7,614 |
| Income tax expense | - | - | - | 1,860 | 6,321 |
| | 47,590 | 45,660 | 43,483 | 109,363 | 107,205 |
| Net Cash Flows from Operating Activities | 18 | 1,308 | 5,764 | 1,205 | 22,356 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| <i>Cash was provided from:</i> | | | | | |
| Disposal of property, plant & equipment | 146 | 946 | 215 | 874 | 602 |
| Disposal of investment properties | 4,139 | - | 5,739 | 4,139 | 5,739 |
| Disposal of financial assets | 59,069 | 8,294 | 76,516 | 59,069 | 76,516 |
| Disposal of forestry assets | - | 485 | - | - | - |
| Third party contributions for purchase of intangibles | - | - | - | - | - |
| | 63,354 | 9,725 | 82,470 | 64,082 | 82,857 |
| <i>Cash was applied to:</i> | | | | | |
| Purchase of property, plant & equipment | 2,370 | 3,539 | 2,198 | 13,598 | 23,572 |
| Purchase of intangible assets | 1,218 | 2,055 | 955 | 1,218 | 1,034 |
| Construction of infrastructure assets | 2,390 | 3,467 | 1,517 | 2,390 | 1,517 |
| Community Lending | - | 2,918 | - | - | - |
| Purchase of financial assets | 46,018 | 15,479 | 57,184 | 46,018 | 57,184 |
| Purchase of Forestry assets | - | - | 160 | - | 160 |
| Purchase of intangibles on behalf of third parties | - | - | - | - | - |
| Investment in Joint Venture | - | - | - | 50 | 60 |
| Construction of infrastructure assets | - | 425 | - | - | - |
| Advances to Investment Company | 6,500 | - | (94) | 6,500 | (94) |
| Advances to Napier / Gisborne Rail | - | 1,500 | 17 | - | 17 |
| | 58,496 | 29,383 | 61,937 | 69,774 | 83,450 |
| Net Cash Flows from Investing Activities | | 4,858 | (19,658) | 20,533 | (5,692) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| <i>Cash was provided from:</i> | | | | | |
| Loans drawn | 3,900 | 7,010 | 3,900 | 3,900 | 9,600 |
| Leashold Annuity | - | - | - | - | - |
| | 3,900 | 7,010 | 3,900 | 3,900 | 9,600 |
| <i>Cash was applied to:</i> | | | | | |
| Loans repaid | 5,340 | 4,252 | 3,740 | 12,440 | 3,740 |
| Leasehold freeholding proceeds paid to ACC | 3,599 | 1,119 | 4,850 | 3,599 | 4,850 |
| Effect on consolidation | - | - | - | - | - |
| | 8,939 | 5,371 | 8,590 | 16,039 | 8,590 |
| Net Cash Flows from Financing Activities | | (5,039) | 1,639 | (4,690) | (12,139) |
| Net Increase / (Decrease) in Cash & Cash Equivalents | | 1,127 | (12,255) | 17,048 | 4,524 |
| Opening cash & cash equivalents | | 27,309 | 16,155 | 10,261 | 27,574 |
| Closing Cash & Cash Equivalents | 18 | 28,436 | 3,900 | 27,309 | 32,098 |

Note 1: Statement of Accounting Policies

1.1 Reporting Entity

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

The Hawke's Bay Regional Council group (group) consists of the ultimate parent, the Council, and its subsidiaries. These subsidiaries are Hawke's Bay Regional Investment Company Limited (HBRIC), Napier Port Holdings Limited (NPHL) and the Port of Napier Limited (Port). HBRIC is a 100% owned subsidiary of Council and, as at 30 June 2019, NPHL and the Port are 100% owned subsidiaries of HBRIC. These companies are incorporated and domiciled in New Zealand.

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

The financial statements of the Council and group are for the year ended 30 June 2019.

1.2 Basis of Preparation

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

(1.2.1) Statement of compliance

The financial statements of the Council and group, with the exception of the contents of the qualified audit opinion attached herewith and further expanded upon in subsections 1.1 through 1.5 of Statement of Compliance and Responsibility, 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), and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R).

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

These financial statements comply with PBE Standards.

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

(1.2.2) Presentation and Currency

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

(1.2.3) New Standards and Amendments issued and not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current year end's reporting periods and have not been early adopted by the Council. The Council and Group's assessment of the impact of these new standards and interpretations is set out below.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement.

PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

Part 3- Financials | Pūrongo Pūtea

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

The Council intends to consider applying this standard in preparing its 30 June 2020 Financial statements. The Council and group has not yet assessed the effects of the new standard.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. Council has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Impairment of revalued assets (amendments to PBE IPSAS 21 and 26)

The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs. Effective for periods beginning 1 January 2019. This amendment is not expected to have a material impact on the Council.

PBE IPSAS 35 Consolidated financial statements

Introduces a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights). Exceptions from consolidation are provided for investment entities and a parent of an investment entity. The standard also includes guidance on principal/agent relationships, network and partner agreements and on the application of consistent accounting policies when consolidating for-profit entities into a PBE group. Effective for periods beginning 1 January 2019. This amendment is not expected to have a material impact on the Council.

PBE IPSAS 38 Disclosure of interests in other entities

Requires the disclosure of information that enables users of financial statements to evaluate: 1) the nature of, and risks associated with, interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and 2) the effects of those interests on the financial position, financial performance and cash flows. Effective for periods beginning 1 January 2019. This amendment is not expected to have a material impact on the Council.

Amendments to PBE IPSAS 2 Statement of Cash Flows

Requires entities to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for periods beginning 1 January 2021. This amendment will result in additional disclosure required and will not have any additional impact on the amounts disclosed.

The Council has not early adopted any of these standards. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

Note 2: Summary of Significant Accounting Policies

2.1 Basis of Consolidation

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

(2.1.1) Subsidiaries

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

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

In the parent entity's separate financial statements, the Council has elected to account for its investments in subsidiaries as financial instruments in accordance with PBE IPSAS 29 and, therefore, carries these at fair value.

Council's group financial statements are based on Port of Napier Limited's full year financial statements for year ended 31 March 2019. Port of Napier Limited is unable to provide interim financial statements (through to 30 June 2019) as doing so would provoke a necessity to publicly disclose financials for the same period to all shareholders and investors driven by post-balance date transaction of Council's 45% ownership of Port of Napier Limited listed on the New Zealand Stock Exchange (NZX). Consequently, Council's group financial statements include Port of Napier Limited's financial statements for the 12 months ending 31 March 2019.

2.2 Revenue Recognition

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

(2.2.1) Rates Revenue

The following policies for rates have been applied:

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

(2.2.2) Sales of Goods and Services

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

(2.2.3) Interest and Dividends

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

(2.2.4) Grants

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

2.3 Expenditure Recognition

(2.3.1) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(2.3.2) Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

(2.3.3) Foreign Currency Transactions

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

2.4 Income Tax

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

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.
- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.5 Leases

(2.5.1) Finance leases

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

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

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

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

(2.5.2) Operating leases

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

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

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

2.6 Cash and Cash Equivalents

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

2.7 Receivables

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

2.8 Derivative Financial Instruments and Hedging Accounting

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

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

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

The Council and group designates certain derivatives as either:

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

The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

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

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

(2.8.1) Fair value hedge

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

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

(2.8.2) Cash flow hedge

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

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

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

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

2.9 Financial Assets

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

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

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

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

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

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

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

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

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

(2.9.2) Loans and Receivables

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

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

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

(2.9.3) Held-to-Maturity Investments

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

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

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

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

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

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

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

2.10 Impairment of Financial Assets

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

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

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

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

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

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

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

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

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

2.11 Inventory

Inventory held by the Council is for own use only and is stated at the lower of cost (using the weighted average cost method) and net realisable value.

2.12 Non-Current Assets Held for Sale

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

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

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

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

2.13 Property, Plant and Equipment

(2.13.1) Operational Assets

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

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

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

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

(2.13.2) Infrastructure Assets

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

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

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

(2.13.3) Additions

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

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

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

(2.13.4) 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 revaluation reserves in respect of those assets are transferred to accumulated funds.

(2.13.5) Subsequent Costs

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

(2.13.6) Revaluation Adjustments

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

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

2.14 Intangible Assets

(2.14.1) Software Acquisition and Development

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

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

(2.14.2) Carbon Credits

Purchased carbon credits are recognised at cost on acquisition.

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

(2.14.3) Amortisation

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

2.15 Depreciation and Amortisation Periods

Land and hard dredging are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Major depreciation and amortisation periods are:

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

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

2.16 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An impairment 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.

For revalued assets, an impairment loss is recognised in the statement of comprehensive revenue and expense against the revaluation reserve. Any impairment in excess of the reserve is recognised in surplus or deficit. Subsequent reversals of impairment are recognised in surplus or deficit to the extent initially recognised in surplus or deficit with any further reversals recognised in the statement of comprehensive revenue and expense.

For assets carried at cost, impairment and any reversals are recognised in surplus or deficit.

2.17 Investment Property

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

2.18 Forestry Crops

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

2.19 Payables

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

2.20 Borrowings

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

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

2.21 Employee Entitlements

(2.21.1) Short-term Employee Entitlements

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

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

(2.21.2) Long-term Employee Entitlements

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

The calculations are based on:

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

2.22 Provisions

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

2.23 Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities.

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Equity is disaggregated and classified into the following components:

- accumulated funds;
- fair value reserves;
- cash flow hedge reserves; and
- other reserves;

(2.23.1) Fair Value Reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and available-for-sale financial assets.

The available-for-sale assets are comprised of investments in both equity and debt instruments. They are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(2.23.2) Cash Flow Hedge Reserves

This reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedge instruments, related to hedged transactions that have not yet occurred.

(2.23.3) Other Reserves

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

2.24 Goods and Services Tax

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

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

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

Commitments and contingencies are disclosed exclusive of GST.

2.25 Budget Figures

The budget figures are those approved by the Council in its 2018-28 Long Term Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.26 Basis of Allocation of Council's Indirect Costs

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

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

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

2.27 Critical Accounting Estimates and Assumptions

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

Fair Value of Assets

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

Useful Life of Assets

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

2.28 Critical Judgments in Applying Accounting Policies

Management has exercised judgements in applying accounting policies for the year ended 30 June 2019 these are in accordance with the accounting standards and best practice.

2.29 Changes in Accounting Policies

There have been no changes to accounting policies.

Note 3: Groups of Activities Revenue & Expenditure

| Note | Regional Council | | | Group | |
|--|------------------|---------------|---------------|----------------|---------------|
| | Actual | Budget | Actual | Actual | Actual |
| | 18/19 | 18/19 | 17/18 | 18/19 | 17/18 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| Revenue | | | | | |
| Groups of activity | | | | | |
| | - | - | - | - | - |
| Strategic Planning | - | - | - | - | - |
| Asset Management | 2,974 | 2,033 | 2,390 | 2,974 | 2,390 |
| Integrated Catchment Management | 3,446 | 4,181 | 2,568 | 3,446 | 2,568 |
| Consents and Compliance | 1,904 | 2,589 | 1,384 | 1,527 | 1,320 |
| Emergency Management | 23 | 119 | 179 | 23 | 179 |
| Transport | 8 | 153 | 14 | 8 | 14 |
| Governance & Community Engagement | 61 | 122 | 13 | 60 | 2 |
| Total groups of activity revenue | 8,416 | 9,197 | 6,548 | 8,038 | 6,473 |
| Less internal revenue | | - | - | - | - |
| Total groups of activity revenue | 8,416 | 9,197 | 6,548 | 8,038 | 6,473 |
| Other activity | | | | | |
| Subsidiary operations | - | - | - | 95,018 | 89,834 |
| Total activity revenue | 8,416 | 9,197 | 6,548 | 103,056 | 96,307 |
| Expenditure | | | | | |
| Groups of activity | | | | | |
| Strategic Planning | 4,648 | 4,946 | 5,208 | 4,648 | 5,208 |
| Asset Management | 11,209 | 10,531 | 10,460 | 11,209 | 10,460 |
| Integrated Catchment Management | 19,935 | 17,780 | 16,966 | 19,935 | 16,966 |
| Consents and Compliance | 4,057 | 4,336 | 3,421 | 4,056 | 3,390 |
| Emergency Management | 1,915 | 2,389 | 1,777 | 1,915 | 1,777 |
| Transport | 5,058 | 4,864 | 4,417 | 5,058 | 4,417 |
| Governance & Community Engagement | 3,748 | 3,573 | 3,016 | 3,747 | 3,005 |
| Total groups of activity expenditure | 50,571 | 48,419 | 45,264 | 50,569 | 45,222 |
| Less internal expenditure | (180) | (177) | (179) | (180) | (179) |
| Total groups of activity expenditure | 50,392 | 48,242 | 45,085 | 50,390 | 45,043 |
| Other activities | | | | | |
| Regional income collection | 1,942 | 1,461 | 1,940 | 1,942 | 1,940 |
| Interest Paid on Regional Income loans | - | - | - | - | - |
| Subsidiary operations | - | - | - | 75,127 | 68,465 |
| Total other activities expenditure | 1,942 | 1,461 | 1,940 | 77,069 | 70,405 |
| Less personnel costs | 7(a) (20,394) | (19,738) | (17,499) | (47,759) | (43,436) |
| Less finance costs - interest on borrowings | (1,238) | (1,328) | (1,388) | (5,677) | (5,969) |
| Less finance costs - fees associated with the transfer of Napier I | (1,251) | (1,119) | (1,415) | (1,251) | (1,415) |
| Less depreciation and amortisation expense | (3,081) | (2,925) | (2,905) | (14,330) | (14,836) |
| Total activity expenditure | 26,369 | 24,593 | 23,818 | 58,442 | 49,792 |
| Depreciation and amortisation by groups of activity | | | | | |
| Strategic Planning | - | - | - | - | - |
| Asset Management | 686 | 650 | 642 | - | - |
| Integrated Catchment Management | 471 | 476 | 415 | - | - |
| Consents and Compliance | 4 | 1 | 3 | - | - |
| Emergency Management | 1 | 34 | 16 | - | - |
| Transport | 18 | 25 | 14 | - | - |
| Governance & Community Engagement | 7 | 8 | 7 | - | - |
| Total directly attributable depreciation and amortisation | | | | | |
| Depreciation not directly related to groups of activity | 1,895 | 1,731 | 1,808 | - | - |
| Total depreciation and amortisation expense | 3,081 | 2,925 | 2,905 | | |

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail.

Note 4: Rates Revenue

| Note | Regional Council | | | Group | |
|------------------------------------|--------------------|-----------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Budget 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| General funding rates | | | | | |
| Uniform annual general charge | 2,804 | 2,648 | 2,707 | 2,804 | 2,707 |
| General rate on land value | 4,553 | 4,304 | 1,821 | 4,553 | 1,821 |
| Total general funding rates | 7,357 | 6,952 | 4,528 | 7,357 | 4,528 |
| Targeted rates | 15,878 | 15,877 | 14,947 | 15,878 | 14,947 |
| Rates Remissions | (49) | | | (49) | |
| Total rates revenue | 4(a) 23,186 | 22,829 | 19,475 | 23,186 | 19,475 |

Note 4(a)

Under Council's rates remission policy for multiple ownership land, 138 rates remissions were approved, totalling \$49,739 (2017/18 - 127 remissions totalling \$44,849)

The total rates revenue includes penalties of \$219,000.

Rating base information

The number of rating units within the region as at June 2019 are 70,719. (2018: 70,212)

The total capital value of rating units within the region as at 30 June 2019 is \$38,807,752,750 (2018: \$34,674,606,450)

The total land value of the rating units within the region as at 30 June 2019 is \$19,557,552,200 (2018: \$17,799,313,450)

Note 5: Other Revenue

| | Note | Regional Council | | | Group | |
|---|------|------------------|---------------|---------------|--------------|--------------|
| | | Actual | Budget | Actual | Actual | Actual |
| | | 18/19 | 18/19 | 17/18 | 18/19 | 17/18 |
| | | \$000 | \$000 | \$000 | \$000 | \$000 |
| Subsidies and grants | | | | | | |
| Grants | 5(a) | 3,989 | 3,368 | 5,383 | 3,989 | 5,383 |
| Total subsidies and grants | | 3,989 | 3,368 | 5,383 | 3,989 | 5,383 |
| Other revenue | | | | | | |
| Dividend revenue | | 10,000 | 10,000 | 10,000 | - | - |
| Leasehold rents | 5(b) | 2,576 | 2,178 | 2,593 | 4,062 | 2,658 |
| Interest revenue | | 1,818 | 3,297 | 2,721 | 1,464 | 2,721 |
| Gain / (Loss) on disposal of assets - net | | 41 | - | (9) | 41 | (9) |
| Subvention payments | | 32 | 28 | 144 | - | - |
| Forestry income | 5(c) | 23 | 526 | 30 | 23 | 30 |
| Total other revenue | | 14,490 | 16,029 | 15,479 | 5,590 | 5,400 |

Note 5(a)

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

Note 5(b)

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

Note 5(c)

Miscellaneous revenue includes forestry income and fines.

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

| | Note | Regional Council | | | Group | |
|--------------------------------|--------|------------------|--------------|--------------|--------------|--------------|
| | | Actual | Budget | Actual | Actual | Actual |
| | | 18/19 | 18/19 | 17/18 | 18/19 | 17/18 |
| | | \$000 | \$000 | \$000 | \$000 | \$000 |
| Fair value gains | | | | | | |
| Investment property gains | 11 | 5,005 | 2,596 | 2,911 | 5,690 | 3,385 |
| Financial asset gains | 13 | - | - | - | - | - |
| Forestry asset gains | 15 | 784 | 599 | 768 | 784 | 768 |
| Derivative instrument gains | 17 | 13 | - | 18 | 13 | 18 |
| Infrastructure asset gains | | | - | - | - | - |
| Carbon credit gains | | | - | - | - | - |
| Foreign currency gains | | - | - | - | - | - |
| Total fair value gains | | 5,802 | 3,195 | 3,697 | 6,542 | 4,171 |
| Fair value losses | | | | | | |
| Investment property losses | 11 | - | - | - | - | - |
| Financial asset losses | 13 | - | - | - | - | - |
| Forestry asset losses | 15 | - | - | - | - | - |
| Derivative instrument losses | 17 | - | - | - | - | - |
| Infrastructure asset losses | 10 | - | - | - | - | - |
| Carbon credit losses | | - | - | - | - | - |
| Foreign currency losses | | - | - | - | - | - |
| Asset impairment losses | 9 & 10 | - | - | - | - | - |
| Total fair value losses | | - | - | - | - | - |

Note:

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

Note 7: Expense Disclosures

| Note | Regional Council | | | Group | |
|---|------------------|--------------|--------------|--------------|--------------|
| | Actual | Budget | Actual | Actual | Actual |
| | 18/19 | 18/19 | 17/18 | 18/19 | 17/18 |
| | \$000 | \$000 | \$000 | \$000 | \$000 |
| General disclosures | | | | | |
| | 2,647 | 2,432 | 2,470 | 13,495 | 16,027 |
| | 434 | 493 | 435 | 835 | 1,155 |
| 7(a) | 20,394 | 19,738 | 17,499 | 47,759 | 43,436 |
| | 20 | 20 | 10 | 20 | 10 |
| | 163 | 168 | 102 | 364 | 248 |
| | 2,263 | 2,273 | 2,116 | 5,526 | 5,166 |
| | - | - | - | - | - |
| | 60 | 67 | 64 | 60 | 64 |
| | - | - | - | 130 | 278 |
| | - | - | - | - | - |
| 7(b) | 2,323 | 2,340 | 2,180 | 5,716 | 5,508 |
| Fees paid to Council's auditors (Audit NZ) | | | | | |
| | 134 | 95 | 106 | 162 | 126 |
| | - | - | 64 | - | 64 |
| | 9 | - | 9 | 9 | 9 |
| | - | - | - | - | - |
| | - | - | - | - | - |
| Fees paid to subsidiaries' auditors (EY) | | | | | |
| | - | - | - | 145 | 106 |
| | - | - | - | - | - |
| Total fees paid to auditors | 143 | 95 | 179 | 316 | 305 |

Part 3- Financials | Pūrongo Pūtea

The auditor's fees paid to Ernst & Young (as set out above) are as the auditors of Port of Napier Limited and are for the year ended 31 March 2019. Since that date, Ernst & Young have provided the following services to Port of Napier Limited:

- Executive Remuneration Review - \$14,500
- Accounting and Tax due diligence work relating to Napier Port's listing on the NZX - \$540,000

Note 7(a)

Personnel Costs

| | | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| Salaries and wages | 19,551 | 19,102 | 16,827 | 46,916 | 42,764 |
| Defined contribution plan employer contributions | 665 | 636 | 595 | 665 | 595 |
| Increase/(decrease) in employee entitlements | 179 | - | 77 | 179 | 77 |
| Total Personnel Costs | 20,394 | 19,738 | 17,499 | 47,759 | 43,436 |

Employer contributions to defined contributions plans include KiwiSaver and other approved Superannuation schemes

Note 7(b)

Key Management Compensation

Councillors

| | | | | | |
|------------------------------|-----|-----|-----|-----|-----|
| Remuneration | 631 | 594 | 619 | 631 | 619 |
| Full-time equivalent members | 9 | 9 | 9 | 9 | 9 |

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

| | | | | | |
|------------------------------|-------|-------|-------|-------|-------|
| Remuneration | 1,692 | 1,746 | 1,561 | 1,692 | 1,561 |
| Termination benefits | - | - | - | - | - |
| Full-time equivalent members | 9 | 9 | 8 | 9 | 8 |

Company Directors, Chief Executive and Senior Management

| | | | | | |
|------------------------------|---|---|---|-------|-------|
| Remuneration | - | - | - | 3,263 | 3,050 |
| Termination benefits | - | - | - | 130 | 278 |
| Full-time equivalent members | - | - | - | 21 | 22 |

| | | | | | |
|---|--------------|--------------|--------------|--------------|--------------|
| Total Key Management Compensation | 2,323 | 2,340 | 2,180 | 5,716 | 5,508 |
| Total full-time equivalent personnel | 18 | 18 | 17 | 39 | 39 |

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors. Key management for the Council comprises Councillors and the Executive Team for Council and Directors and Chief Executive for each subsidiary.

Note 7(c)

Other Expenditure

| | | | | | |
|---|-----|---|-----|--------------|--------------|
| Leasehold Liability Movement (adjustment required to correctly state the liability to ACC) | 475 | - | 863 | 475 | 863 |
| Distributions out of reserves | | - | 102 | - | 102 |
| Share of gain/(loss) from equity accounted investees | | - | | 884 | 171 |
| Loss on sale of land | | | | - | 70 |
| | 475 | - | 965 | 1,359 | 1,206 |

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

Note 8: Income Tax Expense

| | Regional Council | | Group | |
|---|------------------|--------|--------------|--------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| Note | \$000 | \$000 | \$000 | \$000 |
| Income tax expense | | | | |
| Current tax | - | - | 7,596 | 6,418 |
| Deferred tax | - | - | (79) | (1,016) |
| Adjustments to current tax in prior periods | | | (5,483) | |
| Total income tax expense | - | - | 2,034 | 5,402 |

The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the current corporate rate as follows:

| | | | | |
|--|----------|----------|--------------|--------------|
| Surplus / (deficit) before tax | 3,075 | 2,593 | 13,876 | 6,328 |
| Tax at domestic rate of 28% (2017 28%) | 861 | 726 | 4,982 | 1,772 |
| Plus / (Less) tax effect of: | | | - | |
| Income not subject to tax | (11,793) | (10,306) | (11,891) | (10,306) |
| Expenses not deductible for tax purposes | 14,786 | 13,437 | 14,088 | 14,054 |
| Imputation credits | (3,889) | (3,889) | - | - |
| Tax effect of income not recognised for accounting | - | - | - | - |
| Utilisation of previously unrecognised tax losses | - | - | - | - |
| Group loss transfer | 35 | 32 | 35 | 32 |
| Prior period adjustment | - | - | (5,180) | (150) |
| Tax losses not recognised/Adjust tax rate changes | - | - | - | - |
| Tax on changes to building depreciation rates | - | - | - | - |
| Tax charge | - | - | 2,034 | 5,402 |

The Council and Group have unrecognised income tax losses of \$116,050 (2017/18 \$116,050) with a tax effect of \$35,322 (2017/18 \$32,494) that are available to carry forward, subject to compliance with the Income Tax Act.

Note 9: Property, Plant & Equipment

| Note | Land | Buildings | Plant | Vehicles | Hydrology Equipment | Technical Equipment | Computer Equipment | Other Equipment & Furniture | Capital Work in Progress | Total |
|---------------------------------|-------|-----------|---------|----------|------------------------|------------------------|-----------------------|-----------------------------------|--------------------------------|---------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| COUNCIL | | | | | | | | | | |
| At 1 July 2017 | | | | | | | | | | |
| Cost or valuation | 6,754 | 8,070 | 2,290 | 3,634 | 4,124 | 929 | 2,473 | 837 | - | 29,111 |
| Accumulated depreciation | - | (424) | (1,251) | (1,683) | (1,536) | (658) | (1,682) | (607) | - | (7,841) |
| Net book amount | 6,754 | 7,646 | 1,039 | 1,951 | 2,588 | 271 | 791 | 230 | - | 21,270 |
| Year ended 30 June 2018 | | | | | | | | | | |
| Opening net book amount | 6,754 | 7,646 | 1,039 | 1,951 | 2,588 | 271 | 791 | 230 | - | 21,270 |
| Revaluation surplus / (deficit) | | | | | | | | | | |
| Transfers | | | 251 | (251) | | | | | | - |
| Additions | | | 460 | 557 | 672 | 103 | 218 | 121 | 67 | 2,198 |
| Disposals | | | (64) | (122) | (11) | | | | | (197) |
| Depreciation charges | | (449) | (232) | (404) | (371) | (46) | (262) | (54) | | (1,818) |
| Asset impairment losses | - | - | - | - | - | - | - | - | - | - |
| | 6,754 | 7,197 | 1,454 | 1,731 | 2,878 | 328 | 747 | 297 | 67 | 21,453 |
| At 30 June 2018 | | | | | | | | | | |
| Cost or valuation | 6,754 | 8,070 | 2,937 | 3,818 | 4,785 | 1,032 | 2,691 | 958 | 67 | 31,112 |
| Accumulated depreciation | - | (873) | (1,483) | (2,087) | (1,907) | (704) | (1,944) | (661) | - | (9,659) |
| Net book amount | 6,754 | 7,197 | 1,454 | 1,731 | 2,878 | 328 | 747 | 297 | 67 | 21,453 |

Part 3- Financials | Pūrongo Pūtea

Year ended 30 June 2019

| | | | | | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|------|-------|------|-----|---------------|
| Opening net book amount | 6,754 | 7,195 | 1,454 | 1,731 | 2,878 | 328 | 747 | 297 | 67 | 21,451 |
| Revaluation surplus / (deficit) | 2,829 | 2,016 | | | 833 | | | | | 5,678 |
| Transfers / reclassification | | | | | | | | | | - |
| Additions | | 224 | 234 | 708 | 544 | 95 | 278 | 267 | 101 | 2,451 |
| Disposals | | | | (146) | - | | | | | (146) |
| Depreciation charges | | (450) | (278) | (368) | (427) | (64) | (308) | (68) | | (1,963) |
| Asset impairment losses | | | | | | | | | | - |
| | 9,583 | 8,985 | 1,410 | 1,925 | 3,828 | 359 | 717 | 496 | 168 | 27,472 |

At 30 June 2019

| | | | | | | | | | | | |
|--------------------------|-------------|-------|-------|---------|---------|-------|-------|---------|-------|-----|---------------|
| Cost or valuation | 9(a) | 9,583 | 9,011 | 3,171 | 4,380 | 3,828 | 1,127 | 2,969 | 1,225 | 168 | 35,462 |
| Accumulated depreciation | | - | (26) | (1,761) | (2,455) | - | (768) | (2,252) | (729) | - | (7,991) |
| Net book amount | | 9,583 | 8,985 | 1,410 | 1,925 | 3,828 | 359 | 717 | 496 | 168 | 27,472 |

Note 9(a)

Council land and buildings were valued at 31 May 2019 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Limited. The total fair value of property, plant and equipment valued by Telfer Young (Hawke's Bay) Ltd was \$13,146,000.

Land used for forestry in the Lake Tūtira Country Park and Tangoio Soil Conservation Reserve was valued at 31 May 2019 by Morice Limited, independent valuers. The total fair value of this land was \$1,818,000.

Land used for carbon sequestration and wastewater disposal was valued at 31 May 2019 by Morice Limited, independent valuers. The total fair value of this land was \$2,564,000.

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

Hydrological equipment was valued at 31 May 2019 on the basis of depreciated replacement value. This valuation was carried out by Jack McConchie, an experienced hydrologist with independent consulting engineers, Opus International Consultants Limited.

Insurance of Assets

| Insurance Contracts | Book Value | Maximum Insured Amount | |
|--------------------------------|-------------------|-------------------------------|---|
| Hawke's Bay Councils Programme | \$,000 | \$,000 | |
| PP&E excl. vehicles | 25,704 | 26,871 | |
| Pump stations | 4,671 | 14,151 | |
| Vehicles | 1,925 | 1,925 | |
| Timber Crops | 11,482 | 10,369 | (18/19 insurance will increase to cover the book value at 30/06/19) |
| | <u>43,782</u> | <u>53,316</u> | |

HBRC uses an insurance broker who acts on behalf of all five Hawke's Bay Councils to leverage the best competitive prices for insurance.

Although the insurance contracts are separate and not effected by claims from the other four Councils.

Part 3- Financials | Pūrongo Pūtea

| Infrastructure Insurance | Book Value \$,000 | Maximum Insured Amount \$,000 |
|---------------------------------|----------------------|----------------------------------|
| Infrastructure Assets* | <u>154,882</u> | <u>223,300</u> |

* Infrastructure Assets exclude land

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

The balances of these reserves as at 30 June 2019 are:

| | |
|---|------------------|
| Regional Disaster Damage Reserve (book value) | 2,350,000 |
| Scheme Disaster Damage Reserves | <u>3,588,000</u> |
| Total | <u>5,938,000</u> |

Part 3- Financials | Pūrongo Pūtea

Note 9: Property, Plant & Equipment Continued

| | Land \$000 | Site Improvements \$000 | Cargo & Admin. Buildings \$000 | Other Buildings \$000 | Tugs \$000 | Dredging \$000 | Wharves & Jetties \$000 | Vehicles, Plant & Equipment \$000 | Cranes \$000 | Sea Defences \$000 | Capitalised Interest \$000 | Capital Work in Progress \$000 | Total \$000 |
|---------------------------------|---------------|-------------------------------|---|-----------------------------|---------------|-------------------|-------------------------------|--|-----------------|--------------------------|----------------------------------|---|----------------|
| Subsidiaries | | | | | | | | | | | | | |
| At 1 July 2017 | | | | | | | | | | | | | |
| Cost or valuation | 34,809 | 58,891 | 24,115 | 3,664 | 24,100 | 14,891 | 45,042 | 46,376 | 34,775 | 76,711 | (3,866) | 6,839 | 366,347 |
| Accumulated depreciation | - | (19,664) | (7,466) | (1,999) | (2,802) | (4,222) | (8,373) | (26,880) | (9,274) | (1,467) | (705) | - | (82,852) |
| Net book amount | 34,809 | 39,227 | 16,649 | 1,665 | 21,298 | 10,669 | 36,669 | 19,496 | 25,501 | 75,244 | (4,571) | 6,839 | 283,495 |
| Year ended 30 June 2018 | | | | | | | | | | | | | |
| Opening net book amount | 34,809 | 39,227 | 16,649 | 1,665 | 21,298 | 10,669 | 36,669 | 19,496 | 25,501 | 75,244 | (4,571) | 6,839 | 283,495 |
| Revaluation surplus / (deficit) | | | | | | | | | | | | | - |
| Additions | 3,847 | 2,407 | 870 | | | 1,732 | 639 | 16,522 | | 12,918 | | (1,377) | 37,558 |
| Disposals | | | | | | | | (2,096) | | | | | (2,096) |
| Depreciation charges | | (2,155) | (912) | | | (905) | (736) | (8,378) | | (471) | | | (13,557) |
| | 38,656 | 39,479 | 16,607 | 1,665 | 21,298 | 11,496 | 36,572 | 25,544 | 25,501 | 87,691 | (4,571) | 5,462 | 305,400 |
| At 30 June 2018 | | | | | | | | | | | | | |
| Cost or valuation | 38,656 | 61,298 | 24,985 | 3,664 | 24,100 | 16,623 | 45,681 | 60,802 | 34,775 | 89,629 | (3,866) | 5,462 | 401,809 |
| Accumulated depreciation | - | (21,819) | (8,378) | (1,999) | (2,802) | (5,127) | (9,109) | (35,258) | (9,274) | (1,938) | (705) | - | (96,409) |
| Net book amount | 38,656 | 39,479 | 16,607 | 1,665 | 21,298 | 11,496 | 36,572 | 25,544 | 25,501 | 87,691 | (4,571) | 5,462 | 305,400 |
| Year ended 30 June 2019 | | | | | | | | | | | | | |
| Opening net book amount | 38,656 | 39,479 | 16,607 | 1,665 | 21,298 | 11,496 | 36,572 | 25,544 | 25,501 | 87,691 | (4,571) | 5,462 | 305,400 |
| Revaluation surplus / (deficit) | | | | | | | | | | | | | - |
| Adjustment for consolidation | | (1,290) | (203) | | | (1,107) | (415) | (6,303) | | | 3,153 | 7,654 | 1,489 |
| Additions/Transfers | | 2,081 | 224 | | | 625 | 2,162 | 9,043 | | 123 | | 11,159 | 25,417 |
| Disposals/Transfers | | (1,666) | | | | 1,666 | | (455) | | | | (14,108) | (14,563) |
| Depreciation charges | | (1,352) | (524) | | | (569) | (469) | (4,506) | | (275) | (3,153) | | (10,848) |
| | 38,656 | 37,252 | 16,104 | 1,665 | 21,298 | 12,111 | 37,850 | 23,323 | 25,501 | 87,539 | (4,571) | 10,167 | 306,895 |
| At 30 June 2019 | | | | | | | | | | | | | |
| Cost or valuation | 38,656 | 60,423 | 25,006 | 3,664 | 24,100 | 18,363 | 47,428 | 63,087 | 34,775 | 89,752 | (3,866) | 10,167 | 411,555 |
| Accumulated depreciation | - | (23,171) | (8,902) | (1,999) | (2,802) | (6,252) | (9,578) | (39,764) | (9,274) | (2,213) | (705) | - | (104,660) |
| Net book amount | 38,656 | 37,252 | 16,104 | 1,665 | 21,298 | 12,111 | 37,850 | 23,323 | 25,501 | 87,539 | (4,571) | 10,167 | 306,895 |

Note 9(b)

During the year the Company borrowed funds for the acquisition of new Property, Plant & Equipment. Interest incurred during the acquisition period of \$144,000 at rates of 3.30% to 4.53% (2017: \$144,000) was capitalised.

Sea defences were revalued in 2017 by AECOM New Zealand Ltd and the revalued amounts included in the statement of financial position. The valuation has been prepared on an optimized depreciation replacement cost basis in accordance with NZ Infrastructure Asset Valuation and Depreciation Guidelines published by the NAMS group of IPWEA and Public Benefit Entity International Public Sector Accounting Standard 17.

Part 3- Financials | Pūrongo Pūtea

| GROUP TOTALS | Council | Council Subsidiaries | Group total |
|---------------------------------|----------------|---------------------------------|------------------------|
| At 1 July 2017 | | | |
| Cost or valuation | 29,111 | 366,347 | 395,458 |
| Accumulated depreciation | (7,841) | (82,852) | (90,693) |
| Net book amount | 21,270 | 283,495 | 304,765 |
| Year ended 30 June 2018 | | | |
| Opening net book amount | 21,270 | 283,495 | 304,765 |
| Revaluation surplus / (deficit) | - | - | - |
| Transfers | - | - | - |
| Additions | 2,198 | 37,558 | 39,756 |
| Disposals | (197) | (2,096) | (2,293) |
| Depreciation charges | (1,818) | (13,557) | (15,375) |
| Asset impairment losses | - | - | - |
| | 21,453 | 305,400 | 326,853 |
| At 30 June 2018 | | | |
| Cost or valuation | 31,112 | 401,809 | 432,921 |
| Accumulated depreciation | (9,659) | (96,409) | (106,068) |
| Net book amount | 21,453 | 305,400 | 326,853 |
| Year ended 30 June 2019 | | | |
| Opening net book amount | 21,453 | 305,400 | 326,853 |
| Revaluation surplus / (deficit) | 5,678 | | 5,678 |
| Consolidation adjustments | | 1,489 | 1,489 |
| Transfers | - | - | - |
| Additions | 2,451 | 25,417 | 27,868 |
| Disposals | (146) | (14,563) | (14,709) |
| Depreciation charges | (1,963) | (10,848) | (12,811) |
| Asset impairment losses | - | - | - |
| | 27,472 | 306,895 | 334,367 |
| At 30 June 2019 | | | |
| Cost or valuation | 35,462 | 411,555 | 447,017 |
| Accumulated depreciation | (7,991) | (104,660) | (112,651) |
| Net book amount | 27,472 | 306,895 | 334,367 |

Part 3- Financials | Pūrongo Pūtea

Note 10: Infrastructure Assets (Parent and Group)

| Note | Infrastructure Land \$000 | Stopbanks \$000 | Detention Dams \$000 | Drainage Networks \$000 | Pump Stations \$000 | Culverts & Floodgates \$000 | Bank & Edge Protection \$000 | River & Sea Groynes \$000 | Drainage Telemetry \$000 | Sawfly Works \$000 | Tutira Reserve \$000 | River Dredging \$000 | Regional Parks & Wetland Reserves \$000 | Pathway & Roadway \$000 | Capital Work in Progress \$000 | Total \$000 |
|-------------------------------------|---------------------------|-----------------|----------------------|-------------------------|---------------------|-----------------------------|------------------------------|---------------------------|--------------------------|--------------------|----------------------|----------------------|---|-------------------------|--------------------------------|-------------|
| At 1 July 2017 | | | | | | | | | | | | | | | | |
| Cost or valuation | 14,076 | 60,106 | 3,530 | 36,013 | 4,888 | 6,779 | 26,892 | 1,899 | 176 | 12,216 | 629 | 759 | 2,085 | 2,512 | 113 | 172,673 |
| Accumulated depreciation | - | - | - | - | - | - | - | - | - | - | - | (439) | - | - | - | (439) |
| Net book amount | 14,076 | 60,106 | 3,530 | 36,013 | 4,888 | 6,779 | 26,892 | 1,899 | 176 | 12,216 | 629 | 320 | 2,085 | 2,512 | 113 | 172,234 |
| Year ended 30 June 2018 | | | | | | | | | | | | | | | | |
| Opening net book amount | 14,076 | 60,106 | 3,530 | 36,013 | 4,888 | 6,779 | 26,892 | 1,899 | 176 | 12,216 | 629 | 320 | 2,085 | 2,512 | 113 | 172,234 |
| Revaluation surplus (refer Note 18) | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Additions | 516 | - | - | 402 | 110 | - | - | - | - | - | - | - | 208 | 271 | 10 | 1,517 |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (95) | (95) |
| Depreciation charges | - | - | (45) | - | (272) | (232) | - | - | (23) | - | - | (60) | (20) | - | - | (652) |
| Asset impairment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 14,592 | 60,106 | 3,485 | 36,415 | 4,726 | 6,547 | 26,892 | 1,899 | 153 | 12,216 | 629 | 260 | 2,273 | 2,783 | 28 | 173,004 |
| At 30 June 2018 | | | | | | | | | | | | | | | | |
| Cost or valuation | 14,592 | 60,106 | 3,530 | 36,415 | 4,998 | 6,779 | 26,892 | 1,899 | 176 | 12,216 | 629 | 759 | 2,293 | 2,783 | 28 | 174,095 |
| Accumulated depreciation | - | - | (45) | - | (272) | (232) | - | - | (23) | - | - | (499) | (20) | - | - | (1,091) |
| Net book amount | 14,592 | 60,106 | 3,485 | 36,415 | 4,726 | 6,547 | 26,892 | 1,899 | 153 | 12,216 | 629 | 260 | 2,273 | 2,783 | 28 | 173,004 |
| Year ended 30 June 2019 | | | | | | | | | | | | | | | | |
| Opening net book amount | 14,592 | 60,106 | 3,485 | 36,415 | 4,726 | 6,547 | 26,892 | 1,899 | 153 | 12,216 | 629 | 260 | 2,273 | 2,783 | 28 | 173,004 |
| Revaluation surplus | - | - | - | - | - | - | - | - | - | - | 686 | - | - | - | - | 686 |
| Additions | 565 | - | - | - | 228 | - | 243 | - | - | - | - | - | 547 | 57 | 64 | 1,703 |
| Transfers | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Disposals | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| Depreciation charges | - | - | (47) | (1) | (283) | (248) | - | - | (24) | - | - | (60) | (21) | - | - | (684) |
| Asset Impairment | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| | 15,157 | 60,106 | 3,438 | 36,414 | 4,671 | 6,299 | 27,135 | 1,899 | 129 | 12,216 | 1,315 | 200 | 2,800 | 2,840 | 92 | 174,709 |
| At 30 June 2019 | | | | | | | | | | | | | | | | |
| Cost or valuation | 15,157 | 60,106 | 3,530 | 36,415 | 5,226 | 6,779 | 27,135 | 1,899 | 176 | 12,216 | 1,315 | 759 | 2,840 | 2,840 | 92 | 176,484 |
| Accumulated depreciation | - | - | (92) | (1) | (555) | (480) | - | - | (47) | - | - | (559) | (41) | - | - | (1,775) |
| Net book amount | 15,157 | 60,106 | 3,438 | 36,414 | 4,671 | 6,299 | 27,135 | 1,899 | 129 | 12,216 | 1,315 | 200 | 2,800 | 2,840 | 92 | 174,709 |

Note 10(a)

Infrastructure assets were valued by suitably experienced Council employees at 30 June 2019 on the basis of depreciated replacement cost. Significant assumptions used in the methodology include:

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

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

Note 10(b)

The Tūtira Reserve Assets were valued at 30 June 2016 by M H Morice, a registered valuer, of Morice Ltd on the basis of fair value. The total value of assets valued was \$1,315,000.

Note 10(c)

Flood Control infrastructure assets are made up of all categories excluding Pathway & Roadway and Capital work in progress. All acquisitions are assets contracted by Council.

The most recent estimate of the replacement cost of the flood control infrastructure assets was \$201,694,000 as at 30 June 2019.

Note 11: Investment Property

| | Regional Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| Note | | | | |
| At beginning of year | 47,102 | 49,047 | 54,387 | 51,907 |
| Additions | | - | - | 3,951 |
| Fair value gains / (losses) (included in income statement) | 11(a) 5,005 | 2,911 | 5,690 | 3,385 |
| Disposals | (3,714) | (4,856) | (3,714) | (4,856) |
| Transfers | 11(b) | | - | - |
| Movement during the year | 1,291 | (1,945) | 1,976 | 2,480 |
| At end of year | 48,393 | 47,102 | 56,363 | 54,387 |
| Investment property includes: | | | | |
| Endowment leasehold land | 11(c) 30,645 | 30,197 | 30,645 | 30,197 |
| Other leasehold land | 17,300 | 16,500 | 25,270 | 23,785 |
| Rental Property | 448 | 405 | 448 | 405 |
| | 48,393 | 47,102 | 56,363 | 54,387 |

Note 11(a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2019 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Trevor W Kitchin, registered valuer, of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 6.75%. The total fair value of property valued by Trevor W Kitchin as an independent valuer was \$30,645,000 (2017/18 \$30,197,000). Telfer Young (Hawke's Bay) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.

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Wellington leasehold land was valued as portfolio at 31 May 2019 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer, of Telfer Young (Wellington) Ltd. The discount rate used was 7.50-8.00%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was \$17,300,000 (2017/18 \$16,500,000).

Telfer Young (Wellington) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.

Property at Tūtira was valued at 31 May 2019 to fair value on the basis of market value by M H Morice, registered valuer, of Morice Ltd. The total fair value of property valued by M H Morice as an independent valuer was \$448,000 (2017/18 \$405,000).

Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Council.

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

| | Regional Council | | Group | | |
|---|------------------|-----------------|-----------------|-----------------|--------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 | |
| | \$000 | \$000 | \$000 | \$000 | |
| Note | | | | | |
| Rental income | 5 | 2,576 | 2,593 | 4,062 | 2,658 |
| Direct operating expense arising from investment properties that generate rental income | | (81) | (88) | (81) | (92) |
| | | 2,495 | 2,505 | 3,981 | 2,566 |

Note 11(c)

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

Note 12: Intangible Assets

| | Note | Computer Software / Development Expenditure \$000 | Carbon Credits \$000 | Work-in Progress \$000 | Council Total \$000 |
|--------------------------------|--------------|---|----------------------------|------------------------------|---------------------------|
| COUNCIL Only | | | | | |
| At 1 July 2017 | | | | | |
| Cost or valuation | | 5,921 | 1,211 | - | 7,132 |
| Accumulated amortisation | | (2,662) | - | - | (2,662) |
| Net book amount | | 3,259 | 1,211 | - | 4,470 |
| Year ended 30 June 2018 | | | | | |
| Opening net book amount | | 3,259 | 1,211 | - | 4,470 |
| Transfers | | - | - | - | - |
| Revaluations | | - | 283 | - | 283 |
| Additions | | 164 | - | 791 | 955 |
| Disposals | | - | - | - | - |
| Impairment | | - | - | - | - |
| Amortisation charges | | (435) | - | - | (435) |
| | | 2,988 | 1,494 | 791 | 5,273 |
| At 30 June 2018 | | | | | |
| Cost or valuation | | 6,085 | 1,494 | 791 | 8,370 |
| Accumulated amortisation | | (3,097) | - | - | (3,097) |
| Net book amount | | 2,988 | 1,494 | 791 | 5,273 |
| Year ended 30 June 2019 | | | | | |
| Opening net book amount | | 2,988 | 1,494 | 791 | 5,273 |
| Transfers | | - | - | - | - |
| Revaluations | | - | 1,290 | - | 1,290 |
| Additions | | 201 | - | 1,017 | 1,218 |
| Disposals | | - | - | - | - |
| Impairment | | - | - | - | - |
| Amortisation charges | | (434) | - | - | (434) |
| | | 2,755 | 2,784 | 1,808 | 7,347 |
| At 30 June 2019 | | | | | |
| Cost or valuation | 12(a) | 6,286 | 2,784 | 1,808 | 10,878 |
| Accumulated amortisation | | (3,531) | - | - | (3,531) |
| Net book amount | | 2,755 | 2,784 | 1,808 | 7,347 |

Note 12(a)

In accordance with Note 2.14 intangible assets, such as Development Expenditure, that have an indefinite life are tested for impairment at each balance sheet date. If the asset is considered to be impaired, it must be written down to its recoverable value immediately against income.

Carbon Credits

These credits have been gained from the normal forestry and berm enhancement operations of Council.

The amount of carbon units have been valued using market value of \$23.10 per unit as at 30 June 2019 (30 June 2018 \$21.10 per unit) Council policy is to only sell safe carbon which would offer no liability to repay credits at harvest.

| GROUP | Note | Computer Software \$000 | Carbon Credits \$000 | Development Expenditure \$000 | Group Actual \$000 |
|--------------------------------|--------------|------------------------------------|---------------------------------|--|-------------------------------|
| At 1 July 2017 | | | | | |
| Cost or valuation | | 12,111 | 1,211 | 19,566 | 32,888 |
| Accumulated amortisation | | (7,065) | - | (11,740) | (18,805) |
| Net book amount | | 5,046 | 1,211 | 7,826 | 14,083 |
| Year ended 30 June 2018 | | | | | |
| Opening net book amount | | 5,046 | 1,211 | 7,826 | 14,083 |
| Transfers | | - | - | - | - |
| Additions | | 1,371 | - | - | 1,371 |
| Disposals | | - | - | (7,826) | (7,826) |
| Impairment | | - | - | - | - |
| Amortisation charges | | (1,155) | - | - | (1,155) |
| | | 5,262 | 1,211 | - | 6,473 |
| At 30 June 2018 | | | | | |
| Cost or valuation | | 13,482 | 1,494 | - | 14,976 |
| Accumulated amortisation | | (8,220) | - | - | (8,220) |
| Net book amount | | 5,262 | 1,494 | - | 6,756 |
| Year ended 30 June 2019 | | | | | |
| Opening net book amount | | 5,262 | 1,494 | - | 6,756 |
| Transfers | | - | 1,290 | - | 1,290 |
| Additions | | 1,256 | - | - | 1,256 |
| Disposals | | - | - | - | - |
| Impairment | | - | - | - | - |
| Amortisation charges | | (835) | - | - | (835) |
| | | 5,683 | 2,784 | - | 8,467 |
| At 30 June 2019 | | | | | |
| Cost or valuation | 12(a) | 14,738 | 2,784 | - | 17,522 |
| Accumulated amortisation | | (9,055) | - | - | (9,055) |
| Net book amount | | 5,683 | 2,784 | - | 8,467 |

Note 13: Other Financial Assets

| | Regional Council | | Group | |
|---|------------------|----------------|---------------|---------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| Note | \$000 | \$000 | \$000 | \$000 |
| Other financial assets | | | | |
| Current portion | | | | |
| Term deposits with maturities 92 - 365 days | 3,000 | 55,868 | 3,000 | 55,868 |
| Loan to Hawke's Bay Regional Investment Company | | | | |
| Government bonds | 257 | 500 | 257 | 500 |
| Community loans | 853 | 848 | 853 | 848 |
| Total current portion | 4,110 | 57,216 | 4,110 | 57,216 |
| Non-current portion | | | | |
| Government bonds | 1,181 | 870 | 1,181 | 870 |
| Community loans | 7,680 | 7,630 | 7,680 | 7,630 |
| Funds under Management | 41,910 | - | 41,910 | - |
| Publicly listed shares | 801 | 795 | 801 | 795 |
| Civic Assurance shares | 18 | 18 | 18 | 18 |
| Other financial assets | 51,590 | 9,313 | 51,590 | 9,313 |
| Advances to Napier / Gisborne Rail | 236 | 218 | 236 | 218 |
| Shares in Hawke's Bay Regional Investment Company | 340,396 | 283,500 | - | - |
| Total non-current portion | 392,222 | 293,031 | 51,826 | 9,531 |
| Total other financial assets | 396,332 | 350,247 | 55,936 | 66,747 |

Fair Value
Term deposits

The carrying amount of term deposits approximates their fair value.

The effective interest rate on bank deposits with terms greater than 91 days but less than 365 days was 3.08% (2017/18 3.47%). These deposits have an average maturity of 124 days (2017/18 206 days).

Government & LGFA bonds

The fair value of government and LGFA bonds is \$1,440,968 (2017/18 \$1,370,000). Fair value has been determined using quoted market prices from an independent source.

The effective interest rate on government bonds was 3.18% (2017/18 3.02%). This stock has an average maturity of 7.7 years (2017/18 8.1 years).

Funds under management

Funds under management comprise of two fund managers, Jarden and Mercer, and are measured at fair value. Fair value has been determined using market prices provided from both Fund Managers.

Publicly listed shares

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

Shares in Hawke's Bay Regional Investment Company

Council's shareholding in the Hawke's Bay Regional Investment Company Ltd was valued to fair value on 11 September 2019 by independent valuers, BDO New Zealand. The total fair value was \$340,396.00. The valuation of HBRI Ltd was based on the Port of Napier valuation as at 30 June 2019. The valuation of HBRI Ltd included a deduction for the value of debt and future

Community loans

The Council has provided loans to ratepayers for the installation of clean heat and insulation. The loans are repayable by a targeted rate over a 10 year period. Interest is charged on Insulation loans at between 4.00% - 7.02% and on Clean heat loans at between 2.00% - 3.51% at the inception of the loan.

| | | | | |
|-----------------------------|--------------|--------------|--------------|--------------|
| At beginning of year | 8,478 | 9,021 | 8,478 | 9,021 |
| Additional loans | 1,908 | 1,268 | 1,908 | 1,268 |
| Repayments | (1,853) | (1,811) | (1,853) | (1,811) |
| At end of year | 8,533 | 8,478 | 8,533 | 8,478 |

Impairment

There were no impairment provisions on other financial assets in current or prior years

Note 14: Investment in Joint Venture

| Note | Regional Council | | Group | |
|--|------------------|--------|---------|--------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| Investment in Joint Venture | | | | |
| Shares in Longburn Intermodal Freight Hub Ltd | - | - | - | 823 |
| Total | - | - | - | 823 |
| <u>Movements in the carrying value of joint venture</u> | | | | |
| Opening Balance | | | 823 | 884 |
| New Investment | | | 50 | 110 |
| Share of recognised revenues and expenditure | | | (75) | (39) |
| Provision | | | (798) | (132) |
| Balance at end of year | - | - | - | 823 |
| <u>Summarise financial information of joint venture</u> | | | | |
| Assets | | | 3,445 | 3,292 |
| Liabilities | | | (341) | (236) |
| Net Assets 100% | - | - | 3,104 | 3,056 |
| Port of Napier Limited share (33.3%) | | | 1,035 | 1,019 |
| less provision | | | (1,035) | (196) |
| | | | (0) | 823 |
| Revenues | | | 170 | 226 |
| Net Profit after tax | | | (226) | (21) |
| Port of Napier Limited share (33.3%) | - | - | (75) | (7) |

Longburn Intermodal Freight Hub Limited (LIFH) was set up as a joint venture to develop a facility at Longburn near Palmerston North to provide container storage and logistics solutions. The net assets of LIFH are pre any impairment consideration in their individual statutory financial statements.

Note 15: Forestry Assets

| Note | Regional Council | | Group | | |
|--|------------------|-----------------|-----------------|-----------------|---------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 | |
| | \$000 | \$000 | \$000 | \$000 | |
| At beginning of year | 10,698 | 9,769 | 10,698 | 9,769 | |
| Additions | - | 160 | - | 160 | |
| Fair value gains (included in Statement of Comprehensive Revenue and Expenditure) | 784 | 943 | 784 | 943 | |
| Fair value (losses) (included in Statement of Comprehensive Revenue and Expenditure) | - | (174) | - | (174) | |
| Disposals | - | - | - | - | |
| Reclassification to Plant, Property & Equipment | - | - | - | - | |
| Movement during the year | 784 | 929 | 784 | 929 | |
| At end of year | 11,482 | 10,698 | 11,482 | 10,698 | |
| Forestry assets include: | | | | | |
| Forestry on Council Owned Land | | | | | |
| Lake Tutira Country Park Forestry Crop | 15(a) | 4,785 | 4,699 | 4,785 | 4,699 |
| Waihapua Carbon Sequestration Forestry Crop | 15(b) | 685 | 513 | 685 | 513 |
| Rural Waste Water Disposal Forestry Crops | 15(c) | 606 | 333 | 606 | 333 |
| Tutira Manuka Honey Forestry | 15(d) | 382 | 328 | 382 | 328 |
| Forestry on Council Managed Land | | | | | |
| Tangoio Soil Conservation Reserve Forestry Crop | 15(e) | 5,022 | 4,823 | 5,022 | 4,823 |
| Joint Venture Forestry | | | | | |
| Joint Venture Forestry Rights | 15(f) | 2 | 2 | 2 | 2 |
| | | 11,482 | 10,698 | 11,482 | 10,698 |

Forestry assets on Council owned land comprise a total of 661 hectares of mixed forestry crops situated in the Lake Tūtira Country Park (114 ha), Tūtira Manuka Forestry (130 ha), Mahia (36 ha), Waihapua (213 ha), Central Hawke's Bay (168 ha). During the period no forest crops were logged (2017/18 Nil ha).

Council owned forestry assets were fair valued to \$6,460,000 at 31 May 2019 (2017/18 \$5,875,000) by M H Morice, a registered valuer, of Morice Ltd.

Valuation assumptions

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

Traditional Forestry Crop

- A discount rate of 6.5% has been used for post tax cash flows for traditional forestry and 12% for the Manuka forest.
- a rotation of 27 years
- an inflation adjustment of 2.0%
- Log Prices adopted \$/m³

| Grade | PradHB | PradNHB | XHB | XNHB |
|-------|--------|---------|-----|------|
| aP35 | 190 | 185 | 100 | 95 |
| bSP35 | 170 | 165 | 100 | 95 |
| dA40 | 141 | 136 | 100 | 95 |
| eA30 | 133 | 128 | 100 | 95 |
| fK | 128 | 123 | 70 | 65 |
| gKI | 115 | 110 | 70 | 65 |
| hKIS | 102 | 97 | 70 | 65 |
| iPulp | 51 | 51 | 65 | 65 |

Manuka Crop

A discount rate of 12% for the Manuka forest.

30kg honey produced per hive, one hive per hectare and honey at \$40/kg.

Expenses included in the discounted cashflow for land rent, pest control and administration.

Note 15(a)

Lake Tūtira Country Park Forestry Crop consists of radiata plantings on 114 hectares situated at Tūtira Country Park. These forestry assets were valued to \$4,785,000 by Morice Limited, independent valuers at 31 May 2019 (2017/18 \$4,699,000). The valuation assumed a discount rate of 6.5%.

Note 15(b)

Council's carbon sequestration forestry assets consist of 212 hectares of mixed plantings situated at Waihapua. These forestry assets were fair valued to \$685,000 by Morice Limited, independent valuers at 31 May 2019 (2017/18 \$513,000). The valuation assumed a discount rate of 6.5%.

Note 15(c)

Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 67 hectares at Pourere Road Waipawa, and 101 hectares at Mangatarata Road, Waipukurau and 36 hectares at Kinikini Road Mahia. These forestry assets were fair valued to \$606,000 by M H Morice of Morice Limited, independent valuers at 31 May 2019 (2017/18 \$333,000). The valuation assumed a discount rate of 6.5%.

Note 15(d)

Council is developing 130 hectares of Manuka forestry at Tūtira for honey production. These forestry assets were fair valued at \$382,000 by M H Morice of Morice Limited, independent valuers at 31 May 2019. (2017/18 \$328,000) The valuation assumed a discount rate of 12.0%.

Note 15(e)

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

Note 15(f)

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

Note 15(g)

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

Note 16: Trade & Other Receivables

| | Note | Regional Council | | Group | |
|--|--------------------|------------------|-----------------|-----------------|-----------------|
| | | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | | \$000 | \$000 | \$000 | \$000 |
| Trade receivables | 16(a) | 4,316 | 6,228 | 19,879 | 19,505 |
| Less: provision for impairment of receivables | 16(b) | (23) | (23) | (23) | (23) |
| Trade receivables - net | | 4,293 | 6,205 | 19,856 | 19,482 |
| Prepayments | | 406 | 255 | 1,738 | 630 |
| GST Receivable | | 919 | 472 | 919 | 472 |
| Accrued income | | 3,999 | 2,743 | 3,999 | 2,743 |
| Work-in-progress | | (2) | 235 | (2) | 235 |
| Intercompany receivables | | 448 | 59 | - | 0 |
| Trade & other receivables | 16(c&d) | 10,063 | 9,969 | 26,510 | 23,562 |
| Total Trade & other receivables comprise: | | | | | |
| Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates. | | 10,063 | 9,969 | 10,063 | 9,969 |
| Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges not subsidised by rates. | | - | - | 16,447 | 13,593 |
| | | 10,063 | 9,969 | 26,510 | 23,562 |
| All trade and other receivables are included as non-exchange transactions as all of Council's receivables are partly subsidised by rates and investment income | | | | | |
| Current trade and other receivables | | 10,063 | 9,969 | 26,510 | 23,562 |
| Non-current trade and other receivables | | - | - | - | - |
| | | 10,063 | 9,969 | 26,510 | 23,562 |
| Other Advances | | | | | |
| Advances to Council controlled organisations | | 6,500 | - | - | - |

Note 16(a)

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

Note 16(b)

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

| | Regional Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| At beginning of year | 23 | 23 | 23 | 23 |
| Additional provisions made during the year | 46 | 46 | 46 | 46 |
| Receivables written off during the year | (46) | (46) | (46) | (46) |
| | - | - | - | - |
| At end of year | 23 | 23 | 23 | 23 |

Note 16(c)

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

Note 16(d)

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

| | Regional Council | | | Group | | |
|-----------------------|------------------|---------------------|--------------|----------------|---------------------|--------------|
| | Gross \$000 | Impairment \$000 | Net \$000 | Gross \$000 | Impairment \$000 | Net \$000 |
| 18/19 | | | | | | |
| Not past due | 1,881 | - | 1,881 | 14,592 | - | 14,592 |
| Past due 31 - 60 days | 108 | - | 108 | 2,928 | - | 2,928 |
| Past due 61 - 90 days | 37 | - | 37 | 69 | - | 69 |
| Past due >90 days | 2,290 | (23) | 2,267 | 2,290 | (23) | 2,267 |
| | 4,316 | (23) | 4,293 | 19,879 | (23) | 19,856 |
| 17/18 | | | | | | |
| Not past due | 3,477 | - | 3,477 | 13,844 | - | 13,844 |
| Past due 31 - 60 days | 858 | - | 858 | 3,670 | - | 3,670 |
| Past due 61 - 90 days | 28 | - | 28 | 126 | - | 126 |
| Past due >90 days | 1,865 | (23) | 1,842 | 1,865 | (23) | 1,842 |
| | 6,228 | (23) | 6,205 | 19,505 | (23) | 19,482 |

Note 17: Derivative Financial Instruments

| Note | Regional Council | | Group | |
|----------------------------------|------------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| <u>Assets</u> | | | | |
| 17(a) | - | - | - | - |
| | | | | |
| | | | | |
| | | | | |
| Total | - | - | - | - |
| Less Non-current portion: | | | | |
| | | | | |
| | | | | |
| | | | | |
| Current portion | - | - | - | - |
| <u>Liabilities</u> | | | | |
| 17(a) | - | (13) | (6,020) | (5,212) |
| | | | | |
| | | | | |
| Total | - | (13) | (6,020) | (5,212) |
| Less Non-current portion: | | | | |
| | | | | |
| | | | | |
| | | | | |
| Current portion | - | (13) | (4,312) | (3,718) |
| | | | | |
| | | | | |
| Current portion | - | - | (1,708) | (1,494) |

Note 17(a)

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2019 were 84,500,000 (2017-18 120,000,000). Of these, 54,500,000 of the notional principal amounts were active at 31 March 2019.

There were a further 30,000,000 of forward starting future dated swaps.

At 31 March 2019, the various interest rates were in the range of 3.74% to 6.45% (2018-19 3.62% to 5.41%).

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Note 18: Cash and Cash Equivalents

| | Note | Regional Council | | Group | |
|--------------------------|-------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| Cash at bank and in hand | 18(a) | 25,417 | 10,512 | 29,209 | 10,777 |
| Short-term bank deposits | 18(b) | 3,018 | 16,797 | 3,018 | 16,797 |
| | | 28,436 | 27,309 | 32,227 | 27,574 |

Note 18(a)

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

Note 18(b)

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

There were short-term bank deposits of \$3,018,000 as at 30 June 2019 (2017/18 \$16,797,000). The average deposit maturity after balance date was 30 days (2017/18 30 days).

Note 18(c) Reconciliation of Cash

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

| | Regional Council | | Group | |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| Bank overdrafts | - | - | (129) | - |
| Cash and cash equivalents | 28,436 | 27,309 | 32,227 | 27,574 |
| | 28,436 | 27,309 | 32,098 | 27,574 |

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

| | | | | |
|--|--------------|--------------|---------------|---------------|
| Net Surplus on Operations | 3,075 | 2,593 | 11,841 | 925 |
| Add (Less) Non-Cash Items: | | | | |
| Fair value gains | (5,802) | (3,697) | (7,172) | (4,171) |
| Fair value losses | - | - | - | - |
| Depreciation | 3,081 | 2,905 | 14,330 | 14,414 |
| (Gain) on disposal of assets | (267) | 9 | (267) | 7,834 |
| ACC liability movement | 475 | 863 | 475 | 863 |
| Vested asset | - | - | - | - |
| Impairment of assets | - | - | - | 555 |
| Share of loss of equity accounted investee | - | - | 884 | 171 |
| Deferred tax | - | - | (79) | (1,016) |
| Add (Less) Movement in Working Capital Items: | | | | |
| (Increase)/decrease in inventories | 9 | (87) | 9 | (87) |
| (Increase)/decrease in trade & other receivables | (149) | (1,156) | (2,152) | (3,250) |
| (Increase)/decrease in tax receivables | - | - | 440 | (44) |
| (Decrease)/increase in trade & other payables | 246 | 647 | 2,735 | 930 |
| (Decrease)/Increase in employee entitlement liabilities | 179 | 77 | 179 | 77 |
| Add (Less) Items Classified as Investing or Financing Activities: | | | | |
| Movement in non-current provisions | 462 | (949) | 535 | (1,063) |
| Non cash revenue adjustments | - | - | 612 | 230 |
| Net (Gain) / Loss on sale of non-current assets | - | - | (13) | 146 |
| Net Cash Inflow from Operating Activities | 1,308 | 1,205 | 22,356 | 16,514 |

Note 19: Fair Value Reserves

| Note | Parent | | | | | | | Parent |
|--------------------------------|--------|-----------|---------------------|-----------------------|----------------|------------------------|-----------|----------------|
| | Land | Buildings | Hydrological Assets | Infrastructure Assets | Carbon Credits | Other Financial Assets | HBRIC Ltd | Total |
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| <u>COUNCIL Only</u> | | | | | | | | |
| At 1 July 2017 | 907 | 1,213 | 74 | 99,210 | 1,211 | 427 | 57,724 | 160,766 |
| Year ended 30 June 2018 | | | | | | | | |
| Reclassification transfer | | | | | - | | | - |
| Revaluation - gross | | | | - | 283 | 118 | 48,276 | 48,677 |
| | - | - | - | - | 283 | 118 | 48,276 | 48,677 |
| At 30 June 2018 | 907 | 1,213 | 74 | 99,210 | 1,494 | 545 | 106,000 | 209,443 |
| Year ended 30 June 2019 | | | | | | | | |
| Reclassification transfer | | | | | | | | - |
| Revaluation - gross | 2,829 | 2,016 | 833 | 686 | 1,290 | 1,983 | 56,896 | 66,533 |
| | 2,829 | 2,016 | 833 | 686 | 1,290 | 1,983 | 56,896 | 66,533 |
| At 30 June 2019 | 3,736 | 3,229 | 907 | 99,896 | 2,784 | 2,528 | 162,896 | 275,976 |

Part 3- Financials | Pūrongo Pūtea

| Note | Land | Buildings | Hydrological Assets | Infrastructure Assets | Carbon Credits | Sea Defences | Other Financial Assets | Hedged Transactions | Group Total |
|--------------------------------|-------|-----------|---------------------|-----------------------|----------------|--------------|------------------------|---------------------|-------------|
| | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 | \$000 |
| GROUP | | | | | | | | | |
| At 1 July 2017 | 907 | 1,213 | 74 | 99,210 | 1,211 | 62,076 | 358 | (3,230) | 161,819 |
| Year ended 30 June 2018 | | | | | | | | | |
| Reclassification transfer | - | - | - | - | - | - | - | - | - |
| Revaluation - gross | - | - | - | - | 283 | 9,495 | (396) | - | 9,382 |
| | - | - | - | - | 283 | 9,495 | (396) | - | 9,382 |
| At 30 June 2018 | 907 | 1,213 | 74 | 99,210 | 1,494 | 71,571 | (38) | (3,230) | 171,201 |
| Year ended 30 June 2019 | | | | | | | | | |
| Reclassification transfer | - | - | - | - | - | - | - | - | - |
| Revaluation - gross | 2,829 | 2,016 | 833 | 686 | 1,290 | 4,374 | 1,983 | (627) | 13,384 |
| Transfer to accumulated funds | - | - | - | - | - | (5,066) | 583 | (477) | (4,960) |
| | 2,829 | 2,016 | 833 | 686 | 1,290 | (692) | 2,566 | (1,104) | 8,424 |
| At 30 June 2019 | 3,736 | 3,229 | 907 | 99,896 | 2,784 | 70,879 | 2,528 | (4,334) | 179,625 |

Note 19(a):

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

Note 20: Accumulated Funds

| | Regional Council | | Group | |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| Accumulated funds | | | | |
| Balance at 1 July | 305,237 | 302,662 | 260,219 | 260,924 |
| Surplus / (deficit) for the year | 3,076 | 2,593 | 11,841 | 926 |
| Transfers to / from other reserves | 49,691 | (17) | 49,691 | (17) |
| F Transfer from FV reserves | | | 4,960 | - |
| Dividends received / (paid) | | | - | - |
| Effect on consolidation | | | - | (1,613) |
| Balance at 30 June | 358,003 | 305,237 | 326,711 | 260,219 |

Part 3- Financials | Pūrongo Pūtea

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

| Note | Infra-structure Asset Renewal (1) \$000 | Wairoa Rivers & Streams (2) \$000 | Special Scheme (3) \$000 | Port Dividend Equalisation (4) \$000 | Coastal Marine Area (5) \$000 | Specific Regional Projects (6) \$000 | Asset Replacement (7) \$000 | Regional Disaster Damage (8) \$000 | Scheme Disaster Damage (9) \$000 | Clive River Dredging (10) \$000 | Tangoio Reserve Fund (11) \$000 | Maunga-haruru Tangitu (12) \$000 | Sale of Land Invmnt (13) \$000 | Sale of Land Non-Invmnt (14) \$000 | Rabbit Reserve (15) \$000 | Ngati Pahau-wera (16) \$000 | Westshore Reserve (17) \$000 | Total \$000 |
|---------------------------------|---|---|--------------------------------|--|-------------------------------------|--|-----------------------------------|--|--|---------------------------------------|---------------------------------------|--|--------------------------------------|--|---------------------------------|-----------------------------------|------------------------------------|----------------|
| At 1 July 2017 | 1,683 | 884 | 5,025 | - | - | - | 998 | 2,261 | 3,589 | 436 | 3,270 | 237 | 61,439 | 987 | 66 | 174 | - | 81,048 |
| Net fair value gains | | | | | | | | | | | | | | | | | | - |
| Interest income / (expense) | | 23 | 145 | | | | 12 | 51 | 97 | | 96 | | | | 2 | 4 | | 430 |
| Rental income - net | | | | | | | | | | | | | | | | | | - |
| Depreciation transfers | 840 | | | | | | 2,251 | | | | | | | | | | | 3,091 |
| Trading gain / (loss) | | | | | | | 568 | | | | | | | | | | | 568 |
| Transfers / (use of) reserves | (497) | 5 | 1,385 | - | | | (1,030) | (249) | (287) | 484 | (290) | (14) | (1,404) | (289) | | (84) | | (2,270) |
| Asset purchases - net | | | | | | | (3,086) | | | | | | | | | | | (3,086) |
| Borrowings - net | | | | | | | 1,285 | | | | | | | | | | | 1,285 |
| | 343 | 28 | 1,530 | - | - | - | - | (198) | (190) | 484 | (194) | (14) | (1,404) | (289) | 2 | (80) | - | 18 |
| At 30 June 2018 | 2,026 | 912 | 6,555 | - | - | - | 998 | 2,063 | 3,399 | 920 | 3,076 | 223 | 60,035 | 698 | 68 | 94 | - | 81,066 |
| Net fair value gains / (losses) | | | | | | | | | | | | | | | | | | - |
| Interest income / (expense) | | 4 | (109) | | | | 32 | | | | | 5 | | | 1 | 2 | | (65) |
| Rental income - net | | | | | | | | | | | | | | | | | | - |
| Depreciation transfer | | | | | | | 2,361 | | | 76 | | | | | | | | 2,437 |
| Trading gain / (loss) | | | | | | | 490 | | | | | | | | | | | 490 |
| Transfers / (use of) reserves | 179 | 24 | (2,920) | | | | (67) | 287 | 189 | (80) | (275) | 54 | (48,358) | 184 | | (20) | (219) | (51,022) |
| Asset purchases - net | | | | | | | (2,128) | | | | | | | | | | | (2,128) |
| Borrowings - net | | | | | | | 597 | | | | | | | | | | | 597 |
| | 179 | 28 | (3,029) | - | - | - | 1,285 | 287 | 189 | (4) | (275) | 59 | (48,358) | 184 | 1 | (18) | (219) | (49,691) |
| At 30 June 2019 | 2,205 | 940 | 3,526 | - | - | - | 2,283 | 2,350 | 3,588 | 916 | 2,801 | 282 | 11,677 | 882 | 69 | 76 | (219) | 31,375 |

Nature and purpose of reserves

[1] Infrastructure asset depreciation reserve

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

[2] Wairoa rivers & streams reserve

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

[3] Special flood & drainage scheme reserves

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

[4] Port dividend equalisation reserve

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

[5] Coastal marine area reserve

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

[6] Specific regional projects reserve

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

[7] Asset replacement reserve

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

[8] Regional disaster damage reserve

A reserve established to provide funding for the cost of responding to and managing an event; cost of reinstatement of any uninsured assets (e.g., pathways on top of stopbanks); any difference policy with private insurers to cover 40% of the loss up to \$24 million in the event of a disaster; more than the optimised replacement value

[9] Scheme disaster damage reserve

Reserves established to meet each scheme's share of Local Authority Protection Programme (LAPP) insurance excess and other costs to restore scheme assets that are not recoverable from other sources.

[10] Clive river dredging reserve

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

[11] Tangoio soil conservation reserve

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

[12] Maungaharuru Tangitu reserve

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

[13] Sale of land investment reserve

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

[14] Sale of land non-investment reserve

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

[15] Rabbit reserve

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

[16] Ngati Pahauwera reserve

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

Note 21: Borrowings

| Note | Regional Council | | Group | |
|---------------------------|------------------|----------------|----------------|----------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 \$000 | 17/18 \$000 | 18/19 \$000 | 17/18 \$000 |
| Non-current | | | | |
| Bank borrowings | 17,685 | 19,125 | 98,385 | 105,711 |
| Finance lease obligations | - | - | - | - |
| | 17,685 | 19,125 | 98,385 | 105,711 |
| Current | | | | |
| Bank overdrafts | - | - | 129 | - |
| Bank borrowings | 3,900 | 3,900 | 3,900 | 9,600 |
| Finance lease obligations | - | - | - | - |
| | 3,900 | 3,900 | 4,029 | 9,600 |
| Total borrowings | 21,585 | 23,025 | 102,414 | 115,311 |

21(a): Security

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

The Port loans are secured by way of a negative pledge over the assets of the Port in respect of both sale of such assets and other security interests.

BNZ holds security stock certificates of \$22m maintained within councils Debenture Trust Deed.

21(b) Maturity analysis of borrowings such assets and other security interests.

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

| | Regional Council | | Group | |
|-------------------------|------------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| 6 months or less | - | - | 129 | - |
| Between 6 and 12 months | 250 | - | 250 | 5,686 |
| Between 1 and 2 years | 1,000 | 500 | 42,718 | 43,000 |
| Between 2 and 5 years | 5,634 | 3,500 | 44,616 | 47,600 |
| Over 5 years | 14,701 | 19,025 | 14,701 | 19,025 |
| | 21,585 | 23,025 | 102,414 | 115,311 |

21(c) Effective interest rates

The effective interest rates at the balance sheet date were as follows:

| | Regional Council | | Group | |
|--------------------------------|------------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | % | % | % | % |
| Effective interest rate ranges | 2.35 - 6.46 | 3.85 - 6.46 | 2.35 - 6.46 | 2.80 - 6.46 |

21(d) Fair values

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

| | Regional Council | | Group | |
|-----------------|------------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| Bank borrowings | 19,112 | 19,609 | 99,812 | 111,895 |
| | 19,112 | 19,609 | 99,812 | 111,895 |

21(e) Undrawn facilities

The Group has the following undrawn borrowing facilities:

| | Regional Council | | Group | |
|-----------------|------------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| Bank overdraft | 5,000 | - | 5,871 | 1,000 |
| Bank borrowings | - | - | 42,800 | 33,400 |
| | 5,000 | - | 48,671 | 34,400 |

21(f) Internal Borrowings

The following internal borrowings have been funded by Council reserves.

The fair values as based on cash flows discounted using a rate based on the borrowing rate of 2.52% (2017/18 4.55%).

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

| | Regional Council | | Group | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| Internal Loan Opening Balance | | | | |
| <i>Council Wide Activity</i> | | | | |
| Dalton Street Building Remediation | - | - | - | - |
| Computer Equipment | 420 | 500 | 420 | 500 |
| Bus Ticketing System | 40 | 1,140 | 40 | 1,140 |
| Tutira Land Loan | 100 | | | |
| Hydrology Equipment | 980 | | | |
| <i>Groups of Activities</i> | | | | |
| <i>Land, Drainage and River Control</i> | | | | |
| Makara Scheme | 200 | 206 | 200 | 206 |
| | 1,740 | 1,846 | 660 | 1,846 |
| Internal Loans Borrowed during the year | | | | |
| <i>Council Wide Activity</i> | | | | |
| Dalton Street Building Remediation | - | - | - | - |
| Computer Equipment | - | - | - | - |
| Bus Ticketing System | 100 | - | 100 | - |
| Tutira Land Loan | - | 100 | - | - |
| Hydrology Equipment | 96 | 40 | - | - |
| Biodiversity | 100 | | | |
| <i>Groups of Activities</i> | | | | |
| <i>Land, Drainage and River Control</i> | | | | |
| Makara Scheme | - | - | - | - |
| | 296 | 140 | 100 | - |
| Internal Loans Repaid during the year | | | | |
| <i>Council Wide Activity</i> | | | | |
| Dalton Street Building Remediation | - | - | - | - |
| Computer Equipment | 80 | 80 | 80 | 80 |
| Bus Ticketing System | 4 | 160 | 4 | 160 |
| Tutira Land Loan | - | - | - | - |
| Hydrology Equipment | 160 | - | - | - |
| Biodiversity | | | | |
| <i>Groups of Activities</i> | | | | |
| <i>Land, Drainage and River Control</i> | | | | |
| Makara Scheme | 7 | 6 | 7 | 6 |
| | 251 | 246 | 91 | 246 |
| Internal Loan Closing Balance | | | | |
| <i>Council Wide Activity</i> | | | | |
| Dalton Street Building Remediation | - | - | - | - |
| Computer Equipment | 340 | 420 | 340 | 420 |
| Bus Ticketing System | 136 | 980 | 136 | 980 |
| Tutira Land Loan | 100 | | | |
| Hydrology Equipment | 916 | 100 | | |
| Biodiversity | 100 | 40 | | |
| <i>Groups of Activities</i> | | | | |
| <i>Land, Drainage and River Control</i> | | | | |
| Makara Scheme | 193 | 200 | 193 | 200 |
| | 1,785 | 1,740 | 669 | 1,600 |
| Interest Paid during the year | | | | |
| <i>Council Wide Activity</i> | | | | |
| Dalton Street Building Remediation | - | - | - | - |
| Computer Equipment | 11 | 16 | 11 | 16 |
| Bus Ticketing Systems | | | | |
| <i>Groups of Activities</i> | | | | |
| <i>Land, Drainage and River Control</i> | | | | |
| Makara Scheme | 6 | 7 | 6 | 7 |
| <i>Regional Resources</i> | | | | |
| Clean Heat | - | - | - | - |
| Hydrology Equipment | 10 | 23 | 10 | 23 |
| <i>Emergency Management</i> | | | | |
| Hydrology Equipment | 16 | 15 | 16 | 15 |
| | 43 | 61 | 43 | 61 |

Note 22: Deferred Income Tax (Group)

| Note | Property, Plant & Equipment \$000 | Derivatives \$000 | Other \$000 | Total \$000 |
|--|--|----------------------|----------------|-----------------|
| Balance at 1 July 2017 | (20,917) | 1,256 | 681 | (18,980) |
| Charged to surplus or deficit re current year | 1,016 | | | 1,016 |
| Adjustment prior year provision | 5 | | | 5 |
| Charged to surplus or deficit | 1,021 | - | - | 1,021 |
| Charges to other comprehensive revenue and expense | (3,268) | 199 | | (3,069) |
| Balance at 30 June 2018 | (23,164) | 1,455 | 681 | (21,028) |
| Charged to surplus or deficit re current year | 79 | | | 79 |
| Adjustment prior year provision | (574) | | | (574) |
| Charged to surplus or deficit | (495) | - | - | (495) |
| Charges to other comprehensive revenue and expense | 4,216 | 244 | | 4,460 |
| Balance at 30 June 2019 | (19,443) | 1,699 | 681 | (17,063) |

Note 23: Employee Benefit Liabilities

| | Regional Council | | Group | |
|---|------------------|--------------|--------------|--------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| Note | \$000 | \$000 | \$000 | \$000 |
| Annual leave | 1,158 | 1,047 | 4,010 | 3,732 |
| Long service leave | 341 | 336 | 815 | 757 |
| Sick leave | 35 | 26 | 35 | 26 |
| Retirement gratuities | 194 | 229 | 194 | 229 |
| Other short term benefits | - | - | - | - |
| Accrued payroll expenses | 910 | 821 | 910 | 821 |
| Total employee benefit liabilities | 2,638 | 2,459 | 5,964 | 5,565 |
| Disclosed as: | | | | |
| Non-current | 519 | 543 | 993 | 964 |
| Current | 2,119 | 1,916 | 4,971 | 4,601 |
| | 2,638 | 2,459 | 5,964 | 5,565 |

23(a) Movement in employee benefit liability

| | Regional Council | | Group | |
|-----------------------------|------------------|--------------|--------------|--------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| At beginning of year | 2,459 | 1,561 | 5,565 | 4,875 |
| Additional provisions | 2,566 | 2,223 | 2,682 | 2,311 |
| Unused amounts reversed | (78) | (44) | (78) | (44) |
| Used during the year | (2,309) | (1,281) | (2,205) | (1,577) |
| Movement during the year | 179 | 898 | 399 | 690 |
| At end of year | 2,638 | 2,459 | 5,964 | 5,565 |

Note 24: Trade and Other Payables

| Note | Regional Council | | Group | |
|--|------------------|-----------------|-----------------|-----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| Trade payables | 4,900 | 2,843 | 10,130 | 6,809 |
| Accrued expenses | 2,429 | 4,450 | 5,320 | 6,444 |
| Deposits & advances | 1,991 | 1,780 | 1,990 | 1,780 |
| Intrabusiness payables | - | - | - | - |
| | 9,320 | 9,074 | 17,440 | 15,034 |
| Total trade and other payables comprise: | | | | |
| Payables and deferred revenue from non-exchange transactions - rates paid in advance (Includes Clean Heat rates in advance.) | 1,713 | 1,652 | 1,713 | 1,652 |
| Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions | 7,607 | 7,422 | 15,728 | 13,382 |
| | 9,320 | 9,074 | 17,441 | 15,034 |

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

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

Note 25: Provisions for Other Liabilities and Charges

| | Regional Council | | Group | |
|-----------------------------|------------------|---------------|---------------|---------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| Note | \$000 | \$000 | \$000 | \$000 |
| Current portion: | | | | |
| ACC Leasehold Liability | 25(a) 668 | 745 | 668 | 745 |
| | 668 | 745 | 668 | 745 |
| Non-current portion: | | | | |
| ACC Leasehold Liability | 25(a) 11,253 | 14,086 | 11,253 | 14,086 |
| Other Liabilities | 29 | 29 | 29 | 29 |
| | 11,282 | 14,115 | 11,282 | 14,115 |
| Total | 11,950 | 14,860 | 11,950 | 14,860 |

Movements for each class of provision are as follows:

Council and Group

| | ACC Leasehold Liability \$000 | Other Liabilities \$000 | Total \$000 |
|--------------------------------|--|-------------------------------|----------------|
| 2018 | | | |
| Balance at 1 July 2017 | 18,820 | 30 | 18,849 |
| Additional provisions made | 863 | | 863 |
| Amount used | (4,851) | (1) | -4,852 |
| Unused amounts reversed | | | 0 |
| Discount unwind | | | 0 |
| Balance at 30 June 2018 | 14,832 | 29 | 14,860 |
| 2019 | | | |
| Balance at 1 July 2018 | 14,832 | 29 | 14,860 |
| Additional provisions made | 475 | | 475 |
| Amount used | (3,385) | | (3,385) |
| Unused amounts reversed | | | - |
| Discount unwind | | | - |
| Balance at 30 June 2019 | 11,922 | 29 | 11,950 |

Note 25(a)

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

Note 26: Related-Party Disclosures (Group)

| Note | Actual 18/19 \$000 | Actual 17/18 \$000 |
|---|--------------------------|--------------------------|
| 26(a) The following transactions were carried out with subsidiaries: | | |
| (i) Sales of services | | |
| By parent | 770 | 81 |
| By subsidiary | 28 | 31 |
| | 798 | 112 |
| (ii) Purchases of services | | |
| By parent | 28 | 31 |
| By subsidiary | 770 | 81 |
| | 798 | 112 |
| (iii) Subvention payments | | |
| Received by parent | 32 | 144 |
| Paid by subsidiary | 32 | 144 |
| | 64 | 288 |
| The subvention payment is the tax effect of total losses transferred from Council to Napier Port during the year. | | |
| (iv) Dividends (net) | | |
| Received by parent | 10,000 | 10,000 |
| Paid by subsidiary | 10,000 | 10,000 |
| | 20,000 | 20,000 |
| (v) Loans | | |
| Paid by parent | 6,500 | - |
| Received by subsidiary | 6,500 | - |
| | 13,000 | - |

26(b) Transactions with key management personnel

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

As part of the Constitution of Hawke's Bay Tourism Limited, HBRC are entitled to appoint one Director to the Board of Hawke's Bay Tourism Limited. This position was filled by Councillor Tom Belford for the 2018/19 year. HBRC have paid Hawke's Bay Tourism Limited \$1,520,000 (excl. GST) in the 2018/19 year as per the funding agreement.

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

| | | |
|----------------------------------|-------|-------|
| Receivables from related parties | | |
| Parent | 448 | 59 |
| Subsidiary | - | - |
| | <hr/> | <hr/> |
| | 448 | 59 |
| Payables to related parties | | |
| Parent | - | - |
| Subsidiary | 448 | 59 |
| | <hr/> | <hr/> |
| | 448 | 59 |

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

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

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

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

At year end, there is no impairment relating to amounts owed by related parties (2017/18 \$nil).

Note 27: Commitments and Contingencies

27(a) Capital commitments

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

| Note | Regional Council | | Group | |
|--|------------------|--------|------------|--------------|
| | Actual | Actual | Actual | Actual |
| | 18/19 | 17/18 | 18/19 | 17/18 |
| | \$000 | \$000 | \$000 | \$000 |
| Property, plant & equipment | | | | |
| Property, plant and equipment | - | - | 515 | 1,514 |
| | - | - | 515 | 1,514 |

Napier Port have entered into various capital contracts that have not yet incurred. These include highway maintenance and replacement equipment.

27(b) Operating lease commitments as lease

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

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

| | | | | |
|---|---|------------|------------|--------------|
| Not later than one year | - | 120 | - | 352 |
| Later than one year but not later than five years | - | 83 | 797 | 929 |
| Later than five years | - | - | - | 183 |
| | - | 203 | 797 | 1,464 |

27(c) Operating lease commitments as lessor

Napier leasehold land is leased under operating leases with annual rent payments set for a period of 21 years as at 30 June 2019 the annual rent receivable by Council is \$1,272,204 (2018 \$1,462,451)

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

27(d) Contingencies

In respect of the Council only:

The Tangoio Soil Conservation Reserve fund contains the proceeds from the Reserve since management and control of the Reserve was vested in Council in 1985, less the cost of managing the Reserve. This fund is held by Council on behalf of the Crown. The value of the funds at 30 June 2019 are \$2,800,000 (2017/18 \$3,076,000).

Part 3- Financials | Pūrongo Pūtea

Note 28: Local Government Act 2002 Disclosures

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

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

2018/19

Elected Members

| | Salary 18/19 \$ | Hearing Fees 18/19 \$ | Councillor Allowances 18/19 \$ | Total Remuneration 18/19 \$ |
|---------------|-----------------------|--------------------------------|---|--------------------------------------|
| Fenton Wilson | 51,614 | - | 13,603 | 65,217 |
| Alan Dick | 64,517 | - | 1,883 | 66,400 |
| Debbie Hewitt | 51,614 | - | 7,133 | 58,747 |
| Rex Graham | 119,442 | - | - | 119,442 |
| Peter Beaven | 64,517 | - | 2,691 | 67,208 |
| Rick Barker | 64,517 | - | 2,397 | 66,914 |
| Tom Belford | 64,517 | - | 2,704 | 67,221 |
| Neil Kirton | 64,517 | - | 1,442 | 65,959 |
| Paul Bailey | 51,614 | - | 1,638 | 53,252 |
| | 596,868 | - | 33,490 | 630,358 |

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

2017/18

Elected Members

| | Salary 17/18 \$ | Hearing Fees 17/18 \$ | Councillor Allowances 17/18 \$ | Total Remuneration 17/18 \$ |
|---------------|-----------------------|--------------------------------|---|--------------------------------------|
| Fenton Wilson | 50,311 | - | 18,168 | 68,479 |
| Alan Dick | 62,889 | - | 2,327 | 65,216 |
| Debbie Hewitt | 50,311 | - | 7,262 | 57,573 |
| Rex Graham | 115,336 | - | - | 115,336 |
| Peter Beaven | 62,889 | - | 2,589 | 65,478 |
| Rick Barker | 62,889 | - | 2,291 | 65,180 |
| Tom Belford | 62,889 | - | 3,073 | 65,962 |
| Neil Kirton | 62,889 | - | 1,416 | 64,305 |
| Paul Bailey | 50,311 | - | 1,597 | 51,908 |
| | 580,718 | - | 38,724 | 619,441 |

28b) Remuneration of Chief Executive

2018/19

| | Salary 18/19 \$ | Severance Payments 18/19 \$ | Other Benefits 18/19 \$ | Total Remuneration 18/19 \$ |
|--|-----------------------|--------------------------------------|----------------------------------|--------------------------------------|
| James Palmer - CE HBRC (01/07/18 - 30/06/19) | 285,000 | - | 28,593 | 313,593 |
| | 285,000 | - | 28,593 | 313,593 |

2017/18

| | Salary 17/18 \$ | Severance Payments 17/18 \$ | Other Benefits 17/18 \$ | Total Remuneration 17/18 \$ |
|--|-----------------------|--------------------------------------|----------------------------------|--------------------------------------|
| James Palmer - CE HBRC (01/07/17 - 30/06/18) | 285,000 | - | 26,620 | 311,620 |
| | 285,000 | - | 26,620 | 311,620 |

28(c) Severance Payments

There were three severance payments made to employees at the values of \$27,980, \$30,060 and \$28,090, these were outside contractual obligations, (2017/18; \$nil).

28(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June

| | 2019 |
|---------------------------------------|------------|
| < \$60,000 | 78 |
| \$60,000 - \$79,999 | 72 |
| \$80,000 - \$99,999 | 50 |
| \$100,000 - \$119,999 | 21 |
| \$120,000 - \$139,999 | 16 |
| \$140,000 - \$199,999 (combined band) | 7 |
| \$200,000 - \$319,999 (combined band) | 3 |
| Total Employees (headcount) | 247 |

Total Annual Remuneration by band for Employees as at 30 June

| | 2018 |
|---------------------------------------|------------|
| < \$60,000 | 61 |
| \$60,000 - \$79,999 | 62 |
| \$80,000 - \$99,999 | 45 |
| \$100,000 - \$119,999 | 19 |
| \$120,000 - \$139,999 | 11 |
| \$140,000 - \$179,999 (combined band) | 5 |
| \$180,000 - \$309,999 (combined band) | 4 |
| Total Employees (headcount) | 207 |

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 212 (2018; 176) full-time employees, with the balance of staff representing 25.8 (2018; 19.6) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

Part 3- Financials | Pūrongo Pūtea

28(e) Regional Planning Committee

2018/19

Committee Members

| | Meeting Fees 18/19 \$ | Travel Allowances 18/19 \$ | Total Remuneration 18/19 \$ |
|---|-----------------------------|----------------------------------|-----------------------------------|
| T. Waaka (Chair) - <i>Ngāti Pāhauwera Development & Tiaki Trust</i> | 24,000 | 23 | 24,023 |
| J. Maihi-Carroll - <i>Mana Ahuriri Trust</i> | 12,000 | 735 | 12,735 |
| N. Kirikiri - <i>Te Toi Kura O Waikaremoana</i> | 12,000 | 1,477 | 13,477 |
| T. Hopmans (Deputy Co Chair) - <i>Maungaharuru Tangitū Trust</i> | 18,000 | - | 18,000 |
| M. Brown - <i>Ngāti Hineuru Iwi Inc</i> | 12,000 | 750 | 12,750 |
| M. Northcroft - <i>Ngāti Tūwharetoa Hapū</i> | 12,000 | 431 | 12,431 |
| P. Paku - <i>Heretaunga Tamatea Settlement Trust</i> | 12,000 | 323 | 12,323 |
| A. Tapine - <i>Tātau Tātau o Te Wairoa Trust</i> | 12,000 | 1,752 | 13,752 |
| J. Nelson-Smith - <i>Heretaunga Tamatea Settlement Trust</i> | 12,000 | 1,416 | 13,416 |
| | 126,000 | 6,907 | 132,907 |

28(f) Maori Committee

2018/19

Committee Members

| | Meetings Attended 18/19 # | Meeting Fees 18/19 \$ | Travel Allowances 18/19 \$ | Total Remuneration 18/19 \$ |
|---|---------------------------------|-----------------------------|----------------------------------|-----------------------------------|
| H. Hilton - <i>Kaumatuā (Hastings)</i> | 6 | 2,400 | 468 | 2,868 |
| M. Apatu - <i>Heretaunga Taiwhenua (Hastings)</i> | 2 | 800 | 57 | 857 |
| B. Blake - <i>Kaumatuā (Wairoa)</i> | 5 | 2,000 | 1,201 | 3,201 |
| M. Paku - <i>Heretaunga Executive (Hastings)</i> | 5 | 2,000 | 248 | 2,248 |
| A. Manuel - <i>Wairoa Taiwhenua</i> | 2 | 800 | 345 | 1,145 |
| B. Gregory - <i>Tamatea Taiwhenua (Central Hawke's Bay)</i> | 6 | 2,400 | 556 | 2,956 |
| P. Eden - <i>Te Taiwhenua o Te Whanganui-a-Orotū (Napier)</i> | 4 | 1,600 | 217 | 1,817 |
| A. Robin - <i>Te Taiwhenua o Te Whanganui-a-Orotū (Napier)</i> | 5 | 2,000 | 204 | 2,204 |
| A. Te Tomo - <i>Te Taiwhenua o Te Whanganui-a-Orotū (Napier)</i> | 3 | 1,200 | 38 | 1,238 |
| P. Sciascia - <i>Te Taiwhenua o Tamatea (Central Hawke's Bay)</i> | 3 | 1,200 | 384 | 1,584 |
| M. McIlroy - <i>Kahungunu Executive (Wairoa)</i> | 6 | 2,400 | 882 | 3,282 |
| J. Brown - <i>Proxy (Heretaunga Taiwhenua)</i> | 1 | 400 | 31 | 431 |
| K. Kawana - <i>Proxy (Wairoa Taiwhenua)</i> | 5 | 2,000 | 566 | 2,566 |
| M. Hape - <i>Proxy</i> | 1 | 400 | - | 400 |
| | 54 | 21,600 | 5,195 | 26,795 |
| Committee Chairperson* | | | | |
| M. Mohi - <i>Kaumatuā (Central Hawke's Bay)</i> | | 61,838 | - | 61,838 |

*This is a salaried role and includes attending all Maori committee meetings, Hearing committee meetings, Regional Planning committee meetings and Regional Council meetings, meeting preparation and community engagement.

28(g) Finance, Audit and Risk Sub-Committee

2018/19

Independent Members

| | Meetings Attended 18/19 # | Meeting Fees 18/19 \$ | Travel Allowances 18/19 \$ | Total Remuneration 18/19 \$ |
|--------------|---------------------------------|-----------------------------|----------------------------------|-----------------------------------|
| R. Dinwoodie | 2 | 2,400 | - | 2,400 |

Note 29: Major Budget Variances (Parent)

29 (i) Comprehensive Income Statement

Overall operating Revenue was in line with budget. A shortfall in revenue from activities is the result of a lower than planned recovery of compliance time as resource was allocated to non-recoverable activities. Fair value gains on investment include returns on managed funds placed into diversified investment portfolio. Gains were not divested given it was not required for cashflow, therefore the shortfall in other revenue is offset by gains on investments.

Expenditure exceeded budget for activities and personnel costs, largely as a result of a delay in capital projects, internal time was focused on alternate work-streams and subsequently the cost was allocated internally as opposed to capital projects.

The closing financial position for the year is an operating surplus of \$3.1m compared to a planned surplus of \$5.8m. The total comprehensive revenue and expense position is \$69.6m which exceeds the planned \$8.2m surplus. This significant increase is due to unrealised revaluation gains across all asset classes most specifically a \$58m increase in the valuation of HBRIC (reflecting the value of ownership of Napier Port).

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

An increase in equity of \$68.6m is due to revaluation gains across all asset classes most specifically a \$58m increase in the valuation of HBRIC (reflecting the value of ownership of Napier Port).

29 (iii) Cash flow statement

- Net cash flows from operating activities are \$4.5 million less than budget mainly due to an increase in operating expenditure for the year.
- Net cash flows from investing activities are \$24.5 million more than budget due to the movement in financial assets.
- Net cash flows from financing activities are \$6.7 million less than budget due to payments made to ACC for sale of leasehold properties and reduced loan borrowings.

Note 30: Financial Risk Management

Introduction

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

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

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

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

Market Risk

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity and securities price risk on its investments, which are classified as fair value through other comprehensive revenue and expense and held to maturity financial assets. The Group manages price risk by diversification of its investment portfolio in accordance with limits set out in its investment policy.

Currency Risk

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

Interest Rate Risk

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

Fair Value Interest Rate Risk

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

Cash Flow Interest Rate Risk

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

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

Credit Risk

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

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

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

Maximum Exposure to Credit Risk

| | Regional Council | | Group | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | Actual 18/19 \$000 | Actual 17/18 \$000 | Actual 18/19 \$000 | Actual 17/18 \$000 |
| Cash and cash equivalents | 28,436 | 27,309 | 32,227 | 27,574 |
| Bank deposits with terms greater than 91 days | 3,000 | 55,868 | 3,000 | 55,868 |
| Government stock | 1,438 | 1,370 | 1,438 | 1,370 |
| Funds under Management | 41,910 | - | 41,910 | - |
| Community loans | 8,533 | 8,478 | 8,533 | 8,478 |
| Trade & other receivables | 10,063 | 9,969 | 27,351 | 23,561 |
| Advances to CCO | 6,500 | | | |
| Derivative financial instruments | - | - | - | - |
| | 99,880 | 102,994 | 114,459 | 116,851 |

Note 30(a): Financial Risk Management

Liquidity Risk

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

The Council maintains a level of cash operating balances sufficient to meet its commitments as they fall due as well as managing its borrowings in accordance with its funding and financial policies. Napier Port operates a multi-option credit facility with its bank as set out in Note 20

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

Contractual Maturity Analysis

| | Carrying Amount \$000 | Contractual Carrying Amount \$000 | Less than 1 Year \$000 | 1 - 2 Years \$000 | 2 - 5 Years \$000 | More than 5 Years \$000 |
|---------------------------------------|--------------------------|--------------------------------------|---------------------------|----------------------|----------------------|----------------------------|
| <u>Council at 30 June 2019</u> | | | | | | |
| Creditors and other payables | 9,319 | 9,319 | 9,319 | - | - | - |
| Bank borrowings | 21,585 | 24,991 | 3,900 | 881 | 9,089 | 11,121 |
| Bank overdraft | - | - | - | - | - | - |
| Interest rate swaps | - | - | - | - | - | - |
| ACC liability | 11,921 | 14,086 | 777 | 1,526 | 2,071 | 9,711 |
| Finance lease | - | - | - | - | - | - |
| | 42,825 | 48,396 | 13,996 | 2,407 | 11,160 | 20,832 |
| <u>Council at 30 June 2018</u> | | | | | | |
| Creditors and other payables | 9,074 | 9,074 | 9,074 | - | - | - |
| Bank borrowings | 23,025 | 27,134 | 3,900 | 1,035 | 12,937 | 9,262 |
| Bank overdraft | - | - | - | - | - | - |
| Interest rate swaps | 13 | 13 | 13 | - | - | - |
| ACC liability | 14,831 | 14,831 | 745 | 777 | 2,267 | 11,041 |
| Finance lease | - | - | - | - | - | - |
| | 46,943 | 51,052 | 13,732 | 1,812 | 15,204 | 20,303 |

Part 3- Financials | Pūrongo Pūtea

| Group at 30 June 2019 | | | | | | |
|------------------------------|----------------|----------------|---------------|---------------|---------------|---------------|
| Creditors and other payables | 17,440 | 17,441 | 17,441 | - | - | - |
| Bank borrowings | 102,285 | 108,828 | 47,628 | 2,008 | 48,071 | 11,121 |
| Bank overdraft | 129 | - | - | - | - | - |
| ACC liability | 11,921 | 14,086 | 777 | 1,526 | 2,071 | 9,711 |
| Interest rate swaps | 6,020 | 6,020 | 1,889 | 1,683 | 2,448 | - |
| Forward exchange contracts | - | - | - | - | - | - |
| Finance lease | - | - | - | - | - | - |
| | 137,795 | 146,374 | 67,735 | 5,217 | 52,590 | 20,832 |
| Group at 30 June 2018 | | | | | | |
| Creditors and other payables | 15,033 | 15,034 | 15,034 | - | - | - |
| Bank borrowings | 115,311 | 123,932 | 12,172 | 45,136 | 57,362 | 9,262 |
| Bank overdraft | - | - | - | - | - | - |
| ACC liability | 14,831 | 14,831 | 745 | 777 | 2,267 | 11,041 |
| Interest rate swaps | 5,212 | 5,212 | 489 | 1,064 | 1,649 | 2,010 |
| Forward exchange contracts | - | - | - | - | - | - |
| Finance lease | - | - | - | - | - | - |
| | 150,387 | 159,009 | 28,440 | 46,977 | 61,278 | 22,313 |

Note 30(b): Financial Risk Management

Council

| | 2019 \$000 | | | | 2018 \$000 | | | |
|------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | -0.5% Surplus | Other Equity | +0.5% Surplus | Other Equity | -0.5% Surplus | Other Equity | +0.5% Surplus | Other Equity |
| Interest Rate Risk | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | (142) | - | 142 | - | (137) | - | 137 | - |
| Other financial assets: | | | | | | | | |
| Term deposits | (15) | - | 15 | - | (279) | - | 279 | - |
| Financial liabilities | | | | | | | | |
| Bank overdraft | - | - | - | - | - | - | - | - |
| Loans | 107 | - | (107) | - | 115 | - | (115) | - |
| Derivatives | - | - | - | - | 0 | - | (0) | - |
| Total sensitivity | (50) | - | 50 | - | (301) | - | 301 | - |
| Foreign Exchange Risk | | | | | | | | |
| Financial assets | | | | | | | | |
| Forward exchange contracts | - | - | - | - | - | - | - | - |
| Total sensitivity | - | - | - | - | - | - | - | - |
| Equity Price Risk | | | | | | | | |
| Financial assets | | | | | | | | |
| Publicly listed shares | (4) | - | 4 | - | (4) | - | 4 | - |
| Government Bonds | (7) | - | 7 | - | (6) | - | 6 | - |
| Total sensitivity | (11) | - | 11 | - | (10) | - | 10 | - |

Part 3- Financials | Pūrongo Pūtea

Group

| | 2019 \$000 | | | | 2018 \$000 | | | |
|------------------------------|------------------|--------------|------------------|--------------|------------------|--------------|------------------|--------------|
| | -0.5% Surplus | Other Equity | +0.5% Surplus | Other Equity | -0.5% Surplus | Other Equity | +0.5% Surplus | Other Equity |
| Interest Rate Risk | | | | | | | | |
| Financial assets | | | | | | | | |
| Cash and cash equivalents | (161) | - | 161 | - | (138) | - | 138 | - |
| Other financial assets: | | | | | | | | |
| Term deposits | (15) | - | 15 | - | (279) | - | 279 | - |
| Financial liabilities | | | | | | | | |
| Bank overdraft | 1 | - | (1) | - | - | - | - | - |
| Loans | 511 | - | (511) | - | 577 | - | (576) | - |
| Derivatives | 30 | - | (30) | - | 26 | - | (26) | - |
| Total sensitivity | 366 | - | (366) | - | 184 | - | (185) | - |
| Foreign Exchange Risk | | | | | | | | |
| Financial assets | | | | | | | | |
| Forward exchange contracts | - | - | - | - | - | - | - | - |
| Total sensitivity | - | - | - | - | - | - | - | - |
| Equity Price Risk | | | | | | | | |
| Financial assets | | | | | | | | |
| Publicly listed shares | (4) | - | 4 | - | (4) | - | 4 | - |
| Government Bonds | (7) | - | 7 | - | (6) | - | 6 | - |
| Total sensitivity | (11) | - | 11 | - | (10) | - | 10 | - |

Explanation of interest rate risk sensitivity

The interest rate sensitivity has been calculated based on -5% / +5% (2018 -5% / +5%) movement in interest rates.

Explanation of foreign exchange risk sensitivity

The foreign exchange risk sensitivity has been calculated based on -5% / +5% (2018 -5% / +5%) movement in forward foreign exchange contracts.

Explanation of equity price risk sensitivity

The sensitivity for listed shares and government bonds has been calculated based on -5% / +5% (2018 -5% / +5%) movement in the share price at year-end.

Note 30(b): Capital Management

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

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

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

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans, and the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's most recent LTP (2018/2028 Ten Year Plan).

HBRC has the following Council-created reserves:

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

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

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

Note 31: Financial Instrument Categories

| Note | Regional Council | | Group | | |
|--|---|-----------------|-----------------|-----------------|----------------|
| | Actual 18/19 | Actual 17/18 | Actual 18/19 | Actual 17/18 | |
| | \$000 | \$000 | \$000 | \$000 | |
| Financial Assets | | | | | |
| Loans and receivables | | | | | |
| | Cash and cash equivalents | 28,436 | 27,309 | 32,227 | 27,574 |
| | Trade & other receivables | 10,063 | 9,969 | 26,510 | 23,561 |
| | Managed Funds | 41,910 | | | |
| | Advances to Council-controlled organisations | 6,500 | - | - | - |
| | Other financial assets | | | | |
| | Term Deposits | 3,000 | 55,868 | 3,000 | 55,868 |
| | Community loans | 8,533 | 8,478 | 8,533 | 8,478 |
| | Total loans and receivables | 98,442 | 101,624 | 70,271 | 115,481 |
| Held-to-maturity | | | | | |
| | Other financial assets | | | | |
| | Government Bonds | 1,438 | 1,370 | 1,438 | 1,370 |
| | Total held-to-maturity | 1,438 | 1,370 | 1,438 | 1,370 |
| Fair value through other comprehensive revenue and expense | | | | | |
| | Other financial assets | | | | |
| | Publicly listed shares | 801 | 795 | 801 | 795 |
| | Civic Assurance shares | 18 | 18 | 18 | 18 |
| | Advances to Napier / Gisborne Rail | 236 | 218 | 236 | 218 |
| | Shares in Hawke's Bay Regional Investment Company | 340,396 | 283,500 | - | - |
| | Total fair value through other comprehensive revenue and expense | 341,451 | 284,531 | 1,055 | 1,031 |
| Financial Liabilities | | | | | |
| Fair value through surplus or deficit - held for trading | | | | | |
| | Derivative financial instrument liabilities | - | 13 | 6,020 | 5,212 |
| Financial Liabilities at amortised cost | | | | | |
| | Trade & other payables | 9,319 | 9,074 | 17,440 | 15,033 |
| | Bank overdraft | - | - | 129 | - |
| | Borrowings | 21,585 | 23,025 | 102,285 | 115,311 |
| | ACC Leasehold Liability | 11,921 | 14,831 | 11,921 | 14,831 |
| | Total financial Liabilities at amortised cost | 42,825 | 46,943 | 137,795 | 150,387 |

Note 31a: Fair Value Hierarchy Disclosures

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

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.

- Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

- Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

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

Part 3- Financials | Pūrongo Pūtea

| | Total | Quoted Market Price | Observable Inputs | Significant Non-observable Inputs |
|---|---------|------------------------|----------------------|---|
| | (\$000) | (level 1) \$000 | (level 2) \$000 | (level 3) \$000 |
| 30 June 2019 - Council | | | | |
| Financial assets | | | | |
| Government bonds | 1,438 | 1,438 | | |
| Publicly listed shares | 801 | 801 | | |
| Funds under management | 41,910 | | | |
| Shares in Hawke's Bay Regional Investment Company | 340,396 | | | 340,396 |
| Financial liabilities | | | | |
| Derivatives | - | | - | |
| 30 June 2019 - Group | | | | |
| Financial assets | | | | |
| Government bonds | 1,438 | 1,438 | | |
| Publicly listed shares | 801 | 801 | | |
| Funds under management | 41,910 | | | |
| Financial liabilities | | | | |
| Derivatives | 6,020 | | 6,020 | |
| 30 June 2018 - Council | | | | |
| Financial assets | | | | |
| Government bonds | 1,370 | 1,370 | | |
| Publicly listed shares | 795 | 795 | | |
| Shares in Hawke's Bay Regional Investment Company | 283,500 | | | 283,500 |
| Financial liabilities | | | | |
| Derivatives | 13 | | 13 | |
| 30 June 2018 - Group | | | | |
| Financial assets | | | | |
| Government bonds | 1,370 | 1,370 | | |
| Publicly listed shares | 795 | 795 | | |
| Financial liabilities | | | | |
| Derivatives | 5,212 | | 5,212 | |

Part 3- Financials | Pūrongo Pūtea

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

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

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

| | 2019 \$000 | 2018 \$000 |
|---|----------------|----------------|
| Balance at 1 July | 283,600 | 235,324 |
| Gain and losses recognised in the surplus or deficit | | |
| Gain and losses recognised in other comprehensive revenue and expenditure | 56,896 | 48,276 |
| Purchases | 41,910 | |
| Sales | | |
| Transfers | | |
| Balance at 30 June | 382,406 | 283,600 |

Note 32: Events after Balance Sheet Date (Parent & Group)

The HBRIC parent company sold 45% of its shareholding in Napier Port via an Initial Public Offering (IPO) listing on the New Zealand Stock Exchange (NZX), with listing on 20 August 2019. Additionally in excess of \$100m of funds have been released to HBRIC following the dilution of HBRIC's share in Napier Port from 100% to 55%.

The HBRIC parent company repaid the \$6.5m loan to its shareholder on 13 September 2019.

Funding Impact Statements

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

Note: The comparative information has been restated to reflect changes in the activity grouping reported. Refer to page 23 for more detail. Significant variances are explained in the Cost of Service Statements.

| Council Funding Impact Statement | | | | |
|---|---------------------------------------|---|----------------------------|---|
| | Annual Plan 2017/18 (\$'000) | Annual Report 2017/18 (\$'000) | LTP 2018/19 (\$'000) | Annual Report 2018/19 (\$'000) |
| Sources of operating funding | | | | |
| General rates & uniform annual general charges, rates penalties | 4,300 | 4,528 | 6,952 | 7,357 |
| Targeted rates | 14,824 | 14,947 | 15,877 | 15,878 |
| Subsidies & grants for operating purposes | 3,630 | 4,972 | 3,368 | 3,989 |
| Fees & charges | 7,000 | 6,548 | 9,198 | 8,416 |
| Interest & dividends from investments | 12,620 | 12,721 | 13,297 | 12,318 |
| Local authorities fuel tax, fines, infringement fees & other receipts | 2,804 | 2,737 | 2,732 | 2,304 |
| Total operating funding | 45,178 | 46,453 | 51,424 | 50,263 |
| Applications of operating funding | | | | |
| Payments to staff & suppliers | 40,371 | 41,317 | 44,332 | 47,250 |
| Finance costs | 2,648 | 2,803 | 2,447 | 2,489 |
| Other operating funding applications | - | - | - | - |
| Total applications of operating funding | 43,019 | 44,120 | 46,779 | 49,739 |
| Surplus / (deficit) of operating funding | 2,159 | 2,333 | 4,645 | 524 |
| Sources of capital funding | | | | |
| Subsidies & grants for capital purposes | 1,538 | 411 | 1,882 | - |
| Development & financial contributions | - | - | - | - |
| Increase / (decrease) in debt | 7,368 | 160 | 2,758 | (1,440) |
| Gross proceeds from sale of assets | 168 | 5,954 | 1,006 | 3,860 |
| Lump sum contributions | - | - | - | - |
| Other dedicated capital funding | - | - | - | - |
| Total sources of capital funding | 9,074 | 6,525 | 5,646 | 2,420 |
| Applications of capital funding | | | | |
| Capital expenditure: | | | | |
| - to meet additional demand | 3,016 | - | 435 | 226 |
| - to improve the level of service | 1,865 | 1,407 | 2,090 | 774 |
| - to replace existing assets | 3,506 | 3,423 | 6,536 | 5,114 |
| | 8,387 | 4,830 | 9,061 | 6,114 |
| Increase / (decrease) in reserves | (64,932) | (1,008) | (4,970) | (5,620) |
| Increase / (decrease) of investments | 67,778 | 5,036 | 6,200 | 2,449 |
| Total application of capital funding | 11,233 | 8,858 | 10,291 | 2,944 |
| Surplus / (deficit) of capital funding | (2,159) | (2,333) | (4,645) | (524) |
| Funding balance | - | - | - | 0 |

Reconciliation from Funding Impact Statement of Comprehensive Revenue and Expenditure

| | | | | |
|---|--------------|--------------|--------------|------------|
| Operating Surplus per Income Statement | 2,159 | 2,593 | 5,832 | 3,075 |
| Depreciation | (2,739) | 2,904 | 2,925 | 3,081 |
| Reduction in ACC Leasehold Liability | 1,035 | 965 | (917) | 475 |
| Fair Value Gains/Losses | 1,737 | (3,697) | (3,195) | (5,802) |
| Capital Grants | - | (411) | - | - |
| Gain / Loss on sale | - | 9 | - | (41) |
| Other | - | (30) | - | (264) |
| FIS Surplus / (deficit) of Operating Funding (above) | 2,192 | 2,333 | 4,645 | 524 |

Part 3- Financials | Pūrongo Pūtea

| Funding Impact Statement: Governance & Partnerships | | | | Funding Impact Statement: Strategic Planning | | | |
|---|--------------|--------------|----------------|---|--------------|--------------|----------------|
| | LTP | LTP | Annual Report | | LTP | LTP | Annual Report |
| | 2017/18 | 2018/19 | 2018/19 | | 2017/18 | 2018/19 | 2018/19 |
| | (\$'000) | (\$'000) | (\$'000) | | (\$'000) | (\$'000) | (\$'000) |
| Sources of operating funding | | | | Sources of operating funding | | | |
| General rates & uniform annual general charges | 1,363 | 2,603 | 2,668 | General rates & uniform annual general charges | - | 2,733 | 2,812 |
| Targeted rates | - | - | - | Targeted rates | 2,396 | 1,850 | 1,850 |
| Subsidies & grants for operating purposes | 15 | 15 | 25 | Subsidies & grants for operating purposes | 125 | 274 | 274 |
| Fees & charges | 285 | 122 | 61 | Fees & charges | 55 | - | - |
| Internal charges & overheads recovered | 966 | 826 | 2,069 | Internal charges & overheads recovered | 2,897 | 89 | 1,518 |
| Fines, infringement fees & other receipts | - | - | - | Fines, infringement fees & other receipts | - | - | - |
| Total operating funding | 2,629 | 3,566 | 4,823 | Total operating funding | 5,473 | 4,946 | 6,454 |
| Applications of operating funding | | | | Applications of operating funding | | | |
| Payments to staff & suppliers | 2,025 | 2,976 | 3,194 | Payments to staff & suppliers | 4,800 | 4,296 | 3,948 |
| Finance costs | 292 | 115 | 107 | Finance costs | 8 | 5 | 7 |
| Internal charges & overheads applied | 313 | 475 | 447 | Internal charges & overheads applied | 665 | 645 | 693 |
| Other operating funding applications | - | - | - | Other operating funding applications | - | - | - |
| Total applications of operating funding | 2,630 | 3,566 | 3,748 | Total applications of operating funding | 5,473 | 4,946 | 4,648 |
| Surplus / (deficit) of operating funding | (1) | - | 1,075 | Surplus / (deficit) of operating funding | - | - | 1,807 |
| Sources of capital funding | | | | Sources of capital funding | | | |
| Subsidies & grants for capital purposes | 284 | - | - | Subsidies & grants for capital purposes | - | - | - |
| Development & financial contributions | - | - | - | Development & financial contributions | - | - | - |
| Increase / (decrease) in debt | 1,227 | (305) | (290) | Increase / (decrease) in debt | - | - | (20) |
| Gross proceeds from sale of assets | - | - | - | Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - | Lump sum contributions | - | - | - |
| Total sources of capital funding | 1,511 | (305) | (290) | Total sources of capital funding | - | - | (20) |
| Applications of capital funding | | | | Applications of capital funding | | | |
| Capital expenditure: | | | | Capital expenditure: | | | |
| - to meet additional demand | 1,890 | - | - | - to meet additional demand | - | - | - |
| - to improve the level of service | - | - | - | - to improve the level of service | - | - | - |
| - to replace existing assets | - | - | - | - to replace existing assets | - | - | - |
| | 1,890 | - | - | | - | - | - |
| Increase / (decrease) in reserves | (380) | (305) | 785 | Increase / (decrease) in reserves | - | - | 1,786 |
| Increase / (decrease) of investments | - | - | - | Increase / (decrease) of investments | - | - | - |
| Total application of capital funding | 1,510 | (305) | 785 | Total application of capital funding | - | - | 1,786 |
| Surplus / (deficit) of capital funding | 1 | - | (1,075) | Surplus / (deficit) of capital funding | - | - | (1,807) |
| Funding balance | - | - | - | Funding balance | - | - | - |

Part 3- Financials | Pūrongo Pūtea

| Funding Impact Statement: Integrated Catchment Management | | | |
|---|---------------|---------------|----------------|
| | LTP | LTP | Annual Report |
| | 2017/18 | 2018/19 | 2018/19 |
| | (\$'000) | (\$'000) | (\$'000) |
| Sources of operating funding | | | |
| Targeted rates | 3,065 | 3,197 | 3,365 |
| Subsidies & grants for operating purposes | 25 | 82 | 599 |
| Fees & charges | 3,924 | 4,182 | 3,446 |
| Internal charges & overheads recovered | 8,292 | 9,849 | 6,449 |
| Fines, infringement fees & other receipts | 190 | 27 | 63 |
| Total operating funding | 15,496 | 17,337 | 13,922 |
| Applications of operating funding | | | |
| Payments to staff & suppliers | 12,503 | 13,660 | 16,290 |
| Finance costs | 983 | 940 | 904 |
| Internal charges & overheads applied | 2,009 | 2,738 | 3,228 |
| Other operating funding applications | - | - | - |
| Total applications of operating funding | 15,495 | 17,338 | 20,422 |
| Surplus / (deficit) of operating funding | 1 | (1) | (6,501) |
| Sources of capital funding | | | |
| Subsidies & grants for capital purposes | 1,506 | 1,882 | - |
| Development & financial contributions | - | - | - |
| Increase / (decrease) in debt | 823 | 2,100 | (1,125) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Total sources of capital funding | 2,329 | 3,982 | (1,125) |
| Applications of capital funding | | | |
| Capital expenditure: | | | |
| - to meet additional demand | 2,402 | 160 | 226 |
| - to improve the level of service | - | - | - |
| - to replace existing assets | - | - | - |
| | 2,402 | 160 | 226 |
| Increase / (decrease) in reserves | (72) | (979) | (7,923) |
| Increase / (decrease) of investments | - | 4,800 | 71 |
| Total application of capital funding | 2,330 | 3,981 | (7,626) |
| Surplus / (deficit) of capital funding | (1) | 1 | 6,501 |
| Funding balance | - | - | (0) |

| Funding Impact Statement: Asset Management | | | |
|---|--------------|----------------|---------------|
| | LTP | LTP | Annual Report |
| | 2017/18 | 2018/19 | 2018/19 |
| | (\$'000) | (\$'000) | (\$'000) |
| Sources of operating funding | | | |
| Targeted rates | 6,883 | 7,081 | 6,912 |
| Subsidies & grants for operating purposes | - | - | - |
| Fees & charges | 122 | 2,033 | 2,974 |
| Internal charges & overheads recovered | (71) | 2,277 | 1,225 |
| Fines, infringement fees & other receipts | 145 | 267 | 177 |
| Total operating funding | 7,079 | 11,658 | 11,288 |
| Applications of operating funding | | | |
| Payments to staff & suppliers | 4,913 | 6,968 | 10,427 |
| Finance costs | 42 | 123 | 24 |
| Internal charges & overheads applied | 1,358 | 2,793 | 758 |
| Other operating funding applications | - | - | - |
| Total applications of operating funding | 6,313 | 9,884 | 11,209 |
| Surplus / (deficit) of operating funding | 766 | 1,774 | 78 |
| Sources of capital funding | | | |
| Subsidies & grants for capital purposes | - | - | - |
| Development & financial contributions | - | - | - |
| Increase / (decrease) in debt | (262) | (124) | (122) |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Total sources of capital funding | (262) | (124) | (122) |
| Applications of capital funding | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of service | 1,841 | 2,090 | 774 |
| - to replace existing assets | 685 | 1,217 | 281 |
| | 2,526 | 3,307 | 1,055 |
| Increase / (decrease) in reserves | (2,022) | (1,657) | (1,099) |
| Increase / (decrease) of investments | - | - | - |
| Total application of capital funding | 504 | 1,650 | (44) |
| Surplus / (deficit) of capital funding | (766) | (1,774) | (78) |
| Funding balance | - | - | 0 |

Part 3- Financials | Pūrongo Pūtea

| Funding Impact Statement: Consents & Compliance | | | |
|---|--------------|--------------|---------------|
| | LTP | LTP | Annual Report |
| | 2017/18 | 2018/19 | 2018/19 |
| | (\$'000) | (\$'000) | (\$'000) |
| Sources of operating funding | | | |
| General rates & uniform annual general charges | 1,875 | 1,294 | 1,370 |
| Targeted rates | - | - | - |
| Subsidies & grants for operating purposes | - | 67 | - |
| Fees & charges | 1,421 | 2,579 | 1,904 |
| Internal charges & overheads recovered | - | 385 | 1,285 |
| Fines, infringement fees & other receipts | 10 | 10 | - |
| Total operating funding | 3,306 | 4,335 | 4,559 |
| Applications of operating funding | | | |
| Payments to staff & suppliers | 2,662 | 3,405 | 3,131 |
| Finance costs | - | - | - |
| Internal charges & overheads applied | 644 | 930 | 926 |
| Other operating funding applications | - | - | - |
| Total applications of operating funding | 3,306 | 4,335 | 4,057 |
| Surplus / (deficit) of operating funding | - | - | 502 |
| Sources of capital funding | | | |
| Targeted rates | - | - | - |
| Subsidies & grants for capital purposes | - | - | - |
| Development & financial contributions | - | - | - |
| Increase / (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Total sources of capital funding | - | - | - |
| Applications of capital funding | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of service | - | - | - |
| - to replace existing assets | - | - | - |
| | - | - | - |
| Increase / (decrease) in reserves | - | - | 502 |
| Increase / (decrease) of investments | - | - | - |
| Total application of capital funding | - | - | 502 |
| Surplus / (deficit) of capital funding | - | - | (502) |
| Funding balance | - | - | (0) |

Part 3- Financials | Pūrongo Pūtea

| Funding Impact Statement: Emergency Management | | | |
|---|--------------|--------------|---------------|
| | LTP | LTP | Annual Report |
| | 2017/18 | 2018/19 | 2018/19 |
| | (\$'000) | (\$'000) | (\$'000) |
| Sources of operating funding | | | |
| General rates & uniform annual general charges | - | 149 | 144 |
| Targeted rates | 1066 | 2,130 | 2,130 |
| Subsidies & grants for operating purposes | 175 | - | - |
| Fees & charges | 123 | 119 | 23 |
| Internal charges & overheads recovered | 648 | (25) | 53 |
| Fines, infringement fees & other receipts | - | (1) | 3 |
| Total operating funding | 2,012 | 2,372 | 2,353 |
| Applications of operating funding | | | |
| Payments to staff & suppliers | 1,582 | 1,840 | 1,182 |
| Finance costs | 22 | - | - |
| Internal charges & overheads applied | 408 | 532 | 734 |
| Other operating funding applications | - | - | - |
| Total applications of operating funding | 2,012 | 2,372 | 1,915 |
| Surplus / (deficit) of operating funding | - | - | 437 |
| Sources of capital funding | | | |
| Targeted rates | - | - | - |
| Subsidies & grants for capital purposes | - | - | - |
| Development & financial contributions | - | - | - |
| Increase / (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Total sources of capital funding | - | - | - |
| Applications of capital funding | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of service | - | - | - |
| - to replace existing assets | - | - | - |
| | - | - | - |
| Increase / (decrease) in reserves | - | - | 438 |
| Increase / (decrease) of investments | - | - | - |
| Total application of capital funding | - | - | 438 |
| Surplus / (deficit) of capital funding | - | - | (438) |
| Funding balance | - | - | (0) |

| Funding Impact Statement: Transport | | | |
|---|--------------|--------------|---------------|
| | LTP | LTP | Annual Report |
| | 2017/18 | 2018/19 | 2018/19 |
| | (\$'000) | (\$'000) | (\$'000) |
| Sources of operating funding | | | |
| General rates & uniform annual general charges | - | 173 | 144 |
| Targeted rates | 1,702 | 1,620 | 1,620 |
| Subsidies & grants for operating purposes | 2,810 | 2,929 | 3,056 |
| Fees & charges | - | 153 | 8 |
| Internal charges & overheads recovered | 48 | (34) | 121 |
| Fines, infringement fees & other receipts | (3) | (2) | (1) |
| Total operating funding | 4,557 | 4,839 | 4,949 |
| Applications of operating funding | | | |
| Payments to staff & suppliers | 4,386 | 4,608 | 4,809 |
| Finance costs | 25 | 5 | 1 |
| Internal charges & overheads applied | 146 | 226 | 248 |
| Other operating funding applications | - | - | - |
| Total applications of operating funding | 4,557 | 4,839 | 5,058 |
| Surplus / (deficit) of operating funding | - | - | (109) |
| Sources of capital funding | | | |
| Targeted rates | - | - | - |
| Subsidies & grants for capital purposes | - | - | - |
| Development & financial contributions | - | - | - |
| Increase / (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Lump sum contributions | - | - | - |
| Total sources of capital funding | - | - | - |
| Applications of capital funding | | | |
| Capital expenditure: | | | |
| - to meet additional demand | - | - | - |
| - to improve the level of service | - | - | - |
| - to replace existing assets | - | - | - |
| | - | - | - |
| Increase / (decrease) in reserves | - | - | (109) |
| Increase / (decrease) of investments | - | - | - |
| Total application of capital funding | - | - | (109) |
| Surplus / (deficit) of capital funding | - | - | 109 |
| Funding balance | - | - | - |

Report on Council Controlled Organisations

Introduction

Clause 28 of Schedule 10 of the Local Government Act 2002 (Act) requires the Council to include in its annual report certain information on each Council Controlled Organisation (CCO) in which the Council is a shareholder or has the power to appoint directors, or members of the governing body of the CCO.

The Hawke's Bay Regional Council has two CCOs;

- Hawke's Bay Regional Investment Company Limited (HBRIC Ltd); and
- Napier Port Holdings Limited (NPHL)

NPHL was incorporated in June 2019 to provide an efficient and effective structure to facilitate a minority share issue of Napier Port. NPHL sat as a shell company until shares were listed on the NZX on 20 August 2019. As such, no assessment of performance against targets has been reported this year. More in-depth reporting will be provided in the next financial year.

HBRIC Ltd

Ownership and Control Policies

The Council is required to report on the implementation or attainment of any significant policies and objectives in regard to ownership and control of CCOs during the year.

The Regional Council's objectives for HBRIC Ltd are to:

- Enhance the Regional Council's capability to actively manage transferred strategic assets
- Improve net financial and economic returns from these assets
- Provide flexibility of operation not otherwise available directly to the Regional Council which would increase returns to the Regional Council from its ongoing financial management.

During the year there have been no changes to the ownership of HBRIC Ltd, or the company's governance arrangements. Rex Graham (Chair of Hawkes Bay Regional Council) was appointed as Chair in April 2018 and remained as Chair for the remainder of the financial year alongside sitting Directors Peter Beaven (Councillor) and Dan Druzianic (Independent).

Nature and Scope of Activities

The Council is required to compare the intended versus actual nature and scope of the activities provided in the year by CCOs (as set out in the 2018-28 Long Term Plan). The nature and scope of activities as described in the 2018-28 Long Term Plan is noted in italics followed by commentary on actual performance in 2018-19.

- *Own and manage the investment assets and liabilities transferred to it by Council from time to time.*
 - As in previous years, HBRIC Ltd continued to manage the investment in the Port of Napier Limited (Napier Port) following the transfer of shares from the Council on 25 June 2012.
 - During the year, HBRIC Ltd applied for a binding ruling to assess the expenses arising from the Ruataniwha Water Storage Scheme (RWSS). In December 2018, the binding ruling was successful creating a tax asset of 28% of the deductible allowances (\$5.7 million) which flowed through via a subvention payment from Napier Port.
- *Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments.*

Part 3- Financials | Pūrongo Pūtea

- The HBRIC Ltd Board meets with the Napier Port Chair and CEO on a regular basis to discuss its operating activities and any investment opportunities that have the potential to increase shareholder value.
- During the 2018-19 year, the Regional Council ran a Special Consultative Process on options for the future capital structure of Napier Port to enable the development of a new wharf estimated to \$142 million.
- More than 3,500 submissions were received with 57% of submitters supporting the Regional Council's preferred option – a minority IPO.
- The objective for a change in ownership structure of Napier Port was to retain majority community ownership of the Port while securing the investment the Port requires to enable the development of a new wharf to ensure the continued economic prosperity of the Hawkes Bay region.
- At the end of the 2018 financial year as at 30 June 2018, Napier Port was valued at \$291 million. Currently (12 September 2019), following the Initial Public Offer the HBRC's 55% ownership stake is valued at more than \$330 million.
- The increased valuation of the asset is partially reflected through these financial statements at 30 June 2019.
-
- *Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd's ownership.*
 - HBRIC Ltd has managed its investments in accordance with the Council's Investment Policy detailed in the 2018-28 Long Term Plan.
 - On 27 March 2019, the Regional Council resolved to establish a new Council Controlled Organisation called Napier Port Holdings Limited which would be the entity to undertake the IPO. The Regional Council also resolved to introduce a range of additional protections ahead of a potential IPO. These protections included:
 - Ensuring the Regional Council's majority ownership position in Napier Port could not be diluted, such as through any subsequent share issues or equity raising, below 51% in the future
 - The right to determine the composition of the Napier Port Holdings and Napier Port Boards through a majority vote
 - Appointing two majority shareholder-appointed directors to the Napier Port Holdings and Napier Port Boards (later confirmed as Cr Rick Barker and Blair O'Keeffe)
 - Reducing the threshold at which Napier Port Holdings and Napier Port would need to seek shareholder approval for significant transactions
 - Inserting a restrictive covenant on the strategically important Port land at the main Ahuriri site, including limiting any potential future sale of the land without Regional Council consent and limiting the use of the Port site to Port purposes.
- *Monitor the performance of each subsidiary and associated company against their stated economic, environmental and social objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.*
 - The HBRIC Ltd Board meets with the Napier Port Chair and CEO on a regular basis to ensure it is meeting its stated economic, environmental and social objectives and that it has proper governance procedures in place.
 - The performance of Napier Port in the 2019-20 year will be reported to the Regional Council under the NZX continuous disclosure requirements.
 - In addition the two majority shareholder appointed Directors are able to share relevant information regarding the company's financial and social performance.

Part 3- Financials | Pūrongo Pūtea

- *Advise Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.*
 - HBRIC Ltd reports regularly to the Council which includes advising on strategic issues relating to its investments.
- *Perform financial, custodial and other functions required by HBRC.*
 - HBRIC Ltd undertook all financial, custodial and other functions as instructed by the Council.
 - On 20 August 2019, the HBRC dissolved its ownership of Napier Port to 55% shareholding.
 - Napier Port Holdings Limited (NPHL) listed on the NZX under the ticker: NPH. Shares listed at \$2.60, resulting in \$234 million raised with \$110 million funding Port expansion and the remaining proceeds minus costs received by the Regional Council and HBRIC Ltd for investment on behalf of ratepayers.
 - All material capital expenditure projects undertaken by HBRIC Ltd or via Napier Port were advised to the Council at the earliest opportunity during the current year.

Other Key Performance Targets

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

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

Specific financial performance targets and actual results for 2018-19 are in the table below:

| Consolidated Performance Targets | | |
|-------------------------------------|--------|------------------|
| Performance Indicator | Target | Actual (2018-19) |
| Net debt to net debt plus Equity | <40% | 29% |
| Interest cover (EBIT/Interest Paid) | >3x | 6x |
| EBITDA/Total Assets | 9% | 11% |
| Return on Shareholders' Funds | 5% | 9% |

Notes: EBIT = Earnings Before Interest and Tax
 EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation
 Net debt means gross borrowings from outside the "HBRIC Ltd "group", less loans made to parties outside the HBRIC Ltd "group"

Statement of Compliance and Responsibility

Compliance

1. The Council and management of the Hawke's Bay Regional Council confirm that, with the exception of the items outlined in subsections 1.1 through 1.5 below and the contents of the qualified opinion attached herewith, all the statutory requirements of the Local Government Act 2002, in relation to the annual report, have been complied with.
 - 1.1. Council's Auditors (Audit New Zealand) have advised that Hawke's Bay Regional Council will receive a qualified audit opinion due to limited availability of financial information for a subsidiary (Port of Napier Limited) resulting in non-compliance with Generally Accepted Accounting Practice (GAAP) and relevant financial reporting standards as outlined in the qualified audit opinion.
 - 1.2. This is related to a post balance date transaction at Port of Napier Limited resulting in increased compliance with disclosures required of any entity listed on the New Zealand stock exchange (NZX).
 - 1.3. Specifically, Hawke's Bay Regional Council is reliant on Port of Napier Limited's ability to issue its interim financial statements (through to 30 June 2019) in order to resolve deficiencies outlined in the qualified audit opinion. As a result, Hawke's Bay Regional Council group financial statements are based on Port of Napier Limited's full year financial statements for year ended 31 March 2019. Port of Napier Limited is unable to issue interim financial statements (through to 30 June 2019) as doing so would provoke a necessity to publicly disclose financials for the same period to all shareholders and investors driven by post-balance date transaction of Council's 45% ownership of Port of Napier Limited listed on the New Zealand Stock Exchange (NZX). This requirement for disclosure occurs because Hawke's Bay Regional Council is legally obliged to adopt and publish its consolidated financial statements, including Port of Napier Limited interim financial statements (through to 30 June 2019), by 31 October 2019.
 - 1.4. After substantial discussion, consideration and external legal advice, Hawke's Bay Regional Council has resolved to revert to Port of Napier Limited's financial statements for year ended 31 March 2019 and accept the qualified audit opinion due to Port of Napier Limited's inability to issue interim financial statements driven by its need to comply with disclosure and legal requirements for a publicly traded organisation.
 - 1.5. Hawke's Bay Regional Council acknowledges that this outcome is neither ideal nor preferred. Hawke's Bay Regional Council is committed to resolving concerns outlined in the qualified audit opinion for upcoming year(s). Hawke's Bay Regional Council's preferred outcome is for Port of Napier Limited to amend its balance date to 30 June. As Hawke's Bay Regional Council continues to drive towards this preferred outcome, it has engaged in meaningful discussions with Port of Napier Limited to arrive at an interim solution whereby Port of Napier Limited may consider publishing its interim financial performance in the upcoming year of its product disclosure statement financials.

Responsibility

2. The Council and management of the Hawke's Bay Regional Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
3. The Council and management of the Hawke's Bay Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. With the exception of areas outlined in Section 1, subsections 1.1 through 1.5 and the attached qualified audit opinion, in the opinion of the Council and management of the Hawke's Bay Regional Council, the

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annual Financial Statements for the year ended 30 June 2019 fairly reflect the financial position and operations of the Hawke's Bay Regional Council.



Rex Graham

Chair

16 October 2019



James Palmer

Chief Executive

16 October 2019



Jessica Ellerm

Group Manager, Corporate Services

16 October 2019

Appendix 1 - Independent Auditor's Report

Independent Auditor's Report

To the readers of the Hawke's Bay Regional Council's annual report for the year ended 30 June 2019

The Auditor-General is the auditor of the Hawke's Bay Regional Council (the Regional Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to report on the information in the Regional Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the Regional Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the Regional Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 16 October 2019. This is the date on which we give our report.

Opinion on the audited information

Qualified opinion on the financial statements – Our work was limited because financial information for a subsidiary is only available up to 31 March 2019

In our opinion, except for the matter described in the *Basis for our opinion on the audited information* section of our report:

- the financial statements on pages 91 to 172:
 - present fairly, in all material respects:
 - the Regional Council and Group's financial position as at 30 June 2019;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards.

Unmodified opinion on the audited information, excluding the financial statements

In our opinion:

- the funding impact statement on page 173, 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 Regional Council's Long-term plan;
- the level of service statements on pages 22 to 80:
 - present fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - comply with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 22 to 80, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 174 to 177 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 Regional Council's Long-term plan.

Basis for our opinion on the audited information

The Group financial statements include the financial statements of one of the Regional Council's subsidiaries, Port of Napier Limited, for the year ended 31 March 2019 rather than for the year ended 30 June 2019.

When the end of the reporting period of the parent is different from that of a subsidiary, Generally Accepted Accounting Practice requires the subsidiary to prepare, for consolidation purposes, additional financial information as of the same date as the financial statements of the parent to enable the parent to consolidate the financial information of the subsidiary, unless it is impracticable to do so. If it is impracticable to do so, the parent is required to consolidate the financial information of the subsidiary using the most recent financial statements of the subsidiary adjusted for the effects of significant transactions or events that occur between the date of those financial statements and the date of the consolidated financial statements.

Port of Napier Limited has not provided the Regional Council with either additional financial information as at 30 June 2019 or sufficient information to enable the Council to assess whether

significant transactions or events have occurred between 31 March 2019 and 30 June 2019 that should result in adjustments to the subsidiary's 31 March financial information for consolidation. Consequently, we have not been able to obtain sufficient evidence to determine whether the Group financial statements are fairly presented in all material respects.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Report on the disclosure requirements

We report that the Regional Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 84 to 90 which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council and Group's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

However, we draw attention to the fact that the financial information relating to Hawke's Bay Regional Council Investment Company Limited's (HBRIC) Consolidated Performance Targets on page 180 were compiled using figures from HBRIC's audited financial statements, which received a qualified opinion for the same reason as outlined in the *Basis for our opinion on the audited information* section above.

Responsibilities of the Council for the audited information

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 enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to

going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the Regional Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the Regional Council's Long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Regional Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the level of service statements, as a reasonable basis for assessing the levels of service achieved and reported by the Regional Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the Regional

Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the Regional Council and the Group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 3 to 21 and 189 to 190 but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

In addition to our audit and our report on the disclosure requirements, we have audited an Amendment of the Regional Council's Long-Term Plan 2018-28, performed a limited assurance engagement related to the Regional Council's debenture trust deed and performed an agreed upon procedures assignment relating to a contract between the Regional Council and the Accident Compensation Corporation, which are compatible with those independence requirements. Other

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than these engagements, we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.



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

Appendix 2 - Key activities for progressively implementing NPS-FM

Following amendments to the National Policy Statement for Freshwater Management in August 2017, the Hawke’s Bay Regional Council adopted a third edition of its Progressive Implementation Plan NPS-FM on 31 October 2018. The updated implementation programme replaced the [previous programme](#) adopted by the Council in November 2015 and the original September 2012 edition.

Under NPS-FM Policy E1, states that “(e) Where a regional council has adopted a programme of staged implementation, it is to publicly report in every year, on the extent to which the programme has been implemented.” Below is a progress summary by catchment.

| ID | Description | Status |
|----|---|---|
| 1 | <p>Tukituki River Catchment Plan Change (PC6).</p> <p>During 2018-19, the Regional Planning Committee (RPC) were presented with a request from the Tukituki Taskforce to consider amending the date for the which the minimum flows would come into effect, to allow the community time to adapt to the new flows. In December 2018, the RPC directed staff to scope and initiate a preliminary plan change process to defer the 2018 minimum flow regime. Staff reported back to the RPC and after consideration of the facts the RPC agreed not to progress a plan change.</p> | Operative 1 Oct 2015 |
| 2 | <p>Greater Heretaunga / Ahuriri Catchment Area (aka ‘TANK’ catchments) Plan Change.</p> <p>The draft TANK Plan was handed over from the TANK collaborative stakeholder group to the RPC in August 2018. A number of workshops were held to ensure the members of the RPC were familiar with the content of the plan and to understand the issues which the TANK collaborative stakeholder group had considered since 2012. The TANK Plan Change and the issues considered within it were also discussed at a number of meetings, gaining in-principle support. In December 2018, the RPC recommended that the Council approve the release of the draft plan for pre-notification consultation (in January 2019). The draft plan (version 8) was sent to affected iwi authorities, territorial authorities and the Minister for the Environment for comment (by 29 March 2019). Feedback was received Ngāti Kahungunu Iwi Incorporated, Mana Ahuriri, Heretaunga Tamatea Settlement Trust, Te Taiwhenua o Heretaunga, Hastings District Council, Napier City Council, Department of Conservation and Horticulture NZ.</p> | Plan Change in preparation. To be publicly notified in late 2019. |
| 3 | <p>Outstanding Water Bodies Plan Change</p> <p>Further engagement was undertaken with iwi authorities, territorial authorities and key stakeholders in September 2018 regarding the RPC selected list of 22 candidate water bodies (selected in April 2018). Feedback from some of the organisations highlighted a need to consider additional water bodies and to broaden stakeholder involvement. Additional candidate water bodies were suggested as a consequence of the engagement. A local expert panel was contracted to assess the Outstanding Water Bodies candidate list (including the additional water bodies) and provide a report to the Council on their conclusions. Further hui were also held during this time with iwi. In May 2019 the RPC recommended to the Council that the draft plan including a list of 43 water bodies be released for pre-notification consultation.</p> | To be publicly notified by 31 August 2019. |

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| ID | Description | Status |
|----|---|--|
| 4 | <p>Plan Change 5 to RRMP (integrated land and freshwater management)</p> <p>On 7 June 2019, the Environment Court issued its final decision on the last remaining points of an appeal by Hawke’s Bay Fish and Game Council on Change 5’s wetland related provisions. That decision followed a two-day Court hearing in September 2017. With that decision issued there were no remaining part of any appeals unresolved.</p> | <p>Environment Court issued final decision 7 June 2019.</p> <p>Recommendation to RPC to approve Change 5 (July 2019)</p> |
| 5 | <p>Plan Change for greater regulation of oil and gas exploration activities</p> <p>On the 12 April 2018, the Labour-led government announced that there would be no further offshore oil and gas exploration permits granted. In response to this announcement the Regional Planning Committee at their meeting on the 12 September 2018 recommended to the Council to cease further work on the preparation of the Oil and Gas Plan Change, with a view to incorporating this work, as appropriate in future coming reviews of the Regional Resource Management Plan and the Regional Coastal Environment Plan.</p> | <p>Plan Change ceased, until further review of the RRMP and RCEP 2020-21.</p> |
| 6 | <p>Mohaka River Catchment Plan Change</p> <p>The Mohaka Plan Change preparation has recommenced in 2018-19. Initial hui have been held primarily with Ngāti Pāhauwera and other iwi within interest in the area. Preparation of a relationship agreement with Ngāti Pāhauwera is underway. It is envisaged that this will provide the foundation to then develop and co-design the plan change with Tāngata Whenua.</p> | <p>Under preparation.</p> <p>Not yet publicly notified.</p> |
| 7 | <p>Rest of Region Plan Change</p> <p>(i.e. covering all other catchments in the Hawke’s Bay region that are not within the Tukituki, TANK or Mohaka catchment areas)</p> | <p>Not scheduled for 2018-19.</p> <p>To commence in 2020-21.</p> |
| 8 | <p>Ngaruroro Water Conservation Order application</p> <p>Stage 2 hearings for the WCO were held February - March 2019. The Hearings focused on the lower Ngaruroro River and Clive River whereas Stage 1 had earlier focused on the upper catchment (above Whanawhana). The co-applicants filed a written closing statement on the 29 March 2019. The Tribunal has yet to announce any decisions.</p> | <p>Ongoing</p> |

NOTE 1: In terms of involvement of Tāngata Whenua in (i.e. Objective D1 and Policy D1 of the NPS-FM), further commentary on this is outlined in “Part 1 - Introduction” of this Annual Report.

NOTE 2: This appendix does not outline the wide range of other activities (e.g. environmental monitoring, science information, land management services, open space activities etc.) that underpin, inform and implement changes to the RRMP. Refer to the separate activity reports elsewhere in this Annual Report.