



2019-2020

# Annual Report

*Summary*



**HAWKES BAY**  
REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

[hbrc.govt.nz](http://hbrc.govt.nz)



# We continue to drive progress toward a healthy environment.

## 2019-2020 SUMMARY ANNUAL REPORT

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# Adapting to change~

~ Three key impacts set the background for the 2019-20 financial year – the global COVID-19 pandemic, a severe drought and the ongoing threat of climate change.

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# Introduction

MESSAGE FROM THE CHAIR & CHIEF EXECUTIVE  
HE KUPU NĀ TE TOIHAU ME TE KAIWHAKAHAERE MATUA

## Adapting to change

*“Three key impacts set the background for the 2019-20 financial year – the global COVID-19 pandemic, a severe drought and the ongoing threat of climate change.”*

Kia ora koutou

**It has been an extraordinary year on many levels, one in which we relied more heavily on technology than ever before, for essential service delivery and to support our own staff forced to work remotely during the COVID-19 lockdown.**

It was also a year in which regional councils across New Zealand marked 30 years in existence and fulfilling obligations to manage air, land, water and coastal environments under the Resource Management Act. We marked this year by continuing our ambitious programme of capability building for the Regional Council to deliver on its responsibilities and our community’s aspirations.

The sharemarket float of Napier Port on the New Zealand Stock Exchange in August 2019 concluded the Regional Council’s lengthy process to enable the future-proofing of our Port, releasing the funds for a new wharf and related infrastructure. The Port typically provides a healthy dividend to the Regional Council, offsetting the cost of rates to ratepayers. The Regional Council retains 55% majority ownership in Napier Port and it expects income from its investment to grow as the Port’s potential is unlocked.

We have made steady progress in the area of water security with a 3D aquifer-mapping project during the summer of 2019-20 and studies of water storage options.

This summary covers Hawke’s Bay Regional Council’s key achievements during the 2019-20 financial year – the second year of the 2018-28 Long Term Plan.

The full Annual Report and Long Term Plan are online: [hbrc.govt.nz](https://www.hbrc.govt.nz), search: **#AnnualReports**



~ We marked this year by continuing our ambitious programme of capability building for the Regional Council to deliver on its responsibilities and our community's aspirations.

We consulted on the 'TANK' catchment plan for the future health of Heretaunga waterways and we are progressively strengthening the capability and capacity of our regulatory teams to enforce new rules on forestry and farming.

With the onset of COVID-19 restrictions in March 2020, the Regional Council quickly adapted our work plans. Our Hawke's Bay Civil Defence Emergency Management Group coordinated a welfare-led response to both COVID-19, and the prolonged drought experienced south of Hastings and across Central Hawke's Bay.

Numerous funding applications were developed at speed to ensure that Hawke's Bay received strong Government consideration for economic stimulus as a result of COVID-19. These applications have subsequently led to substantial funding for economic support and to improve flood-protection infrastructure.

Our Regional Council has worked closely with the ministries for the Environment and Primary Industries during the development of Essential Freshwater reform. This was critical early input which will help us to implement new regulations, working with our communities to improve our environment.

The impact of COVID-19 considerations on our community and our own staff was unprecedented, but the technology uptake and commitment from staff during restrictions and in the months that followed meant that our work for the year was largely delivered to plan.

The following 2019-20 Annual Report contains a detailed overview of highlights and financial analysis, which saw us end the year down in revenue due to COVID-19's impact on our investment income.

Our planning and preparation toward a changed climate offers up its own uncertainties. In the past year, COVID-19 and a severe drought have brought daily uncertainty much closer to all of us.

As an organisation focused on the resilience and prosperity of our region, we will continue to drive progress toward a healthy environment, and adapt our plans to address new issues and opportunities as they emerge.

Ngā mihi nui



A handwritten signature in black ink, appearing to read 'Rex Graham'.

**Rex Graham**  
Chair



A handwritten signature in black ink, appearing to read 'James Palmer'.

**James Palmer**  
Chief Executive

# Partnerships with Māori

*“E ngā mana, e ngā reo, e ngā karangatanga Iwi,  
Hapū, Whānau, Marae o te Matau a Māui e pae nei,  
tēnā koutou katoa.*

*Tēnā koutou hoki i runga i o tātou mate tuatini kua  
riro ki Te Pō. Ko te tangi ki a rātou, haere atu rā, moe  
marire mai. Tai pō, ko rātou te hunga mate ki a rātou,  
Tāi awatea, ko tātou te hunga ora ki a tātou, kia ora  
mai tātou katoa.”*

**He mihi anō hoki ki a koe e Mike Mohi, i ngā tau  
kua pāhure 2011-2019, nāu nei te Kaitia o te waka  
e kiia nei Te Kōmiti Māori, te rangatira e tū ki te  
kei o te waka. E kore nei e mimiti te mihi manahau  
ki a koe e Mikaere. Tenā anō māua ko Michelle  
te mihi atu ki a koe e Joinella, te Tiamana o te  
Regional Planning Kōmiti. He waka hourua te anga  
whakamua o te Regional Planning me te Kōmiti  
Māori, mō wai, ā, mō tātou katoa. Kia kaha, kia  
maia tāua i tēnei mahi rangatira.**

This year COVID-19 has presented significant challenges, disruption and ongoing uncertainty. It has also been a difficult time for many whānau, but in the face of this challenge we have seen a unified community response with many agencies and organisations actively working together. We wish to acknowledge at this time the welfare

provided by Tihei Mauri Ora Emergency Response Centre – in collaboration with Hawke’s Bay Civil Defence Emergency Group across Te Matau a Māui. The effects of COVID-19 will continue to be felt for a long time across our wider community.

The Māori Committee and Regional Planning Committee also made a significant contribution to Hawke’s Bay 3-Waters Review, and it was acknowledged by the five councils that Tāngata Whenua input combined to form a strong cultural case in the report.

Regional Council’s relationships with Tāngata Whenua is further enhanced with the team of four in the Māori Partnerships Group – Te Pou Whakarae, a Senior Advisor Māori Partnerships, a Māori Engagement Coordinator and a new secondment Northern Area Manager role based in the Wairoa office. They are growing Council-wide cultural capacity, enhancing Council’s engagement



*In the face of this challenge we have seen a unified community response with many agencies and organisations actively working together.*

with Tāngata Whenua and meeting statutory requirements. We wish to acknowledge Pieri and his team, who are continuing to blossom in their role as we row our waka forward together.

The Regional Council's Māori Committee is recognised as a pathway for flax roots environmental issues to be discussed at the hui table with the elected Councillors.

*We wish to also at this time acknowledge the work of Kāhui Wai Māori and their mahi Te Mana o Te Wai, The health of our Wai; the health of our Nation, most especially the hierarchy of obligations recognising the mauri of our wai. We also applaud the inclusion of the key attribute "Mahinga kai" in the revised National Freshwater policy.*

The Māori Committee members and the Māori staff on the Council welcome your views and concerns at any time.

May God bless you all and keep you well and safe.  
Mā te Atua koutou e manaaki, e tiaki i ngā wā katoa.

Nāku noa, nā



**Mike Paku and Michelle McIlroy**  
**Māori Committee Co-Chairs**

# Our Performance Measures

This is a summary of our service measures.

Comprehensive results are available in the full Annual Report, [hbrc.govt.nz](https://www.hbrc.govt.nz), search: #AnnualReports.

KEY:



= TARGET NOT MET



= TARGET PARTIALLY MET



= TARGET MET

## Strategic Planning



**19 submissions** on resource management-related proposals made to local and central government this year.

TARGET: MAINTAIN OR INCREASING TREND

## Governance & Partnerships

**1.6%** Rate of return on investments. TARGET: >5%

*The COVID-19 crisis made the target unachievable.*

## Integrated Catchment Management



more than **11,881 FIRES**

replaced with clean heat systems since financial assistance programme

HeatSmart started in 2009.

TARGET: 1,000 PER ANNUM (678 replaced in 2019-20)



**700 HECTARES** of highly erodible land planted in trees.

We planted 94 hectares last year. This is the second year of the Erosion Control Scheme.

TARGET: 2,000 HECTARES OF LAND UNDER COVER

**ZERO** exceedances of PM10 in the Napier airshed. TARGET: 1

**ONE** exceedance of PM10 in the Hastings airshed. TARGET: 3

**100%** of plant pest inspections & actions were completed in target timeframes. TARGET: 100%



**141 Rook nests** treated.

We are seeing a decreasing trend in the number of active rook nests.

TARGET: BETTER THAN 5 YEAR AVERAGE OF <307.2



## Asset Management



**Major flood protection & control works are maintained,** repaired and renewed to standards defined in the relevant scheme Asset Management Plan and annual works program.

TARGET: ACHIEVED

*The renewal programme had some delays due to COVID-19, as resources and outside contractors were committed to COVID-19 response.*

## Emergency Management

**55 new staff** received CDEM induction training. We also **maintained an established** team, training and procedures including Emergency Operations Centre Manual and Business Continuance Plan.

TARGET: ACHIEVED

**24 hour duty** management system in place; **468 calls managed & logged** by the duty managers for the year. **162 warnings or watches** for severe weather, tsunami, or other events have been effectively managed.

TARGET: ACHIEVED

## Transport

**113 fatal and injury crashes.**



TARGET: DECREASING 5 YEAR ROLLING AVERAGE

**512,397 trips**

taken on Hawke's Bay bus services this year. *From March, patronage was severely affected by COVID-19, with 5% of usual patronage during Level 4 when essential trips were permitted.*



TARGET: MAINTAIN OR INCREASING 5 YEAR ROLLING AVERAGE

**90%** of Hastings and **90%** of Napier residential and commercial businesses are **within 500m of a bus stop.**



TARGET: MET

## Consents & Compliance

**983 calls to the pollution hotline:**

**628** Air,  
**27** Coastal,  
**185** Land,  
**9** Groundwater,  
**133** Surface Water,  
**1** Maritime Safety.



**89.7%** of monitored consents received an overall grade of **full compliance.**

TARGET: 95%

**A 24-hour, 7 day a week duty management/pollution management response system** was maintained.

TARGET: ACHIEVED



**99.8% of resource consents**



were processed within statutory timeframes.

TARGET: 100%



**50 maritime incidents** were reported to Maritime New Zealand this year.

TARGET: DECREASING 3 YEAR ROLLING AVERAGE

# Our Team

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## Our Councillors



**Rex Graham**

Chair  
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**Rick Barker**

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**Craig Foss**

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Find out how to contact your local Councillor, or watch their video profile at [hbrc.govt.nz](https://hbrc.govt.nz), search: **#councillors**

## Our 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

## Our Aim

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*“Our community outcomes are a Healthy Environment, a Vibrant Community and a Prosperous Economy.”*

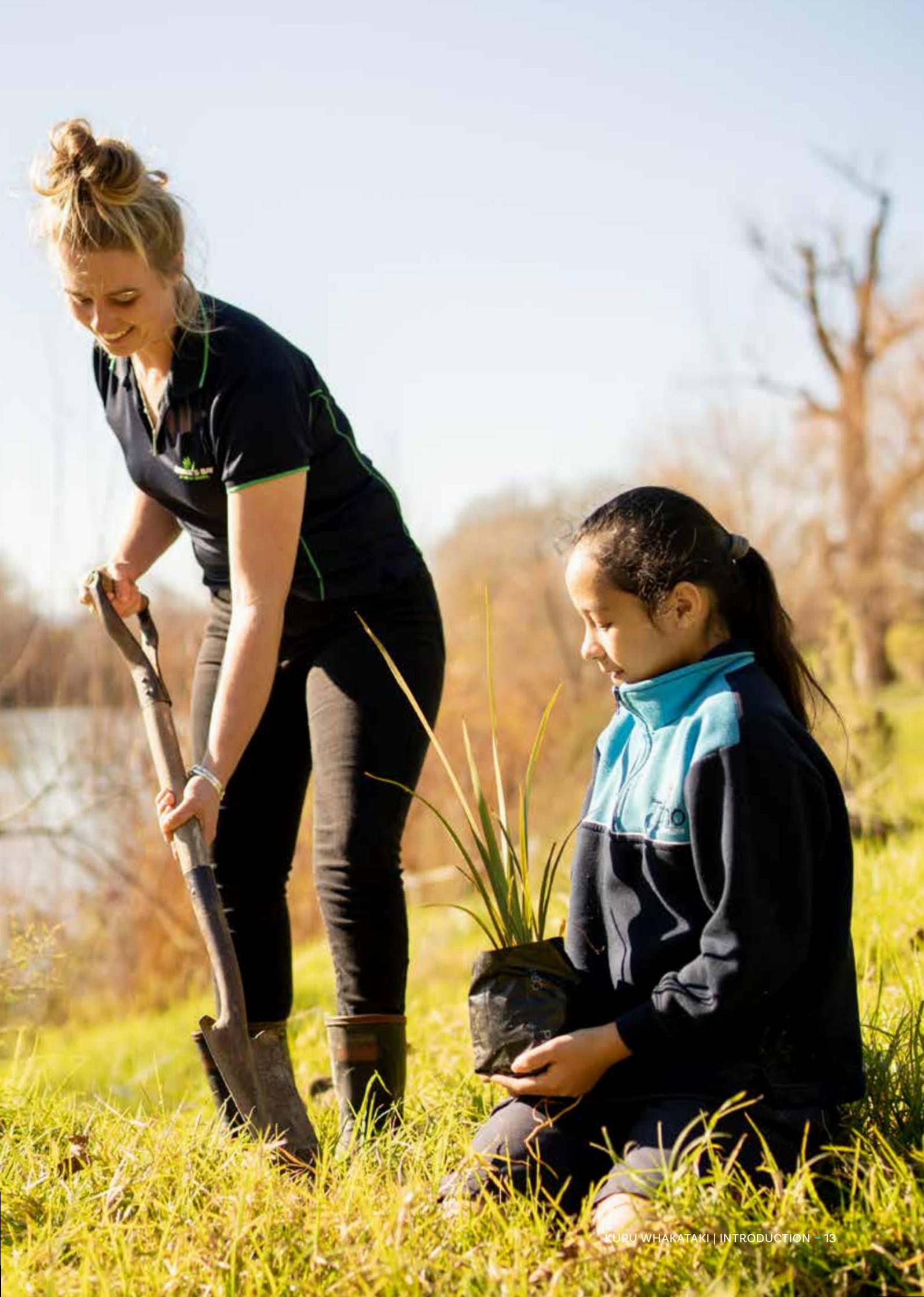
### Outcome measures

This report uses our 23 Strategic Plan goals as community outcome measures – the things that matter to the community. Typically, the Regional Council does not have full control over achieving these outcomes, but has a clear statutory role to achieve them. Where possible, outcomes align with national targets or an existing Hawke's Bay strategy or plan.

This is the second year of reporting using community outcome targets. In some cases we are still developing the methodology for data collection and reporting. More information, including current results and what we are doing to achieve the time bound target are included in the full Annual Report.

Te whakapakari  
tahi i tō tātau **taiao**.  
Enhancing our  
**environment** together.

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# Outcome Measures



## WATER

Water quality,  
safety and  
certainty

| Community Outcome Target  | Status   |
|---|----------|
| By 2025, plans for catchments where life supporting capacity is compromised are in place and actively implemented.                                  | On track |
| By 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management Plan.                             | On track |
| By 2030, all aquifers, lakes and rivers will have community-agreed quantity and quality limits in force.  | On track |
| By 2030, cultural monitoring tools are in-use in all catchments.  | 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). | On track |
| By 2050, there will be an improving trend in the life-supporting capacity of all of the region's degraded rivers and major streams.                 | On track |



## LAND

Smart,  
sustainable  
land use

| Community Outcome Target   | 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.  | Underway                          |
| By 2025, Land Use Suitability information is available to all commercial land owners to inform smarter land use.   | Underway                          |
| By 2030, all commercial farms, orchards and vineyards operate under a Farm Environment Management Plan or an independently audited industry best practice framework.                       | On track<br><i>(for Tukituki)</i> |
| 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. | On track<br><i>(for Tukituki)</i> |
| By 2050, all highly erodible land will be under tree cover.  | Underway                          |
| By 2030, there will be 20% less contaminants from urban and rural environments into receiving waterbodies.   | Underway                          |
| By 2050, there will be 50% less contaminants from urban and rural environments into receiving waterbodies.   | Underway                          |



## BIODIVERSITY

Healthy and functioning biodiversity

| Community Outcome Target  | Status    |
|---|-----------|
| By 2020, regional priority locations for ecosystem restoration – including in the coastal marine area – have been identified.   | Achieved  |
| By 2030, key (target) species and habitat (sites) are prioritised and under active restoration.<br><i>(HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020).</i>   | Underway  |
| 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.<br><i>(HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020).</i> | Off track |
| By 2050, Hawke’s Bay is predator free in line with NZ 2050 target.  | On track  |



## INFRASTRUCTURE & SERVICES

Sustainable services and infrastructure

| Community Outcome Target   | Status   |
|--|----------|
| By 2025, regional air quality consistently meets World Health Organisation guidelines.                                     | On track |
| By 2025, coastal hazards are being managed to meet foreseeable climate change risks to coastal communities out to 2100.    | On track |
| By 2025, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructure. | On track |
| By 2030, flood risk is being managed to meet foreseeable climate change risks out to 2100.                                 | On track |
| By 2030, HB has environmentally sustainable, harvestable water identified and stored or plans to be stored if required.    | On track |
| By 2040, Hawke’s Bay is carbon neutral.  | Underway |

# Groups of Activities

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*These pages contain selected highlights from the past year for each of our seven groups of activities, with a summary of the key impacts that influenced the past year most significantly: the global COVID-19 pandemic, a severe drought and the ongoing threat of climate change.*

Find out more in Part 2 of the full Annual Report.  
**[hbrc.govt.nz](https://www.hbrc.govt.nz)**, search: **#AnnualReports**.



## **COVID-19 Overview**

In 2020, the global COVID-19 pandemic significantly impacted Hawke's Bay's communities and economy. Hawke's Bay Regional Council had responsibilities on three fronts: to take a lead role, through Hawke's Bay Civil Defence Emergency Management Group (HBCDEM), through lockdown and the following months; to continue carrying out essential services, such as transport, flood control and drainage networks, and pollution response; and keeping its own people safe to continue work programmes on behalf of ratepayers. Council staff put in a tremendous effort across all three priority areas and a 'Climate. Smart. Recovery.' Action Plan was developed to guide the Council's decision-making in response to COVID-19 and the drought.

## **Drought Overview**

The summer of 2019-20 saw persistent dry conditions and then severe drought significantly impact Hawke's Bay's rural communities. As well as the significant effort to respond to COVID-19, Council pivoted to address the impacts of the drought in Central Hawke's Bay and Heretaunga - playing a key role in supporting farmers, even during the COVID-19 lockdown.

## **Climate Change Overview**

While acknowledging that COVID-19 and the drought have slowed some progress, Council continued to progress a significant programme of work to address the longer-term threat of climate change, drawing resources from across the organisation.

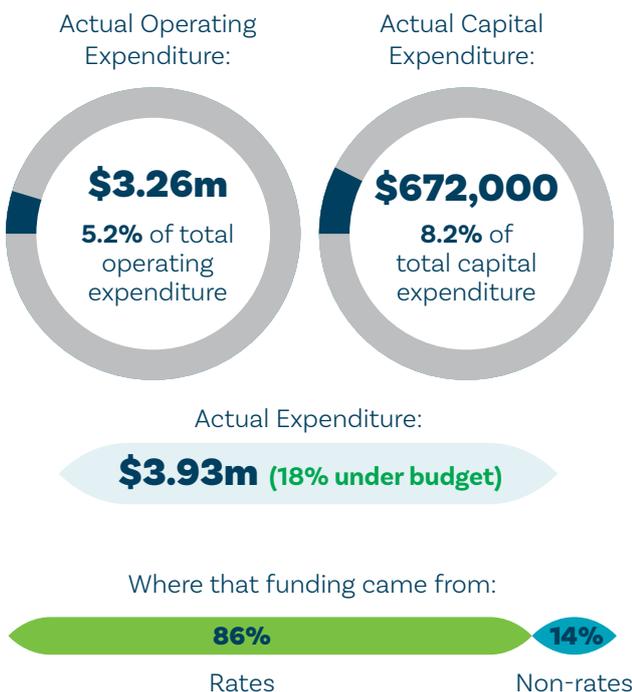
# Governance & Partnerships

## What we do

The two activities in the Governance and Partnerships group are Community Representation & Leadership, and Tangata Whenua Partnerships & Community Engagement, including environmental education and Enviroschools.

## Why we do it

This group primarily contributes to a Vibrant Community. It gives tangata whenua and the people of Hawke's Bay opportunities to have a meaningful say on the Council's activities in the region. This group contributes to a Prosperous Economy by maintaining a strategic relationship with Hawke's Bay Regional Investment Company Limited, which manages the Council's assets on behalf of ratepayers.



## What we did

### COVID-19 AND DROUGHT IMPACT

- During lockdown, the Regional Council quickly pivoted to the online environment, holding Council meetings using Zoom and meeting weekly rather than monthly, to keep abreast of the impacts of the fast-changing situation. Meetings continued to be broadcast live on the Council's Facebook page.
- COVID-19 and the drought had a significant impact on the 2020-21 Annual Plan. There was no intention to initially consult on the Annual Plan as there were initially no material or significant differences to the forecast for the year in the 2018-28 Long Term Plan. However, keen to cushion the impact on ratepayers of these events, the Council consulted the community on different rate approaches for 2020-21 and whether to establish a \$1 million Recovery Fund.
- Following consultation in June and hearings in July, Council decided to keep this year's rates at the same level as 2019-20 (a 0% rates revenue increase) and borrow the required funding to deliver the activities planned for the year. Council also decided to proceed with a \$1 million Recovery Fund to leverage potential government funding and accelerate capital projects with an environmental focus, as well as support job creation and the Hawke's Bay economy getting back on its feet.

## Highlights

### COMMUNITY REPRESENTATION AND LEADERSHIP

- June 2019 – the Regional Council instructed Napier Port to proceed with a 45% initial public offering of shares paving the way to deliver the funds to help the Port to grow
- October 2019 – local government elections were held. Rex Graham was re-elected as Chair, Rick Barker as Deputy Chair and six new Councillors were elected.
- November 2019 – the Regional Council recognised its 30-year anniversary, having been formed in 1989 out of catchment, drainage and pest control boards, the harbour board and the United Council.
- January 2020 – three new Council-appointed directors joined Hawke’s Bay Regional Investment Company Limited, the council-controlled organisation that manages the Council’s investments.

### TANGATA WHENUA PARTNERSHIPS AND COMMUNITY ENGAGEMENT

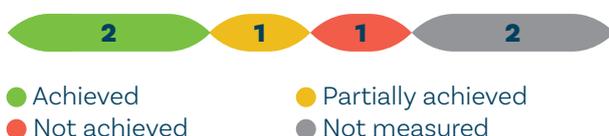
- Mid-way through the year the Regional Council Māori Partnerships team recruited for new roles of Senior Advisor Māori Partnerships and Māori Engagement Coordinator. Led by Te Pou Whakarae, the team’s focus is to grow Council-wide cultural capability, enhance the Council’s engagement

with tangata whenua and facilitate technical input to meet all statutory requirements.

- In August 2019, the efforts of Mike Mohi were recognised, who stepped down from chairing the Māori Committee after 18 years. The Māori Committee elected new Co-Chairs Michelle McIlroy and Mike Paku in March 2020.
- At the start of 2020, the Regional Planning Committee (RPC) elected a new Tāngata Whenua Co-chair and Co-deputy chair: Rex Graham and Joinella Maihi-Carroll are Co-Chairs; Liz Munroe is the Deputy Co-Chair.
- In 2020, the Council’s Māori Partnerships team partnered in Te Kupenga, a collaborative cultural venture of the five Hawke’s Bay councils.
- Councillors and management have continued to represent the Council on a number of joint committees and collaborative forums, such as the regional Three Waters Service Delivery Review.
- Both the RPC and Māori committees made a significant contribution to the Hawke’s Bay Three Waters Review, contributing to the delivery of a strong cultural case behind the report’s recommendations.
- Environmental education delivered by the Council plays a key role in connecting schools with environmental science and information. The EnviroSchools Programme has continued to grow, with 66 kindergartens and schools now participating, reaching 7,000 tamariki and students. A new collaboration was initiated with Te Mata Park Trust.

## How did we do?

We measured six aspects of performance for this Group of Activities.



# Strategic Planning

## What we do

We provide strategy, planning and we support sustainable regional development.

## Why we do it

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.

Actual Operating Expenditure:



Actual Capital Expenditure:



Actual Expenditure:



Where that funding came from:



## What we did

### COVID-19 AND DROUGHT IMPACT

- The Council-supported Regional Business Partners programme had strong demand and supported 600 businesses in the region during and after lockdown.
- March 2020 – the Council-supported organisation, Hawke's Bay Tourism, assisted the region's significantly-impacted tourism sector and visitors stranded during lockdown. The organisation increased its membership and developed a promotional BayCation campaign to encourage more New Zealander's to visit the region.

## Highlights

### STRATEGY

- June 2020 – a refreshed Strategic Plan 2020-25 was adopted by the Council including more explicit references to climate change, with targets realigned to national timeframes.
- In the first quarter, the Strategy and Projects team expanded to incorporate Organisational Performance to allow for better integration of objective setting and performance reporting.

### PLANNING

- June-September 2019 – the Planning team liaised with Government officials on setting up the first National Climate Change Risk Assessment.
- July 2019 – the Council's submission to the Zero Carbon Amendment Bill received special mention out of over 10,200 submissions received.



- August 2019 – the Council approved Change 5 (Land Use and Freshwater Management) to the Regional Resource Management Plan.
- August 2019 – the Outstanding Water Bodies plan change went to public consultation and received 41 submissions with 901 submission points. Five submissions were from iwi authorities.
- August 2019 – a Special Tribunal released a recommendations report to make a Water Conservation Order in the upper reaches of the Ngaruroro River. Several parties appealed this decision through the Environment Court and the outcome remains unresolved.
- The TANK Plan Change for the Tūtaekurī, Ahuriri, Ngaruroro and Karamū (TANK) catchments was a regular item at Regional Planning Committee meetings. The TANK Plan went to public consultation in May 2020.
- There was an unprecedented volume of Central Government resource management-related proposals. The pace of progress on these proposals was affected by staff commitments to COVID-19 and the drought response. Staff were heavily involved in the development of Essential Freshwater reform and other local body submissions.

A catchment by catchment summary of what we did to implement the National Policy Statement for Freshwater Management in 2019-20 is an appendix in the full Annual Report, [hbrc.govt.nz](https://www.hbrc.govt.nz), search: **#AnnualReports**

### SUSTAINABLE REGIONAL DEVELOPMENT

- June 2019 – the government’s Provincial Growth Fund announced funding for three projects along with SkyTEM (the 3D mapping of 8,000 kms of aquifer down to 300 metres) making up the Council’s Regional Water Security programme.
- June 2020 – the Council received a commissioned Hawke’s Bay Region Water Security Economic Impact Assessment report outlining future economic impacts on the Tūtaekurī, Ahuriri, Ngaruroro and Karamū (TANK) and Tukituki catchments by the primary sector of the economy, noting that a do-nothing approach would significantly impact the regions’ primary-sector economy.
- Over the financial year, the Council was actively involved with the refresh of the Matariki Action Plan and individual pillars of activity for the Matariki Regional Development Strategy for economic growth, managed through Regional Council-supported entity Business Hawke’s Bay.

### How did we do?

We measured five aspects of performance for this Group of Activities.



# Integrated Catchment Management

## What we do and why we do it

*We deliver science and information, catchment management, and biodiversity and biosecurity to contribute to a Healthy Environment.*

Integrated Catchment Management (ICM) activities are a mix of statutory requirements and non-regulatory methods.

## What we did

### COVID-19 AND DROUGHT IMPACT

- Significant ICM staff resource was redirected for the duration of the drought response, including support to the Rural Advisory Group and for the lifestyle block feed run.
- During lockdown, Central Government announced a post-COVID recovery package of \$1.3 billion. Staff across the business pulled together 43 potential environmental projects that could attract funding, many of which sit in the ICM area.

Actual Operating Expenditure:



Actual Capital Expenditure:



Actual Expenditure:

**\$31.85m** (14% over budget)

Where that funding came from:





## Highlights

### SCIENCE AND INFORMATION

- The Land Science team set up an extensive network of automatic sediment samplers to capture peak flood events and establish a benchmark for the effectiveness of erosion-control interventions.
- June 2019 – the Marine and Coast team commissioned the National Institute of Water and Atmospheric Research (NIWA) to model Hawke’s Bay’s key ecological areas to help better understand our coastal environments (including subtidal areas).
- December 2019 to June 2020 – a series of 17 technical reports and one synthesis report were published as part of the 2013-2018 State of the Environment delivery.
- February 2020 – using SkyTEM technology, a collaborative project between the Regional Council, the Provincial Growth Fund and GNS Science was carried out, to map Hawke’s Bay aquifers down to 300m below ground.
- February 2020 – science modelling incorporated into the Council’s riparian planting guide show the levels of shading needed to achieve ecological benefits.
- February 2020 – freshwater quality dashboards were delivered to improve public access to information.

- May 2020 – a new regional land use map was developed to show how land use influences erosion, nutrient and biodiversity loss.
- June 2020 – completed an air emissions inventory to show how changes people make in their homes or businesses can help to improve air quality.
- June 2020 – take up of the Sustainable Homes programme exceeded expectations. 926 homes have so far invested in solar power, double-glazing, ventilation, septic tanks, water storage or clean heat options.
- June 2020 – the Marine and Coast team commissioned work to model river and coastal nutrient inputs, to better understand the influence of river water quality on the Hawke Bay marine area.

### CATCHMENT MANAGEMENT

- Staff worked with landowners to create 214 erosion control projects around the region, costing \$2 million for on-ground works and \$200,000 for land purchase to manage erosion. The Council’s erosion control scheme provides a 75% subsidy to landowners for planting, reversion and protection fencing.
- Te Waiū o Tūtira project protection and enhancement area – farm plans were completed for 8 properties. On-farm works included the retirement and fencing of 3,120 metres of waterways and wetland areas.

Around 7,885 native and 250 exotics plants have been planted in these areas for erosion control. Five sediment ponds were constructed.

- Ahuriri protection and enhancement area – completed an engineering report to assess potential remediation options, and erosion risks with Wharerangi Stream. Completed fencing 3,105 metres of waterways, wetlands and estuary margin. Planted 18,004 native plants and 240 poplar and willow poles, including the construction and planting of a 4 hectare wetland.
- Whakakī protection and enhancement area – completed two Cultural Impact Assessments with Whakakī and Iwitea Marae. Completed 10 farm plans and a farm economic impact analysis on the costs to meet potential statutory requirements associated with Essential Freshwater reforms and Greenhouse Gas Emissions. The Hill Country Erosion Fund project saw 4 new positions created, 15 new sediment monitors purchased (5 installed by year end), 2 workshops and 73 new Erosion Control Plans prepared with on-ground works underway.
- Lake Whatuma – key stakeholders and iwi agreed a collaborative approach to understand local community and iwi vision and values.
- August 2019 - the Council partnered with the University of Waikato to appoint a role to study the relationship between our communities and our environment, and how best to care for both. Dr Edgar Burns was appointed to this role.
- October 2019 - the Whangawehi Catchment Management Group was nominated as a finalist for the 2019 Thiess International Riverprize Awards ceremony held in Brisbane, Australia. The Group has previously won national and international awards for its work.
- March 2020 - the Regional Council and Wairoa District Council committed to working together to manage sustainable planting and harvesting of forestry in the Wairoa District, following community concerns about large-scale forestry activity.

## BIODIVERSITY AND BIOSECURITY

- The Regional Council Biosecurity team implemented the Regional Pest Management Plan which contains 33 pest plants, 23 pest animals, two marine pests and 5 horticulture pests. Possums are monitored over 80,700 hectares. 111 rookeries were treated. The Council worked with 11 community groups in predator trapping, and visited 1,428 rural and 906 urban properties for pest plant control. A marine pest exclusion programme was delivered, to prevent invasive marine pests from establishing in Hawke's Bay.
- The Council worked in partnership with QEII, Forest & Bird, Department of Conservation, Forestry sector, Trees that Count, the Hawke's Bay Biodiversity Foundation and private landowners to deer fence, plant and manage pests on 11 acutely or chronically-threatened ecosystem areas (5 new sites and 6 existing sites).
- The Council worked with OSPRI to control a small cluster of TB infected cattle on the Napier-Taupo Road, identified in April 2019.
- July 2019 - the Council, NIWA and Biosecurity NZ (part of the Ministry for Primary Industries) led a workshop on how to recognise marine pests that impact Hawke's Bay's marine environment. Attendees were Napier Port, Napier Sailing Club, LegaSea, Hawke's Bay Fishing Club and dive contractors, Napier City Council and Gisborne District Council.
- February 2020 - the Council released White Admiral Butterfly at Tūtira to control pest plant Japanese honeysuckle.
- February 2020 - the Council partnered with the Department of Conservation and Hastings District Council to host Waipātiki's 24-hour BioBlitz, to get a comprehensive snapshot of all the species in this ecosystem.



## How did we do?

We measured eighteen aspects of performance for this Group of Activities.



- Achieved
- Partially achieved
- Not achieved
- Not measured

# Asset Management

## What we do

We carry out flood protection and control, flood risk assessment and warning. This group also manages Regional Council open spaces and the Works Group, and coordinates the Coastal Hazards project.

## Why we do it

The Asset Management group of activities reduces 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 with public access to Regional Council-managed waterways, the coast and open spaces for recreation and enjoyment, and where appropriate to enhance amenity values, protect sites of cultural significance, and identify and value them for public education and interest.

## What we did

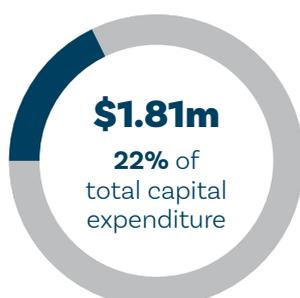
### COVID-19 AND DROUGHT IMPACT

- The Asset Management group was largely able to work productively through the COVID-19 shutdown period.
- During Level 4, essential operations continued so that the Council could respond to any potential natural disasters, i.e. flooding, and the fluid COVID-19 situation. This team was integrated into the greater Civil Defence response and district councils across Hawke's Bay to ensure a consistent approach to the challenges that COVID-19 presented. Activities impacted during Alert level 4 included non-essential maintenance, such as mowing, and closing the cycle network and Regional Parks due to contact risk.
- By end August 2020 - all deferred maintenance had been completed.

Actual Operating Expenditure:



Actual Capital Expenditure:



Actual Expenditure:

**\$14.03m (16% under budget)**

Where that funding came from:

**52%**

Rates

**48%**

Non-rates

## Highlights

### FLOOD PROTECTION AND CONTROL WORKS

- Carried out the maintenance of flood protection and drainage schemes, and carried out ecological and environmental plan reviews for all schemes. The Council administers 25 schemes throughout the region.
- Recruited a Regional Projects Manager and Project Engineer to focus on the delivery of major projects.
- 2019 - completed erosion protection work along Wairoa River using soft engineering solutions.
- 2019 - the Council approved a discharge to land for dredging the Clive River (last dredged 2009) to protect coastal habitats. Staff continue to negotiate with landowners to either purchase or lease land for the discharge of silt. Dredging of the lower Clive River is planned to happen in early 2021, dependent on land availability.

### OPEN SPACES

- Karamū stream - a further 8,000 plants were put in along the banks, along with large areas of willow clearing (Ruahapia), fencing and maintenance work. There has been a significant increase in interest from adjacent neighbours - the team worked with over 15 different landowners and community groups on planting, fencing and tackling plant and animal pests.
- Waitangi Regional Park - began planning for further development, including the marquee area in the Colenso memorial site in collaboration with the Ātea a Rangi Educational Trust. Completed a large amount of tree maintenance to improve safety and visual appearance.
- November 2019 - Waitangi Regional Park and Atea a Rangi Star Compass took out the coveted landscape architecture Te Karanga o te Tui award. The New Zealand Institute of Landscape Architects (NZILA) award recognised Waitangi's unique character and design.
- February 2020 - the Waikahu wetland bore was turned on at Waitangi Regional Park, following earthwork completion. A range of bird and fish life was spotted soon after the water levels rose. The fish passage has a local population of whitebait (inanga) using it regularly.

### WORKS GROUP

- The Works Group carried out significant internal projects, and for clients including Napier and Hastings councils. These included installing a 1.35 metre diameter culvert and headwalls for the new Maraekakaho gravel extraction access road, tree clearing on the Upper and Lower Tukituki River as part of flood control scheme maintenance, tree-clearing at various sites in the Wairoa region, and a pathway and landscaping project at the Tukituki River Black Bridge site.

### COASTAL HAZARDS

- The Regional Council continued to work directly with Napier and Hastings councils, iwi and the community on Coastal Hazards - a long-term project to find solutions to lessen the effects from coastal hazards, such as coastal inundation (flooding by the sea) and coastal erosion.
- In the latter half of 2019, the Council partnered with the Ministry for the Environment on a case study outlining some of the challenges to implement the coastal strategy in Hawke's Bay, since presented to the Government's Resource Management Act Review panel.
- Significant work was progressed in the concept design on recommended 'pathways' of action, analysis of the Local Government regulatory framework to implement recommended pathways, analysis and high-level costings for managed retreat, and analysis of risks to give consent to recommended pathways.

### How did we do?

We measured eight aspects of performance for this Group of Activities.



- Achieved
- Partially achieved
- Not achieved
- Not measured

# Consents & Compliance

## What we do

The Consents and Compliance group carries out the activities of Consenting, Compliance and Pollution Response, and Maritime Safety.

## Why we do it

The Consents and Compliance group of activities includes processing resource consents, and advice and education on resource management matters. This activity also involves consent monitoring and enforcement of non-compliance, acting on environmental complaints, incidents and breaches.

The Marine Safety activity monitors and enforces the Navigation and Safety Bylaw, helping to ensure navigable waters are safe for use. The Harbourmaster advises and educates commercial and recreational users and the community on water safety and safe boating.

## What we did

### COVID-19 AND DROUGHT IMPACT

- Consents staff were able to continue more or less as usual, and process consents remotely. Resource consents continued to be lodged.
- The drought saw significant and lengthy bans on the take of water from many surface waterways managed by the Council. Staff gave prompt responses to consent holders to allow them to resume takes when appropriate.
- COVID-19 impacted the number of site inspections that the Council could undertake while staff worked from home during Level 3 and 4 restrictions. Most operations requiring monitoring were shut down during Level 4 except for essential services such as stormwater, municipal and domestic wastewater, and drinking water supplies. Staff monitored operations remotely, working with consent holders to maintain high environmental standards. At Level 3,

Actual Operating Expenditure:



Actual Expenditure:

**\$5.41m** (8% over budget)

Where that funding came from:





compliance officers responded to major incidents and high-risk operations only, while undertaking desk-based monitoring and reporting. Full inspection and reporting activities resumed during Level 2 and 1 restrictions, following strict social distancing and contact tracing protocols.

- During lockdown Levels 4 and 3, and the blanket ban on recreational boating, regular weekend patrols at boat ramps were not required. Rocket launches from the Mahia Peninsula were halted temporarily due to travel restrictions for launch staff.
- Lockdown cut short passenger ship calls into Napier Port. 76 berthed, 8 vessels were cancelled due to COVID-19 and four cancelled due to weather.
- March 2020 – COVID-19 significantly impacted the ability of Tukituki Catchment landowners to fulfil their obligations under the rules of the Tukituki Plan, including submitting completed resource consent applications by the May 2020 deadline. Farm Environment Management Plan and nutrient budget providers were unable to access farming properties during lockdown. The drought declared in March further exacerbated this issue, adding considerable pressure to landowners. An interim process required applicants to submit a pre-application by the 31 May deadline.

## Highlights

### CONSENTS

- 539 resource consents were issued, compared with 455 and 438 in the previous two years. All but one was processed in statutory timeframes.
- Applications for Tranche 2 Ruataniwha groundwater consents are on hold awaiting further information on the impacts of the takes on surface and groundwater.
- November and February – pre-hearing meetings were held on the Wairoa District Council wastewater discharge applications. Parties were still in discussion at year end.
- December 2019 – an application was received to expand the Oamaru landfill. This was put out for review by experts, with feedback leading to a Section 92 request for further information.
- Notified consents related to the Te Mata Mushroom operation at Brookvale were heard – the decision was appealed and parties were in mediation discussions at year end.

### COMPLIANCE AND POLLUTION RESPONSE

- The Regional Council has 8,300 active resource consents. 3,290 of these were required to be monitored during the 2019-20 financial year. 3,044 (92.5%) were monitored and 89.7% of these achieved full compliance. The reduction in percentage of monitored consents was influenced by COVID-19 restrictions, drought and associated low flow monitoring, and increases in permitted activity monitoring undertaken by the Compliance team.

- Incident numbers dropped this year, due to Level 4 and 3 COVID-19 restrictions. A total of 983 Pollution Hotline calls compared with 1,116 calls last year (11% decrease). Calls by type included:
  - 628 Air (660 last year)
  - 27 Coastal (54 last year)
  - 9 Groundwater (13 last year)
  - 185 Land (237 last year)
  - 133 Surface Water (151 last year)
  - 1 Maritime Safety (one last year).
- Issued 21 abatement notices (compared with 40 last year). Issued 88 infringement notices (101 last year) and 12 prosecutions (four last year). The number of incidents decreased, however the complexity of complaints has increased, reflected by the increase in prosecutions.
- Received 192 notifications under the National Environment Standards for Plantation Forestry (NES-PF). Twenty-seven were resource consent applications and 165 were permitted activities. Sites visits were carried out for all high-risk sites and the majority of medium-risk sites, but not for low-risk sites. Compliance was generally high. Only six activities and consents were non-compliant with NES-PF or resource consent conditions.
- Due to the dry conditions, there was a significantly greater workload for the monitoring of consented water takes and low flows. The monitoring of water take consents during the drought was prioritised over lower-risk discharge and land use consents. The high level of compliance by consent holders under trying conditions was pleasing and appreciated. River flows and low-flow limits required daily monitoring, with a significant increase in enquiries from concerned consent holders relating to their ability to irrigate. The Compliance team made several visits to affected farmers in Central Hawkes Bay who were desperate to irrigate and under immense stress. Water exceedances or irrigating during ban periods were continually monitored. Follow-up enquiries were made for any non-compliance.
- The regulatory management system IRIS (Integrated Regional Information System) was implemented to manage the Regional

Council's Listed Land Use Register (LLUR) for contaminated sites including an internal spatial database, and is being used to access the climate change vulnerability of the region's closed and operational landfills.

- October 2019 – Procedural Guidelines for Tukituki Land Use resource consents were finalised and published, in collaboration with primary industry representatives as prescribed by Rule TT1 of the Tukituki Plan (PC6).
- November 2019 – an external consultant was engaged to complete a Monitoring, Evaluation, Reporting and Improvement (MERI) social impact evaluation report on the Tukituki Plan.
- December 2019 – the Dairy Compliance Awards recognised Hawke's Bay dairy farmers who consistently achieve full compliance with their resource consents. Thirty-nine 'gold status' farms maintained full compliance for five or more consecutive years. Five farms had silver status with four consecutive years' compliance, and 5 farms had bronze status with three consecutive years' compliance. Seventy-nine dairy farms in the region are assessed each year for compliant effluent management and water take consents. The awards are supported by Fonterra and Ravensdown.
- February 2020 – a Senior Regulatory Advisor joined the Policy Implementation-Regulation team contributing specialist knowledge on farm system management, nutrient budgeting and the Overseer online tool.

#### MARITIME SAFETY

- The Navigation and Safety Bylaw continued to be enforced. Maritime New Zealand funded lifejackets and paddles for a junior waka ama training group.
- June 2020 – the Council funded flat-screen monitors for the fishing club and sailing club in conjunction with Napier Port, to display navigation warnings, weather reports, shipping movements and other maritime safety messages on a rolling display basis. These are controlled by the Port's marine staff.



### How did we do?

We measured eight aspects of performance for this Group of Activities.



- Achieved
- Partially achieved
- Not achieved
- Not measured

# Emergency Management

## What we do

The Emergency Management group includes the activities of the Hawke's Bay Civil Defence Emergency Management Group and Emergency Management for Hawke's Bay Regional Council.

## Why we do it

This group aims to improve community resilience and reduce the impact of emergency events on people, property, businesses and the economy. The activities relate to identifying potential hazards, reducing their impact, preparing the community for potential civil defence emergencies, and assisting with the response to and recovery from any emergencies that occur.

The Hawke's Bay CDEM Group operates as a shared service across councils. All civil defence staff work in the same organisation to improve regional capability to respond and recover from a disaster.

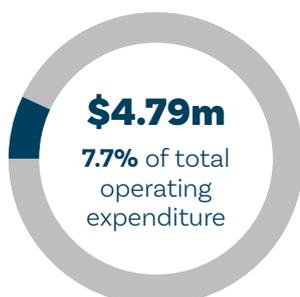
Hawke's Bay Regional Council administers this group and maintains its own emergency response capability to support the Group. It does this by training staff to coordinate a response, including the management of flood protection and control assets and ensuring essential business continues despite any disaster.

## What we did

### COVID-19 AND DROUGHT IMPACT

- The Hawke's Bay Civil Defence Emergency Management Group's (the Group) Emergency Coordination Centre was activated from 16 March to 5 July 2020. The Group provided welfare services to the most at-risk people. It supported Hawke's Bay District Health Board's clinical response by easing the burden on health services and providing for non-clinical health emergency welfare needs to the community.
- April 2020 – the Welfare team quickly established a regional emergency line to meet the immediate needs of vulnerable people until other services could step in. This was staffed from Hawke's Bay's five councils and The Development Hub – a local organisation that provides employment, training and education opportunities to people, including young Māori and Pasifika women, sole parents and those returning to the workforce.
- The Group's emergency welfare service helped vulnerable people – not covered by community groups and organisations – to access basic food and essential grocery items, such as toiletries. The Group also gave access to warm winter clothing, warm blankets or firewood. The Group provided emergency accommodation to homeless people and families without suitable accommodation during the lockdown.

Actual Operating Expenditure:



Actual Expenditure:

**\$4.79m** (100% over budget)

Where that funding came from:

**48%**

Rates

**52%**

Non-rates

- More than 150 community organisations and agencies joined forces to support the community, including a new and significant partnership between the Group and the Tihei Mauri Ora Emergency Response Centre, to provide a welfare response to whānau pounamu (the most vulnerable) during lockdown. The Tihei Mauri Ora Emergency Response Centre delivered food, firewood and blankets to whānau pounamu across eight district councils and three district health boards in the Ngāti Kahungunu rohe.
- The Group reported more than 7,000 inbound and outbound calls, carried out more than 1,600 needs assessments, delivered around 1,600 welfare parcels and gave funding to foodbanks resulting in more than 8,400 parcels being distributed.
- A post-lockdown survey of 98 people who called the Group's 0800 emergency showed around 70% would have struggled without the Group's help, and 15% would have been in crisis.
- At the same time as the COVID-19 response, the HBCDEM Group supported the drought response, led by the Rural Advisory Group and Hawke's Bay Regional Council. The Group provided planning, welfare and communication support to help Hawke's Bay farmers get through some of the worst-recorded drought conditions.

Outside of the COVID-19 response, the Group educated people about hazards and increased knowledge through research:

- The Hawke's Bay Civil Defence Emergency Management Group (the Group) took part in two nationwide events to remind people how to respond during an earthquake and potential tsunami – the ShakeOut earthquake drill in October and the Tsunami Hikoi in March.
- Commissioned ongoing research focused on landslide risk in accordance with the Ten Year Hazard Research Plan. Findings from a GNS Science region-wide earthquake-induced landslide risk assessment report and GNS Science Bluff Hill earthquake-induced landslide forecast and hazard assessment are available on the Hawke's Bay Hazard Portal.

- The two-year Hikurangi Response Planning project concluded with the launch of a toolbox to support regional and national planning for a Hikurangi-based emergency event. The toolbox – developed by East Coast Life at the Boundary with 5 Civil Defence Emergency Management groups from across the North Island's east coast – includes a credible magnitude 8.9 earthquake and tsunami scenario developed by GNS Science. It can be used for future response planning.
- The Group completed its Community Resilience programme 2019-2026. The Group worked with the Clive and Cape Coast communities to develop resilience plans. The Community Engagement team also focused on developing these plans for specific communities of interest, such as Māori (including marae), Pasifika and multi-cultural communities.
- 162 warnings or watches or severe weather, tsunami warnings or other events were effectively managed by the 24-hour duty, on-call emergency management system. This system ensures someone is always available to support the Group and oversee the initial response when national watches and warnings are issued.
- October 2019 – the Group ran Exercise Rūaumoko – a 5-day, full-scale activation of the Group and regional partner capabilities to test Hawke's Bay's arrangements for preparing for, responding to and recovering from a major emergency. This exercise followed ShakeOut in October 2019, involving emergency services, local government, utility providers and volunteering organisations.

### How did we do?

We measured nine aspects of performance for this Group of Activities.



- Achieved
- Partially achieved
- Not achieved
- Not measured

# Transport



## What we do

The Transport group includes the activities of transport planning and road safety, passenger transport and regional cycling.

## Why we do it

The driving force is the Regional Land Transport Plan and the Regional Public Transport Plan 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 give the community 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.

## What we did

### COVID-19 AND DROUGHT IMPACT

- Bus services continued during COVID-19 lockdown to support essential service workers. Bus patronage during this period showed a 20.5% decline compared with the same time last year, due to travel restrictions imposed during the lockdown.
- COVID-19 saw an immediate increase in Hawke's Bay Trails use by locals, along with concern about the possible risk of transmission on shared surfaces. This saw the Council close about 25% of the network, where gates were unable to be left open safely. Reduced use on partially-closed trail sections during Levels 4 and 3 was offset by increases on other sections of trail network.
- After the Hawke's Bay Trails network fully reopened at Levels 2 and 1, there was an increase in monthly use between 7% to 35%, compared to 2019.
- COVID-19 saw the cancellation of two major events using Hawke's Bay Trails: The Big Easy

Actual Operating Expenditure:



Actual Expenditure:

**\$5.65m** (6% over budget)

Where that funding came from:

34%

Rates

66%

Non-rates



and NZ Sotheby's International Realty Hawke's Bay Marathon.

- In support of local businesses, Hawke's Bay Trails made the 'Official Partners Programme' fees for 2020-21 year voluntary. As the fees are leveraged to co-fund enhancement projects, there is reduced ability for Hawke's Bay Trails to leverage central government funding in the short term.

## Highlights

### TRANSPORT PLANNING AND ROAD SAFETY

- Late 2019 - commenced a joint transport study in Hawke's Bay to evaluate traffic patterns, predict future demand and programme any necessary future improvements to the transport network and services. The project is overseen by the Regional Transport Committee, with technical support from the Transport Technical Advisory Group.
- November-December 2019 - staff ran a programme at the Hawke's Bay Regional Prison Youth Unit working with young offenders to design resources for local road safety programmes. This programme has previously won a national award.
- January 2020 - instigated the State Highway 5 Joint Project to address high-risk road safety issues. This is a collaboration between Hawke's Bay Regional Council, NZ Police, Taupo District Council and NZ Transport Agency.
- Planning for the University of Edinburgh Joint Project took place, a collaboration between the University and Road Safe Hawke's Bay. The Hawke's Bay Youth Road Safety Expo is being used as a case study in a Post-Graduate Diploma in Health Promotion.

### PASSENGER TRANSPORT

- June 2019 - Regional Public Transport Plan adopted by the Regional Council. Work continues on a number of actions identified in the plan, including the design of an airport service and the assessment of transport needs in Central Hawke's Bay and Wairoa. Following discussions, Central HB District Council is investigating options for community transport. The impact of COVID-19 has affected the introduction of an airport service. Late-running Napier-Hastings services have been largely resolved by route adjustments.
- September 2019 - a range of proposals to reduce carbon emissions through increased bus patronage were presented to the Council. The trial of a flat fare structure significantly reduced fares. The trial began after this reporting period, coinciding with a new tag-on/ tag-off ticketing system.

### REGIONAL CYCLING

- March 2020 - the Council supported the Hawke's Bay Walking and Cycling Summit, which brought together councils, the Hawke's Bay District Health Board, iwi groups and schools to discuss initiatives to encourage cycling.

### How did we do?

We measured six aspects of performance for this Group of Activities.



# Financials

Summary Consolidated Financial Statements of Hawke's Bay Regional Council and its Subsidiaries (Group).

*The summary financial statements for the year ended 30 June 2020 were authorised for issue by the Chief Executive of the Regional Council on 24 February 2021.*

**The disclosures included in the summary financial statements have been extracted from the full financial statements of the Group and comply with PBE FRS-43, Summary Financial Statements. The full financial statements were adopted by Council on 24 February 2021 and received an unmodified audit opinion. Also included is an Emphasis of Matter - Impact of COVID-19 to highlight the impact of COVID-19 on the Regional Council as set out in pages 2-4 to 2-68 of the groups of activities, pages 3-2 and 3-3 of the financial overview, pages 3-3 to 3-31 of the summary of significant accounting policies and Note 28 to the financial statements.**

## **NAPIER PORT INITIAL PUBLIC OFFERING**

Hawkes Bay Regional Investment Company Limited (HBRIC) listed 45% of its shareholding in Napier Port Holdings Limited on 20 August 2019 at \$2.60 per share. This raised \$107.3 million net of all transaction costs. The listing provided an additional \$24m to the forecast returns in the 2018-28 long-term plan (LTP) and 2019-20 Annual plan (AP).

\$44 million of the expected receipts from the share sale were paid to Hawke's Bay Regional Council as a special dividend and invested in new managed funds that mirrored the funds created in 2018-19 except for some policy differences.

The remaining \$63.3 million was initially retained in HBRIC and invested by HBRIC in new managed funds mirroring the existing funds created by HBRIC. The LTP and AP assumed that all the receipts from the Initial Public Offering (IPO) were available to be returned tax-free to HBRIC, but subsequent advice indicated this was inaccurate and the funds have remained in HBRIC. HBRIC transferred \$16.6 million of those managed funds to HBRIC on 30 June 2020. The retention of the funds within HBRIC does not affect the group results which have benefited from the additional funds raised. As one of the prime enablers from the share sale, Napier Port has been able to commence work on the dredging for and building of the new wharf providing long-term financial benefits to the Hawkes Bay community. Further commentary on the performance of HBRIC is available in the section on Council Controlled Organisations in the full Annual Report, [hbrc.govt.nz](https://www.hbrc.govt.nz), search: **#AnnualReports**

## COVID-19 PANDEMIC

On 25 March 2020, New Zealand moved to Alert Level 4 and HBRC staff began working from home with staff returning to the offices on the return to Alert Level 2. Almost all staff were able to continue existing operations or re-prioritise work to focus on activities that they could do during lockdown and some staff worked full-time for the civil defence emergency management team providing support to the community. There was some limited downtime but not material to the financial statements.

To enable some staff to be fully effective from home, some unbudgeted capital and operational expenditure on computer equipment, software licences, mobile phones, headsets, etc was incurred.

The main observable impact on operational expenditure was the 100% overspend in Emergency Management which reported expenditure of \$4.78 million compared to the \$2.39 million budget. This overspend reflects the additional staff time, expenses and welfare purchases for the community during the lockdown. Some of the additional expenditure was offset by the \$1 million re-imburement from central government for approved welfare purchases. The financial variance commentary for each Group of Activities in part 2 of the full Annual Report highlights any impact from Covid-19 on income and expenditure for each Group.

Returns from managed funds were affected by the financial market swings during the pandemic, initially making a loss for the year at the start of the pandemic before recouping the losses to provide an average 2.2% return net of fees for the year.

In prior years and included in the budget for 2019-20, HBRC has returned dividends of \$10 million to the Council received from its investment in Napier Port. This year, an interim dividend of \$2.5 million was received in December 2019 but in June 2020 any further dividend announcement was deferred by Napier Port Holdings due to the uncertain trading conditions resulting from the pandemic with an announcement due in December 2020.

The Investment Property portfolio recognised a gain of \$10.7 million but the valuers noted that due to the pandemic and the resulting economic uncertainty at the date of valuation there was “significant uncertainty” over the accuracy of valuations.

The valuation of the Council’s forestry assets reported an overall loss of \$400k from prior year

with the valuer recognising the impact of the pandemic on the export log market affected some of the wood product available.

## COVID-19 IMPACT ON THE VALUATION OF ASSETS

The Council considered the potential impact of COVID-19 as part of its impairment testing and valuation of its assets as at 30 June 2020. All assets that have been revalued based on quoted prices in an active market are considered to have been automatically adjusted by movement in the market and is considered the most appropriate reflection of the value of an asset.

Infrastructure Assets were revalued at depreciated replacement cost and reviewed by an independent valuer as at 30 June 2020. The valuer opined that the method of valuation insulated the valuation from the possible effects of COVID-19.

The Council’s investment property and forestry assets are valued annually by an independent valuer who noted the uncertainties inherent in the valuation due to the impact of COVID-19.

Carbon credits, managed funds, government bonds, and publicly listed shares have all been revalued based on quoted market prices.

The valuation of HBRIC Ltd consists of its shareholding in Napier Port, the investments in managed funds and its loan to the Council. The valuation of its shareholding and investments is based on the quoted market price for those holdings.

## RESULTS

The closing financial performance for the year was an operating surplus of \$40.8 million compared to a planned surplus of \$88.1 million. The bulk of variance was due to retaining 60% of the IPO proceeds in HBRIC.

Operating revenue was \$103 million, an increase of \$47.1 million or 84% compared to prior year. This comprised:

- Rates revenue \$25.1 million (up \$2 million)
- Direct user charges \$12.4 million (up \$1.7 million)
- Leasehold rental income \$2.5 million (no change)
- Dividend income \$46.7 million (up \$36.7 million)
- Net investment income from managed funds and other financial assets \$0.4 million (down \$1.4 million)
- Fair value gains \$10.9 million (up \$5.1 million).

Dividend income increased by \$36.7 million from the IPO but was \$44.2 million below budget due

to the retention of IPO proceeds in HBRIC and the reduced annual dividend from the Port. Investment income was reduced and \$6.9 million below budget due to the economic effects of the pandemic on the financial markets, including historically low interest rates, and the retention of IPO proceeds in HBRIC causing HBRIC to receive the investment gains, interest and dividends received from those funds. Fair value gains reflected the net gains on the investment property and forestry portfolios with the Napier endowment leasehold property portfolio reflecting the highest gain of \$10 million. The Napier property valuation showed a large gain due to a reduced discount percentage, based on the low interest rates and returns on other investments, used in the cash flow calculations.

Operating expenditure was \$62.2 million, an increase of \$9.4 million or 18% compared to the previous year. External operating expenditure increased by \$5.1 million and personnel costs increased by \$3 million or 14%. This demonstrates the significant increase in capacity and capability which has been required to carry out the up-scaled programme of work scheduled in the 2018-28 Long Term Plan. Personnel costs further increased from the outcome of the review of the remuneration system to better align staff positions to market, address historic under-remuneration of some roles and the introduction of a formal performance pay mechanism, which cost around 4% of salary compared to the 2% budgeted for increases.

The other comprehensive revenue and expense position is \$130.3 million which exceeds the planned \$4.9 million surplus. This significant increase is due to unrealised revaluation gains across all asset classes most specifically a \$116.9 million increase in the

valuation of HBRIC (reflecting the increased share value of its holdings in Napier Port).

Assets increased overall by \$185.6 million to \$896.4 million which is \$141.7 million above budget. This was due to the investment of the IPO proceeds in the managed funds and revaluation gains on the investment in HBRIC, investment property portfolio, intangible assets and infrastructure assets. Further asset increases included the \$1.25 million advance to Kiwirail to support the re-opening of the Napier-Wairoa line for freight; \$2.9 million in community loans for Clean Heat and Sustainable Homes as rate payers utilised the programme during 2019-20 to install \$4.9 million of improvements including fire replacement, double glazing, solar power, solar water heating, insulation, and septic system and water storage upgrades; and \$16.6 million in managed funds received from HBRIC. HBRIC also repaid the \$6.5 million advance from the Council.

Liabilities increased by \$15.6 million as HBRIC loaned the Council \$16.6 million in exchange for \$16.6 million in managed funds handed over to the Council and Council repaid \$3.9 million of external loan funding during the year. The 2018-28 Long Term Plan outlined a preference for funding inter-generational projects through debt and Council determined to utilise reserves in the short-term to fund inter-generational expenditure at year end deferring additional external debt to 2021-21.

#### EVENTS AFTER THE END OF THE REPORTING PERIOD

On 13 July 2020, The Regional Council raised \$6.3 million of debt funding with LGFA, \$3.3 million due in April 2024 and the remaining \$3 million due in April 2025.

*Summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements. Copies of both the full and summary financial statements can be obtained from the Regional Council's offices at 159 Dalton Street, Napier or online at [hbrc.govt.nz](https://www.hbrc.govt.nz).*

## Summary Consolidated Financial Statements Hawke's Bay Regional Council and its Subsidiaries (Group) For the Year Ended 30 June 2020

|   | Regional Council |                 |                 | Group *         |                 |
|---|------------------|-----------------|-----------------|-----------------|-----------------|
|   | Actual<br>19/20  | Budget<br>19/20 | Actual<br>18/19 | Actual<br>19/20 | Actual<br>18/19 |
| <b>SUMMARY STATEMENT OF FINANCIAL POSITION</b>                |                  |                 |                 |                 |                 |
| Non-current assets  | 876,053          | 729,025         | 661,626         | 805,826         | 637,215         |
| Current assets  | 20,358           | 25,634          | 49,222          | 54,165          | 63,349          |
| <b>Total assets</b>   | <b>896,411</b>   | <b>754,659</b>  | <b>710,848</b>  | <b>859,992</b>  | <b>700,564</b>  |
| Non-current liabilities                                       | 42,541           | 40,919          | 29,486          | 41,957          | 132,035         |
| Current liabilities   | 18,588           | 16,734          | 16,008          | 37,772          | 30,818          |
| <b>Total liabilities</b>                                      | <b>61,129</b>    | <b>57,653</b>   | <b>45,494</b>   | <b>79,730</b>   | <b>162,853</b>  |
| <b>Equity</b>   | <b>835,282</b>   | <b>697,006</b>  | <b>665,355</b>  | <b>780,263</b>  | <b>537,711</b>  |
| <b>SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE</b> |                  |                 |                 |                 |                 |
| Operating revenue   | 92,074           | 141,469         | 50,081          | 146,045         | 135,821         |
| Fair value gains (net)  | 10,327           | 3,137           | 5,802           | 10,557          | 6,487           |
| Operating expenditure   | (31,426)         | (29,756)        | (26,369)        | (63,348)        | (58,442)        |
| Personnel costs   | (23,327)         | (20,594)        | (20,394)        | (55,663)        | (47,759)        |
| Finance costs   | (2,120)          | (2,713)         | (2,489)         | (3,653)         | (6,542)         |
| Depreciation & amortisation expense                           | (3,333)          | (3,446)         | (3,081)         | (16,119)        | (14,330)        |
| Other expenditure   | (1,410)          | -               | (475)           | (1,410)         | (1,359)         |
| Impairment and loss on sale of investments                    | -                | -               | -               | (163)           | -               |
| Taxation expense  | -                | -               | -               | (5,930)         | (2,034)         |
| <b>Surplus before other comprehensive revenue and expense</b> | <b>40,785</b>    | <b>88,097</b>   | <b>3,076</b>    | <b>10,316</b>   | <b>11,842</b>   |
| Gain/(loss) in other financial assets                         | 118,091          | 13,880          | 58,879          | 1,762           | 1,356           |
| Gain/(loss) on revalued intangible asset                      | 1,164            | (8,985)         | 1,290           | 1,164           | 1,290           |
| Gain/(loss) on revalued property, plant and equipment assets  | 11,039           | -               | 6,364           | 5,895           | 10,738          |
| <b>Other comprehensive revenue and expense</b>                | <b>130,294</b>   | <b>4,895</b>    | <b>66,533</b>   | <b>8,821</b>    | <b>13,384</b>   |
| <b>Surplus after other comprehensive revenue and expense</b>  | <b>171,079</b>   | <b>92,992</b>   | <b>69,609</b>   | <b>19,137</b>   | <b>25,225</b>   |
| <b>Comprehensive income attributable to the:</b>              |                  |                 |                 |                 |                 |
| Equity holders of the Parent                                  | 171,079          | 92,992          | 69,609          | 15,374          | 25,225          |
| Non-controlling Interests                                     | -                | -               | -               | 3,763           | -               |
|   | <b>171,079</b>   | <b>92,992</b>   | <b>69,609</b>   | <b>19,137</b>   | <b>25,225</b>   |
| <b>SUMMARY STATEMENT OF CHANGES IN EQUITY</b>                 |                  |                 |                 |                 |                 |
| Total comprehensive income for period                         | 171,079          | 92,992          | 69,609          | 19,137          | 25,225          |
| Dividends received / (paid)                                   | -                | -               | -               | (48,696)        | -               |
| Share capital issued  | -                | -               | -               | 234,000         | -               |
| Other changes in equity                                       | (1,151)          | -               | -               | (7,420)         | -               |
| Effect on consolidation                                       | -                | -               | -               | 45,532          | -               |
| <b>Total changes in equity</b>                                | <b>169,928</b>   | <b>92,992</b>   | <b>69,609</b>   | <b>242,553</b>  | <b>25,225</b>   |
| Equity at the start of the year                               | 665,355          | 604,014         | 595,746         | 537,711         | 512,486         |
| <b>Equity at the end of the year</b>                          | <b>835,282</b>   | <b>697,006</b>  | <b>665,355</b>  | <b>780,263</b>  | <b>537,711</b>  |
| <b>Equity at the end of the year comprises of:</b>            |                  |                 |                 |                 |                 |
| Accumulated Funds   | 315,054          | 322,479         | 358,003         | 468,578         | 326,711         |
| Fair value reserves   | 406,270          | 216,774         | 275,976         | 197,727         | 179,625         |
| Other reserves  | 113,958          | 157,753         | 31,375          | 113,958         | 31,375          |
| <b>Equity at the end of the year</b>                          | <b>835,282</b>   | <b>697,006</b>  | <b>665,355</b>  | <b>780,263</b>  | <b>537,711</b>  |
| <b>Equity attributable to:</b>                                |                  |                 |                 |                 |                 |
| Equity holders of the parent                                  | 835,283          | 697,006         | 665,355         | 625,553         | 537,711         |
| Non-controlling interests                                     | -                | -               | -               | 154,709         | -               |
|   | <b>835,283</b>   | <b>697,006</b>  | <b>665,355</b>  | <b>780,263</b>  | <b>537,711</b>  |
| <b>SUMMARY STATEMENT OF CASH FLOWS</b>                        |                  |                 |                 |                 |                 |
| Net cash inflows from operating activities                    | 33,565           | 88,692          | 1,308           | 17,837          | 22,355          |
| Net cash outflows (used in) / from investing activities       | (50,860)         | (96,757)        | 4,858           | (149,048)       | (5,563)         |
| Net cash inflows from / (used in) financing activities        | (4,619)          | 4,284           | (5,039)         | 124,218         | (12,139)        |
| <b>Total net cash flow</b>                                    | <b>(21,914)</b>  | <b>(3,781)</b>  | <b>1,127</b>    | <b>(6,993)</b>  | <b>4,653</b>    |
| <b>Opening cash &amp; cash equivalents</b>                    | <b>28,436</b>    | <b>6,520</b>    | <b>27,309</b>   | <b>32,227</b>   | <b>27,574</b>   |
| <b>Closing cash &amp; cash equivalents</b>                    | <b>6,522</b>     | <b>2,739</b>    | <b>28,436</b>   | <b>25,234</b>   | <b>32,227</b>   |

\* Group figures include consolidated results for HBRC and HBRIC Ltd. HBRIC Ltd holds the investment in Napier Port Holdings Ltd.  
The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars: (\$000)

# Independent Auditor's Report

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*To the readers of Hawke's Bay Regional Council and group's summary of the annual report for the year ended 30 June 2020.*

The summary of the annual report was derived from the annual report of the Hawke's Bay Regional Council (the Regional Council) and group (the Group) for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 8 and 9, 14 to 39:

- the summary statement of financial position as at 30 June 2020;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;
- the notes to the summary financial statements that include other explanatory information; and
- the summary "Our performance measures" and groups of activities.

## Opinion

In our opinion:

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

## Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

## The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2020 in our auditor's report dated 24 February 2021. That report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the Regional Council as set out in full Annual Report on pages 2-4 to 2-68 of the groups of activities, pages 3-2 and 3-3 of the financial overview, pages 3-3- to 3-31 of the summary of significant accounting policies and note 28 to the financial statements.

An extract of this information is included in the summary of the annual report on pages 17 and 37.

## Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

## Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out 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.

In addition to our audit and our report on disclosure requirements, we have performed a limited assurance engagement related to the Regional Council's debenture trust deed and an agreed upon procedures engagement relating to a contract between the Regional Council and the Accident Compensation Corporation. These engagements are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the Regional Council or its subsidiaries and controlled entities.



**Karen Young,**  
**Audit New Zealand**  
**On behalf of the Auditor-General**  
**Wellington, New Zealand**  
**24 March 2021**



Te whakapakari  
tahi i tō tātau **taiao**.  
Enhancing our  
**environment** together.

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# Adapting to change~



Te whakapakari  
tahi i tō tātau  
**taiao.**

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Enhancing our  
**environment**  
together.