



2020-2021

# Annual Report

HBRC Publication number: 5571

ISBN 978-0-947499-46-4 Digital

ISBN 978-0-947499-47-1 Print

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



**HAWKES BAY**  
REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

# Contents

## Part 1 - Introduction | Kupu Whakataki

Message from the Chair and Chief Executive	2
Message from the Co-Chairs of the Māori Committee	4
Our Councillors and their constituencies	5
Committee structure	6
Executive leadership team	7
Welcome to the Annual Report	8
Māori participation in decision-making	9

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

Highlights by area	14
Over the last three years	28

## Part 3 - Community Outcomes | Ngā Hua Ā-Hapori

Community Outcomes	32
--------------------	----

## Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

How to read this section	46
1. Governance and Partnerships	48
2. Strategic Planning	53
3. Integrated Catchment Management	58
4. Asset Management	68
5. Consents and Compliance	75
6. Emergency Management	80
7. Transport	86

## Part 5 - Financials | Pūrongo Pūtea

Financial overview	94
Financial reporting benchmarks	96
Financial statements	103
Notes to the financial statements	109
Funding impact statements	169
Report on Council Controlled Organisations (CCOs)	177
Statement of compliance and responsibility	180

## Part 6 - Independent auditor's report | He ripoata arotake pūtea

181

**Part 1:**  
**Introduction |**  
**Kupu Whakataki**



### Message from the Chair and Chief Executive

#### He kupu nā te Toihau me te Kaiwhakahaere Matua



Kia ora koutou

**We are proud of the support we've been able to give our community over the past year through the double-whammy economic effects of COVID-19 and the prolonged drought.**

At the start of the 2020-2021 financial year, we responded by cushioning the anticipated impacts by setting a zero rates revenue increase and establishing a \$1 million recovery fund.

The Recovery Fund enabled us to seize opportunities that arose from government COVID-19 response and recovery funds. By matching the government's funding we were able to accelerate some of our existing work programmes to protect and enhance our environment and help the Hawke's Bay economy back to its fastest recovery. Successful funding applications were made to Mahi mō te Taiao-Jobs for Nature and shovel-ready infrastructure funds, securing over \$25 million in new funding.

Our annual \$1.5 million funding for Hawke's Bay Tourism and expanded support for businesses through the Regional Business Partner Programme helped to keep the regional economy going. We worked with nearly 1000 businesses – four times over target – to provide business planning advice.

We supported our drought-stricken farmers through the Rural Advisory Group which distributed \$1 million for feed transport costs and lifestyle feed runs. Staff were called upon again to respond to Napier's flood in November 2020. The intense rainfall event and the drought are real examples of the expected increasing impacts of climate change.

During the past year we conducted an independent survey of Hawke's Bay residents. The survey told us that Hawke's Bay people are concerned about climate change and are looking to the Regional Council to take action and help to find meaningful ways to make a difference. Climate action camps were held for EnviroSchools in October 2020, and high school students in March 2021. A six-week community engagement campaign launched an ongoing programme to educate and inspire action. Climate change was a focus in all our planning and decision-making in the development of the Long Term Plan 2021-2031. The Plan resourced six climate and water-focused consultation topics and is a further operational step-up in the environmental work accelerated by the previous Long Term Plan 2018-2028.

## Part 1 - Introduction | Kupu Whakataki

---

The financial year (2020-2021) was the third and final year of the Long Term Plan 2018-2028. During the past year we've sustained a stronger focus on regulation to prevent the pollution of water, land and air. We are getting more plants into the ground and building our regional biodiversity programme. We're working harder and faster to improve the health of our land, water and biodiversity, and prepare the region for climate change.

A major highlight during the year was the unanimous decision to establish Māori constituencies for the 2022 and 2025 local elections. This guarantees proportional representation for our Māori community at the Council table. For a full listing of the highlights of our work from 2020-2021 by area, please go to Part 2 of this Annual Report, the section called 'Regional Highlights'.

The closing financial performance for the year is an operating surplus of \$7.9 million compared to a forecast deficit of \$4.4 million. While we anticipated a significant financial impact from the pandemic, the impact on the economy and the Regional Council revenues was not as great as expected.

In conclusion, we have pushed forward into the head winds of a difficult and uncertain year with all of our available resources in order to protect our community and enhance our region. We wish to acknowledge and thank our staff for their efforts and commitment during this trying time, meeting increased expectations during a pandemic which has brought extra pressures to individuals and families. We also acknowledge the support from our community who have faced the same challenges. You have been most understanding and helpful. The goodwill and effort stem from a shared understanding and appreciation that our work is a legacy to our children and grandchildren, which we are confident they will thank us for.

Ngā mihi nui



Rick Barker

**Chair**



James Palmer

**Chief Executive**

### Message from the Māori Committee Co-Chairs

#### He kupu nā ngā Toihau Kōmiti Māori



#### E te tī, e te tā, mai taraika maunga ki tai moana, tēnā koutou, tēnā tātau

The effects of COVID-19 continue to be experienced widely through our community and responded to positively for the most part.

This year was a significant milestone for tangata whenua across Hawke's Bay. We celebrated the unanimous decision to establish Māori constituencies at Hawke's Bay Regional Council. Two seats for Māori representation will now form part of the 2022 and 2025 local government elections. As a result of the elections, a stronger voice for Māori will contribute to decision-making about our environment in Hawke's Bay. We lobbied hard in favour of these seats on behalf of tangata whenua and we are proud to witness this timely outcome, which followed a series of engaged hui-ā-iwi, hui-ā-hapū in the four taiwhenua of our region.

There was substantial tangata whenua input into the TANK Plan hearings for the Tūtaekurī, Ahuriri, Ngaruroro and Karamū waterways. The hearings at four different venues included Hawke's Bay Regional Council's first hearing held on a marae. Fittingly, this was at Mangaroa Marae in Bridge Pā.

There was valuable feedback into the Regional Council's plan to protect Outstanding Water Bodies. Fifteen Hawke's Bay water bodies, including coastal estuaries and lagoons have been classified as being regionally outstanding.

This is also an opportunity to acknowledge and celebrate the new home and the start of a new era for Ngāti Paarau after opening Hau-Te-Ana-Nui – the new Waiohiki Marae whareniui in June 2021.

The Māori Partnerships Group has continued to build Council-wide cultural capacity, to enhance the Regional Council's engagement with tangata whenua and meet statutory requirements. We wish to acknowledge Te Pou Whakarae Pieri Munro and his team for their continuing efforts to row our waka together.

The Māori Committee members and the Regional Council's Māori Partnerships team welcome your views and concerns at any time.

Nā māua e iti nei

Mike Paku and Michelle McIlroy

**Māori Committee Co-Chairs**

### Our Councillors and their constituencies

Elected members are responsible for setting the strategic direction and adopting all major policies to enable the Regional Council to achieve its vision for a healthy environment, vibrant community and a prosperous economy.

The Hawke's Bay region is divided into five constituencies. The constituencies of Wairoa, Ngaruroro and Central Hawke's Bay are represented by one member each, and Napier and Hastings by three members each. Councillors elect the Chair at the first Regional Council meeting following a local body election. The most recent election was on 12 October 2019.

Rex Graham was the Chair up until his resignation from the Regional Council in June 2021. Deputy Chair Rick Barker assumed the role of Acting Chair until he was elected to the position of Chair on 30 June 2021.



**Rex Graham**  
Chair  
HASTINGS



**Rick Barker**  
Deputy Chair, Councillor  
HASTINGS  
rickjbarker@gmail.com



**Craig Foss**  
Councillor  
HASTINGS  
cr.craig.foss@hbrc.govt.nz



**Charles Lambert**  
Councillor  
WAIROA  
cr.charles.lambert@hbrc.govt.nz



**Neil Kirton**  
Councillor  
NAPIER  
neil.kirton@hbrc.govt.nz



**Hinewai Ormsby**  
Councillor  
NAPIER  
cr.hinewai.ormsby@hbrc.govt.nz



**Jerf van Beek**  
Councillor  
NGARURORO  
cr.jerf.vanbeek@hbrc.govt.nz



**Martin Williams**  
Councillor  
NAPIER  
cr.martin.williams@hbrc.govt.nz



**Will Foley**  
Councillor  
CENTRAL HAWKE'S BAY  
cr.will.foley@hbrc.govt.nz

### Committee structure

The 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 our website [hbrc.govt.nz](https://www.hbrc.govt.nz), search: #meetings

During 2020-2021, we held 18 meetings of the following committees:



## Executive leadership team

Hawke's Bay Regional Council is supported by a professional corporate organisation, led by the Chief Executive. The Chief Executive and staff are responsible for managing day-to-day issues, providing policy advice and implementing policies to achieve the results the Regional Council wants. In 2020-2021, we began the year with seven groups, each headed by a member of the executive leadership team. The year ended with five groups after an internal restructure (as below).

The Hawke's Bay Regional Council's executive leadership team from January 2021:



### Welcome to the Annual Report

This report describes the work we have undertaken over the financial year 1 July 2020 to 30 June 2021. It focuses on actual performance against what was planned in the third year of the Long Term Plan 2018-2028 and covers both service and financial performance against targets.

### Part 2 Regional Highlights | Ngā Hirahiratanga Ā-Rohe

We provide highlights for the year by area:

- Wairoa
- Central Hawke's Bay
- Napier and Hastings
- Hawke's Bay region-wide

### Part 3 Community Outcomes | Ngā Hua Ā-Hapori

Our community outcomes are for a **healthy environment**, a **vibrant community** and a **prosperous economy**. We measure progress on our community outcomes using our time-bound strategic goals.

These are grouped together using four focus areas:

- Water
- Land
- Biodiversity
- Infrastructure and Services

### Part 4 Groups of Activities | Ngā Whakarōpūtanga Kaupapa

We provide a brief description of the activities that make up each group of activities and identify the community outcomes to which the group primarily contributes. This is followed by level of service results and non-financial performance compared with targets from year three of the Long Term Plan 2018-2028.

The seven Groups of Activities are:

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

### Part 5 Financials | Pūrongo Pūtea

This section includes financial reporting benchmarks and financial details for group accounts, which include the Regional Council and Hawke's Bay Regional Investment Company, which owns Napier Port Holdings Limited, for the year ended 30 June 2021.

This section also includes the Independent Auditor's Report (required under the Local Government Act 2002).

### Māori participation in decision-making<sup>1</sup>

#### Working with iwi

Hawke's Bay has a diverse and culturally rich landscape. Māori are Treaty partners as mana whenua and key members of our community. Key statistics include:

- 27% of our population are Māori<sup>2</sup>
- there are 11 iwi groups, 91 hapū and 79 marae throughout the Hawke's Bay region<sup>3</sup>
- eight of nine post-settlement governance entities (PSGEs) are currently represented on the Hawke's Bay Regional Planning Committee
- Ngāti Kahungunu with Rongomaiwahine have coastal rohe or area running from Paritū – north of Mahia – to Tūrakirae – on the south Wellington Coast
- Ngāti Kahungunu Iwi Incorporated comprises six taiwhenua<sup>4</sup> with governance entities and operations on the ground, four of which are in the Hawke's Bay region
- 6.8% of Hawke's Bay residents speak te reo Māori<sup>5</sup>
- over 11% of Hawke's Bay's 1.42 million hectares is Māori freehold land<sup>6</sup>
- there has been \$447 million of financial redress in recent Treaty settlements. This will increase with future settlements.<sup>7</sup>

Māori make a significant contribution to our region both as mana whenua and Treaty partners, through their ownership of assets, economic development, participation in co-governance and their growing influence as kaitiaki in the conservation, preservation and management of our natural resources.

#### Regional Planning Committee

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

With its own legislation, the RPC is not a Schedule 7 committee<sup>8</sup> and therefore cannot be 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.

---

<sup>1</sup> clause 35 of Schedule 10 of the Local Government Act 2002 requires the Regional Council to include in its Annual Report a report on the activities that we have undertaken in the year to establish and maintain processes to provide for opportunities for Māori to contribute to our decision-making processes

<sup>2</sup> [stats.govt.nz/tools/2018-census-place-summaries/hawkes-bay-region#ethnicity-culture-and-identity/Maori](https://stats.govt.nz/tools/2018-census-place-summaries/hawkes-bay-region#ethnicity-culture-and-identity/Maori) ethnic group

<sup>3</sup> [kahungunu.iwi.nz/kahungunu](http://kahungunu.iwi.nz/kahungunu)

<sup>4</sup> six taiwhenua geographical areas: Kahungunu ki Wairarapa, Tāmaki-nui-a-Rua, Tamatea, Heretaunga, Te Whanganui-a-Orotū, Wairoa

<sup>5</sup> [stats.govt.nz/tools/2018-census-place-summaries/hawkes-bay-region#languages-spoken](https://stats.govt.nz/tools/2018-census-place-summaries/hawkes-bay-region#languages-spoken)

<sup>6</sup> [agriculture.govt.nz/dmsdocument/4957/direct](https://agriculture.govt.nz/dmsdocument/4957/direct)

<sup>7</sup> [govt.nz/treaty-settlement-documents](https://govt.nz/treaty-settlement-documents)

<sup>8</sup> Local Government Act 2002, clause 30 of Schedule 7 'Power to appoint committees, subcommittees, other subordinate decision-making bodies, and joint committees'

## Part 1 - Introduction | Kupu Whakataki

---

The RPC operates under the principles of co-governance to ensure that tangata whenua are active decision-makers in managing their taonga under the RMA. As at 30 June 2021, the RPC Co-Chairs were Joinella Maihi-Carroll (appointed by tangata whenua members) and the Regional Council Chair, Rick Barker.<sup>9</sup>

Five RPC meetings and a number of workshops were scheduled between 1 July 2020 and 30 June 2021.<sup>10</sup> The RPC typically meet every six weeks. Several matters were considered by the RPC throughout the year including regular updates from staff about consent applications and proposed district plan changes.

This year has seen both the TANK Plan Change (PC9) and Outstanding Water Bodies Plan Change (PC7), which the RPC has overseen, progress through the hearing stage. A total of 240 submissions were received on the draft TANK Plan and a significant proportion of the year was dedicated towards preparation for the hearings which ran over three weeks in May and June 2021. A highlight for the TANK project was to hold the first week of the hearings at Mangaroa Marae – this being the first time we have held a plan change hearing on a marae. Over the course of the hearings over 90 submitters spoke to their submissions. The level of engagement with this hearing process demonstrated the importance of the issues surrounding freshwater in the catchment. The Outstanding Water Bodies Plan Change hearing was held in late 2020, with a decision released by the Independent Hearing Panel on 25 June 2021. Fifteen waterbodies including coastal estuaries and lagoons have now been classified as regionally outstanding.

Environment Court hearings were held in February and June 2021 with regards to appeals to the recommendations made by a Special Tribunal for a Water Conservation Order on the Ngaruroro and Clive Rivers. Eight appeals were originally filed against the recommendation, with two appellants subsequently withdrawing. The Regional Council appealed on technical errors and unintended consequences of specific terms within the recommendation, such as the definition of damming. Once the Environment Court has finished its inquiry it will report to the Minister for the Environment and recommend whether or not an Order should be made.

The RPC has continued to be involved in the Mohaka catchment and work has begun in earnest to co-design and develop freshwater policy provisions for the catchment. Ngāti Pāhauwera Development Trust (having mandate from the Mohaka iwi/hapū) have been working closely with us and have received funding from the Regional Council to support the development of a workstream for the catchment led by tangata whenua. Hui and wananga have been held with tangata whenua to inform the values and vision for the catchment in respect of Te Mana o Te Wai and meetings have been held with the Mohaka community to better understand the issues within the catchment and to assist in developing the objectives for the plan.

Looking towards future projects, the RPC has been involved with the review and development of a single plan to encompass all the planning provisions for the region's resource management – this is termed Kotahi. This Plan has received additional financial support through the Long Term Plan 2021-2031 specifically to actively involve tangata whenua in its development. We are required to commence the review of the Regional Resource Management Plan and the Regional Coastal Environment Plan in 2021. This is in addition to the development of freshwater catchment planning required by the new National Policy Statement for Freshwater Management 2020 and various other directives from the Government.

---

<sup>9</sup> Rick Barker was elected as Regional Council Chair on 30 June 2021 following the resignation of the previous Chair, Rex Graham

<sup>10</sup> The committee's tangata whenua members typically convened their own hui a day prior to the full committee meeting

## Part 1 - Introduction | Kupu Whakataki

---

### Māori Committee

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

The Committee meets every second month to consider relevant issues and provides the Regional Council with recommendations, taking into account tangata 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 (LGA). It is a standing committee under clause 30(1)(b) of Schedule 7 to the LGA.

A charter sets out the way the Māori Committee and Regional Council will engage. The terms of reference and charter were last reviewed in September 2020 and adopted at a meeting of the Regional Council on 30 September 2020. 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.

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

The Co-Chairs of the Regional Council's Māori Committee attend Regional Council meetings alongside one representative from the Regional Planning Committee where they have speaking rights on all issues. The Māori Committee will present within taiwhenua takiwā, to give the opportunity for tangata whenua of that area to participate in discussions of particular relevance to their rohe.

### Direct hapū and other involvement

The Regional Council has continued to have direct interaction with a number of hapū and marae on issues of concern to them within this takiwā. The Māori Partnerships Group is often the coordinating and access point for these activities. There has been a move away from quarterly bilateral meetings<sup>11</sup> with some Treaty settlement entities, particularly over 2020-2021, toward region-wide kaupapa, for example, Three Waters, RMA and local government reforms. The impact on very limited tangata whenua time and resource has grown exponentially and the Regional Council recognises the need for equitable capacity and capability funding to enable sustainable levels of tangata whenua engagement and participation. This concern has been escalated to Ngā Kairapu, the Māori Special Interest Group (Māori SIG), to advance at regional sector level alongside Kāhui Wai Māori, the advisory group to the Minister.

Project-based involvement by tangata whenua is very important in many of the Regional Council's work programmes. Projects such as Hawea Historical Park, Waitangi Regional Park and engagement within the Regional Council's Protection and Enhancements Programme including Whakakī and Lake Tūtira rely on the contributions of tangata whenua to ensure the projects' environmental success.

The Regional Council has Pataka<sup>12</sup>, a web-based Geographical Information Systems (GIS) resource management tool that holds and displays tangata whenua information spatially to meet the

---

<sup>11</sup> 2019-2020 saw bilateral meetings with Ngāti Pāhauwera Development Trust (NPDT), Mana Ahuriri Trust (MAT), Maungaharuru-Tangitū Trust (MTT) and Heretaunga Tamatea Settlement Trust (HTST).

<sup>12</sup> [hbrc.govt.nz, search: #pataka](https://hbrc.govt.nz/search/#pataka)

## Part 1 - Introduction | Kupu Whakataki

---

requirements of section 35A of the Resource Management Act 1991 but also holds a wider range of tangata whenua-related information. Pataka is a living website therefore it must continue to be reviewed for accuracy to assist both the Regional Council and the greater public who need to consult with tangata whenua at various times, including when submitting resource consent applications.

The Māori partnership teams across the five councils within Hawke's Bay region have worked collaboratively since 2019. A product of that collaboration is the mobile digital app *Te Kupenga* launched in February 2021. Available to download to Android and Apple devices, this app provides easy access for the councils' 1,500+ staff and elected members to an introductory suite of te reo Māori, waiata, karakia and other cultural information tailored to Te Matau-a-Māui Hawke's Bay.

A key decision made by the Regional Council in the Long Term Plan 2018-2028 was to grow capacity and partnerships for co-governance and co-management with tangata whenua to better meet the Regional Council's obligations. The Māori Partnerships Group was established and resourced during 2018-2019 to help drive this capacity and partnership from within the Regional Council with tangata whenua. The Māori Partnerships Group is established with three permanent positions – Te Pou Whakarae, Senior Adviser Māori Partnerships and Māori Engagement Coordinator.

Further resourcing was secured through the Long Term Plan 2021-2031 to employ three additional positions: two relationships managers for northern and southern Hawke's Bay in 2021-2022; and a Kaihautū Pūtaiao – Mātauranga Māori role from 2022-2023. These posts will be instrumental roles particularly in support of Kotahi and National Policy Statement for Freshwater Management 2020 requirement to have all freshwater plans notified by December 2024.

**Part 2:**  
**Regional Highlights |**  
**Ngā Hirahiratanga Ā-Rohe**



### Wairoa

**A team of eight staff are based out of our Wairoa office – active, visible and able to deal with issues more quickly. Our staff work across Wairoa district with landowners and the community to support good farming practices, sustainable land use and protect and enhance the environment. During the year a dedicated relationship manager became a permanent part of the team to engage with tangata whenua.**

### Mohaka catchment

Work began in earnest to co-design and develop freshwater policy provisions for the Mohaka catchment. Ngāti Pāhauwera Development Trust (having mandate from the Mohaka iwi/hapū) has been working closely with our staff and received funding from the Regional Council to support the development of a Māori-led workstream for the catchment. Hui and wananga have been held with tangata whenua to inform the values and vision for the catchment in respect of Te Mana o Te Wai and meetings have been held with the Mohaka community to better understand the issues within the catchment and to assist in developing the objectives for the plan.

### Whakatipu Māhia

Whakatipu Māhia continued, supported by Predator Free Hawke's Bay, with the project looking set to complete the eradication of possums and suppression of mustelids and feral cats from Māhia Peninsula (14,500 hectares) by the end of June 2022. Whakatipu Māhia is a joint project between iwi, community, the Regional Council and central government and will provide an excellent foundation for future predator free opportunities on Māhia. The project has created a number of local jobs building hapū and iwi capability.

### Whakakī Lake

We continued to work with the Whakakī Lake community bringing together western science and Mātauranga Māori to revitalise Whakakī Lake as a significant taonga. Engagement has continued with the community around the potential construction of a weir and recirculating wetland. A pilot site investigation and scoping report has been completed for the wetland trial with detailed engineering design underway. Following feedback from the community we have held regular hui in Whakakī to provide updates on the projects and the overall health and water quality of the lake. With support from the Regional Council, the Whakakī Lake Trust and Materoa Tamati Hook Whānau Trust, work has started on the redevelopment of the former Whakakī School buildings to establish a community facility.

### Wairoa River

In August 2020, the Regional Council secured partnership funding from central government's COVID-19 stimulus package for the \$1 million Wairoa River Scheme – Ferry Road Erosion Project. All pre-construction work has been completed with physical works due to start in October 2021. A scheme review of the Wairoa River and small schemes within the area is planned to start in 2021-22 looking at flooding and erosion concerns.

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

### **Wairoa Regional Park**

We applied for funding from central government's COVID-19 stimulus package to develop a regional park at Wairoa. This was unsuccessful but we later secured funding through our Long Term Plan 2021-2031 for year 3 (2023-2024). Consultation will be undertaken and the park will be developed in collaboration with Wairoa District Council and the Matangirau Reserves Board.

### **Wairoa District Council wastewater discharge**

On 30 November 2020, the hearing on Wairoa District Council's wastewater discharge application was held. The hearing was adjourned to allow expert conferencing. A decision is expected towards the end of September 2021.

### **Public transport**

We commenced discussion with the Wairoa community about public transport needs, as part of the development and consultation on the Regional Land Transport Plan which was adopted in May 2021. We will be building on this through the review of the Regional Public Transport Plan 2019-2029.

### **Road safety**

A Road to Zero focus group was established in Wairoa. The group will work on collaborative projects targeting speed and other high-risk road safety issues. Overseen by RoadSafe Hawke's Bay, it includes key stakeholders such as the Police, Wairoa District Council, iwi, schools and ACC. Other initiatives included the installation of billboard series on rural roads, truck driver fatigue stops and driver check points. Roadsafe HB received positive feedback from both locals and tourists on the monthly check points. Roadsafe HB is a business unit of the Regional Council.

### Central Hawke's Bay

**Our team of seven staff based in Waipawa are typically out and about in Central Hawke's Bay working with landowners to give support and provide advice on good land use practices. This includes assisting landowners to develop Erosion Control Plans and then implementing actions in the plans to help control erosion and improve water quality.**

#### Drought response support

We continued our support for drought-affected farmers through the Hawke's Bay Rural Advisory Group (RAG), the lead group for the drought response. The RAG works under the Hawke's Bay Civil Defence and Emergency Management (CDEM) Group structure and is made up of representatives from rural and primary sector businesses, agencies and councils. On 19 May 2020, the region's Mayors and the Regional Council Chairman launched the \$1 million Regional Drought Relief Fund, in response to the critical shortage of feed, as a result of the severe and prolonged drought in Hawke's Bay. The fund closed at the end of September 2020 and distributed \$977,614 to assist our rural community in Central Hawke's Bay and affected areas of Heretaunga with costs related to animal feed transportation and welfare. The fund contributors have agreed to use the remainder of the fund to develop of a Regional Drought Resilience Strategy and action plan.

#### Water security

We completed a series of technical investigations and landowner engagements, and have confirmed a preferred site to undertake a Managed Aquifer Recharge Pilot. A consent application has been lodged and we are aiming to commence construction and operation of the site in the late spring 2021. This work is part of our Regional Water Security Programme.

#### Tukituki Plan

We continued to invest in catchment advisor relationships and assistance for farmers in the Tukituki. A new role filled in February is focused on supporting the growth and development of catchment groups in the Tukituki to address catchment specific issues. A framework has been created to guide farmers through options to consider for improving ecosystem health as part of the farm consenting process. We received 50 Tukituki production land use applications in 2020-2021. The Farm Environmental Management Plan (FEMP) project reached another milestone in May with all FEMPs in the Tukituki catchment due to be updated by 31 May 2021. This is the first of the farm plan revisions that are due every three years. For more information on the number of FEMPs submitted by the due date please see the related level of service measure in Part 4.

#### Tukipo wetland

A wetland was built in the Tukipo catchment to test how wetlands can be used as a tool to filter nitrogen and other contaminants from farm run-off and improve the health of surrounding waterways. The 1.6 hectare wetland is a partnership project between the White family (whose property the wetland is built on), the Hawke's Bay Regional Council, the National Institute of Water and Atmospheric Research, Fonterra and the Tukipo Catchment Group. The Tukituki Plan Change (PC6) set ambitious nitrogen targets for landowners and it is hoped this project, which will capture and treat water from around 180 hectares, will form a key part of the response in the Tukituki catchment and provide a model for how we can achieve nitrogen reduction throughout the region.

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

### **Maraetōtara River**

We continued to work on the Maraetōtara River Restoration Project alongside the Maraetōtara Tree Trust and catchment landowners. In the last year we co-funded a further 2.2km of riparian fencing through the Erosion Control Scheme and Hāpara Takatu Jobs for Nature. This has effectively retired a further 2.8km of stream to allow riparian planting. Further fencing is underway along with an ongoing willow removal and burning programme. We are continuing to work with landowners arranging esplanade strip agreements and schedule riparian enhancement works.

### **Waipuka project**

A council contribution through the Erosion Control Scheme helped to leverage \$1.4 million in central government funding toward the Waipuka whenua restoration project. This project will see 5 kilometres of waterway and over 180 hectares of severely eroding hill country on three properties permanently retired and planted. These properties collectively drain into the Waipuka Stream which enters the sea via a small lagoon at Ocean Beach. The project sees the landowners, lease manager, the Regional Council, the Ministry for Primary Industries and the Ministry of Business, Innovation and Employment working together.

### **Climate resilience projects**

In August 2020, the Regional Council secured partnership funding from central government's COVID-19 stimulus package for two climate resilience projects. One project is to remove gravel from the Upper Tukituki Flood Control Scheme to improve flood protection in Central Hawke's Bay, subject to community consultation as part of the Regional Council's Long Term Plan 2021-2031 (\$8 million total), and the other project for substantial erosion control work (\$1 million total) at Waipawa River to protect SH50. As the main contractor, the Works Group (a business unit of the Regional Council) committed a significant amount of in-house and contracted resource to divert the river. Over 40,000m<sup>3</sup> of earthworks, the construction of akmon groynes, and several thousand metres of permeable rope and rail groynes were used to redirect the main flow. Over 6,000 willow poles and 1,000 native trees were planted. This was a collaborative project with Waka Kotahi NZ Transport Agency.

### **Lake Whatumā**

We continued to support the collaborative approach between iwi and key stakeholders to develop the vision and values for the long-term management of Lake Whatumā. To help facilitate the delivery of on-ground work a site action plan is being developed that will identify biodiversity values, key threats and potential options for control. We have also started monitoring the main inflow and outflow of the lake to help understand water quality patterns and potential stressors on the system.

### **Te Ikatiere**

We worked collaboratively with the community, local iwi and the Aramoana Environmental and Education Charitable Trust (AEECT) at Te Ikatiere, next to Te Angiangi Marine Reserve, with the long-term aim to reduce sediment loss into the popular reserve while creating opportunities for educational activities and community involvement.

Highlights include:

- 2,100m of deer fence erected to stop stock and wild deer from accessing the block prior to planting

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

- the Te Ikatere boundary was re-surveyed to follow the new fence line, to be finalised by Central Hawke’s Bay District Council
- AEECT volunteers sourced and dropped thousands of native seeds onto Te Ikatere by drones
- 4,400 native seedlings planted this winter (July 2021). In total 4,000 were funded through One Billion Trees and DOC donated 400
- 5,000 native seedlings have been ordered for next winter’s planting, funded through One Billion Trees
- Omakere School has an annual planting day on Te Ikatere
- ongoing pest control.

### **Pōrangahau Estuary**

Staff have continued working alongside local landowners to improve the ecological health of the estuary. Work has included:

- 2,550 metres of fencing built through the Marine Enhancement and Protection programme to protect inanga spawning habitat in the estuary
- 2,605 metres of fencing built through the Erosion Control Scheme for eroding streambanks in the estuary
- 5,995 poles planted in the Pōrangahau catchment to stabilise eroding hill country and reduce sediment loss that may enter the estuary.

A bird survey completed in the estuary ranked Pōrangahau Estuary second in the region for the number of indigenous species recorded in the estuary. These included nationally critical and nationally vulnerable species.

### **Pōrangahau Catchment Group**

The Regional Council provided support to the Pōrangahau Catchment Group. In July 2021, the group was notified it secured \$4.9 million through the government’s Freshwater Improvement Fund for a three-year project that aims to deliver water health and biodiversity outcomes in the Pōrangahau catchment. Objectives include publishing a Community Catchment Management Plan, developing and implementing a long-term monitoring strategy to record changes in water and health system parameters in the catchment, and establishing and implementing a fund to support projects that benefit the catchment’s water bodies.

### **Consents**

Work started on processing applications for Tranche 2 Ruataniwha groundwater consents. Our experts are considering additional information regarding the impacts of the takes on surface and groundwater. The Silver Fern Farm applications were notified. Two consents were in process for Central Hawke’s Bay District Council’s wastewater strategy, with more to come with consents required for changes/improvements.

### **Public transport**

We commenced discussion with the Central Hawke’s Bay stakeholders and community about public transport needs, as part of the development and consultation on the Regional Land Transport Plan which was adopted in May 2021. We will be building on this through the review of the Regional Public Transport Plan 2019-2029.

### **Road safety**

A Road to Zero Safer CHB group was established, to work on collaborative projects targeting high-risk road safety issues. The group is overseen by RoadSafe Hawke's Bay, which is a business unit of the Regional Council. RoadSafe HB presented at the newly established parent/student drivers licence education night at Central Hawke's Bay College. This was a great opportunity to talk road safety with parents of new drivers and was very well received, with great buy in around "Road safety is everyone's responsibility" and how we can all contribute to road safety.

### **Napier and Hastings**

**Our head office is in Dalton Street and Station Street, Napier, our depot is at Guppy Road, Taradale, and staff also work from the purpose-built HB Civil Defence Emergency Management Group Coordination Centre in Hastings.**

#### **TANK Plan Change (Tūtaekurī, Ahuriri, Ngaruroro and Karamū catchments)**

This year was another busy year for TANK, not only in respect of the plan change itself but also in terms of the new National Policy Statement for Freshwater Management (NPSFM2020), which was enacted in September 2020, and understanding how this intersected with the TANK Plan. In total, 240 initial submissions were received on the notified TANK Plan and more than 90 submitters spoke to their submissions at the hearings, which ran for three weeks during May and June 2021. The level of engagement with this hearing process demonstrated the importance of the issues surrounding freshwater in the catchment. A highlight for this project was holding the first week of the hearings at Mangaroa Marae – the first time we have held a plan change hearing on a marae.

#### **Water Conservation Order for the Ngaruroro and Clive Rivers**

In February and June 2021, Environment Court Hearings were held to hear the appeals to the recommendations made by the Special Tribunal for a Water Conservation Order (WCO) on the Ngaruroro and Clive Rivers. The Special Tribunal released their recommendations in August 2019 which found that no WCO should be made over the rivers below Whanawhana (i.e. the lower river) and that a WCO should be made over the upper river. The Regional Council supported the recommendation that the application for a WCO for the lower part of the Ngaruroro River be declined. We appealed on technical errors and unintended consequences of specific terms within the recommendation, such as the definition of damming. The Environment Court will recommend whether an Order should be made following the completion of its inquiry.

#### **Consents**

Notified consents relating to the Te Mata Mushroom operation at Brookvale were resolved via mediation. Significant upgrades to the operation are required by January and July 2022. Omaranui landfill expansion applications were notified. The hearing will be held in November 2021.

#### **Ahuriri enhancement**

Through the Ahuriri Estuary enhancement programme, staff continued working with rural landowners to help protect the estuary and improve water quality. This has resulted in an additional 770 metres of waterways being fenced and the planting of about 7,300 native plants and 485 poplar and willow poles for slope stability. A cross-Council team are looking at long-term management options for the invasive tubeworm and we continue to work closely with key partners on a wider plan to improve the health of Ahuriri Estuary for fish, birds and people.

The development of a regional park at Ahuriri was included in both ours and Napier City Council's 2021-2031 Long Term Plans, with a total funding pool of \$20 million over the next 10 years. The plan is to transform the area known as Lagoon Farm to protect and enhance the habitat for our precious taonga and greatly assist in restoring the Ahuriri Estuary. The proposed park would allow for stormwater detention and treatment and deliver environmental outcomes as a priority as well as providing cultural, education and recreational opportunities.

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

### Lake Tūtira

In February 2021, the Regional Council lifted the permanent swimming ban for Lake Tūtira, with an advanced algal bloom monitoring system put in place to provide early warning of algal blooms. Maungaharuru-Tangitū Trust blessed and officially re-opened the lake to swimming and other aquatic activities. While the permanent ban has been lifted, the Regional Council advises people check the health of the lake before they go for a swim at [hbrc.govt.nz](https://hbrc.govt.nz), search: #swim. Swimming in the lake after heavy rainfall should be avoided. Other work as part of the joint project Te Waiū o Tūtira (The Milk of Tūtira) with the Maungaharuru-Tangitū Trust, the Ministry for the Environment and the Tūtira community has seen the development of Environmental Farm Plans, 1.9 kilometres of waterways fenced and about 11,300 native plants and 200 poplar poles planted to minimise erosion and stop sediment getting into the lakes. The project aims to restore the mauri (life force) of Lakes Tūtira, Waikōpiro and Orakai.

### Water security

We completed a number of technical investigations to better understand the location and characteristics of the Ngaruroro catchment's most promising community-scale water storage sites. Further work needs to be done to determine if these are viable options that support long-term water security. The work is part of our Regional Water Security Programme.

### Increasing flood protection in the Heretaunga Plains

In August 2020, the Regional Council secured partnership funding from central government's COVID-19 stimulus package to fast track the \$20 million project to increase flood protection in the Tūtaekurī, Ngaruroro and Tukituki Rivers from a 1 in 100-year flood to protect against a 1 in 500-year flood. This scheme includes stop banks, flood gates and a network of open waterways. It protects the urban communities of Napier and Hastings and the surrounding productive areas. A detailed design for the first year of construction is underway. Stakeholder engagement is ongoing.

### Clive River

The Regional Council dredges the Clive River channel about every 10 years to remove a build-up of sediment that ensures people can continue to use the river as part of social, recreational and cultural activities. The next dredging is now likely to be undertaken next year once consent is granted.

### Te Karamū hits project target

Te Karamū enhancement project hit its 10-year goal in five years in August 2021. Since the development of the Te Karamū Enhancement Strategy in 2016, the Regional Council, working with community groups, iwi, landowners, schools and local businesses have planted 9.4 hectares of land beside the stream to support habitat, wetland groves and ecosystems. Further planting of an additional 10 hectares is planned over the next three years.

### Open waterways and pump stations

Following the completion of a Napier City Council (NCC) monitoring programme, the Regional Council is working with NCC on solutions to improve the water quality in the network of open waterways and pump stations that provide land drainage and stormwater services to Napier, Taradale and Awatoto.

### **Coastal Hazards Strategy 2120**

We continued to collaborate on groundbreaking coastal hazards mitigation research and planning with Napier City and Hastings District Councils, Maungaharuru-Tangitū Trust, Mana Ahuriri Incorporated and Heretaunga Tamatea Settlement Trust. A key milestone was the June 2021 independent report that found that Hawke's Bay Regional Council is best placed to collect rates and lead work on the next phase involving construction of new hazard mitigation assets subject to public consultation.

### **Napier flooding event response**

The Hawke's Bay Civil Defence Emergency Management (CDEM) Group was the lead coordinating agency for the Napier rain event in November 2020. The CDEM Group worked closely with the emergency services and Napier City Council (NCC) in providing for the immediate safety and wellbeing of people impacted. The CDEM Group also supported NCC in their role of leading the recovery from this event which is still ongoing.

### **New bus ticketing system**

In August 2020, the new Bee Card bus ticketing system was introduced to the goBay public transport network. Replacing the goBay bus card, the tag-on/tag-off system makes it easier to travel and the flat fare makes it cheaper to travel by bus, an important step in making public transport a more accessible and attractive option. The system is proving popular with passengers and reduced loading times are helping to keep the services running on time. Bus patronage was greatly affected by COVID-19. Public bus transport was free from March to June 2020, enabled by government support. We opted to continue providing free fares until the launch of the Bee Card.

### **Changing public transport**

Providing transport to meet our needs and developing a system that contributes to a carbon neutral Hawke's Bay are some of the key objectives in the Hawke's Bay Regional Land Transport Plan 2021-2031, adopted in May 2021. In June 2021, the Regional Council confirmed the trial of a new form of public transport that replaces fixed routes with an on-demand service. This will be trialled in Hastings first (starting in 2022-2023) and aims to lower the region's transport emissions, provide better transport choices for the community and give more equitable access to public transport.

### Hawke's Bay region

The total number of staff at Hawke's Bay Regional Council was 293 employees (282 FTEs) at 30 June 2021. The region's total land area is around 1.42 million hectares. About 250,000 hectares is highly erodible. Almost one-third of the area that the Regional Council is responsible for is in the coastal-marine area.

#### Recovery Fund

Three biodiversity projects benefitted from our \$1 million Recovery Fund established in our Annual Plan 2020-2021 as part of our Climate. Smart. Recovery. The fund was set up to enable us to act quickly to leverage potential government co-funding made available following the COVID-19 national lockdown in 2020. Project applications to our Recovery Fund needed to be planned Regional Council-related capital projects and were assessed against specifically developed criteria. Projects that were successful in leveraging the Recovery Fund were:

- Our Ecosystem Prioritisation Programme in partnership with the Pōrangahau Catchment Group received \$300,000 from our Recovery Fund to leverage \$2.6 million from the Government's Freshwater Improvement Fund for a \$4.9 million project.
- Our Ecosystem Prioritisation Programme received \$300,000 and partnered with the Queen Elizabeth II National Trust (QEII) and landowners to secure \$1 million from the Department of Conservation Jobs for Nature Fund for a \$2 million project.

Funding for a large wetland to be built in Tukipo, Central Hawke's Bay received \$100,000 from our Recovery Fund, building on Fonterra's funding of \$250,000.

More detail on each of the projects are reported on by area.

#### Māori constituencies

In May 2021, Hawke's Bay Regional Council voted unanimously to establish Māori constituencies for the 2022 and 2025 local elections (to be elected by voters on the Māori roll). A law change earlier in the year meant councils could establish Māori seats without the possibility that a poll could overturn a council's decision. A Representation Review will be completed prior to the 2022 election, with community consultation undertaken to seek feedback on the Regional Council's proposal to increase the total number of councillors from 9 to 11, retain five general constituencies and establish two new Māori constituencies.

#### FoodEast

In April 2021, following public consultation the Regional Council approved the creation of two new Council Controlled Trading Organisations (CCTOs) to operate a proposed new regional food hub called FoodEast. Hawke's Bay Regional Investment Company Limited (HBRIC), which is a CCTO and manages the Regional Council's investments, will have 66.6% ownership. The other partners are Hastings District Council and Progressive Meats Limited. The food hub aims to facilitate collaboration and to promote more cost-effective food and beverage innovation.

#### Cultural capability and capacity

A Hawke's Bay inter-council network developed and launched a new Māori cultural digital app in February 2021 for staff and elected members of the five councils and other agencies. *Te Kupenga* provides easy access to an introductory suite of te reo Māori, waiata, karakia and other cultural information tailored to Te Matau-a-Māui Hawke's Bay. Te reo Māori classes were also held for the

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

Regional Council staff and we have also acquired and implemented the Te Rito e-Learning courses created by Kia Maia Bicultural Communications comprising 14 self-paced and assessed modules. These will be offered to all staff and councillors and will also be an induction requirement for new staff.

### **Climate action camps**

The Environmental Education team was impacted quite significantly due to COVID-19 restrictions in place across most schools until the last school term of 2020. The team delivered an Enviroschools Climate Action Camp in October 2020 and hosted a 2 ½ day Youth Climate Action Camp for secondary school students in March 2021.

### **Kotahi**

We embarked on the review and development of a single plan to encompass all of the planning provisions for the region’s resource management – this is termed Kotahi. This Plan received additional financial support through the Long Term Plan 2021-2031 specifically to actively involve tangata whenua in its development. We are required to commence the review of the Regional Resource Management Plan and the Regional Coastal Environment Plan in 2021. This is in addition to the development of freshwater catchment planning required by the new National Policy Statement for Freshwater Management 2020 and various other government directives.

### **Outstanding Water Bodies**

On 25 June 2021, 15 Hawke’s Bay water bodies, including coastal estuaries and lagoons, were classified as regionally outstanding. This decision was made by an independent hearing panel appointed to hear submissions on Proposed Plan Change 7 to the Regional Council’s Regional Resources Management Plan. For a water body to be classed as ‘outstanding’, it must contain at least one cultural, spiritual, recreation, landscape, geology, natural character or ecology value which is conspicuous, eminent, and/or remarkable in the context of the Hawke’s Bay Region. The period for lodging appeals with the Environment Court against Change 7 decisions closed on 6 August 2021.

### **Housing supply assessment**

We have been working with Hastings District Council and Napier City Council in the preparation of a housing supply assessment for the urban areas of Napier and Hastings. This is in response to the Government’s new National Policy Statement for Urban Development published in August 2020. The assessment will be used to inform future infrastructure planning and district plan-making decisions for the Hastings-Napier urban area.

### **Regional economic development**

An independent review was undertaken of how economic development activities and services are delivered in Hawke’s Bay. The review concluded a strong case for change including the development of a new regional economic entity with increased investment. The five councils are exploring options and plan to come back to the community for feedback.

### **Regional Business Partners Programme**

The Hawke’s Bay Regional Business Partners team provided an expanded level of service working with 987 businesses (over four times above its key performance indicator of 220 businesses) to issue \$2,056,128 COVID-19 Business Advisory Funding and \$135,755 Tourism Transition Funding.

### **Stronger regulation**

We continued our strong stance on regulation, tripling the amount of abatement notices we issued. We issued 66 in 2020-2021 compared to 21 the previous year. We issued 86 infringement notices (88 last year), gave 22 formal warnings (11 last year) and carried out 12 successful prosecutions, the same as the previous year. The Compliance team created a senior investigator position to lead prosecutions and high-level enforcement action as well as building capacity and capability in our Compliance team over the coming Long Term Plan period with six additional FTEs to ensure the region's environment is being protected and enhanced.

### **Marine and Coast Enhancement Project**

In January/February 2021, we mapped approximately 37km<sup>2</sup> of the seabed area around the Māhia Peninsula, with more mapping planned for 2021-2022. The Key Ecological Areas Report produced by the National Institute of Water and Atmospheric Research (NIWA) in June 2020 informed our mapping. The maps provide important information on the areas we manage under the sea and will help to identify areas of key habitats. This workstream helps to inform our partnership with the Hawke's Bay Marine and Coast Group and our Sustainable Seas project on eco-system based management.

### **Coastal bird survey**

The Marine and Coast Enhancement Project combined with the biodiversity and policy teams to undertake a coastal bird survey, the first comprehensive survey along the entire Hawke's Bay coastline. Key highlights include recommended changes in the regional threat status of four species that have become less threatened and six species which have become more threatened.

### **Biodiversity**

We worked in partnership to protect 13 acutely or chronically threatened ecosystems across Hawke's Bay. Of those, five were new sites. This involved deer fencing, pest management and restoration planting. We also worked closely with Biodiversity Hawke's Bay in running a contestable environmental fund where successful projects received funding towards pest control and habitat restoration. A further 15 ecosystem prioritisation sites – around 423 hectares of critically threatened native bush in Hawke's Bay – will be fenced and protected over the next three years, thanks to a \$2 million funding partnership between the Regional Council, QEII, the Department of Conservation and landowners.

### **State of the Environment Report**

Our five-yearly *Our Hawke's Bay Environment Key Issues Report 2013-2018* was published in July 2020. A *State of the Environment 2018-2021 synthesis report* will be completed at the end of 2021-2022.

### **Advances in science**

Land science completed the regional LiDAR mapping. This mapping will give the most detailed view of the topography of Hawke's Bay that has ever been available. Land science also:

- completed the regional winter forage map for winter 2021 allowing us to identify possible areas of concern
- completed the wetland inventory detailing nearly 3,500 wetlands across the region

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

- completed the statistical riparian condition map of the Tukituki catchment (the rest of the region is to follow).

Staff coordinated the national collaborative regional council eDNA programme to develop molecular monitoring techniques in flowing streams. This method detects what fish, bugs and other invertebrates are using our waterways, including ‘at risk’ and ‘threatened’ species. It can also pick up traces of mammalian pests, birds, frogs and livestock that may be inside the catchment. The technique will be used to advance our understanding of ecosystem health across the region.

### Maritime Safety

In readiness for next summer, we invested in larger more visible buoys to more clearly identify the swimming area of Hardinge Road and create a safer environment for swimmers.

### Works Group

The Works Group carried out several significant projects for external clients including Napier City Council and Hastings District Council (HDC), in particular completing the civil works for five of the HDC Small Community Water Treatment Plants. The Regional Council projects included:

- Waipawa River erosion repair project at SH50
- tree clearing on the Lower Tukituki River
- tree clearing various sites in the Wairoa region
- extensive subsidised tree clearing jobs within the Upper Tukituki Scheme
- building works to upgrade the Waipataki Camp Ground
- successful first year for the Works Group undertaking the management of the willow and poplar nursery for the Regional Council.

### Regional parks

Work continued at Hawea Historical Park with the park planned to open in 2023. This included the development of a new car park, planting and scoping work. We co-own and co-manage Hawea Historical Park in collaboration with four hapū – Nga hapū o Kohupātiki, Matahiwi, Ruahāpia and Waipatu.

Waitangi Regional Park has been further developed with the creation and planting of Waikahu wetland, a new elevated marquee area in the Colenso memorial site in collaboration with the Ātea a Rangi Educational Trust, an overflow carpark and new areas of planting.

We purchased Whittle Reserve, an 84 hectare reserve near Little Bush Reserve for preservation of established biodiversity and a tributary source of the Tūtaekurī River, and are planning to develop a regional park at Ahuriri with Napier City Council and Mana Ahuriri. We continued to support Te Mata Park Trust with pest control and park maintenance work and increased this to a full-time position in 2021.

### Cycle trails

A new off-road cycle path was constructed along Waimarama Road below Te Mata Park, completing the Hawke’s Bay Trails Landscapes Ride network. This was done in partnership with Hastings District Council and the Ministry of Business, Innovation and Employment (MBIE). Two information kiosks were created on the Art and Heritage Trail, also a part of the Landscapes Ride network, in partnership with Cape Coast Art, the Heritage Trust and MBIE.

## Part 2 – Regional Highlights | Ngā Hirahiratanga Ā-Rohe

---

Use of the trails continues to grow with the Hawke's Bay Trails acknowledged as one of the busiest of all 22 Great Rides in New Zealand.

### **Water security**

During the year, a Regional Water Security Programme was formally established to manage and progress four regional security projects – a \$30.6 million investment between the Regional Council and the Provincial Growth Fund. The Programme focuses on understanding the region's freshwater resources and making decisions as a community, particularly in a changing climate. Progress includes:

- The 3D Aquifer Mapping team continued to process the huge amounts of data captured and will be completing a targeted bore drilling programme to help calibrate the data.
- We completed two of the three reports required for the regional assessment. This assessment will for the first time provide a comprehensive analysis of our freshwater – how much we have, how it is used, who benefits from it, future demand and our ability to deliver secure supplies in the future.

More detail on work undertaken in Central Hawke's Bay, Napier and Hastings is reported on by area.

### **Hawke's Bay Civil Defence Emergency Management Group**

The Hawke's Bay Civil Defence Emergency Management Group (HBCDEM) worked with the District Health Board, emergency services and councils to ensure Hawke's Bay has plans in place to respond at a regional level to a resurgence of COVID-19. The HBCDEM Group activated teams at its Group Emergency Coordination Centre during the resurgence and lockdown in August 2021. The Group also considers and prepares for other events that may occur and took part in two nationwide events designed to remind people of how to respond during an earthquake and potential tsunami, with the Tsunami Hīkoi in March 2021, and the ShakeOut earthquake drill in October 2020, although both were low-key due to COVID-19 resurgence. Staff worked with several rural and coastal communities to develop community resilience plans and have also been working with priority communities of interest and attributes.

### **Dairy compliance awards**

In December 2020, the Hawke's Bay dairy farmers who consistently achieve full compliance with their resource consents were recognised at the Dairy Compliance Awards. Thirty-eight of 75 farms had been fully compliant for five years receiving Gold award status. Fourteen farms have been fully compliant since the scheme began in 2008-2009.

### **HBRC Environmental Awards**

In December 2020, the Regional Council announced the winners of its annual Environmental Awards. The awards were presented in two categories:

- 1) Environmental Action in the Community – Te Oho Mauri Taiao ki te Hapori – awarded to Maraetōtara Tree Trust, Hawea Park Hapū Partners and Helen Howard.
- 2) Environmental Leadership in Business – Te Hautūtanga Taiao me te Pakihi – awarded to T&G Global.

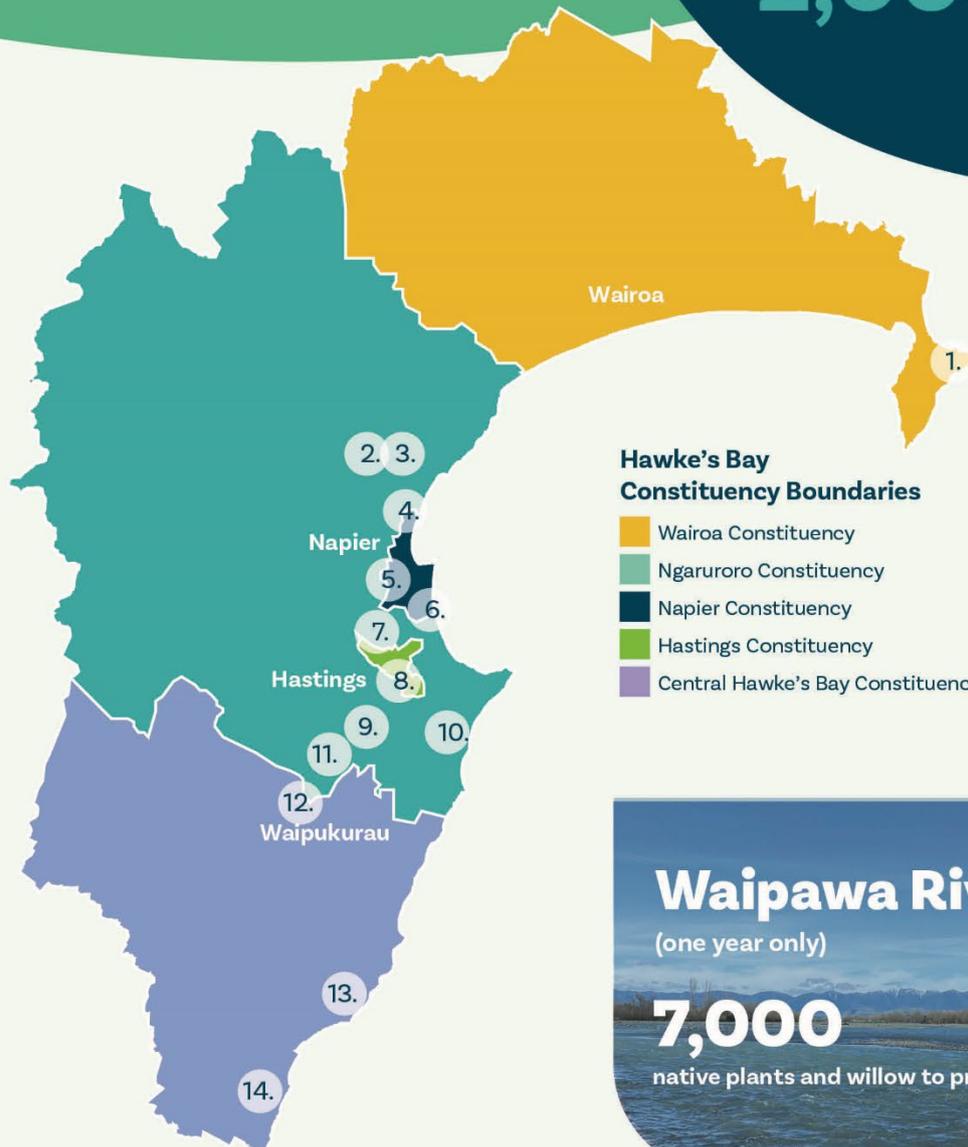
# Over the last three years

Snapshot of fencing and plants in the ground

## Erosion Control Scheme



**2,000** hectares planted



### Waipawa River

(one year only)

**7,000**

native plants and willow to protect SH50

11.

### Maraetōtara

**14,900**

metres of fencing

10.

### Pōrangahau (one year only)

**6,000** poles

**5,200** metres of fencing

14.

# Regional Parks

- 5. Hawea Historical Park
- 6. Waitangi Regional Park
- 7. Pākōwhai Regional Park
- 2. Tūtira Regional Park
- 9. Pekapeka Regional Park

**20,000** plants

## Whangawehi

(one year only)

**8,140** native plants

**1,800** metres of fencing

1.

## Ahuriri Estuary

**53,200** native plants

**1,400** poplar and willow

**16,800** metres of fencing

4.

## Te Ikatiere

(one year only)

**4,400** native plants

**1,000s** native seeds dropped

**2,100** metres of fencing

13.

## Lake Tūtira

**60,900** native plants

**450** exotic plants for erosion control

**5,000** metres of fencing

3.

## Te Karamū Enhancement Project

8.

**39,000** plants

## Tukipo Wetland

(new)

**24,200** native plants

12.

# Over the last three years

## Over the lifespan of the Heatsmart programme

A total of **15,005** grants or loans have been issued totalling **\$23.39 million**

## Sustainable Homes

A total of **1,911** loans have been issued totalling **\$10.97 million**



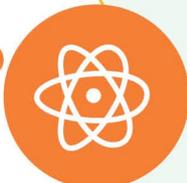
## Pest control

On average, we have made:  
**4,355** rural pest plant visits  
**2,830** urban pest plant visits



## Science

We have taken over **10,000** science samples and made **8,700** science visits



## LGOIMA requests

We have answered over **250**



## Public Transport

**1,740,500** passenger trips on goBay services

**273,780** subsidised trips by Total Mobility cardholders



## Hotline

We have answered **2,922** calls to our pollution hotline, including:

**1,798** about air pollution

**550** about land

**427** about surface water



## Stronger regulation

We have issued:

**127** abatement notices

**275** infringement notices

**28** prosecutions



## Predator-Free Whakatipu Māhia

**5,250** hectares of the peninsula is possum-free with **8,105** bait stations



**Part 3:**  
**Community Outcomes |**  
**Ngā Hua Ā-Hapori**



### Community outcomes

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”.<sup>1</sup>

Our community outcomes are for a:



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 2002, we must report the results of any measurement undertaken during the year of progress towards the achievement of community outcomes.

We use our 23 time-bound strategic goals from our Strategic Plan 2017-2021<sup>2</sup> as community outcome measures. These demonstrate a desire to shift from reporting activity or outputs, to managing for and reporting on outcomes – things that matter to the community. Typically, we do not have full control over the achievement of these outcomes, but have a clear statutory role in achieving them, along with others. Where possible, the outcomes align with national targets or an existing Hawke’s Bay strategy or plan.

The outcome measures are grouped by our four focus areas:

1. **Water**
2. **Land**
3. **Biodiversity**
4. **Infrastructure and Services**

These four areas are interconnected and mutually reinforcing meaning that 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.

### Strategic Plan 2020-2025

In June 2020, we adopted the Strategic Plan 2020-2025 to help inform the planning of the Long Term Plan 2021-2031. We reported against the Strategic Plan 2017-2021 for this Annual Report as it forms the basis of the third and final year of the Long Term Plan 2018-2028, on which this report is based.

---

<sup>1</sup> Section 5 of the Local Government Act 2002

<sup>2</sup> [hbrc.govt.nz, search: #aboutplans](https://www.hbrc.govt.nz/search/#aboutplans)

### Progress on achievement

The tables following provide commentary on:

- progress made in 2020-2021
- actions underway to achieve the target.

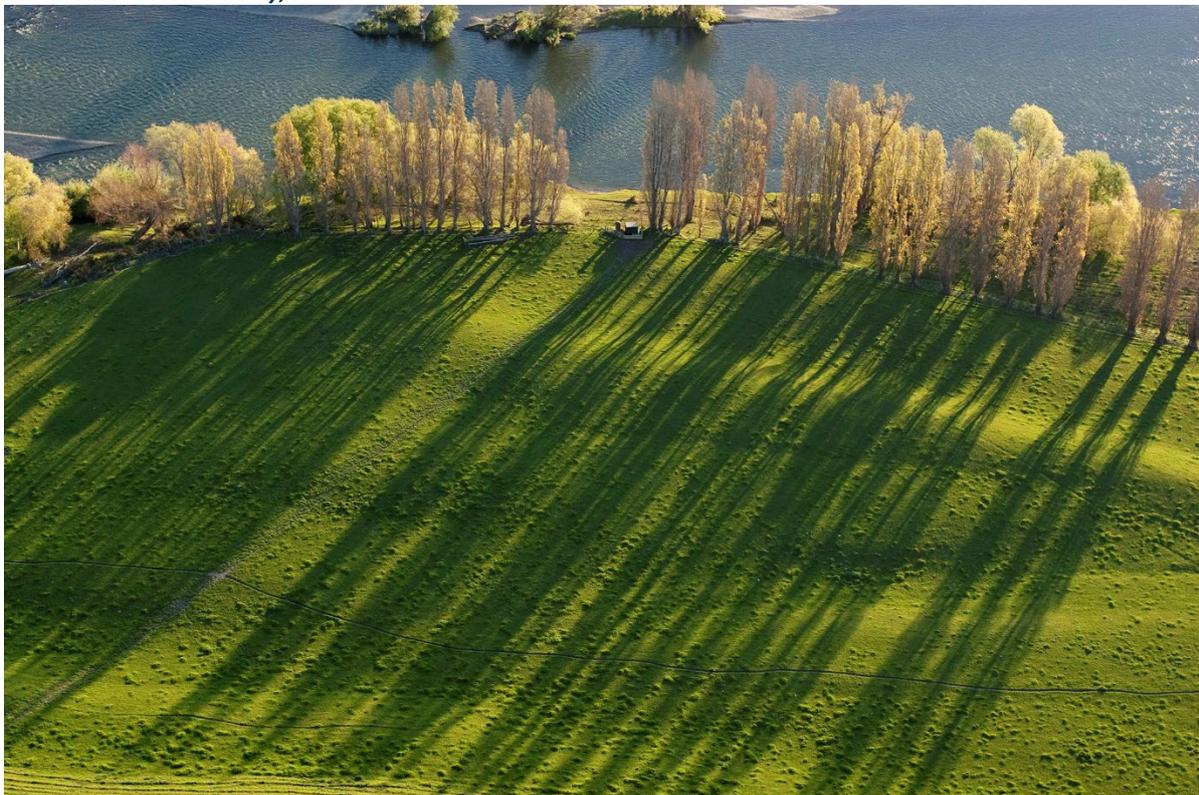
Most of these targets require a range of interventions by the Regional Council such as policy setting, rules and regulation, advocacy, education, and incentives to encourage behaviour change and in some case provision of goods and services directly.

The status against the target (as assessed by staff based on current and future activity or interventions) is described as:

- **Completed,**
- **On track,**
- **Underway,** or
- **Off Track.**

It is intended to develop a time series (where relevant) for our next Annual Report to enable trend reporting. In some cases the methodology for data collection and reporting is still being developed.

*Photo: Tukituki River Valley, Peter Scott*



Water quality, safety and certainty |

Kia kounga, kia haumaru, kia pūmau te pai o te wai

Community outcome target	Status
<p><b>By 2025, plans for catchments where life-supporting capacity is compromised are in place and actively implemented</b></p>	<p>On track</p>
<p><b>Progress over 2020-2021:</b> The National Policy Statement for Freshwater Management 2020 (NPSFM2020), enacted in September 2020, has removed the previous requirements to develop a progressive implementation programme. Under the NPSFM2020 all councils are required to notify their freshwater catchment plans for the region by December 2024.</p> <p><b>Actions underway to achieve the target:</b> The Regional Council will deliver this through Kotahi, a single plan that will combine the Regional Resource Management Plan (RRMP) and Regional Coastal Environment Plan (RCEP), both of which are currently under review, with the Regional Policy Statement (RPS). Work is underway in the Mohaka catchment to co-design the plan with iwi.</p>	
<p><b>By 2025, tangata whenua values for all catchments are identified and embedded in the Regional Resource Management Plan</b></p>	<p>On track</p>
<p><b>Progress over 2020-2021:</b> The enactment of the NPSFM2020 requires regional councils to actively involve tangata whenua in the RRMP development and decision-making processes. Under the NPSFM regional councils are required to give effect to Te Mana o te Wai and actively involve tangata whenua in setting visions and values at a local scale.</p> <p><b>Actions underway to achieve the target:</b> The Regional Council is resourcing a workstream led by tangata whenua in the Mohaka catchment and further funding has been secured through the Long Term Plan 2021-2031 to support and resource tangata whenua across the region. The review of the RRMP through Kotahi will also see the review of regionally significant issues, providing an opportunity to embed tangata whenua values in the Plan.</p>	
<p><b>By 2030, all aquifers, lakes and rivers will have community-agreed quantity and quality limits in force</b></p>	<p>On track</p>
<p><b>Progress over 2020-2021:</b> The NPSFM2020 requires the setting of water quantity and quality limits, and in doing so we must actively involve tangata whenua in freshwater management and engage with tangata whenua and communities to identify long term visions, values and environmental outcomes. Kotahi will set out the water quality and quantity limits.</p> <p><b>Actions underway to achieve the target:</b> The NPSFM2020 requires the plan to be notified by December 2024. Progress is being made in the Mohaka catchment through the pilot for co-design with tangata whenua. This is intended to be replicated in the other catchments.</p>	
<p><b>By 2030, cultural monitoring tools are in-use in all catchments</b></p>	<p>On track</p>
<p><b>Progress over 2020-2021:</b> The Regional Council has been working with Te Taiwhenua o Heretaunga to establish the Tukituki Mātauranga Māori framework (a Māori values-based monitoring and Māori wellbeing framework for the Tukituki Awa/River), including the development of the monitoring tohu/indicators.</p> <p><b>Actions underway to achieve the target:</b> A new position has been established in the Long Term Plan 2021-2031 to specifically focus on Mātauranga Māori to lead a partnership approach that can be rolled out across other catchments in parallel with future plans.</p>	

## Part 3 – Community Outcomes | Ngā Hua Ā-Hapori

Community outcome target	Status																
<p><b>By 2030, all popular Hawke’s Bay swimming sites will be swimmable 80% of the time, and 90% of the time by 2040<sup>3</sup></b></p>	<p><b>On track</b></p>																
<p><b>Progress over 2020-2021:</b> Our Marine &amp; Coast and Environmental Information teams monitor 36 popular recreation sites weekly for 20 weeks between November and March each year. Around 650 samples were taken over the 2020-2021 season at marine, estuarine and freshwater sites.</p> <p>Over this season monitored sites were suitable for swimming 90% of the time, caution was advised 6% of the time and unsuitable for swimming 4% of the time.</p> <p>The rolling average over the last five years (2016 to 2021) by type was:</p> <table border="1"> <caption>Rolling Average of Water Quality (2016-2021)</caption> <thead> <tr> <th>Water Type</th> <th>Suitable for swimming</th> <th>Caution advised</th> <th>Unsuitable for swimming</th> </tr> </thead> <tbody> <tr> <td>Marine</td> <td>95%</td> <td>2%</td> <td>3%</td> </tr> <tr> <td>Freshwater</td> <td>81%</td> <td>10%</td> <td>9%</td> </tr> <tr> <td>Estuary/Lagoon</td> <td>77%</td> <td>11%</td> <td>12%</td> </tr> </tbody> </table> <p>■ Suitable for swimming; ■ Caution advised; ■ Unsuitable for swimming</p> <p><b>Actions underway to achieve the target:</b> The major stressor is ruminants’ (cows, sheep, deer, goats) faeces in water so fencing and planting, and national stock exclusion rules are key to achieving the target by 2040. Work programmes that contribute to swimmability include the Erosion Control Scheme, riparian margin protection, Farm Environment Management Plans and flood protection, alongside a strong regulation framework and community education.</p>		Water Type	Suitable for swimming	Caution advised	Unsuitable for swimming	Marine	95%	2%	3%	Freshwater	81%	10%	9%	Estuary/Lagoon	77%	11%	12%
Water Type	Suitable for swimming	Caution advised	Unsuitable for swimming														
Marine	95%	2%	3%														
Freshwater	81%	10%	9%														
Estuary/Lagoon	77%	11%	12%														

<sup>3</sup> National Policy Statement for Freshwater Management 2020

## Part 3 – Community Outcomes | Ngā Hua Ā-Hapori

Community outcome target	Status
<p><b>By 2050, there will be an improving trend in the life-supporting capacity of all of the region’s degraded rivers and major streams</b></p>	<p><b>Off track</b></p>
<p><b>Progress over 2020-2021:</b> As of June 2021, 17 out of 74 sites (23%) monitored had a Macroinvertebrate Community Index (MCI) score indicative of either 'pristine' or 'mild' nutrient enrichment. The method of assessment for MCI provided by Land Air Water Aotearoa (LAWA) changed in 2020-2021 which means sites appear to score worse than they did previously despite having the same results.</p> <p>The results of our latest State of the Environment reporting period (July 2016-June 2021) are:</p> <ul style="list-style-type: none"> <li>• 26 sites in the D band (severe nutrient enrichment)</li> <li>• 31 sites in the C band (moderate nutrient enrichment)</li> <li>• 16 sites in the B band (mild nutrient enrichment)</li> <li>• 1 site in the A band (pristine)</li> </ul> <p>We continue to monitor the macroinvertebrate community index alongside the development of our ecosystem health monitoring programme, which provides a more holistic measure of life supporting capacity.</p> <p><b>Actions underway to achieve the target:</b> Plan changes are commencing, and various on-ground activities will be contributing to ecosystem health outcomes. Our degraded rivers and streams should support more aquatic life if activities like riparian habitat enhancement and sediment reductions continue to occur. The Karamū-Clive River is a good example where more riparian planting would give much needed shade to inhibit aquatic plant growth and oxygen slumps.</p> <p>This objective will be reflective of outcomes influenced by almost all aspects of the Regional Council’s work such as development and implementation of effective policies, alongside environmental monitoring and reporting that measures the changes desired.</p> <p>An improvement in life-supporting capacity by 2050 should be gained by the policies and practices being promoted and implemented by our work in this area. The Long Term Plan 2021-2031 contains an additional investment to increase service delivery in our waterways. We do not have evidence of widespread improvement occurring at this time, however the State of Environment synthesis report, due at the end of 2021-2022, will give a clearer indication of our capacity to progress this outcome target.</p>	

Smart sustainable land use |

Kia koi, kia ukauka te whakamahinga o te whenua

Community outcome target	Status
<p><b>By 2025, stock is excluded from all year-round flowing streams and rivers and at least 30% are fenced and planted to filter contaminants</b></p>	<p><b>On track</b></p>
<p><b>Progress over 2020-2021:</b> We began a riparian monitoring assessment project to statistically assess the condition of the region’s riparian margins. Starting in the Tukituki catchment, this is a continuing programme that is designed to monitor (statistically with 95% confidence) riparian condition across agricultural land across the region. All river berms managed by the Regional Council are either fenced, if grazed, or mowed.</p> <p><b>Actions underway to achieve the target:</b> Achievement of this outcome target will be reinforced by the Resource Management (Stock Exclusion) Regulations that came into force on 3 September 2020 as part of the Essential Freshwater reform package. Under these regulations cattle, pigs and deer are prohibited from accessing wetlands, lakes and rivers by 1 July 2023 and in some cases by 1 July 2025. Non-compliance will be managed by the Regional Council.</p>	
<p><b>By 2025, Land Use Suitability information is available to all commercial landowners to inform smarter land use</b></p>	<p><b>On track</b></p>
<p><b>Actions underway to achieve the target:</b> Land use suitability is a cornerstone of our Science and Technology Strategy. We are undertaking a pilot project – Whitiwhiti Ora – in collaboration with Manaaki Whenua Landcare Research in the Northern part of Hawke’s Bay. This will be the template for further work supplying land suitability information for landowners and other stakeholders. This is an ongoing work programme and is on track.</p>	
<p><b>By 2030, all commercial farms, orchards and vineyards operate under a Farm Environment Management Plan (FEMP) or an independently audited industry best practice framework</b></p>	<p><b>On track (Tukituki only)</b></p>
<p><b>Progress over 2020-2021:</b> All farms over 4 hectares must have a FEMP under the Tukituki Plan. The first FEMP renewal end date passed on 31 May 2021. Overall, 74% of all properties in the Tukituki catchment have either re-submitted their FEMP or engaged with an approved FEMP provider. Compliance action will be undertaken for the remaining properties. Existing plans are still operative.</p> <p><b>Actions underway to achieve the target:</b> Properties outside of the Tukituki catchment currently have no requirement to submit a FEMP to the Regional Council. A national framework for Freshwater Farm Plans is currently proposed and undergoing consultation. It is open for submission through the Ministry for the Environment. The National Farm Plan Framework will inform the rollout of further farm planning across the rest of the region and help us achieve this outcome target.</p>	

## Part 3 – Community Outcomes | Ngā Hua Ā-Hapori

Community outcome target	Status
<p><b>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</b></p>	<p><b>On track (Tukituki only)</b></p>
<p><b>Progress over 2020-2021:</b> All properties within the Tukituki catchment require a FEMP which must include a comprehensive phosphorus management plan. As noted above, 74% of expected properties have either re-submitted their FEMP or engaged with an approved FEMP provider. Compliance action will be undertaken for the remaining properties. The Erosion Control Scheme outputs on erodible land are reported in the next outcome measure.</p> <p><b>Actions underway to achieve the target:</b> See comments above.</p>	
<p><b>By 2050, all highly erodible land will be under tree cover</b></p>	<p><b>Off track</b></p>
<p><b>Progress over 2020-2021:</b> There is an estimated 252,000 hectares of highly erodible land in Hawke’s Bay. This contributes an estimated 3.3 million tonnes of sediment to Hawke’s Bay waterways each year. This year is the third year of the Erosion Control Scheme (ECS) which has planted 2,033 hectares over that time. The ECS provided a 75% subsidy to landowners for erosion mitigation such as planting, reversion and protection planting.</p> <p><b>Actions underway to achieve the target:</b> To reach our target, more widescale targeted commercial planting is required to be transformational in highly erodible land coverage. The Right Tree Right Place pilot project is intended to accelerate progress towards this outcome target. National and regional policy setting under the NPSFM2020 will also support the achievement of this outcome target.</p> <p>The 2020-2021 financial year saw a significant increase in landholders seeking ECS funding, consequently the grant rate has been reduced to 50%. This is currently deemed the appropriate level to spread the funding further and maintain a high level of uptake. Further to this a funding cap per project per year has been introduced to help ensure as many eligible landowners can apply for the grant in any given year.</p>	
<p><b>By 2030, there will be 20% less contaminants from urban and rural environments into receiving waterbodies</b></p> <p><b>By 2050, there will be 50% less contaminant from urban and rural environments into receiving waterbodies</b></p>	<p><b>Off track</b></p>
<p>Trend analyses do not indicate we are on a trajectory for a widespread 50% reduction in contaminant levels throughout Hawke's Bay unless substantial changes occur on the land. Climate change impacts may exacerbate existing problems.</p> <p><b>Actions underway to achieve the target:</b> Achieving this target will be influenced by almost all aspects of the Regional Council’s work such as the development and implementation of effective policies, rules, advocacy, education, engagement, compliance, enforcement, planting, fencing, environmental monitoring and reporting to track reductions in contaminant levels.</p>	

**Healthy and functioning biodiversity |**

**Kia ora, kia mahi tika te kanorau koiora**

Community outcome target	Status
<p><b>By 2020, regional priority locations for ecosystem restoration – including in the coastal marine area – have been identified</b></p>	<p><b>Achieved</b></p>
<p>In total, 700 priority terrestrial ecosystem sites have been identified based on type, number, size, connectivity and condition using Zonation, a conservation planning software tool. Results were then verified using expert local knowledge. Zonation helped determine the top 30% priority terrestrial sites to put our efforts in to deliver the biodiversity outcomes for the investment. Key ecological areas have been identified for the Hawke's Bay coastal marine area using a nationally consistent approach developed by NIWA.</p>	
<p><b>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>)</b></p>	<p><b>Off Track</b></p>
<p><b>Progress over 2020-2021</b> Thirteen sites (of the identified 700 as above) were under active restoration in 2020-2021, of which five were new (additional) sites. Seven of the sites under active restoration in the last three years have included wetland areas. The biodiversity team was highly successful at leveraging funding from external sources to stretch its investment and protect more rare and threatened ecosystems.</p> <p><b>Actions underway to achieve the target:</b> We have multiple teams assisting in the protection of terrestrial sites, including catchment services, catchment management, open spaces and engineering. The pending National Policy Statement for Indigenous Biodiversity will introduce regulatory drivers that will support the achievement of this target.</p> <p>Key ecological areas have also been identified for the Hawke's Bay coastal marine area but no programme is in place yet to protect or restore these sites.</p> <p>There needs to be additional funding and/or more regulatory action to make more rapid progress. The Long Term Plan 2021-2031 included additional resources to upscale work but this outcome target remains challenging. This measure will not be achieved by 2030 at the current rate of progress.</p>	
<p><b>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>)</b></p>	<p><b>Off Track</b></p>
<p><b>Progress over 2020-2021:</b> Work was undertaken at 13 priority ecosystem sites of which five were new (additional) sites. Sites with the highest return on investment were selected first.</p> <p><b>Actions underway to achieve the target:</b> Some sites require ongoing pest management and some sites will become more expensive to secure due to size and difficulty of terrain/threat management. This measure will not be achieved by 2050 at the current rate of progress.</p>	

## Part 3 – Community Outcomes | Ngā Hua Ā-Hapori

Community outcome target	Status
<p><b>By 2050, Hawke’s Bay is predator free in line with NZ 2050 target</b></p>	<p><b>On track (Whakatipu Māhia)</b></p>
<p><b>Progress over 2020-2021:</b> The focus for the predator free team has been the Whakatipu Māhia project which is on track to deliver the Predator-Free New Zealand 2050 (PF2050) target. This includes 14,500 hectares of possum eradication and reducing mustelid populations by 90% on the peninsula. Land occupiers within this area have been signed up to the Possum Eradication Area programme contained within the Regional Pest Management Plan 2019 (RPMP2019) and will be responsible for maintaining possum eradication status in accordance with the Hawke’s Bay Regional Possum Control Technical Protocol (PN 4969).</p> <p><b>Actions underway to achieve the target:</b> Despite significant challenges the project is currently on track to deliver its possum eradication commitments to PF2050. The map below outlines the teams progress across the peninsula to date:</p> <ul style="list-style-type: none"> <li>• green icons represent bait stations</li> <li>• red icons represent wireless monitored traps</li> <li>• purple icons represent motion sensitive cameras</li> </ul> <div data-bbox="204 1003 1374 1659"> <p>The figure consists of three side-by-side maps of the Whakatipu Māhia peninsula. The first map on the left shows a dense grid of green icons representing bait stations across the entire landmass. The middle map shows a network of red icons representing wireless monitored traps, primarily following the coastline and major roads. The third map on the right shows a sparse distribution of purple icons representing motion sensitive cameras, scattered across various parts of the peninsula.</p> </div>	

Sustainable services and infrastructure |

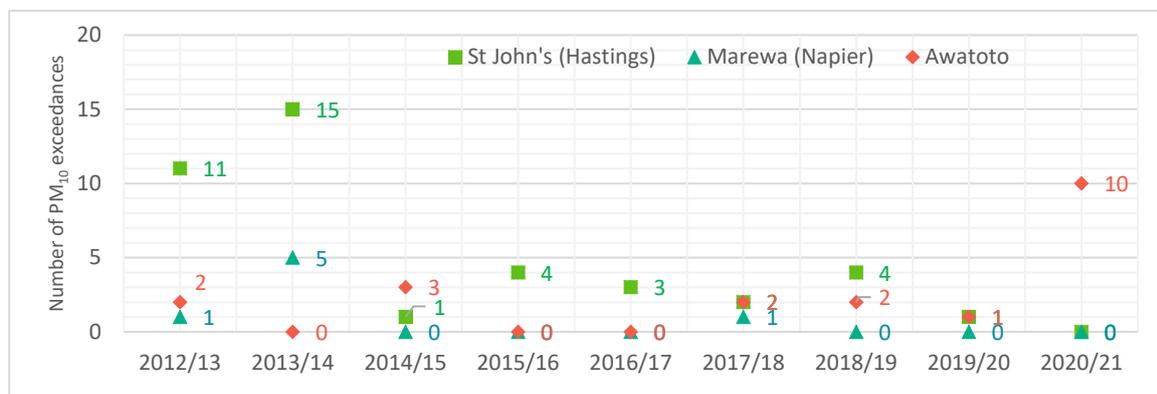
Kia ukauka ngā ratonga me ngā hanganga ā-rohe

Community outcome target	Status
By 2025, regional air quality consistently meets World Health Organisation (WHO) guidelines	On track

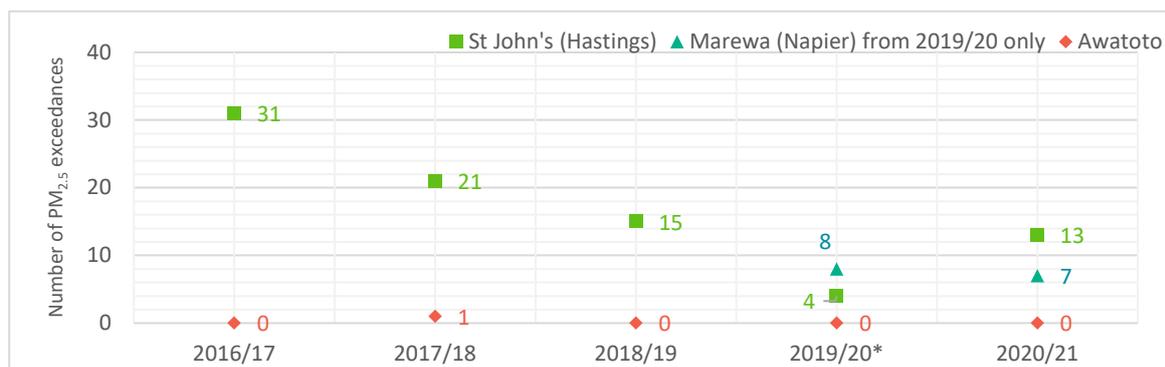
**Progress over 2020-2021:** The Regional Council has continuous monitoring across three stations for air pollutants. There were no exceedances in 2020-2021 of the PM<sub>10</sub> 24-hour guideline in the Napier and Hastings airsheds but 10 in the Awatoto airshed (Graph 1). The climate scientist is reviewing the spike in Awatoto however suspects an increase in contributions from natural sources, principally sea salt, due to a greater prevalence of onshore winds and large swells in La Niña conditions.

There were 7 exceedances of the WHO PM<sub>2.5</sub> 24-hour guideline in Napier, 13 in Hastings and 0 in Awatoto (Graph 2). The sulphur dioxide (SO<sub>2</sub>) 24-hour guideline was exceeded 5 times in the Awatoto airshed.

Graph 1: Number of PM<sub>10</sub> exceedances at the three sites over a nine-year period



Graph 2: Number of PM<sub>2.5</sub> exceedances at the three sites over a five-year period



\* 2019/20 results were affected by site vandalism at the Napier and Hastings sites.

**Actions underway to achieve the target:** Regulation is one of a range of actions effective in improving air quality. Graph 1 (above) shows the step change in emissions from 2013-2014 when regulation to phase out old burners was introduced. Incremental improvements are being achieved through education and incentives via the Regional Council’s Heatsmart Programme. Work programmes that will contribute to these outcomes to consistently achieve this target by 2025 and beyond include the Sustainable Homes programme and continued education alongside a strong regulatory framework.

## Part 3 – Community Outcomes | Ngā Hua Ā-Hapori

Community outcome target	Status
<b>By 2025, coastal hazards are being managed to meet foreseeable climate change risks to coastal communities out to 2100</b>	<b>On track</b>
<p><b>Progress over 2020-2021:</b> The Clifton to Tangoio Coastal Hazards Strategy 2100 was adopted in early 2018 by the Joint Committee – a collaboration between Hawke’s Bay Regional Council, Napier City Council, Hastings District Council, Mana Ahuriri Incorporated, Heretaunga Tamatea Settlement Trust and the Maungaharuru-Tangitū Trust. The HBRC engineering team completed significant work on the coastal hazard mitigation options.</p> <p><b>Actions underway to achieve the target:</b> Napier City, Hastings District and Hawke’s Bay Regional Council are actively considering which council is best to lead and fund the implementation of the Strategy. The Strategy development process has been joint and equally funded by the partner councils since its inception in 2016. An independent review has recently recommended that the Regional Council assume responsibility for existing coastal assets and rating for coastal hazard mitigation projects. Separate consultation on this proposal is planned in due course.</p>	
<b>By 2025, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructure</b>	<b>On track</b>
<p><b>Progress over 2020-2021:</b> The construction of the new wharf – Wharf 6 – continues on schedule, on budget and on track for completion by late 2022. When finished will give the Port the ability to handle bigger ships and more shipping lines.<sup>4</sup></p> <p><b>Actions underway to achieve the target:</b> Napier Port is exploring the establishment of an Inland Port which will provide support to the rest of the Port operations and enable the Port to be poised to meet future growth.</p>	
<b>By 2030, flood risk is being managed to meet foreseeable climate change risks out to 2100</b>	<b>On track</b>
<p><b>Progress over 2020-2021:</b> Infrastructure Reference Group (IRG)-funded resilience improvements on the Heretaunga Flood Control Scheme have started with the modelling completed. Several sites are being investigated and prioritised for upgrades to meet 1 in 500 year level of protection (from 1 in 100 year protection). Work has started on the priority schemes: Napier/Meeanee (Napier), Karamu (Hastings).</p> <p><b>Actions underway to achieve the target:</b> IRG-funded work on the Upper Tukituki scheme was approved in the Long Term Plan 2021-2031 (LTP 21-31) to remove gravel from the scheme to maintain 1:100 level of protection. The LTP 21-31 approved an additional resource to focus on reviewing all schemes to determine a road map for meeting level of service with climate change to inform subsequent infrastructure strategies.</p>	

<sup>4</sup> [napierport.co.nz/wp-content/uploads/2020/11/NPH-2020-Annual-Report.pdf](http://napierport.co.nz/wp-content/uploads/2020/11/NPH-2020-Annual-Report.pdf)

## Part 3 – Community Outcomes | Ngā Hua Ā-Hapori

Community outcome target	Status
<b>By 2030, Hawke’s Bay has environmentally sustainable, harvestable water identified and stored or plans to be stored if required</b>	<b>On track</b>
<p><b>Actions underway to achieve the target:</b> By leveraging \$5 million allocated in the Long Term Plan 2018-2028 to secure \$30.6 million from the Government’s Provincial Growth Fund, the Regional Council has a substantial Regional Water Security Programme focused on understanding the region’s freshwater resources and making decisions as a community on how we protect and manage them, particularly in a changing climate.</p> <p>Progress continues to be made on:</p> <ul style="list-style-type: none"> <li>• investigations for below-ground water storage in Central Hawke’s Bay – Managed Aquifer Recharge Pilot project</li> <li>• investigations for above-ground storage in the Ngaruroro Catchment which feeds the Heretaunga Aquifer system</li> <li>• study of the long-term water supply and demand profile of the region and the portfolio of interventions required to achieve long-term, climate-resilient, secure supplies of freshwater for all.</li> </ul> <p>This work is supported by the aerial electromagnetic survey of Hawke’s Bay’s aquifers with SkyTEM (3D mapping of 8,000 km of aquifer down to 300m) that was undertaken in 2019-2020.</p>	
<b>By 2040, Hawke’s Bay is carbon neutral</b>	<b>Underway</b>
<p><b>Progress over 2020-2021:</b> Following the Regional Council declaring a climate emergency for the Hawke’s Bay region on 26 June 2019, we have:</p> <ul style="list-style-type: none"> <li>• reset our Strategic Plan to have a bigger focus on climate change</li> <li>• assessed all Long Term Plan proposals using climate, smart, recovery criteria</li> <li>• held a Youth Climate Camp at Tūtira</li> <li>• run a six-week community engagement campaign including a resident survey, pop-ups, Climate Action Hub website, case study videos and social media posts</li> <li>• engaged NIWA to complete a regional study of projections and impacts</li> <li>• commissioned Ekos<sup>5</sup> to measure our operational carbon footprint.</li> </ul> <p>The Regional Council’s emissions were 882 tonnes of carbon dioxide equivalent. The majority (86%) came from its vehicle fleet, with electricity usage the second highest at 4% and all other activities making up the remaining 10%.</p> <p><b>Actions underway to achieve the target:</b> Climate change was built into significant assumptions, level of service reviews, project planning and decision-making during the development of the Long Term Plan 2021-2031 (LTP21-31). The LTP 21-31 takes an adaptation and mitigation approach to climate change. Four of the six key consultation topics leveraged partnership funding to help urgently meet the climate change challenge: Right Tree Right Place, future water use, and on-demand public transport.</p> <p>A dedicated Climate Change Ambassador, funded from carbon credits from the Regional Council’s forests, has been included to coordinate and promote a community-wide response, supported by new EnviroSchools and Urban Catchment Coordinator roles. Uncapped funding for the Sustainable Housing Programme has been maintained for at least the next three years.</p> <p>A regional inventory of greenhouse gas emissions is needed to set a baseline for Hawke’s Bay.</p>	

<sup>5</sup> Ekos is a social enterprise that develops, pilots and scales up innovative approaches to financing a sustainable future



**Part 4:**  
**Groups of Activities |**  
**Ngā Whakarōpūtanga Kaupapa**



### How to read this section

The work that we undertake relates to 21 activities across seven groups. We aggregate and report our financial and service performance information within the seven groups of activities for ease of understanding. The level of service measures and targets are set in our Long Term Plan 2018-2028. This is our third and final annual report to this Long Term Plan.

The seven 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

### What we do

We provide a brief description of the activities that make up each group of activities.

### Why we do it

We describe the rationale for service delivery of activities and the community outcomes<sup>1</sup> to which the group primarily contributes (as summarised below). Our community outcomes are derived from the vision statement in our Strategic Plan 2017-2021<sup>2</sup> we want “a healthy environment, a vibrant community and a prosperous economy.” We also describe any identified effects that activities have on the four wellbeings.<sup>3</sup>

Groups of Activities	 HEALTHY ENVIRONMENT	 VIBRANT COMMUNITY	 PROSPEROUS ECONOMY
Governance and Partnerships		○	○
Strategic Planning	○	○	○
Integrated Catchment Management	○		
Asset Management		○	○
Consents and Compliance	○	○	○
Emergency Management		○	○
Transport	○	○	○

<sup>1</sup> community outcomes are 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.

<sup>2</sup> hbrc.govt.nz, search: #aboutplans

<sup>3</sup> social, economic, environmental and cultural wellbeing

## Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

---

### What we spent

This is the operating and capital costs for each group of activities shown as a chart. More detailed financial information is covered in the financial impact statements in Part 5 – Financials.

### How did we do?

This is the Statement of Service Performance for each group of activities shown as a table. It covers:

- level of service statements (39 in total)
- level of service measures with performance targets (60 in total)
- actual results for the year expressed as:  
**Achieved**   **Partially Achieved**   **Not Achieved**   **Not Measured**
- previous years' results (for comparison)
- commentary to provide context and more information on the performance result.

*Photo: Lake Tūtira*



### Governance and Partnerships

#### What we do

This group of activities includes:

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

#### Community Representation and Leadership

We aim to support elected members in their governance roles to make robust and transparent decisions. We maintain 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.

#### Tangata Whenua Engagement and Community Engagement

This activity covers our engagement with tangata 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 engagement and communication with the general community through a variety of media and the EnviroSchools programme.

Protecting and enhancing our environment is a high priority for our region and engaging with tangata whenua is critical to our success. Greater capability, influence and economic strength are emerging for Māori in the region as Treaty settlement processes conclude. This accompanies increasing expectations and legal requirements on us to co-govern and co-manage the region's natural resources through our Regional Planning and Māori Committees.

#### Why we do it

This group of activities primarily contributes to a **vibrant community** by giving tangata whenua and the people of Hawke's Bay opportunities to have a meaningful say on the direction of the region. It also contributes to a **prosperous economy** through maintaining a strategic relationship with Hawke's Bay Regional Investment Company, which manages the Regional Council's assets on behalf of ratepayers.

Most of what we do in this group 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



# Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Governance and Partnerships

### What we spent



### How did we do?



**Governance and Partnerships**

**Community Representation and Leadership activity**

Level of Service Statement			
<p>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</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Council meetings are conducted in compliance with statutory requirements and standing orders <b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> All meetings met statutory requirements as amended by the COVID-19 Response (Further Management Measures) Legislation Act 2020 while the Pandemic Notice remained in effect. Eighteen public Regional Council and committee meetings were held in the Council Chamber with facilities available for members to attend via Zoom and notified in accordance with LGOIMA<sup>4</sup> requirements. Agenda and minutes of all meetings are available <a href="https://www.hbrc.govt.nz">hbrc.govt.nz</a>, search: #meetings</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Long term plans and annual reports receive 'unmodified' audit opinions <b>Performance target:</b> Achieved</p>	Partially achieved	Partially achieved	Achieved
<p><b>Comments:</b> The Annual Report 2019-2020 was adopted late but with an unmodified audit opinion. It was adopted after the extended statutory deadline of 31 December 2020 due to the application of accounting policy at consolidation in current and previous years (specifically relating to the methodology used to value Napier Port land).  This is an improvement on the previous Annual Report 2018-2019 which was qualified due to the group financial statements, including the financial statements of the Council's subsidy, Port of Napier Limited, for the year ended 31 March rather than 30 June.</p>			

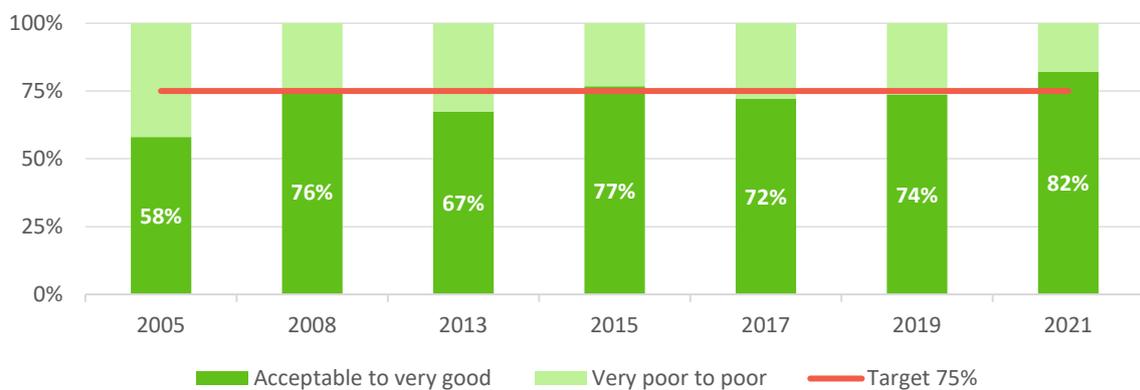
<sup>4</sup> Local Government Official Information and Meetings Act 1987

Governance and Partnerships

Community Representation and Leadership activity (continued)

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Percentage of surveyed residents who perceive 'acceptable to very good' value of services from HBRC rates <sup>5</sup> <b>Performance target:</b> 75%	Not achieved 73.7%	No survey	<b>Achieved</b> 82.1%

**Comments:** Over 82% of residents recorded 'acceptable to very good' value for their rates in the June 2021 survey. This is our highest rating since the survey began in 2005 – see graph below.



Level of Service Statement

HBRC will make sound investment decisions to grow its assets and generate investment incomes to fund council projects, programmes and activities

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Rate of return on investment as set out in Council’s Investment Policy <sup>6</sup> are met <b>Performance target:</b> Achieved	Partially achieved	Not achieved	<b>Achieved</b>

**Comments:** The Long Term Plan 2018-2028 assumed a 5% return on funds. In 2020-2021 the Mercer held funds returned 12.5% and the Jarden held funds returned between 13.3% and 14.5%.

<sup>5</sup> Two-yearly HBRC Resident Survey

<sup>6</sup> **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 and Partnerships

Tangata Whenua Partnerships and Community Engagement activity

Level of Service Statement			
HBRC engages in strategic relationships to better achieve its vision and purposes			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Annual reporting to Council on performance of strategic relationships</p> <p><b>Performance target:</b> Achieved</p>	Not measured	Not measured	Not measured
<p><b>Comments:</b> Performance of strategic relationships was not measured and therefore not reported prior to the Annual Report. A methodology for measuring performance will be co-designed in the form of a survey/reporting framework with representatives from the Māori Committee and Regional Planning Committee.</p> <p>Strategic relationships relate to the operation of the Māori Committee and Regional Planning Committee (RPC) and bilaterals with Post Settlement Governance Entities. The RPC met five times and the Māori Committee six times during the year.</p> <p>Highlights achieved this year include updating the Māori Committee charter, the decision to establish Māori constituencies and working on the co-design of the Mohaka Plan Change.</p>			
Level of Service Statement			
HBRC has the internal capability and capacity to engage effectively with tangata whenua			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> An annual programme to improve cultural competency for staff and councillors is resourced, developed and implemented</p> <p><b>Performance target:</b> Achieved</p>	Not achieved	Achieved	Achieved
<p><b>Comments:</b> A Hawke’s Bay inter-council network collaborated, developed and launched a new digital cultural app in late February 2021. <i>Te Kupenga</i> is the digital app designed to provide cultural competency across the five councils and other agencies. The app includes Hawke’s Bay’s relevant language, cultural reference points, waiata, karakia and general knowledge. At year end, the app had achieved 1,100 downloads and is the go-to cultural resource for all staff and councillors. A waiata, by local composer Tuirina Wehi, was created specifically for HBRC.</p> <p>EIT te reo Māori language courses for staff continued until the end of September 2020. Six of nine HBRC councillors attended a Treaty workshop prior to the hearings on the Māori constituency consultation.</p> <p>HBRC acquired and implemented Te Rito e-Learning courses created by Kia Maia Bicultural Communications – a cultural learning development framework comprising 14 self-paced and assessed modules. This will be offered to all staff and councillors and will be an induction requirement through new recruitment. Roll-out of this initiative will be managed by the Māori Partnerships team in 2021-2022 with hand-over at year-end to the People &amp; Capability team. The Māori Partnerships team, alongside the People &amp; Capability team, has developed and installed a cultural competency matrix complementary to HBRC’s human resources competency framework.</p>			

### Strategic Planning

#### What we do

This group of activities includes:

- Strategy
- Planning
- Sustainable Regional Development

#### Strategy

We ensure that organisational strategy is effectively translated into action to achieve the desired outcomes as set in our Strategic Plan. We undertake research, project and programme management, and the development of statutory and non-statutory regional strategies and plans including the Long Term Plan and Annual Plan.

#### Planning

We develop, review and evaluate the Resource Management Act 1991 (RMA) planning documents including the Regional Policy Statement, Coastal Plan and Regional Resource Management Plan. We also provide statutory advocacy of our resource management policies and interests through submissions and various exchanges with other resource management agencies (for example, submissions on land use consent and plan change applications lodged with territorial local authorities, district plan review documents, central government policy initiatives/national direction and asset management planning work).

#### Sustainable Regional Development

As a whole, we play a broad role in regional economic development by ensuring the natural resource platform upon which both the economy and community relies on is managed to meet the reasonably foreseeable needs of future generations. We also contribute to the Matariki Regional Economic Development Strategy (REDS) and Regional Council-led projects within the strategy.

We provide regional funding via a targeted economic development rate to support Business Hawke's Bay and Hawke's Bay Tourism. We are the sole local government funder of Hawke's Bay Tourism by agreement with the region's territorial authorities (Napier, Hastings, Central Hawke's Bay and Wairoa councils). The central government funded Regional Business Partners Programme also sits under our control. The Programme connects local businesses with the right resources and experts to build capability and grow.

## Strategic Planning

### Why we do it

This group of activities is focused on maximising the economic and social benefits of the region’s resources while minimising detrimental environmental impacts. This contributes to all three community outcomes of a **prosperous economy**, a **vibrant community** while managing the impacts to support a **healthy environment**.

We carry out this role because we can provide an integrated overview of the entire region and have a statutory mandate under the Resource Management Act 1991.



### What we spent



### How did we do?



Strategic Planning

Strategy activity

Level of Service Statement			
<p>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</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Annual reporting to Council on the development and/or implementation of the Strategic Plan to maintain its currency and relevance</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> A refreshed Strategic Plan 2020-25 was adopted in June 2020. The 24 revised Strategic Plan Outcomes (SPOs) were incorporated into an Organisation Performance Dashboard that is updated quarterly. The dashboard links SPOs with relevant level of service measures and budget codes to show what work is contributing to their achievement. Work is underway to give SPOs a baseline showing a timeseries and projected pathway for achievement.</p>			
Level of Service Statement			
<p>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</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Compliance with statutory timeframes for Resource Management Act planning documents</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> No known failures to comply with statutory timeframes during the financial year relating to preparation and review of Resource Management Act (RMA) planning documents. This year has seen both the Tūtaekurī, Ahuriri, Ngaruroro, Karamū (TANK) Plan Change (PC9) and Outstanding Water Bodies Plan Change (PC7) progress through the hearing stage. In total, 240 initial submissions were received on the draft TANK Plan and a significant proportion of the year was dedicated towards preparation for the hearings which ran over three weeks in May/June 2021, with over 90 submitters heard in support of their submission. The Outstanding Water Bodies Plan Change hearing was held in November/December 2020 with a decision released by the Independent Hearing Panel in late June 2021. Fifteen waterbodies including coastal estuaries and lagoons have now been classified as regionally outstanding.</p>			

Strategic Planning

Level of Service Statement																					
HBRC will proactively work with territorial authorities to achieve alignment on policies, plans and strategies																					
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																		
<p><b>Service measure:</b> 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</p> <p><b>Performance target:</b> Two or more achieved</p>	Achieved	Partially achieved	Partially achieved																		
<p><b>Comments:</b> Regular communication with the territorial local authorities’ planning managers was maintained via various channels throughout the year. This involved development of a joint submission on the proposed national air quality rules, discussions about how the government’s new National Policy Statement on Urban Development might be implemented, discussions on Heretaunga Plains Urban Development Strategy, CHBDC district plan review, Kotahi, resource management reform, tangata whenua involvement in plan making amongst other topics. One meeting of the Hawke’s Bay Council Planning Managers was held in March 2021.</p>																					
Level of Service Statement																					
HBRC will regularly submit on national direction, plan and consenting matters																					
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																		
<p><b>Service measure:</b> Number of submissions on resource management-related proposals made to local and central government per annum</p> <p><b>Performance target:</b> Maintain three-year rolling average</p>	Achieved 8.7	Achieved 12	Not achieved 11.7																		
<p><b>Comments:</b> Four submissions were lodged during the year bringing the three-year rolling average down to 11.7. The reduced number of submissions was largely due to central government-related proposals easing around the General Election (October 2020). This was following an unprecedented year of activity in 2019-2020 from central government on resource management-related proposals. The reduction in the number of submissions was also due to a reduction in the number of reports, consents, policies and plans notified. All submissions are made available online <a href="https://hbrc.govt.nz">hbrc.govt.nz</a>, search: #hbrcsubmissions</p>																					
<table border="1"> <caption>Actual Submissions and 3-year Rolling Average</caption> <thead> <tr> <th>Year</th> <th>Actual Submissions</th> <th>3-yr Rolling Average</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>9</td> <td>6.67</td> </tr> <tr> <td>2017/18</td> <td>5</td> <td>6.3</td> </tr> <tr> <td>2018/19</td> <td>12</td> <td>8.7</td> </tr> <tr> <td>2019/20</td> <td>19</td> <td>12</td> </tr> <tr> <td>2020/21</td> <td>4</td> <td>11.7</td> </tr> </tbody> </table>				Year	Actual Submissions	3-yr Rolling Average	2016/17	9	6.67	2017/18	5	6.3	2018/19	12	8.7	2019/20	19	12	2020/21	4	11.7
Year	Actual Submissions	3-yr Rolling Average																			
2016/17	9	6.67																			
2017/18	5	6.3																			
2018/19	12	8.7																			
2019/20	19	12																			
2020/21	4	11.7																			

Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa  
**Strategic Planning**

**Sustainable Regional Development activity**

Level of Service Statement			
HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Funding contracts with approved performance targets and reporting requirements are in place for Hawke’s Bay Tourism, Matariki REDs and the Regional Business Partners Programme</p> <p><b>Performance target:</b> Achieved</p>	Partially achieved	Achieved	<b>Achieved</b>
<p><b>Comments:</b> Funding contracts are in place for all entities noting that Business Hawke's Bay has ceased operation. HBRC assumed responsibility for managing the Business Hub during this year pending agreement of a revised regional economic development delivery framework. In the absence of an Economic Development Agency, Matariki RED played a significant role in ensuring Hawke’s Bay has a clear set of aligned regional priorities for any new funding opportunities from 1 July 2021. The review of economic development delivery for Hawke's Bay continues and Business Hawke’s Bay formalised its wind-up on 30 June 2021.</p> <p>In total, 987 businesses were supported through the Regional Business Partners Programme compared with a target of 220.</p>			

### **Integrated Catchment Management**

#### **What we do**

This group of activities includes:

- Science and Information
- Catchment Management
- Biodiversity and Biosecurity

#### **Science and Information**

We are involved in monitoring the state, condition and use of land, air, water, coast, and marine resources within the region and reporting against relevant standards and guidelines. Science investigations into causes and effects are undertaken as well as new and existing initiatives to improve environmental outcomes such as water demand management.

We operate the Sustainable Homes programme and Water Information Services. Sustainable Homes provides financial assistance to ratepayers to replace non-compliant fires, install insulation and other measures including promotion of solar electricity technology and domestic water storage that reduces energy consumption and makes homes more sustainable and resilient.

Water Information Services provide a programme of 'in the field advice' to improve irrigation efficiency, water use monitoring, reporting and conservation, working with individual water take consent holders, water user groups, industry and other local authorities.

#### **Catchment Management**

We work within the region's catchments to understand the catchments' sustainable management challenges and the views and aspirations of landowners. Our role is to facilitate collaborative approaches to adaptive governance and management that develop catchment objectives within an integrated catchment management plan and consider and facilitate alignment of Regional Council-wide activities towards these objectives.

#### **Biodiversity and Biosecurity**

Biodiversity involves working collaboratively within catchments across organisations and with landowners to identify and actively manage high-priority biodiversity sites to protect and restore native species and ecosystems. Biosecurity delivers animal, plant, horticultural and marine pest management through the provision of information and advice, research, surveillance, monitoring and inspections, direct control, pathway management and working within catchments with landowners and community groups. We set objectives, methods and rules through the Regional Pest Management Plan (RPMP).

## Integrated Catchment Management

### Why we do it

This group of activities primarily contributes to a **healthy environment**. A combination of statutory requirements and non-regulatory methods are required to achieve the land and water outcomes set in our Strategic Plan, the National Policy Statement for Freshwater Management 2020 (NPSFM2020) and Regional Resource Management Plan (RRMP).



This approach enables us 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.

The statutory requirements relate to roles and responsibilities under the following:

- Resource Management Act 1991
- Biosecurity Act 1993
- Soil Conservation and Rivers Control Act 1941

### What we spent



### How did we do?



**Integrated Catchment Management**

**Science and Information activity**

<b>Level of Service Statement</b>			
HBRC will monitor and provide accurate and timely information to decision makers and the community on the State of the Environment for Hawke’s Bay			
<b>Level of service measure and target</b>	<b>Result 2018-19</b>	<b>Result 2019-20</b>	<b>Result 2020-21</b>
<p><b>Service measure:</b> Council maintains its International Organisation for Standardisation (ISO) 9001:2018 accreditation for data collection, analysis and storage</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	<b>Achieved</b>
<p><b>Comments:</b> Council maintained its ISO 9001:2015 accreditation for Environmental Science, Environmental Information sections, as well as Consents, Compliance and the Harbourmaster. The annual review by Telarc<sup>7</sup> was completed in October 2020. The auditor’s findings were one major and one minor non-conformance (NC). Major: documentation was not available for verification to support the activities of the Harbourmaster. Minor: no evidence of a calibration/validation for two measuring/sampling units currently deployed offshore. Note that HBRC has not retained information as evidence of fitness for purpose of the two monitoring/measurement units. Both issues have been addressed and closed out by the auditor.</p>			
<b>Level of service measure and target</b>	<b>Result 2018-19</b>	<b>Result 2019-20</b>	<b>Result 2020-21</b>
<p><b>Service measure:</b> State of the Environment monitoring programmes are in place and results are published on HBRC and LAWA (Land, Air, Water Aotearoa) websites for: climate and air quality, surface water, groundwater, land science, the coast</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	<b>Achieved</b>
<p><b>Comments:</b> State of the Environment monitoring programmes were delivered on time and to schedule. Data has also been checked and uploaded to the relevant websites and HBRC databases.</p>			

<sup>7</sup> www.telarc.org

**Integrated Catchment Management**

**Science and Information activity (continued)**

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> A five-yearly State of the Environment 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</p> <p><b>Performance target:</b> Achieved</p>	Partially achieved	Partially achieved	Achieved
<p><b>Comments:</b> Our five-yearly <i>Our Hawke’s Bay Environment Key Issues Report 2013-2018</i> was published in July 2020. Preparation and planning is complete for delivery of the 2018-2021 State of the Environment (SoE) synthesis report at the end of 2021-2022 that meets requirements of NPSFM 2020. A project plan was approved and a project team established along with an oversight team to provide project control and governance of the project.</p> <p>Monthly SoE updates continue to be reported digitally <a href="https://www.hbrc.govt.nz">hbrc.govt.nz</a>, search: #soemonthly</p>			
<p><b>Level of Service Statement</b></p> <p>HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and stakeholders</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> The science team develops and implements an annual work programme in line with plan change requirements</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> Evidence and support was delivered to the TANK Plan (PC9) hearing process. The Science Team worked closely with the Policy and Planning team and iwi partners on both the Mohaka Plan Change process and broader Kotahi regional change activities.</p>			
<p><b>Level of Service Statement</b></p> <p>HBRC will reduce harmful air pollution and comply with the National Environmental Standard for Air Quality</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Number of clean heat systems installed annually under financial assistance programme</p> <p><b>Performance target:</b> 1,000 per annum (on average over 10 years)</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> The target of 10,000 clean heat installations over 10 years (1,000 per year) has been achieved. In 2020-2021, 93 insulation loans, 93 clean heat loans and 362 grants were provided giving a total of 548 Heatsmart packages valued at \$760,557.</p>			

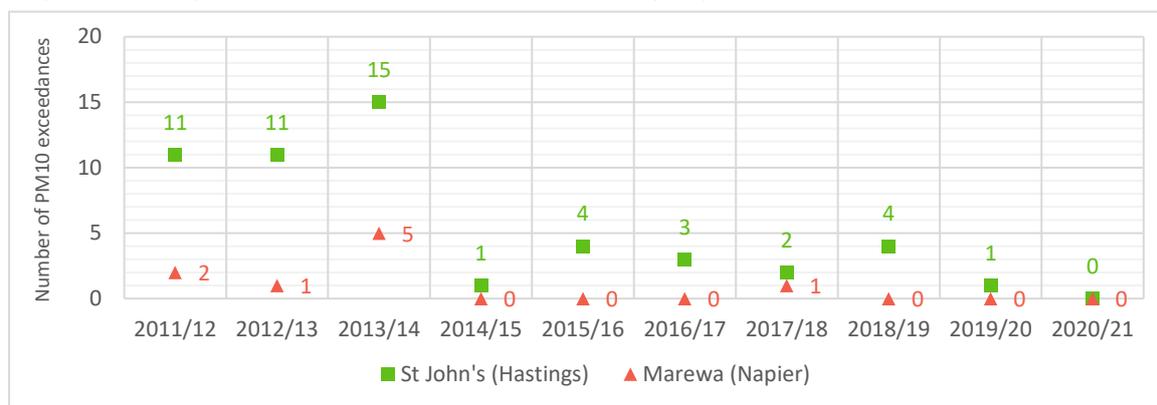
**Integrated Catchment Management**

**Science and Information activity (continued)**

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Number of exceedances of PM <sub>10</sub> in the Napier and Hastings airsheds. <sup>8</sup> <b>Performance target:</b> One for Napier and Hastings combined	Partially achieved Napier 0 Hastings 4	Achieved Napier 0 Hastings 1	<b>Achieved</b> Napier 0 Hastings 0

**Comments:** There were no exceedances of the National Environmental Standards (NES) for PM<sub>10</sub> recorded in the Napier and Hastings airsheds.

Graph 1: Number of PM<sub>10</sub> exceedances at the two sites over a ten-year period



**Level of Service Statement**

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

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Percentage of consent holders with water meters operating using telemetry or web/text systems <b>Performance target:</b> 90%	Achieved 93%	Achieved 94.6%	<b>Achieved</b> 95.2%

**Comments:** At year end, 84.6% of consents were reported using web and telemetry. Including consents where the take is tamper tagged (10.6%) giving an overall result of 95.2%. We are seeing a slight increase in telemetry installations in preparation for 3 September 2022 when all takes of 20 L/sec and over must have telemetry.

<sup>8</sup> PM<sub>10</sub> are tiny airborne particles smaller than 10 micro-metres in size. High concentrations of PM<sub>10</sub> 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 PM<sub>10</sub> at an average concentration of no more than 50 µg/m<sup>3</sup> measured in open air over 24 hours.

**Integrated Catchment Management**

**Science and Information activity (continued)**

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Total water consented as a percentage of the allocation limit for each significant water resource<sup>9</sup>                      Esk - Karamū - Ngaruroro - Maraekakaho - Nuhaka - Raupare - Tūtaekurī - Tūtaekurī-Waimate - Tukituki</p> <p><b>Performance target:</b> For catchments at or below allocation when limit set the target is: <i>Less than or equal to 100%</i>                      For fully allocated catchments when limit set the target is: <i>Decreasing trend towards less than or equal to 100%</i></p>	Achieved 100% for surface water in Tukituki, 50% for ground water stream depleting takes in Tukituki	Achieved 99% for surface water in Tukituki 53% for ground water stream depleting takes in Tukituki	<b>Achieved</b> 87% for surface water in Tukituki 48% for ground water stream depleting takes in Tukituki

**Comments:** Resource consents for surface water takes expired and were reissued in the Tukituki catchment in 2020-2021. This led to an adjustment of the rates allocated. Total allocation was reduced slightly in each zone. This meant there was some surface water available for allocation.

Zone 1 - Lower Tukituki is now 82% allocated, Zone 2 - Waipawa River is 87% allocated and Zone 3 - Upper Tukituki is 90% allocated. There is also capacity for allocation of stream depleting groundwater outside the Ruataniwha Basin.

Tukituki is the only catchment with a rule-based limit set since the NPSFM 2020 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 1 below).

Table 1: From new Tukituki allocation sheet 30 June 2021

Zone	Allocable rates(l/s)			Allocated rates (l/s)			Percentage allocated (%)		
	Surface take limit	Stream depletion limit	Total limit	Surface take	Stream depletion	Total	Take	Stream depletion available	Total
1 Lower Tukituki	519	412	931	426	142	568	82%	34%	61%
2 Waipawa River	643	269	912	558	235	794	87%	88%	87%
3 Upper Tukituki	763	716	1479	690	294	991	90%	42%	67%
<b>Total</b>	<b>1,925</b>	<b>1,397</b>	<b>3,322</b>	<b>1,674</b>	<b>671</b>	<b>2,352</b>	<b>87%</b>	<b>48%</b>	<b>71%</b>

<sup>9</sup> Additional rivers will be added as allocation regimes are set through catchment-based plan changes to give effect to NPSFM 2020

**Integrated Catchment Management**

**Catchment Management activity**

Level of Service Statement			
HBRC will partner with tangata whenua and community groups in identified priority areas to achieve land and water outcomes			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Annual reporting to Council on engagement, actions and impacts within priority areas<sup>10</sup></p> <p><b>Performance target:</b> Achieved</p>	Achieved	Partially achieved	<b>Achieved</b>
<p><b>Comments:</b> Regular reporting on engagement and project progress is via the Environment and Integrated Catchment Committee (EICC). For example, reports were provided on the Erosion Control Scheme, Freshwater Improvement Fund projects at Tūtira and Whakakī, and Tukipo constructed wetland. For agenda and minutes visit <a href="https://www.hbrc.govt.nz">hbrc.govt.nz</a>, search: #meetings</p>			
Level of Service Statement			
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			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> 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)</p> <p><b>Performance target:</b> Tukituki 100%, TANK TBC, Mohaka TBC</p>	Partially achieved 96% by land area for Tukituki	Partially achieved 99% by land area for Tukituki	<b>Partially Achieved</b> 23% by land area for Tukituki Approx. 70% of land area either under a revised plan or being reviewed
<p><b>Comments:</b> In total, 23% of the land area in the Tukituki catchment required to have a FEMP (low intensity and 2021 FEMP re-submissions) is covered by a current FEMP compared to 99% last year. This significant change in result is due to all FEMPs requiring a revision by the deadline of 31 May 2021. Existing plans are still operative.</p> <p>Of the total properties expected to have a FEMP, 27% have re-submitted, and 46% are engaged with a provider and are working on an update. Outstanding properties are being followed up by our FEMP and compliance teams.</p>			

<sup>10</sup> Priority areas: Papouini, Pōrangahau, Maharakere, Tukipo, Taharua, Tūtira, Ahuriri, Whakakī, Whangawehi

## Integrated Catchment Management

### Catchment Management activity (continued)

Level of Service Statement			
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			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Additional area of highly erodible land planted in trees (ha) <b>Performance target:</b> 2,000ha of land under cover	Not measured	Not achieved 676ha	<b>Not achieved</b> 1176ha
<b>Comments:</b> This is the third year of the Erosion Control Scheme (ECS). Almost double the volume of hectares were planted this year compared with last year. Available budget, plants and fencers are limiting factors to achieving targets.			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Additional kilometres of riparian margin protected annually to reduce sediment, nutrient and/or bacterial contamination of water <sup>11</sup> <b>Performance target:</b> 100km	Not measured	Not achieved 27km	<b>Not achieved</b> 90km
<b>Comments:</b> This measure relates to riparian margin protected via the Erosion Control Scheme (ECS). This is the third year of the ECS. Just over three times as many kilometres were planted this year compared with last year. Protection involves planting both sides of the stream.			

### Biodiversity and Biosecurity activity

Level of Service Statement			
HBRC will work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Additional number of targeted priority sites where biodiversity is actively managed <b>Performance target:</b> 1-2 sites	Achieved 13 sites	Achieved 5 sites	<b>Achieved</b> 5 sites
<b>Comments:</b> Thirteen ecosystem prioritisation sites were worked on this year, of which 5 were new (additional) sites. Pest control was completed at 3 sites and 2 were deer fenced – Pigsty Wetland and Orea Swamp. These projects are being undertaken in partnership with Queen Elizabeth II National Trust, Fonterra and landowners. In 2021, central government funding (Jobs for Nature) was secured to fence another 15 ecosystem prioritisation sites over the next three years.			

<sup>11</sup> Includes streams, drains, wetlands, lakes, estuaries and the coast

## Integrated Catchment Management

### Biodiversity and Biosecurity activity (continued)

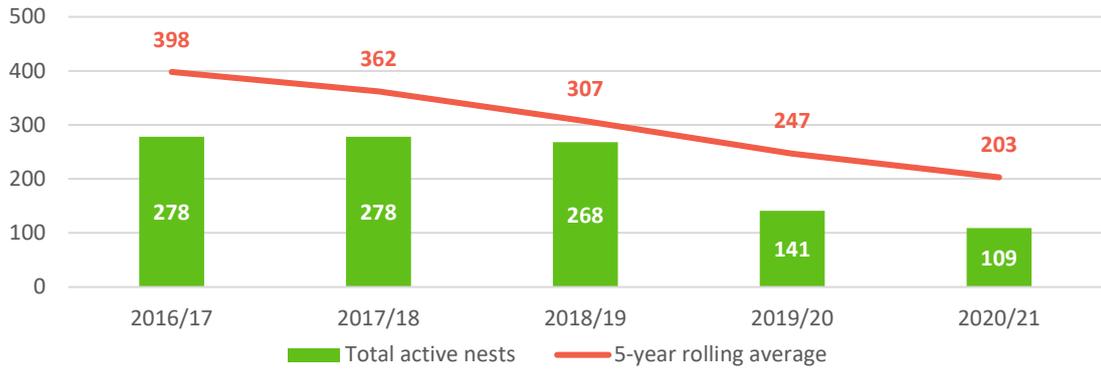
Level of Service Statement			
HBRC will undertake research and implement and review regional pest management plans that improve biodiversity, human health and economic prosperity			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Maintain and implement current Regional Pest Management Plan <sup>12</sup> <b>Performance target:</b> Achieved	Achieved	Achieved	<b>Achieved</b>
<b>Comments:</b> All programmes contained within the Regional Pest Management Plan are on track. Our biosecurity team implements this plan which contains 23 pest animals, 2 marine pests, 5 horticulture pests and 33 pest plants which are divided into five management categories: exclusion, eradication, progressive containment, sustained control and site-led programme.			
Level of Service Statement			
HBRC will provide effective pest management programmes that improve regional biodiversity, human health and economic prosperity			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Percentage of monitored Possum Control Areas (PCAs) with a 5% or less trap catch <sup>13</sup> <b>Performance target:</b> 90%	Achieved 100%	Achieved 91%	<b>Achieved</b> 93%
<b>Comments:</b> The average residual trap catch (RTC) was 2.1% with only one PCA exceeding the 5% RTC.  Biosecurity staff worked with landowners of the failed properties and all properties engaged an HBRC-approved contractor to undertake possum control. This meant there was no requirement for enforcement action.  The PCA programme currently covers 774,450ha. In 2020-2021, possum monitoring was undertaken across 127,095ha (approximately 19% of the PCA area) with a total of 1,730 monitoring lines deployed. We monitored 16 PCAs, plus 2 forestry blocks, parts of HBRC's river berm programme, 11 maintenance assistance properties and 11 DOC reserves. Twenty-three properties that passed monitoring between 2016 to 2019 were also re-monitored.			

<sup>12</sup> <https://www.hbrc.govt.nz/environment/pest-control/biosecurity/regional-pest-management-plan/>

<sup>13</sup> note the Biosecurity Annual Report 2020-21 measured an RTC Target of 4%

## Integrated Catchment Management

### Biodiversity and Biosecurity activity (continued)

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																		
<p><b>Service measure:</b> Decreasing trend in the number of active rook nests</p> <p><b>Performance target:</b> Decreasing trend (five-year rolling av)</p>	Achieved 307	Achieved 247	Achieved 203																		
<p><b>Comments:</b> The annual aerial rook programme was completed with 109 active nests treated. This is tracking downwards, with the five-year rolling average for 2019-2020 being 247 active nests treated compared to 203 this year.</p>																					
 <table border="1"> <caption>Active Rook Nests and 5-Year Rolling Average</caption> <thead> <tr> <th>Year</th> <th>Total active nests</th> <th>5-year rolling average</th> </tr> </thead> <tbody> <tr> <td>2016/17</td> <td>278</td> <td>398</td> </tr> <tr> <td>2017/18</td> <td>278</td> <td>362</td> </tr> <tr> <td>2018/19</td> <td>268</td> <td>307</td> </tr> <tr> <td>2019/20</td> <td>141</td> <td>247</td> </tr> <tr> <td>2020/21</td> <td>109</td> <td>203</td> </tr> </tbody> </table>				Year	Total active nests	5-year rolling average	2016/17	278	398	2017/18	278	362	2018/19	268	307	2019/20	141	247	2020/21	109	203
Year	Total active nests	5-year rolling average																			
2016/17	278	398																			
2017/18	278	362																			
2018/19	268	307																			
2019/20	141	247																			
2020/21	109	203																			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																		
<p><b>Service measure:</b> Percentage of animal pest enquiries responded to within target timeframe</p> <p><b>Performance target:</b> 100%</p>	Achieved 100%	Achieved 100%	Achieved 100%																		
<p><b>Comments:</b> A total of 70 rabbit enquiries were responded to during the year within the required five-day time frame.</p> <p>Other animal pests under supervision include feral cats, feral deer, feral goats, feral pigs, hedgehogs, mustelids, possums and rats. A new HBRC Pest Hub website contains 21 factsheets covering all aspects of animal pest control <a href="http://hbrc.govt.nz">hbrc.govt.nz</a>, search: #pesthub</p>																					
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																		
<p><b>Service measure:</b> Percentage of plant pest inspections and actions completed within target timeframes (see schedule for specific plant pests<sup>14</sup>).</p> <p><b>Performance target:</b> 100%</p>	Achieved 100%	Achieved 100%	Achieved 100%																		
<p><b>Comments:</b> All inspections and actions were completed within the target timeframes as per the current Biosecurity Operational Plan. During the year, the biosecurity team undertook 1,486 rural inspections, 886 urban inspections and 14 plant nursery inspections.</p>																					

<sup>14</sup> through the Regional Pest Management Strategy, the Operation Plan 2020-2021 sets out the schedule to manage these pests.

### Asset Management

#### What we do

This group of activities includes:

- Flood Protection and Control Works<sup>15</sup>
- Flood Risk Assessment and Warning
- Coastal Hazards
- Open Spaces
- Works Group

#### Flood Protection and Control Works

We administer 25 flood control and drainage schemes throughout the region to reduce the risk of flood and erosion damage. We maintain networks of stopbanks, hydraulic structures and pump stations and manage the river, stream and drainage channels to ensure they work as expected during floods to help protect life and property. We also take a holistic approach to enhancing waterways for flood protection as well as other values. This involves riparian planting and waterway enhancement to improve the ecological function, water quality and provide open space opportunities.

The flood control and drainage schemes are grouped into three major schemes and have a replacement value of close to \$185 million.<sup>16</sup> The schemes are Heretaunga, Upper Tukituki and Small Schemes. We respond to many enquiries about coastal erosion, flood risk and drainage related issues.

This activity also includes gravel management to maintain flood capacity and management of river mouths to reduce unnecessary flooding. There is an ongoing demand from industry for gravel and aggregate resources for many activities. Allocation of resources from riverbeds is undertaken by us in response to this demand, balancing the need to maintain the capacity of specific flood protection schemes while taking into account the potential environmental effects of gravel extraction.

#### Flood Risk Assessment and Warning

Flooding is a significant and frequent hazard; there is emphasis on continually improving our knowledge and understanding of flood risks, runoff patterns, changes in land use and climatic conditions. We work with other local authorities through liaison, provision of floodplain mapping, catchment management planning and investigation of specific flooding issues. We operate a comprehensive network of rainfall and river level recorders across the region and, together with sophisticated computer models, provide a modern flood warning and forecasting system for the benefit of the region. We provide advice on rainfall and water flows during flood conditions and hazard information for land use planning purposes to encourage community resilience and preparedness.

---

<sup>15</sup> 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.

<sup>16</sup> Hawke’s Bay Regional Council Long Term Plan 2018-28

## Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

### Asset Management

---

#### Coastal Hazards

We seek to better understand causes and effects of coastal hazards and work with our territorial authorities, landowners and communities to find solutions to reduce their impact. Coastal erosion and inundation threats from climate change and associated sea level rise is a significant issue facing our region.

This activity currently includes gravel renourishment of Westshore Beach so that erosion is managed seaward of the 1986 erosion line. The 1986 line was the extent of erosion before beach renourishment began and is identified on a series of posts along the foreshore.

#### Open Spaces

The Regional Council owns and manages Pākōwhai, Pekapeka, Tūtira and Waitangi Regional Parks, and various river berm areas. These have multi-purpose functions including flood control, soil conservation and water quality enhancement, as well as protecting and enhancing biodiversity, cultural and historic values and providing recreational opportunities. We leverage government funding to support these initiatives and partner with landowners with the aim to improve public access to these areas where practicable and sustainable. Hawea Regional Park is co-owned and co-managed by the Regional Council in partnership with tangata whenua. We also contribute towards the management of Te Mata Park, and manage the Waipātiki Beach Holiday Park land holding, which is operated through a lease arrangement.

This activity also manages approximately 105km of pathways on land we own or administer. These pathways are part of the Hawke's Bay Trails, with the Hawke's Bay Trails forming part of Ngā Haerenga New Zealand Cycle Trails.

We also manage a number of forestry blocks including the Tangoio Soil Conservation Reserve and Waihapua forestry block.

#### Works Group

The Works Group is a business unit of the Regional Council. It was established to operate at arm's length to ensure the cost-effective delivery of services in a transparent contractual manner. The Regional Council is the client for the majority of the Works Group's work programme and this is accounted for within the budgets of other activities. External work is undertaken within specific parameters and principles including (but not limited to) full cost recovery with a risk-based margin, and work must relate to our core expertise, skills and equipment base.

# Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Asset Management

### Why we do it

This group of activities contributes to a **prosperous economy** by reducing the likelihood of damage from flooding on people, property, productive land and businesses, which provides long-term benefits to our economy.

It also contributes to a **vibrant community** by providing public access to Regional Council managed waterway environments, the coast and open spaces for recreation and enjoyment. Where appropriate it enhances amenity values, protects sites of cultural significance, and identifies and values 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

### What we spent



### How did we do?



Asset Management

Flood Protection and Control Works (Rivers) activity

Level of Service Statement			
<p>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</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> The major flood protection and control works are maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works programme</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Partially achieved	Achieved
<p><b>Comments:</b> The major flood protection and control works were maintained, repaired and renewed to the standards defined in the Asset Management Plan. The annual works programme was delivered by our Works Group as scheduled in the annual contract 2020-2021. All the work was completed as per contract and work schedule, and reported to the Environmental and Integrated Catchments Committee. Agenda and minutes can be viewed <a href="https://www.hbrc.govt.nz">hbrc.govt.nz</a>, search: #meetings</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Changes to flood levels of protection<sup>17</sup> are consulted on with the affected communities and delivered within agreed timeframes</p> <p><b>Performance target:</b> Heretaunga Plains: Phased design and construction, Upper Tukituki: Subject to consultation outcome</p>	<p>Not Achieved for HPFCS</p> <p>No measure for Upper Tukituki</p>	Not achieved	Achieved
<p><b>Comments:</b> HBRC received funding from the Infrastructure Reference Group (IRG)<sup>18</sup> to undertake priority work over the next three years at a faster pace than planned. This funding enabled us to validate the flood overtopping level of service. A detailed design for the first year of construction is underway. Communication plans are in place for consultation with key stakeholders and interested parties, and some meetings are scheduled to proceed early in mid-2021 (prior to construction).</p>			

<sup>17</sup> Current levels of protection are 1% Annual Exceedance Probability (AEP) (1:100 year return period) for both Heretaunga Plains and Upper Tukituki Schemes

<sup>18</sup> In April 2020, the Government tasked a group of industry leaders to seek out infrastructure projects that were ready to start as soon as the construction industry returned to normal in order to reduce the economic impact of the COVID-19 pandemic. The Infrastructure Reference Group (IRG) was set up, consisting of highly experienced infrastructure leaders.

**Asset Management**

**Flood Protection and Control Works (Rivers) activity (continued)**

Level of Service Statement			
HBRC will protect and enhance the scheme’s riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> The ecological function of urban streams is maintained or enhanced (source: six-yearly rolling review and Ecological Valuations of River Ecological Management and Enhancement Plans (EMEP))</p> <p><b>Performance target:</b> Achieved</p>	Not measured	Not measured	Not measured
<p><b>Comments:</b> No ecological valuations have been undertaken as plans for all rivers are under review. However, we are carrying out several tasks associated with targets within the EMEP. This includes river bird surveys, pre-gravel extraction inspections and writing a new Standard Operating Procedure for eel rescue. In the first year of the Long Term Plan 2021-2031 a new Environmental Engineer will be appointed to drive these functions and implement changes to our day-to-day operation.</p>			

**Flood Protection and Control Works (Drainage) activity**

Level of Service Statement			
HBRC will maintain an effective drainage network that provides drainage outlet for rainfall runoff for communities and productive land within the drainage scheme			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Number of reported incidences of out-of-channel flooding lasting more than 24 hours for the design rainfall run off and lesser events</p> <p><b>Performance target:</b> Zero</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> Water levels remained within main stem channel sections. A rainfall event on 9-11 November 2020 exceeded design rainfall and caused surface flooding associated with stormwater capacity in Napier. However, the channel operated well and water levels fell within one to two days. A minor event on 20 June 2021 caused some surface flooding on roads in some Napier and Hastings suburbs. Channels recovered well following screen clearing and additional pumping where required.</p>			

**Asset Management**

**Flood Protection and Control Works (Small Schemes) activity**

Level of Service Statement			
HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated scheme areas, including Makara Flood Control, Paeroa Drainage, Pōrangahau Flood Control, Ohuia - Whakakī Drainage, Esk River, Whirinaki Drainage, Maraetotara, Te Ngarue, Kopuawhara Flood Control, Poukawa Drainage, Kairakau			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Flood protection and drainage networks are maintained, repaired and renewed to the key standards defined in the scheme asset management plan and annual works programme <b>Performance target:</b> Achieved	Achieved	Achieved	<b>Achieved</b>
<b>Comments:</b> Our flood protection and drainage networks have been maintained and renewed to the standards defined in the relevant scheme Asset Management Plan. Planned maintenance and works are underway as per the Maintenance contract.  The Opoho pump station has been out of service this year. However, the new Long Term Plan 2021-2031 will give us direction on which course of action to take either upgrade or retreat.			

**Flood Risk Assessment and Warning activity**

Level of Service Statement			
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			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year <b>Performance target:</b> 98%	Achieved 98.06%	Achieved 99.5%	<b>Achieved</b> 98.46%
<b>Comments:</b> The priority sites have been operational throughout the year as anticipated.			

**Asset Management**

**Flood Risk Assessment and Warning activity (continued)**

Level of Service Statement			
HBRC provides accurate and timely flood forecasting information online to advise the community on likely rainfall and flooding			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Percentage of the region (at risk of flooding from large rivers) covered by a flood forecasting model <b>Performance target:</b> 70%	Achieved 70%	Achieved 70%	<b>Achieved</b> 70%
<b>Comments:</b> Flood forecasting involves models of the following rivers: Wairoa, Waiau, Hangaroa, Waikaretaheke, Waihi, Tūtaekurī, Mangaone, Ngaruroro, Maraekakaho, Taruarau, Tukituki (upper/mid/lower), Waipawa, Mangaonuku, Tukipo and Makaretu. The catchments involved cover about 70% of the region by area at risk of flooding from large rivers. There has been no change in flood forecasting models.			

**Open Spaces activity**

Level of Service Statement			
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			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Regional parks are managed to the key standards defined in Individual Park Plans (IPPs) where present and/or the HBRC Regional Parks Network Plan <b>Performance target:</b> Achieved	Achieved	Achieved	<b>Achieved</b>
<b>Comments:</b> All regional parks have been managed according to the defined standards. The revised Asset Management Plan will improve overall understanding of the assets and management, planning and budgeting for the future work.			

### Consents and Compliance

#### What we do

This group of activities includes:

- Consents
- Compliance and Pollution Response
- Maritime Safety

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

#### Consents

We process resource consents required under our Regional Resource Management Plan, Regional Coastal Environment Plan or through National Environment Standards, and provide advice and education on resource management matters.

#### Compliance and Pollution Response

We monitor and enforce consents for any non-compliance. We also ensure compliance by acting on environmental complaints, incidents and breaches. This includes investigation of contaminated land, management of hazardous substances and response and management of marine oil spills within the Hawke's Bay Coastal Marine boundary. We maintain a Tier 2 oil spill response plan which identifies priority areas in Hawke Bay for protection.

#### Maritime Safety

Our 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, we provide advice and education to commercial and recreational users and the community at large on water safety and safe boating.

#### 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 contributes to all three community outcomes of a **healthy environment** while supporting a **prosperous economy** and providing for a **vibrant community**.

The empowering legislation for these regulatory functions includes 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 and Compliance

What we spent



How did we do?



Consents activity

Level of Service Statement			
HBRC will process resource consent applications in a timely manner			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Percentage of resource consents processed within statutory timeframe in Resource Management Act <b>Performance target:</b> 100%	Achieved 100%	Not achieved 99.8%	Achieved 100%
<b>Comments:</b> Over the course of the year, 478 consents were issued. All were processed within the statutory timeframes.			

## Consents and Compliance

### Compliance and Pollution Response activity

Level of Service Statement			
HBRC will monitor consent holders to ensure compliance with the resource consent conditions imposed to protect the environment and human health			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Percentage of programmed inspections/reports completed each year as per the adopted risk-based Compliance Monitoring Strategy</p> <p><b>Performance target:</b> 100%</p>	Not achieved 90.9%	Not achieved 92.5%	<b>Not Achieved</b> 93.8%
<p><b>Comments:</b> Overall, 93.8% of programmed inspections/reports due to be undertaken during the year, as per the adopted risk-based Compliance Monitoring Strategy, were completed. This is an improvement on the previous two years.</p> <p>All water take consents were monitored through telemetry in real time and an additional 1,255 monitoring actions were made against these water take consents. These additional inspections related predominantly to meter verifications (287), security/installation reports (172), compliance reporting (210) and site inspections (199).</p> <p>Our compliance team made 2,738 monitoring observations against 936 discharge consents representing 80% of all discharge consents that required monitoring. Of these observations there were: report/plan assessments (813), review of environmental data (473), compliance reporting (453) and site inspections (480). A total of 284 monitoring actions were made against 198 permitted activities for forestry, farming and domestic effluent.</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Percentage of monitored consents which receive an overall grade of full compliance</p> <p><b>Performance target:</b> 95%</p>	Not achieved 92.17%	Not achieved 89.7%	<b>Not Achieved</b> 83.2%
<p><b>Comments:</b> A total of 83.2% of all consents monitored (3,092) achieved full compliance with all conditions.</p> <p>A total of 86.8% water take consents (1,754) were compliant and 283 non-compliant (24 low, 250 moderate and 2 significant). The increase in moderate non-compliance was a result of bore verification or bore security not being completed as required. Many of these are anticipated to be graded fully compliant following a compliance review in the first quarter of 2021-2022.</p> <p>A total of 77% discharge consents (820) were compliant and 278 non-compliant (124 low, 97 moderate and 22 significant). Compliance gradings are subject to change during the compliance period and may be different following a final compliance report assessment.</p>			

Consents and Compliance

Compliance and Pollution Response activity (continued)

Level of Service Statement			
HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Maintain a 24-hour/7 day a week duty management/pollution management response system</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> The Pollution Hotline continues to be staffed by the Pollution Response Team (two dedicated officers, a senior investigator and a team leader) during normal working hours. The afterhours service is staffed by the Pollution Response Team plus an additional six officers from the Compliance Team, who work on a 10-week rotation.</p>			
Level of Service Statement			
HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> A Hazardous Activities &amp; Industries List (HAIL) database of potentially and confirmed contaminated sites is maintained</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> HBRC maintains a list of hazardous industries and activities (HAIL) in our selected land use register (SLUR). During the year, all records were migrated into IRIS with new nationally-consistent categories adopted and quality assurance checks undertaken. A project to streamline data access and share with local authorities, landowners and the general public is underway with the aim of reducing staff time spent responding to information requests so the budget can be used proactively.</p> <p>Major closed landfills have largely been identified and spatially mapped with inundation, climate change and flood risk data to identify at-risk fill sites. Several of these sites were identified for further investigation over 2021-2022.</p>			

## Consents and Compliance

### Compliance and Pollution Response activity (continued)

Level of Service Statement			
HBRC will respond to oil spills within the Hawke’s Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan, which identifies priority areas in HB for protection in the event of a major spill			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times.</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	<b>Achieved</b>
<p><b>Comments:</b> The Tier 2 plan was completed in March 2020 (required to be reviewed on a three-yearly basis). At least one exercise was undertaken during each quarter and a response team is in place at all times.</p>			

### Maritime Safety activity

Level of Service Statement			
HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region’s navigable waters are safe for people to use			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Maintain a Maritime New Zealand accredited <i>Hazard Identification/Risk Assessment and Safety Management System</i> for the Napier Pilotage Area</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	<b>Partially Achieved</b>
<p><b>Comments:</b> Our annual self-assessment was carried out and reported to Maritime NZ in quarter three. A lack of availability in Port and Harbour Safety Code panel members meant the audit scheduled for quarter four was not completed as expected. This will be carried over into 2021-2022 and will be completed in quarter one. Neither Port of Napier Limited (PONL) or HBRC are expecting any issues.</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations</p> <p><b>Performance target:</b> Maintain or decreasing trend (three-year rolling average)</p>	Not achieved 73	Not achieved 79	<b>Achieved</b> 65
<p><b>Comments:</b> We work closely with the three local Maritime NZ officers with regular meetings and exchanging information on incidents throughout the year.</p> <p>There were 41 maritime incidents reported giving a three-year rolling average of 65. The majority of incidents reported involved either container ships or bulk carriers.</p>			

### Emergency Management

#### What we do

This group of activities includes:

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

These activities aim to identify potential hazards to the community and the means of reducing their impact, prepare the community for potential civil defence emergencies and assist with the response to and recovery from any emergencies that occur.

#### Hawke's Bay Civil Defence Emergency Management

Under the CDEM Act 2002 (the Act), the region's local authorities must form a CDEM Group which is governed by a combined Joint Committee (the region's Mayors and Chair) and a Coordinating Executives Group (Council/District Health Board Chief Executive Officers, Police District Commander and Fire Area Manager). Under the Act, the Hawke's Bay CDEM Group is required to maintain an operative CDEM Group Plan that outlines a strategy to coordinate CDEM activities within the region.

The Group operates as a shared service across the region's councils delivering emergency management outcomes across risk reduction, readiness, response and recovery. All civil defence staff work in the same organisation, which is administered by the Regional Council. This improves the capability in our region to respond to and recover from a disaster.

This activity is funded by a single regional civil defence rate, itemised as a Targeted Uniform Annual Charge on all rateable properties within the region.

#### HBRC Emergency Management

We maintain an emergency response capability to support the Hawke's Bay CDEM Group. We do this by ensuring that staff are trained to help coordinate a response, including management of Regional Council assets and ensuring essential business continues despite any disaster. We also operate a 24-hour CDEM and Duty Management Service to respond to urgent public enquiries and complaints.

We are also the administering authority for East Coast LAB (Life at the Boundary) – a collaborative programme that brings together scientists, emergency managers, experts and stakeholders across the East Coast to make it easy and exciting to learn more about the natural hazards that can affect us.

#### Why we do it

This group of activities contribute to a **vibrant community** by helping build resilience to hazards and potential civil defence emergencies. It supports a **prosperous economy** by reducing the impact of emergency events on people, property, businesses and the economy.

The relevant legislation for this function is:

- Civil Defence Emergency Management Act 2002
- Resource Management Act 1991



# Part 4 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

## Emergency Management

---

### What we spent

Actual Operating Expenditure:



Actual Expenditure:



Where that funding came from:



### How did we do?



- Achieved
- Partially achieved
- Not achieved
- Not measured

Emergency Management

Hawke’s Bay CDEM Group activity

Level of Service Statement			
<p>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</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> A five-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group (CEG)</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> A 10-Year Hazard Research Plan was approved by the CEG in quarter two and research commissioned in accordance with this Plan. The Hawke’s Bay Hazard Portal was upgraded. A regional one-year Earthquake Sensor trial started with Sentinel. Massey University commenced a ‘Review of public warning notification systems in Hawke’s Bay’ to be completed in quarter one, 2021-2022. An initial assessment of new Tsunami vertical evacuation guidance was completed by external consultants, WSP. We negotiated for GNS to complete Level 3 Modelling for Tsunami from Tangoio to Clive in 2021-2022 with work co-funded by the Earthquake Commission (EQC). An annual report went to the CEG in October 2020.</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Percentage of surveyed residents that identify earthquake, flooding, and tsunami as major hazards in Hawke’s Bay<sup>19</sup></p> <p><b>Performance target:</b> Same or better than last survey</p>	Not achieved	No survey	Achieved
<p><b>Comments:</b> The two-yearly survey showed the major hazards of the highest concern for Hawke’s Bay residents were earthquake (73.6%), followed by flooding (59.1%) and Tsunami (33.6%). The results are largely similar to the 2019 survey (on aggregate, slightly better) which showed 74.9%, 47.3% and 43.3% respectively. Flooding rated at a higher concern and Tsunami rated lower.</p>			

<sup>19</sup> Two-yearly HBRC Resident Survey

Emergency Management

Hawke’s Bay CDEM Group activity (continued)

Level of Service Statement			
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			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Partially achieved
<p><b>Comments:</b> Work commenced on the review of the Group Plan with the Hazards Risk assessment largely completed. This project was delayed by the COVID-19 and Napier Flooding responses. It is noted that the National Emergency Management Agency has also just commenced a delayed review of the National Plan. The current Group Plan remains operative until replaced.</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> A Group Work Programme implementing the Group Plan objectives is approved and reviewed six-monthly by the Coordinating Executives Group (CEG)</p> <p><b>Performance target:</b> Achieved</p>	Achieved	Achieved	Achieved
<p><b>Comments:</b> The Group Work Programme is in place, agreed by the CEG and reviewed at quarterly meetings. However due to the response to COVID-19 and the Napier Floods in November 2020 this programme continues to be adjusted accordingly.</p> <p>Priority was placed on post COVID-19 and Napier Flood response reviews, identifying lessons learned and implementing resulting changes as part of the continuous improvement process. There is also ongoing effort in planning for COVID resurgence. It is likely that the ongoing response and future recovery to COVID-19 will impact on existing work programmes for the next 12 months.</p>			

Emergency Management

Hawke’s Bay CDEM Group activity (continued)

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Overall percentage score from the Ministry of CDEM assessment of the Hawke's Bay CDEM Group's capability (source: five-yearly assessment)</p> <p><b>Performance target:</b> 80%</p>	Not achieved 72% (self-assessed)	Not measured	Not measured
<p><b>Comments:</b> The national monitoring and evaluation programme run by the National Emergency Management Agency (MEMA) is currently suspended. The last evaluation for Hawke's Bay was conducted in 2015 with a score of 60%. In 2018-2019, a self-initiated evaluation in support of the Group Plan review was carried out using the same evaluation tool as used in 2015 and an independent review panel. The panel (a consultant and two NEMA staff) assessed the Group’s capability at 72.2%.</p> <p>NEMA advised that they intend to commence a project to review and implement a new programme relating to assurance of the national emergency management system. This will replace the existing monitoring and evaluation programme.</p>			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Percentage of surveyed residents prepared to cope for at least three days or more on their own<sup>20</sup></p> <p><b>Performance target:</b> Same or better than last survey</p>	Not achieved	No survey	Achieved
<p><b>Comments:</b> The two-yearly survey showed that residents felt they had enough food (86.3%) and water (62.2%) stored for at least three days, and 81% had some way of cooking without electricity in an emergency. On aggregate, this is about the same or slightly better than the last survey which showed 84%, 62% and 82% respectively.</p>			

<sup>20</sup> Two-yearly HBRC Resident Survey

## Emergency Management

### HBRC Emergency Management

Level of Service Statement			
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			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> HBRC provides support to the HBCDEM Group in accordance with a service level agreement <b>Performance target:</b> Achieved	Achieved	Achieved	Achieved
<b>Comments:</b> As the administrative authority for the Hawke's Bay CDEM Group, we have provided support to the Group in accordance with an agreed roles and responsibilities matrix. This matrix and levels of service are currently under review.  HBRC have fully supported the Group response to COVID-19 and the more recent Napier Floods both with staff physically in the Group Emergency Coordination Centre (GECC) and working virtually in MS Teams from home. Training to support any resurgence response is well supported.			
Level of Service Statement			
HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> Maintain established teams, training, procedures including Emergency Operations Centre Manual and Business Continuance Plan <b>Performance target:</b> Achieved	Achieved	Achieved	Achieved
<b>Comments:</b> HBRC's emergency response capability has been maintained for the year. In total, 37 new staff received CDEM safety induction training. We are no longer required to maintain an Emergency Operations Centre as HBRC supports the GECC, however the HBRC Incident Room is maintained for the provision of a Council response to emergencies when the need arises, including maintenance of pre-established Standard Operating Procedures for Business Continuance. The HBRC Business Continuance Plan approved last year, is still in place.			
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<b>Service measure:</b> 24-hour duty management system in place <b>Performance target:</b> Achieved	Achieved	Achieved	Achieved
<b>Comments:</b> An effective 24-hour duty management system, supported by Palmerston North City Council afterhours, has been operated with 387 calls managed and logged by the duty managers over the year. In total, 161 warnings or watches of severe weather or other events have been effectively managed, including the Napier Flood in November 2020 and the Tsunami advisory in March 2021.			

### Transport

#### What we do

This group of activities includes:

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

#### Transport Planning and Road Safety

We are responsible for regional transport planning and coordination of road safety education across Hawke's Bay. Key deliverables are the Regional Land Transport Plan and the Regional Public Transport Plan. Both plans are reviewed every three years.

The Regional Transport Committee is a permanent committee required by statute and is involved in the development of the above plans. It comprises one representative from each of the four territorial authorities (Napier, Hastings, Central Hawke's Bay and Wairoa Councils), one representative from the Waka Kotahi NZ Transport Agency and two representatives from the Regional Council. It is supported by advisory members from the community with transport interests.

RoadSafe Hawke's Bay is a business unit of the Regional Council, set up in 2009 as a regional resource providing road safety education, raising driver awareness of key road safety issues, and working with other key stakeholders to reduce the incidence and severity of road traffic crashes. The key focus is to change road user behaviour, making roads safer for people to use.

#### Passenger Transport

A major part of our transport role is to contract bus and Total Mobility taxi services that provide the community with access to work, education, social and recreational activities. Public bus services are provided in the Napier and Hastings urban areas. Total Mobility services are provided in urban areas within the region.

#### Regional Cycling

We have an important role in the coordination of cycling activities through the Regional Cycling Governance Group and the Regional Cycling Plan 2015. The Plan aims to maximise the financial and social returns from cycling for health, tourism and liveability. It brings together the iWay programmes in Napier and Hastings, Hawke's Bay Trails, Wairoa and Central Hawke's Bay cycling and associated promotional activities into one cohesive programme. This regional approach enables Hawke's Bay to leverage significant national funding for cycling.

## Transport

### Why we do it

This group of activities supports a **vibrant community** by providing access for the transport disadvantaged, providing opportunities for social interaction, accessing essential services and amenities, and integrating with walking and cycling opportunities.

It contributes to a **prosperous economy** by providing affordable transport solutions that facilitate economic development, reducing traffic congestion through fewer private vehicle movements, increasing resilience of transport infrastructure and advocacy to secure central government funding.

A **healthy environment** is enhanced by environmentally sustainable transport options.



### What we spent

Actual Operating Expenditure:



Actual Expenditure:

**\$6.99m (26% over budget)**

Where that funding came from:



### How did we do?



Transport

Transport Planning and Road Safety activity

Level of Service Statement																											
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																											
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																								
<b>Service measure:</b> Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place <b>Performance target:</b> Achieved	Achieved	Achieved	Achieved																								
<b>Comments:</b> The Regional Land Transport Plan was adopted in May 2021 in accordance with statutory timeframes and lodged with Waka Kotahi NZTA. There were 67 submissions received and Hearings of submissions were held in April. The Regional Public Transport Plan 2019-2029 will be reviewed in the first half of 2021-2022 which is within six months of adoption of the RLTP. Work has commenced to scope this review. The Regional Cycle Plan 2015 is in place and currently under review.																											
Level of Service Statement																											
HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke’s Bay roads and pathways are safe and accessible, and the emotional and financial costs of road traffic crashes are reduced																											
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																								
<b>Service measure:</b> Incidence of fatal and (serious) injury crashes in our region <b>Performance target:</b> Decreasing trend (five-year rolling average)	Not achieved 97	Not achieved 99	Not achieved 101																								
<b>Comments:</b> The number fatal crashes (14) and serious injury crashes (94) over the 2020-2021 financial year gave a combined total of 108 continuing an increasing rather than decreasing trend. Annual statistics for fatal and injury crashes are maintained by Ministry of Transport and Waka Kotahi NZTA. Reporting provides a five-year rolling average of deaths and serious injuries in road crashes (combined).																											
<table border="1"> <caption>Crash Statistics Data</caption> <thead> <tr> <th>Year</th> <th>Fatal crashes</th> <th>Serious Injury crashes</th> <th>5-year rolling average (combined)</th> </tr> </thead> <tbody> <tr> <td>2016-17</td> <td>13</td> <td>88</td> <td>101</td> </tr> <tr> <td>2017-18</td> <td>15</td> <td>80</td> <td>95</td> </tr> <tr> <td>2018-19</td> <td>11</td> <td>91</td> <td>102</td> </tr> <tr> <td>2019-20</td> <td>18</td> <td>74</td> <td>92</td> </tr> <tr> <td>2020-21</td> <td>14</td> <td>94</td> <td>108</td> </tr> </tbody> </table>				Year	Fatal crashes	Serious Injury crashes	5-year rolling average (combined)	2016-17	13	88	101	2017-18	15	80	95	2018-19	11	91	102	2019-20	18	74	92	2020-21	14	94	108
Year	Fatal crashes	Serious Injury crashes	5-year rolling average (combined)																								
2016-17	13	88	101																								
2017-18	15	80	95																								
2018-19	11	91	102																								
2019-20	18	74	92																								
2020-21	14	94	108																								

Transport

Passenger Transport activity

Level of Service Statement																								
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 <sup>21</sup>																								
Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21																					
<b>Service measure:</b> Annual patronage on Hawke’s Bay bus services <b>Performance target:</b> Maintain or increasing trend (five-year rolling average)	Not achieved 688,002 trips	Not achieved 641,543 trips	Not achieved 619,126 trips																					
<p><b>Comments:</b> This result is an improvement on the previous year which was an unusual year due to COVID-19. However, the target is not achieved when compared with the five-year rolling average. In the five years between 2016-2017 and 2020-2021, the rolling average was 619,126. In 2020-2021, there were 582,803 trips recorded.</p> <p>There is no patronage data available between 1 July and 24 August 2020 due to a transition period from the old ticketing system to the new one (introducing the Bee card). For the purposes of presenting a complete dataset, patronage from July and August 2019 was used, although the bus company reported anecdotally that patronage increased by around 20% during these months.</p> <p>Overall, bus patronage rates are declining.</p>																								
<table border="1"> <caption>Bus Patronage Data (2014/15 to 2019/20)</caption> <thead> <tr> <th>Year</th> <th>Trips taken</th> <th>5-yr rolling average</th> </tr> </thead> <tbody> <tr> <td>2014/15</td> <td>694,884</td> <td>736,476</td> </tr> <tr> <td>2015/16</td> <td>689,008</td> <td>737,964</td> </tr> <tr> <td>2016/17</td> <td>666,127</td> <td>718,911</td> </tr> <tr> <td>2017/18</td> <td>645,297</td> <td>688,002</td> </tr> <tr> <td>2018/19</td> <td>512,397</td> <td>641,543</td> </tr> <tr> <td>2019/20</td> <td>582,803</td> <td>619,126</td> </tr> </tbody> </table>				Year	Trips taken	5-yr rolling average	2014/15	694,884	736,476	2015/16	689,008	737,964	2016/17	666,127	718,911	2017/18	645,297	688,002	2018/19	512,397	641,543	2019/20	582,803	619,126
Year	Trips taken	5-yr rolling average																						
2014/15	694,884	736,476																						
2015/16	689,008	737,964																						
2016/17	666,127	718,911																						
2017/18	645,297	688,002																						
2018/19	512,397	641,543																						
2019/20	582,803	619,126																						

<sup>21</sup> Trends are based on a five-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.

Transport

Passenger Transport activity (continued)

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Annual passenger kilometres travelled on the Hawke’s Bay bus services</p> <p><b>Performance target:</b> Maintain or increasing trend (five-year rolling average)</p>	Not achieved 7,218,669km	Not achieved 6,820,792km	<b>Not achieved</b> 6,642,474km

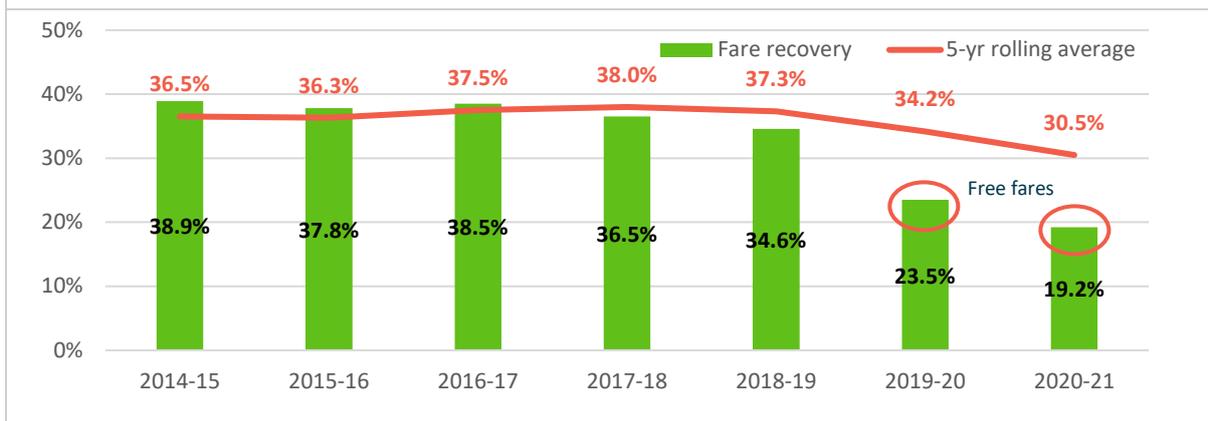
**Comments:** This result is an improvement on the previous year which was an unusual year due to COVID-19. However, the target is not achieved when compared against the five-year rolling average. In the five years between 2016-2017 and 2020-2021, the rolling average was 6,642,474kms.

A total of 6,296,256kms were travelled in 2020-2021. Overall, bus patronage rates are declining and this directly affects the number of kilometres travelled by passengers.

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> Proportion of total service costs that is covered by fares</p> <p><b>Performance target:</b> Maintain or increasing trend (five-year rolling average)</p>	Not achieved 34.6%	Not measured	<b>Not measured</b>

**Comments:** This year’s performance was affected by the introduction of free fares during COVID-19 restrictions (recovered from government funds). The free fares continued over July and August 2020 (covered by the Regional Council).

The remainder of the 2020-2021 year was impacted by the introduction of the new low-cost flat fare structure from the end of August 2020. There has been an overall declining trend in fare recovery.



Transport

Passenger Transport activity (continued)

Level of service measure and target	Result 2018-19	Result 2019-20	Result 2020-21
<p><b>Service measure:</b> 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</p> <p><b>Performance target:</b> 90% Hastings, 75% Napier</p>	<p>Achieved 90% Hastings 90% Napier</p>	<p>Achieved 90% Hastings 90% Napier</p>	<p><b>Achieved</b> 90% Hastings 90% Napier</p>
<p><b>Comments:</b> A re-calculation exercise conducted using Napier and Hastings district plan maps has shown that 90% of residential and commercial business are within 500m of a bus stop. Low density/outer urban areas were not able to be calculated using this method. Based on current urban growth rates, this performance indicator is unlikely to change significantly.</p>			



**Part 5:**  
**Financials |**  
**Pūrongo Pūtea**



### Financial overview

Overall, the Regional Council returned an operating surplus of \$7.9 million compared to a forecast deficit of \$4.4 million.

The financial budgets in the Annual Plan 2020-2021 were developed, consulted on and adopted during the first wave of the COVID-19 pandemic. The Annual Plan continued the theme of the Long Term Plan 2018-2028 to scale up our activities to improve land and water-use outcomes with an expectation of reduced revenue offset by increased debt to fund the increasing levels of expenditure. In anticipation of a negative economic impact from the pandemic, the Annual Plan included a 0% rates increase, reduced dividends from subsidiaries, reduced returns from investments and reduced income from fees and charges.

The extent of the negative impact on the economy, and the Regional Council revenues, was not as great as expected with the local economy and world markets performing significantly above expectations. This was boosted by the Regional Council also applying for and receiving additional central government recovery funding to support infrastructure and environmental projects. These projects were in the Long Term Plan but were brought forward to benefit from the co-funding provided by central government.

### Results

Operating surplus before tax of \$7.9 million for the year is significantly better than the budgeted loss of \$4.4 million. The main contributor to this was a \$9.1 million increase in fair value gains on investment property driven by the buoyant property market.

Operating revenue was \$76 million. This was \$21.4 million above budget and \$27 million below 2019-2020 as last year included the Napier Port initial public offer (IPO) proceeds. The revenue (with commentary on the variance to 2019-2020) comprised:

- rates revenue \$25 million
- direct user charges \$12.7 million (up \$0.3 million)
- subsidies and grants \$9.1 million (up \$4.3 million)
- dividend income \$6.5 million (down \$40.2 million)
- leasehold rental income \$2.3 million (down \$0.2 million)
- net investment income from managed funds and other deposits \$5.7 million (up \$5.3 million)
- forestry income \$0.7 million (no harvesting in prior year)
- subvention payment from HBRIC of \$1.1 million
- fair value gains \$12.8 million (up \$1.9 million).

Dividend income decreased by \$40.2 million as the prior year included the receipt of \$44 million from the IPO. Fair value gains reflected the net increase in the investment property (\$9.1 million) and forestry (\$3.7 million) portfolios.

Operating expenditure of \$68.1 million is comparable to the prior year's restated figures. External operating expenditure including staff costs increased by \$4.3 million reflecting growth in the organisation's capacity and delivery. Fair value losses included the movements in the liabilities to ACC totalling \$2.9 million in 2020-2021 and \$6.9 million in 2019-2020.

## Part 5- Financials | Pūrongo Pūtea

---

Compared to the 2020-2021 budget revenues were \$20.4 million higher due to higher fair value gains from forestry and investment property (\$9.7 million), higher revenue from fees and charges (\$2.3 million) driven by a stronger than expected economy, additional government subsidies and grants of \$5.2 million, and higher dividend revenues (\$3.4 million). Expenditure was \$9 million higher than budget due to the reclassification the Erosion Control Scheme (\$3.1 million) from capital to operational expenditure, the fair value movement in the ACC liability of \$2.9 million and additional costs to deliver services.

The other comprehensive revenue and expense position was a \$2.4 million deficit compared to a forecast \$41.1 million surplus and down from a \$130.3 million surplus from prior year. The prior year included the \$116.9 million increase in the valuation of the Hawke's Bay Regional Investment Company Ltd (HBRIC) following the Napier Port IPO and a \$11.1 million increase from the scheduled triennial revaluation in infrastructure assets. The budget included provision for a further increase in the value of Napier Port shares, however the share value dropped by year end resulting in a \$11.5 million decrease in the value of HBRIC compared to the prior year. These fair value losses were offset by the \$7.7 million unrealised gain in the managed funds and a \$1.4 million increase in the carbon credits valuation.

Assets increased by \$20.9 million to \$917.3 million, \$99.4 million above budget. The primary reason for the variance is budgets for 2020-2021 are set before year end and did not include significant changes following the revaluation of HBRIC or transfer of managed funds on 30 June 2020. Non-current financial assets decreased by \$3.6 million. This included the \$11.5 million reduction in the fair value of HBRIC offset by the \$7.9 million increases in other financial assets, primarily due to net gains in the managed funds of \$3.3 million, and a net increase of \$4 million in community loans derived from rate payers utilising the Clean Heat and Sustainable Homes programmes. Current assets increased by \$3.5 million including an extra \$1.6 million in cash.

Liabilities increased \$15.4 million from an additional \$12.7 million in net debt plus net increases to the liabilities of \$1.2 million from the ACC liabilities and a \$1.5 million increase in trade payables. The debt increase is consistent with the Regional Council's preferred funding for intergenerational projects.

Under the contract the Regional Council signed with ACC in 2013, 50 years of future rents was exchanged for a lump sum payment. The Regional Council has recognised a provision for the payment of the future rental income in the financial statements since the year ending 30 June 2014.

The contract terms have been reviewed and the Regional Council has determined that changes were required to correctly recognise the liabilities therein. The existing provision has been reclassified as a financial liability. Additional terms require that two-thirds of any rent received above the rental income specified in the contract is paid to ACC and when any section is sold to a lessee (freeholded) two-thirds of any gain above the forecast rental income for the section is paid to ACC.

The Regional Council has now assessed the liability based on the valuation of the Napier property portfolio and the contractual rental income forecast. It has determined that a total liability of \$21.7 million is required to correctly state the liability to ACC from the probable sale of the remaining leasehold properties as at 30 June 2021.

The Regional Council has determined that this adjustment should be recognised in prior periods to meet accounting standards and has restated the 2019-2020 figures accordingly resulting in a \$6.3 million reduction in the 2019-2020 surplus and a \$2.9 million expense in the current year. Please see the accompanying notes to the financial statements for further information.

### Financial reporting benchmarks

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

These 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.

The Regional Council has updated the graphs to reflect the restated figures for 2019-2020 included in the financial statements.

#### 1. Rates affordability benchmark

*“The Council meets the rates affordability benchmark if:*

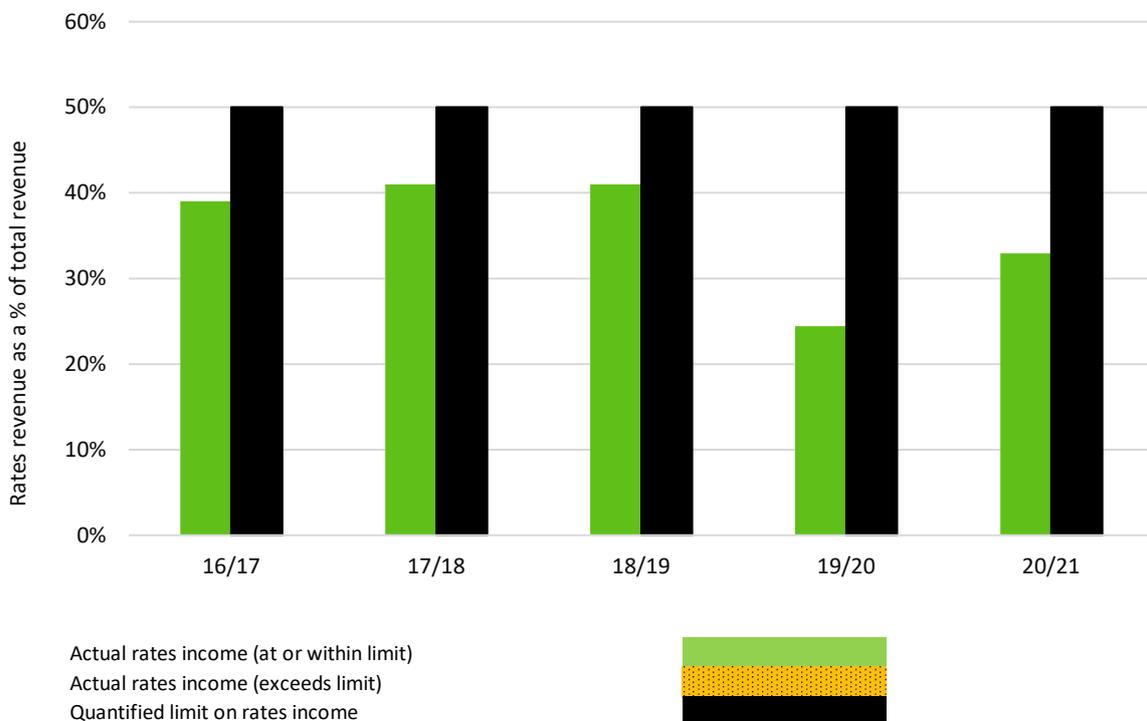
- *its actual rates revenue equals or is less than each quantified limit on rates; and*
- *its actual rates increases equal or are less than each quantified limit on rates increases.”*

##### (A) Rates income affordability benchmark

Figure 1 compares the Regional Council’s actual rates revenue with a quantified limit on rates contained in the financial strategy as included in the Regional Council’s Long Term Plan 2018-2028. The quantified limit used in the graph is that total rates revenue will not exceed 50% of the Regional Council’s annual revenue requirements. The graph uses percentage as a unit of measurement.

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

Figure 1: Rates affordability benchmark

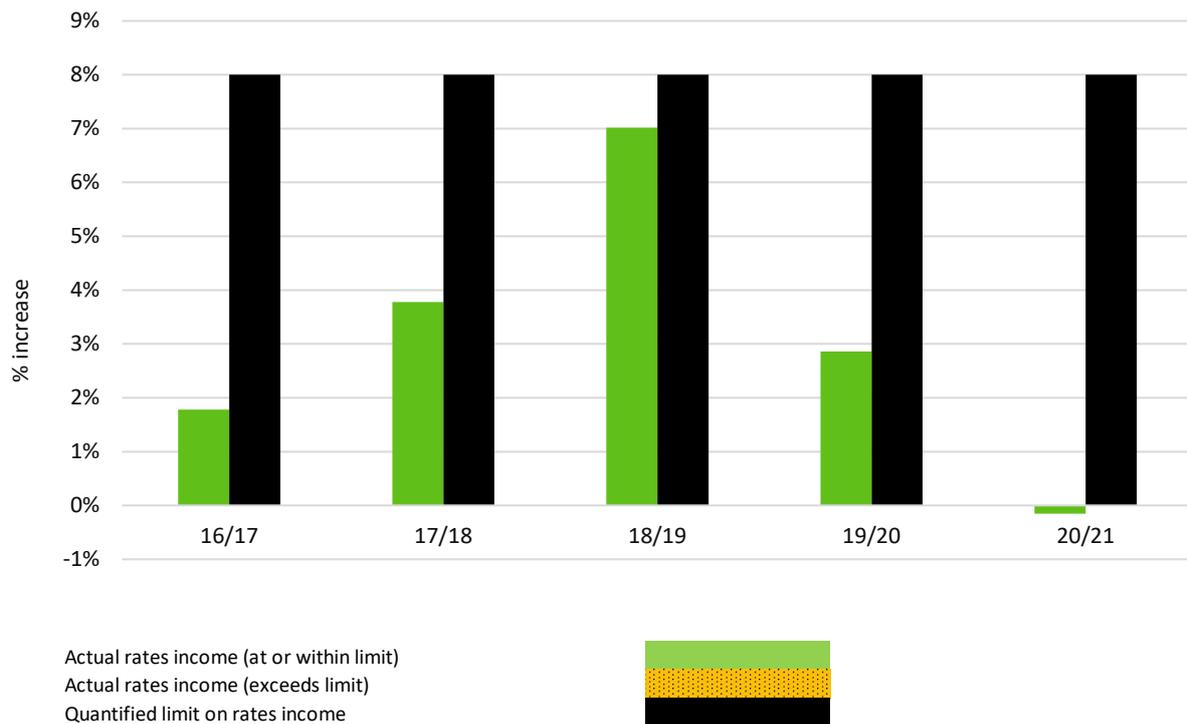


### Financial reporting benchmarks

#### (B) Rates increases affordability benchmark

Figure 2 compares the Regional Council’s actual rate increase with the quantified limit on rate increases included in the financial strategies in the Regional Council’s long-term plans. The quantified limit is that increase in the annual rate revenue requirement will not exceed 8% of the Regional Council’s annual operating expenditure requirements. The graph uses percentage as unit of measurement.

Figure 2: Rates increases affordability benchmark



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 the Regional Council’s Long Term Plan 2018-2028 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%.

## Part 5 - Financials | Pūrongo Pūtea

### Financial reporting benchmarks

Graphs are provided below for each of these borrowing limits.

Figure 3: Borrowing limit debt to total revenue ratio

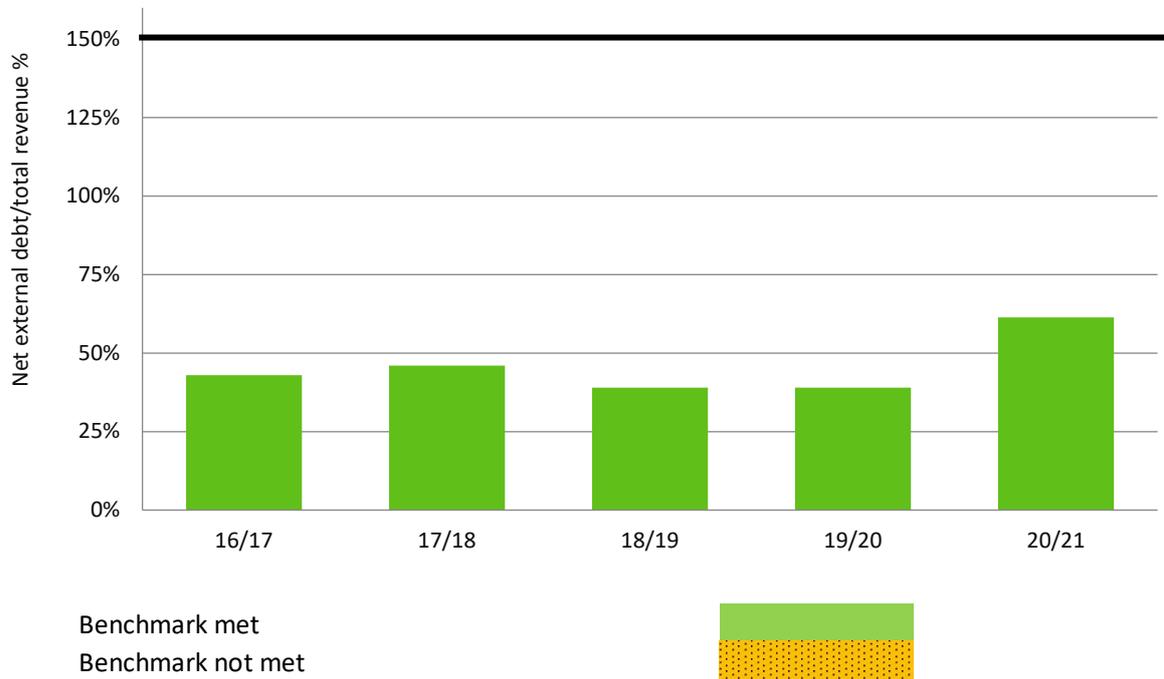
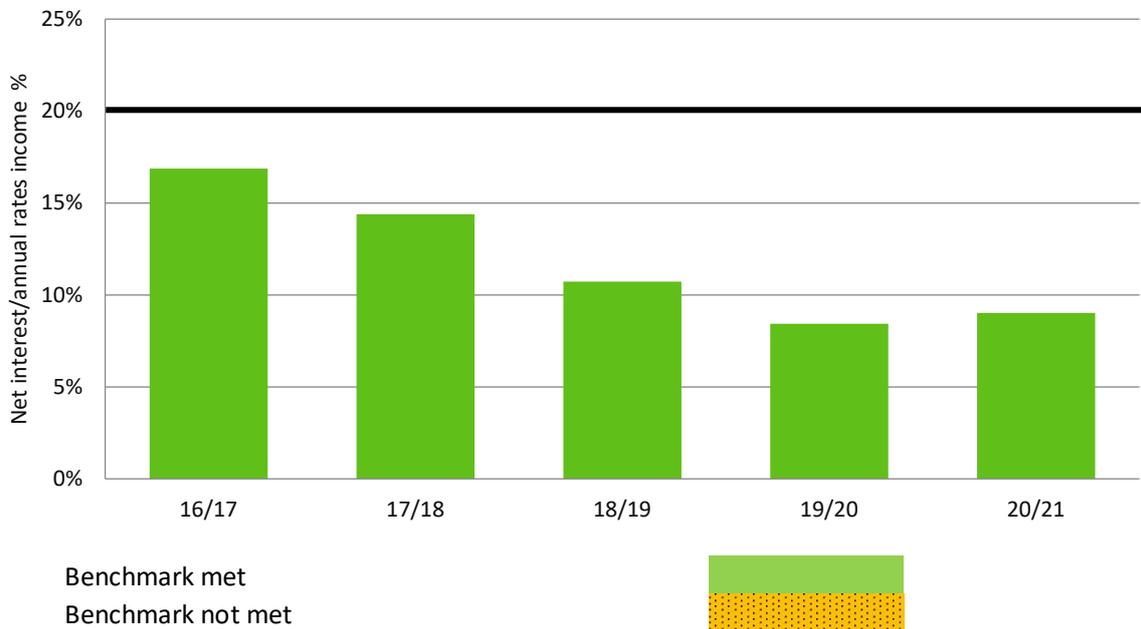


Figure 4: Borrowing limit interest expense to annual rates income



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

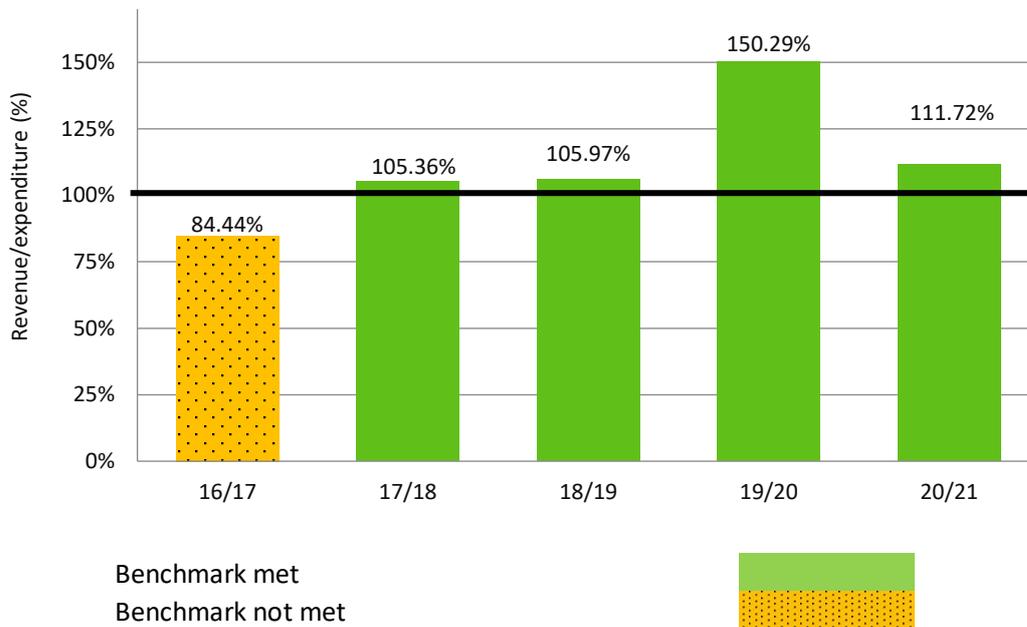
## Financial reporting benchmarks

### 3. Balanced budget benchmark

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

Figure 5 displays the Regional 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).

Figure 5: Balanced budget benchmark



The Regional Council has met this benchmark for all years except 2016-2017 due to the impairment of the advances made to HBRIC Ltd for the Ruataniwha Water Storage Scheme (RWSS) and the impairment of the RWSS evaluation costs and in 2020-2021 when the Regional Council approved a budget deficit as a part of the annual plan in response to the COVID-19 pandemic.

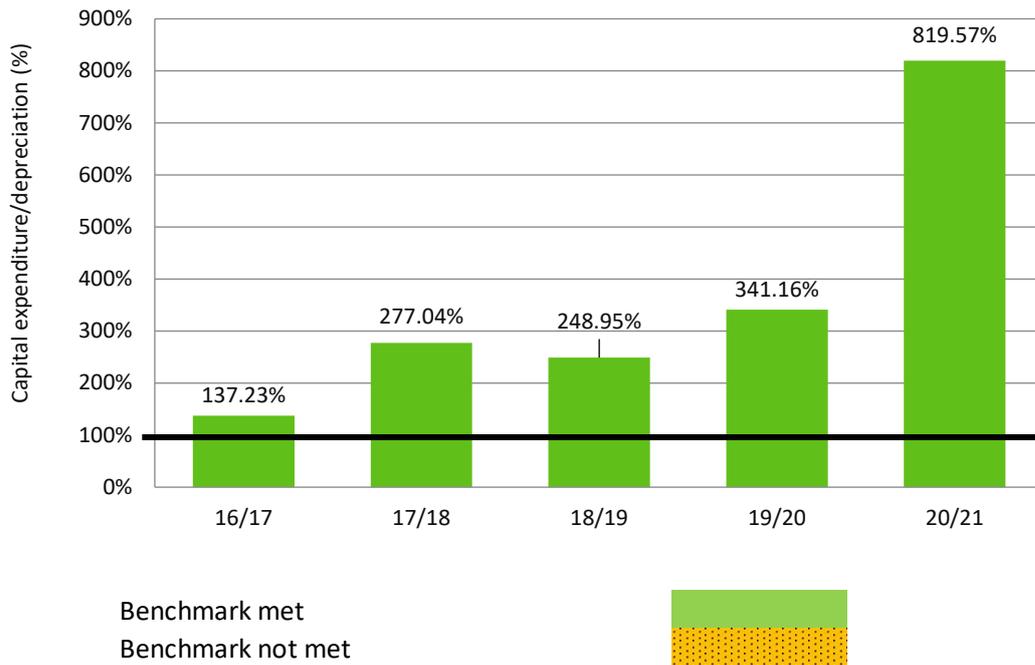
## Financial reporting benchmarks

### 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.”*

Figure 6 displays the Regional Council’s capital expenditure on network services as a proportion of depreciation on network services. Note the Regional Council has only one network service; and that covers the flood and drainage schemes.

Figure 6: Essential services benchmark



Capital expenditure on flood protection and control works are funded by a combination of depreciation and reserve funding.

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

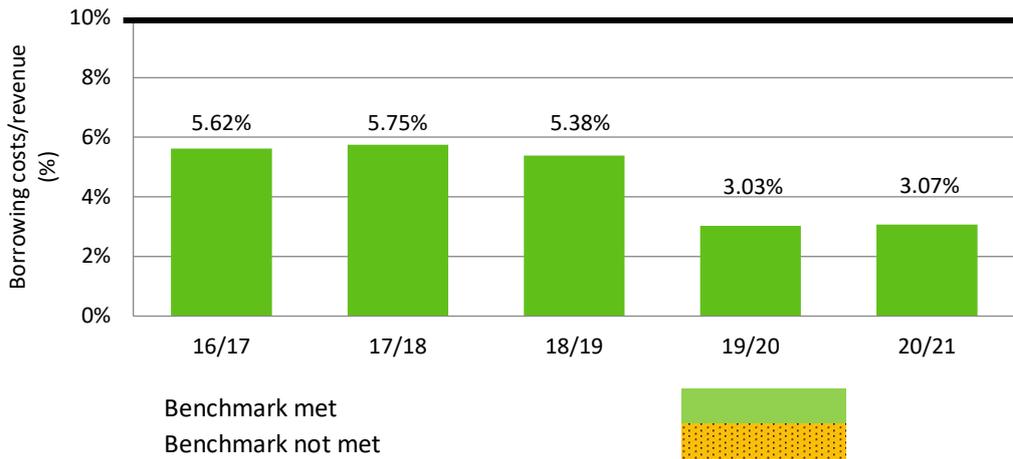
## Financial reporting benchmarks

### 5. Debt servicing benchmark

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

Figure 7 displays the Regional 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).

Figure 7: Debt servicing benchmark



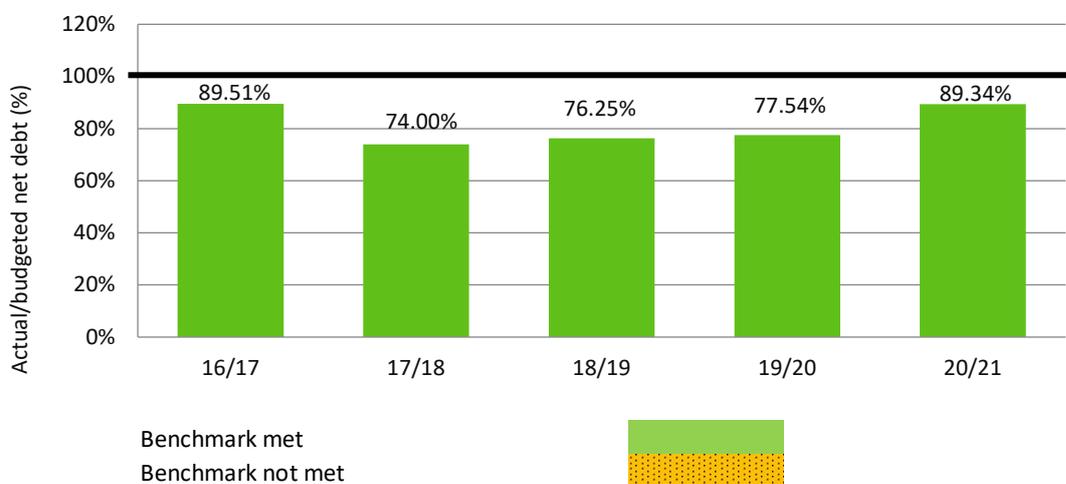
The Regional Council has met the benchmark for all years included in the above graph. Fees paid to ACC for the capitalisation of Napier leasehold property cashflows for a 50-year period are included.

### 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.”*

Figure 8 displays the Regional 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).

Figure 8: Debt control benchmark



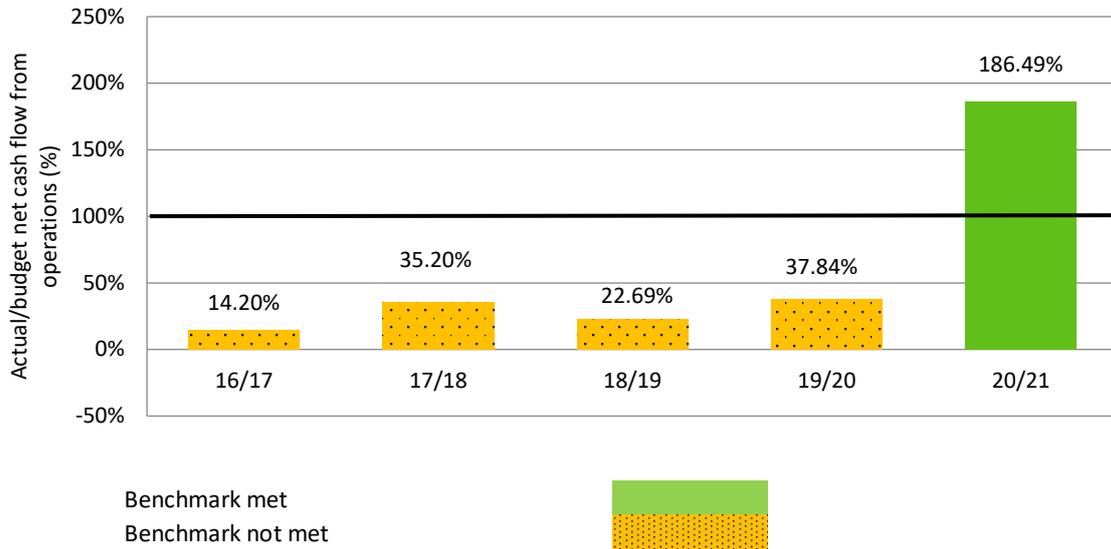
The Regional Council has met the benchmark for the last five financial years.

## Financial reporting benchmarks

### 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.”*

Figure 9: Operations control benchmark



The Regional Council had not met this benchmark (i.e. actual net cashflow from operations has exceeded planned levels) until 2020-2021. In previous years, the operating net cash flows were under budget but still positive.

## Part 5 - Financials | Pūrongo Pūtea

### Financial statements

#### Statement of comprehensive revenue and expense

For the year ended 30 June 2021

	Note	Regional Council			Group	
		Actual 20/21 \$000	Budget 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Revenue</b>						
Revenue from activities	3	12,671	10,131	12,363	116,951	108,497
Rates revenue	4	25,048	24,640	25,154	25,048	25,154
Subsidies and grants	5	9,124	3,933	4,796	9,124	6,832
Other revenue	5	16,410	11,933	49,761	13,063	5,562
Fair value gains on investments	6	12,803	3,118	10,945	15,003	11,175
Reduction in ACC Leasehold Liability		-	917	-	-	-
<b>Total Operating Revenue</b>		<b>76,056</b>	<b>54,671</b>	<b>103,019</b>	<b>179,189</b>	<b>157,220</b>
<b>Expenditure</b>						
Expenditure on activities	3	(59,055)	(52,873)	(54,753)	(124,335)	(119,011)
Finance costs	3	(2,338)	(2,529)	(3,121)	(1,419)	(4,654)
Depreciation & amortisation expense	3	(3,463)	(3,639)	(3,333)	(16,359)	(16,119)
Fair value losses	6	(2,925)	-	(6,930)	(2,925)	(6,930)
Other expenditure	7(c)	(358)	-	(409)	(358)	(409)
<b>Total Operating Expenditure</b>		<b>(68,139)</b>	<b>(59,041)</b>	<b>(68,546)</b>	<b>(145,396)</b>	<b>(147,123)</b>
Loss on sale of investments		-	-	-	365	(163)
<b>Total Impairment and Loss on Sale Expenditure</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>365</b>	<b>(163)</b>
<b>Total Expenditure</b>		<b>(68,139)</b>	<b>(59,041)</b>	<b>(68,546)</b>	<b>(145,031)</b>	<b>(147,286)</b>
<b>Operating Surplus / (Deficit) before Income Tax</b>		<b>7,917</b>	<b>(4,370)</b>	<b>34,473</b>	<b>34,158</b>	<b>9,934</b>
Income tax expense	8	-	-	-	(7,051)	(5,930)
<b>Operating Surplus / (Deficit) after Income Tax</b>		<b>7,917</b>	<b>(4,370)</b>	<b>34,473</b>	<b>27,107</b>	<b>4,004</b>
<b>Other Comprehensive Revenue and Expense</b>						
Gain/(loss) in other financial assets	18	(3,814)	3,178	118,091	13,491	1,762
Gain/(loss) on revalued intangible asset	18	1,429	37,892	1,164	1,429	1,164
Gain/(loss) on revalued property, plant and equipment assets	18	-	-	11,039	1,047	5,895
Effect on Consolidation		-	-	-	-	-
<b>Total Other Comprehensive Revenue and Expense</b>		<b>(2,385)</b>	<b>41,070</b>	<b>130,294</b>	<b>15,967</b>	<b>8,821</b>
<b>Total Comprehensive Revenue and Expense</b>		<b>5,532</b>	<b>36,701</b>	<b>164,767</b>	<b>43,074</b>	<b>12,825</b>
<b>Comprehensive income attributable to the</b>						
Equity holders of the Parent		5,532	36,701	164,767	33,125	9,062
Non-controlling Interests		-	-	-	9,949	3,763
		<b>5,532</b>	<b>36,701</b>	<b>164,767</b>	<b>43,074</b>	<b>12,825</b>

The accompanying notes form part of these financial statements.

## Part 5 - Financials | Pūrongo Pūtea

### Financial statements

#### Statement of financial position

As at 30 June 2021

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		20/21	20/21	19/20	20/21	19/20
		\$000	\$000	\$000	\$000	\$000
				(Restated)		(Restated)
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant & equipment	9	29,908	34,324	28,574	445,817	360,676
Infrastructure assets	10	193,086	196,425	187,387	193,086	187,387
Investment property	11	63,615	53,286	57,855	74,015	66,055
Intangible assets	12	14,683	9,580	10,096	15,964	11,289
Forestry assets	14	14,748	12,331	11,087	14,748	11,087
Deferred tax assets	21	-	-	-	-	-
Total non-current assets before other financial assets		316,040	305,946	294,999	743,630	636,494
Other financial assets	13	130,232	82,448	122,308	178,714	167,846
Investment in Council-controlled organisations	13	445,716	390,303	457,260	-	-
Advances to Napier / Gisborne Rail	13	1,486	236	1,486	1,486	1,486
Total other financial assets	13	577,434	472,987	581,054	180,200	169,332
<b>Total Non-Current Assets</b>		893,474	778,933	876,053	923,830	805,826
<b>Current Assets</b>						
Inventories		399	113	452	399	452
Trade & other receivables	15	13,390	9,352	11,327	28,992	25,634
Derivative financial instruments	16	-	-	-	99	-
Other financial assets	13	1,936	21,239	2,057	1,936	2,057
Cash and cash equivalents	17	8,101	8,279	6,522	18,163	25,234
Current tax asset		-	-	-	3,765	788
Non-current assets held for sale		-	-	-	-	-
<b>Total Current Assets</b>		23,826	38,983	20,358	53,354	54,165
<b>TOTAL ASSETS</b>		<b>917,300</b>	<b>817,915</b>	<b>896,411</b>	<b>977,184</b>	<b>859,992</b>
<b>NET ASSETS / EQUITY</b>						
Accumulated funds	19	284,260	277,336	296,260	449,611	449,784
Fair value reserves	18	403,885	300,941	406,270	213,320	197,727
Other reserves	19	133,876	176,866	113,959	134,364	113,959
<b>Total Net Assets / Equity</b>		<b>822,021</b>	<b>755,143</b>	<b>816,489</b>	<b>797,295</b>	<b>761,470</b>

Financial statements

Statement of financial position (continued)

As at 30 June 2021

	Note	Regional Council			Group	
		Actual 20/21 \$000	Budget 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>LIABILITIES</b>						
<b>Non-Current Liabilities</b>						
Derivative financial instruments	16	18	-	-	55	-
Borrowings	20	44,388	35,072	31,238	86,443	14,575
ACC leasehold financing liabilities	24	29,614	9,201	29,546	29,614	29,546
Provisions for other liabilities & charges		19	-	30	19	30
Deferred tax liabilities	21	-	-	-	16,416	15,602
Employee benefit liabilities	22	510	753	520	1,000	997
Finance lease liabilities		-	-	-	-	-
<b>Total Non-Current Liabilities</b>		<b>74,549</b>	<b>45,026</b>	<b>61,334</b>	<b>133,547</b>	<b>60,750</b>
<b>Current Liabilities</b>						
Bank overdraft	20	-	-	-	-	-
Derivative financial instruments	16	46	-	-	172	-
Borrowings	20	3,150	6,235	3,650	3,150	3,650
ACC leasehold financing liabilities	24	1,799	896	686	1,799	686
Current tax payable		-	-	-	1,538	2,569
Employee benefit liabilities	22	1,958	997	1,939	7,148	6,291
Trade & other payables	23	13,777	9,620	12,313	32,535	24,576
Finance lease liabilities		-	-	-	-	-
<b>Total Current Liabilities</b>		<b>20,730</b>	<b>17,747</b>	<b>18,588</b>	<b>46,342</b>	<b>37,772</b>
<b>TOTAL LIABILITIES</b>		<b>95,279</b>	<b>62,772</b>	<b>79,922</b>	<b>179,889</b>	<b>98,522</b>
<b>TOTAL NET ASSETS / EQUITY &amp; LIABILITIES</b>		<b>917,300</b>	<b>817,915</b>	<b>896,411</b>	<b>977,184</b>	<b>859,992</b>

The accompanying notes form part of these financial statements.

The Annual Plan included a regional freshwater security budget of \$4,660,000 which has been incorporated into the infrastructure assets budget.

Actuals costs of \$1,613,000 are included in infrastructure assets (see Note 10).

Financial statements

Statement of changes in equity

For the year ended 30 June 2021

	Note	Regional Council			Group	
		Actual 20/21 \$000	Budget 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Equity as at beginning of year</b>		816,489	718,442	652,873	761,470	525,229
Total Comprehensive Revenue and Expense		5,532	36,701	164,767	43,074	12,825
Adjustments to clear prior period errors	19	-	-	(1,151)	-	(1,151)
Dividends received / (paid)		-	-	-	(12,211)	(48,696)
Share capital issued		-	-	-	-	234,000
Transaction costs arising on proposed issuance of shares		-	-	-	(436)	(5,133)
Acquisition of treasury shares		-	-	-	-	(323)
Fair share loans to employees		-	-	-	87	(1,188)
Share - based payments		-	-	-	113	375
Effect on consolidation		-	-	-	5,198	45,532
<b>Equity as at end of year</b>		<b>822,021</b>	<b>755,143</b>	<b>816,489</b>	<b>797,295</b>	<b>761,470</b>
<b>Equity attributable to:</b>						
<b>Equity holders of the parent</b>		822,021	755,143	816,489	640,111	606,761
<b>Non-controlling interests</b>		-	-	-	157,184	154,709
		<b>822,021</b>	<b>755,143</b>	<b>816,489</b>	<b>797,295</b>	<b>761,470</b>

The accompanying notes form part of these financial statements.

## Part 5 - Financials | Pūrongo Pūtea

### Financial statements

#### Statement of cash flow

For the year ended 30 June 2021

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		20/21	20/21	19/20	20/21	19/20
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
<i>Cash was provided from:</i>						
Receipts from customers		13,106	12,474	13,052	117,809	113,082
Rates		26,178	24,640	25,154	26,178	25,154
Dividends received		6,506	3,000	46,474	1,755	17
Interest received		602	5,891	404	938	466
Grants		9,124	3,933	4,796	9,124	6,832
Other Revenue		9,570	699	205	8,515	198
GST		-	-	-	166	395
		<b>65,086</b>	<b>50,637</b>	<b>90,085</b>	<b>164,486</b>	<b>146,144</b>
<i>Cash was applied to:</i>						
Payments to suppliers		33,417	28,277	32,045	93,661	89,672
Payments to and on behalf of employees		25,700	24,028	22,355	25,700	22,355
Interest expense		2,338	2,529	2,120	2,365	2,593
Income tax expense		-	-	-	9,358	7,567
IPO transaction and related costs		-	-	-	-	6,119
Refund of COVID-19 Wage Subsidy		-	-	-	2,036	-
		<b>61,455</b>	<b>54,834</b>	<b>56,520</b>	<b>133,120</b>	<b>128,306</b>
<b>Net Cash Flows from Operating Activities</b>	<b>17</b>	<b>3,631</b>	<b>(4,198)</b>	<b>33,565</b>	<b>31,366</b>	<b>17,837</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
<i>Cash was provided from:</i>						
Disposal of property, plant & equipment		164	454	123	2,947	208
Disposal of investment properties		3,382	-	2,103	3,382	2,103
Disposal of financial assets		1,463	-	256	1,463	256
Disposal of forestry assets		-	485	-	-	-
Repayments from Investment Company		-	-	6,500	-	6,500
		<b>5,009</b>	<b>939</b>	<b>8,982</b>	<b>7,792</b>	<b>9,067</b>
<i>Cash was applied to:</i>						
Purchase of property, plant & equipment		3,327	6,331	3,431	94,518	101,474
Purchase of intangible assets		3,836	1,680	2,547	3,836	2,547
Construction of infrastructure assets		6,491	3,066	2,238	6,491	2,238
Community lending		3,876	953	-	3,876	-
Purchase of financial assets		408	-	50,376	408	50,376
Forestry assets development		-	250	-	-	-
Purchase of intangibles on behalf of third parties		-	-	-	-	-
Investment in associate		-	-	-	80	230
Regional Freshwater Security		-	1,574	-	-	-
Advances to Investment Company		-	-	-	-	-
Advances to Napier / Gisborne Rail		-	-	1,250	-	1,250
		<b>17,938</b>	<b>13,854</b>	<b>59,842</b>	<b>109,209</b>	<b>158,115</b>
<b>Net Cash Flows from Investing Activities</b>		<b>(12,929)</b>	<b>(12,915)</b>	<b>(50,860)</b>	<b>(101,417)</b>	<b>(149,048)</b>

Financial statements

Statement of cash flow (continued)

For the year ended 30 June 2021

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		20/21	20/21	19/20	20/21	19/20
		\$000	\$000	\$000	\$000	\$000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
<i>Cash was provided from:</i>						
Loans drawn		16,300	19,029	500	76,300	500
Proceeds from issue of ordinary shares		-	-	-	-	234,000
Repayment of fair share loans by employees		-	-	-	87	-
		<b>16,300</b>	<b>19,029</b>	<b>500</b>	<b>76,387</b>	<b>234,500</b>
<i>Cash was applied to:</i>						
Loans repaid		3,650	4,883	3,860	3,650	3,860
Leasehold freeholding proceeds paid to ACC		1,773	1,279	1,259	1,773	1,259
Transaction costs arising on share issuances		-	-	-	822	6,944
Repayment of external loans		-	-	-	-	86,500
Repayment of lease liability		-	-	-	210	197
Termination of interest rate swaps		-	-	-	-	7,141
Acquisition of treasury shares		-	-	-	-	323
Fair share loans to employees to acquire shares		-	-	-	-	1,188
Borrowing establishment costs		-	-	-	-	632
Dividends paid		-	-	-	6,952	2,238
		<b>5,423</b>	<b>6,161</b>	<b>5,119</b>	<b>13,407</b>	<b>110,282</b>
<b>Net Cash Flows from Financing Activities</b>		<b>10,877</b>	<b>12,867</b>	<b>(4,619)</b>	<b>62,980</b>	<b>124,218</b>
<b>Net Increase / (Decrease) in Cash &amp; Cash Equivalents</b>		<b>1,579</b>	<b>(4,245)</b>	<b>(21,914)</b>	<b>(7,071)</b>	<b>(6,993)</b>
Opening cash & cash equivalents		6,522	12,524	28,436	25,234	32,227
<b>Closing Cash &amp; Cash Equivalents</b>	<b>17</b>	<b>8,101</b>	<b>8,279</b>	<b>6,522</b>	<b>18,163</b>	<b>25,234</b>

The accompanying notes form part of these financial statements.

### Notes to the financial statements

---

#### Note 1: Statement of accounting policies

##### 1.1 Reporting entity

The Hawke's Bay Regional Council (Regional 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 Regional Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Hawke's Bay Regional Council group (the Group) consists of the ultimate parent, the Regional Council, and its subsidiaries. The Regional Council owns 100% (2019-2020: 100%) of Hawke's Bay Regional Investment Company Limited (HBRIC) which, in turn, owns 55% (2019-2020: 55%) of Napier Port Holdings Limited (NPHL). NPHL is the holding company parent of Port of Napier Limited (PoNL). PoNL is a Port Company as defined in the Port Companies Act 1988.

These companies are incorporated and domiciled in New Zealand.

For the purposes of the LGA, HBRIC is a Council Controlled Trading Organisation (CCTO) as it is a Council Controlled Organisation whose purpose is to return a profit.

The primary objective of the Regional Council is to provide services and social benefits for the community rather than make a financial return. The Regional Council is defined as a public entity under the Public Audit Act 2001. The Regional Council has designated itself and the Group as public sector public benefit entities (PBEs) for financial reporting purposes.

These financial statements of the Regional Council and the Group are for the year ended 30 June 2021.

##### 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 Regional Council and the Group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), 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, sea defences, 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) Changes in accounting standards

Certain new accounting standards and interpretations have been published that are mandatory for the current year end's reporting periods and have been adopted by the Regional Council. The adoption of these standards has not materially affected the financial statements.

##### Going Concern Disclosures (amendments to PBE IPSAS 1)

The amendments clarify the requirements on the disclosure of material uncertainties and significant judgements relating to events or conditions that may cast significant doubt upon an entity's ability to continue as a going concern.

##### 2019 Amendments to XRB A1 Appendix A – When is an Entity a Public Benefit Entity

Clarifies the definition of a PBE and defines public sector PBEs as public entities defined by the Public Audit Act 2001, and all Offices of Parliament.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

#### **Uncertainty over Income Tax Treatments (Amendments to PBE IAS 12)**

This amendment clarifies how to apply the recognition and measurement requirements in PBE IAS 12 when there is uncertainty over income tax treatments.

#### **PBE Interest Rate Benchmark Reform**

Sets out amendments to PBE Standards to support the provision of useful financial information by entities applying hedge accounting during the period of uncertainty arising from the phasing out of interest-rate benchmarks such as IBORs.

### **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 intra-group balances, transactions, revenues, and expenses are eliminated on consolidation.

##### **(2.1.1) Subsidiaries**

The Regional Council consolidates in the Group financial statements all entities where the Regional 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 Regional Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Regional 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 Regional 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 Regional Council. If the consideration transferred is lower than the net fair value of the Regional 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 Regional 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.

The Regional Council's group financial statements are based on NPHL's special purpose financial statements for the year ended 30 June 2021.

HBRIC and NPHL are for-profit entities and report under the for-profit standards. The Regional Council applies PBE standards to the financial reporting by its subsidiaries when consolidating the financial statements.

#### **2.2 Revenue recognition**

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

##### **(2.2.1) Rates revenue**

The following policies for rates have been applied:

- general rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates
- rates arising from late payment penalties are recognised as revenue when rates become overdue
- rate remissions are recognised as a reduction of rates revenue when the Regional 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

#### (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 Regional Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Regional Council and the approval has been communicated to the applicant. The Regional 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

#### 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 Regional 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 Regional Council's operational activities and interest rate risks arising from the Regional Council's financing activities. In accordance with its treasury policy, the Regional 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 Regional Council and the 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 Regional Council and the 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 Regional Council and the 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

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 Regional Council and the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Regional Council and the 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
- fair value through other comprehensive revenue and expense.

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

### Notes to the financial statements

---

#### **(2.9.1) Financial assets at fair value through surplus or deficit**

Financial assets at fair value through surplus or deficit (FVSD) 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 de-recognised 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 Regional Council and the Group include in this category:

- investments that it intends to hold long-term but which may be realised before maturity
- 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

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

Impairment is established when there is evidence that the Regional Council and the 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 Regional 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.

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**

Regional Council land and the Group administration 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

Sea defences are shown at fair value, based on periodic valuations by suitably qualified and experienced professionals, less accumulated depreciation and impairment. Revaluations are performed with sufficient regularity to ensure that the carrying value does not differ materially from its fair value.

PoNL land, PoNL cargo and other buildings and 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 the Regional 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 Regional 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 Regional 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 Regional Council and the 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 Regional Council or the 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 carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

### Notes to the financial statements

---

#### 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 Regional 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 de-recognised 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 de-recognised. 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.

Table 1: Major depreciation and amortisation periods

Asset category	Years
Buildings	3 - 60
Site improvements	10 - 50
Hydrology equipment including weirs	5 - 100
Vehicles, plant & equipment	3 - 31
Dredging	8
Tugs	30
Wharves and jetties	10 - 80
Sea defences	100 - 200
Computer software and licences	3 - 50
Infrastructure assets	5 - 100

Cranes are depreciated on a unit-of-production basis with estimated useful lives of 33,000 to 36,000 operating hours.

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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

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
- the present value of the estimated future cash flows.

#### 2.22 Provisions

Provisions are recognised when:

- the Regional Council has a present legal or constructive obligation as a result of past events
- it is more likely than not that an outflow of resources will be required to settle the obligation

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

- 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 Regional Council and is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into the following components:

- accumulated funds
- fair value reserves
- cash flow hedge reserves
- 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 (such as FVSD, 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 a Regional Council decision. Transfers to and from these reserves are at the discretion of the Regional Council.

#### 2.24 Goods and services tax (GST)

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 Regional Council in its Long Term Plan 2018-2028 and Annual Plan 2020-2021. 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### 2.26 Basis of allocation of the Regional 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.

#### COVID-19

It is acknowledged there is significant uncertainty in how COVID-19 will impact the New Zealand economy and the Regional Council in the future.

The Regional Council considered the potential impact of COVID-19 as part of its impairment testing and valuation of its assets as at 30 June 2021. 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 (Fair Value Level 1) and is considered the most appropriate reflection of the value of an asset.

Table 2:

Property, plant and equipment, and infrastructure assets	Management reviewed its assets for impairment and did not identify any issues with the existing balances.
Investment property	The Regional Council's investment property is valued annually by an independent valuer. Refer to Note 11 for more details on valuation inputs and assumptions.
Intangible assets – computer software and models	Regional Council's intangible assets have been tested for impairment. No objective evidence has been identified that would indicate that the value of intangible assets may be impaired.
Intangible assets – carbon credits	Carbon credits were revalued based on the quoted price for carbon credits.
Forestry assets	Forestry assets were revalued by an independent valuer at 30 June 2021.
Managed funds, government bonds, and publicly listed shares	Other financial assets comprises managed funds, government bonds, and publicly listed shares which have all been revalued based on quoted prices.
Investment in Council-controlled organisations	The valuation of HBRIC consists of its shareholding in NPHL, the investments in managed funds and its loan to the Regional Council. The valuation of its shareholding and investments is based on the quoted price for those holdings.
Advances to Napier/Gisborne Rail	Kiwirail is a state-owned enterprise and the Regional Council does not consider the repayment of the advance to be at risk.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

Inventories	Inventories mainly relate to poles grown by the nursery that are used for planting and erosion control. These are measured at the lower of cost and NRV. These will be used internally at cost and there is no impact from COVID-19.
Rates receivables and community loans	No impairment is required for community loans and rates receivable due to the powers under the Local Government (Rating) Act 2002 to recover outstanding rates debts.
Trade and other receivables	The Regional Council's trade receivables have been assessed for impairment and there is no significant impact from COVID-19 on collectability. In light of the COVID-19 impact on credit risks at the reporting date, the Group has increased the expected credit loss allowance in respect of its trade receivable balance at 30 June 2021.
Cash and cash equivalents	All cash is held with Bank of New Zealand and Westpac New Zealand which have a credit rating of AA- (Standard & Poors).

#### 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 is 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 2021. These are in accordance with the accounting standards and best practice.

In particular, significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:

- valuation of sea defences (Note 9)
- valuation of Infrastructure Assets (Note 10)
- valuation of Financial Instruments (Note 29)
- estimation of useful lives and residual values for depreciation expense (Notes 9, 10, 12)
- deferred taxes (Note 21).

### 2.29 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 Regional Council. The Regional Council and the Group's assessment of the impact of these new standards and interpretations is set out below.

#### PBE IPSAS 41 Financial Instruments

The Regional Council has decided to early adopt PBE IPSAS 41 from 1 July 2021. PBE IPSAS 41 introduces a simplified model for financial instrument classification and measurement with a standardised impairment model based on expected credit losses. Financial assets are classified into the following categories for the purpose of initial recognition and subsequent measurement:

- amortised cost (AC)
- fair value through other comprehensive revenue and expense (FVOCI)
- fair value through surplus or deficit (FVSD).

The Regional Council determines the classification of financial assets at initial recognition. The classification of debt instruments is specified by the Regional Council's business model for holding the financial assets and the nature of their contractual cash flows. Equity instruments are generally classified as at FVSD but the Regional Council can make an irrevocable election on each instrument to designate it as at FVOCI. Financial liabilities will be measured at amortised cost unless required by the standard to be measured at FVSD (e.g. those held for

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

trading) or the Regional Council has opted to measure them at FVSD as part of a group of financial liabilities or financial liabilities and assets whose performance is measured at fair value by those charged with governance.

The Regional Council has completed a detailed assessment of its financial assets and liabilities as at 30 June 2021 and determined that:

- the Regional Council's accounting policy for financial liabilities is unchanged
- the carrying amount of its financial assets and liabilities will not change from the carrying amount recognised under PBE IPSAS 29
- the following financial assets will be reclassified as FVSD rather than FVOCRE:
  - managed funds (excludes direct holdings in fixed interest instruments which will remain in FVOCRE)
  - publicly listed shares
  - civic financial services shares
- all other financial assets will retain their FVOCRE or AC classification.

The reclassification of financial assets from FVOCRE to FVSD resulting from the transition to PBE IPSAS 41 will result in a one-off reclassification adjustment of the fair value gains and losses previously recognised in other comprehensive revenue and expense to be recognised in surplus or deficit for those financial assets noted above whose classification has changed.

The reclassification adjustment is estimated to be \$4.5 million for managed funds and \$0.7 million for publicly listed and civic financial services shares as at 30 June 2021.

PBE IPSAS 41 prescribes a standardised impairment model based on an expected credit loss (ECL) model. The standard requires the Regional Council to base the measurement of expected credit losses on forward looking information as well as current and historic information. The Regional Council opted to apply the simplified model of lifetime expected credit losses to all receivables that result from exchange transactions (PBE IPSAS 9), non-exchange transactions (PBE IPSAS 23) and lease receivables (PBE IPSAS 13). The cumulative impact of the change is not material.

#### **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 2022. The Regional Council has not early adopted this standard and Regional Council has not yet determined how application of PBE FRS 48 will affect its statement of performance.

#### **PBE IPSAS 40 PBE Combinations**

PBE IPSAS 40 establishes the requirements for the classification of PBE combinations and the accounting for amalgamations and acquisitions. Effective for periods beginning on or after 1 January 2021. This standard will not affect the Regional Council's financial statements unless the Regional Council is involved in the merger or acquisition of a PBE. The Regional Council has not early adopted this standard.

#### **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 on or after 1 January 2021. This amendment will result in additional disclosure requirements and will not have any additional impact on the amounts disclosed. The Regional Council has not early adopted this standard.

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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 3: Groups of activities revenue and expenditure

	Note	Regional Council			Group	
		Actual 20/21 \$000	Budget 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Revenue</b>						
<b>Groups of activity</b>						
Strategic Planning		441	-	25	441	25
Asset Management		3,988	2,744	2,639	3,988	2,639
Integrated Catchment Management		5,305	4,721	6,240	5,305	6,240
Consents & Compliance		2,274	2,218	1,936	2,274	1,936
Emergency Management		58	295	1,357	58	1,357
Transport		395	26	83	395	83
Governance & Community Engagement		210	127	83	210	83
<b>Total groups of activity revenue</b>		<b>12,671</b>	<b>10,131</b>	<b>12,363</b>	<b>12,671</b>	<b>12,363</b>
Less internal revenue		-	-	-	-	-
<b>Total groups of activity revenue</b>		<b>12,671</b>	<b>10,131</b>	<b>12,363</b>	<b>12,671</b>	<b>12,363</b>
<b>Other activity</b>						
Subsidiary operations		-	-	-	104,280	96,134
<b>Total activity revenue</b>		<b>12,671</b>	<b>10,131</b>	<b>12,363</b>	<b>116,951</b>	<b>108,497</b>
<b>Expenditure</b>						
<b>Groups of activity</b>						
Strategic Planning		5,417	4,758	4,584	5,417	4,584
Asset Management		11,616	11,896	12,222	11,616	12,222
Integrated Catchment Management		25,828	23,688	22,378	25,828	22,378
Consents & Compliance		5,932	6,062	5,412	5,932	5,412
Emergency Management		2,815	2,660	4,785	2,815	4,785
Transport		6,989	5,447	5,647	6,989	5,647
Governance & Community Engagement		3,292	2,988	3,259	3,292	3,259
<b>Total groups of activity expenditure</b>		<b>61,889</b>	<b>57,499</b>	<b>58,287</b>	<b>61,889</b>	<b>58,287</b>
Less internal expenditure		(155)	(185)	(140)	(155)	(140)
<b>Total groups of activity expenditure</b>		<b>61,734</b>	<b>57,314</b>	<b>58,147</b>	<b>61,734</b>	<b>58,147</b>
<b>Other activities</b>						
Regional income collection		3,122	1,727	2,804	3,122	2,804
Unallocated personnel costs	7(a)	-	-	256	-	256
Interest paid on regional income loans		-	-	-	-	-
Subsidiary operations		-	-	-	77,257	78,577
<b>Total other activities expenditure</b>		<b>3,122</b>	<b>1,727</b>	<b>3,060</b>	<b>80,379</b>	<b>81,637</b>
Less finance costs - interest on borrowings		(1,259)	(1,250)	(1,051)	(340)	(2,584)
Less finance costs – ACC leasehold financing liability	3(a)	(1,079)	(1,279)	(2,070)	(1,079)	(2,070)
Less depreciation and amortisation expense	7	(3,463)	(3,639)	(3,333)	(16,359)	(16,119)
<b>Total activity expenditure</b>		<b>59,055</b>	<b>52,873</b>	<b>54,753</b>	<b>124,335</b>	<b>119,011</b>

#### Note 3 (a) ACC leasehold financing liability

The expense line includes the adjustment \$80,000 (2019/20: \$1,001,000) to the base loan liability to correctly reflect that liability at year end and the excess rental payments/sales proceeds paid to ACC of \$999,000 (2019/20: \$1,069,000).

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 4: Rates revenue

	Note	Regional Council			Group	
		Actual 20/21 \$000	Budget 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>General funding rates</b>						
Uniform annual general charge		2,969	2,823	3,063	2,969	3,063
General rate on land value		5,777	5,604	5,761	5,777	5,761
<b>Total general funding rates</b>		<b>8,746</b>	<b>8,427</b>	<b>8,824</b>	<b>8,746</b>	<b>8,824</b>
<b>Targeted rates</b>		16,456	16,213	16,377	16,456	16,377
<b>Rates Remissions</b>		(154)	-	(47)	(154)	(47)
<b>Total rates revenue</b>	<b>4(a)</b>	<b>25,048</b>	<b>24,640</b>	<b>25,154</b>	<b>25,048</b>	<b>25,154</b>

#### Note 4 (a)

Under Council's rates remission policy for multiple ownership land, 137 rates remissions were approved, totalling \$62,868 (2019/20 - 141 remissions totalling \$46,778). A further 107 rates remissions were approved totalling \$90,392 following the passing of the Local Government (Rating of Whenua Māori) Amendment Act 2021 in April 2021. The total rates revenue includes penalties of \$209,041 (2019/20: \$356,193).

#### Rating base information

The number of rating units within the region as at June 2021 are 72,372. (2020: 71,112). The total capital value of rating units within the region as at 30 June 2021 is \$49,595,818,250 (2020: \$41,162,549,050). The total land value of the rating units within the region as at 30 June 2021 is \$25,980,188,090 (2020: \$20,979,086,890).

#### Note 5: Other revenue

	Note	Regional Council			Group	
		Actual 20/21 \$000	Budget 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Subsidies and grants</b>						
Grants	<b>5(a)</b>	9,124	3,933	4,796	9,124	6,832
<b>Total subsidies and grants</b>		<b>9,124</b>	<b>3,933</b>	<b>4,796</b>	<b>9,124</b>	<b>6,832</b>
<b>Other revenue</b>						
Dividend revenue		6,506	3,000	46,680	1,849	222
Leasehold rents	<b>5(b)</b>	2,316	2,343	2,534	4,681	4,800
Interest revenue		602	5,891	892	602	892
Gain / (Loss) on disposal of assets - net		164	-	17	164	17
Subvention payments		1,055	-	7	-	-
Gain / (Loss) on investments - net	<b>5(c)</b>	5,101	-	(465)	5,101	(465)
Other income		(11)	167	96	(11)	96
Forestry income		677	532	-	677	-
<b>Total other revenue</b>		<b>16,410</b>	<b>11,933</b>	<b>49,761</b>	<b>13,063</b>	<b>5,562</b>

#### Note 5 (a)

Government grants are received from the Waka Kotahi 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 for the Environment for iwi initiatives, Maritime New Zealand for maintaining a tier 2 marine spill response plan, 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### 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)

Includes realised gains on managed funds.

#### Note 6: Fair value gains and losses through the statement of comprehensive revenue and expense

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Fair value gains</b>					
Investment property gains	11	9,142	10,722	11,342	10,952
Financial asset gains	13	-	-	-	-
Forestry asset gains	14	3,661	223	3,661	223
Derivative instrument gains	16	-	-	-	-
Infrastructure asset gains	10	-	-	-	-
Carbon credit gains	12	-	-	-	-
Foreign currency gains		-	-	-	-
<b>Total fair value gains</b>		<b>12,803</b>	<b>10,945</b>	<b>15,003</b>	<b>11,175</b>
<b>Fair value losses</b>					
Investment property losses	11	-	-	-	-
Financial asset losses	13	-	-	-	-
Forestry asset losses	14	-	618	-	618
Derivative instrument losses	16	64	-	64	-
Infrastructure asset losses	10	-	-	-	-
Carbon credit losses		-	-	-	-
Foreign currency losses		-	-	-	-
Asset impairment losses	9 & 10	-	-	-	-
ACC leasehold financing liability – Excess payment losses	24	2,861	6,312	2,861	6,312
<b>Total fair value losses</b>		<b>2,925</b>	<b>6,930</b>	<b>2,925</b>	<b>6,930</b>

**Note:** Fair value gains and losses on trading assets (listed above) are recorded in the Statement of Comprehensive Revenue and Expense. 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 Expense as an asset impairment.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 7: Expense disclosures

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>General disclosures</b>					
Depreciation	9,10	2,785	2,647	14,928	15,646
Amortisation	12	678	686	1,431	686
Personnel Costs	7(a)	25,709	23,327	60,009	55,663
Donations		688	488	688	488
Operating lease expense		258	167	258	167
Capitalised borrowing costs		-	-	-	-
Key management compensation					
[a] short-term employee benefits		2,344	2,777	5,468	6,784
[b] post-employment benefits		-	-	-	-
[c] other long-term benefits		54	71	54	71
[d] termination benefits		-	-	-	130
[e] share-based payment		-	-	113	62
	7(b)	<b>2,398</b>	<b>2,848</b>	<b>5,635</b>	<b>7,047</b>
<b>Fees paid to Council's auditors (Audit NZ)</b>					
Financial statements audit fee		134	109	168	143
Long term plan audit fee		73	9	73	9
Assurance and related services fee (lease receivables agreement report)		9	10	9	10
Tax services fee		-	-	-	-
Additional fees for financial statements audit		30	60	30	60
<b>Fees paid to subsidiaries' auditors (EY)</b>					
Financial statements audit fee		-	-	218	212
Non audit services (strategic risk consultancy)		-	-	1	35
<b>Total fees paid to auditors</b>		<b>246</b>	<b>188</b>	<b>499</b>	<b>469</b>

#### Note 7 (a)

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Personnel Costs</b>					
Salaries and wages		24,723	22,085	59,023	54,421
Defined contribution plan employer contributions		823	683	823	683
Increase/(decrease) in employee entitlements	22(a)	163	303	163	303
		-	-	-	-
<b>Allocated Personnel Costs</b>		<b>25,709</b>	<b>23,071</b>	<b>60,009</b>	<b>55,407</b>
One-off restructuring costs		-	256	-	256
		-	-	-	-
<b>Total Personnel Costs</b>		<b>25,709</b>	<b>23,327</b>	<b>60,009</b>	<b>55,663</b>

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

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 7 (b)

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Key Management Compensation</b>					
<b>Councillors</b>					
Remuneration	27(a)	715	695	715	695
Full-time equivalent members		9	9	9	9
<b>Executive Management Team, including the Chief Executive and Interim Chief Executives</b>					
Remuneration		1,683	2,153	1,683	2,153
Termination benefits		-	-	-	-
Full-time equivalent members		6	9	6	9
<b>Company Directors, Chief Executive and Senior Management</b>					
Remuneration		-	-	3,124	4,007
Termination benefits		-	-	-	130
Share-based payments		-	-	113	62
Full-time equivalent members		-	-	19	19
<b>Total Key Management Compensation</b>		<b>2,398</b>	<b>2,848</b>	<b>5,635</b>	<b>7,047</b>
<b>Total full-time equivalent personnel</b>		<b>15</b>	<b>18</b>	<b>34</b>	<b>37</b>

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 Regional Council comprises councillors and the Executive Leadership Team for the Regional Council, and directors and chief executive for each subsidiary.

#### Note 7 (c)

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Other Expenditure</b>					
Sundry Expenditure		358	409	358	409
Share of gain/(loss) from equity accounted investees		-	-	-	-
Loss on sale of land		-	-	-	-
		<b>358</b>	<b>409</b>	<b>358</b>	<b>409</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 8: Income tax expense

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Income tax expense</b>					
Current tax		-	-	6,494	5,502
Deferred tax	21	-	-	537	237
Adjustments to current tax in prior periods		-	-	(272)	250
Adjustments to deferred tax in prior periods		-	-	293	(58)
<b>Total income tax expense</b>		-	-	<b>7,051</b>	<b>5,930</b>
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		7,917	34,473	34,158	9,934
Tax at domestic rate of 28% (2020: 28%) Plus / (Less) tax effect of:					
Income not subject to tax		2,217	9,652	9,564	2,782
Expenses not deductible for tax purposes		(19,435)	(10,918)	(21,439)	(17,274)
Imputation credits		19,079	19,193	19,710	21,619
Imputation credits		(2,022)	(18,067)	(2,416)	(20)
Tax effect of income not recognised for accounting purposes		-	-	591	-
Utilisation of previously unrecognised tax losses		(134)	-	(134)	-
Group loss transfer		295	140	295	140
Prior period adjustment		-	-	21	192
Tax losses not recognised/Adjust tax rate changes		-	-	-	-
Tax on changes to building depreciation rates		-	-	858	(1,508)
<b>Tax charge</b>		-	-	<b>7,051</b>	<b>5,930</b>

The Regional Council and the Group have unrecognised income tax losses of \$1,054,870 (2019/20: \$496,808) with a tax effect of \$295,364 (2019/20: \$139,106) that are available to carry forward, subject to compliance with the Income Tax Act 2007.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 9: Property, plant and equipment

Regional Council	Note	Land \$000	Admin Buildings \$000	Vehicles, Plant & Equipment \$000	Hydrology Equipment \$000	Total \$000
<b>At 1 July 2019</b>						
Cost or valuation		9,583	9,011	12,872	3,828	35,294
Accumulated depreciation		-	(26)	(7,965)	-	(7,991)
Work in progress		-	-	168	-	168
Net book amount		9,583	8,985	5,075	3,828	27,472
<b>Year ended 30 June 2020</b>						
Opening net book amount		9,583	8,985	5,075	3,828	27,472
Revaluation surplus / (deficit)		-	-	-	-	-
Transfers / reclassification		-	-	-	-	-
Additions		204	6	1,919	703	2,832
Disposals		-	-	(75)	(100)	(175)
Depreciation charges		-	(427)	(1,094)	(470)	(1,991)
Asset impairment losses		-	(65)	-	-	(65)
Change in work in progress		-	115	41	344	500
		9,787	8,614	5,866	4,305	28,574
<b>At 30 June 2020</b>						
Cost or valuation		9,787	8,952	14,716	4,431	37,886
Accumulated depreciation		-	(453)	(9,059)	(470)	(9,982)
Work in progress		-	115	209	344	668
Net book amount		9,787	8,614	5,866	4,305	28,574
<b>Year ended 30 June 2021</b>						
Opening net book amount		9,787	8,614	5,866	4,305	28,574
Revaluation surplus / (deficit)		-	-	-	-	-
Transfers / reclassification		(204)	51	-	-	(153)
Additions		-	462	2,793	761	4,016
Disposals		-	-	(162)	-	(162)
Depreciation charges		-	(444)	(957)	(592)	(1,993)
Asset impairment losses		-	-	-	-	-
Change in work in progress		-	(6)	(194)	(172)	(372)
		9,583	8,677	7,346	4,302	29,908
<b>At 30 June 2021</b>						
Cost or valuation	9(a)	9,583	9,465	17,347	5,192	41,587
Accumulated depreciation		-	(897)	(10,016)	(1,062)	(11,975)
Work in Progress		-	109	15	172	296
Net book amount		9,583	8,677	7,346	4,302	29,908

#### Note 9 (a) Valuations

Regional 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 valuer. 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 valuer. The total fair value of this land was \$2,564,000.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

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

Hydrology 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.

#### Note 9 (b) Insurance of Assets

Insurance Contracts	Book value	Maximum insured amount
	\$000	\$000
Hawke's Bay Council's programme		
PP&E excl. vehicles	26,651	36,253
Pumpstations	5,074	16,810
Vehicles	3,257	3,381
Timber crops	11,087	10,932
	<b>46,069</b>	<b>67,376</b>

The Regional Council 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 affected by claims from the other four councils.

Infrastructure insurance	Book value	Maximum insured amount
	\$000	\$000
Infrastructure Assets*	<b>177,475</b>	<b>220,544</b>

\* Infrastructure Assets exclude land

The Regional Council insures infrastructure assets through Aon New Zealand. A report prepared by consultant Tonkin & Taylor in conjunction with Aon assessed the Regional Council's maximum probable loss in a 1:2000 earthquake event at \$65 million. The Regional Council 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 2021 are:

Regional Disaster Damage Reserve (book value)	2,284,923
Scheme Disaster Damage Reserves	3,825,763
<b>Total</b>	<b>6,110,686</b>

## Part 5 - Financials | Pūrongo Pūtea

### Note 9: Property, plant and equipment (continued)

Subsidiaries	Port Land \$000	Site Improve- ments \$000	Cargo & Other Buildings \$000	Admin 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
<b>At 30 June 2019</b>													
Cost or valuation	38,656	60,423	22,625	6,045	24,100	18,363	47,428	63,087	34,775	89,752	(3,866)	-	401,388
Accumulated depreciation	-	(23,171)	(10,339)	(562)	(2,802)	(6,252)	(9,578)	(39,764)	(9,274)	(2,213)	(705)	-	(104,660)
Work in progress	-	-	-	-	-	-	-	-	-	-	-	10,167	10,167
Net book amount	38,656	37,252	12,286	5,483	21,298	12,111	37,850	23,323	25,501	87,539	(4,571)	10,167	306,895
<b>Year ended 30 June 2020</b>													
Opening net book amount	38,656	37,252	12,286	5,483	21,298	12,111	37,850	23,323	25,501	87,539	(4,571)	10,167	306,895
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for consolidation	-	966	(120)	-	-	(184)	(151)	(1,599)	-	(86)	(863)	2,115	78
Additions	-	1,948	50	-	-	1,417	439	12,704	-	-	-	26,802	43,360
Disposals	-	(563)	-	(237)	-	-	-	(782)	-	(5,225)	-	-	(6,807)
Depreciation charges	-	(1,963)	(539)	(120)	-	(751)	(623)	(6,515)	-	(913)	-	-	(11,424)
Change in work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
	38,656	37,640	11,677	5,126	21,298	12,593	37,515	27,131	25,501	81,315	(5,434)	39,084	332,102
<b>At 30 June 2020</b>													
Cost or valuation	38,656	62,774	22,555	5,808	24,100	19,596	47,716	73,410	34,775	84,441	(4,729)	-	409,102
Accumulated depreciation	-	(25,134)	(10,878)	(682)	(2,802)	(7,003)	(10,201)	(46,279)	(9,274)	(3,126)	(705)	-	(116,084)
Work in progress	-	-	-	-	-	-	-	-	-	-	-	39,084	39,084
Net book amount	38,656	37,640	11,677	5,126	21,298	12,593	37,515	27,131	25,501	81,315	(5,434)	39,084	332,102
<b>Year ended 30 June 2021</b>													
Opening net book amount	38,656	37,640	11,677	5,126	21,298	12,593	37,515	27,131	25,501	81,315	(5,434)	39,084	332,102
Revaluation surplus / (deficit)	-	6,098	-	1,093	-	6	3,724	4,014	-	134	-	-	15,069
Adjustment for consolidation	-	-	-	-	-	-	-	213	-	-	564	-	777
Additions/transfers	-	-	1,745	659	-	-	-	-	-	-	-	(1,281)	1,123
Disposals/transfers/impairment	-	-	(1)	-	-	-	-	(114)	-	-	-	-	(115)
Depreciation charges	-	(2,193)	(892)	-	-	(650)	(712)	(7,578)	-	(330)	-	-	(12,355)
Change in work in progress	-	13,366	62	-	-	27,964	44,872	12,013	-	18,834	-	(37,803)	79,308
	38,656	54,911	12,591	6,878	21,298	39,913	85,399	35,679	25,501	99,953	(4,870)	0	415,909
<b>At 30 June 2021</b>													
Cost or valuation	38,656	68,872	24,299	7,560	24,100	19,602	51,440	77,523	34,775	84,575	(4,165)	-	427,237
Accumulated depreciation	-	(27,327)	(11,770)	(682)	(2,802)	(7,653)	(10,913)	(53,857)	(9,274)	(3,456)	(705)	-	(128,439)
Work in progress	-	13,366	62	-	-	27,964	44,872	12,013	-	18,834	-	0	117,111
Net book amount	38,656	54,911	12,591	6,878	21,298	39,913	85,399	35,679	25,501	99,953	(4,870)	0	415,909

#### Note 9 (c)

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 optimised 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 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 9: Property, plant and equipment (continued)

<b>Group Totals</b>	<b>Regional Council</b>	<b>Regional Council</b>	<b>Group</b>
<b>At 30 June 2019</b>	<b>\$000</b>	<b>Subsidiaries</b>	<b>Total</b>
		<b>\$000</b>	<b>\$000</b>
Cost or valuation	35,294	401,388	436,682
Accumulated depreciation	(7,991)	(104,660)	(112,651)
Work in Progress	168	10,167	10,335
<b>Net book amount</b>	<b>27,471</b>	<b>306,895</b>	<b>334,367</b>
<b>Year ended 30 June 2020</b>			
Opening net book amount	27,471	306,895	334,367
Revaluation surplus / (deficit)	-	-	-
Consolidation adjustments	-	78	78
Transfers	-	-	-
Additions	2,832	14,443	17,275
Disposals	(175)	(6,807)	(6,982)
Depreciation charges	(1,991)	(11,424)	(13,415)
Asset impairment losses	(65)	-	(65)
Change in Work in Progress	500	28,917	29,417
	<b>28,574</b>	<b>332,102</b>	<b>360,676</b>
<b>At 30 June 2020</b>			
Cost or valuation	37,886	409,102	446,988
Accumulated depreciation	(9,982)	(116,084)	(126,066)
Work in Progress	668	39,084	39,752
<b>Net book amount</b>	<b>28,574</b>	<b>332,102</b>	<b>360,676</b>
<b>Year ended 30 June 2021</b>			
Opening net book amount	28,574	332,102	360,676
Revaluation surplus / (deficit)	-	15,069	15,069
Consolidation adjustments	-	777	777
Transfers	(153)	-	(153)
Additions	4,016	1,123	5,139
Disposals	(162)	(115)	(277)
Depreciation charges	(1,993)	(12,355)	(14,348)
Asset impairment losses	-	-	-
Change in Work in Progress	(372)	79,308	78,936
	<b>29,908</b>	<b>415,909</b>	<b>445,817</b>
<b>At 30 June 2021</b>			
Cost or valuation	41,587	427,237	468,824
Accumulated depreciation	(11,975)	(128,439)	(140,414)
Work in Progress	296	117,111	117,407
<b>Net book amount</b>	<b>29,908</b>	<b>415,909</b>	<b>445,817</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### 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	Tūtira Reserve \$000	River Dredging \$000	Regional Parks & Wetland Reserves \$000	Pathway & Roadway \$000	Regional Water Security \$000	Capital Work in Progress \$000	Total \$000
<b>At 30 June 2019</b>																		
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	-	-	176,392
Accumulated depreciation		-	-	(92)	(1)	(555)	(480)	-	-	(47)	-	-	(559)	(41)	-	-	-	(1,775)
Work in Progress		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	92	92
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
<b>Year ended 30 June 2020</b>																		
Opening 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
Revaluation surplus	10(b)	206	3,266	258	3,003	583	878	1,291	123	4	844	-	-	899	(259)	-	-	11,096
Additions		6	-	-	-	120	13	328	-	-	-	305	-	37	108	-	-	917
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges		-	-	(49)	(1)	(300)	(260)	-	-	(23)	-	-	-	(23)	-	-	-	(656)
Asset impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Work in Progress		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,322	1,322
		15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	200	3,713	2,689	-	1,414	187,387
<b>At 30 June 2020</b>																		
Cost or valuation		15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	759	3,713	2,689	-	-	186,533
Accumulated depreciation		-	-	-	-	-	-	-	-	-	-	-	(559)	-	-	-	-	(559)
Work in Progress		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	1,414	1,414
Net book amount		15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	200	3,713	2,689	-	1,414	187,387
<b>Year ended 30 June 2021</b>																		
Opening net book amount		15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	200	3,713	2,689	-	1,414	187,387
Revaluation surplus		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Additions		-	-	-	-	546	-	1,396	-	39	-	-	-	1,067	1,221	-	(1,414)	2,856
Transfers		1	-	-	(404)	(2)	1	401	-	(2)	2	-	-	209	(2)	-	-	204
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges		-	-	(49)	(1)	(298)	(266)	-	-	(23)	-	-	(120)	(35)	-	-	-	(792)
Asset Impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Change in Work in Progress		242	833	-	29	21	10	184	-	7	-	-	-	372	120	1,613	-	3,431

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

	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	Tūtira Reserve \$000	River Dredging \$000	Regional Parks & Wetland Reserves \$000	Pathway & Roadway \$000	Regional Water Security \$000	Capital Work in Progress \$000	Total \$000
<b>At 30 June 2021</b>		15,612	64,205	3,599	39,039	5,341	6,676	30,735	2,022	130	13,062	1,620	80	5,326	4,028	1,613	-	193,086
Cost or valuation	10(a)	15,370	63,372	3,648	39,011	5,618	6,932	30,551	2,022	146	13,062	1,620	759	4,989	3,908	-	-	191,007
Accumulated depreciation		-	-	(49)	(1)	(298)	(266)	-	-	(23)	-	-	(679)	(35)	-	-	-	(1,351)
Work in Progress		242	833	-	29	21	10	184	-	7	-	-	-	372	120	1,613	-	3,431
Net book amount		15,612	64,205	3,599	39,039	5,341	6,676	30,735	2,022	130	13,062	1,620	80	5,326	4,028	1,613	-	193,086

#### Note 10 (a)

Infrastructure assets were valued by suitably qualified and experienced council employees at 30 June 2020 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 Goods Price Index, published by Statistics New Zealand was used.

The depreciated replacement cost valuation of the flood protection and drainage infrastructure assets was reviewed by Aon Valuation Services. Land values were assessed by G S Morice, a registered valuer of Morice Limited on 30 June 2017.

Significant assumptions used in the land valuation include:

- 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.

#### Note 10 (b)

The Tūtira Reserve assets were valued at 31 May 2019 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 and 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 \$213,856,338 as at 30 June 2021.

## Notes to the financial statements

### Note 11: Investment property

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>At beginning of year</b>		57,855	48,393	66,055	56,363
Additions		-	-	-	-
Fair value gains / (losses) (included in income statement)	11(a)	9,142	10,722	11,342	10,952
Disposals		(3,382)	(1,260)	(3,382)	(1,260)
Transfers	11(b)	-	-	-	-
Movement during the year		5,760	9,462	7,960	9,692
<b>At end of year</b>		<b>63,615</b>	<b>57,855</b>	<b>74,015</b>	<b>66,055</b>
<b>Investment property includes:</b>				-	-
Endowment leasehold land	11(d)	42,240	39,630	42,240	39,630
Other leasehold land		20,775	17,750	31,175	25,950
Rental Property		600	475	600	475
		<b>63,615</b>	<b>57,855</b>	<b>74,015</b>	<b>66,055</b>

#### Note 11 (a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2021 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 5.50%. The total fair value of property valued by Trevor W Kitchin as an independent valuer was \$42,240,000 (2019/20: \$39,630,000). Telfer Young (Hawke's Bay) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Regional Council.

Wellington leasehold land was valued as a portfolio at 30 June 2021 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 6.75%-7.25%. The total fair value of the 12 properties valued by Martin J Veale as an independent valuer was \$20,775,000 (2019/20: \$17,750,000). Telfer Young (Wellington) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Regional Council.

Property at Tūtira was valued at 30 June 2021 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 \$600,000 (2019/20: \$475,000). Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Regional Council. The valuer noted "significant market uncertainty" attached to the valuation due to the COVID-19 market disruption.

#### Note 11 (b)

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

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Rental income	5	2,316	2,534	4,681	4,800
Direct operating expense arising from investment properties that generate rental income		(89)	(78)	(89)	(78)
		<b>2,227</b>	<b>2,456</b>	<b>4,592</b>	<b>4,722</b>

#### 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 11 (d)

Under the lease receivables purchase agreement with ACC, two thirds of the surplus from the sale of the freehold of any endowment leasehold property must be paid to ACC and a liability has been recognised for this contractual obligation. See Note 24 for details.

#### Note 12: Intangible assets

Regional Council only	Note	Computer Software / Development Expenditure \$000	Models \$000	Carbon Credits \$000	Work in Progress \$000	Council Total \$000
<b>At 30 June 2019</b>						
Cost or valuation		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
<b>Year ended 30 June 2020</b>						
Opening net book amount		2,755	-	2,784	1,808	7,347
Transfers		1,453	-	-	(1,453)	-
Revaluations		-	-	1,164	-	1,164
Additions		68	-	-	2,203	2,271
Disposals		-	-	-	-	-
Impairment		-	-	-	-	-
Amortisation charges		(686)	-	-	-	(686)
		3,590	-	3,948	2,558	10,096
<b>At 30 June 2020</b>						
Cost or valuation		7,807	-	3,948	-	11,755
Accumulated amortisation		(4,217)	-	-	-	(4,217)
Work in Progress		291	2,267	-	-	2,558
Net book amount		3,881	2,267	3,948	-	10,096
<b>Year ended 30 June 2021</b>						
Opening net book amount		3,881	2,267	3,948	-	10,096
Transfers		-	-	-	-	-
Revaluations		-	-	1,429	-	1,429
Additions		45	1,397	-	-	1,442
Disposals		-	-	-	-	-
Impairment		-	-	-	-	-
Amortisation charges		(650)	(28)	-	-	(678)
Change in Work in Progress		2,127	267	-	-	2,394
		5,403	3,903	5,377	-	14,683
<b>At 30 June 2021</b>						
Cost or valuation	12(a)	7,852	1,397	5,377	-	14,626
Accumulated amortisation		(4,867)	(28)	-	-	(4,895)
Work in Progress		2,418	2,534	-	-	4,952
Net book amount		5,403	3,903	5,377	-	14,683

#### 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 reporting 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 the Regional Council. The amount of carbon units have been valued using market value of \$43.45 per unit as at 30 June 2021 (30 June 2020: \$31.90 per unit)

## Notes to the financial statements

## Note 12: Intangible assets (continued)

Group	Note	Computer Software \$000	Models \$000	Carbon Credits \$000	Work-in Progress \$000	Group Actual \$000
<b>At 30 June 2019</b>						
Cost or valuation		14,738	-	2,784	-	17,522
Accumulated amortisation		(9,055)	-	-	-	(9,055)
Net book amount		5,683	-	2,784	-	8,467
<b>Year ended 30 June 2020</b>						
Opening net book amount		5,683	-	2,784	-	8,467
Consolidation adjustment		(110)	-	-	-	(110)
Transfers		1,453	-	-	(1,453)	-
Revaluations		-	-	1,164	-	1,164
Additions		728	-	-	2,203	2,931
Disposals		-	-	-	-	-
Impairment		-	-	-	-	-
Amortisation charges		(1,163)	-	-	-	(1,163)
		6,591	-	3,948	750	11,289
<b>At 30 June 2020</b>						
Cost or valuation		16,809	-	3,948	750	21,507
Accumulated amortisation		(10,218)	-	-	-	(10,218)
Work in progress		-	-	-	-	-
Net book amount		6,591	-	3,948	750	11,289
<b>Year ended 30 June 2021</b>						
Opening net book amount		6,591	-	3,948	750	11,289
Consolidation adjustment		569	-	-	-	569
Transfers		(2,267)	-	-	-	(2,267)
Revaluations		-	-	1,429	-	1,429
Additions		888	1,397	-	(750)	1,535
Disposals		(153)	-	-	-	(153)
Impairment		-	-	-	-	-
Amortisation charges		(1,362)	(28)	-	-	(1,390)
Change in Work in progress		2,418	2,534	-	-	4,952
		6,684	3,903	5,377	-	15,964
<b>At 30 June 2021</b>						
Cost or valuation	12(a)	15,846	1,397	5,377	-	22,620
Accumulated amortisation		(11,580)	(28)	-	-	(11,608)
Work in progress		2,418	2,534	-	-	4,952
Net book amount		6,684	3,903	5,377	-	15,964

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 13: Other financial assets

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Other financial assets</b>					
Current portion					
Term deposits with maturities 92 to 365 days		-	-	-	-
Loans to Hawke's Bay Regional Investment Company		-	-	-	-
Government bonds		-	-	-	-
Community loans		1,936	2,057	1,936	2,057
<b>Total current portion</b>		<b>1,936</b>	<b>2,057</b>	<b>1,936</b>	<b>2,057</b>
Non-current portion					
Government bonds		1,006	1,000	1,006	1,000
Community loans		13,359	9,362	13,359	9,362
Funds under Management		114,362	111,073	162,844	156,611
Publicly listed shares		1,039	816	1,039	816
Civic Financial Services shares		18	18	18	18
LGFA Borrower Notes		448	40	448	40
Other financial assets					
Advances to Napier / Gisborne Rail		1,486	1,486	1,486	1,486
Shares in Hawke's Bay Regional Investment Company		445,716	457,260	-	-
<b>Total non-current portion</b>		<b>577,434</b>	<b>581,055</b>	<b>180,200</b>	<b>169,332</b>
<b>Total other financial assets</b>		<b>579,370</b>	<b>583,112</b>	<b>182,136</b>	<b>171,389</b>

#### Fair value

**Term deposits:** the carrying amount of term deposits approximates their fair value. The Regional Council held no term deposits as at 30/06/2021 (2020: Nil).

**Government & LGFA bonds:** the fair value of government and LGFA bonds is \$1,005,758 (2019/20: \$1,000,172). Fair value has been determined using quoted market prices from an independent source. The effective interest rate on government bonds was 3.19% (2019/20: 3.19%). This stock has an average maturity of 5.1 years (2019/20: 7.8 years).

**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:** 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:** the valuation of HBRIC Ltd was based on the share value of its 55% shareholding of NPHL on 30 June 2021, plus the value of all managed funds and loans less the value of debt and future management costs.

**Community loans:** The Regional Council has provided loans to ratepayers for the installation of clean heat, solar power, and insulation. The loans are repayable by a targeted rate over a 10-year period. Interest is charged on Insulation and Sustainable Homes loans at between 4.00% and 7.02% and on Clean Heat loans at between 2.00% and 3.51% at the inception of the loan. The Regional Council has provided loans to farming ratepayers for the planting carried out to prevent erosion in vulnerable areas. Interest charged on these loans is 4% at the inception of the loan.

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>At beginning of year</b>		11,419	8,533	11,419	8,533
Additional loans		6,522	4,922	6,522	4,922
Repayments		(2,646)	(2,036)	(2,646)	(2,036)
<b>At end of year</b>		<b>15,295</b>	<b>11,419</b>	<b>15,295</b>	<b>11,419</b>

#### Fair Value

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

## Notes to the financial statements

### Note 14: Forestry assets

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>At beginning of year</b>	11,087	11,482	11,087	11,482
Additions	-	-	-	-
Fair value gains	3,661	223	3,661	223
Fair value (losses)	-	(618)	-	(618)
Disposals	-	-	-	-
Reclassification to Plant, Property & Equipment	-	-	-	-
Movement during the year	3,661	(395)	3,661	(395)
<b>At end of year</b>	<b>14,748</b>	<b>11,087</b>	<b>14,748</b>	<b>11,087</b>
<b>Forestry assets include:</b>				
<b>Forestry on Regional Council Owned Land</b>				
Lake Tūtira Country Park Forestry Crop	14(a)	5,867	4,645	5,867
Waihapua Carbon Sequestration Forestry Crop	14(b)	1,097	606	1,097
Rural WasteWater Disposal Forestry Crops	14(c)	791	460	791
Tūtira Mānuka Honey Forestry	14(d)	236	129	236
<b>Forestry on Regional Council Managed Land</b>				
Tangoio Soil Conservation Reserve Forestry Crop	14(e)	6,214	5,245	6,214
<b>Joint Venture Forestry</b>				
Joint Venture Forestry Rights	14(f)	544	2	544
		<b>14,748</b>	<b>11,087</b>	<b>14,748</b>
				<b>11,087</b>

Forestry assets on Regional Council-owned land comprise a total of 661 hectares of mixed forestry crops situated in the Lake Tūtira Country Park (114 ha), Tūtira Mānuka forestry (95.5 ha), Māhia (36 ha), Waihapua (212 ha) and Central Hawke's Bay (168 ha). During the period, 11 ha of forest crops were logged (2019/20: Nil ha).

Regional Council-owned forestry assets were fair valued to \$7,990,800 at 30 June 2021 (2019/20: \$5,841,801) 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 7.25% has been used for post tax cash flows for traditional forestry and 10% for the mānuka forest
- a rotation of 27-30 years
- an inflation adjustment of 3.0%
- log prices adopted \$/m<sup>3</sup>.

	aP35	bSP35	dA40	eA30	fk	gKI	hKIS	iPulp	jXPr	kXA30	lXK	mXKI	nXPlp
2021	186.2	192.2	159.2	158.3	147.0	137.8	123.5	50.0	196.2	168.3	157.0	70.0	70.0
2022	186.9	192.9	153.0	151.9	140.6	130.9	117.4	50.8	196.9	161.9	150.6	70.0	70.0
2023	187.6	193.6	146.7	145.6	134.2	124.0	111.4	51.6	197.6	155.6	144.2	70.0	70.0
2024	188.2	194.2	140.4	139.2	127.8	117.2	105.3	52.5	198.2	149.2	137.8	70.0	70.0
2025	188.9	194.9	134.1	132.8	121.3	110.3	99.2	53.3	198.9	142.8	131.3	70.0	70.0

#### Mānuka crop

- a discount rate of 10% was used for the Mānuka forest
- 29kg honey produced per hive, one hive per hectare and honey at \$5.10/kg
- expenses included in DCF for land rent, pest control and administration.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

#### **Note 14 (a)**

Lake Tūtira Country Park forestry crop consists of radiata plantings on 103 hectares (2019/20: 114) situated at Tūtira Country Park. These forestry assets were valued to \$5,867,000 by Morice Limited, independent valuers at 30 June 2021 (2019/20: \$4,645,400). The valuation assumed a discount rate of 7.25%.

#### **Note 14 (b)**

The Regional Council's carbon sequestration forestry assets consist of 212 hectares of mixed plantings on 316 hectares situated at Waihapua. These forestry assets were fair valued to \$1,097,000 by Morice Limited, independent valuers at 30 June 2021 (2019/20: \$605,500). The valuation assumed a discount rate of 7.25%.

#### **Note 14 (c)**

The Regional Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 78 hectares (67 hectares planted) at Pourere Road, Waipawa, and 119 hectares (101 hectares planted) at Mangatarata Road, Waipukurau and 52 hectares (36 hectares planted) at Kinikini Road, Māhia. These forestry assets were fair valued to \$790,800 by M H Morice of Morice Limited, independent valuers at 30 June 2021 (2019/20: \$403,300). The valuation assumed a discount rate of 7.25%.

#### **Note 14 (d)**

The Regional Council is developing 95.5 hectares of Mānuka forestry at Tūtira for honey production. These forestry assets were fair valued at \$236,000 by M H Morice of Morice Limited, independent valuers at 30 June 2021. (2019/20: \$129,000). The valuation assumed a discount rate of 10.0%.

#### **Note 14 (e)**

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

#### **Note 14 (f)**

The Regional Council has entered into 11 joint ventures under the Forestry Rights Agreement Act 1983 under which the Regional Council provided grants to farmers to plant and maintain to maturity soil conservation forestry crops on marginal land. In return, the Regional Council has a right to a percentage of the profits on harvest.

#### **Note 14 (g)**

The Regional Council is exposed to financial risks arising from changes in timber prices. As a long-term forestry investor, the Regional 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. The Regional Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 15: Trade and other receivables

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Trade receivables	15(a)	8,631	8,920	23,696	22,009
Less: provision for impairment of receivables	15(b)	(144)	(160)	(443)	(499)
Trade receivables - net		8,487	8,760	23,253	21,510
Prepayments		694	165	2,585	1,785
GST Receivable		716	404	716	404
Accrued income		3,370	2,011	2,315	2,011
Work-in-progress		123	(61)	123	(61)
Intercompany receivables		-	48	-	(15)
Trade & other receivables	15(c&d)	13,390	11,327	28,992	25,634
Total Trade & other receivables comprise:					
Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.		13,390	11,327	13,390	11,327
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges not subsidised by rates.		-	-	15,602	14,307
		13,390	11,327	28,992	25,634
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		13,390	11,327	28,992	25,634
Non-current trade and other receivables		-	-	-	-
		13,390	11,327	28,992	25,634
<b>Other Advances</b>					
Advances to Council-controlled organisations		-	-	-	-

#### Note 15 (a)

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

#### Note 15 (b)

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

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
At beginning of year	160	23	499	23
Additional provisions made during the year	3	183	302	522
Receivables written off during the year	(19)	(46)	(19)	(46)
	(16)	137	283	476
At end of year	144	160	782	499

#### Note 15(c)

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

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 15 (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
<b>2020/21</b>						
Not past due	5,287	-	5,287	18,500	-	18,500
Past due 31 - 60 days	275	-	275	1,809	-	1,809
Past due 61 - 90 days	216	-	216	534	(299)	235
Past due > 90 days	2,853	(144)	2,709	2,853	(144)	2,709
	<b>8,631</b>	<b>(144)</b>	<b>8,487</b>	<b>23,696</b>	<b>(443)</b>	<b>23,253</b>
<b>2019/20</b>						
Not past due	5,577	-	5,577	14,734	-	14,734
Past due 31 - 60 days	202	-	202	3,628	-	3,628
Past due 61 - 90 days	102	-	102	608	(339)	269
Past due > 90 days	3,039	(160)	2,879	3,039	(160)	2,879
	<b>8,920</b>	<b>(160)</b>	<b>8,760</b>	<b>22,009</b>	<b>(499)</b>	<b>21,510</b>

#### Note 16: Derivative financial instruments

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Assets</b>					
Interest rate swaps at fair value		-	-	-	-
Foreign exchange option		-	-	-	-
Forward exchange contracts at fair value		-	-	-	-
Fuel commodity swaps		-	-	99	-
<b>Total</b>		-	-	<b>99</b>	-
<b>Less Non-current portion:</b>					
Interest rate swaps at fair value		-	-	-	-
Forward exchange contracts at fair value		-	-	-	-
Fuel commodity swaps		-	-	-	-
		-	-	-	-
<b>Current portion</b>		-	-	<b>99</b>	-
<b>Liabilities</b>					
Interest rate swaps at fair value		64	-	225	-
Forward exchange contracts at fair value		-	-	2	-
<b>Total</b>		<b>64</b>	-	<b>227</b>	-
<b>Less Non-current portion:</b>					
Interest rate swaps at fair value		18	-	55	-
Forward exchange contracts at fair value		-	-	-	-
		<b>18</b>	-	<b>55</b>	-
<b>Current portion</b>		<b>46</b>	-	<b>172</b>	-

#### Note 16 (a)

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2021 were \$65,000,000 (2020: Nil). There were \$15 million of forward starting future dated swaps at 30 June 2021 (2020: Nil).

## Notes to the financial statements

### Note 17: Cash and cash equivalents

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Cash at bank and in hand	17(a)	8,101	4,022	18,163	22,734
Short-term bank deposits	17(b)	-	2,500	-	2,500
		<b>8,101</b>	<b>6,522</b>	<b>18,163</b>	<b>25,234</b>

#### Note 17 (a)

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

#### Note 17 (b)

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

Short-term bank deposits as at 30 June 2021 were nil (2019/20: \$2,500,000). The average deposit maturity after balance date was nil days (2019/20: 1 day).

#### Note 17 (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 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
Bank overdrafts	-	-	-	-
Cash and cash equivalents	8,101	6,522	18,163	25,234
	<b>8,101</b>	<b>6,522</b>	<b>18,163</b>	<b>25,234</b>

#### Note 17 (d) Reconciliation of surplus after tax to net cash flows from operations

Net Surplus on Operations	7,917	34,473	27,107	4,004
<b>Add (Less) Non-Cash Items:</b>				
Fair value gains	(12,803)	(10,945)	(15,003)	(11,175)
Fair value losses	2,925	6,930	2,925	6,930
Depreciation	3,463	3,333	16,571	16,332
(Gain) on disposal of assets	-	(17)	59	(1,732)
ACC leasehold financing liabilities movement	80	1,001	80	1,001
Realised gains on investments	-	(700)	-	(700)
IFRS consolidation adjustments	-	-	-	617
Share of loss of equity accounted investee	-	-	80	-
Share based payments	-	-	113	375
Termination of interest rate swaps	-	-	-	872
Transaction costs arising on issuance of shares	-	-	-	(1,992)
Deferred tax	-	-	670	328
<b>Add (Less) Movement in Working Capital Items:</b>				
(Increase)/decrease in inventories	53	(339)	53	(339)
(Increase)/decrease in trade & other receivables	(2,062)	(1,413)	(4,038)	9,381
(Increase)/decrease in tax receivables	-	-	(3,726)	(2,514)
(Decrease)/increase in trade & other payables	1,465	1,307	4,029	(3,567)
(Decrease)/Increase in employee entitlement liabilities	9	(179)	9	(179)
<b>Add (Less) Items Classified as Investing or Financing Activities:</b>				
Movement in non-current provisions	-	114	13	170
Non cash revenue adjustments	2,748	-	2,588	25
Net (Gain) / Loss on sale of non-current assets	(162)	-	(164)	-
<b>Net Cash Inflow from Operating Activities</b>	<b>3,631</b>	<b>33,565</b>	<b>31,366</b>	<b>17,837</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 18 : Fair value reserves

	Parent							Total \$000
	Land	Buildings	Hydrological assets	Infrastructure assets	Carbon Credits	Other financial assets	HBRIC Ltd	
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
At 30 June 2019	3,736	3,229	907	99,896	2,784	2,528	162,896	275,976
Year ended 30 June 2020								
Reclassification transfer	-	-	-	-	-	-	-	-
Revaluation - gross	-	(65)	8	11,096	1,164	1,422	116,864	130,489
Transfer to accumulated funds	-	-	-	-	-	(195)	-	(195)
	-	(65)	8	11,096	1,164	1,227	116,864	130,294
At 30 June 2020	3,736	3,164	915	110,992	3,948	3,755	279,760	406,270
Year ended 30 June 2021								
Reclassification transfer	-	-	-	-	-	-	-	-
Revaluation - gross	-	-	-	-	1,429	7,730	(11,544)	(2,385)
Transfer to accumulated funds	-	-	-	-	-	-	-	-
	-	-	-	-	1,429	7,730	(11,544)	(2,385)
At 30 June 2021	3,736	3,164	915	110,992	5,377	11,485	268,216	403,885

Group	Land	Buildings	Hydrological Assets	Infrastructure Assets	Carbon Credits	Other Financial Assets	Sea Defences	Hedged Transactions	Group Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
	At 1 July 2019	3,736	3,229	907	99,896	2,784	2,528	70,879	(4,334)
Year ended 30 June 2020									
Reclassification transfer	-	-	-	-	-	-	-	-	-
Revaluation - gross	-	(65)	8	11,096	1,164	1,957	(5,144)	-	9,016
Transfer to accumulated funds	-	-	-	-	-	(195)	4,947	4,334	9,086
	-	(65)	8	11,096	1,164	1,762	(197)	4,334	18,102
At 30 June 2020	3,736	3,164	915	110,992	3,948	4,290	70,682	-	197,727
Year ended 30 June 2021									
Reclassification transfer	-	-	-	-	-	-	(375)	-	(375)
Revaluation - gross	-	1,093	-	-	1,429	13,491	-	(46)	15,967
Transfer to accumulated funds	-	-	-	-	-	-	-	-	-
	-	1,093	-	-	1,429	13,491	(375)	(46)	15,592
At 30 June 2021	3,736	4,257	915	110,992	5,377	17,781	70,307	(46)	213,320

#### Note 18 (a)

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

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 19: Accumulated funds

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Accumulated funds</b>					
<b>Balance at 1 July</b>		296,260	345,521	449,784	314,230
Prior period adjustments		-	(1,151)	-	(3,738)
Surplus / (deficit) for the year		7,917	34,473	27,107	4,003
Transfers to / from other reserves		(19,917)	(82,583)	(20,405)	(82,524)
Transfers from Fair Value Reserves		-	-	375	-
Dividends received / (paid)		-	-	(7,011)	(2,231)
Issue of ordinary shares		-	-	(822)	228,867
Treasury shares		-	-	-	(323)
Fair share plan		-	-	87	(1,188)
Effect on consolidation		-	-	496	(7,312)
<b>Balance at 30 June</b>		<b>284,260</b>	<b>296,260</b>	<b>449,611</b>	<b>449,784</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 19 (a) Other reserves (Parent)

	Infrastructure Asset Depreciation	Wairoa Rivers & Streams	Special Schemes	Port Dividend Equalisation	Coastal Marine Area	Specific Regional Projects	Asset Replacement	Regional Disaster Damage	Scheme Disaster Damage	Clive River Dredging	Tangoio Soil Conservation	Maungaharuru-Tangitū	Long Term Investment Fund	Sale of Land Non-investment Fund	Rabbit	Ngāti Pāhauwera	Westshore Reserve	Port IPO Future Investment Fund	Total		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)		(17)			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	
<b>At 30 June 2019</b>	2,205	940	3,526	-	-	-	2,283	2,350	3,588	916	2,801	282	11,677	882	69	76	(219)	-	-	31,376	
Net fair value gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income / (expense)	-	-	22	-	-	-	13	(64)	17	13	-	-	-	13	1	1	-	-	-	-	16
Rental income - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation transfer	595	-	-	-	-	-	3,695	-	-	60	-	-	-	-	-	-	-	-	-	-	4,350
Trading gain / (loss)	-	-	-	-	-	-	123	-	-	-	-	-	-	-	-	-	-	-	-	-	123
Transfers / (use of) reserves	(375)	24	(5,307)	-	-	-	(4)	(157)	111	(85)	(319)	103	45,313	301	9	-	219	44,497	-	-	84,330
Asset purchases - net	-	-	-	-	-	-	(2,690)	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,690)
Borrowings - net	(3,416)	-	-	-	-	-	(130)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,546)
	(3,196)	24	(5,285)	-	-	-	1,007	(221)	128	(12)	(319)	103	45,313	314	10	1	219	44,497	-	-	82,583
<b>At 30 June 2020</b>	(991)	964	(1,759)	-	-	-	3,290	2,129	3,716	904	2,482	385	56,990	1,196	79	77	-	44,497	-	-	113,959
Net fair value gains / (losses)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest income / (expense)	64	14	14	-	-	-	55	256	57	13	39	7	165	17	1	1	-	-	-	-	703
Rental income - net	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation transfer	732	-	-	-	-	-	2,670	-	-	60	-	-	-	-	-	-	-	-	-	-	3,462
Trading gain / (loss)	-	-	-	-	-	-	268	-	-	-	-	-	-	-	-	-	-	-	-	-	268
Transfers / (use of) reserves	(681)	-	5,436	-	-	-	168	(100)	109	(121)	306	104	3,311	(130)	-	-	-	19,873	-	-	28,275
Asset purchases - net	-	-	-	-	-	-	(3,120)	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,120)
Borrowings - net	(11,353)	-	-	-	-	-	1,682	-	-	-	-	-	-	-	-	-	-	-	-	-	(9,671)
	(11,238)	14	5,450	-	-	-	1,723	156	166	(48)	345	111	3,476	(113)	1	1	-	19,873	-	-	19,917
<b>At 30 June 2021</b>	(12,229)	978	3,691	-	-	-	5,013	2,285	3,882	856	2,827	496	60,466	1,083	80	78	-	64,370	-	-	133,876

### Notes to the financial statements

---

#### Note 19 (a) Other reserves (Parent) (continued)

1. Infrastructure asset depreciation - a reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.
2. Wairoa rivers and streams - a reserve established to fund flood mitigation and recovery work within the Wairoa district.
3. Special flood and drainage scheme - 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 - a reserve established to smooth out the dividend receipts from the Port so that fluctuations in the Regional Council's general funding rates are minimised.
5. Coastal marine area - a reserve established to meet the statutory requirements on the use of rental income earned on the Regional Council's endowment leasehold land.
6. Specific regional projects - a reserve established to meet the statutory requirements on the use of 50% of rental income on the Regional Council's endowment leasehold land received prior to 1 July 2003.
7. Asset replacement - a reserve established to fund the replacement of operating property, plant and equipment which are not scheme based.
8. Regional disaster damage - a reserve established to provide funding for the cost of responding to and managing an event; cost of reinstatement of any uninsured assets (eg, pathways on top of stopbanks); any difference between the deductible and the threshold for eligibility for central government assistance (government covers 60% of the loss in the event of a disaster); to fund the policy excess of \$1.5 million included in the policy with private insurers to cover 40% of the loss up to \$24 million in the event of a disaster; and the possibility of the cost of reinstating the level of service provided by the asset being considerably more than the optimised replacement value.
9. Scheme disaster damage - 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 - a reserve established to meet the expenditure of dredging requirements on the Clive River.
11. Tangoio soil conservation - a reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by the Regional Council on behalf of the Crown.
12. Maungaharuru Tangitū - a reserve established as a catchments fund in accordance with the Maungaharuru-Tangitū Claims Settlement Act. It is agreed to transfer \$104,000 per year from the Tangoio Soil Conservation Reserve Fund to enable environmental enhancement.
13. Long-term Investment Fund - a reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with the Regional Council's policy on 'Evaluation of Investment Opportunities' approved on 30 April 2008. Formerly the Sale of Land Investment Fund.
14. Sale of land non-investment fund - a reserve established to hold transfers from the Long-term Investment Fund to be invested in accordance with the Regional Council's policy on 'Open Space Investment' approved on 25 June 2008 and the Regional Council's Investment Policy set out in the 2009/19 10-Year Plan.
15. Rabbit - 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. Ngāti Pāhauwera - a reserve established to ring-fence funding for Ngāti Pāhauwera Rivers Initiatives. For the clean up of the Mohaka, Waikari and Waihua Rivers and their catchments.
17. Port IPO Future Investment Fund - a reserve established to hold the proceeds of the Napier Port IPO.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 19 (b) Other reserves (Group)

	Regional Council		Subsidiaries		Group	
	Total \$000		Share-based Payment Reserve \$000		Total \$000	
<b>At 30 June 2019</b>	<b>31,376</b>		<b>-</b>		<b>31,376</b>	
Net fair value gains / (losses)	-		-		-	
Interest income / (expense)	16		-		16	
Rental income - net	-		-		-	
Depreciation transfer	4,350		-		4,350	
Trading gain / (loss)	123		-		123	
Transfers / (use of) reserves	84,330		-		84,330	
Asset purchases - net	(2,690)		-		(2,690)	
Borrowings - net	(3,546)		-		(3,546)	
	<b>82,583</b>		<b>-</b>		<b>82,583</b>	
<b>At 30 June 2020</b>	<b>113,959</b>		<b>-</b>		<b>113,959</b>	
Net fair value gains / (losses)	-		-		-	
Interest income / (expense)	703		-		703	
Rental income - net	-		-		-	
Depreciation transfer	3,462		-		3,462	
Trading gain / (loss)	268		-		268	
Transfers / (use of) reserves	28,275		488		28,763	
Asset purchases - net	(3,120)		-		(3,120)	
Borrowings - net	(9,671)		-		(9,671)	
	<b>19,917</b>		<b>488</b>		<b>20,405</b>	
<b>At 30 June 2021</b>	<b>133,876</b>		<b>486</b>		<b>134,364</b>	

#### Note 20: Borrowings

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>Non-current</b>					
Bank Borrowings		27,225	14,075	85,943	14,075
Provincial Growth Fund Borrowings		500	500	500	500
HBRIC loan to HBRC		16,663	16,663	-	-
Finance Lease Obligations		-	-	-	-
		<b>44,388</b>	<b>31,238</b>	<b>86,443</b>	<b>14,575</b>
<b>Current</b>					
Bank Overdrafts		-	-	-	-
Bank Borrowings		3,150	3,650	3,150	3,650
Finance Lease Obligations		-	-	-	-
		<b>3,150</b>	<b>3,650</b>	<b>3,150</b>	<b>3,650</b>
<b>Total borrowings</b>		<b>47,538</b>	<b>34,888</b>	<b>89,593</b>	<b>18,225</b>

#### Note 20 (a) Guarantees

The Regional Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a local currency rating from Fitch Ratings and Standard & Poor's of AA+ and a foreign currency rating of AA.

The Regional Council is not a shareholder but participates as one of 61 borrowers and guarantors of LGFA. When the Regional Council borrows through the LGFA they are required to invest 2.5% of the proceeds back

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

with the LGFA as borrower notes which the LGFA retain as capital. As at 30 June 2021, The Regional Council held \$447,500 of borrower notes with the LGFA.

Together with the other shareholders and guarantors, the Regional Council is a guarantor of all of LGFA's borrowings. As at 30 June 2021 LGFA had borrowings of \$13,610 million (2020: \$12,864 million). Financial reporting standards require the Regional Council to recognise the guarantee liability at fair value. However, the Regional Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability.

The Regional Council considers the risk of LGFA defaulting on repayment of interest or capital to be very low on the basis that:

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

#### Note 20 (b) Security

The Regional Council's bank loans are secured over the rating base of the Regional 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 \$22 million maintained within the Regional Councils' Debenture Trust Deed, WestPac Bank holds security stock certificates of \$10.5 million maintained within the Regional Councils' Debenture Trust Deed.

#### Note 20 (c) Maturity analysis of borrowings

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

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
6 months or less	-	-	-	-
Between 6 and 12 months	500	500	500	710
Between 1 and 2 years	1,000	1,000	3,106	1,000
Between 2 and 5 years	34,238	23,038	78,891	6,375
Over 5 years	11,800	10,350	11,800	10,350
	<b>47,538</b>	<b>34,888</b>	<b>94,297</b>	<b>18,435</b>

#### Note 20 (d) Effective interest rates

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

Regional Council		Group	
Actual 20/21 %	Actual 19/20 %	Actual 20/21 %	Actual 19/20 %
1.01 - 6.66	1.11 - 6.67	1.01 - 6.66	1.11 - 6.67

#### Note 20 (e) Fair values

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

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Borrowings	38,848	25,649	80,903	25,649
	<b>38,848</b>	<b>25,649</b>	<b>80,903</b>	<b>25,649</b>

The fair values as based on cash flows discounted using a rate based on the average borrowing rate of 3.28% (2019/20: 4.34%). The carrying amount of borrowings repayable within one year approximate their fair value.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 20 (f) Undrawn facilities

The Group has the following undrawn borrowing facilities:

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
	Bank overdraft	5,000	5,000	5,000
Bank borrowings	-	-	120,000	180,000
	<b>5,000</b>	<b>5,000</b>	<b>125,000</b>	<b>185,000</b>

#### Note 20 (g) Internal borrowings

The following internal borrowings have been funded by the Regional Council reserves:

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
	<b>Internal Loan Opening Balance</b>			
<b>Regional Council-Wide Activity</b>				
Computer Equipment	260	340	260	340
Bus Ticketing System	118	136	118	136
Tūtira Land Loan	100	100	100	100
Hydrology Equipment	849	916	849	916
Biodiversity	190	100	190	100
Science Equipment	739	-	739	-
Internal Asset Development	173	-	173	-
Buildings	-	-	-	-
<b>Groups of Activities</b>				
<b>Asset Management</b>				
Regional Parks	75	-	75	-
Makara Scheme	183	193	183	193
<b>Integrated Catchment Management</b>				
Cleanheat/Sustainable Homes	-	-	-	-
Erosion Control	1,852	-	1,852	-
SkyTEM	357	-	357	-
Farm Environment Management Plan	305	-	305	-
Regional Surface Water Ecology Research	-	-	-	-
Regional Groundwater Research	-	-	-	-
Hydrodynamic Modelling	-	-	-	-
LiDAR	-	-	-	-
	<b>5,201</b>	<b>1,785</b>	<b>5,201</b>	<b>1,785</b>

#### Internal Loans Borrowed during the year

##### Regional Council-Wide Activity

Computer Equipment	-	-	-	-
Bus Ticketing System	-	-	-	-
Tūtira Land Loan	-	-	-	-
Hydrology Equipment	-	103	-	103
Biodiversity	20	100	20	100
Science Equipment	128	739	128	739
Internal Asset Development	1,668	173	1,668	173
Buildings	235	-	235	-

##### Groups of Activities

###### Asset Management

Regional Parks	301	75	301	75
Makara Scheme	-	-	-	-

###### Integrated Catchment Management

Cleanheat/Sustainable Homes	6,921	-	6,921	-
Erosion Control	3,401	1,852	3,401	1,852
SkyTEM	633	357	633	357
Farm Environment Management Plan	-	305	-	305

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Regional Surface Water Ecology Research	100	-	100	-
Regional Groundwater Research	42	-	42	-
Hydrodynamic Modelling	50	-	50	-
LiDAR	180	-	180	-
	<b>13,679</b>	<b>3,704</b>	<b>13,679</b>	<b>3,704</b>
<b>Internal Loans Repaid during the year</b>				
<b>Regional Council-Wide Activity</b>				
Computer Equipment	80	80	80	80
Bus Ticketing System	14	18	14	18
Tūtira Land Loan	10	-	10	-
Hydrology Equipment	180	170	180	170
Biodiversity	20	10	20	10
Science Equipment	74	-	74	-
Internal Asset Development	17	-	17	-
<b>Groups of Activities</b>				
<i>Asset Management</i>				
Regional Parks	7	-	-	-
Makara Scheme	10	10	10	10
<i>Integrated Catchment Management</i>				
Cleanheat/Sustainable Homes	41	-	41	-
Erosion Control	1,805	-	1,805	-
SkyTEM	36	-	36	-
Farm Environment Management Plan	30	-	30	-
	<b>2,324</b>	<b>288</b>	<b>2,317</b>	<b>288</b>
<b>Internal Loan Closing Balance</b>				
<b>Regional Council-Wide Activity</b>				
Computer Equipment	180	260	180	260
Bus Ticketing System	105	118	105	118
Tūtira Land Loan	90	100	90	100
Hydrology Equipment	669	849	669	849
Biodiversity	190	190	190	190
Science Equipment	793	739	793	739
Internal Asset Development	1,824	173	1,824	173
Buildings	235	-	235	-
<b>Groups of Activities</b>				
<i>Asset Management</i>				
Regional Parks	369	75	369	75
Makara Scheme	173	183	173	183
<i>Integrated Catchment Management</i>				
Cleanheat/Sustainable Homes	6,880	-	6,880	-
Erosion Control	3,448	1,852	3,448	1,852
SkyTEM	954	357	954	357
Farm Environment Management Plan	274	305	274	305
Regional Surface Water Ecology Research	100	-	100	-
Regional Groundwater Research	42	-	42	-
Hydrodynamic Modelling	50	-	50	-
LiDAR	180	-	180	-
	<b>16,556</b>	<b>5,201</b>	<b>16,556</b>	<b>5,201</b>
<b>Interest Paid during the year</b>				
<b>Regional Council-Wide Activity</b>				
Computer Equipment	1	8	1	8
Bus Ticketing System	1	4	1	4
Tūtira Land Loan	-	-	-	-
Hydrology Equipment	3	23	3	23
Biodiversity	1	3	1	3
Science Equipment	3	-	3	-

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Internal Asset Development	1	-	1	-
<b>Groups of Activities</b>				
<i>Asset Management</i>				
Regional Parks	-	-	-	-
Makara Scheme	1	5	1	5
<i>Integrated Catchment Management</i>				
Clean Heat/Sustainable Homes	1	-	1	-
Erosion Control	-	-	-	-
SkyTEM	1	-	1	-
Farm Environment Management Plan	1	-	1	-
	<b>14</b>	<b>43</b>	<b>14</b>	<b>43</b>

#### Note 21: Deferred income tax (Group)

	Note	Property, Plant & Equipment \$000	Derivatives \$000	Other \$000	Total \$000
<b>Balance at 1 July 2019</b>		<b>(19,443)</b>	<b>1,699</b>	<b>681</b>	<b>(17,063)</b>
Charged to surplus or deficit re current year		(237)	-	-	(237)
Adjustment prior year provision		993	-	-	993
Amounts charged or credited direct to equity		704	-	-	704
Charged to surplus or deficit		<b>1,460</b>	-	-	<b>1,460</b>
Charges to other comprehensive revenue and expense		-	-	-	-
<b>Balance at 30 June 2020</b>		<b>(17,983)</b>	<b>1,699</b>	<b>681</b>	<b>(15,602)</b>
Charged to surplus or deficit re current year		(547)	-	-	(547)
Adjustment prior year provision		(284)	-	-	(284)
Amounts charged or credited direct to equity		17	-	-	17
Charged to surplus or deficit		<b>(814)</b>	-	-	<b>(814)</b>
Charges to other comprehensive revenue and expense		-	-	-	-
<b>Balance at 30 June 2021</b>		<b>(18,797)</b>	<b>1,699</b>	<b>681</b>	<b>(16,416)</b>

#### Note 22: Employee benefit liabilities

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Annual leave		1,625	1,466	6,815	5,818
Long service leave		370	397	860	874
Sick leave		24	29	24	29
Retirement gratuities		173	138	173	138
Other short-term benefits		-	-	-	-
Accrued payroll expenses		276	429	276	429
<b>Total employee benefit liabilities</b>	<b>22(a)</b>	<b>2,468</b>	<b>2,459</b>	<b>8,148</b>	<b>7,288</b>
<b>Disclosed as:</b>					
Non-current		510	520	1,000	997
Current		1,958	1,939	7,148	6,291
		<b>2,468</b>	<b>2,459</b>	<b>8,148</b>	<b>7,288</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 22 (a) Movement in employee benefit liability

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
<b>At beginning of year</b>		2,459	2,638	7,288	5,964
Additional provisions		2,269	2,230	3,175	3,783
Unused amounts reversed		(53)	(48)	(53)	(48)
Used during the year		(2,207)	(2,360)	(2,262)	(2,410)
Movement during the year		9	(179)	808	1,324
<b>At end of year</b>		<b>2,468</b>	<b>2,459</b>	<b>8,148</b>	<b>7,288</b>

#### Note 23: Trade and other payables

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Trade payables		4,273	6,801	17,597	15,811
Accrued expenses		3,772	1,810	9,206	5,064
Deposits & advances		5,732	3,702	5,732	3,702
Intrabusiness payables		-	-	-	-
		<b>13,777</b>	<b>12,313</b>	<b>32,535</b>	<b>24,576</b>
Total trade and other payables comprise:					
Payables and deferred revenue from non-exchange transactions - rates paid in advance (Includes Clean Heat rates in advance).		3,954	2,695	3,954	2,695
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions		9,823	9,618	28,581	21,881
		<b>13,777</b>	<b>12,313</b>	<b>32,535</b>	<b>24,576</b>

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

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

#### Note 24: ACC Leasehold Financing Liabilities

	Note	Regional Council		Group	
		Actual 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
<b>Current portion:</b>					
Base loan	24(a)	975	686	975	686
Excess payments	24(b)	824	-	824	-
		<b>1,799</b>	<b>686</b>	<b>1,799</b>	<b>686</b>
<b>Non-current portion:</b>					
Base loan	24(a)	8,783	10,752	8,783	10,752
Excess payments	24(b)	20,831	18,794	20,831	18,794
		<b>29,614</b>	<b>29,546</b>	<b>29,614</b>	<b>29,546</b>
<b>Total</b>		<b>31,413</b>	<b>30,232</b>	<b>31,413</b>	<b>30,232</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

#### ACC Leasehold Financing Liability

In December 2013, the Regional Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows (both rental and sales proceeds) 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 \$37.651 million was received to fund investment activity.

#### Note 24 (a) – Base Loan

The base loan is the original receipt recognised at fair value, \$37.651 million, and subsequently measured at amortised cost. Transaction costs were immaterial at recognition. The Regional Council has measured the liability as the remaining contractual cash flows over the full contractual term discounted at the effective interest rate of 6.88% less prepayments due to the freeholding of any units during the period. Freeholdings during the period are not considered a substantial modification (PBE IPSAS 29) as this prepayment mechanism is included in the contract.

#### Note 24 (b) – Excess Payments

The ACC contract includes 2 embedded derivatives:

- payment to ACC of two-thirds of excess rental income received
- payment to ACC of two-thirds of the excess of any sale proceeds over the minimum future rental income for that unit.

The Regional Council has recognised the combined liability at fair value through surplus or deficit. In measuring fair value, the Regional Council has considered the following:

- Fair value is defined as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.”
- There is no active market or similar tradeable instrument for comparison.
- The excess cash flows are linked to rental and freeholding cash flows from the investment properties, which is driven from the property market.
- The investment property fair value (see Note 11) factors in future property/rental growth, and the present value of those future cash flows.
- Since the start of the contract 337 (53.8%) units have been freeholded and the Regional Council has assumed that the remaining 289 leases will be sold within the term of the contract.
- It is not necessary to factor in the timing of the disposals as the investment property fair value at balance date factors in future land/rental growth.
- The investment property fair value assumes that all the units are sold in an arms-length transaction at the reporting date.

The Regional Council has determined that the fair value of the investment property can be used to calculate the fair value of the excess payments financial liability at reporting date. The fair value of the excess payments liability at the reporting date has been assessed as two-thirds of the difference between the investment property fair value (\$42,240,000) and the base loan liability (\$9,758,000).

#### Note 24 (c) – Current/Non-current Split

The Regional Council notes that between 18 and 74 units have been freeholded each year since the start of the contract and has assumed that 11 (2020: nil) units will be freeholded in the 12 months following the reporting date.

## Notes to the financial statements

### Note 25: Related-party disclosures (the Group)

Note 25 (a) The following transactions were carried out with subsidiaries:

	Note	Actual 20/21 \$000	Actual 19/20 \$000
<b>(i) Sales of services</b>			
By parent		137	179
By subsidiary		369	-
		506	179
<b>(ii) Purchases of services</b>			
By parent		369	-
By subsidiary		137	179
		506	179
<b>(iii) Subvention payments</b>			
Received by parent		1,055	7
Paid by subsidiary		1,055	7
The subvention payment is the tax effect of total losses transferred from Regional Council to its subsidiaries during the year			
<b>(iv) Dividends (net)</b>			
Received by parent		5,200	46,458
Paid by subsidiary		5,200	46,458
<b>(v) Loans</b>			
Paid by parent		-	-
Received by subsidiary		-	-
Paid by subsidiary		-	16,663
Received by parent		-	16,663

### Note 25 (b) Transactions with key management personnel

During the year, councillors and key management personnel, as a part of normal customer relationship, were involved in minor transactions with the Group (such as payment of rates, purchases of small amounts of goods and services). All these transactions were at arm's length.

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 Craig Foss for the 2020/21 year. HBRC have paid Hawke's Bay Tourism Limited \$1,520,000 (excl. GST) in the 2020/21 year as per the funding agreement.

### Note 25 (c) Year end balances arising from sales/purchases of goods and services

	Note	Actual 20/21 \$000	Actual 19/20 \$000
Receivables from related parties			
Parent		3	63
Subsidiary		-	9
		3	72
Payables to related parties			
Parent		-	9
Subsidiary		3	63
		3	72

### Note 25 (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 (2019/20: \$nil).

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 26: Commitments and contingencies

##### Note 26 (a) Capital commitments

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

	Note	Regional Council		Group	
		Actual 20/21	Actual 19/20	Actual 20/21	Actual 19/20
		\$000	\$000	\$000	\$000
Property, plant & equipment		2,199	607	63,106	132,578
Investment property		-	-	-	-
		<b>2,199</b>	<b>607</b>	<b>63,106</b>	<b>132,578</b>

##### Note 26 (b) Operating lease commitments as lessee

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:

	Note	Regional Council		Group	
		Actual 20/21	Actual 19/20	Actual 20/21	Actual 19/20
		\$000	\$000	\$000	\$000
Not later than one year		415	164	415	151
Later than one year but not later than five years		923	89	923	62
Later than five years		-	-	-	-
		<b>1,338</b>	<b>253</b>	<b>1,338</b>	<b>213</b>

##### Note 26 (c) Operating lease commitments as lessor

The Group has entered into commercial leases for certain properties 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:

	Note	Regional Council		Group	
		Actual 20/21	Actual 19/20	Actual 20/21	Actual 19/20
		\$000	\$000	\$000	\$000
Not later than one year		51	-	2,046	-
Later than one year but not later than five years		163	-	6,984	-
Later than five years		178	-	9,007	-
		<b>392</b>	<b>-</b>	<b>18,037</b>	<b>-</b>

Napier leasehold land is leased under operating leases with annual rent payments set for a period of 21 years. As at 30 June 2021 the annual rent receivable by the Regional Council is \$1,192,637 (2019/20: \$1,404,636). 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 the Regional Council. Leasehold properties may be freeholded at any time at an amount calculated by an independent valuer. The annual rent receivable figure above assumes no freeholding will take place.

Wellington leasehold land is leased under operating leases with rent review periods between 7 and 14 years. As at 30 June 2021 the annual rent receivable by the Regional Council is \$840,263. At the expiry of the 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 the Regional Council. Leasehold properties may be freeholded or sold to another party at any time subject to approval by the Regional Council. The annual rent receivable figure above assumes no freeholding will take place.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 26 (d) Contingencies

*In respect of the Regional Council only:*

The Tangoio Soil Conservation Reserve fund contains the proceeds from the the Reserve since management and control of the Reserve was vested in the Regional Council in 1985, less the cost of managing the Reserve. This fund is held by the Regional Council on behalf of the Crown. The value of the funds at 30 June 2021 are \$2,827,382 (2019/20: \$2,481,683).

The Regional Council is a guarantor of all of NZLGFA's borrowings. See Note 20(a).

#### Note 27: Local Government Act 2002 disclosures

##### Note 27 (a) Remuneration of chair and elected members of Council

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

2020/21		Salary 20/21 \$	Hearing Fees 20/21 \$	Councillor Allowances 20/21 \$	Total Remuneration 20/21 \$
<b>Elected Members</b>					
Rick Barker		75,440	-	2,437	77,877
Neil Kirton		72,319	-	1,669	73,988
William Foley		61,949	-	7,188	69,137
Craig Foss		72,319	-	3,666	75,985
Charles Lambert		61,949	-	6,032	67,981
Rex Graham	Resigned June 2021	122,017	-	360	122,377
Hinewai Ormsby		71,349	-	2,931	74,280
Jerfaas Van Beek		71,349	-	2,837	74,186
Martin Williams		72,319	5,113	1,270	78,702
		<b>681,010</b>	<b>5,113</b>	<b>28,390</b>	<b>714,513</b>

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

2019/20		Salary 19/20 \$	Hearing Fees 19/20 \$	Councillor Allowances 19/20 \$	Total Remuneration 19/20 \$
Fenton Wilson	Term expired September 2019	15,793	-	3,497	19,290
Alan Dick	Term expired September 2019	19,741	-	718	20,459
Debbie Hewitt	Term expired September 2019	15,793	-	2,440	18,233
Peter Beaven	Term expired September 2019	19,741	-	793	20,534
Rick Barker	Re-elected October 2019	71,995	-	2,166	74,161
Tom Belford	Term expired September 2019	19,741	-	2,515	22,256
Neil Kirton	Re-elected October 2019	71,995	-	1,566	73,561
Paul Bailey	Term expired September 2019	15,793	-	332	16,125
William Foley	Elected October 2019	43,536	-	4,247	47,783
Craig Foss	Elected October 2019	52,254	-	2,529	54,783
Charles Lambert	Elected October 2019	43,536	-	2,972	46,508
Rex Graham	Re-elected October 2019	130,524	-	649	131,173
Hinewai Ormsby	Elected October 2019	43,536	-	2,941	46,477
Jerfaas Van Beek	Elected October 2019	48,475	-	1,612	50,087
Martin Williams	Elected October 2019	52,254	-	884	53,138
		<b>664,707</b>	-	<b>29,861</b>	<b>694,568</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 27 (b) Remuneration of chief executive

2020/21

	Salary 20/21	Severance Payments 20/21	Other Benefits 20/21	Total Remuneration 20/21
James Palmer - CE HBRC (01/07/20 - 30/06/21)	330,333		27,233	357,566
	<b>330,333</b>	-	<b>27,233</b>	<b>357,566</b>

2019/20

	Salary 19/20	Severance Payments 19/20	Other Benefits 19/20	Total Remuneration 19/20
James Palmer - CE HBRC (01/07/19 - 30/06/20)	297,285		31,107	328,392
	<b>297,285</b>	-	<b>31,107</b>	<b>328,392</b>

#### Note 27 (c) Severance payments

There was one severance payment (2019/20: 1) made to employees of \$54,366 (2019/20: \$39,039) that were outside contractual obligations.

#### Note 27 (d) Regional Council employees

Total Annual Remuneration by band for Employees as at 30 June

	20/21	19/20
< \$60,000	53	65
\$60,000 - \$79,999	98	83
\$80,000 - \$99,999	72	53
\$100,000 - \$119,999	37	34
\$120,000 - \$139,999	18	19
\$140,000 - \$159,999	6	
\$140,000 - \$199,999 (combined band)		6
\$160,000 - \$219,999 (combined band)	6	
\$200,000 - \$319,999 (combined band)		5
\$220,000 - \$359,999 (combined band)	3	
Total Employees (headcount)	<b>293</b>	<b>265</b>

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Regional Council employed 250 (2019/20; 244) full-time employees, with the balance of staff representing 30.9 (2019/20; 15.9) full-time equivalent employees. A full-time employee is determined on the basis of a 40 or more hour working week.

#### Note 27 (e) Regional Planning Committee

	Meeting Fees 20/21 \$	Travel Allowances 20/21 \$	Total Remuneration 20/21 \$
<b>Committee Members</b>			
J. Maihi-Carroll (Co Chair) - <i>Mana Ahuriri Trust</i>	27,426	368	27,794
L. Munroe - (Deputy Co Chair) <i>Heretaunga Tamatea Settlement Trust</i>	20,568	310	20,878
M. Brown - <i>Te Kopere o te Iwi Hineuru</i>	14,278	302	14,580
T. Hopmans - <i>Maungaharuru-Tangitu Trust</i>	14,730	-	14,730
T. Huata - <i>Ngati Pahauwera Development &amp; Tiaki Trusts</i>	20,606	994	21,600
N. Kirikiri - <i>Te Toi Kura o Waikaremoana</i>	14,278	1,068	15,346
P. Paku - <i>Heretaunga Tamatea Settlement Trust</i>	16,877	782	17,659
A. Tapine - <i>Tātau Tātau o Te Wairoa</i>	19,702	757	20,459
M. Mohi - <i>Ngati Tuwharetoa Hapu Forum</i>	15,894	2,575	18,469
	<b>164,359</b>	<b>7,156</b>	<b>171,515</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 27 (f) Māori Committee

##### Committee Members

K. Kawana - <i>Te Taiwhenua o Wairoa</i>
M. McIlroy - (Co Chair) <i>Kahungunu Executive (Wairoa)</i>
M. Paku - (Co Chair) <i>Te Taiwhenua o Heretaunga</i>
A. Robin - <i>Whanganui-a-Orotū (Ahuriri)</i>
B. Blake - <i>Te Taiwhenua o Wairoa</i>
H. Hilton - <i>Te Taiwhenua o Heretaunga</i>
M. Apatu - <i>Te Taiwhenua o Heretaunga</i>
P. Eden - <i>Whanganui-a-Orotū (Ahuriri)</i>
P. Sciascia - <i>Te Taiwhenua o Tamatea</i>
M. Hape - (Proxy) <i>Te Taiwhenua o Tamatea</i>
J Brown - (Proxy) <i>Te Taiwhenua o Heretaunga</i>
R. Hiha - <i>Whanganui-A-Orotu (Ahuriri)</i>
R. Maaka - <i>Te Taiwhenua o Tamatea</i>
Z. Makoare - <i>Te Taiwhenua o Tamatea</i>

Meeting Fees 20/21 \$	Travel Allowances 20/21 \$	Total Remuneration 20/21 \$
5,580	126	5,706
23,492	5,056	28,548
23,040	1,112	24,152
8,292	301	8,593
2,416	182	2,598
2,312	221	2,533
1,964	125	2,089
6,084	224	6,308
3,268	1,218	4,486
52	-	52
904	65	969
4,520	64	4,584
6,884	2,240	9,124
2,260	133	2,393
<b>91,068</b>	<b>11,067</b>	<b>102,135</b>

#### Note 27 (g) Finance, Audit and Risk Sub-Committee

##### Independent Members

R. Dinwoodie

Meeting Fees 20/21 \$	Travel Allowances 20/21 \$	Total Remuneration 20/21 \$
<b>2,400</b>	-	<b>2,400</b>

#### Note 28: Major budget variance (the Parent)

The financial budgets in the Annual Plan 2020-2021 were developed, consulted on and adopted during the first wave of the COVID-19 pandemic. The Annual Plan continued the theme of the Long Term Plan 2018-2028 to scale up our activities to improve land and water use outcomes with an expectation of reduced revenue offset by increased debt to fund the increasing levels of expenditure. In anticipation of a negative economic impact from the pandemic, the Annual Plan included a 0% rates increase, reduced dividends from subsidiaries, reduced returns from investments and reduced income from fees and charges.

The extent of the negative impact on the economy and the Regional Council revenues was not as great as expected with the local economy and world markets performing significantly above expectations. This was boosted by the Regional Council also applying for and receiving additional central government recovery funding to support infrastructure and environmental projects. These projects were in the Long Term Plan but were brought forward to benefit from the co-funding provided by central government.

- i. Statement of comprehensive revenue and expense  
Revenue from activities and subsidies and grants are above budget due mainly to the partnership funding received by Asset Management and Integrated Catchment Management from the Government's COVID-19 stimulus package and additional transport costs were met by additional funding from NZTA. Other Revenue is above budget due to the extra \$2.2 million received in dividends and \$1 million in subvention payments from HBRIC plus \$1.1 million in higher than expected returns from the managed funds. Fair value gains on the investment property portfolio and forestry assets reflected the continued demand in the Napier and Wellington property markets and the value of forestry products.  
Expenditure was above budget by \$9 million with \$2.8 million being the increase in the ACC leasehold financing liabilities due to the increase in value of the Napier leasehold portfolio and \$6.2 million spread across the groups of activities (\$2.1 million in Integrated Catchment Management through the Erosion Control Scheme, \$1.5 million in Transport due to the increased costs of operating the bus service and co-funding towards the Waimarama Road cycle trail) and \$1.7 million on Regional income collection which includes expenditure (\$0.3 million) on the Regional freshwater security programme (which had been

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

included in the capital budgets), fees (\$0.6 million) associated with the operation of the managed funds and \$0.8 million related to the sale of Napier leasehold properties.

ii. Statement of financial position

The primary reason for the variances is that the budgets for 2020/21 are set before the 19/20 year end and are based off the 18/19 annual report plus the annual plan movements for 20/21 plus the forecast movements for 20/21 and they did not include the significant changes following the revaluation of HBRIC and the purchase of managed funds from HBRIC by HBRC and the reciprocal loan from HBRIC to HBRC on 30 June 2020.

The sum of Property, plant and equipment and Intangible assets expenditure are consistent with the sum of the respective budgets as work was included in the budgets under Property, plant and equipment which should have been under Intangible assets. The budget for Other financial assets under Current Assets was overstated and did not allocate sufficient funds received from the IPO to managed funds under Non-current assets.

Borrowings excluding the HBRIC loan are below budget due to the improved revenue as less debt was required during the year to meet operational requirements as per the annual plan.

iii. Statement of changes in equity/other comprehensive income

Opening equity is \$100 million above budget due to the revaluation of HBRIC in the prior year that was recognised after the annual plan was completed. Fair value gains in the managed funds and carbon credits mainly offset the reduction in the fair value of HBRIC due to the share market movements of Napier Port Holdings.

iv. Statement of cash flow

Net cash flows from operating activities was \$7.8 million above budget due to the improved returns from HBRIC and the managed funds with the increased grants and government funding offsetting the higher expenditure. Net cash flows from investing activities were on budget and next cash flows from financing activities were below budget by \$2 million due to the reduced debt drawdown.

### Note 29: Financial risk management

#### Introduction

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

Historically, the Group has entered into derivatives, consisting principally of interest rate swaps and forward currency contracts. The purpose was 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.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Currency risk

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

#### Interest rate risk

The interest rates on the Group's investments are shown within Note 13 and on borrowings within 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 has historically managed its cash flow interest rate risk on borrowings by using interest rate caps and floating to fixed interest 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 with registered banks, fund managers and government stock. 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).

Table 3: Maximum exposure to credit risk

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000	Actual 20/21 \$000	Actual 19/20 \$000
Cash and cash equivalents	8,101	6,522	18,163	25,234
Bank deposits with terms greater than 91 days	-	-	-	-
Government stock	1,006	1,000	1,006	1,000
Funds under Management	114,362	111,073	162,844	156,611
Community loans	15,295	11,405	15,295	11,405
Trade & other receivables	8,610	11,327	22,321	25,635
Advances to CCO	-	-	-	-
Derivative financial instruments	-	-	99	-
	<u>147,374</u>	<u>141,327</u>	<u>219,728</u>	<u>219,885</u>

The Regional Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in Note 20.

#### Note 29 (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 Group maintains a level of cash operating balances sufficient to meet its commitments as they fall due as well as managing its borrowings in accordance with its funding and financial policies.

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

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

Table 4: Contractual maturity analysis

	Carrying Amount \$000	Contractual Carrying Amount \$000	Less than 1 Year \$000	1 - 2 Years \$000	3 - 5 Years \$000	More than 5 Years \$000
<b>Regional Council at 30 June 2021</b>						
Creditors and other payables	8,441	8,441	8,441	-	-	-
Bank borrowings	30,375	32,936	518	1,017	18,772	12,629
Bank overdraft	-	-	-	-	-	-
Loans from CCO	16,663	17,981	-	-	17,981	-
Provincial Growth Fund Borrowings	500	509	-	253	256	-
Interest rate swaps	64	64	46	18	-	-
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base loan	9,758	10,106	975	1,219	1,501	6,411
Finance lease	-	-	-	-	-	-
	65,801	70,037	9,908	2,507	38,510	19,040
<b>Regional Council at 30 June 2020</b>						
Creditors and other payables	12,313	12,313	12,313	-	-	-
Bank borrowings	17,725	20,044	520	1,064	7,092	11,367
Bank overdraft	-	-	-	-	-	-
Loans from CCO	-	-	-	-	-	-
Provincial Growth Fund Borrowings	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base loan	11,439	11,439	686	1,334	1,194	8,225
Finance lease	-	-	-	-	-	-
	41,477	43,796	13,519	2,398	8,287	19,592
<b>Group at 30 June 2021</b>						
Creditors and other payables	22,823	22,823	22,823	-	-	-
Bank borrowings	89,093	96,358	1,571	2,070	80,088	12,629
Bank overdraft	-	-	-	-	-	-
Provincial Growth Fund Borrowings	500	509	-	253	256	-
Interest rate swaps	225	225	61	45	92	27
Forward exchange contracts	2	2,312	2,312	-	-	-
ACC leasehold financing liability – base loan	9,758	10,106	975	1,219	1,501	6,411
Finance lease	576	627	244	175	208	-
	122,977	132,960	27,986	3,762	82,145	19,067
<b>Group at 30 June 2020</b>						
Creditors and other payables	24,576	24,576	24,576	-	-	-
Bank borrowings	17,725	20,044	520	1,064	7,092	11,367
Bank overdraft	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base loan	11,439	11,439	686	1,334	1,194	8,225
Finance lease	210	210	210	-	-	-
	53,951	56,269	25,992	2,398	8,287	19,592

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 29 (b): Financial risk management

Regional Council	2020/21 \$000				2019/20 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
<b>Interest Rate Risk</b>								
Financial assets								
Cash and cash equivalents	(41)	-	41	-	(33)	-	33	-
Other financial assets:	-	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	(238)	-	238	-	(174)	-	174	-
Derivatives	-	-	-	-	-	-	-	-
<b>Total sensitivity</b>	<b>(279)</b>	<b>-</b>	<b>279</b>	<b>-</b>	<b>(207)</b>	<b>-</b>	<b>207</b>	<b>-</b>
<b>Foreign Exchange Risk</b>								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
<b>Total sensitivity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity Price Risk</b>								
Financial assets								
Publicly listed shares	(5)	-	5	-	(4)	-	4	-
Government Bonds	(5)	-	5	-	(5)	-	5	-
Managed Funds	(572)	-	572	-	(555)	-	555	-
<b>Total sensitivity</b>	<b>(582)</b>	<b>-</b>	<b>582</b>	<b>-</b>	<b>(564)</b>	<b>-</b>	<b>564</b>	<b>-</b>

Group	2020/21 \$000				2019/20 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
<b>Interest Rate Risk</b>								
Financial assets								
Cash and cash equivalents	(91)	-	91	-	(126)	-	126	-
Other financial assets:	-	-	-	-	-	-	-	-
Term deposits	-	-	-	-	-	-	-	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	(448)	-	448	-	(91)	-	91	-
Derivatives	-	-	-	-	-	-	-	-
<b>Total sensitivity</b>	<b>(539)</b>	<b>-</b>	<b>539</b>	<b>-</b>	<b>(217)</b>	<b>-</b>	<b>217</b>	<b>-</b>
<b>Foreign Exchange Risk</b>								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
<b>Total sensitivity</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Equity Price Risk</b>								
Financial assets								
Publicly listed shares	(5)	-	5	-	(4)	-	4	-
Government Bonds	(5)	-	5	-	(5)	-	5	-
Managed Funds	(814)	-	814	-	(783)	-	783	-
<b>Total sensitivity</b>	<b>(824)</b>	<b>-</b>	<b>824</b>	<b>-</b>	<b>(792)</b>	<b>-</b>	<b>792</b>	<b>-</b>

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

---

#### Explanation of interest rate risk sensitivity

The interest rate sensitivity has been calculated based on -5% / +5% (2020: -5% / +5%) movement in interest rates.

#### Explanation of foreign exchange risk sensitivity

The foreign exchange risk sensitivity has been calculated based on -5% / +5% (2020: -5% / +5%) movement in forward foreign exchange contracts.

#### Explanation of equity price risk sensitivity

The sensitivity for listed shares, government bonds and managed funds has been calculated based on -5% / +5% (2020: -5% / +5%) movement in the share price at year-end.

#### Note 29 (c): Capital management

The Regional 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 the Regional 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 Regional Council. Intergenerational equity requires ratepayers to meet the costs of utilising the Regional 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 Regional 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 Regional Council to make adequate and effective provision in its Long Term Plan 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 Regional 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 Regional Council's most recent Long Term Plan 2018-2028.

HBRC has the following the Regional 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 the Regional Council.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 30: Financial instrument categories

	Regional Council		Group	
	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)	Actual 20/21 \$000	Actual 19/20 \$000 (Restated)
	Note			
<b>Financial Assets</b>				
Loans and receivables				
Cash and cash equivalents	8,101	6,522	18,163	25,234
Trade & other receivables	8,610	11,327	22,321	25,635
Advances to Council-controlled organisations	-	-	-	-
Other financial assets	-	-	-	-
Term Deposits	-	-	-	-
Advances to Napier / Gisborne Rail	1,486	1,486	1,486	1,486
Community loans	15,295	11,418	15,295	11,418
Total loans and receivables	<b>33,492</b>	<b>30,754</b>	<b>57,265</b>	<b>63,773</b>
Held-to-maturity				
Government Bonds	1,006	1,000	1,006	1,000
Total held-to-maturity	<b>1,006</b>	<b>1,000</b>	<b>1,006</b>	<b>1,000</b>
Fair value through surplus or deficit				
Derivative financial instrument assets	-	-	99	-
Fair value through other comprehensive revenue and expense				
Managed Funds	114,362	111,073	162,844	156,611
Other financial assets	-	-	-	-
Publicly listed shares	1,039	816	1,039	816
Civic Assurance shares	18	18	18	18
Shares in Hawke's Bay Regional Investment Company	445,716	457,260	-	-
Total fair value through other comprehensive revenue & expense	<b>561,135</b>	<b>569,167</b>	<b>163,902</b>	<b>157,444</b>
<b>Financial Liabilities</b>				
Fair value through surplus or deficit				
Derivative financial instrument liabilities	64	-	227	-
ACC leasehold financing liability – excess payments	21,655	18,794	21,655	18,794
Total fair value through surplus or deficit	<b>21,719</b>	<b>18,794</b>	<b>21,882</b>	<b>18,794</b>
Financial Liabilities at amortised cost				
Trade & other payables	8,441	12,313	21,765	24,576
Bank overdraft	-	-	-	-
Borrowings	47,538	34,888	89,593	18,225
ACC leasehold financing liability – base loan	9,758	11,439	9,758	11,439
Total financial Liabilities at amortised cost	<b>65,737</b>	<b>58,641</b>	<b>121,116</b>	<b>54,241</b>

#### Note 30 (a): 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:

##### Level 1

Quoted market price – Financial instruments with quoted prices for identical instruments in active markets

##### Level 2

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

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Level 3

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

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

	Total \$000	Quoted Market Price (level 1) \$000	Observable Inputs (level 2) \$000	Significant Non- observable Inputs (level 3) \$000
<b>30 June 2021 – Regional Council</b>				
Financial assets				
Government bonds	1,006	1,006	-	-
Publicly listed shares	1,039	1,039	-	-
Funds under management	114,362	114,362	-	-
Shares in Hawke's Bay Regional Investment Company	445,716	430,013	16,663	(960)
Financial liabilities				
Derivatives	64	-	64	-
ACC leasehold financing liability – excess payments	21,655	-	-	21,655
<b>30 June 2021 - Group</b>				
Financial assets				
Government bonds	1,006	1,006	-	-
Publicly listed shares	1,039	1,039	-	-
Funds under management	162,844	162,844	-	-
Derivatives	99	-	99	-
Financial liabilities				
Derivatives	227	-	227	-
ACC leasehold financing liability – excess payments	21,655	-	-	21,655
<b>30 June 2020 – Regional Council (Restated)</b>				
Financial assets				
Government bonds	1,000	1,000	-	-
Publicly listed shares	816	816	-	-
Funds under management	111,073	111,073	-	-
Shares in Hawke's Bay Regional Investment Company	457,260	442,295	16,663	(1,698)
Financial liabilities				
Derivatives	-	-	-	-
ACC leasehold financing liability – excess payments	18,794	-	-	18,794
<b>30 June 2020 – Group (Restated)</b>				
Financial assets				
Government bonds	1,000	1,000	-	-
Publicly listed shares	816	816	-	-
Funds under management	156,611	156,611	-	-
Financial liabilities				
Derivatives	-	-	-	-
ACC leasehold financing liability – excess payments	18,794	-	-	18,794

The valuation of HBRIC has been changed due to the IPO of NPHL which has provided a level 1 (NZX stock price) for the majority of the assets held by HBRIC. The managed funds held by HBRIC comprise domestic and international listed shares, bonds, and cash instruments. The level 2 component of the valuation comprises a loan from HBRIC to HBRC which will be eliminated on consolidation. The remaining balance comprises the future estimated management expenses that have been assessed as a level 3 valuation technique.

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

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

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

	20/21 \$000	19/20 \$000 (Restated)
Balance at 1 July	17,096	394,888
Gain and losses recognised in the surplus or deficit	2,861	6,312
Gain and losses recognised in other comprehensive revenue and expenditure	738	-
Purchases	-	-
Sales	-	-
Transfers	-	(384,104)
Balance at 30 June	20,695	17,096

#### Note 31: Events after balance date

- on 1 July 2021, Foodeast GP Limited was incorporated with HBRIC holding 66.72% of shares
- on 2 July 2021, Foodeast Limited Partnership was registered with general partner being Foodeast GP Limited
- on 12 July 2021, HBRC raised \$6 million of debt funding with LGFA due in April 2027
- on 16 August 2021, HBRC raised \$5 million of debt funding with LGFA, \$1 million due in April 2024 and the remaining \$4 million due in April 2029
- on 24 September 2021, an engineering report on a building owned by the Regional Council deemed the building to be earthquake prone. The building was valued at \$275,000 on 31 May 2019. The Regional Council is assessing the costs of remedial work.
- on 8 February 2022, the Regional Council raised \$4 million of debt funding with LGFA due in May 2028.
- on 14 April 2022, the Regional Council raised \$4 million of debt funding with LGFA due in April 2026.
- on 14 April 2022, Kiwirail repaid the Advance to Napier/Gisborne Rail.

#### Note 32: Prior period adjustment

Under the contract the Regional Council signed with ACC in 2013, 50 years of future rents was exchanged for a lump sum payment. The Regional Council has recognised a provision for the payment of the future rental income in the financial statements since the year ending 30 June 2014. The contract has been reviewed and the provision previously recognised by the Regional Council should have been classified as a financial liability at amortised cost.

The financial liability includes 2 embedded derivatives that the Regional Council has not previously recognised and the Regional Council has determined to recognise these derivatives as a financial liability at fair value through surplus or deficit.

In compliance with PBE IPSAS 3, the Regional Council has retrospectively applied these errors. See Note 24 for further information on the contract terms and calculation of the liability.

## Part 5 - Financials | Pūrongo Pūtea

### Notes to the financial statements

#### Note 32: Prior period adjustment (continued)

	Effect on	
	Regional Council 19/20 \$000	Group 19/20 \$000
<b>a) Statement of Comprehensive Revenue and Expense</b>		
Increase in Fair Value Losses	6,312	6,312
Increase in Total Operating Expenditure	6,312	6,312
Increase in Total Expenditure	6,312	6,312
Decrease in Operating Surplus / (Deficit) before Income Tax	6,312	6,312
Decrease in Operating Surplus / (Deficit) after Income Tax	6,312	6,312
Decrease in Total Comprehensive Revenue and Expense	6,312	6,312
<b>Comprehensive income attributable to the</b>		
Decrease in Equity holders of the parent	6,312	6,312
<b>b) Statement of Financial Position</b>		
<b>NET ASSETS / EQUITY</b>		
Decrease in Accumulated Funds	18,794	18,794
Decrease in Total Net Assets / Equity	18,794	18,794
<b>Non-Current Liabilities</b>		
Increase in ACC leasehold financing liabilities	18,794	18,794
Increase in Total Non-Current Liabilities	18,794	18,794
Increase in Total Liabilities	18,794	18,794
<b>c) Statement of Changes in Equity</b>		
Decrease in Equity as at beginning of year	12,482	12,482
Decrease in Total Comprehensive Revenue and Expense	6,312	6,312
Decrease in Equity as at end of year	18,794	18,794
Equity attributable to:		
Decrease in Equity holders of the parent	18,794	18,794

#### Note 33: Legislative compliance

Section 98 of the Local Government Act 2002 requires the Regional Council to prepare and adopt an annual report within four months after the end of each financial year. However, legislation was passed in July 2021 to extend the statutory reporting timeframes by up to two months in order to ensure that there is no reduction in the quality of the financial reporting and the audit of the annual report.

The Annual Report 2020-2021 was adopted by resolution of the Hawke's Bay Regional Council on 25 May 2022. The delay was a result of:

- timing issues affecting both the preparation of the report and completion of the audit
- technical consideration of the accounting treatment of the ACC contract.

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Hawke's Bay Regional Council funding impact statement

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.

	LTP	Annual Report	Annual Plan	Annual Report
	19/20	19/20	20/21	20/21
	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<b>Sources of operating funding</b>				
General rates & uniform annual general charges, rates penalties	8,262	8,824	8,427	8,592
Targeted rates	16,377	16,330	16,213	16,456
Subsidies & grants for operating purposes	3,430	4,678	3,933	7,493
Fees & charges	9,925	12,363	10,131	12,671
Interest & dividends from investments	98,602	47,572	8,891	12,209
Local authorities fuel tax, fines, infringement fees & other receipts	3,344	2,637	3,042	4,037
<b>Total operating funding</b>	<b>139,940</b>	<b>92,404</b>	<b>50,637</b>	<b>61,458</b>
<b>Applications of operating funding</b>				
Payments to staff & suppliers	45,478	54,753	52,873	59,413
Finance costs	2,854	2,120	2,529	2,258
Other operating funding applications	-	-	-	-
<b>Total applications of operating funding</b>	<b>48,332</b>	<b>56,873</b>	<b>55,402</b>	<b>61,671</b>
<b>Surplus / (deficit) of operating funding</b>	<b>91,608</b>	<b>35,531</b>	<b>(4,765)</b>	<b>(213)</b>
<b>Sources of capital funding</b>				
Subsidies & grants for capital purposes	2,345	118	-	1,631
Development & financial contributions	-	-	-	-
Increase / (decrease) in debt	6,197	13,307	13,193	12,650
Gross proceeds from sale of assets	1,274	2,226	454	3,546
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	-
<b>Total sources of capital funding</b>	<b>9,816</b>	<b>15,651</b>	<b>13,647</b>	<b>17,827</b>
<b>Applications of capital funding</b>				
Capital expenditure:				
- to meet additional demand	2,160	400	2,627	-
- to improve the level of service	2,080	3,173	2,090	5,855
- to replace existing assets	6,251	4,643	7,934	7,799
	<b>10,491</b>	<b>8,216</b>	<b>12,651</b>	<b>13,654</b>
Increase / (decrease) in reserves	85,987	39,213	(4,004)	(324)
Increase / (decrease) of investments	4,946	3,753	235	4,284
<b>Total application of capital funding</b>	<b>101,424</b>	<b>51,182</b>	<b>8,882</b>	<b>17,614</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(91,608)</b>	<b>(35,531)</b>	<b>4,765</b>	<b>213</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Reconciliation from Funding Impact Statement to Comprehensive Revenue and Expenditure</b>				
Operating Surplus per Income Statement	92,600	40,785	(4,370)	7,917
Depreciation	3,259	3,333	3,639	3,463
(Gains)/Losses in ACC Leasehold Liability	(936)	1,001	(917)	80
Fair Value (Gains)/Losses	(3,315)	(10,327)	(3,118)	(9,878)
Capital Grants	-	(118)	-	(1,631)
(Gain) / Loss on sale	-	(17)	-	(164)
Other	-	874	-	-
<b>FIS Surplus / (deficit) of Operating Funding (above)</b>	<b>91,608</b>	<b>35,531</b>	<b>(4,765)</b>	<b>(213)</b>

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Governance and Partnerships funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	3,161	3,300	3,158
Targeted rates	-	-	-
Subsidies & grants for operating purposes	15	15	-
Fees & charges	124	126	210
Internal charges & overheads recovered	84	60	1,447
Fines, infringement fees & other receipts	-	-	-
<b>Total operating funding</b>	<b>3,384</b>	<b>3,501</b>	<b>4,815</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	2,796	2,893	2,629
Finance costs	92	68	64
Internal charges & overheads applied	496	540	569
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>3,384</b>	<b>3,501</b>	<b>3,262</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>1,553</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(410)	(360)	(350)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(410)</b>	<b>(360)</b>	<b>(350)</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	(410)	(360)	1,203
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>(410)</b>	<b>(360)</b>	<b>1,203</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>(1,553)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	8	8	30

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Strategic Planning funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	2,726	2,831	3,328
Targeted rates	1,894	1,942	1,912
Subsidies & grants for operating purposes	274	274	105
Fees & charges	-	-	441
Internal charges & overheads recovered	-	-	1,224
Fines, infringement fees & other receipts	-	-	-
<b>Total operating funding</b>	<b>4,894</b>	<b>5,047</b>	<b>7,010</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	4,234	4,348	4,684
Finance costs	6	5	5
Internal charges & overheads applied	654	694	728
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>4,894</b>	<b>5,047</b>	<b>5,417</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>1,593</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	(20)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>(20)</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
Increase / (decrease) in reserves	-	-	1,573
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>1,573</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>(1,593)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	-	-	-

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Asset Management funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	-	-	-
Targeted rates	7,250	7,475	7,267
Subsidies & grants for operating purposes	-	-	219
Fees & charges	2,038	2,582	3,988
Internal charges & overheads recovered	2,230	1,755	1,522
Fines, infringement fees & other receipts	290	299	-
<b>Total operating funding</b>	<b>11,808</b>	<b>12,111</b>	<b>12,996</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	7,018	7,189	9,453
Finance costs	106	87	53
Internal charges & overheads applied	2,848	2,939	1,286
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>9,972</b>	<b>10,215</b>	<b>10,792</b>
<b>Surplus / (deficit) of operating funding</b>	<b>1,836</b>	<b>1,896</b>	<b>2,204</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	1,631
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(124)	(64)	(101)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>(124)</b>	<b>(64)</b>	<b>1,530</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	2,080	2,195	3,581
- to replace existing assets	1,344	2,201	636
	<b>3,424</b>	<b>4,396</b>	<b>4,217</b>
Increase / (decrease) in reserves	(1,712)	(2,564)	(483)
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>1,712</b>	<b>1,832</b>	<b>3,734</b>
<b>Surplus / (deficit) of capital funding</b>	<b>(1,836)</b>	<b>(1,896)</b>	<b>(2,204)</b>
<b>Funding balance</b>			
	-	-	-
Depreciation	648	646	824

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Integrated Catchment Management funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	674	1,525	-
Targeted rates	3,447	3,749	3,362
Subsidies & grants for operating purposes	83	85	1,907
Fees & charges	4,521	4,809	5,305
Internal charges & overheads recovered	9,834	9,786	6,319
Fines, infringement fees & other receipts	6	(16)	-
<b>Total operating funding</b>	<b>18,565</b>	<b>19,938</b>	<b>16,893</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	14,469	15,374	20,588
Finance costs	1,131	1,320	638
Internal charges & overheads applied	2,965	3,243	3,966
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>18,565</b>	<b>19,937</b>	<b>25,192</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>1</b>	<b>(8,299)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	2,345	2,626	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	1,622	2,981	7,845
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>3,967</b>	<b>5,607</b>	<b>7,845</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	160	160	-
- to improve the level of service	-	-	1,634
- to replace existing assets	-	-	-
	160	160	1,634
Increase / (decrease) in reserves	(1,232)	(1,475)	(5,957)
Increase / (decrease) of investments	5,039	6,923	3,869
<b>Total application of capital funding</b>	<b>3,967</b>	<b>5,608</b>	<b>(454)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>(1)</b>	<b>8,299</b>
<b>Funding balance</b>			
	-	-	-
Depreciation	560	684	636

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Consents and Compliance funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	1,370	1,411	1,622
Targeted rates	-	-	-
Subsidies & grants for operating purposes	69	71	70
Fees & charges	2,959	3,053	2,274
Internal charges & overheads recovered	421	434	1,822
Fines, infringement fees & other receipts	10	10	-
<b>Total operating funding</b>	<b>4,829</b>	<b>4,979</b>	<b>5,788</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	3,773	3,851	4,698
Finance costs	-	-	-
Internal charges & overheads applied	1,056	1,128	1,230
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>4,829</b>	<b>4,979</b>	<b>5,928</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>(140)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(140)
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>(140)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>140</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	1	1	4

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Emergency Management funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	151	154	171
Targeted rates	2,133	2,191	2,188
Subsidies & grants for operating purposes	-	-	158
Fees & charges	119	119	58
Internal charges & overheads recovered	(26)	(26)	(23)
Fines, infringement fees & other receipts	(1)	-	-
<b>Total operating funding</b>	<b>2,376</b>	<b>2,438</b>	<b>2,552</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	1,844	1,875	2,198
Finance costs	-	-	-
Internal charges & overheads applied	532	563	616
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>2,376</b>	<b>2,438</b>	<b>2,814</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>(262)</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	(262)
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>(262)</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>262</b>
<b>Funding balance</b>			
Depreciation	17	17	1

## Part 5 - Financials | Pūrongo Pūtea

### Funding impact statements

#### Transport funding impact statement

	LTP 19/20 (\$'000)	LTP 20/21 (\$'000)	Annual Report 20/21 (\$'000)
<b>Sources of operating funding</b>			
General rates & uniform annual general charges	180	173	171
Targeted rates	1,653	1,686	1,726
Subsidies & grants for operating purposes	2,988	3,035	4,936
Fees & charges	153	40	395
Internal charges & overheads recovered	(28)	(25)	113
Fines, infringement fees & other receipts	(3)	(4)	(6)
<b>Total operating funding</b>	<b>4,943</b>	<b>4,905</b>	<b>7,335</b>
<b>Applications of operating funding</b>			
Payments to staff & suppliers	4,705	4,655	6,677
Finance costs	9	8	6
Internal charges & overheads applied	229	242	277
Other operating funding applications	-	-	-
<b>Total applications of operating funding</b>	<b>4,943</b>	<b>4,905</b>	<b>6,960</b>
<b>Surplus / (deficit) of operating funding</b>	<b>-</b>	<b>-</b>	<b>375</b>
<b>Sources of capital funding</b>			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
<b>Total sources of capital funding</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Applications of capital funding</b>			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	375
Increase / (decrease) of investments	-	-	-
<b>Total application of capital funding</b>	<b>-</b>	<b>-</b>	<b>375</b>
<b>Surplus / (deficit) of capital funding</b>	<b>-</b>	<b>-</b>	<b>(375)</b>
<b>Funding balance</b>	<b>-</b>	<b>-</b>	<b>-</b>
Depreciation	42	46	29

### Statement of Compliance and Responsibility

#### Compliance

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

#### Responsibility

2. The Regional 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 Regional 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. In the opinion of the Regional Council and management of Hawke's Bay Regional Council, the annual Financial Statements for the year ended 30 June 2021 fairly reflect the financial position and operations of Hawke's Bay Regional Council.



**Rick Barker**

**Chair**

**25 May 2022**



**James Palmer**

**Chief Executive**

**25 May 2022**

### Independent Auditor's Report

#### To the readers of Hawke's Bay Regional Council's annual report for the year ended 30 June 2021

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, Karen Young, 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 25 May 2022. This is the date at which we give our report.

### Opinion on the audited information

In our opinion:

- the financial statements on pages 103 to 168:
  - present fairly, in all material respects:
    - the Regional Council and Group's financial position as at 30 June 2021;
    - 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;
- the funding impact statement on page 169, 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 annual plan;
- the groups of activities on pages 46 to 91:
  - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2021, 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

## Part 6 - Independent Auditor's Report | He ripoata arotake pūtea

---

- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 170 to 176, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the Regional Council's annual plan; and
- the funding impact statement for each group of activities on pages 170 to 176, 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.

### 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 96 to 102, which represent a complete list of required disclosures and accurately reflects the information drawn from the Regional Council's audited information and, where applicable, the Regional Council's long-term plan and annual plans.

### Basis for our opinion on the audited information

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.

### 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.

## Part 6 - Independent Auditor's Report | He ripoata arotake pūtea

---

### 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 annual 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 groups of activities 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.

## Part 6 - Independent Auditor's Report | He ripoata arotake pūtea

---

- 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 the contents page and pages 1 to 143, 94, 95 and 180, but does not include the audited information, 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: International 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 disclosure requirements, we have audited the Regional Council's 2021-2031 Long-term plan, carried out 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*

Karen Young

Audit NewZealand

On behalf of the Auditor-General

Wellington, New Zealand