

# **Meeting of the Corporate and Strategic Committee**

Wednesday 11 March 2020 Date:

1.00pm Time:

Venue: Council Chamber

Hawke's Bay Regional Council 159 Dalton Street

**NAPIER** 

# Agenda

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#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

### Wednesday 11 March 2020

## Subject: CALL FOR MINOR ITEMS NOT ON THE AGENDA

## **Reason for Report**

- 1. This item provides the means for committee members to raise minor matters they wish to bring to the attention of the meeting.
- 2. Hawke's Bay Regional Council standing order 9.13 states:
  - 2.1. "A meeting may discuss an item that is not on the agenda only if it is a minor matter relating to the general business of the meeting and the Chairperson explains at the beginning of the public part of the meeting that the item will be discussed. However, the meeting may not make a resolution, decision or recommendation about the item, except to refer it to a subsequent meeting for further discussion."

#### Recommendations

3. That the Corporate and Strategic Committee accepts the following "Minor Items Not on the Agenda" for discussion as Item 16:

Topic	Raised by

Leeanne Hooper GOVERNANCE LEAD James Palmer
CHIEF EXECUTIVE

#### HAWKE'S BAY REGIONAL COUNCIL

#### **CORPORATE AND STRATEGIC COMMITTEE**

#### Wednesday 11 March 2020

# Subject: REPORT AND RECOMMENDATIONS FROM THE FINANCE AUDIT AND RISK SUB-COMMITTEE

#### **Reason for Report**

1. The following matters were considered by the Finance Audit and Risk Sub-committee (FARS) meeting on 12 February 2020 and subsequently at a workshop with staff and the Internal Auditor, Crowe, and are now presented for the Committee's consideration, alongside any additional commentary the Sub-committee Chair wishes to offer.

#### Confirmation of the Terms of Reference for the FARS

2. This item was taken as read and the Terms of Reference confirmed as proposed.

#### **Confirmation of the Sub-committee Work Programme**

- This item provided the opportunity for the sub-committee to influence, in light of its confirmed Terms of Reference, the work programme for the remainder of the 2019-22 triennium. Extensive discussions traversed internal and external audit, potential section 17a activity and Risk Management framework reviews, and internal processes and controls to manage financial proposals for investment or funding requests. Following discussions it was agreed that staff will create an Audit Action list, as a live document that tracks progress against internal audit recommendations, and the Sub-committee resolved:
  - 3.1. Agrees that the work programme for the Sub-committee will be developed through workshops ahead of confirming the schedule of work and budget allocations at the 13 May FARS meeting, and that in the meantime Internal Audits agreed in August 2019 will be scoped and/or carried out as planned.
  - 3.2. The internal audits agreed were:
    - 3.2.1. Water Management follow-up
    - 3.2.2. Asset Management
    - 3.2.3. Risk Management.
- 4. After further discussions at a workshop on 3 March 2020, the following actions were proposed. The minutes from the workshop are included with this paper.
  - 4.1. To confirm the asset management audit, which had been previously scheduled for the 2019-20 audit programme, would be delayed. There is already a review underway by Waugh Infrastructure so any audit would have more value later. It was felt more useful to carry out a review on the Water Management follow-up audit agreed in May 2019. This would be in the form of a recap and closure of the audit recommendations and management actions in response with the intention to a future audit once Three Waters legislation and regulation is in effect.
  - 4.2. In addition to the inclusion of the Water Management follow-up, any other audit actions could be included in this piece of work. This will ensure that any outstanding actions are addressed. The scope for this review is attached for the Committee's consideration.
  - 4.3. To seek confirmation from C&S to the Risk Management review scope (attached). The scope of the risk management review will include how risks are identified from across the business.
  - 4.4. The 2020-2021 audit programme to include "Staff attraction/retention and welfare", as well as Council's grants process.

- 5. Cyber security internal audit progress on management actions to be reported to FARS.
- 6. The audit review on eels management and gantry/lifting equipment processes to be carried out but will sit outside the scheduled 'internal audit' umbrella.

#### **Risk Assessment and Management**

- 7. This item provided the Sub-committee with the six-monthly review of the risks that Council is exposed to and the mitigation actions in place to manage Council's risk profile.
- 8. Following discussions about CDEM staff training, initiatives to attract and retain suitably qualified staff, IT failure, and the organisation's preparedness in response to the corona virus, the Sub-committee resolution was:
  - 8.1. Advises staff of the specific risks (following) that require reassessment to confirm the level of risk is accurate and internal controls are adequate, for reporting back to the 13 May 2020 Sub-committee meeting.
    - 8.1.1. ORG002: Ability to retain and attract appropriately skilled staff
    - 8.1.2. CORP001: ICT Failure Business Wide.

#### Introduction to Council's Audit NZ Auditor

9. The Sub-committee was introduced to Council's appointed Auditor, Karen Young, who outlined Audit NZ's role and how her engagement with Council will occur.

#### **Treasury Report for Period to 31 December 2019**

- 10. This agenda item provided an update on the compliance monitoring of treasury activity and the performance of Council's diversified investment portfolios, as presented by PwC. Discussions traversed the establishment of council's current management and reporting framework including the review and updating of the Treasury Policy, SIPO (reviewed annually), and design of the Treasury report, Portfolio returns and ethical investments; with the Sub-committee resolution being:
  - 10.1. That the Finance, Audit and Risk Sub-committee receives and notes the "*Treasury Report for period to 31 December 2019*" staff report and that recommended amendments to the SIPO be provided to the 11 March 2020 Corporate and Strategic Committee meeting for adoption

#### **Business Continuance Plan**

11. This agenda item provided the Sub-committee with the updated Business Continuance Plan, completed in response to a series of recommendations from the 2018 independent review undertaken by Kestrel Group. The item also provided an update on the ongoing process staff are undertaking to address outstanding issues identified through the review.

#### **Cyber Security Internal Audit**

- 12. The item provided the report on the Cyber Security internal audit undertaken by Crowe Horwath, including descriptions of management actions that have been undertaken or that are planned for the future in response to the report's findings and recommendations. The resolution of the Sub-committee was:
  - 12.1. That the Finance, Audit & Risk Sub-Committee Committee receives and notes the "Cyber Security Internal Audit" staff report and requests that staff report back to the May FARS meeting on progress on management actions that have been undertaken to respond to the issues identified and recommendations made in the Crowe Horwath Cyber Security internal audit report.

#### **Procurement Policy and Procurement Manual Update**

13. This agenda item was not considered by the FARS, and deferred to the 13 May 2020 meeting.

#### Financial Results for the Period to 31 December 2019

14. This agenda item was not considered by the FARS, and deferred to the 11 March 2020 meeting of the Corporate and Strategic Committee.

#### **Decision Making Process**

15. These items were specifically considered by the Finance, Audit and Risk Sub-committee on 12 February 2020 and are now the subject of the following recommendations to the Corporate and Strategic Committee.

#### Recommendations

The Finance, Audit and Risk Sub-committee recommends that the Corporate and Strategic Committee:

- 1. Receives and notes the "Report and Recommendations from the 12 February 2020 Finance, Audit and Risk Sub-committee Meeting"
- Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that the Committee can exercise its discretion and make decisions on these items without conferring directly with the community or persons likely to have an interest in them.

#### Confirmation of the Terms of Reference for the Finance, Audit and Risk Subcommittee

 Recommends that Hawke's Bay Regional Council adopts the Terms of Reference (attached) as proposed to and confirmed by the 12 February 2020 Finance, Audit and Risk Sub-committee meeting.

#### **Confirmation of the Sub-committee Work Programme**

- 4. Agrees the proposed audit scopes (attached) for the 2019/20 Risk Management Review and the Review of the Follow-up for Water Management and other previous internal audits incorporating any agreed amendments, being:
  - 4.1. ...
  - 4.2. ...
  - 4.3. ...

Noting that this would normally occur at Finance, Audit & Risk Sub-Committee meetings, however, in order to progress this work within the Calendar year, it is requested that at the Corporate and Strategic Committee meeting provide feedback and approval.

#### **Risk Assessment and Management**

- 5. Recommends that the Corporate and Strategic Committee receives and notes the resolutions of the Sub-committee, including the specific risks that require reassessment; being:
  - 5.1. ORG002: Ability to retain and attract appropriately skilled staff
  - 5.2. CORP001: ICT Failure Business Wide.

#### **Reports Received**

- Notes that the following reports were provided to the Finance Audit and Risk Subcommittee.
  - 6.1. Introduction to Council's Audit NZ Auditor
  - 6.2. Confirmation of the Sub-committee Work Programme (resolved: Agrees that the work programme for the Sub-committee will be developed through workshops ahead of confirming the schedule of work and budget allocations at the 13 May 2019 FARS meeting, and that in the meantime Internal Audits agreed in August 2019 will be scoped and/or carried out as planned.)

- 6.3. Treasury Report for Period to 31 December 2019 (resolved: receives and notes the "Treasury Report for period to 31 December 2019" staff report and that recommended amendments to the SIPO be provided to the 11 March 2020 Corporate and Strategic Committee meeting for adoption.)
- 6.4. Business Continuity Plan (resolved: receives and accepts the "Business Continuity Plan" staff report and associated plan)
- 6.5. Cyber Security Internal Audit (resolved: receives and notes the "Cyber Security Internal Audit" staff report and requests that staff report back to the May FARS meeting on progress on management actions that have been undertaken to respond to the issues identified and recommendations made in the Crowe Horwath Cyber Security internal audit report.).

#### Authored by:

Leeanne Hooper GOVERNANCE LEAD Joanne Lawrence GROUP MANAGER OFFICE OF THE CHIEF EXECUTIVE AND CHAIR

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

James Palmer CHIEF EXECUTIVE

#### Attachment/s

- 3 March 2020 Finance, Audit and Risk Sub-Committee Workshop notes
- J2 Scope of HBRC 2020 Risk Managment Review
- \$\mathcal{J}\$ \$ Scope of HBRC 2020 Follow Up Review
- Proposed Terms of Reference for the Finance, Audit & Risk Sub-committee
- **J5** HBRC Treasury Reporting December 2019



# NOTES OF THE FINANCE, AUDIT AND RISK SUB-COMMITTEE (FARS) WORKSHOP

Date: Tuesday 3 March 2020

Time: 10.30am Venue: CEs office

> Hawke's Bay Regional Council 159 Dalton Street, NAPIER

Present: Councillor C Foss (Chair)

Councillor W Foley

R Dinwoodie

In Attendance: J Ellerm – Group Manager Corporate Services

J Lawrence - Group Manager Office of the CE & Chair

L Hooper – Governance Lead M Solomon – Crowe Horwath Attachment 1

#### Welcome/Apologies

Neil Kirton absent

#### 2. Internal Audit Work Programme

Discussion covered:

- Shift of risk management from Finance to OCEC to be more 'across the
  organisation' and embed into the culture. Education of all staff needed to enable
  them to recognise risk and operate in the risk framework
- Current status data analytics report to May FARS; Asset Management review by Waugh Infrastructure is under way and Group Manager, Chris Dolley has suggested an internal audit on eels management and/or gantry/lifting equipment rather than full review; Risk Management review in initial scoping phase with assistance from part-time Finance resource & still trying to recruit specialist full time role
- FARS Want assurances around whether Council is able to deliver on outputs and outcomes rather than just financial management
- Audit provides independent assurance that processes are operating effectively, examining sufficiency of 3 lines of defence 1 Controls, 2 Processes and Policies, and 3 Audit
- Governors need awareness of what's happening and to receive reporting on mitigation to provide this assurance
- Want to know how we approach identification of emerging, new risks. Rebecca Dinwoodie advised that the scope for the Risk Management review should be extended to include the identification of risks.
- Section 17a reviews are specifically around cost effectiveness, not particularly risk-based. The Section 17a work programme will be coming to FARS at the May meeting.
- Current contractual agreement and budget is based on four internal audits per year
- Audit action list from staff will track the status of audit recommendations and management actions in response
- A risk based internal audit approach will more explicitly link the risk register and identified risks with the scope of the internal audit
- Governors want to more consistently understand the assumptions used by staff when they are developing and delivering projects/activities, including if there are risks of work not getting done or any potential trade-offs

#### Follow-up actions agreed are:

- Cyber Security internal audit progress on management actions to be reported to FARS on Eels management and gantry/lifting equipment processes audit will be carried out but will sit outside the 'internal audit' umbrella
- Water Management internal audit follow-up on management actions;, to provide summary/overview of what's been done and status of management actions to effectively 'close' the internal audit with intention to a future audit once Three Waters legislation and regulation in effect
- Seek confirmation from C&S to the Risk Management review scope and a review of the audit action list from previous audits. The scope of the risk management review will include how risks are identified from across the business
- 2020/2021 audit programme to include "Staff attraction/retention and welfare" as well as Grants process
- Leeanne to update 12 Feb minutes in accordance with Chair's feedback, and republish/distribute

Closure:	
The workshop closed at 00.00pm on 3 March	2020.
Signed as a true and correct record.	
DATE:	CHAIRMAN:



Risk Management Review

Hawke's Bay Regional Council

#### Introduction

The key governance responsibilities for local government authorities with respect to Risk Management have been defined by LGNZ as follows<sup>1</sup>:

- Establish a 'tone at the top' that promotes a risk-aware culture;
- Set the Council's risk approach;
- . Be informed as to the measures that management is taking in relation to significant risks;
- Ensure that the Council has appropriate processes for identifying, assessing and responding to risks in accordance with the Council's risk approach, and that those processes are operating effectively;
- Ensure that the Council's activities are effectively controlled so that management's risk responses and
  policies are carried out as planned towards the achievement of the Council's objectives.

The nature of the Hawke's Bay Regional Council's activities and operating environment means it is exposed to wide-ranging and diverse levels of risk in the pursuit of its objectives.

Management of these risks should be seen as a critical area of responsibility for the Council. Key benefits of an effective risk management programme include:

- Improved achievement of the Council's vision, goals and strategies with management having an
  active, structured and commonly shared knowledge of the range and severity of the risks that have to
  be managed.
- Demonstrating to stakeholders (both internal and external) that risk management is approached in a robust manner by the Council and its management.
- Identification of uncontrolled risk exposures and efficiency opportunities that can be promptly
  actioned.
- · Providing transparency and accountability for the management of identified risks.
- · Acting as a catalyst for improvement in the Council's practices.
- · Assisting management with setting an appropriate risk management tone within the Council.
- Providing a solid base from which risk exposures can be monitored and managed going forward.

<sup>1</sup> Local Government Audit & Risk Management Report, LGNZ 2014, Page 3.

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Risk Management Review

Hawke's Bay Regional Council

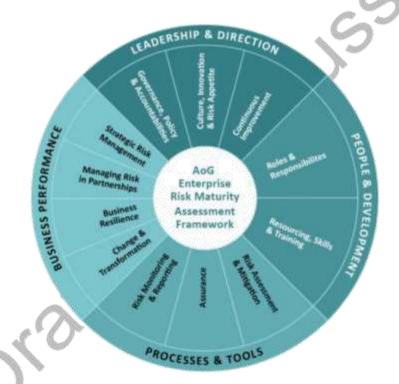
# 2. Objectives and Scope

The New Zealand Government has developed an All-of-Government (AoG) Enterprise Risk Maturity Assessment Framework to enable agencies to assess their current level of risk maturity and identify ways they can improve to reach a desired level of maturity.

The maturity assessment is grouped into four key attributes of effective risk management:

- Leadership & Direction
- People & Development
- Processes & Tools
- Business Performance

An overview of the Maturity Assessment Framework is provided below:



The objective of our review will be to assess the current maturity of the HBRC's risk management processes against each of the criteria defined in the AoG Enterprise Risk Maturity Assessment Framework and to identify, where required, improvements to enable the Council to reach its desired level of maturity. Areas of focus will include the processes in place for identifying, documenting and escalating risks and the linkages between the identification of risks, the reporting of risk information to Management and Council and the development of risk mitigation and assurance activities.

Risk Management Review

Hawke's Bay Regional Council

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# 3. Approach

The approach undertaken will be to assess the maturity levels of the Council's risk management activities by reviewing the processes and documentation in place to address the following key questions:

	Governance, Policy &	Is there clear accountability and authority for managing risk at the
	Accountabilities	leadership level?
Leadership &	Culture, Innovation & Risk	Does leadership promote a culture of risk informed decision
Direction	Appetite	making based on a clear understanding of acceptable and unacceptable risk?
	Continuous Improvement	Does leadership drive improvements in risk management?
People & Development	Roles & Responsibilities	Do staff clearly understand their roles and responsibilities for managing risk?  Are risk management roles and responsibilities documented and communicated for all risk areas and are consistently reflected in position descriptions.
	Resources, Skills & Training	Is resourcing sufficient and are staff adequately trained and experienced in risk management?
	Risk Assessment & Mitigation	Does the risk identification process consider the internal and external objectives of the Council and the internal and external factors which impact those objectives?  Are there effective processes in place for the identification, assessment and mitigation of risks?
Processes & Tools	Assurance	Is there an effective assurance framework in place? An assurance framework considers all types of assurance that the Council/Audit & Risk Committee obtains over significant/critical risks — e.g. external audit, internal audit, internal or external H&S reviews, internal or external peer reviews, IANZ, ISO and other accreditations etc. that can provide 'assurance' that risks are appropriately managed/controlled and whether the Council/Audit & Risk Committee has oversight over these activities.
	Risk Monitoring & Reporting	Does risk monitoring and reporting support decision-making and management action?  Is the level of detail of risk and control information sufficient to allow for effective understanding, monitoring and decision making for managing risks?
Business	Strategic Risk Management	Is there effective anticipation and management of strategic risks?
Performance	Managing Risk in Partnerships	Are there effective arrangements for managing risk with partners?

In undertaking the review, we will assess the Council's current risk management maturity against its desired level of maturity (to be determined during the review) using the AoG Enterprise Risk Maturity Matrix detailed below to build a road map for the Council, when fully resourced, to achieve the desired state of maturity

Attribute	Level 1	Level 2	Level 3	Level 4	Level 5
Leadership & Dire	ection		•		
Governance, Policy & Accountabilities	The governance framework for overseeing risk management is not formally documented. An independent governance body does not exist. There is no internal audit function and the provision of assurance is primarily focussed on meeting external audit requirements. There is limited guidance on how risks should be managed and escalated. There is limited evidence of risk focussed discussions taking place at senior leadership team meetings. Limited action is taken based on the results of assurance activities.	A formal governance framework exists that sets out high level accountabilities for overseeing risk management. An independent governance body (e.g. Audit and Risk Committee) exists but is largely passive e.g. reviews and approves risk management strategy / annual audit plan. An internal audit function has been set up with a focus on controls and compliance monitoring in specific areas. There is some guidance on how risks should be managed and escalated across the Council but this tends to have an operational focus e.g. health and safety. Application of the risk management guidance is not consistent across all business units. There is some evidence of risk focussed discussions taking place at senior leadership team meetings; however, there is fimited evidence of challenge regarding risk and assurance information or preactive action being taken as a result, or action is taken in isolation to other business units.	There is a comprehensive governance framework in place that explicitly assigns individual accountabilities for managing top risks, including risks with core delivery partners.  An independent governance body exists that regularly reviews and monitors top risks and progress against the risk management strategy / annual audit plan.  The internal audit function has a broad remit with a focus on risk assurance and process improvements.  There is a formal risk management policy together with clear guidance for escalating risks (e.g. to whom) that has been approved by the senior leadership team and the governance body.  Application of the risk management policy and guidance is consistent across all business units.  The senior leadership team provides specific direction around the management of top risks and there is some evidence of challenge regarding risk and assurance information, action taken considers the potential impact on other business units and core delivery partners.	There is a comprehensive governance framework in place with explicit accountabilities for managing top risks, including some system level risks in support of inter-agency, sector and AoG outcomes.  An independent governance body exists that challenges and directs the senior leadership team on managing top risks and the results of assurance activities.  The internal audit function is well established and provides assurance across a range of risks, including system level risks.  Senior business leaders clearly understand the need to escalate risks and there is good evidence of this happening.  There are mechanisms in place for sharing risk and assurance insights and lessons learned with senior business leaders.  Risk is a standing agenda item at senior leadership team meetings and there is good evidence of risk focussed discussions and challenge regarding risk and assurance information e.g. deep dive into specific risks; action taken considers the potential impact on some inter-agency, sector and AoG outcomes.	The risk management policy is formally reviewed by the independent governance body every one to two years or when significant changes occur. The effectiveness of the governance body and internal audit function are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'. Risks, including system level risks in support of inter-agency, sector and AoG outcomes, are escalated in near time. There are mechanisms in place for sharing risk and assurance insights and lessons learned with other agencies and partners. New and emerging risks are discussed at senior leadership team meetings with strong evidence of proactive action being taken in support of inter-agency, sector and AoG outcomes.

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Attribute	Level 1	Level 2	Level 3	Level 4	Level 5
Culture, Innovation & Risk Appetite	There is no clear link between organisational values and behaviours and risk informed decision making. There is limited understanding of the concept of risk appetite by senior business leaders. There is no formal definition of innovation and what it means for the Council's risk appetite.	Risk informed decision making is implied in organisational values and behaviours.     There is a basic understanding of the concept of risk appetite by senior business leaders, although tolerance levels for different types of risk have not been defined.     The Council has a common definition of innovation but this is not linked to risk appetite in any way.     Risk appetite, including the desire for innovation, is considered informally as part of strategic planning and decision-making processes.	There is an explicit link between organisational values and behaviours and risk informed decision making. There is a comprehensive risk appetite statement in place that has been approved by the senior leadership team. Risk tolerance levels for individual risks have been defined using basic risk rating criteria (e.g. High, Medium, Low). The Council has a common definition of innovation and there is some link to risk appetite e.g. tolerance levels for change and transformation risk have been agreed. Risk appetite and the desire for innovation are formally considered as part of strategic planning and decision-making processes.	Risk informed decision making is encouraged and supported through infernal communications with a clear link to organisational values and behaviours. The risk appetite statement incorporates some system level risks in support of inter-agency, sector and AoG outcomes. Risk information, beyond basic risk rating criteria, is used to challenge the senior leadership team on what tolerance levels should be, including the acceptable level of risk for different types of innovation. Risk appetite and the desire for innovation are integrated into strategic planning and decision making processes through risk focused discussions and analysis.	Risk informed decision making is fully integrated into organisational values and behaviours and is visibly encouraged, supported and rewarded by senior business leaders. Risk appetite discussions are supported by a range of qualitative and quantitative tolerances that include inter-apency, sector and AoG outcomes. Risk appetite and the desire for innovation form an integral part of strategic planning and decision making processes and are regularly reviewed. There is strong evidence of risk appetite being applied to strategic options analysis and contingency planning.
Continuous Improvement	There is no formal review of the effectiveness of risk management practices. There is no formal risk management strategy or assessment of resources required to deliver improvements.	The effectiveness of risk management practices is periodically reviewed on a formal basis e.g. internally by the risk management or internal audit function every two to three years. Improvement opportunities are documented in a basic risk management strategy that has been approved by the independent governance body. There is no formal endorsement of the resources required to deliver improvements from the senior leadership team.	The effectiveness of risk management practices is regularly reviewed on a formal basis e.g. internally by the risk management or internal audit function every one to two years. There is a comprehensive risk management strategy that has been approved by the independent governance body. There is formal endorsement of the resources required to deliver improvements from the senior leadership team and regular updates on progress against the risk management strategy.	The effectiveness of risk management practices is informed by regular feedback from business units and core partners. The risk management strategy includes some initiatives to improve the management of system level risks in support of inter-agency, sector and AoG outcomes. Risk management outcomes are partially integrated into business performance reporting to the senior leadership team.	The effectiveness of risk management practices is independently reviewed every three to five years and benchmarked against a recognised achievement standard (such as this framework) as 'best in class'. Inter-agency, sector and AoG risk management outcomes are fully integrated into business performance reporting to the senior leadership team.

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Attribute	Level 1	Level 2	Level 3	Level 4	Level 5
People & Develop	oment				
Roles & Responsibilities	Risk management roles and responsibilities are not formally documented. Risk management is being carried out by individuals on a self-initiated best endeavours' basis. Senior business leaders do not expect or require assurance over their area of responsibility.	Risk management roles and responsibilities are documented and communicated in traditional areas, such as corporate risk management and compliance functions Corporate risk management roles and responsibilities are focused on risk reporting and compliance. There may be some link to position descriptions, terms of reference, contracts and goals but this is not consistent across the Council. Some senior business leaders may require assurance over their area of responsibility but this is ad hoc across the Council.	Risk management roles and responsibilities are documented and communicated for all risk areas and across all business units.     Corporate risk management roles and responsibilities are focused on driving elements of good practice across the Council.     Risk management roles and responsibilities are consistently reflected in position descriptions, terms of reference, contracts, goals and the Council's policy framework.     There is limited evidence that good risk management behaviours are rewarded.     Senior business leaders routinely expect and request assurance over their area of responsibility.	Risk management roles and responsibilities are well understood and are generally incorporated into individual performance objectives. Corporate risk management roles and responsibilities are focused on driving good practice across the Council and there is a senior risk management advisor to provide leadership and direction. There is some evidence that good risk management behaviours are rewarded. Senior business leaders routinely expect and request assurance over their area of responsibility, and may ask for ad hoc reviews.	Risk management is regarded as a core competency and risk management roles and responsibilities are explicitly incorporated into individual performance objectives with a high degree of consistency across the Council. Corporate risk management roles and responsibilities are focused on optimising good practice across the Council and there is a head of risk / chief risk officer who is seen in the Council as the senior risk management advisor. There is strong evidence that good risk management behaviours are rewarded. Senior business leaders plan for assurance advice and reviews without being prompted.
Resourcing, Skills & Training	Limited resourcing is allocated to risk management activities.     The Council has limited access to the skills and experience required to provide effective risk management.	There are some gaps in the effectiveness of risk management activities due to insufficient resourcing. Risk management skills and experience are assessed at a high level for some key roles. Some ad hoc risk management training exists for key roles.	Risk management activities are generally well resourced across the Council although some areas would benefit from additional resourcing.     Risk management skills and experience are formally assessed for all key roles, including the senior leadership team.     Structured risk management training is provided for all key roles.     Risk management forms part of induction training for all management and staff.	Resourcing is sufficient for the Council and supports some interagency, sector and AoG risk management outcomes. Risk management skills and experience for all key roles are regularly reviewed to ensure alignment with risk management outcomes and strategy. Risk management training needs are included in individual performance plans. There are mechanisms in place for keeping staff up to date with developments in risk management e.g. newsletters and other regular internal communications.	Resourcing fully supports interagency, sector and AoG risk management outcomes Risk management skills and experience are optimised and continually improved. There are opportunities for secondments between the business and risk and assurance functions. There are mechanisms in place to measure the effectiveness of risk management training.

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Attribute	Level 1	Level 2	Level 3	Level 4	Level 5
Process & Tools					
Risk Assessment & Mitigation	There is no common definition of risk across the Council. Risk assessment processes are informal and ad hoc with no clear linkage to business objectives.	There is a common definition of risk that is focused on the 'downside' of risk, some definitions exist for different types of risk but the boundaries are not always clear. Risk assessment processes and templates are defined and may be applied in some key business units, but there is a lack of management buy-in in other areas. Risk measurement is largely subjective based on high level qualitative likelihood and impact criteria. Inherent and residual risk evaluations are undertaken but the link to control effectiveness is not clearly understood. Risk mitigation plans are based on reactive responses.	There is a common definition of risk that recognises the 'upside' of risk and there is a formal risk categorisation model for the Council.  Risk assessment processes and templates are defined and applied consistently across all key business units.  There is some evidence of a data driven approach to risk measurement (e.g. based on internal management information).  Inherent and residual risk evaluations taking into account the effectiveness of controls are sometimes undertaken.  There is some evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	There is a common definition of risk and a formal risk categorisation model that recognises the Council's role in supporting inter-agency, sector and AoG outcomes Risk assessment processes and templates extend beyond the Council's boundaries to include some system level risks linked to inter-agency, sector and AoG outcomes. There is some use of technology to improve the consistency and quality of risk assessment and mitigation processes. Quantifative approaches (where appropriate) are used for risk measurement. Inherent and residual risk evaluations taking into account the effectiveness of controls are consistently undertaken. There is good evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk.	There is a fully integrated risk management solution supporting an optimal risk and control framework that includes interagency, sector and AoG outcomes. Risk and control assessments are performed near time. Risk and control information is used to optimise insurance arrangements. There is strong evidence of alignment between risk mitigation plans and agreed tolerance levels for different types of risk. Cost-benefit analysis is performed to support prioritisation of risk mitigation plans.
Assurance	Senior business leaders have limited understanding of the need for assurance over their areas of responsibility. The assurance framework (e.g. three lines of defence) is not formally documented. Assurance activities cover only a few operational risk areas of the Council, or are reactive to specific events. Controls and assurance activities are not formally considered when designing new systems, process and policies.	Senior business leaders have some understanding of the need for assurance over their areas of responsibility. There is a formal assurance framework in place but limited evidence of coordination across the 'three lines of defence' internally to better integrate risk and assurance activities. Assurance activities are targeted at business unit operations on a cyclical basis and focus on historic transactional or systematic compliance.	Senior business leaders are able to describe the areas across the Council that require assurance and how this is being obtained.     There is a formal assurance framework in place and some evidence of coordination between the 'three lines of defence' both internally and with core delivery partners.     Assurance activities are targeted at critical enterprise-wide functions and focus on controls assurance and systemic improvements.	Senior business leaders understand the quality and amount of assurance required across the Council and this extends to some system level risks in support of inter-agency, sector and AoG outcomes.  There is an effective assurance framework with good coordination between the 'three lines of defence' both internally and externally in support of some interagency, sector and AoG outcomes.	Senior business leaders obtain the right quality and amount of assurance and promote a strong assurance culture including in support of inter-agency, sector and AoG outcomes. There is a fully integrated assurance framework in place with seamless coordination between the 'three lines of defence' internally and externally in support of inter-agency, sector and AoG outcomes.

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Attribute	Level 1	Level 2	Level 3	Level 4	Level 5
Assurance (continued)	Assurance needs are not formally aligned to the Council's risk profile and there is limited evidence of assurance results being used to inform risk assessments.	Compliance-focused control and assurance activities are considered when designing new systems, processes and policy.     Assurance needs are somewhat aligned to the Council's risk profile and there is some evidence of assurance results being used to inform risk assessments.	Risk assessments are undertaken when designing new systems, processes and policy, including for some core delivery partner activities.     Assurance needs are generally responsive to changing Council risks and assurance results are consistently used to inform risk assessments, including across a range of core delivery partner activities.	Assurance activities are multi-layered and targeted at Council outcomes, including in support of some inter-agency, sector and AoG outcomes.     Risk assessments determine the assurance activities implemented when designing new systems, processes and policy, including some automated assurance activities.     Assurance needs are regularly reviewed and reprioritised and assurance results are used to inform some system level risk assessments.	Assurance activities fully support inter-agency, sector and AoG outcomes and focus on improving performance across the system.     Automated assurance activities are embedded into new systems, processes and policy.     Assurance is forward-looking and assurance providers anticipate risks and expect priorities to change.
Risk Monitoring & Reporting	There is limited coordinated collection of risk data from business units.     There is limited formalised monitoring or reporting of risk information to support decision making or management action.	Risk data collection is formalised and coordinated on an annual basis. This is largely viewed as a compliance requirement and the quality of risk data is variable. Risk data is aggregated across the Council to create a bottom-up view of the top risks faced by the Council which is presented to the senior leadership team.     There is some review of risk information to assist with decision making and management action.	Risk data collection is formalised and coordinated on a regular basis e.g. every three to six months. There is some quality review of risk data to address duplications, inconsistencies and gaps. Aggregated risk data is supplemented by a top down assessment of strategic risks to give an enterprise-wide view of the top risks faced by the Council. Senior business leaders regularly review risk information to assist with decision making and management action.	There is some use of technology to improve the quality and consistency of risk data collection and automate risk monitoring and reporting. There is increasing use of semi-quantitative approaches to risk aggregation. There an enterprise-wide view of the top risks faced by the Council that includes strategic risks and some system level risks in support of inter-agency, sector and AoG outcomes. Risk monitoring and reporting is aligned to the Council's risk appetite framework to assist with decision making and management action.	Risk data collection, aggregation, monitoring and reporting is frequent, automated and fully integrated with the Council's risk appetite framework.     Risk reporting is easily able to be tailored to meet the needs of interagency, sector and AoG stakeholders.     Risk reporting has a distinct forward looking view using leading risk indicators, to assist with proactive decision making and management action.

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Attribute	Level 1	Level 2	Level 3	Level 4	Level 5
Susiness Perform	nance				E a company
Strategic Risk Management	There is limited integration of risk management into the strategic planning cycle.	The strategic planning cycle includes a review of the Council's top risks. There is some evidence of strategic risks and opportunities being documented in the Council's strategic plan but there is no refresh of the Council's top risks based on strategic planning outcomes. Strategic risk contingency planning to safeguard the strategic and hedge delivery of business outcomes is not undertaken.	The strategic planning cycle includes a review of the Council's top risks as well as some external trends and indicators to inform the level of risk in the external environment. There is good evidence of strategic risks and opportunities being documented in the Council's strategic plan together with planned response A formal refresh of the Council's top risks is undertaken based on strategic planning outcomes. There are some risk contingency plans in place to safeguard the strategy and hedge delivery of business outcomes.	The strategic planning cycle includes forward-looking scenario analysis to identify new and emerging risks, including some system level risks in support of inter-agency, sector and AoG outcomes.  There is strong evidence of strategic risks and opportunities being documented in the Council's strategic and long term investment plans with a formal process for capturing new and emerging risks. Some key external trends and indicators have been identified but are not actively monitored by the senior leadership team. Risk contingency plans are in place to safeguard the strategy and hedge delivery of business outcomes.	Strategic risk management practices are independently reviewed every three to five year and benchmarked against a recognised achievement standar as 'best in class'.     Key external trends and indicators are actively monitored and their impact on the Council's business outcomes is regularly assessed by the senior leadershiteam.     Strategic risk contingency plans are continuously reviewed and updated.
Meneging Risk in Partnerships	There is no clear definition of what a 'partner' is or what 'partnering' involves.     There is no formal partnering policy providing guidance on how to manage partner related risks.	Partner' is defined at a high level and a group of core partners has been identified.     There is a basic partnering policy in place that addresses how to identify, assess and manage risks.     Risk and reward trade-offs may be applied informally in individual contracts.     There is some evidence of risk and performance monitoring of partners.	The Council has a common definition of 'partner' that recognises the different types of partnership arrangements that exist.  There is a comprehensive partnering policy that addresses how to identify, assess and manage risks, including arrangements for risk ownership and sharing of risk information.  Risk and reward trade-offs are formally articulated and are generally applied in contracts.  There is good evidence of risk and performance monitoring of partners, including testing of contingency arrangements.	The Council has a formal partner scoring model in place that covers all key aspects of risk and performance. The partner scoring model is used to differentiate levels of monitoring and partner authority / delegation. Risk and reward trade-offs are articulated across a range of partners and are routinely applied in contracts. There is strong evidence of risk and performance monitoring of partners, including some integrated testing of contingency arrangements between different partners.	Partnering practices are independently reviewed every three to five years and benchmarked against a recognised achievement framework as 'best in class'     Risk and reward trade-offs are clearly articulated across a wide range of partners and systematically applied.     Contingency arrangements with partners are continuously reviewed and updated.

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Risk Management Review	Hawke's Bay Regional Council	10

Attribute	Level 1	Level 2	Level 3	Level 4	Level 5	
Business Resilience	There is no formal process for assessing the potential impacts of disruptive or extreme events (e.g. environmental, social, economic, technological changes).	Disruptive and extreme events are assessed but not on any regular basis. Assessment of impacts is high level and predominantly routine in nature. There is limited alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning. There is no systematic 'feedback' loop to actively learn from disruptive or extreme events.	Disruptive and extreme events are assessed on a regular basis using stress testing and scenario analysis. Potential reputational, financial and business impacts are comprehensively assessed. There is some alignment between disruptive and extreme event assessment and BCP / DRP planning as well as longer term investment planning. There is some evidence of 'feedback' in the waive of extreme or disruptive events which is used to make improvements.  Disruptive and extreme even are assessed on a regular base and cover a range of aternative forward-looking scenarios. Early warning indicators exist that allow management to anticipate disruptive and extreme events.  There is a clear link between disruptive and extreme event assessment and BCP / DRP planning that includes core partners as well as long term investment planning.  There is a good evidence of event analysis and assessment and learning for the future.		ongoing programme of actions and interventions that support business resilience, including facilities and tools to support new knowledge and technologies, cross-agency and partner collaboration, and incentives for improving resilience.	
Change & Transformation	There is no clear definition of what constitutes a 'significant change' or formal process for assessing related risks.	There is a basic process to assess the risks associated with significant change initiatives but this is applied informally and no independent assurance is sought.     There is limited evidence of a portfolio view of risk related to significant change initiatives.	There is a formal definition of what constitutes a significant change, including new services, business models and other strategic investments. There is a comprehensive risk assessment process for the approval of significant change initiatives that is consistently applied across the Council. There is a formal monitoring and assurance regime in place for significant change initiatives that includes independent assurance. There is some evidence of a portfolio view of risk related to significant change initiatives.	The Council has a formal approach in place that allows risk and reward trade-off decisions across the Council's entire portfolio of change initiatives to be made in line with the Council's risk appetite The monitoring and assurance regime is regularly reviewed and updated to reflect changes to the risk profile of significant change initiatives. There is good evidence of a portfolio view of risk related to significant change initiatives that includes active monitoring against the Council's risk appetite.	P3M3 practices are independently reviewed every three to five years and benchmarked against a recognised achievement standard as 'best in class'. There is very strong evidence that risk and reward trade-offs across the Council's entire portfolio of change initiatives are clearly articulated and systematically applied. The monitoring and assurance regime is continuously reviewed and updated.	

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Risk Management Review

Hawke's Bay Regional Council

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## 4. Deliverable

We will provide you with a detailed report of our findings and recommendations and an analysis of the Council's current risk management maturity against its desired level of maturity using the AoG Enterprise Risk Maturity Matrix detailed to build a road map for the Council to achieve the desired state of maturity

### Estimated hours

We estimate that 120 hours will be required to complete this assignment.

# 6. Acknowledgement and Acceptance

The details of the above scoping document have been read and understood and I am authorised to accept them for and on behalf of the Hawke's Bay Regional Council.

Signed:	
Name:	
Position:	
Date:	
PO Number:	



## Contact Us

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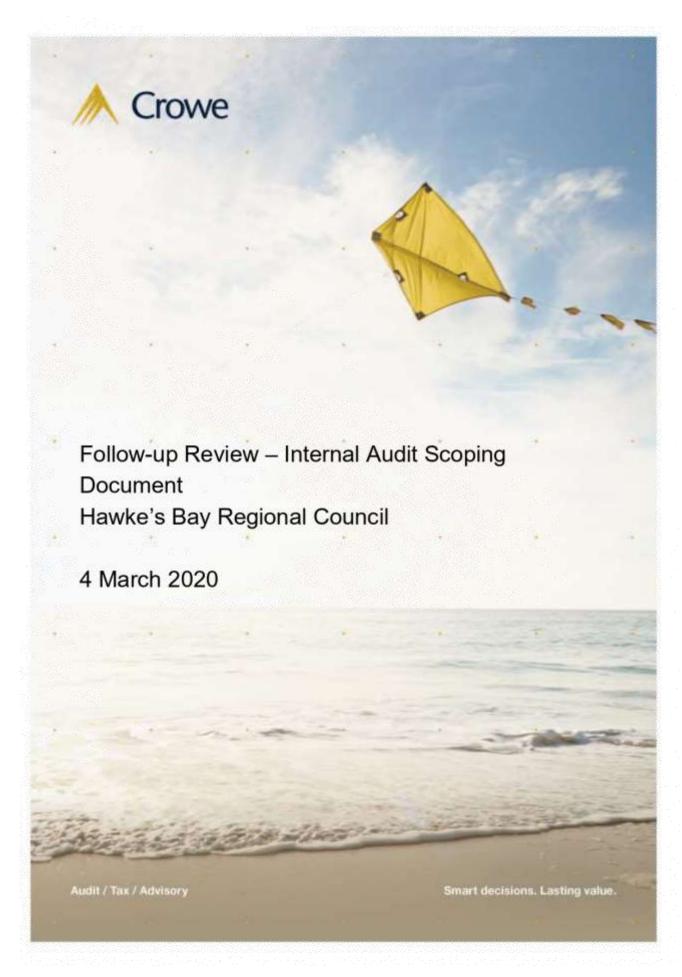
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Follow-up Review

Hawke's Bay Regional Council

# Objectives

The objective of the assignment is to review whether management actions relating to previous audit recommendations have been effectively implemented in line with agreed implementation dates or that senior management has accepted the risk of not taking action.

The following audits will be reviewed during the assignment:

- Procurement and Purchasing, May 2018
- Contract Management, May 2018
- Health and Safety, September 2018
- · Water Management Follow up, March 2019

# 2. Approach

The recommendations and action plans to be reviewed resulting from the audits listed above are presented below.

		Audit Findings & Risk Ratings					
Audit	Date	High	Moderate	Low	Process Improvement	Total	
Procurement and Purchasing	May 2018	2	9	5	-	16	
Contract Management	May 2018	3	4	0	-	7	
Health and Safety	Sep 2018	8	10	5	-	23	
Water Management Follow-up	May 2019	2	5	2	-	9	
Total	14	15	28	12	-	55	

Our approach will incorporate the following steps:

- We will verify whether high risk findings and actions have been fully implemented, partially implemented or are yet to be actioned.
- Where defined action plans for high risk findings are indicated as being fully implemented, verification of the implementation will be undertaken to ensure that the action plan has been implemented as documented
- Where action plans for high risk findings are indicated as being partially implemented in the schedule, the level of implementation and actions still to be completed will be verified. If no date is set for full implementation or the set date had passed, a new date will be set.
- Where action plans for high risk findings have not been started, actions to be completed will be verified.
   If there is no date set for full implementation or the set date has passed, a new date will be set.
- Where management has accepted the risk of not taking action for high risk findings, an assessment of the appropriateness of this risk acceptance will be undertaken and a verification of the appropriate levels of management approval will be reviewed.
- For moderate risk findings we will perform enquiries and review management representations regarding
  the implementation status of the recommendations. Where action plans are partially implemented or not
  yet started, new implementation dates will be set.

Follow-up Review Hawke's Bay Regional Council 3

# 3. Deliverable

The deliverable for this assignment will be a report detailing internal audit recommendations, their implementation status and where necessary new implementation dates.

## 4. Estimated hours

We estimate that 40 hours will be required to complete this assignment.

# 5. Acknowledgement and Acceptance

The details of the above scoping document have been read and understood and I am authorised to accept them for and on behalf of the Hawke's Bay Regional Council.

Signed:	
Name:	
Position:	
Date:	
PO Number:	7/3

Attachment 3



## Contact Us

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#### Finance, Audit and Risk Sub-committee

#### **Terms of Reference**

for Council adoption 25 March 2020

#### 1. Purpose

The purpose of the Finance, Audit and Risk Sub-committee is to report to the Corporate and Strategic Committee to fulfil its responsibilities for:

- 1.1. The provision of appropriate controls to safeguard the Council's financial and non-financial assets, the integrity of internal and external reporting and accountability arrangements
- 1.2. The review of Council's revenue and expenditure policies and the effectiveness of those policies.
- 1.3. The independence and adequacy of internal and external audit functions
- 1.4. The robustness of risk management systems, processes and practices
- 1.5. Compliance with applicable laws, regulations, standards and best practice guidelines.

#### 2. Specific Responsibilities

The Finance, Audit and Risk Sub-committee shall have responsibility and authority to:

- 2.1. Consider the appropriateness of the Council's existing accounting policies and principles and any proposed changes
- 2.2. Satisfy itself that the financial statements and statements of service performance are supported by adequate management signoff and adequate internal controls and recommend adoption of the Annual Report by Council
- 2.3. Confirm that processes are in place to ensure that financial information included in Council's Annual Report is consistent with the signed financial statements
- 2.4. Monitor the performance of Council's investment portfolio
- 2.5. Confirm the terms of appointment and engagement of external auditors, including the nature and scope of the audit, timetable, and fees
- 2.6. Receive the internal and external audit report(s) and review actions to be taken by management on significant issues and recommendations raised within the report(s)
- 2.7. Enquire of internal and external auditors for any information that affects the quality and clarity of the Council's financial statements and statements of service performance, and assess whether appropriate action has been taken by management in response to this
- 2.8. Conduct a sub-committee members-only session with Audit NZ to discuss any matters that the auditors wish to bring to the Sub-committee's attention and/or any issues of independence
- 2.9. Review whether Council management has a current and comprehensive risk management framework and associated procedures for effective identification and management of the council's significant risks in place

- 2.10. Undertake periodic monitoring of corporate risk assessment, and the internal controls instituted in response to such risks
- 2.11. Undertake systematic reviews of Council operational activities against Council stated performance criteria to determine efficiency/effectiveness of delivery of Council services
- 2.12. Review the effectiveness of the system for monitoring the Council's compliance with laws (including governance legislation, regulations and associated government policies), Council's own standards, and best practice guidelines; including health and safety.

#### 3. Accountability

3.1. The Finance, Audit and Risk Sub-committee is not delegated to make any decisions unless by specific delegation of Council.

The Finance, Audit and Risk Sub-committee is delegated by Council to:

- 3.2. Obtain external legal or independent professional advice within approved budgets in the satisfaction of its responsibilities and duties
- 3.3. Secure the attendance at meetings of third parties with relevant experience and expertise as appropriate
- 3.4. Receive all of the information and documentation needed or requested to fulfill its responsibilities and duties, subject to applicable legislation
- 3.5. Ensure that recommendations in audit management reports are considered and, if appropriate, actioned by management
  - 3.6. Review the objectives and scope of the internal audit function, and ensure those objectives are aligned with Council's overall risk management framework
  - 3.7. Assess the performance of the internal audit function, and ensure that the function is adequately resourced and has appropriate authority and standing within Council.

#### 4. Membership

- 4.1. Up to four members of Council, being: Councillors Will Foley, Craig Foss and Neil Kirton (confirmed by Council resolution 6 November 2019)
- 4.2. An external appointee, being: Rebekah Dinwoodie (confirmed by Council resolution 6 November 2019)

#### Chairperson

A member of the Committee as elected by the Council, being Councillor Craig Foss (confirmed by Council resolution 9 November 2016)

#### 6. Meeting Frequency

The Committee shall meet quarterly, or as required

#### 7. Quorum

The quorum at any meeting of the Committee shall be not less than 3 members of the Committee.

#### 8. Officers Responsible

- 8.1. Chief Executive
- 8.2. Group Manager Corporate Services

Attachment 4

8.3. Group Manager Office of the Chief Executive and Chair

# Hawke's Bay Regional Council

Quarterly Treasury Report

As at 31 December 2019

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## 1.0 Treasury Activity Compliance Monitor

Policy document	Policy parameters	Compliance
	Borrowing limits	Yes
	Funding risk control limits	Yes
Transum, Policy	Liquidity buffer	Yes
Treasury Policy	Interest rate risk control limits	Yes
	Treasury investment parameters	Yes
	Counterparty credit limits	Yes
SIPO	Asset allocations	No

## 2.0 Investment Management Reporting

Performance Summary (net returns – after management and custodial fees)

	Mer	cer Net Return	S	Jar	den Net Return	S
	LTIF HBRC	HBRIC (port proceeds)	HBRC (port proceeds)	LTIF HBRC	HBRIC (port proceeds)	HBRC (port proceeds)
December Quarter	1.2%	1.2%	1.2%	3.3%	1.6%	1.6%
Financial YTD	4.2%	1.9% 6.6%	1.9%	5.3% 10.8%	1.7% 5.9%	1.6% 5.7%
Financial YTD (annualised)	8.5%	0.0%	6.6%	10.0%	5.9%	5.7%
Cumulative Return Since Inception	11.0%	1.9%	1.9%	11.4%	1.7%	1.6%
Annualised Return Since Inception	11.6%	6.6%	6.6%	12.0%	5.9%	5.7%
Inception Date	18-Jan-19	16-Sep-19	16-Sep-19	18-Jan-19	16-Sep-19	16-Sep-19
Days Invested	347	106	106	347	106	106
Balance as at 31-Dec-19 (\$)	25,259,718	30,021,998	22,367,660	25,391,672	29,991,361	22,335,540
Total Capital Contributions (\$)	23,288,784	29,500,000	21,978,750	23,288,784	29,500,000	21,978,750
Net Returns (\$)	1,988,452	521,998	388,910	2,102,888	491,361	356,790

#### **Long Term Investment Fund (LTIF HBRC)**

Mercer (3 months ending 31 Decem	ber 2019)								
LTIF HBRC									
Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Rang	jes	Portfolio Compliant?
Operational Cash	96,679.62	94,930.2				0.4%	-	20.0%	Υ
Index Cash Portfolio	2,487,202.31	2,493,921.4	0.3%	0.3%	0.0%	9.9%	-	20.0%	Υ
NZ Sovereign Bonds	3,480,732.54	3,385,462.4	(2.7%)	(2.9%)	0.2%	13.4%	5.0%	25.0%	Υ
Overseas Sovereign Bonds	2,978,448.99	2,938,646.8	(1.3%)	(1.5%)	0.2%	11.6%	5.0%	25.0%	Υ
Global Credit	2,237,232.58	2,252,106.8	0.8%	0.5%	0.2%	8.9%	5.0%	25.0%	Υ
Other Fixed Interest <sup>A</sup>	1,242,576.32	1,250,883.9	0.7%	0.3%	0.4%	5.0%	-	10.0%	Υ
Socially Responsible Trans-Tasman Shares	1,481,526.80	1,568,187.3	6.0%	5.3%	0.7%	6.2%	-	18.0%	Υ
Socially Responsible Overseas Shares	7,210,602.23	7,416,344	3.2%	4.1%	(0.9%)	29.4%	17.0%	37.0%	Υ
International Listed Property	1,887,096.09	1,961,056.9	4.3%	3.1%	1.2%	7.8%	-	10.0%	Υ
Unlisted Property	-	-	2.1%	2.8%	(0.6%)	-	-	10.0%	Υ
International Listed Infrastructure	1,857,990.59	1,898,177.9	2.5%	3.0%	(0.5%)	7.5%	-	10.0%	Υ
Unlisted Infrastructure	-	-	2.2%	3.8%	(1.5%)	-	-	10.0%	Υ
Total	24,960,088.07	25,259,717.5	1.3%	1.4%	(0.1%)	100.0%			

Jarden (3 months ending 31	December 2019)										
LTIF HBRC											
Asset Class	Opening Balance	Purchases / Sales	Total Gain / (Loss)	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Cash	2,296,568.00	(2,110,639.00)	-	185,929.0	0.4%	0.1%	0.3%	0.7%	2.0%	8.0%	Υ
NZ Fixed Income	9,193,245.00	(2,000,000.00)	(100,239.0)	7,093,006.0	(0.0%)	(1.2%)	1.2%	27.9%	15.0%	24.0%	Υ
International Fixed Income	5,084,682.00	844,743.00	(37,766.5)	5,891,658.5	(0.7%)	(0.6%)	(0.1%)	23.2%	23.0%	28.0%	Υ
NZ Property	491,039.00	46,092.00	(13,017.3)	524,113.7	(1.4%)	(0.6%)	(0.8%)	2.1%	1.0%	4.0%	Υ
NZ Equities	2,918,376.00	325,517.00	294,087.9	3,537,980.9	10.4%	5.2%	5.2%	13.9%	13.0%	18.0%	Υ
Global Equities	4,595,427.00	2,500,000.00	572,817.6	7,668,244.6	9.1%	8.5%	0.6%	30.2%	25.0%	34.0%	Υ
International Property	· · · · -	500,000.00	(9,260.3)	490,739.7	(1.9%)	0.8%	(2.7%)	1.9%	1.0%	4.0%	Υ
Total	24 579 337 00	105 713 00	706 622 4	25 301 672 4	3.6%	2 0%	0.7%	100.0%			

#### Mercer portfolio

- The Mercer portfolio generated a *gross* return (before fees and tax) of 1.3% for the quarter, marginally trailing their benchmark by 10bp. On a *net* (after fees and tax) basis, the portfolio returned 1.2%, trailing the benchmark by 20bp.
- The portfolio has now achieved a *gross* return of 11.4% since inception on 18 January 2019, trailing the benchmark by 1.3%. On a *net* basis, the portfolio has returned 11% since inception, trailing the benchmark by 1.7%.

- Over the quarter, the portfolio performed broadly in line with its benchmark; Socially Responsible Trans-Tasman Shares (+0.7%) and International Listed Property (+1.2%) were standout performers both providing a boost to relative performance, with the former benefitting from an overweight holding to Metlifecare and Summerset Group.
- The portfolio remains compliant with the strategic asset allocation (SAA) ranges stipulated in the SIPO.

#### Jarden portfolio

- Jarden generated a *gross* return (before fees and tax) of 3.6% for the quarter, leading their benchmark by 70bp. On a *net* (after fees and tax) basis, the portfolio returned 3.3%, leading the benchmark by 40bp. The portfolio has achieved a *net* return of 11.4% since inception on 18 January 2019.
- NZ and Global Equities were the standout performers for the portfolio over the quarter, returning 10.4% and 9.1% respectively. International and NZ Property were the two weakest asset classes, both declining by 1-2%.
- The portfolio is now compliant with the strategic asset allocation (SAA) ranges stipulated in the SIPO.

#### **Combined portfolio**

- The combined Mercer and Jarden portfolios generated a *net* return of approximately 2.2% over the December quarter. The Jarden portfolio was the biggest contributor due to its higher return. The combined LTIF portfolio has generated a *net* return of approximately 11.1% since inception.
- The total size of the LTIF portfolio at the end of December was \$50.651m, with approximately half invested with Mercer and Jarden respectively.

#### **Future Investment Fund – Port Proceeds**

Mercer (3 months ending 31 Decem	ber 2019)								
HBRIC (port proceeds)									
Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Rang	es	Portfolio Compliant?
Operational Cash	114,906.9	112,827.6				0.4%	-	20.0%	Υ
Index Cash Portfolio	2,956,121.0	2,964,107.0	0.3%	0.3%	0.0%	9.9%	-	20.0%	Υ
NZ Sovereign Bonds	4,136,964.1	4,023,732.4	(2.7%)	(2.9%)	0.2%	13.4%	5.0%	25.0%	Υ
Overseas Sovereign Bonds	3,539,983.7	3,492,677.5	(1.3%)	(1.5%)	0.2%	11.6%	5.0%	25.0%	Υ
Global Credit	2,659,023.9	2,676,702.4	0.8%	0.5%	0.2%	8.9%	5.0%	25.0%	Υ
Other Fixed Interest <sup>A</sup>	1,476,842.5	1,486,716.3	0.7%	0.3%	0.4%	5.0%	-	10.0%	Υ
Socially Responsible Trans-Tasman Shares	1,760,842.9	1,863,841.7	6.0%	5.3%	0.7%	6.2%	-	18.0%	Υ
Socially Responsible Overseas Shares	8,570,035.8	8,814,566.5	3.2%	4.1%	(0.9%)	29.4%	17.0%	37.0%	Υ
International Listed Property	2,242,875.2	2,330,780.1	4.3%	3.1%	1.2%	7.8%	-	10.0%	Υ
Unlisted Property	-	-	2.1%	2.8%	(0.6%)	-	-	10.0%	Υ
International Listed Infrastructure	2,208,282.4	2,256,046.4	2.5%	3.0%	(0.5%)	7.5%	-	10.0%	Υ
Unlisted Infrastructure	-	-	2.2%	3.8%	(1.5%)	-	-	10.0%	Υ
Total	29,665,878.44	30,021,997.8	1.3%	1.4%	(0.1%)	100.0%			

#### HBRC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Rang	es	Portfolio Compliant?
Operational Cash	85,610.5	84,061.3				0.4%	-	20.0%	Υ
Index Cash Portfolio	2,202,435.4	2,208,385.3	0.3%	0.3%	0.0%	9.9%	-	20.0%	Υ
NZ Sovereign Bonds	3,082,213.6	2,997,851.2	(2.7%)	(2.9%)	0.2%	13.4%	5.0%	25.0%	Υ
Overseas Sovereign Bonds	2,637,437.9	2,602,192.7	(1.3%)	(1.5%)	0.2%	11.6%	5.0%	25.0%	Υ
Global Credit	1,981,085.4	1,994,256.7	0.8%	0.5%	0.2%	8.9%	5.0%	25.0%	Υ
Other Fixed Interest <sup>A</sup>	1,100,310.2	1,107,666.6	0.7%	0.3%	0.4%	5.0%	-	10.0%	Υ
Socially Responsible Trans-Tasman Shares	1,311,902.6	1,388,641.1	6.0%	5.3%	0.7%	6.2%	-	18.0%	Υ
Socially Responsible Overseas Shares	6,385,039.8	6,567,225.5	3.2%	4.1%	(0.9%)	29.4%	17.0%	37.0%	Υ
International Listed Property	1,671,037.1	1,736,529.9	4.3%	3.1%	1.2%	7.8%	-	10.0%	Υ
Unlisted Property	-	-	2.1%	2.8%	(0.6%)	_	-	10.0%	Υ
International Listed Infrastructure	1,645,264.0	1,680,850.1	2.5%	3.0%	(0.5%)	7.5%	-	10.0%	Υ
Unlisted Infrastructure	-	-	2.2%	3.8%	(1.5%)	-	-	10.0%	Υ
Total	22,102,336.48	22,367,660.5	1.3%	1.4%	(0.1%)	100.0%			

Jarden (3 months ending 31 Dece	mber 2019)										
HBRIC (port proceeds)											
Asset Class	Opening Balance	Purchases / Sales	Total Gain / (Loss)	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Cash	15,413,057.0	(11,688,802.0)	-	3,724,255.0	0.4%	(0.5%)	0.9%	12.4%	2.0%	8.0%	N
NZ Fixed Income	8,001,718.0	7,072,964.0	12,092.0	15,086,774.0	0.3%	2.2%	(1.9%)	50.3%	15.0%	24.0%	Υ
International Fixed Income	2,216,905.0	1,606,609.0	(24,849.5)	3,798,664.5	(0.7%)	2.5%	(3.2%)	12.7%	23.0%	28.0%	N
NZ Property	135,846.0	363,237.0	(8,358.9)	490,724.1	(1.3%)	8.6%	(9.9%)	1.6%	1.0%	4.0%	Υ
NZ Equities	1,195,184.0	562,705.0	140,280.6	1,898,169.6	9.6%	4.0%	5.6%	6.3%	13.0%	18.0%	N
Global Equities	2,546,704.0	1,689,164.0	315,240.0	4,551,108.0	8.3%	0.5%	7.8%	15.2%	25.0%	34.0%	N
International Property	-	450,000.0	(8,334.3)	441,665.8	(1.9%)	6.0%	(7.9%)	1.5%	1.0%	4.0%	Υ
Total	29,509,414.00	55,877.00	426,069.9	29,991,360.9	2.0%	2.2%	(0.3%)	100.0%			
HBRC (port proceeds)						Danahmank	Dorf wa	Accet			Dontfolio
Asset Class	Opening Balance	Purchases / Sales	Total Gain / (Loss)	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges		Portfolio Compliant?
Cash	11,445,177.0	(8,850,803.0)	1.0	2,594,375.0	0.4%	0.1%	0.3%	11.6%	2.0%	8.0%	N
NZ Fixed Income	6,001,286.0	5,295,031.0	(6,650.0)	11,289,667.0	0.2%	(1.2%)	1.4%	50.5%	15.0%	24.0%	Υ
International Fixed Income	1,651,417.0	1,305,379.0	(19,177.1)	2,937,618.9	(0.7%)	(0.6%)	(0.1%)	13.2%	23.0%	28.0%	N
NZ Property	101,657.0	282,279.0	(7,142.3)	376,793.7	(1.4%)	(0.6%)	(0.8%)	1.7%	1.0%	4.0%	Υ
NZ Equities	891,432.0	444,052.0	104,159.1	1,439,643.1	9.3%	5.2%	4.1%	6.4%	13.0%	18.0%	N
Global Equities	1,897,544.0	1,242,167.0	233,842.8	3,373,553.8	8.6%	8.5%	0.1%	15.1%	25.0%	34.0%	N
International Property	-	330,000.0	(6,111.8)	323,888.2	(1.9%)	0.8%	(2.7%)	1.5%	1.0%	4.0%	Υ
Total	21,988,513.00	48,105.00	298,921.7	22,335,539.7	2.0%	2.9%	(0.9%)	100.0%			

- The Future Investment Fund portfolios were implemented on the 16th of September and the above table therefore only represents a partial quarter of performance.
- The Mercer portfolios both 1.9% on a *net* basis. These correspond to annualised returns of 6.6%.
- The Jarden portfolios 1.7% and 1.6% on a *net* basis. These correspond to annualised returns of 5.9% and 5.7% respectively.
- The Mercer portfolios are both compliant with their respective SAA SIPO requirements.
- Jarden are again adopting a staggered implementation approach, meaning both portfolios are not yet SIPO compliant with their target asset allocations. The Jarden portfolios had an allocation to growth assets of 25% at the end of December versus a target benchmark allocation of 50%.
- The total size of the PFIF portfolio at the end of December was \$104.7m, with approximately half invested with Mercer and Jarden respectively.

#### 3.0 SIPO review

We have undertaken a review of the SIPO and requested comments from both PwC and the investment managers. This section highlights areas where the statement could be enhanced. PwC believe the SIPO remains fit for purpose.

#### **PwC SIPO comments**

Whilst PwC agree that Council's return target may be more difficult to achieve over coming years due to the historically low interest rate environment and extended investment markets, PwC do not believe it prudent to alter the portfolio's strategic asset allocation by moderating the risk profile. This would introduce a level of risk to the portfolio that is not congruent with Council's willingness and ability to take risk. It may also hinder Council's ability to achieve its investment objectives should a significant negative event occur in any period.

Comments 7 and 8 below refer to Jarden's inability to invest in illiquid assets under the current SIPO. PwC believe this should be reviewed to ensure it is fairly aligned with Mercer's ability to invest up to 10% of the portfolio in illiquid, 'unlisted property' and 'unlisted infrastructure'. PwC agree with Jarden's comment that as long as there is an expected accelerated return for the additional risk of investing in illiquid assets that are expected to be held over the medium term, an acceptable proportion of the Fund should benefit.

Comment 9 by Jarden refers to the minimum credit rating required for fixed income investments. PwC agree with Jarden's view that the minimum rating could be lowered to BBB- from BBB+. This would continue to maintain a minimum 'investment grade' credit rating across the portfolio, enhance the fixed income yield opportunity and diversification allowing access to a deeper issuance population. There have been minimal defaults in the global BBB credit rating space over the past four decades; the highest year was 1% of total BBB issuance in 2002 and has been close to 0% over the past decade.

Comment 11 by Mercer refers to a minor wording adjustment around hedging. PwC believe this is a suitable change.

Comment 13 by Mercer refers to a more formalised ethical investment policy as part of this SIPO review. Based on recent discussions with management, PwC believe this issue will become more important over the coming years and believe it would be appropriate to start formalising a policy at this juncture. PwC understand that a discussion with elected councillors to articulate this policy is to be undertaken.

Comments 12 and 14 by Mercer are minor administration points that Council may wish to update in the SIPO.

PwC also recommend updating the SIPO to reflect there are now three separate portfolios with each investment manager, including the capital amount invested into each one and the respective dates of inception.

#### **Conclusion**

PwC do not suggest any further changes to the SIPO to those mentioned above. PwC will wait for the above changes to be discussed by the Finance and Audit Risk Committee before formally updating the SIPO.

#### Jarden's SIPO comments

Is the asset allocation too conservative? Council have assessed the capacity to take risk as low to
moderate noting: Financial capacity and cash flow requirements: Council's cash flow requirements
imply low capacity to tolerate short to medium term volatility in the value of its Investment Fund.
This reduces the capacity to accept risk. This is unfortunate as it means they are focused on the
near term despite the long time horizon and has to be the factor which limits risk in the portfolio to
50:50 Growth:Income.

- 2. The willingness to accept risk is interesting as it says Council is a risk averse entity. Consequently we feel there is a reluctance to accept risk even though the conclusion is Council's willingness to accept risk would characterised as moderate due to an acknowledgement of the impact of inflation.
- 3. Given we are looking at a low interest rate environment for some time the ability for Council to hit its return target in the short term will likely be challenged. Based on Jarden's long term forecasts we expect a 60% growth 40% income portfolio to deliver 6.8%pa and a 80% growth 20% income portfolio to deliver 7.5%pa.
- 4. If the portfolios are ahead of their target return with respect to the reserving policy, Council might consider a temporary shift in asset allocation to growth with the knowledge that they have a buffer, if in fact a buffer exists?
- 5. We are happy for International bonds to remain fully hedged, as currency fluctuation just boost risk without benefiting long term returns for bonds.
- 6. We are interested in more investigation on International Equities hedging. We see historically there has been a gain to be had by NZ investors hedging offshore currency exposures. Last time Jarden did the exercise there was zero gain, although admittedly not a cost either. Typically we see the allocation to global equities left unhedged due to the currency stabiliser if there is a large NZ specific event. We see some arguments that the best option is to have 50% hedged and 50% unhedged which means you are indifferent to changes in the currency. There is no strong reason to change, but worth another look.
  - 7. Given the long term nature of the fund and its size, we question the need to invest only in liquid securities. Jarden's view is that as long as there is an expected extra return for the additional risk of investing in illiquid assets, we believe the fund should exploit this.
  - 8. A limit should be imposed on the level of illiquid assets. This would require a review of Investment in assets other than those contemplated by this policy statement (including antiques, art, stamps, gold, silver, hedge funds, commodities, private equity or venture capital investments) are not permitted without the prior approval of the Council.
  - 9. The minimum BBB+ credit rating seems conservative. We think consideration should be given to reducing to BBB if not BBB-. If nothing else this broadens the range of investments available. To ensure the portfolio doesn't become over burdened with weaker credits we could set an average credit rating for the portfolio of say BBB+ and place lower limits on the holdings of weaker credits?

#### Mercer's SIPO comments

- 10. Investment Performance Objective: taking current expected returns per asset class into account, we believe the 5% real return target may be too ambitious. Our modelling indicates that the Council's current 50% Growth strategy has a very low (<10%) probability of achieving this objective over the long term.
- 11. Asset Class Guidelines (page 11): 4th bullet states a 50% lower bound for hedging, whereas the Foreign Exchange section on page 13 correctly notes a 30% bound. We suggest 30% is noted in both sections.

- 12. Rebalancing (page 12): the second paragraph may be interpreted to mean the Council needs to explicitly approve each rebalancing trade. In practice, this is carried out by Mercer on an ongoing basis. We would suggest the wording is amended to reflect the delegation of rebalancing activity.\
- 13. Ethical Investment (page 12): We understand the Council has given significant consideration to Ethical Investment issues but the SIPO reads fairly "light" in this regard. We would suggest formalising a more thorough RI Policy as part of the SIPO review.
- 14. Manager Performance (page 16): We would suggest adding SIPO compliance explicitly as one of the factors to be taken into account when reviewing the managers.

## 4.0 Liability Management Policy Compliance Checklist

The table below illustrates Council's compliance with funding, interest rate and liquidity risk parameters set out within the Liability Management Policy. A snapshot of current funding in place (maturity term and

X75 A97			31-Dec-19
Liquidity Buffer:	10%		
Actual	20%		
Policy Compliance	Y		
Funding Maturity Profile:			
Years	o - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	0% - 60%
Actual Hedging	29%	30%	41%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding		4.67 Years	
Fixed Rate Portfolio (swaps and fixed rate loans)		5.36 Years	
Weighted average margin		0.07%	
Weighted average Commitment/Line Fee		0.04%	
Weighted average fixed rate (swaps & term loans/bonds)		5.47%	
All up cost of borrowing (On Drawn Debt)		5.17%	

pricing) as well as interest rate fixing is also provided.

New treasury transactions in the period are outlined in Appendix 1.

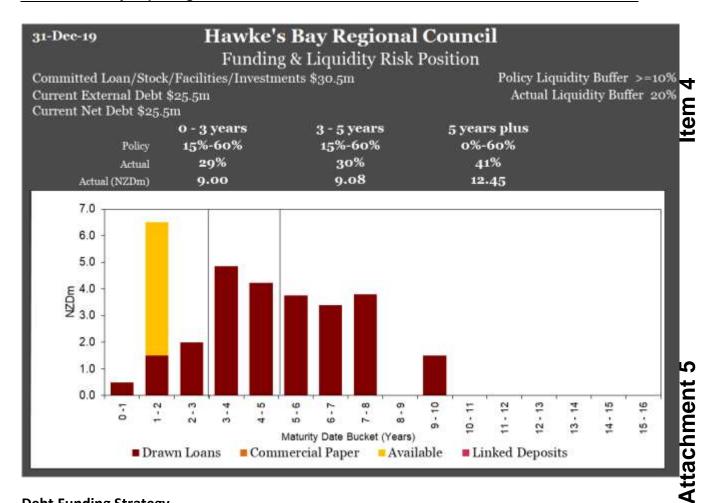
## 5.0 Borrowing Limits

Ratio	Hawke's Bay Regional Council	LGFA Lending Policy Covenants	Actual
Net external debt as a percentage of total revenue	<150%	<175%	
Net interest on external debt as a percentage of total revenue	<15%	<20%	
Net interest on external debt as a percentage of annual rates income	<20%	<25%	

Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	>10%	>10%	20%
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## 6.0 Funding and Liquidity Risk Position

The chart below shows the spread of Council's current funding maturity terms and positioning within funding maturity limits set out within the Liability Management Policy. Council's liquidity buffer amount is also shown.



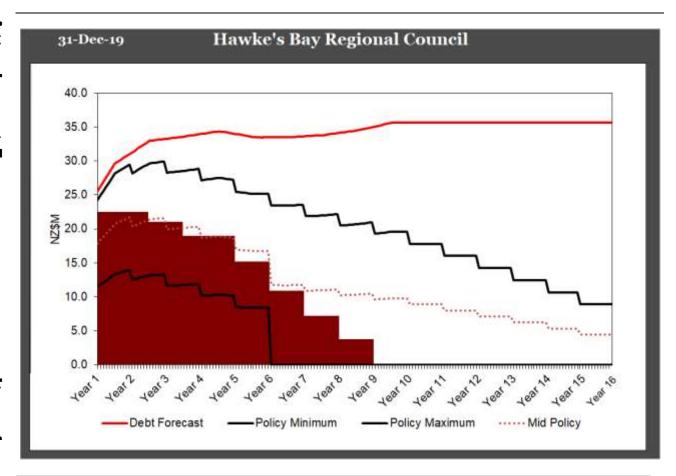
#### **Debt Funding Strategy**

Council's cash flow and debt forecast indicate a requirement for an additional \$10 million of core borrowings during this financial year. This level of debt requirement is a function of FY19 borrowings being \$2.5 million of the expected \$7 million. The first tranche of new funding is anticipated to be required in the second quarter of FY20 (circa \$5 million) and is proposed to be met via participation in upcoming LGFA tenders.

#### **Interest Rate Risk Position** 7.0

The interest rate profile below shows the level of Council's interest rate fixing within Liability Management Policy parameters. The shaded area represents fixed interest rate commitments (i.e. term loans and/or derivatives) and their maturity terms over the 15-year Policy period. The red line represents the current rolling debt forecast for the forward period with the maximum and minimum bands a function of the debt forecast.

As can be seen from the chart and table below, the interest rate risk position is fully compliant to all policy parameters.



Debt Interest Rate Policy Parameters							
		(calculated	on rolling	monthly bas	sis)		
	Debt Period Ending	Debt Forecast	Minimum %	Maximum %	Actual	Compliant (Y/N)	
0	Year 1	26	45%	95%	88%	Yes	
12	Year 2	31	40%	90%	72%	Yes	
24	Year 3	33	35%	85%	63%	Yes	
36	Year 4	34	30%	80%	56%	Yes	
48	Year 5	34	25%	75%	45%	Yes	
60	Year 6	34	0%	70%	33%	Yes	
72	Year 7	34	0%	65%	21%	Yes	
84	Year 8	34	0%	60%	11%	Yes	
96	Year 9	35	0%	55%	0%	Yes	
108	Year 10	36	0%	50%	0%	Yes	
120	Year 11	36	0%	45%	0%	Yes	
132	Year 12	36	0%	40%	0%	Yes	
144	Year 13	36	0%	35%	0%	Yes	
156	Year 14	36	0%	30%	0%	Yes	
168	Year 15	36	0%	25%	0%	Yes	

#### Interest rate strategy

With short term interest rates expected to be lower for longer, as the RBNZ stimulates with loose monetary policy settings, the fixed rate position will progressively move towards minimum policy limits. The strategy is therefore to increase exposure to short-term floating rates (within policy limits) through issuing all new debt on a floating rate basis.

Long term interest rates are expected to remain around current levels as global central banks maintain their loose monetary policy requirements along with influencing low, longer term interest rates. The longer term interest rate risk position will be maintained around minimum policy limits through the use of interest rate swaps or fixed rate debt issuance.

## 8.0 Funding Facility

Bank (Facility maturity date)	Maturity Date	Drawdown Amount (\$m)	Facility Limit (\$m)
BNZ	15-Jan-21	0.00	5.00
TOTAL		0.00	5.00

Available bank facility capacity (liquidity buffer)	This month (\$m)	Last month (\$m)
Gross amount	5.00	5.00
Policy liquidity buffer requirements	2.55	2.30
Excess amount	2.45	2.70

## 9.0 Cost of Funds vs Budget

Month		ΥΤ	<sup>-</sup> D
Actual (\$m) Budget (\$m)		Actual (\$m)	Budget (\$m)

## 10.0 Counterparty Credit

All counterparty credit exposures are fully compliant with policy.

Counterparty Credit Risk (Interest Rate Risk Management Instruments and Investments)				
Rates Revenue	\$	19,475,000		
Policy Credit Limit (NZ\$) per NZ Registered Bank (Interest rate risk management)				
Policy Credit Limit (NZ\$) per NZ Registered Bank (Investments)				
Credit Exposure Credit Exposure (Swaps) (Investments)				npliance
	(\$m)	(\$m)		
WPC	0.00	0.00		Yes
ANZ	0.00	0.00		Yes
ASB	0.00	0.00		Yes
BNZ	0.00	0.00		Yes
Kiwibank	0.00	0.00		Yes
LGFA	0.00	0.00		Yes

## 11.0 Market Commentary

#### **Investment markets**

The last quarter of 2019 was a good news quarter, and in broad terms, financial markets responded accordingly. The monetary stimulus provided by central banks in earlier quarters has done its job with economic data generally improving. The improvement is particularly evident in the housing market (rising median sales prices and lower days to sell). In the US, the number of houses being built has increased, while in Australia and New Zealand house price inflation has picked up. This has supported an overall improvement in the economic outlook, which has bolstered equity markets.

Accompanying the rosier outlook has been waning expectations of further interest rate cuts, which is best illustrated by US Federal Reserve (Fed) Chair Jerome Powell's comment that "monetary policy is in a good place". Despite this, both the Bank of Japan and European Central Bank announced their intention for an open ended easing bias to deal with stubbornly low inflation. Adding to the good economic news was the positive progress towards resolving: 1) The US/China trade dispute, with the announcement of phase one of a trade agreement between the US and China announced in January 2020; and 2) Brexit, with a decisive election victory for Boris Johnson's Conservative Party, which should see an orderly exit of the United Kingdom from the European Union no later than 31 January 2020.

In this environment, investors were content to invest in riskier assets types such as equities. This resulted in the strong performance of New Zealand equities (+5.3%) and global equities (+7.8%) in local currency over the quarter.

Unfortunately, the global equity market return in New Zealand dollars (+1.5%) was significantly eroded by the rise in value of the New Zealand dollar at the end of December, which rose against all major currencies except GBP (GBP strengthened on the back of a more favourable Brexit outcome). The NZD benefited from expectations the Official Cash Rate would not be cut further, more optimistic investor sentiment and importantly stronger commodity prices.

Increased investor appetite for riskier assets meant that safe-haven asset values, such as gold and fixed interest securities/bonds declined.

The stellar performance of the New Zealand equity market over the quarter and year (+31.6%) warrants closer examination. Without doubt, there has been increased interest in the New Zealand equity market as bank term deposit interest rates tumbled from 3.3% in April 2019 (where they had been since the end of 2015) to the current six month deposit rate of 2.6%.

There has been an extraordinarily diverse performance of equities over the quarter – from Metlifecare (+53%, following a takeover offer) and Summerset (+34%) as outperformers, down to Sky Network Television (-37%) and Gentrack (-28%) as underperformers. While the weak performers reflect company specific issues, the outperformers, except for Fisher & Paykel Healthcare, are all in the aged care industry, which is benefiting from a reinvigorated housing market. The other group of companies worth commenting on are the electricity generation companies, which gave back a chunk of the gains achieved in early months on the back of investors chasing dividend yields. They fell in price, due to concerns around Rio Tinto's review of the Tiwai Point aluminium smelter's operation. The smelter consumes 10% of New Zealand's annual electricity production, so a decision to shut the smelter down would result in an electricity oversupply and subsequent drop in the electricity price.

#### **Funding markets**

A total of 21 local government borrowers raised \$413 million in the fourth quarter (Q4) of 2019. 39 separate funding transactions occurred, of which all except two were conducted via the LGFA. The two debt

issues transacted outside of the LGFA were from Dunedin City Treasury (not a LGFA member). Borrowing volumes remained strong in Q4, slightly lower than Q3. A total of 54% of all borrowing in Q4 was undertaken on a floating rate basis. Over the fourth quarter, Councils borrowed for a weighted average term of 6.9 years.

Looking back on the full year, total issuance amounted to \$2.40 billion; the highest level since 2014 (\$2.55 billion). Prefunding ahead of the LGFA's April 2020 bond maturity (\$1.03 billion) is expected to support borrowing volumes throughout the first quarter of 2020. We understand that, to date, approximately 35% of the 2020 bond maturity have been refinanced/prefunded. However, most councils are currently updating new debt forecasts and this may push out issuance demand to the second quarter of 2020.

LGFA credit spreads have continued to creep up since Q3 in the short end (three to five years) and held reasonably constant for the longer end (7-10 years).

Government bond yields remain at historically low levels reflecting global yield curves, supporting the attractiveness of LGFA bonds as a substitute investment to NZ Government bonds given the higher yields on offer. There was significantly less Kauri bond issuance in 2019 with a total of \$1.4 billion of new issuance (relative to total issuance of \$4.2 billion in 2018). LGFA bond demand (and pricing) benefits when there is less Kauri issuance competing for the investor dollar. With the expanded bond issuance program from Kāinga Ora (Housing NZ) in 2020 of \$2.5 billion (up from \$1.5 billion in 2019), we expect some impact on LGFA demand, thus increasing the risk that credit spreads widen gradually in 2020, primarily for longer-dated tenors. We believe that investor interest for LGFA bonds will however, remain robust for maturities up to 5 years and that there may be some upward movement on margins for longer dated issuance.

#### Interest rate markets

The RBNZ surprised financial markets in November by holding the OCR at 1.00%. The fundamental outlook no longer currently supports another cut to the OCR over the next six months, although we expect risks remain biased lower. RBNZ note while inflation remains below the 2 percent target, employment continues to sit around its maximum sustainable level and other economic developments since the August MPS "do not warrant a change to the already stimulatory monetary setting at this time." However, risks remain "tilted to the downside." Domestically, business confidence improved in December but remains weak overall. Businesses are reluctant to make hiring or investment decisions, and have struggled to raise prices, crimping sales margins. The housing market is now showing signs of growth, while inflation pressures are slightly stronger, however global risks (including the coronavirus) remain. 'Lower for longer' interest rate settings to prevail.

Long-term NZ swap rates are biased lower as global rates are likely to remain under structural pressure. Global growth remains tepid amid recent (but improving) trade tensions between US and China, as well as Brexit uncertainty (though easing following the election). There are signs of growth stabilising (rather than further weakness) but uncertainty remains. A soft growth outlook from our key export trading nations, Australia, China and Europe means that central banks will continue their 'looser' monetary policy settings. Underlying inflation around the globe remains benign. There remains no reason for structurally higher long-term swap rates over the next twelve months.

# 12.0 Policy exceptions

Date	Detail	Approval	Action to rectify
TBC	SIPO asset allocations non- compliant	Υ	Gradual staggering into investment portfolio positions will see strategic asset allocation requirements met over coming months.

## 13.0 Appendix

#### 13.1 New Treasury Transactions up to 31 December 2019

#### **Borrowing activity**

Bank/LGFA	Amount (NZDm)	Borrower notes (NZDm)	Deal Date	Start Date	Maturity Date	Commitment Fee	Margin

#### **Interest Rate Borrower Swaps**

Bank	Notional Amount (NZDm)	Deal Date	Start Date	Maturity Date	Swap Rate
n/a	n/a	n/a	n/a	n/a	n/a

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

#### Wednesday 11 March 2020

# Subject: INVESTMENT STRATEGY WORKSHOP FOLLOW-UP INCLUDING STATEMENT OF INVESTMENT POLICY OBJECTIVES REVIEW

#### **Reason for Report**

- 1. On 5 February 2020 Councillors attended an Investment Strategy workshop, the focus of which was to provide a brief history of endowed assets and the pathway to the present asset mix with a focus on Council's revenue generating assets.
- 2. Discussions took place regarding;
  - 2.1. The current and future mix of investments and the role of investment income in the overall Revenue and Finance Strategy.
  - 2.2. The investment approach of the Hawkes Bay Regional Investment Company (HBRIC) and specifically any wish to take a more active investment approach and
  - 2.3. Exploring the role our investment capital should or can have in driving regional outcomes.
- 3. The outcome of the workshop was instruction for staff to progress a number of 'next steps' including the immediate review of the Statement of Investment Policy Objectives (SIPO)
- 4. This paper also presents proposed changes to the SIPO following feedback received from Fund Managers (Jarden and Mercer), PwC Treasury and discussion at the recent 12 February 2020, Finance Audit and Risk Sub-Committee (FARS) meeting.
- This report outlines a proposed work programme and timeframes to progress the identified 'next steps' arising from the Investment Strategy workshop, and seeks Councillor feedback.

#### Officers Recommendations

- 6. Staff recommend the Committee provide feedback on proposed actions and timeframes to progress 'next steps' of the Investment Strategy Workshop, specifically the additional request from Cr Foss to perform a review of Internal Processes and Controls Managing Requests for Funding and Proposals for investment.
- 7. That the committee discuss and adopts the recommended revisions to the SIPO.

#### **Investment Workshop Next Steps - Update**

ln۱	vestment Workshop - Next Steps	Actions
1.	Staff recommended planning a series of workshops to review and debate current financial policy decisions and strategies including the Revenue and Financing Policy and Investment Strategy leading up to the 2021-31 LTP, including Councils risk appetite.	Plan and timeline to review will be presented at the 1 April 2020 workshop
2.	SIPO - Staff recommended the Finance, Audit and Risk Committee begin a process to review, revise and extend the SIPO to include all financial investment activities and to explicitly reflect the different policy parameters of the two investment funds.	SIPO review has been undertaken by the FARS and recommended changes are attached and detailed later in this paper.
3.	Policy recommendations for the establishment of an Investment Income Equalisation Reserve will be presented to the	Draft policy will be considered by FARS on 13 May 2020. The 2020-21 Annual Plan includes approx. \$2mil of income to be

Inv	vestment Workshop - Next Steps	Actions
	Finance, Audit and Risk committee in May 2020.	attributed to this reserve.
4.	Opportunities for investment in afforestation will be considered as part of the Right Tree Right Place project being covered comprehensively through the Environment and Integrated Catchments Committee for incorporation into the Investment Strategy as appropriate.	Alignment of this workstream with the Long Term Plan development is supported by the RTRP Steering Group
5.	A carbon strategy should be developed.	To be developed by Ben Douglas, HBRC Forest Management Advisor, with input and assistance from Finance and policy staff. A workshop is currently being scheduled to agree steps required to develop the policy.
6.	A robust process is developed to ensure elected members and officers involved in the investments decision making have access to adequate information to enable them to make informed decisions as to whether to enter into or progress due diligence of a specific investment. Significant investment decisions should ideally be considered through existing planning / budgeting timeframes such as Annual Plan or Long Term Plan processes.	Formal process and policy to be developed by J Ellerm and B O'Keefe

# Review of Internal Processes and Controls – Managing Requests for Funding and Proposals for investment

- 8. In addition to the above next steps recommended by Staff at the workshop (detailed above) Cr Foss has requested staff develop an overview which outlines and maps existing internal controls, policies and processes used to manage external requests for funding and / or proposals to council for investment either directly or via the Hawkes Bay Regional Investment Company (HBRIC). These proposals and requests are varied and may arise from but not limited to; PGF funding / co-funding opportunities, requests for sponsorship, requests for funding, joint-venture and partnership arrangements and opportunities.
- 9. This review is intended to demonstrate the necessity for robust processes in this area, highlight the increasing pressure on Councils fiscal position, and the volume of financial demands received in any given year / budgeting period.
- 10. The outcome should provide assurance around the current process and highlight potential improvements. It is expected to include a recommendation for the development of a registry to provide transparency and visibility of all requests that are made, the response or actions of staff including where funding has been granted or declined, and why.
- 11. Staff acknowledge there are many independent groups and organisations that share Councils objectives, and in many cases are better placed to deliver on them. However, it should also be noted that Council does not currently have any budgetary provision for contestable and discretionary community grants or funding allocations outside of sponsorship. If this is something Council would like to explore further it should be channelled through either the Annual Plan and / or Long Term planning processes.
- 12. This work, if supported by the committee, will be progressed and reported through to the 13 May FARS meeting.

#### **Proposed Changes to the SIPO**

13. Following the Investment Strategy Workshop staff reported feedback and recommended changes to the current SIPO from Fund Managers, staff and PwC treasury via the

- Treasury Report to the 12 February FARS. (Treasury report including fund performance analysis has been attached to the Report and Recommendations from FARS)
- 14. The review also addresses the need to explicitly reflect the different policy parameters of the two investment funds being the Long Term Investment Fund (post RWSS) and the Future Investment Fund (Napier Port proceeds).
- 15. Overall staff believe the SIPO remains fit for purpose and no fundamental changes have been made or are required.
- 16. Further staff acknowledge and agree that Council's return target may be more difficult to achieve over coming years due to the historically low interest rate environment and extended investment markets. However, we do not believe it prudent to alter the portfolio's strategic asset allocation by moderating the risk profile. This would introduce a level of risk to the portfolio that is not congruent with Council's willingness and ability to take risk. It may also hinder Council's ability to achieve its investment objectives should a significant negative event occur in any period.
- 17. A number of minor edits to the attached SIPO have been made including minor wording adjustments around hedging which are deemed suitable, and administrative points that have been updated or refined in this first review since the policies inception. More significant changes are detailed and explained below:
- 18. **Illiquid Assets** addresses Jarden's inability to invest in illiquid assets under the current SIPO. We believe this should be reviewed to ensure it is fairly aligned with Mercer's ability to invest up to 10% of the portfolio in illiquid, 'unlisted property' and 'unlisted infrastructure'. Staff and PwC agree with Jarden's comment that as long as there is an expected accelerated return for the additional risk of investing in illiquid assets, which are expected to be held over the medium term, an acceptable proportion of the Fund should benefit.
- 19. Minimum 'investment grade' Credit Rating refers to the minimum credit rating required for fixed income investments. Staff and PwC agree with Jarden's view that the minimum rating could be lowered to BBB- from BBB+. This would continue to maintain a minimum 'investment grade' credit rating across the portfolio, enhance the fixed income yield opportunity and diversification allowing access to a deeper issuance population. The minimum country credit rating requirement remains unchanged. Overall there has been minimal defaults in the global BBB credit rating space over the past four decades; the highest year was 1% of total BBB issuance in 2002 and has been close to 0% over the past decade.

#### Strategic Fit

- 20. The purpose of the SIPO is to assist Council, the Corporate and Strategic Committee, the Finance, Audit and Risk Committee, Council executives and the Investment Managers in effectively supervising, monitoring and evaluating the management of Investment Funds.
- 21. The revenue or income derived from invested funds contributes to Councils Investment Income which is a fundamental element of Councils overall Revenue and Financing Policy.

#### **Financial and Resource Implications**

22. No fundamental changes have been made to the SIPO and specifically no changes to return expectations. As a result there are no expected financial implications.

#### **Other Considerations**

- 23. Council has previously given significant consideration to the matter of Ethical Investment however staff believe the SIPO reads fairly "light" in this regard. It is noted that Mercer suggested formalising a more thorough Responsible Investing (RI) Policy as part of the SIPO review.
- 24. The FARS did not support a RI review at this time, however it remains topical and Councillors may be particularly interested in being socially responsible investors who encourage corporate practices that they believe promote environmental stewardship.

25. Fund Managers from Jarden will be in attendance at the Corporate and Strategic meeting on 11 March and Councillors can explore this subject if they wish.

#### **Decision Making Process**

- 26. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 26.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 26.2. The use of the special consultative procedure is not prescribed by legislation.
  - 26.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
  - 26.4. The decision is not inconsistent with an existing policy or plan.
  - 26.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

#### Recommendations

That the Corporate and Strategic Committee:

- Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
- 2. Supports the proposed actions and timeframes for staff to progress next steps from the Investment Strategy Workshop.
- 3. Supports the request from Cr Foss for staff to perform a review of Internal Processes and Controls Managing Requests for Funding and Proposals for Investment; to be reported back to the Finance Audit and Risk Sub-committee.
- 4. Recommends that Hawke's Bay Regional Council accepts the proposed changes and revisions to the Statement of Investment Objectives for adoption; following which the Group Manager Corporate Services will provide instructions to the Investment Managers.

#### Authored by:

Bronda Smith
CHIEF FINANCIAL OFFICER

#### Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

#### Attachment/s

Statement of Investment Policy and Objectives

## Hawke's Bay Regional Council

## Long Term Investment Fund and Future Investment Fund

# Statement of Investment Policy and Objectives

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#### Introduction

#### Purpose

The purpose of this Statement of Investment Policy and Objectives ("SIPO") is to assist Hawke's Bay Regional Council ("Council"), the Corporate and Strategic Committee, the Finance, Audit and Risk Committee, Council executives and the Investment Managers in effectively supervising, monitoring and evaluating the management of the Investment Funds ("the Funds").

The SIPO defines the key responsibilities, and the operating parameters within which the investments and their ongoing management are to operate. The SIPO should always encourage the use of methodologies and processes that reflect industry best practice, encompass the principles of good governance, and reflect Council's vision and risk tolerances.

The investment activities are defined in various sections of the SIPO by:

- Stating in a written document Council's attitudes, expectations, objectives and guidelines for investment.
- Clearly defining an investment structure for managing the Funds. This structure includes various
  asset classes, investment management style(s), asset allocations and acceptable investment
  ranges that, in total, are expected to produce an appropriate level of diversification and total return
  over the investment time horizon.
- Establishing formal criteria to monitor, evaluate and review the performance of investments on a regular basis.
- Encouraging effective communication between the Council, the Corporate and Strategic Committee, the Finance, Audit and Risk Committee, Council executives and the Investment Managers.
- Complying with all applicable fiduciary, prudence and due diligence requirements that experienced investment professionals would utilise, and with applicable laws, rules and regulations.
- Providing guidelines and criteria for the appointment of an Investment Managers.

#### Approach

As a responsible public authority, Council is a risk averse entity. Council's approach is that all investments must be prudent and the associated risks and returns balanced against the key aim of capital preservation. Council's investment framework is supportive of its inter-generational responsibilities to current and future ratepayers. The primary focus is capital protection, followed by an appropriate return and acceptable liquidity.

Strategic, long-term asset allocation is the key to maximising investment returns while minimising risk. Fund investments should be continually monitored and adjusted relative to benchmark asset allocations.

All investments must apply a responsible and ethical investment framework filter when considering investments as outlined in the SIPO.

#### Tax Policy

The Funds are exempt from taxation on both capital gains and income. Ongoing investment management of the Funds is to be carried out in a manner consistent with the Funds' tax-exempt status.

#### Capital Base

In terms of the assets of the Funds, the Capital Base as at 31 December 2019 totals \$155,367,949. Refer to appendix 2 for a detailed breakdown of AUM by investment manager.

#### **Effective Date**

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Hawke's Bay Regional Council

This SIPO takes effect from 4 March 2020.

#### Review Date

The date of the next SIPO review is to be by 30 June 2021 or sooner if market conditions warrant, Council requests a review or the investment structure is altered.

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Hawke's Bay Regional Council This draft supersedes any previous drafts and may not be relied upon until finalised

## Objectives, Risk Tolerance and Strategic Asset Allocation

#### **Investment Objectives**

Council's overarching strategic goals for its investment activities are as follows:

- Council will maintain a long-term perspective to ensure assets are protected for future ratepayer generations and over the long run will consider the impact of inflation.
- Council will ensure that the overall portfolio of investments is sufficiently liquid to meet ongoing cash flow requirements and ensure Council is never a forced seller of its long-term investment assets
- Council will ensure that investment returns are optimised within the risk management parameters specified in the SIPO.

#### Investment Performance Objectives

Funds are targeted to earn a return at least equal to a real return (after inflation and fees) of 5.0%1 per annum forfor the remainder of the ten year period after year one. This is further expanded upon within the 'Risk Tolerance' section below.

All returns are assessed in NZD.

#### Investment Time Horizon

The investment guidelines are based upon an investment time horizon of greater than fifteen years. Therefore, interim fluctuations should be viewed with appropriate perspective (i.e. aiming to build intergenerational equity).

#### Investment Risk

Council bears the investment risk, as fluctuations in investment performance over time directly affect the value of the Council's investments.

#### **Policy Setting and Management**

Council approve/amend the policy parameters set in relation to investment activities. These changes will be minuted and incorporated into the SIPO and the dates of the changes noted.

#### Risk Tolerance

Council recognises that some risk must be assumed in order to achieve the long-term investment objectives. Risk tolerance is affected by three factors:

- Capacity to accept risk,
- Willingness to accept risk, and
- Required rate of return

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<sup>&</sup>lt;sup>1</sup> These returns have been set as per the Financial Strategy within Council's 2018 Long Term Plan.

#### Capacity to Accept Risk

Council's capacity to accept risk is a function of its investment time horizon, prospective future contributions, current financial conditions and cash flow requirements.

Time horizon: This SIPO has been prepared on the basis that Council is expected to exist in perpetuity. The investment time horizon of Council is therefore long term. This increases the capacity to accept risk.

Financial capacity and cash flow requirements: Council's cash flow requirements imply low capacity to tolerate short to medium term volatility in the value of its Investment Funds. This reduces the capacity to accept risk.

Based on the combination of time horizon and financial circumstances, Council's implied capacity to accept risk is assessed as low to moderate.

#### Willingness to Accept Risk

Council is a risk averse entity. Where possible Council seeks to minimise volatility or risk. Notwithstanding this risk aversion, Council acknowledges that investing solely in capital stable investments exposes the Funds to the risk of inflation. This impacts the real value of investments. Council is willing to accept risk in order to increase expected returns in line with maintaining the real value of inter-generational equity. As such, Council's willingness to accept risk would be characterised as moderate.

#### Required Rate of Return

Careful consideration of cash flow requirements is essential to determine the required rate of return. To achieve the desired level of contributions to cash flow and liquidity needs, the fund size as at 31 December 2019 is \$155,367,949 and an average real return (after inflation and fees) of 5.0% from Year 2 (2020/21), may be sufficient to meet Council's financial strategy.

Council recognises that the target rate of return is a long-term goal and will not be achieved in every measurement period.

#### Risk Summary and Selection of Asset Allocation

The table below summarises Council's level of risk tolerance as measured by the three risk factors:

Risk measure	Level of risk
Capacity to accept risk	Low to moderate
Willingness to accept risk	Moderate
Required rate of return	Moderate

Based on Council's return requirements and capacity and willingness to accept risk, a balanced fund is adopted which is suitable for a low to medium level of risk.

The balanced Benchmark Fund that the Funds' returns will be monitored against over the long term is as follows:

Asset Class	Benchmark
Growth assets	50%
Income assets	50%

In the table above, growth assets relate to equities (domestic and international), infrastructure and property whilst income assets relate to cash, term deposits and fixed interest debt securities (domestic and international).

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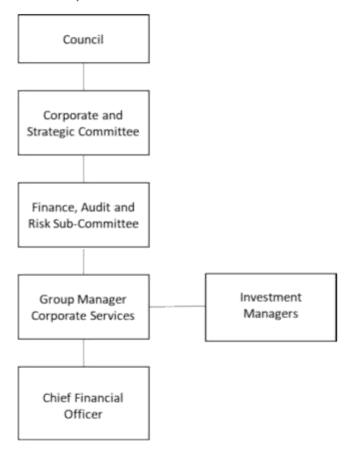
The appropriateness of this Benchmark Fund will be formally assessed at least once a year and kept under constant review to reflect any fundamental changes in the investment environment and changes to the Funds' investment policy.

A more detailed breakdown of the asset class allocation is contained in the 'Investment Parameters and Guidelines' section of this SIPO.

#### Structure

#### **Investment Organisational Structure**

Council's investment management organisational chart is displayed below. Under this structure, the Finance, Audit and Risk Committee are responsible for the oversight and monitoring of Council's investment policies and Funds.



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#### Duties and Responsibilities

#### Council/Corporate and Strategic Committee

Council/Corporate and Strategic Committee will be responsible for recommending to Council the following:

- Setting the Funds' investment strategy, including the level of risk and investment objectives, and investment policies.
- Selecting and changing the Investment Managers as appropriate.
- Reviewing the SIPO annually, including the investment strategy, policies and Managers configuration, and instructions to the Investment Managers.
- Formally reviewing the SIPO every three years. This involves mandating an independent third
  party to review the SIPO including the investment strategy, return objective, policies and Managers
  configuration, and instructions to the Investment Managers.
- Ensuring that the level of redemptions from the Funds are consistent with the Funds' objective to maintain equity, in terms of amounts available for distribution, between present and future rate payer generations.
- Providing cash flow information to the Investment Managers with respect to future deposits and redemptions.
- Set out the duties and responsibilities of all parties involved with respect to decision-making, planning, investment management, reporting and review.

#### Finance, Audit and Risk Committee

The responsibility for the monitoring and reviewing of Council's investment policies is that of the Finance, Audit and Risk Committee, assisted by the Group Manager Corporate Services, Chief Financial Officer and the Investment Managers.

The Committee will:

- Provide guidance and leadership on the appointment, management, monitoring and review of the appropriate Investment Managers.
- Recommend the SIPO to Council.
- Liaise with Council's, Investment Managers.
- Ensure that the Funds have their own Investment Policy Statement ("IPS"), which is a document, between an investor (Council) and an investment Managers, recording how the investor's money is to be managed. Specific information on matters such as asset allocation, risk tolerance, investment securities and liquidity requirements are included in an IPS.
- Review all matters concerning the SIPO and IPS, considering any changes or amendments to the SIPO and IPS and making appropriate recommendations.
- . Ensure that the practices and policies set out in the SIPO and IPS are adhered to.
- Regularly review Investment Manager reports, and reporting exceptions.
- Ensure that all parties overseeing, advising and managing Council's investments disclose any
  potential conflicts of interest. If conflicts of interest arise, the policies and procedures for managing
  these are to be clearly defined, although, in principle, such conflicts should be avoided.
- Advise Council of changes or issues regarding the Funds.
- Report to Council on the performance of the Funds on a basis agreed with the Council.
- Confirm the management of investments complies with all applicable laws, Council's policies, risk tolerance and other supporting documents.
- Ensure that contracts for the investment Managers and custodial services are reviewed annually.
- Ensure appropriate risk management standards and procedures are developed and maintained.

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- Ensure the Funds are prudently diversified to meet the agreed risk/return profile.
- Recommends rebalancing of the Funds.
- Follow formal criteria to monitor, evaluate and compare the investment performance results achieved against relevant benchmarks and objectives on a regular basis.
- Ensure that all service agreements and contracts are in writing and are consistent with fiduciary standards of care.

#### **Investment Managers**

External Investment Managers may be appointed to manage part of or all of the Funds at the direction of CE.

The Investment Managers will be appointed by Council on the advice of management. The Council may change the Investment Managers from time to time as it sees fit at its sole discretion.

The Investment Managers will:

- Use the care, skill, prudence and due diligence that an experienced investment professional, acting
  in a like capacity, would use and comply with all applicable laws, rules and regulations.
- Manage the Funds' investments in accordance with the guidelines and objectives as outlined in the SIPO and IPS.
- Ensure investment assets are appropriately diversified and conform within the time horizon and agreed risk/return profile. Outline expected returns and risk, or volatility, within the selected strategies.
- Manage the Funds on a day-to-day basis. Administer and attend to the day-to-day financial matters
  associated with the management of the Funds. The primary day-to-day point of contact for the
  Investment Managers is the CFO.
- Ensure that "expected" and "modelled" returns for asset classes are based on sound return and risk premium assumptions.
- Provide advice on, and implementation of, the asset allocation.
- · Specify, and advise on, asset and sub-asset class allocation strategies.
- Recommend a Custodian to hold and report on investment assets. Periodically review custodial arrangements and make recommendations.
- Confirm on an annual basis that best practice with respect to execution, brokerage, money sweep facilities, foreign currency spreads, transaction costs and management fees is being applied.
- Provide instructions to other Fund Managers to lodge or withdraw funds.
- Rebalance individual investments and asset class groups to within agreed benchmarks as described in the rebalancing policy contained in the SIPO and IPS documents.
- To affect all transactions for the Funds at the best price.
- Compile and account for all investment, record keeping and administrative expenses associated with the management of the Funds.
- Deliver quarterly reports including:
  - Fund valuation,
  - Fund duration,
  - Compliance reporting (including approved exceptions),
  - Performance summary for the Funds and by asset class,
  - Performance against benchmarks,
  - Funds' income,
  - Asset transactions summary,

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- Cash transactions,
- Investment management fees,
- Custodial fees,
- Individual fund management fees, and
- Brokerage and other transaction costs.
- Make available appropriate personnel to attend meetings, as agreed.
- · Disclose any potential conflicts of interest and steps taken to mitigate such conflicts.
- To report at least annually the 'Total cost of Delivery' being the sum of:
  - Investment Manager fees,
  - Custodial fees,
  - Administration fees, and
  - Total Funds' fees made up of; annual management fees (including annual management fees of underlying investments) and any other fees and costs.
- Provide financial information, including income and/or returns projections, as required for forecast budgeting purposes.
- Communicate all significant changes in ownership, organisational structure, financial condition, professional staff and reputation are examples of changes to the firm that are material.

#### **Fund Managers**

To manage an allocated part of the Funds on terms and conditions consistent with their mandate. The fund Manager(s) is chosen by the Investment Managers and has no direct contact with Council.

#### Custodian

The Custodian holds investments as bare trustee on behalf of Council and is responsible for the safekeeping of those investments. The specific duties and responsibilities of the Custodian are:

- Maintaining separate accounts.
- Valuation of all investment assets.
- Collection of income.
- Settlement of transactions (buy/sell orders) initiated by the Investment Managers.
- Provision of regular reports detailing transactions, cash flows, securities held and their current values, changes in value and returns.

#### Investment Parameters and Guidelines

#### General

Specific investment policies are outlined in Council's Investment Policy. In general terms, when making decisions on investments the Investment Managers will consider the overall circumstances of the Funds and will comply with all applicable legislative requirements.

The Funds will be managed with a view to ensuring enough liquidity is available to meet expected cash flow and distribution requirements.

Investment risk will be limited by appropriate diversification both within and between asset classes as determined by the following asset allocations.

#### Asset Class Guidelines

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The Funds will consist of a mixture of growth and income assets.

Council are empowered to make investments in the following asset classes and assets:

- Cash term deposits, cash on call, commercial paper, bank bills.
- NZ fixed interest NZ Government, Local Authority, NZ registered bank, State Owned Enterprise, Supra-national and Corporate bonds/securities, collective investment vehicles and fixed interest funds
- International fixed interest –via managed funds, collective investment vehicles, that are fully hedged back into NZ Dollars.
- NZ and international Equities via managed funds indirectly or directly. International equities are to be hedged between 30% to 100% back into NZ Dollars.
- NZ property via managed funds indirectly or directly.
- International property via managed funds indirectly or directly, that are fully hedged back into NZ Dollars.
- . Infrastructure via managed funds indirectly or directly that are fully hedged back into NZ Dollars.

#### **Asset Allocation**

The strategic asset allocation and tactical ranges are provided below and form the basis on which adherence to the SIPO is measured.

Sector	Benchmark %	Ranges %
Total growth assets	50%	40% - 60%
Total income assets	50%	40% - 60%

Included in Appendix 2 is the specific approved asset class allocation for each Investment Manager.

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<sup>&</sup>lt;sup>2</sup> Indirect investments are those in which an investment is made in a managed fund, collective investment vehicle or index. Direct investments relate to specifically purchasing a particular organisation's securities.

#### Ethical Investment

Where practical, investments will be made considering the ethical practices of the investment entity. Council's intention for the Funds is to avoid direct involvement with industries that have a negative impact on society and the environment. This includes:

- Alcohol,
- Tobacco.
- Fossil fuels, and
- Military/weapons.

#### **Investment Structure**

The selection of assets within an asset class is typically delegated to the Investment Managers. This is subject to investment guidelines that control risk, and otherwise determine the nature of potential investments for each mandate.

The Investment Managers are appointed by Council, after assessing the universe of appropriately skilled Managers available for the investment portfolio. Council, at its sole discretion, may change Investment Managers from time to time as it sees fit.

#### Rebalancing

The exposures to the various asset classes will be monitored and can be rebalanced quarterly by the Investment Managers, considering the underlying exposures in any collective investment vehicles, direct investments and the impact of derivatives (e.g. futures and options) on an effective exposure basis.

If any asset class allocation exceeds the benchmark asset class ranges (see Appendix 2 for each Investment Manager's asset class allocation), then sufficient assets will be transferred by the investment managers to bring the weights within the asset class allocation range.

In considering rebalancing, Council can consider recent volatility and the likelihood that market movements may result in asset classes moving back to within the specified ranges, along with transactions costs likely to be incurred in any transition.

The regular cash flow requirements of the Council provide an opportunity to assist in rebalancing the Funds towards benchmark weights, by directing the outflows to the overweight asset class(es) and any inflows to underweight asset class(es). Rebalancing can also be undertaken by selling overweight asset classes to fund underweight asset classes.

From time to time, the Council may deviate from the long-term benchmark asset allocation strategy in order to preserve capital in extreme market conditions. Such positions are to be taken after consideration of advice from the Investment Managers in the appropriate asset class sector.

#### **Liquidity Policy**

Council requires liquidity to meet payment obligations in relation to its revenuerevenue requirements. Specifically, an interim withdrawal is to be made by Council in February and a final withdrawal in June each year. As such, Council requires a high degree of confidence that during any periods of extreme market volatility, liquidity demands can be met. The Funds' primary source of liquidity is its cash investments. Cash investments also play a role in the Funds' investment strategy, providing a stable return with low volatility. The Funds' investment strategy supports its liquidity requirements by predominantly investing in listed securities and allowable fixed interest securities.

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This draft supersedes any previous drafts and may not be relied upon until finalised

#### Foreign Exchange

Through its investments in international markets, the Funds will have foreign exchange exposure. Accordingly, HBRC has determined that the following foreign currency exposure ranges are allowable for each international asset class.

Asset Class	Range
Property	100%
Equities	30% - 100%
Infrastructure	100%
Fixed Interest	100%

Both spot and forward foreign exchange contracts can be used to manage foreign currency exposure. Forward foreign exchange contracts must have a maximum term of three months.

#### Risk Management

The Finance, Audit and Risk Committee and Council executives have the responsibility to develop appropriate internal controls, policies and risk management strategies. These internal controls, policies and risk management strategies are described in this SIPO.

#### Risks

#### Market Risk

Market risk is the risk of adverse movements in investment markets (including asset prices, liquidity, volatility, changes in yield curves or other market related variables) that affect the value or income of the Funds. The volatility of investment markets means that returns are uncertain.

#### **Investment Managers Risk**

Council's returns may vary from expected levels.

#### Credit Risk

Credit (or counterparty) risk is the risk of default by a counterparty to a particular transaction or an issuer of a security held in the Funds.

#### Liquidity Risk

Liquidity risk is the risk that a security cannot be sold when required or that the price achieved is significantly different from the quoted price. Liquidity also relates to the "accessibility" of Council's cash and fixed interest investments.

#### Operational Risk

Operational risk is the risk of financial loss due to mismanagement, error, fraud or unauthorised transactions.

#### **Currency Risk**

Currency risk is the risk that foreign currency denominated assets will lose value because of an adverse exchange rate movement.

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Hawke's Bay Regional Council

#### Procedures

#### Market Risk

#### Managed by:

- · Diversifying Funds' investments,
- · Seeking professional advice, through the Investment Managers and
- · Requiring the Investment Managers to manage the Funds within prescribed mandates.

#### Investment Managers Risk

#### Managed by:

- Robust selection process for the Investment Managers,
- · Appointing the Investment Managers with mandates that prescribe acceptable risk limits, and
- · Regular assessment and review of performance against benchmark and peers.

#### Credit Risk

#### Managed by:

- Measuring and maintaining the credit quality of the Funds within prescribed guidelines,
- Limiting exposure to individual issuers,
- Diversification across investment type and instrument,
- · Maintaining appropriate policies and procedures relating to counterparties, and
- Appointing the Investment Managers with mandates consistent with prescribed risk limits.

#### Liquidity Risk

#### Managed by:

- Requiring the Investment Managers to invest predominantly in liquid securities,
- Requiring the Investment Managers to hold diversified Funds,
- · Requiring the Investment Managers to consider the jurisdiction in which they are investing, and
- Limiting the credit rating of the fixed interest and cash investments to approved minimum credit ratings.

#### Operational Risk

#### Managed by:

- Having in place a robust system of internal controls and regularly monitoring the Funds,
- Requiring an independent custodian to hold assets as bare trustee, record transactions and report on performance,
- Having a specific mandate for each Investment Managers, and
- Having clear separation of investment management, custodial and overall supervisory and monitoring functions.

#### **Currency Risk**

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Hawke's Bay Regional Council

#### Managed by:

· Maintaining a foreign exchange hedging policy for the Funds and individual asset classes.

#### **Investment Performance Monitoring**

The goals of performance monitoring are to:

- Assess the extent to which the Funds' investment objectives are being achieved;
- Compare the performance of the Funds' appointed Investment Managers against the agreed performance benchmarks, performance of other relevant professional Managers and market indices;
- Understand the existence of any underperformance in the Investment Managers or the investment product(s) utilised.
- Allow the Finance, Audit and Risk Committee to continually assess the ability of both the Council
  and the Investment Managers to meet the treasury objectives.

#### **Benchmarks**

Benchmarks are a tool against which to measure the effectiveness of the investment strategy either at a whole of Funds level, an asset class level or at the Manager level. The general principle of benchmarks at an asset class or Manager level is they should be replicable – that is, it should be possible to create a fund of securities, which mirrors (or at least very closely resembles) that used within the benchmark.

At the asset class level, benchmarks provide an effective way of measuring the skill with which the Manager selects securities within the Funds being managed.

The risk and return characteristics of the benchmarks used for the Funds as a whole and for individual asset classes must be broadly consistent with those considered in the analysis used to construct the Funds' asset allocation.

Performance (before tax and fees) for individual asset classes will be measured against suitable indices. The benchmarks to be adopted by each Investment Manager are outlined in Appendix 2.

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#### Funds' Performance

Returns on the Funds will be monitored by the Finance, Audit and Risk Committee in relation to the Benchmark fund nominated in this SIPO. The Benchmark Fund is a performance-monitoring tool intended to reflect the Council's adopted investment policy objective.

#### Managers Performance

- Returns achieved by the appointed Investment Managers will be assessed by the Council in relation to their stated objectives and the objectives of the Funds. Returns will also be compared with returns earned by a suitable peer group, such as a group of other professional Investment Managers.
- The Investment Managers will report at least quarterly in accordance with a format agreed.
- Investment Managers performance will be monitored quarterly with a view to an annual evaluation of rolling three-year results.
- The Investment Manager's role will be reviewed by Council on an annual basis. Factors
  considered in these reviews will include investment style, resources, organisational strength,
  investment performance relative to objectives, SIPO compliance, and any other factors considered
  relevant to the Investment Managers continuing ability to meet the applicable investment
  objectives.

#### Distributions and Reserves

#### Volatility of Returns

Council notes that the investment objective is a long-term goal, but that its investment strategy contemplates an asset allocation which is likely to generate returns that demonstrate some volatility over the short term. Council recognises that asset values over shorter time-periods may fall due to negative returns and that the total Funds' value may fall below the Real Capital Value in the shorter term. The Council acknowledges that exposing the Funds to this volatility is necessary to pursue higher long-term returns and thereby maximise the level of annual distributions from the Funds.

In order to account for investment risk or volatility, the assets of the Funds are to be invested in such a manner as to achieve a level of return in order to meet the following requirements:

- The amount required to meet the Council's revenuerevenue requirements will be informed annually upon adoption of the Annual PlanPlan (AP).
- An amount equal to the New Zealand Consumer Price Index ("CPI") for the year will be credited to the Inflation Fluctuation Reserve.
- 3. Any remaining amount will be credited to the Distribution Reserve.

#### Capital Base

In terms of assets of the Funds, the Capital Base as at 31 December 2019 is \$155,367,949. Refer to appendix 2 for a detailed breakdown of AUM by investment manager.

#### Real Capital Value

For the purposes of this SIPO, the Real Capital Value is the Capital Value expressed in the current market value in New Zealand dollars – i.e. the Capital Value as calculated above as at December 2019 adjusted for movements in the CPI since that time.

The value of the Funds may fall below the Capital Base.

#### Distribution Policy

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The Funds' annual returns in any year will be distributed as follows:

- The amount required to meet the Council's revenue requirements will be informed annually upon adoption of the APAP.
- An amount equal to the New Zealand CPI for the year will be credited to the Inflation Fluctuation Reserve.
- 3. Any remaining amount will be credited to the Distribution Reserve

In the event of an insufficient annual return to meet inflation proofing and/or distribution requirements, the amounts required for inflation proofing and/or distribution will be funded from the Distribution Reserve.

#### Reserving Policy

Council will establish the following Reserves to facilitate the achievement of its Distribution Policy:

#### Inflation Fluctuation Reserve

Each quarter the Inflation Fluctuation Reserve shall be adjusted by the increase in the Real Capital Value based on the quarterly change in the New Zealand CPI. This ensures that the Funds retain their purchasing power over time. If there are insufficient returns available to make this adjustment, the Distribution Reserve should be adjusted accordingly.

#### Distribution Reserve

Each year any excess income after the adjustment to the Inflation Fluctuation Reserve and annual distributions to Council shall be credited to the Distribution Reserve. This Reserve will help offset income fluctuations in future periods. In particular, this Reserve can be used to meet distribution requirements during years with low or negative investment returns without recourse to the Capital Base.

A consistently significant positive balance (equal to 4 year's distribution sustained for one year or more) in this Reserve is a signal to Council that it may be appropriate (but it is not necessary) to review the investment objectives or the priorities (or both).

# **Investment Manager Selection**

The Finance, Audit and Risk Committee will be responsible for recommending the appointment of the Investment Managers to assist with the management of Council's investment Funds. The Finance, Audit and Risk Committee is responsible for applying the following due diligence criteria in selecting the Investment Managers.

#### Request for Proposal Process

Investment Managers roles should be tendered through a Request for Proposal (RFP) process. The Finance, Audit and Risk Committee should seek tenders. Relevant considerations for tenderers include:

- Track record: Each Investment Management firm should have a minimum track record of at least five years. Firms should have at least New Zealand Dollar 250 million under management.
- · Reputation, experience and credentials in the local government sector are important criteria.
- People: Each Investment Management firm should provide an overview of the experience level and depth of their Firm.
- Performance across asset classes: Each Investment Management firm should provide their past results and performance against benchmarks.
- Service: Each Investment Management firm must confirm that it will report quarterly and make relevant staff available to attend meetings. Firms should also state the level of regular reporting (oral, written and face-to-face) Council would receive.

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- Compliance: Investment Management firms who are, or have been within the last five years, the subject of adverse regulatory or professional association findings will be excluded from consideration.
- Governance: Investment Management firms must submit and manage to an IPS that conforms with the SIPO.
- Fee only: Investment Management firms should offer a fee only service.
- Conflicts of Interest: Must be adequately disclosed and avoided where possible.
- Investment Philosophy and Process: Each Investment Management firm should have an
  investment philosophy which it can articulate to Council and the Finance, Audit and Risk
  Committee (if required). Each Investment Management firm should follow modern portfolio theory.
- Stability of the organisation: There should be no perceived organisational problems, most of the management team should have been in place for more than three years.
- Ethical investments: The Investment Management firm must be able to articulate its approach and reputation with respect to ethical investment requirements.

#### **Funds Expenses**

Total Funds' expenses should be fair and reasonable. The Investment Managers must offer a fee only service with all commissions returned to the Funds and reported to the Finance, Audit and Risk Committee.

The Investment Manager is to report to the Finance, Audit and Risk Committee quarterly the breakdown of the total cost of delivery including:

- Investment Management fees,
- Custodial fees,
- · Individual and weighted average Funds Management fees, and
- Brokerage and other transaction costs.

The Finance, Audit and Risk Committee acknowledge that cost reductions can be achieved through scale. Council's objective is to minimise total cost of delivery.

# Appendix 1 – Investment Guidelines and Constraints

The guidelines and constraints required by the Council to be observed by each Investment Manager, as applicable are set out below. For the purposes of these constraints, "Funds" shall relate to the portion of the Funds' assets under the management of the Investment Managers.

Where the Council has an Investment Management agreement with the Investment Managers, these guidelines and constraints should, so far as relevant, be incorporated into that agreement. Where the Funds are invested into a pooled or collective investment vehicle or product Council recognises that the strict application of these guidelines and constraints may not be possible. The Investment Managers will inform Council of its pooled or collective investment product guidelines. Council expect the Investment Managers to inform them of any investment or management practice that materially falls outside the guidelines and constraints so that the Council can continually reassess the overall suitability of such an investment approach.

Investment of the Funds shall be made in compliance with all laws and regulations governing investments and Local Authority bodies.

Each Investment Manager is entitled to make use of derivative contracts within the Funds for the following purposes:

- Strategies relating to yield curve and modified duration for cash and fixed interest funds within the given exposure ranges.
- To alter the Funds' asset allocation (including country and/or currency allocations) within the given
  exposure ranges.
- As a hedge to manage exposure to foreign currency or other investment risks.
- To reduce transaction costs and improve liquidity by using derivative contracts to take a position, which would otherwise have been taken by buying or selling physical stock.

The Investment Managers must not use derivatives, physical securities or any combination of the two to produce financial exposures that would result in the leverage3 of the Funds. That is, the Funds' net exposure to investment markets exceeding the value of the Funds' physical assets. Derivatives should only be used to produce financial exposures that would be otherwise obtained using physical securities in the absence of leverage. The Investment Managers must also not use leveraged derivative strategies or sell derivatives outright.

Not more than 10% of the Funds' assets may be invested in any one investment without specific consideration and approval by the Council.

The Funds' interest in any externally managed pooled fund/collective investment vehicle domiciled offshore shall not exceed 10% of the assets of that pool, unless a larger investment is specifically authorised by the Council.

All mandates should be actively managed (except for passive currency hedging where required).

Investment in assets other than those contemplated by this policy statement (including antiques, art, stamps, gold, silver, hedge funds, commodities, private equity or venture capital investments) are not permitted without the prior approval of the Council.

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<sup>3</sup> Leverage relates to an investment strategy of using borrowed money, specifically, the use of financial instruments or borrowed capital to increase the potential return on an investment.

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#### New Zealand Fixed Interest

Investment in a fixed interest instrument (debt/bond) should have a minimum rating of no less than BBB as measured by Standard & Poors, or equivalent agency.

No investments in direct mortgages4, subordinated debt, structured debt, high yield/junk bonds and leveraged loans should be made.

All investments made must be made in accordance with the counterparty credit limits articulated within Council's Investment Policy.

#### International Fixed Interest

No more than 5% of the market value of the assets held by the fixed interest Investment Managers should be invested in non-benchmark markets (i.e. markets not in the Barclays Global Aggregate Index).

No more than 5% of the assets held by the fixed interest Investment Managers is to be held in any one security or with one single issuer, other than a fund or a security representing a collective investment of other securities, unless the security represents an OECD sovereign borrower, issuer, or agency of an OECD government and supranational borrowers.

Investment in a fixed interest instrument (debt/bond) should have a minimum individual issuer rating of no less than BBB- and a sovereign rating of no less than BBB+ as measured by Standard & Poors, or equivalent.

No investments in direct mortgages, subordinated debt, structured debt, high yield/junk bonds, and leveraged loans should be made.

All investments made must be made in accordance with the counterparty credit limits articulated within Council's Investment Policy.

#### Cash

Council may invest cash on call or deposit. Where it does so it may invest in the following:

- New Zealand Government Treasury Bills and short term (no more than 12 months to maturity) New Zealand Government Bonds.
- Call, term deposits and registered bank bills with New Zealand Registered Banks with a Standard
  and Poor's or equivalent agency, short term credit rating of 'A-1' or stronger. To be classified as a
  cash investment, term deposits must have a maturity date of 30 days or less. Registered bank bills
  must have a maturity date of no more than 12 months.
- Commercial Paper issued by a corporate borrower, with a Standard and Poor's or equivalent agency, short term credit rating of 'A-1' or stronger. The maturity date can be no more than 12 months.

All investments made must be made in accordance with the counterparty credit limits articulated within Council's Investment Policy.

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<sup>4</sup> Direct mortgage investment relates to mortgage funds and individual mortgage loans. Subordinated debt relates to debt investments that rank below senior ranking, loans or securities. Structured debt relates to complex debt securities and collateralised arrangements. A junk bond relates to bonds with a subinvestment grade credit rating (i.e. below BBB- credit rating). Leveraged loans relate to sub-investment grade debt securities.

### Equity

Investments must be confined to publicly listed widely held securities trading in recognised markets. Unlisted shares and shares in companies about to be listed may be held provided Council has given its prior approval.

The Funds should not hold more than 5% of the equity of any one company.

Investment Managers are delegated full discretion to exercise all voting rights, including but not limited to voting proxies. Investment Managers must exercise these voting rights in the best interests of, and consistent with, the investment objectives of the Funds.

No investments are to be made in preference shares.

# **New Zealand Property Investments**

Council may invest in direct New Zealand property investments. Where it does so, the following rules shall apply:

- Investment in property entities that are listed on the New Zealand Stock Exchange.
- · Investments in partly paid shares in respect of shares of the type referred to above.
- Exposure limits for New Zealand property investments (based on the market value of the assets held by the Property Investment Managers) and benchmarks are set out in the following table:

Security Type	Minimum percentage of NZ property	Maximum percentage of NZ property
Companies not represented in the appropriate Benchmark	0%	25%
Individual entity in the appropriate Benchmark	0%	25%

#### International Property Investments

Council may invest in International property investments. Where it does so, the following rules shall apply:

- Investment in international property will be through one or more Collective Investment Vehicle.
- International property investments must be fully hedged from foreign exchange risk.
- CIVs in international property must hold a broadly diversified portfolio of property securities, be benchmark aware, have appropriate policies and procedures and impose reasonable exposure limits
- . Ensure that any investment is sufficiently liquid to enable exit from the investment at any time.

#### Infrastructure Investments

Council may invest in Infrastructure investments. Where it does so, the following rules shall apply.

- Consideration must be given to existing equity and property investments that have similar infrastructure characteristics.
- Investments must have a degree of liquidity allowing the Funds to exit the investment within a six month time frame.
- International infrastructure investments must be fully hedged from foreign exchange risk.
- Any investment in domestic unlisted infrastructure must be approved by Council.
- Infrastructure investments must be diversified.
- Infrastructure investments may only take place in markets in which the Sovereign Government has
  a credit rating of no less than BBB+ as measured by Standard & Poor's, or equivalent agency.

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# Appendix 2 – Investment Managers – Strategic Asset Allocations

#### Assets Under Management as at 31 December 2019

Assets under management by investment manager are:

	LTIF - HBRC	FIF - HBRIC	FIF - HBRC	Total
Mercer	\$25,259,918	\$30,021,998	\$22,367,660	\$77,649,376
Jarden	\$25,391,672	\$29,991,361	\$22,335,540	\$77,718,573
Total	\$50,651,390	\$60,013,359	\$44,703,200	\$155,367,949

#### Mercer Portfolios - Asset Allocation and Rebalancing

The Council's investment in the three Mercer portfolios will be invested in the asset classes listed below. Mercer will implement a dynamic asset allocation model, altering the Portfolio's target exposure to each asset class from time to time to reflect Mercer's investment market outlook. Mercer will monitor the asset class allocations daily and rebalance the Funds as required. If any asset class allocation exceeds the ranges set out below, Mercer will notify Council for approval and take immediate approved corrective action.

Asset Class	Mercer Portfolio (Benchmark)	Portfolio Weight (%)	Portfolio Ranges (%)
Socially Responsible Trans-Tasman Shares	Socially Responsible Trans-Tasman Shares	8%	0% – 18%
Socially Responsible Overseas Shares	Socially Responsible Overseas Shares	27%	17% – 37%
Listed Property - Global	Mercer Listed Property	3%	0% – 10%
Unlisted Property	Mercer Unlisted Property*	4.5%	0% – 10%
Listed Infrastructure - Global	Mercer Listed Infrastructure	3%	0% – 10%
Unlisted Infrastructure	Mercer Unlisted Infrastructure*	4.5%	0% – 10%
Growth		50%	40% - 60%
NZ Sovereign Bonds	Mercer NZ Sovereign Bonds	15%	5% – 25%
Overseas Sovereign Bonds	Mercer Overseas Sovereign Bonds	15%	5% – 25%
Global Credit	Mercer Global Credit	10%	5% – 25%

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Other Fixed Interest	Mercer Global Absolute Return	5%	0% – 10%
Cash	Mercer Cash	5%	0% – 20%
Income		50%	40% - 60%
Total		100%	

<sup>\*</sup>The nature of the Unlisted Portfolios may result in allocations taking time to build up. During any build-up phase, Mercer Listed Property will be used as a proxy for Mercer Unlisted Property, and Mercer Listed Infrastructure as a proxy Mercer Unlisted Infrastructure. The benchmark will also be adjusted accordingly.

#### Mercer Portfolios - Benchmarks

The benchmarks with which Mercer's Investment Management performance will be compared against are described below.

Asset Class	Benchmark
Socially Responsible Trans-Tasman Shares	S&P / NZX 50 Index without imputation credits
Socially Responsible Overseas Shares	MSCI World ex Australia Net, 50% hedged
Listed Property - Global	FTSE EPRA/NAREIT Developed Index Net, hedged
Unlisted Property	70% Mercer/IPD Australia Monthly Property Fund Index Core Wholesale (100% hedged to NZD on an after-tax basis), 30% Property Council / IPD New Zealand Property Index
Listed Infrastructure - Global	FTSE Global Core Infrastructure 50-50 Index Net (NZD hedged)
Unlisted Infrastructure	MSCI Australia Quarterly Unlisted Infrastructure Index (100% hedged to NZD on an after-tax basis)
NZ Sovereign Bonds	S&P/NZX NZ Government Bond Index
Overseas Sovereign Bonds	JP Morgan Government Bond Index Global (NZD Hedged)
Global Credit	60% Bloomberg Global Aggregate Corporate Index (NZD hedged), 40% Bloomberg Global Aggregate ex-Treasury ex-Government Related Index (NZD hedged)
Other Fixed Interest	S&P Bank Bill 90 Day Index
Cash	S&P Bank Bill 90 Day Index

#### Jarden Portfolios - Asset Allocation and Rebalancing

The Council's investment in the three Jarden portfolios will be invested in the asset classes listed below. Jarden will monitor the asset class allocations and rebalance as required. If any asset class allocation exceeds the ranges set out below, Jarden will notify Council for approval and take immediate approved corrective action.

Sector	Benchmark %	Ranges %
NZ equities	15%	13% - 18%
International equities	29%	25% - 34%
NZ property	3%	1% - 4%
International property	3%	1% - 4%
Listed Infrastructure - Global	0%	0% - 10%
Unlisted Infrastructure	0%	0% - 10%
Total growth assets	50%	40% - 60%
Cash and short-term securities	5%	2% - 8%
NZ fixed interest securities	20%	15% - 24%
International fixed interest	25%	23% - 28%
Total income assets	50%	40% - 60%

#### Jarden Portfolios - Benchmarks

The benchmarks with which Jarden's Investment Management performance will be compared against are described below.

Asset class	Index
NZ equities	NZX50 Gross Index (without imputation credits)
International equities	MSCI All Country World Index (50% hedged)
NZ property	S&P/NZX all real estate index
International property (fully hedged)	S&P developed REIT index (fully hedged)
Listed Infrastructure - Global	FTSE Global Core Infrastructure 50-50 Index Net (NZD hedged)
Unlisted Infrastructure	MSCI Australia Quarterly Unlisted Infrastructure Index (100% hedged to NZD on an after-tax basis)
Cash and short-term securities	ANZ 90-day bank bill index
NZ fixed interest securities	S&P/NZX Investment Grade Corporate A Bond Index
International fixed interest (fully hedged)	Barclays global aggregate index (fully hedged)

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#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

### Wednesday 11 March 2020

# Subject: REMISSION OF PENALTIES ON RATES POLICY (FIXED TERM) STATEMENT OF PROPOSAL FOR CONSULTATION

### **Reason for Report**

- This report asks the Corporate and Strategic Committee to recommend to Council that it adopts the Remission of Penalties on Rates Policy (Fixed Term) Statement of Proposal for consultation.
- This report also seeks direction from the Committee on its preference for the make-up of the hearings panel that will hear submissions on this consultation (set down for 19 May 2020). A panel could be all of Council, a sub-group of nominated Councillors or the Hearings Committee.

#### Officers' Recommendations

- Council officers recommend that the Committee accepts the Remission of Penalties on Rates Policy (Fixed Term) Statement of Proposal for consultation as proposed, and recommends its adoption by Council.
- 4. Officers also recommend the establishment of a sub-committee made up of three Councillors.

# **Background**

- 5. The Remission of Penalties on Rates Policy (Fixed Term) was adopted by Council on 25 September 2019, subject to consultation. The aim of the one-time policy is to support ratepayers as we transition to a new final rate payment date; from 31 January 2021 to 20 September 2020.
- 6. The policy will enable ratepayers to apply for a waiver of penalties added to their rates for late payment for the first year of the changeover 1 July 2020 to 30 June 2021. The policy is in addition to Council's existing policy on Remission of Penalties on Rates. Our current Remission of Penalty on Rates Policy 'conditions and criteria' allow for one remission every three years for a missed rate payment for circumstances which are under the ratepayer's control.
- 7. The Local Government Act (LGA), Section 102(4) requires an amendment to a rates remission and postponement policy be consulted on using the provisions of Section 82.
- 8. The special one-time, fixed-term penalty remission policy aims to assist ratepayers who may experience financial difficulty in paying their rates on time as we transition to a new rate payment date.
- This follows Council's decision on 26 June 2019 when it approved new dates for when Council's rate invoices are sent out and when payment is due, effective from 1 July 2020.
- 10. Up until this year, assessments/invoices were sent out mid-September and due 1 October each year, however HBRC allowed ratepayers until 31 January the following year to pay before a penalty was applied.
- 11. From this year rate, assessments/invoices will be sent out early to mid-August, and the final due date will be 20 September. After this date penalties will be applied.
- 12. For ratepayers who choose to pay their rates on the final payment date, this change effectively brings the payment due date forward approximately four months and means they will have two rate invoices in the 2020 calendar year.

- 13. The policy enables ratepayers to apply for a waiver of the 10% penalties added to their rates invoice if they cannot pay their rates on time. The policy will only be in place from 1 July 2020 to 20 September 2021 and will only apply to rates due for the financial year 1 July 2020 to 30 June 2021.
- 14. The objective of moving the final date for rate payments is to remove the payment pressure on ratepayers over the holiday period, as well as improve Council's cash flow and recover income earlier.
- 15. Rates are the main direct source of income for Council. Typically, Council receives approximately 70% of the rates revenue in January and February seven to eight months into the financial year.
- 16. Staff have been implementing a communications plan to advise, inform and educate ratepayers on the change to the date payments are due. This has included information in the previous rates newsletter sent to ratepayers with their invoices in September 2019, Facebook posts on Regional Council's Facebook page, information on Council's website, information on our email banners, a digital campaign through the Hawke's Bay Today and Stuff sites, and adverts in the Hawke's Bay Today, CHB Mail and Wairoa Star newspapers.
- 17. This campaign of rates communications will be accelerated from March to September 2020.
- 18. As noted earlier, the proposed Remission of Penalties on Rates Policy (Fixed Term) is an additional policy. Council acts fairly and reasonably when a rate payment has not been received by the due date and has the following rates Remission and Postponement polices in place.
  - 18.1. Māori Freehold Land
  - 18.2. Remission in Special Circumstances;
    - 18.2.1. Remission of Rates in Special Circumstances
    - 18.2.2. Remission of Penalties on Rates
    - 18.2.3. Remission of Rates of Properties Affected by Natural Calamity
  - 18.3. Remission for Uniformed Annual General Charges (UAGC)
  - 18.4. Postponement in Cases of Financial Hardship or Natural Disaster.
- 19. To be granted a remission or postponement under any of the above policies certain 'conditions and criteria' must be met before a penalty remission is granted.
- 20. Our current Remission of Penalty on Rates Policy allows for one submission every three years for a missed rate payment for circumstances which are under the ratepayer's control (provided the conditions and criteria are met). The fixed term policy will allow for an additional Remission in this instance.

#### **Consultation Process**

- 21. As noted earlier, an amendment to a rates remission and postponement policy requires consultation under Section 102 (4) of the Local Government Act in a manner that gives effect to the requirements of Section 82.
- 22. The proposed policy is both a remission and postponement policy as defined by the Local Government (Rating) Act 2002 and Local Government Act 2002.
- 23. Staff recommend a condensed consultative process, targeting all ratepayers while still giving effect to the principles of consultation in Section 82 Local Government Act. This is based on the likely support by the public and the limited community effect relating to the adoption of this Statement of Proposal.
- 24. The Council will invite submissions and feedback over a period of two weeks. Submissions will be collated, heard and the final decision made on 24 June 2020.
- 25. The key dates for consultation are:

- 26. 14 April 2020 Consultation opens
  28 April 2020 Consultation closes
  - 19 May 2020 Set aside for people to present their views in person
  - 24 June 2020 Decision made by Regional Council
- 27. The proposed communication activities are outlined in the table below. The key messages are:
  - 27.1. The Regional Council seeks public views on a Statement of Proposal to offer some ratepayers a one-time late-payment penalty waiver
  - 27.2. This option can help ratepayers who find it hard to pay this year's rates on time
  - 27.3. Rates this year are due four months earlier than last year
- 28. Supporting messages are: Regional Rates are due 20 September. Once adopted, this amendment means that ratepayers experiencing hardship can apply for a one-time waiver of the late-payment fee on Regional Rates. The Regional Rates team is here to help: call 835 2955 (8am-5pm) or email <a href="mailto:rates@hbrc.govt.nz">rates@hbrc.govt.nz</a>.

WHAT	WHO BY	AUDIENCE	DUE
April 2020			
Web page content – including Statement of Proposal and online form	MarComms (for all	Public	8 April
Email – Māori & Regional Planning Committee	actions)	Tāngata Whenua	8 April
Media release – eNews, web, Facebook		Media/ Public	8 April
Public notice – Hawke's Bay Today		Public	11 April
Social media posts		Public	14 - 28
Reception TV		Staff/ visitors	April
Internal communication (staff)		Staff	14 - 28
			April
			8 April
May - June 2020			
Hearing – details and related comms TBC	Governance	Public	19 May
Decision – factored into Rates communications	MarComms	Ratepayers	After 24 June

#### **Significance and Engagement Policy Assessment**

29. Staff have considered Council's Significance and Engagement Policy as part of the process for developing the consultation approach for the Statement of Proposal along with the principles of consultation in Section 82 Local Government Act.

# **Financial and Resource Implications**

30. The Financial and Resourcing implications for the consultation will be met within existing budgets.

#### **Decision Making Process**

- 31. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 31.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 31.2. The persons affected by this decision are all ratepayers in the region.
  - 31.3. LGA section 102(4) requires that an amendment to a rates remission and postponement policy must be consulted on using the provisions of Section 82. The planned consultation gives effect to that.

#### Recommendations

- That the Corporate and Strategic Committee receives and considers the "Remission of Penalties on Rates Policy (Fixed Term) Statement of Proposal for Consultation" staff report.
- 2. The Corporate and Strategic Committee recommends that Hawke's Bay Regional Council:
  - 2.1. Adopts the Statement of Proposal for Remission of Penalties on Rates Policy (Fixed Term) consultation as proposed.
  - 2.2. Establishes a Hearing Panel made up of three Councillors to hear submissions on 19 May if required

# Authored by:

Drew Broadley Trudy Kilkolly

COMMUNITY ENGAGEMENT AND PRINCIPAL ACCOUNTANT RATES AND

COMMUNICATIONS MANAGER REVENUE

Mandy Sharpe Bronda Smith

PROJECT MANAGER CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm James Palmer
GROUP MANAGER CORPORATE CHIEF EXECUTIVE

**SERVICES** 

# Attachment/s

Under Statement of Proposal - Remission of Penalties on Rates Policy (Fixed Term)

# Remission of Penalties on Rates Policy (Fixed Term) Statement of Proposal

Consultation 14 – 28 April 2019

# What is the proposal?

This is a proposal to implement a one-time policy that provides ratepayers an opportunity to apply for a waiver of a penalty fee for late payment on their Hawke's Bay Regional Council rates.

The objective of this policy is to support ratepayers who may find it difficult to pay their rates on time due to Council's change in date for when rate payments are due.

The policy would be put in place for one year, to cover the first year of change to the new payment date, and will apply only to rates due for the financial year 1 July 2020 to 30 June 2021.

### **Background**

On 26 June 2019, Hawke's Bay Regional Council approved new dates for when its rate invoices will be sent out and when rates are due to be paid. These new dates will be in place for the financial year 1 July 2020 to 30 June 2021.

Up until this year, rate invoices have been sent out mid-September and due 1 October, with Hawke's Bay Regional Council allowing ratepayers until 31 January the following year to pay their rates before a 10% late-payment penalty is added to their invoice.

For the 2020-21 rating year, rates invoices will be sent out early to mid-August, with payment due 20 September. Ratepayers that don't pay their invoice by then will have the 10% late-payment fee added.

For ratepayers who choose to pay their rates on the final payment date for the 2019/20 rates of 31 January, this change means they will need to pay their rates invoice four months earlier and means they will have two rate invoices in the 2020 calendar year.

On 25 September 2019, Hawke's Bay Regional Council adopted (subject to consultation) a special one-time, fixed-term penalty remission policy to help ratepayers who may struggle to pay their rates on time because of the change to the payment date.

Regional Council already has Rate Remission and Postponement policies in place so it can act fairly and reasonably when a rates payment has not been received by the due date.

The current remission of Penalty on Rates Policy allows one remission every three years for a missed rate payment for circumstances which are under the ratepayer's control, provided they meet the conditions and criteria. Under that policy, a ratepayer who was granted a penalty remission in the last two year would be ineligible for another remission.

Introducing this additional Remission of Penalties on Rates Policy (Fixed Term) would mean ratepayers may apply for a remission even if they have received a remission in the last two years as per the standard Remission of Penalties on Rates Policy.

#### Why are we consulting on this?

This policy is both a remission and postponement policy as defined by the Local Government (Rating) Act 2002 and Local Government Act (LGA) 2002.

An amendment to a rates remission and postponement policy requires consultation under Section

102 (4) of the Local Government Act in a manner that gives effect to the requirements of Section 82

The purpose of this consultation is to seek the views of people who will or may be affected by, or have an interest in the decision to implement the additional policy.

#### Scope of the decision

All aspects of the Remission of Penalties on Rates Policy (Fixed Term) are being consulted on. As a result of feedback received during the consultation, the Council may decide not to adopt the policy, or change any aspect of the policy such as the conditions and criteria.

#### The submission process

People wishing to submit on this consultation are invited to do so by **5pm on Tuesday 28 April 2020.** 

The Regional Council will support you to present your views in a manner that best suits your preferences, including sign language or any other language.

This includes one of the following ways:

- Online: through the Regional Council website: hbrc.govt.nz (search #XXXX)
- Email: <u>info@hbrc.govt.nz</u>
- Post to: Leone Andrews, Hawke's Bay Regional Council, Private Bag 6006, Napier 4142
- Deliver to: HBRC offices in Napier, Taradale, Waipawa or Wairoa.

The submission form on the back of this proposal is also available from the Regional Council offices in Napier, Taradale, Waipawa or Wairoa.

If you have any queries please contact Leone Andrews, Executive Assistant to Group Manager Corporate Services.

Email: <a href="mailto:leone.andrews@hbrc.govt.nz">leone.andrews@hbrc.govt.nz</a>

Phone: (06) 833 8010

#### What is the process from here?

•	14 April 2020	Consultation opens
•	28 April 2020	Consultation closes

19 May 2020 Set aside for people to present their views in person

24 June 2020 Decision made by the Regional Council

#### The Remission of Penalties on Rates Policy:

This policy is both a remission and postponement policy as defined by the Local Government (Rating) Act 2002 and Local Government Act 2002

### Objective

To enable HBRC to act fairly and reasonably when a rates payment has not been received by the due date as a result of the Council changing the due date from 31 January 2021 to 20 September 2020. This policy will only be in place from 1 July 2020 to 20 September 2021 and is in addition to the existing policy on Remission of Penalties on Rates, and will apply only to rates due for the financial year 1 July 2020 to 30 June 2021.

There are two parts to this policy.

1) Ratepayers on an existing payment plan

#### Conditions and criteria

Upon receipt of an application from the ratepayer either in written or email format, or if identified by Council, a penalty may be remitted where all of the conditions listed below are met

- i. A full payment of outstanding rates due (excluding a penalty amount) has been made prior 31 January 2021
- ii. The ratepayer has an existing payment plan which has been adhered to over the previous 12 months, and
- iii. The ratepayer amends the existing payment plan to ensure that the rates for the financial year 1 July 2021 to 30 June 2022 are paid no later than 20 September 2021.

#### 2) Ratepayers not on an existing payment plan

#### Conditions and criteria

Upon receipt of an application from the ratepayer either in written or email format, or if identified by Council, a penalty may be remitted where all of the conditions listed below are met

- i. Full payment of outstanding rates due (excluding a penalty amount) has been made prior to the application (but no later than being 31 January 2021) is received by the Council, and the ratepayer has previously paid all rates by the due date within the last three years
- ii. The ratepayer pays the rates for the financial year 1 July 2021 to 30 June 2022 no later than 20 September 2021.

#### Policy notes

The penalties are only postponed until all the criteria are met.

Where there is a deliberate non-payment, remission will not be granted.

# Consultation on establishing an additional Remission of Penalties on **Rates Policy (Fixed Term)**

Feedback must be received by Hawke's Bay Regional Council no later than 5pm on Tuesday 28 April 2020.

You can give us your feedback in one of the following ways:

- Online: through the Regional Council website: hbrc.govt.nz (search #XXXX)
- Email: info@hbrc.govt.nz
- Post to: Leone Andrews, Hawke's Bay Regional Council, Private Bag 6006, Napier 4142
- Deliver to: HBRC offices in Napier, Taradale, Waipawa or Wairoa.

Name of organisation (if appl	cable):
Address:	Postcode:
Telephone:	Mobile:
Email:	
Do you support this proposal	
Please tick one:	
YES	
NO	
Why or why not?	
Need more room? You can attac	h extra pages but please make sure they include your name and address.
Do you wish to speak to your	submission on Tuesday, 19 May 2020?
YES	
NO NO	

Submissions are public information. Information on this form including your name and submission will be made available to the media and public as part of the decision-making process. Your submission will only be You have the right to access the information and request its correction.

used for the purpose of this consultation process. The information will held by Hawkes Bay Regional Council.

Attachment 1

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

# Wednesday 11 March 2020

### **Subject: HBRC 2020 LOCAL GOVERNANCE STATEMENT**

#### **Reason for Report**

1. This item presents a draft version of the proposed 2020 Local Governance Statement to the Committee for consideration and feedback.

#### Officers' Recommendation

 Council officers recommend that the Committee agrees to the approach to the 2020 Local Governance Statement explained within the body of this agenda item and shown in the attachments to it.

#### **Executive Summary**

- 3. The Local Governance Statement (LGS) is a requirement of the Local Government Act (LGA) as a means of informing the community about how the Council's democratic decision-making processes are structured and operate, and how they can participate in and influence those. The LGS brings the information together in a single location for easy access.
- 4. Over the last three election cycles, access to information about the Council has increasingly shifted to online platforms, mainly the HBRC website, and the public expectation is that all relevant information is available online.

#### **Background /Discussion**

- 5. Section 40 of the Local Government Act 2002 (attached) requires that each local authority prepares a Local Governance Statement and makes it publicly available within six months after each triennial election.
- 6. A Local Governance Statement (LGS) is a collection of information about the processes through which the Council engages with its community, how the Council makes its decisions, and how citizens in the region can influence those processes. Its purpose is to help support the purpose of local government by promoting local democracy by providing the public with information about ways to influence local democratic processes.
- 7. The previous LGS is available <u>online</u>, and also as a hard copy document upon request. Historically, the document has been accessed almost exclusively online; with hard copy documents being provided only to councillors, some staff and in response to about 6-10 requests from members of the public.

# **Options**

- 8. Publication of a Governance Statement is a legislative requirement, within 6 months of each triennial election, however it is within Council's discretion to determine how extensive or otherwise it wants to publication to be, insofar as:
  - 8.1. Whether publication is online only
  - 8.2. Any information beyond the LGA s40 requirements that is included in the LGS.
- 9. Because there has been so little demand for hard copies and to bring the LGS in line with Council's "digital by default" strategy it would make sense to move to online only publication of this information. Screenshots of how this translates on the Council's website are contained in attachment 2 to show how this might look.
- 10. In relation to the information contained in the LGS, staff consider that the requirements of LGA section 40 include sufficient information, and would be comfortable that

information seekers would be able to find the information they require on the HBRC website. The contents of the webpages would contain documents and content including:

- 10.1. What is a governance statement?
- 10.2. Functions, responsibilities and activities
- 10.3. Regional, district and city councils: what is the difference?
- 10.4. Legislation
- 10.5. Information processes (LGOIMA)
- 10.6. Key approved planning and policy documents
- 10.7. The electoral system
- 10.8. Representation options (including Māori representation)
- 10.9. Councillors
- 10.10. Members' roles and responsibilities (Code of Conduct & Declarations of members' interests)
- 10.11. Governance structures and processes
- 10.12. Meeting processes (LGA, LGOIMA & Standing Orders)
- 10.13. Consultation (Significance & Engagement Policy)
- 10.14. Management structures and relationships
- 10.15. Equal Employment Opportunities (EEO) Policy
- 10.16. Council controlled organisations.

### **Financial and Resource Implications**

- 11. The costs associated with the development and publication of the Local Governance Statement accounted for within existing Governance and Community Representation budgets for the 2019-20 financial year and will not exceed budget.
- 12. Should the decision be taken to provide hard copy LGS documents, costs will be higher to cover publishing and printing but will still be covered within existing budgets.

#### **Decision Making Process**

- 13. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 13.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 13.2. The use of the special consultative procedure is not prescribed by legislation.
  - 13.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
  - 13.4. The persons affected by this decision are members of the regional community interested in local government and democracy.
  - 13.5. The decision is not inconsistent with an existing policy or plan.
  - 13.6. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

#### Recommendations

- That the Corporate and Strategic Committee:
  - 1.1. receives and considers the "HBRC Local Governance Statement" staff report
  - 1.2. agrees that publication of the 2020 Local Governance Statement will be online only
  - 1.3. provides feedback on any additional content required for incorporation into the final version of the 2020 Local Governance Statement web pages.
- 2. The Corporate and Strategic Committee recommends that Hawke's Bay Regional Council:
  - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
  - 2.2. Adopts the 2020 Local Governance Statement web pages, including additional content agreed by the Corporate and Strategic Committee on 11 March 2020, and as provided to the 25 March 2020 meeting.

Authored by:

Leeanne Hooper GOVERNANCE LEAD

Approved by:

Joanne Lawrence GROUP MANAGER OFFICE OF THE CHIEF EXECUTIVE AND CHAIR

#### Attachment/s

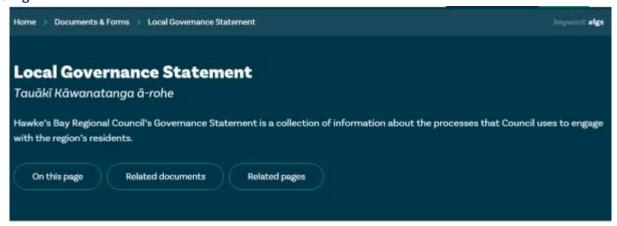
- **1** Local Government Act Section 40 Local Governance Statement
- **J 2** 2020 Local Governance Statement Sample Webpages

Local Government Act

# s.40 Local governance statements

- (1) A local authority must prepare and make publicly available, following the triennial general election of members, a local governance statement that includes information on—
  - (a) the functions, responsibilities, and activities of the local authority; and
  - (b) any local legislation that confers powers on the local authority; and
  - (ba) the bylaws of the local authority, including for each bylaw, its title, a general description of it, when it was made, and, if applicable, the date of its last review under section 158 or 159; and
  - (c) the electoral system and the opportunity to change it; and
  - (d) representation arrangements, including the option of establishing Māori wards or constituencies, and the opportunity to change them; and
  - (e) members' roles and conduct (with specific reference to the applicable statutory requirements and code of conduct); and
  - (f) governance structures and processes, membership, and delegations; and
  - (g) meeting processes (with specific reference to the applicable provisions of the Local Government Official Information and Meetings Act 1987 and standing orders); and
  - (h) consultation policies; and
  - (i) policies for liaising with, and memoranda or agreements with, Māori; and
  - (j) the management structure and the relationship between management and elected members; and
  - (ja) the remuneration and employment policy, if adopted; and
  - (k) equal employment opportunities policy; and
  - (I) key approved planning and policy documents and the process for their development and review; and
  - (m) systems for public access to it and its elected members; and
  - (n) processes for requests for official information.
- (2) A local authority must comply with subsection (1) within 6 months after each triennial general election of members of the local authority.
- (3) A local authority must update its governance statement as it considers appropriate.

#### Landing



# Page What is a Governance Statement?

Hawke's Bay Regional Council's Governance Statement is a collection of information about the processes that Council uses to engage with the region's residents.

It outlines how Council makes decisions and shows how residents can influence those processes. It also promotes local democracy by providing the public with information on ways they can influence local democratic processes.

Council's Governance Statement is a requirement of Section 40 of the Local Government Act 2002. Council must update the governance statement within six months of each triennial election.

This updated Governance Statement was adopted by Council on 27 March 2019.

### What are the Functions, Responsibilities and Activities?

Hawke's Bay Regional Council was established as part of the framework of Local Government (Local Government (Hawke's Bay Region)
Reorganisation Order 1989) whose purpose is to enable democratic local decision-making and action by, and on behalf of, communities. These decisions and actions are to promote the social, economic, environmental, and cultural well-being of communities, in the present and for the future.

All councils have the full capacity, rights, powers and privileges to carry on or undertake any activity or business, do any act, or enter into any transaction. However, the Regional Council must exercise these powers wholly or principally for the benefit of all or a significant part of its region and not for the benefit of a single district.

#### Functions

It is important to note that there are numerous statutes, which specifically identify regional councils as having a specific function and role in various activities. These include:

- Biosecurity Act 1993
- Building Act 2004
- · Civil Defence Emergency Management Act 2002
- Hawke's Bay Endowment Land Empowering Act 2002
- Land Drainage Act 1908
- Land Transport Management Act 2003
- · Local Electoral Act 2001 and Local Electoral Amendment Act 2013
- Local Government Act 2002
- Local Government (Rating) Act 2002
- Maritime Transport Act 1994
- Resource Management Act 1991
- Soil Conservation and Rivers Control Act 1941

These statutes have, to date, principally directed and determined the present responsibilities and activities of the Council.

#### Activities

Hawke's Bay Regional Council is this region's environmental management and economic development authority. We are all about the wise use of Hawke's Bay's natural resources, now and for generations to come. We are also all about the people of this region, employing our own passionate team of around 170 people who live all over Hawke's Bay and take pride in the work we do on your behalf.

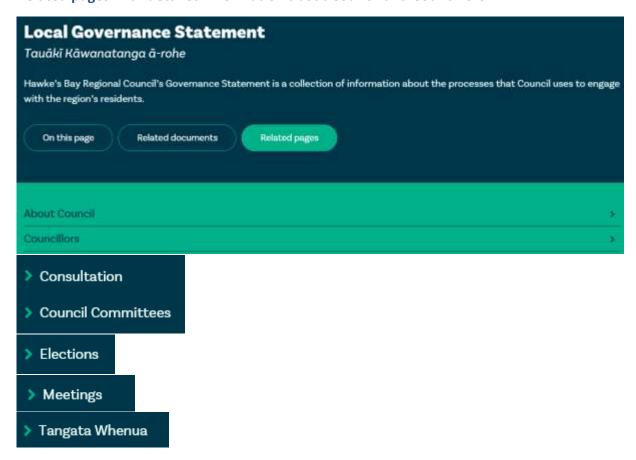
#### Our Role

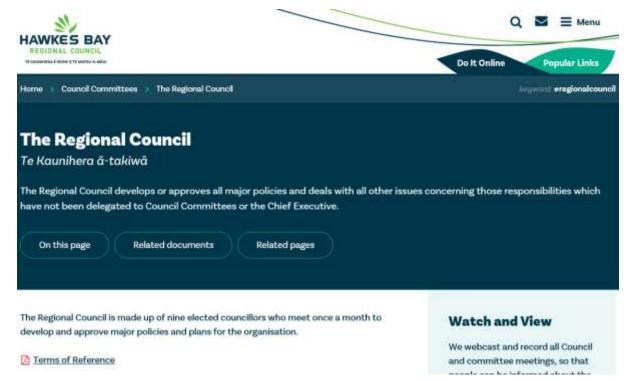
As an organisation, Hawke's Bay Regional Council enables the wise use of the region's natural resources, taking on a leadership role in the areas of:

- Natural resource knowledge and management
- · Natural hazard assessment and management
- Regional strategic planning
- Regional scale infrastructure and services, and
- · Economic development.
- Our Strategy at a glance
- Regional Council / District & City Councils What is the Difference?
- Legislation
- The Electoral System and the Opportunity to Change that System
- Representation Options
- Members' Roles and Responsibilities
- Governance Structures and Processes
- Meeting Processes
- Consultation
- Partnerships with Māori
- Management Structures and Relationships

- Council Controlled Organisations
- Equal Employment Opportunities (EEO) Policy
- Key Approved Planning and Policy Documents
- Information Processes

Related pages with detailed information about Council and Councillors







The most recent election was on 12 October 2019. Elected members are responsible for developing or approving all major policies to enable the Regional Council to achieve its vision for a prosperous region, a vibrant community, and a clean and healthy environment.

Hawke's Bay region is divided into 5 constituencies. The rural constituencies of Wairoa and Central Hawke's Bay are represented by one member each, Napier by three members, Hastings by three members and Ngaruroro by one member. Councillors elect the Chair at the first Regional Council meeting following a local body election.

# Elected Councillors for the 2019-2022 period



Rex Graham
Chair - Hastings



Rick Barker
Deputy Chair Hastings



Craig Foss
Councillor - Hastings



Hinewai
Ormsby
Councillor - Napier



Neil Kirton
Councillor - Napier



Martin
Williams
Councillor - Napier



Will Foley
Councillor - Central
Hawke's Bay



Jerf van Beek Councillor -Ngaruroro



Charles
Lambert
Councillor - Wairoa

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

#### Wednesday 11 March 2020

**Subject: REGIONAL WATER SECURITY** 

#### **Reason for Report**

1. This item provides Councillors with an update on the Regional Freshwater Security programme with a specific focus on the aligned work streams addressing medium term supply certainty for all water users in the Heretaunga and Tukituki districts.

#### **Introduction and Executive Summary**

- Regional freshwater supply security is one of Council's core responsibilities, particularly
  in the context of climate change. Such is the importance of freshwater to the
  environment, iwi, the broader community and the economy, certainty of freshwater
  supply arguably represents HBRC's most important area of impact on the long term
  wellbeing of the community.
- 3. The Regional Freshwater Security programme is a discrete work stream which forms a subset of Council's wider freshwater responsibilities and work streams, including freshwater quality initiatives that bridge both instream and land-based activities, allocation and enforcement regimes, continuous improvement in the region's regulatory framework (e.g. implementing the NPSFM), and the establishment and execution of key non-regulatory interventions that will deliver multi-value outcomes (e.g. the Erosion Control Scheme). In total, the focus on freshwater occupies a significant proportion of HBRC's overall resourcing and activity.
- 4. The programme is capital funded with \$5m through the current Long Term Plan and guided by the Freshwater Security Scheme Policy approved by Council in March 2019. Council has also secured approx. \$4.7m co-funding from the Provincial Growth Fund to support and accelerate the delivery of the programme's objectives:
  - 4.1. the completion and delivery of the Regional Water Assessment
  - 4.2. the conclusion of full feasibility on an option(s)/solution(s) for a Heretaunga flow maintenance scheme
  - 4.3. the conclusion of full feasibility on an option(s)/solution(s) for improving Tukituki freshwater supply security.
- 5. Staff are continuing to initiate a multitude of work streams across these three projects. While the Regional Water Assessment is more straightforward, the physical and social complexity of the Heretaunga and Tukituki projects commands the requirement for a clear and transparent decision pathway for governors in order to ensure wider community trust and confidence in these critical projects. Accordingly, the work under commission is focussed on scoping (problem definition, issues assessment and options analysis) so that governors can make decisions whether and how to proceed to prefeasibility as soon as possible.
- 6. Staff take the opportunity of this presentation to seek councillor decisions in relation to aspects of these scoping work streams and well as feedback on the extent to which the programme delivers on the ambitions of the combination of Council's policy and the Provincial Growth Fund's objectives.

#### Regional Freshwater Security Programme - Why?

7. In 2010 Stephen Solomon, author of "Water – The epic struggle for wealth, power and civilization" wrote:

"Every era has been shaped by its response to the great water challenge of its time. And so it is unfolding – on an epic scale – today."

- 8. Climate change will impact our freshwater systems in many ways and a transition to more extreme drought-flooding hydrological patterns could have profound consequences for freshwater ecosystems, and severe social and economic impacts. The effects of higher temperatures, declining precipitation and more frequent extremes will have implications not only for land and water management, but also community resilience and well-being (see also paragraphs 45 48).
- 9. That HBRC carries the highest level of responsibility for meeting this challenge in this region is reflected in the significance of its resourcing dedicated to improving freshwater quality and quantity, which is in turn driven by its statutory obligations under legislation, national direction and regulation. A qualitative analysis of the Strategic Plan demonstrates that over 50% of the organisations 23 Strategic Goals are directly linked to freshwater objectives. A similar exercise for the Long Term Plan identifies approximately 35% of HBRC's 48 core function Level of Service Measures as contributing to and resourcing improved freshwater outcomes.
- 10. This effort represents a core public-good function of this organisation and one which the ratepayers of this region rightly expect local government to provide. Measuring the objective impact of Council's provisions of public goods is difficult and in this instance presents the challenge of quantifying the value of loss avoidance as opposed to value of wealth creation. Whereas economic development traditionally focusses on economic growth in absolute terms, ensuring that the region's freshwater supply provides for both the environment's needs and the broader community's will ensure the region avoids both the costs and opportunity costs of mismanagement of our freshwater resource.
- 11. The impacts of failing to avoid a water-scarce future should not be underestimated. The summer of 2019-20 has witnessed multiple local and regional authorities having to grapple with acute and unexpected water deficits. Independent economic analysis completed for the TANK plan change demonstrated that the impacts of even relatively modest alterations to the reliability of water takes from the Ngaruroro River translated to negative GDP impacts in approaching \$100m per annum. Furthermore is was found through social and cultural assessment that poorer communities were likely to disproportionality bear the impact of lower water security. In this regard, sensible and sustainable management of our freshwater supply delivers long term benefits in an order of magnitude over and above other economic development and growth initiatives. A key part of the "Why" of this work will be captured in supporting analysis that will be provided to decision makers that will assess the economic and social impacts of inaction, or the 'do nothing' scenario.
- 12. The potential impacts of lower water security are increasingly coming into focus at a time when the demands for water security are only escalating. The 2018 census revealed that Hawke's population increased at the rate of 10% over 5 years, the highest rate of increase in the lower North Island. This growth likely reflects the buoyant economic growth the region is experiencing with Hawke's Bay annual GDP growth last year outstripping the national average. These statistics reflect the activity within the region including residential and commercial property growth, horticultural expansion on both the Heretaunga and Ruataniwha plains and the significant transport infrastructure investments completed in recent years to manage the movement of people and goods. The Port of Napier's capital requirements for Wharf 6 were a driver behind its successful listing by this Council.
- 13. The main focus of the Tukituki and Heretaunga projects is the investigation of water storage to carry winter water surpluses through to periods of summer deficit. However, regional freshwater security will not be achieved through storage alone. Our freshwater plan changes will continue to attempt to make more water available for the environment and communities through tighter allocation regimes as well as requirements for conservation and efficient use by all water users. Accordingly, this programme of work should be viewed as one of a matrix of interventions by HBRC to deliver a more certain freshwater future.
- 14. Therefore it is important to be transparent about the ideological driver behind this body of work. Climate change will inevitable intensify the competing tensions associated with

freshwater use and allocation. Water storage is seen by many as a maladaptation that only sustains unsustainable water use (particularly associated with agriculture and horticulture) in areas already experiencing environmental stress and now threatened by lower rainfall, drought and other climate disruption. A February 2020 report supported by MPI's Sustainable Land Management and Climate Change Fund observes how "debates over irrigation highlight the deeply held social, cultural and environmental values held by many New Zealanders about their natural environment, privileged groups and the delays in addressing the lock in of unsustainable intensification pathways, leading to overuse and compounding nutrient run-off, leaching and degradation of water quality."

- 15. With these factors in mind, this programme of work may be criticized for a lack of ambition by some who believe that our focus should be on larger scale storage solutions that solve for the environment, for growth and for future-proofing our communities all at once. The primary, but not sole, focus of this programme is to identify solutions, in the Tukituki and Heretaunga catchments, that seek to offset the collective environmental impact of our current use of water, and to recover the cost of this offset from water users as the price to pay for continuing to access existing reliability of supply (or reliability standards set down in a regional plan change). Apart from relatively small "growth" water opportunities (see Maori development below), the first objective is to find water for the purpose of environmental flows other than by way of radical and disrupting reductions in exiting water allocations. That is not to say that through the options analysis pathways ahead decision makers will not have opportunities to consider or direct a focus on storage options that can deliver on both environmental and growth objective (and in this regard it is further worth noting that in the Heretaunga Catchment the need to future-proof municipal and industrial water security will be equally as important as the issue of irrigation water security).
- 16. Policies guiding the funding of this programme (see next section) overtly refer to the requirement for Māori social and economic wellbeing to be addressed through the delivery of the programme. The proposals are consistent with the Crown's and Local Government's treaty partner obligations and that the programme provides concise, prioritised and specific opportunities to participate and benefit from individual projects. Identifying and developing solutions for undeveloped Māori owned land, or creating a pathway to take advantage of the TANK proposal to set aside an iwi-allocation of high-flow water on the Ngaruroro River are two such examples of opportunities that might be advanced through these projects, over and above the environmental objectives that will be on interest to tangata whenua and the wider community (see also paragraphs 49 51).

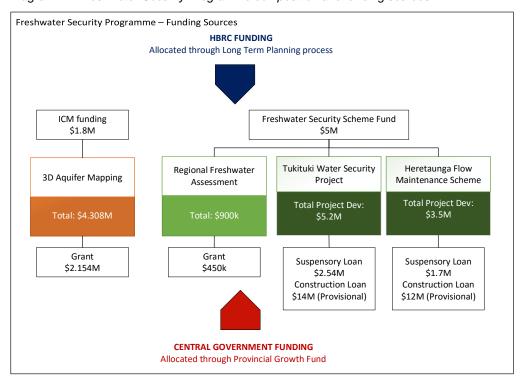
# Regional Freshwater Security Programme - What?

- 17. The 2018-28 LTP proposed the establishment of a \$5m fund to be available for water augmentation, not fixed to any particular programme but available for technical investigation and feasibility.
- 18. In late 2018 a guidance policy in respect of this funding was developed and the Freshwater Security Scheme Policy (Attach) was adopted by Council in March 2019. The policy states:
  - "Through experience and engagement, the Regional Council understands the region is demanding an integrated and holistic set of freshwater solutions. The Programme is part of a multi-layered approach to identifying and supporting the development of water management solutions that maximise the benefits of water available for users today, without compromising current and future ecosystem health or the ability of people to meet their needs in the future. Two concurrent work streams will set an evidence-based platform for community engagement and investigate opportunities for water security and reliability through conservation, efficiency or storage."
- 19. The policy proposed the \$5m be allocated between a technical investigation of the entire region's long term freshwater supply and demand balance and a 'ready reaction fund' to enable targeted investment for further investigation into and support for specific

initiatives. It was intended that the ready reaction fund be used where the Council has completed issues and objectives assessments with the community, such as the Tukituki and TANK catchments. These projects are described in greater detail in the next section.

- 20. Concurrently with the development of the Freshwater Security Scheme Policy the coalition government launched the Provincial Growth Fund, including a specific funding pool allocated to support water storage. The objectives of PGF investment are to:
  - 20.1. strengthen regional economies by shifting to higher value sustainable land uses
  - 20.2. address disparities in Māori access to water for land development
  - 20.3. support micro to medium-scale water storage projects that strengthen regional partnerships and provide wider public benefits
  - 20.4. support land use that does not increase and ideally reverses negative impacts on water quality, and maintains and improves the health of waterways.
- 21. In meeting these objectives, PGF investment will also consider how investment can:
  - 21.1. contribute to a transition to a low emissions economy and/or
  - 21.2. contribute to building community resilience to climate change
  - 21.3. provide an incentive to change land use that risks degrading the environment to high value more sustainable uses.
- 22. In early 2019 staff made a suite of applications to the PGF with a view to leveraging HBRC's Freshwater Security Scheme funding. The specifics of the PGF applications mostly mirrored what was originally proposed under the Freshwater Security Programme projects but with allowances for better alignment with the PGF's objectives.
- 23. Note that the 3D Aquifer Mapping project which secured PGF funding as a part of the application package is in fact a HBRC science project promoted and managed by the Integrated Catchment Management group. HBRC's co-funding share sits in ICM budgets and is not sourced from the \$5m sitting within the Freshwater Security Programme.
- 24. The four projects encapsulated under the Freshwater Security Programme are depicted in Diagram 1 including a breakdown of the primary funding sources and where this budget resides within the Council.

Diagram 1 – Freshwater Security Programme composition and funding sources



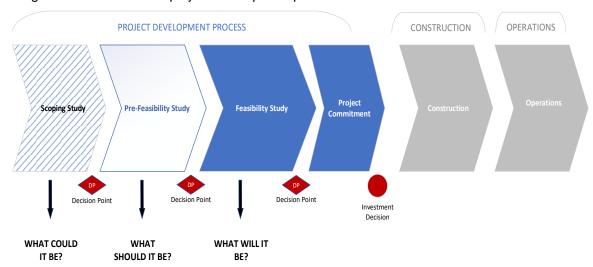
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- 25. The 3D Aquifer Mapping project uses the airborne electromagnetic technology developed by SkyTEM that provides imagery of our sub surface to depths of approximately 300m. It will provide a detailed coverage horizontally and to depths we haven't seen before. The data captured through this project will significantly enhance our understanding of the region's key aquifer systems in the Heretaunga, Ruataniwha and Poukawa/Otane Basins and provide information critical for effectively managing our freshwater resources in the future. The aerial operation was recently completed within budget and ahead of schedule. Now follows a two and half year comprehensive science work programme to process, analyse, interpret the data and develop (or enhance) select models.
- 26. The Regional Freshwater Assessment will put in place the framework and tools to collectively shape and generate pathways via a range of solutions for long term water use and management (with a horizon of 30-50 years). In pursuing an assessment of the region's water resources, linkages and synergies to environmental reporting and natural capital accounting practices are being employed to enhance the ability of local authorities, iwi and other stakeholders to make informed policy and investment decisions. This work is designed to support the region in taking a long-term outlook to ensure that our natural assets are valued, managed effectively and continue to balance the region's economic, social and cultural well-being.
- 27. The Tukituki Water Security project, centred around the Ruataniwha plains in Central Hawkes Bay, will identify and assess viable option(s) or pathways to:
  - 27.1. Mitigate the depletion impacts (both ground and surface)
  - 27.2. Recover the aquifer and groundwater system improving the health of the waterways; and
  - 27.3. Provide reliable access to a level of water necessary to secure a sustainable supply to the Tukituki Catchment.
- 28. These solutions are necessary to provide for growth water to provide viable options to the district in transitioning to lower emission land use (such as horticulture or other feasible alternatives) that demand increased water and certainty of supply.
- 29. The Heretaunga Flow Maintenance Project's origins lay in findings and recommendations of the TANK collaborative group and ultimately the policy direction of the draft TANK plan change. The Council, in conjunction with the TANK Community group, explored options strongly focussed on mitigating the impact of groundwater abstraction on the environment as well as maintaining acceptable standards of water security to current consent holders. This project aims first and foremost to mitigate the impacts of declining groundwater levels from groundwater abstraction to:
  - 29.1. Protect ground water dependent ecosystems and improve the overall health of our waterways; and
  - 29.2. Provide existing consent holders confidence of a secure and reliable water supply to sustain their current level of investment.
- 30. Additionally the solution aims to deliver "new" water to":
  - 30.1. Promote iwi well-being through access to a new allocation of water available at times of high and medium flow.
  - 30.2. Allow issuing of new consents to support smart growth to continue to contribute to the region's economic future.
- 31. The Heretaunga and Tukituki projects aim to develop and implement schemes that deliberately targets both the avoidance of loss in the region's economy (given the inevitable negative economic consequences of reduced levels of water security particularly in relation to investment decisions and community confidence) alongside the aim to unlock further potential and enable 'new' water to support smart growth.

# Regional Freshwater Security Programme - How?

- 32. The Regional Freshwater Security Programme is planned to be delivered over the next 3.5 years. Whilst projects will leverage resource and intelligence across the programme where applicable they are managed as individual projects and run to their own timelines. The Regional Water Assessment is due to be delivered within 12 months (Dec 20) and the 3D Aquifer Mapping project is scheduled to be completed by March 2023 with the first of the products released in March 2021. Both the 3D Aquifer Mapping project and Regional Water Assessment project plans are approved and in varying stages of design and delivery.
- 33. The Tukituki and Heretaunga projects differ somewhat in that each phase of project development is seeking to explore and assess viability to manage investment risk. They will follow a standard and accepted infrastructure development process and staged with clear and definitive decision points for Governors approvals. The plans for each phase will be submitted for approval following an assessment of ongoing viability and commitment.
- 34. The infrastructure process that the Tukituki and Heretaunga projects will follow is depicted in diagram 2 and whilst they will ultimately run to different timelines the process and decision points are consistent.

Diagram 2 – Infrastructure project development process



- 35. The Tukituki Water Security Project scoping and options analysis phase will draw upon previous studies completed and look to revise the outputs and assumptions based on current objectives. We propose a two-part study running on simultaneous but different tracks (and timelines) as storage options are explored and a Managed Aquifer Recharge (MAR) field pilot is run. This is an investigation to determine whether groundwater replenishment might form a tool or option that supports freshwater security objectives. In this respect we are looking to investigate MAR so as to 'rule it in or rule it out" as a long-term option in this catchment.
- 36. Exploring an optimal groundwater scheme is dependent on a related HBRC project that is building a Ruataniwha groundwater model (managed through HBRC's science team). Part one of the prefeasibility is planned to be completed by December 2020 and Part two by June 2021.
- 37. Staff have met with CHBDC who have expressed a strong desire for HBRC to step up momentum and engage community stakeholders during the process to help support and shape solutions. The Tukituki Leaders Forum, a group comprising key stakeholder representatives from across the district, has been put forward by the CHB District Council for the project to engage with to provide input and community intelligence. A consulting group, Catalyze, who specialise in supporting organisations with complex decisions and multi-stakeholder engagement was identified by the District Council as a potential candidate to support that forum. This will be similar to the role the consultancy Mitchell Daysh played in supporting the development of the Coastal Hazards Strategy.

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- 38. Subsequent discussions with the Tukituki Leaders Forum secured that group's approval to fulfil the role of community reference group and to receive presentations from Catalyze and Bob Bower from WGA (a hydrology consultancy) Mr Bower will discuss MAR and the opportunity to conduct a field pilot as part of the prefeasibility investigations. The project will subsequently be seeking a decision from Council to approve a MAR field Pilot, estimated at approximately \$1M, to be run for 12 months commencing during the pre-feasibility stage. The pilot would test whether MAR is a viable and effective tool that can work in tandem with water storage to replenish groundwater within Ruataniwha area. Councillors will also receive a presentation from Mr Bower on 25 March.
- 39. The Heretaunga Flow Maintenance project, as with the Tukituki project, will explore storage options that deliver the environmental outcomes in the first instance with an option of additional storage for "new" water. Similar to the Tukituki project, this work will revisit expert analysis completed in 2011 that identified medium-scale storage sites in the Ngaruroro catchments but this time seeking to identify small scale sites that are ideally located to feed water back into waterbodies affected by groundwater takes during periods of low flows. This information will be presented to decision makers as soon as it is available so that directions can be made in respect of a transition to prefeasibility investigations on preferred options. The pre-feasibility is planned to be completed by December 2020.

# **Programme Governance**

- 40. The 3D Aquifer Mapping project and the Regional Water Assessment sit as HBRC work streams with dedicated project management structures and operate according to normal internal accountability and governance structures.
- 41. However, for the substantially larger Tukituki and Heretaunga projects, the Provincial Development Unit's funding agreement directs HBRC to investigate a broader governance model that is consistent and aligned with the regional leadership's support of the application. Specifically, the agreement proposes that:

[HBRC] undertakes to comply with the following additional undertakings:

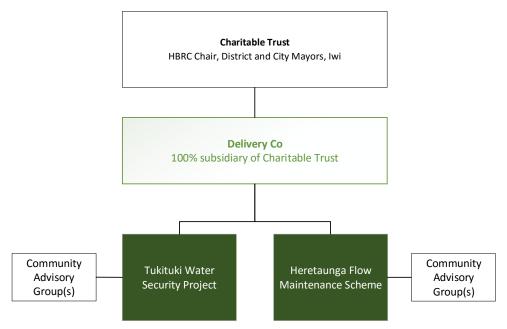
In recognition of the representations made by Hawke's Bay's regional leaders that water security was the agreed priority they wished the Ministry to consider and support for Provincial Growth Fund funding, [HBRC] undertakes that it will use reasonable endeavours, within 6 months from the date of this agreement to:

investigate and propose a model for the ownership, structure and governance of the Project, being the pre-construction phase of the Scheme, that is appropriate for Hawke's Bay and consistent with the priority of and interests in water; and

if required, transfer this Agreement and all other interests to an entity established under such a model;

subject to the Ministry's approval.

42. By way of example, PDU officials are particularly interested in a Charitable Trust model that has regional leaders and Treaty Partners as trustees who in turn incorporate a limited liability company to progress and deliver all the Tukituki and Heretaunga projects works teams through to the end of full feasibility (assuming either or both proceed to that stage). Under this model both HBRC and the PGF would retain oversight and accountability through funding agreements with the Charitable Trust. The following diagram is provided for illustrative purposes only.



43. Staff are seeking your approval to initiate a work stream that identifies and assesses a short list of programme governance models for council's consideration. The scope of work will allow for an assessment of options to include both legal and financial (including taxation) implications, canvassing of the views of those regional leaders who supported the PGF application, and a staff recommendation.

# Strategic Fit

44. In paras 9 above the alignment between this programme and both the Strategic Plan and the Long Term Plan are set out.

# **Climate Change Considerations**

- 45. Climate change will impact our freshwater systems in many ways and a transition to more extreme drought-flooding hydrological patters could have profound consequences for freshwater ecosystems, and severe social and economic impacts. The effects of higher temperatures, declining precipitation and more frequent extremes will have implications not only for land and water management, but also community resilience and well-being.
- 46. It is safe to say that we expect more extremes, which includes becoming more drought prone and more severe rainfall events leading to flooding, and this impacts the reliability and quality of the region's water resources. We expect temperatures to increase in our lakes, rivers and streams which will affect the freshwater ecology.
- 47. A February 2020 report supported by MPI's Sustainable Land Management and Climate Change Fund recorded that, under extreme climate scenarios, the Karamu catchment could experience up to 60 additional 'hot days' per year, 10% less spring rainfall and 10% more extreme rainfall and a 160mm increase in PED (potential evapotranspiration deficit or drought proneness).
- 48. In general, rainfall is projected to decrease across the region but there are seasonal differences. Even under a moderate climate change scenario, decreases in annual rainfall of up to 5% are projected for most of the region. The exceptions are coastal areas where an increase in annual rainfall of up to 5% is projected. At the seasonal scale, spring exhibits a drying signal across the region. In parts of the Hastings district the decrease in spring rainfall is projected to be up to 15%. Winter is the season with the largest increase in rainfall projected, with up to 10% more rainfall projected for parts of the Hastings district.

### **Considerations of Tangata Whenua**

49. The Provincial Development Unit's position paper "Water Storage and the Provincial Growth Fund" includes the following statement under the heading "PGF Investment Principles"

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**Māori land development**: Projects will be prioritised that support Māori to achieve higher returns from their land by addressing access to water. There are catchments where Māori have undeveloped land but low levels of access to water, which creates a barrier to Māori land development. A comparison of Kerikeri and Kaikohe illustrates the issues, where differences in levels of water storage and Māori ownership of land drive very different land prices and economic returns between the two towns. In parts of Northland and East Coast, Māori communities lack water as a key enabler of development.

- 50. HBRC's applications to the PGF specifically references the opportunities for these projects to contribute to Māori.
- 51. TANK has identified that higher temperatures and declining rainfall may reduce water availability, while demand for water is likely to increase. Freshwater resources also have significant cultural significance for Māori. Shading along riverbanks, stream flow and water quality have effects on aquatic habitats which support mahinga kai food gathering which is highly valued.

# **Financial and Resource Implications**

- 52. This paper has identified the existing LTP and PGF funding sources for this programme. Perhaps the greater risk right now is a failure to conclude full feasibility before June 2021 as a result of time delays in relation to the PGF application process and allocation of dedicated staff resourcing, combined with the general availability of both internal and external subject matter experts.
- 53. However, it is likely that HBRC will need to continue to resource a comprehensive work programme focussed on regional water security into the next LTP and beyond. Staff will be addressing the longer term resourcing requirements via the business cases for the 2021-31 LTP.
- 54. In respect of HBRC's financial contribution to or involvement in the ownership and/or construction of infrastructure, it is premature to speculate what shape or form that will be until such time a preferred options are under investigation. It is unlikely that this can or will align with the 2021-31 LTP consultation window, but it is a possibility. In any regard, Council's usual Significance and Engagement criteria will apply which will trigger the need for appropriate community consultation.

### **Decision Making Process**

- 55. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 55.1. The decision does not significantly alter the service provision or affect a strategic asset.
  - 55.2. The use of the special consultative procedure is not prescribed by legislation.
  - 55.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
  - 55.4. The decision is not inconsistent with an existing policy or plan.
- 56. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

### Recommendations

- 1. That the Corporate and Strategic Committee receives and considers the "Regional Water Security" staff report.
- 2. The Corporate and Strategic Committee recommends that Hawke's Bay Regional Council:

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- 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community.
- 2.2. Agrees that Council will continue to resource a comprehensive work programme focussed on regional water security into the next LTP and beyond.
- 2.3. Directs staff to further investigate alternative governance models for the Tukituki Water Security Scheme and the Heretaunga Flow Enhancement Scheme that that will identify and assess a short list of programme governance models for recommendation to Council for adoption.

Authored by:

Amanda Langley PROJECTHAUS

Michelle McGuinness COMMUNICATIONS ADVISOR

Approved by:

Tom Skerman
GROUP MANAGER STRATEGIC
PLANNING

# Attachment/s

There are no attachments for this report.

# HAWKE'S BAY REGIONAL COUNCIL

### CORPORATE AND STRATEGIC COMMITTEE

# Wednesday 11 March 2020

# **Subject: STRATEGIC BI-LATERAL ARRANGEMENTS**

# **Reason for Report**

1. This item provides the opportunity for the Committee to discuss the establishment of bilateral meetings between Hawke's Bay Regional Council (HBRC) and the TAs across the region to ensure consistent engagement on infrastructure challenges and issues that impact on the receiving environment, taking into account the effects of climate change.

# Officers' Recommendation(s)

2. Council officers recommend that the Hawke's Bay Regional Council Chairman and Chief Executive put forward a proposal to the next available HB Local Government Leaders Forum to establish regular bilateral meetings with the governors of each of the four territorial authorities in the region, with the broad scope of discussion to cover matters linked to the provision of urban infrastructure including resilience and adaptation to climate change, long term asset management planning, long-term water quality and ecological goals, and agreed public communications.

# **Background**

- HBRC's Risk Register identifies human health effects from contamination of drinking water as the number one risk for HBRC. The management of this risk has been a significant focus of HBRC work programmes since 2016.
- 4. During consideration of the 2018-19 Compliance Annual Report in November 2019, a request was made for the establishment of regular governance level bilateral meetings with each of the four territorial authorities in the region, to focus on raising awareness of issues with their infrastructure that may impact upon the receiving environments.

### **Options Assessment**

- 5. At a strategic level governance engagement occurs with the territorial authorities through a number of avenues including:
  - 5.1. Local Government Leaders' Forum
  - 5.2. Joint Drinking Water Governance Committee
  - 5.3. Matariki Economic Development
  - 5.4. Regional Transport Committee and other joint committees
  - 5.5. Joint regional briefings
- 6. At an operational level HBRC and TA staff engage on an almost daily basis across a broad range of matters including those listed above, and also liaison on such matters as resource consent compliance, stormwater management, forestry slash management, and a myriad of other issues.
- 7. What is potentially missing is engagement at a governance level that allows for more indepth discussion and understanding of the issues and challenges faced by the TAs in designing and funding their infrastructure and the impacts of managing their effects on the environment.
- 8. HBRC consents new infrastructure applications from a territorial authority but generally has little line of sight of long-term asset and infrastructure planning by the TAs. Conversely, the TAs may not have the benefit of HBRC knowledge of the receiving environment or source environment. Informative exchanges from both sides will assist in greater understanding of one another's challenges.

9. The establishment of bi-lateral meetings will enable discussions to occur at a political level that are beyond the bounds of regulatory matters, the latter of which are by necessity prescribed by resource management legislation, plans and resource consent applications. This will allow councillors to have a more complete picture of the resourcing challenges and planning intentions of TLAs in relation to their infrastructure, the information for which is not always available through regulatory processes.

### **Communication and Collaboration**

- 10. The Hawke's Bay Triennial Agreement 2019-2022 (currently in draft but required to be ratified by March 2020) provides the framework for local government in Hawke's Bay to work collaboratively and improve communication and coordination at all levels. One of the principles of the agreement is that the parties support the establishment of processes for communication and collaboration at both governance and management levels in ways that will enhance the overall performance and reputation of local government in the region.
- 11. The strategic priorities in the Triennial Agreement include water and climate change and the agreement acknowledges that cooperative approaches can be further developed in the following areas:
  - 11.1. Water freshwater management issues, including Three Waters infrastructure and service delivery to meet the requirements of central government reform
  - 11.2. Climate change the development of a coordinated response to a changing climate, including integration with regional transport and hazard management planning.
- 12. While the agreement envisages that these cooperative approaches will occur at a combined council level there is also scope to consider these matters at a more focused HBRC-individual TA level, especially as these matters relate to the resource consents held by the TAs.

### **Resource Consents**

- 13. The four territorial authorities whose land areas lie completely with the Hawke's Bay region all have resource consents from HBRC for a range of their activities. These include (but are not limited to):
  - 13.1. Wastewater discharges into the coastal environment (Napier, Hastings and Wairoa)
  - 13.2. Wastewater discharges into fresh water (Central Hawke's Bay)
  - 13.3. Stormwater discharges into the coastal environment
  - 13.4. Municipal water takes from aquifers or from rivers
  - 13.5. Landfill consents
  - 13.6. Air discharges
  - 13.7. Consents for culverts etc. as part of roading infrastructure
  - 13.8. Coastal protection works
- 14. These activities generally operate within compliance of their resource consents, but from time to time events occur outside of that which is consented and the environmental consequences and public reaction can be significant.

### Strategic Fit

- 15. The proposal for strategic bi-lateral meetings will assist Council to achieve its strategic goals and objectives in the Sustainable Services and Infrastructure area, including:
  - 15.1. High performing regional infrastructure enables the region's natural resources to transform into goods and services that underpin the prosperity and wellbeing of the Hawke's Bay community

- 15.2. The region has resilient physical, community and business infrastructure to unlock potential growth and prosperity from our natural resources base
- 16. The proposal also reinforces the organisation's values of partnership, collaboration and accountability as a means to:
  - 16.1. Work with our community in everything we do
  - 16.2. Hold ourselves to account to deliver results, be responsive to community expectations, and the best use of ratepayers' funds and assets
  - 16.3. Develop our skills and capacity to partner with Tangata Whenua, communities, councils, central government, businesses, farmers and growers for collective action
  - 16.4. Clearly identify the core business priorities for our communities and target our resources and capabilities for tangible results, alongside the resources of partners.

### Consultation

17. The Chair and CEO of HBRC will consult with their territorial council peers and invite them to take part in the bi-lateral meetings.

# **Financial and Resource Implications**

18. The meetings would be expected to fall within a business-as-usual scope and no additional staff resources are envisaged. ,There will be minor expenses incurred within the Governance budget in terms of travel and incidental expenses.

### **Next Steps**

- 19. It is proposed that the HBRC Chair and CEO put forward a proposal at the next Local Government Leaders Forum for the institution of bilateral meetings between relevant councillors from each TA (for example the chair and deputy chair of the committee responsible for infrastructure/environment) and the HBRC councillors for that territorial authority area.
- 20. The following format is put forward to precipitate further discussions on the scope and format of bilateral meetings:
  - 20.1. The meetings are held four times a year and are hosted by the relevant territorial authority
  - 20.2. The broad scope of discussion will cover matters inked to the provision of urban infrastructure including resilience and adaptation to climate change, long term asset management planning, long-term water quality and ecological goals, and agreed public communications.
  - 20.3. An agenda is circulated prior to the meeting and notes are kept of the meetings for reporting to the relevant HBRC meeting. These meetings are not public meetings for the purpose of the LGOIMA Act.
- 21. Should this (or any amended) approach be agreed to, this will be presented as an item for a decision at the next Corporate and Strategic Committee meeting.

# **Decision Making Process**

- 22. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 22.1. The decision does not significantly alter the service provision or affect a strategic asset, and is not inconsistent with an existing policy or plan.
  - 22.2. The use of the special consultative procedure is not prescribed by legislation.
  - 22.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.

### Recommendations

That the Corporate and Strategic Committee:

- 1. Receives and considers the "Strategic Bi-lateral Arrangements" staff report.
- 2. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring with the community.
- 3. Requests that the Hawke's Bay Regional Council Chairman and Chief Executive put forward a proposal to the next available HB Local Government Leaders Forum to establish regular bilateral meetings with the governors of each of the four territorial authorities in the region, with the broad scope of discussion to cover matters linked to the provision of urban infrastructure including resilience and adaptation to climate change, long term asset management planning, long-term water quality and ecological goals, and agreed public communications.

Authored by:

Liz Lambert
GROUP MANAGER REGULATION

Approved by:

James Palmer CHIEF EXECUTIVE

# Attachment/s

There are no attachments for this report.

# HAWKE'S BAY REGIONAL COUNCIL

### CORPORATE AND STRATEGIC COMMITTEE

# Wednesday 11 March 2020

# Subject: HBRC AGRICHEMICAL COLLECTION SERVICE FUNDING

# **Purpose**

 This item seeks the Corporate and Strategic Committee's recommendations on continued funding of the Hawke's Bay Regional Council Agrichemical Collection scheme for the 2019-20 financial year and the continued funding of the scheme for future financial years. A number of options are presented to the Committee for its consideration and recommendation to Council.

# **Background**

- 2. The Council currently provides a service to ratepayers for unwanted agrichemical collections. Until 2015, a full time staff member employed by the council, who would arrange collections and disposal fulfilled this service. Since 2015, this service has been contracted out to the 3R Group who operate this program on council's behalf. The costs of compliance and adherence with health and safety restrictions for chemical collection, handling and storage has meant that it was more economical to contract the service out.
- 3. The service currently collects unwanted agrichemicals from rural and urban property owners within the region, most of which are private users. Some smaller commercial operations are also captured by the service but larger agricultural operations are not subsidised.
- 4. The purpose of the collection service was originally to remove stores of legacy chemicals and ensure that they were disposed of appropriately rather than discharged into our environment. Although we would expect the legacy chemicals to eventually dwindle and collection costs to decrease over time, we are seeing a reversal of this trend in recent years. There are a number of factors that may be contributing to this trend:
  - 4.1. Organic certification, as producers and small holders switch to organic agriculture strict audits by certifying organisations results in the removal of all non-organic chemicals from properties
  - 4.2. Restrictions on chemicals, chemicals on the market are constantly under review by the Environmental Protection Authority and global bodies and every decade more and more chemicals are removed from permitted use or manufacture discontinued
  - 4.3. Grower audits, overseas buyer groups such as large chain supermarkets in the UK impose audit requirement on growers, which further restricts what chemicals can be used. A combination of grower audits and regulation results in bulk chemicals purchased to save money being restricted and needing disposal
  - 4.4. Increased public awareness over the past few years and especially with the recent product stewardship and freshwater regulations coming in has resulted in more enquiries and people wanting to safely dispose of chemicals and agrichemicals.

### **Current Situation**

- 5. Council annually contributes \$40,000 alongside another \$30,000 from AgRecovery to fund the service. Hawke's Bay is one of the few regions in New Zealand that still operate a subsidised collection service.
- 6. In the period 1 July to 24 December 2019, the service collected <u>2.160 tons of unwanted agrichemicals</u> (manifests appended). Of this total, <u>651.8kg were solid and liquid chemicals of an unknown concentration and variety.</u>

- 7. The unknown chemicals are often older with worn labels and are most representative of legacy chemicals presenting the highest environmental risk. However, other chemicals that are being collected are considered non-legacy chemicals and are still approved for use in New Zealand.
- 8. Unwanted chemicals that are still permitted for use and manufacture in New Zealand should be returned to the manufacturer for disposal. It is the view of Council staff that current chemicals available for purchase and use should not be eligible for collection.
- 9. For 2019-2020 the collection service has already spent the total \$70,000 allocated funding for the period July 2019 to June 2020 and AgRecovery are not putting up any more money this financial year.
- 10. The total budget for hazardous waste and contaminated land at \$108,000 for the 2019-20 period, and the remaining \$68,000 hazardous waste budget is already allocated to other projects.
- 11. There are four potential options for managing the service until the end of the period which are presented below:

### 11.1. Option 1

The service continues as is with collection of all unwanted chemicals at a projected additional cost of \$40,000 if the current trend continues. The costs for this option cannot be accommodated by the current budget and would represent a budget overspend of \$40,000.

# 11.2. Option 2

Council funds 50% of all collections regardless of the chemical. Partially subsidising all collections would still provide incentive to customers to dispose of chemicals appropriately while limiting the costs to Council. The costs for this option is likely to be \$20,000 if the current trend continues which cannot be accommodated by the current budget.

### 11.3. Option 3

High-risk chemicals are fully subsidised while a user pays system is implemented for low-risk chemicals. Fully subsidising high-risk chemicals would maximise the potential environmental benefits from the service by ensuring appropriate disposal of the most toxic chemicals. High-risk chemicals currently make up 36% of the total collection volume. This option is likely to cost \$15,000 additional non-budgeted cost. Once spent the user would pay for the remaining high-risk chemicals not covered by this subsidy.

# 11.4. Option 4

The allocated funding for the year has been used and no additional funds are put forward during this period. Not topping up funding could result in an increase of dumped high-risk chemicals or may push the problem into next year, as people will hold onto product until it is free to dispose of in the 2020-21 period when more funding becomes available.

### Staff Recommendations Short Term 2019-2020 Period

12. Staff recommended Option 3, funding for the up to an additional \$15,000 to subsidise the collection costs of the more hazardous high-risk chemicals and then no further funding until the 2020-21 period. Once spent the user would pay for the remaining high-risk chemicals not covered by this subsidy.

### **Future Funding Options**

13. This is a timely opportunity to seek the Sub-Committee's recommendations for our approach to the long-term funding requirements and options for this service. We could apply the same options presented above to the long-term funding of the service or whether Council should continue to subsidise the collection of chemicals that are predominantly no longer legacy agrichemicals.

# 13.1. Option A

HBRC cease funding the service as many regional councils have already done and put the funding to other contaminated land investigations and projects. There are a reasonable level of businesses within the Hawke's Bay region that offer chemical collection services, although these services are limited in the Wairoa District and cost of private collection may be prohibitive for many people.

### 13.2. Option B

HBRC could contribute instead to HazMobile collection events held annually by the district and city councils. These events target residential users and tend to exclude commercial users, which could make our funding go further. It is recommended that we restrict our collections to non-commercial users only as business owners should take this responsibility and cost into account as part of their operations. Staff would work with Wairoa District Council to establish and run a HazMobile collection service annually to cover disposal in the district.

# 13.3. Option C

A partially subsidised service would provide some incentive for responsible disposal practices while providing a service to ratepayers. It could be beneficial to keep some incentive in place to avoid illegal disposal of agrichemicals into the environment. However, there is greater awareness of the impacts of illegal disposal and people feel compelled to dispose of waste appropriately. Additionally we could look to restrict the type of chemicals that are collected to higher risk chemicals such as unidentified substances or known high-risk chemicals such as unknowns, DDT and other organochlorides. This would encourage users to be more conscious of the agrichemical types and volumes when purchasing and provide a more targeted service for higher risk chemicals. We could also limit the access of commercial operators to the service by providing fully subsidised collections for domestic use products but only subsidising 50% of commercial operator collections.

### Staff Recommendations LTP 2021-2031

- 14. For long-term funding, staff seek the Sub-committee's advice on options A, B and C presented above. At current staffing levels, HBRC do not have the resources to manage collections ourselves. If option B is preferred, then staff recommended that restrictions be placed on the range of chemicals eligible for subsidised collection.
- 15. Alternatively council could part fund HazMobile collections on an annual basis where collections are pre-booked and can be managed by chemical type, volume and total cost of disposal to ensure that the budget is not exceeded.

# **Climate Change Considerations**

16. This matter does not contribute towards climate change mitigation or adaption response, either directly or indirectly.

# **Consideration of Tangata Whenua**

17. This matter is not anticipated to impact Tangata whenua, either directly or indirectly.

### **Decision Making Process**

- 18. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
  - 18.1. The decision does not significantly alter the service provision or affect a strategic asset
  - 18.2. The use of the special consultative procedure is not prescribed by legislation
  - 18.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy

- 18.4. The persons affected by this decision are ratepayers in the rural areas of the region that currently utilise the collection service
- 18.5. The decision is not inconsistent with an existing policy or plan
- 18.6. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

### Recommendations

- 19. That the Corporate and Strategic Committee:
  - 19.1. Receives the "HBRC Agrichemical Collection Service Funding" staff report
  - 19.2. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion under Sections 79(1)(a) and 82(3) of the Local Government Act 2002 and make decisions on this issue without conferring directly with the community and persons likely to be affected by or to have an interest in the decision.
  - 19.3. Agrees to Option 3 and recommends that Council fund up to an additional \$15,000 to subsidise the collection costs of the more hazardous high-risk chemicals and then no further funding until the 2020-21 period. Once spent the user would pay for the remaining high-risk chemicals not covered by this subsidy.
  - 19.4. Advises staff on a preferred option (A, B and C presented above) for future funding the Agrichemicals collection scheme, this will help with budget preparations for LTP 2021-2031.

# Authored by:

Jack Blunden
ENVIRONMENTAL OFFICER COMPLIANCE

Nick Zaman
MANAGER COMPLIANCE

# Approved by:

Liz Lambert GROUP MANAGER REGULATION

# Attachment/s

1 Chemical collection disposal manifest - disposal options breakdown

36%

30%

34%

100%

Total volumes 19/20 % of total

785.7

643.6

731.2

2160.5

Copy of Chemical collection disposal manifest - disposal options breakdown (002)

Disposal Rating Explanation

All combined

Requires offshore disposal/most hazardous

2 Can be disposed of within NZ (not as hazardous)

3 Least hazardous, generally can be disposed of via trade waste

9940 8 9942/3 U 9942/4 U 9942/5 U 9942/6 U 9942/7 U 10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U	Sun Red Bud Wise Unknown Powder Unknown Powder Unknown Powder Unknown Powder Unknown Liquid Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid Dunston 15 Weedkiller Unknown Powder	1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1 1	4 3 1 10 5 5 3 200 20 1 4	litres kilograms	(kg) 4.2 5.1 0.6 7.4 4.8 4.9 2.7 175 20.8	Linknown Linknown Linknown Powder Linknown Powder Linknown Powder Linknown Powder Linknown Lindig	1 1
9942/3 U 9942/4 U 9942/5 U 9942/6 U 9942/7 U 10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Powder Unknown Powder Unknown Powder Unknown Liquid Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid Unknown Liquid	1 1 1 1 1 1 1 1 1 1 1	1 10 5 5 3 200 20 1	kilograms kilograms kilograms kilograms kilograms litres kilograms kilograms	5.1 0.6 7.4 4.8 4.9 2.7 175	Einknown Powder Unknown Powder Unknown Powder Unknown Powder Unknown Ligurd	
9942/4 U 9942/5 U 9942/6 U 9942/7 U 10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Powder Unknown Powder Unknown Liquid Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid Unknown Liquid	1 1 1 1 1 1 1 1 1 1	10 5 5 3 200 20 1 4	kilograms kilograms kilograms kilograms litres kilograms kilograms	7.4 4.8 4.9 2.7 175	Unknown Powder Unknown Powder Unknown Powder Unknown Ligard	
9942/5 U 9942/6 U 9942/7 U 10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Powder Unknown Liquid Unknown Liquid Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid Unknown Liquid	1 1 1 1 1 1 1 1	5 5 3 200 20 1 4	kilograms kilograms kilograms litres kilograms kilograms	4.8 4.9 2.7 175	Linknown Powder Linknown Powder Unknown Ligard	
9942/6 U 9942/7 U 10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Powder Unknown Liquid Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid Unknown Liquid	1 1 1 1 1 1 1	5 3 200 20 1 4	kilograms kilograms litres kilograms kilograms	4.9 2.7 175	Linknown Powder Unknown Ligurd	
9942/7 U 10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Liquid Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid	1 1 1 1 1 1	3 200 20 1 4	kilograms litres kilograms kilograms	2.7 175	Unknown Liquid	
10024 U 9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U	Unknown Liquid THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Unknown Liquid Unknown Liquid	1 1 1 1 1	200 20 1 4	litres kilograms kilograms	175		
9879 T 9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	THIRAM THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Dunston 15 Weedkiller	1 1 1 1	20 1 4	kilograms kilograms			
9880 T 10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	THIRAM Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Dunknown Liquid Dunston 15 Weedkiller	1 1 1	1 4	kilograms	20.8	2000 CONTRACTOR	
10184 U 10062 B 9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Liquid Bladex 50 SC Unknown Liquid Unknown Liquid Dunston 15 Weedkiller	1 1 1	4		2.4	HIRAM	
9962 U 9963 U 9965 D 9960/1 U 10086 D	Bladex 50 SC Unknown Liquid Unknown Liquid Dunston 15 Weedkiller	1			2.4	THIRAM	
9962 U 9963 U 9965 D 9960/1 U 10086 D	Unknown Liquid Unknown Liquid Dunston 15 Weedkiller	1		litres	3.2	UNKBOWN CYANAZINE	
9963 U 9965 D 9960/1 U 10086 D	Unknown Liquid Dunston 15 Weedkiller		10	kilograms litres	20.4		-
9965 D 9960/1 U 10086 D	Dunston 15 Weedkiller		5	litres	6.1	Unknown	
9960/1 U 10086 D	The state of the s	1	30	kilograms	22	Check label for Active	
10086		1	1	litres	4.6		
	DDT	1	200	grams	0.2		
	LIQUID THIBENZOLE CONCENTRATE	1	5	litres	4	thiabendazole	
	Unknown Liquid	1	5	litres	5.5	Unknown	1
	Unknown Liquid	1	5	litres	5.6		
	Unknown Liquid	1	5	litres	5.6	linknown:	
10094 L	Unknown Liquid	1	5	litres	2.7	Centenam	
10095 U	Unknown Liquid	1	5	litres	4.9	Unknown	3
10096 S	Seaweed	1	20	litres	20		
10100 U	Unknown Liquid	1	10	litres	19.1		
10102 L	Unknown Liquid	1	5	litres	11.1		
10120 U	Unknown Liquid	1	1	litres	5		- 3
10120/2 L	Unknown Liquid	1	1	litres	0.8	Unknown LTCLHD	- 1
10122 U	Unknown Liquid	1	5	litres	5	Dekamin	
10125 U	Unknown Liquid	1	5	litres	2		i i
10139 U	Unknown Solid	1	5	kilograms	1.2		- 1
	Unknown Solid	1	5	kilograms	5.7		
	Unknown Powder	1	5	litres	4.7	Linknown Powder	
	Unknown Powder	1	5	litres	0.3	Unknown Powder	1 1
	Unknown Liquid	1	5	litres	0.2	Wiknown Liquid	-1
	Unknown Liquid	1	5	litres	2	Unknown Liquid	
	Unknown Powder	1	25	kilograms	2	Unknown Pawder	
	Unknown Powder	1	1	kilograms	2		<del></del>
	Unknown Liquid	1	10	litres	2.3		
	Unknown Liquid Unknown Powder	1 1	10	litres kilograms	10 8.9		
CONTRACTOR OF THE PARTY OF THE	Unknown Powder	1	20	kilograms	16.5		-
	DDT	1	150	grams	0.3		
	Unknown Solid	1	150	grams	0.5		
	Bandamine	1	1	litres	2	MCDB & MCDB	-
	Unknown Liquid	1	35	litres	18.2	Unknown House	
	Unknown Liquid	1	20	litres	27		1 7
	Unknown Liquid	1	200	millilitres	0.5	Driknown Liquid	
	Unknown Liquid	1	500	millilitres	0.8		
11227 L	Unknown Liquid	1	1	litres	3.2	Unitrown Liquid	3
	Unknown Liquid	1	10	litres	20.6	Driknown Liquid	1
11228/1 U	Unknown Liquid	1	10	litres	10.3		
11228/2 U	Unknown Powder	1	0.5	grams	0.5	Unknown Powder	
11286	Unknown Liquid	1	25	litres	10	Linknown Liquid	
	BACSEAL SUPER	1	2	litres	0.4		
12302		1	1	kilograms	3	000	
	Unknown Liquid	1	5	litres	5.6	Unknown Liquid	
	Unknown Liquid	1	5	litres	13.7	Drienown Liquid	
	Unknown Liquid	1	10	litres	12.4	Unknown Liquid	3
12307	Unknown Liquid	1	10	litres	8.5	Unknown Liquid	

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ITEM 10 HBRC AGRICHEMICAL COLLECTION SERVICE FUNDING	PAGE 123

Booking		No of		Unit of	Final Qty		
ID	Chemical/Common Name	Containers	Pack Size	Measure	(kg)	Active Ingredient	Disposal Rating
12308	Unknown Liquid	1	1	litres	1	Linknown Liquid	
12311	Unknown Liquid	1	3	litres	3	Unknown Liquid	
	Unknown Liquid	1	5	litres	0.3	Linknown Liquid	1
	Unknown Liquid	1	5	litres	1.3	Linknowis Liquid	
	Unknown Solid	1	3	kilograms	5.3	Linknown Solid	
12312/1	Unknown Liquid	1	1 -	litres	0.5	Unknown Daniel	3
12315/2 12312/2	Unknown Solid	1	5 0.5	kilograms litres	0.5	Unknown Solid	
12312/2	Unknown Liquid Unknown Liquid	1 1	20	litres	15.9	Driknown Liquid	
12312/4	Unknown Liquid	1	20	litres	10	Unknown Liquid	
12312/5	Unknown Liquid	1	10	litres	11	Linknown Liquid	
	Unknown Liquid	1	10	litres	9.8	Unknown Uquid	
	Copper Sulphate	1	20	kilograms	48	Unknown Solid	- 1
13337/1	Unknown Liquid	1	5	litres	2.5	Lmanown-Liquid	
13337/2	Unknown Liquid	1	1	litres	0.8	Linknown Liquid	
13337/3	Unknown Liquid	1	1	litres	1.2	Linknown Liquid	
13337/4	Unknown Liquid	1	1	litres	1	Unknowii Liquid	
13337/5	Unknown Liquid	1	1	litres	0.3	Undersown Liquid	
13355	Unknown Liquid	1	10	litres	9.8	Manown Liquid	
13355/2	Unknown Liquid	1	10	litres	7.8	Makinowa Uguid	
13351	Systhane 400 WP Fungicide	1	480	grams	0.4	MYGGOBUTANIE	9
13353	Unknown Liquid	1	10	litres	17.4	Linknown Liquid	
13360/6	Unknown Powder	1	25	kilograms	25	Unknown Powder	
	Unknown Liquid	1	1	litres	1.4	Contractors Liquid	3
	YATES TURFIX	1	500	millilitres	0.2	тера, тесоргор	1
	Acierto	1	20	litres	12.8	ACETOCHLOR	
	MAGISTER	1	5	litres	2.1	CLOM/AZONE	A A
	MCPA	1	20	litres	4.4	MCPA	
	Ombre	1	10	litres	8.4	ALACHLOR	
13421	PULSAR	1	10	litres	3.7	BENTAZONE, MCPB	
13415	Tordon Brushkiller XT	1	1	litres	1.2	Triclopyr butonyethyl ester: TRICLOPYR BEE_PICLORAM, Aminopyralid	
	Tordon	1	5	kilograms	1	PICLERAM	
	Transform	1	1	litres	0.5	Suffixellor	
	VERSATILL HERBICIDE	1	1	litres	0.2	CLOPYRALID	
13412/2	VERSATILL HERBICIDE	1	1	litres	1.4	CLOPYRALID	
13412/3	VERSATILL HERBICIDE	1	1	litres	1.1	CLOPYNALID	
	YATES TURFIX	1	1	litres	0.7	mcpa: mecoprop	
9917	BAVISITIN	1	500	grams	0.6	CARBENDAZIM	
9930	Biomin Zinc	1	5	kilograms	11.1	ZINC OXIDE	
9941	Calcium Nitrate	1	10	kilograms	13.2	Nitric acid, ammonium calcium salt	
10022	HI CANE	1	200	litres	175	HYDROGEN CYANAMIDE	
9881	COPPER OXYCHLORIDE	1	10	kilograms	10.4	COPPER OXYCHLORIDE	
9881/1	COPPER OXYCHLORIDE	1	10	kilograms	10.4	COPPER OXYCHLORIDE	3
9881/2	COPPER OXYCHLORIDE	1	10	kilograms	10.4	COPPER OXYCHLORIDE	
9881/3	COPPER OXYCHLORIDE	1	10	kilograms	5.6	COPPER OXYCHLORIDE	
9881/4	COPPER OXYCHLORIDE	1	10	kilograms	8.3	COPPER OXYCHLORIDE	
9878	KOCIDE	1	15	kilograms	7.3	COPPER OXYCHLORIDE	
9900	PINDONE RABBIT PELLETS	1	10	kilograms	8.1	PINDONE	
10185/1	Copper Crome Arsenate	1	50	litres	41	Copper, Chromium, Arsenic	- 2
9968	Bluestone Copper Sulphate	1	20	litres	12.2	copper sulphate	
9969	Farmguard Mono Zinc	1	20	litres	12.4	ZINC SULPHATE MONOHYDRATE	
9960	WARBEX	1	1	litres	1.2	FAMPHUR	
10118	AGPRO MSMA 600	1	5	litres	5	methylarsinic acid	
10008	ALLIANCE	1	5	litres	12.4	ABEMECTIN/LAVAMISOLE/OXFENDASOLE	
10107	ATRAZINE	1	5	litres	1.6	ATRAZINE	
10031	Headland Sulphur	1	10	litres	12.3	SULPHUR	3
10148	Headland Sulphur	1	10	litres	15	SULPHUR	
10018	HYDROCHLORIC ACID	1	20	litres	4.8	HYDROCHLORIC ACID	

785.7

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Booking ID	Chemical/Common Name	No of Containers	Pack Size	Unit of Measure	Final Qty (kg)	Active Ingredient	Disposal Rating
10117	Magnesium Sulphate	1	10	litres	4.2	magnesium sulphate	2
10146	Moss & Mold	1	5	litres	1.8	SODIUM HYPOCHLORITE	2
10085	NISSORUN	1	500	grams	0.5	HEXYTHIAZOX	2
10127	Nuvan 100EC	1	1	litres	1.4	Dichlorovos	2
10127/2	Nuvan 100EC	1	1	litres	0.3	Dichlorovos	2
10015	Q-drench Multi-Combination Drench for Sheep	1	10	litres	8.1	LEVAMISOLE HYDROCHLORIDE;CLOSANTEL,	2
10009	Levebon	1	20	litres	13.1	LEVAMISOLE	2
10020	Vetinary LSD	1	1	litres	1.4	iodine,selenium,Vitamin A,D,E	2
10020/2	Vetinary LSD	1	1	litres	1.4	iodine,selenium,Vitamin A,D,E	- 2
	Vetinary LSD	1	1	litres	1.4	iodine,selenium,Vitamin A,D,E	2
	Vetinary LSD	1	1	litres	1.4	iodine,selenium,Vitamin A,D,E	2
	Vetinary LSD	1	1	litres	1.3	iodine,selenium,Vitamin A,D,E	2
	Vetinary LSD	1	1	litres	1.3	iodine,selenium,Vitamin A,D,E	2
-	Vetinary LSD	1	1	litres	0.6	iodine,selenium,Vitamin A,D,E	2
	Vetinary LSD	1	1	litres	0.5	iodine,selenium,Vitamin A,D,E	2
10016	Zoomec Plus Selenium	1	20	litres	12.1	ABAMECTIN, SELENIUM	2
	Zinc Sulphate	1	5	kilograms	4.9	Zinc Sulphate	2
	Derris Dust	1	1	kilograms	0.6	ROTENONE	2
	Sulphate of Potash	1	2	kilograms	1.8	potassium sulphate	2
10189/15		1	2	kilograms	1.8	Zinc Oxide	2
10170	BEETUP COMPACT	1	5	litres	5	DESMEDIPHAM, PHENMEDIPHAM	2
10180	Mit e Mec	1	5	litres	1.8	MILBEMECTIN	2
10167	ParaMite Selective Miticide	1	5	litres	4.6	Etoxazole	2
10074	AHX Cobalt	1	1	kilograms	0.6	cobalt sulphate heptahydrate	2
10074	Tergophos acia cleaner	1	5	litres	1.1	phosphoric acid	2
10080/1	Haloxyfop 100	1	5	litres	3.7	Haloxyfop-p	2
9944	DIAZINON	1	150	grams	0.4	DIAZINON	2
	ASULOX	1	5	litres	2.7	ASULAN	2
10224	ETHREL	1	1	litres	0.5	CHLORETHEPHON	2
10224	PASMA	1	5	litres	6.1	MONOSODIUM METHYLARSONATE	2
11222	PENNCOZEB DF	1	10	kilograms	10	MANCOZEB	2
	Attack	1 1	1	litres	0.8	PIRIMIPHOS-METHYL	2
	Buster	1	1	litres	0.9	GLUFOSINATE-AMMONIUM	2
	Unknown Base	1	20	litres	19.7	unknown base PH-09	2
	Validus 200EW	1	1	litres	0.5	MYCLOBUTANIL	2
	Zelam Activated Amitrole 400	1	20	litres	12.4	AMITROLE	2
	K-Pow	1	20	litres	5	POTASSIUM BICARBONATE	2
11301/1	Unknown Base	1	20	litres	13.2	unknown base PH 9 to 10	2
	Pirimor 500	1	1	kilograms	1.2	Pirimicarb	2
***************************************	Plictran 600P (Cyhexatin)	1	2	litres	0.5	Cyhexatin	2
	BAYLETON 5DF	3	500	grams	1.2	TRIADIMEFON	2
	Betanal Forte	1	5	litres	2.5	PHENMEDIPHAM	2
	DuPont Manzate Evolution Fungicide	2	10	kilograms	22	MANCOZEB	2
-	EUPAREN	1	10	kilograms	6.6	DICHLOFLUANID	2
	Merpan Fungicide	1	10	kilograms	10.4	CAPTAN	2
	Nando	2	5	litres	1.7	FLUAZINAM	2
	Royral Flo	1	5	litres	5.5	IPRODIONE	2
	Royral Gold	2	1	kilograms	1.5	IPRODIONE	2
	Tokuthion	1	5	litres	3.9	PROTHIOFOS	2
	LORSBAN 750 WG INSECTICIDE	1	3	kilograms	1.5	CHLORPYRIFOS	2
	Magflo 300	1	10	litres	6.4	2-Propenoic acid, homopolymer, sodium salt	2
13360/1	Chess	1	5	litres	2.8	pymetrozine	2
13360/2	Chess	1	5	litres	3.1	pymetrozine	- 2
13360/3	Chess	1	5	litres	2.8	pymetrozine	- 2
13360/4	Manzate Exolution	1	5	litres	3.6	MANCOZEB	2
13360/4	DIAZINON 50W	1	2	litres	2.2	DIAZINON	2
-	Concentrate Roundup Weedkiller	1	500	millilitres	0.2	GLYPHOSATE	2
13333	The state of the s		300	1111011121 €3	U.E	The state of the s	

Booking	Chemical/Common Name	No of Containers	Pack Size	Unit of Measure	Final Qty (kg)	Active Ingredient	Disposal Reting
13398/1	SUPER SHIELD	1	500	millilitres	0.5	fluvalinate, myclobutanil	2
13398/1	SUPER SHIELD	1	500	millilitres	0.8	fluvalinate, myclobutanil	2
	Firebird	1	5	litres	4.3	Flufenacet, Diflufenican	2
13411	FRONTIER	1	10	litres	4.9	DIMETHENAMID	2
13406	Karate	1	1	litres	0.3	LAMBDA-CYHALOTHRIN	2
13422	KESTREL	1	10	litres	2.5	IPRODIONE	2
13404	MANZATE 200DF	1	10	kilograms	10.8	MANCOZEB	2
13410	Minecto	1	900	grams	0.5	CYANTRANILIPROLE	2
_	Phoenix	1	10	litres	2	FOLPET	2
	SULCLEAN DF	1	5	kilograms	10.2	SULPHUR	2
9916	REGULEX	1	2	litres	0.2	gibberellin a4/a7	3
9916/1	REGULEX	1	2	litres	0.2	gibberellin a4/a7	3
	REGULEX	1	2	litres	0.2	gibberellin a4/a7	3
9916/3	REGULEX	1	2	litres	0.2	gibberellin a4/a7	3
9916/4	REGULEX	1 1	2	litres	0.2	gibberellin a4/a7	3
9926/1	Calcium Chloride	1	20	litres	17.1	Calcium Chloride	3
9926/2	Calcium Chloride	1	30	litres	27	Calcium Chloride Glomu,scleroderma	3
9899 10061	Mycormax Latron B	1 1	500	grams litres	1.3 2.4	Adjuvant	1 3
10032	Montissa Union	1	5	litres	3.8	organo silicone	3
	Calcium Chloride	1	25	kilograms	25	Calcium Chloride	3
10195/3	Hot Up Mineral Oil	1	20	litres	11.1	Mineral Oil	3
_	Mycormax	1	20	kilograms	2.2	Glomu,scleroderma	3
10216/2	Mycormax	1	2	kilograms	2.2	Glomu,scleroderma	3
10216/3	Mycormax	1	2	kilograms	1.4	Glomu, scleroderma	3
10216/4	Mycormax	1	2	kilograms	2.2	Glomu,scleroderma	3
-	COPPER SULPHATE	1	10	kilograms	5.5	COPPER (III) SULFATE	3
11208/2	COPPER SULPHATE	1	10	kilograms	7.6	COPPER (III) SULFATE	3
11208/3	COPPER SULPHATE	1	10	kilograms	7.1	COPPER (II) SULFATE	3
11228/3	Ammonium Nitrate	1	25	kilograms	9.4	Ammonium Nitrate	3
11228/4	Ammonium Nitrate	1	25	kilograms	25	Ammonium Nitrate	3
11299	MAGTOXIN	60	3	grams	0.4	MAGNESIUM PHOSPHIDE	3
11294	Nufilm-17	1	20	litres	2.5	Adjuvant	3
11293	Nordox 75 WG	1	5	kilograms	20	COPPER (I) OXIDE	3
13328	Headland KTS potassium and Sulphur	1	5	litres	5.3	potassium and Sulphur	3
13328/2	Headland KTS potassium and Sulphur	1	5	litres	15.2	potassium and Sulphur	3
	Headland Magnesium Super	1	5	litres	13.8	MAGNESIUM	3
13327/2	Headland Magnesium Super	1	5	litres	9.6	MAGNESIUM	3
13322	HML 32	1	20	litres	23.6	Fatty Acids C6-12, me esters, Potassium bicarbonate	3
13322/2	HML 32	1	20	litres	23.4	Fatty Acids C6-12, me esters, Potassium bicarbonate	3
13322/3	HML 32	1	20	litres	23.6	Fatty Acids C6-12, me esters, Potassium bicarbonate	3
	HML Silco	9	5	litres	68	potassium silicate	3
13332	HML Silco	2	10	kilograms	11.1	potassium silicate	3
13331	KOCIDE	1	10	kilograms	5.2	COPPER OXYCHLORIDE	3
13324	Kumulus DF	5	15	kilograms	52	SULPHUR	3
13325	Kumulus DF	2	15	kilograms	14	SULPHUR	3
13323	Nordox 75WG	3	10	kilograms	26.4	Cuprous oxide	3
13336	Nufilm-17	2	4	litres	1.5	Adjuvant	3
13358	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3
13358/2	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3
13358/3	Fulzyme Plus	1	1	litres	0.8	Bacillus subtilis	3
13358/4	Fulzyme Plus	1	1	litres	1.2	Bacillus subtilis	3
13358/5	Fulzyme Plus	1	1	litres	1.2	Bacillus subtilis	3
13358/6	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3
13358/7	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3
13358/8	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3
13358/9	Fulzyme Plus	1	1	litres	1.2	Bacillus subtilis	3

643.6

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Booking ID	Chemical/Common Name	No of Containers	Pack Size	Unit of Measure	Final Qty (kg)	Active Ingredient	Disposal Rating			
13358/10	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3		-	
13358/11	Fulzyme Plus	1	1	litres	1.1	Bacillus subtilis	3			
13358/12	Fulzyme Plus	1	1	litres	1.2	Bacillus subtilis	3			
13357	Hortcare Trigger	1	20	litres	21.3	N6-BENZYLADENINE	3			
3357/2	Hortcare Trigger	1	20	litres	16.1	N6-BENZYLADENINE	3			
3357/3	Hortcare Trigger	1	20	litres	20.8	N6-BENZYLADENINE	3			
3357/4	Hortcare Trigger	1	20	litres	20.7	N6-BENZYLADENINE	3			
13357/5	Hortcare Trigger	1	20	litres	20.7	N6-BENZYLADENINE	3			
3357/6	Hortcare Trigger	1	20	litres	17.6	N6-BENZYLADENINE	3			
3357/7	Hortcare Trigger	1	20	litres	20.9	N6-BENZYLADENINE	3			
3357/8	Hortcare Trigger	1	20	litres	17.8	N6-BENZYLADENINE	3			
3357/9	Hortcare Trigger	1	20	litres	20.7	N6-BENZYLADENINE	3			
3357/10	Hortcare Trigger	1	20	litres	12.7	N6-BENZYLADENINE	3			
13347	21% Soluble Boron	1	20	kilograms	20.4	Boron	3			
13361	Trace-it Boron	1	20	litres	3.1	Boron	3			
13354	Waiken	1	20	litres	24.8	METHYL CANOLATE	3			
13354/2	Waiken	1	20	litres	11.9	METHYL CANOLATE	3			
13397	CONQUEROR SPRAYING OIL	2	1	litres	0.8	OILS-MINERAL-INSECTICIDAL	3			
13401	Neem Oil	1	200	millilitres	0.2	neem oil	3			
13399	Yates Lime Sulphur	1	100	millilitres	0.2	Calcium Polysulfide	3			
13400	Yates Liquid Copper Fungicide	1	180	millilitres	0.3	COPPER	3	731.2		
			3	8 9	2160.5		3 5			

# HAWKE'S BAY REGIONAL COUNCIL

### CORPORATE AND STRATEGIC COMMITTEE

# Wednesday 11 March 2020

# Subject: NATIONAL ENVIRONMENT STANDARDS FOR PLANTATION FORESTRY UPDATE

# **Reason for Report**

1. The purpose of this paper is to provide a report on forestry activities in response to the questions on forestry that arose as part of the November 2019 discussion of the Compliance Annual Report 2018-19. The focus of the report is on the impact of the new National Environment Standards for Plantation Forestry (NES-PF) on forestry activities, what the new requirements mean and whether there are any outstanding risks to be resolved.

# **Background**

- 2. New regulations for the plantation forestry sector came into effect on 1 May 2018. The National Environment Standards for Plantation Forestry are a set of regulations made under the Resource Management Act 1991 and they have primacy over the Hawke's Bay Regional Resource Management Plan. The NES-PF has standardised conditions and consent requirements across New Zealand to increase certainty and efficiency in plantation forestry while maintaining and improving environmental outcomes.
- 3. Under the Regional Resource Management Plan Hawke's Bay Regional Council has a comparatively permissive approach to the management of forestry activities (compared to neighbouring regional and unitary councils). As a result of the NES-PF a significant number of forestry activities are now subject to resource consents and other requirements.
- 4. There are around 130,000 hectares of land planted with pines in Hawke's Bay. Forestry and associated manufacturing employs over 600 people, makes up 14% of the region's primary industry workforce and 4% of Hawke's Bay's GDP.

### Discussion

# What the NES-PF requirements mean

- 5. The NES-PF applies to any block greater than one hectare and specifically planted for commercial activities and harvest. It sets out rules for eight plantation forestry activities:
  - 5.1. Afforestation
  - 5.2. Pruning and thinning to waste
  - 5.3. Earthworks
  - 5.4. River crossings
  - 5.5. Forest quarrying
  - 5.6. Harvesting
  - 5.7. Mechanical land preparation
  - 5.8. Replanting
- 6. Most forestry activities are permitted by the NES-PF so long as specific conditions to prevent significant adverse effects are met. If these conditions cannot be met then a resource consent must be applied for.
- 7. Before anyone starts planting a forest, or carrying out earthworks, river crossings or harvesting a forest they must give written notice to HBRC. This allows HBRC to assess the activity, assess the risks and determine whether any further regulations apply.

- 8. For example the NES-PF includes an *Erosion Susceptibility Classification* that is used to identify the erosion risk of land as a basis for determining where a plantation forestry activity:
  - 8.1. is permitted, subject to certain conditions being met; or
  - 8.2. requires resource consent because it's on higher-risk land
- 9. Territorial authorities also have responsibilities under the NES-PF in respect of afforestation and harvesting. A forester must give notice to the territorial authority ahead of planting and harvesting. The TA considers matters related to setback distances from urban areas, dwellings and papakainga housing. It must also consider the location of any new plantings in relation to visual amenity landscapes, significant natural areas and outstanding natural features.
- 10. In addition to the Erosion Susceptibility Classification other risk management tools in the NES-PF include the Fish Spawning Indicator and the Wilding Tree Risk Calculator. Any forestry activities that would disturb permanent river or lake beds, or wetlands, when fish are spawning are not permitted without resource consent. Spawning periods vary depending on the fish species and its location, so Fish Spawning Indicator helps councils and foresters manage and plan forestry operations
- 11. Similarly the Wilding Tree Risk Calculator must be used by foresters to assess the risk of wilding conifers spreading when:
  - 11.1. planning new forests; or
  - 11.2. replanting with a conifer not previously planted.

# Preparation, Implementation and Resourcing

- 12. Both the Consents and Compliance teams have been proactive in liaising with neighbouring regional councils as well as the forestry industry ahead of and following the introduction of the NES-PF. This is to try and achieve consistency in approach in the mid and lower North Island.
- 13. Ahead of the introduction of the NES-PF HBRC Consents and Compliance staff met on a number of occasions with representatives from the forestry companies operating in Hawke's Bay to clarify areas of NES implementation and provide a forum to discuss key industry consents.
- 14. HBRC has traditionally had a good working relationship with forestry companies and the introduction of a greater regulatory approach, as required by the NES-PF, did not undermine those relationships. HBRC staff provided clarity to the forestry companies on our overall approach to risk management. Forestry operators are required to provide notices in advance of a number of activities. Harvest plans, quarry plans, sediment control plans and stream flow calculations can then be requested by Council.
- 15. As at 28 February 2020 HBRC has:
  - 15.1. Evaluated 107 permitted activity notices received under the NES-PF, of which five have yet to commence; and
  - 15.2. Processed 72 resource consents for forestry activities of which 49 have yet to commence.
- 16. As reported in the Compliance Annual Report the forestry consents monitored in 2018-19 were graded as follows:
  - 16.1. 57% fully compliant
  - 16.2. 14% low risk non-compliant
  - 16.3. 29% moderate risk non-compliance (mostly related to forestry infrastructure that required remedial action e.g. water sediment retention structures)
  - 16.4. No significant non-compliance was identified.

- 17. As part of managing the volume of forestry permitted activities and resource consents the forestry compliance officers have set up an online portal and system for managing applications, notifications, monitoring and enforcement.
- 18. A description of the additional resources required in the Regulation Group as a result of the NES-PF is not as clear-cut as may otherwise have been expected. The NES-PF requirements arrived at the same time as the requirements for Farm Environment Management Plans in the Tukituki catchment and the work to prepare for production land use consents in the Tukituki catchment.
- 19. The processing of forestry resource consents is being undertaken by experienced staff in the form of a team leader and a senior planner within the consents section. These staff members are also leading the work on the Tukituki catchment resource consents so additional staff have been and will continue to be engaged to process other consent applications.
- 20. To date HBRC has employed two additional compliance officers to meet the monitoring and enforcement expectations under the NES-PF. One position was filled in late 2018 and the second position was filled in late 2019. This latter position is funded equally for the 2019-20 financial year by HBRC and Hastings District Council. Should HDC discontinue its funding share HBRC will retain the role full-time.
- 21. Further resourcing has been required in the area of technical administration and data management and this is likely to increase as we have not reached the peak of harvest volumes. This will be required on an ongoing basis to allow the compliance officers to spend more time in the field.

# **Outstanding Risks**

- 22. The question was posed in the Compliance Annual Report discussion by Council about what outstanding risks need to be resolved. This can be answered from two perspectives a national perspective and a local one.
- 23. At a national level in 2019 the government instructed Te Uru Rākau (Forestry New Zealand, a division of MPI) to undertake a year one review of the NES-PF to look at, among other matters, issues that have arisen during implementation. The review is still in progress but is expected to put forward recommended actions to resolve the issues identified. These include:
  - 23.1. Whether the settings in the NES-PF relating to harvesting and slash management are sufficient for controlling the effects of plantation forestry on erosion-prone land, particularly in the areas identified as orange and red zones in the Erosion Susceptibility classification
  - 23.2. Whether any changes to the afforestation and replanting provisions in the NES-PF are need to ensure it is consistent with the One Billion Trees programme
  - 23.3. The appropriateness of the Wilding Pine Tree Calculator within the context of the government's Wilding Conifer Management Strategy (is it doing what it is meant to do? is it still appropriate?) and
  - 23.4. The relationship between the NES-PF and national instruments for biodiversity protection, including protection for indigenous flora and mobile fauna like birds and fish.
- 24. While the central government review panel works through these issues the one area where the region remains at risk in terms of the NES-PF is the legacy of forestry slash deposits. The regulations are not retrospective and there are areas where forestry slash will pose risks to infrastructure for a number of years to come. One of the drivers for HDC part-funding a HBRC Compliance Officer was to assist in identifying the more at-risk infrastructure (especially bridges) downstream of harvested areas.
- 25. The NES-PF does provide tools for dealing with slash management on any harvesting operations undertaken since May 2018. Regulation 66 requires the preparation of a harvest plan for all harvesting operations. The purpose of the harvest plan is to ensure

- environmental and site-specific risks associated with harvesting are identified and managed up-front. The harvest plan must include slash management procedures.
- 26. Regulation 69 sets out a number of requirements relating to slash management during harvesting. It includes a requirement that slash not be deposited in water bodies or land that would be covered by water during a 5% AEP (Annual Exceedance Probability i.e 1 in 20 years) event. It requires that slash is deposited onto stable ground, which will generally be achieved through avoiding steep areas and areas prone to slips/flows. This reduces the likelihood of large volumes of the slash moving downhill, because it has become unstable as it rots.
- 27. We can monitor only what is notified to us part of NES-PF requirements. This means we do not have knowledge of past harvesting activities pre-May 2018, unless we have picked it up through a complaint or an associated resource consent requirement. It is difficult to enforce against a legacy site unless the forest is still currently under harvest and we can work with the site owner to address it.
- 28. We are working through industry groups for them to address legacy issues as part of Good Management Practice (GMP). The larger forestry companies who have the resources have been very proactive in their area.
- 29. In our view the risks associated with legacy forestry slash are reducing every year as works are carried out on-site to remove and reduce the slash and as those areas are replanted and the new afforestation becomes more dominant.

# **Decision Making Process**

30. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decisionmaking provisions do not apply.

### Recommendation

That the Corporate and Strategic Committee receives and notes the "National Environment Standards for Plantation Forestry Update" staff report.

Authored by:

Nick Zaman
MANAGER COMPLIANCE

Approved by:

Liz Lambert
GROUP MANAGER REGULATION

### Attachment/s

There are no attachments for this report.

# HAWKE'S BAY REGIONAL COUNCIL

# CORPORATE AND STRATEGIC COMMITTEE

# Wednesday 11 March 2020

# Subject: ORGANISATIONAL PERFORMANCE FOR PERIOD TO 31 DECEMBER 2019

# **Reason for Report**

- 1. Attached to this paper is the Organisational Performance Report for Quarter 2 of 2019-20.
- 2. The purpose of the Organisational Performance Report is to provide the Committee with the information it needs as governors to track performance against the level of service measures that the Council set in the 2018 Long Term Plan. It provides essential business intelligence and situation-specific factors affecting the organisations ability to deliver on what it said it would.
- 3. Its secondary purpose is to provide the Chief Executive, Executive team and staff with information to ensure alignment of council's work programmes across different groups and teams to achieve the Council's strategic plan outcomes and to ensure a steadfast focus on performance and accountability.

## **Background**

- 4. This is the fourth Organisational Performance Report to be presented. Each iteration has been an improvement on the last.
- 5. In line with what we promised to do in the last report, this is a new format that:
  - Improves the line of sight from work undertaken on the ground up to level of service measures from the Long Term Plan. Previous reports provided qualitative commentary with no link between work done and quantitative level of service measures.
  - 5.2. Reduces staff time spent on performance reporting by using OPAL 3 to streamline reporting by capturing information in one place for the same reporting period.

### **New format**

- 6. The report has two parts:
  - **PART 1**: Business Improvement KPIs which focus on how well we are performing across a number of corporate-wide measures such as fuel use, air travel and response to customer feedback.
  - **PART 2**: Traffic light status and commentary on non-financial performance in the quarter (by 3-digit code linked to level of service measures). Part two matches the LTP structure (e.g. Group of Activity (GOA), Activity and then 3-digit budget code) rather than organisational structure (e.g. Group, Section, Team) as in the previous three reports. This change is to enable us to integrate financial and non-financial reporting in the future.

### **Next Steps**

This report has been manually created as a prototype. If the Committee is receptive to this format we will work with OPAL3 to design an automated report. Other continuous improvements planned include setting targets and providing breakdowns by group (where relevant), integrating non-financial and financial information to give the complete picture and linkages to Strategic Plan goals.

# **Decision Making Process**

7. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

### Recommendation

That the Corporate and Strategic Committee receives and notes the "Organisational Performance for period to 31 December 2019" staff report.

Authored by:

Kelly Burkett Desiree Cull

BUSINESS ANALYST STRATEGY AND PROJECTS LEADER

Approved by:

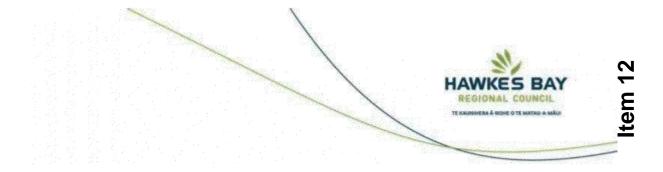
Tom Skerman James Palmer
GROUP MANAGER STRATEGIC CHIEF EXECUTIVE

**PLANNING** 

# Attachment/s

Under 1 Organisation Performance Report, Quarter 2, 1 October - 31 December 2019





# HAWKE'S BAY REGIONAL COUNCIL Organisational Performance Report

For Corporate and Strategic Committee

Quarter 2: 1 October to 31 December 2019



Prepared on 27 February 2020

1

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# **Executive Summary**

This Organisation Performance Report provides Councillors with the information it needs to understand the situation-specific factors affecting performance. It reports on how well we are performing across a number of corporate-wide measures and uses the Groups of Activities from the current 2018-28 Long Term Plan to present actual non-financial performance against planned.

Its secondary purpose is to provide the Chief Executive, Executive team and staff with information to ensure alignment of council's work programmes across different groups and teams to achieve the Council's strategic plan outcomes and to ensure a steadfast focus on performance and accountability.

This report covers non-financial information and is for the period of 1 October to 31 December 2019. The report covers:

- Business improvement metrics
- Groups of Activities including commentary on work completed or underway and Long Term Plan Level of Service Measures:
  - o Governance and Partnerships
  - Strategic Planning
  - Integrated Catchment Management (ICM)
  - Asset management
  - Consents and Compliance
  - o Emergency Management
  - Transport

### Highlights

- · Election and induction of new Council
- Napier Port successfully publically-listed on the NZ Stock Exchange
- Delivery of the State of Our Environment Summary 2014-18 Report and Annual Report
- Māori Partnerships (HBRC) initiated an inter-council network engaging the 4 TA's to collaborate on shared cultural competency build
- Outstanding Waterbodies Plan Change has been notified with an extended submission period closing 28 February 2020.
- · TANK has been adopted for notification by the Regional Planning Committee.
- The contribution of \$10,000 for Envirolink has so far resulted in \$120,000 of grant funding for research organisations to complete projects for HBRC
- The eradication modelling was finalised with Landcare Research-Manaaki Whenua in collaboration with the PFHB and other Predator free projects from around NZ
- 983 rural and 239 urban properties visited for plant pests. The Waitangi Waikahu wetland was formally blessed during November 2019 and the Park was awarded the national Te Karanga o te Tui award from The New Zealand Institute of Landscape Architects
- Whangawehi wetland restoration project was a finalist for the 2019 Thiess International Riverprize Awards
- Dr Edgar Burns appointed to joint Chair in Integrated Catchments with Waikato University
- Waugh Infrastructure completed gap analysis on our Asset Management Plans providing valuable input into the next generation of plans being prepared for the next LTP
- Contract awarded to Neo Consulting to review our SCADA network and develop roadmap to further leverage technology
- Signed contract with Pan Pac for harvest services for the Tangoio and Tutira forests.
- Southland Drain cycleway completed for Hastings District Council on time and within budget.

3

Attachment 1

- Inaugural Annual Staff Awards with 200 attendees. Works Group received the HBRC Team of the Year award.
- 420 consents currently in process or pending.
- 77 (78%) dairy farms awarded gold status for full compliance for five consecutive years.
- 809 Sustainable Homes Packages (including Heatsmart) delivered.
- During the reporting period we responded to 482 calls to the pollution hotline.
- The update of the Heretaunga Plains traffic model is almost complete and forms the first phase of a joint transport study to evaluate traffic patterns in Hawke's Bay, predict future demand and programme any necessary future improvements to the transport network and services.
- Four additional hybrids and EV's have been added to the fleet over the previous six months to replace petrol AWD alternatives
- Over 100 people attended a business and climate change event co-hosted by 3R Group and HBRC
- All exiting staff felt HBRC offers good training and development opportunities, has a strong commitment to health and safety and majority stated workload was generally right most of the time.
- Incidents and accidents are trending down over the last 18 months.

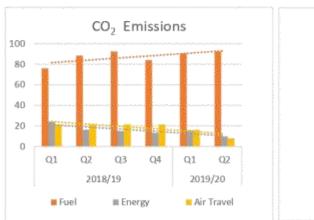
### Lowlights

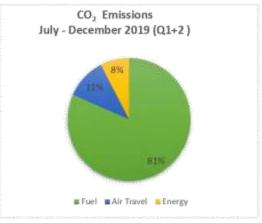
- Staff resignations are trending upwards over the last 18 months
- 56% of customer feedback items (31 out of 56) in Q2 were responded to within the required timeframe
- The TANK notification process has not been agreed and has resulted in delays
- Both the Whakaki & Tutira Freshwater Improvement Fund projects are working through local issues with stakeholders which is slowing progress
- Currently the Te Waiû o Tûtira Project is experiencing delays as we move forward with an engagement process relating to certain project deliverables
- The Wairoa Catchment team is behind on the targets set at the beginning of the financial year.
   Problems employing staff and the change of roles and responsibilities of existing staff has meant that on-ground effort has been limited.
- A lack of willow and poplar poles has meant that we have been unable to meet demand.
- . On the 6 January a grass fire was initiated at Fernhill through our mowing activity
- Bus patronage during this period showed a 5% decline compared with the same period last year.

# PART 1: BUSINESS IMPROVEMENT MEASURES

### 1.1 Facilities and Fleet

Purpose: To monitor progress towards reducing Council's carbon footprint.





<sup>\*</sup>Please note that energy use is for Dalton Street offices only

Key finding: CO<sub>2</sub> emissions from energy and air travel are trending in the right direction and reduced this quarter. CO<sub>2</sub> emissions from fuel is trending up and increased by 2% on the previous quarter.

Commentary: Fuel use is the highest source of emissions and is increasing. This reflects more vehicles added to the fleet and increased field staff. This increase could have been more if we hadn't added more hybrids and plug in Hybrids to our fleet. Four additional hybrids and EV's have been added to the fleet over the previous six months to replace petrol AWD alternatives. As vehicles reach time of replacement, assessments will continue to be undertaken in line with our EV first policy to introduce more fuel efficient or electric vehicles where able. There has been a drop in emissions relating to air travel, however this could be due to the time of year with businesses and conferences beginning to wind down over the Christmas period. With video conferencing facilities installed in November, it is too early to tell if this has contributed to the drop also but trends will be monitored to establish if we are making improvements in this space. Energy emission reductions are trending down through better monitoring, staff education and management of maintenance.

### Results:

# Air travel

Year	Quarter	Total travel distance (Km's)	CO <sub>2</sub> emissions (tonnes)	Approx. Cost to offset
2018/19	Q1	79250*	21.5*	
	Q2	79250*	21.5*	
	Q3 79250	79250*	21.5*	
	Q4	79250*	21.5*	
2019/20	Q1	118,268	16.14	\$347.33
	Q2	59,417	8.1	\$188.00

<sup>\*</sup>Annual figure averaged over the four quarters of 2018/19

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Attachment 1

### Energy Use

Year	Quarter	Electricity Use (Kw/h)	Gas Use (Kw/h)	CO <sub>2</sub> Emissions (Electricity + Gas)	% Change CO <sub>2</sub>
2018/19	Q1	74478	72605	24.3	
	Q2	80089	27971	16.4	-32.5%
	Q3			15.1	-7.9%
	Q4			13.3	-7.5%
2019/20	Q1	69201	47040	16.0	20%
	Q2	69813	14993	9.8	-38%

<sup>\*</sup>We had a change in energy supplier in July 2019 which impacted on the Q1 results.

# Vehicles

Vehicle Fleet	January 2019	December 2019
Total Fleet Numbers	68	75
Plug in Hybrid Electric Vehicle	4	6
Hybrid Vehicle	2	5

### Fuel use

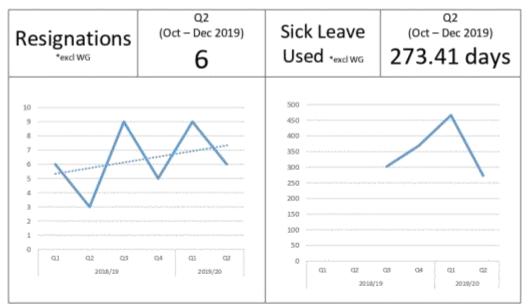
Year	Quarter	Petrol(litres)	Diesel (litres)	Monthly Spend	CO <sub>2</sub> Emissions (Tonnes)	% Change CO <sub>2</sub>
2018/19	Q1	4391	23828	\$36,691	76	
	Q2	5836	27618	\$43,215	88.5	16.4%
	Q3	6386	28327	\$41,390	92.5	4.5%
	Q4	7355	24356	\$41,299	84.12	-9%
2019/20	Q1	7322	26685	\$43,968	90.64	7.8%
	Q2	7611	27238	\$46,578	92.58	2%

# 1.2 People & Capability

Purpose: To monitor key People and Capability measures.



\*Data reporting commenced Q3 of 2019.



\*Data reporting commenced Q3 of 2019.

**Key finding:** FTEs have continued to climb, rising nearly 11% in the last 12 months, vacancies were at a high at the end of Q1 but have dropped slightly by the end of Q2. Resignations are trending up over the last 18 months.

Attachment 1

#### Commentary:

### Talent Acquisition

From July – December 2019 FTEs increased by 10. We continued with steady recruitment, appointing 21 new staff, supporting 8 internal appointments and 21 students over this period. On average we have around 20 vacancies at any one time in various stages of the recruitment process. Attracting and retaining candidates throughout the recruitment process has been difficult with a number of roles being re-advertised due to a combination of the specialised positions required by Council and a tight labour market. We engaged services of recruitment consultants to assist with high demand positions and the team are looking into developing a Talent Acquisition Strategy to help attract, recruit and retain skilled and capable people. Collaboration with Regional HR Leads and Business Hawke's Bay initiatives is also an area being looked in to.

### Off-Boarding

There were 15 resignations between July – December 2019 across the organisation. HBRC requests all staff to complete an exit interview questionnaire as part of the exit process, however this is not compulsory. Of the 15 staff who resigned, 10 completed the survey with the key reasons for leaving HBRC being - dissatisfaction with current position, the level of salary and responsibility offered in new role, with 7/10 leaving for a new opportunity. All exiting staff felt HBRC offers good training and development opportunities, has a strong commitment to health and safety and majority stated workload was generally right most of the time.

### Performance Development and Remuneration

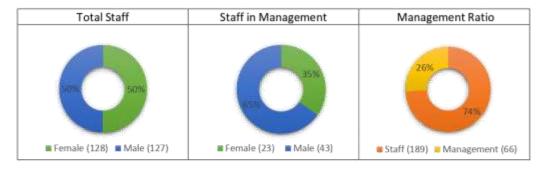
An in-depth review of the HBRC remuneration system was completed in 2019. The main focus for HR during July and August was the implementation of the new remuneration system and Personal Performance and Development Charter (PPDC). We procured the services of a remuneration and performance consultant to guide the executive team and Council through the change journey. The purpose of implementing a new system was to establish a remuneration process that is a straightforward, user-friendly performance system which supports people in having the right conversations at the right time. HBRC wants to ensure it is fair, equitable, consistent and transparent. The new system will continue to be refined as we progress to ensure it meets the demands of market, the needs of Council, is up to date and relevant.

### HR Team Review

The HR team structure and function was reviewed during this period with the aim of taking a less tactical and transactional approach to our HR and elevating the focus on the longer-term development of our people in support of HBRC's strategic goals and direction. The outcome of the review and rebranding to 'People and Capability' aims to focus on organisation and capability development within HBRC with a new structure, dedicated roles for recruitment; learning, development and leadership; and health, safety and wellbeing.

### Staff Ratios

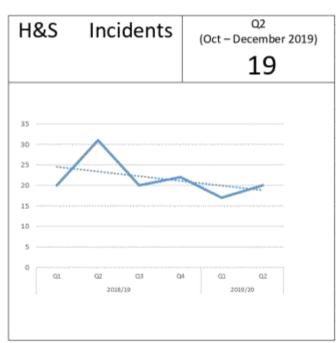
The following graphs show the current ratio of male and female staff as known at 31 December 2019.



### 1.3 Health & Safety (H&S)

Purpose: To measure the amount of incidents and accidents occurring at HBRC.

**Key Finding:** Even though there is an increase in accidents and incidents in Q2 compared to the previous quarter, incidents and accidents are trending down slightly over the last 18 months.



Commentary: We had 35 incidents over this period; 12 were accidents with no time off work, 3 were interaction incidents, 1 near miss, 2 accidents requiring time off work and 17 were related to property damage.

A number of codes of practice (COP) have been reviewed during the period and the schedule of reviews is only slightly behind target. We are still in the process of recruiting a Senior Health, Safety and Wellbeing Advisor to boost the resource focused on health, safety and wellbeing and allow more time for field monitoring and auditing and to ensure the implementation plan for health and safety is being

actioned. HBRC has a contract with a Health and Safety consultant to assist during this period of recruitment.

Results: An appendix of incidents is attached at Appendix 1

# 1.4 Marketing and Communications (MarComms)

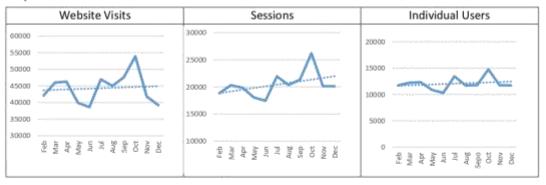
The major deliverables from the MarComms team to the end of 2019 included leading the regional Local Body Elections campaign, delivery of the State of our Environment – Summary 2014-18 report and Annual Report, coordinating a climate change business-focussed event with 3R Group, celebrating 30 Years of the Regional Council as an entity, launching a joint-councils water conservation campaign, and running the recreational water quality 'Swim thru Summer' campaign.

There were numerous other organisation project-related communications, including the erosion control scheme, navigational safety, outstanding water bodies, the TANK Plan, biodiversity and biosecurity, and regulation.

The two-monthly regional newsletter 'Our Place' appeared in local papers in November and was emailed to a growing list of email subscribers.

### Website

Purpose: To measure the customer utilisation of our website.



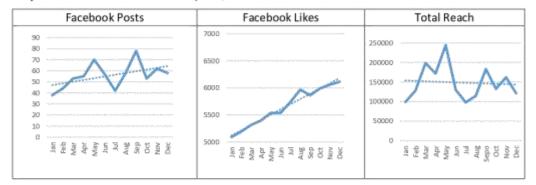
Key finding: All three metrics show an increasing trend.

Result: Top Pages in July - December

- River Levels
- Rates
- Job Vacancies
- Rainfall
- My Property

Facebook

Purpose: To measure the volume of posts, likes and reach as an indicator of MarComms effectiveness.



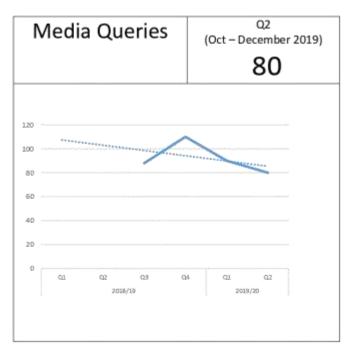
**Key finding:** Facebook posts and likes are both trending upwards while total reach is slightly trending downwards.

#### Results:

Top Facebook Posts	Reach
Black mat algae at Black Bridge on Tukituki River	17,379
3D Aquifer Mapping Project	12,369
Time-lapse video of hail storm	10,619

### 1.5 Media

Purpose: To track the number and nature of all media queries.



**Key Finding:** Media queries for Q2 were down on Q1 by 11%. We received 170 media queries in the six months to the end of December 2019, 90 in Q1 and 80 in Q2. This is down slightly from the 198 enquiries for the previous six months.

Commentary: The bulk of the enquiries for these six months were from local journalists, however we did get a query from the Wall Street Journal about water bottling, Consumer Magazine about the proposed targeted rate for Coastal Hazards and Flight NZ Magazine around work on the Waitangi Estuary.

In the later part of the year Maori Television was interested in

whitebait, the 3D Aquifer project and our new Māori female councillor

Attachment 1

The topics that attracted the most interest and consumed the most time in this period were:

- HBRC testing of potential contamination from firefighting foam
- · Te Mata Mushrooms Resource Consent Hearing
- Lowes Pit in Hastings
- The TANK Plan Change
- · Government's Essential Freshwater announcement
- Election of our new council
- · The lost rook bait in Wairoa
- · GoBay's decision to ban alcohol advertising on bus backs
- Black billed gulls
- · 3D Aquifer Mapping project
- Wairoa District Council Wastewater consent
- Water quality

Metric: All media enquiries and are logged when they are received.

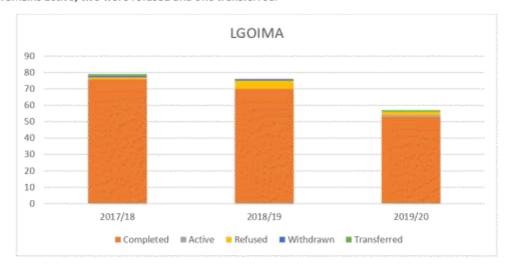
## 1.6 Local Government Official Information Management Act (LGOIMA) Summary

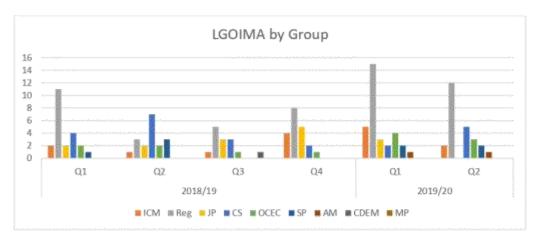
**Purpose:** To track the number and nature of requests to monitor impact on staff time as well as to ensure HBRC meets its statutory responsibilities.

**Key Finding:** The number of LGOIMA requests is tracking higher than the same time in previous years. With the exception of Q2 last year the Regulation group has received the most LGOIMA requests each quarter.

Metric: All LGOIMA requests are entered into the councils LGOIMA log and updated

**Commentary:** In the period of this report we had 57 LGOIMA requests to respond to, of which one remains active, two were refused and one transferred.





\*JP stands for James Palmer.

Results: A LGOIMA log is as Appendix 2.

## 1.7 Customer Feedback

**Purpose**: To track the number and nature of feedback to monitor impact on staff time as well as to improve staff responsiveness.



Key finding: 56% of items (31 of 56) in Q2 were responded to within the required timeframe of <4 business days.

Commentary: The key categories of feedback were Pest Control/Biosecurity (23), General Enquiry (16), Property/Rates (15) and Parks/Trails/Open Spaces (14).

Attachment 1

**Metric**: The customer feedback reported on here is feedback received via the Regional Council's website only. Customers select whether their feedback is a comment, compliment or a complaint. All feedback received via this system is required to be responded to within four business days

Results: Feedback received in the period of this report were:

Year	Quarter	Feedback Received
2018/19	Q1	
	Q2	
	Q3	76
	Q4	103
2019/20	Q1	72
	Q2	56

Results: The Customer Feedback Register is available on request.

## 1.8 ICT Operations

In July 2019 we concluded a review of the ICT team roles and structure, fine-tuning some roles and reporting lines. This has positioned the ICT team to optimally deliver on strategic objectives and meet the technology challenges and opportunities facing the Regional Council.

We've started upgrading our meeting room technology – installing Zoom video conferencing systems into 4 rooms in Dalton Street. Feedback has been good on the usability of the system and we are hopeful that this will translate into more efficient meetings and reduced fuel emissions from travel to and from remote sites. We will monitor the use of the system and if demand is high and funding is available we'll extend this out to the rest of our meeting rooms over the next 12 months. This may include improvements to the Council chambers if budget is available.

Procurement and planning for a new telephone system is underway. This initiative will remove our dependence on legacy hardware and align us with the system used by other local Councils – paving the way for future collaboration and shared services.

Operational support requirements are growing as the organisation expands and the volume of data collected increases rapidly. There is a constant demand for user support, device management and data storage.

We continue to add and improve the ICT tools available to the organisation – automating processes with forms and workflows and improving access to information with maps, reports and dashboards. Some examples include:

- development of a contracts hub
- · localmaps for forestry, contaminated sites and biodiversity
- · a web application for fish spawning
- automation of nursery processes.

We're also constantly cleansing and fine-tuning data sets and developing dashboards and reports for the ICM and Regulatory teams to ensure they have the right information to make the best decisions.

### ICT Infrastructure & Cybersecurity

In November we performed a health check and developed a technical roadmap for our ICT infrastructure. The roadmap outlines the technology direction that will enable HBRC to reduce risk, maximise value and improve operational efficiencies. The scope of the guidance includes:

- Cloud services
- Server infrastructure
- End user compute
- Remote access
- Licensing and device management
- Disaster recovery
- Security

Some work has commenced to implement recommended actions in server infrastructure and enduser compute. These efforts are initially focussed on driving improvements to the performance of Geographic Information Systems.

Crowe Horwath performed a cybersecurity audit in August and we have been working through the findings it contained and making some improvements to address areas of highest risk.

### ICT Projects

### IRIS Phase One

This project was closed off in 2019, delivering solutions for Compliance, Consents, Incidents and Enforcements.

#### IRIS Phase Two

The five workstreams of IRIS Phase Two have been split into separate initiatives that won't necessarily be delivered through the IRIS software.

### Catchment Management

We've deployed a set of tools for the catchment management team to plan their activities and record their work on the erosion control scheme. Further work is being scoped.

### Water Information Systems

System design and development has commenced. Scheduled completion 30 September 2020.

System Integration, Biodiversity and Biosecurity systems are planned for 2020.

#### LIDAR

We're working nationally with LINZ and 7 other regional Councils and locally with the 4 district councils on a project to procure 3D imagery (LiDAR) for the region.

We're also working through the procurement and processing of regional aerial imagery.

#### 1.9 Procurement

The procurement hub was 'soft launched' in July 2019 and training is being cascaded by group (high volume first), with presentations by Hub staff, as an advice and guidance resource. Procurement information is now available 'live' at organisation and group level utilising the Power BI Dashboard. Further levels of drill down detail are available at group, service and contract manager levels.

So far, on average, one contract is being generated across the organisation every day, with the contract being one part of a three stage (planning, sourcing and managing including evaluation) process. Procurement monitoring will continue to develop as an iterative process with the procurement team applying a continuous improvement ethos to meet organisational need. The Procurement Manager is seeking feedback from the Finance Audit and Risk sub-committee regarding information that would be useful to incorporate into a regular reporting format. Over the next six months there will be a review to increase the use of 'All of Government' contracts – which provides

Attachment 1

an opportunity for cost savings; The development of an ongoing internal training and communications programme; The design and implementation of an internal procurement audit programme and Crowe Horwath (Findex) will be invited to check adherence, completeness and currency of the revised policy and manual in June 2020. A regional procurement director, jointly funded by the 5 HB councils, has been appointed to drive procurement efficiencies and savings, and better services, through joint procurement.

Procurement	July 2019 – December 2019		
Number of contracts created	127		
Value >\$50k	5 \$100k+ 3 \$75 - \$100k 3 \$50 - \$75k		
Risk	88 (69%) Low risk 36 (28%) Med risk 3 (3%) High risk		
Local suppliers and Living wage 11 contracts >\$50k	5 RFP / RFQ 7 awarded to local suppliers 4 confirmed living wage		
Contracts expiring in three months	25		

#### 1.10 Risk

A report on risk assessment and management was presented to the Finance, Audit and Risk Sub-Committee (FARS) on 21 August 2019. Feedback from last FARS meeting resulted in further work on the issues of the risks of harm to the environment, Civil Defence, and staff retention and welfare. Risk of harm to environment is a new risk for consideration when undertaking flood scheme operations in particular, with Chris Dolley, GM Asset Management allocated as the risk owner.

Further work on Civil Defence risk will be included as part of the risk management review process later in the financial year. Several mitigation initiatives have been implemented for staff wellbeing and staff retention risks, including the implementation of the organisational development review and programme, Learning and Development Strategy and Action Plan, and the full remuneration review just completed.

Risks trending upwards included the Implementation of the National Policy for Freshwater Management. Central Government is expected to impose a new deadline of 2025 for all freshwater plans to be operative and the Strategic Planning Group will continue to monitor this closely.

The Human Health impacts from contamination of drinking water risk is trending downwards as a result of the review of National Environment Standards for drinking water and the identification of source protection zones in Plan Change 9.

A newly created risk and assurance role in OCEC will lead responsibility for the risk management portfolio including development of the Regional Council's assurance framework within which will now sit the internal audit programme, previously with the Finance Section. Suggestions were made that consideration should be given to the human health risks associated with swimming and recreational activities in contaminated water and with regard to landfills not listed on the Hazardous Activity and Industry List (HAIL) register. This will be incorporated into the risk register once the new staff resource is on board but recruitment to this position has proven challenging. The Business Continuity Plan has been updated and was successfully tested in the recent Hawke's Bay Civil Defence exercise in October. A separate report on this exercise, with lessons learned and recommendations, has been provided to the CDEM Joint Committee and Co-ordinating Executive Group.

# PART 2: GROUPS OF ACTIVITIES

Under the Local Government Act 2002 the Regional Council is required to present its financial and non-financial information in groups of activities for ease of understanding. In the 2018-28 Long Term Plan the Regional Council aggregated its activities into seven Groups of Activities (GOAs), being:

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

The seven GOAs are made up of 25 activities and 127 budget codes (as per Opal3).



For each GOA we must specify the intended levels of service provision. We do this through Level of Service Statements. These are what the council has agreed to deliver to whom and why. They are effectively our contract with the community. Level of Service Measures communicate if we have done what we said we would and if possible, if it is having the desired outcomes. Under the LG Act we are only required to specify performance measures for major aspects of GOAs.

Much of what council does is hard to measure and hard to attribute to a specific outcome. Therefore we often have to make some assumptions about the causal link between what we do and the outcome. The following tables attempts to show this link by presenting budget codes (what we do and the resources required) linked to level of service performance results. It uses a traffic light reporting approach (red, amber, green circle) to show how things are tracking in budget codes and the level of service measures Achieved, On Track, Off Track, Not Achieved, Not measured this year.

## 2.1 Governance and Partnerships

There are two activities within Governance and Partnerships Group of Activities (GOA):

- · Community Representation and Leadership
- · Tängata Whenua Partnerships and Community Engagement

Governance and	Partnerships GOA	Staff non-	financial reporting	on 3-digi	t codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL3	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Community Representation & Leadership	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.	840	Community Representation & Leadership		Governance activities for Q1+2 were delivered as planned primarily focussed on the election, induction, strategic plan refresh and other activities associated with the start of the 2019-22 triennium. Looking forward to Q3, external costs will be spent in the areas of Treaty of Waitangi and Chair training, in particular.	Council meetings are conducted in compliance with statutory requirements and Standing Orders.	On Track Inaugural meeting to swear in elected Council held on 30 October 2019, and elected Chair (Rex Graham) and deputy Chair (Rick Barker). First Ordinary meeting held on 6 November 2019 adopted the Governance (Committee) Structure, followed by adoption of the Code of Conduct and interim Standing Orders (to serve while a review and rewrite is carried out) on 27 November 2019. All meetings advertised and held, and agendas made available to Councillors and the public within statutory timeframes.
						LTPs and annual reports receive "unmodified" audit opinions.	On Track We are working toward a solution with the Port of Napier Ltd to resolve the different year ends that resulted in a qualified audit opinion on the 2018-19 Annual Report.

Governance an	d Partnerships GOA	Staff non-	-financial reporting	on 3-dig	it codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL3	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
						Percentage of surveyed residents who perceive "acceptable to very good" value of services from HBRC rates (source: 2-yearly SIL perception survey). Target: 75%	Not measured this year This survey will be carried out again in 2021/22.
	HBRC will make sound investment decisions to grow its assets and generate	880, 881	HBRIC costs and support		Unbudgeted costs in Q1 associated with Napier Port letter mail out but balanced out by underspend in staff time.	Rate of returns on investment as set out in Council's Investment Policy* are met.	On Track The Mercer portfolios performance for the quarter correspond to annualised returns of 6.6%. The Jarden portfolios performance for the quarter
	investment incomes to fund council projects, programmes and activities.	971	Restricted Leasehold Property		Variance is due to timing issues. Leasehold sales are based on market movements and time spent on leasehold relates to this. Labour hours will balance out over the year.		corresponds to average annualised returns of 5.8%.
		975	Investment Property		Effective and efficient administration of lease renewal, collection of lease payments etc managed as planned. Income from leasehold land rent is on budget.		

\*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	d Partnerships GOA	Staff non-	financial reporting	on 3-digi	t codes via OPAL3	Staff non-financial reporting OPAL3	on level of service measures via
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Tängata Whenua Partnerships &	HBRC engages in strategic relationships to	876	Contingency Funding Support		Unspent to date.	Annual reporting to Council on performance of strategic relationships.	On Track HBRC has a range of for a through which strategic relationships with
Community Engagement	better achieve its vision and purposes.	895	Community Engagement & Communications		MarComms activities have been delivered to plan, extending to encompass Climate Change considerations.	relationships.	tängata whenua are maintained - Regional Planning Committee (RPC), Maori Committee, Bi- laterals (with 3 PSGEs). Over this reporting period July to Dec 2019, HBRC held meetings in each of
		896	Enviroschools		Programme on track and fully resourced, extending to encompass Climate Change considerations.		the fora. During this period also, a follow up meeting with Ngāi Tūhoe was held to address two matters, (a) the vacant seat Te Urutaumata (Ngāi Tūhoe) holds at the RPC and early consultation regarding the Mohaka Plan Change. Their decline on both counts is a principled response.
	HBRC has the internal capability and capacity to engage effectively with Tängata Whenua.	874	Tängata Whenua Engagement		Māori Partnerships Senior Adviser resigned Aug 2019 and a new employee is due 27 Jan 2020. Māori Engagement Coordinator resigned early January 2020 and recruitment is underway for a replacement.	An annual programme to improve cultural competency for staff and councillors is resourced, developed and implemented.	On Track During July-Dec 2019, Māori Partnerships (HBRC) initiated an inter-council network engaging the 4 TA's to collaborate on shared cultural competency build. This will gain considerable momentum over 2020/21 with Treaty workshops, Te Reo training, on-line cultural competency/capability tools that are accessible to all councillors and staff.

		Staff non-	-financial reporting on 3-digit co	Staff non-financial re service measures via			
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		913	Systems Integration Project		The system integration workstream contains multiple initiatives, some of which are outlined below:  IRIS Phase One (Consents, Compliance, Incidents, Enforcements) Completed.  Finance System Replacement - Started. Requirements workshops are in progress. Core functionality is to be delivered by 1 July 2021. Initiatives formerly defined as IRIS Phase Two are outlined below:  Water Information Systems - In progress.  System design and development has commenced. Scheduled completion 30 September 2020.  Catchment Management Systems - In progress. Solutions for the Erosion Control scheme have been developed and deployed. Further work is being scoped.	None	

# 2.2 Strategic Planning

There are three activities within Strategic Planning Group of Activities (GOA):

- Strategy
- Planning
- Sustainable Regional Development

Strategic Planning GOA Sta		Staff non-	financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	CODE	BUDGET CODE NAME	Q2 NF Result	Commentary	Level of Service PERFORMANCE MEASURE	6-monthly Result	
Strategy	HBRC will keep informed about organisational, local, regional, national and international issues and trends, periodically develop a high quality and	190 376	Strategic Development and Execution	•	The Strategy and Projects team's activities for Q2 were delivered as planned. A vacancy in the organisational performance space has slowed progress in areas of integrated financial/non-financial reporting, reporting progress of Strategic Plan goals and automated visual tools such as dashboards.  Initiative successfully launched and first	Annual reporting to Council on the development and/or implementation of the Strategic Plan to maintain	On Track The CE presented on the 2017- 21 Strategic Plan to the new Council at its strategic planning day at East Pier on 21 November 2019. Work is underway to refresh the plan in light of new priorities for the triennium,	
	relevant Strategic Plan and align the organisation to deliver on strategic outcomes.	994	Farming  Napier –  Gisborne Rail		tranche of funding advanced to the Trust.  Awaiting reporting in accordance with the funding agreement.  Project successfully concluded with first commercial freight load completed in January 2020	its currency and relevance.	lessons learnt from the 2018 LTP and changes in the macro- environment since it was adopted.	
		995	Regional Water Security Scheme		Ngaruroro focus expanded to a Regional Water Security focus and now supported by Provincial Growth Fund, set to fast track and scale-up the progression of this project. The program comprises:  Aerial Electromagnetic Survey (Commending January 2020);  Regional Water Assessment (Commencing December 2019);  Tukituki Water Security (currently in development);  Heretaunga Flow Maintenance (Currently in development).			

Strategic F	egic Planning GOA Sta		financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	Level of Service PERFORMANCE MEASURE	6-monthly Result
, ,					The latter two in the late stages of PGF contracting and early stages of scoping and options analysis.		
Planning	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	191	Regional Coastal Plan		Draft RCEP Effectiveness report received 23 October 2019 (project 191). Due to lack of resourcing the review of this has not yet been completed. Anticipate peer review to be completed by 31 January 2020. Work continues on the Clifton to Tangoio Coastal Hazard Management Strategy. There has been no further discussion with the GM Asset Management about out-sourcing. Limited input from Policy and Planning team this quarter. Maintaining a watching brief.	Compliance with statutory timeframes for RMA planning documents.	On Track No known failures to comply with statutory timeframes during the reporting period relating to preparation and review of RMA planning documents - noting a risk in that the TANK Plan is still to be notified.
	management related risks.	192	Strategy & Planning		OWB and TANK continue to be the principal focus of the policy work programme. OWB has been notified with an extended submission period closing 28 February 2020. TANK has been approved for notification however the notification process has not been agreed and has resulted in delays. Further workshops have been requested for February 2020 by the new Councillors/RPC. Mohaka plan change meetings have been held with iwi/PSGE's to re-establish relationships. The plan change development has not commenced. NOTE that National Policy direction is still likely to impact on programme and resourcing in the next quarter.		
		194	Response to Climate Change		This workstream relates to the Strategic Plan Objective and national target of achieving carbon neutrality by 2050. It requires a		

Strategic Planning GOA		Staff non-	financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	Level of Service PERFORMANCE MEASURE	6-monthly Result	
					regional, multi-entity, co-ordinated strategy and plan to create a pathway. Although HBRC has initiatives in place to achieve this goal as an organisation, as of this moment that initiative does not exist for the wider regional goal. Following Council's declaration of a climate emergency in June 2019 staff have been working on a Regional Climate Change Response framework and strategy that will be presented to Council In February 2020. Planning staff were involved in planning for a business event on 25th November 2019. The event was part of a wider initiative called Climate Action HB, to explore what business needs to do to transition Hawke's Bay to a low emissions economy. Liaison continued with government officials and consultants working to prepare the first National Climate Change Risk Assessment which is due to be completed by July 2020.			
	HBRC will proactively work with territorial authorities to achieve alignment on policies, plans and strategies.	196	Statutory Advocacy		Ongoing engagement with central government and submissions to emerging national direction (e.g. RM Bill, Essential Freshwater, NPS-UD, NPS-HPL, Zero Carbon Bill, Local Govt Funding & Financing discussion doc). Watching brief maintained on Marine and Coastal Area (Takutai Moana) Act applications. Continuing staff time associated with HBRC's interests and involvement in WCO - reviewing Special Tribunal report and preparing submission to Envt Court. TLA Stat Adv. (NCC,HDC, Taupo and CHBDC) resulting in a number of submissions e.g. District Plan	Planning managers from HBRC and territorial authorities meet at least twice each year to discuss and identify integration issues; and improvements to content	Off Track No specific managers meeting July-Dec 19, however joint submissions were made on the NPS-UD and NPS-HPL, as well as the Action for Healthy Waterways. NPS-IB meetings held in Jan 2020 with TLA's, DOC and MfE. Also meetings with TLA Exec re: Climate change and meeting with NCC/HDC re: Industrial Strategy. So communication occurring	

Strategic Planning GOA		Staff non-	-financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3			
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	Level of Service PERFORMANCE MEASURE	6-monthly Result		
					review, variations, plan changes, designations, bylaws and notified resource consents, staff time and expenditure in reviewing content, attending meetings. 13 subs.	and/or processes for regional and district plans.	between councils - note that a formal meeting has not been held and requires action in the next quarter		
	HBRC will regularly submit on national direction, plan and consenting matters.					Number of submissions on resource management-related proposals made to local and central government per annum.  Target: Maintain three year rolling average. Baseline: 5.67 (3 years to 2017)	On Track July19-Dec19 (Q1& Q2) noted a significant amount of submissions for this period as a result of Central Govt reform, notified consents etc (total 14 submissions made this period), other opportunities were considered and determined that a submission was not warranted. Statutory Advocacy register set up in Herbi to capture these records internally. All submissions are recorded on HBRC website for public viewing. All HBRC's submissions can be found on the submissions page on the council website Submissions from HBRC		
	HBRC will co-invest in	179	Economic		Contract underway with external provider to	Funding	On Track		
	regional economic		Development		develop business case for PGF funding for a	contracts with			

Strategic Planning GOA	Staff non-	financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	Level of Service PERFORMANCE MEASURE	6-monthly Result	
development organisations for the benefit of the Hawke's Bay economy.				Wairoa post-harvest horticulture facility. Financial support provided to HDC for co- funding of Great Things Grow Here comms. Infometrics contract still in place and will work with Business HB to improve user uptake in next quarter.	approved performance targets and reporting requirements are in place for HB Tourism, Matariki REDs and the Regional Business Partners Programme.	All contracts with these entities are signed and up to date. New programme manager in place for Matariki HBRDS action plan. Action Plan refreshed and work programme agreed with participating agencies. Regular engagement with these key stakeholders. Work programme on track. No issues.	

## 2.3 Integrated Catchment Management (ICM)

There are three activities within Integrated Catchment Management Group of Activities (GOA):

- · Science and Information
- · Catchment Management
- · Biodiversity and Biosecurity

Integrated Catchment Management GOA		Staff non-f	inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Science and Information	HBRC will monitor and provide accurate and timely information to decision makers and the community on the State of the Environment (SOE) for	153	State of Environment Reporting		Monthly SoE reports delivered as planned. 5- yearly summary report is published. 5-yearly technical reports are being finalised for publication and a synthesis report is planned for delivery in Q4.  SOE Summary-report-2014-18.pdf.  The 2015 Regional Council Science Strategy has been refreshed, to capture changes in the organisation (particularly the Strategic Plan) and external drivers (e.g. proposed Essential Freshwater package). The refreshed Science Strategy is scheduled to be published in March and will be followed by development of a ten-year Science Plan.	A 5-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.	On Track Monthly SoE reports delivered as planned. 5-yearly summary report is published. 5- yearly technical reports are being finalised for publication and a synthesis report is planned for delivery in Q4
	Hawke's Bay.	315	Freshwater Ecology Monitoring Surface Water Quantity		Monitoring continues on track - including monthly river and estuary water quality monitoring, monthly monitoring of Lakes Whakaki and Tutira, and summer river sampling and additional ecosystem health sites.  Data has been collected on time and to required standards for the SoE surface water programme.	SOE monitoring programmes are in place and results are published on HBRC and LAWA websites for:  Climate and Air Quality Surface water	On Track Monitoring programmes ran to plan and all relevant data was uploaded to websites

-	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		325	Groundwater Quality		The Internal budget is on track. Two sections of the External budget have not yet been utilised.	Groundwater     Land Science     The Coast	
		330	Groundwater Quantity		On target.		
		331	Coastal Quality		Project outputs are on time and on budget. Recreational water quality and coastal ecology programmes have been undertaken in accordance with project plans.		
		339	Land Science Research and Investigations	•	All 339 jobs on track as expected.		
		340	Land Science Monitoring		All 340 projects as expected and on track.		
		Multiple	Multiple		Preparation for ISO 9001:2015 External Audit due in quarter 3 was carried out as planned.	Council maintains its International Organisation for Standardisation (ISO) 9001-2015 accreditation for data collection, analysis and storage.	On Track External Audit will be completed in January 2020, all sections who fall under this ISO are aware and preparing for a successful audit.
	HBRC will undertake targeted science research and investigations on matters relevant to policy	182	Unspecified Research and Grants		Contributed to national-level projects including LAWA, EMAR, and regional council collaboration including SIGs, RMG and RCEO forums The contribution of \$10,000 for Envirolink has so far resulted in \$120,000 of grant funding for research organisations to complete projects for HBRC. Funding was secured for research including: terrestrial biodiversity, aquatic ecosystem health and	The Science team develops and implements an annual work programme in line with plan change requirements	On Track The Science section has refreshed the HBRC Science Strategy (last published 2015) as the first stage in developing a 10-year Science Plan.

-	Integrated Catchment Management GOA		financial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
	development to inform the Council and stakeholders.				rapid habitat assessment, predator-free Mahia social research, drought index under climate change, and a project to compile soil quality data to maximise consistency and utility of historic data.		
		310	Regional Groundwater Research		Ruataniwha groundwater and surface water modelling is progressing well. 3D aquifer mapping survey is underway after significant planning and preparation. Development of a stream depletion calculator to support the TANK plan is progressing well. This tool will enable stream depletion assessments to be made for groundwater abstraction anywhere in the Heretaunga Plains, without a requirement for technical or modelling expertise.		
		311	Regional Surface Water Research and Investigations		Work focus has shifted to development of groundwater - surface water models for Ruataniwha Plains. New staff have been completing training in SOURCE modelling to enable use of models developed by consultants.		
		312	Freshwater Ecology Investigations		Projects are currently on track, highlights include collaborative community lake monitoring successfully initiated (for Putere Lakes), riparian planting brochure with scientifically advised shading advice finalised and TANK WQ report published. Two sites for trial Tukipo constructed wetlands have been confirmed, and funding received from Fonterra to construct these.		

	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial rep measures via OPAL 3	orting on level of service	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		313	Coastal Water Quality Research and Investigations	•	Project outputs are on time and on budget. Project is still meeting targets however internal time and external is under budget due to SOE writing being prioritized in the 1st and 2nd quarter. Highlights include a collaborative study with the Sustainable Seas Science Challenge looking at Enabling Ecosystem Based Management with the Hawke's Bay Marine and Coast Group.		
	HBRC will reduce harmful air pollution and comply with the National Environmental Standard	341	Air Quality		On track.	Number of exceedances of PM10* in the Napier and Hastings Airsheds Target: Napier 1; Hastings 3	On Track The results for both Napier and Hastings are within targets.
	(NES) for Air Quality.	342	Healthy Homes Initiatives		Target of up to 1000 packages per year is on track assuming increased rate of applications during winter. Note: In the Airsheds the Clean heat interest rate is subsidised by 50%, funded by a targeted rate. The programme has been extended as the Sustainable Homes Programme to include Solar, water storage, double glazing and septic tanks, in addition to clean heat ventilation and insulation available to HBRC ratepayers.	Number of clean heat systems installed annually under financial assistance programme Target: 1000	On Track  • Loans =59 (\$204,999)  • Grants =227 (\$138,049)  • Insulation =130 \$266,418  Total = 416 (\$609,466)
	HBRC will encourage efficient and effective	395	Water Information Services		Resourcing requirements are still being worked through. Work progressing as expected but hard to track with others involved in this project not in the same	Percentage of consent holders with water meters operating using	On Track This has been measured on a consent basis where previously

	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
	water use to maximise the benefits of the water allocated and comply with regulations under the RMA for measuring and reporting water takes				team. Interviews tomorrow. No financial visibility available to comment on.  WIS have been short staffed with only one FTE instead of two, a replacement has been appointed.  Time and effort has been spent keeping both Daisy and Iris databases up to date.  Daisy data checked to help with migration to new system.  Provided advice to Compliance on noncompliant consent holders and Low Flow contacts and notifications, this ramped up towards the end of the year as summer took hold.	telemetry or web/text systems Target: 90%	the numbers were on a per meter basis. Including non- exercised meters (no water taken and tamper tagged) then becomes 1833/1937=94.6%
		314	Water Efficiency		Water initiatives were included in the activity under 395, which was subsequently split between Environmental information, Integrated Catchment and Water Initiatives. Monitoring of water takes, irrigation testing and water conservation met annual targets.	Total water consented as a percentage of the allocation limit for each significant water resource.*  1. Esk 2. Karamu 3. Ngaruroro 4. Maraekakaho 5. Nuhaka 6. Raupare 7. Tutaekuri 8. Tutaekuri- Waimate 9. Tukituki Note: Additional rivers will be added	On Track 100.26% Surface water is allocated to the limit. (Note allocation set by PC6 and measured as L/s rather than m3/week) No further direct takes to be allocated

-	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
						as allocation regimes are set through catchment based plan changes to give effect to NPS FM.	
Catchment Management	HBRC will partner with tängata whenua and community groups in identified priority areas to achieve land and water outcomes.	Multiple			Both the Whakaki & Tutira Freshwater Improvement Fund projects are working through local issues with stakeholders which is slowing progress. The Whakaki Project is currently navigating alternative access to the construction sites for the weir and recirculating wetlands, higher project costs than were originally estimated and a rescinding of support from land owners where construction is to occur. The Tutira project is working through obtaining support from land holders at the Northern end of the lake. Despite these issues significant engagement and activity has continued to occur with both projects.	Annual reporting to council on engagement, actions and impacts within priority areas.	On Track 6-monthly Catchment Management Updates which include commentary on Tängata Whenua relationships are reported to the Environment and Integrated Catchments Committee.
	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-	378	Farm Environment Management Plans		1,013 completed farm plans to date, against estimated 4500 needed by 2025. This includes 218 low intensity blocks, 790 farm plans sent in by farm plan providers and 5 in progress farms. We are looking at a reduction in the number of farms that are over their N leaching limit. The current table in the plans uses an outdated version of Overseer, which is the software used to calculate leachate results for each property. The newer version of Overseer is far more advanced and HBRC plans to increase the N leaching table, meaning many farms will	Percentage of land area (by catchment) that operates under a FEMP or an independently audited industry good management practice framework as required under the RRMP. (Target: 100% Tukituki)	On Track 99%  Compliance has followed up the majority of the no-FEMP property. The majority of those properties were already engaged in the farm planning process.

	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
	farm to achieve smart, sustainable land use.				drop out of the consenting process as they are no longer over their N limit. Currently, a consent is required if you are in an overallocated DIN sub catchment (Kahakuri, Mangaonuku and the Papanui) or if over individual LUC limit. We expect farms in the Tukipo, Porangahau and Maharakeke to exceed their DIN limit, meaning those that are no longer over their individual LUC limit,		
	HBRC will encourage through subsidy,	303	Tagasaste SFF Project		may be needing a resource consent for being in an over DIN sub catchment.  Achievements for the period July to December are in line with the MPI milestones and the main points are:  Successful start to the Direst Grazing		
	education, working with industry and recording and reporting riparian planting and fencing, wetland				Trial for Tagasaste. Establishment of four potential grazable shrub species on a Waikato property. Ongoing measurement and reporting of understorey vegetation in the Tagasaste trial area – Whakaki.  A field day for the project team and farmers was held in August.  A full assessment of the weed potential		
	protection and afforestation to improve soil conservation and water quality.	351	Te Waiu o Tutira	•	of Tagasaste was carried out.  Currently the Te Waiū o Tūtira Project is experiencing delays as we move forward with an engagement process relating to certain project deliverables. Increased expenditure of this budget is expected in the second half of this financial year as onfarm catchment works get completed (planting, fencing etc.) However, I expect		

-	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					that we will need to carry forward a portion of this budget. Please note that Council is in Deed with MfE for this project, we have committed this money as part of the Freshwater Improvement Fund project. We need to carry forward any unspent funds to ensure we can still deliver this project.		
		352	Ahuriri Estuary Protection and Enhancement		Generally the majority of this budget is used in the second half of the financial year and the total budget will be spent. This is due to a large portion of the budget being allocated to on farm catchment works (planting, fencing etc) that are completed from April through to June with the planning of this work completed in the first half on the financial year. Additionally the invasive tubeworm removal is incorporated in this budget with this work also being completed closer to winter as the water temperature drops.		
		353	Lake Whatuma Protection and Enhancement	•	No activity as lake ownership negotiations continue. \$200k plus carry forward of \$180k.		
		354	Whakaki Lake Protection and Enhancement	•	Some project deliverables have stalled slightly as community engagement continues. While additional project costs occur as we get closer to winter (planting season).		
		355	Marine Protection & Enhancement		Project is on time and on budget. Highlights include subtidal mapping of the Clive Hard and Cape Kidnappers/Black Reef system and supporting catchment works in the Porangahau Estuary.		

-	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		379	Erosion Control Scheme	•	Major spend for ECS is in the 1st and 4th Quarters as this aligns with the planting season (across financial years). Start of May to the end of August - extended for misc species.	Additional area of highly erodible land planted in trees (ha).  Target: 2000Ha of land under cover	Off track We are currently in a transition phase between EROS and new Customer Relationship Management system. Catchment staff are now entering their existing ECP data into CRM. Corrections are being made to the older data as it is being entered into CRM. Previous reporting
		306	Erosion Control Scheme Booster		There was a delay of three months in getting this project underway with negotiation and finalisation of milestone details, the attached funding and completion of the contract continuing well past the scheduled start date. There was no dedicated staff on the project until the contract was completed and a project manager recruited in September. Variances to the contract have been agreed between HBRC and MPI to alter or push out milestone dates. With the rescheduled milestones the outlook for achieving these is positive, with plans in place for catching up in the first six months of 2020.		included all completed and planned works. The figures below are only works completed during the reporting period.  Total 'completed' planting last financial year (18/19) May to end of June was 97 ha  Total 'completed' planting from July

Integrated Catchment Management GOA		Staff non-	financial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		380	Wairoa/ Mohaka Catchments		The Wairoa team is behind on the targets set at the beginning of the financial year. Problems employing staff and the change of roles and responsibilities of existing staff has meant that on-ground effort has been constrained. To further compound this a lack of willow and poplar poles has meant that we have been unable to meet demand. Significant support to wider area issues and problems has been provided and significant gains have been made to a number of outstanding issues for the community. The team has built strong and close relationships with WDC, tangata whenua and local land owners		to Dec (19/20) was 319 ha  Total 'completed' planted area is 454 ha
		381	Soil Conservation Nursery		Crop productions operations are proceeding on time and up to date. Some short and long term maintenance issues have been deferred as second priorities		
		382	Central Catchments		All work well on track with Erosion Control Scheme targets for number of Erosion Control Plans.		
		383	Tukituki/ Southern Catchments				
		384	Riparian Planting Program	•	A new code with no budget against it. Code is to identify costs associated to this activity, where it hasn't in the past.	Additional kilometres of riparian margin protected annually to reduce sediment, nutrient and/or bacterial contamination of water	Off Track Total 'completed' riparian protected from July to Dec (19/20) was 7km. A greater focus in this area going forward should provide an

-	Integrated Catchment Management GOA		inancial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Biodiversity	HBRC will work	662	Biodiversity		The Biodiversity HB Programme	Target: 100km	increase in total length of stream protection achieved and greater certainty to meet or surpass the target.
and Biosecurity	with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.		Strategy Implementation		Manager role has shifted from internal time to being externally managed by Biodiversity HB. This was funded through opex, not internal time, hence underspend in internal time. Total operating budget for 662 is on track.  Ecosystem Prioritisation programme - currently working to protect 11 Ecosystem Prioritisation sites this financial year. These sites comprise of sand dunes, braided rivers, wetlands and mature indigenous forest;  Policy - working with Napier City Council and Taupō District Council in reviewing their Draft Significant Natural Areas Reports. These reports outline areas of high biodiversity value that will have rules associated with them to help protect them long-term;  Biodiversity Hawke's Bay – working closely with both the Foundation and Guardian Management Committee in promoting biodiversity in Hawke's Bay and funding biodiversity projects;  Marine Pest programme – working with stakeholders in keeping invasive marine pests out of Hawke's Bay (awareness	targeted priority sites where biodiversity is actively managed. Target: 1-2	Management actions are underway at 11 Ecosystem Prioritisation sites. This is above the 1-2 sites p.a. as estimated as level of service measurement in the LTP. This has been made possible through partnering both internally and externally with other groups/organisations.

-	Integrated Catchment Management GOA		financial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		270			and enforcement). A marine pest identification workshop was run in partnership with National Institute of Water and Atmospheric Research (NIWA) and Ministry for Primary Industries (MPI). A contract has also been awarded to undertake marine pest surveys and respond to incursions.		
		338	Biodiversity Strategy		Endangered species mapping being finalised, and formed second stage contract. Contract with Landcare Research for rescope the Envirolink application for the development of a biodiversity outcome monitoring framework has been completed. Contract undertaken to carry out aerial image capture on frost flat in collaboration with BOP.		
	HBRC will undertake research, and implement and review regional pest management plans that improve biodiversity, human health and economic prosperity.	650	Plant Pest Control		Biocontrol - East Taupo Lands Trust met with in regard to the release of Heather beetles in the Upper Ripia catchment. Maungaharuru Tangitu Trust met with to discuss release of Japanese honeysuckle white admiral butterfly at Tutira.  Exclusion pest plants: No exclusion pest plants have been detected in the Hawke's Bay region;  Eradication pest plants - Cathedral bells, Phragmites, Spiny emex, White edged nightshade, Yellow water lily;  Progressive containment pest plants - Apple of Sodom, Cotton thistle, Darwins	Maintain and implement current Regional Pest Management Plan.	On Track Regional Pest Management Plan review has been completed. Plan become operative Feb 2019

Integrated Catchment Management GOA		Staff non-	financial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
	HBRC will provide effective pest management programmes that improve regional biodiversity, human health and economic prosperity.	660	Regional Animal Pest Control Pest Management Strategies		barberry, Nassella tussock, Old man's beard, Saffron thistle, Wilding conifers, Woolly nightshade;  Sustained control pest plants - Chilean needle grass, Chinese privet, Yellow bristle grass;  In total 983 rural properties and 239 urban properties visited for the above operations.  Pathways management has been undertaken, which includes machinery inspections, education and the stopping of haymaking/gravel collection/soil movement in certain infested areas.  Project is on track  Site specific predator control programme — worked with 7 private land owners in setting up predator control  There was a lot going on for the PFHB team in 2019, particularly for the Whakatipu Mahia team who were busy getting on the ground works underway and pulling together a number of threads e.g training Tauira Mahi (cadets), receiving new technology and getting that working in the field. The final few months saw a lot of consolidation to put the team in a strong position for 2020.	Percentage of monitored Possum Control Areas (PCAs) with a 5% or less trap catch. Target: 90%	On Track The programme currently covers 774,303ha with properties within this area required to maintain possum densities to 4% residual trap catch (RTCI). The annual Education Monitoring Programme is 40% complete (32,841 ha). Over the 451 monitoring lines placed across the 32,841ha's, 83 lines have recorded a 4% RTCI or greater.

Integrated Catchment Management GOA	Staff non-	financial reportin	g on 3-di	Staff non-financial reporting on level of service measures via OPAL 3			
ACTIVITY LEVEL OF SERVICE STATEMEN	BUDGET CODE	BUDGET CODE NAME	Q2 NF Result		Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
				•	In November we hosted the CE and Project Coordinator of Zero Invasive Predators (ZIP) and CE and Projects Manager of PF2050 Ltd for two days in Mahia to see first-hand the on the ground work of the team. Feedback from the visit was very positive including comments around the advanced eradication mindset of the team.  In December we hosted 2 representatives from the Aotearoa Foundation New York office as a final visit to view some of the many things we have achieved with their funding support over the past 9 years. The day began with a powhiri at Tangoio Marae before heading to the Poutiri Ao ō Tâne project area including visiting the seabird site on the Maungaharuru Range.  The eradication modelling was finalised with Landcare Research-Manaaki Whenua in collaboration with the PFHB and other Predator free projects from around NZ. This step was significant in the ability to declare proof of freedom from possums.  We led another successful interactive display in the Nature Shed at the A&P Show in October showcasing the Poutiri	Decreasing trend (based on previous 5- year average) in the number of active rook nests.  Percentage of animal pest enquiries responded to within target timeframe. (5 days for rabbits).  Target: 100% Percentage of plant pest inspections and actions completed within target timeframes (see schedule for specific plant pests).  Target: 100%	The average RTCI across the entire area monitored currently sits at 2.6%. A further 879 monitoring lines to be undertaken (46,200 ha) over the remainder of this financial year.  On Track The annual rook programme has been completed with 141 nests treated. This is tracking downwards, the 5 year average being 307 nests treated On Track A total of 45 rabbit enquiries have been responded to over this financial year, all within the required 5 day time frame On Track The team has visited 983 rural properties and 239 urban properties during this period. The following pest plants have been managed:

	Integrated Catchment Management GOA		Staff non-financial reporting on 3-digit codes via OPAL3				Staff non-financial reporting on level of service measures via OPAL 3	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
					Ao ō Tāne, Cape to City and Whakatipu Mahia projects. The Nature Shed is always very popular with the public who enjoy the interactive opportunities which gives the opportunity to connect people to nature and understand the need for caring for our environment.  The ZIP wireless leghold technology was received for Whakatipu Mahia and installation began in October. These devices will be largely used as our surveillance system as we clear the peninsula of possums and is a real game changer for pest control.  Contracts that have been awarded are listed in a table below.		Eradication pest plants: Cathedral bells Phragmites Spiny emex White edged nightshade Yellow water lily Progressive containment pest plants: Apple of Sodom Cotton thistle Darwins barberry Nassella tussock Old mans beard Saffron thistle Wilding conifers Woolly nightshade  Sustained control plants: Chilean needle grass Chinese privet	

## Sustainable Homes

Report July – December 2019	Applications	\$	
Double Glazing	37	436,956	
Water Storage - Non potable supply	4	34,347	
Septic tanks	4	31,956	
Solar PV - Photovoltaic	60	672,393	
Solar HW – Hot water	17	67,716	
Ventilation	97	298,874	
Clean Heat 4% - Outside the airsheds	174	628285	
Total Sustainable Homes*	393	2170527	
Clean Heat 2%	59	\$204,999	
Clean Heat Grants	227	\$138,049	
Insulation	130	\$266,418	
Total Heatsmart	416	\$609,466	
Heatsmart and Sustainable Homes	809	\$2,779,993	

<sup>\*</sup>Note: In the Airsheds the Clean heat interest rate is subsidised by 50%, funded by a targeted rate

## Animal Pest Management Contracts

Contractors	Contracts					
CC Pest Control Ltd	DOC Possum Maintenance Contract					
	Te Mata Park maintenance assistance					
	Ruahine Extension maintenance assistance					
	Pakowhai Semi Urban Contract					
Rural Pest Services	Rabbit Advisory Contract					
Ltd	Urban Possums					
	Rabbit Night counts					
	Ruahine maintenance assistance					
	Wairoa Urban Contract					
Baytrap Ltd	Kereru maintenance assistance					
Bay Pest Eradication	Erepeti maintenance assistance					
Ltd	Erepeti scenic reserve					
P and L Lister	Maungaharuru Goat Coordinated Management					
	Area (CMA)					
	Mahia Goat CMA					

## 2.4 Asset Management

There are three activities within Asset Management Group of Activities (GOA):

- · Flood Protection and Control Works (Rivers, Drainage & Small Schemes)
- · Flood Risk Assessment and Warning
- Open Spaces

Asset Management GOA		Staff non-	financial reporting on 3	digit cod	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
	HBRC will maintain an effective flood	250	Investigations and Enquiries		Many ratepayer enquiries dealt with by all team members.		
Flood Protection and Control Works	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.	251	Subsidised Investigations & Minor Projects		The programme is in progress as per specific stream improvement and flood control projects. Predominantly Tree Clearing.		
		255	Consultancy Services		Bridge hydraulic analysis for GDC Stopbank analysis for proposed Glazebrook extension on Ngaruroro.		
		261	River and Lagoon Openings		Work has been carried out as required. No issues to report. Opening instructions have been reviewed and closer monitoring is being undertaken by new staff. There is some increased pressure from landowners for protection of land.		
		265	Upper Tukituki Scheme		The maintenance programme is in progress as per schedule. No issues to report.	The major flood protection and control works that are	On Track
		286	HPFCS – Rivers Maintenance		The maintenance programme is in progress as per Asset	maintained, repaired and renewed to the standards	

Asset Management GOA		Staff non-	financial reporting on 3	3-digit co	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					Management Plan. No issues to report.	defined in the relevant scheme Asset	
		287	Flood and River Control		On Track	Management Plan and annual works program.	
		288	HPFCS — Special Projects		External expenditure is behind schedule due to resourcing constraints and project dependencies  Public Use of rivers is on hold pending visibility of viable options under Heretaunga Plains Flood Control Scheme Level of service Review  Urban Waterways Level of service review on hold pending resources.	Changes to flood levels of protection* are consulted on with the affected communities and delivered within agreed timeframe.  *Current levels of protection are 1%AEP (1:100 year return period) for both Heretaunga Plains and Upper Tukituki Schemes.  Target: Heretaunga Plains: Phased design and construction. Upper Tukituki: Subject to consultation outcome	On Track From a capital delivery perspective the upgrade to the level of service to Heretaunga Plains Flood Control Scheme is behind the schedule indicated in the 2018 LTP. Resources have now been engaged to undertake the planning and concept design phases of this project.
		369	Gravel Management		Internal costs on track. Actual exceeds forecast due to the ongoing external costs in processing the new consent. This has been challenging to resolve		
					with a small number of submitters requiring minor amendments to consent. Income is below forecast due to timing issues with invoicing		

Asset Management GOA		Staff non-	financial reporting on 3	3-digit cod	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		370	River Cross Sections		On track - Waipawa XS		
	HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment	364	HBRC Pathways  Public Access to		The maintenance and development programme is in progress. No issues to report. Significant budget available due to funding contributions and low spending (Black Bridge Upgrade Payment).  New Ranger position started Dec	The ecological function of urban streams is maintained or enhanced (source: 6-yearly rolling review and Ecological Valuations of River Ecological Management and Enhancement Plans	On track On track
	and increased biodiversity.		Rivers		2019 to assist with Public Access to Rivers, includes dealing with vandalism, rubbish dumping, employment of First Security and other contractors as transition and overlap with new Ranger. Project activities are being reviewed. Padlock and key system is due for replacement (20yrs). Budget TBC. Guppy Road pipe and rail fencing will contribute to budget overrun. Review of Public Access to Rivers project on hold pending level of service option development. Demand from public for increased level of service. Other activities are in progress as per schedule.	(EMEP).	
Flood Protection and Control	HBRC will maintain an effective drainage network	290 – 296, 298-299	HPFCS – Drain & Pump Assets, Npr/Meeanee/Puke,		The maintenance programme is in progress as per schedule. No issues to report.	Number of reported incidences of out- of- channel flooding lasting	On Track Rain Event 15 October 2019. Water level

Asset Manag	gement GOA	Staff non-	financial reporting on 3	-digit cod	des via OPAL3	Staff non-financial reportin measures via OPAL 3	g on level of service
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Works (Drainage)	that provides drainage outlet for rainfall runoff for communities and productive land within the drainage		Brookfields/Awatoto, Pakowhai, Muddy Creek, Haumoana, Karamu, Tutaekuri/Moteo, Puninga			more than 24 hours for the design rainfall runoff and lesser events. Target: Zero	generally remained within mainstream channel sections. Flooding of orchard at Upper Southland due to local screen blockage
	scheme.	297	HPFCS – Raupare/Twyford		The maintenance programme was completed as per schedule. No issues to report. Channel excavation yet to be completed.		and landowner breaking channel edge. No issues to report.
Flood Protection and Control Works (Small Schemes)	HBRC will maintain an effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated Scheme areas, including:  - Makara Flood Control  - Paeroa Drainage  - Porangahau Flood Control  - Ohuia — Whakaki Drainage  - Esk River	240- 249, 276	Makara Flood Control - Paeroa Drainage - Porangahau Flood Control - Ohuia – Whakaki Drainage - Esk River - Whirinaki Drainage - Maraetotara - Te Ngarue - Kopuawhara Flood Control - Poukawa Drainage - Kairakau		The maintenance programme is in progress as per schedule. Silt extraction occurring at Tauretaikai Stream-Wanstead Swamp, Porangahau Road and working with CHBDC. Investigating consent for raupo helicopter spraying for Poukawa Drainage scheme. Waihoratuna Pump Station not currently operating (pending renewal budget). Esk River Control Scheme budget for weed control marginal to meet requirements of AMP. Have request for support from Esk Community Care Group (\$8k/yr). Agreement of work programme with Kairakau community to be reviewed.	Flood protection and drainage networks are maintained, repaired and renewed to the key standards defined in the Scheme Asset management plan and annual works program.	On Track Planned maintenance and works have been executed for all schemes except Opoho. The Opoho pump station us currently out of service. We are working with the scheme participants (three) to determine the most efficient and effective way forward. The scheme participants have expressed a desire not to invest on overhauling the existing pump station and are fully informed. Given the relative size of Opoho being 3
	- Whirinaki Drainage	266	Opoho River Control Scheme		The maintenance programme is in progress as per schedule except		

Asset Management GOA		Staff non-financial reporting on 3-digit codes via OPAL3				Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
	- Maraetotara - Te Ngarue - Kopuawhara Flood Control - Poukawa Drainage				for pump station which is currently decommissioned due to safety concerns. Review of scheme currently being undertaken by HBRC Engineering.		ratepayers the status is green.	
	- Kairakau	277	Wairoa Rivers and Streams Scheme		The maintenance programme is in progress as per schedule. Significant additional work currently being undertaken at Marae sites along the Wairoa River.			
		278	Central & Southern Area Rivers & Streams Scheme		The work programme is in progress as required. Requests for additional work from Te Waiohinganga (Esk) River Care Group –			
Coastal Hazards		264	Westshore Coastal Works		Renourishment completed for 19/20.			
		322	Coastal Processes Investigations		Modelling work for Clifton to Tangoio is progressing well. Joint project funded by NCC and HDC.			
Flood Risk Assessment and Warning	HBRC provides reliable warning of flooding from the region's major rivers to at risk	715	Flood Risk Assessment		This project is mainly used to perform analysis or design, or answer queries to do with flood issues, or the risks associated with flooding.	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year.	On Track 98% has been met	
	communities in the Wairoa, Tutaekuri, and Ngaruroro and Tukituki areas.	718	Flood Warning System		Flood warning system has been working well, no operational concerns as data collected and presented to required standards.	Target: 98%		

Asset Manag	Asset Management GOA		financial reporting on 3	-digit cod	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET CODE	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
	Council provides accurate and timely flood forecasting information online to advise the community on likely rainfall and flooding.	719	Flood Forecasting & Hydrological Flow Management		Worked on updating flood forecasting model.	Percentage of the region at risk of flooding from large rivers, covered by a flood forecasting model. Target: 70%	On Track Flood forecasting models cover 70% of the region by area
Open Spaces	HBRC will maintain, develop, and provide public access to existing Council owned regional parks and investigate affordable new	362 287 013	Regional Park Network Hawea Regional Park		Regional Park assets are being maintained, protected and enhanced as per plan.  The detailed design for the carpark completed and tender going out end of January.	Regional parks are managed to the key standards defined in Individual Park Plans (IPPs) where present and / or the HBRC Regional Park Network Plan.	Achieved Maintenance contracts (Works Group, Habitat BPM, Pest Control etc.) in place for 2019/20. Maintenance schedules are clear in these documents.
	affordable new opportunities for public enjoyment of open space for multi-purpose benefits.	281	Raupare Development Scheme		Work complete for 2019 with Raupare Enhancement Group according to the Raupare Enhancement Strategy. This will include the Raupare and Lassen drains. Planning work undertaken with Jerf vanBeek and Nathan Burkepile from Landcare.		Draft IPPs complete for Waitangi Regional Park, Pakowhai Regional Park, Pekapeka Regional Park and Tutira Regional Park

Asset Manag	Asset Management GOA		-financial reporting on 3	digit coo	des via OPAL3	Staff non-financial reporting measures via OPAL 3	on level of service
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
		282	Karamu Enhancement Scheme		Work for 2019/20 complete with Bostocks, Forest and Bird and various neighbours to enhance the Karamu according to the 296-081 Te Karamu Enhancement Review and Management Strategy 2016-25. Future work for the coming winter season in 2020 is being scoped currently, tree work underway, plant pest undertaken, fencing installed.		
		988	HBRC Forestry Estate		Access road to Tutira Forest almost complete, harvest contract signed and to begin next year pending Kahikanui sediment trap completion. Seasonal pruning and weed control completed by summer team. Difficult to find thinners.		
		373	Tangoio Soil Conservation Reserve		Seasonal pruning and weed control almost complete, harvest contract signed and to commence next year, ongoing goat and possum control.		
		374	Maungaruru Tangitu		No proposal received from MTT for use of Catchments Fund money, so no money paid out to date. A meeting has been requested to resolve, but no timing confirmed as yet.		

Attachment

#### Regional Projects

We are actively working on implementing the Project Management Framework and engaging with the asset team through this process. We have selected some minor and major pilot projects to trial the framework. The capital project programme of work for the FY 19-20 is confirmed and we are fully committed to delivery using the Project Management Office philosophy, we are working on the programme of work for the FY 20-21 and long term programme.

We may need some support when some of the projects enter the execution phase and specifically during the construction period with some site management and some engineering activities. This support will be contracted in as required

Below is a selection of project highlights:

#### Heretaunga Flood Control Level of Service:

- Modelling ongoing with some outcomes being completed in January. Asset performance underway with some outcomes being expected by April.
- The Consultation and Engagement Plan is drafted and awaiting to be discussed at the workshop with a project team.
- The Property Group have been engaged to undertake some land investigation work to identify potential land effected by this work.

#### Clive Dredging:

Ongoing negotiation with landowners to lease or purchase suitable land for the dredging operation. Community meeting have been hold with the key
stakeholders (rowing club, waka ama, kayak club, tourism operators) to explain delay and update them on progress to date, issues and reasons for
delay to due to change in dredging methodology and land investigation work.

#### Marakakaho road new river access:

Detailed design underway with some of the minor construction work starting in January.

#### Tutira no.2

· Detailed design and resource consent ongoing with expected delivery by February.

#### Whakaki weir

Project planning and detailed design completed. Operational requirements confirmed and budget have been allocated, however through detailed
design, investigation work and consultation with contractor we have to modified original methodology to improve operability of the weir. The
construction is planned to take place in.

#### Regional Asset Management

Recruitment has been a core activity over the last quarter:

An international search has commenced to fill the role of Manager Regional Assets which was vacated mid December 2019

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- New design engineer David Okros commenced in December. David will focus on the asset condition assessment which is an important input into our Heretaunga Flood Control Level of Service project.
- Mark Brinsdon commenced in the new created Ranger role. Even after a short period of time this role has been successful in maintaining a positive presence on our river environment
- Harry Petterson has accepted a role as Graduate Engineer and will commence during February 2020.

#### Work Highlights for this quarter are:

- The Waitangi Waikahu wetland was formally blessed during November 2019
- Waugh Infrastructure completed gap analysis on our Asset Management Plans providing valuable input into the next generation of plans being prepared for the next LTP
- Contract awarded to Neo Consulting to review our SCADA network and develop roadmap to further leverage technology
- Signed contract with Pan Pac for harvest services for the Tangoio and Tutira forests

#### Works Group

#### Committed Works

Turnover is slightly ahead compared to same time last year mainly due to the river planting and edge protection works along with a solid early start on beach raking in the Ngaruroro and Upper Tukituki Schemes.

Looking forward the maintenance programmes such as mowing, spraying and weed boating will continue in full swing with significant growth continuing with the warmer weather. Beach Raking will need to commence again as soon as the river beach restrictions are lifted end of Feb, we will need to work extended hours on this to ensure the contract is completed. River plant pest and willow regrowth spraying is behind on the Heretaunga Plains Rivers, this will need to be resourced accordingly to make up for lost time.

Looking at the extended forecast the plant watering and the Regional Parks vegetation control work will remain busy through to end of summer.

Overall the position is good with an extensive workload ahead and currently sitting at 42% of budgeted turnover.

#### Uncommitted Works

Uncommitted work has been steady having already reached 165% of the budgeted annual turnover by end of period six. Work to date has included tube worm removal from Ahuriri Estuary, pole deliveries for the nursery, forestry thinning work for Tangoio Forest, and earthworks at Hawea Park.

Looking ahead there are some significant uncommitted works planned for the remainder of the year. These include the Wairoa Yacht Club retaining wall, the Whakaki Weir, and the Maraekakaho Access Culvert installation.

#### External works

Good start to the year for external work with the turnover at midyear being 81% of the annual budgeted turnover. Turnover is equivalent to same time last year although increased costs has resulted in a slightly lower surplus to end of period 6. Some key external projects to date are Clive subdivision drainage work, Te Mata Park caretaking, Ruakituri crossing (FMNZ), Southland Drain cycleway (HDC), and also includes mowing for HDC, Clive River rock wall for HDC, mowing and spraying for NCC, and weed boating for Greater Wellington Regional Council.

Looking forward, the Southland Drain limestone pathway for HDC is now complete although we still have the final claim to submit. Further programmed works include the repair of the Tekahika detention Dam for HDC, Hardinge Rd Erosion Control Stage 5 for NCC, and we are currently tendering on a significant project for HDC undertaking the civils work for the construction of several small community water treatment plants.

Work continues mowing and spraying for HDC, NCC and CHB councils.

The caretaking work at Te Mata Park for the Te Mata Park Trust has also increased to 4 days per week this year.

#### Highlights

- Two new catchment workers employed this quarter Alex Clare in the Regional Parks Caretaker Team and Andrew Prosser who replaces retiring Tom McMillan after 42 years of service.
- Southland Drain cycleway completed for HDC on time and within budget.
- Works Group received the HBRC Team of the Year award.

#### Incidents

On the 6<sup>th</sup> January a grass fire was initiated at Fernhill through our mowing activity. The mower struck wire which ignited the dry grass. The fire could
not be contained by the operator and 1.5kg extinguisher so emergency services attended the scene. The fire was extinguished by 3:30pm. The fire
affected approximately 3Ha of land (primarily HBRC) and damaged boundary fences.

# 2.5 Regulation

There are three activities within Regulation Group of Activities (GOA):

- Consents
- · Compliance and Pollution Response
- Maritime Safety

Regulation GOA		Staff non-	financial reporting o	on 3-digit	Staff non-financial reporting on level of se measures via OPAL 3			
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Re	esult
Consents	HBRC will process resource consent applications in a timely manner	402	Resource Consents		Project is running to meet statutory timelines. Budget is underspent but costs are under-recovered to date. – Malcolm  The 420 consents we currently have in process or pending include:  Tranche 2 (Ruataniwha) water takes, still on hold while applicants complete modelling of effects. One application withdrawn. Other applicants have moved to take up this available water. Applicants have been asked to include their farm environment plans and nutrient budgets in conjunction with their Tranche 2 water take applications.  HBRC gravel consents were notified in February 2019. There were submissions but no	Percentage of resource consents processed within statutory timeframe in Resource Management Act. Target: 100%	Achieved All resource consissued in this perbeen issued with statutory timeling Performance Measure Consents in process Applications Received Consents Issued Consents processed within Timeframe Cost recovery to date	iod have in

Regulation G	Regulation GOA Staff non-financial reporting on 3-		n 3-digit	codes via OPAL3	Staff non-financial repo measures via OPAL 3	rting on level of service	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					submissions in opposition. The applicant is meeting with submitters to resolve any issues that were raised by submitters with the aim of settling these without the need for a hearing.  Te Mata Mushrooms Brookvale hearing was held on 31 July – 2 August. The hearing was adjourned and reconvened on 11th October. The decision was issued in December and has subsequently been appealed.  Te Mata Mushrooms Mt Herbert Rd Waipukurau applications lodged and in process. On hold while further information is provided.  Silver Fern Takapau meat processing plant discharge permit replacement application lodged and subject to a further information request. Further information on irrigation improvements due in new year.		
					<ul> <li>Unconfined aquifer (Gimblett gravels, Raupare areas) consents lodged and being processed as a group. These are to be notified in March.</li> </ul>		
					Wairoa wastewater discharge permit replacement application		

Regulation GO	)A	Staff non-	financial reporting o	on 3-digit	codes via OPAL3	Staff non-financial repor measures via OPAL 3	ting on level of service
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					was notified on 10 August. 22 submissions were lodged. A prehearing meeting was held on 17 October and a second prehearing meeting is to be held on 28 February. If this does not resolve issues a hearing will need to be scheduled. A hearings panel has been appointed.  NCC new water permit applications pending (to relocate and group their existing takes).  Ravensdown air discharge consents due for replacement. Pre application discussions have commenced.  Tukituki land use consents required as of 1 June 2020. Procedural guidelines are completed. 3 sub-catchment meetings have been convened by HBRC and a fourth convened by the Tukipo community has been attended by HBRC staff. The Tukipo catchment has been proactive in establishing an Incorporated Society that includes land and water care as part of its function. Federated Farmers have met with Council		

Regulation G	OA	Staff non-	financial reporting o	n 3-digit	codes via OPAL3		Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary		LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
		446	Appeals and		and sought modification process.  Te Tua Water Storage: Augmentation scheme application is being process. HDC/NCC Omaranui land extension has been receptored to the project has not been charge.	and ocessed. ndfill reived.			
		446	Objections		period. This is a contingenc for legal advice and it is not No action is required.	y budget			
Compliance and Pollution Response	HBRC will monitor consent holders to ensure compliance with the resource consent conditions imposed to protect the	450	Compliance Programmes				Percentage of programmed inspections/reports completed each year as per the adopted risk-based Compliance Monitoring Strategy. Target: 100%	On Track 64% of all resource consents programmed to be monitored have been monitored. This includes water take consents monitored jointly between compliance and water information services.	
	environment and human health.				Number of consents monitored.	3043	Percentage of monitored consents	On Track 94% of consents	
	неанп.				Bore security reports received and assessed	65	which receive and overall grade of full compliance.	monitored received an overall grade of full compliance.	
					Forestry Consents monitored	25	Target: 95%	compliance.	
					Forestry Permitted Activities monitored	34	getrasie		

Regulation G	OA	Staff non-	financial reporting o	on 3-digit	codes via OPAL3		Staff non-financial report measures via OPAL 3	ting on level of service
ACTIVITY	LEVEL OF SERVICE STATEMENT	CODE	BUDGET CODE NAME	Q2 NF Result	Commentary		LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					Contaminated Land Queries	135		
					Hazardous waste queries	60		
					Compliance staff will underta	ake a		
					complete review of s36 com	pliance		
					monitoring charges, staff			
					recoverable time (staff availa	able to		
					work on chargeable consent			
					monitoring) in the next quar	ter of		
					2020. This will include some	2		
					benchmarking against other	councils		
					and better inform more real	istic		
					recoverable charges from co	nsent		
					holders to inform recoveries	to be		
					set in the next LTP.			

Regulation G	OA	Staff non-	financial reporting o	n 3-digit	codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
	HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities	445	Environmental Incident Response		Pollution Response: Total number of pollution calls = 482 Calls by type: Air = 292 (mainly burning and odour complaints) Coastal = 12 Groundwater = 44 Land = 101 Surface water = 72 Navigational Safety = 1 Enforcement: Abatement Notices issued = 10 Infringement Notices = 46 Prosecutions = 3 Staff are currently working on a proactive campaign to better educate the public on burning in 2020 as funds allow.	Maintain a 24- hour/7 day a week duty management/pollution management response system.	Achieved Service provided.	
	HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection.	151	Hazardous Waste/Substances Management		On track for the year but with higher than expected collections costs. Able to be managed within the budget to date. Contaminated land queries were approximately 80% property sales and 20% land redevelopment. The majority of requests relating to hazardous waste were predominantly concerning asbestos and agrichemical disposal. The Agchem collection scheme was	A Hazardous Activities & Industries List (HAIL) database of potentially and confirmed contaminated sites is maintained	On Track	

Regulation G	Regulation GOA		-financial reporting (	on 3-digit	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					oversubscribed for the reporting period and paper will go to Corporate and Strategic Committee in the next quarter for continued funding this financial year.		
	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.	720	Marine Oil Spill		T2 plan review and update is ongoing. One scheduled exercise have been completed for this financial year. Another exercise is due in Feb/March 2020.	An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times.	On Track An operative and approved T2 oil spill plan is in place. The T2 plan is currently being reviewed and updated. All oil spill training is up to date with next exercise will take place in March or April 2020
		470	Building Act Implementation		Central Government has still not enacted new dam safety legislation with no published timetable for doing so. We expect an update from MPI in February 2020 and there will be some addition staff internal time spend on this in the New Year. Therefore the money put aside for that eventuality, again, has not been needed. Waikato Regional Council		

Regulation GOA		Staff non-	financial reporting o	n 3-digit	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					invoice on a quarterly basis for administering the scheme.		
Maritime Safety	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	460	Navigational Aids and Regulations		Contractors budget almost exhausted on log removal in Wairoa and Perfume Point Lighthouse.	Maintain a Maritime New Zealand accredited Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations Target: Maintain or	On Track Continuous monitoring through PHMSC Self- assessment  Not measured yet  But likely to be "Not achieved" as more focus on reporting incidents is driving an increasing trend.
	people to use					decreasing trend. Baseline = 43 (3 years to June 2018)	
		465	Policy Implementation - Regulation		Procedural Guidelines produced in collaboration with primary industry representatives. Ongoing engagement with the rural community, bankers, valuers, estate agents. Community meetings held for DIN exceeding sub-catchments. Consent application forms and		

Regulation G	OA	Staff non-f	financial reporting (	on 3-digit	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
					guidance notes developed. Tukituki web pages reviewed. Dashboards developed to provide up to date water quality information for the wider community. External consultant engaged to complete the MERI social impact evaluation report.		

# 2.6 CDEM

There are two activities within CDEM Group of Activities (GOA):

- · Hawke's Bay CDEM Group
- · HBRC Emergency Management

CDEM GOA		Staff non-	financial report	ing on 3-	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Hawke's Bay CDEM Group	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.	711	Reduction — Hazard Identification & Mitigation		In line with 10-year Hazard Research Plan, regional mapping of earthquake induced landslide probabilities for 500/1000/2500 shaking intensities been commissioned with GNS. First draft report for pilot study on Napier Hill using an earthquake-induced landslide (EIL) hazard model was received in Dec 2019 and feedback given to GNS. NHRP Agent Based Modelling of populations in tsunami event project was concluded October 2019 and results presented at well-attended Napier public meeting.  Commenced Group risk assessment in consultation with NEMA who are releasing new guidance - this commences review of the HBCDEM Group Plan.	A 5-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group Percentage of surveyed residents that identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay (source: 2-yearly SIL perception survey). Target: Same or better result than last survey.	Not measured this year The perception survey will be next undertaken 2021.

CDEM GOA		Staff non-	financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
CDEM Group Activity	The HB CDEM 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.	712	Readiness & Response		Exercise Ruaumoko was run in mid-October 19 over 4 days. This exercise was based on an earthquake scenario and involved all Hawke's Bay councils and the emergency services. The exercise tested the new coordination centre in Hastings which was able to effectively support the response. A post exercise report with a corrective actions plan is being developed at the moment.	An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee.	On Track Group Plan review has commenced with a review of the HB risk profile and workshops programmed for Feb and Mar.	
		713	Recovery & Coordination		On track	A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group.  Overall percentage score from the Ministry of CDEM assessment of the Hawke's Bay CDEM Group's capability (source: 5-yearly assessment).  Target: 80%.	On Track Current Group Work Programme 2018- 20 performance was reported to the CEG in December 2019. The development of the 2020/21 work programme has commenced to support annual plan processes.  Not measured this year 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%. The Group initiated a self-initiated evaluation in support of the Group Plan review in early 2019. This was carried out using	

CDEM GOA		Staff non-	financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting or	level of service measures via OPAL 3
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
							the same evaluation tool as used in 2015. The review was conducted by a consultant and two NEMA staff and a score of 72.2% was assessed.
						Percentage of surveyed residents prepared to cope for at least three days or more on their own (source: 2-yearly perception survey).  Target: Same or better result than last survey.	Not measured this year The perception survey will be next undertaken 2021.
HBRC Emergency Management	As the HB CDEM 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	710	Response Management		HBRC's emergency response capability has been maintained for the year. 24 new staff received CDEM induction training YTD, and procedures are being updated following the regional exercise last year. The HBRC Incident Room was maintained for the provision of a Council response to emergencies when the need arises, including maintenance of pre-established Standard Operating Procedures.	HBRC provides support to the HB CDEM Group in accordance with a service level agreement.	On Track HBRC as the administrative authority for the Hawke's Bay CDEM Group has provided support to the Group in accordance with the agreed roles and responsibilities matrix.
	HBRC will ensure it has capability and capacity to	714	Local Emergency Management		Duty Management Service was maintained effectively,	Maintain established team, training procedures including Emergency Operations Centre	On Track

CDEM GOA		Staff non-	financial report	ing on 3-	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL 3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
	respond and manage its assets during a				with 251 calls logged YTD and managed effectively. 96 warnings/alerts were	Manual and Business Continuance Plan		
	civil defence emergency.				received and managed appropriately year to date.	24-hour duty management system in place.	On Track	
					The HBRC Business Continuance Plan updated			
		709	East Coast Lab		in July 2019 Project on track - all costs to be fully recovered.			
					East Coast Life At the Boundary (ECLAB) supporting several science projects including MBIE			
					Hikurangi/ Seismogenesis Hikurangi Integrated Research Experiment (SHIRE) research.			

# 2.7 Transport

There are three activities within the Transport Group of Activities (GOA):

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

TRANSPOR	TRANSPORT GOA		financial repor	ting on 3	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL3	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result
Transport Planning and Road Safety	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.	797	Regional Land Transport Plan		All activities were completed, including the review of the public transport plan, Regional Transport Committee activities etc.  The update of the Heretaunga Plains traffic model is almost complete and forms the first phase of a joint transport study to evaluate traffic patterns in Hawke's Bay, predict future demand and programme any necessary future improvements to the transport network and services. The second phase of the study is the development of a Network Operating Framework, followed by a Programme Business Case which will set out the improvements and services required to achieve the levels of service set out in the Network Operating Framework. The development of the Framework is underway, while tenders have been called for the development of the Programme Business Case.	Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place.	On Track The RLTP was adopted in June 2018. The RPTP was adopted in June 2019. The Regional Cycle Plan 2015 is in place but under review during 2019-20.

TRANSPOR	TRANSPORT GOA		financial repor	ting on 3	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
		798	Regional Cycling Activity		The Regional Transport Committee is overseeing the project with technical support from the Transport Technical Advisory Group. The study will update and expand the findings of the Heretaunga Plains Transport Study, on which recent major projects, including the Whakatu Arterial Link (between SH2 and Pakowhai Rd) and the Pakowhai Rd-Expressway-Links Rd roundabout, are based. The study will help to guide the next Regional Land Transport Plan, which must be in place by April 2021.			
	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.	786	Regional Road Safety		Activities for the year are on track.	Incidence of fatal and injury crashes in our region (5 year rolling average). Target: Decreasing trend	Off Track Statistics for the 5-year rolling average of fatal and injury crashes are no longer being updated by Ministry of Transport and NZTA. Therefore reporting will now be on the five year average of deaths and serious injuries in road crashes (combined). Results are:  2011-15 = 93 2012-16 = 100 2013-17 = 105 2014-18 = 112	

TRANSPOR	TRANSPORT GOA		financial repor	ting on 3	digit codes via OPAL3	Staff non-financial reporting on level of service		
						measures via OP/	AL3	
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET CODE	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
							2019 serious injuries figures are not yet compiled for the year, and therefore the five year rolling average to 2019 cannot yet be included.  However road deaths in HB stood at 19 for the 2019 year.	
Passenger Transport	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.	790	Subsidised Passenger Transport		All activities were undertaken as planned.  Services between Napier and Hastings were affected by late running of services due to roadworks and increased congestion, particularly in and around Hastings. Two route changes designed to reduce delay and eliminate dead running commenced on 2 December 2019 and initial results are positive, with good public feedback about the changes and a significant reduction in the number of late running services.  The cost of providing the bus service has increased significantly this year, due to ongoing increases in the contract indexation, the requirement to pay drivers for breaks during the work day due to changes to the Employment Relations Act, and the loss of revenue from declining patronage.	Annual patronage on the Hawke's Bay bus services.  Target: Maintain or increasing trend  Annual passenger kilometres travelled on the Hawke's Bay bus services.  Target: Maintain or increasing trend	Off Track Patronage has decreased by 4% for the year to date. Some of the longer services (between Napier and Hastings) have maintained or increased patronage, but many of the suburban services are showing significant declines.  Off Track Passenger kilometres are down by 3% for the year to date when compared with last year. This is due to lower patronage, although the percentage decline for this measure is not as significant as for patronage, as some of the longer services between Napier and Hastings are showing patronage growth.	

TRANSPORT GOA		Staff non-	financial repor	ting on 3	digit codes via OPAL3	Staff non-financial reporting on level of service measures via OPAL3		
ACTIVITY	LEVEL OF SERVICE STATEMENT	BUDGET	BUDGET CODE NAME	Q2 NF Result	Commentary	LEVEL OF SERVICE PERFORMANCE MEASURE	6-monthly Result	
						Proportion of total service costs that is covered by fares. Target: Maintain or increasing trend	Off Track The proportion of total costs that is covered by fares continues to decline due to significantly higher costs and lower patronage. The YTD figure is currently sitting at approximately 32% (compared to 34.6% in 2018-19).	
						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. Target: 90% Hastings, 75% Napier.	On Track A re-calculation exercise conducted using Napier and Hastings district plan maps has shown that 89.5% of residential and commercial business are now within 500m of a bus stop. Low density/outer urban areas were not able to be calculated using this method. Based on current urban growth rates, this performance indicator is unlikely to change significantly.	

# Total Mobility

We are also experiencing a significant increase in the cost of providing the Total Mobility service this year, with the number of trips taken from July to December 2019 having increased by 9% and a cost increase of 13%

	YTD	Monthly Average	Full Year 2018/19	Monthly Average 2018/19
Bus Passengers	306,896	51,149	666,127	53,775
Total Mobility Trips	53,053	8,842	96,921	8,076

#### Road Safety

Probations road safety education days have continued during this period, along with a range of other activities in conjunction with key partners such as Police. The new youth road safety programme at the HB Prisons Youth Unit is now complete. Designs produced by the participants during the programme will be used in social media campaigns, print media and other activities around the region. Staff are working with Wairoa District on a new range of billboards for their network, utilising these designs also.

Appendix 1
Accidents/Incidents Log – July – December 2019

Incident Type	Hazard Type
Accident – No Time Off Work	4wd vehicle driving
Accident – No Time Off Work	Work station discomfort
Accident – No Time Off Work	Driving a motor vehicle
Accident – No Time Off Work	Driving a motor vehicle
Accident - No Time Off Work	Working in pump station
Accident – No Time Off Work	Uneven Ground
Accident – No Time Off Work	Environmental (non-specific)
Accident – No Time Off Work	Load/Unloading. (WG)
Accident – No Time Off Work	Office Activities
Accident – No Time Off Work	Equipment
Accident – No Time Off Work	Poisonous plants
Accident – No Time Off Work	Manual Wire rope work
Accident – Time Off Work	Drains channels and sumps uncovered (WG)
Accident – Time Off Work	Manual handling i.e. lifting bending stretching pushing pulling
Interaction Incident	Visitors and members of the public
Interaction Incident	Visitors and members of the public
Interaction Incident	Interaction
Near Miss	Working in Pump Station (WG)
Property Damage	Environmental (non-specific)
Property Damage	Driving a motor vehicle
Property Damage	Machinery – general
Property Damage	Driving a motor vehicle
Property Damage	Machinery – general
Property Damage	Tractors (WG)
Property Damage	Tractors (WG)
Property Damage	Mechanical – Lopping
Property Damage	Working around powerlines and gas services.(WG)
Property Damage	Machinery – general
Property Damage	Mechanical-Mowing/Drain work
Property Damage	Driving a motor vehicle
Property Damage	Operating a chainsaw

Incident Type	Hazard Type
Property Damage	Excavations - (WG) Service Breakage or Unexpected Service Exposure.
Property Damage	Driving a motor vehicle
Property Damage	Machinery – general
Property Damage	Driving a motor vehicle
Property Damage	Driving a motor vehicle

Appendix 2 LGOIMA Log – July – December 2019

Request Subject	Response Due	Action Date	Request Status
FEMPS in Tukituki sub-catchments	23/12/2019	25/11/2019	Completed
Flight costs	18/12/2019	20/11/2019	Completed
External catering costs	21/11/2019	29/10/2019	Completed
Papanui raw test data	21/11/2019	5/12/2019	Completed
History of elected members	18/11/2019	19/11/2019	Completed
Resource consent non compliance	15/11/2019	17/10/2019	Completed
List of abatement notices	11/11/2019	15/10/2019	Completed
Staff Remuneration	11/11/2019	14/10/2019	Completed
Rates due date	11/11/2019	14/10/2019	Completed
Data on all non-compliance events for dairy farms	11/11/2019	18/10/2019	Completed
Geomap of all landfill sites in Hawkes Bay region	8/11/2019	11/10/2019	Completed
Air and Water Discharge Consents	11/11/2019	11/10/2019	Completed
Costs of weedspraying	6/11/2019	17/10/2019	Completed
Copy of resource consent application	4/11/2019	4/10/2019	Completed
Staff communications re RMA Part 2 advice to RPC	29/10/2019	17/10/2019	Completed
Papanui water test results	29/10/2019	30/09/2019	Completed
Building energy performance	25/10/2019	27/09/2019	Active
Key planning provisions for arable farmers	25/10/2019	11/10/2019	Completed
Council wastewater discharge enforcement actions	22/10/2019	4/10/2019	Completed
Complaints against Council employees	22/10/2019	30/09/2019	Completed
DP100389W stormwater discharge	18/10/2019	26/09/2019	Transferred
Rocket Lab Launch Complex 1	17/10/2019	24/09/2019	Completed
CHB wastewater discharge sampling results	7/10/2019	17/09/2019	Completed
Consents to discharge to water	3/10/2019	11/09/2019	Completed
RPC RMA Part 2 legal advice	25/09/2019	24/09/2019	Completed
Lake Whakaki resource consents	4/10/2019	5/09/2019	Completed
NCC Ahuriri Master Plan	18/09/2019	29/08/2019	Completed

Request Subject	Response Due	Action Date	Request Status
River temperature and rhyhabsim files	13/09/2019	28/08/2019	Completed
Government Funding and Grants to HBRC	16/09/2019	28/08/2019	Completed
Property Compliance information	24/09/2019	27/08/2019	Completed
Actions taken to address climate change emergency	20/09/2019	22/08/2019	Completed
Heretaunga Plains water use and consented volumes	6/09/2019	20/08/2019	Completed
Consents cost recovery	17/09/2019	4/09/2019	Completed
Consents DP100389W and DP050453L	17/09/2019	5/09/2019	Completed
Contaminated sites - dumps vulnerable to climate change impacts	6/09/2019	21/08/2019	Completed
Regional Gravel allocation	28/08/2019	21/08/2019	Completed
Rocket Lab resource consents	21/08/2019	1/08/2019	Completed
The Government's Essential Freshwater package	30/08/2019	2/08/2019	Refused
Copies of OIR-19-039 and -040 LGOIMA responses	30/08/2019	1/08/2019	Completed
Copies of LGOIMA requests as published	29/08/2019	1/08/2019	Completed
Napier Port insurance	30/07/2019	1/08/2019	Refused
Rubbish dumping	20/08/2019	24/07/2019	Completed
Dairy effluent discharges	20/08/2019	22/07/2019	Completed
Councillor 2016 triennium meeting attendance records	20/08/2019	1/08/2019	Completed
Operation of Unconsented Pump	14/08/2019	18/07/2019	Completed
Operation of Unconsented Pump	14/08/2019	17/07/2019	Completed
Water restrictions	6/08/2019	17/07/2019	Completed
(iwi deaths-missing at Cape Kidnappers	9/08/2019	5/08/2019	Completed
Resource consents for combustion discharges	29/07/2019	2/07/2019	Completed
Municipal wastewater discharge consents	24/07/2019	25/06/2019	Completed
Awatoto water bottling plants	19/07/2019	21/06/2019	Completed
Nater Bottling Plants	18/07/2019	10/07/2019	Completed
Diversity	17/07/2019	18/06/2019	Completed
stakeholder Strategies Ltd	12/07/2019	13/06/2019	Completed
Nitrogen and Phosphorous data from FEMPs	11/07/2019	12/06/2019	Completed
Property at 504 Puketapu Road	10/07/2019	11/06/2019	Completed
CHB water usage	1/07/2019	26/06/2019	Completed

# HAWKE'S BAY REGIONAL COUNCIL

# CORPORATE AND STRATEGIC COMMITTEE

# Wednesday 11 March 2020

# Subject: FINANCIAL RESULTS FOR THE 2019-20 FINANCIAL YEAR, FOR THE PERIOD TO 31 DECEMBER 2019

# **Reason for Report**

1. To provide the Sub-committee with a financial progress report for the first six months of the 2019-20 financial year to 31 December 2019.

# Financial Summary to 31 December 2019

- 2. The financial results for the first half of the 2019-20 year are detailed in the attachment with commentary on the high level variations.
- 3. The budgets are currently prorated evenly across the year. However, a significant level of operational expenditure occurs in the second half of the year due to summer work programmes and planting season. Therefore the funding requirements show a favourable position however this is to be expected based on the even spread of budgets.
- 4. Based on the above, the following could have an overall impacts on the year end position.

# Revenue

- 4.1. For Consents and Compliance, the budget assumes an 80% cost recovery from private benefits (Fees and Charges). While the majority of revenue for this group is received at the end of the financial year, indications are that this level of cost recovery will not be met. A more detailed analysis of this has been started to assist with the requirements of the Long Term Plan and any policy changes that may be required
- 4.2. There is some potential upside given the year to date performance of the Long Term Investment Fund (based on expected annualised returns detailed in the Treasury report). This may be required to offset the above and any additional operational costed detailed in this report.

# **Operational Expenditure**

- 4.3. Following the outcome of the Remuneration Review in June, the financial impact on the 2019-20 financial year was estimated as an increase of 4.4% on staff costs against a budgeted increase of 2%. This is anticipated to be offset in 2019-20 by the large number of vacancies (currently 20 vacant positions)
- 4.4. The IT infrastructure environment has been moving from on-premise to Infrastructure as a Service due to a security event which has sped up the transition. As a result of this additional costs have been identified and are now better understood. Therefore the budget for 2019-20 was not adequate. It is expected that costs in this area will exceed budget.

# **Capital Expenditure**

- 4.5. For Regional Income (Water Security and Forestry), it is expected that capital expenditure will be below budget for the 2019-20 year and that any unspent money will be requested to be carried forward as the overall programme is expected to be on budget
- 4.6. For Asset Management, the Heretaunga Plains Flood Control Capital programme will be underspent as previously reported while the modelling and concept development is being undertaken over the next 12 months. (\$1.2m).

5. Overall, we are expecting there to be variances against full year budgets and the Finance team will be working with budget holders to quantify the impacts. Details are anticipated to be reported to the next Sub-Committee meeting.

# **Financial Reporting Development**

- 6. A significant program of work is underway to improve and enhance the capability for financial reporting including the replacement of the Financial Management System and the redevelopment of the Financial Reporting across Council. In the future, staff would like to work with the FARS to develop more robust and transparent reporting to ensure that Council is provided with financial information that adequately supports governance and decision making.
- 7. This programme of work is expected to take place over the following 18 months to 2 years and will include the budget development and reporting requirements for the Long Term Plan.
- 8. An update on this project will be provided at the meeting.

# **Decision Making Process**

 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and, as such, the updated Business Continuity Plan needs to be accepted by the Finance, Audit and Risk Sub-Committee.

#### Recommendation

That the Finance, Audit and Risk Sub-committee receives and notes the "Financial Results for the 2019-20 Financial Year, for the Period to 31 December 2019" staff report.

# Authored by:

Bronda Smith
CHIEF FINANCIAL OFFICER

# Approved by:

Jessica Ellerm GROUP MANAGER CORPORATE SERVICES

#### Attachment/s

**1** Financials for period to 31 December 2019

# **SECTION A**

# HAWKE'S BAY REGIONAL COUNCIL OPERATING STATEMENT

Six Months Ended 31 December (Pd 06)

	NET FUNDING REQUIREMENT After 06 Months			
	ACTUAL \$,000	BUDGET \$,000	VARIANCE \$,000	Favourable/ Unfavourable
GROUPS OF ACTIVITIES				
Strategic Planning	(1,000)	(1,313)	313	F
Asset Management	(807)	(1,598)	791	F
Integrated Catchment Management	(5,470)	(5,762)	291	F
Consents & Compliance	(1,581)	(984)	(597)	U
Emergency Management	(67)	(76)	8	F
Transport	(261)	(110)	(151)	U
Governance & Partnerships	(1,538)	(1,515)	(23)	U
	(10,725)	(11,357)	632	F
CAPITAL PROJECTS				
Internally Constructed Assets	(620)	560	(1,180)	U
Strategic Planning	-	3	(3)	U
Asset Management	2	(1,012)	1,014	F
Regional Resources	(451)	(557)	106	F
Governance & Partnerships	-	(205)	205	F
Regional Income	(160)	(1,543)	1,383	F
	(1,229)	(2,755)	1,525	- F
OPERATIONS GROUP				
Notional Interest on Ops Grp Fixed Assets	239	-	239	
Operations Group Council Activities Operations Group External Activities	-	-	-	
NET OPERATIONS GROUP ACTIVITIES	239	-	239	F
NET FUNDING REQUIREMENT	(11,715)	(14,111)	2,397	- F

_				
REGIONAL INCOME				
Investment Company				
HBRIC Dividends (Napier Port)	43,957	45,450	(1,493)	U
HBRIC Interest on Loans	-	-	-	F
Ngaruroro Water Investment	(72)	-	(72)	U
Rail/Road Hub Investment	-	-	-	F
Other Investments				
HBRC Forestry Estate	(126)	186	(312)	U
Restricted Leasehold Land Rental	-	-	-	F
Investment Property Rental	420	416	4	F
Interest on Investment Deposits	1,268	1,262	7	F
Operating Interest (Excluding Investments)	-	6	(6)	U
Interest	1,268	1,268	1	F
Interest on Loans for Investment	-	-	-	F
Napier - Gisborne Rail Return	-	-	-	F
Other Funding				
General Rate/Uniform Annual General Charge	4,059	4,104	(45)	U
Other Income		-	-	F
Disaster Reserve Interest & Dividends (Net)	(0)	36	(36)	U
Other Income	52	-	52	F
Gain / (Loss) on Disposal of Assets	56	-	56	F
Other Income	108	36	72	F
Regional Income Equalisation Reserve	-	-		F
TOTAL REGIONAL INCOME	49,614	51,459	(1,845)	U
OPERATING SURPLUS /( DEFICIT)	37,899	37,347	552	F

Management Comments	on Operating Statement
Activity	Management Comment (major variances)
Operational	
Strategic Planning	Primarily due to delays to the notification of TANK has resulted in the budget being underspent in this financial year.
Asset Management	Most work for the asset management group is completed over summer and expenditure is expected to be on budget other than Karamu and Raupere planting. These activities are being resourced for the second half of the year and any underspend will be transferred to the reserve.
Integrated Catchment Management	The Erosion Control Scheme (ECS) planting beings in May. Shortage of contractor labour especially for fencing has seen delays in delivery of this part of the ECS.
Consents & Compliance	Income for Compliance programmes is charged at the end of the year and therefore this is due to the phasing of budgets. Income is expected to be lower than budgeted for the full financial year against the expectation of 80% cost recovery.
Emergency Management	On track
Transport	Transport results are partly a function of reduced public transport patronage and mostly a function of increased cost pressures under the gobus contract - indexing cost rises and specific costs related to ERA changes for bus drivers as a result of new driver break legislation. Regional Road Safety also has approx. \$100K of revenue to be recognised for November and December.
Governance & Partnerships	Charging to HBRIC for support is done annually.
Capital	
Internally Constructed Assets	This is due to the timing of loan funding for the projects which is drawn down at the end of the year.
Asset Management	Heretaunga Plains Flood Control Capital programme will be underspent as previously reported while the modelling and concept development is being undertaken over the next 12 months. (\$1.2m)
Regional Resources	Farm Environmental Management Plans contributions and the ECS financing for the land owners contributions have not been required to date.  Sustainable Homes is above budget however loan funding has not been drawn down.
Regional Income	Investment in the Regional Water Assessment, Tuki Tuki Water Security and Heretaunga Water Security has been forecast to be approx. \$1m this year with the remaining \$2m to be carried forward for 2020/21 and 2021//22.

## **Scheme Reserves**

	HAWKE'S	BAY REGIO	ONAL COU	NCIL		
М	OVEMENT O	N SPECIAL S	SCHEME RE	SERVES		
	Six Months	s Ended 31 D	ecember (P	d 06)		
	Scheme Reserve Opening Balances	Movement On Scheme Reserve Year to Date	Scheme Reserve Closing Balances	Pro-Rata Closing Balances	Variance	Comments
	\$'000	\$'000	31/12/2019 \$'000	31/12/2019 \$'000	\$'000	
Flood Protection & Drainage Schemes						
Separate Schemes						
Makara Paeroa Porangahau	37 115 191	1 8 17	38 124 208 87	37 115 191 82	1 8 17 5	F F F
Poukawa Ohuia-Whakaki Esk Whirinaki	82 (68) 66 23	5 6 (6) 0	62) 60 23	66 23	6 (6) 0	F U F
Maraetotara Te Ngarue Stream Kopuawhara Opoho	16 10 3 35	2 (6) 4 8	17 4 7 43	16 10 3 35	2 (6) 4 8	F U F F
Kairakau Community Scheme	9	5	14	9	5	F
Total Separate Rating Schemes	518	44	562	518	44	F
Larger Schemes						
Upper Tukituki Wairoa Rivers & Streams Scheme Central & Sthn Areas Scheme HPFCS Rivers Scheme HPFCS Drainage Schemes	294 (375) 65 988 2,933	(8) (57) (92) (31) 228	286 (432) (27) 957 3,161	294 (375) 65 988 2,933	(8) (57) (92) (31) 228	U U U U F
Total Larger Schemes	3,906	41	3,946	3,906	41	
Total Flood Protection & Drainage	4,424	85	4,508	4,424	85	
Other Schemes						
Sustainable Homes	(584)	(2,203)	(2,787)	(584)	(2,203)	U
Gravel Management	(267)	(71)	(338)	(267)	(71)	U
Tangoio Soil Conservation Res.	2,800	(138)	2,662	2,800	(138)	U
Soil Conservation Nursery	(180)	(288)	(468)	(180)	(288)	U
Water Initiatives	98	(49)	49	98	(49)	U
Biosecurity - Noxious Plants Biosecurity - Animal Pest Control	(82) (614)	(344) (121)	(426) (735)	(82) (614)	(344) (121)	U U
Emergency Management	414	(72)	341	414	(72)	U
Land Transport Administration	(134)	(68)	(202)	(134)	(68)	U
Total Other Schemes	1,450	(3,355)	(1,905)	1,450	(3,355)	
Total Schemes	5,873	(3,270)	2,603	5,873	(3,270)	U

Mana	gement Comments on Sc	heme Balance	es
Note Ref	Activity	Variation from Reforecast \$'000 (F) or (U)	Management Comment (major variances)
1	Sustainable Homes	\$2,203 (U)	Sustainable Homes loan funding is yet to be raised.

## **SECTION B**

CONSOLIDATE	ED BALANCE CH		
	ED BALANCE SH	EET	
	Actual 31-Dec-19 \$'000	Actual 30-Jun-19 \$'000	Management Comments
Non Current Assets			
Property, plant & equipment	30,212	28,666	1
Infrastructure assets	176,001	175,550	2
Investment property Intangible assets	47,222 5,603	48,393 6,313	3 4
Financial assets	2,237	2,300	5
Managed Funds	92,445	41,910	5
Investment in Council-controlled organisations	340,396	340,396	
Advances to home owners (Sustainable Homes)	7,680	6,830	6
Forestry assets	11,642	11,584	7
	713,438	661,941	
Current Assets			
Inventories	115	111	
Accounts receivable	23,628	5,616	8
Loan to HBRIC Limited	0	6,500	9
Prepayments	693	406	10
Accrued income	1,326	4,376	10
Work in progress	7	-2	10
Financial assets	4,656	3,257	5
Advances to home owners (Sustainable Homes) Cash & cash equivalents	853 6,801	759 28,436	6 5
	38,079	49,459	3
TOTAL ASSETS	751,517	711,400	
Public Equity			
<u></u>			
Other reserves	78,024	76,839	
Fair value reserves	275,377	275,377	
Accumulated Funds	311,273	311,282	
Current year movement	38,253	1,353	
Equity	702,927 *	664,851	
Non Current Liabilities			
Borrowings	15,860	17,685	11
Employee entitlements	564	817	12
Other liabilities	11,915	11,247	
	28,339	29,749	
Current Liabilities			
Accounts payable	2,373	8,558	13
Accrued expenses	112	167	14
Deposits and retentions / Income in advance	12,836	2,597	15
Employee entitlements Borrowings	1,155 3,775	910 3,900	11
Other liabilities	3,775	3,900 668	11
<del></del>	20,251	16,800	
TOTAL LIABILITIES	48,590	46,549	
TOTAL EQUITY & LIABILITIES	751,517	711,400	

Note	Antivity	Management Comment (major variances)
Note Ref	Activity	Management Comment (major variances)
1	Property, Plant and Equipment	Property, plant and equipment have increased by \$1.547m due to the budgeted capital purchasing programme offset by depreciation.
2	Infrastructure Assets	Infrastructure assets have increased by \$451,000 since the beginning of the year effecting capital expenses made for the maintenance and improvement of infrastructure assets offset by depreciation.
3	Investment Property	Investment property has decreased by \$1.171m reflecting the disposal of leasehold and properties to the leaseholders.
4	Intangible Assets	Intangible assets have decreased by \$710,000 due to the amortisation on existing assets.
5	Financial Assets	Total cash, cash equivalents and financial assets have increased by \$30.236m since the beginning of the year with the expenditure of operating cash being offset by the receipts from HBRIC of \$43m from the IPO. Cash has reduced by \$21m with the bulk of liquid assets now being invested in managed funds.
6	Sustainable Homes	Advances to Home Owners through the sustainable homes programme have increased by \$945,000 reflecting the increased up-take from the public since the beginning of the year offset by repayments of existing clean heat loans.
7	Forestry Assets	Forestry Assets have increased by \$59,000 reflecting the capital spending on the harvest road and bridge for <u>Tutira</u> .
8	Accounts Receivable	Accounts Receivable have increased by \$18.012m since the beginning of the year reflecting the rates invoices that were sent out in September and are due at the end of January.
9	Loan to HBRIC Limited	Council approved a loan facility for HBRIC Ltd of which \$6,500,000 had been drawn down but was repaid in September.
10	Accrued Income, Prepayments and Work in Progress	Accrued Income has decreased by \$2.755m reflecting a decrease in accruals, prepayments and work in progress provisions compared to year end.
11	Borrowings	Borrowings have decreased by \$1.95m, being the repayments made for the year to date. 2019/20 borrowings as per the annual plan will occur later in this year.
12	Employee Entitlements	Employee Entitlements have decreased by \$8,000 overall due to provisions for outstanding annual leave balances, sick and long service leave being used during the year.
13	Accounts Payable	Accounts payable have decreased by \$6.184m. This is due to the \$3.9m payable to ACC for annuity costs and \$2.1m in trade payables.
14	Accrued Expenses	Accrued expenses have decreased by \$55,000 compared to last year due to the reversal of accruals from year end.
15	Deposits and Retentions	Income in advance has increased \$10.239m since the end of last year due to rates income received in advance.

## HAWKE'S BAY REGIONAL COUNCIL OTHER INFORMATION

Six Months Ended 31 December (Pd 06)

INTEREST RATE	31-Dec-19	30-Jun-19	30-Jun-18
	\$'000	\$'000	\$'000
Average Interest Rate on Liquid Investments	2.34%	2.86%	3.23%

ACCOUNTS RECEIVABLE	31-Dec-19 \$'000	30-Jun-19 \$'000	30-Jun-18 \$'000
Rates Receivable	21,010	3,601	1,518
Payments in Advance	(1,268)	(711)	(1,651)
Rate Receivables	22,278	4,312	3,169
Other Receivables	1,380	2,610	5,241
Provision for Impaired Receivables	(23)	(23)	(23)
TOTAL ACCOUNTS RECEIVABLE	22,367	6,188	6,736

ACCOUNTS PAYABLE	31-Dec-19 \$'000	30-Jun-19 \$'000	30-Jun-18 \$'000
Aged Accounts Payable			
1-30 days	1,862	3,976	3,664
31-60 days	0	0	C
61-90 days	0	0	C
Over 91	0	0	1
TOTAL ACCOUNTS PAYABLE	1,862	3,976	3,665

Balance

30/06/2020

\$'000

270

1,492

1,335

4,358

12,399

10

70

1,020

2,362

39

750

250

270

91

847

## HAWKE'S BAY REGIONAL COUNCIL **EXTERNAL AND INTERNAL LOANS**

Six Months Ended 31 December (Pd 06)

ᅜ	1 6	VА	_	LU	Αľ	٧.

	\$'000
LiDea Distract Tamaia Manifestan	0.0
LiDar Digital Terrain Monitoring	29
SkyTEM	
Integrated Catchment	
Regional Infrastructure	1,76
Regional Parks	1,36
Systems Integration	3,11
Sustainable Homes	12,14
Upper Tukituki Flood Control	4
Karamu & Tributaries Flood Control & Drainage	4
Monitoring Bores	2
HPFCS Flood Protection & River Control	11
Building Loan	7
Science Equipment	1,49
Air Quality Site Loan	4
Erosion Control Scheme	73
FEMPs	
Operations Group Office Extension	33
Sondes	
Mt Misery Flood Warning Site	

	A	CTUAL to 31 D	ECEMBER 20	19
	Balance	Repayments	Borrowing	Balance
	1/07/2019			31/12/2019
	\$'000	\$'000	\$'000	\$'000
	295	-	-	295
	-	-	-	0
	-	-	-	0
	1,768	(200)	-	1,568
	1,365	(174)	-	1,192
	3,111	(220)	-	2,891
	12,141	(1,116)	-	11,025
	40	(15)	-	25
ge	40	(20)	-	20
	20	(5)	-	15
	115	(23)	-	93
	77	(30)	-	47
	1,498	(105)	-	1,393
	45	(2)	-	43
	738	-	-	738
	0	-	-	0
	330	(30)	-	300
	0		-	0
	0		-	0
	21,585	(1,939)	0	19,646

**ACTUAL to 31 DECEMBER 2019** 

0

\$'000

0

Balance Repayments Borrowing

\$'000

1/07/2019

\$'000

420 980

0 199

1,599

,	,	
43	45	
738	750	
0	0	
300	330	
0	0	
0	0	
19,646	21,586	
19	,	Y
19 Balance	Balance	Y
		Y
Balance	Balance	Y
Balance 31/12/2019	Balance 1/07/2019	Y
Balance 31/12/2019	Balance 1/07/2019	Y
Balance 31/12/2019 \$'000	Balance 1/07/2019 \$'000	Y
Balance 31/12/2019 \$'000	Balance 1/07/2019 \$'000	Y

199

1,599

0	-3	50	48
21,586	(4,880)	10,386	25,620
	Year 2 LTP to	30 JUNE 2020	
Balance	Repayments	Borrowing	Balance
1/07/2019			30/06/2020
\$'000	\$'000	\$'000	\$'000
246	(25)	0	221
340	(80)	-	260
920	(170)	250	1,000
100	0	-	100
100	(15)	100	185
191	(9)	-	182
1,897	(299)	350	1,948

Year 2 LTP to 30 JUNE 2020

-30

-38

-115

-410

-362

-603

-30

-40

-10

-45

-88

-293

-250

-60

-5

-2,492

\$'000

1,530

1,588

1,850

2,750

1,000

862

500

96

160

**Expected Repayments Borrowing** 

\$'000

1/07/2019

\$'000

300

1,585

1,208

3,111

12,141

40

40

20

115

108

1,793

0

#### **INTERNAL LOANS**

TOTAL

Transport Electronic Ticketing
Computer Equipment
Science Equipment
Tutira Easements
Biodiversity
Makara Scheme Loan
OTAL

T

#### **Management Comments on Borrowings**

The amount that can be borrowed internally (as per HBRC Liability management policies) is limited to the funds held in the Infrastructure Asset Depreciation Reserve and the Asset Replacement Reserve.

on Variance

## **SECTION C**

# HAWKE'S BAY REGIONAL COUNCIL CAPITAL ACTIVITY SUMMARY Six Months Ended 31 December (Pd 06)

\$,000

ACTUAL PRORATA ACTUAL / Favourable / Management
BUDGET PRORATA Unfavourable Comments

\$,000

\$,000

	+,,	+,	*,	
CAPITAL EXPENDITURE				
Operating Assets	2,492	3,346	(854)	F
Strategic Planning	10	10	0	F
Land Drainage & River Control	482	1,352	(870)	F
HeatSmart / Sustainable Homes	3,649	2,362	1,287	U
FEMPs	0	375	(375)	F
Erosion Control Scheme	1	57	(56)	F
Biodiversity	0	58	(58)	F
Open Spaces	218	251	(33)	F
Governance & Community Leadership - Regional Infrastructure	168	205	(38)	F
Forestry	160	3	157	U
Napier Gisborne Rail	0	0	0	F
Water Augmentation	0	1,543	(1,543)	F
_	7,180	9,561	(2,382)	F

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

#### Wednesday 11 March 2020

#### **Subject: HB TOURISM QUARTERLY UPDATE**

#### **Reason for Report**

 This item provides HB Tourism's quarterly update (attached) on achievements against key performance indicators as required by their Funding Agreement with Hawke's Bay Regional Council.

#### **Decision Making Process**

 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decisionmaking provisions do not apply.

#### Recommendation

That the Corporate and Strategic Committee receives and notes the "HB Tourism Quarterly Update" report.

#### Authored by:

Joanne Lawrence GROUP MANAGER OFFICE OF THE CHIEF EXECUTIVE AND CHAIR

#### Approved by:

Joanne Lawrence GROUP MANAGER OFFICE OF THE CHIEF EXECUTIVE AND CHAIR

#### Attachment/s

4 HB Tourism Quarterly Report February 2020



Hawke's Bay Tourism CEO Report

28 February 2019

#### General Overview

Anecdotally, numerous members have advised us that they have been extremely busy and that summer has been a huge season – certainly the series of Mission Concert events coupled with Hawke's Bay's desirability as a summer holiday destination have helped. Some retails members have suggested that sales have not been as high as they had anticipated. Members of the Napier Business Association suggest that the cruise passengers have not been the spenders desired, as there has been talk of a higher number of domestic passengers on cruises – including the new entrant from the Genting line.

Over and above the key deliverables, the next months will be focused on securing and inducting new staff, the Big Easy, F.A.W.C!, membership (prospectus and annual plan) and the Visitor Strategy and Destination Management Plan.

#### Covid19

Hawke's Bay Tourism has updated members and stakeholders regarding Covid19 as information has come to hand. Due to the Chinese market being <1% of the overall visitor spend for Hawke's Bay, the reduction in Chinese visitor arrivals to New Zealand has had minimal effect in our region to date. However, as the virus spreads to other markets, and if consumers choose to delay international long-haul travel, then our traditional markets of US, UK, and Europe may be affected.

Given that we are only a few months from entering the shoulder season periods, and given that our primary markets are in fact domestic (largest visitor spend markets are Auckland, Wellington, Manawatu – followed by Australia), Hawke's Bay is somewhat shielded from significant international fluctuations.

#### Direction

Over the next financial year we will be emphasising Hawke's Bay's competitive strength as New Zealand's premier food and wine destination, and will continue our marketing focus on domestic travellers – in particular targeting the Wellington region.

#### **Environmental Sustainability**

#### Cruise Ships

Councillors were invited to join representatives from Hawke's Bay Tourism and Napier Port on an environmental tour of visiting cruise ship Ovation of the Seas. Visitors were shown key operational aspects of the ship including the Incinerator Room - Waste Management; Engine Control Room - Technical Operation; and the Bridge - Navigation features.

1





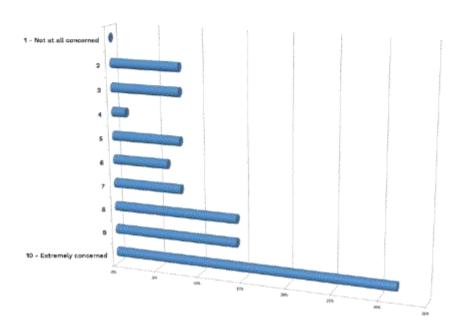




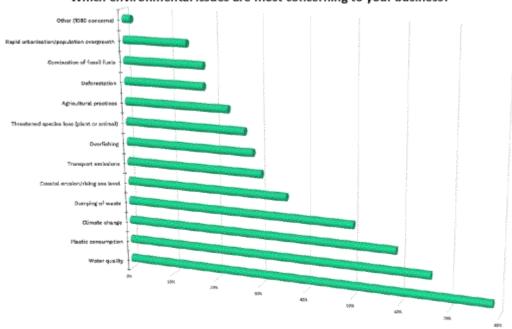
#### Survey

A survey of members regarding environmental sustainability, concerns, and actions - aligned to Tourism Industry Aotearoa's sustainability framework, reflects not only concerns about our environment – but positive sustainability actions.

On a scale of 1-10, please rate how concerned or unconcerned you are about Hawke's Bay's environment.



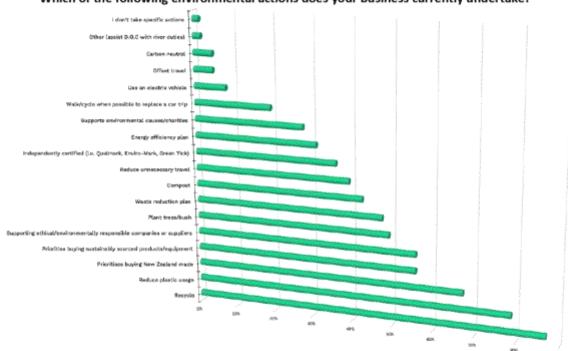




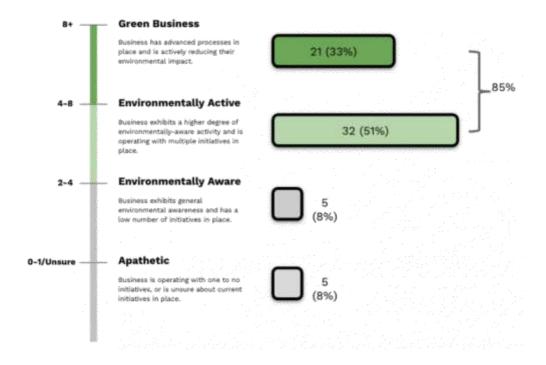
3



#### Which of the following environmental actions does your business currently undertake?



#### Business Environmental Score - Number of actions taken by member.





#### **KPIs**

Key Performance Indicator	Measure	Performance
Visitor spend, benchmarked against national performance. Data provided by MBIE's Monthly Regional Tourism Estimates.	MRTE 2% growth	Tracking at 3.1% Y/E NOV19
Increase industry contribution	Increase to \$250k (22% increase)	\$30k of \$80k from CHB \$12.2k of \$12k for Weddings \$62k of \$90k for membership \$75,545 for brochure \$36k for TRENZ \$4,750 for eXplore \$30k for Spirited Women (Total \$250,495)
Develop membership engagement on climate change mitigation and adaptation – environmental sustainability  Increase in members signing up to Tourism Industry Aotearoa's "Tourism Sustainability Commitment"	No less than 50 members signed up to TIA Sustainability Commitment	35 members signed up
Industry advocacy.  Support existing tourism operators to develop new products, and expand into new markets	Develop Maori tourism strategy  Deliver annual series of workshops to build industry capability Support Hawke's Bay Regional Council with tourism expertise and support	Discussion group brought together to discuss Maori tourism.  Workshops delivered in JUL  Ongoing support of HBRC team. Arranged tour of Ovation of the Seas.
Tourism operators value Hawke's Bay Tourism's leadership and contribution to growth of industry  Lead the development of a regional visitor strategy for Hawke's Bay	Industry survey conducted, to set benchmark for future years  Completion 30 June 2020.	Survey conducted, with an overall NPS of 25.4 (a score over 20 is considered "favourable") Destination Management framework draft (MBIE) reviewed and responded to.  Reverse brief received for Destination spatial plan working group.

(Green - on-track; Amber - in progress; Red - not on track, requires attention)

Attachment 1



#### Visitor Arrivals and Spend

The matrix below highlights Commercial Accommodation, the Monthly Regional Tourism Estimates, and Peer-to-Peer data for the region, for the period ending August 2019.

## Hawke's Bay Tourism dashboard

CAM = Commercial Accommodation Monitor, provided by Statistics NZ
MRTE = Monthly Regional Tourism Estimates, provided by MBIE
Peer-to-peer = AirBNB + HomeAway data, provided by AirDNA

September CAM Domestic Nights	Annual CAM Domestic Nights	November MRTE Spend Domestic	Annual MRTE Spend Domestic
68,479	935,967	\$40.4m	\$495m
Last year	Last year	Last year	Last year
↑8.9%	14.5%	↑4.9%	↑3.1%
September CAM nternational Nights	Annual CAM International Nights	November MRTE Spend International	Annual MRTE Spend Internation
17,1487	310,698	\$17.1m	\$172m
Last year	Lastyear	Last year	Last year
↓1.8%	↓4.9%	个5.0%	↑3,8%
September CAM Overall Nights	Annual CAM Overall Nights	November MRTE Spend Overall	Annual MRTE Spend Overall
85,627	1,246,662	\$57.5m	\$667m
Last year	Last year	Last year	Last year
<b>↑6.8%</b>	<b>†2.0%</b>	<b>↑</b> 4.9%	<b>†3.1%</b>
Nov peer-to-peer Overall Nights	Annual peer to peer Overall Nights	November MRTE Spend Accomm	Annual MRTE Spend Accomm
21,275	303,234	\$7.1m	\$83.8m
Last year	Last year	Last year	Last year
<b>↑</b> 43%	↑89%	↓4.6%	43.8%
iept overall nights AM + Peer-to-peer	Annual overall nights CAM + Peer-to-peer	Pear-to-pear November revenue	Peer-to-peer annual revenue
106,656	1,541,369	\$2.27m	\$33.1m
Lastyear	Lastyear	Last year	Last year
<b>†12.2%</b>	<b>↑11.9%</b>	<b>1</b> 28%	192%



#### Highlights

#### Monthly Regional Tourism Estimates

#### November 2019

- Domestic \$40.4m, up 4.9%
- International \$17.1m, up 5.0%
- Overall \$57.5m, up 4.9%

#### 12 months to November 2019

- Domestic \$495.4m, up 3.1%
- International \$172.0m, up 3.8%
- Overall \$667.4m, up 3.1%

November completed a strong spring season for visitor spend, with seasonal growth at 4.2% versus winter 2018. Domestic spend during spring was 3.6% up while International was at 6.1%. 12 month results are broadly in line with recent trends, albeit a slowing of growth in international spend – Domestic 3.1%, International 3.8%, Overall 3.1% (national average 1.7%).

Our major domestic markets are largely in positive territory, with the exception of Auckland which sits at -2.1%. Wellington 8.0%, Manawatu 3.7%, Waikato 5.6% and Bay of Plenty 2.8% are all showing reasonable growth, with Wellington in particular having a strong spring at 5.9% growth.

In international markets, Australia remains in a relatively strong position of 5.4% growth. The US has, for the timebeing, overtaken the UK as our second largest market, in slightly positive growth territory of 1.9%. Although recording a strong November, the UK has slipped further back to be at -6.2% for the past 12 months, while the Rest of Europe is a strong performer – up 13.5% for the past 12 months, and up 37% for spring.

#### Commercial Accommodation Monitor

The release of the September data in mid-November was the final Commercial Accommodation Monitor in this format. MBIE is working on a replacement.

The region finished on a relative high, with both the Domestic and Overall visitor nights for September being at record levels – rising 8.9% and 6.6% respectively. International fell -1.6%, although was still the second best result. 12 month results told a similar story – Domestic up 4.5% and Overall up 2.0% with both at record levels. International dropped -4.9% with continual negative YOY growth dating back to May 2018.

Occupancy remained strong with Hawke's Bay recording the third best monthly occupancy among RTOs. Hawke's Bay has not been outside the top 10 RTOs since July 2016.

#### Marketing

#### Domestic

Summer activity has focused on promoting seasonal experiences, through paid and unpaid distribution. Paid distribution is managed by our media partner, MBM, who push material through a range of social, native and banner placements, with audience targeting adjusted to suit the nature of the content – e.g. geography, age, interests.

Pages were developed and promoted for a series of long weekends, including:

Wellington Anniversary Weekend: <a href="http://www.hawkesbaynz.com/see-and-do/attractions/all-attractions/wellington-anniversary-weekend">http://www.hawkesbaynz.com/see-and-do/attractions/all-attractions/wellington-anniversary-weekend</a>

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Attachment 1



- Auckland Anniversary Weekend; <a href="http://www.hawkesbaynz.com/see-and-do/attractions/ail-attractions/auckland-anniversary-weekend">http://www.hawkesbaynz.com/see-and-do/attractions/ail-attractions/auckland-anniversary-weekend</a>
- Waitangi Weekend: <a href="https://www.hawkesbaynz.com/see-and-do/attractions/all-attractions/waitangi-weekend/">https://www.hawkesbaynz.com/see-and-do/attractions/all-attractions/waitangi-weekend/</a>

#### Other featured content has included:

- Summer hydration spots: <a href="http://www.hawkesbaynz.com/eat-and-drink/drink/the-drinks-guide/summer-hydration-spots">http://www.hawkesbaynz.com/eat-and-drink/drink/the-drinks-guide/summer-hydration-spots</a>
- Summer concerts: <a href="http://www.hawkesbaynz.com/eat-and-drink/drink/wineries-and-cellar-doors/summer-tunes-in-the-vines-2019-20/">http://www.hawkesbaynz.com/eat-and-drink/drink/wineries-and-cellar-doors/summer-tunes-in-the-vines-2019-20/</a>
- 5 must-do's in Hawke's Bay this summer: <a href="https://www.hawkesbaynz.com/see-and-do/great-outdoors/the-great-outdoors-guide/5-must-dos-in-hawkes-bay-this-summer/">https://www.hawkesbaynz.com/see-and-do/great-outdoors/the-great-outdoors-guide/5-must-dos-in-hawkes-bay-this-summer/</a>

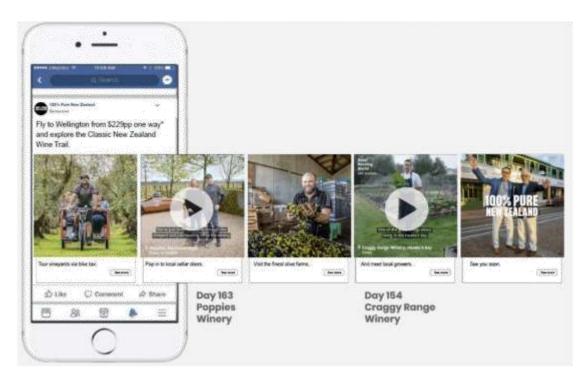
In addition, a range of promotion activity has supported ticket sales for regional events, including:

- Bridge Pa Wine Festival
- Napier Art Deco Festival
- Hurricanes Super Rugby
- T20 Black Clash cricket match
- Triple Peaks
- Wakeboarding event at Backpaddock Lakes
- Black Barn OpenAir Cinema
- Boxing Day Festival at Cape Estate
- Horse of the Year
- Hawke's Bay Marathon

#### International

After a delay to the media schedule at the height of the bushfires, the Tourism New Zealand 'North Island Welcome' campaign is underway, which includes a \$25k investment from Hawke's Bay Tourism. Our involvement revolves around a city + region itinerary i.e. Wellington + Hawke's Bay (effectively the Classic New Zealand Wine Trail). Example activity:





#### Digital channels

- hawkesbaynz.com traffic for the 12months ended January 2020 was 551,309 sessions, an increase of 44% on the prior 12 months. Organic traffic during the same period was 211,705 sessions, up 35% on the year prior.
- Minor updates continue to be made to the website with the aim of optimizing SEO performance, as well as key visitor metrics such as length of session, reducing bounce rates etc.

#### **Public Relations**

Press releases, contributions and pitches as follows:

- Prospects bright for Hawke's Bay business events industry, following announcement of region as host for Conventions & Incentives New Zealand annual conference, and the New Zealand Events Association's Eventing The Future conference
- Profile of PCO famil in Events industry publication

In addition, the CEO has responded to media on;

- Coronavirus impacts on local tourism
- Positive regional impact from summer events

#### Trade Marketing

- Ben attended Tourism NZ's Australia 100% New Zealand Specialist famil and RTO Training Day in Christchurch
- HBT was represented by Destination Great Lake Taupo at the Flight Centre World Expo events in Sydney, Melbourne and Brisbane

#### Upcoming events include:

- 4-5 March RTO Workshop in Australia 2020 (Sydney) Ben to attend
- 18-25 March Kiwi Link UK/Europe represented at ECNI level by Destination Rotorua

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Attachment 1



#### F.A.W.C!

The prospectus for F.A.W.C! 2020 has been distributed to all potential partners and stakeholders. Event proposals are due for both winter and summer events.

#### The Big Easy

- The eighth edition of The Big Easy will be held on Saturday 11 April, along with The Little Easy Central Hawke's Bay on Friday 10 April.
- A new loop course is being trialled (due to unavailability of Black Barn) with riders starting and ending at Church Road.
- Ticket sales are now live, although full promotion will not go live until post-Napier Art Deco Festival

#### Aviation

Hamish, Stuart Ainslie (Hawke's Bay Airport), and Carolyn Neville (Business Hawke's Bay) met with representatives from numerous business units across Air New Zealand. The aim was to develop a stronger, and collaborative, relationship with the airline in order to grow both the region and connecting air services – particularly in light of Jetstar's departure. Working as a unified region is aimed to gain inroads into the airline more efficiently and effectively.

#### Cruise

Ben attended a training event for travel agents associated with promoting tours on Genting's Explorer Dream.

The draft Cruise Strategy has had further updates during the season, and is to be sent to the senior leadership team at Napier City Council for endorsement, before sharing with the wider industry.

Hamish has recommended an industry debrief at the end of the season (early May).

#### Membership

Full members	162
Web Listers	145
Listings on Website	382



## Profit & Loss Hawke's Bay Tourism Limited

For the 6 months ending 30 December 2019

	YTD Actual	YTD Budget Ś	Var NZD \$	U/F	Full Year Budget \$
Income	>	>	>		\$
EV-Events Support Income	30,000	10,000	20,000	F	10000
EV-FAWC Eventfinder Ticket Sales Income	192,155	200,000	(7,845)	U	400,000
External/Other Revenue	164,189	181,052	(16,863)	U	319,102
HB Regional Council Grants	760,000	759,996	4	F	1,520,000
HBTIA Awards Revenue	22,290	26,400	(4,110)	U	26,400
Industry Partner Membership	56,132	81,500	(25,368)	U	90,000
Trade Marketing Events	37,420	0	37,420	F	9,200
Total Income	1,262,186	1,258,948	3,238	F	2,374,702
Less Cost Of Sales					
Consumer Marketing	315,498	371,884	(56,386)	F	681,254
Events	330,533	350,800	(20,267)	F	712,100
Partner Programme	18,937	28,150	(9,213)	F	29,150
Trade Marketing	94,731	42,900	51,831	U	83,650
Total Cost Of Sales	759,699	793,734	(34,035)	F	1,506,154
Total Cost of Sales	735,033	753,754	(34,033)		1,500,154
GROSS PROFIT	502,487	465,214	37,273	F	868,548
Less Operating Expenses	2.755	4.040	(1.105)	F	9.593
Admin & Accounting/Legal	3,755	4,940	(1,185)	F	8,582
Board Expenses	4,826	4,998	(172)	F	10,000
Director's Fees	25,000	30,000	(5,000)	F	60,000
IT & Telecommunications	5,527	8,742	(3,215)	F	17,500
Meetings & Travel	6,510	7,498	(988)	F	15,000
Motor Vehicle Expenses	5,410	7,098	(1,688)	F	14,200
Office Costs	13,744	15,446	(1,702)	F	30,910
Premises - Other	2,565	3,094	(529)	F	11,696
Premises - Rent	13,767	13,848	(81)	F	27,700
Salaries & Other Staff Expenses	299,989	324,492	(24,503)		649,000
Tax - FBT & Income	1,974	1,980	(6)	F	3,960
Tourism Development	0	10,000	(10,000)	F	20,000
Total Operating Expenses	383,067	432,136	(49,069)	F	868,548
NET PROFIT	119,420	33,078	86.342	F	0

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

#### Wednesday 11 March 2020

## Subject: JARDEN INVESTMENT FUND MANAGER INTRODUCTION & PRESENTATION

#### **Reason for Report**

- 1. This item introduces Council's investment fund manager, Jarden, who will present about their management of the investment portfolio and returns to date.
- 2. The Treasury Report from the 12 February Finance, Audit and Risk Sub-committee meeting agenda is attached to provide detail and context to the presentation.

#### **Decision Making Process**

 Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decisionmaking provisions do not apply.

#### Recommendation

That the Corporate and Strategic Committee receives the "Jarden Investment Fund Manager Introduction & Presentation".

#### **Authored and Approved by:**

Jessica Ellerm
GROUP MANAGER CORPORATE SERVICES

#### Attachment/s

- J1 FARS 12Feb2020 Treasury Report
- PWC Treasuring Reporting

#### HAWKE'S BAY REGIONAL COUNCIL

#### FINANCE AUDIT & RISK SUB-COMMITTEE

#### Wednesday 12 February 2020

#### Subject: TREASURY REPORT FOR PERIOD TO 31 DECEMBER 2019

#### Reason for Report

- This item provides an update of compliance monitoring of treasury activity and reports the performance of Council's diversified investment portfolios.
- Brett Johanson (Partner) and John Hepburn (Manager Corporate Treasury) will be in attendance at the 11 February meeting making a short presentation at 10.30am.

#### **Executive Summary**

#### Long Term Investment Fund (LTIF)

- The total size of the LTIF portfolio at the end of December 2019 was \$50.7m, with approximately half invested with Mercer and Jarden respectively.
- 4. The combined Mercer and Jarden portfolios generated a net return of approximately 2.2% over the December 19 quarter. The Jarden portfolio was the biggest contributor due a higher return.
- The combined LTIF portfolio has generated a net return of approximately 11.1% since inception in January 2019 which represents 347 days of investment, just short of one year.

#### Future Investment Fund - Port Proceeds (FIF)

- The total size of the PFIF portfolio at the end of December was \$104.7m, with approximately half invested with Mercer and Jarden respectively.
- The FIF portfolios were implemented on the 16 September 2019 following the Napier Port IPO, this represents 106 days of investment.
- The Mercer portfolios performance for the quarter correspond to annualised returns of 6.6%.
- The Jarden portfolios performance for the quarter corresponds to average annualised returns of 5.8%.
- 10. The Mercer portfolios are compliant with SIPO requirements. Jarden are adopting a staggered implementation approach, meaning both portfolios (HBRC and HBRIC) are not yet SIPO compliant with their target asset allocations. The Jarden portfolios had an allocation to growth assets of 25% at the end of December versus a target benchmark allocation of 50%.

#### Background

- 11. HBRC has procured Treasury Advice and services from PwC since 2018.
- Internally, HBRC's CFO is developing capability-building programmes to transfer skills from consultants to staff to build internal capabilities to continuously improve and provide an adequate and mature treasury function.
- 13. Staff have worked with PwC over the past two years during which we have joined the LGFA providing access to borrowing at reduced rates, developed and adopted the current SIPO and run an RFP process for the appointment of investment fund managers.
- 14. HBRC has a new dedicated resource in the form of a Treasury and Funding Accountant joining us in March 2020. This will allow a broader focus to include a more mature cash-

ITEM 8 TREASURY REPORT FOR PERIOD TO 31 DECEMBER 2019

Attachment 1

flow function, and as borrowing needs will likely increase over time debt management is another key area where we look to mature as an organisation and enhance reporting to this committee.

 Staff seek feedback from members of the FARS regarding the level and detail of treasury reporting sought as we continue to develop the reporting function in this area.

#### **Decision Making Process**

16. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that, as this report is for information only, the decision making provisions do not apply.

#### Recommendation

That the Finance, Audit and Risk Sub-committee receives and notes the "Treasury Report for period to 31 December 2019" staff report.

Authored by:

Bronda Smith CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm GROUP MANAGER CORPORATE SERVICES

#### Attachment/s

1 HBRC Treasury Report December 2019

## Hawke's Bay Regional Council

Quarterly Treasury Report

As at 31 December 2019

## **Contents**

₽	1.0	Treasury Activity Compliance Monitor
Attachment	2.0	Investment Management Reporting
<u>ဌ</u>	3.0	SIPO review
₹	4.0	Liability Management Policy Compliance Checklist
Ĕ	5.0	Borrowing Limits
<b>N</b>	6.0	Funding and Liquidity Risk Position
	7.0	Interest Rate Risk Position
	8.0	Funding Facility
	9.0	Cost of Funds vs Budget
	10.0	Counterparty Credit
	11.0	Market Commentary
	12.0	Policy exceptions

## 1.0 Treasury Activity Compliance Monitor

Policy document	Policy parameters	Compliance
Treasury Policy	Borrowing limits	Yes
	Funding risk control limits	Yes
	Liquidity buffer	Yes
	Interest rate risk control limits	Yes
	Treasury investment parameters	Yes
	Counterparty credit limits	Yes
SIPO	Asset allocations	No

## 2.0 Investment Management Reporting

Performance Summary (net returns – after management and custodial fees)

	Mei	cer Net Return	s	Jar	den Net Return	S
	LTIF HBRC	HBRIC (port proceeds)	HBRC (port proceeds)	LTIF HBRC	HBRIC (port proceeds)	HBRC (port proceeds)
December Quarter	1.2%	1.2%	1.2%	3.3%	1.6%	1.6%
Financial YTD	4.2%	1.9%	1.9%	5.3%	1.7%	1.6% 5.7%
Financial YTD (annualised)	8.5%	6.6%	6.6%	10.8%	5.9%	5.7%
Cumulative Return Since Inception	11.0%	1.9%	1.9%	11.4%	1.7%	1.6%
Annualised Return Since Inception	11.6%	6.6%	6.6%	12.0%	5.9%	5.7%
Inception Date	18-Jan-19	16-Sep-19	16-Sep-19	18-Jan-19	16-Sep-19	16-Sep-19
Days Invested	347	106	106	347	106	106
Balance as at 31-Dec-19 (\$)	25,259,718	30,021,998	22,367,660	25,391,672	29,991,361	22,335,540
Total Capital Contributions (\$)	23,288,784	29,500,000	21,978,750	23,288,784	29,500,000	21,978,750
Net Returns (\$)	1,988,452	521,998	388,910	2,102,888	491,361	356,790

### **Long Term Investment Fund (LTIF HBRC)**

Mercer (3 months ending 31 December 2019)									
LTIF HBRC									
Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Rang	jes	Portfolio Compliant?
Operational Cash	96,679.62	94,930.2				0.4%	-	20.0%	Υ
Index Cash Portfolio	2,487,202.31	2,493,921.4	0.3%	0.3%	0.0%	9.9%	-	20.0%	Υ
NZ Sovereign Bonds	3,480,732.54	3,385,462.4	(2.7%)	(2.9%)	0.2%	13.4%	5.0%	25.0%	Υ
Overseas Sovereign Bonds	2,978,448.99	2,938,646.8	(1.3%)	(1.5%)	0.2%	11.6%	5.0%	25.0%	Υ
Global Credit	2,237,232.58	2,252,106.8	0.8%	0.5%	0.2%	8.9%	5.0%	25.0%	Υ
Other Fixed Interest <sup>A</sup>	1,242,576.32	1,250,883.9	0.7%	0.3%	0.4%	5.0%	-	10.0%	Υ
Socially Responsible Trans-Tasman Shares	1,481,526.80	1,568,187.3	6.0%	5.3%	0.7%	6.2%	-	18.0%	Υ
Socially Responsible Overseas Shares	7,210,602.23	7,416,344	3.2%	4.1%	(0.9%)	29.4%	17.0%	37.0%	Υ
International Listed Property	1,887,096.09	1,961,056.9	4.3%	3.1%	1.2%	7.8%	-	10.0%	Υ
Unlisted Property	-	-	2.1%	2.8%	(0.6%)	-	-	10.0%	Υ
International Listed Infrastructure	1,857,990.59	1,898,177.9	2.5%	3.0%	(0.5%)	7.5%	-	10.0%	Υ
Unlisted Infrastructure	-	-	2.2%	3.8%	(1.5%)	-	-	10.0%	Υ
Total	24,960,088.07	25,259,717.5	1.3%	1.4%	(0.1%)	100.0%			

Jarden (3 months ending 31	Jarden (3 months ending 31 December 2019)										
LTIF HBRC											
Asset Class	Opening Balance	Purchases / Sales	Total Gain / (Loss)	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges	\$	Portfolio Compliant?
Cash	2,296,568.00	(2,110,639.00)	-	185,929.0	0.4%	0.1%	0.3%	0.7%	2.0%	8.0%	Υ
NZ Fixed Income	9,193,245.00	(2,000,000.00)	(100,239.0)	7,093,006.0	(0.0%)	(1.2%)	1.2%	27.9%	15.0%	24.0%	Υ
International Fixed Income	5,084,682.00	844,743.00	(37,766.5)	5,891,658.5	(0.7%)	(0.6%)	(0.1%)	23.2%	23.0%	28.0%	Υ
NZ Property	491,039.00	46,092.00	(13,017.3)	524,113.7	(1.4%)	(0.6%)	(0.8%)	2.1%	1.0%	4.0%	Υ
NZ Equities	2,918,376.00	325,517.00	294,087.9	3,537,980.9	10.4%	5.2%	5.2%	13.9%	13.0%	18.0%	Υ
Global Equities	4,595,427.00	2,500,000.00	572,817.6	7,668,244.6	9.1%	8.5%	0.6%	30.2%	25.0%	34.0%	Υ
International Property	-	500,000.00	(9,260.3)	490,739.7	(1.9%)	0.8%	(2.7%)	1.9%	1.0%	4.0%	Υ
Total	24,579,337.00	105,713.00	706,622.4	25,391,672.4	3.6%	2.9%	0.7%	100.0%			

### Mercer portfolio

- The Mercer portfolio generated a *gross* return (before fees and tax) of 1.3% for the quarter, marginally trailing their benchmark by 10bp. On a *net* (after fees and tax) basis, the portfolio returned 1.2%, trailing the benchmark by 20bp.
- The portfolio has now achieved a *gross* return of 11.4% since inception on 18 January 2019, trailing the benchmark by 1.3%. On a *net* basis, the portfolio has returned 11% since inception, trailing the benchmark by 1.7%.

- Over the quarter, the portfolio performed broadly in line with its benchmark; Socially Responsible Trans-Tasman Shares (+0.7%) and International Listed Property (+1.2%) were standout performers both providing a boost to relative performance, with the former benefitting from an overweight holding to Metlifecare and Summerset Group.
- The portfolio remains compliant with the strategic asset allocation (SAA) ranges stipulated in the SIPO.

#### Jarden portfolio

- Jarden generated a *gross* return (before fees and tax) of 3.6% for the quarter, leading their benchmark by 70bp. On a *net* (after fees and tax) basis, the portfolio returned 3.3%, leading the benchmark by 40bp. The portfolio has achieved a *net* return of 11.4% since inception on 18 January 2019.
- NZ and Global Equities were the standout performers for the portfolio over the quarter, returning 10.4% and 9.1% respectively. International and NZ Property were the two weakest asset classes, both declining by 1-2%.
- The portfolio is now compliant with the strategic asset allocation (SAA) ranges stipulated in the SIPO.

#### **Combined portfolio**

- The combined Mercer and Jarden portfolios generated a *net* return of approximately 2.2% over the December quarter. The Jarden portfolio was the biggest contributor due to its higher return. The combined LTIF portfolio has generated a *net* return of approximately 11.1% since inception.
- The total size of the LTIF portfolio at the end of December was \$50.651m, with approximately half invested with Mercer and Jarden respectively.

#### **Future Investment Fund – Port Proceeds**

#### Mercer (3 months ending 31 December 2019)

HBRIC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Rang	jes	Portfolio Compliant?
Operational Cash	114,906.9	112,827.6				0.4%	-	20.0%	Υ
Index Cash Portfolio	2,956,121.0	2,964,107.0	0.3%	0.3%	0.0%	9.9%	-	20.0%	Υ
NZ Sovereign Bonds	4,136,964.1	4,023,732.4	(2.7%)	(2.9%)	0.2%	13.4%	5.0%	25.0%	Υ
Overseas Sovereign Bonds	3,539,983.7	3,492,677.5	(1.3%)	(1.5%)	0.2%	11.6%	5.0%	25.0%	Υ
Global Credit	2,659,023.9	2,676,702.4	0.8%	0.5%	0.2%	8.9%	5.0%	25.0%	Υ
Other Fixed Interest <sup>A</sup>	1,476,842.5	1,486,716.3	0.7%	0.3%	0.4%	5.0%	-	10.0%	Υ
Socially Responsible Trans-Tasman Shares	1,760,842.9	1,863,841.7	6.0%	5.3%	0.7%	6.2%	-	18.0%	Υ
Socially Responsible Overseas Shares	8,570,035.8	8,814,566.5	3.2%	4.1%	(0.9%)	29.4%	17.0%	37.0%	Υ
International Listed Property	2,242,875.2	2,330,780.1	4.3%	3.1%	1.2%	7.8%	-	10.0%	Υ
Unlisted Property	-	-	2.1%	2.8%	(0.6%)	-	-	10.0%	Υ
International Listed Infrastructure	2,208,282.4	2,256,046.4	2.5%	3.0%	(0.5%)	7.5%	-	10.0%	Υ
Unlisted Infrastructure	-	-	2.2%	3.8%	(1.5%)	-	-	10.0%	Υ
Total	29,665,878.44	30,021,997.8	1.3%	1.4%	(0.1%)	100.0%			

#### HBRC (port proceeds)

Asset Class	Opening Balance	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Rang	jes	Portfolio Compliant?
Operational Cash	85,610.5	84,061.3				0.4%	-	20.0%	Υ
Index Cash Portfolio	2,202,435.4	2,208,385.3	0.3%	0.3%	0.0%	9.9%	-	20.0%	Υ
NZ Sovereign Bonds	3,082,213.6	2,997,851.2	(2.7%)	(2.9%)	0.2%	13.4%	5.0%	25.0%	Υ
Overseas Sovereign Bonds	2,637,437.9	2,602,192.7	(1.3%)	(1.5%)	0.2%	11.6%	5.0%	25.0%	Υ
Global Credit	1,981,085.4	1,994,256.7	0.8%	0.5%	0.2%	8.9%	5.0%	25.0%	Υ
Other Fixed Interest <sup>A</sup>	1,100,310.2	1,107,666.6	0.7%	0.3%	0.4%	5.0%	-	10.0%	Υ
Socially Responsible Trans-Tasman Shares	1,311,902.6	1,388,641.1	6.0%	5.3%	0.7%	6.2%	-	18.0%	Υ
Socially Responsible Overseas Shares	6,385,039.8	6,567,225.5	3.2%	4.1%	(0.9%)	29.4%	17.0%	37.0%	Υ
International Listed Property	1,671,037.1	1,736,529.9	4.3%	3.1%	1.2%	7.8%	-	10.0%	Υ
Unlisted Property	-	-	2.1%	2.8%	(0.6%)	_	_	10.0%	Υ
International Listed Infrastructure	1,645,264.0	1,680,850.1	2.5%	3.0%	(0.5%)	7.5%	-	10.0%	Υ
Unlisted Infrastructure	-	-	2.2%	3.8%	(1.5%)	-	-	10.0%	Υ
Total	22,102,336.48	22,367,660.5	1.3%	1.4%	(0.1%)	100.0%			

Jarden (3 months ending 31	December 2019)										
HBRIC (port proceeds)											
Asset Class	Opening Balance	Purchases / Sales	Total Gain / (Loss)	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges	S	Portfolio Complian
Cash	15,413,057.0	(11,688,802.0)	-	3,724,255.0	0.4%	(0.5%)	0.9%	12.4%	2.0%	8.0%	N
NZ Fixed Income	8,001,718.0	7,072,964.0	12,092.0	15,086,774.0	0.3%	2.2%	(1.9%)	50.3%	15.0%	24.0%	Y
International Fixed Income	2,216,905.0	1,606,609.0	(24,849.5)	3,798,664.5	(0.7%)	2.5%	(3.2%)	12.7%	23.0%	28.0%	N
NZ Property	135,846.0	363,237.0	(8,358.9)	490,724.1	(1.3%)	8.6%	(9.9%)	1.6%	1.0%	4.0%	Υ
NZ Equities	1,195,184.0	562,705.0	140,280.6	1,898,169.6	9.6%	4.0%	5.6%	6.3%	13.0%	18.0%	N
Global Equities	2,546,704.0	1,689,164.0	315,240.0	4,551,108.0	8.3%	0.5%	7.8%	15.2%	25.0%	34.0%	N
International Property	-	450,000.0	(8,334.3)	441,665.8	(1.9%)	6.0%	(7.9%)	1.5%	1.0%	4.0%	Υ
Total	29,509,414.00	55,877.00	426,069.9	29,991,360.9	2.0%	2.2%	(0.3%)	100.0%			
HBRC (port proceeds)											
Asset Class	Opening Balance	Purchases / Sales	Total Gain / (Loss)	Closing Balance	Gross Return	Benchmark Return	Perf. vs Benchmark	Asset Allocation	SAA Ranges	s	Portfolio Compliant
Cash	11,445,177.0	(8,850,803.0)	1.0	2,594,375.0	0.4%	0.1%	0.3%	11.6%	2.0%	8.0%	N
NZ Fixed Income	6,001,286.0	5,295,031.0	(6,650.0)	11,289,667.0	0.2%	(1.2%)	1.4%	50.5%	15.0%	24.0%	Y
International Fixed Income	1,651,417.0	1,305,379.0	(19,177.1)	2,937,618.9	(0.7%)	(0.6%)	(0.1%)	13.2%	23.0%	28.0%	N
NZ Property	101,657.0	282,279.0	(7,142.3)	376,793.7	(1.4%)	(0.6%)	(0.8%)	1.7%	1.0%	4.0%	Υ
NZ Equities	891,432.0	444,052.0	104,159.1	1,439,643.1	9.3%	5.2%	4.1%	6.4%	13.0%	18.0%	N
Global Equities	1,897,544.0	1,242,167.0	233,842.8	3,373,553.8	8.6%	8.5%	0.1%	15.1%	25.0%	34.0%	N
International Property	-	330,000.0	(6,111.8)	323,888.2	(1.9%)	0.8%	(2.7%)	1.5%	1.0%	4.0%	Υ
Total	21,988,513,00	48,105.00	298,921,7	22,335,539,7	2.0%	2.9%	(0.9%)	100.0%			

- The Future Investment Fund portfolios were implemented on the 16th of September and the above table therefore only represents a partial quarter of performance.
- The Mercer portfolios both 1.9% on a *net* basis. These correspond to annualised returns of 6.6%.
- The Jarden portfolios 1.7% and 1.6% on a *net* basis. These correspond to annualised returns of 5.9% and 5.7% respectively.
- The Mercer portfolios are both compliant with their respective SAA SIPO requirements.
- Jarden are again adopting a staggered implementation approach, meaning both portfolios are not yet SIPO compliant with their target asset allocations. The Jarden portfolios had an allocation to growth assets of 25% at the end of December versus a target benchmark allocation of 50%.
- The total size of the PFIF portfolio at the end of December was \$104.7m, with approximately half invested with Mercer and Jarden respectively.

#### 3.0 SIPO review

We have undertaken a review of the SIPO and requested comments from both PwC and the investment managers. This section highlights areas where the statement could be enhanced. PwC believe the SIPO remains fit for purpose.

#### **PwC SIPO comments**

Whilst PwC agree that Council's return target may be more difficult to achieve over coming years due to the historically low interest rate environment and extended investment markets, PwC do not believe it prudent to alter the portfolio's strategic asset allocation by moderating the risk profile. This would introduce a level of risk to the portfolio that is not congruent with Council's willingness and ability to take risk. It may also hinder Council's ability to achieve its investment objectives should a significant negative event occur in any period.

Comments 7 and 8 below refer to Jarden's inability to invest in illiquid assets under the current SIPO. PwC believe this should be reviewed to ensure it is fairly aligned with Mercer's ability to invest up to 10% of the portfolio in illiquid, 'unlisted property' and 'unlisted infrastructure'. PwC agree with Jarden's comment that as long as there is an expected accelerated return for the additional risk of investing in illiquid assets that are expected to be held over the medium term, an acceptable proportion of the Fund should benefit.

Comment 9 by Jarden refers to the minimum credit rating required for fixed income investments. PwC agree with Jarden's view that the minimum rating could be lowered to BBB- from BBB+. This would continue to maintain a minimum 'investment grade' credit rating across the portfolio, enhance the fixed income yield opportunity and diversification allowing access to a deeper issuance population. There have been minimal defaults in the global BBB credit rating space over the past four decades; the highest year was 1% of total BBB issuance in 2002 and has been close to 0% over the past decade.

Comment 11 by Mercer refers to a minor wording adjustment around hedging. PwC believe this is a suitable change.

Comment 13 by Mercer refers to a more formalised ethical investment policy as part of this SIPO review. Based on recent discussions with management, PwC believe this issue will become more important over the coming years and believe it would be appropriate to start formalising a policy at this juncture. PwC understand that a discussion with elected councillors to articulate this policy is to be undertaken.

Comments 12 and 14 by Mercer are minor administration points that Council may wish to update in the SIPO.

PwC also recommend updating the SIPO to reflect there are now three separate portfolios with each investment manager, including the capital amount invested into each one and the respective dates of inception.

#### **Conclusion**

PwC do not suggest any further changes to the SIPO to those mentioned above. PwC will wait for the above changes to be discussed by the Finance and Audit Risk Committee before formally updating the SIPO.

#### Jarden's SIPO comments

Is the asset allocation too conservative? Council have assessed the capacity to take risk as low to
moderate noting: Financial capacity and cash flow requirements: Council's cash flow requirements
imply low capacity to tolerate short to medium term volatility in the value of its Investment Fund.
This reduces the capacity to accept risk. This is unfortunate as it means they are focused on the
near term despite the long time horizon and has to be the factor which limits risk in the portfolio to
50:50 Growth:Income.

- 2. The willingness to accept risk is interesting as it says Council is a risk averse entity. Consequently we feel there is a reluctance to accept risk even though the conclusion is Council's willingness to accept risk would characterised as moderate due to an acknowledgement of the impact of inflation.
- 3. Given we are looking at a low interest rate environment for some time the ability for Council to hit its return target in the short term will likely be challenged. Based on Jarden's long term forecasts we expect a 60% growth 40% income portfolio to deliver 6.8%pa and a 80% growth 20% income portfolio to deliver 7.5%pa.
- 4. If the portfolios are ahead of their target return with respect to the reserving policy, Council might consider a temporary shift in asset allocation to growth with the knowledge that they have a buffer, if in fact a buffer exists?
- 5. We are happy for International bonds to remain fully hedged, as currency fluctuation just boost risk without benefiting long term returns for bonds.
- 6. We are interested in more investigation on International Equities hedging. We see historically there has been a gain to be had by NZ investors hedging offshore currency exposures. Last time Jarden did the exercise there was zero gain, although admittedly not a cost either. Typically we see the allocation to global equities left unhedged due to the currency stabiliser if there is a large NZ specific event. We see some arguments that the best option is to have 50% hedged and 50% unhedged which means you are indifferent to changes in the currency. There is no strong reason to change, but worth another look.
- 7. Given the long term nature of the fund and its size, we question the need to invest only in liquid securities. Jarden's view is that as long as there is an expected extra return for the additional risk of investing in illiquid assets, we believe the fund should exploit this.
- 8. A limit should be imposed on the level of illiquid assets. This would require a review of Investment in assets other than those contemplated by this policy statement (including antiques, art, stamps, gold, silver, hedge funds, commodities, private equity or venture capital investments) are not permitted without the prior approval of the Council.
- 9. The minimum BBB+ credit rating seems conservative. We think consideration should be given to reducing to BBB if not BBB-. If nothing else this broadens the range of investments available. To ensure the portfolio doesn't become over burdened with weaker credits we could set an average credit rating for the portfolio of say BBB+ and place lower limits on the holdings of weaker credits?

#### Mercer's SIPO comments

- 10. Investment Performance Objective: taking current expected returns per asset class into account, we believe the 5% real return target may be too ambitious. Our modelling indicates that the Council's current 50% Growth strategy has a very low (<10%) probability of achieving this objective over the long term.
- 11. Asset Class Guidelines (page 11): 4th bullet states a 50% lower bound for hedging, whereas the Foreign Exchange section on page 13 correctly notes a 30% bound. We suggest 30% is noted in both sections.
- 12. Rebalancing (page 12): the second paragraph may be interpreted to mean the Council needs to explicitly approve each rebalancing trade. In practice, this is carried out by Mercer on an ongoing basis. We would suggest the wording is amended to reflect the delegation of rebalancing activity.\

- 13. Ethical Investment (page 12): We understand the Council has given significant consideration to Ethical Investment issues but the SIPO reads fairly "light" in this regard. We would suggest formalising a more thorough RI Policy as part of the SIPO review.
- 14. Manager Performance (page 16): We would suggest adding SIPO compliance explicitly as one of the factors to be taken into account when reviewing the managers.

### 4.0 Liability Management Policy Compliance Checklist

The table below illustrates Council's compliance with funding, interest rate and liquidity risk parameters set out within the Liability Management Policy. A snapshot of current funding in place (maturity term and

Hawke's Bay Regior	nal Council Ir	nterest Rate Positio	n
			31-Dec-19
Liquidity Buffer:	10%		
Actual	20%		
Policy Compliance	Y		
Funding Maturity Profile:			
Years	o - 3 years	3 - 5 years	5 years plus
Policy Limits	15% - 60%	15% - 60%	0% - 60%
Actual Hedging	29%	30%	41%
Policy Compliance	Y	Y	Y
Weighted Average Duration:			
Funding		4.67 Years	
Fixed Rate Portfolio (swaps and fixed rate loans)		5.36 Years	
Weighted average margin		0.07%	
Weighted average Commitment/Line Fee		0.04%	
Weighted average fixed rate (swaps & term loans/bonds)		5.47%	
All up cost of borrowing (On Drawn Debt)		5.17%	

pricing) as well as interest rate fixing is also provided.

New treasury transactions in the period are outlined in Appendix 1.

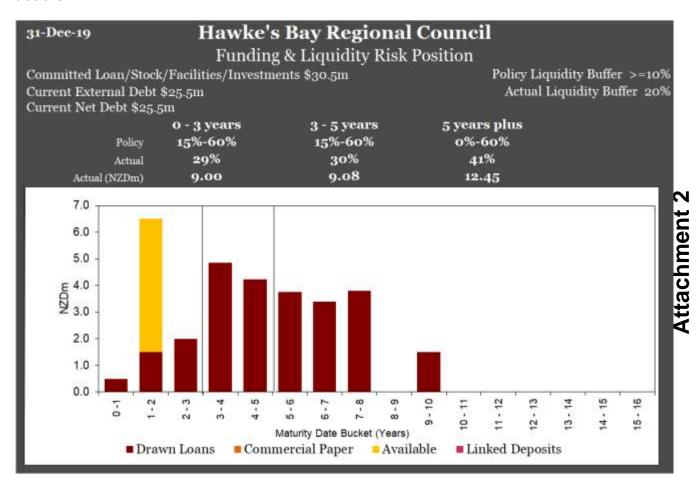
## 5.0 Borrowing Limits

Ratio	Hawke's Bay Regional Council	LGFA Lending Policy Covenants	Actual
Net external debt as a percentage of total revenue	<150%	<175%	
Net interest on external debt as a percentage of total revenue	<15%	<20%	
Net interest on external debt as a percentage of annual rates income	<20%	<25%	
Liquidity buffer amount comprising liquid assets and available committed debt	>10%	>10%	20%

facility amounts relative to existing total external debt

## 6.0 Funding and Liquidity Risk Position

The chart below shows the spread of Council's current funding maturity terms and positioning within funding maturity limits set out within the Liability Management Policy. Council's liquidity buffer amount is also shown.



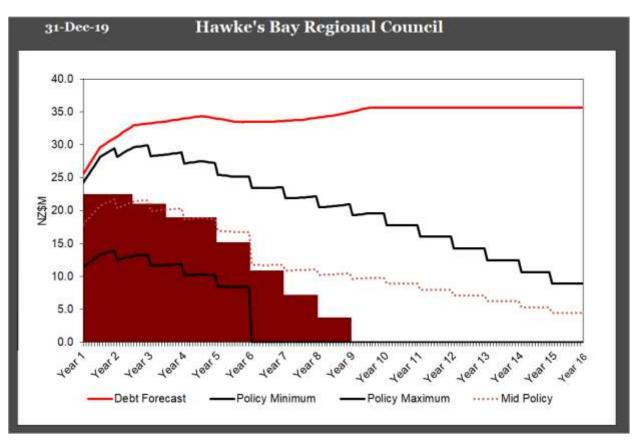
#### **Debt Funding Strategy**

Council's cash flow and debt forecast indicate a requirement for an additional \$10 million of core borrowings during this financial year. This level of debt requirement is a function of FY19 borrowings being \$2.5 million of the expected \$7 million. The first tranche of new funding is anticipated to be required in the second quarter of FY20 (circa \$5 million) and is proposed to be met via participation in upcoming LGFA tenders.

#### 7.0 Interest Rate Risk Position

The interest rate profile below shows the level of Council's interest rate fixing within Liability Management Policy parameters. The shaded area represents fixed interest rate commitments (i.e. term loans and/or derivatives) and their maturity terms over the 15-year Policy period. The red line represents the current rolling debt forecast for the forward period with the maximum and minimum bands a function of the debt forecast.

As can be seen from the chart and table below, the interest rate risk position is fully compliant to all policy parameters.



#### **Debt Interest Rate Policy Parameters** (calculated on rolling monthly basis) **Debt Period** Minimum Maximum Debt Compliant Forecast Ending % % Actual (Y/N) 26 45% 95% 88% 0 Year 1 Yes 12 Year 2 31 40% 90% 72% Yes Year 3 24 33 35% 85% 63% Yes 36 Year 4 34 30% 80% 56% Yes 48 Year 5 34 25% 75% 45% Yes 60 Year 6 34 0% 70% 33% Yes 72 Year 7 34 0% 65% 21% Yes 84 Year 8 34 0% 60% 11% Yes 96 Year 9 0% 55% 0% 35 Yes Year 10 108 36 0% 50% 0% Yes 120 Year 11 36 0% 45% 0% Yes 132 Year 12 36 0% 40% 0% Yes 144 0% Year 13 36 35% 0% Yes 156 Year 14 36 0% 30% 0% Yes 168 0% 25% 0% Year 15 36 Yes

#### Interest rate strategy

With short term interest rates expected to be lower for longer, as the RBNZ stimulates with loose monetary policy settings, the fixed rate position will progressively move towards minimum policy limits. The strategy is therefore to increase exposure to short-term floating rates (within policy limits) through issuing all new debt on a floating rate basis.

Long term interest rates are expected to remain around current levels as global central banks maintain their loose monetary policy requirements along with influencing low, longer term interest rates. The longer term interest rate risk position will be maintained around minimum policy limits through the use of interest rate swaps or fixed rate debt issuance.

## 8.0 Funding Facility

Bank (Facility maturity date)	Maturity Date		Facility Limit (\$m)
BNZ	15-Jan-21	0.00	5.00
TOTAL		0.00	5.00

Available bank facility capacity (liquidity buffer)	This month (\$m)	Last month (\$m)
Gross amount	5.00	5.00
Policy liquidity buffer requirements	2.55	2.30
Excess amount	2.45	2.70

## 9.0 Cost of Funds vs Budget

Mo	onth	YTD			
Actual (\$m) Budget (\$m)		Actual (\$m)	Budget (\$m)		

## 10.0 Counterparty Credit

All counterparty credit exposures are fully compliant with policy.

Counterparty Credit Risk (Inter	rest Rate Risk Manageme	nt Instruments and	l Invest	ments)
Rates Revenue			\$	19,475,000
Policy Credit Limit (NZ\$) per NZ Reg	gistered Bank (Interest rate r	isk management)	1596	
Policy Credit Limit (NZ\$) per NZ Reg	gistered Bank (Investments)		20-509	6
	Credit Exposure (Swaps)	Credit Exposure (Investments)	Con	mpliance
	(\$m)	(\$m)		
WPC	0.00	0.00		Yes
ANZ	0.00	0.00		Yes
ASB	0.00	0.00		Yes
BNZ	0.00	0.00		Yes
Kiwibank	0.00	0.00		Yes
LGFA	0.00	0.00		Yes

### 11.0 Market Commentary

#### **Investment markets**

The last quarter of 2019 was a good news quarter, and in broad terms, financial markets responded accordingly. The monetary stimulus provided by central banks in earlier quarters has done its job with economic data generally improving. The improvement is particularly evident in the housing market (rising median sales prices and lower days to sell). In the US, the number of houses being built has increased, while in Australia and New Zealand house price inflation has picked up. This has supported an overall improvement in the economic outlook, which has bolstered equity markets.

Accompanying the rosier outlook has been waning expectations of further interest rate cuts, which is best illustrated by US Federal Reserve (Fed) Chair Jerome Powell's comment that "monetary policy is in a good place". Despite this, both the Bank of Japan and European Central Bank announced their intention for an open ended easing bias to deal with stubbornly low inflation. Adding to the good economic news was the positive progress towards resolving: 1) The US/China trade dispute, with the announcement of phase one of a trade agreement between the US and China announced in January 2020; and 2) Brexit, with a decisive election victory for Boris Johnson's Conservative Party, which should see an orderly exit of the United Kingdom from the European Union no later than 31 January 2020.

In this environment, investors were content to invest in riskier assets types such as equities. This resulted in the strong performance of New Zealand equities (+5.3%) and global equities (+7.8%) in local currency over the quarter.

Unfortunately, the global equity market return in New Zealand dollars (+1.5%) was significantly eroded by the rise in value of the New Zealand dollar at the end of December, which rose against all major currencies except GBP (GBP strengthened on the back of a more favourable Brexit outcome). The NZD benefited from expectations the Official Cash Rate would not be cut further, more optimistic investor sentiment and importantly stronger commodity prices.

Increased investor appetite for riskier assets meant that safe-haven asset values, such as gold and fixed interest securities/bonds declined.

The stellar performance of the New Zealand equity market over the quarter and year (+31.6%) warrants closer examination. Without doubt, there has been increased interest in the New Zealand equity market as bank term deposit interest rates tumbled from 3.3% in April 2019 (where they had been since the end of 2015) to the current six month deposit rate of 2.6%.

There has been an extraordinarily diverse performance of equities over the quarter – from Metlifecare (+53%, following a takeover offer) and Summerset (+34%) as outperformers, down to Sky Network Television (-37%) and Gentrack (-28%) as underperformers. While the weak performers reflect company specific issues, the outperformers, except for Fisher & Paykel Healthcare, are all in the aged care industry,

which is benefiting from a reinvigorated housing market. The other group of companies worth commenting on are the electricity generation companies, which gave back a chunk of the gains achieved in early months on the back of investors chasing dividend yields. They fell in price, due to concerns around Rio Tinto's review of the Tiwai Point aluminium smelter's operation. The smelter consumes 10% of New Zealand's annual electricity production, so a decision to shut the smelter down would result in an electricity oversupply and subsequent drop in the electricity price.

#### **Funding markets**

A total of 21 local government borrowers raised \$413 million in the fourth quarter (Q4) of 2019. 39 separate funding transactions occurred, of which all except two were conducted via the LGFA. The two debt issues transacted outside of the LGFA were from Dunedin City Treasury (not a LGFA member). Borrowing volumes remained strong in Q4, slightly lower than Q3. A total of 54% of all borrowing in Q4 was undertaken on a floating rate basis. Over the fourth quarter, Councils borrowed for a weighted average term of 6.9 years.

Looking back on the full year, total issuance amounted to \$2.40 billion; the highest level since 2014 (\$2.55 billion). Prefunding ahead of the LGFA's April 2020 bond maturity (\$1.03 billion) is expected to support borrowing volumes throughout the first quarter of 2020. We understand that, to date, approximately 35% of the 2020 bond maturity have been refinanced/prefunded. However, most councils are currently updating new debt forecasts and this may push out issuance demand to the second quarter of 2020.

LGFA credit spreads have continued to creep up since Q3 in the short end (three to five years) and held reasonably constant for the longer end (7-10 years).

Government bond yields remain at historically low levels reflecting global yield curves, supporting the attractiveness of LGFA bonds as a substitute investment to NZ Government bonds given the higher yields on offer. There was significantly less Kauri bond issuance in 2019 with a total of \$1.4 billion of new issuance (relative to total issuance of \$4.2 billion in 2018). LGFA bond demand (and pricing) benefits when there is less Kauri issuance competing for the investor dollar. With the expanded bond issuance program from Kāinga Ora (Housing NZ) in 2020 of \$2.5 billion (up from \$1.5 billion in 2019), we expect some impact on LGFA demand, thus increasing the risk that credit spreads widen gradually in 2020, primarily for longer-dated tenors. We believe that investor interest for LGFA bonds will however, remain robust for maturities up to 5 years and that there may be some upward movement on margins for longer dated issuance.

#### Interest rate markets

The RBNZ surprised financial markets in November by holding the OCR at 1.00%. The fundamental outlook no longer currently supports another cut to the OCR over the next six months, although we expect risks remain biased lower. RBNZ note while inflation remains below the 2 percent target, employment continues to sit around its maximum sustainable level and other economic developments since the August MPS "do not warrant a change to the already stimulatory monetary setting at this time." However, risks remain "tilted to the downside." Domestically, business confidence improved in December but remains weak overall. Businesses are reluctant to make hiring or investment decisions, and have struggled to raise prices, crimping sales margins. The housing market is now showing signs of growth, while inflation pressures are slightly stronger, however global risks (including the coronavirus) remain. 'Lower for longer' interest rate settings to prevail.

Long-term NZ swap rates are biased lower as global rates are likely to remain under structural pressure. Global growth remains tepid amid recent (but improving) trade tensions between US and China, as well as Brexit uncertainty (though easing following the election). There are signs of growth stabilising (rather than further weakness) but uncertainty remains. A soft growth outlook from our key export trading nations,

Australia, China and Europe means that central banks will continue their 'looser' monetary policy settings. Underlying inflation around the globe remains benign. There remains no reason for structurally higher long-term swap rates over the next twelve months.

## 12.0 Policy exceptions

Date	Detail	Approval	Action to rectify
ТВС	SIPO asset allocations non- compliant	Υ	Gradual staggering into investment portfolio positions will see strategic asset allocation requirements met over coming months.

## 13.0 Appendix

#### 13.1 New Treasury Transactions up to 31 December 2019

#### **Borrowing activity**

Bank/LGFA	Amount (NZDm)	Borrower notes (NZDm)	Deal Date	Start Date	Maturity Date	Commitment Fee	Margin

#### **Interest Rate Borrower Swaps**

Bank	Notional Amount (NZDm)	Deal Date	Start Date	Maturity Date	Swap Rate
n/a	n/a	n/a	n/a	n/a	n/a

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

#### Wednesday 04 March 2020

## Subject: DISCUSSION OF MINOR MATTERS NOT ON THE AGENDA

### **Reason for Report**

1. This document has been prepared to assist Committee members note the Minor Items Not on the Agenda to be discussed as determined earlier in Agenda Item 5.

Item	Торіс	Raised by
1.		
2.		
3.		

#### HAWKE'S BAY REGIONAL COUNCIL

#### CORPORATE AND STRATEGIC COMMITTEE

#### Wednesday 11 March 2020

#### Subject: PROPOSED WELLINGTON LEASEHOLD PROPERTY SALE

That Council excludes the public from this section of the meeting, being Agenda Item 18 Proposed Wellington Leasehold Property Sale with the general subject of the item to be considered while the public is excluded; the reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution being:

## GENERAL SUBJECT OF THE ITEM TO BE CONSIDERED

#### Proposed Wellington Leasehold Property Sale

#### **REASON FOR PASSING THIS RESOLUTION**

7(2)s7(2)(i) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of the information is necessary to enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

## GROUNDS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION

The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

#### Authored by:

Trudy Kilkolly
PRINCIPAL ACCOUNTANT RATES AND
REVENUE

Bronda Smith
CHIEF FINANCIAL OFFICER

#### Approved by:

Jessica Ellerm GROUP MANAGER CORPORATE SERVICES