



## Meeting of the Corporate and Strategic Committee

# LATE ITEMS

**Date:** Wednesday 2 September 2020  
**Time:** 9.00am  
**Venue:** Council Chamber  
Hawke's Bay Regional Council  
159 Dalton Street  
NAPIER

## Agenda

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ITEM	TITLE	PAGE
<b>Decision Items</b>		
18.	2019-20 Annual Interim Results and Carry Forwards for 2020-21	3

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**HAWKE'S BAY REGIONAL COUNCIL**  
**CORPORATE AND STRATEGIC COMMITTEE**

**Wednesday 02 September 2020**

**Subject: 2019-20 ANNUAL INTERIM RESULTS AND CARRY FORWARDS FOR  
2020-21**

**Item 18**

**Reason for Report**

1. This item provides the Corporate and Strategic Committee with interim financial results for the 2019-20 financial year to 30 June 2020, prior to audit, and requests to carry forward expenditure budget from 2019-20 to 2020-21.

**Officers' Recommendations**

2. Council officers recommend that the Committee receives the interim financial results and recommends to Council the approval of the budget allocations for carry forward to the 2020-21 financial year as proposed.

**Executive Summary**

3. Operating surplus is \$44.6m, up from \$3m in prior year but \$43.5m below budget as a result of stranded Napier Port IPO funds retained within HBRIC.
4. Excluding the one-off Port IPO dividend delivers a \$0.6m surplus for the year against a budget surplus of \$7m (excluding the budgeted one-off Port IPO dividend).
5. The impact of the pandemic on the financial markets and subsequent investment returns reduced actual investment income to \$1m, \$6m short of an expected \$7m from managed funds and other financial deposits.
6. The pandemic delayed various projects and increased some costs particularly those relating to Emergency Management to support Council's pandemic response.
7. The annual revaluation of the Napier and Wellington investment property portfolios provided a further \$11.5m of unrealised revaluation gains towards the operating surplus.
8. Total Other Comprehensive Revenue is \$129.6m, up from \$67m in prior year and above budget by \$125m, mostly due to revaluation of HBRIC/Napier Port.
9. On the balance sheet, the main movements reflect the revaluations and the Port/HBRIC transactions with non-current borrowings increasing by \$14m to reflect the loan from HBRIC to the Council (\$16m loan increase offset by debt repayments through the year).
10. From the cost centre perspective, direct employee costs were up on budget overall by \$500k (2%) this is due to the additional headcount and the outcome of the review of the remuneration system to better align to market, address historic under-remuneration of some roles and the introduction of a formal performance pay mechanism, which cost around 4% of salary compared to the 2% budgeted for increases.
11. External costs were over budget by \$1.8m (29%). Specifically, general overheads (including accommodation and IT infrastructure) was \$1.25m (34%) overspent and the support services cost centres were \$395k (45%) overspent.
12. The net funding requirement for 2019-20 for Operating and Capital is over budget by \$0.8m (3.5%). Asset Management was \$3m underspent mainly offset by the overspending in Integrated Catchment Management (ICM) (\$1.429m), Consents and Compliance (\$1.458m), Governance (\$869k), and Emergency Management (\$467k).

Group of Activities	Net Funding Requirement			
	Actual	Budget	Variance \$	Variance %
Strategic Planning	\$2.246m	\$2.619m	\$0.373m	86%
Asset Management	\$3.498m	\$6.577m	\$3.079m	53%
ICM	\$11.337m	\$9.908m	\$(1.429m)	114%
Consents & Compliance	\$3.426m	\$1.968m	\$(1.458m)	174%
Emergency Management	\$0.605m	\$0.138m	\$(0.467m)	438%
Transport	\$0.249m	\$0.204m	\$(0.045m)	122%
Governance & Community Engagement	\$3.189m	\$2.320m	\$(0.869m)	137%
<b>Total</b>	<b>\$24.55m</b>	<b>\$23.734m</b>	<b>\$(0.816m)</b>	<b>103.5%</b>

13. Capital expenditure across the Groups of Activities was \$3m (18%) below budget and asset purchases (new vehicles, computers, furniture, etc) was \$1.6m (39%) below budget.
14. Group Managers have requested to carry forward \$1.36m of budgeted operating expenditure to the 2020-21 financial year and a further \$9.64m of budgeted capital expenditure.

### Discussion

15. The main driver for the financial surplus for 2019-20 is the IPO of Napier Port with the sale of 45% of the group's holdings in the port generating \$107m in one-off revenue for the group. The net proceeds from the sale exceeded expectations by \$24m.
  - 15.1. The 2019-20 budget for HBRC was based on all proceeds from the Port IPO being available to HBRC but tax implications have resulted in a split with \$63m remaining with HBRIC.
  - 15.2. \$44m of the IPO receipts reverted to HBRC with all receipts being invested in managed funds. Prior to year-end, an asset/loan swap between the Council and HBRIC placed a further \$16m of managed funds under direct Council control.
16. Expected dividends received from HBRIC were down from \$10m to \$2.5m due to deferral of the anticipated interim Napier Port dividend. The Port dividend is based on free cash flow which has been affected by the uncertain trading conditions and the Port commencing work on the new wharf.
17. Expected capital growth, dividends and interest from the managed funds was significantly impacted by the financial market and share price fluctuations but recovered at the end of the year resulting in small growth for the year of 1%.
18. The increase in Total Other Comprehensive Revenue is due to the:
  - 18.1. Revaluation of HBRIC based on the value of its Port shareholdings resulting in an increase of \$117m
  - 18.2. Revaluation increases in carbon credits of \$1.2m
  - 18.3. Unrealized growth in the managed funds of \$1.4m
19. Operating expenditure was up \$6.7m from prior year and \$3m (9%) over budget. This relates to \$2.25m of cost centre overspend, depreciation \$600k above budget and fair value losses on some of the forestry offset by reduced finance costs.
20. The general overhead cost centres were overspent by \$1.25m (34%) compared to budget:

		External Cost Variance		
	Cost Centre	\$	%	Main overspends & % overspend against budget
D11	Office	(112,209)	18%	Building Maintenance \$57k (160%), Energy \$30k (142%), Rental Costs \$40k (137%), Services \$44k (158%)
D12	Rate Collection	18,252	-5%	
D13	General Overheads	(381,099)	45%	Audit Fees \$150k (255%), Postage/Printing/Courier \$40k (174%), Recruitment \$80k (237%)
D14	Computer Overheads	(779,737)	44%	
		(1,254,793)	34%	Infrastructure and Software Costs

21. Audit fees were particularly high due to the inclusion of cost over-runs for the 2018-19 audit and fully accruing for the 2019-20 audit fee in the 2019-20 year.
22. The support cost centres were overspent by \$643k (10%) compared to budget on staff costs and \$395k (45%) overspent on external costs. The external costs below have been adjusted to exclude overhead allocations.

		External Cost Variance		Staff Cost Variance		External cost variance driver and % overspend against budget
	Cost Centre	\$	%	\$	%	
D21	Executive	(56,294)	45%	105,412	-7%	
D22	Finance	(151,799)	105%	(217,627)	22%	Contractors \$142k (384%)
D23	Corporate Support	(102,407)	111%	(50,228)	10%	Contractors \$97k
D24	Computer Services	(175,451)	125%	(308,030)	22%	Contractors \$166k
D25	External Relations	(17,640)	40%	(16,944)	4%	Printing \$21k, (1029%)
D26	OCEC	110,248	-36%	(196,243)	23%	
D27	Iwi Engagement	(1,316)	5%	41,157	-12%	
		(394,660)	45%	(642,503)	10%	

23. Across all activity cost centres, the results were close to budget with an overspending in external expense \$192k (11%) offset by an underspend on staff costs of \$131k (1%) when allocated overheads are excluded.

		External Cost Variance		Staff Cost Variance		External cost variance driver and % overspend against budget
	Cost Centre	\$	%	\$	%	
D31	Strategic Direction	(7,867)	8%	80,725	-7%	
D41	Consents Processing	(7,782)	7%	(50,529)	6%	
D42	Compliance Monitoring	(10,349)	6%	(102,927)	8%	
D43	Environmental Information	(38,768)	20%	(167,781)	12%	Vehicles 15k (129%), Cell phone \$10k (754%)
D44	Environmental Scientists	(10,226)	5%	92,194	-5%	
D45	Client Services	20,695	-15%	209,560	-33%	
D51	Biosecurity	(10,849)	9%	(176,436)	17%	
D52	Plant Pest Management	(15,456)	27%	3,448	-1%	Vehicles 13k (149%)
D66	Catchment Management	(10,599)	4%	(7,851)	0%	
D67	Students - forestry	(0)	0%	56,984	-53%	
D71	Emergency Management	(36,179)	26%	(54,404)	4%	HBCDEM direct IT Costs \$24k Advice \$12k, Recruitment \$14k, Travel & Accommodation \$14k
D76	Asset Management	(53,391)	21%	315,146	-15%	
D81	Transport	(10,326)	27%	1,831	0%	
D91	Students	(1,189)	0%	(69,035)	44%	
		(192,287)	11%	130,925	-1%	

24. The User Charges and cost recovery Operating revenue across the groups of activities showed significant variance but was \$1.1m (11%) more than budget. The increased revenue for Emergency Management is due to the expected cost recoveries from government for the welfare costs incurred, ICM obtained un-budgeted external funding for two projects (SkyTEM, LiDAR) that had been included in the operating budget, and the under budget revenue of Consents and Compliance was comparable to prior year. The Consents and Compliance result is an expected outcome based on the LTP cost recovery expectations for S36 charges.

			Variance		
	Actual	Budget	\$	%	
Strategic Planning	25,000	-	25,000		
Asset Management	1,264,614	1,596,360	(331,746)	-21%	
Integrated Catchment Management	6,477,694	5,053,740	1,423,954	28%	
Consents and Compliance	1,936,117	3,026,243	(1,090,126)	-36%	
Emergency Management	1,357,155	118,500	1,238,655	1045%	
Transport	104,656	230,000	(125,344)	-54%	
Governance & Community Engagement	83,439	124,939	(41,500)	-33%	
	11,248,675	10,149,782	1,098,893	11%	

25. Operating expenditure across all activities for each group of activities was within 10% of budget except for Emergency Management which was 100% over budget due to the pandemic response costs.

			Variance		
	Actual	Budget	\$	%	
Strategic Planning	4,583,680	4,770,638	186,958	-4%	
Asset Management	10,932,325	11,543,519	611,194	-5%	
Integrated Catchment Management	22,377,787	22,492,035	114,248	-1%	
Consents and Compliance	5,411,496	5,063,354	(348,142)	7%	
Emergency Management	4,784,535	2,396,215	(2,388,320)	100%	
Transport	5,646,227	5,359,967	(286,260)	5%	
Governance & Community Engagement	3,259,237	3,170,617	(88,620)	3%	
	56,995,287	54,796,345	(2,198,942)	4%	

26. Strategic Planning underspent operating expenditure over the year by \$187k (4%) due to delays in projects 191 Regional Coastal Plan and 192 Strategy and Planning offset by an overspend in 196 Statutory Advocacy.

26.1. Regional Coastal Plan work was delayed due to the team being under-staffed and staff being prioritised to other resource management planning projects.

26.2. Strategy and Planning work was delayed due to TANK notification and an extended submission period resulted in the budget being off-track and associated costs (communications, IT, staff input etc) will be pushed into 2020/21. Hearings have also been delayed in TANK (RPC decision making and Covid-19) and OWB (6-month consultation) resulting in significant costs rollover to 2020/21 (est. \$800,000). A new submissions database was purchased to support accurate management of public submissions on plans. The Senior planner vacancy was not filled until April. The Covid-19 pandemic response delayed this workstream as all members of the Planning Team were deployed to assist for some time in the CDEM Group Covid-19/drought response event.

26.3. Statutory Advocacy work was overspent due to additional external expenses that are primarily due to the commissioning of evidence from HBRC's experts on Environment Court proceedings for the Ngaruroro/Clive Rivers Water Conservation Order (WCO), plus associated legal services in same proceedings. Environment Court WCO proceedings have encountered delays due to Covid-19. Legal expenses were also incurred for the unbudgeted work to prepare evidence

for first tranche of High Court proceedings on Marine & Coastal Area (Takutai Moana) Act applications.

27. Governance and Community Engagement was 3% overspent in operating expenditure where a \$300k underspend in Community Partnerships was offset by a \$400k overspend in 840 Community Representation. The overspend was mainly attributed to additional Executive, Governance and Project Management resources required to support meetings and Long Term/Annual plan development processes.
28. Asset Management had a \$600k (5%) underspend in operating expenditure and \$2.7m (67%) underspend on capital works. The capital expenditure shortfall included:
  - 28.1. \$800k underspend on the planned Clive River dredging due to delays in land purchase.
  - 28.2. \$700k on HPFCS Flood and River Control as work has been focused on hydrological modelling, planning and communication (internal staff or consultant). No physical work or land acquisition has been progressed any further.
29. ICM was close to budget overall (1% overspend) in operating expenditure but had a \$3.9m overspend on capital expenditure.
30. There were variances across the ICM operating projects but this reflected work carried out under complementary projects with costs attributed to one project but budgeted under the alternative project (e.g. 312 Regional Surface Water Ecology underspent and 315 Surface Water Quality being overspent by a similar margin).
31. The ICM capital expenditure did not include the SkyTEM and LiDAR work which had been classified as operating expenditure in the LTP and annual plan. The SkyTEM and LiDAR capital costs have effectively been offset by external funding.
32. The Sustainable homes programme has been very successful leading to a \$2.4m overspend compared to budget. The cost of installation (and the debt repayments by the rate payers) is classified as capital expenditure due to the loan asset created as a result. The additional expenditure will be recouped over the next 10 years through the voluntary targeted rate applied in each case.
33. Overall Consents and Compliance was overspent by \$350k (7%) on expenditure and income was \$1.1m below budget due to an under recovery in fees and charges of \$300k for 402 Resource Consent Processing and \$800k in 450 Compliance programmes.
34. Emergency Management was overspent by \$2.4m (100%) due to the pandemic and drought responses. This was partially offset by an extra \$1.5m in revenue being mainly cost recovery from the government.
35. Transport overall was overspent by \$280k (5%) predominantly on 790 Subsidised Transport where the cost of the bus contract has increased substantially due to increased indexation rates and payment of drivers for a ten-minute break every 2 hours worsened by lower revenues through declining patronage.
36. The systems integration projects were underspent by \$1.9m. This was due to a lack of organisational readiness (vacancies in Finance and People & Capability delaying the start of the Finance and HR implementations), a focus on using existing capabilities to deliver solutions to ICM and other teams, and re-prioritising the work programme based on risk resulting in the work on FUSE, Telephony and customer experience solutions being prioritised.

### **Carry Forward Requests**

37. Carry Forwards is a common practice within Councils and allows for a number of functions to occur. These include the funding of final costs of projects and contracts that were unable to be completed by the financial year end, carry forward of rates to smooth peaks and troughs, carry forward of external income received for specific projects. Officers have compared the carry forwards against the 2020-21 budgets to ensure they are required.

## 38. The funding types are categorised below

- 38.1. General funding is from General Rates which includes investment income
- 38.2. Reserve funding is from target rates that have flowed through to Reserves and funding from Reserves
- 38.3. External is external funding received for specific projects
- 38.4. Debt is for debt funding not drawn down this year and is covered by interest and principal repayments that are already included in the following years budgets.

**Operating Expenditure Carry Forward Requests**

Project	Request	Source of Funds			
		General	Reserve	External	Debt
<b>Strategic Planning</b>					
191 - Regional Coastal Plan	85,140	85,140			
192 - Strategy & Planning	459,135	459,135			
<b>Asset Management</b>					
240 - Makara Flood Control Scheme	22,500		22,500		
291 - HPFCS - Napier/Meeanee/Puketap	150,000	15,000	135,000		
292 - HPFCS - Brookfields/Awatoto	24,300		24,300		
<b>ICM</b>					
306 - Erosion Control Scheme Booster	94,332			94,332	
312 - Regional Surface Water Ecology Research	221,000	25,000		196,000	
351 - Te Waiu o Tutira	60,000	60,000			
354 - Whakaki Lake Protection & Enhancement	54,000	54,000			
662 - Biodiversity	40,000			40,000	
<b>Transport</b>					
798 - Regional Cycling	60,000	60,000			
786 - Regional Road Safety	22,000		22,000		
<b>Governance</b>					
874 - Iwi Engagement	70,000	70,000			
<b>Total</b>	<b>1,362,407</b>	<b>828,275</b>	<b>203,800</b>	<b>330,332</b>	

**Capital Expenditure Carry Forward Requests**

Project	Request	Source of Funds			
		General	Reserves	External	Debt
<b>Asset Management</b>					
265 - Upper Tukituki Scheme	76,000	13,300	62,700		
266 - Opoho Scheme	56,000		56,000		
286 - HPFCS - Rivers Maintenance	657,000		657,000		
287 - HPFCS - Flood & River Control	800,000	240,000	560,000		
291 - HPFCS - Napier/Meeanee/Puketapu	110,000	11,000	99,000		
292 - HPFCS - Brookfields/Awatoto	12,000	1,200	10,800		
295 - HPFCS - Haumoana	55,000	5,500	49,500		
362 - Regional Park Network	158,000	15,800	71,100		71,100
<b>ICM</b>					
333 - SkyTEM	1,231,859				1,231,859
334 - LiDAR	589,506				589,506
<b>Regional Income</b>					
995 - Water Investment	2,692,000		2,692,000		
<b>IT</b>					
913 - Systems Integration Projects	1,877,770		300,000		1,577,770
<b>CAPEX</b>					
IT Asset Purchases	287,000		287,000		
Science Equipment Purchases	1,041,046		32,709		1,008,337
<b>Total</b>	<b>9,643,181</b>	<b>286,800</b>	<b>4,877,809</b>		<b>4,478,572</b>



## 191 Operating - Regional Coastal Plan

39. Strategic Planning seeks a carry forward of \$85,140 to fund project 194 Response to Climate Change which will require significant funds in response to Councils' Declaration of Climate Emergency and the Climate. Smart. Recovery action plan in response to Covid-19. This funding would enable a regional greenhouse gas inventory to be undertaken to inform policy and programme design.
  - 39.1. Financial Assessment: Project 191 was underspent by \$85,140 in general funding which could be carried forward. However, Strategic Planning are requesting total carry forward of \$544,275 across their projects against a general funding underspend of \$373,695 due to the overspend for Project 196 Statutory Advocacy.
  - 39.2. Recommendation: That Council approves the carry forward of \$85,410 in general funding.

## 192 Operating - Strategy & Planning

40. Strategic Planning seeks a carry forward of \$459,135 to progress the OWB and TANK hearings that have been delayed and will fall into the new financial year. The hearings panels costs are estimated at approximately \$180,000 for OWB and \$600,000 for TANK - this excludes other associated costs e.g. mediation, admin, media etc. or any legal fees. There is a full work programme ahead driven by statutory timeframes/requirements - including a full plan review of the RRMP and RCEP and delivering freshwater catchment plans to meet statutory requirements under the NPSFM. Whilst there is still one vacancy, we are on track to undertake this work (due to the senior planner position being filled) and will require a number of external inputs to support this.
  - 40.1. Financial Assessment: Project 192 was underspent by \$459,135 in general funding which could be carried forward. However, Strategic Planning are requesting total carry forward of \$544,275 across their projects against a general funding underspend of \$373,695 due to the overspend for Project 196 Statutory Advocacy.
  - 40.2. Recommendation: That Council approves the carry forward of \$459,135 in general funding.

## 240 Operating - Makara Flood Control Scheme

41. Asset Management seeks a carry forward of \$22,500 as the surveying of the dam pipes are overdue and funds are required to complete this work in the new financial year.
  - 41.1. Financial Assessment: There is no impact to general funding. The project underspent its scheme reserve funding by \$20,046 and, as at 30/6/2020, the scheme reserve balance will be \$37,593 which can be used to cover additional funding required.
  - 41.2. Recommendation: That Council approves the carry forward of the budgeted expenditure.

## 291 Operating - HPFCS - Napier/Meeanee/Puketapu

42. Asset Management seeks a carry forward of \$15,000 of general rate funded expenditure and \$135,000 of targeted rate funded expenditure to support the Ahuriri estuary joint working group with Napier City Council.
  - 42.1. Financial Assessment: Project 291 had an underspend of \$27,670 in general funding and underspent from targeted rates by \$133,731. The targeted rate underspend of \$133,731 will be automatically added to the scheme reserve and carried forward to 20/21.
  - 42.2. Recommendation: That Council approves the carry forward of \$15,000 in general funding.

## **292 Operating - HPFCS - Brookfields/Awatoto**

43. Asset Management seeks a carry forward of \$24,300 to be carried forward for Brookfields Pump Station SCADA work.
  - 43.1. Financial Assessment: No impact to General Funding. Project 292 had an underspend of \$29,409 in targeted rates funded expenditure in 19/20 which will be automatically rolled forward into the reserves.
  - 43.2. Recommendation: That Council approves the carry forward of the budgeted expenditure.

## **306 Operating – Erosion Control Scheme Booster**

44. ICM seeks a carry forward of \$94,332. This funding is for the purchase of ISCO Sediment monitors and was funded by the Hill Country Erosion Fund (MPI). The funds have been received but purchase and installation will continue into 20/21.
  - 44.1. Financial Assessment: Project 306 had an underspend of \$94,332 reflecting the un-spent external funding received.
  - 44.2. Recommendation: That Council approves the carry forward of \$94,332 in external funding.

## **312 Operating - Regional Surface Water Ecology Research**

45. ICM seeks a carry forward of \$221,000 comprising \$25k of general rate funded and \$196k of externally funded expenditure. The \$25k of general funding relates to work on faecal source tracking (\$7.5K), Whakaki site repairs (\$7.5K) and eDNA investigation (\$10K) that could not be undertaken this year due to delays and missed fieldtrip windows from combined effects of drought and lockdown. If we can't carry funding forward, we would need to forgo this work, or reduce other monitoring work we do next financial year in order to recover the cost. In addition, \$196,000 was provided by Fonterra as sponsorship of wetland development work that has not yet been completed. This funding should to be carried forward, to satisfy our obligation to our external partner.
  - 45.1. Financial Assessment: Project 312 had an underspend of \$318,975 in general funding that could be carried forward. Consideration should be given to the total under spend of general funding by ICM on operational expenditure of \$152,981. Carrying forward the \$196,000 of Fonterra funding will change the ICM result to an overspend.
  - 45.2. Recommendation: That Council approves the carry forward of \$25,000 in general funding and \$196,000 of external funding.

## **351 Operating - Te Waiu o Tutira**

46. ICM seeks a carry forward of \$60,000. Note that Council is in Deed with MfE for this project, which is part of the Freshwater Improvement Fund project. Per this Deed, we have committed a total of \$1.7m over the life of this 5 year project. If we can't carry this funding forward, we will need to find funds from future budgets to meet our agreement, and to ensure we can still deliver this project.
  - 46.1. Financial Assessment: Project 351 had an underspend of \$359,936 in general funding that could be carried forward. Consideration should be given to the overall under spend of general funding by ICM on operational expenditure of \$152,981.
  - 46.2. Recommendation: That Council approves the carry forward of \$60,000 in general funding.

## **354 Operating - Whakaki Lake Protection & Enhancement**

47. ICM seeks a carry forward of \$54,000. Note that Council is in Deed with MfE for this project, which is part of the Freshwater Improvement Fund project. Per this Deed, we have committed a total of \$1.6m over the life of this 5 year project. If we can't carry this

funding forward, we will need to find funds from future budgets to meet our agreement, and to ensure we can still deliver this project.

- 47.1. Financial Assessment: Project 354 had an underspend of \$54,579 in general funding that could be carried forward. Consideration should be given to the overall under spend of general funding by ICM on operational expenditure of \$152,981.
- 47.2. Recommendation: That Council approves the carry forward of \$54,000 in general funding.

## **662 Operating - Biodiversity**

- 48. ICM seeks to carry forward the \$40k contribution by Fonterra towards the restoration of Pigsty, a regionally significant wetland and Ecosystem Prioritisation site. Fencing was not able to be undertaken until the 20/21 financial year so the funds received should be carried forward, to fulfil the obligation to our external partner.
- 48.1. Financial Assessment: Project 662 had an underspend of \$35,500 and carrying forward the external funding provided by Fonterra will create an overspend.
- 48.2. Recommendation: That Council approves the carry forward of \$40,000 of external funding.

## **798 Operating - Regional Cycling**

- 49. Transport seeks a carry forward of \$60,000 for safety improvements to the Waimarama Road cycle-trail.
- 49.1. Financial Assessment: Project 798 was overspent by \$184 and there is no general funding available to carry forward.
- 49.2. Recommendation: That Council approves the carry forward of \$60,000 in general funding.

## **786 Operating – Regional Road Safety**

- 50. Transport has received \$22,000 from local councils for driver licensing and request the funds to be carried forward to the 2020-21 year.
- 50.1. Financial Assessment: Project 786 was overspent by \$40,258 and there is no general funding available to carry forward.
- 50.2. Recommendation: That Council approves the carry forward of \$22,000 of external funding.

## **874 Operating - Iwi Engagement**

- 51. Governance seeks a carry forward of \$70,000 to resource both the RPC and MPC committees.
- 51.1. Financial Assessment: Project 874 had an underspend of \$152,567 in general funding that could be carried forward. The operating over spend on Governance for the year of \$150k in general funding should be taken into consideration.
- 51.2. Recommendation: That Council approves the carry forward of \$70,000 in general funding.

## **265 Capital - Upper Tukituki Scheme**

- 52. Asset Management seeks a carry forward of \$76,000 for erosion work on SH50 plus pole planting comprising \$13,300 of general funding and 62,700 in targeted rate funding.
- 52.1. Financial Assessment: Project 265 underspent its general funding allocation by \$11,650 and underspent the targeted rates funding by \$55,000. The targeted rates funding will be automatically carried forward through the scheme reserve.
- 52.2. Recommendation: That Council approves the carry forward of \$13,300 in general funding.

## 266 Renewal – Opoho Scheme

53. Asset Management seeks a carry forward of \$56,000 to implement the results of the pump station review.
  - 53.1. Financial Assessment: No impact to general funding as this project is fully funded from the scheme reserve.
  - 53.2. Recommendation: That Council approves the carry forward of the budgeted expenditure.

## 286 Renewal – HPFCS - Flood & River Control

54. Asset Management seeks a carry forward of \$657,000 to complete the Clive River dredging. This project has been delayed while finding suitable land to purchase for dumping.
  - 54.1. Financial Assessment: No impact to general funding as this project is fully funded from the scheme reserve.
  - 54.2. Recommendation: That Council approves the carry forward of the budgeted expenditure.

## 287 Capital - HPFCS - Flood & River Control

55. Asset Management seeks a carry forward of \$800,000 comprising \$240k of general funding and \$560k of targeted rates funding, for:
  - 55.1. \$200k is required for Hawea park which includes building a new carpark, channel work, landscaping, potential new bridge, and potential wetland work.
  - 55.2. \$600k is required for construction at Maraekakaho which is beginning at the start of the financial year.
  - 55.3. Financial Assessment: Project 287 underspent its general funding allocation by \$240,300 and transferred an additional \$516,000 into the scheme reserve. The current scheme reserve that includes projects 286 to 288 has a balance of \$975,918 at year end and could be used to cover additional costs in 2020-21.
  - 55.4. Recommendation: That Council approves the carry forward of \$240,000 in general funding.

## 291 Capital - HPFCS - Napier/Meeanee/Puketapu

56. Asset Management seeks a carry forward of \$110,000 for Capital Works - Urban Water Quality programme - Bores, Wetlands, Planting. The request comprises \$11k in general rates funding and \$99k in targeted rates funding.
  - 56.1. Financial Assessment: Project 291 had an underspend of \$14,064 in general funding that could be carried forward and the project underspent the targeted rates by \$126,000. The targeted funding will be automatically carried forward. Additionally, the associated scheme has a total reserve of \$815k at year end which could be drawn upon.
  - 56.2. Recommendation: That Council approves the carry forward of \$11,000 in general funding.

## 292 Capital - HPFCS - Brookfields/Awatoto

57. Asset Management seeks a carry forward of \$12,000 for SCADA work - NEO group making recommendations on what assets are required for scheme. The request comprises \$1,200 in general funding and \$10,800 in targeted rates funding.
  - 57.1. Financial Assessment: Project 292 had an underspend of \$1,000 in general funding that could be carried forward and underspent on the targeted rates funding by \$8,800. Additionally, the associated scheme has a total reserve of \$307k which could be drawn upon.

- 57.2. Recommendation: That Council approves the carry forward of \$1,200 in general funding.

### **295 Capital - HPFCS – Haumoana**

58. Asset Management seeks a carry forward of \$55,000 for pump replacement comprising \$5,500 in general funding and \$49,500 in targeted rates funding.
- 58.1. Financial Assessment: Project 295 had an underspend of \$6,600 in general funding that could be carried forward and \$59,400 was underspent from the targeted rates funding. Additionally, the associated scheme has a total reserve of \$225k which could be drawn upon.
- 58.2. Recommendation: That Council approves the carry forward of \$5,500 in general funding.

### **362 Capital - Regional Park Network**

59. Asset Management seeks a carry forward of \$158,000 for the potential Te Rongo park that we may inherit and the initial capital works that will be required. The request comprises \$15,800 in general funding, \$71,100 in funding from the Sale of Land reserve/Long term investment fund and \$71,100 in debt funding.
- 59.1. Financial Assessment: Project 362 general funding expenditure was on budget with nothing to carry forward, debt funding for the year was \$75k under budget and budgeted funding from the sale of land reserve was \$30k over budget.
- 59.2. Recommendation: That Council approves the carry forward of \$15,800 in general funding and \$71,100 of planned debt funding.

### **333 Capital – SkyTEM**

60. ICM seeks to carry forward \$1,231,859 to complete the SkyTEM project. The PGF co-funding is front-loaded on the project and the budget needs to be carried forward to reflect the funding split.
- 60.1. Financial Assessment: No impact to general funding in 2020-21 as the project is fully debt funded and the debt repayments have been included in future budgets.
- 60.2. Recommendation: That Council approves the carry forward of planned debt funding.

### **334 Capital – LiDAR**

61. ICM seeks to carry forward \$589,506. This comprises \$196,506 in external funding that is unspent this year due to Covid-19 impacted project milestones and \$389,549 in deferred debt funding.
- 61.1. Financial Assessment: No impact to general funding in 2020-21 as the project is fully funded from debt and external funding and the debt repayments have been included in future budgets.
- 61.2. Recommendation: That Council approves the carry forward of planned debt funding.

### **995 Capital – Water Security Investment**

62. Strategic Planning seeks to carry forward \$2,692,000. The project is joint funded through the Provincial Growth Fund.
- 62.1. Financial Assessment: No impact to general funding in 2020-21 as the Council's portion of the project funding is from the Sale of Land/Long-Term Investment Fund.
- 62.2. Recommendation: That Council approves the carry forward of the budgeted expenditure.

### 913 Capital – Systems Integration Projects

63. IT seeks a carry forward of \$1,877,000 to complete the FUSE, telephony and customer experience solutions and fund the updated work programme.
  - 63.1. Financial Assessment: No impact to general funding in 20-21. The systems integration project is mainly debt funded with additional funding from the asset replacement reserve. The budgeted debt drawdown of \$1.85m in 19/20 has not occurred and the repayments are included in the approved annual plan 20/21 and LTP. No financial impact to carry forward.
  - 63.2. Recommendation: That Council approves the carry forward of planned debt funding.

### IT asset purchases budget

64. IT seeks a carry forward of \$287,000 for delayed rural aerial imagery work and the GIS Infrastructure improvements.
  - 64.1. Financial Assessment: No impact to general funding in 20-21. IT asset purchases are funded from the asset replacement reserve.
  - 64.2. Recommendation: That Council approves the carry forward of the budgeted expenditure.

### ICM Science Equipment Budget

65. ICM seeks a carry forward of \$1,041,046 for the following purchases:
  - 65.1. Monitoring Drilling Equipment 18/19 & 19/20 - \$369,549
  - 65.2. Mt Misery Repeater - \$50,000
  - 65.3. Ruataniwha Ground Water Modelling - \$282,521
  - 65.4. Various Science Equipment approved in the 19/20 business case - \$310,000
  - 65.5. Ground Water Telemetry & Waikopiro buoy - \$28,976
  - 65.6. Financial Assessment: No impact to general funding in 20-21. The science budget is funded by a combination of the asset replacement reserve, internal and external debt. The loan repayments have already been included in the Annual Plan 20/21.
  - 65.7. Recommendation: That Council approves the carry forward of the budgeted expenditure and associated planned debt funding.

### Options Assessment

66. Option 1: Council approves the carry forwards from 2019-20 to 2020-21 to enable all the projects to be completed, service levels to be achieved, commitments to external organisations to be fulfilled and the future work to be funded.
67. Option 2: Council approves the carry forward of all non-general funded expenditure (i.e. targeted rate, reserve, debt and externally funded expenditure) with the general funded carry forward expenditure met through additional debt funding in 2020-21.
68. Option 3: Council does not approve the carry forwards and provide officers with guidance on which carry forwards, if any, should be approved.

### Significance and Engagement Policy Assessment

69. In accordance with the Council's Significant and Engagement policy, this matter has been assessed as of some importance. The projects to be completed and the funding requirements for future work affects the affordability of rates for future ratepayers.

## Financial and Resource Implications

70. The interim financial results indicate that HBRC has overspent its general funding requirement by \$0.8m.
71. To carry forward an additional \$1.1m in general funding from 2019-20 to 2020-21 will increase the overspend in 2019-20 to \$1.9m. This would be funded from the general operating reserve which has been accumulating from previous underspends and revaluations.
72. HBRC has included within the Annual Plan 20/21 the decision to debt fund any shortfall in revenue to meet the agreed budget. This results in the capability to meet any overspend through additional debt funding rather than through reducing reserves.
73. Council has noted its intention to minimise any borrowing requirement for the 2020-21 financial year.
74. Reserve and debt funded expenditure can be carried forward with no impact to general funding as this has been included in the LTP and Annual Plan.
75. Funding from targeted rates will be automatically carried forward through the associated reserve to enable the funds to be drawn down to complete the work in subsequent years.
76. External funding may be used to meet a shortfall in the current year but general funding in 2020-21 will be required to meet the HBRC's obligations to the provider to complete the work or repay the funds.

## Decision Making Process

77. 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:
  - 77.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
  - 77.2. The use of the special consultative procedure is not prescribed by legislation.
  - 77.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
  - 77.4. The persons affected by this decision are ratepayers of Council.
  - 77.5. 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

1. That the Corporate and Strategic Committee receives and considers the "2019-20 Annual Interim Results and Carry Forwards for 2020-21" staff report.
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 or persons likely to have an interest in the decision.
  - 2.2. Approves the carry forward of all expenditure requests from the 2019-20 to the 2020-21 budget; being:

## Operating Expenditure Carry Forward

Project	Request	Source of Funds			
		General	Reserve	External	Debt
<b>Strategic Planning</b>					
191 - Regional Coastal Plan	85,140	85,140			
192 - Strategy & Planning	459,135	459,135			
<b>Asset Management</b>					
240 - Makara Flood Control Scheme	22,500		22,500		
291 - HPFCS - Napier/Meeanee/Puketapu	150,000	15,000	135,000		
292 - HPFCS - Brookfields/Awatoto	24,300		24,300		
<b>ICM</b>					
306 - Erosion Control Scheme Booster	94,332			94,332	
312 - Regional Surface Water Ecology Research	221,000	25,000		196,000	
351 - Te Waiu o Tutira	60,000	60,000			
354 - Whakaki Lake Protection & Enhancement	54,000	54,000			
662 - Biodiversity	40,000			40,000	
<b>Transport</b>					
798 - Regional Cycling	60,000	60,000			
786 - Regional Road Safety	22,000		22,000		
<b>Governance</b>					
874 - Iwi Engagement	70,000	70,000			
<b>Total</b>	<b>1,362,407</b>	<b>828,275</b>	<b>203,800</b>	<b>330,332</b>	

## Capital Expenditure Carry Forward

Project	Request	Source of Funds			
		General	Reserves	External	Debt
<b>Asset Management</b>					
265 - Upper Tukituki Scheme	76,000	13,300	62,700		
266 - Opoho Scheme	56,000		56,000		
286 - HPFCS - Rivers Maintenance	657,000		657,000		
287 - HPFCS - Flood & River Control	800,000	240,000	560,000		
291 - HPFCS - Napier/Meeanee/Puketapu	110,000	11,000	99,000		
292 - HPFCS - Brookfields/Awatoto	12,000	1,200	10,800		
295 - HPFCS - Haumoana	55,000	5,500	49,500		
362 - Regional Park Network	158,000	15,800	71,100		71,100
<b>ICM</b>					
333 - SkyTEM	1,231,859				1,231,859
334 - LiDAR	589,506				589,506
<b>Regional Income</b>					
995 - Water Investment	2,692,000		2,692,000		
<b>IT</b>					
913 - Systems Integration Projects	1,877,770		300,000		1,577,770
<b>CAPEX</b>					
IT Asset Purchases	287,000		287,000		
Science Equipment Purchases	1,041,046		32,709		1,008,337
<b>Total</b>	<b>9,643,181</b>	<b>286,800</b>	<b>4,877,809</b>		<b>4,478,572</b>

## Authored by:

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**Approved by:**

**Bronda Smith**  
**CHIEF FINANCIAL OFFICER**

**Jessica Ellerm**  
**GROUP MANAGER CORPORATE**  
**SERVICES**

**Item 18**

**Attachment/s**

- [!\[\]\(30a147af384f9f71632c2ff17bc706c8\_img.jpg\) 1](#) Interim 2019-20 Cost of Service Statements
- [!\[\]\(9b33568d5c136f08ca688ce48be37574\_img.jpg\) 2](#) Interim 2019-20 Financial Statements



## Strategic Planning

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Strategy	1	461	501	281
Planning	2	1,799	2,141	2,131
Sustainable Regional Development	3	2,324	2,148	1,488
Depreciation/ Amortisation Expense		-	-	7
<b>Total Operating Expenditure</b>		<b>4,584</b>	<b>4,790</b>	<b>3,907</b>
<b>Capital Expenditure</b>				
Energy Futures Loan Repayments		20	-	20
<b>Total Capital Expenditure</b>		<b>20</b>	<b>-</b>	<b>20</b>
<b>TOTAL EXPENDITURE</b>		<b>4,604</b>	<b>4,790</b>	<b>3,927</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		25	-	-
<b>Total Activity Revenue</b>		<b>25</b>	<b>-</b>	<b>-</b>
<b>Other Revenue</b>				
Targeted Rates		1,888	1,871	1,850
Grants		419	274	274
<b>Total Other Revenue</b>		<b>2,307</b>	<b>2,145</b>	<b>2,124</b>
<b>TOTAL REVENUE</b>		<b>2,332</b>	<b>2,145</b>	<b>2,124</b>
<b>TOTAL FUNDING REQUIREMENT</b>		<b>(2,272)</b>	<b>(2,645)</b>	<b>(1,802)</b>
<b>Special Reserve Funding</b>				
Sale of Land (Other Initiatives) Reserve		26	26	-
<b>Total Special Reserve Funding</b>		<b>26</b>	<b>26</b>	<b>-</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(2,246)</b>	<b>(2,619)</b>	<b>(1,802)</b>
<b>MET BY</b>				
General Funding Rates		3,383	3,320	2,812
Investment Income		1,941	1,318	1,518
Operating Reserves		(3,078)	(2,019)	(2,528)
		<b>2,246</b>	<b>2,619</b>	<b>1,802</b>

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Attachment 1

## Governance and Community Engagement

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Community Representation and Leadership	1	1,496	1,806	9,130
Tanagata Whenua Partnerships & Community Engagement	2	1,763	1,357	1,488
Depreciation/Amortisation Expense		-	8	7
<b>Total Operating Expenditure</b>		<b>3,259</b>	<b>3,171</b>	<b>10,625</b>
<b>Capital Expenditure</b>				
Loan Repayment		400	410	390
Asset Construction		272	1,230	
<b>Total Capital Expenditure</b>		<b>672</b>	<b>1,640</b>	<b>390</b>
<b>TOTAL EXPENDITURE</b>		<b>3,931</b>	<b>4,811</b>	<b>11,015</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		83	125	61
<b>Total Activity Revenue</b>		<b>83</b>	<b>125</b>	<b>61</b>
<b>Other Revenue</b>				
Grants		-	15	25
Loan Funding		173	1,850	100
<b>Total Other Revenue</b>		<b>173</b>	<b>1,865</b>	<b>125</b>
<b>TOTAL REVENUE</b>		<b>256</b>	<b>1,990</b>	<b>186</b>
<b>TOTAL GENERAL FUNDING REQUIREMENT</b>		<b>(3,675)</b>	<b>(2,821)</b>	<b>(10,829)</b>
<b>Special Reserve Funding</b>				
Sale of Land (Investment) Reserve		486	501	485
<b>Total Special Reserve Funding</b>		<b>486</b>	<b>501</b>	<b>485</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(3,189)</b>	<b>(2,320)</b>	<b>(10,344)</b>
<b>MET BY</b>				
General Funding Rates		3,209	3,150	2,812
Investment Income		2,645	1,433	1,518
Operating Reserves		(2,665)	(2,263)	6,014
		<b>3,189</b>	<b>2,320</b>	<b>10,344</b>

## Asset Management

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Flood Protection & Control Works	1a, b & c	6,795	7,827	6,179
Flood Assessment and Warning	2	580	653	710
Coastal Hazards	3	1,053	935	921
Open Spaces	4	1,817	1,476	1,409
Works Group External Contracts	5	1,165	455	1,304
Depreciation/ Amortisation Expense		687	652	686
<b>Total Operating Expenditure</b>		<b>12,097</b>	<b>11,998</b>	<b>11,209</b>
<b>Capital Expenditure</b>				
Infrastructure Asset Construction		1,201	4,281	1,055
Regional Park Network				65
Disaster Damage Excess Deposits		111		
Loan Repayments		499	465	122
<b>Total Capital Expenditure</b>		<b>1,811</b>	<b>4,746</b>	<b>1,242</b>
<b>TOTAL EXPENDITURE</b>		<b>13,908</b>	<b>16,744</b>	<b>12,451</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		1,284	1,596	1,534
Operations Group External Contracts		1,355	570	1,440
<b>Total Activity Revenue</b>		<b>2,639</b>	<b>2,166</b>	<b>2,974</b>
<b>Other Revenue</b>				
Targeted Rates		7,259	7,229	6,912
Grants and Other Capital Income		-	-	
Interest on Scheme Reserves		179	277	177
Loans Drawn Down		75	160	
<b>Total Other Revenue</b>		<b>7,513</b>	<b>7,666</b>	<b>7,089</b>
<b>TOTAL REVENUE</b>		<b>10,152</b>	<b>9,832</b>	<b>10,063</b>
<b>TOTAL FUNDING REQUIREMENT</b>		<b>(3,756)</b>	<b>(6,912)</b>	<b>(2,389)</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		(328)	(1,354)	174
Scheme Depreciation Reserves		215	1,344	116
Sale of Land (Other Initiatives) Reserve		371	345	
<b>Total Special Reserve Funding</b>		<b>258</b>	<b>335</b>	<b>292</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(3,498)</b>	<b>(6,577)</b>	<b>(2,097)</b>
<b>MET BY</b>				
General Funding Rates		-	-	-
Investment Income		1,566	894	1,290
Operating Reserves		1,932	5,683	807
		<b>3,498</b>	<b>6,577</b>	<b>2,097</b>

## Integrated Catchment Management

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Science and Information	1	9,748	9,377	9,130
Catchment Management	2	6,944	8,164	5,799
Biodiversity and Biosecurity	3	5,201	4,333	4,535
Depreciation/Amortisation Expense		485	617	471
<b>Total Operating Expenditure</b>		<b>22,378</b>	<b>22,491</b>	<b>19,935</b>
<b>Capital Expenditure</b>				
Clean Heat Advances		4,907	2,217	1,925
Integrated Catchment Activities		2,191	865	161
Loan Repayments		2,373	2,507	2,590
<b>Total Capital Expenditure</b>		<b>9,471</b>	<b>5,589</b>	<b>4,676</b>
<b>TOTAL EXPENDITURE</b>		<b>31,849</b>	<b>28,080</b>	<b>24,612</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		6,476	7,368	3,446
<b>Total Activity Revenue</b>		<b>6,476</b>	<b>7,368</b>	<b>3,446</b>
<b>Other Revenue</b>				
Targeted Rates		3,356	3,322	3,365
Community Loan Repayments		2,036	2,507	1,854
Interest on Scheme Reserves	-	77	45	63
Grants		631	82	599
Loans Drawn Down		2,613	4,938	1,465
<b>Total Other Revenue</b>		<b>8,559</b>	<b>10,894</b>	<b>7,346</b>
<b>TOTAL REVENUE</b>		<b>15,035</b>	<b>18,262</b>	<b>10,792</b>
<b>TOTAL GENERAL FUNDING REQUIREMENT</b>		<b>(16,814)</b>	<b>(9,818)</b>	<b>(13,820)</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		5,477	-90	3,607
Sale of Land (Non-Investment) Reserve				263
<b>Total Special Reserve Funding</b>		<b>5,477</b>	<b>-90</b>	<b>3,870</b>
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(11,337)</b>	<b>(9,908)</b>	<b>(9,950)</b>
<b>MET BY</b>				
General Funding Rates		-	-	-
Investment Income		8,244	4,563	6,384
Operating Reserves		3,093	5,345	3,566
		<b>11,337</b>	<b>9,908</b>	<b>9,950</b>

## Consents and Compliance

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Consents	1	2,043	2,043	1,754
Compliance & Pollution Response	2	3,313	2,947	2,227
Maritime Safety	3	52	69	72
Depreciation/Amortisation Expense		4	4	4
<b>Total Operating Expenditure</b>		5,412	5,063	4,057
<b>TOTAL EXPENDITURE</b>		5,412	5,063	4,057
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		1,936	3,026	1,904
<b>Total Activity Revenue</b>		1,936	3,026	1,904
<b>Other Revenue</b>				
Grants		50	69	
<b>Total Other Revenue</b>		50	69	-
<b>TOTAL REVENUE</b>		1,986	3,095	1,904
<b>TOTAL FUNDING REQUIREMENT</b>		(3,426)	(1,968)	(2,153)
<b>Special Reserve Funding</b>				
Other Reserve Funding		-	-	-
<b>Total Special Reserve Funding</b>		-	-	-
<b>NET GENERAL FUNDING REQUIREMENT</b>		(3,426)	(1,968)	(2,153)
<b>MET BY</b>				
General Funding Rates		1,648	1,618	1,370
Investment Income		1,642	1,025	1,285
Operating Reserves		136	(675)	(502)
		3,426	1,968	2,153

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Attachment 1

## Emergency Management

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
HB Civil Defence Emergency Management Group	1	608	139	1826
HBRC Emergency Management	2	4,176	2,256	88
Depreciation/Amortisation Expense		1	1	1
<b>Total Operating Expenditure</b>		4,785	2,396	1,915
<b>TOTAL EXPENDITURE</b>		4,785	2,396	1,915
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		1,357	119	23
<b>Total Activity Revenue</b>		1,357	119	23
<b>Other Revenue</b>				
Targeted Rates (Uniform Annual Charge)		2,149	2,129	2,130
Interest		4	4	3
Grants		291	-	-
<b>Total Other Revenue</b>		2,444	2,133	2,133
<b>TOTAL REVENUE</b>		3,801	2,252	2,156
<b>TOTAL FUNDING REQUIREMENT</b>		<b>(984)</b>	<b>(144)</b>	<b>241</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		379	6	(330)
<b>Total Special Reserve Funding</b>		379	6	(330)
<b>NET GENERAL FUNDING REQUIREMENT</b>		<b>(605)</b>	<b>(138)</b>	<b>(89)</b>
<b>MET BY</b>				
General Funding Rates		173	170	144
Investment Income		68	341	53
Operating Reserves		364	(373)	(108)
		<b>605</b>	<b>138</b>	<b>89</b>



## Transport

	Activity (#)	Actual 19/20 (\$'000)	Budget 19/20 (\$'000)	Actual 18/19 (\$'000)
<b>EXPENDITURE</b>				
<b>Operating Expenditure</b>				
Transport Planning and Road Safety	1	703	808	571
Passenger Transport	2	4,678	4,350	4,208
Regional Cycling	3	244	166	261
Depreciation/Amortisation Expense		22	36	18
<b>Total Operating Expenditure</b>		<b>5,647</b>	<b>5,360</b>	<b>5,058</b>
<b>Capital Expenditure</b>				
Regional Cycling		17	-	
<b>Total Capital Expenditure</b>		<b>17</b>	<b>-</b>	<b>-</b>
<b>TOTAL EXPENDITURE</b>		<b>5,664</b>	<b>5,360</b>	<b>5,058</b>
<b>REVENUE</b>				
<b>Activity Revenue</b>				
Direct Charges		105	230	8
<b>Total Activity Revenue</b>		<b>105</b>	<b>230</b>	<b>4,684</b>
<b>Other Revenue</b>				
Targeted Rates		1,677	1,653	1,620
Interest		(5)	1	(1)
Grants		3,445	3,225	3,056
<b>Total Other Revenue</b>		<b>5,117</b>	<b>4,879</b>	<b>4,676</b>
<b>TOTAL REVENUE</b>		<b>5,222</b>	<b>5,109</b>	<b>4,684</b>
<b>TOTAL FUNDING SURPLUS / (REQUIREMENT)</b>		<b>(442)</b>	<b>(251)</b>	<b>(374)</b>
<b>Special Reserve Funding</b>				
Specific Scheme Reserves		193	47	172
<b>Total Special Reserve Funding</b>		<b>193</b>	<b>47</b>	<b>172</b>
<b>NET GENERAL FUNDING SURPLUS / (REQUIREMENT)</b>		<b>(249)</b>	<b>(204)</b>	<b>(202)</b>
<b>MET BY</b>				
General Funding Rates		173	170	144
Investment Income		154	64	121
Operating Reserves		(78)	(30)	(63)
		<b>249</b>	<b>204</b>	<b>202</b>

Item 18

Attachment 1



## Part 3- Financials | Pūrongo Pūtea

## Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2020

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		19/20	19/20	18/19	19/20	18/19
		\$000	\$000	\$000	\$000	\$000
<b>Revenue</b>						
Revenue from activities	3	12,621	10,719	8,416	12,621	103,056
Rates revenue	4	24,870	24,642	23,186	24,917	23,186
Subsidies and grants	5	4,891	3,651	3,989	-	3,989
Other revenue	5	49,997	101,521	14,490	49,997	5,590
Fair value gains on investments	6	11,746	3,137	5,802	10,354	6,487
Reduction in ACC Leasehold Liability			936	-		-
<b>Total Operating Revenue</b>		<b>104,125</b>	<b>144,606</b>	<b>55,884</b>	<b>97,889</b>	<b>142,309</b>
<b>Expenditure</b>						
Expenditure on activities	3	(29,498)	(27,643)	(26,369)	58,022	(58,442)
Personnel costs	7(a)	(23,071)	(22,707)	(20,394)	(23,071)	(47,759)
Finance costs	3	(2,120)	(2,713)	(2,489)		(6,542)
Depreciation & amortisation expense	3	(4,067)	(3,446)	(3,081)	-	(14,330)
Fair value losses	6	(618)	-	-	(176)	-
Other expenditure	7(c)	(165)	-	(475)	(114)	(1,359)
<b>Total Operating Expenditure</b>		<b>(59,539)</b>	<b>(56,509)</b>	<b>(52,808)</b>	<b>34,661</b>	<b>(128,432)</b>
Loss on sale of intangible asset		-	-	-		-
<b>Total Impairment and Loss on Sale Expenditure</b>		<b>-</b>	<b>-</b>	<b>-</b>		<b>-</b>
<b>Total Expenditure</b>		<b>(59,539)</b>	<b>(56,509)</b>	<b>(52,808)</b>	<b>34,661</b>	<b>(128,432)</b>
<b>Operating Surplus / (Deficit) before Income Tax</b>		<b>44,586</b>	<b>88,097</b>	<b>3,076</b>	<b>132,550</b>	<b>13,877</b>
Income tax expense	8	-	-	-		(2,034)
<b>Operating Surplus / (Deficit) after Income Tax</b>		<b>44,586</b>	<b>88,097</b>	<b>3,076</b>	<b>132,550</b>	<b>11,842</b>
<b>Other Comprehensive Revenue and Expense</b>						
Gain/(loss) in other financial assets	19	118,257	11,200	58,879		1,356
Gain/(loss) on revalued intangible asset	19	1,163	(8,985)	1,290		1,290
Gain/(loss) on revalued property, plant and equipment assets	19	10,251	2,680	6,364		10,738
Effect on Consolidation						
<b>Total Other Comprehensive Revenue and Expense</b>		<b>129,671</b>	<b>4,895</b>	<b>66,533</b>		<b>13,384</b>
<b>Total Comprehensive Revenue and Expense</b>		<b>174,257</b>	<b>92,992</b>	<b>69,609</b>		<b>25,225</b>

The accompanying notes form part of these financial statements.

## Part 3- Financials | Pūrongo Pūtea

## Statement of Financial Position

As at 30 June 2020

	Note	Regional Council			Group	
		Actual 19/20 \$000	Budget 19/20 \$000	Actual 18/19 \$000	Actual 19/20 \$000	Actual 18/19 \$000
<b>ASSETS</b>						
<b>Non-Current Assets</b>						
Property, plant & equipment	9	31,133	26,887	27,473	31,133	394,368
Infrastructure assets	10	186,605	190,489	174,709	186,605	174,709
Investment property	11	57,879	52,596	48,393	57,879	56,363
Intangible assets	12	10,535	8,127	7,347	7,538	8,467
Forestry assets	15	11,087	11,198	11,482	11,087	11,482
Investment in joint venture	14	-	-	-	-	-
Regional Freshwater Security	16	-	3,098	-	-	-
Trade & other receivables	16	-	-	-	-	-
Derivative financial instruments	17	-	-	-	-	-
Deferred tax assets	22	-	-	-	-	-
Total non-current assets before other financial assets		297,239	292,593	269,404	294,242	585,389
Other financial assets	13	122,308	160,389	51,590	122,308	51,590
Investment in Council-controlled organisations	13	457,260	274,515	340,396	-	-
Advances to Napier / Gisborne Rail	13	1,486	1,718	236	1,486	236
Total other financial assets	13	581,054	436,622	392,222	123,794	51,826
<b>Total Non-Current Assets</b>		<b>878,293</b>	<b>729,025</b>	<b>661,626</b>	<b>418,036</b>	<b>637,215</b>
<b>Current Assets</b>						
Inventories		452	322	113	452	113
Trade & other receivables	16	11,327	9,244	10,063	11,327	26,510
Advances to Council-controlled organisations	16	-	-	6,500	-	-
Derivative financial instruments	17	-	-	-	-	-
Other financial assets	13	2,057	13,529	4,110	2,057	4,110
Cash and cash equivalents	18	6,522	2,739	28,436	6,522	32,227
Current tax asset		-	-	-	-	389
Non-current assets held for sale		-	-	-	-	-
<b>Total Current Assets</b>		<b>20,358</b>	<b>25,634</b>	<b>49,222</b>	<b>20,358</b>	<b>65,349</b>
<b>TOTAL ASSETS</b>		<b>898,651</b>	<b>754,659</b>	<b>710,848</b>	<b>438,394</b>	<b>700,564</b>
<b>NET ASSETS / EQUITY</b>						
Accumulated funds	20	402,317	322,479	358,003	358,753	326,711
Fair value reserves	19	404,899	216,774	275,976	404,899	179,625
Other reserves	20	31,854	157,753	31,375	71,421	31,375
<b>Total Net Assets / Equity</b>		<b>839,070</b>	<b>697,006</b>	<b>665,355</b>	<b>836,073</b>	<b>537,711</b>
<b>LIABILITIES</b>						
<b>Non-Current Liabilities</b>						
Derivative financial instruments	17	-	-	-	-	4,312
Borrowings	21	31,238	27,744	17,685	31,238	98,385
Provisions for other liabilities & charges	25	10,530	12,465	11,282	10,530	11,282
Deferred tax liabilities	22	-	-	-	-	17,063
Employee benefit liabilities	23	520	710	519	520	993
<b>Total Non-Current Liabilities</b>		<b>42,288</b>	<b>40,919</b>	<b>29,496</b>	<b>42,288</b>	<b>132,035</b>
<b>Current Liabilities</b>						
Bank overdraft	21	-	-	-	-	129
Derivative financial instruments	17	-	-	-	-	1,708
Borrowings	21	3,650	4,879	3,900	3,650	3,900
Provisions for other liabilities & charges	25	-	1,238	668	-	668
Current tax payable		-	-	-	-	2,001
Employee benefit liabilities	23	2,834	997	2,119	2,834	4,971
Trade & other payables	24	10,809	9,620	9,321	10,809	17,441
<b>Total Current Liabilities</b>		<b>17,293</b>	<b>16,734</b>	<b>16,008</b>	<b>17,293</b>	<b>30,816</b>
<b>TOTAL LIABILITIES</b>		<b>59,581</b>	<b>57,653</b>	<b>45,494</b>	<b>59,581</b>	<b>162,853</b>
<b>TOTAL NET ASSETS / EQUITY &amp; LIABILITIES</b>		<b>898,651</b>	<b>754,659</b>	<b>710,848</b>	<b>895,654</b>	<b>700,564</b>

The accompanying notes form part of these financial statements.

## Part 3- Financials | Pūrongo Pūtea

## Statement of Changes in Equity

For the Year Ended 30 June 2020

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		19/20 \$000	19/20 \$000	18/19 \$000	19/20 \$000	18/19 \$000
Equity as at beginning of year		665,355	604,014	595,746	537,711	512,486
Total Comprehensive Revenue and Expense		174,257	92,992	69,609	-	25,225
Adjustments to clear prior period errors	20	(544)	-	-	-	-
Dividends received / (paid)		-	-	-	-	-
Share capital issued		-	-	-	-	-
Effect on consolidation		-	-	-	-	-
Equity as at end of year		839,068	697,006	665,355	537,711	537,711

The accompanying notes form part of these financial statements.

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Attachment 2