



Meeting of the Corporate and Strategic Committee

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

Agenda

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1.	Welcome/Notices/Apologies	
2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Corporate and Strategic Committee held on 2 September 2020	
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**HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE**

Wednesday 02 December 2020

**Subject: FOLLOW-UPS FROM PREVIOUS CORPORATE & STRATEGIC
COMMITTEE MEETINGS**

Item 4

Reason for Report

1. On the list attached are items raised at previous Corporate & Strategic Committee meetings that staff have followed up on. All items indicate who is responsible for follow up, and a brief status comment. Once the items have been reported to the Committee they will be removed from the list.

Decision Making Process

2. 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 "*Follow-up Items from Previous Meetings*".

Authored by:

**Leeanne Hooper
TEAM LEADER GOVERNANCE**

Approved by:

**James Palmer
CHIEF EXECUTIVE**

Attachment/s

[1](#) Followups for December 2020 Corporate and Strategic meeting

Follow-ups from Previous Corporate and Strategic Committee Meetings

Meeting held 2 September 2020

	Agenda Item	Follow-up / Request	Responsible	Status Comment
1	Follow-ups	Query arose as to when Councillors' health and safety refresher session will be scheduled	K McInnes/ J Palmer	No further training is planned, and the slides from the Health and Safety induction session are on Stellar under Council resources for councillors to reference. If councillors are unsure about their H&S responsibilities please direct your questions to the Chief Executive in the first instance.
2	Regional Drought Relief Fund	Staff to bring back further advice on options for using the remaining funding	I Maxwell	4 November Environment & Integrated Catchments Committee resolved that remainder of funding would be used for the Regional Drought Strategy. HB CDEM Group Joint Committee confirmed this decision on 23 November 2020.
3	HBRC Covid-19 Response Review Update	Final HBRC Covid-19 response review report	H Marsden /J Ellerm	Report presented to 11 November Finance, Audit & Risk Sub-committee meeting and attached to this agenda.

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

Wednesday 02 December 2020

Subject: CALL FOR MINOR ITEMS NOT ON THE AGENDA

Item 5

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 15:

Topic	Raised by

**Leeanne Hooper
TEAM LEADER GOVERNANCE**

**James Palmer
CHIEF EXECUTIVE**

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

Subject: PETTIGREW GREEN ARENA CAR PARK

Item 6

Reason for Report

1. This report provides information to inform inter-Council decisions around the preferred location of the car-parking for the Pettigrew Green Arena expansion.

Officers' Recommendations

2. Council officers recommend that the Committee considers the three options provided and recommends that Council commences discussions with Napier City Council to provide direction to Pettigrew Green Arena on a preference for the car-parking site.

Executive Summary

3. The Pettigrew Arena is in receipt of PGF funding to develop additional indoor court space for Napier/ Hastings.
4. As part of the development of the site, a location is required for approximately 400 carparks. During the day these carparks can be utilised by EIT.
5. There are two identified locations for the carpark. The first located behind the existing Pettigrew Arena building and carpark on NCC Reserve and the second located on adjacent Tūtaekurī river berm on the river side of the stopbank managed by HBRC. There is a third hybrid option also presented in the paper.
6. This paper presents an analysis of all three options of which the staff assessment shows a narrow margin for the NCC reserve. This paper asks the Corporate and Strategic Committee to form a position on the optimal location of the carpark.
7. A similar paper and process is being presented to Napier City Council.
8. Once each Council has formed a view, advice can be provided to the Regional Indoor Sport and Events Centre Trust.

Background /Discussion

9. The Regional Indoor Sport and Events Centre Trust (RISEC) is the charitable trust that operates the Pettigrew Green Arena in Taradale. Since the decision not to proceed with the Multi-Use Sports Facility in 2018, the Trust has been developing options to progress its own facility expansion through providing additional indoor courts. A business case, feasibility study and proposal have been completed.
10. The facility is situated on NCC reserve land (Riverside Reserve). The reserve is broken into two parts with separate designations under the Reserves Act 1977. The area of the reserve in which the existing facility is located is designated as a local purpose community holding reserve, where the rear of the reserve that is currently green space, playground and dog agility area is a recreational reserve. The local purpose community holding reserve designation enables more commercial activity with the leased office space, gym and food provider within the facility.
11. The proposed extension is to construct a new building at the rear of the existing Pettigrew Green Arena (PGA) in Taradale over the car park and a small section of EIT land next door. It is proposed to include a wooden floor that can accommodate six full size futsal courts. The carpark area that has made way for the expanded building will need to be replaced and added to close by.
12. The new facility will be available for use by a large number of sporting codes, so the floor space will be able to be configured for the following sports:

- 12.1. Basketball
 - 12.2. Futsal
 - 12.3. Volleyball
 - 12.4. Netball
 - 12.5. Badminton
 - 12.6. Indoor bowls
13. The new facility is estimated to cost in the region of \$14 million (definitive budget still to be completed), with one third of the funding to be sought from corporate sponsorship, philanthropic trusts, government funding and public donations.
 14. Construction of the proposed facility is to take approximately one year, and the project will have the ability to be scaled back if the funding targets are not achieved.
 15. The need for the expanded facility has been supported by a number of documents and reports that have indicated a high level of unmet demand for indoor court space in Hawke's Bay driven by structured indoor sports.
 16. These documents and reports have consistently indicated a need of between two and six additional courts across Hawke's Bay. Given the age of these reports and for some the dependence on the National Facilities Strategy for Indoor Sports (2013), these court demand projections do not account for the rapid growth of primarily basketball, but also futsal and volleyball, and the larger than projected growth in the population of Hawke's Bay.
 17. To support RISEC with its expansion project, in April 2020 NCC approved the formation of an Indoor Sports Working Group comprising NCC councillors and officers, PGA, Sport HB and EIT representatives.
 18. In August 2020 Government announced that the PGA expansion project has been granted \$6.4 million from the Government's Covid Response and Recovery Fund. This investment combined with \$4.1 million from NCC and approximately \$2 million of existing RISEC funding will comprise the bulk of the project's construction budget. The primary driver for the national government investment is to stimulate economic activity for the local economy. This impetus creates a haste to get the building underway.
 19. The site plan for the expanded facility (attached) shows the new 5 futsal court facility sited where at the rear of the existing facility and over the current carpark. In addition to replacing the carpark that is planned to be built over, there is a need to create car parking capacity to cater for the additional visitors to the facility.
 20. The HBRC land assessed for a carpark is in part held for the Improvement and Protection of the Tūtaekurī River and in accordance with the purposes of the Soil Conservation and Rivers Control Act 1941 (SCRCA). The objectives set out in Section 10 of the SCRCA included:
 - 20.1. The promotion of soil conservation
 - 20.2. The prevention and mitigation of soil erosion
 - 20.3. The prevention of damage by floods
 - 20.4. The utilisation of lands in such manner as will tend towards the attainment of the above objectives
 21. Part of the land is also held as a Hydro Parcel surveyed prior to 1918. Further analysis is required on this land tenure with regards to the rights for HBRC to establish a carpark over this area. HBRC's relationship to this land is as the responsible authority for the waterway in accordance with the Resource Management Act 1991 (RMA). Section 30(1)(g) of the RMA which is relevance to the Hydro parcel sets out the function of HBRC with similar responsibilities to the SCRCA.

Options Assessment

22. Pettigrew Green Arena has an existing arrangement with the Eastern Institute of Technology in which PGA parking can be used by EIT students during weekdays, with PGA having access to EIT parking for events when overflow car parking is required.
23. The council reserve is bordered by the EIT Student Village to the north, and Hawke's Bay Regional Council land to the south (the stopbank, cycle paths and riverbank land). To enable the land required to construct the expanded facility and provide a service access lane around the facility a small sliver of EIT land is required.
24. These site constraints and different landowners pose a challenge to locating car parking in a way that best services the need of the facility and EIT.
25. There are three options for the location of the car park:
 - 25.1. Option 1 is locating the car-parking on the NCC-owned Riverside Reserve to the east of the proposed extension
 - 25.2. Option 2 is locating the car parking over the stopbank on HBRC managed land
 - 25.3. Option 3 is a hybrid of the two options – part located in the NCC reserve and part across the stopbank on HBRC land.
26. To inform subsequent discussions between NCC and HBRC, this paper includes an assessment of these three options.

Criteria

27. In order to develop a rounded assessment of the three options a criteria including the following aspects was developed:
 - 27.1. Strategic fit – the impact that the options have on the strategic intent of NCC and HBRC
 - 27.2. Site efficiency – how effectively the positioning of the car-park services the Pettigrew Green Arena
 - 27.3. Whole of life costs – the capital and operating costs of each option
 - 27.4. Existing utility – what community utility value will be given up for each option to construct a car-park
 - 27.5. Environmental/ecological impact – the impact of each option on the natural environment
 - 27.6. Risks – the risk levels associated with each option
 - 27.7. Acoustics – the acoustic impact on neighbouring residents
 - 27.8. Visual impact – Mitigating the car-park aesthetics and blending into its surroundings
 - 27.9. Future-proofing – the impact of the options on potential future PGA expansion
28. The criteria and ratings have been developed and agreed between officers from Napier City Council and Hawke's Bay Regional Council.

Limitations

29. The options assessment is a high-level officer assessment to inform council decisions as to the way forward. It provides a qualitative assessment to assess the three options using relevant criteria to identify the positive and negative aspects and separate the options. The assessment is not intended to make the decision, but to inform deliberations between councils to provide direction to PGA/RISEC.
30. Every criteria has been given equal weighting. It is possible that council considers that some criteria should be given increased or decreased weightings and this should be considered during deliberations.

Assessment results

31. Three options assessed against this criteria, with the intention of providing an objective and relative option comparison to assist with the decision making of NCC and HBRC.
32. The following rating scale was used to assess the options and help to differentiate based on the criteria:
 - 32.1. 1 – Little to no impact
 - 32.2. 3 – Medium impact
 - 32.3. 5 – Significant impact
33. The assessment scoring of the three options is as follows:

Option	Total score	Ranking
1 – Riverside Park Reserve (NCC land)	44	1 (preferred)
2 – Over the stopbank (HBRC land)	50	2
3 – Hybrid options (both NCC and HBRC land)	52	3 (least preferred)

Summary of options

34. Option 1: Riverside Park Reserve
 - 34.1. Pros
 - 34.1.1. Better car-parking security and accessibility
 - 34.1.2. No need to have traffic cross the bike path
 - 34.1.3. Car park not constructed in flood hazard zone – reducing risks and operating costs
 - 34.2. Cons
 - 34.2.1. Closer to neighbouring residences meaning that noise and disturbances from car park users will be more significant
 - 34.2.2. Is further from EIT for students, potentially meaning students may choose to park on the road rather than the designated car park
 - 34.2.3. Will remove green space used by the community
 - 34.2.4. Will require the relocation of infrastructure including public toilets, dog-agility park and playground.
35. Option 2: Over the stopbank
 - 35.1. Pros
 - 35.1.1. Closer proximity for EIT students
 - 35.1.2. Advantages to managing noise, disturbances and visual impact
 - 35.2. Cons
 - 35.2.1. Increased risks to carpark infrastructure and private vehicles due to flooding from a 1 in 5 year flood event
 - 35.2.2. Increased operational costs for the carpark owner from clean up and damage caused by potential flood damage
 - 35.2.3. Will remove greenspace used by the community
 - 35.2.4. Will require relocation of the Taradale pump/ jumps cycle track
36. Option 3: Hybrid option
 - 36.1. Pros
 - 36.1.1. No advantages over the 2 other options

36.2. Cons

36.2.1. Higher capital costs from cross the stopbank twice

36.2.2. Greater disruption to cycle path from the two crossings

36.3. The full option evaluation matrix is included in the attached documents.

Mitigations through design

37. Design, engineering and construction methods can mitigate the negative impacts of the stopbank option. Plantings, choice of materials and engineering to help to mitigate the impact of flood waters in a flood event are all considerations for detailed design.
38. It may also be possible to use the car park to provide improved access for people to the river to support other recreational opportunities.
39. The summary identifies the key tension between the options.
40. While the stopbank option (option 2) is considered optimal by the proponent as the best situation for servicing the arena itself, as well as better servicing EIT students, it carries a much greater risk of flooding, potentially causing loss or damage to parked vehicles, damage to the car park itself and increased operational costs through clean up after flood events.
41. Pettigrew Green Arena has undertaken to be responsible for asset repair costs, operational costs and risks should the car park be situated over the stopbank, so these costs will not be borne by HBRC or NCC.

Impact of Climate Change

42. The impact of climate change to Hawke's Bay was recently presented at the 4 November 2020 Environment and Integrated Catchment Committee.
43. This paper noted:
 - 43.1. The changes in rainfall are expected to impact river flows. Annual average discharge decreases (by approximately 20% by 2090 under the high emissions pathway). Mean annual low flows (MALF) largely decrease over time, exceeding 20% in some areas by 2090 under the high emissions pathway, but an increase in summer rainfall in coastal locations may mean an increase in some catchments by 2040 under the mid-range emissions pathway. ***Mean Annual Flood increases by up to 50% for many of the region's rivers by the end of the century under a high emissions pathway.***
44. The key point of this analysis is that flood events are likely to become more frequent and so over time the current flood impact assessment of 1:5 to the proposed carpark will become more frequent. At this stage it is a trend only and no detailed analysis has been undertaken.
45. HBRC is currently working with NIWA to develop robust methods to introduce climate change scenarios into our river modelling.

The EIT perspective

46. EIT has formally expressed its firm preference to have the car-parking located over the stopbank. This is primarily driven by concerns over the proximity of the parking to EIT, and concerns that with the additional distance that the students will not use the park and prefer to park on the street.
47. The project requires that EIT provide a small section of its land to the north of the proposed site to enable vehicle access around the facility. EIT has indicated that unless the car-parking is situated in the preferred location for its students, then the granting of this land to enable construction as per the current designs may be withheld. This is a potential 'show-stopper' for the construction of the expanded facility.

Recommendation

48. The recommendation is to:
 - 48.1. Remove the hybrid option from consideration
 - 48.2. Consider the pros and cons of the two remaining options (Riverside Park Reserve and over the stopbank) and develop a position.
 - 48.3. Agree this position with Napier City Council
 - 48.4. Provide direction to Pettigrew Green Arena as to the location of the car park.

Issues

49. HBRC have scheduled work during this financial year to reinforce (widen) the Taradale stopbank. This work is funded by the IRG funding as part of the Governments Covid-19 Recovery response. Further work may be scheduled in years 2 (2021-22) and 3(2022/23) of the program which is currently under development.
50. This section of stopbank has been accessed by HBRC as a critical component of the Heretaunga Plains Flood Control Scheme due to the high consequence of failure on the Taradale area.
51. Though this work does not directly impact the determination of a preferred option, the amended dimensions and the construction period itself will need to be considered through design and construction.

Significance and Engagement

52. Community engagement is to be considered through the resource consent process and through the proposed Napier City Council Spatial and Connectivity Plan.

Risk

53. The potential that EIT will not provide the small section of land required for the project to commence if the carpark is not located on HBRC land.
54. The HBRC carpark option knowingly places third party infrastructure and private property in a flood hazard zone where lower risk options exist.

Financial and Resource Implications

55. Delays with this decision may result in the project not meeting key deadlines for Government funding and result in the return of the committed investment. At the time of writing this report clarity on the deadlines or consequences on progress with PGF funding were not available.
56. HBRC is not funding any part of the project, nor will not own or maintain the third party infrastructure and will not be responsible in any way for damage or destruction of third party or private property through flood or other event.

Consultation

57. HBRC has not undertaken any consultation with any group on the proposal to utilise Taradale river berm as a significant carpark. This paper has been presented to facilitate urgent direction to RISEC.

Decision Making Process

58. 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:
 - 58.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 58.2. The use of the special consultative procedure is not prescribed by legislation.

- 58.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
- 58.4. The persons affected by this decision are a students and staff of EIT, patrons of the Pettigrew Green Arena and residents who live and recreate close by.
- 58.5. 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 "Pettigrew Green Arena Car Park" staff report.
- 2. That Corporate and Strategic Committee form a view to either support NCC carpark location or HBRC carpark location
- 3. Commit to work with NCC to provide direction to RISEC on suitable location of carpark.
- 4. The Corporate and Strategic Committee recommends that Hawke's Bay Regional Council:
 - 4.1. 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.

Authored and Approved by:

Chris Dolley
GROUP MANAGER ASSET
MANAGEMENT

Attachment/s

- [1](#) PGA Car Parking Options Assessment Matrix
- [2](#) PGA Extension Site Plan with Car Park Adjustments

Definition		NCC Reserve	HBRC Reserve	Hybrid	Comment	Mitigation
Strategic fit						
HBRC - four focus areas	1 - Water quality, safety and certainty, 2 - smart, sustainable land use, 3 - healthy and functioning biodiversity, 4 - sustainable services and infrastructure	1	3	3	At this stage of the project it is difficult to rate the three options by HBRC's four focus areas, as a lot of the considerations that may make a difference in each area can be addressed or mitigated through design. Sustainable infrastructure may not score so highly due to the risk of flooding and the impact this will have on the life of the asset, similarly with a healthy and functioning biodiversity, but it could be agreed that with good design that the car park is a smart, sustainable use of land. Again, difficult to rate impact of a car park against high level council objectives, and a lot can be addressed or mitigated through design, though as the stopbank option does service the facility more effectively then this may score well in excellence in infrastructure. As public use of the Riverside Reserve is expected to be more than the land over the stopbank, constructing a car park over the reserve may adversely impact a safe and healthy city that supports community wellbeing. EIT's firm preference is for the stopbank option for the reason that this will better support their students and organisation, which could mean a higher score for working with and for the community.	
NCC - 5 outcome areas	1 - A vibrant innovative City for everyone, 2 - Excellence in infrastructure and public services for now and in the future, 3 - A sustainable City, 4 - Council works with and for the community, 5 - A safe and healthy City that supports community well-being	3	3	3		
Risks to project						
Site efficiency						
PGA customers proximity	Proximity to PGA facility from car-park	1	1	1	No tangible difference between options for PGA customers	
EIT proximity	Proximity for EIT students to EIT from car-park	3	1	3	The Riverdale Reserve solution is further from EIT, and has caused EIT to express concern	
Accessibility	Impact on the customer journey for people with disabilities	1	3	3	The impact of the crossing the stopbank to get to and from the facility may impact the ease of wheelchair access or access by those that have mobility issues - though specific disability car-parks will presumably be situated closer to the facility	
Traffic impact	Impact of the car-parking configuration on traffic and required traffic mitigations	1	1	1	Car-parking configuration options should have little impact on traffic mitigation as access ways remain in the same places	
Whole of Life Cost						
Capital	Costs of construction	3	3	5	Difficult to identify any difference in capital costs without detailed design. The stopbank option will require more earthworks to safely build up the accessway across the stopbank, though the reserve option may have increased costs to mitigate the presence of NCC water infrastructure, and relocate the dog-agility park, the public toilets and the playground Increased operational and maintenance costs for remediation work in event of flooding. The area is rated as impacted in a 1 in 5 year flood event.	
Operational	Costs of maintenance and renewal	1	5	3		
Exiting utility/contribution to wellbeing						
Green space	Utility value of green space in terms of recreational usage	3	3	3	Both the riverbank area and reserve have existing amenity value, though it is considered in terms of usage that the reserve provides greater amenity value. It is possible that carpark design over the stopbank can also provide improved access to the river	
Bike paths	Impact on the popular bike path on the stopbank	1	3	3	The reserve option doesn't require a path up and over the stopbank, which will require a traffic crossing on the bike path	
Dirt jump track	Impact on the bmx and mountainbike jump track located over the stopbank	1	5	3	The stopbank option may require the relocation of the pump track - and the hybrid option may also impact	
River access	Impact of enabling public to access the river for recreational purposes	3	1	1	The design of the car park options across the stopbank can enable the creation of better and safer access to the river	
Environmental/ecological impact						
Natural environment	Impact of each option on the natural environment	1	3	3	By using the riverbank for carparking it will impact the existing natural environment. This can be mitigated through design, and may even be able to be turned into a positive, through providing safe access to the river, softening the car-park through plantings and other features.	
Risks						
Loss of parking due to river flooding	Risks of damage to asset and any vehicles parked in a flooding event	1	5	3	Flooding of the Tutaekuri River would cause risk to the car-parking infrastructure, create operational costs for clean-up and potentially risk vehicles parked in the carpark during the event	
NCC Services access	Impact to NCC Water infrastructure	3	1	1	A chlorination station and bore is situated on the reserve. These require access, but this can be provided for through car-park design and construction	
Safety	CPTED considerations for customers and community	1	3	3	The options over the stopbank may have an increased safety risk due to the visual barrier the stopbank provides and the impeded view of the car-park from the facility. Due to restrictions over what can be built in the flood zone it may be difficult to provide adequate lighting.	
EIT support	EIT agreement to provide land to enable construction	5	1	3	EIT have stated that they will not grant the portion of Student Village land required for the project should the car-park be situated on the reserve	
Acoustics						
Proximity to residential	Impact to neighbouring residents (noise and disturbance)	3	1	1	The reserve solution will mean that car-parking is in closer proximity to residents, and may cause additional noise and visual impacts	
Visual impact						
Softening' car park into surrounds	Ability to mitigate the aesthetics and blend into surroundings	5	3	3	Similar options are available irrespective of where the car park is located. The stopbank is a visual barrier from a lot of the surrounding area, so the ability to minimise the visual impact is probably slightly higher for the HBRC option	
Future-proof						
Future PGA expansion	Impact to potential future expansion of PGA to accommodate growth and increasing demand. It is possible that future expansion may involve a 'landswap' between NCC and EIT to provide PGA with the EIT land closest to Gloucester St to the north of the existing PGA facility	3	1	3	PGA expansion, should future demand require it, can be pushed into neighbouring EIT land or back into the reserve. Building over existing car-parking is possible, though this adds some cost to the future project of re-building the car-parks. A landswap between EIT and NCC would likely involve the remaining Riverside Reserve land for the road facing EIT land. Again, building a car park on the reserve doesn't preclude swapping the reserve, but may add to future development costs for EIT to construct over the car park	
		44	50	52		

PETTIGREW GREEN ARENA
EXTENSION
GLOUCESTER STREET, NPR

A01
PROJECT No. P588

16.09.2020 DATE: SEPTEMBER 2020

DISCLAIMER:

-
- NOTES:**
- 1. CAR PARKS TO REPLACE THOSE LOST
 - 2. EXTRA 200 CAR FOR NEW BUILDING
 - 3. PARKING NUMBERS ONLY PRELIMINARY
 - 4. TO BE DETERMINED BY A TRAFFIC ENGINEER IN ORDER TO BE MED
- EXISTING BUILDING**
- NEW ENTRY**
- NEW CANOPY**
- EXISTING PARKING (TO REMAIN)**
- PROPOSED COURTS 7120m²**
- FUTSAL PLAN WITH BLEACHERS**
- FACILITIES 900m²**
- CAR PARKING 185 CAR PARKS (TO REPLACE THOSE LOST)**
- CAR PARKING 200 CAR PARKS (FOR NEW BUILDING)**
- Equipment Store (215m²)**
- NCC LAND TRANSFER 4625m² (shown hatched)**
- Relocated BMX park**
- designgroup stapleton elliott**

Wellington / Auckland / Palmerston North / Napier / Tauranga

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PROPOSED SITE PLAN - STOCK BANK PARKING OPTION

SCALE @ A3 - 1 : 1000 SCALE @ A1 - DOUBLE SCALE



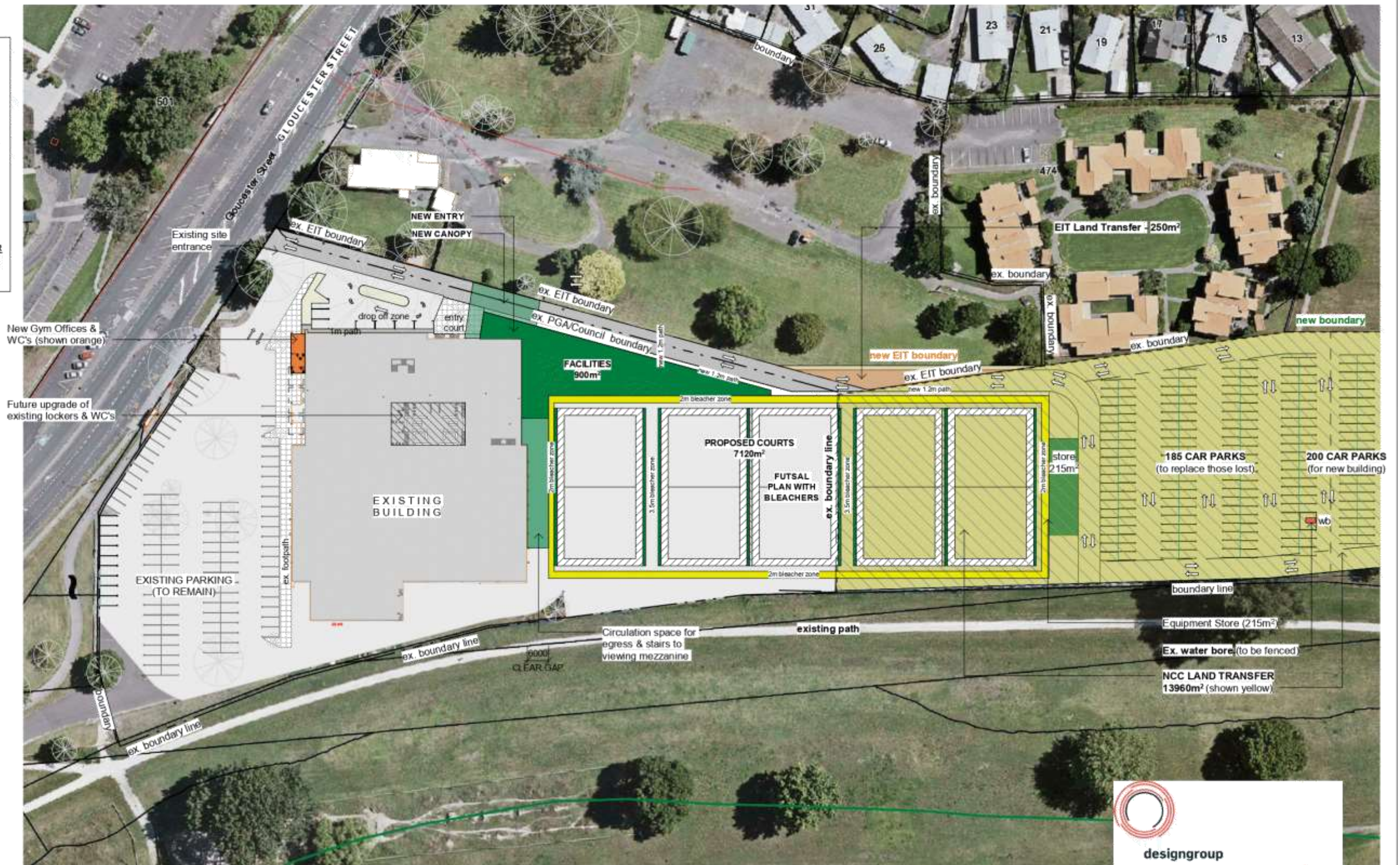
designgroup
stapleton elliott

SCALE 1:1000

A02
PROJECT No. P568

16.09.2020 DATE: SEPTEMBER 2020

3. CAR PARKING NUMBERS ARE ONLY PRELIMINARY AND NEED TO BE REVIEWED BY A TRAFFIC ENGINEER IN ORDER TO BE CONFIRMED



PROPOSED SITE PLAN - NCC PARKING OPTION
SCALE @ A3 - 1 : 1000 SCALE @ A1 - DOUBLE SCALE



designgroup
stapleton elliott

PROPOSED PLAN - STAGE ONE - NCC RESERVE OPTION

SCALE 1:2000

PETTIGREW GREEN ARENA
 EXTENSION
 GLOUCESTER STREET, NPR

A03

PROJECT No. P688

16.09.2020 DATE: SEPTEMBER 2020

DISCLAIMER:

 1. 182 CAR PARKS
 TO REPLACE
 THOSE LOST
 THROUGH NEW
 DEVELOPMENT

 2. PLUS EXTRA 200
 CAR PARKS FOR
 NEW BUILDING

 3. CAR PARKING
 NUMBERS ARE
 ONLY
 PRELIMINARY AND
 NEED TO BE
 REVIEWED BY A
 TRAFFIC ENGINEER
 IN ORDER TO BE
 CONFIRMED



PROPOSED SITE PLAN - NCC PARKING OPTION 1 to 2000
 SCALE @ A3 - 1:2000 SCALE @ A1 - DOUBLE SCALE

Wellington / Auckland / Palmerston North / Napier / Tauranga

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HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

Subject: 2019-20 COMPLIANCE ANNUAL REPORT

Item 7

Reason for Report

1. This item provides the 2019-20 Hawke's Bay Regional Council's (HBRC) Compliance Annual Report for councillors' information and adoption.
2. A comprehensive report on HBRC's Compliance Monitoring and Enforcement (CME) activities provides transparency to our communities and those regulated by us. Reporting the level of compliance in our region and interventions undertaken where breaches of the Resource Management Act 1991 (RMA) have occurred, allows trends to be tracked and council's performance be open to public scrutiny.

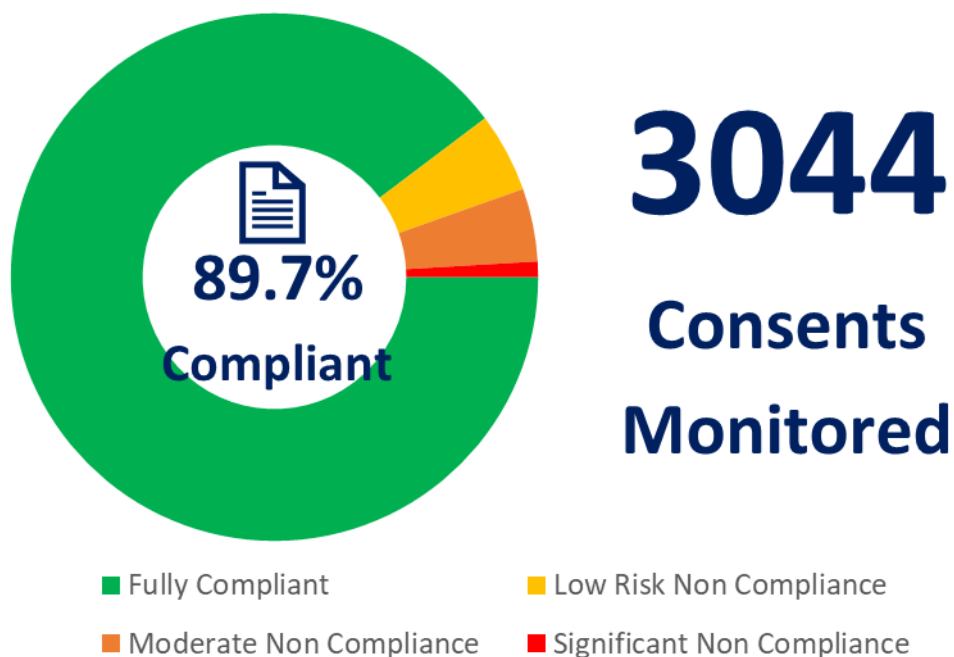
Officers' Recommendation(s)

3. The reporting officer recommends that the Corporate and Strategic Committee receives the report and recommends that Council adopts the report for publication on the Council's website.

Executive Summary

4. The attached annual report summarises HBRC's CME functions undertaken under the RMA. It details the breadth of monitoring undertaken, the levels of compliance reported, and a summary of enforcement action taken during the year.
5. **Compliance monitoring** - staff monitored 3044 resource consents, including 2115 water takes monitored remotely through telemetry. Overall, 3044 (89.7%) of consent holders were fully compliant, and 29 (1%) were in significant non-compliance.

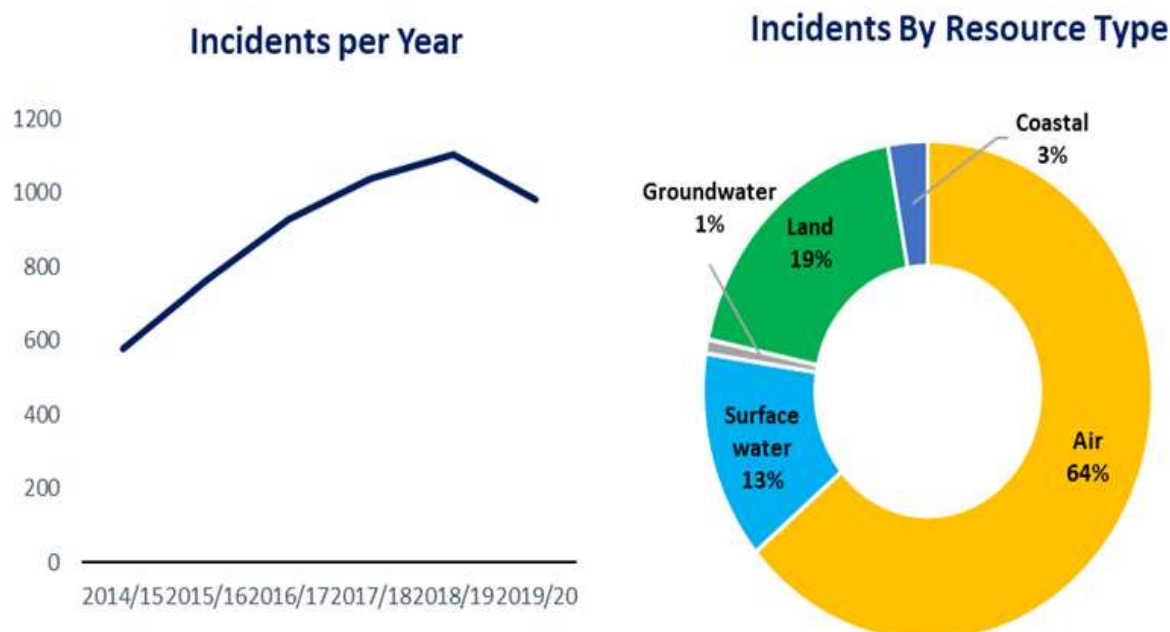
Figure 1. Consents monitored



6. Monitoring involved a site inspection, assessing performance monitoring returns from consent holders or both.
7. **Pollution response** - calls received to our hotline were slightly down on previous years with 983 incidents logged for 2019-20 (11% reduction). During COVID-19 level 4 and 3

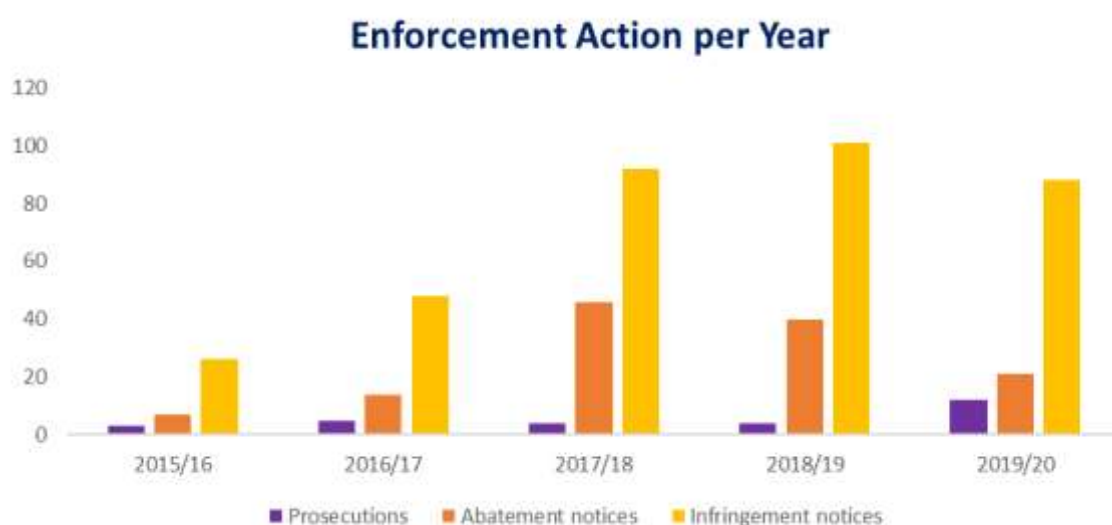
restrictions, we received half the number of incident complaints we would normally expect, largely explaining the decrease. However, the numbers requiring follow up enforcement action has increased. The majority of calls remain linked to air quality 628 (63%), followed by discharges to land 184 (18%) and surface water 133 (13%).

Figure 2. Incidents per year (left) and incidents by resource type for 2019-20



8. **Enforcement** – follow-up enforcement action for the 2019-20 year has resulted in a significant increase in prosecutions on last year while there has been a decline in infringements and abatement notices issued.
9. Twelve prosecutions were initiated during the period with 18 individual charges laid. This is a significant increase on the four prosecutions taken last year. The increased volume in prosecutions has put significant pressure on our environmental regulation team, as these cases require more resource to investigate, process and take through the courts.
10. Eight-eight infringement notices were issued, totalling \$42,200 in fines. The vast majority were for outdoor burning (58). Twenty-one abatement notices were issued. The decrease in abatement and infringement notices from the previous year is likely due to reduced incidents over the level 3 and 4 COVID-19 restrictions.

Figure 3: Number of enforcement actions by year.



11. Detailed information is contained within the report attached to this agenda item.

12. Staff will make a presentation to Committee at the meeting based on the written report and at the conclusion of questions Council will be asked to receive and adopt the report for publication.

Background /Discussion

13. For the Committee's information reporting back occurs through the following mechanisms to Council or Committee:
 - 13.1. Compliance Annual Report (2018-19 report herein).
 - 13.2. HBRC Annual Report – results are presented through the Regulation Group of Activities within the Annual Report document.
 - 13.3. Active investigations or issues are reported to Council through the Significant Activities item on the monthly Council agenda.
14. Internally, a weekly incident report is prepared for the Group Manager which details complaints and incidents and the outcomes or progress towards the outcomes.
15. Staff have also established an approach whereby a media release will be issued at the conclusion of any prosecution carried out by HBRC, regardless of the outcome of the prosecution.

Options Assessment

16. The committee can choose to adopt, or not adopt, the attached report.
17. Adopting the report and making it readily available to the community via the Council website increases transparency and Council's accountability to the community. Compliance activities are partly funded by rates, and it is important that the public knows how their money is being spent. The MfE Best Practice Guidelines for Compliance, Monitoring and Enforcement under the Resource Management Act 1991 state that it is good practice to provide annual reports to the public on CME activities.
18. There are no material risks associated with adopting the report.

Strategic Fit

19. Undertaking compliance monitoring (and enforcement where necessary) helps us to:
 - 19.1. Protect aquatic ecosystems and ensure water use is sustainable (Priority Area: Water)
 - 19.2. Ensure sustainable land use (Priority Area: Land)
 - 19.3. Maintain a healthy and functioning biodiversity (Priority Area: Biodiversity).

Significance and Engagement Policy Assessment

20. Whilst the matters discussed in this report are of interest to the community they do not directly impact or affect the community. There are no financial or levels of service implications associated with deciding to adopt this report. Accordingly, this report is of low significance.

Climate Change Considerations

21. The matters discussed in this report do not contribute towards climate change mitigation or adaptation response, either directly or indirectly. The RMA has only recently been amended to allow the effects of activities on greenhouse emissions to be considered during the consenting process. None of the consents monitored in the 2018-19 year contained conditions relating to greenhouse gas emissions.

Considerations of Tangata Whenua

22. The attached report sets out ways we have improved our engagement with tangata whenua on compliance matters. This includes:
 - 22.1. Working closely with iwi and iwi trusts to seek victim impact statements for prosecution offences, facilitated by our Maori Partnerships team.

- 22.2. Keeping tangata whenua and iwi representatives informed in relation to high level enforcement action.
- 22.3. Ensuring consent conditions that require consultation and engagement with iwi are met by the consent holder.
- 22.4. Building Māori responsiveness capability within the compliance team to attend Te reo lessons at council.
- 23. It is becoming increasingly common for resource consents to include more complex conditions that better recognise Te ao Maori. For example, conditions requiring development of cultural monitoring plans in consultation with iwi/ marae/ hapū and treaty groups. Monitoring such conditions will even closer collaboration with tangata whenua.
- 24. Future areas of focus are:
 - 24.1. Improving how we report incidents, particularly discharges to water, to tangata whenua and kaitiaki so we can inform their decision-making and their observations and involvement can inform cultural assessments.
 - 24.2. Establishing regular meetings and workshops with tangata whenua across the region to further strengthen communication and relationships, build trust and increase accountability.

Financial and Resource Implications

- 25. There are no financial and funding implications associated with adopting the report.

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, nor is it inconsistent with an existing policy or plan.
 - 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. There are no persons directly affected by this decision, although all those persons with an interest in management of the region's natural and physical resources may have an interest in the report's content.

directly with the community or others having an interest in the decision.

Recommendations

- 1. That the Corporate and Strategic Committee receives the report and recommends to Council to adopt the "2019-20 Compliance Annual Report" staff report for publication on the Hawke's Bay Regional Council website.
- 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.

Authored by:

**Nick Zaman
MANAGER COMPLIANCE**

Approved by:

**Liz Lambert
GROUP MANAGER REGULATION**

Attachment/s

[!\[\]\(0aff635c4179ba9e710b00f4b01d3b20_img.jpg\) 1](#) HBRC Annual Compliance Report 2019-20

Annual Compliance Report 2019-20

November 2020

Hawke's Bay Regional Council Publication No. 5535



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Annual Compliance Report 2019-20

November 2020

Hawke's Bay Regional Council Publication No. 5535

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Executive summary

This annual report provides a summary of the Hawke's Bay Regional Council's compliance monitoring and enforcement (CME) functions undertaken under the Resource Management Act (RMA) 1991 from 1 July 2019 to 30 June 2020.

This is the second year that we have reported using information from the Integrated Regional Information System (IRIS) and based on the Ministry for the Environment (MfE) national compliance grading framework. The results are compared to the previous year's reporting, which provided a partial benchmark of compliance grading. However, this is the first year we have used the IRIS system for the entire reporting period and while results are not strictly comparable, they nevertheless provide for a comparison. Using the IRIS system for a complete monitoring year has allowed staff to analyse the compliance monitoring numbers to a level of detail and accuracy that it has never previously been possible to report.

Compliance monitoring

Throughout 2019-20, the Regional Council monitored 3044 resource consents. This included 2115 water takes which are monitored remotely through telemetry. Overall, 89.7% (3044) of consent holders were fully compliant, and 1% (29) were in significant non-compliance. Monitoring involved a site inspection and/or assessing performance monitoring returns from consent holders.

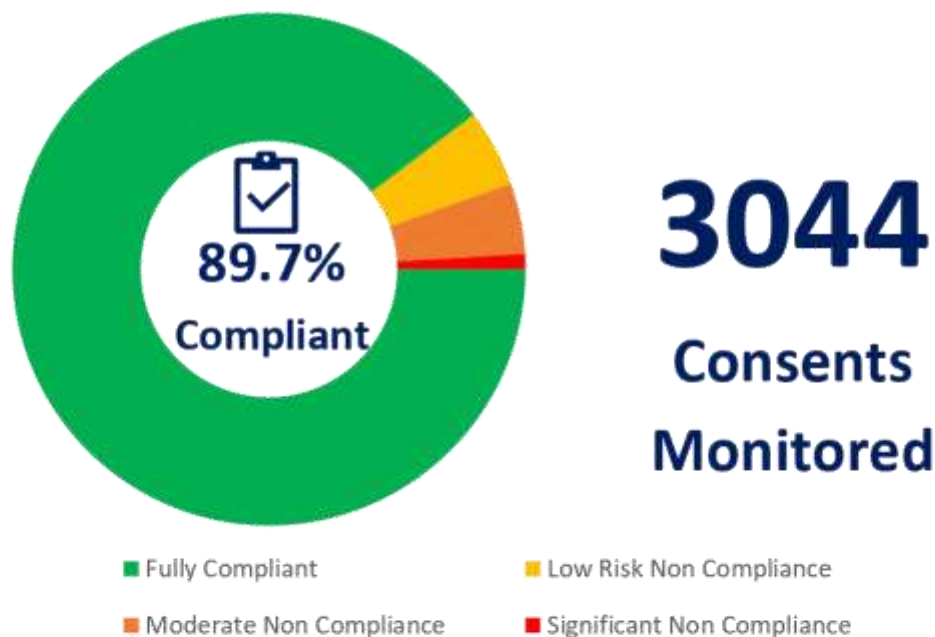


Figure i. Overall compliance grading for monitored consents during 2019-20.

COVID-19 restrictions impacted on the number of site inspections compliance staff could do. The team undertook a total of 467 inspections against 1175 consents that required a site inspection during this period. During Level 4 COVID-19 restrictions, the team was restricted to desk-based performance monitoring only. During Level 3 restrictions, compliance staff undertook site inspections of high-risk facilities only, to reduce contact with consent holders. This meant that for approximately two-to-three months, staff were completing predominantly desk-based performance monitoring assessments and data management instead of

undertaking site inspections. It is estimated that staff would have normally completed an additional 100 site inspections had COVID-19 restrictions not been in place.

A total of 192 notifications were received under the National Environmental Standards for Plantation Forestry (NES-PF). Of these, 27 were resource consent applications and 165 were for permitted activities. The permitted activity notifications covered 241 separate activities under the NES. Site visits were undertaken for all high-risk sites and most medium-risk sites (low-risk sites do not receive a site visit). The level of compliance was generally high with only six activities/consents non-compliant with NES-PF or resource consent conditions.

There was a significant increase in the workload associated with monitoring consented water takes and low flows due to the dry conditions which led to a drought being declared. The river flows and low flow limits required daily monitoring and there was a significant increase in enquiries from concerned consent holders as to their ability to irrigate. The compliance team made several visits to meet with affected farmers in the Central Hawke's Bay area who were under immense stress. Water exceedances and irrigating during the ban period were continually monitored and follow up enquiries made for any non-compliance. Despite the drought conditions, the majority of irrigation consent holders were compliant with their conditions for the 2019-20 period.

Eighty-seven percent of the region's 79 dairy farms achieved full compliance with their resource consents. Operators were recognised at the annual Dairy Compliance Awards. The 39 farms that have maintained full compliance for at least five consecutive years to achieve or maintain a gold award status were invited to attend. Five farms with four consecutive years' compliance were at the Silver tier, and another five farms with three consecutive years' compliance at the Bronze tier. The Compliance Awards are supported by Fonterra and Ravensdown.

Pollution response

COVID-19 restrictions also impacted on the number of calls to our pollution hotline. Calls were slightly down on previous years with 983 incidents logged for 2019-20 (11% reduction). During the two months of level 4 and 3 restrictions, we received half the number of incident complaints we would normally expect, largely explaining the decrease. However, the numbers requiring follow up enforcement action has increased. Calls remain linked to air quality 628 (63%), followed by discharges to land 184 (18%) and surface water 133 (13%).

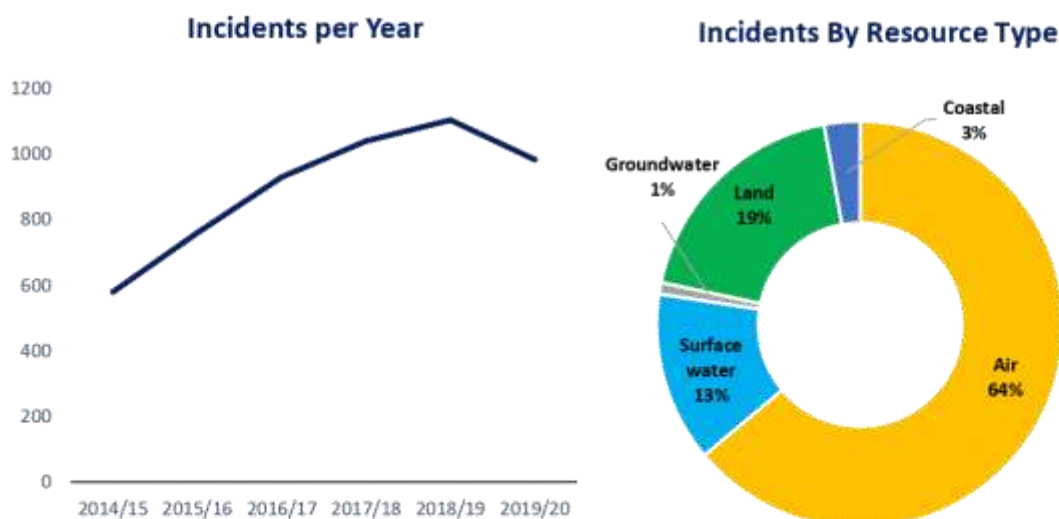


Figure ii. Incidents per year (left) and incidents by resource type for 2019-20 (right).

Enforcement

Follow up enforcement action for the 2019-20 year has resulted in a significant increase in prosecutions on last year while there has been a decline in infringements and abatement notices issued.

There were 12 prosecutions initiated during the period with 18 individual charges laid. This is a significant increase on the four prosecutions undertaken last year. The increased volume in prosecutions has put significant pressure on our environmental regulation team, as these cases require more resource to investigate, process and take through the courts.

The Council issued 88 infringement notices, totalling \$42,200 in fines. The vast majority of infringement notices issued were for outdoor burning (58). The Council issued 21 abatement notices. The decrease in abatement and infringement notices from the previous year is likely due to reduce incidents over the level 3 and 4 COVID-19 restrictions.

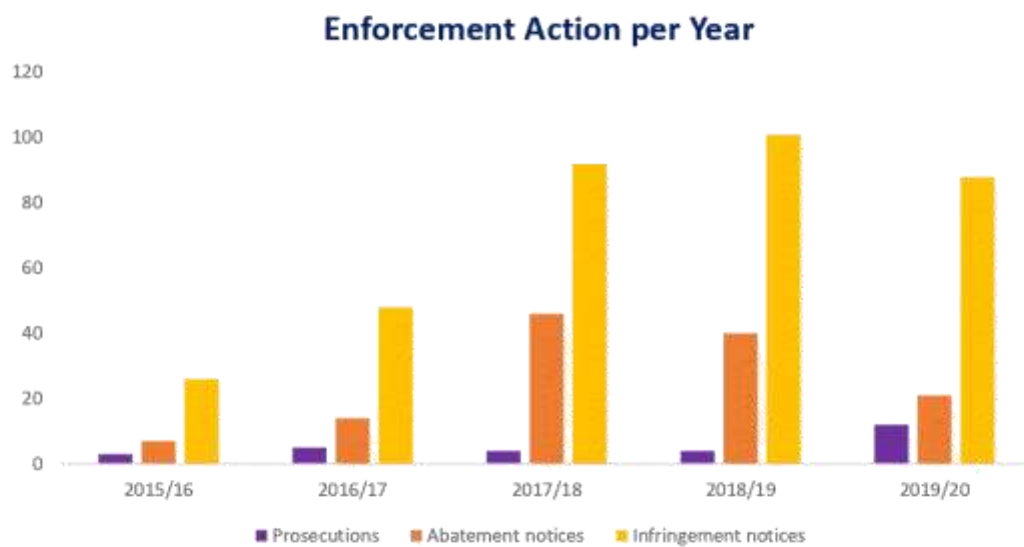


Figure iii. Number of enforcement actions by year.

Introduction

Hawke's Bay Regional Council supports the sustainable development of the region by managing the effects of people's use of natural and physical resources. We also have a broader responsibility for the economic, social and cultural well-being of the community.

The Regional Council uses a range of regulatory and non-regulatory tools to manage the environmental impacts of activities throughout the region, including rules and resource consents made under the Resource Management Act 1991 (RMA). Compliance with the requirements of these rules and resource consents is an important measure of how we, as a regulatory authority, engage with the community to manage environmental impacts.

The Compliance team is responsible for monitoring the following areas of HBRC business:

- Resource consent and permitted activity monitoring
- Pollution response and enforcement
- Contaminated land and hazardous waste
- Oil spill response.

This is the second year that the Council has presented a comprehensive compliance report for all our CME activities and reported using information from the IRIS (Integrated Regional Information System) and based on the Ministry for the Environment (MfE) national compliance grading framework¹ (refer Table 1). The results are compared to the previous year's reporting, which provided a benchmark of compliance grading, however, this is the first year we have used our IRIS system for the entire reporting period and while results are not strictly comparable.

This annual report provides an overview of all our compliance monitoring activity undertaken under the RMA from 1 July 2019 to 30 June 2020 and is presented in three main sections:

- Audit and Inspection activities
- Incident response and enforcement
- Contaminated land and hazardous waste.

The **Audit and Inspection Activities** section reports on compliance across the following activity areas:

- | | |
|--------------------------------|------------------------------------|
| • Water takes | • Domestic and Commercial Effluent |
| • Agricultural discharges | • Industrial Discharges |
| • Horticulture and viticulture | • Three Waters Compliance |
| • Forestry | • HBRC – How did we do? |

The performance of resource consents held by local authorities is reported by council. Regionally significant consents have also been identified and are included in the report.

The performance of resource consents held by major industry sectors and regionally significant industries is presented as a chart detailing the overall compliance grading. Comments detailing other important information such as: the completeness and quality of the results provided, evidence of contingency planning, prompt notification of events, completion of full and thorough investigations, maintenance of good communications with the Council and proactive in addressing or highlighting potential issues and evidence of environmental effects.

¹ Taken from MfE's *Best Practice Guidelines for Compliance Monitoring and Enforcement under the RMA 1991* published in 2018.

Compliance is reported for the following activity areas:

- Water takes
- Agricultural discharges
- Horticulture and viticulture
- Forestry
- Domestic and Commercial Effluent
- Industrial Discharges
- Three Waters Compliance
- HBRC – How did we do?

As with the previous annual report, significant non-compliance has been reported, as well as more detailed discussion of some more prominent and significant activities.

The **Incident Response and Enforcement** section is presented as complaints and enforcement action undertaken. The complaints received are shown by resource type such as land, air or water. The enforcement reporting is shown as infringement notices, abatement notices and prosecutions completed or undertaken during the 2019-20 reporting period. Both complaint and enforcement data are compared to previous years to indicate trends.

The **Contaminated Land and Hazardous Waste** section details the contaminated land information currently recorded on our Selected Land Use Register and outlines other projects that have been undertaken within the 2019-20 reporting period. Upcoming projects and expected pressures are also highlighted. A summary is included for our subsidised agricultural chemical collection.

Impacts of COVID-19 and drought

COVID-19 impacted the number of site inspections that we were able to undertake during the 2019-20 monitoring season. Staff worked from home during level 3 and 4 restrictions. Most operations that normally require monitoring were shut down during level 4 except for essential services such as stormwater, municipal and domestic wastewater, and drinking water supplies. Staff monitored these operations remotely, working with consent holders to maintain high environmental standards during challenging times. During level 3, compliance officers responded to major incidents and high-risk operations only but continued to undertake desk-based monitoring and reporting. Full inspection and reporting activities were able to be undertaken during level 1 and 2 restrictions, following strict social distancing, hygiene, and contact tracing protocols.

There was a significant increase in the workload for the monitoring of consented water takes and low flows due to the dry conditions which led to a drought being declared. The monitoring of water take consents during the drought was prioritised over lower-risk discharge and land use consents. The high level of compliance by consent holders in these trying conditions was pleasing to see and appreciated. The river flows and low flow limits required daily monitoring and there was a significant increase in enquiries from concerned consent holders as to their ability to irrigate. The Compliance team made several visits to meet with affected farmers in the Central Hawke's Bay area who were desperate to irrigate and were under immense stress. Water exceedances or irrigating during a ban period were continually monitored and follow up enquiries were made for any non-compliance.

Realignment of the Compliance Monitoring and Enforcement Teams

As the demands placed on the Regulatory Compliance function, and the expectations of the organisation and stakeholders, have continued to grow, a need emerged to revise the way we work, in order to ensure that we can continue to provide a high level of service to our customers.

In response, a new structure has been developed and implemented, with the intent to build a more agile Regulatory Compliance team that uses a more strategic risk-based compliance approach, but also supports the increasing demand for engagement externally and across our organisation. This focus on a strategic compliance approach to regulation is in line with reform across the regional sector (regional councils and unitary authorities) and central Government and adopts international best practice on how regulators focus their valuable and limited resources on high-risk activities.

The three regulatory compliance teams have the following responsibilities and focuses:

1. **Rural Team** – dairy and feedlots, forestry, horticulture and viticulture, municipal and commercial water takes, bore security (farms) and low flow monitoring, quarries, earthworks, structures, dams, low level enforcement.
2. **Urban and Industrial Team** – industrial discharges to air, land and water; Port of Napier; commercial and municipal stormwater; solid waste, commercial, domestic and municipal wastewater, low level enforcement.
3. **Pollution Response and Enforcement Team** – Incident response, oil spill response, complaints, high level enforcement and investigations.

How We Monitor Compliance

Compliance monitoring involves carrying out inspections to assess some or all active conditions within resource consents.

The frequency of site inspections for each activity is set in our 2018-28 Long Term Plan. A review will be carried out for the new Long Term Plan as part of the annual RMA section 36 charges review, which outlines the costs associated with maintaining resource consent. The inspection frequency considers the type of activity and its environmental risk profile. Other factors are also considered, such as the consent holder's compliance history.

In addition to inspections, the team also undertakes desktop performance monitoring, which is the audit of incoming compliance returns from consent holders, such as test results, reports, records and monitoring data. These compliance grades are explained in Table 1 and should be used to interpret the charts throughout this report.

Table 1. Explanation of compliance grades

Compliance Grade	Explanation
Complying	Complying with all assessed consent conditions.
Low-risk Non-Compliance	Compliance with most consent conditions. Any non-compliance is of a low-risk to the environment.
Moderate Non-Compliance	Non-compliant with some consent conditions, where the environmental consequence of non-compliance is deemed to be minor to moderate risk, and/or has the potential to result in more serious environmental effects.
Significant Non-Compliance	Failure to comply with a number of consent conditions and/or the environmental consequences of non-compliance was deemed to be significant.

Engagement with Tangata Whenua

In our 2018/19 report, we set out how we could seek to collaborate and improve the way we do business in the regulatory compliance space and strengthen relationships between the Regulatory Compliance team and tangata whenua.

We have begun our journey of improving engagement but still recognise we have a long way to go. Our work now includes:

- Working closely with iwi and iwi trusts to seek victim impact statements for prosecution offences, facilitated by our Maori Partnerships team
- Keeping tangata whenua and iwi representatives informed in relation to high level enforcement action
- Ensuring consent conditions that require consultation and engagement with iwi are met by the consent holder
- Encouraging and supporting our compliance team to attend te reo lessons at council.

We are now seeing more of our resource consents reach a higher level of sophistication with the inclusion of more complex conditions. Once consents are granted, these require development of cultural monitoring plans to be prepared in consultation with iwi/ marae/ hapū and treaty groups. This will inevitably require tangata whenua monitoring cultural or mātauranga Māori conditions which will require even closer collaboration and understanding of how we can monitor and translate these into practice and develop our systems to record and compliance.

We still need guidance and assistance working with our Māori Partnerships Team to ensure:

- Early notification of incidents, particularly discharges to water, are reported to tangata whenua and kaitiaki to provide an opportunity to inform their own decision-making. Their observations and involvement can then further inform relevant cultural assessments which feed into consent applications
- Regular meetings and workshops with various tangata whenua across the region take place to further strengthen communication and relationships, build trust and increase accountability.

Doing the above will ultimately enable us to have an improved understanding and appreciation of mātauranga Māori. Better implementation will drive consistency across the team and improve relationships and collaboration with tangata whenua.

Audit and Inspection Activities

For the 2019-20 reporting period, the Regional Council had approximately 8500 resource consents. Of these, 3290 required monitoring, 2,115 water take consents and 1175 consents predominantly for land use or discharges to land, air and water.

During the 2019-20 period we **monitored 92.5% of the resource consents that required monitoring (3044 of 3290)**. Monitoring includes physical site inspections of the resource consents, assessments of performance and data returns received by the compliance and water information services team.

Compliance grading for all resource consents monitored by HBRC during the 2019-20 reporting period are shown in figure 1. Of the 3044 resource consents that were monitored the following grades were achieved:

- 89.7% (2731) Full Compliance
- 4.5% (136) Moderate non-compliance
- 4.9% (148) Low-risk non-compliance
- 1.0% (29) Significant non-compliance

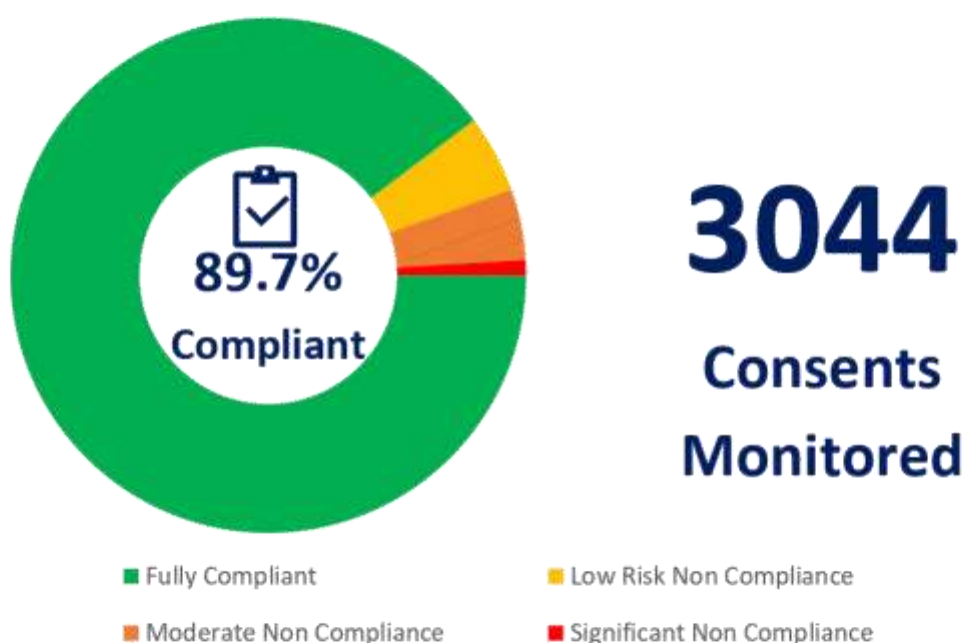


Figure 1. Overall grading for monitored consents during 2019-20.

The resource consents we monitored were primarily for irrigation, frost protection and other water supply uses, which made up 64% of consents monitored for 2019-20. Resource consents for discharges of effluent were the next largest portion, with domestic, municipal and commercial effluent making up 13% of all monitored resource consents. Stormwater and wastewater consents are 7% and 5% respectively of all consents. Air discharges make up about 6% - these are consents to discharge odour, dust, particulate matter and other contaminants.

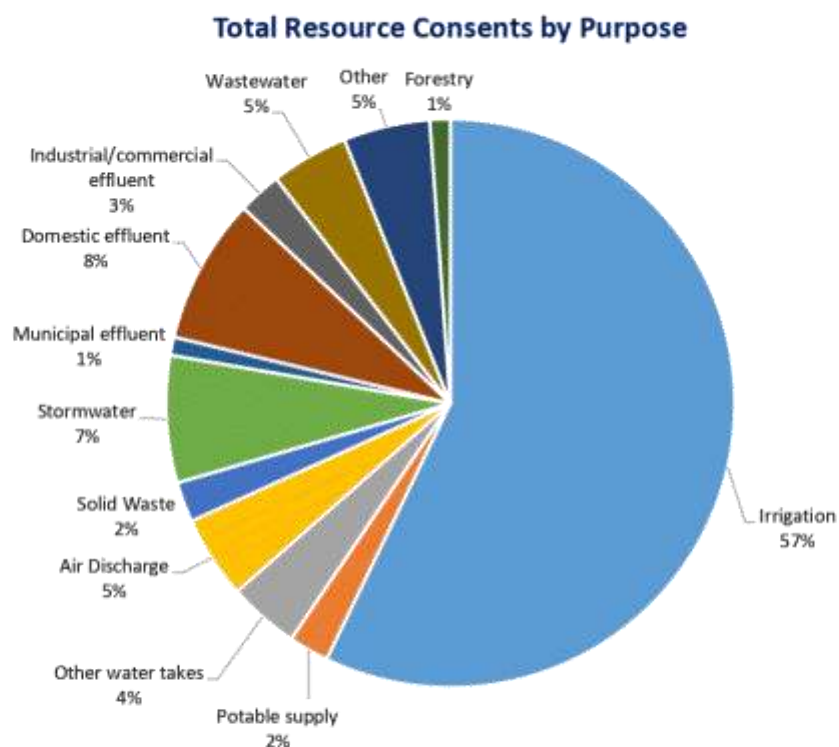


Figure 2. Total resource consents monitored by industry purpose in the 2019-20 financial year.

The number of consents monitored by activity in 2019-20 (Figure 2) show that water takes for irrigation of crops and orchards make up the majority of the consents monitored. Other major activities are for stormwater and domestic effluent.

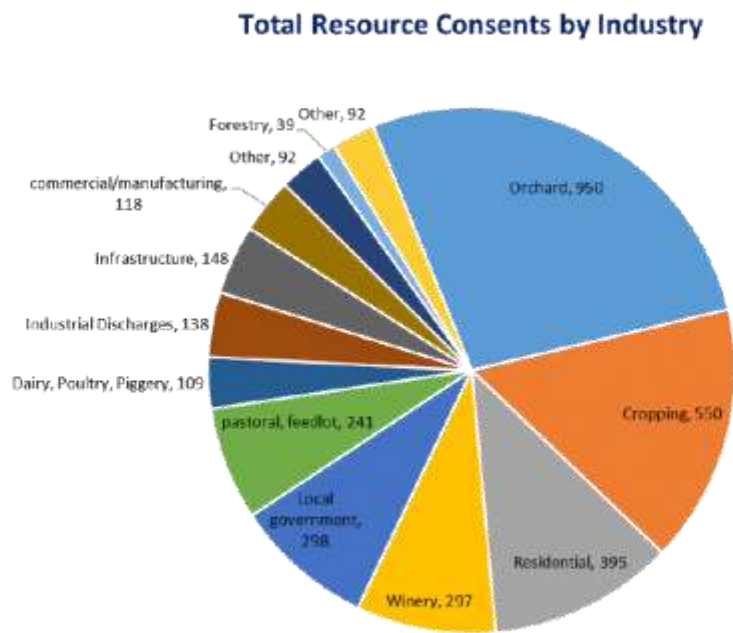


Figure 3. Total resource consents monitored by Industry in the 2019-20 financial year.

The number of consents monitored by industry in 2019-20 (Figure 3) show that primary production industries such as cropping, orchards, viticulture, dairy and pastoral, make up the majority of the consents monitored. The other major portion are consents issued for residential purposes, these are predominantly domestic effluent consents.

Compliance monitoring of Activity Types

The following sections detail the total number of resource consents for each sector, activity or regionally significant industry, the number of assessments made against these resource consents during the period, and the compliance grading achieved by the industry as a collective.

Water Take Consents

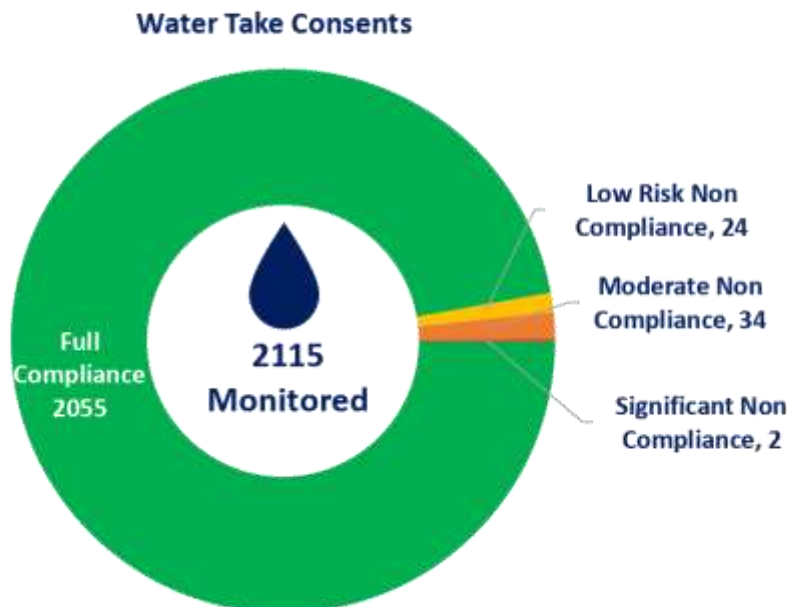


Figure 4. Overall grading of monitored water take consents during 2019-20.

Water takes made up 64% of the 3290 resource consents that required monitoring during the 2019-20 period. Most water take data is automatically telemetered to Council and any non-compliances are identified by the water information services team (WIS) and passed to the compliance team for follow up. During the 2019-20 monitoring period, 97% (2055) of all monitored consents achieved a grading of full compliance. Of the non-compliant consents, 1% (24) were graded low-risk non-compliance, 1.5% (34) were graded moderately non-compliant and 0.1% (2) were graded significantly non-compliant.

The low-risk and moderate non-compliance were predominantly for maintenance works that had not been undertaken, or late submission of data.

The two significantly non-compliant water takes related to Hawke's Bay Regional Council's bore used for augmentation of the Awatoto Wetland and the Williams Family Trust (which is discussed below in the irrigation section). The Regional Council's non-compliance relates to bore security head works, which were submerged in some cases under heavy rainfall events, and lack of meter readings. The bore security has been addressed and replacement of the meter and telemetry is scheduled.

Irrigation

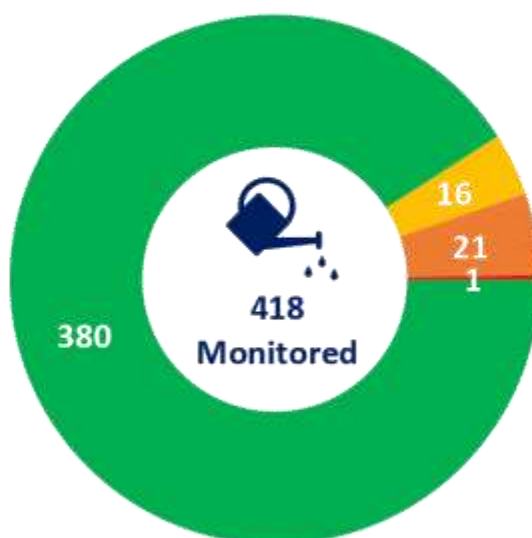


Figure 5. Overall grading of monitored irrigation consents during 2019-20.

The majority of irrigation consent holders were compliant with their conditions for the 2019-20 period.

The compliance team works closely with the WIS team with regards to water exceedances, ensuring meter verifications are up to date and missing meter readings are submitted. The irrigation compliance grading information includes water takes for cropping, horticulture and frost protection.

The compliance grading presented in Figure 8 shows that 91% (380) of all monitored consents achieved a grade of full compliance. Only 4% (16) were graded low-risk non-compliant, 5% (21) were graded moderately non-compliant and <1% (1) were graded significantly non-compliant.

The significant non-compliance relates to a consent held by the Williams Family Trust that received a significant non-compliance grading in the 2018/19 period as well. The non-compliance relates to inadequate bore security to ensure protection of the underlying aquifer. The works have now been completed.

Bore Security

Following the Havelock North drinking water contamination crisis, the Regional Council developed a bore security program that requires all 1800 consented water take bores to comply with a set of mandatory conditions and submit a report confirming the security status. Assessing bore security is a specialist role, and relates to assessing the bore infrastructure in relation to regional council consent conditions to ensure contaminants do not enter the bore. It is not related to assessment of whether the bore water is of potable quality or compliant with New Zealand Drinking Water Standards 2005 (Revised 2018). Regional Council rely on third party operators including well drillers to provide this service to consent holders.

Due to the large number of consented bores, we have prioritised at risk bores starting with public water supplies, working closely with the four TLAs who have been proactive in upgrading their public water supply bores.

To date of the 56 public water supplies in our region, 42 are in use for municipal supply. Since the bore security work commenced in May 2018, 34 bore security reports have been submitted to council. This includes all active bore supplied for Napier City and Hastings District Councils. Central Hawke's Bay District Council has undertaken required bore security works for all bores, but Council has not yet received reports from the blue tick providers. Wairoa District Council take from surface water for public supply in most instances. The outstanding bore security works relate to the Opoutama Beach development bores.

Table 2. Bore security inspections completed for municipal drinking water supply.

Territorial Authority	Total Bores	Bores in use	Bore security completed	Percentage completed
NCC	11	9	11	100%
HDC	34	22	22	100%
CHBDC	11	11	1	9%
WDC	1	1	0	0%
Totals	57	43	34	79%

Private water supplies servicing multiple households are now being assessed. In addition, all new consents, renewals and consents that require a change of consent conditions must have a bore security check. There were 125 bore security reports received in the 2019-20 period. Due to the dry summer fewer inspections were completed as industry operators were busy with irrigation work requirements.



Figure 6. Bore Security inspections completed on the regions 1869 registered bores.



Low Flow Monitoring

Throughout the year the compliance team along with the hydrology team, monitor the automatic river and stream level recording stations throughout the region. There are a number of resource consents for irrigation water takes that have cut off points for water extraction. These bans predominantly occur during the summer months and are strictly enforced.

There was a significant increase in the workload for the monitoring of consented water takes and low flows due to the dry conditions which led to a drought being declared. The river flows and low flow limits required daily monitoring and there was a significant increase in enquiries from concerned consent holders as to their ability to irrigate



The Hydrology team spent 870 hours monitoring and gauging the low flow sites coinciding with 365 hours spent by compliance staff.

Photo taken 6 May during a CHB farm visit. (Unable to irrigate due to low flow bans)

Discharge and Land Use Consents

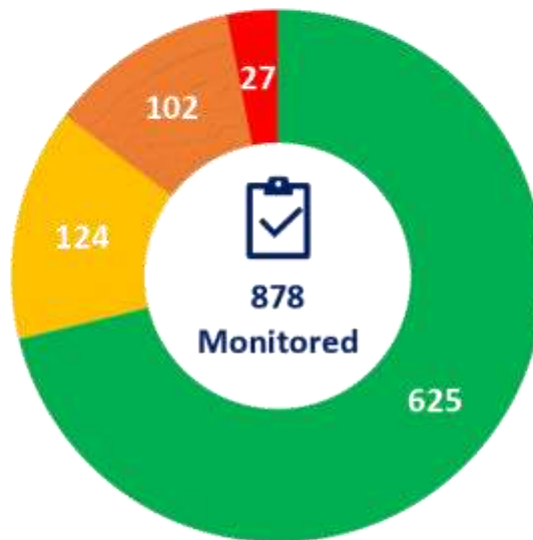


Figure 7. Overall grading of monitored discharge/land use consents during 2019-20.

For 2019-20 there were 1175 resource consents for discharges to air, land and water, as well as land use consents that required monitoring. The Regional Council received, logged and reviewed 2717 performance monitoring returns against 878 individual resource consents. 467 resource consents had a physical site visit undertaken and an additional overall assessment was made against 375 resource consents.

Discharge and land use consents monitored were predominantly compliant with 71% (625) of all monitored consents achieving full compliance. Of the non-compliant consents, 14% (124) were graded low-risk non-compliance, 12% (102) were graded moderately non-compliant and 3% (27) were graded significantly non-compliant. The low-risk, moderate and significant non-compliances are discussed further in the report.

The low risk non-compliances were predominantly for late submission of sampling results, reports or technical non-compliance. The moderate and significant non-compliances are for potential or actual environmental effect as a result of non-compliance and these are discussed in more detail in the specific industry and activity sections.

Agricultural Discharges

Dairy resource consents

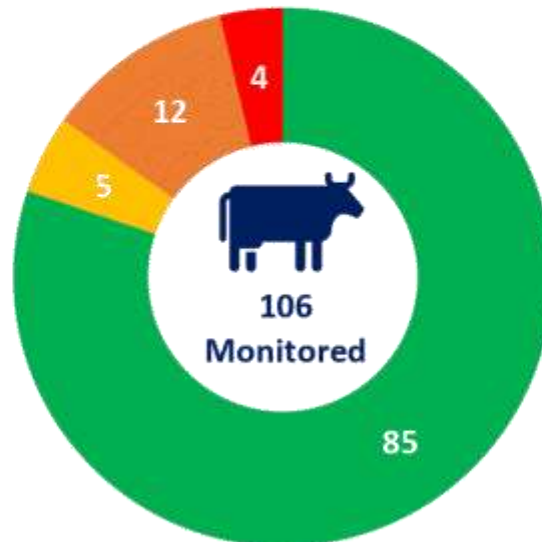


Figure 8. Overall grading of monitored dairy consents during 2019-20.

The discharge of dairy effluent to land in Hawke's Bay is a controlled activity requiring resource consent. Dairy Farms also hold a consent for discharge to air, primarily for odour management. All dairy farms receive an annual compliance visit.

The Hawke's Bay region has 79 consented dairy farms, with 78 currently operational. All farms were monitored in the 2019-20 year, with 80% (85) of all dairying consents fully compliant. Only 5% (5) were low-risk non-compliant, 11% (12) were moderately non-compliant and only 4% (4) were significantly non-compliant.

The significantly non-compliant consents were held by J and R Moore Farms Ltd of Patoka, Perthshire Farms Land Company Ltd, Waipukurau and Maxwell Farms in Patoka.



plea and awaits the sentencing decision.

The Moore farm failed pond seepage testing, irrigation calibration and maintenance issues. Perthshire Farms received an infringement notice for a discharge to land that may enter water (discharge of effluent across a property boundary and into an empty stormwater drain). Maxwell farms, was prosecuted for an effluent irrigation runoff event that resulted in a significant discharge of farm dairy effluent to the Mangatutu Stream, a tributary of the Tutaekuri River that resulted in the District Health Board issuing a no-swim warning for several days over the Christmas period. Maxwell Farms entered an early guilty

The Regional Council facilitates a *Dairy Industry Liaison Group* consisting of Council staff, dairy farmers, Fonterra and DairyNZ representatives. Annual meetings provide for a current discussion between the regulatory authority and the production industry. This group has adopted a goal of achieving 100% full compliance across all dairy farms in Hawke's Bay. Recognising those achieving this over a long period is one way to promote reaching this goal.

Farms must achieve full compliance at all inspections; consents held by the farm for water takes, effluent discharges and odour are included in the assessment.

Bronze certificates are awarded for three consecutive years of full compliance, Silver certificates are awarded for four consecutive years of full compliance, and Gold certificates are awarded for five consecutive years of full compliance. Thirty-seven farms achieved Gold certificates in 2019-20 year.

The count of compliant years is reset to zero at a change in farm ownership or non-compliance.

Table 3. HB Dairy Award holders from 2012 to 2020.

	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20
Gold	12	19	21	28	31	34	37	38
Silver	8	3	7	4	6	13	5	3
Bronze	3	8	4	7	13	7	5	0
Total	23	30	32	39	50	54	47	41

Across the dairy industry, full compliance rates have dropped slightly, although the number of both Gold award recipients has increased. This suggests the higher performing operators are maintaining and improving standards while others may require further oversight from monitoring officers. The main causes of non-compliance are effluent pond issues, failing to meet sampling requirements irrigation ponding or runoff and not observing the nitrogen loading limit of 150kgN/ha/year limit. In some cases, this was a result of a lack of tracking by the consent holder of accumulative N loading during the year.

Feedlots

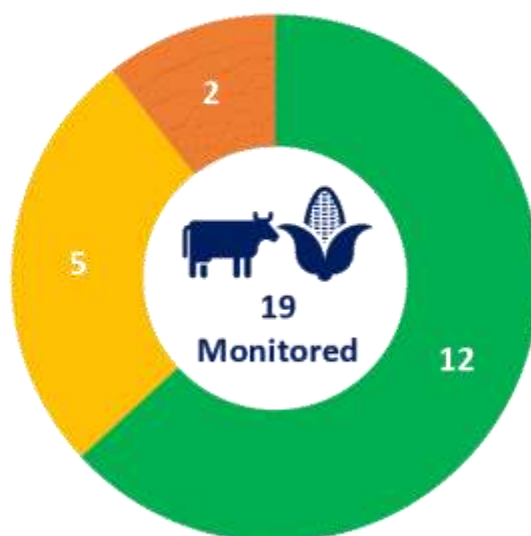


Figure 9. Overall grading of monitored feedlot consents during 2019-20.

All 19 feedlot consents were monitored during 2019-20. All but two are operated used seasonally for wintering cattle to prevent pasture damage when soils are most susceptible. 63% (12) of consents monitored were fully compliant, 26% (5) low risk non-compliance and 11% (2) were moderate non-compliance. There were no significantly non-compliant consents. Low-risk non-compliances were for late submissions of feedlot maps and in one case a missing analysis in the required sample. The moderate non-compliances were for the lack of a cut off drain at one site and non-implementation of groundwater monitoring plan at the other.

Most feedlot operators have reduced the number of cattle on their feedlots, but it is not yet clear whether this is due to a change in the beef market, or the Tukituki Plan Change rules which took effect on 1 June 2020. Whether consented or not, winter grazing operations and feedlots are monitored by the Compliance team as a priority during the winter season. In the 2019-20 reporting year the winter rainfall was lower than normal and significantly fewer issues were discovered.

Central government has recently released new regulation on Intensive Winter Grazing (which takes effect 1 May 2021). This is also expected to impact on the stock wintering practices in the region. Regional Council holds slope information that will assist landowners who wish to seek assistance to ensure their winter grazing locations are suitable and council has a project updating LiDAR data for the whole region which will greatly improve slope accuracy.

Piggery

The region has three consented piggeries, one in Esk Valley, one in Te Pohue and the other in Takapau. In the 2019-2020 year the Esk Valley and Takapau piggeries were fully compliant, and Te Pohue piggery was moderately non-compliant. The non-compliance at Te Pohue relates to the leachate runoff from the pens which is currently piped downhill and not collected as required by this consent. The resource consents for all these operations expired on 31 May 2020 and replacement consent applications are being processed.

Horticulture and Viticulture Discharges

Wineries

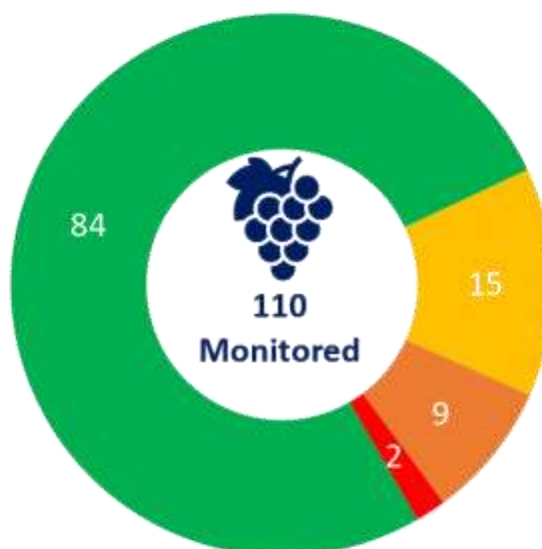


Figure 10. Overall grading of monitored winery and viticulture consents during 2019-20.

The compliance grading presented in Figure 10 shows that the consents monitored were predominantly compliant with 76% (84) of all monitored consents fully compliant. Of the non-complying consents, 14% (15) were low-risk non-compliant, 8% (2) were moderately non-compliant and only 2% (2) were significantly non-compliant.

Most of the low risk non-compliance is technical in nature from insufficient reporting of data. The wineries that were moderately non-compliant for the 2019 season were fully compliant in 2020 after upgrade of their systems. Importantly, the Regional Council engaged and encouraged these wineries to improve their quality of wastewater discharge as they were situated at sensitive sites, either on the unconfined aquifer or near rivers supplying the aquifer.

The significant non-compliance was for Trinity Hill Winery which discharges winery wastewater over the unconfined aquifer. The current treatment system was unable to meet the required discharge standards under the consent and are currently under an abatement notice to bring the discharge up to the level required by the consent.

Discharge data from this winery, and one other situated near the Source Protection Zone for the Hastings District Council Portsmouth Road bore, was used to commission a technical memorandum to assess the effects of these discharges on the groundwater. Indicatively, the effects of discharges from these and other similar wineries appear to be minimal at their current levels. However, further improvement in the overall quality of winery wastewater will be required to meet best practice standards for wineries, particularly those over-sensitive receiving environments.

COVID-19 restrictions were in effect during the vintage season when we undertake most of our site visits. As a result, the compliance gradings are based predominantly on desktop assessments for the period.

Horticulture

Te Mata Mushrooms Co. Ltd

As with previous years Te Mata Mushroom at Brookvale Road still has significant non-compliances with its current resource consent.

An Environment Court enforcement order was issued requiring the company to obtain a new air discharge consent.

This went through a hearing process and the independent hearing panel released their decision in December 2019 for the granting of a new discharge consent. There was an appeal lodged and this is due to be heard in the Environment Court in December 2020 if mediation fails to resolve the issue beforehand.

The Council received 168 odour complaints in the 2019-2020 reporting period, this is slightly down from the 175 odour complaints from the previous year. There was one infringement notice issued in relation to a confirmed odour complaint.

Forestry

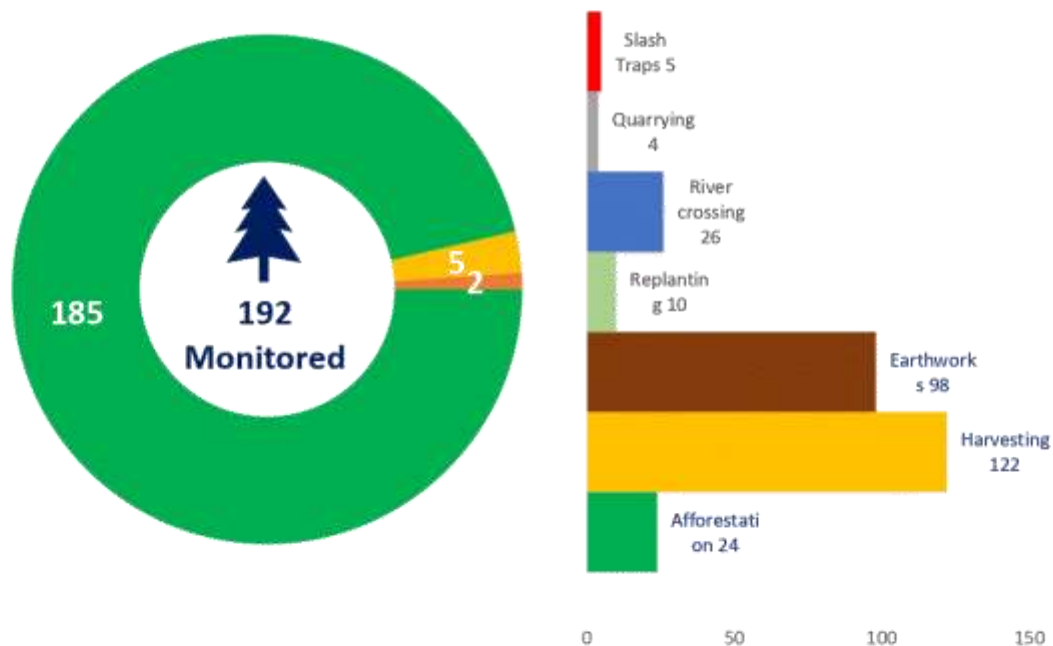


Figure 11. Overall grading of monitored forestry consents and permitted activities (left) and breakdown of forestry activities (right) during 2019-20.

During the 2019-20 period, Council received 192 notifications for 281 forestry activities such as earthworks, harvesting, afforestation and river crossings. Activities were dominated by harvesting and associated earthworks (Figure 11). The compliance grading presented in Figure 11 shows that 96% (185) of all monitored consents and permitted activities achieved full compliance. Of all permitted activities and consents, 3% (five) were graded low-risk non-compliant, 1% (two) were graded moderately non-compliant and no consents were graded significantly non-compliant in the 2019-20 period.

The low risk non-compliance relates predominantly to earthworks not constructed to best practice at the time of the visit. The moderate non-compliances were for both harvesting activities with none or inadequate erosion and sediment control measures in place.

Re-education of the smaller forestry companies and the appointment of specialist environmental managers within the larger companies has significantly reduced non-compliance in the 2019-20 period. No enforcement action has been undertaken during the period for forestry activities as the non-compliance was addressed where required.

As part of managing the large volume of forestry permitted activities and resource consents the forestry compliance officers have established the online portal and system for managing applications, notifications, monitoring and enforcement with almost all notifications being submitted using the portal. This has ensured an efficient transfer of information into our system as well as providing a consistent and transparent process for applicants. This has also allowed information to be shared more readily with other Council teams such as biodiversity.

The Compliance and Consents team have been proactive in liaising with the forestry industry and neighbouring Regional Councils to get consistency throughout the mid and lower North Island, including:

- Ongoing attendance and contribution to lower North Island Regional Council NES PF workshops.
- Ongoing work with the **Hawke's Bay Forestry NES sub-group**. This small group was established to provide a forum for some of the key industry consents and compliance representatives to meet with Council staff to discuss and clarify areas of NES implementation.
- **Development of supporting information and resources** for applicants, including online application forms. Also developed is an information brochure for land owners which draws their attention to their liabilities, and encourages them to select high quality forestry contractors who integrate environmental best practice into their operations.

The larger forestry companies have made it clear to Council that they want and expect to see Council staff on the ground. This reflects the positive relationship that has been developed with the between industry and Council.

Non-Municipal Effluent Discharges

Domestic effluent accreditation programme

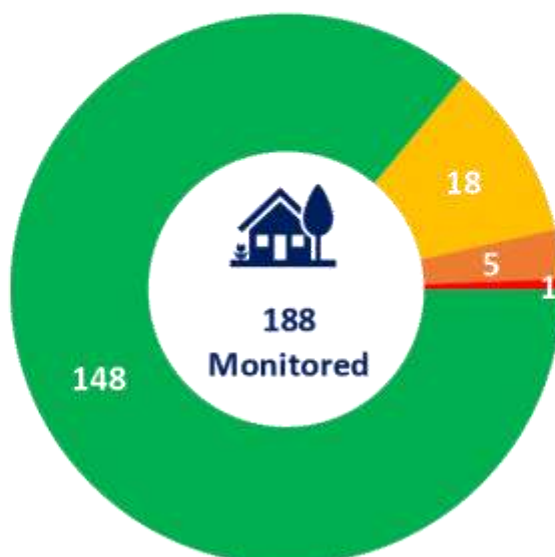


Figure 12. Overall grading of monitored domestic effluent system consents during 2019-20.

The compliance grading presented in figure 12 shows that the domestic effluent consents monitored in the 2019-20 period were generally compliant with 86% (148) of all monitored consents achieving a grading of full compliance. Of the noncomplying consents, 10% (18) were graded low-risk non-compliant, 3% (5) were graded moderately non-compliant and only 1% (1) consents were graded significantly non-compliant. The low-risk non-compliances related to data submission dates not being met. The moderate non-compliances were for poorly maintained or damaged systems not meeting the required standards of treatment. Most of these have been serviced and repaired during the 2019-20 period and are on track to improve their compliance grading. The significant non-compliance relates to a domestic property and has been surrendered within this compliance period.

The Regulation team operates a Wastewater Accreditation Programme for on-site domestic wastewater treatment systems and industry professionals. Consent holders with an on-site domestic wastewater treatment system type that is on the Councils accredited manufacturer list and is installed and maintained by an HBRC accredited installer and service provider will not be subject to routine compliance inspection. Instead a desk top audit is carried out to ensure the system is being regularly serviced. We incentivise compliance through the Domestic Onsite Wastewater Accreditation Program through reduced compliance monitoring fees for newer or more advanced treatment systems.

Typically, consents are issued for a period of ten years, upon expiry most household systems can become a permitted activity. Council has monitored systems prior to expiry to confirm compliance. HBRC has employed a full-time compliance officer in the 2019-20 period to monitor compliance of onsite domestic wastewater systems. Having a dedicated officer will increase the oversight and enforcement of non-compliant consents and allow an increased volume of consents to be monitored.

Commercial and industrial effluent consents

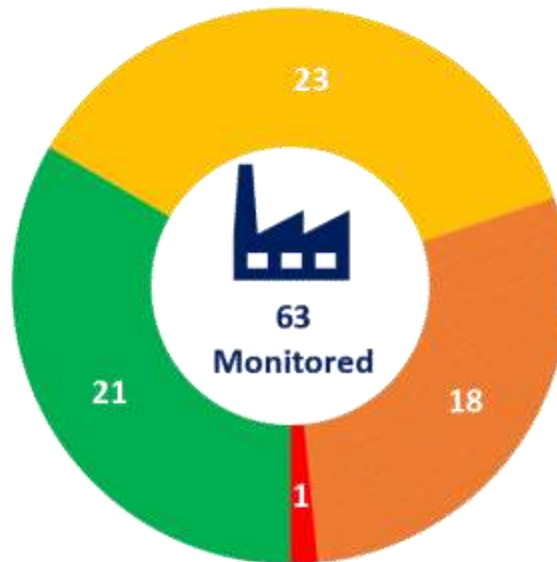


Figure 13. Overall grading of monitored commercial and industrial effluent consents during 2019-20.

The compliance grading presented in figure 13 shows that the only 33% (21) of all monitored consents achieved full compliance. Of the non-compliant consents, 37% (23) were graded low-risk non-compliant, 29% (18) were graded moderately non-compliant and 2% (1) were graded significantly non-compliant.

The low-risk non-compliance gradings are mostly applied to consents where the required data or report submission date has been missed. The moderate non-compliance relates to campgrounds, RSE accommodation, wineries (effluent only) and timber processors. The non-compliance is predominantly for effluent standards being breached on at least one occasion during the period or those that are significantly out of the service schedule. Consents that have continued to exceed on more than one occasion have had increased monitoring frequency and most have been addressed during the compliance period.

The significant non-compliance is for an effluent disposal system for Ormlie Lodge which was not constructed or maintained as required, this is an ongoing compliance issue.

Commercial and industrial effluent is discharged from businesses and sites that are not connected to the municipal sewage network. In the Hawke's Bay region major contributors are Pan Pac Forest Products Limited (Pan Pac), Silver Fern Farms, Heretaunga plain companies and other commercial operations.

Industrial Discharges

Commercial and industrial wastewater consents

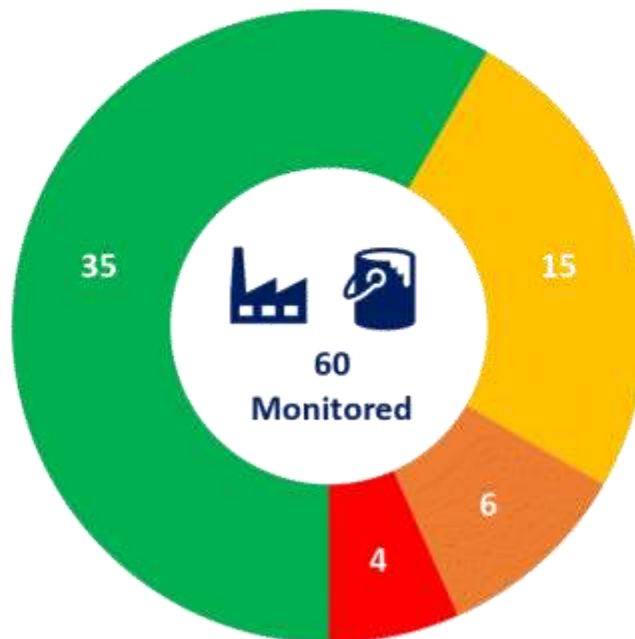


Figure 14. Overall grading of monitored commercial and industrial wastewater consents during 2019-20.

The compliance grading presented in the above chart shows that the consents monitored were generally compliant with 58% (35) of all monitored consents achieved full compliance. Approximately 25% (15) were graded low-risk non-compliant, 10% (six) were graded moderately non-compliant and 7% (four) were graded significantly non-compliant.

The moderate non-compliances are for non-complying discharges from AFFCO (Wairoa) Ltd, Silver Fern Farms and Bridgeman concrete. The significant non-compliances relate to AFFCO (Wairoa) Ltd and KraftHEINZ. The non-compliant consents are discussed in more detail in the relevant section below. Enforcement action has been undertaken or is in progress for the significantly non-compliant consents.

Wastewater includes discharges to land, surface water and the coastal environment from manufacturing, cooling water, production and pack houses/cool stores where they are not connected to the municipal trade waste. This includes meat processing, timber treatment and other industrial and commercial activities.

Solid Waste Discharges



Figure 15. Overall grading of monitored solid waste consents during 2019-20.

The compliance grading presented in the above chart shows that the majority of monitored solid waste consents were non-compliant with only 67% (36) of all monitored consents achieving a grading of full compliance. Of the non-complying consents, 9% (five) were graded low-risk non-compliant, 15% (eight) were graded moderately non-compliant and 9% (five) consents were graded significantly non-compliant.

Private Landfills

A construction and demolition waste landfill at 1199 Middle Road is operated by Phoenix Contracting. This landfill accepts construction and demolition waste and other inert fill material. This facility provides a location for materials that are unlikely to cause toxic leachates that would otherwise take up valuable landfill space at our class 1 landfills in the region.

Cleanfill sites are operated within the region to take cleanfill material such as topsoil and concrete and aggregate waste that can't be reused. One cleanfill site was graded significantly non-compliant due to encroachment of the operations on a nearby waterway. Remediation was undertaken by the consent holder following investigations by our compliance staff.

Composting

Bio-Rich continues to be the only large-scale composting operations within the Hawke's Bay region. For the 2019-20 period, significant pressure was placed on Bio-Rich by the drought conditions, causing hot dry weather as well as significantly increasing the raw product from the animal processing industries. Bio-Rich was graded fully compliant at one of its locations but had enforcement action undertaken for odour during January and February this year at their Waitangi location.

Contaminated Sites Waste

Three of the five significantly non-complying consents relate to contaminated sites where onsite management of contamination is done under a resource consent. These are for the Napier Pine timber

treatment plant in Omahu Road and the Central Timber site in Waipawa. During the 2019-20 period, a major spill of contaminants occurred at the Napier Pine site and was subsequently remediated. Central Timber has changed hands and has significantly improved operations under the new owners.

Municipal Solid Waste

The Hawke's Bay region has a single class 1 landfill at Omarunui jointly operated by NCC and HDC, and two class 2 landfills, Fraser Street operated by WDC and Farm Road operated by CHBDC. For the 2019-20 period, Omarunui landfill was fully compliant with all resource consents. Fraser Street landfill was previously graded significantly non-compliant but has undertaken significant improvement works as part of a remediation plan to address the non-compliance onsite. As a result, they have achieved a low-risk non-compliance for the 2019-20 period. Farm Road landfill was graded moderately non-compliant for the period as a result of a lack of waste stream inspections, missed sampling events and analytes, stormwater cut off drains not being adequately maintained and delayed reporting.

Additionally, each Council monitors several historical municipal landfills that ceased receiving waste in the 70's, 80's and 90's. Our region currently has 23 closed municipal landfills, the majority of which are in rural areas except for Napier City Council who have 5 urban landfill locations. CHBDC monitors ten closed landfills which were all graded moderately non-compliant for the 2019-20 period due to missed sampling events and receiving environment studies. All HDC and NCC closed landfills were fully compliant for the period. WDC monitor 5 landfills which have not been assessed in the 2019-20 period.

Crematoriums

Both crematoriums operating within the Hawke's Bay region achieved full compliance for the 2019-20 period continuing the good record from last year.

Fertiliser manufacturing

Ravensdown are graded low risk non-compliance for the discharge to water due to slight pH exceedances in the stormwater discharge and moderately non-compliant for two exceedances in SO₂ concentrations as a result of plant failure. Repairs and changes to operations and training appear to have addressed the cause and there have been no other exceedances in air quality standards for the 2019-20 period.

Hydroelectricity

Hydroelectricity consents to dam, divert and discharge water for power generation have also seen an improvement in compliance with the Eastland Dam grading low-risk non-compliant due to late submission of data and Genesis Energy consents all achieving full compliance for the 2019-20 period.

Meat and by-product processing

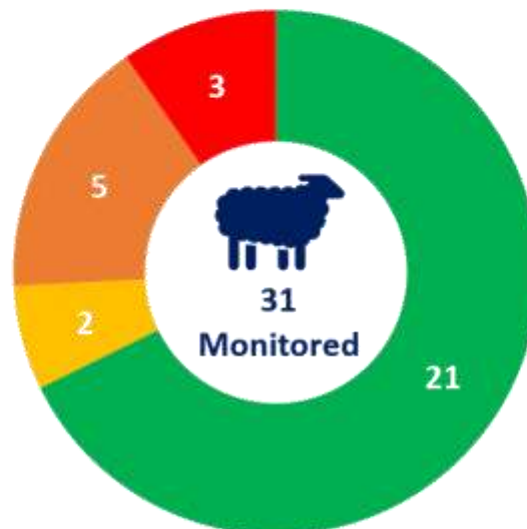


Figure 16. Overall grading of animal and by-product processing consents during 2019-20.

The compliance grading presented in the above chart shows that approximately half of consents monitored were compliant with 68% (21) of all monitored consents achieving a grading of full compliance. 6% (two) were graded low-risk non-compliant, 16% (five) were graded moderately non-compliant and 10% (three) were graded significantly non-compliant.

The significant non-compliance for 2019-20 was for two animal and by-product processors, AFFCO (Wairoa) Ltd and Hawkes Bay Protein. AFFCO in the Wairoa Township was graded significantly non-compliant for both the discharge of stormwater and wastewater from the site into the Wairoa River. Hawkes Bay Protein was significantly non-compliant for emissions of offensive and objectionable odour beyond the boundary of the site.

The moderate non-compliance is for:

- Water take at a tannery without appropriate bore security
- Wastewater discharges to land by Silver Fern Farms and in Takapau as a result of breaks in the effluent infrastructure.
- AFFCO (Wairoa) Ltd discharge to air, failure to supply records and for the landfill (closed) that has not been maintained to an adequate standard.
- AFFCO operate a Tannery in Napier which was also graded moderately non-complaint for the 2019-20 period for an exceedance of the H2S limit onsite during annual monitoring.

Enforcement action has been, or is currently being, undertaken against the significant and moderately non-compliant resource consents to ensure compliance with resource consents is achieved.

Tanneries

Hawke's Bay has five operating tanneries located in Pandora, Whakatu and Tomoana. All tanneries except for AFFCO Pandora achieved full compliance with the air and stormwater discharge consents for the 2019-20 period.

KraftHEINZ (Watties)

All seven resource consents held by KraftHEINZ were monitored during the 2019-20 period. There have been confirmed odours relating to the treatment plant at the Watties King Street site triggering a requirement for a resource consent that should be in place for the 2020-21 period. The cooling water/stormwater discharge was graded significantly non-compliant for the King Street site due a discharge of untreated beetroot wastewater into the Ruahapia stream as a result of failed infrastructure. Both Watties and HDC are investigating this discharge and enforcement action has been taken against KraftHEINZ. The discharge of stormwater from the Tomoana site is moderately non-compliant due to missed sampling events.

An extensive upgrade of water take bores on the King Street site is underway with most bores now meeting the required bore security standard and the remaining bores to be completed this 2020-21 period.

Port of Napier

During the 2019-20 compliance period, the Port of Napier was compliant with all of its resource consents. The Port of Napier holds consents to discharge stormwater from the port and wharf to land and the coastal environment. It also holds a consent for discharges to air from the burning of dunnage for biosecurity reasons.

During the 2019-20 reporting period there have been several unconsented discharges to water including a moderate spill of tallow into the port waters. The tallow spill is considered an unauthorised discharge that is separate to the consent. All discharges are recorded and reported to the Regional Council as required and no other major incidents have occurred this reporting period.

- Maintenance dredging has been undertaken within the port inner harbour as well as capital dredging projects associated with 6Wharf.
- No abrasive blasting was undertaken during 2019-20
- Burning of dunnage was fully compliant with the consent conditions

Wharf 6 Extension Works

The Port of Napier exercised several consents for 6Wharf during the 2019-20 period to undertake capital dredging, occupy the seabed and erect a structure for the purposes of the 6Wharf extension. Active engagement by the construction contractors and Port of Napier has improved the level of communication for this critical infrastructure project. Full compliance with all 6Wharf consents has been achieved and regular engagement with the community around noise and dredging has been ongoing and positive to see.

Timber operations

Timber treatment

Timber treatment operators remain the most non-compliant industrial activity with only 48% (11) fully compliant. 17% (four) were graded low-risk non-compliant, 22% (five) were graded moderately non-compliant and 13% (three) consents were graded significantly non-compliant.

The significant non-compliance relates to the operations at Central Timbers Waipawa and Napier Pine in Omahu, additionally TUMU timbers in Hastings was graded moderately non-compliant. This increased

frequency of monitoring on these sites undertaken to address the non-compliance has resulted in positive change that will be reflected in the 2020-21 compliance gradings. In the 2019-20 period Napier Pine and Carters Wairoa have chosen to cease timber treatment on their sites to completely remove the risk and it is anticipated that this will help them to achieve compliance. TUMU timbers are moderately non-complaint with an onsite effluent treatment system and the stormwater discharge consent.

Pan Pac Forest Products Limited

Pan Pac operate a lumber and pulp mill in Whirinaki and hold resource consents to discharge stormwater and domestic effluent to land, discharge to air and a discharge of wastewater to the coastal environment. It also holds a consent to discharge green waste and organic material from the mill into a landfill on the property.

For the 2019-20 period Pan Pac was fully compliant with the discharge to air consent, and for the private landfill consents. The stormwater discharge consent was graded low risk non-compliance as a result of an exceedance of the TPH in the discharge following an unreported spill into an interceptor. The domestic effluent discharge onsite has been graded low risk non-compliant due to missed data submissions timeframes. The coastal discharge was graded moderately non-complying as a result of the mussel and benthic studies not being submitted to the Regional Council as required.

Three Waters Discharges

Our region has four local councils, Wairoa District, Hastings District, Central Hawke's Bay District and Napier City. These local councils (known as Territorial Authorities or TAs) undertake a wide range of activities that have an impact on the environment, and all hold resource consents for activities including stormwater, wastewater and drinking water, collectively known as three waters. Each of these is discussed in more detail below and presented as a regional assessment.

The stormwater and wastewater infrastructure across our region ageing and under significant stress especially during periods of heavy rainfall. This often results in contaminant discharges that present both an environmental and health risk. All councils are aware of this and recognise that ensuring infrastructure is fit for purpose is a major priority. The Havelock North water contamination event in 2016 has raised drinking water security and infrastructure to the top of the priority list, no quick solution is expected in the short to medium term.

Municipal Drinking Water

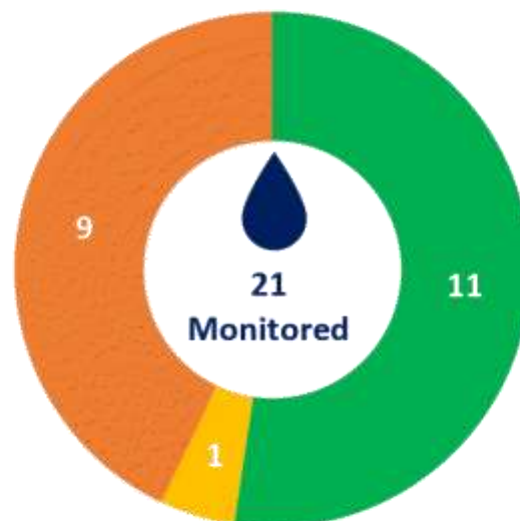


Figure 17. Overall grading of monitored municipal drinking water consents during 2019-20.

The compliance grading presented in the above chart shows that approximately half of consents monitored were compliant with 52% (11) of all monitored consents achieving a grading of full compliance. 5% (one) was graded low-risk non-compliant, 43% (nine) were graded moderately non-compliant and 0 were graded significantly non-compliant.

CHBDC has completed upgrades to existing bores to comply with its consent conditions and bore security. It is currently organising the re-inspection of the bores that required work in relation to bore security, so in the interim those specific conditions were graded as moderate non-compliant. CHBDC has established new bores at its Waipukurau site.

HDC has upgraded all its existing bores in the last few years and is currently replacing some existing bores and establishing new bores in some areas. The moderate non-compliance is for exceedance in their seven

day and annual take at the Omaha water supply. This is the second year in row for these exceedances but from investigations HDC have identified the possible causes to the high usage including:

- Unauthorised taking from fire hydrants
- Increase operational losses for treatment compliance with the New Zealand Drinking Water Standards.
- Leak detection investigation leading to leak repairs on private property
- Council leakage detection and renewing several connections.

Additionally, there are some meter verifications overdue but a contributing factor was that on 5 February 2020, HDC and HBRC agreed to postpone all water verifications due to HDC enforcing water restrictions as per their Water Conservation and Demand Management Strategy. Following on from that there was the COVID 19 restrictions.

NCC has upgraded all its existing bores in the last few years and is currently establishing new bores to replace some current ones. Like last year, there has been some exceedances in the maximum flow rates for bores T3, T6 and T7 hence the moderate non-compliance. These exceedances were less frequent compared to last year due to NCC installing new variable speed drives on these bores. There are still some adjustments required before they will be fully compliant.

NCC along with HDC are now required to verify their meters by the method accepted by the Regional Council and used by all other water take consent holders in the region. This is been done on most HDC public water sites but not on any of the NCC sites. This does involve alterations to infrastructure to allow for this and progress is been made to comply, but in the meantime these conditions are graded moderate non-compliant.

Wairoa public water supply is drawn from the Wairoa River upstream from Frasertown. The water is filtered and then piped into town. The filtered sediment is then discharged back into a stream that discharges into the river downstream from the treatment plant.



Municipal Stormwater

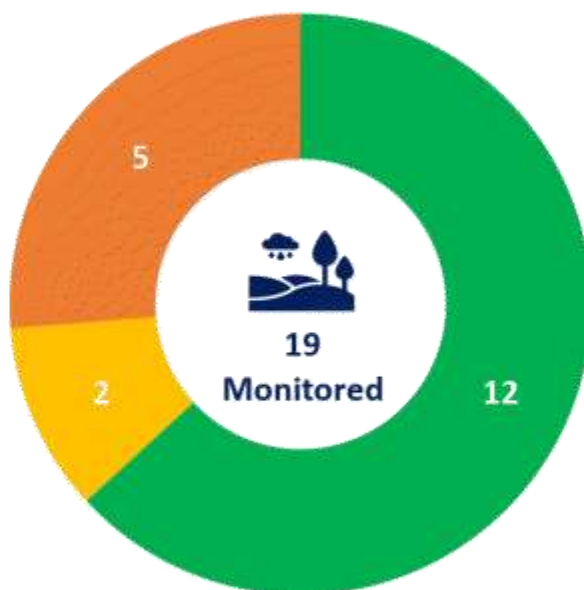


Figure 18. Overall grading of monitored municipal stormwater consents during 2019-20.

The compliance grading presented in Figure 18 shows that approximately half of consents monitored were compliant with 63% (12) of all monitored consents achieving a grading of full compliance. 11% (two) were graded low-risk non-compliant, 26% (five) were graded moderately non-compliant and 12% (three). No municipal stormwater discharges were graded significant non-compliant during the 2019-20 period.

Central Hawke's Bay District Council (CHBDC) holds one network consent for municipal stormwater that covers discharges from catchments within Waipawa and Waipukurau. For the 2019-20 period, the network consent was graded moderately non-compliant as a result of missed sampling, late reporting and a delay to the educational campaign required by the consent. CHBDC continue to work with the Regional Council to develop appropriate and effective monitoring and catchment management plans but is under-resourced.

Hastings District Council holds a global consent for the main Hastings city area and several smaller industrial zoned stormwater consents such as Omahu Road, Lowes Pit and Whakatu. The global consent was graded moderately non-compliant for a discharge into the Ruahapia Stream from the network and also for reporting and investigation protocols not being followed for several events. The Whakatu, Lowes Pit, James Rochfort and Omahu stormwater consents achieved full compliance for the period. The Omahu North and Barnes Place consents were graded moderately non-compliant for a failure to undertake the required annual site audits or update the catchment management plan.



Napier City Council (NCC) holds industrial zoned consents for discharges from the CBD, Pandora and cross county drain and Westshore. The bulk of Onekawa and the residential areas are managed by the Westshore tidal gates which is a joint discharge consent held by the Regional Council and NCC, with NCC undertaking the operative responsibilities under the consent. The global joint consent was graded moderate non-compliance for a discharge of hydrocarbons from the network into the Ahuriri Estuary. The pandora and country drain consents were low risk non-compliance for minor reporting non-compliance. All other NCC stormwater consents have achieved full compliance.

Wairoa District Council (WDC) is the only council to not hold stormwater consents for urban discharge areas. They are currently preparing an application for discharges to the Wairoa River from catchments within the Wairoa Township.

The Regional Council meets on a regular basis with local councils as part of stakeholder engagement meetings or steering groups to discuss compliance, monitoring and reporting requirements and issues. This is undertaken regularly with HDC, NCC and CHBDC as part of their consent requirements and is intended to form part of a future WDC consent to enable better communication and 'no surprises' approach between councils. Discussions at recent meetings have identified a project combining resources in producing community education programs around stormwater, which is a requirement of each consent – this is already underway between NCC and the Regional Council.

Municipal Wastewater



Figure 19. Overall grading of monitored municipal wastewater consents during 2019-20.

The compliance grading presented in the above chart shows that only 21% (four) consents for municipal wastewater were compliant. These were all for the HDC treatment plant at Clive. 21% (four) were graded low-risk non-compliant, 26% (five) were graded moderately non-compliant and 32% (six) were graded significantly non-compliant.

Central Hawke's Bay District Council (CHBDC) operate six wastewater treatment plants in Otane, Waipawa, Waipukurau, Takapau, Porangahau Town and Te Paerahi at Porangahau Beach. All plants use oxidation ponds

as the primary form of wastewater treatment and Waipawa and Waipukurau use chemical dosing to strip phosphorus and UV treatment for pathogens. The Te Paerahi treatment pond discharges to a wetland, all other discharges are to adjacent rivers. There is currently an enforcement order in place for the Waipawa treatment plant requiring CHBDC to meet the required discharge standards. For the Waipukurau treatment plant, the Regional Council and CHBDC have agreed that effluent quality will be improved as part of the enforcement order on the Waipawa plant. Both are still currently graded significantly non-compliant and the consent holder has engaged wastewater specialists to design a system that treats to the required quality standards.

The previous compliance issues at Waipawa, Waipukurau and Takapau continued in this reporting period (ammonia and dissolved reactive phosphorus). CHBDC continued to comply with the enforcement order requiring an investigation and reporting on how the treatment limits could be achieved. CHBDC has developed a proposal to pipe the wastewater from Otane (where an upgrade is required in 2021) to Waipawa for treatment and discharge to rapid infiltration beds. The proposal also includes transferring the Waipukurau discharge to this site in subsequent years. This proposal is going through CHBDC and community approval process and is expected to be established within the scope of the enforcement order.

Hastings District Council operates a municipal and trade waste wastewater treatment plant at 284 Richmond Road in Clive. Consents are held for the discharge to air of odour and the discharge to the coastal environment from a short outfall (emergency) and a near shore (emergency) beach overflow. During the 2019-20 period the discharge consent was graded low-risk non-compliance for late data submissions. All other consents were graded full compliance for the period.

Napier City Council operates a combined trade and municipal wastewater treatment at Awatoto that is consented for discharge to air and of odour and discharge to sea for treated wastewater. For the 2019-20 period the discharge to air was graded full compliance while the discharge to sea was graded moderately non-compliant. The non-compliance relates predominantly to the discharge of treated wastewater through leaks in the outfall, at 630m and 700m offshore. Exceedances of zinc and ammonia in the final wastewater have occurred on several occasions and significant exceedances of the maximum daily load rates for biological oxygen demand, solids, and oil and grease have been an issue. The outfall pipeline for the wastewater passes under State Highway 2 and extends 1.7km out to sea. Repairs to the 630m and 700m leaks are underway. NCC was issued an abatement notice by the Regional Council to cease the discharge from the leaks on 5 June 2020.

Wairoa District Council operate four community wastewater treatment systems in Mahia, Opoutama, Tuai and Wairoa. Tuai wastewater treatment plant is graded low-risk non-compliance due to a minor exceedance of the pH limit on one occasion during the period. The treatment plant at Opoutama (Blue Bay) is graded moderately non-compliant as the consent holder is unable to meet the nitrogen and nitrate limits for the discharge to land. WDC has begun an investigation into potential upgrades to the system to require treatment standard to be met. No trends in the receiving environment have been seen as a result.

The Mahia treatment plant experienced several management and maintenance issues resulting in; exceedances of the maximum application rates, failure to undertake required riparian planting, and not maintaining sufficient freeboard within the ponds. As a result, it has been graded moderately non-compliant for the 2019-20 period.

The Wairoa treatment plant continues to be significantly non-compliant through use of the emergency overflow pipe, failure to conduct follow up sampling and discharging outside of the tide and time limits. The consent holder is under application to replace the outfall pipe and upgrade the treatment system which is expected to be granted within the 2020-21 period. Two abatement notices are currently in place for the

Wairoa treatment plant and an additional infringement notice was issued for the discharge outside of permitted times.

The Regional Council continues to engage with operators and will undertake enforcement action where necessary to ensure that environmental impacts in sensitive areas are minimised or reduced through compliance with consent conditions.

Hawke's Bay Regional Council – How did we do?

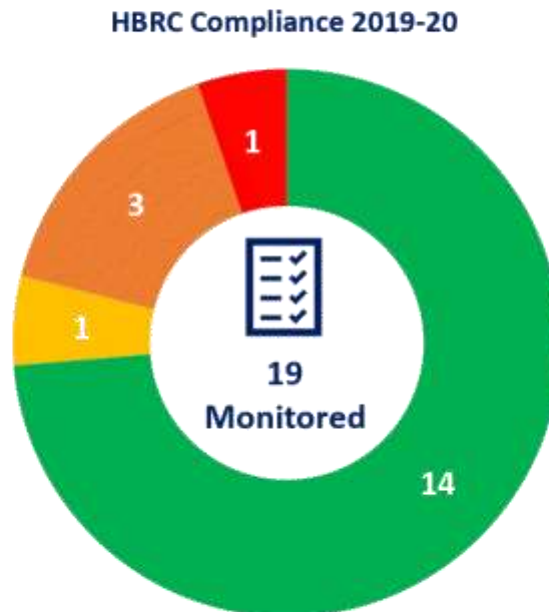


Figure 20. Overall grading of monitored HBRC consents during 2019-20.

The compliance grading presented in the above chart shows that the majority of monitored consents held by Hawke's Bay Regional Council were compliant with 74% (14) of all monitored consents achieving a grading of full compliance. Only 5% (one) of consents were graded low-risk non-compliant, 16% (three) were graded moderately non-compliant and 5% (one) were graded significantly non-compliant.

The moderate non-compliances relate to a Regional Council operated wastewater system for a campground not meeting the required discharge standards and a failure to supply water take information. The significant non-compliance relates to a water take for augmentation being operated without a water meter or appropriate bore security installed at the wellhead.

The Regional Council holds 34 current discharge, water take or diversion resource consents. The resource consents are primarily for drainage, stormwater and pest control activities. During the 2019-20 reporting period 56% (19) of the current resource consents were monitored, this increase from the six monitored in 2018-19 was in response to a lack of internal monitoring identified in the previous compliance report.

Pollution Response and Enforcement

The Regional Council operates a 24 hour, 7 days a week Pollution Hotline for the purpose of receiving calls from members of the public reporting pollution events and other incidents of an environmental nature. During office hours, calls are directed to Environmental Officers who attend 100% of calls received. Outside of office hours, a duty roster is operated where calls are directed to the duty Environmental Officer via a call centre.

A wide range of incidents are reported that will generally be responded to within 12 hours of receipt and dealt with appropriately. The bulk of the Council's enforcement work arises as a result of incidents or complaints reported via the pollution hotline. Often Council will receive notice of incidents occurring even before those involved know themselves.

What happened in 2019-20?

The number of calls we received to our pollution hotline were slightly down on previous years with 983 incidents logged for 2019-20. This is an 11% reduction on the previous year that was likely as a result of the two months of level 4 and 3 restrictions, when we received half the number of incident complaints we would normally expect. However, the numbers requiring follow up enforcement action has increased. The majority of calls remain linked to air quality 63% (628), followed by discharges to land 18% (184) and surface water 13% (133).

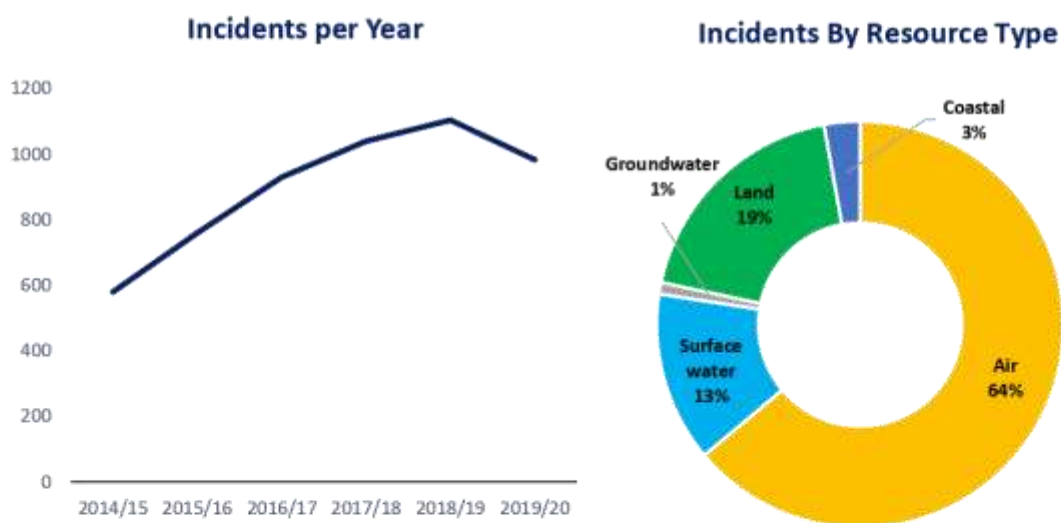


Figure 21. Incidents per year (left) and incidents by resource type for 2019-20 (right).

Follow up enforcement action for the 2019-20 year has resulted in a significant increase in prosecutions. The decrease in abatement and infringement notices is likely due to reduce incidents over the Level 3 and 4 COVID-19 restrictions. The increased volume of incidents resulting in prosecutions has put significant pressure on our environmental regulation team, as these cases require more resource to investigate, process and take through the courts.

Enforcement Action per Year

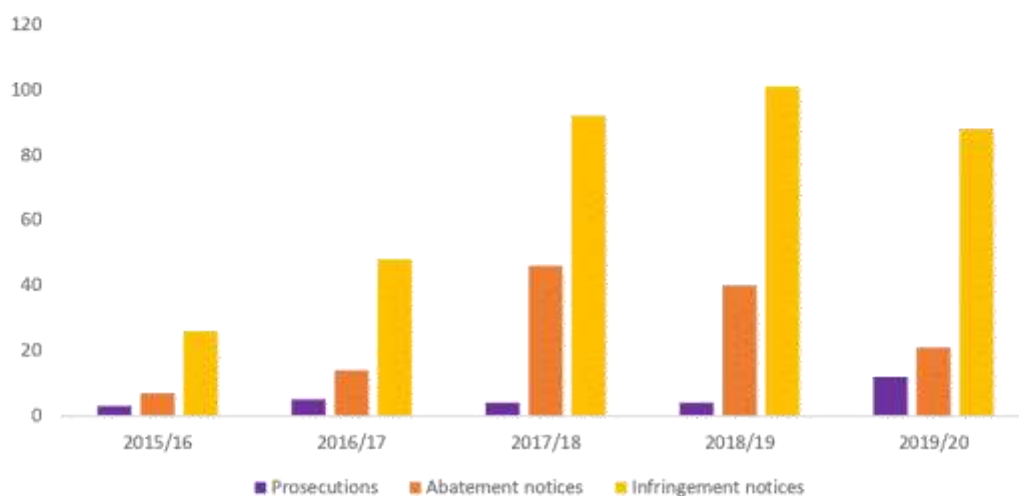


Figure 22. Number of enforcement actions by year.

Infringement notices are issued for serious non-compliance offences that don't warrant prosecuting. The Regional Council issued 88 infringement notices issued during the 2019-20 period, totalling \$42,200 in fines. The vast majority of infringement notices issued were for outdoor burning (58).

Abatement notices are formal instructions, they are a direction to either cease doing something, take action to address an environmental effect, or to comply with consent conditions. The number of abatement notices issued in 2019-20 period was 21.

Prosecutions are generally reserved for the most serious of offending. This can be for offences where significant environmental effects have resulted, or where repeated, serious offending has occurred. There were 12 prosecutions initiated during the period with 18 individual charges laid. This is a significant increase on the four prosecutions undertaken last year.

Table 4. Prosecutions initiated in 2019-20 period by discharge type.

Prosecution Type	No. of prosecutions	No. charges for breaches of RMA
Discharge to Air (burning)	5	5
Discharge to Air (odour)	1	5
Discharge to Air (agrichemical)	1	1
Discharge to Land/Water (milk)	2	2
Discharge to Land/Water (dairy effluent)	1	1
Discharge to Land/Water (vegetable effluent)	1	4

Completed Prosecutions

Santo Drainage & Contracting Limited was convicted and fined \$12,555 with 90 percent of the fine to be paid to the Regional Council. The company was charged for burning prohibited items including treated timber, plastic pipe, general plastic products, plastic hose, wire and coated metals including a galvanised flue. The company was also charged for outdoor burning over the winter period (airshed restricted season).

Hastings Demolition Limited was convicted and fined \$11,900 with 90 percent of the fine to be paid to the Regional Council in terms of s 342 of the Act. The company was charged for burning prohibited items including plastics pipe, clearlite, plastic strapping, particle board, treated timber, insulation, a mattress and polystyrene. Photo below:



Oil Spill Response

Maritime New Zealand is responsible for managing the New Zealand Oil Spill Response Strategy. Regional Councils are an integral part of the implementation of that strategy. Depending on the severity of a spill, there are three “Tiers” within the response system:

1. Tier 1 – Industry responsibility
2. Tier 2 – Regional Councils and Unitary Authorities involvement
3. Tier 3 – Maritime New Zealand and International Partners involvement.

Each tier is required to prepare contingency plans and a response capability appropriate to their respective levels of responsibility. This means that at Tier 1 level, the industries involved must have response plans prepared and these are audited and approved on a 3-year basis by the Regional Council for suitability. Should a spill occur, that industry will have the capability to initially deal with the spill and report the matter to the Regional Council who will assist or take control of the clean-up if necessary. The Regional Council may also take enforcement action.

Tier 2 are larger events where the Regional Council will always be involved. Examples may include a discharge of oil from a fishing boat, or a discharge at sea that risks washing up along the coast. Presently the role of Regional On-Scene Commander for Tier 2 spills sits with two members of the Regional Council, one of those is a member of the Regulation Team. He or she is also responsible for the day to day running of the project including the maintenance and readiness of a large stock of oil spill containment and recovery gear stored at Napier Port. Other members of the response team are from various sections of the Regional Council including the Works Group.

On-Scene Commanders and other high-level planning staff undergo national training with Maritime New Zealand and can be utilised in national emergencies. A number of local training exercises, both desktop and actual are carried out throughout the year.

Training of the oil spill response team occurs twice a year, primarily to maintain familiarity with the equipment, maintain currency, and for the management team to retain the necessary skills in spill assessment, planning and plan execution.

During the 2019-20 year there were no marine oil spills requiring the deployment of equipment for a clean-up. There was one spill of hydraulic oil (crane hose failure) at Napier Port investigated, there was insufficient oil on the sea surface to warrant an on-water clean-up response.

Contaminated Land and Hazardous Waste

What do we do?

The Hawke's Bay Regional Council has a function under the Resource Management Act (1991) to investigate land for the purposes of identifying and monitoring contaminated land. As part of this, the Regional Council maintains a Selected Land Use Register (SLUR) of all sites within the region where contamination has, or may have, occurred based on the current and historical activities taking place on a parcel of land. There are 50 individual activities defined by the Ministry for the Environment as having the potential to cause contamination of land. Land can also be contaminated through migration of contaminants from adjacent sites or from pollution events such as discharges to land.

The information held by the Regional Council on the database includes site investigations, resource consents, incidents and any remediation that may have occurred onsite. These records are publicly available and are commonly requested by property valuers, property owners or purchasers and land developers. This information is also shared between local authorities for the purposes of implementing and enforcing the National Environmental Standard for Assessing and Managing Contaminants in Soil to Protect Human Health (NES:CS).

The database maintained by the Regional Council currently has over **2128 selected land use records** where contamination may or has occurred.

Land Use of Registered Sites

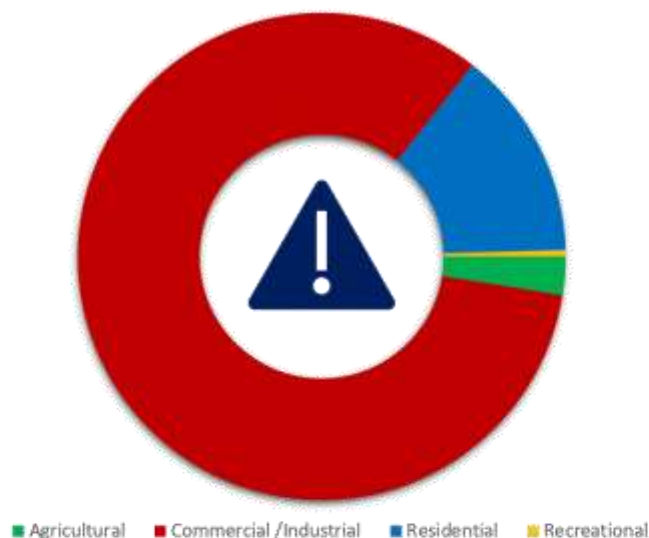


Figure 23. Land use categories for Selected Land Use sites.

In 2019-20 the Regional Council received requests for contaminated land information covering **238 properties** held on our register. The requests were predominantly from developers and contaminated land specialists making requests as part of their due diligence under the NES:CS.

During the 2019-20 reporting period, **25 new sites were added to the Selected Land Use Register**.

This is normally completed as a response to a contaminated land information requests on an adhoc basis. In addition to managing the database, the contaminated land team manages investigations into contaminated land. During the 2019-20 reporting period:

- Investigations into potential contamination caused by **PFAS containing firefighting foams** at the Hastings and Napier fire stations were completed with results indicating minimal residual contamination, unlikely to be a risk to human health or the environment. The PFAS investigation at Napier Airport is still ongoing, with further sampling being undertaken of soils and surface water
- The **landfill vulnerability project** was initiated to assess the vulnerability of regional landfill sites to a range of factors including climate change and erosion. This is being completed as part of a national initiative
- The **selected land use register (SLUR)** is being transferred into the Regional Council IRIS database to allow better information sharing of information with internal and external stakeholders.

What are we planning to do?

The Hawke's Bay Regional Council has responsibilities regarding contaminated land management under the following sections of the Resource Management Act 1991:

- Section 30 (1)(ca), to identify and monitor contaminated land
- Section 35, to gather, monitor and keep records to effectively carry out functions.

The Regional Council has signed up to national targets for contaminated land which have been set by the Ministry for the Environment, set out in the document: *A generation from now: our long-term goals, 2015*.

- 2020: All potentially contaminated HAIL sites are known and the creation of new HAIL sites is controlled (there are no new 'accidental' sites). It is unlikely that the Regional Council will be able to meet this obligation.
- 2028: All HAIL sites to be listed under the new contaminated land categories for national consistency. The Regional Council has completed the update to categories for listed sites and is now in the process of completing verification of sites.
- 2030: All known high risk HAIL sites existing in 2020 have been remediated or have a management plan in place.
- Currently undated: All HAIL parcels and databases to be GIS compatible. The Regional Council IRIS database is GIS compatible and all sites should be moved into the system over the 2020-21 year.

The contaminated land function within the Regional Council has not been traditionally as well resourced as other councils and there is a growing body of upcoming work that needs to be addressed. Currently 60% of the annual budget is assigned to hazardous waste collection. Current staffing levels have been reviewed to meet statutory obligations under the RMA for identifying and managing contaminated land and will be addressed as part of the Long-Term Plan Process.

In addition to these mandated targets, the contaminated land special interest group for regulators and the Regional Council contaminated land team are pursuing projects aimed at achieving national data consistency and investigations into emerging contaminants of concern.



Selected Land Use Register Update project is currently underway with the older access database transferring to the new IRIS system. This project will validate all 3500 records held by the Regional Council as well creating a spatial database for mapping of this data. The project commenced in July 2019 and is expected to be completed by July 2021. After completion, contaminated site information will be accessible for internal and external stakeholders and more easily used in consent and compliance decision making.

The update also includes the creation of a spatial database to meet our national obligations, this allows quick analysis of data and means that contaminated land information can be used in risk assessments of water takes and other sensitive receptors.

National HAIL Portal and Data Consistency Project aims to implement agreed information categories and Council records for use in a nationally administered HAIL database. The Regional Council has already updated all records to the new agreed categories and definitions. Extensive work needs to be undertaken to identify all sites within Hawke's Bay. This project has already been scoped but the contaminated land department lacks the required budget to implement the program of identification. The target to identify all sites by 2020 was agreed to by the Regional Council and is a recognised national target.



Landfill Vulnerability Program was started following the Fox River landfill disaster in 2019. It is a nationally driven project involving regional and local councils. Work is being undertaken to identify all closed and operational landfills within the region and assess them for vulnerability to erosion, flooding, coastal inundation and climate change. This spatial data will then be compared to flood and erosion risk modelling developed through this project. This is essential work to stop a repeat of the Fox River disaster which had significant environmental and financial costs. The Regional Council expects to report on this project with the 2020-21 financial year.

Hazardous Waste

The Hawke's Bay Regional Council, in partnership with AgRecovery, provide a subsidised collection for unused agrichemicals and household hazardous waste. This service is run by the 3R Group in Hastings on behalf of the Regional Council.



During the 2019-20 reporting period, the Regional Council fully or partially subsidised **\$60,000 worth of hazardous waste** and agrichemicals that may have otherwise been disposed of inappropriately. The 3R Group reported that approximately **2140L of hazardous liquids and 763kg of hazardous substances were collected** on behalf of the Regional Council during the reporting period with more than half of this occurring between July and December 2019.

Increasing awareness of the environmental impacts of chemicals is driving more people within the region to dispose of their unwanted chemicals sustainably. As a result, there was a **70% increase in collections** during the current reporting period. The Regional Council is currently investigating alternative options for hazardous waste management such as supporting local HazMobile events or limiting collections to the higher risk products.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

**Subject: REPORT FROM THE 11 NOVEMBER 2020 FINANCE AUDIT AND RISK
SUB-COMMITTEE MEETING**

Item 8

Reason for Report

1. The following matters were considered by the Finance Audit and Risk Sub-committee (FARS) meeting on 11 November 2020 and are now presented for the Committee's consideration alongside any additional commentary the Sub-committee Chair wishes to offer.
2. The purpose of the Finance, Audit and Risk Sub-committee, in accordance with its Terms of Reference, is to report to the Corporate and Strategic Committee to fulfil its responsibilities for:
 - 2.1. 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
 - 2.2. The review of Council's revenue and expenditure policies and the effectiveness of those policies
 - 2.3. The independence and adequacy of internal and external audit functions
 - 2.4. The robustness of risk management systems, processes and practices
 - 2.5. Compliance with applicable laws, regulations, standards and best practice guidelines
 - 2.6. Monitor the performance of Council's investment portfolio.

Agenda items

3. The **Risk Maturity Roadmap** item accompanied a bowtie analysis demonstration and updated the Sub-committee on the Regional Council's implementation of the risk maturity roadmap activities, with the Sub-committee resolving:
 - 3.1. Confirms that management actions undertaken and planned for the future adequately respond to the risk maturity roadmap that was approved by the Corporate and Strategic Committee on 10 June 2020.
 - 3.2. Confirms that the bowtie analysis is an appropriate tool to drive risk maturity as defined by the risk maturity road map.
 - 3.3. Requests that issues external to HBRC, such as joint ownership and responsibilities for assets that have an impact on HBRC are considered as part of the Risk Maturity Roadmap.
4. The **Internal Audit Work Programme Update** item updated the Sub-committee on the internal audit work programme and sought feedback on the newly developed reporting dashboards (attached), with the Sub-committee resolving:
 - 4.1. Receives and notes the 'Internal Audit Work Programme Update' staff report and accompanying dashboards.
 - 4.2. Confirms that management actions undertaken or planned for the future adequately respond to the findings and recommendations of the internal audits.
 - 4.3. Confirms that the dashboard reports provide adequate information on the progress of corrective actions and the progress of the approved annual internal audit programme.

5. The **HBRC Covid-19 Response Review Report** item provided learnings and findings from the internal review of the Regional Council's organisational response to the Covid-19 pandemic, with the Sub-committee resolving:
 - 5.1. receives and considers the "HBRC Covid-19 Response Debrief and Learnings Report".
 - 5.2. notes the extended timeframe required to enhance the Regional Council's suite of business continuity and recovery documents.
 - 5.3. agrees support for the improvements proposed by staff.
6. **Section 17a Review of the HBRC Works Group discussed in Public Excluded** informed the Sub-committee of the outcomes of the recent Section 17A Review of Works Group undertaken by Morrison Low, agreeing to increase the size and scale of the Works Groups, and to introduce processes and tools to enable this, with the Sub-committee resolving:
 - 6.1. receives and notes the Morrison Low "Section 17A Review of Works Group" report
 - 6.2. agrees the associated implementation actions proposed by staff
7. The **Verbal FUSE Project Update** provided the Sub-committee with an update on the progress made to date implementing the new financial system (FUSE) as well as a rundown of the project's benefits.
8. The **Sub-committee Work Programme November 2020 Update** provided an update on the overall work programme progress to date and advised that a report covering Council's overall assurance framework will be prepared for the February 2021 FARS meeting, focussing and informing S17a effectiveness and efficiency conversations.
9. The **2019-20 Annual Treasury Report** item provided an annual update of the Council's investment activity and reported on the performance of the Council's investment portfolio for the year ending 30 June 2020 and is attached in full.
10. The **Q1 2020-21 (1 July – 30 September 2020) Treasury Report** provided an update on treasury activity and reported on the performance of Council's investment portfolio for the first quarter of the 2020-21 financial year.

Decision Making Process

do not apply.

Recommendations

That the Corporate and Strategic Committee receives and notes the report from the Finance, Audit and Risk Sub-committee.

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Attachment/s

- [↓1](#) Internal Audit Work Programme Status Update Dashboard
- [↓2](#) Internal Audit Dashboard
- [↓3](#) HBRC Covid-19 Response Debrief Report
- [↓4](#) FARS Annual Treasury Report

Dashboard 1

Internal Audit Work Programme Status Update

Approved Audit FY20-21	Provider	Quarter Due	Date Commenced	Management Comments	Reported to FARS
Data Analytics	Crowe	Q3 20-21	Not Started		
People, Recruitment, Retention & Wellbeing	Crowe	TBC - pending commencement of People & Capability Manager	Not Started		
Retained Audit Capacity - 40 hours	Crowe				

Item 8

Attachment 1

Internal Audit Dashboard

Internal Audit – Risk Management Maturity – June 2020						
Finding / Theme	Priority Rating	Action and Owner	Due Date	Milestone Achieved Since Last Report	Milestone For Next Report	Tracking Status
Risk, Governance, Policy and Accountabilities - to improve risk and assurance challenge. With clearer risk escalation.	Not Stated	Develop risk management policy and framework that includes roles and responsibilities. Risk & Assurance Lead	September 2020	Council approved single Regional Council risk management policy and framework.		Closed
Leadership and Direction - Improve linkage of risk informed decision making to strategy. Improving clarity of boundaries for decision making.	Not Stated	Develop a comprehensive risk appetite statement that defines tolerance levels for individual enterprise risks. ELT	March 2021	Redefine Regional Councils enterprise risks context to the new risk policy and framework.	Complete bowties for six enterprise risks and update the FARS risk report one pagers accordingly.	At risk – borders may limit access to trainer / facilitator. Viability of Zoom v delay will be analysed
Leadership and Direction - Risk system continuous improvement.	Not Stated	Incorporate into the risk policy and framework a risk vision. Tailor the Council's risk policy and framework to align to the strategy. Develop a risk maturity roadmap to execute the risk vision. Risk & Assurance Lead	September 2020	Council approved risk policy includes a risk vision that aligns to the C&S approved risk maturity roadmap. And, the risk policy and framework tailored based on HBRC's strategy.		Closed
People and Development - Risk roles and responsibilities beyond the risk and assurance lead were not defined. With no risk related training.	Not Stated	Develop a competency framework to upskill staff on risk and embed the risk policy. Communicate and train BU on the risk policy and framework. Provide targeted training to specialist risk roles e.g. risk champions. ELT and Risk and Assurance Lead	October 2021		In conjunction with Group Managers identify a Risk Champion in each Group.	On track

Tracking Status	Key
On track	Milestones on track to meet due date
At risk	Milestones falling behind putting at risk delivery on due date
Behind	Milestones outstanding due date will not be met
Closed	Corrective action fully implemented

Item 8

Attachment 2

Hawke's Bay Regional Council Covid-19 Response Debrief Learnings

September 2020

Hawkes Bay Regional Council Publication No. 1



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Risk and Assurance

Hawke's Bay Regional Council Covid-19 Response Debrief Learnings

September 2020

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1 Executive summary

1.1 Background

In December 2019 an outbreak of Coronavirus disease (Covid-19) was detected in Wuhan, China. The virus rapidly spread across the globe. On 30 January 2020 the World Health Organisation (WHO) declared the Covid-19 outbreak a 'public health emergency of international concern'. On 11 March 2020 WHO declared Covid-19 a 'global pandemic'.

In New Zealand the first case of Covid-19 was announced on 28 February. The first locally transmitted case was announced exactly one week later on 5 March 2020.

On 19 March 2020 New Zealand's borders were closed to all non-residents. In addition to the border closures any returning citizen, permanent resident, or non-residents with border exemptions were required to self-isolate for 14 days.

To complement the border restrictions and to control the Covid-19 outbreak in New Zealand the Government in conjunction with the NZ Ministry of Health (MOH) updated the pandemic New Zealand response plan and four tier alert system. On 21 March 2020, at the time of the alert level system announcement the Government also confirmed New Zealand would enter alert level 2 in a 'go hard and go early' strategy that attempted to eliminate the disease. With the alert level system confirmed New Zealand Covid-19 response has taken the following path.

Date	Response
21 March 2020	alert level 2 (whole country)
23 March 2020	alert level 3 (whole country)
25 March 2020	alert level 4 (whole country)
27 April 2020	alert level 3 (whole country)
13 May 2020	alert level 2 (whole country)
8 June 2020	alert level 1 (whole country)
12 August 2020	alert level 3 (Auckland region only)
12 August 2020	alert level 2 (rest of country outside the Auckland region)
30 August 2020	alert level 2.5 (Auckland region only)
20 September 2020	alert level 1 (rest of the country outside the Auckland region)
23 September 2020	alert level 2 (Auckland region only)

Each alert level impacts the way in which organisations can operate. With the most significant impacts to organisations being at alert level three and four where non-essential staff are required to work from home. For a period of nearly two months (from 23 March 2020 to 13 May 2020) all of New Zealand operated under either alert level three or four. During this time Hawke's Bay Regional Council (the Regional Council) operated by activating its Business Continuity Plan (BCP). Therefore, a review has been undertaken to capture the learnings and possible improvements to the Regional Council's BCP.

1.2 Scope and Objective

When an organisation operates under business continuity arrangements it is deemed good practice to review the effectiveness of the response. The objective of a review is to identify improvement opportunities to ready the continuity plans to respond to future events more efficiently. At the FARS meeting on 12 August 2020 the Committee requested that a review of the Regional Council's BCP activated in response to the Covid-19 lockdown be undertaken internally by staff rather than by Crowe through the 2020-21 Internal audit plan.

The scope of the review was to look solely at the Regional Council's internal BCP response to lockdown at alert level three and four. The scope specifically excluded Hawke's Bay Civil Defence Emergency Management (CDEM) response. However, it has included the Hawke's Bay CDEM Group's requests for the Regional Council staff time required to staff the Group Emergency Coordination Centre. In addition, the scope of the review excluded additional business activities required under alert level one and alert two. The additional practices under alert level one and two were not deemed extensive and managed as part of BAU without needing the Regional Council to respond under BCP arrangements.

1.3 Approach

The approach to obtain necessary information to undertake the BCP review included:

- an organisational wide staff survey
- a facilitated workshop with organisational leaders using outputs from the staff survey
- other key stakeholder insights, and
- a desktop review of relevant documentation such as HBRC's BCP, pandemic plan and response team structure.

1.4 Summary of Observations

The Regional Council's response to both alert level three and four was commendable. The organisation acted quickly and appropriately adapted when required, and staff felt well supported and informed. No material issues were immediately apparent that highlighted concerns regarding the safe execution of HBRC's critical processes over that time. The final report has not identified any 'high' findings for urgent action that if remained unresolved could jeopardise HBRC's execution of critical processes should the region need to revert back to an alert level three or four lockdown.

In total two findings were assessed as 'medium' with three findings assessed as 'low'. All low findings related to the formal documentation of protocols, activities and procedures implemented to specifically respond to Covid-19. Although, it is acknowledged that specific pandemic health and safety related procedures and protocols were progressively recorded in a Covid-19 safety plan as they were implemented. The report does suggest that specific pandemic safety information along with any newly implemented manual and technical workarounds or communication practices be documented and accessible through the Regional Council's central suite of continuity documents.

The assessment that the Regional Council's BCP response was effective was supported by staff feedback obtained through a council wide staff survey, and a facilitated Regional Council leaders' session. It was noted that the average overall rating for the Regional Council's response to Covid-19 by staff was 8.49 positive on a scale of 1 being poor to 10 being excellent. And that, staff consistently rated the Regional Council's response positive (greater than 80%) across all survey areas.

The final report has been split across five key themes being: continuity documents (BCP, pandemic plans, disaster recovery), communications (internal and external), technology, health and safety and wellbeing, and work distribution. An overview of these observations are summarised following.

1) Continuity Documents

- 1.1 A Group Pandemic Plan (2019) existed for the Hawke's Bay CDEM Group including the Hawke's Bay Regional Council as a statutory member. This was available to provide some clarity on leadership, coordination and agency roles and responsibilities. Processes around staff isolation, segregation and pandemic supplies initiated as part of the Regional Council's Covid-19 response were documented in a Regional Council safety plan as these evolved. Having captured these details, the response will be repeatable should a near-term Covid-19 resurgence lockdown occur in the region. However, to maintain a holistic risk-based response for future pandemics or epidemics and to ensure the Regional Council remains ready to respond to future pandemics or epidemics the Regional Council pandemic safety plan should be explicitly linked to the Regional Council's suite of business continuity documents.
- 1.2 The Regional Council's documented business continuity plan identified the Regional Council's critical processes that enabled an effective pandemic response by prioritising those processes. However, work arounds for critical processes in the BCP could be strengthened using a 'denial' focus: i.e. denial of staff, systems, facilities, and suppliers/services. Rather than the current external hazard approach. This should ensure critical process work arounds respond to a variety of situations including internal operational failing or a localised event e.g. technology/data issues, sabotage that impacts staff availability or building accessibility etc. The recommendation does however acknowledge that there are different ways organisations can approach continuity planning and therefore only suggests a review of the current business continuity structure to determine if there would be business value in adopting a denial-based approach.
- 1.3 While reviewing the continuity documents for the Covid-19 response it was observed that the Regional Council's BCP and disaster recovery plans (DRP) are maintained separately. While this recommendation is not specific to strengthening the Regional Council's Covid-19 response ensuring the BCP and DRP's are connected is important to strengthen the Regional Council's overall business interruption resilience for 'denial of systems' events. Therefore, it is recommended that a review of the Regional Council's DRP be undertaken to assess the significance of any gaps between the BCP's and businesses expectations on the maximum tolerable downtime for availability of ICT services and applications. The gap would be assessed for executing critical processes as identified in the current BCP's in a 'denial of systems' interruption. Corrective actions to close any gaps would be prioritised using a risk-based approach against other business priorities.

2) Communication (Internal and External)

- 2.1 Internal Communication - Staff feedback through both the survey and facilitated session on the effectiveness of internal communication during alert levels three and four was strongly favourable. Staff scored the effectiveness of internal communication as 88% positive. Internal communication channels included: formal Chief Executive Zoom meeting updates, regular HBRC online newsletter (Snappy), regular Line Manager meetings and check-ins via Microsoft Teams, and informal staff catchups through Microsoft Teams. To ensure that the knowledge and process successes of the Regional Council's approach used to communicate with staff while they worked remotely should be formally documented in the Regional Council's suite of continuity documents, for future reference.
- 2.2 External Communication - It was noted that during alert level three and four Covid-19 lockdown the Regional Council were also a lead agency for the Hawke's Bay regional drought response. Responding to two significant regional events simultaneously stretched resources. However, despite this The Regional Council's external communications responding to both situations remained largely effective.

Consistent with this observation only one service level complaint was formally received over the alert level three and our lockdown period. The Regional Council utilised several already established external communication channels for reaching the regional community that included print, social and radio. In addition, for targeted key groups zoom meetings were also

used. This included the governance functions of Council and Council Committee meetings. To assist with future crisis communication preparations, it is recommended that a key stakeholder wheel be developed and contained within the Regional Council's suite of continuity documents so that the wheel is regularly reviewed and updated.

The root cause of the one associated complaint was linked to the aging telephony system which did not allow for calls to be serviced remotely. This issue was subsequently addressed during the lockdown period by diverting all phonelines to the Palmerston North Contact Centre who operate the Regional Council's afterhours BAU calls. This work around requires documenting in the business continuity plan. It is however noted that HBRC are currently upgrading their telephony system which would mitigate the potential for reoccurrence of this type of complaint as calls can be answered remotely.

At the FARS meeting on 11 November 2020 Councillor Kirton provided an observation that utilising the Palmerston North Contact Centre in times of business continuity was not necessarily providing a consistent level of service, when compared to 'business as usual'. Therefore, a review is to be undertaken to determine what additional processes would help to ensure consistency of service when calls are managed by the Palmerston North Contact Centre. And, with the newly upgraded telephony system whether continuity work arounds will utilise the Palmerston North Contact Centre or change to being managed remotely by Regional Council staff.

3) Technology

Staff feedback through both the survey and facilitated session with regards to the Regional Council's technology; use, capacity, availability, and support during alert levels three and four was favourable. Staff felt that transition to working from home was smooth. The availability of IT equipment and help desk support was commendable. Therefore, the Regional Council should update the business continuity plans to sufficiently cover this approach.

4) Health, Safety and Wellbeing

Overall, the additional pandemic health and safety processes worked well. These processes included isolation, remote working, cleaning and cleansing, segregation, contact tracing, and pandemic PPE use. However, some improvement to the design-flow of where the work activities were undertaken at the Guppy Road site to ensure 'work bubbles' remained separated was required. This improvement was proactively identified and remediated during the lockdown three and four alert level response. A particular emphasis was on ensuring site visitors were not a source of cross contamination to work bubbles through 'casual contact'. The corrective actions taken should be documented into the BCP suite of documents for future reference.

5) Work Distribution Including BCP and CDEM Response Resource Tensions

Through the facilitated debrief session with the Regional Council's leaders it was identified that the dependency on Regional Council staff to man Hawke's Bay CDEM (GECC) created some tension with regards to maintaining the Regional Council's processes. It appears this may be due to the rostering system as robust and documented guidelines do exist to direct staff to their primary activity being either CDEM (GECC) response or Regional Council's critical processes. The extended nature of the event may have caused some of the tension as some BAU type activities became a priority for the Regional Council that are not necessarily deemed critical processes when responding to shorter duration events.

Internally some staff felt the work distribution between individual staff was not always equitable. The review of the Regional Council's continuity plans noted under 1) above should consider, where practicable, equity in distribution of process execution.

Attachment 3

Item 8

2 Detailed observations

The tables following provides the detailed assessment findings of the observations made regarding the Regional Council's BCP response to the Covid-19 alert level three and alter level four lockdown.

The Regional Council's response to Covid-19 exceeded staff expectations with feedback from the staff survey strongly evidencing that staff felt well informed and were able to work effectively and safely whether at work or working remotely. Through this Covid-19 experience the Regional Council has been able to test and identify areas to improve BCP, policies and processes to prepare for future crisis events even better.

1.0 Business Continuity and Pandemic Plans		Finding overall rating	Medium
Current situation	Improvement opportunity	Management Comments	
1.1 At the time WHO declared a 'global pandemic' (11 March 2020) a Group pandemic plan (2019) existed for the Hawke's Bay CDEM Group, including Hawke's Bay Regional Council as a statutory member. Through guidance from the Group plan it was observed that at the time of WHO's declaration, the Regional Council had already initiated a structured Covid-19 response. Therefore, by the time the NZ Government responded to WHO's declaration and activated a New Zealand wide alert level three and four lockdown the Regional Council specific pandemic response processes were well advance and being implemented. The Regional Council's pandemic response processes included: staff isolation, segregation, remote working, pandemic PPE and general pandemic supplies. The processes were documented in a pandemic safety plan that now needs linking into the Regional Councils continuity suite of documents to ensure a holistic approach to business continuity and future readiness.	Processes that the Regional Council implemented in response to NZ alert level three and four have been captured within a Safety Plan. This document therefore ensures information is readily available for the Regional Council to efficiently respond, even at short notice, to the Hawke's Bay region reverting back to an alert level three or four Covid-19 resurgence lockdown. However, to confirm that a holistic risk-based response for future pandemics or epidemics is maintained and that the Regional Council remains ready to respond to future pandemics or epidemics the Regional Council pandemic safety plan should be linked to the key business continuity suite of documents such as the business continuity plan (BCP). This integrated planning approach will safeguard the Regional Council's Health and Safety risks from the pandemic/epidemic while managing other business risks that arise through the business disruption from the pandemic/epidemic. Pandemic plans integrated with the continuity plan will ensure: a holistic approach, require regular review, and oversight that critical pandemic PPE stocks etc. are effectively maintained.	Actions Review the current continuity suite of documents to identify improvement opportunities. Develop an implementation plan to prioritise any remediation to the high impact areas. Responsible person Risk and Assurance and ICT Date of implementation Risk assessment and development of an implementation plan to assign remediation responsibilities March 2021	

1.0 Business Continuity and Pandemic Plans		Finding overall rating	Medium
Current situation	Improvement opportunity	Management Comments	
1.2 The Regional Council's documented business continuity plan had identified the Regional Council's critical processes. This enabled the Regional Council to respond with an effective pandemic response by prioritising those processes. However, work-arounds for critical processes within the BCP could be strengthened using a 'denial' focus: i.e. denial of staff, systems, facilities, and suppliers/services rather than an external hazard approach. This should ensure critical process work-arounds respond to a variety of situations including internal operational failing or a localised events e.g. technology/data issues, sabotage that impacts staff availability or building accessibility etc. By way of example working through the Regional Council's Covid-19 response, the initial response was focused on staff safety and wellbeing and not being able to come to their usual place of work referred to as 'denial' of facilities. However, if the situation worsened and many staff became ill with Covid-19 this situation could require an additional response known as 'denial' of staff. Or, if key suppliers were impacted the additional response required would be known as 'denial of suppliers'.	There are many ways organisations can approach the development continuity plans. It is also acknowledged the Regional Council's current documented continuity plans appear to be effectively identifying the Regional Council's critical processes. However, while not a high priority the Regional Council's should review its current approach to developing the continuity plans to determine whether there is value in the Regional Council adopting a more holistic risk based 'denial' approach. This approach could be adopted as continuity plans are up for review and renewal.	Remediation to integrate Continuity document TBC based on risk assessment but likely to occur over a 2-year time period. With higher risk areas prioritised first.	

1.0 Business Continuity and Pandemic Plans		Finding overall rating	Medium
Current situation	Improvement opportunity	Management Comments	
1.3 While not specific to the Covid-19 review while data gathering for the review it was identified that the Regional Council's BCP's and DRP are maintained separately. Therefore, this recommendation will strengthen the Regional Council's overall business interruption resilience but does not specifically improve the Regional Council's Covid-19 response. Ensuring the BCPs and DRP are connected is important to strengthen the Regional Council's overall business interruption resilience for 'denial of systems' events. For example, the DRP needs to be informed by the BCP's on the maximum tolerable downtime, given the practicalities of the BCP manual work-arounds, so that the business can ensure its IT systems and applications are able to be restored within the tolerable time for all critical processes. To close any gaps between the business expectations and the IT capability either: additional resilience and redundancy may need to be added to the IT architecture to reduce the time of the outage, or, manual workarounds for critical processes within the BCPs will need to be improved so they are sustainable over a longer period. The decision would need to apply risk-based thinking.	A review to prioritise the Regional Council's DRP should be undertaken to assess the significance of any gaps between business expectations of availability of IT systems and applications under a 'denial of systems' scenario based on the Regional Council's current state redundancy. DRP forms part of ISO27001 – Information security management system.		

2.0 Communication (Internal and external)		Finding overall rating	Low
Current situation	Improvement opportunity	Management Comments	
<p>2.1 Internal Communication</p> <p>Staff feedback regarding internal communication during alert level three and four lockdowns was favourable. Staff scored the effectiveness of internal communication as 88% positive. Internal communication channels included: formal Chief Executive Zoom meeting updates, regular the Regional Council online newsletter (Snappy), regular Line Manager meetings and check-ins via Microsoft Teams, and informal staff catchups through Microsoft Teams positive.</p>	<p>Ensure the successful approach used to communicate with staff while working remotely is formally documented in either the Regional Council's suite of continuity documents.</p>	<p>Actions</p> <p>Update Continuity suite of documents</p> <p>Responsible person</p> <p>Marketing and Communications supported by Risk and Assurance</p> <p>Date of implementation</p> <p>March 2021</p>	
<p>2.2 External Communication</p> <p>It was noted that during alert level three and four of Covid-19 lockdowns the Regional Council was also one of the lead agencies for the Hawke's Bay Regional drought. Responding to two significant regional events simultaneously stretched resources. However, despite this the Regional Council's external communications were assessed as largely effective. The Regional Council communicated externally with the mass market using several mediums that include print, social and radio. In addition, during the Covid-19 alert level three and four lockdown and regional drought key stakeholder groups were successfully targeted remotely using technology such as Zoom and Microsoft Teams. Key stakeholder groups included governance (Council and Council Committees) and other strategic partners. Developing a key stakeholder wheel may assist with oversight and assurance that external communications are effectively tailored in response and reach for specific future crises, and that, the impacted stakeholder groups are promptly communicated with.</p> <p>A review of the complaints database supported the conclusion that that external communications were largely effective, with only one associated complaint received. That complaint related to the timeliness of servicing public phone calls. The root cause of the complaint linked to the aging telephony system which did not allow for calls to be serviced remotely. As an immediate and interim work around all calls went to voicemail. Voicemails were then emailed to customer service staff for same day</p>	<p>Formalise a key stakeholder wheel to assist with identifying key group and tailoring messaging for those groups that are relevant to the specific crisis. The key stakeholder wheel should be contained within the business continuity suite of documents.</p> <p>Ensure the newly implemented work-around for the Regional Council's aging phone system is documented in the BCP.</p> <p>Undertake a review to determine what additional processes would help to ensure consistency of service when calls are managed by the Palmerston North Contact Centre. And, with the newly upgraded telephony system whether continuity work arounds will utilise the Palmerston North Contact Centre</p>	<p>Actions</p> <p>Undertake a review of switchover processes to the Palmerston North Contact Centre to ensure in times of business continuity and during 'after hours' 'business as usual' service levels are maintained. In the review consider capabilities of the new</p>	

2.0 Communication (Internal and external)		Finding overall rating	Low									
Current situation	Improvement opportunity	Management Comments										
<p>follow up. However, the delay in servicing of phone calls did not in all cases meet customer expectations resulting in a complaint. A more permanent work around was implemented, where phonelines were diverted to Palmerston North Contact Centre. The Contact Centre manages the Regional Council BAU after hours calls.</p> <p>At the FARS meeting on 11 November 2020 Councillor Kirton provided an observation that utilising the Palmerston North Contact Centre in times of business continuity was not necessarily providing a consistent level of service, when compared to 'business as usual'. Therefore, a review is to be undertaken to determine what additional processes would help to ensure consistency of service when calls are managed by the Palmerston North Contact Centre. And, with the newly upgraded telephony system whether continuity work arounds will utilise the Palmerston North Contact Centre or change to being managed remotely by Regional Council staff.</p> <p>Throughout alert level three and four lockdown Facebook was effectively used as the Regional Council's main medium to interact with the mass market. Comments were monitored and where needed responded to by using the most appropriate channel. Below is an extract of the top target communications via Facebook for April 2020. During the month of April, the Regional Council initiated 61 posts that had a combined total reach of 212009 that resulted in 8270 post engagements. Post engagements increased between March 2020 and April 2020 by 60% as a proportion of initiated posts.</p>	<p>or change to being managed remotely by Regional Council staff</p>	<p>telephony system to improve continuity workarounds.</p> <p>Responsible person Corporate Support Manager.</p> <p>Date of implementation March 2021</p>										
<table><tr><th colspan="3">Extract of the Regional Council's Top Social Media Posts For the Month of April 2020</th></tr><tr><th>Top Posts</th><th>Reach</th><th>Reactions, Comments, Shares</th></tr><tr><td></td><td></td><td></td></tr></table>				Extract of the Regional Council's Top Social Media Posts For the Month of April 2020			Top Posts	Reach	Reactions, Comments, Shares			
Extract of the Regional Council's Top Social Media Posts For the Month of April 2020												
Top Posts	Reach	Reactions, Comments, Shares										

Attachment 3

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2.0 Communication (Internal and external)				Finding overall rating	Low
Current situation			Improvement opportunity	Management Comments	
We caught this motorcyclist hooning down Awatoto towards Waitangi this week. Our parks and trails are only open for walkers and cyclists; no vehicles or motorcyclists are allowed.	22,467	713			
As we settle into the third week of the COVID-19 Alert Level 4 lockdown, some of our Councillors have shared their own messages of support, from within their bubbles to yours...	10,791	300			
The Hawke's Bay Rural Advisory Group is urging drought-stricken farmers to seek advice and plan ahead for the winter, particularly as the severe drought deepens in Central Hawke's Bay	10,371	225			

3.0 Technology		Finding overall rating	Low
Current situation	Improvement opportunity	Management Comments	
3.1 Staff feedback on the: usability, availability and technological support during the alert level three and four lockdowns was positive. Staff felt the transition from being office based to working from home was smooth. The availability of IT equipment and IT helpdesk support was noted as commendable in the staff survey and at the facilitated workshop with leaders. The only area where improvement was noted was switch-over of customer calls that was constrained by aged technology (refer finding noted above under 2.2 external communication).	Ensure the business continuity suite of documents are updated to capture IT processes and hardware requirements identified to implement an effective work from home strategy.	Actions Refer comments in 1 – this will form part of the BCP and DR integration plan Responsible person Risk and Assurance and ICT Date of implementation See action 1 above	

4.0 Health, Safety and Wellbeing		Finding overall rating	Low
Current situation	Improvement opportunity	Management Comments	
4.1 Overall, the additional pandemic health and safety processes to protect the Regional Council's essential workers operated well, these processes included isolation, remote working, cleaning and cleansing, segregation, contact tracing, and pandemic PPE use. Work bubbles operated efficiently. However, some improvement to the design-flow of where the work activities were undertaken at the Guppy Road site to ensure 'work bubbles' remain separated was required. This improvement was proactively identified and remediated during the lockdown three and four alert level response. The improvement ensured site visitors were not a source of cross contamination to work bubbles through 'casual contact'. The corrective actions taken to improve the work bubble concept at Guppy Road should now be documented into the BCP suite of documents through the linked pandemic safety plan for future reference.	Ensure the pandemic safety that links to the continuity suite of documents is updated to incorporate any additional processes and actions undertaken to ensure 'work bubbles' were not subject to cross-contamination	Actions Ensure the pandemic safety plan is up to date with the most recent pandemic response processes Responsible person Senior Health and Safety Advisor and Team Leader – Hazard Reduction Date of implementation February 2021	

5.0 Work Distribution Including BCP and CDEM Response Resource Tensions		Finding overall rating	Medium
Current situation	Improvement opportunity	Management Comments	
<p>Through the facilitated debrief session with the Regional Council's leaders it was identified that the dependency on Regional Council staff to man Hawke's Bay CDEM (GECC) created some tension with regards to maintaining the Regional Council's processes. It appears this was due to the rostering system as it was noted that robust and documented guidelines to effectively direct staff to their primary activity CDEM (GECC) response or Regional Council's critical processes does exist. The extended nature of the event may have also contributed to some of the tension as some BAU type activities became a priority for the Regional Council e.g. planning and policy development that would be less likely in a one off significant event that was shorter in duration. Due to the protracted nature of the event a conscious decision was made to manage the response using a BAU ELT structure rather than Coordinated Incident Management System (CIMS) structure. This meant that while ELT were meeting on a weekly basis Tier 3 people manager representatives were not necessarily contributing directly into those meetings.</p> <p>It was identified through the staff survey that internally some staff felt the work distribution between individual staff was not always equitable.</p>	<p>Review the rostering system for prolonged and slow-moving events (such as a pandemic) to identify modifications.</p> <p>Actions being undertaken to review the continuity plans under finding 1.0 above should also consider whether critical process work-arounds can be assigned more broadly across staff. With the aim to ensure a more equitable distribution of those tasks.</p>	<p>Actions Improved rostering system to better manage staff resourcing requirements.</p> <p>Responsible person Team Leader – Hazard Reduction</p> <p>Date of implementation December 2020</p>	

3 Acknowledgements

To undertake the review and debrief of The Regional Council's Covid-19 response several staff were required to input into the creation of this document. Those staff include:

- All staff
 - For completing the staff Covid-19 response survey
- The Regional Council people leaders
 - For participating in a facilitate Covid-19 response debrief session
- Lisa Pearce
 - prepared, distributed, collated and analysed the staff survey
 - facilitated the leaders debrief session, and
 - provided documentation and insight on documentation including, The Regional Council's continuance plan, CDEMs pandemic plan, CDEM and The Regional Council's CIMS response structure
- Natasha Blunden
 - Note taker at the facilitated The Regional Council people leaders debrief session
- Drew Broadley
 - Information and statistics on The Regional Council's Facebook use for April 2020 and general overview of external communications
- Stacey Rakiraki
 - Information and statistics on The Regional Council's customer service and complaints register during the lockdown period
- Kirsty McInnes
 - High level update on health and safety processes implemented in response to Covid-19

**HAWKE'S BAY REGIONAL COUNCIL
FINANCE AUDIT & RISK SUB-COMMITTEE**

Wednesday 11 November 2020

Subject: 2019-20 ANNUAL TREASURY REPORT

Reason for Report

1. This item provides an annual update of the Council's investment activity and reports the performance of the Council's investment portfolio for the year ending 30 June 2020.

Background

2. The Investment management reporting requirements, outlined within Council's Treasury Policy, requires Officers to report to the Finance Audit & Risk Sub-Committee (FARS) on the Council's investment allocation and investment performance.
3. As stated within the Policy, all Treasury investments are required to be reported on quarterly, with other defined investments reported annually. A general outline of the reporting requirements is listed below.

Minimum update to FARS	
Quarterly	Annually
Liquidity	Investment property
Financial assets	Forestry assets
CCTO - HBRIC	Intangible assets
	Napier / Gisborne Rail

4. Officers continue to welcome feedback from FARS to improve and further develop the reporting process and to highlight any specific gaps of information they would benefit from.

Discussion

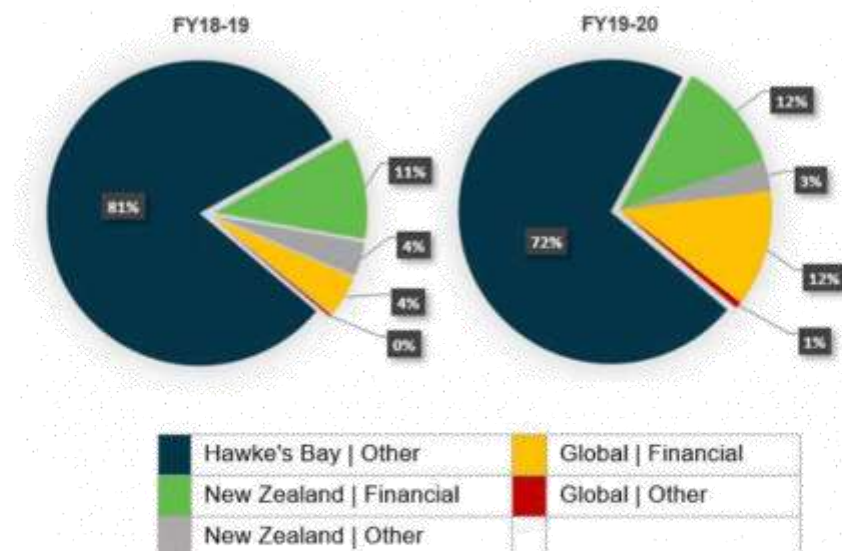
5. The Annual Treasury report is written as at 30 June 2020, and reports on:
 - 5.1. Investment Portfolio Summary
 - 5.2. FY19/20 Performance Summary
 - 5.2.1. Napier Port (PONL) IPO
 - 5.2.2. Other
 - 5.3. Liquidity
 - 5.3.1. Cash & Cash Equivalents
 - 5.3.2. Debt
 - 5.4. Financial Assets
 - 5.5. Investment Property
 - 5.6. Forestry Assets value
 - 5.7. Intangible Assets (Carbon Credits)
 - 5.8. Napier / Gisborne Rail
 - 5.9. CCTO – HBRIC

Investment Portfolio Summary

6. The below table is an extract from HBRC Balance sheet, which shows the complete list of HBRC assets as at 30 June 2020:

Asset	FY18/19		FY19/20		Change \$000
	\$000	%	\$000	%	
Cash & cash equivalents	28,436	4.0	6,522	0.7	(21,914)
* Trade & other receivables	10,063	1.4	11,327	1.3	1,264
* Inventories	113	0.0	452	0.1	339
Advances to CCO	6,500	0.9	-	0.0	(6,500)
Other financial assets	55,700	7.8	124,366	13.9	68,665
Managed Funds	41,910	75.2	111,073	89.3	69,163
* Other	13,791	28.5	13,293	10.7	(498)
Investment property	48,393	6.8	57,855	6.5	9,462
* Forestry assets	11,482	1.6	11,087	1.2	(395)
Intangible assets	7,347	1.0	10,096	1.1	2,749
Napier / Gisborne Rail	236	0.0	1,486	0.2	1,250
Investment in HBRIC	340,396	47.9	457,260	51.0	116,864
* Property, plant & equipment	27,473	3.9	28,574	3.2	1,101
* Infrastructure assets	174,709	24.6	187,387	20.9	12,678
Total Assets	710,848	100.0	896,412	100.0	185,564
Total 'Investment Assets'	487,008	68.5	657,585	73.4	170,577
* These assets aren't considered 'Investment Assets' and are excluded from this report. They will however be reported on as part of Council's Annual Report.					
- Note amounts listed above are subject to Audit sign off.					

7. The graphs below illustrate geographically, where Councils investments are located.
8. The percentages equate to the percentage of total Council investment portfolio.



9. The graphs demonstrate the response to HBRC Long-Term Plan (LTP 2018-28) strategy, which pursued the strategy of diversifying the Council's investment base, thereby de-

risking reliance on the Hawke's Bay region and/or income derived from any one asset class.

10. The diversification of the investments base was less than anticipated over the past 12 months as a result of the extraordinary value increase realised in PONL. In spite of Council divesting 45% of its ownership, the investment value increased by \$71M. As at 30 June 2020, PONL still accounts for ~60% of the total investment portfolio.

FY19/20 Performance Summary

11. The tables below show Actuals against the Annual Plan's income and funding derived by Councils investments.

Income	FY19/20 Annual Plan		FY19/20 Actuals		Variance Actual v. Plan	
	\$000	%	\$000	%	\$000	%
Other financial assets	7,727	8	3,422	3	(4,305)	44
Managed Funds	6,650	86	2,530	74	(4,120)	38
Interest	1,077	14	892	26	(185)	78
Investment property	2,284	2	2,343	2	59	103
Endowment leasehold land	1,443	63	1,500	64	57	104
Wellington Leasehold land	841	37	843	36	2	100
Napier / Gisborne Rail	-	-	-	-	-	-
Investment in HBRIC	90,900	90	109,583	95	18,683	121
PONL Dividend	7,900	9	2,500	2	(5,400)	32
IPO 'special' Dividend	83,000	91	107,083	98	24,083	129
Income Total	100,911	100	115,348	100	14,437	114

12. The FY19/20 income result reflects six months from the first reports of Covid-19 in China, and the global impact from it thereafter.
 - 12.1. Other Financial Assets: namely the two Managed Funds, performed as expected up to Q2, took a significant hit in Q3 and with support from significant global fiscal support packages made a rebound in Q4.
 - 12.2. As a result of the numerous global fiscal packages, gains in equity 'valuations', when compared to low interest rates, cash investments are now more appealing.
 - 12.3. Investment Property: Endowment land property has out-performed expectations, with the market value of the land increasing by ~\$9M in FY19/20. However, the nature of the agreement to sell future rents to ACC limits the benefit and therefore both land property's performed as expected.
 - 12.4. Investment in HBRIC: The success of the PONL listing is detailed below.
13. The overall FY19/20 performance saw a \$14.4M or 14% favourable variance in regard to income generation. This is effectively the net of the \$24M favorable IPO 'special' Dividend offsetting the \$9.5M shortfall from the Managed Funds & PONL Dividend. However, as the \$24M is ring fenced, there was still a \$9.5M shortfall in forecasted FY20 Annual Plan Revenue.

PONL IPO Summary

14. On 20 August 2019, Council successfully listed the minority share of PONL on the NZX; resulting in HBRIC receiving \$107M cash proceeds in exchange for 45% of capital, an additional \$27M compared to the LTP expectations.
15. As part of the LTP 2018-28 consultation, funds received through this capital liquidation were to establish a 'ring fenced' 'Future Investment Fund' (FIF). As a consequence of

being 'ring fenced', Council cannot reinvest the 107M received for the capital without initial community consultation.

16. Furthermore, as a result of an unfavourable IRD binding tax ruling, \$35M of the \$107M received was financially impractical to transfer as planned from HBRIC to HBRC. Transferring the additional amount would have created onerous tax consequences. The capital achieved over and above the LTP forecasted \$83M would initially remain in HBRIC due to tax consequences.
17. Following the unfavourable binding ruling decision, HBRIC continued to explore options to transfer the IPO funds in a tax efficient manner to HBRC. Upon consultation with PwC a decision was made in June 2020 by Council and the HBRIC board to transfer/ sell circa 16M of Jarden held domestic investments to HBRC in return for an interest-bearing loan. This arrangement transferred all risks and rewards of ownership of the funds to HBRC and enabled HBRC to benefit from future earnings and capital gains of the investments transferred.
18. The remaining \$45M is invested by HBRIC and governed by the HBRC SPIO.
 - 18.1. As part of the Investment Strategy of the LTP 2021-31, the SIPO of HBRIC will be considered to take advantage of the benefits a CCTO has over Local Government.

PONL IPO Proceeds breakdown summary:				
	IPO \$000		HBRIC \$000	HBRC \$000
Gross IPO Proceeds	108			
Net IPO Proceeds * Ring Fenced Amount	107	>		
Fully Imputed Dividend Paid to HBRC				44
FIF still held in HBRIC			35	
FIF HBRC			27	
Internal Loans			(17)	17
Total	107	>	45	61

Liquidity - Cash & Cash Equivalents

Asset	FY19/20		
	\$000	%	%
Cash	4,022		61.7
* HBRC Held Cash	3,553	88.3	
Works Group	138	3.4	
Other – managed trusts	330	8.3	
Short-term bank deposits	2,500		38.3
- Cash & and cash equivalents	6,522		100

* \$650k is marked to rebalance the disaster damage reserve referenced in the report.

- The remaining Term Deposit was invested for 84 days & returned 1.65%.

19. With the Reserve Bank of New Zealand (RBNZ) currently setting unprecedented monetary policy easing, forecasted returns from Cash and Cash Equivalents type investments will remain low when compared to Pre Covid-19 levels.
20. This change is unfavourable for the FY20-21 Annual Plan forecast where forecasted interest earned from Cash and Cash Equivalents was 4.5%. Offsetting this however, will be lower interest rates charged on borrowing and the HBRC held Cash and cash equivalents used predominately for working capital requirements, rather than investment income.
 - 20.1. The following graph displays HBRC daily closing cash position for the FY19/20.



21. As per the Treasury policy, a minimum \$3M liquidity should be accessible at all times.
22. The low material points seen in January/February are a result of rates being seen to be due in February 2020. Low points in May/June are loans yet to be drawn for debt funded activities such as Sustainable Homes and The Erosion Control Scheme. These loans were drawn in July 2020.
23. The Treasury Accountant reports weekly to the CFO on HBRC short term cash position (up to 13 weeks).

Debt Management

24. HBRC External Loans drawn as at 30 June 2020:

Loan Id	Bank	Loan Type	Interest Rate %	Amount drawn \$000	Execution	Maturity
1062	BNZ	Fixed	6.4600	500	07 Jul '11	30 Jun '21
R0423LF63	LGFA	Floating	1.5875	1,000	10 May '19	15 Apr '23
1068	BNZ	Fixed	5.7500	1,000	22 Jun '12	22 Jun '22
1072	BNZ	Fixed	6.4500	2,450	09 Dec '03	09 Dec '23
1076	BNZ	Fixed	5.7400	2,925	18 Dec '14	18 Dec '24
1078	BNZ	Fixed	4.8500	2,600	16 Dec '16	15 Dec '26
92	Westpac	Fixed	5.0950	2,750	14 Dec '15	18 Dec '25
93	Westpac	Fixed	4.5500	3,000	14 Dec '17	15 Dec '27
R0429LF63	LGFA	Floating	1.2875	1,500	10 May '19	15 Apr '29
Average			4.5986	17,725		

FY Year	Repayments		
	Principal \$000	Interest \$000	Total \$000
FY21	3,650	896	4,546
FY22	3,150	532	3,682
FY23	3,650	374	4,024
FY24	2,300	230	2,530
FY25	1,625	135	1,760
FY26	1,050	75	1,125

FY Year	Repayments		
	Principal \$000	Interest \$000	Total \$000
FY27	600	39	639
FY28	200	23	223
FY29	1,500	15	1,515
Total	17,725	2,319	20,044

25. Officers have considered refinancing the higher interest rate loans with the BNZ and Westpac Banks with a lower interest rate with the LGFA. Unfortunately, as detailed below, the penalties associated with early repayment, results in this being a \$324k unfavourable option.
26. Prior to the 2018-28 Treasury Policy, exposure to fixed / floating interest rates was not prescribed through policy and therefore a more conservative approach was taken to borrow at fixed rates. Unfortunately, in the current environment this has seen Council commit longer to higher fixed amounts. To mitigate this exposure, new borrowing considers hedging interest risk with a combined of floating/fixed rate exposure.

Consideration to Refinance	Interest \$000	Total \$000
BNZ early break fee	(735)	
Westpac early break fee	(528)	
LGFA Interest Charged at 1.1804% for 6.75 years	(1,169)	
Total Refinancing Costs		(2,432)
Westpac & BNZ Interest on current loans held	2,108	
Remain as is		2,108
Savings / (costs)		(324)
* The opening balance differs to the \$17.2M above as calculations were performed in FY20-21 Q1.		

Borrowing Limits

Ratio	HBRC %	LGFA %	Actual %
Net external debt as a % of total revenue	< 150	< 175	19.6
Net interest on external debt as a % of total revenue	< 15	< 20	1.2
Net interest on external debt as a % of annual rates income	< 20	< 25	4.2
Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	> 10	> 10	65.9

27. The ratios mentioned above are self-imposed for HBRC and are covenant requirements for LGFA. HBRC imposed amounts will be reviewed as part of the Treasury policy review for the 2021-31 LTP.

Other financial assets

Managed Funds (excluding HBRIC)

28. The Managed Funds referred to in this section is the entire LTIF, as it sits solely on HBRC Balance Sheet, and \$61M of the FIF which held by HBRC.
29. At 30 June 2020 the total original capital invested by HBRC was \$107.1M. At 30 June the value of both investments was valued at \$111M.

Quarter ending Fund balances.

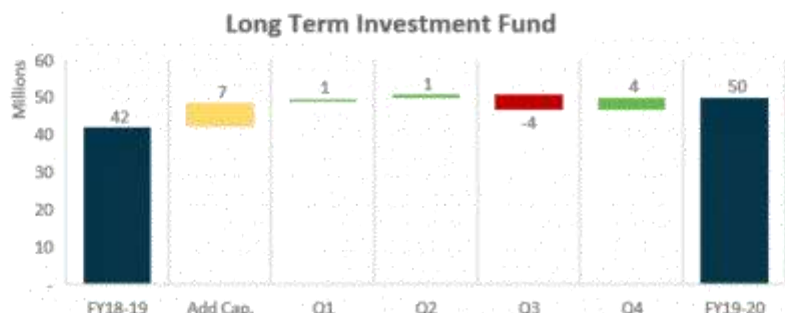
Fund	FY18/19	Q1	Q2	Q3	FY19/20
	\$000	\$000	\$000	\$000	\$000
LTIF	41,926	49,539	50,674	46,305	49,922
FIF	-	43,967	44,724	41,712	61,105
Total	41,926	93,506	95,398	88,017	111,027

30. By outlining the investment balance at the start/end of each quarter in the table above, the volatility throughout FY19/20 can be clearly seen. While market volatility does create periodic uncertainty, the downs (and ups) will continue occur from time to time. The strategy of diversifying an asset base is by far the best way of safeguarding any investment as it exposes the investment to the full spectrum of any global market movements.
31. The investment strategy aims to provide capital protection for intergenerational benefit, meaning these managed funds should always be considered with a long-term view. Reacting to short term shifts in the market can have a significant financial impact in the longer term.
32. As part of the ongoing investment strategy workshops for the 2021-31 LTP, the Treasury policy and SIPO will be reviewed with recommendations made to ensure any changes to the financial strategy are reflected in these documents.

Long Term Investment Fund (LTIF) - Income

	Annual Plan	Actual	Variance
Opening Balance - 01 July 2019		41,926	
Additional Capital Invested		6,578	
	50,000	48,504	(1,496)
Maintain Capital Value	1,667	1,418	(249)
Fund Council Operating Costs*	2,500	-	(2,500)
Fund Regional Reserves/Loans	833	-	(833)
Closing Balance - 30 June 2020	55,000	49,922	(5,078)

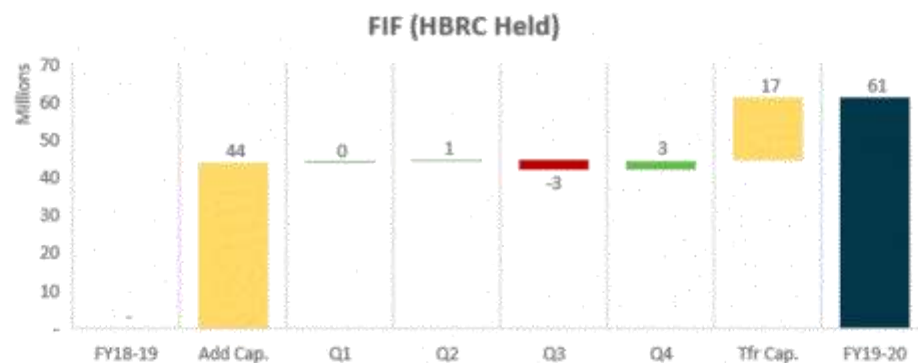
33. The LTIF actual income of \$1.4M is attributed to:
 - 33.1. Fund earned Dividends/Interest: \$0.4M
 - 33.2. Fund Capital Gain: \$1.0M
34. Direct investment into the LTIF is \$46.6M.
35. Adjusted for CPI, \$48M is protected capital.
36. This equates to a potential cash withdrawal for HBRC of up to \$1.9M.
37. It should be noted that the \$1.9M is a life to date amount, not a FY19/20 amount.



Future Invest Fund HBRC (FIF HBRC) – Income

	Annual Plan	Actual	Variance
Opening Balance - 01 July 2019		-	
Additional Capital Invested		60,564	
	83,000	60,564	(22,436)
Maintain Capital Value	1,660	541	(1,119)
Fund Council Operating Costs*	4,150	-	(4,150)
Fund Regional Reserves/Loans	-	-	-
Closing Balance – 30 June 2020	88,810	61,105	(27,705)

38. As a result of the unfavourable binding ruling, less of the Napier Port IPO proceeds were passed through to HBRC, however these are held in a mirrored FIF fund in HBRIC.
39. The FIF (HBRC) actual income of \$0.5M is attributed to:
 - 39.1. Fund earned Dividends/Interest: \$0.2M
 - 39.2. Fund Capital Gain: \$0.3M
40. The FIF HBRC balance of \$61.1M includes \$61.8M of protected capital.
41. This equates to a potential cash withdrawal for HBRC of \$0.0M.

**Government bonds and Other Funds in Management***Regional Disaster Reserve (RDR)*

42. Incorporated as part of the LTP 2018-28, the RDR is set aside to meet the commercial insurance excess of \$600,000 on a 'disaster event.
43. Per Council Policy, the RDR must have liquid investments available above \$2.75M.
44. During FY2019/20 \$200k was utilised from the reserve to put towards the HB drought relief fund.
45. At 30 June 2020 the reserve balance was \$2.8M.

Type	Maturity	Return %	FY19/20		
			Interest Earned \$000	Capital Gain \$000	Value \$000
GOVT Inflation-indexed bonds	20/09/2030	3	16	9	545
GOVT Inflation-indexed bonds	20/09/2025	2	6	5	280
LFGA Fixed Rate Bond	15/04/2023	5.5	10	-	175
Total (A)			32	14	1,000

Fund Manager	Fund	5 Year Avg. Return %	Comment	FY19/20 Value 000
Milford	Active Growth	10	A medium to high risk investment, with focus of ASX.	121
Devon	Alpha Fund	5.18	A higher risk investment, with a concentrated portfolio of approx. 10-15 selected companies listed on the NZX and ASX.	66
Platinum	International	5.40	A medium risk investment, with a portfolio of 70-140 companies from across industry sectors and geographically spread.	177
Platinum	Asia	10.7	A medium to high risk investment, with a diversified portfolio of Asian (ex-Japan) companies across industry sectors.	75
Orbis	Global	8.5	A medium to high risk investment. The Fund is designed to remain fully invested in global equities. It aims to earn higher returns than world stock markets.	166
Orbis	US	(2.1)	The Fund seeks capital appreciation in US dollars on a low risk global portfolio.	76
MMC Fund	Aspiring	10	A medium risk investment. The Fund principally invests in NZX, ASX and Globally listed equities. The principal objective of the Fund is to achieve positive absolute returns averaging at least 4% over inflation	135
Total (B)				816
Prior Year Returns & Cash Total (C)				963
DDR Total (A+B+C)				2,779

Investment Property

Property	FY18/19		FY19/20		Change 000
	000	# of Properties*	000	# of Properties*	
Endowment leasehold land	30,645	168	39,630	160	8,985
Wellington Leasehold land	17,300	12	17,750	12	450
Property at Tutira	450	1	475	1	25

Property	FY18/19		FY19/20		Change
	000	# of Properties*	000	# of Properties*	000
Total	48,395	181	57,855	173	9460

* The number of properties is different to the number of leases because of multiple dwellings etc.

Endowment leasehold land

46. The Endowment leasehold portfolio comprises of 160 individual leases, with all but 1 (commercial) being residential leases. The majority are perpetually renewable ground leases, renewable every 21 years at a prescribed rent at 5% of the land value when reviewed.
47. As per the Hawke's Bay Endowment Land Empowering Act, Freeholding the land is permitted to only the sitting lessees and this is occurring steadily, although the rate is slowing as the proportion of cross leases remaining increases where freeholding is more complex.
48. On 17 December 2013, HBRC sold its entitlement to the next 50 annual rents of the endowment land to ACC for \$37.7M to ACC; effectively creating a present-day value of a \$172M loan discounted at 6.88%. These funds were originally budgeted against RWSS, though has been invested as part of the LTIF.
49. When accounting for the ACC agreement, the Endowment leasehold land incurred a \$1.3M outflow of cash for the FY19/20 year as detailed below:

Financial Performance:		\$000	\$000
Annual Rent Collected		1,500	
Collection Cost (ACC)		90	
			1,590
ACC minimum repayment		(855)	
PV of Freeholding (paid to ACC)		(1,800)	
Gain/(Loss) on Value sold, when compared to present value		(260)	
			(2,915)
Total			(1,325)

50. The agreement assumed the Endowment Lands increased at 1.5% year on year. Although the Napier Market is presently out performing this assumption, when a section is freeholded HBRC must pay out the present value of the remaining years rent previously sold to ACC which in effect reverses any upside for HBRC. This resulted in \$1.8M or 18 leases being paid out in FY2019-20.
51. It is likely that in the near future, this agreement will continue to heavily favour ACC, as HBRC will likely be paying back any freeholded properties faster than it was assumed. In the longer term, it will be less onerous as the percentage of cross lease leaseholds grows, and whereby freeholding is generally more complex, and it is likely only rental payments will be due.
52. As at 30 June 2020, the minimum repayment to ACC is \$45.1M, relating to the 159 leases, 90 single and 69 cross leases.

Wellington Leasehold Land

53. The Wellington portfolio comprises of 12 individual leases, within the main, inner city residential areas of Wellington City. The majority are perpetually renewable ground leases, renewable every 14 years. At a prescribed rent between 5.00-5.25% of the land value when reviewed.

54. Annual rent received for the FY19/20 was \$843k, representing a 5.1% cash return on Investment.
55. As part of the required Annual Reporting process, an annual valuation is completed on the properties. The FY2019-20 saw the investment grow \$0.5M (capital gains).

Future lease renewals

56. As a requirement of the Treasury policy, below shows the leasehold properties up for renewal:

Location	Lease renewals				
	FY21	FY22	FY23	FY24	FY25
Endowment	20	16	3	8	5
Wellington	-	1	1	3	-
Total	20	17	4	11	5

57. As indicated above, renewals are important to the HBRC forecast, as rent requirements are set based on the Land Market Value at renewal.

Intangible Assets

Asset	FY-18-19		FY19-20	
	\$000	%	\$000	%
IT Software	5,342	65.7	6,148	60.9
* Carbon Credits	2,785	34.3	3,948	39.1
Intangible Assets	8,127	100	10,096	100

* NZU value at 30 June 2020 \$31.90, this is compared to \$23.10 in 2019.

58. 3.1 NZU (Carbon credits) have been gained through the normal forestry and berm enhancement operations of Council.
59. Council policy is to only sell safe carbon which would offer no liability to repay credits at harvest.

Napier/Gisborne Rail

60. In February 2019, HBRC agreed to advance KiwiRail \$1.25M as a contribution towards the reinstatement of the log freight service between Wairoa and Napier.
61. Repayment of the \$1.25M, along with interest, will happen when log volumes of the line for a 'rolling' 6-month exceeds 90,000 tonnes.
62. Due to the Covid-19 market downturn, KiwiRail closed the line in February 2020. The 12 months (July 2019 – June 2020) volumes were 1,946 tonnes.
63. Current indications from KiwiRail's are that the line will target to achieve a rolling 6-month tonnage of 39,000 tonnes, or 43% of the required 90,000 tonnes.
64. HBRC currently does not forecast of any early repayment of the Loan, with a final settlement due in 2025.

HBRC

Overall Summary

65. Subject to audit sign off, HBRIC's Net Profit after Tax was \$218M.
66. Dividends passed from HBRIC to HBRC were \$46.5M.

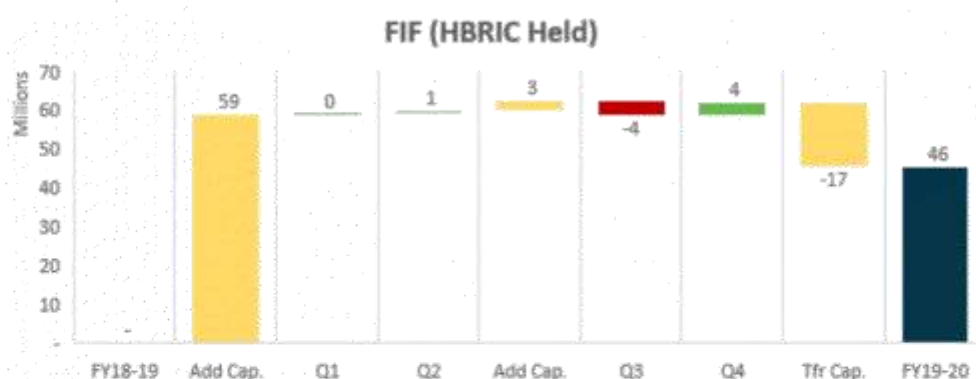
67. At year end, 30 June 2020, HBRIC held 55% of the capital in NPHL, which was valued \$396M or \$3.60 p/s.
68. HBRIC currently holds \$1.1M Imputations Credits, which equates to ~\$4m of funds able to be transferred to HBRC Tax Free.

Fund	FY18-19	Q1	Q2	Q3	FY19/20
	000	000	000	000	000
FIF	-	59,009	60,041	58,452	45,620
Total	-	59,009	60,041	58,452	45,620

Future Invest Fund HBRC (FIF HBRIC) - Income

	Annual Plan	Actual	Variance
Opening Balance - 01 July 2019		-	
Additional Capital Invested	n/a	45,019	
		45,019	
Maintain Capital Value	n/a	601	601
Fund Council Operating Costs*	n/a		
Fund Regional Reserves/Loans	n/a		
Closing Balance – 30 June 2020		45,620	45,620

69. The FIF held within HBRIC was not anticipated in the FY19/20 Annual Plan.
70. The FIF (HBRC) actual income of \$0.6M is attributed to:
- 70.1. Fund earned Dividends/Interest: \$0.4M
- 70.2. Fund Capital Gain: \$0.2M
71. The FIF HBRIC balance of \$45.6M includes \$46.5M of protected capital.
72. This equates to a potential cash withdrawal of \$0.0M



Decision Making Process

73. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that:
74. as this report is for information only, the decision-making provisions do not apply
75. any decision of the sub-committee (in relation to this item) is in accordance with the Terms of Reference and decision-making delegations adopted by Hawke's Bay Regional Council

25 March 2020, specifically the Finance, Audit and Risk Sub-committee shall have responsibility and authority to:

75.1. Monitor the performance of Council's investment portfolio.

Recommendations

That the Finance, Audit and Risk Sub-committee receives and notes the "2019-20 Annual Treasury Report".

Authored by:

Geoff Howes
TREASURY & FUNDING ACCOUNTANT

Bronda Smith
CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE
SERVICES

Attachment/s

There are no attachments for this report.

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

Wednesday 02 December 2020

Item 9

Subject: HARBOURMASTER FUNCTIONS

Reason for Report

1. This item provides the Committee with an introduction to and information about the role and functions of the Harbourmaster.

Background

2. Captain Martin Moore is currently HBRC's Harbourmaster. Captain Moore started in the role in April 2016, taking over from Captain Phil Norman.

Discussion

3. The role of Harbourmaster covers safe navigation in the Napier Pilotage Area, through administration of the Navigation Safety Bylaws as well as navigation safety education around the region.
4. A presentation to the Committee will cover the various aspects of the Harbourmaster's role and responsibilities.

Decision Making Process

5. 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 "Harbourmaster Functions" staff report.

Authored by:

**Martin Moore
HARBOURMASTER**

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 02 December 2020

Subject: HB TOURISM SIX-MONTHLY UPDATE

Item 10

Reason for Report

1. This item provides HB Tourism's update (attached) on achievements against key performance indicators as required by their Funding Agreement with Hawke's Bay Regional Council.
2. Hamish Saxton, CEO HB Tourism will be in attendance to present the report.

Decision Making Process

3. 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 "HB Tourism Six-monthly Update" report.

Authored by:

**Hamish Saxton
HB TOURISM GENERAL MANAGER**

Approved by:

**Jessica Ellerm
GROUP MANAGER CORPORATE SERVICES**

Attachment/s

[!\[\]\(248b91fcdac4810ffd15cf33fb6aec6f_img.jpg\) 1](#) HB Tourism December 2020 update



Item 10

Attachment 1

General Overview

HBT Report to HBRC

Tourism operators in Hawke's Bay are feeling buoyant as domestic tourism bolsters the region's visitor economy; however, they are working harder than ever to secure that business.

The fourth in a series of Covid-19 Impact & Recovery surveys revealed that while many operators are experiencing their busiest winter and spring seasons ever, their revenue is often still down on the previous year. Meanwhile, others who are achieving revenue that is similar or more than what they earned in 2019, say they are working twice as hard in order to secure that business.

Much of this is attributed to the shift to a purely domestic audience, who are less likely to spend as freely and are more value driven. Accommodation providers have seen an increase in one-night stays and a decrease in rates, while some activity providers have had to pivot to appeal to New Zealanders' do-it-yourself attitude. It was also noted by many that domestic travellers were more likely to book accommodation, activities and dinner reservations at the last minute, which was adding to the difficulty in forecasting.

Industry-wide uncertainty and nervousness was amplified by the outbreak of Covid-19 in Auckland, with many businesses experiencing booking and revenue fluctuations around this time.

Almost half of members spoken with had made a reduction in staff numbers due to the pandemic, while 40 per cent had managed to retain their pre-Covid staffing levels and 13 per cent had increased their staff numbers.

And while 42 per cent of businesses are either positive or very positive about the outlook for the next 12 months, the survey spoke to the substantial and unprecedented impact Covid-19 has had on members' livelihoods and lives. Focus for all operators was very much short-term and "emotion, passion and exhaustion permeated throughout all in-depth interviews", according to researchers.

It was humbling to note feedback that suggests Hawke's Bay Tourism was, and continues to be, providing constructive assistance and support to our members during this difficult period.

Recent figures show that Hawke's Bay enjoyed record visitor spend for the months of July, August, and September. Graphs reflect the degree to which investment in the Wellington market resulted in visitor spend and increased market share.

Attendees of the Tourism Industry Association "knees-up" appeared to enjoy the evening catching up with colleagues. It was a good opportunity for the launch of our new membership prospectus.

In addition to the special STAPP (Strategic Tourism Assets Protection Programme) funding of \$700k, MBIE has awarded a further amount for investment in events over a two-to-four year period of which Hawke's Bay Tourism is likely to attract c\$600k.

Hawke's Bay Tourism congratulates Hon Stuart Nash on his appointment to Minister of Tourism.

Key Performance Indicators

HBT Report to HBRC

Key Performance Indicator	Measure		Performance
Visitor spend, benchmarked against national performance. Data provided by MBIE's Monthly Regional Tourism Estimates.	Grow our share to at least 3% of MRTE Domestic Spend		Tracking at 3.08% to Y/E SEP20
Increase industry contribution	\$200k cash \$50k in kind Increased membership # Increased Industry Facebook #		c.\$52,800 (visitor guide) \$7,921 contra media \$5,950 contra trade \$700k STAPP (MBIE) \$40,250 TNZ business events \$20k HNBA Since JUL '20: 6 new members 4 new web listers 15 new web listings 14 new HBTIA Facebook #s
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		c.47 members signed up Attending tourism regeneration hui. Appointed Tourism Sustainability champion within organisation.

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

Key Performance Indicators *cont'd*

HBT Report to HBRC

Key Performance Indicator	Measure		Performance
Industry advocacy. Support existing tourism operators to develop new products, and expand into new markets	Align to values of NZ Māori Tourism Deliver annual series of workshops to build industry capability Support Hawke's Bay Regional Council with tourism expertise and support		<ul style="list-style-type: none"> ✓ Meeting arranged with NZ Māori Tourism, NOV 2020 ✓ 2 x kōrero with Hawke's Bay Māori Tourism ✓ Kōrero with Ngāhiwi Tomoana ✓ 10 workshops delivered in JUL/AUG ✓ Ongoing support of HBRC
Tourism operators value Hawke's Bay Tourism's leadership and contribution to growth of industry	Annual survey that includes environmental sustainability		<ul style="list-style-type: none"> ✓ Survey to be conducted later in 2020. ✓ 87% feel supported by HBT during pandemic.
Lead the development of a regional visitor strategy for Hawke's Bay	Commence implementation of regional visitor strategy with key stakeholders.		Infrastructure adequacy report completed, and ready for consultation.

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

STAPP Update \$700k

HBT Report to HBRC

Activity	Performance Indicators	Progress	Comments
Aviation	Route development analysis completed with next steps identified.		Discussions underway in development of joint analysis investigation. Additional partner funds expected.
Gaps analysis consultation	Gaps identified, and key stakeholders consulted.		Review findings delivered to Councils. Additional \$50k confirmed for prioritisation & implementation plan, and consultation plan with iwi.
Cruise	Understanding of community sentiment towards cruise – and therefore what work needs to be undertaken for any improvement		Consulted with Napier Mayor & Napier Port CEO. Agreement to defer to 2021, post-summer season. Cruise strategy presented to Napier Council.
Research	Shared data insights with regional partners.		Underway.
Weddings	Bookings confirmed for weddings in winter '21 and beyond		
Business Events	<ul style="list-style-type: none"> Partner investment Partnership programmes developed Sales cycle commenced Business event bookings secured for 2021 and beyond		Job description developed into 2 parts. Aim to research associations, and Hawke's Bay contacts in 2020. Appoint sales/hunter for business bids in 2021.

STAPP Update \$700k *cont'd*

HBT Report to HBRC

Activity	Performance Indicators	Progress	Comments
Food and Wine Country	KPIs within role description will include: <ul style="list-style-type: none"> Evaluating all aspects of grown and produced food and beverage in Hawke's Bay Partnerships with growers and producers Partnerships with hospitality/ chefs A strong Hawke's Bay regional food story and platform to support our positioning as New Zealand's food and wine country		Project lead appointed. Research commenced.
Spring campaign	Grow our share to at least 3% of MRTE Domestic Spend		Underway
Autumn campaign	Grow our share to at least 3% of MRTE Domestic Spend		
Events marketing increase	Grow our share to at least 3% of MRTE Domestic Spend		
Imagery and digital footage	Relevant, and aligned, stable of usable imagery		Plan developed
Fly-market campaign	Grow our share to at least 3% of MRTE Domestic Spend		Discussions with Air NZ. Plan for AKL campaign in April 2021.

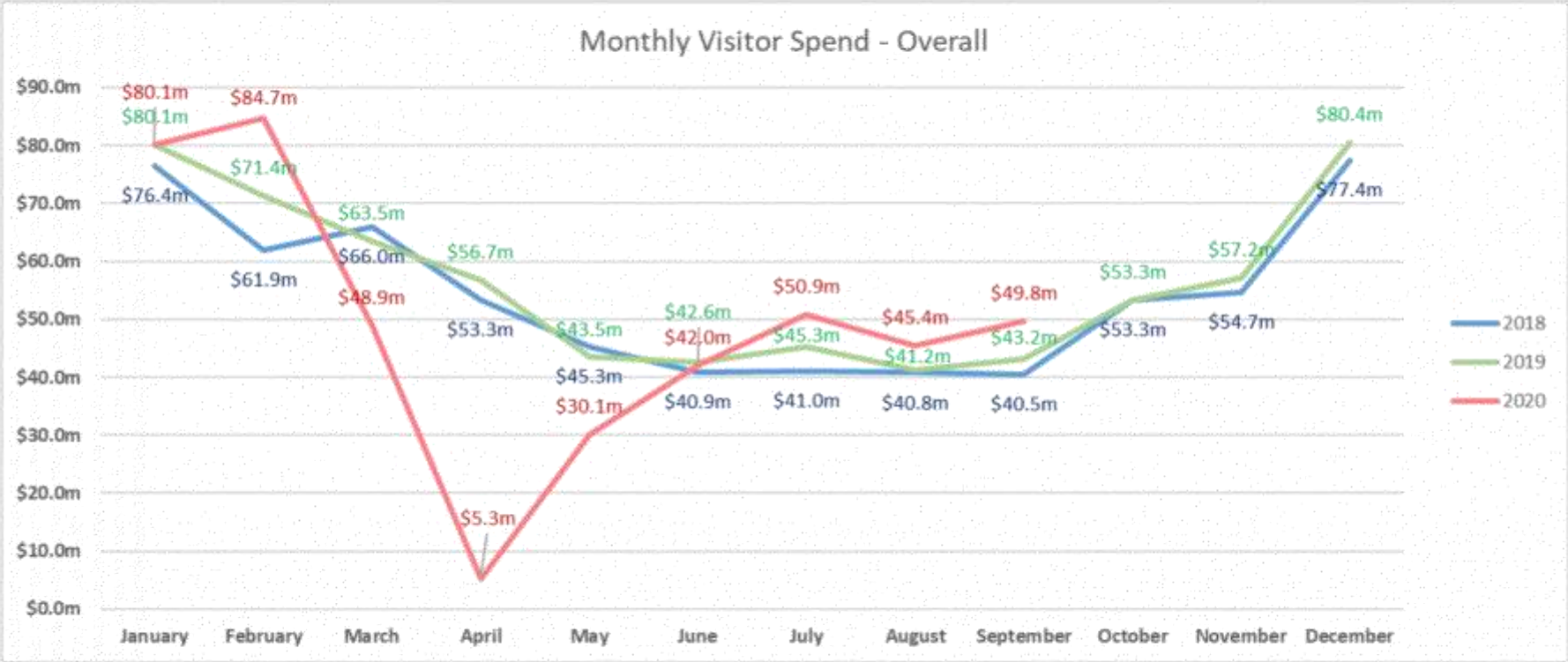
Statistics – Visitor Spend

HBT Report to HBRC

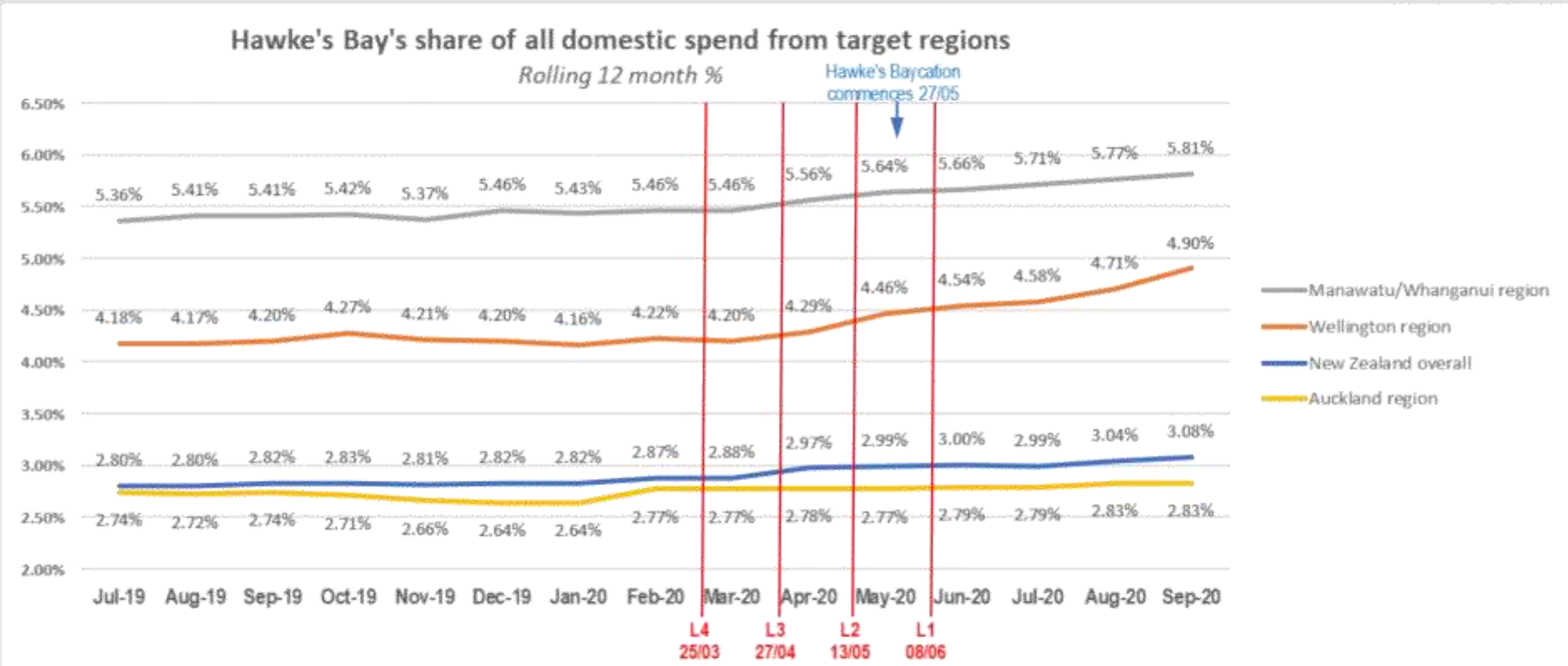
<div>September MRTE Spend Domestic</div> <div>\$45.2m</div> <div>Last year</div> <div>↑29.7%</div> <div>RTO median growth</div> <div>↑24.6%</div> <div>RTO growth rank</div> <div>12 of 31</div>	<div>September MRTE Spend International</div> <div>\$4.5m</div> <div>Last year</div> <div>↓45.8%</div> <div>RTO median growth</div> <div>↓60.9%</div> <div>RTO growth rank</div> <div>9 of 31</div>	<div>September MRTE Spend Overall</div> <div>\$49.8m</div> <div>Last year</div> <div>↑15.1%</div> <div>RTO median growth</div> <div>↓1.4%</div> <div>RTO growth rank</div> <div>7 of 31</div>	<div>September Share of NZ Domestic MRTE spend</div> <div>3.06%</div> <div>Last year</div> <div>2.56%</div>
<div>Annual MRTE Spend Domestic</div> <div>\$491.7m</div> <div>Last year</div> <div>↓3.0%</div> <div>RTO median growth</div> <div>↓4.3%</div> <div>RTO ranking</div> <div>14 of 31</div>	<div>Annual MRTE Spend International</div> <div>\$136.4m</div> <div>Last year</div> <div>↓18.4%</div> <div>RTO median growth</div> <div>↓23.2%</div> <div>RTO ranking</div> <div>10 of 31</div>	<div>Annual MRTE Spend Overall</div> <div>\$628.1m</div> <div>Last year</div> <div>↓8.8%</div> <div>RTO median growth</div> <div>↓11.3%</div> <div>RTO ranking</div> <div>7 of 31</div>	<div>Annual Share of NZ Domestic MRTE Spend</div> <div>3.08%</div> <div>Last year</div> <div>2.82%</div>



HBT Report to HBRC



HBT Report to HBRC



Item 10

Attachment 1

Statistics – Accommodation

HBT Report to HBRC

September Occupancy Overall	September Occupancy Hotels	September Occupancy Motels & Apartments (>20)	September Occupancy Motels & Apartments (6-20)
50.0%	72.8%	80.9%	84.4%
Last year	Last year	Last year	Last year
N/A (new survey)	N/A (new survey)	N/A (new survey)	N/A (new survey)
National occupancy	National occupancy	National occupancy	National occupancy
39.2%	53.5%	57.9%	57.5%
RTO/region ranking	RTO/region ranking	RTO/region ranking	RTO/region ranking
3 of 34	3 of 15	1 of 19	1 of 19

September Occupancy Backpackers	September Occupancy Holiday Parks & Campground	September Occupancy Lodges & Boutique
23.5%	28.3%	49.8%
Last year	Last year	Last year
N/A (new survey)	N/A (new survey)	N/A (new survey)
National occupancy	National occupancy	National occupancy
31.0%	21.2%	31.1%
RTO/region ranking	RTO/region ranking	RTO/region ranking
14 of 16	4 of 28	1 of 18



Note, regions with small datasets for accommodation types are excluded from published data.

Consumer Marketing

HBT Report to HBRC

A Spring campaign was in market from late September, in two phases of 2-3 weeks each. This campaign targeted the same markets as for our post-lockdown campaign, being Wellington and Manawatu. The creative looks largely similar, however the messaging evolved to further elevate 'food and wine country' positioning.

With a slightly smaller budget for this campaign (as compared with June), we have focused on channels where we could achieve wide reach and repetition of messaging, including digital video, on demand video, radio, and social media, and have also elected to retain some outdoor advertising for its impact.

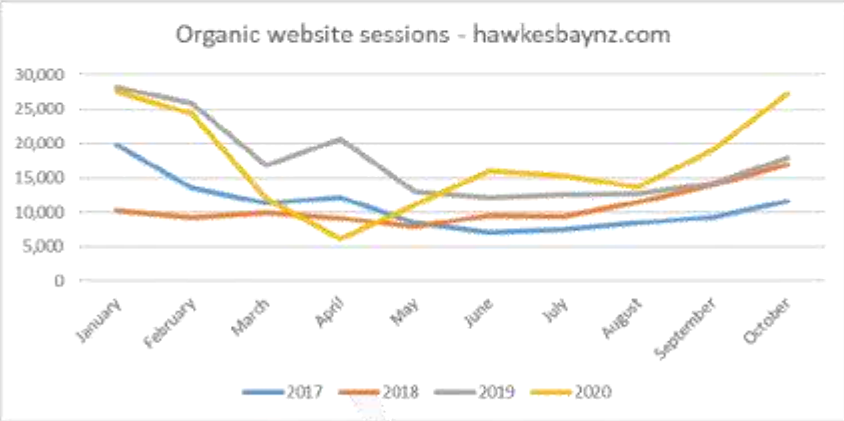


On the left is an example of billboard creative that has been featured in the centre of Palmerston North:

11 www.hawkesbaynz.com

hawkesbaynz.com
Website traffic has soared in recent months, with the combination of paid activity, continued investment in website SEO, the incredible profile being earned through PR coverage, trade activity, and domestic demand for travel.

Organic traffic (not from a paid click) provides a relevant gauge as to the underlying interest in visiting the region. Since emerging from lockdown, organic website traffic is at the highest levels ever recorded.



Public Relations

HBT Report to HBRC

Coverage earned September & October
Pieces of coverage: 39
Equivalent Advertising Value: \$376,331
Potential audience reach: 17.8million

Media comments: Hawke's Bay Today, NZ Herald, Bay Buzz, Wairoa Star, Dominion Post and Radio NZ, covering F.A.W.CI; STAPP & Maori tourism; Cape Kidnappers walking; openings in Hawke's Bay; bumper long weekend.

Press releases: record breaking pre-sales for F.A.W.CI Summer Series; August MRTE visitor spend data

Editorial/Advertorial: Hawke's Bay destination weddings feature for NZ Weddings & Honeymoons Magazine

MEDIA COVERAGE AND FAMILS HIGHLIGHTS

Journalist / Publication	Details	Summary
Kia Ora Magazine	Six-page travel feature	It's known for its sunshine and wine, but Hawke's Bay is also an ideal destination for a fun family getaway.
Jesse Mulligan, NZ Herald Travel mag	Famil - food and wine, and family experiences	2x double page spreads delivered – 1x August, 1x September
Hawke's Bay Today	Front page on August MRTE result	Hawke's Bay experience more year-on-year growth in overall visitor spending than anywhere else in NZ.
Neil Porten, NZ Herald Travel	Famil – Napier short break to 2021 Art Deco Festival	1x double page spread delivered - in November
Alexia Santamaria, Stuff	Famil - Auckland-Napier road trip; HB family break	2x stories promised
Lilia Alexander, Wellington LIVE social channels	Influencer famil – general Hawke's Bay experience, with younger focus	Exceeded 1million impressions and 18k engagements across all channels, plus photography provided

Trade Marketing

HBT Report to HBRC

North America

Successful hosting of Tourism New Zealand's North America Trade Marketing Manager for 4 days in October. While here, we co-hosted 2x live webinars themed as 'Hawke's Bay 101' and 'Hawke's Bay wine experience', each attended by 100+ highly engaged North American travel buyers

Havelock North Business Association

HBT are in the process of finalising a partnership with the HNBA to leverage their marketing fund through a joint-marketing arrangement. This involves HBT leading their paid spend activity, coinciding with when HBT are also in market and using our superior buying power. This is likely to be timed for early Autumn 2021.

Grabaseat

HBT successfully secured promotion for two major summer events as Grabaseat packages – for the SIX60 concert and Bridge Pa Wine Festival. These were extensively promoted throughout the Grabaseat channels, which includes 550k email database and 350k facebook.



Business Events

HB Report to HBRC

Tourism New Zealand sponsored editorial
HBT developed a successful pitch about Napier Conference & Events to
Tourism New Zealand for a feature in their stuff.co.nz series.

Tourism New Zealand business events partnership funding
HBT successfully applied to TNZ for funding towards creating a range of
marketing assets which can be used in the promotion of Hawke's Bay as
a business events destination.

\$40,250 was granted, on the condition that HBT and the industry match
the contribution through financial and 'in-kind' activity.

Assets to be created include:

- Business Events destination videos
- Develop suite of still and video footage, available for download by industry
- Commission editorial content
- Downloadable Business Events guide
- Business Events 'bid template'



Consumer Events

HBT Report to HBRC

F.A.W.CI Food and Wine Classic – Summer Series

The ninth edition of Summer F.A.W.CI was staged 6-15 November, with 58 events staged including 37 sell outs. 87% of all tickets were sold – approximately 3,500. Approximately 40-45% of all purchases were by (or on behalf of) visitors to the region.



Spring Fling Central Hawke's Bay – September & October

Nearly 800 tickets were sold across the events, along with reported high attendances at the headline free events – Ongaonga Victorian Market and Waipawa Spring Festival Duck Day.

Event Funding

A series of funding allocations over the past few months have been made and/or announced, with Hawke's Bay events receiving an impressive share of support.

The Domestic Events Fund was established to ensure the continuation of events, with successful applications being made by the Hawke's Bay Arts Festival, A&P Show, Horse of the Year, Christmas in the Park, Napier New Year's Eve and Edible Fashion Award. The Art Deco Festival had previously received funding via the STAPP process, while Hawke's Bay Marathon received funding via a national application from Ironman NZ.

A \$50m Regional Events Fund is currently under consultation, with funding allocated to groupings of regional tourism organisations to determine local priorities. Hawke's Bay is part of the Pacific Coast Highway group, which also includes The Coromandel, Coastal Bay of Plenty, and Tairāwhiti Gisborne – and which has been given \$2m to divvy up. Our share is likely to be \$600k over the next four years. Hawke's Bay has identified food and wine, Matariki, spring in Central Hawke's Bay, and multisport as being areas for focus.

Māori Tourism

HBT Report to HBRC

Hawke's Bay Māori Tourism

The CEO had a second meeting with Chair of Hawke's Bay Māori Tourism, Toro Waaka in order to continue working on an improved relationship.

Ngāti Kahungunu Iwi Incorporated

Supported by Hinewai Ormsby and Charles Ropitini, the CEO had an introductory hui with Chairman of Ngāti Kahungunu Iwi Incorporated (NKII), Ngahiwi Tomoana.

It has been discussed that there is an emerging concept of 'Whakapapa Holidays' off the back of Covid-lockdown, where whānau Māori are booking camper vans and travelling a whakapapa holiday i.e. connecting to their whakapapa by physically going to places and marae they have affiliations to.

It was also discussed that the best way forward for events will be to create Māori programming into the existing events framework – so F.A.W.C! in the context of Matariki – leveraging the marae network (for example).

New Zealand Māori Tourism

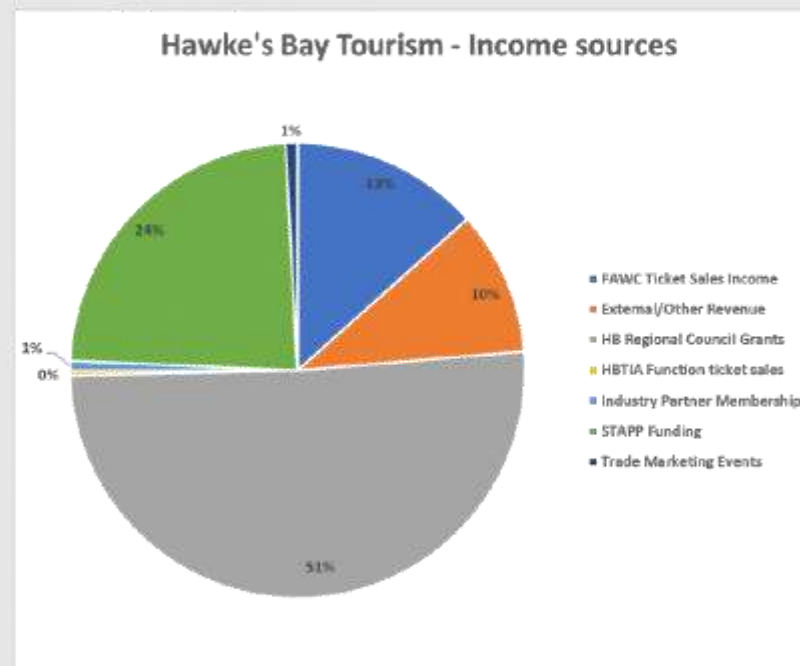
Hinewai, Charles, George, and Hamish will meet with CEO of New Zealand Māori Tourism Pania Tyson-Nathan in November.

Both Hinewai and Charles have put a lot of work into supporting, guiding, and advising Hawke's Bay Tourism in the pursuit of our Māori tourism engagement over the last months.

Profit & Loss – 3 months to September 2020

HBT Report to HBRC

	\$ YTD Actual	\$ YTD Budget	\$ Var NZD	\$ Full Year Budget
Income				
FAWC Ticket Sales Income	3,430	0	3,430	400,000
External/Other Revenue	53,965	78,195	(24,230)	305,791
HB Regional Council Grants	380,000	379,998	2	1,520,000
HBTIA Awards Revenue	4,010	10,000	(5,990)	10,000
Industry Partner Membership	0	0	0	21,000
STAPP Funding	700,000	700,000	0	700,000
Trade Marketing Events	0	0	0	25,000
Total Income	1,141,405	1,168,193	(26,788)	2,981,791
Less Cost Of Sales				
Consumer Marketing	123,372	280,264	(156,892)	1,144,039
Events	17,250	26,400	(9,150)	610,600
Partner Programme	145	10,500	(10,355)	11,500
Trade Marketing	23,291	56,802	(33,511)	173,552
Total Cost Of Sales	164,058	373,966	(209,908)	1,939,691
GROSS PROFIT	977,347	794,227	183,120	1,042,100
Less Operating Expenses				
Admin & Accounting/Legal	1,373	2,676	(1,303)	54,965
Board Expenses	2,167	2,499	(332)	10,000
Directors Fees	7,500	15,000	(7,500)	60,000
IT & Telecommunications	6,239	4,398	1,841	17,600
Meetings & Travel	3,700	3,000	700	12,000
Motor Vehicle Expenses	2,453	3,105	(652)	24,540
Office Costs	7,265	6,643	622	26,575
Premises - Other	1,963	1,981	(18)	11,870
Premises - Rent	7,784	7,800	(16)	31,200
Salaries & Other Staff Expenses	166,395	191,200	(24,805)	769,330
Tax - FBT & Income	0	1,000	(1,000)	4,000
Tourism Development	0	2,000	(2,000)	20,000
Total Operating Expenses	206,839	241,302	(34,463)	1,042,100
NET PROFIT	770,508	552,925	217,583	0



HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

**Subject: ORGANISATIONAL PERFORMANCE REPORT FOR PERIOD 1 JULY
TO 30 SEPTEMBER 2020**

Item 11

Reason for Report

1. The attached Organisational Performance Report provides governors with information to track performance against the level of service measures set in the 2018 Long Term Plan. It describes situation-specific factors affecting the organisation's ability to deliver on what it said it would. It also holds staff to account for non-financial and financial performance signaling through traffic light status reporting issues that may require management intervention.
2. At the meeting staff will present a prototype Organisation-wide Performance Dashboard that is a visual representation of the Organisational Performance Report. It presents the same information but in a much more user-friendly manner and will provide users with the ability to drill down and filter by area of interest. It is a work-in-progress so is not yet fully functional and the data in some cases is illustrative only. The intention is to replace the 80+ page report with the dashboard.

Content of the Report

3. The Organisational Performance Report is for Quarter 1 of 2020-21. The quarter is the three months from 1 July to 30 September 2020. The report contains three parts plus an Executive Summary with highlights and lowlights for the quarter.
 - 3.1. **Part 1: Significant Events or Programmes** impacting this quarter. These tend to be cross-council so sit outside the groups of activities section
 - 3.2. **Part 2: Business Improvement measures** which focus on how well we are performing across a number of corporate-wide measures such as health and safety incidents and response to customer feedback
 - 3.3. **Part 3: Groups of Activities** with traffic light status and commentary on level of service measures and related 3-digit code workstreams.
4. Like the previous quarter this Organisational Performance Report includes wrap-up commentary on the impacts of COVID-19 lockdown on Council's activities and related budgets, and to a lesser extent the drought.
5. This quarterly report includes commentary on capital expenditure for the first time. Improving the quality of this reporting will be a focus for the next quarter.

Dashboard

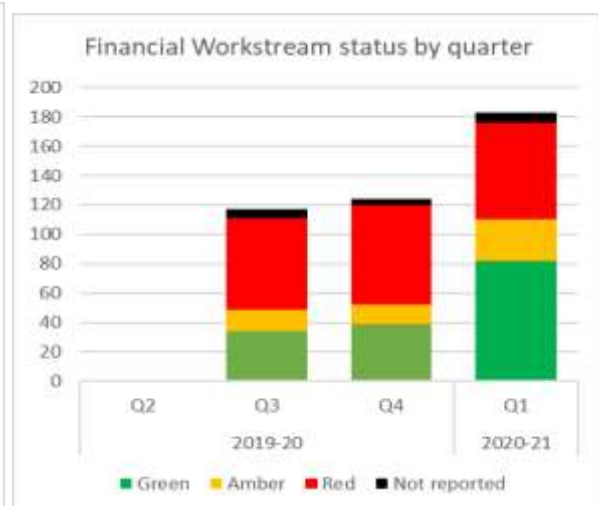
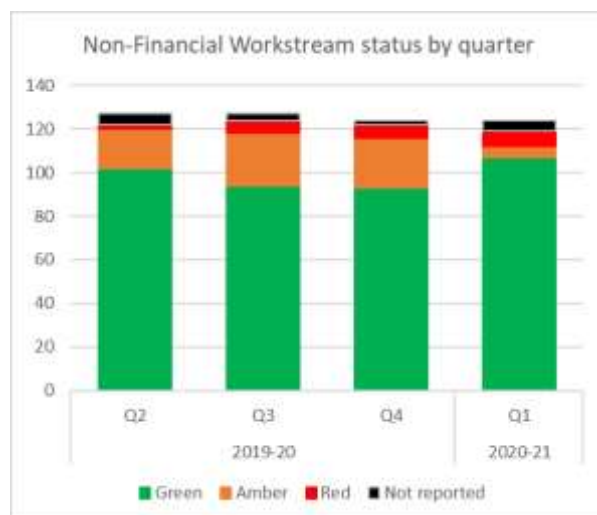
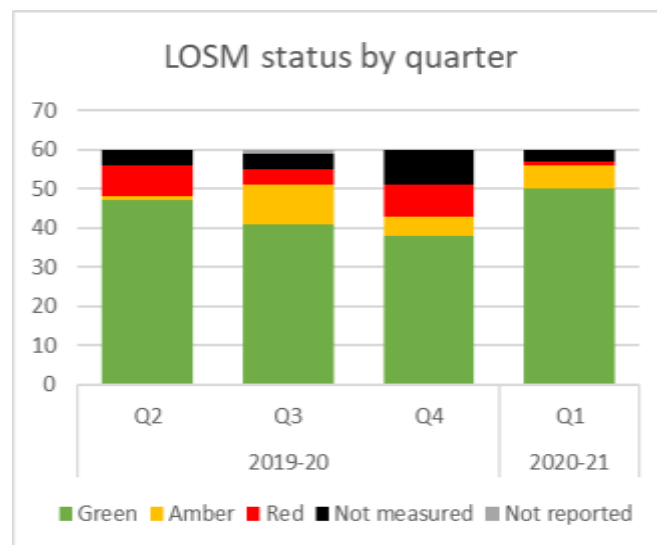
6. The dashboard to be presented at the Committee meeting is based on the information in the Organisational Performance Report. However, there is the opportunity to tailor the dashboard for different audiences by turning off/on different metrics.
7. For example, the Chair of the Environment and Infrastructure Committee (EICC) has indicated her desire for a dashboard to track how major environmental outcomes/projects are tracking and to see in one place the breadth of contributing work. This is to address a concern that narrowly focused papers to the Committee often feel adhoc and fail to give elected members a sense of the bigger picture.
8. Staff are working with the Chair to develop a dashboard for EICC early in the new year.

Background

9. This is the seventh Organisational Performance Report to be presented. Improvements continue to be made to the content to ensure the information is meaningful for governors and to the process for collating the information to reduce reporting burden for staff.
10. Staff complete their reporting in a software tool called Opal3 once actual financial results for the quarter are loaded on the 20th of the month following the end of the quarter. Staff choose the status (red, amber, green) of non-financial results, but it is fixed against agreed criteria for financial results. For example, red is set at >\$30,000 or >10% over or under budget. Staff are then required to provide commentary on what they did in the quarter in terms of actual non-financial performance and to explain any variations to budgets.

Change Between Quarters

11. The following graphs show change between quarters. The large increase in financial workstreams reported on this quarter is due to capital expenditure being included for the first time.



Next Steps

12. Further planned improvements to the Organisational Performance Report include setting targets for the business improvements measures and comparisons with industry benchmarks where possible. Work is underway in the Corporate Service Group to set targets for its functions such as customers experience and comms.
13. The dashboard will be finetuned and brought back to the Corporate and Strategic Committee at its next meeting 3 March 2021.

Decision Making Process

14. 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 Report for period 1 July to 30 September 2020” staff report.

Authored by:

Kelly Burkett
BUSINESS ANALYST

Desiree Cull
STRATEGY AND GOVERNANCE
MANAGER

Approved by:

James Palmer
CHIEF EXECUTIVE

Attachment/s

- [!\[\]\(564903337f30b845a5f6979939a95fe6_img.jpg\)1](#) Q1 Organisational Performance Report - July to September 2020



HAWKE'S BAY REGIONAL COUNCIL Organisational Performance Report

Quarter 1: 1 July to 30 September 2020



An independent biodiversity review, delivered in September, identified the need for the Regional Council to spend more on biodiversity in support of key habitats and species.

Prepared on 25 November 2020

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Executive Summary

This Organisation Performance Report provides Council with information 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 and financial performance using a traffic light reporting approach.

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 the period of 1 July to 30 September 2020. The report covers:

- Significant events and programmes this quarter
- Business improvement metrics
- Groups of Activities

Highlights

- CO₂ emissions from energy use (gas and electricity) in the Dalton St office was 5.6% lower than the same quarter in the previous year.
- HBRC's first baseline assessment of its corporate carbon footprint was completed
- HB Climate Change Community Perceptions survey was undertaken
- The long awaited Bee Card for public transport were introduced
- Implementation phase of FUSE (Financial Upgrade System and Efficiencies) kicked off in July
- 2020-21 Annual Plan was adopted
- TANK Plan (PC9) extended submission deadline closed in August and 241 submissions were received
- 5-yearly SOE report was published
- No exceedances of the NES for PM₁₀ in the Napier and Hastings air sheds
- East Coast LAB has secured funding from Earthquake Commission (EQC) for a 2-year joint education project with Alpine Fault Magnitude 8 (AF8)
- The Regional Pest Management Plan has completed its review and is operational.

Lowlights

- Monitoring equipment was vandalised and stolen from two river sites and one groundwater site
- Delay to regional wide LIDAR mapping project due to COVID-19
- High resolution aerial image capturing over frost flats for a joint-Regional Council Biodiversity Monitoring Framework is completed but the image processing has been delayed due to COVID-19
- The Water Information ICT business system project was deferred by 2 months due to COVID-19
- The ICT business system project to renew aerial imagery has been delayed due to COVID-19, issues with planes and bad weather
- 61% of customer feedback were responded to with the required timeframe (compared with 93% in the previous quarter during lockdown)
- No advancement on ownership of Lake Whatuma which has stalled protection and enhancement actions.
- Planned maintenance and works have been executed for all flood protection and drainage schemes except Opoho. The Opoho pump station is currently out of service.

PART 1: SIGNIFICANT EVENTS AND PROGRAMMES THIS QUARTER

1.1 Long Term Plan 2021 – 31

Q1 has been a busy time with several additional Council workshops held to develop the priorities and policies for the 2021-31 Long Term Plan. Staff from across the organisation have also been heavily involved in the development of the LTP. Work was focussed on reviewing levels of service, asset management planning and seeking Tāngata Whenua feedback. Detailed budgeting, investment strategy and performance measures will be the focus for Q2. Public consultation is scheduled for April 2021. Climate action and water are the key themes. The title for our LTP consultation document is proposed to be 'Our Planet Our Plan 2021-2031'.

1.2 Financial Upgrade Systems and Efficiencies (FUSE)

The FUSE project is the Council project to replace the current Finance solutions used. The OneCouncil solution from TechnologyOne is being implemented across five streams: Enterprise Budgeting, Finance, Supply Chain Management, Asset Management (limited to projects, work orders, asset register and billing), and Human resources & Payroll (limited to organisation management, timesheets and payroll).

The implementation phase of the project kicked off in July 2020 with the focus being on Enterprise Budgeting to provide Budget Holders with a solution in which to enter their Long Term Plan budgets for 2021. This was successfully implemented at the end of September. Budget Holders and the Finance team have been working to pull their financial plans and budgets together for presentation to Council in December.

The Finance and Human Resources & Payroll streams have also begun with design workshops being held to agree solution set-up for both streams and configuration being started for the Human resources & Payroll stream. It is intended to be using the OneCouncil solution for payroll from 1 April 2021.

1.3 Climate Change

Climate change is a significant programme of work for Council that draws resources from across the business. In the previous quarter (April – June 2020), progress on priority work areas identified by Council's interim climate change working group had slowed considerably due to staffing commitments to the COVID-19 pandemic and drought response efforts. The Council's 2020-25 Strategic Plan adopted in June 2020 has a much greater focus on climate change. In Quarter 1 of 2020 (July to September), work picked up again including:

- Undertaking HBRC's first base-line assessment of its corporate carbon footprint, with reporting due for completion in mid-November. There was a delay in the completion of the report outlining the final baseline data as the information had to be peer reviewed to ensure accuracy.
- Re-commencement of surveying by an independent research company looking at community perceptions of climate change in Hawke's Bay (results to be delivered in October after surveying was first initiated during COVID-19 Level 4, but paused then restarted as Alert Levels decreased)
- Planning and preparations got underway for a new climate action campaign to be launched in November, including revamped website content and four public pop-up drop-in events across the region
- Preparing advice on options and funding implications of climate action leadership by the Council to inform 2021-31 Long Term Planning deliberations.

1.4 COVID-19

Action plans have been used to coordinate ongoing Hawke's Bay CDEM readiness activities in preparation for COVID-19 resurgence following de-escalation of the Group led response to COVID-19 up to 30 June 2020. The HBCDEM Regional Resurgence Plan (v3.3) was issued on the 18 September 2020 and will continue to be developed in consultation with Group stakeholders.

HBRC COVID-19 recovery plan actions and projects continued through the period. The key focus areas were to continue our core business – and do it well, as well as supporting recovery activities through Business Hawke's Bay, Regional Business Partners and Hawke's Bay Tourism.

A Regional Recovery Manager was appointed in July – employed by HBRC, for a 12-month fixed term contract. This role is to support and co-ordinate the regional recovery efforts and activities, post COVID-19 and drought for Hawke's Bay. The Regional Recovery Manager has been working closely and in partnership with all five councils, Matariki group members and stakeholders (currently interim programme managing), local community and businesses, central government and mana whenua. A regional recovery dashboard and reporting process has been developed, to give council leaders and elected members a monthly update on key economic and social data.

HBRC launched the 12-month trial for the Flexible Working Agreement Policy in September as a response to staff working effectively from home during the COVID-19 pandemic lockdown. Ongoing COVID-19 testing continues to occur on the advice from Healthline or local General Practitioners if staff present with flu-like symptoms. Staff continue to be supported to stay at home until a negative result is received and symptoms are alleviated.

1.5 Drought

The impacts of the 2020 drought continued well into the Q1 period. HBRC contributed \$200,000 to the Regional Drought Relief Fund – totalling \$1,015,110, to assist our rural community with costs related to animal feed transportation and welfare. HBRC staff managed the application and fund distribution process on behalf of the Rural Advisory Group (RAG).

During this quarter, our communications team continued to drive promotion of this funding through various communication channels to ensure that rural farmers received the assistance they needed.

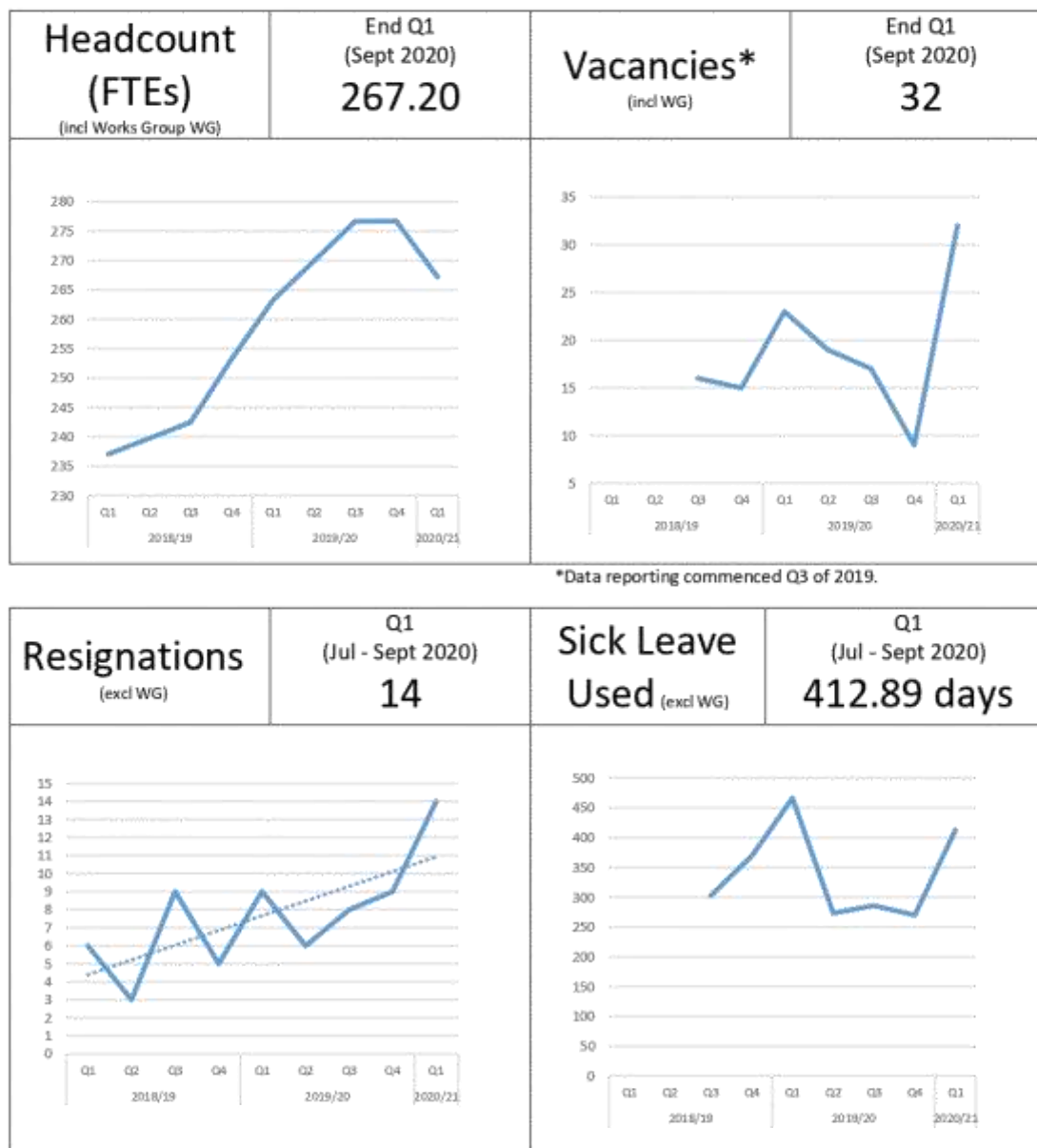
Applications to the fund closed 30 September 2020, leaving \$35,549 remaining. This is to be tabled with all fund contributors to agree on whether to utilise this for other drought initiatives such as the resilience strategy, or refunding.

The lifestyle feed runs supported 333 farmers who bought 4,902 bales of feed. The total cost of transportation for the lifestyle feed totalled \$14,798. We received 289 online applications from farmers who claimed a total of \$797,650. Of these applicants, 33 were on farms sized between 20ha-150ha and 255 were farms sized greater than 150ha. The donated feed transportation costs totalled \$149,613. This covered the cost of transport only and not the cost of the actual feed. This change resulted in a greater supply of donated feed being able to come to the region. Approximately \$13,000 was contributed for costs associated with distribution and collection logistics.

PART 2: BUSINESS IMPROVEMENT MEASURES

2.1 People & Capability

Purpose: To monitor key People and Capability measures.



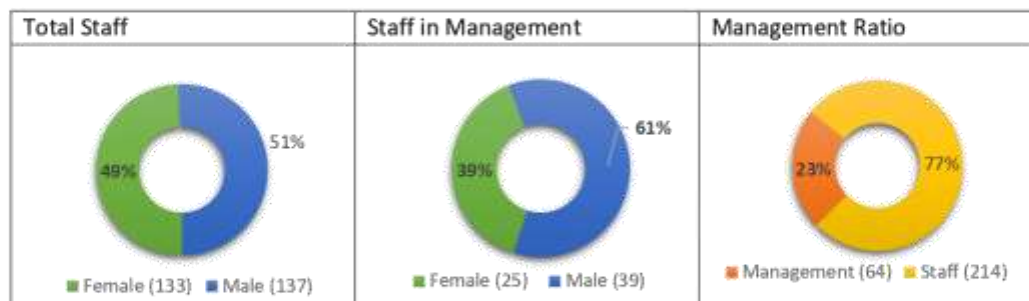
Key finding: FTE's have dropped by 3.4% (9.51) this quarter, while both vacancies (32) and resignations (14) are up on the previous quarter by 255.6% and 55.6%.

Commentary: With the increased number of resignations and the creation of 9 new roles, we have seen a significant rise in vacancies. Several vacancies that were on hold during the pandemic have been progressed and new roles were created and approved through the Annual Plan. These new roles have been the result of the Executive Leadership Team restructure, review of the Corporate Services team and the plan to create a contact centre, increased demand in the Catchment Management and also the Compliance space.

There has been a spike in resignations with a number of fixed term staff moving onto permanent positions both within the organisation and elsewhere. This spike has resulted in the decrease in overall FTE in the organisation.

Staff Ratios

The following graphs show the current ratio of male and female staff as known at 30 September 2020.

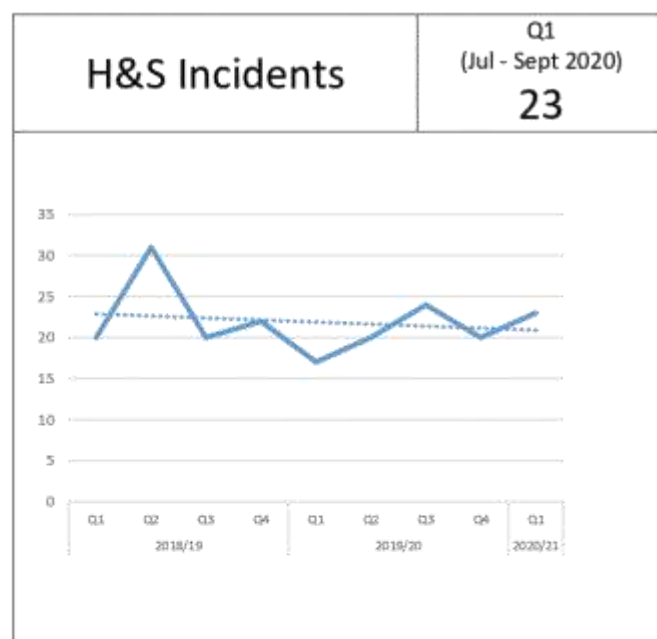


There has been a decrease in the overall percentage in leadership roles given the increased number of vacancies.

2.2 Health & Safety (H&S)

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

Key Finding: Despite an increase in accidents and incidents in Q1 compared to the previous quarter, incidents and accidents have trended down slightly over the last 27 months.



Commentary: 23 Incidents recorded, 3 requiring time off work, 1 illness, 11 no time off work, 8 property damage. The majority of the incidents were slips/trips/sprains/strains and minor motor vehicle damage. The main focus for the quarter was still monitoring the COVID-19 response as HBRC moved through Level 3 back to Level 1, with COVID-19 testing still a requirement. Staff training undertaken, 22 staff have attended 4WD training, 5 staff attended 2WD training under the updated Off Road Policy. 21 staff attended St John Mental Health First Aid training. Incident form has had 5 why's included in narrative to support a better investigation process. Working with CDEM to update policies and processes should CDEM need to stand up for

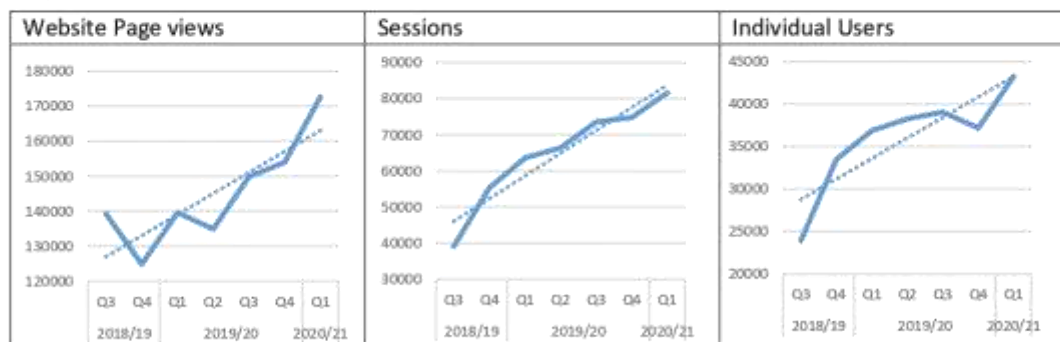
another event. Wellness activity included 'Drive to the Conditions' campaign, Cycle/Bike Month, Mental Health Awareness week. New counselling provider contracted, EAP Services, NZ's leading agency for staff support.

Results: A list of Health & Safety incidents is available on request.

2.3 Marketing and Communications (MarComms)

Website

Purpose: To measure the customer utilisation of our website.



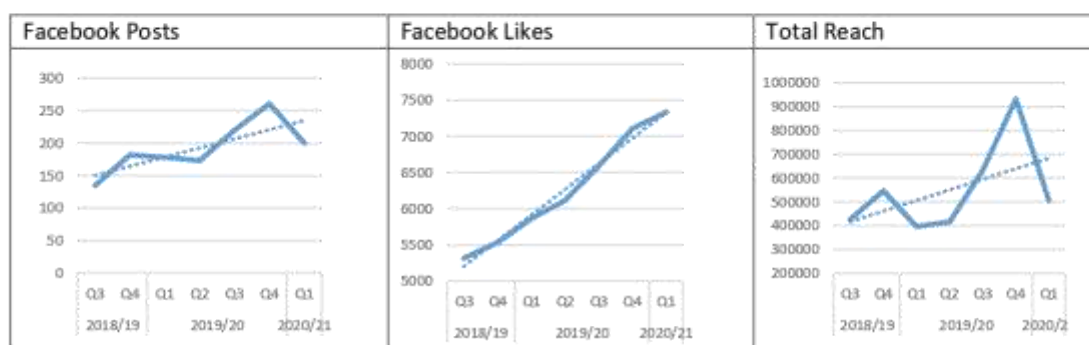
Key finding: All three metrics show an increasing trend.

Result: Top Pages in July – September

- River Levels
- Rates
- Rainfall

Facebook

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



Key finding: All three Facebook metrics show an increasing trend. The abnormally high number of Facebook posts in the previous quarter was due to COVID-19 and still being in lockdown, as well as the TANK Plan and Annual Plan consultations and the ongoing drought.

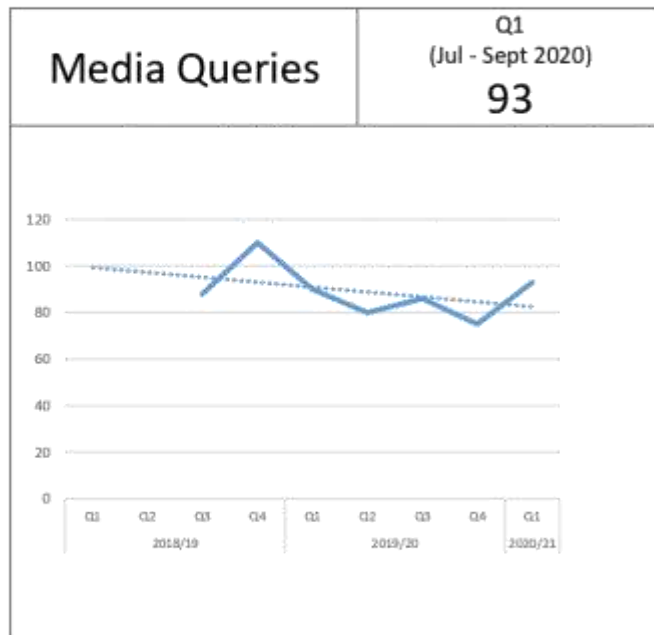
In Q1 2020-21, the key campaigns supported using Facebook were the TANK Plan consultation, rates, biosecurity month and the Bee Card goBay promotion.

Results:

Top Facebook Posts	Reach
Meeting of the Hawke's Bay Regional Council Maori Committee	26,928
It's rates time! Invoices have been sent to our 71,122 ratepayers around the region.	16,316
We're asking farmers to keep an eye out for rooks.	15,837

2.4 Media

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



Key Finding: Media queries for Q1 were up by 24% from last quarter. We received 93 media queries in Q1 compared to 90 in Q1 last year.

Commentary: Most media queries in July to September 2020 were from local journalists, with interest in an illegal burning prosecution, Government flood scheme funding, NCC leaky pipe, WDC wastewater, water security, masks on buses, HBRC regional recovery, whitebait and RMA reforms.

There were 32 queries from Hawke's Bay today and 21 from Stuff (Dom Post).

Many of the calls were following up on media releases we had sent out including regional recovery, water security, whitebait and illegal burning.

Water security, climate mitigation, whitebait, outdoor burning and the drought relief received national media interest.

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

2.5 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.

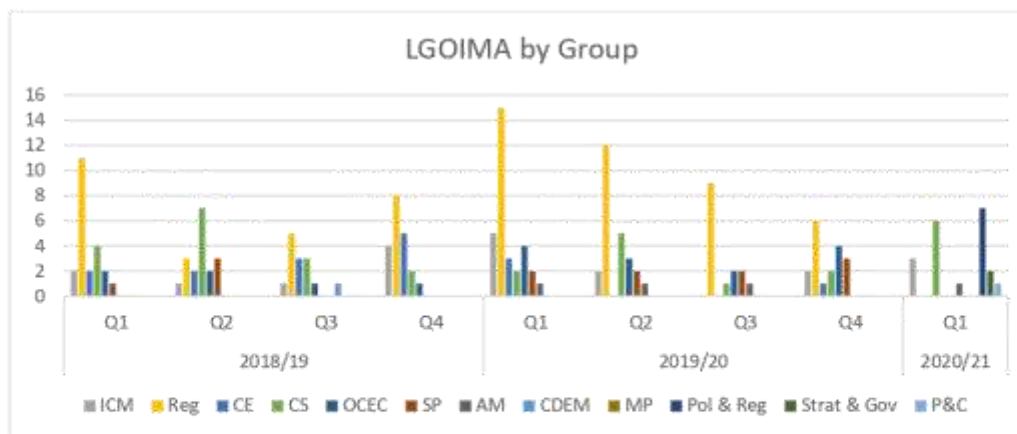
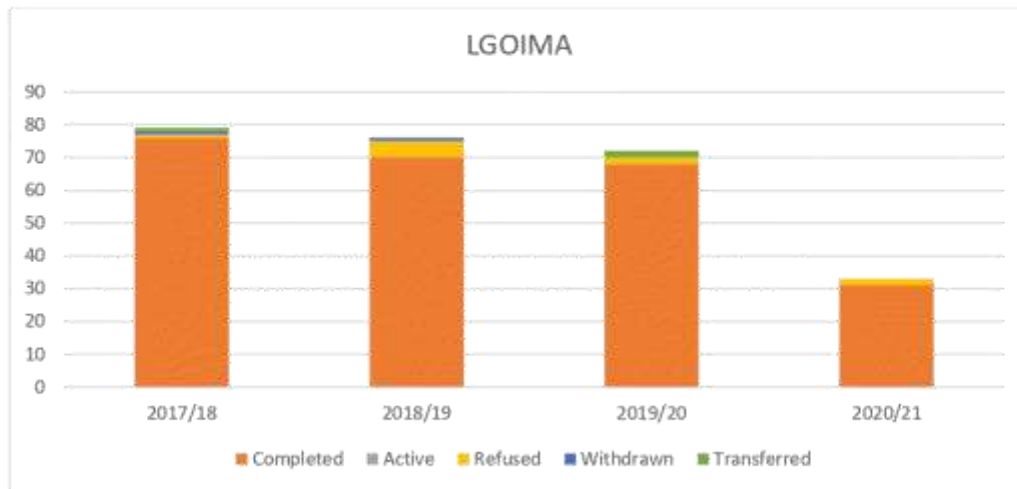
Key Finding: The number of LGOIMA requests is tracking higher than the same time last year. The largest number of requests responded to were from Policy & Regulation (7) and Corporate Services (6).

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

Commentary: All 33 LGOIMA requests received during Q1 were completed within required timeframes and there were no complaints made to the Office of the Ombudsman against HBRC responses to requests, which included 2 refused under s17(f) ... information requested cannot be made available without substantial collation or research, and neither requestor responded to Council's request for a deposit in order to proceed with collating the information by the deadline advised.

Attachment 1

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*CE is LGOIMA requests to the Chief Executive.

Results: The LGOIMA Register is available on request

2.6 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: 61% of items (45 of 74) in Q1 were responded to within the required timeframe of <4 business days, compared to 93% last quarter.

Commentary: Council received one compliment expressing thanks to one of our finance team for a speedy response and resolution to a rates inquiry. The most common enquiry to come through feedback channels were questions/comments about rates, with 14 of the Q1 total. Other common themes included enquires about consents, water, privet trees, animal pest control. Council received a total of 9 complaints through online feedback. There were no common themes with the complaints which varied from rates changes, rubbish left in open spaces and plants pests.

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: The Customer Feedback Register is available on request.

2.7 Risk

On 10 June 2020, the Corporate and Strategic Committee endorsed a roadmap to mature HBRC's risk management system. The longer-term vision for maturity of HBRC's risk system is to establish value creation risk intelligent decision making that is embedded consistently throughout Council.

To achieve this the risk maturity roadmap has a four phased approach with the first three phases scheduled to be implement over the current financial year. The following key milestones are included in the first three phases of the roadmap:

- Developing a Council approved standardised risk management policy and framework – **implemented in Q1 FY20-21**
- Implementing risk processes as outlined in the risk management framework

- Improved risk report that over the longer term will contain key risk indicators – **implemented in Q1 FY20-21**
- Formalising a Council approved risk appetite statement
- Structuring HBRC's critical control environment
- Develop an Internal Audit framework to improve assurance

At the 12 August 2020 Finance Audit and Risk Sub-committee meeting Councillors requested that a COVID-19 debrief be undertaken in-house. The objective of the debrief was to identify learnings that if implemented may even better prepare HBRC readiness to respond to any future business disruption events. The review was completed during Q1 FY20/21 and due to be reported to the Finance Audit and Risk Sub-committee in Q2 FY20/21.

2.8 ICT Operations

Within the IT Business Systems Workstream we are currently running projects to implement systems for Finance, Customer Experience and Water Information. The Finance project is on schedule, and on budget. The Water Information project is currently under budget due to work being completed internally that was expected to be external costs and the project being deferred by 2 months while we allocated project resources to the COVID-19 response. The Customer Experience Project is currently under budget because invoices are pending - but is on track for completion.

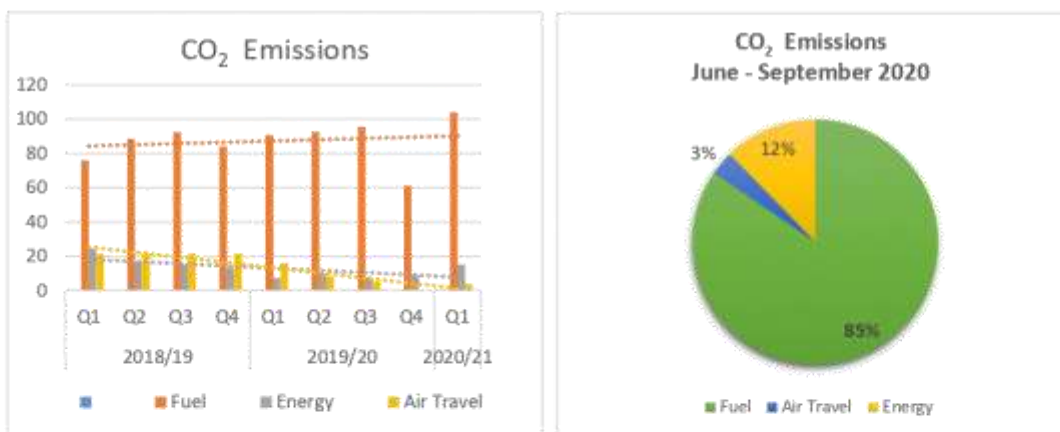
The spend on IT renewals was lower than budgeted in Q1. Contributing factors to this were:

- Many laptop renewals scheduled for Q1 this year were delivered in Q4 last year (we brought some spending forward to purchase additional new laptops as part of our COVID-19 IT response)
- IT infrastructure renewals were delayed due to IT resource constraints during and after the COVID-19 lockdown, but we expect to be back on track by the end of the financial year.
- The project to renew aerial imagery has been delayed due to COVID-19, issues with planes and bad weather.

2.9 Facilities and Fleet

Corporate Sustainability

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



*Please note that energy use is for Dalton Street offices only

Key finding: CO₂ emissions from both energy and air travel are trending in the right direction while CO₂ emissions from fuel is increasing. This reflects 10 more vehicles in the fleet compared to the same quarter last year.

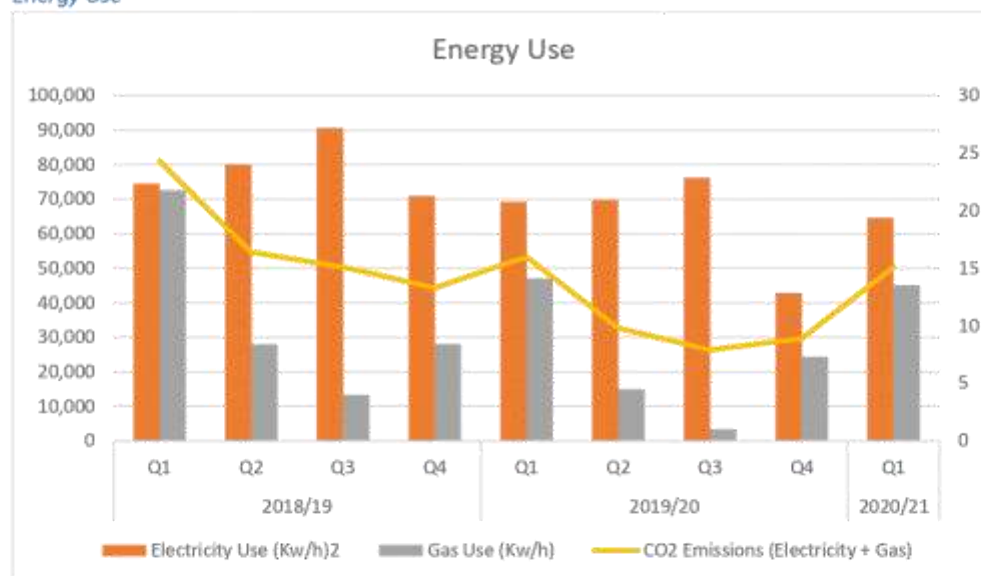
Results:*Air travel*

Year	Quarter	Total travel distance (Km's)	CO ₂ emissions (tonnes)	Approx. Cost to offset
2018-19	Q1	79,250*	21.5*	
	Q2	79,250*	21.5*	
	Q3	79,250*	21.5*	
	Q4	79,250*	21.5*	
2019-20	Q1	118,268	16.14	\$347.33
	Q2	59,417	8.1	\$188.00
	Q3	37,470	5.1	\$127.39
	Q4	981	0.1	\$3.86
2020-21	Q1	16,022	3.9	**

*Annual figure averaged over the four quarters of 2018/19

** Cost to offset air travel emissions will now be completed at the end of the financial year based on the KMs travelled.

Commentary: Council air travel related emissions totalled 3.9 tonnes. Following the COVID-19 lockdown, much less staff travel bookings are being made with staff opting to either zoom in to meetings instead.

*Energy Use**

*Data for Council's main office only – 159 Dalton Street

Commentary: Gas use has continued to rise after the lowest result to date in Q3 (Jan – March) but is 4.1% lower than the same quarter in the previous year. Electricity use has risen compared to the previous quarter (April – June) which is expected considering staff were not working in the building during lockdown (April – May). Electricity use this quarter was 6.6% lower than the same quarter last year (Q1 2019-20).

Overall CO2 emissions from energy use are 69.8% higher compared to last quarter but 5.6% lower than the same quarter in the previous year.

Vehicles

Year	Quarter	Total Vehicles	Total Plug in Hybrids	Total Hybrids	Total Full EVs
2019/20	Q1	72	5	2	
	Q2	75	6	5	
	Q3	85	6	3	
	Q4	85	6	5	
2020/21	Q1	82	6	5	1

Commentary: A recent study suggests we are at least three vehicles over where we should be based on optimum utilisation. On completion of the study we will look to reduce the number of vehicles in the fleet. No change in the number of Plugin Hybrid Electric Vehicles this quarter, however these have not proved to have provided a reduction in our carbon footprint. The total Hybrids are proving to be of better value and provide a smaller carbon footprint than the PHEV. We also have one Full EV currently in the fleet which and hope to increase these in time.

Fuel use

Year	Quarter	Petrol(litres)	Diesel (litres)	Quarterly Spend	CO ₂ Emissions (Tonnes)	% Change CO ₂
2018-19	Q1	4,391	23,828	\$36,691	76	
	Q2	5,836	27,618	\$43,215	88.5	16.4%
	Q3	6,386	28,327	\$41,390	92.5	4.5%
	Q4	7,355	24,356	\$41,299	84.12	-9%
2019-20	Q1	7,322	26,685	\$43,968	90.64	7.8%
	Q2	7,611	27,238	\$46,578	92.58	2%
	Q3	7,459	28,445	\$43,196	95.50	3%
	Q4	3,715	19,175	\$19,859	61.19	-36%
2020/21	Q1	7,671	31,3723	\$37,816	103.97	69.9%

Commentary: Diesel use is up dramatically on the previous quarter, this is due to the lack of travel during COVID-19 lockdown. Petrol use rebounded to pre COVID-19 levels. PHEV vehicles use 95 so more expense is unavoidable. Council's fuel related emissions associated to vehicle use, equated to a total of 103.97 tonnes, this is made up of Diesel - 85.33 tonnes and Petrol - 18.64 tonnes.

2.10 Procurement

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. On average, one contract is being generated across the organisation every day, with the contract being one part of a multi-stage procurement life cycle (planning, sourcing, selection, contract management and evaluation) process.

Procurement activity reporting July 2020 – September 2020

- 66 contracts were created.
- 3 contracts were awarded with a value of \$100k+, 5 contracts were valued at \$75k-\$100k, 58 contracts issued with values below \$50k.
- 48 contracts (73%) were assessed by the contract owners as being low risk, 14 contracts (21%) were assessed as being medium risk, and 4 contracts (6%) assessed as high risk.
- Of the contracts with a value greater than \$50,000 50% completed an RFP/RFQ process, 83% considered local suppliers, and 50% confirmed living wage payments.
- There are 8 contracts expiring in the next three months that will be subject to post contract evaluation.

PART 3: 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
7. Transport

The seven GOAs are made up of 20 activities, 39 levels of service, 60 levels of service measures and 124 budget codes (as per Opal3). This report covers layers 3 and 4 of the pyramid below.



The following tables' links level of service¹ performance results to the resources required (3-digit budget codes). It uses a traffic light reporting approach. Financial status is for 3-digit codes only and commentary is only included if the 3-digit codes is red.

Non-financial status		Achieved or On Track
		Off Track
		Not Achieved or Off Track
		Not measured this year
Financial status		Actual results are > 10% or \$30,000 over or under budget
		Actual results are within 5-10% and \$15,000-\$30,000
		Actual results are within 5% and \$15,000

¹ Levels of service statements on what we aim to achieve, for who and why. These are effectively our commitment to our community.

3.1 Governance and Partnerships

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

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

Activity: Community Representation and Leadership



Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will make transparent decisions, deliver cost-effective infrastructure and services and engage the community in activities and decision-making processes, with clear expectations for participation.	Council meetings are conducted in compliance with statutory requirements and Standing Orders. Target: Achieved	NF	All meetings in Q1 met statutory requirements as amended by the COVID-19 Response (Further Management Measures) Legislation Act 2020 to enable meetings of Governance bodies while restrictions on public meetings were in force and the Pandemic Notice in effect. Public Regional Council and Committee meetings were held in the HBRC Council Chamber with facilities available for members to attend via Zoom.	840 - Community Representation & Regional Leadership	NF F	Q1 has been a busy time with several additional workshops for development of the policies and priorities for the 2021-31 Long Term Plan contributing to a total of 20 meetings being held. Slight overspend on staff internal time, attributed to additional resources required to support meetings and Long Term development. External Costs are 14% over spent due to a number of unbudgeted items such as webcasting and consultancy costs related to LTP development, computer software licensing (Stellar) and incorrectly coded items. Unbudgeted items will be addressed in next year's budget and where possible incorrectly coded items will be journal transferred to the correct budgets.
	LTPs and annual reports receive "unmodified" audit opinions Target: Achieved	NF	At the time of writing, the audit opinion on the 2019-20 Annual Report had not been received but it is expected to be unmodified. This is an improvement on the previous year, as Council's subsidiary, Port of Napier Limited provided financial statements for the year ended 30/6/19 in line with Council's financial year (and not 31/3/2019 as it did the previous year). Council has an unmodified audit opinion on its current Long Term Plan.			

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	Percentage of surveyed residents who perceive "acceptable to very good" value of services from HBRC rates (source: 2-yearly SIL perception survey). Target: No survey this year	NF	No survey undertaken this FY as planned			
HBRC will make sound investment decisions to grow its assets and generate investment incomes to fund council projects, programmes and activities.	Rate of returns on investment as set out in council's Investment Policy are met. Target: Achieved	NF	Managed Funds realised returns of 3.5% on funds invested.	880 - HBRC Costs	NF F	Finance team code for tracking costs incurred by HBRC relating to HBRC. No costs have been incurred to date and none expected through the year. Project 881 is used to charge HBRC for finance team support.
				881 - Holding Company Support	NF F	Finance team code for inter-company charging to HBRC. Invoicing of HBRC for the 1st quarter has been delayed resulting in the income shortfall but full year expenditure is on-track.
				971 - Restricted Leasehold Property	NF F	This code relates to freeholding leasehold property.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				975 - Property Investment	NF F	Finance team code to track the income from the Wellington investment property portfolio. Finances are on-track. 1st quarter invoicing completed on schedule.

Activity: Tāngata Whenua Partnerships & Community Engagement

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC engages in strategic relationships to better achieve its vision and purposes.	Annual reporting to council on performance of strategic relationships Target: Achieved	NF	Strategic Relationships relates to the operation of Māori Committee, Regional Planning Committee, Bi-laterals, in particular the frequency of meetings and through-put of agreed activity over that quarter. Q1 (July-Sept 2020) Both Māori and RPC committees met twice. Each committee meets 2 weeks in advance for agenda setting and then the day prior tangata whenua reps only to caucus. Each has one or more reps on EICC, C&S, Transport, Hearings, and Clifton to Tangoio Coastal committees which met a number of times in that period.	876 - Contingency Funding Support	NF F	Finance team project and has no budget.
				895 - Community Engagement & Communications	NF F	The MarComms team is fully resourced. It gave support to the ongoing TANK Plan consultation (May-August), the Bee Card public transport launch and rates communication (both August-September), with a video series being developed to profile Councillors ahead of the Long Term Plan. Internal time was underspent, offset by additional external costs invested ahead of the Q2 climate action and summer season comms campaigns. The total budget is on track.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
			Reps from both committees were also engaged in LTP and 3 Waters. The 3 Waters Review team presented in Wairoa, Hastings, Napier & CHBDC where reps were in attendance. Project-related (Tūtira & Whakakī FWIF, Mohaka PC, Whakatipu Mahia) meetings were also held over this period.	896 - EnviroSchools	 	Environmental Education delivery is on track and the Enviroschools programme is fully-resourced. Post-COVID there has been a resurgence of activity and engagement with teachers and students. Environmental Education was underspent due to COVID-19 restrictions being maintained at the start of Q1. The budget will be on track, following activities and events planned for Q2-3.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC has the internal capability and capacity to engage effectively with Tāngata Whenua.	An annual programme to improve cultural competency for staff and councillors is resourced, developed and implemented. Target: Achieved	NF	HB Inter-council (5) network Te Kupenga completed content appraisal for new digital cultural App. BETA version will be tested 2nd week of November with proposed launch 20 Nov 2020. Destined for all council & staff mobile phones the app will provide cultural competency uplift in-common with HB relevant language, cultural reference points, waiata, karakia and general knowledge. Te Reo language courses were run to the end of Q1 provided by EIT. A review of student drop-off, limited scheduling flexibility and tutor availability caused these to stop. Other language learning options will be investigated. All Regional Council committee meetings start and finish with karakia. Tuirina Wehi, a local composer, was contracted to compose a waiata for HB councils. This will be loaded into the digital app. Kia Maia engaged to provide a modular cultural learning framework.	874 - Tangata Whenua Engagement	NF F	Underspend in external cost is due to RPC & MC directors (Tāngata Whenua representatives) fees being coded elsewhere. This is now charted correctly from Governance to Māori Partnerships and the Q1 variance will be retrospectively addressed. Director representation on RPC, MC and council's EICC, C&S, Hearings, Transport, Clifton to Tangoio Coastal Hazards committees plus project-related e.g. RWS and external driven fora e.g. Three Waters is forecasting a \$79k overspend by year-end. With Technology and enhanced budget management this represents a more accurate and true cost for this activity line. This projected cost over-run is also influenced by a remuneration review which was only resolved in April 2020 with increased fees approval [Strategic Pay review] and no budget-line adjustment.

***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.

3.2 Strategic Planning

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

- Strategy
- Planning
- Sustainable Regional Development

Activity: Strategy




Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will keep informed about organisational, local, regional, national and international issues and trends, periodically develop a high quality and relevant Strategic Plan and align the organisation to deliver on strategic outcomes.	Annual reporting to council on the development and/or implementation of the Strategic Plan to maintain its currency and relevance. Target: Achieved	NF	The refreshed Strategic Plan was adopted by Council in June 2020. Work is underway to incorporate the 24 Strategic Plan outcomes into an organisation performance dashboard. The dashboard links the SPOs with the relevant level of service measures and to budget codes to show what work is contributing to their achievement. More work is required to make the SPOs measurable and to set intermediate outcomes for long term goals e.g. By 2050 there are 50% less contaminants from urban and rural environments into receiving waterbodies.	190 - Strategic Development and Execution	NF F	Highlights for the Strategy and Performance Team included the adoption and publication of the 2020-21 Annual Plan, production of the Q4 Org Performance Report and producing the non-financial information for the 2019-20 Annual Report. In addition, several milestones were completed in the development of the 2021 Long Term Plan. Project management training of staff and evolution of the project management tools and templates was put on hold due to a vacancy. The budget is yellow as it was underspent by 22% due to an unfilled vacancy and lower than expected external costs related to project management training being put on hold.
				376 - Future Farming	NF F	The Future Farming Trust presented to Council on 29 July 2020. It has received two grants to date and is due to invoice us for the third and final contribution.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				995C - Regional Water Security Scheme CAPEX	F	Project team is currently preparing the RFP for Heretaunga storage site technical feasibility with work expected to commence in early January '21 across three potential dam sites. External managed aquifer recharge experts have been engaged following Tenders committee approval and they are currently concluding a preferred site shortlisting process with a view to securing landowner agreement for the establishment of a pilot trial.

Activity: Planning

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC develops and maintains clear and appropriate policies that promote the sustainable management of the region's natural and physical resources and protects the community from resource management related risks.	Compliance with statutory timeframes for RMA planning documents Target: Achieved		No known failures to comply with statutory timeframes during the 20/21 Q1 relating to preparation and review of RMA planning documents. In Q1, for PC7 (Outstanding Waterbodies), summary of decisions requested in submissions was released and further submissions invited. 18 further submissions were received and hearing scheduled to commence 30 Nov 2020. TANK Plan (PC9) extended submission deadline closed in August and 241 submissions were received.	191 - Regional Coastal Plan	 	RCEP Effectiveness report was completed and prepared for presenting to the Regional Planning Committee meeting in October 2020. Work continued on the Clifton to Tangoio Coastal Hazard Management Strategy. The policy and consenting implications of the Strategy's preferred options were reported on using a Consultant. Policy team is maintaining a watching brief on that Coastal Strategy project work as it continues to progress. Costs associated with work to prepare RCEP effectiveness review was in previous reporting periods. Modest amount of Policy staff time spent in 2020/21 Q1 on the Clifton-Tangoio Coastal Hazards Strategy project. Work assessing policy and consenting implications for the coastal strategy project had been outsourced to consultants during previous reporting periods. This project is under budget for year to date.

Attachment 1

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				192 - Strategy & Planning	 	<p>PC7 (OWB) & TANK (PC9) continue to be the principal focus of the policy work programme, but work on Mohaka catchment planning is also increasing. RPC agreed to appoint commissioners to hearings panels for PC7 (Outstanding waterbodies) and TANK Plan Change 9. RPC also agreed not to proceed with focused plan change to recalibrate nutrient model limits within the Tukituki catchment. Policy staff have been summarising 241 submissions received on TANK Plan, plus also preparing comprehensive hearing report for PC7 hearing scheduled to commence on 30 November. Project scoping underway reassessing policy planning work programme to implement multiple new national policy statements and national regulations (e.g. freshwater, urban development and planning standards). Policy Manager has been covering responsibilities of vacant Group Manager position and a senior planner has been appointed to Acting Transport Manager during Q1.</p> <p>TANK Plan Change 9 submission period was extended, so expenditure on further submission phase and hearings has been deferred to later in 2020/21 period. PC7 (Outstanding waterbodies) hearing now scheduled to commence at end of November so those hearing expenses also deferred to later in 2020-21 period. Internal staff time was within pro-rata budget. Hearing expenses likely to include advertising, consultants, and legal expenditure, plus significant staff time.</p>

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				192C - Strategy & Planning CAPEX	F	This is a loan repayment only. Loan was for funding earlier work on Energy Futures, plus preliminary preparation of a RMA plan change to prohibit oil and gas exploration in HB. That plan change project was ceased after the Labour-led Government came into office and subsequently made policy announcements about non-issuing of further oil and gas permits.
				194 - Response to Climate Change	NF F	HB Climate Change Community Perceptions survey was undertaken by independent research company. Preparations made for launch of Climate Action Campaign in November led by Comms Team. Policy staff time involved in preparation of multiple versions of coordinated climate change action proposals for 2021-31 LTP (for council workshops etc.). Expenditure on external MarComms services preparing materials for the climate campaign.

Attachment 1

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will proactively work with territorial authorities to achieve alignment on policies, plans and strategies.	Planning managers from HBRC and territorial authorities meet at least twice each year to discuss and identify integration issues; and improvements to content and/or processes for regional and district plans. Target: Achieved	NF	During 2020/21 Q1, no meeting held of HB Council Planning Managers. However, regular communications with the TLAs' planning managers is maintained via various other channels. During Q1, that involved development of a joint submission on proposed national air quality rules, plus discussions about how the Government's new national policy statement on urban development ought to be implemented in HB.	196 - Statutory Advocacy	NF F	Central Government-related proposals eased as General Election date loomed following an unprecedented 2019/20 year of activity from central government on resource management-related proposals. In Quarter 1, a submission was made jointly with HB TLAs on proposed review of National Environmental Standard for Air Quality. Several submissions on local consent proposals (160+ dwelling development in Napier and a sub-marine pipe protection). Policy staff involved in coordinating Council's participation in Environment Court's proceedings on the Ngaruroro WCO application; and preparing statement of evidence regarding upcoming hearing in High Court relating to priority applications under Marine and Coastal Area (Takutai Moana) Act. During 2020/21 Q1, staff time currently within pro-rata budget, but external expenditure in Q1 includes large amount of legal fees that exceed pro-rata budget. Services of external legal services required for Council's ongoing involvement in two streams of court proceedings.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will regularly submit on national direction, plan and consenting matters.	Number of submissions made to local and central government per annum. Target: Maintain three year rolling average. Baseline: 5.67 (3 years to 2017)		LOSM on track to be achieved. Three submissions lodged during Quarter 1. All submissions are recorded on HBRC website (#hbrcsubmissions).			

Activity: Sustainable Regional Development




Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy.	Funding contracts with approved performance targets and reporting requirements are in place for HB Tourism, Matariki REDs and the Regional Business Partners Programme. Target: Achieved	NF	<p>Funding contracts with KPIs in place.</p> <p>Hawke's Bay Tourism</p> <p>Given the COVID-19 environment, Hawke's Bay Tourism turned all focus and resource to domestic tourism and marketing. The Hawke's Baycation campaign - among others, was launched and very successful – with domestic tourism and retail spend performing well above this time last year. Results from a membership survey showed almost 50% of tourism businesses have made some staff reductions as a result of income – however many businesses remained upbeat and reported better numbers than anticipated.</p> <p>Additional funding for regional tourism organisations was received from MBIE, and invested in destination management & planning, industry capability building & product development, and domestic marketing.</p> <p>Some key events were postponed – including the September marathon (now May 21), however future events are being planned with increased confidence.</p> <p>Matariki – established a Recovery Taskforce to support the strategy post COVID-19 and drought, with a recovery planning lens and focus.</p> <p>This group has re-prioritised the existing programme of action and activities as a result, and key recovery focus areas were established:</p> <ul style="list-style-type: none"> • Horticulture & Viticulture Sector Labour Supply Concerns • Construction & Infrastructure Sector Pipeline & Integrated Plan • Workforce Planning – Future Workforce & Rangatahi • Data & Analytics <p>Regional Business Partners (RBP)</p> <p>The RBP programme continued to perform above expectations throughout the quarter, with COVID-19 recovery funding supporting a total of 940 Hawke's Bay businesses - issuing capability vouchers worth \$1,553,152.</p> <p>Top sectors the RBP worked with were other services, accommodation & food, construction, retail, agriculture & forestry, and manufacturing.</p> <p>This funding is due to come to a close end of October / mid-November 2020 – with the two additional fixed term employees also finishing up at this time.</p>	179 - Economic Development		See LOSM commentary.

3.3 Integrated Catchment Management (ICM)

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

- Science and Information
- Catchment Management
- Biodiversity and Biosecurity



Activity: Science and Information

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will monitor and provide accurate and timely information to decision makers and the community on the State of the Environment	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. Target: Achieved		5-yearly report has been published (https://www.hbrc.govt.nz/documents-and-forms/details/10254) and delivered to Council via a workshop.	153 - State of the Environment Reporting	 	Preparation is on track for SoE synthesis reporting next year. Spend for this project will escalate towards end of year.



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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
(SOE) for Hawke's Bay.	SOE monitoring programmes are in place and results are published on HBRC and LAWA websites for Climate and Air Quality, Surface Water, Groundwater, Land Science, The Coast Target: Achieved	NF	The Environmental Information team delivered the SoE monitoring programmes to schedule and relevant data was captured, checked and uploaded to websites. Some vandalism occurred at sites. Where equipment was stolen, the equipment has been replaced and more safety measures have been put in place.	315 - Surface Water Quality	NF F	Workstream is on track. Routine monthly monitoring of 92 river sites and 5 lakes by the water quality and ecology field team continues. Freshwater quality and ecology science support continues for Tūtira and Waikōpiro FIF workstreams (including a constructive hui with northern Tūtira landowners). Monitoring design for the ecosystem health programme this summer has been completed, utilising as many existing SOE sites as possible. Ecosystem health paper focusing on the Tukituki has been published (led by Cawthron). Budget discrepancy stems from being slightly 'under' in staff time, and considerably 'over' in income.
				320 - Surface Water Quantity	NF F	The data collection teams have completed relevant monitoring and data has been collected on time and to relevant standards for the SoE water quantity program. No major rain events have allowed data to be collected at all sites. Budget still on track despite being over this period. No concerns as business has continued as usual over this time.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				325 - Ground Water Quality	 	<p>Hydrology and Hydrogeology:</p> <ul style="list-style-type: none"> •undertaken groundwater level and quality sample monitoring of the regional groundwater systems. •supported GNS Science with field work locating appropriate groundwater wells and surface water sites for isotope investigation and the collection of samples as part of the MBIE funded Heretaunga Plains groundwater model research programme. •Accommodating changes to the groundwater monitoring programme review to include suggestions from the peer reviewer. •Supporting the Regional Water Strategy with the Managed Aquifer Recharge work programme for Central Hawke's Bay and field programmes. <p>The pro-rata external costs are underspent due to the review of the groundwater quality programme coming into effect with several wells no longer on the sampling programme. This will change over the next quarter as new monitoring wells are brought onto the groundwater quality sampling programme.</p>

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				330 - Ground Water Quantity	 	<p>This project mainly involves time from Resource Technicians to measure and process data, and time from Scientists to analyse and report on data. Groundwater levels have continued to be measured over Q1 without disruptions. This information has been reported monthly, both internally and externally, and published on HBRC and LAWA websites in accordance with Council's level of service measure.</p> <p>The over expenditure in this project is primarily driven by costs associated with staff time. This comes mainly from under budgeted Resource Technician time. Budgets for Scientist time and external expenditure are on track.</p>






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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				331 - Coastal Quality	 	<p>Actions in this project include monthly estuarine water quality monitoring, 6-weekly nearshore coastal monitoring, and sand dune and seagrass monitoring. We have begun the pre-season work for the recreational water quality project which begins on November 2 2020.</p> <p>External expenditure is lower than pro-rata budget due to much of the work being seasonal (January - April). External expenditure is expected to be on budget by year end with project objectives met. Internal time in this project is underspent due to not having the physical resources that have been budgeted (1.75 FTE physical vs 2.4 FTE budgeted). This budget has been reallocated in Year 1 of the LTP to match physical resources throughout the science section. Internal time is likely to be underspent due to staff member taking maternity leave in Q3 and Q4 of 2020FY, reallocation of funds has been made to support student time and consultant time to support remaining staff member however overheads have remained stable so are still budgeted for within the project.</p>
				931C – Marine Equipment CAPEX		<p>This activity covers depreciation of the Marine and Coast equipment including the HAWQI buoy and sensors.</p>

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				339 - Land Science Research & Investigations	NF F	The Land science team is continuing to support Policy/planning, catchment management, consents and compliance and others within the Council. We are continuing our assessment of the riparian condition of the Tukituki Catchment with 68 sites visited. The statistical modelling of this collected data is ongoing. Work is also underway to characterise the Nuhaka slip with a field visit and drone survey taking place. All other projects are also on track Land science often sees an increase in spending in the second half of the financial year due to seasonal conditions i.e. more field work and monitoring is carried out in the summer months so this underspend is expected and not a concern.
				340 - Land Monitoring	NF F	The Land Science team are currently carrying out the annual wetland monitoring programme. We have also updated the SedNet model and produced the latest and most detailed land use map for the Council. All of these projects and others are on track. Most of the land science spending occurs in the second half of the year due to seasonal conditions therefore the underspend is as expected and not a concern.
				935C – Land Science Equipment CAPEX	F	The Land Science team use this budget for hobo loggers for the wetland monitoring programme and also looking to invest in wind erosion monitors in collaboration with the Air Quality team. It is usual and expected that this money will be spent later in the financial year.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				333 - 3D Aquifer Mapping		The Hydrology Science team continue to progress the 3D aquifer mapping project, with work continuing largely on track. Budget on track for 3D Aquifer mapping support.
				334 - LiDAR Mapping		COVID-19 shutdown has delayed the regional wide LiDAR mapping project. The progress has been further impinged by faults with supplier's equipment which has resulted in areas over which data has already been acquired needing to be redone, and the said data not being suitable for supply to Council. Positive progress is scheduled and expected during Q2 FY21. No financial milestones have been realised this quarter. Data acquisition activities will recommence during Q2 FY21 and along with this fulfilment of further financial milestones.
	Council maintains its International Organisation for Standardisation (ISO) 9001-2015 accreditation for data collection, analysis and storage. Target: Achieved		The Environmental Science, Environmental Information, Consents, Compliance and Harbourmaster have focused their efforts on overseeing their team's area of the Quality Management System in preparation for the annual review of the ISO 9001:2015 accreditation due on 19/20 October 2020.			
HBRC will undertake targeted science	The Science team develops and implements an annual work		Work briefs have been completed and project planning progressed. Focus for the Science section is	182 - Unspecified Research & Grants		On track. Spending generally increases as invoices are received near end of year





Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
research and investigations on matters relevant to policy development to inform the Council and stakeholders.	programme in line with plan change requirements		preparation for SoE Synthesis reporting in 2021-22 and informing the TANK and regional planning processes	310 - Regional Groundwater Research	NF F	Modelling work is on track. Spend generally increases near end of year
	Target: Achieved			311 - Regional Surface Water Research & Investigations	NF F	<p>Hydrology and Hydrogeology:</p> <ul style="list-style-type: none"> •have supported Lincoln Agritech with field work (scoping and liaison) locating appropriate drill sites for the research programme of the Ngaruroro River braided system (surface water – groundwater interaction). •working in preparation for the Heretaunga Plains river system concurrent gauging programme that runs over the summer months. •researched and assessed <ul style="list-style-type: none"> (i) Potential Evapotranspiration (PET) contribution to groundwater recharge, (ii) soil moisture, and (iii) generation of sediment loads within our river systems and possible modelling options. •Provide R script to support data processing for continuous and discrete data sets from the HAWQj monitoring station. <p>The annual budget for external costs has largely been spent in the first quarter to support our contribution to the MBIE braided rivers project that is managed by Lincoln Agritech. This is a research programme that HBRC has committed to in understanding surface water-groundwater interaction of braided rivers using the Ngaruroro River as a case study. There are no outstanding payments to this project.</p>

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				312 - Freshwater Ecology Investigations (Projects)	NF F	All work is on track. Freshwater quality and ecology provided science support focused on Mohaka plan change and Tukituki implementation workstreams. A fish hub has been developed for the HBRC website which includes an intramap with fish information available for the likes of farm plan providers and consent applicants. This project includes a large unbudgeted contribution from Fonterra to build a wetland in the Tukipo catchment, which will happen this summer. Hence it looks very under budget.
				313 - Coastal Water Quality Research & Investigations	NF F	Current work undertaken includes follow-up work on estuarine condition, saline intrusion, subtidal habitat mapping and collaboration with HBMaC and Sustainable Seas. Although the Sustainable Seas stage 2 has not yet been initiated, work has been extensive in finalising the stage 1 report and co-developing the proposal for stage 2. Work in Q1 includes the development of a Bayesian Network for Hawke's Bay estuaries including scenario testing reductions in specific stressor states, and modelling of the influence of Hawke's Bay rivers on coastal water quality. Saline transition zone mapping will be undertaken for the Mohaka River following a large fresh, and subtidal habitat mapping is ongoing on the Wairoa Hard. Expenditure is lower than pro-rata budget due to the majority of projects being seasonal (January - April). Internal time is lower than the pro-rata budget as the Sustainable Seas stage 2 project has not yet been initiated. Internal time may be under budget at year end due to staff member taking maternity leave.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will reduce harmful air pollution and comply with the National Environmental Standard (NES) for Air Quality.	Number of exceedances of PM10 in the Napier and Hastings Air sheds Target: Napier 1; Hastings 3	NF	There have been no exceedances of the NES for PM10 in the Napier and Hastings air sheds since the start of the FY. Hastings measured 50.14 on one occasion (the limit is 50) but for the purposes of MfE reporting, values are rounded to whole numbers, taking the Hastings measure to 50 and therefore not exceeding the limit.	341 - Air Quality	NF	PM10 monitoring in the Napier, Hastings and Awatoto air sheds has met the performance objectives of 95% data capture and 75% valid data. Monthly PM10 reporting and data processing are complete for the FY to date. Costs are currently on track with the largest external cost to date being a final payment for an Emissions Inventory that was started last FY and completed this FY. The other main external cost expected this FY is for a roadside monitoring programme starting next winter and for which payment isn't expected to occur until June 2021.
				929C – Air Quality Equipment CAPEX	F	Expenditure on air quality equipment is waiting on direction from the Ministry for the Environment on the types of instruments that will be compliant with the new NES regulations that are expected to come into force later in 2021.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	Number of clean heat systems installed annually under financial assistance programme Target: 1000		At the end of the first quarter 2020/21 the programme is on track to deliver 1000 financial support packages	342 - Healthy Homes Initiatives AND 342C - Healthy Homes Initiatives CAPEX	  	At the end of the Q1 the Heatsmart programme had processed 31 insulation loans, 41 Clean heat loans, and 131 grants for the replacement of fires. The Sustainable Homes programme had delivered 33 packages for double glazing, 5 for water storage, 127 for clean heat, 71 for ventilation systems, 24 for solar pv and 43 for solar hot water. Combined the programmes delivered 506 packages in the first quarter. Internal costs are below budget as there has been no requirement for executive time input, computer services and the enviro science support yet this year. External costs and income are over budget as expected for the busiest quarter in the year, with external costs to pay service providers reflecting high seasonal demand. The income over budget reflects the early settlement of old loans, as well as the new loans added to the loan book. The over budget income reflected the prior year high volume of packages delivered in 19/20 and the start of repayments.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will encourage efficient and effective water use to maximise the benefits of the water allocated and comply with regulations under the RMA for measuring and reporting water takes	Percentage of consent holders with water meters operating using telemetry or web/text systems Target: 90%	NF	As at 30 September 2020 84% of consents were reporting using web or telemetry. Adding in consents where the take is tamper tagged of 10.5% (and the consent is not being used at this time) we had a total of 94.5%. All takes 20L/sec and over will have to have telemetry installed by September 2022. So far over half (55.7%) already have telemetry installed.	395 - Water Information Services	NF F	WIS team have met most targets and with the Technical Advisor now on board a start has been made catching up on notifications for re verification of meters. The Daisy to Iris transfer is still progressing. Financials are still a work on and help has been requested to get this project correct.
	Total water consented as a percentage of the allocation limit for each significant water resource (Tukituki).* <u>Note:</u> Additional rivers will be added as allocation regimes are set through catchment based plan changes to give effect to NPS FM>	NF	Surface water is allocated to the limit. (Note allocation set by PC6 and measured as L/s rather than m3/week). Consents are expiring and allocation rates and volumes are being reviewed. This may free up water. Applications have been made in anticipation of this.	314 - Water Efficiency	NF F	0.4 FTE working on this. Continued work with Aqualinc to better assess water use for properties with high water tables and finalise user manuals. Case study work undertaken to assess and quantify water saving potential from irrigation system maintenance, data use and scheduling to be used in later water efficiency campaigns. Initiated review on water efficiency work done in the last 10 years. Assistance offered to Ruataniwha water users to share learnings from the "Maximising the Value of Irrigation" project.




Activity 3.2 Catchment Management

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will partner with Tāngata Whenua and community groups in identified priority areas to achieve land and water outcomes.	Annual reporting to council on engagement, actions and impacts within priority areas. Target: Achieved	NF	Staff have been engaging individual land owners in priority areas as part of the wider Erosion Control Scheme but momentum and focus in priority areas has slowed as a more regional approach to scheme delivery taken. Work is still happening in priority areas with a trial wetland design being developed for nitrogen reduction in the Tukipo, and through both Freshwater Improvement Fund projects with staff engaged with the community/tāngata whenua in the Tutira and Whakaki priority areas to seek unified agreement on the delivery of work.			


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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will work with farmers, growers and industry to transfer knowledge on environmental risks and impacts, and support the adoption of good management practice on-farm to achieve smart, sustainable land use.	Percentage of land area (by catchment) that operates under a Farm Environment Management Plan or an independently audited industry good management practice framework as required under the RRMP. Target: Tukituki – 100%	NF	Achieved, there are only a few small house lots/lifestyle areas that Compliance are following up with.	378 - FEMPs	NF F	The FEMP team lodged 26 new low-intensity properties in the system. Data quality checking of farm boundaries within the low intensity framework was completed by geo-reference tool. Progression with a digital platform for farm auditing 90% complete. The expenditure over the period involved internal stakeholders in the compliance team in farm plan auditing.
				378C - FEMPs CAPEX	F	Capex for farm plans to be on an interest free three year loan has not yet been advertised nor taken up from any landowners.
				351 - Te Waiu o Tutira	NF F	The Project is managed by the Catchment Management Delivery Team. Delays have been experienced with the project as we proceed with stakeholder/tāngata whenua engagement relating to certain high cost project deliverables which we hope to resolve in the near future. The successful planning and delivery of on farm works (planting, fencing etc.) have continued during the quarter as the project subsidy scheme is implemented. An increased expenditure of this budget will be expected as we navigate through the engagement process.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				352 - Ahuriri Estuary Protection & Enhancement		This project is managed by the Catchment Management Delivery Team. Early in the year the project is largely focused on planning on-ground work and fencing. The majority of the on-ground work associated with this project is then completed from April through to June as this aligns with the winter planting season. Budget on target.
				353 - Lake Whatuma Protection & Enhancement		No advancement on ownership of the lake which has stalled protection and enhancement actions and budget spend. After an introductory meeting Iwi are now dealing directly with the lakes majority owners to seek an agreed way forward. No actions, hence no budget spend.
				354 - Whakaki Lake Protection & Enhancement		The Catchment Management Delivery team is experiencing delays as we proceed with stakeholder/tāngata whenua engagement relating to a number of deliverables which we hope to resolve during the year. The previous project manager resigned with a new catchment advisor stepping into this space on a part-time basis. An increased expenditure of this budget is expected during the year as we navigate through this engagement.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				355 - Marine Protection & Enhancement		<p>Contracting is underway for the 2020/21 multibeam survey of the Mahia Peninsula. Additionally, contracting has been completed for the coastal bird survey which will be undertaken between November 2020 and January 2021.</p> <p>External expenditure for this project is not yet spent due to surveys not scheduled until February 2021, however this project is expected to be on time and on budget.</p>

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will encourage through subsidy, education, working with industry and recording and reporting riparian planting and fencing, wetland protection and afforestation to improve soil conservation and water quality.	Additional area of highly erodible land planted in trees (ha). Target: 2000Ha of land under cover	NF	Expected to be off target but steadily improving as shown below. Catchment Delivery Team is starting to make good traction in this area - budget and plants/fencers will be limiting factors to continued growth CRM data shows 590 ha of erodible land in trees this quarter.	379 - Erosion Control Scheme	NF F	Phasing of costs and timing of activities across the year impact on variances. Programme is gaining momentum and will need to be carefully managed so approved projects stay within annual budget. Recoveries still to be processed from the Hill Country Erosion Fund (~ \$370k) Phasing of remaining committed activities to be managed so as not to exceed budget this year.
				379C - Erosion Control Scheme CAPEX	F	This is the loan repayment budget.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
			<ul style="list-style-type: none"> 590 ha of erodible land in trees (3rd year Q1) 667 ha of erodible land in trees (2nd year of ECS, includes COVID-19 period) 94 ha of erodible land in trees (1st year of ECS) 	306 - Erosion Control Scheme Booster	 	<p>This MPI Hill Country Erosion Fund funded project provides 'booster' funding to the Erosion Control Scheme delivered by the Catchment Delivery team. A new role was filled in this quarter, the HCE Workshops and Works Coordinator. This role is tasked with the planning and delivery of 15 workshops (7 for landowners and community and 8 for HBRC staff and rural professionals including a Maori Capability workshop) each year of the project and also will be involved in the administration each winter of orders and deliveries of poles produced at the HBRC Pole nursery. Another 2 ISCO sediment monitor installations were completed with 3 in progress. There are 7 monitors operational and ready to capture samples during high rain events. Poles produced at the HBRC nursery were delivered to farms for planting during this winter season and inspections done of works completed so grants could be paid.</p> <p>The budget appears to be well over-budget for two reasons; firstly, the timing difference of when the funding is received from MPI and when the works being funded are undertaken, inspected and the grants paid out and secondly, with funds received in the last financial year for capital expenditure has been bought forward for the remaining ISCO installations.</p> <p>This project is worked on a Cost-Recovery type basis and is on track.</p>

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				388 - Northern Hawke's Bay Activity	NF F	An activity report for the 19/20 financial year was presented to the Maori Committee 9 September. Activity has included supporting the progression of PGF Shovel Ready projects at Nuhaka River Road and Rahui Bridge replacement. Progressing resolution to issues at Mahanga and supporting the Mohaka Plan Change process. A tripartite meeting between Tatau Tatau o Te Wairoa, WDC & HBRC to consider a research proposition from Manaaki Whenua was held and talks are continuing. 26 meetings were held over this period with different PSGE's, Maori Trusts, entities and Marae. Pro-rata estimates of expenditure at 90% spent at this point, which isn't what was intended
				381 - Soil Conservation Nursery	NF F	We have had unbudgeted capex approved to replace the nursery tractor and the harvest chainsaws which were at the end of their lives. The chainsaws have been purchased and the type of tractor that would be fit for purpose for nursery activities is being finalised. Interviews for a new nursery manager (employed through the Works Group) have been conducted and the successful applicant starts on 2 November. YTD costs includes inventory balance of sleeves not yet sold (\$140k). YTD running costs in line with expectations. Sales of 2021 poles start June 2021 - YTD pro rata of the budget does not account for this.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				389 - Catchment Policy Implementation	 	Recruitment for positions in this team was delayed to help overall financial impact for council in this constrained year. This has resulted in a delay to planned work in priority Tukituki and TANK sub-catchments. Recruitment is now underway. An application to the Freshwater Improvement Fund to leverage and further boost this work was completed and submitted in this quarter. The outcome of that is expected in mid-November. Farm Environmental Management Plan work has recently shifted into this team and is reported elsewhere. Input has been provided to Mohaka plan change work and associated engagement with two sub-catchment groups. Meetings have been held with various rural professionals to work through requirements from the recent "Essential Freshwater" package. Main initial concerns are focused on winter grazing issues. Connections and input to national working groups on these issues continued through this period. Staff appointments planned for this year have been delayed which has resulted in underspend in external costs due to delay in programme of work.
				383 - Tukituki/Southern Catchments	 	Budget on track. Underspend in internal time from external teams.
				303 - Tagasaste SFF Project		No commentary provided.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	Additional kilometres of riparian margin protected annually to reduce sediment, nutrient and/or bacterial contamination of water Target: 100km	NF	Expected to be off target but steadily improving Catchment team is starting to make traction in this area - Protected = both sides of the stream. 19 km of stream protected Q1. <ul style="list-style-type: none"> 19 km total (3rd year Q1) 27 km total (2nd year of ECS) 8 km total (1st year of ECS) 	384 - Riparian Planting Programme	NF F	This code was set up to track costs associated to riparian/native plant purchases only and has a neutral revenue and expenditure budget attached to it. Recovery of plants still to be processed for Wairoa.

Activity 3.2 Biodiversity and Biosecurity

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.	Additional number of targeted priority sites where biodiversity is actively managed. Target: 1-2	NF	Two new sites are in the final stages of planning, totalling approximately 6km of deer fencing.	662 - Biodiversity	NF F	The Biodiversity team have begun weed maintenance at existing Ecosystem Prioritisation sites. Two new sites are in the final stages of planning, totalling approximately 6km of deer fencing. Fencing is planned to initiate in February 2021. These two new projects will be completed in partnership with QEII, Fonterra and landowners. Budget is on track. Pro rata forecast does not reflect Biodiversity Expenditure due to timing of work.
				662C - Biodiversity CAPEX	F	This Biodiversity Capex budget will contribute to the upcoming fencing cost for the Ecosystem Prioritisation programme, due to start in February 2021.
				338 - Biodiversity Strategy	NF F	Endangered species database development (stage 2) is in progress. Tier 2 biodiversity monitoring framework development underway, funded by Envirolink and Biodiversity Working Group with Landcare Research being service provider. High resolution aerial image capturing over frost flats led by BOPRC is completed, but image processing has been delayed due to COVID-19 affecting service provider (South Africa base). Wilding pine mapping in HB frost flats is in progress. Budget is on track.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will undertake research, and implement and review regional pest management plans that improve biodiversity, human health and economic prosperity.	Maintain and implement current Regional Pest Management Plan. Target: Achieved	NF	The Biosecurity team are implementing this plan, which contains 23 pest animals, 2 marine pests, 5 horticulture pests and 33 pest plants. All programmes contained within the Plan are currently on track	650 - Plant Pest Control	NF F	In this quarter 13 different pest plants were managed. These pest programmes are outlined in the Regional Pest Management Plan. 12 properties have had privet removed. Pest plant budget is on track. Pro rata forecast does not accurately reflect pest plant programme expenditure. The majority of contracts will be completed and paid for by March.
HBRC will provide effective pest management programmes that improve regional biodiversity, human health and economic prosperity.	Percentage of monitored Possum Control Areas (PCAs) with a 5% or less trap catch. Target: 90%	NF	The annual Education Monitoring Programme has now started with approximately 60% of the Ongaonga PCA completed (6,192ha's or 100 Monitoring lines) with an average RTC of 0.6%.	660 - Regional Animal Pest Control	NF F	The Pest Animal and Predator Free Hawke's Bay teams programmes, including rabbits, rooks, possums, feral goats and predators are underway. All programmes are on track at this point Pest animal budget is on track. Pro rata forecast does not accurately reflect pest animal programme expenditure. The majority of contracts will be completed and paid for by May 2021.
	Decreasing trend (based on previous 5-year average) in the number of active rook nests. Target: Achieved	NF	The annual rook programme was initiated on the 2nd Oct 2020. All operations thus far have gone to plan. Outcomes will be reported on in the next quarter.	689 - Pest Management Strategies	NF F	The Regional Pest Management Plan has completed its review and is operational. A LGA section 17a efficiency and effectiveness review has been undertaken of a range of Biosecurity operations within the RPMP to make sure they

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	Percentage of animal pest enquiries responded to within target timeframe. (5 days for rabbits). Target: 100%	NF	A total of 20 rabbit inquiries have been responded to over this period within the required 5 day time frame			are effective and fit for purpose. A review of the PCA programme is currently underway. Budget for Regional Pest Management Plan is on track
	Percentage of plant pest inspections and actions completed within target timeframes (see schedule for specific plant pests). Target: 100%	NF	78 rural properties, 247 urban properties and 14 plant nurseries were visited during this period. The following pest plants have been managed: • Phragmites • Apple of Sodom • Cathedral bells • Spiny emex • Chilean needle grass • Wilding conifers • Woolly nightshade • Privet • Nassella tussock • Saffron thistle • White-edged nightshade • Purple ragwort • Boneseed			

3.4 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

Activity: Flood Protection and Control works; (a) Rivers, (b) Drainage and (c) Small Schemes

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will maintain an effective flood control network that provides protection from frequent river flooding to communities and productive land within designated flood protection schemes in the Heretaunga Plains and Ruataniwha Plains				250 - Investigations and Enquires	NF F	The Regional Assets team dealt with many ratepayer enquires during this period. Advice on particular items included land tenure on the Mangarau Dam and rating classification amendments when subdivisions occur. Enquiries vary over time. The expenditure is on target.
				251 - Subsidised Investigations & Minor Projects	NF F	Schemes Team (Regional Assets) manages project, tree work carried out by Works Group and various local contractors. Work carried out as required.
				255 - Consultancy Services	NF F	Decision made by GM to discontinue offering hydraulic modelling consultancy for external parties. Very little consultancy work has been done over the past quarter, as the staff are busy working on HBRC projects.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				261 - River and Lagoon Opening	NF F	Schemes Team (Regional Assets) manages project, works carried out by local contractors as per HBRC protocol. Intensively managing Nuhaka, Te Ngarue and Maraetotara due to demand from adjacent landowners particularly late winter 2020. Opening cost and frequency trending upwards over 2010 to 2020 potentially due to increased investment, awareness and responsiveness combined with environmental factors (river flow, swell, and sea level).
	The major flood protection and control works that are maintained, repaired and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works program. Target: Achieved	NF	The Scheme team controlled maintenance activities scheduled for Q1. They also assisted with asset inspection (undertaken and led by Engineering team). The Scheme team along with Works Groups also completed some edge protection work and minor erosion protection work along the Ngaruroro river and Tutaukuri river. All other scheduled maintenance work is progressing well as per the maintenance contract.	265 - Upper Tukituki Scheme	NF F	The Scheme team is managing activities under the maintenance contract, all of those are carried out as planned with no issues to report Q1. The budget is under as its seasonal work and more spending will be in Q2 and Q4 summer months.
				265C - Upper Tukituki Scheme CAPEX	F	An error occurred and time was booked against Capex where this should be booked against Opex. This has been corrected and coded back to Opex.
				286 - HPFCS - Rivers Maintenance	NF F	Schemes Team (Regional Assets) manages project, maintenance contract carried out by Works Group and various local contractors as per Asset Management Plan. Reduced contractor expenditure than budgeted due to work not required (provisional sums). Expect to be on track through remainder of FY.
				286C - HPFCS - Rivers Maintenance CAPEX	F	No capital work is planned under this code.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	<p>Changes to flood levels of protection are consulted on with the affected communities and delivered within agreed timeframe.</p> <p>*Current levels of protection are 1%AEP (1:100 year return period) for both Heretaunga Plains and Upper Tukituki Schemes.</p> <p>Target: Heretaunga Plains: Phased design and construction.</p>	NF	<p>HBRC received Infrastructure Reference Group (IRG) funding which is allowing us to do some construction work in 2021. Other milestones (modelling, engineering options and conditions assessment) of the projects are progressing as planned with some key outcomes being presented to council on the 4th of November 2020.</p>	287 - HPFCS - Flood & River Control	NF F	This is spending for Maraekakaho access road part of LoS review. Operational budget is to be transferred to 287 Capex.
				287C - HPFCS - Flood & River Control CAPEX	F	This is under spent due to Level of Services being focus on the hydrological modelling, planning and communication (internal staff or consultant). No physical work or land acquisition have been progressed any further.
				288 - HPFCS - Special Projects	NF F	Part of this code is Asset Management Reviews which are currently taking place by the newly appointed Asset Engineer. Engineering team and the Scheme team are undertaking ecological management plan reviews and asset conditions assessment for the flood assets. The Ecological Management Plans are due to be finished this FY. The ecologist finished the bird monitoring for the beach raking. The internal time is over budget due to more work required for the Asset Management Plans and Ecological Management Plan reviews.
				369 - Gravel Management	NF F	The new consent has been challenging to resolve with a small number of submitters requiring minor amendments to consent. Pre hearing meetings ongoing with next meeting scheduled for end of November. Actual exceeds forecast due to the ongoing external costs in processing the new consent.



















Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	Upper Tukituki: Subject to consultation outcome			370 - River Cross Sections		There has been no change in the resources needed. Normal river cross section surveys will occur later in the year. Internal revenue contributions from gravel extraction have already been added to budget, but only limited expenditure on surveying due to surveying being carried out in summer (drier) months.
HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council for public enjoyment and increased biodiversity.	The ecological function of urban streams is maintained or enhanced (source: 6-yearly rolling review and Ecological Valuations of River Ecological Management and Enhancement Plans (EMEP). Target: Achieved		We are carrying out a number of tasks associated with targets within the EMEP. This includes river bird surveys, pre gravel extraction inspections and writing a new Standard Operating Procedure for eel rescue. We are currently reviewing the Ecological management plans for rivers.	364 - Regional Pathways		Schemes Team and Cycle Network Coordinator (Regional Assets) manages project, maintenance contract carried out by Works Group and various local contractors as required. Spraying and mowing contract in progress. Signage project, grading. Review contract and management structure. Pro rata costs expected to increase through remainder of FY.
				364C - Regional Pathways CAPEX		Construction/install signage from Managing the Great Ride Fund (MGR) app on trails.
				363 - Public Access to Rivers		HBRC Ranger managing public access actively and intensively. Demand from public for increased level of service. Extra rubbish collection, upgrade to public access areas, fencing, and repairs undertaken. Public access and security review in progress. Intensive management of Public Access has reduced requirement for services of security and other contractors.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will maintain an effective drainage network that provides drainage outlet for rainfall runoff for communities and productive land within the drainage scheme.	Number of reported incidences of out-of-channel flooding lasting more than 24 hours for the design rainfall runoff and lesser events. Target: Zero	NF	Water level remained within mainstem channel sections. No significant rainfall events and low flows. No issues to report.	290 - HPFCS - Drain and Pump Assets	NF F	All operational work for the HFCS drainage work was undertaken as per the maintenance contract and no issues to report. Staff time and other expenditure are coded under 291, the main code for this activity. An error in recoding. This has been addressed and fixed.
				291 - HPFCS - Npr/Meeanee/Puke	NF F	Schemes Team (Regional Assets) manages project, maintenance contract carried out by Works Group and various local contractors as required. Operational maintenance activities were carried out as per contract, with additional rubbish removal required. Expect pro rata costs to increase through remainder of FY. Significant renewals programme undertaken including: Plantation and County Pump Station renewal in progress.
				291C - HPFCS - Npr/Meeanee/Puke CAPEX	F	Expect pro rata costs to increase through remainder of FY.
				292 - HPFCS - Brookfields/Awatoto	NF F	Expect pro rata costs to increase through remainder of FY.
				292C - HPFCS - Brookfields/Awatoto CAPEX	F	Expenditure recorded as operating.
				293 - HPFCS - Pakowhai	NF F	Less Operations Group and Contractor maintenance expenditure than budgeted due to work not required.
				293C - HPFCS - Pakowhai CAPEX	F	Expenditure recorded as operating.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				294 - HPFCS - Muddy Creek	NF F	Less Operations Group and Contractor maintenance expenditure than budgeted due to work not required. Capital budget for new flood outlet pipe not spent due to installation delay.
				294C - HPFCS - Muddy Creek CAPEX	F	Expenditure recorded as operating.
				295 - HPFCS - Haumoana	NF F	Expect pro rata costs to increase through remainder of FY.
				295C - HPFCS - Haumoana CAPEX	F	Expenditure recorded as operating.
				296 - HPFCS - Karamu	NF F	Expect pro rata costs to increase through remainder of FY.
				296C - HPFCS - Karamu CAPEX	F	Includes Ruahapia willow tree mulching that should be allocated to 282 Karamu Enhancement.
				297 - HPFCS - Raupare/ Twyford	NF F	Pro rata costs expected to increase through remainder of FY.
				297C - HPFCS - Raupare/ Twyford CAPEX	F	Expenditure recorded as operating.
				298 - HPFCS - Tutaekuri/ Moteo	NF F	Pro rata costs expected to increase through remainder of FY.
				298C - HPFCS - Tutaekuri/ Moteo CAPEX	F	Expenditure recorded as operating.
				299 - HPFCS - Puninga	NF F	Pro rata costs expected to increase through remainder of FY.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				299C - HPFCS - Puninga CAPEX		Expenditure recorded as operating.
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 - Whirinaki Drainage - Maraetotara - Te Ngarue - Kopuawhara Flood Control - Poukawa Drainage - Kairakau	Flood protection and drainage networks are maintained, repaired and renewed to the key standards defined in the Scheme Asset management plan and annual works program. Target: Achieved		Our flood protection and drainage networks are maintained and renewed to the standards defined in the relevant scheme Asset Management Plan. Planned maintenance and works have been executed for all schemes except Opoho. The Opoho pump station is currently out of service. We are planning the upgrade work through the LTP. We are in need of improving annual inspections reporting.	240 - Makara Flood Control Scheme	 	Scheme meeting held with further consultation on dam silt extraction. Majority of maintenance work to be done in remaining quarters.
				240C - Makara Flood Control Scheme CAPEX		Loan repayment only.
				241 - Paeroa Drainage Scheme	 	Maintenance work to be carried out in remaining quarters.
				242 - Porangahau Flood Control Scheme	 	Scheme operating to forecast expenditure/income.
				243 - Poukawa Drainage Scheme	 	Scheme meeting held. Scheme operating to approx. forecast expenditure/income.
				244 - Ohuia - Whakaki Drainage Scheme	 	Repair work to Ohuia Pump Station outlet gate. The maintenance programme in progress. Energy expenditure less than budgeted.
				244C - Ohuia-Whakaki Drainage Scheme CAPEX		No capital budget.
				245 - Esk River Control Scheme	 	Additional tree work required.
				246 - Whirinaki Drainage Scheme	 	Scheme operating to forecast expenditure/income.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				247 - Maraetotara River Control Scheme	NF F	Lower burn piles carried out to support Maraetotara enhancement planting group. Scheme operating to forecast expenditure/income.
				248 - Te Ngarue River Control Scheme	NF F	Scheme operating to forecast expenditure/income.
				249 - Kopuawhara River Control Scheme	NF F	Scheme operating to forecast expenditure/income.
				266 - Opoho River Control Scheme	NF F	Engineering team working on scheme design review. The maintenance programme is in progress as per schedule except for pump station which is currently decommissioned. Scheme operating to forecast expenditure/income.
				276 - Kairakau Community Scheme	NF F	Agreement of work programme with community to be reviewed. Review of scheme objectives and work programme is required. No issues to report.
				277 - Wairoa Rivers and Streams Scheme	NF F	Includes HBRC Funding Contribution for Matiti Repatriation Project and Nuhaka River realignment staff time (WDC capital project).
				277C - Wairoa Rivers and Streams Scheme CAPEX	F	Nuhaka River realignment consultancy costs (WDC capital project).

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				278 - Central & Southern Area Rivers & Streams Scheme	NF F	Schemes Team (Regional Assets) and Catchment Team (Land Management) managing project, maintenance contract carried out by Works Group and various local contractors as required. Tree removal and burn piles carried out as part of Maraetotara riparian restoration. Expect costs to appear Q2. Review of planning and project management proposed to improve capacity to implement projects.
				278C - Central & Southern Area Rivers & Streams Scheme CAPEX	F	Internal time recorded as operating expenditure.
				264 - Westshore Coastal Works	NF F	The Engineering and Projects teams worked together on this project. The Engineering team organised the survey and determined the quantities of material required. The project started on time on Sept. 28, and will continue for up to 5 weeks. The internal staff time for this project is slightly over budget, however, most of the work is normally completed in the first half of the year. Follow up work may be required later in the year if large swell events erode the beach faster than normal.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				322 - Coastal Processes Invgs	NF F	The Engineering team have been progressing the Joint Coastal Strategy design work stream. This includes addressing peer review comments and updating the reports, preparing information for joint committee meetings and design workshops. The team is also progressing the Westshore sand disposal consent in conjunction with Napier City Council. A consultant is assisting with preparation of the consent documents, and setting up meetings with local iwi and other affected parties. The continued workload from the Joint Coastal Strategy impacts on the budget for internal time for this project.

Activity: Flood Risk Assessment and Warning






Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tutaekuri and Ngaruroro and Tukituki areas	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year. Target: 98%	NF	The priority sites have been operational as anticipated. The level of service has been achieved.	715 - Flood Risk Assessment	NF F	Engineering staff time on this project was used to perform analysis, liaise with TLAs, answer queries to do with flood issues, or the risks associated with flooding. This budget is underspent due to staff time being allocated to other projects.
				718 - Flood Warning System	NF F	The Flood warning system has continued to operate well. Some minor vandalism was repaired. Several glitches have occurred with the server and this is being looked at to prevent further outages. Time has been spent on other projects for the first quarter so less has been spent on the Flood Warning system. The system continues to operate well and the budget is on track.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
Council provides accurate and timely flood forecasting information online to advise the community on likely rainfall and flooding	Percentage of the region at risk of flooding from large rivers, covered by a flood forecasting model. Target: 70%	NF	Flood forecasting involve river models of the following rivers: Wairoa, Waiau, Hangaroa, Waikaretaheke, Waihi, Tutaekuri, Mangaone, Ngaruroro, Maraekakaho, Taruarau, Tukituki (Upper/Mid/Lower), Waipawa, Mangaonuku, Tukipo, and Makaretu. The catchments involved in these rivers cover about 70% of the region by area. There has been no change in the flood forecasting models. The target of 70% coverage has been achieved.	719 - Flood Forecasting & Hydrological Flow Management	NF F	Engineering team working on catchment reviews, hydrodynamic modelling for flood hazard planning, mapping. Staff worked on Esk flood model as part of that scheme review. Expenditure is slightly less than expected on the flood forecasting project, due to engineering staff time being spent on other projects.

Activity: Open Spaces


Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will maintain, develop, and provide public access to existing Council owned regional parks and investigate affordable new opportunities for public enjoyment of open space for multi-purpose benefits	Regional parks are managed to the key standards defined in Individual Park Plans (IPPs) where present and / or the HBRC Regional Park Network Plan. Target: Achieved	NF	LoS for all Regional Parks on track and met. New Asset Management Plans are being developed for better management and operation of all Regional Parks assets (including forests and trails). Better planning and budgeting for the future work for parks is being developed.	362 - Regional Park Network	NF F	Regional Parks are part of the Open Space portfolio. Parks are being maintained as per the level of service criteria set out in the Regional Park Network Plan. This budget is overspent by 44%. Reasons include the following: Hawea Historical Park maintenance has not been considered, now included in the new LTP. An increase in level of service for Te Mata Peak with caretaker duties now covering the equivalent of 1FTE (or two caretakers working 2.5 days each at Te Mata Park). Works Group daily charge has also increased from \$400 per day to \$460 per day affecting operation costs. New plantings on the Regional Parks require additional maintenance.
				362C - Regional Park Network CAPEX	F	This is delivered by both the Regional Project team and the Open Space (Regional Parks) team. It includes the stage 2 marquee area and overflow car park at Waitangi Regional Park, Waipatiki Beach Holiday Park re-roofing project and road / drainage improvements, and planning for Stage 3 development at Waitangi Regional Park. Expecting to complete all work on time and to budget.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				281 - Raupare Enhancement Scheme	 	Carried out by the Open Space team, in association with Land Care and the Twyford Irrigators Group. COVID -19 impact did mean a reduced planting (use of volunteer labour), however, a successful planting day was held.
				282 - Karamu Enhancement Scheme	 	The Open Space team are delivering as per the Te Karamu Strategy, with a review due for December 2020 to cover the Te Karamu Implementation Plan. The first quarter of the FY is used for planning, consultation and procurement. There is a bigger spend in the second and fourth quarters following plant purchase and over the winter planting period.
				282C - Karamu Enhancement Scheme CAPEX		Open Space (Regional Parks) team are currently procuring plants for the coming winter planting period, so expenditure is currently under budget with most spending occurring in Q2 and Q4. Progressing well for a delivery on time and to budget.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				988 - HBRC Forestry Estate	NF F	In the last quarter the annual thinning programme was carried out by Works Group staff in the off season for river tree control. General fence repairs, pest control and other forest maintenance was ongoing. A New Zealand Farm Forestry Field Day was held at the Waihapua Forest and Tangoio Soil Conservation Reserve. A replanting plan for the Tutira Regional Forest pine forest was agreed with a tangata whenua / community working group to be recommended to Council. Joint venture forests were inspected and plans for logging or retirement discussed with the landowners. Income is less than budgeted due to Tutira logging having been delayed and now not occurring until the 2021-2022 financial year
				988C - HBRC Forestry Estate CAPEX	F	Road and bridge construction for the Tutira Forest harvest were not budgeted in the last LTP and the costs are instead being funded from Reserves and recouped from logging revenue once harvest begins. Available capital budget shown is for the Tutira replanting and as harvest and therefore replanting has been delayed, this will not be required until the 2022 financial year.
				893 - Regional Infrastructure	NF F	This is a Finance debt funding and repayment project with no non-financial targets. Interest repayments are tracking to budget and will reduce over the year as the principal is repaid.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				373 - Tangoio Soil Conservation Reserve		In Q1 ongoing forest maintenance such as goat and possum control and track cutting has occurred and a team of students has been employed for the summer holiday period. 5 of 8 descend from Tangoio and Tutira hapu which is a good outcome for our Mana Enhancing Agreement with the Maungaharuru Tangitu Trust. Income is less than budgeted as logging has not yet begun. This will start in November with revenue paid from then until approximately May. Internal time costs are less than budgeted as summer students have not yet started work.
				373C - Tangoio Soil Conservation Reserve CAPEX		Underspent as access road construction will no longer be managed by HBRC but by the harvest provider Pan Pac

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				374 - Maungaruru Tangitu		<p>This workstream refers to an annual transfer of funds from the Tangoio Soil Conservation Reserve Fund to a Catchments Fund for use in soil conservation projects led by Maungaharuru Tangitu Trust in partnership with HBRC. No transfers have been made for more than two years now as the Trust has not had capacity to plan and manage the projects. During the last quarter HBRC and MTT have agreed a project in principle and HBRC will play a greater role in planning and managing.</p> <p>Underspent as planning is still in early consultation stages with no expenditure required at this point.</p>

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3.5 Regulation

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



- Consents
- Compliance and Pollution Response
- Maritime Safety



Activity: Consents

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will process resource consent applications in a timely manner	Percentage of resource consents processed within statutory timeframe in Resource Management Act. Target: 100%	NF	All applications processed within timeframes	402 - Resource Consents	NF F	Consents are being received and processed within statutory time frames. Groups within the TANK catchment are on hold awaiting TANK outcomes. Internal time is underspent. Have been one staff member down this quarter so under spend partly reflected by this. A replacement commences 4 Nov. External costs are over budget attributable to higher use of consultants, including for resolution of the Te Mata Mushroom Appeal. Except for the Te Mata Mushroom costs, these should all be recoverable. Overall costs are 24% of budget. Income is under recovered at 21%. Running close to budget with expenses. Income slightly under. Some time and costs will be associated with Te Mata Mushrooms which will have no way to cost recover. Regional land fill and WDC will be billed in the next quarter and bring in some significant income. No cause for concern at this stage.

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Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				446 - Appeals and Objections		<p>This is the fund for legal costs associated with appeals. The Te Mata Mushroom appeal has been through court mediation and subsequent meetings of applicant objectors and HBRC to try and settle the matter. The matter is likely to be settled but the costs are exceeding the budget. To this extent the project is on track but the budget will be exceeded. Other costs are still to come for Te Mata Mushrooms before the matter is settled. Also other issues may arise through the year requiring legal assistance. The budget is already overspent for the year. Te Mata Mushroom appeal has required significant legal support. It is not possible to project the costs that will be incurred due to appeals from year to year. This small contingency is going to be insufficient this year.</p>
				470 - Building Act Implementation		<p>The compliance team are responsible for administering the Building Act in Relation to Dam Legislation. However, Central Government has not enacted the dam legislation and there is still no published timetable for doing so, no implementation work has been carried out this quarter. Waikato Regional Council administers the Dam Safety Inspection Scheme on behalf of North Island councils. Waikato Regional Council invoiced the 1st Quarter for administering the scheme on behalf of North Island councils.</p>

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
Policy Implementation				465 - Policy Implementation - Regulation	 	<p>The Policy Implementation team have been focused on re-setting the schedule for Tukituki Land Use resource consents which were delayed due to COVID-19, the drought and a potential plan change which was subsequently withdrawn. A new deadline for lodgement of Tukituki Land Use resource consents has been set for February 2021. A new programme of communication and engagement has been implemented, including a significant media presence and community 'drop-in' days in the sub-catchments to ensure the deadline is met. The Procedural Guidelines have been updated to reflect the revised consenting schedule and to provide further guidance to the affected landowners and external stakeholders. A new NPS-2020 and NES for freshwater came into effect on 3rd September 2020. The Policy Implementation team (Regulation) is part of the Council-wide implementation team which has been established to co-ordinate the HBRC response. Presentations have been made to external stakeholders on the new regulations.</p> <p>Due to the Council's decision to withdraw from the proposed plan change (PC6A) to update Table 5.9.1D, the implementation pathway for the Tukituki Land Use resource consents has had to be re-set. This has required extra input from the Executive level. New guidance has also been prepared to assist the Tukituki landowners with their understanding of the Tukituki Land Use resource consenting process. This guidance has been prepared by the internal HBRC drafting team, rather than an external contractor, resulting in the internal time being higher than budgeted for. Significant Over/under recoveries have also been allocated and these are not budgeted.</p>

Activity: Compliance and Pollution Response

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will monitor consent holders to ensure compliance with the resource consent conditions imposed to protect the environment and human health	Percentage of programmed inspections/reports completed each year as per the adopted risk-based Compliance Monitoring Strategy. Target: 100%	NF	21% of consents to be monitored as per the risk based assessment criteria have been completed in the Q1 Jul-Sep period. This is on track with the bulk of inspections due to take place in Q2 and Q3 for the 2020/21 period.	450 - Compliance Programmes	NF F	Full monitoring programme resumed with no restrictions at Level 1. Commenced annual reporting for large consents and winter stormwater consent monitoring during Q1. Rural team - all feedlot and winery consents have been monitored last quarter overlapping into Q1. Dairy monitoring commenced end of Q1 and carrying on into Q2 with other scheduled monitoring. A small number of landowners have still not provided us with FEMPS in the Tukituki despite encouragement by letters to do so, and now looking at enforcement action for those farmers. Industrial and Urban team - continue to focus on normal monitoring non-compliance with stormwater and trade waste discharges affecting our urban environment. Currently recruiting a senior investigator to focus on serious non-compliance for consents and incidents which would otherwise consume a large amount of response and monitoring officer time. Overall compliance budget is over budget by \$44,000. We have not done our Q1 billing and are currently issuing invoices. We expect to bill \$111,000 for Q1.
	Percentage of monitored consents which receive and overall grade of full compliance. Target: 95%	NF	Monitored consents are largely compliant with 90-95% achieving full compliance. Compliance gradings for the period are subject to change and are often reassessed at the end of Q4.			

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities	Maintain a 24- hour/7 day a week duty management/pollution management response system. Target: Achieved	NF	The Pollution Hotline continues to be staffed by the Pollution Response Team (two dedicated Officers and a Team Leader) during normal working hours. The after-hours service is staffed by Pollution Response Team plus an additional five officers from the Compliance Team, which works on an eight week rotation.	445 - Environmental Incident Response	NF F	Pollution Response: Total number of pollution calls = 280. Calls by type: Air = 187, Coastal = 9, Groundwater = 1, Land = 45, Surface water = 38. Enforcement: Abatement Notices issued = 11, Formal Warnings = 7, Infringement Notices = 22, Prosecutions Initiated = 3, Hastings Demolition was convicted and fined the amount of \$11,900 with ninety percent of the fine to be paid to the Council in terms of s 342 of the Act. Legal fees blow out due to increase in prosecutions.
HBRC will investigate and manage contaminated sites to ensure public health and safety and environmental protection.	A Hazardous Activities & Industries List (HAIL) database of potentially and confirmed contaminated sites is maintained. Target: Achieved	NF	The hazardous industries and activities site list is maintained. Transfer between the access database and IRIS continues. Approximately 15% of records have been migrated.	151 - Hazardous Waste/Substance Management	NF F	Contaminated land is staffed by compliance officers and compliance team leaders within the urban and industrial team. A similar volume of requests have been processed compared to first quarter 2019/20. Work is progressing on the database transfer and landfill vulnerability study. Expected bill for \$15,000 has not yet been received for agrichemical collections. All other budgets on track.

Attachment 1

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will respond to oil spills within the Hawke's Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan, which identifies priority areas in HB for protection in the event of a major spill.	An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times. Target: Achieved	NF	The T2 plan is currently being fully reviewed (as required on a 3-year basis) Final Draft complete. The first of two exercises for this year was completed mid-September. A response team is in place at all times. The number of responders is currently under review.	720 - Marine Oil Spill	NF F	The Tier 2 oil spill plan is being reviewed with a final draft complete. Training exercise held in September. The budget for exercising is from Maritime NZ. Due to COVID 19 there are less vessels entering NZ ports hence the budget for training (and other oil spill response costs) have been reduced. Spending to date is in line with current budget allocations.

Activity: Maritime Safety

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region's navigable waters	Maintain a Maritime New Zealand accredited Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area. Target: Achieved		No result or commentary provided	460 - Navigational Aids & Regulations		No commentary provided

Item 11

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
are safe for people to use	Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations. Target: Maintain or decreasing trend. Baseline = 43 (3years to June 2018)		No result or commentary provided			

3.6 CDEM

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

- Hawke's Bay CDEM Group
- HBRC Emergency Management

Activity: Hawke's Bay CDEM Group

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
The HBCDEM Group will educate people about hazards, increase natural hazards knowledge through research and provide this information for risk reduction measures including land use planning, asset management, and infrastructure.	A 5-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group.	NF	Ongoing research to be commissioned in accordance with the 10-Year Hazard Research Plan. In negotiation with GNS re landslide run-out modelling for Bluff Hill, Level 3 Modelling for Tsunami and updating HB tectonic vertical land movement estimates (VLM).	709 - East Coast Lab	NF F	East Coast LAB has secured funding from EQC for two year joint education project with AF8 with project planning underway. Working with steering group on five year review and planning. Expenditure is in accordance with project planning.
	Target: Achieved Percentage of surveyed residents that identify earthquake, flooding and tsunami as a major hazard in Hawke's Bay (source: 2-yearly SIL perception survey). Target: Same or better result than last survey (86%; 58%; 45%)	NF	Bi-annual survey July 2019 showed the hazard of the highest concern for residents in Hawke's Bay was Earthquake (74.9%), followed by Flooding (47.3%) and Tsunami (43.3%). Next survey due 2021.	711 - Hazard Ident. & Mitigation	NF F	Hazard Reduction team is commissioning ongoing research in accordance with the 10-Year Hazard Research Plan. In negotiation with GNS re landslide run-out modelling for Bluff Hill, Level 3 Modelling for Tsunami and updating HB tectonic vertical land movement estimates (VLM). Project expenditure on track. Contracted science work paid out in final quarter.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
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.	An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee. Target: Achieved	NF	Project plan to review existing Group Plan was developed and agreed to by the CEG and Joint Committee late 2019 year. Work had commenced on hazard risk review as per the agreed project plan. Due to the COVID-19 response commencing in February and current work on planning for COVID-19 re-emergence, the CEG and the Joint Committee has determined that the review is not priority at this time and the current plan is fit for purpose. It is also noted that the National Emergency Management Agency has also placed the review of the National Plan on hold. Whatever the priority, this project will need to be re-evaluated and project plan adjusted. The current Plan remains operative until replaced.	712 - Readiness & Response	NF F	Overall the work program for this project was impacted by the COVID-19 response. However on the flip side a number of response infrastructure and processes were tested. Due to the urgency of the COVID-19 response and resurgence planning a number of lesser priority response infrastructure and processes were brought forward and implemented. Overall the work programme for this area is moving back to a level of normality. This variance is due to income from COVID-19 claims being accrued forward into 2020/21. We are awaiting claim approval from NEMS.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	<p>A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group.</p> <p>Target: Achieved</p>	NF	<p>Technically this is on track as a Group Work Programme is in place and has been agreed to by the Coordinating Executives Group and reviewed quarterly at their meetings. However due to the response to COVID-19 commencing in February with activation occurring on 20 March this plan was re-evaluated by CEG and objectives adjusted accordingly. Priority has been placed on post COVID-19 response reviews, implementing lessons learnt and planning for COVID-19 resurgence. The amended work programme and priorities are discussed at each CEG meeting - the last one being held on 19 Oct. It is likely that the ongoing response and future recovery to COVID-19 will impact on existing work programmes for the next 12-18 months.</p>	713 - Civil Def & Emerg Mgmt Coord	NF F	<p>Most of the projects and work in this project were suspended during the COVID-19 response. Some have been resumed however the work programme has been delayed and will be reviewed over the next few months. There is likely to be continued disruption in work related to this project as staff are involved in planning for the re-emergence of COVID-19. The work program however for this project is beginning to return to a level of normality. Budget is on track.</p>

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	Overall percentage score from the Ministry of CDEM assessment of the Hawke's Bay CDEM Group's capability (source: 5-yearly assessment). Target: 80%	NF	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 self-initiated an evaluation in support of the Group Plan review in early 2019. This was carried out using the same evaluation tool as used in 2015 and an independent review panel. 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: Increasing trend	NF	Next bi-annual survey due 2021. Last survey July 2019 - residents felt they had enough food (84.2%) and water (61.8%) stored for 3 days and 55% had an emergency plan.			

Activity: HBRC Emergency Management

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
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	HBRC provides support to the HB CDEM Group in accordance with a service level agreement. Target: Achieved	NF	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. This matrix and levels of service were due to be reviewed in May 2020. However due to the response to COVID-19 commencing in February and ongoing work with the all of government response in resurgence planning, this review will need to be re-evaluated and objectives adjusted accordingly. HBRC have fully supported the Group response to COVID-19 both with staff physically in the Group Emergency Coordination Centre and working virtually in teams from home. Training to support any resurgence response is also well supported.	710 - Response Management	NF F	HBRC's emergency response capability has been maintained, including preparation for COVID-19 resurgence. Nine new staff received CDEM induction training. HBRC Incident Room maintained for the provision of a Council response to emergencies, incl maintenance of pre-established Standard Operating Procedures. HBRC Business Continuity Plan approved by Finance, Audit and Risk Committee 11 February 2020. An effective 24-hour duty management system, supported by PNCC afterhours, has been operated with 113 calls managed and logged by the duty managers for the year to date (YTD). 53 warnings or watches of severe weather or other events have been effectively managed YTD. Project expenditure is on track.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency	Maintain established team, training, procedures including Emergency Operations Centre Manual and Business Continuity Plan. Target: Achieved	NF	HBRC's emergency response capability has been maintained. Nine new staff received CDEM induction training. 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 Business Continuity Plan approved by Finance, Audit and Risk Committee on 11 February 2020.	714 - Local Emergency Management	NF F	Most of the projects and work in this project were suspended during the COVID-19 response. Some have been resumed however the work programme has been delayed and will be reviewed over the next few months. There is likely to be continued disruption in work related to this project as staff are involved in planning for the re-emergence of COVID-19. However the work programme for this project is beginning to return to a level of normality. Budget on track.
	24-hour duty management system in place. Target: Achieved	NF	An effective 24-hour duty management system, supported by PNCC afterhours, has been operated with 113 calls managed and logged by the duty managers for the year to date (YTD). 53 warnings or watches of severe weather or other events have been effectively managed YTD.			





3.7 Transport

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

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

Activity: Transport Planning and Road Safety

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will develop and implement the region's transport planning documents to promote improved integration of all transport modes, land use and efficient movement of freight.	Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place.	NF	The Regional Land Transport Plan was adopted in June 2018 in accordance with statutory timeframes. The next review commenced in late 2019 and is due for completion in 2021. The Regional Public Transport Plan 2015 was reviewed during the 2018-19 year and was adopted by Council in June 2019. The Regional Cycle Plan 2015 is in place but currently under review 2020.	797 - Regional Land Transport Strategy	NF F	Development of the Hawke's Bay Transport Study has continued and a draft report has been received and will feed into the review of the Regional Land Transport Plan, due to be completed in April 2021. This activity is over budget as the contributions to the transport study from the contributing councils and NZTA have not been received.
	Target: Achieved			798 - Regional Cycling Activity	NF F	This activity is carried out by the Open Space (Hawke's Bay Trails co-ordinator) as well as the Regional Projects team. The identified projects are either proceeding well or requiring attention from a TLA. Additional funding from HBRC has been made available to match the 50% MBIE share of cost. Work is underway with CHBDC regarding its extension to the cycle network (not part of the HB Trails Great Ride). A new MOU for NCC and HDC to ensure consistency across the networks has been developed. A delay to the Bayview - Whirinaki Extension project has meant there is an under spend on this part of the project. The Waimarama Safety Improvement project and Ahuriri Underpass projects are about to commence construction with expenditure anticipated in coming quarters.

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
				798C - Regional Cycling Activity CAPEX		There has been a hold up with NCC on the Bayview - Whirinaki Extension. The Ahuriri Underpass projects and Waimarama Safety Improvement project are about to commence. Council has allocated \$1,000,000 over the next 10 years towards the completion of the five identified projects part funded by MBIE.
HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay roads and pathways are safe and accessible, and the emotional and financial costs of road traffic crashes are reduced.	Incidence of fatal and injury crashes in our region (5 year rolling average). Target: Decreasing trend		Statistics for the five year rolling average of fatal and injury crashes are no longer being updated by Ministry of Transport and NZTA. Therefore reporting is on the five year average of deaths and serious injuries in road crashes (combined). Still awaiting data from NZTA. More deaths so far this calendar year than full year last year. Five Year Rolling Average - Deaths and Serious Injuries 2011-15 93 2012-16 100 2013-17 105 2014-18 112 2015-19 113	786 - Regional Road Safety	 	Delivery of Road Safe programme progressing as planned including fatigue stop planning and execution and work with NZTA for road safety messaging for SH2 and Wairoa rural roads. The under spend may be related to drivers licensing programme which is about to get underway.

Activity: Passenger Transport

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
HBRC will provide an accessible, integrated bus service and work with the relevant territorial authority to ensure appropriate service infrastructure within and between the Napier, Hastings and Havelock North urban areas to meet the transport needs of the people of Hawke's Bay.	Annual patronage on the Hawke's Bay bus services. Target: Maintain or increasing trend	NF	Following reduced patronage during COVID-19 in early 2020, the introduction of the Bee Card and on-going free fares until end of August has meant there is no suitable data for July and August. Bus company reports patronage increases by 20% during these months. September patronage is returning to normal being higher than the monthly average for 2019.	790 - Subsidised Passenger Transport	NF F	After COVID-19 public transport fares continued to be free while the new Bee Card system was introduced. This activity is over budget as the contributions from NZTA have not been received.
	Annual passenger kilometres travelled on the Hawke's Bay bus services. Target: Maintain or increasing trend	NF	No data available this quarter.			
	Proportion of total service costs that is covered by fares. Target: Maintain or increasing trend	NF	The proportion of total costs that is covered by fares continued to decline due to significantly higher costs and lower patronage. For the months of July and August bus services were free as the new Bee Card system was introduced and therefore a meaningful calculation cannot be made. The month of September had a 25% fare recovery.			

Level of Service Statement	Level of Service Measure	Status	Commentary	Budget Code + Name	Status	Commentary
	<p>Percentage of residences and businesses within 500m (under normal conditions) and 600m (in low density/outer areas) walking distance of a bus stop within existing bus routes.</p> <p>Target: 90% Hastings; 75% Napier</p>	NF	<p>The 2020 Transport Study has calculated 69.2% of households are within a 400 metre walk of a bus route. However, providing coverage can mean meandering routes and longer journey times, making bus journeys less attractive and slower than driving. Many of the local bus routes in Napier and Hastings offer limited hours and days of operation, and low frequency services provide a poor alternative to the convenience of driving. Only 20.1% of households are within a 400 metre radius of a frequent route (30 minute frequency or less). Based on current urban growth rates, this performance indicator is unlikely to change significantly. There are no bus services in rural townships.</p>			

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

Subject: 2020-21 QUARTER 1 (1 JULY – 30 SEPTEMBER 2020) FINANCIAL REPORT

Item 12

Reason for Report

1. This item provides the Committee with financial results for the first quarter of the 2020-21 financial year.

Summary

2. There have been no significant unbudgeted items or areas of expenditure in the quarter.
3. Actual performance of investment income sources ie managed fund and dividend forecast are currently favourable, however it is too early to signal any full year expectations after one quarter.
4. Many of the variances in the financial report to 30 September are the result of; no phasing of budgets, timing of work programme delivery and accounting treatment adjustments.

Background to the Financial Summary

5. The FY20-21 annual plan budget was revised in response to the Covid-19 Pandemic. It includes conservative forecasting for investment income in-particular given the uncertainty around the economy and financial markets at the time of preparation and adoption.
6. The budgets presented have been updated to include the carry forwards from FY19-20 approved by Council.
7. For reporting purposes, the annual budget is divided evenly across the year with no phasing.
8. New loan funding is generally drawn down at the end of the financial year when the actual required funding is known.
9. All revenue and expenditure accrued at the end of the FY19-20 financial year has been recognised in the Q1 FY20-21 actuals.

Operating Expenditure

10. Across the Groups of Activities, expenditure is \$1.6m below budget which is largely a reflection of the pro-rata budget comparative to the actual planned expenditure. Annual spend has considerable seasonality, particularly planting activity, which will occur towards the end of the FY. Future year reporting, from the new finance system will be phased across the year accounting for seasonality.
11. Strategic Planning expenditure continues to be delayed due to the TANK Plan Change 9 submission period being extended and delays to the Plan Change 7 (Outstanding Waterbodies) hearing.
12. Asset Management are the most underspent because of the timing of when maintenance takes place in the year, the seasonal nature of planting leading to more work in quarter 2 and 4, scheduled work is due later in the financial year (e.g. surveying is scheduled for the drier summer months).
13. Transport are underspent by \$300k primarily due to the timing of the September invoice from Go Bus Transport for \$287k which was processed into October.

Operating Income

14. Across all groups, income is \$250k below budget.
15. Emergency Management is showing a \$241k shortfall. This is due to year end accounting adjustment for the re-imbursement of the Covid-19 response welfare costs from NEMS (the re-imbursement was accrued as revenue in 19/20 to offset the cost in that year but the reversal of the accrual causes reduced income in 20/21 until the invoice is issued). The final invoice has not been issued as approval from NEMS is pending.
16. Consents and Compliance income is below budget, this is a result of the timing of invoicing. Invoices were raised post the quarter end date for the Q1 period.
17. Asset management income is \$500k below budget, due to;
 - 17.1. the revenue from harvesting (Tangoio reserve) is not due till later in the year,
 - 17.2. NCC will be invoiced for its 50% share of the Westshore coastal works at the end of the year when costs are known,
 - 17.3. the asset management team has stopped offering hydraulic modelling consultancy.
18. Regional income from investments is below budget by \$1.2m. This is due in part to the timing of the forestry income from harvesting (Tutira) but mostly because of a difference in the accounting treatment for the budgeting and reporting of the managed funds.
19. The budget for managed funds income includes all forecast gains for the year, but actual income is split for accounting purposes.
20. Actual revenue from interest, dividends and realised gains are reported in operating revenue, with the remainder of the growth being in unrealised gains (\$3.5m) which are recognised on the balance sheet.
21. Overall, the funds out-performed expectations, the combined growth of the managed funds in the 1st quarter was \$3.8m compared to the budget of \$1.397m.
22. Income was below budget by \$3.3m, this is due to:
 - 22.1. The timing of dividends received from HBRIC not due to the end of the calendar year
 - 22.2. the Endowment Leasehold Rent affected by the timing of the 6-monthly payment to ACC
 - 22.3. Fair value movements are recognised at year-end.
23. Note that a 5 cents per share dividend was announced by Napier Port Holdings on 18 November providing a dividend of \$5.5m to HBRIC (the total budget was \$3m for the year) with HBRIC directors to determine the dividend paid to HBRC. (As in prior years it is still expected that there will be an interim dividend paid in June 2021).

Capital Expenditure

24. IT expenditure is below budget due to delays in the Water Information Project caused by Covid-19. However, the FUSE (Finance System replacement) and Telephony projects are on schedule for delivery with expenditure expected to increase as the HR/Payroll, Finance, Supply Chain and Asset Management streams of FUSE kick-off.
25. Asset Management are performing some design reviews and expenditure is planned to ramp up through the year.
26. ICM is overbudget in income and expenditure due to the continued success of the Sustainable Homes programme. The programme is running at 44% of expected annual expenditure and 77% of expected annual income by the end of the 1st quarter.
27. Regional Income includes the water investment project which is undergoing site selection for a Heretaunga storage location with work commencing in the new calendar year.

28. Property, Plant and Equipment (PP&E) purchasing is under budget but is highly dependent on the timing of placing of orders and invoicing.
29. The Land and Buildings budget includes \$2m for progression of a long term accommodation solution. Alternatives to a new purpose built building are being explored post Covid and the current preferred option is to compliment leasing more office space by utilising the \$2M to repurpose the Raffles St building and renovate the Dalton Street ground floor.

Balance Sheet

30. Non-Current Assets have increased by \$2.8m, PP&E, Infrastructure Assets and Intangible Assets has increased due to the ongoing capital expenditure noted above. Investment Property has decreased as Napier Endowment Leasehold properties are freehold and Financial Assets show the unrealised growth in the managed funds.
31. Current Assets have increased by \$11.5m reflecting the rates revenue received in August and September resulting in a cash (& term deposit) increase of \$9m with outstanding receivables increase of \$2.5m.
32. Equity has decreased due to the current operating deficit offset by the unrealised gains in the managed funds.
33. Non-current Liabilities have increased due to a new \$6.3m loan drawn down in July as delayed funding for the Sustainable Homes and Erosion Control projects offset by the principal repayments in the 1st quarter.
34. Current liabilities have increased by \$10m due to the increase in income in advance from ratepayers (\$16.2m) offset by decreases following the reversal of year-end adjustments in employee benefit liabilities and trade payables.

Reserves

35. Reserve movements are as expected based on the operating and capital income and expenditure to date. The deficit in the Healthy Homes Initiatives (Cleanheat/Sustainable Homes) reserve continues to grow as operating costs exceed the revenue from interest charges.

Other Information

36. Average annualised interest rates show the low returns on cash and term deposit holdings with an average 0.5% return while the managed funds have returned 7.73% when including realised and unrealised gains.
37. Accounts receivables shows an increase of \$3m since year end due to the issuing of rates invoices. Payments in advance reflects the success of the updated rate collection policy with \$18.7m in rates revenue received in advance as at 30 September 2020 compared to \$3.7m at the same time in 2019.

Decision Making Process

making provisions do not apply.

Recommendation

That the Corporate and Strategic Committee receives and notes the “2020-21 Quarter 1 (1 July – 30 September 2020) Financial Report”.

Authored by:

Tim Chaplin
SENIOR GROUP ACCOUNTANT

Bronda Smith
CHIEF FINANCIAL OFFICER

Approved by:

Jessica Ellerm

GROUP MANAGER CORPORATE SERVICES

Attachment/s

[↓](#) 1 2020-21 Q1 Financials

HAWKE'S BAY REGIONAL COUNCIL
Operating Income and Expenditure
For Three Months Ending 30 September 2020
(All budget figures are pro-rata)

Figures in Thousands

	Expenditure			Income			Reserve Movement		New Loan Funding		Net Funding Requirement				
	Actual	Budget	%	Actual	Budget	%	Actual	Budget	Actual	Budget	Actual	Budget	Variance	Variance %	Favourable
GROUPS OF ACTIVITIES															
Strategic Planning	1,183	1,326	89%	(770)	(536)	144%	(1)	(137)	-	-	412	653	(241)	-37%	F
Asset Management	1,979	2,907	68%	(1,527)	(2,035)	75%	157	(125)	-	-	609	747	(138)	-18%	F
Integrated Catchment Management	6,188	6,438	96%	(2,981)	(2,708)	110%	112	(189)	-	-	3,319	3,541	(222)	-6%	F
Consents & Compliance	1,432	1,515	95%	(368)	(573)	64%	-	-	-	-	1,064	942	122	13%	U
Emergency Management	668	665	100%	(393)	(634)	62%	(211)	9	-	-	64	40	24	60%	U
Transport	1,090	1,382	79%	(1,437)	(1,253)	115%	324	(80)	-	-	(23)	49	(72)	-147%	F
Governance & Partnerships	853	764	112%	(34)	(35)	97%	(17)	(34)	-	-	802	695	107	15%	U
	13,393	14,997	89%	(7,510)	(7,774)	97%	364	(556)	-	-	6,247	6,667	(420)	-6%	F
OPERATIONS GROUP															
Notional Interest on Fixed Assets				(22)	(46)	48%					(22)	(46)	24	-52%	U
Surplus from External Activities				(42)	(29)	144%					(42)	(29)	(13)	44%	F
	-	-		(64)	(76)	85%	-	-	-	-	(64)	(76)	12	-15%	U
REGIONAL INCOME															
Managed Funds	80	-		(309)	(1,397)	22%	-	-	-	-	(229)	(1,397)	1,168	-84%	U
Forestry	116	79	147%	-	(133)	0%	(116)	(8)	-	-	-	(62)	62	-100%	U
Leasehold properties	-	2	0%	(210)	(210)	100%	-	-	-	-	(210)	(208)	(2)	1%	F
Miscellaneous	14	20	70%	(5)	(31)	16%	(3)	29	-	-	6	18	(12)	-67%	F
	210	101	208%	(524)	(1,771)	30%	(119)	21	-	-	(433)	(1,649)	1,216	-74%	U
INCOME															
General rates	100	130	77%	(1,410)	(1,401)	101%					(1,310)	(1,271)	(39)	3%	F
UAGC				(725)	(706)	103%					(725)	(706)	(20)	3%	F
HBRIC Dividends				-	(750)	0%					-	(750)	750	-100%	U
Interest on Cash Balances				(13)	(45)	29%					(13)	(45)	32	-71%	U
Endowment Leasehold Rent				1,099	(586)	-188%					1,099	(586)	1,685	-288%	U
Gains/Losses on Disposal of Assets				(88)	(110)	80%					(88)	(110)	22	-20%	U
Fair Value Movements due to Revaluations				-	(780)	0%					-	(780)	780	-100%	U
Other Income				-	(42)	0%					-	(42)	42	-100%	U
	100	130	77%	(1,137)	(4,418)	26%	-	-			(1,037)	(4,288)	3,251	-76%	U
OPERATING (SURPLUS)/DEFICIT	13,703	15,228	90%	(9,235)	(14,039)	66%	245	(535)	-	-	4,713	655	4,059	620%	U

Item 12

Attachment 1

HAWKE'S BAY REGIONAL COUNCIL
Capital Income and Expenditure
For Three Months Ending 30 September 2020
(All budget figures are pro-rata)

Figures in Thousands	Expenditure			Income			Reserve Movement		New Loan Funding		Net Funding Requirement				
	Actual	Budget	%	Actual	Budget	%	Actual	Budget	Actual	Budget	Actual	Budget	Variance	Variance %	Favourable
CAPITAL PROJECTS															
IT Projects (FUSE, Telephony, etc)	340	889	38%	-	-		(99)	(115)	-	(774)	241	-	241		U
Strategic Planning	5	5	100%	-	-		(5)	(5)	-	-	-	-	-		F
Asset Management	444	1,389	32%	(433)	(358)	121%	110	(770)	-	(75)	121	186	(65)	-35%	F
Integrated Catchment Management	2,665	2,386	112%	(1,657)	(578)	287%	(856)	-	-	(2,145)	152	(337)	489	-145%	U
Transport	-	-		-	-		-	-	-	-	-	-	-		F
Governance & Partnerships	85	90	94%	-	-		(85)	(90)	-	-	-	-	-		F
Regional Income	357	1,080	33%	1	-		22	(1,067)	-	-	380	13	367	2823%	U
	3,896	5,839	67%	(2,089)	(936)	223%	(913)	(2,047)	-	(2,994)	894	(138)	1,032	-748%	U
PP&E															
Operations Group Plant & Vehicles	52	147	35%				(52)	(87)		(61)	-	(1)	1	-100%	U
Land and Buildings	237	556	43%				(237)	(56)		(500)	-	-	-		F
Motor Vehicles and Plant	105	167	63%				(105)	(167)		-	-	-	-		F
Science Equipment	58	283	20%				(58)	(143)		(140)	-	-	-		F
Computer Equipment	61	255	24%				(61)	(217)		(38)	-	-	-		F
Office Furniture	38	6	633%				(38)	(6)		-	-	-	-		F
Technical Equipment	23	6	383%				(23)	(6)		-	-	-	-		F
	574	1,420	40%	-	-		(574)	(682)	-	(739)	-	(1)	1	-100%	U

HAWKE'S BAY REGIONAL COUNCIL
Balance Sheet
as at 30 September 2020

Figures in Thousands

ASSETS**Non-Current Assets**

Property, plant & equipment
Infrastructure assets
Investment property
Intangible assets
Forestry assets
Financial Assets

As At
30-Sep-20 **As At**
30-Jun-20

28,872 28,574
188,112 187,387
57,272 57,855
10,374 10,096
11,087 11,087
585,004 581,054

Total Non-Current Assets

880,721 876,053

Current Assets

Inventories
Trade & other receivables
Other financial assets
Cash and cash equivalents

36 452
14,198 11,327
2,057 2,057
15,530 6,522

Total Current Assets

31,821 20,358

TOTAL ASSETS

912,542 896,411

NET ASSETS / EQUITY

Accumulated funds
Fair value reserves

426,789 428,817
408,160 406,465

Total Net Assets / Equity

834,949 835,282

LIABILITIES**Non-Current Liabilities**

Borrowings
Provisions for other liabilities & charges
Employee benefit liabilities

36,751 31,238
11,458 10,783
676 520

Total Non-Current Liabilities

48,885 42,541

Current Liabilities

Borrowings
Income in Advance
Provisions for other liabilities & charges
Employee benefit liabilities
Trade & other payables

3,525 3,650
18,901 2,695
276 686
1,656 3,090
4,350 8,467

Total Current Liabilities

28,708 18,588

TOTAL LIABILITIES

77,593 61,129

TOTAL NET ASSETS / EQUITY & LIABILITIES

912,542 896,411

Item 12

Attachment 1

Attachment 1

Item 12

HAWKE'S BAY REGIONAL COUNCIL
Reserve Movements
For Three Months Ending 30 September 2020
(All budget figures are pro-rata)

Figures in Thousands				Budgeted	
	Opening	Movement	Closing	Movement	Favourable
Makara	38	7	45	16	U
Paeroa	123	3	126	4	U
Porangahau	202	8	210	(3)	F
Poukawa	88	4	92	21	U
Ohuia-Whakaki	(57)	6	(51)	13	U
Esk	53	(6)	47	6	U
Whirinaki	15	-	15	1	U
Maraetotara	17	(5)	12	1	U
Te Ngarue Stream	4	(2)	2	-	U
Kopuawhara	(8)	2	(6)	1	F
Upper Tukituki	355	(32)	323	12	U
Opoho	50	3	53	15	U
Kairakau Community Scheme	32	2	34	-	F
Wairoa Rivers & Streams Scheme	(541)	(20)	(561)	4	U
Central & Sthn Areas Scheme	152	29	181	79	U
Raupare Enhancement Scheme	42	3	45	(1)	F
Karamu Enhancement Scheme	232	(49)	183	(10)	U
HPFCS - Rivers Maintenance	976	57	1,033	251	U
HPFCS Drainage - Npr/Meeanee/Puke	815	138	953	121	F
HPFCS Drainage - Brookfields/Awatoto	308	25	333	9	F
HPFCS Drainage - Pakowhai	185	15	200	17	U
HPFCS Drainage - Muddy Creek	581	44	625	36	F
HPFCS Drainage - Haumoana	244	20	264	21	U
HPFCS Drainage - Karamu	923	193	1,116	123	F
HPFCS Drainage - Raupare/Twyford	584	15	599	5	F
HPFCS Drainage - Tutaekuri/Moteo	(44)	41	(3)	2	F
HPFCS Drainage- Puninga	256	17	273	12	F
Healthy Homes Initiatives	(1,054)	(609)	(1,663)	141	U
Gravel Management	(240)	(48)	(288)	(6)	U
Tangoio Soil Conservation Res.	2,482	(46)	2,436	13	U
Maungaharuru	385	-	385	(30)	F
Soil Conservation Nursery	(3)	(231)	(234)	(17)	U
Water Initiatives (Operating Only)	70	(53)	17	(1)	U
Noxious Plants	(207)	-	(207)	20	U
Animal Pest Control	(747)	138	(609)	11	F
Emergency Management	35	(212)	(177)	(9)	U
Land Transport Administration	(328)	324	(4)	65	F
Rabbit Reserve	80	-	80	-	F
Sale of Land (Non Investment)	1,196	(193)	1,003	(199)	F
Long-term Investment Fund	56,990	(103)	56,887	(1,074)	F
IPO Future Investment	44,497	-	44,497	-	F
Ngati Pahauwera	77	-	77	-	F
Napier Mussels Limited	19	-	19	-	F
Regional Disaster Damage	2,129	5	2,134	-	F

HAWKE'S BAY REGIONAL COUNCIL
OTHER INFORMATION
Three Months Ended 30 September (Pd 03)

INTEREST RATE	30-Sep-20	30-Jun-20	30-Jun-19
Average Interest Rate on Liquid Investments	0.50%	1.84%	2.86%
Annualised Average Return on Managed Funds	7.73%	2.20%	4.77%
ACCOUNTS RECEIVABLE			
Rates Receivable	9,337	2,267	3,601
Payments in Advance	(18,743)	(2,695)	(711)
Rate Receivables	28,080	4,962	4,312
Other Receivables	2,703	6,391	2,610
Provision for Impaired Receivables	(160)	(160)	(23)
TOTAL ACCOUNTS RECEIVABLE	11,880	8,498	6,188
ACCOUNTS PAYABLE			
Aged Accounts Payable			
1-30 days	1,238	2,014	3,976
31-60 days	267	227	0
61-90 days	-1	182	0
Over 91	293	74	0
TOTAL ACCOUNTS PAYABLE	1,797	2,497	3,976

Item 12

Attachment 1

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

Subject: THE REGIONAL COUNCIL'S CORPORATE CARBON FOOTPRINT

Item 13

Reason for Report

1. This item provides the findings identified in a study conducted to establish Council's carbon footprint relating to its corporate operations.

Executive Summary

2. The response to climate change is at the heart of core Council functions, and establishing a corporate emissions profile was a key first step in understanding the environmental impacts of conducting Council business, while looking for reduction opportunities.

Background

3. Following the FY19-20, staff undertook a process to establish Council's corporate emissions profile. The 'footprint' scope and organisational boundary included the measurement of resources used to undertake daily business operations at all Council offices. This required data input across all office sites which included fuel use, travel and accommodation, vehicle use, electricity and gas use, waste, and outward freight data. Refer to page 3 of the EKOS Carbon inventory report attached.
4. A Senior Carbon Analyst from EKOS, Ian Challenger, undertook a peer reviewed carbon footprint calculation and provided a report on findings and carbon offsetting options.
5. Due to the disruption COVID19 had on Council operations we will a fine-tuning of baseline data for FY20-21, however this exercise has built a solid foundation that brings visibility to our environmental impacts, enabling us to better monitor and bring maturity to our footprint data collation going forward. All Council offices were closed for 1 month and took the following months thereafter to get to full staff occupancy. The closure of office facilities impacted energy use, waste, and freight and to some degree vehicle use, leaving a gap in annual data. Travel requirements were majorly impacted due to national COVID-19 restrictions and because of these impacts, staff expect there may be slight increase to Council's carbon footprint profile next FY.
6. A stocktake of our emission sources gave perspective to Council's reliance on fuel, especially diesel, to undertake programmed activities. With a goal of being carbon neutral by 2025, this study enables progress in making a calculated effort to monitor and plan emission reduction initiatives.

Discussion

7. The combined Council carbon footprint relating to daily business operations across all office sites totaled 884.44 tonnes CO_{2e} in the FY19-20.
8. Additional findings of interest include:
 - 8.1. 86% of Council emissions stem from fleet use. This included the use of large plant such as diggers and mowers.
 - 8.2. 4% of emissions relate to electricity use at Council offices.
 - 8.3. The remaining 10% of emissions stem from flights (3%), gas (3%), plus freight and waste
 - 8.4. 136 nights accommodation were provided for work related travel.
 - 8.5. Staff travelled a total of 183,000 km's by air. The highest sector flown was Napier/Wellington at 266 times, with the Napier/Auckland sector flown 126 times.

- 8.6. The number of letters sent via post in the FY19-20 was 243,712.
- 8.7. Through the data collation process an issue was discovered with the Waipawa office meter which impacted the usage data that was reported. The Waipawa office is assumed to have had a similar consumption to the Waipukurau site which has been added to footprint calculations. The electricity consumption (kWh) of all Council offices is as outlined below.

Dalton St	Guppy Rd	Station St	Raffles St	Wairoa	Waipukurau
258,147	59,983	24,723	16,789	10,108	9,097

- 8.8. Fuel data was collated from all three BP accounts. The organisational fuel consumption profile is as below:

Source	Diesel (l)	Petrol (l)
Bulk Diesel store – Guppy Rd	104,166	
Works Group	50,293	3618
HBRC	101,055	26,693

Works Group

9. Through the data collection process, it was interesting to give visibility to the volume of diesel used by our Works Group, specifically to discover more diesel is consumed via the bulk fuel store when compared to the entire HBRC diesel fleet.
10. Given the community dependency on the Works Group emergency response function, the bulk diesel store facility was implemented as a strategic asset to provide a fuel supply contingency. The onsite bulk store provides efficient and convenient diesel supply to power diggers, trucks, tractors, generators, and light vehicles, on a daily basis.
11. Initial consideration has been given to reducing the Works Group emissions profile by committing to the implementation of tractors with higher emission control ratings, targeting Tier 4 machinery (increased fuel efficiency) through renewal schedules. Operating a modern fleet of tractors and mowers has increased productivity overall resulting in reduced engine hours to complete annual work programmes. The minor plant replacement schedule has also targeted equipment with an increased fuel efficiency such as new technology 'Stihl fuel injected chainsaws', and battery power tools where practical. In addition, opportunities to introduce electric ATVs will be explored as practical.
12. The option to incorporate carbon offsetting costs into contracted work will be considered going forward to assist with counteracting associated works group emissions. A fleet evaluation will be programmed for next financial year to investigate the prospects of balancing emission reduction opportunities while maintaining existing levels of service.

Fuel use

13. Council's largest source of emissions relate to vehicle use. Electric vehicles are introduced to the fleet through replacement schedules when fit for purpose. Council currently runs a profile of fuel-efficient vehicles including 3 Hybrid's, 6 Plug-in Hybrids, 2 Full electric vehicles and 2 electric motorbikes which have replaced traditional fuel counterparts.
14. Following this study, Council's vehicle purchasing policy has been reviewed to provide a greater emphasis on and commitment to 'Electric First' vehicle procurement guidelines. Installation of additional charging stations have been programmed annually to facilitate electric vehicle uptake.
15. Through any planned building alterations, additional bike parking and changing room facilities will be catered for to encourage sustainable to and from work travel. This works in tandem with staff wellness initiatives and indirectly towards reducing the wider Council footprint.

16. The fuel used by backup generators is currently lumped in with the wider vehicle fuel consumption data. Reporting measures will be put in place to accurately record the fuel used for generators, so vehicle and plant fuel use can be monitored more accurately.

Travel

17. Travel emissions were relatively low this year due to COVID-19 restrictions, however as a result, COVID-19 became the catalyst to change the way meetings are conducted and foster a level of comfort in staff use of video conferencing facilities. Programmed updates to meeting room video conferencing facilities are planned for next year to keep up the momentum towards utilising this technology instead of travelling.
18. The travel policy will be reviewed to show approval thresholds around staff travel requirements and what is deemed essential and non-essential travel.

Waste

19. This study highlighted the need to establish a better way of monitoring waste to provide a baseline with increased accuracy. Waste data for the baseline footprint was collated via invoices and weekly estimates from key staff and cleaning contractors. Waste is currently measured in litres correlating to the bins collected which can dramatically vary in weight. Staff are investigating alternate waste collection opportunities where weight on collection data can be provided for more accurate measurements going forward.
20. An internal waste audit was conducted which indicated better signage, education and recycling facilities need to be provided to avoid confusion around recyclables.

Outward freight and post

21. Data was collated from courier suppliers, NZ post and invoices. Going forward, a process has been put in place for customer service staff to capture all outgoing freight for easy data collection next year. Post data will continue to be monitored, and hopefully, a reduction will be tracked over the coming years showing digital uptake of rates invoices and newsletters. It should be acknowledged that the conversion to digital agendas would have had a positive impact on Council's waste and outward freight profile.

Energy

22. Following the initial footprint study, all Council office sites have been put on a monitoring and data reporting schedule which is the key first step in driving improvements. As we have seen at the Dalton Street facility, creating usage visibility in this space has enabled good reductions through education and corrective maintenance.
23. Energy audits will be conducted at all office sites next financial year looking for additional efficiency opportunities.
24. The energy consumed at the HBCDEM office was not included in the FY-19/20 baseline energy data. A process for collating correct energy information will need to be formed in the coming year to adequately establish consumption data relating to the shared occupancy of the leased HBCDEM facility.

Emission offsetting

25. Staff will begin to introduce emission reduction actions, however for those activities where there are no alternatives such as diesel 4x4 and digger use, Council has the option to offset all operational emissions at \$33,500 per annum. Council can choose to uptake a 'Climate Positive' option, offsetting emissions by 120% for \$40,000 per annum. Noting Council's portfolio of forestry and open spaces, a review will be completed to confirm any existing offsetting potential and to also explore options to offset ourselves through planting initiatives.

Strategic Fit

26. Carbon naturality by 2025 – this study gave visibility to Council's corporate carbon footprint, to better manage, monitor and drive reductions to meet this goal.

27. Accountability – holding ourselves to account by knowing Council's environmental impacts and getting 'our house in order' by introducing emission reduction measures.
28. We will inspire – use our platform within the community to lead by example and introduce sustainable business practices in hope of influencing others.

Next Steps

29. The following actions will be put into motion immediately.
 - 29.1. Review and update of EV first and Travel policies.
 - 29.2. The installation of additional video conferencing facilities in meeting rooms for staff use.
 - 29.3. Increase internal staff education efforts to put a spotlight on energy efficiency, efficient driving practices and correct recycling and waste disposal.
 - 29.4. Implement better data collection processes for:
 - 29.4.1. Outward freight and waste
 - 29.4.2. Back-up generator fuel use
 - 29.4.3. Out of town taxi use.
 - 29.5. Progress with planned electric vehicle charging facility additions.
30. Through the 'Commitment to Climate Change' provision in the Long Term Plan, the below actions will be programmed for next financial year:
 - 30.1. Conduct energy audits at all office sites to establish unrealised efficiencies
 - 30.2. Conduct an evaluation of the Works Group fleet to establish any possible emission reduction opportunities.
 - 30.3. Undertake a review to outline any existing carbon offsetting potential Council holds and explore and report on options to offset Council's Carbon footprint through Council initiatives.

Decision Making Process

31. 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 "The Regional Council's Corporate Carbon Footprint" staff report.

Authored by:

Stacey Rakiraki
CORPORATE OPERATIONS MANAGER

Approved by:

Jessica Ellerm
GROUP MANAGER CORPORATE SERVICES

Attachment/s

- [!\[\]\(11a0966cbb90b5c1d6ebfc666ec75f78_img.jpg\) 1](#) EKOS HBRC Carbon Inventory Report



Carbon Inventory Report:
Hawkes Bay Regional Council

Period: 2020 Financial Year

Unverified Inventory



Date: November 2020

ekos.co.nz | ekos@ekos.co.nz

Item 13

Attachment 1

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1 Summary

This carbon inventory was prepared for Hawkes Bay Regional Council (HBRC) for the financial year, July 2019 – June 2020.

Organisation background	<p>Name: Hawkes Bay Regional Council Contact person: Stacey Rakiraki Contact email: stacey@hbrc.govt.nz Area of business: Hawkes Bay Region Full Time Equivalents (FTEs): 290 Hawkes Bay Regional Council covers an area of 14,200 kilometres on the east coast of the North Island. The council's role is to perform the legal responsibilities of a Regional Local Authority, managing the effects of using freshwater, of rivers, regional emergency management, regional land transport planning and harbour navigation and safety.</p>
Report period	2020 Financial year, July 2019 – June 2020
Organisational boundary	<p>This measurement covers the corporate activities of Hawkes Bay Regional Council and includes the following sites:</p> <ul style="list-style-type: none"> • HBRC main office • HBRC Station Street • HBRC Raifle Street • HBRC Operations Group • HBRC Waipawa • HBRC Waipukurau <p>Excluded from the organisational boundary is:</p> <ul style="list-style-type: none"> • The Civil Defence Emergency Management office: this is shared with and leased off Hastings District Council, and measures will be put in place to differentiate data and easily collate information next year.
Reporting boundary	<p>Business operations Scope 1, 2 and 3 emissions resulting from:</p> <ul style="list-style-type: none"> • Fuels • Air Conditioning • Company Vehicles • Electricity and line losses • Business Travel (flights, accommodation, vehicles) • Waste to landfill • Outward Freight
Omissions	<ul style="list-style-type: none"> • Inward Freight
Emissions	Total emissions: 882.44 tCO₂e excluding radiative forcing

2 Background

This report is the first annual greenhouse gas (GHG) emissions inventory, prepared for Hawkes Bay Regional Council. It was prepared in accordance with the requirements of ISO 14064-1 (2006) and covers the period July 2019 – June 2020.

2.1 Communication and dissemination

This inventory was prepared as a management tool for HBRC to:

- Assist HBRC in managing its response to climate change and its reduction of GHG emissions.

- Be a communication tool that demonstrates to stakeholders that HBRC has identified its emissions profile, is aware of the significant issues related to climate change and is taking action to mitigate these issues, including offsetting unavoidable emissions.

The users of this report will include, but are not limited to, the staff, manager and councillors of HBRC. The summary of this inventory will be made available to the residents and stakeholders of HBRC on request.

2.2 Reporting period and base year

This inventory is for the reporting period financial year 2020. As this is the first inventory for HBRC, financial year 2020 is the base year for HBRC. In subsequent inventories, comparisons will be made to this base year.

2.3 Data included

The data included in this inventory has been compiled from HBRC's business operations and covers scope 1, 2 and 3 emissions which result from use of:

- Fuels (stationary)
- Mobile fuel use
- Air conditioning
- Purchased energy
- Losses from gas and electricity
- Business travel (flights, accommodation, vehicles)
- Waste to landfill
- Outward Freight

2.4 Verification and Compliance with Standard

This inventory has been prepared in compliance with the International Standards Organisation's process for calculating and reporting GHG emissions 14064-1 (2006). However, it should be noted that this measurement is an unverified inventory and that no verification audit has been conducted of the findings.

3 Organisational boundary

The organisational boundary identifies which facilities or subsidiaries of HBRC are included or excluded from the carbon inventory. Emissions from all aspects of the organisation are consolidated to determine the total volume. Consolidation is done using one of these methods:

- Control, whereby all emissions over which the organisation has either *financial* or *operational* control are included in the inventory
- Equity share, whereby the organisation only includes emissions for the portion of the facilities and business that the organisation owns.

The consolidation method used to determine HBRC's emissions is the **operational control** method. This means that all emissions over which HBRC has operational control have been

included in this inventory. Broadly this includes all HBRC's corporate and satellite offices as well as its depots and its operations group. This is shown in Figure 1 below.

It should be noted that Hawkes Bay Regional Council's emissions inventory covers the corporate emissions of HBRC only and does not include emissions created by the Hawkes Bay community.

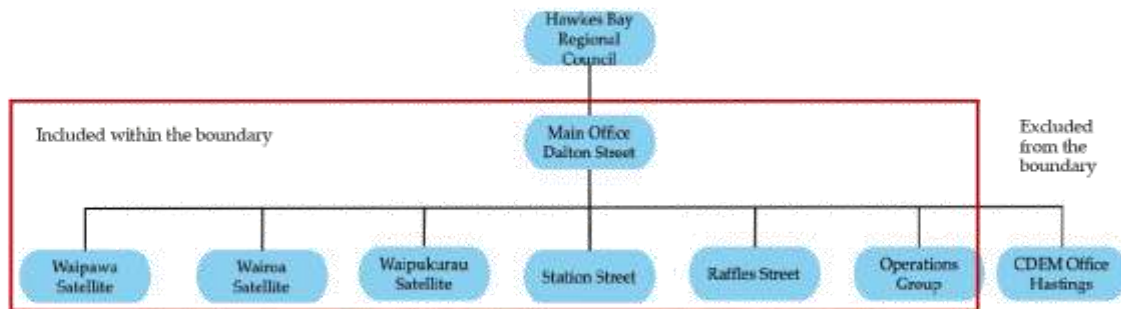


Figure 1: Organisational Boundary Hawkes Bay Regional Council

4 Reporting boundary

The reporting boundary identifies which emissions sources are included in the carbon inventory and which are excluded. ISO 14064-1 (2006) categorises emissions as follows:

- Scope 1 emissions are those resulting directly from the organisation's operations including stationary energy sources and vehicles owned by the company.
- Scope 2 emissions are indirectly created by the company through the importation of electricity, heat or steam generated elsewhere.
- Scope 3 emissions are from indirect sources such as business travel and waste production that the organisation cause to be emitted by others due to their purchase of goods and services.

In compliance with the international standard, HBRC's Scope 1 and 2 emissions have all accounted for in this inventory. With regard to Scope 3 emissions, the international standards recommend that these be included if:

- They are believed to be large relative to the organisation's Scope 1 and 2 emissions.
- They contribute to the organisation's GHG risk exposure.
- They are deemed critical by key stakeholders (e.g. customers).
- There are potential GHG reductions for these emissions that can be undertaken or influenced by the company.

Scope 3 emissions have been included in this inventory.

The included emission sources are shown in Figure 2 below:

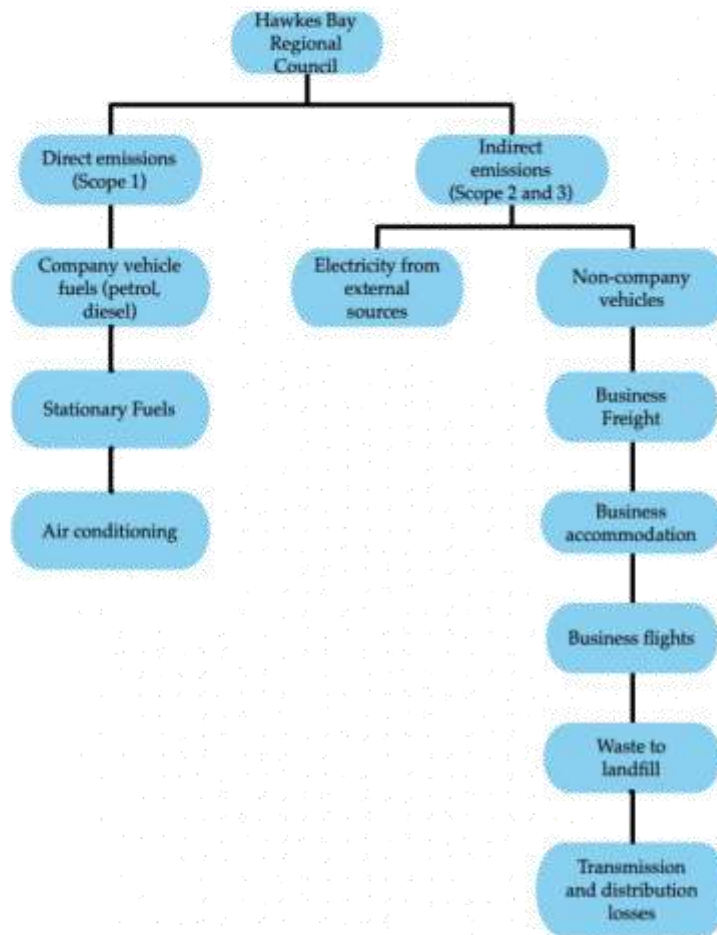


Figure 2: Emission sources for Hawkes Bay Regional Council

Exclusions

Inward freight was excluded from this footprint because the data was not available. The volume of inward letters and parcels was not being monitored or recorded.

5 Greenhouse Gas (GHG) Inventory

5.1 Methodology

This GHG inventory was prepared in compliance with the international Standards for calculating GHG emissions. These Standards are the World Resource Institute's "Greenhouse gas protocol, a corporate accounting and reporting standard (GHG protocol)" and "ISO 14064-1 (2006) Specification with guidance at the organisation level for quantification and reporting of GHG emissions and removals" (ISO 14064-1 (2006)). In measuring this inventory, the five principles of ISO 14064-1 (2006) were strictly applied.

The methodology used in measuring Hawkes Bay Regional Council's organisational GHG inventory is illustrated in the Figure 3 below:

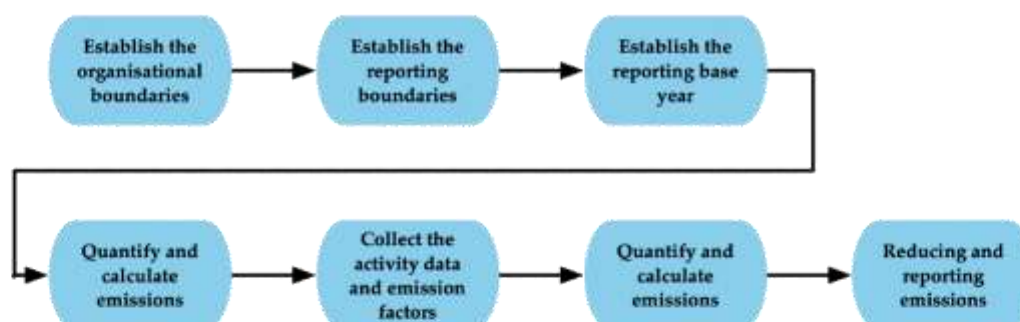


Figure 3: ISO 14064-1 (2018) methodology for measuring a GHG inventory

5.2 Data Collection

Data was collected by HBRC staff with guidance where required from Ekos. The table below provides an overview of the data collected for each emission source. All emissions were calculated using an Ekos-developed calculator. The calculation method used to quantify HBRC's GHG emissions inventory was the activity data multiplied by the appropriate emission factor:

$$\text{Tonnes CO}_2\text{e} = \text{Total GHG activity} \times \text{appropriate emission factor}$$

Activity data for HBRC was obtained from a range of sources, which are outlined in the Table 1 below.

GHG emission factors were generally sourced from New Zealand's Ministry for the Environment. Where appropriate emission factors were not available, other reliable sources such as international government agencies or published research were used. A full list of the emission factors used is provided in Appendix 1.

Table 1: Data sources for Hawkes Bay Regional Council emissions

Emission Source	Unit	Data Source
Stationary fuels (natural gas)	Kwh	Invoices from Gas Supplier
Mobile emissions sources (petrol and diesel)	Litres	Invoices from petrol companies
Air Conditioning units	Kg	Supplier invoices
Electricity	Kwh	Supplier Invoices
Electricity and gas line losses	Kwh	Supplier Invoices
Flights	Passenger Km	Supplier records
Non-company cars (Staff mileage)	Km	Financial records
Outward Freight	Tonne Km	Supplier invoices, internal records and estimates
Accommodation	Nights	Travel Agent records
Waste to landfill	Litres	Supplier invoices and internal estimates

5.3 Hawkes Bay Regional Council GHG Profile

Total emissions for HBRC for the 12-month period from July 2019 – June 2020 were 882.44 tonnes of CO₂e (excluding radiative forcing).

5.3.1 Emissions by scope

Figure 4 and Table 2 shows HBRC's scope 1, 2 and 3 emissions breakdown. Scope 1 make up the majority of emissions with 89%, emissions coming from council owned vehicles. This is followed by scope 3 at 7%, with the majority of emissions coming from flights and outward freight. Scope 2 emissions contributes 4%, all from electricity consumption.

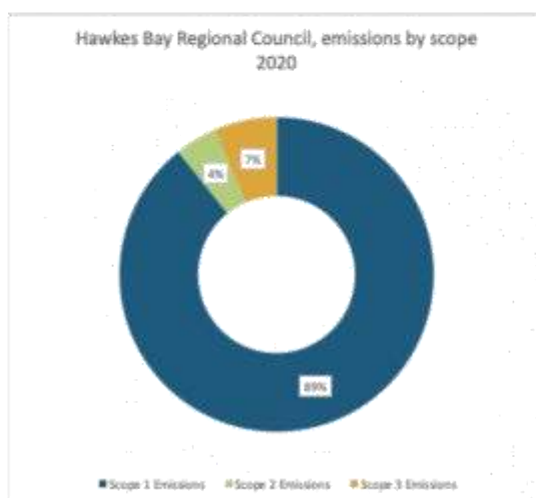


Figure 4: Hawkes Bay Regional Council, emissions by scope 2020

Table 2: Hawkes Bay Regional Council, emissions by scope 2020

Scope Category	Emissions (tonnes of CO ₂ e)	% of total emissions
Scope 1 Emissions	787.52	89%
Scope 2 Emissions	37.90	4%
Scope 3 Emissions	57.01	7%
Total	882.44	

ISO 14064-1 requires that Scope 1 emissions are reported separately and Table 3 below shows emissions by gas type for each Scope 1 emissions source. The vast majority of this is carbon dioxide.

Table 3: Scope 1 emissions by gas type

	Source	Tonnes of Carbon Dioxide Equivalent	Tonnes of Carbon Dioxide	Tonnes of Methane	Tonnes of Nitrous Oxide	Tonnes of Hydrofluoro carbons
Stationary Fuels Company vehicles	Natural Gas	24.87	24.81	0.05	0.01	0.00
	Petrol	74.32	71.07	0.84	2.42	0.00
	Diesel	688.33	676.65	0.90	10.78	0.00
	Total	787.52	772.52	1.79	13.21	0.00

5.3.2 Emissions by activity

Figure 5 and

Table 4 show HBRC's emissions by activity, with the majority of HBRC's emissions coming from mobile combustion (company owned vehicles) at 86%, electricity was the second highest at 4% with the remaining activities making up the remain 10%.

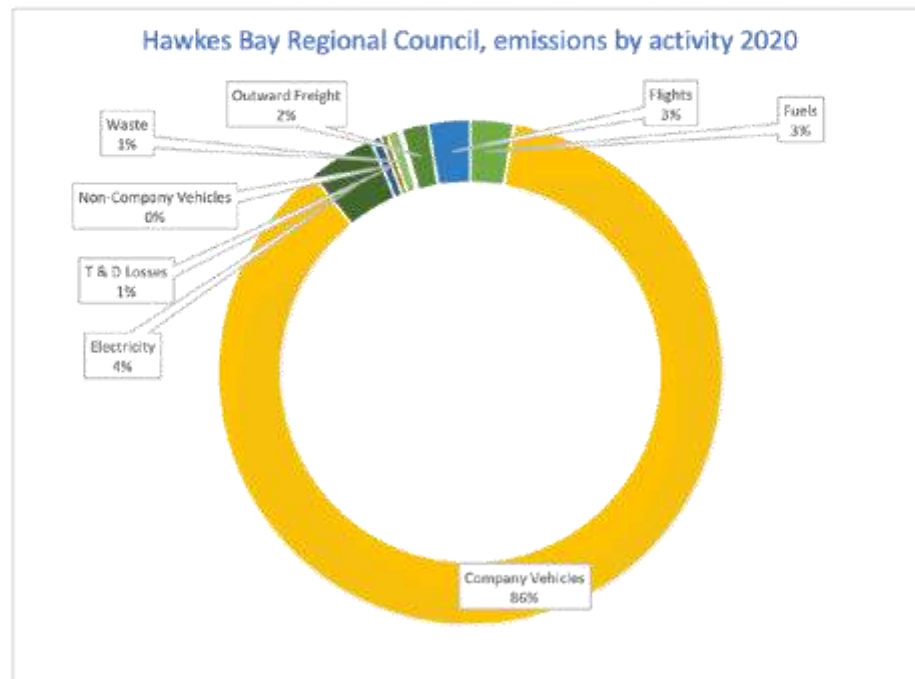


Figure 5: Hawkes Bay Regional Council's emissions by activity for 2020

Table 4: Hawkes Bay Regional Council, Emissions by activity 2020

Scope of emissions	Activity	tCO ₂ e	% of total emissions
Scope 1	Stationary Fuels	24.87	3%
	Air Con/Refrigerants	0.00	0%
	Company Vehicles	762.66	86%
Total Scope 1 emissions		787.52	89%
Scope 2	Electricity	37.90	4%
Total Scope 2 emissions		37.90	4%
Scope 3	T & D Losses	5.79	<1%
	Waste to landfill	6.82	<1%
	Non-Company Vehicles	3.91	<1%
	Accommodation	1.67	<1%
	Flight	23.78	3%
	Outward Freight	15.04	2%
Total Scope 3 emissions		57.01	6%
Total		882.44	

5.4 Uncertainty and Data Quality

Where accurate data is not available, it is appropriate to estimate to ensure that a comprehensive inventory measurement is completed. Estimates must be carried out on a scientifically-derived basis to ensure accuracy. For HBRC's GHG inventory, there are several areas of uncertainty as follows:

- Electricity

The majority of electricity is collected from supplier invoices and which provides exact data. However, for the Station Street property, electricity consumption is included in the lease payment. As a result, the data is an estimate based on the floor area HBRC occupy. For future footprints it is recommended that a more accurate method is investigated.

For the Waipawa Satellite, an error was found in the electric meter during the measurement process. This is now being corrected and will provide an accurate figure in future years. This site is approximately the same size as Waipukurau so the electrical consumption data was used as a proxy for Waipawa.

- Waste to landfill

For the majority of sites (Corporate HQ, Station St, Raffle St and the operations group) there is a contractor that collects waste. For Wairoa and Waipawa sites, cleaners collect the waste. Waste is reported in litres from these sites but this is considered an estimate as it is not known how full the containers are when they are collected. The measurement process has driven HBRC to investigate methods of

waste measurement and monitoring that will allow them to collect more accurate data in future.

- Outward freight

The data for outward freight was obtained from supplier invoices but these could only provide some of the data needed. Going forward HBRC intend to develop a process to capture outgoing freight. This should include a count of items and destinations to ensure a more accurate inventory.

- Company vehicles

The data for fuel consumption is derived from invoiced amounts, and is considered accurate. However, some of the fuel purchased through these accounts was destined for stationary consumption, in (for example) generators. There was insufficient information on the invoices to separate this from fuel for vehicles. As a result, it is likely that the mobile emissions volume includes emissions from stationary combustion sources. Going forward it is recommended that HBRC investigate whether the invoice information can be improved to allow stationary fuel purchases to be separated from mobile fuel purchases. This would improve the quality of future reporting

It is recommended that HBRC works to improve the data collections processes for the items listed above. This will increase the quality of the carbon inventory report in the future. These improvements should start as soon as possible/or as appropriate.

6 Emission Reduction Recommendations

Ekos recommends HBRC take action to reduce its operational carbon emissions. These recommendations are based on HBRC's emission hotspots. These are the highest level emission sources, and provide the greatest opportunity to reduce emissions for HBRC at the lowest cost.

The highest emission sources for HBRC are:

- Company vehicles
- Electricity
- Flights.

The recommended reductions are:

- **Company vehicles**

As capital expenditure allows, purchase more efficient vehicles including if appropriate electric ones.

Use vehicles less where possible.

- **Electricity**

Conduct an electricity audit to understand what the main uses of electricity are. This will also provide insights into methods to manage and reduce electricity use.

- **Flights**

Implement a "no fly unless essential" policy.

Install better communication tools on staff computers to enable more use of zoom/team meetings so there is less need to fly.

7 Glossary

De minimis

Certain activities contribute less than 1 percent of the total of CO₂e emissions. These may be excluded from the GHG inventory, provided that the total of excluded emissions does not exceed a materiality threshold of 5 percent. That is, the total of all excluded emission sources should not exceed 5 percent of the total inventory.

Greenhouse gas (GHG)

Gaseous constituent of the atmosphere, both natural and anthropogenic, that absorbs and emits radiation at specific wavelengths within the spectrum of infrared radiation emitted by the Earth's surface, the atmosphere and clouds. These include:

- Carbon dioxide (CO₂)
- Methane (CH₄)
- Nitrous oxide (N₂O)
- Hydrofluorocarbons (HFCs)
- Perfluorocarbons (PFCs)
- Sulphur hexafluoride (SF₆)

GHG Scopes:

- Scope 1: Direct emissions from sources owned or controlled by reporting entity. For example diesel generator, coal heating, own vehicle fleet, agriculture
- Scope 2: Indirect emissions generated by purchased energy. For example, electricity, gas.
- Scope 3: Indirect emissions that are a consequence of activities undertaken by the reporting organisation or related individual, but not directly controlled by the organisation. For example, flights, freight, non-company vehicles, waste, electricity line distribution and transmission losses.

Radiative Forcing (RF):

Radiative forcing helps organisations account for the wider climate effects of aviation, including water vapour and indirect GHGs. This is an area of active research, which seeks to express the relationship between emissions and climate warming effects of aviation. Inclusion of radiative forcing effects is optional for Ekos' clients as the science is still evolving.

Ekos uses a multiplier of 1.9 to account for radiative forcing effects in line with the Ministry for the Environment publication *Measuring Emissions: A Guide for Organisations 2019*.

Appendix 1: Emission Factors

Ekos uses emission factors provided by the New Zealand Ministry for the Environment (MfE) publication *Measuring Emissions: A Guide for Organisations 2019*. Where emission sources are not covered by the MfE publication, Ekos identifies suitable factors for use from the Department for Environment and Rural Affairs (DEFRA), UK Government document *Factors for Greenhouse Gas Reporting 2018*. A full list of the emission factors used in this report are shown in Table 5 below:

Table 5: Emissions factors used in this inventory

Emission source	Emission Factor	Notes
Electricity		
Electricity	0.000098 tCO2e/kWh	
Electricity Transmission and Distribution	0.000007 tCO2e/kWh	
Fuels		
Natural Gas	0.0541 tCO2e/GJ 0.002/kWh	Commercial
Natural Gas Transmission and Distribution	0.006342 tCO2e/GJ 0.000023/kWh	
Company Vehicles		
Diesel	0.00269tCO2e/L	Transport
Petrol	0.00245tCO2e/L	Transport
Non-Company Vehicles		
Mileage	0.00027 tCO2e/km	
Waste to Landfill		
General waste (without gas recovery)	0.00117 tCO2e/kg	Conversion from kgs to L divides by 7.6923
General waste (with gas recovery)	0.00024 tCO2e/kg	
Office Waste (without gas recovery)	0.00184 tCO2e/kg	
Office Waste (with gas recovery)	0.00038 tCO2e/kg	
Flights		
NZ Domestic	0.000130 tCO2e/km	If Radiative Forcing is included a multiplier of 1.9 is applied, as recommended by MFE.
NZ International <3,700km		
Economy	0.000084 tCO2e/km	
Business	0.000127 tCO2e/km	
NZ International >3,700km		
Economy	0.000086 tCO2e/km	
Premium	0.000138 tCO2e/km	
Business	0.000250 tCO2e/km	
First	0.000344 tCO2e/km	
Freight		
Air Freight		If Radiative Forcing is included a multiplier of 1.9 is applied, as recommended by MFE.
Domestic	0.002705 tCO2e/tonne. km	
Short-haul <3700kms	0.001056 tCO2e/ tonne. km	
Long-haul >3700kms	0.000770 tCO2e/tonne. km	
Road Freight		Assumption of truck to van ratio determined by client
Van	0.00070 tCO2e/ tonne. km	
Truck	0.00014 tCO2e/ tonne. km	
Ferry	0.000017 tCO2e / tonne. km	

Sea Freight		
General cargo	0.0000121tCO2e/ tonne. km	
Container ship	0.0000203 tCO2e/ tonne. km	
RoRo Ferry	0.0000517 tCO2e / tonne. km	
Accommodation		
Hotel stays	0.01230tCO2e/room per night	In New Zealand

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HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

**Subject: CONTROLLER AND AUDITOR GENERAL 2020 MANAGING
CONFLICTS OF INTEREST GUIDANCE**

Item 14

Reason for Report

1. This item provides the Committee with the latest guidance from the Controller and Auditor-General on managing conflicts of Interest; an update to what was previously published in 2010.

Background and Discussion

2. A conflict of interest is a situation where the responsibilities you have as a councillor or committee member conflict, or could be seen to conflict, with a financial or other interest you have in your private life.
3. Having an interest does not necessarily cause a conflict, and this is where guidance from the Auditor General can be particularly useful.
4. Because the previous guide was outdated staff anticipate that councillors may find it useful to discuss this latest publication. As much as possible, staff will be prepared to answer questions at the meeting, and if there is interest, can look into scheduling a follow-up session or workshop.

Decision Making Process

5. 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 "Controller and Auditor General 2020 Managing Conflicts of Interest Guidance" report.

Authored by:

Leeanne Hooper
TEAM LEADER GOVERNANCE

Approved by:

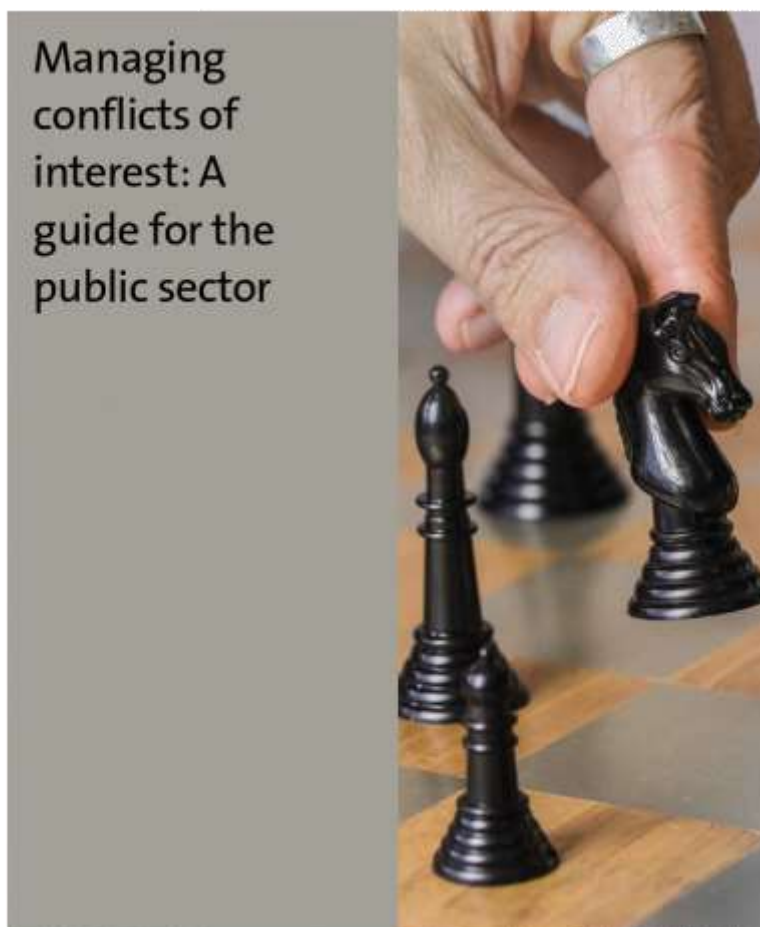
Jessica Ellerm
**GROUP MANAGER CORPORATE
SERVICES**

Attachment/s

- [!\[\]\(0a8200bef1826f1b69430bdc847acc6c_img.jpg\) 1](#) 2020 Auditor General - Managing Conflicts of Interest Guide
- [!\[\]\(272c040f947f8a35a12dff8a9e82a642_img.jpg\) 2](#) Conflicts of Interest 1-page Quick Guide



Item 14



Attachment 1

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Auditor-General's overview

E ngā mana, e ngā reo, e ngā karangarangatanga maha o te motu, tēnā koutou.

If you work in the public sector, it does not matter what your role is or how senior you are. In a small country like ours, there is a good chance you will have a conflict of interest at some point in your working life.

A conflict of interest is where the responsibilities you have as an employee or office holder in a public organisation are affected by some other interest you have in your private life. That other interest could be a relationship, a role in another organisation, or a business interest.

Having a conflict of interest does not necessarily mean you have done anything wrong. If the conflict is handled well, it does not have to be a problem. Conflicts can arise in many situations. Some are serious, some less so, and some are unavoidable. But, in any situation where activities are carried out in the public interest or paid for out of public funds, the public needs to be confident that decisions:

- are made impartially and for the right reasons; and
- are not influenced by personal interests or ulterior motives.

That means, if you are working in the public sector, you need to be able to:

- identify the different interests you have;
- recognise if you might have a conflict;
- understand how serious it is and what risks it gives rise to, for both you and the organisation you work for; and
- understand what to do about it.

That is what this guide is about – identifying interests and managing conflicts, so the public can be confident that people making decisions and spending public funds on their behalf are doing so in the public interest, not to benefit their family, friends, business associates, or themselves.

To manage conflicts of interest, there are usually both legal and ethical questions that need to be taken into account. Some public organisations are subject to specific legal requirements governing how conflicts are managed. Most will have policies or processes that people are required to comply with. This guide is not intended to replace any of these sector or organisation-specific legal or policy requirements.

Instead, this guide takes a principles-based approach, intended to complement those requirements. It outlines the basic rules that apply to different types of conflicts, points you in the direction of the rules that are likely to apply to you, and provides some principles and guidance on best practice to help you judge

Auditor-General's overview

how best to manage a conflict, when the rules, by themselves, do not provide an obvious answer. It also includes several scenarios to help show how these principles might be applied in practice.

Nāku noa, nā



John Ryan
Controller and Auditor-General

24 June 2020

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1

Introduction

- 1.1 Every employee or office holder has several professional and personal interests and roles. Conflicts of interest sometimes cannot be avoided and can arise without anyone being at fault. They need not cause problems as long as they are promptly disclosed and well managed.
- 1.2 In this guide, we describe conflicts of interest in the public sector, and how to identify, disclose, and manage them. We do not lay down rules but instead suggest an approach for dealing with issues when they arise.¹ This guide represents our view of what constitutes good practice in the public sector.
- 1.3 This guide will be useful for everyone who works in the public sector. We also publish a separate good practice guide about the legal requirements under the Local Authorities (Members' Interests) Act 1968.²
- 1.4 There are several aspects to managing conflicts of interest effectively:
- Public organisations and employees and office holders need to understand what a "conflict of interest" is, and be aware of the different ways in which one can arise (see Parts 2 and 3).
 - Employees and office holders should identify and disclose a conflict of interest as soon as it arises (see Part 4).
 - In every instance, the public organisation (or, sometimes, the employee or office holder concerned) needs to consider what action (if any) is necessary to manage the conflict of interest. This might include publicly disclosing significant conflicts of interest in the interests of public transparency (see Part 4).
 - Public organisations should establish policies and procedures to help them and their employees to identify and deal with conflicts of interest (see Part 5).
 - Public organisations need to understand the main legal and ethical considerations that are likely to apply to managing conflicts of interest and the possible consequences of breaching the applicable rules (see Part 6).

Guiding principles

- 1.5 Public business should be conducted with a spirit of:
- integrity;
 - impartiality;
 - accountability;
 - trustworthiness;

1. For organisations in the State services, please also see the State Services Commission's *Model Standards on Conflicts of Interest*. They outline the State Services Commissioner's minimum expectations for staff and organisations in the State services to support effective reporting and management of conflicts of interest.

2. The Local Authorities (Members' Interests) Act 1968 applies to members of city councils, district councils, regional councils, community boards, and a range of other public bodies.

- respect; and
- responsiveness.

1.6 In our view, these principles should guide any decisions about conflicts of interest.

Our role with conflicts of interest

1.7 The Auditor-General does not have an explicit statutory role with regard to conflicts of interest.³

1.8 The Auditor-General cannot “rule” on whether someone has a conflict or whether it was lawful for them to participate in a particular matter. Nor can we take enforcement action against someone who might have acted unlawfully or inappropriately because of a conflict of interest. These are matters for the courts.

1.9 However, under the Public Audit Act 2001, the Auditor-General is the auditor of all public organisations and, as such, has an interest in supporting them to carry out their activities lawfully and in a way that inspires public confidence. The proper management of conflicts of interest is a fundamental part of maintaining public confidence in the public sector. Therefore, the Auditor-General has a strong interest in supporting good practice.

1.10 This guide is one of the ways we aim to support good practice in managing conflicts of interest in the public sector. Other ways we might look at conflicts of interest are:

- **As part of our annual audit work:** The Auditor-General appoints auditors to carry out annual audits of public organisations. Under section 15 of the Public Audit Act, auditors can look at an organisation’s systems and processes for managing conflicts of interest as part of the annual audit. Auditors also monitor some types of disclosures about conflicts of interest as part of the annual audit.
- **When carrying out an inquiry:** The Auditor-General has the power to examine concerns about conflicts of interest as part of an inquiry into a public organisation’s use of its resources under section 18 of the Public Audit Act.
- **When carrying out a performance audit:** The Auditor-General can examine a public organisation’s compliance with any statutory or internal policy requirements about conflicts of interest, in the course of carrying out a performance audit under section 16 of the Public Audit Act.

³ Except in the case of the Local Authorities (Members’ Interest) Act 1968, where the Auditor-General has statutory functions under the Act.

The nature of conflicts of interest

2

What is a conflict of interest?

- 2.1 A conflict of interest is any situation where your duties or responsibilities as an employee or office holder in a public organisation conflict, or could be seen to conflict, with some other interest you might have outside of work.
- 2.2 The other interest or duty might be:
- holding another public office;
 - being a current or (recent) former advisor, director, or partner of another business or organisation;
 - being a member of a club, society, or association;
 - having a professional or legal obligation to someone else (such as being a trustee);
 - having a beneficial interest in a trust;
 - owning or occupying a piece of land;
 - owning shares or some other investment or asset;
 - having received a gift, hospitality, or other benefit from someone;⁴
 - owing a debt to someone; or
 - being a relative or close friend of someone who has one of these interests, or who could otherwise be personally affected by a decision of the public organisation.

Having an interest does not necessarily mean you have a conflict of interest

- 2.3 Having a personal interest, on its own, is not what causes a conflict. Everyone has multiple roles and interests at work, at home, in their extended families, or in the community. A potential conflict of interest arises only where your duties or responsibilities as an employee or office holder in a public organisation overlap with one of your other roles or interests.
- 2.4 For example, you are an elected member of a local council and also involved in running a business, on the committee of a local sports club, and a member of a voluntary organisation. Your involvement in the business, role on the committee, and membership of the voluntary organisation are all interests that you have as well as your role as an elected member of the council.

⁴ Here, issues about conflicts of interest overlap with the management of sensitive expenditure. See our good practice guide, *Controlling sensitive expenditure: Guidelines for public entities*.

Part 2

The nature of conflicts of interest

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- 2.5 These other interests do not necessarily mean you have any conflicts of interest. An interest becomes a potential conflict of interest only if it overlaps in some way with your role as an elected member. For example, your interest might result in a potential conflict of interest if:

- your business puts in a bid to provide goods or services to the council;
- the sports club is located on land leased from the council; or
- the voluntary organisation seeks funding from the council to help fund its activities.

Why might having a conflict of interest be a problem?

- 2.6 Having a conflict of interest does not mean you have done anything wrong, and it is not necessarily a problem if it is managed properly. Conflicts can arise in all sorts of situations, as the list above shows. Some conflicts are serious, some less so. Some are unavoidable, especially in a small country like ours.
- 2.7 However, in any situation where activities are paid for out of public funds or carried out in the public interest, the public needs to be confident that decisions:
- are made for the right reasons; and
 - are not influenced by personal interests or ulterior motives.
- 2.8 The risk with having a conflict of interest – at least, one that is not properly managed – is that you will be seen to be advancing your own interests or the interests of others you feel a sense of loyalty or obligation to, rather than the interests of your role as a public servant.
- 2.9 Even if you have no intention of acting improperly, and are confident that you can think and act impartially, **if it looks like** you might be influenced by personal interests or ulterior motives when making a decision, you risk undermining public confidence in the integrity of that decision. You can also potentially expose the organisation you work for to legal, commercial, political, or reputational risk.

Why managing conflicts is particularly important in the public sector

- 2.10 Conflicts of interest can arise in all walks of life, including the private sector. However, there are higher expectations about conflicts of interest in the public sector because it is public money that is being spent, and public powers that are being exercised.

- 2.11 Where activities are paid for out of public funds, or decisions are made exercising public powers, members of the public rightly expect the people making those decisions to act impartially, without any possibility that they could be influenced by favouritism or improper personal motives, or that public resources could be misused for private benefit.
- 2.12 Also, unlike private organisations, public organisations are subject to specific legal rules that require their decision-making processes to be procedurally fair. Any decision of a public organisation that is tainted by bias, or the appearance of bias, is potentially subject to legal challenge.
- 2.13 This means that conduct that might be allowed in the private sector is not necessarily acceptable in the public sector. For example, under the Companies Act 1993, company directors are required to disclose when they have a personal interest in a transaction, but might then be permitted to discuss and vote on that transaction, despite having an interest in it. Similarly, small businesses in the private sector often employ and contract with family members as a matter of course. Such practices might be unacceptable – or, at the very least, require more careful management – in a public organisation.

Conflicts of interest and corrupt conduct

- 2.14 Corrupt conduct can arise when a conflict of interest is intentionally concealed, understated, mismanaged, or abused.
- 2.15 Experience shows that many, if not most, forms of corrupt conduct involve a conflict of interest. It is also possible to engage in corrupt conduct to do with another person's conflict of interest.
- 2.16 Examples of conduct that could be corrupt include:
- concealing or failing to disclose a conflict of interest;
 - making false or understated declarations about a conflict of interest;
 - favouring another interest over public duty;
 - improperly influencing others to favour a personal interest;
 - misusing resources to favour a personal interest;
 - improperly accessing, using, or disclosing information about a conflict of interest;
 - acting improperly to favour another person's personal interests; and
 - improperly allowing others to conceal a conflict of interest.

3

Different types of conflicts of interest

- 3.1 The seriousness of a conflict, and the type of risks it gives rise to, for you personally and the organisation you work for, will vary depending on the nature of the conflict and the context in which it arises. Conflicts of interest can arise in a wide variety of ways. In all cases, the underlying concern is the same – that is, ensuring that decisions are made impartially, and managing the risk of bias, or the appearance of bias.
- 3.2 To work out how to manage a conflict, it can be helpful to categorise it as a:
- financial conflict;
 - non-financial conflict;
 - conflict of roles; or
 - predetermination.
- 3.3 The situation you are facing might not fall neatly into one category. There are also situations where you might have more than one type of conflict. But, if you are trying to figure out whether you have a conflict and, if so, what to do about it, analysing your situation by putting it in one of these four categories can be a useful starting point.
- 3.4 In addition to these four categories, you also need to consider potential conflicts created by the possession of official information. The Serious Fraud Office often sees among public sector employees a failure to appreciate that it can be an offence to use information acquired in an official capacity for the personal benefit of that official or another.⁵ As we noted earlier, public sector officials are often held to a higher standard than in the private sector and it is important that officials do not take advantage of information acquired in their official role to make a gain either for themselves or others.
- 3.5 In all situations, your conflict might be actual or perceived – that is, you might have an actual conflict, or there could be no conflict, but to an outside observer it looks like there is.
- 3.6 Members of the public do not often have access to all the relevant facts, and cannot know what is in your mind or what your motivations are. They can judge only by appearances and information in the public domain. That means perceived conflicts are often as risky as actual conflicts, and you need to take just as much care to identify and manage them.

Financial conflicts of interest

- 3.7 A financial conflict of interest is any situation where you stand to gain or lose financially from a decision you are asked to make.

- 3.8 Financial interests might be direct or indirect. There are also situations where you might be deemed to share the same financial interests as another person or organisation. For example, you might be deemed to share any financial interests your spouse or partner has, or those of any business you are involved in.
- 3.9 A financial interest need not involve cash changing hands directly. It could, for example, be an effect on the value of land or shares that you own, or the turnover of a business you are involved in.
- 3.10 Financial conflicts of interest are often treated more strictly than non-financial conflicts of interest. For example:
- Under the common law, any financial conflict of interest (except one that is trivial) automatically disqualifies a public official from participating in a decision.
 - The Local Authorities (Members' Interests) Act prohibits members of local authorities and office holders in other specified public organisations⁶ from discussing or voting on any matter in which they have a financial interest, unless their interest is "in common with the public".
- 3.11 If you have a financial conflict of interest:
- you should treat it seriously, even if it seems trivial to you; and
 - you need to make sure you are familiar with any specific rules that apply to the management of financial conflicts of interest in the organisation you work in.

Non-financial conflicts of interest

- 3.12 A non-financial conflict of interest is any situation where you are not affected financially by a decision but are affected in some other way that might make you biased or appear to be biased.
- 3.13 A non-financial conflict of interest might arise, for example, from a family relationship, friendship, or any other sort of personal relationship.
- 3.14 Non-financial conflicts can also arise if you are a member of, or involved with, an organisation outside of your work.
- 3.15 Under the common law, a non-financial conflict of interest does not automatically exclude you from participating in a decision. It will depend how serious the conflict is. That does not mean non-financial interests are always less serious than financial conflicts. However, because there is not an automatic assumption of bias, there is generally more room for judgement about how serious the conflict is and how it should be managed.

⁶ For a list of organisations, see our good practice guide, *Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest*.

Part 3

Different types of conflicts of interest

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Interests of relatives and friends

- 3.16 Considering the interests of relatives and friends requires careful judgement. If they have an interest that overlaps with the duties of an employee or office holder, then there might be a conflict of interest.
- 3.17 Specific statutory rules might also apply. For example:
- for members of local authorities covered by the Local Authorities (Members' Interests) Act, the financial interests of a spouse, civil union partner, or de facto partner are regulated; and
 - for matters covered by the Crown Entities Act 2004, the interests of a spouse, civil union partner, de facto partner, child, or parent are regulated.
- 3.18 In general, for situations not covered by specific statutory rules, we consider that, at least, the interests of any dependants or relatives who live with the employee or office holder must be treated as effectively the same as if the interest was held by the employee or office holder. In other words, if interests held by these relatives overlap with an employee or office holder's official duties, there will be a conflict of interest.
- 3.19 For other relatives, it will depend on the closeness of the relationship and the degree to which the public organisation's decision or activity could directly or significantly affect them. (Part 4 covers assessing the seriousness of a conflict of interest.)
- 3.20 Close relationships can vary. A relationship could be close because of the directness of the blood or marriage link, or because of the amount of association. There are no clear rules but it will usually be wise not to participate if relatives are significantly affected.
- 3.21 Some cultures, including Māori culture, have a broad concept of family. In our view, a conflict of interest will not often arise where the connection is a common ancestor, such as another iwi or hapū member. Sometimes an iwi connection could create a conflict of interest in and of itself. For example, if the person is working for a public organisation on a Treaty settlement where they are likely to end up as a beneficiary, this might create a conflict of interest. In this situation, the interest is personal.
- 3.22 Questions of judgement and degree also arise when considering friends and other associates. However, in our view, it is unrealistic to expect the employee or office holder to have absolutely no connection with or knowledge of the person concerned. New Zealand is a small and interconnected society. Simply being acquainted with someone, having worked with them, or having had official dealings with them is not something we would consider to cause a problem. However, a longstanding, close, or recent association or dealing might do.

- 3.23 Care should also be taken with interests held by people who have funded the election campaigns of elected members.
- 3.24 Where the public organisation's decision or activity affects an organisation that a relative or friend works for, it could be reasonable to take into account the nature of their position. For example, it might be material whether they are a senior executive or owner, on the one hand, or whether they are a junior staff member who is not personally involved in the matter and who would not be personally affected by the decision, on the other.

Conflict of roles

- 3.25 A conflict of roles can arise in any situation where you are a decision-maker for two different organisations about the same matter.
- 3.26 In some ways, a conflict of roles is just another type of non-financial conflict. We have given it its own category because a conflict of roles is likely to prompt different issues than other types of conflicts. The question you need to consider is not so much whether your interests conflict, but whether the interests of the two organisations you work for do.
- 3.27 A conflict of roles is also more likely to prompt questions about conflicting duties. For example:
- If both organisations are involved in the same project or transaction, and you owe a duty of confidentiality to both, can you be effectively involved in making decisions for both organisations about that project or transaction?
 - Can you fulfil a fiduciary duty to one organisation (for example, as a company director or trustee) when deciding something if you owe a fiduciary duty, or some other sort of duty of loyalty, to the other organisation?
- 3.28 Sometimes you might be involved in a second organisation quite deliberately. You might have been appointed specifically to represent the first organisation or hold office in another organisation because of your position in the first organisation. For example, if you are an employee of a Crown entity, you might have been appointed as its representative on a community trust that the Crown entity funds.
- 3.29 In those situations, it might be consistent with your role to participate at meetings of the first organisation in some matters that concern the second organisation, especially if that second role gives you specialised knowledge that it would be useful to contribute. This might be legitimate – and mutually beneficial – because for many matters there will be no risk that you could advance any private interest, show partiality, or otherwise act in a way that was not in the first organisation's best interests.

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Different types of conflicts of interest

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- 3.30 However, you must be careful not to assume that this is always so. Conflicts of interest could still arise with some decisions. This is especially likely where you might be under a legal duty (for example, as a director or trustee) to act in the best interests of one organisation. For example, a conflict of interest might arise when one organisation is making a decision about funding the other, its continued existence, or on a formal submission it has made.
- 3.31 The main points to consider with a conflict of roles are that:
- you need to be clear in your own mind what your obligations are to each role or organisation;
 - you need to be confident that both organisations are clear about what your obligations are to each of them and, if necessary, have a protocol that explains this; and
 - you need to always be alert for situations where the interests of the two organisations might conflict, even if they generally do not.

Predetermination

- 3.32 Predetermination is any situation where you are making a decision about something and there is a risk that people will think you made up your mind before you considered all of the evidence. Suggestions of predetermination usually arise because of something you have previously said or done.
- 3.33 Technically, predetermination is not a form of conflict of interest. However, the concept of predetermination is derived from the common law on bias, so we have covered it in this guide. The underlying risk with predetermination is the same as for conflicts of interest – that is, the risk that you will “taint” a decision you are involved in making because you are biased or appear to be biased.
- 3.34 As a public sector employee or officeholder, you are entitled to have your own personal views. Indeed, you might often be expected to use your opinions or ideas in carrying out your work.
- 3.35 However, sometimes having strong views about a matter can create a risk of prejudice or predetermination. You might be treated as biased if your behaviour, beliefs, or what you say indicates that you made up your mind about a matter before it came to be heard or deliberated on – in other words, if you have a “closed mind” or fixed position and are not willing to fairly consider all relevant information and arguments.
- 3.36 The seriousness of the risk will depend on the context, such as what your role is and what sort of decision you are being asked to make.

- 3.37 For quasi-judicial decisions, decision-makers are held to an exacting standard of impartiality and objectivity. Quasi-judicial decisions are those that directly affect the legal rights, interests, and obligations of an individual or small group of individuals. Quasi-judicial decisions can be, for example, a decision to grant a permit, confer a specific benefit, or impose a punishment.
- 3.38 In other situations, it might nevertheless be acceptable for employees or officeholders to bring personal or previously formed views to decision-making – for example, when:
- discussing issues and exchanging ideas with members of the public;
 - developing a preliminary position, especially where a proposal is being consulted on or where the public organisation is expected to perform an advocacy role;
 - already holding – and perhaps having expressed – strong personal views about the matter, for decisions that are made by an elected or representative body and are political in nature or involve high-level policy-making;
 - promoting a particular view during debate in public hearings on a matter; and
 - drawing on your own knowledge or experience, especially for decisions that are entrusted to particular people because of their special expertise in the subject.
- 3.39 General personal factors, such as an employee's or officer holder's ethnicity, religion, national origin, age, political, or philosophical leanings, wealth, or professional background, will not usually constitute predetermination, unless they give rise to a strongly held personal belief that directly relates to the matter being considered.
- 3.40 When dealing with predetermination:
- You are expected to have an open mind, but that does not mean an empty mind.
 - Pay particular attention to the type of decision you are being asked to make. You need to be particularly careful about predetermination in situations where you are making decisions that will affect the legal rights, interests, and obligations of an individual or small group of individuals, as opposed to broad policy decisions that do not have an immediate effect on individuals.
 - Unlike many types of conflicts, the risks associated with predetermination are nearly always under your control. It is generally about managing what you do or say, so you do not later put yourself in a situation where your participation in a decision will put that decision at risk.

4

Dealing with conflicts of interest when they arise

- 4.1 There are two important aspects to dealing with conflicts of interest when they arise:
- identifying and disclosing the conflict of interest (primarily the responsibility of the employee or office holder concerned); and
 - deciding what action, if any, is necessary to best avoid or mitigate any effects of the conflict of interest (primarily the responsibility of the public organisation).

Identifying and disclosing a conflict of interest

- 4.2 Conflicts of interest can arise at any time. You might know from the outset, when you start in a role with a public organisation, that you have an outside interest that could result in a conflict of interest. Or you might take on a new role or appointment outside of work that could lead to a conflict at work. Or something might crop up, or your role at work might change, so that something that was not a conflict before becomes a potential conflict.
- 4.3 In short, everyone in the public sector needs to remain alert to the possibility of conflicts at all times.

Responsibility to identify and disclose conflicts of interest

- 4.4 The primary responsibility for identifying and disclosing conflicts of interest to the relevant people in a timely and effective manner rests with the person concerned.
- 4.5 This is because it is the individual person who will always have the fullest knowledge of their own affairs. They will be in the best position to realise whether and when something at work has a connection with another interest of theirs.
- 4.6 Managers and other senior personnel should remain generally alert for issues affecting other people that might create a problem. All public organisations need to be aware of any separate obligation they might have to disclose certain types of interests and potential conflicts (for example, under financial reporting standards).

Identifying conflicts of interest

- 4.7 In Parts 2 and 3, we discuss in detail the nature of conflicts of interest and the types of other interest that can give rise to a conflict of interest. The main question that must always be addressed is:

Whether an employee's or office holder's duties or responsibilities to a public organisation could be affected, or could be perceived to be affected, by some other interest or duty that the employee or office holder may have.

- 4.8 It is important to focus on the overlap between the two interests: that is, whether the person's other interest has something to do with the particular matter that is being considered or carried out by the public organisation.
- 4.9 It is better to err on the side of openness when deciding whether something should be disclosed. Many situations are not clear-cut. If you are not sure whether something constitutes a conflict of interest, it is safer and more transparent to disclose the interest anyway. The matter is then out in the open. Others with more expertise can judge whether the situation constitutes a conflict of interest, and whether the situation is serious enough to warrant any further action.
- 4.10 Disclosure promotes transparency and is always better than trying to manage the situation yourself.

Disclosing conflicts of interest internally

- 4.11 If a matter where a person has an interest arises at a formal meeting, the person should declare to the meeting that they have an interest in the matter before the matter is discussed. The declaration should be recorded in the minutes of the meeting.
- 4.12 In other situations, the matter should be raised and discussed with a relevant person as soon as the potential for a conflict of interest is identified. For most staff, the relevant person will be their manager (or another designated person in the public organisation). For a chief executive, the relevant person might be the board chairperson, responsible Minister, or another senior person in the public organisation. Board members should make a disclosure to the chairperson or deputy chairperson.
- 4.13 There might be an applicable law or internal policy that requires a disclosure to be lodged in a register. It is always wise to record any disclosure in writing anyway.
- 4.14 If something significant changes about the official role or the other interest, or the nature of the connection between them, the person should make a further disclosure, in case it is necessary to reconsider any decisions about how to deal with the conflict of interest.

Disclosing conflicts of interest externally

- 4.15 A public organisation might be under an obligation to disclose some types of interests and potential conflicts of interest publicly.
- 4.16 For example, an organisation might be required to disclose some matters in its financial statements, to comply with relevant accounting and auditing standards:

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PBE IPSAS 20 *Related Party Disclosures* (Public sector Standards), NZ IAS 24 *Related Party Disclosures* (For-profit Standards), and ISA (NZ) 550 *Related Parties*. Those standards require the disclosure of transactions with related parties. In short, a “related party” is someone who has the ability, directly or indirectly, to control or exercise significant influence over the other party.

- 4.17 Even if there is no legal requirement to publicly disclose an employee or officeholder’s interest or conflict of interest, we recommend that public organisations consider the benefits of doing so. We recognise it is unrealistic for a public organisation to publicly disclose all conflicts of interest it is required to manage, and obviously any public disclosure would need to be balanced against the individual’s right to privacy.
- 4.18 However, the value of public transparency should not be underestimated – particularly for those public organisations that spend substantial sums of public money through procurement or grant allocation processes, or in any situation where public trust and confidence is fundamental to that public organisation’s ability to continue functioning successfully.
- 4.19 Many of the complaints made to us about a conflict of interest could have been avoided if the organisation had been more open about the conflict that had arisen and been willing to explain publicly what it was doing about it.
- 4.20 Options public organisations might want to consider include establishing their own threshold for public disclosure of significant conflicts of interest or disclosing conflicts in the context of significant or high-profile projects or transactions. Also, or alternatively, it might choose to make its policies on dealing with conflicts of interest publicly available.

Deciding on further action

- 4.21 Simply declaring a conflict of interest is not usually enough. Once the conflict of interest has been identified and disclosed, the public organisation might need to take further steps to remove any possibility – or perception – of public funds or an official role being used for private benefit.
- 4.22 In our view, responsibility rests with those “at the top” of the organisation. Leaders and senior managers need to model behaviour to the highest standard. It is not enough to have clear policies and processes. These must be seen to be strictly observed and enforced by those in senior positions.
- 4.23 The public organisation should carefully consider what, if anything, needs to be done to adequately avoid or mitigate the effects of the conflict of interest.

Responsibility to decide next steps

- 4.24 Usually, it is the public organisation's responsibility to determine the appropriate next steps (and to direct the affected employee or office holder accordingly). It is a matter of risk management. The decision-maker will usually be the person's manager (or other relevant person in relation to disclosure), acting on behalf of the public organisation. The public organisation's chairperson, chief executive, legal advisors, human resources staff, and other managers might need to help make decisions or offer advice to decision-makers. For convenience, we refer to the decision being made by "the public organisation".
- 4.25 Sometimes the decision about what the person needs to do will be straightforward, because there might be a clear legal requirement or other written rule covering the situation. An example is where there are statutory rules about participating in meetings that apply to members of a governing body. The onus to be aware of the rule, and to comply with it, lies with the person concerned. The judgement is theirs to make.

Action that should be taken to avoid or mitigate

- 4.26 For each potential conflict, it is important for the public organisation to consider whether something more ought to be done after disclosure. In doing so, the organisation should have regard to the principles (see paragraph 1.5) and the risk of how outside observers might reasonably perceive the situation. It is not safe to assume that a disclosure, and no further action, is always adequate.
- 4.27 First, if any legal requirement applies, then compliance with that is critical and overriding. For example, where the situation involves a legal requirement about a board member participating in a meeting, the law will usually require the member to refrain from participating in discussions and voting on the matter. There is usually no scope to decide on some lesser mitigation option.
- 4.28 Secondly, the public organisation should consider whether any relevant policy of the organisation contains a clear rule covering the situation.
- 4.29 Thirdly, if no relevant legal requirement or policy applies (or after any such rule has been complied with), then the public organisation should also consider whether anything more needs to be done. This is where there might be scope for a range of options. This assessment is a matter of judgement. In especially difficult situations, it might be necessary to seek professional advice and/or consult other published sources of guidance.

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Dealing with conflicts of interest when they arise

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4.30 In exercising judgement, the public organisation needs to assess carefully:

- the seriousness of the conflict of interest;
- the level of risk the conflict gives rise to; and
- the range of possible mitigation options.

Assess the seriousness of a conflict of interest

4.31 Several factors might need to be considered in assessing the seriousness of the conflict of interest. They include:

- the type or size of the person's other interest;
- the nature or significance of the particular decision or activity being carried out by the public organisation;
- the extent to which the person's other interest could specifically affect, or be affected by, the public organisation's decision or activity; and
- the nature or extent of the person's current or intended involvement in the public organisation's decision or activity.

4.32 Seriousness is a question of degree. It involves a spectrum of directness and significance – how close and how big. Directness (and its opposite, remoteness) is about how closely or specifically the two interests concern each other. Significance is about the magnitude of the potential effect of one on the other.

4.33 The public organisation might judge that the overlap of the two interests is so slight that it does not really constitute a conflict of interest. In other words, there is no realistic connection between the two interests, or any potential connection is so remote or insignificant that it could not reasonably be regarded as a conflict of interest.

4.34 However, it must be remembered that this judgement is not primarily about the risk that misconduct will occur. It is about the seriousness of the connection between the two interests.

4.35 Similarly, an interest might not be seen as serious if it is a generic interest held in common with the public. That is, the interest is substantially the same kind and size as the interest held by all members – or a large segment – of the public.⁷

Determining appropriate mitigation options

4.36 Judgements made about the seriousness of any conflict of interest will inform the suitable mitigation option. It might also be necessary to take into account the practicability of any options for avoiding or mitigating the conflict.

⁷ See our good practice guide, *Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest*, for a discussion of the concept of "interest in common with the public" in the context of members of local authorities.

- 4.37 There is a broad range of options for avoiding or mitigating a conflict of interest. The options (listed roughly in order of lowest to highest severity) include:
- taking no action;
 - asking whether all affected parties will agree to the person's involvement;
 - seeking a formal exemption to allow participation (if such a legal power applies);
 - imposing additional oversight or review over the person;
 - withdrawing from discussing or voting on a particular item of business at a meeting, or taking some other steps to limit influence or decision-making powers (for example, they might not take part in decisions but could still provide advice);
 - exclusion from a committee or working group dealing with the issue;
 - re-assigning certain tasks or duties to another person;
 - agreement or direction not to do something;
 - withholding certain confidential information;
 - placing restrictions on access to information (including, if applicable, post-employment restrictions, such as restrictions under a restraint of trade agreement);
 - transferring the person (temporarily or permanently) to another position or project;
 - relinquishing the private interest;
 - refraining from having further dealings with a person or organisation; and
 - resignation or dismissal from one or other position or organisation.
- 4.38 If the public organisation determines that a situation does not really amount to a conflict of interest after all, or is too indirect or insignificant, it might formally record or declare the disclosure and assessment in some form but take no further action. However, it should not be assumed that this will always be enough. The risk to be assessed is not just the risk of actual misconduct by the person involved but the risk that the public organisation's capacity to make decisions lawfully and fairly might be compromised or its reputation damaged. In making this assessment, the public organisation needs to consider how the situation could reasonably appear to an outside observer.
- 4.39 It might sometimes be necessary for a person to stay involved in a matter despite having recognised a conflict of interest if the conflict is inevitable and unavoidable and the matter cannot reasonably be dealt with without the person's involvement. That should be rare (and other mitigation options might need to be considered, too). One example is where all the people involved have a conflict of interest.

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- 4.40 Ensuring that the conflicted person is no longer involved in the public organisation's work on the particular matter, through withdrawal, removal, or reassignment, is the most typical mitigation option. Taking one of those steps will usually be enough to adequately manage a conflict of interest.
- 4.41 Occasionally a conflict of interest might be so significant or pervasive that the person will need to consider giving up one or other interest or role. However, these cases are likely to be uncommon. The other interest needs to be considered in relation to a particular matter coming before the public organisation, so it will not often be necessary to ask, in a general sense, whether a conflict of interest is so great that the person should not remain working for the public organisation at all.
- 4.42 However, giving up an interest or role might not always deal with a conflict of interest if it happens at a very late stage.⁸ In other words, sometimes it might be too late for the person to choose to withdraw from one role or interest in order to be able to carry on with the other one.
- 4.43 If circumstances change, a decision about whether there is a conflict of interest or how to manage it should be reviewed and might need to change.
- 4.44 Many situations are not clear-cut and a range of possible judgements could be reasonable. The decision about what to do in any particular case is an internal matter. It is for the public organisation to determine (except if there is a legal obligation on the affected person to determine). But, in the interests of openness and fairness (and to minimise the risk of the public organisation having to defend itself against an allegation of impropriety), it is always safer to be cautious. Once a conflict of interest is recognised, the most common response should be withdrawal or exclusion from considering the matter.
- 4.45 It is wise to make a written record about any decision.⁹ This might include details of the facts, who undertook the assessment, and how and what action was taken as a result. Sometimes risk management might be helped by also considering whether to make an announcement to certain other people, or even publicly, about the conflict of interest and how it has been dealt with.

⁸ See for example *Collinge v Ryd* [2005] 1 NZLR 847 and *Auckland Casino v Casino Control Authority* [1995] 1 NZLR 142.

⁹ The State Services Commission's *Model Standards on Conflicts of Interest* require State service agencies to keep formal documentation of mitigation plans, see page 4.

Policies and procedures for managing conflicts of interest

5

Policies and procedures

- 5.1 All public organisations should establish policies and procedures as a tool for helping them and their employees and office holders identify and deal with conflicts of interest.
- 5.2 Managing conflicts of interest can never be as simple as creating and enforcing a set of rules. Nevertheless, robust policies and procedures are a useful starting point. They are where people should look first when they are working out whether they have a conflict of interest and what they need do to about it.
- 5.3 Policies and procedures can provide clear rules for simple and predictable situations, and establish a process for dealing with the more difficult ones. They help reaffirm the public organisation's commitment to the principles associated with managing conflicts of interest, and encourage organisational transparency.

Focus on the public organisation's particular circumstances

- 5.4 In preparing its policies and procedures, a public organisation needs to take into account the nature of its own particular structure, functions and activities, and any applicable statutory requirements. It needs to consider what its operations are, what fields it operates in, and what sorts of problems or risks might typically arise. For example, does the public organisation do a lot of:
 - procurement and contracting;
 - allocating grants;
 - public consultation; or
 - quasi-judicial or regulatory decision-making?
- 5.5 A blanket policy or process will not necessarily work well for all these functions.
- 5.6 The public organisation might need to think carefully about who a policy should apply to. Some parts of the policy might be relevant only for board members or certain employees, such as those involved in any of the functions listed above. Some parts might not need to apply to all staff. It might also be prudent to require certain types of contractors or consultants to comply with the policy, even though they are not employees.

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- 5.7 Some situations will be foreseeable and the answer straightforward. For those situations, clear rules could be established in a policy. For example, a public organisation might, depending on the nature of its operations, prohibit employees and office holders from:
- being involved in a decision to appoint or employ a relative;
 - conducting business on behalf of the organisation with a relative's company;
 - owning shares in or working for particular types of organisation that have dealings with or are in competition with the public organisation;
 - making submissions in a public consultation process (on matters that directly relate to the organisation's work);
 - deliberating on a public consultation process where the employee or office holder has made a personal submission;
 - accepting gifts in connection with their official role; or
 - influencing or participating in a decision to award grants or contracts where the employee or office holder is connected to a person or organisation that submitted an application or tender.

Periodic declarations of interests

- 5.8 One method many public organisations use is to require employees or office holders to regularly (for example, yearly) complete and submit a declaration listing specified personal interests. This is sometimes called an "interests register".¹⁰
- 5.9 A declaration in an interests register is not, in itself, a declaration of a conflict of interest. In most cases, it is simply a declaration that someone has an interest that could give rise to a conflict.
- 5.10 However, an interests register enables relevant managers to be aware of most relevant ongoing interests, and acts as a reminder to people of the need to be alert for conflicts of interest. The register, if reviewed and updated regularly, helps people to monitor situations that could give rise to a conflict of interest, and to identify conflicts of interest at an early stage.
- 5.11 Placing interests on record is also consistent with the principle of transparency. An interests register can be used to document any agreed mitigations, especially for predictable situations, so that there is a record, if needed later, that both the individual and the organisation have thought about the risks and taken appropriate steps to manage them.

¹⁰ See, for example, the interests registers required for Ministers and members of Parliament by the *Cabinet Manual* and the *Standing Orders of the House of Representatives* respectively.

What to cover in policies and procedures

- 5.12 Policies and procedures should:¹¹
- state principles or values that emphasise the organisation's commitment to addressing conflicts of interest and the importance of people in the organisation being alert for such situations;
 - establish rules for the most important and obvious actions that people must or must not take;
 - establish a mechanism (such as an interests register) for recording those types of ongoing interests that can commonly give rise to a conflict of interest and a procedure for putting this into effect and updating it regularly;
 - set out a process for identifying and disclosing instances of conflicts of interest as and when they arise, including a clear explanation of how someone should disclose a conflict of interest and to whom;
 - set out a process for managing conflicts of interest that arise, including who makes decisions and perhaps detailing the principles, criteria, or options that will be considered;
 - provide avenues for training and advice;
 - provide a mechanism for handling complaints or breaches of the policy; and
 - specify the potential consequences of non-compliance.
- 5.13 However, policies and procedures are not enough and cannot anticipate every situation. Also, the seriousness of some situations will be a question of degree and not amenable to a rule. Policies and procedures might need to allow for some flexibility for judgement in individual cases. A policy should not state or suggest that the specific situations it covers are an exhaustive list. Some situations will need to be the subject of discretionary judgements as and when they arise.

¹¹ Some of the publications listed in Appendix 1 contain more detailed guidance on preparing and implementing policies and procedures. See, in particular, the State Services Commission's *Model Standards on Conflicts of Interest*, the Independent Commission Against Corruption's *Managing Conflicts of Interest in the Public Sector in NSW*, and the Organisation for Economic Co-operation and Development's *Managing Conflict of Interest in the Public Service: A Toolkit*.

6

What are the rules?

- 6.1 Rules and expectations about conflicts of interest might be derived from any or all of:
- legislation;
 - common (judge-made) law; and
 - general standards and expectations.

- 6.2 In this Part, we outline some of the main legal and ethical considerations that are likely to apply to managing conflicts of interest and the possible consequences of breaching the applicable rules.

Statutory rules

- 6.3 Some public organisations are subject to statutory rules that apply to managing conflicts of interest.
- 6.4 Statutory rules generally regulate conflicts of interest of members of an organisation's governing body, rather than the organisation's employees. If you are on the governing body of an organisation that is subject to one of these Acts, you need to be familiar with the rules that apply to conflicts under that Act.
- 6.5 Statutory rules commonly do one or more of the following:
- prohibit members from discussing and voting at meetings on matters in which they have an interest;
 - require members to disclose interests before appointment, in a register of interests and/or at relevant meetings;
 - prohibit members from having an interest in certain contracts with their organisation;
 - prohibit members from signing documents relating to matters in which they have an interest; and
 - provide mechanisms for seeking exemptions from the general rules.
- 6.6 Some important statutory rules can be found in the:
- Crown Entities Act 2004;
 - New Zealand Public Health and Disability Act 2000;
 - Companies Act 1993;
 - Local Authorities (Members' Interests) Act 1968; and
 - Education Act 1989.
- 6.7 Appendix 2 sets out summaries of the relevant statutory provisions.

Common law rules

- 6.8 Conflicts of interest are also regulated under the common law, as part of the general requirement that all public decision-making must be procedurally fair, including being free from the taint of bias and predetermination.
- 6.9 The common law's rule against bias has two main goals:
- First, it ensures that the best decision is made based on relevant information and arguments, not ulterior motives or prejudices.
 - Secondly, it ensures that people affected by, or interested in, a decision have trust and confidence in the process – meaning they are more likely to accept a decision once it is made.
- 6.10 The rule against bias operates both to avoid actual bias and to avoid any appearance of bias. The principle is that justice should not only be done but it should also be seen to be done.
- 6.11 The courts usually approach bias by asking the following question:
*Would a fair-minded observer reasonably think that the decision-maker or member of the decision-making body might not bring an impartial mind to the decision, in the sense that they might unfairly treat someone's case with favour or disfavour?*¹²
- 6.12 Also, under the common law, a person who has a fiduciary obligation towards someone else (such as a trustee of a trust or director of a company) is not allowed to put themselves in a position where their official role conflicts with their personal interests.
- 6.13 The principles that have been developed through the common law are relevant to managing conflicts of interest, even where there is a statutory rule in place, because the common law is likely to influence how the statutory rule is interpreted.
- 6.14 Appendix 3 sets out a list of some New Zealand court cases that consider conflicts of interest.

General standards and expectations

- 6.15 As stated in Part 1, public business should be conducted with a spirit of:
- integrity;
 - impartiality;
 - accountability;
 - trustworthiness;
 - respect; and
 - responsiveness.

¹² *Saxmere Company Ltd v Wool Board Disestablishment Company Ltd* [2010] 1 NZLR 35; [2010] 1 NZLR 76.

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What are the rules?

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- 6.16 As well as legal requirements, all decisions about conflicts of interest need to be guided by ethical principles. A lack of integrity in relation to conflicts can impact the culture of an entire team. At an extreme end, the normalising and acceptance of conflicts can permeate throughout a team and facilitate criminal corruption.¹³
- 6.17 There is no single source of rules or expectations specifying what constitutes ethical behaviour for all situations or all public organisations. Any rules or expectations applying to a particular situation might come from a variety of sources, including:
- the organisation's founding or constituting document;
 - the organisation's code of conduct or relevant internal policies and procedures, such as those about procurement decisions;
 - other sets of mandatory requirements that apply to the public sector or a particular part of it (such as the *Code of Conduct for the State Services*, the *Cabinet Manual*, the State Services Commission's *Board Appointment and Induction Guidelines*, or the *Government Procurement Rules*);
 - relevant clauses in an employment agreement or contract for services;
 - rules of conduct or codes of practice applying to members of a profession or industry;
 - general guidance or good practice guides (such as this one);
 - customary practice and behaviour in the public sector or a particular part of it;
 - commonplace understandings of the concepts of integrity, impartiality, accountability, trustworthiness, respect, and responsiveness; and
 - analogies drawn from legal rules that apply to similar situations.
- 6.18 Appendix 1 sets out a list of other useful sources of guidance.

Consequences if the rules or expectations are breached

- 6.19 A poorly managed conflict of interest can have consequences for both you and the organisation you work for.
- 6.20 If you are a member of a governing body, breaching a statutory rule might constitute grounds for your removal from office. It might constitute an offence. Sometimes, the law provides that a transaction of the public organisation might be able to be cancelled. Some matters might adversely affect the public organisation's audit report.

¹³ *R v Bovase & Noone* [2016] NZHC 2970. In this case, the court found that there were adequate conflicts of interest policies, but they were not appropriately observed. This led to "the insidious corruption of officials" noted by Fitzgerald J at [131].

- 6.21 If an organisation's decision is tainted by bias, the courts may declare the decision invalid or may prevent a person from exercising a power. The risk, delay, and expense in defending a decision against a legal challenge can be significant.
- 6.22 More often, if a conflict of interest is not handled well, there is a risk that you, your managers, and the organisation you work for might become the subject of public criticism by politicians, the media, or members of the public. A regulatory agency may conduct a formal inquiry into the public organisation. If you are an employee, the organisation might have grounds for taking disciplinary action against you.
- 6.23 A public scandal could be severely damaging to the public organisation's reputation and could lead to people losing their jobs.

7

Conflicts of interest in
everyday life

- 7.1 In this Part, we show how conflicts of interest can arise in our everyday lives and provide guidance about the matters that should be considered:
- Scenario 1: Funding for a club
 - Scenario 2: Family connection to a tenderer for a contract
 - Scenario 3: Employment of a relative
 - Scenario 4: Public statements suggesting predetermination
 - Scenario 5: Decision affecting land
 - Scenario 6: Gifts and hospitality
 - Scenario 7: Making a public submission in a private capacity
 - Scenario 8: Mixing public and private roles
 - Scenario 9: Personal dealings with a tenderer for a contract
 - Scenario 10: Duties to two different organisations
 - Scenario 11: Professional connection to a tenderer.
- 7.2 The scenarios are intended to show the range of situations that can occur and the issues that might need to be considered in assessing their seriousness and deciding how to manage them. They are examples, not rules. In reality, sometimes a small difference in context or detail can make a critical difference. People will have to use their own judgement.
- Scenario 1: Funding for a club**
- 7.3 Sam is a grants officer for a Crown entity that funds environmental projects in the community. In her role, she does the initial assessment of applications and writes reports for the committee that will consider and decide on each funding round. She also monitors the use of the funding.
- 7.4 Sam is also a member of a small local residents' association. The association has applied for funding to clean up a local stream and plant native shrubs.
- 7.5 Normally, this application would be one that Sam would deal with in her work.
- 7.6 There is a conflict of interest here. Someone could reasonably allege that Sam's likely desire for her association to be successful in its bid might mean that she will not be completely impartial in the way she analyses this application (and the other applications that are competing for the same pool of money). The decision to be made is specifically about the residents' association, and probably affects its funding in a significant way.
- 7.7 Sam should tell her manager about her personal connection to this application. Sam's manager should consider the nature of Sam's role in processing these sorts

of applications, whether her position has a significant influence on decision-making, and whether someone else in the organisation could work on the particular application.

- 7.8 It might be prudent for Sam's manager to ensure that all of the applications for this particular set of funding (including the applications from others) are processed by someone else. If the manager takes this view, it might also be preferable that the other person is not someone Sam manages. If the application from Sam's association is successful, Sam might also need to be excluded from administering that grant.
- 7.9 Alternatively, it could be that no steps are warranted because Sam's role is a low-level administrative one and all the substantive analysis is done by others. Another possibility is that the above steps are impracticable, because Sam is the only person in the organisation who can do the work. In that case, some other option (such as carrying out an additional peer review of her work on the matter) might have to be used.
- 7.10 In this scenario, there is a conflict of interest even though Sam is not one of the leaders of the residents' association, did not prepare the application, does not personally have a financial interest in the matter, and believes she could still consider all applications fairly and professionally. The association is small, so Sam is likely to know its leaders well and work closely with them. However, the situation might be different if the association was a large nationwide organisation like Rotary, and the application was from a different branch of that organisation.

Scenario 2: Family connection to a tenderer for a contract

- 7.11 Hoani is a project manager for a district health board (DHB). The DHB contracts out some functions to private providers. As part of his role, Hoani is running a tender process to find a new provider of certain health services.
- 7.12 Hoani's brother-in-law, who he knows well, is the managing director and a significant shareholder of one of the private companies that is tendering for the contract.
- 7.13 There is a conflict of interest here. It is not a financial conflict of interest, because Hoani is not involved in the tendering company and is not financially dependent on his brother-in-law. But the family connection to the company is a reasonably close one, and the decision to be made by the DHB directly relates to the company. Hoani is likely to have feelings of loyalty to his brother-in-law (or at least this would be a likely perception).
- 7.14 Hoani should tell his manager about his personal connection to the tendering company, and the manager should get someone else to manage this tender

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process. It might also be prudent to take steps to ensure that Hoani does not have access to information about the other tenders or any confidential information about this tender process.

- 7.15 It matters that Hoani's relative has an important role at the tendering company. The approach might be different if the relative was in a much more junior position and was not personally involved in the company's tender, especially if the company was a large one. The approach might also be different if the person involved was a distant relative whom Hoani had met only a few times in his life. Assessing the closeness of a personal connection to someone (or the appearance of such closeness) requires careful judgement.

Scenario 3: Employment of a relative

- 7.16 Stephanie is the principal of a secondary school in a small town. She takes a leading role in hiring staff.
- 7.17 A vacancy has arisen for the position of finance manager and Stephanie's husband is interested in applying for the position.
- 7.18 Stephanie has a conflict of interest here. The school needs to employ staff on merit, and must avoid perceptions of undue influence or preferential treatment in appointment decisions.
- 7.19 Stephanie needs to tell the chairperson of the school's board of trustees about the situation. The board should ensure that this appointment process is handled entirely by others, and that Stephanie has no involvement in the process. Because of Stephanie's own position, the board needs to take extra care to ensure that the process is truly transparent and competitive, so that all suitably qualified people are able to apply and be fairly considered, and that there can be no reasonable suggestion that Stephanie might have influenced the decision from behind the scenes.
- 7.20 But managing the appointment is not the only type of conflict of interest that needs to be considered carefully by the school. Issues are also likely to arise in the ongoing working relationship, where there are matters that directly affect or involve both Stephanie and her husband.
- 7.21 It is a fact of life that there will be times when two people who are related – or who are in a personal relationship – will work for the same organisation. That is not usually improper in itself. Indeed, it would often be wrong for someone to be disadvantaged simply because of who they are related to, especially in a large organisation where the two people do not work closely together each day.

- 7.22 However, sometimes – and depending on the nature of the position – appointing someone who is a relative could cause difficulties, even where a fair process has been followed. This is because it can create a risk of a lack of independence, rigour, and professionalism in ongoing decision-making. In a public organisation, it would usually be unwise for relatives to hold two of the most senior positions, or to hold positions that are in a direct reporting relationship.
- 7.23 In Stephanie's husband's situation, the school's board should consider whether it would be able to manage the frequent and significant conflicts of interest that would be likely to arise if Stephanie's husband were to be appointed. The two roles are senior ones and likely to involve a direct reporting relationship (or at least a lot of working closely together on managing the school's finances).
- 7.24 It can be difficult to decide the fairest course of action in these situations. Here, the board might well decide not to appoint the husband because it would be too difficult and complicated to manage the likely ongoing conflicts of interest.

Scenario 4: Public statements suggesting predetermination

- 7.25 Ruth is an elected member of a district council. She sits on the council's planning hearings committee, which considers and decides on resource consent applications.
- 7.26 During the last election campaign, Ruth pledged to oppose an ice-skating rink that a developer hoped to build in town. One of her published campaign pledges was "Ruth will sink the rink". Later, she declared in the local newspaper that the proposal would succeed "over my dead body". The developer has now applied to the council for resource consent to build the rink, and the application is about to be considered by the planning hearings committee.
- 7.27 Ruth's previous comments are likely to mean that she is biased. Even if she is not biased, there will certainly be a strong public perception that she is. If she takes part in decisions about the resource consent application, the developer could argue that it has not had a fair and impartial hearing, because one of the decision-makers had a predetermined view. The council's decision could be open to legal challenge on the grounds of bias.
- 7.28 Ruth should stand down from the planning hearings committee when it considers this application. (If she refused to do so, and the council was concerned about the legal risk to its decision that her involvement would cause, the council might be able to resolve to remove her from the committee.)
- 7.29 Although local body politicians can be expected to take office with pre-existing views and policies on a wide range of matters, their role sometimes requires them

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to act judicially. When acting in that capacity, they should take extra care not to express views in a way that suggests their mind is firmly made up about such a matter before having heard all views, or that their position is so fixed that they are unwilling to fairly consider the views of others, or that they are not prepared to be persuaded by further evidence or argument.

- 7.30 The type of function being exercised is relevant to whether the line has been crossed. In Ruth's case, a strict standard needs to be applied because the council is acting in a regulatory capacity, and because a resource consent grants the holder a legal right. The council needs to follow a fair process and make its decision on lawful grounds that comply with the Resource Management Act 1991, because it is making a decision that could be appealed to the Environment Court or be subject to judicial review by the High Court.

Scenario 5: Decision affecting land

- 7.31 Tom is a civil engineer and works for a State-owned enterprise (SOE) that is responsible for a national infrastructure network of gas pipes. The SOE is planning to build a major pipeline to increase supply capacity from a refinery to a large city.
- 7.32 The pipeline has to cross a distance of 300 kilometres, and the SOE has come up with several different options for the route of the pipeline, which the SOE will now consider in more detail. The SOE has to acquire land – compulsorily if necessary – along its chosen route. The project is opposed by many people who live along the possible routes, who fear the pipeline will adversely affect the natural environment and devalue their remaining land. Tom has worked on a number of areas of the project, and has now been appointed to the Route Options Working Group that will assess the route options and make a recommendation to the board.
- 7.33 Tom is also part-owner of a farm that lies directly in the path of one of the route options.
- 7.34 Tom has a conflict of interest here. He has a personal stake in the decision about which route to choose, because his land could be affected. Although the working group does not make the final decision, it has an important role in analysing the route options and making a recommendation.
- 7.35 Tom needs to tell his manager that he has an interest in a property affected by one of the options. Tom's role will have to be considered carefully. It might be that Tom does not mind whether the pipeline ends up crossing his land – he might not share any of the concerns of the project's opponents. He might believe that he could contribute conscientiously to the working group to help it arrive at the

best technical answer. But his manager should bear in mind the risk that, if Tom's personal connection becomes publicly known, others might easily think that it could affect his views or actions.

- 7.36 His manager might have to remove him from the working group and assign him to other tasks. (There might be other aspects of the project that Tom could work on, which have no connection to the question of which route to choose.) It might also be wise to ensure that Tom does not have access to confidential information about the decision before it is made public, in case he is considering selling his land.
- 7.37 Alternatively, Tom's expertise might be indispensable to the project, or he might have a small part in the overall process. Some other options might therefore need to be considered (such as only partly limiting his role, or imposing extra supervision).

Scenario 6: Gifts and hospitality

- 7.38 Rawiri works in the corporate services division of a government department. As part of his role, he manages the department's contractual relationship with its rental car provider. The arrangement with this supplier has been in place for several years, so the department has decided to re-tender the contract. Rawiri has told the current provider that he will soon be inviting expressions of interest for a new contract.
- 7.39 Rawiri has regular relationship management meetings with the current provider. At a recent meeting, the provider offered to fly him to another city to inspect a new fleet of cars that will shortly be available, and said that Rawiri could have complimentary corporate box tickets to a rugby test match that happened to be on that night, and stay on for the weekend in a downtown hotel.
- 7.40 This situation creates risks at any time, but especially given the imminent tender process. Rawiri might not be seen as impartial if he is involved in choosing the new supplier. A competitor could allege that Rawiri is being given an inducement or reward in the implicit expectation that he will look more favourably on the current provider in the coming tender round (or that he will receive further gifts if the current provider is successful).
- 7.41 Rawiri should discuss the offer with his manager, and carefully consider the department's policy on gifts and hospitality.¹⁴ Given the circumstances, it would not be appropriate to accept the offer of the sports tickets and hotel accommodation. With the offer to be flown to another city to inspect the new fleet of cars, careful consideration should be given to whether business reasons

¹⁴ Most organisations will have an internal policy that sets out in detail what is or is not acceptable in this area. See also our publication *Controlling sensitive expenditure: Guidelines for public entities* (available at oag.parliament.nz), and the State Services Commission's 2018 publication *Chief Executive Gifts, Benefits and Expenses* (available at ssc.govt.nz).

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can justify the visit. (If it goes ahead, the public organisation might decide to offer to pay the cost of it.) If other forms of gift or hospitality have already been accepted, the appropriateness of Rawiri having a role in the coming tender process might need to be reconsidered, too.

- 7.42 This does not mean that gifts must always be refused. It is reasonable to consider the value or nature of the gift and extent of personal benefit (for example, it might be acceptable to accept a gift that is inexpensive and widely distributed). The context and reason or occasion for the gift is relevant, too. For an organisation that operates in a more commercial environment, some types of gift or hospitality might be seen as a necessary element in maintaining relationships with stakeholders and clients. However, in Rawiri's case, the risk is higher because of the proximity to the coming tender round where a strict and fair process will need to be followed and be seen to be followed (and because the justification for at least some elements of the offer appears dubious).

Scenario 7: Making a public submission in a private capacity

- 7.43 Ken is an elected member of a city council. The council is proposing to adopt a new bylaw on the location of brothels. As it is required to carry out a formal public consultation process on its draft bylaw, the council has invited written submissions and will hold a public hearing where submitters can make an oral presentation to a council committee. The adoption of the bylaw will be decided by a vote of the full council.
- 7.44 Ken feels strongly about the draft bylaw, and wishes to lodge a submission.
- 7.45 This situation might create a conflict of interest for Ken.
- 7.46 Some public organisations will have a code of conduct or policy that prohibits their members or officials from making public submissions to the organisation in a private capacity.¹⁵
- 7.47 Assuming that Ken will not be breaching the council's code of conduct, he will be entitled to exercise his democratic right to make a submission, like any other private citizen. But, if he does so, he should not participate in the council's decision on whether to adopt the draft bylaw; nor should he sit on the committee that hears and considers the submissions. Otherwise, his behaviour could indicate predetermination.
- 7.48 Ken would create the perception that he is attempting to act as both an interested party and a decision-maker on the same matter or, in other words, acting as a

¹⁵ In particular, senior officials – or officials who work in policy roles – in the public service need to take extra care to maintain their political neutrality.

judge in his own cause. The council's decision could be open to legal challenge on the ground of bias.

Scenario 8: Mixing public and private roles

- 7.49 Antonia is a senior scientist working for a Crown research institute (CRI). The CRI has developed a new product that has significant revenue-earning potential, and Antonia has worked on the product as part of her role in the CRI. However, the CRI needs help in manufacturing and marketing the product on a large scale, so plans to enter into a joint venture with a private company. The CRI is considering appointing Antonia as one of its representatives on the governing body of the joint venture.
- 7.50 Coincidentally, Antonia is also a shareholder in the private company that will be the CRI's joint venture partner (although she had no role in the CRI's selection of it).
- 7.51 The situation creates a conflict of interest for Antonia. She stands to benefit from the financial success of the private company. The fact that there might be no direct disadvantage to the CRI (because the joint venture partners are working together, hopefully for their mutual benefit) does not remove the conflict of interest. Her interests in both the CRI and the private company could create confusion about her role and primary loyalty. She could be accused of using her official position in a way that advances her own private interests.
- 7.52 Antonia needs to tell her manager. It will probably be necessary for Antonia not to be given any major role in governing or managing the joint venture while she has an interest in the private company.
- 7.53 Antonia's manager might also need to think carefully about what other work, if any, it is appropriate for Antonia to do on the project in her capacity as a CRI employee. This decision might not be clear-cut. Antonia might be the best person in the CRI to carry out certain tasks, but the risk is that she could be regarded as spending a large part of her time as an employee of a public organisation, and using the CRI's resources, to carry out work that has a significant element of private benefit for her.
- 7.54 Antonia's manager might judge that some involvement in the project is acceptable (or even necessary), but it might also be desirable to confine this. For example, Antonia's role could be changed so that she does not have the ability to influence decisions about how the joint venture and project are run. Alternatively, Antonia might be asked to give up one of her roles – that of employee or that of shareholder.

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- 7.55 If circumstances changed to a point where the CRI and the private company became direct competitors with each other, then Antonia's situation might become even more difficult (especially if she remains in a senior position at the CRI, or is still involved in this particular area of work). In that case, it might become necessary for Antonia's manager to insist on divestment of one or other role – either that she relinquish her private interest or leave her job.¹⁶

Scenario 9: Personal dealings with a tenderer for a contract

- 7.56 Sandra is a consultant who specialises in project management. Her services have been engaged by a government department to help it carry out a new building project. As part of this role, Sandra has been asked to analyse the tenders for the construction contract and provide advice to the department's tender evaluation panel.
- 7.57 Sandra has a lot of personal knowledge about one of the tenderers for the construction contract. She used that firm to build her own house last year, and she is currently using it to carry out structural alterations on several investment properties that she owns. Because of this, she knows the directors of the company very well, and has a high regard for their work.
- 7.58 This situation might create a conflict of interest for Sandra. She is expected to impartially and professionally assess each of the tenders, yet she could be regarded as being too close to one of the tenderers.
- 7.59 In Sandra's case, it is probably unwise for her to play a role in selecting the tenderer. (This might or might not require ending the consultancy arrangement altogether, depending on what else Sandra has been engaged to do.) Her dealings with the firm are recent and significant. The risk is that, if this firm wins the contract, Sandra's personal connections with it might allow someone to allege that the department's decision is tainted by favouritism.
- 7.60 These sorts of situations are not always clear-cut. Particularly in small or specialised industries, people often have had some degree of personal knowledge of, or previous dealings with, other people or organisations that they have to make decisions about. That is not necessarily wrong. Indeed, they will often be chosen for this role precisely because of their experience or expert knowledge, and that might include general impressions about the reputation or competence of others. So, sometimes, these sorts of connections might be judged to be too remote or insignificant. For instance, in this case, the response would probably be different if the firm's private work for Sandra had been a single, smaller job carried out several years ago.

¹⁶ If the private company regularly carries on business in the same general industry as the CRI, the CRI might have an internal policy prohibiting Antonia from being involved in such a company anyway.

- 7.61 To take another similar example, careful judgement would also be necessary if the connection was instead that the tendering firm was run by a friend or acquaintance of Sandra. For example, it might be improper for Sandra to be involved in assessing the tenders if the firm was run by a friend she had known for many years and who had attended her wedding. By contrast, there might not be any problem if Sandra simply knew the person in a casual way through membership of the same sports club.
- 7.62 Further careful judgements might be necessary if Sandra had worked for the firm. For instance, the situation might be problematic if she had been a full-time employee in the last year, or was also currently providing significant consultancy advice to the firm on another matter. On the other hand, it might not be problematic if she had worked for the firm several years ago, or if she had provided only occasional pieces of consultancy advice in the past.
- 7.63 This scenario also shows that public organisations need to think about whether and how to manage conflicts of interest that arise for someone who is not a member or employee, but is instead a consultant or contractor. Sandra's role is important to the department and affects an important decision it has to make, and so can expose the department to legal and political risk. She should be required to agree to abide by the relevant conflict of interest policy for staff. The departmental manager who oversees her work should ensure that she understands the policy, and should monitor her in the same way as an employee.

Scenario 10: Duties to two different organisations

- 7.64 Jean-Paul is a member of the council of a tertiary education institution (TEI). The TEI has some contracting arrangements with private organisations to help to deliver some educational courses. One of those arrangements is with a charitable trust, under which the trust is funded by the TEI to prepare, administer, and teach the course on behalf of the TEI. However, the TEI is now about to decide whether to discontinue this arrangement.
- 7.65 Jean-Paul also happens to be one of the trustees of the charitable trust.
- 7.66 Jean-Paul has a conflict of interest in this decision. He might not be affected personally by the decision, but the trust will be, and he is closely associated with the trust. (The conflict of interest might be particularly acute if the course is a significant source of the trust's funding and ongoing viability.)
- 7.67 Also, as a member of the governing body of the TEI, Jean-Paul has a duty to act in the best interests of the TEI, but, as a trustee, he also has a duty to act in the best interests of the trust. In this scenario, the best outcome for one organisation might not be the best outcome for the other, and so it might be impossible for Jean-Paul to faithfully give effect to his obligations to both organisations.

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- 7.68 Jean-Paul should declare a conflict of interest at relevant meetings of the TEI's council, and refrain from discussing or voting on the TEI's decision. It might be wise for him not to be provided with confidential information about the matter. Jean-Paul might also need to consider whether he has a conflict of interest in the matter at meetings of the trust.

Scenario 11: Professional connection to a tenderer

- 7.69 Viliami works for a large multi-disciplinary professional services firm. Viliami, through his firm, has been engaged by an SOE to help it choose a contractor to manage a major land development project. Viliami is the person who will provide expert advice to the panel that considers tenders.
- 7.70 Another division of Viliami's firm wishes to submit a tender for the project.
- 7.71 There is a conflict of interest here. Viliami will be providing advice about a matter that affects his own firm. Viliami does not personally have two conflicting roles, but his firm does, and that creates a problem for him.
- 7.72 In some situations involving organisational connections, different individuals in the organisation can be managed by insisting on a separation of roles and information. Because this process is not always entirely satisfactory, it is best reserved for situations when the connection is almost inevitable or the risk is very low. In this scenario, the connection is fairly direct, even though Viliami will not be one of the individuals managing the project. Another tenderer might object that he is unlikely to be impartial. The risk of challenge could be high, especially if the project is worth a lot of money.
- 7.73 Viliami should discuss the matter with the relevant manager in the SOE. If his firm's tender is to be considered, it is likely that Viliami will not be able to continue with his role. Alternatively, when it first engaged Viliami's services, the SOE could have insisted on a condition that his firm would not be permitted to tender for the project.

Appendix 1

Other sources of guidance

Some of the material listed here comes from other countries. Although it is useful, the overseas material has been written for an environment that might have different legal rules or public expectations.

New Zealand

- State Services Commission (2007), *Code of Conduct for the State Services*, Wellington (available at www.ssc.govt.nz).
- State Services Commission (2019), *Conflicts of Interest*, Wellington (available at www.ssc.govt.nz).
- State Services Commission (2015), *Board Appointment and Induction Guidelines*, Wellington (available at www.ssc.govt.nz).
- Cabinet Office (2017), *Cabinet Manual*, Wellington, paragraphs 2.53-2.81 (available at www.dpmc.govt.nz).
- Controller and Auditor-General (2020), *Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest*, Wellington (available at www.oag.parliament.nz).
- House of Representatives (2017), *Standing Orders of the House of Representatives*, Wellington, Standing Orders 163-166 and Appendix B (available at www.parliament.nz).

Australia

- Australian Public Service Commission (2017), *Values and Code of Conduct in Practice*, Canberra (available at www.apsc.gov.au).
- Independent Commission Against Corruption (2019), *Managing Conflicts of Interest in the Public Sector in NSW*, Sydney/Brisbane (available at www.icac.nsw.gov.au).
- Independent Commission Against Corruption/Crime and Misconduct Commission (2004), *Managing Conflicts of Interest in the Public Sector: Guidelines*, Sydney/Brisbane (available at www.integrity.qld.gov.au).
- Independent Commission Against Corruption/Crime and Misconduct Commission (2004), *Managing Conflicts of Interest in the Public Sector: Toolkit*, Sydney/Brisbane (available at www.integrity.qld.gov.au).
- Integrity Coordinating Group (2011), *Conflict of interest guidelines*, Perth (available at www.opssc.wa.gov.au).
- New South Wales Ombudsman (2017), *Recognising and managing conflict of interests*, Sydney (available at www.ombo.nsw.gov.au).

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Other sources of guidance

Canada

- Government of Canada (2011), *Values and Ethics Code for the Public Service*, Ottawa (available at www.tbs-sct.gc.ca).
- Government of Canada (2015), *Apparent Conflicts of Interest*, Ottawa (available at www.tbs-sct.gc.ca).

OECD

- Organisation for Economic Co-operation and Development (2003), *OECD Guidelines for Managing Conflict of Interest in the Public Service*, Paris (available at www.oecd.org).
- Organisation for Economic Co-operation and Development (2005), *Managing Conflict of Interest in the Public Service: A Toolkit*, Paris (available at www.oecd.org).

Appendix 2

Some important statutory rules about conflicts of interest

The descriptions that follow provide a summary of some important statutory provisions, and enable a comparison between them. They are necessarily brief and general in nature, and involve some paraphrasing. They are not a comprehensive statement of the relevant law. Readers wanting to apply the rules to a particular situation should refer to the wording of the relevant statute or seek legal advice.

The Acts discussed in this Appendix are the:

- Crown Entities Act 2004;
- New Zealand Public Health and Disability Act 2000;
- Companies Act 1993;
- Local Authorities (Members' Interests) Act 1968; and
- Education Act 1989.

Crown Entities Act 2004

The relevant provisions in this Act apply to members of boards of statutory entities (as that term is defined in the Act), except for district health boards.¹⁷

Before appointment, a prospective member must disclose to the Minister the nature and extent of all interests that they have, or are likely to have, in matters relating to the organisation.

A member who is "interested in a matter" relating to the organisation must disclose the nature and value (or extent) of the interest. The disclosure must be made in the interests register, and to the chairperson (or deputy or Minister, in some cases). Standing disclosures (disclosures with ongoing effect) may be made. The member must not vote or take part in any discussion or decision of the board or any committee relating to the matter, nor otherwise participate in an activity of the organisation that relates to the matter, nor sign related documents.

A member is "interested" in a matter if they (or their spouse, civil union partner, de facto partner, child or parent) might derive a financial benefit from it; or if they may have a financial interest in (or are a partner, director, officer, board member or trustee of) a person to whom the matter relates; or if they are otherwise directly or indirectly interested in the matter. Certain exceptions apply, including where the member is a member or officer of a subsidiary, or where the interest is so remote or insignificant that it cannot reasonably be regarded as likely to influence them in carrying out their responsibilities.

¹⁷ See sections 7, 10, 31, 53, 59, and 62-72.

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The board must notify the Minister of a failure to comply with these provisions, and the member might be removed from office. In some cases, the organisation may be able to cancel a transaction that was entered into in breach of the conflict of interest rules.

The chairperson (or deputy or Minister, in some cases) may grant written permission for one or more members to act despite their interest in a matter. Such permission must be disclosed in the organisation's annual report.

For more information about these provisions, see the State Services Commission's 2015 publication *Board Appointment and Induction Guidelines*.

New Zealand Public Health and Disability Act 2000

The relevant provisions in this Act apply to members of boards of district health boards (DHBs).¹⁸

Before appointment or election, a prospective member must disclose to the Minister or electoral officer, and in the interests register, all conflicts of interest that they have, or are likely to have, in matters relating to the DHB. A person who fails to disclose a material conflict of interest before accepting nomination as a candidate for election is disqualified from membership.

A member who is "interested" in a transaction of the DHB must disclose the nature of the interest to the board. The disclosure must be recorded in the minutes and in the interests register. The member must not vote or take part in any deliberation or decision of the board relating to the transaction, nor sign related documents. (The definition of being "interested in a transaction" is similar to the definition of being "interested in a matter" under the Crown Entities Act. One difference is that it excludes an interest in a party that is – or is owned by – a publicly owned health and disability organisation.)

A member who fails to comply with these provisions might be removed from office.

The other members of the board may decide to permit the member to participate in the board's deliberations (but not its decision) about the transaction. Certain matters about the permission must be recorded in the minutes.

The Minister may waive or modify the prohibition on participation for particular members or transactions or classes of transactions. A copy of any such waiver or modification must be presented to the House of Representatives.

¹⁸ See sections 6, 21, and 29, clauses 6 and 17 of Schedule 2, and clauses 36–37 of Schedule 3. In addition, section 31 of the Crown Entities Act 2004 applies to appointed members. Sections 53 and 59 of that Act also apply to members.

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Companies Act 1993

This Act applies to company directors.¹⁹

A director who is interested in a transaction or proposed transaction with the company must disclose the nature and value (or extent) of the interest (unless the transaction is between the director and the company and is in the ordinary course of business on usual terms and conditions). The disclosure must be made in the interests register and to the board. Standing disclosures may be made.

A director is "interested" in a transaction if they:

- are party to it or may derive a material financial benefit from it;
- have a material financial interest in another party to it;
- are a director, officer, trustee, parent, child, spouse, or civil union partner or de facto partner of another party to it (or person who may derive a material financial benefit from it); or
- are otherwise directly or indirectly materially interested in the transaction.

Certain exceptions apply, including in relation to subsidiaries and remuneration.

It is an offence for a director to fail to comply with these provisions. In some cases, the company might be able to cancel a transaction in which a director was interested.

Subject to the constitution of the company, a director who is interested in a transaction may vote on a matter relating to it (and do other things relating to it in their capacity as a director).²⁰

Local Authorities (Members' Interests) Act 1968

This Act applies to members of the governing bodies of city councils, district councils, regional councils, community boards, and a range of other public bodies. It also applies to members of their committees.

A person is disqualified from being a member of the local authority (or a committee) if they are concerned or interested in contracts with the authority under which the total payments made, or to be made, by or on behalf of the authority exceed \$25,000 in any financial year.

It is an offence for the person to act as a member of the local authority while disqualified.

¹⁹ See sections 139-144. In relation to Crown entity companies, see also section 90 of the Crown Entities Act 2004 about disclosures before appointment.

²⁰ However, this provision does not override the duty under section 131 to act in good faith and in the best interests of the company: see *Hedley v Albany Power Centre (No. 2)* (2006) 9 NZCLC 264,095.

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Some important statutory rules about conflicts of interest

The Auditor-General may grant prior approval and, in limited cases, retrospective approval, of a member's interest in contracts, which has the effect of suspending the contracting rule in relation to that case.

A member of the local authority (or a committee) must not vote on, or take part in the discussion of, a matter before the authority in which they have a financial interest, other than an interest in common with the public (the non-participation rule). Certain exceptions apply. When the matter is raised at a meeting, the member must declare that they have a financial interest in it and the minutes must record the fact of the disclosure and abstention.

It is an offence for a member to breach the non-participation rule and, if convicted, they automatically vacate office.

The Auditor-General may grant an exemption or declaration, in a limited range of situations, which allows a member to participate in a matter in which they have a financial interest.

In some cases, a member who is associated with a company is deemed to share any interests of that company. A member can also have a deemed interest through their spouse, civil union partner or de facto partner.

For more information about this Act, see our 2020 publication *Local Authorities (Members' Interests) Act 1968: A guide for members of local authorities on managing financial conflicts of interest* (available at oag.parliament.nz).

Education Act 1989

The relevant provisions in this Act apply to members of school boards of trustees,²¹ and TEI councils²².

Before appointment or election, a prospective school board trustee must confirm that they are eligible to be a trustee.

A person is disqualified from being a trustee of the board (or member of a committee) if they are concerned or interested in contracts with the board under which the total payments made, or to be made, by or on behalf of the board exceed a specified amount (currently \$25,000) in any financial year.

In some cases, a trustee who is associated with a company is deemed to share any interests of that company.

The Secretary for Education may grant approval of a contract, which has the effect of suspending the contracting rule in relation to that case.

21 See sections 103, 103A, and 103B, and clause 40 of Schedule 6.

22 See sections 174 and 175.

Appendix 2

Some important statutory rules about conflicts of interest

A trustee must be excluded from any meeting of the board while it discusses, considers, or decides on a matter in which they have a financial interest or any interest that might reasonably be regarded as likely to influence them in carrying out their duties and responsibilities. However, they may attend to give evidence, make submissions, or answer questions.

Members of TEI councils are required to disclose their financial interests in any matters being considered by the council, and cannot participate in discussions or decisions on the matter unless the council decides otherwise. The council may dismiss a member who, without reasonable excuse, breaches that provision.

Appendix 3

Leading New Zealand court cases that consider conflicts of interest

- *Auckland Casino v Casino Control Authority* [1995] 1 NZLR 142 (CA)
- *Back Country Helicopters v Minister of Conservation* [2013] NZHC 982; [2013] NZAR 1474
- *Calvert & Co v Dunedin City Council* [1993] 2 NZLR 460 (HC)
- *Collinge v Kyd* [2005] 1 NZLR 847 (HC)
- *Diagnostic Medlab v Auckland District Health Board* [2007] 2 NZLR 832 (CA)
- *Enterprise Miramar Peninsula Inc v Wellington City Council* [2018] NZCA 541; [2019] 2 NZLR 501
- *Erris Promotions v Commissioner of Inland Revenue* (2003) 16 PRNZ 1014 (CA)
- *Friends of Turitea Reserve Society Inc v Palmerston North City Council* [2008] 2 NZLR 661 (HC)
- *Howe v Keown* [2011] NZAR 764 (HC)
- *Man O'War Station v Auckland City Council (No 1)* [2002] 3 NZLR 577 (PC)
- *Meadowvale Stud Farm v Stratford County Council* [1979] 1 NZLR 342 (HC)
- *Muir v Commissioner of Inland Revenue* [2007] 3 NZLR 495 (CA)
- *NZI Financial Corporation v NZ Kiwifruit Authority* [1986] 1 NZLR 159 (HC)
- *Otago University Students Association v University of Otago* [2009] 2 NZLR 38 (HC)
- *Pratt Contractors v Transit New Zealand* [2005] 2 NZLR 433 (PC)
- *R v Borlase & Noone* [2016] NZHC 2970
- *Riverside Casino v Moxon* [2001] 2 NZLR 78 (CA)
- *Save Chamberlain Park Inc v Auckland Council* [2018] NZHC 1462
- *Saxmere Company Ltd v Wool Board Disestablishment Company Ltd* [2010] 1 NZLR 35; [2010] 1 NZLR 76 (SC).

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CONTROLLER AND AUDITOR-GENERAL
Tumuaki o te Mana Arotake

Managing conflicts of interest

A conflict of interest is a situation where the responsibilities you have in your work for a public organisation are affected by an interest or relationship you have in your private life.

Having a conflict of interest does not necessarily mean you have done anything wrong. It all depends on how you manage it.

You need to ask yourself not just whether the interest or relationship means you are biased, but also whether someone looking in from the outside could have reasonable grounds to think you might be.

The “rules” for managing conflicts of interest in the public sector are generally stricter than in the private sector. If you work for a public organisation, the public needs to have confidence that any decisions you make:

- are made impartially and for the right reasons; and
- are not influenced by personal interests or ulterior motives.

Any decisions about conflicts of interest should take into account the core public service values:

- integrity;
- impartiality
- trustworthiness;
- respect; and
- responsiveness.

Tips for managing conflicts

- Make sure you know what rules apply to you, whether in your employment contract, contract for services, terms of appointment, or any internal policies of the entity you work for.
- Declare any interests you have that might pose a conflict. This shows you are being open. It will also help the entity you work for avoid putting you in a situation where a conflict might arise, or to manage a conflict if one arises.
- Follow any rules or guidance provided by the entity you work for when deciding how to manage a conflict.

As a minimum, declare any conflicts you have as soon as you become aware of them, preferably in writing.

Think about what else you might need to do to manage the conflict. Get advice if you need to. Talk to your manager, or if you are on a board, the chairperson.

You need to consider ethics as well as legal rules. Just because it's not unlawful to participate, that does not necessarily mean it would be appropriate to participate.

If in doubt, stay out.



When you have to make a decision, ask yourself:

FINANCIAL

Do you stand to gain or lose financially from the decision?

Does someone close to you – like an immediate family member – or a business you are involved with stand to gain or lose financially from the decision?

NON-FINANCIAL

Is someone close to you or an organisation you are involved with likely to be affected by the decision you make?

If so, is there a risk that you will be seen to be biased in your decision because of this relationship or association?

CONFLICT OF ROLES

Will a second organisation you have a role in (entity B) be affected by the decision you are making for the public organisation you work for (entity A)?

If so:

- Is there a risk that you will be seen to be acting in the interests of entity B rather than entity A?
- If you participate in this decision, is there a risk that you might breach obligations you owe to either entity – for example, a duty of loyalty or confidentiality?

PRE-DETERMINATION

Is there anything you have previously done or said that might make people think you are not going to listen fairly to all the relevant information before you make your decision?

A situation does not need to involve cash changing hands to be considered a financial interest. A financial interest could, for example, relate to an effect on the value of property.

A financial interest might be direct or indirect. In situations that someone close to you or a business you are involved with has a financial interest, you might be considered to share their interest.

Financial interests are generally treated more strictly than other types of interest. If you have a financial conflict of interest, the law presumes you are biased. This is why you should automatically treat a financial conflict of interest seriously, even if it seems trivial to you.

For some entities in the public sector, there are specific statutory requirements that apply to managing the financial conflicts of interest, which you need to be aware of.

If you have a conflict of interest, but not one from which you stand to gain or lose financially, the law does not automatically assume you are biased.


This does not necessarily mean a non-financial conflict is less serious than a financial conflict – but there is generally more room for judgement about whether it is acceptable for you to participate.

Questions you need to think about include:

- How close is your relationship with this other person or organisation?
- Will they be directly affected by the decision?
- How seriously will they be affected?

The issue with a conflict of roles is not so much whether you personally have a conflict, but whether the interests of the two organisations conflict.

If you have a conflict of roles, you will need to consider whether it is appropriate for you to participate in the decision-making process “on both sides of the table”. You will also need to think about whether you are going to be in a position to fulfil your obligations to both entities at the same time.



If there is a risk that there might be conflicts at some point during the decision-making process, you should discuss your situation with both entities. This gives each an opportunity to consider the risks from their perspective and decide whether they are comfortable with you participating on both sides.

It is accepted that people working for public entities will have their own views on many matters, and, in many cases, might already have views on what the “right answer” to an issue is.

You are not required to approach every decision as though you have given it no prior thought, or have no existing knowledge or opinion. However, you are required to keep an open mind, and you must be prepared to change or adjust your views if the evidence or arguments warrant it.

That means you need to take care that what you do or say does not make it look like you have already made your decision before you have considered all the relevant information and evidence.

Where to read more

FINANCIAL	NON-FINANCIAL	CONFLICT OF ROLES	PRE-DETERMINATION
Paragraphs 3.7-3.11	Paragraphs 3.12-3.24	Paragraphs 3.25-3.31	Paragraphs 3.32-3.40
Scenarios 3, 5	Scenarios 1, 2, 3, 9, 11	Scenarios 8, 10	Scenarios 4, 7

If you are an elected member of a local council, or a member of the governing body of any other entity to which the Local Authorities (Members' Interests) Act 1968 applies, please also read our Guide on that Act.

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

Wednesday 02 December 2020

Subject: DISCUSSION OF MINOR MATTERS NOT ON THE AGENDA

Item 15

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	Topic	Raised by
1.		
2.		
3.		

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 02 December 2020

Subject: HBRIC LTD QUARTERLY UPDATE

That Hawke's Bay Regional Council excludes the public from this section of the meeting, being Agenda Item 16 HBRIC Ltd Quarterly Update 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	REASON FOR PASSING THIS RESOLUTION	FOUNDATIONS UNDER SECTION 48(1) FOR THE PASSING OF THE RESOLUTION
HBRIC Ltd Quarterly Update	s7(2)(b)(ii) That the public conduct of this agenda item would be likely to result in the disclosure of information where the withholding of that information is necessary to protect information which otherwise would be likely unreasonably to prejudice the commercial position of the person who supplied or who is the subject of the information.	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

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Item 16