Meeting of the Hawke's Bay Regional Council

Date: Wednesday 16 December 2020

Time: 11.00am

Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachments Excluded From Agenda

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HAWKES BAY REGIONAL COUNCIL
TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

2019-20
Annual Report

HBRC Publication number 5536
ISBN 978-0-947499-42-6 Print
ISBN 978-0-947499-43-3 Digital

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Draft

Part 1 - Introduction | Kupu Whakataki

Message from the Chair and Chief Executive

He Kupu nā te Toihau me te Kaiwhakahaere Matua

Kia ora koutou

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

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

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

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

We have made steady progress in the area of water security with a 3D aquifer-mapping project during the summer of 2019-20 and studies of water storage options. We consulted on the 'TANK' catchment plan for the future health of Heretaunga waterways and we are progressively strengthening the capability and capacity of our regulatory teams to enforce new rules on forestry and farming.

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

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

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

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

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

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Part 1 - Introduction | Kupu Whakataki

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

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

Ngā mihi nui

Rex Graham
Chair

James Palmer
Chief Executive

Message from the Māori Committee Co-Chairs

He Kupu nā ngā Toihau Kōmiti Māori

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

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

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

This year COVID-19 has presented significant challenges, disruption and ongoing uncertainty. It has also been a difficult time for many whānau, but in the face of this challenge we have seen a unified community response with many agencies and organisations actively working together. We wish to acknowledge at this time the welfare provided by Tihei Mauri Ora Emergency Response Centre – in collaboration with Hawke's Bay Civil Defence Emergency Group across Te Matau a Māui. The effects of COVID-19 will continue to be felt for a long time across our wider community.

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

Regional Council's relationships with Tāngata Whenua is further enhanced with the team of four in the Māori Partnerships Group – Te Pou Whakarae, a Senior Advisor Māori Partnerships, a Māori Engagement Coordinator and a new secondment Northern Area Manager role based in the Wairoa office. They are growing Council-wide cultural capacity, enhancing Council's engagement with Tāngata Whenua and meeting statutory requirements. We wish to acknowledge Pieri and his team, who are continuing to blossom in their role as we row our waka forward together.

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

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Part 1 - Introduction | Kupu Whakataki

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

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

May God bless you all and keep you well and safe.

Mā te Atua koutou e manaaki, e tiaki i ngā wā katoa.

Nāku noa, nā

Mike Paku and Michelle McIlroy
Māori Committee Co-Chairs

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Part 1 - Introduction | Kupu Whakataki

Councillors and their Constituencies

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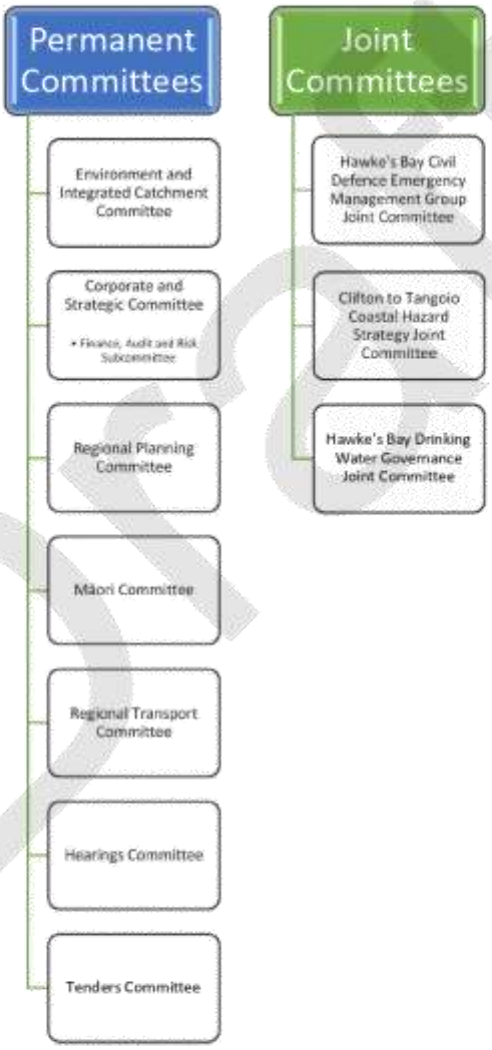
Committee Structure

Regional Council and Committee meetings are open to the public, except where items of business exclude the public for specific reasons. Meeting dates and times are published in Hawke's Bay Today and on Council's website hbrc.govt.nz.

Hawke's Bay Regional Council had the following committees during 2019-20.



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Part 1 - Introduction | Kupu Whakataki

2019-20 Leadership Team

Hawke's Bay Regional Council is supported by a professional corporate organisation, led by the Chief Executive. Officers provide the Council with policy advice and are responsible for implementing the Council's policies to achieve the results the Council wants. The Chief Executive and staff are responsible for managing day-to-day issues and implementing the Councils' decisions and policies. The organisation has been structured under eight Groups, each headed by a member of the Executive Leadership Team.

The Hawke's Bay Regional Council Leadership Team during 2019-20 comprised:

James Palmer
Chief Executive

Jo Lawrence
Chief Exec & Chair
Group Manager

Liz Lambert
Regulation
Group Manager

Jessica Ellerm
Corporate Services
Group Manager

Iain Maxwell
Integrated
Catchment
Management
Group Manager

Tom Skerman
Strategic Planning
Group Manager

Pieri Munro
Te Pou Whakarae
Māori Partnerships
Group Manager

Chris Dolley
Asset
Management
Group Manager

Ian Macdonald
Hawke's Bay Civil
Defence Emergency
Management
Group Manager/
Controller

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Part 1 - Introduction | Kupu Whakataki

Welcome to the Annual Report

This Annual Report describes the work the Regional Council has undertaken over the 2019-20 financial year. It focuses on actual performance against what was planned in the second year of the 2018-28 Long Term Plan and covers both service and financial performance against targets.

Part 2 Groups of Activities | Ngā Whakarōpūtanga Kaupapa

The seven Groups of Activities are:

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

Each Group of Activities includes a brief description of the activities that make up the group, identifies the community outcomes to which the group primarily contributes, and highlights for the year including effects on the community. This is followed by a table summarising financial performance and finally a table showing actual level of service results against the non-financial performance targets from the 2018-28 Long Term Plan.

Part 3 Financials| Pūrongo Pūtea

This section includes financial reporting benchmarks and financial details for Group Accounts, which include the Council and Hawke's Bay Regional Investment Company (HBRIC Ltd) for the year ended 30 June 2020.

Appendices

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Part 1 - Introduction | Kupu Whakataki

These include the *Independent Auditor's Report* (required under the Local Government Act 2002) and a report on *Key activities for progressively implementing the National Policy Statement for Freshwater Management* (required under the NPS-FM).

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Part 1 - Introduction | Kupu Whakataki

Statement on the Development of Māori Capacity to Contribute to Decision-making Processes

Clause 35 of Schedule 10 of the Local Government Act 2002 (LG Act or the Act) requires the Council to include in its annual report a report on the activities that the Council has undertaken in the year to establish and maintain processes to provide for opportunities for Māori to contribute to the Council's decision-making processes.

Working with iwi

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

- Māori represent over a quarter of the region's population[1]
- There are 11 iwi groups, 91 hapū[2] and 79 marae[3] throughout Hawke's Bay
- 8 of the 9 post-settlement governance entities (PSGEs) are represented on the Hawkes Bay Regional Planning Committee
- Ngāti Kahungunu with Rongomaiwahine have coastal rohe or area running from Paritū north of Mahia to Tūrakirae on the south Wellington Coast. Ngāti Kahungunu Iwi Incorporated comprises six Taiwhenua[4] with governance entities and operations on the ground, 4 of which are in the region.
- 6.8% of Hawke's Bay residents speak Te Reo Māori[5]
- Over 11% of Hawke's Bay's 1.42 million hectares is Māori freehold land[6]
- There has been $447 million of financial redress in recent Treaty settlements. This will increase with future settlements.[7]

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[1] https://www.stats.govt.nz/tools/2018-census-place-summaries/hawkes-bay-region#ethnicity-culture-and-identity

[2] https://www.kahungunu.iwi.nz/kahungunu

[3] https://www.kahungunu.iwi.nz/kahungunu

[4] Six Taiwhenua geographical areas, Wairarapa, Tāmakinuiārua, Tamatea, Heretaunga, Te Whanganui o Orotū, Te Wairoa

[5] https://www.stats.govt.nz/tools/2018-census-place-summaries/hawkes-bay-region#languages-spoken

[6] https://www.agriculture.govt.nz/dmsdocument/4957/direct

[7] https://www.govt.nz/treaty-settlement-documents

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Part 1 - Introduction | Kupu Whakataki

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

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Part 1 - Introduction | Kupu Whakataki

Regional Planning Committee

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

Having been permanently established, the RPC is not dissolved every three years while local body elections take place. This enables the RPC, and in particular the Treaty settlement claimant groups, to oversee development and review of regional plans and policy statement documents under the RMA – processes which often span multiple years for longer-term environmental outcomes.

The RPC operates under the principles of co-governance to ensure that Tāngata Whenua are active decision makers in managing their taonga under the RMA. The RPC has two Co-Chairs: Joinella Maihi-Carroll (appointed by Tāngata Whenua members) and the Regional Council Chair, Mr Rex Graham.

Eight RPC meetings were scheduled between 1 July 2019 and 30 June 2020 and a number of workshops.[8] The RPC typically met every six weeks. A number of matters were considered by the RPC throughout the year including regular updates from staff about consent applications and proposed district plan changes.

Of significant note was the **Greater Heretaunga/Ahuriri Plan Change (PC9)** known as TANK as it covers the Tūtaekurī, Ahuriri, Ngaruroro and Karamū catchments plan. The TANK plan featured regularly at the RPC meetings during 2019-20 resulting in the Council notifying the proposed TANK plan change (PC9) in May 2020.

Another milestone was the Special Tribunal released their recommendations report regarding a **Water Conservation Order (WCO) for the Ngaruroro and Clive Rivers** on 30 August 2019. The Tribunal found that no WCO should be made over the rivers below Whanawhana (i.e. the lower river) and that a WCO should be made over the upper in respect of habitat and fishery for rainbow trout, angling amenity and recreation, white water kayaking and rafting amenity and recreation, and the wild, scenic and natural characteristics. Several parties have appealed this decision through the Environment Court.

Looking forward, the RPC will be increasingly involved in the **Mohaka Plan Change.** Preparation recommenced in 2019-20 in earnest with staff building on relationships with iwi and Māori land trusts in the Mohaka catchment with the aim to co-design the plan change. A contract has been set up with Ngāti Pāhauwera to work together to develop the plan. Hui have been held primarily with Ngāti Pāhauwera and other iwi within interest in the area.

Māori Committee

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

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[8] *The Committee's Tāngata Whenua members typically convened their own hui a day prior to the full Committee meeting.*

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The Committee meets every second month to consider relevant issues and provides the Council with recommendations, taking into account Tāngata Whenua views, expectations and aspirations. The Māori Committee is a key mechanism established by the Regional Council to comply with its obligations to engage and consult with Māori, as set out under sections 81 and 82 of the Local Government Act 2002. It is a standing committee under clause 30(1)(b) of Schedule 7 to the LG Act.

A Charter sets out the way the Māori Committee and Regional Council will engage, last reviewed in October 2017, the Charter and Terms of Reference are on track to be reviewed before Christmas 2020. The Charter includes the Regional Council's responsiveness to its statutory obligations including policies aligning to Te Tiriti O Waitangi, resource consents consultation, and communication and engagement.

Over the past year, the Committee work programme has included a number of initiatives such as:

- Contributing to the Hawkes Bay Three Waters Review culminating in a unique cultural case as part of the final review report
- Contributing to Strategic, Annual and Long Term (LTP) planning of Council
- Supporting and contributing to Tāngata Whenua response to Covid-19, particularly the coordinated CDEM response through the Tihei Mauriora network

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

The Co-chairs of the Council's Māori Committee attend Regional Council and Regional Planning Committee meetings where they have speaking rights on all issues. The Māori Committee will present within taiwhenua takiwa, to give the opportunity for Tāngata Whenua of that area to participate in discussions of particular relevance to their rohe.

Direct Hapū and Other Involvement

The Council has continued to have direct interaction with a number of hapū and marae on issues of concern to them within this takiwa. Bi-lateral hui between HBRC leaders and Treaty settlement entities including the Iwi Chairs, is part of the Council's commitment to developing and strengthening our partnership with Tāngata Whenua. Topics are raised and discussed with consideration for the next steps being planned and agreed to by both parties. At the three or six month follow-up meetings, the Council provides both updates and feedback of the actions taken on those issues.

Project-based involvement by Tāngata Whenua is very important in many of the Council's work programmes. Projects such as Hawea Historical Park, Waitangi Regional Park and engagement within the Council's hot spots and Freshwater Improvement such as Whakakī and Lake Tūtira rely on the contributions of Tāngata Whenua to ensure the project's environmental success.

Council has Pataka, a web-based GIS resource management tool that holds and displays Tāngata Whenua information spatially to meet the requirements of s35A of the Resource Management Act 1991 but also holds a wider range of Tāngata Whenua-related information too. Pataka is a living website therefore

Part 1 - Introduction | Kupu Whakataki

it must continue to be reviewed for accuracy to assist the Council and also the greater public who need to consult with Tāngata Whenua at various times, including when submitting resource consent applications.

A key decision made by the Council in its 2018-28 Long Term Plan, was to grow capacity and partnerships for co-governance and co-management with Tāngata Whenua to better meet the Regional Council's obligations. The Māori Partnerships Group was established and resourced during 2018-19 to help drive this capacity and partnership from within the Council with Tāngata Whenua. As at 30 June 2020 the Māori Partnerships Group is established with three permanent positions – Te Pou Whakarae, Senior Adviser Māori Partnerships and a Māori Engagement Coordinator.

Community Outcomes

Our Long Term Plan must describe the community outcomes for the Hawke's Bay region and link our activities to these outcomes.

Community Outcomes are what "… a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future".

Our community outcomes are:

Healthy Environment Vibrant Community Prosperous Economy

These icons are used in the Groups of Activities statements to show when activities primarily contribute to a specific community outcome.

Outcome measures

Under section 23 of Schedule 10 of the Local Government Act, the Council must report the results of any measurement undertaken during the year of progress towards the achievement of community outcomes. The Regional Council uses its time-bound strategic goals from its Strategic Plan as community outcome measures. These demonstrate a desire by the Council to shift from reporting activity or outputs, to managing for and reporting on outcomes – the things that matter to the community. Typically, the Regional Council does not have full control over the achievement of these outcomes, but it has a clear statutory role in achieving them. Where possible, the outcomes align with national targets or an existing Hawke's Bay strategy or plan.

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Part 1 - Introduction | Kupu Whakataki

The outcome measures are grouped by the Regional Council's four focus areas – Water, Land, Biodiversity and Infrastructure/Services. The four areas are interconnected and mutually reinforcing so success in one area cannot be at the expense of another. For example, the work we are doing on farms to keep soil on the land directly contributes to water quality.

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Part 1 - Introduction | Kupu Whakataki

The table below provides results or progress made to date on the achievement of the 23 community outcome targets. The status against the target is described as Completed, On track, Under way, or Off Track. An arrow in the status column reflects a quantifiable outcome change from the previous year (up for improvement; down for worsened). Longer term, it is intended to develop time series (where relevant) to enable trend reporting. In some cases the methodology for data collection and reporting is still being developed.

Water quality, safety and certainty

Community Outcome Target	Commentary	Status
By 2025, plans for catchments where life-supporting capacity is compromised are in place and actively implemented	Following amendments to the National Policy Statement for Freshwater Management (NPS-FM) in August 2017, Hawke's Bay Regional Council adopted a third edition of its NPS-FM Progressive Implementation Programme (PIP) on 31 October 2018, replacing previous editions adopted by the Regional Council in 2015 and 2012. Under the PIP, all catchments were to have been through a plan change setting objectives as required under the 2014/17 NPS-FM. It should be noted that for this financial year (2019/20) there have been no amendments to the PIP in light of the forthcoming Government Freshwater Reforms. A major achievement this year was the notification of the TANK (Tūtaekuri, Ahuriri, Ngaruroro and Karamū catchments) plan change (PC9) in May 2020. This plan will add new rules to the Regional Resource Management Plan to manage water quality and quantity in the TANK catchments. [Whilst the freshwater reforms, including amendments to the RMA, fall within the 2020/21 financial year it should be noted that this directs acceleration of that plan-making programme, requiring all freshwater catchment plans to be notified by 31 December 2024. As a consequence the NPSFM 2020 has been amended to remove Policy E1 (see Appendix 2 for more information).]	On track
By 2025, Tāngata Whenua values for all catchments are identified and embedded in the Regional Resource Management Plan		
By 2030, all aquifers, lakes and rivers will have community-agreed quantity and quality limits in force		
By 2030, cultural monitoring tools are in-use in all catchments	The Regional Council has been working with Te Taiwhenua o Heretaunga to establish a Tukituki Matauranga Māori framework (a Māori values-based monitoring and Māori wellbeing framework for the Tukituki Awa/River), including the development of the monitoring tohu/indicators. It is intended that this will provide a partnership approach that can be rolled out to other catchments in parallel with future plans.	Underway
By 2030, all popular Hawke's Bay swimming sites will be swimmable 80% of the time, and 90% of the time by 2040 *(source: NPS –FM updated Aug 2017)*	Results for the sites monitored in the 2015-2020 recreational seasons show: • Marine sites - suitable for swimming 95% of the time • Freshwater sites - suitable for swimming 91% of the time • Lagoon/estuary - suitable for swimming 87% of the time	On track

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By 2050, there will be an improving trend in the life-supporting capacity of all of the region's degraded rivers and major streams	As of June 2018, 38 out of 79 (48%) monitored sites had a Macroinvertebrate Community Index (MCI) score of either 'good' or 'excellent'. The results of our latest State of the Environment reporting (July 2013 – June 2018) are: • 15 sites as poor • 26 sites as average • 26 sites as good • 12 sites as excellent We continue to monitor the macroinvertebrate community index over time, alongside the development of our ecosystem health monitoring programme which will provide a more holistic measure of life supporting capacity. Plan changes are commencing and various on ground activities contribute to ecosystem health outcomes so an improvement in all degraded waterways is a reasonable expectation by 2050.	On track

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Part 1 - Introduction | Kupu Whakataki

Smart sustainable land use

Community Outcome Target	Commentary	Status
By 2025, stock is excluded from all year-round flowing streams and rivers and at least 30% are fenced and planted to filter contaminants	In 2018-19 the Regional Council begun a riparian monitoring assessment project through Land Science to statistically assess the condition of the region's riparian margins. The field work component has been completed in the Tukituki Catchment and statistical analysis is underway. There are no results available at the time of writing this report. This outcome target will be reinforced by the regulations in the Essential Freshwater package. Under these regulations stock is defined as cows and pigs (not sheep and deer).	Underway
By 2025, Land Use Suitability information is available to all commercial land owners to inform smarter land use	In September 2019, the Regional Council started working with Manaaki Whenua-Landcare Research to develop region wide Land Use Suitability assessments. Project planning is underway and a pilot project in the Wairoa area has commenced.	Underway
By 2030, all commercial farms, orchards and vineyards operate under a Farm Environment Management Plan (FEMP) or an independently audited industry best practice framework	All farms over 4 hectares (ha) must have a FEMP under the Tukituki Plan. 99% by land area is currently being managed using a FEMP compared to 96% last year. Approximately 32 non-compliant farms are being investigated by the compliance team compared to 49 last year. These 32 properties consist of <20 small low intensity land parcels and 12 properties > 10 ha. FEMPs outside of the Tukituki catchment have no requirement to submit to the Regional Council yet but will be required to do so under regulations in the Essential Freshwater package. 21 FEMPs were completed by farm plan providers outside the Tukituki catchment.	On track for Tukituki ⬆
By 2030, all farms in priority sub-catchments will have phosphorus management plans being implemented, with at least 50% of highly erodible land treated with soil conservation plantings	Currently this information is only available for the Tukituki catchment. 24% of the 250,000 hectares in the Tukituki is in an over allocated sub-catchment. The sub-catchments are Papanui, Mangaonuku, Kahahakuri. All properties in the sub-catchments have a comprehensive phosphorous management plan as part of their FEMP. Reporting on implementation is a work in progress. The Essential Freshwater package includes limits on Nitrogen and Phosphorous, supporting the achievement of this outcome target across the region in time.	On track for Tukituki

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Attachment 1

Part 1 - Introduction | Kupu Whakataki

By 2050, all highly erodible land will be under tree cover	There is an estimated 252,000 ha of highly erodible land in Hawke's Bay. This contributes an estimated 3.3 million tonnes of sediment to Hawke's Bay waterways every year. This year is the second year of the Erosion Control Scheme. 761 ha of erodible land has been planted in trees over that time. During this financial year staff worked with landowners to create 214 erosion control mitigation projects around the region at a cost of $2.067m for on-ground works and $200,000 for land purchase to manage erosion. The Erosion Control Grant Scheme provides a 75% subsidy to landowners for erosion mitigations such as planting, reversion and protection fencing. This targeted mitigation to address erosion control is essential to implement Good Management Practice, and influence attitude and behaviour change at a property level. However more wide scale targeted commercial planting is required to be transformational in highly erodible land coverage. The Catchment Services Manager is currently seconded to investigate the feasibility of such a programme (the Right Tree Right Place programme).	Underway ⇧
By 2030, there will be 20% less contaminants from urban and rural environments into receiving waterbodies By 2050, there will be 50% less contaminant from urban and rural environments into receiving waterbodies	This year, the council installed 9 new automatic sediment samplers at monitoring sites to help measure sediment loads, which will provide a baseline dataset as well as provide an indication of whether mitigations are resulting in improvements. It will take a few years to produce a useful baseline dataset, and then longer again to demonstrate whether change has occurred. The Tukituki Plan and TANK Plan Change create water quality limits and targets that contribute to achieving this measure.	Underway

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Part 1 - Introduction | Kupu Whakataki

Healthy and Functioning Biodiversity

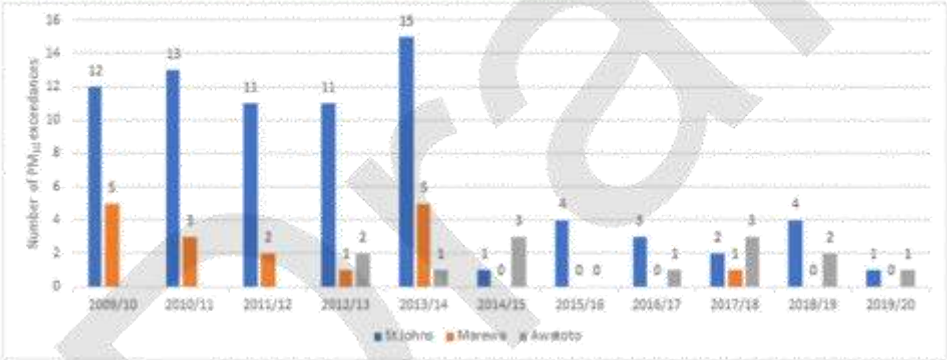
Community Outcome Target	Commentary	Status
By 2020, regional priority locations for ecosystem restoration – including in the coastal marine area – have been identified	700 priority terrestrial ecosystem sites have been identified, based on type, how many there are, size, connectivity and condition using Zonation, a conservation planning software tool, which was then verified using expert local knowledge. Zonation helped determine the top 30% priority terrestrial sites to put our efforts to deliver the biodiversity outcomes for the investment. During this financial year key ecological areas were identified for the Hawke's bay coastal marine area using a nationally consistent approach developed by NIWA. The draft report is currently under review (2020042HN).	Achieved
By 2030, key (target) species and habitat (sites) are prioritised and under active restoration *(HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020)*	700 terrestrial ecosystem sites have been prioritised for protection through the Ecosystem Prioritisation process. A total of 18 sites received funding and had work undertaken over the past two years. This includes: • 13 sites in 2018-19 • 11 sites in 2019-20 (including 6 from 2018-19) Sites with highest return on investment have been selected first. Some sites require ongoing pest management. Other teams within council such as Catchment Services, Catchment Management, Open Spaces and Engineering are actively involved in the protection of these sites. The Biodiversity Team work closely with these other teams and other organisations to increase the number of sites protected. A full range of ecosystems and abundance and distrubtions of key species is an ambitious target and will become more expensive overtime to secure due to size and difficultly of terrain/threat management.	Underway
By 2050, a full range of indigenous habitats and ecosystems, and abundance and distributions of key species are maintained and increased in every catchment in Hawke's Bay *(HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020)*		Off Track
By 2050, Hawke's Bay is predator free in line with NZ 2050 target	The focus for the Predator Free HB team has been the Whakatipu Māhia project. Whakatipu Māhia is the first time possum eradication across 14,600 ha of farmland has been attempted, the largest in New Zealand. Using a combination of an intensive bait station network, targeted live capture trapping, and intensive monitoring using motion sensitive cameras and thermal imaging the team aim to have completed eradication across the entire peninsular by December 2021. The project is on track to meet its targets. In addition PF2050 Ltd has ring fenced an additional $3.65m for the Whakatipu Mahia Trust to take over the next stage of the project.	On track

1-19

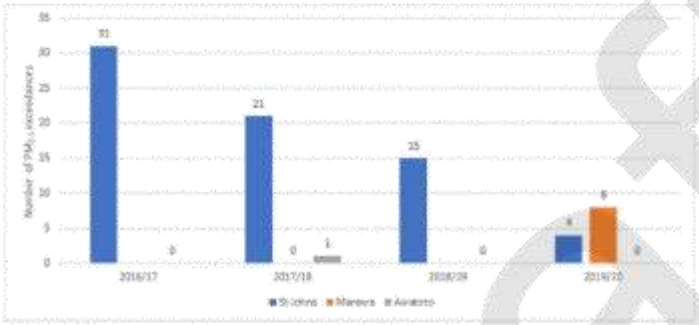
Part 1 - Introduction | Kupu Whakataki

Sustainable services and infrastructure

Table 1

Community Outcome Target	Commentary	Status
By 2025, regional air quality consistently meets World Health Organisation guidelines	Graph 1 below shows a large decrease in PM_{10} emissions between 2005 and 2015 and a much smaller decrease since 2015. This likely reflects the last major milestone for phasing out old burners of 1 January 2016. Incremental improvements are being achieved through incentives such as the Council's Healthy Homes programme. Graph 2 shows the record of monitoring $PM2_{.5}$ which is much shorter. *Graph 1: Number of PM_{10} exceedances at the three sites for each financial year*  	On track

Part 1 - Introduction | Kupu Whakataki

	Graph 2: Number of $PM_{2.5}$ exceedances at the three sites for each financial year  Note: 2019/20 result are affected by site vandalism at the Napier and Hastings sites.	
By 2025, coastal hazards are being managed to meet foreseeable climate change risks to coastal communities out to 2100	In early 2018, the Clifton to Tangoio Coastal Hazards Strategy 2120 was adopted, following intensive multi-criteria options analysis and stakeholder engagement. The Strategy is a joined-up approach between the Hawke's Bay Regional Council, Napier City Council, Hastings District Council and iwi groups Mana Ahuriri, He Toa Takitini and Maungaharuru-Tangitū Trust with a focus on long-term workable solutions. In May 2019, the Coastal Hazards Joint Committee recommended the establishment of a coastal contributory fund to help the councils to rate for the future costs of implementing actions such as groynes, shingle renourishment and sea walls. This is a significant step toward funding the major infrastructure costs that form part of the region's growing response to climate change. During 2020 further work has been undertaken developing the detail on the model for who would rate. This work will continue into 20/21. Technical work programs on Design, Triggers, Managed Retreat and Regulatory Framework continue.	On track

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Part 1 - Introduction | Kupu Whakataki

By 2025, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructure	In June 2019, HBRC instructed Napier Port to proceed with a 45% initial public offer (IPO) of shares in the Port, paving the way to deliver the funds needed to help the Port to grow. On 20 August 2019, access to capital was confirmed through an IPO listing on the NZX. As at 30 June 2020 construction of Wharf 6 continues on schedule and on budget.	On track
By 2030, flood risk is being managed to meet foreseeable climate change risks out to 2100	A significant investigation of land matters for the Heretaunga Plains scheme was completed this financial year. Ngaruroro and Tutaekuri modelling will be completed by October and December respectively to which will identify the high level options for the two most significant rivers. Significant funding has been made available from Government's COVID-19 related Resilience fund to accelerate the project to increase levels of protection for the Heretaunga Plains and maintain capacity for the Upper Tukituki scheme over the next 3 years. A new schedule and resourcing plan is being developed in order to deliver.	On track
By 2030, HB has environmentally sustainable, harvestable water identified and stored or plans to be stored if required	The 2018-28 Long Term Plan set aside $5 million to develop an integrated set of freshwater security of supply solutions. This funding has been leveraged to secure $30 million funding from the Provincial Growth Fund for four regional water security projects. • $2.15 million for a high-resolution, aerial electromagnetic survey of Hawke's Bay's aquifers with SkyTEM (3D mapping of 8000 kms of aquifer down to 300m) • $450,000 to produce a regional freshwater assessment, including detailed analysis of the region's freshwater requirements over the next 30 – 50 years, as well as the ability for known water sources to meet demand. • Two focused areas of investigation in relation to the region's two significant groundwater catchments on the Heretaunga and Ruataniwha plains. By year-end, technical investigations for Central Hawke's Bay and Heretaunga Water Storage sites were underway, the outputs of which will feed into the Regional Water Assessment study which will itself form the basis of an informed community discussion commencing in August 2021. In March 2019, the Council approved a Regional Freshwater Security Policy to guide this work. In June 2020, Council received a commissioned Hawke's Bay Region Water Security Economic Impact Assessment which outlined future economic impacts on TANK (Tūtaekurī, Ahuriri, Ngaruroro and Karamū) and Tukituki catchments by the primary sector of the economy, which includes horticulture and fruit growing, sheep, beef, deer and other livestock and grain farming. The report confirmed that a do-nothing approach would significantly impact the regions' primary-sector economy.	On track
By 2040, Hawke's Bay is carbon neutral	No baseline has been set for existing greenhouse gas emissions but work is underway to procure consultancy services for developing a regional inventory of GHG emissions which will help us set a baseline. In February 2020, the Climate Change	Underway

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Part 1 - Introduction | Kupu Whakataki

	Working Group was formed. The CCWG identified three priority actions which were to be progressed during remainder of 2020 calendar year. Covid19 pandemic has delayed progress on these. HBRC sponsored launch of a Climate Action HB public event held in November 2019 in association with the 3R Group. The event was attended by over 100 people. Work has also been progressed during the year within the Right Tree, Right Place workstream to look at how afforestation with associated carbon sequestration benefits can be accelerated across the region.	

Draft

Part 2:
Groups of Activities |
Ngā Whakarōpūtanga Kaupapa

Draft

2-1

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

How to read this section

The Council aggregates and reports its financial and service performance information in Groups of Activities for ease of understanding.

The Groups of Activities are:

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

Each Group of Activities describes:

What we do

A brief description of the activities that make up the Group of Activities.

Why we do it

Describes the rationale for delivery of the Group of Activities and the community outcomes[1] to which the activities primarily contribute as well as identified effects that any activity has had on the four well-beings. The Hawke's Bay Regional Council's community outcomes are derived from the vision statement in its Strategic Plan 2017-2021 and are represented by the following icons:

What we did

Gives brief highlights for the 2019-20 year in chronological order.

What we spent

This is the Cost of Service Statement for each Group of Activities. It covers:

- Actual financial performance against budget (2019-20 Annual Plan)
- A comparison with the previous year's actual expenditure (2018-19)
- An explanation of any material financial variances.

[1] Community outcomes means the outcomes that a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

How we did

This is the Statement of Service Performance for each Group of Activities. It covers:

- Actual service performance against targets set in the 2018-28 Long Term Plan expressed as
  Achieved
  Partially Achieved
  Not Achieved
  Not Measured
- The previous year's result (2018-19) where relevant
- Commentary to provide context and more information on the performance result.

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Key impacts

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

COVID-19 Overview

In 2020, the global COVID-19 pandemic significantly impacted Hawke's Bay's communities and economy. Hawke's Bay Regional Council had responsibilities on three fronts. Firstly, Council took a lead role, through the Hawke's Bay Civil Defence Emergency Management Group (HBCDEM), in ensuring communities had the information, resources and people needed to get through lockdown and the following months. Secondly, Council continued to carry out essential services, such as transport services, maintaining flood control and drainage networks, and responding to pollution incidents. Thirdly, Council had a responsibility to keep its own people safe and, where possible, help them continue the work programmes they had in place for the year on behalf of ratepayers. Council staff put in a tremendous effort across all three priority areas. A recovery plan was developed to guide HBRC's decision-making in response to COVID-19 and the drought. The Climate. Smart. Recovery. plan includes three time dimensions; Council's tactical response, strategic response and longer term plan.

Highlights included:

- In January, the Hawke's Bay CDEM Group started monitoring pandemic events and disseminating information on behalf of Central Government, reviewing pandemic plans and liaising with key partners, such as Hawke's Bay District Health Board.
- In February, the Group Emergency Coordination Centre (GECC) formally stood-up to monitor and plan for a response.
- In March, the GECC was fully activated, just prior to a national state of emergency being declared, with the focus on delivering emergency welfare needs, such as housing, warm clothes and blankets and food. While a core group was based at the GECC in Hastings, a roster of Council staff helped from home.
- At that time, Level 4 lockdown was announced, and Council had to shut its doors to the public. Council's continuity arrangements saw most of Council's staff move to working from home, with a significant effort from the ICT, Human Resources, Health & Safety, Communications and Executive teams in particular, to pivot the organisation safely and quickly. This included training sessions on how to access systems remotely, use virtual meeting platforms such as Teams and Zoom. This allowed productivity, well-being and safety to be maintained throughout Levels 4 and then 3. Adapted and additional employee policies were put in place and communication increased to ensure staff had the information they needed. Staff maintaining essential services were able to continue their work using safe pandemic practices, such as sanitisation, correct personal protective equipment (PPE) and tracing movements.
- At that point, Hawke's Bay's five councils announced an integrated approach to the regional COVID-19 response. Regional Council contributed expertise, such as scientific knowledge, IT, communications and civil defence support to the regional response.
- In June, Hawke's Bay councils were planning how they could help the region's economy recover quickly and began recruitment for a Regional Recovery Manager.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Drought Overview

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

- In March, drought conditions across the North Island were declared a "large scale adverse event". The HBCDEM team and many other staff quickly turned to supporting a regional response lead by the Rural Support Trust (RST), HBCDEM Rural Advisory Group (RAG) and the Ministry of Primary Industries. The team worked directly with landowners to help them manage their way through the impacts of the drought, particularly in the Central Hawke's Bay communities west of SH50 and the Kereru and Sherenden districts.
- In May, a $1 million drought relief fund was set up, including a $200,000 grant from Council, to help farmers access feed. Around 5,000 haybales were distributed through three lifestyle feed runs held to support farmers and small block owners.
- In June, the meteorological drought broke with good downpours over a number of days, however the feed deficit remained. In May, Council supported the communication of a Digging Deep Give a Little campaign to support farmers impacted by drought, which by August had raised more than $15,000.

Climate Change Overview

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

Highlights included:

- In June 2019, Council declared a climate emergency, recognising global warming to be an urgent and pervasive threat to human and ecological wellbeing.
- In November, Council sponsored the launch of a Climate Action HB public event in association with the 3R Group. More than 100 people attended to connect and discuss meeting the challenges and opportunities of climate change in Hawke's Bay.
- In March, an interim climate change working group was formed to assist staff in shaping a regionally coordinated programme for responding to climate change. The working group's preliminary discussions focused on what Council could do as an organisation to mitigate and adapt to climate change through its corporate business activities, and what action Hawke's Bay as a region could take to respond to climate change.
- In June 2020, the Council adopted a refreshed 2020-25 Strategic Plan, with the most significant change being a greater focus on climate change. Councillors agreed that climate change is a pervasive driver across Council's activities and this is now more explicitly reflected in the Vision and Focus Areas. Most notably, Council confirmed a revised deadline for the organisation to be carbon neutral by 2025.

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Governance & Partnerships

What we do

There are two activities in the Governance and Partnerships Group of Activities:

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

Community Representation and Leadership

This activity aims to support elected members in their governance roles to make robust and transparent decisions. It also maintains the integrity of council processes such as triennial elections, representation reviews and council meetings by ensuring they are run correctly and providing timely and appropriate responses to official information requests and Ombudsmen's office enquiries.

Tāngata Whenua Engagement and Community Engagement

This activity covers our engagement with Tāngata Whenua as required by the Local Government Act, co-governance arrangements with Treaty settlement groups through the Regional Planning Committee and other strategic relationships. It also includes our engagement and communication with the general community through a variety of media and the Enviroschools programme.

Why we do it

This Group of Activities primarily contributes to a Vibrant Community by giving Tāngata Whenua and the people of Hawke's Bay opportunities to have a meaningful say on the direction of their region. This Group of Activities also contributes to a Prosperous Economy through maintaining a strategic relationship with Hawke's Bay Regional Investment Company, which manages Council's assets on behalf of ratepayers.

Most of what the Council does in this Group of Activities is prescribed by the following legislation:

- Local Government Act 2002
- Local Electoral Act 2001
- Local Government Official Information and Meetings Act 1987
- Local Authorities (Members' Interests) Act 1968
- Hawke's Bay Regional Planning Committee Act 2015

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

What we did

COVID-19/Drought Impact

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

Highlights in 2019-20 for the Governance and Partnerships group included:

Community Representation and Leadership

- In June 2019, Regional Council instructed Napier Port to proceed with a 45% initial public offer (IPO) of shares, paving the way to deliver the funds needed to help the Port to grow. On 20 August 2019, access to capital was confirmed through an IPO listing on NZX. Over two-and-a-half years Council thoroughly investigated all viable options to deliver the results Council needed on behalf of the Hawke's Bay community. The process focused on establishing the most appropriate capital structure for the Regional Council, particularly with Napier Port needing investment in a new wharf.
- In November, Council recognised its 30-year anniversary. In 1989, the Local Government Act pared 21 local bodies in Hawke's Bay down to just five councils for the region. HBRC was formed out of catchment, drainage and pest control boards, the harbour board and the United Council.
- In January, three new Council-appointed directors joined the Hawke's Bay Regional Investment Company, the council-controlled organisation that manages Council's investments. Council chair Rex Graham and former councillor Peter Beaven stepped down and Cllrs Neil Kirton, Rick Barker and Craig Foss were appointed.
- In October, local government elections were held. Councillor Rex Graham was re-elected as Chair, Councillor Rick Barker was re-elected as Deputy chair and six new Councillors were elected. Newly elected members took part in a broadened induction programme, including the first ever pōwhiri for elected members, and a thorough orientation programme.

Tāngata Whenua Partnerships and Community Engagement

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

- Mid-way through the year the Regional Council Māori Partnerships team recruited for the Senior Advisor Māori Partnerships and Māori Engagement Coordinator roles. The team's focus remains growing Council-wide cultural capability, enhancing Council's engagement with Tāngata Whenua and facilitating technical input to meet all statutory requirements. Council partnered with Hawke's Bay EIT in the delivery of Te Reo classes after a staff survey revealed considerable interest in learning Te Reo Māori.
- In August 2019, the efforts of Mike Mohi were recognised, who stepped down from chairing the Māori Committee after 18 years. The Māori Committee elected new Co-Chairs Michelle McIlroy and Mike Paku in March 2020.
- At the start of 2020, the Regional Planning Committee (RPC) elected a new Tāngata Whenua Co-chair and Co-deputy chair. In this new triennium following 2019 elections, and similar to the Māori Committee of Council, the RPC has nominated representatives to other committees of Council. This is proving to be a real positive, with growing Tāngata Whenua contribution to the wide span of Council business.
- In 2020, the Council's Māori Partnerships team partnered in Te Kupenga, a collaborative venture of the five Hawke's Bay councils. Te Kupenga musters cultural collateral as and where needed to an incident or to support an initiative. Whanaungatanga (kinship) and Manaakitanga (care and support) are central to the way Te Kupenga operates. This was evident during COVID-19 and the rapid establishment of the Tihei Mauri Ora Emergency Response Centre to provide local welfare support. The centre was a Ngāti Kahungunu and Hawke's Bay District Health Board collaboration in partnership with central and local government.
- Over the financial year, both the RPC and Māori committee made a significant contribution to the Hawke's Bay Three Waters Review. Across all five councils there has been acknowledgment and unanimous support for how Tāngata Whenua input combined to form a strong cultural case behind the report's recommendations.
- Councillors and management have continued to represent the Council on a number of joint committees and collaborative forums, such as the regional Three Waters Service Delivery Review, the Drinking Water Governance Joint Committee, Coastal Hazards Strategy, Heretaunga Plains Urban Development Strategy implementation working group, Tukituki Taskforce and HBLASS (Hawke's Bay Local Authority Shared Services).
- Environmental education delivered by the Council plays a key role in connecting schools with environmental science and information. The Enviroschools Programme has continued to grow, with 66 kindergartens and schools now participating, reaching 7,000 tamariki and students from Te Mahia in the north to Ashley Clinton in the south. The Council's facilitation team works across the region to inspire, guide and support. A new collaboration was initiated with Te Mata Park Trust.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

What we spent

Governance and Partnerships

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
Community Representation and Leadership	1	1,496	1,806	2,252
Tanagata Whenua Partnerships & Community Engagement	2	1,763	1,357	1,488
Depreciation/Amortisation Expense		-	8	7
Total Operating Expenditure		3,259	3,171	3,748
Capital Expenditure				
Loan Repayment		400	410	390
Asset Construction		272	1,230	-
Total Capital Expenditure		672	1,640	390
TOTAL EXPENDITURE		3,931	4,811	4,138
REVENUE				
Activity Revenue				
Direct Charges		83	125	61
Total Activity Revenue		83	125	61
Other Revenue				
Grants		-	15	25
Loan Funding		173	1,850	100
Total Other Revenue		173	1,865	125
TOTAL REVENUE		256	1,990	186
TOTAL GENERAL FUNDING REQUIREMENT		**(3,675)**	**(2,821)**	**(3,952)**
Special Reserve Funding				
Sale of Land (Investment) Reserve		486	501	485
Total Special Reserve Funding		486	501	485
NET GENERAL FUNDING REQUIREMENT		**(3,189)**	**(2,320)**	**(3,467)**
MET BY				
General Funding Rates		3,383	3,321	2,668
Investment Income		6,183	15,092	2,069
Operating Reserves		(6,377)	(16,093)	(1,270)
		3,189	**2,320**	**3,467**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

Financial Variances Explained

Operating expenditure exceeded budget by $88,000 mainly due to the additional Executive, Governance and Project Management resources required to support meetings and the development of an updated Annual Plan for 2020-21 in response to the changed economic circumstances caused by the drought and Covid-19.

The shortfall in capital expenditure was due to the lack of organisational readiness due to vacancies in both Finance and People & Capability delaying the start of the Finance, HR and Payroll system procurement which have rolled over into 2020-21.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

How we did

Community Representation and Leadership Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	Achieved All Council and Committee meetings were advertised, conducted and minuted in accordance with relevant Local Government Act and Local Government Official Information & Meetings Act requirements. All meetings in Q4 met statutory requirements as amended by the COVID-19 Response (Further Management Measures) Legislation Act 2020. This enabled meetings of Governance bodies to be held while restrictions on public meetings were in force and the Pandemic Notice in effect. Committee meetings were suspended during April and May 2020 and weekly online Regional Council meetings held instead. Public meetings in the HBRC Council Chamber recommenced 10 June 2020.
	LTPs and annual reports receive "unmodified" audit opinions.	Achieved (Partially Achieved in 2018-19)	Partially Achieved This measure relates to current documents. The amended 2018-28 Long Term Plan received a clear audit opinion. An unmodified audit opinion was received on the Council and group's other audited information for the 2018/19 Annual Report. A qualified audit opinion was received on the Council's group financial statements for the 2018/19 Annual Report. The basis of the qualified audit opinion was due to the group financial statements including the statements of the Council's subsidiary, Port of Napier Limited for the year ended 31/3/2019 rather than for the year ended 30/6/2019.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

	Percentage of surveyed residents who perceive "acceptable to very good" value of services from HBRC rates (source: 2-yearly SIL perception survey).	75% (Not Achieved - 73.8% in 2018-19)	**Not Measured this year** The most recent SIL perception survey was undertaken between May – June 2019 and reported in the 2018-19 financial year.
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.	Achieved (Partially Achieved in 2018-19)	**Not Achieved** As the COVID-19 crisis unfolded, the 5% required rate of return became unachievable for the FY20 year. In Quarter 4 there was a vigorous bounce back to near Quarter 2 levels, however the return for the FY20 year is 1.6%.

***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.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Governance & Partnerships

Tāngata Whenua Partnerships and Community Engagement Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
HBRC engages in strategic relationships to better achieve its vision and purposes.	Annual reporting to Council on performance of strategic relationships.	Achieved (Not Measured in 2018-19)	**Not measured** Performance of strategic relationships was not measured and therefore not reported prior to the Annual Report. A methodology for measuring performance is under development. Strategic Relationships relates to the operation of Māori Committee, Regional Planning Committee (RPC) and bi-laterals with Post Settlement Governance Entities. Q4 was impacted by COVID-19. During this time the Māori Committee met once on 6 May and the RPC met once on 3 June, both via Zoom. No bi-laterals were scheduled or held.
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.	Achieved (Not Achieved in 2018-19)	Achieved This year the Māori Partnerships Team worked with EIT to provide Te Reo Māori classes to staff. The team initiated a region-wide five council collaboration over Q4 with plans to cost-share on cultural competency tools, frameworks and support. COVID-19 had little effect on progress with remote operating.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

Strategic Planning

What we do

There are three activities within the Strategic Planning Group of Activities:

- Strategy
- Planning
- Sustainable Regional Development

Why we do it

This Group of Activities contributes to the following community outcomes:

The Strategic Planning Group of Activities is focused on maximising the economic and social benefits of the region's resources while minimising detrimental environmental impacts. Council carries out this role because it is able to provide an integrated overview of the entire region and has a statutory mandate under the Resource Management Act 1991.

What we did

COVID-19/Drought Impact

- The Council-supported programme, Regional Business Partners, had strong demand and supported 600 businesses in the region during and after lockdown, with team members working with sometimes distraught business owners. The national programme that supports businesses to grow and innovate attracted $15 million in March and a $40 million boost in July so businesses could access expert advice. Another $10 million was directed through the programme to small-to-medium tourism businesses.
- In March, Council-supported organisation, Hawke's Bay Tourism, assisted the region's significantly impacted tourism sector and stranded visitors during lockdown. During the financial year the organisation managed to increase its membership and develop a promotional campaign, BayCation, to encourage more New Zealander's to visit the region.

Highlights in 2019-20 for the Strategic Planning group included:

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

Strategy

- In June 2020, a refreshed 5-yearly Strategic Plan (2020-25) was adopted by Council. Key changes included more explicitly referencing climate change and realigning targets to national timeframes.
- During the first quarter, the Strategy and Projects team expanded to incorporate Organisational Performance to allow for better integration of objective setting and performance reporting. Organisational Performance reports with key indicators for corporate activities and traffic light financial and non-financial reporting linking levels of service and work programmes is presented to the Corporate and Strategic Committee quarterly.

Planning

- In August 2019, the Outstanding Water Bodies (OWB) plan change (PC7) was publicly notified, with an extended submission period of six months (closing 28 February). This gave iwi time to provide further information on cultural and spiritual values in support of those identified water bodies where it had been concluded there were gaps in the information. On closing, the OWB plan change received 41 submissions with 901 submission points. Of those, five submissions were received from iwi authorities - Hineuru, Maungaharuru-Tangitū Trust, Wairoa Taiwhenua, Waikaremoana Tribal Authority and a joint submission on behalf of Ngāti Kahungunu Iwi Incorporated, Te Taiwhenua o Heretaunga, Te Manaaki Taiao, Te Rūnanganui o Heretaunga.
- On 30 August 2019, the Special Tribunal released their recommendations report regarding a Water Conservation Order (WCO) for the Ngaruroro and Clive Rivers. The Tribunal found that no WCO should be made over the rivers below Whanawhana (i.e. the lower river) and that a WCO should be made over the upper in respect of habitat and fishery for rainbow trout, angling amenity and recreation, white water kayaking and rafting amenity and recreation, and the wild, scenic and natural characteristics. Several parties have appealed this decision through the Environment Court. The Regional Council submitted on this report regarding the implementation of the proposed Order.
- During the year the TANK plan change was a regular feature and point of discussion at the Regional Planning Committee meetings, both in terms of its content and the appropriate notification pathway. The Council notified the TANK (Tūtaekuri, Ahuriri, Ngaruroro and Karamū catchments) plan change (PC9) in May 2020. This plan will add new rules to the Regional Resource Management Plan to manage water quality and quantity in the TANK catchments.
- Council saw an unprecedented volume of Central Government resource management-related proposals driving statutory advocacy activity. However, the pace of progress on these initiatives slowed considerably during April-June due to staffing commitments to the COVID-19 pandemic and drought response efforts. HBRC staff were heavily involved in the development of the Regional Sector (Local Government NZ) submission to the Central Government's reform agenda, in particular Essential Freshwater reform, as well as preparing a joint submission (HBRC, Hastings District Council and Napier City Council). Submissions were also made for example on the Resource Management Amendment Bill, NPS-IB (Indigenous Biodiversity), NPS-UD (Urban Development) NPS-HPL (Highly Productive Land).
- In July, the Councils' submission to the Zero Carbon Amendment Bill received special mention from NZ First MP Jenny Marcroft, with her highlighting the submission out of over 10,200 submissions received on the Bill. The Zero Carbon Bill passed its final reading on 7 November.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

- During June-September, the Planning team liaised with Government officials on setting up the first National Climate Change Risk Assessment (NCCRA). That liaison will be ongoing into 2020 as the Government's NCCRA gets fully underway.
- In August 2019, Council approved Change 5 (Land Use and Freshwater Management) to the Regional Resource Management Plan. Change 5 introduces new provisions into the Regional Resource Management Plan to improve policies guiding decision-making on the use and protection of land and freshwater resources in Hawke's Bay.

Sustainable Regional Development

- In June 2019, the Provincial Growth Fund announced funding relating to three projects that along with SkyTEM (3D mapping of 8000 kms of aquifer down to 300m) make up the Regional Water Security programme. Negotiations with the Provincial Development Unit were concluded in April 2020 with final funding agreements signed. By year-end, technical investigations for Central Hawke's Bay and Heretaunga Water Storage sites were underway, the outputs of which will feed into the Regional Water Assessment study which will itself form the basis of an informed community discussion commencing in August 2021.
- In June 2020, Council received a commissioned Hawke's Bay Region Water Security Economic Impact Assessment which outlined future economic impacts on TANK (Tūtaekurī, Ahuriri, Ngaruroro and Karamū) and Tukituki catchments by the primary sector of the economy, which includes horticulture and fruit growing, sheep, beef, deer and other livestock and grain farming. The report confirmed that a do-nothing approach would significantly impact the regions' primary-sector economy.
- Over the financial year, Council has been actively involved with the refresh of the Matariki Action Plan and the individual pillars of activity for the Matariki Regional Development Strategy for inclusive growth, managed through Regional-Council supported Business Hawke's Bay.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

What we spent

Strategic Planning

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
Strategy	1	461	501	281
Planning	2	1,799	2,141	2,131
Sustainable Regional Development	3	2,324	2,229	2,237
Depreciation/ Amortisation Expense		-	-	-
Total Operating Expenditure		4,584	4,871	4,648
Capital Expenditure				
Energy Futures Loan Repayments		20	-	20
Total Capital Expenditure		20	-	20
TOTAL EXPENDITURE		4,604	4,871	4,668
REVENUE				
Activity Revenue				
Direct Charges		25	-	-
Total Activity Revenue		25	-	-
Other Revenue				
Targeted Rates		1,888	1,871	1,850
Grants		419	294	274
Total Other Revenue		2,307	2,165	2,124
TOTAL REVENUE		2,332	2,165	2,124
TOTAL FUNDING REQUIREMENT		**(2,272)**	**(2,706)**	**(2,544)**
Special Reserve Funding				
Sale of Land (Other Initiatives) Reserve		26	26	-
Total Special Reserve Funding		26	26	-
NET GENERAL FUNDING REQUIREMENT		**(2,246)**	**(2,680)**	**(2,544)**
MET BY				
General Funding Rates		3,021	2,965	2,812
Investment Income		4,354	13,883	1,518
Operating Reserves		(5,129)	(14,168)	(1,786)
		2,246	**2,680**	**2,544**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

Financial Variances Explained

Operating expenditure was below budget by $200,000 caused by several factors including continued delays in recruiting a senior planner, the team working full-time to support CDEM during the Covid-19 response, TANK's notification and delays to the hearings, extended timeframes in the Water Conservation Order proceedings at the Environment Court and increased submission periods delaying work into 2020-21.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

How we did

Planning Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	Achieved No known failures to comply with statutory timeframes relating to preparation and review of RMA planning documents. Under Code 192 both PC7 (Outstanding Waterbodies) and TANK Plan (PC9) were publicly notified with extended submission periods which will compress timeframes for completion of the hearing and decision-making milestones (legal maximum is decisions to be issued within two years after plan change public notification date).
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.	2 or more Achieved (Achieved in 2018-19)	Partially Achieved Regular communication with the TLAs' planning managers was maintained. During 2019/20 this also involved development of joint submissions on various central government proposals, including freshwater reform, air quality regulations, and national policy statements for urban development, highly productive land, and indigenous biodiversity. It was intended to hold a meeting of HB Council Policy Managers' in April however COVID-19 and CDEM response deferred that.
HBRC will regularly submit on national direction, plan and consenting matters.	Number of submissions on resource management-related proposals made to local and central government per annum.	Maintain 3-year rolling average (6.3 in 2017-18) (Achieved – 12 in 2018-19)	Achieved 19 submissions lodged during the year. All submissions are recorded on HBRC's website (#hbrcsubmissions). Submissions were made on several local consent proposals, district plans, but most notably, a high number of submissions on Bills and a variety of other central government proposals (e.g. climate change proposals, freshwater reform, national policy

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Strategic Planning

			statements on indigenous biodiversity, urban development and highly productive land, national regulations for air quality and outdoor tyre storage).

Strategy Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	Achieved A refreshed Strategic Plan was adopted by Council on 24 June 2020. The five-year strategy is a non-statutory document that sets the scene and prioritises funding for the 2021-31 Long Term Plan. Leading up to its adoption the focus areas, outcomes and timebound goals were workshopped by the Council and Māori Committee between February - June 2020. A small number of amendments were made to reflect current circumstances and new priorities, in particular climate change is more explicitly referenced and targets realigned to national timeframes.

Sustainable Regional Development Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Partially Achieved in 2018-19)	Achieved Contracts were in place for all 3 entities. KPIs were exceeded by the Regional Business Partner team. During quarter 4 the RBP team were active supporting local businesses impacted by COVID-19. Additional funding was provided by NZTE which enabled increased staff resourcing and capability voucher spend. Over 600 businesses were supported in the region during this period.

Integrated Catchment Management

What we do

There are three activities within the Integrated Catchment Management Group of Activities:

- Science and Information
- Catchment Management
- Biodiversity and Biosecurity

Why we do it

HEALTHY ENVIRONMENT

This Group of Activities primarily contributes to a Healthy Environment. Integrated Catchment Management activities are a mix of statutory requirements and non-regulatory methods. A combination of both is required to achieve the land and water outcomes set in the Council's Strategic Plan 2017-2021, the National Policy Statement for Freshwater Management and the Regional Resource Management Plan. This approach enables the Council to direct funding and resources in a strategic and prioritised manner based on the specific needs of each catchment, based on the best available science.

What we did

COVID-19/Drought Impact

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

Highlights in 2019-20 for the Integrated Catchment Management group included:

Science and Information:

- From December 2019 to June 2020, a series of 17 technical reports, and one synthesis report were published as part of the 2013-2018 State of the Environment Series.
- During the year, the Land Science team set up an extensive network of automatic sediment samplers to capture peak flood events, quantifying how much soil was being lost from the land and ending up in rivers. This work will also set a baseline to compare the effectiveness of initiatives designed to reduce erosion from hill country and riverbanks.
- In June, the Marine and Coast team commissioned the National Institute of Water and Atmospheric Research (NIWA) to model Hawke's Bay's key ecological areas to help better understand our coastal environments (including subtidal areas). This will help the Council to better manage marine biodiversity and prioritise areas that may benefit from restoration.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

- In February, SkyTEM, a collaborative project between the Regional Council, the Provincial Growth Fund (PGF) and GNS Science was undertaken to map Hawke's Bay aquifers down to 300m. This project is a significant step forward in understanding the structure of our groundwater system, which is critical for managing groundwater/surface water interaction, drinking water supply risks and shallow groundwater resources.
- In February 2020, scientific modelling was incorporated into the Council's riparian planting guide to provide better outcomes to our streams from planting. This demonstrates the levels of shading that are required to achieve ecological benefits.
- In February 2020, freshwater quality dashboards were developed to improve the publics' access to our water quality information. These dashboards were updated with the latest water quality monitoring data and assist in keeping our communities informed.
- In May 2020, a new regional land use map was developed to help the team better understand how land use influences environmental stressors such as erosion, nutrient and biodiversity loss. A combination of various sources helped build the most detailed view of Hawke's Bay land use to date.
- In June 2020, an air emissions inventory was completed to provide a fuller picture of how changes people make in their homes or businesses can help improve air quality. The Air and Climate team couple this information with monitoring data to look at what is driving changes to air quality.
- Take up of the Sustainable Homes programme has exceeded expectations. So far, 926 homes have invested in solar power, double glazing, ventilation, septic tanks, water storage or clean heat, improving the health and energy efficiency of homes and making homes more resilient in a civil defence emergency. Eligible ratepayers can borrow up to $20,000 from the Regional Council which is repaid by way of a voluntary targeted rate.
- In June 2020, the Marine and Coast team commissioned work to model river and coastal nutrient inputs, to better understand the influence of river water quality on the Hawke Bay marine area. This helped the team understand key inputs into the Bay and provided further information on where combined inputs were contributing to elevated levels of nutrients in coastal waters.

Catchment Management

- Staff have worked with landowners to create 214 erosion control mitigation projects around the region at a cost of $2.067m for on-ground works and $200,000 for land purchase to manage erosion. 2019-2020 was the Regional Council's second year of the Erosion Control Grant Scheme, which provides a 75% subsidy to landowners for erosion mitigations such as planting, reversion and protection fencing.
- From December 2019 to June 2020, the Marine and Coast team, in partnership with Hawke's Bay Marine and Coast Group (HBMaC) and the Sustainable Seas National Science Challenge, undertook work to support Ecosystem Based Management principles for the Marine Environmental Enhancement Area. This was to build a better understanding of coastal terrestrial linkages.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

- Farm plans were completed for eight properties in the Te Waiū o Tūtira Protection and Enhancement area. On-farm works implemented as a consequence of the plans during the year included the retirement and fencing of 3,120 metres of waterways and wetland areas. Approximately 7,885 native plants have been planted within these areas, with a further 250 exotics planted for erosion control. Five sediment ponds were constructed, along with a rock drop structure to control stream bank erosion. The COVID-19 lockdown impacted the delivery of certain works while also having an impact on the ability to progress face-to-face hui required to progress projects.
- An engineering report was completed to assess erosion risks associated with Wharerangi Stream and potential options for remediation within the Ahuriri Protection and Enhancement area. Fencing of 3,105 metres of waterways, wetlands and estuary margin was completed. Planting over the year included 18,004 native plants and 240 poplar and willow poles. Included in this was the construction and planting of a 4ha wetland within the catchment.
- Significant work continued throughout the Whakakī Protection and Enhancement area, with two Cultural Impact Assessments completed with Whakakī and Iwitea Marae. Ten farm plans were completed, as well as a farm economic impact analysis on the costs associated with meeting potential statutory requirements associated with Essential Freshwater reforms and Greenhouse Gas Emissions. During the year, the Hill Country Erosion Fund project saw four new positions created, 15 new sediment monitors purchased (five being installed by year end), two workshops and 73 new Erosion Control Plans prepared with works on the ground underway by year end.
- Key stakeholders and iwi agreed a collaborative approach to understand local community and iwi vision and values for Lake Whatuma. Discussions are continuing around possible lake ownership opportunities and the management approaches to achieve the long term protection and enhancement of the lake.
- In March, the Regional Council and Wairoa District Council committed to working together to manage sustainable planting and harvesting of forestry in the Wairoa District, following concerns from the community on the impacts of large-scale forestry activity.
- In August, the Council partnered with the University of Waikato to establish a role to study the relationship between our communities and our environment, and how best to care for both. Dr Edgar Burns was appointed by the University of Waikato to the new role of Hawke's Bay Regional Council Chair in Integrated Catchments.
- In October, the Whangawehi Catchment Management Group was nominated as a finalist for the 2019 Thiess International Riverprize Awards ceremony held in Brisbane, Australia. The judging panel indicated that the Whangawehi model was something unique and to be considered as an example worldwide. The Group has previously won national and international awards for its work.

Integrated Catchment Management

Biodiversity and Biosecurity

- In July, the Council, NIWA and Biosecurity NZ (part of the Ministry for Primary Industries) led a workshop on how to recognise marine pests that impact Hawke's Bay's marine environment. Attendees were from Napier Port, Napier Sailing Club, LegaSea, Hawke's Bay Fishing Club and dive contractors, Napier City Council and Gisborne District Council.
- In February, the Council released White Admiral Butterfly at Tūtira to control pest plant Japanese honeysuckle. The plant can smoother native species, such as manuka, but the butterfly caterpillars feed on the pest plant, reducing its negative impacts.
- In February, the Council partnered with the Department of Conservation and Hastings District Council to host Waipātiki's BioBlitz. Over 24 hours, a comprehensive snapshot was taken of all species in the ecosystem, from fish, bugs and birds to lizards, plants and fungi, with experts holding public talks about a range of local species.
- During the year, the Regional Council Biosecurity team implemented the Regional Pest Management Plan which contains 33 pest plants, 23 pest animals, two marine pests and five horticulture pests. This included monitoring possums over 80,700 ha, treating 111 rookeries across the region, working with 11 community groups in predator trapping, and visiting 1,428 rural and 906 urban properties for pest plant control delivering a marine pest exclusion programme aimed at preventing invasive marine pests from establishing in Hawke's Bay.
- The Council worked in partnership with QEII, Forest & Bird, Department of Conservation, Forestry sector, Trees that Count, the Hawke's Bay Biodiversity Foundation and private landowners to protect 11 (5 new sites and 6 existing sites) acutely or chronically-threatened ecosystems across Hawke's Bay. This involved deer fencing, planting and pest management.
- The Council worked with OSPRI to control a small cluster of TB infected cattle on the Napier-Taupo Road, identified in April 2019. A key method for returning Hawke's Bay to a TB-free zone is the control of possums to prevent the spread of disease.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

What we spent

Integrated Catchment Management

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
Science and Information	1	9,748	9,293	9,130
Catchment Management	2	6,944	8,084	5,799
Biodiversity and Biosecurity	3	5,201	4,333	4,535
Depreciation/Amortisation Expense		485	617	471
Total Operating Expenditure		22,378	22,327	19,935
Capital Expenditure				
Clean Heat Advances		4,907	2,217	1,925
Regional Park Network		-	-	65
Integrated Catchment Activities		2,191	865	161
Loan Repayments		2,373	2,507	2,590
Total Capital Expenditure		9,471	5,589	4,741
TOTAL EXPENDITURE		31,849	27,916	24,677
REVENUE				
Activity Revenue				
Direct Charges		6,240	5,054	3,446
Total Activity Revenue		6,240	5,054	3,446
Other Revenue				
Targeted Rates		3,356	3,322	3,365
Community Loan Repayments		2,036	2,507	1,854
Interest on Scheme Reserves		(77)	45	63
Grants		536	82	599
Loans Drawn Down		2,613	4,938	1,465
Total Other Revenue		8,464	10,894	7,346
TOTAL REVENUE		14,704	15,948	10,792
TOTAL GENERAL FUNDING REQUIREMENT		**(17,145)**	**(11,968)**	**(13,885)**
Special Reserve Funding				
Specific Scheme Reserves		5,477	(90)	3,607
Sale of Land (Non-investment) Reserve		-	-	263
Total Special Reserve Funding		5,477	(90)	3,870
NET GENERAL FUNDING REQUIREMENT		**(11,668)**	**(12,058)**	**(10,015)**
MET BY				
General Funding Rates		-	-	-
Investment Income		22,621	48,079	6,449
Operating Reserves		(10,953)	(36,021)	3,566
		11,668	**12,058**	**10,015**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

Financial Variances Explained

Operating expenditure over the year ended close to budget with variances across the range of activities reflecting work budgeted/scheduled under one activity being carried out under a complementary activity. The Covid-19 restrictions resulted in some changed priorities enabling the team to remain productive while working from home and travel was limited.

Capital expenditure was over budget by $3,882,000 due, principally, to the success of the Sustainable Homes programme with Hawkes Bay rate payers taking the opportunity to upgrade their homes to the value of $4,907,000. The loans are repaid through a voluntary targeted rate over 10 years at a competitive interest rate. The SkyTEM and LiDAR capital expenditure are shown as an overspend for the Integrated Catchment Activities but these costs are offset by the unbudgeted external funding received.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

How we did

Science and Information Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
HBRC will monitor and provide accurate and timely information to decision makers and the community on the State of the Environment (SOE) for Hawke's Bay.	Council maintains its International Organisation for Standardisation (ISO) 9001-2018 accreditation for data collection, analysis and storage.	Achieved (Achieved in 2018-19)	Achieved Achieved. Annual external audit completed on 20-21 January 2020. Accreditation maintained.
	SOE monitoring programmes are in place and results are published on HBRC and LAWA (Land, Air, Water Aotearoa) websites for: • Climate and Air Quality • Surface water • Groundwater • Land Science • The Coast.	Achieved (Achieved in 2018-19)	Achieved SoE monitoring programmes ran to schedule and relevant data was captured and uploaded to relevant websites. Some backlog created by COVID-19 was able to be addressed.
	A 5-yearly State of the Environment (SOE) Monitoring Report is produced along with annual scorecards and monthly updates. Results are made available primarily through digital media and summarised in the Annual Report.	Achieved (Partially Achieved in 2018-19)	Partially Achieved Monthly updates have been completed as scheduled. Fourteen 5-yearly SOE technical reports were published. A summary Key Issues Report has been drafted and is going to Council in August 2020 prior to publication. This will complete the SOE reporting.

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and stakeholders.	The Science team develops and implements an annual work programme in line with plan change requirements.	Achieved (Achieved in 2018-19)	Achieved The Council's Science Strategy was refreshed in February 2020 and sets out the Science team's contribution to plan changes. This year's focus has been supporting plan change processes for TANK and Mohaka catchments. With Policy staff, preparation is underway for a region-wide plan change to meet timeframes of NPS-FM 2020.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

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 airsheds.	Napier 1 Hastings 3 (Partially Achieved - Napier 0 Hastings 4 in 2018-19)	Achieved Napier 0 Hastings 1
	Number of clean heat systems installed annually under financial assistance programme.	1000 per annum (on average over 10 years) (Achieved - 11,203 by 30 June 2019; 801 in 2018-19)	Achieved 11,881 total between 2009 - 30 June 2020 2019-20: 678 The target of 10,000 clean heat installations over 10 years (1000/year) has been achieved.

*PM10 are tiny airborne particles smaller than 10 micro-metres in size. High concentrations of PM10 are in the smoke from fires and increase the risk of respiratory and cardiovascular illnesses, including cancer. The government has set a National Environmental Standard (NES) for PM10 at an average concentration of no more than 50 µg/m³ measured in open air over 24 hours.

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	90% (Achieved - 93% in 2018-19)	Achieved 94.6% As at 30 June 2020 84.3% of consents were reporting using web or telemetry. Adding in consents where the take is tamper tagged of 10.3% giving a total of 94.6%. Note: 10.3% of consent holders have wells with a security seal (tamper tag) fitted. These wells are not in use. The security seal allows us to confirm that they have not been used.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

	Total water consented as a percentage of the allocation limit for each significant water resource. 1. Esk 2. Karamū 3. Ngaruroro 4. Maraekakaho 5. Nuhaka 6. Raupare 7. Tūtaekurī 8. Tūtaekurī-Waimate 9. Tukituki Note: Additional rivers will be added as allocation regimes are set through catchment based plan changes to give effect to NPS FM.	For catchments at or below allocation when limit set the target is: **Less than or equal to 100%.** For fully allocated catchments when limit set the target is: **Decreasing trend towards** **less than or equal to 100%.** (Achieved in 2018-19 - 100% for Surface water in Tukituki, 50% for Groundwater stream depleting takes un Tukituki)	Achieved 99% for Surface water in Tukituki 53% for Groundwater stream depleting takes in Tukituki. 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. Tukituki is the only catchment with a rule-based limit set since the NPS-FM came into effect and is less than or equal to 100% for the total catchment for surface water and groundwater stream depleting takes (see table below). The TANK Plan Change, now notified, will address how the allocation, particularly from stream depleting groundwater, is to be counted in the next catchment to come under the NPS-FM. In the meantime, no more water will be allocated from the surface low flow allocation block or groundwater from over allocated catchments.

Tukituki Allocation

	Total allocated (L/s)		Total limit (L/s)		Percentage of the allocated limit (L/s)	
	Surface water	GW stream depleting	Surface water	GW stream depleting	Surface water	GW stream depleting
Zone 1 - Lower Tukituki	509	164	519	412	98%	39.7%
Zone 2 - Waipawa River	643	124	643	269	100.0%	46.1%
Zone 3- Upper Tukituki	758	408	763	716	99.3%	56.9%
Total for catchment	**1910**	**696**	**1925**	**1397**	**99.2%**	**49.8%**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

Catchment Management Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	Partially Achieved Reporting to council on engagements delayed due to COVID-19. This will be reported at the next Māori Committee. Staff have been engaging individual landowners 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 has been taken. Work is still happening in priority areas with wetland creation for nitrogen management meetings being held in the Tukipo, and through both Freshwater Improvement Fund projects multiple engagement with the community in the Tutira and Whakaki priority areas. Work is underway to look at a coordinator for the Ahuriri project. Q4 was impacted on by the COVID-19 lockdown and restrictions to engagement.
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 (FEMP) or an independently audited industry good management practice framework as required under the Regional Resource Management Plan (RRMP). *	Tukituki-100% (Partially Achieved - 96% by land area in 2018-19)	Partially Achieved 99% (by land area) The Tukituki latest GIS analysis identified that there are < 20 small land parcels left to lodge a low intensity form with the council and 12 property > 10 ha identified as requiring the FEMP to be verified. The compliance team are currently investigating these properties.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

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).	2000 ha of land under cover (Not measured in 2018-19)	**Not Achieved** 700 ha of erodible land in trees, the second year of Erosion Control Scheme (ECS). (source: CRM). This compared to 94 ha of erodible land in trees last financial year (1st year of ECS).
	Additional kilometres of riparian margin protected annually to reduce sediment, nutrient and/or bacterial contamination of water.**	100km (Not measured in 2018-19)	**Not Achieved** 27 km this financial year (2nd year of ECS). This compared to 8 km last financial year (1st year of ECS). Catchment team is reinforcing where these actions can be funded to get greater uptake.

* Other catchments will be added as new management regimes are set through catchment-based plan changes to give effect to NPS FM.

**Includes streams, drains, wetlands, lakes, estuaries and the coast.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Integrated Catchment Management

Biodiversity and Biosecurity Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	1-2 (Achieved – 13 sites in 2018-19)	Achieved 5 The Biosecurity/Biodiversity team delivered works at 11 Ecosystem Prioritisation sites (5 new sites and 6 existing sites). This included deer fencing, planting, pest plant and pest animal control. This has been made possible through partnering both internally and externally with other groups/organisations. COVID-19 and drought has resulted in the deer fencing of one site being delayed.
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.	Achieved (Achieved in 2018-19)	Achieved Regional Pest Management Plan review has been completed. Plan became operative Feb 2019. The Biosecurity team have implemented this plan, which contains 23 pest animals, 2 marine pests, 5 horticulture pests and 33 pest plants. A legal review has been undertaken on Notices of Direction, amendments to documents incorporated by reference and staff Biosecurity Act warrants.
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.	90% (Achieved – The average residual trap catch (RTCI*) index for the 2018-19 season was 1.5% across the 85,932 hectares monitored with 100% of the 18 PCAs monitored below a 5% RTC.)	Partially Achieved Due to COVID-19 the PCA Education Monitoring Programme is behind schedule. 91% of the results have been processed. We are waiting on results from the remaining 183 monitoring lines (due 14 August). We are on track to achieve the LOSM of 5% or less trap catch of monitored possum control areas. The average RTCI of the results to date is currently 2.9%.

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Integrated Catchment Management

	Decreasing trend in the number of active rook nests.	Decreasing trend 5-year rolling average (5-year average in 2018-19 was 307.2)	Achieved 141 The annual rook programme has been completed with 141 nests treated. This is tracking downwards, the 5-year average being 247 active nests treated
	Percentage of animal pest enquiries responded to within target timeframe. (5 days for rabbits).	100% (Achieved - 100% in 2018-19)	Achieved 100% A total of 66 rabbit inquiries have been responded to over this financial year all within the required 5-day time frame
	Percentage of plant pest inspections and actions completed within target timeframes (see schedule for specific plant pests**).	100% (Achieved – 100% in 2018-19)	Achieved **100%** 130 rural properties and 380 urban properties were visited during this period. The following pest plants have been managed: African feather grass, Goats rue, Phragmites, Cathedral bells, Spiny emex, Old man's beard, Climbing spindleberry, Chilean needle grass, Wilding conifers, Woolly nightshade, Privet. The Calamint biocontrol SFF project funding has been completed

*Residual trap catch index (RTCI) is a standardised method for estimating relative densities of possums. RTCI is the percentage of trap-nights in which a possum was captured.

****Plant Pest Schedule**

The RPMP defines a Total Control plant pest as one that is of limited distribution in the region, and the long-term goal is its eventual eradication. Seventeen plants are listed as Total Control plant pests. The RPMP places these into two categories, Service Delivery and Occupier Responsibility. For each of these plant categories the Biosecurity Pest Plant team's Operational Plan provides a brief description of what activities HBRC will undertake to achieve the RPMP objectives and by when.

Asset Management

What we do

There are five activities within the Asset Management Group of Activities

- Flood Protection and Control Works[2]:
- Flood Risk Assessment and Warning
- Coastal Hazards
- Open Spaces
- Works Group

Why we do it

This Group of Activity primarily contributes to the following community outcomes:

The aim of this activity is to reduce the likelihood of damage from flooding on people, property, productive land and businesses, which provides long-term benefits to our economy.

The aim is also to contribute to a vibrant community by providing public access to Council managed waterway environments, the coast and open spaces for recreation and enjoyment, and where appropriate enhancing amenity values, protecting sites of cultural significance, and identifying and valuing them for public education and interest.

The empowering legislation for this Group of Activities is the:

- Soil Conservation and Rivers Control Act 1941
- Land Drainage Act 1908
- Local Government Act 2002
- Civil Defence Emergency Act 2002
- Resource Management Act 1991.

In addition to the legislative mandate and responsibility, these activities are undertaken by Council because it has the necessary river engineering skills, historical understanding and regional overview required to integrate and manage large-scale schemes. The flood protection schemes, in particular, impact on a wide area, so a consistent approach across the region to their management is important. A consistent regional approach is also relevant to coastal hazards and open spaces.

[2] This activity is the mandatory "Flood Protection and Control Works" Group of Activities as required under Schedule 10(2) of the Local Government Act 2002.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

What we did

COVID-19/Drought Impact

- The Asset Management Group was largely able to work productively through the COVID-19 shutdown period.
- During Level 4, essential operations continued through the formation of a Coordinated Incident Management System which met daily to ensure Council was in a position to respond to any additional natural disasters, such as flooding and responding to the fluid COVID-19 situation. This team was integrated with the greater Civil Defence response and district councils across Hawke's Bay to ensure a consistent approach to the challenges that COVID-19 presented.
- Activities impacted during Alert level 4 included:
    - Non-essential maintenance, such as mowing; and
    - Closure of the cycle network and Regional Parks due to contact risk.
- By end of August 2020, all deferred maintenance had been completed.

Highlights in 2019-20 for the Asset Management group included:

Flood Protection and Control works

- In 2019, erosion protection work was completed using soft engineering solutions along the Wairoa River.
- In 2019, Council approved a discharge to land for the Clive River dredging to protect coastal habitats. The Clive River was last dredged in 2009 with the discharge going to the ocean. Council is committed to finding suitable land to transfer the dredgings to which is more environmentally appropriate. Staff continue to negotiate with landowners to either purchase or lease land for the discharge of silt. Dredging of the lower Clive River is planned to happen in early 2021, dependent on land availability.
- Maintenance of the flood protection and drainage schemes was carried out. Council administers 25 flood control and drainage schemes throughout the region. Ecological and environmental plans for all flood protection schemes were reviewed.
- The Asset Management team built capacity with the recruitment of a Manager Regional Projects and Project Engineer to focus on the delivery of major projects. This team is now well established with a full three-year rolling programme. They are also busy with implementation of a Project Management Framework across the team improving the efficiency of capital delivery.

Open Spaces

- Phase two of the Waitangi Regional Park development plan commenced, including the formation of the marquee area in the Colenso memorial site in collaboration with the Ātea a Rangi Educational Trust. A large amount of tree maintenance was also undertaken to make it a safer and more appealing site for the public to visit.
- In November, Waitangi Regional Park and Atea a Rangi Star Compass took out the coveted landscape architecture Te Karanga o te Tui award. The New Zealand Institute of Landscape Architects (NZILA) award recognised Waitangi's unique character and design, with judges noting

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

that Waitangi Regional Park and Atea a Rangi was "quite simple in its form but it does quite a lot in the way it engages with things that are perhaps more invisible from day to day, things like celestial navigation and understanding of Maori cosmology."

- In February 2020, the bore was turned on for the first time post the earthworks being completed at Waikahu wetland. This had promising results, with a range of bird and fish life spotted soon after the water levels rose. A few teething erosion and water level issues had remedial works completed, including the fish passage which already had a local population of whitebait (inanga) using it regularly.

- A further 8,000 plants were put in along the banks of the Karamū stream as part of the Karamū enhancement project. This along with large areas of willow clearing (Ruahapia), fencing and maintenance work has kept this project moving in the right direction. There has been a significant increase in interest from adjacent neighbours and the team worked with over 15 different landowners and community groups to get plants in the ground, fence off the stream and tackle plant and animal pests.

Coastal Hazards

- The Regional Council continued to work directly with Napier and Hastings councils, iwi and the community on Coastal Hazards – a long-term project to find solutions to reduce the effects from coastal hazards, such as coastal inundation (flooding by the sea) and coastal erosion. Coastal hazard risk is expected to increase due to climate change projections of increased storm intensities and sea level rise.

- During the latter half of 2019, the Council partnered with the Ministry for the Environment on a case study outlining some of the challenges to implement the coastal strategy in Hawke's Bay. The outcomes of this study were presented to the Government's Resource Management Act Review panel.

- Over the course of the year, significant work was progressed in the following areas:
  - Concept design on recommended pathways;
  - Analysis of the Local Government regulatory framework in implementing recommended pathways;
  - Analysis and high-level costings for managed retreat; and
  - Analysis of risks to give consent to recommended pathways.

Works Group

- The Works Group carried out several significant projects for external clients including Napier and Hastings councils and the following internal works:
  - Installation of 1,350 diameter culvert and headwalls for the new Maraekakaho gravel extraction access road.
  - Tree clearing on Lower Tukituki River completed as dayworks under the HBRC Heretaunga Plains Flood Control Scheme (HPFCS) Maintenance Contract.
  - Tree clearing various sites in the Wairoa Region completed as dayworks under the HBRC HPFCS Maintenance Contract.
  - Extensive subsidised tree clearing jobs within the Upper Tukituki Scheme.
  - Pathway and landscaping project at Black Bridge site for Open Spaces team.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

What we spent

Asset Management

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
Flood Protection & Control Works	1a, b & c	6,795	7,777	6,179
Flood Assessment and Warning	2	580	653	710
Coastal Hazards	3	1,053	935	921
Open Spaces	4	1,817	1,476	1,409
Works Group External Contracts	5	1,290	455	1,304
Depreciation/ Amortisation Expense		687	652	686
Total Operating Expenditure		12,222	11,948	11,209
Capital Expenditure				
Infrastructure Asset Construction		1,201	4,281	1,055
Disaster Damage Excess Deposits		111	-	-
Loan Repayments		499	465	122
Total Capital Expenditure		1,811	4,746	1,177
TOTAL EXPENDITURE		14,033	16,694	12,386
REVENUE				
Activity Revenue				
Direct Charges		1,284	1,595	1,534
Operations Group External Contracts		1,355	570	1,440
Total Activity Revenue		2,639	2,165	2,974
Other Revenue				
Targeted Rates		7,259	7,229	6,912
Grants and Other Capital Income		-	-	-
Interest on Scheme Reserves		179	277	177
Loans Drawn Down		75	160	-
Total Other Revenue		7,513	7,666	7,089
TOTAL REVENUE		10,152	9,831	10,063
TOTAL FUNDING REQUIREMENT		(3,881)	(6,863)	(2,324)
Special Reserve Funding				
Specific Scheme Reserves		(328)	(1,354)	174
Scheme Depreciation Reserves		215	1,344	118
Sale of Land (Other Initiatives) Reserve		371	345	-
Total Special Reserve Funding		258	335	292
NET GENERAL FUNDING REQUIREMENT		(3,623)	(6,528)	(2,032)
MET BY				
General Funding Rates		-	-	-
Investment Income		7,024	9,423	1,225
Operating Reserves		(3,401)	(2,895)	807
		3,623	6,528	2,032

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

Financial Variances Explained

The Works Group significantly exceeded both revenue and expenditure compared to budget with a favourable net result driven by increased utilisation of Works Group services by both internal and external clients. Works Group provides all in-house and internal services at cost to the Council. Works Group have identified approximately $190,000 in additional costs in 2019-20 due to the COVID-19 pandemic.

Excluding Works Group, operating expenditure across the group was below budget by $611,000 as forecast maintenance work was not required and maintenance contracts were underspent.

Capital expenditure was underspent across many activities as more time was spent on planning, design, hydrological modelling, level of service reviews and a decision on land purchase for the activities with major budgeted expenditure deferring work into 2020-21.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

How we did

Flood Protection and Control Works (Rivers) Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	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.	Achieved (Achieved in 2018-19)	Partially Achieved The renewal programme had some delays due to COVID-19 as resources and outside contractors were committed to COVID-19 response.
	Changes to flood levels of protection* are consulted on with the affected communities and delivered within agreed timeframes. *Current levels of protection are 1% Annual Exceedance Probability (AEP) (1:100 year return period) for both Heretaunga Plains and Upper Tukituki Schemes.	Heretaunga Plains: Phased design and construction Upper Tukituki: Subject to consultation outcome (Not Achieved for HPFCS in 2018-19; no measure for Upper Tukituki)	Not Achieved From a capital delivery perspective the upgrade to the level of service to Heretaunga Plains Flood Control Scheme is behind the schedule indicated in the 2018 LTP. Resources have now been engaged to undertake the planning and concept design phases of this project. The communication plan is now being submit to steering group for discussion. All other aspects of the project are on track. The project is already being consulted with iwi groups and other affected parties. Ongoing updates to council and third parties including Fish and Game and DOC
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).	Achieved (Not Measured in 2018-19)	**Not measured** Ecological management plans for rivers are currently being reviewed

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

Flood Protection and Control Works (Drainage) Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Zero (Achieved in 2018-19)	Achieved Water level remained within mainstem channel sections.

Flood Protection and Control Works (Small Schemes) Activity

Level of Service Statement	Level of Service Measures	Performance Target (previous year's AR result)	Performance Result
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 – Whakakī 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.	Achieved (Achieved in 2018-19)	Achieved Planned maintenance and works have been executed for all schemes except Opoho. The Opoho pump station is currently out of service. We are working with the scheme participants (three) to determine the most efficient and effective way forward. The scheme participants have expressed a desire not to invest in overhauling the existing pump station and are fully informed therefore status is green.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

Flood Risk Assessment and Warning Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
HBRC provides reliable warning of flooding from the region's major rivers to at risk communities in the Wairoa, Tūtaekurī, and Ngaruroro and Tukituki areas.	Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year.	98% (Achieved – 98.06% in 2018-19)	Achieved 99.5% Priority sites were operational 8,718 days out of a total of 8,760 days (99.5% operational).
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.	70% (Achieved in 2018-19)	Achieved Flood forecasting models cover 70% of the region by area. The target is to cover 70%, and this has been 100% achieved. The area of these catchments cover about 70% of the entire region (see map below). Flooding from the rivers in these catchments could cause large economic loss. Modelling is focused on the lower reaches of these major river systems.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Asset Management

Figure 1:River flood forecasting models.

Open Spaces

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	**Achieved** Service levels for all Regional Parks met. New Asset Management Plan being developed for better management and operation of all Regional Parks assets (including forests and trails).

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Consents & Compliance

What we do

There are three activities within the Consents and Compliance Group of Activities:

- Consents
- Compliance and Pollution Response
- Maritime Safety

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

Why we do it

This Group of Activities seeks to balance the requirement to safeguard the environment for future generations while providing for the social, economic and cultural needs of the wider community.

This activity includes the processing of resource consents required under Council's Regional Resource Management Plan, Regional Coastal Environment Plan or through National Environment Standards, integrating policy decisions into consent procedures and advice and education on resource management matters. This activity also involves consent monitoring and enforcement of any non-compliance, and acting on environmental complaints, incidents and breaches.

The Marine Safety activity monitors and enforces the Navigation and Safety Bylaw and provides navigation aids to ensure the region's navigable waters are safe for people to use. Through the Harbourmaster, Council provides advice and education to commercial and recreational users and the community at large on water safety and safe boating.

This Group of Activities contributes to the following community outcomes:

The empowering legislation for these regulatory functions includes the:

- Resource Management Act 1991
- Local Government Act 2002
- Soil Conservation and Rivers Control Act 1941
- Building Act 2004
- Marine and Coastal Area (Takutai Moana) Act 2011
- Hazardous Substances and New Organisms Act 1996
- Maritime Transport Act 1994.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

What we did

COVID-19/Drought Impact

- In March 2020, COVID-19 significantly impacted the ability of Tukituki Catchment land owners to fulfil their obligations under the rules of Plan Change 6, including submitting completed resource consent applications by the May deadline. This was due to the inability for Farm Environment Management Plan and nutrient budget providers to access farming properties during lockdown and was exacerbated by the drought, declared in March, which put landowners under considerable pressure. The Regulation team introduced an interim process that required applicants to submit a pre-application by the 31 May deadline. This would act as a placeholder for the lodgement of full applications once they were able to be completed and submitted.
- Consents staff were able to carry on with business more or less as usual and continue processing consents remotely. Resource consents continued to be lodged.
- COVID-19 impacted the number of site inspections that Council were able to undertake as staff worked from home during Level 3 and 4 restrictions. Most operations requiring monitoring were shut down during Level 4 except for essential services such as stormwater, municipal and domestic wastewater, and drinking water supplies. Staff monitored 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 2 and 1 restrictions, following strict social distancing and contact tracing protocols.
- The drought saw significant and lengthy bans on the take of water from many surface waterways managed by the Council. Staff resources were focused on consent holders and providing prompt information to allow them to resume takes when appropriate.
- During lockdown Levels 4 and 3, there was a blanket ban on recreational boating. Consequently, regular weekend patrols at the boat ramps were not required during this period. Rocket launches from the Mahia Peninsula were also brought to a temporary halt as launch staff were restricted in their travel arrangements.
- Lockdown also cut short passenger ship calls into Napier Port. Eight vessels were cancelled due to COVID-19, four cancelled due to the weather, whilst 76 berthed.

Highlights in 2019-20 for the Consents and Compliance group included:

Consents

- A total of 539 resource consents were issued, compared with 455, and 438 in the previous two years. All but one was processed within statutory timeframes.
- During the year, notified consents related to the Te Mata Mushroom operation at Brookvale were heard. The decision was appealed and parties were in mediation discussions at year end.
- In November and February, prehearing meetings were held on the Wairoa District Council wastewater discharge applications. Parties were still in discussion at year end.
- In December, an application was received for the expansion of the Omaranui landfill. This was put out for review by experts and their feedback led to a section 92 request for further information.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

- Applications for Tranche 2 Ruataniwha groundwater consents are on hold awaiting further information on the impacts of the takes on surface and groundwater.

Compliance and Pollution Response

- In October 2019, the Procedural Guidelines for the Tukituki Land Use resource consents were finalised and published, in collaboration with primary industry representatives as prescribed by Rule TT 1 of the Tukituki Catchment Plan (PC6).
- In November 2019, an external consultant was engaged to complete the Monitoring, Evaluation, Reporting and Improvement (MERI) social impact evaluation report on the Tukituki Catchment Plan. MERI is a baseline for future reporting on economic and social changes in the Central Hawke's Bay community.
- In February 2020, a Senior Regulatory Advisor joined the Policy Implementation – Regulation team to provide specialist knowledge on Farm System Management, nutrient budgeting and Overseer. Overseer is an online software tool that analyses nutrient flows on farms and allows farmers to understand the impact of farm management changes.
- HBRC currently has 8,300 active resource consents. 3,290 of these were required to be monitored during the 2019-20 financial year. Approximately 3,044 of these, or 92.5%, were monitored and 89.7% of these achieved full compliance. The reduction in percentage of monitored consents was influenced by a number of factors including COVID-19 restrictions, drought and associated low flow monitoring and increases in permitted activity monitoring undertaken by the compliance team.
- Incident numbers dropped this year with a total of 983 calls to the pollution hotline compared with 1,116 calls last year (11% decrease). There was a decrease in complaints during Level 4 and 3 of the COVID-19 restrictions. Calls by type included:
    - 628 Air (660 last year)
    - 27 Coastal (54 last year)
    - 9 Groundwater (13 last year)
    - 185 Land (237 last year)
    - 133 Surface Water (151 last year), and
    - 1 Maritime Safety (one last year).
- Twenty one abatement notices were issued (compared with 40 last year), 88 infringement notices were issued (101 last year) and 12 prosecutions (four last year). While the number of incidents has decreased the complexity of the complaints has increased as reflected by the increase in prosecutions.
- 192 notifications were received under the National Environmental Standards for Plantation Forestry (NES-PF). Of these, 27 were resource consent applications and 165 were permitted activities. Sites visits were undertaken for all high-risk sites and the majority of medium-risk sites (low-risk sites do not receive a site visit). The level of compliance was generally high with only six activities and consents non-compliant with NES-PF or resource consent conditions.
- 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 watertake consents during the drought was prioritized 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

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Consents & Compliance

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 Hawkes 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 noncompliance.

- In December 2019, the Hawke's Bay dairy farmers who consistently achieved full compliance with their resource consents were recognised at the Dairy Compliance Awards. The thirty-nine farms that 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. There are 79 dairy farms in the region who are assessed annually for compliance for effluent management and water take consent compliance. The Compliance Awards are supported by Fonterra and Ravensdown.
- The regulatory management information system, IRIS (Integrated Regional Information System), was implemented to manage HBRC's Listed Land Use Register (LLUR) for contaminated sites including an internal spatial database. This is currently being utilised to undertake a climate change vulnerability assessment of the region's closed and operational landfills.

Maritime Safety

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

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

What we spent

Consents and Compliance

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
Consents	1	2,043	2,043	1,754
Compliance & Pollution Response	2	3,313	2,897	2,227
Maritime Safety	3	52	69	72
Depreciation/Amortisation Expense		4	4	4
Total Operating Expenditure		5,412	5,013	4,057
TOTAL EXPENDITURE		5,412	5,013	4,057
REVENUE				
Activity Revenue				
Direct Charges		1,936	3,026	1,904
Total Activity Revenue		1,936	3,026	1,904
Other Revenue				
Grants		50	69	-
Total Other Revenue		50	69	-
TOTAL REVENUE		1,986	3,095	1,904
TOTAL FUNDING REQUIREMENT		**(3,426)**	**(1,918)**	**(2,153)**
Special Reserve Funding				
Other Reserve Funding		-	-	-
Total Special Reserve Funding		-	-	-
NET GENERAL FUNDING REQUIREMENT		**(3,426)**	**(1,918)**	**(2,153)**
MET BY				
General Funding Rates		1,770	1,737	1,370
Investment Income		6,642	10,797	1,285
Operating Reserves		(4,986)	(10,616)	(502)
		3,426	**1,918**	**2,153**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

Financial Variances Explained

Expenditure was $366,000 over budget within the compliance function relating to increased time spent on environmental incident responses, as well as an increase in overhead costs. Compliance monitoring revenue was $822,000 below budget, due to more activity on non-recoverable activities, such as pollution responses and permitted activity monitoring. Consent income was $268,000 less than budget relating in part to a drop in recoverable activity in the last quarter of the year, as a result of COVID-19 restrictions.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

How we did

Consents Activity

Level of Service Statement	Level of Service Measures	Performance Target (previous year's AR result)	Performance Results
HBRC will process resource consent applications in a timely manner.	Percentage of resource consents processed within statutory timeframe in Resource Management Act.	100% (Achieved - 100% in 2018-19)	Not Achieved **99.8%** All but one application was processed within statutory time frames.

Compliance and Pollution Response Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	100% (Not Achieved - 90.9% in 2018-19)	Not Achieved Percentage Monitored: **92.5%** Consents to be monitored =3,290 Consents Monitored=3,047 8300 consents are current within the HBRC database for active consents. Of these consents many are bore permits or structures that are no longer monitored so approximately 3290 consents were programmed to be monitored in the 2019/2020 period. Of these 3290 consents, HBRC monitored 3047 or 92.5%. The reduction in percentage of monitored consents was influenced by a number of factors in the 19/20 FY including Covid19 restrictions, drought and associated low flow monitoring and increases in permitted activity monitoring undertaken by the compliance team.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

	Percentage of monitored consents which receive an overall grade of full compliance.	95% (Not Achieved – 92.17% in 2018-19)	**Not Achieved** Full Compliance = **89.7%** Low Risk Noncompliance = 4.9% Moderate Noncompliance =4.5% Significant Noncompliance= 1.0% A change in how Council grades compliance with consents is largely responsible for the increase in low risk non-compliance. Council escalates its regulatory response on a case-by-case basis according to the risk to the environment and human health, the seriousness of the non-compliance, the apparent attitude to compliance, and the compliance history and frequency of issues arising.
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.	Achieved (Achieved in 2018-19)	**Achieved** Appropriately qualified staff operate the 24/7 duty management and pollution response system. See the highlights section for more information on the number and type of pollution calls and enforcement action taken.
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.	Achieved (Achieved in 2018-19)	**Achieved.** HAIL database is approx. 20% transferred into the new IRIS system. Anticipated end of year for full transferal. Efficient systems now in place to reduce expected staff hours required responding to HAIL requests. Undertaking more specific review of landfill vulnerability.
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.	Achieved (Achieved in 2018-19)	**Achieved** The T2 plan is currently being fully reviewed (as required on a 3-year basis). The second oil spill exercise scheduled for March 2020 did not happen due to COVID-19 restrictions. A response team is in place at all times. The number of responders is currently under review with the potential for two new team members.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Consents & Compliance

Maritime Safety Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Results
HBRC will provide local navigation safety control of shipping and small craft movements and provide navigation aids to ensure the region's navigable waters are safe for people to use.	Maintain a Maritime New Zealand accredited ***Hazard Identification/Risk Assessment*** and Safety Management System for the Napier Pilotage Area.	Achieved (Achieved in 2018-19)	Achieved This is regularly updated and reviewed by the Harbour Master and senior port of Napier staff.
	Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations.	Decreasing 3 yearly average (Not Achieved – 2018-19)	Achieved **50** incidents reported compared to 105 in 2018-19, 82 in 2017-18 and 33 in 2016-17. This year's result is an improvement but likely to be due to maritime inactivity due to COVID-19.

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Emergency Management

What we do

There are two activities within the Emergency Management Group of Activities:

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

Why we do it

This Group of Activities contributes to the following community outcomes:

The Emergency Management activities aim to enhance community resilience and reduce the impact of emergency events on people, property, businesses and the economy. The activities aim to identify potential hazards to the community and the means of reducing their impact; prepare the community for potential civil defence emergencies; and assist with the response to and recovery from any emergencies that occur.

The Hawke's Bay Civil Defence Emergency Management Group (the CDEM group or the group) is responsible for the implementation of the Hawke's Bay Civil Defence Emergency Management Group Plan. The group operates as a shared service across the region's councils, with all civil defence staff working in the same organisation, improving the capability in our region to respond to and bounce back from a disaster.

The Hawke's Bay Regional Council administers this group and also maintains an emergency response capability to support the group. It does this by ensuring staff are trained to help coordinate a response, including management of Council assets and ensuring essential business continues despite any disaster.

The relevant legislation for this function of Regional Council is the Civil Defence Emergency Management Act 2002 and the Resource Management Act 1991.

What we did

COVID-19/Drought Impact

- As outlined in the COVID-19 Overview page at the start of Part 2, the Hawke's Bay Civil Defence Emergency Management Group Emergency Coordination Centre was activated from 16 March to 5 July. The Group provided welfare services to people most at risk, and supported Hawke's Bay District Health Board's clinical response by easing the burden on health services through providing for non-clinical health emergency welfare needs to the community.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

- In early April, the welfare team quickly set up a regional emergency line to meet the immediate needs of vulnerable people until other services could step in. This was staffed by Council staff from Hawke's Bay's five councils and The Development Hub – a local organisation that provides employment, training and education opportunities to people, including young Māori and Pasifika women, sole parents and those returning to the workforce.
- The Group's emergency welfare service helped vulnerable people who were not covered by community groups and organisations, access basic food items and essential grocery items, such as toiletries. With winter hitting during lockdown, the group also provided warm winter clothing, warm blankets or firewood. The Group also provided emergency accommodation to homeless people and families without suitable accommodation during the lockdown.
- More than 150 community organisations and agencies joined forces to support the community, including the establishment of a significant partnership between the Group and the Tihei Mauri Ora Emergency Response Centre, kick-started to provide a welfare response to whānau pounamu (the most vulnerable) during lockdown. The Tihei Mauri Ora Emergency Response Centre was a collaboration between Ngāti Kahungunu Iwi and Hawke's Bay District Health Board, working with central and local government. On top of the Group response, the centre delivered food, firewood and blankets to whānau pounamu across eight district councils and three district health boards within the Ngāti Kahungunu rohe.
- The Group reported more than 7,000 inbound and outbound calls and carried out more than 1,600 needs assessment. Many callers just needed information and advice. For others, staff assessed their needs and provided welfare parcels to those with no other option. The Group delivered around 1,600 welfare parcels, as well as providing funding to foodbanks, with more than 8,400 parcels distributed.
- At the end of lockdown, a survey of 98 who called the group's 0800 emergency showed around 70% would have struggled without the Group's help, and 15% would have been in crisis.
- At the same time as the COVID-19 response, the HBCDEM Group supported the drought response, led by the Rural Advisory Group and Hawke's Bay Regional Council. The Group provided planning, welfare and public information management support to help Hawke's Bay farmers get through some of the harshest drought conditions in living memory.

Outside of the COVID-19 response the Group worked to educate people about hazards and increase knowledge through research:

- The HBCDEM team took part in two nationwide events designed to remind people of how to respond during an earthquake and potential tsunami, with the Tsunami Hīkoi in March, and the ShakeOut earthquake drill in October.
- Ongoing research focused on landslide risk and was commissioned in accordance with the 10-Year Hazard Research Plan. The findings from a GNS region-wide earthquake-induced landslides risk assessment report and GNS Bluff Hill earthquake-induced landslide forecast and hazard assessment are available on the Hawke's Bay Hazard Portal.
- The two-year Hikurangi Response Planning Project concluded with the launch of a toolbox designed to support regional and national planning for a Hikurangi subduction zone earthquake and tsunami. The toolbox, developed by East Coast Life at the Boundary, in collaboration with

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Emergency Management

five Civil Defence Emergency Management groups from across the North Island's east coast, includes a credible magnitude-8.9 earthquake and tsunami scenario developed by GNS Science. This can be used as a planning tool to identify the consequences of a large Hikurangi subduction zone earthquake and tsunami. This work provided Hawke's Bay's with a suite of resources to aid the region's future response planning.

- A focus for the HBCDEM Group was stronger engagement with communities. This included the completion of its community resilience programme 2019 – 2026. The Canterbury earthquakes showed the pivotal role communities play in emergency management and the Group have identified the need to move from an organisational response-centric planning model to building resilience across our communities. The Group worked with several rural coastal communities to develop resilience plans and the Clive and Cape Coast community resilience plans were completed. The community engagement team also focused on developing community resilience plans for specific communities of interest such as Māori (including marae), Pasifika and multicultural communities.
- In October, the HBCDEM Group ran Exercise Rūaumoko, a full-scale activation of Hawke's Bay Civil Defence Emergency Management Group and its regional partners' capabilities, to test Hawke's Bay's arrangements for preparing for, responding to, and recovering from a major emergency. The exercise took place over five days immediately following New Zealand ShakeOut at 1.30pm on 17 October, and involved emergency services, local government, utility providers and volunteering organisations.
- 162 warnings or watches or severe weather, tsunami warnings, or other events were effectively managed by the 24-hour duty on-call emergency management system. This system ensures someone is always available to support the group and oversee the initial response when national watches and warnings are issued.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

What we spent

Emergency Management

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
HB Civil Defence Emergency Management Group	1	608	139	1,826
HBRC Emergency Management	2	4,176	2,256	88
Depreciation/Amortisation Expense		1	1	1
Total Operating Expenditure		4,785	2,396	1,915
TOTAL EXPENDITURE		4,785	2,396	1,915
REVENUE				
Activity Revenue				
Direct Charges		1,357	119	23
Total Activity Revenue		1,357	119	23
Other Revenue				
Targeted Rates (Uniform Annual Charge)		2,149	2,129	2,130
Interest		4	4	3
Grants		291	-	-
Total Other Revenue		2,444	2,133	2,133
TOTAL REVENUE		3,801	2,252	2,156
TOTAL FUNDING REQUIREMENT		**(984)**	**(144)**	**241**
Special Reserve Funding				
Specific Scheme Reserves		379	6	(330)
Total Special Reserve Funding		379	6	(330)
NET GENERAL FUNDING REQUIREMENT		**(605)**	**(138)**	**(89)**
MET BY				
General Funding Rates		161	158	144
Investment Income		1,173	3,595	53
Operating Reserves	-	729	(3,615)	(108)
		605	**138**	**89**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

Financial Variances Explained

Operating expenditure was $2,390,000 overspent due to the Covid-19 pandemic and Hawkes Bay drought response. This overspend is partially offset by both activity revenue and grant income being $1,529,000 over budget through drought relief contributions and Covid-19 pandemic response reimbursements from local and central government.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

How we did

Hawke's Bay CDEM Group Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	Achieved Current Hazard Research Plan was adopted in 2015 and last reported to the GCEC in late 2019. Focus this year on identification of landslide risk from earthquakes, commissioned in accordance with the 10 Year Hazard Research Plan. GNS Bluff Hill earthquake induced landslide forecast and hazard assessment received April 2020, and Region-wide earthquake induced landslides risk assessment report published August 2020.
	Percentage of surveyed residents that identify earthquake, flooding, and tsunami as major hazards in Hawke's Bay (source: 2-yearly SIL perception survey).	Same or better result than last survey. (Last survey was in 2017: 86% of residents identified earthquakes, 58% of residents identified flooding/heavy rain, 45% of residents identified tsunami) (Not Achieved – 74.9% of residents identified earthquakes, 47.3% of residents identified flooding, 43.3% of residents identified tsunami	**Not measured this year** The most recent SIL perception survey was conducted between May – June 2019 and was reported in the 2018-19 Annual Report. Next survey due 2021

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

The HBCDEM Group will increase readiness, and ensure a coordinated and appropriate response and recovery from a civil defence emergency to reduce the impact on people and property.	An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee.	Achieved (Achieved in 2018-19)	**Achieved** A project plan to review existing Group Plan was developed and agreed to by the CEG and Joint Committee late last year. Work had commenced on hazard risk review. Due to the response to COVID-19 commencing in February and current work on planning for COVID-19 resurgence the CEG has determined that the review is not priority at this time. This will be discussed at the next Joint Committee meeting in August. Whatever the priority, this project will need to be re-evaluated and project plan adjusted. The current Plan remains operative until replaced.
	A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group.	Achieved (Achieved in 2018-19)	**Achieved** 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 re-emergence. 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.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

	Overall percentage score from the Ministry of CDEM assessment of the Hawke's Bay CDEM Group's capability (source: 5-yearly assessment).	80% (Not Achieved – 72% in 2018-19)	**Not measured this year** The national monitoring and evaluation programme run by the National Emergency Management Agency (NEMA) 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).	Increasing trend Last survey was in 2017: 90% of residents have enough food for three days and some way of cooking 75% have enough water stored. (Not Achieved - 84% of residents have enough food for three days; 62% enough water; and 82% some way of cooking without electricity in 2018-19)	**Not measured this year** The most recent SIL perception survey was conducted between May – June 2019 and was reported in the 2018-19 Annual Report. Next survey due 2021.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Emergency Management

HBRC Emergency Management

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
As the HBCDEM Group's Administering Authority, HBRC will provide an agreed budget and support to enable the Group to achieve the CDEM outcomes agreed to in the Group Plan.	HBRC provides support to the HBCDEM Group in accordance with a service level agreement.	Achieved (Achieved in 2018-19)	Achieved 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 with activation occurring on 20 March this plan 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.
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 Continuance Plan (BCP).	Achieved (Achieved in 2018-19)	Achieved HBRC's emergency response capability has been maintained for the year. 55 new staff received CDEM induction training, and procedures are being updated following the 2019 regional exercise. 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 Continuance Plan approved by Finance, Audit and Risk Committee on 11 February 2020.
	24-hour duty management system in place.	Achieved (Achieved in 2018-19)	Achieved An effective 24-hour duty management system, supported by Palmerston North City Council afterhours, has been operated with 468 calls managed and logged by the duty managers for the year. 162 warnings or watches for severe weather, tsunami, or other events have been effectively managed.

Transport

What we do

There are three activities within the Transport Group of Activities:

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

Why we do it

This Group of Activities contributes to the following community outcomes:

Council is responsible for regional transport planning, provision of passenger transport services and co-ordination of road safety education across Hawke's Bay. The driving force is the Regional Land Transport Plan and the Regional Public Transport Plan which must be prepared by the Regional Transport Committee and the Regional Council. A major part of the Council's transport role is to contract bus and Total Mobility taxi services that provide the community with access to work, education, social and recreational activities. The Regional Council also has an important role in the coordination of cycling activities through the Regional Cycling Governance Group and the Regional Cycling Plan 2015, which is currently being reviewed. The Plan aims to maximise the financial and social returns from cycling for health, tourism and liveability.

What we did

COVID-19/Drought Impact

- Bus services continued during COVID-19 lockdown to help support workers in essential services. Overall, bus patronage during this period showed a 20.5% decline compared with the same period last year. This was due mainly to the travel restrictions imposed during the lockdown.
- COVID-19 impacted the Hawke's Bay Trails in several ways. There was an immediate increase in trail usage by locals and concern about the possible risk of transmission on metal surfaces saw Council close about 25% of the network, specifically the sections where gates were unable to be left open safely due to stock. This. The Works Group wired gates shut and installed COVID-19 signage to ensure members of the public were aware of the risk and how to stop the spread. On partially closed sections of the trails there was a reduction during Levels 3 and 4, while there were increases on other sections.
- Since the Hawke's Bay Trails network fully re-opened in Level 1 and 2, there has been an increased monthly usage up between 7% to 35%, compared to 2019.

Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

- COVID-19 has also seen the cancellation of two major events directly affecting Hawke's Bay Trails: The Big Easy and NZ Sotheby's International Realty Hawke's Bay Marathon.
- To support local businesses Hawke's Bay Trails has made the fees for the 'Official Partners Programme' voluntary in 2020-21. Usually the fees are leveraged as co-funding for enhancement projects through the Managing the Great Rides Fund (MGR). This means there is reduced ability for Hawke's Bay Trails to leverage central government funding in the short term.

Highlights in 2019-20 for the Transport group included:

Transport Planning and Road Safety

- In late 2019, a joint transport study to evaluate traffic patterns in Hawke's Bay, predict future demand and programme any necessary future improvements to the transport network and services was commenced. The Regional Transport Committee is overseeing the project, with technical support from the Transport Technical Advisory Group. The study is being used to update and expand the findings of the Heretaunga Plains Transport Study and support the next Regional Land Transport Plan.
- In January 2020, the SH5 Joint Project was instigated. This is a comprehensive programme to address the high-risk road safety issues across SH5 and is a collaboration between Hawke's Bay Regional Council, NZ Police, Taupo District Council and NZ Transport Agency. The project will be rolled out in phases over several months and beyond if appropriate. The new billboard sites will be used to focus on seasonal and event messages.
- Planning for the University of Edinburgh Joint Project took place, a collaboration between the University and Road Safe Hawke's Bay. The Hawke's Bay Youth Road Safety Expo is being used as a case study in a Post-Graduate Diploma in Health Promotion.
- In November-December 2019, staff ran a programme at the Hawke's Bay Regional Prison's Youth Unit working with young offenders to design resources that were used for local road safety programmes. Students received a Certificate of Participation in a Graphic Design Course. Planning is underway for continuation in other focus units at the prison. This programme has previously won a national award.

Passenger Transport

- In June 2019, the Regional Public Transport Plan was adopted by the Regional Council. Work was undertaken and continues on a number of the actions identified in the plan, including the design of an airport service and the assessment of transport needs in Central Hawke's Bay and Wairoa. Discussions have been held with CHB District Council, who are investigating options for community transport. The introduction of an airport service has been affected by COVID-19 restrictions. Late running on Napier-Hastings services have been largely resolved by changing the route slightly.
- In September 2019, a range of proposals to reduce carbon emissions through increased bus patronage was presented to the Council. This resulted in the trial of a flat fare structure which significantly reduced fares. The trial began in August 2020 to coincide with the introduction of a new ticketing system. The new tag-on/tag-off system is proving to be popular with passengers and reduced loading times are helping to keep services running on time.

Transport

Regional Cycling

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

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

What we spent

Transport

	Activity (#)	Actual 19/20 ($'000)	Budget 19/20 ($'000)	Actual 18/19 ($'000)
EXPENDITURE				
Operating Expenditure				
Transport Planning and Road Safety	1	703	808	571
Passenger Transport	2	4,678	4,400	4,208
Regional Cycling	3	244	166	261
Depreciation/Amortisation Expense		22	36	18
Total Operating Expenditure		5,647	5,410	5,058
Capital Expenditure				
Regional Cycling		17	-	-
Total Capital Expenditure		17	-	-
TOTAL EXPENDITURE		5,664	5,410	5,058
REVENUE				
Activity Revenue				
Direct Charges		83	230	8
Total Activity Revenue		83	230	8
Other Revenue				
Targeted Rates		1,677	1,653	1,620
Interest		(5)	1	(1)
Grants		3,445	3,225	3,056
Total Other Revenue		5,117	4,879	4,676
TOTAL REVENUE		5,200	5,109	4,684
TOTAL FUNDING SURPLUS / (REQUIREMENT)		**(464)**	**(301)**	**(374)**
Special Reserve Funding				
Specific Scheme Reserves		193	47	172
Total Special Reserve Funding		193	47	172
NET GENERAL FUNDING SURPLUS / (REQUIREMENT)		**(271)**	**(254)**	**(202)**
MET BY				
General Funding Rates		251	247	144
Investment Income		525	670	121
Operating Reserves		(505)	(663)	(63)
		271	**254**	**202**

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

Financial Variances Explained

Transport was overspent by $287,000 due mainly to the significantly higher cost of the bus contract which rose substantially due to the increased indexation rates built into the contract and the legal requirement to pay bus drivers for ten minute breaks every two hours (Employment Relations Amendment Act). The deficit increased further due to the lower fare revenues from the declining patronage and reduced passenger numbers during the Covid-19 restrictions. Higher than anticipated allocated overheads were an additional factor in the overspend.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

How we did

Transport Planning and Road Safety Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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.	Achieved (Achieved in 2018-19)	**Achieved** 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 under review during 2020.
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).	Decreasing trend 2017: 344 (5-year rolling average for the region) (Partially Achieved in 2018-19) (In the 2018-28 LTP, this measure was changed from reporting fatal and serious injury crashes to fatal and injury crashes and the previous year's result has been restated using the new methodology)	**Not Achieved** 2019: 113 (5-year rolling average of fatal and injury crashes for the Hawke's Bay region). Statistics for the five year rolling average of fatal and injury crashes are no longer being updated by the Ministry of Transport and NZTA. Therefore, reporting is on the five-year average of deaths and serious injuries in road crashes (combined).

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

Passenger Transport Activity

Level of Service Statement	Level of Service Measure	Performance Target (previous year's AR result)	Performance Result
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 Hawke's Bay bus services.	Maintain or increasing trend (Not Achieved - 5-year rolling average to Jun 2019: 687,831)	Not Achieved 2019-20: 512,397 trips taken. 5-year rolling average to Jun 2020: 641,372. From July to February, patronage declined by 3% overall, however numbers were showing a positive trend in Jan-Feb. Some of the longer services (between Napier and Hastings) maintained or increased patronage, but most suburban services were showing significant declines. From March, patronage was severely affected by COVID-19, with 5% of usual patronage during Level 4, when only essential trips were permitted. By June, patronage was 80% of normal levels.
	Annual passenger kilometres travelled on the Hawke's Bay bus services.	Maintain or increasing trend (Not Achieved - 5-year rolling average to June 2019: 7,218,669 km)	Not Achieved 2019-20: 5,563,303 passenger kilometres travelled. 5-year rolling average to June 2019: 6,820,792 km. Passenger kilometres were down by 2% for the year from July to Feb overall, however showing an upswing in January and February. However, March figures sat at only 5% of usual levels due to Level 4 COVID-19 restrictions and numbers were severely affected through the remainder of the COVID-19 emergency to June.

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Part 2 - Groups of Activities | Ngā Whakarōpūtanga Kaupapa

Transport

	Proportion of total service costs that is covered by fares.	Maintain or increasing trend (Not Achieved - 5-year rolling average to June 2019: 37.3%)	**Not measured this year** 2019-20: Cannot provide a meaningful number The proportion of total costs that is covered by fares continued to decline due to significantly higher costs and lower patronage. From July - to February the recovery was approximately 32%. From March 24 through to 30 June, bus services were free due to the COVID-19 emergency and therefore a meaningful calculation cannot be made for the full year.
	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.	90% Hastings 75% Napier (Achieved – 90% in Hastings and Napier in 2018-19)	Achieved 90% Hastings 90% Napier A re-calculation exercise conducted using Napier and Hastings district plan maps has shown that 90% of residential and commercial business are now within 500m of a bus stop. Low density/outer urban areas were not able to be calculated using this method. Based on current urban growth rates, this performance indicator is unlikely to change significantly

Note: Trends are based on a 5-yearly rolling average to smooth out anomalies and/or fluctuations to get a long term picture of performance. To do this we take the last five year's data, average it then the next year we drop the earliest year off and add the latest one and average again

Part 3:
Financials | Pūrongo Pūtea

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Part 3- Financials | Pūrongo Pūtea

Financial Overview

The Financial Strategy set out in the 2018-28 Long Term Plan continued in the 2019-20 year. This effectively means we have continued to accelerate and scale up our activities to influence land and water use practices resulting in the continued increase in the levels of revenue and expenditure.

Napier Port Initial Public Offering (IPO)

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

$44 million of the receipts from the share sale were paid to Hawkes Bay Regional Council (HBRC) by HBRIC as a special dividend and invested in new managed funds that mirrored the funds created in 2018-19 except for some policy differences.

The remaining $63.3 million was initially retained in HBRIC and invested by HBRIC in new managed funds mirroring the existing funds created by HBRC. The LTP and AP assumed that all the receipts from the IPO were available to be returned tax-free to HBRC but subsequent advice indicated this was inaccurate and the funds have remained in HBRIC. HBRIC transferred $16.6 million of those managed funds to HBRC on 30 June 2020. The retention of the funds within HBRIC does not affect the group results which have benefited from the additional funds raised. As one of the prime enablers from the share sale, Napier Port has been able to commence work on the dredging for and building of the new wharf providing long-term financial benefits to the Hawkes Bay community. Further commentary on the performance of HBRIC is available in the section on Council Controlled Organisations following the financial statements.

COVID-19 Pandemic

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

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

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

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

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

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

The valuation of the Council's forestry assets reported an overall loss of $400k from prior year with the valuer recognising the impact of the pandemic on the export log market affecting some of the wood product available.

Results

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

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

- rates revenue $25.1 million (up $2 million);
- direct user charges $12.4 million (up $3.9 million);
- leasehold rental income $2.5 million (no change);
- dividend income $46.7 million (up $36.7 million);
- investment income from managed funds and other deposits $0.4 million (down $1.4 million);
- fair value gains $10.9 million (up $5.1 million).

Dividend income increased by $36.7 million from the IPO but was $44.2 million below budget due to the retention of IPO proceeds in HBRIC and the reduced annual dividend from the Port. Investment income was reduced and $6.9 million below budget due to the economic effects of the pandemic on the financial markets, including historically low interest rates, and the retention of IPO proceeds in HBRIC causing HBRIC to receive the investment gains, interest and dividends received from those funds. Fair value gains reflected the net gains on the investment property and forestry portfolios with the Napier endowment leasehold property portfolio reflecting the highest gain of $10 million. The Napier property valuation showed a large gain due to a reduced discount percentage, based on the low interest rates and returns on other investments, used in the cash flow calculations.

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

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The other comprehensive revenue and expense position is $130.5 million which exceeds the planned $4.9 million surplus. This significant increase is due to unrealised revaluation gains across all asset classes most specifically a $116.9million increase in the valuation of HBRIC (reflecting the increased share value of its holdings in Napier Port).

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

Liabilities increased by $15.6 million as HBRIC loaned the Council $16.6 million in exchange for $16.6 million in managed funds handed over to the Council and Council repaid $3.9 million of external loan funding during the year. The 2018-28 Long Term Plan outlined a preference for funding intergenerational projects through debt and Council determined to utilise reserves in the short-term to fund intergenerational expenditure at year end deferring additional external debt to 2021-22.

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Financial Reporting Benchmarks

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

These new reporting measures are set out in the Local Government (Financial Reporting and Prudence) Regulations 2014. This legislation is prescriptive as to the format and content of the benchmarks to be reported on.

1. Rates Affordability Benchmark

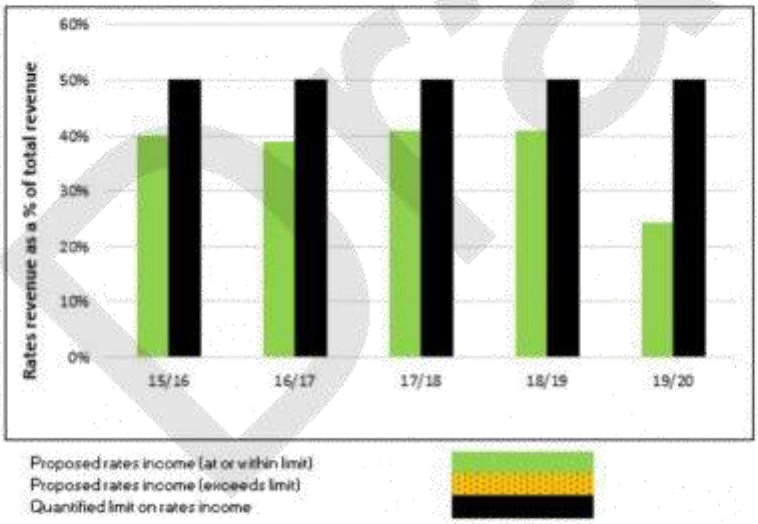
"The Council meets the rates affordability benchmark if:

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

A) Rates Income Affordability Benchmark

The following graph compares the Council's actual rates revenue with a quantified limit on rates contained in the financial strategy as included in the Council's 2018-28 Long Term Plan. The quantified limit used in the graph below is that total rates revenue will not exceed 50% of Council's annual revenue requirements. The graph uses percentage as a unit of measurement.

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



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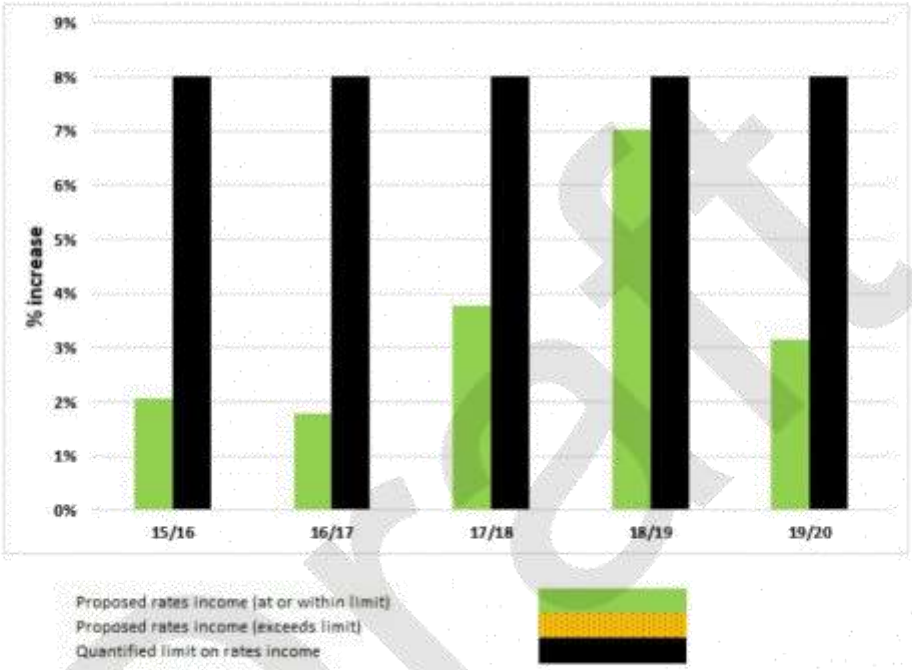
(B) Rates Increases Affordability Benchmark

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



The graph above establishes that each of the five years presented are within the benchmark limits.

2. Debt Affordability Benchmark

"The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing."

The financial strategy included in the Council's Long Term Plan set out two quantified limits on borrowing, being:

a) Net external debt as a percentage of total revenue must be less than 150%.

b) Net interest on external debt as a percentage of annual rates income must be less than 20%.

Graphs are provided below for each of these borrowing limits.

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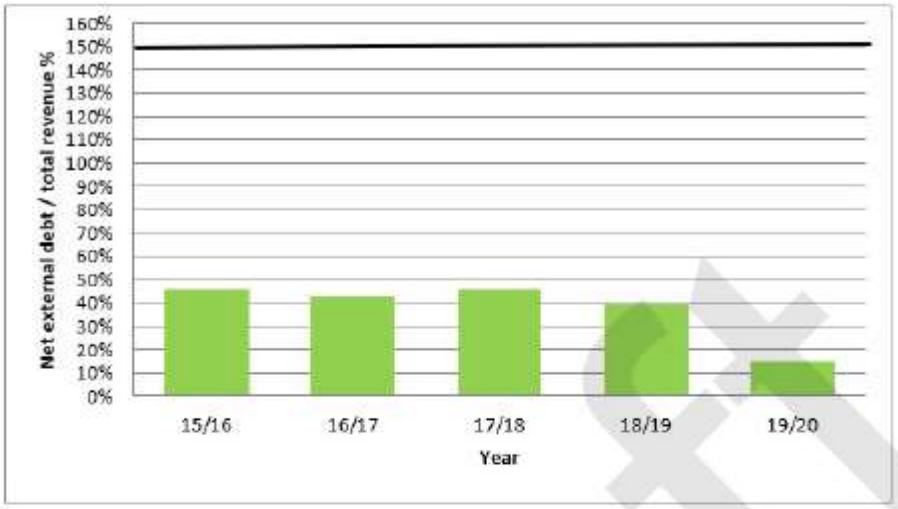
Borrowing limit debt to total revenue ratio



Benchmark met
Benchmark not met

Borrowing limit interest expense to annual rates income

Benchmark met
Benchmark not met

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

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3. Balanced Budget Benchmark

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

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of strategic assets, property, plant and equipment).

Benchmark met
Benchmark not met

The Council has met this benchmark for all years except 2016-17 due to the impairment of the advances made to HBRIC Ltd for the RWSS and the impairment of the RWSS evaluation costs.

4. Essential Services Benchmark

"The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services."

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services – *(NB: Council has only one network service and that covers the flood and drainage schemes).*

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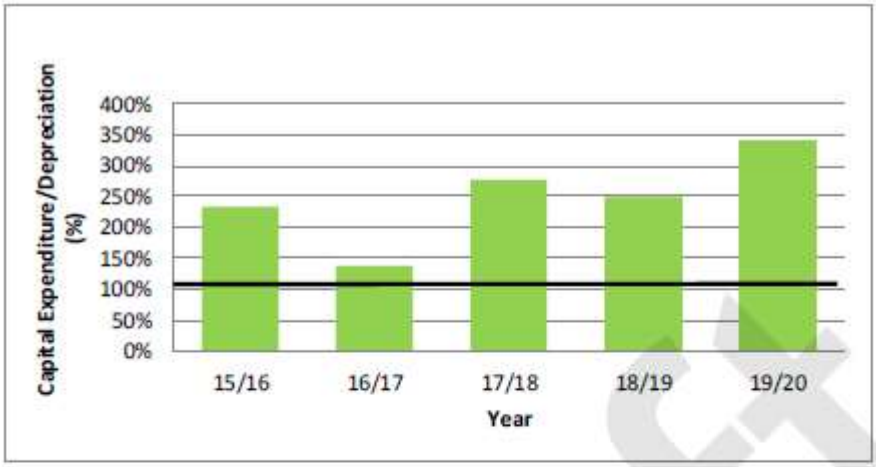

Benchmark met
Benchmark not met

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

5. Debt Servicing Benchmark

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

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations on property, plant and equipment).

Benchmark met
Benchmark not met

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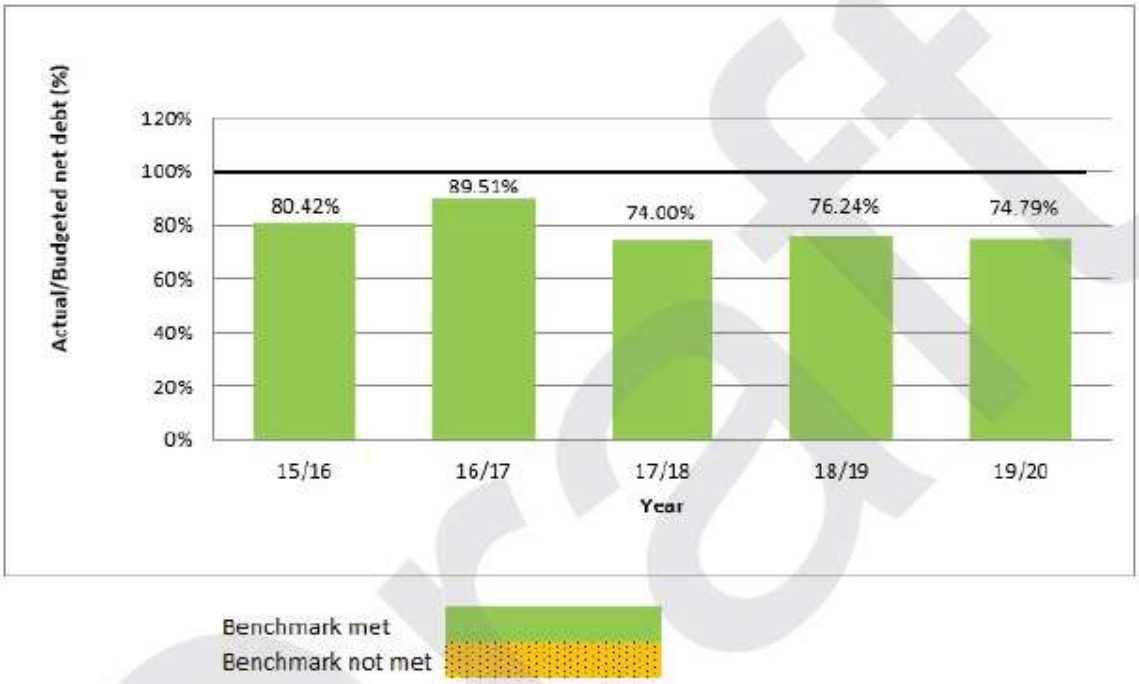
The Council has met the benchmark for all years included in the above graph. Fees paid to ACC for the capitalisation of Napier leasehold property cashflows for a 50 year period are included.

6. Debt Control Benchmark

"The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt."

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, **net** debt means financial liabilities less financial assets (excluding trade and other receivables).



The Council has met the benchmark in all of the years.

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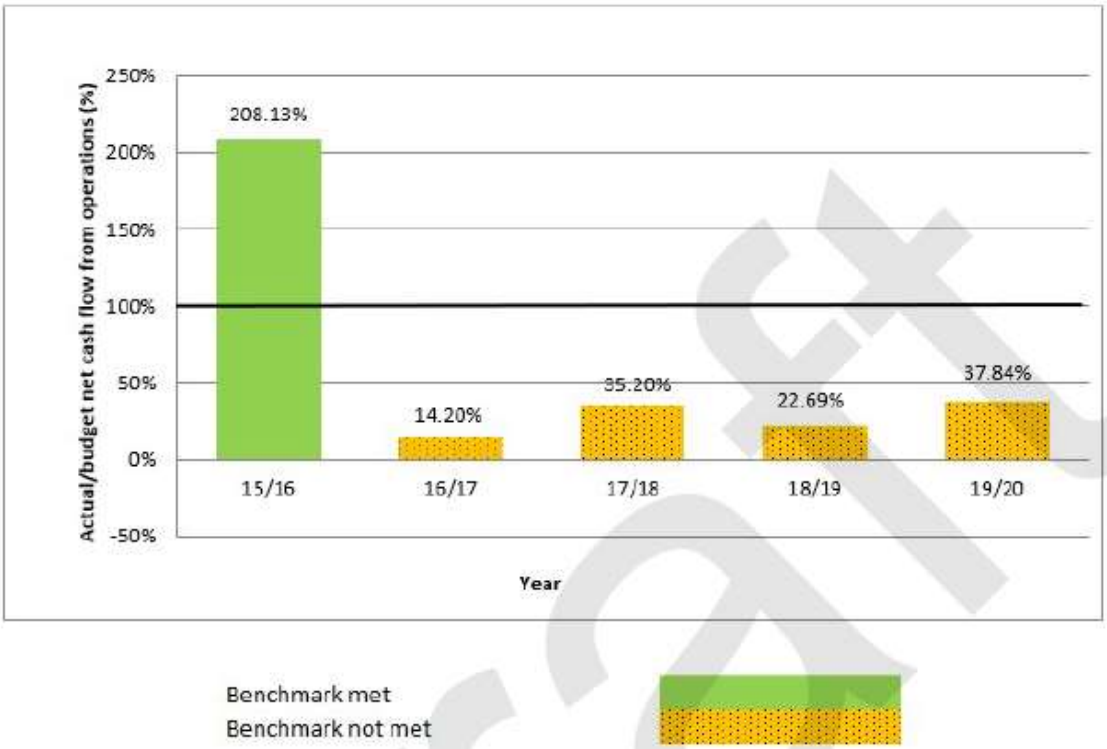
7. Operations Control Benchmark

"The Council meets the operations control benchmark if its actual net cashflow from operations equals or is greater than its planned net cashflow from operations."



The Council has not met this benchmark (i.e. actual net cashflow from operations has exceeded planned levels) for all the years since 2016-17, where the operating net cashflows were under budget but still positive.

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Part 3- Financials | Pūrongo Pūtea

Statement of Comprehensive Revenue and Expense

For the Year Ended 30 June 2020

	Note	Regional Council			Group	
		Actual 19/20 $000	Budget 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Revenue						
Revenue from activities	3	12,363	10,719	8,416	108,497	103,056
Rates revenue	4	25,154	24,642	23,186	25,154	23,186
Subsidies and grants	5	4,796	3,651	3,989	6,832	3,989
Other revenue	5	49,761	101,521	14,490	5,792	5,590
Fair value gains on investments	6	10,945	3,137	5,802	10,945	6,487
Reduction in ACC Leasehold Liability		-	936	-	-	-
Total Operating Revenue		103,019	144,606	55,884	157,220	142,309
Expenditure						
Expenditure on activities	3	(31,426)	(29,756)	(26,369)	(63,348)	(58,442)
Personnel costs	7	(23,327)	(20,594)	(20,394)	(55,663)	(47,759)
Finance costs	3	(2,120)	(2,713)	(2,489)	(3,653)	(6,542)
Depreciation & amortisation expense	3	(3,333)	(3,446)	(3,081)	(16,119)	(14,330)
Fair value losses	6	(618)	-	-	(618)	-
Other expenditure	7(c)	(1,410)	-	(475)	(1,410)	(1,359)
Total Operating Expenditure		(62,234)	(56,509)	(52,808)	(140,811)	(128,432)
Loss on sale of investments		-	-	-	(163)	-
Total Impairment and Loss on Sale Expenditure		-	-	-	(163)	-
Total Expenditure		(62,234)	(56,509)	(52,808)	(140,974)	(128,432)
Operating Surplus / (Deficit) before Income Tax		40,785	88,097	3,076	16,246	13,877
Income tax expense	8	-	-	-	(5,930)	(2,034)
Operating Surplus / (Deficit) after Income Tax		40,785	88,097	3,076	10,316	11,842
Other Comprehensive Revenue and Expense						
Gain/(loss) in other financial assets	18	118,286	13,880	58,879	1,957	1,356
Gain/(loss) on revalued intangible asset	18	1,164	(8,985)	1,290	1,164	1,290
Gain/(loss) on revalued property, plant and equipment assets	18	11,039	-	6,364	5,895	10,738
Effect on Consolidation						
Total Other Comprehensive Revenue and Expense		130,489	4,895	66,533	9,016	13,384
Total Comprehensive Revenue and Expense		171,274	92,992	69,609	19,332	25,225
Comprehensive income attributable to the						
Equity holders of the Parent		171,274	-	69,609	15,570	25,225
Non-controlling Interests			-	-	3,763	-
		171,274	-	69,609	19,332	25,225

The accompanying notes form part of these financial statements.

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Statement of Financial Position

As at 30 June 2020

	Note	Regional Council Actual 19/20 $000	Regional Council Budget 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
ASSETS						
Non-Current Assets						
Property, plant & equipment	9	28,574	26,887	27,473	360,676	334,368
Infrastructure assets	10	187,387	190,499	174,709	187,387	174,709
Investment property	11	57,855	52,596	48,393	66,055	56,363
Intangible assets	12	10,096	8,127	7,347	11,289	8,467
Forestry assets	14	11,087	11,198	11,482	11,087	11,482
Regional Freshwater Security		-	3,086	-	-	-
Deferred tax assets	21	-	-	-	-	-
Total non-current assets before other financial assets		294,999	292,393	269,404	636,494	585,389
Other financial assets	13	122,308	160,399	51,590	167,846	51,590
Investment in Council-controlled organisations	13	457,260	274,515	340,396	-	-
Advances to Napier / Gisborne Rail	13	1,486	1,718	236	1,486	236
Total other financial assets	13	581,054	436,632	392,222	169,332	51,826
Total Non-Current Assets		876,053	729,025	661,626	805,826	637,215
Current Assets						
Inventories		452	122	113	452	113
Trade & other receivables	15	11,327	9,244	10,063	25,634	26,510
Advances to Council-controlled organisations	15	-	-	6,500	-	-
Other financial assets	13	2,057	13,529	4,110	2,057	4,110
Cash and cash equivalents	17	6,522	2,739	28,436	25,234	32,227
Current tax asset		-	-	-	788	389
Total Current Assets		20,358	25,634	49,222	54,165	63,349
TOTAL ASSETS		896,411	754,659	710,848	859,992	700,564
NET ASSETS / EQUITY						
Accumulated funds	19	314,859	322,479	358,003	468,382	326,711
Fair value reserves	18	406,465	216,774	275,976	197,922	179,625
Other reserves	19	113,958	157,753	31,375	113,958	31,375
Total Net Assets / Equity		835,282	697,006	665,355	780,263	537,711
LIABILITIES						
Non-Current Liabilities						
Derivative financial instruments	16	-	-	-	-	4,312
Borrowings	20	31,238	27,744	17,685	14,575	98,385
Provisions for other liabilities & charges	24	10,783	12,465	11,282	10,783	11,282
Deferred tax liabilities	21	-	-	-	15,602	17,063
Employee benefit liabilities	22	520	710	519	997	993
Other Liabilities					-	
Total Non-Current Liabilities		42,541	40,919	29,486	41,957	132,035
Current Liabilities						
Bank overdraft	20	-	-	-	-	129
Derivative financial instruments	16	-	-	-	-	1,708
Borrowings	20	3,650	4,879	3,900	3,650	3,900
Provisions for other liabilities & charges	24	686	1,238	668	686	668
Current tax payable		-	-	-	2,569	2,001
Employee benefit liabilities	22	3,090	997	2,119	7,442	4,971
Trade & other payables	23	11,162	9,620	9,321	23,425	17,441
Other Liabilities					-	
Total Current Liabilities		18,588	16,734	16,008	37,772	30,818
TOTAL LIABILITIES		61,129	57,653	45,494	79,730	162,853
TOTAL NET ASSETS / EQUITY & LIABILITIES		896,411	754,659	710,848	859,992	700,564

The accompanying notes form part of these financial statements.

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Part 3- Financials | Pūrongo Pūtea

Statement of Changes in Equity

For the Year Ended 30 June 2020

	Note	Regional Council			Group	
		Actual 19/20 $000	Budget 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Equity as at beginning of year		665,355	604,014	595,746	537,711	512,486
Total Comprehensive Revenue and Expense		171,274	92,992	69,609	19,332	25,225
Adjustments to clear prior period errors	19	(1,346)	-	-	(1,346)	-
Dividends received / (paid)		-	-	-	(48,696)	-
Share capital issued		-	-	-	234,000	-
Transaction costs arising on proposed issuance of shares		-	-	-	(5,133)	
Acquisition of treasury shares		-	-	-	(323)	
Fair share loans to employees		-	-	-	(1,188)	
Share - based payments		-	-	-	375	
Effect on consolidation		-	-	-	45,532	-
					-	
Equity as at end of year		**835,283**	**697,006**	**665,355**	**780,263**	**537,711**
Equity attrubutable to:						
Equity holders of the parent		835,283	-	665,355	625,554	537,711
Non-controlling interests		-	-	-	154,709	-
		835,283	-	665,355	780,263	537,711

The accompanying notes form part of these financial statements.

Item 11 Attachment 1

Part 3- Financials | Pūrongo Pūtea

Statement of Cash Flow

For the Year Ended 30 June 2020

	Note	Regional Council Actual 19/20 $000	Regional Council Budget 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
CASH FLOW FROM OPERATING ACTIVITIES						
Cash was provided from:						
Receipts from customers		13,052	13,003	9,905	113,261	102,590
Rates		25,154	24,642	23,186	25,154	23,186
Dividends received		46,474	90,900	10,000	46,474	-
Interest received		404	7,727	1,818	466	1,821
Grants		4,796	3,651	3,989	6,832	3,989
Other Revenue		205	610	-	205	(144)
GST		-	-	-	395	278
		90,085	140,533	48,898	192,787	131,720
Cash was applied to:						
Payments to suppliers		32,045	26,974	24,707	89,858	52,997
Payments to and on behalf of employees		22,355	22,154	20,394	22,355	47,759
Interest expense		2,120	2,713	2,489	2,593	6,749
Income tax expense		-	-	-	7,567	1,860
IPO transaction and related costs					6,119	
Capitalised Interest		-	-	-	-	-
		56,520	51,841	47,590	128,492	109,365
Net Cash Flows from Operating Activities	17	33,565	88,692	1,308	64,295	22,355
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
Disposal of property, plant & equipment		123	310	146	208	874
Disposal of investment properties		2,103	-	4,139	2,103	4,139
Disposal of financial assets		256	15,534	59,069	256	59,069
Disposal of forestry assets		-	485	-	-	-
Repayments from Investment Company		6,500	-	-	6,500	-
		8,982	16,329	63,354	9,067	64,082
Cash was applied to:						
Purchase of property, plant & equipment		3,431	5,483	2,370	102,524	13,579
Purchase of intangible assets		2,547	2,150	1,218	2,547	1,218
Construction of infrastructure assets		2,238	4,080	2,390	2,238	2,390
Community lending		-	418	-	-	-
Purchase of financial assets		50,376	97,663	46,018	50,376	46,018
Forestry assets development		-	207	-	-	-
Purchase of intangibles on behalf of third parties		-	-	-	-	-
Investment in associate		-	-	-	230	50
Regional Freshwater Security		-	3,086	-	-	-
Advances to Investment Company		-	-	6,500	-	6,500
Advances to Napier / Gisborne Rail		1,250	-	-	1,250	-
		59,842	113,087	58,496	159,165	69,755
Net Cash Flows from Investing Activities		(50,860)	(96,757)	4,858	(150,098)	(5,673)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
Loans drawn		500	10,386	3,900	500	3,900
Proceeds from issue of ordinary shares		-	-	-	234,000	-
		500	10,386	3,900	234,500	3,900
Cash was applied to:						
Loans repaid		3,860	4,879	5,340	3,860	12,440
Leasehold freeholding proceeds paid to ACC		1,259	1,222	3,599	1,259	3,599
Transaction costs arising on share issuances					6,944	
Repayment of external loans					86,500	
Repayment of lease liability					197	
Termination of interest rate swaps					7,141	
Acquisition of treasury shares					323	
Fair share loans to employees to acquire shares					1,188	
Borrowing establishment costs					632	
Dividends paid					48,696	
Effect on consolidation		-	-	-	(1,160)	-
		5,119	6,101	8,939	155,580	16,039
Net Cash Flows from Financing Activities		(4,619)	4,284	(5,039)	78,921	(12,139)
Net Increase / (Decrease) in Cash & Cash Equivalents		(21,914)	(3,781)	1,127	(6,883)	4,543
Opening cash & cash equivalents		28,436	6,520	27,309	32,117	27,574
Closing Cash & Cash Equivalents	17	6,522	2,739	28,436	25,234	32,117

The accompanying notes form part of these financial statements.

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Part 3- Financials | Pūrongo Pūtea

Note 1: Statement of Accounting Policies

1.1 Reporting Entity

The Hawke's Bay Regional Council (Council) is a regional local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

The Hawke's Bay Regional Council group (the Group) consists of the ultimate parent, the Council, and its subsidiaries. The council owns 100% (2018/19: 100%) of Hawke's Bay Regional Investment Company Limited (HBRIC) which, in turn, owns 55% (2018/19: 100%) of Napier Port Holdings Limited (NPHL). NPHL is the holding company parent of Port of Napier Limited (PoNL). PoNL is a Port Company as defined in the Port Companies Act 1988.

These companies are incorporated and domiciled in New Zealand.

For the purposes of the LGA, HBRIC is a Council Controlled Trading Organisation as it is a Council Controlled Organisation whose purpose is to return a profit. On 20 August 2019, HBRIC sold 45% of its shareholding in NPHL via an Initial Public Offering listing on the New Zealand Stock Exchange (NZX).

The primary objective of Council is to provide services and social benefits for the community rather than make a financial return. The Council has designated itself and the group as public benefit entities (PBEs) for financial reporting purposes.

These financial statements of the Council and group are for the year ended 30 June 2020.

1.2 Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

(1.2.1) Statement of compliance

The financial statements of the Council and group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards.

These financial statements comply with PBE Standards.

The statements have been prepared under the historic cost convention, as modified by the revaluation of land and buildings, infrastructure assets, hydrological equipment, investment property, forestry assets and certain financial instruments measured at fair value.

(1.2.2) Presentation and Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ($'000).

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(1.2.3) Changes in Accounting Standards

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

Impairment of revalued assets (amendments to PBE IPSAS 17, 21 and 26)

The amendments bring revalued property, plant and equipment and intangible assets within the scope of PBE IPSAS 21 and PBE IPSAS 26. The amendments clarify that an impairment of an individual asset outside of the revaluation cycle will not necessitate the revaluation of the entire class of assets to which the impaired asset belongs and that the requirement to assess assets for impairment has been extended to include revalued assets.

PBE IPSAS 34 Separate financial statements

Supercedes PBE IPSAS 6 and does not affect the Council as the Council produces consolidated financial statements.

PBE IPSAS 35 Consolidated financial statements

Introduced a new definition of control requiring both power and exposure to variable benefits and includes more guidance on assessing control (including additional guidance on substantive and protective rights). Exceptions from consolidation are provided for investment entities and a parent of an investment entity. The standard also includes guidance on principal/agent relationships, network and partner agreements and on the application of consistent accounting policies when consolidating for-profit entities into a PBE group.

PBE IPSAS 36 Investments in Associates and Joint Ventures

Supercedes PBE IPSAS 7 and 8 and prescribes the accounting for investments in associates and joint ventures and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

PBE IPSAS 37 Joint Arrangements

Supercedes PBE IPSAS 8 and establishes principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

PBE IPSAS 38 Disclosure of interests in other entities

Requires the disclosure of information that enables users of financial statements to evaluate: 1) the nature of, and risks associated with, interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and 2) the effects of those interests on the financial position, financial performance and cash flows.

PBE IPSAS 39 Employee Benefits

PBE IPSAS 39 supersedes PBE IPSAS 25 Employee Benefits. The main change is the definition of short-term employee benefits has changed to be employee benefits expected to be settled (as opposed to 'due to be settled') wholly within 12 months after the end of the reporting period.

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Note 2: Summary of Significant Accounting Policies

2.1 Basis of Consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, revenue, and expenses of entities in the group on a line-by-line basis. All intragroup balances, transactions, revenues, and expenses are eliminated on consolidation.

(2.1.1) Subsidiaries

The Council consolidates in the group financial statements all entities where the Council has the capacity to control their financing and operating policies so as to obtain benefits from the activities of the subsidiary. This power exists where the Council controls the majority voting power on the governing body or where such policies have been irreversibly predetermined by the Council or where the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary.

The Council will recognise goodwill where there is an excess of the consideration transferred over the net identifiable assets acquired and liabilities assumed. This difference reflects the goodwill to be recognised by the Council. If the consideration transferred is lower than the net fair value of the Council's interest in the identifiable assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

In the parent entity's separate financial statements, the Council has elected to account for its investments in subsidiaries as financial instruments in accordance with PBE IPSAS 29 and, therefore, carries these at fair value.

Council's group financial statements are based on NPHL's special purpose financial statements for the year ended 30 June 2020.

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

2.2 Revenue Recognition

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

(2.2.1) Rates Revenue

The following policies for rates have been applied:

- General rates, targeted rates and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Rate remissions are recognised as a reduction of rates revenue when the Council has received an application that satisfies its rates remission policy.

(2.2.2) Sales of Goods and Services

- Revenue from the sale of goods is recognised when a product is sold to the customer.
- Sales of services are recognised in the accounting period in which the services are rendered, by reference to the completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total service provided.

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(2.2.3) Interest and Dividends

- Interest revenue is recognised using the effective interest method. Interest revenue on an impaired financial asset is recognised using the original effective interest rate.
- Dividends are recognised when the right to receive payment has been established. When dividends are declared from pre-acquisition surpluses, the dividend is deducted from the cost of the investment.

(2.2.4) Grants

Grants are recognised as revenue when they become receivable unless there is an obligation in substance to return the funds if conditions of the grant are not met. If there is such an obligation, the grants are initially recorded as grants received in advance and recognised as revenue when conditions of the grant are satisfied.

2.3 Expenditure Recognition

(2.3.1) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(2.3.2) Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when approved by the Council and the approval has been communicated to the applicant. The Council's grants awarded have no substantive conditions attached.

(2.3.3) Foreign Currency Transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into NZ$ (the functional currency) using the spot exchange rate at the date of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit.

2.4 Income Tax

Income tax expense includes components relating to both current tax and deferred tax.

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.
- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

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- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.5 Leases

(2.5.1) Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The finance charge is charged to the surplus or deficit over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Council will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(2.5.2) Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset.

Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

2.6 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2.7 Receivables

Receivables are recorded at their face value, less any provision for impairment.

2.8 Derivative Financial Instruments and Hedging Accounting

Derivative financial instruments are used to manage exposure to foreign exchange arising from the Council's operational activities and interest rate risks arising from the Council's financing activities. In accordance with its treasury policy, the Council does not hold or issue derivative financial instruments for trading purposes.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance date. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and, if so, the nature of the item being hedged.

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The associated gains or losses on derivatives that are not hedge accounted are recognised in the surplus or deficit.

The Council and group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or
- hedges of highly probable forecast transactions (cash flow hedge).

The Council and group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Council and group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The full fair value of a hedge accounted derivative is classified as non-current if the remaining maturity of the hedged item is more than 12 months, and as current if the remaining maturity of the hedged item is less than 12 months.

The full fair value of a non-hedge accounted foreign exchange derivative is classified as current if the contract is due for settlement within 12 months of balance date; otherwise, foreign exchange derivatives are classified as non-current. The portion of the fair value of a non-hedge accounted interest rate derivative that is expected to be realised within 12 months of the balance date is classified as current, with the remaining portion of the derivative classified as non-current.

(2.8.1) Fair value hedge

The gain or loss from remeasuring the hedging instrument at fair value, along with the changes in the fair value on the hedged item attributable to the hedged risk, is recognised in the surplus or deficit. Fair value hedge accounting is applied only for hedging fixed interest risk on borrowings.

If the hedge relationship no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the surplus or deficit over the period to maturity.

(2.8.2) Cash flow hedge

The portion of the gain or loss on a hedging instrument that is determined to be an effective hedge is recognised in other comprehensive revenue and expense, and the ineffective portion of the gain or loss on the hedging instrument is recognised in the surplus or deficit as part of "finance costs".

If a hedge of a forecast transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains or losses that were recognised in other comprehensive revenue and expense are reclassified into the surplus or deficit in the same period or periods during which the asset acquired or liability assumed affects the surplus or deficit. However, if it is expected that all or a portion of a loss recognised in other comprehensive revenue and expense will not be recovered in one or more future periods, the amount that is not expected to be recovered is reclassified to the surplus or deficit.

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were

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recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

2.9 Financial Assets

Financial assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of financial assets are recognised on trade-date, the date on which the Council and group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Council and group has transferred substantially all the risks and rewards of ownership.

Financial assets are classified into the following categories for the purpose of measurement:

- fair value through surplus or deficit
- loans and receivables
- held-to-maturity investments, and
- fair value through other comprehensive revenue and expense.

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

(2.9.1) Financial Assets at Fair Value through Surplus or Deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied.

Financial assets acquired principally for the purpose of selling in the short-term or part of a portfolio classified as held for trading are classified as a current asset. The current/non-current classification of derivatives is explained in the derivatives accounting policy above.

After initial recognition, financial assets in this category are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

(2.9.2) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

After initial recognition, they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

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Loans to community organisations made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of the loan is recognised in the surplus or deficit as a grant.

(2.9.3) Held-to-Maturity Investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities and there is the positive intention and ability to hold to maturity. They are included in current assets, except for maturities greater than 12 months after balance date, which are included in non-current assets.

After initial recognition they are measured at amortised cost, using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

(2.9.4) Financial Assets at Fair Value through other Comprehensive Revenue and Expense

Financial assets at fair value through other comprehensive revenue and expense are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date. The Council and group includes in this category:

- investments that it intends to hold long-term but which may be realised before maturity; and
- shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses, which are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit.

2.10 Impairment of Financial Assets

Financial assets are assessed for evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

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

Impairment is established when there is evidence that the Council and group will not be able to collect amounts due according to the original terms of the receivable. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership, or liquidation and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (that is, not past due). Impairment in term deposits, local authority stock, government bonds, and community loans, are recognised directly against the instrument's carrying amount.

(2.10.2) Financial assets at fair value through other comprehensive revenue and expense

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expense, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expense is reclassified from equity to the surplus or deficit. Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit.

If in a subsequent period the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

2.11 Inventory

Inventory held by the Council is for own use only and is stated at the lower of cost (using the weighted average cost method) and net realisable value.

2.12 Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale.

2.13 Property, Plant and Equipment

(2.13.1) Operational Assets

Council land and buildings are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by independent, professionally qualified valuers.

Hydrological equipment is shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

All other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The costs of assets constructed by Council include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

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(2.13.2) Infrastructure Assets

Infrastructure assets are tangible assets that are necessary to fulfil the Council's obligations in respect of the Soil Conservation and Rivers Control Act 1941 and the Drainage Act 1908. Such assets usually show some or all of the following characteristics:

- They are part of a system or network that could not provide the required level of service if one component was removed.
- They enable the Council to fulfil its obligations to the region's communities in respect of flood control and drainage legislation.
- They are specialised in nature and do not have alternative uses.
- They are subject to constraints on removal.

Infrastructure assets are shown at fair value less subsequent accumulated depreciation, based on periodic, but at least triennial, valuations by suitably experienced Council employees, on the basis of depreciated replacement cost. Independent, professionally qualified valuers review all such valuations.

(2.13.3) Additions

The cost of an item of property, plant, and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to the Council and group and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

(2.13.4) Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

(2.13.5) Subsequent Costs

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Council or group and the cost can be measured reliably. All other repairs and maintenance are charged to surplus or deficit during the financial period in which they are incurred.

(2.13.6) Revaluation Adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the statement of comprehensive revenue and expense.

Any accumulated depreciation at the date of revaluation is eliminated against the carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

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2.14 Intangible Assets

(2.14.1) Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred. Costs associated with development and maintenance of the Council's website are recognised as an expense when incurred.

(2.14.2) Carbon Credits

Purchased carbon credits are recognised at cost on acquisition.

Free carbon units received from the Crown are recognised at fair value on receipt. They are not amortised, but are instead tested for impairment annually. They are derecognised when they are used to satisfy carbon emission obligations.

(2.14.3) Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit.

2.15 Depreciation and Amortisation Periods

Land and hard dredging are not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives.

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. Major depreciation and amortisation periods are:

Major Depreciation and Amortisation Periods	
Asset Category	**Years**
Buildings and Site Improvements	3 - 41
Vehicles	3 - 20
Plant & Equipment	1 - 31
Computer Equipment	3 - 20
Computer Software & Licences	3 - 50
Infrastructure Assets	5 - 100

No depreciation is provided for stop banks, berm edge protection, sea or river groynes, drainage works or unsealed roads. These assets are not considered to deteriorate over time and, therefore, will provide a constant level of service unless subjected to a significant flood event.

2.16 Impairment of Non-Financial Assets

Assets that have an indefinite useful life are not subject to amortisation and are tested for impairment at each balance date. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

An impairment is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For revalued assets, an impairment loss is recognised in the statement of comprehensive revenue and expense against the revaluation reserve. Any impairment in excess of the reserve is recognised in surplus or deficit. Subsequent reversals of impairment are recognised in surplus or deficit to the extent initially recognised in surplus or deficit with any further reversals recognised in the statement of comprehensive revenue and expense.

For assets carried at cost, impairment and any reversals are recognised in surplus or deficit.

2.17 Investment Property

Investment property is leasehold land, commercial land and buildings held to earn rental revenue and for capital appreciation. Such property is initially recognised at cost. At each balance date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in surplus or deficit for the period in which it arises.

2.18 Forestry Crops

Forestry crops are measured at their fair value less estimated point-of-sale costs each balance date by independent, professionally qualified valuers. Fair value is determined by the present value of expected net cash flows discounted by the current market-determined pre-tax rate. A gain or loss in value is recorded in surplus or deficit for the period in which it arises.

2.19 Payables

Short-term creditors and other payables are recorded at their face value.

2.20 Borrowings

Borrowings are recognised initially at fair value plus transaction costs. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

2.21 Employee Entitlements

(2.21.1) Short-term Employee Entitlements

Employee benefits expected to be settled within 12 months after the end of the period in which the employee renders the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, and sick leave.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent it will be used by staff to cover those future absences.

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(2.21.2) Long-term Employee Entitlements

Employee benefits that are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave and retirement gratuities, have been calculated on an actuarial basis.

The calculations are based on:

- likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information; and
- the present value of the estimated future cash flows

2.22 Provisions

Provisions are recognised when:

- Council has a present legal or constructive obligation as a result of past events, and
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense and is included in "Finance costs".

Provisions are not recognised for future operating losses.

2.23 Equity

Equity is the community's interest in the Council and is measured as the difference between total assets and total liabilities.

Equity is disaggregated and classified into the following components:

- accumulated funds;
- fair value reserves;
- cash flow hedge reserves; and
- other reserves;

(2.23.1) Fair Value Reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and available-for-sale financial assets.

The available-for-sale assets are comprised of investments in both equity and debt instruments. They are designated as available-for-sale financial assets if they do not have fixed maturities and fixed or determinable payments, and management intends to hold them for the medium to long-term. Financial assets that are not classified into any of the other categories (at FVPL, loans and receivables or held-to-maturity investments) are also included in the available-for-sale category.

The financial assets are presented as non-current assets unless they mature, or management intends to dispose of them within 12 months of the end of the reporting period.

(2.23.2) Cash Flow Hedge Reserves

This reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedge instruments, related to hedged transactions that have not yet occurred.

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(2.23.3) Other Reserves

Other reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Some of these other reserves are restricted by Council decision. Transfers to and from these reserves are at the discretion of the Council.

2.24 Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the statement of financial position.

The net GST paid to, or received from, the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

2.25 Budget Figures

The budget figures are those approved by the Council in its 2018-28 Long Term Plan and 2019-20 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.26 Basis of Allocation of Council's Indirect Costs

Clearly identifiable costs are directly charged against each activity. Indirect costs are allocated to cost centres in the first instance under a variety of methods including:

- Floor area occupied
- Number of full time equivalent employees
- Assessed use of various services provided.

These costs are then charged to projects on a labour standard costing basis. The allocation unit is each working hour charged by employees at a pre-determined rate. Variances arising from this method will be allocated on the same basis as for costs of a fixed nature referred to above. Project costs are then summarised for each activity and group of activities.

2.27 Critical Accounting Estimates and Assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Fair Value of Assets

Various assumptions have been made in determining fair value of assets. These assumptions are set out under the individual assets notes.

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Useful Life of Assets

The useful life of assets that are depreciated or amortised is based on best estimates and prior knowledge but may not reflect the actual true useful life of individual assets.

2.28 Critical Judgments in Applying Accounting Policies

Management has exercised judgements in applying accounting policies for the year ended 30 June 2020 these are in accordance with the accounting standards and best practice.

2.29 New Standards and Amendments issued and not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the current year end's reporting periods and have not been early adopted by the Council. The Council and group's assessment of the impact of these new standards and interpretations is set out below.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 was effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risks.

In March 2019, NZASB issued PBE IPSAS 41 Financial Instruments which is mandatory for periods beginning on or after 1 January 2022. The NZASB subsequently deferred the effective date of PBE IFRS 9 to 1 January 2022 so that PBE IFRS 9 did not become mandatorily effective before PBE IPSAS 41. When applied, PBE IPSAS 41 supersedes PBE IFRS 9. The Council intends to apply PBE IPSAS 41 in the financial year beginning 1 July 2022. The Council and has not yet assessed the effects of the new standard.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2021. Council has not yet determined how application of PBE FRS 48 will affect its statement of performance.

Amendments to PBE IPSAS 2 Statement of Cash Flows

Requires entities to provide additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. Effective for periods beginning 1 January 2021. This amendment will result in additional disclosure required and will not have any additional impact on the amounts disclosed.

The Council has not early adopted any of these standards. There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

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Note 3: Groups of Activities Revenue & Expenditure

	Note	Regional Council Actual 19/20 $000	Regional Council Budget 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Revenue						
Groups of activity						
Strategic Planning		25	-	-	25	-
Asset Management		2,639	2,165	2,974	2,639	2,974
Integrated Catchment Management		6,240	5,054	3,446	6,240	3,446
Consents and Compliance		1,936	3,026	1,904	1,936	1,527
Emergency Management		1,357	119	23	1,357	23
Transport		83	230	8	83	8
Governance & Community Engagement		83	125	61	83	60
Total groups of activity revenue		12,363	10,719	8,416	12,363	8,038
Less internal revenue		-	-	-	-	-
Total groups of activity revenue		12,363	10,719	8,416	12,363	8,038
Other activity						
Subsidiary operations		-	-	-	96,134	95,018
Total activity revenue		12,363	10,719	8,416	108,497	103,056
Expenditure						
Groups of activity						
Strategic Planning		4,584	4,871	4,648	4,584	4,648
Asset Management		12,222	11,948	11,209	12,222	11,209
Integrated Catchment Management		22,378	22,327	19,935	22,378	19,935
Consents and Compliance		5,412	5,013	4,057	5,412	4,056
Emergency Management		4,785	2,396	1,915	4,785	1,915
Transport		5,647	5,410	5,058	5,647	5,058
Governance & Community Engagement		3,259	3,171	3,748	3,259	3,747
Total groups of activity expenditure		58,287	55,136	50,571	58,287	50,569
Less internal expenditure		(140)	(181)	(180)	(140)	(180)
Total groups of activity expenditure		58,147	54,955	50,392	58,147	50,390
Other activities						
Regional income collection		1,803	1,544	1,942	1,803	1,942
Interest Paid on Regional Income loans		-	-	-	-	-
Subsidiary operations		-	-	-	78,578	75,127
Total other activities expenditure		1,803	1,544	1,942	80,381	77,069
Less allocated personnel costs	7(a)	(23,071)	(20,594)	(20,394)	(55,407)	(47,759)
Less finance costs - interest on borrowings		(1,051)	(1,491)	(1,238)	(2,584)	(5,677)
Less finance costs - fees associated with the transfer of Napier leasehold cashflows to ACC		(1,069)	(1,222)	(1,251)	(1,069)	(1,251)
Less depreciation and amortisation expense	7(a)	(3,333)	(3,446)	(3,081)	(16,119)	(14,330)
Total activity expenditure		31,426	29,746	26,369	63,349	58,442
Depreciation and amortisation by groups of activity						
Strategic Planning		-	-	-		
Asset Management		687	652	686		
Integrated Catchment Management		485	617	471		
Consents and Compliance		4	4	4		
Emergency Management		1	1	1		
Transport		22	36	18		
Governance & Community Engagement		-	8	7		
Total directly attributable depreciation and amortisation		1,199	1,318	1,186		
Depreciation not directly related to groups of activity		2,134	2,128	1,895		
Total depreciation and amortisation expense		3,333	3,446	3,081		

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Note 4: Rates Revenue

	Note	Regional Council			Group	
		Actual 19/20 $000	Budget 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
General funding rates						
Uniform annual general charge		3,063	2,836	2,804	3,063	2,804
General rate on land value		5,761	5,591	4,553	5,761	4,553
Total general funding rates		**8,824**	**8,427**	**7,357**	**8,824**	**7,357**
Targeted rates		16,377	16,215	15,878	16,377	15,878
Rates Remissions		(47)	-	(49)	(47)	(49)
Total rates revenue	4(a)	**25,154**	**24,642**	**23,186**	**25,154**	**23,186**

Note 4(a)

Under Council's rates remission policy for multiple ownership land, 141 rates remissions were approved, totalling $46,778 (2018/19 - 138 remissions totalling $49,739)

The total rates revenue includes penalties of $356,193 (2018/19: $219,000)

Rating base information

The number of rating units within the region as at June 2020 are 71,112. (2019: 70,719)

The total capital value of rating units within the region as at 30 June 2020 is $41,162,549,050 (2019: $38,807,752,750)

The total land value of the rating units within the region as at 30 June 2020 is $20,979,086,890 (2019: $19,557,552,200)

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Note 5: Other Revenue

	Note	Regional Council Actual 19/20 $000	Regional Council Budget 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Subsidies and grants						
Grants	5(a)	4,796	3,651	3,989	6,832	3,989
Total subsidies and grants		**4,796**	**3,651**	**3,989**	**6,832**	**3,989**
Other revenue						
Dividend revenue		46,680	90,900	10,000	222	-
Leasehold rents	5(b)	2,534	2,284	2,576	5,030	4,062
Interest revenue		892	7,727	1,818	892	1,464
Gain / (Loss) on disposal of assets - net		17	-	41	17	41
Subvention payments		7	28	32	-	-
Gain / (Loss) on investments - net		(465)	-	-	(465)	-
Other income		96	-	-	96	-
Foresty income	5(c)	-	582	23	-	23
Total other revenue		**49,761**	**101,521**	**14,490**	**5,792**	**5,590**

Note 5(a)

Government grants are received from the New Zealand Transport Agency for bus services and road safety projects, New Zealand Trade and Enterprise for regional development projects, Ministry of Justice and the Ministry of the Environment for Iwi initiatives, Maritime New Zealand for maintaining a tier 2 marine spill response plan, and the Ministry of Primary Industries for afforestation, environmental and water initiative projects.

The grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled. There are no unfulfilled conditions and other contingencies attached to the grants recognised as other revenue.

Note 5(b)

Under the Hawke's Bay Endowment Land Empowering Act 2002, income from leasehold endowment land can only be used for the improvement, protection, management or use of Napier Harbour or the Regional Council's coastal marine area as defined in section 2(1) of the Resource Management Act 1991.

Note 5(c)

Miscellaneous revenue includes forestry income and fines.

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Note 6: Fair Value Gains & Losses Through the Statement of Comprehensive Revenue and Expense

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Fair value gains					
Investment property gains	11	10,722	5,005	10,722	5,690
Financial asset gains	13	-	-	-	-
Forestry asset gains	14	223	784	223	784
Derivative instrument gains	16	-	13	-	13
Infrastructure asset gains	10	-	-	-	-
Carbon credit gains	12		-	-	-
Foreign currency gains		-	-	-	-
				-	
Total fair value gains		10,945	5,802	10,945	6,542
Fair value losses					
Investment property losses	11	-	-	-	-
Financial asset losses	13		-	-	-
Forestry asset losses	14	618	-	618	-
Derivative instrument losses	16	-	-	-	-
Infrastructure asset losses	10	-	-	-	-
Carbon credit losses		-	-	-	-
Foreign currency losses		-	-	-	-
Asset impairment losses	9 &10	-	-	-	-
				-	
Total fair value losses		618	-	618	-

Note:
Fair value gains and losses on trading assets (listed above) are recorded in the Statement of Comprehensive Revenue and Expense.
In addition, when asset revaluation decrements are greater than the corresponding surplus in the Fair Value Reserve,
the excess decrements are also recorded in the Statement of Comprehensive Revenue and Expense as an asset impairment.

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Note 7: Expense Disclosures

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
General disclosures					
Depreciation	9,10	2,647	2,647	15,646	13,495
Amortisation	12	686	434	686	835
Personnel Costs	7(a)	23,327	20,394	55,663	47,759
Donations		488	20	488	20
Operating lease expense		167	163	167	364
Capitalised borrowing costs		-	-	-	-
Key management compensation				-	
[a] short-term employee benefits		2,777	2,263	6,784	5,526
[b] post-employment benefits		-	-	-	-
[c] other long-term benefits		71	60	71	60
[d] termination benefits		-	-	130	130
[e] share-based payment		-	-	62	-
	7(b)	2,848	2,323	7,047	5,716
Fees paid to Council's auditors (Audit NZ)					
Financial statements audit fee		109	134	143	162
Long term plan audit fee		9	-	9	-
Assurance & related services fee (lease receiveables		10	9	10	9
agreement report)				-	
Tax services fee		-	-	-	-
Additional fees for financial statements audit		60	-	60	-
				-	
Fees paid to subsidiaries' auditors (EY)				-	
Financial statements audit fee		-	-	212	145
Non audit services (strategic risk consultancy)		-	-	35	-
Total fees paid to auditors		188	143	469	316
Note 7(a)					
Personnel Costs					
Salaries and wages		22,085	19,551	54,421	46,916
Defined contribution plan employer contributions		683	665	683	665
Increase/(decrease) in employee entitlements	22(a)	303	179	303	179
Allocated Personnel Costs		23,071	20,394	55,407	47,759
One-off restructuring costs		256	-	256	-
Total Personnel Costs		23,327	20,394	55,663	47,759

Employer contributions to defined contributions plans include Kiwisaver and other approved Superannuation schemes

Note 7(b)
Key Management Compensation

Councillors					
Remuneration	27(a)	695	631	695	631
Full-time equivalent members		9	9	9	9
Executive Management Team, including the Chief Executive and Interim Chief Executives				-	
Remuneration		2,153	1,692	2,153	1,692
Termination benefits		-	-	-	-
Full-time equivalent members		9	9	9	9
Company Directors, Chief Executive and Senior Management				-	
Remuneration		-	-	4,007	3,263
Termination benefits		-	-	130	130
Share based payments		-	-	62	-
Full-time equivalent members		-	-	19	21
Total Key Management Compensation		2,848	2,323	7,047	5,716
Total full-time equivalent personnel		18	18	37	39

Due to the difficulty in determining the full-time equivalent for Councillors, the full-time equivalent figure is taken as the number of Councillors.

Key management for the Council comprises Councillors and the Executive Team for Council and Directors and Chief Executive for each subsidiary.

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Note 7(c)
Other Expenditure

Leasehold Liability Movement	1,001	475	1,001	475
(adjustment required to correctly state the liability to ACC)			-	
Sundry Expenditure	409	-	409	-
Share of gain/(loss) from equity accounted investees	-	-	-	884
Loss on sale of land	-	-	-	-
	1,410	**475**	**1,410**	**1,359**

Leasehold liability movements are an adjustment owed to ACC. Under the lease receivables purchase agreement this adjustment is required due to the effect on the net present value (NPV) model of the high number of freeholdings processed during the year. Payments to ACC for these freeholdings include the 1.5% pa valuation increase allowed in the model. Future HBRC liability to ACC needs to be adjusted to reflect these payments.

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Note 8: Income Tax Expense

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Income tax expense					
Current tax		-	-	5,502	7,596
Deferred tax	21	-	-	237	(79)
Adjustments to current tax in prior periods		-	-	250	(5,483)
Adjustments to deferred tax in prior periods		-	-	(58)	
				-	
Total income tax expense		-	-	**5,930**	**2,034**

The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the current corporate rate as follows:

Surplus / (deficit) before tax		40,785	3,076	63,557	13,877
Tax at domestic rate of 28% (2019: 28%)		11,420	861	17,554	4,982
Plus / (Less) tax effect of:					
Income not subject to tax		(10,918)	(11,793)	(12,087)	(11,891)
Expenses not deductible for tax purposes		17,426	14,786	19,726	14,088
Imputation credits		(18,067)	(3,889)	(18,087)	-
Tax effect of income not recognised for accounting		-	-	-	-
Utilisation of previously unrecognised tax losses		-	-	-	-
Group loss transfer		139	35	139	35
Prior period adjustment		-	-	192	(5,180)
Tax losses not recognised/Adjust tax rate changes		-	-	-	-
Tax on changes to building depreciation rates		-	-	(1,508)	-
Tax charge		-	-	**5,930**	**2,034**

The Council and Group have unrecognised income tax losses of $496,808 (2018/19: $116,050) with a tax effect of $139,106 (2018/19: $35,322) that are available to carry forward, subject to compliance with the Income Tax Act 2007.

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Note 9: Property, Plant & Equipment

	Note	Land $000	Buildings $000	Plant $000	Vehicles $000	Hydrology Equipment $000	Technical Equipment $000	Computer Equipment $000	Other Equipment & Furniture $000	Capital Work in Progress $000	Total $000
COUNCIL											
At 1 July 2018											
Cost or valuation		6,754	8,070	2,937	3,818	4,785	1,032	2,691	958	67	31,112
Accumulated depreciation		-	(873)	(1,483)	(2,087)	(1,907)	(704)	(1,944)	(661)	-	(9,659)
Net book amount		6,754	7,197	1,454	1,731	2,878	328	747	297	67	21,453
Year ended 30 June 2019											
Opening net book amount		6,754	7,195	1,454	1,731	2,878	328	747	297	67	21,451
Revaluation surplus / (deficit)		2,829	2,016	-	-	833	-	-	-	-	5,678
Transfers											-
Additions			224	234	708	544	95	278	267	101	2,451
Disposals					(146)	-					(146)
Depreciation charges			(450)	(278)	(368)	(427)	(64)	(308)	(68)		(1,963)
Asset impairment losses											-
		9,583	8,985	1,410	1,925	3,828	359	717	496	168	27,472
At 30 June 2019											
Cost or valuation		9,583	9,011	3,171	4,380	3,828	1,127	2,969	1,225	168	35,462
Accumulated depreciation		-	(26)	(1,761)	(2,455)	-	(768)	(2,252)	(729)	-	(7,991)
Net book amount		9,583	8,985	1,410	1,925	3,828	359	717	496	168	27,472
Year ended 30 June 2020											
Opening net book amount		9,583	8,985	1,410	1,925	3,828	359	717	496	168	27,472
Revaluation surplus / (deficit)		-	-	-	-	-	-	-	-	-	-
Transfers / reclassification		-	-	-	-	-	-	-	-	-	-
Additions		204	6	423	832	703	33	511	120	500	3,332
Disposals		-	-	(38)	(36)	(100)	-	(1)	-	-	(175)
Depreciation charges		-	(427)	(239)	(368)	(470)	(58)	(350)	(79)	-	(1,991)
Asset impairment losses		-	(65)	-	-	-	-	-	-	-	(65)
		9,787	8,499	1,556	2,353	3,961	334	877	537	668	28,574
At 30 June 2020											
Cost or valuation	9(a)	9,787	8,952	3,556	5,176	4,431	1,160	3,479	1,345	668	38,554
Accumulated depreciation		-	(453)	(2,000)	(2,823)	(470)	(826)	(2,602)	(808)	-	(9,982)
Net book amount		9,787	8,499	1,556	2,353	3,961	334	877	537	668	28,574

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Note 9(a)

Council land and buildings were valued at 31 May 2019 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Limited. The total fair value of property, plant and equipment valued by Telfer Young (Hawke's Bay) Ltd was $13,146,000.

Land used for forestry in the Lake Tutira Country Park and Tangoio Soil Conservation Reserve was valued at 31 May 2019 by Morice Limited, independent valuers. The total fair value of this land was $1,818,000.

Land used for carbon sequestration and wastewater disposal was valued at 31 May 2019 by Morice Limited, independent valuers. The total fair value of this land was $2,564,000.

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

Hydrological equipment was valued at 31 May 2019 on the basis of depreciated replacement value. This valuation was carried out by Jack McConchie, an experienced hydrologist with independent consulting engineers, Opus International Consultants Limited.

Insurance of Assets

Insurance Contracts	Book Value	Maximum Insured Amount
Hawke's Bay Councils Programme	$,000	$,000
PP&E excl. vehicles	26,221	27,591
Pumpstations	4,671	14,151
Vehicles	2,353	4,110
Timber Crops	11,482	10,900
	44,727	56,752

HBRC uses an insurance broker who acts on behalf of all five Hawke's Bay Councils to leverage the best competitive prices for insurance. Although the insurance contracts are separate and not effected by claims from the other four Councils.

Infrastructure Insurance	Book Value	Maximum Insured Amount
	$,000	$,000
Infrastructure Assets*	172,019	220,544

* Infrastructure Assets exclude land

HBRC insure infrastructure assets through AON NewZealand. A report prepared by consultant Tonkin & Taylor in conjuction with AON assessed HBRCs maximum probable loss in a 1:2000 earthquake event at $65m. HBRC holds insurance to cover 40% of this loss (with central government meeting the remaining 60%), for up to two events in any one year. The excess associated with this policy is $1,500,000. The excess amount and any costs under the excess amount are self-insured by disaster damage reserves.

The balances of these reserves as at 30 June 2020 are:

Regional Disaster Damage Reserve (book value)	2,128,753
Scheme Disaster Damage Reserves	3,716,159
Total	5,844,912

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Note 9: Property, Plant & Equipment Continued

	Land $000	Site Improve-ments $000	Cargo & Admin. Buildings $000	Other Buildings $000	Tugs $000	Dredging $000	Wharves & Jetties $000	Vehicles, Plant & Equipment $000	Cranes $000	Sea Defences $000	Capitalised Interest $000	Capital Work in Progress $000	Total $000
Subsidaries													
At 1 July 2018													
Cost or valuation	38,656	61,298	24,985	3,664	24,100	16,623	45,681	60,802	34,775	89,629	(3,866)	5,462	401,809
Accumulated depreciation	-	(21,819)	(8,378)	(1,999)	(2,802)	(5,127)	(9,109)	(35,258)	(9,274)	(1,938)	(705)	-	(96,409)
Net book amount	38,656	39,479	16,607	1,665	21,298	11,496	36,572	25,544	25,501	87,691	(4,571)	5,462	305,400
Year ended 30 June 2019													
Opening net book amount	38,656	39,479	16,607	1,665	21,298	11,496	36,572	25,544	25,501	87,691	(4,571)	5,462	305,400
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for consolidation	-	(1,290)	(203)	-	-	(1,107)	(415)	(6,303)	-	-	3,153	7,654	1,489
Additions	-	2,081	224	-	-	625	2,162	9,043	-	123	-	11,159	25,417
Disposals	-	(1,666)	-	-	-	1,666	-	(455)	-	-	-	(14,108)	(14,563)
Depreciation charges	-	(1,352)	(524)	-	-	(569)	(469)	(4,506)	-	(275)	(3,153)	-	(10,848)
	38,656	37,252	16,104	1,665	21,298	12,111	37,850	23,323	25,501	87,539	(4,571)	10,167	306,895
At 30 June 2019													
Cost or valuation	38,656	60,423	25,006	3,664	24,100	18,363	47,428	63,087	34,775	89,752	(3,866)	10,167	411,555
Accumulated depreciation	-	(23,171)	(8,902)	(1,999)	(2,802)	(6,252)	(9,578)	(39,764)	(9,274)	(2,213)	(705)	-	(104,660)
Net book amount	38,656	37,252	16,104	1,665	21,298	12,111	37,850	23,323	25,501	87,539	(4,571)	10,167	306,895
Year ended 30 June 2020													
Opening net book amount	38,656	37,252	16,104	1,665	21,298	12,111	37,850	23,323	25,501	87,539	(4,571)	10,167	306,895
Revaluation surplus / (deficit)	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjustment for consolidation	-	966	(120)	-	-	(184)	(151)	(1,599)	-	(86)	(863)	2,115	78
Additions/Transfers	-	1,948	50	-	-	1,417	439	12,704	-	-		26,802	43,360
Disposals/Transfers/Impairment	-	(563)	(237)	-	-	-	-	(782)	-	(5,225)		-	(6,807)
Depreciation charges	-	(1,963)	(659)	-	-	(751)	(623)	(6,515)	-	(913)		-	(11,424)
	38,656	37,640	15,138	1,665	21,298	12,593	37,515	27,131	25,501	81,315	(5,434)	39,084	332,102
At 30 June 2020													
Cost or valuation	38,656	62,774	24,699	3,664	24,100	19,596	47,716	73,410	34,775	84,441	(4,729)	39,084	448,186
Accumulated depreciation	-	(25,134)	(9,561)	(1,999)	(2,802)	(7,003)	(10,201)	(46,279)	(9,274)	(3,126)	(705)	-	(116,084)
Net book amount	38,656	37,640	15,138	1,665	21,298	12,593	37,515	27,131	25,501	81,315	(5,434)	39,084	332,102

Note 9(b)

During the year the Company borrowed funds for the acquisition of new Property, Plant & Equipment. Interest incurred during the acquisition period of $862,675 (2019: $144,000) was capitalised.

Sea defences were revalued in 2017 by AECOM New Zealand Ltd and the revalued amounts included in the statement of financial position. The valuation has been prepared on an optimized depreciation replacement cost basis in accordance with NZ Infrastructure Asset Valuation and Depreciation Guidelines published by the NAMS group of IPWEA and Public Benefit Entity International Public Sector Accounting Standard 17.

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GROUP TOTALS	Council	Council Subsidiaries	Group total
At 1 July 2018			
Cost or valuation	31,112	401,809	432,921
Accumulated depreciation	(9,659)	(96,409)	(106,068)
Net book amount	**21,453**	**305,400**	**326,853**
Year ended 30 June 2019			
Opening net book amount	21,453	305,400	326,853
Revaluation surplus / (deficit)	5,678	-	5,678
Transfers	-	-	-
Additions	2,451	25,417	27,868
Disposals	(146)	(14,563)	(14,709)
Depreciation charges	(1,963)	(10,848)	(12,811)
Asset impairment losses	-	-	-
	27,473	**305,406**	**332,879**
At 30 June 2019			
Cost or valuation	35,462	411,555	447,017
Accumulated depreciation	(7,991)	(104,660)	(112,651)
Net book amount	**27,471**	**306,895**	**334,366**
Year ended 30 June 2020			
Opening net book amount	27,471	306,895	334,366
Revaluation surplus / (deficit)	-		-
Consolidation adjustments		78	78
Transfers	-	-	-
Additions	3,332	43,360	46,692
Disposals	(175)	(6,807)	(6,982)
Depreciation charges	(1,991)	(11,424)	(13,415)
Asset impairment losses	(65)	-	(65)
	28,574	**332,102**	**360,676**
At 30 June 2020			
Cost or valuation	38,554	448,186	486,740
Accumulated depreciation	(9,982)	(116,084)	(126,066)
Net book amount	**28,574**	**332,102**	**360,676**

Note 10: Infrastructure Assets (Parent and Group)

	Note	Infrastructure Land $000	Stopbanks $000	Detention Dams $000	Drainage Networks $000	Pump Stations $000	Culverts & Floodgates $000	Bank & Edge Protection $000	River & Sea Groynes $000	Drainage Telemetry $000	Sawfly Works $000	Tutira Reserve $000	River Dredging $000	Regional Parks & Wetland Reserves $000	Pathway & Roadway $000	Capital Work in Progress $000	Total $000
At 1 July 2018																	
Cost or valuation		14,592	60,106	3,530	36,415	4,998	6,779	26,892	1,899	176	12,216	629	759	2,293	2,783	28	174,095
Accumulated depreciation		-	-	(45)	-	(272)	(232)	-	-	(23)	-	-	(499)	(20)	-	-	(1,091)
Net book amount		14,592	60,106	3,485	36,415	4,726	6,547	26,892	1,899	153	12,216	629	260	2,273	2,783	28	173,004
Year ended 30 June 2019																	
Opening net book amount		14,592	60,106	3,485	36,415	4,726	6,547	26,892	1,899	153	12,216	629	260	2,273	2,783	28	173,004
Revaluation surplus	10(b)	-	-	-	-	-	-	-	-	-	-	686	-	-	-	-	686
Additions		565	-	-	-	228	-	243	-	-	-	-	-	547	57	64	1,703
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges		-	-	(47)	(1)	(283)	(248)	-	-	(24)	-	-	(60)	(21)	-	-	(684)
Asset impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		15,157	60,106	3,438	36,414	4,671	6,299	27,135	1,899	129	12,216	1,315	200	2,800	2,840	92	174,709
At 30 June 2019																	
Cost or valuation		15,157	60,106	3,530	36,415	5,226	6,779	27,135	1,899	176	12,216	1,315	759	2,840	2,840	92	176,484
Accumulated depreciation		-	-	(92)	(1)	(555)	(480)	-	-	(47)	-	-	(559)	(41)	-	-	(1,775)
Net book amount		15,157	60,106	3,438	36,414	4,671	6,299	27,135	1,899	129	12,216	1,315	200	2,800	2,840	92	174,709
Year ended 30 June 2020																	
Opening net book amount		15,157	60,106	3,438	36,414	4,671	6,299	27,135	1,899	129	12,216	1,315	200	2,800	2,840	92	174,709
Revaluation surplus		206	3,266	258	3,003	583	878	1,291	123	4	844	-	-	899	(259)	-	11,096
Additions		6	-	-	-	120	13	328	-	-	-	305	-	37	108	1,322	2,239
Transfers		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposals		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation charges		-	-	(49)	(1)	(300)	(260)	-	-	(23)	-	-	-	(23)	-	-	(656)
Asset Impairment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
		15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	200	3,713	2,689	1,414	187,387
At 30 June 2020																	
Cost or valuation	10(a)	15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	759	3,713	2,689	1,414	187,947
Accumulated depreciation		-	-	-	-	-	-	-	-	-	-	-	(559)	-	-	-	(559)
Net book amount		15,369	63,372	3,648	39,415	5,074	6,931	28,754	2,022	109	13,060	1,620	200	3,713	2,689	1,414	187,387

Note 10(a)

Infrastructure assets were valued by suitably qualified and experienced Council employees at 30 June 2020 on the basis of depreciated replacement cost. Significant assumptions used in the methodology include:

- current prices were used for all input costs such as labour rates, plant hire rates, material costs, and contract works rates
- where current prices were not available, the Capital Good Price Index, published by Statistics New Zealand was used

The depreciated replacement cost valuation of the flood protection and drainage infrastructure assets was reviewed by Aon Valuation Services.

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Land values were assessed by G S Morice, a registered valuer of Morice Limited 30 June 2017.
Significant assumptions used in the land valuation include:

- Heretaunga Plains land protected from flooding was valued at $80,000 per hectare
- Ruataniwha Plains land protected from flooding was valued at $20,000 per hectare,
- floodable land that is grazed was valued at $6,000 per hectare
- floodable land that is not grazed was valued at nil.

Note 10(b)

The Tūtira Reserve Assets were valued at 31 May 2019 by M H Morice, a registered valuer, of Morice Ltd on the basis of fair value.
The total value of assets valued was $1,315,000.

Note 10(c)

Flood Control infrastructure assets are made up of all categories excluding Pathway & Roadway and Capital work in progress.
All acquisitions are assets contracted by Council.
The most recent estimate of the replacement cost of the flood control infrastructure assets was $206,097,444 as at 30 June 2020.

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Note 11: Investment Property

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
At beginning of year		48,393	47,102	56,363	54,387
Additions		-	-	-	-
Fair value gains / (losses) (included in income statement)	11(a)	10,722	5,005	10,952	5,690
Disposals		(1,260)	(3,714)	(1,260)	(3,714)
Transfers	11(b)	-	-	-	-
Movement during the year		9,462	1,291	9,692	1,976
At end of year		57,855	48,393	66,055	56,363
				-	-
Investment property includes:				-	-
Endowment leasehold land		39,630	30,645	39,630	30,645
Other leasehold land		17,750	17,300	25,950	25,270
Rental Property		475	448	475	448
		57,855	48,393	66,055	56,363

Note 11(a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2020 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Trevor W Kitchin, registered valuer, of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 5.50%. The total fair value of property valued by Trevor W Kitchin as an independent valuer was $39,630,000 (2018/19: $30,645,000).
Telfer Young (Hawke's Bay) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.
The valuer noted a "greater degree of uncertainty" attached to the valuation due to the Covid-19 market disruption.

Wellington leasehold land was valued as portfolio at 30 June 2020 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer, of Telfer Young (Wellington) Ltd. The discount rate used was 6.75%-7.25%. The total fair value of the twelve properties valued by Martin J Veale as an independent valuer was $17,750,000 (2018/19: $17,300,000).
Telfer Young (Wellington) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by the Council.
The valuer noted a "greater degree of uncertainty" attached to the valuation due to the Covid-19 market disruption.

Property at Tutira was valued at 30 June 2020 to fair value on the basis of market value by M H Morice, registered valuer, of Morice Ltd. The total fair value of property valued by M H Morice as an independent valuer was $475,000 (2018/19: $448,000).
Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by the Council.
The valuer noted "significant market uncertainty" attached to the valuation due to the Covid-19 market disruption.

Note 11(b)

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

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Rental income	5	2,534	2,576	5,030	4,062
Direct operating expense arising from investment properties that generate rental income		(78)	(81)	(78)	(81)
		2,456	2,495	4,952	3,981

Note 11(c)

Under the Hawke's Bay Endowment Land Empowering Act 2002, residential leasehold endowment land can only be sold, using a specified valuation methodology, to the current lessee, or to a person nominated by that lessee.

Note 12: Intangible Assets

COUNCIL Only	Note	Computer Software / Development Expenditure $000	Carbon Credits $000	Work-in Progress $000	Council Total $000
At 1 July 2018					
Cost or valuation		6,085	1,494	791	8,370
Accumulated amortisation		(3,097)	-	-	(3,097)
Net book amount		2,988	1,494	791	5,273
Year ended 30 June 2019					
Opening net book amount		2,988	1,494	791	5,273
Transfers		-	-	-	-
Revaluations		-	1,290	-	1,290
Additions		201		1,017	1,218
Disposals		-	-	-	-
Impairment		-	-	-	-
Amortisation charges		(434)	-	-	(434)
		2,755	2,784	1,808	7,347
At 30 June 2019					
Cost or valuation		6,286	2,784	1,808	10,878
Accumulated amortisation		(3,531)	-	-	(3,531)
Net book amount		2,755	2,784	1,808	7,347
Year ended 30 June 2020					
Opening net book amount		2,755	2,784	1,808	7,347
Transfers		1,343		(1,453)	(110)
Revaluations			1,164		1,164
Additions		68		2,203	2,271
Disposals					-
Impairment					-
Amortisation charges		(686)			(686)
		3,480	3,948	2,558	9,986
At 30 June 2020					
Cost or valuation	12(a)	7,697	3,948	2,558	14,203
Accumulated amortisation		(4,217)	-	-	(4,217)
Net book amount		3,480	3,948	2,558	9,986

Note 12(a)

In accordance with Note 2.14, Intangible Assets, such as Development Expenditure, that have an indefinite life are tested for impairment at each balance sheet date. If the asset is considered to be impaired, it must be written down to its recoverable value immediately against income.

Carbon Credits

These credits have been gained from the normal forestry and berm enhancement operations of Council.
The amount of carbon units have been valued using market value of $31.90 per unit as at 30 June 2020 (30 June 2019 $23.10 per unit)
Council policy is to only sell safe carbon which would offer no liability to repay credits at harvest.

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GROUP	Note	Computer Software $000	Carbon Credits $000	Work-in Progress $000	Group Actual $000
At 1 July 2018					
Cost or valuation		13,482	1,494	-	14,976
Accumulated amortisation		(8,220)	-	-	(8,220)
Net book amount		5,262	1,494	-	6,756
Year ended 30 June 2019					
Opening net book amount		5,262	1,494	-	6,756
Transfers		-	-	-	-
Revaluations		-	1,290	-	1,290
Additions		1,256	-	-	1,256
Disposals		-	-	-	-
Impairment		-	-	-	-
Amortisation charges		(835)	-	-	(835)
		5,683	2,784	-	8,467
At 30 June 2019					
Cost or valuation		14,738	2,784	-	17,522
Accumulated amortisation		(9,055)	-	-	(9,055)
Net book amount		5,683	2,784	-	8,467
Year ended 30 June 2020					
Opening net book amount		5,683	2,784	-	8,467
Transfers		1,343	-	(1,453)	(110)
Revaluations		-	1,164	-	1,164
Additions		728	-	2,203	2,931
Disposals		-	-	-	-
Impairment		-	-	-	-
Amortisation charges		(1,163)	-	-	(1,163)
		6,591	3,948	750	11,289
At 30 June 2020					
Cost or valuation	12(a)	16,809	3,948	750	21,507
Accumulated amortisation		(10,218)	-	-	(10,218)
Net book amount		6,591	3,948	750	11,289

Note 13: Other Financial Assets

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Other financial assets					
Current portion					
Term deposits with maturities 92 - 365 days			3,000	-	3,000
Loans to Hawke's Bay Regional Investment Company		-	-	-	-
Government bonds		-	257	-	257
Community loans		2,057	853	2,057	853
Total current portion		2,057	4,110	2,057	4,110
Non-current portion					
Government bonds		1,000	1,181	1,000	1,181
Community loans		9,362	7,680	9,362	7,680
Funds under Management		111,073	41,910	156,611	41,910
Publicly listed shares		816	801	816	801
Civic Financial Services shares		18	18	18	18
LGFA Borrower Notes		40	-	40	-
Other financial assets				-	
Advances to Napier / Gisborne Rail		1,486	236	1,486	236
Shares in Hawke's Bay Regional Investment Company		457,260	340,396	-	-
Total non-current portion		581,055	392,222	169,332	51,826
Total other financial assets		583,112	396,332	171,389	55,936

Fair Value

Term deposits

The carrying amount of term deposits approximates their fair value. The Council held no term deposits as at 30/06/2020. The effective interest rate on bank deposits with terms greater than 91 days but less than 365 days for 2018/19 was 3.08% and had an average maturity of 124 days.

Government & LGFA bonds

The fair value of government and LGFA bonds is $1,000,172 (2018/19: $1,440,968). Fair value has been determined using quoted market prices from an independent source.

The effective interest rate on government bonds was 3.57% (2018/19: 3.18%).
This stock has an average maturity of 6.08 years (2018/19: 7.7 years).

Funds under management

Funds under management comprise of two fund managers, Jarden and Mercer, and are measured at fair value. Fair value has been determined using market prices provided from both Fund Managers.

Publicly listed shares

Publicly listed shares are recognised at fair value. Fair value has been determined using quoted market prices from an independent source.

Shares in Hawkes's Bay Regional Investment Company

The valuation of HBRIC Ltd was based on the share value of its 55% shareholding of NPHL on 30 June 2020, plus the value of all managed funds and loans less the value of debt and future management costs.

Community loans

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

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
At beginning of year		8,533	8,478	8,533	8,478
Additional loans		4,922	1,908		1,908
Repayments		(2,036)	(1,853)		(1,853)
At end of year		11,419	8,533	8,533	8,533

Fair Value

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

Note 14: Forestry Assets

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
At beginning of year		11,482	10,698	11,482	10,698
Additions		-	-	-	-
Fair value gains	6	223	784	223	784
Fair value (losses)	6	(618)	-	(618)	-
Disposals		-	-	-	-
Reclassification to Plant, Property & Equipment		-	-	-	-
Movement during the year		(395)	784	(395)	784
At end of year		**11,087**	**11,482**	**11,087**	**11,482**
Forestry assets include:					
Forestry on Council Owned Land					
Lake Tutira Country Park Forestry Crop	14(a)	4,645	4,785	4,645	4,785
Waihapua Carbon Sequestration Forestry Crop	14(b)	606	685	606	685
Rural WasteWater Disposal Forestry Crops	14(c)	460	606	460	606
Tutira Manuka Honey Forestry	14(d)	129	382	129	382
Forestry on Council Managed Land					
Tangoio Soil Conservation Reserve Forestry Crop	14(e)	5,245	5,022	5,245	5,022
Joint Venutre Forestry					
Joint Venutre Forestry Rights	14(f)	2	2	2	2
		11,087	**11,482**	**11,087**	**11,482**

Forestry assets on Council owed land comprise a total of 661 hectares of mixed forestry crops situated in the Lake Tūtira Country Park (114 ha), Tūtira Manuka Forestry (95.5 ha), Mahia (36 ha), Waihapua (212 ha), Central Hawke's Bay (168 ha). During the period no forest crops were logged (2018/19: Nil ha).

Council owned forestry assets were fair valued to $5,841,801 at 30 June 2020 (2018/19: $6,460,000) by M H Morice, a registered valuer, of Morice Ltd.

Valuation assumptions

The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

Traditional Forestry Crop

- A discount rate of 7.5% has been used for post tax cash flows for traditional forestry and 10% for the Manuka forest.
- a rotation of 27-30 years
- an inflation adjustment of 3.0%
- Log Prices adopted $/m3

Grade	PradHB	PradNHB	XHB	XNHB
aP35	183	178	100	95
bSP35	175	170	100	95
dA40	122	117	100	95
eA30	121	116	100	95
fK	110	105	70	65
gKI	103	98	70	65
hKIS	90	85	70	65
iPulp	52	52	65	65

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Manuka Crop
A discount rate of 10% was used for the Manuka forest.
58.3kg honey produced per hive, one hive per hectare and honey at $13/kg
Expenses included in DCF for land rent, pest control and administration

Note 14(a)
Lake Tutira Country Park Forestry Crop consists of radiata plantings on 114 hectares situated at Tutira Country Park. These forestry assets were valued to $4,645,400 by Morice Limited, independent valuers at 30 June 2020 (2018/19: $4,785,000). The valuation assumed a discount rate of 7.5%.

Note 14(b)
Council's carbon sequestration forestry assets consist of 212 hectares of mixed plantings on 316 hectares situated at Waihapua. These forestry assets were fair valued to $605,500 by Morice Limited, independent valuers at 30 June 2020 (2018/19: $685,000). The valuation assumed a discount rate of 7.5%.

Note 14(c)
Council's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 78 hectares (67 hectares planted) at Pourere Road Waipawa, and 119 hectares (101 hectares planted) at Mangatarata Road, Waipukurau and 52 hectares (36 hectares planted) at Kinikini Road Mahia. These forestry assets were fair valued to $403,300 by M H Morice of Morice Limited, independent valuers at 30 June 2020 (2018/19: $606,000). The valuation assumed a discount rate of 7.5%.

Note 14(d)
Council is developing 95.5 hectares of Manuka forestry at Tutira for honey production. These forestry assets were fair valued at $129,000 by M H Morice of Morice Limited, independent valuers at 30 June 2020. (2018/19: $382,000) The valuation assumed a discount rate of 10.0%.

Note 14(e)
Council does not own the land at the Tangoio Soil Converation Reserve, but in 1989, full managerial and financial control of the Tangoio Soil Conservation Reserve was transferred from central government to the Council under Section 16 of the Soil Conservation and Rivers Control Act 1941.

Note 14(f)
Council has entered into eleven joint ventures under the Forestry Rights Agreement Act 1983 under which Council provided grants to farmers to plant and maintain to maturity soil conservation forestry crops on marginal land. In return, Council has a right to a percentage of the profits on harvest. A nominal value of $10 per hectare planted has been ascribed to these rights.

Note 14(g)
Council is exposed to financial risks arising from changes in timber prices. As a long-term forestry investor, Council does not expect timber prices to decline significantly during the foreseeable future and therefore has not taken any measures to manage the risks of a decline in timber prices. Council reviews its outlook for timber prices regularly in considering the need for active financial risk management.

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Note 15: Trade & Other Receivables

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Trade receivables	15(a)	8,920	4,316	22,009	19,879
Less: provision for impairment of receivables	15(b)	(160)	(23)	(499)	(23)
Trade receivables - net		**8,760**	**4,293**	**21,510**	**19,856**
Prepayments		165	406	1,785	1,738
GST Receivable		404	919	404	919
Accrued income		2,011	3,999	2,011	3,999
Work-in-progress		(61)	(2)	(61)	(2)
Intercompany receivables		48	448	(15)	-
Trade & other receivables	15(c&d)	**11,327**	**10,063**	**25,634**	**26,510**
Total Trade & other receivables comprise:					
Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.		11,327	10,063	11,327	10,063
Receivables from exchange transactions - this includes outstanding amounts for commerical sales and fees and charges not subsidised by rates.		-	-	14,307	16,447
		11,327	**10,063**	**25,635**	**26,510**

All trade and other receivables are included as non-exchange transactions as all of Council's receivables are partly subsidised by rates and investment income.

Current trade and other receivables	11,327	10,063	25,635	26,510
Non-current trade and other receivables	-	-		
	11,327	**10,063**	**25,635**	**26,510**

Other Advances

Advances to Council controlled organisations	-	**6,500**	-	-

Note 15(a)

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

Note 15(b)

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

	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
At beginning of year	23	23	-	23
Additional provisions made during the year	183	46	522	46
Receivables written off during the year	(46)	(46)	(46)	(46)
	137	-	476	-
At end of year	**160**	**23**	**476**	**23**

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Note 15(c)

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

Note 15(d)

The status of trade receivables at reporting dates is set out below:

	Regional Council			Group		
	Gross $000	Impairment $000	Net $000	Gross $000	Impairment $000	Net $000
19/20						
Not past due	5,577	-	5,577	14,734	-	14,734
Past due 31 - 60 days	202	-	202	3,628	-	3,628
Past due 61 - 90 days	102	-	102	608	(339)	269
Past due > 90 days	3,039	(160)	2,879	3,039	(160)	2,879
	8,920	(160)	8,760	22,009	(499)	21,510
18/19						
Not past due	1,881	-	1,881	14,592	-	14,592
Past due 31 - 60 days	108	-	108	2,928	-	2,928
Past due 61 - 90 days	37	-	37	69	-	69
Past due > 90 days	2,290	(23)	2,267	2,290	(23)	2,267
	4,316	(23)	4,293	19,879	(23)	19,856

Note 16: Derivative Financial Instruments

	Note	Regional Council		Group	
		Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Assets					
Interest rate swaps at fair value		-	-	-	-
Foreign exchange option		-	-	-	-
Forward exchange contracts at fair value		-	-	-	-
Total		-	-	-	-
Less Non-current portion:					
Interest rate swaps at fair value		-	-	-	-
Forward exchange contracts at fair value		-	-	-	-
		-	-	-	-
Current portion		-	-	-	-
Liabilities					
Interest rate swaps at fair value		-	-	-	(6,020)
Forward exchange contracts at fair value		-	-	-	-
Total		-	-	-	(6,020)
Less Non-current portion:					
Interest rate swaps at fair value		-	-	-	(4,312)
Forward exchange contracts at fair value		-	-	-	-
		-	-	-	(4,312)
Current portion		-	-	-	(1,708)

Note 16(a)

The notional principal amounts of the outstanding interest rate swap contracts at 30 June 2019 were $84,500,000. Of these, $54,500,000 of the notional principal amounts were active at 31 March 2019. There were a further $30,000,000 of forward starting future dated swaps

At 31 March 2019, the various interest rates were in the range of 3.74% to 6.45% (2018-19 3.62% to 5.41%).

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Note 17: Cash and Cash Equivalents

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Cash at bank and in hand	17(a)	4,022	25,417	22,734	29,209
Short-term bank deposits	17(b)	2,500	3,018	2,500	3,018
		6,522	28,436	25,234	32,227

Note 17(a)

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

Note 17(b)

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

There were short-term bank deposits of $2,500,000 as at 30 June 2019 (2018/19: $3,018,000).
The average deposit maturity after balance date was 1 day (2018/19: 30 days).

Note 17(c) Reconciliation of Cash

Cash, cash equivalents and bank overdrafts included the following for the purposes of the Cash Flow Statement

	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Bank overdrafts	-	-	-	(129)
Cash and cash equivalents	6,522	28,436	25,234	32,227
	6,522	28,436	25,234	32,098

Note 17(d) Reconciliation of Surplus after Tax to Net Cash Flows from Operations

Net Surplus on Operations	40,785	3,075	57,390	11,841
			-	
Add (Less) Non-Cash Items:			-	
Fair value gains	(10,945)	(5,802)	(11,175)	(7,172)
Fair value losses	618	-	618	-
Depreciation	3,333	3,081	16,332	14,330
(Gain) on disposal of assets	(17)	(267)	(1,732)	(267)
ACC liability movement	1,001	475	1,001	475
Realised gains on investments	(700)	-	(700)	-
Impairment of assets	-	-	-	-
Share of loss of equity accounted investee	-	-	-	884
Share based payments	-	-	375	
Termination of interest rate swaps	-	-	872	
Transaction costs arising on issuance of shares	-	-	(1,992)	
Deferred tax	-	-	328	(79)
			-	
Add (Less) Movement in Working Capital Items:			-	
(Increase)/decrease in inventories	(339)	9	(339)	9
(Increase)/decrease in trade & other receivables	(1,413)	(149)	9,381	(2,152)
(Increase)/decrease in tax receivables	-	-	(2,514)	440
(Decrease)/increase in trade & other payables	156	246	(4,718)	2,735
(Decrease)/Increase in employee entitlement liabilities	972	179	972	179
			-	
Add (Less) Items Classified as Investing or Financing Activities:			-	
Movement in non-current provisions	114	462	170	535
Non cash revenue adjustments	-	-	25	612
Net (Gain) / Loss on sale of non-current assets	-	-	-	(13)
			-	
Net Cash Inflow from Operating Activities	33,565	1,308	64,294	22,356

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Note 18: Fair Value Reserves

	Note	Parent							
		Land $000	Buildings $000	Hydrological Assets $000	Infrastructure Assets $000	Carbon Credits $000	Other Financial Assets $000	HBRIC Ltd $000	Total $000
COUNCIL Only									
At 1 July 2018		907	1,213	74	99,210	1,494	545	106,000	209,443
Year ended 30 June 2019									
Reclassification transfer		-	-	-	-	-	-	-	-
Revaluation - gross		2,829	2,016	833	686	1,290	1,983	56,896	66,533
		2,829	2,016	833	686	1,290	1,983	56,896	
At 30 June 2019		3,736	3,229	907	99,896	2,784	2,528	162,896	275,976
Year ended 30 June 2020									
Reclassification transfer		-	-	-	-	-	-	-	-
Revaluation - gross			(65)	8	11,096	1,164	1,422	116,864	130,489
		-	(65)	8	11,096	1,164	1,422	116,864	130,489
At 30 June 2020		3,736	3,164	915	110,992	3,948	3,950	279,760	406,465

	Land $000	Buildings $000	Hydrological Assets $000	Infrastructure Assets $000	Carbon Credits $000	Other Financial Assets $000	Sea Defences $000	Hedged Transactions $000	Group Total
GROUP									
At 1 July 2018	907	1,213	74	99,210	1,494	(38)	71,571	(3,230)	171,201
Year ended 30 June 2019									
Reclassification transfer	-	-	-	-	-	-	-	-	-
Revaluation - gross	2,829	2,016	833	686	1,290	1,983	4,374	(627)	13,384
Transfer to accumulated funds	-	-	-	-	-	583	(5,066)	(477)	(4,960)
	2,829	2,016	833	686	1,290	2,566	(692)	(1,104)	8,424
At 30 June 2019	3,736	3,229	907	99,896	2,784	2,528	70,879	(4,334)	179,625
Year ended 30 June 2020									
Reclassification transfer	-	-	-	-	-	-	-	-	-
Revaluation - gross	-	(65)	8	11,096	1,164	1,957	(5,144)		9,016
Transfer to accumulated funds	-	-	-	-	-	-	4,947	4,334	9,281
	-	(65)	8	11,096	1,164	1,957	(197)	4,334	18,297
At 30 June 2020	3,736	3,164	915	110,992	3,948	4,485	70,682	-	197,922

Note 18(a):

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

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Note 19: Accumulated Funds

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Accumulated funds					
Balance at 1 July		358,003	305,237	326,711	260,219
Prior period adjustments		(1,346)		(3,933)	
Surplus / (deficit) for the year		40,785	3,076	10,315	11,841
Transfers to / from other reserves		(82,583)	49,691	(82,524)	49,691
Transfers from Fair Value Reserves				-	4,960
Dividends received / (paid)				(2,231)	-
Issue of ordinary shares				228,867	
Treasury shares				(323)	
Fair share plan				(1,188)	
Effect on consolidation				(7,312)	-
Balance at 30 June		**314,859**	**358,003**	**468,382**	**326,711**

Note 19(a): Other Reserves (Parent & Group)

	Infrastructure Asset Depreciation (1) $000	Waiora Rivers & Streams (2) $000	Special Schemes (3) $000	Port Dividend Equalisation (4) $000	Coastal Marine Area (5) $000	Specific Regional Projects (6) $000	Asset Replacement (7) $000	Regional Disaster Damage (8) $000	Scheme Disaster Damage (9) $000	Clive River Dredging (10) $000	Tangoio Soil Conservation (11) $000	Maungaharuru Tangitu (12) $000	Long Term Investment Fund (13) $000	Sale of Land Non-Investment Fund (14) $000	Rabbit (15) $000	Ngati Pahaurewa (16) $000	Westshore Reserve $000	Port IPO Future Investment Fund (17) $000	Total $000
At 30 June 2018	2,026	912	6,555	-	-	-	998	2,063	3,399	920	3,076	223	60,035	698	68	94	-		81,066
Net fair value gains / (losses)																			
Interest income / (expense)		4	(109)				32					5			1	2			(65)
Rental income - net																			
Depreciation transfer							2,361			76									2,437
Trading gain / (loss)							490												490
Transfers / (use of) reserves	179	24	(2,920)				(67)	287	189	(80)	(275)	54	(48,358)	184		(20)	(219)		(51,022)
Asset purchases - net							(2,128)												(2,128)
Borrowings - net							597												597
	179	28	(3,029)	-	-	-	1,285	287	189	(4)	(275)	59	(48,358)	184	1	(18)	(219)		(49,691)
At 30 June 2019	2,205	940	3,526	-	-	-	2,283	2,350	3,588	916	2,801	282	11,677	882	69	76	(219)		31,375
Net fair value gains / (losses)																			-
Interest income / (expense)			22				13	(64)	17	13				13	1	1			16
Rental income - net																			-
Depreciation transfer	595						3,695			60									4,350
Trading gain / (loss)							123												123
Transfers / (use of) reserves	(375)	24	(5,307)				(4)	(157)	111	(85)	(319)	103	45,313	301	9		219	44,497	84,330
Asset purchases - net							(2,690)												(2,690)
Borrowings - net	(3,416)						(130)												(3,546)
	(3,196)	24	(5,285)	-	-	-	1,007	(221)	128	(12)	(319)	103	45,313	314	10	1	219	44,497	82,583
At 30 June 2020	(991)	964	(1,759)	-	-	-	3,290	2,129	3,716	904	2,482	385	56,990	1,196	79	77	-	44,497	113,958

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Note 19(a): Nature and Purpose of Reserves

[1] Infrastructure asset depreciation
A reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.

[2] Wairoa rivers & streams
A reserve established to fund flood mitigation and recovery work within the Wairoa District.

[3] Special flood & drainage scheme
Reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual income and expenditure incurred in any one year.

[4] Port dividend equalisation
A reserve established to smooth out the dividend receipts from the Port so that fluctuations in Council's general funding rates are minimised.

[5] Coastal marine area
A reserve established to meet the statutory requirements on the use of rental income earned on Council's endowment leasehold land.

[6] Specific regional projects
A reserve established to meet the statutory requirements on the use of 50% of rental income on Council's endowment leasehold land received prior to 1st July 2003.

[7] Asset replacement
A reserve established to fund the replacement of operating property, plant and equipment which are not scheme based.

[8] Regional disaster damage
A reserve established to provide funding for the cost of responding to and managing an event; cost of reinstatement of any uninsured assets (eg, pathways on top of stopbanks);
any difference between the deductible and the threshold for eligibility for central government assistance (government covers 60% of the loss in the event of a disaster);
to fund the policy excess of $1.5m included in the policy with private insurers to cover 40% of the loss up to $24 million in the event of a disaster;
the possibility of the cost of reinstating the level of service provided by the asset being considerably more than the optimised replacement value.

[9] Scheme disaster damage
Reserves established to meet each scheme's share of Local Authority Protection Programme (LAPP) insurance excess and other costs to restore scheme assets
that are not recoverable from other sources.

[10] Clive river dredging
A reserve established to meet the expenditure of dredging requirements on the Clive River.

[11] Tangoio soil conservation
A reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve
as this reserve is managed and overseen by Council on behalf of the Crown.

[12] Maungaharuru Tangitu
A reserve established as a catchments fund in accordance with the Maungaharuru-Tangitu Claims Settlement Act.
It is agreed to transfer $100,000 per year from the Tangoio Soil Conservation Reserve Fund to enable environmental enhancement.

[13] Long-term Investment Fund
A reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with Council's policy on
"Evaluation of Investment Opportunities" approved on 30 April 2008. Formerly the Sale of Land Investment Fund.

[14] Sale of land non-investment fund
A reserve established to hold transfers from the Long-term Investment Fund to be invested in accordance with Council's policy on "Open Space Investment"
approved on 25 June 2008 and Council's Investment Policy set out in the 2009/19 10 Year Plan.

[15] Rabbit
A reserve established to fund costs expected to be incurred with growing rabbit populations. The reserve is limited to a maximum balance of $133,000.

[16] Ngati Pahauwera
A reserve established to ring-fence funding for Ngati Pahauwera Rivers Initiatives. For the clean up of the Mohaka, Waikari and Waihua Rivers and their catchments.

[17] Port IPO Future Investment Fund
A reserve established to hold the proceeds of the Napier Port IPO.

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Note 20: Borrowings

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Non-current					
Bank Borrowings		14,075	17,685	14,075	98,385
Provincial Growth Fund Borrowings		500	-	500	-
HBRIC loan to HBRC		16,663	-	0	-
Finance Lease Obligations		-	-	-	-
		31,238	17,685	14,575	98,385
Current					
Bank Overdrafts		-	-	-	129
Bank Borrowings		3,650	3,900	3,650	3,900
Finance Lease Obligations		-	-	210	-
		3,650	3,900	3,860	4,029
Total borrowings		34,888	21,585	18,435	102,414

20(a): Guarantees

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

Council is not a shareholder but participates as one of 54 borrowers and guarantors of LGFA. When Council borrows through the LGFA they are required to invest 2.5% of the proceeds back with the LGFA as borrower notes which the LGFA retain as capital. As at 30 June 2020, Council held $2.5 million of borrower notes with the LGFA.

Together with the other shareholders and guarantors, Council is a guarantor of all of NZLGFA's borrowings. As at 30 June 2020 LGFA had borrowings $12,864 million (2019: $10,270 million). Financial reporting standards require Council to recognise the guarantee liability at fair value. However, Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability.

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

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

20(b): Security

Council bank loans are secured over the rating base of the Council.

The Port loans are secured by way of a negative pledge over the assets of the Port in respect of both sale of such assets and other security interests.

BNZ holds security stock certificates of $22m maintained within Councils' Debenture Trust Deed
WestPac Bank holds security stock certificates of $10.5m maintained within Councils' Debenture Trust Deed

20(c) Maturity analysis of borrowings

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

	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
6 months or less	-	-	-	129
Between 6 and 12 months	500	250	500	250
Between 1 and 2 years	1,000	1,000	1,000	42,718
Between 2 and 5 years	23,038	5,634	23,038	44,616
Over 5 years	10,350	14,701	10,350	14,701
	34,888	21,585	34,888	102,414

20(d) Effective interest rates

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

Regional Council Actual 19/20 %	Regional Council Actual 18/19 %	Group Actual 19/20 %	Group Actual 18/19 %
1.11 - 6.67	2.35 - 6.46	1.11 - 6.67	2.35 - 6.46

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20(e) Fair values

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

	Regional Council		Group	
	Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Borrowings	25,649	19,112	25,649	99,812
	25,649	19,112	25,649	99,812

The fair values as based on cash flows discounted using a rate based on the average borrowing rate of 4.34% (2018/19 2.52%).

The carrying amount of borrowings repayable within one year approximate their fair value.

20(f) Undrawn facilities

The Group has the following undrawn borrowing facilities:

	Regional Council		Group	
	Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Bank overdraft	5,000	5,000	5,000	5,871
Bank borrowings	-	-	180,000	-
	5,000	5,000	185,000	5,871

20(g) Internal Borrowings

The following internal borrowings have been funded by Council reserves

	Regional Council		Group	
	Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Internal Loan Opening Balance				
Council Wide Activity				
Computer Equipment	340	420	340	420
Bus Ticketing System	136	40	136	40
Tutira Land Loan	100	100	100	100
Hydrology Equipment	916	980	916	980
Biodiversity	100	-	100	-
Science Equipment	-	-	-	-
Internal Asset Development	-	-	-	-
Groups of Activities				
Asset Management				
Regional Parks	-	-	-	-
Makara Scheme	193	200	193	200
Integrated Catchment Management				
Erosion Control	-	-	-	-
SkyTEM	-	-	-	-
Farm Environment Management Plan	-	-	-	-
	1,785	1,740	1,785	1,740
Internal Loans Borrowed during the year				
Council Wide Activity				
Computer Equipment	-	-	-	-
Bus Ticketing System	-	100	-	100
Tutira Land Loan	-	-	-	-
Hydrology Equipment	103	96	103	96
Biodiversity	100	100	100	100
Science Equipment	739	-	739	-
Internal Asset Development	173	-	173	-
Groups of Activities				
Asset Management				
Regional Parks	75	-	75	-
Makara Scheme	-	-	-	-
Integrated Catchment Management				
Erosion Control	1,852	-	1,852	-
SkyTEM	357	-	357	-
Farm Environment Management Plan	305	-	305	-
	3,704	296	3,704	296

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Internal Loans Repaid during the year				
Council Wide Activity				
Computer Equipment	80	80	80	80
Bus Ticketing System	18	4	18	4
Tutira Land Loan	-	-	-	-
Hydrology Equipment	170	160	170	160
Biodiversity	10	-	10	-
Science Equipment	-	-	-	-
Internal Asset Development	-	-	-	-
Groups of Activities				
Asset Management				
Regional Parks	-	-	-	-
Makara Scheme	10	7	10	7
Integrated Catchment Management				
Erosion Control	-	-	-	-
SkyTEM	-	-	-	-
Farm Environment Management Plan	-	-	-	-
	288	**251**	**288**	**251**
Internal Loan Closing Balance				
Council Wide Activity				
Computer Equipment	260	340	260	340
Bus Ticketing System	118	136	118	136
Tutira Land Loan	100	100	100	100
Hydrology Equipment	849	916	849	916
Biodiversity	190	100	190	100
Science Equipment	739	-	739	-
Internal Asset Development	173	-	173	-
Groups of Activities				
Asset Management				
Regional Parks	75	-	75	-
Makara Scheme	183	193	183	193
Integrated Catchment Management				
Erosion Control	1,852	-	1,852	-
SkyTEM	357	-	357	-
Farm Environment Management Plan	305	-	305	-
	5,201	**1,785**	**5,201**	**1,785**
Interest Paid during the year				
Council Wide Activity				
Computer Equipment	8	11	8	11
Bus Ticketing System	4	-	4	-
Tutira Land Loan	-	-	-	-
Hydrology Equipment	23	26	23	26
Biodiversity	3	-	3	-
Groups of Activities				
Asset Management	-	-	-	-
Makara Scheme	5	6	5	6
	43	**43**	**43**	**43**

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Note 21: Deferred Income Tax (Group)

	Note	Property, Plant & Equipment $000	Derivatives $000	Other $000	Total $000
Balance at 1 July 2018		**(23,164)**	**1,455**	**681**	**(21,028)**
Charged to surplus or deficit re current year		79			79
Adjustment prior year provision		(574)			(574)
Charged to surplus or deficit		**(495)**	-	-	**(495)**
Charges to other comprehensive revenue and expense		4,216	244		4,460
Balance at 30 June 2019		**(19,443)**	**1,699**	**681**	**(17,063)**
Charged to surplus or deficit re current year		(237)			(237)
Adjustment prior year provision		993			993
Amounts charged or credited direct to equity		704			704
Charged to surplus or deficit		**1,460**	-	-	**1,460**
Charges to other comprehensive revenue and expense					-
Balance at 30 June 2020		**(17,983)**	**1,699**	**681**	**(15,602)**

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Note 22: Employee Benefit Liabilities

	Note	Regional Council		Group	
		Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Annual leave		1,466	1,158	5,818	4,010
Long service leave		397	341	874	815
Sick leave		29	35	29	35
Retirement gratuities		138	194	138	194
Other short term benefits		-	-	-	-
Accrued payroll expenses		1,580	910	1,580	910
Total employee benefit liabilities	22(a)	**3,610**	**2,638**	**8,439**	**5,964**
Disclosed as:					
Non-current		520	519	997	993
Current		3,090	2,119	7,442	4,971
		3,610	**2,638**	**8,439**	**5,964**

22(a) Movement in employee benefit liability

	Regional Council		Group	
	Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
At beginning of year	2,638	2,459	5,964	5,565
Additional provisions	3,381	2,566	4,934	2,682
Unused amounts reversed	(48)	(78)	(48)	(78)
Used during the year	(2,360)	(2,309)	(2,410)	(2,205)
Movement during the year	972	179	2,475	399
At end of year	**3,610**	**2,638**	**8,439**	**5,964**

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Note 23: Trade and Other Payables

	Note	Regional Council		Group	
		Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Trade payables		5,650	4,900	14,660	10,130
Accrued expenses		1,810	2,429	5,064	5,320
Deposits & advances		3,702	1,991	3,702	1,990
Intrabusiness payables		-	-	-	-
		11,162	**9,320**	**23,425**	**17,440**
Total trade and other payables comprise:					
Payables and deferred revenue from non-exchange transactions - rates paid in advance (Includes Clean Heat rates in advance.)		2,695	1,713	2,695	1,713
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions		8,467	7,607	20,793	15,728
		11,162	**9,320**	**23,488**	**17,441**

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

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

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Note 24: Provisions for Other Liabilities and Charges

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Current portion:					
ACC Leasehold Liability	24(a)	686	668	686	668
		686	668	686	668
Non-current portion:					
ACC Leasehold Liability	24(a)	10,753	11,253	10,753	11,253
Other Liabilities		30	29	30	29
		10,783	11,282	10,783	11,282
Total		11,469	11,950	11,469	11,950

Movements for each class of provision are as follows:

Council and Group	ACC Leasehold Liability $000	Other Liabilities $000	Total $000
2019			
Balance at 1 July 2018	14,832	29	14,861
Additional provisions made	475	-	475
Amount used	(3,385)	-	(3,385)
Unused amounts reversed	-	-	-
Discount unwind	-	-	-
Balance at 30 June 2019	11,922	29	11,951
2020			
Balance at 1 July 2019	11,922	30	11,952
Additional provisions made	1,001	-	1,001
Amount used	(1,484)	-	(1,484)
Unused amounts reversed	-	-	-
Discount unwind	-	-	-
Balance at 30 June 2020	11,439	30	11,469

Note 24(a)

In December 2013 Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of $37.7 million was received for this to fund investment activity. The liability to ACC reduces by any sales of leasehold property during the year as these are paid to ACC as compensation for lost rental income over the 50 term from the property freeholded.

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Note 25: Related-Party Disclosures (Group)

	Note	Actual 19/20 $000	Actual 18/19 $000
25(a) The following transactions were carried out with subsidiaries:			
(i) Sales of services			
By parent		179	770
By subsidiary		-	28
		179	798
(ii) Purchases of services			
By parent		-	28
By subsidiary		179	770
		179	798
(iii) Subvention payments			
Received by parent		7	32
Paid by subsidiary		7	32
The subvention payment is the tax effect of total losses transferred from Council to Napier Port during the year.			
(iv) Dividends (net)			
Received by parent		46,458	10,000
Paid by subsidiary		46,458	10,000
(v) Loans			
Paid by parent		-	6,500
Received by subsidiary		-	6,500
Paid by subsidiary		16,663	-
Received by parent		16,663	-

25(b) Transactions with key management personnel

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

As part of the Constitution of Hawke's Bay Tourism Limited, HBRC are entitled to appoint one Director to the Board of Hawke's Bay Tourism Limited. This position was filled by Councillor Craig Foss for the 2019/20 year. HBRC have paid Hawke's Bay Tourism Limited $1,520,000 (excl. GST) in the 2019/20 year as per the funding agreement.

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

Receivables from related parties		
Parent	63	448
Subsidiary	9	-
	72	448
Payables to related parties		
Parent	9	-
Subsidiary	63	448
	72	448

25(d) Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions at both normal market prices and normal commercial terms.

Outstanding balances at year end are unsecured and settlement occurs in cash.

There have been no guarantees provided or received for any related party receivables.

At year end, there is no impairment relating to amounts owed by related parties (2018/19: $nil).

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Note 26: Commitments and Contingencies

26(a) Capital commitments

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

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Property, plant & equipment		607	-	132,578	515
Investment property			-		-
		607	-	132,578	515

26(b) Operating lease commitments as lessee

The Group has entered into commercial leases for certain offices, plant and equipment under non-cancellable operating lease agreements. The leases have varying terms and conditions.

Future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Not later than one year	164	-		-
Later than one year but not later than five years	89	-		797
Later than five years		-		-
	253	-		797

26(c) Operating lease commitments as lessor

Napier leasehold land is leased under operating leases with annual rent payments set for a period of 21 years As at 30 June 2020 the annual rent receivable by Council is $1,404,636 (2018/19: $1,272,204)

At the expiry of the 21 year lease term a rent renewal will be calculated on the current land value. These leases will keep renewing as long as the land is owned by Council. Leasehold properties may be freeholded at anytime at an amount calculated by an independent valuer. The annual rent receivable figures above assume no freeholding will take place.

26(d) Contingencies

In respect of the Council only:

The Tangoio Soil Conservation Reserve fund contains the proceeds from the the Reserve since management and control of the Reserve was vested in Council in 1985, less the cost of managing the Reserve. This fund is held by Council on behalf of the Crown. The value of the funds at 30 June 2020 are $2,481,683 (2018/19: $2,800,000).

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

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Note 27: Local Government Act 2002 Disclosures

27(a) Remuneration of Chairman and Elected Members of Council

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

2019/20

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

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

2018/19

	Salary 18/19 $	Hearing Fees 18/19 $	Councillor Allowances 18/19 $	Total Remuneration 18/19 $
Fenton Wilson	51,614	-	13,603	65,217
Alan Dick	64,517	-	1,883	66,400
Debbie Hewitt	51,614	-	7,133	58,747
Rex Graham	119,442	-		119,442
Peter Beaven	64,517	-	2,691	67,208
Rick Barker	64,517	-	2,397	66,914
Tom Belford	64,517	-	2,704	67,221
Neil Kirton	64,517	-	1,442	65,959
Paul Bailey	51,614	-	1,638	53,252
	596,868	-	33,490	630,358

27(b) Remuneration of Chief Executive

2019/20

		Salary 19/20 $	Severance Payments 19/20 $	Other Benefits 19/20 $	Total Remuneration 19/20 $
James Palmer - CE HBRC	(01/07/18 - 30/06/19)	297,285		31,107	328,392
		297,285	-	31,107	328,392

2018/19

		Salary 18/19 $	Severance Payments 18/19 $	Other Benefits 18/19 $	Total Remuneration 18/19 $
James Palmer - CE HBRC	(01/07/19 - 30/06/20)	285,000		28,593	313,593
		285,000	-	28,593	313,593

27(c) Severance Payments

There were severance payments made to two employees totalling $39,039 that were outside contractual obligations (2018/19: $86,130).

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27(d) Council Employees

Total Annual Remuneration by band for Employees as at 30 June	2020	2019
< $60,000	65	78
$60,000 - $79,999	83	72
$80,000 - $99,999	53	50
$100,000 - $119,999	34	21
$120,000 - $139,999	19	16
$140,000 - $199,999 (combined band)	6	7
$200,000 - $319,999 (combined band)	5	3
Total Employees (headcount)	265	247

Total remuneration includes non-financial benefits provided to employees.

At balance date, the Council employed 244 (2018/19; 212) full-time employees, with the balance of staff representing 15.9 (2018/19; 25.8) full-time equivalent employees. A full-time employee is determined on the basis of a 40-hour working week.

27(e) Regional Planning Committee

2019/20

Committee Members		Meeting Fees 19/20 $	Travel Allowances 19/20 $	Total Remuneration 19/20 $
J. Maihi-Carroll (Co Chair) - *Mana Ahuriri Trust*		20,038	583	20,621
L. Munroe - (Deputy Co Chair) *Heretaunga Tamatea Settlement Trust*		16,900	1,053	17,953
M. Brown - *Te Kopere o te Iwi Hineuru*		13,035	784	13,819
T. Hopmans - *Maungaharuru-Tangitu Trust*		16,270	-	16,270
T. Hiusta - *Ngati Pahauwera Development & Tiaki Trusts*	Joined March 2020	5,821	158	5,979
N. Kirikiri - *Te Toi Kura o Waikaremoana*		12,463	1,737	14,199
P. Paku - *Heretaunga Tamatea Settlement Trust*		13,835	250	14,085
A. Tapine - *Tātau Tātau o Te Wairoa*		17,435	1,185	18,620
T. Waaka - *Ngati Pahauwera Development & Tiaki Trusts*	Resigned March 2020	20,584	226	20,810
		136,381	5,976	142,357

27(f) Maori Committee

1 Jul to 30 Sep 2019 (Committee disestablished)
(Committee re-established) 4 Mar to Jun 2020

Committee Members		Meeting Fees 19/20 $	Travel Allowances 19/20 $	Total Remuneration 19/20 $
B. Gregory - *Tamatea Taiwhenua (Central Hawke's Bay)*	Jul-Sep 2019	400	205	605
H. Reti - (Proxy) *Te Taiwhenua o Te Whanganui-a-Orotū (Napier)*	Jul-Sep 2019	-	-	-
K. Kawana - (Proxy) *Te Taiwhenua o Wairoa*	Jul-Sep 2019	1,200	232	1,432
M. McIlroy - (Co Chair) *Kahungunu Executive (Wairoa)*	Jul-Sep 2019, Mar-Jun 2020	1,600	757	2,357
M. Paku - (Co Chair) *Te Taiwhenua o Heretaunga*	Jul-Sep 2019, Mar-Jun 2020	1,600	167	1,767
A. Robin - *Whanganui-a-Orotū (Ahuriri)*	Jul-Sep 2019, Mar-Jun 2020	1,600	316	1,916
B. Blake - *Te Taiwhenua o Wairoa*	Jul-Sep 2019, Mar-Jun 2020	1,600	357	1,957
H. Hilton - *Te Taiwhenua o Heretaunga*	Jul-Sep 2019, Mar-Jun 2020	400	55	455
M. Apatu - *Te Taiwhenua o Heretaunga*	Jul-Sep 2019, Mar-Jun 2020	1,600	92	1,692
P. Eden - *Whanganui-a-Orotū (Ahuriri)*	Jul-Sep 2019, Mar-Jun 2020	1,600	62	1,662
P. Sciascia - *Te Taiwhenua o Tamatea*	Jul-Sep 2019, Mar-Jun 2020	1,600	357	1,957
M. Hape - (Proxy) *Te Taiwhenua o Tamatea*	Jul-Sep 2019, Mar-Jun 2020	800	109	909
T. Smith - (Proxy) *Te Taiwhenua o te Wairoa*	Jul-Sep 2019, Mar-Jun 2020	-	-	-
R. Hiha - *Whanganui-A-Orotu (Ahuriri)*	Mar-Jun 2020	400	-	400
R. Maaka - *Te Taiwhenua o Tamatea*	Mar-Jun 2020	1,200	-	1,200
Z. Makoare - *Te Taiwhenua o Tamatea*	Mar-Jun 2020	800	-	800
		16,400	2,709	19,109

Multiple Committee membership

M.Mohi held a salaried role as Chair of the Maori Committee up until September 2019, when the Committee was disestablished. In addition M. Mohi was on the Regional Planning Committee as representative for Ngati Tuwharetoa Hapu Forum.

	Salary 19/20 $	Meeting Fees 19/20 $	Travel Allowances 19/20 $	Total Remuneration 19/20 $
M.Mohi	29,154	-	632	29,786

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

2019/20

Independent Members	Meeting Fees 19/20 $	Travel Allowances 19/20 $	Total Remuneration 19/20 $
R. Dinwoodie	2,400	-	2,400

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Note 28: Major Budget Variances (Parent)

(i) Statement of Comprehensive Revenue and Expense

Revenue from activities exceeded budget by 1.6m overall with many individual variances within each group of activities with the main variance being Emergency Management which received $1m extra revenue from the Government for the work performed supporting the community during the Covid-19 pandemic response.
HBRC received an additional $1m in subsidies and grants with the majority being unbudgeted external revenue for the SkyTEM and LiDAR projects.
Other revenue was $52m under budget. The budget was set with the expectation that all the funds raised through the Napier Port IPO would be returned to HBRC, that the regular $10m dividend from the port would continue, and $7m would be returned on HBRC managed funds.
Following informal discussions with IRD, only $44m of the funds raised from the IPO were able to be returned to HBRC with the remainder being held by HBRIC. The Covid-19 pandemic caused Napier Port to defer any final dividend until after their full-year results meaning HBRC received a reduced dividend of $2.5m in the current financial year. The Covid-19 pandemic affected stock markets around the world and the HBRC investments temporarily made a loss but receoved by 30 June 2020 to make a small gain but investment returns were down by $6m compared to forecast.
The $7.5m over budget fair value gains were predominately achieved on the Napier leasehold property portfolio.

Expenditure on activities was over budget by $2m, with $2.4m being incurred due to the work of HBRC as part of the Covid-19 pandemic response.
Personnel costs were higher than expected due to the increased headcount, outcome of the review of the remuneration system to better align to market, address historic under-remuneration of some roles and the introduction of a formal performance pay mechanism which resulted in a 4% increase in staff costs rather than the budgeted 2%, and reorganisation costs incurred at year end following a review of the executive team structure.

(ii) Statement of Financial Position

The increase in the valuation of HBRC's Investment property was $5m over budget due to the higher than expected growth in the valuation of the Napier leasehold Portfolio which showed a 30% increase in value.
The significant change in the the Other Financial Assets ($51m below budget) is, as noted above, the reduction in the funds able to be repatriated from HBRIC following the Napier Port IPO and the lower than expected growth of the managed funds.
The success of the Napier Port IPO and the share price of the port resulted in the valuation of HBRIC increasing by $117m rather than the forecast dilution of its value.
Overall Borrowings increased by $2.5m compared to budget. New external loans of $10m forecast in the annual plan were not drawn down and a lower new loan balance was converted to internal loans at year end. The increase in borrowings reflects an asset/debt swap between HBRC and HBRIC where HBRIC sold $16m of managed funds to HBRC and HBRC took out a $16m loan with HBRC.

(iii) Statement of Changes in Equity/Other Comprehensive Income

Equity increased by $171m due mainly to the dividend from the Napier Port IPO and the resulting increase in value of the remaining shares held by HBRIC. The triennial revaluation of the infrastructure assets led to an $11m increase in the value recognised.

(iv) Statement of Cash Flow

Net cash flows from operating activities was under budget by $53m due to the retention of Napier Port IPO revenue in HBRIC and the reduced Port dividends and gains on the managed funds.
Net cash flows from investing activities was under budget by $47m due to the reduced investment in managed funds as a result of the retnetion of funds in HBRIC.
Net cash flows from financing activities was under budget by $9m due to the decision at year end to draw down internal loans to meet debt funding requirements at that time. Additional external funding (see Note 30) was drawn down post 30 June 2020 once cash flow and funding requirements had been confirmed.

Note 29: Financial Risk Management

Introduction

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

Historically, The Group has entered into derivatives, consisting principally of interest rate swaps and forward currency contracts. The purpose was to manage interest rate and currency risks arising from the Group's operations and its sources of finance.

The Group has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

Other than government stock and shares in listed companies, the Group does not trade in financial instruments.

Market Risk

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. The Group is exposed to equity and securities price risk on its investments, which are classified as fair value through other comprehensive revenue and expense and held to maturity financial assets. The Group manages price risk by diversification of its investment portfolio in accordance with limits set out in its investment policy.

Currency Risk

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

Interest Rate Risk

The interest rates on the Group's investments are shown within Note 13 and on borrowings within Note 21

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to change in market interest rates. Borrowing and investing at fixed rates exposes the Group to fair value interest rate risk. The Group does not usually hedge against this risk.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes to market interest rates. Borrowing at variable interest rates exposes the Group to cash flow interest rate risk. The Group has historically managed its cash flow interest rate risk on borrowings by using interest rate caps and floating to fixed interest swaps.

Credit Risk

Credit risk is the risk that a third party will default on its obligation to the Group, causing it to incur a loss. The Group has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers. Under the Local Government (Rating) Act 2002, the Council has powers to recover outstanding debts from ratepayers. The Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers.

The Group invests funds only with registered banks, government stock and its investment policy limits the amount of credit exposure to any one institution or organisation.

Investments in other local authorities are secured by charges over rates. The Group only invests in other entities with a minimum credit rating from Standard & Poors (or other credit agency of similar reputation) of A1 for short term debt (up to twelve months) or A+ for term debt (more than twelve months).

Maximum Exposure to Credit Risk

	Regional Council		Group	
	Actual 19/20 $000	Actual 18/19 $000	Actual 19/20 $000	Actual 18/19 $000
Cash and cash equivalents	6,522	28,436	25,234	32,227
Bank deposits with terms greater than 91 days	-	3,000	-	3,000
Government stock	1,000	1,438	1,000	1,438
Funds under Management	111,073	41,910	111,073	41,910
Community loans	11,405	8,533	11,405	8,533
Trade & other receivables	8,920	10,063	23,227	27,351
Advances to CCO	-	6,500	-	-
Derivative financial instruments	-	-	-	-
	138,920	99,880	171,939	114,459

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Note 29 (a): Financial Risk Management

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty raising liquid funds to meet commitments as they fall due.

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

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

Contractual Maturity Analysis	Carrying Amount $000	Contractual Carrying Amount $000	Less than 1 Year $000	1 - 2 Years $000	2 - 5 Years $000	More than 5 Years $000
Council at 30 June 2020						
Creditors and other payables	11,162	11,162	11,162	-	-	-
Bank borrowings	17,725	20,044	520	1,064	7,092	11,367
Bank overdraft	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exhange contracts	-	-	-	-	-	-
ACC liability	11,439	11,439	686	1,334	1,194	8,225
Finance lease	-	-	-	-	-	-
	40,326	42,645	12,368	2,398	8,287	19,592
Council at 30 June 2019						
Creditors and other payables	9,319	9,319	9,319	-	-	-
Bank borrowings	21,585	24,991	3,900	881	9,089	11,121
Bank overdraft	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
ACC liability	11,921	14,086	777	1,526	2,071	9,711
Finance lease	-	-	-	-	-	-
	42,825	48,396	13,996	2,407	11,160	20,832

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	Carrying Amount $000	Contractual Carrying Amount $000	Less than 1 Year $000	1 - 2 Years $000	2 - 5 Years $000	More than 5 Years $000
Group at 30 June 2020						
Creditors and other payables	20,347	20,347	20,347	-	-	-
Bank borrowings	17,725	20,044	520	1,064	7,092	11,367
Bank overdraft	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exhange contracts	-	-	-	-	-	-
ACC liability	11,439	11,439	686	1,334	1,194	8,225
Finance lease	785	877	250	244	383	-
	50,297	52,707	21,803	2,642	8,670	19,592
Group at 30 June 2019						
Creditors and other payables	17,440	17,440	17,440	-	-	-
Bank borrowings	102,285	108,828	47,628	2,008	48,071	11,121
Bank overdraft	129	-	-	-	-	-
Interest rate swaps	6,020	6,020	1,889	1,683	2,448	-
ACC liability	11,921	14,086	777	1,526	2,071	9,711
Forward exhange contracts	-	-	-	-	-	-
Finance lease	-	-	-	-	-	-
	137,795	146,373	67,734	5,217	52,590	20,832

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Note 29(b): Financial Risk Management

Council

	2020 $000				2019 $000			
	-0.5%		+0.5%		-0.5%		+0.5%	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equilvalents	(33)	-	33	-	(142)	-	142	-
Other financial assets:	-	-	-	-	-	-	-	-
Term deposits	-	-	-	-	(15)	-	15	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	(174)	-	174	-	107	-	(107)	-
Derivatives	-	-	-	-	-	-	-	-
Total sensitivity	(207)	-	207	-	(50)	-	50	-
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
Total sensitivity	-	-	-	-	-	-	-	-
Equity Price Risk								
Financial assets								
Publicly listed shares	(4)	-	4	-	(4)	-	4	-
Government Bonds	(5)	-	(5)	-	(7)	-	7	-
Total sensitivity	(9)	-	(1)	-	(11)	-	11	-

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Group

	2020 $000				2019 $000			
	-0.5%		+0.5%		-0.5%		+0.5%	
	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity	Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equilvalents	(126)	-	126	-	(161)	-	161	-
Other financial assets:	-	-	-	-				
Term deposits	-	-	-	-	(15)	-	15	-
Financial liabilities	-	-	-	-				
Bank overdraft	-	-	-	-	1	-	(1)	-
Loans	(174)	-	174	-	511	-	(511)	-
Derivatives	-	-	-	-	30	-	(30)	-
Total sensitivity	**(301)**	-	**301**	-	**366**	-	**(366)**	-
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
Total sensitivity	-	-	-	-	-	-	-	-
Equity Price Risk								
Financial assets								
Publicly listed shares	(4)	-	4	-	(4)	-	4	-
Government Bonds	(5)	-	5	-	(7)	-	7	-
Total sensitivity	**(9)**	-	**9**	-	**(11)**	-	**11**	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity has been calculated based on -5% / +5% (2019: -5% / +5%) movement in interest rates.

Explanation of foreign exchange risk sensitivity

The foreign exchange risk sensitivity has been calculated based on -5% / +5% (2019: -5% / +5%) movement in forward foreign exchange contracts.

Explanation of equity price risk sensitivity

The sensitivity for listed shares and government bonds has been calculated based on -5% / +5% (2019: -5% / +5%) movement in the share price at year-end.

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Note 29 (c): Capital Management

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan (LTP) and in its Annual Plan (where applicable) to met the expenditure needs identified in those plans, and the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's most recent LTP (2018/2028 Ten Year Plan).

HBRC has the following Council-created reserves:
- reserves for different areas of benefit, and
- self-insurance reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate of levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by Council.

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Note 30: Financial Instrument Categories

	Note	Regional Council Actual 19/20 $000	Regional Council Actual 18/19 $000	Group Actual 19/20 $000	Group Actual 18/19 $000
Financial Assets					
Loans and receivables					
Cash and cash equivalents		6,522	28,436	25,234	32,227
Trade & other receivables		11,327	10,063	25,635	26,510
Advances to Council-controlled organisations		-	6,500	-	-
Other financial assets		-		-	-
Term Deposits		-	3,000	-	3,000
Community loans		11,418	8,533	11,418	8,533
Total loans and receivables		**29,268**	**56,532**	**62,287**	**70,270**
Held-to-maturity					
Other financial assets		-	-	-	-
Government Bonds		1,000	1,438	1,000	1,438
Total held-to-maturity		**1,000**	**1,438**	**1,000**	**1,438**
Fair value through other comprehensive revenue and expense					
Managed Funds		111,073	41,910	156,611	41,910
Other financial assets		-	-	-	-
Publicly listed shares		816	801	816	801
Civic Assurance shares		18	18	18	18
Advances to Napier / Gisborne Rail		1,486	236	1,486	236
Shares in Hawke's Bay Regional Investment Company		457,260	340,396	457,260	-
Total fair value through other comprehensive revenue and expense		**570,653**	**383,361**	**616,190**	**42,965**
Financial Liabilities					
Fair value through surplus or deficit - held for trading					
Derivative financial instrument liabilities		-	-	-	6,020
				-	
Financial Liabilities at amortised cost				-	
Trade & other payables		11,162	9,321	11,162	17,442
Bank overdraft		-	-	-	129
Borrowings		34,888	21,585	34,888	102,285
ACC Leasehold Liability		11,439	11,921	11,439	11,921
Total financial Liabilities at amortised cost		**57,489**	**42,827**	**57,489**	**137,797**

Note 30a: Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

Level 1

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

Level 2

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

Level 3

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

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

	Total $000	Quoted Market Price (level 1) $000	Observable Inputs (level 2) $000	Significant Non-observable Inputs (level3) $000
30 June 2020 - Council				
Financial assets				
Government bonds	1,000	1,000	-	-
Publicly listed shares	816	816	-	-
Funds under management	111,073	111,073	-	-
Shares in Hawke's Bay Regional Investment Company	457,260	442,295	16,663	(1,698)
Financial liabilities				
Derivatives	-	-	-	-
30 June 2020 - Group				
Financial assets				
Government bonds	1,000	1,000	-	-
Funds under management	111,073	111,073	-	-
Publicly listed shares	816	816	-	-
Financial liabilities				
Derivatives	-	-	-	-
30 June 2019 - Council				
Financial assets				
Government bonds	1,438	1,438	-	-
Publicly listed shares	801	801	-	-
Funds under management	41,910	41,910	-	-
Shares in Hawke's Bay Regional Investment Company	340,396	-	-	340,396
Financial liabilities				
Derivatives	-	-	-	-
30 June 2019 - Group				
Financial assets				
Government bonds	1,438	1,438	-	-
Publicly listed shares	801	801	-	-
Funds under management	41,910	41,910	-	-
Financial liabilities				
Derivatives	6,020	-	6,020	-

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

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

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

	2020 $000	2019 $000
Balance at 1 July	382,406	283,600
Gain and losses recognised in the surplus or deficit	-	-
Gain and losses recognised in other comprehensive revenue and expenditure	-	56,896
Purchases	-	41,910
Sales	-	-
Transfers	-	-
Balance at 30 June	382,406	382,406

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Note 31: Events after balance date

On 13 July 2020, HBRC raised $6.3m of debt funding with LGFA, $3.3m due in April 2024 and the remaining $3m due in April 2025.

Hawke's Bay Regional Council
Council Funding Impact Statement

The following information is presented for compliance with Local Government (Financial Reporting) Regulations 2011. In accordance with the regulations, the information presented is incomplete (in particular, the information presented does not include depreciation and internal transactions such as overheads) and it is not prepared in compliance with generally accepted accounting practice. It should not be relied upon for any other purpose than compliance with the Local Government (Financial Reporting) Regulations 2011.

Council Funding Impact Statement	LTP 18/19 ($'000)	Annual Report 18/19 ($'000)	Annual Plan 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding				
General rates & uniform annual general charges, rates penalties	6,952	7,357	8,427	8,824
Targeted rates	15,877	15,878	16,215	16,330
Subsidies & grants for operating purposes	3,368	3,989	3,651	4,678
Fees & charges	9,198	8,416	10,719	12,363
Interest & dividends from investments	13,297	12,318	98,627	47,572
Local authoritites fuel tax, fines, infringement fees & other receipts	2,732	2,304	2,894	2,637
Total operating funding	51,424	50,263	140,533	92,404
Applications of operating funding				
Payments to staff & suppliers	44,332	47,250	50,350	54,753
Finance costs	2,447	2,489	2,713	2,120
Other operating funding applications				
Total applications of operating funding	46,779	49,739	53,063	56,873
Surplus / (deficit) of operating funding	4,645	524	87,470	35,531
Sources of capital funding				
Subsidies & grants for capital purposes	1,882	-	2,314	118
Development & financial contributions	-	-	-	-
Increase / (decrease) in debt	2,758	(1,440)	5,506	13,306
Gross proceeds from sale of assets	1,006	3,860	795	2,226
Lump sum contributions				
Other dedicated capital funding		-		
Total sources of capital funding	5,646	2,420	8,615	15,651
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	435	226	160	400
- to improve the level of service	2,090	774	5,662	3,173
- to replace existing assets	6,536	5,114	8,977	4,268
	9,061	6,114	14,799	8,216
Increase / (decrease) in reserves	(4,970)	(5,620)	78,347	39,588
Increase / (decrease) of investments	6,200	2,449	2,939	3,753
Total application of capital funding	10,291	2,944	96,085	34,515
Surplus / (deficit) of capital funding	(4,645)	(524)	(87,470)	(35,531)
Funding balance	-	-	-	-

Reconciliation from Funding Impact Statement to Comprehensive Revenue and Expenditure

Operating Surplus per Income Statement	5,832	3,075	88,097	40,785
Depreciation	2,925	3,081	3,446	3,333
Reduction in ACC Leasehold Liability	(917)	475	(936)	1,001
Fair Value Gains/Losses	(3,195)	(5,802)	(3,137)	(10,327)
Capital Grants		-		(118)
Gain / Loss on sale		(41)		(17)
Other		(264)		874
FIS Surplus / (deficit) of Operating Funding (above)	4,645	524	87,470	35,531

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Hawke's Bay Regional Council
Governance and Partnerships - Funding Impact Statement

Funding Impact Statement: Governance and Partnerships	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	2,603	3,161	3,383
Targeted rates	-	-	-
Subsidies & grants for operating purposes	15	15	-
Fees & charges	122	124	83
Internal charges & overheads recovered	826	84	6,183
Fines, infringement fees & other receipts	-	-	-
Total operating funding	3,566	3,384	9,649
Applications of operating funding			
Payments to staff & suppliers	2,976	2,796	2,750
Finance costs	115	92	86
Internal charges & overheads applied	475	496	423
Other operating funding applications	-		-
Total applications of operating funding	3,566	3,384	3,259
Surplus / (deficit) of operating funding	-	-	6,390
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(305)	(410)	(227)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(305)	(410)	(227)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	272
	-	-	272
Increase / (decrease) in reserves	(305)	(410)	5,891
Increase / (decrease) of investments	-	-	-
Total application of capital funding	(305)	(410)	6,163
Surplus / (deficit) of capital funding	-	-	(6,390)
Funding balance	-	-	-

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Hawke's Bay Regional Council
Strategic Planning - Funding Impact Statement

Funding Impact Statement: Strategic Planning	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	2,733	2,726	3,021
Targeted rates	1,850	1,894	1,888
Subsidies & grants for operating purposes	274	274	419
Fees & charges	-	-	25
Internal charges & overheads recovered	89	-	4,354
Fines, infringement fees & other receipts	-	-	-
Total operating funding	4,946	4,894	9,707
Applications of operating funding			
Payments to staff & suppliers	4,296	4,234	3,971
Finance costs	5	6	6
Internal charges & overheads applied	645	654	607
Other operating funding applications	-		-
Total applications of operating funding	4,946	4,894	4,584
Surplus / (deficit) of operating funding	-	-	5,123
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	(20)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	(20)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	5,103
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	5,103
Surplus / (deficit) of capital funding	-	-	(5,123)
Funding balance	-	-	-

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Hawke's Bay Regional Council

Asset Management - Funding Impact Statement

Funding Impact Statement: Asset Management	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	-	-	-
Targeted rates	7,081	7,250	7,259
Subsidies & grants for operating purposes	-	-	-
Fees & charges	2,033	2,038	2,461
Internal charges & overheads recovered	2,277	2,230	7,024
Fines, infringement fees & other receipts	267	290	178
Total operating funding	11,658	11,808	16,922
Applications of operating funding			
Payments to staff & suppliers	6,965	7,018	10,200
Finance costs	123	106	93
Internal charges & overheads applied	2,796	2,848	1,242
Other operating funding applications	-	-	
Total applications of operating funding	9,884	9,972	11,535
Surplus / (deficit) of operating funding	1,774	1,836	5,387
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(124)	(124)	(424)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(124)	(124)	(424)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	2,090	2,080	965
- to replace existing assets	1,217	1,344	236
	3,307	3,424	1,201
Increase / (decrease) in reserves	(1,657)	(1,712)	3,762
Increase / (decrease) of investments	-	-	-
Total application of capital funding	1,650	1,712	4,963
Surplus / (deficit) of capital funding	(1,774)	(1,836)	(5,387)
Funding balance	-	-	-

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Hawke's Bay Regional Council

Integrated Catchment Management - Funding Impact Statement

Funding Impact Statement: Integrated Catchment Management	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	-	674	-
Targeted rates	3,197	3,447	3,356
Subsidies & grants for operating purposes	82	83	536
Fees & charges	4,182	4,521	6,240
Internal charges & overheads recovered	9,849	9,834	22,621
Fines, infringement fees & other receipts	27	6	(77)
Total operating funding	17,337	18,565	32,676
Applications of operating funding			
Payments to staff & suppliers	13,660	14,469	17,611
Finance costs	940	1,131	781
Internal charges & overheads applied	2,738	2,965	3,501
Other operating funding applications	-	-	-
Total applications of operating funding	17,338	18,565	21,893
Surplus / (deficit) of operating funding	(1)	-	10,783
Sources of capital funding			
Subsidies & grants for capital purposes	1,882	2,345	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	2,100	1,622	240
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	3,982	3,967	240
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	160	160	-
- to improve the level of service	-	-	2,191
- to replace existing assets	-	-	-
	160	160	2,191
Increase / (decrease) in reserves	(979)	(1,232)	5,961
Increase / (decrease) of investments	4,800	5,039	2,871
Total application of capital funding	3,981	3,967	11,023
Surplus / (deficit) of capital funding	1	-	(10,783)
Funding balance	-	-	-

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Hawke's Bay Regional Council

Consents & Compliance - Funding Impact Statement

Funding Impact Statement: Consents and Compliance	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	1,294	1,370	1,770
Targeted rates	-	-	-
Subsidies & grants for operating purposes	67	69	50
Fees & charges	2,579	2,959	1,936
Internal charges & overheads recovered	385	421	6,642
Fines, infringement fees & other receipts	10	10	-
Total operating funding	4,335	4,829	10,398
Applications of operating funding			
Payments to staff & suppliers	3,405	3,773	4,318
Finance costs	-	-	-
Internal charges & overheads applied	930	1,056	1,090
Other operating funding applications	-	-	-
Total applications of operating funding	4,335	4,829	5,408
Surplus / (deficit) of operating funding	-	-	4,990
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	4,990
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	4,990
Surplus / (deficit) of capital funding	-	-	(4,990)
Funding balance	-	-	-

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Hawke's Bay Regional Council
Emergency Management - Funding Impact Statement

Funding Impact Statement: Emergency Management	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	149	151	161
Targeted rates	2,130	2,133	2,149
Subsidies & grants for operating purposes	-	-	291
Fees & charges	119	119	1,357
Internal charges & overheads recovered	(25)	(26)	1,173
Fines, infringement fees & other receipts	(1)	(1)	4
Total operating funding	2,372	2,376	5,135
Applications of operating funding			
Payments to staff & suppliers	1,840	1,844	3,967
Finance costs	-	-	-
Internal charges & overheads applied	532	532	817
Other operating funding applications	-	-	-
Total applications of operating funding	2,372	2,376	4,784
Surplus / (deficit) of operating funding	-	-	351
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	-
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	-	-	351
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	351
Surplus / (deficit) of capital funding	-	-	(351)
Funding balance	-	-	-

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Hawke's Bay Regional Council
Transport - Funding Impact Statement

Funding Impact Statement: Transport	LTP 18/19 ($'000)	LTP 19/20 ($'000)	Annual Report 19/20 ($'000)
Sources of operating funding			
General rates & uniform annual general charges	173	180	251
Targeted rates	1,620	1,653	1,677
Subsidies & grants for operating purposes	2,929	2,988	3,382
Fees & charges	153	153	83
Internal charges & overheads recovered	(34)	(28)	525
Fines, infringement fees & other receipts	(2)	(3)	(5)
Total operating funding	4,839	4,943	5,913
Applications of operating funding			
Payments to staff & suppliers	4,608	4,705	5,337
Finance costs	5	9	9
Internal charges & overheads applied	226	229	279
Other operating funding applications	-	-	-
Total applications of operating funding	4,839	4,943	5,625
Surplus / (deficit) of operating funding	-	-	288
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	63
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	-
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	63
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	17
- to replace existing assets	-	-	-
	-	-	17
Increase / (decrease) in reserves	-	-	334
Increase / (decrease) of investments	-	-	-
Total application of capital funding	-	-	351
Surplus / (deficit) of capital funding	-	-	(288)
Funding balance	-	-	-

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Report on Council Controlled Organisations

Clause 28 of Schedule 10 of the Local Government Act 2002 (Act) requires the Council to include in its annual report certain information on each Council Controlled Organisation (CCO) in which the Council is a shareholder or has the power to appoint directors, or members of the governing body of the CCO.

The Hawke's Bay Regional Council has two CCOs;

- Hawke's Bay Regional Investment Company Limited (HBRIC Ltd); and
- Napier Port Holdings Limited (NPHL)

NPHL was incorporated in June 2019 to provide an efficient and effective structure to facilitate a minority share issue of Napier Port. NPHL sat as a shell company until shares were listed on the NZX on 20 August 2019. The Local Government Act 2002 section 71A exemption applies to NPHL as a result of it being a listed entity and therefore, is not required to have a statement of intent, deliver quarterly, half yearly or annual reports. As such, no assessment of performance against targets has been reported.

HBRIC Ltd

Ownership and Control Policies

The Council is required to report on the implementation or attainment of any significant policies and objectives in regard to ownership and control of CCOs during the year.

The Regional Council's objectives for HBRIC Ltd are to:

- Enhance the Regional Council's capability to actively manage transferred strategic assets
- Improve net financial and economic returns from these assets
- Provide flexibility of operation not otherwise available directly to the Regional Council which would increase returns to the Regional Council from its ongoing financial management.

During the year, Directors Peter Beaven and Rex Graham (Chair) resigned from the board. Upon Rex Graham's resignation, Dan Druzianic (Independent) was appointed as Chair. Hawke's Bay Regional Council Councillors Craig Foss, Neil Kirton and Rick Barker were appointed as directors in January 2020. There have been no changes to the ownership of HBRIC Ltd.

Nature and Scope of Activities

The Council is required to compare the intended versus actual nature and scope of the activities provided in the year by CCOs (as set out in the 2018-28 Long Term Plan). The nature and scope of activities as described in the 2018-28 Long Term Plan is noted in italics followed by commentary on actual performance in 2019-20.

- *Own and manage the investment assets and liabilities transferred to it by Council from time to time.*
  - As in previous years, HBRIC Ltd continued to manage the investment in the Port of Napier Limited (Napier Port) following the transfer of shares from the Council on 25 June 2012.
  - During the year HBRIC sold 45% of its shareholding in Napier Port via an Initial Public Offering (IPO) of Napier Port shares on the New Zealand Stock Exchange (NZX). As a result of

the IPO and the restructure, HBRIC maintains majority (55%) ownership of the Napier Port through 55% shareholding of the Napier Port Holdings Limited. Napier Port Holdings Limited has 100% ownership of the Napier Port.

- HBRIC received proceeds of $107 million from the IPO, net of transaction costs.

- *Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments.*
  - At the end of the 2019 financial year, HBRC's investment in the Napier Port was valued at $330 million (100% ownership). Following the IPO, the value of the investment in the Napier Port as at June 2020 was $396 million (55% ownership).
  - The price of Napier Port Holdings Limited shares had increased from $2.60 (final IPO price) in August 2019 to $3.60 on the NZX as at 30 June 2020.
  - During the year the Napier Port began construction of a new wharf which will enable the growth of Port operations in the region and contribute towards the economic stability and prosperity of the Hawkes Bay Region. As at 30 June 2020, $14 million had been spent on the construction of the new wharf and it continues to be on schedule and budget.
  - In December 2019, Napier Port Holdings Limited paid out a fully imputed dividend of $2.75 million to HBRIC. Due to the uncertainty surrounding the economic environment as a result of COVID 19, a decision was made by the Napier Port Holdings Limited board to not pay an interim June 2020 dividend. Napier Port Holdings Limited's dividend policy is to pay total dividends within a range of 70% to 90% of Free Cash Flow.
- *Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd.'s ownership.*
  - HBRIC Ltd has managed its investments in accordance with the Council's Investment Policy detailed in the 2018-28 Long Term Plan.
  - All managed funds investments are governed by the Council Statement of Investment Policy and Objectives (SIPO).
  - Following the IPO, HBRC shareholding of Napier Port reduced from 100% to 55%. In order to protect the investment in the Napier Port, Council resolved to have the following protections in place.
    - The Regional Council's majority ownership position in Napier Port could not be diluted, such as through any subsequent share issues or equity raising, below 51% in the future
    - The right to determine the composition of the Napier Port Holdings and Napier Port Boards through a majority vote
    - Inserting a restrictive covenant on the strategically important Port land at the main Ahuriri site, including limiting any potential future sale of the land without Regional Council consent and limiting the use of the Port site to Port purposes.

- *Monitor the performance of each subsidiary and associated company against their stated economic, environmental and social objectives and against relevant benchmarks, ensure that they have proper governance procedures in place, and promote sustainable business practices.*

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Attachment 1

Part 3- Financials | Pūrongo Pūtea

- The 2019-20 performance of Napier Port will be reported to the Regional Council under the NZX continuous disclosure requirements.
- In addition, Napier Port publishes regular market updates, which provides insights into its financial performance, trade outlook and capital expenditure.
- All reporting to council is in line with NZX continuous disclosure rules.

- *Advise Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return.*
  - HBRIC Ltd reports regularly to the Council on the performance of its current investments and notifies Council of any Investments on the Horizon. Council consultation will be made on new investments decisions.
  - HBRIC continues to works closely with Council in developing long term strategic investment plans, which includes advising on strategic issues relating to its current and future investments.

- *Perform financial, custodial and other functions required by HBRC.*
  - HBRIC managed all its investments in line with Council mandates in order to generate financial and strategic returns. All managed funds investments were managed in accordance with the Council's Statement of Investment and Policy Objectives (SIPO).
  - From time to time HBRIC undertakes financial and other functions as instructed by Council.

Other Key Performance Targets

That HBRIC Ltd is to actively manage its allocated investment portfolio and any new investment it makes to ensure:

1. Growth in long-term shareholder value
2. Increased financial and strategic returns
3. Investments are secure and sustainable over the long term
4. Investments will assist achievement of the Council's regional strategic development objectives.

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Part 3- Financials | Pūrongo Pūtea

Specific financial performance targets and actual results for 2019-20 are in the table below:

Consolidated Performance Targets		
Performance Indicator	Target	Actual (2018-19)
Net debt to net debt plus Equity	<40%	0%
Interest cover (EBIT/Interest Paid)	>3x	19x
EBITDA/Total Assets	9%	7%
Return on Shareholders' Funds	5%	17%

Notes: EBIT = Earnings Before Interest and Tax

EBITDA = Earnings Before Interest, Tax, Depreciation and Amortisation

Net debt means gross borrowings from outside the "HBRIC Ltd "group", less loans made to parties outside the HBRIC Ltd "group"

Part 3- Financials | Pūrongo Pūtea

Statement of Compliance and Responsibility

Compliance

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

Responsibility

2. The Council and management of the Hawke's Bay Regional Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
3. The Council and management of the Hawke's Bay Regional Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of the Council and management of Hawke's Bay Regional Council, the annual Financial Statements for the year ended 30 June 2020 fairly reflect the financial position and operations of Hawke's Bay Regional Council.

Rex Graham	**James Palmer**	**Jessica Ellerm**
Chair	**Chief Executive**	**Group Manager, Corporate Services**
16 December 2020	**16 December 2020**	**16 December 2020**

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Appendix 1 – Independent Auditor's Report

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Appendix 2 - Key activities for progressively implementing NPS-FM

Following amendments to the National Policy Statement for Freshwater Management (NPS-FM) in August 2017, Hawke's Bay Regional Council adopted a third edition of its NPS-FM Progressive Implementation Programme (PIP) on 31 October 2018, replacing previous editions adopted by the Regional Council in 2015 and 2012. Under the PIP, all catchments were to have been through a plan change, setting objectives as required under the 2014/17 NPS-FM. It should be noted that for this financial year (2019-20) there have been no amendments to the PIP in light of the forthcoming Government Freshwater Reforms.

Under NPS-FM Policy E1[1], states that *"(e) Where a regional council has adopted a programme of staged implementation, it is to publicly report in every year, on the extent to which the programme has been implemented."* Below is a progress summary by catchment.

ID	Description	Status
1	**Tukituki River Catchment Plan Change (PC6)** Subsequent to a request from Federated Farmers an application was made to the Minister for the Environment for a Streamlined Planning Process under the RMA to recalibrate Table 5.1.9D of the Regional Resource Management Plan. The plan change sought to recalibrate Table 5.9.1D using OverseerFM. This table was developed using Overseer v5.4.3, a model which estimates nitrogen leaching below the root zone from farming activities under different environmental conditions in the Tukituki Catchment. The plan change was sought as Overseer v5.4.3, an online software modelling application, is no longer available for public use.	Operative 1 Oct 2015
2	**Greater Heretaunga / Ahuriri Catchment Area (aka 'TANK' catchments) Plan Change** During the 2019-2020 year the TANK plan featured regularly at the RPC meetings and was the focus of many of the discussions. As a consequence the Council notified the proposed TANK plan change (PC9) in May 2020. During COVID-19 a number of online meetings including two Facebook live sessions were held to ensure that the public remained informed and had the ability to ask questions of staff. A request to extend the consultation period to the 14 August was granted.	Plan Change publicly notified in May 2020
3	**Outstanding Water Bodies Plan Change** In August 2019, the Outstanding Water Bodies (OWB) plan change (PC7) was publicly notified, with an extended submission period of six months, (closing 28 February). This allowed sufficient time for iwi to provide further information on cultural and spiritual values in support of those identified water bodies where it had been concluded that there were gaps in the information. On closing, the OWB plan change received 41 submissions with 901 submission points. Of those 5 submissions were received from iwi authorities.	Publicly notified in August 2019

[1] Whilst the freshwater reforms, including amendments to the RMA, fall within the 2020-21 financial year it should be noted that this directs acceleration of that plan-making programme, requiring all freshwater catchment plans to be notified by 31 December 2024. As a consequence the NPSFM 2020 has been amended to remove Policy E1.

Appendix 2

ID	Description	Status
4	**Plan Change 5 to RRMP** (integrated land and freshwater management) In August 2019, Hawke's Bay Regional Council approved Change 5 (Land Use and Freshwater Management) to the Regional Resource Management Plan and gave public notice that Change 5 will become operative on 24 August 2019. Change 5 introduces new provisions into the Regional Resource Management Plan to improve policies guiding decision-making on the use and protection of land and freshwater resources in Hawke's Bay. Change 5 was released as a proposal in 2012 and public submissions were received, council hearings held, and Environment Court proceedings have now been completed.	Plan change operative 24 August 2019
5	**Mohaka River Catchment Plan Change** The Mohaka Plan Change preparation has recommenced. Staff continue to build relationships with iwi and Māori land trusts in the Mohaka catchment with the aim to co-design the plan change. A contract has been set up with Ngāti Pāhauwera to work together to develop the plan. Hui have been held primarily with Ngāti Pāhauwera and other iwi with an interest in the area.	Under preparation; Not yet publicly notified
6	**Rest of Region Plan Change** (i.e. covering all other catchments in the Hawke's Bay region that are not in the Tukituki, TANK or Mohaka catchment areas)	Not scheduled for 2019-20; To commence in 2020-21
7	**Ngaruroro Water Conservation Order application** On 30 August 2019, the Special Tribunal released their recommendations report regarding a Water Conservation Order (WCO) for the Ngaruroro and Clive Rivers. The Tribunal found that no WCO should be made over the rivers below Whanawhana, i.e. the lower river, and that a WCO should be made over the upper in respect of habitat and fishery for rainbow trout, angling amenity and recreation, white water kayaking and rafting amenity and recreation, and the wild, scenic and natural characteristics. Several parties have appealed this decision through the Environment Court. The Regional Council submitted on this report regarding the implementation of the proposed Order.	Ongoing

NOTE 1: In terms of involvement of Tangata Whenua in (i.e. Objective D1 and Policy D1 of the NPS-FM), further commentary on this is outlined in "Part 1 - Introduction" of this Annual Report.

NOTE 2: This appendix does not outline the wide range of other activities (e.g. environmental monitoring, science information, land management services, open space activities etc.) that underpin, inform and implement changes to the RRMP. Refer to the separate activity reports elsewhere in this Annual Report.

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