

Meeting of the Corporate and Strategic Committee

Date: Wednesday 24 August 2022
Time: 1.00pm
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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1.	Welcome/Karakia/Notices/Apologies	
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HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 4

Subject: FOLLOW-UPS FROM PREVIOUS MEETINGS

Reason for Report

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

Decision Making Process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Follow-up items from previous meetings*.

Authored by:

Annelie Roets
GOVERNANCE ADVISOR

Approved by:

James Palmer
CHIEF EXECUTIVE

Attachment/s

- 1 [!\[\]\(54a282d3ed55c9b1ac66d6fb81d5de2b_img.jpg\)](#) Followups for August 2022 Corporate and Strategic meeting

Follow-ups from Previous Corporate and Strategic Committee Meetings

Meeting held 1 June 2022

	Agenda Item	Action or follow-up requested	Responsible	Status Comment
1	Annual Plan 2022-2023 for adoption	Schedule a workshop to enable Councillors to review and query the financials prior to 29 June Council adoption of the 22-23 Annual Plan.	Governance	This will coincide with Council's consideration of <u>carry-forwards</u> in July due to time constraints in June.
2	Health, Safety and Wellbeing Strategic Plan	Extend invitation to councillors to attend the next H&S meeting	K McInnes	An invitation will be extended to the new Councillors once inducted into HBRC.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 5

Subject: CALL FOR MINOR ITEMS NOT ON THE AGENDA

Reason for Report

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

Recommendations

3. That the Corporate and Strategic Committee accepts the following *minor items not on the Agenda* for discussion as Item 14:

Topic	Raised by

Annelie Roets
Governance Advisor

James Palmer
Chief Executive

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 6

**Subject: HAWKE'S BAY REGIONAL COUNCIL SHAREHOLDING IN THE REGIONAL SECTOR
SHARED SERVICES ORGANISATION (RSSSO)**

Reason for Report

1. This report sets out the background and steps required, for Council to become a shareholder of the Regional Sectors Shared Services Organisation, as previously resolved by Council.

Officers' Recommendation(s)

2. Council officers recommend that the Council formally sign into the Council Shareholding in the Regional Sector Shared Services Organisation (RSSSO) by delegating authority to the CEO to sign the Shareholders' Agreement - Deed of Accession on behalf of the Council.

Executive Summary

3. Council consulted on and subsequently resolved to participate in RSSSO/RSHL in April/May 2022 and June 2022 respectively.
4. Regional Software Holdings Limited (RSHL) is being transitioned into the Regional Sector Shared Services Organisation (RSSSO) to consolidate existing collaboration programmes and to put in place a fit-for-purpose structure that will enable the sector to respond more quickly to shared issues and opportunities, while reducing individual council cost and resource use.
5. RSSSO will have up to eight directors and Hawke's Bay Regional Council will have equal nomination, selection and voting rights alongside all other Class A shareholding councils.
6. Once the current shareholders sign the new Shareholders' Agreement, the Council can sign the Deed of Accession (as appended to the Shareholders' Agreement), be issued a single, fully paid Class A share and become a shareholder of RSSSO.
7. The share price is \$1 for 1 Class A Share.
8. Involvement in the Council Controlled Organisation (CCO) won't initially require any funding. Operational costs will be covered by the existing ReCoCo subscription fees paid by all regional councils.
9. Additional costs are incurred when each council decides to participate in and contribute funding towards a programme eg. IRIS.

Background /Discussion

10. The sector already has several resource sharing and collaboration programmes in place including: the Special Interest Group (SIG) Network, EMAR / LAWA, Essential Freshwater Implementation Programme, the Regional Sector Office, ReCoCo Programmes, the Sector Financial Management System and IRIS.
11. On 3 August 2021, the Regional Chief Executive Officers (RCEO) Group approved a business case for the development of a Regional Sector Shared Services Organisation.
12. The business case set out that the next evolutionary step is to consolidate existing collaboration programmes and to put in place a fit-for-purpose structure that will enable the sector to respond more quickly to shared issues and opportunities, while reducing individual council cost and resource use. Ultimately, doing more with less.

13. It was agreed to transition Regional Software Holdings Limited (RSHL) into the Regional Sector Shared Services Organisation (RSSSO) and a cross-council project team and steering group were stood up to run the transition.
14. Regional Software Holding Limited (RSHL) is a not-for-profit Council Controlled Organisation (CCO) that has been operating for 10 years and delivering an increasing number of innovative, collaborative solutions to the regional and unitary sector.
15. Regional Software Holdings Limited (RSHL) has six founding shareholders who will sign a new Shareholders' Agreement and a Shareholders' Resolution in order to transition the company into the Regional Sector Shared Services Organisation.
16. The following objectives were sought through the transition, to:
 - 16.1. Equalise the shareholding and control rights for each shareholder of RSSSO
 - 16.2. Achieve consistent treatment of founding and new shareholders
 - 16.3. Enable shareholders to retain rights and ownership over the assets that they funded
 - 16.4. Minimise the impact of the transition on founding shareholders.
17. Hawke's Bay Regional Council consulted with the community on 29 April 2022 – 15 May 2022 and subsequently resolved to join RSSSO as a shareholder on 29 June 2022 as recommended by the Corporate and Strategic Committee.
18. Once the founding shareholders have signed the Shareholders' Agreement and Shareholders' Resolution, Council can sign the Shareholder's Agreement - Deed of Accession to become a shareholder.

Approach to shareholding

19. To achieve the above objectives, the structure of the new company separates the ownership and control of the company, from the ownership and control of the significant assets developed by the company, such as IRIS classic.
 - 19.1. The Shareholders' Agreement, Constitution and Shareholders' Resolution propose that:
 - 19.1.1. All founding and future shareholders receive a single fully paid, Class A share that holds the rights of ownership and control of the company.
 - 19.1.2. The company issues a separate class of shares for all significant capital developments. These separate class shares will hold the rights of ownership and control over the specific assets.
 - 19.1.3. The company issue Class B shares that will hold the rights of ownership and control over IRIS classic.
 - 19.1.4. The company transfer the founding shareholders current shareholding into Class B shares enabling the founding shareholders to maintain their ownership of IRIS classic, resulting in minimal impact on the founding shareholders as a result of the transition.

Approach to Director Appointment

20. The Shareholders' Agreement and Constitution propose the following key aspects:
 - 20.1. That there be a maximum of eight directors
 - 20.2. That while the company has less than six directors, at least one must be an independent director, and while the company has six or more directors, at least two must be independent directors
 - 20.3. Only the independent directors are entitled to receive directors' fees

- 20.4. The directors will be appointed by ordinary resolution, voted on by all Class A shareholders
- 20.5. At the next annual meeting (Nov 2022) the current Board will retire and, if they so choose, offer themselves for re-election
- 20.6. The Class A shareholders will then select the full Board at this annual meeting
- 20.7. In subsequent years, the Board will operate a retirement by rotation approach whereby a minimum of two vacancies will be created and shareholders can nominate candidates (which may include any directors retiring by rotation) to be reviewed, selected and appointed to the vacancies.
- 21. This approach is intended to balance the retention of experience with the need to refresh the Board for upcoming issues and opportunities.
- 22. The Shareholders' Agreement, Constitution and Shareholders' Resolution have been drafted to give effect to the above.

Decision Making Process

- 23. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
 - 23.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 23.2. The use of the special consultative procedure is not prescribed by legislation, but consultation is required under section 56 of the Act prior to becoming a shareholder of a CCO. The substantial decision to participate in RSSSO has been previously consulted on.
 - 23.3. The decision to delegate authority to the CEO to sign the Shareholder's Agreement - Deed of Accession on behalf of the Council to formally join the RSSSO is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 23.4. The persons affected by this decision are all ratepayers in the region and have been previously consulted.
 - 23.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

Recommendations

That Hawke's Bay Regional Council:

- 1. Receives and considers the *Hawke's Bay Regional Council shareholding in the Regional Sector Shared Services Organisation (RSSSO)* staff report.
- 2. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.
- 3. Notes the approach to shareholding and appointments of directors related to establishing the Regional Sector Shared Services Organisation, and as incorporated into the Shareholders' Agreement and Constitution.
- 4. Delegates authority to the CEO to sign the Shareholder's Agreement - Deed of Accession on behalf of the Council.



Authored by:

Susie Young
GROUP MANAGER CORPORATE SERVICES

Approved by:

James Palmer
CHIEF EXECUTIVE

Attachment/s

- | | | |
|--|-----------------------------|----------------------|
| 1  | RSHL Shareholders Agreement | Under Separate Cover |
| 2  | RSHL Constitution | Under Separate Cover |

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 7

Subject: 2021-2022 CARRY FORWARDS

Reason for Report

1. This item seeks approval from the Corporate and Strategic Committee to carry forward expenditure budgets from 2021-2022 to 2022-2023

Executive Summary

2. During 2021-2022 a number of work programmes experienced delays and were unable to be completed. Where this work cannot be reprioritised from within the Annual Plan 2022-2023 budget, unspent expenditure budgets are requested to be carried forward to cover the expected costs that are likely to be incurred.
3. A total of \$4.032m unspent opex and \$9.319m unspent capex is requested to be carried forward into the 2022-2023 budget.
4. The source of funds required (\$13.351m) for the combined opex and capex carry forward request is
 - 4.1 \$4.860m debt funding
 - 4.2 \$5.316m reserve funds
 - 4.3 \$0.713m external funds and
 - 4.4 \$2.461m general funds.
5. A further \$2.190m of unspent opex and \$5.713m unspent capex is still required, but the re-phasing of this expenditure will be reviewed as part of the 2023-2024 Annual Plan.

Background

6. Carry forwards is a common practice within Councils and allows for unspent funds against projects to be moved forward so that projects can be completed. These include the funding of final costs of projects and contracts that were unable to be completed by the financial year end and the carry forward of external income received for specific projects.
7. The funding types are categorized below:
 - 7.1 General funding is from General Rates which includes investment income
 - 7.2 Reserve funding is from targeted rates that have flowed through to Reserves and funding from Reserves
 - 7.3 External is external funding received for specific projects
 - 7.4 Debt is for debt funding not drawn down this year and is covered by interest and principal repayments that are already included in the LTP.
8. Officers informed the Corporate & Strategic Committee on 1 June 2022, based on the full year forecast at that time, the indicative carry forwards from 2021-2022 would be \$4.7m opex and \$17.17m capex, and final carry forward requests would be presented at the conclusion of the financial year once the draft financial results had been analysed.

Phasing of carry forwards

9. Many work programmes experienced significant delays in 2021-2022, due to Covid-19 disruptions, staff turnover, weather events such heavy rain and flooding, contractor availability and supply shortages.
10. Officers have analysed the unspent expenditure budgets still required to complete the planned activities, and identified the budget required to meet the immediate commitments in 2022-2023. The carry forwards requested in this paper are for expenditure in the 2022-2023 year on top of the existing Annual Plan budget. The remainder of the unspent funds still required will be incorporated into the 2023-2024 Annual Plan process for confirmation. A high-level summary of the anticipated phasing of the unspent budgets still required is provided in the table below.

Figures in Thousands (\$,000)	Opex			Capex		
	Interim Net Variance	Carry forward request to 22-23	Required in outyears	Interim Net Variance	Carry forward request to 22-23	Required in outyears
Groups of Activities						
Asset management	\$26	\$100	\$52	\$11,639	\$4,556	\$5,505
Integrated Catchment Management	\$4,037	\$1,422	\$2,138	\$1,961	\$1,623	\$208
Policy & Regulation	\$1,969	\$1,244	-	\$15	-	-
Emergency Management	\$57	-	-	-	-	-
Transport	(\$103)	\$124	-	(\$7)	-	-
Governance & Partnerships	\$236	\$413	-	(\$66)	-	-
Corporate Services/Other						
ICT		-	-	\$3,186	\$1,506	-
Fleet/Buildings/Radio		-	-	\$771	\$1,634	-
Staff remuneration		\$729	-		-	-
Total	\$6,222	\$4,032	\$2,190	\$17,499	\$9,319	\$5,713
Source of funds:						
General funds		\$2,383	\$8		-	-
Reserve funds		\$333	\$43		\$4,983	\$4,910
External funds		\$713	-		-	-
Debt funding		\$524	\$2,139		\$4,336	\$803
Total		\$3,953	\$2,190		\$9,319	\$5,713

11. The operating interim net variance result for Asset Management and Transport is less than the value of carry forward requested, though the budget for the specific activity required to be carried forward is underspent. At a total level, the overall net variance result indicates sufficient underspend to cover the total requested amount.

Operating expenditure carry forward requests

Activity / Project		Amount Requested	Source of funds			
			General	Reserve	External	Debt
Integrated Catchment Management (ICM)						
1	Biodiversity	\$712,566			\$512,566	\$200,000
2	Erosion Control Scheme grants	\$324,000				\$324,000
3	Predator Free Hawkes Bay	\$82,000	\$18,224	\$42,522	\$21,255	
4	Environmental Enhancement Programme	\$293,000	\$113,543		\$179,457	
5	Air quality science	\$10,000	\$10,000			
Asset Management						
6	Makara Dam	\$100,000	\$14,099	\$85,901		
Governance & Partnerships						
7	Climate change engagement	\$80,000		\$80,000		
8	Tangata Whenua Partnerships	\$300,000	\$300,000			
9	Corporate sustainability	\$33,000	\$33,000			
Policy & Regulation						
10	Kotahi (policy & planning)	\$1,000,000	\$1,000,000			
11	Enforcement proceeds	\$244,000	\$244,000			
Transport						
12	On Demand/My way	\$124,388		\$124,388		
Other						
13	Staff remuneration	\$729,000	\$729,000			
Total		\$4,031,954	\$2,461,866	\$332,811	\$713,278	\$524,000

Biodiversity (opex – 1)

12. Financial Assessment: The Biodiversity workstream was underspent by \$1.016m (excluding overhead allocations which are overspent due to additional corporate services costs).
13. Integrated Catchment Management (ICM) seeks to carry forward a total of \$712k to cover various biodiversity projects supported by external funding agreements.
 - 13.1 \$403k is required for landowner grants received from Te Uru Rakau 1BT for planting projects taking place in July to September, and
 - 13.2 \$109k is required to complete the Pakuratahi bush fencing supported by the DoC Jobs for Nature funding.
14. The HBRC contributions for year 2 of the Porangahau Freshwater Improvement Fund project, and the DoC jobs for Nature Private Land Biodiversity fund is also required to be carried forward (\$100k each, funded from the recovery fund approved in 2020/21).
15. Recommendation: That Council approves the carry forward of \$200k of debt funding, and \$512k of external funding.

Erosion Control Scheme Grants (opex – 2)

16. Financial Assessment: The ECS grants workstream was underspent by \$2.2m (all debt funded).
17. ICM seeks to carry forward \$324k to cover the grant costs for Erosion Control Scheme (ECS) contracts, where project completion has been delayed due to various external factors including flooding, extended periods of wet weather, and fencing contractor shortages.
18. Recommendation: That Council approves the carry forward of \$324k of debt funding.

Predator Free Hawkes Bay (opex – 3)

19. Financial Assessment: The Predator Free Hawkes Bay workstream was underspent by \$21k and the possum control workstream was underspent by \$72k (excluding overhead allocations which are overspent due to additional corporate services costs).
20. ICM seeks to carry forward \$82k to cover the final milestones for the Predator Free Hawkes Bay project in Mahia, which were delayed due to flooding, extended periods of wet weather and staff turnover.
21. Recommendation: That Council approves the carry forward of \$82k in external funding.

Environmental Enhancement & Protection Programme (opex – 4)

22. Financial Assessment: The Environmental Enhancement & Protection Programme was underspent by \$949k.
23. ICM seeks to carry forward a total of \$293k to cover:
 - 23.1 \$200k for the completion of the Whakaki Weir construction which was delayed whilst the Geotech was reviewed, and the design amended. As the construction of the Weir requires a capex budget, this request includes the conversion of \$200k opex to capex.
 - 23.2 \$88k for the Fonterra sponsored wetland construction at Tukipo as this was delayed due to wet weather preventing machinery on site.
 - 23.3 \$5k is required to be carried forward in relation to enforcement proceeds received late in June, for the purpose of planting restoration of the Ahuriri Lagoon.
24. Recommendation: That Council approves the carry forward of \$179k external funding and \$113k of general funds, and that this be treated in the 2022-2023 budget as \$200k capex and \$93k opex.

Air quality science (opex – 5)

25. Financial Assessment: The Air Quality Science workstream was overspent, but the wider Environmental Science activity was underspent by \$1.3m.
26. ICM seeks to carry forward \$10k to cover GNS contractual commitments for an elemental analysis of air pollution, where the contract milestones have been delayed because of Covid-19 related disruptions.
27. Recommendation: That Council approves the carry forward of \$10k in general funding.

Makara Dam (opex – 6)

28. Financial Assessment: The Makara Dam workstream was underspent by \$187k.
29. Asset Management seeks to carry forward \$100k for the completion of desilting works and erosion control.
30. Recommendation: That Council approves the carry forward of \$14k from general funds and \$86k from reserves.

Climate change engagement (opex – 7)

31. Financial Assessment: The Climate Change Engagement workstream was underspent by \$320k.
32. Strategy & Governance seeks to carry forward \$30k for the remaining climate fresh workshops and to meet the contractual commitment on the Community Carbon footprint report which was unable to be delivered by year end due to contractor capacity constraints. Another \$50k is requested to be carried forward from unspent funds to be provided to the Hawke's Bay Environment Centre as a one-off grant to support their forced relocation.
33. Recommendation: That Council approves the carry forward of \$80k funding from carbon credit reserves.

Tāngata Whenua Partnerships (opex – 8)

- 34. Financial Assessment: The Tāngata Whenua Partnerships cost centre was underspent by \$430k.
- 35. Governance & Partnerships seeks to carry forward \$300k of unspent general funds to help meet the cost demands of the Kotahi project once efforts advance in the new financial year, including unbudgeted cost for Tāngata whenua representation as part of 'All of Governors' approach to Kotahi.
- 36. Recommendation: That Council approves the carry forward of \$300k in general funding.

Corporate sustainability (opex – 9)

- 37. Financial Assessment: The corporate sustainability workstream was underspent by \$46k.
- 38. Governance & Partnerships seeks to carry forward \$33k to cover the contractual commitments of the corporate carbon footprint assessment, which took longer than anticipated.
- 39. Recommendation: That Council approves the carry forward of \$33k in general funding.

Kotahi (opex – 10)

- 40. Financial Assessment: The Planning cost centre was underspent by \$1.3m.
- 41. Policy & Regulation seeks to carry forward \$1m to resource Tāngata Whenua and community groups to engage with HBRC on Kotahi. This investment is required to catch up community engagement activities not progressed in 2021-2022 due to the delays in determining governance arrangements for the project, as well as ongoing disruption from the Covid-19 pandemic.
- 42. Recommendation: That Council approves the carry forward of \$1m in general funding.

Enforcement proceeds (opex – 11)

- 43. Financial Assessment: The Environmental Incident Response workstream was underspent by \$376k.
- 44. Policy & Regulation seeks to carry forward \$244k of surplus proceeds from environmental infringement and prosecution activities carried out under the RMA. In 2021-2022, HBRC received a significant boost in prosecution fines, due to the efforts of the Compliance Manager working with the Ministry of Justice court bailiff to chase up fines owed. Council's approval is requested to spend these funds on environmental enhancement and protection works in the 2022-2023 financial year. The specific work programme will be identified and signed off by the Executive Management Team.
- 45. Recommendation: That Council approves the carry forward of \$244k in general funding.

On Demand/My way (opex – 12)

- 46. Financial Assessment: The subsidised passenger transport cost centre was underspent by \$481k.
- 47. Transport seeks to carry forward \$124k to cover the outstanding set up costs for the My way trial.
- 48. Recommendation: That Council approves the carry forward of \$124k in reserve funds.

Staff remuneration (opex – 13)

- 49. The Executive Management Team seeks to carry forward \$729k of unspent general funds, to supplement both proposed staff performance remuneration outcomes for the FY22 year, and to bring forward the recruitment of an additional comms advisor (originally planned for year 3 of the LTP) to assist in responding to the recommendations of the Communications Review.
- 50. Executive Management are requesting an increase in Salary/Wage expense of \$1,287k in FY22/23 reflecting a ~4.5% on average across all staff.

51. 2.2% of this increase (\$700k) is expected through assumed staff turnover savings across the coming year, with 2.2% (\$729k) asked through carry forward.
52. The average increase across the board is both an outcome of i) the Labour Cost Index for Local Government (which measures the changes in wages and salaries within the Local Government Sector) is at 3.4%, ii) management ensuring parity amongst like graded roles (such as 44% of our staff will sit between 98-102% of a band – previously this was 39%), and iii) HBRC has also been experiencing higher than usual levels of staff turnover and is having to offer competitive remuneration to secure new recruits. To remain competitive, particularly within our own sector, HBRC needs to be able to increase our salary budget.
53. Financial Assessment: The interim net operating variance indicates sufficient underspend to allow this carry forward, however, the general funds surplus is still to be confirmed once reserve movements have been finalised. If the general funds surplus is not sufficient to cover the carry forward for the salary remuneration, the difference may be covered using debt funding.
54. Recommendation: That Council approves the carry forward of \$729k (average increase 4.65%) in general funding and note that the ongoing salary budget pressure will be addressed as part of the Annual Plan 2023-2024.

Capital expenditure carry forward requests

Activity / Project		Amount Requested	Type of funding	
			Reserve	Debt
Integrated Catchment Management (ICM)				
1	3D Aquifer mapping	\$294,931		\$294,931
2	Hydrodynamic modelling	\$25,000		\$25,000
3	SOE Ground water monitoring drilling	\$176,903		\$176,903
4	Right Tree Right Place (RTRP)	\$507,000	\$507,000	
5	Ruataniwha ground water model	\$325,877		\$325,877
6	LiDAR Mapping	\$187,956		\$187,956
7	Enviro info technical equipment	\$105,000	\$105,000	
Asset Management				
8	Clive river dredging	\$100,000	\$100,000	
9	Flood warning system (Mt Misery)	\$50,000		\$50,000
10	Forestry (Tangoio)	\$30,388	\$30,388	
11	Hawkes Bay Trails/cycleways	\$100,000		\$100,000
12	Heretaunga Plains flood control scheme (HPFCS)	\$698,687	\$546,437	\$152,250
13	IRG HPFCS	\$1,583,578	\$1,583,578	
14	Regional Parks	\$247,854		\$247,854
15	Water Security	\$1,745,825	\$1,745,825	
Corporate Services				
16	Office renovations	\$1,375,025	\$70,944	\$1,304,081
17	Fleet	\$55,448	\$55,448	
18	Radio network	\$203,686	\$203,686	
19	ICT network & equipment	\$306,340	\$34,670	\$271,670
20	ICT projects	\$1,200,000		\$1,200,000
Total		\$9,319,498	\$4,982,976	\$4,336,522

3D Aquifer mapping (capex - 1)

- 55. Financial Assessment: The 3D Aquifer mapping capex workstream was underspent by \$304k.
- 56. ICM seeks to carry forward \$294k to cover 3D Aquifer mapping project milestones delayed due to difficulty accessing specialist contractors from the international market (via GNS) with the ongoing Covid-19 pandemic. This multi-year project is now due to complete in July 2023.
- 57. Recommendation: That Council approves the carry forward of \$294k debt funding.

Hydrodynamic modelling (capex - 2)

- 58. Financial Assessment: The Coastal Water Quality capex workstream was underspent by \$25k, which could be carried forward
- 59. ICM seeks to carry forward \$25k to cover the final payment for the University of Waikato PhD project on the Hydrodynamic modelling of Hawkes Bay with coupled sediment delivery, which has been delayed into the 2022-2023 financial year.
- 60. Recommendation: That Council approves the carry forward of \$25k debt funding.

SOE Groundwater monitoring drilling (capex - 3)

- 61. Financial Assessment: The ground water monitoring drilling capex workstream was underspent by \$177k.
- 62. ICM seeks to carry forward \$177k to cover the contractually committed drilling programme. Resource capacity of drilling companies was a limiting factor to achieving the annual programme of work in line with the financial year.
- 63. Recommendation: That Council approves the carry forward of \$177k debt funding.

Right Tree Right Place (capex - 4)

- 64. Financial Assessment: The full capex budget of \$507k for RTRP was unspent.
- 65. ICM seeks to carry forward \$507k to cover the costs of the initial RTRP pilot farm works, which were delayed while a full risk assessment was completed around carbon revenues and security.
- 66. Recommendation: That Council approves the carry forward of \$507k from reserves.

Ruataniwha ground water model (capex - 5)

- 67. Financial Assessment: The Ruataniwha ground water model capex workstream was underspent by \$326k.
- 68. ICM seeks to carry forward \$326k for the Ruataniwha ground water model, which is a critical part of the science decision support for PC6 and Kotahi. This work was unable to progress as intended during 2021-2022 due to science staff turnover, and difficulty securing contractors.
- 69. Recommendation: That Council approves the carry forward of \$326k debt funding.

LiDAR Mapping (capex - 6)

- 70. Financial Assessment: The LiDAR mapping capex workstream was underspent by \$188k.
- 71. ICM seeks to carry forward \$188k for the LiDAR mapping project, where data production delays have meant the final project milestones were delayed into 2022-2023. This had a flow on impact to the LiDAR data modelling project, which was not able to progress as planned. The data modelling work is now contracted for delivery over the next two financial years.
- 72. Recommendation: That Council approves the carry forward of \$188k of debt funding.

Enviro Info monitoring equipment (capex - 7)

- 73. Financial Assessment: The Environmental information equipment capex workstreams were underspent by \$187k.
- 74. ICM seeks to carry forward \$105k for replacements of various minor hydrology and water

quality monitoring equipment, which were delayed due to supply shortages.

75. Recommendation: That Council approves the carry forward of \$105k from the asset replacement reserve.

Clive River Dredging (capex - 8)

76. Financial Assessment: The Clive River dredging capex workstream was underspent by \$1.063m.
77. Asset Management seeks to carry forward \$100k for Clive River dredging, which did not progress as planned due to not being able to obtain a resource consent. The overall phasing for this work programme will be addressed as part of the Annual Plan 2023-2024.
78. Recommendation: That Council approves the carry forward of \$100k from reserve funds.

Flood warning system (Mt Misery) (capex - 9)

79. Financial Assessment: The Flood warning system capex budget was not spent (\$50k).
80. Asset Management seeks to carry forward \$50k for the relocation of the Mt Misery flood warning repeater site. The access arrangements for the current site are not ideal, and radio coverage could be improved. Relocation has been delayed until after the new digital radio network is tested and the best positioning option is confirmed.
81. Recommendation: That Council approves the carry forward of \$50k of debt funding.

Forestry (Tangoio) (capex - 10)

82. Financial Assessment: The Forestry cost centre was overspent by \$281k (opex and capex), but the budget for Tangoio soil conservation reserve was underspent by \$30k.
83. Asset Management seeks to carry forward \$30k for replanting the Tangoio soil conservation reserve, which was delayed due to contractor availability. Pre-spraying and other site preparation has been completed, but the planting contractors were unable to plant by year end.
84. Recommendation: That Council approves the carry forward of \$30k of reserve funding.

Trails/Cycleways (capex - 11)

85. Financial Assessment: The Hawke Bay Trails new capital workstream was underspent by \$309k.
86. Asset Management seeks to carry forward \$100k to progress the Ngaruroro explorer work programme. The Whirinaki link project has been suspended due to stalled land negotiations between Napier City Council and landowners.
87. Recommendation: That Council approves the carry forward of \$100k of debt funding.

Heretaunga Plains Flood Control Schemes (capex - 12)

88. Financial Assessment: Cost Centres underspent by \$1.512m.
89. Asset Management seeks to carry forward \$699k, for delays in planned pump replacements at Plantation, Haumoana, Karamu, Farndon, Opoho and Ohuia/Whakaki, due to various factors including staff resource constraints, planning delays and parts availability.
90. Recommendation: That Council approves the carry forward of \$546k of reserve funds and \$152k of debt funding.

IRG Flood and river control (capex - 13)

91. Financial Assessment: The HPFCS flood and river control cost centre were underspent by \$1.583m.
92. Asset Management seeks to carry forward \$1.583m, for the Heretaunga Plains flood and river control works delayed by wet weather and industry capacity to develop the Moteo package for tender (now programmed for 2022/23).

93. Recommendation: That Council approves the carry forward of \$1.583m of reserve funds.

Regional Parks (capex - 14)

94. Financial Assessment: The Regional Parks workstream was underspent by \$481k.
95. Asset Management seeks to carry forward
- 94.1 \$240k for the Waitangi Regional Park site development, and
 - 94.2 \$7k for Tutira park fencing that was delayed due to contractor availability and poor weather restricting access.
96. Recommendation: That Council approves the carry forward of \$247k of debt funding.

Regional water security (capex - 15)

97. Financial Assessment: The Water security cost centre underspent by \$5.584m.
98. Asset Management seeks to carry forward \$1.745m, for the regional water security scheme, which has been impacted by delays in contract agreements with PGF deferring the entire project timeline.
99. Recommendation: That Council approves the carry forward of \$1.745m of reserve funds.

Office renovations (capex -16)

100. Financial Assessment: The office complex cost centre was underspent by \$1.367m, and the pole nursery capex budget was underspent by \$63k.
101. Corporate Services seeks to carry forward \$1.367m to cover the Dalton St office renovations (including furniture & fittings), which have been significantly delayed due to supply and contractor availability. Another \$8k is also required to be carried forward for the completion of the pole nursery office.
102. Recommendation: That Council approves the carry forward of \$1.304m of debt funding, and \$71k of reserve funds.

Fleet (capex -17)

103. Financial Assessment: The fleet cost centre was underspent by \$55k.
104. Corporate Services seeks to carry forward \$55k for the vehicle replacement programme, which was impacted by limited supply availability.
105. Recommendation: That Council approves the carry forward of \$55k reserve funding.

Radio Network (capex - 18)

106. Financial Assessment: The radio network cost centre was underspent by \$204k.
107. Corporate Services seeks to carry forward \$203k for project Tarsier, where supply and installation delays have hindered progress.
108. Recommendation: That Council approves the carry forward of \$203k reserve funding.

ICT network & equipment (capex - 19)

109. Financial Assessment: The ICT end user hardware cost centre was underspent by \$277k, and the ICT network & server cost centre was underspent by \$35k.
110. Corporate Services seeks to carry forward \$306k for delayed replacements/upgrades of meeting room technology, aerial photography hardware, and network and server upgrades, where priority has been given instead to satisfying end user hardware requirements as part of the Covid-19 response.
111. Recommendation: That Council approves the carry forward of \$271k debt funding and \$35k reserve funds.

ICT projects (capex - 20)

- 112. Financial Assessment: The ICT business computing capex budget was underspent by \$3.075m.
- 113. Corporate Services seeks to carry forward \$1.2m for business systems implementations delayed due to staff resourcing challenges. This carry forward request includes the conversion of capex budget to opex, in line with the new accounting treatment for “software-as-a-service” projects.
- 114. Recommendation: That Council approves the carry forward of \$1.2m debt funding, and that this be treated in the 2022-2023 budget as \$1.080m opex and \$0.12m capex.

Options Assessment

- 115. **Option 1:** Council approves the carry forwards from 2021-2022 to 2022-2023 to enable all the projects to be completed, service levels to be achieved, commitments to external organisations to be fulfilled and the future work to be funded.
- 116. **Option 2:** Council approves the carry forward of all non-general funded expenditure (i.e. reserve, debt, and externally funded expenditure) with the general funded carry forward expenditure met through additional debt funding in 2022-2023.
- 117. **Option 3:** Council does not approve the carry forwards as proposed and provides officers with guidance on which carry forwards, if any, should be approved.

Financial and Resource Implications

- 118. The interim financial results indicate that HBRC has a net underspend in opex of \$6.222m and a net underspend in capex of \$17.499m, which is sufficient underspend to cover the carry forward amounts requested for 2022-2023.
- 119. Reserve and debt funded expenditure can be carried forward with no impact to general funding as this has been included in the LTP.
- 120. Funding from targeted rates will be automatically carried forward through the associated reserve to enable the funds to be drawn down to complete the work in subsequent years.
- 121. The carry forward of \$2.382m in general funding and \$0.713m in external funding from 2021-2022 to 2022-2023, will impact the general funds surplus. The quantum of the general fund’s surplus will be confirmed once the reserve movements have been finalised. If the general funds balance is not sufficient to cover the carry forwards, the difference may be covered by additional debt funding.

Decision Making Process

- 122. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded:
 - 121.1 The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan
 - 121.2 The use of the special consultative procedure is not prescribed by legislation.
 - 121.3 The decision is not significant under the criteria contained in Council’s adopted Significance and Engagement Policy.
 - 121.4 The persons affected by this decision are Council’s ratepayers.
- 123. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

Recommendations

1. That the Corporate and Strategic Committee receives and notes the *2021-2022 Carry Forwards* staff report.
2. The Corporate and Strategic Committee recommends that Hawke' Bay Regional Council:
 - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.
 - 2.2. Approves the carry forward of all expenditure requests from the 2021-2022 to the 2022-2023 budget, being:

Operating expenditure carry forward requests

Activity / Project		Amount Requested	Source of funds			
			General	Reserve	External	Debt
Integrated Catchment Management (ICM)						
1	Biodiversity	\$712,566			\$512,566	\$200,000
2	Erosion Control Scheme grants	\$324,000				\$324,000
3	Predator Free Hawkes Bay	\$82,000	\$18,224	\$42,522	\$21,255	
4	Environmental Enhancement Programme	\$293,000	\$113,543		\$179,457	
5	Air quality science	\$10,000	\$10,000			
Asset Management						
6	Makara Dam	\$100,000	\$14,099	\$85,901		
Governance & Partnerships						
7	Climate change engagement	\$80,000		\$80,000		
8	Tangata Whenua Partnerships	\$300,000	\$300,000			
9	Corporate sustainability	\$33,000	\$33,000			
Policy & Regulation						
10	Kotahi (policy & planning)	\$1,000,000	\$1,000,000			
11	Enforcement proceeds	\$244,000	\$244,000			
Transport						
12	On Demand/My way	\$124,388		\$124,388		
Other						
13	Staff remuneration	\$729,000	\$729,000			
Total		\$4,031,954	\$2,461,866	\$332,811	\$713,278	\$524,000

Capital expenditure carry forward requests

Activity / Project		Amount Requested	Type of funding	
			Reserve	Debt
Integrated Catchment Management (ICM)				
1	3D Aquifer mapping	\$294,931		\$294,931
2	Hydrodynamic modelling	\$25,000		\$25,000
3	SOE Ground water monitoring drilling	\$176,903		\$176,903
4	Right Tree Right Place (RTRP)	\$507,000	\$507,000	
5	Ruataniwha ground water model	\$325,877		\$325,877
6	LiDAR Mapping	\$187,956		\$187,956
7	Enviro info technical equipment	\$105,000	\$105,000	
Asset Management				
8	Clive river dredging	\$100,000	\$100,000	
9	Flood warning system (Mt Misery)	\$50,000		\$50,000
10	Forestry (Tangoio)	\$30,388	\$30,388	
11	Hawkes Bay Trails/cycleways	\$100,000		\$100,000
12	Heretaunga Plains flood control scheme (HPFCS)	\$698,687	\$546,437	\$152,250
13	IRG HPFCS	\$1,583,578	\$1,583,578	
14	Regional Parks	\$247,854		\$247,854
15	Water Security	\$1,745,825	\$1,745,825	
Corporate Services				
16	Office renovations	\$1,375,025	\$70,944	\$1,304,081
17	Fleet	\$55,448	\$55,448	
18	Radio network	\$203,686	\$203,686	
19	ICT network & equipment	\$306,340	\$34,670	\$271,670
20	ICT projects	\$1,200,000		\$1,200,000
Total		\$9,319,498	\$4,982,976	\$4,336,522

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Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 8

Subject: 1 APRIL - 30 JUNE 2022 FINANCIAL REPORT

Reason for Report

1. This item provides the Committee with draft financial results for the 2021-2022 financial year.

Executive Summary

2. HBRC continues to see and experience the impacts of Covid-19 to planning and delivery. While delivery for most levels of service is on track to be achieved there are impacts to our larger projects.
3. In addition, the world-wide economic and political uncertainty, due partially to the pandemic but also through the Russia-Ukraine situation, have continued to affect costs (supply chain, increased cost of borrowing, financial impacts to investments), with inflation rates significantly above budget.
4. The Long Term Plan (LTP) capital work programme will require re-profiling across the remaining 8 years of the 10-year plan horizon to account for changes to project scoping, building internal capability and shifts in the external operating environment.

Within the Quarter 1 Apr – 30 June 2022

5. Q4 Groups of Activities operating expenditure was \$21m (30% annual opex) and exceeded the Q3 year-end forecast by \$3.4m.
6. Q4 Corporate and Groups of Activities capital expenditure was \$6m (27.9% of annual capital expenditure). This was \$4.7m below the Q3 year-end forecast. This reflects ongoing delays across the capital work programme.

Year to 30 June 2022

7. Preliminary results indicate an operating deficit of \$2.8m compared to a budget operating surplus of \$4m.
8. Investment income for the year totals \$7.2m compared to a budget of \$21.6m, 64% below budget. This is primarily driven by our managed funds returning a \$9.3m deficit for the year, an adverse variance of \$15.3m when compared to the expected \$6m return. Refer to para 34
9. Other material variances to note occurred in:
 - 9.1. Operating expenditure of \$69.75m which was \$3.7m (5%) below budget.
 - 9.2. 2 specific areas of underspend, being Integrated Catchment Management (ICM) \$3.3m across environment enhancement and erosion control, and Policy & Regulation \$2m mainly in the Kotahi plan change project.
 - 9.3. Staff and overhead cost centres consolidated which are \$1.1m (5%) above budget- refer para 47.
 - 9.4. Operating income (excluding rates and investment income) which was \$20m, \$2.5m (14%) above budget – refer to para 23/24).
 - 9.5. Capital expenditure which is \$21.4m (50%) below budget and income \$3.8m (31%) below budget. The underspends are due to a range of reasons including delays in consents and assessments, supply chain delays and other Covid-19 impacts explained in detail within

the report. The main underspend is \$15.7m in Asset Management with the remainder spread across ICM (\$1.4m), ICT (\$3m) and building works (\$1.5m).

10. Debt was planned to increase by \$30.8m but only \$15.8m of additional debt was required leaving headroom of \$53m within policy – refer para 0. No additional debt is required due to the indicated operating deficit.
11. Many projects remain a high priority and will require budget carry forward to complete delivery. Officers have conducted a review of the phasing of the carry-forward expenditure, and final carry-forward requests reflect the expenditure and funds required in addition to the 2022-2023 Annual Plan budget. The remaining rephasing of work programmes will be addressed as part of the 2023-2024 Annual Plan process.

Background

12. In the following tables the figures presented are:
 - 12.1. Actual – full year income or expenditure
 - 12.2. Q3 Forecast – forecast result for the year end provided in the Q3 paper presented in June
 - 12.3. Revised – operating budget for FY2021-2022 including carry forwards from FY2020-2021
 - 12.4. LTP – long-term plan budget for FY2021-2022.
13. Reserve movements and internal loan funding will be calculated for the Annual Report.
14. Groups of Activities operating expenditure includes the allocation of overheads.

Groups of Activities Operating Expenditure

OPERATING EXPENDITURE For Twelve Months Ending 30 June 2022

Figures in Thousands	Q3 Forecast				Revised			LTP		
	Actual	Forecast	Variance	%	Budget	Variance	%	Budget	Variance	%
GROUPS OF ACTIVITIES										
Asset Management	15,574	13,816	(1,758)	113%	14,828	(746)	105%	13,913	(1,661)	112%
Integrated Catchment Management	28,565	27,033	(1,532)	106%	31,901	3,336	90%	28,831	266	99%
Policy and Regulation	8,076	8,305	229	97%	10,045	1,969	80%	9,690	1,614	83%
Emergency Management	3,177	3,049	(128)	104%	3,066	(111)	104%	3,066	(111)	104%
Transport	7,183	7,387	204	97%	6,868	(315)	105%	6,844	(339)	105%
Governance & Partnerships	7,171	6,780	(391)	106%	6,744	(427)	106%	6,744	(427)	106%
	69,746	66,370	(3,376)	105%	73,452	3,706	95%	69,088	(658)	101%

15. Operating Expenditure is \$3.7m below budget.
16. Asset Management expenditure is \$0.75m over the full year budget.
 - 16.1. Flood Protection and Control Works is above budget by \$0.4m comprising
 - 16.1.1. Gravel management being over budget by \$0.6m due to the need for increasing the depth of the rivers and natural events, like floods during the year has resulted in high contractor and consultancy costs. This has been offset by higher income.
 - 16.1.2. Makara dam being below budget by \$0.2m following delays from the community consultation process.
17. Integrated Catchment Management expenditure is \$3.3m below budget.
 - 17.1. Catchment Management is \$2.9m below budget, which is primarily due to budget phasing and variations in the multi-year funding agreements for the Enhancement & Protection Programme and Hill Country Erosion Fund/ECS Booster schemes and various external factors including flooding, extended periods of wet weather, and fencing contractor shortages.

- 17.2. Environmental Science, Environmental Information and Biodiversity & Biosecurity provide a net \$0.4m below budget driven by long-term vacancies in the scientist positions and reduced depreciation due to delays in the capital programme.
18. Policy and Regulation expenditure is \$2m below budget.
- 18.1. Most of the shortfall in expenditure (\$1.6m) is in Policy Planning and Implementation, due to significant delays in the Kotahi project. Covid-19 is impacting the ability to progress iwi engagement, and Governance is still working through partnership arrangements. In addition, Compliance and Pollution Response are \$0.8m below budget due to staff vacancies and reduced external legal and consulting costs resulting from the new investigator roles.
19. Transport expenditure is \$0.3m above budget primarily due to the inflationary impact on the cost of operating the subsidised passenger transport, though some costs may be able to be recouped due to services not provided by the operator.

Groups of Activities Operating Income

20. Operating income includes fees & charges, grants & subsidies, cost recoveries etc as per the FY2021-2022 budget but excludes rates and investment income subsidy. This reflects the income that staff control.

OPERATING INCOME For Twelve Months Ending 30 June 2022										
Figures in Thousands	Q3 Forecast				Revised Budget			LTP Budget		
GROUPS OF ACTIVITIES	Actual	Forecast	Variance	%	Budget	Variance	%	Budget	Variance	%
Asset Management	4,114	3,650	464	113%	3,342	772	123%	1,569	2,545	262%
Integrated Catchment Management	7,237	6,875	362	105%	6,536	701	111%	2,976	4,261	243%
Policy and Regulation	2,840	2,776	64	102%	2,840	-	100%	2,755	85	103%
Emergency Management	360	178	182	202%	192	168	188%	192	168	188%
Transport	4,063	4,084	(21)	99%	3,851	212	106%	3,851	212	106%
Governance & Partnerships	1,548	1,504	44	103%	885	663	175%	571	977	271%
	20,162	19,067	1,095	106%	17,646	2,516	114%	11,914	8,248	169%

21. Operating Income excludes all general funding (i.e. rates & investment income) and is \$2.5m ahead of budget for the year.
- 21.1. Asset Management income is \$0.77m ahead of budget primarily due to Gravel management \$0.95m ahead of budget due to high demand and the need for increased extraction for river management. The additional revenue offsets the increase in expenditure on this activity.
- 21.2. Integrated Catchment Management income is \$0.7m above budget with some minor below budget returns offset by plant and Animal Pest Control recovered costs of \$0.2m from their partners, Predator Free Hawke's Bay funding agreement changed providing an extra \$0.2m and new external funding agreements for Biodiversity added \$0.4m.
- 21.3. Governance & Partnerships income is \$0.66k above budget due to Regional Developments \$0.5m above budget due to the Business Hub income and grants from other Councils. This offsets the additional operating expenditure.

Investment Income

NET INVESTMENT INCOME For Twelve Months Ending 30 June 2022

Figures in Thousands	Q3 Forecast				Revised			LTP		
	Actual	Forecast	Variance	%	Budget	Variance	%	Budget	Variance	%
INVESTMENT INCOME										
Managed Funds	(9,321)	(4,090)	(5,231)	228%	6,018	(15,339)	-155%	6,018	(15,339)	-155%
HBRIC	9,238	10,070	(832)	92%	10,152	(914)	91%	10,152	(914)	91%
Wellington Leasehold	5,154	2,717	2,437	190%	1,886	3,268	273%	1,886	3,268	273%
Napier Leasehold	2,192	3,300	(1,108)	66%	3,572	(1,380)	61%	3,572	(1,380)	61%
	7,263	11,997	(4,734)	61%	21,628	(14,365)	34%	21,628	(14,365)	34%

22. Managed funds returned a \$9.3m deficit for the year delivering an adverse variance of \$15.3m when compared to the expected \$6m return. The full-year result shows an additional \$5m decline during the final quarter of the financial year reflecting the continued volatility in the World economic markets.
23. The Managed Funds returns comprise:
 - 23.1. \$0.4m interest income
 - 23.2. \$0.9m dividend income
 - 23.3. \$0.5m losses on the sale of investments
 - 23.4. \$9.4m of unrealised losses i.e. decline in capital value
 - 23.5. \$0.8m of fees and taxes plus interest expense paid to HBRIC.
24. The Managed Funds budget of \$6m included investment returns of \$3.7m to subsidise rates with the remaining \$2.3m being capital growth to protect the fund value (all classified as Interest in the LTP/Annual Plan).
25. No cash has been withdrawn from the funds to maintain the capital and maximise future returns. No impact is expected due to the shortfall in expenditure throughout the year.
26. HBRIC paid \$9m in dividends to Council compared to a budget of \$10m. At the start of the year, HBRIC and Council agreed that the \$1.1m subvention payment for the 20-21 tax year would be counted towards the \$10m budget. The subvention payment was recorded as income from HBRIC in the 2020-21 financial statements resulting in HBRIC exceeding its due payments for that year. The forecast \$132k subvention payment for the 2021-22 tax year is included in the \$9.321m income.
27. Wellington Leasehold received net rental income of \$0.8m plus fair value gain of \$4.3m from the 30 June 2022 revaluation of the portfolio compared to a budgeted growth of \$1m.
28. Napier Leasehold received net rental income of \$0.9m plus the fair value gain of \$1.3m from the 30 June 2022 revaluation of the portfolio compared to a budgeted gain of \$2.2m. The fair value gain on the portfolio was \$4m but two-thirds of the gain will be expensed as an adjustment to the ACC future payments liability under the lease receivables agreement. 10 leaseholders purchased the freehold during the year for \$2m with Council retaining \$0.35m.

Forestry and Carbon Credits

29. The fair value of the tree crops at 30 June 2022 showed a decrease of \$0.9m to \$13.3m compared to a budgeted decrease of \$1.4m.
30. The market price of carbon credits increased from \$43.45 per unit on 30 June 2021 to \$75.95 at year end resulting in a balance sheet gain of \$3.8m.

Overhead Expenditure

OVERHEAD EXPENDITURE For Twelve Months Ending 30 June 2022

Figures in Thousands	Q3 Forecast				Revised Budget			LTP Budget		
	Actual	Forecast	Variance	%	Budget	Variance	%	Budget	Variance	%
Corporate Support	3,964	3,963	(1)	100%	3,465	(499)	114%	3,525	(439)	112%
Corporate EA/PA	351	335	(16)	105%	334	(17)	105%	349	(2)	101%
Risk	345	345	-	100%	374	29	92%	383	38	90%
Finance	2,888	2,720	(168)	106%	2,274	(614)	127%	2,326	(562)	124%
Treasury	1,192	1,601	409	74%	1,376	184	87%	1,160	(32)	103%
ICT	8,513	6,930	(1,583)	123%	8,335	(178)	102%	6,381	(2,132)	133%
Communications	1,082	1,018	(64)	106%	914	(168)	118%	914	(168)	118%
P&C	1,396	1,259	(137)	111%	1,079	(317)	129%	1,101	(295)	127%
Strategy & Governance	808	852	44	95%	1,112	304	73%	1,112	304	73%
Executive	1,515	1,511	(4)	100%	1,509	(6)	100%	1,509	(6)	100%
Maori Partnerships	216	218	2	99%	413	197	52%	434	218	50%
	22,270	20,752	(1,518)	107%	21,185	(1,085)	105%	19,194	(3,076)	116%

31. Overhead expenditure has been included in the Groups of Activities Operating Expenditure results.
32. Overhead costs are above budget by \$1.1m with similar rationale for increases across the board noted as increased recruitment costs for staff turnover, position re-gradings, and additional head count required to support critical programmes such as TechOne implementation and/or IT capital programme.
33. Any below budget lines (Strategy and Governance, Māori Partnerships) is due to vacant positions held or recruitment delays.

Capital Expenditure

CAPITAL EXPENDITURE AGAINST BUDGET For Twelve Months Ending 30 June 2022

Figures in Thousands	Q3 Forecast				Revised Budget			LTP Budget		
	Actual	Forecast	Variance	%	Budget	Variance	%	Budget	Variance	%
GROUPS OF ACTIVITIES										
Asset Management	8,808	13,320	4,512	66%	24,494	15,686	36%	20,336	11,528	43%
Integrated Catchment Management	2,804	2,273	(531)	123%	4,232	1,428	66%	2,408	(396)	116%
Policy and Regulation	15	31	16	48%	30	15	50%	30	15	50%
Transport	16	23	7	70%	23	7	70%	23	7	70%
Governance & Partnerships	6,197	6,324	127	98%	5,846	(351)	106%	5,846	(351)	106%
CORPORATE SERVICES										
ICT	1,539	2,223	684	69%	4,526	2,987	34%	2,959	1,420	52%
Vehicles/Buildings/Furniture	2,021	1,968	(53)	103%	3,580	1,559	56%	2,081	60	97%
	21,400	26,162	4,762	82%	42,731	21,331	50%	33,683	12,283	64%

34. Capital expenditure is \$21.3m below budget.
35. The Senior Business Partner is working with the leadership team to re-profile the LTP capital borrowing programme across the remaining 8-year timeframe. Management is confident the strategies such as the Asset Management Strategy that underpin these borrowing requirements are still relevant, however, large-scale capital delivery projects are fluid across multiple financial periods. Increasing external challenges, such as supply and resourcing, mean it is increasingly challenging to phase with any accuracy when the majority of spend or borrowing will occur.
36. Asset Management expenditure is \$15.7m below budget.
 - 36.1. Vacancies (including Manager Regional Projects), contractor availability, Covid-19 and weather are factors in the performance, alongside the original cashflow for the Crown-funded projects needing to be reforecast to reflect realistic delivery.

- 36.2. Most of the underspend is in flood protection and control works (\$9.5m).
 - 36.2.1. Infrastructure Reference Group (IRG) expenditure is \$7.8m below budget, mostly due to weather-related construction delays, although noting that the LTP split the budget equally across years but 2022-23 will be significantly higher.
 - 36.2.2. Consent for the Clive River dredging has been notified and requires a hearing, leading to further delays in commencing work and a shortfall in expenditure of \$1.1m.
- 36.3. Open Spaces expenditure is \$0.65m below budget with work planned for Q4 not taking place.
- 36.4. Regional Water Security is \$5.5m below budget.
 - 36.4.1. CHB Managed Aquifer Recharge is \$1.7m behind budget. The Cultural Impact Assessment is still in progress.
 - 36.4.2. Heretaunga Water Security is slightly below budget by \$0.3m but progressing through to geotechnical work.
 - 36.4.3. Te Tua Water Security is \$0.7m behind budget, with no progress this year.
 - 36.4.4. The overall project has not begun to spend the \$2.8m carried forward from the previous year.
- 37. Integrated Catchment Management expenditure is \$1.4m below budget.
 - 37.1. The 3D Aquifer Mapping Project is \$0.4m below budget. GNS staff resourcing has been impacted significantly by Covid-19 as they typically recruit internationally and have also been losing international staff returning home.
 - 37.2. The capital programs for LiDAR data modelling, monitoring drilling and Ruataniwha Groundwater modelling are behind budget due to contractor delays and science staff turnover.
 - 37.3. No capital expenditure is anticipated to be incurred this financial year for Right Tree Right Place (\$0.5m). Commercial and legal advice on farm planting plans is progressing before the pilot farm work begins, to ensure HBRC risk in relation to carbon revenues and security is properly assessed.
- 38. Governance and Partnerships capital activity comprises the Sustainable Homes programme and is \$0.4m ahead of budget due to the continued popularity of this low-cost home improvement opportunity.
 - 38.1. ICT expenditure is \$3m below budget driven primarily by ICT system implementation projects are \$2.6m behind budget due to resourcing challenges.
- 39. Vehicles/Buildings/Furniture expenditure is \$1.6m behind budget.
 - 39.1. Expenditure on new and replacement vehicles ended the year slightly below budget.
 - 39.2. The accommodation refurbishments are experiencing delays due to the availability of contractors and workers with a budget shortfall of \$0.8m.

Capital Receipts

- 40. Capital receipts includes fees & charges, grants & subsidies, cost recoveries etc as per the FY2021-2022 budget but excludes targeted rates, reserve funding, debt funding and investment income subsidy. This reflects the income that staff control.

CAPITAL RECEIPTS
For Twelve Months Ending 30 June 2022

Item 8

Figures in Thousands

GROUPS OF ACTIVITIES	Actual	Q3 Forecast			Revised Budget			LTP Budget		
		Forecast	Variance	%	Budget	Variance	%	Budget	Variance	%
Asset Management	4,113	9,721	(5,608)	42%	8,160	(4,047)	50%	8,160	(4,047)	50%
Integrated Catchment Management	1,053	726	327	145%	520	533	203%	520	533	203%
Policy and Regulation	-	-	-	-	-	-	-	-	-	-
Transport	-	14	(14)	0%	14	(14)	0%	14	(14)	0%
Governance & Partnerships	3,055	2,770	285	110%	2,770	285	110%	2,770	285	110%
CORPORATE SERVICES										
ICT	199	281	(82)	71%	-	199	-	-	199	-
Vehicles/Buildings/Furniture	-	-	-	-	788	(788)	0%	788	(788)	0%
	8,420	13,512	(5,092)	62%	12,252	(3,832)	69%	12,252	(3,832)	69%

41. Capital receipts are \$3.8m below budget primarily due to Asset Management receipts \$4m below budget reflecting the delays in the expenditure on the IRG co-funded projects.

External Debt

42. New external debt of \$19m has been drawn down. The LTP new debt forecast was \$36.5m. The reduced debt requirement is due to the below budget debt funded expenditure.
43. Debt principal repayments are on schedule with repayments of \$3.15m completed by 30 June 2022.
44. Total external debt was \$63.338m compared to the budget of \$79.831m, \$16.5m below budget. Council's debt ceiling is \$116.472m based on the treasury policy of 175% of total revenue providing headroom of \$53m.

Decision Making Process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *1 April - 30 June 2022 Financial Report*.

Authored by:

Amy Allan
MANAGEMENT ACCOUNTANT

Tim Chaplin
SENIOR GROUP ACCOUNTANT

Chris Comber
CHIEF FINANCIAL OFFICER

Approved by:

Susie Young
GROUP MANAGER CORPORATE SERVICES

James Palmer
CHIEF EXECUTIVE

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 9

Subject: HBRIC QUARTERLY UPDATE

Reason for Report

1. This item provides the Committee with a quarterly update on the activities of Hawke's Bay Regional Investment Company (HBRIC) for the fourth quarter of the 2021-2022 financial year and provides guidance on the outlook for the 2022-2023 financial year.

About HBRIC

2. HBRIC Ltd is a council-controlled trading organisation (CCTO) for the purposes of the Local Government Act 2002. It is 100% owned by Hawke's Bay Regional Council. HBRIC Ltd's mission is to optimise the financial and strategic returns to Council from its allocated investment portfolio to assist Council achieve its vision of "a healthy environment, and a resilient and prosperous community".
3. In the 10 years through to 30 June 2022 financial year HBRIC's net assets have increased from \$177m to \$369m. Through that period dividend payments of approximately \$118m have been paid to Council.

Financial Reporting

4. HBRIC's YTD Financial Statements as at 30 June 2022 are attached to this report.
5. Key Items to note:
 - 5.1. Statement of Financial Performance – YTD Surplus of \$7.9 million (excluding fair value movements through other comprehensive income)
 - 5.2. Statement of Financial Performance – \$8.2 million of dividend revenue received from Napier Port Holdings Limited (NPHL) in the year
 - 5.3. Statement of Financial Performance – YTD \$442K Interest Income
 - 5.4. Other Comprehensive Income – YTD Loss of \$67 million, driven by a drop in the NPHL share price (loss on revaluation) and unrealised losses on managed funds
 - 5.5. Statement of Financial Position - A reduction in net assets of \$76 million YTD due to the drop in NPHL share price and losses from managed funds
 - 5.6. NPHL share price had dropped 8.33% YTD from \$3 to \$2.75
 - 5.7. Net Assets of \$369 million as at 30 June 2022.

Managed Funds

6. The funds remain under management in compliance with Council's SIPO.
7. The value of managed funds with HBRIC after divestments as at 30 June 2022 amounted to \$43.2 million, a movement of approximately -\$5.3 million (-10.88%) year to date.
8. In December 2021, HBRIC divested \$1.3 million from the managed funds after protecting its capital value.

HBRIC Managed Funds Performance Summary					
Fund	01/07/2021 balance	YTD Divestments	30/06/2022 balance	YTD gain/(loss)	YTD % gain/(loss)
Jarden HBRIC	15,631,998	500,000	13,672,450	(1,459,783)	-9.34%
Mercer HBRIC	32,849,937	800,000	29,535,219	(2,514,718)	-7.66%
HBRIC Total	48,481,935	1,300,000	43,207,669	(3,974,501)	-8.20%

FoodEast

9. Following the construction cost escalations, the directors have worked with the limited partners and MBIE to reset the project with a view to having the re-design completed and contractor appointed by 31 October 2022, construction commencing between December 2022 and March 2023, and completion scheduled within 12-18 months after commencing.
10. New layout and scheme plans have been reviewed and approved, amended resource consents have been submitted to Hastings District Council and the developed design is underway ahead of an October decision to proceed to detailed design.

Napier Port

11. 6 Wharf – Te Whiti – officially opened on 22 July 22. Market commentators note that this investment will protect Napier Ports current trade and customer base, set the scene for growth and will avoid considerable future issues with congestion that would worsen over time as vessel sizes grow. The project was completed ahead of schedule and within budget.
12. In its half year report released on 24 May Napier Port reported:
 - 12.1. Revenue fell 3.6% to \$50.7 million from \$52.6 million in the same period last year, with the fall reflecting lower trade volumes and the reduction in vessel calls following supply chain and Covid disruptions.
 - 12.2. Result from operating activities decreased 22.8% to \$16.4 million from \$21.3 million in the same period last year, due to the reduction in revenue alongside an increase in operating expenses.
 - 12.3. Underlying net profit after tax decreased 32.1% to \$7.2 million from \$10.6 million in the same period last year. Reported net profit after tax decreased 15% to \$9.0 million from \$10.6 million in the same period a year ago.
 - 12.4. Expected underlying result from operating activities for the year to 30 September 2022 remains at between \$38 million and \$42 million, assuming a continuation of current market conditions.
13. On 29 July Napier Port announced that Kylie Clegg and Dan Druzianic had been appointed as Directors and that Rick Barker would be stand down at the Company's AGM.

Forecast for 2022-2023 financial year

14. The financial report above records a reduction in net assets of \$76 million YTD due to the drop in NPHL share price and losses from managed funds. The NPHL share price has recently increased from \$2.75 on 30 June to \$3.16 on 16 August. With 110m shares held this represents a \$45.1m valuation recovery. Since 30 June the value of the Jarden and Mercer portfolios have increased from \$13,672,450 to \$14,515,405 and \$29,535,219 to \$30,955,481 respectively, a total of \$2,263,217. These changes reflect the degree of current market volatility.
15. HBRIC has recently reviewed its projections for the 2022-2023 financial year based on the following assumptions.
 - 15.1. Income of \$9.364m including \$8.580m port dividend (assuming a 4% increase on the previous year's Port dividend). The income forecast also assumes higher interest income due to recent rate rises. This forecast does not include dividend and interest income from the managed funds portfolio.

- 15.2. Operating Expenses of \$236,000.
- 15.3. Dividend Payment to HBRC of \$10.5m per LTP expectations.
- 16. HBRIC is therefore projecting to be \$1.805m cashflow negative for the year, but this is able to be funded from existing cash reserves that had been built in recent years, principally from capital gains on managed funds. Note also that separate reserves have been built in respect of HBRIC's commitments for FoodEast construction which are expected to fall in Q3/Q4.
- 17. In summary, based on forecast assumptions HBRIC is able to fund its annual plan without recourse to borrowings or further drawdowns against overall capital gains within its portfolio. HBIRC is, however, conscious of the need to optimise its profitability and yield during the current uncertain financial conditions – particularly in the event that its income assumptions prove optimistic – to ensure the Council's dividend expectations are met.
- 18. Over the longer term, HBRIC will continue to work with HBRC strategically to ensure that we are collectively optimising our investment focus, performance and delivery for the benefit of both Council and the wider community.

Decision Making Process

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

Recommendation

That the Corporate and Strategic Committee Meeting receives and notes the *HBRIC Quarterly Update* staff report.

Authored by:

Tom Skerman
HBRIC COMMERCIAL MANAGER

Approved by:

Susie Young
GROUP MANAGER CORPORATE SERVICES

Attachment/s

- 1 [↓](#) HBRIC - Statement of financial performance for the year ended 30 June 2022

HAWKES BAY REGIONAL INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022

		Current YTD	Full Year Budget 2021-22	Remaining Budget 2021-22
Income				
Interest Income				
Interest Received - Bank	1310	62,044	5,000	57,044
Interest Received - Managed Funds	1320	55,463	1,000	54,463
Interest Received - HBRC	1335	333,261	333,260	1
Total Interest Income		450,768	339,260	111,508
Dividend Revenue				
Dividends - PONL	1410	8,250,000	8,000,000	250,000
Dividends - Managed Funds	1420	218,735	500,000	-
Total Dividend Revenue		8,468,735	8,500,000	31,265
Other Revenue				
Gain on Sale of Managed Funds		-	-	-
Total Other Income		-	-	-
Total Income		8,919,503	8,839,260	80,243
Expenditure				
Finance Expenses				
Bank Fees	2335	60	200	-
Total Finance Expenses		60	200	-
Operating Expenses				
Audit Fees & Charges	2330+2385	109,004	86,086	22,918
Director's Fees	2440	45,000	30,000	15,000
Insurance	2445+2615	38,374	35,000	3,374
Project expenses	2755	48,430	-	-
Contractor Payments	2375	93,382	110,000	-
Management Services - HBRC	2690	130,000	133,000	-
Professional Advice	2785	28,975	44,000	-
Legal Fees	2660	7,203	56,000	-
Investment Fees - Managed Funds	2635	75,950	80,000	-
Interest expense		-	102,000	-
Realised Losses from Managed Funds	5720	338,483	20,000	319,483

HAWKES BAY REGIONAL INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2022

		Current YTD	Full Year Budget 2021-22	Remaining Budget 2021-22
Marketing and Advertising	2700	12,620	-	12,620
Miscellaneous expense	3000	1,210	45,000	-
Total Operating Expenses		929,632	741,086	188,546
				-
Total Expenditure		929,692	741,286	188,406
Surplus before tax and subvention payment		7,989,811	8,097,974	-
				108,163
Subvention payment		120,683	-	120,683
Income tax		(187,351)	-	-
				187,351
Surplus		8,056,479	8,097,974	(41,495)
Other Comprehensive Income				
NPHL loss on share revaluation	1	(71,500,000)		
Unrealised losses from Managed Funds	2,3	(3,768,164)		
Total Comprehensive Income		(67,211,684)		

Notes to the statement of financial performance for the year ending 30 June 2022

1 Shares - Napier Port Holdings Limited

Opening balance	374,000,000
YTD gain/ (loss) on revaluation as at 30/06/2022	(71,500,000)
Closing balance	302,500,000

Napier Port Holdings Limited

Total number of shares	200,000,000
HBRIC's share at 55%	110,000,000
NZX price per share as at 30/06/2022	2.75
Value as at 30/06/2022	302,500,000

2 Transactions and value as at 30/06/2022

Mercer

Opening balance	32,849,937
Less redemptions (divested)	(800,000)
Net gain / (loss)*	(2,514,718)
Closing value of portfolio	29,535,219

Jarden

Opening balance	15,631,998
Less redemptions (divested)	(499,768)
Net gain / (loss) (note 3)	(1,459,783)
Closing value of portfolio	13,672,448

Total closing value of funds with fund managers	43,207,667
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3 Net gain - Jarden

Gross interest	55,463
Gross dividends	188,573
Less tax	(30,309)
Less fees	(75,950)
Plus realised gains / (losses)	(339,483)
Other adjustments	(4,629)
Plus unrealised gains / (losses)*	(1,253,446)
Net gain / (loss)	(1,459,781)

* Gains / (losses) recognised in other comprehensive income	(3,768,164)
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HAWKES BAY REGIONAL INVESTMENT COMPANY LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		YTD Balance	30-Jun-21 Balance
Equity and Liabilities			
Equity			
General Reserves			
Asset revaluation reserves	1,2,3	19,028,272	94,296,000
Total General Reserves		19,028,272	94,296,000
Shareholder's Funds			
Authorised "A" share capital		177,500,000	177,500,000
Retained earnings		173,877,872	171,026,000
Dividends paid		(9,024,543)	(5,200,000)
Transfers from revaluation reserves			
CY profit / (loss) after tax	4	8,056,479	8,049,000
Total Shareholder's Funds		350,409,808	351,375,000
Total Equity		369,438,081	445,671,000
Liabilities			
Current Liabilities			
Total GST		(3,563)	
Accrued expenditure		107,378	
Trade accounts payable		124,617	1,144,000
Total Accounts Payable		228,432	1,144,000
Intergroup Advances			
Advance from HBRC			
Loan from HBRC			
Total intrabusiness payables			
Total Intergroup Advances			
Total Current Liabilities		228,432	1,144,000
Non Current Liabilities			
HBRC loan			
BNZ loan			
Deferred tax			
Total Liabilities		228,432	1,144,000
Total Equity and Liabilities		369,666,516	446,817,000

HAWKES BAY REGIONAL INVESTMENT COMPANY LIMITED**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022**

	YTD	30-Jun-21
	Balance	Balance
Assets		
Current Assets		
Cash and Cash Equivalents		
Cash and cash equivalents	5,253,236	7,545,000
Total Cash & Cash Equivalents	5,253,236	7,545,000
Intrabusiness Receivables		
HBRC loan - current	83,315	
Total Intrabusiness Recvbs	83,315	
Prepayments		
Prepayments	101,791	128,000
Total Prepayments	101,791	128,000
Income Tax		
Current tax and RWT		
Total Income Tax		
Total Current Assets	5,438,342	7,673,000
Non Current Assets		
Non Current Financial Assets		
Shares - Napier Port Holdings Ltd	1 302,500,000	374,000,000
Investment in Foodeast	1,601,280	
Funds with fund managers	2 43,207,667	48,482,000
HBRC loan	16,663,036	16,663,000
Deferred tax asset		
Deferred tax asset	256,191	
Total Deferred Tax	256,191	
Total Non-Current Assets	364,228,174	439,145,000
Total Assets	369,666,516	446,817,000

Notes to the statement of financial position as at 30 June 2022**1 Shares - Napier Port Holdings Limited**

Opening balance	374,000,000
YTD gain/ (loss) on revaluation as at 30/06/2022	(71,500,000)
Closing balance	<u>302,500,000</u>

Napier Port Holdings Limited

Total no of shares	200,000,000
HBRIC's share at 55%	110,000,000
NZX price per share as at 30/06/2022	2.75
Value as at 30/06/2022	<u>302,500,000</u>

2 Transactions and value as at 30 June 2022***Mercer***

Opening balance	32,849,937
Less redemptions (divested)	(800,000)
Net gain / (loss)	(2,514,718)
Closing value of portfolio	<u>29,535,219</u>

Jarden

Opening balance	15,631,998
Net gain / (loss) (note 3)	(1,459,783)
Less redemptions (divested)	(499,768)
Closing value of portfolio	<u>13,672,448</u>

Total closing value of funds with fund managers	43,207,667
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3 Net gain - Jarden

Gross interest	55,463
Gross dividends	188,573
Less tax	(30,309)
Less fees	(75,950)
Plus realised gain / (loss)	(339,483)
Other adjustments	(4,629)
Plus unrealised gain / (loss)	(1,253,446)
Net gain / loss	<u>(1,459,783)</u>

4 See statement of financial performance for current year profit

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 10

Subject: ORGANISATIONAL PERFORMANCE REPORT FOR THE PERIOD 31 MARCH – 30 JUNE 2022

Reason for Report

1. This item provides the Organisational Performance Report for the third quarter of the 2021-2022 financial year which is the period 1 April to 30 June 2022.

Content of the Report

2. The report contains four parts:
 - 2.1. **Executive Summary** with highlights and lowlights for the quarter.
 - 2.2. **Corporate Metrics** that focus on how well we are performing across a number of corporate-wide measures such as health and safety incidents and customer satisfaction.
 - 2.3. **Level of Service Measures (LOSM)** by group of activities with adopted targets, traffic light status and commentary by exception (measures that are flagged amber and red only).
 - 2.4. **Activity Reporting** by group of activities with non-financial traffic light status and commentary.
3. This is the 15th Organisational Performance Report to be presented. The status and commentary reporting are rolled up from cost centre to activity level. Commentary by cost centre is still available to committee members via the PowerBI dashboard.
4. As with the previous report, this quarter does not include financial information due to the implementation of the TechOne system.
5. Staff complete their reporting in a software tool called Opal3. For LOSM and Activity reporting, staff select the status (red, amber, green) of non-financial results and provide commentary on what they did in the quarter.

Points of Interest

6. This is the last quarterly report for the current year, which is year one of the Long Term Plan 2021-2031.
7. While this report focuses on the last three months of the financial year, it has been compiled with reporting on the Annual Report 2021-2022 in mind.

LOSM and Activity Reporting

8. Level of service measures from the Long Term Plan 2021-2031 are reported. There are 36 measures that are green (compared with 35 in Q3), 10 amber (15 in Q3), 5 red (2 in Q3) and 7 not measured/recorded (6 in Q3).
9. Activities from the Long Term Plan 2021-2031 are also reported. There are 17 Activities that are green (compared with 12 in Q3) and 5 that are amber (10 in Q3).

Carbon footprint

10. Commentary on carbon credits and HBRC's carbon portfolio is included.
11. Since Q1 2021-22, electricity use at Guppy Road, Wairoa and Raffles Street offices has been included in the report, in addition to the main office at Dalton Street.

12. Since Q2, fuel use by all HBRC vehicles, including Works Group equipment/plant has been included.

Reporting Dashboard

13. The dashboard is produced using PowerBI to give a visual representation of the results over time. The Organisational Performance Report document is produced from the dashboard.
14. The dashboard also provides committee members with the ability to delve deeper into activities of interest (via cost centres) and all level of service measures results (not just by exception).
 - 14.1. To access the dashboard, please open your PowerBI app on your iPad. The dashboard will be on your homepage.
15. Community outcome results (which are the same as the 24 strategic goals from the Strategic Plan 2020-2025) are reported on within the Annual Report at the end of the financial year only.
16. We are continuously improving the dashboard and improving the data reliability across all areas, and would appreciate any feedback you have.

Future developments

17. Financial reporting will be re-introduced to the report as soon as we are able.
18. Metrics from the new Customer Experience software are being developed for PowerBI and will be incorporated into the dashboard when completed.
19. Further improvements, particularly around the Corporate Metrics, will be incorporated when data can be tested and reported with confidence to provide additional information.

Decision Making Process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Organisational Performance Report for the period 1 January – 31 March 2022* staff report.

Authored by:

Sarah Bell
TEAM LEADER STRATEGY & PERFORMANCE

Approved by:

Desiree Cull
STRATEGY & GOVERNANCE MANAGER

Attachment/s

- 1  Quarter 4 Organisation Performance Report Apr-Jun 2022 Under Separate Cover

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 11

Subject: 2021-2022 ANNUAL REPORT – INTERIM NON-FINANCIAL RESULTS

Reason for Report

1. This item provides the Corporate and Strategic Committee with the interim non-financial results for inclusion in the 2021-2022 Annual Report.
2. There are two items attached:
 - 2.1. Community outcome measures - providing progress made to date on the 24 strategic goals, articulated in HBRC's Strategic Plan 2020-2025
 - 2.2. Levels of service measures – providing a full year's report on performance by HBRC's groups of activities against the level of service measures and performance targets set in year one of the Long Term Plan 2021-2031.

Background

Community outcomes

3. Under section 23 of schedule 10 of the Local Government Act 2002, HBRC must report the results of any measurement undertaken during the year of progress towards the achievement of community outcomes.
4. We use our time-bound strategic goals from our Strategic Plan as community outcome measures. These demonstrate a desire to shift from reporting activity or outputs, to managing for and reporting on outcomes – things that matter to the community. Typically, we do not have full control over the achievement of these outcomes but have a clear statutory role in achieving them. Where possible, the outcomes align with national targets or an existing Hawke's Bay strategy or plan.
5. The outcome measures are grouped by our four focus areas: **Water, Land, Biodiversity, and Infrastructure and Services**. The four areas are interconnected and mutually reinforcing meaning that success in one area cannot be at the expense of another. For example, the work we are doing on farms to keep soil on the land directly contributes to water quality.
6. Status against the target is described as:

Completed	Completed
On track	Underway and on track to meet the goal
Off track	Underway but other external factors are needed to go our way to meet the goal
Off track	Underway but unlikely to meet the goal on current trajectory

7. Outcome measures with data have been included as a chart, particularly where demonstrating a timeseries and/or projected pathway for achievement.

Levels of Service

8. The purpose of the non-financial performance measures, as specified in the Local Government Act 2002, is to enable the public to assess the actual versus intended levels of service achieved for major aspects of groups of activities. In other words, to demonstrate we have done what we said we would do.
9. We report on the actual performance against targets set in the Long Term Plan 2021-2031 use red/amber/green to demonstrate **achieved**, **partially achieved**, **not achieved** or **not measured**. Where data is still forthcoming, these have been marked **awaiting data** (for this paper only - this will not be in the final Annual Report). 2021-2022 is the first year of the current Long Term Plan.
10. As per the Long Term Plan 2021-2031, we report on six groups of activities as this pertains to the 2020-21 financial year.
11. The groups of activities are:
 - 11.1. Governance and Partnerships
 - 11.2. Policy and Regulation
 - 11.3. Integrated Catchment Management
 - 11.4. Asset Management
 - 11.5. Emergency Management
 - 11.6. Transport.

Discussion

Aggregated results for community outcomes

12. Of the 24 community outcomes, 1 is completed, 14 are on track, 4 are off-track and 5 are off-track and off trajectory.
13. Staff analysis suggests the reasons for being off-track generally fall into the following areas:
 - 13.1. aspirational time-bound targets, for example highly erodible land under tree cover and restoring prioritised terrestrial ecosystem sites.
 - 13.2. results outside our direct control (but important outcomes that we have a statutory role in contributing to), for example contaminants from urban and rural environments into waterbodies.

Aggregated results for levels of service performance measures

14. Of the 58 measures, 36 were achieved, 10 were partially achieved, 5 were not achieved and 7 were not measured (or still awaiting results).
15. Staff analysis suggests the reasons for not achieving the targets generally fall into the following areas:
 - 15.1. external forces hampering work progress, for example Covid-19 impacting staff's ability to do their work, extreme weather events, recruitment and vacancies of key roles
 - 15.2. results outside our direct control, for example road crashes, preparedness for CDEM events.
 - 15.3. continuation of a downward trend, for example public transport passenger numbers.
16. Commentary has been added to the quantitative results to provide context and, in particular, explain why measures have not been achieved. The full Annual Report document will also include highlights by geographical area to describe what we did during the year in more detail.
17. Where data allows, graphs illustrating trends have been included to give visual context.

Next Steps

18. The Annual Report is due to go to Ernst & Young for auditing in October 2021 and to the Finance, Audit and Risk Subcommittee and Council for recommendation and adoption in December 2021.

Decision Making Process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *2021-2022 Annual Report – Interim Non-Financial Results* staff report.

Authored by:

Sarah Bell
TEAM LEADER STRATEGY & PERFORMANCE

Desiree Cull
STRATEGY & GOVERNANCE MANAGER

Mandy Sharpe
PROJECT MANAGER

Approved by:

James Palmer
CHIEF EXECUTIVE

Attachment/s

- | | | |
|-----|---|----------------------|
| 1 ➡ | Interim 2021-22 Annual Report non-financial results | Under Separate Cover |
|-----|---|----------------------|

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 12

Subject: HAWKE'S BAY TOURISM SIX-MONTHLY UPDATE

Reason for Report

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

Background

3. The 'Funding Agreement for the Operation of a Regional Tourism Organisation' (the Agreement) between Hawke's Bay Regional Council (HBRC) and HB Tourism requires HBTL to deliver KPIs in accordance with the Agreement and current accepted best practices applicable to the tourism industry and tourism promotion.
4. A renewed Agreement is currently being worked through by newly appointed Group Manager Corporate Services and the CEO HB Tourism. It is expected to be completed by November 2022 to be presented to HBRC for approval.

Decision Making Process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the "*HB Tourism Six-Monthly Update*" report.

Authored and Approved by:

Susie Young
GROUP MANAGER CORPORATE SERVICES

Attachment/s

- 1 [↓](#) HB Tourism Key performance summary to 30 June 2022



Chair & CEO Report

The members of the Hawke's Bay Tourism Industry Association wish to thank the Hawke's Bay Regional Council for its continued support and partnership of Hawke's Bay Tourism.

Hawke's Bay has managed to maintain market share of spend in a highly competitive and devastating operating environment.

The 2021/22 financial year was made particularly challenging by further domestic lockdowns and travel restrictions – let alone the continued international border closures. The significant period that Auckland was in lockdown (from mid-August 2021) was a crushing blow to the leisure, events, and corporate sectors – and the ancillary operators such as accommodation, transport, hospitality operators.

Nearby neighbouring regions were able to travel but planned social, sporting, and business events to Hawke's Bay were stymied or cancelled due to a reliance on Auckland participation and Auckland head office travel restrictions for employees based elsewhere in the country.

Our F.A.W.C! Summer series was postponed in November and reorganised for January, Art Deco Festival was unable to deliver its significant events for large gatherings, Horse of the Year was cancelled a second year, and many other events and celebrations were unable to be staged.

In March our tourism businesses were doing it really hard, but busy weekends. Airport "bottlenecks" on Fridays, and last-minute bookings became the prevailing trend.

Towards the end of March, restrictions were largely lifted for outdoor events and indoor events could now take place with 200 people (allowing for a flurry of weddings and small conferences). The glimmer of hope appeared when Australians could travel from April 2022, and from May visitors from other key international markets would be also able to arrive isolation-free.

It is only since 31st July 2022 that borders have reopened fully and our visitor economy can more fully engage in attracting international manuhiri and employees.

In light of all of this, Hawke's Bay still managed to maintain market share in a restrictive operating environment - market share of tourist electronic card transactions only fell a modest 0.02% from 3.66% to 3.64%.

Chair & CEO Report

Local optimism ensued with development and investment in experiences such as at Askerne Wines (dessert wine experience), Church Road (TOM Experience), the opening of Swiss-Belboutique hotel; facilities and venues at Toitoti: Hawke's Bay Arts & Events Centre; Ngā Ara Tipuna; and the new Bay Tours depot.

Many of the councils were successful in their applications to the MBIE Tourism Infrastructure Fund, with Hawke's Bay receiving c.17% (\$2,614,250) of the national funding available.

Operators are telling us now that they're getting healthy enquiries from international travellers and travel companies. Some are saying bookings and enquiries are now a "steady flow" – no longer a "trickle".

Funding

Hawke's Bay Tourism maintained its membership, and additional membership investment and partnership. The RTO is grateful for the two years of additional support which was received from MBIE through the *2020/21 Strategic Tourism Assets Protection Programme* (\$700k) and *2021/22 Support, Recovery and Re-set (SRR) Investment Plan* (\$1m) that allowed us to invest in marketing activity and destination planning and sector capability.

Aviation

By November 2022, Hawke's Bay is expected to return to a pre-Covid AKLNPE level of frequency and capacity. Hawke's Bay is showing good potential for growth in aviation, which will always be led by leisure travel. Hawke's Bay Tourism engaged in a number of campaigns to promote the region to the Auckland market, worked on a joint campaign in Dunedin, and supported Origin Air marketing.

Research

We recently conducted a survey of members and non-tourism businesses. All noted the adverse effects on the day-to-day life in Hawke's Bay due to a reduced hospitality offering, recognising its reliance on international visitor support and labour.

"We didn't realise how important the tourist market was until they weren't there"

"The region seems less interesting and vibrant without visitors"

Members, and non-tourism business expressed their desire to see Hawke's Bay having a thriving seven-day hospitality scene.

The hospitality sector continues to face the biggest challenges with staffing, with 78% saying they don't currently have enough (vs 38% across the board), confidence in having access to skilled staff remained low.

Chair & CEO Report

Event highlights

- Hawke's Bay Tourism, in conjunction with Cuisine Magazine, was delighted to announce the inaugural F.A.W.C! Hawke's Bay Legend as Sir Graeme Avery.
- Participation in this year's Winter and Summer F.A.W.C! events (postponed and re-held in January) was extremely high, with most experiences sold out.
- Spring Fling in Central Hawke's Bay had its highest number of events and sales to date
- The Hawke's Bay Marathon in May was successful with over 5,000 participants – the majority of which were from out of region.
- Hawke's Bay Tourism worked with Hastings District Council to promote and support Matariki events

Business Events

There is good interest in Hawke's Bay. Having stunningly refurbished facilities (Toitō and Napier War Memorial) makes a real difference – but also does our reputation for sophisticated ancillary products and experiences.

In October 2022 Hawke's Bay is hosting the Business Events Industry Aotearoa (BEIA) annual conference and AGM (was scheduled for 2020, and postponed to 2021 and now 2022).

Destination Management

Work was completed on an infrastructure gaps review, and a Destination Management Plan is in development.

Food and Wine Tourism Project

MBIE funding allowed Hawke's Bay Tourism to invest in surveying our food and beverage offerings to support and protect the defensibility of the region's positioning and competitive edge as New Zealand's Food and Wine Country.

Environmental workshops

Aligning ourselves to Tourism Industry Aotearoa, we have facilitated workshops on sustainability and carbon reduction. Further workshops are scheduled for 22/23.

Cycle

Hawke's Bay Tourism commissioned a cycle and trails experience expert to review the visitor experience of Hawke's Bay Trails for suitability towards the concept of a multi-day journey that can compete against the other multi day New Zealand Great Rides.

Cruise

Currently, 87 ships are expected to visit Napier Port and Hawke's Bay, over 65 days between October '22 and May '23.

Members are enthusiastic about the return of cruise ships. 70% said they were comfortable or somewhat comfortable with their return, and 16% neither comfortable nor uncomfortable.

- *George Hickton (Chair) and Hamish Saxton (CEO)*

Key Performance Indicators – results 2021/22

Key Performance Indicator	Measure		Performance
Visitor spend, benchmarked against national performance. Data provided by MBIE's Tourism Electronic Card Transactions.	Grow our share to at least 3% of TECT Domestic Spend		✓ Tracking at 3.64% to Y/E JUN 22
Increase industry contribution	\$200k cash \$50k in kind Increased membership #		✓ \$222,345 cash ✓ \$64,615 contra ✓ c. \$3,828,028.00 Equivalent Advertising Value (EAV) YTD ✓ Membership -6
Develop membership engagement on climate change mitigation and adaptation – environmental sustainability. Increase in members signing up to Tourism Industry Aotearoa's "Tourism Sustainability Commitment" (TSC)	No less than 50 members signed up to TIA Sustainability Commitment (TSC)		✓ 52 businesses signed up ✓ Investigating opportunities to decarbonise local travel through cycle, and food & wine, promotion. ✓ Developing workshops with Tourism Industry Aotearoa to further implementation of

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

Key Performance Indicators results 2021/22 *cont'd*

Key Performance Indicator	Measure		Performance
Industry advocacy. Support existing tourism operators to develop new products, and expand into new markets	Align to values of NZ Māori Tourism Deliver annual series of workshops to build industry capability Support Hawke's Bay Regional Council with tourism expertise and support		<ul style="list-style-type: none"> ✓ Continuation of Cultural Brand Framework mahi – Destination Te Matau-a-Māui ✓ Survey of operators to ascertain business confidence and affects of lockdowns ✓ Ongoing support of HBRC
Tourism operators value Hawke's Bay Tourism's leadership and contribution to growth of industry	Annual survey that includes environmental sustainability		<ul style="list-style-type: none"> ✓ Awaiting results of survey
Lead the development of a regional visitor strategy for Hawke's Bay	Commence implementation of regional visitor strategy with key stakeholders.		<ul style="list-style-type: none"> ✓ Infrastructure adequacy report completed. ✓ Implementation priorities identified ✓ Work on destination management plan commenced.

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

Domestic Visitor Economy Overview, Year to June 22

1.7m

Annual domestic
visitors



\$376m

Value of Domestic
Tourism Electronic
Card Transactions



↓ 8.8% over last 12 months, NZ overall ↓ 8.3%

890k

Domestic guest
nights in commercial
Accommodation



↓ 18.7% over last 12 months, NZ overall ↓ 18.5%

5.4m

Annual domestic
visitor days



3.64%

Share of Domestic
Tourism Electronic
Card Transactions



↓ from 3.66% in prior 12 months

2.6

Average nights
stayed per guest
in commercial
accommodation



NZ average was 2.3 nights

Domestic Tourism Card Transactions, Year to June 22

\$376m

Hawke's Bay
total region

↓ 8.8% over last 12 months



\$22.8m

Central Hawke's
Bay District

↑ 0.7% over last 12 months



\$155m

Hastings District

↓ 10.2% over last 12 months



- Domestic visitors only
- Point of sale card transactions
– no cash or digital payments
- Overall NZ average of ↓ 8.3%

\$184m

Napier City

↓ 9.0% over last 12 months



\$13.6m

Wairoa District

↓ 2.1% over last 12 months



Market Share & Key Markets

3.23%

Hawke's Bay's share of
Domestic tourism card
transactions in
year to December 2019



3.64%

Hawke's Bay's share of
Domestic tourism card
transactions in
year to June 2022



\$42m

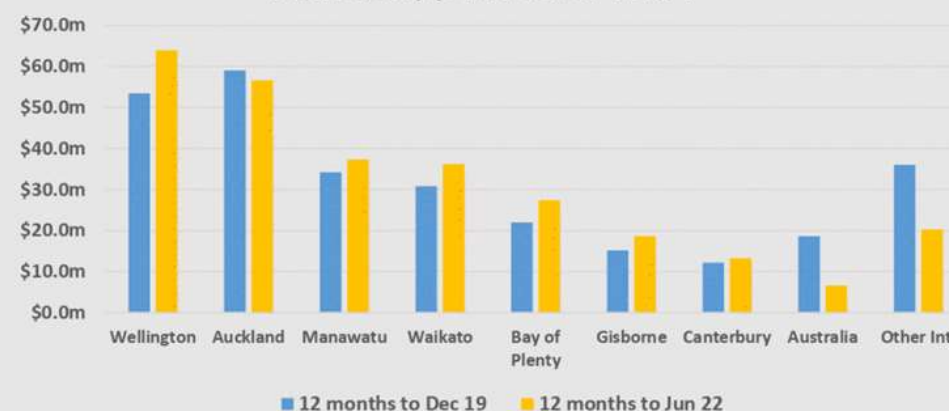
Value of market share
growth in Domestic tourism
card transactions over last
12 month period

Share of TECT from Top 5 markets

(Tourism Electronic Card Transactions)

	Dec 19		Jun 22
1. Wellington	5.47%	→	5.89%
2. Auckland	2.92%	→	2.50%
3. Manawatu	5.79%	→	5.80%
4. Waikato	2.28%	→	2.43%
5. Bay of Plenty	2.90%	→	3.50%

Annual \$\$ value of TECT



Key Performance Indicators for 2022/2023

KEY PERFORMANCE INDICATOR	MEASURE 2022/2023
<ul style="list-style-type: none"> • Visitor spend, benchmarked against national performance. 	<ul style="list-style-type: none"> • Increase our market share of domestic visitor spend to 4% • <i>Data provided by MBIE's Tourism Electronic Card Transactions.</i>
<ul style="list-style-type: none"> • Increase industry contribution 	<ul style="list-style-type: none"> • \$200k cash • \$50k in kind • Increased membership numbers
<ul style="list-style-type: none"> • Develop membership engagement on climate change mitigation and adaptation – environmental sustainability • Increase in members signing up to Tourism Industry Aotearoa's "Tourism Sustainability Commitment" • Support/align to HBRC's organisational commitments. 	<ul style="list-style-type: none"> • No less than 50 members signed up to TIA Sustainability Commitment • Promote low-impact transport and energy reductions solutions (e.g. cycle trail that connects food and wine country tourism operators)
<ul style="list-style-type: none"> • Māori Tourism Development 	<ul style="list-style-type: none"> • Work with partners to support the development of a regional identity and story framework for region-wide use based on Te Matau-a-Māui • Increased story building capability amongst tourism operators
<ul style="list-style-type: none"> • Industry advocacy. • Support existing tourism operators to develop new products, and expand into new markets 	<ul style="list-style-type: none"> • Deliver annual series of workshops to build industry capability • Support Hawke's Bay Regional Council with tourism expertise and support
<ul style="list-style-type: none"> • Lead the implementation of the Hawke's Bay Destination Management Plan 	<ul style="list-style-type: none"> • Achieve support and partnership from key stakeholders to commence actions from DMP.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 13

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

Reason for Report

1. The following matters were considered by the Finance, Audit and Risk Sub-committee (FARS) meeting on 10 August 2022 and are now presented for the Committee's consideration alongside any additional commentary the Sub-committee Chair wishes to offer.

Agenda items

2. The **Quarterly Treasury Report for the period 1 April - 30 June 2022** item provided compliance monitoring of Hawke's Bay Regional Council's (HBRC) treasury activity and reported performance of the investment portfolio for the quarter ended 30 June 2022.
 - 2.1. Continued to see a decline in investment returns over the last quarter, however, the shortfall in investment funds won't require any additional borrowing because operating expenditure has been lower than forecast due to delays in delivering capital projects.
 - 2.2. Some volatility is to be expected, however, the performance of managed funds demonstrates that market recovery can occur in relatively short timeframes. If markets don't recover, then Council will have to make tougher decisions to recover funds.
 - 2.3. There is an opportunity to reconsider the investment strategy and SIPO to deliver on Council's investment return expectations at the beginning of the new triennium based on good independent advice.
3. The **Asset Management Group review** item presented a summary of management reviews of the Asset Management function undertaken since 2018 to assist in decision-making on the timing of an Asset Management internal audit proposed through the 2022-2023 internal audit plan.
 - 3.1. Asset Management service delivery improvements will be integrated into the *corrective actions dashboard* in future
 - 3.2. Long Term Plan priority areas include strengthening the Asset Management framework for climate change, water quality and regional parks.
 - 3.3. It was recommended that the Asset Management internal audit planned for 2022-2023 be deferred to allow time for the identified improvements from previous reviews to be implemented.
4. The **2022-2023 Enterprise Internal Audit Plan** item provided the committee with an update on the proposed 2022-2023 Enterprise Internal Audit Plan for consideration and confirmation:
 - 4.1. Following discussions with the CE and Group Manager Asset Management, it was agreed that the Asset Management Framework audit would be deferred to 2023-2024.
 - 4.2. Council's Health & Safety Management system was designed against the ACC WSMP framework. As this framework is no longer maintained, an audit will be undertaken against new external standard recognised by WorkSafe.
5. The **Data Analytics audit report** item presented the internal audit report for the Data Analytics audit undertaken by Crowe in July 2022:
 - 5.1. No major concerns were identified, and corrective actions have been taken where needed.
 - 5.2. Training on processes for the new financial system is ongoing.

6. The **2021-2022 Enterprise Internal Audit plan status update** item provided the committee with a status update giving oversight and progress information for individual internal audits as part of the approved annual internal audit plan.
 - 6.1. The internal audits for FY21-22 have now been completed and reported on.
7. The **Audit Plan for the 2021-2022 Annual Report** item provided an update on the timing for the Audit of Council's 2021-22 Annual Report and noted that staff are comfortable with the timing of the audit process as proposed.
8. The **Internal Assurance corrective actions update** item was considered in the Public Excluded section of the meeting. Milestones for the *Hawke's Bay Road Safety Section 17a Review* were not available at the time of producing the corrective actions dashboard due to the TAG meeting being on Monday, 8 August 2022. An updated corrective actions dashboard will be provided to Council on Stellar.

Decision Making Process

9. Staff have assessed the requirements of the Local Government Act 2002 in relation to this item and have concluded that:
 - 9.1. All items were considered at the Finance, Audit and Risk Sub-committee in accordance with the Terms of Reference, specifically in relation to the 10 August 2022 meeting, its responsibility and authority to:
 - 9.1.1. Receive the internal and external audit reports and review actions to be taken by management on significant issues and recommendations raised within the reports (*8. Data Analytics Audit report and 11. Internal Assurance corrections actions update*)
 - 9.1.2. Review whether Council management has a current and comprehensive risk management framework and associated procedures for effective identification and management of the Council's significant risks in place (*12. Six-monthly Enterprise Risk Report*)
 - 9.2. The Finance, Audit and Risk Sub-committee is delegated by Council, specifically in relation to the 10 August 2022 meeting, to:
 - 9.2.1. Receive all of the information and documentation needed or requested to fulfil its responsibilities and duties, subject to applicable legislation
 - 9.2.2. Ensure that recommendations in audit management reports are considered and, if appropriate, actioned by management (*8. Data Analytics Audit report and 11. Internal Assurance corrections actions update*)
 - 9.2.3. Review the objectives and scope of the internal audit function, and ensure those objectives are aligned with Council's overall risk management framework (*7. 2022-2023 Enterprise Internal Audit Plan*)
 - 9.2.4. Assess the performance of the internal audit function and ensure that the function is adequately resourced and has appropriate authority and standing within Council (*7. 2022-2023 Enterprise Internal Audit Plan; 9. 2021-2022 Enterprise Internal Audit plan status update*).
 - 9.3. This item is for reporting purposes in accordance with the Finance, Audit and Risk Sub-committee Terms of Reference, specifically to *report to* the Corporate and Strategic Committee to fulfil its responsibilities for:
 - 9.3.1. The provision of appropriate controls to safeguard the Council's financial and non-financial assets, the integrity of internal and external reporting and accountability arrangements
 - 9.3.2. The independence and adequacy of internal and external audit functions
 - 9.3.3. The robustness of risk management systems, processes, and practices.

- 9.4. This item is for information and noting only, there are no decisions required, and therefore the LGA decision-making provisions do not apply.

Recommendations

1. That the Corporate and Strategic Committee receives and notes the *Report from the Finance, Audit and Risk Sub-committee meeting*, including the following resolutions:

Quarterly Treasury Report for the period 1 April - 30 June 2022

- 1.1 Receives and notes the *Quarterly Treasury Report for the period 1 April – 30 June 2022*.
- 1.2 Confirms that the performance of Council's investment portfolio has been reported to the sub-committee's satisfaction.

Asset Management Group review

- 2.1 That the Finance, Audit and Risk Sub-committee receives and notes the *Asset Management Group review* staff report.

2022-2023 Enterprise Internal Audit plan

- 3.1 Receives and considers the *2022-23 Enterprise Internal Audit Plan* staff report
- 3.2 Confirms the internal audit plan for the 2022-2023 financial year, will include:
 - 3.2.1 Data analytics (*as resolved 4 May 2022*)
 - 3.2.2 Organisational change consolidation and prioritisation (*as resolved 4 May 2022*)
 - 3.2.3 Health & Safety management framework
- 3.3 Receives a regular Asset Management service delivery improvements report to maintain visibility of the various Asset Management improvement actions.

Data Analytics Audit report

- 4.1 That the Finance, Audit and Risk Sub-committee receives and considers the *Data Analytics audit report* staff report.

2021-2022 Enterprise Internal Audit Plan status update

- 5.1 Receives and considers the *2021-22 enterprise Internal Audit plan status update* staff report.
- 5.2 Reports to the Corporate and Strategic Committee, the Sub-committee's satisfaction that the *2021-22 Enterprise Internal Audit plan* has been completed.

Audit Plan for the 2021-2022 Annual Report

- 6.1 That the Finance, Audit and Risk Sub-committee receives and considers the *Audit Plan for the 2021-2022 Annual Report*.

Internal Assurance corrective actions update

- 7.1 Receives and notes the *Internal Assurance corrective actions update* staff report.
- 7.2 Confirms that the *Internal Assurance Corrective actions update* report has provided adequate information on the status of the Internal Assurance Corrective actions.
- 7.3 Reports to the Corporate and Strategic Committee, that the *Internal Assurance Corrective actions update* report provides adequate evidence that the actions to respond to findings and recommendations from the internal audits are being undertaken to the satisfaction of the Sub-committee.

Six-Monthly Enterprise Risk report

- 8.1 Receives and considers the *Six-Monthly Enterprise Risk* staff report.
- 8.2 Reports to the Corporate and Strategic Committee that the Sub-committee is satisfied that the *Six-Monthly Enterprise Risk Report* provides adequate evidence of the robustness of Council's risk management policy and framework.

Authored by:

Olivia Giraud-Burrell
QUALITY & ASSURANCE ADVISOR

Helen Marsden
RISK & CORPORATE COMPLIANCE MANAGER

Annelie Roets
GOVERNANCE ADVISOR

Approved by:

Susie Young
GROUP MANAGER CORPORATE SERVICES

James Palmer
CHIEF EXECUTIVE

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Subject: DISCUSSION OF MINOR ITEMS NOT ON THE AGENDA

Reason for Report

1. This document has been prepared to assist committee members to note the *Minor items not on the Agenda* to be discussed as determined earlier in Agenda Item 5.

Topic	Raised by

HAWKE'S BAY REGIONAL COUNCIL
CORPORATE AND STRATEGIC COMMITTEE

Wednesday 24 August 2022

Item 15

Subject: SECTION 36 CHARGES FOR WATER HOLDINGS HB

That Hawke's Bay Regional Council excludes the public from this section of the meeting, being Agenda Item 15 Section 36 charges for Water Holdings HB with the general subject of the item to be considered while the public is excluded. The reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are:

General subject of the item to be considered	Reason for passing this resolution	Grounds under section 48(1) for the passing of the resolution
Section 36 charges for Water Holdings HB	7(2)7(2)(f)(ii) The withholding of the information is necessary to maintain the effective conduct of public affairs through the protection of such members, officers, employees, and persons from improper pressure or harassment.	The Council is specified, in the First Schedule to this Act, as a body to which the Act applies.

Authored by:

Amy Allan
MANAGEMENT ACCOUNTANT

Malcolm Miller
MANAGER CONSENTS

Approved by:

Katrina Brunton
GROUP MANAGER POLICY & REGULATION

Susie Young
GROUP MANAGER CORPORATE SERVICES

James Palmer
CHIEF EXECUTIVE