



Meeting of the Hawke's Bay Regional Council

Date: 25 October 2023
Time: 1.30pm
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Attachment excluded from Agenda

Item	Title	Page
5.	2022-2023 Annual Report	
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Welcome to our Annual Report

This report describes the work we have undertaken between 1 July 2022 and 30 June 2023. It focuses on actual performance against what was planned in the second year of our Long Term Plan 2021-2031. It covers both service and financial performance against targets.

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HBRC Publication number: 5600

ISBN: XXX

Wāhanga 1 - Kupu Whakataki

Part 1 - Introduction





HE KUPU NĀ TE TOIHĀU ME TE KAIWHAKAHAERE MATUA

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE



Tēnā koutou katoa

*E mihi ana ki te rohe o Te Matau-a-Māui
Manaakitia tonu tātau i a tātau i te wā nei
Kia kaha, kia māia, kia manawanui.
Taiki e!*

*Greetings to our people
and place of Hawke's Bay.*

*Continue to lean on and into the numerous
caring people in these difficult times.
Be strong, be brave, be steadfast and
together we will overcome.*

Welcome to our Annual Report for the year
1 July 2022 to 30 June 2023.

Cyclone Gabrielle has dominated the past year
after sweeping through Te Matau-a-Māui Hawke's
Bay on 14 February 2023. The impact on people,
communities, marae, livelihoods, and the
environment will be felt for years to come.

Following the cyclone, the immediate focus for us
was to repair and rebuild breached stopbanks,
with the volume of water coming through at
speed much larger than the stopbanks were
designed for.

Temporary repairs were initially constructed.
Permanent repairs to breaches on Ngaruroro and
Tūtaekurī rivers were completed in early June, and
the remainder of breaches which were in Central
Hawke's Bay, were completed (except one) in
September.

Cleaning up the silt, woody debris, and flood
waste has been and continues to be a massive job
for the region. Collectively we have faced tough
decisions on how to deal with waste. With
Hastings District Council we established the Silt
Recovery Taskforce to help locals clean up their
homes and properties. Crews have been moving
hundreds of truckloads of silt a day, made possible
by central government funding. A commercial

fund was also opened, with central government
funding, to support commercial entities including
growers and farmers, to recover some of the costs
of cleaning up sediment and debris on their land.

In May 2023, we put an exception in place for
flood damaged properties within the Napier and
Hastings airsheds to responsibly burn waste over
winter. A temporary law change came into effect
on 5 July 2023 to enable rural landowners to burn
cyclone and flood waste on commercial-scale
horticultural and agricultural properties not
located in the airsheds.

Supporting our primary industry has also been
key. Staff were deployed to set up a Rural
Recovery team who continue to support farmers
and growers.

Our staff's flood hazard modelling and technical
assessments have helped decision making on
land-use categorisation and affordable options for
flood protection in impacted areas. We have been
working alongside impacted people and local
councils, and further technical analysis and
assessment has resulted in the re-categorisation
of many properties.

Importantly, business-as-usual work has
continued throughout the year. We encourage
you to read about what our staff have been up to
in our highlights in Part 2 - Regional Overview.

This includes the completion of the Taradale
stopbank upgrade in December 2022, which
helped protect the Taradale community from
Cyclone Gabrielle flooding. The stopbank was
upgraded to a 0.2 percent likelihood of flooding in
any given year (or a 1-in-500-year level of
protection). This was the first upgrade in our
planned Resilient River Communities programme,
enabled by substantial central government co-
funding.



HE KUPU NĀ TE TOIHĀU ME TE KAIWHAKAHAERE MATUA

MESSAGE FROM THE CHAIR AND CHIEF EXECUTIVE

We introduced two Māori constituencies – Māui ki te Raki and Māui ki te Tonga – when our new Council was sworn in in October 2022 – a first for the Regional Council.

In more firsts for Hawke's Bay, we released a Regional Water Assessment in June 2023. This report, also the first of its kind in Aotearoa New Zealand, provides valuable baseline data and analysis for how we manage water and make our region more resilient, both when we have too much of it, with flooding, and not enough, in droughts.

We had the region's first greenhouse gas inventory produced to establish the carbon footprint at the city, district, and regional level. Importantly, this will provide the baseline measure for the region's first Emissions Reduction Plan. We also established a Joint Committee to oversee climate mitigation and adaptation and drive climate action in the region.

This Annual Report outlines the progress we have made towards our community outcomes (Part 3) and our levels of service (Part 4).

The cyclone has had a significant impact on our budget. The closing financial performance for the financial year (2022-2023) is an operating deficit of \$18.2 million compared to a forecasted surplus of \$4.3 million. This was primarily driven by substantial unplanned costs in our response and recovery to Cyclone Gabrielle. It was also impacted by lower-than-expected revenue from our investments through our investment company, HBRIC. This shortfall in income comes predominantly from the Napier Port dividend and investment property income.

For more detailed financial information please see Part 5.

As a region, we still have a big job ahead of us. We look forward to continuing working with our communities in supporting the region's recovery and building environmental resilience.

Ngā mihi nui

Te Toihau

Chair

Hinewai Ormsby

[signature]



Tumu Whakarae

Chief Executive

Dr Nic Peet

[signature]





HE KUPU NĀ NGĀ TOIHĀU KŌMITI MĀORI

MESSAGE FROM THE MĀORI COMMITTEE CO-CHAIRS

*Ēhara taku toa i te toa takitahi
Engari he toa takitini*

*My strength is not mine alone
But of cooperation and unity*

The past year has been incredibly challenging, and we acknowledge there are still many challenges to overcome.

Our hearts go out to whānau who have lost a loved one, and to those who have lost their homes or livelihoods because of Cyclone Gabrielle. Many marae were severely impacted and some also face tough decisions about relocation.

We would like to mihi/thank our communities for the way everyone has come together, both in the aftermath of the cyclone and continued support afterwards.

We also received much manaaki/support from outside of Te Matau-a-Māui and for that we are very grateful and humbled.

A significant milestone in the 2022-2023 year was the introduction of two Māori constituencies – Māui ki te Raki and Māui ke te Tonga. Having them at the table gives mana to the Māori voice and emphasis of the views of Māori, however importantly, they represent the whole region.

We have Māori Committee representation on the Regional Council's Cyclone Recovery Committee (as have the Regional Planning Committee) and the newly-established Regional Climate Action Joint Committee.

Post Settlement Governance Entities (PSGEs) also have been invited to be part of the Regional Climate Action Joint Committee, and the Hawke's Bay Civil Defence Emergency Management Joint Committee has recently welcomed an advisory representative from Ngāti Kahungunu Iwi

Incorporated and Tātau Tātau o Te Wairoa, with three other PSGEs also invited to provide advisory representation.

As Māori advisors we bring Mātauranga Māori to the Regional Council table. We are encouraged to see the recently-created role of Kaihautū Pūtaiao appointed in January 2023 to support the recognition and expression of Mātauranga Māori in the Council's work on the ground.

A big piece of mahi/work for the Regional Council is the development of the Kotahi Plan, reviewing and bringing our resource management plans together to address new legislation. We were pleased to not only help plan meaningful tangata whenua and wider community engagement but also participate. We received valuable input from the community drop-in sessions which took place across the rohe/region between July and September 2023.

As Te Matau-a-Māui recovers and rebuilds from Cyclone Gabrielle, the Māori Committee will continue to work alongside Hawke's Bay Regional Council to find resolutions and to support both our Māori and wider communities.

We are committed to ensuring a sustainable, healthy future for our generations to come.

Nā māua e iti nei

Ngā Toihau Kōmiti Māori

Māori Committee Co-Chairs

Katarina Kawana

Mike Paku



NGĀ KAIKAUNIHERA ME Ō RĀTAU ROHEROHENGA 2022-2023

OUR COUNCILLORS AND THEIR CONSTITUENCIES 2022-2023

Elected members are responsible for setting the strategic direction and adopting all major policies to enable the Regional Council to achieve its vision for a healthy environment and a resilient and prosperous community.

The Hawke's Bay region has seven constituencies represented by councillors, with representation determined by the Electoral Commission New Zealand and based on population. On the general roll, the constituencies of Wairoa, Ngaruroro, and Tamatea-Central Hawke's Bay are represented by one member each, and Ahuriri-Napier and Heretaunga-Hastings by three members each. On the Māori roll, the constituencies of Māui ki te Raki and Māui ki te Tonga are represented by one member each.

Councillors elect a Chair at the first Regional Council meeting following a local body election. The most recent election was on 8 October 2022.



TE KĀHUI HAUTŪ 2022 ME TE ANGA KŌMITI 2022-2023

LEADERSHIP TEAM 2022 AND COMMITTEE STRUCTURE 2022-2023

Executive leadership team



Hawke's Bay Regional Council is supported by a professional corporate organisation, led by the Chief Executive. The Chief Executive and staff are responsible for managing day-to-day issues, providing policy advice, and implementing policies to achieve the results the Regional Council wants.

The Hawke's Bay Regional Council's executive leadership team is on the left.

Committee structure 2022-2023

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

The Council adopted the following committee structure for the triennium following the October 2022 local election.



TE WHAKAURUNGA O NGĀI MĀORI KI TE TUKU WHAKAARO

MĀORI PARTICIPATION IN DECISION-MAKING

27% of our population
Is Māori (Census 2018)

There are **11** iwi groups, over
200 hapū and **79** marae
throughout the Hawke's Bay region¹

8 of 9 post-settlement governance
entities (PSGEs) are currently
represented on the Hawke's Bay
Regional Planning Committee

Ngāti Kahungunu with Rongomaiwahine
have coastal rohe running from Paritū -
north of Mahia - to Tūrakīrae -
on the south Wellington Coast

Ngāti Kahungunu iwi incorporated
comprises **6** taiwhenua² with governance
entities and operations on the ground,
four of which are in the Hawke's Bay region

6.8% Hawke's Bay residents
speak te reo Māori
(Census 2018)

Over **11%** of Hawke's Bay's 1.42
million hectares is
Māori freehold land³

There has been
\$466 million
of financial redress
in recent Treaty settlements.
This will increase with future
settlements.⁴

Hawke's Bay has a diverse and culturally rich
landscape. Key statistics are given on the left.

Working with iwi¹

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

Regional Planning Committee

The Regional Planning Committee (RPC) was first
established by Hawke's Bay Regional Council (HBRC) in
2011 as a joint planning committee. In August 2015,
the Hawke's Bay Regional Planning Committee Act
2015 (the Act) came into effect and formalised the
arrangements for the RPC. The purpose of the Act is to
improve tangata whenua involvement in the
development and review of plans prepared by HBRC
under the Resource Management Act 1991 (RMA).
With its own legislation, the RPC is not a Schedule 7
committee² and therefore cannot be dissolved every
three years while local body elections take place. This
enables the RPC, and in particular the Treaty
settlement claimant groups, to oversee development
and review of regional plans and policy statement
documents under the RMA – processes which often
span multiple years for longer-term environmental
outcomes.

¹ kahungunu.iwi.nz

² six taiwhenua: Kahungunu ki Wairarapa, Tāmaki-nui-a-Rua,
Tāmatea, Heretaunga, Te Whanganui-a-Orotū, Wairoa

³ agriculture.govt.nz

⁴ govt.nz/treaty-settlement-documents

¹ Clause 35 of Schedule 10 of the LGA requires HBRC to report on the
activities that we have undertaken in the year to establish and
maintain processes to provide for opportunities for Māori to
contribute to our decision-making processes.

² Local Government Act 2002, clause 30 of Schedule 7 'Power to
appoint committees, subcommittees, other subordinate decision-
making bodies, and joint committees.'



TE WHAKAURUNGA O NGĀI MĀORI KI TE TUKU WHAKAARO

MĀORI PARTICIPATION IN DECISION-MAKING

Regional Planning Committee (contd)

The role of the Regional Planning Committee (as established under the Act) is to oversee the review and development of the Regional Policy Statement and Regional Plans under the RMA. The RPC is a co-governance committee with equal number of Post Settlement Governance Entity (PSGE) representatives and councillors. The connection to the region's PSGEs through the RPC allows for a more conductive relationship between iwi and HBRC and provides a Te Ao Māori voice and lens to environmental issues through RMA decision making.

As at 30 June 2023, the RPC Co-Chairs were Tania Hopmans (appointed by PSGE members) and Councillor Hinewai Ormsby (HBRC Chair). Three RPC meetings and a number of workshops were held between 1 July 2022 and 30 June 2023. During this period the primary focus was on workshops with the All Governors Group (consisting of the PSGE representatives, councillors, and Māori Committee members) on the development of the Kotahi Plan (combined Regional Policy Statement, Regional Plan, and Regional Coastal Environment Plan), including the delivery of freshwater planning instruments under the National Policy Statement for Freshwater Management 2020. All Governors workshops were scheduled monthly to discuss the many environmental issues for the region.

Several matters were presented to and considered by the RPC throughout the year including:

- Regional Spatial Strategy
- the Kotahi Plan development, its programme of work, and identifying key decisions needed to be made by the RPC
- Freshwater Management Units
- Government reforms
- tangata whenua representation on Biodiversity Hawke's Bay's Advisory Committee
- Outstanding Water Bodies Plan Change 7
- tangata whenua Hearing Panel Commissioners Conflict of Interest Management
- proposed schedule of 2022 Regional Council and committee meetings

- RPC tangata whenua representation on Regional Council Committees
- regular updates from staff about consent applications and proposed district plan changes
- Cyclone Gabrielle response, recovery, and reviews.

The most notable decision for the RPC was governance support for development of the Kotahi Plan (June 2022). This was an important decision for the RPC, confirming agreement to the governance arrangements which had been discussed and considered over the previous nine months at the All Governors' workshops. This agreement confirmed the willingness of the RPC elected members and PSGE tangata whenua representatives to work alongside the Māori Committee supporting their role to consider and endorse decisions which are required to progress the development of the Kotahi Plan.

Māori Committee

Hawke's Bay Regional Council has a representative group of Ngāti Kahungunu tangata whenua as its Māori Committee. The Māori Committee consists of 13 Māori members, three from each of the four taiwhenua or Kahungunu executive in the Hawke's Bay region and a Ngāti Kahungunu Iwi Incorporated Board member, plus up to four councillors.

The Committee meets quarterly to consider relevant issues. It provides HBRC with recommendations, taking into account tangata whenua views, expectations, and aspirations. The Māori Committee is a key mechanism established by HBRC to comply with its obligations to engage and consult with Māori, as set out under Sections 81 and 82 of the Local Government Act 2002 (LGA). It is a standing committee under clause 30(1)(b) of Schedule 7 to the LGA. A charter sets out the way the Māori Committee and HBRC engage.

One member of the Māori Committee is appointed to each of HBRC's Environment and Integrated Catchments, and Corporate and Strategic committees, with voting rights.

The Co-Chairs of HBRC's Māori Committee attend Regional Council meetings alongside one representative from the Regional Planning Committee

TE WHAKAURUNGA O NGĀI MĀORI KI TE TUKU WHAKAARO

MĀORI PARTICIPATION IN DECISION-MAKING

where they have speaking rights on all issues. The Māori Committee has representation from within taiwhenua takiwā/district boundaries, to give tangata whenua of that area opportunities to participate in discussions of particular relevance to their rohe/area.

Direct hapū and other involvement

Hawke's Bay Regional Council has continued to have direct interaction with a number of hapū and marae on issues of concern to them within this takiwā and on HBRC projects. Our projects rely on the contributions of tangata whenua to ensure the projects' environmental success.

HBRC's Māori Partnerships team is often the coordinating and access point for these activities. The team comprises:

- three Relationship Managers covering northern, central, and southern Hawke's Bay. These posts are instrumental in the development of the Kotahi Plan and the National Policy Statement for Freshwater Management 2020.
- a Kaihautū Pūtaiao Mātauranga Māori (Māori Science Leader) recruited in January 2023. This new position is key to maintaining trusting relationships with hapū and marae conveyors of Mātauranga Māori (Māori Knowledge) so it finds form, shape, visibility, and effect in its implementation alongside Western science toward our environmental, biodiversity, and biosecurity outcomes.
- a Senior Cultural Advisor, recruited in November 2022, provides quality advice, strategic support, and leadership throughout all levels of HBRC, including the building of cultural capacity of our staff.

The Māori Partnerships team provide quality advice to enable effective partnerships and engagement with, and meaningful participation in HBRC's work and processes by tangata whenua. The team ensure that HBRC is informed of Māori perspectives and is meeting its Māori-specific statutory and Treaty Settlement obligations in the work that it does.

Collaboration across the councils

Since 2019, the Māori Partnership teams across the five councils in Te Matau-a-Māui (Hawke's Bay) have been working closely adopting Te Kupenga (the net) as their collaborative mantle. This continues to be an incredibly valuable platform, particularly through the cyclone response and recovery, to remain vigilant over vulnerable whānau and communities. Te Kupenga meets monthly online with administrative support from HBRC and Napier City Council.



Wāhanga 2 - Ngā Tirohanga Whānui ā-Rohe

Part 2 - Regional Overview





NGĀ TIROHANGA WHĀNUI Ā-ROHE

REGIONAL OVERVIEW

Cyclone Gabrielle

Dominating this 2022-2023 financial year was Cyclone Gabrielle - one of the worst storms to hit Aotearoa New Zealand in living history. Hawke's Bay was one of the worst affected regions. Our rainfall data shows the cyclone was one of the most significant weather events to impact the region since records began.

Tragically eight people in Hawke's Bay died, and many homes and livelihoods were badly damaged or destroyed. A State of National Emergency was declared on the morning of 14 February 2023, and was in place for one month.

The amount of rain over a relatively short period of time was more than our stopbanks were designed and constructed for and caused around 5.6kms of breaches in the 248km stopbank network across the region. Further parts were damaged by scours and erosion.

Many communities were cut off with state highways, roads, and bridges unsurpassable. Power and communications were down causing widespread disruption and distress for communities, whānau, households, businesses, and response teams.

Civil Defence staff led the most complex and large-scale response ever mounted in Hawke's Bay. More than 1000 people helped in the official response, either at the Group Emergency Coordination Centre (in Hastings), the Regional Distribution Centre (set up at the Hawke's Bay Showgrounds), or at Bridge Pa Aerodrome. Most of these were deployed from outside of Hawke's Bay. We also had people come from overseas to help.

The Regional Council ran its own Emergency Operations Centre, as all councils are required to, which also stood up a 24/7 response. A huge effort by a crew of around 160 people, including contractors, consultants, and staff from South Island regional councils, worked tirelessly putting temporary protection in place around stopbank breaches. The focus then turned to completing permanent repairs.

Cyclone Gabrielle left behind a massive tail of waste – silt, woody debris, fenceposts, dead stock – and cleaning up continues to be a huge job, enabled by central government funding.

Many teams reoriented their planned work and redeployed staff to support our rural communities. The Rural Recovery team and Catchment staff across the region continue to support farmers and growers. Behind the scenes staff worked on a range of essential work as a result of the cyclone. We had staff undertaking flood hazard technical assessments and optioneering to support decision making on credible and affordable options for flood protection. Both are informing land-use categorisation for properties affected by the cyclone. Land categorisation community meetings and drop-in sessions started in mid-June.

Another critical role for staff has been negotiating for additional funding for the region and the land categorisation flood mitigation cost sharing agreement with the Government.



Figure 1 Pekapeka Regional Park after Cyclone Gabrielle

We continue to provide administrative support to the Hawke's Bay Regional Recovery Agency (RRA). Central government, with the support of other councils, and the Matariki Governance Group, requested that HBRC manage and administer the Regional Recovery Agency for now as it can provide the required back-office support and has regional jurisdiction. We submitted the first edition of our Environmental Resilience Plan to the Regional Recovery Agency on 28 April 2023. This Plan along with Locality Plans for the district and city councils and some community and iwi groups, fed into the Regional Recovery Plan and Action Plan.

We managed the Hawke's Bay Disaster Relief Trust on behalf of the region's councils. The Disaster Relief Trust closed on 21 July 2023 and paid out nearly \$6.5 million to 4630 applicants, plus \$2.3 million to local councils for grants to be paid to owners of yellow and red-stickered properties.



NGĀ TIROHANGA WHĀNUI Ā-ROHE

REGIONAL OVERVIEW

Additional staff were employed to assist our Finance team in the substantial job of preparing insurance and NEMA (National Emergency Management Agency) claims incurred through both the Regional Council response and the Hawke's Bay Civil Defence Emergency Management (CDEM) response. The Regional Council administers CDEM on behalf of the region's councils.



Across Te Matau-a-Māui-Hawke's Bay

The total number of staff at Hawke's Bay Regional Council is over 340. The region's total land area is around 1.42 million hectares. An estimated 252,000 hectares is highly erodible. The coastal-marine area accounts for almost one-third of the area HBRC is responsible for.

Highlights include

New Council elected

Our new Council was sworn in on 26 October 2022. This was a special election for the Regional Council as for the first time we introduced two Māori constituencies – Māui ki te Raki and Māui ki te Tonga. Also of significance, Council elected its first Māori and youngest chairperson, Hinewai Ormsby. Cllr Ormsby was first elected to the Regional Council in 2019.

Mātauranga Māori focus

In January 2023, a newly created role of Kaihautū Pūtaiao was appointed to support the recognition and expression of Mātauranga Māori (Māori knowledge) in the Regional Council's work.

Reducing the region's carbon emissions

We had a greenhouse gas emissions inventory produced to establish the carbon footprint at the city, district, and regional levels – a first for Hawke's Bay. This forms the baseline measure for the region's first Emissions Reduction Plan.

In May 2023, a Joint Committee to oversee climate mitigation and adaptation and drive climate action in the region was established. The governance group is made up of representatives of the region's councils, Post Treaty Settlement Group Entities (PSGE), and Taiwhenua representatives from the Regional Council's Māori Committee.

First secondary schools' sustainability challenge

We held the inaugural Hawke's Bay Secondary Schools Environmental Challenge presentations in September 2022. This was the culmination of the year-long 'Sustainability Challenge' involving 10 schools. Sacred Heart College, Napier won the challenge.

Regional Economic Development Agency

Hawke's Bay's new Regional Economic Development Agency (REDA) became operational and a board appointed in December 2022. REDA is a limited liability company with business, iwi/hapū, and local government equal shareholders. It is funded by the region's five councils.

Kotahi Plan development

Engagement with tangata whenua and the wider community for development of the Kotahi Plan was held between July and September 2022 through a series of 12 community drop-in sessions throughout the region, online feedback, and industry-specific emails. Kotahi is intended to be a combined resource management plan for the Hawke's Bay region, refreshing how we manage the use and protection of our natural and physical resources, while also giving effect to the new policies, planning, and technical standards from central government.

The Kotahi work programme has been amended as a consequence of the cyclone, including as a result of timeframe extensions for giving effect to the National Policy Statement for Freshwater Management (NPSFM). We have commenced engagement with tangata whenua regarding NPSFM requirements for freshwater visions and values to be identified and are revisiting the Plan development programme to reflect changing priorities.

Supporting biodiversity projects

The Biodiversity Hawke's Bay Environmental Enhancement contestable fund opened on 1 May 2023, supporting individuals and groups with projects to advance biodiversity in the region. We partnered with Biodiversity HB to trial the fund and provided \$50,000 towards it.



NGĀ TIROHANGA WHĀNUI Ā-ROHE

REGIONAL OVERVIEW

Community consultation about possum control

We undertook community consultation in July 2022 and amended our Regional Pest Management Plan to enable us, at a later stage, to change the way possum control is undertaken in designated areas in Hawke's Bay. The intention is to shift the responsibility from individual landowners to the Regional Council through the use of contractors. Due to the significant cost implications to the Council, the decision to implement this will be subject to consultation at a later date.

Hill country erosion

In May 2023, we received an additional \$3.6 million from the Ministry of Primary Industries Hill Country Erosion Fund to work with the farming community to help protect erosion-prone land and keep productive soils on farms and out of waterways.

Targeting soil erosion

We helped fund work protecting 777 hectares of erodible land, including erecting 21 kilometres of fencing to help mitigate flooding and reduce sediment losses to waterways through our Erosion Control Scheme.

Land for Life

Farms plans were developed for 12 Hawke's Bay farms across the region as part of the project now known as Land for Life. The project is a collaboration with The Nature Conservancy, a global environmental organisation, and the Ministry for Primary Industries and aims to accelerate erosion control work by offering funding arrangements to landowners to plant trees on marginal land that can earn a return and enhance regenerative farming practices.

3D mapping of our aquifers

In July 2022, significant 3D mapping of the region's aquifers was made available to the public. Using cutting-edge Danish SkyTEM technology, this level of mapping will ensure that our decision making around the management of our groundwater resources is well-informed.

Regional Water Assessment report

Hawke's Bay's first Regional Water Assessment was publicly released in June 2023. It is the first report of its kind completed in Aotearoa New Zealand and provides a regional stock take of our freshwater

system and analysis of future supply and demand trends. It provides baseline data and options to inform decisions about how we manage water and make our region more resilient – both with not enough and too much water.

Hawke's Bay Trails celebrates 10 years

In November 2022, Hawke's Bay Trails, a local collaboration led by HBRC, celebrated its 10th anniversary since it opened as one of the Great Rides of the Ngā Haerenga New Zealand Cycle Trails.

Smarter bus stops for Hawke's Bay

In December 2022, we secured funding of \$1.39 million from central government to upgrade 10 bus stops in the region and create two new stops – one at Whakatū and the other at the Hawke's Bay Regional Sports Park. The upgrades will include solar-powered real-time bus information displays, secure parking for bikes or scooters, and 24-hour security lighting and cameras.

New bus fares

We announced new bus fares starting 1 July 2023 following half price bus fares ending on 30 June. People can apply for the Community Connect concession which enables free fares for 5-12-year-olds, half price fares for 13-24 year olds and Community Services Card holders, and permanent half price Total Mobility fares for card holders of the Total Mobility service.



Wairoa

We are a team based out of our Wairoa office – active, visible, and able to deal with issues more quickly. Our staff work across the Wairoa district with landowners and the community to support good farming practices, sustainable land use, and protect and enhance the environment.

Cyclone Gabrielle

As noted in Wairoa District Council's Locality Plan, Wairoa had already been hit by a series of storms in the previous year – including a heavy weather event in March 2022, which many areas had not yet recovered from – when Cyclone Gabrielle struck. Cyclone Gabrielle caused major flooding in the Wairoa district



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with the Wairoa River, and numerous tributaries overtopping their banks.

The worst impacted area was in the north of Wairoa with the river breaching its banks on the north-western side of the town and flooding the rural areas of Waihirere and Ruataniwha, and urban area of North Clyde. There were also floods in Awamate, on the other side of the river, Frasertown, Whakakī, Nuhaka, and Māhia, and extensive surface flooding across the district.

Homes were flooded, rural communities cut off, and the Wairoa district itself cut off with no way in or out due to damaged bridges and roads. There was also significant damage to the landscape, rural properties, and the primary sector.

Our catchment staff based in Wairoa were on the ground helping. Staff worked with the Wairoa community clearing properties and checking in with farmers to see what support they needed. Other catchment staff worked at Wairoa District Council's Emergency Operation Centre, with our Northern Māori Relationship Manager undertaking the role of Alternate Controller.

With no road access, our engineers flew into Wairoa to assess damage to the 51kms of drains and four pump stations we manage. Teams were then flown in to remove silt from drains, clear blockages, remove debris, and restore pump stations.

Post-cyclone our catchment staff continue to support farmers with the hill country severely impacted by erosions and slips. We have Asset Management staff working closely with Wairoa District Council, and we have a staff member dedicated to the operation and maintenance of drainage scheme activities.

Cleaning up remains an enormous job, with a Taskforce established to support locals clean up. The Taskforce appointed a project manager in Wairoa to deal with the huge amount of debris around the district, and particularly along the coast.

Significantly for the region, the Government has earmarked \$70 million (as the estimated cost) for a flood mitigation scheme for Wairoa. This is part of the Government's cost-sharing funding package to Hawke's Bay's five councils, and will be a collaboration between the Regional Council, Wairoa District Council, and Tātau Tātau o Te Wairoa.

Highlights include

Listening to the community

We held four community drop-in sessions as part of developing the Kotahi Plan – at the Wairoa Taiwhenua in Wairoa, Kahungunu Marae in Nuhaka, Kurahikakawa Marae in Waihua, and at Te Pohue Community Hall. We received valuable input from these region-wide sessions of what communities want to see more of, less of, their concerns, and the outcomes they want to see in their catchments.

Understanding impact of sediment

We continued working with Wairoa District Council, Tātau Tātau o Te Wairoa, and Our Land and Water National Science Challenge in the Whitiwhiti Ora research programme to study the impact of sediment on mahinga kai (food gathering) and sites of cultural significance in the lower Wairoa River.

Targeting soil erosion

We helped fund work protecting 270 hectares of erodible land, including 5 kilometres of fencing, to help mitigate flooding and reduce sediment losses to waterways through our Erosion Control Scheme.

Protecting threatened native forests

We continued protection work such as deer fencing, and pest animal and plant control at King QEII Bush block (near Te Haroto, 35 hectares) and the Lochinvar remnant (3 hectares). The Lochinvar remnant project has national significance.

Protecting Lake Whakakī

17,000 native trees were planted and nearly 6 kilometres of fencing was erected at Lake Whakakī in collaboration with the Whakakī Lake Trust, the community, and landowners. This is part of our Protection and Enhancement work which aims to improve water quality and biodiversity.

Supporting Ruakituri

Staff have a strong presence in the Ruakituri Valley, delivering and providing advice for our Erosion Control Scheme.

Understanding freshwater values

Two of our staff are members of the technical steering committee for the Pohaturoa Land Trust Te Mana o te Wai-funded project which is developing a Fresh Water



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Management Strategy for Pohaturoa Station looking at freshwater values from both a western science and Mātauranga Māori (Māori knowledge) perspective.



Tamatea-Central Hawke's Bay

Our team based in Waipawa is typically out and about in Central Hawke's Bay working with landowners to give support and provide advice on good land use practices. This includes assisting landowners to develop erosion control plans and then implementing actions in the plans to help control erosion and improve water quality. We also have a dedicated relationship manager who is a permanent part of the team to engage with tangata whenua.

Cyclone Gabrielle

Flooding was widespread in Tamatea Central Hawke's Bay affecting both urban and rural communities. Central Hawke's Bay District Council's Recovery and Resilience Plan states more than 600 homes and businesses were impacted with several hundred people evacuated across the district. Many rural communities were cut off by flood water, and damaged roads and bridges.

For several hours on 14 February the whole region was isolated with both bridges on State Highway 2 closed to traffic due to severe pressure from the flooded Waipawa and Tukituki rivers.

Communities, the economy, transport networks, infrastructure, and natural landscapes were severely impacted by the cyclone. More than 110 sections of roads were closed in the first days, bridges and bridge approaches were destroyed – this was on top of major damage from weather-related events in 2022.

Our catchment staff on the ground played a key role for us, monitoring the lower Waipawa River during the night, undertaking reconnaissance for stopbank breaches, assisting with the big job of clearing away dead stock, lending a helping hand in Pōrangahau village, and checking in on farmers when they were able to.

Temporary protection around stopbank breaches was initially put in place, with crews working around the

clock to do this. The focus then turned to making permanent repairs with stopbank breaches on the Tukituki and Waipawa rivers completed (except one) in September. Teams worked closely with Central Hawke's Bay District Council. We have also been managing significant gravel extraction from rivers and streams across the Central Hawke's Bay district as part of ongoing river management.

Highlights include

Listening to the community

We held community drop-in sessions at the CHB Municipal Theatre in Waipawa and at the Rongomaraeroa Marae in Pōrangahau as part of developing the Kotahi Plan. Residents told us what they want to see more of, less of, their concerns and the outcomes they want to see in their catchments.

First trees in the ground for pilot project

Seedlings were planted on the first pilot farm as part of our project now known as Land for Life. Run in collaboration with The Nature Conservancy, a global conservation group, and the Ministry for Primary Industries, the project offers funding arrangements to landowners to plant the right trees in the right places to slow erosion, improve biodiversity, and build resilient farms. It also supports improvements in pastoral farm systems and regenerative farming practices. Cyclone Gabrielle impacted these plantings.

Supporting community catchment groups

We worked with catchment groups in Tukituki and helped Tukituki Land Care – an overarching farmer-led catchment collective set up to enhance collaboration between the groups and attract external funding. The collective was officially launched in May 2023 and works with 17 catchments in Central Hawke's Bay covering 216,000 hectares of private land. We have two staff that are advisors on the Executive Committee.

Trees in the ground at Te Ikatere

We planted 5000 coastal natives last winter at Te Ikatere as part of our plan to protect the marine reserve from sedimentation, increase biodiversity, and be used as an example of coastal restoration. Te Ikatere is a 44-hectare property next to Te Angiangi Marine Reserve we purchased in 2020. We lent a



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helping hand to Omakere School pupils with their annual planting day at the Te Ikatere Reserve and also helped them with planting along the Pourere coastline to protect the head of the dunes.

Willow removal at Maraetōtara

An ongoing partnership with the Maraetōtara Tree Trust has seen the removal of willows from the banks of the Maraetōtara River almost complete, however a watchful eye will be kept on regrowth. The area was severely impacted by Cyclone Gabrielle so repairing and remediating the damage remains a focus.

Targeting soil erosion

We helped fund work protecting 288 hectares of erodible land, including erecting 9 kilometres of fencing, to help mitigate flooding and reduce sediment losses to waterways through our Erosion Control Scheme.

Protecting threatened native forests

We continued protection work such as deer fencing, and pest animal and plant control at Birch Hill, Motumokai Bush, Puahanui Bush, and Gillies Bush. This is part of our Priority Ecosystem work programme and will protect and enhance 207 hectares of remnant forest sites. These sites also provide important habitat for native wildlife.

Protecting Lake Whatumā

7000 native trees were planted in partnership with landowners and stakeholders at Lake Whatumā. This is part of our Protection and Enhancement work which aims to improve water quality and biodiversity.

Water storage pilot

Over the past two years, the Managed Aquifer Recharge (MAR) project team has worked closely with marae located near the Waipawa River and hapū who whakapapa to the Ruataniwha Aquifer, and landowners of the pilot site on how the MAR will be designed, operated, and monitored. The pilot aims to replenish the Ruataniwha aquifer during the wetter months to ensure sustainable levels are maintained when it's dry in summer. Consent was granted as this report was being prepared.



Ahuriri-Napier and Heretaunga-Hastings

Our main office is in Dalton and Station Streets, Napier. Our depot is at Guppy Road, Taradale, and staff also work from the purpose-built HB Civil Defence Emergency Management Group Coordination Centre in Hastings.

Cyclone Gabrielle

Many rural areas and areas surrounding urban Hastings and Napier were severely impacted. This included Eskdale, Whirinaki, Pakowhai, Puketapu, Twyford, Meeanee, and the marae communities of Tangoio, Pētane, Waiohiki, Mōteo/Timi Kara, Ōmāhu/Te Āwhina, and Waipatu. There was also flooding in Taradale, Bayview, and Te Awa.

A significant number of Hastings' rural communities were isolated and the Hastings District Council's Heretaunga Locality Plan states up to 800 RSE (Recognised Seasonal Employer) workers were displaced from their accommodation, particularly through Pakowhai and Puketapu.

Napier was cut off from Hawke's Bay and the rest of the country with no road connectivity in any direction leaving people isolated and vulnerable, Napier City Council's Ahuriri/Napier Locality Plan states. The Awatoto industrial area was completely inundated and the city's wastewater treatment plant became inoperable. It became operational again, with limited capacity in early April 2023.

Cleaning up has and continues to be a challenge with the Hastings District Council and the Regional Council establishing the Silt Recovery Taskforce. The Taskforce was set up to help locals clean up their homes and properties and set up systems to manage silt, debris and waste to keep as much as possible away from the landfill. Taskforce crews have been shifting hundreds of truckloads of silt a day.

The Regional Council quickly set up Rapid Rebuild teams who worked around the clock to put in temporary protection, then focusing on permanent repairs. Rapid repairs of around five kilometres of stopbank breaches on the Ngaruroro and Tūtaekuri rivers were completed in early June.



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Highlights include

Listening to the community

We held community drop-in sessions at Linden Estate in the Esk Valley, the Community Hall in Tutira, Elwood Function Centre in Hastings, the Napier Wall Memorial Centre, and the Community Hall in Waimārama as part of developing the Kotahi Plan. This was to seek valuable input from residents about their concerns and the outcomes they want to see in their catchments.

Protecting Ahuriri Estuary

In partnership with landowners 12,232 native seedlings and 285 poplar and willow poles or stakes were planted at Ahuriri Estuary. This is part of our Protection and Enhancement work which aims to improve water quality and biodiversity.

Protecting Lake Tūtira

In partnership with landowners 10,270 native seedlings, 250 eucalyptus seedlings, and 135 poplar and willow poles were planted at Lake Tūtira. This is part of our Protection and Enhancement work which aims to improve water quality and biodiversity.

Protecting birdlife

We partnered with Te Pūkenga EIT to develop a student-led project to help protect a regionally significant population of Titipounamu (Rifleman) as well as the recently and successfully reintroduced Toutouwai (North Island Robin). The project aims to reduce rodent numbers within Mohi Bush to support and enable the ongoing, successful breeding of these key species. This project also enables practical experience for students in environmental management.

Protecting threatened native forests

We continued protection work such as deer fencing, and pest animal and plant control at Pakuratahi Bush, Whittle Bush, and Kowhai Downs. This is part of our Priority Ecosystem Programme and will protect and enhance 180 hectares of remnant forest.

Taradale stopbank

We completed a significant upgrade of the Taradale stopbank in December 2022. The stopbank was upgraded to a 0.2 percent likelihood of flooding in any

given year (or 1-in-500-year level of flood protection) and helped protect the Taradale community from Cyclone Gabrielle flooding. This work was part of the Heretaunga Plains Flood Control Scheme – Resilient River Communities project enabled by central government co-funding to accelerate our work increasing flood protection.

Adapting to coastal hazards

Following consultation in July 2022, Council agreed in principle to take charge of adapting to coastal hazards between Clifton and Tangoio, subject to confirmation through its next Long Term Plan. We now plan to notify the Clifton to Tangoio Coastal Hazards Strategy 2120 and consult on the Regional Council taking on the new activity of implementing the Strategy in August 2024, later than initially planned, with rate funding and the transfer of existing coastal hazard assets from Napier City and Hastings District councils from 1 July 2025.

Targeting soil erosion

We helped fund work protecting 219 hectares of erodible land, including nearly 7 kilometres of fencing to help mitigate flooding and reduce sediment losses to waterways through our Erosion Control Scheme.

Joint efforts to help clean up the Karamū Stream

Collaborations with volunteers, schools, community groups and organisations, and neighbouring businesses and residents, saw 20,000 native trees planted along the Karamū Stream. This work is part of our enhancement programme to help improve water quality and biodiversity.

Matariki at Waitangi Regional Park

We supported Matariki celebrations at the Ātea a Rangi Star Compass at the Waitangi Regional Park. Staff helped facilitate 700 students from 12 schools, taking part in planting, celestial navigation, and environmental education.

Ahuriri Regional Park

The Ahuriri Regional Park Joint Committee was established and a Hawke's Bay firm was engaged as the project manager for the development of the park. The Joint Committee is administered by Napier City Council (NCC) and made up of representatives from Mana Ahuriri Trust, NCC, and the Regional Council.



NGĀ TIROHANGA WHĀNUI Ā-ROHE

REGIONAL OVERVIEW

My-Way on-demand public transport

The Hastings trial of the MyWay on-demand public transport completed its first year meeting its ridership targets. A review is underway which will help decide whether the service, still in its trial period, may be continued.

Patoka dairy farm wins top regional award

Greg and Gail Mitchell of Mitchell Dairy Farms won the Regional Supreme Award at the East Coast Ballance Farm Environment Awards announced in March 2023. They also collected five other awards. The Regional Council is a regional partner which supports the awards, run by the New Zealand Farm Environment Trust.





TAIPITOPITO WHAKAAHUA

INFOGRAPHICS

Providing public transport



104,148
subsidised trips
by Total Mobility
Scheme users
down 22%

420,692
goBay bus trips
down 4.5%

32,358
trips on MyWay
Hastings replacing
bus routes 16A, 16B, 17
up 13%

Keeping an eye on river health



98 river sites
monitored for
water quality
and ecosystem
health

Protecting land and waterways from erosion

24,062 poles
(willow and poplar)
provided to farms
for erosion control

777 hectares of
erodible land planted,
retired, or protected
through our Erosion
Control Scheme
down 47%



Acting on environmental concerns



**802 calls to the pollution
hotline up 9%**

427 air

187 land

125 surface water

55 coastal marine area

8 groundwater

Protection and Enhancement Programme

Ahuriri Estuary

12,232 native plants

1,050m of fencing

285 poles

Lake Tūtira

10,270 native plants

780m of fencing

135 poles

Lake Whakakī

17,000 native plants

5.9km of fencing

Lake Whatumā

7,000 native plants



TAIPITOPITO WHAKAAHUA

INFOGRAPHICS

Targeting predators and pest plants



2,451

properties were visited by our biosecurity staff
up 33%

308,00

hectares were monitored for possums within the Possum Control Area with overall trap catch at 1.5%

up from 1.1%

Prepared for extreme events



219 weather watches and warnings were issued by our 24/7 on-call emergency team

1 State of Emergency

declared following Cyclone Gabrielle on 14 February 2023

Promoting good management practice



207,352 hectares in the Tukituki catchment operate under a current Farm Environment Management Plan (FEMP)

725 FEMPs have been prepared in the Tukituki catchment

413 low intensity submissions (farms under 10 hectares) have been prepared

Supporting good governance



147

Local Government Official Information and Management Act (LGOIMA) requests received

up 93%

Providing strong regulation



43 abatement notices

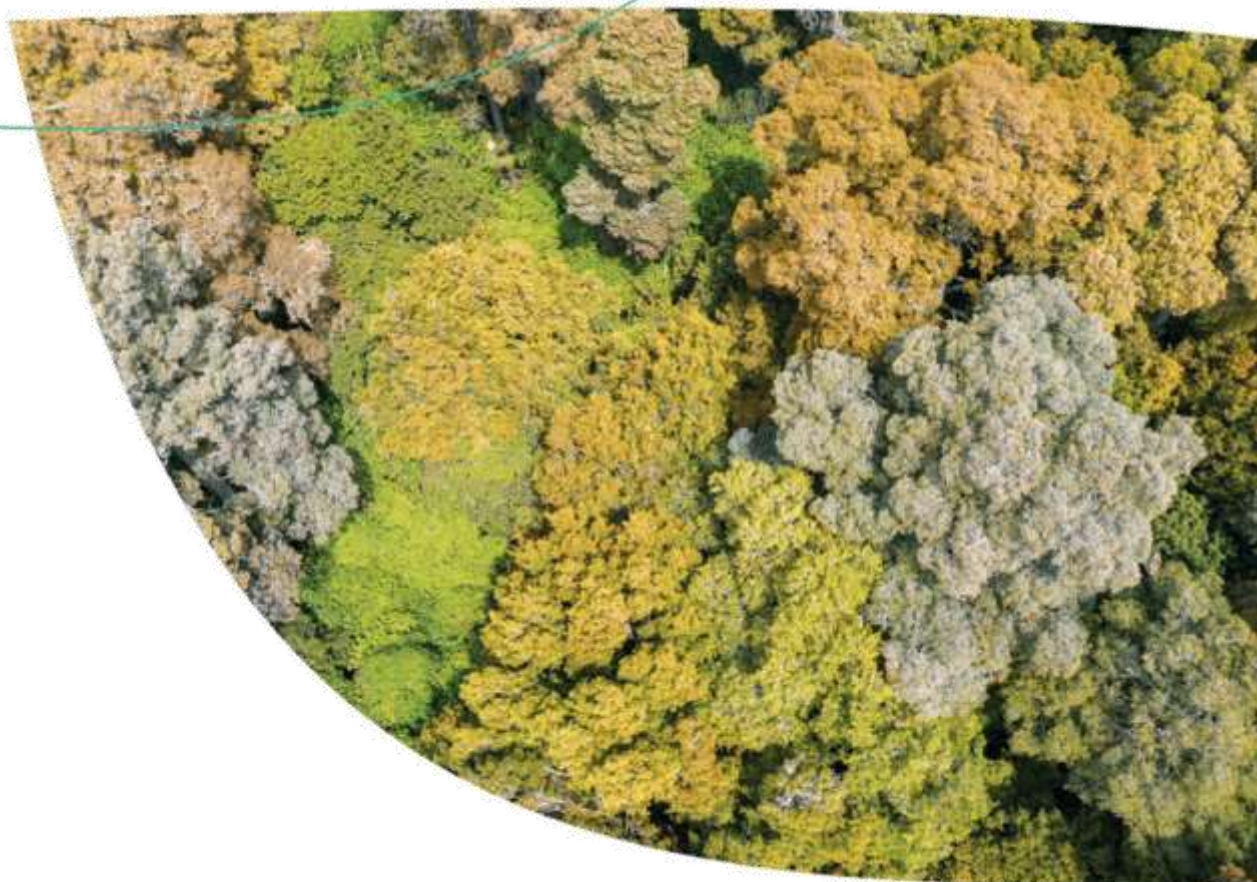
37 infringement notices

28 formal warnings

7 successful prosecutions

Wāhanga 3 - Ngā Hua Ā-Hapori

Part 3 - Community Outcomes





NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

Our Long Term Plan must describe the community outcomes for the Hawke’s Bay region and link our activities to these outcomes. Community outcomes are what “... a local authority aims to achieve in order to promote the social, economic, environmental, and cultural well-being of its district or region in the present and for the future”. (Local Government Act 2002)

How to read this section

Our community outcomes are:



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

Outcome measures

Under Section 23 of Schedule 10 of the Local Government Act 2002, we must report the results of any measurement undertaken during the year of progress towards the achievement of community outcomes.

We use our 24 time-bound strategic goals from our *Strategic Plan 2020-2025* 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. However, along with others, we 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.

The outcome measures are grouped by our four focus areas:

- 1. Wai | Water
- 2. Whenua | Land
- 3. Rerenga Rauropi | Biodiversity
- 4. Ngā Ratonga me Ngā Hanganga ā-Whare | Infrastructure and Services

These 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.

Progress on achievement

The tables following provide commentary on:

- progress made in 2022-2023
- actions underway to achieve the goal.

Most of these targets require a range of interventions by HBRC such as policy setting, rules and regulation, advocacy, education, and incentives to encourage behaviour change. In some cases, it is provision of goods and services directly.

The progress or status against the target (as assessed by staff based on current and future activity or interventions) 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





NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

WATER

Water quality, safety and climate-resilient security.

Te kōunga o te wai, te haumarutanga me te mārohirohi ā-āhuarangi o te whakamarutanga.

The **SEVEN** goals under the WATER focus area are:

1 on track

5 off track

1 off track

By 2025, plans for all catchments/waterbodies are notified

Off track

By 2025, all aquifers, lakes and rivers have community-agreed quantity and quality limits in force

Off track

Progress over 2022-2023: Cyclone Gabrielle caused significant disruption throughout the region including to the freshwater planning that was being undertaken. In recognition an Order in Council was progressed by the government to extend the 2024 deadline included in the National Policy Statement for Freshwater Management 2020 (NPS-FM) for the notification of freshwater planning instruments. As a result a new deadline of December 2027 was issued providing a three year extension. The premise behind this extension was not only to provide time to re-baseline environmental data but also a recognition of the workload that our tangata whenua partners and communities are facing as a result of the cyclone.

Despite the disruption work continues to progress, a decision was received on the TANK Plan change and work towards mediation has progressed. It is anticipated that mediation will progress from late 2023 through into 2024. The Kotahi Plan is still being progressed and work is underway to support tangata whenua engagement.

Actions underway to achieve the target: It is not longer expected that this target will be met due to the significant disruption of Cyclone Gabrielle and the extension provided through the Order in Council. Moving forward it is anticipated that the outcome should be updated to be achieved by 2027.

By 2025, tangata whenua values for all catchments are identified and embedded in the Regional Resource Management Plan

On track

Progress over 2022-2023: Similar to the previous measure, tangata whenua values were identified in the TANK and Tukituki Plan changes. This goes a long way towards the achievement of this outcome measure.

As required by the NPSFM 2020, Māori freshwater values must be identified and provided for, with tangata whenua being actively involved, should they so wish, in the Kotahi Plan development. HBRC Policy leads, with support from the Maori Partnerships team, are progressing partnership arrangements with mana whenua in each of the catchments to understand what the Māori values are and how best to embed them, with an understanding that setting visions and obtaining values is not one size fits all. Contracts are close to being finalised for this work.

Actions underway to achieve the target: Partnership arrangements are needed with mana whenua (PSGEs and taiwhenua) to keep this goal on track and should to be in place going in to the new financial year. HBRC needs to have full understanding of the resourcing requirements, capability, and capacity of mana whenua to be involved in this work throughout the region. This is flagged as a priority for the organisation so that contracts can support the delivery of the work, whether by mana whenua or out-sourced to contractors on their behalf.

By 2025, cultural monitoring tools are in-use in all catchments

Off track

Progress over 2022-2023: HBRC supported Te Taiwhenua o Heretaunga to establish the Tukituki Mātauranga Māori Framework, a Māori values-based monitoring and Māori wellbeing framework. Tātau Tātau o te Wairoa, Wairoa District



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

Council, and HBRC have been working with *Our Land and Water National Science Challenge* in their Whitiwhiti Ora programme in Te Wairoa. This includes Te Ngoiro, an integrated framework to better understand values in Te Wairoa River and the impact/effects of sedimentation.

Actions underway to achieve the target: HBRC's new Kaihautū Pūtaiao Mātauranga Māori specialist was recruited in late January 2023. Most of their time following Cyclone Gabrielle has been spent in the recovery efforts however, this position will specifically focus on Mātauranga Māori to lead a partnership approach that can be rolled out across other catchments in parallel with future plans.

By 2030, all popular Hawke's Bay swimming sites are swimmable 80% of the time, and 90% of the time by 2040 (Source: National Policy Statement for Freshwater Management 2020)

Off track

Reported data over 2022-2023 Our Marine & Coast and Environmental Information teams monitored 37 popular recreation sites weekly for 18 weeks between November and March. Around 559 samples were taken at 15 marine, 11 estuarine, and 11 freshwater sites.

Over this season, monitored sites were:

- suitable for swimming 73% of the time, compared to 76% in the previous season
- caution was advised 8% of the time, compared to 9% in the previous season
- unsuitable for swimming 19% of the time, compared to 15% in the previous season.

This extremely wet summer, along with Cyclone Gabrielle, severely impacted water quality and the monitoring programme. This was on top of a wet summer the year before. The five-year rolling average is shown in the graph below. The combined totals are consistently meeting the 80% target but given the past two rainy seasons, results are showing a declining trend. This will likely return to being on track to meeting the 2040 goal if we experience more 'normal' summer weather conditions in the 2023-2024 season and beyond.

Figure 1: Proportion of time over summer months that were suitable for swimming (including 'caution advised'), on 5-year rolling average between 2015-2022



Actions underway to achieve the target: HBRC work programmes that contribute to swimmability include the Erosion Control Scheme, riparian margin protection, Farm Environment Management Plans, and flood protection, alongside strong regulation and community education.

The major stressor is ruminants' (cows, sheep, deer, goats) faeces in water. Fencing and planting, and Resource Management (Stock Exclusion) regulations that prohibit cattle, pigs, and deer from accessing wetlands and waterways, are key to achieving the target by 2040.

By 2030, Hawke's Bay has environmentally sustainable, harvestable water identified and stored or plans to be stored if required

Off track

Progress over 2022-2023: By leveraging \$5 million allocated in the Long Term Plan 2018-2028 to secure \$30.6 million from the Government's Provincial Growth Fund, HBRC has a substantial Regional Water Security Programme focused on understanding the region's freshwater resources and making decisions as a community on how we protect and manage them, particularly in a changing climate. In addition, HBRC has committed a further \$1 million to develop business cases for transformational improvements in water use efficiency and conservation. These projects include the



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

Regional Water Assessment (complete), the Heretaunga Water Storage project (ongoing) and the Central Hawke's Bay managed aquifer recharge (consent granted as this report is being prepared).

Actions underway to achieve the target: An agreed approach to progressing the Kotahi Plan, with alignment with its community and catchment engagements, and the policy development process will continue. This process and its outcomes will be highly influential on community attitudes, expectations, and motivation to progress water storage options identified and validated through the Kotahi Plan and the Water Security Programme.

This is marked off track as based on past experience in Hawke's Bay and other regions, securing support for water storage is challenging.

By 2050, there is an increasing trend in the life-supporting capacity of all of the region's degraded rivers and major streams

Off track

Reported data over 2022-2023: The Freshwater Science team continues to monitor Macroinvertebrate Community Index (MCI) monthly at 38 river sites (normally annually) to complete a full year of data in order to understand the impact of Cyclone Gabrielle on freshwater ecosystems and how they recover. Also, eDNA analyses, fishing, and monitoring of deposited sediment continues. Post-cyclone MCI results are not yet back from the laboratory, so there is no data available currently to show how macroinvertebrate communities were impacted, or the trajectory of their recovery.

Actions underway to achieve the target: Currently, the focus is to collect enough data to get a robust picture on state and trend of recovery for one year post cyclone. Once we receive results, we can analyse the state and recovery in context with what happened on land. Identifying where ecosystems were more resilient than others can inform potential mitigation or management options to build more resilience in freshwater ecosystems.

HBRC's work, such as development and implementation of effective policies, and implementation of various on-ground activities, will be contributing to ecosystem health outcomes in freshwater in the future, currently this is focussed on recovery.



NGĀ HUI-Ā-HAPORI

COMMUNITY OUTCOMES

LAND

Climate-smart and sustainable land use.

Kia kōi, kia toitū hoki te whakamahinga o te whenua.

The **SEVEN** goals under the LAND focus are:

4 on track

2 off track

1 off track

By 2025, stock is excluded from all flowing permanent and intermittent rivers/creeks, lakes, and wetlands, and at least 30% are fenced and planted to filter contaminants

Off track

Progress over 2022-2023: A riparian monitoring assessment project to statistically assess the condition of the region's riparian margins was completed this year. Baseline data for the region was collected by aerial imagery analysis combined with data from the previously surveyed Tukituki catchment. Approximately 22% of surveyed waterways were effectively fenced on both banks and a further 21% were fenced on only one bank. Grass and weeds were the riparian cover across 62% of surveyed waterway length, woody vegetation accounted for 28%, indigenous flax/sedge/rush 6%, woody native 3% and no vegetation 1%. Current stock access was observed at 35% of surveyed waterways and a further 12% and 2% showed past and recent stock access respectively. No evidence of stock access was observed along 51% of surveyed waterways.

Post-cyclone imagery covered 84 sites and showed fencing and stock access decreased compared to their pre-cyclone status. No riparian vegetation cover was more prevalent, mostly at the expense of grass and weeds.

Actions underway to achieve the target: Achievement of this outcome target will be reinforced by the Resource Management (Stock Exclusion) Regulations that came into force on 3 September 2020 as part of the Essential Freshwater reform package. Under these regulations, cattle, pigs, and deer are prohibited from accessing wetlands, lakes, and rivers by 1 July 2023 and in some cases by 1 July 2025. Non-compliance will be managed by the Regional Council.

Given the reform timetables stated above, and that regulations are not yet enforceable, scalability is the main issue within this target timeframe, hence the status is recorded as 'off track'. Conversations are underway with landowners but it will take some time to achieve this goal.

By 2025, Land Use Suitability information is available to all landowners to inform smarter land use

On track

Land use suitability is a cornerstone of our Science and Technology Strategy. We are undertaking a pilot project – Whitiwhiti Ora – in collaboration with Manaaki Whenua Landcare Research in the northern part of Hawke's Bay. This will be the template for further work supplying land suitability information for landowners and other stakeholders. This is an ongoing work programme and is on track.

By 2025, all farms, orchards and vineyards operate under a Farm Environment Management Plan (FEMP) or an independently audited industry best practice framework

On track

(Tukituki)

By 2030, all land-users in critical source areas have phosphorus management plans being implemented, with at least 50% of highly erodible land treated with soil conservation plantings

Off track

(other catchments)

Progress over 2022-2023: The FEMP programme was only required in the 17 sub-catchments that form the Tukituki catchment as part of schedule XXII of the Tukituki Catchment Plan. At the end of the year, 96% of eligible land was covered by a FEMP – covering 207,951 hectares. Each FEMP requires a comprehensive phosphorus management plan along with an environmental action plan. Existing plans remain operative until 31 May 2024 as outlined in the Regional Resource Management Plan Plan Change 6.



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

Actions underway to achieve the target: This work programme in the Tukituki was put on hold following Cyclone Gabrielle and the introduction of the national regulations for Freshwater Farm Plans in June 2023. The decision has been made not to require Tukituki FEMPs to be updated further to reduce onerous duplication on landowners (noting they are operative until 31 May 2024).

When the national regulations come into effect for Hawke's Bay, eligible properties across the whole region will be required to develop and maintain a Freshwater Farm Plan. These are not due to start until 2025, and 18 months after this to submit a plan. The national requirement for Freshwater Farm Plans is expected to require identification and management of critical source areas for phosphorus loss on-farm.

By 2025, catchment management plans are established to target improvements on land that lead to water quality improvements

On track

Progress over 2021-2022: Our Catchment Delivery teams continue to gather catchment snapshots across the region. These catchment snapshots outline, within a catchment, the biophysical attributes and issues, such as catchment groups, tangata whenua, funding, significant sites, Land Use Capability, land use and soil description, forestry, community demographics, and economic value. Furthermore, the snapshots identify all current work programmes being delivered by the various agencies and stakeholders.

Actions underway to achieve the target: Two new Urban Catchment Advisor roles were approved through the Long Term Plan 2021-2031 for Karamū and Ahuriri. At this time, these roles remain vacant. The catchment snapshots already gathered will help inform the Kotahi Plan.

By 2050, all highly erodible land is under tree cover

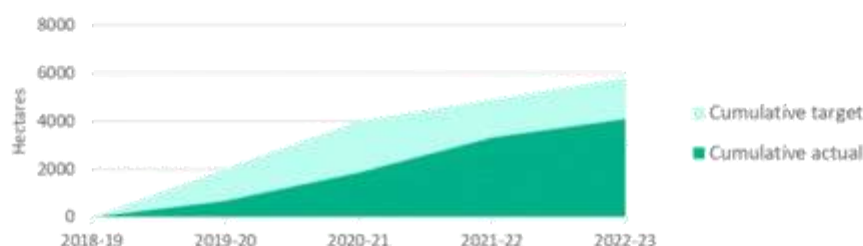
Off track

Progress over 2022-2023: There is an estimated 252,000 hectares of highly erodible land in Hawke's Bay. This contributes an estimated 3.3 million tonnes of sediment to Hawke's Bay waterways each year.

This is the fifth year of the Erosion Control Scheme which has helped protect over 4,000 hectares to date. HBRC achieved 777 hectares this year compared with our level of service target of 900 hectares (see graph below).

Since Cyclone Gabrielle, it is clear that much of the landscape in the worst-affected areas has effectively been 'reset' by the event. Manaaki Whenua, on behalf of Ministry for the Environment, has undertaken a Rapid Assessment of Land Damage.

Figure 2: Hectares of erodible land planted with fit-for-purpose erosion control species through the HBRC Erosion Control Scheme 2018-2023



Actions underway to achieve the target: The Erosion Control Scheme is funded until 2028 with a total target of 12,300 hectares in that time if current levels of service are maintained. In its present form, the Erosion Control Scheme will not enable us to meet this strategic goal of 252,000 hectares by 2050. In order to reach this goal a stepchange in planting is required for transformational coverage of highly erodible land, through programmes such as Land for Life, or land use regulation. Alternatively, this strategic goal needs to be reviewed in terms of prioritising targeted area.

The Manaaki Whenua Rapid Assessment of Land Damage report will provide valuable information on considerations for land management in the region's recovery, particularly on the damage in hill country (Land Use Capability classes 6 and 7) resulting from the landsliding.



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

By 2050, there will be 50% less contaminants from urban and rural environments into receiving waterbodies

Off track

Progress over 2021-2022: Trend analyses do not indicate we are on a trajectory for a widespread 50% reduction in contaminant levels throughout Hawke's Bay.

Extreme weather patterns like the two consecutive dry summer and autumn periods in 2019-20 and 2020-21, and the most recent extreme event - Cyclone Gabrielle - have the potential to mask any trends that may reflect changes in land management during this reporting period, but also in years to come. This is an uncertainty to bear in mind when looking at water quality trends.

Improvements in contaminant levels can't be expected to show before the development and wide-spread implementation of policies and land management changes.

Actions underway to achieve the target: Achieving this target will be influenced by almost all aspects of the HBRC's work such as the development and implementation of effective policies, rules, advocacy, education, engagement, compliance, enforcement, planting, fencing, and environmental monitoring and reporting to track reductions in contaminant levels.

The Kotahi Plan will introduce policies and rules, where these do not already exist, to improve degraded water quality where it falls short of the community's long-term vision for freshwater.

For rural environments Freshwater Farm Plans, as they are introduced to the region from next year to support the Government's Essential Freshwater Package 2020, will help to stop further degradation of freshwater resources and improve water quality, reverse past damage, and bring New Zealand's freshwater resources, waterways and ecosystems to a healthy state within a generation.



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

BIODIVERSITY

Healthy, functioning and
climate-resilient biodiversity.

Kia ora, kia āhei, kia mārohirohi
ā-āhuarangi hoki te rerenga rauropi.

The **FOUR** goals under the BIODIVERSITY focus area are:

1 completed

1 on track

2 off track

By 2020, regional priority locations for ecosystem restoration – including in the coastal marine area – have been identified

Completed

In total, 700 priority terrestrial ecosystem sites have been identified based on type, number, size, connectivity, and condition using Zonation, a conservation planning software tool. Results were then verified using expert local knowledge. Zonation helped determine the top 30% priority terrestrial sites to put our efforts in to deliver the biodiversity outcomes for the investment. Key ecological areas have been identified for the Hawke's Bay coastal marine area using a nationally consistent approach developed by NIWA.

By 2050, Hawke's Bay is predator free in line with NZ 2050 target (Source: PF2050)

On track

(Whakatipu Māhia)

Off track

(Other areas)

Progress over 2022-2023: The Predator Free Hawke's Bay team's focus continued to be on Whakatipu Māhia possum eradication – the removal of possums from the 14,600 hectare peninsula. Following the close out report for the Predator Free HB project, a synthesis of all the learnings from the project, alongside the companion report which summarises investment and impact, was consolidated and shared nationally. The year has been challenging and presented delays with wetter than usual weather, including the cyclone impacting project timelines.

Actions underway to achieve the target: The delivery of the possum eradication milestone has been extended with PF2050 Ltd to 31 March 2024. It has been agreed to focus on possum eradication. A 'proof of absence' network monitoring (cameras) will be installed from October 2023.

By 2030, key (target) species and habitat (sites) are prioritised and under active restoration (Source: HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020)³

Off track

By 2050, a full range of indigenous habitats and ecosystems, and abundance and distributions of taonga species are maintained and increased in every catchment in Hawke's Bay (Source: HB Biodiversity Strategy 2015-2050 and Action Plan 2017-2020)

Off track

Progress over 2022-2023: The Biodiversity team partner with internal and external stakeholders alongside land occupiers. The main actions are deer fencing, pest plant and animal control and enhancement planting.

Work was actively underway in nine priority ecosystem sites with most of the work including deer fencing, and pest animal and plant control. Two of the sites, totalling 45.5 hectares, are in the Pōrangahau catchment, one 130 hectare site in the Tukituki catchment, one 80 hectare site in the Waikari catchment, one small site in the Mohaka catchment, one 32 hectare site in the Southern Coast catchment, one 84 hectare site in the Tūtaekurī catchment, and two sites, totalling 51 hectares in Northern Hawke's Bay.

³ HB Biodiversity Action Plan has an updated 2021-2025 version biodiversityhb.org/what-is-biodiversity/biodiversity-action-plan/



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

Actions underway to achieve the target: Of the 19 sites currently managed under our Priority Ecosystem Programme, six or 31%, of these were badly impacted by Cyclone Gabrielle. The cyclone caused slips, loss of trees, silt build-up, changes in landscapes, and high fencing loss. This not only threatens our investment in this programme and sets back the protection measures for these highly endangered ecosystem sites, but it also indicates the scale of potential damage and risk to the remaining 681 identified sites that are not yet under HBRC's management.

Work is underway to 'ground truth' the other 681 sites to guide the future of this work. The study will collect empirical data for each site: size, quality, ecosystem types, threat status, and intactness. This will identify the highest quality and most at-risk priority ecosystem sites across the region and allow HBRC to prioritise and accelerate work to secure their protection. Work will commence in Central Hawke's Bay, where approximately 200 sites will be assessed.

Without scale up of additional resources this outcome target remains challenging. This measure will not be achieved by 2030 at the current rate of progress.



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

INFRASTRUCTURE & SERVICES

Sustainable and climate-resilient services and infrastructure.

Kia toitū, kia mārohirohi
ā-āhuarangi hoki ngā ratonga
me ngā hanganga ā-whare.

The **SIX** goals under the INFRASTRUCTURE & SERVICES focus area are:

1 completed

3 on track

2 off track

By 2025, regional air quality consistently meets World Health Organisation (WHO) guidelines

Off track

Reported data over 2022-2023: HBRC has continuous monitoring across 3 stations for air pollutants. The WHO guidelines were updated in 2021 to reflect the real and continued threat of air pollution to public health.

Particulate Matter (PM): there was one exceedance of the PM₁₀ 24-hour guideline in the Hastings airshed and 9 in Awatoto. Awatoto exceeded the PM₁₀ annual guideline.

The 24-hour PM_{2.5} guideline was exceeded 4 times in Awatoto and 40 times in the Hastings airshed. There is no PM_{2.5} data for Napier as the instrument was destroyed by vandalism. The annual PM_{2.5} guideline was also exceeded in Hastings.

Nitrogen dioxide (NO₂): the 24-hour average guideline was exceeded 23 times and 4 times in Napier and Hastings respectively during two months of winter 2021 monitoring.

Ozone (O₃), sulfur dioxide (SO₂), and carbon monoxide (CO) guidelines were not exceeded.

Figure 3: Number of PM₁₀ exceedances of the new WHO 24-hour guideline at the three sites over a ten-year period



Figure 6: Number of PM_{2.5} exceedances of the new WHO 24-hour guideline at the three sites over a six-year period



* results were affected by site vandalism at the Napier and Hastings sites in 2019/20 and Napier in 2022/23

Actions underway to achieve the target: New rules and policies will be required to meet the new WHO guidelines. These might include more controls on outdoor burning and lower allowed PM emissions from wood burners. Regulation is one action effective in improving air quality.

Incremental improvements are being achieved through education and incentives via the Sustainable Homes Programme. Incentives are needed and scaled to shift people from burners to heat pumps or upgraded to Ultra Low Emission Burners. With respect to NO₂, further encouragement is needed to shift from vehicles using fossil fuels to active transport, public transport, or electric vehicles. Public transport needs to transition from diesel buses to low emission vehicles.



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

By 2025, the Coastal Hazards Joint Committee is implementing its strategy to manage coastal hazards in Clifton to Tangoio, and by 2040 for the rest of the region to adapt to foreseeable climate change risks to coastal communities out to 2100

On track

Progress over 2022-2023: Due to Cyclone disruption a decision was made to defer notifying the Clifton to Tangoio Strategy and consulting on a Long Term Plan amendment to take on the new activity to implement the Strategy until August 2024. Despite this delay the project is still on track to meet the goal to be implementing by 2025. A sub-committee of the Technical Advisory Group (TAG) of finance staff from NCC, HDC, and HBRC led by an external rates expert was established to design rating for the new activity. The Joint Committee was briefed on this work at a workshop in June 2023.

Actions underway to achieve the target: Preparation of detailed financials, including the timing and quantum of operating and capital costs, and rating implications, is needed to complete the Local Government Act 516 process. The approach undertaken to develop the Clifton to Tangoio Strategy could be replicated and extended into other parts of the region.

By 2023, the Napier Port is future-proofed with the addition of a new wharf with supporting land transport infrastructure

Completed

Progress over 2022-2023: The 350-metres long wharf was opened in July 2022. Named Te Whiti, the wharf is long enough and deep enough to accommodate the increasingly larger vessels calling by New Zealand today and into the future. It will allow the Port to support the needs of its customers, community, and region. It is connected to the rail and State Highway networks and a series of strategically-located inland ports, enabling a more efficient, coordinated flow of cargo across and in and out of New Zealand. The new wharf will improve operational performance across all of Napier Port's wharves, ultimately boosting overall productivity and continuing to provide the linkages Hawke's Bay needs to access global markets.

By 2030, flood risk is being managed to adapt to foreseeable climate change risks out to 2100

Off track

Progress over 2022-2023: Infrastructure Reference Group (IRG) has funded resilience improvements to key HBRC assets. The IRG project upgrading the Taradale stopbank to meet 1 in 500-year level protection (from 1 in 100-year protection) was completed in December 2022. Upper Tukituki gravel extraction began at the end of 2022 but stalled in the months following the cyclone. Construction on the Ngātara stopbank began in October 2022 but stalled while land related matters with iwi were resolved, re-commencing June 2023. The cyclone, wet weather, and consenting issues caused some delays to this work.

Actions underway to achieve the target: Maintenance of existing infrastructure is ongoing, and rebuild of damaged stopbanks and infrastructure is either complete or underway. Independent reviews of the HBRC Flood Scheme Assets and River Management system are underway and will help inform where improvements can be made to support long-term decisions. We are also undertaking internal reviews which will inform the independent reviews, including one on our telemetry system.

By 2025, HBRC is carbon zero and plays a leadership role in the region's goal of net zero greenhouse gases by 2050

On track

Progress over 2022-2023: Given our unique profile in Hawke's Bay with significant areas of land already in plantation forestry which removes carbon dioxide from the atmosphere, we have already achieved the goal of net zero emissions for all gases other than biogenic methane. That is, if we take into account all greenhouse gases produced in the region excluding biogenic methane, forestry removals (harvesting and sequestering included) outweigh these emissions, thus meeting the nationally defined net zero goal. Likewise, HBRC is carbon zero once its forestry estate is taken into account. HBRC's corporate emissions for the year were calculated at 1,578 tonnes of carbon dioxide equivalent – an increase of 37% on the previous year's 1,152.6tCO₂e. The recovery efforts and rapid rebuild since the cyclone have accounted for the majority of rise in emissions due to the increased use of vehicles and plant. The majority (73%) comes from fueling the HBRC vehicle fleet, 19% from our bulk diesel storage (for our heavy mechanical plant in Guppy Road), natural gas and



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

electricity, and domestic air travel tie at third highest at 4% each. All other (recorded) activities make up the remaining. The HBRC Emissions Reduction Plan is under the stewardship of HBRC's Corporate Support team.

Region-wide – Community Carbon Footprints have been published for the region and each district/city. These baseline estimates will inform the development of emissions reduction activities under the newly formed Climate Action Joint Committee.

Actions underway to achieve the target: HBRC has a dedicated resource to focus on climate action – the Climate Action Ambassador (CAA) – funded through carbon credits from HBRC's forests. The CAA is working closely with Napier City Council (NCC) and Hastings District Council (HDC) under the newly formed Joint Committee for Climate Action with terms of reference including climate change mitigation and adaptation.

A number of initiatives are underway to build awareness, educate, and galvanise individual and collective action to reduce emissions. Highlights include:

- 3-weekly column in HB Today under the Kia Rite – Time to Act! banner hosted by the Climate Action Ambassador and supported by guest contributors
- a six-weekly Climate Action Network for businesses and institutions network
- 'Future Fit' tool was launched for HBRC, NCC and HDC staff but the public launch was interrupted by Cyclone Gabrielle
- Regional climate change risk assessment platform – Risk Explorer to clearly communicate climate change risk
- HBRC carbon trading policy
- HBRC sustainability initiatives including staff training, world car-free day and development underway of an active travel plan.

From 2020, unplanned urban development avoids highly productive land

On track

Progress over 2022-2023: In October 2022, the Government's National Policy Statement for Highly Productive Land (NPS-HPL) came into force. The NPS-HPL requires HBRC to prepare maps of highly productive land (HPL) in the region for inclusion in the Regional Policy Statement. Proposed regional maps of HPL based on land use capability would need to be released by October 2025 for public submissions. Until those maps are finalised, the NPS-HPL directs that protection of 'interim' highly productive land and reverse sensitivity issues are actively considered by decision-makers (e.g. city and district councils in relation to district plan re-zonings and resource consent applications).

Previously, HBRC had submitted on the proposed Central Hawke's Bay District Plan in 2021. Decisions on HBRC's submission points were issued in June 2023, but none of those decisions warranted HBRC lodging Environment Court appeal proceedings. During the 2022-2023 period, there were very few other local development proposals that raised key issues regarding highly productive land. When opportunities arise, HBRC continues to submit on resource consent proposals and district plan reviews to ensure future urban development is planned; coordinated with adequate infrastructure services; and is in suitable locations (such as adjoining less productive land and not in areas at high risk of natural hazards). All submissions are recorded on hbrc.govt.nz, search: [#hbrcsubmissions](https://hbrc.govt.nz)

Note that HBRC does not have 100% control or governance over the location of urban development. There are external factors and agencies determining development, particularly the city and district councils.

Actions underway to achieve the target: HBRC has contracted Manaaki Whenua Land Care Research to provide advice on revisions to land use capability assessments (originally from several decades ago) using new LiDAR data now available covering the whole region. That work is intended to inform HBRC's work mapping HPL in the region as directed by the Government's NPS-HPL.

Prior to Cyclone Gabrielle in February 2023, HBRC's programme for preparation of the Kotahi Plan was intended to incorporate the RPS maps of highly productive land in the Hawke's Bay region. Post-cyclone, that Kotahi Plan work programme is being reconfigured and revised timings are yet to be confirmed. The reconfigured timings would need to consider revised milestones for mapping of HPL for incorporating into the regional policy statement by October 2025.

Meanwhile, HBRC continues close work with Napier City Council and Hastings District Council to fulfil joint responsibilities for implementing the National Policy Statement for Urban Development in relation to the Napier-Hastings urban environment. A key feature of that work is preparation of an urban Future Development Strategy for the Napier-Hastings urban area which will look at various scenarios for accommodating urban growth (intensification and greenfield areas) over the next thirty years. Protection of highly productive land is a key consideration in preliminary preparation of that Future Development Strategy which will be released for wider public feedback in 2024.



NGĀ HUA Ā-HAPORI

COMMUNITY OUTCOMES

The Minister for the Environment has given approval for two large residential development projects to use special Covid-19 Fast-Track consenting process legislation. One proposal is on the fringes of Flaxmere and the other is on the southern edge of Napier City at Riverbend Road. The Environmental Protection Agency (EPA) is responsible for processing fast-track consenting applications for those projects. Final applications are expected to be lodged with the EPA during the 2023-2024 period and HBRC will have an opportunity to provide feedback on those applications at that time.

Wāhanga 4 - Ngā Whakarōpūtanga Kaupapa

Part 4 - Groups of Activities





NGĀ WHAKARŌPŪTANGA KAUPAPA

GROUPS OF ACTIVITIES

How to read this section

The work that we undertake relates to 22 activities across six groups. We aggregate and report our financial and service performance information within the six groups of activities for ease of understanding. The level of service measures and targets are set in our Long Term Plan 2021-2031. This is our second annual report to this Long Term Plan.

The six groups of activities are:

1. **Governance and Partnerships**
2. **Policy and Regulation**
3. **Integrated Catchment Management**
4. **Asset Management**
5. **Emergency Management**
6. **Transport**

What we do

We provide a brief description of the activities that make up each group of activities (more detail is provided in the Long Term Plan 2021-2031).

Why we do it

We describe the rationale for service delivery of activities and the community outcomes to which the group primarily contributes (as summarised right). Our community outcomes are derived from the vision statement in our *Strategic Plan 2020-2025*: we want “a healthy environment and a resilient and prosperous community”. We also describe any effects that activities have on the four community wellbeings⁴.

Groups of Activities	Healthy Environment	Resilient Community	Prosperous Community
Governance and Partnerships	■	■	■
Policy and Regulation	■	■	■
Integrated Catchment Management	■		
Asset Management		■	■
Emergency Management		■	■
Transport	■	■	■

What we spent

We provide the operating and capital expenditure for each group of activities. More detailed financial information is covered in the financial impact statements in Part 5 – Financials.

How did we do?

We provide the Statement of Service Performance for each group of activities. It covers:

- level of service statements (34 in total)
- level of service (performance) measures (58 in total)
- target for year two
- results (with data where needed) for the year expressed as:

●	achieved
●	partially achieved
●	not achieved
●	not measured or not due for reporting this year

- comments to provide context and more information on the performance result
- data and or visual graphics where appropriate.



⁴ Defined in the Local Government (Community Well-being) Amendment Act as social, economic, environmental, and cultural wellbeings.



MANA WHAKAHAERE ME TE MAHI NGĀTAHI

GOVERNANCE AND PARTNERSHIPS

What we do

There are four activities within the **Governance and Partnerships** group of activities:

- Community Representation and Leadership
- Tangata Whenua Partnerships
- Community Sustainability
- Regional Development

Community Representation and Leadership

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

Tangata Whenua Partnerships

We engage with tangata whenua as treaty partners and to enable Māori to contribute to the Council's decision-making processes under the Local Government Act. This includes the Māori Committee and the Regional Planning Committee, and direct involvement with hapū and marae.

The Māori Partnerships team is part of a network with the region's other councils – Te Kupenga – which musters cultural collateral as and where needed through whanaungatanga (kinship) and manaakitanga (care and support).

Community Sustainability

We aim to work together with the community for a sustainable and resilient future, and to also ensure we 'walk the talk' as a leader in climate action in the region. A key part of this activity is to develop and lead a coordinated programme to drive climate action to reduce the region's, as well as our own corporate carbon footprint. This activity includes the Sustainable Homes and Heat Smart programmes, and environmental education including the EnviroSchools programme.

Regional Development

We play a broad role in regional economic development by ensuring the natural resource platform upon which both the economy and community relies on is managed to meet the reasonably foreseeable needs of future generations. We fund Hawke's Bay Tourism on behalf of the region's councils and co-fund the Regional Economic Development Strategy through a regional economic development rate.

Why we do it

This group of activities contributes to all three community outcomes.



Healthy Environment



Prosperous Community



Resilient Community

Most of what we do in this group is prescribed by the following legislation:

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

What we spent



Actual expenditure

\$7.2 million (2% over budget)



MANA WHAKAHAERE ME TE MAHI NGĀTAHI

GOVERNANCE AND PARTNERSHIPS

Where that funding came from



How did we do?

We measured 12 aspects of performance for this group of activities



● Achieved

● Partially achieved

● Not achieved

● Not measured

Activity: Community Representation and Leadership

Level of service: HBRC provides for democratic representation and maintains the integrity of Council processes through transparent and legally compliant practices.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Triennial election processes are undertaken in accordance with the Local Electoral Act 2001 Target: Achieved	Achieved ●	Achieved ●	Triennial elections were on 8 October 2022 with voting open from 16 September. A Pre-Election Report was published and candidate packs were ready from July 2022. The Declaration of the final results was made on 14 October 2022, and the new Council sworn in on 26 October 2022 in accordance with Local Government Act requirements.
Council meetings are conducted in compliance with statutory requirements and standing orders Target: Achieved	Achieved ●	Achieved ●	All meetings met statutory requirements. There were 16 meetings of the Regional Council and 32 meetings of other committees, including joint committees. Agenda and minutes of all meetings are available hbrc.govt.nz, search: #meetings
Percentage of LGOIMA requests responded to within 20 working days Target: 100%	95% ●	79% ●	There were 147 requests received and 116 completed within 20 working days. Delays in providing information were due to impacts on staff resources caused by the Cyclone Gabrielle response, and the number and complexity of LGOIMA requests post-Cyclone. There was a 93% increase in requests from last year.



MANA WHAKAHAERE ME TE MAHI NGĀTAHI

GOVERNANCE AND PARTNERSHIPS

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Long term plans and annual reports receive 'unmodified' audit opinions Target: Achieved	Achieved ●	Achieved ●	The Annual Report 2021-2022 was adopted with an unmodified audit opinion in December 2022 which was within the extended timeframe. The Long Term Plan 2021-2031, adopted in June 2021, received an unmodified audit opinion.

Activity: Tangata Whenua Partnerships

Level of service: HBRC actively involves Māori in its decision-making processes, and engages in strategic relationships with tangata whenua and builds internal capability and capacity to engage effectively.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of tangata whenua representatives 'satisfied or very satisfied' with the Treaty-based partnership approach to engagement and decision-making Target Year 2: No survey	Baseline established ●	Not measured ●	No survey was carried out this year as per the Long Term Plan
Percentage of staff who feel confident to engage with relevant iwi, hapu, post-settlement governance entities, taiwhenua or their representative agencies Target: Increasing trend	51% ●	Not measured ●	The survey was not carried out. It was due to be carried out in February 2023 but was postponed to later in the year due to Cyclone disruptions. A Cultural Development Advisor joined the Māori Partnerships team in November 2022. Part of their remit is to work with staff to improve cultural competencies and understanding.



MANA WHAKAHAERE ME TE MAHI NGĀTAHI

GOVERNANCE AND PARTNERSHIPS

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Annual reporting on Mātauranga Māori monitoring and reporting activities Target: Achieved	Not achieved ●	Not achieved ●	<p>This measure is marked not achieved as no formal report was submitted to Council. However, work has been ongoing since our Kaihautū Pūtaiao Mātauranga Māori specialist was recruited in February 2022. They have spent much of their time in recovery efforts specifically regarding the rapid rebuild of stopbanks along the Tūtaekurī river. Their personal knowledge of the area and connection to ngā hapū o Tūtaekurī has expedited repairs of these stopbanks and fostered trust with these hapū. Our Kaihautū Pūtaiao Mātauranga Māori specialist provided expertise on the cultural significance of the rebuild sites and enabled our Rapid Rebuild team to uphold the mana of these sites as they were repaired.</p> <p>Mātauranga Māori has been a significant part of the Clifton to Tangoio Coastal Hazards Strategy work.</p>



MANA WHAKAHAERE ME TE MAHI NGĀTAHI

GOVERNANCE AND PARTNERSHIPS

Activity: Community Sustainability

Level of service: HBRC delivers environmental education and the Enviroschools programme across the region to inspire and empower people of all ages to actively engage in creating a sustainable future.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Number of early childhood centres and schools participating in the Enviroschools programme Target: Maintain or increase	71 Increased	71 Maintained	One primary school left the Enviroschools programme this year however, another primary school joined. The reach of Enviroschools is around 8,600 tamariki.

Level of service: HBRC develops and leads a coordinated programme to drive climate change action to reduce the region's and its own carbon footprint.

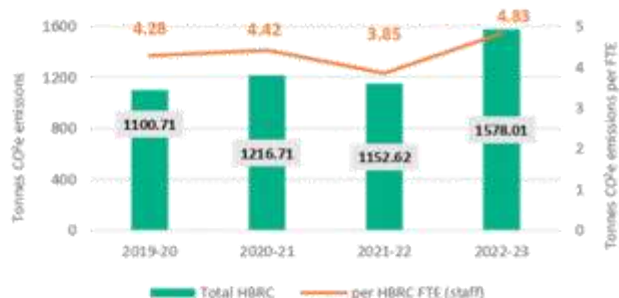
Performance measure & target	Result 2021-22	Result 2022-23	Comments
Annual reporting to Council on progress made on coordinated programme of actions Target Year 1: Develop programme Target Year 2: Achieved	Programme developed	Achieved	An annual activity report for climate action was presented to Council at their meeting on 28 June 2023. The report covered technical inputs, an update on the ongoing work to develop a Regional Emissions Reduction Plan, Climate Action Joint Committee, cross council collaboration, community engagement and communication, and HBRC staff engagement.

Level of emissions related to HBRC's own corporate carbon footprint
Target: Improve

1,152.62 tCO₂e
●
(2021-22 Report)

1,578.01 tCO₂e
●
(2022-23 Report)

The 2022-2023 *HBRC Carbon Inventory Report* was released in September 2023. The graph (left) gives the results over four years and shows a 37% increase in emissions from last year.



*data for staff FTE is taken from the Quarterly Organisational Performance Report

The baseline year included the Covid-19 lockdown where offices were shut between March and May 2020 so does not provide a true representation of a full year. The recovery efforts and rapid rebuild since 14 February have accounted for the majority of the rise in emissions due to increased use of vehicles and plant.

This report provides the best information to hand, and the results may be adjusted as sector methodology for reporting emissions is refined.

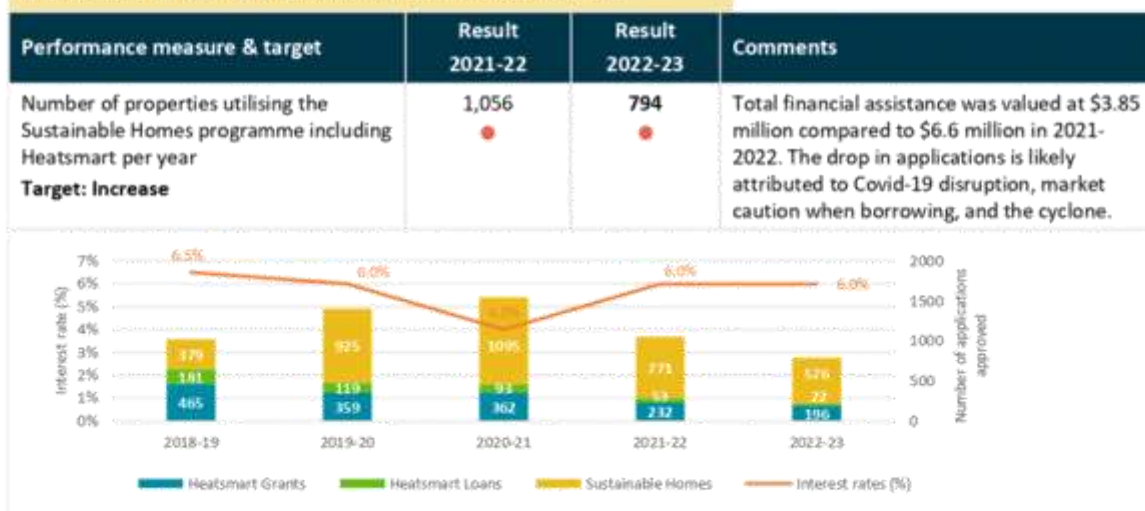
The report included direct and indirect emissions (Scope 1-3), excluding employee commuting, CDEM office buildings, Napier Port, and other HBRC activities.



MANA WHAKAHAERE ME TE MAHI NGĀTAHI

GOVERNANCE AND PARTNERSHIPS

Level of service: HBRC will promote and facilitate sustainable solutions to reduce energy consumption and regional greenhouse gas emissions and improve air quality for environmental and health benefits.



Activity: Regional Development

Level of service: HBRC will co-invest in regional economic development organisations for the benefit of the Hawke's Bay economy.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Funding agreements with performance targets and reporting requirements are in place Target: Achieved	Achieved	Achieved	There are two funding agreements: 1. A funding agreement with HB Tourism for \$1.52 million. KPIs were reported on in their 2021-2022 Annual Report. 2. The new Regional Economic Development Agency was established in November 2022 with a new CE on board from August 2023. A funding agreement and KPIs have been drafted and will apply next financial year.



KAUPAPA HERE ME TE WAETURE POLICY AND REGULATION

What we do

There are four activities within the **Policy and Regulation** group of activities:

- Policy Planning and Implementation
- Consents
- Compliance and Pollution Response
- Maritime Safety

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

Policy Planning and Implementation

We develop, review, and evaluate all relevant Resource Management legislation. A significant focus is the development and delivery of a freshwater planning instrument. We have legislative requirements to actively involve iwi, and engage with the community and stakeholders such as industry and central government.

We provide statutory advocacy of our resource management policies and interests through submissions and various exchanges with other resource management agencies.

We include Policy Implementation (regulation) which ensures that HBRC has the necessary internal processes in place to be able to implement required regulations and communicate them to external stakeholders.

Consents

We may issue resource consents for taking, use, damming, diverting water, for discharges to land, water or air. Also for activities in the coastal environment and for a variety of land activities that are covered by rules in the plans, standards, and regulations. We also give advice and education on resource management matters.

Compliance and Pollution Response

We monitor resource consents and check activities comply with regional plan rules or national regulations and standards. This includes a 24-hour/7 day-a-week pollution response service that ensures compliance by acting on environmental complaints, incidents, and breaches.

Maritime Safety

We monitor and enforce the Navigation and Safety Bylaw, and provide navigation aids to ensure the region's navigable waters are safe for people to use. Through the Harbourmaster, HBRC provides advice and education to commercial and recreational users on water safety and safe boating.

Why we do it

This group of activities contributes to all three community outcomes:



The empowering legislation for these regulatory functions include:

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

What we spent



Actual expenditure

\$26.9 million (155% over budget)*

*Note * a significant contribution to this overspend was the expenditure for HBRC taskforce waste management*



KAUPAPA HERE ME TE WAETURE POLICY AND REGULATION

Where that funding came from



How did we do?

We measured 12 aspects of performance for this group of activities



- Achieved
- Partially achieved
- Not achieved
- Not measured



Activity: Policy Planning and Implementation

Level of service: HBRC establishes and maintains appropriate policies and plans that promote the integrated management of the region's natural and physical resources, protects the community from resource management related risks, and assists the Council in carrying out its legislative functions.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Compliance with statutory timeframes as set by legislation Target: Achieved	Achieved ●	Achieved ●	All statutory timeframes were complied with, noting some plans are under review. TANK and Outstanding Water Bodies (OWB) appeals processes continue. Evidence is currently being prepared for OWB by experts. A further memo is to be submitted to the Environment Court regarding the revised order of topics to be discussed in mediation for TANK.

Level of service: HBRC will regularly submit on national direction, plan and consenting matters.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
All matters logged in the Statutory Advocacy Register. All submissions to be posted on HBRC website Target: Achieved	Achieved ●	Achieved ●	In total 12 submissions have been made and posted to hbrc.govt.nz , search: #hbrcsubmissions



KAUPAPA HERE ME TE WAETURE

POLICY AND REGULATION

Activity: Consents

Level of service: HBRC will efficiently and effectively process resource consent applications under the Resource Management Act 1991 to enable the lawful use and sustainable management of natural and physical resources.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of resource consents processed within statutory timeframes in the Resource Management Act Target: 100%	100% ●	100% ●	All timeframes have been met with a total of 644 applications received over the year, and 362 consents issued. Heretaunga Plains water take consents are still processed as a group and in line with the TANK provisions.
Overall allocation of water from each water resource is allocated up to but not exceeding the allocation limits set in the Regional Plan Target: <=100%	87% surface water take ● (Tukituki only) 45% ground water stream depleting take ● (Tukituki only)	92% surface water take ● (Tukituki only) 47% ground water stream depleting take ● (Tukituki only)	Water allocations in the Tukituki catchment are managed under the Tukituki Catchment Plan, operative 1 October 2015. Allocation limits in the TANK catchments are subject to the notified but not yet operative TANK Plan Change. All other allocations are under review as part of the Kotahi Plan.

Activity: Compliance and Pollution Response

Level of service: HBRC will monitor consent holders and enforce non-compliance to ensure resource consent conditions are met to protect the environment and human health.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of consents monitored each year as per the adopted risk-based Compliance Monitoring Strategy Target: 95% (high risk), 90% (all others)	97% ● 95.9% ●	62% ● 85% ●	This measure was not achieved in part due to Cyclone Gabrielle and staff turnover. There are many of the priority one consents for which monitoring reports are issued after the period so this current low number is provisional and will be increased as reports are completed at a later date.
Percentage of monitored consents which receive an overall grade of full compliance Target: 90%	91% ●	87.6% ●	Total number of consents monitored was 2,700. This measure is not achieved in part due to a number of water take inspections completed identifying non-compliance with meter verification and bore security, and a large drop off in bore security work completed after the cyclone due to capacity issues. This meant these takes weren't rectified in the normal numbers.



KAUPAPA HERE ME TE WAETURE

POLICY AND REGULATION

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of significant non-compliance where action is taken in accordance with HBRC's Enforcement Policy within 6 months Target: 100%	100% ●	80% ●	Significant non-compliance was identified with 10 resource consents of which 8 were addressed in accordance with the Enforcement Policy.

Level of service: HBRC will provide a pollution response service for public complaints, reports of environmental incidents and unauthorised activities.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Maintain a 24-hour/7 day a week duty management/pollution management response system Target: Achieved	Achieved ●	Achieved ●	The Pollution Hotline was staffed by the Pollution Response team (2 dedicated Officers, Senior Investigator and a Team Leader) during normal working hours. The afterhours service was staffed by the Pollution Response team plus an additional 3 Officers from the Compliance team, who work a 7-week rotation roster.

Level of service: HBRC will identify and maintain a register of contaminated sites to ensure public health and safety and environmental protection.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
A Selected Land Use Register (SLUR) of potentially and confirmed contaminated sites is maintained Target: Achieved	Achieved ●	Achieved ●	HBRC maintains a list of hazardous industries and activities (HAIL) in our selected land use register (SLUR), including a public facing portal. General enquiries increased following Cyclone Gabrielle and were sent to various members of the Urban & Industrial Compliance team.



KAUPAPA HERE ME TE WAETURE

POLICY AND REGULATION

Level of service: HBRC will respond to oil spills within the Hawke's Bay Coastal Marine boundary and maintain a Tier 2 Oil Spill Response Plan, which identifies priority areas in HB for protection in the event of a major spill.

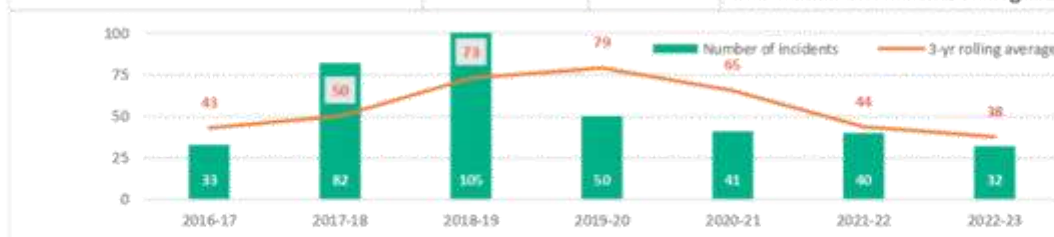
Performance measure & target	Result 2021-22	Result 2022-23	Comments
An operative Tier 2 Oil Spill Plan and a trained and qualified oil spill response team is in place at all times Target: Achieved	Achieved ●	Achieved ●	HBRC has an in-date and operative Tier 2 Plan, approved in August 2021 and under a 3-yearly review cycle. An externally contracted Regional On-Scene Commander (ROSC) is in place until an HBRC ROSC is trained (scheduled for quarter one 2023-2024). There are 17 responders trained, with 3 booked for the initial responder training in the new financial year.

Activity: Maritime Safety

Level of service: HBRC will provide local navigation safety control of shipping and small craft movements through bylaw enforcement, navigation aids, signage, and education programmes to ensure the region's navigable waters are safe for people to use.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Maintain a Maritime New Zealand accredited Hazard Identification/Risk Assessment and Safety Management System for the Napier Pilotage Area Target: Achieved	Achieved ●	Achieved ●	The HBRC Safety Management System was reviewed late 2022 in conjunction with Napier Port to ensure both documents were consistent. This was carried out after the construction of Wharf 6 (Te Whiti) and the associated dredge programme. Risk assessments are presently being reviewed. This will include any additional risks identified as part of the renewal of the MoU with Napier City Council concerning conduct in the Inner Harbour.

Number of maritime incidents occurring per year reported to Maritime New Zealand in accordance with regulations Target: Maintain or decreasing trend* (*3-year rolling average)	44 ●	38 ●	A total of 32 incidents were reported to Maritime NZ for the year. There has been a downward trend in maritime incidents for the last four years. We work closely with Maritime NZ exchanging information on incidents throughout the year.
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TE WHAKAHAERE TŌPŪ I NGĀ WAI INTEGRATED CATCHMENT MANAGEMENT

What we do

There are four activities within the **Integrated Catchment Management** group of activities:

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

Activities are a mix of statutory requirements and non-regulatory methods and are required to achieve the land and water outcomes set in our Strategic Plan, the National Policy Statement for Freshwater Management 2020 (NPSFM2020), and Regional Resource Management Plan (RRMP).

Environmental Information

We are involved in monitoring the state, condition and use of land, air, water, coast, and marine resources within the region. We also report against relevant standards and guidelines.

Our Water Information Services team provides stewardship and management of legal requirements relating to water take, use and measurement, and provides timely data to both internal and external customers.

Environmental Science

We are involved in interpretation of environmental data to gain understanding of the current health of our land, rivers, lakes, and beaches – and how climate change and human use will affect them in the future. We use this information to gain important insights on the health of our natural environment and the processes that drive change in these systems.

HBRC has a statutory responsibility for monitoring the State of Environment locally. This is reported on every three years, with monthly updates, providing important information on any risks of resource use and to inform policy setting.

Catchment Management

We work in partnership with landowners to understand and support them in their vision to match their land uses to the land, and to develop sustainable strategies to build resilience to climate change and reduce environmental pressures.

Our role is to support and facilitate community-led efforts at a sub-catchment level to implement sustainable land management practices in line with current regulation and regional rules.

Biodiversity and Biosecurity

Biodiversity involves working collaboratively across organisations and with landowners to identify and actively manage high-priority biodiversity sites to protect and restore native species and ecosystems. Biosecurity delivers animal, plant, horticultural and marine pest management through information and advice, research, surveillance, monitoring and inspections, direct control, pathway management, and working within catchments with landowners and community groups. We set objectives, methods, and rules through the Regional Pest Management Plan (RPMP).

Why we do it

This group of activities primarily contributes to the following community outcome:



The statutory requirements relate to roles and responsibilities under the following:

- Resource Management Act 1991
- Biosecurity Act 1993
- Soil Conservation and Rivers Control Act 1941

What we spent



Actual expenditure

\$26.5 million (14% under budget)



TE WHAKAHAERE TŌPŪ I NGĀ WAI

INTEGRATED CATCHMENT MANAGEMENT

Where that funding came from



How did we do?

We measured 14 aspects of performance for this group of activities



● Achieved
 ● Partially achieved
● Not achieved
 ● Not measured



Activity: Environmental Information

Level of service: HBRC will collect, monitor, and provide accurate and timely data including a reliable telemetry network.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Council maintains its International Organisation for Standardisation (ISO) 9001-2015 accreditation for data collection, analysis and storage Target: Achieved	Achieved ●	Achieved ●	HBRC has (ISO) 9001-2015 accreditation for the following teams: Environmental Science, Environmental Information, Consents, Compliance, Harbourmaster, and Works Group (new this year). Our next annual review is scheduled for December 2023.
State of the Environment (SoE) monitoring programmes are in place and results are published on HBRC and LAWA websites for: <ul style="list-style-type: none"> • Climate and Air Quality • Freshwater • Land Science • Marine and Coast Target: Achieved	Achieved ●	Achieved ●	The Environmental Information field teams collected data for the SoE programmes on time and to relevant standards throughout the year. Some sites and collection methods were changed to allow us to collect as much data as possible due to the weather events over the past six months. Accessing some sites to collect data proved to be a challenge, as did a change in sampling frequency. Data is published hbrc.govt.nz , search: #SOEmonthly and lawa.org.nz/explore-data/hawkes-bay-region/



TE WHAKAHAERE TŌPŪ I NGĀ WAI

INTEGRATED CATCHMENT MANAGEMENT

Activity: Environmental Science

Level of service: HBRC will provide accurate and timely analysis and interpretation to decision makers and the community on the State of the Environment for Hawke's Bay.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
A 3-yearly State of the Environment (SoE) Synthesis Report is produced, that meets requirements of NPSFM 2020	SOE Report ●	12 monthly updates ●	This activity involves the entire Science team. Monthly SoE reports were delivered according to scheduled monthly timeframes hbrc.govt.nz , search: #SOEmonthly
Monthly updates are delivered through digital media	11 updates ●		
Target Year 1: 3-yearly SOE Report and 11 monthly updates			
Target Year 2: 11 monthly updates			

Level of service: HBRC will undertake targeted science research and investigations on matters relevant to policy development to inform the Council and community.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
The Science team develops and implements an annual work programme to support plan change requirements and to inform regulatory implementation of the Regional Resource Management Plan (the Plan)	Achieved ●	Achieved ●	The Environmental Science team developed its 2022-2023 Operational Plan in June 2022. Post-cyclone, they have completed project plans to support disaster impact assessments and supported the development of projects to inform the HBRC Environmental Resilience Pou of the Regional Resilience Plan. With Plan changes currently stalled, they have continued working on those projects to support them eg. the Ruataniwha Groundwater Modelling, and projects to support Plan changes when these recommence, for example, re-establishment of baselines for National Objectives Framework attributes.
Target: Achieved			



TE WHAKAHAERE TŌPŪ I NGĀ WAI

INTEGRATED CATCHMENT MANAGEMENT

Activity: Catchment Management

Level of service: HBRC will work with industry, communities, and landowners, to implement good management practices (GMP) in catchments to improve water quality, help mitigate erosion, and increase the protection and enhancement of the region's biodiversity.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of land area (by catchment) that operates under a Farm Environment Management Plan (FEMP) as required under the RRMP <i>Note: Other catchments will be added as new management regimes are set through plan changes and national Essential Freshwater requirements</i> Target: 100% Tukituki catchment	94.2% ●	96.1% ●	In total, 1,138 submissions were received that covered 96.1%, or 207,951 hectares of eligible land in the Tukituki catchment. FEMPs are only currently required in the 17 sub-catchments that form the Tukituki catchment and in a 3-year cycle.
Maintain an effective FEMP accredited provider programme with applicants processed to a conclusion within agreed timelines Target: 100% of applicants	100% ●	100% ●	There were 18 approved FEMP providers for the Tukituki. All providers who submit FEMPs to HBRC go through an approval process to ensure they have the adequate qualifications as well as relevant industry and regional knowledge.
Additional area of erodible land, planted with fit-for-purpose erosion control species, transitioned to more sustainable land use or retired and protected Target: 900ha of land under cover	1,459ha ●	776.8ha ●	This is 86% of our target. Projects have been delayed, cancelled, or targeted towards remediation of past Erosion Control Scheme works due to a wet summer and the impacts of Cyclone Gabrielle. HBRC funding is now 50% of the total cost (originally 75%) which enables us to reach more landowners with the available funding.
Additional kilometres of waterway protected annually through erosion mitigation works to reduce sediment, nutrient, and/or bacterial contamination Target: 60km	149.9km ●	21.33km ●	This is 36% of our target. Projects have been delayed or cancelled due to a wet summer, fencing contractor availability and the impacts of Cyclone Gabrielle. Note that under the Erosion Control Scheme we can only fund waterway protection where there is stream bank erosion.



TE WHAKAHAERE TŌPŪ I NGĀ WAI

INTEGRATED CATCHMENT MANAGEMENT

Performance measure & target	Result 2021-22	Result 2022-23	Comments
<p>Annual percentage change in stock exclusion and vegetation across the region by land use and stream order - includes all orders of streams including drains</p> <p><i>Source: statistical modelling of riparian condition across agricultural land using high resolution aerial imagery</i></p> <p>Target: Increasing trend</p>	<p>Not achieved</p> <p>●</p>	<p>Not achieved</p> <p>●</p> <p>(Baseline established)</p>	<p>This measure is a year behind therefore marked not achieved, however, establishing a baseline is a significant milestone.</p> <p>Baseline data for the region has been collected by aerial imagery analysis combined with data from the previously surveyed Tukituki catchment. Approximately 22% of surveyed waterways were effectively fenced on both banks and a further 21% were fenced on only one bank. Grass and weeds were the riparian cover across 62% of surveyed waterway length, woody vegetation accounted for 28%, indigenous flax-sedge-rush 6%, woody native 3%, and no vegetation 1%. Current stock access was observed at 35% of surveyed waterways and a further 12% and 2% showed past and recent stock access respectively. No evidence of stock access was observed along 51% of surveyed waterways.</p> <p>Post-cyclone imagery covered 84 sites and showed fencing and stock access decreased compared to their pre-cyclone status. No riparian vegetation cover was more prevalent.</p>
<p>Sediment load in tonnes per year in receiving waterbodies (streams/rivers and estuaries)</p> <p><i>Source: 20 ISCO automated sediment samplers in priority catchments with highly erodible land</i></p> <p>Target: Reducing load</p>	<p>Not achieved</p> <p>●</p>	<p>Not measured</p> <p>●</p>	<p>ISCO sediment sampling has been disrupted due to staff shortages in both the Science team and Technicians teams. In particular, a number of events were missed because we lacked a technician to keep the ISCOs sampling. This was followed by the loss of some sites during Cyclone Gabrielle. This means the annual load across the region cannot be calculated. NIWA completed a review of the ISCO network and the recommendations are in the process of being implemented, which include correlating event based ISCO data with turbidity to provide a continuous record of sediment load and waterway sediment gauging to ensure load calculations account for the full cross-section sediment profile.</p> <p>The plan is to rebuild the cyclone-impacted network implementing these recommendations in a staged approach (due to cost and resourcing). Regionwide estimates of sediment loads are likely to take a few years to realise but, in the meantime, estimates can be made for the areas where the changes are implemented. This revised methodology gives us time to implement a more robust report.</p>



TE WHAKAHAERE TŌPŪ I NGĀ WAI

INTEGRATED CATCHMENT MANAGEMENT

Level of service: HBRC will engage and liaise with groups of urban and rural water users to encourage efficient and effective water use to maximise the benefits of the water allocated.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Annual water use efficiency campaign is delivered Target: Achieved	Achieved ●	Achieved ●	Public facing <i>Know Our Water</i> summer campaign was launched in Q2 as a joint initiative with the five Hawke's Bay councils. For irrigators, the Tier Three Water Demand report was received and reviewed alongside reports on irrigation efficiency.

Activity: Biodiversity and Biosecurity

Level of service: HBRC will work with partners and stakeholders to implement the HB Biodiversity Strategy and Action Plan so biodiversity is enhanced, healthy and functioning.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Number of Ecosystem Prioritisation sites protected per annum Target Year 1: 2 new, 5 maintained Target Year 2: 3 new, 7 maintained	7 new, 6 maintained ●	4 new, 8 maintained ●	Four new sites were targeted for protection this year through deer fencing, pest plant control and planting, with a further five sites in the process of being finalised. Eight additional sites are receiving maintenance pest control work, including pest plants and feral ungulate control. Eight existing sites have received damage due to Cyclone Gabrielle and remediation work is either underway or being planned.

Level of service: HBRC will manage and limit the risks posed by unwanted pests to protect the health of our community and environment, as prescribed by the Regional Pest Management Plan.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Maintain and implement current Regional Pest Management Plan and prepare an Operating Plan and Annual Report in accordance with the Biosecurity Act Target: Achieved	Achieved ●	Achieved ●	The Regional Pest Management Plan (RPMP) was operative and up to date, and staff delivered RPMP activities in accordance with the Biosecurity Act. The 2023-2024 Operating Plan and 2022-2023 Annual Report have been compiled and approved.
Area of predator control per annum Target Year 1: No target this year Target Year 2: 10,000 hectares	Not measured ●	14,600ha (Whakatipu Māhia) ●	The Whakatipu Māhia – Predator Free Māhia project includes predator trapping for mustelids across the 14,600 hectare project area.



TE WHAKAHAERE RAWA

ASSET MANAGEMENT

What we do

There are six activities within the **Asset Management** group of activities:

- Flood Protection and Control Works⁵ (rivers, drainage, small schemes)
- Flood Risk Assessment and Warning
- Coastal Hazards
- Regional Water Security
- Open Spaces
- Works Group

Flood Protection and Control Works

We administer 25 flood control and drainage schemes throughout the region to reduce the risk of flood and erosion damage. We maintain networks of stopbanks, hydraulic structures and pump stations, and manage the river, stream, and drainage channels to ensure they work as expected during floods to help protect life and property.

This activity also includes gravel management to maintain flood capacity and management of river mouths to reduce unnecessary flooding.

Flood Risk Assessment and Warning

We work with other local authorities through liaison, provision of floodplain mapping, catchment management planning, and investigation of specific flooding issues. We operate a comprehensive network of rainfall and river level recorders across the region providing a modern flood warning and forecasting system for the benefit of the region. We provide advice on rainfall and water flows during flood conditions and hazard information for land use planning purposes to encourage community resilience and preparedness.

Coastal Hazards

We seek to better understand causes and effects of coastal hazards and work with our territorial authorities, landowners, and communities to find solutions to reduce their impact. Coastal erosion and inundation threats from climate change and associated sea level rise is a significant issue facing our region.

⁵ This activity is the mandatory 'Flood Protection and Control Works' group of activities as required under Schedule 10(2) of the Local Government Act 2002.

Open Spaces

We own and manage Pākōwhai, Pekapeka, Tūtira, and Waitangi Regional Parks, and various river berm areas. Hawea Regional Park is co-owned and co-managed by HBRC in partnership with tangata whenua. We also contribute towards the management of Te Mata Park, and manage the Waipātiki Beach Holiday Park land holding, which is operated through a lease arrangement.

We also manage approximately 105km of pathways that are part of the Hawke's Bay Trails, with the Hawke's Bay Trails forming part of Ngā Haerenga New Zealand Cycle Trails.

We also manage a number of forestry blocks including the Tangoio Soil Conservation Reserve and Waihapua forestry block.

Works Group

The Works Group is a business unit of HBRC. It was established to operate at arm's length to ensure the cost-effective delivery of services in a transparent contractual manner. HBRC is the client for the majority of the Works Group's work programme and this is accounted for within the budgets of other activities.

Why we do it

This group of activities contributes to the following community outcomes:



The empowering legislation for this group of activities is:

- Soil Conservation and Rivers Control Act 1941
- Land Drainage Act 1908
- Local Government Act 2002
- The Local Government (Rating) Act 2002
- Civil Defence Emergency Management Act 2002
- Resource Management Act 1991
- Building Act 2004



TE WHAKAHAERE RAWA

ASSET MANAGEMENT

What we spent



Actual expenditure

\$23.7 million (32% under budget)

Where that funding came from



How did we do?

We measured seven aspects of performance for this group of activities



Activity: Flood Protection and Control Works (Rivers, Drainage and Small Schemes)

Level of service: HBRC will maintain a cost-effective flood control and drainage network that provides protection from frequent flooding to communities and productive land within designated flood protection schemes in the Heretaunga Plains and Ruataniwha Plains.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Major flood protection and control works maintained, repaired, and renewed to the standards defined in the relevant scheme Asset Management Plan and annual works programme: 1. An annual maintenance programme is prepared and delivered. 2. Annual capital programme is prepared and delivered (mandatory measure) Target: Achieved	Not achieved ●	Not achieved ●	The annual maintenance plan was prepared at the start of the 2022-2023 financial year. Maintenance and capital works were behind schedule due to the wet weather which hampered access to assets across the region. Cyclone Gabrielle further impacted the maintenance and capital delivery plans and resulted in a major shift to reactive and remedial works. Prior to the cyclone, it was estimated that 78% of the maintenance programme was completed, and 37% of the capital programme, based on budget expended.
Following a flood event, affected areas are surveyed and repairs are programmed: 1. Following a major flood event, a flood report will be compiled within 6 months of the event (major event is defined as material impact to property or productivity) 2. Major event report outcomes incorporated into AMP Target: Achieved	Achieved ●	Achieved ●	Inspections and surveys post-Cyclone Gabrielle continue. A full repair programme will take a number of years to complete. Due to the size of the event, it is expected that the review will be completed in 12 months rather than 6 months. However, as the cyclone occurred less than 6 months from the end of the financial year, the result is reported as achieved.



TE WHAKAHAERE RAWA

ASSET MANAGEMENT

Level of service: HBRC will protect and enhance the scheme's riparian land and associated waterways administered by the Regional Council.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Ecological Management and Enhancement Plans (EMEP) are implemented Target: Achieved	Achieved ●	Achieved ●	EMEPs are being reviewed and implemented where possible. The draft Heretaunga Plains Rivers Re-vegetation 10-year Strategy has been completed with maps loaded to GIS. Improvements to gravel management associated with introduction of the global consents and Tangata Whenua Gravel Operational Groups for the Tūtaekurī, Ngaruroro, and Tukituki Rivers continue.

Activity: Flood Risk Assessment and Warning

Level of service: HBRC provides reliable regional environmental telemetry network monitoring and flood hazard information via a regional web-based platform.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of time that priority telemetered rainfall and river level sites are operational throughout the year Target: 98%	99% ●	99% ●	19 sites are identified as priority or critical sites because they provide the earliest, most complete information for an early warning, are less accessible for maintenance in an emergency and can be combined with other information to give a better picture of the situation. Due to a repeater fault during Cyclone Gabrielle, 5 sites were off air for up to 5 days until power was restored but all data has been subsequently retrieved.

Activity: Regional Water Security (new activity this LTP)

Level of service: HBRC will develop and deliver water storage and management solutions that support resilience in the supply of freshwater needs of communities, particularly in the context of projected climate change impacts.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Actions from the Regional Water Assessment are identified and implementation is progressing according to the approved plan Target Year 1: Action plan developed Target Year 2: Implementation on track	Not achieved ●	Not achieved ●	The Regional Water Assessment was adopted in June 2023. A decision was made to wait until further notice before launching a broader public campaign. This measure is reported as not achieved as it is behind schedule as the Action Plan has not been fully developed and agreed.



TE WHAKAHAERE RAWA

ASSET MANAGEMENT

Activity: Open Spaces

Level of service: HBRC will maintain, develop, and provide public access to Council owned regional parks and trails, and investigate affordable new opportunities for multi-purpose benefits.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Regional Parks and HBRC trails are maintained as per Council's Asset Management Plan (AMP) Target: Achieved	Achieved ●	Not achieved ●	Parks and parts of the HBRC trails were damaged by Cyclone Gabrielle and closed for repairs. Repairs have been completed or are in progress. The maintenance programme was not completed in full due to wet conditions.

Level of service: HBRC will demonstrate smart sustainable land use in maximising the multi-purpose benefits of its forestry investments and the Tangoio Soil Conservation Reserve.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
HBRC forests and the Tangoio Soil Conservation Reserve are managed to the standards defined in their respective management plans Target: Achieved	Achieved ●	Achieved ●	Most of the work required for the HBRC forests was carried out for the year as per the respective management plans. The cyclone impacted forestry operations at Tūtira and Waihapua, though almost all activities have been completed and to standard.

TE WHAKAHAERE MATE WHAWHATI TATA EMERGENCY MANAGEMENT

What we do

There are two activities within the **Emergency Management** group of activities:

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

These activities aim to identify potential hazards to the community and the means of reducing their impact, prepare the community for potential civil defence emergencies and assist with the response to, and recovery from any emergencies that occur.

Hawke's Bay Civil Defence Emergency Management

Under the CDEM Act 2002 (the Act), the region's local authorities must form a CDEM Group which is governed by a combined Joint Committee (the region's Mayors and Chair) and a Coordinating Executives Group (Council/District Health Board Chief Executive Officers, Police District Commander, and Fire Area Manager). Under the Act, the Hawke's Bay CDEM Group is required to maintain an operative CDEM Group Plan that outlines a strategy to coordinate CDEM activities within the region.

The Group operates as a shared service across the region's councils delivering emergency management outcomes across risk reduction, readiness, response, and recovery. All civil defence staff work in the same organisation, which is administered by HBRC. This improves the capability in our region to respond to and recover from a disaster.

HBRC Emergency Management

We maintain an emergency response capability to support the Hawke's Bay CDEM Group. We do this by ensuring that staff are trained to help coordinate a response, including management of Regional Council assets and ensuring essential business continues despite any disaster. We also operate a 24-hour CDEM and Duty Management Service to respond to urgent public enquiries and complaints.

We are also the administering authority for East Coast LAB (Life at the Boundary) – a collaborative programme that brings together scientists, emergency managers, experts, and stakeholders across the East Coast to make

it easy and exciting to learn more about the natural hazards that can affect us.

Why we do it

This group of activities contributes to the following community outcomes:



The relevant legislation for this function is:

- Civil Defence Emergency Management Act 2002
- Resource Management Act 1991

What we spent



Actual expenditure

\$43.7 million (1275% over budget)

Where that funding came from



How did we do?

We measured 8 aspects of performance for this group of activities





TE WHAKAHAERE MATE WHAWHATI TATA

EMERGENCY MANAGEMENT

Activity: Hawke's Bay CDEM Group

Level of service: The Hawke's Bay CDEM Group will educate people about hazards, increase natural hazards knowledge through research, and provide this information for risk reduction measures including land use planning, asset management, and infrastructure.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
A 10-yearly Hazard Research Plan is approved by and reported on annually to the CDEM Group Coordinating Executives Group (CEG) and hazard information is publicly available on the Hawke's Bay Hazard Portal Target: Achieved	Partially achieved ●	Achieved ●	The current Hazard Research Plan⁶ was published in June 2015. Hazard information is maintained on Hawke's Bay Hazard Portal gis.hbrc.govt.nz/Hazards/ CEG receives and reviews new information as it becomes available.
Percentage of surveyed residents that can identify 3 of our top 5 hazards; earthquake, tsunami, volcanic, pandemic or flooding <i>Source: 2-yearly SIL Perception Survey</i> Target Year 1: >50% Target Year 2: No Survey	No survey this year ●	No survey this year ●	No survey was carried out this year as per the Long Term Plan.

Level of service: The Hawke's Bay CDEM Group will increase readiness, and ensure a coordinated and appropriate response and recovery from a civil defence emergency to reduce the impact on people and property.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
An operative Group Plan under the CDEM Act 2002 is in place, reported on annually and reviewed within statutory timeframes by the Joint Committee Target: Achieved	Partially achieved ●	Not achieved ●	The Emergency Management Bill has been introduced to Parliament and submissions to the select committee are due in November 2023. The Group will make a submission. In the meantime resourcing has been submitted to the LTP 2024 so a review of the operative Group Plan can commence next year.
A Group Work Programme implementing the Group Plan objectives is approved and reviewed 6 monthly by the Coordinating Executives Group Target: Achieved	Partially achieved ●	Not achieved ●	Due to the response to Cyclone Gabrielle the implementation of this was effectively suspended. The Group Work Programme is being reviewed by CEG at its next meeting.
A 5-yearly independent assessment of CDEM Group's capability is completed and shows continuous improvement Target: No assessment	No assessment this year ●	No assessment this year ●	No assessment is due until 2023-2024.

⁶ <https://www.hbemergency.govt.nz/assets/Documents/Plans-Procedures-and-Strategies/10-Year-HB-Hazard-Research-Plan-CR-2015-098.pdf>



TE WHAKAHAERE MATE WHAWHATI TATA

EMERGENCY MANAGEMENT

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Percentage of surveyed residents prepared to cope for at least three days or more on their own <i>Source: 2-yearly SIL Perception Survey</i> Target Year 1: >50% Target Year 2: No Survey	No survey this year ●	No survey this year ●	No survey was carried out this year as per the Long Term Plan.

Activity: HBRC Emergency Management

Level of service: As the Hawke's Bay CDEM Group's Administering Authority, HBRC will provide an agreed budget and support to enable the Group to achieve the CDEM outcomes agreed to in the Group Plan.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
HBRC provides support to the Hawke's Bay CDEM Group in accordance with a service level agreement Target: Achieved	Achieved ●	Achieved ●	As the administering authority for the Hawke's Bay CDEM Group, HBRC has provided support to the Group in accordance with an agreed roles and responsibilities matrix. HBRC has fully supported the Group's recent responses. Training is well attended by HBRC staff.

Level of service: HBRC will ensure it has capability and capacity to respond and manage its assets during a civil defence emergency, including a 24-hour duty management system.

Performance measure & target	Result 2021-22	Result 2022-23	Comments
Maintain established team, training, procedures including Emergency Operations Centre (EOC) Manual and Business Continuation Plan Target: Achieved	Achieved ●	Achieved ●	We are no longer required to maintain EOC as HBRC supports the Group Emergency Coordination Centre, but an HBRC Incident Room is maintained for the provision of an HBRC response to emergencies, including maintenance of pre-established Standard Operating Procedures for Business Continuation. This was tested during Cyclone Gabrielle response and any issues will be identified for corrective actions during the review process.

NGĀ WAKA TRANSPORT

What we do

There are two activities within the **Transport** group of activities:

- Transport Planning and Road Safety
- Passenger Transport

Transport Planning and Road Safety

We are responsible for regional transport planning and coordination of road safety education and promotion across Hawke's Bay. Key deliverables are the Regional Land Transport Plan and the Regional Public Transport Plan. Both plans are reviewed every three years.

The Regional Transport Committee is a permanent committee required by statute and is involved in the development of the above plans.

RoadSafe Hawke's Bay is a business unit of HBRC as a regional resource providing road safety education, raising driver awareness of key road safety issues, and working with other key stakeholders to reduce the incidence and severity of road traffic crashes. The key focus is to change road user behaviour, making roads safer for people to use.

Passenger Transport

A major part of our transport role is to contract bus and Total Mobility taxi services that provide the community with access to work, education, social, and recreational activities. Public bus services are provided in and around Hastings, Flaxmere, Havelock North, Taradale, and Napier.

The Total Mobility Scheme provides subsidised passenger services for those who can't use their own vehicles or use public transport. Services are provided in urban areas within the region and are funded by HBRC and Waka Kotahi.

Why we do it

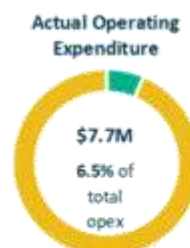
This group of activities contributes to the following community outcomes:



The relevant legislation for this activity is:

- Land Transport Management Act 2003
- Resource Management Act 1991
- Local Government Act 2002
- Climate Change Response Act 2002

What we spent



Actual expenditure

\$7.7 million (11% over budget)

Where that funding came from



How did we do?

We measured 5 aspects of performance for this group of activities



- Achieved
- Partially achieved
- Not achieved
- Not measured



NGĀ WAKA

TRANSPORT

Activity: Transport Planning and Road Safety

Level of service: HBRC will develop and implement the region's transport planning documents to promote integration, a low carbon future, and sustainability of all transport modes and a resilient, efficient and reliable network.

Performance measure	Result 2021-22	Result 2022-23	Comments
Adopted Regional Land Transport Plan (RLTP), Regional Public Transport Plan (RPTP) and Regional Cycling Plan in place Target: Achieved	Partially achieved 	Achieved 	The RLTP was adopted in May 2021 and lodged with Waka Kotahi in accordance with statutory timeframes. The next Plan is due in 2024. The RPTP was adopted in September 2022. A Regional Cycling Plan 2015 is in place. All plans can be found at hbrc.govt.nz, search: #aboutplans
Percentage of the Hawke's Bay population that use public or active transport for work or education <i>Source: Statistics NZ, bus patronage, cycleway meters (7% for work & 38% for education in 2018 Census)</i> Target: Increasing trend	Not reported 	Not measured 	This has not been measured as no alternative ways of measuring this target, other than through the Census, has been identified and developed. Results from the 2023 Census will not be available until May 2024.

NGĀ WAKA TRANSPORT

Level of service: HBRC will coordinate and implement sustainable regional road safety initiatives so that Hawke's Bay's transport network is safe and accessible, and the emotional and financial costs of road traffic crashes are reduced.

Performance measure	Result 2021-22	Result 2022-23	Comments
Incidence of deaths and serious injury crashes in our region (per 100,000 people) (mandatory measure) Target: Decreasing trend* (*5-year rolling average)	66.1 ● (combined 5-yr rolling average)	66.4 ● (combined 5-yr rolling average)	HBRC facilitates the delivery of road safety for the five Hawke's Bay councils. Outcomes from the Road Safety section 17A review completed in March 2022 recommended establishing a road safety subcommittee of the technical advisory group, development of a strategy, and a rebrand of the website roadsafehb.org.nz to be launched.



At June 2017	At June 2018	At June 2019	At June 2020	At June 2021	At June 2022	At June 2023	
166,839	168,981	171,150	175,644	177,912	181,500	183,700	Experimental administrative population census (source: Stats NZ) Sub-national population estimates for Hawke's Bay (source: Stats NZ)



NGĀ WAKA

TRANSPORT

Activity: Passenger Transport

Level of service: HBRC will provide an accessible, integrated public transport service for the people of Hawke's Bay and work with the relevant territorial authority to ensure appropriate service infrastructure to meet transport needs and transition to a low carbon economy.

Performance measure	Result 2021-22	Result 2022-23	Comments
Annual patronage on the Hawke's Bay bus services Target: Maintain or increasing trend* (*5-year rolling average)	569,418 ● (5-year rolling average)	520,331 ● (5-year rolling average)	A total of 420,692 trips were undertaken by public transport this year. The regional transport network has had a range of challenges this year. Driver shortages, including illnesses and sick leave, have resulted in cancellation of services throughout the year. Following the cyclone, services were compromised further as bridges and roads were closed causing congestion on other transport routes. This has had an additional negative impact on patronage.



* data from 1 July- 24 August 2020 had no patronage data due to a transition period in ticketing systems. Patronage numbers from the same period in 2019 was used

Percentage of urban households within 400m of a regular bus route Target Year 1 & 2: 100% Hastings urban area	100% ●	100% ●	MyWay, the on-demand public transport trial, was launched on 7 June 2022 servicing 100% of urban households in the Hastings area within 200m of a regular bus service between 6am-6pm, Monday to Friday. The service has been designed to have 'virtual' bus stopping points no further than 200m from the pick up and drop off points within the defined urban Hastings area. MyWay did not operate from 14 to 28 February due to power outages, driver displacement, and pressure on support services. From 18 January to 10 February, MyWay only had two of three vans operating, which resulted in a reduction in met demand.
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Wāhanga 5 - Pūrongo Pūtea

Part 5 - Financials





TIROHANGA WHĀNUI Ā-PŪTEA FINANCIAL OVERVIEW

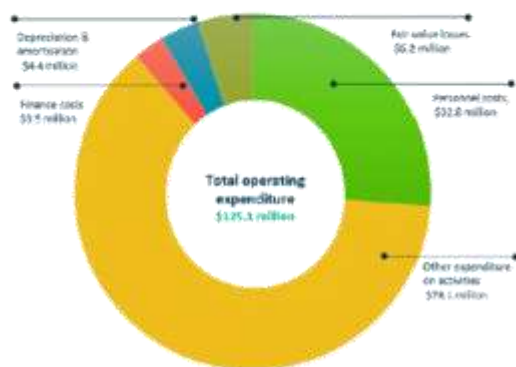
Hawke's Bay Regional Council (HBRC) returned an operating deficit of \$14.2 million compared to a forecast surplus of \$4.3 million in 2022-2023. This was primarily driven by expenditure incurred in response to Cyclone Gabrielle.

Despite the required reorganisation of some of our programmes of work as a result of the cyclone we have still delivered on focus areas outlined in the Annual Plan around climate action and opportunities for partnership. Rising costs and a shortage of labour continue to provide challenges to delivery but also encourage exploration of alternative delivery methods.

Operating Expenditure

Operating expenditure reflects what we spend on the activities that deliver our vision and values, including pest control, pollution response, regional parks, maritime safety, passenger transport, cyclone response, management, and many others. It also includes support services for those activities including finance, technology, and communications.

Our total operating expenditure for the year was \$125.1 million which was \$47.7 million higher than budget.



The main contributor to this was expenditure on Cyclone Gabrielle related activities which included \$7.9million CDEM response, \$8 million HBRC emergency response, and \$16.7 million for silt taskforce waste management. The other significant variances in operating expenditure were in the Asset Management group where \$2.3 million was

recognised for gravel extraction activity but the budget was reflected in capital expenditure in the Annual Plan and the \$6.2 million of fair value losses.



Operating Revenue

The services we provide are funded from both rates and other revenue sources. In 2022-2023, non-rates sources contributed 69% of our total operating revenue of \$110.9 million. This total revenue was \$29.3 million higher than budget.



Subsidies and grants had the largest favourable variance being \$25.7 million above budget. This was due to Government funding received for sediment and debris management of \$21.3 million and National Emergency Management Agency (NEMA) funding for welfare costs incurred in response to Cyclone Gabrielle. Fair value gains also had a favourable variance being \$6.8 million above budget. This was due to continued strong growth in financial markets leading to an increase in our financial asset investments. It should be noted that these gains were largely offset by the fair value losses on forestry assets and investment property due to a downturn in the



TIROHANGA WHĀNUI Ā-PŪTEA

FINANCIAL OVERVIEW

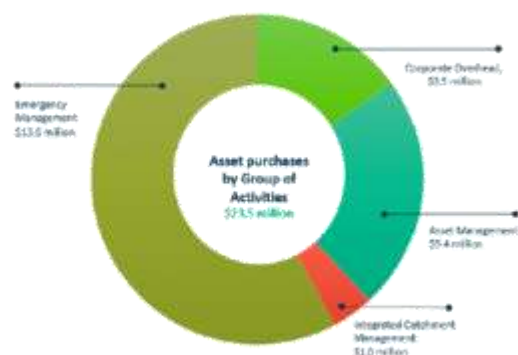
market which is reflected in expenditure as noted above.

Revenue from activities was ahead of budget for the year by \$0.7 million with gravel extraction fees in Asset Management and central government funding for biodiversity being the main contributors.

Capital Expenditure

Capital expenditure includes spend on upgrading, renewing or building new assets such as stopbanks, drainage networks, regional parks, vehicles, and buildings. Total capital expenditure for the year was \$23.6 million compared to a budget of \$26.9 million.

Although capital expenditure was only \$3.3 million underspent, there was a significant reprioritisation of where the funds were spent from 'business as usual' planned capital expenditure to the reinstatement work required for damage of assets caused by Cyclone Gabrielle. Of the \$23.6 million spent, \$13.4 million related to expenditure incurred to repair damaged stopbanks. An offsetting impairment of stopbanks has also been recognised. Planned capital projects that were under spent this year are being reviewed as part of future planning processes.



Balance Sheet

During the 2022-2023 financial year total assets increased by \$73.7 million. This was driven by increases in the funds under management and cash and cash equivalents due to the sediment and debris funding received and held at 30 June 2023. These increases were somewhat offset by a decrease to the investment in Hawke's Bay Regional Investment Company (HBRIC) due to a fall in the Napier Port share price. Also offsetting the increased cash balances are liabilities related to sediment and debris funding received in advance (156.8 million) and held on behalf of others (\$16.1 million) as well as \$2.6 million held on behalf of the Hawkes Bay Disaster Relief Trust.

HBRC's level of borrowings at the end of the year was \$2.4 million less than forecast as a result of the lower than planned capital expenditure. Excluding the loan from HBRIC, HBRC's external debt of \$84.8 million is only 76% of total revenue, well below the 175% limit set in HBRC's Treasury Policy.

Group Financial Overview

The HBRC Group, which includes Hawke's Bay Regional Investment Company Limited (with their 55% shareholding in the Port of Napier) returned an operating deficit after income tax of \$3.5 million. Fair value losses on investments and supply chain issues affecting shipping are the main contributors to this.

HBRC has a 100% shareholding in HBRIC which in turn has a 55% shareholding in the Port of Napier Limited. The investment company provides an annual return to HBRC by way of a dividend to keep rates as low as possible.

As with HBRC, the financial assets held by HBRIC have been positively impacted by financial markets during the year. However, the Port of Napier shares have continued to decrease reflecting the impact on regional trade volumes as a result of damage and disruption to customers resulting from Cyclone Gabrielle.

The HBRIC management team continue to look for further opportunities to provide returns as well as ensuring investments provide regional and intergenerational benefit.





NGĀ PAEARU MŌ TE RĪPOATA Ā-PŪTEA FINANCIAL REPORTING BENCHMARKS

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

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

1. Rates affordability benchmark

Council meets the rates affordability benchmark if:

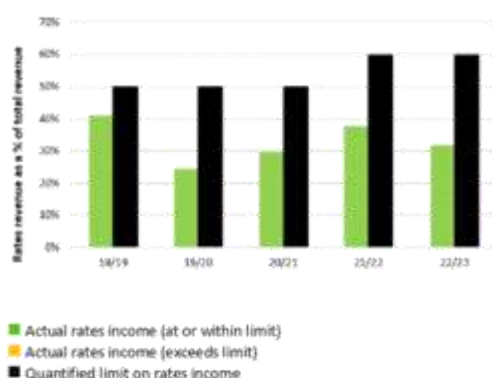
- its actual rates revenue equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

(A) Rates income affordability benchmark

Figure 1 compares HBRC's actual rates revenue with a quantified limit on rates contained in the financial strategy as included in HBRC's Long Term Plan 2021-2031. The quantified limit used in the graph is that total rates revenue from 2022-2023 will not exceed 60% of HBRC's annual revenue requirements. The graph uses percentage as a unit of measurement.

The graph establishes that each of the five years presented are within the benchmark for those years.

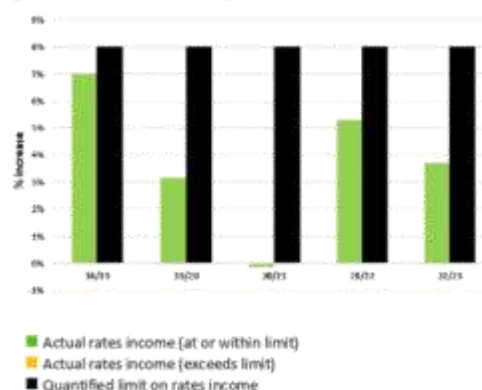
Figure 1: Rates affordability benchmark



(B) Rates increases affordability benchmark

Figure 2 compares HBRC's actual rate increase with the quantified limit on rate increases included in the financial strategies in HBRC's long-term plans. The quantified limit is that the increase in the annual rate revenue requirement will not exceed 8% of HBRC's annual operating expenditure requirements. The graph uses percentage as unit of measurement.

Figure 2: Rates increases affordability benchmark



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

2. Debt affordability benchmark

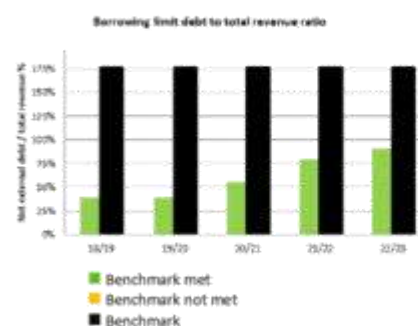
Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The financial strategy included in HBRC's Long Term Plan 2021-2031 set out two quantified limits on borrowing, being:

- net external debt as a percentage of total revenue must be less than 175%
- net interest on external debt as a percentage of annual rates income must be less than 20%.

Graphs are provided below for each of these borrowing limits.

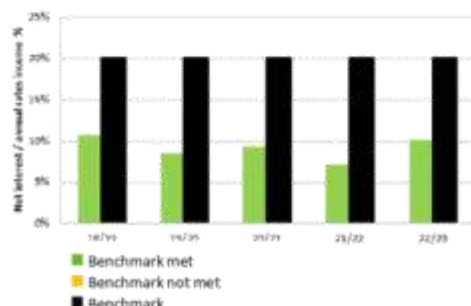
Figure 3: Borrowing limit debt to total revenue ratio





NGĀ PAEARU MŌ TE RĪPOATA Ā-PŪTEA FINANCIAL REPORTING BENCHMARKS

Figure 4: Borrowing limit interest expense to annual rates income



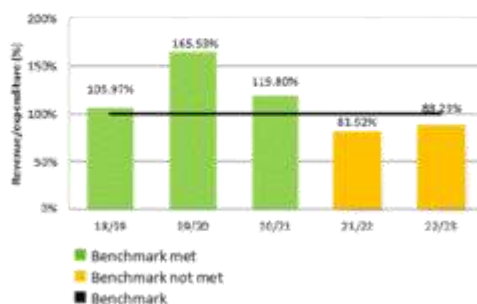
The graphs above establish that each of the five years presented are within the borrowing limits.

3. Balanced budget benchmark

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

Figure 5 displays HBRC's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of strategic assets, property, plant and equipment).

Figure 5: Balanced budget benchmark



HBRC has met this benchmark for all years except 2021-2022 and 2022-2023. HBRC planned to debt fund the growth in services in the first five years of the LTP 2021-2031 to smooth the increase in rates.

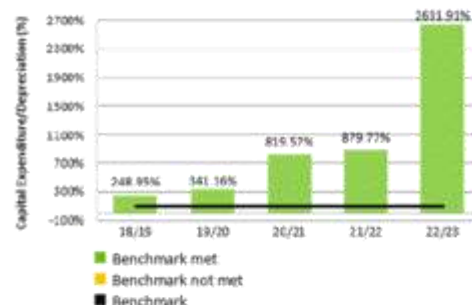
4. Essential services benchmark

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

Figure 6 displays HBRC's capital expenditure on network services as a proportion of depreciation on

network services. Note HBRC has only one network service; and that covers the flood and drainage schemes.

Figure 6: Essential services benchmark



Capital expenditure on flood protection and control works are funded by a combination of depreciation, reserve and loan funding.

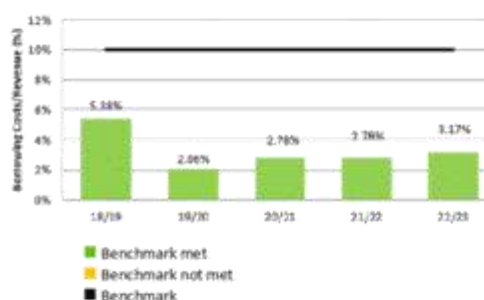
HBRC has met this benchmark for the last five financial years with the 2022-2023 year reflecting the impacts of the cyclone.

5. Debt servicing benchmark

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

Figure 7 displays HBRC's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations on property, plant and equipment).

Figure 7: Debt servicing benchmark



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



NGĀ PAEARU MŌ TE RĪPOATA Ā-PŪTEA FINANCIAL REPORTING BENCHMARKS

6. Debt control benchmark

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

Figure 8 displays HBRC's actual net debt as a proportion of planned net debt. In this statement, 'net' debt means financial liabilities less financial assets (excluding trade and other receivables).

Figure 8: Debt control benchmark

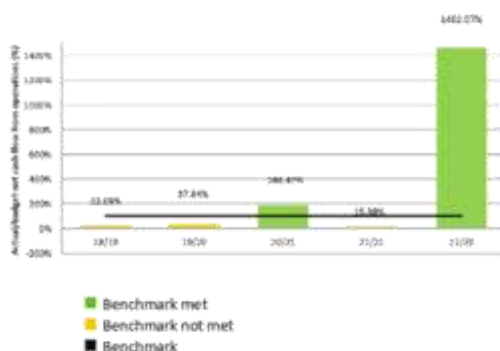


HBRC has not met this benchmark in the 2021-2022 and 2022-2023 years due to drops in the value of Napier Port Holdings and the managed funds due to the impact of Covid-19 pandemic, and more recently on the spend required as an immediate response to Cyclone Gabrielle.

7. Operations control benchmark

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

Figure 9: Operations control benchmark



HBRC has met this benchmark (i.e. actual net cashflow from operations has exceeded planned levels) in 2020-2021 and then significantly exceeding planned levels in the 2022-2023 year due predominantly to

Government funding received in relation to the impacts of Cyclone Gabrielle. In other years, the operating net cash flows were under budget but still positive.





TAUĀKĪ PŪTEA FINANCIAL STATEMENTS

Statement of comprehensive revenue and expense

For the year ended 30 June 2023

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		22/23	22/23	21/22	22/23	21/22
		\$'000	\$'000	\$'000	\$'000	\$'000
Revenue						
Revenue from activities	3	10,502	9,786	11,060	132,945	119,681
Rates revenue	4	34,745	33,865	30,068	34,745	30,068
Subsidies and grants	5	40,531	14,881	13,340	46,117	13,340
Other revenue	5	17,107	21,150	12,852	10,934	3,762
Fair value gains on investments	6	8,048	1,156	12,205	12,289	14,641
Reduction in ACC Leasehold Liability		-	815	-	-	-
Total Operating Revenue		110,933	81,653	79,525	237,030	181,492
Expenditure						
Expenditure on activities	3	(110,989)	(70,742)	(73,672)	(190,972)	(144,027)
Finance costs	3	(3,5043)	(2,125)	(2,169)	(10,695)	(6,667)
Depreciation & amortisation expense	3	(4,380)	(4,509)	(4,138)	(19,980)	(16,946)
Fair value losses	6	(6,213)	-	(15,159)	(6,213)	(18,813)
Other expenditure	7(c)	-	-	(23)	-	(23)
Total Operating Expenditure		(125,086)	(77,376)	(95,161)	(227,861)	(186,476)
Loss on sale of investments		-	-	-	-	-
Total Impairment and Loss on Sale Expenditure		-	-	-	-	-
Total Expenditure		(125,086)	(77,376)	(95,161)	(227,861)	(186,476)
Operating Surplus / (Deficit) before Income Tax		(14,153)	4,277	(15,636)	9,168	(4,984)
Income tax expense	8	-	-	-	(5,694)	(7,340)
Surplus / (Deficit) after Income Tax		(14,153)	4,277	(15,636)	3,474	(12,324)
Attributable to equity holders of the parent		(14,153)	4,277	(15,636)	(6,438)	(21,857)
Attributable to non-controlling interests		-	-	-	9,912	9,533
		(14,153)	4,277	(15,636)	3,474	(12,324)
Other Comprehensive Revenue and Expense						
Gain/(loss) in other financial assets	18	(20,627)	3,133	(77,795)	676	2,823
Gain/(loss) on revalued intangible asset	18	(4,283)	26,352	5,552	(4,283)	5,552
Gain/(loss) on revalued property, plant and equipment assets	18	(188)	-	6,237	(1,937)	34,370
Gain/(loss) on revalued infrastructure assets		(16,076)	-	28	(16,076)	28
Total Other Comprehensive Revenue and Expense		(41,174)	29,485	(65,978)	(21,620)	42,773
Total Comprehensive Revenue and Expense		(55,327)	33,763	(81,614)	(18,146)	30,449
Total Comprehensive revenue and expense attributable to						
Equity holders of the Parent		(55,327)	33,763	(81,614)	(27,994)	6,430
Non-controlling Interests		-	-	-	9,849	24,019
		(55,327)	33,763	(81,614)	(18,146)	30,449

The accompanying notes form part of these financial statements.



TAUĀKĪ PŪTEA FINANCIAL STATEMENTS

Statement of financial position

As at 30 June 2023

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		22/23	22/23	21/22	22/23	21/22
		\$000	\$000	\$000	\$000	\$000
ASSETS						
Non-Current Assets						
Property, plant & equipment	9	37,558	37,188	37,412	548,267	548,538
Infrastructure assets	10	198,554	235,940	197,279	198,554	197,279
Investment property	11	67,194	68,041	71,940	89,946	86,825
Intangible assets	12	9,443	16,829	14,087	10,479	15,542
Forestry assets	14	11,745	14,344	13,628	11,745	13,628
Derivative Financial Instruments	16	-	-	-	3,613	3990
Prepayments		168	-	121		121
Total non-current assets before other financial assets		324,662	372,342	334,467	862,605	865,923
Other financial assets	13	129,683	142,934	123,359	175,572	166,566
Investment in Council-controlled organisations	13	348,197	496,469	368,690	18	18
Advances to Napier / Gisborne Rail	13	-	1,486	-	-	-
Total other financial assets	13	477,880	640,889	492,049	175,590	166,584
Total Non-Current Assets		802,542	1,013,231	826,516	1,038,195	1,032,507
Current Assets						
Inventories		337	419	409	337	409
Trade & other receivables	15	24,741	13,279	11,876	42,596	25,933
Derivative financial instruments	16	2,071	-	1,507	4,599	2,722
Other financial assets	13	3,142	2,786	2,326	3,142	2,926
Cash and cash equivalents	17	94,171	7,047	10,657	103,040	18,276
Current tax asset		-	-	-	1,383	2,785
Total Current Assets		124,462	23,531	26,775	155,099	53,051
TOTAL ASSETS		927,004	1,036,762	853,291	1,193,294	1,085,558
NET ASSETS / EQUITY						
Accumulated funds		269,477	292,486	275,104	199,632	197,543
Fair value reserves	18	285,035	460,311	326,209	170,604	192,161
Other reserves	19	128,150	135,611	136,676	244,764	253,265
Non-controlling interest		-	-	-	181,533	175,634
Total Net Assets / Equity		682,662	888,408	737,989	796,532	818,603



TAUĀKĪ PŪTEA FINANCIAL STATEMENTS

Statement of financial position (continued)

As at 30 June 2023

	Note	Regional Council			Group	
		Actual 22/23 \$000	Budget 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
LIABILITIES						
Non-Current Liabilities						
Derivative financial instruments	16	-	18	-	948	147
Borrowings	20	71,563	97,874	59,738	183,846	172,455
Deferred tax liabilities	21	-	-	-	22,152	20,769
Employee benefit liabilities	22	414	-	411	982	904
ACC leasehold financing liabilities	24	29,283	29,060	32,204	29,283	32,204
Provisions for other liabilities & charges		19	510	20	19	20
Deferred Income		-	-	-	-	500
Total Non-Current Liabilities		101,279	127,462	92,373	237,231	226,999
Current Liabilities						
Derivative financial instruments	16	-	46	-	1,132	12
Borrowings	20	29,930	5,984	3,650	29,930	3,650
Employee benefit liabilities	22	2,401	2,638	1,807	7,511	6,944
Trade & other payables	23	89,696	12,174	15,853	99,921	27,731
ACC leasehold financing liabilities	24	1,416	50	1,526	1,416	1,526
Current tax payable		-	-	-	-	-
Funds held on behalf	23	19,620	-	93	19,620	93
Finance lease liabilities		-	-	-	-	-
Total Current Liabilities		143,063	20,892	22,929	159,530	39,956
TOTAL LIABILITIES		244,342	148,354	115,302	396,762	266,955
TOTAL NET ASSETS / EQUITY & LIABILITIES		927,004	1,036,762	853,291	1,193,294	1,085,558

The accompanying notes form part of these financial statements.



TAUĀKĪ PŪTEA FINANCIAL STATEMENTS

Statement of changes in equity

	Note	Regional Council			
		Fair Value Reserves \$000	Other Reserves \$000	Accumulated Funds \$000	Total \$000
PARENT					
Balance at 1 July 2021 (Restated)		392,187	150,429	276,987	819,603
Total Comprehensive Revenue and Expense		(65,978)	-	(15,636)	(81,614)
Reserves		-	(13,753)	13,754	-
Balance at 30 June 2022		326,209	136,676	275,104	737,989
Total Comprehensive Revenue and Expense	18	(41,174)	-	(14,153)	(55,327)
Reserves	19	-	(8,526)	8,526	-
Balance as 30 June 2023		285,035	128,150	269,477	682,662

	Note	Attributable to the Regional Council				Non- controlling Interest	Total Equity
		Fair Value Reserve	Other Reserves	Accumulated Funds	Total		
GROUP							
Balance at 1 July 2021 (Restated)		163,708	266,710	205,512	635,930	157,184	793,114
Total Comprehensive Revenue and Expense		28,453	(166)	(21,857)	6,430	24,019	30,449
Dividends received / (paid)		-	-	-	-	(6,719)	(6,719)
Share-based payment reserve		-	106	-	106	87	193
Reserve movements		-	(13,385)	13,753	368	-	368
Non-controlling interest arising from investment in limited partnership		-	-	-	-	1,063	1,063
Effect on consolidation		-	-	135	135	-	135
Balance at 30 June 2022		192,161	253,265	197,543	642,969	175,634	818,603
Total Comprehensive Revenue and Expense		(21,557)	-	(6,437)	(27,994)	9,849	(18,146)
Dividends received / (paid)		-	-	-	-	(5,782)	(5,782)
Share-based payment reserve		-	14	-	14	11	25
Reserve movements		-	(8,515)	8,526	11	(63)	(52)
Non-controlling interest arising from investment in limited partnership		-	-	-	-	1,909	1,909
Effect on consolidation		-	-	-	-	(25)	(25)
Equity as at end of year		170,604	244,764	199,632	615,000	181,533	796,532

The accompanying notes form part of these financial statements.



TAUĀKĪ PŪTEA FINANCIAL STATEMENTS

Statement of cash flow

For the year ended 30 June 2023

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		22/23	22/23	21/22	22/23	21/22
		\$000	\$000	\$000	\$000	\$000
CASH FLOW FROM OPERATING ACTIVITIES						
<i>Cash was provided from:</i>						
Receipts from customers		6,517	22,422	14,744	128,192	127,513
Rates received		35,071	32,532	30,789	35,071	30,789
Dividends received		6,871	10,497	9,035	1	10
Interest received		2,087	6,139	234	2,403	600
Grants received		95,297	6,151	13,340	95,297	13,340
Funds held on behalf		19,527	-	-	19,527	-
Other Revenue		852	-	1,042	852	921
GST		-	(539)	-	819	133
		166,222	77,202	69,184	282,162	173,306
<i>Cash was applied to:</i>						
Payments to suppliers		62,060	40,496	38,728	141,975	112,255
Payments to and on behalf of employees		32,251	29,990	28,838	32,251	28,838
Interest expense		2,845	2,125	1,463	2,513	1,469
Income tax expense		-	-	-	3,198	8,531
		97,156	72,611	69,029	179,937	151,093
Net Cash Flows from Operating Activities	17	69,066	4,591	155	102,225	22,213
CASH FLOWS FROM INVESTING ACTIVITIES						
<i>Cash was provided from:</i>						
Disposal of property, plant & equipment		513	891	56	513	56
Disposal of investment properties		498	-	1,965	498	1,965
Disposal of financial assets		1,100	2,970	1,448	2,117	2,971
Disposal of forestry assets		-	-	-	-	-
		2,111	3,861	3,469	3,128	4,992
<i>Cash was applied to:</i>						
Purchase of property, plant & equipment		4,622	4,152	4,030	24,928	92,074
Purchase of intangible assets		87	1,016	669	87	669
Construction of infrastructure assets		18,894	21,715	6,871	18,896	6,871
Community lending		1,291	6,901	3,107	1,291	3,107
Purchase of financial assets		434	3,419	475	684	1,075
Forestry assets development		74	-	65	74	65
Purchase of Investment Property		-	-	-	3,833	1,778
Leasehold Liability		-	821	-	-	-
		25,402	38,024	15,217	49,793	105,639
Net Cash Flows from Investing Activities		(23,291)	(34,163)	(11,748)	(46,665)	(100,647)



TAUĀKĪ PŪTEA FINANCIAL STATEMENTS

Statement of cash flow (continued)

For the year ended 30 June 2023

	Note	Regional Council			Group	
		Actual	Budget	Actual	Actual	Actual
		22/23	22/23	21/22	22/23	21/22
		\$000	\$000	\$000	\$000	\$000
CASH FLOWS FROM FINANCING ACTIVITIES						
<i>Cash was provided from:</i>						
Loans drawn		44,480	27,503	19,000	44,480	89,000
Proceeds from Grants		-	-	-	3,500	500
Proceeds from issue of ordinary shares		-	-	-	-	793
Proceeds from issuance of fixed rate bonds		-	-	-	99,204	-
Repayment of fair share loans by employees		-	-	-	127	120
		44,480	27,503	19,000	147,311	90,413
<i>Cash was applied to:</i>						
Loans repaid		6,375	6,596	3,150	107,104	3,150
Leasehold freeholding proceeds paid to ACC		366	-	1,701	366	1,701
Transaction costs arising on share issuances		-	-	-	-	-
Repayment of lease liability		-	-	-	197	220
Dividends paid		-	-	-	5,782	6,719
Acquisition of treasury shares		-	-	-	354	-
Borrowing establishment costs		-	-	-	4,307	-
		6,741	6,596	4,851	118,110	11,790
Net Cash Flows from Financing Activities		37,739	20,907	14,149	29,201	78,623
Net Increase / (Decrease) in Cash & Cash Equivalents		83,514	(8,665)	2,556	84,764	189
Opening cash & cash equivalents		10,657	15,712	8,101	18,276	18,163
Effect of exchange rate changes		-	-	-	-	(76)
Closing Cash & Cash Equivalents	17	94,171	7,047	10,657	103,040	18,276

The accompanying notes form part of these financial statements.



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 1: Statement of accounting policies

1.1 Reporting entity

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

The Hawke's Bay Regional Council group (the Group) consists of the ultimate parent, HBRC, and its subsidiaries. HBRC owns 100% (2022: 100%) of Hawke's Bay Regional Investment Company Limited (HBRIC) which, in turn, owns 55.01% (2022: 55.01%) of Napier Port Holdings Limited (NPHL) and 66.72% (2022: 66.72%) of FoodEast GP Limited/FoodEast Limited Partnership. NPHL is the holding company parent of Port of Napier Limited (PoNL). PoNL is a Port Company as defined in the Port Companies Act 1988.

These entities are incorporated and domiciled in New Zealand.

For the purposes of the LGA, HBRIC is a Council Controlled Trading Organisation (CCTO) as it is a Council Controlled Organisation whose purpose is to return a profit.

The primary objective of HBRC is to provide services and social benefits for the community rather than make a financial return. HBRC is defined as a public entity under the Public Audit Act 2001. HBRC has designated itself and the Group as public sector public benefit entities (PBEs) for financial reporting purposes.

These financial statements of HBRC and the Group are for the year ended 30 June 2023.

1.2 Basis of preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period except where specifically stated within the notes to the financial statements.

(1.2.1) Statement of compliance

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

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

These financial statements comply with PBE standards except where specifically stated within the notes to the financial statements.

The statements have been prepared under the historic cost convention, as modified by the revaluation of land

and buildings, infrastructure assets, hydrological equipment, sea defences, investment property, forestry assets and certain financial instruments measured at fair value.

(1.2.2) Presentation and currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000) except for note 28.

(1.2.3) Changes in accounting standards

Certain new accounting standards and interpretations have been published that are mandatory for the current year end's reporting periods and have been adopted by HBRC.

PBE FRS 48 Service Performance Reporting

PBE FRS 48 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2022. HBRC has adopted this standard from 1 July 2022. PBE FRS 48 requires HBRC to provide users with an appropriate and meaningful mix of performance measures to explain its service performance for the reporting period. There were no material impacts on the statement of performance as a result of the adoption of this new standard.



Note 2: Summary of significant accounting policies

2.1 Basis of consolidation

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

(2.1.1) Subsidiaries

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

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



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

assets acquired and liabilities assumed, the difference will be recognised immediately in the surplus or deficit.

In the parent entity's separate financial statements, HBRC has elected to account for its investments in subsidiaries as financial instruments in accordance with PBE IPSAS 41 and therefore carries these at fair value.

HBRC's group financial statements are based on NPHL's special purpose financial statements for the year ended 30 June 2023.

HBRC, NPHL and FoodEast are for-profit entities and report under the for-profit standards. HBRC applies PBE standards to the financial reporting by its subsidiaries when consolidating the financial statements.

2.2 Revenue recognition

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

(2.2.1) Rates revenue

The following policies for rates have been applied:

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

(2.2.2) Sales of goods and services

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

(2.2.3) Interest and dividends

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

(2.2.4) Grants

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

2.3 Expenditure recognition

(2.3.1) Borrowing costs

Borrowing costs are recognised as an expense when incurred.

(2.3.2) Grant expenditure

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

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

(2.3.3) Foreign currency transactions

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

2.4 Income tax

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

- Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years. Current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.
- Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the statement of financial position and the corresponding tax bases used in the computation of taxable profit.
- Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

laws) that have been enacted or substantively enacted at balance date. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the entity expects to recover or settle the carrying amount of its assets and liabilities.

- Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.
- Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting profit nor taxable profit.
- Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expense or directly in equity.

2.5 Leases

(2.5.1) Finance leases

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

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

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

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

(2.5.2) Operating leases

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

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

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

2.6 Cash and cash equivalents

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

2.7 Receivables

Short-term receivables are recorded at their face value less any allowance for lifetime expected credit losses.

2.8 Derivative financial instruments and hedge accounting

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

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

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

HBRC and the Group designates certain derivatives as either:

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

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

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



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

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

(2.8.1) Fair value hedge

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

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

(2.8.2) Cash flow hedge

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

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

When a hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, the associated gains and losses that were recognised in other comprehensive revenue and expense will be included in the initial cost or carrying amount of the asset or liability.

If a hedging instrument expires or is sold, terminated, exercised, or revoked, or it no longer meets the criteria for hedge accounting, the cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective will remain

separately recognised in equity until the forecast transaction occurs. When a forecast transaction is no longer expected to occur, any related cumulative gain or loss on the hedging instrument that has been recognised in other comprehensive revenue and expense from the period when the hedge was effective is reclassified from equity to the surplus or deficit.

2.9 Financial assets

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

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

Financial assets are classified into the following categories for the purpose of initial recognition and subsequent measurement:

- amortised cost
- fair value through surplus or deficit
- fair value through other comprehensive revenue and expense.

The classification of a financial asset depends on the HBRC's management model for financial assets, the nature of the instrument and the contractual terms of the instrument.

(2.9.1) Amortised cost

Financial assets at amortised cost are financial assets held within a management model with the purpose of collecting the contractual cash flows and those cash flows solely consist of principal and interest. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in non-current assets.

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

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



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

(2.9.2) Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit includes all financial assets not classified as at amortised cost or fair value through other comprehensive revenue and expense or those financial assets held for trading.

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

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

Financial assets at fair value through other comprehensive revenue and expense are those that are:

- equity holdings and have been irrevocably designated into that category at initial recognition
- financial assets held within a management model with the purpose of both selling financial assets and collecting the contractual cash flows where those cash flows solely consist of principal and interest.

They are included in non-current assets unless management intends to dispose of, or realise, the investment within 12 months of balance date.

The Council includes in this category all shareholdings that it holds for strategic purposes.

These investments are measured at their fair value, with gains and losses recognised in other comprehensive revenue and expense.

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

2.10 Impairment of financial assets

Impairment considerations on Financial Assets under PBE IPSAS 41 are limited to financial instruments whose contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a management model whose objective is to hold financial assets in order to either collect contractual cash flows or collect contractual cash flows and sell financial assets.

(2.10.1) Financial assets at amortised cost

HBRC will measure the loss allowances as an amount equal to the lifetime expected credit losses to all receivables that result from exchange transactions (PBE IPSAS 9), non-exchange transactions (PBE IPSAS 23) and lease receivables (PBE IPSAS 13).

Lifetime expected credit losses on receivables recognised from revenue transactions under the Ratings Act will be limited to the historical remission of rates after seven years.

For trade and other receivables, Council will review the outstanding balances at reporting date and assess the likely default based on the payment history of the debtor and the probability that the debtor will enter bankruptcy, receivership, or liquidation.

For debtors and other receivables, the carrying amount of the asset will be reduced using an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written off against the allowance account amount.

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

The management of debt instruments included in Funds under Management is performed by the fund managers within the guidelines of the Statement of Investment Policy and Objectives (SIPO). The SIPO requirements include:

- limiting Council's exposure to any single issuer
- maintaining a diversified investment portfolio
- investing in high quality issuers
- appropriately hedging all overseas investments
- actively monitoring the performance of all investments
- selling financial instruments to maintain the balance and credit risk of the portfolio.

The fund managers are required to report quarterly on the portfolio performance and compliance with the SIPO. Fund managers are expected to re-balance the portfolio to maintain compliance with the SIPO and any significant changes in the credit rating of an issuer would initiate the sale of any related holdings.

Compliance with the SIPO by the fund managers limits Council's exposure to credit risk with these debt instruments.

Council will review the quarterly reporting and assess expected credit losses based on the current market performance and the forward-looking information provided by the fund managers. Any loss allowance will be recognised in other comprehensive revenue and expense.

2.11 Inventory

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

2.12 Non-current assets held for sale

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



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

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

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

2.13 Property, plant and equipment

(2.13.1) Operational assets

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

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

Sea defences are shown at fair value, based on periodic valuations by suitably qualified and experienced professionals, less accumulated depreciation and impairment. Revaluations are performed with sufficient regularity to ensure that the carrying value does not differ materially from its fair value.

PoNL land, PoNL cargo and other buildings and all other operational assets are stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

(2.13.2) Infrastructure assets

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

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

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

(2.13.3) Additions

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

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

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

(2.13.4) Disposals

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

(2.13.5) Subsequent costs

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

(2.13.6) Revaluation adjustments

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

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

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2.14 Intangible assets

(2.14.1) Software acquisition and development

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

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

Configuration and customisation costs associated with a Software as a Service platform will generally be treated as an expense when incurred as HBRC does not control the environment in which it operates and is reliant on annual licences fees to the provider for the continued functioning of the software.

(2.14.2) Digital assets

HBRC capitalises work undertaken on digital groundwater models and aerial photography of the Hawke's Bay region as assets. HBRC considers it controls these assets, their cost can be measured, and they provide service and economic benefit as these assets provide long-term support to inform its work under the Resource Management Act, Drainage Act, and Soil Conservation and Rivers Control Act.

(2.14.3) Carbon credits

Purchased carbon credits are recognised at cost on acquisition.

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

(2.14.4) Amortisation

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

2.15 Depreciation and amortisation periods

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

Assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

Table 1: Major depreciation and amortisation periods

Asset category	Years
Buildings	3 - 60
Site improvements	10 - 50
Hydrology equipment including weirs	5 - 100
Vehicles, plant & equipment	3 - 31
Dredging	10
Tugs	30
Wharves & jetties	10 - 80
Sea defences	100 - 200
Computer software & licences	3 - 50
Infrastructure assets	5 - 100

Cranes are depreciated on a unit-of-production basis with estimated useful lives of 33,000 to 36,000 operating hours.

No depreciation is provided for stop banks, berm edge protection, sea or river groynes, drainage works or unsealed roads. These assets are not considered to deteriorate over time and therefore will provide a constant level of service unless subjected to a significant adverse event. Please refer to note 10 for Cyclone Gabrielle event.

2.16 Impairment of non-financial assets

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

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

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

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

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

2.17 Investment property

Investment property is leasehold land, commercial land and buildings held to earn rental revenue and for capital appreciation. Such property is initially recognised at cost. At each balance date investment



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property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in surplus or deficit for the period in which it arises.

2.18 Forestry crops

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

2.19 Payables

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

2.20 Borrowings

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

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

2.21 ACC Leasehold Receivables Contract

In December 2013 Council entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of \$37.7 million was received for this to fund investment activity.

(2.21.1) Base Loan

The base loan is the original receipt recognised at fair value, \$37.7 million, and subsequently measured at amortised cost. Transaction costs were immaterial at recognition. HBRC has measured the liability as the remaining contractual cash flows over the full contractual term discounted at the effective interest rate of 6.88% less prepayments due to the freeholding of any units during the period. Freeholdings during the period are not considered a substantial modification as this prepayment mechanism is included in the contract.

(2.21.2) Excess Payments

The ACC contract includes two embedded derivatives:

- payment to ACC of two-thirds of excess rental income received
- payment to ACC of two-thirds of the excess of any sale proceeds over the minimum future rental income for that unit.

HBRC has recognised the combined liability at fair value through surplus or deficit. In measuring fair value, HBRC has considered the following:

- Fair value is defined as “the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction.”
- There is no active market or similar tradeable instrument for comparison.
- The excess cash flows are linked to rental and freeholding cash flows from the investment properties, which is driven from the property market.
- The investment property fair value (see Note 11) factors in future property/rental growth, and the present value of those future cash flows.
- HBRC has assumed that the remaining leases will be sold within the term of the contract.
- It is not necessary to factor in the timing of the disposals as the investment property fair value at balance date factors in future land/rental growth.
- The investment property fair value assumes that all the units are sold in an arms-length transaction at the reporting date.

HBRC has determined that the fair value of the investment property can be used to calculate the fair value of the excess payments financial liability at reporting date. The fair value of the excess payments liability at reporting date has been assessed as two-thirds of the difference between the investment property fair value and the base loan liability.

2.22 Employee entitlements

(2.22.1) Short-term employee entitlements

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

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

(2.22.2) Long-term employee entitlements

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



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The calculations are based on:

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

2.23 Provisions

Provisions are recognised when:

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

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

Provisions are not recognised for future operating losses.

2.24 Equity

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

Equity is disaggregated and classified into the following components:

- accumulated funds
- fair value reserves
- cash flow hedge reserves
- other reserves.

(2.24.1) Fair value reserves

This reserve relates to the revaluation of land, buildings, hydrological assets, infrastructure assets and financial assets measured at fair value through other comprehensive revenue and expense.

(2.24.2) Cash flow hedge reserves

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

(2.24.3) Other reserves

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

2.25 Goods and services tax (GST)

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

The net amount of GST recoverable from, or payable to, the IRD is included as part of receivables or payables in the Statement of Financial Position.

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

Commitments and contingencies are disclosed exclusive of GST.

2.26 Budget figures

The budget figures are those approved by HBRC in its 2022-2023 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted in preparing these financial statements.

2.27 Basis of allocation of HBRC's indirect costs

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

- floor area occupied
- number of full-time equivalent employees
- assessed use of various services provided
- share of operating expenditure

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

2.28 Critical accounting estimates and assumptions

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



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Cyclone Gabrielle

It is acknowledged there is significant uncertainty regarding the extent of the impact of Cyclone Gabrielle on physical infrastructure assets and the impact the event will have on the Hawkes Bay.

HBRC considered the impact of Cyclone Gabrielle as part of its impairment testing and valuation of its assets as at 30 June 2023. All assets that have been revalued based on quoted prices in an active market are considered to have been automatically adjusted by movement in the market (Fair Value Level 1) and is considered the most appropriate reflection of the value of an asset.

Table 2:

Property, plant & equipment	Land, buildings and hydrological assets were revalued at 30 June 2022. Any assets that were lost due to Cyclone Gabrielle have been written off. Management reviewed the remaining assets for further impairment and did not identify any issues with the existing balances.
Infrastructure assets	Management reviewed its infrastructure assets for impairment and has recognised an impairment of assets impacted by Cyclone Gabrielle at 30 June 2023. Refer to Note 10 for more details.
Investment property	HBRC's investment property is valued annually by an independent valuer. Refer to Note 11 for more details on valuation inputs and assumptions.
Forestry assets	Forestry assets were revalued by an independent valuer at 30 June 2023.
Intangible assets – computer software & models	HBRC's intangible assets have been tested for impairment. No objective evidence has been identified that would indicate that the value of intangible assets may be impaired.
Intangible assets – carbon credits	Carbon credits were revalued based on the quoted price for carbon credits at 30 June 2023.
Managed funds, government bonds, & publicly listed shares	Other financial assets comprise managed funds and government bonds which have all been revalued based on quoted prices at 30 June 2023.
Investment in Council-controlled organisations	The valuation of HBRC consists of its shareholding in NPHL, FoodEast, the investments in managed funds and its loan to HBRC. The valuation of its shareholding and investments is based on the quoted price for those holdings.

Inventories	Inventories mainly relate to poles grown by the nursery that are used for planting and erosion control. These are measured at the lower of cost and NRV. These will be used internally at cost.
Rates receivables & community loans	No impairment is required for community loans and rates receivable due to the powers under the Local Government (Rating) Act 2002 to recover outstanding rates debts.
Trade & other receivables	HBRC's trade receivables have been assessed for impairment on collectability and a provision has been recognised inline with HBRC's standard policy. There has been no significant impact due to Cyclone Gabrielle identified.
Cash & cash equivalents	All cash is held with Bank of New Zealand and Westpac New Zealand which have a credit rating of AA- (Standard & Pools).

Fair value of assets

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

Useful life of assets

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

2.29 Critical judgments in applying accounting policies

Management has exercised judgements in applying accounting policies for the year ended 30 June 2023. These are in accordance with the accounting standards and best practice.

In particular, significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amounts recognised in the financial statements are as follows:

- valuation of sea defences (Note 9)
- valuation of Infrastructure Assets (Note 10)
- valuation of Financial Instruments (Note 31)
- estimation of useful lives and residual values for depreciation expense (Notes 9, 10, 12)
- deferred taxes (Note 21).



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2.30 New standards and amendments issued and not yet effective

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

PBE IPSAS 13 Leases

PBE IPSAS 13 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2023. HBRC has not early adopted this standard and Regional Council has not yet determined how application of PBE IPSAS 13 will affect its financial statements.

PBE IFRS 17 Insurance

PBE IFRS 17 replaces the service performance reporting requirements of PBE IPSAS 1 and is effective for reporting periods beginning on or after 1 January 2023. HBRC has not early adopted this standard and Regional Council has not yet determined how application of PBE IFRS 17 will affect its financial statements.

Amendments to PBE IPSAS 19 Provisions, Contingent Liabilities and Contingent Assets

There have been some changes in the recognition of onerous contracts effective for reporting period beginning on or after 1 January 2023. HBRC has not early adopted this standard and has not yet determined how application of these changes will affect its financial statements.

Amendments to PBE IPSAS 17 Property, Plant and Equipment

There have been some changes in the recognition costs of testing asset functionality effective for reporting period beginning on or after 1 January 2023. HBRC has not early adopted this standard and has not yet determined how application of these changes will affect its financial statements.

Amendments to PBE IPSAS 21 Impairment of Non-Cash Generating Assets.

This amendment provides clarity around the recognition and measurement of impairment losses on non cash generating assets effective on or after 1 January 2023. HBRC has not early adopted this standard and has not yet determined how application of these changes will affect its financial statements.

Amendments to PBE IPSAS 26 Impairment of Cash-Generating Assets.

This amendment provides clarity around the recognition and measurement of impairment losses of cash generating assets effective on or after 1 January 2023. HBRC has not early adopted this standard and

has not yet determined how application of these changes will affect its financial statements.

2.31 Comparative figures

Comparative figures disclosed in the accounts may have minor changes to those presented in the 2021/22 Annual Report. This has only been done in cases where the changes result in more meaningful comparisons, or to comply with any new standards, interpretations or amendments that have been adopted in these financial statements for the first time (see above for detail on these).





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 3: Groups of activities revenue and expenditure

	Note	Regional Council			Group	
		Actual 22/23 \$000	Budget 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Revenue						
Groups of activity						
Corporate Overhead		295	1,027	335	165	205
Asset Management		2,731	1,527	3,324	2,731	3,324
Integrated Catchment Management		3,265	3,291	3,588	3,266	3,260
Policy & Regulation		2,950	3,175	2,555	2,545	2,555
Emergency Management		739	-	88	739	88
Transport		261	-	392	261	392
Governance & Partnerships		261	766	778	259	778
Total groups of activity revenue		10,502	9,786	11,060	9,966	10,602
Other activity						
Subsidiary operations		-	-	-	122,979	109,079
Total activity revenue		10,502	9,786	11,060	132,945	119,681
Expenditure						
Groups of activity						
Corporate Overhead		3,164	2,505	2,438	3,159	2,438
Asset Management		18,240	15,910	19,102	18,233	19,102
Integrated Catchment Management		25,578	30,565	32,816	25,577	32,786
Policy & Regulation	3(a)	26,899	11,076	8,223	26,876	8,223
Emergency Management	3(a)	30,097	3,301	3,205	30,097	3,205
Transport		7,697	7,011	7,312	7,697	7,312
Governance & Partnerships		7,198	7,008	6,965	7,073	6,965
Total groups of activity expenditure		118,873	77,376	80,061	118,712	80,031
Less internal expenditure		-	-	(82)	-	(82)
Total groups of activity expenditure		118,873	77,376	79,979	118,712	79,949
Other activities						
Regional income collection		-	-	-	102,937	-
Subsidiary operations		-	-	-	-	87,691
Total other activities expenditure		-	-	-	102,937	87,691
Less finance costs - interest on borrowings		(2,845)	(2,125)	(1,463)	(10,038)	(5,961)
Less finance costs – fees associated with the transfer of Napier leasehold cashflows to ACC		(658)	-	(706)	(658)	(706)
Total Finance Costs		(3,504)	(2,125)	(2,169)	(10,696)	(6,667)
Less depreciation and amortisation expense	7	(4,380)	(4,509)	(4,138)	(19,980)	(16,946)
Total activity expenditure		110,989	70,742	73,672	190,973	144,027

Note 3 (a)

Significant Cyclone Gabrielle related expenditure is reflected in the following Group of Activities above. Policy & Regulation expenditure includes \$16.7 million for HBRC silt task force waste management. Emergency Management includes \$7.9 million of CDEM response costs and \$8 million for HBRC emergency response.





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 4: Rates revenue

	Note	Regional Council			Group	
		Actual 22/23 \$000	Budget 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
General funding rates						
Uniform annual general charge		4,648	4,579	3,818	4,648	3,818
General rate on land value		9,146	9,089	7,525	9,146	7,525
Total general funding rates		13,794	13,668	11,343	13,794	11,343
Targeted rates		20,391	20,197	18,322	20,391	18,322
Rates Remissions		(65)	-	(11)	(65)	(11)
Penalties		625	-	414	625	414
Total rates revenue	4(a)	34,745	33,865	30,068	34,745	30,068

Note 4 (a)

Rating base information

- The number of rating units within the region as at 30 June 2023 are 73,523. (2022: 72,799).
- The total capital value of rating units within the region as at 30 June 2023 is \$60,753,807,150 (2022: \$55,116,477,050).
- The total land value of the rating units within the region as at 30 June 2023 is \$32,733,085,800 (2022: \$28,913,483,000).

Note 5: Other revenue

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Subsidies and grants					
Grants	5(a)	14,377	13,340	19,963	13,340
New Zealand Government – Sediment & Debris	5(b)	21,273	-	21,273	-
National Emergency Management Agency - Welfare	5(c)	4,881	-	4,881	-
Total subsidies and grants		40,531	13,340	46,117	13,340
Other revenue					
Dividend revenue		7,505	9,974	756	1,168
Leasehold rents	5(d)	2,108	1,950	2,108	1,994
Interest revenue		2,653	655	3,060	787
Gain / (Loss) on disposal of assets - net		(741)	(296)	(741)	(296)
Subvention payments		10	121	-	-
Gain / (Loss) on investments - net	5(e)	729	(473)	908	(812)
Other income		416	272	416	272
Insurance Proceeds		4,282	-	4,282	-
Forestry income		145	649	145	649
Total other revenue		17,107	12,852	10,934	3,762

Note 5 (a)

Grants includes Government grants received from the Waka Kotahi New Zealand Transport Agency for bus services and road safety projects, New Zealand Trade and Enterprise for regional development projects, Infrastructure Reference Group for infrastructure projects, Maritime New Zealand for maintaining a tier 2 marine spill response plan, and the Ministry for the Environment and Ministry of Primary Industries for afforestation, environmental and water initiative projects. The grants are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled. There are no unfulfilled conditions and other contingencies attached to the grants recognised as other revenue.



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Note 5 (b)

In May 2023, following Cyclone Gabrielle, the Government allocated \$133.2 million for sediment and debris removal on residential and commercial land in Hawke's Bay and entered into agreements for this to be distributed through HBRC. As at 30 June 2023, total funds received under these agreements by HBRC were \$106 million of which \$11.7 million was distributed to other councils and \$21.3million has been recognised as grant revenue by HBRC. This was to cover eligible expenditure incurred by HBRC (including the silt taskforce) and recognised at 30 June 2023. Amounts received but not yet distributed or recognised as revenue at 30 June 2023 have been disclosed as current liabilities - refer to Note 23.

Note 5 (c)

In response to Cyclone Gabrielle in February 2023, HBRC incurred welfare expenditure to care for displaced people and isolated communities. As at 30 June 2023, HBRC had claimed \$4.9 million from the National Emergency Management Agency (NEMA) of the expenditure that was eligible for funding.

Note 5 (d)

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

Note 5 (e)

Includes realised gains and losses on managed funds.

Note 6: Fair value gains and losses through the statement of comprehensive revenue and expense

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Fair value gains					
Investment property gains	11	-	10,290	2,205	12,726
Financial asset gains	13	5,160	-	7,196	-
Forestry asset gains	14	9	236	9	236
Derivative instrument gains	16	564	1,570	564	1,570
Carbon credit gains transferred to Accumulated Funds	12	-	109	-	109
ACC leasehold financing liability – excess payment gains		2,315	-	2,315	-
Total fair value gains		8,048	12,205	12,289	14,641
Fair value losses					
Investment property losses	11	4,248	-	4,248	-
Financial asset losses	13	-	9,519	-	13,173
Forestry asset losses	14	1,965	1,421	1,965	1,421
Derivative instrument losses	16	-	-	-	-
Asset impairment losses	9 & 10	-	-	-	-
ACC leasehold financing liability – excess payment losses	24	-	4,219	-	4,219
Total fair value losses		6,213	15,159	6,213	18,813
Net Fair value gains/(losses)		1,835	(2,954)	6,076	(4,172)

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



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 7: Expense disclosures

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
General disclosures					
Depreciation	9,10	3,737	3,504	18,742	15,780
Amortisation	12	643	634	1,239	1,166
Personnel costs	7(a)	32,848	28,588	75,902	67,816
Donations		353	244	353	244
Operating lease expense		1,101	505	1,318	722
Capitalised borrowing costs		-	-	-	-
Key management compensation					
[a] short-term employee benefits		2,496	2,191	6,561	6,861
[b] post-employment benefits		-	-	-	-
[c] other long-term benefits		55	54	55	54
[d] termination benefits		-	-	-	-
[e] share-based payment		-	-	-	192
Key management compensation total	7(b)	2,551	2,245	6,616	7,107

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Fees paid to Council's auditors (Ernst & Young)					
Financial statements audit fee		206	144	550	401
Long term plan audit fee		-	-	-	-
Assurance and related services fee (lease receivables agreement report)		9	9	9	10
Tax services fee		-	-	-	-
Additional fees for financial statements audit		-	-	-	-
Total fees paid to auditors		215	153	559	411

Note 7 (a)

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Personnel Costs					
Salaries and wages		31,227	27,546	74,281	66,774
Defined contribution plan employer contributions		1,012	923	1,012	923
Increase/(decrease) in employee entitlements	22(a)	609	119	609	119
Total Personnel Costs		32,849	28,588	75,903	67,816

Employer contributions to defined contributions plans include Kiwisaver and other approved superannuation schemes.



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 7 (b)

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Key Management Compensation					
Councillors					
Remuneration	28(a)	820	728	820	728
Full-time equivalent members		11	9	11	9
Executive Management Team, including the Chief Executive and Interim Chief Executives					
Remuneration		1,731	1,517	1,731	1,517
Termination benefits		-	-	-	-
Full-time equivalent members		6	6	6	6
Company Directors, Chief Executive and Senior Management					
Remuneration		-	-	4,065	4,670
Termination benefits		-	-	-	-
Share-based payments		-	-	198	192
Full-time equivalent members		-	-	19	21
Total Key Management Compensation		2,551	2,245	6,814	7,107
Total full-time equivalent personnel		17	15	36	36

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

Key management for HBRC comprises councillors and the Executive Leadership Team for HBRC, and directors and chief executive for each subsidiary.

Note 7 (c)

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000 (Restated)	Actual 22/23 \$000	Actual 21/22 \$000 (Restated)
Other Expenditure					
Sundry Expenditure		-	23	-	23
Share of gain/(loss) from equity accounted investees		-	-	-	-
Loss on sale of land		-	-	-	-
		-	23	-	23





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 8: Income tax expense

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Income tax expense					
Current tax		-	-	4,615	6,275
Deferred tax	21	-	-	1,078	1,065
Adjustments to current tax in prior periods		-	-	-	-
Adjustments to deferred tax in prior periods		-	-	-	-
Total income tax expense		-	-	5,693	7,340
The tax on the Group's surplus before tax differs from the theoretical amount that would arise using the current corporate rate as follows:					
Surplus / (deficit) before tax		(14,153)	(15,636)	9,168	(4,984)
Tax at domestic rate of 28% (2021/22 28%)		(3,963)	(4,378)	2,567	(1,396)
Plus/(Less) tax effect of:					
Income not subject to tax		(31,061)	(22,267)	(35,156)	(23,153)
Expenses not deductible for tax purposes		35,024	26,645	35,443	26,726
Imputation credits		-	(3,510)	-	(3,510)
Tax effect of income not recognised for accounting purposes		-	-	910	270
Utilisation of previously unrecognised tax losses		-	-	-	-
Group loss transfer		-	27	-	27
Prior period adjustment		-	-	(4)	2,402
Tax losses not recognised/Adjust tax rate changes		-	3,483	1,934	6,039
Tax effect of loss offsets		-	-	-	(70)
Foreign tax credits		-	-	-	5
Tax charge		-	-	5,694	7,340

HBRC and the Group have unrecognised income tax losses of \$506,552 (2022: \$501,594.10) that are available to carry forward, subject to compliance with the Income Tax Act 2007.





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 9: Property, plant and equipment

Regional Council	Note	Land \$000	Admin Buildings \$000	Vehicles, Plant & Equipment \$000	Hydrology Equipment \$000	Total \$000
At 30 June 2021						
Cost or valuation		9,583	9,465	17,347	5,192	41,587
Accumulated depreciation		-	(897)	(10,016)	(1,062)	(11,975)
Work in progress		-	109	15	172	296
Net book amount		9,583	8,677	7,346	4,302	29,908
Year ended 30 June 2022						
Opening net book amount		9,583	8,677	7,346	4,302	29,908
Revaluation surplus / (deficit)		2,503	3,893	-	(159)	6,237
Transfers / reclassification		238	100	(113)	-	225
Additions		312	700	2,234	903	4,149
Disposals		-	-	(290)	(99)	(389)
Depreciation charges		-	(496)	(1,512)	(715)	(2,723)
Asset impairment losses		-	-	-	-	-
Change in work in progress		-	(109)	286	(172)	5
		12,636	12,765	7,951	4,060	37,412
At 30 June 2022						
Cost or valuation		12,636	12,765	19,178	4,103	37,412
Accumulated depreciation		-	-	(11,528)	(43)	-
Work in progress		-	-	301	-	-
Net book amount		12,636	12,765	7,951	4,060	37,412
Year ended 30 June 2023						
Opening net book amount		12,636	12,765	7,951	4,060	37,412
Revaluation surplus / (deficit)		-	-	-	-	-
Transfers / reclassification		-	-	-	-	-
Additions		55	93	3,109	679	3,935
Disposals		-	(80)	(599)	(571)	(1,250)
Depreciation charges		-	(545)	(1,849)	(642)	(3,036)
Asset impairment losses		-	-	-	(188)	(188)
Change in work in progress		-	602	(8)	91	685
		12,691	12,835	8,604	3,429	37,558
At 30 June 2023						
Cost or valuation	9(a)	12,691	12,773	20,836	3,573	49,872
Accumulated depreciation		-	(540)	(12,525)	(235)	(13,300)
Work in progress		-	602	293	91	986
Net book amount		12,691	12,835	8,604	3,429	37,558

Note 9 (a) Valuations

HBRC land and buildings were valued at 30 June 2022 to fair value on the basis of market value by independent valuer, Telfer Young (Hawke's Bay) Ltd. The total fair value of property valued by Telfer Young (Hawke's Bay) Ltd was \$21,002,340. Land used for forestry in the Lake Tūtira Country Park and Tangoio Soil Conservation Reserve was valued at 30 June 2022 by Morice Limited, independent valuer. The total fair value of this land was \$1,110,000.

Land used for carbon sequestration and wastewater disposal was valued at 30 June 2022 by Morice Limited, independent valuer. The total fair value of this land was \$3,289,000.

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

Hydrology equipment was valued at 30 June 2022 on the basis of depreciated replacement value. This valuation was carried out by Jack McConchie, an experienced hydrologist with independent consulting engineers, SLR Consulting NZ Limited.















HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 11: Investment property

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
At beginning of year		71,940	63,615	86,825	74,015
Additions		-	-	5,662	2,049
Fair value gains / (losses) (included in income statement)	11(a)	(4,248)	10,290	(2,043)	12,726
Disposals		(498)	(1,965)	(498)	(1,965)
Transfers	11(b)	-	-	-	-
Movement during the year		(4,746)	8,325	3,121	12,810
At end of year		67,194	71,940	89,946	86,825
Investment property includes:					
Endowment leasehold land	11(d)	41,744	46,200	41,744	46,200
Other leasehold land		24,850	25,090	47,602	39,975
Rental Property		600	650	600	650
		67,194	71,940	89,946	86,825

Note 11 (a)

Napier leasehold endowment land was valued as a portfolio at 30 June 2023 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Lucas Paku, registered valuer of Telfer Young (Hawke's Bay) Ltd. The discount rate used was 6%. The total fair value of property valued by Lucas Paku as an independent valuer was \$41,744,000 (2022: \$46,200,000). Telfer Young (Hawke's Bay) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by HBRC.

Wellington leasehold land was valued as a portfolio at 30 June 2023 to fair value on the basis of the discounted rental cash flows from the perpetual leasehold properties by Martin J Veale, registered valuer of Telfer Young (Wellington) Ltd. The discount rate used was 7.00%-7.75%. The total fair value of the 12 properties valued by Martin J Veale as an independent valuer was \$24,850,000 (2022: \$25,090,000). Telfer Young (Wellington) Ltd is an experienced valuer with extensive market knowledge in the types and location of land owned by HBRC.

Property at Tūtira was valued at 30 June 2023 to fair value on the basis of market value by M H Morice, registered valuer of Morice Ltd. The total fair value of property valued by M H Morice as an independent valuer was \$600,000 (2022: \$650,000). Morice Ltd is an experienced valuer with extensive market knowledge in the type and location of the property owned by HBRC. The valuer noted "significant valuation uncertainty" attached to the valuation due to Cyclone Gabrielle.

Note 11 (b)

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

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Rental income	5	2,108	1,950	2,108	1,994
Direct operating expense arising from investment properties that generate rental income		(28)	(105)	-	(105)
		2,080	1,845	2,108	1,889

Note 11 (c)

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

Note 11 (d)

Under the lease receivables purchase agreement with ACC, two thirds of the surplus from the freehold of any endowment leasehold property must be paid to ACC and a liability has been recognised for this contractual obligation. See Note 24 for details.





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 12: Intangible assets

Regional Council only	Note	Computer Software / Development Expenditure \$000	Models \$000	Carbon Credits \$000	Council Total \$000
At 30 June 2021					
Cost or valuation		7,852	1,397	5,377	14,626
Accumulated amortisation		(4,867)	(28)	-	(4,895)
Work in Progress			2,534	-	2,534
Net book amount		2,985	3,903	5,377	12,265
Year ended 30 June 2022					
Opening net book amount		2,985	3,903	5,377	12,265
Transfers		(22)	(1,369)	-	(1,391)
Revaluations		-	-	4,677	4,677
Additions		4	-	984	988
Disposals		-	-	(109)	(109)
Impairment		-	-	-	-
Amortisation charges		(634)	-	-	(634)
Change in Work in Progress		825	(2,534)	-	(1,709)
		3,158	-	10,929	14,087
At 30 June 2022					
Cost or valuation		7,834	-	10,929	18,763
Accumulated amortisation		(5,501)	-	-	(5,501)
Work in Progress		825	-	-	825
Net book amount		3,158	-	10,929	14,087
Year ended 30 June 2023					
Opening net book amount		3,158	-	10,929	14,087
Transfers		-	-	-	-
Revaluations		-	-	(5,627)	(5,627)
Additions		761	-	1,521	2,282
Disposals		(2)	-	-	(2)
Impairment		-	-	-	-
Amortisation charges		(623)	-	-	(623)
Change in Work in Progress		(674)	-	-	(674)
		2,620	-	6,823	9,443
At 30 June 2023					
Cost or valuation	12(a)	8,568	-	6,823	15,391
Accumulated amortisation		(6,099)	-	-	(6,099)
Work in Progress		151	-	-	151
Net book amount		2,620	-	6,823	9,443

Note 12 (a)

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

Carbon credits

These credits have been gained from the normal forestry and berm enhancement operations of HBRC. The amount of carbon units have been valued using market value of \$41.00 per unit as at 30 June 2023 (2022: \$75.95 per unit).



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 12: Intangible assets (continued)

Group	Note	Computer Software \$000 (Restated)	Models \$000	Carbon Credits \$000	Group Actual \$000 (Restated)
At 30 June 2021					
Cost or valuation		15,846	1,397	5,377	22,620
Accumulated amortisation		(11,580)	(28)	-	(11,608)
Work in progress		-	2,534	-	2,534
Net book amount		4,266	3,903	5,377	13,546
Year ended 30 June 2022					
Opening net book amount		4,266	3,903	5,377	13,546
Transfers		(22)	(1,369)	-	(1,391)
Revaluations		-	-	4,677	4,677
Additions		339	-	984	1,323
Disposals		-	-	(109)	(109)
Impairment		-	-	-	-
Amortisation charges		(1,166)	-	-	(1,166)
Change in Work in progress		1,196	(2,534)	-	(1,338)
		4,613	-	10,929	15,542
At 30 June 2022					
Cost or valuation		16,163	-	10,929	27,092
Accumulated amortisation		(12,746)	-	-	(12,746)
Work in progress		1,196	-	-	1,196
Net book amount		4,613	-	10,929	15,542
Year ended 30 June 2023					
Opening net book amount		4,613	-	10,929	15,542
Transfers		-	-	-	-
Revaluations		-	-	(5,627)	(5,627)
Additions		1,094	-	1,521	2,615
Disposals		10	-	-	10
Impairment		-	-	-	-
Amortisation charges		(1,218)	-	-	(1,218)
Change in Work in progress		(843)	-	-	(843)
		3,656	-	6,823	10,479
At 30 June 2023					
Cost or valuation		15,713	-	6,823	22,536
Accumulated amortisation		(12,410)	-	-	(12,410)
Work in progress		353	-	-	353
Net book amount		3,656	-	6,823	10,479



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 13: Other financial assets

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Other financial assets					
Current portion					
Term deposits with maturities 92 to 365 days		-	-	-	600
Loans to Hawke's Bay Regional Investment Company		-	-	-	-
Government bonds			175	-	175
Community loans		3,142	2,151	3,142	2,151
Total current portion		3,142	2,326	3,142	2,926
Non-current portion					
Government bonds		947	883	947	883
Community loans		16,551	16,251	16,551	16,251
Funds under Management		110,828	105,302	156,467	148,509
Interest in Joint Venture		-	-	250	-
Civic Financial Services shares		18	18	18	18
LGFA Borrower Notes		1,357	923	1,357	923
Other financial assets					
Shares in Hawke's Bay Regional Investment Company		348,179	368,672	-	-
Total non-current portion		477,880	492,049	175,590	166,584
Total other financial assets		481,022	494,375	178,732	169,510

Fair value

Term deposits: the carrying amount of term deposits approximates their fair value. HBRC held no term deposits as at 30 June 2023 (2021/22: Nil).

Government bonds: the fair value of government bonds is \$947,461 (2022: \$1,057,550). Fair value has been determined using quoted market prices from an independent source. The effective interest rate on government bonds was 2.66% (2022: 3.13%). This stock has an average maturity of 4.7 years (2022: 4.1 years).

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

Shares in Hawke's Bay Regional Investment Company: the valuation of HBRIC Ltd was based on the value of its shareholding in NPHL on 30 June 2023, net assets of FoodEast, value of all managed funds and loans less the value of debt and future management costs.

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

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
At beginning of year		18,402	15,295	18,402	15,295
Additional loans		4,454	6,211	4,454	6,211
Repayments		(3,163)	(3,104)	(3,163)	(3,104)
At end of year		19,693	18,402	19,693	18,402

Fair Value

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





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 14: Forestry assets

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
At beginning of year		13,628	14,748	13,628	14,748
Additions		73	65	73	65
Fair value gains	6	9	236	9	236
Fair value (losses)	6	(1,965)	(1,421)	(1,965)	(1,421)
Disposals		-	-	-	-
Reclassification to Plant, Property & Equipment		-	-	-	-
Movement during the year		(1,883)	(1,120)	(1,883)	(1,120)
At end of year		11,745	13,628	11,745	13,628
Forestry assets include:					
Forestry on Regional Council Owned Land					
Lake Tūtira Country Park Forestry Crop	14(a)	4,083	5,250	4,083	5,250
Waihapua Carbon Sequestration Forestry Crop	14(b)	1,117	1,271	1,117	1,271
Rural WasteWater Disposal Forestry Crops	14(c)	738	758	738	758
Tūtira Mānuka Honey Forestry	14(d)	224	275	224	275
Walker Road Forestry Crop	14(e)	25	25	25	25
Forestry on Regional Council Managed Land					
Tangioi Soil Conservation Reserve Forestry Crop	14(f)	5,230	5,730	5,230	5,730
Joint Venture Forestry					
Joint Venture Forestry Rights	14(g)	328	319	328	319
		11,745	13,628	11,745	13,628

Forestry assets on HBRC-owned land comprise a total of 560.9 hectares (ha) of mixed forestry crops situated in the Lake Tūtira Country Park (87.8 ha), Tūtira Mānuka forestry (95.5 ha), Māhia (36 ha), Waihapua (212.1 ha) and Central Hawke's Bay (129.50 ha). During the period, 0 ha of forest crops were logged (22: 19 ha).

HBRC owned forestry assets were fair valued to \$6,165,500 at 30 June 2023 (2022: \$7,554,000) by M H Morice, a registered valuer, of Morice Ltd.

Valuation assumptions

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

Traditional Forestry Crop

- a discount rate of 6.75% has been used for post tax cash flows
- a rotation of 27-30 years
- an inflation adjustment of 5.0%
- log prices adopted \$/m³.

Grade	2023	2024	2025	2026	2027
aP35	201	204	206	208	211
bSP35	153	156	158	160	163
dA40	125	128	131	134	138
eA30	125	128	131	134	138
fK	116	119	122	125	129
gKI	107	110	113	116	119
hKIS	89	92	96	99	103
iPulp	56	58	60	62	64

Grade	2023	2024	2025	2026	2027
jXPr	117	120	123	126	129
kXA30	135	138	141	144	148
lXK	126	129	132	135	139
mXKI	70	70	70	70	70
nXPlp	70	70	70	70	70

Mānuka crop

- a discount rate of 12.1% was used for the Mānuka forest
- 26.5kg honey produced per hive, one hive per hectare and honey at \$18/kg
- expenses included in DCF for land rent, pest control and administration.

Note 14 (a)

Lake Tūtira Country Park forestry crop consists of radiata plantings on 87.6 ha (2022: 107) situated at Tūtira Country Park. These forestry assets were valued to \$4,082,700 by Morice Limited, independent valuers at 30 June 2023 (2021/22: \$5,250,100). The valuation assumed a discount rate of 6.75%.

Note 14 (b)

HBRC's carbon sequestration forestry assets consist of 212.1 ha of mixed plantings on 316 hectares situated at Waihapua. These forestry assets were fair valued to \$1,116,800 by Morice Limited, independent valuers at 30 June 2023 (2022: \$1,271,000). The valuation assumed a discount rate of 6.75%.

HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 14 (c)

HBRC's wastewater disposal forestry assets consist of eucalyptus and radiata pine plantings on 78.5 ha (51.2 ha planted) at Pourere Road, Waipawa, and 118.8 ha (78.3 ha planted) at Mangatarata Road, Waipukurau and 52 ha (36 ha planted) at Kinikini Road, Māhia. These forestry assets were fair valued to \$738,000 by M H Morice of Morice Limited, independent valuers at 30 June 2023 (2022: \$757,900). The valuation assumed a discount rate of 6.75%.

Note 14 (d)

HBRC is developing 95.5 ha of Mānuka forestry at Tūtira for honey production. These forestry assets were fair valued at \$224,000 by M H Morice of Morice Limited, independent valuers at 30 June 2023. (2022: \$275,000). The valuation assumed a discount rate of 12.1%.

Note 14 (e)

Council's riverside forestry consist of eucalyptus and radiata pine plantings on 19 hectares at Walker Road, Waipawa.

Note 14 (f)

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

Note 14 (g)

HBRC has entered into 10 joint ventures under the Forestry Rights Agreement Act 1983 under which HBRC provided grants to farmers to plant and maintain to maturity soil conservation forestry crops on marginal land. In return, HBRC has a right to a percentage of the profits on harvest.

Note 14 (h)

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

Note 15: Trade and other receivables

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Trade receivables	15(a)	10,051	6,522	23,983	20,025
Less: provision for impairment of receivables	15(b)	(937)	(702)	(1,128)	(893)
Trade receivables - net		9,114	5,820	22,855	19,132
Prepayments		661	259	1,731	1,406
GST Receivable		4,015	524	4,015	524
Accrued income		6,437	4,871	9,936	4,871
Insurance Receivable		4,000	-	4,000	-
Work-in-progress		59	-	59	-
Intercompany receivables		455	402	-	-
Trade & other receivables	15(c&d)	24,741	11,876	42,596	25,933
Total Trade & other receivables comprise:					
Receivables from non-exchange transactions - this includes outstanding rates, grants and fees/charges that are partly subsidised by rates.		24,741	11,876	24,741	11,876
Receivables from exchange transactions - this includes outstanding amounts for commercial sales and fees and charges not subsidised by rates.		-	-	17,855	14,057
		24,741	11,876	42,596	25,933
All trade and other receivables are included as non-exchange transactions as all of Council's receivables are partly subsidised by rates and investment income.					
Current trade and other receivables		24,741	11,876	42,596	25,933
Non-current trade and other receivables		-	-	-	-
		24,741	11,876	42,596	25,933



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Note 15 (a)

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

Note 15 (b)

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

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
At beginning of year	702	144	893	443
Additional provisions made during the year	339	626	339	518
Receivables written off during the year	(54)	(68)	(54)	(68)
Receivables recovered during the year	(50)	-	(50)	-
	235	558	235	450
At end of year	937	702	1,128	893

Note 15 (c)

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

Note 15 (d)

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

	Regional Council			Group		
	Gross \$000	Impairment \$000	Net \$000	Gross \$000	Impairment \$000	Net \$000
2021/22						
Current	1,893	(178)	1,715	14,926	(178)	14,748
Past due 31 - 60 days	512	-	512	854	(63)	791
Past due 61 - 90 days	49	-	49	143	(94)	49
Past due > 90 days	4,068	(524)	3,544	4,102	(558)	3,544
	6,522	(702)	5,820	20,025	(893)	19,132
2022/23						
Current	5,983	(487)	5,496	18,651	(678)	17,973
Past due 31 - 60 days	44	-	44	1,106	-	1,106
Past due 61 - 90 days	(3)	-	(3)	171	-	171
Past due > 90 days	4,027	(450)	3,577	4,055	(450)	3,605
	10,051	(937)	9,114	23,983	(1,128)	22,855





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Note 16: Derivative financial instruments

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Assets					
Interest rate swaps at fair value		2,071	1,507	8,212	6,712
Foreign exchange option		-	-	-	-
Forward exchange contracts at fair value		-	-	-	-
Fuel commodity swaps		-	-	-	-
Total		2,071	1,507	8,212	6,712
Less Non-current portion:					
Interest rate swaps at fair value		-	-	3,613	3,990
Forward exchange contracts at fair value		-	-	-	-
Fuel commodity swaps		-	-	-	-
		-	-	3,613	3,990
Current portion		2,071	1,507	4,599	2,722
Liabilities					
Interest rate swaps at fair value		-	-	2,080	159
Forward exchange contracts at fair value		-	-	-	-
Total		-	-	2,080	159
Less Non-current portion:					
Interest rate swaps at fair value		-	-	948	147
Forward exchange contracts at fair value		-	-	-	-
		-	-	948	147
Current portion		-	-	1,132	12

Note 16 (a)

The notional principal amounts of the outstanding interest rate swaps contracts at 30 June 2023 \$25,000,000 (2022: \$15,000,000). There were \$10,000,000 of forward starting future dated swaps at 30 June 2023 (2022: 5,000,000)

Note 17: Cash and cash equivalents

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Cash at bank and in hand	17(a)	94,171	10,657	103,040	18,276
Short-term bank deposits		-	-	-	-
		94,171	10,657	103,040	18,276

Note 17 (a)

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

Note 17 (b) Reconciliation of cash

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

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Bank overdrafts	-	-	-	-
Cash and cash equivalents	94,171	10,657	103,040	18,276
	94,171	10,657	103,040	18,276



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Note 17 (c) Reconciliation of surplus after tax to net cash flows from operations

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Net Surplus after Tax	(14,153)	(15,636)	3474	(12,324)
Add (Less) Non-Cash Items:				
Fair value gains	(8,048)	(12,205)	(12,289)	(14,641)
Fair value losses	6,213	15,159	6,213	18,813
Depreciation	4,380	4,138	19,980	16,946
Loss/(Gain) on disposal of assets	741	296	741	296
ACC leasehold financing liabilities movement	658	706	658	706
Realised gains on investments	(729)	473	(1,167)	820
Share based payments	-	-	198	192
Reclassification of Intangible Assets	-	3,874	-	3,874
Reclassification of Infrastructure Assets	824	-	824	-
Other Non Cash Items	-	-	(283)	-
Deferred tax	-	-	848	1,074
Add (Less) Movement in Working Capital Items:				
(Increase)/decrease in inventories	72	(10)	72	(10)
(Increase)/decrease in trade & other receivables	(12,865)	1,514	(16,663)	2,102
(Increase)/decrease in tax receivables	-	-	1,402	2,414
(Decrease)/increase in trade & other payables	71,848	2,169	72,214	2,149
(Decrease)/increase in funds held on behalf	19,527	-	19,527	-
(Decrease)/increase in employee entitlement liabilities	598	(250)	645	(250)
Add (Less) Items Classified as Investing or Financing Activities:				
Movement in non-current provisions	-	-	-	3
Non cash revenue adjustments	-	(73)	-	49
Finance Costs classified as financing activities	-	-	5,832	-
Net (Gain) / Loss on sale of non-current assets	-	-	-	-
Net Cash Inflow from Operating Activities	69,066	155	102,226	22,213





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Note 18 : Fair value reserves

Regional Council							
Land	Buildings	Hydrological assets	Infrastructure assets	Carbon Credits	Other financial assets	HBRC Ltd	Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 30 June 2021	3,736	3,164	915	110,992	5,377	(213)	268,216
Year ended 30 June 2022							
Reclassification transfer	-	-	-	-	-	-	-
Revaluation - gross	2,503	3,893	(159)	28	5,661	(751)	(65,869)
Transfer to accumulated funds	-	-	-	-	(109)	-	(109)
	2,503	3,893	(159)	28	5,552	(751)	(65,978)
At 30 June 2022	6,239	7,057	756	111,020	10,929	(964)	191,172
Year ended 30 June 2023							
Reclassification transfer	-	-	-	-	-	-	-
Revaluation - gross	-	-	(188)	(16,076)	(4,283)	(135)	(20,493)
Transfer to accumulated funds	-	-	(188)	(16,076)	(4,283)	(135)	(20,493)
	-	-	(188)	(16,076)	(4,283)	(135)	(20,493)
At 30 June 2023	6,239	7,057	568	94,944	6,646	(1,099)	170,679

Group								
Land	Buildings	Hydrological Assets	Infrastructure Assets	Carbon Credits	Other Financial Assets	Sea Defences	Hedged Transactions	Group Total
\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
At 30 June 2021	3,736	4,257	915	110,992	5,377	(213)	70,307	195,325
Attributable to parent	3,736	4,257	915	110,992	5,377	(213)	38,669	163,708
Attributable to NCI	-	-	-	-	-	-	31,638	31,617
Year ended 30 June 2022								
Reclassification transfer	-	-	-	-	-	-	-	-
Revaluation - gross	2,503	3,893	(159)	28	5,661	(865)	15,473	28,562
Revaluation - attributable to NCI	-	-	-	-	-	-	12,660	14,320
Transfer to accumulated funds	-	-	-	-	(109)	-	-	(109)
	2,503	3,893	(159)	28	5,552	(865)	28,133	42,773
At 30 June 2022	6,239	8,150	756	111,020	10,929	(1,078)	98,440	238,098
Attributable to parent	6,239	8,150	756	111,020	10,929	(1,078)	54,142	192,161
Attributable to NCI	-	-	-	-	-	-	44,298	45,937
Year ended 30 June 2023								
Reclassification transfer	-	-	-	-	-	-	-	-
Revaluation - gross	-	-	(188)	(16,076)	(4,283)	(104)	(1,335)	(21,557)
Revaluation - attributable to NCI	-	-	-	-	-	-	(414)	(63)
Transfer to accumulated funds	-	-	(188)	(16,076)	(4,283)	(104)	(1,749)	(21,620)
	-	-	(188)	(16,076)	(4,283)	(104)	(1,749)	(21,620)
At 30 June 2023	6,239	8,150	568	94,944	6,646	(1,182)	96,691	216,478
Attributable to parent	6,239	8,150	568	94,944	6,646	(1,182)	52,807	170,604
Attributable to NCI	-	-	-	-	-	-	43,884	45,874

Note 18 (a)

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







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Note 19 (b) Other reserves (Parent) (continued)

1. Infrastructure asset depreciation - a reserve established to fund the renewal of scheme infrastructure assets as required by the Local Government Act 2002.
2. Wairoa rivers and streams - a reserve established to fund flood mitigation and recovery work within the Wairoa district.
3. Special flood and drainage scheme - reserves established for each scheme to account for rating balances that arise each year as a consequence of the actual income and expenditure incurred in any one year.
4. Port dividend equalisation - a reserve established to smooth out the dividend receipts from the Port so that fluctuations in the Regional Council's general funding rates are minimised.
5. Coastal marine area - a reserve established to meet the statutory requirements on the use of rental income earned on the Regional Council's endowment leasehold land.
6. Specific regional projects - a reserve established to meet the statutory requirements on the use of 50% of rental income on HBRC's endowment leasehold land received prior to 1 July 2003. In December 2013 these cashflows were sold to ACC, refer to Note 24 for more details.
7. Asset replacement - a reserve established to fund the replacement of operating property, plant and equipment which are not scheme based.
8. Regional disaster damage - a reserve established to provide funding for the cost of responding to and managing an event; cost of reinstatement of any uninsured assets (eg. pathways on top of stopbanks); any difference between the deductible and the threshold for eligibility for central government assistance (government covers 60% of the loss in the event of a disaster); to fund the policy excess of \$1.5 million included in the policy with private insurers to cover 40% of the loss up to \$24 million in the event of a disaster; and the possibility of the cost of reinstating the level of service provided by the asset being considerably more than the optimised replacement value.
9. Scheme disaster damage - reserves established to meet each scheme's share of insurance excess and other costs to restore scheme assets that are not recoverable from other sources.
10. Clive river dredging - a reserve established to meet the expenditure of dredging requirements on the Clive River.
11. Tangoio soil conservation - a reserve established to separate the revenues and expenses associated with the Tangoio Soil Conservation Reserve as this reserve is managed and overseen by the Regional Council on behalf of the Crown.
12. Maungaharuru Tangitū - a reserve established as a catchments fund in accordance with the Maungaharuru-Tangitū Claims Settlement Act.
13. Long-term Investment Fund - a reserve established to hold the proceeds of endowment leasehold land sales to be reinvested in accordance with HBRC's policy on 'Evaluation of Investment Opportunities' approved on 30 April 2008. Formerly the Sale of Land Investment Fund.
14. Sale of land non-investment fund - a reserve established to hold transfers from the Long-term Investment Fund to be invested in accordance with HBRC's policy on 'Open Space Investment' approved on 25 June 2008 and HBRC's Investment Policy set out in the 2009/19 10-Year Plan.
15. Rabbit - a reserve established to fund costs expected to be incurred with growing rabbit populations. The reserve is limited to a maximum balance of \$133,000.
16. Ngāti Pāhauwera - a reserve established to ring-fence funding for Ngāti Pāhauwera Rivers Initiatives. For the clean up of the Mohaka, Waikari and Waihua Rivers and their catchments.
17. Port IPO Future Investment Fund - a reserve established to hold the proceeds of the Napier Port IPO.
18. Enhancement Revenue Reserve Fund - a reserve established to hold enforcement revenue for future environmental protection and restoration activities and managing diversion scheme funds.



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Note 19 (c) Other reserves

	Regional Council	Subsidiaries		Group
	Total \$000	NCI Value \$000	Share-based Payment Reserve \$000	Total \$000
At 30 June 2021	150,429	116,013	268	266,710
Net fair value gains / (losses)	-	-	-	-
Interest income / (expense)	655	-	-	655
Rental income - net	-	-	-	-
Depreciation transfer	4,103	-	-	4,103
Trading gain / (loss)	(9,381)	-	-	(9,381)
Transfers / (use of) reserves	(6,919)	202	106	(6,611)
Asset purchases - net	(3,246)	-	-	(3,246)
Borrowings - net	1,035	-	-	1,035
	(13,753)	202	106	(13,445)
At 30 June 2022	136,676	116,215	374	253,265
Net fair value gains / (losses)	-	-	-	-
Interest income / (expense)	490	-	-	490
Rental income - net	-	-	-	-
Depreciation transfer	4,196	-	-	4,196
Trading gain / (loss)	5,503	-	-	5,503
Transfers / (use of) reserves	(13,707)	11	14	(13,682)
Asset purchases - net	(4,800)	-	-	(4,800)
Borrowings - net	(208)	-	-	(208)
	(8,526)	11	14	(8,501)
At 30 June 2023	128,150	116,226	388	244,764

Note 20: Borrowings

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Non-current					
Bank Borrowings		53,550	42,575	182,496	171,955
Provincial Growth Fund Borrowings		1,350	500	1,350	500
HBRC loan to HBRC		16,663	16,663	-	-
Finance Lease Obligations		-	-	-	-
		71,563	59,738	183,846	172,455
Current					
Bank Overdrafts		-	-	-	-
Bank Borrowings		29,930	3,650	29,930	3,650
Finance Lease Obligations		-	-	-	-
		29,930	3,650	29,930	3,650
Total borrowings		101,493	63,388	213,777	176,105

Note 20 (a) Guarantees

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

HBRC is not a shareholder but participates as one of 76 borrowers and guarantors of LGFA. When HBRC borrows through the LGFA they are required to invest 2.5% of the proceeds back with the LGFA as borrower notes which the LGFA retain as capital. As at 30 June 2023, HBRC held \$1,356,500 of borrower notes with the LGFA (2022: \$922,500). Together with the other shareholders and guarantors, HBRC is a guarantor of all of LGFA's borrowings. As at 30 June 2023 LGFA had borrowings of \$17,683 million (2022: \$15,789 million). Financial reporting standards require HBRC to



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recognise the guarantee liability at fair value. However, HBRC has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability.

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

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

Note 20 (b) Security

HBRC's bank loans are secured over the rating base of HBRC. The Port loans are secured by way of a negative pledge over the assets of the Port in respect of both sale of such assets and other security interests. BNZ holds security stock certificates of \$22 million maintained within HBRC's Debenture Trust Deed (2022 \$22 million), Westpac Bank holds security stock certificates of \$10.5 million maintained within HBRC's Debenture Trust Deed. (2022 \$10.5 million)

Note 20 (c) Maturity analysis of borrowings

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

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
6 months or less	25,630	-	25,630	-
Between 6 and 12 months	4,300	1,000	4,300	6,809
Between 1 and 2 years	8,650	5,350	8,650	68,803
Between 2 and 5 years	53,413	45,338	165,696	99,485
Over 5 years	9,500	11,700	9,500	11,700
	101,493	63,388	213,776	186,797

Note 20 (d) Effective interest rates

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

	Regional Council		Group	
	Actual 22/23 %	Actual 21/22 %	Actual 22/23 %	Actual 21/22 %
	1.61 – 5.97	1.61 – 6.66	1.61 – 5.97	1.61 – 6.66

Note 20 (e) Fair values

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

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Borrowings	113,156	67,899	225,439	180,616
	113,156	67,899	225,439	180,616

The fair values is based on cash flows discounted using a rate based on the average borrowing rate of 4.141% (2022: 3.265%). The carrying amount of borrowings repayable within one year approximate their fair value.

Note 20 (f) Undrawn facilities

The Group has the following undrawn borrowing facilities:

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Bank overdraft	10,000	5,000	-	5,000
Bank borrowings	-	-	48,000	50,000
	10,000	5,000	48,000	55,000



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Note 20 (g) Internal borrowings

The following internal borrowings have been funded by HBRC reserves:

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Internal Loan Opening Balance				
Asset Management	1,441	1,782	1,441	1,782
Integrated Catchment Management	12,947	10,284	12,947	10,284
Governance & Partnerships	22,357	19,500	22,357	19,500
Transport	92	105	92	105
Policy & Regulation	50	70	50	70
Corporate Services	9,838	4,715	9,838	4,715
Emergency Management	-	-	-	-
	46,725	36,456	46,725	36,456
Internal Loans Borrowed during the year				
Asset Management	1,091	225	1,091	225
Integrated Catchment Management	2,452	3,921	2,452	3,921
Governance & Partnerships	4,454	6,211	4,454	6,211
Transport	-	-	-	-
Policy & Regulation	-	-	-	-
Corporate Services	9,782	5,927	9,782	5,927
Emergency Management	9,638	-	9,638	-
	27,417	16,284	27,417	16,284
Internal Loans Repaid during the year				
Asset Management	274	566	274	566
Integrated Catchment Management	1,317	1,258	1,317	1,258
Governance & Partnerships	3,088	3,354	3,088	3,354
Transport	14	13	14	13
Policy & Regulation	20	20	20	20
Corporate Services	820	804	820	804
Emergency Management	-	-	-	-
	5,532	6,015	5,532	6,015
Internal Loan Closing Balance				
Asset Management	2,258	1,441	2,258	1,441
Integrated Catchment Management	14,082	12,947	14,082	12,947
Governance & Partnerships	23,723	22,357	23,723	22,357
Transport	78	92	78	92
Policy & Regulation	30	50	30	50
Corporate Services	18,800	9,838	18,800	9,838
Emergency Management	9,638	-	9,638	-
	68,609	46,725	68,609	46,725
Interest Paid during the year				
Asset Management	56	47	56	47
Integrated Catchment Management	375	277	375	277
Governance & Partnerships	655	523	655	523
Transport	2	1	2	1
Policy & Regulation	1	1	1	1
Corporate Services	288	200	288	200
Emergency Management	181	-	181	-
	1,558	1,049	1,558	1,049



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Note 21: Deferred income tax (Group)

	Note	Property, Plant & Equipment \$000	Derivatives \$000	Other \$000	Total \$000
Balance at 30 June 2021		(18,796)	1,699	681	(16,416)
Re-alignment to closing balances		846	(1,682)	836	-
Charged to surplus or deficit re current year		(469)	(16)	(578)	(1,063)
Amounts charged or credited direct to equity		(1,855)	(1,435)	-	(3,290)
Balance at 30 June 2022		(20,274)	(1,434)	939	(20,769)
Balance at 30 June 2022		(20,274)	(1,434)	939	(20,769)
Charged to surplus or deficit re current year		(2,080)	(236)	1,240	(1,076)
Amounts charged or credited direct to equity		-	-	(307)	(307)
Balance at 30 June 2023		(22,354)	(1,670)	1,872	(22,152)

Note 22: Employee benefit liabilities

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Annual leave		1,915	1,733	7,027	6,870
Long service leave		383	343	951	836
Sick leave		123	26	123	26
Retirement gratuities		118	116	118	116
Other short-term benefits		276	-	277	-
Accrued payroll expenses		-	-	-	-
Total employee benefit liabilities		2,815	2,218	8,493	7,848
Disclosed as:					
Non-current		414	411	982	904
Current		2,401	1,807	7,511	6,944
		2,815	2,218	8,493	7,848



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 23: Trade and other payables

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Trade payables		6,476	938	11,686	7,463
Accrued expenses		16,391	7,821	19,899	13,259
Deposits & advances	23(a)	66,829	7,009	68,336	7,009
Intrabusiness payables		-	85	-	-
		89,696	15,853	99,921	27,731
Funds held on behalf	23(b)	19,620	93	19,620	93
		109,315	15,946	119,540	27,824
Total trade and other payables comprise:					
Payables and deferred revenue from non-exchange transactions - rates paid in advance (Includes Clean Heat rates in advance).		80,237	5,026	80,237	5,026
Payables and deferred revenue from exchange transactions - amounts payable on commercial transactions		29,078	10,920	39,303	22,798
		109,315	15,946	119,540	27,824

Trade payables are non-interest bearing and are generally on 30-day terms. The carrying amount of trade and other payables approximates their fair value.

Note 23 (a)

Deposits and advances includes HBRC income in advance of \$56.8 million under the Sediment and Debris funding agreement. Refer to Note 5 for more details.

Note 23 (b)

Funds held on behalf includes \$16.1 million in relation to funds received under the Sediment and Debris funding agreement but not yet allocated to any of the HB councils. Refer to Note 5 for more details. It also includes \$2.6m held on behalf of the Hawkes Bay Disaster Relief Trust as their bank account is held by HBRC.

Note 24: ACC Leasehold Financing Liabilities

		Regional Council		Group	
	Note	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Current portion:					
Base loan	24(a)	619	632	619	632
Excess payments	24(b)	797	894	797	894
		1,416	1,526	1,416	1,526
Non-current portion:					
Base loan	24(a)	7,991	8,158	7,991	8,158
Excess payments	24(b)	21,292	24,046	21,292	24,046
		29,283	32,204	29,283	32,204
Total		30,699	33,730	30,699	33,730

ACC Leasehold Financing Liability

In December 2013, HBRC entered into a contract with the Accident Compensation Corporation (ACC) to sell the cash flows (both rental and sales proceeds) generated from the portfolio of Napier leasehold properties for a period of 50 years ending 30 June 2063 (after a free-holding initiative to lessees). A lump sum of \$37.651 million was received to fund investment activity.



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 24 (a) – Base Loan

The base loan is the original receipt recognised at fair value, \$37.651 million, and subsequently measured at amortised cost.

Note 24 (b) – Excess Payments

The fair value of the excess payments liability at the reporting date has been assessed as two-thirds of the difference between the investment property fair value (\$41,744,000) and the base loan liability (\$8,610,087).

Note 24 (c) – Current/Non-current Split

HBRC notes that between 10 and 74 units have been freeholded each year since the start of the contract and has assumed that 10 (2022:10) units will be freeholded in the 12 months following the reporting date.

Note 25: Reconciliation of liabilities arising from financing activities

Regional Council	Note	Borrowings \$000	ACC Leasehold \$000	Total \$000
Balance at 30 June 2021		47,538	31,413	78,951
Net cash flows		15,850	(1,701)	14,149
Fair value adjustment		-	4,219	4,219
Other		-	(201)	(201)
Balance at 30 June 2022		63,388	33,730	97,118
Net cash flows		38,105	(366)	37,739
Fair value adjustment		-	(2,315)	(2,315)
Other		-	(350)	(350)
Balance at 30 June 2023		101,493	30,699	132,192
Group				
Balance at 30 June 2021		89,593	31,413	121,006
Net cash flows		85,850	(1,701)	84,149
Fair value adjustment		-	4,219	4,219
Other		662	(201)	461
Balance at 30 June 2022		176,105	33,730	209,835
Net cash flows		36,580	(366)	36,214
Fair value adjustment		-	(2,315)	(2,315)
Other		1,091	(350)	742
Balance at 30 June 2023		213,776	30,699	244,476



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 26: Related-party disclosures (the Group)

Note 26 (a) The following transactions were carried out with subsidiaries:

	Note	Actual 22/23 \$000	Actual 21/22 \$000
(i) Sales of services			
By parent		543	461
By subsidiary		494	363
		1,037	824
(ii) Purchases of services			
By parent		494	363
By subsidiary		543	461
		1,037	824
(iii) Subvention payments			
Received by parent		10	121
Paid by subsidiary		10	121
The subvention payment is the tax effect of total losses transferred from Regional Council to Hawke's Bay Regional Investment Company			
(iv) Dividends (net)			
Received by parent		6,870	9,025
Paid by subsidiary		6,870	9,025
(v) Loans			
Paid by parent		-	-
Received by subsidiary		-	-
Paid by subsidiary		-	-
Received by parent		-	-

Note 26 (b) Transactions with key management personnel

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

As part of the Constitution of Hawke's Bay Tourism Limited, HBRC is entitled to appoint one director to the Board of Hawke's Bay Tourism Limited. This position was filled by Councillor Sophie Siers for the 2022/23 year. HBRC has paid Hawke's Bay Tourism Limited \$1,520,000 (excl. GST) in the 2022/23 year as per the funding agreement.

Note 26 (c) Year end balances arising from sales/purchases of goods and services

	Note	Actual 22/23 \$000	Actual 21/22 \$000
Receivables from related parties			
Parent		455	401
Subsidiary		-	89
		455	490
Payables to related parties			
Parent		-	89
Subsidiary		455	401
		455	490

Note 26 (d) Terms and conditions of transactions with related parties

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

Outstanding balances at year end are unsecured and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables. At year end, there is no impairment relating to amounts owed by related parties (2022: \$nil).





HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 27: Commitments and contingencies

Note 27 (a) Capital commitments

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

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Property, plant & equipment		62	3,897	1,462	16,262
Investment property		729	-	-	-
		791	3,897	1,462	16,262

Note 27 (b) Operating lease commitments as lessee

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

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

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Not later than one year		357	365	354	615
Later than one year but not later than five years		267	670	267	1,297
Later than five years		-	-	-	-
		621	1,035	621	1,912

Note 27 (c) Operating lease commitments as lessor

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

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

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Not later than one year		45	51	2,153	2,138
Later than one year but not later than five years		132	144	5,613	7,459
Later than five years		112	145	8,860	10,035
		289	340	16,626	19,632

Napier leasehold land is leased under operating leases with annual rent payments set for a period of 21 years. As at 30 June 2023 the annual rent receivable by HBRC is \$1,267,027 (2022: \$1,161,026).

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

Wellington leasehold land is leased under operating leases with rent review periods between 7 and 14 years. As at 30 June 2023 the annual rent receivable by HBRC is \$870,819 (2022: \$840,262). At the expiry of the lease term a rent renewal will be calculated on the current land value. These leases will keep renewing as long as the land is owned by HBRC. Leasehold properties may be freeholded or sold to another party at any time subject to approval by HBRC. The annual rent receivable figure above assumes no freeholding will take place.



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 27 (d) Contingencies

In respect of the Regional Council only:

The Tangoio Soil Conservation Reserve fund contains the proceeds from the Reserve since management and control of the Reserve was vested in HBRC in 1985, less the cost of managing the Reserve. This fund is held by HBRC on behalf of the Crown. The value of the funds at 30 June 2023 are \$2,438,299 (2021/22: \$2,605,136).

HBRC is a guarantor of all of LGFA's borrowings. See Note 20(a).

Hawke's Bay Regional Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ('Riskpool'). The Scheme is in wind down, however the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call in respect of historical claims diminishes with each year as limitation periods expire. However, as a result of the Supreme Court decision on 1 August 2023 in Napier City Council v Local Government Mutual Funds Trustee Limited, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weathertight defects (in a mixed claim involving both weathertight and non-weathertight defects). Riskpool has advised that it is working through the implications of the Supreme Court decision. At this point any potential liability is unable to be quantified.

Note 28: Local Government Act 2002 disclosures

Note 28 (a) Remuneration of chair and elected members of Council

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

2022/23

		Salary	Hearing Fees	Councillor Allowances	Total Remuneration
		22/23	22/23	22/23	22/23
		\$	\$	\$	\$
Elected Members					
Rick Barker	End Date 29 Sept 2022	33,058	-	374	33,432
Neil Kirton		68,585	-	1,827	70,412
William Foley		68,585	-	8,425	77,011
Craig Foss	End Date 29 Sept 2022	18,264	-	1,559	19,824
Charles Lambert		61,465	-	7,677	69,142
Jacqueline Taylor	End Date 29 Sept 2022	15,674	-	1,156	16,830
Hinewai Ormsby		118,840	1,803	3,415	124,057
Jerfaas Van Beek		68,585	-	2,361	70,946
Martin Williams		68,585	8,170	1,585	78,340
Thompson Hokianga	Start Date 26 October 2022	45,791	-	2,042	47,833
Sophie Siers	Start Date 26 October 2022	50,321	-	6,333	56,653
Di Roadley	Start Date 26 October 2022	45,791	-	13,952	59,743
Jock Mackintosh	Start Date 26 October 2022	45,791	-	2,120	47,912
Xan Harding	Start Date 26 October 2022	45,791	-	1,859	47,650
		755,128	9,973	54,683	819,784

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

2021/22

		Salary	Hearing Fees	Councillor Allowances	Total Remuneration
		21/22	21/22	21/22	21/22
		\$	\$	\$	\$
Elected Members					
Rick Barker		135,860	-	1,500	137,360
Neil Kirton		72,289	-	1,153	73,442
William Foley		72,288	-	5,903	78,191
Craig Foss		72,289	-	4,641	76,930
Charles Lambert		62,036	-	5,379	67,415
Jacqueline Taylor	Start date 29 Sept 2021	49,296	-	2,832	52,128
Hinewai Ormsby		72,289	-	4,029	76,318
Jerfaas Van Beek		72,289	-	2,914	75,203
Martin Williams		72,289	16,800	1,500	90,589
		680,925	16,800	29,851	727,576



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 28 (b) Remuneration of chief executive

2022/23

James Palmer - CE HBRC	(01/07/2022-10/02/2023)
Pieri Munro – interim CE HBRC	(13/02/2023 – 28/04/2023)
Bill Bayfield – interim CE HBRC	(01/05/2023 – 30/06/2023)

Salary	Severance Payments	Other Benefits	Total Remuneration
22/23	22/23	22/23	22/23
\$	\$	\$	\$
249,410	-	25,846	275,257
58,614	-	8,978	68,592
96,000	-	-	96,000
405,024	-	34,825	439,848

202/22

James Palmer - CE HBRC	(01/07/2021 - 30/06/2022)
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Salary	Severance Payments	Other Benefits	Total Remuneration
21/22	21/22	21/22	21/22
\$	\$	\$	\$
330,585	-	28,251	358,836
330,585	-	28,251	358,836

Note 28 (c) Severance payments

There were two severance payments (2022: 2) made to employees totalling \$108,030 (2022: \$91,701) that were outside contractual obligations.

Note 28 (d) Regional Council employees

Total Annual Remuneration by band for Employees as at 30 June

< \$60,000
\$60,000 - \$79,999
\$80,000 - \$99,999
\$100,000 - \$119,9199
\$120,000 - \$139,999
\$140,000 - \$159,999
\$160,000 - \$219,999 (combined band)
\$220,000 - \$359,999 (combined band)

22/23	21/22
\$	\$
34	38
91	100
100	87
63	46
26	24
11	6
11	7
4	3
340	311

Total Employees (headcount)

Total remuneration includes non-financial benefits provided to employees.

At balance date, HBRC-employed 286 (2022: 272) full-time employees, with the balance of staff representing 35.12 (2022: 28.6) full-time equivalent employees. A full-time employee is determined on the basis of a 40 or more hour working week.

Note 28 (e) Regional Planning Committee

Committee Members

A. Hiha - Mana Ahuriri Trust	
L. Kele - Heretaunga Tamatea Settlement Trust	Start date 16 Feb 2022
K. Ropiha - Heretaunga Tamatea Settlement Trust	Start date 16 Feb 2022
K. Brown - Ngāti Hineuru Iwi Trust	
T. Hopmans - Maungaharuru-Tangitū Trust	
T. Thornton - Ngāti Pāhauwera Development Trust	
N. Kirikiri - Ngāti Ruapani mai Waikaremoana Trust	
A. Tapine (Co-Chair) - Tātau Tātau o Te Wairoa Trust	
M. Mohi - Te Kotahitanga o Ngāti Tūwharetoa Trust	
T Eden - Mana Ahuriri Trust	Start date 7 Dec 2022
M McIlroy - Tātau Tātau o Te Wairoa	Start date 3 Feb 2023

Meeting Fees	Travel Allowances	Total Remuneration
22/23	22/23	22/23
\$	\$	\$
7,896	166	8,062
15,973	354	16,327
21,298	2,515	23,813
14,165	425	14,590
24,999	-	24,999
15,069	1,141	16,210
15,521	886	16,407
21,058	3,294	24,352
17,329	1,559	18,888
-	-	-
5,560	291	5,851
158,868	10,631	169,499



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 28 (f) Māori Committee

Committee Members

K. Kawana - Wairoa Taiwhenua	
M. McIlroy - (Co Chair) Kahungunu Executive (Wairoa)	End date 29 Sep 22
M. Paku - (Co Chair) Te Taiwhenua o Heretaunga	
A. Robin - Te Taiwhenua o Te Whanganui A Orotu	
B. Blake - Wairoa Taiwhenua	Ended 29 Sep 22
H. Hilton - Te Taiwhenua o Heretaunga	
M. Apatu - Te Taiwhenua o Heretaunga	
P. Eden - Te Taiwhenua o Te Whanganui A Orotu	
P. Sciascia - Te Taiwhenua o Tamatea	
M. Hape - (Proxy) Te Taiwhenua o Tamatea	
R. Hihi - Te Taiwhenua o Te Whanganui A Orotu	
R. Maaka - Te Taiwhenua o Tamatea	
D. Smith - Te Taiwhenua o Tamatea	
H. Mita - Wairoa Taiwhenua	Start date 8 Feb 23
P. Kelly - Kahungunu Executive	Start date 1 Feb 23
B. Barber - Ngāti Kahungunu Iwi inc	Start date 8 Feb 23

Meeting Fees 22/23 \$	Travel Allowances 22/23 \$	Total Remuneration 22/23 \$
8,989	1,320	10,308
9,141	1,394	10,536
15,641	603	16,244
4,068	133	4,201
-	-	-
452	8	460
2,712	115	2,827
4,068	152	4,220
1,808	546	2,354
452	115	567
4,068	149	4,217
2,712	599	3,311
4,068	115	4,183
904	281	1,185
1,808	93	1,901
-	-	-
60,891	5,623	66,514

Note 28 (g) Finance, Audit and Risk Sub-Committee

Independent Members

S Maloy

Meeting Fees 22/23 \$	Travel Allowances 22/23 \$	Total Remuneration 22/23 \$
4,667		4,667
4,667		4,667

Note 29: Major budget variance (the Parent)

Cyclone Gabrielle's arrival in February 2023 had a profound impact on the Hawke's Bay region and HBRC's activities and financial performance for the financial year ending 30 June 2023. In response to the emergency nature of this event, HBRC had a significant reprioritisation of activities from business-as-usual activities (BAU) as budgeted to response and recovery activities such as community welfare, immediate and ongoing repair and restoration of infrastructure assets to their pre-cyclone condition and sediment and debris management. Some of the expenditure incurred has been recovered through external bodies like National Emergency Management Agency (NEMA) and the Department of Internal Affairs (DIA) with further recoveries expected in the coming financial year(s) from insurance and other funding sources.

Statement of comprehensive revenue and expense

Operating revenue was \$29.3 million above budget:

Revenue from activities is \$0.716 million above budget predominantly from:

- Asset Management receiving an additional \$0.53 million for gravel extraction.
- Integrated Catchment Management receiving \$0.247 million above budget from additional cost

recoveries for biodiversity/biosecurity activities that are co-funded.

Rates income is \$0.8 million above budget from increased penalties and minor variations in actual rates levied due to new properties and changes in value since the Annual Plan was approved.

Subsidies and grants have exceeded the budget by a substantial \$25.7 million. This is mainly attributed to \$21 million in funding from the Government for sediment and debris management, along with an additional \$4.8 million recognised from NEMA for welfare efforts during Cyclone Gabrielle response.

Other Revenue is \$4 million below budget due to:

- The dividend revenue has fallen below budget expectation by \$2.9 million. This deviation is primarily the result of Cyclone Gabrielle, which disrupted cargo volumes and incurred increased costs for Napier Port, consequently impacting the dividend from them to Hawke's Bay Regional Investment Company Ltd (HBRIIC).
- Forestry revenue has fallen short of budget by \$1.1 million, primarily due to adverse weather conditions that restricted harvesting during the 2022-2023 period.



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

- Insurance proceeds of \$4million have been received due to Cyclone Gabrielle.

Operating expenditure was \$47.7 million above budget:

Expenditure on activities is \$40.2 million over budget:

- Emergency Management was overspent by \$26.8 million with the primary driver being the response to Cyclone Gabrielle. This substantial expenditure was necessary to address the emergency and its aftermath effectively.
- Policy and Regulation operating expenditure was \$17 million above budget, primarily because of the expenses related to cyclone sediment and debris management.
- Asset management operating expenditure exceeded the budget by \$2.3 million. The largest contributors to this were the reclassification of \$0.824 million in gravel extraction costs from work in progress (WIP) in the 2021-2022 financial year to operating expenses in the 2022-2023 financial year, in accordance with accounting policies, and the subsequent recognition of \$1.5 million in gravel extraction costs as operating expenses in the 2022-2023 financial year, that were initially budgeted as capital expenditure.
- Integrated Catchment Management operating expenditure is \$4.9 million below budget. Over \$2 million of this can be attributed to the impact of adverse weather conditions on the Erosion Control Scheme, resulting in lower expenditure than initially budgeted.
- Corporate overheads exceeded the budget by \$0.659 million, primarily due to a substantial increase in workload triggered by Cyclone Gabrielle. Activities such as managing the Hawke's Bay Disaster Trust, processing NEMA and insurance claims, and handling government funding led to higher employee costs, contributing to the budgetary overage.

Finance costs have exceeded the budget by \$1.4 million mainly due to an increase in bank borrowings of \$36.6 million. Short-term loans taken out to address Cyclone Gabrielle's impact resulted in \$0.55 million in recognised interest. Despite rising interest rates, the long-term nature of borrowings has mitigated their impact and effective interest rates in 2022-2023 are lower than in 2021-2022.

Fair value losses amount to \$6.2 million, with \$4.2 million stemming from investment property losses and \$2 million from forestry assets. The primary driver for the investment property losses is the downturn in the residential market, coupled with the freeholding of two residential properties.

Other comprehensive revenue and expense shows a \$41.2 million loss in value of assets. Notably, HBRC's investment in HBRIC saw a fair value reduction of \$20.5 million, primarily influenced by a decrease in the share price of Napier Port. This drop in share price was largely driven by the impact of Cyclone Gabrielle, which heavily affected the primary customers of the port in the horticulture and forestry sectors. Additionally, infrastructure assets have been impaired by \$16 million as a result of Cyclone Gabrielle. Lastly, the decline in the fair value of intangible assets attributed to changing market conditions for carbon credits.

Statement of financial position

Infrastructure assets are below budget due to a reprioritisation from planned BAU Infrastructure expenditure to Cyclone response and recovery repair of existing assets and the impairment of those assets as they are repaired. The value of intangible assets was driven by the decrease in the market price of carbon credits.

Other financial assets have fallen below the budget primarily because local banks have been offering more favourable loan terms to homeowners for sustainable home improvements compared to what the Council could provide. This has led to a lower uptake of community loans offered by the Council for sustainable homes, resulting in the budget variance for other financial assets.

The investment in HBRIC declined as a direct result of the drop in the share price of Napier Port Holdings.

Trade and Other Receivables has increased significantly compared to budget. This rise includes \$4 million insurance receivable, \$1.6 million related to funding for cyclone related costs and the councils increased spending, leading to a high GST refund of \$4 million for June 2023.

The surplus in cash and cash equivalents beyond the budget can be attributed to DIA funding agreements, initiated in response to Cyclone Gabrielle. Notably, around \$80 million of this surplus is associated with specific DIA funding for the region, which is held in the HBRC Jarden Cash Facility.

Trade and Other Payables have exceeded the budget by \$77.5 million, primarily as a consequence of Cyclone Gabrielle. \$72.9 million of this variance relates to the DIA funds received for sediment and debris - \$56.8 million received in advance by HBRC and \$16.1 million held on behalf of the Hawke's Bay councils. The majority of remaining variance can be attributed to heightened expenditure incurred due to the cyclones impact and response efforts.

Borrowings have increased beyond planned levels for the year because of additional debt that the Council has undertaken to finance the response and repair efforts necessitated by Cyclone Gabrielle. These



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

borrowings have been instrumental in maintaining cashflow while awaiting the processing of insurance and NEMA claims related to the cyclone.

Statement of changes in equity/other comprehensive income

The fair value reserves are below budget due to the value of Napier Port decreasing as a result of the cyclone, the impairment of the council's infrastructure assets and the market change with carbon credits.

Statement of cash flow

The significant increase of \$64.4 million from budget in net cash flows from operating activities is mostly driven by grant funding receipts for sediment and debris cyclone response that have not yet been spent. Net cash flows from investing activities were under budget by \$10.9million due a lower uptake than budgeted of community loans for sustainable homes due to more competitive options being available to some homeowners and lower purchase of financial assets and reprioritisation of the infrastructure work program due to Cyclone Gabrielle. Net cash flows from financing activities were \$16.8 million above budget due to the increased debt drawdown required to fund increased activity due to Cyclone Gabrielle.



Note 30: Financial risk management

Introduction

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

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

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

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

Market risk

Price risk

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

Currency risk

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

Interest rate risk

Fair Value Interest Rate Risk

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

Cash Flow Interest Rate Risk

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

Credit risk

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

The group invests funds with registered banks, fund managers and government stock. Its investment policy limits the amount of credit exposure to any one institution or organisation.

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



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Table 3: Maximum exposure to credit risk

	Regional Council		Group	
	Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Cash and cash equivalents	94,171	10,657	100,468	18,276
Bank deposits with terms greater than 91 days	-	-	-	600
Government stock	947	1,058	947	1,058
Funds under management	110,828	105,302	156,467	148,509
Community loans	19,693	18,402	19,693	18,402
Trade & other receivables	16,562	8,096	33,348	21,006
Advances to CCO	-	-	-	-
Derivative financial instruments	2,071	1,507	8,213	6,712
	244,273	145,022	321,709	214,563

HBRC is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in Note 20.

Note 30 (a): Financial risk management

Liquidity risk

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

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

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

Table 4: Contractual maturity analysis

	Carrying Amount \$000	Contractual Carrying Amount \$000	Less than 1 year \$000	1 - 2 years \$000	3 - 5 years \$000	More than 5 Years \$000
Regional Council at 30 June 2023						
Creditors and other payables	24,913	24,913	24,913	-	-	-
Bank borrowings	83,480	92,578	33,798	10,938	38,167	9,675
Bank overdraft	-	-	-	-	-	-
Loans from CCO	16,663	17,330	-	17,330	-	-
Provincial Growth Fund borrowings	1,350	1,367	-	658	709	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base Loan	8,610	8,610	619	556	1,421	6,014
Finance lease	-	-	-	-	-	-
	135,017	144,798	59,330	29,482	40,297	15,689
Regional Council at 30 June 2022						
Creditors and other payables	9,002	9,002	9,002	-	-	-
Bank borrowings	46,225	50,632	1,020	15,810	20,246	13,556
Bank overdraft	-	-	-	-	-	-
Loans from CCO	16,663	17,663	-	-	17,663	-
Provincial Growth Fund borrowings	500	512	-	254	258	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base Loan	8,790	8,790	632	1,115	1,348	5,695
Finance lease	-	-	-	-	-	-
	81,180	86,599	10,654	17,179	39,515	19,251



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

	Carrying Amount \$000	Contractual Carrying Amount \$000	Less than 1 year \$000	1 - 2 years \$000	3 - 5 years \$000	More than 5 Years \$000
Group at 30 June 2023						
Creditors and other payables	35,045	34,045	35,045	-	-	-
Bank borrowings	212,426	258,358	41,644	18,784	188,255	9,675
Bank overdraft	-	-	-	-	-	-
Provincial Growth Fund borrowings	-	-	-	-	-	-
Interest rate swaps	(4,062)	(4,474)	(1,174)	(2,597)	(703)	-
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base Loan	8,610	8,610	619	556	1,421	6,014
Finance lease	-	-	-	-	-	-
	252,019	297,539	76,134	16,743	188,973	15,689
Group at 30 June 2022						
Creditors and other payables	15,444	15,444	15,444	-	-	-
Bank borrowings	175,605	190,704	6,829	79,263	91,056	13,556
Bank overdraft	-	-	-	-	-	-
Provincial Growth Fund borrowings	500	512	-	254	258	-
Interest rate swaps	(5,407)	(5,407)	(1,191)	(1,102)	(2,785)	32
Forward exchange contracts	-	-	-	-	-	-
ACC leasehold financing liability – base Loan	8,790	8,790	632	1,115	1,348	5,695
Finance lease	446	446	197	209	40	-
	195,738	210,489	21,911	79,739	89,917	19,283

Note 30 (b): Financial risk management

Regional Council	2022/23 \$000				2021/22 \$000			
	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity	-0.5% Surplus	Other Equity	+0.5% Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equivalents	(471)	-	471		(53)	-	53	-
Other financial assets:								
Derivatives	(10)		10		-	-	-	-
Financial liabilities								
Bank overdraft	(507)		507		-	-	-	-
Loans					(317)	-	317	-
Derivatives					-	-	-	-
Total sensitivity	(988)		988		(370)	-	370	-
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
Total sensitivity								
Equity Price Risk								
Financial assets								
Publicly listed shares					-	-	-	-
Government bonds	(5)		5		(5)	-	5	-
Managed funds	(501)		501		(471)	-	471	-
Total sensitivity	(506)		506		(476)	-	476	-



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Group	2021/22 \$000				2021/22 \$000			
	-0.5%	Other	+0.5%		-0.5%	Other	+0.5%	
	Surplus	Equity	Surplus	Other Equity	Surplus	Equity	Surplus	Other Equity
Interest Rate Risk								
Financial assets								
Cash and cash equivalents	(515)	-	515	-	(91)	-	91	-
Other financial assets:								
Term deposits	-	-	-	-	-	-	-	-
Financial liabilities								
Bank overdraft	-	-	-	-	-	-	-	-
Loans	(1,069)	-	1,069	-	(881)	-	881	-
Derivatives	-	-	-	-	-	-	-	-
Total sensitivity	(1584)	-	1,584	-	(972)	-	972	-
Foreign Exchange Risk								
Financial assets								
Forward exchange contracts	-	-	-	-	-	-	-	-
Total sensitivity	-	-	-	-	-	-	-	-
Equity Price Risk								
Financial assets								
Publicly listed shares	-	-	-	-	-	-	-	-
Government bonds	(5)	-	5	-	(5)	-	5	-
Managed funds	(501)	-	501	-	(674)	-	674	-
Total sensitivity	(506)	-	506	-	(679)	-	679	-

Explanation of interest rate risk sensitivity

The interest rate sensitivity has been calculated based on -5% / +5% (2022: -5% / +5%) movement in interest rates.

Explanation of foreign exchange risk sensitivity

The foreign exchange risk sensitivity has been calculated based on -5% / +5% (2022: -5% / +5%) movement in forward foreign exchange contracts.

Explanation of equity price risk sensitivity

The sensitivity for listed shares, government bonds and managed funds has been calculated based on -5% / +5% (2022: -5% / +5%) movement in the share price at year-end.

Note 30 (c): Capital management

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

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

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by HBRC. Intergenerational equity requires ratepayers to meet

the costs of utilising HBRC's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, HBRC has in place asset management plans for major classes of assets detailing renewal and maintenance programmes to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires HBRC to make adequate and effective provision in its Long Term Plan and Annual Plan (where applicable) to meet the expenditure needs identified in those plans, and the Act sets out the factors that HBRC is required to consider when determining the most appropriate sources of funding for each activity. The sources and levels of funding are set out in the funding and financial policies in HBRC's most recent Long Term Plan 2021-2031.

HBRC has the following HBRC-created reserves:

- Reserves for different areas of benefit - these are used where there is a discrete set of targeted rate payers as distinct from general rate payers. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves.
- Self-insurance reserves - these are built up annually and are made available for specific unforeseen events. The release of these funds can generally be approved only by HBRC.

Refer to Note 19 for more details regarding HBRC's specific reserves.



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 31: Financial instrument categories

	Note	Regional Council		Group	
		Actual 22/23 \$000	Actual 21/22 \$000	Actual 22/23 \$000	Actual 21/22 \$000
Financial Assets					
Amortized Cost					
Cash and cash equivalents		94,171	10,657	103,040	18,276
Trade & other receivables		16,562	8,096	33,348	21,006
Advances to Council-controlled organisations		-	-	-	-
Other financial assets		-	-	-	-
Term Deposits		-	-	-	-
Advances to Napier / Gisborne Rail		-	-	-	-
Community loans		19,693	18,402	19,693	18,402
Total held at Amortized Cost		130,426	37,155	156,081	57,684
Fair value through surplus or deficit					
Managed funds		100,131	94,211	100,131	134,791
Publicly listed shares		-	-	-	-
Derivative financial instruments		2,071	1,507	2,071	1,507
Total held at fair value through surplus or deficit		102,202	95,718	102,202	136,298
Fair value through other comprehensive revenue and expense					
Managed funds		10,697	11,091	56,335	13,718
Government bonds		947	1,058	947	1,058
Derivative financial instruments		-	-	6,142	5,205
Civic Financial Services shares		18	18	18	18
Shares in Hawke's Bay Regional Investment Company		348,179	368,672	-	-
Total fair value through other comprehensive revenue & expense		359,842	380,839	63,443	19,999
Financial Liabilities					
Fair value through surplus or deficit					
Derivative financial instruments		-	-	-	-
ACC leasehold financing liability – excess payments		22,089	24,940	22,089	24,940
Total fair value through surplus or deficit		22,089	24,940	22,089	24,940
Fair value through other comprehensive revenue and expense					
Derivative financial instruments		-	-	3,029	159
Financial Liabilities at amortised cost					
Trade & other payables		24,913	9,002	35,045	20,880
Bank overdraft		-	-	-	-
Borrowings		101,493	63,388	213,777	176,105
ACC leasehold financing liability – base loan		8,610	8,790	8,610	8,790
Total financial Liabilities at amortised cost		135,017	81,180	257,432	205,775



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

Note 31 (a): Fair Value Hierarchy Disclosures

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

Level 1: Quoted market price – Financial instruments with quoted prices for identical instruments in active markets

Level 2: Valuation technique using observable inputs – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.

Level 3: Valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

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

	Total	Quoted Market Price (level 1)	Observable Inputs (level 2)	Significant Non-observable Inputs (level 3)
	\$000	\$000	\$000	\$000
30 June 2023 – Regional Council				
Financial assets				
Government bonds	947	947	-	-
Publicly listed shares	-	-	-	-
Funds under management	110,828	110,828	-	-
Shares in HBRIC	348,179	332,566	16,663	(1,050)
Derivatives	2,071	-	2,071	-
Financial liabilities				
Derivatives	-	-	-	-
ACC leasehold financing liability – excess payments	22,089	-	-	22,089
30 June 2023 – Group				
Financial assets				
Government bonds	947	947	-	-
Publicly listed shares	-	-	-	-
Funds under management	156,466	156,466	-	-
Derivatives	8,213	-	8,213	-
Financial liabilities				
Derivatives	2,080	-	2,080	-
ACC leasehold financing liability – excess payments	22,089	-	-	22,089
30 June 2022 – Regional Council				
Financial assets				
Government bonds	1,058	1,058	-	-
Publicly listed shares	-	-	-	-
Funds under management	105,302	105,302	-	-
Shares in HBRIC	368,672	353,059	16,663	(1,050)
Derivatives	1,507	-	1,507	-
Financial liabilities				
Derivatives	-	-	-	-
ACC leasehold financing liability – excess payments	24,940	-	-	24,940
30 June 2022 – Group				
Financial assets				
Government bonds	1,058	1,058	-	-
Publicly listed shares	-	-	-	-
Funds under management	148,509	148,509	-	-
Derivatives	6,712	-	6,712	-
Financial liabilities				
Derivatives	159	-	159	-
ACC leasehold financing liability – excess payments	24,940	-	-	24,940



HE WHAKAMĀRAMA MŌ NGĀ TAUĀKĪ PŪTEA NOTES TO THE FINANCIAL STATEMENTS

The level 1 component of the valuation of HBRIC is the NZX stock price of NPHL and the managed funds held by HBRIC which comprise domestic and international listed shares, bonds, and cash instruments. The level 2 component of the valuation comprises a loan from HBRIC to HBRC which is eliminated on consolidation. The remaining balance comprises the future estimated management expenses that have been assessed as a level 3 valuation technique.

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

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

	22/23 \$000	21/22 \$000
Balance at 1 July	23,890	20,695
Gain and losses recognised in the surplus or deficit	(2,851)	3,285
Gain and losses recognised in other comprehensive revenue and expenditure		(90)
Purchases		-
Sales		-
Transfers		-
Balance at 30 June	21,039	23,890

Note 32: Events after balance date

- On 15 July 2023, HBRC raised \$5 million of debt funding with LGFA due in October 2024.
- On 15 July 2023, HBRC raised \$10 million of debt funding with LGFA due in April 2027.
- On 15 August 2023, HBRC rolled \$5 million of debt funding with LGFA at maturity to due in November 2023.
- On 18 September 2023, HBRC rolled \$10 million of debt funding with LGFA at maturity to due in December 2023.
- On 17 July 2023, HBRC received the remaining \$26.2 million of funding under the government sediment and debris agreements referenced in Note 5.
- On the 10th October HBRC, along with the 4 other Hawkes Bay Authorities signed into the North Island Weather Events (2023) -Hawke's Bay Crown Funding Agreement: Financial Contribution for Category 3 Voluntary Buyouts; and Funding Reservation for Category 2 Risk Mitigation Projects and Regional Transport Projects. By signing into this agreement, HBRC commits to category 2 flood mitigations to the total cost of \$247,650,000, of which \$203,500,000 is funded by the Crown, and \$44,150,000 committed by HBRC.



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Hawke's Bay Regional Council funding impact statement

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

	Annual Plan 21/22 (\$'000)	Annual Report 21/22 (\$'000)	Annual Plan 22/23 (\$'000)	Annual Report 22/23 (\$'000)
Sources of operating funding				
General rates & uniform annual general charges, rates penalties	11,222	11,746	13,668	14,354
Targeted rates	18,226	18,322	20,197	20,391
Subsidies & grants for operating purposes	7,123	9,273	6,151	37,212
Fees & charges	10,018	11,060	11,870	10,502
Interest & dividends from investments	16,121	10,156	16,635	10,159
Local authorities fuel tax, fines, infringement fees & other receipts	1,517	2,992	1,539	3,689
Total operating funding	64,226	63,549	70,059	96,306
Applications of operating funding				
Payments to staff & suppliers	62,829	73,695	72,807	110,989
Finance costs	1,573	1,463	2,125	2,845
Other operating funding applications	2,521	-	(2,085)	-
Total applications of operating funding	66,923	75,158	72,847	113,834
Surplus / (deficit) of operating funding	(2,696)	(11,609)	(2,788)	(17,528)
Sources of capital funding				
Subsidies & grants for capital purposes	8,160	4,067	8,731	3,320
Development & financial contributions	-	-	-	-
Increase / (decrease) in debt	30,797	15,850	20,907	37,475
Gross proceeds from sale of assets	788	56	891	513
Lump sum contributions	-	-	-	-
Other dedicated capital funding	-	-	-	4,000
Total sources of capital funding	39,744	19,973	30,529	45,308
Applications of capital funding				
Capital expenditure:				
- to meet additional demand	-	-	-	-
- to improve the level of service	13,321	8,747	10,609	6,699
- to replace existing assets	14,010	2,823	16,273	16,904
	27,331	11,570	26,882	23,605
Increase / (decrease) in reserves	5,847	(1,739)	(4,111)	(2,483)
Increase / (decrease) of investments	3,870	(1,467)	4,970	6,659
Total application of capital funding	37,048	8,364	27,741	27,780
Surplus / (deficit) of capital funding	2,696	11,609	2,788	17,528
Funding balance	-	-	-	-
Reconciliation from Funding Impact Statement to Comprehensive Revenue and Expenditure				
Operating Surplus per Income Statement	6,741	(15,636)	4,277	(14,153)
Depreciation	3,501	4,138	4,509	4,380
(Gains)/Losses in ACC Leasehold Liability	(740)	706	(815)	658
Fair Value (Gains)/Losses	(3,270)	2,954	(1,156)	(1,834)
Capital Grants	(8,160)	(4,067)	(8,731)	(3,320)
Capital Insurance receipts				(4,000)
(Gain) / Loss on sale	(788)	296	(891)	741
Other	19	-	20	-
FIS Surplus / (deficit) of Operating Funding (above)	(2,696)	(11,609)	(2,787)	(17,528)



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Governance and Partnerships funding impact statement

	LTP	LTP	Annual Report
	21/22 (\$'000)	22/23 (\$'000)	22/23 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	2,715	2,930	1,293
Targeted rates	2,886	2,988	3,007
Subsidies & grants for operating purposes	314	323	292
Fees & charges	571	770	263
Internal charges & overheads recovered	-	-	-
Fines, infringement fees & other receipts	-	-	-
Interest & Dividends from investments	-	-	845
Total operating funding	6,485	7,011	5,700
Applications of operating funding			
Payments to staff & suppliers	4,319	4,375	4,281
Finance costs	229	363	655
Internal charges & overheads applied	2,196	2,326	2,259
Other operating funding applications	-	-	2
Total applications of operating funding	6,744	7,064	7,198
Surplus / (deficit) of operating funding	(259)	(54)	(1,498)
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	2,382	3,277	1,366
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	2,382	3,277	1,366
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	-
	-	-	-
Increase / (decrease) in reserves	(1,240)	(767)	(1,176)
Increase / (decrease) of investments	3,363	3,991	1,045
Total application of capital funding	2,123	3,224	(131)
Surplus / (deficit) of capital funding	259	54	1,498
Funding balance	-	-	-
Depreciation	-	-	-



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Policy and Regulation funding impact statement

	LTP 21/22 (\$'000)	LTP 22/23 (\$'000)	Annual Report 22/23 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	6,816	7489	3,192
Targeted rates	-	-	-
Subsidies & grants for operating purposes	102	100	16,883
Fees & charges	2,767	2,980	2,950
Internal charges & overheads recovered	-	-	23
Fines, infringement fees & other receipts	5	5	249
Total operating funding	9,690	10,574	23,296
Applications of operating funding			
Payments to staff & suppliers	2,219	2,279	18,688
Finance costs	-	-	1
Internal charges & overheads applied	7,462	8,284	8,219
Other operating funding applications	-	-	-
Total applications of operating funding	9,681	10,563	26,908
Surplus / (deficit) of operating funding	9	11	(3,612)
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	(20)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	-	-	(20)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	30	-	-
	30	-	-
Increase / (decrease) in reserves	(22)	11	(3,632)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	9	11	(3,632)
Surplus / (deficit) of capital funding	(9)	(11)	3,612
Funding balance	-	-	-
Depreciation	9	11	14



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Integrated Catchment Management funding impact statement

	LTP 21/22 (\$'000)	LTP 22/23 (\$'000)	Annual Report 22/23 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	16,227	16,999	6,952
Targeted rates	3,018	3,202	3,223
Subsidies & grants for operating purposes	2,634	1,953	2,911
Fees & charges	3,993	4,043	3,270
Internal charges & overheads recovered	-	-	(4)
Fines, infringement fees & other receipts	-	-	3
Interest & Dividends from Investments	-	-	1
Total operating funding	25,871	26,197	16,356
Applications of operating funding			
Payments to staff & suppliers	10,995	10,962	8,592
Finance costs	157	295	374
Internal charges & overheads applied	16,396	16,969	15,990
Other operating funding applications	-	-	-
Total applications of operating funding	27,548	28,227	24,955
Surplus / (deficit) of operating funding	(1,677)	(2,030)	(8,600)
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	4,086	4,231	1,135
Gross proceeds from sale of assets	-	-	(117)
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	4,086	4,231	1,018
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	1,266	640	538
- to replace existing assets	634	634	436
	1,900	1,273	974
Increase / (decrease) in reserves	2	(117)	(8,552)
Increase / (decrease) of investments	508	1,044	(3)
Total application of capital funding	2,410	2,201	(7,581)
Surplus / (deficit) of capital funding	1,677	2,030	8,600
Funding balance	-	-	-
Depreciation	1,283	1,406	617



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Asset Management funding impact statement

	LTP 21/22 (\$'000)	LTP 22/23 (\$'000)	Annual Report 22/23 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	5,317	6,092	2,629
Targeted rates	7,353	8,592	8,668
Subsidies & grants for operating purposes	128	106	129
Fees & charges	2,443	2,930	2,731
Internal charges & overheads recovered	-	-	-
Fines, infringement fees & other receipts	-	-	131
Interest & Dividends from Investments	-	-	6
Total operating funding	15,241	17,720	14,294
Applications of operating funding			
Payments to staff & suppliers	4,648	4,487	12,106
Finance costs	35	86	55
Internal charges & overheads applied	8,255	8,776	5,300
Other operating funding applications	-	-	-
Total applications of operating funding	12,938	13,350	17,461
Surplus / (deficit) of operating funding	2,303	4,371	(3,167)
Sources of capital funding			
Subsidies & grants for capital purposes	8,160	8,834	3,319
Development & financial contributions	-	-	-
Increase / (decrease) in debt	1,999	2,111	2,298
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	10,159	10,945	5,617
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	9,569	8,414	5,011
- to replace existing assets	10,768	11,623	438
	20,337	20,037	5,450
Increase / (decrease) in reserves	(7,875)	(4,721)	(2,999)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	12,462	15,316	2,451
Surplus / (deficit) of capital funding	(2,303)	(4,371)	3,166
Funding balance	-	-	-
Depreciation	975	1,286	779



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Emergency Management funding impact statement

	LTP 21/22 (\$'000)	LTP 22/23 (\$'000)	Annual Report 22/23 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	307	321	136
Targeted rates	2,177	2,509	2,548
Subsidies & grants for operating purposes	80	83	11,910
Fees & charges	112	115	740
Internal charges & overheads recovered	-	-	-
Fines, infringement fees & other receipts	-	-	-
Total operating funding	2,676	3,028	15,334
Applications of operating funding			
Payments to staff & suppliers	539	524	17,745
Finance costs	-	-	181
Internal charges & overheads applied	2,525	2,653	12,169
Other operating funding applications	-	-	-
Total applications of operating funding	3,064	3,177	30,095
Surplus / (deficit) of operating funding	(388)	(149)	(14,761)
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	-	-	9,621
Gross proceeds from sale of assets	-	-	(333)
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	4,000
Total sources of capital funding	-	-	13,288
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	-	-	13,638
	-	-	13,638
Increase / (decrease) in reserves	(388)	(149)	(15,111)
Increase / (decrease) of investments	-	-	-
Total application of capital funding	(388)	(149)	(1,473)
Surplus / (deficit) of capital funding	388	149	14,761
Funding balance	-	-	-
Depreciation	3	3	1



NGĀ PŪRONGO PĀNGA Ā-PŪTEA FUNDING IMPACT STATEMENTS

Transport funding impact statement

	LTP 21/22 (\$'000)	LTP 22/23 (\$'000)	Annual Report 22/23 (\$'000)
Sources of operating funding			
General rates & uniform annual general charges	235	245	152
Targeted rates	2,792	2,877	2,945
Subsidies & grants for operating purposes	3,865	3,923	5,079
Fees & charges	-	-	406
Internal charges & overheads recovered	-	-	-
Fines, infringement fees & other receipts	-	-	-
Interest & Dividends from Investment	-	-	-
Total operating funding	6,892	7,045	8,583
Applications of operating funding			
Payments to staff & suppliers	5,457	5,492	6,383
Finance costs	4	4	2
Internal charges & overheads applied	1,369	1,424	1,072
Other operating funding applications	-	-	-
Total applications of operating funding	6,829	6,921	7,458
Surplus / (deficit) of operating funding	62	124	1,125
Sources of capital funding			
Subsidies & grants for capital purposes	-	-	-
Development & financial contributions	-	-	-
Increase / (decrease) in debt	(25)	(24)	(14)
Gross proceeds from sale of assets	-	-	-
Lump sum contributions	-	-	-
Other dedicated capital funding	-	-	-
Total sources of capital funding	(25)	(24)	(14)
Applications of capital funding			
Capital expenditure:			
- to meet additional demand	-	-	-
- to improve the level of service	-	-	-
- to replace existing assets	23	24	-
	23	24	-
Increase / (decrease) in reserves	14	76	1,111
Increase / (decrease) of investments	-	-	-
Total application of capital funding	38	100	1,111
Surplus / (deficit) of capital funding	(62)	(124)	(1,125)
Funding balance	-	-	-
Depreciation	14	18	239

NGĀ RŌPŪ E WHAI MANA AI TE KAUNIHERA COUNCIL CONTROLLED ORGANISATIONS

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

The HBRC has three CCOs:

- Hawke's Bay Regional Investment Company Limited (HBRIC Ltd)
- Napier Port Holdings Limited (NPHL)
- Foodeast Limited Partnership and Foodeast Group Limited (Foodeast).

NPHL was incorporated in June 2019 to provide an efficient and effective structure to facilitate a minority share issue of Napier Port. NPHL sat as a shell company until shares were listed on the NZX on 20 August 2019. The Local Government Act 2002 (LGA) section 71A exemption applies to NPHL as a result of it being a listed entity and therefore, is not required to:

- have a statement of intent under section 64 of the LGA
- deliver quarterly or half-yearly reports to HBRC under section 66 of the LGA
- deliver an annual report to HBRC under section 67 of the LGA.

As such, no assessment of performance against targets has been reported.

HBRIC Ltd

Ownership and control policies

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

HBRC's objectives for HBRIC Ltd are to:

- enhance HBRC's capability to actively manage transferred strategic assets
- improve net financial and economic returns from these assets
- provide flexibility of operation not otherwise available directly to HBRC which would increase returns to HBRC from its ongoing financial management.

During the year there have been no changes in ownership of HBRIC Ltd. Two directors, RJ Barker and CRR Foss, retired on the 8 February 2023, and three

new directors were appointed, WJ Foley (appointed 14 December 2022), DR Birch and J Cameron (appointed 22 June 2023).

Nature and scope of activities

HBRC is required to compare the intended versus actual nature and scope of the activities provided in the year by CCOs (as set out in the Long Term Plan 2021-2031). The nature and scope of activities as described in the Long Term Plan 2021-2031 is noted in italics followed by commentary on actual performance in the financial year.

"Own and manage the investment assets and liabilities transferred to it by Council from time to time."

- As in previous years, HBRIC Ltd continued to manage the investment in the Port of Napier Limited (Napier Port) following the transfer of shares from HBRC on 25 June 2022.
- HBRIC Ltd maintains majority (55%) ownership of the Napier Port through 55% shareholding of the Napier Port Holdings Limited. Napier Port Holdings Limited has 100% ownership of the Napier Port.

"Encourage and facilitate subsidiary and associated companies to increase shareholder value and regional prosperity through growth, investment and dividend payments."

- The value of the 55% ownership investment in the Napier Port as at June 2023 was \$275 million (\$303m in 2022).
- The NZX price of Napier Port Holdings Limited shares decreased from \$2.75 at the start of the year, to \$2.50 as at 30 June 2023.

Napier Port is a vital contributor to the regional economy and a valuable asset. The year began strongly for the Port. It was exciting to have the new Te Whiti wharf commissioned and operational. The business was trading comfortably towards the top end of its guidance until 14 February 2023 when Cyclone Gabrielle hit the region.

The Port only suffered minor direct physical damage to its facilities but many of its customers and staff were significantly affected. The damage to regional roads and rail infrastructure impacted access and logistics and trade volumes were and are down in the short term. The local horticulture and cropping yields were heavily impacted. This is currently affecting

NGĀ RŌPŪ E WHAI MANA AI TE KAUNIHERA COUNCIL CONTROLLED ORGANISATIONS

profitability at the Port and profit forecasts have been revised downwards. As road, rail and bridge repairs are steadily progressing, transport access and links are reopening and prospects for trade volumes to rebound in the 2024 calendar year are improving.

- In December 2022, Napier Port Holdings Limited paid out a fully imputed dividend of \$5.17 million to HBRIC Ltd. A further interim fully imputed dividend of \$1.87 million was paid to HBRIC Ltd in June 2023. Napier Port Holdings Limited's dividend policy is to pay total dividends within a range of 70% to 90% of Free Cash Flow.

"Invest in equity investments providing long term commercial returns and where possible also provide a regional benefit."

- No further equity investments were made during the year outside of the Managed Funds portfolios.

"Invest in real assets providing long term commercial returns and where possible also provide a regional benefit."

- During the year HBRIC Ltd invested in Foodeast Limited Partnership which is constructing a purpose-built food and beverage innovation facility located in the Tomoana Food Hub of Hawke's Bay. The goal is to create 500+ jobs and add over \$100 million to the Gross Domestic Product of the Hawke's Bay Region over the next 10 years.

"Ensure that best practice governance procedures are applied to the key regional infrastructure and financial investments that are under HBRIC Ltd.'s ownership."

- HBRC annually approves HBRIC Ltd's Statement of Intent and, based on this guidance, HBRIC Ltd has written its own Investment Strategy and Treasury Policy.
- All managed funds investments are governed by the HBRC Statement of Investment Policy and Objectives (SIPO).
- Following the IPO in 2019, HBRC shareholding of Napier Port reduced from 100% to 55%. In order to protect the investment in the Napier Port, HBRC resolved to have the following protections in place:

- HBRC's majority ownership position in Napier Port could not be diluted, such as through any subsequent share issues or equity raising, below 51% in the future.
- The right to determine the composition of the Napier Port Holdings and Napier Port boards through a majority vote.
- Inserting a restrictive covenant on the strategically important Port land at the main Ahuriri site, including limiting any potential future sale of the land without HBRC consent and limiting the use of the Port site to Port purposes.

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

- The 2022-2023 performance of Napier Port will be reported to HBRC under the NZX continuous disclosure requirements.
- In addition, Napier Port publishes regular market updates, which provides insights into its financial performance, trade outlook, and capital expenditure.
- HBRIC continued its investment in Foodeast and receives regular reports of progress.

"Advise Council on strategic issues relating to its investments including, but not limited to, ownership structures, capital structures and rates of return."

- HBRIC Ltd reports regularly to HBRC on the performance of its current investments and notifies HBRC of any Investments on the horizon.
- HBRIC Ltd continues to work closely with HBRC in developing long-term strategic investment plans, which includes advising on strategic issues relating to its current and future investments.

"Perform financial, custodial and other functions required by HBRC."

- HBRIC Ltd managed all its investments in line with HBRC mandates in order to generate financial and strategic returns. All managed funds investments were managed in accordance with

NGĀ RŌPŪ E WHAI MANA AI TE KAUNIHERA COUNCIL CONTROLLED ORGANISATIONS

HBRC's Statement of Investment and Policy Objectives (SIPO).

- From time to time HBRIC Ltd undertakes financial and other functions as instructed by HBRC.

Other key performance targets

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

1. growth in long-term shareholder value
2. increased financial and strategic returns
3. investments are secure and sustainable over the long term
4. investments will assist achievement of HBRC's regional strategic development objectives
5. maintain a majority ownership of NPHL
6. generate commercial returns across the managed funds portfolio, sufficient to protect and grow the capital base, and contribute to funding HBRC's operating costs
7. invest in equity investment providing long term commercial returns and where possible provide a regional benefit.

Table 1: Specific financial performance targets and actual results for 2022-2023

Consolidated Performance Targets		
Performance Indicator	Target	Actual (2022-2023)
Net debt to net debt plus equity	<40%	22%
Interest cover (EBIT/interest paid)	>3x	4x
EBITDA/total assets	9%	7%
Return on shareholders' funds	5%	4.02%
Notes: EBIT = earnings before interest and tax EBITDA = earnings before interest, tax, depreciation and amortisation Net debt means gross borrowings from outside the 'HBRIC Ltd group', less loans made to parties outside the HBRIC Ltd 'group'		

Foodeast

Ownership and control policies

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

HBRC's and HBRIC Ltd's objectives for Foodeast are to:

- establish an organisation that will contribute positively toward the region's economic development
- have a physical presence that will be designed to be an innovation centre to promote more cost-effective food and beverage product innovation
- facilitate innovation and collaboration in the Hawke's Bay food and beverage, agritech, horticulture industries, and related activities
- provide a base for clustering food technology firms, improving co-operation, and bringing in scientific and technical expertise in all areas relating to food innovation (including research activity).

During the year there have been no changes in ownership of Foodeast Group Ltd. There has however, been one new director with AL Gilmour being appointed 7 June 2023.

Nature and scope of activities

HBRC is required to compare the intended versus actual nature and scope of the activities provided in the year by CCOs (as set out in the Long Term Plan 2021-2031). The nature and scope of activities as described in the Long Term Plan 2021-2031 is noted in italics followed by commentary on actual performance in the financial year.

"Own and oversee the successful operation of Foodeast."

- The HBRIC Ltd Board receive regular updates on the progress of Foodeast.
- HBRIC Ltd have the right to appoint a further three directors to the Foodeast Board.

"Ensure that best practice governance procedures are applied in the operation of FoodEast."

- Foodeast presented their Statement of Intent (SOI) as required under the Local Government



NGĀ RŌPŪ E WHAI MANA AI TE KAUNIHERA COUNCIL CONTROLLED ORGANISATIONS

Act 2022 and have reported on a quarterly basis to HBRIC Ltd Directors.

Key performance targets

At the time of setting the Long Term Plan 2021-2031, Foodeast was in the process of being established and key performance targets were still being developed. Since then the entities have been set up and performance targets set for the next three financial years.

The first phase of the Foodeast project is the design, consenting, and construction of the food innovation hub. This phase of the project is funded by the Regional Economic Development and Investment Unit – Kānoa. Construction of the facility commenced in December 2022 with completion of both buildings scheduled for March 2024.



HE TAUĀKĪ MŌ TE TUTUKINGA O NGĀ TŪTOHU ME NGĀ HAEPAPA

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

Compliance

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

Responsibility

2. HBRC and management of the HBRC accept responsibility for the preparation of the annual financial statements and the judgements used in them.
3. HBRC and management of HBRC accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
4. In the opinion of HBRC and management of HBRC, the annual financial statements for the year ended 30 June 2023 fairly reflect the financial position and operations of HBRC.

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Hinewai Ormsby

Dr Nic Peet

Susie Young

Chair

Chief Executive

Group Manager,
Corporate Services

25 October 2023

25 October 2023

25 October 2023