

Meeting of the Corporate and Strategic Committee

Date: 15 May 2024
Time: 9.00am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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1.	Welcome/Karakia/Notices/Apologies	
2.	Conflict of Interest Declarations	
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Hawke's Bay Regional Council
Corporate and Strategic Committee

15 May 2024

Item 4

Subject: Public Forum

Reason for report

1. This item provides the means for the Committee to give members of the public an opportunity to address the Committee on matters within its terms of reference.

Background

2. The Hawke's Bay Regional Council's Standing Orders provide for public forums as follows:

14. Public Forums

Public forums are a defined period of time, usually at the start of a meeting, which, at the discretion of a meeting, is put aside for the purpose of public input. Public forums are designed to enable members of the public to bring matters to the attention of the local authority.

In the case of a committee or sub-committee, any issue, idea or matter raised in a public forum must also fall within the terms of reference of that meeting.

Requests must be made to the HBRC Governance Team (06 835 9200 or governanceteam@hbrc.govt.nz) at least one clear day before the meeting; however this requirement may be waived by the Chairperson.

14.1 Time limits

A period of up to 30 minutes, or such longer time as the meeting may determine, will be available for the public forum at each scheduled Regional Council, Corporate & Strategic Committee, Environment & Integrated Catchments Committee and Regional Transport Committee meeting.

Speakers can speak for up to 5 minutes. No more than two speakers can speak on behalf of an organisation during a public forum. Where the number of speakers presenting in the public forum exceeds 6 in total, the Chairperson has discretion to restrict the speaking time permitted for all presenters.

14.2 Restrictions

The Chairperson has the discretion to decline to hear a speaker or to terminate a presentation at any time where:

- a speaker is repeating views presented by an earlier speaker at the same public forum
- the speaker is criticising elected members and/or staff
- the speaker is being repetitious, disrespectful or offensive
- the speaker has previously spoken on the same issue
- the matter is subject to legal proceedings
- the matter is subject to a hearing, including the hearing of submissions, where the local authority or committee sits in a quasi-judicial capacity.

14.3 Questions at public forums

At the conclusion of the presentation, with the permission of the Chairperson, elected members may ask questions of speakers. Questions are to be confined to obtaining information or clarification on matters raised by a speaker.

14.4 No resolutions

Following the public forum no debate or decisions will be made at the meeting on issues raised during the forum unless related to items already on the agenda.

Decision-making process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Public Forum speakers' verbal presentations*.

Authored by:

Leeanne Hooper
Team Leader Governance

Approved by:

Desiree Cull
Strategy and Governance Manager

Attachment/s

- 1 [↓](#) Corporate and Strategic Committee Terms of Reference 2023-2025

Corporate and Strategic Committee Terms of Reference



Adopted by resolution of Hawke's Bay Regional Council on 26 April 2023

1. The Corporate and Strategic Committee is responsible for recommending actions, responses and changes to Council for:
 - 1.1. Establishing strategic priorities for organisational direction and performance including development of Council's Strategic Plan
 - 1.2. Oversight of the development of Council's Annual and Long Term plans
 - 1.3. Oversight of Council's financial reporting
 - 1.4. Monitoring the effectiveness of Council's strategic external partnerships with the region's Territorial Local Authorities and agencies that receive Council funding including Hawke's Bay Tourism, Matariki Governance Group and the Regional Economic Development Agency
 - 1.5. Consideration of resourcing implications of strategic initiatives and significant financial matters
 - 1.6. Monitoring the effectiveness of the organisation's Corporate Services activities including information and communication technology, fleet and facilities, marketing and communications
 - 1.7. Monitoring the effectiveness of Council's resource consent, compliance monitoring and enforcement activities
 - 1.8. Monitoring the effectiveness of the organisation's People & Capability and Health, Safety & Wellbeing activities
 - 1.9. Monitoring the effectiveness of the organisation's emergency management activities
 - 1.10. Monitoring the strategic direction of Council's investment portfolio and, where appropriate, the sale or acquisition of Council investments.
2. **Use of Delegated Powers for the Corporate and Strategic Committee** – this committee may, without confirmation by Hawke's Bay Regional Council (HBRC), exercise or perform them in the same manner and with the same effect as HBRC could itself have exercised or performed them, provided that the decision deserves urgency and the decision to make the resolution a decision of HBRC is carried unanimously by the voting members of the Committee.

Members:	All councillors being: Hinewai Ormsby, Jerf van Beek, Martin Williams, Neil Kirton, Thompson Hokianga, Charles Lambert, Di Roadley, Sophie Siers, Will Foley, Xan Harding and Jock Mackintosh One appointed member of the Māori Committee being Peter Eden One appointed PSGE member of the Regional Planning Committee being Laura-Margaret Kele
Chair:	A councillor as elected by the Council, being Xan Harding
Deputy Chair:	A councillor as elected by the Council, being Jock Mackintosh
Meeting Frequency:	Quarterly
Staff Executive:	Chief Executive Group Manager Corporate Services Group Manager Policy & Regulation

Hawke's Bay Regional Council
Corporate and Strategic Committee

15 May 2024

Item 5

Subject: Future of Severely Affected Land (FOSAL) delivery

Reason for report

1. This item presents the approach to the delivery of the North Island Weather Event (NIWE) programme to enable the Corporate and Strategic Committee (C&S) to effectively provide oversight of this strategic programme of work. Included in this item are:
 - 1.1. an overview of the proposed programme and delivery mechanisms
 - 1.2. financials and a request for a change of the CE's financial delegations
 - 1.3. risk and assurance activities.

Officers' recommendations

2. Council staff recommend that financial delegations to the Chief Executive are increased to \$15m (from \$10m currently) specifically within the NIWE Resilience Programme to enable contract execution and loading of purchase orders and payments as they pertain to the NIWE programme.
3. Staff also recommend that specific approval by exception is delegated to the Chief Executive for contracts within the NIWE Resilience Programme, beyond the Chief Executive's delegation of \$15m, to enable contract execution and loading of purchase orders and payments as they pertain to the NIWE programme.

Executive summary

4. The NIWE programme is making good progress with establishment of core project assurance and programme frameworks for delivery. These include primary documents such as the Programme Assurance Management Plan and NIWE Programme Management Plan. Accompanying plans are covering communications and engagement, health and safety, procurement, risk management, assurance, quality assurance and controls. All programme and plan documentation integrates with HBRC policies.
5. The first Programme Assurance Board meeting was held with the purpose of establishing protocol and gathering attendees for initial discussions. The PAG includes representation from Crown Infrastructure Partners (CIP) and an independent Programme Assurance Advisor from RCP as recommended by CIP. CIP has been appointed by the DPMC Cyclone Recovery Unit to manage the Cyclone Recovery Programme of work.
6. Progress has been made on understanding risks and controls at both a programme and project level to ensure that appropriate management and mitigation occurs for these, and controls can be relied upon to manage key risks.
7. To date, the programme has incurred \$2.75m in costs (1% of total costs). While considered low, this was for the establishment of the above frameworks and smaller amounts of design work for optioning. Considerable work is going into engagement with our communities on options, which doesn't incur large financial cost to undertake.
8. It is anticipated that monthly reimbursements will be made back to HBRC for cashflow purposes. Therefore HBRC will only likely carry 1 month working capital risk as an organisation and limit our interest exposure on short term debt.

9. It is evident there is natural tension on the programme to deliver to government timeframes (see risk and assurance para 28). This will be an ongoing challenge to manage the expectations of CIP to progress at pace, with the required community and mana whenua engagement, design, cultural assessments and build weather conditions.
10. It is anticipated that the C&S will review financial spend and analysis through the quarterly financial reports as an activity within Asset Management, and receive any change escalations where they may pertain to cost or resourcing requests over and above any programme allocations set.

Background

11. Under the NIWE Agreement, the Crown reserved aggregate amounts of funding under the National Resilience Plan (NRP) to assist with funding Category 2 Risk Mitigation projects, Regional Transport Projects and Category 3 Voluntary Buyouts to be delivered in the Hawke's Bay region.
12. The total value of the Category 2 programme amounts to \$232m, of which HBRC's contribution is \$44m, which represents a significant investment on behalf of the Hawke's Bay community.
13. The packages of work funded through this agreement are highlighted below:

Severely Affected Land Areas	Co- Funding	HBRC Funding	Total
Wairoa	\$70,000,000		\$70,000,000
Pākōwhai	\$70,676,470*	\$23,373,530*	\$94,050,000*
Whirinaki			
Ohiti			
Waiohiki			
Pōrangahau			
Sub Total			\$164,050,000
Pumpstation Upgrades	\$22,544,329	\$7,455,671	\$30,000,000
Rapid Repair – stopbank height increases	\$22,544,329	\$7,455,671	\$30,000,000
Telemetry	\$3,757,388	\$1,242,612	\$ 5,000,000
Scheme Reviews	\$2,254,433	\$745,567	\$ 3,000,000
Total			\$232,050,000

*For the purposes of this table the value for Tangoio (now Cat 3) and Joll Road (to be delivered by HDC) have been excluded from these values.

Current Status of the Programme

14. As reported to the recent Programme Assurance Board the programme is tracking as GREEN status and progressing well with the following key milestones being achieved:
 - 14.1. CIP engagement through various in-person and online meetings, including an independent review of the programme via CIP and Aurecon consultant Matt Flannery and Altacon consultant Jamie Ferguson. The review was requested due to concerns expressed at a Ministerial level that there wasn't the desired level of visibility of progress on the approved projects.
 - 14.2. The programme team is progressing through business case submissions for each project via project development plans. We have submitted 3 drafts for comment to date and subsequently been asked by CIP to bundle our projects together.
 - 14.3. HBRC is currently in discussions with Hastings District Council (HDC) regarding the Havelock North Streams project as they own this asset and are responsible for maintaining this scheme. It would be efficient and appropriate that HDC rates pay for the local share. A formal Council decision on the progress and funding for this will be

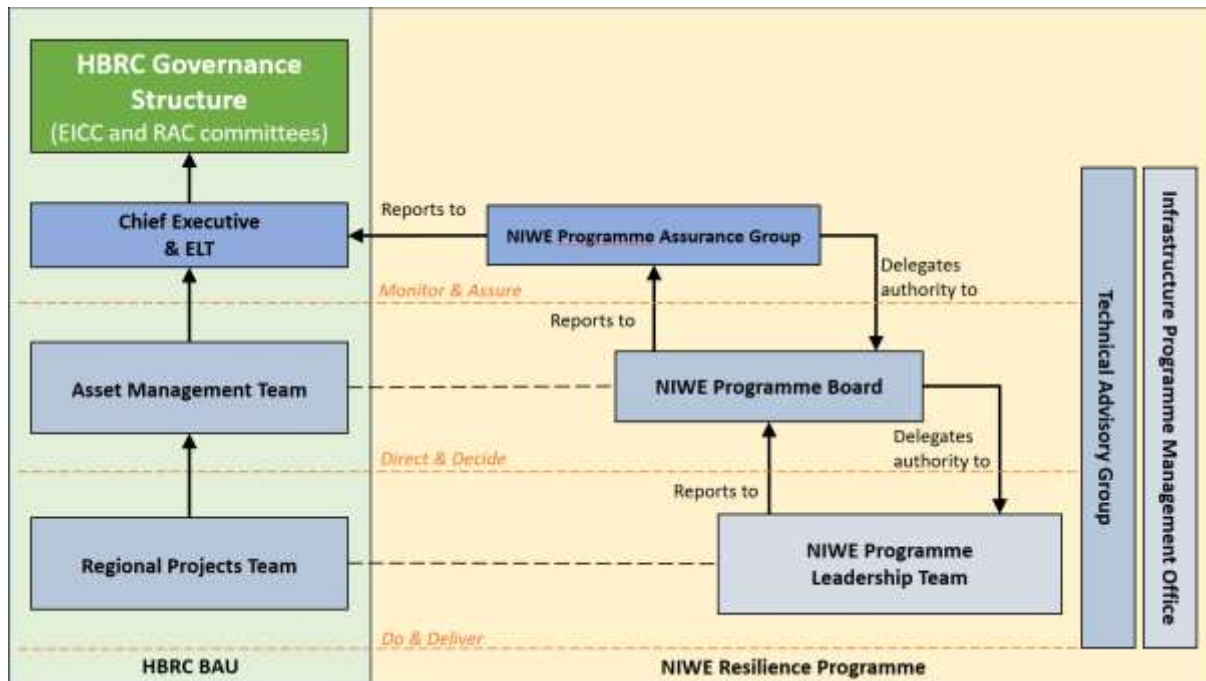
presented at a future meeting. In the meantime, work is progressing so the mitigation works are not being held up.

Delivering the programme

- 15. A programme the size of which HBRC faces will have a significant impact on roles both within the traditional function of the Project Delivery team and across the organisation.
- 16. As well as a significant increase in demands on project management resources, the programme will require significant input from communications, community engagement, risk, health and safety, procurement and financial resources.
- 17. To better empower the successful delivery of this programme of work to meet the above objectives, an integrated approach to resourcing was proposed. With total programme escalation costs sitting at around \$2m per month, to not resource the programme with resources of sufficient capacity and capability presents a significant financial risk to the organisation and the programme as a whole.
- 18. On this basis, the independent consultants recommended HBRC move to a Programme Management Office (PMO) approach to deliver the identified programme of infrastructure related projects.
- 19. The approved structure for the PMO represents an integrated team of 30+ professionals. Resources from the original Regional Projects team have transferred into the new PMO which, together with recent recruiting success, has filled 5 roles to date. A further 11 roles are in active recruiting processes.

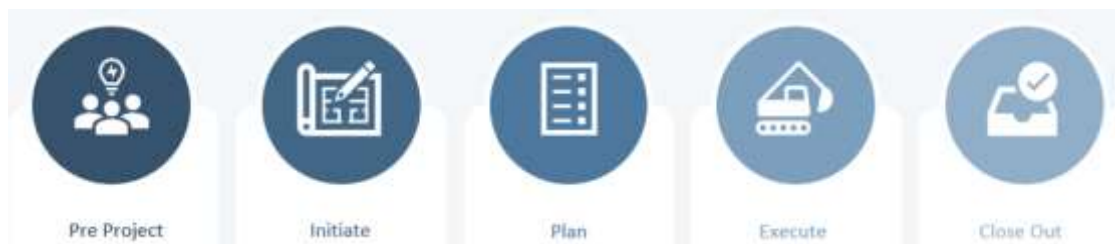
Programme Assurance and Delivery

- 20. The proposed Governance and Assurance Framework has been documented and a high-level approach to how this operates is described in the following diagram.



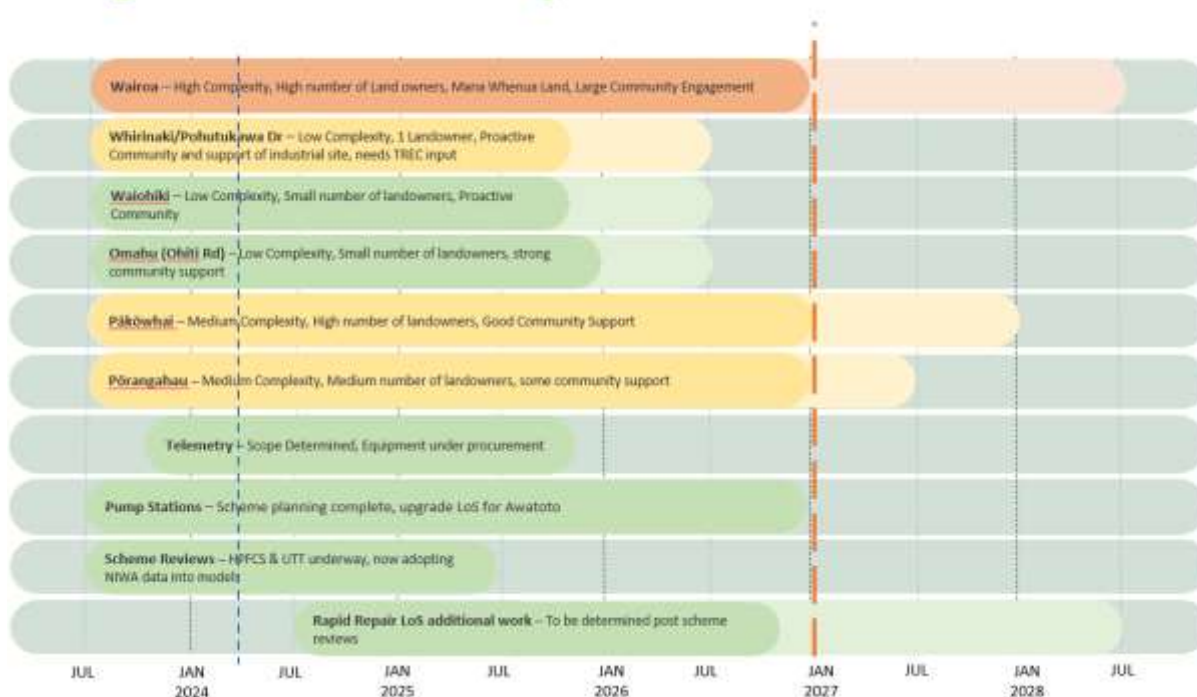
- 21. The key feature of this governance framework is the Programme Assurance Board (PAG), which includes members of the Executive Leadership team to represent Asset Management, Finance and Supervisory Control and Data Acquisition (SCADA), Crown Infrastructure Partners (CIP) and an independent assurance member providing programme-specific oversight expertise.
- 22. The proposed inclusion of CIP within the Programme Governance Board fulfils a requirement of our funding agreement with the Crown.

23. In addition to Programme Governance Board meetings, the PMO Programme Director, Land Category Programme Manager, and Programme Finance and Controls Manager meet with CIP on a weekly basis at an operational level to provide regular updates on various aspects of the programme and individual projects. This also fulfils a requirement of our funding agreement with the Crown.
24. HBRC will use the Project Lifecycle Management Framework and related processes to form the basis of what is now the PMO process and control systems. The framework is based on international best practice for project management.
25. The structure of the PLM framework is illustrated below. Gateways requiring Manager/Sponsor approval exist between each phase to ensure that projects are adequately progressed before embarking on the next phase of work.



26. Delivery of the programme is tracking at an operational level (contractual delivery) including an overlay from a political delivery timeline (refer to the diagram below). As noted, the delivery of a large number of projects is targeted for delivery, in some cases up to 12 months earlier than expected. In order to achieve delivery, risks will be elevated such that engagement and design timelines will be compressed, consenting fast tracked, and building will be required through winter periods.
27. In order to mitigate probable bottlenecks, Council staff are proposing to increase financial delegations for engagement and processing to speed up processing (see para 36).

Programme Timeline adjusted



Programme assurance, risk and controls

28. The Assurance Management Plan outlines that the programme will operate the following principles, such as amongst others:
 - 28.1. Independence – RCP has been appointed to the role of Programme Assurance Advisor for the Crown-funded NIWE Resilience Programme. This will provide a level of independence, so that assurance activities are able to be carried out by someone who has no direct control over the project outputs or programme outcomes, etc. The Crown Infrastructure Partners (CIP) could also undertake assurance activities for Crown-funded programmes of work, while an external third party could understand assurance activities for business-as-usual projects and programmes of work.
 - 28.2. Risk based – The assurance activity should be focused on the high to very high-risk areas, such as commercial, funding, consenting and land acquisitions. This activity should be based on an independent risk assessment.
29. Specific Assurance Activities will include:
 - 29.1. Health Checks – Form an effective assurance control by assessing how well the programme or project is performing at a specific point in time, i.e., whether it remains on track to deliver the expected benefits within the agreed key parameters. It tests adherence to the principles of programme and project delivery and provides value by highlighting what is working well, as well as any areas that could be improved or require escalation.
 - 29.2. Phase gate reviews – An effective way to apply assurance controls, as a project can't progress to its next phase unless it has undergone a gated review.
 - 29.3. Technical assurance reviews – Form an effective assurance control for compliance with Council's design and asset standards, relevant regulatory codes, as well as the overall suitability of a project's design (i.e. alignment with project objectives and overarching programme outcomes and benefits).
 - 29.4. Risk reviews – Regular review of key risks to the projects and programmes of work (e.g. funding, or consenting requirements).
30. The programme has undertaken a risk assessment for the overarching delivery, including having individual risk registers per project. At this early stage of the project, inevitably a number of risks exist that require actions to be taken. Specific highlights include:
 - 30.1. Pump Stations – this is noted as Red. This is due to design confirmation still being determined and potential lead times of fish-friendly passage pumps being required which currently pose a risk to both cost and timing.
 - 30.2. We expect once embedded programme documentation and forums are operating as intended that key risks such as design, procurement, and costs will be mitigated.
 - 30.3. The timeline for delivery remains on watch and is reflected in the attached NIWE Resilience Programme – Performance and Risk dashboard.

Change Management

31. The change control process provides the NIWE Resilience Programme with the ability to make informed decisions on how to respond to events that could have an impact to the programme and its constituent projects. By knowing about an event early, it allows time to influence the change with the relevant stakeholders, avoiding unnecessary time, cost or reputational implications for things that do not help achieve the programme's objectives.
32. Managing change at the programme-level is significantly more complicated compared to managing change on the project-level. Managing change at the programme-level includes understanding how a project-level change may impact the overall programme of works,

including interfacing projects. A change event that may be considered a normal change for a project, will require greater attention at the programme level. The Programme Board and Programme Assurance Group have been established and empowered to make the best for programme decisions on the NIWE Resilience Programme and its two sub-programmes.

33. Escalation pathways and limits are still being confirmed and we will report back on this in our next update.
34. Programme Change Notices (PgCNs) will be reviewed, approved and/or rejected at the PAG, unless the change impact exceeds the delegated limit for the Programme Sponsor, in which case the change decision will be escalated to the Environment and Integrated Catchments Committee and/or Risk and Audit Committee.
35. Programme change requests will be funded either from the existing general risk and contingency allowance held at programme-level or via the provision of additional budget from the general risk and contingency allowance held at portfolio-level.

Delegations

36. The NIWE programme as a total package has been approved by Council through the Three Year Plan and adoption of the FOSAL agreement in August 2023. The Three Year Plan has the full commitment for spend across the coming 4 years.
37. For operational effectiveness and budget management, Council officers would like to propose an increase in some high-level financial delegations to expedite decision making and speed up potential bottle necks in payments and engagement.
38. It is anticipated that in some instances the value of contracts required for design and build may exceed \$15m, given the value of works required in larger projects over 2 years. In instances where a contract value exceeds that of the CE, urgent approval to proceed will be sought from Council.
39. As currently allowed within the Financial Delegation Manual, Sub delegations are allowed from the Chief Executive to sub delegate powers, duties or functions and *3.1 Make changes to delegation levels within his or her operational control*. In addition, *3.2. General Managers may sub-delegate their authority where it is permitted in the appendices to this policy*.

Delegated Authority Level	Financial Delegation
CEO	\$15,000,000.00
Group Manager - Asset Management (NIWE)	\$5,000,000.00
Group Managers (including Programme Manager NIWE)	\$1,000,000.00
Functional Managers (including NIWE Direct Reports)	\$150,000.00
Operation Managers	\$75,000.00
Senior Financial Accountant	\$50,000.00
Level 1	\$10,000.00
Level 2	\$7,500.00
Level 3	\$5,000.00
Level 4	\$3,000.00
Level 5	\$2,000.00
Level 6	\$1,000.00
Level 7	\$500.00
Level 8	\$250.00

40. Further to the above and to ensure Council does not expose further risks to the wider organisation by a blanket increase in financial delegations, Council staff propose to provide delegation by exception to the Chief Executive for NIWE Resilience Programme contracts beyond the financial delegation of \$15m but within the scope and limits of the FOSAL agreement of \$250m.
41. These contracts will be provided for within documented procurement management plans according to Council policies, and the phasing on these costs have been forecast within the Three Year Plan process.

Strategic fit

42. Delivery of the NIWE programme is a key priority for Hawke's Bay Regional Council due to the commitments given to the Crown through the FOSAL Agreement and in the Three Year Plan proposed for FY25-FY28.
43. Success for HBRC will be completion of these works within financial boundaries such that communities are able to move back into homes and on land impacted by Cyclone Gabrielle and have resilient prosperous communities.

Financial and resource implications

44. There will be no resource or budget implications as the agreed budget exists for this work. It is anticipated that this will be accommodated within existing budgets only.

Decision-making process

45. Council and its committees are required to make every decision in accordance with the requirements of the Local Government Act 2002 (the Act). Staff have assessed the requirements in relation to this item and have concluded:
 - 45.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 45.2. The use of the special consultative procedure is not prescribed by legislation.
 - 45.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 45.4. The persons affected by this decision are the ratepayers of the region and anyone interested in local government decision-making.
 - 45.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community.

Recommendations

That the Corporate and Strategic Committee:

1. Receives and considers the *Future of Severely Affected Land (FOSAL) delivery* staff report.
2. Recommends that Hawke's Bay Regional Council:
 - 2.1. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community or persons likely to have an interest in the decision.
 - 2.2. Increases the financial delegations to the Chief Executive to \$15m (from \$10m currently) to enable contract execution and loading of purchase orders and payments as they

pertain to the North Island Weather Events Resilience Programme (NIWE).

- 2.3. Agrees that for contracts beyond the Chief Executive delegation of \$15m, specifically within the North Island Weather Events (NIWE) Resilience Programme per the Future of Severely Affected Land agreement of \$250m and as documented in the Hawke's Bay Regional Council Three Year Plan 2024-2027, specific approval by exception is delegated to the Chief Executive to enable contract execution and loading of purchase orders and payments as they pertain to the NIWE programme.

Authored by:

Jess Bennett
Senior Manager Finance Recovery

Jon Kingsford
Manager Regional Projects

Approved by:

Chris Dolley
Group Manager Asset Management

Susie Young
Group Manager Corporate Services

Attachment/s

1 [↓](#) NIWE Risk Dashboard - April 2024

NIWE Resilience Programme - Performance and Risk Dashboard – April 2024 DRAFT

Objective:

We need to ensure...

Fit for purpose flood protection assets that improve the resilience of Hawke’s Bay communities.

Trust, confidence and continuing social license to operate...
...from our communities, mana whenua, partners and stakeholders...
...resulting from our work as part of the NIWE Resilience Programme

Chris Dolley

Success:

Success looks like ...

... resulting in...

Properties transferred back to a lower land categorization level Lead [name]	People to returning to their homes Lead [name]	Improved flood resilience and protection Phil Duncan	Increased internal capability Jon Kingsford
Environmental Resilience Te Taiao is restored, protected and enhanced throughout recovery	Whānau / Community Wellbeing All people, families and whānau in affected communities have access to essential services, shelter, health, psychosocial and wellbeing support.	Resilient Infrastructure Essential services, public and critical lifeline infrastructure are restored and made more productive and resilient.	Recovery Transition Hawke’s Bay communities are reconnected and are better prepared and coordinated for future emergency events.

Projects:

Through the delivery of...

Wairoa Phil Duncan	Tangoio Not Applicable	Whirinaki Harry Donnelly	Waiohiki Harry Donnelly	Ohiti Road (Omahu) Harry Donnelly	Pakowhai Phil Duncan	Porongahau Phil??	Havelock North Not Applicable
Telemetry Lead [name]		Rapid repair sites Jon Kingsford		Pump stations Lead [name]		Scheme reviews Lead [name]	

Risks/Uncertainty:

Major areas of uncertainty associated with our role, activities and commitments are...

By uncertainty, this means things that could lead to upside opportunity or downside threat

Purpose and outcomes The extent to which the goals, objectives, scope, deliverables, outcomes and benefits of the NIWE Resilience programme are clearly defined and understood. Lead [name]	Stakeholder and community alignment The extent to which the interests, expectations and needs of various stakeholders with respect to NIWE are understood and aligned, with appropriate communication to support this. Lead [name]	Governance and decision making The extent to which decision making, governance, monitoring and oversight over NIWE is effective over time, at both a programme wide and individual project level. Lead [name]	Design, science and modelling The extent to which reliable data, evidence, research and modeling is available to enable long-term flood resilience planning. Lead [name]
Resource consenting and regulatory compliance The extent to which regulatory requirements are met and resource consents obtained within appropriate timeframes. Lead [name]	Planning and delivery The extent to which programme plans and associated delivery activity is managed appropriately, including interdependencies with other HBRC activities and programme/projects, across other agencies/TAs, including compliance with legislative and regulatory obligations. Lead [name]	Capability and capacity of people The extent to which adequate and appropriate people, skills, experience, resources, health & safety approaches, tools and technology are in place to deliver NIWE. Lead [name]	Funding The extent to which multi-year funding and cashflow to enable NIWE is predictable, adequate and appropriately managed, including contingency management. Lead [name]
Suppliers and the supply chain The extent to which the roles and accountabilities of third party suppliers / vendors / partners are clear, able to be procured, with the predictability of resource supply chain availability and cost. Lead [name]	Change management The extent to which effective mechanisms are in place to respond to and manage changes in expectations, scope, cost, time, dependencies and anticipated benefits. Lead [name]	Coordination, communication & engagement The extent to which our stakeholders and partners (incl mana whenua) are engaged with to ensure alignment with wider regional recovery work. Lead [name]	Health and safety The extent to which we keep people safe and avoid injury or harm from work performed. Lead [name]

Key:

High confidence G Y A R High concern
 High alignment H M S L Low alignment
 Accountability for risk
 Change in sentiment from last survey ▲
 Colour reflects prior sentiment

Hawke's Bay Regional Council
Corporate and Strategic Committee

15 May 2024

Item 6

Subject: Report on the independent review of the HB CDEM Group's response to Cyclone Gabrielle

Reason for report

1. This item introduces a report (attached) on the Bush International Consulting Limited report *Hawke's Bay Civil Defence and Emergency Management Group Response to Cyclone Gabrielle* (also attached) from Doug Tate, HB CDEM Coordinating Executives Group Chair.
2. The report provides an overview of the review process and outcomes and an outline of work underway at the time of writing in response to the review. The report has been provided to all councils in the region.
3. HBRC's role in relation to the report is twofold. First, HBRC is the administering authority for HBCDEM Group and, secondly, HBRC will need to respond to recommendations in the report, particularly around intelligence provision in support of CDEM.
4. HBRC is the Administering Authority for the HB CDEM Group pursuant to section 23 of the Civil Defence Emergency Management Act 2002 (the Act).
5. The role of HBRC in performing this function (and, as appropriate, the role of the Chief Executive of HBRC) is prescribed in section 24 of the Act as being *responsible for the provision of administrative and related services that may from time to time be required by the [Group]*. The costs for these administrative and related services for the Group are agreed by the Joint Committee. HBRC rates for these costs on behalf of the Group, also as agreed by the Joint Committee.
6. In a practical sense, this means that HBRC and its Chief Executive have responsibility for hosting the Group Office (Hawke's Bay Emergency Management) and employing its staff. However, the Governance responsibility for these functions rests with the Joint Committee and operational direction for the Group Office is provided by the Coordinating Executives Group. The Regional Council does not have a direct governance role in relation to HBCDEM. Instead HBRC appoints its Chairperson to the Joint Committee.
7. As well as staff support to the Group office, HBRC supplies important data and intelligence, for example in relation to flood modelling and river levels. Members will be provided with an overview of activities underway in these areas as part of an agenda item at a future meeting.

Decision-making process

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

Recommendation

That Hawke's Bay Regional Council receives and notes the *Report on the independent review of the HB CDEM Group's response to Cyclone Gabrielle*.

Authored & Approved by:

Nic Peet
Chief Executive

Attachment/s

- 1 [↓](#) HB CDEM CEG report on Bush review findings and implementation
- 2 HB CDEM Group response to Cyclone Gabrielle - Bush report Under Separate Cover

Report on the independent review of the HB CDEM Group's response to Cyclone Gabrielle

Reason for report

1. This report provides background and an overview of the scope, procurement processes and methodology for the completion of the independent review of the Hawke's Bay Civil Defence Emergency Management Group's response to Cyclone Gabrielle (the review), the key findings from the review and, importantly, the next steps for the initial implementation of the review recommendations.

Executive Summary

2. Cyclone Gabrielle was a significant event that far surpassed forecast expectations and resulted in the third ever State of National Emergency. Lives were lost, properties damaged, and communities were changed forever.
3. Following the immediacy of the event response, the Joint Committee confirmed a Terms of Reference (TOR) and Framework to commence a review into the Group's response to the cyclone, to ensure that learnings and improvements for future events, not just in Hawke's Bay but across the whole of New Zealand, are made for the future.
4. The review was conducted by Bush International Consulting Limited and completed over a 7-month timeframe.
5. The Hawke's Bay CDEM Group Joint Committee (Joint Committee) received the *Hawke's Bay Civil Defence and Emergency Management Group Response to Cyclone Gabrielle* report¹ on 25 March 2024.
6. The key background aspects of the review scope, procurement and methodology are summarised in the Background section of this report.
7. The key findings of the review detailed in this report are aligned to the review outcomes detailed in the Terms of Reference (ToR) and Framework, and highlight national, regional and local findings. Although there are key findings at each level, there are common themes leading to the conclusion that the scale, extent and speed of Cyclone Gabrielle was beyond what the New Zealand Civil Defence and Emergency Management (CDEM) system is set up to manage which, as concluded in the report, 'sets good people up to fail'.
8. Since Cyclone Gabrielle, work has continued through the 2022-2024 Work Programme² for the Hawke's Bay CDEM Group. This work programme was underway pre-Cyclone Gabrielle and includes a series of 'priority one' work streams across Risk Reduction, Community Resilience, Operational Readiness, Recovery, and Governance and Management. Group staff have started reviewing what further operational actions from the review recommendations need to be put into their work programme immediately.
9. There are a series of next steps related to the Joint Committee resolutions from the 25 March 2024 meeting. Work is underway to confirm the immediate and longer term next steps in the 'implementation phase'. In the short term this includes the appointment of an Implementation Director with emergency management expertise, as well as the appointment of an independent appointment with emergency management expertise as a member to the Joint Committee. In addition, the Group and a number of councils are investing in community hubs and local resilience. This report talks further to these actions.

¹ Bush International Consulting Limited, *Hawke's Bay Civil Defence and Emergency Management Group Response to Cyclone Gabrielle, March 2024*

² *Hawke's Bay CDEM Group Work Programme 2022/2024.*

This Work Programme details the major work streams and projects during the 2022/23 and 2023/24 financial years across Risk Reduction; Community Resilience Planning; Operational Readiness; Recovery; and Governance and Management.

Background

10. The Hawke's Bay CDEM Group Joint Committee (Joint Committee) received the *Hawke's Bay Civil Defence and Emergency Management Group Response to Cyclone Gabrielle* report³ (the review report) on 25 March 2024.
11. The key background aspects of the scope, procurement and methodology for the review are discussed following.

Development of the review scope

12. The Terms of Reference (ToR) and Framework to support the independent review were developed in consultation with the Joint Committee and Te Kahui Ohanga o Takitimu (TKO). A clear focus for the review was the requirement for communities to have the opportunity to give voice to how Cyclone Gabrielle impacted them. The Joint Committee approved the Review ToR⁴ and Framework⁵ on 26 June 2023, having previously provided feedback and clear outcomes being sought from the review to the HB CDEM Group Coordinating Executives Group (CEG).
13. The purpose of the independent review was to assess the performance of the Hawke's Bay Civil Defence Emergency Management Group's (the Group) operational response to Cyclone Gabrielle, with a particular emphasis on:
 - 13.1. the systems and processes
 - 13.2. roles and responsibilities of Group members and partners, and
 - 13.3. to what extent the implementation of pre-existing arrangements contributed to an effective management of the response for mana whenua and the community.
14. The review was to focus on the timeframe between the initial warning of the cyclone, through to the demobilisation of the Group Emergency Coordination Centre (GECC) – 9 February to the end of April 2023.
15. Review outcomes were to focus on improving resilience and ensuring that the Group has robust emergency management capability and capacity before, during and after an emergency, that supports better emergency management outcomes for Hawke's Bay. Review findings were to outline strengths and areas for improvement and will inform the Group Work Programme aligned to the Hawke's Bay CDEM Group Plan.

Procurement to support the review

16. To support the sourcing of appropriate contractors to undertake the review based on the agreed ToR and Framework, and to provide transparency that robust and current processes were followed, procurement was conducted in accordance with the Hawke's Bay Regional Council (HBRC) Procurement Guidelines with support from the HBRC Procurement Team.
17. The procurement process involved the development of a comprehensive procurement plan and Request for Proposal including:
 - 17.1. supporting documentation
 - 17.2. pre-market engagement
 - 17.3. advertisement through the Government Electronic Tenders Service (GETS), and
 - 17.4. establishment of a Panel for RFP evaluation and preferred contractor recommendation.

³ Bush International Consulting Limited, *Hawke's Bay Civil Defence and Emergency Management Group Response to Cyclone Gabrielle*, March 2024

⁴ Independent review into Hawke's Bay Civil Defence Emergency Management Group's response to Cyclone Gabrielle Terms of Reference, 20 June 2023

[FINAL-Hawkes-Bay-Operational-Review-Terms-of-Reference-V0.4-20-June-2023.pdf \(hbemergency.govt.nz\)](#)

⁵ Independent review into Hawke's Bay Civil Defence Emergency Management Group's response to Cyclone Gabrielle Framework, 20 June 2023

[FINAL-Review-Framework-Hawkes-Bay-CDEM-Group-Cyclone-Gabrielle-Version-0.4-20-June-2023-.pdf \(hbemergency.govt.nz\)](#)

18. Subsequent to the Evaluation Panel decision on a preferred contractor, contract negotiations and award and finalisation of contractual arrangements being concluded, Bush International Consulting Limited was engaged on 24 August 2023 to undertake the review.

Review methodology

19. The methodology for the Bush International Consulting Limited review followed the guidance detailed in the *Review ToR and Framework* with the development of a detailed Project Plan to support it. The report on the review outlines the specific methodology used, however, in summary the activities undertaken to inform the review outcomes included:
 - 19.1. **Documentation review** of internal Hawke's Bay CDEM Group and external agencies' documentation.
 - 19.2. **Interviews and engagement** - conducting interviews at the local, regional and national level with individuals across multiple agencies involved in the response to Cyclone Gabrielle and engagement with Te Kahui Ohanga o Takitimu (TKO).
 - 19.3. **Community engagement** – with community representatives through the facilitation of Community Focus Groups, engagement with iwi, hapū and Marae, and analysis of data captured from approximately 1000 community survey responses through a survey specifically designed for the review.
 - 19.4. **Review of draft review report** – using a Review Advisory Group made up of representatives from Mana whenua, welfare, lifelines and CDEM with technical expertise for guidance on the draft review report and themes, as well as using other key subject matter experts involved in the Cyclone Gabrielle response for technical fact-checking.

Key findings of the review

20. A summary of key findings, aligned to the review outcomes sought in the ToR and Framework for the review, are following. The summary provides an overview and is not an in-depth analysis of the report and its recommendations – that piece of work will be undertaken as part of the implementation phase.
21. While the Joint Committee has received the review report in full, it may also be that additional actions are added, or the recommendations amended, to ensure the full outcomes sought are achieved.

General

22. The scale, extent and speed of Cyclone Gabrielle was beyond what the New Zealand emergency management system is set up to manage.
23. From a CDEM perspective the response and early-stage recovery were based on personalities and relationships, as opposed to repeatable and proven systems and frameworks.

Outcome 1: Hawke's Bay CDEM Group has appropriate capability and capacity to support community resilience, considering the impacts of Cyclone Gabrielle on communities.

24. Cyclone Gabrielle strained relationships with local authorities and communities and created bitterness amongst those who felt unsupported, ignored or shuffled by bureaucracy at a time of great trauma.
25. Communities, volunteers, the contractor sector, businesses and utility providers provided critical and heroic response activity. These local resources were not well utilised by the CDEM Group in the response to Cyclone Gabrielle.
26. Elected members were well versed in their responsibilities and powers under the CDEM Act 2002 and were proactive in fronting key messages to their communities.
27. Support for communities was activated during the response to Cyclone Gabrielle including the activation of welfare arrangements and the establishment of Civil Defence Centres (CDCs). Regular review and assessment of CDCs should occur to ensure a tailored response to communities based on the community and the hazard.

28. Pre-Cyclone Gabrielle, communities were not aware of emergency management planning that may impact their specific communities.
29. There needs to be a better understanding of the current baseline community/ public expectations and the extent of household preparedness.
30. Specific interventions should be developed to support the resilience of vulnerable communities and groups (community of interest and place) including remote communities, the disabled community, eldercare facilities and rest homes, and others at high risk.

Outcome 2: Hawke's Bay CDEM Group has appropriate capability and capacity to coordinate and effectively manage a response before, during and after an emergency.

31. CDEM Governance (Joint Committee and the CEG) had a history of working effectively. This supported coordination between governance bodies and Mayors, and with partner agencies.
32. Due to resourcing, it was challenging for local authorities in Hawke's Bay to have the depth of capability and operational experience needed to lead a response to an event such as this.
33. The Hawke's Bay CDEM Group Plan was good, but there was a lack of operational plans at regional and local level.
34. CDEM staff were overconfident about their readiness due to response to previous events and did not have a precautionary approach to planning, communication and warnings in the lead up to Cyclone Gabrielle.
35. The Group Emergency Coordination Centre (GECC) lacked situational awareness and intelligence about the impacts until it was too late. With only partial understanding of the severity of the event, there was a struggle to coordinate local authorities, partner agencies, volunteers and others.
36. Issues with initial connection, communication and interoperability between Emergency Operation Centres (EOCs), partner agencies and the GECC, leading to issues with information sharing, coordination of the response, and response planning.
37. Issues with Public Information Management – the coordination and dissemination of key messages by all channels and alignment of key messages across agencies.
38. GECC and EOC capability – identification of issues with staff training and experience, primary and alternate communications, GECC and EOC standard operating procedures (SOPs), IT systems, lack of plans, lack of a common system for information sharing. Issues were identified across all CIMS (Coordinated Incident Management System) functions; and the interface between CIMS functions.
39. Number of trained CIMS staff to support local and regional response in Hawke's Bay could not support sustained response.
40. CIMS training and ongoing professional development for anyone in a 'response role' – in any agency – local government, central government, first response and lifelines, should be mandatory and subject to compliance checks through a national assurance mechanism.
41. Funding for a larger capability of CDEM professional staff at regional and local level.
42. Requirement for dedicated fulltime Controller capability.
43. The depth of specialist skills and operational experience that existed within the pool of volunteers, backed up by the wider resources of Volunteering Hawke's Bay, seems to have been underutilised. There was no key point of interface for Volunteering Hawke's Bay into the GECC to ensure the sharing of intelligence (both ways) and the coordination of volunteer resources.

Outcome 3: Strengthened relationships with Mana Whenua, Iwi, Hapū; partner agencies; and communities that support a coordinated approach to emergency management capability.

44. Engagement of iwi Māori and Māori communities are ad hoc relationships rather than the product of systematic and formalised effort.

45. From a mana whenua partnership perspective, there was considerable frustration in advance of Cyclone Gabrielle with reference to the weak connection with Taiwhenua service providers, in that they were not engaged by the CDEM Group in preparing for Cyclone Gabrielle.
46. Lack of pre-established relationships at multiple levels with iwi, hapū and marae.
47. At the operational level, Māori agencies and marae felt that their proven abilities to deliver welfare services at scale were either ignored or hampered by bureaucracy. Māori leaders and communities were also deeply frustrated that the GECC created geographic zones with hubs to service isolated communities throughout the region, instead of using the established network of marae.
48. Stakeholder and partner agencies relationships were in place at governance levels but require strengthening at the operational level (EOC-GECC).

Outcome 4: Emerging response practice is recognised and assessed with a view to informing future emergency management approaches (including community arrangements).

49. It is clear that many people – in CDEM functions, in partner agencies and in the wider community – made impressive contributions to the response and early-stage recovery efforts through innovation of all kinds.
50. From a CDEM Group perspective, innovations included:
 - 50.1. empowering locally led responses
 - 50.2. incorporating the NZDF task tracker and logistics frameworks into CIMS functions
 - 50.3. working with Land Information New Zealand (LINZ) to host aerial imagery and data to support response and recovery efforts, and
 - 50.4. early utilisation of the Employee Assistance Programme (EAP) to support the wellbeing of CDEM staff during the event.
51. Wider system innovations included:
 - 51.1. effective all-of-government response, particularly by agencies on the ground to support local response and recovery
 - 51.2. use of *Starlink*-based technologies by response agencies
 - 51.3. the scale-up volunteers at short notice, and
 - 51.4. the use of the Hastings Aerodrome to support helicopter and other air movements.
52. There was concern that key innovations and lessons learned were not adequately captured to inform future responses, particularly with innovation that occurred in community organisations, mana whenua or volunteer groups.

Outcome 5: Identification of key lifeline vulnerabilities and planned contingencies that can inform recovery and improvement programmes.

53. The Hawke's Bay CDEM Group appears to have had sound relationships with lifeline utilities at all levels (governance and operational).
54. There were challenges with sharing of lifelines utility information – local-regional-national – including differing communications and Geospatial Information Systems (GIS).
55. There is currently no mechanism to understand contingency and business continuity planning for critical local businesses (e.g. supermarkets, service stations and rest homes).
56. Lifeline Utility Coordinators were not available in the response because of the obligations with their parent agencies.

Outcome 6: Review findings identify strategic themes to share with NEMA that can inform future emergency management legislative changes.

57. There are a substantial number of Tier 1 and Tier 2 recommendations that provide themes for national action and will also inform future emergency management legislative change. The key theme from the national narrative in the review report is the need to take a principles-based approach to building a new national emergency management model.
58. New Zealand needs to invest further in a comprehensive and professionalised centre of expertise through the National Emergency Management Agency (NEMA). A deeper investment in NEMA, along with more emphasis on its statutory assurance function, would support national resources to enable regional and local response across the spectrum of emergency management (the 4Rs).
59. Nationally driven enhancements should be considered including the mandated use of common operating platforms; national accreditation and assurance of all Group/Local Controllers, nationally consistent Standard Operating Procedures (SOPs), preassigned tasking protocols, and a centralised workforce strategy with operationally experienced emergency management staff located in regional hubs.

Outcome 7: Hawke's Bay CDEM Group has appropriate arrangements in place for future transition to recovery situations.

60. Early-stage transition to recovery was well handled.
61. The Regional Recovery Agency appears to be a sound model from the perspectives of effective governance, community engagement, and collaboration with iwi and local stakeholders.
62. The Recovery Plan takes a holistic approach to the many dimensions of recovery and is a sound plan with well-defined short, medium and long-term milestones and objectives.

Other reviews underway

63. While the Independent Review is the key focus of this report, there are other reviews underway that will undoubtedly impact and influence the long-term outcomes and approach in which all of the recommendations of the Review are considered. These include:
 - 63.1. The Government Inquiry into the response to the 2023 North Island Severe Weather Events being led by Sir Jerry Mateparae. This report was presented to the Minister of Civil Defence the day following the Hawke's Bay review report being received by the Committee and is expected to be released in late April/early May.
 - 63.2. The reviews of the 111 System, FENZ and Police into how the recommendations of the Hawke's Bay review report may be influenced to support the wider systems of Emergency Management are yet to be released or their findings shared with HBCDEM staff.
 - 63.3. Following an initial hot debrief, the National Emergency Management Agency (NEMA) is expected to complete a full review of all of the review findings to inform any future state of the system.
 - 63.4. The independent review into the performance of HBRC's flood scheme assets and river management programmes in response to Cyclone Gabrielle is also underway and due for release mid-year. HBRC also has other catchment-based reviews underway.
64. Recognising the interconnectedness of the emergency management system, all of these reviews will have a material impact on how the HB review report's findings and recommendations are implemented and what other system changes immediately outside of the Group may also need to occur to support the system changes sought.

Implementation of the review findings

65. Since Cyclone Gabrielle, work has continued in alignment with the 2022-2024 Work Programme.⁶ This Work Programme was underway pre-Cyclone Gabrielle and includes a series of 'priority one' work streams across Risk Reduction, Community Resilience, Operational Readiness, Recovery, and Governance and Management.
66. An overview of the comprehensive work conducted at local and CDEM Group level since Cyclone Gabrielle is detailed in following, in the HB CDEM Group Work Programme section of this report.
67. It is recognised many of these activities continue to contribute to building resilience and capability of the CDEM system, however does not reflect the significant step change sought for overall performance and capability.
68. The key immediate actions underway include those outlined following.

Independent Joint Committee appointment

69. The Committee resolved to make an independent Governance appointment to the Committee at its meeting on 25 March 2024. The independent appointee to the Committee is a pivotal one that seeks to achieve the following outcomes:
 - 69.1. Independent knowledge and experience of the emergency management system in New Zealand in the governance of the Committee.
 - 69.2. A future- focussed best practice governance view of Emergency Management in New Zealand.
 - 69.3. Drive independent public accountability and enhanced performance of the Hawke's Bay CDEM Group.
 - 69.4. To restore community confidence in regional and local emergency management for the Hawke's Bay region.
70. Feedback from across the Joint Committee has been sought and, at the time of writing, this role is to be advertised shortly.

Director HBCDEM Transformation

71. To support the significant step change being sought, a draft role description and scope have been developed for an overall Implementation Director with emergency management expertise to implement the review report's findings.
 - 71.1. In anticipation of releasing this role to the market, CEG has been testing the depth of the national market for a person to fill this role in the short term.
 - 71.2. This person will play an important role in managing the overall HBCDEM Transformation and will be accountable for programming and implementing the review recommendations overall. At the time of writing, this role is to be advertised shortly with CEG continuing to explore a short-term appointment.

Immediate actions

72. CDEM staff at Group office and across have begun reviewing what further immediate operational actions need to be put in place from the review in their immediate work programmes.2.1. In the short-term, a draft pathway will be developed for how the Hawke's Bay CDEM Group progress the more substantive changes that will be led by the Implementation Director. This will include the opportunity to connect the substantive changes into a review of the Group Plan, that is due for review in June 2024.

⁶ Hawke's Bay CDEM Group Work Programme 2022-2024.

This Work Programme details the major work streams and projects during the 2022-23 and 2023-24 financial years across Risk Reduction; Community Resilience Planning; Operational Readiness; Recovery; and Governance and Management.

73. The CDEM Group Plan review process also has a legislative requirement for community consultation, so provides a logical opportunity to reconnect with community on the proposed direction of the Group for the future also, following the review.

Achieving wider substantial system change in Hawke's Bay

74. The ambition of the Joint Committee to see significant system change is acknowledged, and with pace. CEG is proposing a process that will set the system up for a long-term change, through the review of the HBCDEM Group Plan.
75. The plan is due for its formal review 30 June 2024 and there is a legal requirement for the Group to formally consult and engage with community on the Group Plan. CEG is currently developing a pathway for the review of the Group Plan to be substantive vehicle that drives change – led by the new Director HBCDEM Transformation.

Referral of national recommendations

76. There are a substantial number of Tier 1 and Tier 2 recommendations in the review report that provide themes for national action and will also inform future emergency management legislative change. At the time of writing letters are being prepared to both the Minister of Civil Defence and Chief Executive of NEMA, formally providing the review report to both parties. Both the Minister and NEMA Chief Executive have previously received draft copies of the report.
77. Again, it is acknowledged that there is significant community and governance interest in seeing implementation of the review report's recommendations move with pace and urgency. This is fully acknowledged. Ensuring an appropriate long term and sustainable approach to the change management programme will be critical to ensuring the recommendations are implemented in a way that achieves the change sought.
78. The financial cost and likely increase in expectations of local authorities from the review should also not be understated. The report recommends a number of significant changes that will ultimately require significant financial investment in system enhancement and resourcing to be fully implemented. The review report speaks to this issue, and there will need to be trade-offs and priorities agreed at both a regional and local level to see these changes implemented.
79. HBCDEM Group members and partners can expect ongoing updates as the review's recommendations are formally implemented and resources confirmed to deliver the implementation.

Doug Tate

**Chief Executive, Central Hawke's Bay District Council
Chair, HB CDEM Group Coordinating Executives Group**

Appendix 1: Hawke's Bay CDEM Group activities

1. Since Cyclone Gabrielle, work has continued in alignment with the 2022-2024 Work Programme.⁷ This work programme was underway pre-Cyclone Gabrielle and includes a series of *priority one* work streams across:
 - 1.1. Risk Reduction
 - 1.2. Community Resilience
 - 1.3. Operational Readiness
 - 1.4. Recovery, and
 - 1.5. Governance and Management.
2. A snapshot overview of the comprehensive work conducted at local and CDEM Group level since Cyclone Gabrielle has been developed to highlight that significant work has continued in parallel to the review (Figure 1). This snapshot notes the work is post-response from Cyclone Gabrielle and demobilisation of Group and local response arrangements and debriefing, which were ongoing into May 2023.

⁷ Hawke's Bay CDEM Group Work Programme 2022-2024.

This Work Programme details the major work streams and projects during the 2022-23 and 2023-24 financial years across Risk Reduction, Community Resilience Planning, Operational Readiness, Recovery, and Governance and Management.

Figure 1: Hawke’s Bay CDEM Group Work Programme Snapshot (May 2023-March 2024)



3. The snapshot is not an exhaustive list of the work completed since Cyclone Gabrielle. Substantially, community leadership has, and always will play an important role in the network that is the Hawke’s Bay Civil Defence Emergency Management system. The scale and scope of activities that have been completed across the region by communities is also significant – whether updating community phone trees or re-establishing local Community Watch Networks, these important actions all form the network of community resilience and preparedness.

4. This next section outlines all of the work that has been completed or is underway since the response to Cyclone Gabrielle. This work involves the agencies and local authorities that make up the Hawke's Bay CDEM Group and includes:

Risk Reduction

- 4.1. Risk Reduction programmes in the short term remained focused on hazard research; hazard information dissemination; tsunami risk reduction; and support to the long-term risk reduction and hazard policy. There has been on-going work on the Tsunami Risk Reduction Programme with the review of Tsunami Evacuation Zones based on updated tsunami modelling⁸ including engagement with coastal local authorities and communities.
- 4.2. Hawke's Bay CDEM Group Office Emergency Management permanent staff are supporting the Hawke's Bay Regional Council in the review of polices for all natural hazards impacting the Hawke's Bay region, in consideration of climate change and urban development.
- 4.3. Hawke's Bay Regional Council is leading the 3-year project for upgrade of the River Telemetry System which commenced post-Cyclone Gabrielle. This project is a site-by-site review and equipment replacement to support future site resilience. Noting that the Hawke's Bay Independent Flood Review is still in progress, flood modelling work is also in progress in consideration of data from the NIWA Cyclone Gabrielle Analysis of Flood Flows report⁹ to inform the review of catchment flood models.

Community Resilience

- 4.4. Community Resilience programmes focused on community resilience planning with communities; and public information and education have been delivered across the region, led primarily by Local Authorities. Community engagement activities at the local level across all local authorities have been conducted in consideration with on-going recovery programmes and in collaboration with local authorities and Emergency Services.
- 4.5. Community engagement activities across the region have included Community Hub and Civil Defence Centre planning, hui with iwi, hapū and marae, and Community Resilience workshops. Support to enable community-led strengthening of capability through Community Hub planning and resourcing with critical supplies have been a priority with all local authorities. This has seen planning of 60 community resilience hubs underway across the region since the Cyclone.
- 4.6. Post Cyclone Gabrielle, the Regional Community Resilience Working Group was established to provide a coordinated multi-agency approach to community resilience. The Working Group has identified priority communities impacted by Cyclone Gabrielle that require immediate support to build their resilience. To support these; and all communities in the development of emergency preparedness plans, work is underway with the development of a Community Resilience Framework with practical tools. A Community Emergency Hub model has also been adopted utilising practised and tested resources from other regions.
- 4.7. There have been region-wide public education campaigns promoting readiness and specific preparedness for hazards (earthquake; tsunami). In addition to the region-wide campaigns, local authorities have conducted further targeted campaigns both externally with communities and internally focussed to local authority staff. There has also been behind the scenes work to improve current front-facing communications for Hawke's Bay CDEM with a review and refresh of Hawke's Bay CDEM website; and supporting information for the delivery of emergency preparedness workshops as part of the Community Resilience programmed activities.

⁸ 2022 tsunami modelling using Level 3 LIDAR.

⁹ NIWA Cyclone Gabrielle Analysis of Flood Flows report, 29 February 2024

Operational Readiness

- 4.8. Operational readiness programmes cover review of the operating framework and response structure; emergency communications planning; shared emergency information systems; welfare needs assessment platforms; and operational workforce capability.
- 4.9. Priority work on a Capability Development Pathway has been finalised with preparations underway for the roll out the programme across three main pathways: general Emergency Management awareness and support Emergency Operations/ Coordination Centres; support Civil Defence Centres; and Local and Group Controllers. Aligned to these pathways is the identification and design of specific training courses to support each pathway. Future course delivery and attendance projections will provide a significant boost to the emergency management capability at the local and Group level. There will be a requirement for a significant commitment from local authority staff and other agencies to attend training in addition to their day-to-day roles. The development of the pathways; course design and programme implementation have not stopped the continuation of training in the interim at the local and Group level. In the last 10 months, over 230 people across multiple agencies including volunteers have been trained based on current courses and current training programmes.
- 4.10. The Hawke's Bay CDEM Group Welfare Needs Assessment System has been completed with consultation on this system currently in progress through the member agencies of the Welfare Coordination Group. The development of a new regional information sharing platform is underway with the roll out scheduled for mid-2024.
- 4.11. Post-Cyclone Gabrielle agency reviews for Fire and Emergency New Zealand, New Zealand Police, National Emergency Management Agency and St John's Ambulance have been completed or are underway. These will help inform the other recommendations and learnings for the Hawke's Bay region.

Recovery

- 4.12. Recovery programmes to build recovery capacity for Hawke's Bay and a review of the current Hawke's Bay Recovery Strategy are currently being scoped in alignment with the Regional Recovery Authority (RRA).

Governance and Management

- 4.13. There are high priorities of work with the review of the Hawke's Bay CDEM Group Plan and partnering with mana whenua in Emergency Management to be progressed.

Hawke's Bay Regional Council
Corporate and Strategic Committee

15 May 2024

Item 7

Subject: Financial report for FY23-24 to 31 March 2024

Reason for report

1. This report presents the financial results of the Council for the nine months to 31 March 2024 including a full year forecast of the Group of Activity expenditure and funding.
2. In addition, this item provides updates on treasury activities and HBRC's credit rating application, as well as information about Green Loans.

Background

3. Financial performance is reported to the Corporate and Strategic committee quarterly. The report presented today is for the third quarter of the 2023-24 financial year.
4. The financial performance statements included are:
 - 4.1. HBRC Statement of Comprehensive Revenue and Expense for the nine months to 31 March 2024
 - 4.2. HBRC Statement of Financial Position as at 31 March 2024
 - 4.3. Comprehensive Revenue and Expense by Group of Activities.

Key Points

5. Total operating revenue for the period is \$170.3m, \$51.3m above budget, principally due to funding for sediment and debris activity which was not included in the Annual Plan.
6. Comparably, total operating expenses for the period are \$37m above budget at \$171.6m, again largely impacted by expenditure on sediment and debris.
7. Borrowings continue to be higher than expected due to additional funding required since the cyclone to fund response and recovery activities while we work through the National Emergency Management Agency (NEMA) and insurance claims.
8. The full year forecast indicates a potential \$6.7m shortfall in funding driven by investment income. This impacts our working capital position and cash management.
9. To help counter increased borrowing, officers are working on green loans and a credit rating application to reduce the cost of borrowing.
10. Good progress has been made by HBRC and HBRIC on setting up to deliver the Statement of Expectations for the next three years as approved by this Council earlier this year.

Statement of Comprehensive Revenue and Expense

Hawke's Bay Regional Council					
Statement of Comprehensive Revenue and Expense					
	For the 9 months ended 31 March 2024				Full Year Annual Plan Budget
	Actual 31-Mar 23/24 \$000	Budget 31-Mar 23/24 \$000	Variance \$000	Variance % %	Actual 22/23 \$000
Revenue					
Revenue from activities	7,717	9,724	(2,007)	-26%	12,965
Rates revenue	31,015	30,720	295	1%	40,960
Subsidies and Grants	114,744	24,832	89,911	78%	33,110
Other revenue	10,334	52,934	(42,600)	-412%	70,579
Fair value gains on investments	6,535	884	5,651	86%	1,179
Total Operating Revenue	170,344	119,094	51,250	30%	158,793
Expenditure					
Expenditure on activities	(164,252)	(127,603)	(36,649)	22%	(170,137)
Finance costs	(4,089)	(3,155)	(934)	23%	(4,207)
Depreciation and Amortisation Expense	(3,260)	(3,870)	610	-19%	(5,160)
Total Operating Expenditure	(171,602)	(134,628)	(36,974)	22%	(179,504)
Operating Surplus / (Deficit)	(1,257)	(15,534)	14,276	-1135%	(20,711)

Commentary on Statement of Comprehensive Revenue and Expense

11. The actual result to 31 March 2024 is a loss of \$1.3m while HBRC budgeted a deficit of \$15.5m for the first nine months of the year.
12. Sediment and Debris (HBRRA) and the Silt Taskforce (HBRC) continue to be significant activities for the organisation, making up \$104.6m of the revenue and \$103.6m of the expenditure reflected above (all sediment and debris revenue and most of the silt taskforce are currently offset by expenditure). This activity was not budgeted in the Annual Plan 2023-2024 and, therefore, is the main contributor to the significant variances in revenue and expenditure.
13. After taking out the Hawke's Bay Regional Recovery Agency (HBRRA) and silt taskforce funding, subsidies and grants are \$10m, \$14.8m behind budget. This is mainly due to the time taken to work through the NEMA claims. We are likely to see payments for the initial claims before the end of the financial year.
14. The shortfall in other revenue reflects the associated delay in receiving insurance claim money and the lower than budgeted investment returns, particularly from Napier Port. These are somewhat offset by fair value gains on investments as they recover, however, these are not available to fund activities as they are not cash returns.
15. Total expenses for the period were \$171.6m of which \$42.7m is for the HBRRA (sediment and debris) and \$60.9m for the silt taskforce, leaving \$68m against a budget of \$134.6m.
16. The operating underspend of \$66.6m is across a number of areas which are detailed in the Organisational Performance Report.

Statement of Financial Position

Hawke's Bay Regional Council			
Statement of Financial Position			
	Prior Year (PY) Actual 22/23 As at 30 June \$000	Current Year (CY) Actual 23/24 As at 31 March \$000	Current Year (CY) Budget 23/24 As at 30 June \$000
ASSETS			
Non-Current Assets			
Property, plant & equipment	37,558	37,335	36,705
Infrastructure assets	198,554	215,819	244,204
Investment property	67,194	66,185	69,220
Intangible assets	9,443	11,715	16,725
Forestry assets	11,745	11,745	12,382
Prepayments	168	168	-
Total non-current assets before other financial assets	324,662	342,967	379,235
Other financial assets	129,683	140,001	149,420
Investment in Council-controlled organisations	348,197	265,172	522,451
Total other financial assets	477,881	405,173	671,871
Total Non-Current Assets	802,542	748,140	1,051,107
Current Assets			
Inventories	337	564	430
Trade & other receivables	24,623	8,802	13,104
Derivative financial instruments	2,071	2,071	-
Other financial assets	3,142	3,142	2,807
Cash and cash equivalents	94,171	84,977	3,424
Total Current Assets	124,344	99,557	19,764
TOTAL ASSETS	926,886	847,696	1,070,871
NET ASSETS / EQUITY			
Accumulated funds	267,438	264,832	273,056
Fair value reserves	285,035	205,076	486,293
Other reserves	128,150	128,828	134,330
Total Net Assets / Equity	680,623	598,736	893,679
LIABILITIES			
Non-Current Liabilities			
Derivative financial instruments			
Borrowings	71,563	93,089	131,103
ACC Leasehold financing liabilities	29,283	29,283	26,779
Provisions for other liabilities & charges	19	19	-
Employee benefit liabilities	414	414	510
Total Non-Current Liabilities	101,280	122,806	158,392
Current Liabilities			
Derivative financial instruments	-	-	-
Borrowings	29,930	8,960	3,500
ACC Leasehold financing liabilities	1,416	1,393	1,500
Employee benefit liabilities	4,440	2,533	-
Trade & other payables	89,578	103,137	12,218
Funds held on Behalf	19,620	10,164	-
Other Current Liabilities	(0)	(32)	1,582
Total Current Liabilities	144,984	126,154	18,800
TOTAL LIABILITIES	246,264	248,960	177,192
TOTAL NET ASSETS / EQUITY & LIABILITIES	926,886	847,696	1,070,871

Commentary on Statement of Financial Position

17. Infrastructure Assets has increased by \$17.2m due to the significant amount of capital work being undertaken to repair assets damaged by Cyclone Gabrielle. The budget for the full year shows an expected value of \$244m which will be a combination of capital works and the revaluation of these assets by external valuers as part of our Annual Reporting process.
18. Intangible assets value has fallen this quarter, predominantly due to the carbon credits movement. The unit rate for last quarter was \$69.15 and that has fallen to \$58.53 at the end of Q3. This resulted in a \$1.7m write down of the value of our carbon credits. However, the current value is still above the \$41.00 per unit at the end of the last financial year.
19. There has also been some volatility on the Napier Port shares which were down to \$2.36 as at 31 March (was \$2.51 as at 31 December 2023 and \$2.50 at the end of last year). This is reflected in the Investment in Council-controlled organisations.
20. Cash and Cash equivalents is showing at \$85m as at 31 March 2024. We received \$46m (GST Inclusive) for further Sediment and Debris work. See the Treasury commentary for further details on overall cash position.
21. Trade payables are sitting at \$103.1m with \$49.6m held as income in advance (HBRRRA) and Accrued Expenditure totaling \$24m, a large portion of which is the sediment and debris work.

Financial summary by Group of Activities (GOA)

22. The following table provides a breakdown of the statement of comprehensive revenue and expense by Group of Activities (GOA). The Organisational Performance Report includes further financial and non-financial commentary for each GOA.
23. GOA expenditure includes each activity's external expenditure, internal staff time, finance costs (interest), depreciation/amortization and a share of corporate overheads.

Hawke's Bay Regional Council												
Statement of Comprehensive Revenue and Expense by Group of Activities												
For the 9 months ended 31-Mar-2024												
	Governance and Partnerships			Integrated Catchment Management			Asset Management			Policy and Regulations		
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000
Revenue												
Revenue from activities	810	750	59	2,198	2,600	(402)	1,216	3,436	(2,221)	1,503	2,727	(1,224)
Rates revenue	4,769	4,686	82	17,193	16,962	231	13,759	13,643	116	6,347	6,164	183
Subsidies and Grants	-	28	(28)	2,180	1,377	802	4,463	20,208	(15,745)	61,989	80	61,909
Other revenue	15	-	15	(0)	18	(18)	(183)	38,250	(38,433)	21	4	17
Net Fair value gains on investments	-	-	-	-	-	-	-	-	-	-	-	-
Total Operating Revenue	5,593	5,465	129	21,570	20,957	613	19,255	75,537	(56,283)	69,859	8,974	60,885
Expenditure												
Expenditure on activities	4,243	5,217	(975)	18,611	21,238	(2,627)	15,852	84,530	(68,678)	68,120	8,953	59,167
Finance costs	648	826	(179)	380	558	(179)	173	202	(29)	1	1	(0)
Depreciation and Amortisation Expense	-	-	-	452	606	(154)	549	710	(161)	6	5	1
Total Operating Expenditure	4,890	6,044	(1,153)	19,443	22,402	(2,959)	16,574	85,442	(68,868)	68,126	8,959	59,167
Operating Surplus / (Deficit)	703	(579)	1,282	2,128	(1,445)	3,573	2,681	(9,904)	12,585	1,732	15	1,717
	Emergency Management			HBRRRA			Transport			Corporate Overheads		
	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000	Actual \$'000	Budget \$'000	Variance \$'000
Revenue												
Revenue from activities	1,591	88	1,503	-	-	-	298	-	298	101	122	(21)
Rates revenue	4,607	4,511	96	-	-	-	2,515	2,490	24	(18,173)	(17,735)	(438)
Subsidies and Grants	129	75	54	42,581	-	42,581	3,400	3,064	337	2	-	2
Other revenue	33	-	33	192	-	192	286	-	286	9,971	14,663	(4,692)
Net Fair value gains on investments	-	-	-	-	-	-	-	-	-	6,535	884	5,651
Total Operating Revenue	6,360	4,674	1,686	42,772	-	42,772	6,499	5,554	945	(1,564)	(2,067)	503
Expenditure												
Expenditure on activities	9,280	4,869	4,411	42,762	-	42,762	6,782	5,328	1,454	(2,641)	(2,532)	(109)
Finance costs	259	228	31	-	-	-	2	2	(0)	3,871	1,337	2,534
Depreciation and Amortisation Expense	0	0	0	-	-	-	159	170	(11)	2,094	2,379	(285)
Total Operating Expenditure	9,539	5,098	4,441	42,762	-	42,762	6,943	5,500	1,443	3,324	1,185	2,139
Operating Surplus / (Deficit)	(3,179)	(423)	(2,756)	10	-	10	(444)	54	(498)	(4,888)	(3,252)	(1,636)

Full year forecast of GOA expenditure and funding

24. The full year forecast operating and capital activity expenditure and corresponding forecast funding is outlined in the tables below. The operating budget included in the tables is the Annual Plan budget revised for approved carryforwards and new funding agreements since finalisation of the Annual Plan budget.

Group of Activity (Opex)	Full Year Operating Expenditure (\$,000)		
	Forecast	Operating Budget	Variance (over)/under
Governance and Partnerships	9,878	10,907	1,028
Policy & Regulation	10,329	13,466	3,136
- Silt Taskforce & Woody Debris	90,213	90,486	274
Integrated Catchment Management	29,852	33,240	3,389
Asset Management	16,335	20,885	4,551
- Cyclone Gabrielle Infrastructure Repairs & Scheme Reviews	19,971	93,517	73,546
- NIWE	1,756	1,269	(487)
Emergency Management (CDEM)	3,381	3,675	294
- Cyclone Gabrielle Recovery Mgmt (HBRC)	6,672	3,122	(3,549)
Transport	9,934	8,109	(1,825)
Council wide - Investments/Funding	1,458	1,475	17
Council wide - ICT - SAAS development	2,249	2,479	230
	202,028	282,630	80,603

Group of Activity (Capex)	Full Year Capital Expenditure (\$,000)		
	Forecast	Operating Budget	Variance (over)/under
Governance and Partnerships	3,310	5,000	1,690
Integrated Catchment Management	940	2,058	1,117
Asset Management	10,793	19,778	8,985
- NIWE	5,632	6,328	696
Council wide - fleet, office complex, ICT	2,591	2,275	(316)
	23,266	35,440	12,173
Total Expenditure (Opex & Capex)	225,294	318,070	92,776

Funding	Full Year Funding (\$,000)		
	Forecast	Operating Budget	Variance (over)/under
Rates (General & Target)	41,153	40,960	193
Fees & Charges	5,439	8,048	(2,609)
Other external income	134,205	197,911	(63,706)
Reserves	(11,133)	13,586	(24,720)
Loan funding	40,021	41,262	(1,241)
Investment income (general funds offset)	8,913	16,304	(7,391)
	218,597	318,070	(99,473)

Funding Shortfall

(6,697)

25. Operating expenditure is currently forecast to be \$80.6m under budget, which is predominately due to the budget assumptions made for the cyclone infrastructure repair works. An operating expenditure budget of \$92.5m was included in the 2023-24 Annual Plan budget based on the total anticipated cost of repair works. Some of those costs were then incurred in the 2022-23 FY (\$29m). A further \$19.9m is anticipated to be spent this financial year with another \$21m still required, for a total forecast of \$69.9m (down from the original \$92.5m and spread over three

years). A carryforward request will be presented to Council early in the new financial year to confirm the final budget requirements for remaining repair works in the 2024-25 FY.

26. Excluding the cyclone infrastructure repairs, BAU activity expenditure is forecast to be \$19.3m underspent for the year, with \$12.2m in capital, and \$7.1m in operating expenditure. The main drivers of the forecast underspends are delayed forestry harvest, postponed open spaces development projects, delays to the regional water security programme, and delays in BAU flood protection works (mostly in the IRG Levels of Service upgrade programme). Some of this work may require a carryforward of unspent budgets where commitments continue past 30 June 2024.
27. Cyclone recovery management activity is currently drawing more of the corporate overhead than budgeted, which contributes to some of the BAU expenditure underspends. This will be reviewed and refined for the final overhead allocations at year end.
28. The full year funding forecast indicates a potential \$6.7m shortfall in covering our activity expenditure. This is mainly driven by investment income being significantly down on budget assumptions (\$2.5m on managed funds and \$5m related to the reduced Napier Port dividends). While BAU activity is forecast to be underspent, the majority of the reduced spend is offset by reduced borrowing required, reduced external income or reduced reserves requirements. The funding shortfall impacts our working capital position and cash management.
29. Rates funding is in line with budget. Fees and charges income is tracking to be \$2.6m behind budget, mostly related to consent and compliance activity where there has been a lower proportion of directly recoverable activity (e.g. increased time spend on advice, especially around cyclone recovery). External income is forecast to be \$63.7m down on budget, mostly related to the timing of cyclone infrastructure repair claims (insurance and NEMA). Loan funding and reserves will be used to manage the timing difference. The net funding forecast for reserves is in debit, as we are anticipating significant pay back to reserves from insurance proceeds this financial year for the costs incurred in 2022-23.

Commentary - Treasury

30. Short-term borrowings continue to be higher than anticipated as cyclone related NEMA and insurance proceeds have yet to be received. With Council currently undertaking a credit rating assessment with credit rating agents Fitch, management has held off rolling short-term debt to long term and will do so when the credit rating is received before year end. It is also anticipated an additional \$20m long-term debt will be drawn in June, bringing total external debt to \$120m.
31. Cyclone insurance claims and NEMA infrastructure reimbursements are progressing well. The NEMA management team processing claims were on site at HBRC in April 2023. Prior to end of 2023 HBRC had discussed with NEMA how submissions were needed to be outlined, described and presented such that HBRC have produced six versions of the claims to date due to various data integrity and presentational issues. HBRC had been working hard to fulfil the data requirements. NEMA have reviewed our first claim (seven stop banks totaling \$14.2m of eligible costs) and have advised that they expect to make a reimbursement of 60% before the end of May 2024.
32. This will allow HBRC to progress further claims at pace now data and formatting is confirmed, including making insurance claims for the 40% not covered by NEMA. This is positive for HBRC and will reimburse short term debt taken for cyclone purposes.
33. Movement on the investment property portfolios up to the end of Q3 saw 4 Napier (Endowment) properties complete freeholding. A further 2 were completed in April, together with 1 Wellington leasehold property. No further freeholding of Wellington properties will be undertaken without consultation with HBRC as new managers of the Investment Portfolio.
34. HBRC continues to work with the Crown on recovery projects and at the end of Q3 held \$55.8m on behalf of the Crown (note this is spread across funds held in advance and income in advance

on the face of the Statement of Financial Position). It is anticipated the Sediment and Debris programme will be completed by end of financial year apart from \$5m to close down sites, together with operational funds for the HB Recovery Agency for the FY25 still held on behalf.

LGFA Green Loans

35. HBRC officers are currently investigating the options of Green Loans with LGFA (Local Government Funding Agency) as an alternative to standard bonds. These are available to fund sustainability projects that promote environmental and social wellbeing, or act on climate change and reduce greenhouse gas emissions. Projects that fit the criteria attract lower interest rate charges than standard LGFA bonds.
36. We have submitted two applications, with a third pending and another two identified as possible if required.
 - 36.1. Climate Action Loan for General funding – The criterion for this loan is linked the reduction in scope 1 and 2 emissions and engagement with our vendors on reducing their emissions (i.e. our scope 3 emissions) for the organisation against our baseline (2019-2020 year). We are working with our external measurement vendor to align our reduction targets to meet the LGFA criteria. Currently the ask is for a 42% reduction by 2030 (from baseline) which aligns with SBTi (Science Based Targets).
 - 36.2. Erosion Control Scheme – Although this is an existing programme, we can move any of our future loan funding requirements for the programme to a GSS climate action linked loan. Our initial submission was not seen as been ‘additive’ to the current programme to justify the climate loan. We are working with our Catchment managers on incentives and additional offerings that can be done through the programme to meet the LGFA criteria. The focus for this is encouraging native species planting.
 - 36.3. NIWE Loan funding – for the \$44 million of funding required for the NIWE work, this should meet the criteria required for the climate adaption loans, we are finalising the submission for a 23 May LGFA committee review.
 - 36.4. Once the IRG scheme review has been completed, providing this has post cyclone additive work to be done above and beyond the programme baseline that we adopt, this is a candidate for a GSS climate action linked funding loan.
 - 36.5. Post consultation for the LTP and subsequent finalisation and adoption, the sustainable homes and Land for Life programmes if they require further loan funding, we believe would also be candidates for this programme.
 - 36.6. We continue to look for other programmes of work internally that we could work with the LGFA on.
37. Under the scheme HBRC will benefit from a materially lower interest rate on borrowings that qualify for the green climate adaptation loans. We currently report annually on our greenhouse gas (GHG) emissions. We will have some additional cost to include the scope 3 emissions (currently waiting on a quote from our provider for this). As part of the criteria laid out by the LGFA our Emissions Reduction Plan (ERP) needs to contain projects with their specific reduction impact. We are pending a workshop (quote to come) with our provider to identify and finalise the actions available to us to meet our target. This will also allow us to understand the cost of compliance vs. the savings to be realised from the lower offered interest rates. Once this is fully understood we can evaluate if we want to proceed.
38. If HBRC were to commit to, but then be unable to meet or track our committed reduction target, we would have a period of review and restitution that would typically cover 3 years with the LGFA. If we were unable to get back on track, we would risk being de-classified, meaning that we would no longer qualify for new green loans (either new borrowing or rolling existing loans). Any existing loans would be unaffected.

Credit Rating process update

39. In December 2023 HBRC issued an RFP to credit rating agencies to provide a credit rating for the Council. After a review, Fitch Ratings was appointed to undertake the assessment of HBRC and provide a provisional rating in recognition of their strong local government presence, including providing rating for Environment Canterbury. A review of the Council's financial status is currently ongoing, both looking forward and back, and expected to be completed in May.
40. Fitch will then issue a provisional rating which remains private giving the council two weeks to consider. If agreed, the rating is then made public along with agreed financial analysis to support the rating. This rating will be shared with LGFA to enable HBRC to borrow funds at a reduced rate at their next tender round in June.

Investment Strategy update

41. HBRIC is now focused on delivering the Statement of Expectations for the next three years as approved by this Council earlier this year. With the new SOE and SIPO agreed HBRIC has turned its attention to the managed funds, progressed through the RFP process and appointed Jarden/First Cape as sole investment managers for all managed funds.
42. A transition plan is currently being prepared and independent tax advice sought on the best outcome for HBRIC and HBRC for management of assets. Transition is hoped to be completed by 30 June 2024. During transition returns may be affected as the managed fund portfolio is positioned to deliver HBRC's requirements for the 2024-27 Three Year Plan and beyond.
43. HBRIC then intends to investigate HBRC's other investment assets to ensure optimal returns and will continue to monitor the Napier Port through oversight, noting this is a strategic asset and ownership is not currently under review.
44. HBRIC will undertake full analysis and advice will be sought on the investment property portfolios and their liabilities. It is anticipated HBRIC will then assess the forestry operations noting their dual objectives for erosion control and financial returns.

Decision-making process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Financial report for FY23-24 to 31 March 2024*.

Authored by:

Amy Allan
Senior Business Partner

Pam Bicknell
Senior Group Accountant

Chris Comber
Chief Financial Officer

Tracey O'Shaughnessy
Treasury & Investments Accountant

James Park
Management Accountant

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s There are no attachments for this report.

Hawke's Bay Regional Council
Corporate and Strategic Committee

15 May 2024

Item 8

Subject: Organisational Performance report for the period 1 January – 31 March 2024

Reason for Report

1. This item presents the Organisational Performance report for the period 1 January – 31 March 2024.

Organisational Performance Report content

2. The report contains four parts:
 - 2.1. **Executive summary** including highlights and lowlights.
 - 2.2. **Corporate metrics** that focus on how well we are performing across a number of corporate-wide measures such as employee turnover and customer service.
 - 2.3. **Level of Service Measures (LOSM)** by group of activities for red or orange traffic light status measures with commentary (i.e. exception reporting).
 - 2.4. **Activity reporting** with non-financial traffic light status and commentary and financial status and commentary rolled up to group of activities.
3. Organisational performance reports were established in 2018. The status and commentary reporting are rolled up from cost centre to activity level. Commentary by cost centre is still available to committee members on request to staff.
4. Staff complete their reporting in a software tool called Opal3. For LOSM and activity reporting, staff select the status (red, amber, green) and provide commentary on what they did in the quarter against their annual work plans.

Points of interest

5. Communications and Engagement page has been split into two, to include a page on Digital Media with new and updated graphs, metrics and commentary to reflect councillors' interests (see pages 10 & 11).
6. Electricity and gas data and commentary has been removed. This information is provided in detail in the annual HBRC Carbon Footprint report and in the HBRC Annual Report.
7. Strategic projects reporting has been reintroduced this quarter.
8. Due to a staff vacancy, the Reporting Dashboard (PowerBI) is not available for councillors this quarter.

Corporate metrics

9. Annual staff turnover is at the lowest point since March 2022.

Levels of service performance reporting

10. Staff have reported 11 performance measures as 'off track', and 5 as 'not achieved' by the end of the year. This is up from 7 marked as 'off track' from last quarter.

Activity reporting

11. Staff have reported 6 activities as 'off track' from their usual workplans. This has improved from 7 last quarter.

12. Financial reporting shows 2 groups of activities are 'off track' compared with 5 last quarter.

Decision-making process

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

Recommendation

That the Corporate and Strategic Committee receives and notes the *Organisational Performance report for the period 1 January – 31 March 2024*.

Authored by:

Sarah Bell
Team Leader Strategy and Performance

Approved by:

Desiree Cull
Strategy and Governance Manager

Attachment/s

1 2023-24 Q3 HBRC Organisational Performance Report Under Separate Cover

Hawke's Bay Regional Council
Corporate and Strategic Committee

15 May 2024

Item 9

Subject: HBRIC Ltd quarterly update

Reason for Report

1. This item presents the HBRIC quarterly update for Q3 January – 31 March 2024.

Financial Reporting

2. HBRIC's YTD Financial Statements as at 31 March 2024 are attached to this report.
3. Key Items to note:
 - 3.1. Statement of Financial Performance
 - 3.1.1. YTD surplus of \$223k (excluding fair value movements through other comprehensive income).
 - 3.1.2. YTD \$462k interest income (excluding managed funds)
 - 3.1.3. YTD \$253k net return from managed funds (excluding unrealised gains).
 - 3.2. Statement of Financial Position
 - 3.2.1. Decrease in net assets of \$2.2 million as at 31 March 2024
 - 3.2.2. NPHL share price has decreased 2% YTD from \$2.50 to \$2.45 – total decrease is \$5.5million
 - 3.2.3. Increase in managed fund value of \$3.1million.

Managed Funds

4. These funds were formed using proceeds raised from the Napier Port IPO and are considered a strategic asset. They remain under management in compliance with Council's SIPO.
5. The value of managed funds for HBRIC as at 31 March 2024 amounted to \$48.8 million, a movement of approximately \$3.1m (6.95%) year to date.
6. This is below the capital protected value of the asset of \$50.2m (2% compounded inflation since inception). No divestments have been made YTD.

HBRIC Managed Funds Performance Summary					
Fund	01/07/23 balance	YTD Divestments	31/03/2024	YTD gain / (loss)	YTD % gain / (loss)
Jarden	14,641,342	-	15,690,789	1,049,448	7.17%
Mercer	30,996,948	-	33,119,940	2,122,991	6.85%
HBRIC Total	45,638,290	-	48,810,729	3,172,439	6.95%

Port Dividend

7. Each year HBRIC receives dividends from Napier Port Holdings Ltd. HBRIC received \$3.905m in December, against budget YTD of \$3.840m. 100% of this dividend was passed through to the HBRC.

FoodEast

8. The third-quarter financial report for Foodeast Limited Partnership ending 31 March 2024 reported significant developments, including the nearing completion of Building A with a planned handover by the end of April. Although there was no operating revenue reported, the operating costs were notably lower than projected. The financial period saw the drawdown of the final tranches of the \$12 million grant from the Kānoa Provincial Development Unit, directed towards construction and pre-construction expenses. Contributions from the three Limited Partners to date amounted to \$4.8 million. Notable financial entries included a lower-than-expected operating cost of \$336,515 against a forecast of \$506,288.
9. Strategically, Foodeast-Haumako is enhancing its commercial strategy to develop revenue streams beyond tenancies, with several industry-related events and tenant bookings in planning. The board is also actively engaging with local iwi to explore collaborative opportunities and has started recruitment for key operational roles to strengthen its management team. Looking forward, Foodeast-Haumako is preparing for the operational phase, focusing on internal fit-outs and setting up for tenant occupancy and events.

Napier Port

10. Napier Port half-year 2024 trade volume report for Half Year Ended 31 March 2024
 - 10.1. Total Container Volumes: Decreased by 17.3% compared to the same period last year
 - 10.1.1. Second Quarter 2024: Total container volumes decreased by 6.3% to 56k TEU
 - 10.1.2. Half Year 2024: Total container volumes decreased by 17.3% to 98k TEU
 - 10.1.3. Reefer Export Cargo: Increased by 25.9% driven by favourable growing conditions in Hawke's Bay
 - 10.1.4. Dry Export Cargo: Decreased by 34.8%, influenced by Cyclone Gabrielle's impact on production facilities.
 - 10.2. Total Bulk Cargo Volumes Increased by 21.6% compared to the same period last year
 - 10.2.1. Second Quarter 2024: Bulk cargo volume increased by 53.1% to 0.87 million tonnes
 - 10.2.2. Half Year 2024: Bulk cargo volume increased by 21.6% to 1.88 million tonnes
 - 10.2.3. Log Exports: Increased significantly, driven by windthrown forests and additional unprocessed log volumes.
11. With market conditions remaining affected by Cyclone Gabrielle and the subsequent recovery in some sectors, Napier Port anticipates a recovery in some trade sectors and will provide a financial update on 22 May 2024.

New Investment Strategy implementation

12. The major focus this quarter has been the commission and completion of a Request for Proposal for Council's Managed Funds Portfolio. Council's portfolio totalling \$166m is currently split between Jarden and Mercer. Six candidates were short-listed and interviewed by a HBRIC panel with its recommendation being supported by the full HBRIC Board.
13. Accordingly, the decision has been made to appoint Harbour Asset Management as the HBRC Group's sole fund manager. This is a leading NZ funds management firm with extensive experience managing investment portfolios for charitable trusts, community trusts, iwi, crown financial institutions and superannuation scheme. We will also continue to retain the services of Jarden locally to provide in-depth banking and investment advice, and aligns closely with HBRIC's goals to boost Council's investment performance and returns.

14. While remaining separate entities, alongside the National Australia Bank both Harbour Asset Management and Jarden are now a part of the newly-formed FirstCape group with \$44 billion worth of funds under management or administration and advice.
15. We are in the final stages of initiating the transition of funds from the incumbent managers to Harbour Asset Management, including legal and tax due diligence matters and we propose to have FirstCape representatives present at the next C&S meeting.
16. With the priority Managed funds RFP now mostly competed, at its meeting on 9 May HBRIC will confirm a proposal for a comprehensive assessment of the Group's remaining investment assets (excluding Napier Port) to ensure alignment with the Council's overall risk/return investment objectives set out in the Statement of Expectations. An update will be provided to this meeting.

Decision-making process

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

Recommendations

That the Corporate and Strategic Committee receives and notes the *HBRIC Ltd quarterly update* report.

Authored by:

Tom Skerman
HBRIC Commercial Manager

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

1 [📄](#) HBRIC Financials

Statement of financial performance

Hawke's Bay Regional Investment Company Limited
For the 9 months ended 31 March 2024

	NOTES	2024 YTD ACTUAL	2024 FY BUDGET	REMAINING BUDGET	FY 2023
Income					
Interest income					
Interest received - bank		212,205	81,996	(130,209)	160,748
Interest received - managed funds		107,736	144,996	37,260	134,638
Interest received - HBRC		249,946	333,332	83,386	333,261
Total interest income		569,886	560,324	(9,562)	628,647
Dividend income					
Dividends received - PONL		3,905,000	6,000,000	2,095,000	7,040,000
Dividends - managed funds		190,481	147,996	(42,485)	119,632
Total dividend income		4,095,481	6,147,996	2,052,515	7,159,632
Realised gain / (loss) on managed funds		(44,734)	-	44,734	179,236
Total Income		4,620,633	6,708,320	2,087,687	7,967,515
Expenditure					
Operating expenses					
Audit fees and charges		156,129	111,000	(45,129)	118,714
Bank fees		45	-	(45)	55
Director's fees		86,252	106,200	19,948	45,000
Director's costs		1,104	5,000	3,896	-
Insurance		29,864	44,400	14,536	39,113
Interest expense (LGFA)		-	64,000	64,000	-
Investment Fees		35,546	60,000	24,454	67,982
Legal fees and charges		1,692	-	(1,692)	1,130
Management services - HBRC		97,500	130,000	32,500	130,000
Marketing and sales		-	-	-	4,910
Other costs		8,635	24,000	15,365	-
Professional advice		7,500	38,000	30,500	26,699
Professional development		-	5,000	5,000	-
Subsidiary company governance costs		-	5,000	5,000	-
Total operating expenses		424,267	592,600	168,333	433,602
Project costs					
Commercial manager		50,235	87,000	36,765	56,941
Other projects		-	-	-	9,690
Project expenses		-	9,600	9,600	-
Investment analysis & due diligence		9,205	60,000	50,795	-
Technical advice/legal		8,071	39,000	30,929	-
Total Project costs		67,511	195,600	128,089	66,631

Statement of financial performance

	NOTES	2024 YTD ACTUAL	2024 FY BUDGET	REMAINING BUDGET	FY 2023
Income tax & subvention payments					
Income tax expense		-	-	-	226,092
Subvention payments		-	-	-	9,516
Total income tax & subvention payments		-	-	-	235,608
Total Expenditure		491,778	788,200	296,422	735,842
Surplus / (deficit) from operations		4,128,856	5,920,120	1,791,264	7,231,673
Other comprehensive income & expenditure					
NPHL gain / (loss) on share revaluation	1	(5,500,000)	-	5,500,000	(27,500,000)
Unrealised gains / (losses) from managed funds		3,009,489	-	(3,009,489)	2,067,338
Dividends paid		(3,905,000)	-	3,905,000	(6,870,000)
Total Other comprehensive income & expenditure		(6,395,511)	-	6,395,511	(32,302,662)
Summary Statement of financial performance					
Surplus / (deficit) from operations		(4,128,856)	(5,920,120)	(1,791,264)	(7,231,673)
Other comprehensive income & expenditure		6,395,511	-	(6,395,511)	32,302,662
Total Summary Statement of financial performance		2,266,655	(5,920,120)	(8,186,775)	25,070,990

Statement of financial position

Hawke's Bay Regional Investment Company Limited As at 31 March 2024

	NOTES	31 MAR 2024	30 JUN 2023
Equity			
Asset revaluation reserves		(8,894,901)	(6,404,390)
Shareholder's funds			
Authorised "A" share capital		177,500,000	177,500,000
Retained earnings		169,438,484	166,111,811
Current Year Earnings		4,128,856	7,231,673
Deferred tax expense		8,787	8,787
Total shareholder's funds		351,076,127	350,852,271
Total equity		342,181,225	344,447,881
Liabilities			
Current liabilities			
Accrued expenditure		165,443	126,399
Trade accounts payable		51,300	9,724
Total current liabilities		216,743	136,123
Total liabilities		216,743	136,123
Assets			
Current assets			
Cash and cash equivalents			
BNZ accounts		288,455	346,382
Jarden Cash Facility (ANZ)		3,820,552	5,113,780
Total Cash and cash equivalents		4,109,007	5,460,162
Prepayments		56,393	86,258
GST		1,269	7,598
Current tax asset		1,757	7,814
Rounding		-	-
Tax deducted from investment activity		33,548	-
Total current assets		4,201,975	5,561,831
Non-current assets			
Shares - Napier Port Holdings		269,500,000	275,000,000
Funds with fund managers		48,810,729	45,638,290
HBRC loan receivable		16,663,036	16,663,036
Investment in Foodeast GP Limited		3,202,662	1,701,280
Deferred tax asset		19,567	19,567
Total non-current assets		338,195,994	339,022,173
Total assets		342,397,968	344,584,004
Net assets		342,181,225	344,447,881

Notes to the statement of financial performance

Hawke's Bay Regional Investment Company Limited For the 9 months ended 31 March 2024

	31 MARCH 2024	30 JUNE 2023
1. Investment in listed equities		
Shares - Napier Port Holdings Limited		
Opening Balance	275,000,000.00	302,500,000.00
YTD gain / (loss) on revaluation for the period	(5,500,000.00)	(27,500,000.00)
Total Shares - Napier Port Holdings Limited	269,500,000.00	275,000,000.00

	31 MARCH 2024	30 JUNE 2023
Napier Port Holdings Limited		
Total number of shares	200,000,000.00	200,000,000.00
HBRIC's share at 55%	110,000,000.00	110,000,000.00
NZX price per share at reporting date	2.45	2.50
Value at reporting date	269,500,000.00	275,000,000.00

	31 MARCH 2024	30 JUNE 2023
2. Total managed funds		
Funds - Mercer	33,119,939.59	30,996,948.37
Funds - Jarden	15,690,789.45	14,641,341.83
Total Total managed funds	48,810,729.04	45,638,290.20

	31 MARCH 2024	30 JUNE 2023
Mercer		
Units Held	25,960,211.02	25,917,180.91
Unit Price	1.27	1.20
Funds - Mercer	33,119,939.59	30,996,948.37

	31 MARCH 2024	30 JUNE 2023
Mercer		
YTD movement		
Opening Balance	30,996,948.37	29,535,219.53
Net gain / (loss)	2,122,991.22	1,461,728.84
Mercer portfolio value	33,119,939.59	30,996,948.37

Notes to the statement of financial performance

	31 MARCH 2024	30 JUNE 2023
Jarden		
YTD movement		
Opening Balance	14,641,341.83	13,672,447.85
Interest received	107,735.62	126,224.83
Dividends received	190,480.89	143,450.53
Realised gains / (loss)	(44,733.71)	179,236.23
Unrealised gains/ (loss)	886,497.80	605,608.71
Fees deducted	(56,985.15)	(54,534.43)
Tax deducted	(33,547.83)	(31,091.89)
Jarden portfolio value	15,690,789.45	14,641,341.83