HAWKE'S BAY REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Meeting of the Corporate and Strategic Committee

Date: 21 May 2025

Time: 9.30am

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

Agenda

Hawke's Bay Regional Council

Corporate and Strategic Committee

21 May 2025

Subject: Maritime assets aquisition

Reason for report

1. This item seeks approval for the acquisition of maritime assets required to meet HBRC's regulatory obligations for environmental protection and maritime safety. The proposed assets include:
   1.1. A vessel (boat) for operations in the coastal marine area, supporting pollution prevention, incident response, and maritime safety
   1.2. A personal watercraft (jet ski) for use in inland waterways, shallow areas, and restricted locations.
2. The acquisition will be funded through a combination of the Enforcement Revenue Reserve and internal loan funding.

Staff recommendation

3. Staff recommend that the Corporate and Strategic Committee supports option 2 – the acquisition of a boat and jet ski to enable HBRC to meet its regulatory obligations for environmental protection and maritime safety.

Executive summary

4. Under the Maritime Transport Act 1994, the Council holds statutory responsibilities for oil spill response and maritime safety regulation. These functions are essential for protecting the environment and ensuring the safety of water users throughout the region.
5. HBRC is currently the only council in New Zealand without on-water capability to respond to marine pollution or maritime safety incidents due to the absence of on-water assets. In contrast, other councils of comparable size and scope maintain multiple vessels, including boats and personal watercraft, to support such operations.
6. As a result, HBRC must rely on external contractors and/or volunteer organisations, such as the Hawke's Bay Coastguard, for incident and emergency response. This creates significant risk for HBRC's ability to respond should, these third-party services may not be available when needed.
7. Hawke's Bay Regional Council has received comments from both the Port and Harbour Marine Safety Code audit and from Maritime New Zealand Oil-Spill Response reviews that on-water capability is a critical risk area for the organisation and needs to be remedied.
8. To address this, staff recommend the acquisition of a vessel and a personal watercraft. These assets will enable HBRC to carry out patrols, respond to incidents, and support environmental monitoring across both coastal and inland waterways. The proposed funding model includes a 50% internal loan (repaid over 10 years) and 50% from the Enforcement Revenue Reserve, with no impact on rates.
9. This investment will reduce reliance on third parties, improve operational efficiency, and support shared services with other regional partners.

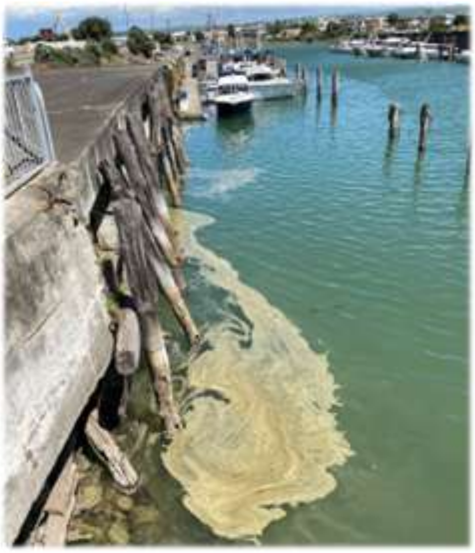
Background /Discussion

10. Maritime incidents have increased in both frequency and severity over the past five years or more. These incidents occur across both coastal and inland waterways and include a wide range of events such as marine pollution, vessel collisions, fires, groundings, sinkings, mechanical failures, reckless behaviour from vessel operators and biosecurity breaches. These incidents are endangering water users and threatening fauna and flora.

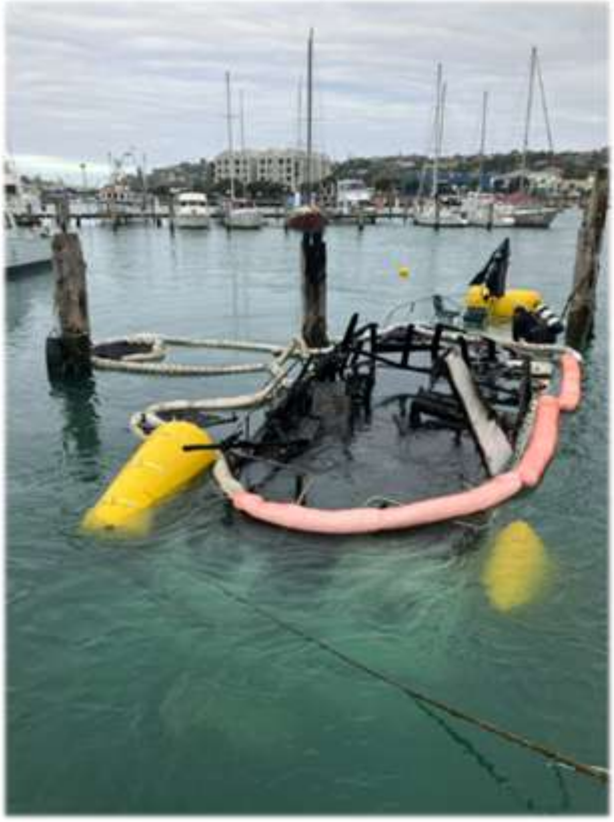
11. Over that time, there has been numerous pollution incidents directly into the Inner Harbour, Ahuriri Estuary and Coastal Marine area that have necessitated the use of a vessel for response.

12. In addition, there have been numerous maritime safety accidents that the harbourmaster has had to respond to. In each of these incidents the Harbourmaster was unable to conduct an on-water response and relied on third parties manage the situation. Critical time is lost when trying to mount a response, and these third parties are sometimes unable to assist due to other commitments. Additionally, there are other factors at play such as liability for damage, insurance, and the legal authority of those on the scene at the time of the response.

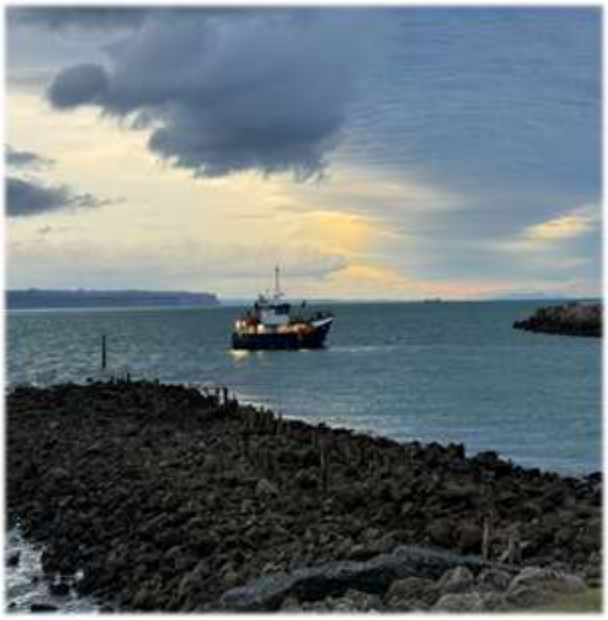
Incident Type	Occurrences (July 1, 2023 to date)
Vessel Sinking	10
Unauthorised Port Entries	18
Mechanical/Steering Failure	7
Collisions (Recreational)	6
Speeding - Inner Harbour	97
Speeding - Rivers	82
Safety Hazards (Logs, etc.)	57
Unauthorised entry - Reserved Areas	32
Total	309



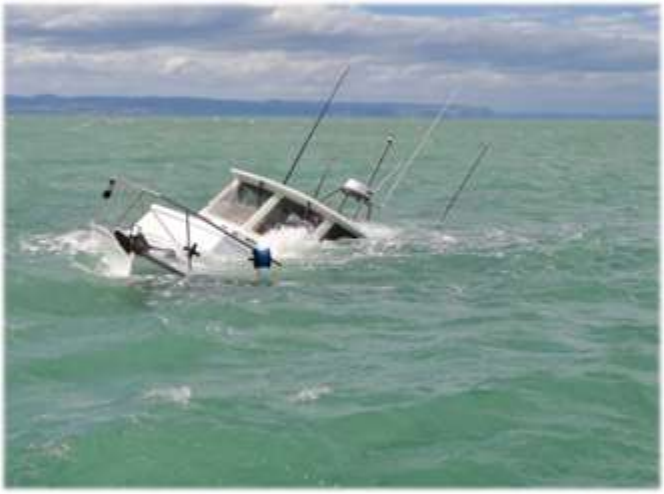

13. An example of pollutants in the marine environment – Ahuriri Inner Harbour and Ahuriri Estuary. In these examples, having a small manoeuvrable vessel such as a jet ski will enable a quick response to oil spills, enabling the deployment of booms, absorbent pads, and skimming equipment.



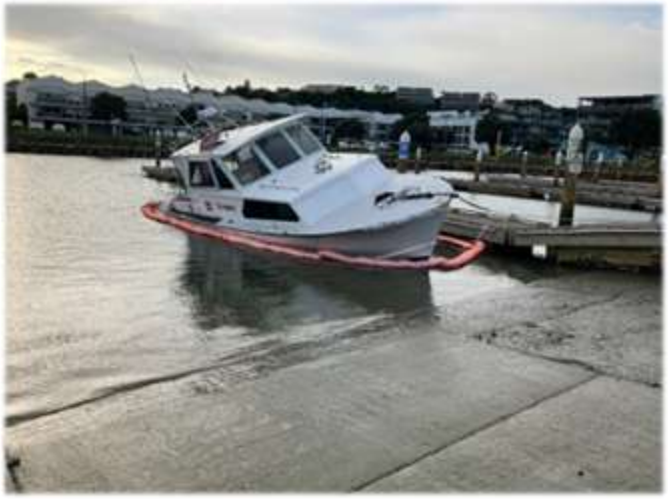
14. Aftermath of a fire onboard a vessel – Ahuriri Inner Harbour. The Harbourmaster and members of the pollution response team had no way of getting on the water for pollution response. The hired vessel had delays in getting on the scene and in the end a member of the public, passing by on a Kayak assisted with deploying oil spill equipment until the contractor arrived. A jet ski would have enabled us to deploy all the equipment and respond in a timely fashion.



15. Grounding of a commercial fishing vessel at the entrance to the Ahuriri Inner Harbour. A grounded vessel may have ruptured fuel tanks which can lead to significant marine pollution. A Harbourmaster vessel would be mobilised to the area carrying the oil spill response team and gear to ensure any oil spills be contained, managed and recovered.



16. Sinking of a fully fuelled recreational vessel due to a contact with a submerged log – 5 miles east of Napier Port. A Harbourmaster vessel would allow us recover hazards to navigation such as floating logs, as well as provide vessel towage, pollution response and recovery of flotsam that pose a threat to the environment and water users.



17. The recovery was only possible through vessel hireage. Valuable time was lost due to contractor availability, which could have resulted in a pollution event and harm to other water users. Having a Harbourmaster vessel in this instance would have enabled an effective response time and mitigated the pollution and safety risks posed by both the damaged vessel and the floating log that was never recovered.

18. In October 2024, the findings of the Port and Harbour Marine Safety Code (PHMSC) audit was presented to the Risk and Audit Committee. This report outlined the risks and challenges facing HBRC in its management of maritime incidents and pollution responses for the region's waterways. The audit's primary finding was the absence of on-water assets, which was identified as a critical area for improvement (see attached PHMSC Report; relevant sections highlighted).

19. Hawke's Bay Regional Council's inability to maintain a presence on the water for maritime patrols does tend to mean there is unsociable and often unlawful behaviour from operators of small watercraft that is difficult to monitor, educate or enforce if the Harbourmaster team are not on the water or in the area. Having a presence on the water will raise the profile of Hawke's Bay's Harbourmaster and encourage better and more lawful behaviour.

20. In February of this year, the Harbourmaster team actively monitored recreational vessel operators entering in and out of the Inner Harbour in Napier. The team observed multiple bylaw breaches involving excessive speed, operating vessels through and in the passive recreational area and lifejacket breaches. The sum of offences was over $4,000 on the day.

21. Should HBRC have its own on-water capabilities, these activities could occur much more regularly, and we would raise awareness with users on the water about their obligations and rules they must meet.

22. As indicated already in this report, contractors and the Coastguard are often unavailable or unable to provide their vessels, due to other commitments. This has an impact on HBRC's ability to respond quickly to both maritime incidents and pollution incidents.

23. An inability to respond quickly in either scenario increases the risk of the environmental impacts being made more significant.

24. HBRC currently spends over $100,000 annually on hiring vessels across various departments. Territorial Local Authorities (TLAs) and other organisations conducting similar operations spend approximately $140,000 per year on vessel hire. There is a clear opportunity to retain this expenditure within the organisation and explore shared service arrangements with other TLAs and agencies.

Asset Requirements

25. Primary Vessel Specifications are:
    - 25.1. 10-11 metre aluminium hulled vessel built to survey standards for a compliment of up to 8 people
    - 25.2. Be of a design and quality suited to the weather conditions of the region
    - 25.3. Equipped for pollution prevention/response – Booms, skimmers, intermediate bulk containers, pump, etc.
    - 25.4. Modern navigation equipment to ensure safe navigation in appropriate weather conditions
    - 25.5. Communication systems
    - 25.6. Capable of transporting sensors, tools, and equipment used by other departments for environmental monitoring/protection.
    - 25.7. The ability to remove safety hazards

26. Personal watercraft (jet ski) requirements and specifications are:
    - 26.1. Capable of rapid deployment/recovery
    - 26.2. Highly manoeuvrable and able to operate in shallow waterways (0.5 metres and above)
    - 26.3. Able to deploy/recover pollution equipment
    - 26.4. Patrol/monitor waterways for regulatory compliance
    - 26.5. Able to verify depths using a sounder
    - 26.6. Fitted with navigation lights, siren/hailer and blue strobe lights
    - 26.7. Event safety patrol

An example of the personal watercraft being used by the Nelson Harbourmaster.

27. These assets would be operated by the Harbourmaster’s Office and trained members of the Pollution Response Team. Their primary functions would be pollution prevention and maritime safety. When not in use for these purposes, the assets could be made available for internal use by other departments—for example, water quality monitoring, marine science, deployment and retrieval of data buoys, and biosecurity or biodiversity operations.

Strategic fit

28. The proposed maritime asset acquisition contributes towards achieving three strategic goals:

    28.1. Water quality, safety and climate-resilient security – Owning on-water assets will strengthen our ability to monitor and protect waterways, respond swiftly to pollution and incidents, and support regular environmental monitoring in collaboration with other departments.

    28.2. Healthy, functioning and climate-resilient biodiversity – Healthy ecosystems are vital to our region. Regular patrolling and incident response are essential to address non-compliance, pollution, and biosecurity risks—key threats to biodiversity and habitat health.

    28.3. Sustainable and climate-resilient services and infrastructure – The harbour supports regional trade and economic activity. To uphold our regulatory responsibilities, we must be able to patrol, monitor, respond to incidents, and maintain navigation aids. Ensuring safe, compliant, and environmentally responsible use of our waterways.

Significance and Engagement Policy assessment

29. The significance of the decision is low and would not require community engagement or consultation due to the following reasons:

    29.1. The assets will have no impact on rates and is aligned with full cost recovery as well as revenue generation.

    29.2. The ability to be on the water would improve all aspects of environmental protection and maritime safety across the region, which is a benefit to all communities.

    29.3. HBRC will benefit from the acquisitions due to cost avoidance and cost savings for all our internal departments. This is financially sound and will future proof our council from the reliability and availability of third parties to conduct our operations.

    29.4. Other TLAs conducting similar undertakings can utilise our assets, which aligns with shared services with our regional partners.

Considerations of tangata whenua

30. Tangata Whenua have raised concerns about unsafe vessel use in culturally significant rivers and waterways, including pollution, speeding, and threats to wildlife and river users. Regular engagement with iwi has highlighted the need for stronger on-water regulation.

31. Deploying personal watercraft will enable HBRC to patrol inland waterways, monitor compliance, and respond to incidents. A visible regulatory presence will help reduce harmful behaviour, support the protection of culturally significant sites, and strengthen our relationship with Māori by upholding shared environmental values.

Financial and resource implications

32. Based on the required specifications, the estimated cost of both vessels is approximately $600,000. This will be funded through a combination of loan funding and a drawdown from the Enforcement Revenue Reserve Fund.

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33. The following table provides a breakdown of costs.

Capital Expenditure	Expenditure	Income	Net impact
Vessel (Boat) purchase (20 year lifetime)	$ 600,000		
Personnal water craft (10 year lifetime)	$ 26,000		
Enforecment Revenue Reserve Funding		-$ 326,000	
Loan Funding (20 year repayment)		-$ 300,000	
Total	$ 626,000	-$ 626,000	$ -
Annual Operating Budget - Vessel			
Berthage	$ 5,000		
Maintainance	$ 20,000		
Running Costs	$ 25,000		
Annual loan repayment costs - principle	$ 15,000		
Annual loan repayment costs - Interest (4.5%)	$ 13,500		
Contingency	$ 40,000		
Insurance	$ 10,000		
Administration	$ 5,000		
Internal - Asset Management vessel hiring		-$ 35,000	
Internal - ICM vessel hiring		-$ 40,000	
Internal - Harbourmaster external hiring (cost avoidance)		-$ 20,000	
Internal - Pollution response external hiring (cost avoidance)		-$ 5,000	
External - NDC vessel hirage		-$ 15,000	
External - HDC vessel hirage		-$ 55,000	
External - Pan Pac vessel hirage		-$ 25,000	
External - adhoc vessel hirage		-$ 45,000	
Total	$ 133,500	-$ 240,000	-$ 106,500
Annual Operating Budget - watercraft			
Maintainance	$ 2,000		
Running Costs	$ 2,500		
Contingency	$ 1,500		
Insurance	$ 1,500		
External - Infringements		-$ 5,000	
External - Fees & Charges		-$ 5,000	
Total	$ 7,500	-$ 10,000	-$ 2,500

34. The proposed funding mix represents the most efficient use of available financial resources, helping to reduce future operating costs. We do not intend to depreciate the asset to build a replacement reserve. Instead, we propose to use a similar funding approach when the asset eventually requires replacement.

35. The cost of the personal watercraft is $26,000 and can be funded from the Enforcement Revenue Reserve Fund. The increased operational costs will be covered with additional fees and charges resulting from increased enforcement capability, leaving no impact to rate payers. The lifetime of the asset would be 10 years. To date we have generated $70,000 from fees and charges (anchorage levy, permits, jet ski registrations, etc.).

The Enforcement Revenue Reserve Fund

36. The Enforcement Revenue Spending Policy was presented to Council on 14 June 2023.

37. The Policy aims to ensure that the money collected from environmental offences is used in a way that is consistent with the objectives of the Resource Management Act, which are to promote the sustainable management of natural and physical resources and to avoid, remedy or mitigate any adverse effects of activities on the environment.

38. The Council transfers surplus receipts to a Council-created reserve (Enforcement Revenue Reserve Fund) for future environmental protection and restoration activities and managing diversion scheme funds.

39. On 30 June 2024, the Enforcement Revenue Reserve Fund had a balance of $494,356.

40. The Enforcement Revenue Reserve Fund will be used to support projects and initiatives aimed at protecting and restoring the environment, including but not limited to:

    40.1. Restoration or enhancement of damaged ecosystems.

    40.2. Measures to reduce pollution and waste.

    40.3. Measures to mitigate the adverse effects on people and communities affected by the environmental offence.

    40.4. Delivery of any projects required through Court directed diversion schemes.

41. The funding delegations from the Policy that apply are:

    41.1. The allocation of funds to environmental protection and restoration projects over $100,000 for any one project will be recommended by the Corporate and Strategic Committee for approval by the Council.

42. The decision making principles of the Policy are:

    42.1. The surplus proceeds shall be spent on activities that directly or indirectly benefit the environment and the community affected by the environmental offence.

    42.2. The proceeds shall be spent in a transparent and accountable manner, with clear reporting and auditing mechanisms through annual plans and reports.

    42.3. Allocated money (including diversion scheme payments) shall be spent in a timely and efficient manner, without unnecessary delays or administrative costs.

Options assessment

Option 1 – No action, maintain status quo

43. HBRC would remain unable to meet its statutory responsibilities using its own resources and continue to rely on third parties for response capability.

44. This presents an ongoing risk to the environment and the safety of water users.

45. Annual on-water budgets would continue to be spent externally, with no internal capability developed.

46. This option significantly limits our ability to deliver effective environmental protection and maritime safety.

Option 2 – Acquire on-water assets

47. HBRC acquires a vessel (up to a value of $600,000) and a personal watercraft (up to $26,000).

48. The acquisition will be funded through a 50% internal loan, to be repaid over 10 years, and 50% from the Enforcement Revenue Reserve Fund.

49. The vessel will operate in the coastal marine area, while the personal watercraft will serve inland waterways, shallow areas, and confined spaces.

50. This enables trained staff to conduct compliance patrols, training exercises, and respond effectively to incidents and emergencies.

51. It eliminates reliance on third parties and allows HBRC to retain and reinvest on-water budgets internally.

52. The approach supports full cost recovery, has no impact on rates, and creates opportunities for revenue generation through shared services with other TLAs and organisations.

Decision-making considerations

53. 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

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in relation to this item and have concluded:

53.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.

53.2. The use of the special consultative procedure is not prescribed by legislation.

53.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.

53.4. The persons affected by this decision are commercial and recreational water users across the region.

53.5. 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 *Maritime assets acquisition* 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.

   Either

   2.2. Approves the acquisition of on-water assets (a vessel and personal watercraft) in order to increase Hawke's Bay Regional Council's on-water response to and prevention of pollution and enforcement activities to meet and fulfil Council's regulatory obligations for environmental protection and maritime safety.

   OR

   2.3. Does not agree to the acquisition of on-water assets and accepts the resultant inability to meet Hawke's Bay Regional Council's regulatory obligations for environmental protection and maritime safety.

Authored by:

James Park
Management Accountant

Adrian Wright
Harbourmaster

Megan McKenzie
Senior Business Partner

Approved by:

Katrina Brunton
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Attachment/s

1	Port & Harbour Marine Safety Code Report	Under Separate Cover **available online only**
2	Enforcement Revenue Spending Policy	Under Separate Cover **available online only**

Hawke's Bay Regional Council

Corporate and Strategic Committee

21 May 2025

Subject: Financial Report for FY24-25 to 31 March 2025

Reason for report

1. This report presents the Council's financial results for the nine months to 31 March 2025.

Background

2. Financial performance is reported to the Corporate and Strategic committee quarterly. The report presented today is for the third quarter of the 2024-2025 financial year.
3. The financial performance statements included are:
   - 3.1. HBRC Statement of Comprehensive Revenue and Expense
   - 3.2. HBRC Statement of Financial Position
   - 3.3. Comprehensive Revenue and Expense by Group of Activities.

Key points

4. Total operating revenue for the nine months is $118.7M, which is $6.7M above budget. Grants and subsidies are $1.5M over budget, with unbudgeted revenue from the Silt Taskforce ($32.7M) offsetting timing delays in the NIWE and IRG projects. The remaining variance is due to other revenue, including contributions from HBRRA and insurance/NEMA claims.
5. Total operating expenses for the period are $103.8M, which is $33.5M over budget. This variance is primarily driven by unbudgeted expenditure on the Silt Taskforce which is fully offset by income received.
6. Short-term borrowings remain high as we continue to navigate reimbursement with the National Emergency Management Agency (NEMA) and insurers for cyclone related expenditure and reimbursements from the Crown for NIWE.
7. As of 31 March 2025, liquidity has strengthened due to additional standby facilities, while cashflow projections for the NIWE project continue to evolve. There has been no borrowing from the LGFA in the last quarter and standby facilities have increased from $10m to $20m. We are not anticipating any future drawn-down against the standby facilities and Council will instead draw funds from the LGFA as required.
8. A full year forecast has been included which indicates a significant underspend in the capital programme whilst operating expenditure is forecast to be slightly underspent. This along with additional operating revenue received gives a forecast surplus general funds position for the year.
9. This report also provides indicative carryforwards and an update on the status of cyclone-related claims.
10. The budgets reflected in this report is year 1 of the Three-Year Plan 2024-2027. Revised budgets are used for management reporting which include the Council-approved carry forwards of 2024-2025 budgets.

Hawke's Bay Regional Council					
Statement of Comprehensive Revenue and Expense					
	For the 9 months ended 31 March 2025				Full Year Annual Plan Budget
	Actual 31-Mar 24/25 $000	Budget 31-Mar 24/25 $000	Variance $000	Variance % %	Actual 24/25 $000
Revenue					
Revenue from activities	7,718	8,071	(352)	-5%	10,761
Rates revenue	36,652	35,623	1,029	3%	47,497
Subsidies and Grants	53,843	52,319	1,524	3%	69,759
Other revenue	19,523	12,828	6,695	34%	17,105
Fair value gains on investments	950	3,134	(2,184)	-230%	4,179
Reduction in ACC Leasehold Liability					-
Total Operating Revenue	**118,687**	**111,976**	**6,711**	**6%**	**149,301**
Expenditure					
Expenditure on activities	(93,229)	(62,794)	(30,435)	33%	(83,725)
Finance costs	(5,267)	(4,087)	(1,180)	22%	(5,449)
Depreciation and Amortisation Expense	(3,504)	(3,337)	(167)	5%	(4,450)
Fair value losses	(1,765)	-	(1,765)	0%	-
Other expenditure	-	-	-	0%	-
Total Operating Expenditure	**(103,765)**	**(70,218)**	**(33,547)**	**32%**	**(93,624)**
Operating Surplus / (Deficit)	**14,921**	**41,758**	**(26,836)**	**-180%**	**55,677**
Other Comprehensive Revenue and Expense					
Gain/(loss) in other financial assets	(63)	717	(780)	0%	1,434
Gain/(loss) on revalued intangible asset	-	-	-	0%	-
Gain/(loss) on revalued property, plant and equipment a	-	-	-	0%	7,625
Gain/(loss) on revalued infrastructure assets	-	-	-	0%	94,945
Total Other Comprehensive Revenue and Expense	(63)	717	(780)		104,004
Total Comprehensive Revenue and Expense	**14,859**	**42,475**	**(27,616)**		**159,681**

Commentary on Statement of Comprehensive Revenue and Expense

11. The actual result to 31 March 2025 for the total Comprehensive Revenue and Expense is a surplus of $14.9M, while the budget was $42.5M surplus. This reflects lower than budgeted NIWE income.

12. The Silt Taskforce are contracted until 30 June 2025. A commitment has been made to DIA that all money must be spent by that time and we are on track to achieve that. HBRC’s net position for the Silt Taskforce is expected to break even, with no impact on the overall surplus / deficit anticipated.

13. Excluding HBRRA ($1.1M) and Silt Taskforce funding ($32.7M), subsidies and grants total $20.1M year to date, which is $32.2M below budget. This shortfall is primarily due to the budget including a higher level of year to date spend on the NIWE programme than has been experienced. The spend, and the associated grants, will still occur, just later than originally budgeted.

14. Other revenue is $6.7M above budget, primarily due to unbudgeted income from insurance claims, interest earned on HBRRA funds held, and NIWE Fast Track Funding.

15. Total operating expenses for the quarter were $103.8M of which $36.7M is for HBRRA and Silt Taskforce, leaving $67M spent year to date against a budget of $70.2M, an underspend of 4%.

16. The remaining $3M operating underspend is distributed across multiple areas, including staffing, environmental science, regulatory implementation, transport, NIWE, and IRG. These savings have helped offset increased costs related to river and lagoon openings, debt servicing,

and ongoing staff and legal work stemming from the cyclone.

17. Further detail on financial and non-financial information for Groups of Activities is detailed in the Organisational Performance Report.

18. Due to the revaluation of infrastructure assets in 2023-2024, depreciation costs have increased and estimated to be $250K over budget at year end. Budget has been included in the Annual Plan for 2025-2026.

Hawke's Bay Regional Council

Statement of Financial Position

	Prior Year (PY) Actual 23/24 As at 30 June $000	Current Year (CY) Actual 24/25 as at 31 March 2025 $000	Current Year (CY) Budget 24/25 As at 30 June $000
ASSETS			
Non-Current Assets			
Property, plant & equipment	37,967	38,337	36,842
Infrastructure assets	435,885	452,500	302,622
Investment property	66,697	66,547	66,243
Intangible assets	10,868	11,513	11,473
Forestry assets	11,318	11,318	12,070
Prepayments	168	168	42
Total non-current assets before other financial assets	562,903	580,383	429,292
Other financial assets	139,872	139,622	143,107
Investment in Council-controlled organisations	352,023	349,835	335,948
Total other financial assets	491,895	489,457	479,055
Total Non-Current Assets	1,054,798	1,069,840	908,347
Current Assets			
Inventories	754	497	821
Trade & other receivables	23,961	28,662	18,968
Derivative financial instruments	1,909	545	2,243
Other financial assets	2,083	2,083	3,081
Cash and cash equivalents	62,276	32,644	26,185
Total Current Assets	90,983	64,431	51,298
TOTAL ASSETS	**1,145,782**	**1,134,271**	**959,645**
NET ASSETS / EQUITY			
Accumulated funds	271,288	285,210	317,607
Fair value reserves	506,415	506,352	286,739
Other reserves	129,794	130,792	126,212
Total Net Assets / Equity	**907,498**	**922,354**	**730,558**
LIABILITIES			
Non-Current Liabilities			
Derivative financial instruments			
Borrowings	99,600	93,925	150,915
ACC Leasehold financing liabilities	29,574	30,098	29,255
Provisions for other liabilities & charges	19	19	19
Employee benefit liabilities	433	433	426
Total Non-Current Liabilities	129,627	124,475	180,615
Current Liabilities			
Borrowings	30,563	36,563	4,650
ACC Leasehold financing liabilities	3,421	(99)	1,500
Employee benefit liabilities	2,505	2,362	2,574
Trade & other payables	55,712	46,356	29,629
Funds held on Behalf	16,456	2,260	10,120
Total Current Liabilities	108,657	87,442	48,472
TOTAL LIABILITIES	**238,284**	**211,917**	**229,087**
TOTAL NET ASSETS / EQUITY & LIABILITIES	**1,145,782**	**1,134,271**	**959,645**

Commentary on Statement of Financial Position

19. Infrastructure assets continue to increase in value due to the amount of capital work being undertaken to repair assets damaged by Cyclone Gabrielle. The value has increased from $449.7M to $452.5M since the last quarter, giving a $2.8M increase. The end of year budget in the LTP does not include the significant revaluation of infrastructure assets that occurred during the 2023-2024 annual reporting process.

20. Intangible assets value has decreased this quarter by $2.8M, predominantly due to the carbon credits movement in price from $61.36 per unit to $57.50 per unit at the end of March 2025.

21. Napier Port share price on 31 March 2025 was $2.55 against $2.57 at 31 December 2024, a decrease of $2.2M in our asset value. This is reflected in the investment in council-controlled organisations.

22. Trade and other receivables have increased since the last quarter by $1.1M. This is made up of an increase in accrued revenue of $2.8M for NIWE which has been partially offset by payments received and our continued focus on collections.

23. Cash and Cash equivalents is at $32.6M as of 31 March 2025, a decrease of $15.4M since the last quarter. $8M is set aside in a short-term deposit to repay the LGFA loan maturing in April 2025.

24. Trade payables are sitting at $46.3M, a decrease of $13.9M from the last quarter which was $60.2M. With spend increasing on capital projects, the value of payables is likely to remain quite high for the balance of the year and can move significantly month by month depending on timing of invoices from contractors undertaking capital projects.

Financial summary by Group of Activities (GOA)

25. The table below provides a breakdown of the Statement of Comprehensive Revenue and Expense by Group of Activities (GOA). Additional financial and non-financial commentary for each GOA is available in the Organisational Performance Report. Please note that the budgets in this report are based on the Long-Term Plan (LTP), while the budgets in the Organisational Performance Report reflect subsequent adjustments, including approved carryforwards from 2023-24.

26. GOA expenditure includes each activity's external costs, internal staff time, finance costs (interest), depreciation and amortisation, as well as an allocated share of corporate overheads.

Statement of Comprehensive Revenue and Expense by Group of Activities
For the 9 Months to 31 March 2025

	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	(70)	-	(70)	2,290	1,941	348	1,390	3,184	(1,793)	2,554	2,474	80
Rates revenue	4,135	4,128	7	15,837	15,823	14	13,550	13,549	2	6,050	6,050	(0)
Subsidies and Grants	-	29	(29)	1,830	2,088	(258)	14,383	45,501	(31,119)	32,721	43	32,678
Other revenue	1,930	1,305	625	1	-	1	4,157	118	4,038	24	4	20
Net Fair value gains on investments	-	-	-	-	-	-	-	244	(244)	-	-	-
Total Operating Revenue	5,995	5,462	533	19,958	19,852	106	33,480	62,596	(29,116)	41,351	8,572	32,779
Expenditure												
Expenditure on activities	4,471	4,583	(112)	17,102	19,030	(1,928)	15,789	18,780	(2,991)	41,144	9,174	31,970
Finance costs	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and Amortisation Expense	-	-	-	486	456	29	1,132	925	207	10	6	4
Total Operating Expenditure	**4,471**	**4,583**	**(112)**	**17,588**	**19,487**	**(1,899)**	**16,921**	**19,705**	**(2,784)**	**41,154**	**9,180**	**31,975**
Operating Surplus / (Deficit)	**1,524**	**879**	**645**	**2,370**	**365**	**2,005**	**16,559**	**42,891**	**(26,332)**	**196**	**(608)**	**804**

	Emergency Management			HBRRA			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	612	90	523	-	-	-	605	262	342	337	119	218
Rates revenue	4,268	4,242	26	-	-	-	3,559	3,558	2	(10,748)	(11,726)	978
Subsidies and Grants	70	244	(174)	1,083	-	1,083	3,744	4,414	(670)	12	-	12
Other revenue	-	-	-	202	-	202	42	-	42	13,179	11,401	1,778
Net Fair value gains on investments	-	-	-	-	-	-	-	-	-	(815)	2,891	(3,705)
Total Operating Revenue	4,950	4,576	374	1,285	-	1,285	7,950	8,234	(284)	1,966	2,685	(719)
Expenditure												
Expenditure on activities	3,935	3,614	322	4,058	-	4,058	7,574	8,056	(481)	(832)	(442)	(390)
Finance costs	-	-	-	-	-	-	-	-	-	5,267	4,087	1,180
Depreciation and Amortisation Expense	1	-	1	-	-	-	157	166	(9)	1,718	1,784	(66)
Total Operating Expenditure	**3,936**	**3,614**	**322**	**4,058**	**-**	**4,058**	**7,732**	**8,222**	**(490)**	**6,153**	**5,429**	**724**
Operating Surplus / (Deficit)	**1,014**	**962**	**52**	**(2,772)**	**-**	**(2,772)**	**218**	**12**	**206**	**(4,187)**	**(2,744)**	**(1,443)**

Full year forecast

27. The full-year forecast for operating and capital expenditure, along with the corresponding forecast funding, is outlined in the table below. The operating budget included reflects the Revised Annual Budget, which incorporates approved carryforwards and new funding agreements since the finalisation of the LTP budget.

	Operating ($,000)			Capital ($,000)		
Expenditure	Forecast	Revised Annual Budget	YTD Variance	YTD Actual	Revised Annual Budget	YTD Variance
Governance and Partnerships	7,182	7,606	424	927	594	(333)
Integrated Catchment Management	27,535	29,878	2,343	641	570	(71)
Asset Management	27,558	29,298	1,740	35,099	97,368	62,269
Policy & Regulation	44,122	41,947	(2,174)	0	0	0
Emergency Management	6,853	6,498	(355)	0	0	0
Transport	10,331	10,979	648	0	0	0
Corporate/Other	7,724	5,808	(1,916)	581	1,584	1,003
Total	**131,304**	**132,014**	**710**	**37,249**	**100,116**	**62,867**

	Operating ($,000)			Capital ($,000)		
Funding	YTD Actual	Revised Annual Budget	YTD Variance	YTD Actual	Revised Annual Budget	YTD Variance
Fees & charges	5,926	6,636	710	0	0	0
General Rates	25,955	24,728	(1,227)	93	93	0
Loan funding	10,980	11,155	176	9,650	23,425	13,775
Other funding	69,587	66,240	(3,347)	27,715	72,233	44,518
Reserves funding	2,366	2,319	(47)	(2,382)	2,443	4,826
Targeted Rates	20,782	20,724	(58)	1,924	1,923	(1)
Total	**135,596**	**131,803**	**(3,793)**	**36,998**	**100,116**	**63,118**
Surplus/ (Deficit):	4,292	(211)	(4,503)	(251)	(0)	251
Carry over of special dividend	*(700)*					
Overall general funds Surplus/ (Deficit):	**3,341**					

28. Operating expenditure is forecast to be $710K under budget, largely driven by underspending across several key areas, including Regional Water Security, NIWE, Regulatory Implementation, Land for Life, and Environmental Science. These underspends are partially offset by increased costs in other areas, particularly debt servicing, ongoing cyclone-related claims work, river and lagoon openings, and expenditure on the Silt Taskforce.

29. Capital expenditure is forecast to be $62.9M under budget, primarily due to the NIWE programme, which is expected to be $46.4M under budget. Further underspends are forecast across the Regional Water Security, ICT, and IRG programmes, reflecting timing delays and revised delivery schedules.

   29.1. The current underspend for the NIWE programme reflects a recalibration from the original Long-Term Plan assumptions, which were optimistic in terms of early-programme expenditure. As the programme has matured, spend has been more accurately distributed across the four-year delivery window which has the bulk spend in construction from late 2025 and through 2026. This aligns more closely with actual project readiness and delivery conditions.

30. Fees and charges are expected to come in under budget, mainly due to lower-than-anticipated revenue from gravel management.

31. General rates are tracking above budget, driven by fewer rates remissions than planned and an increase in penalties.

32. Other funding is below budget on the capital side, reflecting reduced revenue from NIWE and IRG. Operating other income is better than budget due to unbudgeted interest income from the HBRRA cash facility

33. Loan funding requirements have decreased in line with underspends in Regional Water Security, IRG, and NIWE capital programmes.

34. Reserve funding is also $4.7M below budget, primarily due to lower ICT renewal expenditure and an unplanned contribution to reserves linked to cyclone recovery.

35. This is a preliminary forecast, and we will continue to update the year-end position on a monthly basis as we approach the end of the financial year. Any surplus funds resulting from the financial position will be addressed at year-end.

Indicative carry forwards

36. Carry forwards enable unspent approved funds to be moved to the next financial year, ensuring project completion. This includes covering final costs of multi-year projects, uncompleted contracts, and carrying forward external income received for specific projects

37. The funding types are categorised as:

    37.1. General Funding includes General Rates, rates smoothing loan, and net investment income

    37.2. Reserve Funding comprises targeted rates allocated to specific reserves, such as asset replacement and scheme reserve

    37.3. External Funding encompasses external income, including subsidies and grants, designated for specific project.

    37.4. Loan Funding refers to loans not yet drawn down, covered by interest and principal repayments already incorporated in the Long-Term Plan (LTP) and/or Annual Plan

38. The table below provides an overview of the 2024–2025 indicative carry forwards detailing their various funding sources. The budget figures represent the management budget, which includes the annual plan, carryforwards from last financial year, and any new external funding agreements confirmed post-LTP.

Activity/Project		General Funds	Target Rate	Reserve	Loan Funding	External Funding
		Funding				
ICM						
Marine Protection & Enhancement	79,000	79,000				
Total ICM	79,000	79,000	-	-	-	-
Corporate						
Health & Safety	16,066	16,066				
Aerial Photography - Capital	41,000				41,000	
Servers & Storage - Renewal	300,000			300,000		
GIS - Renewals	305,100			305,100		
End User Hardware - Renewal	366,263			366,263		
Total Corporate	1,028,429	16,066	-	971,363	41,000	-
Asset Management						
Coastal Hazards	58,458	23,383	35,075			
HPFCS - Napier/Meeanee/Puketap	175,000				175,000	
Ohuia - Whakaki - Capital	77,431				77,431	
Asset Management - PP&E	60,000				60,000	
IRG LOS Improvements	3,311,948			125,710	1,516,328	1,669,910
Regional Cycling - Capital	543,058					543,058
Regional Parks Network - Capital	195,106				195,106	
Regional Water Security	3,394,706				3,394,706	
NIWE						
Scheme Review	1,344,544				334,119	1,010,425
Wairoa	10,384,579				2,580,568	7,804,011
Pumpstation	1,827,853				454,222	1,373,632
Level of Service Upgrades	9,060,319				2,251,489	6,808,830
Waiohiki	9,854,074				2,448,737	7,405,337
Pakowhai	13,700,424				3,404,555	10,295,869
Porangahau	4,769,555				1,185,234	3,584,321
Total Asset Management	58,757,055	23,383	35,075	125,710	18,077,496	40,495,392
Total Carry Forwards	**59,864,485**	**118,449**	**35,075**	**1,097,073**	**18,118,496**	**40,495,392**

39. This is a snapshot in time and will continue to evolve as we approach year-end 30 June. Final carryover proposals will be submitted to Council for approval following 30 June year-end completion.

Rates collection

40. Rates penalties issued are more than the annual budget by $522K. This is due to the budget being set each year at a level lower than recent actual penalties.

41. Rates penalties to the end of Q3 were $769K, which is an increase of $186K over prior year. Although the total number of penalties (arrears & instalment) applied in 2024-2025 (17,000 vs 16,900 in 2023-2024) has largely remained the same, the value of those has increased due to the increase in the rates total for the year. The average penalty for 2024-2025 was $57.84, which is a $10.75 increase over prior year.

42. Year to date as at 31 March 2025 the team has processed remissions for utility charges to local authorities ($187K), Public Transport ($99K), Natural Calamity ($80K) and Hardship as a Result of the Policy Changes ($6K).

43. There are 15 remaining hardship remissions received relating to Natural Calamity. These are being assessed and remitted where appropriate.

44. Currently there is $1.3M outstanding related to the latest rates invoices issued for 2024-2025. At the same time last year we had $2.0M outstanding related to the 2023-2024 rates invoices. The change in the debt level is largely due to greater flexibility for DD's (Weekly, Fortnightly, Monthly, and Annual), as well as the change in our internal rates debt processes having a positive impact on the level of outstanding rates owed.

45. The internal rates debt collection process has resulted in over $127K collected which equates to a saving of $13K in debt collection fees.

Debt collection

46. As at 31 March 2025 the Council had $2.99M of outstanding trade debtors. This compares to $1.76M at the end of Q3 last financial year (March 2024). Receivables from government agencies has inflated current balances.

47. Aged debt (non-rates) over 90+ days has decreased from $778K in Q3 2024 to $506K in Q3 2025. The majority of aged debt in Q3 2025 is made up of deferred leasehold payments making up 95% of this aged debt; this is compared with 55% for Q3 2024. With increased focus by internal debt collection staff, the debt levels, predominantly in aged debt, have decreased dramatically year on year.

Commentary – Treasury

48. The Government Grants being held for Silt and Debris operations have decreased to $2.3 million and are anticipated to be fully spent by 30 June 2025. The interest earned on these funds has helped to offset the Council's loan funding costs. However, once these funds are depleted, the net cost of funds will rise.

49. In the quarter to 31 March 2025, there was no new borrowing from the LGFA. However additional drawdowns are expected to occur in the next quarter. An $8m loan maturing in April has already been pre-funded.

50. On 31 March 2025 the external debt for the Council group was $113.8m of which $14m matured in April 2025.

51. The additional $6m debt taken out in December 2024, which matures in April 2025, was a short-term commercial note intended to support the cashflow for the Crowns portion of the NIWE project while HBRC negotiated repayments terms with the Crown.

52. The following summarises the year-to-date movements in Council's debt position.

Summary of HBRC debt

	HBRC only $000	HBRC Group $000
Opening debt – 1 July 2024 – excluding HBRIC loan	113,500	113,500
New loans raised	6,000	6,000
Less amounts repaid	(5,675)	(5,675)
Closing Debt 31 March 2025 (excluding HBRIC loan)	**113,825**	**113,825**
Plus loan from HBRIC	16,663	-
Total Borrowing as at 31 March 2025	**130,488**	**113,825**

53. As of 31 March 2025, total NIWE project costs stood at $19.1M, with an additional $11M expected by 30 June, including $6 million for anticipated land access agreements, which may extend into the next financial year. However, preliminary forecasts suggest that approximately $10 million could be reimbursed by 30 June. To manage this, $6M in short-term debt was secured from the LGFA in December, maturing in April 2025.

54. Liquidity has improved this quarter due to additional standby facilities. While cashflow projections for the NIWE project continue to evolve, they now more accurately reflect realistic delivery timelines, factoring in earlier optimistic assumptions, the complexity of land access for larger projects, and a strategic shift in construction activity toward the 2025-2026 summer season.

55. HBRC is still reviewing options for LGFA Green Loan's to finance a portion of the NIWE project costs. Although progress is slow, once approved, any current long-term debt relating to the application can be converted to a Green Loan, reducing the borrowing costs by 20bps.

56. In March 2025, the financial markets experienced a pullback, impacting the capital growth of the managed fund portfolios. Excluding fair value gains of $28k, the net returns amounted to $2.2M, representing an overall YTD return of 4.5%. During the quarter $3.8M was withdrawn from the managed funds to meet the Council's cash dividend requirements.

57. Fitch Rating Agency was onsite 5 May 2025 reverifying the current credit rating for HBRC. We expect to hear back from Fitch before the end of May 2025. A credit rating allows HBRC an increased level of debt capacity.

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	HBRC	LGFA without credit rating	LGFA with credit rating
Net external debt as a percentage of total revenue	<250%	<175%	<280%
Net interest on external debt as a percentage of annual rates income	<30%	<25%	<30%
Net interest on external debt as a percentage of total revenue	<20%	<20%	<20%
Liquidity buffer amount comprising liquid assets and available committed debt facility amounts relative to existing total external debt	>10%	N/A	
Liquidity ratio comprising external debt plus available committed loan facilities plus liquid investments to existing total external debt	N/A	>110%	>110%

NIWE

58. The table below outlines the packages of work funded through the NIWE Crown Funding Agreement (CFA), including newly re-baselined and approved totals following Project Delivery Plans approvals and CFA amendments.

	Original Agreement			Current		
	Crown Funding	HBRC Funding	Total	Crown Funding	HBRC Funding	New re-baselined/ approved total
Wairoa	70,000	0	70,000	70,000	0	70,000
Whirinaki	8,300	2,750	11,050	17,300	5,750	23,050
Waiohiki	7,515	2,485	10,000	7,078	2,341	9,419
Ohiti	7,515	2,485	10,000	7,515	2,485	10,000
Pākōwhai	37,575	12,425	50,000	37,575	12,425	50,000
Porangahau	9,770	3,230	13,000	10,963	3,625	14,588
Subtotal	**140,675**	**23,375**	**164,050**	**150,431**	**26,625**	**177,057**
Level of Service Upgrades	22,545	7,455	30,000	22,545	7,455	30,000
Telemetry	3,760	1,240	5,000	3,760	1,240	5,000
Pumpstation	22,545	7,455	30,000	22,545	7,455	30,000
Scheme Review	2,250	750	3,000	2,250	1,737	3,987
Total	191,775	40,275	232,050	201,531	44,512	246,044
Havelock North	7,515	2,485	10,000	7,515	2,485	10,000
Beach Road, Tangoio	4,210	1,390	5,600	0	0	0
Total	**203,500**	**44,150**	**247,650**	**209,046**	**46,997**	**256,044**
Waipawa Waste Water	0	0	0	3,457	1,143	4,600
Total (Incl Others)	**203,500**	**44,150**	**247,650**	**212,503**	**48,140**	**260,644**

59. It also includes the spend to date on the various projects.

	Actual spend 23/24	YTD March - Actual spend 24/25	Revised Annual Budget	Variance	Forecast remaining spend 24/25	New re-baselined/ approved total
Wairoa	1,194	2,498	14,409	11,911	1,527	70,000
Whirinaki	753	2,723	2,285	(438)	1,104	23,050
Waiohiki	717	1,439	11,802	10,363	509	9,419
Ohiti	556	815	1,045	230	1,360	10,000
Pākōwhai	754	1,722	19,031	17,309	3,608	50,000
Porangahau	247	665	5,854	5,190	420	14,588
Subtotal	**4,221**	**9,863**	**54,427**	**44,564**	**8,527**	**177,057**
Level of Service Upgrades	0	466	10,000	9,534	474	30,000
Telemetry	0	794	1,812	1,018	1,152	5,000
Pumpstation	316	940	3,033	2,094	266	30,000
Scheme Review	1,055	1,023	3,000	1,977	632	3,987
Total	5,592	13,086	72,273	59,187	11,051	246,044
Havelock North	65	367	0	(367)	0	10,000
Beach Road, Tangoio						0
Total	**5,658**	**13,453**	**72,273**	**58,820**	**11,051**	**256,044**
Waipawa Waste Water						4,600
Total (Incl Others)	**5,658**	**13,453**	**72,273**	**58,820**	**11,051**	**260,644**

60. All eleven Project Delivery Plans (PDPs) have now been approved for our NIWE projects. The current priority is to now get all Project (Funding) Schedules signed off and claims submitted. Project (Funding) Schedules have been submitted for 9 projects, with 2 approved and 7 in the approval process with NIFF. The remaining 2 are being drafted currently and will be submitted this month for approval.

61. We have received Ministerial approval for the amendment to the Crown Funding Agreement, which shifts $9 million from the Category 3 funding allocation to our NIWE Programme. This $9 million from Crown, along with the $3 million confirmed by our Council in the March 26th meeting means we now can proceed with the Whirinaki project.

62. To date, HBRC has been covering NIFF's share of the costs associated with the NIWE projects, amounting to $19.1 million. The first funding claim for the Waiohiki project has been approved, with a total value of $488,000.

63. Based on an interest rate of 4.5%, the estimated interest cost to date to HBRC for carrying the Crown funded portions is $434k. Currently, there is no confirmed funding source to cover this interest expense. Whilst this is partially offset by credit interest funds from other activities to date, this is about to end. The current monthly cost of circa $40k per month will increase by approximately $4k for every extra $1m increase in the amount we are carrying awaiting reimbursement from the Crown.

Cyclone Recovery

64. As of 31 March 2025, a total of $66.8M has been spent on cyclone recovery, broken down as follows.

    64.1. $44.8M was spent on infrastructure-related expenditures, including $27M on stopbanks, $2.9M on dams, $3.4M on drains, and $3.5M on pump stations. The remaining expenditure is currently under review.

    64.2. $8.5M was spent on welfare, of which $5.8M was recovered through NEMA, while $2.6M was deemed ineligible. The ineligible costs included expenses such as internal staff time, CDEM food and assets, and generators.

    64.3. $13.5M was spent on other costs, including internal time for planning, asset inspection and prioritisation, claim support, reviews, and related activities.

65. The $66.8M in total costs incurred have been funded as outlined in the table below:

	22/23	23/24	24/25 YTD Mar Actuals	Forecast	Total
Costs					
Infrastructure	22,461,910	20,135,462	2,241,207		44,838,578
Welfare	8,489,521				8,489,521
Other	8,785,947	4,201,552	530,268		13,517,767
	39,737,378	**24,337,014**	**2,771,474**	-	**66,845,866**
Funding					
Other Income	(15,157,521)	(12,552,965)	(4,849,580)	(13,734,068)	(46,294,134)
General Rate		(3,122,126)	(131,564)		(3,253,690)
Internal Loans	(9,638,227)	(5,655,591)		8,531,600	(6,762,218)
Reserves					
Scheme Disaster Reserves		(3,544,821)			(3,544,821)
Council Disaster Damage Re	(6,808,123)	176,015	2,608,374	2,523,734	(1,500,000)
General Reserve	(5,454,773)	362,473	(398,704)		(5,491,004)
Emergency Management Re	(2,678,734)			2,678,734	(0)
	(39,737,378)	**(24,337,014)**	**(2,771,474)**	-	**(66,845,866)**

66. We are projecting an additional $13.7M in income from claims after deduction of an indicative $1.5M insurance excess.

67. The forecasted returns from NEMA and insurance are calculated based on several key assumptions:

67.1. Insurance covers 40% of eligible costs for below ground assets and 100% of eligible costs for above ground assets, as per the policy.

67.2. NEMA funds 60% of eligible costs for rebuilding essential infrastructure and assets, as per Section 33 of the National CDEM Plan. Internal plant and labour costs are not reimbursable.

68. While we have provided the best estimates possible for the reimbursement of cyclone recovery costs, it is important to acknowledge that the exact funding gap remains uncertain at this stage. The final amounts to be covered by insurance and NEMA are still subject to ongoing assessments, and additional claims may need to be submitted or renegotiated as recovery efforts progress.

69. Several factors contribute to this uncertainty:

69.1. Complexity of Insurance Claims - The insurance process is complicated and could result in discrepancies or delays in coverage determinations. The full extent of what will be reimbursed is still unclear.

69.2. NEMA Evaluation - NEMA’s funding contribution is contingent on their assessment of the damage and what is deemed eligible under their criteria.

70. Despite these uncertainties, we are committed to recovering as much cost as possible from NEMA and insurers to reduce the burden on the Council. We will continue to:

70.1. Engage in proactive discussions with NEMA and our insurers to ensure we receive the maximum achievable level of reimbursement

70.2. Submit further claims and adjust estimates as needed based on ongoing assessments and recovery progress.

71. A number of Council reserves have been negatively impacted by the costs associated with cyclone recovery efforts, with internal loans also being drawn. As claims are approved, reimbursements will be directed to replenish these reserves, restoring their balance and repaying the loans. Any claims received will be allocated to cover deficit balances in the order of:

71.1. Council Disaster Damage Reserve

71.2. Emergency Management Reserve

71.3. Internal Loans.

72. The projected funding gap for the $66.8M costs incurred to date, representing expenses not covered by existing or external sources, is estimated to be $6.8M.

73. Because of the above mentioned uncertainties this gap could fluctuate, and we may need to make adjustments to the total required loan as more clarity is obtained.

74. To address the funding gap, the Council has allocated $1.3M in budget annually in both the Three-Year Plan (3YP) and Annual Plan 2025-2026 to cover loan repayments and interest. This is funded by general rates.

75. Originally the estimated funding gap was $3.6M and was anticipated to be fully repaid within three years as per the table below.

Year	Opening Balance	Total Payment	Principal	Interest	Closing Balance
25/26	3.6 M	1.3 M	1.2 M	0.2 M	2.5 M
26/27	2.5 M	1.3 M	1.2 M	0.1 M	1.3 M
27/28	1.3 M	1.3 M	1.3 M	0.1 M	0.0 M
		4.0 M	3.6 M	0.3 M	

Item 5

76. The current forecasted funding gap of $6.8M would require repayments to continue for a further two years as per the below table.

Year	Opening Balance	Drawdown	Early Repayment	Total Payment	Principal	Interest	Closing Balance
22/23	0.0 M	9.6 M					9.6 M
23/24	9.6 M	5.7 M	0.0 M	1.1 M	0.5 M	0.6 M	14.8 M
24/25	14.8 M	0.0 M	8.5 M	1.4 M	0.8 M	0.7 M	5.5 M
25/26	5.5 M			1.3 M	1.0 M	0.2 M	4.5 M
26/27	4.5 M			1.3 M	1.1 M	0.2 M	3.5 M
27/28	3.5 M			1.3 M	1.1 M	0.2 M	2.4 M
28/29	2.4 M			1.3 M	1.2 M	0.1 M	1.2 M
29/30	1.2 M			1.3 M	1.2 M	0.1 M	0.0 M
		15.3 M	8.5 M	8.8 M	6.8 M	2.0 M	

77. It has been identified that approximately $14.1M in work remains outstanding for cyclone-damaged assets (as assessed by Asset Management Team), along with $1.3M related to the Coroners Inquiry. These additional costs are still under assessment and are not reflected in the calculations presented in this report.

Update on Claim Progress

Stop banks

78. Claims totaling $14.8M (representing 60% of eligible costs) have been submitted to NEMA. To date $13.4M has been paid (including a deduction of $0.7M for the HBRC threshold).

79. The original $9.5M of claim submission to insurers (40% of eligible costs) relating to stopbanks were reviewed by the loss adjustors, who requested significant additional information including supporting documentation, maps, and detailed explanations. In response, $4.2M in claims have been resubmitted, and $26K has been approved to date.

80. The loss adjustors have also requested that insurance claims be separated under the Material Damage (MD) and Business Interruption (BI) policies. Negotiations are ongoing, as this is a complex process requiring careful allocation.

81. The insurance policy includes an exclusion clause related to land, and the loss adjustors are questioning the eligibility of certain scour-related damage on the grounds that it constitutes natural land. Documentation has been submitted to AON challenging this interpretation, and we are currently awaiting their response.

82. Claims associated with areas around Pan Pac and the Maraenui Golf Course have currently been deemed ineligible by the loss adjustors, due to the presence of man-made holes in the stopbank structures. This matter is under review.

Dams

83. A total of $2.9M has been spent on repair work at Makara, of which $2M was approved by the Silt Taskforce and subsequently reimbursed. Of the remaining $0.9M only $459K is deemed eligible as other costs related to pre cyclone silt levels and fencing.

84. A claim for $275K (60%) was submitted to NEMA, of which $226K has been approved and paid.

85. The insurance claim for $184K (40%) is currently under review by AON before being submitted to the loss adjustors.

86. It has been indicated that additional costs, potentially amounting to several million dollars, may be required to bring the Makara Dam up to compliance with dam safety standards. To aid in these costs being eligible for external reimbursement, the Council must demonstrate that the work is being carried out with "reasonable dispatch".

Drains

87. There are concerns regarding the eligibility of repeated drain clearing under the insurance policy, due to the 72-hour event limitation clause.

88. Recent indications suggest that costs related to drain recovery may not be eligible for NEMA reimbursement. To qualify, the following conditions must be met:

    88.1. The drainage must be demonstrably linked to river and flood protection infrastructure.

    88.2. If that is satisfied, NEMA will require a thorough review of maintenance records.

    88.3. Even if both conditions are met, excavation and removal costs related to silt, debris, and rubbish (estimated at $2.9M) are not eligible under NEMA guidelines.

89. Of the $3.4M in costs incurred to date, no amount has yet been approved by NEMA or the insurers.

Pump stations

90. A formal insurance claim for pump station damage, totaling $3.6M, has been submitted to the loss adjustors. In March, additional work was carried out to accurately allocate costs between the Material Damage (MD) and Business Interruption (BI) policies.

Nursery and Hydrology

91. Claims have been submitted for the incurred costs, and we are currently awaiting a decision from the insurers.

Edge protection

92. Edge protection claims are in progress, and we anticipate having them finalised before the end of the financial year.

Decision-making considerations

93. 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 FY24-25 to 31 March 2025* staff report.

Authored by:

Pam Bicknell
Senior Group Accountant

Megan McKenzie
Senior Business Partner

Tracey O'Shaughnessy
Treasury & Investments Accountant

Tuesday Walker
Graduate Financial Accountant

Chris Comber
Chief Financial Officer

Vanessa Fauth
Finance Manager

Jess Bennett
Programme Finance & Controls Manager

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

21 May 2025

Subject: Organisational Performance Report for the period 1 January - 31 March 2025

Reason for report

1. This item presents the Organisational Performance report for the period 1 January – 31 March 2025.

Organisational Performance Report content

2. The **attached** report contains four parts:
    2.1. **Executive summary** including highlights and lowlights/challenges.
    2.2. **Corporate metrics** that focus on how we are performing across a number of corporate-wide measures such as employee turnover and official information requests.
    2.3. **Level of service measures** by group of activities by exception (i.e. measures with red or orange traffic light status with commentary).
    2.4. **Activity reporting** with non-financial traffic light status and commentary, and financial status and commentary rolled up to the group of activities.
3. Organisational performance reports were established in 2018. The status and commentary reporting are rolled up from budget lines to activity level. Commentary by budget lines is 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.

Corporate metrics

5. There are metrics on:
    5.1. Human resources
    5.2. Heath, safety and wellbeing
    5.3. Customer services
    5.4. Communications including digital media and LGOIMA
    5.5. Fleet and air travel.

Level of service measures

6. This quarter, 12 of 55 level of service performance measures are reported as 'off track'. A further eight are 'not due' and will be reported on at the year-end in the Annual Report. This compares to 11 'off track' and 6 'not due' last quarter.

Activity reporting

7. Three of 32 activities are reported as 'off track'. This is the same as last quarter.
8. Financial reporting shows that one of six groups of activities is over budget. Commentary is provided to provide context.

Decision-making considerations

9. 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 2025.*

Authored by:

Thao Nguyen
Corporate Planning Analyst

Approved by:

Desiree Cull
Strategy & Governance Manager

Attachment/s

1	2024-25 Q3 HBRC Organisational Performance Report	Under Separate Cover **available online only**

Hawke's Bay Regional Council

Corporate and Strategic Committee

21 May 2025

Subject: HBRIC May 2025 quarterly update

Reason for report

1. This item provides HBRIC's quarterly update.

Executive summary

2. During the third quarter of FY24/25, the Group assets were impacted by the volatility in financial markets decreasing by $12.2m, NPHL decreasing $2.2m and managed funds $10m.
3. Managed Funds: From 1 July 2024 to 31 March 2025, despite the recent volatility and cash withdrawals of $5m, the Group portfolio grew by $2.8m, representing an 4.68% year-to-date increase after cash withdrawal.
4. FoodEast issued its Q3 report which notes continues progress in challenging conditions.
5. Investment Strategy Review: HBRIC has completed its review of HBRC investment Assets.

Managed funds

6. As of 31 March 2025, HBRC and HBRIC held the following managed funds portfolios with Harbour Asset Management.

Fund	Total
HBRIC - FIF	$49,990,772
HBRC - FIF	$66,307,401
	$116,298,123
HBRC - LTIF	$54,141,206
	$170,439,329

FoodEast

7. FoodEast's FY25 Q3 report provided the following update.
   - 7.1. Total rents received, inclusive of conference room income and on-charge costs less lease incentives were $141,758 for the financial year to 31 March 2025 relative to budget of $184,457.
   - 7.2. Unbudgeted project income of $25,000 was received from Sustainable is Attainable, with a further $25,000 per year expected in FY2026 and FY2027.
   - 7.3. Unbudgeted grant income of $10,000.
   - 7.4. Overall revenue for the financial year to 31 March 2025 was $181,758 relative to a budget of$184,457.
   - 7.5. Operating expenditure of $598,109 compares favourably to budget of $787,537, largely due to lower wage and governance costs than budgeted, as well as reduced agency fees in line with lower rent revenue.
   - 7.6. Overall, the net operating loss for the financial year to 31 March 2025 was $416,350 relative to budget net operating loss of $603,080.

8. FE hosted 10 events and workshops as the board and staff continue to promote the facility as a centre of excellence for novel foods from fermentation.

9. Directors note the ongoing challenging economic conditions that are impacting the onboarding of new tenants. Building A (Office) is currently 30% occupied with a significant further tenancy under due diligence. Building B (Commercial) is 51% occupied.

Napier Port

10. At the time of writing, we are awaiting Napier Port's published Half Year report and results (to 31 March 2025).

11. Napier Port's Half Year results will be released at 8.30am on Wednesday 21 May.

Council's cash investment expectations

12. Council set FY24/25 cash return expectations from its Group investment portfolio of $15,050,000. This comprised a $12,500,000 base Annual Plan expectation plus a one-off special dividend of $2,550,000.

13. To date, the following cash receipts from investment assets have been paid to Council:

13.1.	Napier Port Dividend (Ex HBRIC)	$6,330,000
13.2.	Wellington Leasehold Income	$ 697,430
13.3.	Managed Funds – HBRC Portfolio	$3,700,000
13.4.	Managed Funds – HBRIC Portfolio	$1,300,000
	Total	$12,027,430

14. HBRIC has budgeted to receive $3.2m interim dividend from Napier Port following the release of the Half Year results. Accordingly, HBRIC remains confident that it will deliver on Council's 2024/25 cash dividend expectations.

HBRC Loan from HBRIC

15. Due to tax rules at the time of the Port IPO a loan between HBRC and HBRIC allowed assets to be held without tax liability. The loan has a maturity date of 30 June 2025 and a set interest rate of 2%. HBRIC has investigated options and due to changes in tax rules now sees the opportunity to clear this debt, strengthening Council's balance sheet. At 30 June 2025 HBRIC has agreed to pay a special non-cash dividend to HBRC of $16.663m enabling HBRC to repay the loan in full.

Investment Strategy Review – HBRC Assets

16. Following the extension of HBRIC's mandate to include oversight of HBRC investment assets, we have undertaken a series of prioritised review actions, commencing with the consolidation of the Group's Managed funds portfolio under a new manager (Harbour Asset Management) and new Statement of Investment Principles and Objectives.

17. For completeness, this and subsequent review actions are summarised in HBRIC's Investment Asset Review Report (**Attachment 3**). Initial findings were presented to the Committee in late 2024.

Decision-making considerations

18. 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 *HBRIC May 2025 quarterly update*.

Authored by:

Tom Skerman **HBRIC Ltd Chief Executive**	**Tracey O'Shaughnessy** **Treasury & Investments Accountant**

Approved by:

Susie Young
Group Manager Corporate Services

Attachment/s

1⇩	HBRIC - Parent financial report - March 25	
2	HBRIC Investment performance update 31 March 2025	Under Separate Cover **available online only**
3	HBRIC report - HBRC Group Investment Asset Review	Under Separate Cover **available online only**

Statement of financial performance

Hawke's Bay Regional Investment Company Limited
For the 9 months ended 31 March 2025

	NOTES	2025 YTD ACTUAL	2025 FY BUDGET	REMAINING BUDGET	FY 2024
Income					
Interest income					
Interest received - bank		118,675	154,254	35,579	265,612
Interest received - managed funds		42,486	-	(42,486)	145,537
Interest received - HBRC		249,946	333,264	83,318	333,261
Total interest income		**411,107**	**487,518**	**76,411**	**744,410**
Dividend income					
Dividends received - PONL		6,600,000	7,000,000	400,000	7,205,000
Dividends - managed funds		696,616	-	(696,616)	252,457
Total dividend income		**7,296,616**	**7,000,000**	**(296,616)**	**7,457,457**
Realised gain / (loss) on managed funds		2,224,850	-	(2,224,850)	(134,076)
Total Income		**9,932,573**	**7,487,518**	**(2,445,055)**	**8,067,791**
Expenditure					
Operating expenses					
Audit fees and charges		-	100,000	100,000	174,059
Bank fees		101	-	(101)	61
Director's fees		86,255	119,485	33,230	115,000
Director's costs		3,946	6,000	2,054	6,197
Insurance		30,401	41,468	11,067	39,998
Investment Fees		(59,340)	-	59,340	71,900
Legal fees and charges		12,083	7,000	(5,083)	1,692
Management services - HBRC		97,500	130,000	32,500	130,000
Other costs		2,335	8,000	5,665	5,930
Governance Tools		18,012	17,100	(912)	-
Professional advice		14,500	16,000	1,500	13,500
Professional development		-	5,000	5,000	-
Subsidiary company governance costs		-	5,000	5,000	-
Total operating expenses		**205,792**	**455,053**	**249,261**	**558,338**
Project costs					
Commercial manager		80,706	100,000	19,294	67,412
Other projects		-	12,000	12,000	-
Investment analysis & due diligence		24,124	190,000	165,876	52,300
Technical advice/legal		10,840	60,000	49,160	8,071
Total Project costs		**115,670**	**362,000**	**246,330**	**127,782**

Statement of financial performance

	NOTES	2025 YTD ACTUAL	2025 FY BUDGET	REMAINING BUDGET	FY 2024
Income tax & subvention payments					
Income tax expense		-	-	-	284,425
Total Income tax & subvention payments		-	-	-	**284,425**
Total Expenditure		**321,463**	**817,053**	**495,590**	**970,545**
Surplus / (deficit) from operations		**9,611,110**	**6,670,465**	**(2,940,645)**	**7,097,246**

	NOTES	2025 YTD ACTUAL	2025 FY BUDGET	REMAINING BUDGET	FY 2024
Other comprehensive income & expenditure					
NPHL gain / (loss) on share revaluation	1	7,700,000	-	(7,700,000)	(2,200,000)
Unrealised gains / (losses) from managed funds		(389,338)	-	389,338	3,086,498
Dividends paid		(7,630,000)	-	7,630,000	(7,205,000)
Total Other comprehensive income & expenditure		**(319,338)**	**-**	**319,338**	**(6,318,502)**

	NOTES	2025 YTD ACTUAL	2025 FY BUDGET	REMAINING BUDGET	FY 2024
Summary Statement of financial performance					
Surplus / (deficit) from operations		9,611,110	6,670,465	(2,940,645)	7,097,246
Other comprehensive income & expenditure		(319,338)	-	319,338	(6,318,502)
Total Summary Statement of financial performance		**9,291,772**	**6,670,465**	**(2,621,307)**	**778,744**

Statement of financial position

Hawke's Bay Regional Investment Company Limited
As at 31 March 2025

	NOTES	31 MAR 2025	30 JUN 2024
Equity			
Asset revaluation reserves			
Port Revaluation Reserve			
Port Revaluation reserve		(13,200,000)	(11,000,000)
Fair value gain / (loss) on Napier Port Shares		7,700,000	(2,200,000)
Total Port Revaluation Reserve		**(5,500,000)**	**(13,200,000)**
Managed Fund Revaluation Reserve			
Managed Funds revaluation reserve		7,682,108	4,595,610
Fair value gain / (loss) on revaluation Mercer m/funds		-	2,250,316
Fair value gain / (loss) on revaluation Jarden m/funds		52	836,182
Fair value gain / (loss) on revaluation Harbour m/funds		(389,390)	-
Total Managed Fund Revaluation Reserve		**7,292,769**	**7,682,108**
Total Asset revaluation reserves		**1,792,769**	**(5,517,892)**
Shareholder's funds			
Authorised "A" share capital		177,500,000	177,500,000
Retained earnings		165,605,731	166,138,484
Current Year Earnings		9,611,110	7,097,246
Deferred tax expense		(165,871)	(165,871)
Total shareholder's funds		**352,550,970**	**350,569,860**
Total equity		**354,343,739**	**345,051,967**
Liabilities			
Current liabilities			
Accrued expenditure		55,567	154,028
Trade accounts payable		5,409	24,813
Rounding		-	-
Total current liabilities		**60,976**	**178,841**
Total liabilities		**60,976**	**178,841**
Assets			
Current assets			
Cash and cash equivalents			
BNZ accounts		472,921	129,600
Jarden Cash Facility (ANZ)		3,240,081	3,873,181
Total Cash and cash equivalents		**3,713,002**	**4,002,781**
Prepayments		29,054	59,455
GST		12,790	28,107
Current tax asset		16,833	(213,664)
HBRC Assets Transferred		(2,032)	-
Rounding		-	-

Statement of financial position

	NOTES	31 MAR 2025	30 JUN 2024
Tax deducted from investment activity		177,629	-
Income in advance		-	-
Total current assets		**3,947,276**	**3,876,678**
Non-current assets			
Shares - Napier Port Holdings		280,500,000	272,800,000
Funds with fund managers		49,990,722	48,854,303
HBRC loan receivable		16,663,036	16,663,036
Investment in Foodeast GP Limited		3,469,551	3,202,662
Deferred tax asset		(165,871)	(165,871)
Total non-current assets		**350,457,439**	**341,354,130**
Total assets		**354,404,715**	**345,230,808**
Net assets		**354,343,739**	**345,051,967**