



HAWKES BAY

REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Meeting of the Corporate and Strategic Committee

Date: Wednesday 10 September 2025
Time: 9.00am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

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1.	Welcome/Karakia/Housekeeping/Apologies	
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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 **(14.)** provide for public forums which are run as follows.
 - 2.1. Public forums are a defined period of time of up to 30 minutes, usually at the start of a meeting, 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.
 - 2.2. Any issue, idea or matter raised in a public forum must fall within the terms of reference and ideally, relate to an agenda item for that meeting.
 - 2.3. Requests to speak at public forums are to be submitted to the HBRC Governance Team (06 835 9200 or governanceteam@hbrc.govt.nz) at least 2 working days prior to the meeting it relates to.
3. Some time limits and restrictions apply, including:
 - 3.1. A period of up to 30 minutes will be set aside for the Public Forum and each speaker allocated up to 5 minutes to speak. If the number of people wishing to speak in the public forum exceeds 6 in total, the meeting Chairperson has discretion to restrict the speaking time permitted for all presenters.
 - 3.2. The meeting Chairperson has the discretion to decline to hear a speaker or to terminate a presentation at any time if:
 - 3.2.1. the speaker's topic / issue is not within the terms of reference for the Committee or on the Agenda for the meeting
 - 3.2.2. the speaker is repeating views presented by a previous speaker
 - 3.2.3. the speaker is criticising elected members and/or staff
 - 3.2.4. the speaker is being repetitious, disrespectful or offensive
 - 3.2.5. the speaker has previously spoken on the same issue
 - 3.2.6. the matter is subject to legal proceedings
 - 3.2.7. the matter is subject to a hearing, including the hearing of submissions where the local authority or committee sits in a quasi-judicial capacity.
4. At the conclusion of a speaker's time, the Chairperson has the discretion to allow committee members to ask questions of speakers to obtain information or clarification on matters raised by the speaker.
5. Following the public forum no debate or decisions will be made at the meeting on issues raised during the forum unless related to decision items already on the agenda.

Decision-making process

6. 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 & Governance Manager

Attachment/s

There are no attachments for this report.

Subject: Reimagining Flood Resilience and 2025/26 Funding

Reason for report

1. This item seeks approval from the Corporate and Strategic Committee for additional funding for the reimagining flood resilience project.

Staff recommendation

2. The urgency of this decision is warranted and falls within the delegated authority of the Corporate and Strategic Committee to approve additional funding for the reimagining flood resilience project, in accordance with Clause (2) of the Terms of Reference.
3. Approves \$0.5 million in funding to be sourced through an internal loan and a drawdown from the relevant scheme reserve.

Executive summary

4. An additional \$0.5 million in funding is required to support the reimagining flood resilience project.
5. The funding will enable further technical assessments and community engagement, building on previous work already funded through the Annual Plan and scheme reviews.
6. It is proposed that the funding be sourced through an internal loan and a drawdown from the Heretaunga Rivers scheme reserve, with no additional impact on ratepayers.

Background /Discussion

7. The 2025-26 annual plan has \$1.7 million approved for priority projects responding to the Hawke's Bay Independent Flood Review, which included the reimagining flood resilience project, to be funded by the sale of carbon credits.

Programme projects and activities	Estimated Costs
Extreme Weather Hub	160,000
Flood Forecasting System	275,000
Trigger Levels (interim and pilot)	400,000
Hazard Portal Upgrade Business Case	15,000
By-laws	50,000
Audit of HBIFR Implementation Programme	100,000
Reimagining Flood Resilience	700,000
	1,700,000

8. The \$0.7m for reimagining flood resilience supported a range of activities, including project management, an engagement phase for the Stakeholder Reference Groups and focus groups, a leading practice review and an economic analysis.
9. It is expected that additional technical work will be needed to support steering and focus groups as they explored additional options. The goal is to ensure an inclusive process where community ideas could be evaluated and, if viable, incorporated into the final solution suite. This requires funding flexibility to respond to emerging ideas and feedback.

10. Originally, there was an assumption that the \$4 million set aside for scheme reviews, \$3 million from NIWE and \$1 million from general rates, would be sufficient. However, that funding has now been fully utilised.
 - 10.1. Approximately \$1 million has been spent on Heretaunga and Upper Tukituki scheme reviews conducted with Tonkin and Taylor (T&T). This work involved developing new scheme models, identifying post Gabrielle performance and identifying opportunities, forming a foundational base for the reimagining process
11. As a result, we are requesting an additional \$0.5 million to support further technical assessments and community engagement. This funding would allow Tonkin and Taylor to carry out discrete pieces of work in response to community input.
12. This funding is urgently required to support the next phase of the reimagining flood resilience project.
 - 12.1. The reimagining flood resilience project has an established Technical Advisory Group (TAG) that has been working collaboratively for some months now. The inaugural Steering Group meeting was held on 1 September, and Phase 2b, the Stakeholder Reference Group and Focus Group engagement phase, will commence on 8 September.
 - 12.2. This funding is needed to enable the project to engage T&T to undertake bespoke modelling and analysis of potential flood mitigations proposed by the stakeholder reference groups or from the TAG. The window of opportunity to undertake further modelling and analysis of the schemes for the reimagining project is 8 months, through to April 2026, in time for any recommendations to be considered for the 2027 LTP.

Strategic fit

13. This work directly contributes to the achievement of Regional Council's infrastructure and services focus area, specifically sustainable and climate-resilient services and infrastructure.

Significance and Engagement Policy assessment

14. This decision is of low significant. This decision does not involve changes to the rate, nor does it significantly impact the wider community. Given the low significance, the engagement process can be managed with minimal community involvement, relying on internal processes rather than requiring extensive consultation.

Financial and resource implications

15. In accordance with the Council's Revenue and Financing Policy, flood protection activities are funded through a mix of 30% general funding and 70% targeted rates.

Funding Required

General	\$ 150,000	30%
Target	\$ 350,000	70%
	<u>\$ 500,000</u>	

16. It is proposed that the 30% general funding contribution be sourced through an internal loan.
 - 16.1. Loan funding was approved in the 2021–2031 Long Term Plan to supplement general rates as the level of activity of the Regional Council increased. The final tranche of this rates smoothing loan was not fully required in 2024/25 and, because the repayments and interest have already been accounted for in future years, this could be utilised to support the required work without imposing any additional burden on ratepayers.
17. The targeted rate contribution is proposed to be sourced from the operational scheme reserve for the Heretaunga Rivers. The indicative balance of this reserve as at 30 June 2025 is approximately \$1.8 million, noting that final accounts are still subject to audit. This surplus provides sufficient capacity to support the proposed funding.

Decision-making considerations

18. 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:
 - 18.1. The decision does not significantly alter the service provision or affect a strategic asset, nor is it inconsistent with an existing policy or plan.
 - 18.2. The use of the special consultative procedure is not prescribed by legislation.
 - 18.3. The decision is not significant under the criteria contained in Council's adopted Significance and Engagement Policy.
 - 18.4. The persons affected by this decision are the wider Hawke's Bay community and rate payers.
 - 18.5. Given the nature and significance of the issue to be considered and decided, and also the persons likely to be affected by, or have an interest in the decisions made, Council can exercise its discretion and make a decision without consulting directly with the community or others having an interest in the decision.

Recommendations

That Corporate and Strategic Committee:

1. Receives and considers the Reimagining Flood Resilience and 2025/26 Funding staff report.
2. Agrees that the decisions to be made are not significant under the criteria contained in Council's adopted Significance and Engagement Policy, and that Council can exercise its discretion and make decisions on this issue without conferring directly with the community.
3. Agrees that the urgency of this decision is deserved and is within the delegated power of the Corporate and Strategic Committee to approve funding for the Reimagining Flood Resilience project in accordance with Clause (2) of the Terms of Reference.
4. Approves additional expenditure of \$0.5 million, to be funded through an internal loan of \$150,000 and \$350,000 from the Heretaunga Rivers operating scheme reserve.

Authored by:

Megan McKenzie
Senior Business Partner

Approved by:

Chris Dolley
Group Manager Asset Management

Attachment/s

There are no attachments for this report.

Subject: Financial Report for FY24-25 to 30 June 2025

Reason for report

1. This report presents the Council's financial results for the year to 30 June 2025.

Background

2. Financial performance is reported to the Corporate and Strategic committee quarterly. The report presented today is for the fourth 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 year is \$184.3M, which is \$35M above budget. Grants and subsidies are \$5.8M under budget, with unbudgeted revenue from the Silt Taskforce (\$34.9M) not fully offsetting timing delays in the NIWE and IRG projects. The remaining variance is due to the special dividend of \$16.7M received from HBRIC to repay the loan we had from them and realised gains made when investments were transferred to our new fund manager.
5. Total operating expenses for the period are \$148.7M, which is \$55.1M over budget. This variance is primarily driven by unbudgeted expenditure on the Silt Taskforce which is fully offset by income received and offsetting realised losses on some of the investments because they were transferred to the new fund manager.
6. An increase in the share price for Napier Port at 30 June 2025 has resulted in a significant unrealised gain at the end of the financial year.
7. 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.
8. Rates collection continues well with only \$1M of the 2024-25 rates invoices remaining outstanding. At the same time last year \$1.1M of the 2023-24 rates invoices was still unpaid.
9. All eleven Project Delivery Plans were approved, with expenditure of \$25.2M incurred, partially reimbursed by the Crown.
10. The budgets reflected in this report are 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 12 months ended 30 June 2025			
	Actual 30-Jun 2024-25 \$000	Budget 30-Jun 2024-25 \$000	Variance \$000	Variance % %
Revenue				
Revenue from activities	11,269	10,761	508	5%
Rates revenue	47,920	47,497	422	1%
Subsidies and Grants	64,001	69,759	(5,758)	-9%
Other revenue	44,994	17,105	27,889	62%
Fair value gains on investments	16,116	4,179	11,937	74%
Reduction in ACC Leasehold Liability				
Total Operating Revenue	184,299	149,301	34,998	19%
Expenditure				
Expenditure on activities	(122,171)	(83,725)	(38,446)	31%
Finance costs	(6,913)	(5,449)	(1,464)	21%
Depreciation and Amortisation Expense	(4,727)	(4,450)	(278)	6%
Fair value losses	(14,926)	-	(14,926)	0%
Other expenditure	-	-	-	0%
Total Operating Expenditure	(148,737)	(93,624)	(55,113)	37%
Operating Surplus / (Deficit)	35,562	55,677	(20,115)	-57%
Other Comprehensive Revenue and Expense				
Gain/(loss) in other financial assets	71,999	1,434	70,565	0%
Gain/(loss) on revalued intangible asset	-	-	-	0%
Gain/(loss) on revalued property, plant and equipment a	2,679	-	2,679	0%
Gain/(loss) on revalued infrastructure assets	710	-	710	0%
Total Other Comprehensive Revenue and Expense	75,389	1,434	73,955	
Total Comprehensive Revenue and Expense	110,951	57,111	53,840	

Commentary on Statement of Comprehensive Revenue and Expense

- The actual result to 30 June 2025 for the total Comprehensive Revenue and Expense is a surplus of \$111M, while the budget was a \$57.1M surplus. This figure includes a \$72M increase in the valuation of financial assets, predominantly from an increase in the Napier Port share price. The Operating Surplus for the year was \$35.6M, \$20.1M below budget.
- The Silt Taskforce was contracted until 30 June 2025 and HBRC's net position for the Silt Taskforce was break even, with no impact on the overall surplus / deficit.
- Excluding Hawke's Bay Regional Recover Agency (HBRA) (\$1.9M) and Silt Taskforce funding (\$34.9M), subsidies and grants total \$27.2M this year, which is \$42.6M below budget. This shortfall is primarily due to the budget including a higher level of NIWE funding being expected this year (\$45.4M below budget). This is due to a combination of spend not happening as quickly as originally expected and reimbursement of spend from the Crown taking longer. The spend, and the associated grants, will still occur, just later than originally budgeted.
- Other revenue is \$27.9M above budget, primarily due to the additional dividend from Hawke's Bay Regional Investment Company (HBRIC) of \$16.6M, insurance claims of \$3.3M, \$1.3M in logging recoveries and interest earned on HBRA funds held. The HBRIC special dividend was used to repay the outstanding loan.
- Total expenditure on activities for the full year was \$122.2M of which \$36.4M is for HBRA and Silt Taskforce, this leaves \$85.8M spent for the full year against a budget of \$83.7M.

16. Further detail on financial and non-financial information for Groups of Activities is detailed in the Organisational Performance Report.
17. Due to the revaluation of infrastructure assets in 2023-2024, depreciation costs have increased and are \$0.5M over budget at year end. Budget has been included in the Annual Plan for 2025-2026.
18. The above statement includes \$16.1M of fair value gains and \$14.9m of fair value losses under revenue and expenditure respectively. Realised gains and losses on individual assets need to be separately disclosed and the large figures this year reflect the realisation of investment values when we changed fund managers.

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 30 June 2025 \$'000	Current Year (CY) Budget 24/25 As at 30 June \$'000
ASSETS			
Non-Current Assets			
Property, plant & equipment	37,967	36,239	36,842
Infrastructure assets	435,885	454,929	302,622
Investment property	66,697	66,717	66,243
Intangible assets	10,868	12,456	11,473
Forestry assets	11,318	9,092	12,070
Prepayments	168	168	42
Total non-current assets before other financial assets	562,903	579,601	429,292
Other financial assets	140,026	143,296	143,107
Investment in Council-controlled organisations	351,869	420,909	335,948
Total other financial assets	491,895	564,204	479,055
Total Non-Current Assets	1,054,798	1,143,806	908,347
Current Assets			
Inventories	777	695	821
Trade & other receivables	23,961	28,033	18,968
Derivative financial instruments	1,909	592	2,243
Other financial assets	2,083	2,529	3,081
Cash and cash equivalents	62,276	21,073	26,185
Total Current Assets	91,006	52,921	51,298
TOTAL ASSETS	1,145,805	1,196,727	959,645
NET ASSETS / EQUITY			
Accumulated funds	271,287	288,338	317,607
Fair value reserves	506,415	575,026	286,739
Other reserves	129,794	148,306	126,212
Total Net Assets / Equity	907,497	1,011,669	730,558
LIABILITIES			
Non-Current Liabilities			
Derivative financial instruments			
Borrowings	99,600	112,950	150,915
ACC Leasehold financing liabilities	29,574	29,307	29,255
Provisions for other liabilities & charges	19	19	19
Employee benefit liabilities	433	346	426
Total Non-Current Liabilities	129,627	142,622	180,615
Current Liabilities			
Borrowings	30,563	4,650	4,650
ACC Leasehold financing liabilities	3,421	1,791	1,500
Employee benefit liabilities	2,505	2,969	2,574
Trade & other payables	55,736	32,872	29,629
Funds held on Behalf	16,456	153	10,120
Total Current Liabilities	108,682	42,436	48,472
TOTAL LIABILITIES	238,309	185,058	229,087
TOTAL NET ASSETS / EQUITY & LIABILITIES	1,145,805	1,196,727	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 and to build new assets as part of the NIWE flood resilience programme. The value has increased from \$452.5M to \$454.9M since the last quarter, a \$2.4M increase (\$2.8M last quarter). 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 due to the timing of the Annual Plan and Annual Report processes.
20. Intangible assets have increased in value this year predominantly due to the carbon credits movement in price from \$50.50 per unit last year to \$58.60 on 30 June 2025.
21. Napier Port share price on 30 June 2025 was \$3.22 compared to \$2.55 at the end of last quarter and \$2.48 last year on 30 June 2024. This has pushed our asset value up by \$81.4M. This is reflected in the investment in council-controlled organisations. Below is the 5 year history for the Napier Port Holdings shares to 28 August 2025.

Napier Port Holdings Ltd

\$3.03 ↓17.44% -0.64 5Y

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22. Trade and other receivables balances have come down this quarter to \$28M (\$28.6M Q3) but are higher than the \$23.9M last year. This growth from last year is predominantly driven by accrued income of \$16.8M for work undertaken that we had not raised an invoice for at year end. \$12.2M of this is related to NIWE.
23. Cash and cash equivalents is \$21M at the end of the year, \$11.6M down in quarter. The major cause of the decrease was an \$8M LGFA loan which was repaid during April 2025, as well as \$6M of commercial notes also with LGFA. The decrease in cash since last year reflects the completion of the Silt Taskforce and HBRRA funding.
24. Trade payables are sitting at \$32.9M down from \$46.3M last quarter., With spend increasing on capital projects, the value of payables is likely to remain quite high 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)

Rates collection

27. Rates penalties to the end of Q4 were \$763K, which is an increase of \$182K over the previous year. Although the total number of penalties (arrears & instalment) applied in 2024-2025 has largely remained the same, the value of those has increased due to the increase in the rates total for the year.
28. In the year to date, as of 30 June 2025, the team 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).
29. There are 20 remaining Hardship remissions received relating to Natural Calamity. These are all awaiting further information from the impacted ratepayers, and will be assessed and remitted where appropriate.
30. Currently there is \$1.0M outstanding related to the 2024-2025 rates invoices (excluding sustainable homes). At the same time last year, we had \$1.1M outstanding related to the 2023-2024 rates invoices.
31. The internal rates debt collection process has resulted in over \$468K collected which equates to a saving of \$47K in debt collection fees.

Debt collection

32. As of 30 June 2025, the Council had \$5.8M outstanding trade debtors. This compares to \$9.1M at the end of Q4 last financial year (June 2025). Receivables from government agencies had inflated previous balances.
33. Aged debt (non-rates) over 90+ days has increased from \$498K in Q4 2024 to \$652K in Q4 2025. The majority of aged debt in Q4 2025 is made up of deferred leasehold payments (78%); this is a similar level to last year.

Commentary – Treasury

34. The Government Grants being held for Silt and Debris operations were exhausted by 30 June 2025. The interest earned on these funds has helped to offset the Council's loan funding costs. However, now these funds are depleted, the net cost of funds will rise.
35. In the quarter to 30 June 2025, \$18M was borrowed from the LGFA, with initial maturity of five years. \$8M was used to repay long term borrowing, \$6M to repay short-term borrowing for NIWE cashflow and the remaining \$4M for working capital.
36. On 30 June 2025 the external debt for the Council group was \$117.6M. \$4M is due to mature in April 2026 and the pre-funding for this is sitting on term deposit.
37. An additional \$10M debt was drawn in July 2025, maturing in October 2025, and is a short-term commercial note intended to support the cashflow for while HBRC finalises repayment terms with the Crown for the NIWE programme.
38. With the loan between HBRIC and HBRC for \$16.7M maturing on 30 June 2025, HBRIC agreed to issue a special dividend to Council, enabling the repayment of this loan in full, reducing Council's overall debt position.
39. The following table summarises the year-to-date movements in Council's debt position.

	HBRC only \$000
Opening debt – 1 July 2024 – excluding HBRIC loan	113,500
New loans raised	24,000
Less amounts repaid	(19,900)
Closing Debt 30 June 2025 (excluding HBRIC loan)	117,600
Plus loan from HBRIC	16,663
Less amounts repaid	(16,663)
Total Borrowing as at 30 June 2025	117,600

40. Liquidity remains high due to utilisation of the standby facilities, allowing us to carry less cash to satisfy this requirement. While cashflow projections for the NIWE project continue to evolve, focus in the short term is funding land acquisitions to allow the projects to proceed. There remains a strategic shift in construction activity toward the 2025-2026 summer season.
41. HBRC has re-engaged the LGFA on Green Loan's to finance a portion of the NIWE project costs. We are awaiting updated guidelines from the LGFA due shortly. If we can progress, once approved, any current long-term debt relating to the application can be converted to a Green Loan, reducing the borrowing costs by 20bps.
42. Financial Markets rallied in Q4 of FY25 enabling Council's managed fund portfolio's to close at balance date well above their capital protected values. The total realised and unrealised gains for the year amounted to \$8.8M, representing an overall return of 7.43%. There were no withdrawals from the funds during the quarter, however \$3.7M was withdrawn from the managed funds in February to meet the Council's cash dividend requirements.
43. Fitch Rating Agency affirmed HBRC's AA credit rating in May 2025, and Council's ability to meet its debt commitments in future. This allows Council to continue to access discounted borrowing from the LGFA and an increased level of debt capacity.

44. 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	7,515	2,485	10,000
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	150,868	26,770	177,638
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	201,968	44,657	246,625
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 (HBRC funded)	203,500	44,150	247,650	209,483	47,142	256,625
				Crown Funding	CHBDC funded	Approved total
Waipawa Waste Water	0	0	0	3,457	1,143	4,600
Total (Incl Others)	203,500	44,150	247,650	212,940	48,285	261,225

45. The table below includes the spend to date on the various projects.

	Actual spend 23/24	Actual spend (IRG)	Actual spend 24/25	Revised Annual Budget	Variance	New re-baselined/ approved total
Wairoa	1,194		3,713	14,409	10,696	70,000
Whirinaki	753	2,079	1,061	2,285	1,224	23,050
Waiohiki	717	440	1,829	11,802	9,973	10,000
Ohiti	556	381	984	1,045	61	10,000
Pākōwhai	628	2,378		19,031	19,031	50,000
Porangahau	247		950	5,854	4,904	14,588
Subtotal	4,094	5,277	8,537	54,427	45,889	177,638
Level of Service Upgrades	0		667	10,000	9,333	30,000
Telemetry	0		1,201	1,812	611	5,000
Pumpstation	316		1,111	3,033	1,922	30,000
Scheme Review	1,055		1,837	3,000	1,163	3,987
Total	5,466	5,277	13,353	72,273	58,920	246,625
Havelock North	65		1,123	0	(1,123)	10,000
Beach Road, Tangoio						0
Total	5,532	5,277	14,476	72,273	57,796	256,625
Waipawa Waste Water						4,600
Total (Incl Others)	5,532	5,277	14,476	72,273	57,796	261,225
Total Spend:			25,285			

46. All eleven Project Delivery Plans (PDPs) have now been approved for our NIWE projects. The current priority is to get all Project (Funding) Schedules signed off and claims submitted. Project

(Funding) Schedules have been submitted for 10 projects, with 9 approved and 1 in the approval process with NIFF. The remaining schedule is being drafted currently and will be submitted this month for approval.

47. As of 30 June 2025, total expenditure incurred was \$25.2M. Of this, \$5.2M was funded from the IRG program. From the remaining \$20M expenditure, \$1.6M has been reimbursed by crown to date.
48. Based on an interest rate of 4.5%, the estimated interest cost to date to HBRC for carrying the Crown funded portions is \$486k. Currently, there is no confirmed funding source to cover this interest expense.

Decision-making considerations

49. 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 30 June 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

James Park
Programme Finance & Controls Manager

Approved by:

Pip O'Connor
Group Manager Corporate Services

Attachment/s

There are no attachments for this report.

Subject: Organisational Performance Report for the period 1 April - 30 June 2025

Reason for report

1. This item presents the Organisational Performance report for the period 1 April – 30 June 2025.

Organisational Performance Report content

2. The **attached** report contains three parts:
 - 2.1. **Executive summary** including highlights and 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. **Activity reporting** with non-financial traffic light status and commentary, and financial traffic light status and commentary rolled up to the group of activities.
3. Organisational performance reports were established in 2018. Staff complete their reporting in a software tool called Opal3. Status (red, amber, green) and commentary is provided for financial and non-financial performance aggregated at an activity level by quarter and on level of service measures year-to-date. Commentary by budget line is available to committee members on request.

Points of interest

4. Our levels of service performance measures are not included this quarter as they are reported in the Annual Report 2024-25 for the whole financial year.
5. *LGOIMAs* - in response to Cr Siers request at previous committee meetings the following actions have been taken:
 - 5.1. Official information requests up to the end of the quarter are again available on our website **hbrc.govt.nz**, search: **#LGOIMA**. The pdf reports are presented by calendar year and will be updated quarterly. Individuals are anonymised but requests from organisations and businesses are named.
 - 5.2. On the same webpage, staff now proactively publish responses to LGOIMA requests that may be of public interest for openness and transparency.
 - 5.3. From next quarter, we will run an aggregated report of time spent on LGOIMAs every quarter and include it in the Organisational Performance Report as a separate metric. This will capture time spent by staff who normally use timesheets and will cover most subject matter experts. Other highly impacted staff such as the Governance team will be asked to timesheet specifically for LGOIMA activity. This week staff who regularly respond to LGOIMAs have been sent a list of the timesheet codes to use.
6. *Staff numbers* – the main driver for the increase of 12 staff in the quarter has been successful recruitment in difficult-to-fill roles (Science and ICT). Eight staff left the Council in the same period, resulting in a net increase of four staff.
7. *HBCDEM reporting* – in response to a request at the last committee meeting for better visibility of what is happening in CDEM, it is noted that a *Transformational Dashboard* is presented at the HBCDEM Joint Committee. The last meeting was on 28 July 2025. The Dashboard is available online under <https://www.hbrc.govt.nz/our-council/meetings/>.

Corporate metrics

8. There are metrics on:
 - 8.1. Human resources
 - 8.2. Health, safety and wellbeing
 - 8.3. Customer services
 - 8.4. Communications including digital media and official information requests
 - 8.5. Fleet and air travel.

Activity reporting

9. Three of 32 activities are reported as 'off track'. This is the same as last quarter.
10. Financial reporting shows that one of six groups of activities is greater than 10% over budget. Commentary is supplied to provide context (p25).

Decision-making considerations

11. 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 April - 30 June 2025*.

Authored by:


Thao Nguyen
Corporate Planning Analyst

Sarah Bell
Team Leader Strategy and Performance

Approved by:

Desiree Cull
Strategy & Governance Manager

Attachment/s

- | | | |
|--|---|--|
| 1  | Organisational Performance Report Q4 FY25 | Under Separate Cover
<i>Available online only</i> |
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HAWKE'S BAY REGIONAL COUNCIL

Corporate and Strategic Committee

Wednesday 10 September 2025

Item 8

Subject: HBRIC quarterly update

Reason for report

1. This item provides Hawke's Bay Regional Investment Company's (HBRIC) quarterly update.

Executive summary

2. The fourth quarter of FY24 ended with strong performances from the Group's Managed Funds portfolio and continuing recovery at Napier Port, reinforcing earlier outperformance of dividend expectations. Despite a volatile domestic and international economic and trading environment, HBRIC is pleased to be able to report positive Group results for the first year of its expanded investment mandate.
3. Based on provisional results HBRIC can commit to the establishment and seed funding of a Dividend Resilience Reserve. With a 5-year target of \$10m (or the equivalent of one-years dividend from Napier Port) this will operate to provide Council with greater confidence that its investment portfolio will reliably deliver on minimum cash yield requirements.

Council's cash dividend expectations

4. 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.
5. This was met with the following payments to Council:
 - 5.1. Napier Port Dividend (Ex HBRIC) \$6,330,000
 - 5.2. Wellington Leasehold Income \$924,964
 - 5.3. Managed Funds – HBRC Portfolio \$3,700,000
 - 5.4. Managed Funds – HBRIC Portfolio \$1,300,000
 - 5.5. Napier Port Dividend (ex HBRIC) \$2,795,036

Total \$15,050,000

HBRIC Loan to HBRC

6. Following the Port IPO in 2019, Council borrowed \$16.6m from HBRIC. With the loan repayment falling on 30 June 2025, HBRIC issued an equivalent special non-cash dividend to HBRC, allowing HBRC to repay the loan in full. This improved Council's debt position and reduced annual debt servicing costs.

Managed funds

7. As of 30 June 2025, HBRC and HBRIC held the following managed funds' portfolios with Harbour Asset Management.

Fund	Total (\$000)
<i>HBRIC - FIF</i>	\$51,761
<i>HBRC - FIF</i>	\$68,713
	\$120,4674
<i>HBRC - LTIF</i>	\$56,091
	\$176,565
<i>Capital protected \$</i>	<i>\$173,617</i>

8. Overall, the funds delivered an 8.3% or \$13.9m total return. This enabled \$5m to be drawn as an advanced cash dividend to Council in early H2, thereby reducing Council's annual debt servicing cost.
9. Notwithstanding the \$5m withdrawal, all three funds returned to balances above their respective capital protection watermarks.

Napier Port

10. The Port released their unaudited 2025 nine-month results on 13th August.
 - 10.1. Revenue for the nine months rose 12.6% to \$120.6 million from \$107.1 million in the same period last year and was led by significant growth in container services revenue
 - 10.2. The result from operating activities increased 28.4% to \$50.9 million from \$39.6 million as higher revenue was supported by effective cost management
 - 10.3. Underlying net profit after tax increased 46.1% to \$23.2 million from \$15.9 million
 - 10.4. Reported net profit after tax increased 49.9% to \$28.6 million from \$19.1 million
11. The Port also confirmed its expectation of results from operation activities for the full year to September, assuming a continuation of current operation conditions and excluding insurance claim income, to be at the top end of the previously communicated range of between \$59 million and \$63 million.

FoodEast

12. FoodEast's FY25 Q4 report provided the following update.
 - 12.1. Total rents received lifted to \$212k after lease incentives for the financial year against a budget of \$318,022.
 - 12.2. Unbudgeted project income of \$25,000 was received from Sustainable is Attainable, with a further \$25,000 per year expected in FY2026 and FY2027.
 - 12.3. There was also unbudgeted grant income of \$10,000, \$10,338 Agritech Unleashed income, and official opening income of \$5,000.
 - 12.4. Overall, cost control measures meant the net operating loss for the financial year was \$565,901 relative to budget net operating loss of \$731,572.
13. With construction complete the valuation method of the property was adjusted from construction cost to market valuation. The combination of costs associated with re-design work (to accommodate the higher construction cost environment through the build phase) and difficult rental market conditions resulted in a material decrease in value of \$4.2 million at year end. Despite this outcome, HBRIC remains confident that its investment in FoodEast will meet its 6-year financial and non-financial objectives.

Dividend Resilience Fund

14. Council requires its Group investments to provide the following, prioritized, results net of HBRIC's operating costs:
 - 14.1. Annual Cash Dividend (set at \$13.3m for FY26)
 - 14.2. Managed Funds Capital Protection of 2.5%p.a. (approx. \$4.3m in FY26)
 - 14.3. Dividend Resilience Reserve "DRF" (Target of \$2m p.a. up to a \$10m balance)
 - 14.4. Surplus for reinvestment.
15. Currently, the DRF does not exist, The FY25 provisional result means that HBRIC will be able to establish and seed this reserve with no less than the \$2m target at its October Board meeting.
16. HBRIC will furthermore consider whether to inject a larger sum into the DRF from its own cash reserves. The reason for doing so is that the Managed funds are only marginally above their

capital protection watermarks and equity markets are operating at historically high valuations. Retaining more in the DRF will provide greater certainty that, in the event of an equity market downturn, Council will receive its annual cash dividend requirements.

Decision-making considerations

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.

Recommendation

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

Authored by:


Tracey O'Shaughnessy
Treasury & Investments Accountant

Tom Skerman
HBRIC Ltd Chief Executive

Approved by:

Pip O'Connor
Group Manager Corporate Services

Attachment/s

- | | |
|---|--|
| <p>1  FY25 HBRIC Annual Report Parent and Group - to EY</p> | <p>Under Separate Cover
<i>Available online only</i></p> |
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HAWKE'S BAY REGIONAL COUNCIL
Corporate and Strategic Committee
Wednesday 10 September 2025

Subject: Harbourmaster's annual report

Reason for report

1. This item provides the Corporate and Strategic Committee with the Harbourmaster's Annual Report for 2024-25. The Annual Report is based on maritime safety regulation across the region's waterways for commercial operations and recreational activities.

Executive summary

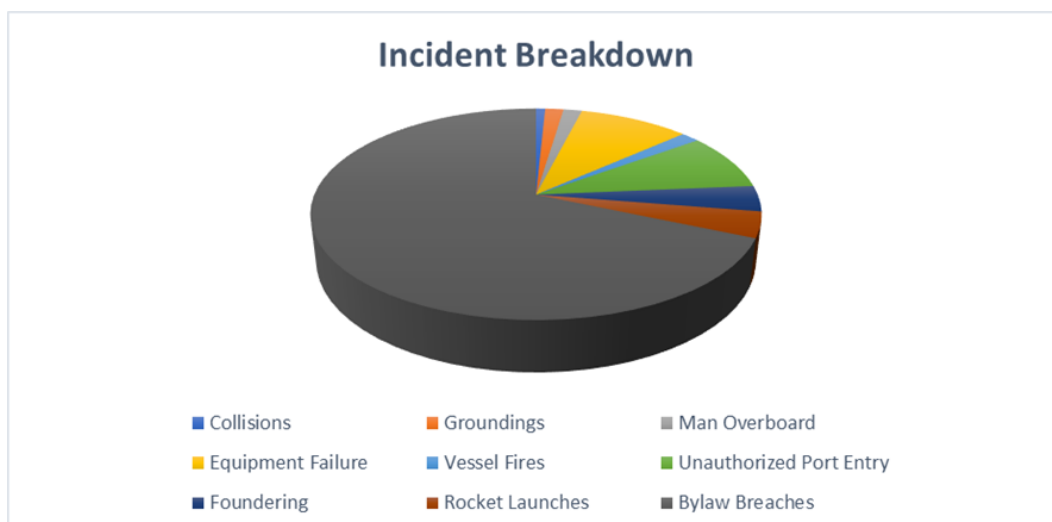
2. The Maritime Safety activity and Harbourmaster's Office regulates maritime safety within regional waters under the Maritime Transport Act and the Navigation Safety Bylaw. This applies to commercial operations at Napier Port, and recreational vessels operating in coastal areas (up to 12 nautical miles from the shore) and inland waterways (lakes, rivers, streams).
3. The Harbourmaster is responsible for overseeing maritime safety within the region and engaging with the community and stakeholders to promote, monitor and facilitate safe maritime activities. This includes the Harbourmaster undertaking regulatory enforcement and incident response.
4. Significant changes were made to maritime safety regulation in the 2024-25 year. This included the adoption of the 2024 Navigation Safety Bylaw, a review of the fees and charges schedule, and the establishment of designated anchorage areas which were successfully implemented to enhance safety across the region. This report provides an overview of the service level measures, incidents and safety initiatives that were undertaken.

Key Highlights

5. The following were some of the highlights:
 - 5.1. Total number of incidents decreased by 8% compared to the previous year.
 - 5.2. A monitoring/management system was implemented for commercial vessels at anchor.
 - 5.3. There were no recorded maritime fatalities.
 - 5.4. Successful audits completed for ISO and the Port & Harbour Marine Safety Code.

Incident Statistics

6. The number of reported incidents decreased from 138 to 127 (a reduction of 8%).



Although there has been an overall reduction in the number of reported incidents, there were more commercial incidents compared to the previous year. The majority of incidents continue to be from the recreational sector, specifically breaches of the Navigation Safety Bylaw. This highlights a need for a greater level of engagement with our recreational water users and efforts are underway to address this.

Key incidents:

- **Engine Failures at Napier Port** – Multiple commercial vessels experienced engine or steering failure in the shipping channel or while approaching a berth. Tugboats were used to arrest those vessels movement.
- **Boat Sinking Near Port of Napier** – A 10.5m recreational boat struck a submerged log near the breakwater, partially sinking. Four men were rescued by Coastguard Hawke's Bay with no injuries.
- **Dangerous Boating Near Napier Port** – A recreational boat with a man and two children crossed the path of a 51,000-tonne container ship, leading to a prosecution for dangerous maritime activity.
- **Boat Fire Off Cape Kidnappers** – A yacht caught fire, sinking as a total loss. The sole occupant escaped to a life raft and was rescued by a nearby fisherman.
- **Boat Capsize Off Waipatiki** – A 6 metre recreational boat capsized with four men onboard. None of the men were wearing life jackets. The men were rescued by the Coastguard.
- **Commercial Fishing Vessel Grounding** – The Sidina ran aground at the entrance of the Ahuriri Inner Harbour. The vessel was able to be refloated and sustained no damage.

Initiatives & Improvements

7. **Review of Fees & Charges** – The decision was made to review the fees and charges structure to ensure that the costs for services provided by the Navigation Safety were aligned with the undertaking. The following changes were made:
 - 7.1. The role of the Harbourmaster's office includes managing maritime-related activities and navigation safety within the region. In 2024, the workstream for this function was split between 'Port and Harbour Operations' and 'Recreation and Education'. Internal and external costs incurred in ensuring maritime safety, shall be charged to the organisation and/or individual(s) responsible, this allows us to differentiate between how our commercial undertakings are funded, and how we support our recreational and community-based activities.
 - 7.2. A fixed annual fee was agreed between HBRC and NCC for the regulation of maritime safety within the Inner Harbour. The Inner Harbour has a mixture of commercial and recreational activities that HBRC has always managed but historically has never charged for. NCC now covers 23% of the budget for Port & Harbour Operations, with Napier Port covering 70% and the remaining 7% being covered by income from fees and charges.
 - 7.3. The cost for permits to commercial vessels was increased from \$100 to \$150. Previously there was only a charge for hot work permits. Fees and charges have been added for dive permits as well as engine immobilizations. We issued 175 permits during the 2024-25 period.
8. **Anchorage Management & Monitoring** – To manage and mitigate the risk of commercial vessel operations within regional waters a decision was made to designate exactly where commercial vessels are allowed to anchor. Ten designated anchorage areas were created and promulgated through LINZ (Land Information New Zealand) for chart updates (Fig 1). These areas are monitored using an AIS (Automatic Identification System) software that allows us to track vessels in real time, activate video playback, and transmit messages to vessels during emergencies (Fig 2). The decision was also made to levy a charge to vessels utilising our anchorage areas for the duration of their stay. The system has worked extremely well and Napier Port has provided positive feedback on the new system which has facilitated more efficient port operations. We had 147 vessels utilising the anchorage areas during the 2024-25 period and generated \$53,164 from anchorage levies.



Fig 1. Chart of Napier Port & Approaches showing five of the designated anchorage areas.

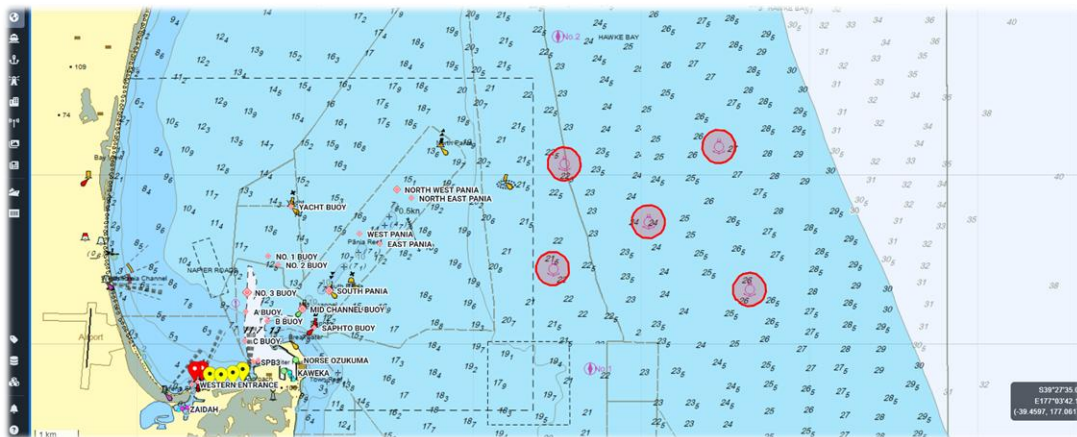


Fig 2. AIS software used to manage and monitor vessel movements.

9. **Boating Courses** – To increase the competence and safety awareness of water users we collaborated with Coastguard Boating Education to deliver a series of boating safety courses across the region. The course duration was two days and covered all aspects of basic water safety. We held courses in Mahia, Napier, and Porangahau, targeting our high-risk areas and age groups. The courses were well received by the community and all the participants provided positive feedback. We will be running a series of one day courses across the region this year based on feedback that some people were unable to commit to the two-day course.



Fig 3. The Deputy Harbourmaster administering the boating safety course in Mahia.

10. **On-water Assets** – During the most recent Port & Harbour Marine Safety Code review it was noted that HBRC Harbourmaster’s Office was the only one in the country that lacked on-water assets. A paper was approved by Council for the acquisition of a boat and a personal watercraft. The personal Watercraft has been acquired and successfully surveyed for commercial operations. This will allow us to have a greater presence on our regional waterways. The procurement process for the acquisition of the boat is underway.



Fig 4. The personal watercraft “Tohu Tai” will be arriving soon. The official name will be sign written on both sides.

11. **Conclusions** - Significant progress was made to improve safety on our waterways. The incoming on-water assets will provide a much-needed boost to our capabilities. There will be ongoing efforts to enhance community engagement to ensure greater regulatory compliance and facilitate growth in the sector. We will continue to collaborate with our regional partners and Maritime NZ for targeted safety campaigns to prevent injuries and fatalities.

Decision-making considerations

12. 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 *Harbour Master’s annual report*.

Authored by:

Adrian Wright
Harbourmaster

James Park
Programme Finance & Controls Manager

Approved by:

Katrina Brunton
Group Manager Policy & Regulation

Attachment/s

There are no attachments for this report.

HAWKE'S BAY REGIONAL COUNCIL

Corporate and Strategic Committee

Wednesday 10 September 2025

Item 10

Subject: Payroll Remediation Project and 25/26 Funding

That *Corporate and Strategic Committee* excludes the public from this section of the meeting, being Agenda Item 10 *Payroll Remediation Project and 25/26 Funding* with the general subject of the item to be considered while the public is excluded. The reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are:

General subject of the item to be considered	Reason for passing this resolution	Rationale for passing the resolution to exclude the public
Payroll Remediation Project and 25/26 Funding	s7(2)(g) Excluding the public is necessary to prevent disclosure of information that is legally privileged.	This paper contains privileged and confidential legal advice.
	s7(2)(i) Excluding the public is necessary to enable the local authority holding the information to carry out, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).	This paper contains commercially sensitive content e.g. budget allocation for system changes that will be subject to RFP and budget allocation for external expertise that was subject to RFP.

Authored by:

Chris Comber
Chief Financial Officer

Megan McKenzie
Senior Business Partner

Approved by:

Pip O'Connor
Group Manager Corporate Services

Hawke's Bay Regional Council
Corporate and Strategic Committee
Wednesday 10 September 2025

Item 11

Subject: August 2025 Legal update

That the *Corporate and Strategic Committee* excludes the public from this section of the meeting, being Agenda Item 11 *August 2025 Legal update* with the general subject of the item to be considered while the public is excluded. The reasons for passing the resolution and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this resolution are:

General subject of the item to be considered	Grounds under section 48(1) for the passing of the resolution	Rationale for passing the resolution to exclude the public
August 2025 Legal update	s7(2)(g) Excluding the public is necessary to prevent disclosure of information that is legally privileged.	The matters being discussed may potentially be the subject of litigation and the Council has engaged legal advisors to provide advice on associated issues.

Authored by:

Aimee Sandilands
Chief Legal Advisor

Approved by:

Pip O'Connor
Group Manager Corporate Services