



HAWKES BAY REGIONAL COUNCIL

TE KAUNIHERA Ā-ROHE O TE MATAU-A-MĀUI

Extraordinary Meeting of the Hawke's Bay Regional Council

Date: 8 October 2025
Time: 10.00 am
Venue: Council Chamber
Hawke's Bay Regional Council
159 Dalton Street
NAPIER

Agenda

Item	Title	Page
1.	Welcome/Karakia/Apologies/Notices	
2.	Conflict of Interest Declarations	
3.	Confirmation of Minutes of the Hawke's Bay Regional Council meeting held on 24 September 2025	
Decision items		
4.	Ernst & Young Audit Close Report on the year ended 30 June 2025	3
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7.	Confirmation of Public Excluded Minutes of the Hawke's Bay Regional Council meeting held on 24 September 2025	

Subject: Ernst & Young Audit Close Report on the year ended 30 June 2025

Reason for report

1. This report presents the Council with Ernst & Young's preliminary findings from the audit for the year ended 30 June 2025.
2. Staff from Ernst & Young will speak to their report (**Attachment 1**) and be available to answer questions and provide clarification to the Council as required.

Background

3. Each year, at the end of the audit of HBRC's Annual Report, the auditor's report back to the governing body on any findings from the audit and confirm what their audit opinion will be.
4. The report provides commentary on areas of audit focus, a summary assessment of the control environment and any audit differences that have been made.
5. This is Ernst & Young's (the auditors) fourth year completing the HBRC audit.

Discussion

6. Subject to a small number of outstanding items being finalised the auditors and staff, Ernst & Young will issue an unqualified audit opinion on the financial statements and statement of service performance.
7. No significant issues have been highlighted in the areas of audit focus and all areas have been assessed as providing a balanced view – not overly optimistic or cautious.
8. There are seven items noted in the assessment of the control environment with no high risk and only one medium risk. This relates to the reconciliation of the community loans between the loan system, the rates system and the general ledger and has been noted in previous years as well. Given that the Clean Heat and Sustainable Homes programmes have ended it is not intended to implement a new system that may be able to provide further assurance than the existing reconciliations.
9. The other six items are of low risk relating to sensitive expenditure policy, asset categorisation and service performance measures. These will be discussed in more detail with Council as part of the Ernst & Young management report that will be issued after the audit has been completed and annual report published.
10. The only audit difference that was identified during the audit (and has been adjusted in the Annual Report) was a change in the number of road safety workshops, initiative and community events reported in the statement of service performance. This has no dollar impact in the financial statements.

Next steps

11. The 2024-2025 Annual Report will be presented at the Regional Council meeting on 8 October 2025 for adoption.

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 Council receives and notes the *Ernst & Young **Audit Close Report** on the year ended 30 June 2025*.

Authored by:

Pam Bicknell
Senior Group Accountant

Chris Comber
Chief Financial Officer

Approved by:

Pip O'Connor
Group Manager Corporate Services

Attachment/s

- 1 Ernst & Young HBRC Audit Close Report for the year ended 30 June 2025 Under Separate Cover – [online only](#)

Subject: Annual Report 2024-25 Adoption

Reason for report

1. This item presents the Hawke's Bay Regional Council Annual Report for the 2024-2025 financial year (**Attachment 1**) for adoption.

Staff recommendation

2. Staff recommend that the Council adopts the Annual Report for the 2024-2025 financial year, noting specific feedback from Ernst and Young.

Executive summary

3. Under the Local Government Act 2020 (the Act), the Annual Report and Annual Report Summary are statutory requirements and required to be audited by an independent auditor. Schedule 10 of the Act prescribes what must be included in the Annual Report.
4. Ernst & Young (EY) are the appointed auditors for HBRC, and this is the fourth Annual Report undertaken by them.
5. EY presented their audit plan to the Risk and Audit Committee on 7 May 2025.
6. Adoption of the Annual Report is three weeks earlier than the statutory deadline due to local elections on 11 October 2025.
7. An Annual Report 2024-2025 Summary publication will be produced within 30 days of adoption. The Summary will be audited by EY and will include consolidated accounts. It does not require Regional Council adoption but is instead authorised by the Chief Executive.

Background /Discussion

8. The purposes of the Annual Report are to:
 - 8.1. compare actual financial and service performance against intended performance as set out in year 1 of the Three-Year Plan 2024-2027.
 - 8.2. promote accountability to the community for the decisions made throughout the year by the Regional Council.
9. Financial performance is reported to the Corporate and Strategic Committee quarterly.
10. Non-financial performance is reported to the Corporate and Strategic Committee quarterly through the Organisational Performance Reports.

Discussion

11. The Annual Report is presented as follows:

Part 1 – Overview

Part 2 – Priorities for the year

Part 3 – Community outcomes

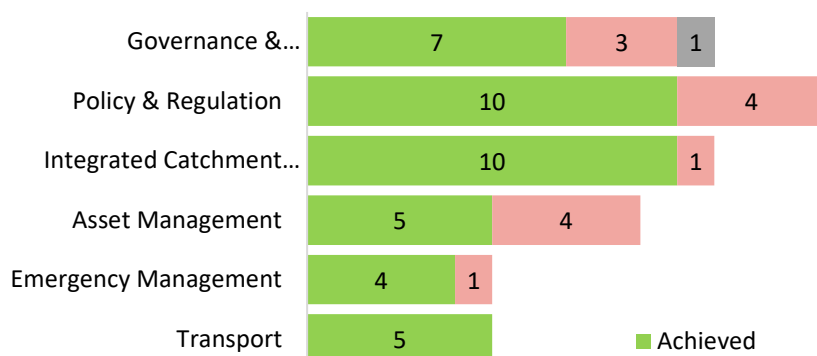
Part 4 - Levels of service

Part 5 – Financials and Auditor's Report

Part 6 – Your Council.

Non-financial performance

12. The purpose of the non-financial performance measures, as specified in the Local Government Act 2002, is to enable the public to assess the actual versus intended levels of service achieved for major aspects of groups of activities. In other words, to demonstrate we have done what we said we would do.
13. There are 55 performance measures in total across six groups of activities as per the Three-Year Plan 2024-2027.
14. Of the 55 levels of service measures, 41 (76%) were achieved and 13 (24%) were not achieved. One measure is awaiting the outcome of the audit to record whether the Annual Report 2024-2025 is qualified or unqualified.



15. Staff analysis suggests the reasons for not achieving the targets generally fall into the following areas:
 - 15.1. work is focused on delivering the ambitious multi-year \$256 million flood resilience programme
 - 15.2. holding 20 vacancies as part of fiscal savings
 - 15.3. infrastructure asset reviews have slowed some renewals and new capital work until these reviews are completed
 - 15.4. central government changes to national policy direction.
16. Commentary is added to the quantitative results to understand the situation-specific factors affecting performance and, in particular, explain why measures have not been achieved. These are completed with care to meet the PBE FRS 48 Service Performance Reporting requirements.
17. Where data allows, graphs showing a time series to illustrate trends have been included to give further context.

Financial performance

18. For the year ended 30 June 2025 the Regional Council has an operating surplus of \$36.4 million compared to a budget surplus of \$55.7 million. The major reason for this is a shift in when the Government portions of the North Island Weather Event (NIWE) flood resilience programme are going to be received. Other significant variances include the additional special dividend from HBRIC to clear the intercompany loan and unbudgeted, but offsetting, revenue and costs associated with the extension of the sediment and debris funding.
19. The statement of comprehensive revenue and expense also shows a large gain on other financial assets which reflects a large increase in the share price of Napier Port Holdings over the year, especially in the last quarter.
20. All of our benchmarks were met for the year to 30 June 2025.
21. During the audit process, staff and the audit team did identify some adjustments which have been included in the final report.

Next steps

22. Following Council adoption, and in line with section 98 of the Local Government Act 2002, both the Annual Report 2024-2025 and the Annual Report Summary will be made publicly available within one month. Both will be published on the HBRC website (**hbrc.govt.nz, search: #annualreports**), and a limited number of the Annual Report Summaries will be printed.

Decision-making considerations

23. The Regional 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 that because the Annual Report is a statutory report required to be adopted by Council under Section 98 of the Act, the other decision-making provisions do not apply.

Recommendations

That Hawke's Bay Regional Council:

1. Receives and considers the *Annual Report 2024-25 Adoption* staff report.
2. Adopts the *Hawke's Bay Regional Council 2024-2025 Annual Report* as presented, with any necessary minor editorial corrections approved by the Chief Executive, for publication.

Authored by:

Sarah Bell
Team Leader Strategy and Performance

Pam Bicknell
Senior Group Accountant

Chris Comber
Chief Financial Officer

Desiree Cull
Strategy & Governance Manager

Approved by:

Pip O'Connor
Group Manager Corporate Services

Attachment/s

- 1 2024-25 HBRC Annual Report Under Separate Cover – [online only](#)

Subject: Strategic Review

1. That Hawke's Bay Regional Council excludes the public from this section of the meeting, being Agenda Item 6 Strategic Review 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 for the passing of the resolution	Rationale for excluding the public
Strategic Review	<p>s7(2)(b)(ii) to prevent the disclosure of information which would unreasonably damage the commercial position of the person or company who is the subject of the information.</p> <p>s7(2)(g) to prevent disclosure of information that is legally privileged.</p> <p>s7(2)(j) to prevent the disclosure or use of official information for improper gain or improper advantage.</p>	The matters being discussed are subject to internal and external legal advice and therefore legally privileged.

Authored by:

Pip O'Connor
Group Manager Corporate Services

Aimee Sandilands
Chief Legal Advisor

Approved by:

Nic Peet
Chief Executive