



Annual Report

2017/2018

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Keeping our community running smoothly

Hastings District Council provides a large range of services our residents use every day. Here are some of the ways we have a big impact on your day-to-day life.





Message from the Mayor and Chief Executive



Introduction from the Mayor

It has been hugely exciting to see the start of numerous major developments across our district. Attracting investors to set up their operations in Hastings is vital to sustaining and increasing the current economic growth we are enjoying.

The past financial year has seen Council embark on its largest infrastructure project ever undertaken. Delivering safe and efficient drinking water to our community remains Council's top priority. Significant progress has been made through our Drinking Water Strategy, designed to improve the resilience, capacity and flexibility of the drinking water supply network.

It has been hugely exciting to see the start of numerous major developments across our district. Attracting investors to set up their operations in Hastings is vital to sustaining and increasing the current economic growth we are enjoying. We have the land available and the required infrastructure for residential, industrial and primary sector development. Developments such as the new Sunfruits cool-store facility in Irongate, Apollo Foods' new beverage plant in Whakatu, and the new Eastern District Police regional headquarters all ensure Great Things Grow Here.

Another highlight of the year was the advancing of the City Centre Strategy. The strategy sees the start of a \$4.5 million investment over four years that will create a strong, vibrant, attractive and resilient city centre. The central mall and Civic Square will be getting an upgrade, and a new East Block Entertainment Precinct will be developed in Heretaunga Street. We have a strong focus on creating a central city which attracts more people to live, play, socialise, learn, shop and do business within it.

Work is also tracking on time and within budget for the redevelopment of the Hawke's Bay Opera House Theatre. In consultation with the Hawke's Bay Opera House working group, concept plans have been developed for the Municipal Building and will go out to the community for further consultation.

Over the past year, our Youth Development Team has succeeded in getting 85 young people into work. Our Youth Connectors are helping to develop young people's skills, building their self-belief and work readiness.

We had an amazing response from our community during the public engagement process for the Waste Management and Minimisation Plan. More than 6,000 people sent in responses to the plan for managing rubbish in Hastings and Napier over the next six years. The Joint Council Waste Futures Project Steering Committee has now considered all of the submissions and has put together a final plan that is about to be put before the two councils for consideration at the time of writing this report.

Our council is always very conscious of keeping rates affordable for everyone in the community. There is a delicate balance between providing wide-ranging community infrastructure, facilities and programmes that support our enjoyment of living in our stunning district and ensuring we keep rates to a manageable level.

Finally, I would like to take this opportunity to farewell our chief executive Ross McLeod. His dedication and leadership over the past 10 years have shone through as we celebrated many achievements for our district. Ross's understanding and respect for all our people has been underlined by the way he has lead the changes to improve the lives of our people. Ross, we all wish you well in your new role.



A handwritten signature in black ink, appearing to read "Sandra Hazlehurst".

Sandra Hazlehurst
Mayor

Introduction from the Chief Executive

While the Council has had to confront unprecedented financial demands due to the aquifer water beneath us no longer able to be guaranteed safe to drink in an untreated state, previous strong financial management has provided it with the financial headspace and a balance sheet strong enough to respond to those demands.

The 2017/2018 financial year has been a year of intensive activity for the Council, with particular focus on providing for growth, looking after our infrastructure and ensuring safe drinking water. Water has been a strong area of focus. Within the organisation, a change management team, expertly led by independent Chairman Garth Cowie, has overhauled the systems, processes, documentation and culture of the Three Waters team. In addition, significant resourcing has been added to the team with a doubling of the number of technical staff engaged in drinking water, wastewater and stormwater activities. All of the recommendations of the May 2016 Capability and Capacity Review have been implemented, and an improvement and change monitoring programme has now been initiated. The Council is well placed to comply with the regulatory environment likely to be implemented by Government following the Inquiry into the 2016 Havelock North Drinking Water Contamination event.

Out in the community, the Council has adopted a drinking water strategy that includes capital works in the order of \$47.5 million over the next four years. This provides for new bore sources, new pipes between Hastings and Havelock North, ultraviolet treatment and residual disinfection across all of Council's municipal water supplies, water storage reservoirs, source protection zones and a range of miscellaneous supporting investments. The community can already see this work happening with pipe works, and associated traffic disruptions, underway in several locations, and the first new bore and treatment facility being added to the urban network at Wilson Park in Flaxmere. Treatment plants are coming to a water supply near you soon!

A great deal of other infrastructure work is also underway as the Council takes on its biggest works programme ever. Significant infrastructure servicing work has been completed or is underway in respect of the Irongate and Omaha Road industrial areas. This work responds to the strong local economy and is enabling significant private sector investment with a related growth in local jobs. Investment has also gone into the Lyndhurst Stage 2 residential area, and further investment is planned in the Howard Street and Iona triangle areas in the future to provide for further housing demand. The Whakatu Arterial Road, a major regional roading project, is progressing well and should be completed by year's end. Other infrastructure works have seen roading and water infrastructure improvements in Railway Road (stormwater), Heretaunga Street and Te Mata Road (water and wastewater) and Eastbourne Street/Nelson Street (roading). This is all part of keeping our infrastructure in working order and ensuring it can cope with growing demand.

During the year the Council received a grade from its participation in the Local Government Excellence Programme, an independent rating and performance improvement programme aimed at lifting the performance of local government across New Zealand. Independent experts put Council under the microscope. The process was very positive for two reasons: firstly, it identified a number of areas in which Council could improve its performance and its communication with and service to the community, and secondly, the A grade awarded confirmed that Council was generally performing strongly and was on the right track. Council is actively working on the improvement programme that came out of the process.

Strong financial management has also been central to Council's approach. In early 2018 the Council gained an AA+ credit rating from rating agency Standard and Poors. The rating agency was particularly complimentary about Council's financial management systems and capability, stating "[our ratings on Hastings District Council \(Hastings\) reflect its robust management and supportive institutional framework, high level of budgetary flexibility, and moderate debt burden relative to peers](#)". They commented further that "We consider Hastings' financial management to be a key strength. Its budgets are credible and processes well-established, with Council preparing 10-year long-term plans every three years and annual plans in the intervening years, in line with New Zealand requirements".

While the Council has had to confront unprecedented financial demands due to the aquifer water beneath us no longer able to be guaranteed safe to drink in an untreated state, previous strong financial management has provided it with the financial headspace and a balance sheet strong enough to respond to those demands. The Council has continued its prudent financial management approach, running a balanced budget, working hard to achieve a surplus and repaying debt ahead of schedule. It has signalled it intends to continue this approach over the next ten years.

The Mayor has already commented on a number of the Council's other areas of activity so I won't traverse those again. However, I do just want to acknowledge the work of Council's Youth Development team and its collaboration with employers, government agencies and community organisations and providers under the leadership of the Youth Futures Trust. The Trust and the youth team work to get young people not in education, employment or training (NEETs) into employment or training. After just over a year of operating its

programmes, it now has well over 100 young people on its books (a number that grows daily), with over half of these in employment, and a further significant proportion in training or actively seeking work. Many of these young people are the future of our labour force if we can support them to overcome disadvantage and fulfil their potential. They prove that our young people are keen to work if pointed in the right direction. I am proud to have been part of the Trust since its inception and look forward to cheering it on in the years ahead.

When this Annual Report is published I will no longer be in the employ of the Hastings District Council, having left to take up a role in New South Wales local government. Notwithstanding some significant professional challenges, I have really enjoyed my ten years living in Hastings and working in the role of Chief Executive. During that time Council has focussed on helping to build a more sustainable and resilient district, helping the community to overcome the challenges it faces and capitalise on the opportunities before it, and doing so in a financially affordable way. I think we have had some success.

In my view, the community is well served by its elected Mayor and Council, and by its management team and staff. I wish them and the wider community the very best as they continue to meet challenges and take advantage of opportunities in the years ahead.



A handwritten signature in black ink, appearing to read "R.B.M." followed by a stylized "J".

Ross McLeod
Chief Executive



Our reporting framework

Our reporting framework

In this section you will find a summary of performance followed by detailed performance statements as follows:

Level One

Future Aspirations

Level Two

Levels of Service

Customer Experience Measures

Key Actions

Level Three

Asset Improvement Plans (currently being updated)

The Council has a **three level reporting** framework.

Level One Future Aspirations – has a future looking focus and measures desired trends over time.

Level Two Today's Commitments – is about the commitments made in the short term to our community.

Level Three Smart Business – is more internally focused and is about the Council being the best organisation it can be.

Monitoring progress

Year-end progress report
on Council's Long Term
Plan Commitments –
as at June 2018



Summary non-financial performance

Introduction

The pages which follow outline in detail how the Council has progressed against its performance management framework within its 2015-2025 Long Term Plan. This report marks the third year of reporting against the 2015-2025 Long Term Plan. A summary of our progress at the end of Year Three is as follows:

Level One: Future Aspirations

The information on progress toward future aspirations is best measured by shifts over time. These measures are largely on track with the exception of landfill tonnages which are impacted by external influences.

Level Two: Today's Commitments

Key actions

There are 26 key actions contained within the Long Term Plan 2015-2025. All actions are on track or completed.

Levels of service and customer experience

There are 79 measures focused on the annual commitments made to the community. They relate both to the things Council provides (Levels of Service) and to how the customer interacts with Council's services (Customer Experience). The aim of Council is to fully achieve/substantially achieve these. For reporting purposes we group our activities into the following groups:

- Water and Roads
- Safe, Healthy and Liveable Communities
- Economic and Community Development
- Governance and Support Services

In brief the Council's achievement is as follows:

Levels of service (70 measures)

Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Water & Roads (Note i)	14 (70%)	2 (10%)	4 (20%)
Safe, Healthy & Liveable Communities (Note ii)	22 (88%)	-	3 (12%)
Economic & Community Development (Note iii)	10 (91%)	-	1 (9%)
Governance & Support Services (Note iv)	8 (100%)	-	-

Notes:

- i. Water loss could not be measured at the time of this report due to the availability of the data. The not-achieved measures relate to a low-level stormwater infringement which has been resolved, additional complaints received since the introduction of chlorine to the water supply and a higher restoration of service time due to water leaks remaining at an elevated level
- ii. The responsibility for Rural Fire and Emergency Management has transferred to other organisations and is therefore no longer measured by Hastings District Council. The Opera House measure is not applicable at this time due to the closure of the Theatre and Municipal Building
- iii. The level of service measure in relation to the Opera House is not applicable at this time due to the closure of the Theatre and Municipal Building
- iv. Performance against two public perception measures was not measured in the 2015-2025 three yearly reporting cycle

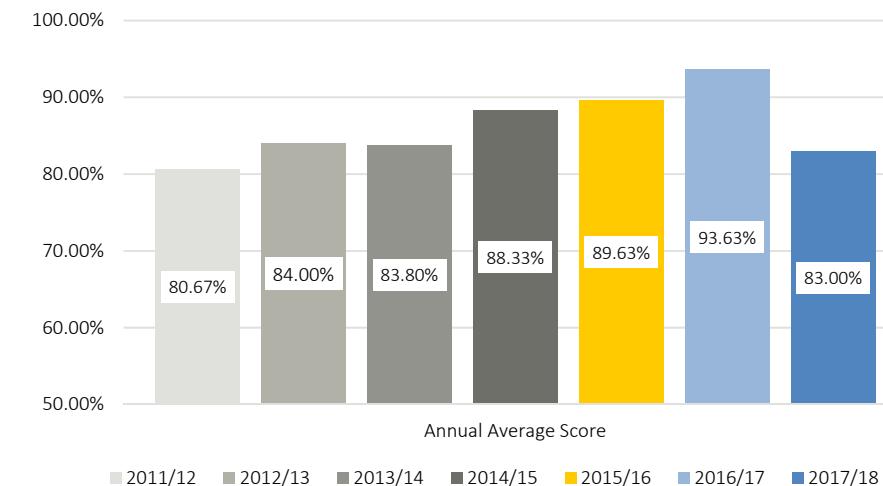
Customer experience (9 measures)

Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Governance and Support Services	1 (50%)	1 (50%)	
Safe, Healthy & Liveable Communities (Note)	2 (29%)	3 (42%)	2 (29%)

Customer Service Centre: Mystery Shopping

A mystery shopper programme continues with 'shoppers' visiting Council to measure the service delivered against a set of pre-determined criteria. The assessment focuses on the surroundings in the centre, wait times, interaction with the customer and subject knowledge. The standards are high, staff strive to create a welcoming environment and ensure all customers are able to easily access the services or information required.

Yearly Comparative Performance – Customer Service Centre Mystery Shopper Results CUSTOMER SERVICE CENTRE MYSTERY SHOP RESULTS

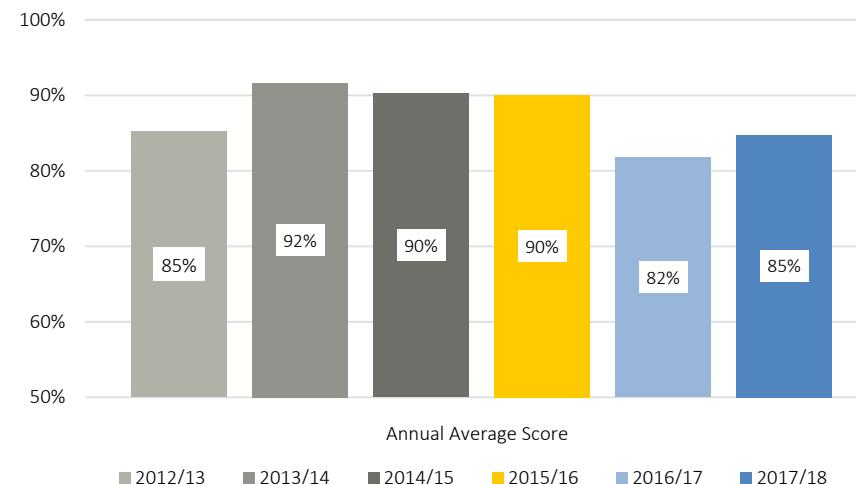


Note: The 2017/18 result is skewed by an isolated mystery shop issue which has been resolved

Contact Centre: Mystery Shopping

The results of mystery 'shops' in partnership with the Palmerston North City Council are outlined below. This venture represents an opportunity to share learnings and to benefit from the knowledge of others in the same business, whilst also minimising the on-going survey costs. Topics are focussed on regular enquiries, including rubbish collection, dog registration, direct debits, parking infringements and rate rebates. The annual average scores remain consistently high.

Yearly Comparative Performance – Contact Centre Mystery Shopper Results CONTACT CENTRE MYSTERY SHOP RESULTS



Level Three: Smart Business

Asset improvement plans

A significant amount of Council's expenditure is allocated to maintaining the core assets for the community. Detailed Asset Management Plans set out the optimal management of these assets. As part of these plans the Council has a process of continuous improvement in the collection of asset data, planning and risk management.

A total of 53 high priority improvement items across the asset areas of Roading, Wastewater, Water Supply, Stormwater, Parks & Reserves, Buildings and Facilities and Solid Waste Services have been either completed, substantially completed or well on track over the last three reporting cycles.

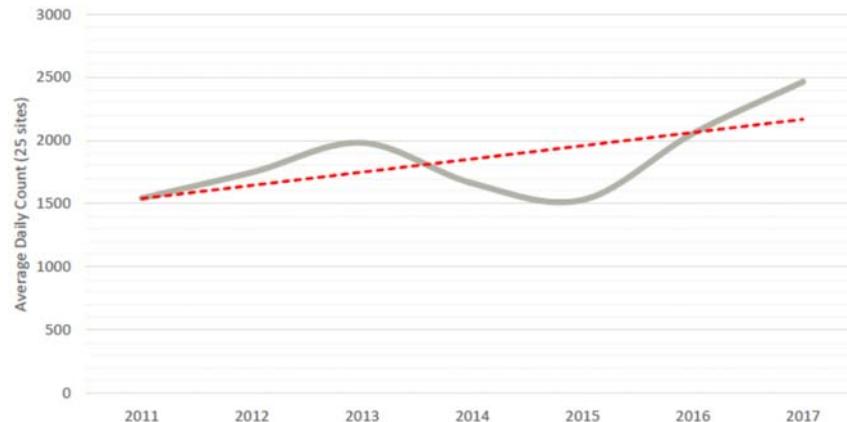
An updated schedule of future improvement items is currently being developed from the various Asset Management Plans for future reporting as part of the 2018 – 28 Long Term Plan development process.

Level One – Future Aspirations

Water & Roads

Future aspirations	Baseline performance	Future target	Progress
FG01 Modal shift to walking/cycling	9% of school and work journeys	20% by 2020	<ul style="list-style-type: none"> Measurement Under Review – Mode share is complex and difficult to calculate. Nationally the mode share is currently calculated at 14.6%. The Ministry of Transport (MOT) is conducting continuous surveys which will be able to be broken down to a Hastings area calculation. This measure will be updated once the MOT survey outcomes are made available. A range of education and encouragement projects are being rolled out.
FG02 Annual shift to walking and cycling	8% per annum (school and work journeys)	8% per annum	<ul style="list-style-type: none"> Achieved – The data shows that over 25 sites the daily combined walking/cycling volumes have increased by an average of 9% per year between 2011 and 2017 (despite the drop in numbers in 2014/15 which coincided with a fall in fuel prices).

HASTINGS CYCLE COUNTS



Water & Roads

Future aspirations	Baseline performance	Future target	Progress
FGO3 Street lighting efficiency	Installed wattage (2.6kw/km)	20% reduction by 2022	<ul style="list-style-type: none"> • On Track – LED replacement programme is ongoing with the installation of V cat lights to commence during the third quarter of 2018. Consultation on the conversion of decorative lights to commence in the next three months. With 90% of residential streetlights already converted to LED the average installed wattage on the converted parts of the network is at 0.8kw/km

Safe, Healthy & Liveable Communities

Future aspirations	Baseline performance	Future target	Progress
FGO4 Public buildings meet earthquake standards	At project commencement 55.4% meet current standards Note: 2015 LTP referenced 90% as the baseline performance in error	100% meeting future legislative standards.	<ul style="list-style-type: none"> • On Track – 58.7% • New legislation captures 1,484 buildings in the District that need profiling against the new EPB methodology • 994 buildings have so far been profiled; 268 are within scope of methodology • 120 buildings have been identified as potentially earthquake prone; building owners are required to have seismic assessments completed • 3 buildings have been confirmed as earthquake-prone; 1 is being strengthened and 2 have planned strengthening works being scheduled • 145 buildings are excluded from scope • 483 buildings are to be profiled over the next 2-3 years
FGO5 Waste diversion rates	% of waste diversion / total waste (Baseline 20% waste diversion rate)	Improvement over baseline	<ul style="list-style-type: none"> • On Track – A diversion percentage of 18.96%* has been calculated, based on 8,159 tonnes being actively diverted during 2017/18 from all council waste services and facilities * This percentage has been calculated on the basis of Hastings waste being 50% of total waste to Omarunui Landfill.
FGO6 Declining tonnages to landfill	72,000 tonnes	68,000 tonnes by 2016	<ul style="list-style-type: none"> • Not Achieved – The tonnage increased from 84,000 2016/2017 to 86,000 tonnes during 2017/18. This reflects a national trend and increased economic activity

Level Two – Today's Commitments

(A) LEVELS OF SERVICE

Water Services

Detailed Mandatory Non-Financial Performance Measures (Department of Internal Affairs)

The performance measures in the tables below are required to be reported in accordance with section 261B of the Local Government Act 2002.

These are new measures. The baseline performance is based on 2013/14 actual information (unless otherwise stated).

The Council will review the performance targets which have been set in future versions of the Council Long Term Plan.

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
LOCAL INFRASTRUCTURE To provide local infrastructure which contributes to public health and safety, supports growth, connects communities, activates communities and helps protect the natural environment.	Council will provide a safe and reliable stormwater service and ensure that service interruptions are kept to a minimum.	DIA Non-Financial Performance Measure 1: System Adequacy The number of flooding events that occur in the Council's district. For each flooding event, the number of habitable floors affected (expressed per 1000 properties connected to the Council network)	0 (zero)	0 (zero) floors affected per 1000 connections up to a 1 in 50 year ARI storm event	Achieved – 0 (zero) numbers of habitable floors affected, however 53 general surface flooding events

Stormwater					
Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
LOCAL INFRASTRUCTURE Council Objectives to which the wastewater activity relates: <ul style="list-style-type: none">• Healthy drinking water and sanitary services• Sustainable use of water resources• Infrastructure supporting economic growth• Resilience to hazards and shocks	Council will provide a safe and reliable wastewater service and ensure that service interruptions are kept to a minimum.	DIA Non-Financial Performance Measure 3: Response Times The median response time to attend a flooding event, measured from the time that the Council receives notification to the time that service personnel reach the site	1 hour	1 hour	Achieved – no ‘flooding events’ recorded, so no response required. However, the response time to general surface flooding events was 67 minutes
		DIA Non-Financial Performance Measure 4: Customer Satisfaction The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to the Council’s stormwater system	15	15 Complaints per 1,000 connections NB: This is a baseline figure for stormwater related complaints received in the past 8 years.	Achieved – 12.7 Complaints per 1,000 connections
Sewerage and the Treatment and Disposal of Sewage					
Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
LOCAL INFRASTRUCTURE Council Objectives to which the wastewater activity relates: <ul style="list-style-type: none">• Healthy drinking water and sanitary services• Sustainable use of water resources• Infrastructure supporting economic growth• Resilience to hazards and shocks	Council will provide a safe and reliable wastewater service and ensure that service interruptions are kept to a minimum.	DIA Non-Financial Performance Measure 1: Number of dry weather sewerage overflows from the Council’s wastewater system, expressed per 1000 sewerage connections to that sewerage system	5	5 per 1,000 connections per annum	Achieved – 0.84 overflows per 1000 connections per annum
		DIA Non-Financial Performance Measure 2: Compliance with Council’s resource consents for discharge from its sewerage system measured by the number of: (a) Abatement notices (b) Infringement notices (c) Enforcement orders (d) Convictions	0 (zero)	(a) 0 (Zero) Abatement notices (b) 0 (Zero) Infringement notices (c) 0 (Zero) Enforcement orders (d) 0 (Zero) Convictions	Achieved – 0 (zero) abatement, infringement, and enforcement notices, and no convictions

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
		<p>DIA Non-Financial Performance Measure 3:</p> <p>Where the Council attends to sewerage overflows resulting from a blockage or fault in the Council's sewerage system, the following median response times are measured:</p> <p>(a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site, and</p> <p>(b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault reach the site</p>			<p>Achieved:</p> <p>(a) 1 hour response time to site (attendance time)</p> <p>(b) 1 day Permanent Repair Completed (resolution time)</p> <p>(a) 30 minutes response</p> <p>(b) 2.25 hour resolution time</p>
		<p>DIA Non-Financial Performance Measure 4:</p> <p>Total Number of complaints received by the Council about any of the flowing:</p> <p>(a) Sewage odour</p> <p>(b) Sewerage system faults</p> <p>(c) Sewerage system blockages</p> <p>(d) The Council's response to issues with its sewerage system</p> <p>Expressed per 1,000 connections to the Council's sewerage system</p>	61	Count expressed per 1,000 connections per annum (Baseline target of 61 complaints to be reviewed to align with current achievement in 2015/16)	Achieved – 23.8 complaints per 1,000 connections per annum

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
LOCAL INFRASTRUCTURE Council Objectives to which the Water Supply activity relates: <ul style="list-style-type: none"> • Sustainable use of land and water resources • Healthy drinking water and sanitary services • Infrastructure supporting economic growth • Resilience to hazards and shocks • Serviced land for industrial development 	Water Supply – Ensuring Healthy drinking water through the provision and effective management of water services	DIA Non-financial performance Measure 1: (safety of drinking water/) The extent to which the local authority's drinking water supply complies with: (a) part 4 of the drinking-water standards (bacteria compliance criteria), and (b) part 5 of the drinking-water standards (protozoal compliance criteria)	100%	Percentage Compliance Target 100%	Achieved: NZ drinking water bacteria standards A: Part 4 Bacteria compliance criteria All Hastings District Council water supplies were assessed as compliant with Section 4 (bacteriological compliance criteria) in the DWSNZ 2005(2008) The following transgressions occurred which were appropriately actioned and investigated. All actions were approved by Drinking Water Assessors <ul style="list-style-type: none"> • 5/12/17 at Parkhill bore – low level <i>e.coli</i> detection with all subsequent tests clear. Protozoa testing and chlorination implemented • 12/2/18 at Frimley bore 2 – low level <i>e.coli</i> detection with all subsequent tests (<i>e.coli</i>, protozoa and total coliforms) all clear. Investigation strongly indicated a sampling error, appropriate follow up measures were implemented • 3/7/17 at Whirinaki – low level <i>e.coli</i> detection with all subsequent tests clear. Chlorination implemented and backflow investigation undertaken

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
					<p>Not Achieved:</p> <p>B: Part 5 Protozoa compliance criteria</p> <p>Further investigations of the groundwater and risk assessments have resulted in the reclassification of many of Hastings District Council's water sources to non-secure which now necessitates treatment to fully meet the protozoal compliance criteria in the DWSNZ.</p> <p>Waipatiki, Parkhill, Waipatu, Eastbourne and Frimley are all now deemed non-secure groundwater sources and therefore require Protozoa treatment to comply.</p> <p>Whirinaki, Esk and Waimarama have U.V and filtration systems in place but require upgrades to meet the technical requirements of the DWSNZ.</p> <p>Whakatu, Clive and Haumoana/Te Awanga have retained their secure groundwater status.</p> <p>Current compliant treatment plants include Omaha, Brookvale Road (Havelock North) and Portsmouth Road (Flaxmere). The Wilson Road (Flaxmere) bore supply and treatment plant upgrade was completed and operational by 1 October 2018.</p> <p>Waipatu has U.V treatment installed but is not yet fully compliant.</p> <p>The HDC Drinking Water Strategy will deliver new compliant treatment systems to all supplies over the next 3 years</p>

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
		<p>DIA Non-Financial performance Measure 2: (maintenance of the reticulation network)</p> <p>The percentage of real water loss from the local authority's networked reticulation system (Including a description of the methodology used to calculate this)</p>	20%	20% Percentage Real Losses or other recognised industry standard as specified in the Hastings District Council's 'Water Conservation and Demand Management Strategy'	Not Measured in 2018 – The June 2016 MWH Water Loss Assessment Report has not been updated in 2017 (That report identified 21% water loss). Further work on water loss studies is underway in 2018 to inform the next steps in reducing water losses via network leakage
		<p>DIA Non-Financial performance Measure 3: (fault response times)</p> <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <p>(a) attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and</p> <p>(b) resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption</p>	1 hour	95% Achievement Rate.	<p>Note i: Response times for urgent and non-urgent callouts below are made up of instances</p> <p>(a) where contractors physically arrive at a callout</p> <p>(b) where the contractor identifies an issue themselves and resolves it instantly on site</p> <p>Achieved – 43 minute response time</p>
		<p>(c) attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and</p> <p>(d) resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption</p>	3 days	Urgent – 1 Hour response time to site (Note i)	Not Achieved – restoration time was 3 hours. The number of water leaks remains at an elevated level and has impacted on the contractor being able to meet the expected response time for all urgent restoration repairs.
			7 days	Urgent – 2 Hour Restoration of Service	Achieved – 2 day response time
				Non-urgent – 3 days response time to site (Note i)	Achieved – 3 day resolution
				Non-urgent – 7 days call resolution	

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2017/18 Target	2017/18 Achievement
		<p>DIA Non-Financial performance Measure 4: (customer satisfaction) The total number of complaints received by the local authority about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply, and (f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.</p>	1	Count expressed per 1000 connections per annum (Current Baseline = 1 complaint per 1,000 connections)	Not Achieved – 9.24 complaints per 1,000 connections. The addition of chlorine to all Hastings District Council's water supplies resulted in a significant number of complaints and queries that were in relation to the introduction of chlorine and instances of taste, odour and water quality issues
		<p>DIA Non-performance Measure 5: (demand management) The average consumption of drinking water per day per resident within the territorial authority district.</p>	400	400 Litres per day per resident	Not Achieved – 479 Litres per day per resident

Roads and Footpaths

Detailed Mandatory Non-Financial Performance Measures (Department of Internal Affairs)

The performance measures in the tables below are required to be reported in accordance with section 261B of the Local Government Act 2002.

These are new measures. The baseline performance is based on a combination of 2013/14 actual information and an assessment of performance data year to date for the 2014/15 year.

The Council will review the performance targets which have been set in future versions of the Council Long Term Plan.

Community Outcomes	Performance Measure	Baseline Performance	2017/18 Target	Achievement 2017/18
LOCAL INFRASTRUCTURE Council Objectives to which the transportation activity relates: <ul style="list-style-type: none">● Accessible range of safe transport options● Safe walking and cycling facilities	<p>DIA Non-Financial Performance Measure 1: Road safety The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number</p>	32	Reducing trend of fatality and serious injury from previous year (Base level for 2013/14 – 4 fatalities and 28 serious injuries) on the local road network	Achieved – In 2017/18 there were 40 serious injury and fatalities crashes In 2016/17 there were 47 serious injury and facilities crashes
	<p>DIA Non-Financial Performance Measure 2: Condition of the sealed road network The average quality of ride on a sealed local road network, measured by smooth travel exposure</p>	90%	90% smooth travel exposure (Average quality of ride)	Substantially Achieved – 89% of the road network has been measured as smooth

Community Outcomes	Performance Measure	Baseline Performance	2017/18 Target	Achievement 2017/18
• Infrastructure supporting economic growth • Efficient movement of goods	DIA Non-Financial Performance Measure 3: Maintenance of a sealed local road network The percentage of the sealed local road network that is resurfaced	5.5%	5.5% of sealed local road network is resurfaced per annum	Achieved – 7.1% of the network was resurfaced in 2017/18
	DIA Non-Financial Performance Measure 4: Condition of footpaths within the local road network The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (such as its annual plan, activity management plan, asset management plan, annual works programme or Long Term Plan)	1.5%	No more than 1.5% of footpaths classified poor or worse as measured by Council's condition rating system	Achieved – Only 0.63% of footpaths were classified as poor or worse in 2017/18
	DIA Non-Financial Performance Measure 5: Response to Service Requests The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the timeframe specified in the Long Term plan	98%	98% of customer service requests relating to roads and footpaths responded to within 28 days	Substantially Achieved – 96% of customer requests were answered within 28 days
Safe, Healthy and Liveable Communities				
Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
COUNCIL OBJECTIVE: Reducing public nuisance and threats to public safety	Hours of operation at refuse transfer station	7 days per week	7 days per week	Achieved – Facility only closed on Christmas Day, New Year's Day and Easter Sunday
	Hours of operation at recycling depots	7 days per week (24 hour operation at Martin Place)	7 days per week (24 hour operation at Martin Place)	Achieved with the addition of 24 hour sites at Pukehamoamoa, Tutira, Poukawa, Waimarama, Maraekahao 3 day a week operation provided at Blackbridge Transfer Station (Saturday, Sunday, Monday)
	Hours of operation at landfill	1 landfill (5 days per week) (limited weekend opening)	1 landfill (5 days per week) (limited weekend opening)	Achieved – The Omarunui Landfill was open and operational five days a week (Monday to Friday) and a limited number of Saturdays. The facility does not open on Christmas Day, New Year's Day and Good Friday

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
	% of urban dwellings serviced by kerbside refuse and recycling services	Weekly collection to 92% of urban dwellings	Weekly collection to 92% of urban dwellings	Achieved – All urban dwellings within the collection zones received a weekly refuse and recycling service. The extension of collection zones is now being considered and reviewed
	% compliance with landfill conditions	100%	100%	Achieved – No abatement notices were issued. HBRC and Hastings District Council have reached formal agreement on groundwater trigger levels for the site. In this regard a change in the conditions of consent has been made Omarunui Landfill – Revised surface water trigger levels have now been approved by the HBRC. Groundwater and tell-tale trigger levels have been approved by the HBRC. Two more testing bores have been located in strategic location on neighbouring property to get better understanding of ground water flow in area
	% of food premises having an excellent or very good grading	100%	95%	Achieved – 100% of food premises have an excellent or very good grading
	% compliance with swimming pool fencing regulations	99%	98%	Achieved – 99.7% compliance with swimming pool fencing regulations
	Number of public cemeteries	4 cemeteries at Hastings, Havelock North, Puketapu, Mangaroa	4	Achieved – Mangaroa to be expanded increasing the site to accommodate approximately 2000 more plots and the Eco Burial site has been opened The removal of the trees at Hastings cemetery will add approximately 100 new plots to the cemetery in 2-3 years' time

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
	Compliance level with crematorium consent conditions	All conditions met	All conditions met	Achieved – Currently 31 of the 34 conditions have been met. 1 of the 3 consent conditions will be met by 20 July 2018. (Updating operations manual with additional information and supplying of cremations details for the past year) The remaining 2 conditions can only be met once approval has been received from HBRC regarding a method statement from the testing company, which will allow them to do the testing
	% of public buildings with current warrant of fitness	100%	95%	Achieved – 100% of Council buildings with current warrant of fitness
COUNCIL OBJECTIVE: Reduce public nuisance and threats to public safety	Dog pound capacity	34 dogs	27 dogs	Achieved – Construction has been completed. We now have capacity to impound 40 dogs
	% of dog registrations of known dogs	100%	99%	Not Achieved – 95.5% of dogs registered
	% release rate of impounded dogs suitable for adoption	New	85%	Achieved – 100% of all suitable dogs were adopted however this only equates to 76% of total impounded dogs
	Pass grade for National Rural Fire audits (PMEF)	Satisfactory	Satisfactory	Not Measured – No audit occurred in 2017/18. The last audit was in 2014/15 financial year where the Hastings District Council retained a <i>Satisfactory</i> rating following a review of the National Rural Fire Authority Performance Evaluation. Rural Fire responsibility transferred to Fire & Emergency New Zealand on 30 June 2017
	Response time to national emergency warning	15 minutes	15 minutes	Achieved – Changes in the organisational structure with HB CDEM Group mean this will no longer be measured
	Number of night time compliance operations on licensed premises per year	12	4	Achieved – 16 night time operations undertaken

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
	Number of CCTV cameras	22	22	<p>Achieved – As at 30 June we have 36 CCTV camera locations. Technological adjustment has increased the number of camera feeds into the monitoring room to 133 individuals</p> <p>There have been new cameras installed in the current locations which increased visibility and reach</p>
COUNCIL OBJECTIVE: <ul style="list-style-type: none">• Sustainable use of land and water resources• A more compact urban form	A District Plan current at all times within statutory timeframes	Achieved	Achieved	<p>Achieved – 46 appeals lodged to Proposed District Plan. 44 appeals settled, 1 appeal with the High Court, and 1 awaiting mediation. Variations 1 and 2 to bring in additional industrial land are operative</p> <p>Variation 3 to rezone land at Howard has been appealed and is being mediated. Submissions on Variation 4 at Iona have been heard and recommendations from Independent Commissioners are being awaited. The Variations will ensure a sustainable supply of industrial and residential land</p> <p>Heretaunga Plains Urban Development Strategy Review adopted 31 May 2017 followed by a Medium Density Housing Strategy adopted in November 2017 to encourage intensification</p>
COUNCIL OBJECTIVE: <ul style="list-style-type: none">• Places and spaces for recreation• Places and spaces for arts, culture, learning• Fostering recreational	<p>Number of public swimming pools that meet Pool Safe water quality standards</p> <p>Days of operation of public libraries</p>	<p>4</p> <p>3 public libraries (6 day service Flaxmere / Havelock North, 7 days Hastings)</p>	<p>4</p> <p>3 public libraries (6 day service Flaxmere/Havelock North, 7 days Hastings)</p>	<p>Achieved – All pools meet Pool Safe water quality standards</p> <p>Achieved – Libraries are open a combined total of 155 hours each week, with 6 day service at the Havelock North and Flaxmere Libraries and 7 day service at the Hastings Library</p>

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
participation	% of urban properties within 500m radius (walking distance) of a park	93.8%	94%	Not Achieved – 86% of urban properties within a 500m radius of a local park. Reduction has occurred as effect of connector reserves now not included. New parks acquisitions in Lyndhurst and Northwood will reverse trend in 2018/19
• Fostering the arts and cultural experience	% of urban properties within 500m radius (walking distance of a playground)	55.6%	56%	Not Achieved – 53.2% of urban properties within a 500m radius of a playground. New playgrounds planned for growth areas will help improve aspirations
	Number of elderly housing units and average occupancy	220 units with occupancy of 93.3%	90% average occupancy	Achieved – 220 units with 98.87% average occupancy
	Number of Art Gallery exhibitions per annum	14	12	Achieved – Hastings City Art Gallery hosted 15 exhibitions across its' four exhibition spaces in the 2017/18 Financial year and received 28,603 visitors
	Opera House Qualmark Rating (subject to current review)	Five star	Five star	Not Measured – Opera House, Theatre, Municipal Building and Plaza is currently closed to the public due to earthquake strengthening requirements
	% of Indoor Sports Centre available booking hours booked	50%	40%	Achieved – 64.3% of available hours booked in 2017/18
	Days of operation of Splash Planet	Mid November to Waitangi Day (7 days a week)	Mid November to Waitangi Day (7 days a week)	Achieved – Mid November to Waitangi Day (7 days a week)

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
COUNCIL OBJECTIVE: <ul style="list-style-type: none">• Residential development opportunities• Industrial development opportunities	% of vacant industrial land	20.3%	A minimum of 20% of industrial land is vacant	Achieved – In the previous annual report it was reported that 65 ha of industrial land has been added at Omahu and 91 ha at Irongate, with a further 8.7 ha in the Food Hub. This resulted in the level of vacant industrial land being over 30% of the total. While there has been a positive uptake of this land it is estimated that the percentage of vacant land still remains around 30% of the total
	Number of hectares of vacant greenfield land	68.8 hectares	A minimum of 20 hectares vacant greenfield land	Achieved – 32.8 hectares of vacant greenfield land and the Variation for Howard Street will provide a further 21.2 hectares once the appeal is settled
	Number of significant strategies completed per annum	1	1	Achieved – A Medium Density Housing Strategy (a sub-strategy of HPUDS) was adopted by Council on 30 November
	Number of structure plans completed per annum	0	1	Achieved – A structure plan for Iona was completed in August 2017 and formed part of the Iona Variation
COUNCIL OBJECTIVE: Appealing visitor destination	Opera House Qualmark Rating (subject to current review)	Five Star	Five Star	Not Measured – Opera House, Theatre, Municipal Building and Plaza is currently closed to the public due to earthquake strengthening requirements
	Number of visitors to i-Site visitor centres per annum	76,990	84,000	Not Achieved – A total of 60,000 visitors including both i-Sites. Decline in foot traffic is in line with national trends

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
	Total financial support to events	\$75,000	\$75,000	Achieved – The event fund was fully allocated and combined with other funding streams such as annual plan, contestable grants over 70 events were supported through funding and/or other support during the 2017/18 year
	Total visitors to Splash Planet	103,046 total 48,685 from Hastings (47.1%)	94,000 total 45% from Hastings	Achieved – 111,258 total, 50,487 Hastings (45.4%)
COUNCIL OBJECTIVE: Supporting and attracting business	Total financial support to Business Hawke's Bay	\$100,000	\$100,000 per annum funding support to Business Hawke's Bay	Achieved – Delivered as part of contract agreement with Business Hawke's Bay
COUNCIL OBJECTIVE: <ul style="list-style-type: none">• Putting people at the centre of planning and service• Effective working relationships with mana whenua	Number of completed Place Based Plans	3	1 Place Based plan completed per annum	Achieved: 1) Flaxmere West Community Plan under development 2) New plans under construction <ul style="list-style-type: none">• Waipatu• Bridge Pa
	Number of social development reviews completed	1	1 social development review completed per annum	Achieved – Hastings Sports Centre, Camberley Community Centre and Flaxmere Community Centre Reviews completed
	Total financial support for Hapū Development Plans	\$40,000	\$40,000 per annum for Hapū development planning	Achieved – Funding included in Long Term Plan 2015 -2025 and 2017/18 Annual Plan. During 2017/18 Council has entered into relationships with the Waipatu and Bridge Pā hapū communities and is embarking on a journey with the Maungaharuru Tangitū Trust in regard to a hapū environmental management

Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
COUNCIL OBJECTIVE: <ul style="list-style-type: none">● Putting people at the centre of planning and service● (Make open, inclusive and effective decisions)	Level of community confidence in decision making (measured as some confidence to complete confidence)	New	75%	Not Measured as part of 3 year 2015/25 Long Term Plan cycle
	Level of community satisfaction in involvement in decision making (measured as (satisfied to very satisfied))	New	75%	Not Measured as part of 3 year 2015/25 Long Term Plan cycle
	% Compliance with statutory planning processes	100%	100%	Achieved – No breaches of statutory planning processes during 2017/18
	Council and Committee agendas are available within statutory timeframes	100%	100%	Achieved – 100% compliance with required timeframes
COUNCIL OBJECTIVE: <ul style="list-style-type: none">● Ensure prudent financial management	Complete Annual Report and audit within statutory timeframes	Achieved	Achieved	Achieved – An unmodified audit opinion was issued within statutory timeframes
	Budgets are set within Financial Strategy limits	Achieved	Achieved	Achieved – The 2017/18 Annual Plan was completed and approved by Council and set within the Financial Strategy limits
COUNCIL OBJECTIVE: <p>Putting people at the centre of planning and service (Ensure easy access to Council knowledge and services)</p>	Calls to Council's main number are always answered by a person rather than an answer phone service	Achieved (92% of calls answered within 60 seconds)	Achieved	Achieved – 90% of calls answered within 60 seconds
	Customer service centre open from Monday to Friday 8am to 5pm	Achieved	Achieved	Achieved – Customer service centre opens weekday from 8am-5pm throughout the year
	% of calls to Council's main number answered within 20 seconds	87.8%	80%	Achieved – 83% of calls answered within 20 seconds
	Usage of Council website	10,700 unique visitors per month	9,500 unique visitors per month	Achieved – 19,068 unique visitors per month

(B) CUSTOMER EXPERIENCE

Customer Experience – Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
COUNCIL OBJECTIVE:	Time taken to process a building consent	99.86% within 20 working days	100% within 20 working days	Substantially Achieved – 99.98% within 20 working days
• Reduce public nuisance and threats to public safety	Time taken to process code of compliance	97.6% within 10 days	100% within 10 days	Substantially Achieved – 99.97% within 10 days
• Putting people at the centre of planning and service	Time taken to process a resource consent	95% within statutory timeframe (20 working days)	97% within statutory timeframe (20 working days)	Not Achieved – 88% within statutory timeframe, and 97% within 26 working days
	Time taken to respond to noise complaints	Zone 1 (20-30 minutes) – 96.5% Zone 2 (< 45 minutes) – 98%	Zone 1 (20-30 minutes) – 100% Zone 2 (< 45 minutes) – 100%	Substantially Achieved – Zone 1 (20-30 minutes) – 99.66% Achieved – Zone 2 (< 45 minutes) – 100%
	Parks user satisfaction	97%	97%	Not Achieved – 92% – park user satisfaction rating in Parkcheck Survey
	Customer satisfaction with services	Various by facility (new)	Better than baseline	Achieved – See customer feedback section

Customer Experience – Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2013/14	Target 2017/18	Achievement 2017/18
COUNCIL OBJECTIVE:	Quality of customer service	Average score of 85% in 85% mystery shopper phone calls		Achieved – 85%
• Putting people at the centre of planning and service	(contact centre)			
• (Ensure easy access to Council knowledge and services)	Quality of customer service (customer service centre)	Average score of 85% in 85% mystery shopper visits and phone calls		Substantially Achieved – 83%

Level Two – Today's Commitments

(C) KEY ACTIONS

Water & Roads

Key action	Achievement
Water Services	
KA01 Complete enhancement works to Havelock North sewage system	<ul style="list-style-type: none"> • Completed – The Havelock North Waste Water relief sewer was successfully completed during 2016/17
KA02 Complete Heretaunga Street trunk main renewal	<ul style="list-style-type: none"> • On Track – Project substantially completed during 2017/18
KA03 Detention dam security investigations	<ul style="list-style-type: none"> • On Track – A number of technical non-compliances have been identified related to outstanding maintenance of the Havelock North and Te Awanga dams. The majority of the maintenance items identified have now been resolved. Further detailed dam work is ongoing in both Te Awanga and Havelock North
Roads and Footpaths	
KA04 Strengthen some key bridges to allow continued heavy vehicle access	<ul style="list-style-type: none"> • On Track – HPMV Bridge strengthening work on Blacks and Tois bridges on Taihape Road is complete. Work is continuing on Kuripapongo Bridge and on specific freight routes to improve HPMV access. Four bridges are also being investigated for VDAM strengthening
KA05 Completion of approved walking and cycling projects	<p>Engineering Projects</p> <ul style="list-style-type: none"> • Pakowhai Road Cycleway – on-road cycle lanes between St Aubyn Street and Ruahapia Road completed May 2018 • Haumoana School – provision of safer crossing points, 680 metres of existing path improvements on Parkhill Road, and construction of a new 700 metre two-way shared lime sand path on East Road completed August 2017 • Railway Road Shared Path – between Lyndon Road and Southampton Street providing a safer link for a high number of school children within this vicinity completed August 2017 • Sylvan Road Shared Path – along Windsor Park frontage completed April 2018 • St Georges Road Shared Path – Stage I between Havelock Road and Howard Street completed April 2018. Stage II between Howard Street and Crosses Road (in conjunction with Water Main construction) substantially complete July 2018 • Havelock Road Cycleway – on-road cycle lanes between Karanema Drive and Porter Drive (in conjunction with carriageway resurfacing) completed January 2018 • Parkvale School – Kea crossing relocated in Windsor Avenue and footpath widening in Howard Street completed February 2018 • Havelock North Primary School – footpath widening in Campbell Street between the school frontage and Joll Road completed April 2018

Water & Roads

Key action	Achievement
	<p>Education and Encouragement Projects</p> <ul style="list-style-type: none"> • Cycle Skills Training programme – For Level 1 & 2 of the Education and Encouragement Projects Hastings District Council has reached 10 schools and 84 sessions, 1100 students completed level 1 and 459 students completed level 2 from July 2017 to June 2018. These were partially funded by ACC and a similar training programme will continue over the next financial year • Scooter Safety programme – Based on NZ Transport Agency guidelines and tailored for year 4 students, Hastings District Council has reached 6 schools from July 2017 to June 2018, delivering 54 sessions to a total of 962 year 4 students. A similar training programme will continue over the next financial year • Movelt encouragement programme – Haumoana School completed in Term 1 2018. Havelock North Primary School had a “Dress up your shoes and walk to school” promotion, 250 out of 590 students’ participated, four times normal number of pupils coming to school by active modes. Interschool ‘Movelt’ competition involving 8 Travel Plan schools with over 2 800 pupils proposed for Term 4 2018 • iWay Bike Spring Check-up – 6 week campaign involved 4 bike shop partners and 74 free bike checks in September 2017 • School Travel Plans – travel plans have been developed for Havelock North Primary, Parkvale, Central, St Mathews, Frimley, Clive, Haumoana, Irongate, Karamu High and Hastings Girls High. Eight have been adopted as of June 2018 • Be Safe, Be Seen programme successfully rolled out in May 2018, reaching 169 cyclists and walkers/runners • Bike Breakfast – over 250 mainly school aged children accompanied by teachers, parents, police and councillors • Share with Care – promotion in conjunction with Big Easy, Easter 2018. Contact with many participants promoting path-user etiquette
KA06 Implement safety improvements on high risk rural routes and urban intersections	<ul style="list-style-type: none"> • On Track – • Realignment of Ocean Beach / Waimarama intersection. Contribution to realignment of SH50 and upgrades to Kereru / SH50 and Whakapirau / SH50 intersections. Installation of pedestrian crossings at Bridge Pa School and in Clifton. Improved signage on Middle Rd. New guardrails on Blacks and Tois Bridges. Abutment strengthening of Vista Bridge • Conversion of Nelson / Eastbourne intersection to a roundabout. Changes to Whakatu / Farndon / Pakowhai intersection as part of Whakatu Arterial works. Upgrade and reprogramming of signals at Karamu / Grove / Frederick intersection. Installation of Kea crossing near Howard / Windsor intersection. Designed crossings on Karamu and Maraekakaho roads, to be installed 2018/19 • Speed Limits Review. Purchased 3 Mobile Speed Devices
KA07 Road pavement renewals in both urban and rural areas	<ul style="list-style-type: none"> • On Track – 7.2km of pavement renewals completed during 2017/18
KA08 Complete Whakatu Arterial Road	<ul style="list-style-type: none"> • On Track – The project is being constructed with an expected completion date of December 2018

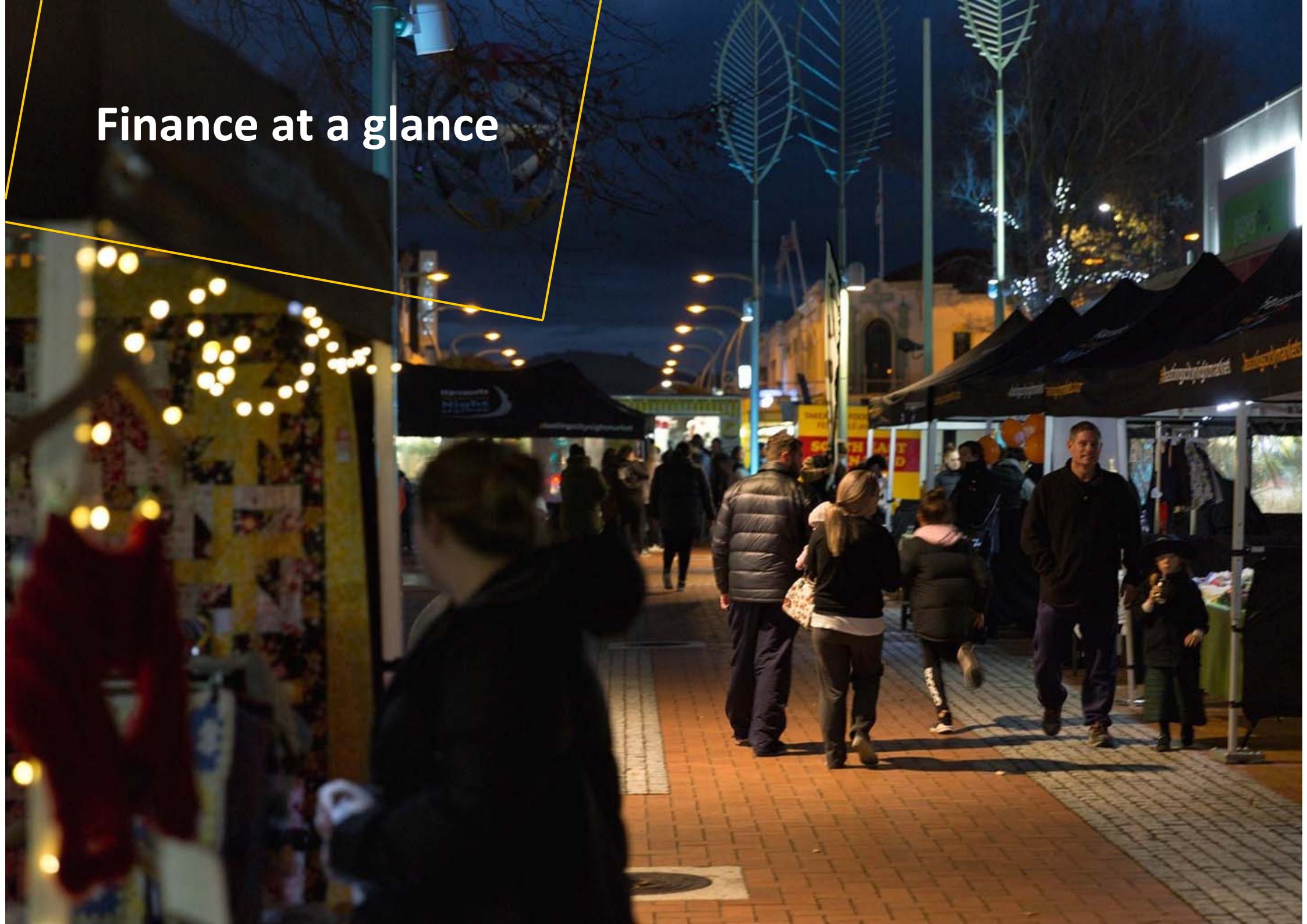
Safe, Healthy & Liveable Communities

Key action	Achievement
KA09 Rollout of additional emergency centres and community response plans	<ul style="list-style-type: none"> No Longer Measured – Due to changes in the organisational structure, Community Resilience Plans and Civil Defence Centres are no longer within Hastings District Council's remit, but are now the responsibility of HB CDEM Group
KA10 Advancing Hastings Central City Plan	<ul style="list-style-type: none"> On Track – The Hastings City Centre Strategy is being given effect to via a number of Council plans, strategies, and programmes. Council continue to work in partnership with a range of city centre stakeholders to enable the delivery of activities that bring vibrancy to our CBD. A programme of CBD vibrancy initiatives were consulted on as part of the LTP including the establishment of the Eastside hospitality precinct, improvement to the CBD Mall area and Civic Square. Council is also scheduled to complete the 5 year review of the Hastings City Centre Strategy in second half of 2018. This review will result in update of this strategy and resulting masterplan for the CBD. This work is anticipated to be completed by the end of 2018
KA11 Advance new cemetery site	<ul style="list-style-type: none"> On Track – Although Council has allocated funding for the purchase of new land to develop a cemetery, (\$1 million) a working group/project team has been developed to explore whether in fact this is necessary, now that the undeveloped land available at Mangaroa Cemetery has been approved by Council to expanded and redeveloped. Ongoing consideration of this matter will occur during 2018/19
KA12 Implement changes to Animal Welfare Service	<ul style="list-style-type: none"> On Track – Changes implemented to Animal Welfare Service to ensure consistency in process which will minimise danger, distress and nuisance to the community. Pound has been rebuilt and brought up to standard and approved by MPI. Operational procedures in place to promote an education focus and ensure enforcement action is fair and balanced
KA13 Determine earthquake strengthening response on Opera House complex	<ul style="list-style-type: none"> On Track – Community engagement process undertaken in first quarter of 2016 after considerable technical advice and input. Decision made to strengthen the theatre and this work stream is in progress. Options for the Municipal Building are still being worked through
KA14 Enhancement on key reserves	<ul style="list-style-type: none"> On Track – The following enhancements have been progressed: <ul style="list-style-type: none"> Installation of outdoor fitness equipment at Anderson and Flaxmere Parks Kirkpatrick Park enhanced with basketball court and BBQ and shelter New visitor shelter and carpark at Te Mata Park
KA15 Implement sports fields facility upgrades	<ul style="list-style-type: none"> On Track – The following upgrades have been completed: <ul style="list-style-type: none"> Anderson Park changing rooms rebuilt Bill Mathewson Park changing rooms upgraded
KA16 Complete planned toilet enhancements from Sanitary Services assessment	<ul style="list-style-type: none"> On Track – The following enhancements have been progressed: <ul style="list-style-type: none"> Two new toilet blocks constructed at Te Mata Park
KA17 Provision of community programmes on waste minimisation	<ul style="list-style-type: none"> On Track – Community access to information on a range of waste reduction options. Waste education programmes delivered through schools and early childhood centres
KA18 Complete assessment and selection of future solid waste disposal solution	<ul style="list-style-type: none"> On Track –Waste Assessment on waste services and facilities undertaken and Joint Waste Management and Minimisation Plan developed with Napier City Council. Public consultation held during February and March 2018. Plan adopted by Council in August 2018

Economic & Community Development

Key action	Achievement
KA19 Support industrial land uptake at Irongate, Omaha and Whakatu	<ul style="list-style-type: none"> • On Track – The key account services approach has enabled businesses and Council to engage and work together to deliver developments while meeting both party's needs. This is occurring across all three industrial zones in Hastings District
KA20 Implementation of China action plan	<ul style="list-style-type: none"> • On Track – Businesses seeking to develop and expand their export opportunities have engaged with Council to assist with access to markets in China. This has resulted in increased orders for goods and services and a growth in jobs in these Hastings businesses
KA21 Progress of various youth futures programmes	<ul style="list-style-type: none"> • On Track – A range of social programmes with particular focus on helping young people into jobs continued during the year along with a successful funding application to extend the Youth Connector programme, a new Whanau Connector and Employer Connector
KA22 Implementation of Heretaunga Plains Urban Development Strategy (HPUDS) sub strategies	<ul style="list-style-type: none"> • Achieved –The Medium Density Housing strategy was adopted along with an Implementation Plan in November 2017. In addition quarterly monitoring of property market indicators under the National Policy Statement on Urban Development Capacity has commenced with a 2017 baseline report completed in April 2018 and the first quarter report produced in May 2018
KA23 Development of various place based plans	<ul style="list-style-type: none"> • On Track – 4 plans renewed (Camberley, Flaxmere, Clive and Anderson Park), 4 new plans either completed or in development (Mayfair, Flaxmere West, Bridge Pa and Waipatu)
KA24 Support the completion of Hapū development plans	<ul style="list-style-type: none"> • On Track – Funding contained in Council budgets. Council is encouraging and supporting the continual development of hapū plans including both hapū environmental management plans and hapū community plans. At the later part of the 2017/18 year, Council has entered into relationships with the Waipatu and Bridge Pā hapū communities and is embarking on a journey with the Maungaharuru Tangitū Trust in regard to a hapū environmental management or a Mana Whakahono-ā-rohe plan; that also has positive implications for our other five Post Settlement Governance Entities (PSGEs)
KA25 Advance business attraction and job creation initiatives	<ul style="list-style-type: none"> • On Track – The Great Things Grow Here (GTGH) economic development brand platform has continued to grow with over 300 businesses now members of the brand champions club. Funding partners including Councils and Business Hawke's Bay are supporting the GTGH brand platform, enabling wider region engagement. Brochures to meet the business needs for migrant attraction to attract skilled workers in areas of shortage for Hastings businesses has been successful. The inwards investment brochure has resulted in businesses relocating into the region
KA26 Advance Hastings CBD hotel proposal	<ul style="list-style-type: none"> • On Track – Council is exploring the Hotel opportunity for the Hastings City centre to take advantage of a growth in hospitality offering and the re-launch of the Hawke's Bay Opera House

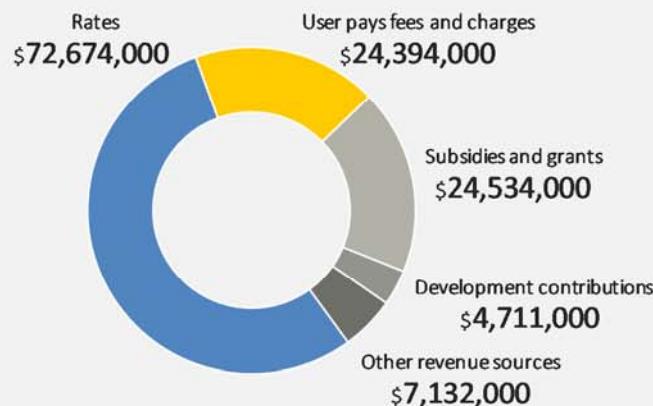
Finance at a glance



5

FASCINATING FINANCE FACTS

1 WHERE DOES OUR MONEY COME FROM?

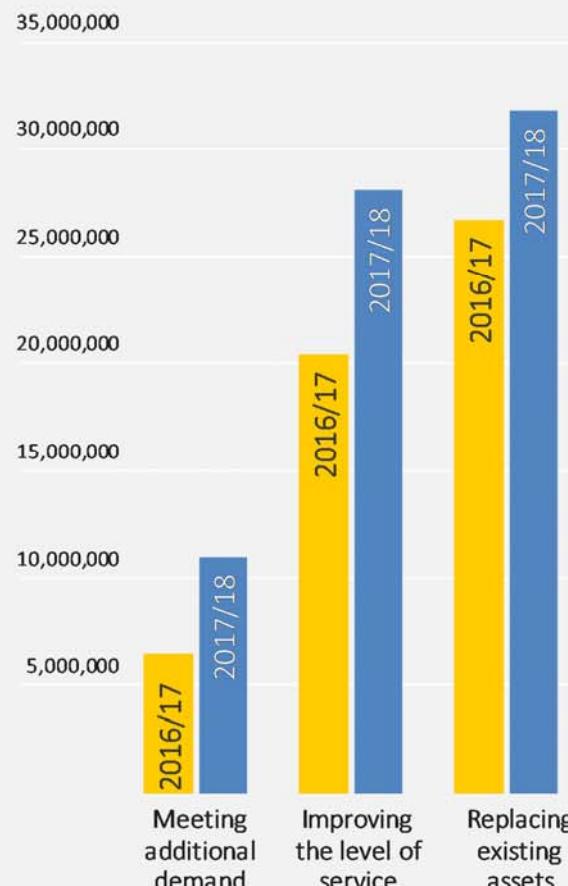


2 WHAT IS THE DEBT TO REVENUE RATIO?



While Council's debt has increased to \$77m the debt to revenue ratio is 59%, providing Council capacity to meet changing needs

3 HOW MUCH IS SPENT ON OUR ASSETS?



Council spent \$71m on capital expenditure in 2017/18 with \$28m spent on improving the level of service these assets provide and \$11m meeting additional demand

4 WHAT IS THE VALUE OF COUNCIL'S ASSETS?



5 HOW MUCH DO NEW SUBDIVISIONS CONTRIBUTE TO OUR NEW ASSETS?



Development contribution revenue of \$4.7m (\$6.0m last year) was received from developers representing a continued and high level of development activity across the district

Annual financial overview

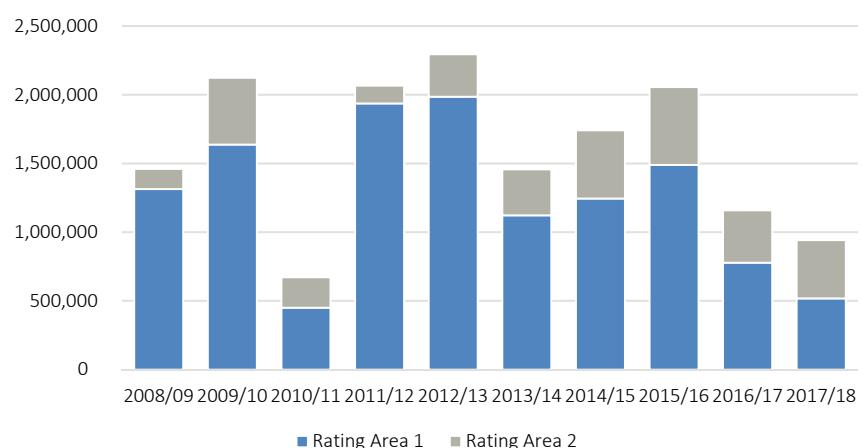
Council has consistently delivered a rating surplus which means it has delivered what it set out to deliver cheaper than it expected.

Council has again achieved a rating surplus after successfully delivering services more cost effectively than budgeted.

The \$0.9 million surplus has allowed Council to repay Rating Area 1 debt and to increase the amount of funds set aside in the Rating Area 2 Flood and Emergency Event Reserve.

The rating surplus is the difference between rates collected and spending from those rates, including the funding of capital renewal projects and debt repayment.

Rating surplus



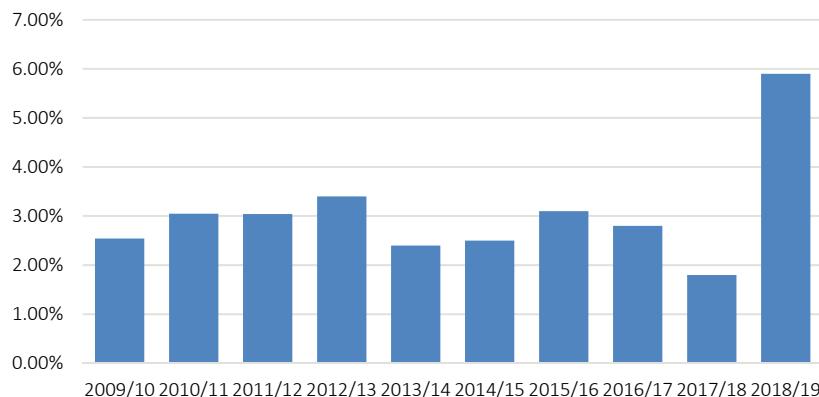
The Havelock North water contamination event of 2016 has continued to have an impact on Council's finances through 2017/18 with an additional \$2.5 million of operational expenditure incurred compared to budget. Increased compliance and monitoring costs along with an elevated level of maintenance required on the reticulation assets. With this higher than budgeted level of operational expenditure, the Water supply Targeted Rate accounts deficit position is \$1.09 million worse than anticipated in the 2018-28 Long Term Plan. Consistent with last year, Council has approved an allocation of \$1.09 million from Council's share of the Landfill operating surplus to ensure this account's parting position is consistent with the LTP. This will ensure that the increases projected to the Water Supply Targeted Rate can be maintained without further increases applied.

Rates

Council's Financial Strategy, updated in the 2018-28 LTP, set out that rates will only increase by the Local Government Cost Index +/- 4%, while acknowledging that sometimes events happen that Council needs to react to.

Following average rate increases since 2009/10 of 2.7% the rate increase of 5.9% was a step change, driven by the need to increase the Water Supply Targeted Rate by \$100 per property connected to the water supply network. This increase added 3% to rates for 2018/19 and is the first of a series of increases designed to fund the change from being an untreated water supply to a treated water supply.

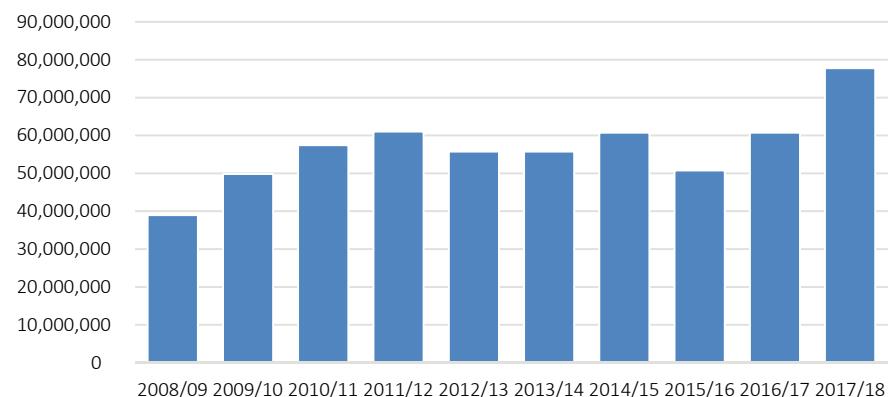
Rate increases



Debt

Core external debt increased this year by \$17 million to \$77.7 million, still well below that budgeted in the 2015-25 Long Term Plan. Council has taken a prudent approach to the timing of capital expenditure which has kept debt levels lower than expected. With the Opera House strengthening well underway, the new water main to Havelock North and the Whakatu Arterial nearing completion, debt levels have started to increase in line with what was projected in the 2015-25 Long Term Plan, albeit a year behind what was targeted. The 2018-28 Long Term Plan has increases projected with debt expected to peak at \$169 million by 2022.

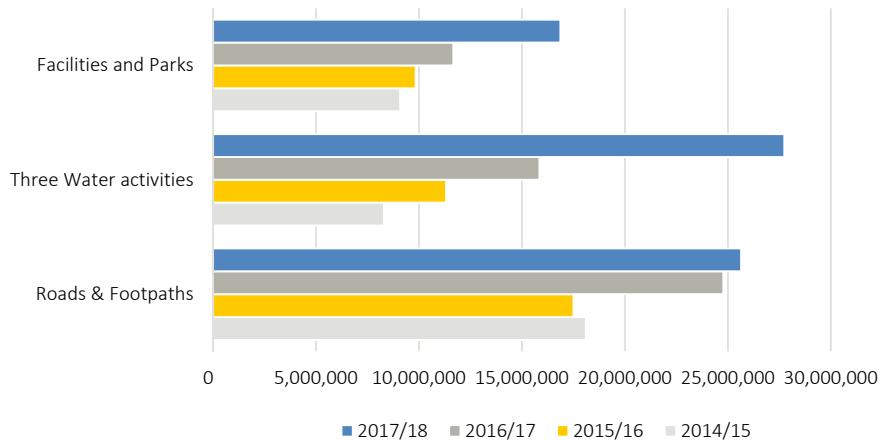
External debt



Capital projects

Council invested \$71.3 million (\$53.5 million last year) on capital projects during the year.

Capital expenditure



Of the capital expenditure incurred in the 2017/18 year, \$32 million was spent on replacing existing assets (renewals), \$28.3 million on improving the level of service offered to the community, and \$11.0 million meeting additional demands being put on the community through growth.



Key initiatives and projects





The Havelock North water contamination event two years ago had a marked effect on the community and the ongoing management of the district's public water supplies.

The provision of safe drinking water is a number one priority for the Hastings District Council, which adopted a new "one network" Water Supply Strategy in August 2017, including investment in new water sources, treatment and water network enhancements.

A \$47.5 million investment package over the next four years has been committed – \$40.5 million to be spent on building new infrastructure to provide treatment (UV and chlorine) of all drinking water sources by 2021.

A further \$7 million will be invested in the infrastructure and treatment of small urban water supplies at Waipatu, Te Awanga/Haumoana, Clive, Whakatu, Waimarama, Waipatiki and Whirinaki.

The Government Inquiry into Havelock North drinking water recommended changes to the way drinking water is managed across the country, including the requirement for a 'residual' disinfectant such as chlorine to be mandatory.

Detailed investigations and testing has shown our ground water can no longer be deemed safe without treatment, and that treatment is necessary to meet the Drinking Water Standards for New Zealand.

The Hastings District Council has been pro-active to ensure it is in a position to meet any new legislative and regulatory reforms and is continuing to refine the application of chlorine to reduce the smell and taste of it, while maintaining the safety of the water supply.

Since 2016 the council has also revised its Emergency Response and Water Safety Plans and joined with the Hawke's Bay Regional Council and health authorities to form a Joint Working Group to work on drinking water quality. The recent establishment of a HB Drinking Water Governance Joint Committee to provide oversight for planning and decision making on regional drinking water matters is a further step in ensuring our communities are provided safe drinking water.

Since August 2016 the council has engaged and retained considerable external and overseas expert advice in arriving at its water investment strategy, and has endeavoured to strike a good balance between community affordability and paying for the work as quickly as possible.

Other aspects of the strategy include measures to protect the source water catchments, ongoing monitoring and testing of source water above minimum requirements, reducing network pressures, increasing water storage and establishing new water sources.





Whakatu Arterial Link

The Whakatu Arterial Link Route is the largest road project in Hawke's Bay since the building of the Napier-Hastings Expressway in 2002.

The result of five years of complex planning and consultation, this strategically important route has been designed to streamline the movement of produce from grower to cool store through to Napier Port, improve safety, and take heavy vehicles off residential streets.

The three-kilometre route includes three large roundabouts (one at each end and one in the industrial area of Whakatu) and a new 44-metre bridge over the Karamu Stream at the Pakowhai Road end.

Started in January 2017, as the financial year ended work on the two Whakatu roundabouts, including street lights and paving, had been substantially completed, the new bridge over the Karamu Stream was built, and the focus has turned to finishing the Pakowhai roundabout.

Associated work to bring a left-turning slip-lane down from Farndon Rd to the new roundabout was also progressing.

In addition, landscaping and planting of the first two roundabouts and their associated 'leg' roads was underway or completed.

The project was estimated to be complete by December 2018.

Considered a strategic link of the highest priority in the region, the cost of the project is \$25.6 million, with Central Government contributing \$17.97 million and ratepayers picking up the balance of \$7.63 million.

Waste Management



A proposed new joint Waste Management and Minimisation Plan (WMMP) for 2018-2024 was developed this year in conjunction with the Napier City Council, aimed at reducing the amount of waste going to landfill and encouraging increased recycling.

There was extensive feedback during the consultation process, with more than 6000 submissions received from Hastings and Napier residents.

In 2016/17 the Omarunui Landfill, jointly owned by Hastings District and Napier City Councils received 84,000 tonnes of waste, 49 per cent of which was commonly recyclable and/or compostable material.

Of the remainder a significant amount was potentially divertible, such as electronic waste, wood waste, plaster board and scrap metal.

The proposed joint WMMP took into account residents' feedback and has been designed to facilitate increased household recycling and find other means to potentially halve the amount of waste going into the landfill, thus increasing its lifespan as well as improving our environmental footprint.

The councils also believe that local businesses and industries have an opportunity and responsibility to manage waste appropriately and propose to better communicate the services available to local organisations, providing more education around improved waste practices.

The overall vision of the joint WMMP is to deliver waste minimisation and resource recovery across Hastings District and Napier City working towards zero waste.

This includes increasing the amount of recyclables diverted from landfill by 20 per cent and decreasing the amount of organic matter going to landfill by 30 per cent.

The plan was due to be adopted by Hastings District Council on August 30 and Napier City Council on September 18.





Hawke's Bay Opera House

Work on strengthening the Hawke's Bay Opera House, strengthening and re-modelling the Plaza and future use and concept designs for the neighbouring Municipal Building has continued steadily over the last year.

Both the Opera House, built in 1915, and the Municipal Building are iconic Hawke's Bay landmarks, carrying Heritage One status. The Opera House and Plaza redevelopments follow extensive consultation undertaken in 2016.

Earthquake strengthening of the Opera House began in August 2017, and at the close of this financial year the new roof was nearly complete and the installation of internal reinforcing steel and walls were well underway, as were ducting, electrical and ventilation installations.

Supported by the Government, which invested \$4 million from its Regional Cultural and Heritage Fund, along with other sponsorship support, the work was expected to take 20 to 24 months with an estimated completion date of August/September 2019.

While the final redesign of the Plaza was due to be revealed in September 2018, work had already started with the glass walls and canvas roof removed and its recessed floor filled in. The aim was to remodel the Plaza into an all-weather facility.

After extensive discussions with the arts community, iwi and others involved with the facility over the decades, a concept design for the Municipal Building was due to be presented for community comment in August 2018 as a first phase of public engagement on the project.

Overall this significant project will create a cultural centre for the district, reinvigorating the iconic Opera House and associated buildings as a thriving arts and culture precinct that will enhance the tourism, business and social opportunities both for Hastings and the wider Hawke's Bay region.

Te Mata Park

Te Mata Park attracts around 200,000 visitors annually and ensuring the popular recreational facility meets the needs of users in the years ahead is the focus of a management plan for the park from 2015-2025.

Extensive community consultation while developing the plan indicated that there was the need for improved and extended walking and mountain bike tracks and facilities to improve the park experience.

The Te Mata Park Trust and the Hastings District Council have worked closely to bring the plan to life, including the building of much needed infrastructure.

This has included a set of public toilets and visitor shelter at the main gates car park, which doubled in size.



A second set of toilets has been built at the Tauroa Rd car park, along with a bike-wash facility, which is already proving popular with mountain bikers.

Drinking fountains have been placed in both areas.

Funding for the work received a significant boost in June 2017 when the Government announced it would contribute a regional tourism grant of \$380,000.

The Hastings District Council's contribution totalled \$715,000 from a fund set aside for Te Mata Park enhancement projects and Hawke's Bay Regional Council also contributed funding.

The addition of the new facilities has enhanced the natural beauty of this community asset that will be enjoyed by families and visitors for years to come.

Further work at the park includes harvesting the exotic plantations to be replaced by native species, and working with the council the trust will progress plans for the integration of the mountain bike and walking track network with new sections that will connect to Havelock North via a 17km loop network.





Industrial Zones

The Hastings district's strength as a growing region has seen developer interest in the Omahu, Irongate and other areas remain strong over the last year.

In that time, the council has supported the Food Hub to complete a feasibility study for the project that offers design, build and lease options for food-related businesses who will be able to work collaboratively within the 22.5ha industrial park.

At Omahu, the Council has started installing drinking and wastewater services in the 65-hectare zone in March this year to service landowners, developers and potential tenants.

As these works progress, areas of the zone corridor will start to become available for connection to services. Interest in subdivision and expansion of existing businesses within the Omahu area remains strong.

Once the zone is fully operational, it will provide about 1,250 jobs.

The Irongate zone now has drinking water and waste water services installed, and roading improvements, including a new roundabout are in the design phase. Like Omahu, interest in the Irongate zone from a range of industries and businesses remains strong.

Hastings District is in a period of housing growth, with another 6,125 new residents predicted in the district by 2028.

Recognising the need to ensure enough ‘serviced’ land is available and at the same time balancing that with protecting the district’s fertile growing land has been a focus for the council over the past year.

Good progress has been made in bringing residential sections to market in the target area of Lyndhurst, where easement corridor negotiations were completed and the installation of services along Lyndhurst Road began – with estimates that 60 sections could become available.

Work on supplying additional services in this area was scheduled for the 2018/2019 year.

Subject to one appeal to the Environment Court, the Howard Street area was set to be rezoned residential, with estimates that construction could commence after the appeal is resolved, yielding about 260 lots depending on the section sizes.

In the Arataki area, the former Arataki Motor Camp was sold for development with 39 residential sections planned to be built, and other developer interest in this area continues to build.

Residential Housing



The building of the new Eastern District Headquarters and Hastings Police Station got underway earlier this year, following a collaborative process with the Hastings District Council.

The two organisations have partnered to get the project off the ground after the Police encountered challenging ground conditions at the site on the corner of Railway Road and Eastbourne Street. Through collaboration a suitable solution has been found and the build is due to be completed by the end of next year.

In tandem with this project, the council also began planning the reconfiguration of its Emergency Management Centre on Lyndon Road East.

This means that in the event of a disaster, if the Police headquarters was not functioning, there will be space available for them at the upgraded council building to carry out their emergency response work – a win-win solution for both parties.



Youth Development

The council's youth employment programme has gone from strength to strength over the last year, with its dedicated team helping numerous young people into education, skill development and jobs.

The success of the programme was recognised in June this year with a \$460,000 Central Government grant to expand its current Connector model through the He Poutama Rangatahi programme.

This programme aims to support communities to develop pathways for rangatahi who are not currently in employment, education or training and take them through to sustained employment, underpinned by intensive pastoral care.

The council was one of four funding recipients and the money will be used to employ another Youth Connector, an Employer Connector and a Whanau Connector for the next two years.

Since January 2017, Youth Connectors have engaged 174 young people, with 85 placed into employment, seven have returned to school and the team are continuing to work with the remaining 82 who are receiving alternative pastoral care and/or are actively seeking employment.

Another youth initiative developed by the council in partnership with the Ministry of Social Development is the Rangatahi Ma, Kia Eke Project.

This aims to help young people having difficulty finding work gain work experience and has placed 26 young people aged 16 to 24 within organisations for up to 30 hours a week for six months, to gain employment skills and experience through on-the-job training.

The programme finds work experience positions that do not displace a worker and that have a community or environmental goal. A number of partner organisations participated including the Leg-Up Trust, Heretaunga Women's Centre, Hastings SPCA, Hikoi for Life, Te Taiwhenua o Heretaunga, Te Aka, Hastings District Council, Dementia HB and Mangaterere School.



Groups of activities

This section shows how we have performed financially in delivering the work programme for 2017/18.

For reporting purposes we group our activities into the following groups:

- Water and Roads
- Safe, Healthy and Liveable Communities
- Economic and Community Development
- Governance and Support Services

Water and Roads

The section titled ‘Our Reporting Framework’ outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled ‘Key Initiatives and Projects’.

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

- health, drinking water and wise water use
- management of negative impacts on people, air, land and water
- a community that wastes less
- an environment where people can move around safely
- an attractive and safe walking and cycling environment
- accessible transport options
- efficient movement of goods.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

Water and Wastewater Services

- 2017/18 represents the third year of reporting against mandatory performance measures, with most measures achieved against target.
- The provision of safe drinking water is the Council’s number one priority. A variety of projects were commenced during the year as part of the Council’s \$47.5 million infrastructure investment response package. The three waters team has been boosted from 13 to 25 members to deliver the programme and the overall water strategy.
- The renewal of the wastewater diffuser outfall pipe at the East Clive Treatment Plant was completed during the year.
- The Heretaunga Street trunk water main renewal was substantially completed during the year.

Negative effects

Any potential negative effects from the water supply, wastewater disposal and stormwater disposal activities are mitigated via a programme of environmental monitoring and compliance with consent conditions. No significant breaches of any consent conditions occurred during 2017/18.

Roads

- The mandatory performance measures for roads and footpaths were either achieved or substantially achieved against target.
- Construction of the Whakatu Arterial route made substantial progress during the year, estimated for completion by December 2018.
- A number of further walking and cycling projects were completed as outlined within the key actions section of Council’s performance framework titled “[Our Operating Framework](#)”.

Negative effects

Any potential negative effects from transportation activities are mitigated by complying with resource consents, adhering to a maintenance programme for the roading network and by investing in walking and cycling infrastructure that has less environmental impact. The negative effects of road accidents are being mitigated through increased investment in safety enhancements throughout the district. The Council’s high-risk safety programme has been approved by the New Zealand Transport Agency and physical works are continuing throughout the district.

The funding impact statements on the following pages include internal interest but exclude non-cash items such as vested infrastructural assets and depreciation.

FUNDING IMPACT STATEMENT: Water & Roads	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		19,188	19,743	18,671	(1,072)
Targeted Rates		13,114	13,647	13,210	(437)
Subsidies and grants for operating purposes		5,313	5,391	5,722	331
Fees and charges		4,037	4,089	4,045	(44)
Internal charges and overheads recovered		6,776	6,941	8,161	1,220
Local Authorities fuel tax, fines , infringement fees and other receipts		169	174	343	169
Total operating funding (A)		48,597	49,985	50,152	167
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		18,435	18,806	24,377	(5,571)
Finance costs		4,036	3,960	2,193	1,767
Internal charges and overheads applied		10,495	10,763	12,613	(1,850)
Other operating funding applications		39	42	31	11
Total applications of operating funding (B)		33,005	33,571	39,214	(5,643)
Surplus (deficit) of operating funding (A-B)		15,592	16,414	10,938	(5,476)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		9,697	7,310	14,104	6,794
Development and financial contributions		4,899	5,776	3,904	(1,872)
Increase (decrease) in debt		3,283	(1,551)	17,960	19,511
Gross proceeds from sale of assets		203	121	396	275
Lump sum contributions		310	319	175	(144)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		18,392	11,975	36,539	24,564
APPLICATIONS OF CAPITAL FUNDING					
<i>Capital expenditure</i>					
To meet additional demand		13,036	5,732	10,716	(4,984)
To improve the level of service		6,314	6,436	22,885	(16,449)
To replace existing assets		14,634	15,817	20,266	(4,449)
Increase (decrease) in reserves		-	404	(6,390)	6,794
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		33,984	28,389	47,477	(19,088)
Surplus (deficit) of capital funding (C-D)		(15,592)	(16,414)	(10,938)	5,476
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		24,380	25,003	24,813	190

FUNDING IMPACT STATEMENT: Water Supply	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
		72	73	81	8
Targeted Rates		5,188	5,464	5,726	262
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges		809	833	883	50
Internal charges and overheads recovered		2,349	2,396	3,362	966
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	18	18
Total operating funding (A)		8,418	8,766	10,070	1,304
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	1	3,638	3,767	7,848	(4,081)
Finance costs	2	736	835	491	344
Internal charges and overheads applied		1,749	1,789	2,633	(844)
Other operating funding applications	8	9	8	1	
Total applications of operating funding (B)		6,131	6,400	10,980	(4,580)
Surplus (deficit) of operating funding (A-B)		2,287	2,366	(910)	(3,276)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions	3	725	1,317	965	(352)
Increase (decrease) in debt	4	1,236	751	14,105	13,354
Gross proceeds from sale of assets		171	77	31	(46)
Lump sum contributions		-	-	9	9
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		2,132	2,145	15,110	12,965
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	5	2,358	2,511	1,469	1,042
To improve the level of service	6	679	626	11,814	(11,188)
To replace existing assets	7	1,382	1,376	4,246	(2,870)
Increase (decrease) in reserves	8	-	(2)	(3,329)	3,327
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		4,419	4,511	14,200	(9,689)
Surplus (deficit) of capital funding (C-D)		(2,287)	(2,366)	910	3,276
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		2,208	2,283	2,224	59

- Key Financial variances**
- Significant Operating variances**
- 1. Payments to staff and suppliers are higher than budget due to increased water quality monitoring, investigations and the impact of the water charge programme.
- 2. Finance Costs are lower than budget due to lower interest rates.
- Significant asset acquisitions or replacements and other variances**
- 3. Development Contributions are below budget due to development projects timing.
- 4. Debt has increased more than LTP due to water supply infrastructure improvements following the Havelock North water incident and the delivery of capital projects budgeted for in previous years.
- 5. Capital expenditure is below budget due to delays in growth related expenditure.
- 6. Capital Expenditure to improve the level of service is above budget due to water supply infrastructure improvements and delivery of capital projects budgeted for in previous years.
- 7. Capital Expenditure to replace additional assets is above budget due to water supply infrastructure improvements.
- 8. Reserve funding has been used for capital infrastructure projects, unplanned in the last LTP.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Water Supply	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand				
		2,511	1,469	1,042
Improve level of service		626	11,814	(11,188)
To replace existing assets		1,376	4,246	(2,870)
Total capital expenditure		4,513	17,529	(13,016)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Water Supply	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance	
Collection Network Planned Renewals	1	889	-	889	1. Reprioritisation of budget in conjunction with water supply enhancements.
Irongate Ind. – Stage 1 Flaxmere to stage 1	2	853	615	238	2. Irongate industrial project to reticulate unserviced area, balance of unspent budget carried forward.
New Bore and Pump/ Frimley	3	556	-	556	3. Project to fund a range of water supply enhancements through the main Hastings/ Flaxmere/Havelock North supply. Multi-year programme of work.
Omahu Stage I – Wilson to Jarvis	4	537	646	(109)	4. Omahu Stage 1: includes budget carried forward from previous years.
Backflow Preventers & New Water Meter		295	306	(11)	5. Heretaunga Street work deferred to 2017-18 from prior year. Budget carried into 2017/18.
Replace Connection	3	59	399	(340)	6. Capital works following water supply investigations.
Heretaunga St W – Tomoana to Stortford L	5	-	2,611	(2,611)	
Te Mata upgrade	3	-	2,601	(2,601)	
Stage 1A Wilson Road – UV treatment	6	-	1,401	(1,401)	
Stage 1A Havelock North Trunkmain	3	-	4,831	(4,831)	

FUNDING IMPACT STATEMENT: Stormwater Drainage	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
Targeted Rates		2,906	2,993	2,461	(532)
Subsidies and grants for operating purposes		114	114	16	(98)
Fees and charges		-	-	-	-
Internal charges and overheads recovered		100	103	63	(40)
Local Authorities fuel tax, fines, infringement fees and other receipts		15	15	14	(1)
Total operating funding (A)		3,135	3,225	2,570	(655)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		647	668	607	61
Finance costs	1	753	715	432	283
Internal charges and overheads applied		658	674	906	(232)
Other operating funding applications		10	11	4	7
Total applications of operating funding (B)		2,068	2,068	1,949	119
Surplus (deficit) of operating funding (A-B)		1,067	1,157	621	(536)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	2	834	1,301	-	(1,301)
Development and financial contributions	3	2,868	2,304	453	(1,851)
Increase (decrease) in debt	4	-	-	2,272	2,272
Gross proceeds from sale of assets		-	-	-	-
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		3,702	3,605	2,725	(880)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	5	2,733	2,314	1,010	1,304
To improve the level of service	6	1,791	1,623	2,377	(754)
To replace existing assets	7	244	825	48	777
Increase (decrease) in reserves		1	-	(89)	89
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		4,769	4,762	3,346	1,416
Surplus (deficit) of capital funding (C-D)		(1,067)	(1,157)	(621)	536
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		2,854	2,897	2,811	86

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Stormwater Disposal	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		2,314	1,010	1,304
Improve level of service		1,623	2,377	(754)
To replace existing assets		825	48	777
Total capital expenditure		4,762	3,435	1,327

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Stormwater Disposal	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance	
Omahu Stage I – Wilson to Jarvis	1	1,013	222	791	1. The stormwater infrastructure for Omahu and Irongate industrial developments have not proceeded as budgeted, with on-site solutions preferred.
Lyndhurst – Mahora Drain	2	763	76	687	
Te Kahika Stream – Te Mata to Greenwood	2	641	-	641	2. Reprioritisation of various project timings across years.
Collection Network Reactive Renewals	2	535	29	506	
Irongate (i)	1	360	-	360	3. Railway Road project started in 2015-16, majority of budget carried forward into 2016/17 & 2017/18.
Collection Network Planned Renewals	2	279	-	279	
Dam Break Mitigation	2	267	-	267	
Maraekakaho Rd – Kaiapo to Francis Hicks	2	214	33	181	
Railway Rd – Racecourse to Murdoch	3	-	1,945	(1,945)	
Lyndhurst – Stage 2 Trunk Main	2	-	529	(529)	

FUNDING IMPACT STATEMENT: Sewerage and the treatment and disposal of sewerage	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		504	510	458	(52)
Targeted Rates (other than a targeted rate for water supply)		7,514	7,728	7,122	(606)
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges		1,821	1,875	1,637	(238)
Internal charges and overheads recovered		2,216	2,282	2,135	(147)
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	29	29
Total operating funding (A)		12,055	12,395	11,381	(1,014)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		2,693	2,779	2,812	(33)
Finance costs	1	1,518	1,341	865	476
Internal charges and overheads applied		3,591	3,690	4,121	(431)
Other operating funding applications		15	16	6	10
Total applications of operating funding (B)		7,817	7,826	7,804	22
Surplus (deficit) of operating funding (A-B)		4,238	4,569	3,577	(992)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		706	853	725	(128)
Increase (decrease) in debt	2	(1,160)	(1,250)	2,038	3,288
Gross proceeds from sale of assets		-	-	-	-
Lump sum contributions		253	261	127	(134)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		(201)	(136)	2,890	3,026
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	3	1,241	982	1,435	(453)
To improve the level of service	4	653	998	2,521	(1,523)
To replace existing assets	5	2,143	2,453	3,311	(858)
Increase (decrease) in reserves	6	-	-	(800)	800
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		4,037	4,433	6,467	(2,034)
Surplus (deficit) of capital funding (C-D)		(4,238)	(4,569)	(3,577)	992
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		5,890	5,920	6,174	(254)

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		982	1,435	(453)
Improve level of service		998	2,521	(1,523)
To replace existing assets		2,453	3,311	(858)
Total capital expenditure		4,433	7,267	(2,834)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance
Te Mata Road Interceptor	1	775	-	775
Omahu Stage I	2	659	941	(282)
Collection Network Planned Renewals	3	588	-	588
Park – Rising Main Renewal	4	588	219	369
Irongate (i)	2	338	223	115
Trunk Sewers	5	321	528	(207)
Outfall – Diffuser	6	-	397	(397)
Te Mata upgrade	7	-	2,210	(2,210)
Ngaio Street	7	-	324	(324)
St Aubyns Street East – Windsor to Park Road North	7	-	815	(815)

1. Te Mata Road interceptor project did not proceed as budgeted.
2. The infrastructure for Omahu and Irongate industrial developments have not proceeded as budgeted with on-site solutions preferred.
3. Collection Network renewal budget has been re-distributed to a number of projects including Holt Place, Tainui Drive and Wilson Road.
4. Park Road rising main was deferred into 2017-18 from previous years. Budget was carried forward.
5. Trunk sewer project budgeted in previous years.
6. Outfall diffuser project has now been completed having been deferred from prior years.
7. Reprioritisation of various project timings across years.

FUNDING IMPACT STATEMENT: Roads and Footpaths	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
		15,706	16,167	15,671	(496)
Targeted Rates		297	341	346	5
Subsidies and grants for operating purposes	1	5,313	5,391	5,722	331
Fees and charges		1,308	1,278	1,462	184
Internal charges and overheads recovered		2,197	2,248	2,650	402
Local Authorities fuel tax, fines, infringement fees and other receipts		169	174	280	106
Total operating funding (A)		24,990	25,599	26,131	532
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	11,458	11,592	13,110	(1,518)
Finance costs		1,030	1,069	405	664
Internal charges and overheads applied		4,496	4,610	4,953	(343)
Other operating funding applications	5	6	13	(7)	
Total applications of operating funding (B)		16,989	17,277	18,481	(1,204)
Surplus (deficit) of operating funding (A-B)		8,001	8,322	7,650	(672)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	3	8,863	6,009	14,104	8,095
Development and financial contributions	4	599	1,301	1,761	460
Increase (decrease) in debt	5	3,207	(1,052)	(455)	597
Gross proceeds from sale of assets		32	44	365	321
Lump sum contributions		57	58	39	(19)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		12,758	6,360	15,814	9,454
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	6	6,704	(75)	6,802	(6,877)
To improve the level of service	7	3,190	3,189	6,173	(2,984)
To replace existing assets	8	10,865	11,163	12,661	(1,498)
Increase (decrease) in reserves	9	-	405	(2,172)	2,577
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		20,759	14,682	23,464	(8,782)
Surplus (deficit) of capital funding (C-D)		(8,001)	(8,322)	(7,650)	672
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		13,429	13,903	13,604	299

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Roads and Footpaths	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance
CAPITAL EXPENDITURE				
Meet additional demand		(75)	6,802	(6,877)
Improve level of service		3,189	6,173	(2,984)
To replace existing assets		11,163	12,661	(1,499)
Total capital expenditure		14,277	25,636	(11,359)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Roads and Footpaths	Notes	LTP 2017/18 \$'000	Actual Council 2018 \$'000	Variance
Maintenance Seals (Sealed Road Surfacing)		3,716	3,113	603
AWPT – Sealed (Pavement Rehabilitation)		2,621	3,149	(528)
Minor Safety Improvements		1,632	2,360	(728)
Traffic Services Renewals		914	735	179
Subdivision Support	1	833	1,353	(520)
Structural Component Replacement		694	1,521	(826)
Cycleways & Pathways	2	564	1,353	(789)
Street Light Renewals	3	280	1,717	(1,437)
State Highway Projects	4	-	1,774	(1,774)
New Roads	5	(917)	7,581	(8,497)

1. Subdivision Support: timing of Lyndhurst and Arataki residential development.
2. Cycleways and Footpaths: iWays' work has been completed with budgets from previous years.
3. Street Light Renewals: Accelerated LED streetlight programme has increased lighting upgrades.
4. State Highway projects: Whakatu Development – This is a multi-year project so variance is due to timing of payments.
5. New roads: Whakatu Development – This is a multi-year project so variance is due to timing of payments. LTP \$917k represents expected funds from land sales at the end of the project – now deferred into 18/19.

Safe, Healthy and Liveable Communities

The section titled ‘Our Reporting Framework’ outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled ‘Key Initiatives and Projects’.

In summary this group of activities primarily contributes to the following community outcomes:

- best use of productive land
- managing negative effects on people, air, land and water
- a community that wastes less
- energy efficiency
- an attractive location to live
- diversity in housing choice
- attractive and usable public spaces
- safe, multi-functional urban centres
- safe neighbourhoods for people
- connected open space
- urban areas resilient to hazards and shocks
- places and space for learning and interaction
- places and space for recreation and fun
- a strong district identity
- putting people at the centre of planning and service
- effective working relationships with mana whenua
- assisting our people to succeed.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

- This activity group contains a broad range of services and facilities. Almost all of the levels of service for this group of activities were achieved or substantially achieved. Note: Rural Fire and Emergency Management functions formerly within this group of activities have been transferred to other organisations.
- Waste volumes to the landfill in 2017/18 have increased beyond those received in the 2016/17 year. This is a reflection of the ongoing increase in economic activity in the region. This increase in waste has been reflected nationally. The Council’s waste diversion target is on track (18.96%). Development of the Waste Management and Minimisation Plan (WMMP) was undertaken during the year and community consultation undertaken. Recommendations are currently before the parent Councils for ratification.
- Further resolution of the 46 appeals to the District Plan occurred during 2017/18. 44 appeals are now settled.
- Construction completed of more dog pens at the dog pound. There is now capacity to impound 40 dogs.
- The Splash Planet facility exceeded its visitor number target for the year.
- Earthquake strengthening of the Opera House made further progress during the year with an estimated completion of December 2019, as did planning for the permanent roof for the Plaza area.

- Enhancements on key reserves included the installation of outdoor fitness equipment at Anderson and Flaxmere Parks, a basketball court and BBQ at Kirkpatrick Park, and new visitor shelter and carpark at Te Mata Park.
- Two new toilet blocks were constructed at Te Mata Park, and changing room upgrades completed at Anderson Park and Bill Mathewson Park.

Negative effects

The only significant negative effect identified for this group of activities is the potential discharge of contaminants from the landfill. The Council mitigates these potential adverse effects through adherence with resource consent conditions. No significant breaches were recorded in 2017/18. The Council is also accredited under the ISO9000:2001 standard which is adhered to.



FUNDING IMPACT STATEMENT: Safe, Healthy and Liveable Communities	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000	
SOURCES OF OPERATING FUNDING						
General Rates, uniform annual general charge, rates penalties		28,294	29,109	28,934	(175)	Key Financial variances
Targeted Rates		1,275	1,302	1,646	344	Significant Operating variances
Subsidies and grants for operating purposes	1	52	54	954	900	1. Subsidies and grants are above budget due to a government grant for the Te Mata Peak upgrade and a bequest to Hastings Libraries.
Fees and charges	2	16,161	16,714	19,154	2,440	2. Fees and Charges are higher than budget due to: Landfill, Environmental consents and Splash Planet revenue, and Insurance proceeds.
Internal charges and overheads recovered		24,559	25,358	26,106	748	
Local Authorities fuel tax, fines, infringement fees and other receipts		84	84	165	81	
Total operating funding (A)		70,425	72,621	76,959	4,338	
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers	3	32,375	33,148	34,074	(926)	
Finance costs		2,276	2,514	1,672	842	
Internal charges and overheads applied		25,854	26,737	29,177	(2,440)	3. Payments to staff and suppliers are higher than budget due to increased Building and Parks maintenance.
Other operating funding applications	4	1,370	1,375	2,817	(1,442)	4. Other Operating funding applications are higher than budget due to the timing of the grants to the Regional Sports Park partially offset by lower Civic Square/ Opera House operating costs.
Total applications of operating funding (B)		61,875	63,774	67,740	(3,966)	
Surplus (deficit) of operating funding (A-B)		8,550	8,847	9,219	372	
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure	5	2,284	363	4,152	3,789	
Development and financial contributions		731	549	633	84	Significant asset acquisitions or replacements and other variances
Increase (decrease) in debt	6	5,611	(1,614)	5,329	6,943	
Gross proceeds from sale of assets		1,642	459	977	518	5. Grant for Opera House strengthening received but not budgeted.
Lump sum contributions		-	-	-	-	6. Debt has increased by more than budget mainly due to the timing of Opera House and Building Services projects.
Other dedicated capital funding		-	-	-	-	7. Capital Expenditure to improve the level of service is above budget mainly due to the Crematorium Chapel build, funded from prior years.
Total sources of capital funding (C)		10,268	(243)	11,091	11,334	8. Renewal Capital expenditure is higher than budget due to the timing of Opera House, Building Services and Splash Planet.
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						9. Landfill surplus was transferred to reserve.
To meet additional demand		256	82	269	(187)	
To improve the level of service	7	14,481	3,874	5,300	(1,426)	
To replace existing assets	8	4,081	4,646	11,290	(6,644)	
Increase (decrease) in reserves	9	-	2	3,451	(3,449)	
Increase (decrease) of investments		-	-	-	-	
Total applications of capital funding (D)		18,818	8,604	20,310	(11,706)	
Surplus (deficit) of capital funding (C-D)		(8,550)	(8,847)	(9,219)	(372)	
Total funding balance (A-B) + (C-D)		-	-	-	-	
Group depreciation and amortisation		4,671	4,733	5,595	(862)	

Economic and Community Development

The section titled ‘Our Reporting Framework’ outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled ‘Key Initiatives and Projects’.

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

- an enhanced traditional economic base
- new and diversified business investment
- an appealing visitor destination
- skilled and enterprising people
- an attractive location to live
- diversity in housing choice
- attractive and useable public spaces
- safe, multi-functional urban centres and neighbourhoods
- a strong district identity
- putting people at the centre of planning and service
- effective working relationships with mana whenua
- young people connect and develop positively within the community
- appropriate services and facilities for an ageing population.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

- The Hastings district’s strength as a growing region has seen increased developer interest in the Omahu, Irongate and Whakatu industrial areas over the last year. At Whakatu, the council has supported the Food Hub to conduct a business case and feasibility study for the project. At Omahu, the council started installing drinking and wastewater infrastructure in the 65-hectare zone in March this year to service

landowners, developers and potential tenants. Progress had been steady in the Irongate zone with all services now installed, and roading improvements and a new roundabout in the design phase.

- A number of community plans were either completed or reviewed and updated during the year resulting in a total of 4 plans being renewed since 2015/16 and 4 new plans completed in that same time frame.
- The Hastings City Centre Strategy had three new vibrancy initiatives added to the programme of work including establishment of an eastside hospitality precinct, and improvements to the CBD mall area and Civic Square area planned.
- A range of social programmes with particular focus on helping young people into jobs continued during the year along with a successful funding application to extend the Youth Connector programme, a new Whanau Connector and Employer Connector.
- In terms of tourism and visitor attraction, Splash Planet exceeded its visitor number target for the year with a total of 111, 258 visitors. Council’s i-Sites, collectively, received 60, 000 visitors.

Negative effects

Negative effects can result in the form of environmental issues associated with increased development. The recent Council adoption of a new Infrastructure Code of Practice developed on sustainability principles and best practice sets out infrastructure guidelines for new developments.

FUNDING IMPACT STATEMENT: Economic and Community development	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
		6,712	6,903	6,612	(291)
Targeted Rates		269	269	339	70
Subsidies and grants for operating purposes	1	-	-	204	204
Fees and charges	2	336	345	544	199
Internal charges and overheads recovered		104	106	41	(65)
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	-	-
Total operating funding (A)		7,421	7,623	7,740	117
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	3	5,617	5,771	5,028	743
Finance costs		76	75	6	69
Internal charges and overheads applied		1,203	1,237	1,657	(420)
Other operating funding applications	4	468	484	819	(335)
Total applications of operating funding (B)		7,364	7,567	7,510	57
Surplus (deficit) of operating funding (A-B)		57	56	230	174
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		-	-	-	-
Increase (decrease) in debt		(48)	(44)	(5)	39
Gross proceeds from sale of assets		26	45	10	(35)
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		(22)	1	5	4
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	-	-
To replace existing assets		36	58	32	26
Increase (decrease) in reserves	5	(1)	(1)	203	(204)
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		35	57	235	(178)
Surplus (deficit) of capital funding (C-D)		(57)	(56)	(230)	(174)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		53	53	62	(9)

Governance and Support Services

The section titled ‘Our Reporting Framework’ outlines the detailed achievement for the year for this activity group. Summary information on the key matters within this activity group can also be found within the section titled ‘Key Initiatives and Projects’.

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

- putting people at the centre of planning and service
- effective working relationships with mana whenua
- a future we can fund.

A snapshot of the key aspects of performance for this group of activities during the year is as follows:

- Customer feedback for both the Customer Service Centre and Contact Centre is very positive with the continuation of high customer satisfaction, as measured through mystery shopper visits and phone calls.
- The Council’s targets for website usage were exceeded with an average of 19,068 unique visitors per month, well in excess of the target of 9,500. Service levels within the customer service and contact centre areas of Council were achieved.
- No breaches of statutory planning processes were recorded during the year.
- By-election processes for the Council mayoralty and a vacant councillor position were completed during the year.
- The financial result for the year has resulted in a rating surplus which has been applied to repay debt in accordance with the Council’s financial strategy.
- The section titled ‘[Exercising Partnership – Council and Mana Whenua](#)’ outlines the activities undertaken during 2017/18 to establish and maintain processes to provide opportunities for mana whenua to exercise partnership in decision making.



FUNDING IMPACT STATEMENT: Governance and Support	Notes	LTP Council 2017 \$'000	LTP Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
Targeted Rates		(385)	(165)	-	165
Subsidies and grants for operating purposes		-		27	27
Fees and charges		259	124	302	178
Internal charges and overheads recovered	1	11,342	11,673	14,054	2,381
Local Authorities fuel tax, fines , infringement fees and other receipts		611	644	729	85
Total Operating Funding (A)		14,465	15,017	18,375	3,358
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	10,866	10,818	12,268	(1,450)
Finance costs		53	51	76	(25)
Internal charges and overheads applied		3,831	3,931	4,481	(550)
Other operating funding applications		822	843	1,014	(171)
Total applications of operating funding (B)		15,572	15,643	17,839	(2,196)
Surplus (deficit) of operating funding (A-B)		(1,107)	(626)	536	1,162
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		-	-	-	-
Increase (decrease) in debt		1,537	133	36	(97)
Gross proceeds from sale of assets		52	74	77	3
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		1,589	207	113	(94)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	73	(73)
To replace existing assets		2,183	949	876	73
Increase (decrease) in reserves	3	(1,701)	(1,400)	(540)	(860)
Increase (decrease) of investments		-	32	240	(208)
Total applications of capital funding (D)		482	(419)	649	(1,068)
Surplus (deficit) of capital funding (C-D)		1,107	626	(536)	(1,162)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		739	739	716	23



**Exercising partnership –
Council and Mana Whenua**

Exercising partnership – Council and Mana Whenua

Hastings District Council remains more committed to maintaining and strengthening processes to enable mana whenua to exercise partnership in decision making.

Kei ngā mana, kei ngā reo, kei ngā pari kārangaranga tō tēnā pito, tō tēnā takiwā, tō tēnā hapū o te rohe o Heretaunga, nika nei ngā kupu whakamiha ki a koutou katoa. E tika ana kia mihiā anōtia ki a rātau mā ko ngā rauopioipo kua purea nei e ngā hau maiangi, e ngā hau pūkerikeri ki tua o te ārai i te tau kua pahure ake nei. Kāti te tira mātai pō ki a rātau, heoi anō, tēnei tātau te tira mātai ao e whakapau kaha nei i te ao hurihuri, tēnā rā tātau katoa hei hoki whakamuri kia anga whakamua; ki te hoe!

During 2017/18 the Council provided the following opportunities for mana whenua to exercise partnership in decision making:

- The Hastings District Council created two new roles in the latter third of 2017, with the selected appointments starting in March 2018. The roles of Pou Ahurea Matua – Principal Advisor Relationships, Responsiveness and Heritage and Pou Ahurea – Advisor Relationships, Responsiveness and Heritage have been specifically developed to work closely with mana whenua and community to enhance strategic relationships between whānau, marae, hapū, taiwhenua, Post Settlement Governance Entities (PSGEs) including Ngāti Kahungunu Iwi Incorporated and the Council; and all tāngata whenua in the district.
- Māori Joint Committee's focus is on strategic priorities for mana whenua and tāngata whenua in the district. The committee comprises six mana whenua appointments and six councillors. The committee's terms of reference includes:
 - To provide governance-level advice to the Council on matters of strategy and policy development across the scope of Council's activities;
 - To develop, update and recommend to Council a policy framework and work programme, known as the Māori Responsiveness Framework;
 - To provide input and advice into the Long Term Plan and the Annual Plan in order to assist Council to effectively consider Māori perspectives and address issues of importance to mana whenua and tāngata whenua; and
 - To assist the Council as appropriate in conducting and maintaining effective, good faith working relationships with mana whenua and tāngata whenua, including advice on governance arrangements.
- Council is intent on providing opportunities for PSGEs to be engaged in district planning and development, including economic development to benefit both mana whenua and the community as a whole.
- Council continues to encourage the development of Papakāinga housing through effective cross-sectoral engagement with whānau and hapū, Te Puni Kōkiri and the Māori Land Court. Also, the rates' remission policy for Māori freehold land takes the establishment of Papakāinga developments into account.
- The Tangata Whenua Wastewater Committee continues to monitor the performance of the treatment plant. This special purpose committee works through the development of wastewater solutions integrating tikanga Māori (customary values) alongside the provisions of the Resource Management Act. Accordingly, the biological trickling filter system for the wastewater treatment plant at East Clive has a consent to operate (granted by the Hawke's Bay Regional Council) for a period of 35 years. A condition of the consent is that the Committee meets once per year to monitor the performance of the treatment plant.
- The annual Marae Development Fund has resumed to take a more strategic approach to support marae, after the success of the Marae Whakaute Project that supported our marae capability and capacity to host manuhiri at Te Matatini 2017. An ongoing collegial partnership continues with Te Puni Kōkiri and the Department of Internal Affairs funding processes to support marae whānau and hapū to focus on the physical and cultural revitalisation of our marae; for instance, the marae fire and safety project. The Fund is governed by the Māori Joint Committee.

- The development of the Māori Responsiveness Framework, adopted to guide Council activity and to monitor progress throughout the operations of Council has been a success. The framework continues to be reported on to the Māori Joint Committee every six months to record achievements and to identify emerging needs across four areas:
 - Governance and relationships
 - Culture and identity
 - Prosperity and wellbeing
 - Resources and infrastructure
 Following Māori Joint Committee, the Pou Ahurea Matua and the Pou Ahurea's monitoring and review in the latter half of the year, the framework is currently being revamped and refreshed for the ensuing year in order that it too is more transparent across Council, for mana whenua and for the wider community.
- Te Tira Toitū te Whenua – Hastings District Plan Cultural Values Subcommittee has been established with the specific purpose of considering how the cultural values of Te Mata and other areas of cultural significance are to be integrated within the District Plan. This will include overseeing the formation of a project plan and timeframe, considering the options for any proposed changes to the Proposed District Plan, and the detail provisions of the preferred option. Te Tira Toitū te Whenua will also provide guidance on the consultation that will be required and its purpose will also be extended to look at the same issue with the other cultural values and areas of cultural significance (including outstanding landscapes) within the district. Te Tira Toitū te Whenua comprises eight members; four Councillors from the Hearings Committee and four members appointed by the Māori Joint Committee.
- An inter-sectoral working group set up to develop effective policy on wāhi tapu/wāhi taonga to inform the development of District Plan rules to apply in a way that harmonises the requirements of the Resource Management Act and customary practices continues to meet. This kaupapa includes the development and production of a culturally appropriate nomination toolkit that takes into account tikanga Māori (cultural values), private property rights, the Resource Management Act and mana whenua aspirations in a balanced way.
- Council is encouraging and supporting the continual development of hapū plans including both hapū environmental management plans and hapū community plans. At the later part of the 2017/18 year, Council entered into relationships with the Waipatu and Bridge Pā hapū communities and embarked on a journey with the Maungaharuru Tangitū Trust in regard to a hapū environmental management or a Mana Whakahono-ā-rohe plan that also has positive implications for our other five PSGEs.
- Council has undertaken a project to establish a framework for the management of the Rene Orchiston harakeke collection located at Longlands. This framework will include provision for mana whenua to:
 - Assist and coordinate Council in thinning out the [overgrown] harakeke and cleaning the site,
 - Create a Ngāti Kahungunu ki Heretaunga weavers' database,
 - Establish guidelines for the management of resources in consultation with mana whenua, marae, hapū, taiwhenua, Ngāti Kahungunu Iwi Incorporated (NKII), Te Rūnanganui o Heretaunga (TROH), Ngā Whenua Rāhui (NWR), and Council officers (HDC),
 - Produce a Kaitiakitanga Booklet (contact database, history of the Rene Orchiston collection, tikanga, kawa, protocols, monitoring and maintenance), and
 - Provide and advocate policies based on mana whenua and mātauranga Māori.
- Council also works with Ngā Marae o Heretaunga in the maintenance of Ngā Pou o Heretaunga in Civic Square where consultation is currently underway with the next phase of this kaupapa, which involves capturing and making available via technology, the cultural narratives that accompany and underpin each of the Pou in Civic Square.
- Council, Ngāti Kahungunu Iwi Incorporated, Te Taiwhenua o Heretaunga and mana whenua, from Council's position, have had to work more closely together in this last year to ensure the inclusive vitality of cultural life in the district, to strengthen partnership relationships, and to reinforce Council's responsiveness to mana whenua kaupapa.

Nāu te rourou, nāku te rourou ka ora ai te iwi – with your basket and my basket (of kai), the people will be looked after. If there is only one basket or the basket(s) are empty or only part full, then not everyone will be catered to; subsequently, the capacity to exercise partnership in decision-making processes must recognise equitable contribution. Council remains committed to pursuing partnership with mana whenua where the baskets of kai (food), and kai being a metaphor for knowledge, experiences and or aspirations, are full and equal. Nō reira, ko Heretaunga haukūnui, Heretaunga ararau, Heretaunga haaro te kaahu, Heretaunga haumako, Heretaunga ringahora, Heretaunga takoto noa, nei te Kaunihera-ā-rohe o Heretaunga e mihi ake, e mihi ake, e mihi ake!



Financial statements



Financial statements

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2018	Notes	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
REVENUE						
70,769	70,769	Rates, excluding metered water supply charges (i)	3	72,234	72,674	72,674
24,321	24,337	Fees, charges and metered water supply charges (ii)		21,742	24,394	24,439
21,756	22,131	Subsidies and Grants (iii)		16,096	24,534	24,702
6,192	6,192	Development and financial contributions (iv)		3,876	4,711	4,711
78	78	Donations		3	630	630
190	197	Interest revenue (v)	4	-	162	169
3,550	3,550	Other revenue (vi)	5	626	1,733	1,733
21	21	Vested infrastructural assets (vii)		1,000	5,131	5,131
126,878	127,277	Total revenue		115,577	133,969	134,189
EXPENSES						
78,806	78,938	Operational costs (viii)	6	75,986	81,975	82,095
31,522	31,535	Depreciation and amortisation expense	7	31,173	31,182	31,196
3,519	3,519	Finance Costs (ix)		4,550	3,680	3,680
113,847	113,992	Total expenses		111,709	116,837	116,971
-	270	Share of associate surplus/(deficit)		-	-	121
13,033	13,555	Surplus/ (deficit) before tax		3,868	17,131	17,339
-	-	Income Tax expense	8	-	-	-
13,033	13,555	Surplus/(deficit) after tax		3,868	17,131	17,339
Other comprehensive revenue and expense:						
28,675	28,698	Gain/loss on infrastructural revaluations		27,437	113,512	113,533
		Gain/Loss on land and building revaluations		-	46,237	46,237
234	241	Gain/Loss on other revaluations		-	(501)	(501)
28,909	28,939	Total other comprehensive revenue and expense		27,437	159,248	159,270
41,942	42,494	Total comprehensive revenue and expense		31,305	176,380	176,609

The accompanying notes form part of these financial statements.

The major reasons for the variance between actual and budgeted surplus on operations were:

- (i) Increase in rates revenue is due to an increase in the rating base and rate increases.
- (ii) Fees and charges exceeded budget across a number of activities, this is reflective of stronger economic conditions.
- (iii) The increase in New Zealand Transport Agency (NZTA) subsidies as well as a grant for the Opera House project were the major factors in the favourable variance.
- (iv) Development contributions above budget due to industrial developments commencing.
- (v) Interest Revenue – Interest on surplus working capital reinvested.
- (vi) Other Revenue – unbudgeted gains from disposal on plant property and equipment and dividends exceeding budget.
- (vii) Vested Assets favourable due to increased development.
- (viii) Operational Costs exceeded budget due to increased contracted services and additional personnel and operating costs in the water area.
- (ix) Finance Costs -Lower than budget, as consequence of lower debt levels and favourable interest rates.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2018	Notes	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
Net Surplus /(Deficit) attributable to:						
13,033	13,555	Hastings District Council		3,868	17,131	17,339
-	-	- Minority Interest		-	-	-
13,033	13,555			3,868	17,131	17,339
Total comprehensive revenue and expense attributable to:						
41,942	42,494	Hastings District Council		31,305	176,380	176,609
-	-	- Minority Interest		-	-	-
41,942	42,494			31,305	176,380	176,609

The accompanying notes form part of these financial statements.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Statement of changes in equity for the year ended 30 June 2018	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
Balance at 1 July					
1,802,486	1,808,395	Balance at 1 July	1,770,828	1,844,428	1,850,889
13,033	13,555	Surplus/Deficit	3,868	17,131	17,339
28,909	28,939	Other comprehensive revenue and expense for the year	27,437	159,248	159,270
41,942	42,494	Total comprehensive revenue and expense for the year	31,305	176,380	176,609
1,844,428	1,850,889	Balance at 30 June	1,802,133	2,020,806	2,027,499
Total comprehensive revenue and expense attributable to:					
41,942	42,494	Hastings District Council	31,305	176,380	176,609
41,942	42,494	Total comprehensive revenue and expense	31,305	176,380	176,609

The accompanying notes form part of these financial statements.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Statement of financial position as at 30 June 2018	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
			Notes		
CURRENT ASSETS					
7,383	7,734	Cash & cash equivalents	1,265	1,640	2,045
12,260	12,547	Receivables (i)	9	9,246	12,178
114	114	Inventory	10	59	108
-	-	- Non-current assets held for sale	-	-	-
30	246	Short Term Investments	-	30	263
19,787	20,641	Total current assets	10,570	13,956	14,825
NON-CURRENT ASSETS					
Other financial assets					
27	27	Derivative financial instruments	16	-	-
1,807	7,630	Investments in associates	11 (a)	1,066	1,807
237	1	Investments in CCO's and similar entities	11 (b)	590	150
1,491	1,491	Investment in other entities	11 (b)	1,568	1,731
170,515	170,856	Plant, property and equipment	12	208,304	227,220
1,738,502	1,738,502	Infrastructural assets	12	1,700,675	1,885,573
503	503	Biological Assets	12	-	19
320	320	Intangible assets	-	205	127
1,913,401	1,919,328	Total non-current assets	1,912,408	2,116,627	2,122,713
1,933,188	1,939,969	Total assets	1,922,979	2,130,583	2,137,538
LIABILITIES					
Current liabilities					
18,713	19,032	Payables and deferred revenue (ii)	13	14,437	21,797
2,467	2,467	Employee entitlements	14	2,241	2,612
212	212	Derivative financial instruments	16	-	93
-	-	- Borrowings and other financial liabilities (iii)	15	9,929	22,000
21,392	21,711	Total current liabilities	26,607	46,502	46,762
Non-current liabilities					
659	659	Provisions and other non-current liabilities	13	703	719
480	480	Employee entitlements	14	676	432
5,489	5,489	Derivative financial instruments	16	3,500	6,385
60,741	60,741	Borrowings and other financial liabilities (iii)	15	89,360	55,740
67,369	67,369	Total non-current liabilities	94,239	63,276	63,276

The accompanying notes form part of these financial statements.

The major reasons for the variance between actual and budgeted balances at 30 June 2018 were:

(i) Receivables are higher than budget due to NZTA subsidies for the Whakatu Arterial, however consistent with last year.

(ii) The increase in payables and deferred revenue on budget and last year's actuals is due to the timing of major infrastructure projects underway at 30 June 2018.

(iii) Secured loans were lower than budgeted at the end of the financial year due to projects progressing later than planned.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Statement of financial position as at 30 June 2018	Notes	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
88,761	89,080	Total liabilities		120,846	109,777	110,038
1,844,428	1,850,889	Net assets (assets minus liabilities)		1,802,133	2,020,806	2,027,499
Equity						
1,219,951	1,224,259	Accumulated funds	17	1,218,430	1,236,678	1,241,279
3,169	3,169	Restricted Reserves	18	3,563	3,572	3,572
621,308	623,460	Revaluation Reserves	19	580,140	780,555	782,648
1,844,428	1,850,889	Total equity		1,802,133	2,020,806	2,027,499

The accompanying notes form part of these financial statements.

Actual Council 2017 \$'000	Actual Group 2017 Statement of cash flows \$'000 for the year ended 30 June 2018	Notes	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES					
<i>Cash was provided from:</i>					
70,774	70,774 Receipts from rates revenue		72,742	72,870	72,870
28,732	28,750 Receipts from customers		25,736	32,694	32,737
190	197 Interest received		-	162	170
147	147 Dividends and commissions received		-	175	175
21,835	22,145 Subsidies and grants received		16,099	24,534	24,677
-	- GST (net)		-	-	-
121,678	122,013		114,577	130,435	130,629
<i>Cash was applied to:</i>					
77,990	78,142 Payments to suppliers and employees		75,986	83,889	84,006
3,410	3,410 Interest paid		4,550	3,636	3,636
227	227 GST (net)		-	1,394	1,394
81,626	81,778		80,536	88,919	89,036
40,052	40,235 Net cash flows from operating activities (Note 20)	A)	34,041	41,516	41,593
CASH FLOWS FROM INVESTING ACTIVITIES					
<i>Cash was provided from:</i>					
964	964 Receipts from sale of property, plant and equipment		458	3,373	3,373
-	- Losses and impairment / revaluation prior year		-	-	-
964	964		458	3,373	3,373
<i>Cash was applied to:</i>					
54,386	54,433 Purchase of property, plant & equipment and infrastructural assets		58,886	67,630	67,630
-	(16) Purchase of investments		-	-	21
54,386	54,417		58,886	67,630	67,651
(53,423)	(53,453) Net cash flows to investing activities	B)	(58,428)	(64,256)	(64,278)
CASH FLOWS FROM FINANCING ACTIVITIES					
<i>Cash was provided from:</i>					
15,000	15,000 Proceeds from borrowings		30,478	22,000	22,000
<i>Cash was applied to:</i>					
5,000	5,000 Repayment of borrowings		6,090	5,001	5,001
10,000	10,000 Net cash flows from financing activities	C)	24,388	16,999	16,999
(3,371)	(3,218) Net increase (decrease) in cash, cash equivalents and bank overdraft	(A+B+C)	-	(5,742)	(5,688)
10,754	10,952 Cash, cash equivalents and bank overdraft at the beginning of the year		1,265	7,383	7,734
7,383	7,734 Cash, cash equivalents and bank overdraft at the end of the year		1,265	1,640	2,045
CASH AT END OF YEAR COMPRIMES					
7,383	7,734 Cash and cash equivalents		1,265	1,640	2,045

The accompanying notes form part of these financial statements.

Notes to financial statements

1. Statement of accounting policies

Reporting entity

Hastings District Council ('the Council') is a territorial authority within the definition of the Local Government Act 2002 and domiciled in New Zealand.

The operations of the Council are divided into the following activity groups:

- Water and Roads
- Safe Healthy and Liveable Communities
- Economic and Community Development
- Governance and Support Services.

The Hastings District Council Group consists of the ultimate parent, the Council, and the following subsidiaries (the Group):

Te Mata Park Trust Board	Hastings District Holdings Limited
100%	100%

The Council also has the following investments in associates:

- Hawke's Bay Airport Limited, a Council Controlled Organisation and is an equity accounted associate that the Council holds a 23.88% shareholding in.
- Horse of the Year (Hawke's Bay) Limited is an equity accounted associate that the Council holds a 33% shareholding in.
- Omarunui LFG Generation Limited Partnership is an equity accounted associate that the Council holds a 40% shareholding in.

Hastings District Holdings Limited provides the Council with an extra layer of governance and a monitoring structure for Council's other CCOs which include the Hawke's Bay Opera House Limited and the Hastings District Properties Limited.

The Council has a 1.7% interest in the Local Government Funding Agency.

The Omarunui Refuse Landfill is a jointly controlled asset. The Council includes only its 63.68% share of all revenue, expenditure, assets and liabilities of the Landfill facility.

The primary objective of the Council and Group is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly the Group is a public benefit entity (PBE) for the purposes of financial reporting.

The financial statements of the Council and Group are for the year ended 30 June 2018. The financial statements were authorised for issue by Council on 25 October 2018.

Basis of preparation

Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements comply with PBE Standards. The financial statements have been prepared in accordance with Tier 1 PBE Standards. There are no material adjustments arising on transition to the new PBE accounting standards. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The Council and Group financial statements presented in this Annual Report include a statement of comprehensive revenue and expense, a statement of cash flows, a statement of financial position and a statement of changes in equity, with supporting notes, encompassing all activities of the Council.

In order to meet its obligations of public accountability, the Council has also included for each group of activity funding impact statements for the whole of council.

Measurement base

The measurement base adopted is that of historical cost, modified by the revaluation of certain classes of property, plant and equipment, and financial instruments (including derivative instruments).

Functional and presentation currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of the Council is New Zealand dollars.

Changes in accounting policies

Standards issued and not yet effective and not early adopted, and which are relevant to the Council and group are:

Interest in other entities

In January 2017, the XRB issued new standards for interest in other entities (PBEIPSAS 34-38). These new standards replace the existing standards for interest in other entities (PBE IPSAS 6-8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

The Council plans to apply the new standards in preparing the 30 June 2020 financial statements. The Council and group has not yet assessed the effects of these new standards.

Financial instruments

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- New financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost.
- A new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses.
- Revised hedge accounting requirements to better reflect the management of risk.

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and group has not yet assessed the effects of the new standard.

Significant accounting policies

Basis of consolidation

The consolidated financial statements are prepared adding together like items of assets, liabilities, equity, revenue and expenses on a line-by-line basis. All significant intragroup balances, transactions, revenue and expenses have been eliminated on consolidation.

Subsidiaries

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

Investments in subsidiaries are carried at cost in the Council's separate financial statements.

The interest in the Te Mata Park Trust Board has been reflected in the consolidated financial statements and accounted for using the purchase method. This involves adding corresponding assets, liabilities, revenues and expenses on a line-by-line basis.

Hastings District Holdings Limited are 100% owned by the Council and provides Council with an extra layer of governance and a monitoring structure for Council's other CCOs which include Hawke's Bay Opera House Limited and Hastings District Properties Limited.

Associate

The Council's associate investment is accounted for in the Group financial statements using the equity method. An associate is an entity over which the Council has significant influence and that is neither a subsidiary nor an interest in a joint venture. The investment in an associate is initially recognised at cost and the carrying amount in the Group financial statements is increased or decreased to recognise the Group's share of the surplus or deficit of the associate after the date of acquisition. Distributions received from an associate reduce the carrying amount of the investment.

If the share of deficits of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further deficits. After the Group's interest is reduced to zero, additional deficits are provided for, and a liability is recognised, only to the extent that the Council has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports surpluses, the Group will resume recognising its share of those surpluses only after its share of the surpluses equals the share of deficits not recognised.

The Council's 23.88% share of the profit of Hawke's Bay Airport Limited is recognised in the period which matches the reporting period of the Airport Authority. The investment has been equity accounted.

The Council's 33% share of the loss of Horse of the Year (Hawke's Bay) Limited is recognised in the period which matches the reporting period ending 31 May 2018. The investment has been equity accounted.

The Council's 40% share of the loss from the Omarunui LFG Generation Limited Partnership is recognised in the period which matches the reporting period ending 31 March 2018. The investment has been equity accounted.

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled assets, the Council and Group recognises in its financial statements the assets it controls, the liabilities and expenses it incurs, and the share of revenue that it earns from the joint venture.

The Omarunui Refuse Landfill is a jointly controlled asset and the Council's proportionate interests (63.68%) in the assets, liabilities, revenue and expenses have been incorporated in Council's financial statements under the appropriate headings.

Revenue

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when payment is made. Revenue is measured at the fair value of consideration received or receivable.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions

General and targeted rates (excluding user charge water rates)

Rates are set annually by a resolution from Council and relate to a financial year.

All ratepayers are invoiced within the financial year to which the rates have been set. Rates revenue is recognised at the start of the financial year to which the rates resolution relates.

Rates collected on behalf of the Hawke's Bay Regional Council (HBRC) are not recognised in the financial statements, as the Council is acting as an agent for the HBRC.

Fees and charges

Revenue from the provision of services in a non-exchange transaction is recognised when the Group obtains control of the transferred asset and when the transfer is free from conditions that require the asset to be refunded or returned if the conditions are not met. To the extent there is a condition attached that gives rise to a liability to return the asset, a deferred revenue liability is recognised. Revenue is then recognised when the Group has satisfied the conditions. Fees and charges that are non-exchange transactions include parking fines and infringements and dog licenses.

Government grants

Government grants are received from the New Zealand Transport Agency, which subsidises part of the costs of maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

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

Vested assets

Assets vested in the Council are recognised when control over the asset is obtained and as revenue when the transferred asset is free from conditions that require the asset to be returned if the conditions are not met. Where a physical asset is acquired for nil or nominal consideration, the fair value of the asset received is recognised.

Revenue from exchange transactions

Development contributions

Development and financial contributions are recognised as revenue when the Council provides, or is able to provide, the service for which the contribution was charged.

Otherwise development and financial contributions are recognised as liabilities until such time the Council provides, or is able to provide, the service.

User pays water rates

Revenue from water rates by meter is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Fees and charges

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided. Fees and charges that are exchange transactions include consent fees and permits.

Revenue from the sale of goods is recognised when the risks and rewards of ownership pass to the buyer.

Other revenue

Investment revenue in the form of interest is recognised using the effective interest method.

Dividend revenue is recognised when the right to receive payment has been established.

Cost allocation

The cost of service for each significant activity of Council has been derived using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs that cannot be identified in an economically feasible manner with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Goods and Services Tax (GST)

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

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Income tax

The Council is exempt from income tax except on income received from Council Controlled Trading Organisations.

Income tax expense includes current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable surplus for the current year, plus any adjustments to income tax in respect of prior years. Current tax is calculated using rates that have been enacted or substantially enacted by balance date.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable surplus.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that any taxable surplus will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill or from the initial recognition of an asset and liability in a transaction that is not a business combination, and at the time of the transaction, affects neither accounting surplus nor taxable surplus.

Deferred tax is neither recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the company can control the reversal of the temporary difference and the temporary difference will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at balance day. The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle the current amount of its assets and liabilities.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to a business combination, or to transactions recognised in other comprehensive revenue and expenses or directly in equity.

Future tax benefits attributable to tax losses or timing differences are only recognised when there is virtual certainty of realisation.

Leases

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and reward incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Finance leases

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

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

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

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

Grant expenditure

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

Discretionary grants are those grants where the Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of Council's decision.

Borrowing costs

All borrowing costs are recognised as an expense in the period in which they are incurred.

Statement of cash flows

The year-end cash balance in the Statement of Cash Flows consists of cash on hand; bank account balances, plus call deposits that form part of the day to day cash management of the Council.

The cash flows are classified into three sources:

- 1) **Operating activities** – includes cash received from all revenue sources of Council and cash paid for the supply of goods and services, including interest on debt
- 2) **Investing activities** – includes the purchase and sale of long term assets and investments such as land and buildings, term investments, infrastructural and other operational assets
- 3) **Financing activities** – includes movements in the Council's public debt from loans raised and loans repaid

Financial assets

PBE Standards classify financial assets into four categories: financial assets at fair value through surplus or deficit, held to maturity investments, loans and receivables and financial assets at fair value through other comprehensive revenue and expenses. The Council does not have held to maturity investments.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit in which case the transaction costs are recognised in the statement of comprehensive revenue and expenses.

The three categories of financial assets are:

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

This category has two sub categories: financial assets held for trading, and those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values with gains or losses on re-measurement recognised in the statement of comprehensive revenue and expenses. Financial Assets in this category include Interest Rate Swaps.

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit. Loans and receivables are classified as 'Debtors and other receivables' in the statement of financial position.

(c) Financial assets at fair value through other comprehensive revenue and expenses

Financial assets at fair value through other comprehensive revenue and expenses are those that are designated into the category at initial recognition or are not classified in any of the other categories above. After initial recognition these investments are measured at their fair value.

Gains and losses are recognised in other comprehensive revenue and expenses except for impairment losses, which are recognised in the statement of comprehensive revenue and expenses. On derecognition the cumulative gain or loss previously recognised in other comprehensive revenue and expenses is re-classified from equity to the statement of comprehensive revenue and expenses.

Accounting for derivative financial instruments and hedging activities

Council uses derivative financial instruments to economically hedge exposure to interest rate risk arising from financing activities. Council's derivative financial instruments are not designated as hedging instruments for accounting purposes. Accordingly, derivative financial instruments are reported as financial instruments at fair value through surplus or deficit.

Impairment of financial assets

Financial assets are assessed for objective evidence of impairment at each balance date. Impairment losses are recognised in the surplus or deficit.

Loans and other receivables

Impairment is established when there is objective evidence that the Council and Group will not be able to collect amount due according to the original terms of the debt. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus or deficit. When the receivable is uncollectible, it is written-off against the allowance account. Overdue receivable that have been renegotiated are reclassified as current (that is, not past due). Impairment of term deposits, local authority stock, government stock, and community loans are recognised directly against the instrument's carrying amount.

Financial assets at fair value through other comprehensive revenue and expenses

For equity investments, a significant or prolonged decline in the fair value of the investment below its cost is considered objective evidence of impairment.

For debt investments, significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, and default in payments are considered objective indicators that the asset is impaired.

If impairment evidence exists for investments at fair value through other comprehensive revenue and expenses, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the surplus or deficit) recognised in other comprehensive revenue and expenses is reclassified from equity to the surplus or deficit.

Equity instrument impairment losses recognised in the surplus or deficit are not reversed through the surplus or deficit. If in a subsequent period the fair value of a debt instrument increase and the increase can be objectively related to an event occurring after the impairment loss was recognised, the impairment loss is reversed in the surplus or deficit.

Property, Plant & Equipment

Property, plant and equipment consist of:

- **Operational assets** – these include land, buildings, landfill post closure, library books, plant and equipment, and motor vehicles.
- **Restricted assets** – restricted assets are parks and reserves owned by the Council and Group that provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.
- **Infrastructural assets** – infrastructure assets are the fixed utility systems owned by the Council and Group. Each asset class includes all items that are required for the network to function. For example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

(a) Revaluation

Land and buildings (operational and restricted), library books, and infrastructural assets (except land under roads) are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from fair value and at least every three years with the exception of heritage assets which are valued every five years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expenses and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expenses but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expressed, and then recognised in other comprehensive revenue and expenses.

Land and Buildings were revalued in June 2018 by Mr John Reid (M Property Studies, B Com, ANZIV, SNZPI) of Added Valuation Ltd. Wherever possible, land and buildings are valued at net current value. Those buildings which cannot be easily sold are valued at depreciated replacement cost. Future revaluations will take place at three yearly intervals. The Te Mata Park Trust Board assets are recorded at cost less accumulated depreciation to date.

Library Collections are valued at depreciated replacement cost in accordance with guidelines established by the New Zealand Libraries Association. Library valuations are performed through a model created by an independent valuer, Dr Robin Watt MA (Hons.) PhD of R.J. Watt & Associates. The last valuation was performed as at June 2018.

Plant, Machinery and Vehicles are recorded at cost less accumulated depreciation to date. The Council's 63.68% share of all assets of the Omarunui Refuse Landfill has been included at cost less accumulated depreciation.

Kate Srzich of Webb's valued the heritage assets in June 2018, with the valuation being based on images and descriptions provided. The assets were valued on the basis of net current replacement costs. Future revaluations will take place at five yearly intervals.

Infrastructure assets for Roading were valued at June 2017 by Pauline True (BE Civil) of MWH Ltd (now part of Stantec). Infrastructure assets for water (excluding land) were valued at June 2018 at depreciated replacement cost by the Council's engineers and independently reviewed by Ms Jennifer Fox of Waugh Infrastructure Management Ltd. Land in this infrastructure class (water) were revalued by Mr John Reid (M Property

Studies, B Com, ANZIV, SNZPI) of Added Valuation Ltd at June 2018. These values were determined by calculation of the current cost of replacement adjusted by the estimated remaining useful life of the asset. Future revaluations will take place at two yearly intervals.

Parks assets replacement cost values were completed by Council's staff in June 2017 and independently reviewed by Pauline True (BE Civil) of MWH Ltd (now part of Stantec). The values were determined by calculation at the current cost of replacement adjusted by the estimated remaining useful life of the asset. Future revaluations will take place at two yearly intervals.

(b) Additions

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

Infrastructural asset additions between valuations are recorded at cost, except for assets which are vested in the Council as part of the sub-divisional consent process. Vested infrastructure assets are valued based on the Council's standard unit cost rate.

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

Property, plant, and equipment are recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

(c) Disposals

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

(d) Depreciation

Land is not depreciated.

All other assets with the exception of Plant, Machinery and Vehicles are depreciated on a straight-line basis at rates estimated to write off their cost over the expected useful economic life. Plant, Machinery and Vehicles are depreciated using a combination of straight line and diminishing value. The expected lives of major classes of assets are as follows:

	Expected life (years)		Expected life (years)
BUILDINGS		Furniture and Fittings	4 – 14
Structure/Envelope	20 – 65	Computer and Office Equipment	2 – 5
Building Services	15 – 35	Library Collections	5 – 10
Building Fit Out	30 – 50	LANDFILL	
Heavy Plant and Machinery	7 – 10	Permanent Facilities	42
Other Plant and Machinery	2 – 15	Valley A & D Development	12 – 15
Motor Vehicles	4 – 15	Other	5
Structure/Envelope	20 – 65		
WATER SUPPLY		ROADING NETWORK	
Pipes	27 – 120	Top Surface (seal)	13
Valves, hydrants	50 – 80	Pavement (including kerbs)	30 – 85
Pump Stations	15 – 80	Formation	Not depreciated
Bores	50	Footpaths	20 – 75
Reservoirs	100	Street Lights (poles)	50
Treatment Plant	5 – 20	Traffic Signals	15
STORMWATER DISPOSAL		Signs	10 – 15
Pipes	100	Unsealed Roads	Not depreciated
Manholes	100	Roading Land	Not Depreciated
Detention Dams	100	Bridges & Culverts	85
Open Channels	50		
Service Laterals	80		
PARKS		WASTERWATER	
Soft Landscaping	38 – 75	Pipes	25 – 100
Hard Landscaping	6 – 100	Manholes	80
Playgrounds	7 – 50	Pump Stations	15 – 80
Services	30 – 80	Treatment Plant	20
Structures	6 – 100	Submarine Outfall	50
Buildings	6 – 100		

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

(e) Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.

Intangible assets

Software acquisition and development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Direct costs; include the software development employee costs and an appropriate portion of relevant overheads.

Staff training costs are recognised in the surplus or deficit when incurred.

Costs associated with maintaining computer software are recognised as an expense when incurred.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus or deficit. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33.3%
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Impairment of property plant and equipment and intangible assets measured at depreciated cost

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The indicators of impairment depend on whether the asset is cash-generating or non-cash-generating. Non-cash generating assets are those assets that are not held with the primary objective of generating a commercial return. The majority of the Council and Groups assets that are not revalued are non-cash-generating. For non-cash generating assets value in use is determined using an approach based on a depreciated replacement cost approach.

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

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the assets ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash generating assets is the present value of expected future cash flows.

If the asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets, the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit. For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit. The reversal of an impairment loss on a revalued asset is credited to other comprehensive revenue and expense and increases the asset revaluation reserve for that class of asset. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount, the reversal of an impairment loss is recognised in the surplus or deficit.

Inventories

Inventory held for use in the production of goods and services on a commercial basis is valued at the lower of cost and net realisable value. The cost of purchased inventory is determined using the first in first out basis.

Cash and cash equivalents

Cash and Cash Equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments original maturities of three months or less, and bank overdrafts.

Debtors and other receivables

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using face value, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that the Council will not be able to collect all amounts due according to the original terms of receivables. The amount of provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Employee entitlements

Short-term employee entitlements

Employee benefits expected to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

Long-term employee entitlements

Employee benefits which are due to be settled beyond 12 months after the end of the period in which the employee renders the related service, such as long service leave, have been calculated on an actuarial basis. The calculation is based on:

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

Expected future payments are discounted using market yields on government bonds at balance date with terms of maturity that match, as closely as possible, the estimated future cash outflows for entitlements. The inflation factor is based on the expected long term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the surplus or deficit as incurred.

Defined benefit schemes

The Council belongs to the Defined Benefit Plan Contributors Scheme, which is managed by the National Provident Fund. The scheme is a multi-employer defined benefit scheme. Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Landfill post-closure costs

The Council, as operator and 63.68% owner of the Omarunui landfill, has a legal obligation under the resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. The Council's 63.68% share of a provision for post-closure costs is recognised as a liability when the obligation for post-closure arises.

The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including new legal requirements and known improvements in technology. The provision includes all costs associated with landfill post-closure.

Amounts provided for landfill post-closure are capitalised to the landfill asset where they give rise to future economic benefits to be obtained. Components of the capitalised landfill asset are depreciated over their useful lives.

The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the Council.

Investment properties

Investment Properties are valued at fair value which is measured annually. Revaluation increments and decrements are recognised in the surplus or deficit. Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Council currently has no properties classified as investment properties. Properties owned to provide housing for pensioners are held as part of the Council's social housing policy and are accounted for as property, plant and equipment.

Borrowings

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

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

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

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

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Provisions

Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

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

Equity

Equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

[The components of equity are:](#) Retained earnings, restricted reserves and Asset Revaluation reserves.

Restricted reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council. Restricted reserves are those subjected to specific conditions accepted as binding by the Council and which may not be revised by Council without reference to the Courts or a third party. Transfers from these reserves may only be made for certain specified purposes or when certain specified conditions are met.

Council-created reserves are reserves established by Council decision. The Council may alter them without reference to any third party or the Courts. Transfers to and from these reserves are at the discretion of Council.

Property revaluation reserves relates to the revaluation of property, plant and equipment to fair value.

Budget figures

The budget figures are those approved by the Council in its 2017/18 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council for the preparation of the financial statements.

Comparative figures

Comparative figures disclosed in the accounts may have minor changes to those presented in the 2016/17 Annual Report. This has only been done in cases where the changes result in more meaningful comparisons, or to comply with the new presentation requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014.

Critical accounting estimates and assumptions

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

Landfill aftercare provision

Note 24 discloses an analysis of the exposure of Council in relation to the estimates surrounding the landfill aftercare provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing depreciated replacement cost valuations over infrastructural assets. These include:

- The physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example storm water, wastewater and water supply pipes which are underground. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- Estimating any obsolescence or surplus capacity of an asset; and
- Estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Council could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive revenue and expenses. To minimise this risk Council's infrastructural asset useful lives have been determined with reference to the NZ Infrastructural Asset Valuation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers peer review the Council's infrastructural asset valuations.

Creditors and other payables

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

Critical judgements in applying Council's accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2018:

Classification of property

The Council owns a number of properties held to provide housing to pensioners. The receipt of market based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of the Council's social housing policy. The properties are therefore accounted for as property, plant and equipment. See Note 12.

Foreign currency transactions

Foreign currency transactions (including those for which forward foreign exchange contracts are held) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the surplus or deficit. See Note 25.

Other investments

The carrying amount of term deposits approximates their fair value. See Note 11(b).

2. Funding impact statement for the whole of Council as at 30 June 2018

	Notes	Budget Council 2017 \$'000	Actual Council 2017 \$'000	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING						
General rates, uniform annual general charge, rates penalties		57,064	56,777	57,712	57,479	(233)
Targeted rates		14,205	13,690	15,030	15,195	165
Subsidies and grants for operating purposes		5,662	5,981	5,844	6,907	1,063
Fees and charges		19,443	24,383	21,000	24,046	3,046
Interest and dividends from investments		106	337	106	337	231
Local authorities fuel tax, fines, infringement fees and other receipts		740	784	754	900	146
Total operating funding (A)		97,220	101,952	100,446	104,864	4,418
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers		66,878	73,791	70,430	75,747	(5,317)
Finance costs		4,520	3,790	4,550	3,947	603
Other operating funding applications		5,783	5,389	6,403	4,683	1,720
Total applications of operating funding (B)		77,181	82,970	81,383	84,377	(2,994)
Surplus (deficit) of operating funding (A-B)		20,039	18,982	19,063	20,487	1,424
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure		11,335	15,853	10,255	18,256	8,001
Development and financial contributions		3,576	6,013	3,576	4,535	959
Increase (decrease) in debt		34,075	5,072	24,388	23,318	(1,070)
Gross proceeds from sale of assets		1,780	1,167	458	1,460	1,002
Lump sum contributions		300	179	300	175	(125)
Other dedicated capital funding		-	-	-	-	-
Total sources of capital funding (C)		51,066	28,284	38,977	47,744	8,767
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						
To meet additional demand		21,070	6,442	6,327	10,985	(4,658)
To improve the level of service		24,106	20,431	25,991	28,258	(2,267)
To replace existing assets		25,928	26,667	25,723	32,031	(6,308)
Increase (decrease) in reserves		1	(6,434)	(1)	(3,283)	3,282
Increase (decrease) of investments			160	-	240	(240)
Total applications of capital funding (D)		71,105	47,266	58,040	68,231	(10,191)
Surplus (deficit) of capital funding (C-D)		(20,039)	(18,982)	(19,063)	(20,487)	(1,424)
Total funding balance (A-B) + (C-D)		-	-	-	-	-
Group depreciation and amortisation		30,255	31,525	31,173	31,185	(12)
Reconciliation of statement of comprehensive revenue and expense to funding impact statement for the whole of Council for the year ended 30 June 2018						
Total revenue from statement of comprehensive revenue and expense						
Less total funding from funding impact statement						
Variance						

3. Rates revenue excluding metered water supply charges

Actual Council 2017 \$'000		Budget Council 2018 \$'000	Actual Council 2018 \$'000
39,921	General Rate	40,628	40,268
10,333	Community & Resource Rate	10,352	10,467
6,415	Uniform Annual General Charge	6,686	6,657
TARGETED RATES			
50	Havelock North Business Association	51	51
109	Swimming Pools	170	116
118	Havelock North Parking	60	119
285	Hastings City Marketing	289	288
312	Security Patrols	336	336
152	CBD Hastings	183	183
36	CBD Havelock North	44	44
(2)	Rural Seal Extension	-	-
99	Whakatu Stormwater	-	-
16	Waimarama Seawall	16	16
5,120	Wastewater	5,517	5,174
24	Waipatiki Wastewater Operational	30	24
5	Waipatiki Wastewater Capital	-	5
1,899	Wastewater Levy (80%)	1,476	1,919
4,736	Water supply	5,753	5,705
713	Kerbside Recycling	1,019	856
301	Refuse Collection	292	338
-	Waimarama Refuse Collection	41	-
21	Whirinaki Water Supply – Capital	30	21
107	Rates Penalties and remissions (Net)	(742)	87
70,769		72,234	72,674
620	Metered water supply charges	508	684
71,388		72,742	73,358

The Council is required by the LGFA Guarantee and Indemnity Deed to disclose in its financial statements (or notes) its annual rates revenue. That Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by the Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates revenue of the Council for the year ended 30 June 2018 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

Actual Council 2017 \$'000	Budget Council 2018 \$'000	Actual Council 2018 \$'000
70,769 Rates excluding metered water supply charges	72,234	72,674
620 Metered Water Supply Charges	508	684
71,388	72,742	73,358

4. Finance revenue

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
228	228 Special Fund Investment	226	226
190	197 Other Investments	162	169
418	425	388	395
(228)	(228) Less Interest on internal borrowings	(226)	(226)
190	197	162	169

5. Other revenue

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
543	543 Petrol tax	552	552
414	414 Property, plant and equipment gains on disposals	482	482
2,446	2,446 Unrealised gain on interest rate swaps	-	-
	Reversal of impairment losses	524	524
147	147 Dividends revenue	175	175
3,550	3,550	1,733	1,733

6. Operational costs

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
831	831 Councillors remuneration	814	814
23,297	23,297 Contractors	24,942	24,998
5,174	5,186 Consultants and legal fees	4,264	4,268
236	236 Operating lease expense	191	191
107	119 Fees to Audit New Zealand for audit of financial statements	108	113
16	16 Fees to Audit New Zealand for other services	75	75
3	3 Total bad debts written off	19	19
(50)	(50) Change in provision for doubtful debts	(7)	(7)
481	481 Loss on sale of property, plant and equipment	563	563
6,844	6,849 Maintenance and asset costs	6,277	6,351
2,945	2,945 Energy costs	2,887	2,887
29,399	29,445 Salary and wages	31,111	31,129
830	830 Defined contribution plan – employer contributions	926	926
87	87 Increase/(decrease) in employee entitlements/liabilities	71	71
1,476	1,476 Administration costs	1,367	1,412
3,607	3,607 Sponsorships and grants	3,073	2,925
3,523	3,580 Other costs	4,404	4,470
-	- Impairment loss non fixed asset	87	87
	Unrealised loss on interest rate swaps	803	803
78,806	78,938	81,975	82,095

7. Depreciation and amortisation expense

Actual Council 2017 \$'000	Actual Group 2017 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
823	836	Operational buildings	916	930
1,086	1,086	Restricted buildings	1,150	1,150
253	253	Library collection	256	256
1,043	1,043	Plant, equipment and motor vehicles	993	993
85	85	Furniture and fittings	90	90
798	798	Landfill	818	818
422	422	Computers and office equipment	718	718
4,510	4,523	Total property, plant and equipment	4,942	4,956
2,077	2,077	Water supply network	2,189	2,189
5,889	5,889	Wastewater disposal network	6,162	6,162
2,804	2,804	Stormwater disposal network	2,811	2,811
14,805	14,805	Roading foundations and bridges	13,549	13,549
1,234	1,234	Parks	1,377	1,377
26,809	26,809	Total Infrastructural assets	26,087	26,087
AMORTISATION				
203	203	Intangible assets – computer software	154	154
31,522	31,535		31,182	31,196

8. Taxation

Actual Council 2017 \$'000	Actual Group 2017 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
13,033	13,555	Net operating surplus before taxation	17,131	17,339
-	(478)	Share of associate's retained surplus	(356)	
13,033	13,077		17,131	16,982
3,649	3,662	Tax at 28%	4,797	4,755
PLUS (LESS) TAX EFFECT OF:				
(3,649)	(3,662)	Permanent differences	(4,797)	(4,755)
-	-	Imputation credits	-	
-	-	Residual taxation payable	-	
COMPRISING:				
-	-	Current tax	-	
-	-	Future income tax benefit	-	
FUTURE TAX BENEFIT:				
-	-	Opening balance	-	
-	-	Movement	-	
-	-	Closing balance	-	

The following entities unused tax losses are available to carry forward and offset against future taxable income:

Unused Tax Losses

Hastings District Holdings Limited	\$843,563 (2017: \$844,152)
Hastings District Properties Limited	\$116,198 (2017: \$116,949)
Hawke's Bay Opera House Limited	\$77,586 (2017: \$77,177)
Hastings District Council	\$414,315 (2017: \$238,496)

9. Receivables

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
820	820	Rates receivables	558
10,510	10,797	Other receivables	8,510
1,064	1,064	GST receivables	3,151
112	112	Other current assets	198
12,506	12,793		12,417
(246)	(246)	Less Impairment of receivables	(239)
12,260	12,547		12,178
There are no material exchange transactions			

Fair value

Debtors and other receivables are non-interest bearing and receipt is normally on 30-day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

The Council does not provide for any impairment on rates receivable, with the exception of Maori land arrears, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow the Council to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgment, then the Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the impact of discounting is material.

Related parties

- At the end of the financial year Hawke's Bay Opera House Limited, a related party, owed the Council \$nil (2017: \$nil).
- At the end of the financial year, Hawke's Bay Regional Sports Park Trust, a related party owed the Council \$5,722 (2017: \$5,722).

The ageing profile of receivables at year end is detailed below:

2017 Council Gross \$'000	2017 Impairment \$'000	The status of receivables are detailed below:	2018 Gross \$'000	2018 Impairment \$'000
DEBTORS				
10,716	-	Not past due	11,449	-
409	-	Past due 1-60 days	458	-
17	-	Past due 61-90 days	31	-
1,364	(246)	Past due > 90 days	479	(239)
12,506	(246)		12,417	(239)

2017 Group Gross \$'000	2017 Impairment \$'000	The status of receivables are detailed below:	2018 Gross \$'000	2018 Impairment \$'000
DEBTORS				
10,716	-	Not past due	11,679	-
409	-	Past due 1-60 days	458	-
17	-	Past due 61-90 days	31	-
1,364	(246)	Past due > 90 days	479	(239)
12,506	(246)		12,648	(239)

All receipts greater than 30 days in age are considered to be past due.

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of past collection history and debt write-offs.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
18	18 Individual Impairment	26	26
228	228 Collective Impairment	213	213
246	246	239	239

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor. An analysis of these individually impaired debtors are as follows:

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
-	- Past due 1-60 days	-	-
-	- Past due 61-90 days	-	-
18	18 Past due > 90 days	26	26
18	18	26	26

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

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
296	296 As at 1 July	246	246
-	- Additional provisions made during the year	-	-
-	- Provisions reversed during the year	-	-
(50)	(50) Receivables written-off during the year	(8)	(8)
246	246	238	238

10. Inventories

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
114	114 Inventory held for distribution	108	108
114	114 Total inventory	108	108

No inventories are pledged as security for liabilities (2017: \$nil).

The carrying amount of inventory held for distribution that are measured at current replacement cost as at 30 June 2018 amounted to \$nil (2017: \$nil).

11(a). Investment in associates

Actual Council 2017 \$'000	Actual Group 2017 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
1,063	7,029 Hawke's Bay Airport Limited		1,063	7,235
-	7 Horse of the Year (Hawke's Bay) Limited		-	16
744	594 Omarunui LFG Generation Limited Partnership		744	524
1,807	7,630 Total investments in associates		1,807	7,775
HAWKE'S BAY AIRPORT LIMITED				
Name of entity: Hawke's Bay Airport Limited				
Principal activities: Airport				
Ownership: 24% (2015: 24%)				
Owner: Hawke's Bay Airport Limited				
Balance date: 30 June				
1,063	Hastings District Council Investment in Hawke's Bay Airport Limited		1,063	
5,666	Retained Earnings at the beginning of year		5,966	
6,729	Carrying amount at beginning of year		7,029	
Council's share of the results of Hawke's Bay Airport Limited				
412	Share of Surplus		348	
-	Share of other recognised revenues and expenses		-	
412	Share of total recognised revenues and expenses		348	
Carrying Amount of Investment in Hawke's Bay Airport Limited				
6,729	Carrying amount at beginning of year		7,029	
412	Share of total recognised revenues and expenses		348	
(112)	Revaluation reserves		(142)	
-	Prior year adjustment			
7,029	Carrying amount at end of year		7,235	
There are no contingent liabilities at 30 June 2017				
Summarised Financial Information				
8,772	Assets		9,726	
1,743	Liabilities		2,492	
1,467	Revenues		1,445	
412	Surplus/ (deficit)		348	
24%	Group's interest		24%	
HORSE OF THE YEAR (HAWKE'S BAY) LIMITED				
Name of entity: Horse of the Year (Hawke's Bay) Limited				
Principal activities: Equestrian Show				
Ownership: 33% (2016: 33%)				
Owner: Horse of the Year (Hawke's Bay) Limited				
Balance date: 31 May				

The summary financial information for associates only shows the Group's interest.

11(a). Investment in associates

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
Movements in the carrying amount of investments in associate			
- Hastings District Council Investment in Horse of the Year (Hawke's Bay) Limited			
(59) Retained earnings at the beginning of year		7	
(59) Carrying amount at beginning of year		7	
Council's share of the results of Horse of the Year (Hawke's Bay) Limited			
66 Share of Surplus		9	
- Share of other recognised revenues and expenses		-	
66 Share of total recognised revenues and expenses		9	
Carrying Amount of Investment in Horse of the Year (Hawke's Bay) Limited			
(59) Carrying amount at beginning of year		7	
66 Share of total recognised revenues and expenses		9	
- Revaluation reserves		-	
7 Carrying amount at end of year		16	
There are no contingent liabilities at 30 June 2015			
Summarised Financial Information			
43 Assets		85	
36 Liabilities		70	
809 Revenues		799	
66 Surplus/ (deficit)		9	
33% Group's interest		33%	
OMARUNUI LFG GENERATION LIMITED PARTNERSHIP			
Name of entity: Omarunui LFG Generation Limited Partnership			
Principal activities: Gas & Electricity			
Ownership: 40% (2016: 40%)			
Owner: Omarunui LFG Generation Limited Partnership			
Balance date: 31 March*			
*There are no material transactions from 1 April 2017 to 30 June 2017			
744 Hastings District Council Investment in Omarunui LFG Generation Limited Partnership		774	
(83) Retained earnings at the beginning of year		(156)	
661 Carrying amount at beginning of year		594	
Council's share of the results of Omarunui LFG Generation Limited Partnership			
(73) Share of surplus		(70)	
6 Share of other recognised revenues and expenses			
The summary financial information for associates only shows the Group's interest.			

11(a). Investment in associates

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
(67) Share of total recognised revenues and expenses		(70)	The summary financial information for associates only shows the Group's interest.
Carrying amount of investment in Omarunui LFG Generation Limited Partnership			
661 Carrying amount at beginning of year		594	
(67) Share of total recognised revenues and expenses		(70)	
- Revaluation reserves		-	
594 Carrying amount at end of year		524	
614 Assets		554	
20 Liabilities		30	
136 Revenues		161	
(73) Surplus/ (deficit)		(70)	
40% Group's interest		40%	

11(b). Other Financial Assets

Actual Council 2017 \$'000	Actual Group 2017 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
CURRENT PORTION				
-	- Term deposits		-	233
-	Total current portion		-	233
NON-CURRENT PORTION				
<i>Investment in CCO's and similar entities</i>				
-	1 HB LASS Limited		-	-
237	- Subsidiary Hastings District Holdings Limited		150	(87)
237	1 Total Investment in CCO's and similar entities		150	(87)
<i>Investment in other entities</i>				
-	- Term deposits		-	-
373	373 Unlisted shares in LGFA		373	373
961	961 Borrower notes in LGFA		1,201	1,201
157	157 New Zealand Local Government Insurance Association		157	157
1,491	1,491 Total investment in other entities		1,731	1,731
1,728	1,492 Total non-current portion		1,881	1,644
1,728	1,492 Total other financial assets		1,881	1,877

Fair value

Term Deposits

The carrying amount of term deposits approximates their fair value.

Unlisted Shares and Borrower notes

The fair value of the unlisted shares have been determined as follows:

- If an active market is present for unlisted shares, the fair value of such shares is determined by their market value.
- If an active market is absent for unlisted shares the fair value of such shares is determined by their redemption value.

Impairment

At balance date the subsidiary Hastings District Holdings was impaired as follows:

Actual 2017 \$'000	Impairment	Actual 2018 \$'000
452	Subsidiaries	452
(215)	Impairment loss	(302)
237	Subsidiary Hastings District Holdings Limited	150

12. Property, Plant & Equipment: 2018

	1 Jul 2017	1 Jul 2017	1 Jul 2017									30 Jun 2018	30 Jun 2018	30 Jun 2018
\$'000	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions	Disposals	Impairment charges	Amortisation charges	Depreciation	Revaluation Depreciation write back	Revaluation	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	
COUNCIL OPERATIONAL ASSETS														
Operational Buildings	36,800	(1,549)	35,251	2,725	(868)	-	-	(916)	2,465	715	39,372	-	39,372	
Operational Land	26,320	(2)	26,318	370	(379)	-	-	-	2	11,504	37,815	-	37,815	
Heritage	537	-	537	9	-	-	-	-	-	(25)	521	-	521	
Library Books	2,311	-	2,311	347	-	-	-	(256)	256	(829)	1,830	-	1,830	
Computers & Office Equipment	8,992	(6,317)	2,675	927	(7)	-	-	(658)	-	-	9,912	(6,975)	2,936	
Furniture & Fittings	2,449	(1,989)	460	289	-	-	-	(91)	-	-	2,738	(2,079)	660	
Plant, Equipment & Vehicles	15,533	(9,434)	6,098	1,925	(824)	-	-	(606)	-	-	16,634	(10,040)	6,594	
Landfill	20,117	(14,126)	5,991	557	-	-	-	(818)	-	-	20,674	(14,945)	5,729	
Total operational assets	113,059	(33,419)	79,640	7,150	(2,078)	-	-	(3,343)	2,723	11,366	129,497	(34,039)	95,458	
COUNCIL RESTRICTED ASSETS														
Restricted Buildings	41,711	(2,118)	39,593	10,234	(287)	-	-	(1,150)	3,268	2,449	54,107	-	54,107	
Restricted Land	51,282	-	51,282	-	-	-	-	-	-	26,373	77,655	-	77,655	
Total Restricted Assets	92,993	(2,118)	90,875	10,234	(287)	-	-	(1,150)	3,268	28,822	131,762	-	131,762	
Total Operational & Restricted Assets	206,052	(35,536)	170,515	17,384	(2,365)	-	-	(4,493)	5,990	40,188	261,259	(34,039)	227,220	
Plant & Equipment	82	(46)	36	1	-	-	-	(7)	-	6	89	(54)	35	
Restricted Buildings	121	(12)	109	22	-	-	-	(7)	-	66	210	(19)	191	
Restricted Land	196	-	196	-	-	-	-	-	-	(66)	130	-	130	
Office Equipment	2	(2)	-	-	-	-	-	-	-	-	2	(2)	-	
Total Subsidiary Assets	401	(60)	341	23	-	-	-	(14)	-	6	430	(75)	356	
Total Group	206,453	(35,598)	170,856	17,407	(2,365)	-	-	(4,508)	5,990	40,194	261,689	(34,114)	227,575	
BIOLOGICAL ASSETS														
Landfill Forestry	503	-	503	-	-	-	-	-	-	(483)	19	-	19	
Total Biological Assets	503	-	503	-	-	-	-	-	-	(483)	19	-	19	
INTANGIBLE ASSETS														
Computer Software	5,165	(4,845)	320	21	-	-	-	(213)	-	(198)	5,186	(5,058)	127	
Total Intangible Assets	5,165	(4,845)	320	21	-	-	-	(213)	-	(198)	5,186	(5,058)	127	
COUNCIL INFRASTRUCTURAL ASSETS														
Bridges	63,438	-	63,438	-	-	-	-	(1,157)	-	-	63,438	(1,157)	62,281	
Roading – Land	129,015	-	129,015	-	-	-	-	-	-	-	129,015	-	129,015	
Roading – Other	1,037,872	-	1,037,872	27,016	(365)	-	-	(12,392)	-	-	1,064,523	(12,392)	1,052,132	
Stormwater Disposal Network	161,826	(2,804)	159,023	4,799	-	-	-	(2,811)	5,614	55,683	222,309	-	222,309	
Wastewater Disposal Network	227,498	(5,889)	221,609	8,085	-	-	-	(6,162)	12,051	22,669	258,252	-	258,252	
Water Supply Network	98,361	(2,078)	96,283	17,889	-	-	-	(2,189)	4,266	13,225	129,474	-	129,474	
Parks	31,262	-	31,262	2,225	-	-	-	(1,377)	-	-	33,487	(1,377)	32,110	
Total Infrastructural Assets	1,749,272	(10,771)	1,738,502	60,014	(365)	-	-	(26,088)	21,932	91,577	1,900,498	(14,926)	1,885,573	

Historical movements in fair value and impairment for Land and Buildings

Class	2012 Revaluation loss to reserves \$'000	2012 Revaluation loss to statement of comprehensive revenue and expense \$'000	2014 Impairment of Opera House to Statement of Comprehensive revenue and expense \$'000	Reversal of revaluation and impairment losses \$'000	Revaluation and impairment losses yet to be reversed \$'000	2018 Reversal of revaluation and impairment losses \$'000	Balance of impairment \$'000
Land and Buildings	77	3,650	5,968	9,094	524	524	-

Impairment

Land and buildings – Impairment losses of \$5,968,000 were recognised in the statement of comprehensive revenue and expense in the 2014 financial year, as an expense. These losses were due to the recognition of the impairment in value of the Hawke's Bay Opera House and the Municipal Building, Hastings Street South due to their seismic limitations. Due to an upward movement in the revaluation reserve of Land and Buildings in the 2015 year, this impairment has been reversed and offset against the revaluation reserve.

The remaining impairment of \$524,000 has been reversed and offset against the revaluation reserve due to an upward movement in Land and Buildings valuations in the 2018 year.

Property, Plant & Equipment consists of:

- Operational assets** – these include land, buildings, landfill, library books, plant, equipment and motor vehicles.
- Restricted assets** – Restricted Assets are parks and reserves, sportsgrounds, theatre and historical buildings owned by Council which provide a benefit or service to the community and cannot be disposed because of legal or other restrictions; Not all restricted assets have legislative impediments to disposal.
- Infrastructure assets** – infrastructure assets are the fixed utility systems owned by Council. Each asset class includes all items that are required for the network to function, for example sewer reticulation includes reticulation piping and sewer pump stations.

Capitalised finance leases

The net carrying amount of plant and equipment held under finance leases is \$nil (2017: \$nil). There is no class of the Property, Plant or Equipment that has been pledged as security for liabilities.

Work in progress

The total amount per class is as listed below:

Class	Actual Council 2018
Buildings	7,327
Computers & Office Equipment	5
Furniture & Fittings	1
Plant, Equipment & Vehicles	61
Properties sold but not settled	-
Parks	-
Roading	2,435
Stormwater	4,726
Wastewater	3,731
Water Supply	12,623
Total	30,909

2018 Core assets	Assets constructed	Assets transferred	Closing value	Replacement cost
WATER SUPPLY				
Treatment Plants and Facilities	3,451	-	7,923	9,033
Other Assets	13,606	510	120,087	185,283
Total	17,057	510	128,010	194,315
SEWERAGE				
Treatment Plants and Facilities	823	-	52,003	79,632
Other Assets	6,277	818	207,227	403,707
Total	7,100	818	259,229	483,338
Stormwater drainage	3,435	1,363	222,309	359,146
Flood protection and control works	-	-	-	-
ROADING				
Roads & Footpaths	24,577	-	1,240,989	1,348,338

12. Property, Plant & Equipment: 2017

	1 Jul 2016	1 Jul 2016	1 Jul 2016									30 Jun 2017	30 Jun 2017	30 Jun 2017
\$'000	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions	Disposals	Impairment charges	Amortisation charges	Depreciation	Depreciation write back	Revaluation/ other movements	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	
COUNCIL OPERATIONAL ASSETS														
Operational Buildings	33,112	(726)	32,386	3,688	-	-	-	(823)	-	-	36,800	(1,549)	35,251	
Operational Land	26,307	(2)	26,305	292	(279)	-	-	-	-	-	26,320	(2)	26,318	
Heritage	537	-	537	-	-	-	-	-	-	-	537	-	537	
Library Books	2,323	-	2,323	374	-	-	-	(253)	253	(386)	2,311	-	2,311	
Computers & Office Equipment	7,153	(6,066)	1,086	2,010	(171)	-	-	(356)	105	-	8,992	(6,317)	2,675	
Furniture & Fittings	2,346	(1,904)	442	103	-	-	-	(85)	-	-	2,449	(1,989)	460	
Plant, Equipment & Vehicles	15,111	(8,928)	6,184	933	(511)	-	-	(755)	248	-	15,533	(9,434)	6,098	
Landfill	19,787	(13,329)	6,458	330	-	-	-	(797)	-	-	20,117	(14,126)	5,991	
Total operational assets	106,676	(30,955)	75,721	7,730	(961)	-	-	(3,069)	606	(386)	113,059	(33,419)	79,640	
COUNCIL RESTRICTED ASSETS														
Restricted Buildings	39,384	(1,032)	38,351	2,327	-	-	-	(1,086)	-	-	41,711	(2,118)	39,593	
Restricted Land	51,241	-	51,241	97	(55)	-	-	-	-	-	51,282	-	51,282	
Total Restricted Assets	90,625	(1,032)	89,592	2,424	(55)	-	-	(1,086)	-	-	92,993	(2,118)	90,875	
Total Operational & Restricted Assets	197,301	(31,987)	165,314	10,154	(1,016)	-	-	(4,155)	606	-	206,052	(35,536)	170,515	
Plant & Equipment	78	(37)	41	4	-	-	-	(10)	-	-	82	(46)	36	
Restricted Buildings	121	(8)	113	-	-	-	-	(4)	-	-	121	(12)	109	
Restricted Land	130	-	130	66	-	-	-	-	-	-	196	-	196	
Office Equipment	2	(2)	-	-	-	-	-	-	-	-	2	(2)	-	
Total Subsidiary Assets	331	(46)	285	71	-	-	-	(13)	-	-	401	(60)	341	
Total Group	197,631	(32,033)	165,598	10,224	(1,016)	-	-	(4,168)	606	(386)	206,453	(35,537)	170,856	
BIOLOGICAL ASSETS														
Landfill Forestry	137	-	137	-	-	-	-	-	-	-	366	503	-	503
Total Biological Assets	137	-	137	-	-	-	-	-	-	-	366	503	-	503
INTANGIBLE ASSETS														
Computer Software	4,924	(4,642)	281	241	-	-	-	(203)	-	-	5,165	(4,845)	320	
Total Intangible Assets	4,924	(4,642)	281	241	-	-	-	(203)	-	-	5,165	(4,845)	320	
COUNCIL INFRASTRUCTURAL ASSETS														
Bridges	65,356	(1,145)	64,211	-	-	-	-	(1,144)	2,289	(1,918)	63,438	-	63,438	
Roading – Land	129,012	-	129,012	3	-	-	-	-	-	-	129,015	-	129,015	
Roading – Other	1,028,392	(13,136)	1,015,256	24,425	-	-	-	(13,662)	26,798	(14,945)	1,037,872	-	1,037,872	
Stormwater Disposal Network	159,490	-	159,490	2,367	(31)	-	-	(2,804)	-	-	161,826	(2,804)	159,023	
Wastewater Disposal Network	221,702	-	221,702	8,085	(232)	-	-	(5,889)	-	-	227,498	(5,889)	221,609	
Water Supply Network	91,096	-	91,096	17,889	(55)	-	-	(2,078)	-	-	98,361	(2,078)	96,283	
Parks	13,585	(1,071)	12,514	2,225	-	-	-	(1,234)	2,305	14,146	31,262	-	31,626	
Total Infrastructural Assets	1,708,633	(15,352)	1,693,282	57,576	(318)	-	-	(26,811)	31,392	(2,717)	1,749,272	(10,771)	1,738,502	

Historical movements in fair value and impairment for Land and Buildings

Class	2012 Revaluation loss to reserves \$'000	2012 Revaluation loss to statement of comprehensive revenue and expense \$'000	Opera House to Statement of comprehensive revenue and expense \$'000	Reversal of revaluation and impairment losses \$'000	Revaluation and impairment losses yet to be reversed \$'000
Land and Buildings	77	3,650	5,968	9,094	524

Impairment

Land and buildings – impairment losses of \$5,968,000 were recognised in the statement of comprehensive revenue and expense in the 2014 financial year, as an expense. These losses were due to the recognition of the impairment in value of the Hawke's Bay Opera House and the Municipal Building, Hastings Street South due to their seismic limitations. Due to an upward movement in the revaluation reserve of Land and Buildings in the 2015 year, this impairment has been reversed and offset against the revaluation reserve.

Work in progress

The total amount per class is as listed below:

Class	Actual Council 2017		
Buildings	979		
Computers & Office Equipment	141		
Furniture & Fittings	6		
Plant, Equipment & Vehicles	422		
Properties sold but not settled	-		
Parks	-		
Roading	-		
Stormwater	3,120		
Wastewater	4,095		
Water Supply	1,505		
Total	10,268		
2017 core assets	Assets constructed	Assets transferred	Closing value
WATER SUPPLY			Replacement cost
Treatment Plants and Facilities	2,345	-	6,912
Other Assets	5,053	21	89,370
Total	7,398	21	96,282
SEWERAGE			
Treatment Plants and Facilities	2,316	-	53,644
Other Assets	3,712	-	167,965
Total	6,028	-	221,609
Stormwater drainage	2,367	-	159,023
Flood protection & Control works	-	-	-
ROADING			
Roads & Footpaths	24,425	-	1,230,326
			1,348,338

13. Payables and deferred revenue

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
CURRENT			
13,599	14,127 Trade payables and accrued expenses	17,172	17,259
434	434 Interest on public debt	478	478
237	237 Revenue received in advance	223	388
349	349 ETS Levy Provision (Note 24)	467	467
4,094	3,885 Other current liabilities	3,457	3,465
18,713	19,032	21,797	22,057
NON-CURRENT			
515	515 Provision for Landfill Aftercare (Note 24)	521	521
144	144 Other non-current liabilities	198	198
659	659	719	719
Payables and deferred revenue comprise of:			
237	237 Payables from non-exchange transactions – rates and dog registrations	223	388
19,135	19,454 Payables from exchange transactions – commercial payables	22,294	22,389

Creditors and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore the carrying value of creditors and other payables approximates their fair value.

Related parties

- At the end of the financial year Hawke's Bay Opera House Limited, a related party, was owed \$nil (2017: \$nil) by the Council.
- At the end of the financial year Hastings District Properties Limited, a related party, was owed \$nil (2017: \$nil) by the Council.

14. Employee entitlements

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
2,801	2,801 Opening balance	2,947	2,947
146	146 Entitlements paid or relinquished	97	97
2,947	2,947	3,044	3,044
2,467	2,467 Current	2,612	2,612
480	480 Non-current	432	432
2,947	2,947	3,044	3,044
CURRENT			
-	- Accrued pay	-	-
2,392	2,392 Annual leave and other benefits	2,520	2,520
75	75 Retirement and long service leave	92	92
2,467	2,467	2,612	2,612
NON-CURRENT			
480	480 Retirement and long service leave	432	432
480	480	432	432

The present value of retirement and long service leave obligations depend on a number of factors that are determined on an actuarial basis. Two key assumptions used in calculating this liability include the discount rate and the salary inflation factor. Any changes in these assumptions will affect the carrying amount of the liability.

Expected future payments are discounted using forward discount rates derived from the yield curve of New Zealand government bonds. The discount rates used have maturities that match, as closely as possible, the estimated future cash outflows. The salary inflation factor has been determined after considering historical salary inflation patterns. A weighted average discount rate of 6.0% (2017: 6.0%) and an inflation factor of 2.0% (2017: 2.0%) were used.

15. Borrowings and other financial liabilities

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
50,741	50,741 Opening total of external public debt	60,741	60,741
15,000	15,000 Debt raised during year	22,000	22,000
(5,000)	(5,000) Amounts repaid	(5,001)	(5,001)
60,741	60,741 Total gross public debt	77,740	77,740
Comprises			
CURRENT			
-	- Secured loans	22,000	22,000
NON-CURRENT			
60,741	60,741 Secured loans	55,740	55,740
60,741	60,741 Total borrowings and other financial liabilities	77,740	77,740

Secured loans

The Council's secured debt of \$77.7 million (2017: \$60.7 million) is mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk. The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$0.5 million (2017: \$0.5 million). There are no restrictions on the use of the facility. The Council's loans are secured over either separate or general rates of the Council.

The Council has a Multi-option credit facility of \$10 million that has not been drawn upon.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
REPAYMENT TERMS – TERM DEBT			
-	- Payable in less than 1 year	22,000	22,000
20,000	20,000 Payable between 1 and 2 years	-	-
20,000	20,000 Payable between 2 and 5 years	20,000	20,000
20,741	20,741 Later than 5 years	35,740	35,740
60,741	60,741	77,740	77,740
4.97%	4.97% Weighted Average Interest Rate	5.31%	5.31%
4.18	4.18 Weighted Average Term (Years)	3.86	3.86

Summary of total public debt

The statement of financial position and Note 15 (above) records the total amount of Council's external debt as at 30 June 2018.

In addition to the external debt the Council also utilises funds which are held for other purposes (Council created and restricted reserves) to reduce the amount of external funding required.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
60,741	60,741 External secured loans	77,740	77,740
36,520	36,520 Plus amount funded by internal loans	42,840	42,840
97,261	97,261 Gross borrowings for activities	120,580	120,580

Internal borrowings

Information about internal borrowings is provided below. Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

2017 closing balance	Activity Group	2017 opening balance	Prior Year Carry Forwards	CR transfer to	Interest	DR transfer from	Carry forward	2018 closing balance
(12,343)	Safe Healthy and Liveable Communities	(12,343)	(980)	(5,755)	(65)	2,230	616	(16,297)
(12,585)	Governance and Support Services	(12,585)	(270)	(1,410)	(34)	1,435	399	(12,465)
2,028	Economic and Community Development	2,028	(763)	(71)	(1)	79	672	1,944
(4,381)	Roads and Footpaths	(4,381)	(519)	-	-	-	276	(4,624)
19	Stormwater Disposal	19	(61)	(2,811)	-	2,811	-	(41)
6,387	Wastewater Disposal	6,387	-	(5,166)	(21)	5,989	-	7,189
1,239	Water Supply	1,239	-	(2,646)	-	5,971	-	4,564
(18,270)	Working Capital	(16,884)	-	-	-	6,224		(23,108)
(36,520)	Total	(36,520)	(2,593)	(17,858)	(122)	24,738	1,963	(42,840)

The fair values are based on cash flows discounted using a rate based on the average rates 5.31% (2017: 4.97%).

The cash flow is working capital cash

The carry forward column in the above table is the rating carry forward from rates collected in 2017/18 and carried forward to 2018/19.

16. Derivative financial instruments

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
NON-CURRENT ASSET PORTION			
27	27	Interest rate swaps – held for trading	-
CURRENT LIABILITY PORTION			
(212)	(212)	Interest rate swaps – held for trading	(93)
NON-CURRENT LIABILITY PORTION			
(5,489)	(5,489)	Interest rate swaps – held for trading	(6,385)
(5,674)	(5,674)		(6,477)

Fair value

The fair values of interest rate swaps have been determined by calculating the expected cash flows under the terms of the swaps and discounting these values to present value. The inputs into the valuation model are from independently sourced market parameters such as interest rate yield curves. Most market parameters are implied from instrument prices.

Interest rate swaps

The notional principal amounts of the outstanding interest rate swap contracts for the Council were \$56.5 million (2017: \$57.5 million) and for the group were \$56.5 million (2017: \$57.5 million). At 30 June 2018, the fixed interest rates for the interest rate swaps varied from 3.2% to 5.9% (2017: 3.9% to 5.9%).

The notional principal amounts of the forward starting interest rate swap contracts for the Council were \$86.5 million (2017: \$58.5 million) and for the group were \$86.5 million (2017: \$58.5 million). At 30 June 2018, the fixed interest rates for the interest rate swaps varied from 2.8% to 4.8% (2017: 2.8% to 4.8%).

17. Retained earnings

This component of equity comprises the accumulated retained earnings and Council Created Reserves.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
1,176,152	1,179,848	Balance at 1 July	1,193,828
13,033	13,555	Net surplus (deficit) for the year	17,131
1,189,184	1,193,403		1,210,959
ADD/(LESS) NET APPROPRIATIONS OF NET SURPLUS			
4,563	4,653	(To) from council created reserves	2,733
81	81	(To) from restricted reserves	(403)
1,193,828	1,198,137	Balance at 30 June	1,213,289
1,193,828	1,198,137	Accumulated surplus	1,213,289
26,123	26,123	Council created reserves	23,389
1,219,951	1,224,260	Total accumulated funds	1,236,678
1,219,951	1,224,260	Total accumulated funds	1,236,678
1,219,951	1,224,260	Total accumulated funds	1,236,678

Prior year balances may differ from 2016/17 Annual Report, these have been restated to match the correct closing position.

a) Council created reserves

The Council has created a number of reserves, commonly referred to as special funds, to set aside funds for various purposes (e.g. asset replacements, emergency funds etc).

The Council sets aside and invests funds for these reserves with any interest earned on the investments being credited to the reserves.

The major categories of Council created reserves are:

Plant, Equipment & Vehicle replacement

Funds are set aside to provide for the ongoing replacement of operational assets such as essential plant, vehicles and equipment.

Property Maintenance & Improvements

Funds are set aside to maintain and enhance existing Council assets and also to provide funds for new projects such as motorway linkages.

General purpose reserves

Each of the Council's rating groups has a general purpose reserve. Any year-end balance for the rating group is placed into the general purpose reserves to enable the use of those funds to be debated at the next budget round.

It has been the practice of Council to use the general purpose reserves to either reduce debt or to reduce the rating requirement in subsequent years.

Emergency funds

Council has set aside funds to assist in the event of an emergency. Purposes for which funds are currently set aside are flood damage and rural fire.

Effluent disposal

Council operates an effluent disposal scheme together with major users. Each year funds are placed into a reserve for the maintenance of the scheme with funds withdrawn to fund major works.

Sundry reserves

This represents a number of other reserves set aside for various purposes.

Separate rates reserves

This represents the balance of funds collected from various targeted rates which have not yet been spent.

Other

This represents reserves to be used for the Leachate Treatment Disposal System project.

The balances of Council created reserves are:

Balance 2017 Activity \$'000 Group		Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2018 \$'000
4,779 All activities	Plant, equipment and vehicle replacement fund	1,719	78	(1,426)	5,149
8,909 All activities	Property maintenance and improvements	468	79	(2,234)	7,221
5,614 All activities	General purpose reserves	3,882	-	(2,033)	7,463
	- Water and roads	Wastewater treatment (HDC funds)	-	-	-
3,748 Safe healthy and liveable communities	Emergency funds	600	45	(1,619)	2,774
2,387 All activities	Sundry reserves	23,715	-	(23,842)	2,259
2,336 All activities	Separate reserves	2,576	-	(4,957)	(46)
377 Economic and community development	Other	86	8	(37)	434
28,149		33,045	209	(36,148)	25,254
(2,027)	Less: NCC share of landfill reserves	(362)	(50)	573	(1,865)
26,123		32,684	159	(35,575)	23,389

18. Restricted Reserves (Council only)

These are reserves, the use of which is restricted by some external force, e.g. trust deeds or legislation.

Trusts and bequests are funds which have been bequeathed to Council for specific purposes. Funds are separately invested with the interest earned on these investments added to the balance of the various special funds.

Reserve purchase and development funds are funds which have been levied on subdivisions under Section 274 of the Local Government Act 1974.

Loan redemption reserves reflect the balance of funds held in sinking fund investments, which are funds set aside for the repayment of debt.

Balance 2017 \$'000	Activity Group		Deposits \$'000			Interest \$'000	Withdrawals \$'000	Balance 2018 \$'000
			501	21	(1)			
969	Economic and community development	Trusts and bequests	501	21	(1)	1,491		
1,660	Economic and community development	Development reserves	330	33	(494)	1,529		
540	Economic and community development	Reserve purchase and development funds	-	12	-	551		
3,169			831	66	(494)	3,572		



19. Revaluation Reserves Asset Revaluation Reserves consist of:

Balance 2017 \$'000	Revaluation movement \$'000	Transfer to retained earnings on disposal of property \$'000	Balance 2018 \$'000
COUNCIL			
Operational Assets			
- Land and buildings			
150 Library books	(150)	-	-
367 Forestry	(366)	-	-
517	45,736	-	46,252
Infrastructural Assets			
26,439 Bridges	-	-	26,439
358,601 Roading	-	-	358,601
77,723 Stormwater disposal	61,298	-	139,021
95,883 Wastewater disposal	34,720	-	130,603
44,418 Water supply	17,494	-	61,912
17,730 Park assets	-	-	17,730
620,794	113,512	-	734,306
(3) Fair value through comprehensive revenue	-	-	(3)
621,308	159,248	-	780,555
GROUP			
2,153 Hawke's Bay Airport	(60)	-	2,094
623,461	159,188	-	782,648

20. Reconciliation of net surplus/(deficit) after tax to net cash flows from operating activities

Actual Council 2017 \$'000	Actual Group 2017 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
13,033	13,555	Net surplus/(deficit) on operations	17,131	17,339
ADD/(LESS): NON-CASH ITEMS				
31,522	31,535	Depreciation and amortisation expense	31,182	31,196
(270)	(270)	Share of associates retained surplus		(121)
(21)	(21)	Vested infrastructure	(5,131)	(5,131)
-	-	Devaluation of Property, Plant & Equipment	-	-
(2,607)	(2,607)	Unrealised gains/losses on derivative financial instruments	651	651
28,894	28,637	Total non-cash items	26,702	26,596
ADD/(LESS): NET MOVEMENTS IN WORKING CAPITAL				
(5,242)	(5,548)	(Increase) decrease in debtors and other receivables	82	139
3,472	3,696	Increase (decrease) in creditors and other payables	(1,975)	(2,056)
(13)	(13)	(Increase) decrease in inventories	6	6
(159)	(159)	Increase (decrease) in provisions and employee entitlements (non-current)	12	12
(1,940)	(2,024)	Total net movements in working capital	(1,875)	(1,899)
ADD/(LESS): ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES				
67	67	Loss/(profit) on sale of Property, Plant & Equipment and investments	(443)	(443)
67	67	Total non-operating activities	(443)	(443)
40,052	40,235	Total net cash inflow (outflow) from operating activities	41,516	41,593

21. Other information (Council only)

The Council incurred the following expenditure for the year ended 30 June 2018:

Chief Executive Remuneration

The Chief Executive of the Council is appointed under section 42 of the Local Government Act 2002.

Total Chief Executive remuneration for the year ending 30 June 2018 is \$384,509 (2017: \$332,371). This total includes \$6,377 for the Acting Chief Executive.

In terms of the contract, the Chief Executive received the following additional benefits:

Actual Council 2017 \$	Actual Council 2018 \$
4,978 Fringe Benefit Tax	4,157
11,060 Motor Vehicle Allowance	12,418
9,192 Superannuation and Other	9,192
Annual Leave Termination Payment	48,335
307,140 Salary	309,061

Remuneration of Elected Representatives

Actual Council 2017 \$	Remuneration \$	Allowance \$	Actual Council 2018 \$
MAYOR AND COUNCILLORS			
- S Hazlehurst (Mayor)	77,868	260	78,128
58,346 S Hazlehurst (Acting Mayor)	53,845	211	54,056
56,798 T Kerr Councillor till 12/12/2017)	26,548	920	27,468
- T Kerr (Deputy Mayor from 12/12/2017)	38,805	815	39,620
125,006 L Yule (Mayor)	-	-	-
51,464 K Watkins	51,382	1,256	52,638
46,164 R Heaps	50,214	1,250	51,464
46,571 H O'Keefe	46,544	1,250	47,794
41,678 J Poulain	42,017	1,257	43,274
41,678 S Nixon	42,017	1,257	43,274
47,256 G Lyons	53,541	1,256	54,797
43,925 A Pierce	-	-	-
48,476 M Dixon	51,677	1,256	52,933
29,956 B Barber	43,981	1,257	45,238
30,253 A Redstone	45,367	1,261	46,628
- W Schollum (Elected 27/11/17)	24,705	746	25,451
- E Lawson (Elected 16/04/18)	8,522	243	8,765
30,778 G Travers	42,324	1,272	43,596
36,212 D Harvey	51,140	1,256	52,396
17,565 C Bowers	-	-	-
15,252 M Lester	-	-	-
11,753 W Bradshaw	-	-	-
13,502 J Roil	-	-	-
9,154 S Maxwell (Rural Community Board)	8,220	1,199	9,419
10,133 P Kay (Rural Community Board)	15,552	1,190	16,742
8,134 N Dawson (Rural Community Board)	7,331	1,199	8,530
5,627 M Lester (Rural Community Board)	7,260	1,199	8,459
2,241 B Barber (Rural Community Board)	-	-	-
827,922 Total elected representatives remuneration	788,859	21,814	810,671

Total annual remuneration by band for employees as at 30 June

Actual Council 2017		Actual Council 2018
264 <\$60,000	<\$60,000	257
86 \$60,000-\$79,999	\$60,000-\$79,999	89
54 \$80,000-\$99,999	\$80,000-\$99,999	58
35 \$100,000-\$119,999	\$100,000-\$119,999	44
11 \$120,000-\$139,999	\$120,000-\$139,999	10
8 \$140,000-\$159,999	\$140,000-\$159,999	13
9 \$160,000-\$330,999	\$180,000-\$341,910	12
467 Total employees	Total employees	483

At balance date, the Council employed 341 (2017: 331) full time employees, with the balance of staff equivalent representing 74 (2017: 72) full time employees. A full time employee is determined on the basis of a 40 hour working week.

Severance payments

Severance payments include any consideration (monetary or non-monetary) provided to any employee in respect of the employee's agreement to the termination of their employment with Council.

For the year ended 30 June 2018 Hastings District Council made two severance payments to employees totalling \$31,148 and \$10,855 (2017: \$89,134).

22. Capital commitments and operating leases

Capital commitments

Capital commitments are capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment.

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
1,909	1,909	Building	7,432
8,378	8,378	Water System	9,769
8,975	8,975	Roading Network	4,320
-	-	Investment	-
19,262	19,262	Commitments approved and contracted	21,521
			21,521

Operating leases as lessee

The Council and group leases property, plant and equipment in the normal course of its business. The majority of these have a non-cancellable term of 36 months. The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS			
28	28	Not later than one year	27
38	38	Later than one year and not later than five years	15
-	-	Later than five years	-
66	66	Total non-cancellable operating leases	42
			42

Operating leases as lessor

The Council leases property in the normal course of its business. The majority of these have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
NON-CANCELABLE OPERATING LEASE COMMITMENTS			
164	164	Not later than one year	328
97	97	Later than one year and not later than five years	475
-	-	Later than five years	-
261	261	Total non-cancellable operating leases	802

No contingent rents have been recognised during the period.

23. Omarunui joint landfill (63.68% owned by Hastings District Council)

The Council's interest in Omarunui refuge Landfill joint committee is accounted for as a jointly controlled asset. The figures in the note are disclosed at full face value rather than at our ownership interest of 63.68%. The financial accounts only include Hastings District Council's 63.68% share. There are no capital commitments and contingent liabilities arising from involvement in the joint venture.

Actual Council 2017 \$'000	Omarunui Refuse Landfill	Actual Council 2018 \$'000
4,056	Current assets	3,289
6,347	Non-current assets	5,973
737	Non-current liabilities	819
5,532	Revenue	5,578
3,015	Expenses	3,498

Forestry assets

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
FORESTRY ASSETS			
137	137	Balance at 1 July	503
-	-	Increases due to purchases	-
-	-	Gains/(losses) arising from changes attributable to physical changes	-
1,111	1,111	Gains/(losses) arising from changes attributable to price changes	3
-	-	Decreases due to sales	-
(745)	(745)	Decreases due to harvest	(486)
503	503	Balance at 30 June	20

The Omarunui Refuse Landfill is owned jointly by the Council (63.68%) and Napier City Council (36.32%). The Omarunui Refuse landfill (Landfill), is operated by the Council on behalf of a joint committee (comprising elected representatives from the two councils). The Omarunui Refuse Landfill joint venture owns 46.1 hectares of Pinus Radiata forest in two blocks. The larger of which is 43.2 hectares which commenced harvesting in 2016/17 and was completed in 2017/18. The smaller block is 2.9 hectares and was planted in 2003. Replanting of the 43.2 hectares will take place in the 2018/19 year. The forestry asset reported is for Hastings District Council's share only (63.68%).

There are no restriction over the title of forestry assets. No forestry assets are pledged as security for liabilities.

Valuation assumptions

Independent registered valuers, Woodlands Pacific Consulting Limited, have valued forestry assets as at 30 June 2018.

Financial risk management strategies

The Omarunui Refuse Landfill joint venture is exposed to financial risks arising from changes in timber prices. The Omarunui Refuse Landfill joint venture is a long-term forestry investor and does not expect timber prices to decline significantly in the foreseeable future. Therefore, no measures have been taken to manage the risks of a decline in timber prices. The Omarunui Refuse Landfill joint venture review its outlook for timber prices regularly in considering the need for active financial risk management.

24. Provisions

Landfill aftercare provision

The Omarunui Refuse Landfill is owned jointly by the Council (63.68%) and Napier City Council (36.32%). The Omarunui Refuse landfill (Landfill), is operated by the Council on behalf of a joint committee (comprising elected representatives from the two councils). The joint Landfill Committee gained a resource consent in 1985 to operate the Omarunui Landfill. The Councils have responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed. There are closure and post-closure responsibilities such as the following:

Closure responsibilities:

- Final cover application and vegetation.
- Incremental drainage control features.
- Completing facilities for leachate collection and monitoring.
- Completing facilities for monitoring and recovery of gas.

Post-closure responsibilities:

- Treatment and monitoring of leachate.
- Ground water and surface monitoring.
- Gas monitoring and recovery.
- Implementation of remedial measures such as needed for cover, and control systems.
- Ongoing site maintenance for drainage systems, final cover and vegetation.

The management of the landfill will influence the timing of recognition of some liabilities – for example, the current landfill will operate in four stages. A liability relating to stages three and four will only be created when the stage is commissioned and when refuse begins to accumulate in these stages.

Capacity of the site

The Landfill is divided into four valleys as below:

	Total capacity	Useful life of Valley	Remaining useful life
Valley A: opened in December 1988 and reached capacity in 2006	2,600,000m ³	17 years	-
Valley D: opened in December 2006 and in operation	1,750,000m ³	17 years	6.15 years
Valley B & C: not in operation yet		Estimated	

Estimates of the life have been made by the Council's engineers based on historical volume information. These estimates can change from year to year dependant on the amount of tonnages entering the landfill.

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 2.3%.

The following major assumptions have been made in the calculation of the provision:

- Aftercare will be required for 30 years after the closure of each stage.
- The annual cost of aftercare for Valley A and D is \$94,000.
- The provision reported is for Hastings District Council's share only (63.68%).

Actual Council 2017 \$'000	Actual Council 2018 \$'000
LANDFILL AFTERCARE LIABILITY	
579 Opening balance	515
- Provision written back during the year	56
(64) Amounts charged to provision during the year	(49)
515 Closing balance	521

The estimated aftercare costs for 2018 were \$94,000 (2017: \$76,800). These estimates are based on information received from Tonkin & Taylor and result in an adjustment in the aftercare liability estimate of \$55,606.

ETS levy provision

Actual Council 2017 \$'000	Actual Council 2018 \$'000
ETS LEVY PROVISION	
401 Opening balance	349
339 Additional provisions made	861
(391) Amounts used	(743)
349 Closing balance	467

25. Financial instruments

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Financial instruments	Actual Council 2018 \$'000	Actual Group 2018 \$'000
FINANCIAL INSTRUMENT CATEGORIES				
Loans and receivables				
7,383	7,734	Cash and cash equivalents	1,640	2,045
12,260	12,547	Receivables	12,178	12,409
961	961	NZ LGFA Borrower notes	1,201	1,201
Fair value through surplus or deficit – held for trading				
27	27	Derivative financial instrument	-	-
Fair value through Other comprehensive revenue				
157	157	Civic Financial Services Limited	157	157
373	373	NZ LGFA Unlisted shares	373	373
21,161	21,799	Total loans and receivables	15,549	16,185
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
18,713	19,032	Payables	21,797	22,057
60,741	60,741	Secured loans	77,740	77,740
Fair value through surplus or deficit – held for trading				
5,701	5,701	Derivative financial instrument	6,477	6,477
85,155	85,475	Total financial liabilities at amortised cost	106,015	106,275

The Council (including Group) is risk averse and seeks to minimise exposure arising from its Treasury activities. The Council has established a Treasury Policy specifying what transactions can be entered into.

Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- **Level 1** – quoted market price – financial instruments with quoted prices for identical instruments in active markets.
- **Level 2** – valuation technique using observable inputs – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs.
- **Level 3** – valuation techniques with significant non-observable inputs – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

Total 2017 \$'000	Total	Quoted market price	Valuation technique observable inputs	Significant non-observable inputs
COUNCIL				
Financial assets				
27 Derivative financial instrument	-	-	-	-
157 Civic Financial Services Limited	157	-	-	157
373 NZLGFA Unlisted shares	373	-	-	373
Financial liabilities				
5,701 Derivative financial instrument	6,477	-	6,477	-
GROUP				
Financial assets				
27 Derivative financial instrument	-	-	-	-
157 Civic Financial Services Limited	157	-	-	157
373 NZLGFA Unlisted shares	373	-	-	373
Financial liabilities				
5,701 Derivative financial instrument	6,477	-	6,477	-

There were no transfers between the different levels of the fair value hierarchy:

Level 3 – Valuation techniques with significant non-observable inputs.

The table below provides reconciliation from the opening balance to the closing balance for the level 3 fair value movements.

	2017 \$'000	2018 \$'000
NZ LGFA UNLISTED SHARES		
373 Balance at 1 July	373	
- Purchases	-	
- Sales	-	
- Transfers into level 3	-	
- Transfers out of level 3	-	
373 Balance at 30 June	373	
 CIVIC FINANCIAL SERVICES LIMITED		
157 Balance at 1 July	157	
- Purchases	-	
- Sales	-	
- Transfers into level 3	-	
- Transfers out of level 3	-	
157 Balance at 30 June	157	

Financial instrument risks

The Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk, and liquidity risk. The Council and Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. The Council has established Council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Council had no exposure to currency risk as at 30 June 2018.

Interest rate risk

Council is exposed to interest rate risk and seeks to minimise this exposure through adopted treasury policies. This includes entering into interest rate options or interest rate swap agreements. As at 30 June 2018 the Council had entered into interest rate swap agreements to a value of \$56.5 million at interest rates between 3.2% and 5.9%. (2017: \$57.5 million at interest rates between 3.9% and 5.9%).

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowing and investments issued at variable interest rates expose the Council and group to cash flow interest rate risk.

Generally, the Council and group raises long-term borrowing at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available to the Council or group borrowed at fixed rates directly. Under the interest rate swaps, the Council and group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

Credit risk is the risk that a third party will default on its obligations to the Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, the Council invests surplus cash into term deposits which gives rise to credit risk. As at 30 June 2018 Council had \$nil on term deposit (2017: \$nil). The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings. Information about this exposure is explained in Note 28. Credit risk is the risk that a third party will default on its obligations to the Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, the Council invests surplus cash into term deposits which gives rise to credit risk. As at 30 June 2018 Council had \$nil on term deposit (2017: \$nil). The Group at 30 June 2018 had \$233,000 (2017: \$216,000) on term deposit. The Council is exposed to credit risk as a guarantor of all of LGFA's borrowings information about this exposure is explained in Note 28.

The Council's treasury policy limits the amount of credit exposure to any one financial institution or organisation. Treasury related transactions would only be entered into with organisations specifically approved by the Council. Counterparties and limits can only be approved on the basis of long-term credit ratings (Standard & Poor's or Moody's) being A- and above.

Maximum exposure to credit risk

The Council's maximum credit exposure for each class of financial instrument is as follows:

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
7,383	7,734 Cash at bank and term deposits	1,640	1,955
12,260	12,547 Receivables	12,178	12,409
157	157 NZ Local Govt Insurance Corporation Limited	157	157
961	961 NZ LGFA Borrower notes	1,201	1,201
373	373 NZ LGFA Unlisted shares	373	373
27	27 Derivative financial instruments assets	-	-
21,161	21,799 Total Credit Risk	15,549	16,185

Credit quality of financial assets

The Council's maximum credit exposure for each class of financial instrument is as follows:

Actual Council 2017 \$'000	Actual Group 2017 \$'000	Actual Council 2018 \$'000	Actual Group 2018 \$'000
CASH AT BANK AND TERM DEPOSITS			
7,383	7,734 Credit Rating B+	1,640	1,955
NZ LOCAL GOVERNMENT INSURANCE CORPORATION LIMITED			
157	157 Credit Rating B+	157	157
Derivative financial instruments assets			
27	27 Credit Rating AA	-	-
NZ LGFA BORROWER NOTES			
961	961 Credit Rating AA+	1,201	1,201
NZ LGFA UNLISTED SHARES			
373	373 Credit rating AA+	373	373

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit ratings (if available) or to historical information about counterparty default rates.

Receivables mainly arise from the Council's statutory functions, therefore, there are no procedures in place to monitor or report the credit quality of receivables with reference to internal or external credit ratings. The Council has no significant concentrations of credit risk in relation to receivables, as it has a large number of credit customers, mainly ratepayers, and the Council has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

Liquidity risk

Management of liquidity risk

Liquidity risk is the risk that the Council will encounter difficulty raising liquid funds to meet commitments as they fall due. The Council's treasury policy requires that sufficient facilities must be in place to ensure the Council can borrow enough to meet its projected funding requirements plus a further 10% to cover any unexpected events. The Council is exposed to liquidity risk and seeks to minimise this exposure by being able to realise various short term investments and by being able to draw on committed and uncommitted bank facilities totalling \$87 million (2017: \$71 million). Included in the committed facilities is a bank overdraft limit of \$0.5 million at an interest rate of 5.6%. The Council is exposed to liquidity risk as a guarantor of all of LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in Note 28.



Carrying amount \$'000	Contractual amount \$'000	Contractual maturity analysis	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
2018						
Contractual maturity analysis of financial liabilities						
21,078	21,078	Payables	21,797	-	-	-
6,477	4,419	Derivative financial instruments liabilities	1,528	1,153	1,527	212
77,741	85,877	Secured loans	23,998	1,527	23,353	36,998
105,297	111,375	Total	47,324	2,679	24,879	37,210
Contractual maturity analysis of financial assets						
1,640	1,640	Cash and cash equivalents	1,640	-	-	-
11,966	11,966	Debtors and other receivables	12,178	-	-	-
-	-	Derivative financial instruments assets	-	-	-	-
13,606	13,606	Total	13,818	-	-	-
2017						
Contractual maturity analysis of financial liabilities						
18,713	18,713	Payables	18,713	-	-	-
5,701	5,774	Derivative financial instruments liabilities	1,683	1,462	2,393	236
60,741	67,958	Secured loans	1,719	21,541	22,216	22,483
85,155	92,455	Total	22,115	23,003	24,609	22,719
Contractual maturity analysis of financial assets						
7,383	7,383	Cash and cash equivalents	7,383	-	-	-
12,260	12,260	Debtors and other receivables	12,260	-	-	-
27	27	Derivative financial instruments assets	-	-	22	5
19,670	19,670	Total	19,643	-	22	5

Group figures are the same as the Council figures except for payables that increase by \$260,000 (2017: \$319,000), receivables that increase by \$231,000 (2017: \$287,000) and cash and cash equivalents increased by \$405,000 (2017: \$351,000).

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on the Council and group's financial instrument exposure at balance date.

Actual Council 2017 \$'000 -100bps Surplus	Actual Council 2017 \$'000 +100bps Surplus		Actual Council 2018 \$'000 -100bps Surplus	Actual Council 2018 \$'000 +100bps Surplus
FINANCIAL ASSETS				
(74)	74	Cash and cash equivalents	(16)	16
-	-	Derivative financial instruments assets	-	-
(74)	74	Total sensitivity on financial assets	(16)	16
FINANCIAL LIABILITIES				
-	-	Bank Overdraft	-	-
(9,350)	(2,304)	Derivative financial instruments assets	(11,758)	(1,669)
(607)	607	Secured loans (floating interest rate) ¹	(777)	777
(9,957)	(1,697)	Total sensitivity on financial liabilities	(12,534)	(893)

1. The Council has floating rate debt with a principal amount totalling \$77.74m (2017: \$60.74m). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$777,000 (2017: \$607,000). A movement in market interest rates on fixed rate debt does not have any impact because secured loans are accounted for and amortised using the effective interest method.

Explanation of interest rate risk sensitivity

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measure as a basis points (bps) movement. For example, a decrease in 100bps is equivalent to a decrease in interest rates of 1.0%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -100bps / +100bps. (2017 - 100bps/+100bps).

26. Post balance date events

There has not been any significant post balance date events.

27. Related party transactions

Related party transactions

No related party debts have been written off or forgiven during the year. (2017: nil)

All related party transactions were conducted on terms equivalent to those prevailing in an arms-length transaction.

The Council made grants to Hawke's Bay Museum Trust \$466,160 (2017: \$457,925) which is a Council Controlled Organisation.

The Council disposed of refuse at the Omarunui Landfill and receipts amounted to \$823,516 (2017: \$883,723). The Omarunui Landfill is jointly owned by the Council (63.68% share) and the Napier City Council (36.38% share). The Council manages the operations of the Landfill.

The Council has a 100% ownership of the Hastings District Holdings Limited company. The Holding company provides Council and the community with an extra layer of governance and a monitoring structure for Council's other CCO's which include the Hawke's Bay Opera House Limited and Hastings District Properties Limited.

The Council made grants totalling \$3,000 (2017: \$1,000) to Hawke's Bay Opera House Limited. The outstanding balance owed to the Hawke's Bay Opera House at 30 June 2018 was \$nil (2017: \$nil). In addition the Council charged Hawke's Bay Opera House Limited \$nil (2017: \$210) during the financial year for various expenses. The outstanding balance owed to the Council at 30 June 2018 was \$nil (2017: \$nil).

Hastings District Properties Limited invoiced the Council \$nil (2017: \$nil) for various services. The balance outstanding at the year-end was \$nil (2017: \$nil). The Council charged Hastings District Properties Limited \$nil (2017: \$2,290). The balance outstanding at the year-end was \$nil (2017: \$nil).

The Council paid to the Hawke's Bay Regional Sports Park Trust, operational grants and services to the value of \$305,800 (2017: \$289,800) and Capital funding grants of \$nil (2017: \$195,708). The balance outstanding to Hawke's Bay Regional Sports Park Trust at 30 June 2018 was \$nil (2017: \$nil).

The Council provided a number of services to the Trust during the year, including parks maintenance, building consents and other services totalling \$105,526 (2017: \$121,901). The balance outstanding to the Council at 30 June 2018 was \$5,722 (2017: \$5,722).

Key management personnel

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with the Council (such as payment of rates, purchase of rubbish bags, and purchase of dog licences).

Councillor/key management personnel	Organisation	Position/relationship to organisation		\$ amount service received/provided 2017/18	\$ amount service received/provided 2016/17	\$ amount balance year end
Mayor Hazlehurst	Te Mata Park Trust Board	Trustee	Funding	\$80,226	nil	\$40,000
	Central Building Surveyors	Director	Services Received	\$184	nil	nil
	Tainui Reserve	Trustee	Receipts	\$117	nil	nil
Councillor Kerr	HB Regional Sports Park	Trustee	Operating Grant/Funding	\$307,714	\$485,508	nil
Mayor Yule	LGNZ	President	The Council membership and other sundry payments	nil	\$71,858	\$1,151
	N Z Local Authority Protection Programme Disaster Fund	Trustee	Disaster Cover for Infrastructural Assets	nil	\$163,900	nil
	U-Turn Trust	Trustee	Trust	nil	\$32,000	nil
Councillor Harvey	Havelock North Business Association	Council appointed representative	Subscription & Contract for Events	\$97,830	\$68,040	nil
	Havelock North Business Association	Council appointed representative	Receipts	\$511	nil	nil
	Hastings Business Association	Council appointed representative	Funding for Night Markets, entertainment etc.	\$68,397	\$78,819	nil
	Attention Communication Limited	Director/Shareholder	Advertising GTGH in The Profit	\$5,215	\$1,800	nil
	Sport Hawke's Bay	Chairman	Funding	\$167,774	\$125,552	\$27,018
	Sport Hawke's Bay	Chairman	Receipts	\$10,050	nil	\$1,227
Councillor Henare O'Keefe	U-Turn Trust	Employee of U-Turn Trust	Grant	\$15,000	\$32,000	nil
Councillor Lyons	Hawke's Bay Museum Trust	Trustee	Funding	\$466,160	\$457,925	nil
	Te Mata Park Trust Board	Trustee	Funding	\$80,226	nil	\$40,000
Councillor Dixon	Hastings Business Association	Council appointed representative	Funding for Night Markets, entertainment etc.	\$68,397	\$78,819	nil
	Te Mata Park Trust Board	Trustee	Funding	\$80,226	nil	\$40,000
Councillor Heaps	Te Awanga Progressive Association	Committee Member	Funding	\$1,380	nil	\$1,380
Councillor Lawson	Heretaunga Women's Centre	Chairwoman	Funding & Services	\$26,346	\$27,172	\$4,890
Ross McLeod	HBLASS Limited	Director	Provides advisory, purchasing and related services to the Council in relation to shared service opportunities	\$21,411	\$21,411	Nil
	HB Youth Futures Trust	Trustee	Receipts	\$1,839	nil	nil
Bronwyn Bayliss	Manufacturing Suppliers Ltd	Employee of Hastings District Council and husband Manager of Supplier	Purchasing of product by different dept.	\$3,740	\$3,147	\$219
Bruce Allan	Hawke's Bay Opera House Limited	Director	Funding & Services	\$3,000	\$1,000	nil
Alison Banks	Hawke's Bay Opera House Limited	Director	Funding & Services	\$3,000	\$1,000	nil
Craig Cameron	Hawke's Bay Opera House Limited	Director	Funding & Services	\$3,000	\$1,000	nil

The Council as part of their core business which is providing services to the Hastings District has provided the same services to organisations that are related parties by virtue of having a director or shareholder that is part of the Council's key management personnel.

There were close family members of key management personnel employed by the Council. The terms and conditions of those arrangements were no more favourable than Hastings District Council would have adopted if there were no relationship to key management personnel.

Key Management Personnel include the Mayor, Councillors, Chief Executive and other senior management.

Actual Council 2017 \$'000	Actual Council 2018 \$'000
COUNCILLORS	
804 Remuneration	811
19* Full-time equivalent members	19*
SENIOR MANAGEMENT TEAM, INCLUDING CHIEF EXECUTIVE	
1,491 Remuneration	1,640
7 Full-time equivalent members	7
2,295 Total key management personnel compensation	2,451
26 Total full-time equivalent personnel	26

* Due to the difficulty in determining the full-time equivalent for the Elected Members. The full time equivalent is taken as the number of the Mayor, Councillors, and Rural Committee Board. This excludes Elected Representatives who left their positions during the FY17 financial year.

28. Contingencies

Unquantified claims

RiskPool

RiskPool provides public liability and professional indemnity insurance for its members. The Council is a member of RiskPool. The trust deed of RiskPool provides that, if there is shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any Fund year, then the Board may make a call on members for that Fund year. RiskPool advised in 2009 that 3 calls of a similar amount may be required over the following three years. In 2012/13 financial year a final call of \$88,300 was advised and paid. There have been no further calls or payments.

Provision for building claims under Financial Assistance Package (FAP)

The Government's Weathertight Homes Financial Assistance Package aims to help people get their non-weathertight homes fixed faster, and centres on the Government and local authorities each contributing 25% of agreed repair costs and affected homeowners funding the remaining 50% backed by a Government loan guarantee. The impact and cost of future and unknown claims cannot be measured reliably and therefore the Council and Group have an unquantified contingent liability.

On 11 October 2012 the Supreme Court of New Zealand released a decision clarifying that councils owe a duty of care when approving plans and inspecting construction of a building that was not purely a residential building. The Court held that there was no principled basis for distinguishing between the liability of those who played a role in the construction of residential buildings as against the construction of non-residential buildings. This extends the scope of the potential liability for the Council to include non-residential buildings consented under the Building Act 1991.

In April 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the cladding sheets and cladding systems manufactured and prepared by CHH. Subsequently, in December 2016, CHH commenced third party proceedings against 48 Councils, including Hastings District Council alleging breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates. The Councils have applied for orders setting aside and striking CHH's claims against them. The MOE's claim against CHH is for 833 school buildings, 25 of which are located with the Hastings District. At present there is insufficient information to conclude on potential liability and claim quantum, if any.

New Zealand Local Government Funding Agency

The Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

The Council is one of 30 shareholders of the NZLGFA. In that regard it has uncalled capital of \$373,196 (2017 \$373,196). When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders, the Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2018, NZLGFA had borrowings totalling \$8.594 billion (2017: \$7.945 billion).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

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

Legal Proceedings and Disputes

There was no employee personal grievance against the Council as at 30 June 2018.

29. Rate remissions

Rates revenue is shown net of rate remissions. The Council allowed for rate remissions under the Local Government Rating Act 2002 in six broad categories. During the year the Council allowed remission of \$292,999.48 (2017: \$291,131) excluding GST. In terms of the Act certain properties are designated as non rateable. The Council does not rate such properties and they are not included in the following remission figures.

Actual Council 2017 \$'000	Actual Council 2018 \$'000
22 Special Rateable Value	21
68 Community & Sporting Organisations	65
18 Covenant	19
18 Voluntarily Protected Land	16
6 Swimming Pool Safety	6
57 Penalties	71
57 Unutilised Māori Land	44
44 Sundry	52
291	293

30. Capital management

The Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 the LGA requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires the Council to make adequate and effective provision in its Long-Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's LTP.

The Council has the following Council-created reserves:

- Reserves for different areas of benefit;
- Self-insurance reserves; and
- Trust and bequest reserves.

Reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates. Any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves

Self-insurance reserves are built up annually from general rates and are made available for specific unforeseen events. The release of these funds can generally be approved only by the Council.

Trust and bequest reserves are set up where the Council has been donated funds that are restricted for particular purposes. Interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated.

31. Asset insurance

The total value of all assets of the local authority that are covered by insurance contracts and the maximum amount to which they are insured:

Insurance contracts

Actual Council 2017 Policy type \$'000 (Maximum amount insured)	Actual Council 2018 \$'000
256,432 Material Damage (mainly buildings and contents)	327,611
10,903 Motor Vehicles (includes mobile plant and equipment)	7,582

Assets (mainly buildings and contents) with a replacement value of \$327,611,290 (2017: \$256,431,738) are insured under councils Material Damage Policy. The cover is for replacement value plus an allowance for inflation and the cost of demolition.

The Council's vehicles, mobile plant and equipment are insured under a Motor Vehicle Policy that covers all such equipment which is owned or otherwise the responsibility of the insured. Cover provides for cost of replacement for vehicles under twelve months old and market value for vehicles over twelve months old. The original purchase price of vehicles, plant and equipment insured under this policy is \$7,581,934 (2017: \$10,902,659).

Claims under both the Material damage and Motor Vehicle Policies are subject to various excesses dependant on the particulars of the claim.

In the event of a major disaster or catastrophe the cost of replacing water, sewage and other essential services (not roads and bridges) is shared with 60% of the cost met by central government and 40% met by the local authority. Hastings District Council is a member of the Local Authority Protection Programme (LAPP). The LAPP fund is a cash accumulation mutual pool established to help local authorities meet their 40% share in the event of such a disaster; it does this by maintaining cash reserves and also purchasing infrastructure reinsurance.

For 2017/18 the maximum payable by LAPP was up to a limit of \$125 million per event for all member councils (being 40% of \$312.5 million). The central government share is unlimited.

The value of infrastructural assets declared by the Council to be covered by the LAPP fund is \$666,063,298 (2017: \$666,063,298). Payments from both LAPP and central government are subject to various thresholds and excesses.

Hastings District Council has a number of other assets not covered by insurance contract or risk sharing arrangements and therefore self-insured. The major category in this group would be roads and bridges (below \$250,000) valued at 30 June 2018 \$1,118,810,436 (excl. land), (2017: \$1,101,310,547). There would also be a number of other sundry items that would fall into this group.



**Council controlled organisations
and other interests**

Hawke's Bay Museums Trust

Policies and objectives regarding ownership and control

The Trust is a Council Controlled Organisation as three of the five-member Board are nominated jointly by Hastings District Council and Napier City Council. This is in accordance with the revised Constitution and Rules adopted on 30 October 2006. The Trust's Constitution and Rules have been amended to reflect the change in role to that of owner and guardian of the regional collection. The Hawke's Bay Museums Trust is classified as an associate entity for financial reporting purposes.

Scope and nature of activities

The objectives of the Trust are:

- To hold and protect the collection for the people of Hawke's Bay.
- To encourage the development of quality cultural facilities capable of accessing or drawing upon the collection within Hawke's Bay.
- To advance and promote cultural heritage and the arts through the use of the collection.
- To oversee collection management through the development of collection policy, conservation and risk management strategies via a contract for services with the Napier City Council.
- To oversee collection development through the regulation of the acquisition and disposal of collection items.
- To manage the bequests vested in the Trust in a way in which maximises benefit to the collection.

The Scope and Nature of Activities to be undertaken by the Napier City Council are outlined below. These activities will be achieved in accordance with agreed Museum Industry Standards and consistent with HBMT policies and procedures.

- 1) [Protection](#):
 - Storage including pest control, storage media, shelving and air quality
 - Security including alarm and access systems and monitoring, and insurance
 - Records management including Vernon database and other records
- 2) [Quality](#) including conservation, accessioning and de-accessioning.
- 3) [Access](#) including exhibitions, research and archives.
- 4) [Development](#) including fundraising, reserves management and relationship development.

Performance targets

Key result area	Performance indicator	2017/18 target	2017/18 actual
Protection	Full insurance cover is provided for the collection	Yes	Yes
	Collections are stored in an acceptable environment	No items reported to have suffered deterioration due to the environment	No damage
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes	Yes
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries 9652 online	436 enquiries 9652 online
	Collections are made available to the public through quality exhibitions	Minimum of five collection based exhibitions	Ōmaranui Dinky Toys Steadfast Steamers Tēnei Tōnu 1931 HB Earthquake Stairwell Cases House of Webb
Development	Bequests fund income is used in the manner determined by the donor	Yes	Yes
	Conservation funds income is used solely for collection care	Yes	Yes
	Joint HBMT/Te Rōpū Kaiawhina Taonga meeting held	1 per annum	0

Development

Unspent bequest fund incomes allocated for acquisitions and collection care are kept in special funds and carried forward to the next financial year for future spending.

Financial performance

(\$)	2017/18 budget	2017/18 actual
Total revenue	943,820	1,008,627
Total expenses	943,820	933,9229
Surplus/(deficit)	-	74,705

Hawke's Bay Airport Limited

Policies and objectives regarding ownership and control

Hawke's Bay Airport Limited (HBAL) is a company incorporated in New Zealand under the Companies Act 1993 and is owned by the Crown: 50% Napier City Council: 26% Hastings District Council: 24%. HBAL is defined as a Council Controlled organisation pursuant to Part 5 of the Local Government Act 2002.

HBAL is classified as an associate entity for financial reporting purposes.

Scope and nature of activity

- To provide safe, convenient and appealing services and facilities for airlines, air travellers, employees and all other visitors to the airport.
- To support regional economic development through strategic infrastructure.
- To generate appropriate returns on assets employed and shareholder's equity.
- To position the airport for aviation growth over the long term.

Performance

The following is a statement of service performance relating to key specific objectives listed in the Company's Statement of Intent for the year ending 30 June 2018.

(\$)	2017/18 target	2017/18 actual
Total revenue	6,339,000	6,649,167
Profit before income tax	1,708,000	2,140,708
Profit after tax	1,254,896	1,444,945
Return on Equity	4.30%	4.90%

Net dividends declared in December 2017 was \$687,001 compared to a target from 2016/17 financial year of \$502,000.

Activity	Measure	Status
CAA recertification	Renewal of Aerodrome Operating Certificate	●
Operate a Successful Business	Achieve Performance Targets:	
	• Revenue	●
	• EBITDA	●
	• NPAT	●
	• Return on Equity – Annualised	●
	• Gearing	●
	• Dividend	●
	• Business Park Rezone	●
	• Development of Business Park	●
	• Review and update strategic plan	●
Appropriate Infrastructure	Progress planning for:	
	• Terminal redevelopment	●
	• Strengthen rescue fire station	●
	• New airport entranceway	●
Health & Safety Focus	NZ Civil Aviation Approved Safety Management Implementation Safety Plan	●
Consolidated Waste and Recycling Management	Bi-annual audit of consumption Half water usage saving of 38.4m litres	●
Customer Focus	Regular engagement with customers	●
Stakeholder Engagement	4 meetings per annum with Shareholders	●

KEY

● Meets or Exceeds target

● Within 10% of target

● 10% or more below target

NZ Local Government Funding Agency Limited

Policies and objectives regarding ownership and control

The New Zealand Local Government Funding Agency Limited (LGFA) is owned by 30 Local Authority Councils and the Crown. The LGFA is enabled under the Local Government Borrowing Act 2011 and is a Council-Controlled Organisation (CCO) for the purposes of the Local Government Act 2002. Hastings District Council's shareholding is 1.7%.

Scope and nature of activity

LGFA will raise debt funding either domestically and/or offshore in either New Zealand dollars or foreign currency and provide debt funding to New Zealand local authorities, and may undertake any other activities considered by the Board of LGFA to be reasonably related or incidentally to, or in connection with, that business.

In lending to Participating Local Authorities, LGFA will:

- Operate in a manner to ensure LGFA is successful and sustainable in the long term.
- Educate and inform participating local authorities on matters within the scope of LGFA's operations.
- Provide excellent service to Participating Local Authorities.
- Ensure excellent communication exists and be professional in its dealings with all its stakeholders.
- Ensure its products and services are delivered in a cost effective manner.

Performance indicators

LGFA has the following performance targets:

Performance measure	Note	Target	Result	Outcome (target met?)
Average base on lending margin above LGFA's cost of funds	1	<0.10%	0.105%	No
Annualised operating expenses		<\$5.45m	\$5.18m	Yes
Lending to participating councils		>\$8.13b	\$7.98b	No

Financials	Note	Target	Result	Outcome (target met?)
Net interest income		\$18.22m	\$18.97m	Yes
Issuance and operating expenses		\$7.34m	\$7.16m	Yes
Net profit		\$10.88m	\$11.80m	Yes

1. The outcome is dependent upon the term of borrowing by councils as LGFA on-lending margin reflects a term structure premium for longer borrowing.

Other Council Controlled Organisations

Hastings District Holdings Limited

HDHL is a Limited Liability Company incorporated under the Companies Act 1993. HDHL is exempted from being a Council Controlled Organisation (CCO) as defined by Section 7(3) of the Local Government Act 2002 and is a 100% wholly owned subsidiary of the Hastings District Council.

HDHL holds the shares in:

Hawke's Bay Opera House Ltd

Due to the closure of the Hawke's Bay Opera House for earthquake strengthening, Hawke's Bay Opera House Ltd has ceased trading and as at 30 June 2014 has been exempted by Council from being a CCO under section 7(3) of the Local Government Act 2002.

Hastings District Properties Ltd

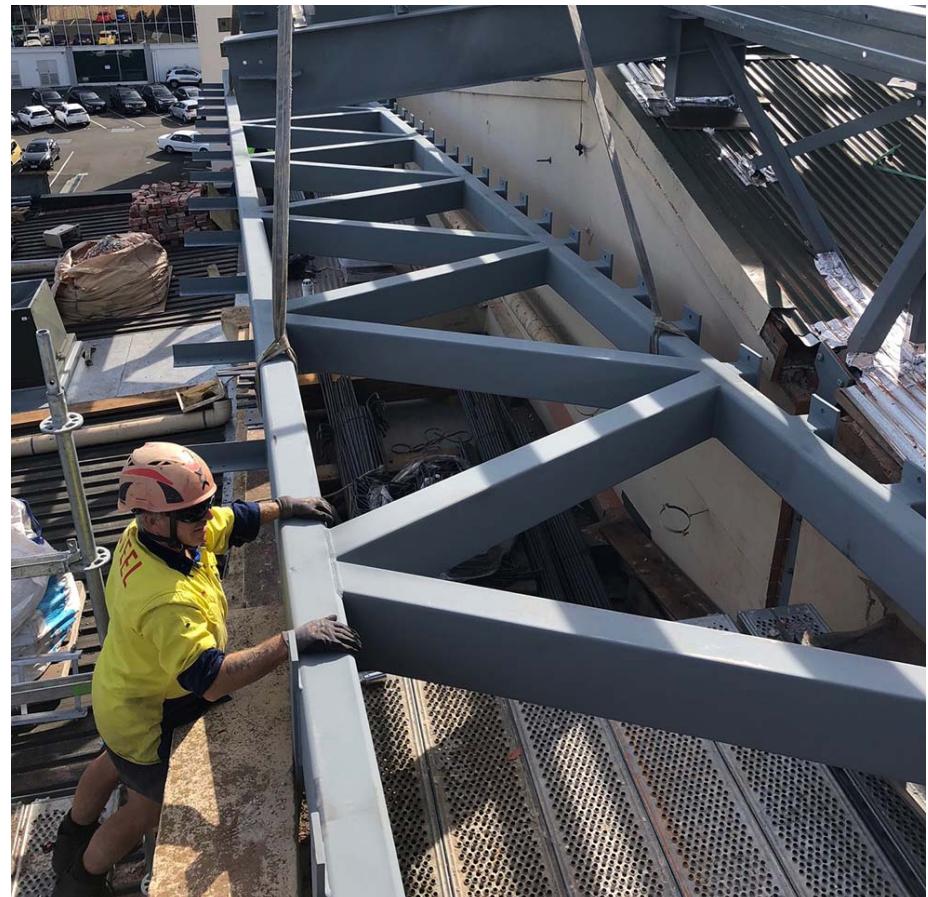
Due to the lack of new developments coming on stream the property company was put into recession in December 2016. As at 30 June 2018 it has been exempted by Council from being a CCO under section 7(3) of the Local Government Act 2002.

Te Mata Park Trust Board

The Te Mata Park Trust Board has been exempted by Council under section 7(3) of the Local Government Act 2002 from being a CCO.

HB LASS Ltd

HB LASS Ltd was wound up as a company at 30 April 2018 with remaining funds released to a new joint committee under the care and management of Napier City Council.





A black truck is driving away from the viewer on a two-lane asphalt road. The truck is carrying a large stack of cut logs in its bed. The road is flanked by metal railings and trees. In the background, there are rolling green hills and a prominent, rounded rock formation under a clear blue sky.

Treasury Policy

Purpose of Policy

The purpose of the Treasury Policy is to outline approved policies and procedures in respect of all treasury activity to be undertaken by the Council. The formalisation of such policies and procedures will enable treasury risks within the Council to be prudently managed.

a) Liability Management Policy

Council's liabilities comprise borrowings and various other liabilities. Council's Liability Management Policy focuses on borrowings as this is the most significant component and exposes the council to the most significant risks. Other liabilities are generally non-interest bearing.

External debt ratios and limits

Debt will be managed within the following macro limits:

Ratio	Target	30 Jun 2018
Net external debt as a percentage of equity	<20%	3.77%
Net external debt as a percentage of income	<150%	61.31%
Net interest as a percentage of income	<15%	2.96%
Net interest as a percentage of annual rates income	<20%	5.06%
Liquidity (Term Debt + Committed Loan Facilities v Existing Debt)	110%-170%	112.86%

There were minor breaches of the Treasury Policy which were reported to the Risk and Audit Subcommittee during the year.

b) Investment policies

As Council is a net borrower of funds and applies surplus funds to debt repayment, investments are only maintained to meet specified business reasons.

Annual Report Disclosure Statement for the year ended 30 June 2018



Financial Reporting and Prudence Benchmarks

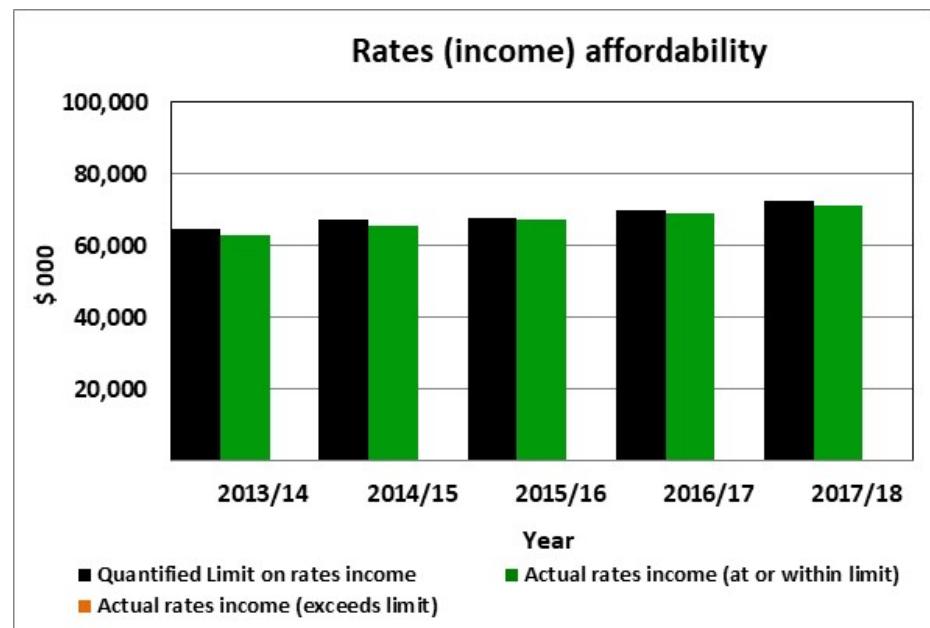
Annual Report Disclosure Statement for the year ended 30 June 2018. What is the purpose of this statement?

The purpose of this statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014. Refer to the regulations for more information, including definitions of some of the terms used in this statement.

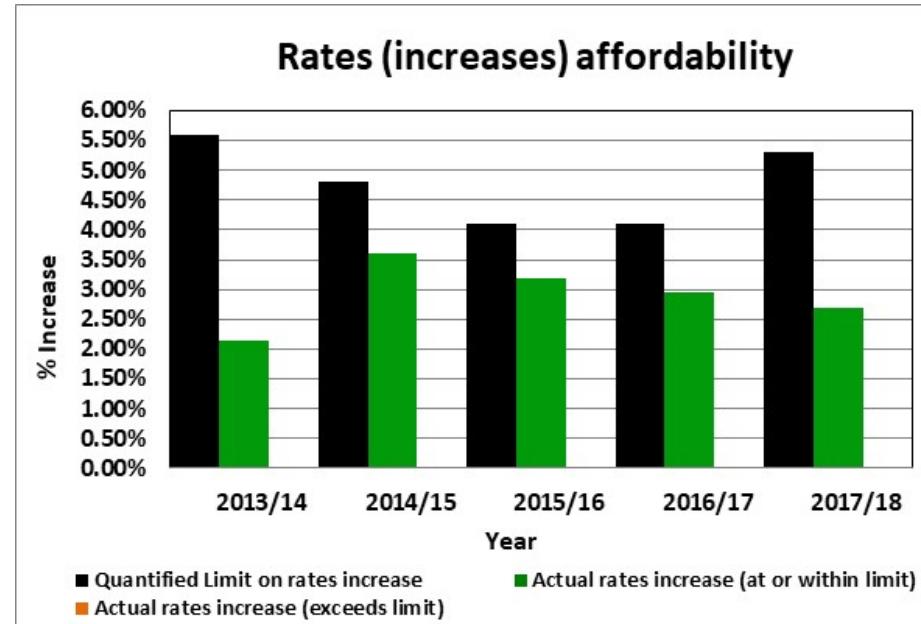
Rates (income) affordability benchmark

The following graph compares the Council's actual rates income with a quantifiable limit on rates income contained in the financial strategy included in the Council's long term plan. The quantifiable limit is the rates as forecast in the 2012-2022 and 2015-2025 Long Term Plans. The Council's actual rates income excludes location specific targeted rates, but includes projects dependant on external funding support. This is now consistent with the calculation of the quantifiable limit on rates. Previously the Council's actual rates income did not exclude the location specific targeted rates, the 2013/14 and 2014/15 Council's actual rates income have been adjusted to reflect this correction.



Rates (increases) affordability benchmark

The following graph compares the Council's actual rates increases with a quantifiable limit on rates increases contained in the financial strategy included in the Council's 2012-2022 and 2015-2025 Long Term Plans.



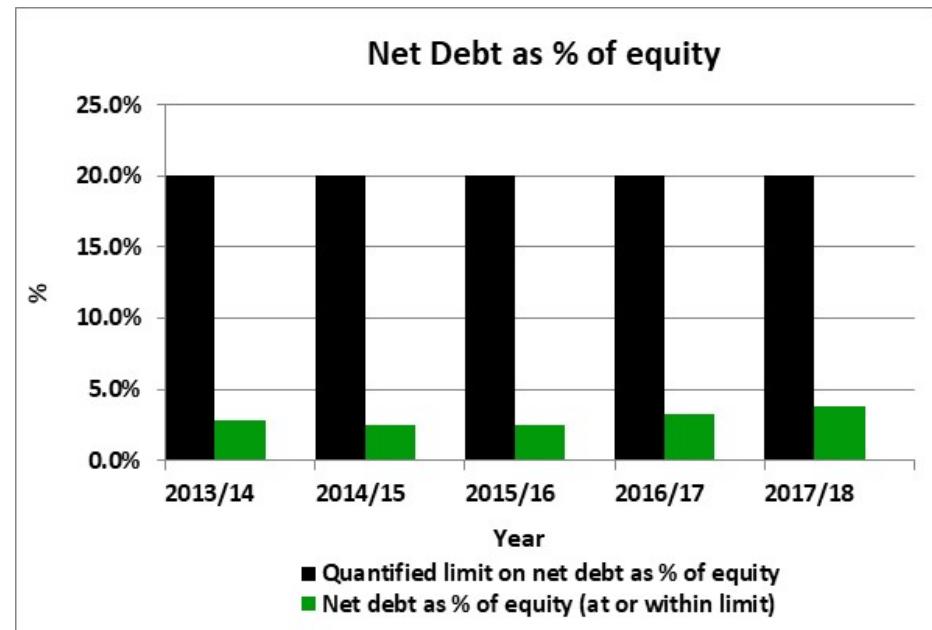
Debt affordability benchmark

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

The following graphs compares the Council's borrowing with the quantified limits on borrowing stated in the financial strategy included in the 2012-2022 and 2015-2025 Long Term Plans.

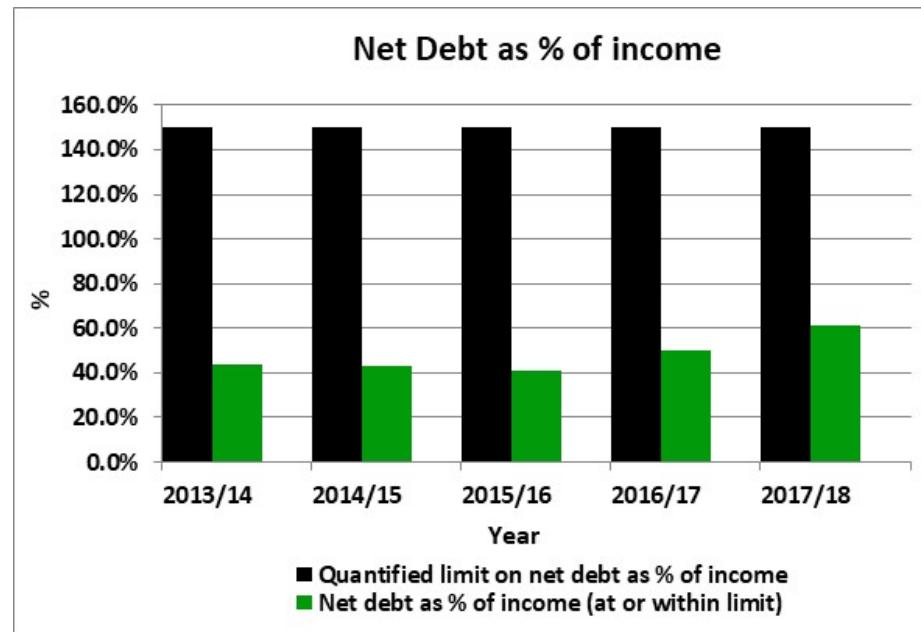
Net debt as a percentage of equity

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-2022 and 2015-2025 Long Term Plans. The quantified limit is net debt as a % of equity. A value of less than the quantified limit of 20% indicates compliance with the prudential limit.



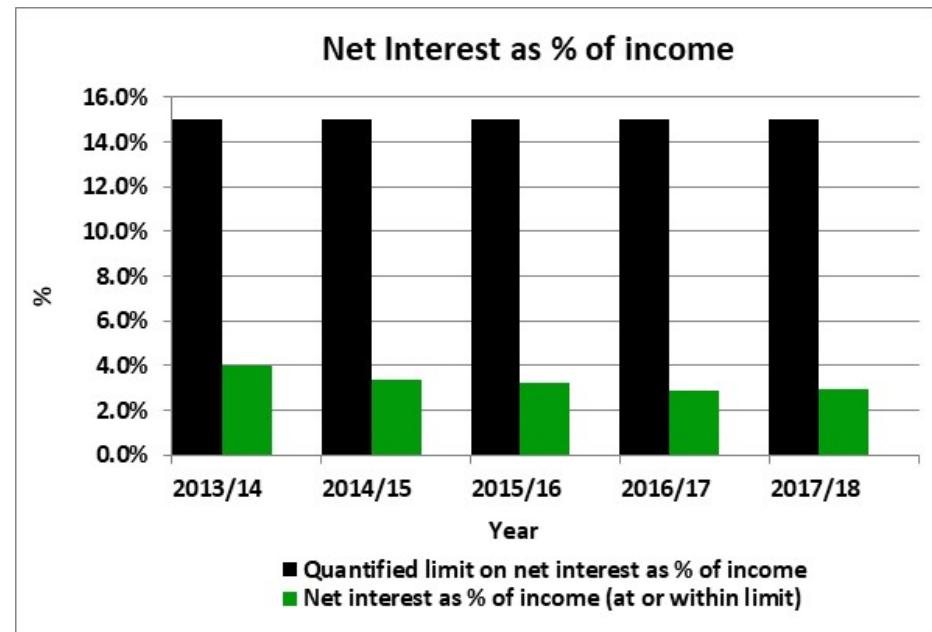
Net debt as a percentage of income

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-2022 and the 2015-25 Long Term Plans. The quantified limit is net debt as a % of income. A value of less than 150% indicates compliance with the prudential limit.



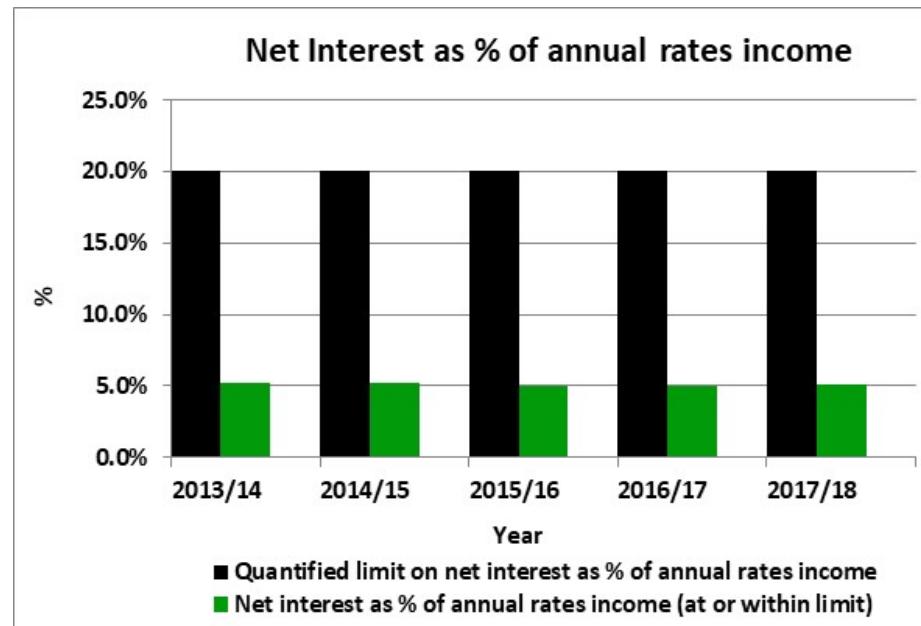
Net interest as a percentage of income

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-22 and the 2015-25 Long Term Plans. The quantified limit is net interest as a % of income. A value of less than the quantified limit of 15% indicates compliance with the prudential limit.



Net interest as a percentage of annual rates income

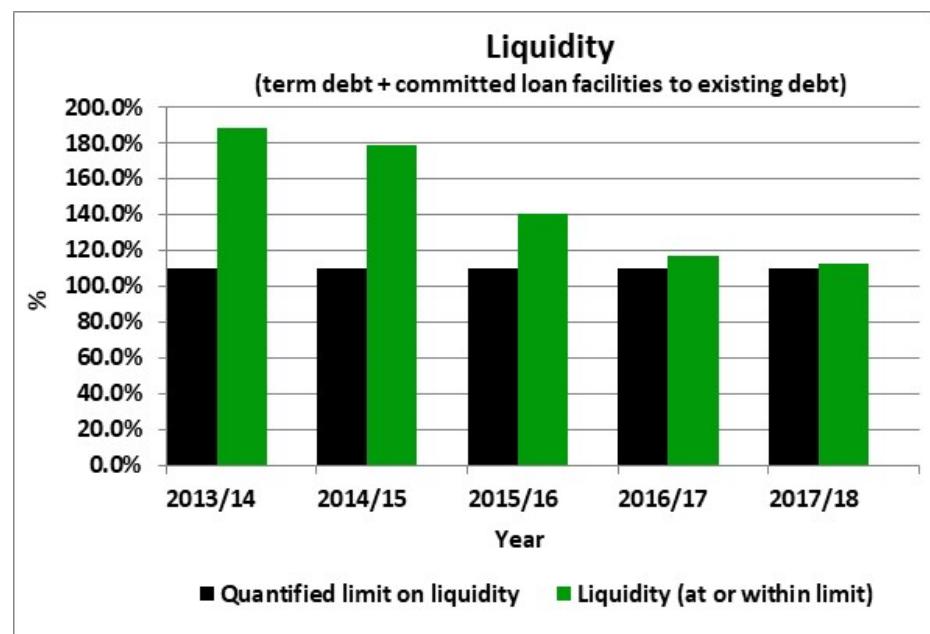
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-22 and the 2015-25 Long Term Plans. The quantified limit of 20% indicates compliance with the prudential limit.



Liquidity

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2012-22 and the 2015-25 Long Term Plans.

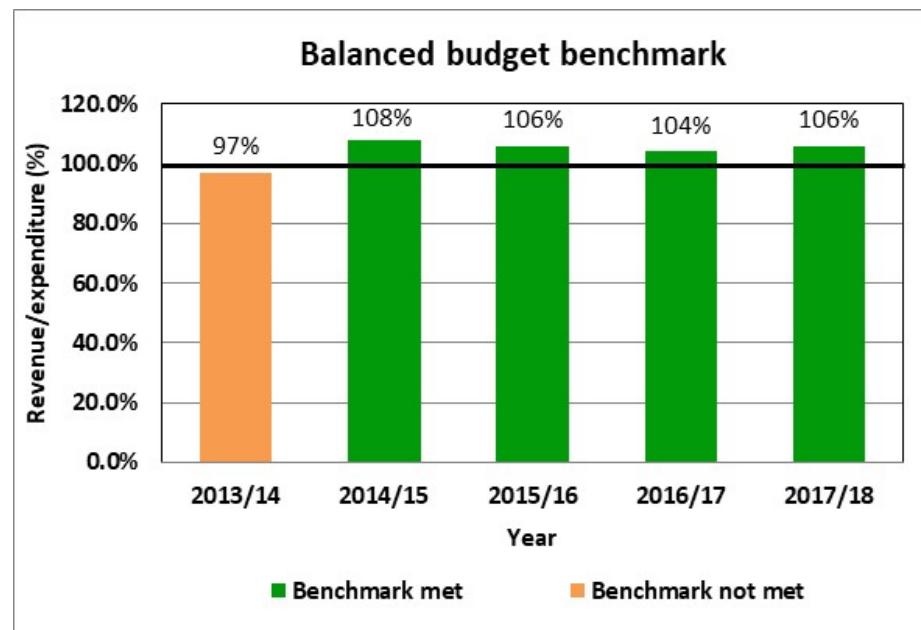
The quantified limit is term debt + committed loan facilities to existing debt. Prior to 2015/16 a value of greater than the quantified limit of 110% indicated compliance with this prudential limit. The 2015-25 Long Term Plan implemented a new range for this quantified limit of between 110% and 170%.



Balanced budget benchmark

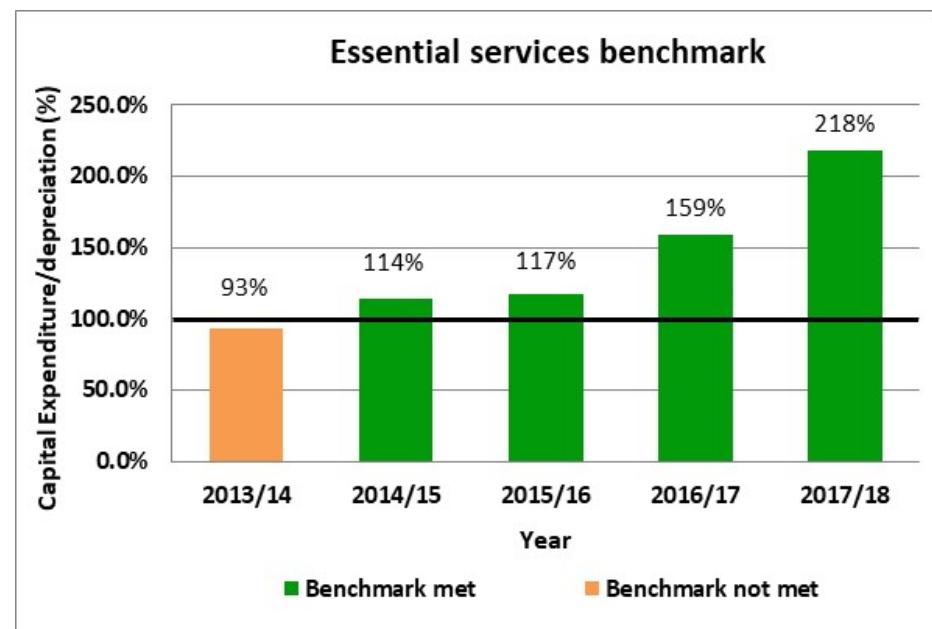
The following graph displays the Council's revenue (excluding development contributions, financial contributions vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a percentage of operating expenses (excluding losses on derivative financial instruments, and revaluations of property, plant, or equipment).

The Council meets this benchmark if its revenue exceeds its operating expenses.



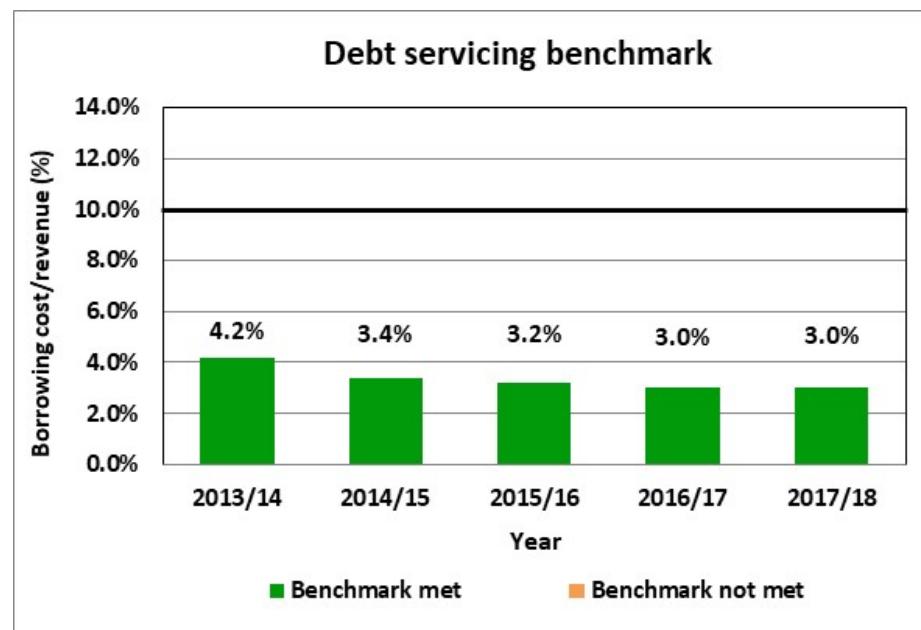
Essential services benchmark

The following graph displays the capital expenditure on network services as a percentage of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

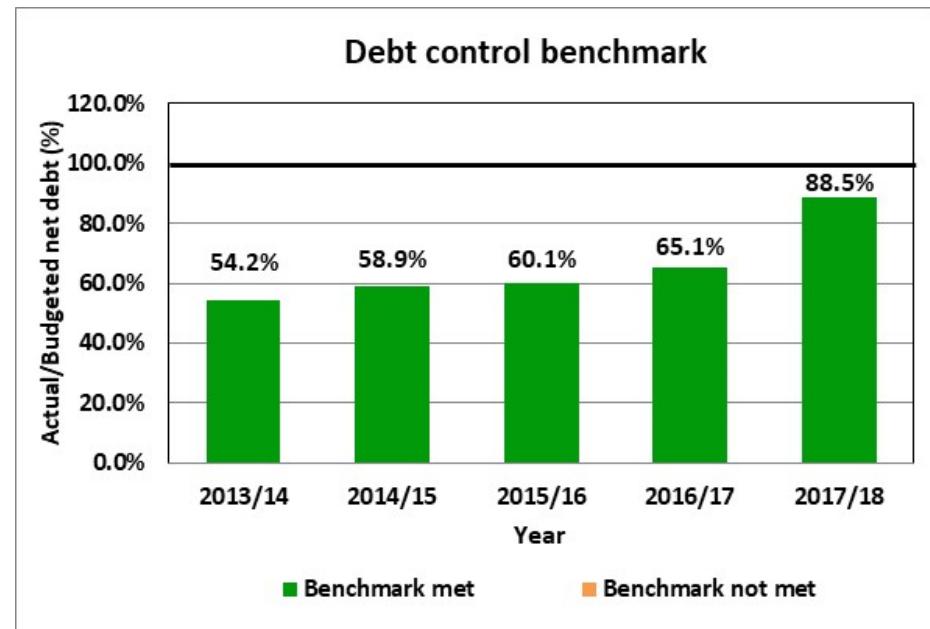
The following graph displays the Council's borrowing costs as a percentage of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment). Because Statistics New Zealand projects the Council's population will grow more slowly than the national population rate, the Council meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.



Debt control benchmark

The following graph displays the Council's net debt as a percentage of planned net debt. In this statement net debt means financial liabilities less financial assets (excluding trade and other receivables).

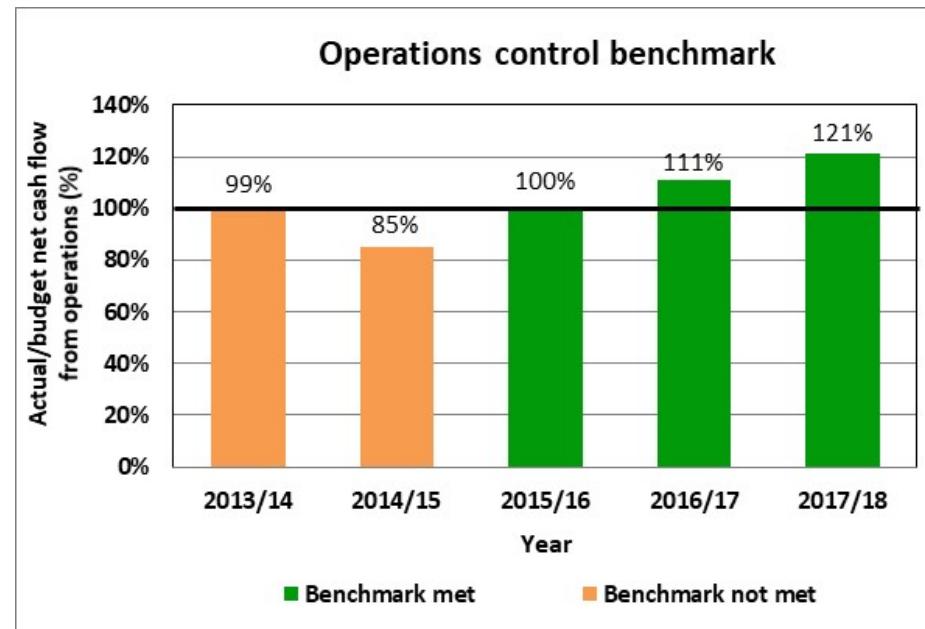
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned debt.



Operations control benchmark

The following graph displays the Council's net cash flow from operations as a percentage of its planned net cash flow from operations.

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



Independent Auditor's Report



Independent Auditor's Report

To the readers of the Hastings District Council's annual report for the year ended 30 June 2018

The Auditor General is the auditor of the Hastings District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor General has appointed me, Stephen Lucy, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 25 October 2018. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 76 to 92 and pages 94 to 131:
 - present fairly, in all material respects:
 - the District Council and group's financial position as at 30 June 2018;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards;

- the funding impact statement on page 93, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the non-financial performance information on pages 12 to 37:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2018, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 54 to 70, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan; and
- the funding impact statement for each group of activities on pages 54 to 70, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 141 to 147, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long term plan and annual plans.

Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report. The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan and long-term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.

- We determine the appropriateness of the reported intended levels of service in the non-financial performance information, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 8 to 10, 39 to 52, 139, 155 to 158 and 160 to 161, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the District Council and Group in accordance with the independence requirements of the Auditor General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit of the audited information and our report on the disclosure requirements, we have audited the District Council's 2018-28 long term plan, and performed a limited assurance engagement related to the District Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.



SB Lucy
Audit New Zealand
On behalf of the Auditor General
Wellington, New Zealand



An aerial photograph of a coastal landscape. In the foreground, a dark, sandy beach meets the ocean with white waves. A yellow line highlights a specific area near a river mouth. Behind the beach, there's a mix of green fields, some developed land with buildings, and a large industrial facility featuring several large white tanks and a small building. The terrain is a mix of green grass, brown soil, and some rocky areas near the water's edge.

Statement of Compliance and Responsibility

Statement of Compliance and Responsibility

Compliance

The Council and Management of Hastings District Council confirm that all the statutory requirements of the Local Government Act 2002 have been complied with.

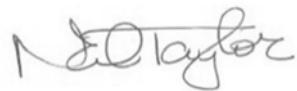
Responsibility

- 1) The Council and Management of Hastings District Council accept responsibility for the preparation of the annual Financial Statements and the judgements used in them.
- 2) The Council and Management of Hastings District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.
- 3) In the opinion of the Council and Management of Hastings District Council, the annual Financial Statements for the year ended 30 June 2018 fairly reflect the financial position and operations of Hastings District Council.

Sandra Hazlehurst
Mayor



Neil Taylor
Acting Chief Executive



Dated: 25 October 2018

Equal Employment Opportunity Policy



Equal Employment Opportunity Policy

The Hastings District Council is committed to the principle of equal opportunity in the recruitment, employment, training and promotion of its employees.

The organisation has continued to provide a welcoming, positive environment and ensured that its activities and services were carried out with an awareness of, and intent to eliminate discrimination in the area of race, colour, ethnic or national origin, gender, religion, marital status, sexual orientation, family responsibilities, age or disabilities.

The Council will continue to ensure that the principles of Equal Employment Opportunity are developed, implemented, and regularly reviewed by way of appropriate programmes.



Your Council



Directory of Council as at 30 June 2018



SANDRA HAZLEHURST
Mayor

027 418 6602
sandra.hazlehurst@hdc.govt.nz



TANIA KERR
Deputy Mayor

06 834 9604
councillor.kerr@hdc.govt.nz
Mohaka Ward



MALCOLM DIXON

06 877 4007
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Hastings – Havelock North Ward



KEVIN WATKINS

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Hastings – Havelock North Ward



BAYDEN BARBER

021 570 011
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Hastings – Havelock North Ward



DAMON HARVEY

021 288 6772
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Hastings – Havelock North Ward



GERALDINE TRAVERS

021 048 4184
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Hastings – Havelock North Ward



ANN REDSTONE

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Heretaunga Ward



ROD HEAPS

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Heretaunga Ward



GEORGE LYONS

06 879 7752
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Kahurangi Ward



HENARE O'KEEFE

06 879 5298
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Flaxmere Ward



JACOBY POULAIN

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Flaxmere Ward



SIMON NIXON

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Hastings – Havelock North Ward



WENDY SCHOLLUM

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Hastings – Havelock North Ward



EILEEN LAWSON

027 3007631
councillor.lawson@hdc.govt.nz
Hastings – Havelock North Ward

Rural Community Board

Mr Peter Kay, Maraekakaho Chairman
Mr Mick Lester, JP, Kahurangi
Mrs Sue Maxwell, Tutira
Mr Nick Dawson, Kaweka

Council appointees:
Cr Tania Kerr
Cr George Lyons

HDC Māori Joint Committee

Mr Robin Hape, Chair
Mr Shayne Walker
Mr Te Rangihau Gilbert

Ms Evelyn Ratima
Ms Tracee Te Huia
Ms Ngaio Tiuka

Council representatives:
Mayor Sandra Hazlehurst
Cr Geraldine Travers
Cr Jacoby Poulain

Cr George Lyons
Cr Henare O'Keefe
Cr Bayden Barber

Directory of Senior Management



**ROSS
MCLEOD**

Chief Executive (until 21 June 2018)



**NEIL
TAYLOR**

06 871 5002
neilt@hdc.govt.nz
Acting Chief Executive



**JOHN
O'SHAUGHNESSY**

06 871 5035
johno@hdc.govt.nz
Group Manager
Planning & Regulatory



**BRUCE
ALLAN**

06 871 5019
brucea@hdc.govt.nz
Chief Financial Officer



**CRAIG
THEW**

06 871 5041
craigt@hdc.govt.nz
Group Manager
Asset Management



**ALISON
BANKS**

06 871 5052
alisonb@hdc.govt.nz
Group Manager
Community Facilities & Programmes



**CRAIG
CAMERON**

06 871 5505
craigc@hdc.govt.nz
Group Manager
Economic Growth & Organisation Improvement



**BRONWYN
BAYLISS**

06 871 5026
bronwynb@hdc.govt.nz
Group Manager
Human Resources

Statistical information (Council only)

	2016		2017	
Rateable Assessments	30,642	Rateable Assessments		31,024
Land Value	7,640,860,100	Valuations (Net)		\$9,438,289,200
Improvements	7,017,567,700		Land Value	\$8,669,013,050
Capital Value	14,658,427,800		Improvements	
			Capital Value	\$18,107,305,250
	2017		2018	
Land Area	522,893ha	Land Area		522,893ha
Source – Statistics NZ	73,245	Population (2013 Census)		73,245
Permanent Staff	371	Employee numbers as at 30 June		397
	\$29,398,502	Total Salary & Wages		\$31,110,588
	\$97,261,000	Gross Public Debt		\$115,229,000
	\$3,174	Gross Debt per rateable assessment		\$3,714
Sealed Road	1299.20	Roading (km)	Sealed Road	1,301.40
Unsealed Roads	340.10		Unsealed Roads	338.20
State Highways	198.40		State Highways	198.40
	\$81,970,127	Rates Levied (incl GST)		\$83,738,252
Average Rate	Average Land Value	Analysis by Differential Category	Average Rate	Average Land Value
		Rating Area 1 (Urban)		
\$2,152	\$128,077	Residential	\$2,239	\$155,133
\$1,896	\$216,884	Residential Non Urban	\$1,953	\$254,496
\$1,836	\$150,200	Residential Clive	\$1,898	\$179,325
\$2,896	\$511,779	Horticulture / Farming	\$3,033	\$627,823
\$10,543	\$568,333	Chartered Clubs	\$9,233	\$657,500
\$12,595	\$480,293	Commercial (CBD)	\$11,759	\$494,881
\$8,722	\$385,667	Other Commercial	\$8,341	\$420,704
\$8,505	\$420,711	Commercial Non Urban	\$8,104	\$479,221
		Rating Area 2 (Rural)		
\$1,311	\$208,545	Residential	\$1,296	\$249,124
\$1,747	\$226,741	Commercial	\$1,770	\$271,435
\$2,923	\$713,612	Lifestyle / Horticulture / Farming	\$2,939	\$896,813

Glossary of terms

Budget	Refers collectively to the figures in the Annual Plan or Ten year Plan (LTP), including forecasts and projections
Capital Expenditure	Relates to the creation or enhancement of assets for the purpose of improving existing or providing new services to the community
Carry Forwards	Are projects which, for various reasons, are unable to be completed during the year in which they were budgeted and will be undertaken in the next plan year (e.g. projects not completed in [2016/17 will be 'carried forward' to 2017/18]). Funding allocated to each project will also be carried forward
Depreciation	Is a value, which represents the wearing out of an asset over time
Objectives	Identify short-term targets relating to the plan period
Operating Expenditure	Is expenditure, which is used for the operation and maintenance of Council assets that are used in the provision of services to the community
Overheads	Are defined as administrative costs incurred for the common benefit of more than one centre of activity. The Council has attempted to show the true cost of providing services and amenities by adding overheads to the basic cost components
Performance Indicators	Are measures by which the Council's performance is to be measured
Rating Area 1	Includes all of the Urban Areas, all of the former Plains Areas, and 10.27% of the former Rural Areas
Rating Area 2	Covers the remaining 89.73% of the Rural Area
Significant Activity	Identifies a grouping of Council activities or functions into a major category for the purpose of reporting in the Annual Plan and Annual Report

Abbreviations

AWPT	Area Wide Pavement Treatment
CBD	Central Business District
CCO	Council Controlled Organisation. This is a term for a company where local authorities hold a controlling interest
CR	Councillor
DRA 1	District Rating Area One (Urban Area)
DRA 2	District Rating Area Two (Rural Area)
GST	Goods and Services Tax
FRS	Financial Reporting Standard
HBRC	Hawke's Bay Regional Council
BPS	Basis Points
HCAG	Hastings City Art Gallery
SHBT	Sustaining Hawke's Bay Trust
EERST	Environmental Education for Resource Sustainability
HDC	Hastings District Council
HPUDS	Heretaunga Plains Urban Development Strategy
LATM	Local Area Traffic Management
LGA	Local Government Act 2002
LOS	Level of Service
LTP	Long Term Plan or Ten Year 'Plan
NCC	Napier City Council
NZ GAAP	NZ Generally Accepted Accounting Principles
PA	Per Annum
PSGE	Post Settlement Governance Entities
IFRS	International Financial Reporting Standards
UAGC	Uniform Annual General Charge
HPMV	High Productivity Motor Vehicle
VDAM	Vehicle Dimension and Mass

Annual Report

2017/2018