



2019/2020 Annual Report

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Message from the Mayor and Chief Executive



Introduction from the Mayor and the Chief Executive

As the Mayor and Chief Executive of Hastings District Council, we are proud to present the 2019/2020 Annual Report.

This is certainly a year like no other! We would like to acknowledge the way our community managed the challenges of COVID-19 and the lockdown. We are proud of the kindness, patience and understanding our community showed to help us through this difficult time.

Our focus is now on our community's economic and social recovery. Together with central government and the business community, we are doing everything we can to support our people through the recovery.

The backbone of our economy is our primary sector. Our farming community has managed through the challenging time of the worldwide pandemic as well as coping with the stress and hardship of one of our district's worst droughts. Our Council was pleased to support our district's farming community with a contribution towards extra feed through our regional Mayoral Relief Fund.

Through our recovery actions, we have also supported our town and city centres to keep people employed. We have initiated the 'Jobs for Heretaunga' programme with the Ministry of Social Development to maximise employment opportunities for our community. Working with Toitoi – Hawke's Bay Arts and Events Centre and our arts community, we are delivering an Arts, Cultural and Events Recovery Plan.

We are proud of the progress our Council has made over the past year delivering on our community's priorities.

Bringing safe drinking water to our people continues to be our Council's number one priority. We are nearing completion of our four-year journey to provide safe and resilient drinking water to our community. This year's achievements include new water treatment facilities, a booster pump station and preliminary work for water storage at Frimley and Eastbourne as well as upgrades to our small community water supplies.

As the government's pilot for a new place-based housing plan, we are delivering more homes for our people across Hastings, including additional social and transitional housing, papakāinga, inner city living and greenfield residential developments.

Our city centre will soon be buzzing with investments in city upgrades and new commercial developments, all of which will contribute to our city's transformation.

One of the biggest highlights this year was the re-opening of the Hawke's Bay Opera House, Cushing Foyer and Functions on Hastings at Toitoi – Hawke's Bay Arts and Events Centre. This arts precinct is the keystone of our vision to make our city centre a living, buzzing space – full of vitality and opportunity to celebrate performing arts, culture, diversity and our community's talents.

With a new hotel around the corner and our fabulous Eastside Eat Street taking off, we are putting the heart and soul into our city centre. The revitalisation of the Municipal Theatre will be the next addition to our arts and cultural precinct.

Another major milestone for our Council these past 12 months was the opening of two amazing playgrounds in our premier Flaxmere and Cornwall Parks.

Fabulous community events were held to open the Flaxmere and Cornwall Park playgrounds. The redevelopment of these much-loved parks reflect our Council's commitment to invest in our public spaces for the enjoyment of our community. These wonderful parks have been well used by many people for generations and their upgrades have achieved national awards. They will meet the needs of families for today and in the future.

This year has also seen the start of our new kerbside recycling and rubbish collection service. This has been a significant journey for our Council and one that is hugely important to our community to reduce the amount of waste we send to landfill.

We are committed to providing our community with a high level of service across all Council operations and facilities while at the same time councillors and staff are very aware of the need to carefully manage costs and keep our rates affordable.

We would like to take this opportunity to acknowledge the hard work and dedication of our staff and elected members who work tirelessly to serve our community. We are committed to doing the best for our people and deliver on their goals and aspirations.

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

Sandra Hazlehurst
Mayor

A handwritten signature in black ink, appearing to read "To'osavili Nigel Bickle".

To'osavili Nigel Bickle
Chief Executive



A large, illuminated mushroom-shaped structure at night with a father and daughter sitting in front.

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 2020



Summary non-financial performance

Introduction

The pages which follow outline in detail how the Council has progressed against its performance management framework within its 2018-2028 Long Term Plan. This report marks the second year of reporting against the 2018-2028 Long Term Plan. A summary of our progress at the end of Year Two 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.

Level Two: Today's Commitments

Key actions

There are 27 key actions contained within the Long Term Plan 2018-2028. All actions are on track or completed.

Levels of service and customer experience

There are 72 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 achievements are as follows:

Levels of Service (65 measures)

Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Water & Roads	11 (50%)	1 (5%)	10 (45%)
Safe, Healthy & Liveable Communities (Note i)	15 (68%)	2(9%)	5 (23%)
Economic & Community Development (Note ii)	8 (80%)	-	2 (20%)
Governance & Support Services	7 (88%)	1(12%)	-

Notes:

- i. The Toitoi Hawke's Bay Arts & Events Centre is not applicable at this time due to the closure of the Theatre and Municipal Building during part of 2019/20. The Food Safety measure has been superseded by the introduction of the Food Act 2014.
- ii. The level of service measure in relation to the Toitoi Hawke's Bay Arts & Events Centre is not applicable at this time due to the partial closure of the Theatre and Municipal Building during 2019/20.

Customer Experience (7 measures)

Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Governance and Support Services	2 (100%)	-	-
Safe, Healthy & Liveable Communities (Note i)	1 (25%)	-	3 (75%)

Note:

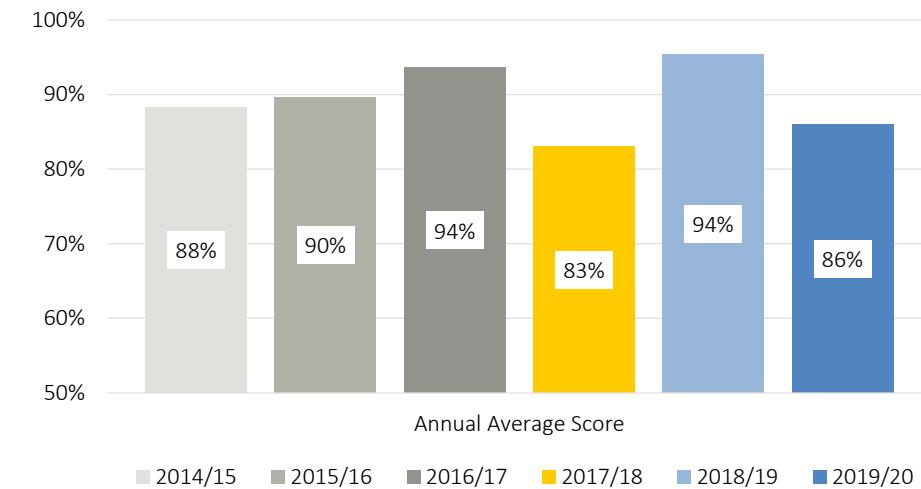
- i. Parks user satisfaction was not measured in 2019/20.

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



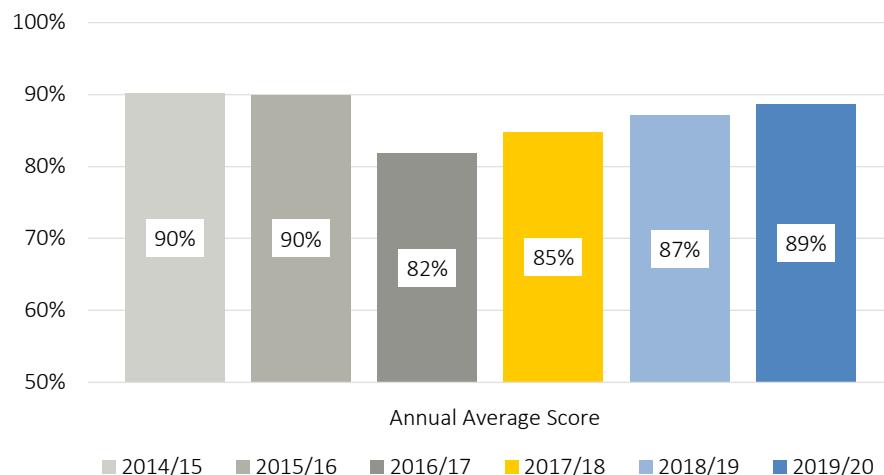
Note: The 2017/18 result is skewed by an isolated mystery shop issue which has been resolved

Contact Centre: Mystery Shopping

Mystery shop calls are carried out in partnership with the Palmerston North City Council, enabling shared learning whilst minimising on-going survey costs. Topics are focused on regular customer enquiries, including rubbish collection, dog registration, direct debits, parking infringements and rate rebates, with each call assessed in relation to the customer experience and subject knowledge. Although individual call results vary, the team’s annual average score (outlined opposite) remains 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. There are a number of priority improvement items across the key asset areas that are well on track. The main 2019/20 improvement activities included:

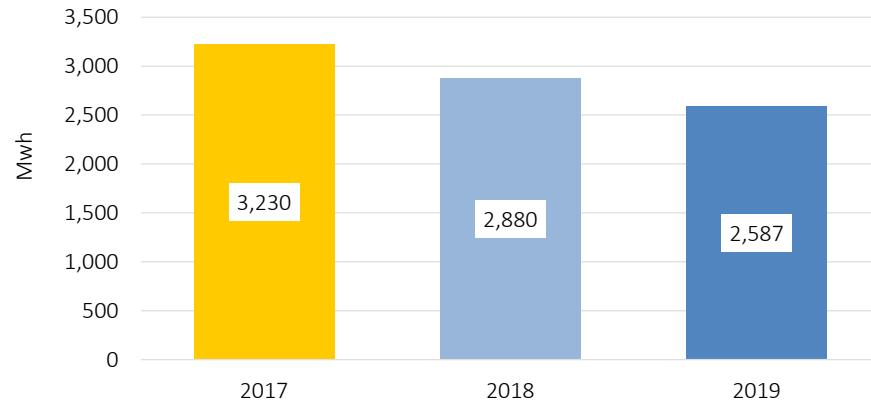
- The 3W Service Assurance Team has been established and supports the 3Waters Team.
- The Water Strategy and related programmes have been developed and are now in the implementation phase.
- The Stormwater model build has commenced and work on this continues into the 2021 LTP period.
- Detailed Programme Business Case completed and included within the Transportation Asset Management Plan.

Level One – Future Aspirations

Water & Roads

Future aspirations	Baseline performance	Future target	Progress
FGO1 Modal shift to walking/cycling.	Under Development <i>(to be measured by new census question).</i>	Under Development <i>(incremental increase over census periods).</i>	<ul style="list-style-type: none"> Not Measured – Next Census will be in 2023 and we will report on progress at that time.
FGO2 Annual shift to walking and cycling.	Under Development <i>(now measured from nine permanent count sites).</i>	Under Development <i>(incremental increase over previous periods).</i>	<ul style="list-style-type: none"> Not Measured – Next Census will be in 2023 and we will report on progress at that time.
FGO3 Street lighting efficiency.	Installed wattage (2.6kw/km).	20% reduction by 2022.	<ul style="list-style-type: none"> Achieved 5852 out of 7100 streetlights now converted to LED. Pre LED install power consumption was 3255 Mwh/year, Post install of LED predicted power consumption estimated at 2200 Mwh/year.

Power consumption



Safe, Healthy & Liveable Communities

Future aspirations	Baseline performance	Future target	Progress
FGO4 Public buildings meet minimum earthquake standards (34% of new building standard).	62.04%	100% by 2033 meeting future legislative standards.	<p>On Track – 91.4%</p> <p>(Note; the legislative timeframe for completion of assessments and any remediation that may be required does not end until 1 July 2037, the remaining 8.6% of building owners may elect to use all this time).</p> <p>New legislation Subpart 6A—Special provisions for earthquake-prone buildings captures buildings in the Hastings district that need profiling against the new EPB methodology.</p> <ul style="list-style-type: none"> • 1639 buildings constructed prior to 1976 have been profiled to date; of these buildings 334 currently fall within the profile categories of the EPB methodology and are/were therefore potentially earthquake prone. • 1305 buildings constructed between 1935 and 1975 fall outside the scope of any requirements for assessment/strengthening (under the Act). • Of the 334 buildings, 193 are excluded because they have been assessed or strengthened to $\geq 34\%$ NBS, or are timber frame buildings. • Of the 334 buildings, 129 buildings have been identified as potentially earthquake prone (building owners are required to have seismic assessments completed following notification by Council). • Of the 334 buildings, 12 buildings have been confirmed as earthquake-prone (1 is currently being strengthened and 1 has planned strengthening works scheduled).
FG05 Increased recyclables diverted from landfill.	9,800 tonnes diverted	$\geq 11,760$ tonnes per annum by 2024 (20%).	<ul style="list-style-type: none"> • Not Achieved – 7,513 tonnes (15%) diverted, decrease in tonnage is a result of the suspension/closure of facilities and services over the Covid-19 lockdown period. The diversion percentage is calculated by comparing the diverted tonnage against the annual landfill tonnage which is split 50/50 between the Hastings District Council and Napier City Council.
FG06 Decreased organic waste going to landfill.	28,580 tonnes	$\leq 19,150$ to landfill by 2024 (30%).	<ul style="list-style-type: none"> • On Track – 25,431 indicative tonnes (28.4%) – Solid Waste Analysis Protocol Survey undertaken March to May 2019.

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.

The baseline performance is based on 2018/19 actual information (unless otherwise stated).

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 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 1,000 properties connected to the Council network).	0 (zero)	0 (zero) floors affected per 1,000 connections up to a 1 in 50 year ARI storm event.	Achieved – 0 (zero) number of habitable floors affected.
		DIA Non-Financial Performance Measure 2 – Discharge Compliance Compliance with Council's resource consents for discharge from its stormwater system measured by the number of: a) Abatement notices b) Infringement notices c) Enforcement orders d) Convictions	0 (zero)		Not Achieved – 1 (one) Infringement Notice \$750 Infringement Fee Related to sediment laden water being discharged into the Karamu Stream as a result of dewatering an excavation at a Council construction site. 0 (zero) abatement notices, enforcement notices or convictions.
		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 event' recorded, so no response required. However, the response time to general surface flooding was 33 minutes.

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
		<p>DIA Non-Financial Performance Measure 4 – Customer Satisfaction</p> <p>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.</p>	10.1	<p>15 complaints per 1,000 connections.</p> <p>NB: This is a baseline figure for stormwater-related complaints received in the past 8 years.</p>	<p>Achieved – 10.1 complaints per 1,000 connections.</p> <p>This performance measure includes only verified complaints per 1,000 connections; it is acknowledged that not all complaints have been captured.</p> <p>The total number of complaints received are not verifiable because:</p> <ul style="list-style-type: none"> • Some calls were not categorised into water supply, stormwater or wastewater. • Some calls have not been recorded as they were subsequent calls to the original complaint and the caller did not request for their complaint to be recorded. • Insufficient details to assess what the nature of the call was for. In particular, if the call should be classified as a complaint or request for information. <p>To resolve the issues identified, the Council will work with its call centre, water services team, contractor and after-hours provider to ensure integrity of the data received is compliant with DIA mandatory performance reporting and make system changes to allow all subsequent complaints to be captured.</p>

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
LOCAL INFRASTRUCTURE Council Objectives to which the wastewater activity relates:	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.	0.89	5 per 1,000 connections per annum	Achieved – 0.79 overflows per 1,000 connections per annum.
<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. 		DIA Non-Financial Performance Measure 2 – Compliance with Council's resource consents for discharge from its sewerage system measured by the number of: <ul style="list-style-type: none"> (a) Abatement notices (b) Infringement notices (c) Enforcement orders (d) Convictions 	0 (zero)		Not Achieved – 1 abatement notice and 2 infringement notices were received for 2019/20. Overflow from the domestic wastewater network into the Te Kahika Stream due to tree roots resulted in 1 abatement notice and 1 infringement notice for \$750. Discharge to land from the Clive WWTP resulted in 1 infringement notice for \$1000.
		DIA Non-Financial Performance Measure 3 – 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: <ul style="list-style-type: none"> (a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site, and (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. 	30 minutes 2.1 hours	1 hour response time to site (attendance time) 1 day permanent repair completed (resolution time)	Achieved – 36 minutes response. 2.45 hours resolution time.

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
		<p>DIA Non-Financial Performance Measure 4 – Total number of complaints received by the Council about any of the flowing:</p> <ul style="list-style-type: none"> (a) Sewage odour (b) Sewerage system faults (c) Sewerage system blockages (d) The Council's response to issues with its sewerage system <p>Expressed per 1,000 connections to the Council's sewerage system.</p>	26.9	30 complaints – Count expressed per 1,000 connections per annum	Achieved – 20.43 complaints per 1,000 connections per annum. This performance measure includes only verified complaints per 1,000 connections; it is acknowledged that not all complaints have been captured. The total number of complaints received are not verifiable because: <ul style="list-style-type: none"> • Some calls were not categorised into water supply, stormwater or wastewater. • Some calls have not been recorded as they were subsequent calls to the original complaint and the caller did not request for their complaint to be recorded. • Insufficient details to assess what the nature of the call was for. In particular, if the call should be classified as a complaint or request for information. To resolve the issues identified, the Council will work with its call centre, water services team, contractor and after-hours provider to ensure integrity of the data received is compliant with DIA mandatory performance reporting and make system changes to allow all subsequent complaints to be captured.

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 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).	Part A – 100% Part B – Not Achieved	Percentage Compliance 100% Target 100%	NZ drinking water standards Please note: These results are provisional, pending final confirmation by the independent drinking water assessor. A: Part 4 Bacteria compliance criteria Achieved – All Hastings District Council water supplies were assessed as compliant with Section 4 (Bacteriological compliance criteria) of the DWSNZ 2005 (Revised 2018) B: Part 5 Protozoa compliance criteria Not Achieved – Supplies compliant with part 5 of the DWSNZ for the reporting period – Portsmouth Road, Whakatu, Clive and Haumoana/Te Awanga (Compliant with Secure bore water criteria). Omaha, Brookvale Road (Havelock North) and Wilson Road (Flaxmere) (Compliance with Cartridge Filtration and U.V disinfection criteria where applicable). Detailed investigations and risk assessments of the Hastings groundwater sources in 2017 and 2018 resulted in the reclassification of many of Hastings District Council's water sources to a non-secure status. This now necessitates treatment to fully meet the protozoal compliance criteria in the DWSNZ.

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
					<p>The HDC Drinking Water Strategy will deliver new compliant treatment systems to all supplies for the 21/22 reporting period.</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 existing filtration and UV disinfection systems in place but require upgrades to meet the technical requirements of the DWSNZ.</p>
		<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.</p> <p>(including a description of the methodology used to calculate this).</p>	<p>21% as measured in June 2016.</p>	<p>20% Percentage real losses or other recognised industry standard as specified in the Hastings District Council's 'Water Conservation and Demand Management Strategy'.</p>	<p>Not Achieved</p> <p>21%</p> <p>The NZWWA Water Loss Performance "Benchloss" spreadsheet tool was used to evaluate water loss for the Hastings Urban Water Supply (accounts for 94% by population and 92.5% by volume).</p> <p>Further work on improving data accuracy to inform our water loss assessments and evaluate further opportunities to reduce water losses via network leakage is being investigated.</p> <p>(At 95% confidence limits, the water loss result has a level of uncertainty of +/-34.2%.</p>

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
		DIA Non-Financial performance Measure 3 – (fault response times) 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 are measured:		95% achievement rate.	
		(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	45 minutes	Urgent – 1 hour response time to site (Note i).	Achieved – The median time to respond to urgent call-outs was 41 minutes.
		(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	2.52 hours	Urgent – 2 hour restoration of service.	Not Achieved – The median restoration time was 2.32 hours.
		(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	20 hours	Non-urgent – 3 days response time to site (Note i).	Achieved – 18.5 hour response time
		(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.	3 days	Non-urgent – 7 days	Achieved – 2.24 day resolution call resolution
		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	9.24	3 Count expressed per 1,000 connections per annum	Not Achieved – There were 9.22 complaints per 1,000 connections. This performance measure includes only verified complaints per 1,000 connections; it is acknowledged that not all complaints have been captured. The total number of complaints received are not verifiable because:

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
		(f) the local authority's response to any of these issues expressed per 1,000 connections to the local authority's networked reticulation system.		<ul style="list-style-type: none"> Some calls were not categorised into water supply, stormwater or wastewater. Some calls have not been recorded as they were subsequent calls to the original complaint and the caller did not request for their complaint to be recorded. Insufficient details to assess what the nature of the call was for. In particular, if the call should be classified as a complaint or request for information. 	<p>To resolve the issues identified, the Council will work with its call centre, water services team, contractor and after-hours provider to ensure integrity of the data received is compliant with DIA mandatory performance reporting and make system changes to allow all subsequent complaints to be captured.</p>

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2019/20 Target	2019/20 Achievement
		<p>DIA Non-performance Measure 5 – (demand management)</p> <p>The average consumption of drinking water per day per resident within the territorial authority district.</p>	500	<p>410 litres per day per resident.</p>	<p>Not Achieved –</p> <p>420 litres per person per day for the Hastings Urban Water Supply.</p> <p>This is 2.5% higher than the target and is a 16% reduction over our baseline performance. Pressure reduction to reduce network leakage is being implemented as part of the Drinking Water Strategy in 2021. Our water conservation practices are in place each year to educate and monitor household usage.</p> <p>An extended summer left many parts of the district suffering from drought which has influenced water consumption figures in the reporting period.</p> <p>Water restrictions were implemented in mid-December and were not fully removed until early June.</p>

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.

The baseline performance is based on 2018/19 actual information unless otherwise stated.

Community Outcomes	Performance Measure	Baseline Performance	Target 2019/20	Achievement 2019/20
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● Infrastructure supporting economic growth● Efficient movement of goods	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.	36	Reducing trend of fatality and serious injury from previous year. (Base level for 2017/18 = 40 fatalities and serious crash injuries on the local road network)	Not Achieved – 39 fatalities and serious injuries during 2019/20.
	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.	93.2%	90% smooth travel exposure. (Average quality of ride)	Achieved – 91% smooth travel exposure in 2019/20.
	DIA Non-Financial Performance Measure 3 – Maintenance of a sealed local road network The percentage of the sealed local road network that is resurfaced.	7.0%	5.5% of sealed local road network is resurfaced per annum.	Not Achieved – 3.23% of local road network resealed in 2019/20. The sealing programme was impacted by the COVID-19 lockdown.
	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).	1.16%	No more than 1.5% of footpaths classified poor or worse as measured by Council's condition rating system.	Not Achieved – 1.93% of footpaths classified as poor or worse as measured through footpath rating survey in September 2018 (measured tri annually).
	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.	91%	95% of customer service requests relating to roads and footpaths responded to within 28 days.	Substantially Achieved – 94.7% of customer requests responded to within 28 days.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
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.	Not Achieved – There were no closures longer than 3 hours for essential commercial customers. However, the refuse transfer station was closed to the general public and non-essential commercial customers during the Covid-19 level 4 lockdown.
	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)	Not Achieved – All recycling depots were closed during the Covid-19 level 3 and 4 lockdown. With the exception of Martin Place all drop-off depots remained open outside of the level 3 and 4 lockdown period. Martin Place did not open after the level 4 lockdown due to Health & Safety concerns raised by the contractor and council officers.
	Hours of operation at landfill.	1 landfill (limited weekend opening)	1 landfill (limited weekend opening)	Achieved – The landfill was open 100% of its scheduled opening hours. Additionally, the landfill is now opening every Saturday morning. As an essential service the landfill did not close during the Covid-19 lockdowns.
	% of urban dwellings serviced by kerbside refuse and recycling services.	Weekly collection to 100% of dwellings within collection zones.	92% of urban dwellings.	Achieved for refuse collection – All properties in the collection zones were serviced throughout the year (representing 92% of urban dwellings). Recycling collections were suspended during the Covid-19 level 4 lockdown, otherwise all properties in the collection zones were serviced (representing 92% of urban dwellings).
	% compliance with landfill conditions.	100%	100%	Achieved – Full compliance was achieved by the Omarunui Landfill with consent conditions.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
	% of food premises having an excellent or very good grading.	Not measured	95%	Not Measured – Has been superseded by the Food Act 2017.
	% compliance with swimming pool fencing regulations.	99.6%	98%	Achieved – 99% compliance (4 non-complying out of 2,728).
	Number of public cemeteries.	Four cemeteries at Hastings, Havelock North, Puketapu, Mangaroa.	4	Achieved – 4 public cemeteries with development plans for further capacity at Mangaroa.
	Compliance level with crematorium consent conditions.	32 out of 34	All conditions met.	Achieved – 34 out of 34 consent conditions met.
	% of public buildings with current warrant of fitness.	100%	95%	Achieved – 100% of buildings with current warrant of fitness.
COUNCIL OBJECTIVE: Reduce public nuisance and threats to public safety.	% of dog registrations of known dogs.	94.5%	98%	Not Achieved – 93.5% Covid-19 prevented staff processing unregistered dogs from March 2020.
	% release rate of impounded dogs suitable for adoption.	64%	80%	Not Achieved – 69% All dogs suitable for adoption were home placed.
	Number of night time compliance operations on licensed premises per year.	4	4	Achieved – 4 night time compliance operations undertaken (includes after hours monitoring).
	Number of CCTV camera locations.	69	32	Achieved – There are 210 camera feeds at 72 locations strategically located to monitor and prevent crime and to promote public safety.
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	Achieved – District Plan made partially operative in March 2020. One appeal remains outstanding, waiting decision from the Environment Court.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
COUNCIL OBJECTIVE: <ul style="list-style-type: none">• Places and spaces for recreation• Places and spaces for arts, culture, learning• Fostering recreational participation• Fostering the arts and cultural experience	Number of public swimming pools that meet Pool Safe water quality standards.	4	4	Achieved – All four pools met the Pool Safe Water Standard.
	Days of operation of public libraries.	3 public libraries (6 day service Flaxmere/Havelock North, 7 days Hastings)	3 public libraries (6 day service Flaxmere/Havelock North, 7 days Hastings)	Not Achieved – The post-COVID environment constrained achievement of full hours of opening for Q4 of 19/20. All sites open six days only and fewer open hours each day than before lockdown.
	% of urban properties within 500m radius (walking distance) of a park.	87%	88%	Substantially Achieved – 85% – While this achievement measure shows a slight decline it will increase as new development areas vest new reserves in next two years.
	% of urban properties within 500m radius (walking distance of a playground).	60%	60%	Substantially Achieved – 58% – While this achievement measure shows a decline on the previous year, it reflects a playground deficit due to new house builds and existing dwellings, which will be addressed with new playground builds planned for the St Aubyn Street reserve and Lyndhurst areas in the new year.
	Number of elderly housing units and average occupancy.	220 units with occupancy of 98.52%.	95% average occupancy.	Achieved – The average occupancy in 2019/20 was 97.79%.
	Number of Art Gallery exhibitions per annum.	13	12	Achieved – 12 exhibitions undertaken during 2019/20.
	Opera House Qualmark Rating. (subject to current review)	Not measured	Facility is closed	Not Measured – The facility will next be subject to the Qualmark rating classification after its first full year of operation.
	% of Indoor Sports Centre available booking hours booked.	73%	50%	Achieved – Available booking hours in 2019/20 were 69%.
	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 – Open 11 November 2019 till 9 Feb 2020 7 Days, then Weekends only until 15 March 2020. Closed 2 weeks early because of COVID 19.

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
COUNCIL OBJECTIVE: <ul style="list-style-type: none">• Residential development opportunities• Industrial development opportunities	% of vacant industrial land.	Achieved – 65 ha of industrial land at Omaha and 91 ha at Ironton. There is also a further 8.7 ha at the Tomoana Food Hub. 65.2 ha of vacant land remains at Ironton, 56.6 ha at Omaha, and 52.3 ha at Whakatu. These figures confirm that the target is exceeded.	A minimum of 20% of industrial land is vacant.	Achieved – There has been considerable uptake of the recently rezoned land at Omaha and Ironton. The remaining industrial vacancy rates which achieve the target are: Omaha 33.5 ha Ironton 54.7ha Whakatu 29.1ha Tomoana Food Hub 8.7ha
	Number of hectares of vacant greenfield land.	Achieved – 20 ha vacant land remaining at (Lyndhurst, Northwood and Arataki). Waingakau of 15 ha. 55 ha of vacant land at Iona and 21 ha of vacant land at Howard Street.	A minimum of 20 hectares vacant greenfield land.	Achieved – Total undeveloped or unbuilt capacity of residential zoned and serviced land at Lyndhurst Waingakau, Northwood and Arataki stood at 424 at the end of the first quarter of 2020. At a density average of 700m ² per site this equates to a net 30 ha or a gross area of 36 ha at density of 11.5 per ha. In addition, there are two new rezoned areas comprising 55 ha of vacant land at Iona and 21 ha of vacant land at Howard Street. There is also vacant greenfield land at Te Awanga.
	Number of significant strategies completed per annum.	0	1	Not Achieved – No significant strategy reviews were scheduled or completed in 2019-2020 due to ongoing commitments to the HBRC led Greater Heretaunga Freshwater Management and Coastal Hazards Strategies. A Housing and Business Land Capacity study was however completed along with a Regional Industrial land Strategy. Measure needs review.
	Number of structure plans completed per annum.	1	1	Achieved – A structure plan for Brookvale Urban Growth area was completed in June 2019.

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
COUNCIL OBJECTIVE: Appealing visitor destination.	Opera House Qualmark Rating. (subject to current review)	Not measured	Facility is closed.	Not Measured – Toitoi HB Art & Events Centre opened in March 2020 and closed again that month due to COVID19 with re-opening July 2020. Expectation is application for Qualmark rating will be completed after a year in operation with the Municipal Building on board. Prior to that we will finalise processes and monitoring systems and have a year of Municipal Building completion tracking, measuring and monitoring so we have sufficient data recorded for our first Qualmark inspection.
	Number of visitors to i-Site visitor centres per annum.	58,556	73,000	Not Achieved – 46,416 total visitations to Hastings and Havelock North I-sites combined.
	Total financial support to events.	\$611,427	\$125,000	Achieved – A total of \$459,193 was allocated to support circa 50 events during the 2019/20 year.
	Total visitors to Splash Planet.	113,347 total 64,607 from outside Hastings (56%).	100,000 total 45% from outside Hastings.	Achieved – 116,494 total visitation. 64,712 from outside Hastings (56%).
COUNCIL OBJECTIVE: Supporting and attracting business.	Total financial support to Business Hawke's Bay.	\$100,000	\$100,000 per annum	Achieved – \$100,000 funding support and continued collaboration with Council E.D. team.
COUNCIL OBJECTIVE: • Putting people at the centre of planning and service • Effective working relationships with mana whenua	Number of completed Place Based Plans.	2	1 Place Based plan completed per annum.	Achieved – Waipatu place based plan completed in 2019/20.
	Number of Social Development Reviews completed.	0	1 Social Development Review completed per annum.	Achieved – Multi Cultural Strategy completed in 2019/20.

Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
COUNCIL OBJECTIVE: Putting people at the centre of planning and service. (Make open, inclusive and effective decisions)	% Compliance with statutory planning processes.	100%	100%	Achieved – No breaches of statutory compliance during 2019/20.
	Council and Committee agendas are available within statutory timeframes.	100%	100%	Achieved – All Council and Committee Agendas met statutory timeframes.
COUNCIL OBJECTIVE: Ensure prudent financial management.	Complete Annual Report and audit within statutory timeframes.	Achieved	Achieved	Achieved – 2018/19 Annual report audited and adopted within statutory timeframes.
	Budgets are set within Financial Strategy limits.	Achieved	Achieved	Achieved – the 2020/21 Annual Plan was completed on time and set within Financial Strategy limits despite the interruption of the COVID-19 pandemic.
COUNCIL OBJECTIVE: Putting people at the centre of planning and service. (Ensure easy access to Council knowledge and services)	Calls to Council's main number are always answered by a person rather than an answer phone service.	Achieved (93% of calls answered within 60 seconds)	90% of calls answered within 60 seconds.	Achieved – 90% of calls answered within 60 seconds.
	Customer service centre open from Monday to Friday 8am to 5pm.	Achieved	Achieved	Substantively Achieved – Service centre closed during COVID lockdown (March 23 rd – May 14 th); subsequently reopened at reduced hours of 9am – 5pm Monday to Friday.
	% of calls to Council's main number answered within 20 seconds.	88%	80%	Achieved – 84% of calls answered within 20 seconds.
	Usage of Council website.	16,341 unique visitors per month.	15,000 unique visitors per month.	Achieved – 21,052 unique visitors per month.

(B) CUSTOMER EXPERIENCE

Customer Experience – Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
COUNCIL OBJECTIVE: <ul style="list-style-type: none">Reduce public nuisance and threats to public safety.Putting people at the centre of planning and service.	Time taken to process a building consent.	99.9% within 20 working days.	100% within 20 working days.	Not Achieved – 87.2% processed within 20 working days. As can be seen from the achievement percentage, the COVID-19 pandemic impacted on inspections as our inspectors had a period where they were unable to go out on site.
	Time taken to process code of compliance.	99.9% within 10 days.	100% within 10 days.	Not Achieved – 95% within 10 days. As can be seen from the achievement percentage, the COVID-19 pandemic has impacted to a minor degree on processing times and Code Compliance Certificates.
	Time taken to process a resource consent.	88% within statutory timeframe. (20 working days)	97% within statutory timeframe. (20 working days)	Not Achieved – 85% processed within statutory timeframes in 2019/20. This was due to COVID-19 disruptions along with high consenting numbers and higher proportion of complex consent applications.
	Time taken to respond to noise complaints.	Zone 1 (20-30 minutes) – 99.8% Zone 2 (< 45 minutes) – 98.3%	Zone 1 (20-30 minutes) – 95% Zone 2 (< 45 minutes) – 90%	Achieved – Zone 1 (20-30 minutes) – 99.9% Zone 2 (< 45 minutes) – 100%
	Parks user satisfaction.	75%	97%	Not Measured – No measurement undertaken during 2019/20.

Customer Experience – Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2018/19	Target 2019/20	Achievement 2019/20
COUNCIL OBJECTIVE: Putting people at the centre of planning and service. (Ensure easy access to Council knowledge and services)	Quality of customer service. (contact centre)	Average score of 87% in mystery shopper phone calls.	85%	Achieved – 89% average score.
	Quality of customer service. (customer service centre)	Average score of 94% in mystery shopper visits.	85%	Achieved – 86% average score.

Level Two – Today's Commitments

(C) KEY ACTIONS

Water & Roads

Key action	Achievement
Water Services	
KA01 / Implement water security and optimisation programme Rollout of stages 1a, 1b and 1c of drinking water compliance and investment programme.	<ul style="list-style-type: none"> • On Track • Commissioning and bringing into service the new trunk watermain between Hastings and Havelock North and construction of the Havelock North booster pump station. • Progression of conceptual designs for the Frimley and Eastbourne water treatment plants, reservoirs and pump stations, site selection and commencement of detailed design for construction and completion by the end of 2021. • Haumoana water treatment plant, reservoir and pump station under construction for completion end of September 2020. • Modular water treatment plants designed and under construction for all small community supplies. • Reservoir investigations and upgrades underway at Havelock North, Tauroa and Whirinaki reservoirs. • SCADA, telemetry and data acquisition project underway. • Infrastructure Data (ID) enhancements to automate compliance reporting.
KA03 Enhancements to Havelock North streams.	<ul style="list-style-type: none"> • On Track • Further assessment of stream erosion, capacity and flood analysis to inform a strategy for future enhancements. • Commencement of a vegetation removal programme for drainage reserves and adjacent public space areas.
KA04 Rollout stormwater quality improvement programme.	<ul style="list-style-type: none"> • On Track • Strategy developed for Lowes Pit stormwater catchment to improve stormwater quality from the industrial catchment and to mitigate any water quality risks associated with the receiving environment. • Onsite flood mitigation and stormwater quality treatment solutions for new development areas (Howard St, Brookvale, Iona). • Further options being developed for the Caroline Rd catchment and discharge to the Ruahapia Stream.
KA05 Rollout of wastewater rising main and trunk main renewal programme.	<ul style="list-style-type: none"> • On Track • Renewal project underway on the Park Rd rising main and evaluation of options for the Eastern Interceptor gravity trunkmain replacement.
Roads and Footpaths	
KA06 Strengthen key bridges to allow continued heavy vehicle access.	<ul style="list-style-type: none"> • On Track – Riggirs, Ohara and partial completion of Moeangiangi bridges strengthening. Two designs and eight evaluations completed for HPMV route.
KA07 Completion of approved walking and cycling projects within the iWay network.	<ul style="list-style-type: none"> • On Track – Southland Pathway completed, Te Ara Kahikatea Shared Path completed, Napier Rd Cycleway construction underway, trial of sharrows at roundabouts underway.
KA08 Implement safety treatments on high risk rural routes and urban intersections.	<ul style="list-style-type: none"> • On Track – Ongoing safety interventions are being implemented; Speed limit consultation commenced.

Water & Roads

Key action	Achievement
KA09 Completion of road pavement renewal programme in both urban and rural areas.	<ul style="list-style-type: none"> • On Track – Princess Street and St Andrews road completed in the urban area. Middle road and Kahuranaki road completed in the rural area.
KA10 Completion of the Whakatu arterial route.	<ul style="list-style-type: none"> • Completed – The Whakatu arterial link route is completed and named Te Ara Kahikatea.

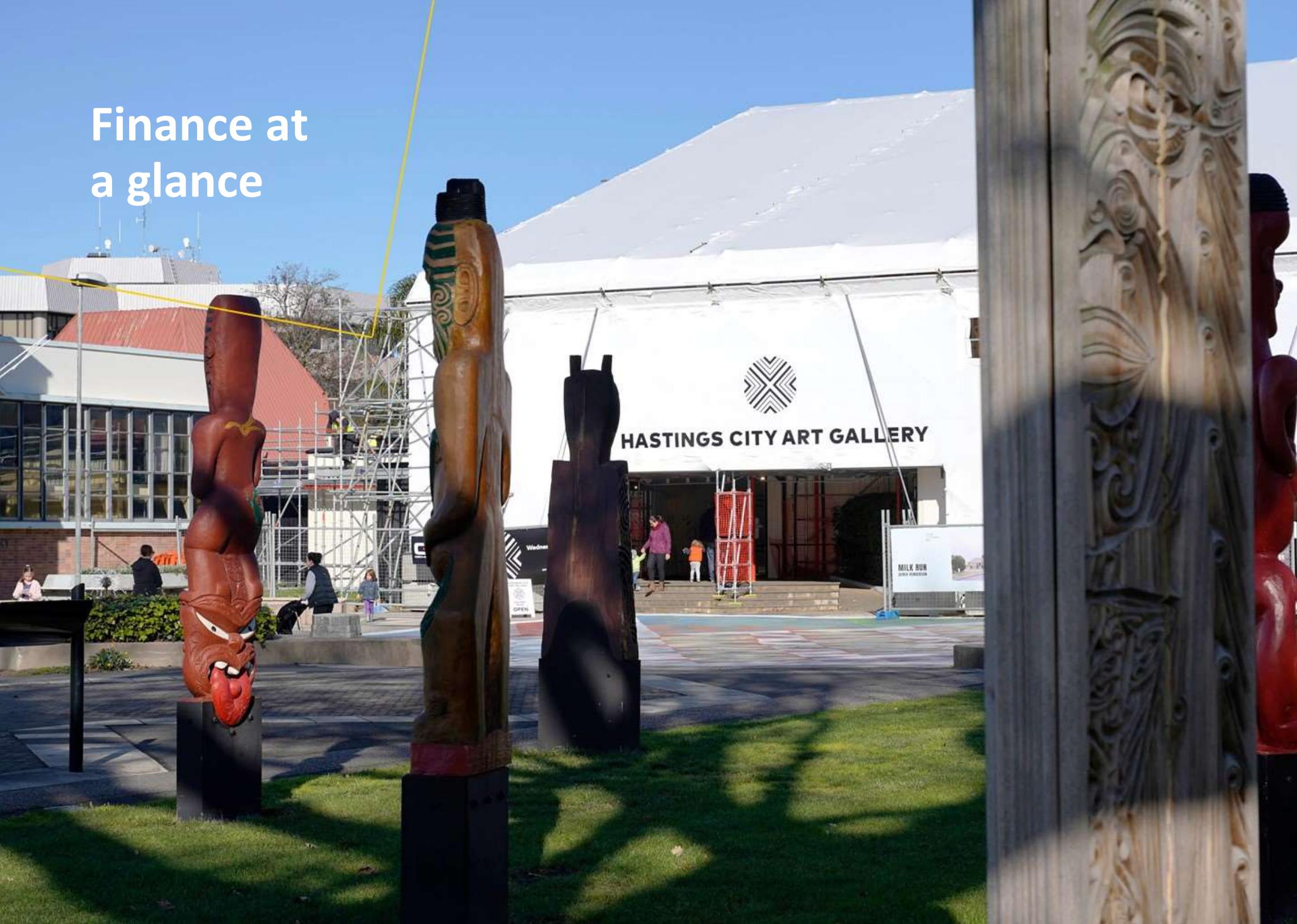
Safe, Healthy & Liveable Communities

Key action	Achievement
KA11 Advance the Hastings Central City Plan.	<ul style="list-style-type: none"> • On Track – Hastings City Centre Revitalisation Plan adopted. Construction of first five initiatives underway.
KA12 Advance future cemetery space capacity.	<ul style="list-style-type: none"> • On Track – The undeveloped land at Mangaroa cemetery has been approved by Council to be extended and redeveloped. The funding that was earmarked for the purchase of new cemetery land has been allocated towards this development. No development started yet.
KA13 Complete earthquake strengthening on programme of identified public buildings.	<ul style="list-style-type: none"> • On Track – Design and engineering work progressed on Town Clock.
KA14 Complete Opera House strengthening project.	<ul style="list-style-type: none"> • On Track – Toitoi Hawke's Bay Arts & Events Centre opened in March 2020 then closed due to COVID19 and re-opened in July 2020. The Opera House and Functions On Hastings are fully operational and bookings are coming in for the use of both spaces.
KA15 Finalise business case for future use and investment in Municipal Building.	<ul style="list-style-type: none"> • On Track – Draft Business Case for future use presented to Council in August 2019. Final investment decisions of Council required in 2020/21.
KA16 Enhancements on key reserves (Cornwall, Windsor, and other RMPs).	<ul style="list-style-type: none"> • On Track – Cornwall Park premier playscape completed. Ebbett Park upgrade design complete and construction of carpark, playground and toilet underway. New playgrounds at Hugh Little and Sunderland Drive Parks completed.
KA17 Continued rollout of pop-up irrigation programme.	<ul style="list-style-type: none"> • On Track – Pop up irrigation on Frimley Park complete.
KA18 Complete planned toilet enhancements from Sanitary Services Assessment.	<ul style="list-style-type: none"> • On Track – New toilets completed at Haumoana Domain, Maraetotara Falls, Bill Mathewson and Cornwall Parks.
KA19 Provision of community education programmes on waste minimisation.	<ul style="list-style-type: none"> • Achieved – Recruitment has been completed following the extensive consultation and feedback of the Joint Waste Management and Minimisation Plan with NCC in 2018. Two waste minimisation offices have been employed by the HDC and they are currently assisting with the introduction of new waste/recycling services and development of waste minimisation education programmes/initiatives.
KA20 Complete landfill valley development.	<ul style="list-style-type: none"> • On Track – Development work required to maintain available workspace at the landfill was completed. Area D development work will continue each year until 2025 when the area estimated to be full (i.e. no remaining airspace).
KA21 Consult on and implement new waste collection regime.	<ul style="list-style-type: none"> • Achieved – Council consulted on, and adopted, a new joint Waste Management & Minimisation Plan (WMMP). Over 6,000 submissions were received by the Hastings District Council and Napier City Council during the consultation period. The plan included new methodologies for kerbside collections for both refuse and recycling. Contracts for this work have been awarded and the new services started on 1 July 2020. The services involve a 120 litre wheelie bin collection service (weekly) for rubbish and a 3 crate (council supplied) system for kerbside recycling collection (weekly).

Economic & Community Development

Key action	Achievement
KA22 Support industrial land uptake at Irlongate, Omaha and Whakatu.	<ul style="list-style-type: none"> • On Track – Subdivision of land in Irlongate is progressing. The subdivision plan will bring further industrial lots to the market. Development activity in Irlongate ongoing (i.e. Rockit Coolstore and Packhouse). Henderson Road roundabout at Omaha Road works are scheduled to begin in Q1 2021. Irlongate Road roundabout works scheduled to begin in the Q3 of the 20/21 financial year.
KA23 Advance Hastings CBD hotel proposal.	<ul style="list-style-type: none"> • On Track – Council Officers are working with potential Hotel developers.
KA24 Progress of various youth futures programmes.	<ul style="list-style-type: none"> • On Track – The Youth Employment team have engaged with 191 rangatahi in the last financial year and, of that, 54 have been placed into work, 5 are job seekers, 18 are into study/training, 43 require further support and 71 have either left the region or are on other pathways.
KA25 Implementation of Heretaunga Plains Urban Development Strategy (HPUDS) sub strategies.	<ul style="list-style-type: none"> • On Track – A Medium Density Housing Strategy and Implementation Plan was adopted in November 2017 and in March 2018 Implementation Actions were assigned to Council Groups to action on the following timescales 2018-2021, 2021 + and ‘Ongoing’. Actual implementation has not yet been monitored. <p>Focus has been on implementing the quarterly property market indicator monitoring required by the National Policy Statement on Urban Development Capacity and the first of the three yearly Housing and Business Capacity Assessments. Four quarterly reports were produced over the last year and the Capacity Assessment report is due to be published by the end of July.</p>
KA26 Development of various place based plans.	<ul style="list-style-type: none"> • On Track – Waipatu place based plan added to the suite of place based plans for various communities, with 3 further plans under development.
KA27 Advance business attraction and job creation initiatives.	<ul style="list-style-type: none"> • On Track • Brochure and meetings with the N.Z. Institute of Skills and Technology (NZIST) interim board proposing Hawke’s Bay as a potential location for 30 salaried positions. • An international Information Technology business offering training for up to 500 people initially in call centre and business support services. • FoodEast is estimated to deliver 500 + jobs and \$100m in regional domestic product. • Auckland business is considering Hastings as a location for a food waste processing facility, potential employees 30+ people.

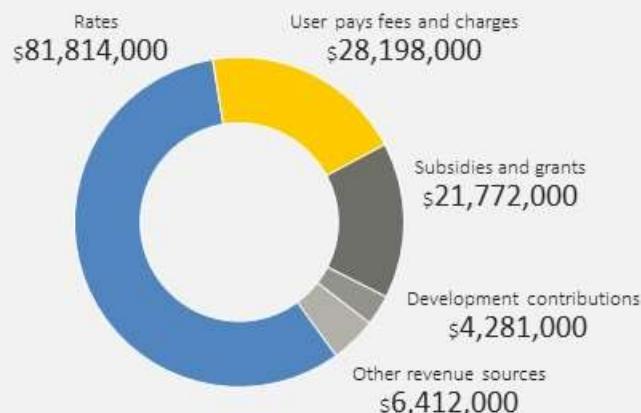
Finance at a glance



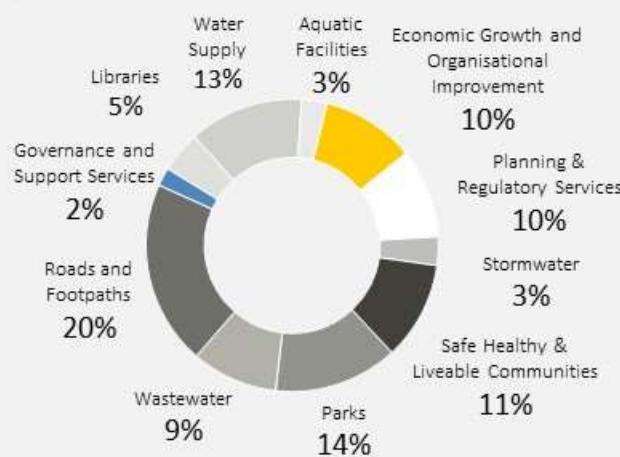
6

FASCINATING FINANCE FACTS

1 WHERE DOES OUR MONEY COME FROM?



2 HOW ARE OUR RATES SPENT?



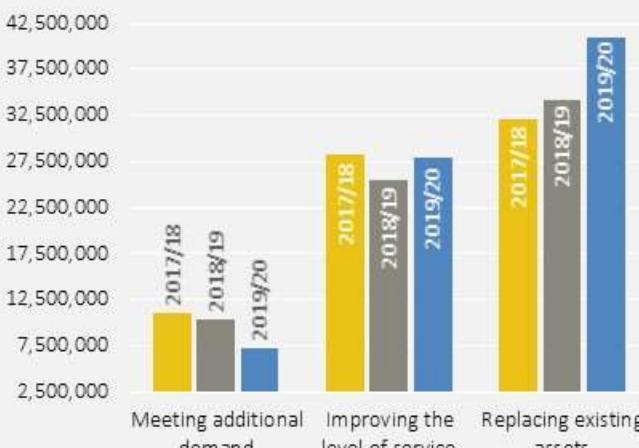
3 WHAT IS THE DEBT TO REVENUE RATIO?



115%
ratio

While Council's debt has increased to \$152m with a debt to revenue ratio of 115%, Council retains capacity to meet changing needs.

4 HOW MUCH IS SPENT ON OUR ASSETS?



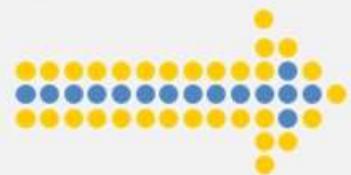
Of the capital expenditure incurred in 2019/20 year, \$41m was spent on replacing existing assets (renewals), \$27.9m spent on improving the level of service these assets provide and \$7.2m meeting additional demand.

5 WHAT IS THE VALUE OF COUNCIL'S ASSETS?

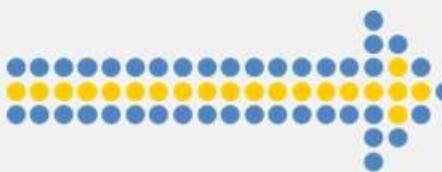


We currently own
\$2.3bn
of assets

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



2019/20
\$4.3m



2018/19
\$7.0m

Development Contribution revenue of \$4.3m (\$7.0m last year) was received from developers representing a continued level of development activity across the district.

Annual financial overview

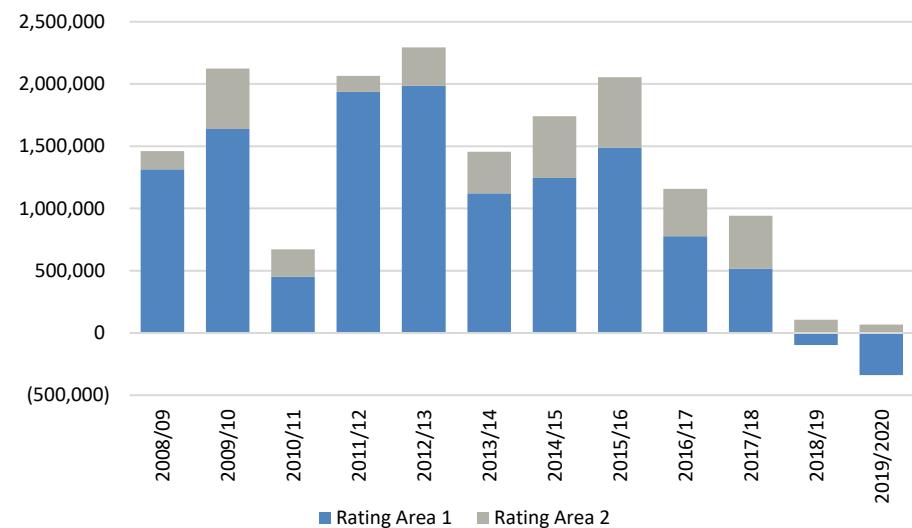
Council has consistently worked to deliver services whilst continuing to look to add best value for money.

Council has, for the first time, reported a rating deficit, with the impacts of COVID-19 being felt across a number of Council activities. High levels of economic activity across the district has also caused Council to incur additional expenditure which has all contributed to this deficit position.

The rating deficit has been reported in 2019/20 with a \$338,590 deficit in Rating Area 1 and a \$68,934 surplus in Rating Area 2. The Rating Area 1 deficit will be funded from the Rating Area 1 General Purpose Reserve while the Rating Area 2 surplus will be set aside in the Rate 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

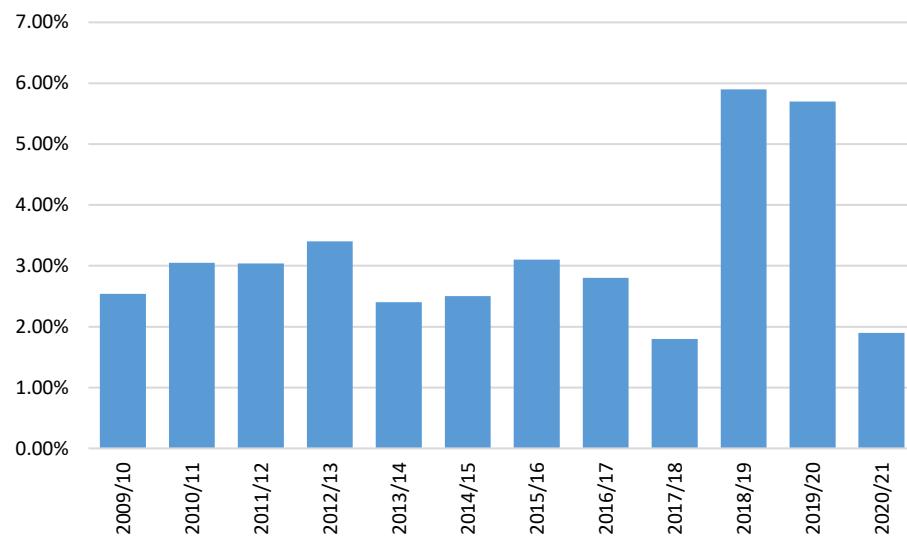


Rates

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.

The 2020/21 rate increase of 1.9% was reduced to a level lower than had been projected in Year 2 of the 2018-28 Long Term Plan and was a result of a response from Council to reduce the impact of rate increases following the COVID-19 pandemic lockdown.

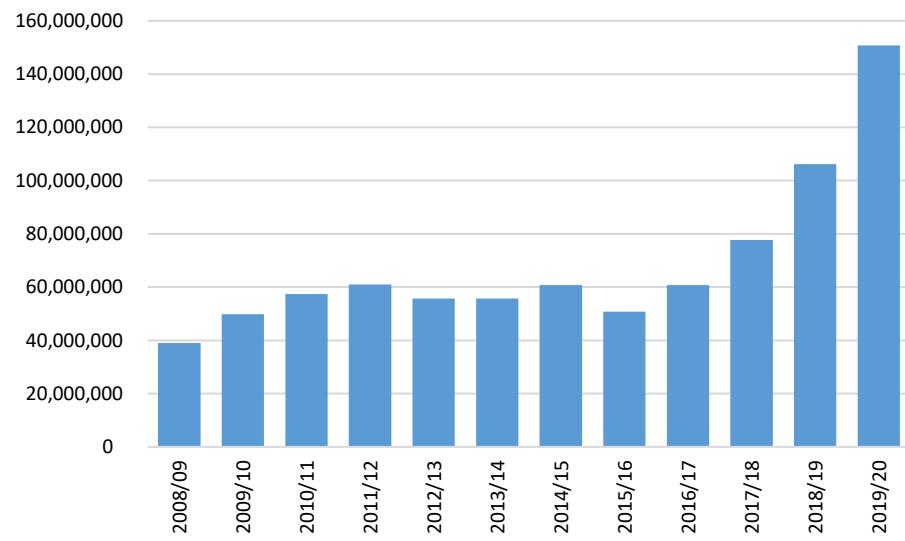
Rate increases



Debt

Core external debt increased this year by \$44.5 million to \$150.7 million. Council's external debt continues to increase as it works through the delivery of the capital programme outlined in the 2018-28 Long Term Plan. Projects including water services are contributing to this increase. The 2018-28 Long Term Plan has increases projected with debt expected to peak at \$169 million by 2022.

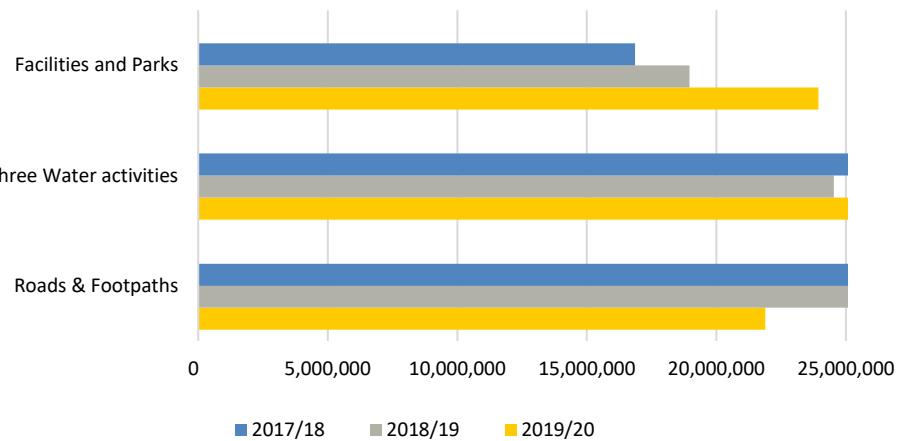
External debt



Capital projects

Council invested \$76.5 million (\$69.9 million last year) on capital projects during the year.

Capital expenditure



Of the capital expenditure incurred in the 2019/20 year, \$41 million was spent on replacing existing assets (renewals), \$27.9 million on improving the level of service offered to the community, and \$7.2 million meeting additional demands being put on the community through growth.

The capital expenditure delivered was below that budgeted due to a number of factors including the Level 1 COVID-19 lockdown that restricted the delivery of construction projects for a period of time.



Key initiatives and projects





Water for our future

Council's drinking water strategy, centred on its number one priority of providing safe drinking water for the Hastings district community, has made a lot of progress over the last year.

The Havelock North water crisis highlighted the vulnerabilities in our drinking water network, and we have responded to the need to future-proof this infrastructure to ensure we always have a sufficient supply of safe water.

It's Council's single largest source of expenditure, budgeted at \$47.5m in 2017 ahead of the 2018/2028 Long Term Plan, a figure that's subsequently increased to about \$60m due to variations in the work programme and pricing since that time.

Spread over four years, the 2019/2020 year was the third in the work programme and has included designing and installing new treatment facilities, booster pump stations and planning for reservoir storage, due for completion by 2021.

Over the last year, the Havelock North booster pump station that pressurises treated water and pushes it up into the Havelock North hills and reservoirs was built – this will save energy and the cost of pumping the water from the Hastings bores, and also minimise pipe leaks and stress on the network.

Upgrades to treatment plants and water storage in the small community water supplies continued with contracts awarded for this work at six community sites. At Haumoana, a new production bore was drilled at Palomino Road to provide a new water source for Haumoana, Te Awanga and Parkhill, and work began on the construction of new treatment facilities. Te Pohue was added to the schedule of small community water supplies to be upgraded.

Community engagement was undertaken on the construction of a new 8,000m³ water storage reservoir to be located at the southern end of Frimley Park. To compensate for the land used for this construction, the plan is to move the maintenance sheds out of the park and return this area near the playground back to parkland. Water storage is an important part of the overall drinking water strategy that will provide a treated water source in the event of a natural disaster, and also will reduce the need to draw so much water from the aquifer in time of high use such as summer.

Similar preparatory work for water storage and treatment is being progressed for the Eastbourne water supply.





Homes for our people

Over the last year, a key focus has been on facilitating and enabling the provision of homes for our people, and this has been supported by Central Government investment towards more housing in Hastings.

Council has continued to work with a variety of agencies, including Kainga Ora, Te Puni Kokiri and Te Taiwhenua o Heretaunga to progress housing consents.

Across the district, sites are being investigated for a mix of social/transitional housing, affordable homes and conventional homes.

During the year construction began on the Te Taiwhenua o Heretaunga Waingakau housing project in Flaxmere, an initiative that is a collaborative partnership with Council.

Although activity slowed down during the COVID-19 crisis, work has continued on freeing up appropriate land for greenfield residential subdivisions and infill development across the district.

To help protect the district's fertile growing soils, this year saw a variation made to the proposed Hastings District Plan to make it easier to build residential units in the inner city.

Another variation to the district plan also occurred to provide for the increasing accommodation needs of seasonal workers in the district, allowing for worker accommodation to be built in the light industrial and general industrial zones at Omaha and Irongate.



Photo: Above Hawke's Bay

Relaxing in our reserves

A highlight for the Council this year was the opening of upgraded playgrounds at two of the district's premier parks – Flaxmere and Cornwall.

Flaxmere playground's grand opening was held in June last year when the community got its first chance to enjoy the features of the new development, including the highest rope-climbing frame in Hastings, a new slide tower (generously funded by Trust House Community Foundation and First Light Community Foundation), wheelchair accessible merry-go-round, sand play, basket swings, and a mega swing suitable for young adults – making it all-ages friendly.

Kimi Ora Community School were also involved with the project, designing and planting the area with 400 native plants ranging from cabbage trees to kōwhai, rewarewa, totara, toetoe, corokia, kawakawa and harakeke.

The Cornwall Park playground was transformed into a destination playground including a 10 metre high acorn tower, rope bridges, slides, trampolines and monkey bars.

A new junior play area was a welcome enhancement and more features were added to the ever-popular splash pad. A toilet block, picnic seating areas, drinking fountain and shade sails were also installed to complete the makeover.



The playground was officially opened just before Christmas, with many children and their families enjoying a carnival day with entertainment, food vendors and face painting.

Works to improve the path network in Tainui and Hikanui Reserves were also undertaken this year, making access through the parks safer and more user-friendly for all.

Separate mountain biking and walking tracks were introduced or improved and, with the support of care groups, weed removal, tree management and native plantings were carried out.

Rubbish and recycling

Following public consultation on the Waste Minimisation and Management Plan, a new kerbside recycling and rubbish collection service was rolled out this year.

Currently, more than 98,000 tonnes of waste is sent to Omarunui Landfill each year. About a quarter of this comes from kerbside collections and a solid waste survey in 2019 showed that more than 60% of rubbish bin content could instead be composted or recycled.

This year's changes have been introduced to try and address this, promoting more household recycling and reducing the amount of waste sent to landfill.

Hastings District Council awarded the recycling contract to Smart Environmental Ltd, and JJ's Waste & Recycling Ltd was awarded the contract for kerbside rubbish collection.

The COVID-19 crisis caused delays to the beginning of the new service but, in the meantime, householders on collection routes were delivered recycling crates and, once COVID-19 restrictions eased, the new 120-litre rubbish wheelie bin deliveries began.

The new service started on July 1, 2020.

The changes have been accompanied by an educational campaign that will be ongoing to help people become more aware of what and how to recycle, and how to reduce waste overall.



THINGS
TO DO

City centre cultural precinct



Almost six years after it was closed for earthquake strengthening, Toitoi – Hawke's Bay Arts and Events Centre opened its doors in February this year.

While work continues on strengthening and developing the Municipal Building, the refurbished Opera House, Cushing Foyer and former Plaza, now renamed Functions on Hastings, were unveiled to the public over two days at a special dawn blessing, opening night gala and community festival.

The opening night gala was attended by 700 and included entertainment from a wide variety of local and national acts in the Opera House, while the community day saw 4,000 visitors treated to local entertainment and tours through the iconic buildings to see for themselves the work that has turned these venues into a world-class performing arts centre.

A new type of venue for Hastings, it is also a new generation of venue for New Zealand, and will be the hub of the district's cultural, community and commercial events, intended to give locals and visitors multiple reasons to make Toitoi, and its Opera House, a must-visit attraction.

Toitoi has hired nine permanent staff and 32 casual event crew and, after temporarily closing to comply with the restrictions of the COVID-19 lockdown, the venue re-opened in June with a number of acts already lined up over the coming months.

Work on the Opera House, Eastbourne, Cushing Foyer and Functions on Hastings cost \$17.8m (\$13.1m Hastings District Council funding) and in July 2019, the Lottery Grants Board announced it would contribute \$4.75 million towards the Municipal Building project.



COVID-19

Unite
against
COVID-19

As with the wider Hastings community, the COVID-19 pandemic had a significant impact on Council's operations and planning for the future.

The recovery from the economic and community impacts of COVID-19 is now the priority for Council across all its activities and its role to support the wellbeing of all the district's residents.

Council kept all essential services operating during the lockdown period and most staff were able to continue their roles working remotely. Other staff were redeployed to support Council incident management services, regional Civil Defence operations and Council welfare services, particularly focused on older people and people living alone.

With the easing of restrictions, attention turned to the reopening of Council facilities, resumption of programmes and the work programme that was already underway.

Council recovery actions have included setting up a rapid response fund to support community organisations, the establishment of an urban centres recovery fund to support the district's main retail centres in Hastings, Havelock North and Flaxmere and support for recovery funds to assist drought-affected farmers.

To soften the rate impact while supporting the COVID-19 response and recovery, the 2020/21 Annual Plan was reviewed and an expected budgeted rates increase was reduced from 4.4% to 1.9%.

Council's economic, social and arts sector recovery plans are well advanced and aim to maximise opportunities for the community.

Twenty-eight capital works projects with a value of \$16.1m were reactivated from April 2020 to help get business and people moving again.

Council successfully secured \$9m of government funding to improve traffic, walking and cycling safety and improvements in rural and urban areas, including Waipatu – this work designed to create further employment for locals.

Applications for further shovel-ready project funding from the Provincial Growth Fund were either made or identified.

Recovery plans for the district's more vulnerable residents have also been created and will guide Council's approach to aiding not only a recovery, but also realising untapped potential.



Groups of activities



This section shows how we have performed financially in delivering the work programme for 2019/2020.

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:

- healthy 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

- 2019/20 represents the fifth year of reporting against mandatory performance measures, with most measures achieved against target. The Council continues to work on reducing average water consumption, and the continued installation of water treatment on our supplies is positioning the Council for full compliance with drinking water standards.
- The provision of safe drinking water is the Council’s number one priority. A variety of projects were commenced during the year as detailed in the ‘[Key Initiatives and Projects](#)’ section in this document. The Council’s circa \$60 million infrastructure investment response package is on track for completion.
- A significant renewal programme in the wastewater area relating to rising mains and trunk main infrastructure is also being rolled out. This programme is approximately 20% complete and is ongoing in future years.

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 2019/20, however infringement notices were issued in the stormwater and wastewater areas for isolated incidences as outlined in the ‘[Our Reporting Framework](#)’ section of this document.

Roads

- Whilst some of the mandatory performance measures for roads and footpaths were either achieved or substantially achieved against target in 2019/20, the Council’s road resealing programme was interrupted due to the COVID-19 pandemic.
- Over 80% of the Council’s LED streetlight conversion programme is now complete.
- A number of further walking and cycling projects were completed as outlined within the key actions section of Council’s performance framework titled ‘[Our Reporting Framework](#)’.
- The Council’s bridge strengthening project is on track with a number of additional bridges strengthened in 2019/20.

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 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		19,965	20,625	19,396	(1,230)
Targeted Rates		17,335	18,936	18,091	(845)
Subsidies and grants for operating purposes		5,795	5,872	6,019	147
Fees and charges		3,353	3,433	4,976	1,543
Internal charges and overheads recovered		9,560	9,779	10,097	318
Local Authorities fuel tax, fines , infringement fees and other receipts		195	199	567	368
Total operating funding (A)		56,202	58,844	59,146	301
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		23,080	23,550	25,435	(1,885)
Finance costs		4,147	5,317	3,272	2,045
Internal charges and overheads applied		14,271	14,624	14,694	(70)
Other operating funding applications		43	44	94	(50)
Total applications of operating funding (B)		41,541	43,535	43,496	40
Surplus (deficit) of operating funding (A-B)		14,661	15,308	15,650	342
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		9,848	8,380	10,123	1,743
Development and financial contributions		6,382	4,305	2,719	(1,586)
Increase (decrease) in debt		34,697	16,826	24,275	7,449
Gross proceeds from sale of assets		38	38	100	62
Lump sum contributions		300	307	81	(227)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		51,266	29,857	37,298	7,441
APPLICATIONS OF CAPITAL FUNDING					
<i>Capital expenditure</i>					
To meet additional demand		10,657	4,336	5,996	(1,661)
To improve the level of service		31,677	19,265	20,746	(1,482)
To replace existing assets		23,593	21,565	26,488	(4,923)
Increase (decrease) in reserves		-	-	(283)	283
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		65,926	45,165	52,947	(7,782)
Surplus (deficit) of capital funding (C-D)		(14,661)	(15,308)	(15,650)	(341)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		25,003	25,096	27,410	(2,314)

FUNDING IMPACT STATEMENT: Water Supply	Notes	LTP Council 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
	81	83	157	74	
Targeted Rates		9,413	10,938	10,231	(707)
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges	1	303	310	1,663	1,353
Internal charges and overheads recovered		4,184	4,276	4,756	481
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	125	125
Total operating funding (A)		13,981	15,607	16,932	1,325
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	7,046	7,226	8,420	(1,194)
Finance costs		1,334	2,177	1,218	959
Internal charges and overheads applied		3,060	3,143	3,491	(348)
Other operating funding applications	5	5	86	(81)	
Total applications of operating funding (B)		11,445	12,551	13,216	(665)
Surplus (deficit) of operating funding (A-B)		2,536	3,056	3,716	661
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions	3	1,755	1,277	612	(665)
Increase (decrease) in debt	4	20,086	11,538	13,286	1,749
Gross proceeds from sale of assets		18	20	42	21
Lump sum contributions		-	-	29	29
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		21,859	12,835	13,969	1,134
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	5	300	564	2,071	(1,507)
To improve the level of service	6	22,194	13,622	12,427	1,194
To replace existing assets	7	1,900	1,706	2,206	(500)
Increase (decrease) in reserves	8	-	-	981	(981)
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		24,394	15,891	17,686	(1,795)
Surplus (deficit) of capital funding (C-D)		(2,536)	(3,056)	(3,717)	(661)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		2,507	2,967	2,798	169

Key Financial variances

Significant operating variances

- Includes Ministry of Health funding for the Bridge Pa Booster (not included in LPT). Water meter charges (mainly industrial and irrigation) are higher partly due to a price adjustment along with increased volume drive by dry/drought conditions.
- Payments to staff and suppliers are higher than LTP due to increased water quality monitoring and investigations, maintenance, and the impact of the water charge programme.
- Development Contributions revenue is less than LTP due to the timing of Hastings/Havelock North development projects.

Significant asset acquisitions or replacements and other variances

- Debt is higher than LTP due to the increased extent of water supply improvements and projects in recent years.
- Growth expenditure is greater than LTP due to the timing of Omaha Road water supply developments including carry-over funding from prior years.
- The timing of Frimley and Eastbourne water treatment projects differ the LTP assumptions.
- Capital Expenditure to replace additional assets is higher than LTP due mainly to timing of Montgomery Place improvements project.
- Contribution to Reserves due to additional water meter revenue and interest rate savings.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Water Supply	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		564	2,071	(1,507)
Improve level of service		13,621	12,427	1,194
To replace existing assets		1,706	2,206	(500)
Total capital expenditure		15,891	16,705	(814)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Water Supply	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
Hastings/Havelock North Stage 1 Water	1	11,993	12,900	(908)
Small Supply Upgrades	2	513	4,715	(4,203)
Other Projects	3	353	1,000	(647)
Planned Renewals	1	769	59	710
Omahu Industrial Development	4	-	711	(711)
Havelock Hills – Storage and Pumping projects	5	564	-	564

1. Timing of a range of water supply enhancements through Hastings/Flaxmere/Havelock North. Multi-year programme of work.
2. Including New Bores, Haumoana Treatment, Whirinaki Pump Station projects.
3. Including Montgomery Place project.
4. Omahu Stage 1: Includes budget carried forward from previous years.
5. Timing of Havelock Hills subdivision development.

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

FUNDING IMPACT STATEMENT:		Notes	LTP Council 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000	
Stormwater Drainage							
SOURCES OF OPERATING FUNDING							
General Rates, uniform annual general charge, rates penalties			2,948	2,960	2,575	(385)	Key Financial variances
Targeted Rates			16	16	16	-	Significant operating variances
Subsidies and grants for operating purposes			-	-	-	-	1. Finance Costs are lower than LTP due to lower interest rates than forecast and the timing of capital projects.
Fees and charges			41	42	75	33	2. Lower external debt requirement due to the timing of capital projects.
Internal charges and overheads recovered			14	14	14	-	
Local Authorities fuel tax, fines, infringement fees and other receipts			-	-	42	42	
Total operating funding (A)			3,019	3,032	2,723	(310)	
APPLICATIONS OF OPERATING FUNDING							
Payments to staff and suppliers			673	692	657	35	Significant asset acquisitions or replacements and other variances
Finance costs	1		689	736	413	323	3. The timing of Howard Street stormwater growth project differs from the LTP.
Internal charges and overheads applied			1,011	1,033	1,120	(87)	4. The timing of Lyndhurst Bulk Services, Railway Road and other projects differ from the LTP.
Other operating funding applications			12	12	1	11	
Total applications of operating funding (B)			2,386	2,474	2,191	282	
Surplus (deficit) of operating funding (A-B)			634	559	531	(27)	5. The timing of Collection Network renewals differs from the LTP.
SOURCES OF CAPITAL FUNDING							
Subsidies and grants for capital expenditure			-	-	-	-	6. Some reserve funding has been utilised for stormwater infrastructure projects.
Development and financial contributions			694	694	702	8	
Increase (decrease) in debt	2		3,512	1,602	957	(645)	
Gross proceeds from sale of assets			-	-	-	-	
Lump sum contributions			-	-	-	-	
Other dedicated capital funding			-	-	-	-	
Total sources of capital funding (C)			4,206	2,296	1,659	(637)	
APPLICATIONS OF CAPITAL FUNDING							
Capital expenditure							
To meet additional demand	3		3,039	1,450	563	888	
To improve the level of service	4		1,450	953	1,489	(536)	
To replace existing assets	5		351	451	278	173	
Increase (decrease) in reserves	6		-	-	(140)	140	
Increase (decrease) of investments			-	-	-	-	
Total applications of capital funding (D)			4,840	2,854	2,190	664	
Surplus (deficit) of capital funding (C-D)			(634)	(559)	(531)	28	
Total funding balance (A-B) + (C-D)						1	
Group depreciation and amortisation			2,850	2,942	3,758	(816)	

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Stormwater Disposal	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		1,450	563	887
Improve level of service		953	1,489	(536)
To replace existing assets		451	278	173
Total capital expenditure		2,854	2,330	524

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Stormwater Disposal	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
Howard Street Subdivision Development	1	1,025	154	871
Other Projects	2	605	317	288
Network Modelling	2	174	319	(145)
Maraekakaho Stormwater		-	373	(373)
Iona/Middle Roads Subdivision Development	1	308	15	293
Lyndhurst Development Stage II	1	-	298	(298)
Arataki Subdivision Development	1	-	184	(184)

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

- 1. Reprioritisation of Lyndhurst, Iona/Middle, Howard Street and Arataki project timings across years.
- 2. Including stormwater data capture and network modelling projects.

FUNDING IMPACT STATEMENT: Sewerage and the treatment and disposal of sewerage	Notes	LTP Council 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		460	472	389	(83)
Targeted Rates (other than a targeted rate for water supply)		7,526	7,548	7,417	(131)
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges	1	1,719	1,762	1,846	84
Internal charges and overheads recovered		2,583	2,648	2,476	(171)
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	87	87
Total operating funding (A)		12,289	12,430	12,216	(214)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	2,509	2,561	3,050	(489)
Finance costs	3	1,198	1,465	857	607
Internal charges and overheads applied		4,958	5,076	5,107	(32)
Other operating funding applications		15	15	1	13
Total applications of operating funding (B)		8,680	9,116	9,016	100
Surplus (deficit) of operating funding (A-B)		3,609	3,314	3,200	(114)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		1,516	1,255	984	(272)
Increase (decrease) in debt	3	7,424	1,233	7,306	6,072
Gross proceeds from sale of assets		-	-	-	-
Lump sum contributions	4	244	250	51	(198)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		9,184	2,739	8,341	5,602
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	5	3,630	-	1,211	(1,211)
To improve the level of service	6	175	179	980	(800)
To replace existing assets	7	8,988	5,873	9,525	(3,652)
Increase (decrease) in reserves	8	-	-	(175)	175
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		12,793	6,053	11,541	(5,489)
Surplus (deficit) of capital funding (C-D)		(3,609)	(3,314)	(3,201)	113
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		6,240	6,395	7,124	(729)

Key Financial variances

Significant operating variances

- Industrial Wastewater revenue is higher due to additional connective revenue.
- Effluent Disposal Preventative and Reactive maintenance costs are higher than LTP.
- The timing of Trunk Sewers, Lyell Street, Clive Rising Main and Omaha growth projects differ from the LTP.

Significant asset acquisitions or replacements and other variances

- Lower contributions from private works due to timing of development projects.
- The timing of Omaha Lyndhurst, Breadalbane and Howard Street growth developments differs from the LTP.
- The timing of Lyndhurst Bulk Services project differs from the LTP.
- The timing of Trunk Sewers, Clive Rising Main and Lyell Street Rising Main projects differ from the LTP.
- Funding from the Effluent Disposal reserve was used to fund wastewater infrastructure projects.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		-	1,211	(1,211)
Improve level of service		179	980	(801)
To replace existing assets		5,874	9,525	(3,652)
Total capital expenditure		6,053	11,716	(5,664)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Sewerage and the treatment and disposal of sewerage	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
Park Road System upgrade	1	2,255	3,037	(782)
Trunk Sewers	2	1,076	3,439	(2,362)
Other Projects		769	871	(102)
Rising Mains	3	154	1,304	(1,150)
Omahu Industrial Development	3	-	859	(859)
Outfall		410	229	181
Wastewater Treatment Plant		205	361	(156)
Reactive Renewals		318	116	202
Lyndhurst Development Stage II	3	-	316	(316)

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

1. Park Road rising main was deferred into 2019/20 from previous years. Budget was carried forward.
2. Trunk sewer project timing differs from the LTP.
3. Reprioritisation of various project timings across years.

FUNDING IMPACT STATEMENT: Roads and Footpaths	Notes	LTP Council 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
Targeted Rates		16,475	17,111	16,274	(836)
Subsidies and grants for operating purposes	1	380	434	428	(6)
Fees and charges	2	5,795	5,872	6,019	147
Internal charges and overheads recovered		1,290	1,318	1,391	73
Local Authorities fuel tax, fines, infringement fees and other receipts	2	2,779	2,841	2,850	9
Total operating funding (A)		26,914	27,775	27,275	(500)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	3	12,851	13,071	13,309	(237)
Finance costs		926	939	784	156
Internal charges and overheads applied		5,243	5,372	4,975	397
Other operating funding applications		12	12	5	7
Total applications of operating funding (B)		19,031	19,395	19,073	322
Surplus (deficit) of operating funding (A-B)		7,883	8,380	8,202	(178)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	4	9,848	8,380	10,123	1,743
Development and financial contributions	5	2,418	1,078	420	(657)
Increase (decrease) in debt		3,674	2,453	2,726	272
Gross proceeds from sale of assets		20	18	59	41
Lump sum contributions		56	57	-	(57)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		16,016	11,987	13,328	1,341
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	6	3,688	2,321	2,152	169
To improve the level of service	7	7,858	4,511	5,850	(1,339)
To replace existing assets	8	12,354	13,535	14,478	(943)
Increase (decrease) in reserves	9	-	-	(950)	950
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		23,899	20,367	21,530	(1,163)
Surplus (deficit) of capital funding (C-D)		(7,883)	(8,380)	(8,202)	179
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		13,499	13,868	14,006	(138)

Key Financial variances

Significant operating variances

1. Subsidies revenue is higher than LTP due to the timing of NZTA subsidies for road maintenance and sealed pavements.
2. Fees revenue is higher than LTP due to higher parking and WOF infringements.
3. Payments to staff and suppliers are higher than LTP due to the October 2019 storm event, environmental maintenance, pavement and drainage maintenance.

Significant asset acquisitions or replacements and other variances

4. NZTA subsidies are higher than LTP due to the timing of Maintenance and Minor Safety projects.
5. Development contributions are lower than LTP due to the timing of Irongate and Omaha growth projects.
6. Capital expenditure includes previously deferred projects: Irongate and Lyndhurst, and deferral of Howard Street project.
7. Capital expenditure is higher than LTP due to "Jobs for Heretaunga" roading projects, and CBD and suburban commercial developments.
8. Capital Works to replace existing assets is higher than LTP due to the timing of the Kahurangi Road and Middle/Mutiny Road projects.
9. Some reserve funding has been utilised for roading infrastructure projects.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Roads and Footpaths	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		2,321	2,152	169
Improve level of service		4,511	5,850	(1,339)
To replace existing assets		13,535	14,478	(943)
Total capital expenditure		20,367	22,480	(2,113)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Roads and Footpaths	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
Other and Miscellaneous Projects	1	15,918	13,978	1,941
CBD and Suburban Developments		818	1,272	(455)
Howard Street – Internal	2	1,533	141	1,392
Kahuranaki Road	2	-	1,594	(1,594)
Irongate Industrial Development	2	-	1,376	(1,376)
Footpath Renewals		719	165	555
Omahu Industrial Development	2	722	-	722
Princes-Victoria-Ellison	2	-	687	(687)
Jobs for Heretaunga	3	-	659	(659)
Lyndhurst Development Stage II		-	531	(531)

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

1. Other Projects: including Minor Safety Improvements, Pavement Rehabilitation.
2. Reprioritisation of project timings across years.
3. Jobs for Heretaunga (COVID-19 Government-Funded Initiative).

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. The majority (77%) of the levels of service for this group of activities were achieved or substantially achieved. A number of activities key performance targets were impacted by the COVID-19 pandemic during 2019/20.
- A new system of kerbside recycling and rubbish collection was rolled out during the year.
- The Splash Planet facility exceeded its visitor number target for the year.
- Earthquake strengthening of the Municipal Building made further progress during the year.
- Upgraded playgrounds were completed at two of the districts premier parks in Flaxmere and Cornwall 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 2019/20. 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 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
	1	30,260	31,060	32,546	1,486
Targeted Rates		1,706	1,807	1,670	(137)
Subsidies and grants for operating purposes		93	105	71	(35)
Fees and charges	2	19,032	20,321	21,746	1,425
Internal charges and overheads recovered	3	26,522	27,177	13,828	(13,349)
Local Authorities fuel tax, fines, infringement fees and other receipts		89	91	180	89
Total operating funding (A)		77,702	80,561	70,041	(10,520)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	4	35,961	36,921	41,835	(4,914)
Finance costs		1,400	1,663	1,215	448
Internal charges and overheads applied		29,608	30,453	18,499	11,954
Other operating funding applications	5	2,583	2,138	4,158	(2,020)
Total applications of operating funding (B)		69,553	71,175	65,706	5,469
Surplus (deficit) of operating funding (A-B)		8,149	9,386	4,335	(5,051)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	6	916	1,134	5,123	3,989
Development and financial contributions		800	800	911	112
Increase (decrease) in debt	7	8,062	10,845	6,225	(4,620)
Gross proceeds from sale of assets	8	292	240	640	401
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		10,069	13,018	12,900	(118)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	9	235	373	1,240	(867)
To improve the level of service	10	6,593	9,458	7,349	2,109
To replace existing assets	11	11,391	12,573	13,667	(1,094)
Increase (decrease) in reserves	12	-	-	(5,022)	5,022
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		18,219	22,404	17,235	5,169
Surplus (deficit) of capital funding (C-D)		(8,149)	(9,386)	(4,335)	5,051
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		5,432	5,119	6,221	(1,102)

Key Financial variances

Significant operating variances

1. Kerbside collection targeted rates.
2. Fees and Charges are higher than LTP due to: Building Consent volumes and Solid Waste volumes (Transfer Stations and Landfill). COVID-19 has limited volumes since March.
3. Internal recoveries are less than the planned LTP due to the outsourcing of Council's Parks Works Division which occurred after the LTP was set.
4. Payments to suppliers are high due to: Kerbside Collection implementation, high Landfill and Building Control volumes, and higher costs across some other activities.
5. Higher Landfill Emission Trading Scheme (ETS) costs, timing of capital grants to Regional Sports Park and the grant for Te Mata Park land purchase.
6. Capital funding is higher than LTP due to the Municipal Building strengthening grants.
7. Debt has increased by less than planned due to deferral of the Landfill extension and lower debt requirement for Toitoi.
8. Asset sale proceeds are high partly due to deposits received from the land sale of Orchard Road parks depot along with the sale of plant and equipment.
9. Capital costs are high due to the timing of Lyndhurst and Northwood Reserves projects.
10. Capital costs are low due to deferring development of Landfill Valley B (due to extension of Valley D).
11. Capital costs are high due to Toitoi Opera House and Municipal Building strengthening.
12. Reserve funding has been utilised for development of Toitoi.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Safe Healthy and Liveable Communities	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		373	1,240	(867)
Improve level of service		9,458	7,349	2,109
To replace existing assets		12,573	13,667	(1,094)
Total capital expenditure		22,404	22,256	148

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Safe Healthy and Liveable Communities	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
MAJOR PROJECTS				
Toitoi – Municipal Building	1	5,110	4,886	224
General	2	3,708	2,762	945
Landfill New Valley Development	3	2,984	1,264	1,720
Toitoi – Opera House	1	1,840	1,219	621
Toitoi – Plaza	1	-	2,177	(2,177)
Cornwall Park Premier Playground	4	307	1,592	(1,286)
Kerbside Recycling	5	-	1,025	(1,025)
Hastings Art Gallery	6	-	721	(721)

1. Toitoi – Opera House and Municipal Building strengthening is being completed using national funding granted since 2018/19 LTP was set.
2. The purchase of Plant & Machinery, Computers & Equipment, Furniture & Fittings.
3. Extension of Landfill Valley C has deferred new development of Valley D.
4. Cornwall Park Premier Playground carried over into 2019/20 year with construction underway.
5. Kerbside Recycling new contract and purchase of recycling crates.
6. Art Gallery roof replacement using budget carried over from prior years.

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

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:

- Subdivision of land in Irongate is progressing. The subdivision plan will bring further industrial lots to the market. Development activity in Irongate ongoing (i.e. Rockit Coolstore and Packhouse).
- Key performance metrics in respect of residential land supply and serviced industrial land availability are on track.
- Economic development activity was focused particularly on business attraction through a range of initiatives during the year. Foodeast (a new food innovation hub) is in the implementation phase and is estimated to deliver 500 + jobs and \$100m in regional domestic product.
- A range of social programmes with particular focus on helping young people into jobs continued during the year.
- In terms of tourism and visitor attraction, Splash Planet exceeded its visitor number target for the year with a total of 116,494 visitors. Council’s i-Sites, collectively, received 46,416 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 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		6,380	6,832	8,104	1,272
Targeted Rates		341	341	342	1
Subsidies and grants for operating purposes	1	50	51	525	474
Fees and charges		443	452	448	(3)
Internal charges and overheads recovered		25	26	100	74
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	1	1
Total operating funding (A)		7,239	7,702	9,521	1,819
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	4,958	5,207	6,171	(964)
Finance costs		19	19	11	7
Internal charges and overheads applied		1,401	1,447	1,611	(164)
Other operating funding applications	3	1,053	1,031	860	171
Total applications of operating funding (B)		7,431	7,704	8,654	(950)
Surplus (deficit) of operating funding (A-B)		(192)	(2)	866	868
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		-	-	-	-
Increase (decrease) in debt	4	237	116	(13)	(129)
Gross proceeds from sale of assets		20	54	42	(12)
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		257	171	29	(141)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	15	(15)
To replace existing assets		65	169	97	72
Increase (decrease) in reserves	5	-	-	784	(784)
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		65	169	895	(726)
Surplus (deficit) of capital funding (C-D)		192	2	(866)	(868)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		63	51	65	(14)

Key Financial variances

Significant operating variances

1. Grant revenue is higher than LTP due to Government funding for Karamu Masterplan and He Poutama Rangatahi Youth employment funding.

2. Staff and suppliers are high due to the COVID-19 response and communication costs now represented here (LTP: in Governance & Support).

3. Lower "Great Things Grow Here" project costs and lower financial incentives than planned.

Significant asset acquisitions or replacements and other variances

4. The external debt requirement has been low due to project timings.

5. An operating surplus has contributed to reserves.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Economic and Community Development	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		-	-	-
Improve level of service		-	15	(15)
To replace existing assets		169	97	72
Total capital expenditure		169	112	57

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Economic and Community Development	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
Plant Machinery and Vehicles Renewals		-	97	(97)

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

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 21,052 unique visitors per month, well in excess of the target of 15,000. 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.
- The section titled ‘[Exercising Partnership – Council, Tangata Whenua, Mana Whenua](#)’ outlines the activities undertaken during 2019/20 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 2019 \$'000	LTP Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties					
Targeted Rates		(1,840)	(925)	-	925
Subsidies and grants for operating purposes				-	-
Fees and charges	1	97	140	726	586
Internal charges and overheads recovered	2	14,471	14,976	15,047	71
Local Authorities fuel tax, fines , infringement fees and other receipts		646	660	694	34
Total Operating Funding (A)		16,616	18,145	18,134	(11)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	3	12,389	12,804	12,574	230
Finance costs	4	55	56	648	(592)
Internal charges and overheads applied		4,242	4,374	4,019	355
Other operating funding applications	5	1,120	1,144	2,084	(940)
Total applications of operating funding (B)		17,806	18,378	19,324	(946)
Surplus (deficit) of operating funding (A-B)		(1,191)	(233)	(1,190)	(957)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions	6	-	-	571	571
Increase (decrease) in debt		1,396	612	706	94
Gross proceeds from sale of assets		69	76	3	(73)
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		1,465	688	1,280	592
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	-	-
To replace existing assets		1,277	572	943	(371)
Increase (decrease) in reserves	7	(2,000)	(500)	(821)	321
Increase (decrease) of investments	8	997	383	(33)	415
Total applications of capital funding (D)		274	455	89	366
Surplus (deficit) of capital funding (C-D)		1,191	233	1,191	957
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		747	886	972	(86)

Key Financial variances

Significant operating variances

1. Fees & Charges income from IT, Election and Procurement support provided to other Councils.
2. Government & Support operating costs are recovered by internal charge across Council.
3. Communications costs are now charged to Marketing (instead of Governance & Support).
4. Costs associated with interest rate hedging.
5. Funding costs are higher than planned due to Drought Relief grants provided.
6. Timing of Development Contributions received from Irongate growth projects.

Significant asset acquisitions or replacements and other variances

7. Borrower notes related to higher LGGA debt levels.
8. Higher debt requires additional investment in LGFA.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Governance and Support Services	Notes	LTP 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		-	-	-
Improve level of service		-	-	-
To replace existing assets		572	943	(371)
Total capital expenditure		572	943	(371)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Governance and Support Services	Notes	Revised Budget* 2019/20 \$'000	Actual Council 2020 \$'000	Variance \$'000
Laptop Replacements	1	49	172	(123)
PC/Laptop Replacements	1	162	56	106
PABX Upgrade	2	-	152	(152)
Plant Machinery & Vehicles Renewals		102	22	81
GIS Orthophotography	2	-	121	(121)

*This does not match the LTP due to a change in project budgets. A comparison with the revised budget has been provided.

1. Increased transition from PC to Laptop due to COVID-19 lockdown.

2. Timing of PABX and GIS projects differ from that planned in LTP.



**Exercising partnership –
Council, Tangata Whenua,
Mana Whenua**

Exercising partnership – Council, Tangata Whenua, Mana Whenua

Hastings District Council remains steadfast in its commitment to nurturing and strengthening processes to enable tangata whenua and mana whenua to exercise partnership in decision making across a range of contexts here at Council and in the wider Hastings district.

Titiro ake au ki te hāro o te kāhu tui, tui, tui, tuia. Tuia te rangi e tū nei, tuia te papa e takoto nei. Tuia te here tangata o Heretaunga takoto noa, ka rongo te pō, ka rongo te ao. Tuia te muka tangata i takea mai i Hawaiki-nui, Hawaiki-roa, Hawaiki-pāmaomao. Te hono i wairua ki te whai-ao ki te ao mārama, tihei Heretaunga!

Kei ngā mana, kei ngā reo, kei ngā pari kārangaranga o tēnā pito, o tēnā marae, o tēnā hapū o te rohe whānui o Heretaunga, anei ngā kupu whakamiha ki a koutou katoa.

E tika ana kia tukuna atu ngā whakaaro ki a rātau mā ko ngā rau-o-piopio kua purea atu e ngā hau maiangi, e ngā hau pūkerikeri ki tua o te ārai. Kāti, rātau te tira mātai pō ki a rātau, waiho ake ko tātau te tira mātai ao ki a tātau.

Tēnā rā tātau katoa kei te hapori whānui o Heretaunga e whakamana nei i tō tātau reo rangatira i raro i te āhua o ngā kupu kōrero ā kui mā, ā koro mā me ngā tāhuhu kōrero o te rohe whānui o Heretaunga; tō tēnā hapū, tō tēnā hapū, tō tēnā hapū.

Kei ngā marae rua tekau mā whā o Te Kaunihera ā-Rohe o Heretaunga, kei ngā hapū kārangaranga, kei ngā Taiwhenua o te takiwā nei, kei ngā Rōpū Tiriti o Waitangi, nei anō te maioha ki a koutou, ā nō mātau hoki te whakamīharo ki te tukua nei ngā mihi ki a koutou otirā, ki a tātau katoa.

Heoi anō, Heretaunga-ara-rau, Heretaunga-haukū-nui, Heretaunga-hāro-o-te-kāhu, Heretaunga-raorao-haumako, Heretaunga-ringahora, Heretaunga takoto noa; tihei Heretaunga!

Like the preceding year, the 2019/2020 year has been a significant year of continued growth and learning for the Hastings District Council with respect to exercising partnership and engaging relationships with tangata whenua and mana whenua across the district. As we began the year, we were in the latter stages of a long process regarding one of our most significant learnings for Council concerning engagement and partnership relationships with tangata whenua and mana whenua in recent years – the Craggy Range track. As highlighted last year and through the benefit of hindsight, the track resource consent issued by Council in August 2017 failed to exercise partnership. Having exhausted a thorough process across two years since the track was revealed for all to see including numerous hui-ā-hapū, marae hui, reference group hui, consultation and engagement across a number of contexts including cultural, statutory, landscaping, ecological, agricultural, archaeological, slopes, soils, hydrology, geological, and recreation. On 29 November 2019, a blessing was held on site to complete the restoration and remediation of what was the Craggy Range track; a journey that took two years to complete from the tracks initial unveiling to its eventual remediation, which is closely monitored by Council as part of its resource consent to remediate the track. Nonetheless, these learnings have been huge for Council including governors and staff, where a Council decision made in 2017 about the outstanding natural landscape commonly known as Te Mata Peak but by a range of names to tangata whenua and mana whenua that include, Te Matā, Te Mata, Te Mata o Rongokako, and Te Karanemanema o Te Mata o Rongokako, has poignantly but justly so, provided the learning curve for Council.

During 2019/2020, Hastings District Council facilitated a range of opportunities for tangata whenua and mana whenua and/or partnered up with tangata whenua and mana whenua entities to continue to grow and exercise partnership in decision making with our statutory partners. The following narrative, while not a complete record, provides further key highlights across the 2019/2020 year:

- **The roles of Pou Ahurea** – Principal Advisor/Advisor: Relationships, Responsiveness and Heritage, have continued to engage with multiple layers and contexts across our wide and diverse community. Relationship building with mana whenua and community to enhance strategic relationships between whānau, marae, hapū, Taiwhenua, Post Settlement Governance Entities (PSGEs) including Ngāti Pāhauwera Development Trust, Maungaharuru Tangitū Trust, Hineuru Iwi Trust, Mana Ahuriri Trust, Heretaunga Tamatea Settlement Trust, and Ngāti Kahungunu Iwi Incorporated alongside Te Taiwhenua o Heretaunga and Te Taiwhenua o Te Whanganui-a-Orotū, and the Council is ongoing.
- **The Hastings District Council Heretaunga Takoto Noa Māori Standing Committee** maintains its focus on strategic priorities for tangata whenua in the district. The committee comprises six tangata whenua appointments and six councillors. Following the 2019 triennial elections, six (6) tangata whenua appointments were selected from expressions of interest and nominations across our iwi rūnanga – Ngāti Kahungunu Iwi Incorporated, our Taiwhenua – Te Taiwhenua o Te Whanganui-a-Orotū and Te Taiwhenua o Heretaunga, our Tiriti o Waitangi Post-Settlement Governance Entities (PSGEs) – Heretaunga-Tamatea Settlement Trust, Mana Ahuriri Trust, Maungaharuru Tangitū Trust, Hineuru Iwi Trust, Ngāti Pāhauwera Development Trust, and from Mātaawaka residing in the Hastings district represented under the, Takitimu District Māori Council. This is a representation-based model that has the advantage of building on the previous model of six (6) tangata whenua members and what it offers the committee with regard to adequate and appropriate representation of mana whenua, tangata whenua and mātaawaka. Having six (6) tangata whenua members and six (6) Councillors to make a committee of 12 will eliminate the inefficiency and, at times, ineffectiveness of larger committee numbers due to the strain on time, commitment and resource associated with larger committees.

There is also the added cost of time and commitment of having more members on multiple committees and or with more commitments, which at times has shown to compromise attendance and consistent participation. This was monumental for Council and for the wider Māori community across the Hastings district and, contrary to the varying views, provides another mechanism for increased Māori representation in the exercise of partnership between Council, mana whenua and tangata whenua. The committee's tangata whenua membership is made up of Robin Hape (Chair), Ngaio Tiuka, Tania Eden, Te Rangihau Gilbert, Mike Paku and Marei Apatu. The committee's terms of reference include:

- To provide governance-level advice to the Council on matters of strategy and policy development across the scope of Council's activities;
- To support the implementation and monitoring of Te Kura Nui, the policy framework and work programme at Council, called the Māori Relationships 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 tangata whenua; and
- To assist the Council as appropriate in conducting and maintaining effective, good faith working relationships with mana whenua and tangata whenua, including advice on governance arrangements.
- Council continues with its aspirations and intent to nurture and provide opportunities for PSGEs within the Hastings district, to be engaged in district planning, economic development, social growth, cultural initiatives and environmental wellbeing, to benefit tangata whenua and the community as a whole. As highlighted earlier, the PSGEs that fall within the Hastings District Council's territorial land authority are – Heretaunga Tamatea Settlement Trust, Mana Ahuriri Trust, Maungaharuru Tangitū Trust, Hineuru Iwi Trust, Ngāti Pāhauwera Development Trust and Ngāti Kahungunu Iwi Incorporated.

- **Housing** remains a priority for Council across the district and Council continues to encourage the development of Papakāinga housing through effective cross-sectoral engagement with whānau and hapū, Te Puni Kōkiri, the Māori Land Court, and project consultants. As other organisations including Te Taiwhenua o Heretaunga and the PSGEs ramp up their own aspirations around housing for Māori, Council are also at various stages of engagement in supporting our respective statutory partners' aspirations, strategies and/or visions moving forward. The Waingākau housing development in West Flaxmere exemplifies the role that Council can play and support its partners like Te Taiwhenua o Heretaunga. Council shares Te Taiwhenua o Heretaunga's aim of working hard for the betterment of the community, so was proud to support and work alongside the organisation on some of their initiatives this year. Waingākau Village, for example, was a unique development that Council was proud to be a partner in, potentially the first of more such partnerships.
- **The Tangata Whenua Wastewater Committee** continues to provide sound governance to Council 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 a year to monitor the performance of the treatment plant. Marei Apatu and Beverley Te Huia were nominated onto this committee mid-way through 2019 as new members, replacing former tangata whenua committee members.
- The refreshed **Te Kura Nui – Māori Relationships Framework** and its implementation will allow officers, Council and the Heretaunga Takoto Noa Māori Standing Committee to monitor the organisation's cultural responsiveness to Māori; to mana whenua, to tangata whenua. The key focus moving forward will be the continuous journey towards Council's goal for all staff to grow their cultural responsiveness to kaupapa Māori (Māori position and or viewpoint on issues concerning Māori) and to 'te ao Māori', a Māori worldview. Te Kura Nui has four key areas:
 - Governance and relationships;
 - Culture and Identity;
 - Prosperity and Wellbeing; and,
 - Resources and Infrastructure.

The original process for measuring improvement included a self-assessment procedure, followed by an agreed action plan for implementation and then monitoring and reporting progress, all of which has been developed in conjunction with Heretaunga Ararau Te Reo Māori Action Plan. With Te Kura Nui being the backdrop for the organisation's cultural competency improvement, the action plan designed by the Pou Ahurea team will sit across all group services. When te reo Māori outcomes are implemented and improved across an organisation such as the Hastings District Council, the intrinsic values of a culture are achieved. Underlying this action plan is a level of consistency with other major cities across Aotearoa New Zealand, and that is a key goal of the action plan, to be a te reo Māori city at a time in the not too distant future.

- Council is encouraging and supporting the aspirations of our Māori communities within the district to aspire to the development of their respective hapū plans, including **community plans**. In partnership with tangata whenua, Council launched the Waipatu Community Plan, which was a big player in Council securing Provincial Growth Fund (PGF) funding to have State Highway 51 upgraded including road safety improvements, speed restrictions, new footpaths, the moving of all overhead cables underground, and the installation of safety barriers. Moving forward, with our Māori communities growing in capacity and capability day by day, we anticipate more community plans to evolve alongside Whakatū, Waipatu, Flaxmere, Cape Coast and Flaxmere West with other kāinga such as Bridge Pā, Te Pōhue, Ōmāhu, and Pakipaki coming into the fold too.
- This last year has also seen the adoption by Council of Heretaunga Ararau, the Hastings District Council Te Reo Māori Policy and the development of the **Heretaunga Ararau Te Reo Māori Action Plan** to support the place and use of te reo Māori across the whole Council and its facilities. The **Heretaunga Ararau Te Reo Māori Policy** was launched during Te wiki o te reo Māori 2019, which also saw Council celebrate a number of initiatives to champion te reo Māori; both during the week, and ongoing throughout the year. Aligned with this work is the direction from Council's Lead Team for staff to have cultural indicators included in performance objectives. Māori Language Planning elements included in the Heretaunga Ararau Te Reo Māori Action Plan and are:
 - Te Mārama Pū/Critical Awareness – When people accept the need for language revitalisation and understand the ambitious role that Council has in achieving the goal to be a te reo city in the not too distant future.

- Mana/Status – When people understand the value of te reo Māori and accept it as an integral part of our city and national identity.
- Te Whakamahi/Use – People can speak, listen to, read, write and comprehend te reo Māori at a level that supports their use and have access to reo-rich environments and domains.
- Ako/Acquisition – Council supports people to have increased opportunities to acquire te reo Māori at a level that supports their use.
- Te Puna/Corpus – Quality new words, terms and standards are developed and available to support the use of te reo Māori.
- The Hastings District Council had the privilege of partnering up and working alongside **IwiToi Kahungunu** and Dr Sandy Adsett to develop and create a cultural celebration in art. What manifest was a successful and inaugural ‘Main Street Heretaunga Toi/Art Week’ initiative held over six weeks in July and August. This was an initiative that enabled local contexts, multicultural contexts and notions of ‘place’ to be celebrated through the visual arts in collaboration and partnership with our district’s schools. The ‘Main Street Heretaunga Toi/Art Week’ initiative built on the notion of community connectedness that involved Hastings city’s primary schools, our CBD retailers on Heretaunga Street, the Hastings City Business Association, Iwi Toi Kahungunu, and the Hastings District Council. The value of ‘Main Street Heretaunga Toi/Art Week’ was significant for its positive impact on our city and community; bringing the whole community together via schools and our learners, the visual arts and cultural narratives through a specific theme titled – Cultural Legends of our Ancestors, that enabled and nurtured relationships with each other, showcased the talents and knowledge of our schools and our diverse learner population, while also bringing to prominence, our diverse narratives and histories.
- The significance of the new **Emergency Management Operations building** in Hastings given its role in terms of housing staff from both the Hastings District Council and the Ministry of Civil Defence and Emergency Management plays a significant role for the wellbeing and safety of the wider district. The COVID-19 response for instance, in the region from 25 March through to 27 April (Level 4) and then through to 13 May (Level 3) was all conducted out of this building by Civil Defence and Emergency Management (CDEM), and the National Emergency Management Agency with support from the Hastings District Council.

The focus on providing leadership in reducing risk, being ready for, responding to and recovering from emergencies, as well as safety in the Hastings district including holistic wellbeing (cultural, physical, social), reinforces the notion of partnership across a number of tiers including our tangata whenua partners. Regarding aspirations of Council and tangata whenua working collaboratively across all manner of things in our district, a decision was made to ‘adorn’ the main entrance with appropriate whakairo (carvings) to represent ‘te ao Māori’ (the Māori world) and local cultural narratives. For this reason, local master carver, Takaputai (Taka) Walker (QSM), provided his scope and expertise on the concept of the whakairo and was contracted to undertake and complete the whakairo for the building. The benefits of the whakairo adorning the main doorway and entrance to the new building are numerous and include: – aesthetic benefits, cultural significance and relevance benefits, social benefits, Treaty of Waitangi partnership benefits, and overall holistic benefits that centre on cultural safety, good public [partnership] relations where the whakairo link the building, its purpose and function to the place-based landscape and history of Heretaunga and the wider region. The building was blessed and then officially opened in September by the Minister of CDEM, the Honourable Peeni Henare.

- The second half of the year has seen the Council forge a greater connection with its statutory partners as we as a community as a whole have had to work collaboratively to undertake the appropriate **response and recovery to COVID-19**, which remains ongoing. History has shown that the unskilled and least paid are the most vulnerable to job losses and community dislocation and without a doubt, Māori are disproportionately represented amongst Whānau Pounamu (at risk families). If COVID-19 looks to repeat history, the impact on Māori will be severely felt now and into the future by the currently young and large Māori population. Accordingly, if our actions that form the basis of Council’s response and recovery to COVID-19 fail to take cognisance of our community social networks, our community facilities, and/or our diverse local cultural capital), Whānau Pounamu will be disproportionately impacted.

Ngāti Kahungunu Iwi Incorporated were quick to move in March with the onset of the Level 4 lockdown and, with its partners including Council, established the Tihei Mauri Ora Centre/Hub. Across the Ngāti Kahungunu region that encompasses the Hastings District, and under the Tihei Mauri Ora Centre mantle, the Heretaunga and Te Whanganui-a-Orotū Taiwhenua had food hubs set up alongside ‘Community Champions’ that responded to food requests across the district. Community champions were the key link between these community hubs and Whānau Pounamu. Thousands of food/hauora (care) packages were provided for Whānau Pounamu through these hubs on top of all of the other good will taking place across the district. Community Champions were established and networks set up under each Taiwhenua who connected with and checked in on Whānau Pounamu. There were Māori, Pasifika and Migrant Community champions out across the district working tirelessly and side by side to ensure that no one was missed or left behind; including Māori, Pasifika, Pākehā and all ethnic minorities.

Hastings District Council continued to work alongside Ngāti Kahungunu Iwi Incorporated and the Tihei Mauri Ora Centre, including the Post-Settlement Treaty of Waitangi Entities and the Taiwhenua hubs to ensure the welfare response remained strong for our Whānau Pounamu community through Alert Level 4, and into Level 3. The Tihei Mauri Ora centre continued to operate albeit at a less ‘intense’ level as the nation eventually moved to Level 1 where this work is ongoing. With potentially increasing numbers of higher stress, anxieties, health issues and/or reduced incomes due to the impacts of COVID-19, it has been extremely important that we work together to support our community; and in particular our Māori and Pasifika communities where there are large numbers of Whānau Pounamu.

Our commitment to the social infrastructure of our community will be critical to ensuring the confidence and trust of the wider community in future opportunities that enable the community to flourish moving forward in this current COVID-19 context,

Mauri noho, mauri mate, mauri tū, mauri ora – doing nothing will see us languish, by being proactive in this space, our community will flourish!

- As COVID-19 hit our shores and country in March, around \$600 million of PGF money was targeted in the last quarter of the year to support regional economies to recover from COVID-19. The funding was repurposed Provincial Growth Fund money and unallocated funding from the Regional Investment Opportunities Contingency. Of the range of new projects to be funded was an allocation by Government of up to \$70 million for upgrades of marae across the country. Council collaborated with Te Puni Kōkiri to support Te Taiwhenua o Heretaunga and Te Taiwhenua o Te Whanganui-a-Orotū to submit a joint application for **Marae Renovation under the PGF** for 20 marae across the Hastings district. At the time of this report going to publication, our collaborative application titled Te Tū Marae ki Te Matau-a-Māui was still awaiting the outcome of our application to the government.

While these opportunities have presented themselves for the likes of Council, marae, organisations and community to seek COVID-19 related funding, for Māori and our marae communities here across Heretaunga, it is critical that we respond to these opportunities. For instance, a special Info-metrics Report on the economic impact of COVID-19 on the Hawke’s Bay region forecasts that employment will decline by -8.3%, or 7,000 jobs, between March 2020 and March 2021. The highest number of job losses is expected in the low-skilled category. The general age and skills profile of Hawke’s Bay Māori is skewed towards high levels of both younger and lower skilled employees. Job losses therefore are forecast to have a disproportionate impact on lower income Māori households. Māori who have lost their jobs will need assistance to engage with the labour market and re-skill to take advantage of job opportunities as they emerge. To achieve this, organisations across the region are working collaboratively to identify affected employees and provide assistance to support them get back into the workforce. Community support services, such as those provided by Te Taiwhenua o Heretaunga, Te Taiwhenua o Te Whanganui-a-Orotū and the local Councils, are working with Māori to identify and assist affected whānau. There is a strong and close relationship with MSD to identify affected persons and support them into employment.

A social procurement approach will be a compulsory requirement when awarding contracts. It will be a condition of any contract that a specified number of employees must be persons redeployed from COVID-19 affected employment. A further contract condition will be the recruitment of apprentices to enable unemployed Māori to upskill or re-skill in a new trade. We have had to work more closely with our iwi and tangata whenua partners this past year to ensure the inclusive vitality of cultural life across the district; to strengthen partnership relationships and to reinforce Council's responsiveness to issues important to tangata whenua.

Ko koutou ki tēnā kīwai o te kete, ko mātau ki tēnei kīwai, ka anga whakamua tātau – with you the community at that handle of the basket, and us the Council at this handle of the basket, we can and will move forward together as partners.

The metaphor of the 'kete' while singular in the whakataukī (proverb), refers to a number of kete, and kete that are held together, by Council, marae, hapū, iwi, Taiwhenua, PSGEs and other entities; there isn't just one kete. Consequently, the capacity to exercise partnership in decision-making processes must recognise equitable contribution where Council remains committed to pursuing partnership with tangata whenua mana whenua.

Nō reira, e kiia nei te kōrero, 'ko Kahungunu he tangata ahuwhenua, mōhio ki te whakahaere i ngā mahi o uta, o tai'. Nā ko tātau tēnei i naia tonu nei, arā, e whai ana i ngā tapuwae a kui mā, a koro mā kia anga whakamua i te ao hurihuri nei; tihei Heretaunga!



**Financial
statements**



Financial statements

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2020	Notes	Budget Council 2020 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000	
REVENUE							
77,347	77,347	Rates, excluding metered water supply charges	3	82,165	81,814	81,814	Please note Group prior year comparatives have been adjusted to allow for correct comparison to current year due to HB Regional Sports Park Trust now consolidated into the Group accounts.
26,487	26,533	Fees, charges and metered water supply charges (i)		24,839	28,198	28,354	The accompanying notes form part of these financial statements.
20,161	21,163	Subsidies and Grants (ii)		16,364	21,772	22,418	The major reasons for the variance between actual and budgeted surplus on operations were:
6,989	6,989	Development and financial contributions		5,408	4,281	4,281	(i) Fees and charges increase across a number of activities, this is reflective of stronger economic conditions. This would have been a larger variance to budget but for COVID-19 impact for the month of lockdown.
134	134	Donations		3	90	90	(ii) The increase in New Zealand Transport Agency (NZTA) subsidies is the major factor in the favourable variance.
534	541	Interest revenue (iii)	4	-	478	489	(iii) Interest Revenue – interest on surplus working capital reinvested.
1,154	1,521	Other revenue (iv)	5	646	746	1,276	(iv) Other Revenue – unbudgeted gains from disposal on plant, property and equipment and unbudgeted dividends.
4,976	4,976	Vested infrastructural assets (v)		1,000	5,098	5,098	(v) Vested Assets favourable due to increased development.
137,781	139,204	Total revenue		130,425	142,477	143,819	
EXPENSES							
89,763	89,607	Operational costs (vi)	6	87,040	96,113	96,873	
34,085	34,624	Depreciation and amortisation expense	7	32,150	34,944	35,491	
4,605	4,605	Finance costs (vii)		6,833	4,991	4,991	
128,453	128,836	Total expenses		126,023	136,048	137,355	
7,088	7,088	Unrealised Loss on Swaps (viii)			5,196	5,196	
-	107	Share of associate surplus/(deficit)				(214)	
2,240	3,387	Surplus/(deficit) before tax		4,403	1,232	1,054	
-	-	Income Tax expense	8	-	-	-	
2,240	3,387	Surplus/(deficit) after tax		4,403	1,232	1,054	
Other comprehensive revenue and expense:							
42,549	42,549	Gain/loss on infrastructural revaluations		67,470	41,152	41,152	
-	24	Gain/Loss on land and building revaluations		-	(5,223)	(5,222)	
31	736	Gain/Loss on other revaluations		-	(30)	(115)	
42,580	43,309	Total other comprehensive revenue and expense		67,470	35,899	35,815	
44,820	46,696	Total comprehensive revenue and expense		71,873	37,131	36,869	

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2020	Notes	Budget Council 2020 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
Net Surplus /(Deficit) attributable to:						
2,240	3,387	Hastings District Council		4,403	1,232	1,054
-	-	- Minority Interest		-	-	-
2,240	3,387			4,403	1,232	1,054
Total comprehensive revenue and expense attributable to:						
44,820	46,696	Hastings District Council		71,873	37,131	36,869
-	-	- Minority Interest		-	-	-
44,820	46,696			71,873	37,131	36,869

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Statement of changes in equity for the year ended 30 June 2020	Budget Council 2020 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
2,020,806	2,043,736	Balance at 1 July	1,860,953	2,065,626	2,090,432
2,240	3,387	Surplus/Deficit	4,403	1,232	1,054
42,580	43,309	Other comprehensive revenue and expense for the year	67,470	35,899	35,815
44,820	46,696	Total comprehensive revenue and expense for the year	71,873	37,130	36,869
2,065,626	2,090,432	Balance at 30 June	1,932,826	2,102,756	2,127,302
Total comprehensive revenue and expense attributable to:					
44,820	46,696	Hastings District Council	71,873	37,131	36,869
44,820	46,696	Total comprehensive revenue and expense	71,873	37,131	36,869

Please note Group prior year comparatives have been adjusted to allow for correct comparison to current year due to HB Regional Sports Park Trust now consolidated into the Group accounts.

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Statement of financial position as at 30 June 2020	Budget Council 2020 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
		Notes			
CURRENT ASSETS					
2,939	4,342	Cash & cash equivalents	1,265	-	536
12,455	12,801	Receivables (i)	9	10,434	13,241
55	55	Inventory	10	108	106
-	-	Non-current assets held for sale		-	1,693
31	330	Short Term Investments (ii)		-	14,180
15,480	17,528	Total current assets	11,807	29,220	30,641
NON-CURRENT ASSETS					
<i>Other financial assets</i>					
-	-	Derivative financial instruments	16	-	-
1,747	9,294	Investments in associates	11 (a)	1,066	1,063
16	-	Investments in CCOs and similar entities	11 (b)	941	15
2,460	2,460	Investment in other entities	11 (b)	1,568	3,172
-	-	Other non-current assets		-	4
4,223	11,754	Total other financial assets		3,575	4,251
237,622	253,445	Plant, property and equipment	12	219,598	250,837
1,955,062	1,955,062	Infrastructural assets	12	1,858,890	2,019,005
60	60	Biological Assets	12	-	60
155	159	Intangible assets		205	294
2,197,123	2,220,479	Total non-current assets		2,082,268	2,274,447
2,212,603	2,238,007	Total assets		2,094,076	2,303,667
LIABILITIES					
<i>Current liabilities</i>					
-	-	Bank Overdraft		-	254
23,578	23,989	Payables and deferred revenue (iii)	13	16,538	23,710
2,444	2,450	Employee entitlements	14	2,241	3,398
2,186	2,186	Derivative financial instruments	16	-	699
10,000	10,000	Borrowings and other financial liabilities (iv)	15	12,530	20,000
38,208	38,625	Total current liabilities		31,309	48,060
<i>Non-current liabilities</i>					
800	981	Provisions and other non-current liabilities	13	659	1,640
349	349	Employee entitlements	14	480	333
11,380	11,380	Derivative financial instruments	16	13,500	18,063
96,240	96,240	Borrowings and other financial liabilities (iv)	15	115,301	132,815
108,769	108,950	Total non-current liabilities		129,940	152,851
146,977	147,575	Total liabilities		161,249	200,911
2,065,626	2,090,432	Net assets (assets minus liabilities)		1,932,827	2,102,756
<i>Equity</i>					
1,238,844	1,260,909	Accumulated funds	17	1,133,055	1,239,788
3,648	3,648	Restricted Reserves	18	3,182	3,935
823,134	825,875	Revaluation Reserves	19	796,589	859,033
2,065,626	2,090,432	Total equity		1,932,827	2,102,756

The accompanying notes form part of these financial statements.

The major reasons for the variance between actual and budgeted balances at 30 June 20 were:

- (i) Receivables are higher than budget due to development contributions for the Irlongate industrial development.
- (ii) Short-term investments are higher due to prefunding invested until required for capital projects.
- (iii) The increase in payable and deferred revenue on budget is due to the timing of major infrastructure projects underway at 30 June 2020.
- (iv) Secured loan levels were lower than budgeted at the end of the financial year due to projects not progressing as originally planned.

Actual Council 2019 \$'000	Actual Group 2019 Statement of cash flows \$'000 for the year ended 30 June 2020	Notes	Budget Council 2020 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES					
Cash was provided from:					
77,350	77,350 Receipts from rates revenue		82,165	81,548	81,548
39,640	39,948 Receipts from customers		30,893	43,033	45,358
534	542 Interest received		-	477	490
159	159 Dividends and commissions received		-	126	126
20,161	21,240 Subsidies and grants received		16,367	21,772	22,731
	GST (net)				
137,844	139,239		129,425	146,955	150,253
Cash was applied to:					
93,025	92,890 Payments to suppliers and employees		87,040	102,443	104,499
4,377	4,377 Interest paid		6,833	5,009	5,009
(960)	(947) GST (net)		-	394	275
96,442	96,410		93,873	107,846	109,783
41,402	42,829 Net cash flows from operating activities (A)	20	35,553	39,109	40,470
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
3,210	3,225 Receipts from sale of property, plant and equipment		422	1,811	1,811
194	354 Losses and impairment/revaluation prior year		-	-	-
3,404	3,579		422	1,811	1,811
Cash was applied to:					
72,008	72,381 Purchase of property, plant & equipment and infrastructural assets		71,993	72,915	75,015
-	227 Purchase of investments		383	14,149	14,281
72,008	72,608		72,376	87,064	89,296
(68,604)	(69,029) Net cash flows to investing activities (B)		(71,954)	(88,876)	(91,106)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
40,501	40,501 Proceeds from borrowings		41,691	46,574	46,574
Cash was applied to:					
12,000	12,134 Repayment of borrowings		5,290	-	-
28,501	28,367 Net cash flows from financing activities		36,401	46,574	46,574
1,300	2,165 Net increase (decrease) in cash, cash equivalents and bank overdraft (A+B+C)		-	(3,192)	(4,060)
1,640	2,177 Cash, cash equivalents and bank overdraft at the beginning of the year		1,265	2,939	4,342
2,939	4,342 Cash, cash equivalents and bank overdraft at the end of the year		1,265	(254)	282
CASH AT END OF YEAR COMPRISES					
2,939	4,342 Cash and cash equivalents		1,265	(254)	282

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	HB Regional Sports Park Trust	Hastings District Holdings Ltd
100%	100%	100%

The Council also has the following investments in associates:

- Hawke's Bay Airport Limited, a Council Controlled Organisation, is an equity-accounted associate in which the Council holds a 24% shareholding.
- Horse of the Year (Hawke's Bay) Limited is an equity-accounted associate in which the Council holds a 33% shareholding.

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 2020. The financial statements were authorised for issue by Council on 8 December 2020.

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

A number of new standards, interpretations and amendments effective for the first time for periods beginning on 1 July 2019 have been adopted in these financial statements. The nature and effect of each new standard, interpretation and amendment adopted by the Council is detailed below. Not all new standards and interpretations effective for the time for periods commencing 1 July 2019 affect the Council's financial statements for the year ended 30 June 2020.

PBE IPSAS 35 Consolidated Financial Statements

PBE IPSAS 35 supersedes PBE IPSAS6 (NFP) Consolidated and Separate Financial Statements and introduces a single 'control model' for all entities whereby control exists when all of the following conditions are present:

- Power over investee.
- Exposure, or rights, to variable returns from investee.
- Ability to use power over investee to affect the entity's returns from investee.

The adoption of PBE IPSAS 35 has meant a change where Hawke's Bay Regional Sports Park Trust is concerned. Following an assessment, the Trust is identified as an associate. Given the Council's level of influence and financial support the Trust has been consolidated into the Group's financial statements.

PBE IPSAS 36 Investments in Associates and Joint Ventures

PBE IPSAS 36 supersedes PBE IPSAS7 Investments in Associates and combines the accounting for both associates and joint ventures as a result of requiring the use of the equity method to account for investments in joint ventures as well as for investments in associates.

The scope of PBE IPSAS 36 has been expanded to include all 'quantifiable ownership interests' – while an ownership interest in an associate to be 'in the form of a shareholding or other formal equity structure' was required under PBE IPSAS 7.

In instances where an entity is precluded by PBE IPSAS 29 from measuring the retained interest in a former associate or joint venture at fair value, the carrying amount may be used as cost on initial recognition of the financial asset, were previously not allowed under PBE IPSAS 7.

PBE IPSAS 36 also contemplates the accounting for interests in investment entities and requires the investor to retain the fair value measurement applied by the investment entity associate or joint venture.

The adoption of PBE IPSAS 36 had no effect on the Council as:

- The Council has interest in an associate accounted for under equity method under PBE IPSAS 7 and the mechanics of equity method has not changed under IPSAS 36.
- There are no interests classified as joint venture as a result of the changes in PBE IPSAS 37 mentioned which would have otherwise been accounted for under IPSAS 36.

PBE IPSAS 37 Joint Arrangements

PBE IPSAS 37 supersedes PBE IPSAS 8 Interests in Joint Ventures and requires joint arrangements to be classified as either:

- Joint operations – where parties with joint control have rights to assets and obligations for liabilities, or
- Joint ventures – where parties with joint control have rights to the net assets of the investee.

Joint arrangements that are structured through a separate vehicle will generally be treated as joint ventures, unless the terms of the contractual arrangements, or other facts and circumstances indicate, that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets.

The adoption of PBE IPSAS 37 had no effect on the Council's joint arrangements as:

- The new definition of joint control has not resulted in a change in the recognition and non-recognition of the Council's arrangements with other parties.
- The Council's joint arrangement pertains to a jointly controlled asset and arrangements that were classified under PBE IPSAS 8 as joint controlled assets and jointly controlled operations are classified as joint operation under PBEW IPSAS 37 with similar accounting requirements.
- The Council does not have interest in jointly controlled entities which would have otherwise been classified as joint venture under PBE IPSAS 37.

PBE IPSAS 38 Disclosure of Interests in Other Entities

PBE IPSAS 38 sets out the disclosure requirements relating to an entity's interests in controlled entities, joint arrangements, associates and structured entities. The standard requires a reporting entity to disclose information that helps users to assess the nature and financial effects of the report entity's relationship with other entities.

As the new standard affects only disclosure, there is no effect on the Council's financial position or performance.

All other accounting policies and disclosures have been applied consistent with those applied in the previous financial year.

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 have 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.

The interest in the Hawke's Bay Regional Sports Park Trust 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 24% 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 profit of Horse of the Year (Hawke's Bay) Limited is recognised in the period which matches the reporting period ending 31 May 2020. The investment has been equity accounted.

Joint Arrangements

The Council is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Council and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

Joint Operation

The Council has an interest in a joint arrangement that is a jointly controlled asset. The Council recognises its share of the asset, classified as plant and equipment. In addition, the Council recognises its share of liabilities, expenses and income from the use and output of the jointly controlled asset.

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 licences.

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 as 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 the 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 receivables 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 increases 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 2020.

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 May 2019 by Kevin Dunn of Beca, using the depreciated replacement cost method. Infrastructure assets for water (excluding land) were valued at June 2020 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 (excluding land) will take place at two yearly intervals.

Parks assets replacement cost values were completed by Council's staff in May 2019 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 (excluding land) 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 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	
Structure/Envelope	Furniture and Fittings 4 – 14
Building Services	Computer and Office Equipment 2 – 5
Building Fit Out	Library Collections 5 – 10
LANDFILL	
Heavy Plant and Machinery	Permanent Facilities 42
Other Plant and Machinery	Valley A & D Development 12 – 15
Motor Vehicles	Other 5
WATER SUPPLY	
ROADING NETWORK	
Pipes	Top Surface (seal) 13
Valves, hydrants	Pavement (including kerbs) 30 – 85
Pump Stations	Formation Not depreciated
Bores	Footpaths 20 – 75
Reservoirs	Street Lights (poles) 50
Treatment Plant	Traffic Signals 15
STORMWATER DISPOSAL	
Pipes	Signs 10 – 15
Manholes	Unsealed Roads Not depreciated
Detention Dams	Road Land Not Depreciated
Open Channels	Bridges & Culverts 85
Service Laterals	
PARKS	
WASTERWATER	
Soft Landscaping	Pipes 25 – 100
Hard Landscaping	Manholes 80
Playgrounds	Pump Stations 15 – 80
Services	Treatment Plant 20
Structures	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 licences 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 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 asset's 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:

- Likely 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 2018-28 Long Term 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 2018/19 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 2020:

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).

COVID-19

Hastings District Council has considered the potential impact of COVID-19 as part of its impairment testing of assets on its statement of financial position.

It is acknowledged that there is significant uncertainty in how COVID-19 will impact the New Zealand economy and Hastings District Council in the future. The table below provides an assessment of the impact of the impact of COVID-19 on Council assets. This assessment is effective as at the end of June 2020 and has made use of all available information at that time.

ASSET	COVID-19 Assessment
CASH AT BANK	No impact to carrying value. All cash and term deposits held at banks with credit ratings of A or better.
DEBTORS AND OTHER RECEIVABLES	No impairment is required for rates receivables due to the powers under the Local Government (Rating) Act 2002 to recover outstanding rates debts. Other receivables have been assessed for impairment and there is no significant impact from COVID-19 on collectability.
INVENTORIES	No impact on carrying value.
OTHER FINANCIAL ASSETS	All financial assets that are current are held with banks with Standard and Poors credit ratings of A or better. Non-Current financial assets include investments in associates, including Hawke's Bay Airport. Council has a 24% interest in Hawke's Bay Airport which has been severely affected by COVID-19 restrictions. This is reflected in the significant decline in its value accounted for using the equity method. Subsequent to year end, an additional loan was provided by the shareholders to support the continuity of the airport's expansion. Refer to Note 26 for more details on the loan. The ability of Hawke's Bay Airport to be able to continue as a going concern for the next twelve months from the date of this report is largely dependent on the viability of its forecasted revenue and growth post- COVID-19 as well as continues availability of funding from its lenders/shareholders. Refer to Note 11 for details on impairment considerations. In addition are unlisted shares which relate to an entity owned by local government. Due to its low carrying value at year end, there is minimal risk exposure from all factors including COVID-19.
INTANGIBLE ASSETS	Council continues to use its intangible assets (computer software) to the fullest extent possible and as such there are no indicators of impairment as a result of COVID-19.
BIOLOGICAL ASSETS	Council has two small blocks of forestry assets. There has been no impact on these assets as a result of COVID-19 as these holdings will not be harvested in the short to medium term and are also well under the level of materiality required.

FIXED ASSETS

Property, Plant & Equipment

COVID-19 impact has introduced increased uncertainty in the valuation of these assets. However, Council is of the opinion that there is no significant adverse impact arising from COVID-19.

Water Infrastructure Assets

Water, Wastewater and Stormwater have been valued at Optimised Depreciated replacement cost as at 30 June 2020. Below ground assets have been valued by Council's engineers and independently reviewed by Waugh Infrastructure, whose letter indicated that COVID-19 is unlikely to lead to any reduction in demand for Council's assets.

Roading Infrastructure Assets

Due to the current global COVID-19 pandemic, it is emphasised that there is a heightened uncertainty with regards to predicting future changes in asset values. The indices used to forecast future costs have been estimated using trends based on data captured from previous periods. This fair value assessment has been conducted before the true full impact of COVID-19 is known. There is therefore a risk that infrastructure costs may fluctuate as a result of the impact of COVID-19 on the economy.

While this is the case, it is expected that the impact of Covid-19 will be minimal on horizontal assets. It is, therefore, expected that the level of risk when assessing the valuation of roading infrastructure assets is low. It is possible that replacement cost rates may be subject to short-term changes due to shortages of materials or specialist labour. However, the replacement costs that are used in depreciated replacement cost calculations should reflect typical and sustainable market conditions. Beca are, therefore, comfortable that the fair value assessment noted below is a reasonable estimate of the roading infrastructure asset values.

Land & Buildings

Property transactions in Hawke's Bay since New Zealand went into lockdown on 25 March 2020 were subdued until May but are now showing resumed support rather than the widely forecast decline. Some of this is catch up transactional activity, while mortgage interest rates below 3% and looking to stay low for longer are providing plenty of encouragement to home buyers, despite economic commentators suggesting tougher times still ahead. We remain slightly cautious for the coming 12 month period, including any election uncertainty. However, it may eventuate that Hawke's Bay is less impacted by the border controls and our strong farming and horticultural economy serves to better insulate the region compared to other parts of New Zealand.

In general terms, the non-residential market in Hastings District is more cautious than was the occurring in June 2018 and June 2019. There is no evidence however of prices being at lower levels compared to 2018. Rural properties of all sizes and farming types are continuing to attract very strong prices.

2. Funding impact statement for the whole of Council as at 30 June 2020

	Notes	Budget Council 2019 \$'000	Actual Council 2019 \$'000	Budget Council 2020 \$'000	Actual Council 2020 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING						
General rates, uniform annual general charge, rates penalties		59,846	59,431	62,123	61,712	(411)
Targeted rates		17,542	17,916	20,042	20,102	60
Subsidies and grants for operating purposes		5,938	7,716	6,539	6,615	76
Fees and charges		22,925	26,105	24,439	27,897	3,458
Interest and dividends from investments		126	693	126	604	478
Local authorities fuel tax, fines, infringement fees and other receipts		804	940	920	839	(81)
Total operating funding (A)		107,181	112,801	114,188	117,769	3,580
APPLICATIONS OF OPERATING FUNDING						
Payments to staff and suppliers		76,389	81,472	81,088	86,015	(4,927)
Finance costs		5,621	4,836	6,833	5,147	1,686
Other operating funding applications		4,799	6,666	5,570	7,196	(1,627)
Total applications of operating funding (B)		86,809	92,974	93,490	98,357	(4,867)
Surplus (deficit) of operating funding (A-B)		20,372	19,827	20,699	19,411	(1,287)
SOURCES OF CAPITAL FUNDING						
Subsidies and grants for capital expenditure		10,764	12,579	9,829	15,246	5,417
Development and financial contributions		7,182	7,366	5,138	4,201	(937)
Increase (decrease) in debt		44,392	26,137	36,401	31,193	(5,208)
Gross proceeds from sale of assets		419	2,070	422	786	364
Lump sum contributions		300	195	270	81	(189)
Other dedicated capital funding		-	-	-	-	-
Total sources of capital funding (C)		63,057	48,347	52,059	51,506	(553)
APPLICATIONS OF CAPITAL FUNDING						
Capital expenditure						
To meet additional demand		10,892	10,379	4,311	7,237	(2,926)
To improve the level of service		38,270	25,432	30,682	28,111	2,571
To replace existing assets		35,270	34,134	37,382	40,945	(3,563)
Increase (decrease) in reserves		(2,000)	(2,125)	-	(5,342)	5,342
Increase (decrease) of investments		997	354	383	(33)	416
Total applications of capital funding (D)		83,429	68,174	72,758	70,918	1,840
Surplus (deficit) of capital funding (C-D)		(20,372)	(19,827)	(20,699)	(19,411)	1,277
Total funding balance (A-B) + (C-D)		-	-	-	-	-
Group depreciation and amortisation		31,338	34,085	32,150	34,944	(2,794)
Reconciliation of statement of comprehensive revenue and expense to funding impact statement for the whole of Council for the year ended 30 June 2020						
Total revenue from statement of comprehensive revenue and expense						
Less total funding from funding impact statement						
Variance						
Variance is made up of:						
Capital subsidies						
Development and financial contributions						
Vested infrastructural assets						
Minor differences						
Total operating expenditure from statement of comprehensive revenue						
Less total applications of funding from funding impact statement						
Variance						
Variance is made up of:						
Depreciation and amortisation						
Payments made to suppliers						
Finance costs						

3. Rates revenue excluding metered water supply charges

		Budget Council 2020 \$'000	Actual Council 2020 \$'000
Actual Council 2019 \$'000			
42,192	General Rate	44,472	44,144
10,728	Community & Resource Rate	11,629	11,623
6,447	Uniform Annual General Charge	6,035	6,009
TARGETED RATES			
52	Havelock North Business Association	53	53
123	Swimming Pools	139	129
123	Havelock North Parking	123	125
287	Hastings City Marketing	289	289
310	Security Patrols	306	306
213	CBD Hastings	244	244
51	CBD Havelock North	58	58
-	Rural Seal Extension	-	-
-	Whakatu Stormwater	-	-
16	Waimarama Seawall	16	16
5,458	Wastewater	5,876	5,514
25	Waipatiki Wastewater Operational	34	25
5	Waipatiki Wastewater Capital	-	1
1,965	Wastewater Levy (80%)	1,384	1,877
8,041	Water supply	11,187	10,210
846	Kerbside Recycling	1,100	851
381	Refuse Collection	605	384
-	Waimarama Refuse Collection	20	-
21	Whirinaki Water Supply – Capital	-	21
63	Change in Targeted Rates Reserve	(2,019)	(65)
77,347		81,553	81,814

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 2020 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

Actual Council 2019 \$'000	Budget Council 2020 \$'000	Actual Council 2020 \$'000
77,347 Rates excluding metered water supply charges	81,553	81,814
965 Metered Water Supply Charges	613	1,266
78,312	82,165	83,080

4. Finance revenue

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
177	177	109	109
534	541	478	489
710	718	587	598
(177)	(177)	(109)	(109)
534	541	478	489

5. Other revenue

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
558	558	538	538
436	436	83	83
-	-	-	-
-	Unrealised gain on interest rate swaps	-	-
-	368 Other Revenue	-	529
159	159	126	126
1,154	1,521	746	1,276

6. Operational costs

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
917	917	Councillors remuneration	986
27,829	27,887	Contractors	30,728
4,796	4,804	Consultants and legal fees	4,723
219	219	Operating lease expense	244
113	118	Fees to Audit New Zealand for audit of financial statements	105
4	4	Fees to Audit New Zealand for other services (Debenture Trust Deed audit)*	6
11	11	Total bad debts written off	97
(2)	(2)	Change in provision for doubtful debts	(10)
1,831	1,831	Loss on sale of property, plant and equipment	2,788
6,403	6,403	Maintenance and asset costs	6,184
2,850	2,850	Energy costs	2,968
32,875	32,884	Salary and wages	34,426
1,044	1,044	Defined contribution plan – employer contributions	1,129
97	97	Increase/(decrease) in employee entitlements/liabilities	645
1,277	1,295	Administration costs	1,298
4,408	4,148	Sponsorships and grants	2,645
5,029	5,036	Other costs	7,151
60	60	Impairment loss non fixed asset	-
89,763	89,607		96,113
			96,873

* Prior year result includes audit fee for Long-Term Plan audit.

7. Depreciation and amortisation expense

Actual Council 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
908	1,237	Operational buildings	979	1,309
1,331	1,331	Restricted buildings	1,408	1,408
194	194	Library collection	216	216
873	1,081	Plant, equipment and motor vehicles	714	929
97	99	Furniture and fittings	109	112
847	847	Landfill	878	878
902	902	Computers and office equipment	983	983
5,152	5,691	Total property, plant and equipment	5,287	5,835
2,582	2,582	Water supply network	2,753	2,753
7,015	7,015	Wastewater disposal network	7,029	7,029
3,714	3,714	Stormwater disposal network	3,756	3,756
13,995	13,995	Roading foundations and bridges	13,943	13,943
1,471	1,471	Parks	1,948	1,948
28,777	28,777	Total Infrastructural assets	29,429	29,428
AMORTISATION				
156	156	Intangible assets – computer software	228	228
34,085	34,624		34,944	35,491

8. Taxation

Actual Council 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
2,569	3,387	Net operating surplus before taxation	1,232	1,054
-	(107)	Share of associate's retained surplus	-	214
2,569	3,280		1,232	1,267
719	918	Tax at 28%	345	355
PLUS (LESS) TAX EFFECT OF:				
(719)	(918)	Permanent differences	(345)	(355)
-	-	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	\$839,898	(2019: \$843,518)
Hastings District Properties Limited	\$129,629	(2019: \$129,629)
Hawke's Bay Opera House Limited	\$86,911	(2019: \$86,911)
Hastings District Council	\$830,718	(2019: \$601,680)

9. Receivables

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
507	507	Rates receivables	2,098
9,928	10,273	Other receivables	8,900
2,141	2,141	GST receivables	2,332
116	116	Other current assets	138
12,692	13,037		13,468
(237)	(237)	Less Impairment of receivables	(227)
12,455	12,801		13,241
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.

Related parties

At the end of the financial year, Hawke's Bay Regional Sports Park Trust, a related party owed the Council \$40,895 (2019: \$nil).

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 four (4) months after the due date for payment. If payment has not been made within three (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.

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

Council Gross 2019 \$'000	Impairment 2019 \$'000	The status of receivables are detailed below:	Gross 2020 \$'000	Impairment 2020 \$'000
DEBTORS				
11,572	-	Not past due	11,841	
473	-	Past due 1-60 days	695	
18	-	Past due 61-90 days	186	
629	(237)	Past due > 90 days	746	(227)
12,692	(237)		13,468	(227)

Group Gross 2019 \$'000	Impairment 2019 \$'000	The status of receivables are detailed below:	Gross 2020 \$'000	Impairment 2020 \$'000
DEBTORS				
11,918		Not past due	12,299	
473		Past due 1-60 days	695	
18		Past due 61-90 days	186	
629	(237)	Past due > 90 days	746	(227)
13,038	(237)		13,926	(227)

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 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
71	71 Individual Impairment	66	66
166	166 Collective Impairment	161	161
237	237	227	227

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 is as follows:

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
-	- Past due 1-60 days	-	-
-	- Past due 61-90 days	-	-
71	71 Past due > 90 days	66	66
71	71	66	66

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

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
239	239 As at 1 July	237	237
-	- Additional provisions made during the year	-	-
(2)	(2) Provisions reversed during the year	-	-
-	- Receivables written-off during the year	-	-
237	237	237	237

10. Inventory

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
55	55 Inventory held for distribution	106	106
55	55 Total inventory	106	106

No inventories are pledged as security for liabilities (2019: \$nil).

The carrying amount of inventory held for distribution that is measured at current replacement cost as at 30 June 2020 amounted to \$nil (2019: \$nil).

11.(a) Investment in associates

Actual Council 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000			
1,063	9,270	Hawke's Bay Airport Limited	1,063	7,858			
-	24	Horse of the Year (Hawke's Bay) Limited	-	54			
684	-	Omarunui LFG Generation Limited Partnership	-	-			
1,747	9,294	Total investments in associates	1,063	7,912			
HAWKE'S BAY AIRPORT LIMITED							
Name of entity: Hawke's Bay Airport Limited							
Principal activities: Airport							
Ownership: 24% (2019: 24%)							
Owner: Hawke's Bay Airport Limited							
Balance date: 30 June							
Movements in the carrying amount of investments in associate							
1,063	Hastings District Council Investment in Hawke's Bay Airport Limited			1,063			
6,172	Retained Earnings at the beginning of year			7,122			
7,235	Carrying amount at beginning of year			8,185			
Council's share of the results of Hawke's Bay Airport Limited							
359	Share of Surplus			(243)			
-	Share of other recognised revenues and expenses			-			
359	Share of total recognised revenues and expenses			(243)			
Carrying Amount of Investment in Hawke's Bay Airport Limited							
7,238	Carrying amount at beginning of year			8,185			
359	Share of total recognised revenues and expenses			(243)			
(59)	Revaluation reserves			(84)			
647	Prior year adjustment			-			
8,185	Carrying amount at end of year			7,858			
There are no contingent liabilities at 30 June 2020							
Summarised Financial Information							
292	Current Assets			247			
12,407	Non-Current Assets			13,802			
838	Current Liabilities			4,711			
3,905	Non-Current Liabilities			1,364			
1,845	Revenues			1,506			
(182)	Tax Expense			(8)			
359	Surplus/(deficit)			(243)			
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% (2019: 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 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
Movements in the carrying amount of investments in associate			
- Hastings District Council Investment in Horse of the Year (Hawke's Bay) Limited			-
16 Retained earnings at the beginning of year		24	
16 Carrying amount at beginning of year		24	
Council's share of the results of Horse of the Year (Hawke's Bay) Limited			
9 Share of Surplus		29	
- Share of other recognised revenues and expenses		-	
9 Share of total recognised revenues and expenses		29	
Carrying Amount of Investment in Horse of the Year (Hawke's Bay) Limited			
16 Carrying amount at beginning of year		24	
9 Share of total recognised revenues and expenses		29	
- Revaluation reserves		-	
24 Carrying amount at end of year		54	
There are no contingent liabilities at 30 June 2019			
Summarised Financial Information			
46 Current Assets		63	
9 Non-Current Assets		7	
31 Current Liabilities		17	
- Non-Current Liabilities		-	
815 Revenues		865	
- Tax Expense (exempt)		-	
9 Surplus/(deficit)		29	
33% Group's interest		33%	
OMARUNUI LFG GENERATION LIMITED PARTNERSHIP			
Name of Entity: Omarunui LFG Generation Limited Partnership			
Principal Activities: <i>Gas & Electricity</i>			
Ownership: 0% (2019: 40%)			
Owner: Omarunui LFG Generation Limited Partnership			
Balance date: 31 March 2020*			
*Note that this partnership has sold off the energy plant and is no longer operating with settlement agreed prior to the end of the financial year.			
774 Hastings District Council Investment in Omarunui LFG Generation Limited Partnership			
(220) Retained earnings at the beginning of year			
524 Carrying amount at beginning of year		402	
Council's share of the results of Omarunui LFG Generation Limited Partnership			
(62) Share of surplus		-	
- 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 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
(62) Share of total recognised revenues and expenses			
<i>Carrying amount of investment in Omarunui LFG Generation Limited Partnership</i>			
524	Carrying amount at beginning of year	402	
(62)	Share of total recognised revenues and expenses	-	
(60)	Impairment	-	
402	Carrying amount at end of year	-	
439	Assets	-	
37	Liabilities	-	
121	Revenues		
(122)	Surplus/(deficit)		
40%	Group's interest	0%	

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

11.(b) Other financial assets

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
CURRENT PORTION			
31	330 Term deposits	14,180	14,607
31	330 Total current portion	14,180	14,607
NON-CURRENT PORTION			
<i>Investment in CCOs and similar entities</i>			
-	- HB LASS Limited	-	-
16	- Subsidiary Hastings District Holdings Limited	15	-
16	- Total Investment in CCOs and similar entities	15	-
<i>Investment in other entities</i>			
-	- Term deposits	-	-
615	615 Unlisted shares in LGFA	615	615
1,688	1,688 Borrower notes in LGFA	2,400	2,400
157	157 New Zealand Local Government Insurance Association	157	157
2,460	2,460 Total investment in other entities	3,172	3,172
2,476	2,460 Total non-current portion	3,188	3,172
2,507	2,790 Total other financial assets	17,368	17,779

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 has 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 2019 \$'000	Impairment	Actual 2020 \$'000
318	Subsidiaries	317
(302)	Impairment loss	(302)
16	Subsidiary Hastings District Holdings Limited	15

12. Property, plant and equipment: 2020

	1 Jul 2019	1 Jul 2019	1 Jul 2019										30 Jun 2020	30 Jun 2020	30 Jun 2020
\$'000	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount	Additions	Disposals	Impairment charges	Amortisation charges	Depreciation	Revaluation/ Depreciation write back	Revaluation/ Other Movements	Cost/ Revaluation	Accumulated depreciation and impairment charges	Carrying amount		
COUNCIL OPERATIONAL ASSETS															
Operational Buildings	42,177	(905)	41,272	1,373	-	-	-	(979)	12	(5,842)	37,708	(1,872)	35,836		
Operational Land	38,493	-	38,493	(5)	(267)	-	-	-	-	(450)	37,771	-	37,771		
Heritage	521	-	521	-	-	-	-	-	-	-	521	-	521		
Library Books	2,035	-	2,035	310	-	-	-	(216)	216	(346)	1,998	-	1,998		
Computers & Office Equipment	10,820	(7,583)	3,237	958	(29)	-	-	(983)	(7)	-	11,749	(8,573)	3,176		
Furniture & Fittings	2,808	(2,092)	715	239	-	-	-	(109)	-	-	3,047	(2,200)	846		
Plant, Equipment & Vehicles	11,916	(6,436)	5,479	3,060	(873)	-	-	(714)	547	-	14,103	(6,602)	7,500		
Landfill	21,314	(15,792)	5,522	1,195	-	-	-	(878)	-	-	22,509	(16,670)	5,839		
Total Operational Assets	130,085	(32,808)	97,275	7,129	(1,169)	-	-	(3,880)	769	(6,638)	129,407	(35,919)	93,487		
COUNCIL RESTRICTED ASSETS															
Restricted Buildings	64,045	(1,351)	62,693	10,796	(401)	-	-	(1,408)	20	1,885	76,324	(2,740)	73,585		
Restricted Land	77,655	-	77,655	987	-	-	-	-	-	5,123	83,765	-	83,765		
Total Restricted Assets	141,700	(1,351)	140,348	11,783	(401)	-	-	(1,408)	20	7,008	160,089	(2,740)	157,350		
Total Operational & Restricted Assets	271,784	(34,160)	237,623	18,912	(1,570)	-	-	(5,287)	789	370	289,496	(38,658)	250,837		
SUBSIDIARIES PROPERTY, PLANT AND EQUIPMENT															
Plant & Equipment	4,033	(1,535)	2,498	13	-	-	-	(212)	-	-	4,047	(1,747)	2,300		
Restricted Buildings	15,811	(2,621)	13,199	2,007	-	-	-	(330)	-	-	17,817	(2,951)	14,866		
Restricted Land	130	-	130	-	-	-	-	-	-	-	130	-	130		
Office Equipment	28	(28)	-	-	-	-	-	-	-	-	28	(28)	-		
Total Subsidiary Assets	20,002	(4,185)	15,827	2,020	-	-	-	(541)	-	-	22,022	(4,726)	17,296		
Total Group	291,786	(38,345)	253,449	20,932	(1,570)	-	-	(5,828)	789	370	311,518	(43,384)	268,133		
BIOLOGICAL ASSETS															
Landfill Forestry	60	-	60	-	-	-	-	-	-	-	60	-	60		
Total Biological Assets	60	-	60	-	-	-	-	-	-	-	60	-	60		
INTANGIBLE ASSETS															
Computer Software	5,369	(5,214)	155	367	-	-	-	(228)	-	-	5,737	(5,442)	294		
Total Intangible Assets	5,369	(5,214)	155	367	-	-	-	(228)	-	-	5,737	(5,442)	294		
COUNCIL INFRASTRUCTURAL ASSETS															
Bridges	72,331	-	72,331	1,852	-	-	-	(1,329)	-	-	74,183	(1,329)	72,854		
Roading – Land	129,124	-	129,124	-	-	-	-	-	-	-	129,124	-	129,124		
Roading – Other	1,083,285	-	1,083,285	22,766	-	-	-	(12,614)	-	(624)	1,105,427	(12,614)	1,092,813		
Stormwater Disposal Network	228,801	(3,714)	225,087	2,921	(72)	-	-	(3,756)	7,470	2,535	234,185	-	234,185		
Wastewater Disposal Network	264,566	(7,015)	257,551	12,407	(1,687)	-	-	(7,029)	14,044	745	276,031	-	276,031		
Water Supply Network	146,056	(2,582)	143,474	17,755	(565)	-	-	(2,753)	5,335	3,999	167,245	-	167,245		
Parks	44,209	-	44,208	4,492	-	-	-	(1,948)	-	-	48,701	(1,948)	46,753		
Total Infrastructural Assets	1,968,372	(13,311)	1,955,061	62,193	(2,324)	-	-	(29,429)	26,848	6,655	2,034,895	(15,891)	2,019,005		

Impairment of Heretaunga House

Recently Council undertook an exercise to update the existing seismic assessment performed on Heretaunga House in 2011 ahead of commencing a \$1.9m upgrade programme on the building. This was seen as a pragmatic step in planning for the work due to the evolving understanding of building seismic performance following the Christchurch and Kaikoura earthquakes. Unexpectedly, the Detailed Seismic Assessment performed by WSP and peer reviewed by Spencer Holmes LTD (both experts in earthquake engineering) has found that there is a problem with the building that needs to be fixed. Due to this finding the building is no longer being used to house Council officers or to be leased out.

Council is awaiting further engineering advice which will provide information into how much it will cost to rectify and how long it will take to complete. There are a number of questions to answer when reviewing the level of impairment needed.

Can the building be used in the way it was intended for tenants?

Are there any indicators of physical damage?

Is it likely to take longer than a year to go through the process collating reports, and then repairing or rebuilding?

When these questions were considered, due to the fact no revenue can be earned in the foreseeable future, along with the building not to be used by Council officers and the time it will take to repair or rebuild, the decision was made to impair this asset in terms of the building back to zero. The impairment has been taken through to the asset reserve.

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 (2019: \$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 2020			
Buildings	7,552			
Computers & Office Equipment	528			
Furniture & Fittings	-			
Plant, Equipment & Vehicles	23			
Properties sold but not settled	-			
Parks	-			
Roading	-			
Stormwater	6,713			
Wastewater	17,196			
Water Supply	33,343			
Total	65,355			
2020 core assets	Assets constructed	Assets transferred	Closing value	Replacement cost
WATER SUPPLY				
Treatment Plants and Facilities	6,876	-	7,029	9,623
Other Assets	9,791	1087	160,216	219,323
Total	16,668	1087	167,245	228,945
SEWERAGE				
Treatment Plants and Facilities	1,127	-	46,414	85,205
Other Assets	10,587	693	229,617	421,521
Total	11,714	693	276,031	506,726
Stormwater drainage	2,330	591	234,185	374,312
Flood protection and control works	-	-	-	-
ROADING				
Roads & Footpaths	19,361	3,405	1,294,791	1,472,783

12. Property, plant and equipment: 2019

	1 Jul 2018	1 Jul 2018	1 Jul 2018										30 Jun 2019	30 Jun 2019	30 Jun 2019
\$'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	39,372	-	39,372	3,143	(338)	-	-	(908)	3	-	42,177	(905)	41,272		
Operational Land	37,815	-	37,815	1,828	(1,150)	-	-	-	-	-	38,493	-	38,493		
Heritage	521	-	521	-	-	-	-	-	-	-	521	-	521		
Library Books	1,830	-	1,830	368	-	-	-	(194)	194	(163)	2,035	-	2,035		
Computers & Office Equipment	9,912	(6,975)	2,936	1,217	(309)	-	-	(902)	294	-	10,820	(7,583)	3,237		
Furniture & Fittings	2,738	(2,079)	660	163	(93)	-	-	(97)	82	-	2,808	(2,092)	715		
Plant, Equipment & Vehicles	16,634	(10,040)	6,594	1,434	(6,153)	-	-	(873)	4,478	-	11,916	(6,436)	5,479		
Landfill	20,674	(14,945)	5,729	640	-	-	-	(847)	-	-	21,314	(15,792)	5,522		
Total operational assets	129,497	(34,039)	95,458	8,793	(8,042)	-	-	(3,821)	5,050	(163)	130,085	(32,809)	97,275		
COUNCIL RESTRICTED ASSETS															
Restricted Buildings	54,107	-	54,107	9,937	-	-	-	(1,331)	(20)	-	64,045	(1,351)	62,693		
Restricted Land	77,655	-	77,655	-	-	-	-	-	-	-	77,655	-	77,655		
Total Restricted Assets	131,762	-	131,762	9,937	-	-	-	(1,331)	(20)	-	141,700	(1,351)	140,348		
Total Operational & Restricted Assets	261,259	(34,039)	227,220	18,730	(8,042)	-	-	(5,152)	5,030	(163)	271,784	(34,160)	237,623		
SUBSIDIARIES PROPERTY, PLANT AND EQUIPMENT															
Plant & Equipment	4,047	(1,320)	35	7	(20)	-	-	(220)	5	-	4,033	(1,535)	2,498		
Restricted Buildings	15,447	(2,302)	191	369	-	-	-	(319)	-	-	15,811	(2,621)	13,199		
Restricted Land	130	-	130	-	-	-	-	-	-	-	130	-	130		
Office Equipment	32	(31)	-	-	(4)	-	-	-	4	-	28	(28)	-		
Total Subsidiary Assets	19,655	(3,653)	356	375	(24)	-	-	(539)	9	-	20,002	(4,185)	15,827		
Total Group	280,914	(37,693)	227,575	19,105	(8,066)	-	-	(5,691)	5,039	(163)	291,786	(38,345)	253,449		
BIOLOGICAL ASSETS															
Landfill Forestry	19	-	19	40	-	-	-	-	-	-	60	-	60		
Total Biological Assets	19	-	19	40	-	-	-	-	-	-	60	-	60		
INTANGIBLE ASSETS															
Computer Software	5,186	(5,058)	127	183	-	-	-	(156)	-	-	5,369	(5,214)	155		
Total Intangible Assets	5,186	(5,058)	127	183	-	-	-	(156)	-	-	5,369	(5,214)	155		
COUNCIL INFRASTRUCTURAL ASSETS															
Bridges	63,438	(1,157)	62,281	-	-	-	-	(1,154)	2,312	8,893	72,331	-	72,331		
Roading – Land	129,015	-	129,015	109	-	-	-	-	-	-	129,124	-	129,124		
Roading – Other	1,064,523	(12,392)	1,052,132	26,743	-	-	-	(12,841)	25,232	(7,981)	1,083,285	-	1,083,285		
Stormwater Disposal Network	222,309	-	222,309	2,547	(105)	-	-	(3,714)	-	4,050	228,801	(3,714)	225,087		
Wastewater Disposal Network	258,252	-	258,252	6,562	(247)	-	-	(7,015)	-	-	264,566	(7,015)	257,551		
Water Supply Network	129,474	-	129,474	16,828	(246)	-	-	(2,582)	-	-	146,056	(2,582)	143,474		
Parks	33,487	(1,377)	32,110	3,526	-	-	-	(1,471)	2,848	7,195	44,209	-	44,208		
Total Infrastructural Assets	1,900,498	(14,926)	1,885,573	56,315	(598)	-	-	(28,777)	30,392	12,156	1,968,372	(13,311)	1,955,062		

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 2019
Buildings	17,085
Computers & Office Equipment	408
Furniture & Fittings	43
Plant, Equipment & Vehicles	21
Properties sold but not settled	-
Parks	-
Roading	-
Stormwater	4,889
Wastewater	6,831
Water Supply	22,568
Total	51,844

13. Payables and deferred revenue

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
CURRENT			
18,646	19,057	Trade payables and accrued expenses	16,548 17,396
706	706	Interest on public debt	687 687
212	212	Revenue received in advance	1,352 1,352
453	453	ETS Levy Provision (Note 24)	912 912
3,561	3,561	Other current liabilities	4,210 4,210
23,578	23,989		23,710 24,558
NON-CURRENT			
541	722	Provision for Landfill Aftercare (Note 24)	1,319 1,319
258	258	Other non-current liabilities	321 453
800	981		1,640 1,772
Payables and deferred revenue comprise of:			
212	212	Payables from non-exchange transactions – rates and dog registrations	1,352 1,352
24,378	24,554	Payables from exchange transactions – commercial payables	23,998 24,978

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 (2019: \$nil) by the Council.
- At the end of the financial year Hastings District Properties Limited, a related party, was owed \$nil (2019: \$nil) by the Council.

14. Employee entitlements

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
3,044	3,050 Opening balance	2,793	2,793
(251)	(251) Entitlements paid or relinquished	939	965
2,793	2,799	3,731	3,758
2,444	2,450 Current	3,398	3,425
349	349 Non-current	333	333
2,793	2,799	3,731	3,758
CURRENT			
-	- Accrued pay	305	305
2,353	2,353 Annual leave and other benefits	2,980	3,007
91	91 Retirement and long service leave	112	112
2,444	2,444	3,398	3,425
NON-CURRENT			
349	349 Retirement and long service leave	333	333
349	349	333	333

The present value of retirement and long service leave obligations depends 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% (2019: 6.0%) and an inflation factor of 2.0% (2019: 2.0%) were used.

15. Borrowings and other financial liabilities

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
77,740	77,740	Opening total of external public debt	106,240
50,500	50,500	Debt raised during year	56,575
(22,000)	(22,000)	Amounts repaid	(10,000)
106,240	106,240	Total gross public debt	152,815
Comprises			
CURRENT			
10,000	10,000	Secured loans	20,000
NON-CURRENT			
96,240	96,240	Secured loans	132,815
106,240	106,240	Total borrowings and other financial liabilities	152,815

Secured loans

The Council's secured debt of \$152.8 million (2019: \$106.2 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 (2019: \$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 been drawn on. The drawn-down balance as at 30 June 2020 was \$2.082m.

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
REPAYMENT TERMS – TERM DEBT			
10,000	10,000	Payable in less than 1 year	20,000
20,000	20,000	Payable between 1 and 2 years	23,000
40,500	40,500	Payable between 2 and 5 years	68,075
35,740	35,740	Later than 5 years	41,740
106,240	106,240		152,815
3.68%	3.68%	Weighted Average Interest Rate	3.68%
4.07	4.07	Weighted Average Term (Years)	4.07

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 2020.

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 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
106,240	106,240	External secured loans	152,815	152,815
41,587	41,587	Plus amount funded by internal loans	26,422	26,422
147,827	147,827	Gross borrowings for activities	179,237	179,237

Internal borrowings

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

2019 closing balance	Activity Group	2020 opening balance	Prior year carry forwards	CR transfer to	Interest	DR transfer from	Carry forward	2020 closing balance
(16,826)	Safe Healthy and Liveable Communities	(16,826)	(324)	(3,419)	(34)	6,689	238	(13,676)
(13,242)	Governance and Support Services	(13,242)	(63)	(1,312)	(20)	1,893	-	(12,744)
1,599	Economic and Community Development	1,599	(348)	(32)	(1)	353	187	1,759
(3,760)	Roads and Footpaths	(3,760)	(702)	(14,756)	(13)	15,989	509	(2,732)
1,298	Stormwater Disposal	1,298	-	(3,758)	-	3,758	20	1,318
7,329	Wastewater Disposal	7,329	-	(6,137)	(8)	6,608	8	7,800
5,251	Water Supply	5,251	-	(3,654)	-	2,750	380	4,726
(23,236)	Working Capital	(23,236)	-	-	-	-	-	(12,872)
(41,587)	Total	(41,587)	(1,436)	(33,069)	(76)	38,039	1,343	(26,422)

The fair values are based on cash flows discounted using a rate based on the average rates 4.07% (2019: 4.07%).

The cash flow is working capital cash

The carry forward column in the above table is the rating carry forward from rates collected in 2019/20 and carried forward to 2020/21.

16. Derivative financial instruments

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
NON-CURRENT ASSET PORTION			
-	- Interest rate swaps – held for trading	-	-
CURRENT LIABILITY PORTION			
(2,186)	(2,186) Interest rate swaps – held for trading	(699)	(699)
NON-CURRENT LIABILITY PORTION			
(11,380)	(11,380) Interest rate swaps – held for trading	(18,063)	(18,063)
(13,566)	(13,566)	(18,762)	(18,762)

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 \$80.5 million (2019: \$73.5 million) and for the Group were \$80.5 million (2019: \$73.5 million). At 30 June 2020, the fixed interest rates for the interest rate swaps varied from 2.8% to 5.9% (2019: 2.2% to 5.9%).

The notional principal amounts of the forward starting interest rate swap contracts for the Council were \$53.5 million (2019: \$80.0 million) and for the Group were \$53.5 million (2019: \$80.0 million). At 30 June 2020, the fixed interest rates for the interest rate swaps varied from 2.8% to 4.6% (2019: 2.8% to 4.8%).

Council manages its interest rate risk through the use of interest rate swaps. At the end of each financial year, Council revalues its interest rate swap portfolio to the current market value. The movement in this valuation reflects what has happened to the floating interest rate during the year. As floating rates rise, the cost to Council to hold these interest rate swaps to maturity decreases, as floating rates fall, the Council's cost to maturity increases. During 2019/20, interest rates have been falling which has meant the Council portfolio of interest rate swaps has become more expensive relative to the floating rate. This year's recognised but unrealised loss of (\$5.196 million) on revaluation reflects this change in interest rates and essentially means that over the next ten years, assuming interest rates remain at today's lower rates for this entire period, Council would need to pay these additional interest costs.

17. Retained earnings

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

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
1,213,289	1,234,130	Balance at 1 July	1,215,860
2,240	3,387	Net surplus (deficit) for the year	1,232
1,215,529	1,237,517		1,217,092
ADD/(LESS) NET APPROPRIATIONS OF NET SURPLUS			
407	486	(To) from council created reserves	5,198
(76)	(76)	(To) from restricted reserves	(286)
1,215,860	1,237,927	Balance at 30 June	1,222,004
1,215,860	1,237,927	Accumulated surplus	1,222,004
22,982	22,982	Council created reserves	17,784
1,238,842	1,260,909	Total accumulated funds	1,239,788
			1,261,679

Prior year balances may differ from 2018/19 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 and Vehicle Replacement

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

Property Maintenance and 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 2019 Activity \$'000 Group	Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2020 \$'000
5,404 All activities	Plant, equipment and vehicle replacement fund	1,505	44	(2,456) 4,497
8,403 All activities	Property maintenance and improvements	(984)	27	(1,348) 6,097
5,521 All activities	General purpose reserves	2,256	-	(1,889) 5,887
- Water and roads	Wastewater treatment (HDC funds)	-	5	- 5
3,198 Safe healthy and liveable communities	Emergency funds	459	17	(1,278) 2,395
2,265 All activities	Sundry reserves	27,629	-	(27,647) 2,247
(353) All activities	Separate reserves	2,116	-	(3,420) (1,658)
620 Economic and community development	Other	198	5	(440) 381
25,057		33,177	97	(38,478) 19,852
(2,076)	Less: NCC share of landfill reserves	(131)	(22)	160 (2,068)
22,982		33,046	75	(38,318) 17,784

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 2019 \$'000	Activity Group		Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2020 \$'000
1,519	Economic and community development	Trusts and bequests	-	11	-	1,529
1,567	Economic and community development	Development reserves	252	17	-	1,837
562	Economic and community development	Reserve purchase and development funds	-	6	-	569
3,648			252	35	-	3,935



19. Revaluation Reserves

Asset revaluation reserves consist of:

	Balance 2019 \$'000	Revaluation movement \$'000	Transfer to retained earnings on disposal of property \$'000	Balance 2020 \$'000
COUNCIL				
Operational Assets				
46,252 Land and buildings		(5,223)	-	41,029
31 Library books		(31)	-	-
- Forestry		-	-	-
46,283		(5,254)	-	41,029
Infrastructural Assets				
37,643 Bridges		-	-	37,643
375,852 Roading		-	-	375,852
143,071 Stormwater disposal		10,004	-	153,075
130,603 Wastewater disposal		16,674	-	147,278
61,912 Water supply		14,473	-	76,385
27,773 Park assets		-	-	27,773
776,854		41,152	-	818,006
(3) Fair value through comprehensive revenue		2	-	(2)
823,134		35,898	-	859,033
GROUP				
2,741 Hawke's Bay Airport		(85)	-	2,656
825,875		35,813	-	861,689

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

Actual Council 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
2,240	3,387	Net surplus/(deficit) on operations	1,233	1,054
ADD/(LESS): NON-CASH ITEMS				
34,085	34,624	Depreciation and amortisation expense	34,944	35,491
-	(107)	Share of associates retained surplus	684	(214)
(4,976)	(4,976)	Vested infrastructure	(5,098)	(5,098)
-	-	Devaluation of Property, Plant & Equipment	-	33
6,600	6,600	Unrealised gains/losses on derivative financial instruments	2,791	2,791
35,709	36,141	Total non-cash items	33,321	33,003
ADD/(LESS): NET MOVEMENTS IN WORKING CAPITAL				
(277)	(377)	(Increase) decrease in debtors and other receivables	(786)	(898)
2,286	2,228	Increase (decrease) in creditors and other payables	1,862	3,882
53	53	(Increase) decrease in inventories	(51)	(52)
(3)	4	Increase (decrease) in provisions and employee entitlements (non-current)	825	775
2,059	1,907	Total net movements in working capital	1,849	3,707
ADD/(LESS): ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES				
1,394	1,394	(Gains)/Losses on sale of Property, Plant & Equipment and investments	2,706	2,706
1,394	1,394	Total non-operating activities	2,706	2,706
41,402	42,829	Total net cash inflow (outflow) from operating activities	39,109	40,470

21. Remuneration

The Council incurred the following expenditure for the year ended 30 June 2020:

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 2020 is \$377,200 (2019: \$350,855).

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

Actual Council 2019 \$	Actual Council 2020 \$
3,907 Fringe Benefit Tax	3,747
11,358 Motor Vehicle Allowance	10,454
13,921 Superannuation and Other	10,573
- Annual Leave Termination Payment	-
321,669 Salary	352,426

Remuneration of Elected Representatives

Actual Council 2019 \$	Remuneration \$	Allowance \$	Actual Council 2020 \$
MAYOR AND COUNCILLORS			
136,824 S Hazlehurst (Mayor)	147,184	470	147,654
74,650 T Kerr (Deputy Mayor)	74,047	14,721	88,768
- A Corbin	33,590	2,072	35,662
53,672 A Redstone	53,493	4,154	57,647
54,711 B Barber	59,072	4,698	63,770
49,552 D Harvey	50,112	913	51,025
48,229 E Lawson	53,177	913	54,090
54,888 G Lyons	19,668	10,081	29,749
52,688 G Travers	58,533	913	59,446
48,506 H O'Keefe	49,776	950	50,726
45,177 J Poulain	14,035	366	14,401
53,392 K Watkins	53,590	913	54,503
52,848 M Dixon	53,590	1,178	54,768
- P Oli	31,205	547	31,752
52,138 R Heaps	15,193	2,081	17,274
48,506 S Nixon	49,776	913	50,689
- S Siers	33,590	3,308	36,898
48,863 W Schollum	50,957	883	51,840
8,560 N Dawson (Rural Community Board – Chair)	12,317	2,040	14,357
14,625 S Maxwell (Rural Community Board)	10,165	3,188	13,353
6,441 P Kay (Rural Community Board)	2,080	216	2,296
4,644 L Wilson (Rural Community Board)	2,313	366	2,679
8,560 M Lester (Rural Community Board)	2,313	366	2,679
917,474 Total elected representatives remuneration	929,776	56,250	986,026

Total annual remuneration by band for employees as at 30 June

Actual Council 2019		Actual Council 2020
215 <\$60,000	<\$60,000	196
83 \$60,000-\$79,999	\$60,000-\$79,999	97
67 \$80,000-\$99,999	\$80,000-\$99,999	77
45 \$100,000-\$119,999	\$100,000-\$119,999	49
17 \$120,000-\$139,999	\$120,000-\$139,999	24
12 \$140,000-\$159,999	\$140,000-\$159,999	9
5 \$160,000-\$199,999	\$160,000-\$199,999	7
6 \$200,000-\$239,999	\$200,000-\$239,999	7
1 \$240,000-\$341.910	\$240,000-\$379,999	1
451 Total employees	Total employees	467

At balance date, the Council employed 336 (2019: 311) full-time employees, with the balance of staff equivalent representing 75 (2019: 79) 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 2020 Hastings District Council made nine severance payments to employees totalling \$109,874, \$71,752, \$32,340, \$20,987, \$18,629, \$14,410, \$11,485, \$3,446 and \$2,633 (2019: \$12,050).

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 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
11,663	11,663	Building	4,739	4,739
5,236	5,236	Water System	13,638	13,638
4,598	4,598	Roading Network	3,354	3,354
-	-	Investment	-	-
21,497	21,497	Commitments approved and contracted	21,731	21,731

Operating leases as lessee

The Council and Group lease 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 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
27	27	Not later than one year	34	34
50	50	Later than one year and not later than five years	50	50
-	-	Later than five years	-	-
76	76	Total non-cancellable operating leases	84	84

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 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
NON-CANCELABLE OPERATING LEASE COMMITMENTS			
298	298	Not later than one year	-
497	497	Later than one year and not later than five years	-
-	-	Later than five years	-
796	796	Total non-cancellable operating leases	-

No contingent rents have been recognised during the period. Due to the earthquake-prone status of Heretaunga House, all of the long-term lease arrangements with the tenants were surrendered. Month-by-month agreements were put in place to allow the tenants to seek alternative arrangements.

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

The Council's interest in Omarunui Refuse 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 2019 \$'000	Omarunui Refuse Landfill	Actual Council 2020 \$'000
3,699	Current assets	3,686
5,621	Non-current assets	6,010
830	Non-current liabilities	1,900
5,963	Revenue	7,525
4,378	Expenses	5,173
1,574	Surplus	1,282

Forestry assets

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Actual Council 2020 \$'000	Actual Group 2020 \$'000
FORESTRY ASSETS			
20	20	Balance at 1 July	60
40	40	Increases due to purchases	-
-	-	Gains/(losses) arising from changes attributable to physical changes	-
-	-	Gains/(losses) arising from changes attributable to price changes	-
-	-	Decreases due to sales	-
-	-	Decreases due to harvest	-
60	60	Balance at 30 June	60

The Omarunui Refuse Landfill is owned jointly by the Council (63.68%) and Napier City Council (36.32%). The Omarunui Refuse 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 was replanted in 2018/19. The smaller block is 2.9 hectares and was planted in 2003. The forestry asset reported is for Hastings District Council's share only (63.68%).

There are no restrictions 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 reviews 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 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	0
Valley D: opened in December 2006 and in operation	2,099,521m ³	18 years	5.34 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 2025 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 0.00%.

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 \$201,500.
- The provision reported is for Hastings District Council's share only (63.68%).

Actual Council 2019 \$'000	Actual Council 2020 \$'000
LANDFILL AFTERCARE LIABILITY	
521 Opening balance	541
33 Provision written back during the year	463
(13) Amounts charged to provision during the year	315
541 Closing balance	1,319

The estimated aftercare costs for 2020 were \$201,500 (2019: \$93,000). These estimates are based on information received from Tonkin & Taylor and result in an adjustment in the aftercare liability estimate of (\$1,221,819).

Actual Council 2019 \$'000	Actual Council 2020 \$'000
ETS LEVY PROVISION	
467 Opening balance	453
1,664 Additional provisions made	3,015
(1,678) Amounts used	(2,557)
453 Closing balance	912

25. Financial instruments

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Financial instruments	Actual Council 2020 \$'000	Actual Group 2020 \$'000
FINANCIAL INSTRUMENT CATEGORIES				
Loans and receivables				
2,939	4,342	Cash and cash equivalents	(254)	536
12,455	12,801	Receivables	13,241	13,699
1,688	1,688	NZ LGFA Borrower notes	2,400	2,400
Fair value through surplus or deficit – held for trading				
-	-	Derivative financial instrument	-	-
Fair value through Other comprehensive revenue				
157	157	Civic Financial Services Limited	157	157
615	615	NZ LGFA Unlisted shares	615	615
17,855	19,603	Total loans and receivables	16,160	17,408
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
-	-	Bank Overdraft	254	254
23,578	23,989	Payables	23,710	24,558
106,240	106,240	Secured loans	152,815	152,815
Fair value through surplus or deficit – held for trading				
13,566	13,566	Derivative financial instrument	18,762	18,762
143,385	143,796	Total financial liabilities at amortised cost	195,541	196,389

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 are observable.
- **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 2019 \$'000	Total 2020 \$'000	Quoted market price	Valuation technique	Significant non-observable inputs
COUNCIL				
Financial assets				
- Derivative financial instrument	-	-	-	-
157 Civic Financial Services Limited	157	-	-	157
615 NZLGFA Unlisted shares	615	-	-	615
Financial liabilities				
13,566 Derivative financial instrument	18,762	-	18,762	-
GROUP				
Financial assets				
- Derivative financial instrument	-	-	-	-
157 Civic Financial Services Limited	157	-	-	157
615 NZLGFA Unlisted shares	615	-	-	615
Financial liabilities				
13,566 Derivative financial instrument	18,762	-	18,762	-

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.

2019 \$'000	2020 \$'000
NZ LGFA UNLISTED SHARES	
373 Balance at 1 July	615
- Purchases	-
- Sales	-
242 Fair value adjustment on initial recognition	
- Transfers into level 3	-
- Transfers out of level 3	-
615 Balance at 30 June	615
2019 \$'000	2020 \$'000
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 have a series of policies to manage the risks associated with financial instruments and seek to minimise exposure from their 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 2020.

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 2020, the Council had entered into interest rate swap agreements to a value of \$80.5 million at interest rates between 2.8% and 5.9%. (2019: \$73.5 million at interest rates between 2.2% 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 raise long-term borrowing at floating rates and swap 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 agree 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 2020, Council had \$14,180,000 on term deposit (2019: \$nil). The Group, at 30 June 2020, had \$14,180,000 (2019: \$233,000) 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 2019 \$'000	Actual Group 2019 \$'000		Actual Council 2020 \$'000	Actual Group 2020 \$'000
2,939	4,342	Cash at bank and term deposits	(254)	536
12,455	12,801	Receivables	13,241	13,699
157	157	NZ Local Govt Insurance Corporation Limited	157	157
1,688	1,688	NZ LGFA Borrower notes	2,400	2,400
615	615	NZ LGFA Unlisted shares	615	615
-	-	Derivative financial instruments assets	-	-
17,855	19,604	Total Credit Risk	16,160	17,408

Credit quality of financial assets

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

Actual Council 2019 \$'000	Actual Group 2019 \$'000	Counterparties with Credit Ratings	Actual Council 2020 \$'000	Actual Group 2020 \$'000
CASH AT BANK AND TERM DEPOSITS				
2,939	4,342	Credit Rating B+	(254)	536
CIVIC FINANCIAL SERVICES LIMITED				
157	157	Credit Rating B+	157	157
DERIVATIVE FINANCIAL INSTRUMENT ASSETS				
-	-	Credit Rating AA	-	-
NZ LGFA BORROWER NOTES				
1,688	1,688	Credit Rating AA+	2,400	2,400
NZ LGFA UNLISTED SHARES				
615	615	Credit rating AA+	615	615

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 \$121 million (2019: \$116 million). Included in the committed facilities is a bank overdraft limit of \$0.5 million at an interest rate of 5.85%. 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.



The table below analyses the Council and Group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. Future interest payments on floating rate debt are based on the floating rate on the instrument at balance date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

Carrying amount \$'000	Contractual cash flows \$'000	Contractual maturity analysis	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
2020						
Contractual maturity analysis of financial liabilities						
23,627	23,627	Payables	23,627	-	-	-
18,762	11,143	Derivative financial instruments liabilities	2,849	2,000	4,261	2,033
152,822	158,071	Secured loans	21,483	24,255	70,593	41,740
195,465	193,096	Total	48,214	26,256	74,853	43,773
Contractual maturity analysis of financial assets						
(254)	(254)	Cash and cash equivalents	(254)	-	-	-
12,853	12,853	Debtors and other receivables	12,853	-	-	-
-	-	- Derivative financial instruments assets	-	-	-	-
12,599	12,599	Total	12,599	-	-	-
2019						
Contractual maturity analysis of financial liabilities						
21,797	21,797	Payables	21,797	-	-	-
6,477	4,419	Derivative financial instruments liabilities	1,528	1,153	1,527	212
77,740	85,877	Secured loans	23,998	1,527	23,353	36,998
106,014	112,092	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	-	-	-
12,178	12,178	Receivables	12,178	-	-	-
-	-	- Derivative financial instruments assets	-	-	-	-
13,818	13,818	Total	13,818	-	-	-

Group figures are the same as the Council figures except for payables that increase by \$848,000 (2019: \$411,000), receivables that increase by \$458,000 (2019: \$346,000) and cash and cash equivalents increased by \$536,000 (2019: \$1,403,000) Please note Group prior year comparatives have been adjusted to allow for correct comparison to current year due to HB Regional Sports Park Trust now consolidated into the Group accounts.

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 2019 \$'000 -100bps Surplus	Actual Council 2019 \$'000 +100bps Surplus		Actual Council 2019 \$'000 -100bps Surplus	Actual Council 2019 \$'000 +100bps Surplus
FINANCIAL ASSETS				
(29)	29 Cash and cash equivalents		3	(3)
-	- Derivative financial instruments assets		-	-
(29)	29 Total sensitivity on financial assets		3	(3)
FINANCIAL LIABILITIES				
-	- Bank Overdraft		-	-
(20,284)	(7,252) Derivative financial instruments assets		(25,252)	(12,771)
(1,062)	1,062 Secured loans (floating interest rate) ¹		(1,528)	1,528
(21,345)	(6,191) Total sensitivity on financial liabilities		(26,779)	(11,244)

1. The Council has floating rate debt with a principal amount totalling \$150.74m (2019: \$106.24m). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$1,507,000 (2019: \$1,062,000). 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, measured 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. (2019 -100bps/+100bps).

26. Post balance date events

The Council has entered into a loan facility agreement with Hawke's Bay Airport Limited dated 10 July 2020 for a total of \$2,160,000. The facility is based on the Council's shareholding proportion of 24% at an interest rate of 3.5% per annum for a period of up to two years. This is provided for the purpose of meeting the borrower's operating costs and capital expenditure for the Hawke's Bay Airport expansion and terminal redevelopment project.

27. Related party transactions

Related party transactions

No related party debts have been written off or forgiven during the year. (2019: 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 \$598,760 (2019: \$598,199) which is a Council Controlled Organisation.

The Council disposed of refuse at the Omarunui Landfill and receipts amounted to \$940,364 (2019: \$860,190). The Omarunui Landfill is jointly owned by the Council (63.68% share) and the Napier City Council (36.32% 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 CCOs which include the Hawke's Bay Opera House Limited and Hastings District Properties Limited.

The Council made grants totalling \$nil (2019: \$nil) to Hawke's Bay Opera House Limited. The outstanding balance owed to the Hawke's Bay Opera House at 30 June 2020 was \$nil (2019: \$nil). In addition the Council charged Hawke's Bay Opera House Limited \$nil (2019: \$nil) during the financial year for various expenses. The outstanding balance owed to the Council at 30 June 2020 was \$nil (2019: \$nil).

Hastings District Properties Limited invoiced the Council \$nil (2019: \$nil) for various services. The balance outstanding at the year end was \$nil (2019: \$nil). The Council charged Hastings District Properties Limited \$nil (2019: \$nil). The balance outstanding at the year end was \$nil (2019: \$nil).

The Council paid to the Hawke's Bay Regional Sports Park Trust operational grants and services to the value of \$382,425 (2019: \$309,680) and Capital funding grants of \$250,000 (2019: \$250,000). The balance outstanding to the Hawke's Bay Regional Sports Park Trust at 30 June 2020 was \$76,450 (2019: \$nil).

The Council provided a number of services to the Trust during the year including parks maintenance, building consents and other services totalling \$65,172 (2019: \$96,603). The balance outstanding to the Council at 30 June 2020 was \$35,561 (2019: \$nil).

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 2019/20	\$ Amount Service Received/Provided 2018/19	\$ Amount Balance Year End
Mayor Hazlehurst	Central Building Surveyors Tainui Reserve	Director Trustee	Services Received Receipts	\$1,950 \$135	\$6,660 \$130	\$1,950 Nil
Councillor Kerr	HB Regional Sports Park HB Regional Sports Park	Trustee Trustee	Receipts Operating Grant/Funding	\$65,172 \$632,425	Nil \$559,680	\$35,561 \$76,450
Councillor Harvey	Havelock North Business Association Havelock North Business Association Hastings Business Association Hastings Business Association Attention Communication Limited Sport Hawke's Bay Sport Hawke's Bay	Council appointed representative Council appointed representative Council appointed representative Council appointed representative Director/Shareholder Chairman Chairman	Subscription & Contract for Events Receipts Receipts Funding for Night Markets and Community Grant Advertising in The Profit Funding Receipts	\$60,000 Ni \$6,736l \$319,314 \$8,798 \$203,400 \$10,821	\$18,200 \$484 Nil \$75,974 \$1,800 \$195,390 \$12,060	\$10,000 Nil Nil Nil \$1,000 \$16,125 \$22
Councillor Schollum	Hastings Business Association Hastings Business Association	Council appointed representative Council appointed representative	Receipts Funding for Night Markets and Community Grant	\$6,736 \$319,134	Nil \$75,974	Nil Nil
Councillor Barber	Te Mata Park Trust Board Te Mata Park Trust Board	Trustee Trustee	Funding Receipts	\$360,000 \$135	\$276,522 Nil	Nil Nil
Councillor Dixon	Te Mata Park Trust Board Te Mata Park Trust Board	Trustee Trustee	Funding Receipts	\$360,000 \$135	\$276,522 Nil	Nil Nil
Bronwyn Bayliss	Manufacturing Suppliers Ltd	Employee of Hastings District Council and husband Manager of Supplier	Purchasing of product by different department	\$201	\$1,014	Nil
Bruce Allan	Hawke's Bay Opera House Limited	Director	Funding & Services	Nil	Nil	Nil
Craig Cameron	Hawke's Bay Opera House Limited	Director	Funding & Services	Nil	Nil	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 2019 \$'000	Actual Council 2020 \$'000
COUNCILLORS	
917 Remuneration	986
19* Full-time equivalent members	19*
SENIOR MANAGEMENT TEAM, INCLUDING CHIEF EXECUTIVE	
1,609 Remuneration	2,243
7 Full-time equivalent members	11
2,526 Total key management personnel compensation	3,479
26 Total full-time equivalent personnel	30

* 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 2019 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 three 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. A further call was made in 2019/20 for \$55,805.57. 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.

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 31 shareholders of the NZLGFA. In that regard it has uncalled capital of \$373,196 (2019 \$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 2020, NZLGFA had borrowings totalling \$12.438 billion (2019: \$10.115 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 were no personal grievances against the Council as at 30 June 2020.

Impacts on Contracts from COVID-19

As at 30 June 2020, there have been a number of claims from contractors relating to the impact of COVID-19 on their businesses. Whilst some of these claims have been approved, there are still a number being worked through. The quantum of these claims will not be off sufficient size to have a material impact on the reader's view of the Annual Report.

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 \$415,897 (2019: \$342,749) 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 2019 \$'000	Actual Council 2020 \$'000
24 Special Rateable Value	23
65 Community & Sporting Organisations	68
19 Covenant	20
22 Voluntarily Protected Land	23
7 Swimming Pool Safety	8
76 Penalties	122
41 Unutilised Māori Land	52
88 Sundry	99
343	416

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 Hastings District Council that are covered by insurance contracts and the maximum amount to which they are insured:

Insurance contracts

Actual Council 2019 \$'000	Policy type (maximum amount insured)	Actual Council 2020 \$'000
340,014	Material Damage (mainly buildings and contents)	388,202
5,363	Motor Vehicles (includes mobile plant and equipment)	5,344

Assets (mainly buildings and contents) with a replacement value of \$388,201,501 (2019: \$340,014,449) are insured under Council's 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 \$5,343,546 (2019: \$5,362,979).

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

The total value of all assets of the Hastings District Council that are covered by financial risk-sharing arrangements and the maximum amount available to the local authority under those arrangements:

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 2019/20, the maximum payable by LAPP was up to a limit of \$140 million per event for all member councils (being 40% of \$350 million). The central government share is unlimited.

The value of infrastructural assets declared by the Council to be covered by the LAPP fund is \$913,077,042 (2019: \$869,576,864). Payments from both LAPP and central government are subject to various thresholds and excesses.

The value of bridge assets declared by the Council to be covered for insurance is \$125,836,732 (2019: \$110,915,330). Payments from both LAPP and central government are subject to various thresholds and excesses.

The total value of all assets of the Hastings District Council that are self-insured and the value of any fund maintained by the local authority for that purpose:

Hastings District Council has a number of other assets not covered by insurance contract or risk-sharing arrangements and are therefore self-insured. The major category in this group would be roads valued at 30 June 2020 \$1,102,596,885 (excluding land), (2019: \$1,092,716,696). There would also be a number of other sundry items that would fall into this group.

Council controlled organisations and other interests



Photo: Above Hawke's Bay

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 it's collection, known as 'The Regional 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 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 which maximises benefit to the collection
- There has been no change between the intended and actual nature and scope of activities delivered.

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	2019/20 target	2019/20 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	29,660 online catalogue sessions 554 enquiries
	Collections are made available to the public through quality exhibitions	Minimum of five collection-based exhibitions	Five Turuturu, Mystery of History, Rongonui and Tender is the Night, He Waka Kōrero Māori
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

(\$)	2019/20 budget	2019/20 actual
Total revenue	1,207,620	1,271,481
Total expenses	1,207,620	1,201,428
Surplus/(deficit)	-	70,053

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 2020.

(\$)	2019/20 target	2019/20 actual
Total revenue	8,333,136	6,276,501
Profit before income tax	4,459,088	(981,382)
Profit after tax	1,874,067	(1,012,640)
Return on Equity	5.8%	-3.0%

Net dividend declared in December 2019 was \$Nil compared to a target from 2018/19 financial year of \$749,627.

Activity	Measure	Status
Sustainability	Develop and implement Sustainability Framework	●
	Establish Energy and Carbon Baseline Policy and Framework	●
	Develop a Three-Water Policy	●
Operations	Enhance understanding of our travellers and key customers	●
	Implement our Safety Management System	●
	Complete Stage 2 of the Terminal Expansion Project	●
	Develop our digital strategy incorporating improved business efficiency, passenger journey enhancement and advertising solutions	●
	Design and development of apron capacity plan to guarantee level of service to airline operators and enable future airside business development	●
	Bi-annual Strategic Risk Review	●
Commercial	Wildlife Management Plan developed and operational	●
	Implement Carpark System enhancement	●
	Review Aeronautical Revenue and Route Development Strategy	●
	Develop terminal retail in line with the revised terminal expansion to provide a balanced shopping environment for consumers, with a mix of local owner-operators and corporate-owned stores	●
Property	Complete Airfreight Feasibility study	●
	Finalise the 20-year Masterplan incorporating forecasts/noise/land use	●
	Stimulate property development opportunities to leverage land bank returns	●
Partners	Property Development underway for new tenancies	●
	Proactively engaged with the Hawke's Bay community, local and central government and other key stakeholders	●
	Undertake stakeholder and public consultation as part of masterplan development	●
	Continued collaboration with Mana Whenua on terminal development sense of place/masterplan	●
	Partnership with key business, airlines and community groups	●
People	To create a HBAL Airport team culture where the focus is external, on our customers and our key stakeholders, where excellent service is the norm and our business enjoys a strong reputation for delivery a high standard of services, facilities and initiatives	●
	Review economics of scale and insourcing versus outsourcing of key operational resources	●
	Invest in Teams Development and Training	●
	Develop Team capability	●

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:

Financials	Target	Result	Outcome (target met?)
Net interest income	>\$17.9m	\$18.20m	Yes
Issuance and operating expenses	<\$6.3m	\$6.26m	Yes
Total lending to participating local authorities	>\$9.792m	\$10.899m	Yes
Performance measure	Result	Outcome (target met?)	
Conduct an annual survey of councils who borrow from LGFA – aiming to achieve at least an 80% satisfaction score for the value added by LGFA	100%	Yes	
Meet all lending requests from Participating Local Authorities, where those requests meet LGFA operational and covenant requirements		Yes	
Achieve 75% market share of all council borrowing in New Zealand	86%	Yes	
Review each Participating Local Authority's financial position, its headroom under LGFA policies and arrange to meet each Participating Local Authority at least annually		No	
No breaches of Treasury Policy, any regulatory or legislative requirements including the Health and Safety at Work Act 2015		No	
Successfully refinance of existing loans to councils and LGFA bond maturities as they fall due		Yes	
Maintain a credit rating equal to the New Zealand Government rating where both entities are rated by the same credit rating agency		Yes	

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. Hawke's Bay Opera House Ltd (Toitoi) has now been reopened but this activity is now operating as a business unit of Hastings District Council and not in a separate entity.

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.

Hawke's Bay Regional Sports Park Trust

The Hawke's Bay Regional Sports Park Trust is incorporated under the Charitable Trusts Act 1957 and is comprised of a Board of Five Trustees who oversee the governance of the Trust.

Scope and Nature of Activities

Their mission is to create an environment that drives outstanding performances from sportspeople and contributes strongly to the wellbeing of the people of Hawke's Bay. The purposes of the Trust, as set out in the Trust Deeds, specifically identify the following:

- a) Establish, promote and administer a regional sports and recreational park in Hastings (the 'Regional Sports Park') and to develop and to maintain its land and facilities,
- b) Encourage the use of the Regional Sports Park by the public in general, through recreation or other leisure-time activities, in order to improve public health, fitness and wellbeing,
- c) By promoting use of the Regional Sports Park to enhance economic growth, employment and development opportunities in the Hawke's Bay region, and
- d) Provide facilities for organised and informal sporting and recreational activities.

The Hastings District Council has significant influence over the Trust through two Council appointments on the appointments panel, and the Trust receives a significant operating grant from Hastings District Council. Council also receives benefits from the complementary activities of the Trust.

The Trust is still identified as an associate given the Council's level of influence and financial support and has been consolidated in the Group financial statements.



A wide-angle aerial photograph of a rural landscape at sunset or sunrise. The foreground features rolling hills with dry grass and small farm buildings. In the middle ground, there are numerous agricultural fields in various stages of cultivation, some green and some brown. A network of roads and tracks cuts through the land. The background shows a distant town or city with many houses and buildings, and a range of mountains is visible on the horizon under a sky filled with scattered clouds.

Treasury Policy

Photo: Above Hawke's Bay

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 2020
Net external debt as a percentage of equity	<20%	7.28%
Net external debt as a percentage of income	<150%	115.01%
Net interest as a percentage of income	<15%	3.75%
Net interest as a percentage of annual rates income	<20%	6.10%
Liquidity (Term Debt, Cash & Equivalents + Committed Loan Facilities v Existing Debt)	110%-170%	110.14%

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 2020



Financial Reporting and Prudence Benchmarks

Annual Report Disclosure Statement for the year ended

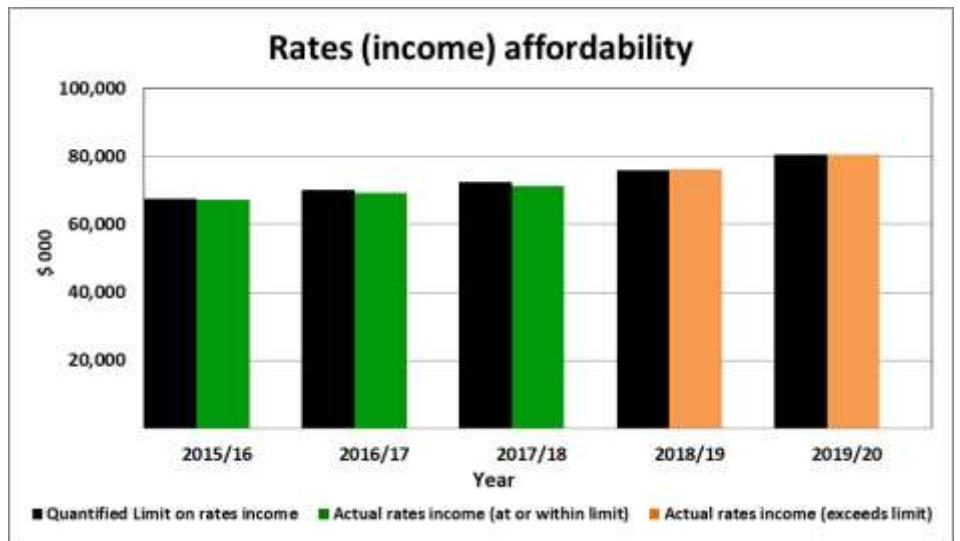
30 June 20. What is the purpose of this statement?

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.

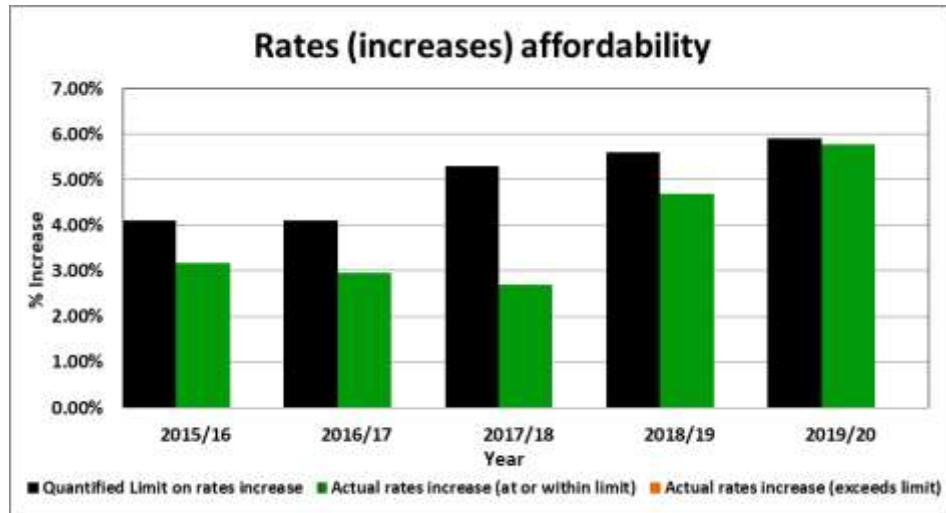
Rates (income) affordability benchmark

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 2015-2025 and 2018-2028 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.



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 2015-2025 and 2018-2028 Long Term Plans.



Debt affordability benchmark

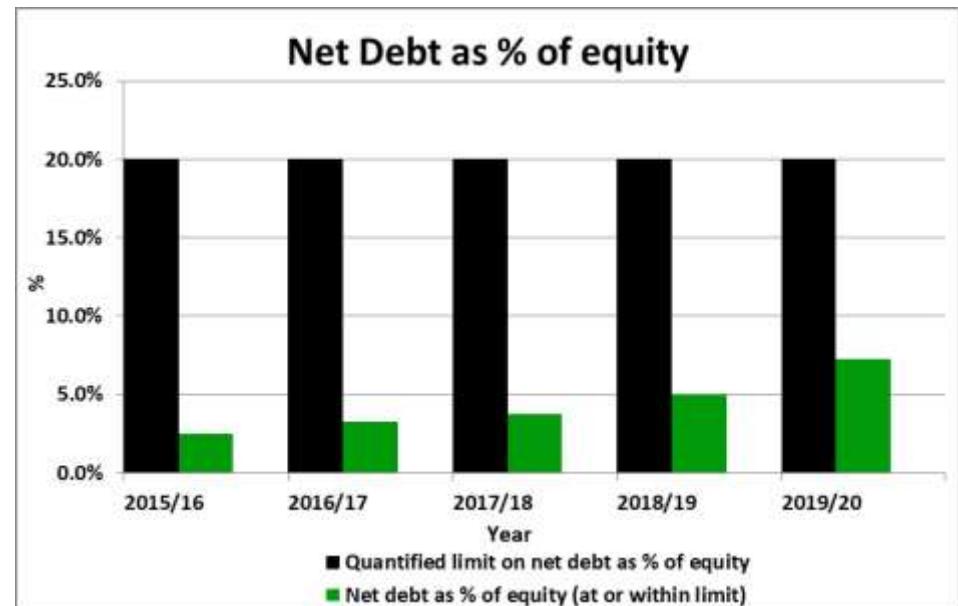
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

The following graphs compares the Council's borrowing with the quantified limits on borrowing stated in the financial strategy included in the 2015-2025 and 2018-2028 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 2015-2025 and 2018-2028 Long Term Plans.

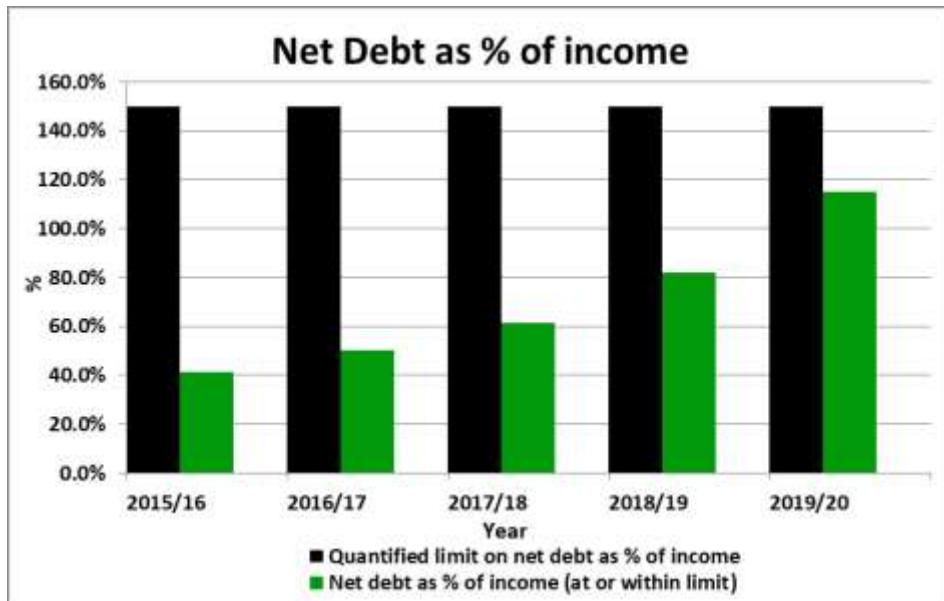
The quantified limit is net debt as a % of equity. A value of less than the quantified limit of 20% indicates compliance with the prudential limit.



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 2015-2025 and 2018-2028 Long Term Plans.

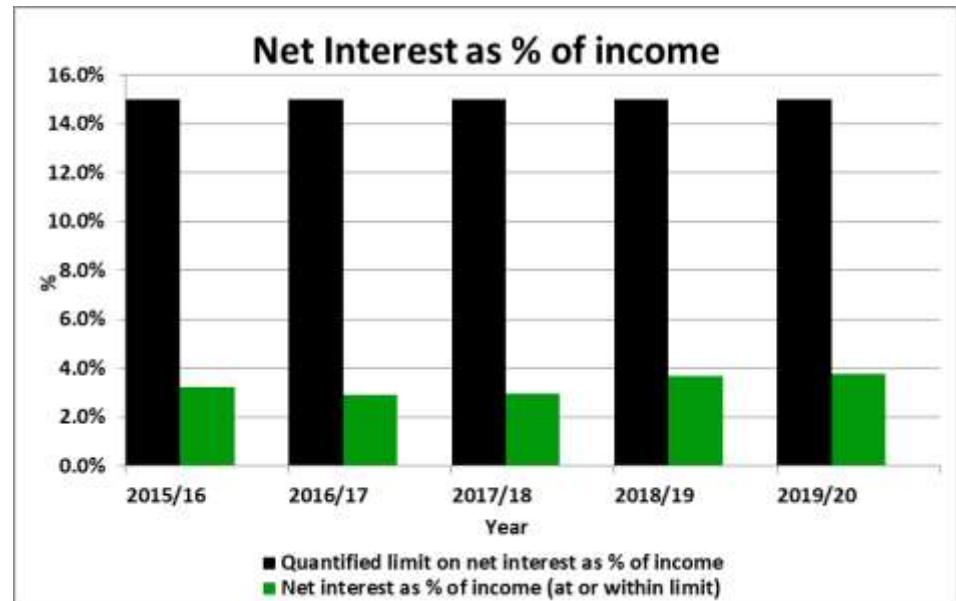
The quantified limit is net debt as a % of income. A value of less than 150% indicates compliance with the prudential limit.



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 2015-2025 and 2018-2028 Long Term Plans.

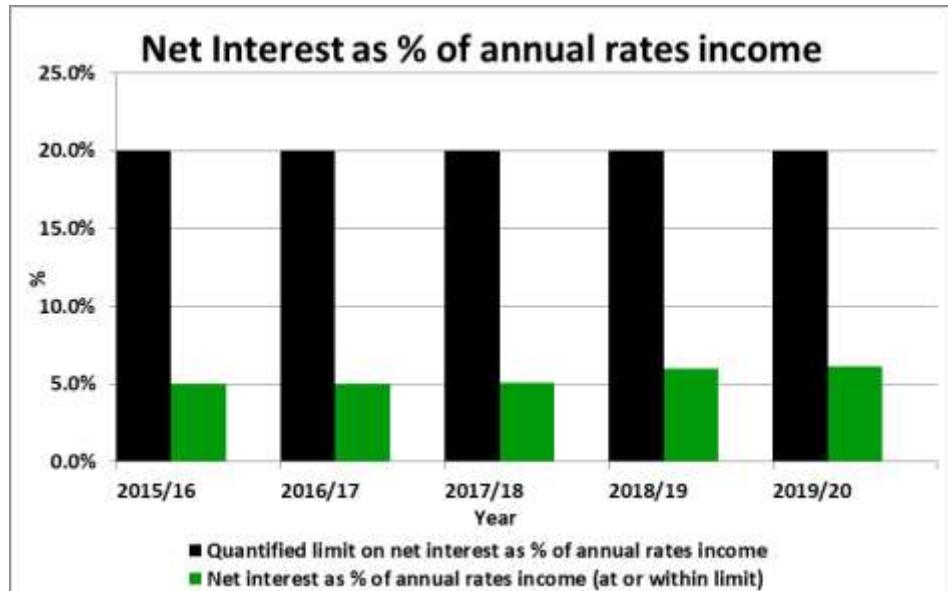
The quantified limit is net interest as a % of income. A value of less than the quantified limit of 15% indicates compliance with the prudential limit.



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 2015-2025 and 2018-2028 Long Term Plans.

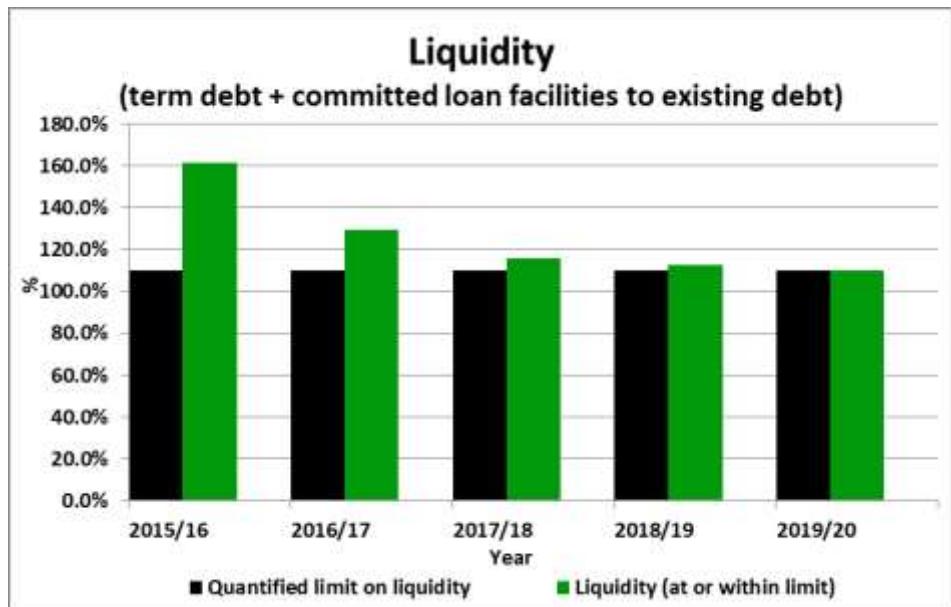
The quantified limit of 20% indicates compliance with the prudential limit.



Liquidity

The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the 2015-2025 and 2018-2028 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 2018-28 Long Term Plan implemented a new range for this quantified limit of between 110% and 170%.

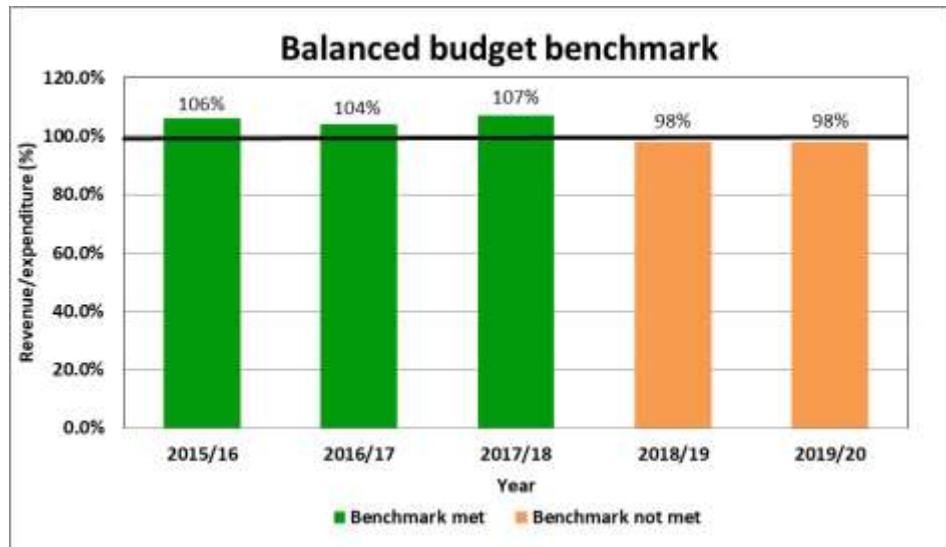


Prior periods have been restated to align with Council's Treasury Policy.

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).

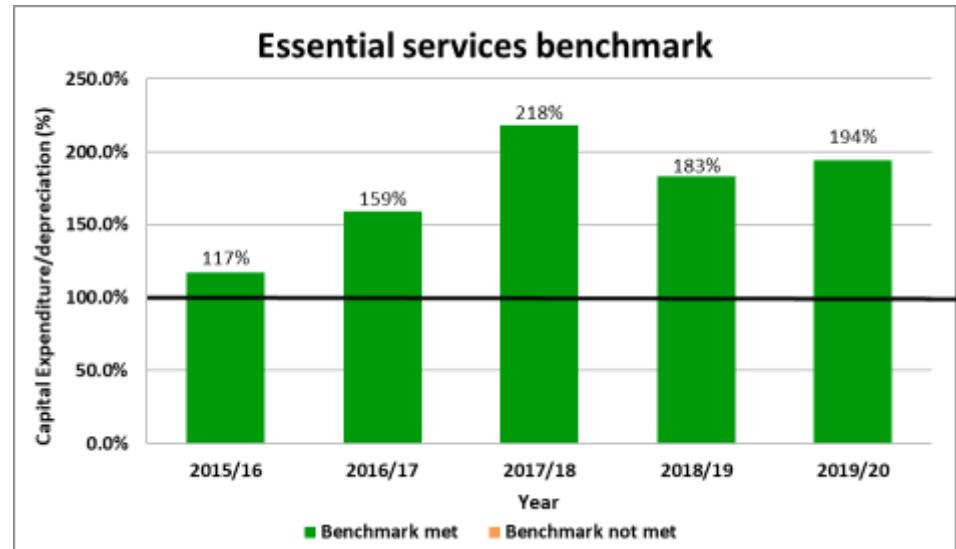
The Council meets this benchmark if its revenue exceeds its operating expenses.



Essential services benchmark

The following graph displays the capital expenditure on network services as a percentage of depreciation on network services.

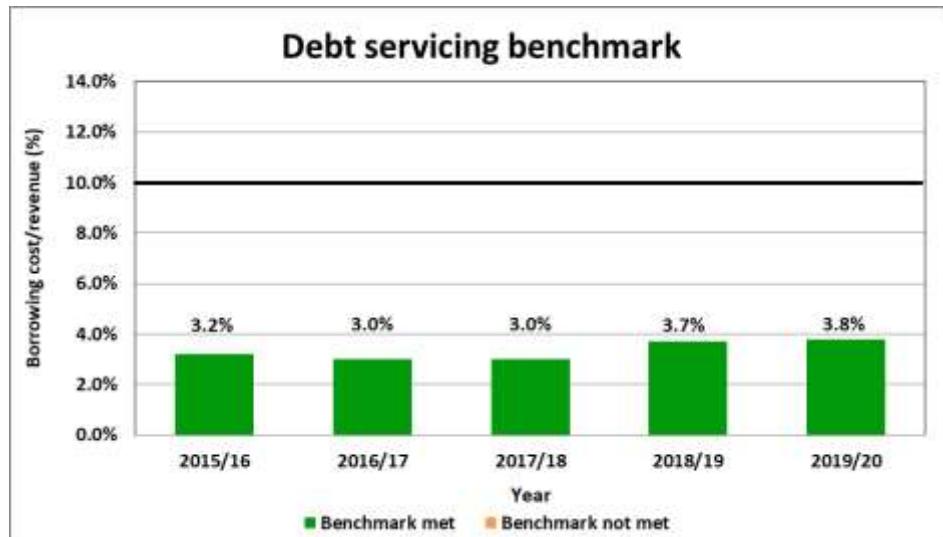
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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).

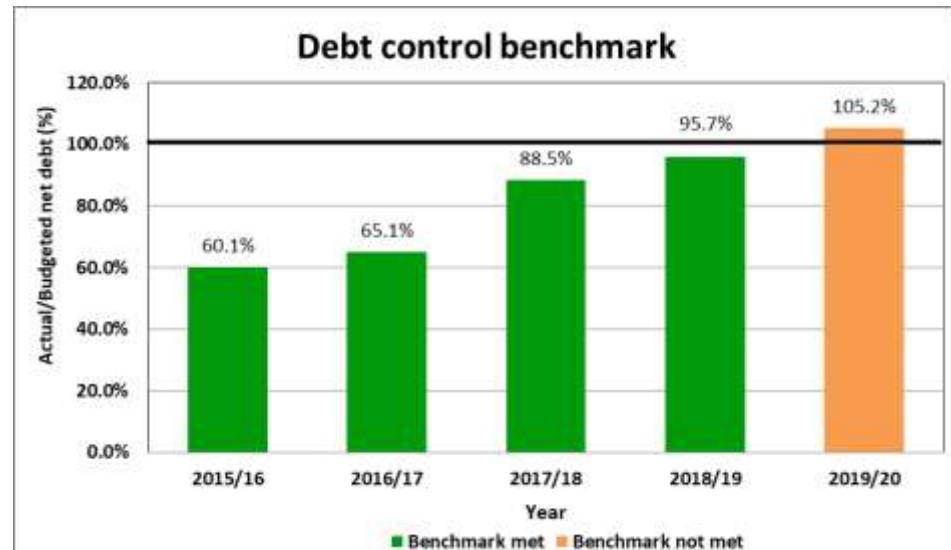
Because Statistics New Zealand projects the Council's population will grow more slowly than the national population rate, the Council meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.



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).

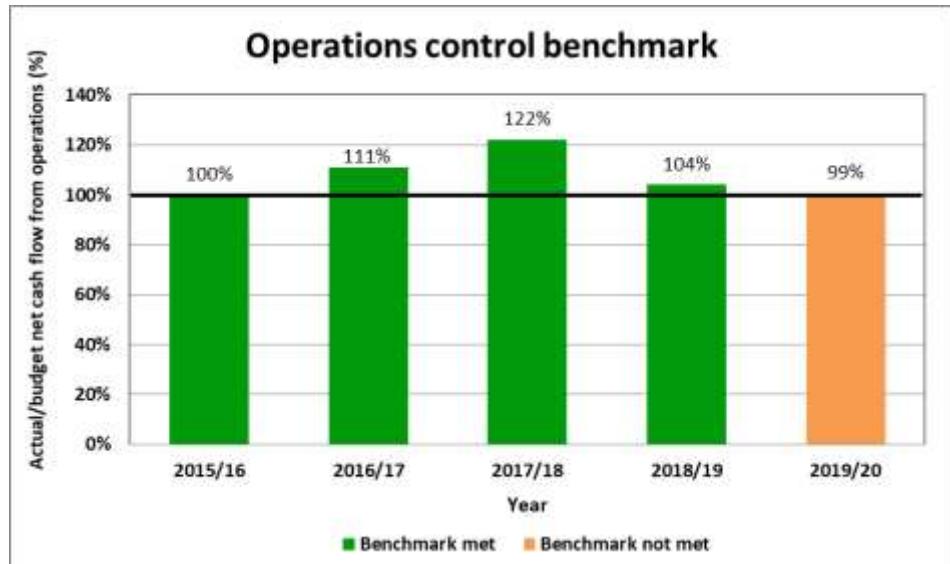
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned debt.



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.



A wide-angle photograph of a lively outdoor event. In the foreground, a group of people sits on grassy steps, facing a stage where four performers in white, feathered costumes are dancing. The stage is labeled "Harcotts HASTINGS CITY NIGHT MARKET". To the right, more spectators sit in chairs, some taking photos. The background shows a modern shopping center with signs for "superplus" and "caroline".

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 2020

The Auditor-General is the auditor of Hastings District Council (the District Council) and its subsidiaries and controlled entities (the Group). The Auditor-General has appointed me, Karen Young, 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 8 December 2020. This is the date on which we give our report.

Opinion

Unmodified opinion on the audited information, excluding the non-financial performance information

In our opinion:

- the financial statements on pages 75 to 91 and pages 93 to 129:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2020;
 - the results of its 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 92, 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 statement about capital expenditure for each group of activities on pages 49 to 66, 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 49 to 65, 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.

Qualified opinion on the non-financial performance information – our work was limited with respect to the verification of the number of complaints for some services

In our opinion, except for the possible effects of the matter described in the Basis for our qualified opinion section of our report, the non-financial performance information on pages 10 to 34:

- presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, 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.

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 140 to 146, 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 qualified opinion on the audited information

The District Council is required to report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government. These mandatory performance measures include the total number of complaints (per 1,000 properties connected) received about the following:

- drinking water clarity, taste, odour, pressure or flow, continuity of supply, and the District Council's response to any of these issues; and
- sewage odour, sewerage system faults and blockages, and the District Council's response to issues with the sewerage system; and
- the performance of the stormwater system.

These measures are important because the number of complaints is indicative of the quality of services received by ratepayers.

The Department of Internal Affairs has issued guidance to assist local authorities in applying the Rules, including on how to count complaints. Our audit testing found that the District Council has not been counting complaints in accordance with this guidance and that the District Council's method of counting was likely to have understated the actual number of complaints received both in the current year and in the comparative year to 30 June 2019. Complete records for all complaints made to the District Council were not available and we were unable to determine whether the District Council's reported results for these performance measures were materially correct.

We also found that the District Council's system for classifying complaints between the above performance measures is deficient and we are unable to determine whether this deficiency results in a material misstatement of the number of complaints reported per performance measure.

As a result, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the number of complaints reported against these three performance measures.

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 qualified opinion on the audited information.

Emphasis of matter – Impact of Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out in the Covid-19 note on page 91 to the financial statements and pages 27, 29 to 31 and 33 of the non-financial performance 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.

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 Group of Activities statement, 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 3 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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

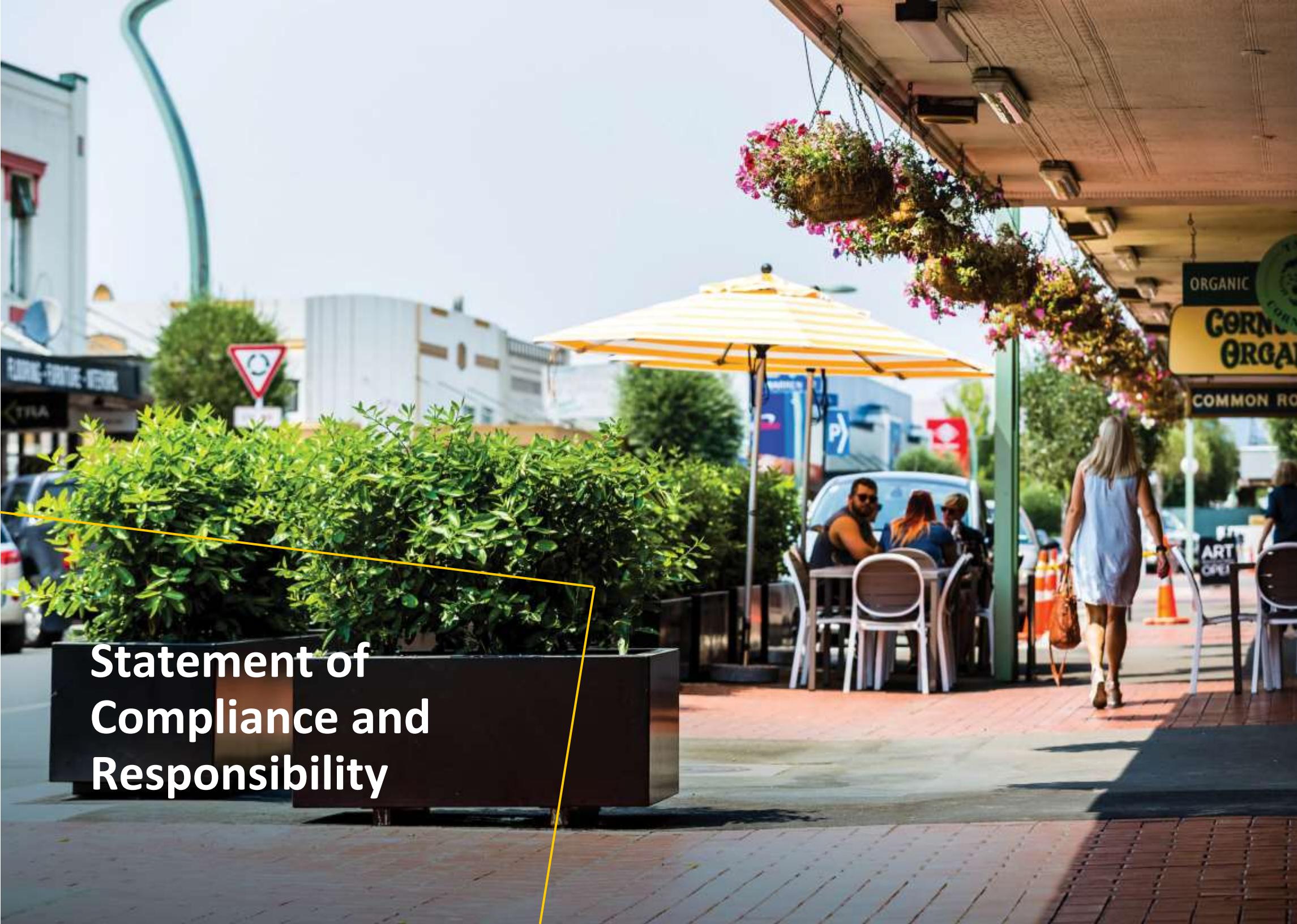
In addition to our audit and our report on the disclosure requirements, we have carried out a limited assurance engagement related to the District Council's debenture trust deed, which is compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.



Karen Young

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

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 2020 fairly reflect the financial position and operations of Hastings District Council.

Sandra Hazlehurst
Mayor



To'osavili Nigel Bickle
Chief Executive



Dated: 8 December 2020



A group of diverse workers in safety vests and hard hats are engaged in a community planting project. They are planting small trees in a mulched area in front of a modern building with a blue and white facade. One worker in the foreground is kneeling, wearing a black hoodie, orange vest, and sunglasses, smiling at the camera while holding a small tree. A yellow line points from the text 'Equal Employment Opportunity Policy' to this worker. Other workers are visible in the background, some standing and some crouching, all dressed in similar work attire.

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 2020



SANDRA HAZLEHURST
Mayor

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Deputy Mayor

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Mohaka Ward



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Heretaunga Ward



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Kahurangi Ward



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KEVIN WATKINS

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Heretaunga Takoto Noa Māori Standing Committee

Mr Jerry Hapuku (Kaumātua)

Mr Robin Hape (Chair)

Ms Marei Apatu

Ms Tania Eden

Mr Mike Paku

Ms Ngaio Tiuka

Council representatives:

Cr Bayden Barber (Deputy Chair)

Mayor Sandra Hazlehurst

Cr Henare O'Keefe

Cr Peleti Oli

Cr Ann Redstone

Cr Geraldine Travers

Directory of Rural Community Board as at 30 June 2020



NICK
DAWSON
(CHAIR)

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Kaweka subdivision



SUE
MAXWELL

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Tuitira subdivision



JONATHAN
STOCKLEY

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Maraekakaho subdivision



MARCUS
BUDDO

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marcusbuddo@gmail.com
Poukawa subdivision

Council appointees:
Cr Tania Kerr
Cr Sophie Siers

Directory of Senior Management



TO'OSAVILI
NIGEL BICKLE

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Chief Executive



BRUCE
ALLAN

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Group Manager
Corporate



BRONWYN
BAYLISS

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Group Manager
People and Capability



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Group Manager
Economic Growth & Organisation Improvement



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Acting Group Manager
Community Facilities & Programmes



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FERGUSON

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Marketing and Communications



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Group Manager
Asset Management



JOHN
O'SHAUGHNESSY

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Group Manager
Planning & Regulatory Services

ADVISORS

Dr James Graham, Pou Ahurea Matua
Principal Advisor: Relationships, Responsiveness & Heritage

Graeme Hansen, Director
Major Capital Projects Delivery

Scott Smith, General Counsel

Statistical information (Council only)

	2019		2020
	522,893ha	Land Area	522,893ha
Source – Statistics NZ	73,245	Population (2018 Census)	81,537
Land Value	\$9,489,517,700	Valuations (Net)	\$14,389,770,900
Improvements	\$8,918,575,050		\$12,024,481,850
Capital Value	\$18,408,092,750		\$26,414,252,750
Permanent Staff	364	Employee Numbers as at 30 June	393
	32,875,116	Total Salary & Wages	\$34,223,282
	\$147,827,000	Gross Public Debt	\$150,740,000
	\$4,720	Gross Debt per Rateable Assessment	\$4,777
Sealed Road	1,304.33	Roading (km)	1,319.10
Unsealed Roads	338.97		332.70
State Highways	198.40		198.40
Rateable Assessments	31,316	Rateable Assessments	31,554
	\$89,303,843	Rates Levied (incl GST)	\$94,547,237
Average Rate	Average Land Value	Analysis by Differential Category	Average Rate
		Rating Area 1 (Urban)	
\$2,413	\$155,045	Residential	\$2,552
\$2,093	\$253,189	Residential Non Urban	\$2,221
\$1,991	\$179,124	Residential Clive	\$2,094
\$3,196	\$629,022	Horticulture/Farming	\$3,317
\$18,101	\$1,140,000	Chartered Clubs	\$18,852
\$12,283	\$496,047	Commercial (CBD)	\$12,853
\$8,951	\$417,161	Other Commercial	\$9,327
\$8,373	\$486,847	Commercial Non Urban	\$8,671
		Rating Area 2 (Rural)	
\$1,331	\$254,503	Residential	\$1,389
\$1,800	\$274,942	Commercial	\$2,005
\$2,986	\$885,173	Lifestyle/Horticulture/Farming	\$3,089
			\$878,147

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 [2017/18 will be 'carried forward' to 2018/19]). 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	IFRS	International Financial Reporting Standards
BPS	Basis Points	LATM	Local Area Traffic Management
CBD	Central Business District	LGA	Local Government Act 2002
CCO	Council Controlled Organisation. This is a term for an organisation where local authorities hold a controlling interest.	LTP	Long Term Plan or Ten Year Plan
CR	Councillor	LOS	Level of Service
DRA 1	District Rating Area One (Urban Area)	NBS	National Building Standard
DRA 2	District Rating Area Two (Rural Area)	NCC	Napier City Council
DWSNZ	Drinking Water Standards New Zealand	NZGAAP	New Zealand Generally Accepted Accounting Principles
EERST	Environmental Education for Resource Sustainability	NZTA	New Zealand Transport Agency
EPB	Earthquake-Prone Building	PA	Per Annum
FRS	Financial Reporting Standard	PSGE	Post Settlement Governance Entities
GST	Goods and Services Tax	PTSG	Post Treaty Settlement Groups
HBRC	Hawke's Bay Regional Council	QRA	Quantitative Risk Assessment
HCAG	Hastings City Art Gallery	SHBT	Sustaining Hawke's Bay Trust
HDC	Hastings District Council	UAGC	Uniform Annual General Charge
HPMV	High Productivity Motor Vehicle	VDAM	Vehicle Dimension and Mass
HPUDS	Heretaunga Plains Urban Development Strategy		

2019/2020 Annual Report

