



2018/2019 Annual Report

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**Message from
the Mayor and
Chief Executive**

Introduction from the Mayor and the Chief Executive

The past financial year has seen Council reach a number of major milestones.

Progress is going well on Council's largest infrastructure project ever undertaken to ensure we are efficiently delivering safe drinking water. This is our top priority for our whole community. We are well down the path to replacing the Brookvale bores and implementing full treatment of all drinking water sources using UV and chlorine by 2021. We have completed the new 4.8km Hastings to Havelock North water trunk main, a once-in-a-generation piece of infrastructure designed to build resilience, capacity and improved safety into the district's water supply. By the end of 2019, the construction of the new water booster pump station in Havelock North will be finished, and by the middle of 2020 our small urban water supplies will also have improved infrastructure and treatment.

The launch of the Hastings Alive plan this year will see an increased emphasis on the revitalisation of our city centre. It was hugely exciting to announce in May 2019 that Hastings will be getting a new 35-room apartment-style hotel in the city centre in a vacant building in close vicinity to the Hawke's Bay Opera House, Municipal Building and Plaza. The prospect of establishing a new hotel in the city centre has been a long-term aspiration for the Council and we would like to acknowledge the work of previous Councils who have helped with this decade-long journey. We look forward to seeing our Opera House precinct, laneways and other major developments bringing life to our city centre very soon.

Future-proofing key lifelines for our rural community and key productivity routes for our economy continues to be a predominant focus. Important rural roads have been opened up to high-productivity vehicles and bridge strengthening has been completed on three bridges to comply with new rules introduced by central government for weight limits. This programme will see a total of 22 bridges strengthened over the next seven years.

Providing homes for our people has also been another key priority for Council this year. We are committed to working with central government, our iwi partners and community stakeholders to support the supply of safe and healthy homes. It is wonderful to see construction starting this year on Waingakau Village – the housing development being built by Te Taiwhenua o Heretaunga in Flaxmere to bring 120 homes to the community with multiple pathways for home ownership. Other housing developments which Council has helped get off the ground this financial year include 44 state houses in Oliphant Road and Campbell Street, 35 homes for affordable and social housing in Tarbet Street and the rezoning of land to provide more aged-care facilities and housing, which will free up more houses for our families. With our iwi partners, we are working with central government to build up to 200 more papakāinga housing and, with residential developers, to bring more than 1,000 sections to the market.

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

Finally, as we write this message the Hastings District Council has been named a finalist in the 2019 Local Government New Zealand Excellence Awards for Te Ara Kahikatea – Whakatū Arterial Link project. It's been recognised for improving the district's economic and social well-being, following extensive community consultation. Nearly four kilometres long, the route is built on a greenfields stretch, home to Māori-owned land, urupā, commercial orchards and a culturally significant waterway. Added to the challenge, the route is on soil protected by legislation and criss-crossed by infrastructure including rail, cycle paths and existing roads.

Engagement and relationship building were at the heart of the project with communities of interest brought together to help lead the design, followed up by active inclusion in the construction phase and right through to the collaborative approach for choosing the route's new name: Te Ara Kahikatea. The judges praised the Council for its *"willingness to learn and adapt its processes to meet the needs of its community while designing a large piece of infrastructure"*, and its *"commendable and genuine"* engagement with mana whenua.

Lastly, we would like to acknowledge all of our staff at the Council for their continuing commitment and hard work through what has clearly been a very busy year. Together with our elected members, we are all committed to making Hastings an even better place in which to live.



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

Sandra Hazlehurst
Mayor



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

To'osavili Nigel Bickle
Chief Executive



**Our reporting
framework**

paperplus

caroline

COTTON

City Assist

City Assist

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 2019



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 first year of reporting against the 2018-2028 Long Term Plan. A summary of our progress at the end of Year One 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 (Note i)	16 (76%)	-	5 (24%)
Safe, Healthy & Liveable Communities (Note ii)	19 (86%)	-	3 (14%)
Economic & Community Development (Note iii)	7 (70%)	-	3 (30%)
Governance & Support Services	8 (100%)	-	-

Notes:

- The measurement for real % water loss is undergoing further development and was not measured in 2018/19.
- The Opera House measure is not applicable at this time due to the closure of the Theatre and Municipal Building during 2018/19. The Food Safety measure has been superseded by the introduction of the Food Act 2014.
- The level of service measure in relation to the Opera House is not applicable at this time due to the closure of the Theatre and Municipal Building during 2018/19.

Customer experience (7 measures)

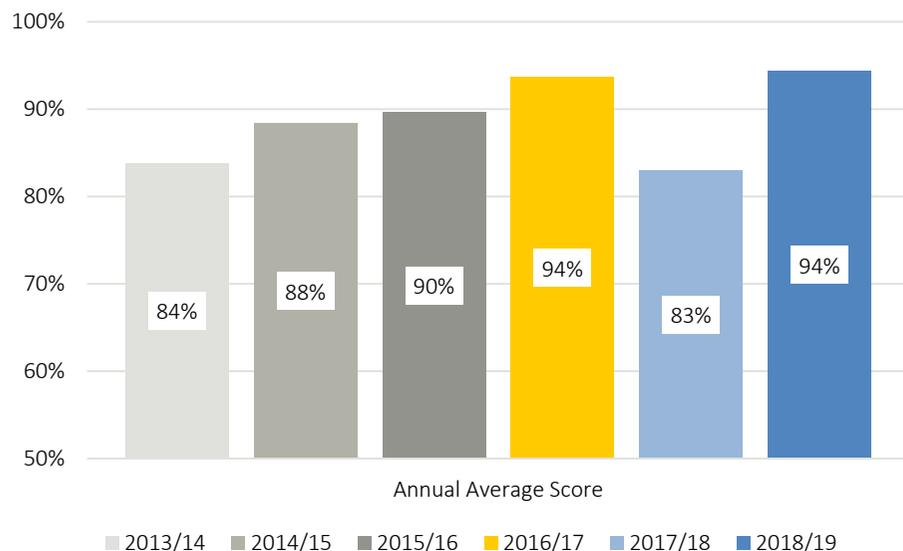
Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Governance and Support Services	2 (100%)		
Safe, Healthy & Liveable Communities	1 (20%)	2 (40%)	2 (40%)

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



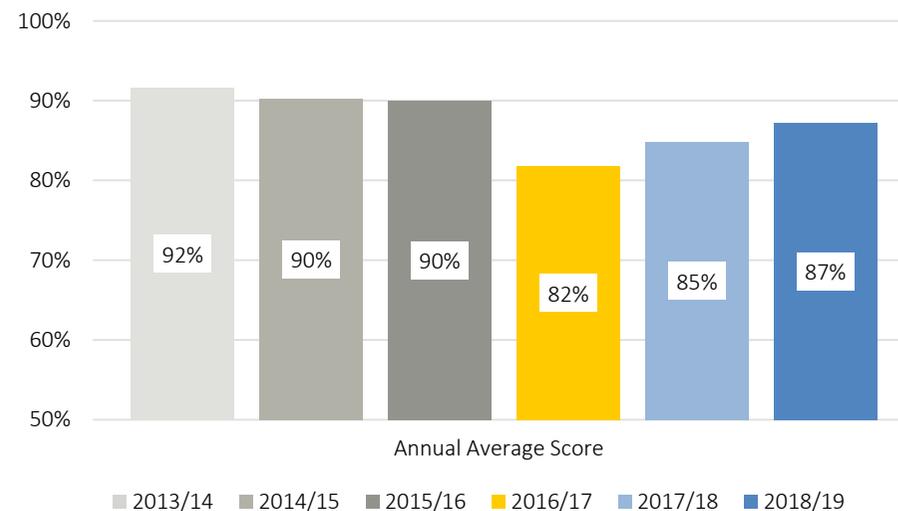
Note: The 2017/18 result is skewed by an isolated mystery shop issue which has been resolved

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 2018/19 improvement activities included:

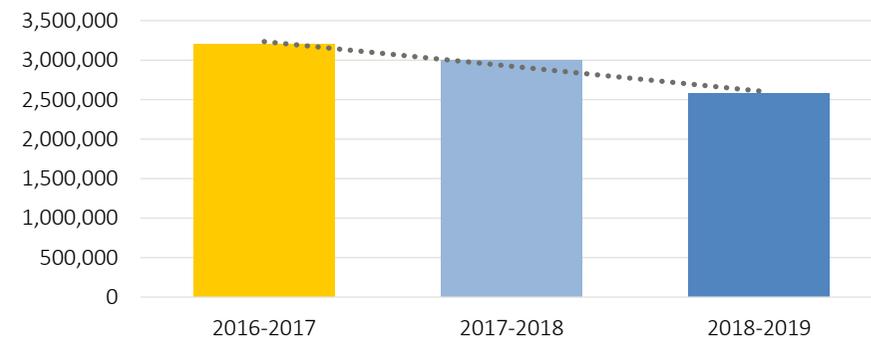
- 3Waters compliance process and consent management improvements;
- Water supply source protection investigations and water supply strategy programme development and implementation;
- Stormwater model development and hydrological dam assessments;
- Wastewater condition assessments of reticulation and above ground assets and ongoing hydraulic model development and calibration;
- Transportation asset management plan external review by independent consultant;
- Buildings review of housing rental portfolio and asset data improvement;
- Parks asset management plan review on sustainability aspects.

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"> • On Track – The latest census (results due in September) combines work and school journey data for the first time. This will form the measurement basis for the future. Historical data solely for work journeys is as follows: <ul style="list-style-type: none"> • 2006 (9.0% journeys to work) • 2013 (9.8% journeys to work)
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"> • On Track – Over the last five years, across nine permanent count sites, combined daily walking and cycling volumes have increased by an average of 10% a year, with growth of 35% over the last year.
FGO3 Street lighting efficiency.	Installed wattage (2.6kw/km).	20% reduction by 2022.	<ul style="list-style-type: none"> • On Track – To date 4311 out of 7100 streetlights have been converted to LED.

Urban Streetlights Electricity Consumption KWh



- From 2016/2017 baseline reduction in electricity consumption achieved to 2017/2018 is 6%. From 2016/2017 baseline reduction in electricity consumption achieved to 2018/19 is 20%.

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.	<ul style="list-style-type: none"> • On Track – 81.6% Changes to earthquake-prone building legislation captures 1,571 buildings in the Hastings district that need profiling against the new earthquake-prone building (EPB) assessment methodology. • 81.6% (1,282) buildings constructed prior to 1976 have so far been profiled; 309 of these buildings fall within the profile categories of the EPB methodology and are/were therefore potentially earthquake prone. • Of the 309 buildings falling within the EPB methodology profile, 129 buildings have been identified as potentially earthquake prone; building owners are required to have seismic assessments completed following notification by Council. • Of the 309 buildings, 180 have been excluded because they have been assessed or strengthened to ≥34% NBS, or are timber frame buildings. • Four buildings have been confirmed as earthquake prone; two are being strengthened and one has planned strengthening works scheduled. • 418 buildings are to be profiled over the next 1-2 years (note: this does not include additional buildings which were not in the original capture e.g. some parts of industrial areas on Omahu and Tomoana Roads).
FGO5 Increased recyclables diverted from landfill.	9,800 tonnes diverted	≥ 11,760 tonnes per annum by 2024 (20%).	<ul style="list-style-type: none"> • On Track – 9057.60 tonnes (16.8%) diverted, decrease in tonnage could be attributed to more accurate data collection, all materials and loads are now individually weighed rather than estimated.
FGO6 Decreased organic waste going to landfill.	28,580 tonnes	≤ 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 2017/18 actual information (unless otherwise stated).

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 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: <ul style="list-style-type: none"> a) Abatement notices b) Infringement notices c) Enforcement orders d) Convictions 	1 (one)	a) 0 (zero) Abatement notices b) 0 (zero) Infringement notices c) 0 (zero) Enforcement orders d) 0 (zero) Convictions	Achieved – 0 (zero) abatement, infringement, enforcement notices or convictions.

Stormwater

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
		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 48 minutes.
		DIA Non-Financial Performance Measure 4 – Customer Satisfaction The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to the Council’s stormwater system.	12.7	15 complaints per 1,000 connections. NB: This is a baseline figure for stormwater-related complaints received in the past 8 years.	Achieved – 10.1 complaints per 1,000 connections.

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 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.	0.84	5 per 1,000 connections per annum	Achieved – 0.89 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:	0 (zero)	(a) 0 (zero) Abatement notices (b) 0 (zero) Infringement notices (c) 0 (zero) Enforcement orders (d) 0 (zero) Convictions	Achieved – 0 (zero) abatement, infringement, and enforcement notices, and no convictions.

Sewerage and the Treatment and Disposal of Sewage

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
		<p>DIA Non-Financial Performance Measure 3 –</p> <p>Where the Council attends to sewerage overflows resulting from a blockage or fault in the Council’s sewerage system, the following median response times are measured:</p> <p>(a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site, and</p> <p>(b) Resolution time: From the time that the Council receives notification to the time that service personnel confirm resolution of the blockage or other fault reach the site.</p>			<p>Achieved –</p> <p>(a) 30 minutes response.</p> <p>(b) 2.1 hour resolution time.</p>
		<p>DIA Non-Financial Performance Measure 4 –</p> <p>Total number of complaints received by the Council about any of the following:</p> <p>(a) Sewage odour</p> <p>(b) Sewerage system faults</p> <p>(c) Sewerage system blockages</p> <p>(d) The Council’s response to issues with its sewerage system</p> <p>Expressed per 1,000 connections to the Council’s sewerage system.</p>	23.8	30 complaints – Count expressed per 1,000 connections per annum.	Achieved – 26.9 complaints per 1,000 connections per annum.

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
<p>LOCAL INFRASTRUCTURE</p> <p>Council Objectives to which the water supply activity relates:</p> <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. 	<p>Water Supply – Ensuring healthy drinking water through the provision and effective management of water services.</p>	<p>DIA Non-financial performance Measure 1 – (safety of drinking water)</p> <p>The extent to which the local authority's drinking water supply complies with:</p> <p>(a) Part 4 of the drinking-water standards (bacteria compliance criteria), and</p> <p>(b) Part 5 of the drinking-water standards (protozoal compliance criteria).</p>	<p>In 2017/18 the Hastings supply complied with Bacteria Standards, with transgressions in Parkhill, Frimley and Whirinaki.</p> <p>The reclassification of many of HDC water sources to non-secure status now necessitates treatment to comply with protozoal standards. An upgrade programme is ongoing to achieve full compliance.</p>	<p>Percentage Compliance</p> <p>Target 100%</p>	<p>NZ drinking water standards</p> <p>Please note: These results are provisional, pending the assessment of compliance by the independent drinking water assessor.</p> <p>A: Part 4 Bacteria compliance criteria</p> <p>Achieved –</p> <p>All Hastings District Council water supplies were assessed as compliant with Section 4 (bacteriological compliance criteria) in the DWSNZ 2005 (Revised 2008)</p> <p>B: Part 5 Protozoa compliance criteria</p> <p>Not Achieved –</p> <p>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.</p> <p>The HDC Drinking Water Strategy will deliver new compliant treatment systems to all supplies by 2021.</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</p>

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
					<p>existing filtration and UV disinfection systems in place but require upgrades to meet the technical requirements of the DWSNZ.</p> <p>Portsmouth Road, Whakatu, Clive and Haumoana/Te Awanga have retained their secure groundwater status.</p> <p>Omahu, Brookvale Road (Havelock North) and Wilson Road (Flaxmere) have had compliant treatment plants installed.</p> <p>Waipatu has UV disinfection treatment installed but is not yet fully compliant. Upgrading of treatment to full compliance will be completed by 2020.</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 (including a description of the methodology used to calculate this).</p>	21% as measured in June 2016.	20% Percentage real losses or other recognised industry standard as specified in the Hastings District Council's 'Water Conservation and Demand Management Strategy'.	<p>Not Measured in 2018 –</p> <p>A draft high-level assessment of 2017-18 data suggests that leakage rates are similar to those reported in the June 2016 MWH Water Loss Assessment Report (that report identified 21% water loss). 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>DIA Non-Financial performance Measure 3 – (fault response times)</p> <p>Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response</p>		95% achievement rate.	

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
		times are measured:			
		(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	43 minutes	Urgent – 1 hour response time to site (Note i).	Achieved – The median time to respond to urgent call-outs was 45 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	2.5 hours	Urgent – 2 hour restoration of service.	Not Achieved – The median restoration time was 2.52 hours. The number of water leaks remains at an elevated level since 2016 and has impacted on the contractor’s ability to complete full restoration within the expected response time for all urgent restoration repairs.
		(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	2 days	Non-urgent – 3 days response time to site (Note i).	Achieved – 20 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 call resolution	Achieved – 3 day resolution Note i: Response times for urgent and non-urgent callouts below are made up of instances: (a) where contractors physically arrive at a callout (b) where the contractor identifies an issue themselves and resolves it instantly on site.
		DIA Non-Financial performance Measure 4 – (customer satisfaction)	9.24	Count expressed per 1,000 connections per	Not Achieved – There were 9.50 complaints per 1,000 connections. This is slightly higher (2.8%) than the
		The total number of complaints received by the local			

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
		<p>authority about any of the following:</p> <ul style="list-style-type: none"> (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply, and (f) the local authority's response to any of these issues expressed per 1,000 connections to the local authority's networked reticulation system. 		<p>annum</p> <p>(Current Baseline = 9.24 complaints per 1,000 connections)</p>	<p>baseline requirement.</p>
		<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>	479	410 litres per day per resident.	<p>Not Achieved –</p> <p>The average consumption was 500 litres per day per resident.</p> <p>This is 22% higher than the target and is a 4% increase 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>

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 2017/18 actual information unless otherwise stated.

Community Outcomes	Performance Measure	Baseline Performance	2018/19 Target	Achievement 2018/19
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.	40	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)	Achieved – 36 death or serious injury crashes for the period (3 fatal and 33 serious).
	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.	89%	90% smooth travel exposure. (Average quality of ride)	Achieved – 93.2% smooth travel exposure.
	DIA Non-Financial Performance Measure 3 – Maintenance of a sealed local road network The percentage of the sealed local road network that is resurfaced.	7.1%	5.5% of sealed local road network is resurfaced per annum.	Achieved – 7.0% of sealed local road network was resurfaced in 2018/19.
	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).	0.63%	No more than 1.5% of footpaths classified poor or worse as measured by Council’s condition rating system.	Achieved – 1.16% of footpaths classified poor or worse as measured by Council’s condition rating system.
	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.	96%	95% of customer service requests relating to roads and footpaths responded to within 28 days.	Not Achieved – 91% of customer service requests relating to roads and footpaths responded to within 28 days.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
COUNCIL OBJECTIVE: Reducing public nuisance and threats to public safety.	Hours of operation at refuse transfer station.	7 days per week.	7 days per week.	Achieved – 100%, no closures longer than 3 hours.
	Hours of operation at recycling depots.	7 days per week. (24 hour operation at Martin Place)	7 days per week. (24 hour operation at Martin Place)	Achieved – 100% was achieved even though servicing challenges over the Christmas holiday period at Martin Place occurred. These were resolved each day.
	Hours of operation at landfill.	5 days per week. (limited weekend opening)	5 days per week. (limited weekend opening)	Achieved – One part-day closure due to chemical spill emergency event, December 2018. Waste diverted to Refuse Transfer Stations for a short period.
	% of urban dwellings serviced by kerbside refuse and recycling services.	Weekly collection to 100% of dwellings within collection zones.	Weekly collection to 92% of urban dwellings.	Achieved – All properties in the collection zones were serviced throughout the year (representing 92% of urban dwellings). Missed or late 'put outs' (by residents) were dealt with as they occurred. Due to high kerbside volumes over the Christmas/New Year period a delay of one to two days occurred on occasions for a small number of properties.
	% compliance with landfill conditions.	100%	100%	Achieved – Full compliance was achieved by the Omarunui Landfill with consent conditions.
	% of food premises having an excellent or very good grading.	100%	95%	Not Measured – Has been superseded by the introduction of the Food Act 2014.
	% compliance with swimming pool fencing regulations.	99.7%	98%	Achieved – 99.6% compliance with swimming pool fencing regulations.
	Number of public cemeteries.	Four cemeteries at Hastings, Havelock North, Puketapu, Mangaroa.	4	Achieved – Four at Hastings, Havelock North, Puketapu and Mangaroa.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
	Compliance level with crematorium consent conditions.	31 out of 34	All conditions met.	Not Achieved – 32 out of 34 consent conditions met. <i>Condition 30c:</i> Test results were not submitted within a month after testing was done, due to lab issues. <i>Condition 31:</i> The results for emission rates is currently being peer reviewed for accuracy.
	% of public buildings with current warrant of fitness.	100%	95%	Achieved – 100% of Council public buildings have a current warrant of fitness.
COUNCIL OBJECTIVE: Reduce public nuisance and threats to public safety.	% of dog registrations of known dogs.	95.5%	98%	Not Achieved – 94.5% registration rate. Not all dogs were processed this year for registration compliance. This was due to higher complaint response numbers and staff shortage.
	% release rate of impounded dogs suitable for adoption.	100%	80%	Not Achieved – A 64% release rate of impounded dogs is down from the previous year. This is a result of dogs not having a suitable temperament or having a high potential for aggression.
	Number of night time compliance operations on licensed premises per year.	16	4	Achieved – Four night time compliance operations undertaken.
	Number of CCTV camera locations.	36	32	Achieved – 69 camera locations. All cameras other than four remote cameras are directly linked to Council. These are strategically located to reflect higher incidence of crime and to promote public safety.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
<p>COUNCIL OBJECTIVE:</p> <ul style="list-style-type: none"> Sustainable use of land and water resources A more compact urban form. 	A District Plan current at all times within statutory timeframes.	Achieved	Achieved	<p>Achieved – 46 appeals lodged to the Proposed District Plan. 44 appeals have been settled. One appeal is with the High Court and the remaining appeal has consent documents with the Environment Court. Variations 1 and 2 to bring in additional industrial land are operative. Variations 3 and 4 to bring in additional residential land in Hastings and Havelock North are operative. Variations 1-4 will provide for the sustainable supply of industrial and residential land.</p> <p>The notification and hearing of submission process has been completed for Variation 5. This variation encourages inner city living which will assist with a more compact urban form.</p>
<p>COUNCIL OBJECTIVE:</p> <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	<p>Achieved – Only two pools were audited and both achieved Pool Safe Water Quality Standards.</p>
	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)	<p>Achieved – Days of library operation met target standard for 2018/19.</p>
	% of urban properties within 500m radius (walking distance) of a park.	86%	87%	<p>Achieved – 87% of urban properties.</p>
	% of urban properties within 500m radius (walking distance of a playground).	53.2%	60%	<p>Achieved – 60% of urban properties.</p>
	Number of elderly housing units and average occupancy.	220 units with occupancy of 98.87%.	95% average occupancy.	<p>Achieved – The average occupancy in 2018/19 was 98.52%.</p>
	Number of Art Gallery exhibitions per annum.	15	12	<p>Achieved – 13 Art Gallery exhibitions were held during 2018/19.</p>
	Opera House Qualmark Rating.	Not measured	Facility is closed	<p>Not Measured – The Opera House complex is</p>

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
	(subject to current review)			currently closed to the public due to earthquake strengthening works.
	% of Indoor Sports Centre available booking hours booked.	64.3%	50%	Achieved – 73% of available booking hours were booked.
	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 12 November 2018 till 6 Feb 2019 7 Days, then Weekends only until 31 March 2019.

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
COUNCIL OBJECTIVE:	% of vacant industrial land.	30%	A minimum of 20% of industrial land is vacant.	Achieved – Variation 1 and 2 added 65 ha of industrial land at Omahu and 91 ha at Irongate. There is also a further 8.7 ha at the Tomoana Food Hub. An Industrial uptake study in November 2018 identifies that 65.2 ha of vacant land remains at Irongate, 56.6 ha at Omahu, and 52.3 ha at Whakatu. These figures confirm that the target is exceeded.
<ul style="list-style-type: none"> Residential development opportunities Industrial development opportunities 	Number of hectares of vacant greenfield land.	32.8 hectares	A minimum of 20 hectares vacant greenfield land.	Achieved – There is approximately 20 ha vacant land remaining between the three currently developed and developing areas at Lyndhurst, Northwood and Arataki. Land at West Flaxmere now known as Waingakau of 15 ha is now being actively developed. 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.	1	1	Not Achieved – A Joint Industrial Strategy with Napier City Council has commenced

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
	Number of structure plans completed per annum.	1	1	but it will not be completed until late 2019. Achieved – A structure plan for Brookvale Urban Growth area was completed in June 2019.
COUNCIL OBJECTIVE: Appealing visitor destination.	Opera House Qualmark Rating. (subject to current review)	Not measured	Facility is closed.	Not Measured – The Opera House complex is currently closed to the public due to earthquake strengthening works.
	Number of visitors to i-Site visitor centres per annum.	60,000	73,000	Not Achieved – 58,556 i-site visitors in 2018/19. This reflects the growing trend in downturn of backpacker traffic and the use of the internet by overseas visitors to make bookings.
	Total financial support to events.	\$75,000	\$125,000	Achieved – The event fund was fully allocated and combined with other funding streams such as the annual plan, contestable grants and contracts for service, a wide range of events were supported to the value of \$611,427.
	Total visitors to Splash Planet.	111,258 total 50,487 from outside Hastings (45.4%).	100,000 total 45% from outside Hastings.	Achieved – 113,347 total visitation. 64,607 from outside Hastings (56%).
COUNCIL OBJECTIVE: Supporting and attracting business.	Total financial support to Business Hawke’s Bay.	\$100,000	\$100,000 per annum funding support to Business Hawke’s Bay.	Achieved – Key events included: <ul style="list-style-type: none"> • Future Foods Conference (31-Oct-18). • Supporting partners/sponsors (HDC, NCC, Napier Port) Tour of the Bay. • Homes for Business (Dec-18).
COUNCIL OBJECTIVE: • Putting people at the	Number of completed Place Based Plans.	3	1 Place Based plan completed per annum.	Achieved – Flaxmere West and Anderson Park Community Plans endorsed by Council.

Economic and Community Development

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
<ul style="list-style-type: none"> Effective working relationships with mana whenua 	centre of planning and service Number of Social Development Reviews completed.	3	1 Social Development Review completed per annum.	Not Achieved – The review of the Social Wellbeing framework was commenced in 2018/19 and will be completed during 2019/20.

Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
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 planning processes during 2018/19.
	Council and Committee agendas are available within statutory timeframes.	100%	100%	Achieved – 100% compliance with required timeframes.
COUNCIL OBJECTIVE: Ensure prudent financial management.	Complete Annual Report and audit within statutory timeframes.	Achieved	Achieved	Achieved – An unmodified audit opinion was issued within statutory timeframes.
	Budgets are set within Financial Strategy limits.	Achieved	Achieved	Achieved – The 2018-2028 Long Term Plan and 2019/2020 Annual Plan were completed and approved by Council and set within the Financial Strategy limits.
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 (90% of calls answered within 60 seconds)	90% of calls answered within 60 seconds.	Achieved – 93% of calls answered within 60 seconds.
	Customer service centre open from Monday to Friday 8am to 5pm.	Achieved	Achieved	Achieved
	% of calls to Council's main number answered within 20 seconds.	83%	80%	Achieved – 88% of calls answered within 20 seconds.
	Usage of Council website.	19,068 unique visitors per month.	15,000 unique visitors per month.	Achieved – 16,341 unique visitors per month

(B) CUSTOMER EXPERIENCE

Customer Experience – Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
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.	99.98% within 20 working days.	100% within 20 working days.	Substantially Achieved – 1,479 building consent applications were processed; 99.9% were granted within 20 working days.
	Time taken to process code of compliance.	99.97% within 10 days.	100% within 10 days.	Substantially Achieved – 1,437 CCC applications were processed, of these 99.9% were issued within 20 working days.
	Time taken to process a resource consent.	88% within statutory timeframe. (20 working days)	97% within statutory timeframe. (20 working days)	Not Achieved – 88% within statutory timeframe. A number of factors impacted in this area in 2018/19 as follows: <ul style="list-style-type: none"> Increased number of consents (44 over last year). Greater complexity (4 appeals to mediation, 2 appeals to environment court and 1 judicial review in the Council’s favour). A limited availability of suitable independent planning consultants.
	Time taken to respond to noise complaints.	Zone 1 (20-30 minutes) – 99.66%	Zone 1 (20-30 minutes) – 95%	Achieved – Zone 1 (20-30 minutes) – 99.8%.
		Zone 2 (< 45 minutes) – 100%	Zone 2 (< 45 minutes) – 90%	Achieved – Zone 2 (< 45 minutes) – 98.3%.
Parks user satisfaction.	92%	97%	Not Achieved – 75% user satisfaction. A change in survey methodology this year meant surveys were deliberately targeted at the poorest reserves to aid in renewal planning and forward investment decisions. A follow-up survey is planned once the identified works have been completed	

Customer Experience – Governance and Support Services

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
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 85% in mystery shopper phone calls.	85%	Achieved – 87% average score.
	Quality of customer service. (customer service centre)	Average score of 83% in mystery shopper visits.	85%	Achieved – 94% average score.

Level Two – Today's Commitments

(C) KEY ACTIONS

Water & Roads

Key action	Achievement
Water Services	
KA01 / KA02 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 – Key achievements in 2018/19 include completion of the Havelock North to Hastings water trunk main; investigations and preliminary design works for small communities; investigation and drilling of a new water source, upgrade of bore and new treatment plant at Wilson Road, Flaxmere.
KA03 Enhancements to Havelock North streams.	<ul style="list-style-type: none"> • On Track – A series of investigations are underway using specialist consultants to assess the erosion risk to properties along the Havelock North streams and to identify opportunities to enhance the amenity and ecology of Council reserve land adjacent to the streams.
KA04 Rollout stormwater quality improvement programme.	<ul style="list-style-type: none"> • On Track – Low impact stormwater solutions are being designed into new residential subdivisions to manage peak flows and reduce contaminants from entering the stormwater system. High risk industrial sites along Omaha Road have been assessed and HDC is working with individual landowners to improve the quality of stormwater generated from these sites. This approach is also proposed for the industrial zone alongside the rail corridor.
KA05 Rollout of wastewater rising main and trunk main renewal programme.	<ul style="list-style-type: none"> • On Track – Wastewater renewal programme is ongoing and being rolled out in accordance with asset management plan priorities.
Roads and Footpaths	
KA06 Strengthen key bridges to allow continued heavy vehicle access.	<ul style="list-style-type: none"> • On Track – Three bridges (Kawera, Red and Willowford) have been strengthened; Kereru Road, Taihape Road (south of Kuripapango) and Waitara Road have been opened to high productivity vehicles.
KA07 Completion of approved walking and cycling projects within the iWay network.	<ul style="list-style-type: none"> • On Track – Progressing as planned.
KA08 Implement safety treatments on high risk rural routes and urban intersections.	<ul style="list-style-type: none"> • On Track – Progressing as planned.
KA09 Completion of road pavement renewal programme in both urban and rural areas.	<ul style="list-style-type: none"> • On Track <ul style="list-style-type: none"> • Ongoing Urban Area – Completed Te Ara Kahikatea tie into Pakowhai road, Alexandra Street between Riverslea and Sylvan Roads, Eastbourne Street between Warren and Russell Streets. • Rural Area – Completed Middle Road AWPT, Taihape Road AWPT, Waimarama Road AWPT. Work commencing on Kahuranaki Road AWPT and Middle Road AWPT (Mutiny Road).
KA10 Completion of the Whakatu arterial route.	<ul style="list-style-type: none"> • Completed – The Whakatu arterial link route was completed and opened during the year 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. Design work on first five initiatives completed.
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.
KA13 Complete earthquake strengthening on programme of identified public buildings.	<ul style="list-style-type: none"> • On Track – Anderson Park changing rooms replaced, Bill Mathewson changing rooms strengthened, Havelock North i-site strengthened, Hastings Sports Centre strengthened, Crematorium replaced.
KA14 Complete Opera House strengthening project.	<ul style="list-style-type: none"> • On Track – Work is on track for the Opera House and Plaza to reopen by February 2020. Much of the structural work on the Opera House is complete, with cleaning and painting the interior and all of its decorative features underway. Meanwhile the Plaza is fast taking shape with the steel roof in place and concrete being poured for the floor.
KA15 Finalise business case for future use and investment in Municipal Building.	<ul style="list-style-type: none"> • On Track – Earthquake strengthening work is underway on the Municipal Building, with a finalised business case for future use and investment due to be put before the community later in 2019.
KA16 Enhancements on key reserves (Cornwall, Windsor, and other RMPs).	<ul style="list-style-type: none"> • On Track – Flaxmere Park playscape enhancements completed. Enhancements of Cape Coast reserves for parking, camping and recreation.
KA17 Continued rollout of pop-up irrigation programme.	<ul style="list-style-type: none"> • On Track – St Leonard’s Park irrigation completed.
KA18 Complete planned toilet enhancements from Sanitary Services Assessment.	<ul style="list-style-type: none"> • On Track – New toilet at Bill Mathewson Park completed.
KA19 Provision of community education programmes on waste minimisation.	<ul style="list-style-type: none"> • On Track – Recruitment has been completed following the extensive consultation and feedback of the Joint Waste Management and Minimisation Plan with NCC in 2018. A new education programme will be developed and rolled out in the 2019/2020 financial year based on the feedback received.
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"> • On Track – Council has 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 includes new methodologies for kerbside collections for both refuse and recycling. The contracts relating to these activities have been prepared and are currently being tendered. Contracts are expected to be awarded by October 2019.

Economic & Community Development

Key action	Achievement
KA22 Support industrial land uptake at Irongate, Omahu and Whakatu.	<ul style="list-style-type: none"> • On Track – The Irongate and Omahu industrial areas have seen steady development activity this year with three significant new developments approved for Irongate, two in Omahu and more in the pipeline for both areas. Landowners and Council Officers coordinated to address development needs during the rebuild of Irongate Road East.
KA23 Advance Hastings CBD hotel proposal.	<ul style="list-style-type: none"> • On Track – Council has helped facilitate a new Quest Hotel development to be located next door to The Hawke’s Bay Opera House in Hastings City with construction scheduled to commence in October 2019.
KA24 Progress of various youth futures programmes.	<ul style="list-style-type: none"> • On Track – 319 rangatahi engaged, 177 into employment and/or training, 41 job seekers and 101 requiring further support. 65 employers engaged.
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. 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.
KA26 Development of various place based plans.	<ul style="list-style-type: none"> • On Track <ul style="list-style-type: none"> • Flaxmere West and Anderson Park Community Plans endorsed by Council. • Plans awaiting endorsement – Waipatu. • Four new plans under development (Bridge Pa, Camberley, Te Pohue and Raureka).
KA27 Advance business attraction and job creation initiatives.	<ul style="list-style-type: none"> • On Track <ul style="list-style-type: none"> • Business Attraction brochure and case study for a potential centralised call centre for Government Department to relocate up to 250 jobs to the region. • Collaborate with regional LAs, PTSGs, Government Agencies and business groups on two presentations to an international business investigating the establishment of a call centre and business processing centre that will upskill 250 employees over two years in information technology careers. • The ‘Our Hawke’s Bay’ brochure is provided to local businesses seeking to attract skilled labour to Hawke’s Bay. • Support enquiries from pet food and agriculture by-product processing businesses investigating relocating to Hawke’s Bay with potentially a combined 250 jobs.

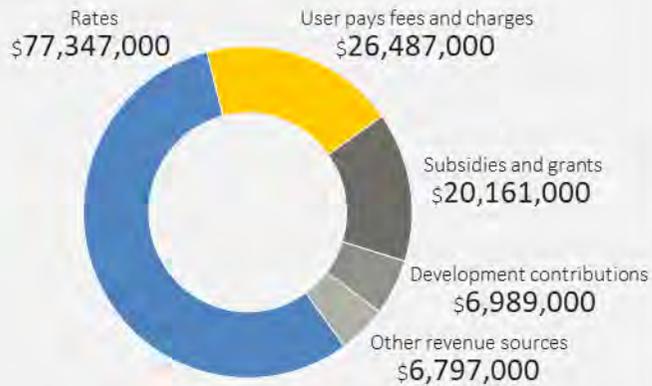
Finance at a glance



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?



77%
ratio

While Council's debt has increased to \$106m with a debt to revenue ratio of 77%, Council retains capacity to meet changing needs.

4 HOW MUCH IS SPENT ON OUR ASSETS?



Council spent \$70m on capital expenditure in 2018/19 with \$25m spent on improving the level of service these assets provide and \$10m meeting additional demand.

5 WHAT IS THE VALUE OF COUNCIL'S ASSETS?



We currently own
\$2.2bn
of assets

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



Development Contribution revenue of \$7.0m (\$4.7m last year) was received from developers representing a continued and high level of development activity across the district.

Annual financial overview

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

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

The \$10,000 rating surplus has been achieved in 2018/19 with a \$100,000 deficit in Rating Area 1 and a \$110,000 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.

2018/19 has been a year with unexpected and unbudgeted events and increased activity which has meant that while Council has successfully delivered its budgeted services, it has done so within very tight financial constraints. Council has been able to meet the additional costs associated with the Te Mata Peak track review and the Cape Kidnappers landslides while meeting unprecedented demand on the Resource and Building consent activities.

Rating surplus

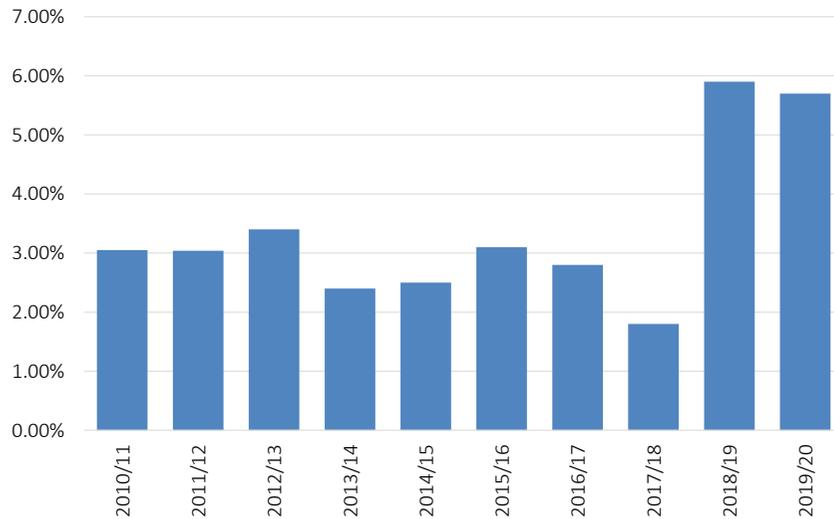


Rates

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 2019/20 rate increase of 5.7% was in line with Year 2 of the 2018-28 Long Term Plan and included the second projected increase to the Water Supply Targeted Rate of \$95 per property connected to the water supply network. This increase added 3% to rates for 2019/20.

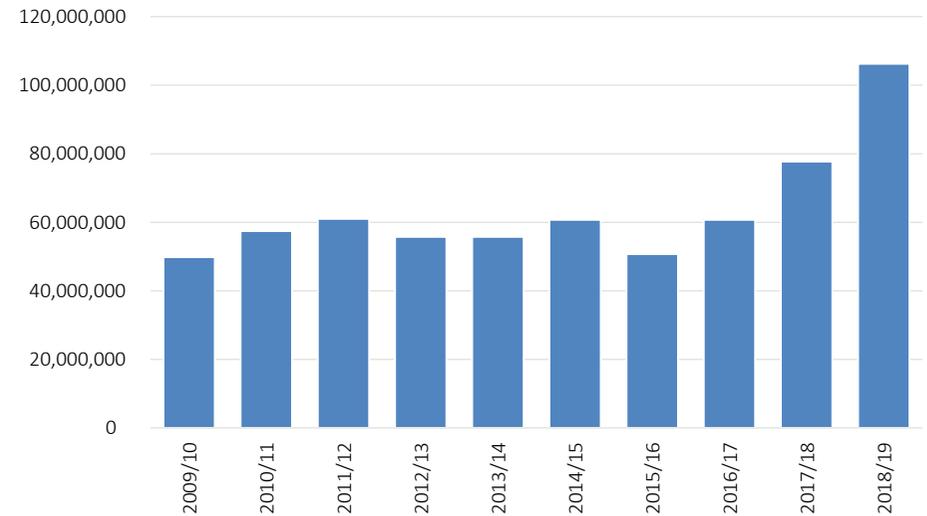
Rate increases



Debt

Core external debt increased this year by \$28.5 million to \$106.2 million, still below that budgeted in the 2018-28 Long Term Plan. With major projects underway in 2018/19 including the Opera House and Municipal Building strengthening and upgrades, and the continuing implementation of the water supply transition to a treated water supply network, debt levels have increased as expected. The 2018-28 Long Term Plan has increases projected with debt expected to peak at \$169 million by 2022.

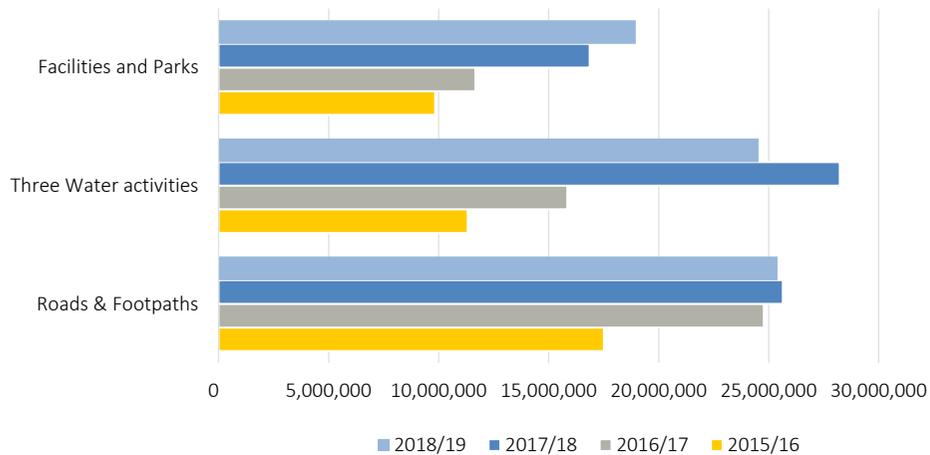
External debt



Capital projects

Council invested \$69.9 million (\$71.3 million last year) on capital projects during the year.

Capital expenditure



Of the capital expenditure incurred in the 2018/19 year, \$34.1 million was spent on replacing existing assets (renewals), \$25.4 million on improving the level of service offered to the community, and \$10.4 million meeting additional demands being put on the community through growth.



Key initiatives and projects





OUR
ENVIRONMENT

Water



Good progress on upgrading and future-proofing the district's drinking water supplies has been made over the last year.

In the 2018-2028 Long Term Plan, \$47.5 million was committed over four years to build new infrastructure, install ultraviolet and chlorine treatment for all drinking water supplies, improve source protection, increase water storage and establish new water sources.

To date the new bore and treatment upgrade at Wilson Road, Flaxmere, is complete, as is the 4.8km pipework for the Hastings-Havelock North trunk water main. This is a critical part of Council's drinking water strategy, designed to improve reliance, capacity and flexibility into the water supply network. Work has begun on the second part of this project, the Havelock North booster pump station.

Hastings urban water treatment upgrades are continuing and a contract to carry out the work for the small community (Clive, Te Awanga/Haumoana, Whakatu, Waimarama, Waipatiki and Whirinaki) water supply upgrades has been negotiated. This work is programmed through to mid-2020.

Investing in drinking water is a key priority for Council in order to meet community expectations, drinking water standards and likely changes to national standards around safe drinking water.



Whakatu & Bridges



Te Ara Kahikatea – Whakatu Arterial Link

Completed ahead of schedule on December 19, 2018, the Whakatu Arterial Link Route, since renamed Te Ara Kahikatea, is now taking 9,000 vehicles per day and fulfilling its aim to improve community safety by removing heavy traffic from residential routes.

Costing \$25.2 million, (61 per cent of which was funded by Central Government) this roading project was the largest Hawke's Bay had seen since the building of the Napier-Hastings Expressway in 2002.

A key feature of this project was the engagement with the community right from the beginning design stages, to ensure the public knew what was happening and why, and to keep people updated with progress.

That meant genuinely starting with a blank page, with only two proposed end-points for the new road, and then working closely with stakeholders and communities of interest throughout the design process, building relationships and trust along the way.

The collaboration extended beyond the design phase – the community was involved throughout construction, including having input on archaeological finds and being able to ask construction managers questions.

Finally, a collaborative approach was taken for naming the new road, with several options considered before deciding on the final name – Te Ara Kahikatea – reflective of the cultural significance of the area.

Bridges

Investigations and design works continue on several bridges across the district to upgrade and strengthen them to comply with new Government rules on the dimensions and weight limits for vehicles on New Zealand roads.

Five bridges (Blacks, Tois, Kawera, Red and Willowford) have been completed.

In addition, Kereru Road, Waitara Road, Taihape Road (south of Kuripapango) and Te Ara Kahikatea have been opened up to heavier vehicles.





OUR
ECONOMY

Industrial Zones & City Centre

Industrial zones

The delivery of infrastructure services and roading improvements into the Irongate and Omahu industrial zones is continuing in order to meet growing demand.

This includes the Irongate Road upgrade, work on which has begun, and two subdivision consents (one for more than seven hectares and one for more than eight hectares) that have recently been granted in the Irongate area.

In addition, two consents are currently being processed for large coolstores, packhouses and potential RSE accommodation in the Irongate area.

Interest in subdivision and expansion of existing businesses within the Omahu area remains strong, with the zone predicted to provide about 1,250 jobs once it's fully operational.

City Centre development

Hastings' city centre is to welcome a new 35-room apartment-style hotel in a vacant building behind the Hawke's Bay Opera House, Municipal Building and Plaza.

Wallace Development Company Ltd will construct the \$8 million hotel, which will be operated by Quest Apartment Hotels – NZ, the largest provider of serviced apartment-style accommodation in New Zealand.

For 10 years, Council has been working to secure a hotel in the central city, and the development is expected to help increase economic activity and attract leisure and corporate visitors to the district to enjoy its tourism, hospitality and business offerings.





Greenfield sections

Lyndhurst & Waingakau Village

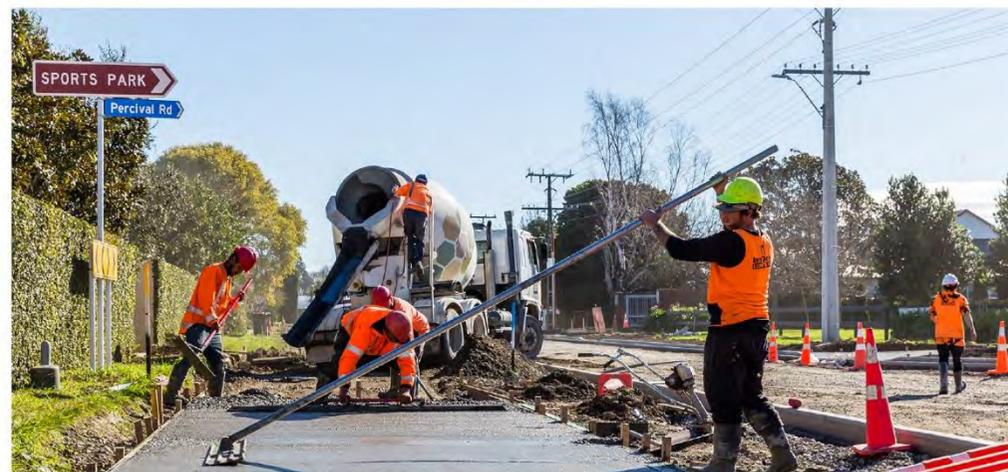
Development activity continues to bring greenfield sections to market, and district plan initiatives are underway aimed at increased residential activity in the city centre and allowing for increased RSE (Recognised Seasonal Employer) worker accommodation.

While the focus continues to centre on Lyndhurst, Howard Street and Iona residential zones, other greenfield developments are underway or in the planning stage.

This includes granting consent to create 13 residential lots within the Waingakau Village in Flaxmere, the construction of 39 residential lots at Arataki and the building of 29 residential lots at Northwood.

Consents have also been granted for lifestyle and coastal residential developments from Maraekakaho to Clive to Tangoio.

Council is looking at options to make it easier to build RSE accommodation, as well as people being able to live on the first floor of buildings in the Hastings city centre.





Opera House, & Laneways & Reserves



Enjoying our city centre

Progress on construction of the Hawke's Bay Opera House precinct has been steady with the Opera House and Plaza set to open in February 2020, followed by the Municipal Building in 2021.

A strategic plan has been confirmed for 2019 to 2021 setting out a roadmap for how to achieve the aspiration to make the precinct a leading national performing arts venue as well as encouraging growth in events and conferences, creating a sense of community and being a gathering place for residents and visitors.

Work to revitalise the inner city under the banner of Hastings Alive! has begun including the Eastbourne Street upgrade that comprises new footpaths, lighting and more trees.

More laneway connections through the Hastings shopping precinct are proposed with Council's purchase of two buildings in the 200 block west, including the former Hawke's Bay Farmers Co-op Garage at 206 Queen Street West.

This development will enable a new laneway, new commercial tenancies, a new public carpark, a pocket park and connections between Heretaunga Street West and Queen Street West.

A new laneway has been built on Heretaunga Street West providing pedestrian access between the main street and an off-street carpark, as well as an attractive place to relax.

Enjoying our reserves

Our reserves, parks and playgrounds are important assets for the wellbeing of our community and many have had upgrades over the last year.

At Kirkpatrick Park, a full-size basketball court, new playground equipment, free double barbecue and family-sized picnic tables were installed, and a half basketball court was built at William Nelson Park.

Hugh Little Park and Sunderland Park playgrounds in Flaxmere both had upgrades to their play equipment, and new toilet blocks were built at Haumoana Domain and Bill Mathewson Park.

New exercise equipment has been installed at Flaxmere Park and Anderson Park.



OUR
PEOPLE

Community Plans & Youth Employment



From supporting communities to empower themselves to providing opportunities for youth, a lot of work has been undertaken to grow, inspire and improve the wellbeing of Hastings residents over the last year.

Across the district, communities have been getting together to create community plans, with Anderson Park and Flaxmere West the newest to be endorsed by Council, adding to the 12 already in place.

These plans reflect the unique needs and aspirations of individual communities, and some achievements this year include: improvements to Bill Mathewson Park changing rooms and a new toilet block, unveiling of the first sculpture along the Cape Coast Arts and Heritage Trail, and a breakfast club for kids and Kori Tinana (physical activity) programme at the Camberley Community Centre.

Thanks to government funding Council secured from the He Poutama Rangatahi fund, Council's youth connectors continue to engage with rangatahi and assist them into employment, education or training. At the same time, doors to employers have opened and pastoral care provided to rangatahi.

The Rangatahi Ma Kia Eke youth employment project entered its second year, providing young people who have health conditions or a disability, access to project-based work and on-the-job training to prepare them for employment while being supported by our youth connectors and the project sponsors.

Twenty-five rangatahi went through the programme last year and the contract for this year has seen another 15 young people benefitting.

There has also been significant engagement with young people through the Hastings Youth Council, the members of which have enthusiastically embraced their role – from being involved in a highly successful and visible Youth Week which included 14 events, to holding pop-up events gathering the views of other young people on their vision for the district.



ities



This section shows how we have performed financially in delivering the work programme for 2018/2019.

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

- 2018/19 represents the fourth year of reporting against mandatory performance measures, with most measures achieved against target.
- The provision of safe drinking water is the Council's number one priority. A variety of projects were commenced during the year as detailed in the 'Our Reporting Framework' section in this document. The Council's \$47.5 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.

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 2018/19.

Roads

- The majority of the mandatory performance measures for roads and footpaths were achieved against target in 2018/19.
- The Te Ara Kahikatea arterial road was completed during the year.
- A number of further walking and cycling projects were completed as outlined within the key actions section of Council's performance framework titled 'Our Operating Framework'.
- The Council's bridge strengthening project is on track with a number of additional bridges strengthened in 2018/19.

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:		LTP Council 2018	LTP Council 2019	Actual Council 2019	Variance
Water & Roads	Notes	\$'000	\$'000	\$'000	\$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		19,743	19,965	20,440	475
Targeted Rates		13,647	17,335	15,918	(1,417)
Subsidies and grants for operating purposes		5,391	5,795	7,091	1,296
Fees and charges		4,089	3,353	5,010	1,675
Internal charges and overheads recovered		6,941	9,560	10,913	1,353
Local Authorities fuel tax, fines , infringement fees and other receipts		174	195	672	477
Total operating funding (A)		49,985	56,202	60,044	3,842
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		18,806	23,080	25,478	(2,399)
Finance costs		3,960	4,147	3,330	817
Internal charges and overheads applied		10,763	14,271	16,046	(1,775)
Other operating funding applications		42	43	33	10
Total applications of operating funding (B)		33,571	41,541	44,993	(3,452)
Surplus (deficit) of operating funding (A-B)		16,414	14,661	15,051	390
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		7,310	9,848	11,306	1,457
Development and financial contributions		5,776	6,382	6,554	172
Increase (decrease) in debt		(1,551)	34,697	15,598	(19,099)
Gross proceeds from sale of assets		121	38	78	40
Lump sum contributions		319	300	195	(105)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		11,975	51,266	33,731	(17,535)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		5,732	10,657	10,036	621
To improve the level of service		6,436	31,677	20,600	11,077
To replace existing assets		15,817	23,593	19,301	4,292
Increase (decrease) in reserves		404	-	(1,155)	1,155
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		28,389	65,926	48,782	17,144
Surplus (deficit) of capital funding (C-D)		(16,414)	(14,661)	(15,051)	(390)
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 2018 \$'000	LTP Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		73	81	77	(3)
Targeted Rates	1	5,464	9,413	8,062	(1,351)
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges	2	833	303	1,310	1,008
Internal charges and overheads recovered		2,396	4,184	4,326	143
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	120	120
Total operating funding (A)		8,766	13,981	13,895	(86)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	3	3,767	7,046	7,489	(443)
Finance costs	4	835	1,334	1,047	287
Internal charges and overheads applied		1,789	3,060	3,266	(206)
Other operating funding applications		9	5	10	(5)
Total applications of operating funding (B)		6,400	11,445	11,812	(367)
Surplus (deficit) of operating funding (A-B)		2,366	2,536	2,083	(453)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions	5	1,317	1,755	1,570	(184)
Increase (decrease) in debt	4	751	20,086	11,895	(8,191)
Gross proceeds from sale of assets		77	18	49	31
Lump sum contributions		-	-	18	18
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		2,146	21,859	13,532	(8,327)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	6	2,511	300	2,182	(1,882)
To improve the level of service	7	626	22,194	12,115	10,079
To replace existing assets	8	1,376	1,900	2,018	(118)
Increase (decrease) in reserves	9	-	-	(699)	699
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		4,511	24,394	15,615	8,780
Surplus (deficit) of capital funding (C-D)		(2,366)	(2,536)	(2,083)	453
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		2,283	2,474	2,624	(117)

Key Financial variances

Significant Operating variances

1. Offsetting LTP variance between targeted rates and water meter charges.
2. Water supply targeted rates and water meter charges are higher than planned in the LTP (especially industrial). There is an offsetting LTP variance between targeted rates and water meter charges.
3. Payments to staff and suppliers are higher than LTP due to increased water quality monitoring, investigations and impact of the water charge programme.
4. Finance Costs and Debt are lower than LTP due to capital projects timing and lower interest rates.

Significant asset acquisitions or replacements and other variances

5. Development Contributions revenue is less than LTP due to development projects timing.
6. Capital growth expenditure is less than LTP due to timing of Lyndhurst and Omaha developments.
7. Capital Expenditure to improve the level of service is lower than LTP due to the timing of water supply infrastructure improvements.
8. Capital Expenditure to replace additional assets is higher than LTP due to water supply infrastructure improvements since the Havelock North water incident.
9. Reserve funding has been used for capital infrastructure projects.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS:		LTP 2018/19	Actual Council 2019	Variance
Water Supply	Notes	\$'000	\$'000	\$'000
CAPITAL EXPENDITURE				
Meet additional demand		300	2,182	(1,882)
Improve level of service		22,194	12,115	10,079
To replace existing assets		1,900	2,018	(118)
Total capital expenditure		24,394	16,315	8,079

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS:		LTP 2018/19	Actual Council 2019	Variance
Water Supply	Notes	\$'000	\$'000	\$'000
Stage 1A Water	1	7,100	9,229	(2,129)
Stage 1B Water	2	6,000	338	5,662
Small Supplies	3	2,750	1,648	4,202
Stage 1C Water	4	3,000	209	2,791
Other Projects		350	724	(255)
Havelock Hills – Storage and Pumping		300	-	300
Backflow Prevention		257	403	(146)

1. Carried forward budget from prior year.
2. Timing change with project happening later than planned in LTP.
3. Timing change with projects happening later than planned in LTP.
4. Timing change with projects happening later than planned in LTP.

FUNDING IMPACT STATEMENT:					
Stormwater Drainage	Notes	LTP Council 2018 \$'000	LTP Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		2,993	2,948	2,808	(141)
Targeted Rates		114	16	16	-
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges		103	41	97	56
Internal charges and overheads recovered		15	14	14	-
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	62	62
Total operating funding (A)		3,225	3,019	2,997	(22)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers		668	673	604	70
Finance costs	1	715	689	541	149
Internal charges and overheads applied		674	1,011	1,099	(88)
Other operating funding applications		11	12	4	8
Total applications of operating funding (B)		2,068	2,386	2,248	137
Surplus (deficit) of operating funding (A-B)		1,157	634	749	115
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		1,301	-	-	-
Development and financial contributions		2,304	694	667	(27)
Increase (decrease) in debt	1	-	3,512	(641)	(4,154)
Gross proceeds from sale of assets		-	-	-	-
Lump sum contributions		-	-	10	10
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		3,605	4,206	36	(4,170)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	2	2,314	3,039	1,299	1,740
To improve the level of service	3	1,623	1,450	743	707
To replace existing assets	4	825	351	72	279
Increase (decrease) in reserves	5	-	-	(1,329)	1,329
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		4,762	4,840	785	4,055
Surplus (deficit) of capital funding (C-D)		(1,157)	(634)	(749)	(115)
Total funding balance (A-B) + (C-D)					
Group depreciation and amortisation		2,897	2,850	3,716	(866)

Key Financial variances

Significant Operating variances

1. Finance Costs & Debt are lower than LTP due to capital projects timing and lower interest rates than forecast.
2. Hastings Stormwater growth projects (Lyndhurst, Omahu) did not progress as planned and were less than LTP.
3. Capital costs were lower than LTP due to timing of Lyndhurst Bulk Services Portion 1, Iona-Middle and Charlton Rd projects.
4. Capital costs were lower than LTP due to timing of Collection Network renewals.
5. Some reserve funding has been utilised for infrastructure projects.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Stormwater Disposal		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
CAPITAL EXPENDITURE				
Meet additional demand		3,039	1,299	1,740
Improve level of service		1,450	743	707
To replace existing assets		351	72	279
Total capital expenditure		4,840	2,114	2,726

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Stormwater Disposal		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
Lyndhurst Development Stage II	1	2,315	1,141	1,174
Iona-Middle Road	2	500	3	497
Te Awanga Project		350	13	337
Howard Street		200	43	157
Other Havelock Streams		205	-	205
Planned Renewals		150	19	131
Water Services Quality Improvements		120	34	86
Reactive Renewals		105	-	105

1. Lyndhurst project timing later than in LTP.
2. Project commencing later than planned in LTP.

FUNDING IMPACT STATEMENT:		LTP Council 2018	LTP Council 2019	Actual Council 2019	Variance
Sewerage and the treatment and disposal of sewerage		Notes	\$'000	\$'000	\$'000
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		510	460	417	(44)
Targeted Rates (other than a targeted rate for water supply)		7,728	7,526	7,452	(74)
Subsidies and grants for operating purposes		-	-	-	-
Fees and charges	1	1,875	1,719	1,893	173
Internal charges and overheads recovered		2,282	2,583	2,582	(1)
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	112	112
Total operating funding (A)		12,395	12,289	12,456	168
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	2,779	2,509	2,660	(151)
Finance costs	3	1,341	1,198	994	204
Internal charges and overheads applied		3,690	4,958	5,201	(243)
Other operating funding applications		16	15	6	8
Total applications of operating funding (B)		7,826	8,680	8,861	(181)
Surplus (deficit) of operating funding (A-B)		4,569	3,609	3,595	(14)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		853	1,516	1,512	(4)
Increase (decrease) in debt	3	(1,250)	7,424	684	(6,740)
Gross proceeds from sale of assets		-	-	-	-
Lump sum contributions	4	261	244	167	(77)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		(136)	9,184	2,363	(6,821)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	5	982	3,630	2,187	1,443
To improve the level of service	6	998	175	432	(257)
To replace existing assets	7	2,453	8,988	3,491	5,497
Increase (decrease) in reserves	8	-	-	(151)	151
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		4,433	12,793	5,958	6,835
Surplus (deficit) of capital funding (C-D)		(4,569)	(3,609)	(3,595)	14
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		5,920	6,288	7,029	(789)

Key Financial variances

Significant Operating variances

1. Industrial Wastewater revenue is higher than planned in LTP.
2. Effluent Disposal Contracted Services costs (preventative and reactive maintenance) are higher than planned in LTP.
3. Finance Costs and Debt are lower than LTP due to timing of capital projects and lower interest rates.

Significant asset acquisitions or replacements and other variances

4. Private works contributions are lower than budgeted.
5. Capital Expenditure to meet additional demand is lower than LTP due to timing of Omahu Road, Iona-Middle Road and Howard Street developments.
6. Capital Expenditure to improve the level of service is higher than LTP due to the timing of Lyndhurst Bulk Services projects.
7. Capital Expenditure for renewals is lower than LTP due to the timing of Outfall Manifold and Trunk Sewer projects.
8. Funding from the Effluent Disposal reserve was used to fund capital infrastructure projects.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
CAPITAL EXPENDITURE				
Meet additional demand		3,630	2,187	1,443
Improve level of service		175	432	(257)
To replace existing assets		8,988	3,491	5,497
Total capital expenditure		12,793	6,109	6,684

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Sewerage and the treatment and disposal of sewerage	Notes	LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
Trunk Sewers	1	2,000	313	1,687
Outfall	2	2,100	291	1,809
Park Road System Upgrade		1,500	1,120	380
Iona-Middle Road	3	1,380	31	1,349
Omahu Industrial Development		1,000	1,318	(318)
Howard Street		800	215	585
Rising Mains		750	35	715
Wastewater Treatment Plant		410	297	113
Stage I Water		650	244	406
Reactive Renewals		310	254	56

1. Project happening later than in LTP.
2. Project happening later than in LTP.
3. Project happening later than in LTP.

FUNDING IMPACT STATEMENT: Roads and Footpaths		LTP Council 2018 \$'000	LTP Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes				
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		16,167	16,475	15,899	(578)
Targeted Rates		341	380	387	8
Subsidies and grants for operating purposes	1	5,391	5,795	7,091	1,296
Fees and charges	2	1,278	1,290	1,711	421
Internal charges and overheads recovered		2,248	2,779	3,991	1,212
Local Authorities fuel tax, fines, infringement fees and other receipts	1	174	195	378	183
Total operating funding (A)		25,599	26,914	29,457	2,541
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	3	11,592	12,851	14,831	(1,980)
Finance costs		1,069	926	748	178
Internal charges and overheads applied		4,610	5,243	6,480	(1,238)
Other operating funding applications		6	12	12	-
Total applications of operating funding (B)		17,277	19,031	22,071	(3,039)
Surplus (deficit) of operating funding (A-B)		8,322	7,883	7,386	(498)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	4	6,009	9,848	11,306	1,457
Development and financial contributions	5	1,301	2,418	2,805	387
Increase (decrease) in debt		(1,052)	3,674	3,660	(14)
Gross proceeds from sale of assets		44	20	29	9
Lump sum contributions	6	58	56	-	(56)
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		6,360	16,016	17,800	1,784
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand	7	(75)	3,688	4,368	(680)
To improve the level of service		3,189	7,858	7,311	547
To replace existing assets	8	11,163	12,354	13,719	(1,366)
Increase (decrease) in reserves		405	-	(212)	212
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		14,682	23,899	25,186	(1,286)
Surplus (deficit) of capital funding (C-D)		(8,322)	(7,883)	(7,386)	498
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		13,903	13,459	14,041	(541)

Key Financial variances

Significant Operating variances

1. Subsidies revenue is higher than LTP due to the timing of NZTA subsidies for maintenance including sealed pavements.
2. Fees revenue is higher than LTP due to parking and WOF infringements.
3. Payments to staff and suppliers are higher than LTP due to: September 2018 flooding, pavement maintenance, Cape Kidnappers QRA.

Significant asset acquisitions or replacements and other variances

4. NZTA Subsidies are higher than LTP due to the timing of Iona-Middle, Lyndhurst, Irongate and other roading projects.
5. Development contributions are higher than LTP due to growth project timing.
6. No private works contributions were received.
7. Capital expenditure is higher than LTP due to previously deferred projects: Irongate, Lyndhurst and Arataki subdivisions proceeding.
8. Capital Works to replace existing assets are higher than LTP due to the accelerated LED streetlight programme being brought forward.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Roads and Footpaths		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
CAPITAL EXPENDITURE				
Meet additional demand		3,688	4,368	(680)
Improve level of service		7,858	7,311	547
To replace existing assets		12,354	13,719	(1,365)
Total capital expenditure		23,900	25,398	(1,498)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Roads and Footpaths		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
Irongate Industrial Development	1	3,599	1,428	2,171
Whakatu Arterial	2	3,513	2,475	1,039
Footpath Renewals		704	383	321
Subdivision Support – Development Response		50	60	(10)
Laneways Project		1,000	919	81
Other Projects		593	357	236

1. Irongate project later than in LTP.
2. Whakatu final spend later than in LTP.

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 (86%) of the levels of service for this group of activities were achieved or substantially achieved.
- Waste measures in respect of recyclables diverted from landfill and decreased organic waste going to landfill are on track to meet future targets.
- The Splash Planet facility exceeded its visitor number target for the year.
- Earthquake strengthening of the Opera House made further progress during the year with an estimated opening in February 2020 along with the redeveloped plaza area.
- Enhancements on key reserves included Flaxmere Park playscape enhancements and enhancements of Cape Coast reserves for parking, camping and recreation.
- Anderson Park changing rooms were replaced and Bill Mathewson Park changing rooms were strengthened in 2018/19.

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 2018/19. The Council is also accredited under the ISO9000:2001 standard which is adhered to.

FUNDING IMPACT STATEMENT: Safe, Healthy and Liveable Communities		LTP Council 2018 \$'000	LTP Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes				
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		29,109	30,259	30,699	440
Targeted Rates		1,302	1,706	1,659	(47)
Subsidies and grants for operating purposes		54	93	86	(7)
Fees and charges	1	16,714	19,032	20,157	1,125
Internal charges and overheads recovered	2	25,358	26,522	20,170	(6,352)
Local Authorities fuel tax, fines, infringement fees and other receipts		84	89	230	141
Total operating funding (A)		72,621	77,702	73,001	(4,700)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	3	33,148	35,961	38,469	(2,508)
Finance costs		2,514	1,400	1,415	(15)
Internal charges and overheads applied		26,737	29,608	23,916	5,692
Other operating funding applications	4	1,375	2,583	4,376	(1,793)
Total applications of operating funding (B)		63,774	69,553	68,176	1,376
Surplus (deficit) of operating funding (A-B)		8,847	8,149	4,825	(3,324)
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure	5	363	916	1,273	358
Development and financial contributions		549	800	811	12
Increase (decrease) in debt	6	(1,614)	8,062	10,046	1,984
Gross proceeds from sale of assets	7	459	292	1,935	1,643
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		(243)	10,069	14,065	3,995
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		82	235	343	(108)
To improve the level of service	8	3,874	6,593	4,771	1,822
To replace existing assets	9	4,646	11,391	13,847	(2,457)
Increase (decrease) in reserves	10	2	-	(71)	70
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		8,604	18,219	18,890	(671)
Surplus (deficit) of capital funding (C-D)		(8,846)	(8,149)	(4,825)	3,324
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		4,733	5,432	5,773	(341)

Key Financial variances

Significant Operating variances

1. Fees and Charges are higher than LTP due to: Opera House Insurance proceeds, Cape Coast donations, Resource and Building consent volumes.
2. Parks maintenance is now outsourced to an external provider rather than provided internally.
3. Parks maintenance is now outsourced to an external provider rather than provided internally). High Building Control, Environmental consents & policy costs, Opera House costs and other Community Facilities costs.
4. Costs are higher than LTP due to the timing of grants to the HB Community Fitness Trust, Te Mata Peak Land Purchase and Te Mata Peak Carpark.

Significant asset acquisitions or replacements and other variances

5. Capital funding is higher than LTP due to HB Opera House strengthening grants.
6. Debt has increased by more than LTP due to the timing of Opera House and EMO Building projects.
7. Asset sale proceeds are higher than LTP due to selling Flaxmere Land and Maintenance Group plant and equipment.
8. Capital costs are higher than LTP due to the timing of Building Services and Landfill Development projects.
9. Capital costs are higher than LTP due to the timing of the Opera House and Municipal Building strengthening.
10. Some reserve funding has been utilised to fund infrastructure projects.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Safe Healthy and Liveable Communities		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
CAPITAL EXPENDITURE				
Meet additional demand		235	343	(108)
Improve level of service		6,593	4,771	1,822
To replace existing assets		11,391	13,847	(2,456)
Total capital expenditure		18,219	18,961	(742)

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Safe Healthy and Liveable Communities		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000	
	Notes				
MAJOR PROJECTS					
Landfill Valley Development	1	1,639	638	1,001	1. Development delayed due to change in capacity.
Municipal Building Strengthening	2	3,000	1,922	1,078	2. Project taking place later than planned in LTP.
Opera House Strengthening	3	2,500	5,717	(3,217)	3. Budget carried forward from prior periods.
CBD and Suburban Re-development – Misc Parks	4	985	261	724	4. Project happening later than in LTP.
Cornwall Park Premier Playground		300	34	266	
Civic Square		250	8	242	
WMMP Projects		250	-	250	
Various New Toilets		220	29	191	
Cornwall Park RMP Implementation		195	262	(67)	
All Parks Irrigation Upgrading		186	225	(39)	
Lyndhurst – Stage II Reserve Purchase		150	-	150	
Splash Planet Attractions		100	-	100	
Playground Upgrades		100	108	(8)	
Raureka Local Parks RMP		100	7	93	
Flaxmere Park RMP Implementation		90	442	(352)	
Lyndhurst Playground		85	-	85	
Landfill Forest		-	40	40	
Cape Coast RMP		80	279	(199)	
Tainui RMP Implementation		40	44	(4)	
Flaxmere Local Parks RMP		25	1	24	
Frimley Park RMP Implementation		15	12	3	
Waimarama RMP Implementation		15	60	(45)	
General		1,270	1,572	(302)	

Economic and Community Development

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

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

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

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

- The Irongate and Omaha industrial areas have seen steady development activity this year with three significant new developments approved for Irongate, two in Omaha and more in the pipeline for both areas. Landowners and Council Officers coordinated to address development needs during the rebuild of Irongate Road East.
- Flaxmere West and Anderson Park Community Plans were endorsed by Council in 2018/2019.
- Economic development activity was focused particularly on business attraction through a range of initiatives during the year.
- A range of social programmes with particular focus on helping young people into jobs continued during the year along with a successful funding application to extend the Youth Connector programme, a new Whanau Connector and Employer Connector.
- In terms of tourism and visitor attraction, Splash Planet exceeded its visitor number target for the year with a total of 113,347 visitors. Council's i-Sites, collectively, received 58,556 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		LTP Council 2018 \$'000	LTP Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes				
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		6,903	6,380	7,115	735
Targeted Rates		269	341	339	(1)
Subsidies and grants for operating purposes	1	-	50	533	483
Fees and charges		345	443	513	70
Internal charges and overheads recovered	2	106	25	585	560
Local Authorities fuel tax, fines, infringement fees and other receipts		-	-	2	2
Total operating funding (A)		7,623	7,239	9,087	1,848
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	5,771	4,958	5,698	(740)
Finance costs		75	19	16	3
Internal charges and overheads applied	2	1,237	1,401	1,571	(170)
Other operating funding applications		484	1,053	1,020	33
Total applications of operating funding (B)		7,567	7,431	8,305	(874)
Surplus (deficit) of operating funding (A-B)		56	(192)	782	974
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		-	-	-	-
Increase (decrease) in debt	3	(44)	237	11	(226)
Gross proceeds from sale of assets		45	20	-	(20)
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		1	257	11	(246)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	25	(25)
To replace existing assets		58	65	29	36
Increase (decrease) in reserves	4	(1)	-	739	(739)
Increase (decrease) of investments		-	-	-	-
Total applications of capital funding (D)		57	65	793	(728)
Surplus (deficit) of capital funding (C-D)		(56)	192	(782)	(974)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		53	63	63	-
FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Economic and Community Development		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000	
	Notes				
Plant Machinery and Vehicles Renewals		65	29	36	

Key Financial variances

Significant Operating variances

- Grant revenue is higher than LTP due to additional He Poutama Rangatahi & Youth employment funding.
- The Communications Department has been restructured into Marketing, transferring from Government and Support to Economic and Development, Great Things Grow Here costs are higher than LTP.

Significant asset acquisitions or replacements and other variances

- Lower than expected external debt requirement.
- Some contribution to reserves has been made.

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 16,341 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 and Mana Whenua](#)' outlines the activities undertaken during 2018/19 to establish and maintain processes to provide opportunities for mana whenua to exercise partnership in decision making.



FUNDING IMPACT STATEMENT: Governance and Support		LTP Council 2018 \$'000	LTP Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes				
SOURCES OF OPERATING FUNDING					
General Rates, uniform annual general charge, rates penalties		2,741	3,241	2,415	(826)
Targeted Rates		(165)	(1,840)	-	1,840
Subsidies and grants for operating purposes				6	6
Fees and charges		124	97	425	328
Internal charges and overheads recovered	1	11,673	14,471	14,427	(44)
Local Authorities fuel tax, fines , infringement fees and other receipts		644	646	729	83
Total Operating Funding (A)		15,017	16,616	18,002	(453)
APPLICATIONS OF OPERATING FUNDING					
Payments to staff and suppliers	2	10,818	12,389	11,721	668
Finance costs		51	55	76	(21)
Internal charges and overheads applied		3,931	4,242	4,302	(60)
Other operating funding applications	3	843	1,120	1,237	(117)
Total applications of operating funding (B)		15,644	17,806	17,336	470
Surplus (deficit) of operating funding (A-B)		(626)	(1,191)	666	1,857
SOURCES OF CAPITAL FUNDING					
Subsidies and grants for capital expenditure		-	-	-	-
Development and financial contributions		-	-	-	-
Increase (decrease) in debt	4	133	1,396	482	(914)
Gross proceeds from sale of assets		74	69	57	(12)
Lump sum contributions		-	-	-	-
Other dedicated capital funding		-	-	-	-
Total sources of capital funding (C)		207	1,465	539	(926)
APPLICATIONS OF CAPITAL FUNDING					
Capital expenditure					
To meet additional demand		-	-	-	-
To improve the level of service		-	-	36	(36)
To replace existing assets		949	1,277	1,218	59
Increase (decrease) in reserves	5	(1,400)	(2,000)	(403)	(1,597)
Increase (decrease) of investments		32	997	354	643
Total applications of capital funding (D)		(419)	274	1,205	(931)
Surplus (deficit) of capital funding (C-D)		626	1,191	(666)	(1,857)
Total funding balance (A-B) + (C-D)		-	-	-	-
Group depreciation and amortisation		739	747	840	(93)

Key Financial variances

Significant Operating variances

1. Government & Support operating costs are recovered by internal charge across Council.
2. Communications Department has been restructured into Marketing, transferring from Government and Support into Economic and Development.
3. Costs are higher than LTP due to HB Arts Festival funding (continuation of this event not planned for in LTP).

Significant asset acquisitions or replacements and other variances

4. Lower than expected external debt requirement.
5. Some contribution to reserves has been made.

FORECAST STATEMENT OF PLANNED CAPITAL WORKS: Governance and Support Services		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
CAPITAL EXPENDITURE				
Meet additional demand			-	
Improve level of service			36	(36)
To replace existing assets		1,277	1,218	59
Total capital expenditure		1,277	1,254	23

FORECAST STATEMENT OF MAJOR CAPITAL PROJECTS: Governance and Support Services		LTP 2018/19 \$'000	Actual Council 2019 \$'000	Variance \$'000
	Notes			
Document Management System (DMS)	1	300	41	259
PC Replacements		158	198	(39)
Hastings Library		90	4	86
Mobile Device Replacements		50	-	50
Laptop Replacements		48	43	5
MFD Replacements		18	27	(9)

1. Project happening later than budgeted in LTP.



**Exercising partnership –
Council and Mana Whenua**

Exercising partnership – Council and Mana Whenua

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

Kei ngā mana, kei ngā reo, kei ngā pari kārangaranga o tēnā pito, o tēnā takiwā, 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 hāpori 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.

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, anei anō te maioha ki a koutou, otirā, ki a tātau katoa.

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

The 2018/2019 year has been a significant year of growth and learning for the Hastings District Council with respect to exercising partnership and engaging relationships with mana whenua across the district. There have been significant learnings for Council about engaging in genuine and meaningful partnership relationships with mana whenua that have stemmed from the Craggy Range track. With the benefit of hindsight, the track resource consent issued by Council in August 2017 failed to exercise partnership. Consequently, much has been learned about the importance of engaging mana whenua in conversations, dialogue and relationships as partners; not stakeholders. These learnings have been huge for Council staff where a Council decision made about the outstanding natural landscape commonly known as Te Mata Peak but by a range of

names to mana whenua that include, Te Matā, Te Mata, Te Mata o Rongokako, and Te Karanemanema o Te Mata o Rongokako, has ironically but rightfully so, provided the learning curve for Council.

During 2018/19 the Council provided the following opportunities for mana whenua to exercise partnership in decision making:

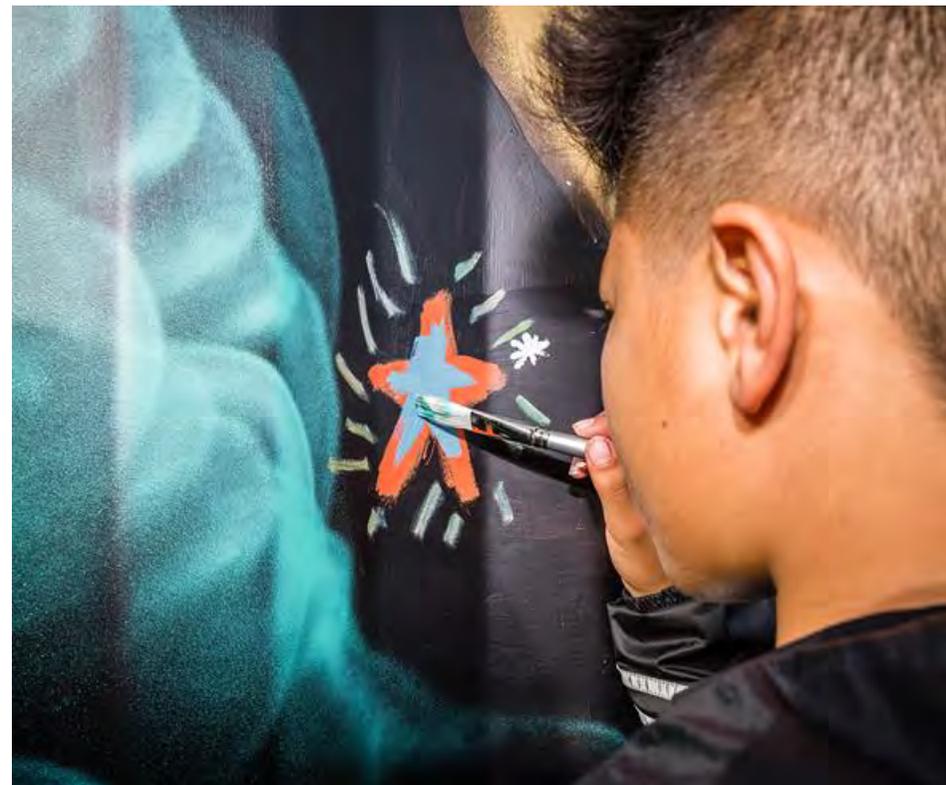
- **The roles of Pou Ahurea Matua** – Principal Advisor Relationships, Responsiveness and Heritage and Pou Ahurea – Advisor Relationships, Responsiveness and Heritage have continued to engage with multiple layers and contexts across our wide and diverse community. Relationship building with mana whenua and community to enhance strategic relationships between whānau, marae, hapū, taiwhenua, Post Settlement Governance Entities (PSGEs) including Ngāti Kahungunu Iwi Incorporated and the Council; and all tāngata whenua in the district is ongoing.
- **The Hastings District Council** – Māori Joint Committee maintains its focus on strategic priorities for mana whenua and tāngata whenua in the district. The committee comprises six mana whenua appointments and six councillors. Mid-way through the year, a significant change at Council occurred after many hui, workshops and rigorous debate where tāngata whenua representation from the Māori Joint Committee was ratified by Council on its four Standing Committees. In March 2019, Council agreed on the appointment of one Committee tāngata whenua member to be appointed to each of the Council's Standing Committees. 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 and mana whenua. 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 Responsiveness Framework;
 - To provide input and advice into the Long Term Plan and the Annual Plan in order to assist Council to effectively consider Māori perspectives and address issues of importance to mana whenua and tāngata whenua; and
 - To assist the Council as appropriate in conducting and maintaining effective, good faith working relationships with mana whenua and tāngata whenua, including advice on governance arrangements.
- Council is intent on providing opportunities for Post Settlement Governance Entities (PSGEs) within the Hastings district, to be engaged in district planning and development, including economic development; to benefit both mana whenua and the community as a whole. The PSGEs that fall within the Hastings district 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.
 - Council continues to encourage the development of Papakāinga housing through effective cross-sectoral engagement with whānau and hapū, Te Puni Kōkiri and the Māori Land Court. Also, the rates remission policy for Māori freehold land takes the establishment of Papakāinga developments into account.
 - The Tangata Whenua Wastewater Committee continues to 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. Council acknowledges the valued contribution made by former Committee members to the wastewater environment including the late Gordon Paku who sadly passed away in 2018.
- The Māori Responsiveness Framework has been refreshed throughout the period and is being reborn as Te Kura Nui, and will allow Council and the Committee to monitor the organisation's cultural responsiveness to Māori; to mana whenua. The key focus moving forward will be the journey towards the collective goal of Council for all staff, and the normalising of cultural responsiveness for all staff in order to recognise our Tiriti o Waitangi partner(s). Te Kura Nui has four key areas:
 - Governance and relationships;
 - Culture and Identity;
 - Prosperity and Wellbeing; and,
 - Resources and Infrastructure.
 - Council is encouraging and supporting the continual development of hapū plans including both hapū / marae plans and hapū community plans. In partnership with mana whenua, Council have recently launched the Waipatu Community Plan, and the Bridge Pā Community Plan is also on target to be completed in the upcoming year.
 - Council's project to establish a framework for the management of the Rene Orchiston harakeke collection located at Longlands has been completed in partnership with the local Māori community. This framework includes provision for mana whenua to:
 - Assist and coordinate Council in thinning out the [overgrown] harakeke and cleaning the site;
 - Create a Ngāti Kahungunu ki Heretaunga weavers' database;
 - Establish guidelines for the management of resources in consultation with mana whenua, marae, hapū, taiwhenua, Ngāti Kahungunu Iwi Incorporated (NKII), Te Rūnanganui o Heretaunga (TROH), Ngā Whenua Rāhui (NWR), and Council officers (HDC);
 - Produce a Kaitiakitanga Booklet (contact database, history of the Rene Orchiston collection, tikanga, kawa, protocols, monitoring and maintenance); and,
 - Provide and advocate policies based on mana whenua and mātauranga Māori.

- This year has also seen the development of the Hastings District Council Te Reo Māori Policy and Action Plan to support the place and use of te reo Māori across the whole Council and its facilities. This policy and action plan will be supported by Te Kura Nui – The Māori Responsiveness Framework with respect to implementation, monitoring and community engagement including working closely with mana whenua partners.
- Council, Ngāti Kahungunu Iwi Incorporated, Te Taiwhenua o Heretaunga, marae, PSGEs and mana whenua, have had to work more closely together in this last year to ensure the inclusive vitality of cultural life across the district; to strengthen partnership relationships and to reinforce Council’s responsiveness to mana whenua kaupapa. In doing so, Council has taken some of its business out to marae where Council retreats (Mangaroa), Executive Lead Team retreats (Waipatu), Council meetings (Waipatu), and Council Hearings (Waimārama) have been held at three of the district’s marae since the beginning of 2019; where the aspiration is to get to more of our marae in the year ahead. Council also formally welcomed its Chief Executive To’osavili Nigel Bickle at Waipatu Marae in February 2019 as he began his role here at Hastings District Council.

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 with a range of mana whenua organisations and 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 mana whenua.

Nō reira, ko Heretaunga haukū-nui, Heretaunga ara-rau, Heretaunga hāro-te-kāhu, Heretaunga-raorao-haumako, Heretaunga-ringahora, Heretaunga takoto noa, nei te Kaunihera ā-Rohe o Heretaunga e mihi ake, e mihi ake, e mihi ake; tihei Heretaunga!





Financial statements

Financial statements

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2019	Notes	Budget Council 2019 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
REVENUE						
72,674	72,674	Rates, excluding metered water supply charges	3	77,388	77,347	77,347
24,394	24,439	Fees, charges and metered water supply charges (i)		23,209	26,487	26,533
24,534	24,702	Subsidies and Grants (ii)		16,699	20,161	21,013
4,711	4,711	Development and financial contributions		7,482	6,989	6,989
630	630	Donations		3	133	133
162	169	Interest revenue (iii)	4	0	534	539
1,733	1,733	Other revenue (iv)	5	646	1,154	1,165
5,131	5,131	Vested infrastructural assets (v)		1,000	4,976	4,976
133,969	134,189	Total revenue		126,427	137,781	138,695
EXPENSES						
81,172	81,292	Operational costs (vi)	6	80,132	89,763	89,678
31,182	31,196	Depreciation and amortisation expense	7	31,338	34,085	34,098
3,680	3,680	Finance costs excluding unrealised loss on swaps (vii)		5,621	4,605	4,605
116,034	116,168	Total expenses		117,091	128,453	128,381
803	803	Unrealised Loss on Swaps (viii)			7,088	7,088
-	121	Share of associate surplus/(deficit)		-	-	107
17,131	17,339	Surplus/(deficit) before tax		9,336	2,240	3,333
-	-	Income Tax expense	8	-	-	-
17,131	17,339	Surplus/(deficit) after tax		9,336	2,240	3,333
Other comprehensive revenue and expense:						
113,512	113,533	Gain/loss on infrastructural revaluations		23,165	42,549	42,549
46,237	46,237	Gain/Loss on land and building revaluations		-	-	24
(501)	(501)	Gain/Loss on other revaluations		-	31	736
159,248	159,270	Total other comprehensive revenue and expense		23,165	42,580	43,309
176,380	176,609	Total comprehensive revenue and expense		32,501	44,820	46,642

The accompanying notes form part of these financial statements.

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

- (i) Fees and charges increase across a number of activities, this is reflective of stronger economic conditions.
- (ii) The increase in New Zealand Transport Agency (NZTA) subsidies is the major factor in the favourable variance.
- (iii) Interest Revenue – Interest on surplus working capital reinvested.
- (iv) Other Revenue – unbudgeted gains from disposal on plant property and equipment and unbudgeted dividends.
- (v) Vested Assets favourable due to increased development.
- (vi) Operational Costs are higher due to increased contracted services.
- (vii) Finance Costs – Lower than budget, as consequence of lower debt levels and favourable interest rates.
- (viii) Unrealised loss on interest rate swaps is due to a fall in floating interest rates during 2018/19.

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Statement of comprehensive revenue and expense for the year ended 30 June 2019	Notes	Budget Council 2019 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
Net Surplus /(Deficit) attributable to:						
17,131	17,339	Hastings District Council		9,336	2,240	3,333
-	-	Minority Interest		-	-	-
17,131	17,339			9,336	2,240	3,333
Total comprehensive revenue and expense attributable to:						
176,380	176,609	Hastings District Council		32,501	44,820	46,642
-	-	Minority Interest		-	-	-
176,380	176,609			32,501	44,820	46,642

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Statement of changes in equity for the year ended 30 June 2019		Budget Council 2019 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
1,844,428	1,850,889	Balance at 1 July		1,828,453	2,020,806	2,027,499
17,131	17,339	Surplus/Deficit		9,336	2,240	3,333
159,248	159,270	Other comprehensive revenue and expense for the year		23,165	42,580	43,309
176,380	176,609	Total comprehensive revenue and expense for the year		32,501	44,820	46,642
2,020,806	2,027,499	Balance at 30 June		1,860,953	2,065,626	2,074,141
Total comprehensive revenue and expense attributable to:						
176,380	176,609	Hastings District Council		32,501	44,820	46,642
176,380	176,609	Total comprehensive revenue and expense		32,501	44,820	46,642

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Statement of financial position as at 30 June 2019	Notes	Budget Council 2019 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
CURRENT ASSETS						
1,640	2,045	Cash & cash equivalents		5,554	2,939	4,235
12,178	12,409	Receivables (i)	9	10,114	12,455	12,586
108	108	Inventory	10	114	55	55
-	-	Non-current assets held for sale		-	-	-
30	263	Short Term Investments		-	31	231
13,956	14,825	Total current assets		15,782	15,480	17,107
NON-CURRENT ASSETS						
Other financial assets						
-	-	Derivative financial instruments	16	-	-	-
1,807	7,775	Investments in associates	11 (a)	1,807	1,747	8,462
150	(87)	Investments in CCO's and similar entities	11 (b)	558	16	-
1,731	1,731	Investment in other entities	11 (b)	1,491	2,460	2,460
3,688	9,419	Total other financial assets		3,856	4,223	10,922
227,220	227,575	Plant, property and equipment	12	203,199	237,623	237,984
1,885,573	1,885,573	Infrastructural assets	12	1,784,644	1,955,062	1,955,062
19	19	Biological Assets	12	-	60	60
127	127	Intangible assets		963	155	159
2,116,627	2,122,713	Total non-current assets		1,992,661	2,197,123	2,204,187
2,130,583	2,137,538	Total assets		2,008,444	2,212,603	2,221,294
LIABILITIES						
Current liabilities						
21,797	22,057	Payables and deferred revenue (ii)	13	15,225	23,578	23,754
2,612	2,612	Employee entitlements	14	2,467	2,444	2,444
93	93	Derivative financial instruments	16	-	2,186	2,186
22,000	22,000	Borrowings and other financial liabilities (iii)	15	12,516	10,000	10,000
46,502	46,762	Total current liabilities		30,208	38,208	38,384
Non-current liabilities						
719	719	Provisions and other non-current liabilities	13	659	800	800
432	432	Employee entitlements	14	480	349	349
6,385	6,385	Derivative financial instruments	16	3,500	11,380	11,380
55,740	55,740	Borrowings and other financial liabilities (iii)	15	112,644	96,240	96,240
63,276	63,276	Total non-current liabilities		117,283	108,769	108,769
109,777	110,038	Total liabilities		147,491	146,977	147,153
2,020,806	2,027,499	Net assets (assets minus liabilities)		1,860,953	2,065,626	2,074,141
Equity						
1,236,678	1,241,279	Accumulated funds	17	1,131,801	1,238,844	1,244,618
3,572	3,572	Restricted Reserves	18	33	3,648	3,648
780,555	782,648	Revaluation Reserves	19	729,119	823,134	825,875
2,020,806	2,027,499	Total equity		1,860,953	2,065,626	2,074,141

The accompanying notes form part of these financial statements.

The major reasons for the variance between actual and budgeted balances at 30 June 2019 were:

- (i) Receivables are higher than budget due to development contributions for the Irongate industrial development.
- (ii) The increase in payables and deferred revenue on budget is due to the timing of major infrastructure projects underway at 30 June 2019.
- (iii) Secured loan levels were lower than budgeted at the end of the financial year due to projects not progressing as originally planned.

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Statement of cash flows for the year ended 30 June 2019	Notes	Budget Council 2019 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
CASH FLOWS PROVIDED FROM OPERATING ACTIVITIES						
Cash was provided from:						
72,870	72,870	Receipts from rates revenue		77,388	77,350	77,350
32,694	32,737	Receipts from customers		31,337	39,640	39,685
162	170	Interest received		-	534	540
175	175	Dividends and commissions received		-	159	159
24,534	24,677	Subsidies and grants received		16,702	20,161	21,062
-	-	GST (net)		-	-	-
130,435	130,629			125,427	137,844	138,796
Cash was applied to:						
83,889	84,006	Payments to suppliers and employees		80,132	93,025	92,963
3,636	3,636	Interest paid		5,621	4,377	4,377
1,394	1,394	GST (net)		-	(960)	(960)
88,919	89,036			85,754	96,442	96,380
41,516	41,593	Net cash flows from operating activities	20	39,673	41,402	42,416
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash was provided from:						
3,373	3,373	Receipts from sale of property, plant and equipment		419	3,210	3,225
-	-	Losses and impairment/revaluation prior year		-	194	354
3,373	3,373			419	3,404	3,579
Cash was applied to:						
67,630	67,630	Purchase of property, plant & equipment and infrastructural assets		85,487	72,008	72,043
-	21	Purchase of investments		997	-	128
67,630	67,651			86,484	72,008	72,171
(64,256)	(64,278)	Net cash flows to investing activities		(86,065)	(68,604)	(68,593)
CASH FLOWS FROM FINANCING ACTIVITIES						
Cash was provided from:						
22,000	22,000	Proceeds from borrowings		52,686	40,501	40,501
Cash was applied to:						
5,001	5,001	Repayment of borrowings		6,295	12,000	12,134
16,999	16,999	Net cash flows from financing activities		46,392	28,501	28,367
(5,742)	(5,688)	Net increase (decrease) in cash, cash equivalents and bank overdraft		-	1,299	2,190
7,383	7,734	Cash, cash equivalents and bank overdraft at the beginning of the year		5,554	1,640	2,045
1,640	2,045	Cash, cash equivalents and bank overdraft at the end of the year		5,554	2,939	4,235
CASH AT END OF YEAR COMPRISES						
1,640	2,045	Cash and cash equivalents		5,554	2,939	4,235

Notes to financial statements

1. Statement of accounting policies

Reporting entity

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

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

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

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

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

The Council also has the following investments in associates:

- Hawke's Bay Airport Limited, a Council Controlled Organisation, 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.
- Omarunui LFG Generation Limited Partnership is an equity-accounted associate in which the Council holds a 40% 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 2019. The financial statements were authorised for issue by Council on 10 October 2019.

Basis of preparation

Statement of compliance

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

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

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

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

Measurement base

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

Functional and presentation currency

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

Changes in accounting policies

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

Interest in other entities

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

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

Financial instruments

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

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

The Council plans to apply this standard in preparing its 30 June 2022 financial statements. The Council and Group 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.

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 2019. The investment has been equity accounted.

The Council's 40% share of the loss from the Omarunui LFG Generation Limited Partnership is recognised in the period which matches the reporting period ending 31 March 2019. The investment has been equity accounted.

Joint Venture

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. For jointly controlled assets, the Council and Group recognise in their financial statements the assets they control, the liabilities and expenses they incur, and the share of revenue that they earn from the joint venture.

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

Revenue

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

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

Revenue from non-exchange transactions

General and targeted rates (excluding user charge water rates)

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

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

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

Fees and charges

Revenue from the provision of services in a non-exchange transaction is recognised when the Group obtains control of the transferred asset and when the transfer is free from conditions that require the asset to be refunded or returned if the conditions are not met. To the extent there is a condition attached that gives rise to a liability to return the asset, a deferred-revenue liability is recognised. Revenue is then recognised when the Group has satisfied the conditions. Fees and charges that are non-exchange transactions include parking fines and infringements and dog 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 2019.

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 2018 at depreciated replacement cost by the Council's engineers and independently reviewed by Ms Jennifer Fox of Waugh Infrastructure Management Ltd. Land in this infrastructure class (water) were revalued by Mr John Reid (M Property Studies, B Com, ANZIV, SNZPI) of Added Valuation Ltd at June 2018. These values were determined by calculation of the current cost of replacement adjusted by the estimated remaining useful life of the asset. Future revaluations (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		Furniture and Fittings	4 – 14
Structure/Envelope	20 – 65	Computer and Office Equipment	2 – 5
Building Services	15 – 35	Library Collections	5 – 10
Building Fit Out	30 – 50	LANDFILL	
Heavy Plant and Machinery	7 – 10	Permanent Facilities	42
Other Plant and Machinery	2 – 15	Valley A & D Development	12 – 15
Motor Vehicles	4 – 15	Other	5
Structure/Envelope	20 – 65		
WATER SUPPLY		ROADING NETWORK	
Pipes	27 – 120	Top Surface (seal)	13
Valves, hydrants	50 – 80	Pavement (including kerbs)	30 – 85
Pump Stations	15 – 80	Formation	Not depreciated
Bores	50	Footpaths	20 – 75
Reservoirs	100	Street Lights (poles)	50
Treatment Plant	5 – 20	Traffic Signals	15
STORMWATER DISPOSAL		Signs	10 – 15
Pipes	100	Unsealed Roads	Not depreciated
Manholes	100	Roading Land	Not Depreciated
Detention Dams	100	Bridges & Culverts	85
Open Channels	50		
Service Laterals	80		
PARKS		WASTERWATER	
Soft Landscaping	38 – 75	Pipes	25 – 100
Hard Landscaping	6 – 100	Manholes	80
Playgrounds	7 – 50	Pump Stations	15 – 80
Services	30 – 80	Treatment Plant	20
Structures	6 – 100	Submarine Outfall	50
Buildings	6 – 100		

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

(e) Subsequent costs

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

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

Intangible assets

Software acquisition and development

Acquired computer software 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 2017/18 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 2019:

Classification of property

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

Foreign currency transactions

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

Other investments

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

2. Funding impact statement for the whole of Council as at 30 June 2019

	Budget Council 2018 \$'000	Actual Council 2018 \$'000	Budget Council 2019 \$'000	Actual Council 2019 \$'000	Variance \$'000		
SOURCES OF OPERATING FUNDING						Reconciliation of statement of comprehensive revenue and expense to funding impact statement for the whole of Council for the year ended 30 June 2019	
General rates, uniform annual general charge, rates penalties	57,712	57,479	59,846	59,431	(415)		
Targeted rates	15,030	15,195	17,542	17,916	374		
Subsidies and grants for operating purposes	5,844	6,907	5,938	7,716	1,778		
Fees and charges	21,000	24,046	22,925	26,105	3,180		
Interest and dividends from investments	106	337	126	693	567		
Local authorities fuel tax, fines, infringement fees and other receipts	754	900	804	940	136		
Total operating funding (A)	100,446	104,864	107,181	112,801	5,620		
APPLICATIONS OF OPERATING FUNDING							Total revenue from statement of comprehensive revenue and expense 137,781
Payments to staff and suppliers	70,430	75,747	76,389	81,472	(5,083)		Less total funding from funding impact statement 112,801
Finance costs	4,550	3,947	5,621	4,836	785		Variance 24,980
Other operating funding applications	6,403	4,683	4,799	6,666	(1,867)		Variance is made up of:
Total applications of operating funding (B)	81,383	84,377	86,809	92,974	(6,165)		Capital subsidies 12,579
Surplus (deficit) of operating funding (A-B)	19,063	20,487	20,372	19,827	(545)	Development and financial contributions 7,560	
SOURCES OF CAPITAL FUNDING						Vested infrastructural assets 4,976	
Subsidies and grants for capital expenditure	10,255	18,256	10,764	12,579	1,815	Minor differences 194	
Development and financial contributions	3,576	4,535	7,182	7,366	184	Total operating expenditure from statement of comprehensive revenue 128,453	
Increase (decrease) in debt	24,388	23,318	44,392	26,137	(18,255)	Less total applications of funding from funding impact statement 92,974	
Gross proceeds from sale of assets	458	1,460	419	2,070	1,651	Variance 35,479	
Lump sum contributions	300	175	300	195	(105)	Variance is made up of:	
Other dedicated capital funding	-	-	-	-	-	Depreciation and amortisation 34,085	
Total sources of capital funding (C)	38,977	47,744	63,057	48,347	(14,710)	Payments made to suppliers 1,626	
APPLICATIONS OF CAPITAL FUNDING						Finance costs (232)	
Capital expenditure							
To meet additional demand	6,327	10,985	10,892	10,379	513		
To improve the level of service	25,991	28,258	38,270	25,432	12,838		
To replace existing assets	25,723	32,031	35,270	34,134	1,136		
Increase (decrease) in reserves	-	(3,279)	(2,000)	(2,125)	125		
Increase (decrease) of investments	-	240	997	354	643		
Total applications of capital funding (D)	58,040	68,231	83,429	68,174	15,255		
Surplus (deficit) of capital funding (C-D)	(19,063)	(20,487)	(20,372)	(19,827)	545		
Total funding balance (A-B) + (C-D)	-	-	-	-	-		
Group depreciation and amortisation	31,173	31,185	31,338	34,085	(2,747)		

3. Rates revenue excluding metered water supply charges

Actual Council 2018 \$'000	Budget Council 2019 \$'000	Actual Council 2019 \$'000

3. Rates revenue excluding metered water supply charges

Actual Council 2018 \$'000		Budget Council 2019 \$'000	Actual Council 2019 \$'000
40,268	General Rate	42,499	42,192
10,467	Community & Resource Rate	10,767	10,728
6,657	Uniform Annual General Charge	6,507	6,447
TARGETED RATES			
51	Havelock North Business Association	52	52
116	Swimming Pools	129	123
119	Havelock North Parking	115	123
288	Hastings City Marketing	289	287
336	Security Patrols	311	310
183	CBD Hastings	214	213
44	CBD Havelock North	51	51
-	- Rural Seal Extension	-	-
-	- Whakatu Stormwater	-	-
16	Waimarama Seawall	16	16
5,174	Wastewater	6,008	5,458
24	Waipatiki Wastewater Operational	34	25
5	Waipatiki Wastewater Capital	-	5
1,919	Wastewater Levy (80%)	1,485	1,965
5,705	Water supply	8,852	8,041
856	Kerbside Recycling	900	846
338	Refuse Collection	475	381
-	- Waimarama Refuse Collection	21	-
21	Whirinaki Water Supply – Capital	55	21
87	Change in Targeted Rates Reserve	(1,895)	63
72,674		76,884	77,347

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 2019 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

Actual Council 2018 \$'000		Budget Council 2019 \$'000	Actual Council 2019 \$'000
72,674	Rates excluding metered water supply charges	76,884	77,347
684	Metered Water Supply Charges	504	965
73,358		77,388	78,312

4. Finance revenue

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
226	226	Special Fund Investment	177	177
162	169	Other Investments	534	539
388	395		710	715
(226)	(226)	Less Interest on internal borrowings	(177)	(177)
162	169		534	539

5. Other revenue

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
552	552	Petrol tax	559	559
482	482	Property, plant and equipment gains on disposals	436	447
-	-	Unrealised gain on interest rate swaps	-	-
524	524	Reversal of impairment losses	-	-
175	175	Dividends revenue	159	159
1,733	1,733		1,154	1,165

6. Operational costs

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
814	814	Councillors remuneration	917	917
24,942	24,998	Contractors	27,829	27,887
4,264	4,268	Consultants and legal fees	4,796	4,804
191	191	Operating lease expense	219	219
108	113	Fees to Audit New Zealand for audit of financial statements	113	118
75	75	Fees to Audit New Zealand for other services (Debenture Trust Deed audit)*	4	4
19	19	Total bad debts written off	11	11
(7)	(7)	Change in provision for doubtful debts	(2)	(2)
563	563	Loss on sale of property, plant and equipment	1,831	1,831
6,277	6,351	Maintenance and asset costs	6,403	6,403
2,887	2,887	Energy costs	2,850	2,850
31,111	31,129	Salary and wages	32,875	32,884
926	926	Defined contribution plan – employer contributions	1,044	1,044
71	71	Increase/(decrease) in employee entitlements/liabilities	97	97
1,367	1,412	Administration costs	1,277	1,295
3,073	2,925	Sponsorships and grants	4,408	4,148
4,404	4,470	Other costs	5,029	5,108
87	87	Impairment loss non fixed asset	60	60
81,172	81,292		89,763	89,679

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

7. Depreciation and amortisation expense

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
916	930	Operational buildings	908	917
1,150	1,150	Restricted buildings	1,331	1,331
256	256	Library collection	194	194
993	993	Plant, equipment and motor vehicles	873	873
90	90	Furniture and fittings	97	97
818	818	Landfill	847	847
718	718	Computers and office equipment	902	902
4,942	4,956	Total property, plant and equipment	5,152	5,161
2,189	2,189	Water supply network	2,582	2,582
6,162	6,162	Wastewater disposal network	7,015	7,015
2,811	2,811	Stormwater disposal network	3,714	3,714
13,549	13,549	Roading foundations and bridges	13,995	13,995
1,377	1,377	Parks	1,471	1,471
26,087	26,087	Total Infrastructural assets	28,777	28,777
AMORTISATION				
154	154	Intangible assets – computer software	156	156
31,182	31,196		34,085	34,094

8. Taxation

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
17,131	17,339	Net operating surplus before taxation	2,569	3,333
-	(356)	Share of associate's retained surplus	-	(368)
17,131	16,982		2,569	2,965
4,797	4,755	Tax at 28%	719	830
PLUS (LESS) TAX EFFECT OF:				
(4,797)	(4,755)	Permanent differences	(719)	(830)
-	-	Imputation credits	-	-
-	-	Residual taxation payable	-	-
COMPRISING:				
-	-	Current tax	-	-
-	-	Future income tax benefit	-	-
FUTURE TAX BENEFIT:				
-	-	Opening balance	-	-
-	-	Movement	-	-
-	-	Closing balance	-	-

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

Unused Tax Losses		
Hastings District Holdings Limited	\$843,518	(2018: \$843,563)
Hastings District Properties Limited	\$129,629	(2018: \$116,193)
Hawke's Bay Opera House Limited	\$86,911	(2018: \$77,586)
Hastings District Council	\$601,680	(2018: \$414,315)

9. Receivables

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
558	558	Rates receivables	507	507
8,510	8,732	Other receivables	9,928	10,059
3,151	3,151	GST receivables	2,141	2,141
198	207	Other current assets	116	116
12,417	12,648		12,692	12,823
(239)	(239)	Less Impairment of receivables	(237)	(237)
12,178	12,409		12,455	12,586
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 \$nil (2018: \$5,722).

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 2018 \$'000	Impairment 2018 \$'000	The status of receivables are detailed below:	Gross 2019 \$'000	Impairment 2019 \$'000
DEBTORS				
11,449	-	Not past due	11,572	-
458	-	Past due 1-60 days	473	-
31	-	Past due 61-90 days	18	-
479	(239)	Past due > 90 days	629	(237)
12,417	(239)		12,692	(237)

Group Gross 2018 \$'000	Impairment 2018 \$'000	The status of receivables are detailed below:	Gross 2019 \$'000	Impairment 2019 \$'000
DEBTORS				
11,679	-	Not past due	11,703	-
458	-	Past due 1-60 days	473	-
31	-	Past due 61-90 days	18	-
479	(239)	Past due > 90 days	629	(237)
12,648	(239)		12,823	(237)

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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
26	26	Individual Impairment	71	71
213	213	Collective Impairment	166	166
239	239		237	237

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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
-	-	Past due 1-60 days	-	-
-	-	Past due 61-90 days	-	-
26	26	Past due > 90 days	71	71
26	26		71	71

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

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
246	246	As at 1 July	239	239
-	-	Additional provisions made during the year	-	-
-	-	Provisions reversed during the year	(2)	(2)
(8)	(8)	Receivables written-off during the year	-	-
238	238		237	237

10. Inventory

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
108	108	Inventory held for distribution	55	55
108	108	Total inventory	55	55

No inventories are pledged as security for liabilities (2018: \$nil).

The carrying amount of inventory held for distribution that is measured at current replacement cost as at 30 June 2019 amounted to \$nil (2018: \$nil).

11.(a) Investment in associates

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
1,063	7,235	Hawke's Bay Airport Limited	1,063	8,241
-	16	Horse of the Year (Hawke's Bay) Limited	-	24
744	524	Omarunui LFG Generation Limited Partnership	684	402
1,807	7,776	Total investments in associates	1,747	8,668
HAWKE'S BAY AIRPORT LIMITED				
Name of entity: Hawke's Bay Airport Limited				
Principal activities: Airport				
Ownership: 24% (2015: 24%)				
Owner: Hawke's Bay Airport Limited				
Balance date: 30 June				
Movements in the carrying amount of investments in associate				
1,063		Hastings District Council Investment in Hawke's Bay Airport Limited		1,063
	5,966	Retained Earnings at the beginning of year		6,172
	7,029	Carrying amount at beginning of year		7,235
Council's share of the results of Hawke's Bay Airport Limited				
348		Share of Surplus		359
		- Share of other recognised revenues and expenses		-
	348	Share of total recognised revenues and expenses		359
Carrying Amount of Investment in Hawke's Bay Airport Limited				
7,029		Carrying amount at beginning of year		7,235
348		Share of total recognised revenues and expenses		359
(142)		Revaluation reserves		(59)
		- Prior year adjustment		647
	7,235	Carrying amount at end of year		8,241
There are no contingent liabilities at 30 June 2019				
Summarised Financial Information				
9,726		Assets		12,699
2,492		Liabilities		4,263
1,445		Revenues		1,845
348		Surplus/(deficit)		359
24%		Group's interest		24%
HORSE OF THE YEAR (HAWKE'S BAY) LIMITED				
Name of Entity: Horse of the Year (Hawke's Bay) Limited				
Principal activities: Equestrian Show				
Ownership: 33% (2016: 33%)				
Owner: Horse of the Year (Hawke's Bay) Limited				
Balance date: 31 May				

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

11.(a) Investment in associates

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
Movements in the carrying amount of investments in associate			
	- Hastings District Council Investment in Horse of the Year (Hawke's Bay) Limited		-
7	Retained earnings at the beginning of year		16
7	Carrying amount at beginning of year		16
Council's share of the results of Horse of the Year (Hawke's Bay) Limited			
9	Share of Surplus		9
	- Share of other recognised revenues and expenses		-
9	Share of total recognised revenues and expenses		9
Carrying Amount of Investment in Horse of the Year (Hawke's Bay) Limited			
7	Carrying amount at beginning of year		16
9	Share of total recognised revenues and expenses		9
	- Revaluation reserves		-
16	Carrying amount at end of year		24
There are no contingent liabilities at 30 June 2019			
Summarised Financial Information			
85	Assets		55
70	Liabilities		31
799	Revenues		815
9	Surplus/(deficit)		9
33%	Group's interest		33%
OMARUNUI LFG GENERATION LIMITED PARTNERSHIP			
Name of Entity: Omarunui LFG Generation Limited Partnership			
Principal Activities: Gas & Electricity			
Ownership: 40% (2016: 40%)			
Owner: Omarunui LFG Generation Limited Partnership			
Balance date: 31 March*			
*There are no material transactions from 1 April 2019 to 30 June 2019			
744	Hastings District Council Investment in Omarunui LFG Generation Limited Partnership		774
(150)	Retained earnings at the beginning of year		(220)
594	Carrying amount at beginning of year		524
Council's share of the results of Omarunui LFG Generation Limited Partnership			
(70)	Share of surplus		(62)
	- Share of other recognised revenues and expenses		
(70)	Share of total recognised revenues and expenses		(62)

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

The summary financial information for associates only

11.(a) Investment in associates

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
Carrying amount of investment in Omarunui LFG Generation Limited Partnership			
594	Carrying amount at beginning of year		524
(70)	Share of total recognised revenues and expenses		(62)
	- Impairment		(60)
524	Carrying amount at end of year		402
554	Assets		439
30	Liabilities		37
161	Revenues		121
(70)	Surplus/(deficit)		(122)
40%	Group's interest		40%

shows the Group's interest.

11.(b) Other financial assets

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
CURRENT PORTION				
-	233	Term deposits	-	201
-	233	Total current portion	-	201
NON-CURRENT PORTION				
Investment in CCO's and similar entities				
-	-	HB LASS Limited	-	-
150	(87)	Subsidiary Hastings District Holdings Limited	16	-
150	(87)	Total investment in CCO's and similar entities	16	-
Investment in other entities				
-	-	Term deposits	-	-
373	373	Unlisted shares in LGFA	615	615
1,201	1,201	Borrower notes in LGFA	1,688	1,688
157	157	New Zealand Local Government Insurance Association	157	157
1,731	1,731	Total investment in other entities	2,460	2,460
1,881	1,644	Total non-current portion	2,476	2,326
1,881	1,877	Total other financial assets	2,476	2,527

Fair value

Term deposits

The carrying amount of term deposits approximates their fair value.

Unlisted shares and borrower notes

Due to the immaterial size and nature of the Council's investment in the LGFA, the Council has estimated the fair value of this investment based on the LGFA's net asset backing as at 30 June.

Impairment

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

	Actual 2018 \$'000	Actual 2019 \$'000
452 Subsidiaries		318
302 Impairment loss		(302)
150 Subsidiary Hastings District Holdings Limited		16

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	89	(54)	35	7	(15)	-	-	(6)	-	-	80	(60)	20
Restricted Buildings	210	(19)	191	29	-	-	-	(8)	-	-	239	(27)	212
Restricted Land	130	-	130	-	-	-	-	-	-	-	130	-	130
Office Equipment	2	(2)	-	-	-	-	-	-	-	-	2	(2)	-
Total Subsidiary Assets	430	(75)	356	36	(15)	-	-	(14)	-	-	451	(89)	262
Total Group	261,689	(34,114)	227,575	18,766	(8,057)	-	-	(5,166)	5,030	(163)	272,235	(34,248)	237,984
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

2019 core assets	Assets constructed	Assets transferred	Closing value	Replacement cost
WATER SUPPLY				
Treatment Plants and Facilities	2,547	-	10,357	9,033
Other Assets	13,599	678	133,117	185,283
Total	16,146	678	143,474	194,315
SEWERAGE				
Treatment Plants and Facilities	161	-	51,408	79,632
Other Assets	5,948	452	206,143	403,707
Total	6,109	452	257,551	483,338
Stormwater drainage	2,114	433	221,037	359,146
Flood protection and control works	-	-	-	-
ROADING				
Roads & Footpaths	23,447	3,405	1,284,741	1,472,783

12. Property, plant and equipment: 2018

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

Historical movements in fair value and impairment for Land and Buildings

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

Impairment

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

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

Property, plant and equipment consists of:

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

Capitalised finance leases

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

Work in progress

The total amount per class is as listed below:

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

13. Payables and deferred revenue

Actual Council	Actual Group	Actual Council	Actual Group
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2018 \$'000	2018 \$'000	2019 \$'000	2019 \$'000
CURRENT			
17,172	17,259	18,646	18,822
478	478	706	706
223	388	212	212
467	467	453	453
3,457	3,465	3,561	3,561
21,797	22,057	23,578	23,754
NON-CURRENT			
521	521	541	541
198	198	258	258
719	719	800	800
Payables and deferred revenue comprise of:			
223	388	212	212
22,294	22,389	24,378	24,554

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 (2018: \$nil) by the Council.
- At the end of the financial year Hastings District Properties Limited, a related party, was owed \$nil (2018: \$nil) by the Council.

14. Employee entitlements

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Actual Council 2019 \$'000	Actual Group 2019 \$'000
2,947	2,947	3,044	3,044
97	97	(251)	(251)

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
3,044	3,044		2,793	2,793
2,612	2,612	Current	2,444	2,444
432	432	Non-current	349	349
3,044	3,044		2,793	2,793
CURRENT				
-	-	Accrued pay	-	-
2,520	2,520	Annual leave and other benefits	2,353	2,353
92	92	Retirement and long service leave	91	91
2,612	2,612		2,444	2,444
NON-CURRENT				
432	432	Retirement and long service leave	349	349
432	432		349	349

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% (2018: 6.0%) and an inflation factor of 2.0% (2018: 2.0%) were used.

15. Borrowings and other financial liabilities

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
60,741	60,741	Opening total of external public debt	77,740	77,740
22,000	22,000	Debt raised during year	50,500	50,500
(5,001)	(5,001)	Amounts repaid	(22,000)	(22,000)

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
77,740	77,740	Total gross public debt	106,240	106,240
Comprises				
CURRENT				
22,000	22,000	Secured loans	10,000	10,000
NON-CURRENT				
55,740	55,740	Secured loans	96,240	96,240
77,740	77,740	Total borrowings and other financial liabilities	106,240	106,240

Secured loans

The Council's secured debt of \$106.2 million (2018: \$77.7 million) is mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk. The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$0.5 million (2018: \$0.5 million). There are no restrictions on the use of the facility. The Council's loans are secured over either separate or general rates of the Council.

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

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
REPAYMENT TERMS – TERM DEBT				
22,000	22,000	Payable in less than 1 year	10,000	10,000
-	-	Payable between 1 and 2 years	20,000	20,000
20,000	20,000	Payable between 2 and 5 years	40,500	40,500
35,740	35,740	Later than 5 years	35,740	35,740
77,740	77,740		106,240	106,240
5.31%	5.31%	Weighted Average Interest Rate	3.68%	3.68%
3.86	3.86	Weighted Average Term (Years)	4.07	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 2019.

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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
77,740	77,740	External secured loans	106,240	106,240
42,840	42,840	Plus amount funded by internal loans	41,587	41,587
120,580	120,580	Gross borrowings for activities	147,827	147,827

Internal borrowings

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

2018 closing balance	Activity Group	2019 opening balance	Prior year carry forwards	CR transfer to	Interest	DR transfer from	Carry forward	2019 closing balance
(16,297)	Safe Healthy and Liveable Communities	(16,297)	(616)	(3,785)	(60)	3,511	421	(16,826)
(12,465)	Governance and Support Services	(12,465)	(399)	(1,635)	(32)	1,171	118	(13,242)
1,944	Economic and Community Development	1,944	(672)	(39)	(1)	173	195	1,599
(4,624)	Roads and Footpaths	(4,624)	(276)	(15,425)	(22)	15,885	702	(3,760)
(41)	Stormwater Disposal	(41)	-	(3,716)	-	5,055	-	1,298
7,189	Wastewater Disposal	7,189	-	(6,100)	(7)	6,246	-	7,329
4,564	Water Supply	4,564	-	(3,084)	-	3,772	-	5,251
(23,108)	Working Capital	(23,108)				(128)		(23,376)
(42,840)	Total	(42,840)	(1,963)	(33,784)	(121)	35,685	1,436	(41,587)

The fair values are based on cash flows discounted using a rate based on the average rates 4.07% (2018: 5.31%).

The cash flow is working capital cash

The carry forward column in the above table is the rating carry forward from rates collected in 2018/19 and carried forward to 2019/20.

16. Derivative financial instruments

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
NON-CURRENT ASSET PORTION				
-	-	Interest rate swaps – held for trading	-	-
CURRENT LIABILITY PORTION				
(93)	(93)	Interest rate swaps – held for trading	(2,186)	(2,186)
NON-CURRENT LIABILITY PORTION				
(6,385)	(6,385)	Interest rate swaps – held for trading	(11,380)	(11,380)
(6,477)	(6,477)		(13,566)	(13,566)

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 \$73.5 million (2018: \$56.5 million) and for the Group were \$73.5 million (2018: \$56.5 million). At 30 June 2019, the fixed interest rates for the interest rate swaps varied from 2.2% to 5.9% (2018: 3.2% to 5.9%).

The notional principal amounts of the forward starting interest rate swap contracts for the Council were \$80.0 million (2018: \$86.5 million) and for the Group were \$80.0 million (2018: \$86.5 million). At 30 June 2019, the fixed interest rates for the interest rate swaps varied from 2.8% to 4.8% (2018: 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 2018/19, 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 (\$7.088 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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
1,193,828	1,198,137	Balance at 1 July	1,213,289	1,217,891
17,131	17,339	Net surplus (deficit) for the year	2,240	3,333
1,210,959	1,215,476		1,215,529	1,221,224
ADD/(LESS) NET APPROPRIATIONS OF NET SURPLUS				
2,733	2,817	(To) from council created reserves	409	488
(403)	(403)	(To) from restricted reserves	(76)	(76)
1,213,289	1,217,891	Balance at 30 June	1,215,862	1,221,636
1,213,289	1,217,891	Accumulated surplus	1,215,862	1,221,636
23,389	23,389	Council created reserves	22,982	22,982
1,236,678	1,241,279	Total accumulated funds	1,238,844	1,244,618

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

a) Council-created reserves

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

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

The major categories of Council-created reserves are:

Plant, Equipment 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 2018 \$'000	Activity Group		Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2019 \$'000
5,149	All activities	Plant, equipment and vehicle replacement fund	1,812	71	(1,628)	5,404
7,221	All activities	Property maintenance and improvements	2,600	45	(1,463)	8,403
7,463	All activities	General purpose reserves	1,311	-	(3,253)	5,521
	- Water and roads	Wastewater treatment (HDC funds)	-	-	-	-
2,774	Safe healthy and liveable communities	Emergency funds	1,268	29	(874)	3,198
2,259	All activities	Sundry reserves	26,322	-	(26,317)	2,265
(46)	All activities	Separate reserves	2,102	-	(2,409)	(353)
434	Economic and community development	Other	180	7	-	620
25,254			35,595	151	(35,943)	25,057
(1,865)		Less: NCC share of landfill reserves	(198)	(35)	23	(2,076)
23,389			35,398	116	(35,920)	22,982

18. Restricted Reserves (Council only)

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

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

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

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

Balance 2017 \$'000	Activity Group		Deposits \$'000	Interest \$'000	Withdrawals \$'000	Balance 2018 \$'000
1,491	Economic and community development	Trusts and bequests	11	20	(3)	1,519
1,529	Economic and community development	Development reserves	33	30	(26)	1,567
551	Economic and community development	Reserve purchase and development funds	-	11	-	562
3,572			44	61	(29)	3,648



19. Revaluation Reserves Asset Revaluation Reserves consist of:

Balance 2018 \$'000		Revaluation movement \$'000	Transfer to retained earnings on disposal of property \$'000	Balance 2019 \$'000
COUNCIL				
Operational Assets				
46,252	Land and buildings	-	-	46,252
-	- Library books	31	-	31
-	- Forestry	-	-	-
46,252		31	-	46,283
Infrastructural Assets				
26,439	Bridges	11,205	-	37,643
358,601	Roading	17,251	-	375,852
139,021	Stormwater disposal	4,050	-	143,071
130,603	Wastewater disposal	-	-	130,603
61,912	Water supply	-	-	61,912
17,730	Park assets	10,043	-	27,773
734,306		42,549	-	776,854
	(3) Fair value through comprehensive revenue	-	-	(3)
780,555		42,580	-	823,134
GROUP				
2,094	Hawke's Bay Airport	647	-	2,741
782,648		43,227	-	825,875

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

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
17,131	17,339	Net surplus/(deficit) on operations	2,240	3,333
ADD/(LESS): NON-CASH ITEMS				
31,182	31,196	Depreciation and amortisation expense	34,085	34,094
	(121)	Share of associates retained surplus	-	(107)
(5,131)	(5,131)	Vested infrastructure	(4,976)	(4,976)
-	-	Devaluation of Property, Plant & Equipment	-	-
651	651	Unrealised gains/losses on derivative financial instruments	6,600	6,600
26,702	26,596	Total non-cash items	35,709	35,611
ADD/(LESS): NET MOVEMENTS IN WORKING CAPITAL				
82	139	(Increase) decrease in debtors and other receivables	(277)	(176)
(1,975)	(2,056)	Increase (decrease) in creditors and other payables	2,286	2,215
6	6	(Increase) decrease in inventories	53	53
12	12	Increase (decrease) in provisions and employee entitlements (non-current)	(3)	(3)
(1,875)	(1,899)	Total net movements in working capital	2,059	2,089
ADD/(LESS): ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES				
(443)	(443)	Loss/(profit) on sale of Property, Plant & Equipment and investments	1,394	1,383
(443)	(443)	Total non-operating activities	1,394	1,383
41,516	41,593	Total net cash inflow (outflow) from operating activities	41,402	42,416

21. Remuneration

The Council incurred the following expenditure for the year ended 30 June 2019:

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 2019 is \$350,855 (2018: \$384,509). This total includes \$190,975 for the Acting Chief Executive.

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

Actual Council 2018 \$		Actual Council 2019 \$
4,157	Fringe Benefit Tax	3,907
12,418	Motor Vehicle Allowance	11,358
9,192	Superannuation and Other	13,921
48,335	Annual Leave Termination Payment	-
309,061	Salary	321,669

Remuneration of Elected Representatives

Actual Council 2018 \$		Remuneration \$	Allowance \$	Actual Council 2018 \$
MAYOR AND COUNCILLORS				
78,128	S Hazlehurst (Mayor)	136,384	440	136,824
54,056	S Hazlehurst (Acting Mayor)	-	-	-
27,468	T Kerr Councillor till 12/12/2017)	-	-	-
39,620	T Kerr (Deputy Mayor from 12/12/2017)	64,369	10,281	74,650
52,638	K Watkins	51,498	1,894	53,392
51,464	R Heaps	47,316	4,822	52,138
47,794	H O'Keefe	47,316	1,190	48,506
43,274	J Poulain	43,987	1,190	45,177
43,274	S Nixon	47,316	1,190	48,506
54,797	G Lyons	51,498	3,390	54,888
52,933	M Dixon	51,498	1,350	52,848
45,238	B Barber	47,316	7,395	54,711
46,628	A Redstone	48,362	5,310	53,672
25,451	W Schollum (Elected 27/11/17)	47,316	1,547	48,863
8,765	E Lawson (Elected 16/04/18)	47,039	1,190	48,229
43,596	G Travers	51,498	1,190	52,688
52,396	D Harvey	48,362	1,190	49,552
9,419	S Maxwell (Rural Community Board)	11,623	3,002	14,625
16,742	P Kay (Rural Community Board)	4,819	1,622	6,441
8,530	N Dawson (Rural Community Board)	7,370	1,190	8,560
-	L Wilson (Rural Community Board from 17/12/18)	3,968	676	4,644
8,459	M Lester (Rural Community Board)	7,370	1,190	8,560
810,671	Total elected representatives remuneration	866,225	51,249	917,474

Total annual remuneration by band for employees as at 30 June

Actual Council 2018	Actual Council 2019
257 <\$60,000	<\$60,000 215
89 \$60,000-\$79,999	\$60,000-\$79,999 83
58 \$80,000-\$99,999	\$80,000-\$99,999 67
44 \$100,000-\$119,999	\$100,000-\$119,999 45
10 \$120,000-\$139,999	\$120,000-\$139,999 17
13 \$140,000-\$159,999	\$140,000-\$159,999 12
7 \$160,000-\$199,999	\$160,000-\$199,999 5
4 \$200,000-\$239,999	\$200,000-\$239,999 6
1 \$240,000-\$341.910	\$240,000-\$359,999 1
483 Total employees	Total employees 451

At balance date, the Council employed 311 (2018: 341) full-time employees, with the balance of staff equivalent representing 79 (2018: 74) 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 2019 Hastings District Council made three severance payments to employees totalling \$5,725, \$3,450 and \$2,875 (2018: \$42,003).

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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2018 \$'000	Actual Group 2018 \$'000
7,432	7,432	Building	11,663	11,663
9,769	9,769	Water System	5,236	5,236
4,320	4,320	Roading Network	4,598	4,598
-	-	Investment	-	-
21,521	21,521	Commitments approved and contracted	21,497	21,497

Operating leases as lessee

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

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
27	27	Not later than one year	27	27
15	15	Later than one year and not later than five years	50	50
-	-	Later than five years	-	-
42	42	Total non-cancellable operating leases	76	76

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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
NON-CANCELLABLE OPERATING LEASE COMMITMENTS				
328	328	Not later than one year	298	298
475	475	Later than one year and not later than five years	497	497
-	-	Later than five years	-	-
802	802	Total non-cancellable operating leases	796	796

No contingent rents have been recognised during the period.

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

The Council's interest in Omarunui 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 2018 \$'000	Omarunui Refuse Landfill	Actual Council 2019 \$'000
3,289	Current assets	3,699
5,973	Non-current assets	5,621
819	Non-current liabilities	830
5,578	Revenue	5,963
3,498	Expenses	4,378
1,996	Surplus	1,574

Forestry assets

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
FORESTRY ASSETS				
503	503	Balance at 1 July	20	20
-	-	Increases due to purchases	40	40
-	-	Gains/(losses) arising from changes attributable to physical changes	-	-
3	3	Gains/(losses) arising from changes attributable to price changes	-	-
-	-	Decreases due to sales	-	-
(486)	(486)	Decreases due to harvest	-	-
20	20	Balance at 30 June	60	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	17 years	6.99 years
Valley B & C: not in operation yet	Estimated		

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

The cash outflows for landfill post-closure are expected to occur in 2024 for Valley D and began in 2007 for Valley A. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 2.37%.

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 \$93,000.
- The provision reported is for Hastings District Council's share only (63.68%).

Actual Council 2018 \$'000		Actual Council 2019 \$'000
LANDFILL AFTERCARE LIABILITY		
515	Opening balance	521
56	Provision written back during the year	33
(49)	Amounts charged to provision during the year	(13)
521	Closing balance	541

The estimated aftercare costs for 2019 were \$93,000 (2018: \$94,000). These estimates are based on information received from Tonkin & Taylor and result in an adjustment in the aftercare liability estimate of (\$31,355).

ETS levy provision

Actual Council 2018 \$'000		Actual Council 2019 \$'000
ETS LEVY PROVISION		
349	Opening balance	467
861	Additional provisions made	1,664
(743)	Amounts used	(1,678)
467	Closing balance	453

25. Financial instruments

Actual Council 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
FINANCIAL INSTRUMENT CATEGORIES				
Loans and receivables				
1,640	2,045	Cash and cash equivalents	2,939	4,235
12,178	12,409	Receivables	12,455	12,586
1,201	1,201	NZ LGFA Borrower notes	1,688	1,688
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
373	373	NZ LGFA Unlisted shares	615	615
15,549	16,185	Total loans and receivables	17,855	19,282
FINANCIAL LIABILITIES				
Financial liabilities at amortised cost				
21,797	22,057	Payables	23,578	23,754
77,740	77,740	Secured loans	106,241	106,241
Fair value through surplus or deficit – held for trading				
6,477	6,477	Derivative financial instrument	13,566	13,566
106,015	106,275	Total financial liabilities at amortised cost	143,385	143,561

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 2018 \$'000	Total 2019 \$'000	Quoted market price	Valuation technique observable inputs	Significant non-observable inputs
COUNCIL					
Financial assets					
- Derivative financial instrument	-	-	-	-	-
157 Civic Financial Services Limited	157	-	-	-	157
373 NZLGFA Unlisted shares	615	-	-	-	615
Financial liabilities					
6,477 Derivative financial instrument	13,566	-	-	13,566	-
GROUP					
Financial assets					
- Derivative financial instrument	-	-	-	-	-
157 Civic Financial Services Limited	157	-	-	-	157
373 NZLGFA Unlisted shares	615	-	-	-	615
Financial liabilities					
6,477 Derivative financial instrument	13,566	-	-	13,566	-

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.

2018 \$'000	2019 \$'000
NZ LGFA UNLISTED SHARES	
373 Balance at 1 July	373
- Purchases	-
- Sales	-
Fair value adjustment on initial recognition	242
- Transfers into level 3	-
- Transfers out of level 3	-
373 Balance at 30 June	615
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 2019.

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 2019, the Council had entered into interest rate swap agreements to a value of \$73.5 million at interest rates between 2.2% and 5.9%. (2018: \$56.5 million at interest rates between 3.2% 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 2019, Council had \$nil on term deposit (2018: \$nil). The Group, at 30 June 2019, had \$201,000 (2018: \$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 2018 \$'000	Actual Group 2018 \$'000		Actual Council 2019 \$'000	Actual Group 2019 \$'000
1,640	2,045	Cash at bank and term deposits	2,939	4,235
12,178	12,409	Receivables	12,455	12,586
157	157	NZ Local Govt Insurance Corporation Limited	157	157
1,201	1,201	NZ LGFA Borrower notes	1,688	1,688
373	373	NZ LGFA Unlisted shares	615	615
-	-	Derivative financial instruments assets	-	-
15,549	16,185	Total Credit Risk	17,855	19,282

Credit quality of financial assets

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

Actual Council 2018 \$'000	Actual Group 2018 \$'000	Counterparties with Credit Ratings	Actual Council 2019 \$'000	Actual Group 2019 \$'000
CASH AT BANK AND TERM DEPOSITS				
1,640	2,045	Credit Rating B+	2,939	4,235
CIVIC FINANCIAL SERVICES LIMITED				
157	157	Credit Rating B+	157	157
DERIVATIVE FINANCIAL INSTRUMENT ASSETS				
-	-	Credit Rating AA	-	-
NZ LGFA BORROWER NOTES				
1,201	1,201	Credit Rating AA+	1,688	1,688
NZ LGFA UNLISTED SHARES				
373	373	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 \$116 million (2018: \$87 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
2019						
Contractual maturity analysis of financial liabilities						
23,578	23,578	Payables	23,578	-	-	-
13,566	6,327	Derivative financial instruments liabilities	1,789	1,401	1,916	1,220
106,240	106,375	Secured loans	12,359	22,155	45,160	36,701
143,385	146,279	Total	37,727	23,566	47,076	37,921
Contractual maturity analysis of financial assets						
2,939	2,939	Cash and cash equivalents	2,939	-	-	-
12,455	12,455	Debtors and other receivables	12,455	-	-	-
-	-	Derivative financial instruments assets	-	-	-	-
15,394	15,394	Total	15,394	-	-	-
2018						
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 \$176,000 (2018: \$260,000), receivables that increase by \$131,000 (2018: \$231,000) and cash and cash equivalents increased by \$1,296,000 (2018: \$405,000).

Sensitivity analysis

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

Actual Council 2018 \$'000 -100bps Surplus	Actual Council 2018 \$'000 +100bps Surplus		Actual Council 2019 \$'000 -100bps Surplus	Actual Council 2019 \$'000 +100bps Surplus
FINANCIAL ASSETS				
(16)	16	Cash and cash equivalents	(29)	29
-	-	Derivative financial instruments assets	-	-
(16)	16	Total sensitivity on financial assets	(29)	29
FINANCIAL LIABILITIES				
-	-	Bank Overdraft	-	-
(11,758)	(1,669)	Derivative financial instruments assets	(20,284)	(7,252)
(777)	777	Secured loans (floating interest rate) ¹	(1,062)	1,062
(12,534)	(893)	Total sensitivity on financial liabilities	(21,345)	(6,191)

1. The Council has floating rate debt with a principal amount totalling \$106.24m (2018: \$77.74m). A movement in interest rates of plus or minus 1% has an effect on interest expense of \$1,062,000 (2018: \$777,000). 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. (2018 -100bps/+100bps).

26. Post balance date events

There have not been any significant post balance date events.

27. Related party transactions

Related party transactions

No related party debts have been written off or forgiven during the year. (2018: 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 \$598,199 (2018: \$466,160) which is a Council Controlled Organisation.

The Council disposed of refuse at the Omarunui Landfill and receipts amounted to \$860,190 (2018: \$823,516). 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 (2018: \$3,000) to Hawke's Bay Opera House Limited. The outstanding balance owed to the Hawke's Bay Opera House at 30 June 2019 was \$nil (2018: \$nil). In addition the Council charged Hawke's Bay Opera House Limited \$nil (2018: \$nil) during the financial year for various expenses. The outstanding balance owed to the Council at 30 June 2019 was \$nil (2018: \$nil).

The Council paid to the Hawke's Bay Regional Sports Park Trust operational grants and services to the value of \$309,680 (2018: \$305,800) and Capital funding grants of \$250,000 (2018: \$nil). The balance outstanding to the Hawke's Bay Regional Sports Park Trust at 30 June 2019 was \$nil (2018: \$nil).

The Council provided a number of services to the Trust during the year, including parks maintenance, building consents and other services totalling \$96,603 (2018: \$105,526). The balance outstanding to the Council at 30 June 2019 was \$nil (2018: \$5,722).

Key management personnel

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

Councillor/key management personnel	Organisation	Position/relationship to organisation		\$ amount service received/provided 2018/19	\$ amount service received/provided 2017/18	\$ amount balance year end
Mayor Hazlehurst	Central Building Surveyors Tainui Reserve	Director Trustee	Services Received	\$6,660	\$184	Nil
			Receipts	\$130	\$117	Nil
Councillor Kerr	HB Regional Sports Park	Trustee	Operating Grant/Funding	\$559,680	\$307,714	Nil
Councillor Harvey	Havelock North Business Association Havelock North 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 Director/Shareholder Chairman Chairman	Subscription & Contract for Events	\$18,200	\$97,830	Nil
			Receipts	\$484	\$511	Nil
			Funding for Night Markets, entertainment, etc.	\$75,974	\$68,397	Nil
			Advertising in The Profit	\$1,800	\$5,215	Nil
			Funding	\$195,390	\$167,774	\$57,590
Receipts	\$12,060	\$10,050	\$1,918			
Councillor Schollum	Hastings Business Association	Council appointed representative	Funding for Night Markets, entertainment, etc.	\$75,974	\$68,397	Nil
Councillor O'Keefe	Wharariki Trust	Employee of Wharariki Trust	Grant	\$37,500	\$15,000	Nil
Councillor Lyons	Hawke's Bay Museum Trust	Trustee	Funding	\$466,160	\$466,160	Nil
Councillor Barber	Te Mata Park Trust Board	Trustee	Funding	\$276,522	\$80,226	Nil
Councillor Dixon	Te Mata Park Trust Board	Trustee	Funding	\$276,522	\$80,226	Nil
Councillor Lawson	Heretaunga Women's Centre	Chairwoman	Funding & Services	\$29,248	\$26,346	Nil
Bronwyn Bayliss	Manufacturing Suppliers Ltd	Employee of Hastings District Council and Husband Manager of Supplier	Purchasing of product by different department	\$1,014	\$3,740	Nil
Bruce Allan	Hawke's Bay Opera House Limited	Director	Funding & Services	\$0	\$3,000	Nil
Alison Banks	Hawke's Bay Opera House Limited	Director	Funding & Services	\$0	\$3,000	Nil
Craig Cameron	Hawke's Bay Opera House Limited	Director	Funding & Services	\$0	\$3,000	Nil

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

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

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

Actual Council 2018 \$'000	Actual Council 2019 \$'000
COUNCILLORS	
811 Remuneration	917
19* Full-time equivalent members	19*
SENIOR MANAGEMENT TEAM, INCLUDING CHIEF EXECUTIVE	
1,640 Remuneration	1,609
7 Full-time equivalent members	7
2,451 Total key management personnel compensation	2,526
26 Total full-time equivalent personnel	26

* Due to the difficulty in determining the full-time equivalent for the Elected Members, the full time equivalent is taken as the number of the Mayor, Councillors, and Rural Committee Board. This excludes Elected Representatives who left their positions during the 2018 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. Riskpool have advised that a call of \$55,800 will be payable in July 2019.

Provision for building claims under Financial Assistance Package (FAP)

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

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

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

New Zealand Local Government Funding Agency

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

The Council is one of 31 shareholders of the NZLGFA. In that regard it has uncalled capital of \$373,196 (2018 \$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 2019, NZLGFA had borrowings totalling \$10.115 billion (2018: \$8.594 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 2019.

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 \$342,749 (2018: \$292,999) 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 2018 \$'000	Actual Council 2019 \$'000
21 Special Rateable Value	24
65 Community & Sporting Organisations	65
19 Covenant	19
16 Voluntarily Protected Land	22
6 Swimming Pool Safety	7
71 Penalties	76
44 Unutilised Māori Land	41
52 Sundry	88
293	343

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 2018 \$'000	Policy type (maximum amount insured)	Actual Council 2018 \$'000
327,611	Material Damage (mainly buildings and contents)	340,014
7,582	Motor Vehicles (includes mobile plant and equipment)	5,363

Assets (mainly buildings and contents) with a replacement value of \$340,014,449 (2018: \$327,611,290) 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 \$5,362,979 (2018: \$7,581,934).

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 2018/19, 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 \$869,576,864 (2018: \$666,063,298). 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 and bridges (below \$250,000) valued at 30 June 2019 \$1,092,716,696 (excluding land), (2018: \$1,118,810,436). There would also be a number of other sundry items that would fall into this group.

A photograph of two people hiking on a grassy hill. The person on the left is wearing a maroon tank top, black shorts, and a white cap. The person on the right is wearing a blue tank top, black shorts, and a grey cap. They are walking on a dirt path that curves around a grassy ridge. In the background, a city is visible under a blue sky with scattered clouds. A yellow line is drawn across the image, starting from the left edge and ending near the bottom right corner, framing the text.

**Council controlled organisations
and other interests**

Hawke's Bay Museums Trust

Policies and objectives regarding ownership and control

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

Scope and nature of activities

The objectives of the Trust are:

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

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

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

Performance targets

Key result area	Performance indicator	2018/19 target	2018/19 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	576 enquiries 13,374 online
	Collections are made available to the public through quality exhibitions	Minimum of five collection-based exhibitions	Louise Hay exhibition Silver exhibition Five Pākehā Painters
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

(\$)	2018/19	2018/19
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	budget	actual
Total revenue	1,208,397	*2,010,080
Total expenses	1,208,397	1,182,250
Surplus/(deficit)	-	827,830

*Note: Variance in revenue due to increased level of donation of items to Hawke's Bay Museums Trust.

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 2019.

(\$)	2018/19 target	2018/19 actual
Total revenue	6,633,623	7,685,915
Profit before income tax	3,395,609	3,934,196
Profit after tax	1,322,926	1,496,120
Return on Equity	4.30%	4.90%

Net dividend declared in December 2018 was \$577,990 compared to a target from 2017/18 financial year of \$529,000.

Activity	Measure	Status
Appropriate Infrastructure	• Terminal – complete Stage 1 Northern Extension	●
	• Terminal – Stage 2 in progress and on track for completion Oct 2019	●
	• Complete Watchman Road entranceway project	●
	• Progress completion of apron layout and extension design	●
	• Planning complete for car park new technology and redevelopment works late 2019	●
Improve Impact on the Environment	• Benchmark established by completed Waste Audit	●
	• Terminal Recycling trial conducted and full implemented	●
	• Carbon Footprint measurement completed	●
	• Sustainability Framework initiated	●
Diversify the Revenue Base	• Increased share of revenue from non-regulated commercial activities	●
Risk Management	• SMS implementation plan and gap analysis	●
	• NZ Civil Aviation approved safety management implementation plan on track for Nov 2019	●
	• Wildlife Management Programme & Training developed	●
	• Independent Board Evaluation	●
	• Twice-yearly risk reviews	●
	• Quarterly internal QA audits	●
	• Renewal of Aerodrome Operation Certification	●
	• Conduct Airport Quality Survey	●
Positive Customer Experience	• Monthly apron user meetings	●
	• Established sponsorship arrangements with Biodiversity Hawke's Bay; Air Ambulance; Yarni Army	●
	• New team consolidated with new CEO	●
People Development / Employer Brand	• Good working relationships across management team and Board	●
	• Engaged over 30 Community Airport Ambassadors	●
	• Business Park rezone	●
	• 20-year Masterplan in progress (technical studies completed)	●

KEY ● Meets or Exceeds target ● Within 10% of target ● 10% or more below target

NZ Local Government Funding Agency Limited

Policies and objectives regarding ownership and control

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

Scope and nature of activity

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

In lending to Participating Local Authorities, LGFA will:

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

Performance indicators

LGFA has the following performance targets:

Performance measure	Note	Target	Result	Outcome (target met?)
Average base on lending margin above LGFA's cost of funds	1	<0.10%	0.101%	No
Annualised operating expenses		<\$5.67m	\$5.85m	No
Lending to participating councils		>\$8.105b	\$9.262b	Yes

Financials	Note	Target	Result	Outcome (target met?)
Net interest income		\$18.60m	\$18.76m	Yes
Issuance and operating expenses		\$5.67m	\$5.85m	No
Net profit		\$10.90m	\$11.20m	Yes

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

Other Council Controlled Organisations

Hastings District Holdings Limited

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

HDHL holds the shares in:

Hawke's Bay Opera House Ltd

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

Hastings District Properties Ltd

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

Te Mata Park Trust Board

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





Treasury Policy

Purpose of Policy

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

a) Liability Management Policy

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

External debt ratios and limits

Debt will be managed within the following macro limits:

Ratio	Target	30 Jun 2019
Net external debt as a percentage of equity	<20%	5.01%
Net external debt as a percentage of income	<150%	82.26%
Net interest as a percentage of income	<15%	3.67%
Net interest as a percentage of annual rates income	<20%	5.95%
Liquidity (Term Debt, Cash & Equivalents + Committed Loan Facilities v Existing Debt)	110%-170%	112.65%

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 2019



Financial Reporting and Prudence Benchmarks

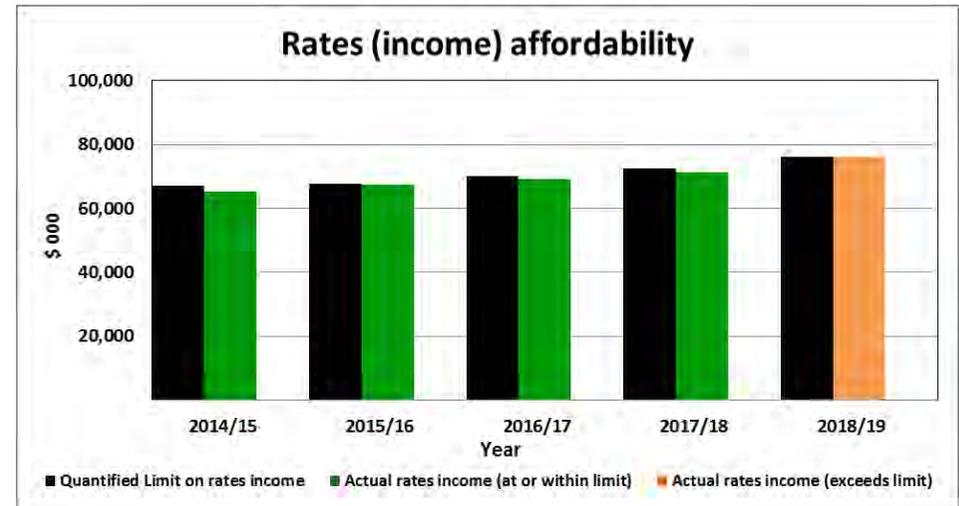
Annual Report Disclosure Statement for the year ended 30 June 2019. What is the purpose of this statement?

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.

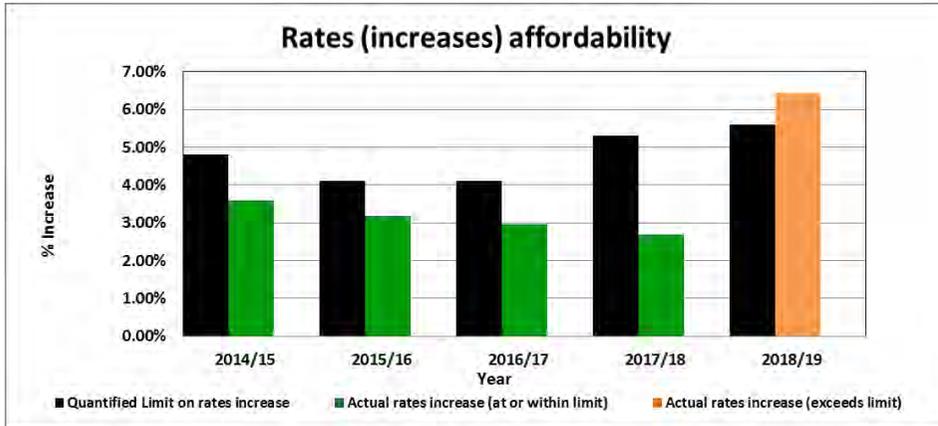
Rates (income) affordability benchmark

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. Previously the Council's actual rates income did not exclude the location-specific targeted rates, the 2014/15 Council's actual rates income have been adjusted to reflect this correction.



Rates (increases) affordability benchmark

The following graph compares the Council’s actual rates increases with a quantifiable limit on rates increases contained in the financial strategy included in the Council’s 2015-2025 and 2018-2028 Long Term Plans.



Debt affordability benchmark

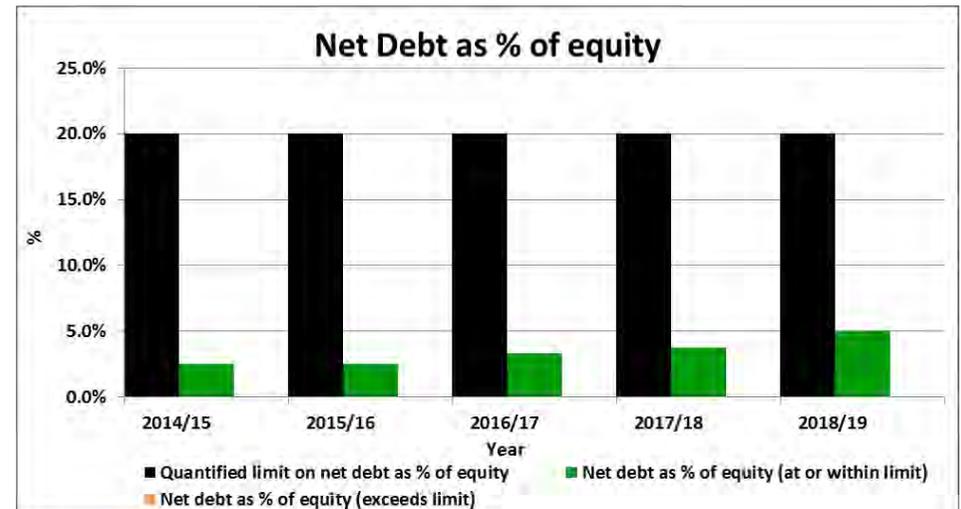
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

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.

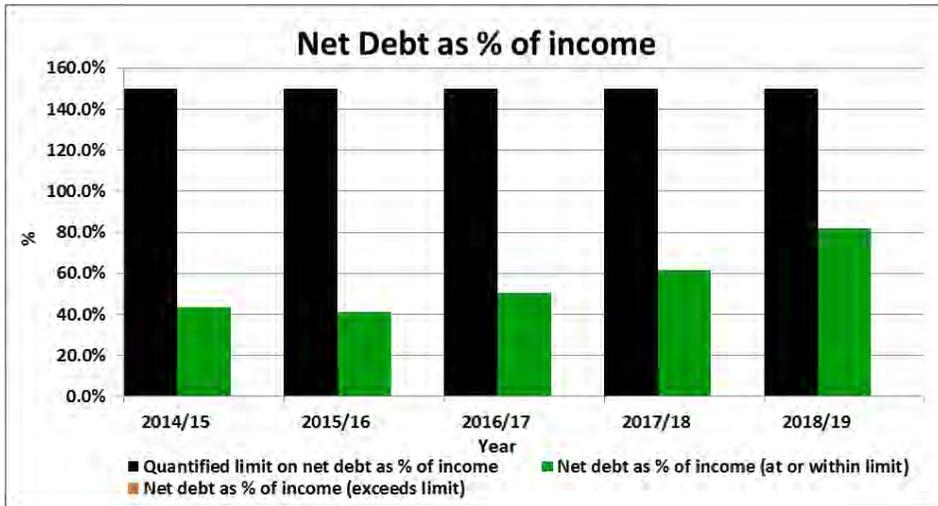
The quantified limit is net debt as a % of equity. A value of less than the quantified limit of 20% indicates compliance with the prudential limit.



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.

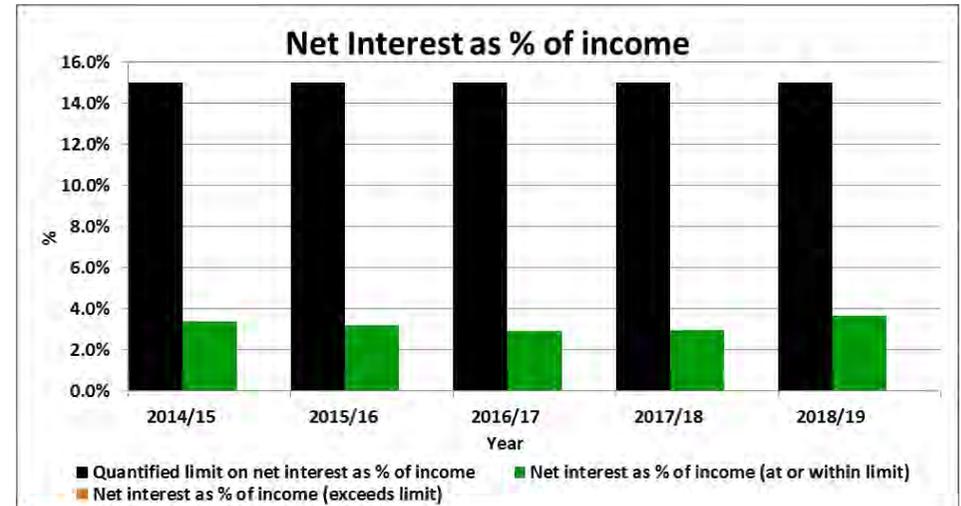
The quantified limit is net debt as a % of income. A value of less than 150% indicates compliance with the prudential limit.



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.

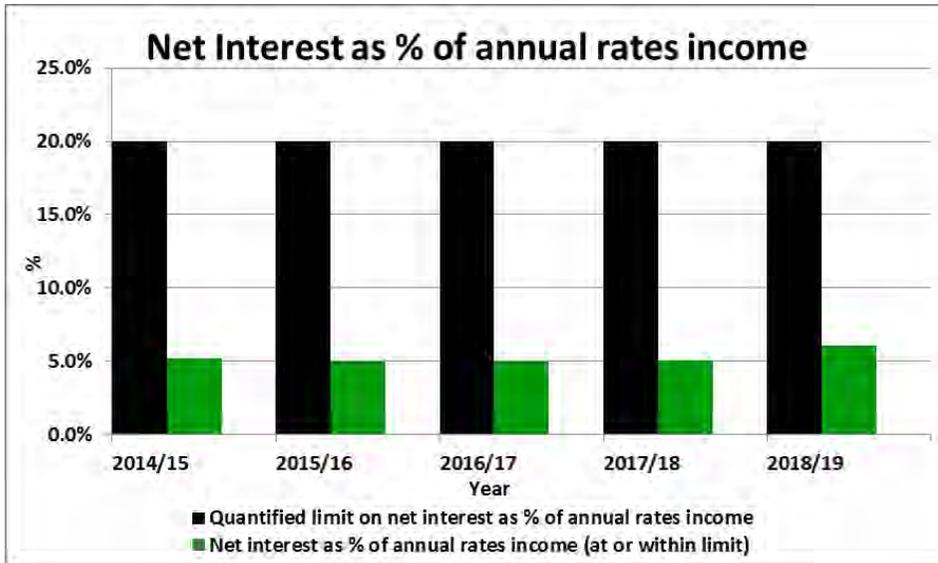
The quantified limit is net interest as a % of income. A value of less than the quantified limit of 15% indicates compliance with the prudential limit.



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.

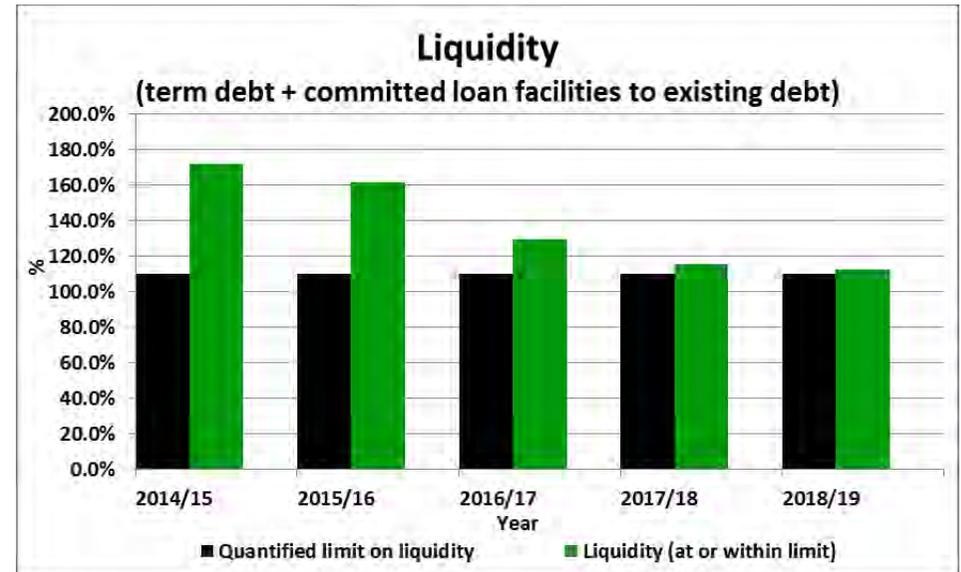
The quantified limit of 20% indicates compliance with the prudential limit.



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%.

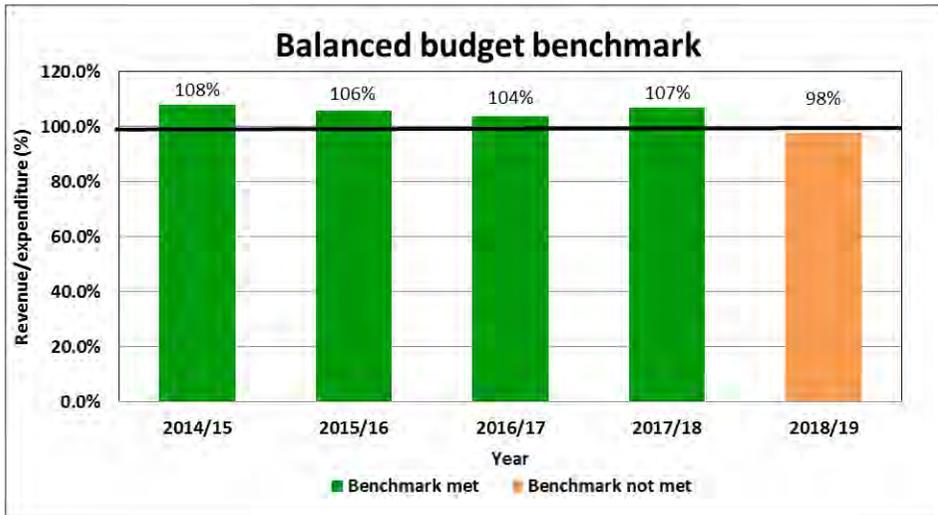


Prior periods have been restated to align with Council’s Treasury Policy.

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).

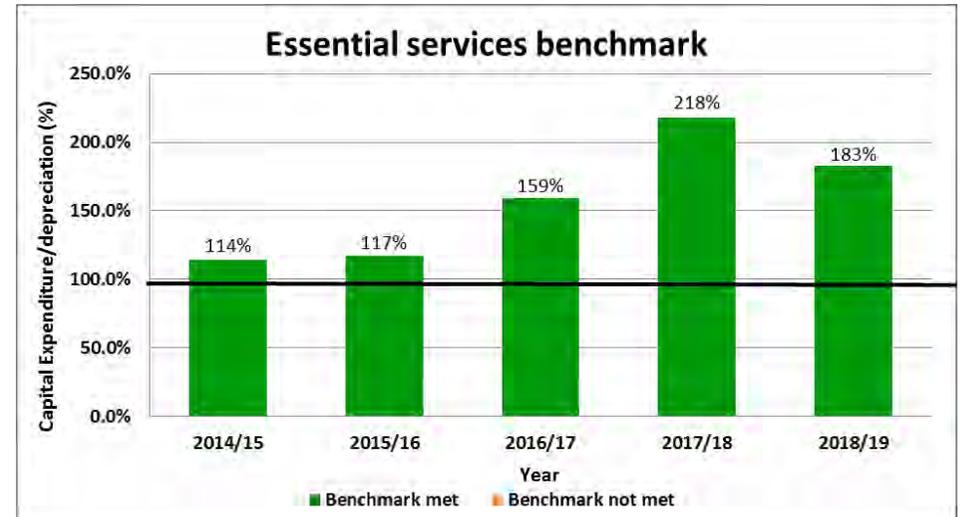
The Council meets this benchmark if its revenue exceeds its operating expenses.



Essential services benchmark

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

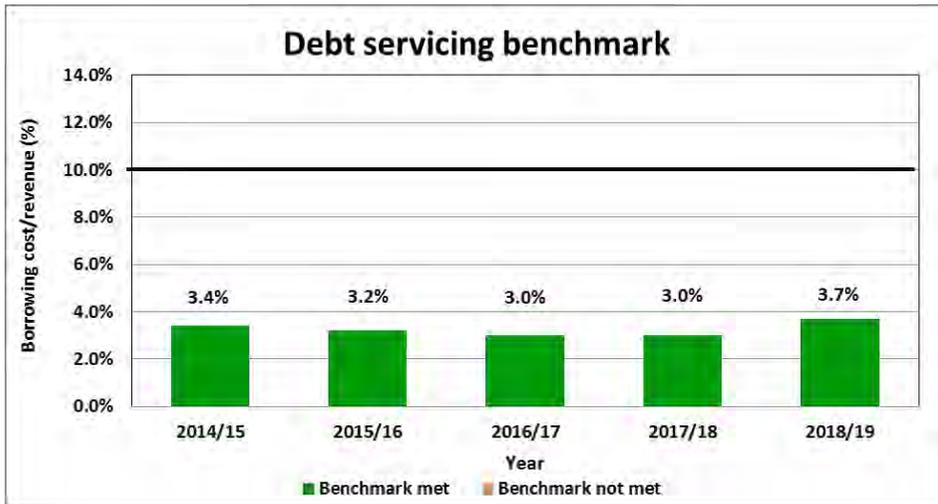
The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



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).

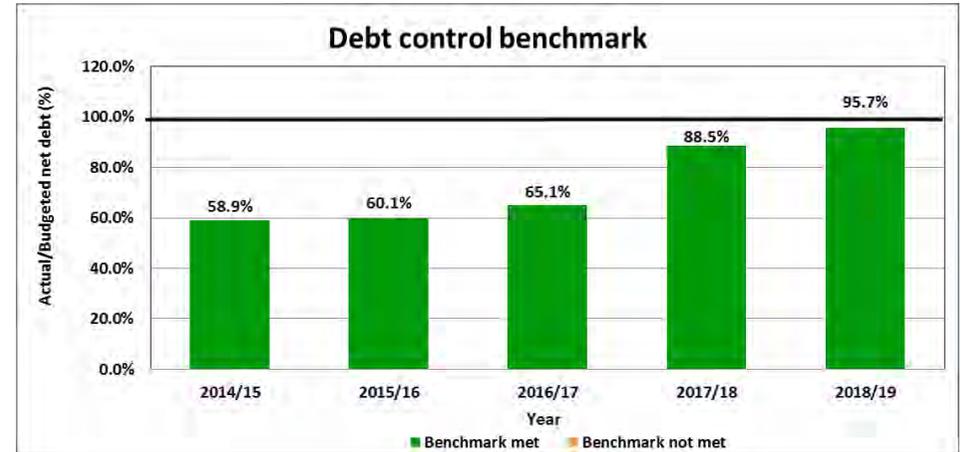
Because Statistics New Zealand projects the Council's population will grow more slowly than the national population rate, the Council meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.



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).

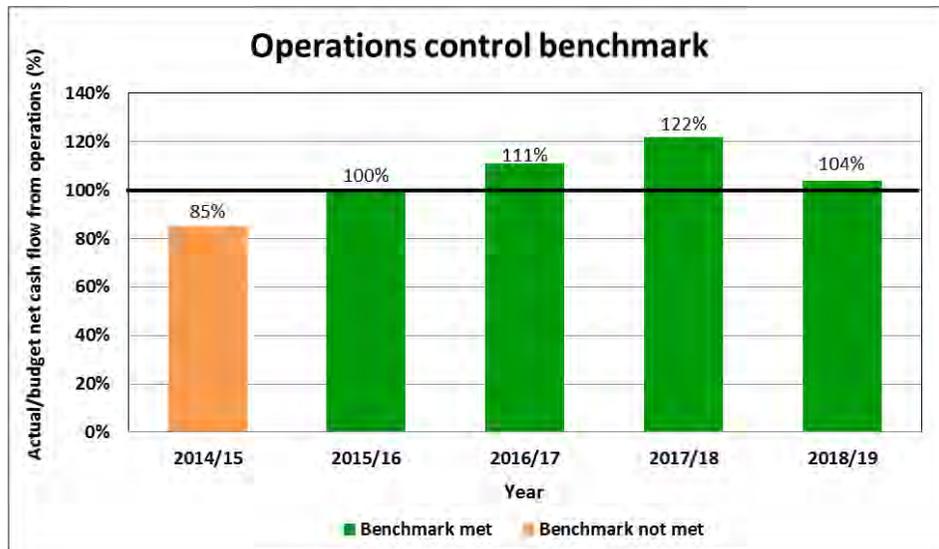
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned debt.



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.





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 2019

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, Stephen Lucy, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

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

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

We completed our work on 10 October 2019. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 70 to 85 and pages 87 to 124:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2019;
 - the results of the operations and cash flows for the year ended on that date; and

- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 86, 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;
- the non-financial performance information on pages 9 to 33:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2019, including:
 - the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
 - the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 48 to 64, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 48 to 63, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 134 to 140, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for our opinion on the audited information

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

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

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

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

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

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

Responsibilities of the auditor for the audited information

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

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

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

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

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

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

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

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

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 6 to 7, 35 to 47, 66 to 68, 126 to 132 and 146 to 154, but does not include the audited information and the disclosure requirements, and our auditor's report thereon.

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

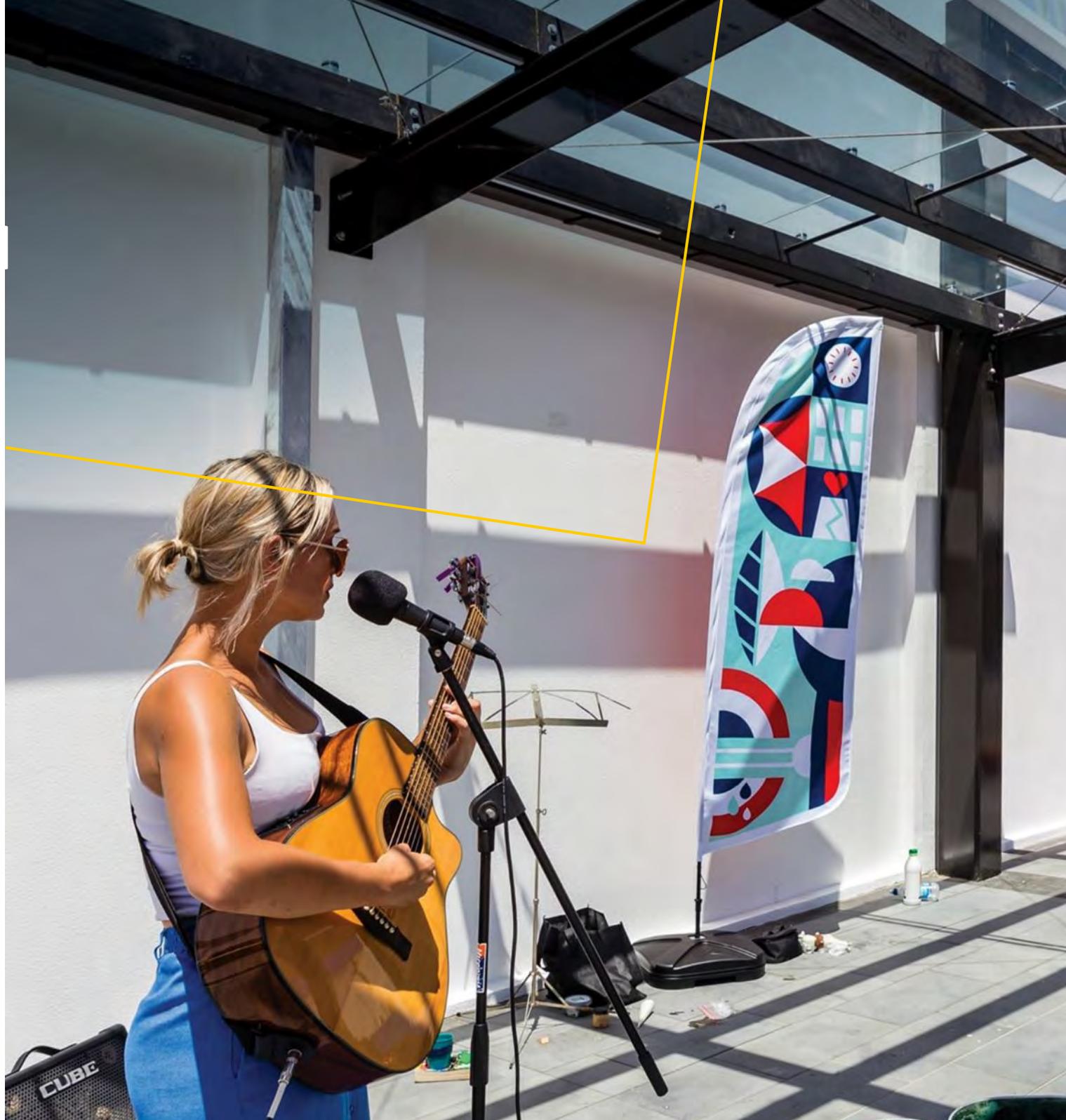
We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand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

In addition to our audit and our report on the disclosure requirements we have performed 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.



S B Lucy

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



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 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 2019 fairly reflect the financial position and operations of Hastings District Council.

Sandra Hazlehurst
Mayor



To'osavili Nigel Bickle
Chief Executive



Dated: 10 October 2019



**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 2019



SANDRA HAZLEHURST
Mayor

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



TANIA KERR
Deputy Mayor

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



MALCOLM DIXON

06 877 4007
councillor.dixon@hdc.govt.nz
Hastings – Havelock North Ward



KEVIN WATKINS

027 304 6213
councillor.watkins@hdc.govt.nz
Hastings – Havelock North Ward



BAYDEN BARBER

021 570 011
councillor.barber@hdc.govt.nz
Hastings – Havelock North Ward



DAMON HARVEY

021 288 6772
councillor.harvey@hdc.govt.nz
Hastings – Havelock North Ward



GERALDINE TRAVERS

021 048 4184
councillor.travers@hdc.govt.nz
Hastings – Havelock North Ward



ANN REDSTONE

027 386 7907
councillor.redstone@hdc.govt.nz
Heretaunga Ward



ROD HEAPS

06 875 1123
councillor.heaps@hdc.govt.nz
Heretaunga Ward



GEORGE LYONS

06 879 7752
councillor.lyons@hdc.govt.nz
Kahuranaki Ward



HENARE O'KEEFE

06 879 5298
councillor.okeefe@hdc.govt.nz
Flaxmere Ward



JACOBY POULAIN

022 061 7438
councillor.poulain@hdc.govt.nz
Flaxmere Ward



SIMON NIXON

027 442 4121
councillor.nixon@hdc.govt.nz
Hastings – Havelock North Ward



WENDY SCHOLLUM

021 519 150
councillor.schollum@hdc.govt.nz
Hastings – Havelock North Ward



EILEEN LAWSON

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

Rural Community Board		HDC Māori Joint Committee	
Mrs Sue Maxwell, Tutira (Chair, Dec 2018 onwards)	Council appointees: Cr Tania Kerr Cr George Lyons	Mr Robin Hape, Chair	Ms Tracee Te Huia
Mr Peter Kay, Maraekakaho (Chair, resigned Oct 2018)		Mr Te Rangihau Gilbert	Ms Ngaio Tiuka
Mr Mick Lester, JP, Kahuranaki		Ms Evelyn Ratima	Mr Shayne Walker (resigned Mar 2019)
Mr Nick Dawson, Kaweka			
Mrs Lesley Wilson (appointed Dec 2018)			
			Council representatives: Mayor Sandra Hazlehurst Cr Geraldine Travers Cr Jacoby Poulain
			Cr George Lyons Cr Henare O'Keefe Cr Bayden Barber

Directory of Senior Management



**TO'OSAVILI NIGEL
BICKLE**

06 871 5002
nigelb@hdc.govt.nz
Chief Executive (Feb 2019 onwards)



**NEIL
TAYLOR**

06 871 5002
neilt@hdc.govt.nz
Acting Chief Executive (to Feb 2019)



**JOHN
O'SHAUGHNESSY**

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



**BRUCE
ALLAN**

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



**CRAIG
THEW**

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



**ALISON
BANKS**

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



**CRAIG
CAMERON**

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



**BRONWYN
BAYLISS**

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

Statistical information (Council only)

2018		2019		
Land Area	522,893ha	Land Area	522,893ha	
Source – Statistics NZ	73,245	Population (2013 Census)	Source – Statistics NZ 73,245	
Land Value	\$9,438,289,200	Valuations (Net)	Land Value \$9,489,517,700	
Improvements	\$8,669,013,050		Improvements \$8,918,575,050	
Capital Value	\$18,107,305,250		Capital Value \$18,408,092,750	
Permanent Staff	397	Employee Numbers as at 30 June	Permanent Staff 364	
	\$31,110,588	Total Salary & Wages	32,875,116	
	\$115,229,000	Gross Public Debt	\$147,827,000	
	\$3,714	Gross Debt per Rateable Assessment	\$4,720	
Sealed Road	1,301.40	Roading (km)	Sealed Road 1,304.33	
Unsealed Roads	338.20		Unsealed Roads 338.97	
State Highways	198.40		State Highways 198.40	
Rateable Assessments	31,024	Rateable Assessments	31,316	
	\$83,738,252	Rates Levied (incl GST)	\$89,303,843	
Average Rate	Average Land Value	Analysis by Differential Category	Average Rate	Average Land Value
		Rating Area 1 (Urban)		
\$2,239	\$155,133	Residential	\$2,413	\$155,045
\$1,953	\$254,496	Residential Non Urban	\$2,093	\$253,189
\$1,898	\$179,325	Residential Clive	\$1,991	\$179,124
\$3,033	\$627,823	Horticulture / Farming	\$3,196	\$629,022
\$9,233	\$657,500	Chartered Clubs	\$18,101	\$1,140,000
\$11,759	\$494,881	Commercial (CBD)	\$12,283	\$496,047
\$8,341	\$420,704	Other Commercial	\$8,951	\$417,161
\$8,104	\$479,221	Commercial Non Urban	\$8,373	\$486,847
		Rating Area 2 (Rural)		
\$1,296	\$249,124	Residential	\$1,331	\$254,503
\$1,770	\$271,435	Commercial	\$1,800	\$274,942
\$2,939	\$896,813	Lifestyle / Horticulture / Farming	\$2,986	\$885,173

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		



2018/2019 Annual Report

HASTINGS DISTRICT COUNCIL
207 Lyndon Road East, Hastings 4122
Private Bag 9002, Hastings 4156

www.hastingsdc.govt.nz

TE KAUNIHERA O HERETAUNGA