



Hastings District Council

Civic Administration Building
Lyndon Road East, Hastings

Phone: (06) 871 5000

Fax: (06) 871 5100

WWW.hastingsdc.govt.nz

OPEN A G E N D A

FINANCE AND RISK COMMITTEE MEETING

Meeting Date: **Tuesday, 17 September 2019**

Time: **1.00pm**

Venue: **Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Committee Members	Chair: Councillor Travers Mayor Hazlehurst Councillors Barber, Dixon, Harvey, Heaps, Kerr (Deputy Chair), Lawson, Lyons, Nixon, O'Keefe, Poulain, Redstone, Schollum and Watkins and Ngaio Tiuka (<i>Quorum = 8</i>)
Officer Responsible	Chief Financial Officer – Bruce Allan
Committee Secretary	Christine Hilton (Ext 5633)

Finance and Risk Committee

Fields of Activity

Oversight of all the Council's financial management policy and operations (including assets, cash, investment and debt management) including (but not limited to):

- Monitoring compliance with the Long Term Plan/Annual Plan and budget implementation.
- Finance and Ownership
- Audit and other accountability requirements;
- Business units/CCO/CCTO ownership overview;
- Rating matters including rating sale proceedings;
- Taxation.
- Establishing the strategic direction of Council's business units (if any), Council Controlled Organisations (CCOs) and Council Controlled Trading Organisations
- Other matters including:
 - Performance Management
 - Other matters not otherwise within the scope of other Committees

Monitoring compliance with the Long Term Plan/Annual Plan and budget implementation.

Membership (Mayor and 14 Councillors)

Chairman appointed by Council

Deputy Chairman appointed by Council

The Mayor

All Councillors

Quorum – 8 members

DELEGATED POWERS

General Delegations

1. Authority to exercise all of Council powers, functions and authorities (except where prohibited by law or otherwise delegated to another committee in relation to all matters detailed in the Fields of Activity.
2. Authority to re-allocate funding already approved by the Council as part of the Long Term Plan/Annual Plan process, for matters within the Fields of Activity provided that the re-allocation of funds does not increase the overall amount of money committed to the Fields of Activity in the Long Term Plan/Annual Plan.
3. Responsibility to develop policies, and provide financial oversight, for matters within the Fields of Activity to provide assurance that funds are managed efficiently, effectively and with due regard to risk.

Fees and Charges

4. Except where otherwise provided by law, or where delegated to another Committee, the authority to fix fees and charges in respect of Council activities or services.

HASTINGS DISTRICT COUNCIL
FINANCE AND RISK COMMITTEE MEETING

TUESDAY, 17 SEPTEMBER 2019

VENUE: Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings

TIME: 1.00pm

A G E N D A

1. Apologies

At the close of the agenda no apologies had been received.

At the close of the agenda no requests for leave of absence had been received.

2. Conflict of Interest

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to scan the agenda and assess their own private interests and identify where they may have a pecuniary or other conflict of interest, or where there may be perceptions of conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the General Counsel or the Democratic Support Manager (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

3. Confirmation of Minutes

Minutes of the Finance and Risk Committee Meeting held Tuesday 26 March 2019.
(Previously circulated)

4.	Horse of the Year (Hawke's Bay) Limited Annual Report for the year ended 31 May 2019	5
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8.	Additional Business Items	
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12.	Appointment of Independent member to the Risk & Audit Subcommittee	

REPORT TO: FINANCE AND RISK COMMITTEE

MEETING DATE: TUESDAY 17 SEPTEMBER 2019

FROM: MANAGER STRATEGIC FINANCE
BRENT CHAMBERLAIN

SUBJECT: HORSE OF THE YEAR (HAWKE'S BAY) LIMITED ANNUAL
REPORT FOR THE YEAR ENDED 31 MAY 2019

1.0 EXECUTIVE SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

- 1.1 The purpose of this report is to update the Committee on the performance of the Horse of the Year (Hawke's Bay) Limited (HOYHB) for the year ended 31 May 2019.
- 1.2 This report arises from the receipt of the HOYHB's Annual Report for the year ended 31 May 2019.
- 1.3 This report contributes to the purpose of local government by primarily promoting social wellbeing and more specifically through the Council's strategic objective to support a major Hastings event that contributes to the provision of good local services by increasing economic activity, contributing to a resilient job rich district while also contributing to an appealing visitor destination.
- 1.4 HOYHB's financial statements show a surplus for the year of \$26,097 which is similar to the previous year's result of \$26,215.
- 1.5 HOYHB has minimal cash reserves of \$45,975 and shareholders equity of \$72,361 as at 31 May 2019.

2.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) **That the Committee receives the report titled Horse of the Year (Hawke's Bay) Limited Annual Report for the year ended 31 May 2019**

3.0 BACKGROUND – TE HOROPAKI

- 3.1 The annual Land Rover Horse of the Year show is New Zealand's premier equestrian competition, featuring a range of horse and rider combinations from multiple disciplines. With over 1600 riders and 1800 horses competing for lucrative titles and prize money, the show is a feature on all equestrian calendars.
- 3.2 The shareholding of HOYHB is made up of Hastings District Council, Equestrian Sport New Zealand (ESNZ) and Show Jumping Hawke's Bay (SJHB) with each entity holding one third of the allotted shares. Each shareholder has advanced \$30,000 as shareholder loans.
- 3.3 Each shareholder is allowed up to 2 shareholder appointed directors. The current Board is as follows:
- Tim Aitken HDC appointment
 - William Moffett SHB appointment
 - Dirk Waldin SHB appointment
 - Vicki Glynn ESNZ appointment
 - Richard Sutherland ESNZ appointment
 - Craig Foss Independent
- 3.4 While there is a resolution of Council to appoint a second director to the Board, Council was very mindful that any appointment needed to have the required skills to complement the existing board and fill any gaps that may be evident. Council has yet to make an appointment and with the resignation of Cynthia Bowers there is also a vacancy for a second independent director.
- 3.5 The executed Shareholders Agreement provides the following in regard to the Annual Report:
- "Annual Report: Within 90 days after the end of the each financial year, the Company will deliver to the shareholders an annual report which will consist of:*
- *A Chairman's report, containing a review of the Company operations with specific attention to the performance against the key performance indicators established in the respective Statement of Intent.*
 - *A comparison of actual performance with targeted performance.*
 - *Annual audited financial accounts to be completed in accordance with general accepted accounting standards and to include:*
 - *Statement of Financial Position*
 - *Statement of Financial Performance*
 - *Auditor's Report"*

4.0 DISCUSSION - TE MATAPAKITANGA

- 4.1 HOYHB's financial statements show a surplus for the year of \$26,097 (\$26,215: 2018). This result was achieved on revenues of \$2,470,959 which was 2% up on the previous year. These in turn funded expenses of \$2,445,554 which were also 2% up on last year.

- 4.2 At balance date HOYHB held cash reserves of \$45,975 which is minimal for an organisation with an annual turnover of \$2.4m.
- 4.3 For this reason note 6 to the accounts refers to HOYHB as being a going concern by virtue of the support of its shareholders (in the form of shareholder loans), and Hastings District Council's continued sponsorship. It notes that HOYHB doesn't have sufficient resources in its own right to underwrite the possibility of a future under-performing annual show.

5.0 OPTIONS - NGĀ KŌWHIRINGA

Option One - Recommended Option - *Te Kōwhiringa Tuatahi – Te Kōwhiringa Tūtohunga*

- 5.1 Council can receive HOYHB's annual financial statements for the year ended 31 May 2019.

6.0 NEXT STEPS - *TE ANGA WHAKAMUA*

- 6.1 No further action is required.

Attachments:

1 [↓](#) HOY 2019 Annual Report

EXT-10-20-19-92

SUMMARY OF CONSIDERATIONS - *HE WHAKARĀPOPOTO WHAIWHAKAARO*

Fit with purpose of Local Government - *E noho hāngai pū ai ki te Rangatōpū-ā-rohe*

The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future

This report contributes to the purpose of local government by primarily promoting social wellbeing and more specifically through the Council's strategic objective to support a major Hastings event that contributes to the provision of good local services by increasing economic activity, contributing to a resilient job rich district while also contributing to an appealing visitor destination.

Link to the Council's Community Outcomes - *E noho hāngai pū ai ki te rautaki matua*

This proposal promotes the Social and Economic well-being of communities in the present and for the future.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

There are no known impacts for Tangata Whenua.

Sustainability - *Te Toitūtanga*

There are no implications for sustainability.

Financial considerations - *Ngā Whaiwhakaaro Ahumoni*

There are no financial implications.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

This report has been assessed under the Council's Significance and Engagement Policy as being of minor significance.

Consultation – internal and/or external - *Whakawhiti Whakaaro-ā-roto, ā-waho*

Risks: Legal/ Health and Safety - *Ngā Tūraru: Ngā Ture / Hauora me te Haumarū*

There are no legal or health and safety risks arising from this report

Rural Community Board - *Ngā Poari-ā-hapori*

HORSE OF THE YEAR (HAWKES BAY) LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MAY 2019

HORSE OF THE YEAR (HAWKES BAY) LIMITED

FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31ST MAY 2019**

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HORSE OF THE YEAR (HAWKES BAY) LIMITED**COMPANY DIRECTORY**
FOR THE YEAR ENDED 31 MAY 2019

INCORPORATION
20 June 2012

REGISTERED OFFICE
207 Lyndon Road, Hastings

SHAREHOLDERS
Hastings District Council
Equestrian Sports New Zealand Incorporated
Show Jumping Hawkes Bay Incorporated

DIRECTORS
C M Bowers (resigned 1 October 2018)
V J Glynn
T H Aitken
W W Moffett
D W Waldin
R J Sutherland
C R R Foss (appointed 1 October 2018)

BANKERS
ANZ Bank New Zealand Limited
PO Box 1393, Wellington

AUDITORS
Baker Tilly Staples Rodway Audit Ltd, Hastings

SOLICITOR
Bannister & von Dadelszen, Hastings

IRD NUMBER
109-379-627

COMPANY NUMBER
3886673

HORSE OF THE YEAR (HAWKES BAY) LIMITED

ANNUAL REPORT **FOR THE YEAR ENDED 31 MAY 2019**

The Directors have pleasure in presenting the Annual Report, together with the Company's Financial Statements for the Year Ended 31 May 2019.

NET SURPLUS / (DEFICIT)

Net Surplus for the Year Was	26,097
after providing for:	
Directors Fees & Salaries	0
Depreciation	4,854

DIVIDEND

No dividend was declared by the directors in the current year.

DIRECTORS INTERESTS

During the year there were no transactions entered into between the Company and its Directors requiring disclosure, other than those already disclosed in the financial statements.

SHARE DEALING

No Directors acquired or disposed of shares in the company during the year.

AUDIT

In terms of the unanimous resolution passed at the last annual general meeting, Baker Tilly Staples Rodway Audit Ltd were appointed as auditors. A similar motion will be put to this year's meeting.

COMPANY AFFAIRS

There has been no change in the main activities of the company during the year under review.

DIRECTORS

2 September 2019

HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MAY 2019**

1 Summary of Significant Accounting Policies

A. Reporting Entity

The reporting entity is Horse of the Year (Hawkes Bay) Limited ("the company") as an individual entity. The company is incorporated in New Zealand and registered under the Companies Act 1993.

The financial statements of the company have been prepared in accordance with the Financial Reporting Act 2013.

These financial statements and the accompanying notes summarise the financial results of activities carried out by the Company. The company is responsible for running the Horse of the Year Show in the Hastings area.

These financial statements have been approved and authorised for issue by the Board of Directors on 2 September 2019.

B. Statement of Compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards Reduced Disclosure Regime ("PBE IPSAS RDR") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-for-Profit entities.

For the purposes of complying with NZ GAAP, the Company is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-for-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board of Directors has elected to report in accordance with Tier 2 Not-for-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime (RDR) disclosure concessions.

2 Significant Accounting Policies

The accounting policies set out below have been consistently applied to all periods presented in these financial statements.

A. Basis of Measurement

These financial statements have been prepared on the basis of historical cost except as noted in the specific accounting policies below.

B. Functional & Presentational Currency

The financial statements are presented in New Zealand dollars (\$) which is the Company's functional currency, rounded to the nearest dollar.



HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MAY 2019**

C. Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Company and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from non-exchange transactions

Donations

Donations are recognised as revenue upon receipt and include donations from the general public.

Grant Revenue

Grant revenue includes grants given by other charitable organisations, philanthropic organisations and businesses. Grant revenue is recognised when the conditions attached to the grant have been complied with.

Revenue from exchange transactions

Event Income

Entrance fees, ticket income and all other event income is recorded as revenue when the event takes place.

Interest income

Interest revenue is recognised as it accrues, using the effective interest method

D. Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the financial instrument.

The Company derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- the Company has transferred substantially all the risks and rewards of the asset; or
- the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.



HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 MAY 2019**

Financial assets

Financial assets within the scope of PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The Company's financial assets include cash and cash equivalents, receivables from non-exchange transactions and receivables from exchange transactions and have all been classified as loans and receivables.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment.

Impairment of financial assets

The Company assesses at the end of reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

Financial liabilities

The Group's financial liabilities include accounts payable.

All financial liabilities are initially recognised at fair value and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

E. Cash & Cash Equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

F. Property, Plant & Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Where an asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.



HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

Depreciation is charged on a straight line or diminishing value basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

- Course Development 33.3% SL
- Plant & Equipment 10% - 50% DV

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

G. Income Tax

Due to its status as a body promoting amateur games or sports, the Company is exempt from income tax under CW46 of the Income Tax Act 2007.

H. Goods & Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except for receivables and payables, which are stated with the amount of GST included.

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

I. Equity

Equity is the interest in the Company, measured as the difference between total assets and total liabilities. Equity is made up of Accumulated comprehensive revenue and expense. Accumulated comprehensive revenue and expense is the Company's accumulated surplus or deficit since its formation.

J. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

Shareholder loans

The Company has shareholder loans. The Company has determined, based on discussions with shareholders and evaluation of the terms of the loans, that these loans will not be repaid in the foreseeable future and the loans therefore do not meet the definition of financial liabilities. This



HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

judgment has meant that the loans were transferred into retained earnings on transition to PBE IPSAS RDR.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Company based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Collectability of debtors

The Company has a significant Receivables balance. In preparing these financial statements the Company, based on the information available to it at the time, has assumed that there will be no material default of debtors except as already allowed for in the financial statements.

Value of Sponsorship Revenue

Some sponsorship revenue is provided in the form of discounted services or goods from suppliers. In some instances management estimates the value of the sponsorship. Such estimates do not impact the net surplus or deficit because the sponsorship revenue and implied expenses net off.

3 Shareholder Loans

	31 May 2019	31 May 2018
Loan - Equestrian Sports New Zealand	\$30,000	\$30,000
Loan - Hastings District Council	\$30,000	\$30,000
Loan - Show Jumping Hawkes Bay	\$30,000	\$30,000

The shareholder loans and interest thereon are payable at the discretion of the Directors of Horse of the Year (Hawkes Bay) Limited. Notwithstanding the Directors discretion, shareholders have confirmed that they have no plans to call for repayment of their loans to the company for the foreseeable future and at least for 12 months. There is no security to support these loans and no interest is currently charged.

The shareholder loans do not meet the definition of a financial liability because the discretion for repayment lies with the directors of the Company, not the shareholders, therefore there is not a contractual obligation for the Company to make repayment. As the loans do not meet the definition of a financial liability, they were taken to retained earnings on transition to PBE IPSAS RDR for the 31 May 2016 year end.



HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

4 Expense Disclosures

	2019	2018
Fees paid to auditor (all for audit of financial statements)	6,663	7,877
Bad Debt Expenses	15,965	2,300
Movement in Provision for Doubtful Debts	(7,100)	4,800

5 Commitments for Expenditure

The company has a contract with SMC Events Limited to deliver the show. The base fee in the contract is \$290,000. The contract runs until 31 May 2020.

The company has a contract with the A & P Society for facility hire for the 2020 show for \$97,000.

There were no other material contractual commitments for capital or operating lease expenditure outstanding at balance date.

6 Going Concern Assumption

The Directors have prepared the financial statements on a going concern basis. Due to the Company's low equity and accumulated operating losses (ie excluding shareholder grants and the write back of shareholder loans), the validity of the going concern assumption depends on the continuing viability of the operation of the Company, continued financial support from shareholders and positive cash flows from future shows.

Specific factors the Directors have taken into account are:

- (a) There are shareholders loans totalling \$90,000. The timing of repayment of these loans is at the discretion of the directors. It is not the directors intention to repay all or any portion of these loans in the foreseeable future. As detailed in note 3, these loans do not meet the definition of a financial liability and are not recorded in the balance sheet.
- (b) The positive operating surplus achieved for the 2017, 2018 and 2019 years.
- (c) Hastings District Council has retained its sponsorship level of \$150,000 for the 2020 show.
- (d) The Board is optimistic that the 2020 Show will also be a financial success. Preparations for securing the major revenue lines are well advanced.

7 EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to Balance Date requiring disclosure.

8 SHARE CAPITAL

The company has issued 20 Group A shares to Equestrian Sports New Zealand Incorporated, 20 Group B shares to Hastings District Council and 20 Group C shares to Show Jumping Hawkes Bay Incorporated. All shares have the same rights. Each group has the right to appoint two directors. The constitution prohibits any distributions to shareholders. No payment has been made for the shares. There has been no change to the numbers of shares on issue in the reported periods. The shares have no par value.



HORSE OF THE YEAR (HAWKES BAY) LIMITED

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2019

9 RELATED PARTIES

Hastings District Council (HDC), Equestrian Sport New Zealand (ESNZ) and Show Jumping Hawkes Bay Incorporated (SJHB) are related parties by virtue of being shareholders and having appointed representatives as directors of the Company. Those entities have all provided shareholder loans to the Company as detailed in note 3.

HDC provided host city sponsorship of \$150,000 during the year (2018: \$150,000). HDC had other minor income transactions during the year.

ESNZ has provided income of \$8,205 to the Company (2018 : \$4,830). No income is owed by ESNZ to the Company at balance date (2018 : \$1,578). The Company has incurred \$9,133 of expenses with ESNZ with \$4,970 (including GST) outstanding at year end.

SJHB has provided equipment to the company for \$40,000 (2018: \$45,000).

Cynthia Bowers (Chairperson until 2018 AGM) received an honorarium of \$4,000 (2018 : \$12,000) during the financial year.

SMC Events Limited is a related party by virtue of being the event manager and therefore having significant influence over the company in making financial and operating decisions. SMC Events Limited has been paid an event management fee of \$305,520 (2018 : \$308,979) with \$4,129 (including GST) outstanding at year end.

Dave Mee (a director and shareholder of SMC Events Limited) is a director and shareholder of Magico Activation Limited. The company incurred Nil expenses with Magico Activation Limited during the year (2018 : \$1,409).

10 Property, Plant & Equipment

		Course Development	Plant & Equipment	Total
2019	Cost	13,094	49,767	62,861
	Accumulated Depreciation	(13,094)	(23,509)	(36,603)
	Net Book Value	-	26,258	26,258
2018	Cost	13,094	49,767	62,861
	Accumulated Depreciation	(13,094)	(18,655)	(31,749)
	Net Book Value	-	31,112	31,112
2019	Opening Net Book Value	-	31,112	31,112
	Additions	-	-	-
	Depreciation	-	(4,854)	(4,854)
	Closing Net Book Value	-	26,258	26,258



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HORSE OF THE YEAR (HAWKES BAY) LIMITED**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE**
FOR THE YEAR ENDED 31 MAY 2019

2018 \$		2019 \$	
	<u>Revenue from Non-Exchange Transactions</u>		
119,629	Grants	125,000	
5,000	Donations	5,000	
124,629			130,000
	<u>Revenue from Exchange Transactions</u>		
1,213,148	Corporate Sales	1,209,311	
901,326	Entries & Related Income	926,787	
145,618	Gate Takings	167,049	
37,253	Other Event Income	37,812	
2,297,345		2,340,959	
2,421,974	Total Income	2,470,959	
	<u>LESS Expenses</u>		
107,976	Administrative Overheads (Note 4)	100,143	
5,296	Depreciation	4,854	
1,336,191	Event Productions	1,387,149	
662,930	Operating Expenses	663,872	
284,042	Prize Money	289,536	
2,396,435	Total Expenses	2,445,554	
25,539	NET OPERATING SURPLUS / (DEFICIT) FOR YEAR	25,405	
	<u>PLUS Other Income</u>		
676	Interest Received	692	
676		692	
26,215	NET SURPLUS / (DEFICIT) FOR YEAR	26,097	

NOTE: The accompanying notes form part of these Financial Statements. The above Statement must be read subject to the attached Audit Report.



HORSE OF THE YEAR (HAWKES BAY) LIMITED**STATEMENT OF MOVEMENTS IN EQUITY**
FOR THE YEAR ENDED 31 MAY 2019

2018		2019	
\$		\$	
20,048	EQUITY AT START OF THE PERIOD	46,264	
26,215	Net Total Comprehensive Revenue & Expenses	26,097	
26,215	TOTAL RECOGNISED REVENUES AND EXPENSES FOR THE PERIOD	26,097	
46,263	EQUITY AT END OF THE PERIOD	72,361	

NOTE: The accompanying notes form part of these Financial Statements. The above Statement must be read subject to the attached Audit Report.



HORSE OF THE YEAR (HAWKES BAY) LIMITED**STATEMENT OF FINANCIAL POSITION**
AS AT 31 MAY 2019

2018 \$	Note	2019 \$	
			<u>CONTRIBUTED CAPITAL</u>
46,263		72,361	Retained Earnings / (Losses)
46,263		72,361	
<u>\$46,263</u>		<u>\$72,361</u>	<u>TOTAL SHAREHOLDERS FUNDS</u>
			REPRESENTED BY:
			<u>CURRENT ASSETS</u>
2,661		38,360	ANZ (00)
1,331		197	ANZ (01)
61,539		789	ANZ (46)
2,472		6,629	ANZ (04)
953		-	PayPal
77,476		45,367	Receivables (Exchange)
(4,800)		-	Provision for Doubtful Debts
<u>85,092</u>		<u>49,477</u>	GST Receivable
226,724		140,819	<u>TOTAL CURRENT ASSETS</u>
			<u>NON-CURRENT ASSETS</u>
<u>31,112</u>		<u>26,258</u>	Fixed Assets - (As Scheduled)
31,112		26,258	
<u>257,836</u>		<u>167,077</u>	<u>TOTAL ASSETS</u>
			<u>LESS</u>
			<u>CURRENT LIABILITIES</u>
24,470		11,302	Accruals
<u>187,103</u>		<u>83,414</u>	Accounts Payable (Exchange)
211,573		94,716	<u>TOTAL CURRENT LIABILITIES</u>
<u>211,573</u>		<u>94,716</u>	<u>TOTAL LIABILITIES</u>
<u>\$46,263</u>		<u>\$72,361</u>	<u>NET ASSETS/(LIABILITIES)</u>

These financial statements are approved for and on behalf of the Board of Directors.

..... DIRECTOR DIRECTOR
2 September 2019

NOTE: The accompanying notes form part of these Financial Statements. The above Statement must be read subject to the attached Audit Report.



HORSE OF THE YEAR (HAWKES BAY) LIMITED**STATEMENT OF CASH FLOWS**
FOR THE YEAR ENDED 31 MAY 2019

2018		2019
\$		
	Cash flows from Operating Activities	
	Receipts	
124,000	Receipts from Other Grants	125,000
5,000	Receipts from Donations	5,000
2,249,947	Receipts from Event	2,365,378
676	Interest Received	692
<u>2,379,623</u>		<u>2,496,070</u>
	Payments	
2,372,034	Payment to Suppliers	2,551,673
4,289	Net GST Paid	(32,621)
<u>2,376,323</u>		<u>2,519,052</u>
3,300	Net Cash flows from Operating Activities	(22,982)
	Cash flow from Investing Activities	
10,539	Purchase of Property, Plant & Equipment	0
<u>(10,539)</u>	Net Cash flows from Investing Activities	0
(7,239)	Net Increase / Decrease in Cash & Cash Equivalents	(22,982)
76,196	Cash & Cash Equivalents at 1 June	68,957
<u>68,957</u>	Cash & Cash Equivalents at 31 May	45,975
	Comprising	
2,661	ANZ (00)	38,360
1,331	ANZ (01)	197
61,539	ANZ (46)	789
2,472	ANZ (04)	6,629
953	Paypal	0
<u>68,956</u>		<u>45,975</u>

NOTE: The accompanying notes form part of these Financial Statements. The above Statement must be read subject to the attached Audit Report.



REPORT TO: FINANCE AND RISK COMMITTEE

MEETING DATE: TUESDAY 17 SEPTEMBER 2019

FROM: STRATEGY MANAGER
LEX VERHOEVEN

SUBJECT: NON-FINANCIAL PERFORMANCE REPORT FOR THE
YEAR ENDED 30 JUNE 2019

1.0 PURPOSE AND SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

- 1.1 The purpose of this report is to update the Committee on achievement against its non-financial performance management framework as contained within the 2018 – 2028 Long Term Plan.
- 1.2 This issue arises from the legislative requirement to report against Council's performance management framework within its Annual Report.
- 1.3 This report is for information only, and contains unaudited information. The audited version will be incorporated in the Council's Annual Report for Council adoption on 10 October 2019.

2.0 BACKGROUND

- 2.1 The Council's Performance Management Framework has 3 levels as follows:
 - (1) **Future Aspirations** (what we are trying to achieve over time – trends and shifts)
 - (2) **Today's Commitments** (levels of service we have committed to the community)
 - (3) **Smart Business** (internally focused on continuous improvement)
- 2.2 The Performance Management Framework forms part of the 2018 – 2028 Long Term Plan which the Council is legally required to report against annually. This is the first year of reporting against the 2018 -2028 plan.
- 2.3 Level Two (Today's Commitments) is the primary focus of this report. It captures the performance information contained within the Long Term Plan and has three separate reporting components as follows:
 - (1) Levels of Service
 - (2) Customer Experience
 - (3) Key Actions
- 2.4 In 2015/16 "mandatory measures" for some activities were introduced into legislation and standardised across the country. For Hastings District these measures cover the infrastructural activities of Water Supply, Stormwater Disposal, Sewage Disposal and Roads and Footpaths. With the recent reintroduction of the four wellbeing's in legislation there may be some further standardisation across other measures. Officers will keep Council updated of

any developments in this regard. Council will have the opportunity to review its performance management framework as part of the development of the next Long Term Plan.

3.0 CURRENT SITUATION

- 3.1 A summary of Council performance is contained at the beginning of **Attachment 1**, and provides a high level overview of performance.
- 3.2 In regard to the 65 level of service measures within the Long Term Plan (including the mandatory measures), 82% of those able to be measured in 2018/19 were either fully or substantially achieved. Of those not achieved the key reasons were:
 - Strategy reviews which are underway but which span financial years;
 - Impacts of the new water operating and legislative environment on some measures (i.e. the requirement for Protozoa treatment to fully comply), with the Council's upgrade programme ongoing to achieve full compliance;
 - The % release rate of impounded dogs being dependant on the temperament of the dogs impounded in any one year.
- 3.3 In regard to the 7 customer experience measures 5 were either fully or substantially met. The 2 unachieved measures relate to:
 - A focus on measuring underperforming parks (a change in measurement methodology) in terms of the user satisfaction measure, which will be useful in better informing the forward renewal and improvement programme;
 - Increased resource consent levels and complexity of consents (44 over last year);
- 3.4 In regard to the 27 key actions contained in the Long Term Plan these are either on track or have been completed.
- 3.5 The remainder of **Attachment 1** contains the full performance framework which is currently being audited, and will form part of the Council's Annual report for adoption in October.

4.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) That the Committee receives the report titled **Non-Financial Performance Report for the Year Ended 30 June 2019**

Attachments:

- 1 [↓](#) Annual Report Non Financial Performance 2018/19 CG-14-71-00045



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 achievement is 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.

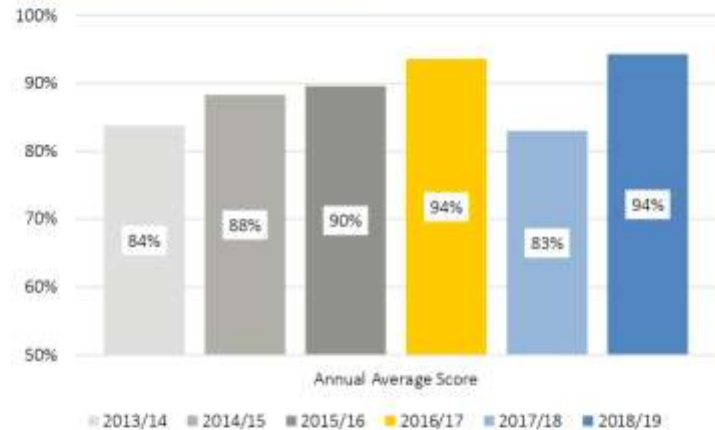
Customer experience (7 measures)

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

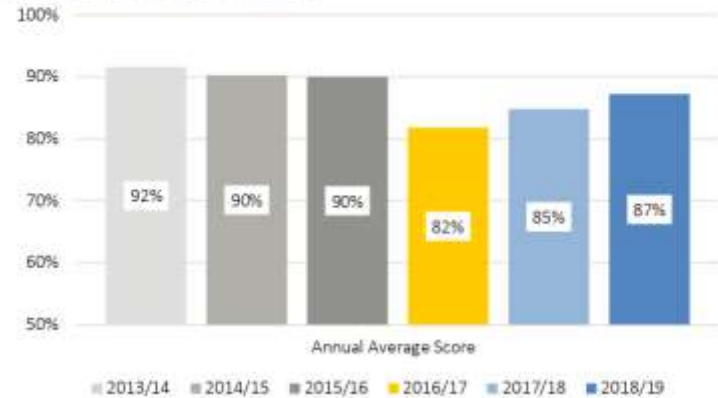


Note: The 2017/18 result is skewed by an isolated mystery shop issue which has been resolved

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 focussed 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

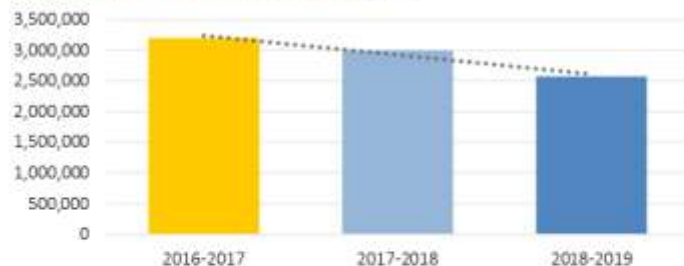
Asset improvement plans

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 18/19 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								
FG01 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)								
FG02 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.								
FG03 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 <p>Urban Streetlights Electricity Consumption KWh</p>  <table><caption>Urban Streetlights Electricity Consumption KWh</caption><tr><th>Period</th><th>Consumption (KWh)</th></tr><tr><td>2016-2017</td><td>~3,200,000</td></tr><tr><td>2017-2018</td><td>~2,900,000</td></tr><tr><td>2018-2019</td><td>~2,500,000</td></tr></table> <ul style="list-style-type: none">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%.	Period	Consumption (KWh)	2016-2017	~3,200,000	2017-2018	~2,900,000	2018-2019	~2,500,000
Period	Consumption (KWh)										
2016-2017	~3,200,000										
2017-2018	~2,900,000										
2018-2019	~2,500,000										

Safe, Healthy & Liveable Communities

Future aspirations	Baseline performance	Future target	Progress
FG04 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. • 4 buildings have been confirmed as earthquake-prone; 2 are being strengthened and 1 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).
FG05 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.
FG06 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 1000 properties connected to the Council network)	0 (zero)	0 (zero) floors affected per 1000 connections up to a 1 in 50 year ARI storm event	Achieved – 0 (zero) number of habitable floors affected.
		DIA Non-Financial Performance Measure 2 – Discharge Compliance Compliance with Council's resource consents for discharge from its stormwater system measured by the number of: a) Abatement notices b) Infringement notices c) Enforcement orders d) Convictions	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.

8 // HASTINGS DISTRICT COUNCIL ANNUAL REPORT 2018/2019

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 1000 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: <ul style="list-style-type: none"> • Healthy drinking water and sanitary services • Sustainable use of water resources • Infrastructure supporting economic growth • Resilience to hazards and shocks 	Council will provide a safe and reliable wastewater service and ensure that service interruptions are kept to a minimum.	DIA Non-Financial Performance Measure 1 – Number of dry weather sewerage overflows from the Council's wastewater system, expressed per 1000 sewerage connections to that sewerage system	0.84	5 per 1,000 connections per annum	Achieved – 0.89 overflows per 1000 connections per annum.
		DIA Non-Financial Performance Measure 2 – Compliance with Council's resource consents for discharge from its sewerage system measured by the number of:	0 (zero)		
		(a) Abatement notices		(a) 0 (Zero) Abatement notices	Achieved – 0 (zero) abatement, infringement, and enforcement notices, and no convictions.
		(b) Infringement notices		(b) 0 (Zero) Infringement notices	
		(c) Enforcement orders		(c) 0 (Zero) Enforcement orders	
		(d) Convictions		(d) 0 (Zero) 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
DIA Non-Financial Performance Measure 3 –					
Where the Council attends to sewerage overflows resulting from a blockage or fault in the Council's sewerage system, the following median response times are measured:					
Achieved –					
		(a) Attendance time: From the time that the Council receives notification to the time that service personnel reach the site, and	30 minutes	(a) 1 hour response time to site (attendance time)	(a) 30 minutes response
		(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	2.25 hours	(b) 1 day Permanent Repair Completed (resolution time)	(b) 2.1 hour resolution time
DIA Non-Financial Performance Measure 4 –					
		Total Number of complaints received by the Council about any of the following:	23.8	30 complaints – Count expressed per 1,000 connections per annum	Achieved – 14.86 complaints per 1,000 connections per annum
		(a) Sewage odour			
		(b) Sewerage system faults			
		(c) Sewerage system blockages			
		(d) The Council's response to issues with its sewerage system			
		Expressed per 1,000 connections to the Council's sewerage system			

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 	Water Supply – Ensuring Healthy drinking water through the provision and effective management of water services	<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>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 existing filtration and UV disinfection systems in place but require</p>

Water Supply

Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
					<p>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>
		DIA Non-Financial performance Measure 2 – (maintenance of the reticulation network) The percentage of real water loss from the local authority's networked reticulation system (Including a description of the methodology used to calculate this)	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'	Not Measured in 2018 – 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.
		DIA Non-Financial performance Measure 3 – (fault response times) Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:		95% Achievement Rate.	

Water Supply					
Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
		(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	3 hours	Urgent – 2 hour Restoration of Service	Not Achieved – The median restoration time was 3 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.
			2 days		Achieved – 20 hour response time
		(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	3 days	Non-urgent – 3 days response time to site (Note i)	Achieved – 3 day resolution
		(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		Non-urgent – 7 days call 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
		DfA Non-Financial performance Measure 4 – (customer satisfaction) The total number of complaints received by the local authority about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply, and	9.24	Count expressed per 1000 connections per annum (Current Baseline = 9.24 complaints per 1,000 connections)	Not Achieved – There were 9.50 complaints per 1000 connections. This is slightly higher (2.8%) than the baseline requirement.

Water Supply					
Community Outcomes	Level of Service Statement	Performance Measure	Baseline Performance	2018/19 Target	2018/19 Achievement
		(f) the local authority's response to any of these issues expressed per 1000 connections to the local authority's networked reticulation system.			
		DIA Non-performance Measure 5 – (demand management) The average consumption of drinking water per day per resident within the territorial authority district.	479	410 Litres per day per resident	Not Achieved – The average consumption was 494 litres per day per resident. This is 20% higher than the target and is a 3% 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.

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	4 cemeteries at Hastings, 4 Havelock North, Puketapu, Mangaroa		Achieved – 4 at Hastings, Havelock North, Puketapu and Mangaroa
	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.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
				Condition 31: 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 – 4 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.
COUNCIL OBJECTIVE: <ul style="list-style-type: none"> Sustainable use of land and water resources A more compact urban form 	A District Plan current at all times within statutory timeframes	Achieved	Achieved	Achieved – 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.

Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
				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.
COUNCIL OBJECTIVE:	Number of public swimming pools that meet Pool Safe water quality standards	4	4	Achieved – Only 2 pools were audited and both achieved Pool Safe Water Quality Standards.
• Places and spaces for recreation	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)	Achieved – Days of library operation met target standard for 2018/19.
• Places and spaces for arts, culture, learning	% of urban properties within 500m radius (walking distance) of a park	86%	87%	Achieved – 87% of urban properties.
• Fostering recreational participation	% of urban properties within 500m radius (walking distance of a playground)	53.2%	60%	Achieved – 60% of urban properties.
• Fostering the arts and cultural experience	Number of elderly housing units and average occupancy	220 units with occupancy of 98.87%	95% average occupancy	Achieved – The average occupancy in 2018/19 was 98.52%.
	Number of Art Gallery exhibitions per annum	15	12	Achieved – 13 Art Gallery exhibitions were held during 2018/19.
	Opera House Qualmark Rating (subject to current review)	Five star (when last measured in March 2014 pre closure)	Five star	Not Measured – The Opera House complex is 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: • Residential development opportunities • Industrial development opportunities	% 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 Omaha 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 Omaha, and 52.3 ha at Whakatu. These figures confirm that the target is exceeded.
	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 but it will not be completed until late 2019.
	Number of structure plans completed per annum	1	1	Achieved – A structure plan for Brookvale Urban Growth area was completed in June 2019.
	Opera House Qualmark Rating	Five Star (when last measured in March 2014 pre closure)	Five Star	Not Measured – The Opera House complex is currently closed to the public due to earthquake strengthening works.
COUNCIL OBJECTIVE: Appealing visitor destination. (subject to current review)	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

Economic and Community Development				
Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
	Total financial support to events	\$75,000	\$125,000	of the internet by overseas visitors to make bookings. 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 60,771 from outside Hastings (54.6%)	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: <ul style="list-style-type: none">• Putting people at the centre of planning and service	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.
<ul style="list-style-type: none">• Effective working relationships with mana whenua	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: • Reduce public nuisance and threats to public safety	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.
• Putting people at the centre of planning and service	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.

Customer Experience – Safe, Healthy and Liveable Communities

Council Outcomes	Performance Measure	Baseline Performance 2017/18	Target 2018/19	Achievement 2018/19
	Time taken to process a resource consent	88% within statutory timeframe (20 working days)	97% within statutory timeframe (20 working days)	Not Achieved – 90% 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 2 (< 45 minutes) – 100%	Zone 1 (20-30 minutes) – 95% Zone 2 (< 45 minutes) – 90%	Achieved – Zone 1 (20-30 minutes) – 99.8% 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.	Quality of customer service (contact centre)	Average score of 85% in mystery shopper phone calls	85%	Achieved – 87% average score
(Ensure easy access to Council knowledge and services)	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 optimization 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 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 5 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 RMP's)	<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 Leonards 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 facilitated 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 we assigned to Council Groups to action on the following timescales 2018-2021, 2021 + and 'Ongoing'. Actual implementation has not yet been monitored. <p>Focus has been on implementing the quarterly property market indicator monitoring required by the National Policy Statement on Urban Development Capacity and the first of the three yearly Housing and Business Capacity Assessments. Four quarterly reports were produced over the last year and the Capacity Assessment report is due to be published by the end of July.</p>
KA26 Development of various place based plans	<ul style="list-style-type: none"> On Track <ul style="list-style-type: none"> Flaxmere West and Anderson Park Community Plans endorsed by Council. Plans awaiting endorsement – Waipatu. 4 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 to a potential centralised call centre for Government Department to relocate up to 250 jobs to the region. Collaborate with regional LA's, PTSG's, 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 2 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.

REPORT TO: FINANCE AND RISK COMMITTEE

MEETING DATE: TUESDAY 17 SEPTEMBER 2019

**FROM: FINANCIAL CONTROLLER
AARON WILSON**

SUBJECT: DRAFT FINANCIAL YEAR END RESULT - 30 JUNE 2019

1.0 PURPOSE AND SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

1.1 The purpose of this report is to inform the Council of the unaudited accounting and rating result for the year ended 30 June 2019 and for the Council to approve the allocation of the rating result. It also seeks the approval from Council to carry forward project budgets. This report has been prepared on the basis that the Hastings District Rural Community Board has approved the recommendations submitted to it on 9 September 2019 relating to the year-end rating result for Rating Area 2.

1.2 The **rating result** is a small surplus to budget. The deficit in RA1 is a consequence of interest rate savings and offset by increasing cost pressures within areas of Council along with a number of approved but unbudgeted spends in the financial year. RA2 has benefited from favourable budgeted rates remissions, penalties and rates revenues.

1.3 The unaudited rating result for the 2018/19 year is as follows:

Rating Area 1	\$(96,456)	<i>Deficit</i>
Rating Area 2	\$107,188	<i>Surplus</i>
Total for the District	\$10,732	<i>Surplus</i>

1.4 In addition to the Rating Result, Council also generated a surplus from the Landfill operation, the report recommends that these surpluses be allocated as follows:

	Total	Rating Area 1	Rating Area 2
Surplus/Deficit on General Rate	10,731	(96,456)	107,188
Landfill Surplus	1,203,978	1,052,397	151,581
	1,214,709	955,941	258,769
Recommended Allocation			
Allocation on General Rate			
RA1 General Purpose Reserve (transfer from)	(96,456)	(96,456)	
RA2 Flood Reserve	107,188		107,188
	10,732	(96,456)	107,188
Landfill Surplus			
Kerbside Collections Reserve	1,052,397	1,052,397	
RA2 Flood Reserve	151,581		151,581
Total Allocation	1,214,710	955,941	258,769

- 1.5 The report also recommends that budget allocations proposed to be carried forward from 2018/19 to 2019/20 to enable project completion be approved.
- 1.6 Council is provided with quarterly financial reports during the year with the unaudited year-end result presented annually at the September Finance and Risk Committee meeting.
- 1.7 Officers report on the operating financial result (operating surplus/deficit) as well as the rating result. The operating (accounting) financial result is reported on quarterly during the year and, at year end, a report is prepared on the rating result in addition to the accounting result.
- 1.8 The rating result differs from the accounting result in respect of non-cash items such as depreciation, gains or losses on interest rate swaps, vested assets, impairment of assets and investments and development contributions income which have no impact on setting rates and are therefore excluded from the rates calculations. The rating result is also affected by the extent of rates-funded carry forwards that are approved. The rating result reports on the variance of rates collected and net total expenditure (including capital and reserve transfers) for Council.
- 1.9 The Financial Reports attached to supplement this report include:
 - Attachment 1** – Interim Rating Result for the year ended 30 June 2019
 - Attachment 2** – Dash Board Summary of Financial Performance
 - Attachment 3** – Draft Unaudited Financial Statements
 - Attachment 4** – Carry Forwards 2019/20
- 1.10 The financial reports contain summarised information. **Please feel free to contact the report writer or the Chief Financial Officer directly on any specific questions from the reports before the meeting.** This will ensure that complete answers can be given at the meeting on the detail that forms the basis for these reports.

2.0 Current Situation

- 2.1 The 2018/19 financial year has seen a continuation of a strong Hawke's Bay economy. In terms of Council's performance, there are a number of areas that have experienced cost pressures in responding to these strong economic conditions.
- 2.2 Since the financial quarterly report for the year to 31st March was presented in May, most of the issues and trends identified have remained on the same track to the end of the financial year. This report sets out the financial performance (accounting result) and the rating result for the year ended 30 June 2019. These results are unaudited and may be subject to minor adjustments.

3.0 THE RATING RESULT

- 3.1 Council adopts strong financial management practices and prepares a balanced budget to deliver Council's desired programme, including high levels of fiscal tensioning and stretch targets.
- 3.2 This year the overall general rating result for 2018/19 is a small surplus to budget, which is lower than the previous year's surplus in 2017/18 of \$942,713.

Rating Area 1	\$(96,456)	Deficit
Rating Area 2	\$107,188	Surplus
Total for the District	\$10,732	Surplus

- 3.3 In addition to the general rating result, the Council's share of the surplus from the Landfill operations is \$1.2m. Previously, the Landfill surpluses were used to repay Landfill debt. The remaining debt was extinguished by application of the surplus from the 2015/16 financial year. Landfill surpluses from the last two years have been used to fund the water supply targeted rate account, helping fund the response to the waster change programme.
- 3.4 Council resolved last year to apply the 2017/18 landfill surplus of \$2.2m to the water supply targeted rate account (\$1.09m), and stormwater debt repayment both in RA1 whilst allocating \$284k to the capital reserve for RA 2. This now leaves the Council with a decision on how to allocate the 2018/19 Landfill surplus.
- 3.5 In addition to the above, which is after all necessary reserve transfers have been made, there are a number of significant activities where surpluses or deficits are ring fenced and/or transferred to reserves and include water supply, waste water and refuse & recycling.
- 3.6 In allocating surpluses and reserves, Council's prudent financial policy approach has traditionally focused on debt repayment or borrowing reduction. In Rating Area 2, priority has been given to replenishing the Rural Flood and Emergency Event Reserve.

- 3.7 Given Rating Area 1 is in a rates deficit position for 2018/19, a transfer from the RA1 General Purpose Reserve is required to offset this deficit of \$96,456.
- 3.8 It is recommended that Council contribute all of the RA1 share of the Landfill surplus, \$1,052,397, to the Kerbside Collections Reserve. The implementation of the Waste Management Plan requires significant upfront expenditure and this reserve can help smooth the impact of this implementation on the refuse collection and recycling target rates.
- 3.9 In determining priorities for the Rating Area 2 general rate surplus and Council's share of the Landfill surplus, officers recommend the following allocations:
1. Contribute the RA2 Surplus of \$107,188 to the RA2 Flood and Emergency Event Reserve.
 2. Contribute all of the RA2 share of the Landfill surplus, \$151,581, to the RA2 Flood and Emergency Event Reserve.

4.0 THE unaudited ACCOUNTING RESULT

4.1 Draft Unaudited Operating Accounting Result

Set out below is a summary of the 2018/19 financial year. Please note that this is not the same as the rating result.

Unaudited Operating Accounting Result	BUDGET COUNCIL \$'000	ACTUAL COUNCIL \$'000	ACTUAL GROUP \$'000
Operating Revenue	126,427	138,110	11,683
Less: Operating Expenditure	117,091	128,452	(11,361)
Net Surplus/(Deficit)	9,336	9,658	322
Loss on Swaps	-	7,088	(7,088)
Net Surplus/(Deficit) after Swaps	9,336	2,570	(6,766)
Gain/(Loss) on Revaluations	23,165	38,530	15,365
Net Surplus after accounting gains and losses	32,501	41,100	8,599

- 4.2 The draft unaudited financial result for the year ended 30 June 2019 before gains or losses on revaluations and losses on interest rate swaps is a surplus of \$9.7m with a favourable variance to the budget of \$0.3m.
- 4.3 It is important to note that budget variances noted in the table above, refer to variances against the Annual Plan excluding carry forwards or any other budget adjustments as this is what Council is required to report against in the Annual Report. By comparison the attached dashboard reports include budgeted information that includes all budget adjustments including carry forwards from previous year.
- 4.4 The unrealised losses on interest rate swaps of \$7m is an accounting entry and reflects the potential cost to Council of replacing all of its interest rate swaps at the prevailing swap interest rates on 30 June 2019. Council is,

however, extremely unlikely to be put in that situation and the loss is therefore recognised as an 'unrealised loss'.

- 4.5 Council has interest rate swaps in place to hedge against interest rate exposure by reducing uncertainty of future cashflows. This is in line with Councils prudent financial approach and meets the requirements of Councils treasury policy. Market conditions have changed from several years ago when many of these swaps were taken out.

5.0 Revenue

- 5.1 Revenue has a favourable variance to revised budget of \$7.08m. The increase in revenue compared to budget is made up of the following activities:
- 5.2 Subsidies and grants are \$447k unfavourable to revised budget, this is made up of lower NZTA subsidies that are reimbursements for capital work done, offset by higher grants across the community facilities and Economic and Social Development areas.
- 5.3 Fees and Charges are above budget by \$2.2m. This increased revenue has been achieved across a wide range of Council activities - Water Meter revenue (\$437k), Parking (\$316k), along with Building Consent fees (\$295k) and Environmental Consents (\$176k). There was also a number of one-off revenues received for insurance reimbursement (\$408k) and other projects.
- 5.4 Interest revenue earned is favourable to budget by \$534k due to investment of funding held for capital projects.
- 5.5 Infrastructure vested assets are above budget by \$3.97m.

6.0 Expenditure

- 6.1 Operational Expenditure against revised budget before swaps is higher than budgeted by \$7.3m. Key drivers are:
- 6.2 Contracted services are \$2.4m above budget. This is primarily in the areas of infrastructure where there have been and are large capital projects underway, with Planning and Regulatory and Parks also being impacted.
- 6.3 Three Water services operational expenditure is \$637K above YTD budget. This is mainly due to higher than budgeted spend related to the September rain event, effluent treatment maintenance costs plus higher than budget chlorine costs.
- 6.4 Legal fees are \$464k above budget mainly due to compliance costs across a range of cost centres.
- 6.5 Depreciation is \$2.7m above budget due to the higher revaluation of assets at the end of the 2017/18 year.
- 6.6 The unrealised loss on swaps of \$7.088m. As mentioned in paragraph 4.4, this is an unrealised accounting entry that has no effect on cash.

7.0 Unbudgeted but approved expenditure:

- 7.1 There have been a number of events and decisions made that have resulted in approved but unbudgeted expenditure. The added spend has directly impacted on the overall financial position for the 2018/19 year.

7.2 Craggy Range Track

- 7.3 Since the original resource consent was granted incorrectly at the end of 2017, Council has been engaged in a process with stakeholder parties to understand and undertake remedial works to remove the Craggy Range track. The approved but unbudgeted costs for the current year 2018/19 is \$512k; total project spend over the life of the project up until July 2019 is \$570k.

7.4 Maintenance Group Transition Costs

- 7.5 In February 2019, the parks and open space maintenance work was contracted out to Recreation Services, and this was a transition from the work being done internally through Maintenance Group.

- 7.6 In transitioning the process over to an external contract, there were a number of significant one-off transition costs that were incurred in the development of the contract and the outsourcing to the new external supplier, Recreational services. The impact of this approved but unbudgeted spend was \$512k. Long term efficiency savings have been built into the new contract.

7.7 Flood Damage

- 7.8 Costs associated with the 2018 floods have continued to impact on this financial year, with the total overspend to budget for the YTD \$661K for the local share. The Rating area 2 flood reserve, will fund the majority of the local share. The current balance of the RA2 Flood reserve after funding the local share is \$1.12M.
- 7.9 The following table summarises the cost of the flood events and how they were funded:

Total Funding from RA2 Rural Flood and Emergency Event Reserve as at 30 June 2019 with additional Subsidy			
Reserve balance			
Opening Reserve balance 1 July 2018		\$	1,117,964
Surplus from Landfill		\$	284,612
Surplus from 2017-18		\$	415,295
		\$	1,817,871
Total Flood damage Costs			
June 12th Flood	\$	475,989	
September Flood costs@54%	\$	872,529	
September Flood costs@74%	\$	658,739	
		\$	2,007,257
Less Budget for major reinstatement		\$	283,880
Total unbudgeted Cost		\$	1,723,377
Local share			
June 12th Flood	\$	218,955	
September Flood costs@46%	\$	401,363	
Projected September Flood costs@26%	\$	171,272	
		\$	791,590
Share of budget for major reinstatement		\$	130,585
Local share funded from Flood Damage reserve		\$	661,006
		\$	1,156,865
Interest on reserve		\$	22,126
Closing reserve balance 30-June -2019		\$	1,178,991

7.10 Museum Trust Grant

- 7.11 An increase to the operational grant paid to the Museum Trust that was approved by Council. The impact of this approved but unbudgeted spend was \$132k.

8.0 **Summary by Areas of Activity of Council**

8.1 Economic Growth and Organisational Improvement

- 8.2 Economic Growth and Organisational Improvement (EGOI) Group had an overall group result of \$339k favourable to budget. The key drivers were in lower expenditure, with underspends in expert advice \$111k, electricity and fuel \$42k across a number of operational cost centres.

8.3 Governance and Support Services

- 8.4 Included in this group of activities are the support services of Finance, HR, Democratic Support, Leadership and the Chief Executive's Office. There have been a number of cost pressures within this group, significantly within HR, primarily due to the increasing requirements of health and safety which has contributed to an operational overspend.

8.5 Community Facilities & Programmes

- 8.6 This group of activities has a favourable variance against budget of \$252k primarily driven by favourable revenue lines in fees and charges such as Splash Planet (\$72k) and Housing for the Elderly (\$125k). In addition, insurance proceeds for the Opera House claim (\$389k) were received. Subsidies and grants were also received for the Crime Prevention Programme

(\$362k) along capital grants for the Opera House (\$259k). Offsetting this were higher personnel costs of \$875k along with higher maintenance costs of (\$603k). Some of these costs are offset by the grants and subsidy revenue received to fund them.

8.7 Planning & Regulatory Services

8.8 Planning and Regulatory had an overall group result of (\$451k) unfavourable to budget. Revenue was \$989k favourable to budget. Fees and charges across the group have been the main driver - parking \$316k, building control \$295k along with environmental consents \$176k. Offsetting this was higher expenditure of \$1.4m driven by higher personnel and contracting costs required to deliver the increased volumes. The consent area is facing significant volume and complexity pressures going forward and is likely to be an area exposed to ongoing financial risk.

8.9 Summarised below are key variance drivers in Planning and Regulatory.

Planning & Regulatory	Significant Variances 2018/19
Revenue	989,000
Personnel	(321,000)
Legal costs	(444,000)
Contract Services	(420,000)
Other incl. non cash items	(255,000)
RATING REQUIREMENT	(451,000)

8.10 Within the Planning & Regulatory Group, the Environmental and Building Consent activities have been most affected by the increase economic activity with increased costs incurred to meet the additional demands. The following tables present the individual financial results for those activities. While some of the increased activity is recovered by user charges, both these activities require a percentage of their funding to come from rates, increased activity requires by default increased rates.

Environmental Consents**Significant Variances 2018/19**

Revenue	176,000
Operational Costs	
Personnel	(143,000)
Contracted Services	(191,000)
Legal Costs	(150,000)
Other	(33,000)
RATING REQUIREMENT	(341,000)

Building Control**Significant Variances 2018/19**

Revenue	295,000
Operational Costs	
Personnel	(367,000)
Contracted Services	(294,000)
Legal Costs	(73,000)
Planning/Expert Advice	(33,000)
Other (non Cash)	(107,000)
RATING REQUIREMENT	(579,000)

8.11 Asset Management

- 8.12 Landfill revenue was favourable to budget by \$1.2m, with higher volumes contributing to the favourable revenue variance along with lower than budgeted spend. This increased revenue has translated into a HDC share of the surplus of \$1.2m.
- 8.13 The surpluses generated from the Landfill are released to the shareholding Councils and it is up to the two Councils as to what they decide to do with those funds. In previous years, HDC has decided to repay landfill debt with those surpluses, however, with all landfill debt now repaid Council can decide how it wishes to allocated those funds.
- 8.14 Parks operational expenditure was \$355k unfavourable with the main driver being the transition costs of outsourcing the work previously undertaken by the Maintenance Group to Recreation Services. This is further outlined in approved but unbudgeted expenditure.
- 8.15 Building Service costs were \$911k favourable due to lower than planned maintenance and services costs; these funds have been retained in the building reserve.

8.16 Water Services

8.17 Council continued to respond to the water change programme with elevated expenditure supply activity through 2018/19 including both Capital and Operational expenditure. This activity is funded by way of a targeted rate and accounted for in a separate water account which is designed to either accumulate reserves or run in deficit depending on expenditure needs and Council decision making. This allows Council to spread the impact of “lumpy” expenditure in this activity.

8.18 Below shows a summary table of spend to budget in this area:

Water Services		30 June 2019		
Operating Expenditure	YTD Actual	YTD Budget	Full Year Budget	Variance
Strategy & planning	380,702	366,000	216,000	(14,702)
Service assurance	931,273	1,006,800	1,006,800	75,527
Preventative Maintenance	664,275	399,500	441,600	(264,775)
Reactive maintenance	1,512,371	1,233,100	1,191,000	(279,271)
Electricity	816,268	946,000	1,096,000	129,732
Other Costs	108,670	131,692	131,692	23,022
Total	4,413,559	4,083,092	4,083,092	(330,467)

8.19 The Three Water services operational expenditure is \$637K above YTD budget. This is mainly due to higher than budgeted spend related to the September rain event, effluent treatment maintenance costs plus higher than budget chlorine costs.

8.20 Water Supply operational expenditure when split out shows an unfavourable variance to budget of \$330K, with the higher strategy and planning costs along with reactive and preventative maintenance offset **by savings in** electricity and service assurance.

9.0 **Capital Expenditure**

9.1 Capital spend to the year ended 30 June 2019 is \$70.2m compared to a full year budget of \$116m, which included \$37.5m carried forward into the 2018/19 year. Whilst budget was not achieved, capital spend for the year is at a historical high with a number of significant projects well underway, including the Opera House, Municipal Building and the water supply projects.

Capital Year End Report 2018/19	YTD Actuals ('000)	YTD Budgets ('000)	YTD variance
COUNCIL CAPITAL			
Renewals	34,395,014	47,507,184	13,112,170
New Works	28,443,635	52,411,554	23,967,919
Growth	7,367,848	16,455,096	9,087,248
	70,206,498	116,373,834	46,167,337
SUMMARY			
RENEWALS			
Stormwater Services	72,345	586,000	513,655
Wastewater Services	3,491,187	10,361,253	6,870,066
Water Services	1,886,135	1,896,453	10,318
Transportation RA 1	13,658,337	15,874,260	2,215,923
Parks	1,339,594	1,045,000	(294,594)
Building services	1,351,418	3,086,688	1,735,271
Rest of Council	12,595,998	14,657,529	2,061,532
	34,395,014	47,507,184	13,112,170
NEW WORKS			
Stormwater Services	716,079	2,925,925	2,209,846
Wastewater Services	462,631	607,000	144,369
Water Services	12,676,591	23,805,100	11,128,509
Transportation	7,493,015	10,149,450	2,656,435
Parks	3,149,605	4,806,247	1,656,642
Building services	86,596	2,324,000	2,237,405
Rest of Council	3,859,118	7,793,833	3,934,715
	28,443,635	52,411,554	23,967,919
GROWTH			
Stormwater Services	1,325,548	2,441,351	1,115,803
Wastewater Services	2,155,621	5,204,370	3,048,749
Water Services	1,587,004	2,965,300	1,378,296
Transportation RA 1	2,295,720	4,505,170	2,209,450
Parks	3,955	1,338,905	1,334,950
	7,367,848	16,455,096	9,087,248

9.2 New Works

9.3 Water service projects account for 47% of the under spend in new works with some delays along with a challenging contractor market meaning a delayed start to these projects. With the Booster Pump station and small communities' project now underway, budget has been applied for to be carried forward for those projects. Buildings services and transport have had projects delayed due to changes in scope of some projects along with delays in receiving NZTA funding approval.

9.4 Renewals

9.5 Wastewater projects account for 52% of the under spend in renewals with the Park Road system upgrade, rising mains and trunk sewer starting later than budgeted. Building services under spend is driven primarily by delay on Heretaunga House renewals whilst a decision whether to sell or keep the property was made.

9.6 Growth

- 9.7 Growth projects such as Iona have been delayed into the 2019/2020 year. Lyndhurst, Irongate and Omaha are underway with completion expected in 2019/2020.

10.0 CARRY FORWARD SCHEDULE

- 10.1 Included in **Attachment 4** is a Schedule of Projects and budget amounts that officers have requested to be carried forward to the 2019/20 year. Management has reviewed these requests and also compared them to project budgets in the 2019/20 year to ensure that the appropriate amount is being carried forward.
- 10.2 The level of carry forwards requested at \$40.3m is similar to last year's carry forwards of \$37.6m. Whilst this number when compared to last year has not decreased, prioritisation of what projects are already "in train" have been looked at closely, with those not likely to be delivered in 2019/20 to be rebudgeted within the next two years.
- 10.3 In addition \$29m of 2019/20 budgeted projects have now been rebudgeted into future years in order to provide capacity for the proposed carried forward projects to be completed, this work will be completed over the following two years. As a result, the capital programme for the 2019/20 year has therefore been reduced to \$98m from \$130m.
- 10.4 The effect of this 2019/20 capital budget adjustment will be a reduced level of debt funding required to be carried forward into 2019/20 with budgeted funding reprioritised for 2018/19 carry forwards.
- 10.5 The level of carry forwards from rates funding is \$1.43m (\$2.06m last year). While the table provides a summary of the major carry forward items, the \$0.316m of rates carry forwards classified as other is made up of a number of smaller carry forward projects across Council groups.
- 10.6 Included in the Loan Funded carry forwards is \$12m for the major drinking water projects. In addition, there is a range of carry forwards across a number of Council activities, from the trunk sewer project (\$2.2m) through to the Akina Park irrigation of \$0.23m.
- 10.7 The following table is a summary of 2018/19 Carry Forwards recommended for approval. Details of all these projects are included in **Attachment 4**.

2018-19 Carry Forward Summary				
Growth			\$	\$
Iona/Middle			2,335,000	
Lyndhurst			2,912,750	
Omahu industrial			1,972,000	
Irongate industrial			1,119,000	
Havelock Hills			640,000	
Howard street			583,000	
Northwood			437,000	
Arataki extension			403,000	
Subdivision Support			120,000	
Breadlebane			70,000	
				10,591,750
Rate Funded				
Transportation projects			701,660	
Economic Development projects			170,000	
CEO projects			60,000	
Youth development			59,305	
Earthquake Prone Building policy			50,000	
Environmental policy (Structure Plans,Wahi Taonga,District plan)			45,000	
Parks projects			34,000	
Other			316,000	
				1,435,965
Loan Funded (includes NZTA subsidised)				
Major Drinking water project			12,088,000	
Trunk Sewers			2,222,000	
Park Road Sewerage System Upgrade			1,700,000	
Other Wastewater projects			1,624,000	
Stormwater projects			1,489,900	
Sewer Rising Mains			863,000	
CBD & Suburban Developments			835,766	
EMO facility extension			715,000	
Maraekakaho Road Stormwater			685,000	
Outfall			670,000	
Parks projects			637,867	
Cornwall Park RMP Implementation			410,719	
Roading projects			392,700	
Cornwall Park Premier Playground			265,626	
Grant to Regional Sports Park for Canoe Polo			250,000	
Akina Park Irrigation			230,000	
Other			848,000	
				25,927,578
Reserves/Loan/Subsidy				
Roading projects subsidy			2,057,640	
Council reserves			336,264	
				2,393,904
Total Carry Forwards				40,349,197

11.0 EXTERNAL DEBT

- 11.1 Total net borrowing as at the end of June 2019 is \$106.2m, an increase from last year (\$77.7m). This is lower than projected in the 2018-28 Long Term Plan (LTP) which had forecast debt levels of \$125.3m at this time. Committed borrowing facilities in place are \$116.7m, providing headroom of \$10.5m. The liquidity ratio is at 110% in line with the policy minimum of 110%.
- 11.2 Subsequent to 30 June 2019, Council increased unutilised facilities by an additional \$5m, increasing the liquidity ratio to 114%.

	30 June 2019	30 June 2018
	\$'000	\$'000
Facilities at start of year	88,241	71,241
New/matured facilities (net)	50,500	17,000
Loan Repayments	(22,000)	0
Facilities at end of year	116,741	88,241
Borrowing at start of year	77,741	60,741
New Loans Drawn	50,500	22,000
Loan Repayments	(22,000)	(5,000)
Net borrowings at end of period	106,241	77,741
Plus unutilised facilities	10,500	10,500
Total borrowing facilities available	116,741	88,241
<i>Liquidity Ratio</i>	<i>110%</i>	<i>114%</i>

- 11.3 While there are higher debt levels when compared to the LTP, it also needs to be noted that there is a significant increase in debt levels when compared to the previous year's actuals. This is reflective of the large number of projects well underway, including the Opera House and Municipal Building projects along with completed projects in the prior year such as the Whakatu Arterial and the new Havelock North water main.

12.0 ALLOCATION OF RATING SURPLUS

- 12.1 Council's Treasury Policy states the following on the allocation of surpluses:
"The funds from all asset sales and operating surpluses will be applied to the reduction of debt and/or a reduction in borrowing requirements, unless the Council specifically directs that the funds will be put to another use."
- 12.2 Whilst Rating Area 2 currently has debt of \$802k, incurred for capital works, the specific resolution by Council to build the Rural Flood and Emergency Event Reserve up to a level of \$2m is considered a prudent one given the recent flood events.
- 12.3 Two significant rain events in the second half of 2017/18 have reduced the balance of the Rating Area 2 Rural Flood and Emergency Event Reserve to \$1.178m and it has been recommended to the Hastings Rural Community Board that the Rating Area 2 surplus be used to contribute to the Rural Flood and Emergency Event Reserve.

- 12.4 The Rating Area 1 deficit (\$96,456) is recommended to be funded from the RA1 General Purpose Reserve and is the result of increasing cost pressures faced by the high levels of demand especially in the regulatory area along with a number of unforeseen and unbudgeted but approved spends across Council as outlined earlier in this report.
- 12.5 Landfill additional surplus allocation
- 12.6 Council has previously used any surpluses generated from the Landfill operations to repay Landfill debt. Debt associated with the Landfill was repaid in 2015/16, providing Council with a decision as to how future surpluses are to be utilised. Last year, Council's share of the Landfill surplus was allocated based on the approved rating splits to the Rating Area 1 Water Supply targeted rate account, as well as to the repayment of RA1 debt along with an allocation to the Rating Area 2 Capital Reserve.
- 12.7 It is recommended that Council contribute all of the RA1 share of the Landfill surplus, \$1,052,397, to the Kerbside Collections Reserve. The implementation of the Waste Management Plan requires significant upfront expenditure and this reserve can help smooth the impact of this implementation on the refuse collection and recycling target rates.
- 12.8 It has also been recommended that the RA2 share of the Landfill surplus, \$151,581, be transferred to the RA2 Flood and Emergency Event Reserve.
- 12.9 **The recommendation of this report, taking into consideration the recommendations to the Hastings District Rural Community Board, is to allocate the rating surplus/deficit as per the table below:**

	Total	Rating Area 1	Rating Area 2
Surplus/Deficit on General Rate	10,731	(96,456)	107,188
Landfill Surplus	1,203,978	1,052,397	151,581
	1,214,709	955,941	258,769
Recommended Allocation			
Allocation on General Rate			
RA1 General Purpose Reserve (transfer from)	(96,456)	(96,456)	
RA2 Flood Reserve	107,188		107,188
	10,732	(96,456)	107,188
Landfill Surplus			
Kerbside Collections Reserve	1,052,397	1,052,397	
RA2 Flood Reserve	151,581		151,581
Total Allocation	1,214,710	955,941	258,769

13.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) That the Council/Committee receives the report titled Draft Financial Year End Result - 30 June 2019
- B) That the funds arising from the Rating Area 2 surplus for the 2018/19 financial year, as recommended by the Hastings Rural Community Board, be allocated as follows:

Rating Area 2 Surplus Allocations		
		Rating Area 2
Surplus/Deficit on General Rate		107,188
Landfill Surplus		151,581
		258,769
Recomeded Allocation		
Allocation on General Rate		
RA2 Flood Reserve		107,188
		107,188
Landfill Surplus		
RA2 Flood Reserve		151,581
Total Allocation		258,769

- C) That the rating allocation be allocated as per the following table:

	Total	Rating Area 1	Rating Area 2
Surplus/Deficit on General Rate	10,731	(96,456)	107,188
Landfill Surplus	1,203,978	1,052,397	151,581
	1,214,709	955,941	258,769
Recomeded Allocation			
Allocation on General Rate			
RA1 General Purpose Reserve (transfer from)	(96,456)	(96,456)	
RA2 Flood Reserve	107,188		107,188
	10,732	(96,456)	107,188
Landfill Surplus			
Kerbside Collections Reserve	1,052,397	1,052,397	
RA2 Flood Reserve	151,581		151,581
Total Allocation	1,214,710	955,941	258,769

- D) That the budgets as per the schedule of Carry Forwards funded by

rates and loans be approved to be carried forward to the 2019/20 financial year.

- E) That \$29m of loan and reserve funded capital expenditure projects from the 2019/20 budget be approved to be rebudgeted into future years.

Attachments:

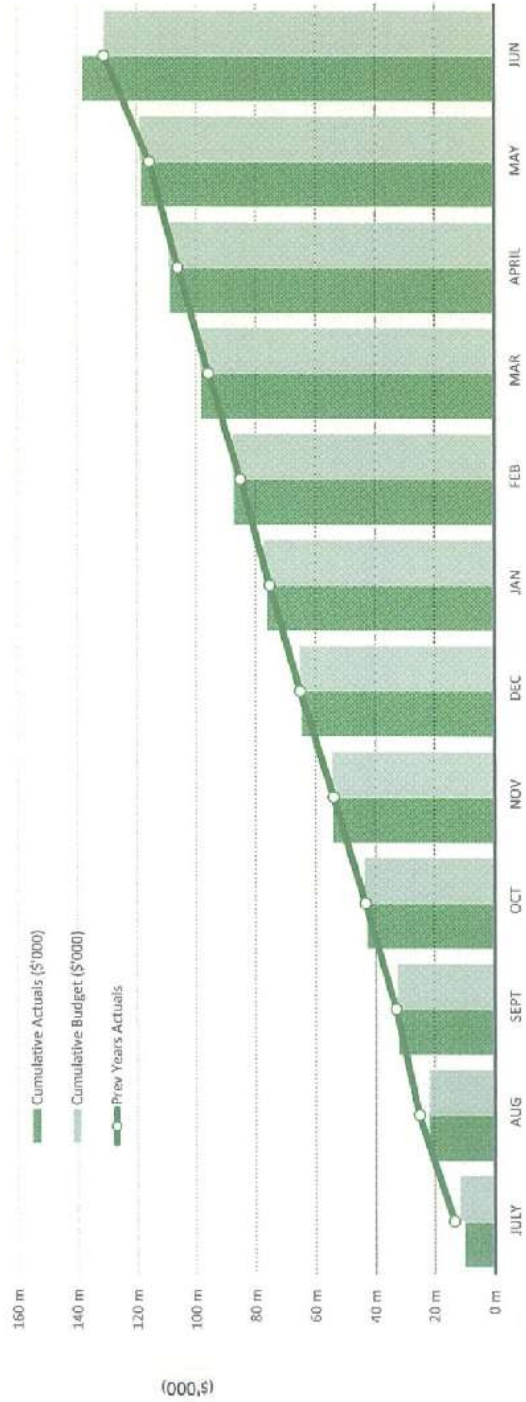
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|---|---|------------------|
| 1 | Rating Surplus RA1 & RA2 for 2019 reports
Attachment 1 | FIN-09-01-19-177 |
| 2 | Attachment 2 Quarterly Dashboard June 2019 | CG-14-71-00044 |
| 3 | Attachment 3 Unaudited Financial Statements to
year ended 30 June 2019 | CG-14-71-00042 |
| 4 | Attachment 4 Carry Forwards 2019 20 | CG-14-71-00043 |

GENERAL RATE 2018/19 YEAR-END ANALYSIS BY RATING GROUPS		Rating Area One		
Activity	Budgeted	Actual	C/Forwards	18/19 Result
	Net Cost	Net Cost	to 18/20	Surplus(deficit)
Corporate and Customer Services	3,959,778	3,599,817	98,238	261,724
Rural Community Board	5,022	4,766	0	256
Finance Services	938,235	908,161	0	30,074
Community Facilities and Programmes	12,264,922	12,211,745	148,545	-95,368
Planning and Regulatory Services	5,442,864	5,863,881	88,000	-509,017
Economic Growth & Organisation Improvement	4,021,585	3,665,076	263,194	93,315
Parks and Property Management	10,000,255	10,030,134	31,715	-61,594
Transportation	10,735,639	10,001,520	458,320	275,799
Landfill	88,284	-15,560	0	103,844
Stormwater	2,824,009	2,704,234	0	119,774
Water Services	363,774	318,794	0	44,980
Recycling Depot & Transfer Station	621,503	550,654	0	70,848
Contingency Fund	160,000	160,000	0	0
Gross Requirement	51,425,869	50,003,222	1,088,012	334,635
Surplus on General Rate				334,635
Plus Other Revenue & Expenditure Adjustments				
Other Expenditure	43,500	29,365	0	14,135
General Purpose Reserve (Surplus Allocation)	0	0	0	0
Petrol Tax	-444,016	-476,739	0	32,723
Wastewater Levy to Reserves (UAGC)	0	0	0	0
Wastewater Targeted Rate to Reserves	0	0	0	0
Wastewater Levy to Reserves	0	0	0	0
2017/18 Brought Forwards	-1,823,732	-1,823,732	0	0
	-2,757,534	-2,804,392	0	46,858
Rates Revenue Surplus				
Provision for Doubtful Debts	0	0	0	0
Rates Penalties	-269,400	-298,054	0	28,654
Rate Remissions	146,278	276,815	0	-130,537
Rates Revenue (after Remissions)	-65,967,327	-66,327,332	0	360,005
Less extra rates levied for Separate Rates & UAC's	0	0	0	-736,073
Rates Revenue Surplus	-66,090,449	-66,348,571	0	-477,950
Total General Rates Surplus				-96,457

GENERAL RATE 2018/19 YEAR-END ANALYSIS BY RATING GROUPS		Rating Area Two		
Activity	Budgeted	Actual	C/Forwards	18/19 Result
	Net Cost	Net Cost	to 19/20	Surplus(deficit)
Corporate and Customer Services	655,603	549,156	16,262	90,185
Rural Community Board	43,778	41,549	0	2,229
Finance Services	127,518	123,186	0	4,332
Community Facilities and Programmes	1,183,192	1,182,992	14,260	-14,061
Planning and Regulatory Services	1,147,222	1,263,274	22,000	-138,052
Economic Growth & Organisation Improvement	831,324	766,308	49,806	15,210
Parks and Property Management	720,430	722,583	2,285	-4,437
Transportation	5,915,880	5,670,195	243,340	2,345
Landfill	12,716	-2,241	0	14,957
Stormwater	73,497	40,096	0	33,401
Water Services	0	0	0	0
Recycling Depot & Trsftr Stn	44,774	39,670	0	5,104
Contingency Fund	40,000	40,000	0	0
Gross Requirement	10,795,934	10,436,767	347,953	11,213
Surplus on General Rate				11,213
<u>Plus Other Revenue & Expenditure Adjustments</u>				
Petrol Tax	-75,984	-81,584	0	5,600
2017/18 Brought Forwards	-237,790	-237,790	0	0.00
	-312,568	-318,167	0	5,600
<u>Rates Revenue Surplus</u>				
Provn for Doubtful Debts	35,000	-2,144	0	37,144
Rates Penalties	-30,600	-65,427	0	34,827
Rate Remissions	71,722	6,925	0	64,797
Rates Revenue (after Remissions)	-10,843,915	-10,939,933	0	96,018
Less extra rates levied for Separate Rates & UAC's	0	0	0	-142,409
Rates Revenue Surplus	-10,767,793	-11,000,578	0	90,375
Total General Rates Surplus				107,188

Hastings District Council Quarterly Dashboard as at
30 June 2019

Whole of Council Revenue

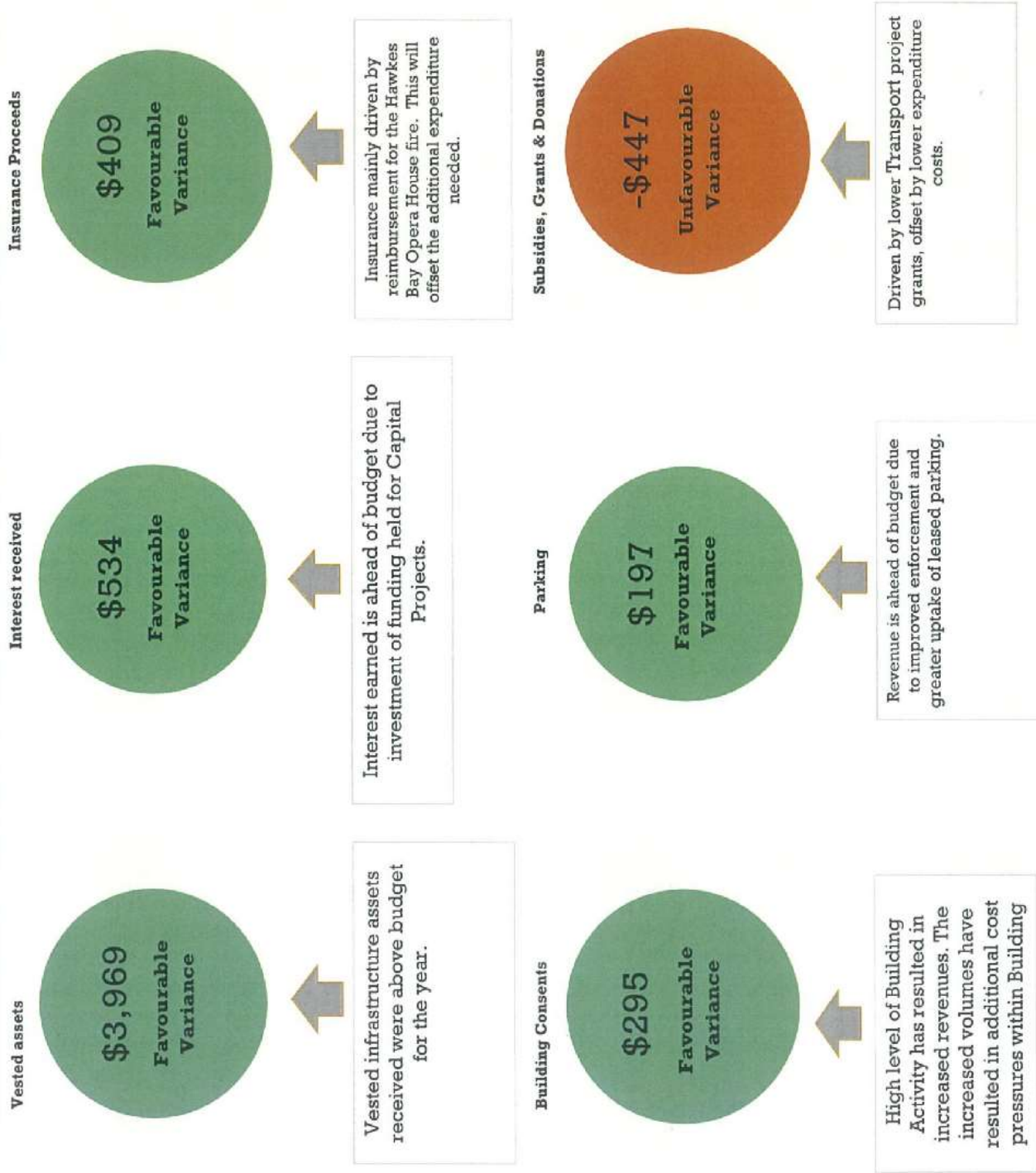


Total Revenue Streams	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Rates (Budget)	77,347	76,893	454
Fees, charges & metered water supply charges	26,487	24,272	2,215
Subsidies and Grants	20,395	20,742	-447
Development and financial contributions	7,560	7,482	78
Interest revenue	534	0	534
Other revenue	5,888	1,646	4,242
Total	138,110	131,035	7,076

Comments:

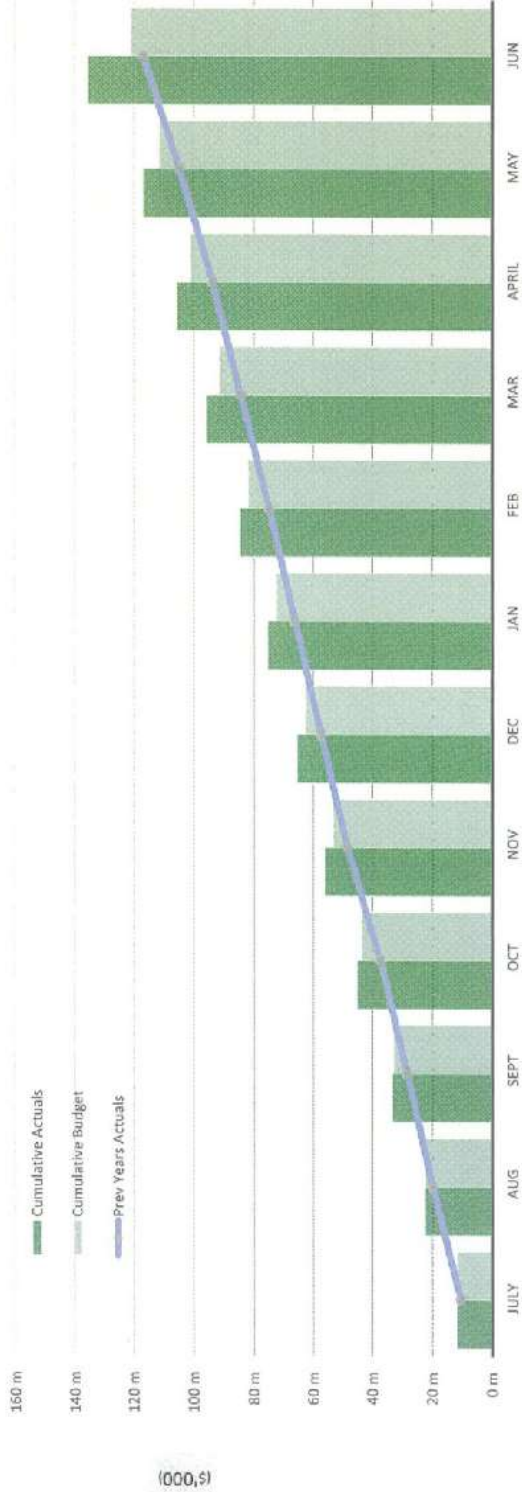
Fees and Charges are \$2.2m above budget across a range of activities in Council. Vested assets are the other main driver \$3.9m favourable to budget.

How we are doing by key revenue streams (\$'000)



Hastings District Council Quarterly Dashboard as at
30 June 2019

Whole of Council Expenditure



Total Expenditure	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Personnel Costs	35,394	35,723	329
Depreciation	34,086	31,478	-2,607
Finance Costs	4,781	5,621	840
Other Operating Costs	54,157	48,265	-5,872
Total	128,417	121,106	-7,310

Comments:
Total operational expenditure is unfavourable by \$7.3m, with the key drivers being higher than budgeted costs driven by higher depreciation of \$2.6m, legal costs \$464k, contracted services \$2.4m. Approved but unbudgeted spends on the Te Mata Peak remediation and transition costs for the Parks and Open spaces as have water services maintenance costs.

How we are doing by key expenditure categories (\$'000)

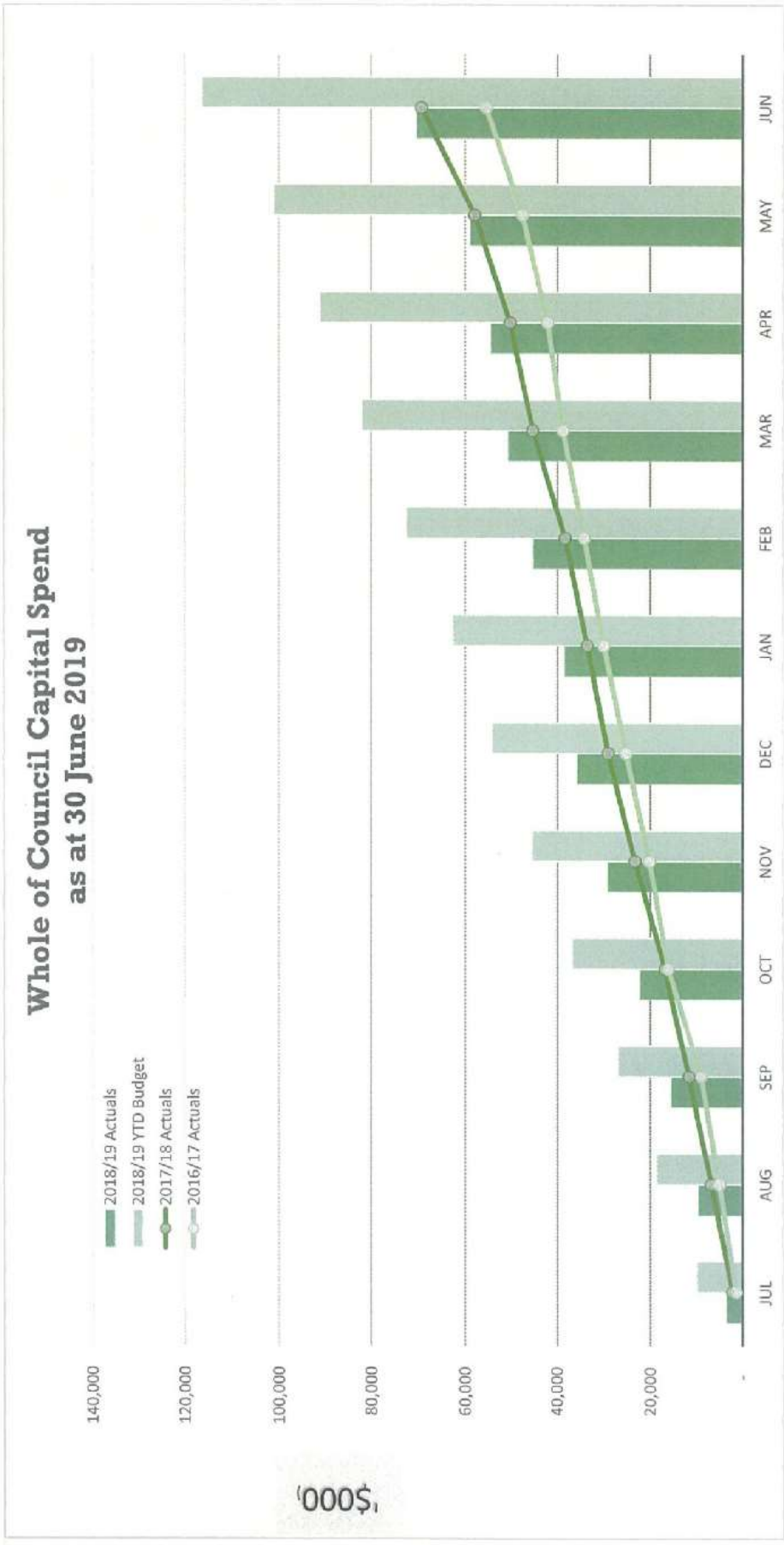


Hastings District Council
Statement of Comprehensive Revenue and Expense as at
30 June 2019

Previous YTD Actuals (\$'000)	Description	Actuals (\$'000)	Budgets (\$'000)	Variance (\$'000)	Total Budget (\$'000)
	Revenue				
72,674	Rates	77,347	76,893	454	76,893
24,394	Fees, charges & metered water supply	26,487	24,272	2,215	24,272
25,164	Subsidies and Grants	20,295	20,742	(447)	20,742
4,711	Development and financial contributions	7,560	7,482	78	7,482
162	Interest revenue	534	-	534	-
6,884	Other revenue	5,888	1,646	4,242	1,646
133,969	Total Revenue	138,110	131,035	7,076	131,035
	Expenditure				
33,382	Personnel Costs	35,394	35,723	329	35,723
31,185	Depreciation & Amortisation Expense	34,085	31,478	(2,607)	31,478
3,103	Finance Costs	4,781	5,621	840	5,621
47,515	Other Operating Costs	54,157	48,285	(5,872)	48,285
115,185	Total Operating Expenditure	128,417	121,106	(7,310)	121,106
803	Loss on Interest Rate Swaps	7,088	-	(7,088)	-
115,987	Total Expenditure	135,505	121,106	(14,399)	121,106
17,982	SURPLUS/(DEFICIT)	2,605	9,928	(7,323)	9,928

Hastings District Council
Funding Impact Statement As At 30 June 2019

Previous YTD Actuals (\$'000)	Description	Actuals (\$'000)	Budgets (\$'000)	Variance (\$'000)	Full Year Budget (\$'000)
	Operations - Funding Source				
78,730	Rates	83,793	83,301	492	76,893
6,907	Subsidies and Grants	7,716	6,220	1,496	6,220
24,046	Fees, charges metered water supply	26,105	23,988	2,118	23,988
337	Interest and dividend revenue	693	126	567	126
900	Other revenue	940	804	136	804
110,921	Total Operating Funding	119,247	114,439	4,808	108,031
	Operations - Use of Funding				
33,382	Personnel Costs	35,394	35,723	329	35,723
41,660	Supplier Costs	45,438	41,686	(3,752)	41,686
3,947	Finance Costs	4,836	5,647	810	5,647
4,683	Other Operating Costs	6,666	7,195	530	7,195
83,671	Total Use of Operating Funding	92,334	90,251	(2,083)	90,251
27,250	Operating Funding Surplus/(Deficit)	26,913	24,188	2,725	17,781
	Capital - Funding Source				
18,256	Capital Subsidies grants	12,579	14,521	(1,942)	14,521
4,535	Development financial contributions	7,366	7,182	183	7,182
23,318	Debt - Increase or (decrease)"	26,137	67,049	(40,911)	67,049
1,460	Sale of Assets	2,070	419	1,651	419
175	Other Capital Funding	195	300	(105)	300
47,746	Total Capital Funding	48,346	89,471	(41,125)	89,471
	Capital - Use of Funding				
10,985	To meet additional demand (Growth")	10,379	20,091	(9,712)	20,091
28,258	To improve the level of service (New Works")	25,432	48,776	(23,343)	48,776
32,259	To replace existing assets (Renewals")	34,314	46,282	(11,968)	46,282
-2,556	To Increase or (decrease") reserves	(1,723)	(7,579)	5,857	(7,579)
-5,810	Adjustment to reserves	(6,503)	(5,094)	(1,409)	1,314
3,254	To Increase or (decrease") reserves	4,780	(2,485)	7,265	(8,893)
240	To Increase or (decrease") Investments	354	997	(643)	997
74,996	Total use of Capital Funding	75,259	113,660	(38,401)	107,252
(27,250)	Capital Funding Surplus/(Deficit)	(26,913)	(24,189)	(2,724)	(17,781)
-	TOTAL FUNDING BALANCE	-	-	-	-



Key projects

	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Var Ytd (\$'000)	Total Budget (\$'000)
Renewal Projects				
Opera house	9.5 m	9.4 m	-0.1 m	9.4 m
Streetlight LED Upgrade	2.7 m	3.5 m	0.9 m	3.5 m
Wastewater Rising mains	1.2 m	3.4 m	2.2 m	3.4 m
Trunk Sewer	0.3 m	2.9 m	2.6 m	2.9 m
Outfall	0.3 m	1.1 m	0.8 m	1.1 m
New Works projects				
Drinking water project	11.2 m	22.9 m	11.6 m	22.9 m
Whakatu	2.5 m	3.5 m	1.0 m	3.5 m
EMO facility	0.9 m	1.6 m	0.7 m	1.6 m
CBD Development	0.6 m	1.1 m	0.6 m	1.1 m
Streetscape	0.3 m	1.1 m	0.8 m	1.1 m
Growth projects				
Omahu	2.5 m	4.3 m	1.8 m	4.3 m
Lyndhurst	2.9 m	4.1 m	1.2 m	4.1 m
Irongate	1.4 m	2.5 m	1.1 m	2.5 m
Iona/Middle	0.1 m	2.5 m	2.4 m	2.5 m
Howard	0.3 m	0.9 m	0.5 m	0.9 m

Capital - Commentary

Capital spend to the year ended 30 June 2019 is \$70.2m compared to a full year budget of \$116m, which included \$37.5m carried forward 2017/18 and was carried forward into the current year 2018/19. Whilst budget was not achieved, capital spend for the year is at a historical high with a number of significant projects well underway, including the Opera House, Municipal Building and the water supply projects.

Statement of Comprehensive Revenue & Expense - Commentary

Revenue Variances

Revenue is \$7m favourable to budget for the 2018/19 year, with higher fees and charges across almost all activities of Council, along with higher interest revenue. This is offset by lower than expected Subsidies & Grants revenue mainly within the transport group. Vested assets was the non operational driver, favourable to budget by \$3.9m.

Expenditure Variances

Expenditure is \$14.3m above budget (unfavourable) for the 2018-19 year. Key cost drivers have been the impact of non cash items such as depreciation (\$2.7m), Loss on swaps (7.0m). Unbudgeted but approved spend has also impacted operationally as has some areas of Council that are experiencing significant cost pressures in meeting legislative requirements within the strong local economy.

Result

Operationally there have been a number of issues to arise within the District that have required significant time and cost to attend to. Considering the strength of the local economy, the increasing demand and complexity on various areas of Council has seen a real focus on risk mitigation, meeting legislative requirements in the regulatory space, whilst still engaging actively in the social development areas of the community. The challenge going forward is on understanding how to manage cost pressures in the 2019/20 year whilst still meeting required targets.

ACTUAL COUNCIL 2018	ACTUAL GROUP 2018		Statement of comprehensive revenue and expense for the year ended 30 June 2019	Note s	BUDGET COUNCIL 2019	ACTUAL COUNCIL 2019
\$'000	\$'000				\$'000	\$'000
Revenue						
72,674	72,674		Rates, excluding metered water supply charges		77,388	77,347
24,394	24,439		Fees, charges and metered water supply charges (i)		23,209	26,487
24,534	24,702		Subsidies and Grants (ii)		16,699	20,161
4,711	4,711		Development and financial contributions		7,482	7,560
630	630		Donations		3	134
162	169		Interest revenue (iii)		0	534
1,733	1,733		Other revenue (iv)		646	912
5,131	5,131		Vested infrastructural assets (v)		1,000	4,976
133,969	134,189		TOTAL REVENUE		126,427	138,110
Expenses						
81,975	82,095		Operational costs (vi)		80,132	89,763
31,182	31,196		Depreciation and amortisation expense		31,338	34,085
3,680	3,680		Finance Costs (vii)		5,621	4,605
116,837	116,971		TOTAL EXPENSES		117,091	128,452
0	0		Loss on Swaps		0	7,088
	121		Share of associate surplus/(deficit)			
17,131	17,339		Surplus/ (deficit) before tax		9,336	2,569
-	-		- Income Tax expense		-	-
17,131	17,339		Surplus/(deficit) after tax		9,336	2,569
Other comprehensive revenue and expense						
			Impairment -fixed assets			
113,512	113,533		Gain/loss on infrastructural revaluations		23,165	38,499
46,237	46,237		Gain/Loss on land and building revaluations		-	-
(501)	(501)		Gain/Loss on other revaluations		-	31
-	-		- Financial assets at fair value through other comprehensive rever		-	-
159,248	159,270				23,165	38,530
176,380	176,609		Total other comprehensive revenue and expense		32,501	41,100
Net Surplus /(Deficit) attributable to:						
17,131	17,339		Hastings District Council		9,336	2,569
-	-		- Minority Interest		-	-
17,131	17,339				9,336	2,569
Total comprehensive revenue and expense attributable to:						
176,380	176,609		Hastings District Council		32,501	41,100
-	-		- Minority Interest		-	-
176,380	176,609				32,501	41,100

ACTUAL COUNCIL 2018	ACTUAL GROUP 2018		BUDGET COUNCIL 2019	ACTUAL COUNCIL 2019
\$'000	\$'000	Statement of financial position as at 30 June 2019	\$'000	\$'000
ASSETS				
Current assets				
1,640	2,045	Cash & cash equivalents	5,554	2,939
12,178	12,409	Receivables (i)	10,114	13,026
108	108	Inventory	114	55
-	-	Non-current assets held for sale	-	-
30	263	Short Term Investments	-	30
13,956	14,825	Total current assets	15,782	16,050
Non-current assets				
-	-	Derivative financial instruments	-	-
1,807	7,775	Investments in associates	1,807	1,807
Other financial assets				
150	(87)	Investments in CCO's and similar entities	558	(44)
1,731	1,731	Investment in other entities	1,491	2,219
-	-	Other non-current assets	-	-
3,688	9,419	Total other financial assets	3,856	3,981
227,220	227,575	Plant, property and equipment	203,199	237,623
1,885,573	1,885,573	Infrastructural assets	1,784,644	1,951,011
19	19	Biological Assets	-	60
127	127	Intangible assets	963	155
2,116,627	2,122,713	Total non-current assets	1,992,661	2,192,830
2,130,583	2,137,538	Total assets	2,008,444	2,208,880
LIABILITIES				
Current liabilities				
21,797	22,057	Payables and deferred revenue (ii)	15,225	23,578
2,612	2,612	Employee entitlements	2,467	2,444
93	93	Derivative financial instruments	-	2,186
22,000	22,000	Borrowings and other financial liabilities (iii)	12,516	10,000
46,502	46,762	Total current liabilities	30,208	38,208
Non-current liabilities				
719	719	Provisions & Other Non-current Liabilities	659	800
432	432	Employee entitlements	480	349
6,385	6,385	Derivative financial instruments	3,500	11,380
55,740	55,740	Borrowings and other financial liabilities (iii)	112,644	96,241
63,276	63,276	Total non-current liabilities	117,283	108,769
109,777	110,038	Total liabilities	147,491	146,976
2,020,806	2,027,499	Net assets (assets minus liabilities)	1,860,953	2,061,904
Equity				
1,236,678	1,241,279	Accumulated funds	1,131,801	1,239,171
3,572	3,572	Restricted Reserves	33	3,648
780,555	782,648	Revaluation Reserves	729,119	819,084
2,020,806	2,027,499	Total equity	1,860,953	2,061,904

ACTUAL COUNCIL 2018 \$'000	ACTUAL GROUP 2018 \$'000		BUDGET COUNCIL 2019 \$'000	ACTUAL COUNCIL 2019 \$'000
STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2019				
<u>Cash flows from operating activities</u>				
<u>Cash was provided from:</u>				
72,870	72,870	Receipts from rates revenue	77,388	77,350
32,694	32,737	Receipts from customers	31,337	39,641
162	170	Interest received	-	534
175	175	Dividends and commissions received	-	159
24,534	24,677	Subsidies and grants received	16,702	20,161
-	-	GST (net)	-	-
130,435	130,629		125,427	137,844
<u>Cash was applied to:</u>				
83,889	84,006	Payments to suppliers and employees	80,132	93,025
3,636	3,636	Interest paid	5,621	4,377
1,394	1,394	GST (net)	-	(960)
88,919	89,036		85,754	96,442
41,516	41,593	Net cash flows from operating activities (note 20)	A) 39,673	41,402
<u>Cash flows from investing activities</u>				
<u>Cash was provided from:</u>				
3,373	3,373	Receipts from sale of property, plant and equipment (i)	419	3,210
-	-	Losses and impairment / revaluation prior year	-	194
3,373	3,373		419	3,404
<u>Cash was applied to:</u>				
67,630	67,630	Purchase of property, plant & equipment and infrastructural	85,487	72,007
21	21	Purchase of investments	997	-
67,630	67,651		86,484	72,007
(64,256)	(64,278)	Net cash flows to investing activities	B) (86,065)	(68,603)
<u>Cash flows from financing activities</u>				
<u>Cash was provided from:</u>				
22,000	22,000	Proceeds from borrowings	52,686	40,501
<u>Cash was applied to:</u>				
5,001	5,001	Repayment of borrowings	6,295	12,000
16,999	16,999	Net cash flows from financing activities	C) 46,392	28,501
(5,742)	(5,688)	Net increase (decrease) in cash, cash equivalents and bank overdraft	A+B+C) -	1,300
7,383	7,734	Cash, cash equivalents and bank overdraft at the beginning of the year	5,554	1,640
1,640	2,045	Cash, cash equivalents and bank overdraft at the end of the year	5,554	2,939
<u>Cash at end of year comprises</u>				
1,640	2,045	Cash and cash equivalents	5,554	2,939
1,640	2,045		5,554	2,939

CARRY FORWARD REQUEST REPORT						
Projects not completed by 30 June 2019						
Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
CHIEF EXECUTIVE OFFICE						
Corporate Services Policy						
Hapu/Maori Engagement	0	-	-	-	-	-
CEO Projects	60,000	-	-	60,000	-	-
TOTAL	60,000	0	0	-60,000	0	0
Leadership						
IAG Cultural Activity	2,500	-	-	2,500	-	-
TOTAL	2,500	0	0	-2,500	0	0
Strategic Culture & Heritage						
Hapu/Maori Engagement	0	-	-	-	-	-
Hapu Environmental Management Planning	45,000	-	-	45,000	-	-
TOTAL	45,000	0	0	-45,000	0	0
Emergency Management Civil Defence						
Generator	0	-	-	-	-	-
HB CDEMG - Personnel costs	7,000	-	-	7,000	-	-
EMO facility extension	715,000	715,000	-	-	-	-
TOTAL	722,000	-715,000	0	-7,000	0	0
FINANCE						
COMMUNITY FACILITIES & PROGRAMMES						
Swimming Pools						
Aquatic Centre	0	-	-	-	-	-
Flaxmere Pool	0	-	-	-	-	-
Chlorine System	30,000	-	-	30,000	-	-
TOTAL	30,000	0	0	-30,000	0	0
Hastings Sports Centre						
Booking System upgrade	0	-	-	-	-	-
MENZshed	120,000	120,000	-	-	-	-
TOTAL	120,000	-120,000	0	0	0	0
Halls						
Camberley Community Centre	5,000	-	-	5,000	-	-
Te Awanga Hall	20,000	-	-	20,000	-	-
TOTAL	25,000	0	0	-25,000	0	0
Flaxmere Community Centre						
Gym Equipment	5,000	-	-	-	5,000	-
TOTAL	5,000	0	0	0	-5,000	0
Hastings City Art Gallery						
HCAG - Heating, Ventilation & AC	100,000	100,000	-	-	-	-
TOTAL	100,000	-100,000	0	0	0	0
Hastings District Library						
Facility Security H&S Review	100,000	100,000	-	-	-	-
TOTAL	100,000	-100,000	0	0	0	0

Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
Social Development						
Safer Streets Project (Camberley)	0	-	-	-	-	-
Youth Potential	6,000	-	-	6,000	-	-
Youth Development	43,305	-	-	43,305	-	-
Youth Services	10,000	-	-	10,000	-	-
Safer Hastings	23,500	-	-	23,500	-	-
Civic Pride	0	-	-	-	-	-
TOTAL	82,805	0	0	-82,805	0	0
Crematorium						
Crematorium Chapel	21,000	-	-	-	21,000	-
Generator	10,864	-	-	-	10,864	-
Niche Wall	19,400	-	-	-	19,400	-
Cremator Refractoring	52,000	-	-	-	52,000	-
TOTAL	103,264	0	0	0	-103,264	0
Community Assistance						
Sustaining HB Trust	10,000	-	-	10,000	-	-
Guthrie-Smith Trust	10,000	-	-	10,000	-	-
Winter Solstice Event	5,000	-	-	5,000	-	-
TOTAL	25,000	0	0	-25,000	0	0
PLANNING & REGULATORY SERVICES						
Environmental Policy						
District Plan Publication	0	-	-	-	-	-
Structure Plan Developments	35,000	-	-	35,000	-	-
District Plan Review	0	-	-	-	-	-
Wahi Taonga Review	0	-	-	-	-	-
TOTAL	35,000	0	0	-35,000	0	0
Environmental Health						
Quality Assurance	25,000	-	-	25,000	-	-
TOTAL	25,000	0	0	-25,000	0	0
Building Compliance						
Earthquake Prone Building Policy	50,000	-	-	50,000	-	-
TOTAL	50,000	0	0	-50,000	0	0
ECONOMIC GROWTH & ORGANISATIONAL IMPROVEMENTS						
Central Administration Building						
Generator - Admin Building	70,000	-	-	70,000	-	-
TOTAL	70,000	0	0	-70,000	0	0
Branch Office Building - Heretaunga House New						
Heretaunga House - Building Refurbishment	48,000	-	-	48,000	-	-
TOTAL	48,000	0	0	-48,000	0	0
Hastings Events						
Events Fund	25,000	-	-	25,000	-	-
TOTAL	25,000	0	0	-25,000	0	0

Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
Economic Development						
Financial Incentives	50,000	-	-	50,000	-	-
Business Improvement programme	20,000	-	-	20,000	-	-
China	0	-	-	-	-	-
Project Manager FTE	100,000	-	-	100,000	-	-
TOTAL	170,000	0	0	-170,000	0	0
WASTE MANAGEMENT						
Transfer Stations						
Blackbridge Transfer Station	0	-	-	-	-	-
TOTAL	0	0	0	0	0	0
Recycling Depot						
Blackbridge Transfer Station	0	-	-	-	-	-
TOTAL	0	0	0	0	0	0
PARKS MANAGEMENT						
Passive Parks						
Flaxmere Village Green	0	-	-	-	-	-
Romanes Drive Development	0	-	-	-	-	-
Lyndhurst - Playground	83,000	-	83,000	-	-	-
Cornwall Park Premier Playground	265,626	265,626	-	-	-	-
RSP Trust Cash Contribution	250,000	250,000	-	-	-	-
Lyndhurst - Neighbourhood Reserves	604,000	-	604,000	-	-	-
Lyndhurst - Reserve Development	73,950	-	73,950	-	-	-
Entry Statement Funding	15,000	-	-	15,000	-	-
Northwood Reserve	422,000	-	422,000	-	-	-
Lyndhurst - Stage 2 Reserve Purchase	150,000	-	150,000	-	-	-
Various New Toilets	191,057	191,057	-	-	-	-
Keirunga Gardens RMP Implementation	20,000	20,000	-	-	-	-
Cornwall Park RMP Implementation	410,719	410,719	-	-	-	-
Waipatiki RMP Implementation	10,000	-	-	10,000	-	-
Tainui RMP Implementation	51,253	51,253	-	-	-	-
Te Mata Peak - Bike Track	144,000	144,000	-	-	-	-
Rural Local Reserves RMP	4,000	-	-	4,000	-	-
CBD & Suburban Re-Development-Misc Parks	835,766	835,766	-	-	-	-
Waimarama RMP implementation	20,000	20,000	-	-	-	-
Maraetotara Falls	20,357	20,357	-	-	-	-
Romanes drive Development Bridge	98,000	98,000	-	-	-	-
Akina Park Irrigation	230,000	230,000	-	-	-	-
Raureka local Parks RMP	93,200	93,200	-	-	-	-
Raureka Parks BBQ	5,000	-	-	5,000	-	-
TOTAL	3,996,928	-2,629,978	-1,332,950	-34,000	0	0

Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
TRANSPORTATION						
Rating Area 1: Transportation-Subsidised						
Accelerated LED programme	870,000	- 130,500	-	-	-	739,500
North Eastern Area Wide CMP	100,000	- 46,000	-	-	-	54,000
Omahu Road roundabout - Henderson	470,000	- 216,200	-	-	-	253,800
MC- Collector	101,000	-	-	46,460	-	54,540
Eastbourne street east (Russell to Warren)	538,000	-	-	19,480	228,000	290,520
Alexandra street - Riverslea to Sylvan	139,000	-	-	63,940	-	75,060
MC - Napier Road Cycleway	176,000	-	-	80,960	-	95,040
MC - Southland Drain Cycleway	116,000	-	-	53,360	-	62,640
MC - Roundabout Improvements	82,000	-	-	37,720	-	44,280
Princes-Victoria-Ellison	0	-	-	-	-	-
Corridor Planning Study	20,000	-	-	9,200	-	10,800
HB Regional Transportation Study/ Model	170,000	-	-	78,200	-	91,800
TOTAL	2,782,000	-392,700	0	-389,320	-228,000	-1,771,980
Rating Area 1: Transportation-UnSubsidised						
Corridor Planning Study	0	-	-	-	-	-
Bus Shelters	19,000	-	-	-	-	-
Co-ordination report	50,000	-	-	19,000	-	-
CBD & Suburban Commercial Development	0	-	-	50,000	-	-
CBD Havelock North Development	0	-	-	-	-	-
Subdivision Support - Development Response	120,000	-	120,000	-	-	-
Irongate Road	970,000	-	970,000	-	-	-
Omahu Industrial Development	150,000	-	150,000	-	-	-
Lyndhurst - Stage 2 Arbuckle Rd Extension	114,000	-	114,000	-	-	-
Lyndhurst - Stage 2 Arbuckle Rd lights	14,500	-	14,500	-	-	-
Lyndhurst - Stage 2 Ikanui Rd Culdesac	23,000	-	23,000	-	-	-
Havelock North - Medium Density Housing strategy	0	-	-	-	-	-
Iona-Middle Road	1,000,000	-	1,000,000	-	-	-
Howard Street	83,000	-	83,000	-	-	-
Breadalbane Lane Urbanisation	0	-	-	-	-	-
Irongate Stage 3 Roundabout	149,000	-	149,000	-	-	-
TOTAL	2,692,500	0	-2,623,500	-69,000	0	0
Rating Area 2: Transportation						
Associated Improvements - Network	0	-	-	-	-	-
LED Street light upgrades	6,000	-	-	2,760	-	3,240
Kahuranaki road (Rochford)	179,000	-	-	82,340	-	96,660
Middle road (Mutiny)	159,000	-	-	73,140	-	85,860
High Risk DRA2 Rural Roads	48,000	-	-	22,080	-	25,920
Turamoe Bridge	0	-	-	-	-	-
Kereru Road No 1	87,000	-	-	40,020	-	46,980
Kereru Road No 2	0	-	-	-	-	-
Maraetotara Carpark improvements	50,000	-	-	23,000	-	27,000
TOTAL	529,000	0	0	-243,340	0	-285,660

Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
WATER SERVICES						
Stormwater - Rating Area 1						
Asset Data Capture	0					
Miscellaneous Minor Works	16,000	16,000	-	-	-	-
Generator	0					
Telemetry Base & New Repeater Upgrade	20,000	20,000	-	-	-	-
Emerald Hill	65,000	65,000	-	-	-	-
Reynolds Road	35,000	35,000	-	-	-	-
Co-ordination report	60,000	60,000	-	-	-	-
Kopunga Road	190,000	190,000	-	-	-	-
Havelock North Dam Break Analysis	55,000	55,000	-	-	-	-
Railway Rd - Racecourse to Murdoch	100,000	100,000	-	-	-	-
Charlton Rd - Te Awanga Detention dam an	46,000	46,000	-	-	-	-
Gordon Rd - Puriri to Kennedy	20,000	20,000	-	-	-	-
Maraekakaho Rd - Kaiapo to Francis Hicks	685,000	685,000	-	-	-	-
Omahu stage I - Wilson to Jarvis	0					
Havelock Rd - St Georges to 103(Lindburg	50,000	50,000	-	-	-	-
Te Kahika Stream- Tainui to Detention Dam	75,000	75,000	-	-	-	-
Lyndhurst - Cooke Stormwater Detention Pond	249,000	-	249,000	-	-	-
Lyndhurst - Contamination/ Testing	50,000	-	50,000	-	-	-
Arataki Dev: Brookvale Rd - CDL to Davidson	10,000	-	10,000	-	-	-
Arataki Dev: Arataki Extension	350,000	-	350,000	-	-	-
Network Modelling and Analysis	0					
Advanced Investigations	130,000	130,000	-	-	-	-
Collection Network Planned Renewals	0					
Collection Network Reactive Renewals	0					
Iona-Middle Road	0					
Howard Street	100,000	-	100,000	-	-	-
Northwood Stormwater	200,000	200,000	-	-	-	-
Lowes Pit	87,000	87,000	-	-	-	-
Alexandra street - Riverslea to Sylvan	4,900	4,900	-	-	-	-
Lyndhurst Bulk Services - Portion 2	134,000	-	134,000	-	-	-
Lyndhurst Bulk Services - Portion 3	659,000	-	659,000	-	-	-
Princes-Victoria-Ellison	215,000	215,000	-	-	-	-
LIDAR	31,000	31,000	-	-	-	-
Havelock North Streams - Toop Street	90,000	90,000	-	-	-	-
Havelock North Streams	0					
TOTAL	3,726,900	-2,174,900	-1,552,000	0	0	0

Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
Sewers - Rating Area 1						
Generator	0					
Telemetry Base & New Repeater Upgrade	0					
System Storage Improvements	93,000	93,000	-	-	-	-
Nikau Street	64,000	64,000	-	-	-	-
Omahu stage I	1,612,000	-	1,612,000	-	-	-
Advanced Investigations	130,000	130,000	-	-	-	-
Model Build	298,000	298,000	-	-	-	-
Pump Stations - Flow Monitoring- (From Northern catchment)	0					
Collection Network Planned Renewals	78,000	78,000	-	-	-	-
Collection Network Reactive Renewals	78,000	78,000	-	-	-	-
Park - Rising Main Renewal	1,700,000	1,700,000	-	-	-	-
Rising Main Renewals	135,000	135,000	-	-	-	-
Iona-Middle Road	900,000	-	900,000	-	-	-
Howard Street	400,000	-	400,000	-	-	-
Farndon Pump station Renewal	0					
Flow Monitoring Improvements	50,000	50,000	-	-	-	-
Eastern Interceptor Upper Section Upgrade	50,000	50,000	-	-	-	-
Western Interceptor Renewals	100,000	100,000	-	-	-	-
Clive Rising Main Renewal	560,000	560,000	-	-	-	-
Lyell Street Rising Main	168,000	168,000	-	-	-	-
Breadalbane Lane Urbanisation	70,000	-	70,000	-	-	-
Alexandra street - Riverslea to Sylvan	120,000	120,000	-	-	-	-
Lyndhurst Bulk Services - Portion 2	0					
Lyndhurst Bulk Services - Portion 3	350,000	-	350,000	-	-	-
Wastewater CCTV investigations	79,000	79,000	-	-	-	-
Stage 1A Water	5,000	5,000	-	-	-	-
TOTAL	7,040,000	-3,708,000	-3,332,000	0	0	0
Effluent Disposal						
PLC Renewals	236,000	236,000	-	-	-	-
Outfall PS Manifold	40,000	40,000	-	-	-	-
Outfall -Diffuser	65,000	65,000	-	-	-	-
Trunk Sewers	2,165,000	2,165,000	-	-	-	-
Outfall - Submarine section	33,000	33,000	-	-	-	-
Outfall - Emergency Beach overflow	637,000	637,000	-	-	-	-
Frimley Interceptor	265,000	265,000	-	-	-	-
Urban Trunk Sewer Renewals	57,000	57,000	-	-	-	-
TOTAL	3,498,000	-3,498,000	0	0	0	0
Wastewater Treatment Facilities						
Generator	172,000	172,000	-	-	-	-
Industrial Screen Renewal	170,000	170,000	-	-	-	-
Domestic Screen Renewal	59,000	59,000	-	-	-	-
TOTAL	401,000	-401,000	0	0	0	0

Project Description	Carry Forward into 2019-20	Loans	Loan Growth	Rates	Reserves /Other	Subsidy
DRINKING WATER SERVICES						
Water Supply - Hastings & Havelock North						
Brookvale Bores Consent	40,000	- 40,000	-	-	-	-
Montgomery PI - Full length	210,000	- 210,000	-	-	-	-
Arataki Development	43,000	-	- 43,000	-	-	-
Omahu Industrial Development	210,000	-	- 210,000	-	-	-
Havelock Hills	0	-	-	-	-	-
Northwood Reserve	15,000	-	- 15,000	-	-	-
Lyndhurst Development Stage II	408,300	-	- 408,300	-	-	-
Havelock Hills - Storage & Pumping	640,000	-	- 640,000	-	-	-
Planned Renewals	0	-	-	-	-	-
Reactive Renewals	0	-	-	-	-	-
Howard Street	0	-	-	-	-	-
Iona / Middle	435,000	-	- 435,000	-	-	-
Eastbourne Pump station	32,000	- 32,000	-	-	-	-
Alexandra Road	0	-	-	-	-	-
Princes-Victoria-Ellison	0	-	-	-	-	-
	2,033,300	- 282,000	- 1,751,300	-	-	-
Major Drinking water projects						
Whirinaki Pump Station & Treatment	3,954,000	- 3,954,000	-	-	-	-
Stage 1A Wilson Road - UV treatment	126,000	- 126,000	-	-	-	-
Treatment Upgrades - Clive	771,000	- 771,000	-	-	-	-
New Bore, Rising Main & Reservoir - Haumoana	35,000	- 35,000	-	-	-	-
Stage 1A Havelock North Booster Pump station	3,935,000	- 3,935,000	-	-	-	-
Haumoana Treatment	1,033,000	- 1,033,000	-	-	-	-
Treatment Upgrades - Whakatu	669,000	- 669,000	-	-	-	-
Treatment Upgrades - Waipataki	665,000	- 665,000	-	-	-	-
Treatment Upgrades - Waimarama	618,000	- 618,000	-	-	-	-
Stage 1C Frimley Treatment, Storage & BPS	0	-	-	-	-	-
	11,806,000	- 11,806,000	-	-	-	-
TOTAL	13,839,300	-12,088,000	-1,751,300	0	0	0
Total Carry forwards	40,349,197	-25,927,578	-10,591,750	-1,435,965	-336,264	-2,057,640

REPORT TO: FINANCE AND RISK COMMITTEE

MEETING DATE: TUESDAY 17 SEPTEMBER 2019

FROM: MANAGER STRATEGIC FINANCE
BRENT CHAMBERLAIN

SUBJECT: OMARUNUI LFG GENERATION LIMITED PARTNERSHIP
2018-19 ANNUAL REPORT

1.0 EXECUTIVE SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTOTANGA

- 1.1 The purpose of this report is to present to Council the Annual Report for the year ending 31 March 2019 for the Omarunui LFG (Landfill Gas) Generation Limited Partnership (Gas Generation Partnership).
- 1.2 This arises from the receipt of the Omarunui LFG (Landfill Gas) Generation Limited Partnership's Annual Report.
- 1.3 This report contributes to the purpose of local government by primarily promoting economic and environmental wellbeing and more specifically through the Council's strategic objective of providing local infrastructure that protects the natural environment (by not flaring landfill gas) while sustainability using resource available to it (the landfill gas).
- 1.4 In the year the partnership generated 3,245 mw/h of electricity utilising 1,889m³ of landfill gas that would have been flared and not utilised.
- 1.5 Total revenue for the 2018/19 Financial Year was \$303k resulting in an EBITDAF loss of \$21k.
- 1.6 Due to the continued poor financial performance of the asset over time, the decision has been made to impair investment to reflect lower expected returns. The Gas Partnership has taken a \$150k impairment of which Hastings District Councils share is \$60k.

2.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) **That the Committee receives the report titled Omarunui LFG Generation Limited Partnership 2018-19 Annual Report**

3.0 BACKGROUND – *TE HOROPAKI*

- 3.1 Pioneer Generation Limited and Hastings District Council established the Gas Generation Partnership for the purpose of purchasing landfill gas from the Omarunui Landfill to generate electricity using the energy facility and to sell the electricity.
- 3.2 Pioneer Generation Limited (the General Partner) operates and maintains the plant in accordance with the shareholder agreement for the plant and also holds the off take agreement for the electricity supplied. Hastings District Council, through contracts with the Omarunui Refuse Landfill, supplies gas to the energy facility and leases the land occupied by the gas to energy plant.
- 3.3 Pioneer Generation Limited (PGL) hold 60% of the Limited Partnership shares with Hastings District Council holding 40%. Council's investment in the Partnership was \$744k.
- 3.4 The current advisory committee board members of the Gas Generation Partnership are:
 Andrew Williamson, PGL appointment (Chairman)
 Jamie Aitken, PGL appointment
 Bruce Allan, HDC appointment
 Brett Chapman, HDC appointment

4.0 DISCUSSION - *TE MATAPAKITANGA*

- 4.1 2018/19 Annual Report to the Limited Partners is attached in Attachment 1. The Annual report includes a report from the Chairman.
- 4.2 In the year the partnership generated 3,245 mw/h of electricity (5,019 mw/h last year) compared to 6,000 mw/h budgeted, utilising 1,889m³ (3,010m³ last year) of landfill gas that would have been flared and not utilised.
- 4.3 It has been another challenging year for the partnership with ongoing problems with the plant and inconsistent gas extraction. Significant investment has been made at the landfill to ensure the gas from Valley D in particular is able to be extracted and transported to the plant. This work was undertaken during June 2018 and October 2018 (which covers the winter period when electricity returns are normally at their highest due to the higher consumer consumption).
- 4.4 Since this work was undertaken gas collection and engine performance has improved (the financial results for the last quarter of the 2018/19 financial year and for the first quarter of this financial year are much improved).
- 4.5 Total revenue for the 2018/19 Financial Year was \$303k (2018: \$402k) resulting in an EBITDAF loss of \$21k (2018: \$38k), a significant variance to the budgeted profit of \$81k for the year.
- 4.6 The average sales price per mw/h of electricity during the year was \$72.12 (\$66.62 last year), whereas the budget was set at \$73.04 per mw/h.
- 4.7 Due to the continued poor financial performance of the asset over time, the decision has been made to impair the investment to reflect lower expected returns. The Gas Partnership has taken a \$150k impairment of which

Hastings District Councils share is \$60k. This has been reflected in Hastings District Council's annual accounts.

- 4.8 Whilst the Landfill Gas plant is not meeting the financial goals set out in the business plan, it is achieving the goal of turning previously flared off gas into electricity.

5.0 OPTIONS - *NGĀ KŌWHIRINGA*

Option One - Recommended Option - *Te Kōwhiringa Tuatahi – Te Kōwhiringa Tūtohunga*

- 5.1 That the committee receives the Gas Partnership's Annual Report.

6.0 NEXT STEPS - *TE ANGA WHAKAMUA*

- 6.1 No further action is required.

Attachments:

1 [↓](#) Omarunui Annual Report March 2019

SW-6-19-48

SUMMARY OF CONSIDERATIONS - *HE WHAKARĀPOOTO WHAIWHAKAARO*

Fit with purpose of Local Government - *E noho hāngai pū ai ki te Rangatōpū-ā-rohe*

The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future

This report contributes to the purpose of local government by primarily promoting economic and environmental wellbeing and more specifically through the Council's strategic objective of providing local infrastructure that protects the natural environment (by not flaring landfill gas) while sustainability using resource available to it (the landfill gas).

Link to the Council's Community Outcomes - *E noho hāngai pū ai ki te rautaki matua*

This proposal promotes the economic and environmental well-being of communities in the present and for the future by turning landfill gas into electricity rather than flaring it into the atmosphere.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

There are no known impacts for Tangata Whenua.

Sustainability - *Te Toitūtanga*

This report supports sustainability by utilising previously unused landfill gas to generate electricity.

Financial considerations - *Ngā Whaiwhakaaro Ahumoni*

Apart for the lower financial returns than contained in the original business case there are no new financial implications for Council.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

This decision/report has been assessed under the Council's Significance and Engagement Policy as being of minor significance.

Consultation – internal and/or external - *Whakawhiti Whakaaro-ā-roto, ā-waho*

There has been no external consultation undertaken.

Risks: Legal/ Health and Safety - *Ngā Tūrarū: Ngā Ture / Hauora me te Haumarū*

There have been no legal or health and safety risks identified in this report.

Rural Community Board - *Ngā Poari-ā-hapori*

There are no implications for the rural community board in this report.



OMARUNUI LFG GENERATION LIMITED PARTNERSHIP

ANNUAL REPORT TO LIMITED PARTNERS

01 April 2018 – 31 March 2019



OMARUNUI LFG GENERATION LIMITED PARTNERSHIP ANNUAL REPORT

INTRODUCTION

Omarunui LFG Generation Limited Partnership is a venture where Hastings District Council and Pioneer Energy have combined to deliver benefits by generating electricity from gas produced by the Omarunui landfill site.

Hastings District Council has 40% of the equity in the Limited Partnership with Pioneer Energy having the remaining 60%.

As General Partner, Pioneer Energy operates the facility and has a Power Purchase Agreement to acquire the electricity produced from the plant.

Hastings District Council has an agreement to sell landfill gas to the limited partnership.

Commissioned in November 2014 at a total cost of \$1.86m (including operating working capital contribution from the partners), production commenced on 28 November 2014 for the Limited Partnership.



OPERATIONAL PERFORMANCE

During the year the partnership generated 3,245 MW/h (budget: 6000 MW/h) of electricity utilising 1.889m³ of landfill gas that would have been flared and not utilised.

Generation was well below the budgeted levels. This was primarily due to the extensive work undertaken between June 18 and October 18 on the gas collection system – to improve gas quality and collection.

Last year two key initiatives were undertaken to improve the gas quality and engine output.

Since the work has been undertaken the average methane content has increased to average 52.6% in the period October to March, and gas quality appears to have improved.

Engine output has improved in the year – with availability higher than previous years. Since work on the gas collection has been undertaken the engine output has ranged between 550 KW/h and 700 KW/h.

Whilst this is an improvement there still remains an issue in transferring the gas to the engine. A third party is to be engaged to look at how this can be overcome most effectively.

REGULATORY

The Avoided Cost of Transmission (ACOT) ruling resulted in the site receiving ACOT payments for the financial year.

Payments will continue in FY19/20 however they are significantly reduced as they are calculated on the peak loads which occurred during the period the site was not generating (June to Oct). The payments in FY19/20 are confirmed to be \$11.5k (FY18/19 was \$68.3k – a reduction of \$56.8k).

FINANCIAL

Total revenue for the 2018/2019 Financial Year was \$303k resulting in an EBITDAF loss of (\$21k), a significant variance to the budgeted EBITDA of \$82k for the year. Due to the poor performance of the asset over time, including this year an impairment was taken of \$150k. This value was driven by the independent valuation undertaken in FY2018 by Northington, and assessed on the FY18/19 year results.

REVENUE

Revenue from sales of electricity was lower than anticipated due to the reduced generation volume – being \$234k versus budget of \$438k.



The average sales price per mw/h of electricity was \$72.12 in the year, the annual budget was set at \$73.04. Due to no production in Winter period, which attracted the higher PPA pricing the average was lower. This was offset by the PPA reset in November 18 being higher than budget.

The cost of sales included the purchase of gas from Hastings District Council of \$16.5k in the year.

Income Statement

	31 March 2017	31 March 2018	31 March 2019	31 March 2020
	\$000's	\$000's	\$000's	\$000's
	Actual	Actual	Actual	Budget
Revenue				
Sale of Electricity	298	334	234	401
Other Income	43	68	69	11
TOTAL Revenue	341	402	303	412
Expenses				
Cost of Sales	-94	-97	-77	-94
Operating Expenses	-233	-288	-205	-242
Overheads	-56	-55	-42	-48
EBITDAF	-42	-38	-21	29
Depreciation and Amortisation	-140	-136	-134	-135
Impairment	0	0	-150	
Net Loss attributable to Partners	-182	-174	-305	-106

Operating expenses were lower than previous years, however remained high (average \$63.29 per MWh generated) due to the continued need to tune the engine as consistent gas collection remained challenging.



SAFETY MANAGEMENT

Pioneer Energy, as General partner and Service Provider, is committed to providing a safe work environment for everyone and we believe in the simple objective of "Work Safe, Home Safe".

During the financial year Pioneer Energy attained ISO45001 accreditation and our Health and Safety systems in place are based on this.

We are pleased to report that from the time of commissioning in November 2014 until 31 March 2019, no injuries or incidents have been reported.

FUTURE OUTLOOK

Considerable work has been undertaken to continue to improve the performance of the scheme. Whilst frustrating for both parties, operational staff have communicated well and continue to look at solutions.

Nigel Ellett
Commercial Manager
Omarunui LFG Limited Partnership

Item 7

Attachment 1

HASTINGS DISTRICT COUNCIL

FINANCE AND RISK COMMITTEE MEETING

TUESDAY, 17 SEPTEMBER 2019

RECOMMENDATION TO EXCLUDE THE PUBLIC

SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

THAT the public now be excluded from the following part of the meeting, namely:

- 11 Hawke's Bay Airport Limited Remuneration of Directors**
- 12 Appointment of Independent member to the Risk & Audit Subcommittee**

The general subject of the matter to be considered while the public is excluded, the reason for passing this Resolution in relation to the matter and the specific grounds under Section 48 (1) of the Local Government Official Information and Meetings Act 1987 for the passing of this Resolution is as follows:

GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED	REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED	GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION
11 Hawke's Bay Airport Limited Remuneration of Directors	Section 7 (2) (a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. To protect the privacy of the individual directors..	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.
12 Appointment of Independent member to the Risk & Audit Subcommittee	Section 7 (2) (a) The withholding of the information is necessary to protect the privacy of natural persons, including that of a deceased person. To protect the privacy of individual members.	Section 48(1)(a)(i) Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.