

Thursday, 10 March 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Operations and Monitoring Committee Meeting

Kaupapataka

Agenda

Te Rā Hui:
Meeting date: **Thursday, 10 March 2022**

Te Wā:
Time: **1.00pm**

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

Te Hoapā:
Contact: **Democracy and Governance Services
P: 06 871 5000 | E: democracy@hdc.govt.nz**

Te Āpiha Matua:
Responsible
Officer: **Group Manager: Corporate - Bruce Allan**

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HASTINGS DISTRICT COUNCIL
207 Lyndon Road East, Hastings 4122 | Private Bag 9002, Hastings 4156
Phone **06 871 5000** | www.hastingsdc.govt.nz
TE KAUNIHERA Ā-ROHE O HERETAUNGA

Operations and Monitoring Committee – Terms of Reference

Fields of Activity

The purpose of the Operations and Monitoring Committee is to ensure consolidated and complete reporting and monitoring of all financial and non-financial information and performance measures against the Annual Plan, Long-Term Plan and Council Strategies, Goals and Priorities.

Membership

- (Mayor and 14 Councillors).
- Chair appointed by Council.
- Deputy Chair appointed by Council.
- 1 Heretaunga Takoto Noa Māori Standing Committee Member appointed by Council.

Quorum – 8 members

Delegated Powers

- 1) Authority to exercise all of Council's 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 exercise all of Council's powers, functions and authorities (except where prohibited by law) at any time when the Chief Executive certifies in a report that;
 - the matter is of such urgency that it requires to be dealt with
 - the matter is required to be dealt with, prior to the next ordinary meeting of the Council.
- 3) Monitor the performance of Council in terms of the organisational targets set in the Long Term Plan and Annual Plan – both financial and nonfinancial.
- 4) Monitor operational performance and benchmarking.
- 5) Undertake quarterly financial performance reviews.
- 6) Develop the Draft Annual Report and carry forwards.
- 7) Monitor and review the performance of Council Controlled Organisations and other organisations that Council has an interest in.
- 8) Monitor and review tender and procurement processes.
- 9) Monitor major capital projects.
- 10) Recommend to Council on matters concerning project decisions where these are identified as a result of the committee's project monitoring responsibilities.
- 11) Writing off outstanding accounts for amounts exceeding \$6,000 and the remission of fees and charges of a similar sum.
- 12) Settlement of uninsured claims for compensation or damages where the amount exceeds the amounts delegated to the Chief Executive.
- 13) Guarantee loans for third parties such as local recreational organisations provided such guarantees are within the terms of Council policy.
- 14) Authority to exercise the Powers and Remedies of the General Conditions of Contract in respect of the Principal taking possession of, determining, or carrying out urgent repairs to works covered by the contract.
- 15) Grant of easement or right of way over Council property.
- 16) Approve insurance – if significant change to Council's current policy of insuring all its assets.

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Hastings District Council

Operations and Monitoring Committee Meeting

Kaupapataka

OpenAgenda

<i>Mematanga:</i> Membership:	<i>Koromatua</i> Chair: Councillor Geraldine Travers
	<i>Ngā KaiKaunihera</i> Mayor Sandra Hazlehurst Councillors: Bayden Barber, Alwyn Corban, Malcolm Dixon, Damon Harvey, Tania Kerr (Deputy Chair), Eileen Lawson, Simon Nixon, Henare O'Keefe, Peleti Oli, Ann Redstone, Wendy Schollum, Sophie Siers and Kevin Watkins
	Heretaunga Takoto Noa Māori Standing Committee Appointee: Mike Paku
<i>Tokamatua:</i> Quorum:	8 members
<i>Apiha Matua</i> Officer Responsible:	Group Manager: Corporate – Bruce Allan (Lead) Group Manager: Asset Management - Craig Thew Group Manager: Strategy & Development – Craig Cameron Financial Controller – Aaron Wilson Chief Information Officer – Warren Perry
<i>Te Rōpū Manapori me te Kāwanatanga</i> Democracy & Governance Services:	Christine Hilton (Extn 5633)

Te Rārangi Take

Order of Business

1.0 Opening Prayer – *Karakia Whakatūwheratanga*

2.0 Apologies & Leave of Absence – *Ngā Whakapāhatanga me te Wehenga ā-Hui*

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.

3.0 Conflict of Interest – *He Ngākau Kōnatunatu*

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 Manager: Democracy and Governance (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.

4.0 Confirmation of Minutes – *Te Whakamana i Ngā Minitī*

Minutes of the Operations & Monitoring Committee Meeting held Thursday 11 November 2021.

(Previously circulated)

5.0 Hawke's Bay Airport Ltd Half-Year Report and Statement of Intent

7

6.0 FoodEast Limited Partnership Draft Statement of intent 2022/23

19

7.0 Hawke's Bay Regional Sports Park Trust Update on Mitre 10 Park

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8.0	Hawke's Bay Museums Trust - Half Year Financial Report to 31 December 2021 and draft Statement of Intent	23
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9.0	Financial Quarterly Report for the six months ended 31 December 2021	27
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10.0	Performance and Monitoring Report	41
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11.0	Minor Items – <i>Ngā Take Iti</i>	
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12.0	Urgent Items – <i>Ngā Take Whakahihiri</i>	
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Thursday, 10 March 2022

Item 5

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Operations & Monitoring Committee Meeting

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Hawke's Bay Airport Ltd Half-Year Report and Statement of Intent

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to inform the Council of the results of the Hawke's Bay Airport Limited (HBAL) for the six months ended 31 December 2021 and to present the draft HBAL 2022/23 Statement of Intent for consideration.
- 1.2 HBAL is a joint venture between the Crown (50%), Napier City (26%) and Hastings District (24%).
- 1.3 The Council's share of HBAL is considered to be a Strategic Asset in Council's Significance Land Engagement Policy.
- 1.4 HBAL is required to report to its shareholding partners every 6 months. The Board Chair Wendie Harvey and Acting Chief Executive Stephanie Murphy will be at the meeting to present their half year report and draft Statement of Intent and answer Councillors' questions.
- 1.5 The Local Government Act requires all Council Controlled Organisations to prepare a Statement of Intent. A draft is required to be provided by 1 March each year for comment with the final Statement of Intent to be completed by 30 June each year. Clause 3 of Schedule 8 of the Local Government Act 2002 outlines the Board's responsibilities upon receiving comments from the shareholders:

3) *Completion of statements of intent*

The board must –

- a) *Consider any comments on the draft statement of intent that are made to it within 2 months of 1 March by the shareholders or by any of them; and*
- b) *Deliver the completed statement of intent to the shareholders on or before 30 June each year.*

1.6 Clause 9 of Schedule 8 of the Local Government Act outlines the contents of a Council Controlled Organisation's Statement of Intent for which HBAL must comply.

Half Year Accounts

- 1.7 Attached as **Attachment 1** is a copy of the report to shareholders for the half year ended 31 December 2021.
- 1.8 HBAL has reported a half year after tax loss of \$412,821 which is significantly worse than the budgeted loss of \$21,738 for the same period. This result against budget has largely been driven by reduced airside and car parking revenue reflecting the impacts of the August and September 2021 lockdown restrictions.
- 1.9 Passenger movements at 171,851 are 15% down on last year and 32% less than budget. Despite the 15% reduction in passenger movements, total revenues are only 5% behind the same period last year due to increased passenger charges.
- 1.10 Bank borrowings have increased to \$26m as at 31 December primarily relating to the Terminal redevelopment project which is nearing completion.

Statement of Intent



- 1.11 Council has requested that Officers continue the recent practice of issuing through the shareholding Mayors a Letter of Expectation to the Board of HBAL outlining the Shareholding Council's expectations and for consideration of the Board when they compile the Statement of Intent for 2022/23. Attached as **Attachment 2** is a copy of that joint Letter of Expectation.
- 1.12 In response to the Letters of Expectation received by the Board from the Shareholding Councils and the Crown, the Board have issued a Strategic Issues Letter and this is attached as **Attachment 3**.
- 1.13 Attached as **Attachment 4** is the draft Statement of Intent from HBAL. The Statement of Intent is comprehensive and details its key objectives across their 5 strategic pou.
- 1.14 The HBAL Board are forecasting a modest net profit after tax (NPAT) of \$257,541 in 2022/23 when compared to pre-covid times with that forecast NPAT improving to \$1.2m by June 2025.

2.0 Recommendations - Ngā Tūtohunga

- A) That the Operations and Monitoring Committee receive the report titled Hawke's Bay Airport Ltd Half-Year Report and Statement of Intent dated 10 March 2022.
- B) That the Committee receive the Hawke's Bay Airport Limited Half Year report to 31 December 2021.
- C) That the Committee receive the Hawke's Bay Airport Limited draft 2022/23 Statement of Intent and provide any feedback as required.

Attachments:

- | | | | |
|----|----------------------------------------------------------------|-------------------|----------------------|
| 1⇒ | HBAL Interim Report with Financial Statements 31 December 2021 | CG-16-4-00195 | Under Separate Cover |
| 2⇓ | HDC and NCC Letter of Expectations for 2022/2023 | EXT-10-9-2-22-137 | |

3  Hawke's Bay Airport - Strategic Issues Letter
4  HBAL Draft Statement of Intent 2022/23

CG-16-4-00193
CG-16-4-00207

Under Separate
Cover

Item 5



HDC File Ref: EXT-10-9-2-22-137

4 February 2022

Wendie Harvey
Chairman
Hawke's Bay Airport Limited
PO Box 721
NAPIER 4104

Dear Wendie

2022/2023 Shareholder Expectations For Hawke's Bay Airport Limited

On behalf of the shareholding councils, we set out below the shareholder's expectations for 2022/2023.

Our expectations in this letter are divided into two categories – company specific and general. General expectations apply across all jointly owned CCOs.

Overview

The Hawke's Bay Airport is a strategic asset for Hawke's Bay. It is an integrated component of the transport system that provides connectivity with the rest of New Zealand, providing opportunities for economic growth and improved connectivity for our businesses, entrepreneurs and community members.

The COVID-19 pandemic has provided unprecedented disruption to the aviation industry and, in particular, to HBAL. The shareholding councils acknowledge the impact that the 2020 and 2021 lockdowns had on the business and the better than forecast turnaround that HBAL have achieved through 2021.

While it is acknowledged that the lockdowns in 2020 and 2021 highlighted a strategic weakness of HBAL with its complete reliance on aviation-related income streams, the councils expect that the first priority for HBAL is to strengthen that core business, with the second priority being to explore and develop alternative income streams that help build financial resilience for HBAL. It is great to see the completed terminal in 2021 and the opportunities that are arising for HBAL to diversify income streams further.

Specific Expectations

Napier City Council (NCC) and Hastings District Council (HDC) expect the Board to meet the following specific expectations in 2022/2023:

Napier City Council
Private Bag 6010
Napier 4142

Hastings District Council
Private Bag 9002
Hastings 4156

1. Business Park
 - 1.1 We request updates be provided in each quarterly report to shareholding councils on the progress of the business park development, including outlining any progress in attracting new tenants to the park.
 - 1.2 The shareholding councils would like to reinforce previous expectations of HBAL that the Board is conscious of potential for conflicts between the HBAL's development objectives, particularly in terms of non-aviation business activities at the airport and the region's wider economic development and spatial planning objectives. While we strongly support the main thrust of the development proposals, we would expect that HBAL will be participating in the Regional Industrial Land Strategy, and future land development opportunities would respect the region's wider economic development and spatial planning objectives.
2. Balance Sheet and Debt Levels
 - 2.1 It was pleasing to see that HBAL was able to refinance under commercial terms and not require the shareholders loan that was put in place in July 2020. In light of the shareholding loan facility provided to HBAL being withdrawn and no longer required, the shareholding councils expect the Board to continue to operate prudently and make decisions that improve the ongoing financial resilience of HBAL.
 - 2.2 The shareholding councils would like proactive discussions with HBAL in the event of material forecasting impacts to visitor and travel income as a result of the ongoing changes and impacts of Covid19. Early identification of the ability to meet bank requirements and sustainability are important to the Councils, and should further financial assistance be required from the shareholders, there is recognition from the previous work that this will take some time to complete.
3. Redevelopment of terminal building
 - 3.1 Congratulations to the HBAL Board and management on the successful completion of the terminal building redevelopment under somewhat trying circumstances. The new terminal is a wonderful entrance into our region for our visitors arriving by air.
4. Dividends
 - 4.1 The shareholding councils do not have any dividend expectations for 2022/2023 and would expect HBAL to utilise any surpluses generated to repay debt and/or invest in other revenue generating activities.
 - 4.2 The shareholding councils look forward to seeing the longer term cashflow forecasts that see debt levels declining through the retention of retained earnings and a timeline for dividends being returned to shareholders.
5. Pandemic Impacts
 - 5.1 The shareholding councils recognise that the pandemic remains an issue globally, and while lockdowns within New Zealand may be a thing of the past we fully expect a level of travel hesitancy to remain in the future as we operate under the red setting of the current Covid-19 protection (traffic light) framework. Ongoing risk management and prudent financial expenditure will be expected to ensure that HB Airport remains resilient during this unsettled period, noting that councils, as per 4.1, are not expecting any dividends at this time.

6. Health and Safety

- 6.1 We expect that health and safety and efficient operation of both aeronautical and other commercial divisions of the airport will be key priorities for the business.

7. Risk Management

- 7.1 We expect the Board to prudently manage financial risks with investments in infrastructure aligned with conservative forecasts.

8. Partners

- 8.1 We expect the Board to have an open view of opportunities for expansion of connections with the rest of New Zealand.
- 8.2 We expect that the Board will look to grow and develop relationships with Air New Zealand and its other partner airlines and be at the forefront of any strategic changes, with ambitions to develop new and additional services.
- 8.3 We expect that the Board will look to continue to explore opportunities to extend its potential operating income streams such as the solar farm, at and in conjunction with its airport activities as part of its long-term master planning. The shareholding councils request to be appraised of progress made on the solar farm initiative and other opportunities for diversifying income streams as is appropriate considering commercial sensitivities.
- 8.4 We expect that the Board will work with other providers of airport services in Hawke's Bay to ensure safe and efficient air travel in our region.

General Expectations

The shareholding councils operate under a philosophy of transparency, disclosure of performance information and no surprises.

The shareholding councils expect each of its joint CCOs to follow the procurement principles outlined in the Office of the Auditor General guidelines.

Transparency and disclosure of CCOs is to be achieved via a number of mechanisms including a continuous disclosure regime for Council Controlled Organisations.

While a joint Shareholder Expectation Guide has yet to be introduced, particular regard should be given to the following:

- *Strategic issues letters:* All CCOs are expected to provide the shareholder councils with a letter by 15 February responding to the Letter of Expectation and setting out the key strategic issues facing the company. Should your company wish to engage with shareholders to seek direction or clarification, we would ask that you advise Bruce Allan (HDC) and Adele Henderson (NCC) as soon as possible of such intention.
- *Draft Statement of Intent (SOI):* All CCOs are expected to provide the shareholding councils with a draft SOI by 1 March 2022 at the latest. The shareholding councils should be alerted as soon as possible if this deadline cannot be met.
- *Continuous Disclosure:* CCOs are expected to make time disclosures, including advising delegated shareholding councils' contracts prior to the public release of disclosures.

- *Local Government Official Information Act requests:* The shareholding councils are to be advised by HBAL management when it receives a request under the Local Government Official Information Act and of the proposed response. The shareholding councils have specialist staff who can advise on such matters.

We acknowledge that this joint Letter of Expectations from the shareholding councils has been finalised late in the process of developing the draft Statement of Intent.

We look forward to having the opportunity to discuss the shareholding councils' expectations further with you and your Board, after you have had the opportunity to consider this letter. If required, please contact Bruce Allan, Hastings District Council or Adele Henderson, Napier City Council to organise this.

Yours sincerely



Kirsten Wise
Mayor, Napier City Council



Sandra Hazlehurst
Mayor, Hastings District Council

Copy to: Adele Henderson, Director Corporate Services, Napier City Council
Bruce Allan, Group Manager: Corporate, Hastings District Council



Hawke's Bay Airport Ltd
P.O Box 721, Napier 4140,
New Zealand
Telephone (06) 834 0742
www.hawkesbay-airport.co.nz

Hon Grant Robertson
Deputy Prime Minister
Minister of Finance
Minister for Infrastructure
Minister for Racing
Minister for Sport and Recreation

Hon Dr David Clark
Minister of Commerce and Consumer Affairs
Minister for the Digital Economy and
Communications
Minister for State Owned Enterprises
Minister of Statistics

Mayor, Kirsten Wise, Napier City Council
Mayor, Sandra Hazlehurst, Hastings District Council

15 February 2022

Dear Shareholders,

HAWKE'S BAY AIRPORT LIMITED – KEY STRATEGIC ISSUES FY22/23

Thank you for your Shareholder Letters of Expectations ("LOE") 2022/23¹. In anticipation of our draft Statement of Intent ("SOI") FY2022/23 being presented for your consideration, I would like to outline the key strategic issues currently facing Hawke's Bay Airport Limited ("HBAL") at this time.

Government priorities and response to COVID-19

HBAL acknowledges the Government three goals for its term:

- to keep New Zealanders safe from COVID-19;
- to accelerate the recovery and rebuild; and
- to tackle foundational challenges.

The effects of the global pandemic COVID-19 have been significantly challenging for HBAL, now entering our third financial year operating with the adverse consequences of reduced air travel and resulting low passenger numbers.

Despite this challenging environment HBAL notes it is a strategic regional asset (and Lifeline Utility) that provides connectivity from Hawke's Bay to the rest of New Zealand and beyond. To this end HBAL has continued to invest in its business continuity planning and operations to enable the organisation to operate to the fullest extent possible.

This has meant with the Omicron variant now in our community, the Company's immediate focus is to ensure that to the great extent possible it is able to keep our HBAL staff and airport users safe, whilst continuing to ensure continuity of service. Despite these current challenges however, HBAL is optimistic with the recent announcements of the New Zealand borders reopening in the coming financial year (FY22/23) we can look to our plans for recovery.

¹ Hon Dr David Clark, Minister of State Owned Enterprises on behalf of Shareholding Ministers, dated 21 December 2021; Mayor Kirsten Wise, Napier City Council and Mayor Sandra Hazlehurst, Hastings District Council, dated 4 February 2022

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Diversification and Recovery Strategy

As outlined in HBAL's FY21/22 SOI, HBAL's heavy reliance on aeronautically driven revenue has been identified as a significant risk to the business. For this reason, the development of HBAL's diversification strategy is considered essential to ensure the business can withstand significant adverse events impacting on the aviation sector from external sources beyond our control (for example as was seen in November 2019 with the withdrawal of JetStar services from Hawke's Bay) and COVID-19.

Acknowledging the organisation's aspirations for divergency of revenue, in May 2021, HBAL launched its Master Plan, 20-year vision². This was the result of approximately 2 years work to determine the aeronautical requirements for HBAL in the future, and to protect these. Having completed the project, this has further enabled HBAL to determine the land available for future commercial development, thereby providing opportunities for revenue diversification.

HBAL is strategically located in Hawke's Bay with direct connections to road, rail and sea, making it ideally suited for those businesses requiring transport and supply connections. In this regard HBAL is cognisant of the Napier and Hastings Sub-Regional Industrial Land Strategy and HBAL's offering are in line with that strategy. HBAL has also been actively involved in Napier City Council's draft district plan review and spatial planning project.

In July 2021, HBAL brought to market Ahuriri Aero Park³. As seen with other previous NZ airport commercial land offerings, the market favours commercial / light industries that require well established land and air connections for example freight and logistics, travel, trade and tourism-based industries. HBAL's existing anchor tenant of ABB is a example of this, using air connections frequently and as land becomes scarce in the areas traditionally designated for commercial and light industry use HBAL Ahuriri Aero Park will become a prime alternative offering. This complements the work being undertaken by Napier City Council⁴ and Hastings District Council⁵ to attract key businesses to establish in or relocate to Hawke's Bay and HBAL continues to be actively involved in Matariki⁶, Hawke's Bay Regional Economic Development ("HBREDS").

HBAL continues to progress it's proposed Solar Farm Project on site. The focus of this project to date has been on securing a commercial partner to assist with funding the projects' development with a review to progressing the project to secure the necessary consents, and ultimately construction. Noting Shareholders expectations of prudent governance, planning, resourcing and financial management of the project, HBAL has put in place appropriate oversight and expertise through its governance structure and resourcing. In addition to building its it non-aeronautical revenue stream this project will also assist with HBAL's goals toward carbon neutrality.

Appropriate land development and the proposed Solar Farm Project, along with the terminal-based revenue (being food and beverage concessions, rental car agency tenancies, and advertising), will provide non-aeronautical revenue diversification during future periods when aeronautical revenue is compromised.

² <https://hawkesbay-airport.co.nz/about/our-future/>

³ <https://hawkesbay-airport.co.nz/our-business/property/profile-and-vision/>

⁴ <https://www.napier.govt.nz/napier/business/economic-development/>

⁵ <https://www.hastingsdc.govt.nz/economic-development/>

⁶ <https://www.hbreds.nz/>

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Sustainability

As outlined in HBAL's SOI FY21/22, HBAL has placed a strong focus on renewable energy (the proposed Solar Farm), waste reduction, sustainability and pursuing carbon neutrality. In line with the Government's target of Net Zero by 2050, HBAL has committed to a long-term carbon reduction target to achieve Net Zero Scope 1 and 2 carbon emissions by 2030.

Having obtained Airport Carbon Accreditation ("ACA") Level 2 in January 2021, HBAL continues to work on key initiatives to support our ACA Level 3 and 4 aspirations. Examples include the implementation of EV charging (being installed as part of the forecourt project); climate change adaptation infrastructure review; materiality assessments and embedding sustainability into all aspects of HBAL business. Of note, HBAL was ASB's first Sustainability Linked Loan partner announced in October 2021. This facility is directly tied to HBAL's sustainability policy and ACA Level 3 and 4 accreditation targets. Importantly it may be used to support projects that meet sustainability or regional infrastructure criteria in the future.

Terminal Redevelopment

On 5 August 2021, HBAL was exceptionally pleased to open the doors to the redeveloped terminal. The space has been well received. As Shareholders will be aware the terminal expansion and forecourt projects have been impacted by the successive lockdowns with access to resources and supply chain challenges being experienced. This is having an ongoing impact on the defects and outstanding supply items being delivered on the terminal. It is expected the forecourt project will be completed in April 2022 (subject to further resource and supply chain issues), with the final planting and exterior aesthetics complete during autumn.

As noted previously, having completed the terminal redevelopment, the full potential of the revenue streams from the new tenancies and advertising streams being realised, albeit currently compromised due to reduction in passenger volumes.

Partners

HBAL continues to advocate for the development of a regional transport strategy. This has led to the establishment of a small team to further bolster our aeronautical aviation development plans to support the recovery and growth of aviation, creating the business cases for new routes, aircraft seat capacity and air freight opportunities.

In 2021 HBAL was pleased to have attracted Originair to Hawke's Bay, who commenced direct services between Nelson in October 2021 and Hamilton in December 2021. Nelson enables inter-island connectivity outside of Christchurch and Wellington.

HBAL continues to work closely with Air NZ and partnering airports on developing potential new routes and infrastructure support for transitioning to emerging shifts in lower carbon aircraft technology.

As outlined above, HBAL is currently working on a commercial partnership to enable the development of the proposed Solar Farm Project. At the time of writing, the company is in negotiations with a potentially qualified partner that shares HBAL's aspirations for the site. Such engagement is consistent with our belief that in the current operating and financial environment, working with partners is key to our revenue diversification strategy. This includes continued development of the relationship with Mana Ahuriri Trust and mana whenua on commercial and land use strategies.

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Strengthening balance sheet and managing debt levels

As referenced in the preamble, HBAL has experienced unprecedented operational and strategic challenges due to the impact of COVID-19 and will continue to do so for the foreseeable future. Despite this, HBAL has remained focused on its core aeronautical performance and prudent financial management during FY22/23 until non-aeronautical revenue diversification is realised.

Based on half year results recently completed, the first half of FY21/22 budgeted around breakeven with second half of the year budgeted to bolster the annual result to a modest profit position. However, with the resurgence of COVID-19 now clearly evident in early 2022, forecasts indicate that a break even result for FY21/22 will be very unlikely. At this time, our forecasting does not anticipate a return to profitability until FY23/24. These forecasts will be included in the upcoming draft SOI.

HBAL appreciates the support of its Shareholders during the forthcoming period, particularly noting there are no expectations regarding shareholder dividends.

HBAL CEO Appointment

As Shareholders will be aware, our previous CEO, Stuart Ainslie, departed in December 2021. Since that time the Board has been actively engaged in recruitment for Stuart's replacement. Having advertised the role before Christmas 2021, the Board has been exceptionally pleased with the calibre of applicants. It is anticipated an appointment will be made before the end of February, however as is always the potential with recruitment there may be some time to pass before the new appointee is able to take up the role in person.

With this in mind, the Board is committed to ensuring that an appropriate transition process is in place which provides continuity of executive leadership, and an effective handover that supports ongoing delivery of the organisation's strategic objectives.

Summary

HBAL acknowledges there are other matters referenced in your LOE's that will be addressed in our SOI FY22/23. The intent of this letter is to share with you the key issues confronting HBAL in the forthcoming period to ensure our continued responsibility of no surprises.

HBAL welcomes continued engagement with our Shareholders and officials over the upcoming months as we prepare our SOI FY22/23 for the challenging year ahead.

Yours sincerely,



Wendie Harvey
Chair, Hawke's Bay Airport Limited

COPY:

Adele Henderson, Director Corporate Services, Napier City Council
Bruce Allan, Group Manager Corporate, Hastings District Council

Thursday, 10 March 2022

Item 6

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Operations & Monitoring Committee Meeting

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: FoodEast Limited Partnership Draft Statement of intent 2022/23

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to present to the Committee the first draft Statement of Intent from the Foodeast Limited Partnership which is attached as **Attachment 1**.
- 1.2 Given the early stages of the company's establishment the performance measures are focussed on finalising funding and getting the construction of Foodeast underway. The Chair of Foodeast, Mr Craig Foss, and fellow director, Mr Tony Gray, will be in attendance at the meeting to present the draft Statement of Intent and answer any questions the Committee may have.
- 1.3 The Statement of Intent is in line with the previous work lead by Hastings District Council through the Establishment Board and covers the Vision, Strategic Objectives, Purpose, Nature and Scope of Activities, Governance and Performance Measures. The Board have noted that they will continue to focus on getting construction activity on site commenced. The financial performance measures will be completed when funding arrangements are finalised.
- 1.4 Foodeast has been established as a Limited Partnership and a General Partner. Both will be Council Controlled Trading Organisations. This structure provides limited liability to the partners, and is used widely in New Zealand. It provides a structure that facilitates investment by entities with different tax regimes. The Limited Partners investment will be in the Limited Partnership and the Limited Partners will be shareholders in the general partner and have the ability to appoint Directors on the General Partnership entity (one Director for each \$1.0m investment).

- 1.5 Foodeast has been established with the following investments and shareholdings:

Investors	Investment	Shareholding
HBRIC	\$4m	66.72%
HDC	\$1m	16.64%
Progressive Meats	\$1m	16.64%
Total Regional Funding	\$6m	100%
Crown investment through grant	\$12m	
Total investments	\$18m	

- 1.6 The draft SOI notes that Council as a shareholder should at the beginning of each new calendar year deliver to Foodeast a Letter of Expectations. This is good practice and something that was not undertaken by Council prior to receiving this draft SOI. It would be recommended that the Chief Executive issues a letter of expectation post the receipt of the attached SOI and Council's consideration of it to ensure the Board are clear around Council's expectations as a shareholder going forward.

2.0 Recommendations - Ngā Tūtohunga

That the Operations and Monitoring Committee receive the report titled FoodEast Limited Partnership Draft Statement of intent 2022/23 dated 10 March 2022.

That the Chief Executive be delegated by the Committee to issue a letter of expectations to the Board of Foodeast.

Attachments:

- | | | | |
|-----|--------------------------------------------------------|---------------|----------------------|
| 1 ➡ | FoodEast Limited Partnership draft Statement of Intent | CG-16-4-00198 | Under Separate Cover |
|-----|--------------------------------------------------------|---------------|----------------------|

Thursday, 10 March 2022

Item 7

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Operations & Monitoring Committee Meeting

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Hawke's Bay Regional Sports Park Trust Update on Mitre 10 Park

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The Hawke's Bay Regional Sports Park Chief Executive, Jock Mackintosh, will attend the Operations and Monitoring Committee meeting.
- 1.2 Mr Mackintosh will give a presentation to update the Committee on the activities being undertaken at the Mitre 10 Park.

2.0 Recommendations - *Ngā Tūtohunga*

That the Operations and Monitoring Committee receive the report titled Hawke's Bay Regional Sports Park Trust Update on Mitre 10 Park dated 10 March 2022.

Attachments:

There are no attachments for this report.

Thursday, 10 March 2022

Item 8

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Operations & Monitoring Committee Meeting

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: **Bruce Allan, Group Manager: Corporate**

Te Take: **Hawke's Bay Museums Trust - Half Year Financial Report to 31**
Subject: **December 2021 and draft Statement of Intent**

1.0 Executive Summary – *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to receive the Hawke's Bay Museums Trust Half Year Report to December 2021 and give the Operations and Monitoring Committee the opportunity to receive and comment of the draft 2023-25 Statement of Intent.
- 1.2 The Trust's Chair, Dr Richard Grant, will be in attendance at this meeting to answer any questions of Council.

2.0 Recommendations - *Ngā Tūtohunga*

- A) That the Operations and Monitoring Committee receive the report titled Hawke's Bay Museums Trust - Half Year Financial Report to 31 December 2021 and draft Statement of Intent.
- B) That the Committee receive the Hawke's Bay Museums Trust Half Year Report to 31 December 2021.
- C) That the Committee receive the Hawke's Bay Museums Trust 2023-25 Statement of Intent.

3.0 Background – *Te Horopaki*

- 3.1 The Trust is a Council Controlled Organisation with the majority of its funding provided by the Napier City and Hastings District Councils.

- 3.2 The Hastings District Council appointment to the Trust is Mr George Lyons who was appointed to the Trust by Council in November 2013.
- 3.3 The current trustees of the Hawke's Bay Museum's Trust are:
 Dr Richard Grant (Chairman)
 Tania Wright (NCC)
 George Lyons (HDC)
 Johanna Mouat
 Mike Paku
- 3.4 George Lyons was originally appointed as Hastings District Council's representative on the Trust by the Council in 2013 and reappointed in 2019 through to December 2022. While the Trust has requested that Council advise the Trust of the name of the Trustee to be appointed by Hastings District Council at the end of Mr Lyons term, this appointment is something that is normally addressed through the appointment process following the triennial elections.
- 3.5 As required under the Local Government Act 2002 the Trust is to provide a draft Statement of Intent for comment by 1 March each year and a half year report within 60 days of the end of the first six months.
- 3.6 The objectives of the Trust amongst other things are to hold, protect and manage the regional collection for the people of Hawke's Bay including overseeing the collection development through acquisition and disposal of collection items. The Trust Board governs on a high level strategic direction basis to ensure the objectives of the Trust are being met and have a Management Agreement with Napier City Council for the care and management of the regional collection.

4.0 Discussion – *Te Matapakitanga*

Half Year Report

- 4.1 The Trust's financial statements for the 6 months to December 2021 are attached as **Attachment 1**. Note 12 to the accounts provides a comparison to the current year Statement of Intent budget with revenue and expenses a little lower than budget expectations resulting in a 6 month budget surplus close to \$7,000. This is expected to get taken up by conservation and accession expenses due in the next couple of months.

Statement of Intent

- 4.2 The draft HBM 2023-25 Statement of Intent (attached as **Attachment 2**) contains the following performance indicators and targets for the key result areas:
- **Protection** – including storage, security and records management;
 - **Quality** – including conservation, accessioning and de-accessioning;
 - **Access** – including ensuring the collection is available for exhibitions, research and archives; and
 - **Development** – including fundraising, reserves management and stakeholder relations.
- 4.3 These are unchanged from previous years. Performance targets (KPIs) could however be further developed to demonstrate the Collection is being well utilised and readily available to all of Hawke's Bay, and therefore that the Council is getting value for its annual grant.
- 4.4 This was an item of improvement recommended by the "Review of Management Services" report by the Rationale Group. In that report they suggested the following KPIs be considered:
- Minimum levels of third party funding (proportionate to total funding);
 - Minimum levels of visitor satisfaction (as distinct from ratepayer satisfaction);
 - Minimum visitor spends and/or maximum visitor subsidy;

- Minimum numbers of visitors from, or exhibitions at, other districts;
- Minimum percentages of collection artefacts electronically recorded and accessible;
- Minimum numbers of public online access to the collection;
- Maximum response times to inquiries.

- 4.5 These improvement items have been recommended for a number of years and HBMT's Statement of Intent's KPIs have remained unchanged since the 2016-17 Statement of Intent.
- 4.6 Last year Hastings District Council sent a letter to HBMT recommending these KPIs be further developed to include objectives regarding levels of service expectations.
- 4.7 Included in the Statement of Intent is an inflation adjustment to the grant funding required from the Hastings District Council. However, Hastings District Council currently has provided a non-inflated grant in its draft annual plan.
- 4.8 The Trust's strategic intentions are consistent with prior year, including the intention to find a solution to develop long-term storage for the collection. This issue is being resolved with the purchase of 307 Queen St and the development of the building to be a fit for purpose storage and research facility.

Joint Working Group

- 4.9 The Hastings District Council continues to participate in a Joint Working Group with Napier City Council that is considering the future structure of the Hawke's Bay Museum's Trust, its funding, the storage of the collection, and the role of the MTG Hawke's Bay in the display of the collection.
- 4.10 Progress is being made on resolving the need to improve the storage arrangements for the collection. Last year HDC and Napier City Council jointly funded the purchase of the property at 307 Queen St for the purpose of securing an appropriate storage facility for the collection. Both Council's also contributed \$1.8m each towards the redevelopment of this building and have to-date been successful in securing external funding of \$5.5m towards the project.
- 4.11 Developed design of the new facility has been completed and the design team are now moving into the detailed design phase.
- 4.12 The Joint Working Group has targeted July 2022 as the time it will report back to NCC and HDC on any recommendations for future governance arrangements for the Trust.

5.0 Next steps – *Te Anga Whakamua*

- 5.1 The Joint Working Group will continue to work with the Trust to develop the new storage facilities, refine KPI's and investigate alternative governance arrangements.

Attachments:

1⇒	HBMT - Financial statements for the six months ended 31 December 2021	EXT-10-11-7-22-248	Under Separate Cover
2⇒	HBMT Statement of Intent 2023-2025	EXT-10-11-7-22-247	Under Separate Cover

Summary of Considerations - *He Whakarāpopoto Whakaarohanga*

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 wellbeing of communities in the present and for the future.

Link to the Council's Community Outcomes – *Ngā Hononga ki Ngā Putanga ā-Hapori*

Specifically through the Council's strategic objective of fostering the arts and cultural experience of our community.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

The Hawke's Bay Museum collection includes significant taonga and in acknowledging the significant of that collection, one of the Trustees to the Trust is appointed by Ngati Kahungunu Iwi.

Sustainability - *Te Toitūtanga*

N/A

Financial considerations - *Ngā Whakaarohanga Ahumoni*

Council makes a financial contribution to the Trust which is detailed in the attached Statement of Intent.

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 low significance.

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

No consultation has occurred.

Risks

This report is to receive the Hawke's Bay Museums Trust Statement of Intent and therefore poses little risk to Council.

Rural Community Board – *Te Poari Tuawhenua-ā-Hapori*

N/A

Thursday, 10 March 2022

Item 9

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Operations & Monitoring Committee Meeting

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: Aaron Wilson, Financial Controller

Te Take: **Financial Quarterly Report for the six months ended 31 December**
Subject: **2021**

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to inform the Committee of the financial result for the three months ended 31 December 2021.

2.0 Background – *Te Horopaki*

- 2.1 The accounting operating financial result is reported on quarterly during the year and at year end a report is prepared on the financial as well as the rating result. The rating result differs from the accounting result in respect of non-cash items such as depreciation, vested assets and development contributions that are not included.
- 2.2 This financial report is governance focussed and allows significant variances to be highlighted with explanations provided in a way this is easy to read and understand through dashboard analytics and commentary.
- 2.3 If Councillors require clarification on any points, please contact the writer prior to the meeting to ensure complete answers can be given at the meeting on the detail in these reports.

3.0 Discussion – *Te Matapakitanga*

- 3.1 Set out below is a summary of the operating financial result year to date. The financial results detailed below represent the accounting view and does not reflect the potential rating result for 2021/22:

	\$'000	\$'000	\$'000	
2021/22	YTD Actual	YTD Revised Budget	YTD Variance	Full year Revised Budget*
Operating Revenue	77,606	82,324	(4,717)	175,875
Operating Expenditure	72,984	75,465	2,482	149,822
Net Surplus/(Deficit)	4,623	6,858	(2,235)	26,053

* Revised budget includes the Annual budget, Brought Forwards and surplus allocations from 20/21 financial year

- 3.2 The result above is presented against the revised budget. The revised budget includes changes and decisions made during the year on Council budgets such as carry forwards from 2020/21 and funding received from government agencies subsequent to the budget being finalised along with the matching additional capital spend.
- 3.3 Council's year-to-date (YTD) surplus is \$2.2m unfavourable of YTD budget for the quarter ended 31st December 2021.
- 3.4 Overall revenue is \$4.7m unfavourable to the YTD budget and expenditure is \$2.5m, favourable to YTD budget.

Revenue

- 3.5 The Covid-19 lockdowns have had a significant impact on a wide range of areas within Council, with the community facing activities very much affected in revenue terms.
- 3.6 Fees and charges revenue across Council are unfavourable by \$638k with the main drivers being:
- Planning and Regulatory services are unfavourable to budget by \$763k driven by lower than budgeted building consent fees (\$417k) along with lower parking revenues (\$324k).
 - The building consents, whilst lower than budgeted revenue, is on track with last year's actuals. The lower budget to revenue is offset by lower than budgeted expenditure in personnel (due to a number of unfilled vacancies) and contracted services.
 - Lower parking revenues are reflective of the impact of COVID-19 with pay and display metering not being collected during Alert Levels 4 & 3, free parking prior to Christmas along with lower overall revenues collected with lower levels of usage.
 - Splash Planet have been one of the most affected by the pandemic, and as at the end of the December quarter were \$679k behind budget. Offsetting the lower revenue is lower operating expenditure of \$587k.
 - Offsetting these unfavourable variances are higher than budgeted water connection fees (\$455k), due to the number of new residential connections along with a prior year adjustment into the revenue line.
- 3.7 Subsidies and Grants are \$2.7m behind budget mainly due to lower Waka Kotahi (NZTA), subsidies, this is offset by lower subsidy related expenditure. The Waka Kotahi subsidies and projects related to this revenue stream are expected to catch-up by the end of year. This year is the first of the current three year agreement, and the delay finalising the agreement at the beginning of the year has affected when the Transport programme could start.
- 3.8 Other revenue and interest received are \$407k behind budget mainly due to the timing of when vested assets are expected to be received.
- 3.9 Development contributions are unfavourable to YTD budget by \$1.4m. Phasing of budgets in relation to when contributions occur is difficult, and creates timing differences as it is not always known in advance in what month a payment will occur when the budget is being set. In addition capital costs have also not been incurred.

Expenditure

- 3.10 Overall expenditure is tracking favourably year to date as at 31st December 2021 by \$2.0m or 2.8% of total budgeted expenditure year to date. Main drivers include:
- 3.11 The negative variance to budget for non-cash entries in terms of Depreciation (\$1m) are driven by higher asset values due to prior year revaluations in Land & Buildings, along with increased spend in infrastructure projects in water and roading.
- 3.12 Finance costs are favourable by \$1m which is a reflection of lower levels of debt than phased in the budget and currently lower average cost of funds.
- 3.13 Other operating costs are favourable to budget by \$863k, and are driven by lower contracted services (\$746k), expert advice (\$611k) and legal advice (\$170k) costs across building control, water services, and transportation. This is around the timing of projects coming on stream in terms of where the budget is phased and is likely to even out over the rest of the year.

Covid- 19 Impacts in the current financial Year:

- 3.14 Toitoti revenue has been affected with the impact of Covid-19 under all of the levels this financial year. Restrictions, along with the traffic lights alerts of orange and red have curtailed activity. The effects looking forward to the year-end have been detailed in the looking forward forecast section.
- 3.15 Toitoti has cancelled or postponed a large number of events, meaning a significant loss in revenue. Lost revenue from postponed and cancelled events year to date amount to \$121k. Other revenue from cancelled and postponed events include food, beverage and ticketing commissions' and amount to an additional \$42k of lost revenue to the end of the second quarter.
- 3.16 Alert Level restrictions have also affected the parking revenue with pay and display not collected during levels 4 & 3, along with lower levels of patronage. The Covid-19 protection framework red and orange traffic light settings have impacted foot traffic in the CBD and the corresponding parking revenue.
- 3.17 Community facing activities and facilities such as libraries, the Flaxmere gym along with sports & community centres have all faced lower traffic, which has affected revenue streams. Libraries for example in the current quarter had visitor numbers totalling 74,266. Last year in the same quarter visitor numbers were 95,314.
- 3.18 Capital projects have also been affected by Covid-19, with issues relating to logistics and supply, these issues include:
- Pressure on shipping and airfreight
 - Design modifications to allow for available materials
 - Pressure on specific trades
 - Costs of Covid down time
 - Increases in pricing of projects, and materials

Forecast - Looking Forward

- 3.19 Financial forecasts to year end were undertaken by officers through November and December based on the information available at that time. There have been a number of assumptions that have been made in order to be able to provide an accurate picture at year end. These financial forecasts will be reviewed again in March 2022.
- 3.20 In order to provide working clarity for budget managers, this forecast shows the bottom line rate requirement forecast for a wide range of activities within Council.

- 3.21 The rating forecast differs from the accounting result in respect of non-cash items such as depreciation, vested assets and development contributions that are not included. In terms of local government, rating requirement is regarded as being an important indicator as it shows how the rates that were collected have been spent.
- 3.22 The table shows the forecasted position across all Council activities at year end against what the budgeted requirement is for the full year. The variance shows whether there is a forecasted deficit or surplus. (A positive variance represents underspend to budgeted requirement, and a negative variance, overspend).
- 3.23 The line highlighted in blue shows the “whole of Council requirement” and shows a \$512k surplus at the end of year compared to budget, after net interest savings have been factored in.
- 3.24 The second table that is in green, shows how the surplus or deficit (i.e. \$512k) is split between what can be used as a general surplus against what needs to be applied to the targeted rate surplus or deficit.
- 3.25 Targeted rates surplus/deficit are ring fenced and cannot be used for other activities. Therefore, when the makeup of the \$512k forecast surplus is split out between the general rate and the targeted rate, the general rate shows a forecasted deficit of \$317k.

Hastings District Council December 2021 End of Financial Year Forecast					
Requirement by Subgroup	END OF YEAR FORECAST			General rate variance (rate funded)	Targeted rate variance (rate funded)
	FORECAST (excl carryforwards)	BUDGET	VARIANCE		
Rates Requirement before interest	89,803,638	88,225,724	(1,577,914)	(712,672)	(865,242)
Net Interest Paid/Received	6,727,480	7,796,959	1,069,479	537,067	532,412
Rates Requirement Surplus/(Deficit)	96,531,118	96,022,683	(508,435)	(175,605)	(332,830)
Rates Revenue Surplus/(Deficit)	94,880,197	93,859,666	1,020,531	(142,116)	1,162,647
RATING SURPLUS/DEFICIT	(1,650,921)	(2,163,018)	512,097	(317,721)	829,817

- 3.26 As was highlighted in the paper to Council on the 21st October 2021, the decision to close Splash Planet would mean a greater rating requirement for this activity. Council has resolved that this additional shortfall would be funded from the Splash Planet Development Reserve up to \$934k.
- 3.27 Toitoti will continue to operate at a much reduced capacity, and have forecasted their revenue streams based on the red traffic light setting remaining for the rest of the current financial year. This has translated into a significantly lower level of income due to the number of cancelled, postponed or curtailed events.
- 3.28 The uncertainty around Covid 19 is expected to have an impact on visitation numbers to Council's community facilities including the libraries and aquatic facilities, further reducing revenue opportunities and putting strain on those activities operating within their net rating requirements.

Capital Spend

- 3.29 Council's total capital budget (including carry forwards, renewals, new works, and growth projects) for 2021/22 is \$177.9m. This level of expenditure is a significant increase on what has been delivered previously by Council. The large capital budget is made up of :
- 2021/22 Annual Plan \$127.9m
 - Carry forwards from 2021 \$ 50.0m
- Total revised budget after carry forwards and adjustments \$177.9m
- 3.30 Capital spend for the year to date is \$36m, this is against budget of \$55m, the impact of Covid on the capital programme cannot be overstated, with logistics and supply along with the availability of resourcing to complete projects providing a significant challenge. Capital projects in the current

year are being worked through to understand the size of the carry forwards into the 2022/2023 financial year.

- 3.31 The 2022/23 Annual Plan capital budget is sitting at \$84m, but with a sizeable carry forward expected and Officers are working to reassess what is a realistic capital programme for 2022/23. It should be remembered that after the first two years of the LTP that the capital budget programme reduces and it is expected this will allow some catch-up to the large capital programme underway.
- 3.32 In addition to this, Waka Kotahi (NZTA) approvals for the 3 year programme were delayed which has had an impact on the level of activity from the transportation team. It is fully expected that this delay in approval from Waka Kotahi can be caught up during the year.
- 3.33 These issues have impacted the capital programme currently underway, with a large number of projects expected to be delayed and carried forward into the next financial year. The effect of delays in capital projects can be seen in the lower funding costs in the current year.
- 3.34 Projects by Activity within the three types of capital spend are shown below:

Year to date Summary of Capital Spend by Type					
	YTD Actuals	YTD Budgets	YTD variance	% Spent to Total Budget	Revised Budgets
COUNCIL CAPITAL					
Renewals	16,755,609	26,143,359	9,387,751	31%	54,800,634
New Works	17,411,679	25,839,149	8,427,470	19%	92,381,617
Growth	1,875,935	3,038,000	1,162,065	7%	27,860,707
	36,043,223	55,020,508	18,977,285	21%	175,042,958
SUMMARY					
RENEWALS					
Stormwater Services	337,138	300,000	(37,138)	31%	1,096,500
Wastewater Services	4,286,100	6,576,333	2,290,233	32%	13,466,500
Water Services	1,325,778	2,910,057	1,584,279	30%	4,441,000
Transportation RA 1	3,817,810	7,541,602	3,723,792	24%	15,964,904
Rest of Council					
Parks	430,331	1,094,786	664,455	20%	2,128,286
Building services	711,732	358,604	(353,128)	18%	3,857,490
Municipal Strengthening	4,122,295	3,375,000	(747,295)	61%	6,750,000
Server Infrastructure	169,562	1,200,000	1,030,438	14%	1,200,000
Landfill	10,587	211,736	201,149	2%	423,472
Other	1,544,277	2,575,241	1,030,965	28%	5,472,483
	16,755,609	26,143,359	9,387,751	31%	54,800,634
NEW WORKS					
Stormwater Services	783,729	1,386,083	602,354	11%	7,190,000
Wastewater Services	477,564	73,500	(404,064)	21%	2,251,000
Water Services	9,013,854	11,519,472	2,505,618	26%	34,486,531
Transportation	3,601,616	4,955,870	1,354,254	24%	14,985,290
Landfill	704,420	1,006,573	302,152	9%	7,440,394
Parks	1,573,495	2,748,600	1,175,105	22%	7,017,300
Building services	134,205	40,000	(94,205)	12%	1,121,000
Rest of Council					
Flaxmere Town Centre	-	700,000	700,000	0%	2,080,000
206 Queen St	51,972	987,351	935,379	3%	1,974,702
Food Hub Phase 2	-	400,000	400,000	0%	800,000
New Cemetery Setup	4,866	437,500	432,634	1%	875,000
HB Museum Storage	488,363	300,000	(188,363)	7%	7,200,000
Flaxmere Housing	82,779	800,000	717,221	2%	4,020,000
Other	494,815	484,200	(10,615)	53%	940,400
	17,411,679	25,839,149	8,427,470	19%	92,381,617
GROWTH					
Stormwater Services	401,835	820,000	418,165	7%	5,978,500
Wastewater Services	267,231	532,000	264,769	7%	3,645,000
Water Services	817,432	1,183,000	365,568	17%	4,811,500
Transportation RA 1	388,127	503,000	114,873	3%	11,941,707
Parks	1,310	-	(1,310)	0%	1,484,000
	1,875,935	3,038,000	1,162,065	7%	27,860,707
Total Capital	36,043,223	55,020,508	18,977,285		175,042,958

Major projects currently underway within the three types of capital spend are shown below:

Major Projects					
	YTD Actuals	YTD Budgets	YTD variance	% Spent to Total Budget	Revised Budgets
Renewal projects					
Toitoti/Municipal Building	4,421,576	4,996,053	574,476	44%	9,992,105
Maintenance Seals	117,502	1,258,150	1,140,648	5%	2,516,300
Wastewater Rising mains	300,321	75,000	(225,321)	7%	4,208,000
Trunk Sewer	2,077,642	4,291,000	2,213,358	48%	4,316,000
Outfall	434,912	380,000	(54,912)	10%	4,300,000
New Works projects					
Drinking water project	8,196,828	10,652,215	2,455,387	26%	31,884,431
Martin Place Recycling	-	-	-	0%	1,000,000
Hastings Town Clock	643	-	(643)	0%	400,000
Coastal Protection Works	131,715	123,000	(8,715)	107%	123,000
Streetscape	723,436	600,000	(123,436)	66%	1,094,000
Growth projects					
Omahu	18,954	50,000	31,046	1%	1,505,207
Lyndhurst	784,001	1,256,000	471,999	28%	2,842,000
Irongate	223,463	365,000	141,537	24%	929,000
Iona/Middle	741,917	1,206,000	464,083	6%	13,343,000
Howard	84,856	44,000	(40,856)	2%	5,048,000

Treasury

- 3.35 Council's total gross debt position is \$205.7m which includes \$16.7m of prefunded capital expenditure and debt refinancing which is currently held on deposit.

31st December 2021	
	\$'000
Borrowing at start of year	205,740
New Loans Drawn	0
Loan Repayments	0
Net borrowings at end of period	205,740
Less Term Deposits held	16,700
Total Net Borrowings	189,040

- 3.36 Council is currently compliant with the Treasury Management Policy. The Risk and Assurance Committee reviews and monitors Council's treasury performance and policy with advice from Bancorp Treasury Services.
- 3.37 On the 23rd of February 2022 the Reserve bank increased the Official Cash Rate (OCR) by 25 basis points to now sit at 1%, because of strongly rising prices, a hot housing market, and a tight labour market.

- 3.38 In addition to this the Reserve bank has forecasted (due to strong inflationary pressures), that there will be a number of rate hikes over the remainder of the current year along with further hikes in the medium term.
- 3.39 Whilst this will impact on the cost of Council debt due to floating interest rates, Council maintains a good level of cover both in swap and fixed loans that will reduce the impact of increasing interest rates over the short to medium term. This cover can be seen in the table below that shows fixed interest cover at 60% of total debt.

Funding KPI's				
	Minimum %	Maximum %	Actual	Compliant (Y/N)
Liquidity	110%	170%	115%	Yes
Fixed Interest Debt	40%	99%	60%	Yes
Funding Maturity Profile				
0-1 Year	0%	33%	21%	Yes
1-2 Year	0%	33%	11%	Yes
2-3 Year	0%	33%	10%	Yes
3-4 Year	0%	33%	9%	Yes
5-6 Year	0%	33%	11%	Yes
6-7 Year	0%	33%	13%	Yes
7-8 Year	0%	33%	13%	Yes
8-9 Year	0%	33%	13%	Yes
9-10 Year	0%	33%	0%	Yes
10-11 Year	0%	33%	0%	Yes
Net Debt as % Equity		20%	8%	Yes
Net Debt as % Income		175%	103%	Yes
Net Interest as % Income		15%	3%	Yes
Net Interest as % of Rates		20%	6%	Yes

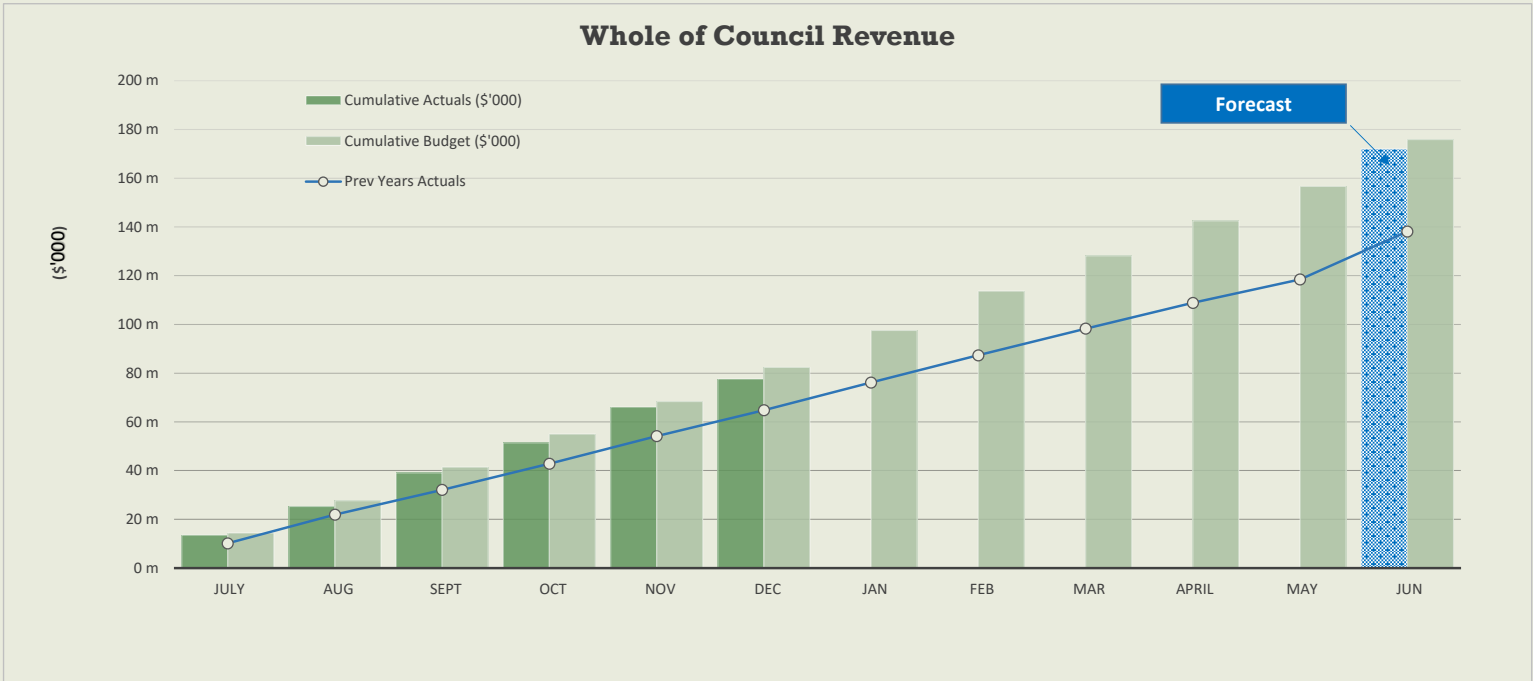
4.0 Recommendations - Ngā Tūtohunga

That the Operations and Monitoring Committee receive the report titled Financial Quarterly Report for the six months ended 31 December 2021 dated 10 March 2022.

Attachments:

- 1 [Download](#) Quarterly Financial Report for six months ended 31 December 2021 FIN-09-01-22-204

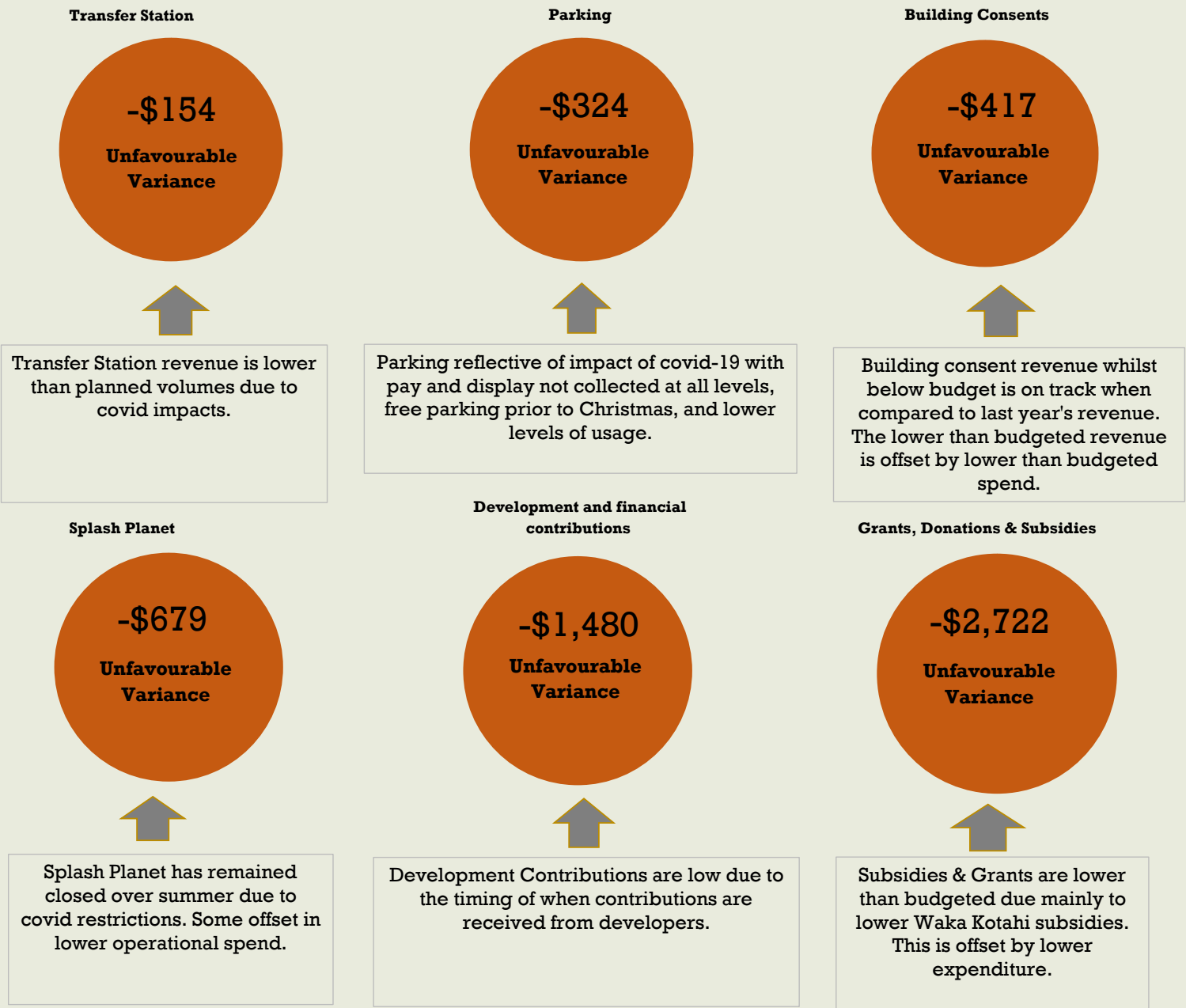
Hastings District Council Quarterly Dashboard as at
31 December 2021



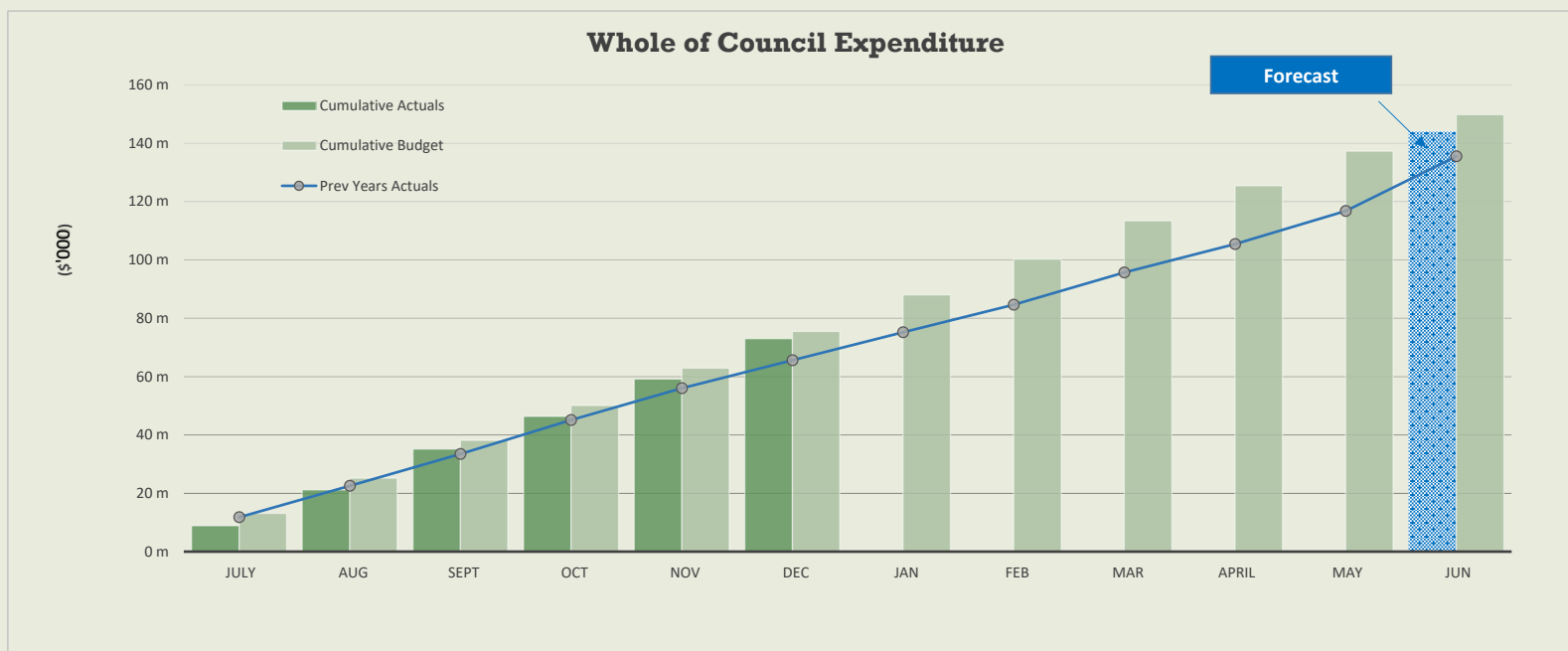
Total Revenue Streams	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Rates (Budget)	47,437	46,930	507
Fees, charges & metered water supply charges	16,004	16,642	-638
Subsidies and Grants	12,369	15,091	-2,722
Development and financial contributions	1,412	2,892	-1,480
Other revenue	384	768	-385
Total	77,606	82,324	-4,717

Comments: Capital subsidies are behind budget mainly due to delays in finalising the new Waka Kotahi funding agreement. The ongoing Covid-19 pandemic has had a significant impact on a number of areas within council, with "community facing" activities very much affected in terms of revenue.

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



Hastings District Council Quarterly Dashboard as at 31 December 2021



Total Expenditure	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Personnel Costs	19,031	20,286	1,255
Depreciation	19,345	18,283	-1,062
Finance Costs	2,860	3,873	1,014
Other Operating Costs	31,748	33,024	1,276
Total Operating Expenditure	72,984	75,465	2,482

Comments: Personnel vacancies, lower finance costs, along with contracted services costs have resulted in a favourable variance to budget. This is offset by higher than budgeted Depreciation.

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

Contracted Services

\$864

**Favourable
Variance**

Contracted services costs are favourable across a number of Council activities with spend reliant on the timing of projects throughout the remaining quarters.

Finance Costs

\$1,014

**Favourable
Variance**

Favourable Finance Costs are a reflection of slower delivery of projects due to the pandemic along with lower than expected cost of funds.

Expert Advice

\$611

**Favourable
Variance**

Expert Advice costs are favourable across a number of Council activities with spend reliant on the timing of projects throughout the remaining quarters.

Legal Advice

\$170

**Favourable
Variance**

Due to timing of projects and demand on this budget line.

Personnel Costs

\$1,255

**Favourable
Variance**

Personnel costs are favourable due to vacancies in place driven by a tight labour market.

Depreciation

-\$1,062

**Unfavourable
Variance**

Depreciation costs are higher than budget and relate mainly to prior year revaluations that were higher than expected.

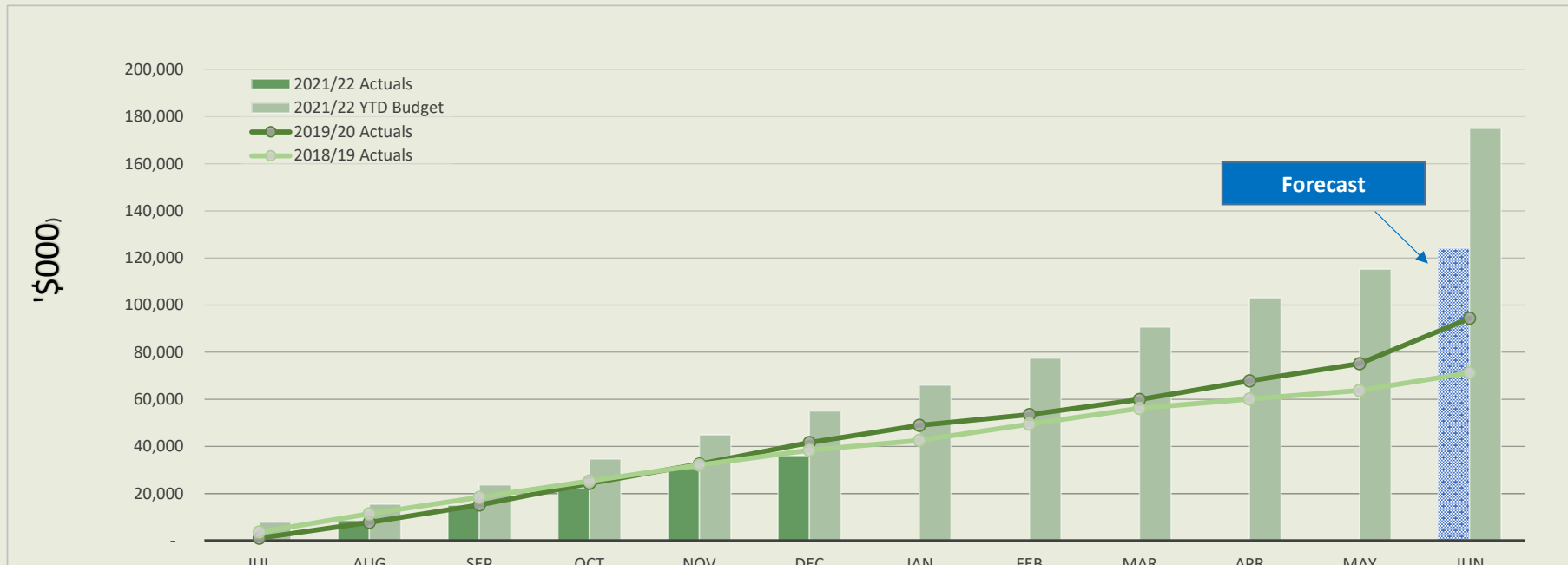
Hastings District Council Statement of Comprehensive Revenue and Expense as at 31 December 2021

Previous YTD Actuals (\$'000)	Description	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
	Revenue				
43,703	Rates	47,437	46,930	507	93,860
23,577	Fees, charges & metered water supply	16,004	16,642	(638)	33,382
19,260	Subsidies and Grants	12,369	15,091	(2,722)	41,311
2,154	Development and financial contributions	1,412	2,892	(1,480)	5,785
1,035	Other revenue	384	768	(385)	1,537
89,938	Total Revenue	77,606	82,324	(4,717)	175,875
	Expenditure				
18,078	Personnel Costs	19,031	20,286	1,255	40,731
18,571	Depreciation & Amortisation Expense	19,345	18,283	(1,062)	36,566
2,518	Finance Costs	2,860	3,873	1,014	7,747
29,531	Other Operating Costs	31,748	33,024	1,275	64,778
68,698	Total Expenditure	72,984	75,465	2,482	149,822
21,240	SURPLUS/(DEFICIT)	4,623	6,858	(2,235)	26,053

Hastings District Council Funding Impact Statement As At: 31 December 2021

Previous YTD Actuals (\$'000)	Description	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
	Operations - Funding Source				
43,703	Rates	47,437	46,930	507	93,860
3,935	Subsidies and Grants	3,715	4,375	(660)	9,622
23,371	Fees, charges metered water supply	15,791	16,446	(655)	32,991
222	Interest and dividend revenue	35	9	26	17
487	Other revenue	491	455	36	911
71,718	Total Operating Funding	67,469	68,215	(745)	137,401
	Operations - Use of Funding				
18,078	Personnel Costs	19,031	20,286	1,255	40,731
25,476	Supplier Costs	27,427	28,995	1,568	56,652
2,520	Finance Costs	2,862	3,873	1,012	7,747
3,357	Other Operating Costs	3,203	3,407	204	6,630
49,430	Total Use of Operating Funding	52,522	56,561	4,039	111,760
22,288	Operating Funding Surplus/(Deficit)	14,947	11,654	3,293	25,641
	Capital - Funding Source				
15,325	Capital Subsidies grants	8,654	10,716	(2,062)	31,689
2,121	Development financial contributions	1,378	2,757	(1,379)	5,515
15,032	Debt - Increase or (decrease)	13,539	28,424	(14,886)	102,296
1,670	Sale of Assets	817	257	560	467
33	Other Capital Funding	34	135	(101)	270
34,180	Total Capital Funding	24,423	42,291	(17,868)	140,237
	Capital - Use of Funding				
2,239	To meet additional demand (Growth)	1,945	3,559	(1,614)	28,161
22,537	To improve the level of service (New Works)	17,260	25,319	(8,058)	91,544
17,141	To replace existing assets (Renewals)	17,479	26,445	(8,965)	56,213
-1,753	To Increase or (decrease) reserves	(245)	(3,125)	2,879	(7,410)
-6,765	Adjustment to reserves	(2,532)	(1,633)	(899)	2,859
5,012	To Increase or (decrease) reserves	2,286	(1,492)	3,778	(10,269)
875	To Increase or (decrease) Investments	399	114	285	228
47,805	Total use of Capital Funding	39,370	53,944	(14,575)	165,877
(13,624)	Capital Funding Surplus/(Deficit)	(14,947)	(11,653)	(3,294)	(25,640)
8,664	TOTAL FUNDING BALANCE	-	-	-	-

Whole of Council Capital Spend as at 31 December 2021



Key projects	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Var Ytd (\$'000)	Total Budget (\$'000)
Renewal Projects				
Toitoti/Municipal Building	4.4 m	3.5 m	-1.0 m	6.9 m
Maintenance Seals	0.1 m	1.3 m	1.1 m	2.5 m
Wastewater Rising mains	0.3 m	0.1 m	-0.2 m	4.2 m
Trunk Sewer	2.1 m	4.3 m	2.2 m	4.3 m
Outfall	0.4 m	0.4 m	-0.1 m	4.3 m
New Works projects				
Drinking water project	8.2 m	10.7 m	2.5 m	31.9 m
Coastal Protection Works	0.1 m	0.1 m	0.0 m	0.1 m
Streetscape	0.7 m	0.6 m	-0.1 m	1.1 m
Growth projects				
Omahu	0.0 m	0.1 m	0.0 m	1.5 m
Lyndhurst	0.8 m	1.3 m	0.5 m	2.8 m
Irongate	0.2 m	0.4 m	0.1 m	0.9 m
Iona/Middle	0.7 m	1.2 m	0.5 m	13.3 m
Howard	0.1 m	0.0 m	0.0 m	5.0 m

Capital - Commentary

Capital spend to 31 December 2021 is \$36m compared to a year to date budget of \$55m. The full year revised budget has been set at \$175m and includes \$51m of approved capital carry forwards from 2020/21. The impact of the pandemic on the capital programme cannot be overstated with logistics and supply along with the availability of resourcing to complete projects providing a significant challenge. The forecast of \$124m was completed prior to Christmas. Challenges continue with resourcing and logistics which mean that this number will change with officers due to complete a 2nd forecast march which will provide a clearer view of what will be achieved.

Statement of Comprehensive Revenue & Expense - Commentary

Revenue Variances

Revenue is \$4.7m unfavourable to budget for the year to date, due to: timing of roading subsidies (\$2.7m), timing of development contributions (\$1.48m), and fees & charges shortfalls due to pandemic related impacts.

Expenditure Variances

Whilst revenues are down for the first quarter, overall expenditure is also lower than budget. This is a reflection of the timing of projects coming on stream along with constraints on resourcing.

Result

Activities within Council will continue to experience ongoing impacts from the effects of covid. This is particularly so for some community facing facilities where revenues are lower than budget. An example of this is the need to close Splash Planet in order to mitigate risk to the community.

Areas of Activity		
<div><div>Refuse Collection</div><div><div>\$362</div><div>Favourable Variance</div></div><div>Rating Requirement Favourable/(Unfavourable)</div></div> <div><div>Comment</div><div>Kerbside collection and recyclables and refuse over the Christmas/New Year period was relatively quiet, with a noticeable increase in average bin weights and “overfull cardboard and paper crates” being the standout.</div></div>	<div><div>Building Control</div><div><div>\$183</div><div>Favourable Variance</div></div><div>Rating Requirement Favourable/(Unfavourable)</div></div> <div><div>Comment</div><div>Whilst revenue actuals against budget is unfavourable this is offset by lower expenditure. In particular in both personnel (vacancies) along with lower contracted services spend.</div></div>	<div><div>Security</div><div><div>\$82</div><div>Favourable Variance</div></div><div>Rating Requirement Favourable/(Unfavourable)</div></div> <div><div>Comment</div><div>the positive variance in rating requirement in this area of activity is driven by vacancies.</div></div>
<div><div>Splash Planet</div><div><div>-\$220</div><div>Unfavourable Variance</div></div><div>Rating Requirement Favourable/(Unfavourable)</div></div> <div><div>Comment</div><div>The impact of Splash Planet not opening can be seen through lower revenue and some lower expenditure. It must be remembered that the impact on an unfavourable rating requirement will be offset by the splash planet reserve as resolved by Council.</div></div>	<div><div>Toitoti</div><div><div>-\$406</div><div>Unfavourable Variance</div></div><div>Rating Requirement Favourable/(Unfavourable)</div></div> <div><div>Comment</div><div>Toitoti's unfavourable rating result is primarily driven by the effect of the effect of the pandemic on the various revenue streams within this community facing activity. Forecasts indicate Toitoti will be severely affected in terms of revenue over the remaining 6 months of the financial year.</div></div>	<div><div>Wastewater (Sewerage, Effluent Disposal, Wastewater treatment)</div><div><div>-\$2,119</div><div>Unfavourable Variance</div></div><div>Rating Requirement Favourable/(Unfavourable)</div></div> <div><div>Comment</div><div>It should be noted that the unfavourable requirement will be offset by the targeted rate reserve at year end. The overspend relates to timing of development contribution revenue budget, higher preventative maintenance and contracted services costs along with the timing of insurance costs to budget.</div></div>

Net Operations = Revenue less Operational (includes Recharges, Recoveries but excluding Capital)

Thursday, 10 March 2022

Item 10

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Operations & Monitoring Committee Meeting

Te Rārangi Take

Report to Operations and Monitoring Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Performance and Monitoring Report

1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 The purpose of this report is to present to Council the Performance and Monitoring Report for the quarter ended 31 December 2021.
- 1.2 The Performance and Monitoring Report and Appendices are attached (as **Attachments 1 and 2**) and is a comprehensive overview of Council's activities.
- 1.3 There is a large amount of information presented in this report and officers would recommend to Councillors that if they have questions that they would like answered during the meeting that those questions be put to the writer of this report prior to the meeting so that they can be satisfactorily answered in the meeting.
- 1.4 The quarterly financial report for the period ended 30 September 2021 is reported separately on this agenda.

2.0 Recommendations - *Ngā Tūtohunga*

That the Operations and Monitoring Committee receive the report titled Performance and Monitoring Report dated 10 March 2022.

Attachments:

1 ➡	Performance & Monitoring Report Q2 2021-2022	CG-16-4-00202	Attachment Document 2
2 ➡	Performance & Monitoring Report Q2 2021-2022 Appendices.PDF	CG-16-4-0203	Attachment Document 2