

Tuesday, 28 March 2023

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Performance and Monitoring Committee Meeting

Kaupapataka

Agenda

Te Rā Hui:
Meeting date: **Tuesday, 28 March 2023**

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: **Deputy Chief Executive - Bruce Allan**

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HASTINGS DISTRICT COUNCIL
207 Lyndon Road East, Hastings 4122 | Private Bag 9002, Hastings 4156
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TE KAUNIHERA Ā-ROHE O HERETAUNGA

Tuesday, 28 March 2023

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Performance and Monitoring Committee Meeting

Kaupapataka

Agenda

Mematanga: Membership:	Koromatua Chair: Councillor Damon Harvey Ngā KaiKaunihera Councillors: Ana Apatu, Marcus Buddo, Alwyn Corban, Malcolm Dixon, Michael Fowler (Deputy Chair), Henry Heke, Kellie Jessup, Tania Kerr, Eileen Lawson, Renata Nepe, Simon Nixon, Ann Redstone, Wendy Schollum and Kevin Watkins Mayor Sandra Hazlehurst Hastings District Rural Community Board Chair appointee: Jonathan Stockley (RCB Chair) Heretaunga Takoto Noa Māori Standing Committee appointee (Chair): To be confirmed once elected
Tokamatua: Quorum:	9 members
Apiha Matua Officers Responsible:	Deputy Chief Executive – Bruce Allan (Lead) Group Manager: Asset Management - Craig Thew Acting Group Manager: Strategy & Development – Raoul Oosterkamp Financial Controller – Aaron Wilson Chief Information Officer – Warren Perry
Te Rōpū Manapori me te Kāwanatanga 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*

Leave of Absence had previously been granted to Councillor Fowler

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*

This is the first meeting of the triennium so there are no previous minutes to confirm.

5.0 Performance and Monitoring Introduction Report 7

6.0 Hawke's Bay Museums Trust Half-Year Financial Report to 31 December 2022 11

7.0 Quarterly Financial Report for the six months ended 31st December 2022 39

8.0 **Minor Items – *Ngā Take Iti***

9.0 **Urgent Items – *Ngā Take Whakahihiri***

Tuesday, 28 March 2023

Item 5

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Performance & Monitoring Committee Meeting

Te Rārangi Take

Report to Performance and Monitoring Committee

Nā:
From: Bruce Allan, Deputy Chief Executive

Te Take:
Subject: Performance and Monitoring Introduction Report

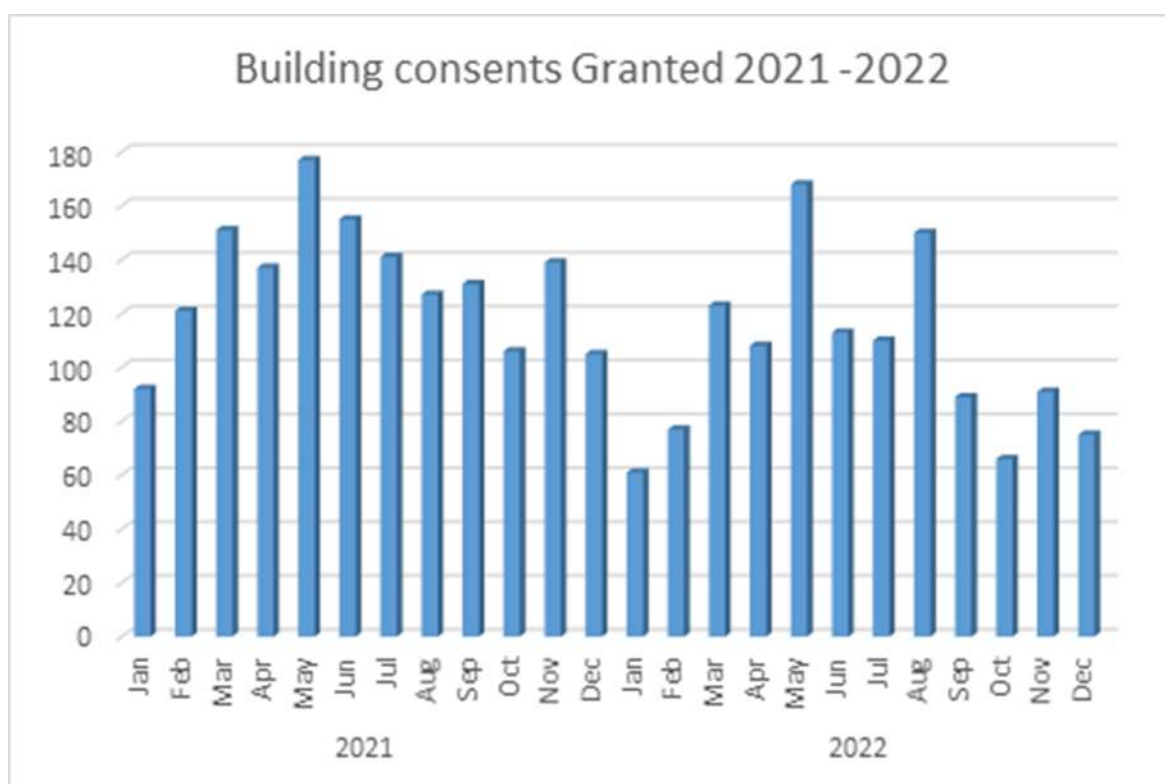
1.0 Purpose and summary - *Te Kaupapa Me Te Whakarāpopototanga*

- 1.1 Welcome to the first Performance and Monitoring Committee meeting of this Triennium. It has been a challenging start to 2023 and the impacts of Cyclone Gabrielle have been felt across all aspects of Council's work.
- 1.2 The Performance and Monitoring Committee usually receives the quarterly Performance and Monitoring report however a call was made early following the cyclone that staff would not have the capacity to respond to this disaster and meet the deadlines to feed the information into this report. It is fully expected that the Performance and Monitoring report will be back on the agenda in May at the next meeting.
- 1.3 It is also expected that the next Performance and Monitoring Committee will receive monitoring reports in more detail on activities of Council including Toitū and the Building Consents Division as well as more up-to-date information on the impacts that Cyclone Gabrielle has had on Council finances and its operations.
- 1.4 The March Committee meeting would also ordinarily receive the half yearly reports and Statements of Intent from Council's CCOs and while the Hawke's Bay Museums Trust is included on the agenda, the Hawke's Bay Airport and Foodeast reports will be included on a future agenda due to the Chairs being unavailable.
- 1.5 The initial known impacts of Cyclone Gabrielle on Council have been addressed at a high level in the Quarterly Finance report included in this agenda, however it is acknowledged that it is based on a high degree of uncertainty around what is in front of Council as it helps the communities affected recover. It is expected that at the May meeting, staff will be able to provide the Committee with more information and a better understanding of the financial and operational impacts that the

cyclone has had this financial year and any understanding there may be on the forecast financial result to 30 June 2023.

- 1.6 One area of Council that is normally presented in the Quarterly Performance and Monitoring Report is information on Building Consents processed and some key metrics. Details of these activities performance to December are detailed below:

Building Control	October – December 2022	July – September 2022
Amendments Issued	75	101
Amendment over Time	29	37
Amendments % compliance	61%	63%
CCC Issued	303	433
CCC overtime	11	25
CCC % compliance	96%	94%
BC Granted	232	349
BC overtime	133	112
BC % compliance	43%	68%
Value of Building Work	\$112,502,893	\$129,157,017
BC Accepted	236	359
New Dwelling Consents	54	69



2.0 Recommendations - *Ngā Tūtohunga*

That the Performance and Monitoring Committee receive the report titled Performance and Monitoring Introduction Report dated 28 March 2023.

Attachments:

There are no attachments for this report.

Tuesday, 28 March 2023

Item 6

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Performance & Monitoring Committee Meeting

Te Rārangi Take

Report to Performance and Monitoring Committee

Nā:
From: Bruce Allan, Group Manager: Corporate

Te Take:
Subject: Hawke's Bay Museums Trust Half-Year Financial Report to 31 December 2022

1.0 Purpose and 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 31 December 2022.
- 1.2 The Trust's Chair, Dr Richard Grant, will be in attendance at this meeting to answer any questions of Council.
- 1.3 The Trust is a Council Controlled Organisation with the majority of its funding provided by the Napier City and Hastings District Councils.
- 1.4 The Hastings District Council's appointment to the Trust is Mr George Lyons who was appointed to the Trust by Council in November 2013. This appointment is normally addressed through the appointment process following the triennial elections and Mr Lyons was reappointed in 2022.
- 1.5 The current trustees of the Hawke's Bay Museums Trust are:
 - Dr Richard Grant (Chair)
 - Tania Wright (NCC)
 - George Lyons (HDC)
 - Jeanette Kelly
 - Nigel How
- 1.6 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.

- 1.7 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.

Half-Year Report

- 1.8 The Trust's financial statements for the six months to 31 December 2022 are attached (**Attachment 1**). Note 12 to the accounts provides a comparison to the current year's Statement of Intent budget. The half-year deficit is primarily driven by accessions undertaken in the first half of the year and \$19,500 ahead of budget.

Statement of Intent

- 1.9 The draft HBM 2024-2026 Statement of Intent (**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.
- 1.10 It is expected that following a review of the Governance arrangements for the Trust, that a complete and thorough review of KPIs and objectives will be undertaken to reflect the new operating environment.
- 1.11 The Trust's strategic intentions are consistent with the 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 and redevelopment of 307 Queen Street into be a fit-for-purpose storage and research facility.

Joint Working Group

- 1.12 The Hastings District Council continues to participate in a Joint Working Group with Napier City Council that is to consider the future structure of the Hawke's Bay Museums Trust, its funding, the storage of the collection, and the role of the MTG Hawke's Bay in the display of the collection.
- 1.13 Gemco Construction has been selected as the preferred contractor to build the new Hawke's Bay Museum Research and Archives Centre and, at the time of writing, were finalising their pricing. Next steps will be to scrutinise that pricing, ensuring that the development fits within the current funding envelope. The Building Consent has now been issued and, subject to successful negotiations on price, construction is set to commence in May.
- 1.14 The Joint Working Group continues to work on the future governance arrangements with the help of consultants Morrison Low, although progress has been held up by the cyclone. It is expected that staff and consultant availability will allow this to be recommenced sometime in April.
- 1.15 The Joint Working Group will continue to work with the Trust to develop the new storage facilities, refine KPIs and investigate alternative governance arrangements.

2.0 Recommendations - Ngā Tūtohunga

- A) That the Performance and Monitoring Committee receive the report titled Hawke's Bay Museums Trust Half-Year Financial Report to 31 December 2022 dated 28 March 2023.

B) That the Committee receives the Hawke's Bay Museums Trust Half-Year Report to 31 December 2022.

Attachments:

- | | | | |
|---|-------------------|---|--------------------|
| 1 | ↓ | HBMT's Half-Year Financial Report to 31 December 2022 | EXT-10-11-7-23-255 |
| 2 | ↓ | HBMT's Statement of Intent 2024-2026 | EXT-10-11-7-23-256 |

Item 6



FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

HAWKE'S BAY MUSEUMS TRUST INDEX TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

Statement of Financial Position	1
Statement of Financial Performance	2
Statement of Movements in Equity	3
Statement of Cashflows	4
Notes to the Financial Statements	5 - 15

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF FINANCIAL PERFORMANCE FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Note	6 Months Ended 31-Dec-22 \$	6 Months Ended 31-Dec-21 \$	Year Ended 30-Jun-22 \$
Revenue				
Council grants	1	573,960	593,617	1,187,234
Other grants and donations received	2	9,240	1,222	46,620
Interest revenue		8,108	3,030	7,633
Total Revenue		591,308	597,869	1,241,487
Expenses				
Audit fees		-	-	5,780
Accounting charge		12,550	14,400	28,800
Accounting software charge		128	128	255
Conservation		-	-	5,600
Donation- storage facility		-	-	-
General expenses		221	-	223
Insurance		2,385	2,270	2,270
Management fee	3	556,461	574,264	1,148,528
Marian Holt Grant Expenditure		4,730	-	-
Ministry of Culture and Heritage grant expenditure		-	-	3,630
Total Expenses		576,475	591,062	1,195,086
Net Surplus/(Deficit) for the Period		14,834	6,807	46,401

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	Note	6 Months Ended 31-Dec-22 \$	6 Months Ended 31-Dec-21 \$	Year Ended 30-Jun-22 \$
Current Assets				
Bank accounts and cash	4	60,601	28,854	59,093
Investments	5	615,260	615,553	615,553
Accounts receivable and accrued revenue	6	8,215	2,483	18,154
GST receivable		1,463	99	775
Total Current Assets		685,539	646,989	693,575
Non-Current Assets				
Artworks and collection	7	29,911,145	28,354,340	29,886,765
Total Non Current Assets		29,911,145	28,354,340	29,886,765
Total Assets		30,596,683	29,001,329	30,580,340
Current Liabilities				
Accounts payable and accruals	8	9,390	6,507	12,232
Unspent grants		21,617	-	17,266
Total Current Liabilities		31,007	6,507	29,498
Non-Current Liabilities				
Trust funds held on behalf	9	75,260	75,260	75,260
Total Non-Current Liabilities		75,260	75,260	75,260
Total Liabilities		106,267	81,767	104,758
Accumulated Funds				
Retained earnings	10	1,807,231	1,765,810	1,780,634
Asset revaluation reserve	10	28,161,858	26,645,433	28,161,858
Special funds	11	521,325	508,319	533,090
Total Accumulated Funds		30,490,415	28,919,562	30,475,582
Total Funds Employed		30,596,683	29,001,329	30,580,340

The Trust Board of Hawke's Bay Museums Trust authorised these financial statements for issue on Wednesday 22 March 2023 and are signed on behalf of the Board by:

Chairman

Trustee

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF MOVEMENTS IN EQUITY FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Note	6 Months Ended 31-Dec-22 \$	6 Months Ended 31-Dec-21 \$	Year Ended 30-Jun-22 \$
Opening Balance of Equity		30,475,582	28,912,754	28,912,755
Net Surplus/(Deficit) for Period Allocated to:				
Retained earnings		2,215	2,555	9,079
Special funds	11	12,618	4,252	37,323
Net Surplus/(Deficit) for year		14,833	6,807	46,402
Movement in Asset Revaluation Reserve		-	-	1,516,425
Closing Balance of Equity	10	30,490,415	28,919,561	30,475,582

HAWKE'S BAY MUSEUMS TRUST STATEMENT OF CASHFLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Note	6 Months Ended 31-Dec-22 \$	6 Months Ended 31-Dec-21 \$	Year Ended 30-Jun-22 \$
Cash Flows From Operating Activities				
Receipts of council grants		573,960	593,617	1,187,234
Donations received		9,240	1,222	14,690
Interest receipts		8,108	2,034	5,966
Other operating revenue		-	-	20,000
Goods and Services Tax (Net Inflow)		-	596	761
Audit fee		-	-	-
Management fee & education grant		(556,461)	(574,264)	(1,148,528)
Accounting fee		(12,550)	(14,528)	(28,800)
Donations paid		-	-	-
Ministry of Culture and Heritage grant expenditure		-	-	(3,630)
Marian Holt Grant Expenditure		(4,730)	-	-
Conservation expenses		-	-	(5,600)
Insurance		(2,385)	(2,270)	(2,270)
Other expenses		(349)	-	(477)
Cash Flows from Operating Activities	12	14,834	6,407	39,346
Changes in Current assets and liabilities				
Current Assets		9,940	-	-
Changes in current liabilities		1,509	-	-
GST	-	687	-	-
Net Cash Flows from Operating Activities		10,762	-	-
Cashflows from Investing Activities				
Purchase of Collection Assets		(24,380)	-	(2,700)
Net cashflows from Investing Activities		(24,380)	-	(2,700)
Opening Cash Balance		674,646	638,000	638,000
Net Increase/(Decrease) in Cash		1,216	6,407	36,646
Closing Cash Balance		675,862	644,407	674,646

HAWKE'S BAY MUSEUMS TRUST ACCOUNTING POLICIES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

Statement of Accounting Policies

Reporting Entity

The Hawke's Bay Museums Trust (Incorporated) is registered under the Charitable Trusts Act 1957 and is registered as a charitable entity under the Charities Act 2005.

Basis of Preparation

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Significant Accounting Policies

Bank Accounts and Cash

Bank Accounts and Cash comprise cheque or savings accounts and deposits held at call with banks.

Investments

Investments comprise bank term deposits.

Accounts Receivable

Accounts receivable are stated at their estimated net realisable value.

Grants

Grants received are recognised in the Statement of Financial Performance when the requirements under the grant agreement have been met. Any grants for which the requirements under the grant agreement have not been completed will be carried as liabilities until the conditions have been fulfilled.

Donated Assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of more than 12 months and the value of the asset is readily obtainable and significant.

Artworks and Collection

The Trust has elected to apply International Public Sector Accounting Standard (IPSAS) 17 - Property, Plant and Equipment. Items contained in collection assets tend to have an indefinite life and are generally not of a depreciable nature. Depreciation is therefore not applicable and collection assets are carried at fair value. Carrying values are reviewed at least every three years to ensure those values are not materially different to fair value.

HAWKE'S BAY MUSEUMS TRUST

ACCOUNTING POLICIES

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

Creditors and Accrued Expenses

Creditors and accrued expenses are measured on the amount owing.

GST

The Trust is registered for GST. The Statement of Financial Performance has been prepared so that all components are stated net of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Interest Revenue

Interest revenue is recorded as it is earned during the year.

Income Tax

Hawkes Bay Museums Trust is exempt from paying income tax.

Changes in Accounting Policies

There have been no changes in accounting policies for the 2022/23 financial year.

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

1. Council Grants

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
Hastings District Council- Operating grant	283,230	293,058	586,117
Napier City Council- Operating grant	283,230	293,058	586,117
Hastings District Council- Education grant	7,500	7,500	15,000
Total Council Grants	573,960	593,616	1,187,234

2. Other Grants and Donations Received

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
Donations- General	4,510	1,222	4,690
Donations - Acquisitions	-	-	13,300
Grants Marian Holt Grant	4,730	-	-
Grants (Ministry of Culture & Heritage)	-	-	3,630
Donations - Specified funds	-	-	25,000
Total Other Grants and Donations Received	9,240	1,222	46,620

3. Related Parties

Hastings District Council and Napier City Council are related parties, to the extent that they contribute funds and are represented on the Board.

The Hawkes Bay Museums Trust has contracted Napier City Council to provide administrative and accounting services for the Trust's operations. Payment for these services during the six months ended 31 December 2022 financial year was \$12,500 (2021: \$14,400).

The Hawkes Bay Museums Trust has also contracted Napier City Council to provide administrative and management services specifically for the care and management of the collection. Payment for services for the six months ended 31 December 2022 was \$556,460 (2021: \$574,264).

The Board members are not paid (2021: nil).

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

4. Bank Accounts and Cash

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
Bank Accounts and Cash			
Westpac Bank - Current account	60,601	28,854	59,093
Total Bank Accounts and Cash	60,601	28,854	59,093

5. Investments

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
Westpac Term Deposits	540,000	540,293	540,293
Westpac Term Deposits - Trusts Held on Behalf			
M S Spence Trust	33,387	33,387	33,387
L D Bestall Trust	20,834	20,834	20,834
Estate L D Bestall	21,039	21,039	21,039
Total Investments	615,260	615,553	615,553

6. Accounts Receivable and Accrued Revenue

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
Accounts receivable	1,818	-	15,000
Accrued interest	6,396	2,483	3,154
Total Accounts Receivable and Accrued Revenue	8,214	2,483	18,154

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

7. Artwork and Collections

	Library Archives	Textiles & Associated Items	Taonga Maori-Owned	Taonga Maori- Custodial	Fine Arts	Social History	Pottery Porcelain Glass	Ethnology	Subtotal	Faraday Centre	Total
Carrying amount at 1 July 2021	1,873,262	799,322	10,125,989	2,000,000	10,301,517	992,898	432,769	1,287,348	27,813,105	541,235	28,354,340
Acquisitions	-	-	-	-	-	-	2,700	-	2,700	-	2,700
Donations	5,000	5,700	1,100	-	1,500	-	-	-	13,300	-	13,300
Deaccessions	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	506,299	100,000	824,121	-	21,638	64,367	1,516,425	-	1,516,425
Carrying amount at 30 June 2022	1,878,262	805,022	10,633,388	2,100,000	11,127,138	992,898	457,107	1,351,715	29,345,530	541,235	29,886,765
Carrying amount at 1 July 2022	1,878,262	805,022	10,633,388	2,100,000	11,127,138	992,898	457,107	1,351,715	29,345,530	541,235	29,886,765
Acquisitions	-	-	-	-	5,217	-	19,162	-	24,380	-	24,380
Donations	-	-	-	-	-	-	-	-	-	-	-
Deaccessions	-	-	-	-	-	-	-	-	-	-	-
Revaluation	-	-	-	-	-	-	-	-	-	-	-
Carrying amount at 31 December 2022	1,878,262	805,022	10,633,388	2,100,000	11,132,355	992,898	476,269	1,351,715	29,369,910	541,235	29,911,145

The Faraday Centre Collection was valued by independent registered valuer Craig S Scoullar MPINZ of Asset Valuations Ltd as at 30 June 2020 using fair value. The other Museum Art & Collection Assets were valued by independent registered valuer Jessica Pearless MPINZ of Paragon Matter Limited as at 30 June 2021 using fair value. The basis for both valuations is 'Estimated Market Value'.

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

8. Accounts Payable & Accruals

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
Accounts payable	9,390	5,610	12,232
Unspent grants	21,617	897	17,267
Total Accounts Payable & Accruals	31,007	6,507	29,499

9. Trust Funds Held on Behalf

	6 Months Ended 31-Dec-22	6 Months Ended 31-Dec-21	Year Ended 30-Jun-22
	\$	\$	\$
M S Spence Trust	33,387	33,387	33,387
L D Bestall Trust	20,834	20,834	20,834
Estate L D Bestall	21,039	21,039	21,039
Total Trust Funds Held on Behalf	75,260	75,260	75,260

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

10. Equity

	6 Months Ended 31-Dec-22 \$	6 Months Ended 31-Dec-21 \$	Year Ended 30-Jun-22 \$
Special Reserves			
Restricted Reserves			
Opening balance	16,044	15,682	15,682
Grants, bequests and donations revenue	139	39	151
Interest revenue	221	82	211
Closing Balance Restricted Reserves	16,404	15,803	16,044
Unrestricted Reserves			
Opening balance	85,625	59,259	59,259
Grants, bequests and donations revenue	743	147	25,570
Interest revenue	1,179	311	796
Donations paid for storage facility	-	-	-
Closing Balance Unrestricted Reserves	87,547	59,717	85,625
Acquisitions Reserve			
Opening balance	406,604	400,116	400,116
Grants, bequests and donations revenue	3,529	994	3,836
Interest revenue	5,602	2,100	5,352
Acquisitions purchases	(24,380)	-	(2,700)
Closing Balance Acquisitions Reserve	391,355	403,210	406,604
Conservation Reserve Fund			
Opening balance	11,292	16,573	16,573
Grants, bequests and donations revenue	98	41	133
Interest revenue	155	86	186
Conservation purchases	-	-	(5,600)
Closing Balance Conservation Reserve	11,545	16,700	11,292
Trusts Held on Behalf			
Opening balance	13,525	12,437	12,437
Interest revenue	949	451	1,088
Closing Balance Trusts Held on Behalf	14,474	12,888	13,525
Total Special Reserves	521,325	508,318	533,090

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	6 Months Ended 31-Dec-22 \$	6 Months Ended 31-Dec-21 \$	Year Ended 30-Jun-22 \$
Revaluation Reserve			
Opening balance	28,161,858	26,645,433	26,645,433
Deaccessions	-	-	-
Movement in Asset Revaluation Reserve	-	-	1,516,425
Closing Balance Revaluation Reserve	28,161,858	26,645,433	28,161,858
Retained earnings			
Opening balance	1,780,634	1,763,255	1,763,255
Net surplus/(deficit) for year	2,215	2,555	9,079
Transfer of donation to unrestricted reserve	24,380	-	-
Round off	3	-	-
Transfer of capital exp to acquisitions reserve	-	-	2,700
Transfer of capital exp to conservation reserve	-	-	5,600
Closing Balance Retained Earnings	1,807,232	1,765,810	1,780,634
Total Equity	30,490,415	28,919,561	30,475,582

HAWKE'S BAY MUSEUMS TRUST
NOTES TO THE FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

11. Special Funds

	Opening Balance as at 1 Jul 2022	Transfer	Grants Donations & Bequests Received	Acquisitions & Conservation	De-accessions	Allocation of Proportion Interest & Donations Income	Closing Balance as at 31 Dec 2022
Restricted Reserves							
OEII Award Fund	16,044	-	-	-	-	360	16,404
Total Restricted Reserves	16,044	-	-	-	-	360	16,404
Unrestricted Reserves							
Lilliput Building Fund	60,624	-	-	-	-	1,361	61,985
Webb Foundation Building Fund	25,000	-	-	-	-	561	25,561
Total Unrestricted Reserves	85,624	-	-	-	-	1,922	87,546
Acquisitions Reserve Fund							
Millin Estate	308,314	-	-	(24,380)	-	6,924	290,858
LJ Sanderson	91,184	-	-	-	-	2,047	93,231
M L Holt	0	-	-	-	-	-	0
Webb Trust	7,107	-	-	-	-	160	7,267
Total Acquisitions Reserve Fund	406,605	-	-	(24,380)	-	9,131	391,356
Conservation Reserve Fund							
B Home	-	-	-	-	-	-	0
M L Holt	8,064	-	-	-	-	181	8,245
R & D Crowther	530	-	-	-	-	12	542
Estate Kriyh Stichbury	1,061	-	-	-	-	23	1,084
Other - FHBMA Care Fund	359	-	-	-	-	8	367
Webb Trust	1,278	-	-	-	-	29	1,307
Total Conservation Reserve Fund	11,292	-	-	-	-	253	11,545
Trusts Held on Behalf							
M S Spence Trust	6,002	-	-	-	-	421	6,423
L D Bestall Trust	3,716	-	-	-	-	261	3,977
Estate L D Bestall	3,807	-	-	-	-	267	4,074
Total Trusts Held on Behalf	13,525	-	-	-	-	949	14,474
Total Special Funds	533,090	-	-	(24,380)	-	12,615	521,325

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

12. Statement of Intent

In its 2021/22 Statement of Intent, the Trust set financial targets for the year. The following table summarises actual results (to 31 December 2022) against those targets, with explanations for variances.

	Actual to 31-Dec-22	Target to 31-Dec-22	Variance
	\$	\$	\$
Revenue			
Council Funding (NCC & HDC)	573,960	573,961	(0.52)
Interest Income	8,108	7,500	608
Cash Donations *	4,510	2,250	2,260
Total Revenue	586,578	583,711	2,867
Expenses			
Management Fee and Education Grant	474,459	474,459	-
Off-Site Storage	82,002	82,002	-
Conservation **	-	4,875	4,875
Accessions **	24,380	4,875	(19,505)
Trust Admin & Management	12,550	12,550	-
Audit, Insurance, Legal Fees and Other ***	2,734	4,950	2,216
Total Expenses	596,124	583,711	(12,413)
Surplus/Deficit	(9,546)	-	(9,546)
Ratio of Shareholders Funds to Total Assets	99.7%	95.0%	4.7%

Note: This ratio shows the proportion of assets on which the shareholders have a residual claim.

Explanation of variances

* Cash donations are up against projected largely due to the MTG facility being opened after the COVID lockdown.

** There has yet to be conservation and accession expenditure however there are a number of invoices expected to come through in the future. Accessions overspent by \$ 19,505 due to purchases of Russ Flatt and Purchase of Rene Lalique (\$22k)

*** Legal fees and audit fees budgeted for 22/24 but not materialized as of 31/12/2022

HAWKE'S BAY MUSEUMS TRUST NOTES TO THE FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

	Actual to 31-Dec-21	Target to 31-Dec-21	Variance
	\$	\$	\$
Revenue			
Council Funding (NCC & HDC)	593,617	593,617	-
Interest Income	3,030	2,650	380
Cash Donations	1,222	5,000	(3,778)
Total Revenue	597,869	601,267	(3,398)
Expenses			
Management Fee and Education Grant	492,267	492,267	-
Off-Site Storage	82,000	82,000	-
Conservation	0	3,825	3,825
Accessions	0	3,825	3,825
General	0	0	-
Trust Admin & Management	14,400	14,400	-
Audit, Insurance, Legal Fees	2,270	4,950	2,680
Total Expenses	590,937	601,267	10,330
Surplus/Deficit	6,932	-	6,932
Ratio of Shareholders Funds to Total Assets	99.7%	95.0%	4.7%

Note: This ratio shows the proportion of assets on which the shareholders have a residual claim.

13. Commitments

The Trust has no capital commitments at 31 December 2022 (2021:\$nil)

14. Contingencies

The Trust has no contingent liabilities at 31 December 2022 (2021:\$nil)



Hawke's Bay Museums Trust *Ruawharo Ta-u-rangi*

STATEMENT OF INTENT 23/24-25/26

The Hawke's Bay Museums Trust is a Council Controlled Organisation as three of the five members of the Board are either the two Councils' respective nominees, or the jointly appointed chair.

As a Council Controlled Organisation, the Trust acknowledges the 2012 and 2019 amendments to the Local Government Act 2002.

The Objectives of the Trust are:

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

Governance of the Trust is:

The Board is constituted to have five members appointed as follows:

- One appointed by the Napier City Council
- One appointed by the Hastings District Council
- One appointed by the Hawke's Bay Museums Foundation Charitable Trust
- One by Ngati Kahungunu Iwi (Incorporated)
- One Chairperson who is jointly appointed by the Napier City Council and the Hastings District Council.

The Trust Board will govern on a high-level strategic direction basis. It will ensure regional balance and Iwi representation. It will undertake a management agreement with Napier City Council for the care and management of the regional collection.

The strategic intentions of the Trust for 22/23-25/26 are:

The Trust will:

- work closely with the Napier City Council and the Hastings District Council and other local authorities in the Hawke's Bay region to promote public appreciation of the collection
- consult regularly with the Director of MTG to advance the standing of the MTG in the community and further afield
- review annually the performance of the Napier City Council in the execution of its contract for care and management of the collection
- ensure that the Trust's investment policy is managed in a manner that satisfies the guiding principles set by Hastings District Council and Napier City Council for their own investment policies.

- work closely with Napier City Council, Hastings District Council and Hawke's Bay Regional Council to determine a solution to develop long-term storage for the collection.

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

1) Protection

- Storage including pest control, storage media, shelving and air quality
 - Pest control
 - Storage media
 - Shelving
 - Air quality
- Security including alarm and access systems and monitoring, and insurance
 - Alarm systems (burglary, fire)
 - Alarm monitoring
 - Access systems
 - Insurance (loan items, owed items)
- Records Management including Vernon database and other records
 - Vernon database
 - Other records

2) Quality including conservation, accessioning and de-accessioning.

- Conservation - appropriate conservation to accepted best industry practice and consistent with HBMT collection policies.
- Accessioning - appropriate accessioning to accepted best industry practice consistent with HBMT collection policies.
- De-accessioning - appropriate de-accessioning to accepted best industry practice consistent with HBMT collection policies.

3) Access including exhibitions, research and archives.

- Exhibitions - Collection available to Hastings City Art Gallery and MTG Hawke's Bay and other institutions as appropriate within accepted best industry practice.
- Research - Collection made available through MTG Hawke's Bay as appropriate within accepted best industry practice.
- Archives - Archives made available through MTG Hawke's Bay as appropriate within accepted best industry practice.

4) Development including fundraising, reserves management and relationship development.

- Fundraising - To work with the MTG Hawke's Bay Foundation to provide funding.
- Reserves - To appropriately manage accession reserves.
- Relationships - To appropriately manage relationships to allow the collection to develop appropriately.
 - Funding Councils
 - Te Rōpū Kaiawhina Taonga
 - MTG Friends

Accounting Policies adopted by the Hawke's Bay Museums Trust will be:

Reporting entity

The Hawke's Bay Museums Trust is registered under the Charitable Trusts Act 1957 and is registered as a charitable entity under the Charities Act 2005.

Statutory base

The financial statements will be prepared in accordance with Part 3 (Audits and Reports), Section 15, of the Public Audit Act 2001.

General accounting policies

The general accounting policies recognised as appropriate for the measurement and reporting of results and financial position under the historical cost method as modified by any revaluation of certain assets, will be followed in the preparation of the financial statements.

The Board has elected to apply PBE-SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2 million. The financial statements will be prepared on the assumption that the Trust will continue to operate in the foreseeable future. All transactions in the financial statements will be reported using the accrual basis of accounting

Specific accounting policies

Bank Accounts and Cash

Bank Accounts and Cash comprise cheque or savings accounts and deposits held on call with banks.

Investments

Investments comprise bank term deposits. Investments will be stated at lower of cost or net realisable value.

Interest Revenue

Interest revenue will be recorded as it is earned during the financial year, and accrued at year-end.

Accounts receivable

Any accounts receivable will be stated at their estimated net realisable value.

Grants

Any grants received will be recognised in the Statement of Financial Performance when the requirements under the grant agreement are met. Any grants for which the requirements under the grant agreement are not completed will be carried as liabilities until the conditions are fulfilled.

Donated Assets

Revenue from donated assets will be recognised upon receipt of the asset if the asset has a useful life of more than 12 months and the value of the asset is readily obtainable and significant.

Artworks and Collection

The Trust has elected to apply Public Sector Accounting Standard 17 – Property, Plant and Equipment (PBE IPSAS 17). Items contained in collection assets tend to have an indefinite life, and are generally not of a depreciable nature. Depreciation will therefore not be applicable and collection assets will be carried at fair value. Carrying values will be reviewed at least every three years by an independent qualified valuer, to ensure those values are not materially different from fair value. Carrying values will be reassessed annually in the intervening years.

Purchases of collection items will be recorded at cost, and donated collection assets will be recorded without attached values at the time of acquisition. These values will be captured during annual update revision of the valuation as noted above.

Creditors and Accrued Expenses

Creditors and accrued expenses will be measured on the amount owing.

Goods and Services Tax (GST)

The Trust is registered for GST. The Statement of Financial Performance will be prepared so that components are stated exclusive of GST. All items in the Statement of Financial Position will be stated net of GST, with the exception of receivables and payables, which will include GST invoiced.

Income tax

Hawke's Bay Museums Trust is exempt from paying income tax.

Changes in accounting policies

Any changes in accounting policies will be clearly signified and quantified.

Performance Targets

Key Result Area	Performance Indicator	Target		
		2023/24 target	2024/25 target	2025/26 target
Protection	Full insurance cover is provided for the collection.	Yes	Yes	Yes
	Collections are stored in an acceptable environment.	No items reported to have suffered deterioration due to environment	No items reported to have suffered deterioration due to environment	No items reported to have suffered deterioration due to environment
Quality	Every item accessioned into the collection has undergone a detailed selection process within the framework of the Collection Strategy	Yes	Yes	Yes
	De-accessions are managed in accordance with the Collection Strategy and reported to the Board	Yes	Yes	Yes
Access	HBMT collections are used for academic and personal research	1,500 enquiries	1,500 enquiries	1,500 enquiries
	Collections are made available to the public through quality exhibitions	2 - 5 collection-based exhibitions	2 - 5 collection-based exhibitions	2 - 5 collection-based exhibitions
Development	Bequest funds income is used in the manner determined by the donor.	Yes	Yes	Yes
	Conservation funds income is used solely for collection care.	Yes	Yes	Yes

Financial Performance Targets

Financial Performance	Note	2023/24	2024/25	2025/26
Revenue				
Council Funding (NCC & HDC)	A	1,285,626	1,338,992	1,382,684
Interest Income	B	30,800	26,500	23,100
Donations		6,500	7,000	7,500
Total Revenue		1,322,926	1,372,492	1,413,284
Expenses				
Management Fee & Education Grant		1,062,331	1,106,949	1,143,478
Off-Site Storage	E	172,975	180,240	186,188
Education Grant (LEOTC)		15,000	15,000	15,000
Trust Admin & Management		25,100	26,154	27,017
Audit, Insurance & Legal etc	C	10,220	10,649	11,001
Conservation		18,650	16,750	15,300
Accessions		18,650	16,750	15,300
Total Expenses		1,322,926	1,372,492	1,413,284
Surplus/(Deficit)		-	-	-
Financial Ratio Target:				
The ratio of Shareholders Funds to Total Assets (minimum ratio):	D	95%	95%	95%

- A Net Council Funding results from inflation-adjusting some of the Trust's expenses in accordance with Local Government Cost Index (LGCI). This is a commonly used inflation rate across the local government sector, and aligns with the methods both Councils use in their Annual Plans (2025 4.2% and 2026 3.3%). Future year Statement of Intent Financial Targets may differ from the above targets.
- B Interest income is based on maintaining capital funds at present levels with projected interest rates, and therefore no inflation adjustment is applied. Early spending of these funds will reduce the interest income. Interest rates are based on financial market forecasts from Westpac (2024 5.0%, 2025 4.3% and 2026 3.8%).
- C Audit, Insurance & Legal etc for 2023/24 includes Audit Fees \$5,800, Insurance \$2,400, Legal Fees \$1,600, Charities Filing \$45, MYOB Subscription \$255, and Sundries \$120.
- D The ratio of Shareholder's Funds to Total Assets measures the percentage of assets on which equity holders have a residual claim. Shareholders' Funds is the amount of equity that belongs to the shareholders and represents an estimate of the amount the shareholders would receive if the Trust liquidated. Assets are the resources, for which the Trust has ownership or guardianship that can be measured and expressed in dollars.
- E Please note we have assumed the off-site storage facility will continue to be leased for the next three years. There has been a new storage facility obtained by Hastings District Council, it is not yet known when this will be available for the HB Museum Trust collection or the associated costs.

Other than the funding shown in Financial Targets above, no additional council funding is requested. No dividend back to the two contributing councils is recommended.

Compensation from Local Authority

The costs of maintaining the collection will be equally funded by Napier City Council and Hastings District Council. Additional funding may be sought from other sources as appropriate.

Capital Expenditure

There is no planned expenditure on 'Buildings' or 'Plant and Machinery' for the 22/23-24/25 periods. Accessions and conservation will be funded from grants, donations, de-accessions, and bequest and investment interest income.

Hawke's Bay Museums Trust Projected Statements of Financial Position

Projected Statements of Financial Position	30/6/2024	30/6/2025	30/6/2026
Current Assets			
Bank Accounts and Cash	57,081	57,081	57,081
Investments	615,553	615,553	615,553
GST Refund	775	775	775
Prepayments and Accrued Revenue	6,396	6,396	6,396
Total Current Assets	679,805	679,805	679,805
Non-Current Assets			
Artworks and Collection	30,715,165	30,731,915	30,747,215
Total Non-Current Assets	30,715,165	30,731,915	30,747,215
Total Assets	31,394,970	31,411,720	31,427,020
Current Liabilities			
Accounts Payable and Accruals	15,729	15,729	15,729
Total Current Liabilities	15,729	15,729	15,729
Non-Current Liabilities			
Trust Funds Held on Behalf	75,260	75,260	75,260
Total Non-Current Liabilities	75,260	75,260	75,260
Total Liabilities	90,989	90,989	90,989
Accumulated Funds			
Retained Earnings	1,809,034	1,825,784	1,841,084
Asset Revaluation Reserve	28,961,857	28,961,857	28,961,857
Special Funds	533,090	533,090	533,090
Total Accumulated Funds	31,303,981	31,320,731	31,336,031
Total Funds Employed	31,394,970	31,411,720	31,427,020

Financial Reports

Full and final audited accounts will be included in the 2023/24 Annual Report.

Reporting against intended performance

The 2023/24 Annual Report will include comparisons of both financial and non-financial performances against the relevant targets outlined in this Statement of Intent.

Compensation from Local Authority

The Board estimates the commercial value of the Hawke's Bay Museums Trust collection will be \$30.7 million (including the Faraday Collection).

The collection is revalued at least every three years by an independent registered valuer, to ensure carrying values are not materially different from fair value. The most recent valuation was completed as at 30 June 2021, and the next valuation is due for 30 June 2024.

Faraday Centre

Trustees are reviewing the future direction of the Faraday Centre which includes potentially separating this activity from the Hawke's Bay Museums Trust when an appropriate and sustainable model is identified.

Tuesday, 28 March 2023

Item 7

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council: Performance & Monitoring Committee Meeting

Te Rārangi Take

Report to Performance and Monitoring Committee

Nā:
From: Aaron Wilson, Financial Controller

Te Take:
Subject: Quarterly Financial Report for the six months ended 31st December 2022

1.0 Purpose and summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to inform the Council of the financial result for the six months ended 31st December 2022.
- 1.2 Council's overall financial performance is \$9.6m unfavourable to YTD budget for the quarter ended 31st December 2022.
- 1.3 Overall revenue is \$1.1m unfavourable to the YTD budget (in the context of total revenue for the quarter of \$82m) and expenditure is \$8.4m unfavourable to YTD budget due to increased depreciation costs.
- 1.4 This report is effectively a report of two halves. The first half reports the financial situation to 31 December 2022 in comparison to the 2022/23 budget. On February 13/14 a lot changed with Cyclone Gabrielle in terms of Council's priorities and the spend profile in response to that event will be significantly different to what was budgeted. Commentary on the effect of Cyclone Gabrielle as they are currently understood follows.

2.0 Recommendations - Ngā Tūtohunga

That Council receives the report titled Quarterly Financial Report for the six months ended 31st December 2022 dated 28 March 2023.

3.0 Background – Te Horopaki

- 3.1 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.
- 3.2 This financial report is governance focussed and allows significant variances to be highlighted with explanations provided in a way that is easy to read and understand through dashboard analytics and commentary.
- 3.3 The Financial Report attached to supplement this report: **Attachment 1 – Dashboard Summary of Financial Performance**.
- 3.4 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.

4.0 Discussion – Te Matapakitanga

- 4.1 Set out below is a summary of the operating financial results for the year to date, 31 December 2022. The financial results detailed below represent the accounting view and does not reflect the potential rating result for 2022/23:

Result as at 31st December 2022	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)
Operating Revenue	81,558	82,689	(1,131)
Operating Expenditure excl. Depn	67,218	64,989	(2,229)
Net surplus/Deficit before Depn.	14,340	17,700	(3,360)
Depreciation	26,275	20,039	(6,236)
Net surplus/Deficit	(11,935)	(2,339)	(9,596)

- Revised budget includes the Annual budget, brought forwards and surplus allocations from 2021-22 financial year.

- 4.2 The result above is presented against the revised budget. The revised budget includes changes and decisions made during the year on Council budgets which includes carry forwards from 2021/22.
- 4.3 Council's overall financial performance is \$9.6m unfavourable to YTD budget for the quarter ended 31st December 2022.
- 4.4 Overall revenue is \$1.1m unfavourable to the YTD budget and expenditure is \$8.4m unfavourable to YTD budget.

Revenue

- 4.5 The first quarter revenue is \$1.31m unfavourable in the context of total revenue budgeted for first half of the year, at \$82.6m, or 1.3% of YTD budget.

Revenue as at 31st December 2022	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)
<u>Revenue</u>			
Rates	50,870	50,596	274
Fees, charges & metered water supply	17,585	17,003	582
Subsidies and Grants	10,051	12,161	(2,110)
Development and financial contributions	2,584	2,402	182
Interest revenue	179	-	179
Other revenue	289	527	(238)
Total Operating Revenue	81,558	82,689	(1,131)

- 4.6 Fees & Charges are \$582k favourable, with Splash Planet \$153K ahead of budget along with Toitoti \$410k favourable as well. \$210k of the Toitoti revenue is from the lease income for 340 Heretaunga Street East (CityFitness). The higher revenue in Toitoti is offset by significantly higher than budgeted operational expenditure of \$1.3m, this is covered in expenditure commentary below. Other significant fees and charges revenue lines are building control revenue \$260k unfavourable, (offset by lower operational spend), and higher service and waste fees in the 3 waters.
- 4.7 Subsidies and Grants are \$2.1m behind budget due to the timing of funding reimbursement from Crown Infrastructure Partners for infrastructure spending in Flaxmere projects.
- 4.8 The other revenue variance of (\$238k) is related to when vested assets are received. This is purely timing with most vested assets received and processed at year end.

Expenditure

- 4.9 Overall expenditure is tracking unfavourably year to date for the second quarter by \$8.5m or 10% of total budgeted expenditure year to date. Main drivers include:
- 4.10 The negative variance to budget for non-cash entries in terms of Depreciation (\$6.2m) is driven by higher asset values due to prior year revaluations in 3 Waters and Transportation. The 3 Waters revaluation in asset value was significant and has been driven by higher contracted rates, and overall unit costs. This increase in asset values has seen a significant increase in depreciation and more than what was expected and budgeted. To-date the component of the depreciation budget that is funded by way of rates to meet the funding of asset renewals has not kept pace with the increases in asset values which have driven the large increases in depreciation.
- 4.11 The impact of asset revaluations are generally not known until later in the financial year and do not provide Council with an opportunity to increase funding in this space through rates collection in time to meet the budget processes. As such, there is a need incorporate increases in depreciation funding in future years and effectively smooth in the effects of revaluations.
- 4.12 The increasing gap between the value of the depreciation expense and the rates collected for renewals will need to be addressed and the next Long Term Plan would be the process to do that if 3 waters were to remain in Council control.
- 4.13 Personnel costs are favourable to budget by \$230k mainly due a number of vacancies across Council activities.
- 4.14 Finance costs are higher than budget and this is reflective of an increase in the average cost of debt that is related to an increasing portion of floating debt. The increase in the average cost of debt is due to the cyclical raising of the OCR rate by the Reserve Bank Governor, however the average cost of debt is being managed with approximately 60% of council's current debt held with fixed interest instruments at historical rates in line Council's Treasury Policy.
- 4.15 The net impact of finance costs to the organisation is and additional interest cost to budget of \$211k.
- 4.16 Other operating costs are unfavourable to budget by \$2m and were mainly driven by:
- 4.17 Maintenance and asset costs of \$728k, with higher than budgeted costs in terms of material damage insurance of \$415k, (ultimately due to budget phasing the variance on material damage insurance will be \$230 due to timing of budget phasing) along with \$210k annual software licensing and support costs. The licensing is an issue of budget phasing and timing of when the licenses have been invoiced.
- 4.18 To give some context in terms of material damage increases in insurance costs, in 2018 the Material Damage premiums were \$833k annually, in 2022 this had increased to \$1.81m. A similar impact can be seen across other insurances as well. Insurance costs have been driven higher by a combination of increasing asset values being insured and the global insurance markets being harder.

- 4.19 Legal Settlement costs of \$755k in relation to the area of planning and regulatory, this cost has been offset by reserve funding set aside for this purpose.
- 4.20 Services costs were higher than budget by \$199k mainly due to higher consulting and expert advice costs YTD.
- 4.21 Vehicle costs of \$184k were the last area contributing to the increased other operating costs, with higher fuel costs of \$94k, along with higher R&M and insurance costs. The area driving the unfavourable variance for the fuel and R&M costs is at the Landfill, mainly due to the compactors. A new compactor has arrived and is in operation, and the older one is also being used, hence the higher costs involved. Note that the Landfill costs are ring fenced and split between Napier City and Hastings District Councils.
- 4.22 As noted in the revenue section Toitohi has incurred significant spend over budget, with the net unfavourable effect being \$920k.
- 4.23 Higher depreciation due to the recent acquisition of 340 Heretaunga Street and the church property at 305 Heretaunga Street accounts for \$419k of this variance.
- 4.24 Other costs that are above expected budget is the higher personnel costs of running the facility at \$260k, marketing \$138k, and servicing costs such as cleaning.
- 4.25 Operational costs for running Toitohi have proved to be much higher than anticipated, and there have been several factors that have contributed to this. Staff at Toitohi are getting a much better appreciation of operating costs and are developing efficient ways of working as more activity develops across the whole Toitohi precinct. At the time the budgets were prepared, Toitohi management had yet to experience a clear run at operating the full facility with the inclusion of the Municipal Buildings and without Covid restrictions.

Unbudgeted but approved spend

- 4.26 Across the activities of Council there are many projects underway that Council has approved unbudgeted spend within the current financial year, to either complete the project, meet additional demand or position Council strategically going forward.
- 4.27 Whilst these projects in terms of spend fall in the current 2022/23 year, all the decisions were made by Council in the previous financial year in order to continue the completion of projects like water or enable work/ agreements to be signed.
- 4.28 It is important to keep a track on these projects, while they will have positive outcomes and are due to well-justified decisions, Council needs to be aware of how they are funded, and what the longer-term view is where Council debt is concerned in understanding the intergenerational impact these projects will have.
- 4.29 In addition to this there will be some revenue streams over the longer term that will help offset the initial capital outlay. This is particularly relevant in relation to the purchase of building assets, where Council will receive circa \$500k in lease revenue.
- 4.30 The increase in debt will mean additional financing costs in servicing that debt. Some of that debt servicing cost will be offset from delayed spending on other projects and from lease revenue derived from those assets.
- 4.31 The table below highlights the unbudgeted projects that have been approved by Council so far, this table will be updated on a quarterly basis. The funding for these projects is by way of debt.

Approved Unbudgeted Projects 2022/23	Funded by	\$'000
Drinking Water Improvement Programme	Debt	8,700
340 Heretaunga Street West	Debt	7,500
305 Heretaunga Street East	Debt	1,000

Other	Debt	1,500
Stormwater Management	Debt	1,500
Total		20,200

- 4.32 During the first quarter of the year Council made the decision to purchase 340 Heretaunga Street East (occupied by CityFitness Gym) as a long term strategic property acquisition to support future development choices for Council into the future. While unbudgeted, the strategic nature of this property in relation to the Toitū – Hawke’s Bay Arts and Events Centre was seen as the main driver and with the long term lease in place (12 years with 2 rights of renewals of 6 years each) the lease income will largely service the debt and operational costs over that time.
- 4.33 Council also acquired the Hastings Church property at 305 Heretaunga Street East and officers are working through future use opportunities and will be reporting back to Council on progress and options.
- 4.34 In addition to the table above, a significant level of funding (\$18m) has been allocated from central government for a large infrastructure project to support growth that will help “unlock” parts of the district that are currently constrained by limitations within the current wastewater network. This will require Council to invest further into that infrastructure which will be considered in a Long Term Plan amendment in 2023.

Capital Spend

- 4.35 Council’s total revised capital budget (including carry forwards, renewals, new works and growth projects) for 2022/23 is \$148m. This level of expenditure is a significant increase on what has been delivered previously by Council and there is risk associated with the ability of Council to deliver on this programme. Helping to offset some of this risk is a much more detailed programme of the works budgeted.
- 4.36 The large capital budget is made up of:
- | | |
|---------------------------------------|--------------|
| 2022/23 Annual Plan | \$121m |
| Carry forwards and budget adjustments | <u>\$27m</u> |
| Total revised budget | \$148m |
- 4.37 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	15,249,238	16,158,979	909,740	34%	45,217,437
New Works	39,226,004	31,250,459	(7,975,545)	51%	76,659,627
Growth	2,458,838	4,101,569	1,642,731	9%	26,300,250
	56,934,081	51,511,007	(5,423,074)	38%	148,177,313
SUMMARY					
RENEWALS					
Stormwater Services	583,029	849,835	266,806	50%	1,168,000
Wastewater Services	2,173,767	2,643,620	469,853	19%	11,743,500
Water Services	2,393,586	2,537,330	143,743	49%	4,876,298
Transportation RA 1	5,745,781	6,119,769	373,988	32%	18,110,394
<u>Rest of Council</u>					
Parks	1,177,759	974,000	(203,759)	56%	2,119,929
Building services	1,323,414	632,727	(690,687)	61%	2,165,081
Municipal Strengthening	41,467	-	(41,467)	-	-
Server Infrastructure	74,837	80,000	5,163	94%	80,000
Landfill	-	23,243	23,243	0%	46,486
Other	1,735,597	2,298,453	562,856	35%	4,907,748
	15,249,238	16,158,979	909,740	34%	45,217,437
NEW WORKS					
Stormwater Services	2,693,895	3,325,500	631,605	47%	5,685,300
Wastewater Services	346,474	278,100	(68,374)	18%	1,968,651
Water Services	13,155,341	11,919,505	(1,235,836)	53%	24,820,136
Transportation	4,399,946	4,832,413	432,467	31%	14,031,225
Landfill	1,035,897	4,523,805	3,487,908	23%	4,524,219
Parks	3,378,012	2,349,608	(1,028,404)	27%	12,725,600
Building services	72,374	187,500	115,126	48%	150,000
<u>Rest of Council</u>					
Flaxmere Town Centre	2,106,534	900,000	(1,206,534)	59%	3,550,000
206 Queen St	75,986	100,000	24,014	38%	200,000
Food Hub Phase 2	-	-	-	-	-
New Cemetery Setup	42,362	436,500	394,138	5%	873,000
HB Museum Storage	207,672	1,000,000	792,328	10%	2,000,000
Flaxmere Housing	2,819,919	462,000	(2,357,919)	78%	3,597,000
Other	8,896,795	935,529	(7,961,266)	351%	2,534,496
	39,231,206	31,250,459	(7,980,747)	51%	76,659,627
GROWTH					
Stormwater Services	423,416	1,223,947	800,532	5%	8,463,500
Wastewater Services	430,048	827,967	397,919	10%	4,377,000
Water Services	452,750	897,655	444,905	23%	1,995,500
Transportation RA 1	673,741	618,000	(55,741)	6%	10,630,250
Parks	478,883	534,000	55,117	57%	834,000
	2,458,838	4,101,569	1,642,731	9%	26,300,250
Total Capital	56,939,282	51,511,007	(5,428,276)		148,177,313

- 4.38 Capital spend for the year to date is \$57m and is ahead of budget by \$5.4m. This is partly due to the Waters Services project and Flaxmere projects being ahead of budget, along with the one-off impact of the unbudgeted but approved purchase of buildings. (This can be seen in the table above under New Works/Rest of Council/Other)
- 4.39 The Landfill valley development is very close to getting underway, now resource consent has been approved. This capital expenditure project has now gone out to tender, with work expected to start in the third quarter of the financial year.
- 4.40 Whilst urban transport renewals were behind budgeted spend in the first half of the year, Cyclone Gabrielle has changed all that and work is being reprioritised.

Treasury

- 4.41 Council's total gross debt position as at 31 December was \$252m. This amount included borrowing \$32m for 2022/23 capital works with a further \$15m borrowed to maintain adequate cashflow, given the capital project spend undertaken to date. At the time of writing a further \$20m had been borrowed to meet ongoing cashflow requirements.
- 4.42 Council is currently compliant with Treasury Management Policy. The Risk and Assurance Committee reviews and monitors Council's treasury performance and policy with advice from Bancorp Treasury Services.

5.0 Cyclone Gabrielle Update - Funding

- 5.1 Whilst it is still too early to quantify the value of spend currently underway within Council with regards the cyclone, there will be significant levels of spend in responding, supporting those members of the community that are either displaced, isolated or have been impacted by this event.
- 5.2 In addition to this there is the recovery of the region, with this event having taken a heavy toll on businesses, community, and key infrastructure such as roads and bridges.
- 5.3 Large parts of Council are only just starting to return to business as usual (BAU), whilst for other activities such as transport, this will now become their focus of BAU for some time to come. As the full impact on infrastructural assets and the need for further ongoing support is understood, the financial impacts will continue to be refined as more information comes to hand.
- 5.4 There are several avenues that Council will be able to apply to for funding, in relation to response costs through to the rebuilding and recovery costs.
- 5.5 For the benefit of the committee's understanding, below is the different types of funding streams and what areas of Council that these funding streams may assist Council in helping to reduce the direct financial impact on the district's ratepayers. In summary, a large proportion of the costs being incurred through this response phase and through to the end of the financial year will be met from other funding sources and while there will be a financial impact to Council's operating result, the real impacts in a financial sense for Council will be felt next year and beyond when the significant infrastructure rebuild is required and when the level of external funding support may be more difficult to find.

Insurance

- 5.6 Material Damage Insurance – Council is covered for assets listed on its material damage schedule with a \$10k excess. At this point it is unknown as to the quantum of the claim that will be made but will include claims for assets such as the Whirinaki Water Treatment Plant, Pakowhai Hall, Omarunui Landfill Kiosk and Weighbridge.
- 5.7 Business Interruption Insurance – this insurance is triggered by a material damage claim and relates to a particular asset, i.e. the costs of providing alternative water supply solutions to the community of Whirinaki would be covered while the treatment plant is rebuilt.

- 5.8 Bridges insurance – Council has its bridges insured to the replacement value on the insurance schedule. Council insurance cover is for the local share of the bridge repairs noting the funding relationship with Waka Kotahi and has a lost limit of \$10m which would have the effect of providing cover for circa \$40m of damage. While this insurance is in place, it is expected that the local share component of each bridge may be more than is covered by the replacement values noted on the schedule with more resilience to be required to be designed into any bridge replacements and repairs.

Waka Kotahi

- 5.9 Waka Kotahi have advised that for the local roads for the current financial year, their subsidy will increase from a 53% to a 93% share of the response costs or until the \$250m allocated by the Government has been utilised. This will greatly assist the financial impact on Council, as it will leave only 7% of required funding to be met by the rate payer. There will be some reprioritisation of the 2022/23 work programme for the transportation network which will go some way to supporting the additional costs being incurred to support the local share requirement of the response.
- 5.10 At the time of writing there had been no further confirmation from Waka Kotahi regarding additional funding support beyond the current subsidy rate of 53% for 2023/2024 and beyond.

Ministry of Civil Defence and Emergency Management

- 5.11 Funding can be applied for the reimbursement of costs relating to the response of the event.
- 5.12 100% of claims will be reimbursed for the welfare costs *e.g. caring for directly affected people (accommodating, transporting, feeding, and clothing people as a result of an emergency)*. Council have spent a significant amount on welfare to ensure people are looked after.
- 5.13 Other response costs not relating to welfare will be 60% funded, at this stage Council's costs relevant to this funding stream are not expected to be significant.

LAPP Insurance

- 5.14 This insurance relates to any underground assets that may have been affected. It is designed as catastrophe cover and as such the excess is \$600k with a threshold of \$1.5m in costs before a claim can be made. Assessment is still taking place as to whether the threshold will be triggered.

Waste

- 5.15 As can be seen through the media and photos of the affected areas, the level of waste and refuse that is being collected and needs collection is significant. The government has announced \$15m funding in the short term for Council's across NZ while a longer term approach is developed. This is an area where Council is impacted and work is underway to understand how this funding can be applied for.

Cyclone Summary

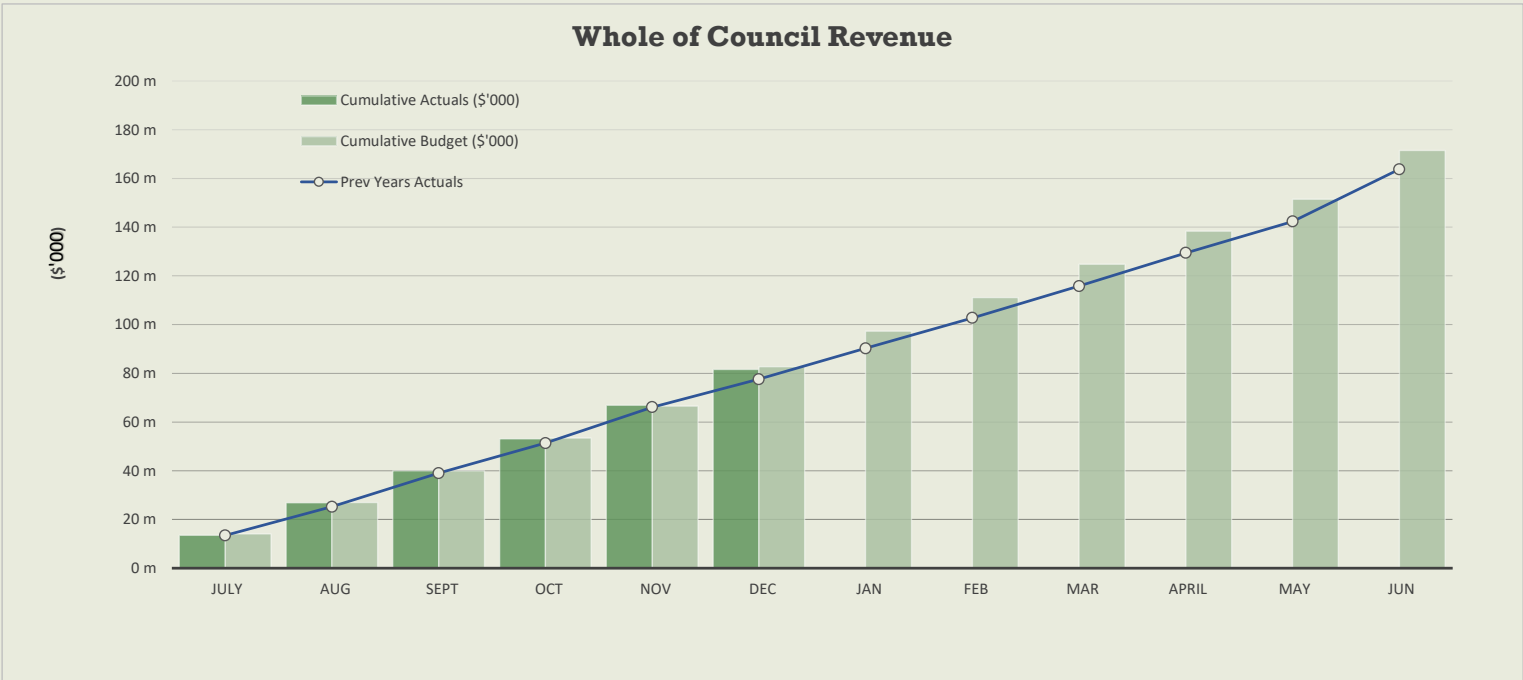
- 5.16 It is expected that for the May Performance and Monitoring Committee meeting a more complete picture of the financial impacts of Cyclone Gabrielle will be able to be reported. It is however expected that the impacts of Cyclone Gabrielle will force Council into a rating deficit position. As noted in the first half of this report, the financial results to December were presenting a challenging operating environment with escalating costs and any forecast to June 2023 prior to Cyclone Gabrielle would have presented a challenging picture. Cyclone Gabrielle has just made that more challenging and a rating deficit should now be expected.

Attachments:

1  Qrtly Dashboard December 2022

FIN-09-01-23-211

Hastings District Council Quarterly Dashboard as at
31 December 2022



Total Revenue Streams	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Rates (Budget)	50,870	50,596	274
Fees, charges & metered water supply charges	17,585	17,003	582
Subsidies and Grants	10,051	12,161	-2,110
Development and financial contributions	2,584	2,402	182
Interest revenue	179	0	179
Other revenue	468	527	-238
Total	81,737	82,689	-1,131

Comments: Timing of budgeted Capital subsidies not yet received for Flaxmere Residential and Waka Kotahi infrastructure projects, partly offset by higher fees & charges along with development contributions.

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

Property Lease



Mainly driven by lease revenue received for newly purchased building. There is some offset by additional funding costs

Water Charges



Higher than budgeted water charges for the year to date.

Transfer Station



Lower volumes through the transfer station are driving this revenue variance.

Vested Assets



Timing of when vested assets are received compared to the phasing of the budget.

Building Control



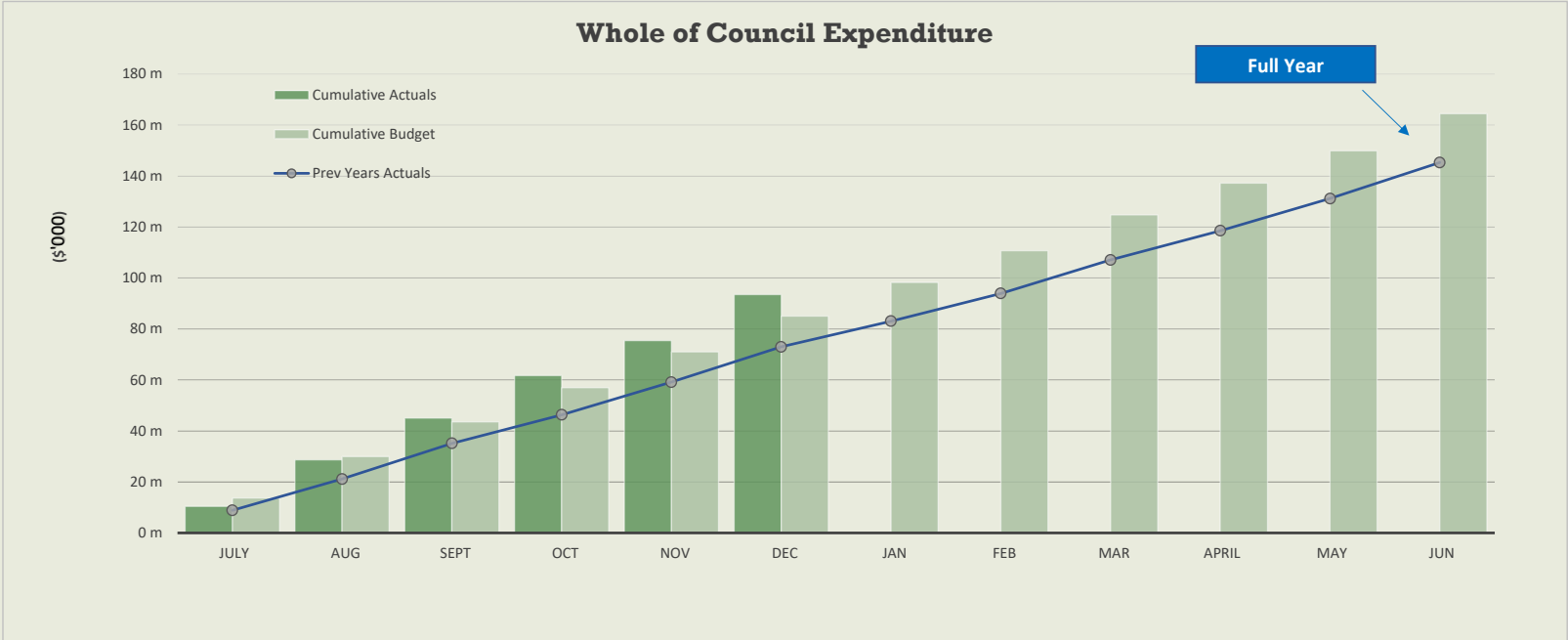
Consent fees received are lower than budgeted for the 6 months to date.

Subsidies, Grants & Donations



Subsidies & Grants are lower due to timing of budgeted subsidies to be recieved for Flaxmere infrastructure projects and Waka Kotahi Roding subsidies.

Hastings District Council Quarterly Dashboard as at
31 December 2022



Total Expenditure	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Personnel Costs	20,910	21,140	230
Depreciation	26,276	20,039	-6,236
Finance Costs	4,707	4,317	-390
Other Operating Costs	41,601	39,532	-2,069
Total Operating Expenditure	93,493	85,028	-8,465

Comments: Depreciation is driven by the higher revaluation of assets in the prior year. Other operational expenditure lines are seeing the impact of a continuing increase in cost pressures across Council.

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



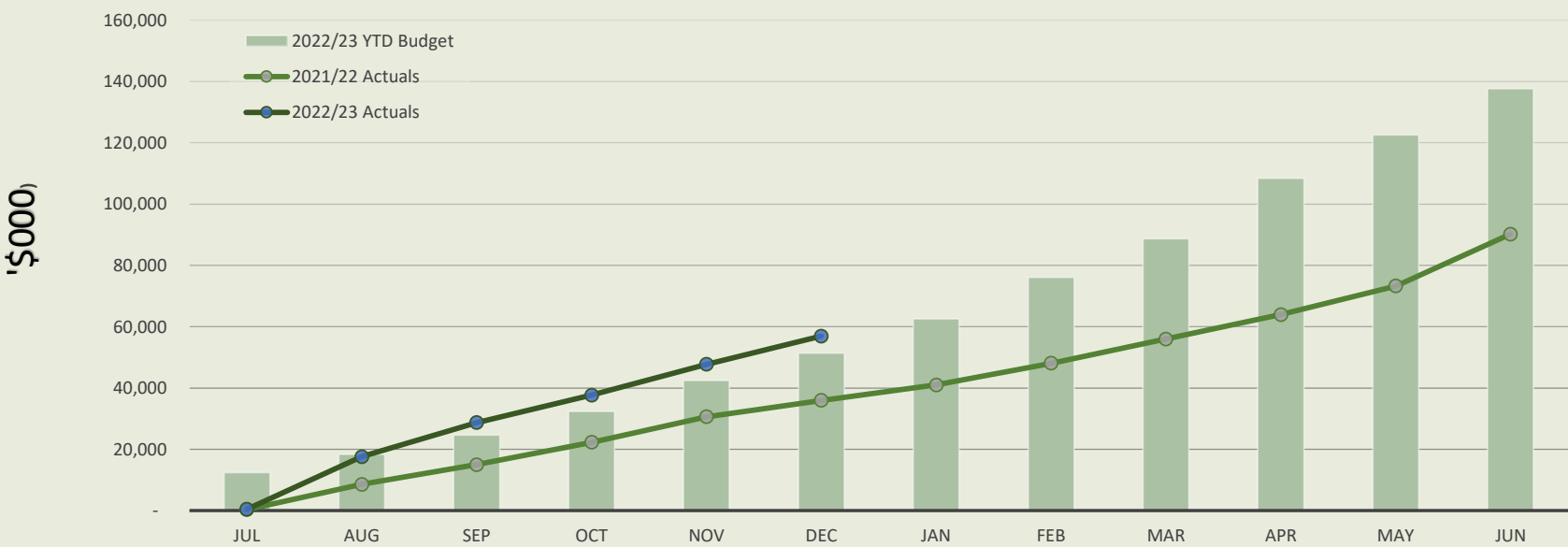
Hastings District Council Statement of Comprehensive Revenue and Expense as at 31 December 2022

Previous YTD Actuals (\$'000)	Description	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
	<u>Revenue</u>				
47,437	Rates	50,870	50,596	274	101,191
16,004	Fees, charges & metered water supply	17,585	17,003	582	33,563
12,369	Subsidies and Grants	10,051	12,161	(2,110)	29,376
1,412	Development and financial contributions	2,584	2,402	182	5,785
22	Interest revenue	179	-	179	-
362	Other revenue	289	527	(238)	1,537
77,606	Total Operating Revenue	81,558	82,689	(1,131)	171,452
-	Non Realised Gains	-	-	-	-
77,606	Total Revenue	81,558	82,689	(1,131)	171,452
	<u>Expenditure</u>				
19,031	Personnel Costs	20,910	21,140	230	42,512
19,345	Depreciation & Amortisation Expense	26,276	20,039	(6,236)	40,079
2,860	Finance Costs	4,707	4,317	(390)	8,624
31,748	Other Operating Costs	41,601	39,532	(2,069)	73,219
72,984	Total Expenditure	93,493	85,028	(8,465)	164,433
4,623	SURPLUS/(DEFICIT)	(11,935)	(2,339)	(9,596)	7,019

Hastings District Council Funding Impact Statement As At: 31 December 2022

Previous YTD Actuals (\$'000)	Description	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
	<u>Operations - Funding Source</u>				
43,788	Rates	46,957	46,704	253	101,191
3,715	Subsidies and Grants	3,862	4,160	(298)	7,974
15,791	Fees, charges metered water supply	17,418	16,837	581	33,230
35	Interest and dividend revenue	197	17	180	17
491	Other revenue	424	426	(2)	853
63,820	Total Operating Funding	68,858	68,143	714	143,266
	<u>Operations - Use of Funding</u>				
19,031	Personnel Costs	20,910	21,140	230	42,512
27,427	Supplier Costs	33,029	31,948	(1,080)	62,087
2,862	Finance Costs	4,717	4,317	(400)	8,624
3,203	Other Operating Costs	7,132	6,488	(644)	9,636
52,522	Total Use of Operating Funding	65,788	63,892	(1,895)	122,859
11,298	Operating Funding Surplus/(Deficit)	3,070	4,251	(1,181)	20,407
	<u>Capital - Funding Source</u>				
8,654	Capital Subsidies grants	6,190	8,001	(1,812)	21,401
1,378	Development financial contributions	2,550	2,280	270	5,515
13,539	Debt - Increase or (decrease)	27,895	29,811	(1,917)	79,325
817	Sale of Assets	135	153	(18)	306
34	Other Capital Funding	34	122	(88)	270
24,423	Total Capital Funding	36,804	40,368	(3,565)	106,817
	<u>Capital - Use of Funding</u>				
2,077	To meet additional demand (Growth)	2,251	3,991	(1,740)	24,578
17,128	To improve the level of service (New Works)	39,326	31,192	8,134	72,720
17,479	To replace existing assets (Renewals)	16,258	16,992	(734)	41,156
-1,363	To Increase or (decrease) reserves	(18,336)	(7,670)	(10,666)	(11,458)
399	To Increase or (decrease) Investments	375	114	261	228
35,720	Total use of Capital Funding	39,874	44,619	(4,745)	127,224
(11,297)	Capital Funding Surplus/(Deficit)	(3,070)	(4,251)	1,181	(20,407)
	TOTAL FUNDING BALANCE	-	-	-	-

Whole of Council Capital Spend as at 31 December 2022



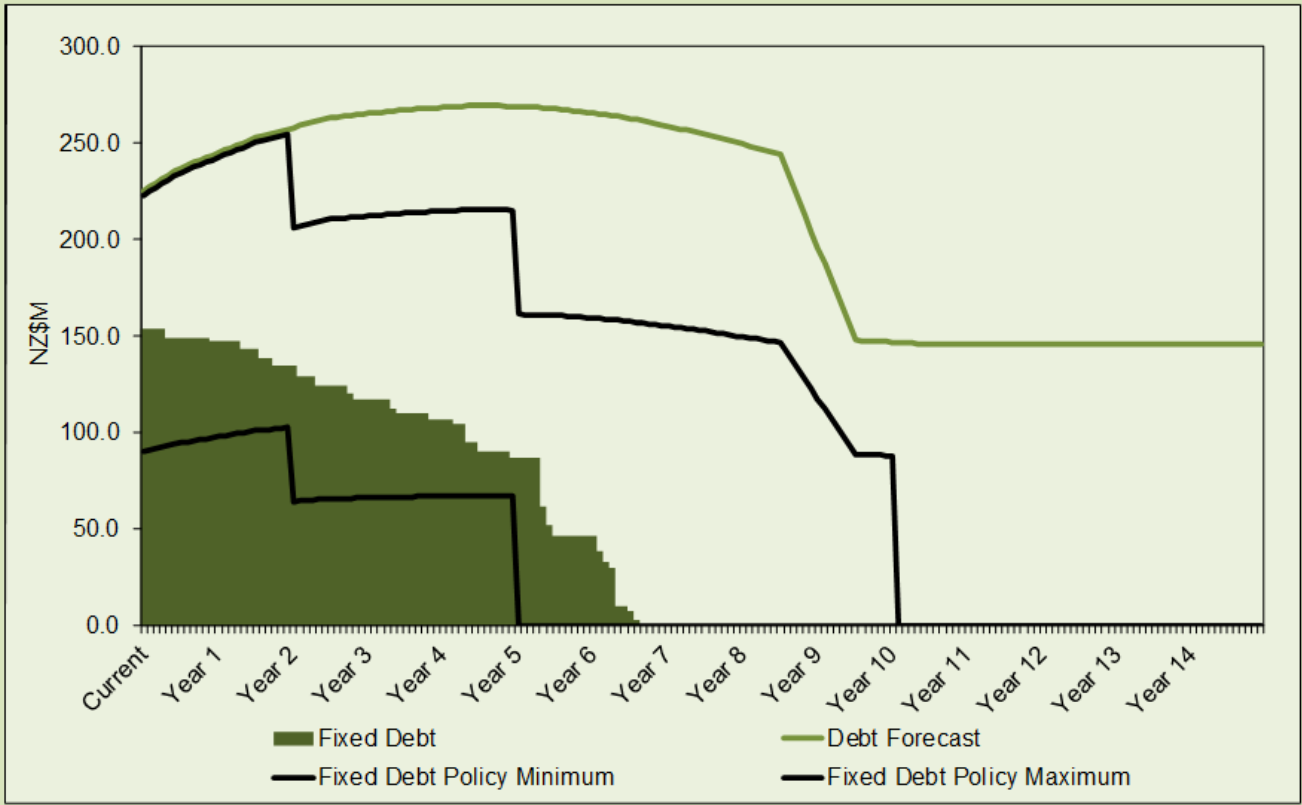
Capital - Commentary

Capital spend to 31 December 2022 is \$56.9m compared to a quarterly budget of \$51.4m. This is partly due to progress with the Flaxmere projects ahead of budget, along with the one-off impact of the unbudgeted but approved purchase of buildings.

Treasury - Commentary

Interest Rate Risk Position

31-Dec-22 Hastings District Council - Forecast



Council's total gross debt as at 31st December was \$252.7m. This amount included borrowing \$32m for capital prefunding for the 2022/23 year, with a further \$15m was borrowed in November to maintain cashflow. The graph above shows the level of cover that is in place for the \$252m debt in order to manage the risk of increasing cost of funds. Council is compliant with Treasury policy.