

Thursday, 11 May 2023

*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*

**Hastings District Council**

**Performance and Monitoring Committee Meeting**

*Kaupapataka*

# Agenda

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*Te Rā Hui:*  
Meeting date: **Thursday, 11 May 2023**

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*Te Wā:*  
Time: **1.00pm**

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

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

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*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  
Phone **06 871 5000** | [www.hastingsdc.govt.nz](http://www.hastingsdc.govt.nz)  
**TE KAUNIHERA Ā-ROHE O HERETAUNGA**

## Performance and Monitoring Committee – Terms of Reference

### Fields of Activity

The purpose of the Performance 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 15 Councillors.
- Chair appointed by Council.
- Deputy Chair appointed by Council.
- 1 Rural Community Board member (non-Councillor) appointed by Council.
- 1 Heretaunga Takoto Noa Māori Standing Committee Member appointed by Council.

### Quorum – 9 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;
  - a. the matter is of such urgency that it requires to be dealt with; or
  - b. 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) Delegations of powers to sub-committee(s) if so established.
- 12) Writing off outstanding accounts for amounts exceeding \$6,000 and the remission of fees and charges of a similar sum.
- 13) Settlement of uninsured claims for compensation or damages where the amount exceeds the amounts delegated to the Chief Executive.
- 14) Guarantee loans for third parties such as local recreational organisations provided such guarantees are within the terms of Council policy.
- 15) 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.
- 16) Grant of easement or right of way over Council property.
- 17) Conversion of terminating leases to renewable leases and the settlement of terms except in the case of leases under the Reserves Act.
- 18) Approve insurance – if significant change to Council's current policy of insuring all its assets.
- 19) Consider and approve constitutions and any shareholder agreements for Council Controlled Organisations and other organisations that Council has an interest in.

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Thursday, 11 May 2023

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*Te Hui o Te Kaunihera ā-Rohe o Heretaunga*

**Hastings District Council**

**Performance and Monitoring Committee Meeting**

*Kaupapataka*

# Agenda

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*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

*Mematanga:*

**Membership:**

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

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*Tokamatua:*

**Quorum:**

9 members

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*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

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*Te Rōpū Manapori me te*

*Kāwanatanga*

**Democracy &**

**Governance Services:**

Christine Hilton (Extn 5633)



## *Te Rārangi Take*

# Order of Business

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### 1.0 Opening Prayer – *Karakia Whakatūwheratanga*

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### 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.

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### 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.

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

Minutes of the Performance & Monitoring Committee Meeting held Tuesday 28 March 2023.

*(Previously circulated)*

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

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### 6.0 Hawke's Bay Regional Sports Park Trust Update

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### 7.0 Quarterly Financial Report for the nine months ended 31st March 2023

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<b>8.0</b>	<b>Performance &amp; Monitoring Report for the quarter ending 31 March 2023</b>	<b>29</b>
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<b>9.0</b>	<b>Minor Items – <i>Ngā Take Iti</i></b>	
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<b>10.0</b>	<b>Urgent Items – <i>Ngā Take Whakahihiri</i></b>	
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<b>11.0</b>	<b>Recommendation to Exclude the Public from Item 12</b>	<b>31</b>
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<b>12.0</b>	<b>Update Report on Workloads in the Building Consent Area</b>	
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Thursday, 11 May 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

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*Nā:*  
**From: Bruce Allan, Deputy Chief Executive**

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

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## **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 2022 and to present the draft HBAL 2023/24 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 six months. The Board Chair, Wendie Harvey and Chief Executive, Rob Stratford 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 2022.
- 1.8 HBAL has reported a half-year after-tax profit of \$1,072,095 which is significantly better than the budgeted profit of \$341,572 for the same period. This result against budget has largely been driven by increased airside and car parking revenue.
- 1.9 Passenger movements at 316,628 are 84% up on last year and 20% more than budget. Aeronautical revenue follows the trend of increased passenger numbers and is further supported due to improved landing changes negotiated with Air New Zealand.
- 1.10 Bank borrowings have decreased to \$25m as at 31 December due to the improved operating result.

#### 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 Councils' expectations for consideration by the Board when they compile the Statement of Intent for 2023/24. 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 has issued a Strategic Initiatives Letter and this is attached as **Attachment 3**.
- 1.13 Attached as **Attachment 4** is the draft Statement of Intent for 2023/24 from HBAL. The Statement of Intent is comprehensive and details its key objectives across their 5 Strategic Pou.
- 1.14 The HBAL Board is forecasting an improved net profit after tax (NPAT) of \$2.2m in 2023/24. The Board is forecasting a higher level of capital expenditure, continuing the investment into non-airside infrastructure as well as airside infrastructure upgrades delayed due to COVID.

## 2.0 Recommendations - Ngā Tūtohunga

- A) That the Performance and Monitoring Committee receive the report titled Hawke's Bay Airport Ltd Half-Year Report and Statement of Intent dated 11 May 2023.
- B) That the Committee receive the Hawke's Bay Airport Limited Half Year report to 31 December 2022.
- C) That the Committee receive the Hawke's Bay Airport Limited draft 2023-2024 Statement of Intent and provide any feedback as required.

### Attachments:

- 1 ➡ HBAL Half Year Financial Statements to 31 December 2022 EXT-10-9-2-23-156 Attachment Vol 1



2 ➡	HDC and NCC Joint Shareholder Expecations for 2023-2024	EXT-10-9-2-23-152	Attachment Vol 1
3 ➡	HBAL Strategic Initiatives for 2023-2024	EXT-10-9-2-23-155	Attachment Vol 1
4 ➡	HBAL Draft Statement of Intent for 2023-2024	EXT-10-9-2-23-157	Attachment Vol 1



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Thursday, 11 May 2023

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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

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**Nā:**  
**From: Bruce Allan, Deputy Chief Executive**

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**Te Take:**  
**Subject: Hawke's Bay Regional Sports Park Trust Update**

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

- 1.1 The Hawkes Bay Regional Sports Park Trust will provide a verbal update and presentation to the Committee on the Parks operations, activities and strategic direction.
- 1.2 The Chief Executive Ryan Hambleton and Chair Graeme Taylor will be present to make the presentation and answer questions.

## **2.0 Recommendations - *Ngā Tūtohunga***

- A) That the Performance and Monitoring Committee receive the report titled Hawke's Bay Regional Sports Park Trust Update dated 11 May 2023.
- B) That the Committee receive the verbal update from the Hawke's Bay Regional Sports Park Trust.

### **Attachments:**

There are no attachments for this report.



Thursday, 11 May 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 nine months ended 31st March 2023**

## **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 nine months ended 31 March 2023.
- 1.2 Council's overall financial performance is \$17.9m unfavourable to YTD budget for the quarter ended 31 March 2023, this is inclusive of cyclone Gabrielle costs and reimbursements so far.
- 1.3 Overall revenue is \$18.1m favourable to the YTD and expenditure is \$36m unfavourable to YTD budget driven by the cyclone and increased depreciation costs.
- 1.4 The impact of Cyclone Gabrielle at both the regional and Hastings District level cannot be understated, with the devastating impacts across all parts of the community. These impacts can now be seen in the financial results for the third quarter.
- 1.5 A forecast has been completed to provide a clearer picture of the year-end financial result, considering what was known about the likely impact of cyclone Gabrielle. There are still some significant financial unknowns around the extent of external funding that will be received in some areas which will affect the year end result.

## **2.0 Recommendations - *Ngā Tūtohunga***

That Performance and Monitoring Committee receives the report titled Quarterly Financial Report for the nine months ended 31st March 2023 dated 11 May 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, this now includes an additional page providing a breakdown of the costs incurred due to the cyclone under the various activities affected.
- 3.4 If Councillors require clarification on any points, please contact the writer or the Deputy Chief Executive 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<sup>st</sup> March 2023. The financial results detailed below represent the accounting view and does not reflect the potential rating result for 2022/23:

Result as at 31st March 2023	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
Total Operating Revenue	144,518	126,319	18,199	171,443
Operating Expenditure (excl. Depn.)	121,753	94,720	(27,033)	124,373
Net Surplus/Deficit before Depn	22,765	31,599	(8,834)	47,071
Depreciation	39,114	30,059	(9,055)	40,079
<b>Net Surplus/Deficit</b>	<b>(16,349)</b>	<b>1,539</b>	<b>(17,888)</b>	<b>6,992</b>

- Revised budget includes the Annual budget, brought forwards and surplus allocations from 2021-22 financial year.
  - 1.
- 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 \$17.88m unfavourable to YTD budget for the quarter ended 31 March 2023. Included in this table are all the Cyclone Gabrielle costs through to the end of the quarter. For clarity, the revenue and expense tables in the next section have the cyclone impacts split out in a separate line to show the cyclone impact and then allow a clearer picture of how business as usual is tracking.
- 4.4 Overall revenue is \$18m favourable to the YTD budget and expenditure is \$36m unfavourable to YTD budget (including depreciation). Excluding the cyclone, revenue is \$1.2m favourable whilst expenditure is \$11.7m unfavourable.

#### Revenue

- 4.5 The third quarter year to date revenue excluding cyclone impact is \$1.24m favourable in the context of total revenue budgeted for the nine months to March, at \$126.3m, or 1% of YTD budget.

<b>Total Revenue Streams</b>	<b>Actual Ytd (\$'000)</b>	<b>Budget Ytd (\$'000)</b>	<b>Variance Ytd (\$'000)</b>
Rates (Budget)	76,188	75,894	294
Fees, charges & metered water supply charges	26,854	25,939	915
Subsidies and Grants	19,746	19,749	-3
Development and financial contributions	3,509	3,955	-446
Interest revenue	411	0	411
Other revenue	859	782	77
<b>Total Revenue excl Cyclone Gabrielle</b>	<b>127,567</b>	<b>126,319</b>	<b>1,248</b>
Cyclone Gabrielle Revenue	<b>17,362</b>	<b>0</b>	<b>17,362</b>
<b>Total Revenue</b>	<b>144,929</b>	<b>126,319</b>	<b>18,610</b>

- 4.6 Fees & Charges are \$915k favourable, with Splash Planet \$305K ahead of budget along with Toitoti revenue \$220k favourable. Unbudgeted lease income of \$342k was received for 340 Heretaunga Street East (CityFitness). The higher revenue in Toitoti is offset by significantly higher than budgeted operational expenditure of \$1.7m, this is covered in expenditure commentary below. Other significant fees and charges revenue lines are building control revenue \$515k unfavourable, (offset by lower operational spend) and directly impacted by teams working on the ground assessing damaged properties during the emergency, and higher 3 Waters service and waste fees.
- 4.7 Subsidies and Grants in terms of standard BAU (business as usual) are on track through the first nine months of the year.
- 4.8 Development contributions are lower than budget by \$446k, and whilst this is likely due to the disruptive nature of the cyclone, this is an area that can be very difficult to budget when developers will begin development.
- 4.9 The cyclone revenue is driven by the subsidies from Waka Kotahi for the spend by Council on local roading repairs at the agreed 93% subsidy. In addition to this, there has been a pre-payment of \$250k for the material damage insurance settlement.

#### Expenditure

- 4.10 Overall expenditure excluding the impact of the cyclone is tracking unfavourably year to date for the third quarter by \$11.7m or 9% of total budgeted expenditure year to date. Main drivers include:
- 4.11 The negative variance to budget for non-cash entries in terms of Depreciation (\$9m) 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 value 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.
- 4.12 The impact of asset revaluations is generally not known until later in the financial year and does 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.
- 4.13 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.

- 4.14 Personnel costs are favourable to budget by \$436k mainly due a number of vacancies across Council activities.
- 4.15 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.
- 4.16 The net impact of finance costs to the organisation is an additional interest cost to budget of \$884k to 31 March.
- 4.17 Other operating costs excluding cyclone costs are unfavourable to budget by \$1.8m and were mainly driven by:
- 4.18 Maintenance and asset costs of \$761k, higher than budgeted insurance costs in terms of material damage insurance of \$447k and LAPP insurance of \$186k, (ultimately due to budget phasing the variance on material damage insurance will be \$230k due to timing of budget phasing) along with \$129k annual software licensing and support costs. The licensing is an issue of budget phasing and timing of when the licenses have been invoiced.
- 4.19 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, with a similar impact can be seen across other insurances. Insurance costs have been driven higher by a combination of increasing asset values being insured and the global insurance markets being harder.
- 4.20 Legal Settlement costs of \$850k in relation to the area of planning and regulatory, this cost has been offset by reserve funding set aside for this purpose.
- 4.21 Services costs were higher than budget by \$617k mainly due to higher contracted service costs in the asset management activities offset by lower legal and electricity costs.
- 4.22 Vehicle costs of \$249k were the last area contributing to the increased other operating costs, with higher fuel costs of \$121k, along with higher R&M \$54k and plant operating costs \$80k. 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.
- 4.23 As noted in the revenue section Toitoti has incurred significant spend over budget when the revenue from the property lease is excluded, with the net unfavourable effect being \$1.5m.
- 4.24 Depreciation of \$618k on the Municipal building is higher than budgeted due to the timing of completion of the project against when the budget was set.
- 4.25 Toitoti operations costs are above budget with personnel costs \$337k, marketing \$147k, and servicing costs such as cleaning \$137k, all over budget.
- 4.26 Operational costs for running Toitoti have proved to be much higher than anticipated, and there have been several factors that have contributed to this. Management at Toitoti are continuing to get a much better appreciation of operating costs and are developing more efficient ways of working as more activity develops across the whole Toitoti precinct. At the time the budgets were prepared, Toitoti management had yet to experience a clear run at operating the full facility with the inclusion of the Municipal Buildings and without Covid restrictions.



### Cyclone Gabrielle summary of funding received and spend committed

- 4.27 This section is to allow the committee an ongoing overview of the impact of the cyclone in terms of the Council finances and shows the funding received and the expenditure incurred or committed on a “to date” basis. It is not designed to be a complete overview section of the operational activities that Council are currently engaged in relating to the cyclone, as there is a specific recovery project that will report to Council on a regular basis.
- 4.28 Council have submitted the first claim of \$1m in what is expected to be a number of claims to the Ministry of Emergency and Civil Defence. As this claim is not yet approved and the money not yet received it has not been included in the table below.
- 4.29 The Transport repair costs are being funded with a 93% subsidy by Waka Kotahi for the balance of this financial year up to a spend limit of \$45m, with Council needing to fund the remaining 7%. It is expected that there will be additional spend in this area beyond the approved \$45m and staff are currently engaging with Waka Kotahi with a request that that additional spend also receives the 93% subsidy rate. Current forecasts suggest the transport repair costs could be as high as \$60m this financial year. It is not known at this stage to what level Waka Kotahi will fund next year.
- 4.30 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.
- 4.31 As further funding is sought and received the table below will be updated to keep the committee informed.

<b>As at 31 March 2023</b>	<b>Transport</b>	<b>3Waters</b>	<b>Public Spaces</b>	<b>Waste</b>	<b>Other Response/Recovery</b>	<b>Total</b>
<b>Funding</b>	Actuals ('000)	Actuals ('000)	Actuals ('000)	Actuals ('000)	Actuals ('000)	Actuals ('000)
Waka Kotahi	17,112					
Insurance					250	
<b>Funding Total</b>						<b>17,362</b>
Expenditure	18,404	742	575	3,014	1,612	
<b>Total Spend</b>						<b>24,347</b>
<b>Net Cost</b>	<b>1,292</b>	<b>742</b>	<b>575</b>	<b>3,014</b>	<b>1,362</b>	<b>6,985</b>

### Unbudgeted but approved spend

- 4.32 Across the activities of Council there are 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.

- 4.33 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.
- 4.34 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.
- 4.35 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.
- 4.36 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.
- 4.37 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.

<b>Approved Unbudgeted Projects 2022/23</b>	<b>Funded by</b>	<b>\$'000</b>
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
<b>Total</b>		<b>20,200</b>

- 4.38 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 Toitōi – 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.
- 4.39 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.
- 4.40 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.

- 4.41 Cyclone Gabrielle response and recovery activities will also incur significant unbudgeted expenditure over the course of time and officers will endeavour to keep Council up-to-date on financial commitments that have been made with separate reports to Council to cover off significant activities like waste collection and transport repairs and remediation.

### 30 June Forecast

- 4.42 Financial forecasts to year end have been undertaken by officers based off actuals to 31 March 2023 and projections for May and June based on the best information available at that time. There have been several assumptions that have been made in order to be able to provide an accurate picture at year end.
- 4.43 These assumptions include only forecasting any funding reimbursement that has been received or is committed to be received, but does not include at this stage NEMA claims, or reimbursement expectations of insurance or waste reimbursement not already received.
- 4.44 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.
- 4.45 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.
- 4.46 As expected, Cyclone Gabrielle has had a significant impact on the forecasted year end result. The overall size of the projected rating deficit with the cyclone impacts included is conservatively estimated at \$17m, noting that there are a number of cyclone related funds that Council will be applying for reimbursement of costs but are yet to have confirmation of their approval. This is broken down as follows:
- Cyclone Impact: \$13.8m
  - Business as Usual \$3.2m
- 4.47 The business-as-usual deficit of \$3.2m can be allocated between the general rate and targeted rates. Targeted rates surplus/deficit are ring fenced and cannot be used for other activities. Therefore, the makeup of the \$3.2m forecast deficit is required to be allocated across those rating areas, as follows:
- The General Rate deficit is: \$774k
  - The Targeted rates deficit is: \$2.3m
- 4.48 With general rates excluding targeted rates totalling \$77.5m a \$774k deficit is very close to a breakeven result and given the circumstances with cost escalations significantly higher than budget is a good result. The targeted rate deficit of \$2.3m is largely the result of increased 3 waters costs with reactive and preventative maintenance costs exceeding budget along with dramatic increases with material damage and LAPP insurance costs. Any targeted rate deficits will be applied to their respective Targeted Rates Reserve accounts and will require increases in those targeted rates in the future to fund.
- 4.49 Whilst the projected deficit of \$17m is significant, it is projected as a worst case scenario as there are opportunities for external funding to reduce this burden and decisions for Council on how certain activities are funded. The most significant of these is the projected \$4.2m local share component of the transportation repair costs (noting that Waka Kotahi are funding 93% or \$55.8m of the estimated \$60.0m repair cost to 30 June) where council will have choices on how this is funded from using Rating Area 2 Flood and Capital Reserves, debt or leaving as part of the overall rating deficit.
- 4.50 The table below outlines some potential options and opportunities that Council may have offset some of the forecasted deficit.

Forecast Deficit	\$17.0m
NEMA (Welfare claims)	\$2.2m
NEMA (Waste collection reimbursement)	\$4.3m
Transport local share	\$4.2m
<b>Potential Offset</b>	<b>\$10.7m</b>
<b>Funding Gap</b>	<b>\$6.3m</b>

- 4.51 While not all funding requests from NEMA are expected to be approved there will substantial funding received.
- 4.52 Any deficit incurred by Council will have to be funded utilising a combination of reserves, debt and future year's rates. Council is limited in the way of reserves appropriate for supporting a rating deficit with only a small Rating Area 2 General Purpose Reserve (\$600k) which can be used as a contribution towards the overall rating deficit. Council will want to ensure debt is used in accordance with its treasury policy, for long term intergeneration assets and will unlikely be an appropriate funding source for much of the costs which are driving the forecast deficit position. That leaves future years rating sources as the most likely funding opportunity for any current year rating deficit which will require consideration through the 2024-34 Long Term Plan process.

#### Capital Spend

- 4.53 Council's total revised capital budget (including carry forwards, renewals, new works and growth projects) for 2022/23 is \$156m. 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.
- 4.54 The large capital budget is made up of:
- |                                       |              |
|---------------------------------------|--------------|
| 2022/23 Annual Plan                   | \$121m       |
| Carry forwards and budget adjustments | <u>\$35m</u> |
| Total revised budget                  | \$156m       |
- 4.55 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
<b>COUNCIL CAPITAL</b>					
Renewals	21,833,705	28,103,851	6,270,146	52%	42,180,637
New Works	58,962,050	59,084,107	122,057	67%	88,335,110
Growth	3,769,975	11,671,698	7,901,723	14%	26,300,250
	<b>84,565,730</b>	<b>98,859,656</b>	<b>14,293,926</b>	<b>54%</b>	<b>156,815,997</b>
<b>SUMMARY</b>					
<b>RENEWALS</b>					
Stormwater Services	863,775	1,008,914	145,139	74%	1,168,000
Wastewater Services	3,690,168	6,989,139	3,298,971	32%	11,713,500
Water Services	3,175,263	3,700,152	524,890	65%	4,876,298
Transportation RA 1	8,589,371	10,003,636	1,414,265	57%	15,059,594
<b>Rest of Council</b>					
Parks	1,405,365	1,521,000	115,635	66%	2,119,929
Building services	1,574,604	1,299,032	(275,572)	73%	2,165,081
Municipal Strengthening	41,467	-	(41,467)	-	-
Server Infrastructure	74,837	80,000	5,163	94%	80,000
Landfill	-	34,865	34,865	0%	46,486
Other	2,418,855	3,467,113	1,048,258	49%	4,951,748
	<b>21,833,705</b>	<b>28,103,851</b>	<b>6,270,146</b>	<b>52%</b>	<b>42,180,637</b>
<b>NEW WORKS</b>					
Stormwater Services	3,362,686	4,489,875	1,127,189	59%	5,685,300
Wastewater Services	709,766	439,650	(270,116)	36%	1,998,651
Water Services	18,469,377	19,058,338	588,962	74%	24,820,136
Transportation	6,177,267	11,741,969	5,564,702	37%	16,922,025
Landfill	1,764,648	4,524,012	2,759,364	39%	4,524,219
Parks	11,797,048	4,330,391	(7,466,656)	91%	12,980,283
Building services	90,145	603,469	513,323	60%	150,000
<b>Rest of Council</b>					
Flaxmere Town Centre	3,195,857	2,100,000	(1,095,857)	90%	3,550,000
206 Queen St	83,306	150,000	66,694	42%	200,000
New Cemetery Setup	42,362	654,750	612,388	5%	873,000
HB Museum Storage	225,817	1,500,000	1,274,183	11%	2,000,000
Flaxmere Housing	3,810,548	1,962,000	(1,848,548)	106%	3,597,000
Other	9,238,425	7,529,653	(1,708,772)	84%	11,034,496
	<b>58,967,252</b>	<b>59,084,107</b>	<b>116,855</b>	<b>67%</b>	<b>88,335,110</b>
<b>GROWTH</b>					
Stormwater Services	730,042	2,538,947	1,808,905	9%	8,463,500
Wastewater Services	1,043,540	1,478,592	435,052	24%	4,377,000
Water Services	562,445	1,363,112	800,668	28%	1,995,500
Transportation RA 1	879,888	5,749,047	4,869,159	8%	10,630,250
Parks	554,061	542,000	(12,061)	66%	834,000
	<b>3,769,975</b>	<b>11,671,698</b>	<b>7,901,723</b>	<b>14%</b>	<b>26,300,250</b>
<b>Total Capital</b>	<b>84,570,932</b>	<b>98,859,656</b>	<b>14,288,724</b>		<b>156,815,997</b>

- 4.56 Capital spend for the year to date is \$84.5m and is behind budget by \$14.2m. This represents somewhat of a slowdown on the last quarter, even 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), growth projects and the impact of the cyclone during the quarter have slowed the overall spend
- 4.57 The Landfill valley development is now underway, with resource consent approved and design work completed. This capital with the capital spend of \$1.7m showing in the new works section.
- 4.58 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

- 4.59 Council's total gross debt position as at 31 March \$272m. This amount included borrowing \$32m for 2022/23 capital works with a further two tranches of borrowings (\$15m Nov 22, \$20m Feb) to maintain adequate cashflow, given the capital project spend undertaken to date. At the time of writing a further \$20m of short-term debt had been borrowed to meet ongoing cashflow requirements, due to the accelerated spend due to the Cyclone.

- 4.60 The Revenue to debt limits that Council has as part of its Treasury policy is set at 175%. The table below shows where the debt to revenue percentage is currently sitting as per the forecast Actuals, and where the percentage is when compared with the LTP 2021-31 budgeted revenue. Further out on the table is the limit that the LGFA would allow Council to go to before breaching the covenant.

	Actual Forecast	Against LTP 2021- 2031	Treasury Policy	LGFA
<b>Debt to Revenue Ratio</b>	130%	164%	175%	295%
<b>Debt</b>	272m	272m		
<b>Revenue</b>	208m	166m		

- 4.61 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.

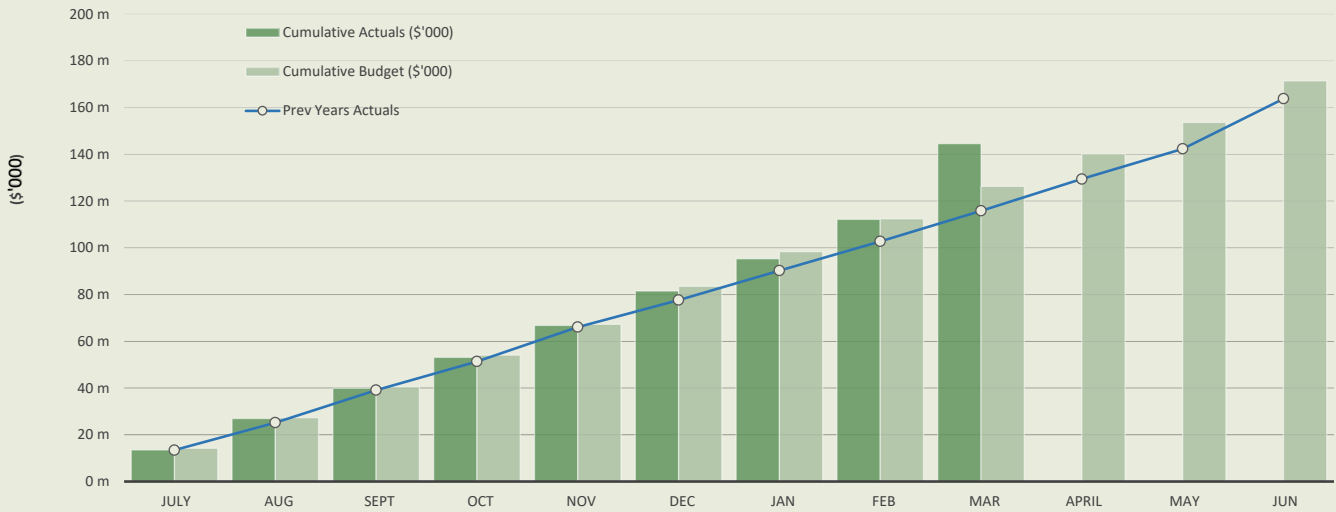
### Attachments:

1 [Download](#) Quarterly Dashboard 31 March 2023

FIN-09-01-23-212

Hastings District Council Quarterly Dashboard as at  
31 March 2023

Whole of Council Revenue



Total Revenue Streams	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Rates (Budget)	76,188	75,894	294
Fees, charges & metered water supply charges	26,854	25,939	915
Subsidies and Grants	19,746	19,749	-3
Development and financial contributions	3,509	3,955	-446
Interest revenue	411	0	411
Other revenue	859	782	77
<b>Total Revenue excl Cyclone Gabrielle</b>	<b>127,567</b>	<b>126,319</b>	<b>1,248</b>
Cyclone Gabrielle Revenue	17,362	0	17,362
<b>Total Revenue</b>	<b>144,929</b>	<b>126,319</b>	<b>18,610</b>

Comments: Revenue net of the cyclone is positive mainly driven by favourable fees and charges across a number of activities.

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

Subsidies, Grants & Donations



Driven by higher Waka Kotahi Subsidies and grants for Transport emergency reinstatement work due to the cyclone.

Landfill Operations



Landfill volumes are ahead of budget with flood damaged household waste significantly increasing tonnages.

Splash Planet



Splash planet had higher revenues than budgeted despite challenges with weather over the Christmas / New Year period.

Vested Assets



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

Development & Other Contributions



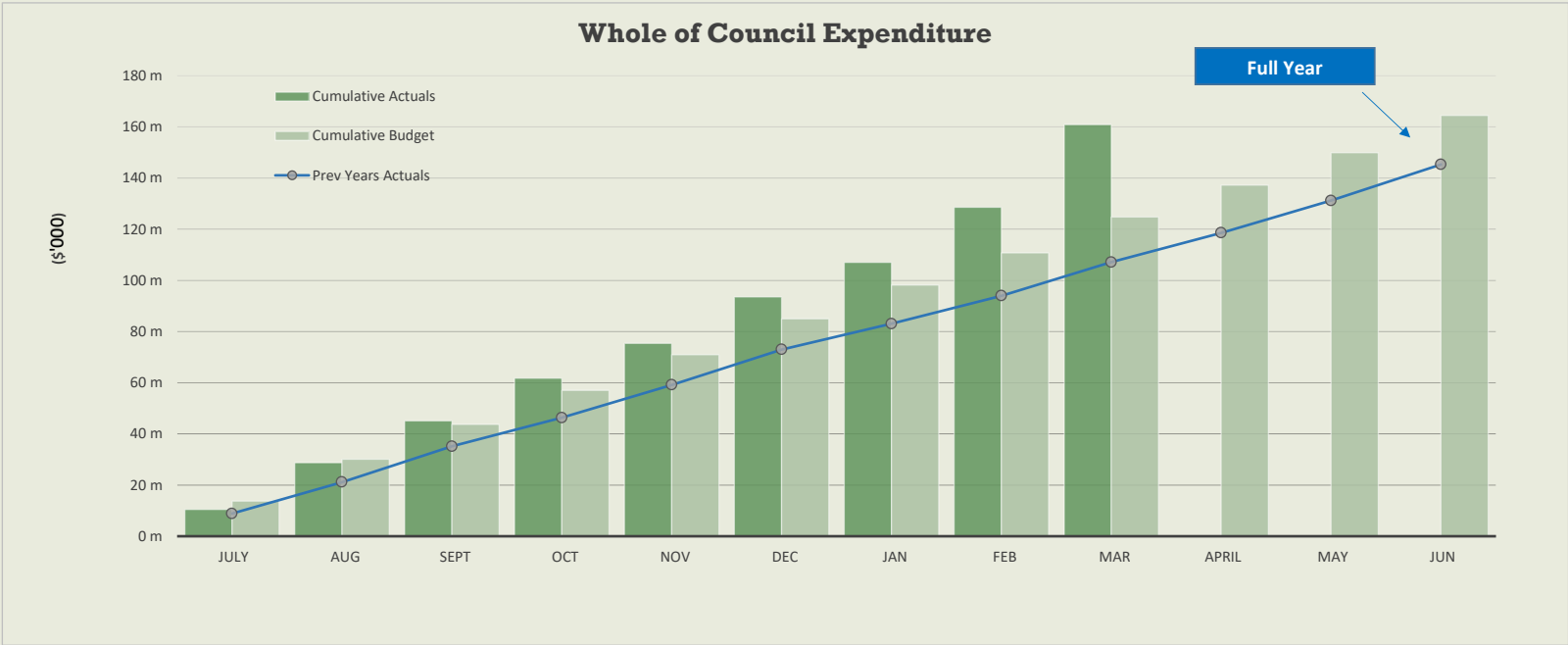
Development Contributions are unfavourable to budget, with it being difficult to phase budgets accurately as it is dependent on developers' timing.

Building Control



Consent fees received are lower than budgeted with operational costs correspondingly lower.

Hastings District Council Quarterly Dashboard as at  
31 March 2023



Total Expenditure	Actual Ytd (\$'000)	Budget Ytd (\$'000)	Variance Ytd (\$'000)
Personnel Costs	32,405	32,841	436
Depreciation	39,114	30,059	-9,055
Finance Costs	7,783	6,487	-1,295
Other Operating Costs	57,217	55,392	-1,825
<b>Total excl Cyclone Gabrielle</b>	<b>136,519</b>	<b>124,779</b>	<b>-11,740</b>
Cyclone Gabrielle Costs	24,347	0	-24,347
<b>Total Expenditure</b>	<b>160,867</b>	<b>124,779</b>	<b>-36,087</b>

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

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





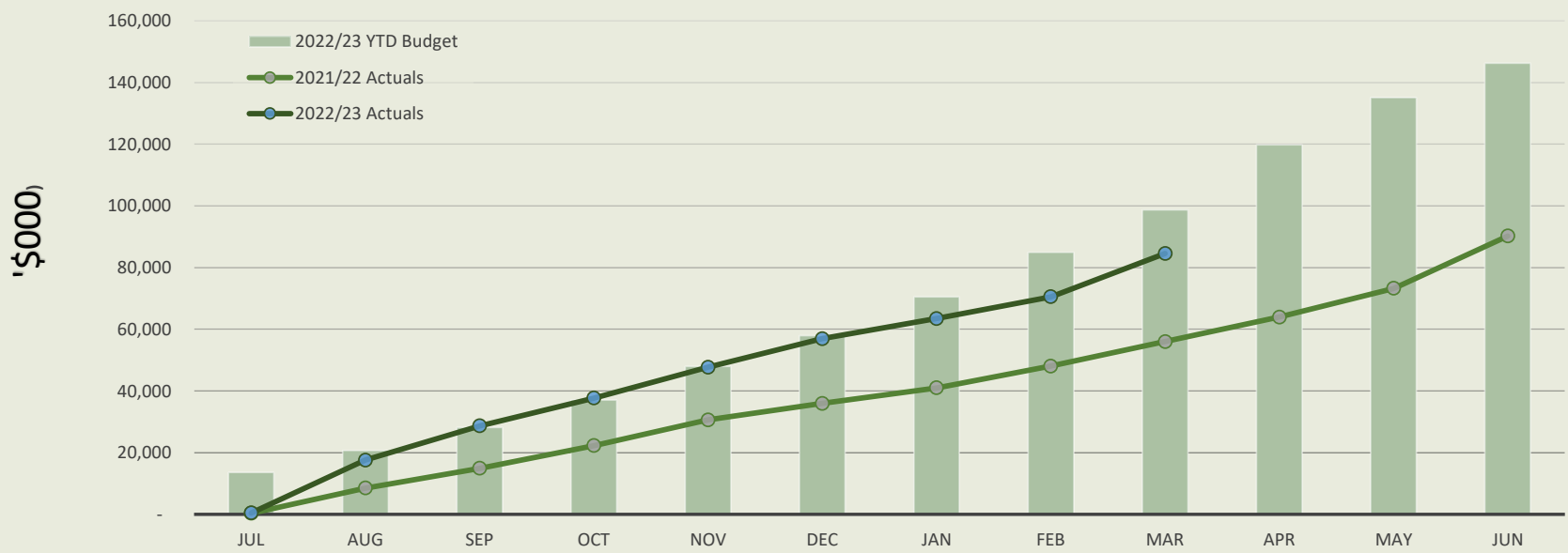
## Hastings District Council Statement of Comprehensive Revenue and Expense as at 31 March 2023

Previous YTD Actuals (\$'000)		YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
	<b>Revenue</b>				
71,218	Rates	76,188	75,894	294	101,191
22,961	Fees, charges & metered water supply	27,104	25,939	1,165	33,613
17,371	Subsidies and Grants	36,858	19,749	17,110	29,317
3,682	Development and financial contributions	3,509	3,955	(446)	5,785
53	Interest revenue	411	-	411	-
534	Other revenue	447	782	(335)	1,537
<b>115,819</b>	<b>Total Operating Revenue</b>	<b>144,518</b>	<b>126,319</b>	<b>18,199</b>	<b>171,443</b>
-	- Non Realised Gains	-	-	-	-
<b>115,819</b>	<b>Total Revenue</b>	<b>144,518</b>	<b>126,319</b>	<b>18,199</b>	<b>171,443</b>
	<b>Expenditure</b>				
29,005	Personnel Costs	32,440	32,841	401	42,514
28,778	Depreciation & Amortisation Expense	39,114	30,059	(9,055)	40,079
4,388	Finance Costs	7,783	6,487	(1,295)	8,624
44,934	Other Operating Costs	81,530	55,392	(26,138)	73,234
<b>107,105</b>	<b>Total Expenditure</b>	<b>160,867</b>	<b>124,779</b>	<b>(36,087)</b>	<b>164,451</b>
<b>8,715</b>	<b>SURPLUS/(DEFICIT)</b>	<b>(16,349)</b>	<b>1,539</b>	<b>(17,888)</b>	<b>6,992</b>

## Hastings District Council Funding Impact Statement As At: 31 March 2023

Previous YTD Actuals (\$'000)	Description	YTD Actuals (\$'000)	YTD Budgets (\$'000)	YTD Variance (\$'000)	Full Year Budget (\$'000)
	<b>Operations - Funding Source</b>				
65,740	Rates	70,327	70,056	272	101,191
4,976	Subsidies and Grants	22,961	5,867	17,094	7,924
22,654	Fees, charges metered water supply	26,885	25,698	1,187	33,280
66	Interest and dividend revenue	430	17	413	17
731	Other revenue	619	632	(13)	853
<b>94,168</b>	<b>Total Operating Funding</b>	<b>121,222</b>	<b>102,269</b>	<b>18,953</b>	<b>143,266</b>
	<b>Operations - Use of Funding</b>				
29,005	Personnel Costs	32,440	32,841	401	42,514
38,877	Supplier Costs	71,155	46,435	(24,720)	62,223
4,391	Finance Costs	7,799	6,487	(1,311)	8,624
4,673	Other Operating Costs	8,532	7,595	(938)	9,516
<b>76,946</b>	<b>Total Use of Operating Funding</b>	<b>119,926</b>	<b>93,358</b>	<b>(26,568)</b>	<b>122,877</b>
<b>17,222</b>	<b>Operating Funding Surplus/(Deficit)</b>	<b>1,296</b>	<b>8,912</b>	<b>(7,616)</b>	<b>20,389</b>
	<b>Capital - Funding Source</b>				
12,395	Capital Subsidies grants	13,897	13,882	16	21,392
3,642	Development financial contributions	3,469	3,772	(303)	5,515
18,896	Debt - Increase or (decrease)	42,984	59,042	(16,057)	87,976
1,325	Sale of Assets	244	230	15	306
40	Other Capital Funding	40	183	(143)	270
<b>36,299</b>	<b>Total Capital Funding</b>	<b>60,634</b>	<b>77,108</b>	<b>(16,474)</b>	<b>115,459</b>
	<b>Capital - Use of Funding</b>				
2,665	To meet additional demand (Growth)	3,314	10,720	(7,405)	23,623
26,529	To improve the level of service (New Works)	59,326	59,814	(488)	85,351
27,593	To replace existing assets (Renewals)	21,922	29,040	(7,118)	38,119
-862	To Increase or (decrease) reserves	(23,507)	(13,726)	(9,781)	(11,473)
399	To Increase or (decrease) Investments	875	171	704	228
<b>56,324</b>	<b>Total use of Capital Funding</b>	<b>61,930</b>	<b>86,019</b>	<b>(24,089)</b>	<b>135,848</b>
<b>(20,025)</b>	<b>Capital Funding Surplus/(Deficit)</b>	<b>(1,296)</b>	<b>(8,911)</b>	<b>7,615</b>	<b>(20,389)</b>
<b>(2,803)</b>	<b>TOTAL FUNDING BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## Whole of Council Capital Spend as at 31 March 2023



### Capital - Commentary

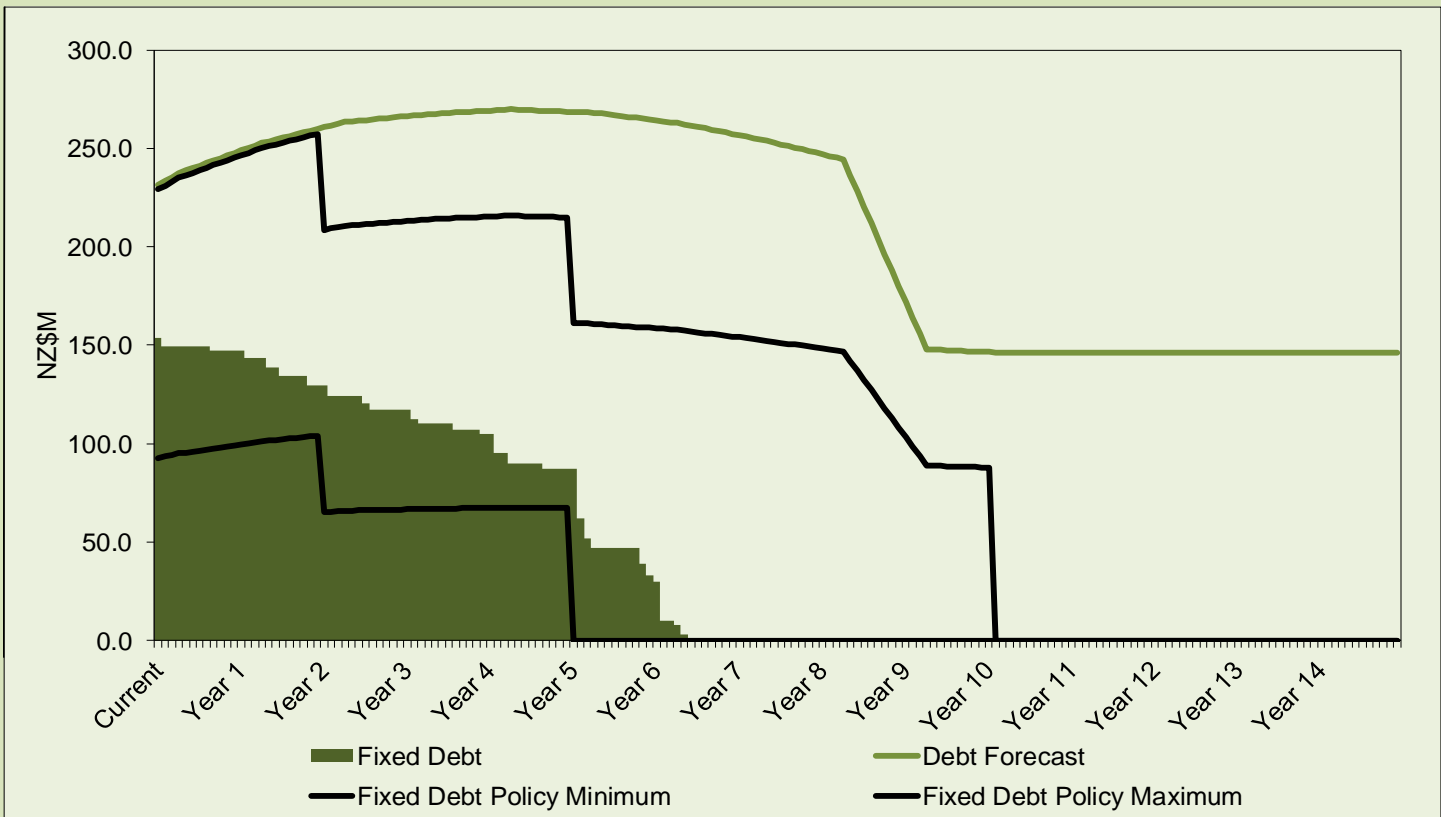
Capital spend to 31 March 2023 is \$84.5m compared to a quarterly budget of \$98.8m. Renewals and growth are behind by 14.3m noting that the emergency reinstatement work in transport does not show as a capital expense, and is where significant focus has been put.

### Treasury - Commentary

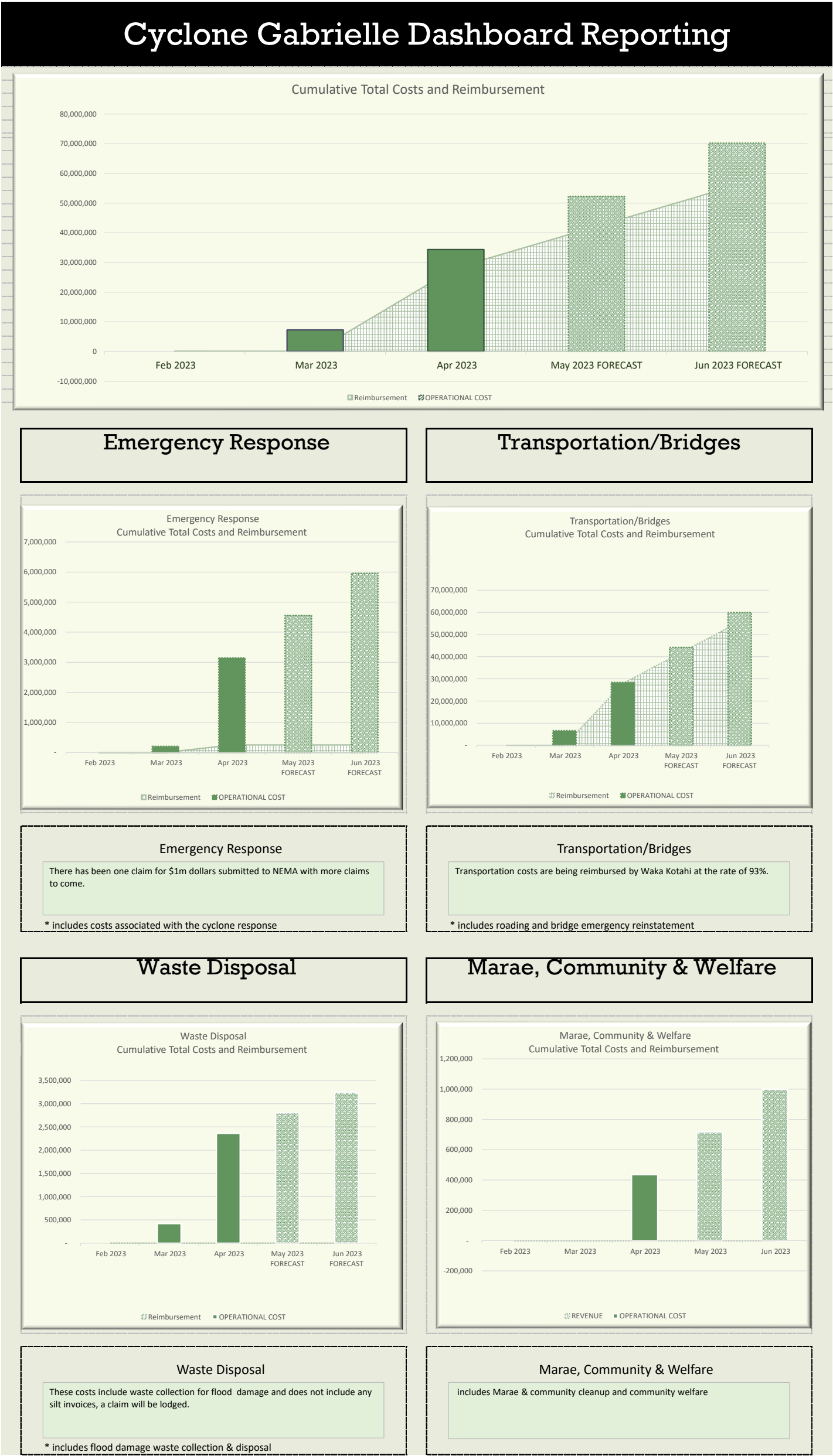
## Interest Rate Risk Position

31-Mar-23

### Hastings District Council - Forecast



Council's total gross debt as at 31st March was \$272.7m. This amount included borrowing \$32m for capital prefunding for the 2022/23 year. This amount included borrowing \$32m for 2022/23 capital works with a further two tranches of borrowings (\$15m Nov 22, \$20m Feb) to maintain adequate cashflow, given the capital project/emergency reinstatement spend undertaken to date. At the time of writing a further \$20m of short term debt had been borrowed to meet ongoing cashflow requirements, due to the accelerated spend due to the Cyclone. The graph above shows the level of cover that is in place for the \$272m debt in order to manage the risk of increasing cost of funds. Council is compliant with Treasury policy.





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Thursday, 11 May 2023

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Item 8

*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

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Nā:  
From: **Bruce Allan, Deputy Chief Executive**

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Te Take: **Performance & Monitoring Report for the quarter ending 31**  
Subject: **March 2023**

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## **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 nine months ending 31 March 2023.
- 1.2 The Performance and Monitoring Report and appendices are attached as **Attachment 1** and provide a comprehensive overview of Council's activities.

## **2.0 Recommendations - Ngā Tūtohunga**

That the Performance and Monitoring Committee receive the report titled Performance & Monitoring Report for the quarter ending 31 March 2023 dated 11 May 2023.

### **Attachments:**

<a href="#">1</a>	Performance & Monitoring Report, Quarters 2 & 3 2022-2023	CG-17-4-00009	Attachment Vol 2
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# HASTINGS DISTRICT COUNCIL

## PERFORMANCE AND MONITORING COMMITTEE MEETING

THURSDAY, 11 MAY 2023

Item 11

### RECOMMENDATION TO EXCLUDE THE PUBLIC

#### SECTION 48, LOCAL GOVERNMENT OFFICIAL INFORMATION AND MEETINGS ACT 1987

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

#### 12 Update Report on Workloads in the Building Consent Area

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

<i>GENERAL SUBJECT OF EACH MATTER TO BE CONSIDERED</i>	<i>REASON FOR PASSING THIS RESOLUTION IN RELATION TO EACH MATTER, AND PARTICULAR INTERESTS PROTECTED</i>	<i>GROUND(S) UNDER SECTION 48(1) FOR THE PASSING OF EACH RESOLUTION</i>
<b>12 Update Report on Workloads in the Building Consent Area</b>	<b>Section 7 (2) (h)</b> The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities. To protect the disclosure of commercially sensitive information of other entities from the public.	<b>Section 48(1)(a)(i)</b> Where the Local Authority is named or specified in the First Schedule to this Act under Section 6 or 7 (except Section 7(2)(f)(i)) of this Act.