



CARTERTON DISTRICT COUNCIL

Summary of the Annual Report for the year ended 30 June 2021

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TE KAUNIHERA-Ā-ROHE O TARATAHI
CARTERTON
DISTRICT COUNCIL

Introduction from the Mayor



*Mai i te pae maunga, raro ki te tai
Mai i te awa tonga, raro ki te awa raki
Tēnei te hapori awahi ai e Taratahi.
Whano whano, haramai te toki
Haumi ē, hui ē, tāiki ē!*

*From the peaks of our mountains, down to the coast
From Waiohine to the South, down to Waingawa to the North
This is our community; embraced by Taratahi.
It binds us, strengthens us, and we move forward together.*

The 2020/21 year brought a new set of challenges, but this was something we were prepared for as a community after the 2019/20 year. It would be amiss of me not to mention the fantastic response Carterton once again showed in the face of another COVID-19 lockdown. I know that the restrictions we have faced under varying alert levels have brought extra stress to families and businesses. I'm encouraged by our community's resilience and willingness to do what's best for the greater good.

Lockdowns also put extra pressure on councils as we have staff taking on extra work and working on roles they wouldn't normally. This includes working for the Wairarapa Emergency Operations Centre to help with the region's Civil Defence response to the pandemic. As a council, we were well prepared for this scenario; we knew it would be a matter of 'when', not 'if'. This enabled us to continue to provide the district with essential services during this period.

We also had the added challenge in early 2021 of a series of boil water notices. While this is a situation no council wants to see itself in, I am very proud of the way council staff and my fellow elected members responded. We acted quickly and made tough decisions that may not have been popular but ensured the safety of our community. The process has highlighted some areas of improvement which the council has already implemented and has seen us fast track some of our infrastructure projects to help prevent a reoccurrence.

We finalised our Ten Year-Plan for the 2021 – 31 period in June. This saw an incredible amount of work put in by staff and councillors over an 18-month period, with most of the work being done in-house. The draft plan was put together after talking to our community to find out what they wanted the council to focus on and any new projects the council should be doing. We received feedback from urban residents, rural residents, members of Hurunui-o-rangi marae, community groups, rangatahi, tamariki and our older residents. We also received 715 ideas on our "Big Jar of Ideas" which was a great way to get a sense of what our community needed prior to consulting on our three new projects – Town centre parking, Five Towns Trail Project and the Town Centre Redevelopment. It was fantastic to get this plan in place which sets out the direction for the coming 10 years.

The 2020/21 year also indicated the coming changes for local government in New Zealand with three main workstreams getting underway – the three waters reform, a reform of the Resource Management Act and a general review of local government. These reforms will have a significant impact on councils, and our district as a whole. Work in these areas will continue in the upcoming year, and we will continue to take our communities with us on this journey.

I am very pleased with the results presented in this Annual Report. It is a great reflection of another year of commitment to the Carterton community from your council – something we look forward to delivering again in the upcoming year.



Greg Lang
Mayor

Chief Executive's report



Tēnā koutou

Having only joined Council in August, it's been exciting to take a fresh look at what we do for our communities. One of the areas I quickly noticed was how dedicated the staff were. Whether it was keeping our parks, gardens and facilities in top shape and looking outstanding, keeping the water running and the roading network maintained, or returning lost pets to their owners, Council staff do it with a smile and keen sense of pride. I believe the quality of its contents of our Annual Report is a great reflection of our staff's dedication and hard work.

Carterton District Council definitely had its fair share of obstacles to overcome in the 2020/21 year. Changes to key staff, a by-election, a long-term plan adoption, responding to the low-level E. coli readings in our urban water supply, navigating a sea of often conflicting information on Three Waters Reforms, followed by another Level 4 lockdown. Looking back there are aspects of the year that we wish didn't occur, and we are working hard to find and fix problem areas of our infrastructure while continuing our network upgrade programmes.

Other areas we can be very proud of for a small Council. The Elected Members understanding of the complex and fundamental changes being proposed by government on Three Water Reforms is worthy of note. Long hours were spent by the Mayor, Councillors and staff in meetings, online and in workshops, both internally and with Department of Internal Affairs, Local Government NZ, other NZ Councils, Wellington Leadership Group and even Australian Water entities. This heavy workload was reflected in the response we gave government on the proposed reforms. Ultimately it is unclear based on what we have seen to date, if our ratepayers and communities would be better or worse off through the reforms. Now the path forward has been mandated by the government, we will work hard to ensure a smooth transition for Ratepayers, while continuing to push for a strong local voice, appropriate representation, fair economic regulation, and a long-term future for our affected staff.

I have joined Council during a very uncertain and turbulent time. Change is coming for councils across New Zealand, there's no doubt about that. Whether it is Three Waters Reform, RMA / Natural Built Environment changes, The Future of Local Government or nationwide staff shortages, Council will need to change and adapt to this new environment. The challenge for small councils like ours is ensuring our voice is heard and the needs of both our urban and rural communities are met. But with change comes both challenges and opportunities and I see my role here as guiding our council and community through these changes to the best of my abilities.

Finally, I would like to acknowledge and thank all our staff, Elected Members, Mana Whenua and Community Advisory Groups for the commitment they have shown to Carterton and the Council during the past year. I am pleased to have joined such an outstanding team.

Ngā manaakitanga / Kind regards



Geoff Hamilton
Chief Executive

Measuring progress against performance measures

The Annual Plan 2020/21 included, for each significant activity undertaken by the Council, a number of performance measures. Here are some highlights showing how the Council performed against targets during the year ended 30 June 2021.

Governance

- Of the six performance measures assessed, four were achieved.
- The Annual Report was adopted on 17 November 2021 within the statutory deadline (31 December 2021), with an unmodified audit report.
- 100 per cent of agendas for scheduled meetings of Council were available at least three days before the meeting, exceeding the target of at least 90 per cent.

Community support

- Of the five performance measures assessed, four were achieved.
- Bookings for use of the facilities at the Events Centre during 2021 were 31% higher than the prior year. Bookings in 2020 were impacted by Covid-19 measures.
- In the residents' survey undertaken in 2021, 93 per cent of those respondents who had visited the library in the last twelve months¹, rated their satisfaction in the range of 7–10, exceeding the target of 75 per cent.
- In the same survey undertaken in 2021, 87 per cent of those respondents who had visited a council-maintained park or reserve in the last twelve months rated their satisfaction in the range of 7–10, exceeding the target of 75 per cent.

Regulatory and planning

- Of the five performance measures evaluated, three were achieved.
- 386 PIMs and building consents, 178 LIMs, and 58 resource consents were processed during the year. Of these, all but 28 building consents and 3 resource consents were processed within the statutory timeframe.
- 100 per cent of known food premises and liquor outlets in the district have been monitored, ensuring current licensing and registration adherence.

Roads and footpaths

- Of the 11 performance measures evaluated, five were achieved.
- Average quality of ride on the sealed road network was rated at 98 per cent, exceeding the target of 90 per cent.
- 3.5 per cent or 10.3 kilometres of the 294 kilometres of sealed roads in the district were resurfaced, not achieving the target of 5 per cent.
- Some measures were not achieved due to the contractor being unable to programme the repairs within the timeframe. The Ruamāhanga Roads contract has provisions in place for closer programming and management of service delivery.

Sewerage and the disposal of treated sewage

- Of the nine performance measures evaluated, all nine were achieved.
- Of 26 reported sewerage system faults, all but six were resolved within the target of four hours of notification. The median response time was 33 minutes, and the median resolution time was 2 hours 17 minutes.
- There were 3 dry weather sewage overflows in the reticulation network during the year.
- In the residents' survey undertaken in 2021, 75 per cent of respondents who had used the town's sewerage system in the last twelve months rated their satisfaction in the range of 7-10, matching the target of 75 per cent.

Storm water

- Of the nine performance measures evaluated, eight were achieved.
- There were no flooding events reported during the year. A flooding event is where a residential or commercial floor-space is flooded.
- 5 service faults with the stormwater system were reported during the year, being a rate of 1.83 requests per 1000 connections.
- All resource consent conditions were complied with during the year.

Waste management

- Of the two performance measures evaluated, none were achieved.
- In the residents' survey undertaken in 2021, 70 per cent of respondents rated their satisfaction with waste management services in the range of 7-10, in comparison with a target of 75 per cent.

¹ Annual Residents Survey, Muirton Research, April 2021

- Full compliance with resource consent conditions was not achieved, with one instance of non-compliance where ground water sampling from the closed landfill was found to exceed guideline parameters. This is a legacy issue, reflecting past use of the landfill site for the irrigation of wastewater.

Water supply

- Of the 11 performance measures evaluated, eight were achieved.
- Non-compliance issues arose in relation to Parts 4 and 5 of the NZ Drinking Water Standards. These were resolved through improved equipment and telemetry; however, 12 months of compliance must be recorded before the relevant performance measures are achieved.
- Average water consumption per resident serviced by water supply was 399.58 litres per day (including water losses), less than the target of 400 litres per day.
- In the residents' survey undertaken in 2021, 49 per cent of respondents connected to urban water supply rated their satisfaction with household water supply services in the range of 7-10, in comparison with a target of 75 per cent.

Covid-19 Impacts

- During August and September 2020 and February and March 2021, Carterton District moved into Alert Level 2 along with other parts of the country. In all other parts of the year, Carterton District remained in Alert Level 1.
- At Alert Level 2, the Council enforced stronger social distancing practices and noted lowered patronage at community facilities such as the library. There were no disruptions to infrastructure servicing. This did not materially affect the amount of user charges collected during the year.
- At Alert Level 1, the Council continued to run business as usual.

Summary financial statements

The specific disclosures included in these summary financial statements have been extracted from the full financial statements adopted by the Council on 17 November 2021.

The full financial statements of the Council were prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and in accordance with the PBE (public benefit entity) standards for a Tier 2 entity.

The summary financial statements comply with the PBE Standard Reduced Disclosure Regime as they relate to summary financial statements. They are presented in New Zealand dollars and all values are rounded to the nearest dollar.

- The Summary Statements of Financial Performance, Comprehensive Revenue and Expense, and Changes in Equity present the financial performance and equity movements of the Council. These statements summarise operating income and expenditure as well as other financial transactions that have impacted on the Council's net equity.
- The Summary Statement of Financial Position presents the assets we own and the liabilities we owe to other parties.
- The Summary Statement of Cashflows shows how we generated and used cash.

Summary Statement of Financial Performance for the year ended 30 June 2021

Actual 30-Jun-2020 \$		Actual 30-Jun-2021 \$	Budget 30-Jun-2021 \$
	Revenue		
13,747,597	- rates	14,268,478	14,069,756
1,811,369	- fees and charges	1,781,611	1,235,700
1,873,821	- NZTA subsidy	1,837,541	1,850,000
2,016,391	- other revenue	2,935,634	1,017,247
<u>19,449,178</u>	Total revenue	<u>20,823,264</u>	<u>18,172,703</u>
	Expenditure		
691,904	Governance	679,156	754,283
4,151,159	Roads and footpaths	4,661,465	4,240,303
2,398,093	Water supply	2,647,125	2,845,004
2,367,248	Sewerage	2,534,754	2,720,569
261,793	Stormwater	247,842	281,272
978,178	Waste management	979,864	1,133,551
4,092,337	Community support	4,898,022	4,706,469
1,944,588	Regulatory and planning	1,878,888	1,470,113
-2,269	Other expenses	1,631	40,000
<u>16,883,031</u>	Total expenditure	<u>18,528,746</u>	<u>18,191,564</u>
30,295	Other gains/(losses)	46,700	-
<u>2,596,442</u>	Surplus/(deficit) before tax	<u>2,341,219</u>	<u>(18,861)</u>
-	Income tax expense	-	-
<u>2,596,442</u>	Surplus/(deficit) after tax	<u>2,341,219</u>	<u>(18,861)</u>
	<i>Note: Operating expenditure included:</i>		
4,170,843	- depreciation and amortisation	4,879,997	4,683,427
341,309	- finance costs (interest)	257,633	659,282
4,505,877	- personnel costs	4,845,093	4,550,137

Summary Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2021

Actual 30-Jun-2020 \$		Actual 30-Jun-2021 \$	Budget 30-Jun-2021 \$
2,596,442	Surplus/(deficit) after tax	2,341,219	(18,861)
-	Adjustment for reversed retentions	201,561	-
10,687,017	Gain on property plant & equipment revaluation	13,536,935	1,331,430
2,225	Financial assets at fair value through other comprehensive revenue and expense	726	-
13,285,684	Total comprehensive revenue and expense	16,080,440	1,312,569

Summary Statement of Changes in Equity for the year ended 30 June 2021

Actual 30-Jun-2020 \$		Actual 30-Jun-2021 \$	Budget 30-Jun-2021 \$
208,481,307	Equity at start of year	221,766,991	223,515,862
13,285,684	Total comprehensive revenue and expense	16,080,440	1,312,569
221,766,991	Equity at end of year	237,847,431	224,828,431
	Components of equity at end of year		
118,614,762	Public equity	119,622,218	124,049,742
4,406,533	Restricted reserves	5,400,313	4,818,721
6,495,130	Other reserves	7,036,674	4,068,985
92,250,566	Revaluation reserves	105,788,227	91,890,983
221,766,991	Equity at end of year	237,847,431	224,828,431

Summary Statement of Financial Position as at 30 June 2021

Actual 30-Jun-2020 \$		Actual 30-Jun-2021 \$	Budget 30-Jun-2021 \$
11,253,542	Current assets	10,641,184	11,060,914
221,121,475	Non-current assets	237,547,219	233,845,312
232,375,017	Total assets	248,188,403	244,906,226
3,374,720	Current liabilities	3,509,861	3,318,986
7,233,306	Non-current liabilities	6,831,111	16,758,809
10,608,026	Total liabilities	10,340,972	20,077,795
221,766,991	Net assets/equity	237,847,431	224,828,431

Summary Statement of Cash-flows for the year ended 30 June 2021

Actual 30-Jun-2020 \$		Actual 30-Jun-2021 \$	Budget 30-Jun-2021 \$
6,437,686	Net cash flow from:		
(5,037,916)	- operating activities	8,379,166	1,868,238
(441,650)	- investing activities	(9,099,401)	(5,646,611)
958,120	- financing activities	(657,069)	2,888,410
	Net cash flows for the year	(1,377,303)	(889,963)
2,424,411	Add cash at start of year	3,382,531	1,961,052
3,382,531	Balance at end of year	2,005,228	1,071,089
	Represented by		
3,382,531	Cash, cash equivalents, and bank overdrafts	2,005,228	1,071,088
3,382,531		2,005,228	1,071,088

Events after balance date

There have been four events after 30 June 2021 that require disclosure within the financial statements. These events are:

- The Council refinanced all external borrowing (\$7.2 million at 30 June) in July 2021. Borrowings were previously with BNZ and were refinanced through LGFA to take advantage of low interest rates offered through LGFA.
- On 18 August 2021 New Zealand went into Alert Level 4 lockdown as a result of Covid-19 in the Auckland community. Carterton District moved to Alert Level 3 lockdown on 1 September 2021, then Alert Level 2 on 8 September 2021. During Alert Levels 3 and 4, Council provides essential services only. Under Alert Level 2, there are stronger social distancing practices and lowered patronage at community facilities such as the library. Overall, the changes in Alert Levels did not significantly impact user charges collected.
- On 3 September 2021 Wairarapa Water Ltd (WWL) announced development of the Wakamoekau Community Water Storage Scheme had ceased, due to resource consent issues. Council had included a \$400,000 loan in the 2021-2031 Ten Year Plan to WWL for the scheme. This loan has not been drawn down.
- In September 2021 Central Hawkes Bay Earthmovers Ltd (CHB) and Council entered into independent mediation to finalise extension of times claims relating to the Wastewater Treatment Pond upgrade project. Neither the CHB claimed extension of time estimates (Council cost), nor any completion delay penalties (Council revenue) have been included in the 2021 financial statements due to the level of uncertainty at this time.

Three Waters Reform

In July 2020, the Government launched the Three Waters Reform Programme – a three-year programme to reform local government three waters service delivery arrangements. Currently 67 different councils own and operate the majority of the drinking water, wastewater and stormwater services across New Zealand. The proposed reform programme is being progressed through a partnership-basis approach with the local government sector, alongside iwi/Maori as the Crown's Treaty Partner.

Following the Government announcement on the 27 October 2021 on 3 waters reform, there is increased certainty with the proposal to transfer the three-water delivery and infrastructure from the 67 councils to four Water Service Entities (WSEs). In June 2021, the Government proposed regional boundaries for each entity A, B, C and D, which would manage water assets for the country. Council would belong to WSE 'C', along with 22 other Councils. Based upon the current proposals, the WSE would be independent with a separate Board of Directors and Councils would have no shareholding and no financial interest. At the date of this annual report being approved for issue there is due to this announcement, increased certainty that should the legalisation be enacted, Council will not be responsible for the delivery and infrastructure of three water services from 1 July 2024.

Major variances against budget

Explanations for major variations from the Council's estimated figures in the Annual Plan for 2020/21 are as follows:

Statement of Financial Performance

Overall, the significant increase in the operating surplus in comparison to the Annual Plan reflects the unanticipated economic response arising from the Covid-19 pandemic lockdowns in 2020. This response gave rise to higher than planned levels in infrastructure and other financial contributions and receipts from fees and charges, primarily building consents, from continuing developmental activity within the District. The presence of E.coli within the urban water supply imposed both costs on Council to identify and remedy the cause and constraint on urban residents and businesses. There was continued activity on improving Council services including shared services with other Wairarapa Councils, leading to increased staff levels.

Statement of Other Comprehensive Revenue and Expense

There has been recognition of the small increase in fair value of the Kaipaitangata Forest investment, and the value of cash deposits held by the Community Hall Boards who administer the community facilities in the West Taratahi, Belvedere and Longbush areas within the District. Land and building assets held by Council were this year revalued to reflect current replacement values. The revaluation was positive and increased the asset revaluation reserves accordingly.

Statement of Movements in Equity

The change in retained earnings reflects the current operating surplus for this year and a transfer made to the restricted reserves. The increases in value for the Kaipaitangata Forest and in revaluation reserves for land and building assets held by the Council reflect their revaluation in 2020/21. There has also been a small increase in fair value of cash deposits held by Community Hall Boards and in equities held by Council. The restricted reserves reflect changes in the respective holdings in the targeted rates reserve, Council's depreciation reserves used to support capital expenditure and the special reserves administered by the Council.

Statement of Financial Position

The overall position of the Council is that it is currently able to meet commitments having sufficient means to cover current liabilities. The positive economic activity during 2020/21 was also reflected in improved rates and regulatory fees collection leading to receivables at levels significantly below that anticipated in the Annual Plan. Improved cash flows over recent years have enabled internal funding of property, plant and equipment, limiting any increase in external debt.

Statement of Cashflows

Council has been able in the current year to use positive operating cash flows from income exceeding operating expense to internally fund the investment in property, plant and equipment, increase internal reserves as well as reduce external debt.

Audit report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Carterton District Council's summary of the annual report for the year ended 30 June 2021

The summary of the annual report was derived from the annual report of the Carterton District Council (the District Council) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 4 to 9:

- the summary statement of financial position as at 30 June 2021;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2021;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2021 in our auditor's report dated 17 November 2021. Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in note 22 to the financial statements. The Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The impact of these reforms, once legislated, will mean that District Council will no longer deliver three waters services. These matters are addressed on page 8 of the summary financial statements.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our capacity as auditor, we have audited the District Council's 2021-31 long term plan. Other than this engagement, we have no relationship with, or interests in, the District Council.



John Whittal,

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

10 December 2021