



# CARTERTON DISTRICT COUNCIL

Summary of the Annual Report for the  
year ended 30 June 2022

ISSN 1171-7467 (Print)

ISSN 1177-9535 (Online)



Te Kaunihera-ā-Rohe o Taratahi

**CARTERTON**  
DISTRICT COUNCIL

## Summary of the Annual Report

This document is a summary of the Council's annual report for the 2021/22 financial year. The summary outlines the major matters dealt with in the full annual report, which was adopted by the Council on 21 December 2022. This summary was authorised for issue by the Mayor and Chief Executive on 20 January 2023.

This summary has been prepared in accordance with financial reporting standards and has been examined by the Council's auditors for consistency with the full annual report. The auditors expressed an unmodified audit opinion on the Council's full audited statement of service performance, and an unmodified audit opinion on the Council's full audited financial statements and other audited information in their report dated 21 December 2022.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full report. Readers are referred to the annual report if they require more details.

In its full financial statements, the Council has made an explicit and unreserved statement of compliance with PBE Standards Reduced Disclosure Regime.

The full annual report is available from the Carterton District Council Office and Carterton Library, or can be downloaded from the Council's website [www.cdc.govt.nz/reports](http://www.cdc.govt.nz/reports)

## Introduction from the Mayor

Kia ora, nau mai, haere mai ki tēnei putanga o te pūrongo ā-tau.

Hello and welcome to this edition of the Summary Annual Report.

It is an honour and a privilege to be re-elected to lead Carterton Council and I am humbled to be able to present this Summary Annual Report for the year ended 30 June 2022.

It would be fair to say that looking back over FY21/22 that it was impacted on and influenced by activities that overlapped from FY20/21.

The farewell of our previous CE in May 21, the appointment of an interim CE between May 21 and August 21 and finally the appointment of our current CEO Geoff Hamilton, brought challenges and change. Changes which were also reflected amongst the Executive Leadership Team as new senior managers were appointed.

All of this at a time when council was required to review and consult on its Long Term Plan and from that, produce a FY22/23 budget. For an incoming CE having to quickly come to terms with the legacy issues left by previous management, offer solutions to Council and implement the necessary plan changes was not an insignificant task. If that wasn't enough, the new CE had to swiftly get to grips with the plethora of challenges confronting Council from central government in order to advise Council as to the implications going forward and how Council might respond. Then there was the small issue of the Oct 22 Local Body Elections to look forward to and prepare for.

What is clear is that with the changing of the guard there has been a distinct difference in the way in which Carterton District Council has been managed and its performance and our new CEO Geoff Hamilton should be acknowledged for that. The issues that were inherited and which have subsequently arisen have been numerous. Be it the Dog Pound, the Waste Water Reservoir Project or the Clock Tower all have been exercises in lessons learned and I feel confident that internally Carterton District Council at all levels is a much stronger organisation.

Local Government is always challenging and the pressure from Central Government can make that more difficult. But the massive changes wrought upon us in 21/22 now threaten the very existence of small rural councils such as ours. The challenges seem endless and at times it feels like we are being forced to drink from a fire hose of consultation on hefty matters such as the Local Government Review, Three Waters Reforms, the proposed RMA changes, all of which massively increased workloads on staff at the same time as we are dealing with climate change, inflation and the ongoing and escalating problems and costs within the supply chain.

The impact of these heavy workstreams for local government across New Zealand should not be underestimated for they consume huge amounts of valuable staff time and if not carefully managed can distract from and adversely affect Council's ability to deliver on its core business of building, maintaining and operating quality infrastructure and delivering essential services in a timely and efficient manner.

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Tena koutou, tena koutou, tena koutou katoa,



Maj (rtd) HW Hon Ron Mark, OSRE (Oman), DSAP (MFO)  
**Mayor**





## Chief Executive's report

Tēnā koutou

I have now been with Council for a year, and what a year it has been. I am proud of how hard the staff have continued to work in an environment of increasing work levels, whether it be service requests for our parks and operations staff, putting on amazing events at the Carterton Events Centre, or providing the information required by the Government for the Three Waters Reforms. The content of our Annual Report, and Summary Annual Report, is a great reflection of our staff's dedication, hard work and commitment to high quality outcomes for our communities.



This year we have made great progress in many areas, including our key capital projects. The upgrade of the Frederick Street Water Treatment plant has progressed well, with the majority of the physical works now complete. This will be a game changer for delivery of water to our urban water network users. Once completed, we anticipate this will provide the ability sufficient capacity to provide for future growth and improve resilience of water supply. The water storage tanks are also nearing completion, which will provide the town with up to 4 million litres of potable water storage, providing further resilience to our water supply network.

The 2021/22 year was earmarked to begin the construction of a new dog impound facility, however increasing construction costs and inflation drove up the cost estimates to deliver this project. As a consequence, we put this on hold while we explored other options. Instead of continuing a build project in Carterton, we have made an agreement in principle to use the other Wairarapa councils' facilities on a 'per night' basis. It is anticipated CDC will not have ownership in either facility; will not determine the level of service; nor contribute towards the capital build costs.

Work on this agreement will continue next year, with one of the two facilities expected to be available mid-2023.

We also made significant progress in our Wastewater Reservoir upgrade project, which was not without its challenges. Council took possession from the contractor in September 2021 after repeated delays and the discovery of extensive damage to the reservoir linings. An independent engineer's report was commissioned to determine the best way to repair the damaged liners. Following this, remedial repairs began in March, and in June 2022 we partially filled Reservoir 1 with ground water to settle the liner fabric and undertake testing on the repairs. We anticipate all three reservoirs will be repaired, tested and available for service by June 2023. Once this is complete, we will be able to determine the liability of the Phase two contractor, and pursue recoveries through our construction contract, and if necessary, the courts.

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 proud to be part of such an outstanding team here in the centre of the beautiful Wairarapa.



Geoff Hamilton  
**Chief Executive**

## Measuring progress against performance measures

The Annual Plan 2021/22 included a number of performance measures for each significant activity. Here are some highlights showing how the Council performed against targets during the year ended 30 June 2022.

### Governance

- Of the eight performance measures assessed, four were achieved.
- The Annual Report was adopted on 21 December 2022 within the statutory deadline (31 December 2022), 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.
- In the residents' survey undertaken in 2022, 91 per cent of those respondents who had visited the library in the last twelve months<sup>1</sup> rated their satisfaction in the range of 7–10, exceeding the target of 75 per cent.
- In the same survey undertaken in 2022, 79 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.
- In the survey of Events Centre hirers conducted during 2021/2022, 100% of event promoters and 100% of community organisations who responded to this question rated their satisfaction in the range of 7–10.

### Regulatory and planning

- Of the five performance measures evaluated, two were achieved.
- 394 PIMs and building consents, 108 LIMs, and 76 resource consents were processed during the year. Of these, all but 1 LIM, 72 building consents and PIMs, and 2 resource consents were processed within the statutory timeframes.
- 100 per cent of known food premises and liquor outlets in the district have been monitored, ensuring current licensing and registration adherence.

### Transportation

- Of the 13 performance measures evaluated, eight were achieved.
- Average quality of ride on the sealed road network was rated at 98 per cent, exceeding the target of 90 per cent.
- 6.6 per cent or 20.7 kilometres of the 311 kilometres of sealed roads in the district were resurfaced, achieving the target of 5 per cent.

### Wastewater

- Of the nine performance measures evaluated, seven were achieved.
- There were five dry weather sewage overflows in the reticulation network during the year.
- In the residents' survey undertaken in 2022, 59 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, not achieving 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.
- 18 complaints on the stormwater system were reported during the year, being a rate of 6.53 complaints per 1000 connections.

### Waste management

- Of the two performance measures evaluated, none were achieved.
- In the residents' survey undertaken in 2022, 69 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.
- 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.

<sup>1</sup> Annual Residents Survey, Muirton Research, April 2022

### **Water supply**

- Of the 12 performance measures evaluated, six were achieved.
- Non-compliance issues arose in relation to Parts 4 and 5 of the NZ Drinking Water Standards.
- Average water consumption per resident serviced by water supply was 398.8 litres per day (including water losses), less than the target of 400 litres per day.
- In the residents' survey undertaken in 2022, 65 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**

- 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.
- In November 2021 the Government moved to a COVID-19 Protection Framework traffic light system, and vaccine passes were introduced. Under the new framework, the Council's library, events centre and swimming pool were only accessible to users with vaccine passes, or a valid exemption. The use of vaccine passes for Council facilities was discontinued in April 2022. The COVID-19 Protection Framework and use of vaccine passes did not significantly impact user charges collected.

## 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 21 December 2022.

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 Standards Reduced Disclosure Regime (RDR).

The summary financial statements comply with the PBE Standards RDR as they relate to summary financial statements. They are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

- 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 2022

	Annual Report 30 June 2021 \$000	Annual Report 30 June 2022 \$000	Annual Plan 30 June 2022 \$000
<b>Revenue</b>			
Rates	14,268	15,175	15,070
Fees and charges	1,782	2,158	1,853
Waka Kotahi (NZTA) subsidy	1,838	2,183	2,360
Other revenue	2,936	5,522	2,139
<b>Total Revenue</b>	<b>20,823</b>	<b>25,039</b>	<b>21,422</b>
<b>Expenditure</b>			
Governance	679	807	915
Transportation	4,661	5,133	4,894
Water Supply	2,647	3,319	3,495
Wastewater	2,535	2,808	3,055
Stormwater	248	335	300
Waste management	980	1,048	1,171
Community support	4,898	5,025	4,762
Regulatory And Planning	1,879	2,211	1,345
Other expenses	2	(62)	40
<b>Total Expenditure</b>	<b>18,529</b>	<b>20,624</b>	<b>19,978</b>
<b>Operating Surplus/(deficit)</b>	<b>2,295</b>	<b>4,415</b>	<b>1,445</b>
Fair value gains/(losses)	47	(233)	-
<b>Surplus/(deficit) before tax</b>	<b>2,341</b>	<b>4,182</b>	<b>1,445</b>
Taxation expense	-	-	-
<b>Surplus/(deficit) after tax</b>	<b>2,341</b>	<b>4,182</b>	<b>1,445</b>
<i>Note: Operating expenditure included:</i>			
Depreciation	4,880	5,704	6,168
Finance costs	258	255	201
Personnel costs	4,845	5,724	4,836

## Summary Statement of Comprehensive Revenue and Expenses for the year ended 30 June 2022

	Annual Report 30 June 2021 \$000	Annual Report 30 June 2022 \$000	Annual Plan 30 June 2022 \$000
<b>Surplus/(deficit) after tax</b>	2,341	4,182	1,445
Adjustment for reversed retentions	202	-	-
Gain on property, plant & equipment revaluation	13,537	29,185	1,989
Financial assets at fair value through other comprehensive revenue and expense	1	1	-
<b>Total other comprehensive revenue and expense</b>	13,739	29,186	1,989
<b>Total comprehensive revenue and expense</b>	16,080	33,368	3,434

## Summary Statement of Changes in Equity for the year ended 30 June 2022

	Annual Report 30 June 2021 \$000	Annual Report 30 June 2022 \$000	Annual Plan 30 June 2022 \$000
<b>Equity at start of year</b>	221,767	237,847	224,907
Total comprehensive revenue and expense	16,080	33,368	3,434
<b>Equity at end of year</b>	237,847	271,216	228,341
<b>Components of equity at end of year</b>			
Public equity	119,622	124,382	124,393
Restricted reserves	5,400	6,367	4,381
Other reserves	7,037	5,493	3,996
Revaluation reserves	105,788	134,974	95,571
<b>Equity at end of year</b>	237,847	271,216	228,341

## Summary Statement of Financial Position as at 30 June 2022

	Annual Report 30 June 2021 \$000	Annual Report 30 June 2022 \$000	Annual Plan 30 June 2022 \$000
<b>Current assets</b>	10,641	18,076	15,282
<b>Non-current assets</b>	237,547	271,924	234,138
<b>Total assets</b>	248,188	290,000	249,421
<b>Current liabilities</b>	3,510	6,763	3,906
<b>Non-current liabilities</b>	6,831	12,021	17,174
<b>Total liabilities</b>	10,341	18,784	21,080
<b>Total equity</b>	237,847	271,216	228,341

## Summary Statement of Cash-flows for the year ended 30 June 2022

	Annual Report 30 June 2021 \$000	Annual Report 30 June 2022 \$000	Annual Plan 30 June 2022 \$000
<b>Net cash flow from:</b>			
- operating activities	8,379	9,090	7,613
- investing activities	(9,099)	(6,711)	(11,090)
- financing activities	(657)	7,504	11,232
<b>Net cash flows for the year</b>	(1,377)	9,883	7,755
Add cash at start of year	3,383	2,005	1,407
<b>Balance at end of year</b>	2,005	11,888	9,163
<b>Represented by</b>			
Cash, cash equivalents, & bank overdrafts	2,005	11,888	9,163



## Events after balance date

There were no significant events after balance date.

## 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/Māori as the Crown's Treaty Partner. Under this plan four new publicly-owned Water Services Entities (WSEs) will run New Zealand's drinking water, wastewater and stormwater services – currently operated by councils on behalf of communities. Council would belong to WSE 'C', along with 22 other Councils.

In October 2021, the Government confirmed that it will introduce legislation to create four publicly owned water entities, and that the group's participation in the proposed reform will be mandatory.

These entities will own and operate drinking water, wastewater and stormwater (three waters) services across New Zealand. The Department of Internal Affairs is tasked with the successful implementation of these reforms, and will work with the local government sector, iwi, water industry and other stakeholders to ensure a smooth transition to the new arrangements.

Subsequently, on 2 June 2022, the government introduced the Water Services Entities Bill in the House of Representatives. After the first reading on 9 June 2022 the Bill was referred to the Finance and Expenditure Committee. The legislation received royal assent from the Governor-General on 14 December 2022.

The Water Services Entities Bill proposes to create four publicly owned water services entities that would take on responsibility for delivering water services to a specific geographical area, from 1 July 2024.

Further clarification of the transition to the new water services entities is expected to be released in legislation in 2023.

Based on the progression of this legislation, it is expected Council will not be responsible for the delivery and infrastructure of three water services from 1 July 2024.

High level guidance has been issued that outlines which assets would transfer to the new entity, however there is not yet enough clarity to be able to quantify the financial impacts on asset values, revenue and associated debt with any certainty.

## Major variances against budget

Explanations for major variations from the Council's estimated figures in the 2021/22 year of the 2021-31 10-Year Plan are as follows:

### Statement of Financial Performance

Overall, the significant increase in the operating surplus in comparison to the Annual Plan reflects the higher than planned development activity in the District. This resulted in increased levels in infrastructure and other financial contributions, and receipts from fees and charges, primarily building consents, also assets vested (infrastructure) by developers.

During the year the development of the Combined District Plan was well underway, income (from the other Wairarapa Councils for their share of the plan) and expenditure was higher than budgeted in recoveries income and regulatory and planning expenditure.

There was continued activity on improving Council services including shared services with other Wairarapa Councils, as well as succession planning in some teams, leading to increased personnel costs.

### **Statement of Other Comprehensive Revenue and Expense**

There have been revaluations of 3 waters, land and building assets, and roading assets that are held by Council this year to reflect current replacement values. The roading and land and building valuations were not planned for this year (were completed due to increases in the fair value of assets) and were therefore not budgeted for in the Annual Plan, which has resulted in the variance in gain on property, plant & equipment revaluation. The revaluation was positive and increased the asset revaluation reserves accordingly.

### **Statement of Movements in Equity**

The increases in value for total comprehensive revenue and expense and asset revaluations gains due to the revaluation of land and building, roading and 3 water assets held by the Council and reflects their revaluation in 2021/22. Council's depreciation reserves were used to support capital expenditure.

### **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. Property, plant and equipment shows a higher than budgeted assets due to the revaluation of the majority of the larger asset base. The lower than budgeted external debt reflected the lower than budgeted capital expenditure for the year, and again the revaluation reserves are higher than budget due to the revaluation of land and buildings and roading assets that was not budgeted for in the 2021/22 year.

### **Statement of Cashflows**

Council has higher than budgeted net cash flows, this reflected some prefunding of capital expenditure that was not completed in this financial year, this also reflected in the lower than planned cash applied to purchase of property plant and equipment.

This cash flow also reflects the repayment of some of councils internal debt with external debt, although the proceeds from borrowings was lower than planned due to some capital projects that did not get underway during the year as anticipated.

## Audit report

### Independent Auditor's Report

#### To the readers of Carterton District Council's summary of the annual report for the year ended 30 June 2022

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 2022.

The summary of the annual report comprises the following summary statements on pages 5 to 10:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of financial performance, statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include other explanatory information; and
- the summary of progress against performance measures.

#### 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 2022 in our auditor's report dated 21 December 2022.

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 20 on page 74 of 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 legislation received royal assent from the Governor-General on 14 December 2022. The impact of these proposed reforms, once legislated, will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities. This matter is addressed on page 9 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 audit and our report on the disclosure requirements, we have carried out engagements in the areas of assurance over compliance with the District Council's Debenture Trust Deed, which are compatible with those independence requirements. Other than this engagement we have no relationship with or interests in the District Council.



Jacques Du Toit  
Audit New Zealand  
On behalf of the Auditor-General  
Wellington, New Zealand  
20 January 2023