

# Annual Report

## Introduction from the Acting Mayor and Chief Executive

**Without doubt the management of drinking water has been a defining issue for Hastings District Council and its residents over the 2016/2017 financial year.**

In August last year the municipal drinking water supply in Havelock North became contaminated, affecting an estimated 5,000 people with campylobacter-related illness. The incident placed residents under severe stress and put Council's drinking water management, infrastructure and the region's aquifers under intense focus, both locally and nationwide.

While the Government Inquiry into the event found the most likely cause was surface water containing sheep faeces contaminating the aquifer through a pond adjacent to the Mangateretere Stream, and from there being drawn into the water supply, the Inquiry found Hastings District Council was not to blame for the contamination. It made clear that Council's processes and arrangements were lacking in some areas and the generally accepted reliance on the aquifer being considered secure and confined and therefore safe was misplaced. For almost the full 12 months of the 2016/17 financial year Council has been heavily involved in reviewing, updating and implementing water testing, water safety measures and emergency response plans; increasing its staffing and organisational capacity, and developing a strategy to upgrade its infrastructure, including instigating treatment on all supplies. The details of that work are expanded on within this Annual Report.

The Council has been clear that safe drinking water is its number one priority. That priority will remain an area of considerable focus for the organisation for the foreseeable future.

The district has also suffered from a significant number of emergency events over the 12 months, including snow storms, a cyclone, a tsunami alert and serious fires. The drain on resources during the three large scale fires in February, preceded by weeks of smaller rural fires, was significant and led to the calling of a local State of Emergency, enabling support resources from across New Zealand to be mobilised.



While one home and hundreds of hectares of forest and pasture were lost to the blazes, the excellent work of the Hastings and visiting rural firefighting teams and support staff can be credited with ensuring there was no greater loss.

Despite those challenges Council delivered a sound financial result, with a \$1.2 million rating surplus. This, together with proceeds from other operations, has allowed Council to allocate money to the urban water supply costs and set money aside to help pay for rural bridge renewals required in the near future.

Council's debt increased to \$60 million by 30 June 2017 due to investment in projects including the Opera House strengthening, Whakatu

Arterial Link, Irongate industrial and Lyndhurst residential developments. Debt remains significantly lower than forecast in the 2015-25 Long Term Plan, however debt is expected to increase in a planned way as these projects continue.

Council's prudent approach to managing debt together with funding from development contributions to pay for growth infrastructure, allows Council the capacity to undertake major projects and respond to changing priorities. Council has in place strong processes for managing treasury and interest rate risk. With continuing sound investment decisions, Council will be well placed to ensure it can meet the challenges that are before it.



*Sandra Hazlehurst*  
Sandra Hazlehurst  
Acting Mayor



*R. McLeod*  
Ross McLeod  
Chief Executive





## Key Initiatives and Projects

### Water

The contamination of the Havelock North drinking water supply in August last year has had a profound effect on the management of Hastings District Council's public water supplies.

The Government Inquiry into the event, which left an estimated 5000 residents suffering from campylobacter-related illness, found the most likely cause was surface water contaminated with sheep faeces getting into the aquifer from a pond adjacent to the Mangateretere Stream.

The findings from testing and the Inquiry has shown the aquifer can no longer be considered safe from surface water contamination, and means our water needs to be treated before it can be considered safe for human consumption. Subsequent tests across the aquifer have also detected 'young' water, which means there are potentially other places where surface water could be impacting on ground water sources.

Since August 2016 Council has:

- chlorinated all of its major drinking water supplies
- closed down two of the Brookvale bores
- installed a treatment plant on the third Brookvale bore which includes filtration, UV treatment and chlorination
- increased the water testing regime to well above that required by the national Drinking Water Standards
- set aside \$12 million as the first part of investment in new water sources, treatment and water network enhancements
- contracted an international water quality expert to advise on and peer review water safety operations and decision making
- joined with the regional council and health authorities to form a Joint Working Group to work on drinking water quality
- revised its Emergency Response and Water Safety plans.

Work is ongoing with further infrastructure improvements set out in a new Water Supply Strategy, adopted by Council in August 2017. The key actions are the investigation and commissioning of a new water source in the wider Tomoana area, the installation of new mains water pipes between Hastings and Havelock North, the permanent closure of the third Brookvale bore, and the installation of UV treatment at all Council bores.

### Emergencies – Fires and Storms

Four major natural events challenged the Hastings District between August 2016 and April 2017. A snowstorm, a tsunami alert, multiple fires, and a cyclone required managed responses from Council's Emergency Operations Management group and maintenance teams.

The most dramatic event occurred in February when wild fires saw firefighters stretched across three very large rural sites in Puketitiri, Raukawa, and Waimarama Road. In Waimarama residents had to be evacuated, one home was lost and there was significant loss of pasture and forestry.

### District Plan

#### Irongate and Omahu Industrial Zones

Developer interest in the Irongate and Omahu industrial areas has continued to grow over the past year, driven by growth in the pip fruit industry increasing the need for packing and cool store facilities. Council has put in water and sewer services in the Irongate zone and has completed planning for services to the Omahu industrial area.

#### Residential Land

The continued supply of residential land was also a priority, with the Howard Street Variation notified in early July 2016 and submissions heard in December 2016. This area of land will supply an estimated 260 new housing sites. Stage 2 of the Lyndhurst development has been brought forward through this period and a proposal to rezone land in Havelock North is underway.

### Whakatu Arterial Link Route

After five years of complex planning the first sod of the Whakatu Arterial Link route was turned in November and physical works got underway. The route has been designed to make the movement of produce from grower to cool store to export more streamlined and to take heavy vehicles off residential streets. The cost of the project is \$25.6 million, with central Government contributing \$17.97 million and ratepayers funding the balance. The expected finish date for the project is the end of 2018.

### Hawke's Bay Opera House Precinct Redevelopment

Built in 1915, the Hawke's Bay Opera House is one of the Southern Hemisphere's most impressive examples of Spanish Mission architecture, and like the neighbouring Municipal Building, carries Heritage One status and is one of our most iconic buildings. Following extensive public consultation last year, the community asked Hastings District Council to strengthen the Opera House Theatre. That work is now underway, with an expected finish date of August 2019.

### Community Plans

To help our diverse communities develop their strengths, Council assists neighbourhoods to come up with community plans. No two communities are the same, which means no two plans are identical – some have priorities around play spaces or encouraging further education, others are focussed on job creation or safety. Over the last year, Council has worked with a number of communities to revamp their existing version or set up a new plan; bringing the total number of plans to 11.





## Parks Enhancement

Adding value to Council's parks has again been a key focus, with facilities and activities introduced to encourage more people across all age ranges to use and enjoy them. The largest project over the financial year was the once-in-a-generation upgrade of the Havelock North Domain – since renamed Havelock North Village Green. The official opening in April attracted thousands, celebrating the very modern and exciting play gear, the moving of the historic cricket pavilion into a central position, and its refurbishment into a community facility.

Other projects included putting in a disc golf course at Flaxmere; building the district's first petanque court and enabling access to a virtual reality game in Frimley Park; putting in new play equipment at Haumoana Playground, and installing a neighbourhood splash pad in Kirkpatrick Park in Camberley.

## Helping Our Young People Find Work

Over the past year, Council's youth employment approach has seen a dedicated team established to help young people into jobs. A range of new initiatives, aimed at assisting Hastings youth into education, skill development, and jobs are making excellent progress - and proving popular with employees and employers.

The Youth Development team provide a range of mentoring and support services, including help with CVs, getting a driver's license and work experience opportunities. The team has built relationships with employers willing to take on young people, an approach that has proven very successful with 15 people placed in jobs in the first six months of 2017. The team also works closely with whanau and employers.

## Camberley Community Centre

It's all about the community at the Camberley Community Centre, with plenty of opportunities for young, old and everyone in between to try new things. A wide array of new programmes and services have started at the centre since the beginning of 2017, aiming to help the people of Camberley learn new skills, get to know each other and to boost connectivity within the community.

Initiatives include a hip hop academy for 5 to 10-year-olds, a leadership programme for intermediate-aged children; a kaumatua gentle exercise class, budgeting advice, computer skills training, flax weaving, cooking on a budget, arts and crafts, a sports registration day, a church group morning tea, Zumba, Green Prescription classes, weight loss weigh-ins and Taiwhenua nurse visits.

## FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 June 2017

Actual Council 2016	Actual Group 2016		Budget Council 2017	Actual Council 2017	Actual Group 2017
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE					
\$'000	\$'000	Notes	\$'000	\$'000	\$'000
109,468	109,586	Total revenue	113,431	126,880	127,277
-	91	Share of associate surplus	-	-	270
100,397	100,574	Expenses	102,106	110,328	110,473
3,392	3,392	Finance costs	4,520	3,519	3,519
<b>5,679</b>	<b>5,711</b>	<b>Surplus before tax</b>	<b>6,805</b>	<b>13,033</b>	<b>13,555</b>
		Income tax expense			
<b>5,679</b>	<b>5,711</b>	<b>Surplus (deficit) after tax</b>	<b>6,805</b>	<b>13,033</b>	<b>13,555</b>
28,779	28,801	Other comprehensive revenue:	59,562	28,909	28,939
<b>34,458</b>	<b>34,512</b>	<b>Total comprehensive revenue and expense</b>	<b>66,367</b>	<b>41,942</b>	<b>42,494</b>
<b>Surplus (deficit) attributable to:</b>					
5,679	5,711	Hastings District Council	6,805	13,033	13,555
<b>Total comprehensive revenue and expense attributable to:</b>					
34,458	34,512	Hastings District Council	66,367	41,942	42,494
<b>34,458</b>	<b>34,512</b>	<b>Total comprehensive revenue and expenses</b>	<b>66,367</b>	<b>41,942</b>	<b>42,494</b>

### The major reasons for the variance between actual and budgeted surplus on operations were:

- (i) Total income is higher than budget due to increased NZTA subsidies, Development Contributions, increased revenue at Landfill along with unbudgeted rural fire recoveries.
- (ii) Expenses are higher than budget mainly due to increased water supply costs and responding to the Havelock North water supply contamination incident. Additional expenditure was also incurred in responding to the February 2017 wild fires.
- (iii) Finance costs are lower than budget as a consequence of lower debt levels and favourable interest rates.
- (iv) Budgeted other comprehensive income is higher than actuals due to lower than expected infrastructural revaluations.

STATEMENT OF CHANGES IN EQUITY						
\$'000	\$'000	Notes	Notes	\$'000	\$'000	\$'000
1,768,028	1,773,883	Balance at 1 July		1,704,461	1,802,486	1,808,395
5,679	5,711	Surplus/ (deficit) for the year		6,805	13,033	13,555
28,779	28,801	Other comprehensive revenue and expense for the year		59,562	28,909	28,939
34,458	34,512	Total comprehensive revenue and expense		66,367	41,942	42,494
<b>1,802,486</b>	<b>1,808,395</b>	<b>Total equity</b>		<b>1,770,828</b>	<b>1,844,428</b>	<b>1,850,889</b>
<b>Total equity is made up of</b>						
1,206,838	1,210,534	Accumulated funds		1,213,261	1,219,951	1,224,259
3,250	3,250	Restricted Reserves		3,210	3,169	3,169
592,398	594,611	Revaluation Reserves		554,357	621,308	623,460
<b>1,802,486</b>	<b>1,808,395</b>	<b>Total equity</b>		<b>1,770,828</b>	<b>1,844,428</b>	<b>1,850,889</b>

STATEMENT OF FINANCIAL POSITION						
\$'000	\$'000		\$'000	\$'000	\$'000	
17,903	18,336	Current assets	10,398	19,787	20,641	
1,862,388	1,867,960	Non current assets	1,879,671	1,913,401	1,919,328	
<b>1,880,291</b>	<b>1,886,296</b>	<b>Total assets</b>	<b>1,890,070</b>	<b>1,933,188</b>	<b>1,939,969</b>	
17,717	17,813	Current liabilities	(i) 26,040	21,392	21,711	
60,088	60,088	Non current liabilities	(i) 93,202	67,369	67,369	
77,805	77,901	Total liabilities	119,242	88,761	89,080	
<b>1,802,486</b>	<b>1,808,395</b>	<b>Net assets (assets minus liabilities)</b>	<b>1,770,828</b>	<b>1,844,428</b>	<b>1,850,889</b>	
1,802,486	1,808,395	Equity	1,770,828	1,844,428	1,850,889	
<b>1,802,486</b>	<b>1,808,395</b>	<b>Total equity</b>	<b>1,770,828</b>	<b>1,844,428</b>	<b>1,850,889</b>	

### The major reasons for the variance between actual and budgeted balances at 30 June 2017 were:

- (i) Secured loans levels were lower than budgeted at the end of the financial year due to projects not progressing as budgeted.

STATEMENT OF CASH FLOWS					
\$'000	\$'000		\$'000	\$'000	\$'000
43,078	43,016	Net cash flows from operating activities	36,060	40,052	40,235
(38,365)	(38,420)	Net cash flows to investing activities	(70,135)	(53,423)	(53,453)
(10,000)	(10,000)	Net cash flows from financing activities	34,075	10,000	10,000
<b>(5,287)</b>	<b>(5,404)</b>	<b>Net increase (decrease) in cash held</b>	<b>-</b>	<b>(3,371)</b>	<b>(3,219)</b>
16,041	16,356	Add cash at start of year	1,265	10,754	10,952
<b>10,754</b>	<b>10,952</b>	<b>Cash at end of year</b>	<b>1,265</b>	<b>7,383</b>	<b>7,734</b>

### Notes to Financial Statements

Part 6 s 98 of the Local Government Act 2002 requires Council to make publicly available a summary of the information contained in its Annual Report. The specific disclosures included in the summary financial report have been extracted from the full financial report adopted by Council on 26 October 2017. This summary has been prepared in accordance with FRS-43: Summary Financial Statements. The figures are presented in NZ dollars rounded to \$000's. The summary financial report cannot be expected to provide as complete an understanding as provided by the full financial report. The full financial report was authorised for issue by the Mayor and Chief Executive on 26 October 2017 and has received an unmodified audit report. A full copy of the financial report may be obtained from Council's offices, public libraries and the website [www.hastingsdc.govt.nz](http://www.hastingsdc.govt.nz) This summary financial report has been examined by the auditor for consistency with the full financial report. An unmodified auditor's report is included with this summary. The Council has complied with PBE standards tier 1 reporting as applicable for public benefit entities. The information contained in this summary financial statements and full financial statements is prepared in accordance with all measurements and recognition requirements under NZ GAAP.

### Post Balance Date Events

There has not been any significant post balance date events.

# Summary Performance

The information below is a quick look at some of the key non-financial performance targets in the Council 2015-2025 Long Term Plan and Council's achievements at the end of Year Two.

## Key Actions

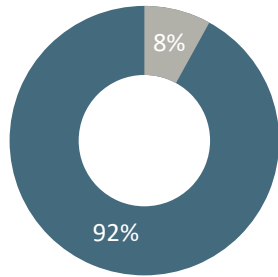
There are 26 key actions contained within the Long Term Plan 2015-2025. All actions are on track or completed.

## Levels of Service and Customer Experience

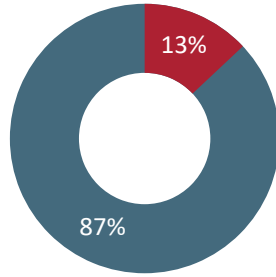
There are 79 measures focused on the annual promises made to the community. They relate both to the things Council provides (Levels of Service) and to how the customer interacts with Council's services (Customer Experience). The aim of Council is to fully achieve/substantially achieve these. For reporting purposes we group our activities into groups as outlined in the table below.

### Levels of service (70 measures)

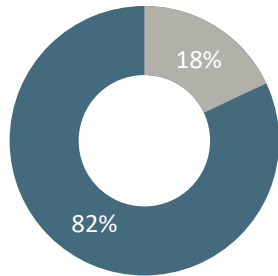
**Safe, Healthy & Liveable Communities**  
25 Measures  
(note ii)



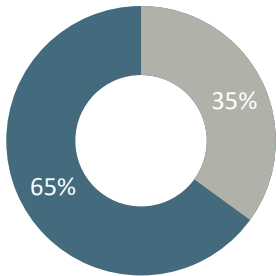
**Governance & Support Services**  
8 Measures  
(note iv)



**Economic & Community Development**  
11 Measures  
(note iii)



**Water & Roads**  
21 Measures  
(note i)



Key: ■ Fully achieved ■ Substantially achieved (98.5%-99%) ■ Not achieved

### Notes:

- i. The Havelock North water contamination event of August 2016 and new information reclassifying other supplies resulted in non-compliance to elements of the Drinking Water Standards. This event accounts for a number of the "not achieved" measures in terms of complaints, water loss and restoration of service. Water loss was not measured in 2016/17 and is planned for 2018

#### NZ drinking water bacteria standards (Part 4)

During the 2016/17 year the percentage of the population receiving compliant water under part 4 of the NZDWS was only 28%. Results from testing undertaken by ARL laboratory during the period 22/8/2016 to 2/1/2017 (including some 1325 samples) could not be used for compliance testing due to an ARL Laboratory protocol failure which impacted on this result. For the remainder of the compliance year, the zones affected by this (Bridge Pa, Flaxmere, Hastings East, West & Central) were bacteriologically compliant

#### Protozoa compliance criteria (Part 5)

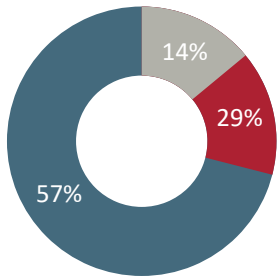
The contamination event and new water age testing resulted in the previous status of the drinking water wells being reclassified. Under the new classification this now requires additional treatment to meet this criteria.

Given the changes the level of compliance for 2016/17 with part 5 is now only 1.3% (on a population served basis). With works already completed this is now 27% with the remaining works to achieve full compliance underway.

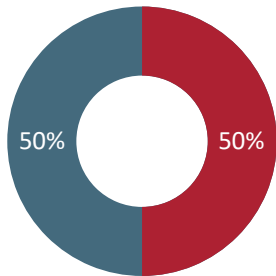
- ii. The National Rural Fire Authority did not undertake a Rural Fire Audit in 2016/17 and the level of service measure in relation to the Opera House is not applicable at this time due to the closure of the Theatre and Municipal Buildings.
- iii. The level of service measure in relation to the Opera House is not applicable at this time due to the closure of the Theatre and Municipal Buildings.
- iv. Performance against two public perception measures is yet to be obtained and is not intended to be reported annually. This will take place in the new term of Council.

### Customer experience (9 measures)

**Safe, Healthy & Liveable Communities**  
7 Measures



**Governance & Support Services**  
2 Measures



Key: ■ Fully achieved ■ Substantially achieved (98.5%-99%) ■ Not achieved

## Your Contact with Council

Making it easy to do business and speak with Council is a key priority. Council uses a 'mystery shopper' programme to identify how we are performing and to identify areas of improvement, across both our contact centre (phone enquiries) and our customer service centre at the Council offices.

The standards are set high and staff are expected to go the extra mile for customers. The minimum target is set at 80% with anything above 90% considered exceptional.

The findings are analysed to identify improvement areas for both individuals and the teams as a whole.

## 2016/17 Mystery Shopper Results

### Customer Service Centre

The assessment focuses on the surroundings in the centre, staff interaction with the customer and subject knowledge.

<b>Customer Service Centre Performance – Overall Average</b>	<b>93.6%</b>
Property Enquiry with Rates Payment Options	99.0%
LIM Application Enquiry	96.0%
Dog Registration	83.5%
<b>Contact Centre Performance</b>	<b>82.0%</b>

## Independent Auditor's Report

### To the readers of the Hastings District Council's summary of the annual report for the year ended 30 June 2017

The summary of the annual report was derived from the annual report of the Hastings District Council (the District Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 3 to 4:

- the summary statement of financial position as at 30 June 2017;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- the notes to the summary financial statements that include other explanatory information; and
- the summary 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 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 2017 in our auditor's report dated 26 October 2017.

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 reporting on the summary annual report, we have reported on the full annual report, and carried out a Limited Independent Assurance Engagement in relation to the District Council's Debenture Trust Deed. Other than this reporting and this engagement, we have no relationship with, or interests in, the District Council or its subsidiaries and controlled entities.

**Stephen Lucy, Audit New Zealand**  
On behalf of the Auditor-General  
Wellington, New Zealand  
26 October 2017