



2020/2021 Annual Report Summary

Welcome from the Mayor and the Chief Executive

Hastings is on a roll and we are proud to present the 2020/2021 Annual Report.

Despite the challenges of COVID-19, our council and community have worked together this year to continue building a proud, positive and sustainable district.

Our district has performed well over the last year, with record levels of spending, and with hard work a significant amount of Central Government funding was secured to build roads, housing, pool facilities, water infrastructure, cycleways and to upgrade rural halls and marae and more.

Key priorities this year were our ongoing efforts to deliver a safe and resilient drinking water supply and working to provide homes for our people.

Our drinking water strategy milestones included three of eight small community treatment and storage facility upgrades completed, and building started on another three, and work got underway on water storage and treatment at Frimley, and on the corner of Southampton St East and Hastings St South.

Across our district, there's a huge amount of construction activity as we all work to bring a variety of houses to the market as soon as possible.

Through our Hastings Place Based Housing Plan – a combined effort from council, government agencies, mana whenua, private developers and community support groups – we are working to address the housing needs in our community.

Along with the re-opening of Toitōi – Hawke's Bay Arts and Events Centre, work continued on the strengthening and redevelopment of the Municipal Building, and our city centre upgrades continued at pace.

We know Hastings is beautiful and now the nation knows it too, with our winning the 2020 Keep NZ Beautiful Large Town Award, and the Supreme Award, and we were named a finalist in the 2021 Awards.

Council's efforts were also recognised in other areas over the year, receiving national awards for our Hastings Place Based Housing Plan, Mahi for Youth programme, the Toitōi – Hawke's Bay Arts and Events Centre renovation and our parks.

We would like to acknowledge all of our staff at the Council for their continuing commitment and hard work through another very busy year. Together with our elected members, we are all striving to make Hastings the best it can be, both now and for the future.



Sandra Hazlehurst
Mayor
Hastings District Council
28 October 2021



To'osavili Nigel Bickle
Chief Executive
Hastings District Council
28 October 2021



Key Initiatives and Projects



Relaxing in Our Reserves

In recognition of the community and council's sustainable practices and environmental excellence, Hastings took out the Most Beautiful Large Town and was named the Supreme Winner of the Keep New Zealand Beautiful Awards 2020.

In addition, Flaxmere Park named New Zealand's Active Park of the Year in Recreation Aotearoa's 2020 NZ Park Awards and was a finalist for this award in 2021.

Flaxmere Park was also one of three HDC parks to be recognised under the Green Flag Awards, alongside Cornwall Park and the Havelock North Village Green.

At Ebbett Park a new playground and toilet block was opened and at Tauroa Reserve work began on a boardwalk to improve safety for people cycling and walking.

Community consultation began on two new 10-year Reserve Management Plans for Eskdale Park and Frimley Park, and feedback was sought for a review of the current Tainui, Tanner, Tauroa and Hikanui Reserves Management Plan, with a focus on cycling and walking tracks.

Range of Housing Options Being Delivered

This was the second year of Council's Hastings Place Based Housing Plan with its central government, iwi and community provider partners, and a follow-up medium to long-term housing strategy has been produced.

In Flaxmere, with government funding support, lots for 17 first-homes and 18 public homes were brought to market – work also began designing roading and water infrastructure to facilitate about 150 houses on council-owned land at 244 Flaxmere Ave, part of the Flaxmere Town Centre and 72 Caernarvon Drive.

Work continued freeing up appropriate land for greenfield residential subdivisions and infill development and a change in the district plan enabled RSE accommodation to be built in the Ōmāhu and Irongate industrial zones.



The Hastings Place Based Housing Plan earned Hastings District Council a BERL Award for Collaborative Government Action at the Taituarā – Local Government Professionals Aotearoa Awards.



City Centre Revitalisation

The transformation of the city centre continued this year as part of the City Centre Revitalisation Plan.

Landmarks Square was upgraded and beautified and work continued on upgrades to Heretaunga St East with raised and widened pedestrian paving areas, planter boxes and outdoor furniture.

Planting and footpath work to upgrade Karamū Rd was completed, and the Warren St carpark was transformed into an outdoor dining zone, that quickly proved popular, even in the cooler months.

A street upgrade on Queen St East, between Karamū Rd and Warren St, was also completed.



City Centre Cultural Precinct

Toitū – Hawke's Bay Arts and Events Centre re-opened after the COVID-19 lockdown to play host to numerous events and performances.

The Hawke's Bay Opera House was named the heritage category winner in the New Zealand Architecture Awards for its stunning restoration. It also won the Resene Total Colour Heritage Commercial Award and the Resene Total Colour – Colour Master Nightingale Colour Maestro Award.

The Municipal Building project is well underway and earlier this year the call went out for tenants, ahead of its expected opening early to mid-2022.

Also this year, work began on the new 34-room Quest Apartment Hotel being built behind the Municipal Building and Opera Kitchen café.

Hastings District and Napier City Councils bought the building at 307 Queen St East to develop into a purpose-built storage and research facility for the region's museum collection, supported by Lottery funding.

Water and Waste

Significant progress has been made to deliver our Drinking Water Strategy this year with three of eight small community treatment and storage facility upgrades completed, and building started on another three.

Work got underway on water storage and treatment at Frimley and on the corner of Southampton St East and Hastings St South.

All this work was programmed for completion in late 2021/early 2022.

A year since the introduction of our new kerbside rubbish and recycling collection contracts, our residents have been working with us to ensure the service is efficient and effective.



Council's waste minimisation team has been busy over the past 12 months producing resources and providing guidance on how to divert waste from landfill.

COVID-19 Response

Supporting our community to recover from the COVID-19 lockdowns was a key focus this year.

Two Pick the Bay employment expos were held to showcase job opportunities and career pathways in the horticulture and viticulture sectors, and similar events were run for the hospitality and construction sectors.

Council secured \$9.3m in shovel-ready funding from the government to undertake roading projects across the district, where contractors employed local people through the Jobs for Heretaunga scheme jointly operated by Council and MSD.

This year Council helped secure \$290,394 in Provincial Growth Fund investment to maintain and renovate seven of the district's halls, and \$9.6m to renovate up to 51 marae in Heretaunga and Ahuriri.

Funds and plans were established to support the arts sector and our urban centres of Flaxmere, Havelock North and Hastings, as well as other local businesses through the pilot Hawke's Bay Business Hub in Hastings.

On top of COVID-19, our district's farmers faced a devastating drought in the summer of 2019/20 and Council contributed \$200,000 to a mayoral drought relief fund to support the farming sector.

Summary Financial Statements for the Year Ended 30 June 2021

Summary Statement of Comprehensive Revenue and Expense

Actual Council 2020 \$'000	Actual Group 2020 \$'000		Notes	Budget Council 2021 \$'000	Actual Council 2021 \$'000	Actual Group 2021 \$'000
142,477	143,819	Total revenue	(i)	151,190	168,857	170,230
-	(214)	Share of associate surplus/(deficit)		-	-	(136)
131,057	132,364	Expenses	(ii)	129,627	137,158	138,283
4,991	4,991	Finance costs	(iii)	6,703	5,106	5,106
5,196	5,196	Unrealised Loss on Swaps		-	(8,010)	(8,010)
1,232	1,054	Surplus before tax		14,860	34,603	34,987
-	-	- Income tax expense		-	-	-
1,232	1,054	Surplus (deficit) after tax		14,860	34,603	34,987
35,899	35,815	Other comprehensive revenue:	(iv)	49,224	101,331	101,247
37,131	36,869	Total comprehensive revenue and expense		64,084	135,934	136,234
Surplus (deficit) attributable to:						
1,232	1,054	Hastings District Council		14,860	34,603	34,987
1,232	1,054			14,860	34,603	34,987
Total comprehensive revenue and expense attributable to:						
37,131	36,869	Hastings District Council		64,084	135,934	136,234
37,131	36,869			64,084	135,934	136,234

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

- (i) Total income is higher than budget due to a number of unbudgeted grants from the government, increase revenue at Landfill and Splash Planet with a higher level of vested assets than expected.
- (ii) Expenses are higher due to increased contracted services and expert advice in relation to approved but unbudgeted projects along with increased activity on infrastructure projects.
- (iii) Lower than budgeted capital spend and favourable interest rates resulted in lower finance costs.
- (iv) Other comprehensive income includes gains on the revaluation of land and building assets offset by a loss on infrastructure asset revaluations.

Summary Statement of Financial Position

\$'000	\$'000	Notes	\$'000	\$'000	\$'000	
29,220	30,641	Current assets	(i)	13,468	55,546	57,469
2,274,447	2,298,580	Non-current assets		2,188,017	2,435,822	2,460,169
2,303,667	2,329,222	Total assets		2,201,485	2,491,368	2,517,638
48,060	48,936	Current liabilities	(ii)	37,202	57,442	58,736
152,851	152,983	Non-current liabilities	(i)	167,371	195,235	195,366
200,911	201,919	Total liabilities		204,573	252,677	254,102
2,102,756	2,127,302	Net assets (assets minus liabilities)		1,996,912	2,238,691	2,263,536
2,102,756	2,127,302	Equity		1,996,912	2,238,691	2,263,536
2,102,756	2,127,302	Total equity		1,996,912	2,238,691	2,263,536

The major reason for the variance between actual and budgeted balances at 30 June 2021 was:

- (i) Secured loans levels and cash were higher than budgeted at the end of the financial year due to prefunding obtained for upcoming capital spend.
- (ii) Current liabilities were higher than budget due to the timing of major infrastructure projects underway at year end.

Summary Statement of Changes in Equity

\$'000	\$'000	Notes	\$'000	\$'000	\$'000	
2,065,626	2,090,432	Balance at 1 July		1,932,827	2,102,757	2,127,302
1,232	1,054	Surplus/ (deficit) for the year		14,860	34,603	34,987
35,899	35,815	Other comprehensive revenue and expense for the year		49,224	101,331	101,247
37,131	36,869	Total comprehensive revenue and expense		64,084	135,934	136,234
2,102,756	2,127,302	Total Equity		1,996,911	2,238,691	2,263,536
Total equity is made up of:						
1,239,788	1,261,679	Accumulated funds		1,148,483	1,274,751	1,297,027
3,935	3,935	Restricted Reserves		2,615	3,577	3,577
859,033	861,689	Revaluation Reserves		845,814	960,363	962,932
2,102,756	2,127,302	Total Equity		1,996,912	2,238,691	2,263,536

Summary Statement of Cash Flows

\$'000	\$'000	Notes	\$'000	\$'000	\$'000	
39,109	40,470	Net cash flows from operating activities		48,796	62,109	63,459
(88,876)	(91,106)	Net cash flows to investing activities		(109,183)	(74,552)	(75,229)
46,574	46,574	Net cash flows from financing activities		60,387	51,372	51,372
(3,192)	(4,060)	Net increase (decrease) in cash held		-	38,929	39,602
2,939	4,342	Add cash at start of year		1,265	(254)	282
(254)	282	Cash at end of year		1,265	38,675	39,884

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 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 measurement and recognition requirements under NZ GAAP.

The summary financial statements comply with PBE FRS-43 Summary Financial Statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars.

Post balance date events:

On 1 July 2021, FoodEast Limited was incorporated as a company. FoodEast has been established to be a centre of excellence for food, beverage and agri-tech innovation. The Council has a 16.64% shareholding in FoodEast Limited and Council will account for it as an associate in the financial year ending 30 June 2022.

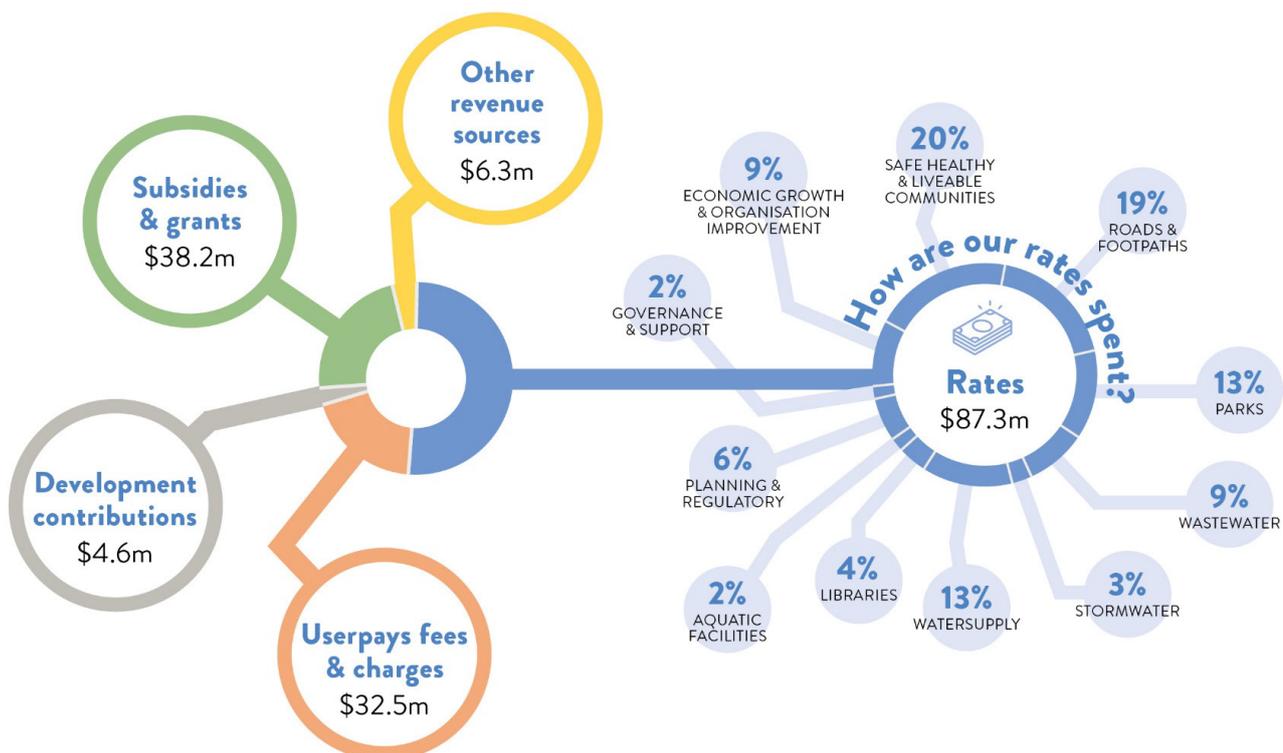
On 17 August 2021, the New Zealand Government announced a nationwide COVID-19 Level 4 lockdown. At the time of signing these financial statements, Auckland, Northland and parts of Waikato are in Level 3 restrictions, with the rest of New Zealand operating

under COVID-19 Level 2 restrictions. As was the case in 2020, the Council expects there will be claims from contractors relating to the impact of COVID-19 on their business.

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.

Following the Government announcement on the 27 October 2021 on three 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 legislation be enacted, Council will not be responsible for the delivery and infrastructure of three water services from 1 July 2024.

Where does our money come from?



Summary of Non-Financial Performance

Introduction

The following outlines how the Council has progressed against its performance management framework within its 2018-2028 Long Term Plan. This report marks the third year of reporting against the 2018-2028 Long Term Plan. A summary of our progress at the end of Year Three is as follows:

Key Actions

There are 27 key actions contained within the Long Term Plan 2018-2028. All actions are on track or completed.

Levels of Service and Customer Experience

There are 72 measures focused on our service levels 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 the following groups:

- Water and Roads
- Economic and Community Development
- Safe, Healthy and Liveable Communities
- Governance and Support Services

In brief, the Council's achievements are:

LEVELS OF SERVICE (65 MEASURES)

Group of activities	Notes	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Water & Roads		17 (77%)	-	5 (23%)
Safe, Healthy & Liveable Communities	(i)	15 (68%)	2 (9%)	5 (23%)
Economic & Community Development	(ii)	7 (70%)	-	3 (30%)
Governance & Support Services		7 (88%)	1 (12%)	-

Notes:

- The Toitotahi Hawke's Bay Arts & Events Centre is not applicable at this time due to the partial closure of the Theatre and Municipal Building during part of 2020/21. The Food Safety measure has been superseded by the introduction of the Food Act 2014.
- The level of service measure in relation to the Toitotahi Hawke's Bay Arts & Events Centre is not applicable at this time due to the partial closure of the Theatre and Municipal Building during 2019/20.

A qualified opinion* was received on the statement of service provision. To review the individual measures affected refer to the following pages of the full Annual Report: number of complaints (pg18); maintenance of the reticulation network (pg21); and customer satisfaction (pg17 and pg22).

* Refer to Performance Measure Disclosure on following page for further information on the basis for qualification.

CUSTOMER EXPERIENCE (7 MEASURES)

Group of activities	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Governance and Support Services	1 (100%)	-	-
Safe, Healthy & Liveable Communities	3 (50%)	-	3 (50%)

Customer Service Centre: Mystery Shopping

A mystery shopper programme continues with 'shoppers' visiting Council to measure the service delivered against a set of pre-determined criteria. The assessment focuses on the surroundings in the centre, wait times, interaction with the customer and subject knowledge. The standards are high, staff strive to create a welcoming environment and ensure all customers are able to easily access the services or information required.

Yearly Comparative Performance – Customer Service Centre Mystery Shopper Results



Notes:

The 2017/18 result is skewed by an isolated mystery shop issue which has been resolved.

Publication of Annual Report

The summary financial statements and non-financial performance and specific notes and disclosures have been extracted from the full Annual Report 2020/21 that was adopted by the Council on 28 October 2021.

The summary financial statements and non-financial performance cannot be expected to provide as complete an understanding as provided by the full Annual Report.

A full copy of the annual report may be obtained from Council's offices, public libraries and the website www.hastingsdc.govt.nz. This summary annual report has been examined by the independent auditor for consistency with the full financial report. A modified independent auditor's report is included within this summary.

Performance Measure Disclosure

The following notes relate to the mandatory DIA performance measures noted with a double asterisk (**) on pages 17 to 22 of the full Annual Report.

The Council has received a qualified opinion for the 2020/21 audit relating to:

- three customer complaint/customer satisfaction related performance measures within the Water Services activity group, covering water supply, stormwater and sewerage and the treatment and disposal of sewage; and
- the percentage of real water loss from the Council's networked water reticulation system.

Verifiable Complaints

These performance measures include only verified complaints per 1,000 connections. It is acknowledged that not all complaints have been captured for the full financial year.

The total number of complaints received are not verifiable due to the following reasons:

- some calls were not categorised into water supply, stormwater or wastewater;
- some calls have not been recorded as they were subsequent calls to the original complaint and the caller did not request for their complaint to be recorded;
- insufficient details to assess what the nature of the call was for. In particular, if the call should be classified as a complaint or request for information.

During the financial year Council implemented measures to ensure calls are being correctly categorised in water supply, stormwater or wastewater and correctly classified as a complaint or request for information.

To resolve the remaining issues identified above, the Council will work with its call centre, water services team, contractor and after-hours provider to ensure integrity of the data received is compliant with DIA mandatory performance reporting and will make system changes to allow all subsequent complaints to be captured.

Hastings District Council is aware that these issues are being experienced among other Councils and that some modification to the DIA regulations may be implemented to enable more appropriate reporting in the future. The Council will adapt its approach to any new guidance that may eventuate in respect of the mandatory performance framework.

Water Loss Performance

This performance measure represents the percentage of real water loss from the Council's networked water reticulation system. This measure is subject to wide variance as coarse data is used to calculate the final result. The measure uses data from a small number of water meters installed on residential connections and extrapolates data from these connections to get an estimated usage figures for domestic demand across the city. Due to the limited number of water meters across the Council's reticulation network it is acknowledged that Council have been unable to report a reliable water loss percentage.

During the financial year Council improved the accuracy of the data collected through the installation of new water meters. This is reflected in the decrease to the level of uncertainty for this measure from 43.7% to 36.5%. However a significant amount of additional meters would need to be installed to reduce this uncertainty to an acceptable level and get a statistically representative sample. Further work on improving data accuracy to inform our water loss assessments and evaluate further opportunities to reduce network water losses will continue to be investigated.



To the readers of Hastings 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 Hastings 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 7:

- the summary statement of financial position as at 30 June 2021;
- 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 2021;
- the notes to the summary financial statements that include other explanatory information; and
- the summary of non-financial 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.

However, the summary non-financial performance information includes a limitation in scope to the equivalent extent as the full audited non-financial performance information. This limitation is explained below in The full annual report and our audit report thereon section.

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 a qualified opinion on the groups of activities and an unmodified opinion on the other audited information in the full annual report for the year ended 30 June 2021 in our auditor's report dated 28 October 2021. The basis for our qualified opinion on the groups of activities is explained below.

The District Council is required to report, in its full annual report against the performance measures set out in the Non-Financial Performance Measure Rules 2013 (the Rules) made by the Secretary for Local Government.

We identified significant issues with some of these performance measures as described below. As a result of these issues, our work was limited and there were no practicable audit procedures we could apply to obtain assurance over the reported results for these performance measures for the current year and the 2019/20 baseline performance.

Maintenance of the reticulation network – Water supply

The District Council was unable to report a reliable water loss percentage. This is because the water loss percentage is estimated using information obtained from water meters across the reticulation network. The limited number of water meters across the District Council's reticulation network significantly impacts the reliability of the results.

Total number of complaints received – Water supply, Wastewater, and Stormwater

The District Council was unable to accurately report the number of complaints for each of the three waters services. Complete records of all complaints were not available, and the complaints system used also did not classify complaints between water supply, wastewater, and stormwater.

Information about these matters is also disclosed on page 7 of the District Council's summary annual report.

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 26 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 the District Council will no longer deliver three waters services. This matter is addressed on page 5 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 reporting on the summary and full annual reports, we have audited the District Council's 2021-2031 Long-term plan and carried out a limited assurance engagement related to the District Council's debenture trust deed. These engagements are compatible with those independence requirements.

Other than these engagements, we have no relationship with or interests in the District Council or its subsidiaries and controlled entities.

Karen Young

Karen Young

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

25 November 2021