

2021/2022

Annual Report



Welcome from the Mayor and the Chief Executive

Hastings is on a roll and we are proud to present the 2021/2022 Annual Report.

Over the past year we celebrated many successes in Hastings, and continued with a large programme of work aimed at supporting our community to build on its strengths and thrive.

A highlight of the year was the preparations for the reopening of the Municipal Building – the last piece of the puzzle of the wider Toitō - Hawke's Bay Arts and Events Centre project, the flagship of our ongoing city centre revitalisation plan.

Both council and private investments are changing the face of Hastings city, making our city more appealing for locals and visitors, as well as attracting investment.

Outside of the city, industrial and commercial development activity is at an all-time high in Hastings – highlighting the district's strategic advantages and the level of confidence companies feel about establishing their business here.

Hastings' ongoing growth has led to challenges, not least housing, and we have continued to address this along with our Hastings Place Based housing plan partners.

With the aid of Central Government funding, infrastructure work has continued to enable an additional 150 new houses on council-owned land in Flaxmere, alongside Te Taiwhenua o Heretaunga, Kāinga Ora, and private developments in Flaxmere and across the district.

It's Flaxmere's Time! Work has started on a brand new skate plaza in Flaxmere Park, civil works started for the building of Foodstuff North Island's new generation New World, and new full-sized basketball courts were installed in Flaxmere parks.

A major initiative this year was Council's purchase of the Tōmoana Showgrounds. Our consultation showed overwhelming community support for this highly-regarded site to be protected as a reserve.

Getting out and about and enjoying our natural environment was made safer and more enjoyable this year with the completion of the Waimārama Road off-road cycle trail, reinstating the beautiful Tukituki Loop as part of the Hawke's Bay Trails' Landscapes Ride, and the Tauroa Reserve Boardwalk.

It's been amazing to see the large drinking water reservoirs installed at Frimley Park and alongside the Council buildings on the corner of Southampton St and Hastings St (Waiaroha).

These, along with upgrades to smaller community drinking water supplies, including that at Whakatū, are critical to ensure our three waters infrastructure is as resilient as possible. We are on track to complete our drinking water improvement programme when Waiaroha, including its education centre, is complete in mid-2023

As we approach summer we are looking forward to welcoming people back to Splash Planet after its closure last season due to Covid traffic light setting restrictions.

We would like to acknowledge all of our staff at the Council, and our partner organisations, 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
8 December 2022

To'osavili Nigel Bickle
Chief Executive
Hastings District Council
8 December 2022



Key Initiatives and Projects



The Economic Powerhouse

In the year to March 2022, the Hastings economy grew 6.1 per cent, consumer spending was up 8.6 per cent, and the district was the leading driver for overall growth in Hawke's Bay.

Homes for Our People

In Flaxmere, construction work began on the roading and water infrastructure for Council-owned land at 244 Flaxmere Avenue, the Flaxmere Town Centre and 72 Caernarvon Drive – facilitating a total of around 150 houses.

Progress continued at Te Taiwhenua o Heretaunga's Waingākau housing development in Flaxmere and we celebrated the completion of the first public homes in Taret St.

Residential resource and building consent applications and infrastructure works to enable new lots continued to be steady on greenfield subdivisions at Lyndhurst, Brookvale, Te Awanga Downs, Keirunga, Howard St and Iona.

Developments have been built or expanded-on in industrial zoned land at Irongate, Whakatū and Ōmāhu, and others are in the planning.

Despite the pressures of COVID, non-residential investment increased throughout the year driven by the construction and horticulture industries.

Council's agreement to purchase the Tōmoana Showgrounds, following community consultation, was a strategic decision that preserves this green space as a reserve, and leverages its potential as a large event venue.

The iSITE relocated into the near-completed Municipal Building and will leverage opportunities for the district and local businesses, and further support the work being done by Hawke's Bay Tourism.



Council's work with the Hastings Place Based Housing Plan was recognised in the LGNZ Excellence Awards.



Getting Around

Thanks to the government Provincial Growth Fund, the Tauroa Reserve boardwalk project was able to be fast-tracked, providing safe access up Te Mata Peak for walkers and cyclists.

Government funding also contributed to a major safety upgrade on SH51 at Waipatu, completed at the end of June 2021, along with a number of other improvements to footpaths, and the iWay network.

Also completed was the 2.5km limestone Waimārama Road off-road cycle trail, and two additional pedestrian crossings on Te Mata and Napier Roads.

A shared footpath for cyclists and walkers along Middle Rd was 99 per cent complete by year's end and there was a steady programme of other road safety improvements and renewals over the year.

To improve traffic flow and access to industrial zones, new roundabouts were constructed at the Ōmāhu Rd/Henderson Rd and Ōmāhu Rd/Chatham Rd intersections.

Rural Living

As part of the ongoing bridge strengthening programme, works to allow Rissington Bridge to accommodate heavier and taller vehicles was completed and strengthening of Heays Gorge and Tawa Bridges began.

A programme to evaluate all bridges was completed and designs for Kaiwaka, Peach Gully, Arapaonui, Lambs Hill No.2, Black and Awanui bridges got underway.

Significant road renewal works on Mount Erin Road started, with stage one, from Crystall Road to about 69 Mount Erin Road, completed.

Several rural halls received Council and Central Government funding support for ongoing maintenance and repairs.



To help the community gain a better understanding on the value and protection of the district's fertile soils a Soils Symposium featuring soil scientists, growers, planners and more was held.

Our Natural Treasures

In line with our Drinking Water strategy, significant progress was made on planned upgrades.

At Frimley, the construction of the new eight million litre water storage reservoir and treatment facility was completed, bringing the project close to the testing and commissioning stage.

The Waiaroha water storage and treatment facility build got underway with one of the five million litre reservoirs almost complete and the other underway, and work began on the treatment plant building.

The facility's accompanying education building neared the end of the building consent phase, and outside of the main city network six small community water treatment plants were in full production with another two underway.

Over 2021/22 waste going to the Omarunui Landfill decreased by 15,800 tonnes, with waste management and minimisation initiatives progressed throughout the year.



A new environmentally friendly takeaway coffee cup, Again Again, was launched with growing numbers of cafés taking up the sustainable offering.



Hastings Alive!

The Hastings City Centre revitalisation project reached a huge milestone this year with the Municipal Building being close to

reopening, completing the overall \$40m Toitōi – Hawke's Bay Arts and Events Centre complex.

The new Hawke's Bay Museum storage and research facility came a step closer, reaching the end of detailed design.

During the year a COVID Recovery Action Plan was launched to help bring people back into the city centre and was used to support various events, in addition to other activities to encourage vibrancy including installations, activations and performances.

Streetscape upgrade works continued throughout the year with Heretaunga St 300 East completed, along with hospitality areas on the East 100 and West 300 blocks.

Pathways for Our People

This year council launched the Hastings District Multicultural Strategy, the first of its kind for any council in the North Island.

A new mural at the Hastings Sports Centre was commissioned to reflect the diversity of the Hastings community and its different cultures.

A Youth Strategy was prepared, representing a joint commitment by council and the Hastings Youth Council, and the Mahi for Youth programme extended to include a caravan, Te Waka Eke Noa, to enable the team to reach out and connect to young people across the wider district.



Single and multi-year grants totalling circa \$300,000 were allocated to a wide spectrum of community groups.



Enhancing Where We Live

Draft Reserve Management Plans were created for Frimley, Eskdale and Havelock Hills, with public submissions to be held at year-end.

The Te Pōhue Community Plan was adopted, and a review of the Flaxmere Community Plan got underway.

Multiple playground upgrades are in the planning or underway and new basketball courts were completed at Ron Georgi III and Flaxmere Parks as part of the Hoops in Parks programme.

The popular portable pump track travelled around various city parks, and a Te Waka Tākaro Play Trailer was launched, for use at community events.

COVID restrictions meant Splash Planet didn't open for the 2021/22 summer season and events were impacted at Toitōi – Hawke's Bay Arts and Events Centre. Work began on the building of the new skate plaza in Flaxmere Park.

In response to inner city safety concerns, extra CCTV cameras were installed and two more City Assist personnel employed.

Summary Financial Statements for the Year Ended 30 June 2022

Summary Statement of Comprehensive Revenue and Expense

Actual Council 2021 \$'000	Actual Group 2021 \$'000		Notes	Budget Council 2022 \$'000	Actual Council 2022 \$'000	Actual Group 2022 \$'000
168,857	170,230	Total revenue	(i)	178,450	167,911	170,583
-	(136)	Share of associate surplus/(deficit)		-	-	(314)
137,158	138,283	Expenses	(ii)	140,855	141,029	142,315
5,106	5,106	Finance costs	(iii)	7,747	5,932	5,932
-	-	Fair value loss on other revaluations		-	411	411
(8,010)	(8,010)	Unrealised Loss on Swaps		-	(11,974)	(11,974)
34,603	34,987	Surplus before tax		29,848	32,513	34,213
		Income tax expense		-	-	-
34,603	34,987	Surplus (deficit) after tax		29,848	32,513	34,213
101,331	101,247	Other comprehensive revenue	(iv)	52,259	550,440	551,789
135,934	136,234	Total comprehensive revenue and expense		82,107	582,953	586,002
		Surplus (deficit) attributable to:				
34,603	34,987	Hastings District Council		29,848	32,513	34,213
34,603	34,987			29,848	32,513	34,213
		Total comprehensive revenue and expense attributable to:				
135,934	136,234	Hastings District Council		82,107	582,953	586,002
135,934	136,234			82,107	582,953	586,002

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

- (i) Total revenue is lower than budget due to lower NZTA subsidies, grants not yet received due to timing of capital projects, the closure of Splash Planet and lower parking revenue reflective of the impact of COVID-19, offset by increased vested assets.
- (ii) Operating expenses are lower due to increased staff vacancies and decreased Council activities reflective of the impact of COVID-19. This is offset by higher depreciation than budgeted resulting in overall higher than budgeted expenditure.
- (iii) Lower than budgeted debt levels caused by delayed projects resulted in lower finance costs.
- (iv) Other comprehensive income includes gains on the revaluation of infrastructural assets not budgeted for.

Summary Statement of Financial Position

\$'000	\$'000		Notes	\$'000	\$'000	\$'000
55,546	57,469	Current assets	(i)	17,434	56,398	58,243
2,435,822	2,460,169	Non-current assets		2,485,852	3,042,176	3,071,585
2,491,368	2,517,638	Total assets		2,503,286	3,098,574	3,129,828
57,442	58,736	Current liabilities	(ii)	51,755	56,698	57,779
195,235	195,366	Non-current liabilities	(i)	219,422	220,107	220,217
252,677	254,102	Total liabilities		271,177	276,805	277,996
2,238,691	2,263,536	Net assets (assets minus liabilities)		2,232,109	2,821,769	2,851,832
2,238,691	2,263,536	Equity		2,232,107	2,821,769	2,851,832
2,238,691	2,263,536	Total equity		2,232,107	2,821,769	2,851,832

The major reasons for the variance between actual and budgeted balances at 30 June 2022 were:

- (i) Cash is significantly higher than budget as Council have prefunded for upcoming capital spend.
- (ii) Infrastructure assets had much larger than anticipated valuation increases.
- (iii) Due to the timing of major capital projects, payables were more than budgeted.

Summary Statement of Changes in Equity

\$'000	\$'000		Notes	\$'000	\$'000	\$'000
2,102,757	2,127,302	Balance at 1 July		2,150,000	2,238,691	2,263,536
		- Prior year corrections and adjustments on adoption of PBE IPSAS41		-	125	2,294
2,102,757	2,127,302	Adjusted balance at 1 July		2,150,000	2,238,816	2,265,830
34,603	34,987	Surplus/ (deficit) for the year		29,848	32,513	34,213
101,332	101,247	Other comprehensive revenue and expense for the year		52,259	550,440	551,789
135,934	136,234	Total comprehensive revenue and expense		82,107	582,953	586,002
2,238,691	2,263,536	Total Equity		2,232,107	2,821,769	2,851,832
		Total equity is made up of:				
1,274,751	1,297,027	Accumulated funds		1,234,342	1,306,959	1,333,104
3,577	3,577	Restricted Reserves		2,785	4,007	4,007
960,363	962,932	Revaluation and other reserves		994,980	1,510,803	1,514,721
2,238,691	2,263,536	Total Equity		2,232,107	2,821,769	2,851,832

Summary Statement of Cash Flows

\$'000	\$'000		Notes	\$'000	\$'000	\$'000
62,109	63,459	Net cash flows from operating activities		65,414	51,861	53,019
(74,552)	(75,229)	Net cash flows to investing activities		(127,709)	(90,091)	(91,271)
51,372	51,372	Net cash flows from financing activities		62,295	30,994	30,990
38,929	39,602	Net increase (decrease) in cash held		-	(7,236)	(7,262)
(254)	282	Add cash at start of year		1,265	38,675	39,884
38,675	39,884	Cash at end of year		1,265	31,439	32,622

Notes to Financial Statements

Part 6 s98 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 measurements 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.

Infrastructure assets for roading were valued at June 2022 by Kevin Dunn of Beca resulting in a valuation increase of \$163million.

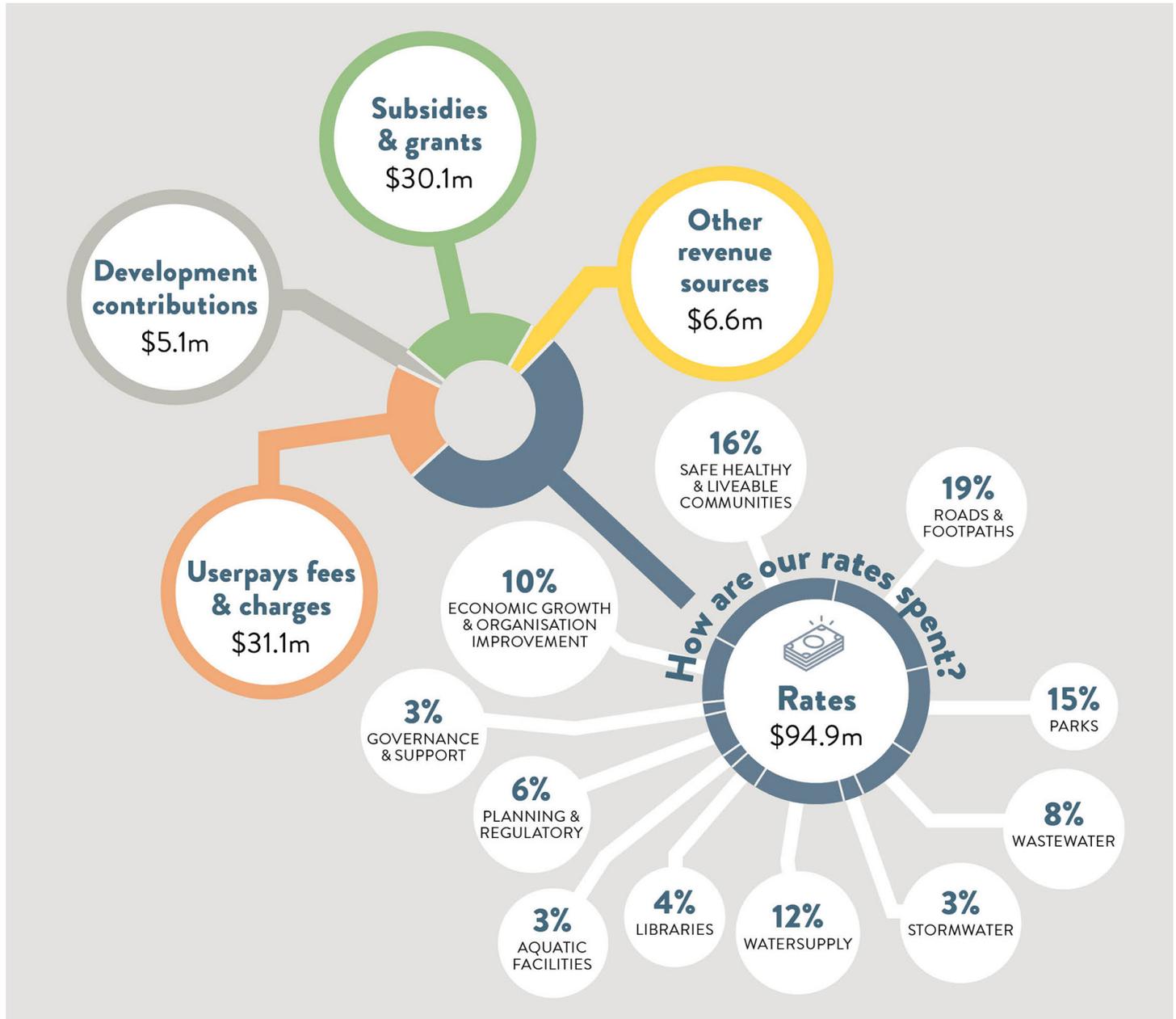
Infrastructure assets for water (excluding land) were valued at June 2022 by the Council's engineers and independently reviewed by Ms Jennifer Fox of Waugh Management Ltd resulting in a valuation increase of \$387.7million.

Post balance date events

Hawke's Bay Regional Sports Park Trust and the Hawke's Bay Community Fitness Centre Trust (HBCFCT) have committed to completing due diligence over a potential amalgamation between the two trusts to form one community trust at the HB Regional Sports Park.

There are no other post balance date events.

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 2021-2031 Long Term Plan. This report marks the first year of reporting against the 2021-2031 Long Term Plan. A summary of our progress at the end of Year One is as follows:

Key Actions

There are 36 key actions contained within the Long Term Plan 2021-2031. 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 (64 MEASURES)

Group of activities	Notes	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Water & Roads		17 (74%)	-	6 (26%)
Safe, Healthy & Liveable Communities	(i)	19 (83%)	1 (4%)	3 (13%)
Economic & Community Development	(ii)	5 (56%)	-	4 (44%)
Governance & Support Services		7 (100%)	-	-

Notes:

i and ii. -The Toitoto Hawke's Bay Arts & Events Centre measures are not applicable at this time due to it needing to be fully operational for a period to be able to be measured.

CUSTOMER EXPERIENCE (8 MEASURES)

Group of activities	Notes	Fully achieved	Substantially achieved (98.5%-99%)	Not achieved
Governance & Support Services	(i)	-	-	1 (100%)
Safe, Healthy & Liveable Communities	(ii)	2 (40%)	-	3 (60%)

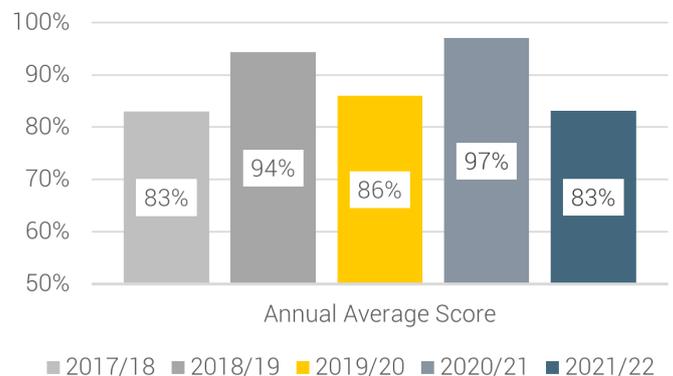
Notes:

- (i) Mystery Shopper satisfaction survey not undertaken at the Call Centre due to impact of Covid-19.
- (ii) Parks user satisfaction was not measured in 2021/22 due to impact of Covid-19.

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

The 2021/22 result contains a few instances where the customer did not rate it as a negative experience but expected more detailed information. This is being followed through.

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 2021/22 that was adopted by the Council on 8 December 2022.

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 18 to 22 of the full Annual Report.

The Council has received a qualified opinion for the 2021/22 audit relating to the completeness of data for after hour calls for the three customer complaint/customer satisfaction performance measures within the Water Services activity group. This covers complaints relating to water supply, stormwater and the treatments and disposal of sewage.

Council acknowledges that not all after hour complaints have been captured for the full financial year. This is due to the manner in which after hour calls are recorded by the service provider as their system doesn't capture all calls. Only calls that result in a request for service are captured and retained for reporting by the after-hours service provider. Subsequent calls for the same issue are not retained.

To resolve this remaining matter, the Council will work with its after-hours provider to ensure integrity of the data received is compliant with DIA mandatory performance reporting and that all subsequent complaints are captured in year-end reporting.

In 2020/21 Council also received a qualified opinion in relation to how Council's internal processes were capturing call data. A change in measurement methodology has been applied for the 2021/22 year to address the internal prior year qualification issues. Council have implemented measures to ensure all calls are now being correctly captured within Council systems.

For example, where a single issue is identified and multiple calls are received for that issue, all calls received during operational hours are now recorded against this measure – previously it would have been recorded as 1 single complaint.



Independent Auditor's Report

To the readers of Hastings District Council and Group'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 Hastings District Council and group (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information on pages 4 to 7:

- the summary statement of financial position as at 30 June 2022;
- 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 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of non-financial performance information.

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 2022 in our audit report dated 15 December 2022. The basis of our qualified opinion on the groups of activities is explained below.

The District Council is required to 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.

Reliability of Performance information

Maintenance of the reticulation network – Water supply

The District Council was unable to report a reliable water loss percentage for the supply of water within the District.

In 2021, our opinion was qualified because the limited number of meters across the reticulation network

significantly impacted the reliability of the results. As the number of meters has not sufficiently increased, our opinion for the current performance year is qualified for the same reason. In 2022 the District Council sought to employ alternative measurement techniques but the accuracy of these cannot be confirmed. As a result the Council has not reported a water loss percentage for the current year.

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 water services. Complete records of all complaints were not available, and the after hours complaints system captured response requests to measure the number of complaints rather than the individual complaints themselves.

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*.

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 8 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 legislation received royal assent from the Governor-General on 14 December 2022. The impact of these reforms 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.

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.

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council or its subsidiaries and controlled entities.



Stuart Mutch

Ernst & Young
Chartered Accountants
On behalf of the Auditor-General
Wellington, New Zealand

15 December 2022