

Annual Report

Introduction from the Mayor and Chief Executive

The 2015/16 year has seen Council put a real focus on further developing the potential of our district and region.

New and revamped strategies and growing co-operation with neighbouring councils post the local government reorganisation referendum have helped achieve some real gains in this area.

Hastings District Council's economic development programme Great Things Grow Here has made great strides in the past 12 months, becoming a regional brand for economic development. It was officially endorsed by councils from across the region in June, and has been taken up by 137 brand champions – companies using the branding on their products and in their advertising.

Another milestone of note aimed at improving the fortunes of the region and its people has been the completion of the Regional Economic Development Strategy (REDS). While this is a regional project, Council staff have taken lead roles in helping put the strategy together. The strategy sets down concrete plans that, once implemented, will improve the region's ability to get its product to market, build tourism attractions, and increase the standard of living throughout Hawke's Bay.

Work on the Irongate and Omahu Road industrial areas has progressed to the point where major industrial developments are now taking off. New developments are expected to underpin hundreds of new jobs over the next two to three years.

The tools being used to reach the goals of higher employment, increased GDP and higher incomes have grown to include the Hastings City Centre Vibrancy Plan. This is very much a partnership programme between Council and city centre businesses. A many-faceted plan has been formulated, designed to add colour and atmosphere, and therefore customers and spending, to the core of the city.

Social well-being and ensuring our people have access to modern recreation facilities have also been at the centre of Council's attention. To that end, programmes designed to encourage youth into employment and/or education continue apace.




Lawrence Yule
Mayor




Ross McLeod
Chief Executive

The largest park project started during the year; the \$1.5 million rejuvenation of the Havelock North Domain, now to be called the Village Green. The historic cricket pavilion has been relocated within the park, and completion of the project is expected by mid-December.

One of the biggest projects for Hastings is the refurbishment of the Hawke's Bay Opera House. Comprehensive public consultation was held in February to find out whether people wanted to strengthen and reopen the Opera House. The communications plan around that consultation ensured that every resident had the opportunity to have their say, and those who responded overwhelmingly backed the restoration of the building. Design work for the refurbishment has been underway since that decision, with physical work expected to start in the 2017 calendar year.

Council again retained its focus on investment in infrastructure to underpin the economy and our community. As well as maintenance and renewal programmes of our existing assets, major progress was made towards the construction of the new Whakatu arterial link road which will link Havelock North, the Whakatu industrial area, the horticultural production of the Heretaunga plains, and the expressway, port and airport.

While not within the 2015/16 financial year, Council's water supply infrastructure came under intense focus in August 2016 when contamination by campylobacter affected the Brookvale water supply bores and led to an extremely serious outbreak of gastroenteritis in the Havelock North community. This was a major failure in terms of Council's commitment to provide safe drinking water to its community. At the time of writing Council has restored a safe water supply to Havelock North and is working hard with other parties

to find the cause of the contamination. This includes looking at the bores themselves to see whether there was equipment fault or failure, and also examining the surrounding catchment to see if earthworks or other bores or ground openings have affected the water supply. We have expressed our sincere apologies to the Havelock North community for the hardship, illness and distress caused by this contamination event.

Council's sound financial performance is again the result of a strong focus on prudent financial management. External debt is at \$50 million at year end, well below budget forecast. A rating surplus in excess of \$2 million, derived from strong cost control and sound treasury management, has allowed Council to repay more debt, set aside funds to the rural flood damage reserve, and meet additional costs associated with the Havelock North water contamination event without placing any additional burden on ratepayers.

While debt will rise over the next year due to the Whakatu arterial roading project and the Opera House strengthening, the costs associated with this debt have long been provided for within Council's long-term plan and budgets. Unless there is a significant change in Council strategy at the governance level, this prudent financial approach is likely to continue.

In our view, Council overall continues to make good progress in helping the community to overcome the challenges it faces and capitalise on the opportunities and talents it possesses. However, the water contamination event has rightly dented community confidence in Council. We are committed to working with the community to rebuild that confidence and on making the district a better place to live and work.

Key Initiatives and Projects



Hastings City Centre moves forward under new Vibrancy Plan

The Hastings City Centre Vibrancy Plan has been in place since October 2015. The plan has three broad goals: attracting more people, more business and more support to the city centre.

Activities delivered as part of this plan have included weekly music in Albert Square, Christmas trees in the city centre, a regular e-newsletter sent to city centre businesses and property owners, pianos for the public to play, youth events and a family fun day.

One of the most visual parts of the plan is now underway. Hastings Icons murals is an innovative project which will see art work start to pop up on walls around the city centre during spring 2016. Each of the series of street art portraits featuring famous characters born in Hastings is accompanied by a QR code which can be scanned with a mobile phone to find out more about the person.



Council approves earthquake strengthening of the Opera House

After receiving more than 3,000 submissions from the public, an \$11 million project to strengthen the Hawke's Bay Opera House is underway.

The building is to be restored to between 70 and 75 per cent of the national building standard. Detailed design work for the strengthening is complete and a "funding plan" is being prepared. Funding would be sought from other sources to part-fund the project.

Hastings Mayor Lawrence Yule said the public had "spoken loudly and clearly" in favour of retaining the heritage building and he was delighted his council had supported that view.



Hastings voted New Zealand's most beautiful city

Hastings won the most beautiful city award in 2015.

The awards were coordinated by Keep New Zealand Beautiful and Hastings was the winner of the category open to cities of more than 20,000 residents.

The successful submission included stories on Hastings' oldest recreation space, Cornwall Park, the modern William Nelson Skate Park in the central city; the new ki-o-rahi field in Flaxmere; pocket parks in the city, and much more.

Keep New Zealand Beautiful said the award recognised and celebrated positive actions taken by communities to protect and enhance their environments.

A new plan for Te Mata Park

A seven person multi-party governance group oversaw the development of a management plan that will guide the vision, objectives and development priorities for Te Mata Park from 2015-2025.

The plan takes into account the park's ecology and landscape, as well as recreational and user expectations for the next ten years.

While Te Mata Park is predominantly used by Hawke's Bay residents, it also attracts overseas visitors and an informal assessment shows around 200,000 visitors annually.

Central to the new plan is the need for improved and extended walking and mountain bike tracks and facilities to improve the park experience. These improvements will include new toilets and enlarged visitor car parking areas at the main gates and summit.

Working with Hastings District Council, the Trust will progress plans for the integration of the mountain bike and walking track network, within Te Mata Park with new sections that will connect to Havelock North via a 17km loop.



International Marathon creates tourism opportunities

The inaugural Air New Zealand Hawke's Bay International Marathon saw almost 5000 competitors take part in what is set to become an iconic event on the running and social calendar.

The event smashed all predictions with all race categories sold out.

Along with the competitors, around 7500 supporters and friends flocked to Hastings and Napier for the event.

The figures show that 76 per cent of entries came from outside Hawke's Bay, with 240 entrants coming from overseas.

The marathon delivered a tremendous boost to the local tourism industry in terms of visitor nights and visitor spend, capitalising on the region's great climate, stunning scenery and countless food and wine options to attract thousands of people to spend some quality time in Hawke's Bay.



Pool user numbers improve under new integrated plan

A strong focus on upgrading and integrating council's pool facilities over the financial year has proved successful. A considerable increase in user numbers has been a feature of the past year, particularly those enjoying the extended pool opening hours for family fun time or lane swimming. The number of children receiving Learn to Swim instruction each week has increased from approximately 700 to 870.

The pools are now grouped under one umbrella, Aquatics Hastings, after being run independently by three trusts for 15 to 20 years. Since then the hours have been extended, physical assets modernised and an Aqua Card introduced that can be used across all pools.

Services on offer have also been extended, with the introduction of a range of Aquafit classes including wet/dry boot camps and classes for children with disabilities.

The refurbishment programme for Frimley Pool will carry on over the next financial year.

| Actual Council 2015 | Actual Group 2015 | | Notes | Budget Council 2016 | Actual Council 2016 | Actual Group 2016 |
|---|-------------------|---|-------|---------------------|---------------------|-------------------|
| STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE | | | | | | |
| \$'000 | \$'000 | | | \$'000 | \$'000 | \$'000 |
| 116,033 | 116,160 | Total revenue | (i) | 115,155 | 109,468 | 109,586 |
| - | 212 | Share of associate surplus | | - | - | 91 |
| 95,348 | 95,451 | Expenses | | 95,276 | 100,397 | 100,574 |
| 3,480 | 3,480 | Finance costs | (ii) | 5,128 | 3,392 | 3,392 |
| 17,205 | 17,441 | Surplus before tax | | 14,751 | 5,679 | 5,711 |
| | | Income tax expense | | | | |
| 17,205 | 17,441 | Surplus (deficit) after tax | | 14,751 | 5,679 | 5,711 |
| 120,551 | 122,844 | Other comprehensive revenue: | | 26,887 | 28,779 | 28,801 |
| 137,756 | 140,285 | Total comprehensive revenue and expense | | 41,638 | 34,458 | 34,512 |
| Surplus (deficit) attributable to: | | | | | | |
| 17,205 | 17,441 | Hastings District Council | | 14,751 | 5,679 | 5,711 |
| Total comprehensive revenue and expense attributable to: | | | | | | |
| 137,756 | 140,285 | Hastings District Council | | 41,638 | 34,458 | 34,512 |
| 137,756 | 140,285 | Total comprehensive revenue and expenses | | 41,638 | 34,458 | 34,512 |

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

- (i) Total income is lower than budget largely due to capital donations, growth projects and development contributions.
- (ii) Lower than budgeted debt levels caused by delayed projects and favourable interested rates resulted in lower finance costs.

| STATEMENT OF CHANGES IN EQUITY | | | | | | |
|---------------------------------------|------------------|--|-------|------------------|------------------|------------------|
| \$'000 | \$'000 | | Notes | \$'000 | \$'000 | \$'000 |
| 1,630,272 | 1,633,701 | Balance at 1 July | | 1,662,824 | 1,768,028 | 1,773,883 |
| 17,205 | 17,441 | Surplus/ (deficit) for the year | | 14,751 | 5,679 | 5,711 |
| 120,551 | 122,844 | Other comprehensive revenue and expense for the year | | 26,887 | 28,779 | 28,801 |
| 137,756 | 140,285 | Total comprehensive revenue and expense | | 41,638 | 34,458 | 34,512 |
| 1,768,028 | 1,773,985 | Total equity | | 1,704,461 | 1,802,486 | 1,808,395 |
| Total equity is made up of | | | | | | |
| 1,201,062 | 1,204,726 | Accumulated funds | | 1,206,766 | 1,206,838 | 1,210,534 |
| 3,347 | 3,347 | Restricted Reserves | | 2,901 | 3,250 | 3,250 |
| 563,619 | 565,912 | Revaluation Reserves | | 494,794 | 592,398 | 594,611 |
| 1,768,028 | 1,773,985 | Total equity | | 1,704,461 | 1,802,486 | 1,808,395 |

| STATEMENT OF FINANCIAL POSITION | | | | | | |
|--|------------------|--|-----|------------------|------------------|------------------|
| \$'000 | \$'000 | | | \$'000 | \$'000 | \$'000 |
| 28,933 | 29,279 | Current assets | | 10,247 | 17,903 | 18,336 |
| 1,825,077 | 1,830,721 | Non current assets | | 1,801,140 | 1,862,388 | 1,867,960 |
| 1,854,010 | 1,860,000 | Total assets | | 1,811,388 | 1,880,291 | 1,886,296 |
| 28,985 | 29,018 | Current liabilities | (i) | 23,831 | 17,717 | 17,813 |
| 56,997 | 56,997 | Non current liabilities | (i) | 83,096 | 60,088 | 60,088 |
| 85,982 | 86,015 | Total liabilities | | 106,927 | 77,805 | 77,901 |
| 1,768,028 | 1,773,985 | Net assets (assets minus liabilities) | | 1,704,461 | 1,802,486 | 1,808,395 |
| 1,768,028 | 1,773,985 | Equity | | 1,704,461 | 1,802,486 | 1,808,395 |
| 1,768,028 | 1,773,985 | Total equity | | 1,704,461 | 1,802,486 | 1,808,395 |

The major reasons for the variance between actual and budgeted balances at 30 June 2016 were:

- (i) Debt levels are lower than budgeted with major projects not progressing as planned.

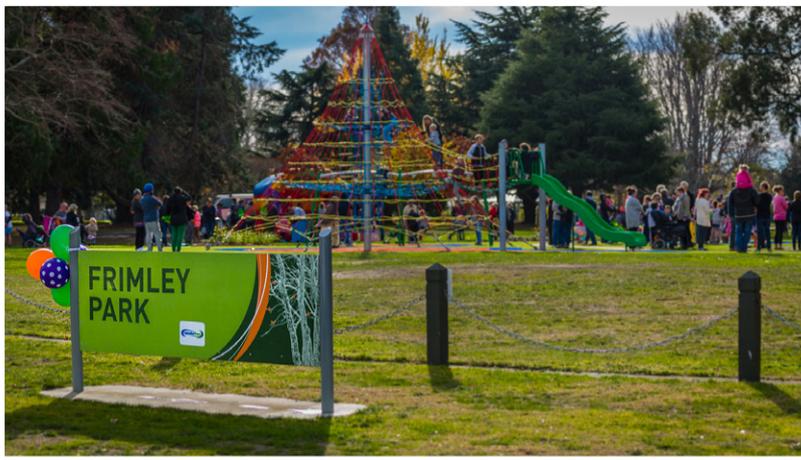
| STATEMENT OF CASH FLOWS | | | | | | |
|--------------------------------|---------------|---|--|----------------|----------------|----------------|
| \$'000 | \$'000 | | | \$'000 | \$'000 | \$'000 |
| 33,431 | 33,301 | Net cash flows from operating activities | | 42,887 | 43,078 | 43,016 |
| (32,829) | (32,873) | Net cash flows to investing activities | | (71,795) | (38,365) | (38,420) |
| 5,000 | 5,000 | Net cash flows from financing activities | | 26,907 | (10,000) | (10,000) |
| 5,602 | 5,428 | Net increase (decrease) in cash held | | (2,000) | (5,287) | (5,404) |
| 10,439 | 10,928 | Add cash at start of year | | 2,955 | 16,041 | 16,356 |
| 16,041 | 16,356 | Cash at end of year | | 955 | 10,754 | 10,952 |

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 6 October 2016. 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 6 October 2016 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 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

Please refer to note 26 in the full financial report which notes the August 2016 Havelock North water supply incident.



Frimley Park – a playground with a difference

A playground with a difference has enhanced the recreational facilities available to people in Frimley.

It has all the usual park elements but top of the innovation list is sensory play equipment.

Painting the play equipment in bright colours that define the different areas has been of enormous benefit to those with poor vision or learning disabilities.

Other innovative play equipment includes congo drums and talk tubes, a wheelchair-friendly roundabout, artificial turf across the play area that provides easy access for all mobilities, and a circular loop path for scooters. A new 6.5 metre high rope climbing frame has been installed for more daring park visitors.

Of course, traditional play equipment is also present and includes swings, slides and rope climbs. Some of the existing equipment was refurbished while other pieces are new.

The enhanced Frimley Park playground has become a key attraction for the whole community.



New look for Havelock North Village Green

An upgrade of the Havelock North Village Green commenced in 2016.

The existing Plunket building has been moved off the park and the historic Cricket Pavilion, previously located next to the swimming pools, has been moved into its place. The pavilion will be refurbished for use as a public facility and will include new public toilets.

Plunket has relocated to Hastings but will return to the Cricket Pavilion once the refurbishment is complete. The toy library will also be located in the pavilion.

The new \$1.5 million playground will include an all-year-round water play feature and new play equipment including swings, slides, climbing frame and merry-go-round. It will also include facilities for outdoor table tennis and chess, offering a wide range of activities for all park visitors.

The Havelock North Business Association is leading a public fundraising initiative, with the aim of raising \$300,000 for the project.

Summary Performance

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

Key Actions

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

Your contact with Council

Making it easy to do business and speak with Council is a key priority. A mystery shopping programme has been in place to identify how we are performing and to identify areas of improvement.

The standards are set high and staff are expected to go the extra mile for customers.

The findings are analysed to identify improvement areas for both individuals and the teams as a whole. Four 'shops' undertaken during 2015/16 resulted in the following outcomes:

2015/16 CSC Mystery Shopper results

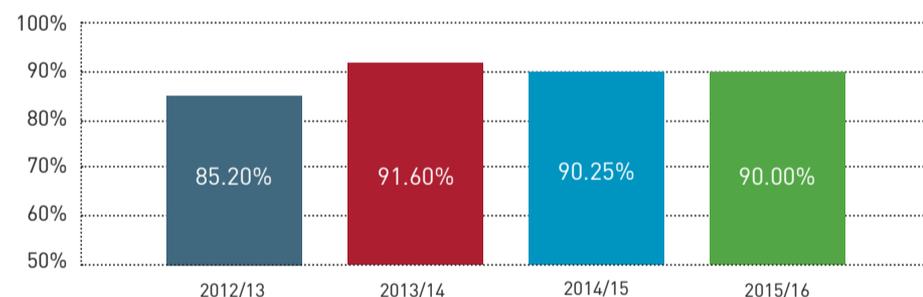
The minimum target is set at 80% with anything above 90% considered exceptional.

| Subject | Score 1 | Score 2 | Score 3 | Score 4 | Average |
|---|---------|---------|---------|---------|---------------|
| Property Enquiry with Rates Payment Options | 81% | 99% | 58% | 93% | 83.0% |
| LIM Application Enquiry | 97% | 100% | 94% | 95% | 97.0% |
| Overall Average | | | | | 89.63% |

Contact Centre: Mystery Shopping

The results of mystery 'shops' in partnership with the Palmerston North City Council are outlined below. This venture represents an opportunity to share learnings and to benefit from the knowledge of others in the same business, whilst also minimising the on-going survey costs. The annual average scores over the last four years are consistently high.

Contact Centre Mystery Shop Summary



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.

Levels of service (70 measures)

| Group of Activities | Fully Achieved | Substantially Achieved (98.5%-99%) | Not Achieved |
|--|----------------|------------------------------------|--------------|
| Water and Roads (note i) | 15 (71%) | 2 (10%) | 4 (19%) |
| Safe, Healthy and Liveable Communities (note ii) | 23 (92%) | - | 2 (8%) |
| Economic and Community Development (note iii) | 9 (82%) | - | 2 (18%) |
| Governance and Support Services (note iv) | 8 (100%) | - | - |

Notes:

- (i) 97% of properties connected to public water supplies were protozoal compliant. The remaining 3% of properties are connected to water supplies progressively being upgraded to meet the latest drinking water standards. Bacterial compliance with the Drinking Water Standards was substantially achieved across the district. The Havelock North Supply had a contamination occurrence requiring the subsequent bore shutdown and two further occurrences requiring chlorination. Waipatiki water supply is now chlorinated.
- (ii) No Rural Fire Audit was undertaken in 2015/16 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)

| Group of Activities | Fully Achieved | Substantially Achieved (98.5%-99%) | Not Achieved |
|---|----------------|------------------------------------|--------------|
| Governance and Support Services | 2 (100%) | - | - |
| Safe, Healthy and Liveable Communities (note i) | 2 (33%) | 2 (33%) | 2 (33%) |

Notes:

- (i) Parks User satisfaction not measured in 2015/16.

Independent Auditor's Report

To the readers of the Hastings District Council and Group's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Hastings District Council (the District Council) and group for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3 and 4:

- the summary statement of financial position as at 30 June 2016;
- 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 2016;
- the notes to the summary financial statements that include explanatory information; and
- the summary statement of service provision (referred to as Summary performance) of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 6 October 2016.

Opinion

In our opinion:

- the summary 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*.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council and group.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

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 assignment, we have no relationship with, or interests in, the District Council or any of its subsidiaries.

S B Lucy, Audit New Zealand

On behalf of the Auditor-General
Wellington, New Zealand
6 October 2016