

# 2018-19 Annual Summary Report

CENTRAL HAWKE'S BAY DISTRICT COUNCIL



# Kia ora from the Mayor and Chief Executive

## Nau mai

### It gives us great pleasure to present to you the Annual Report for 2018/2019.

The Annual Report is an opportunity to reflect on the past financial year and report on the progress Council has made towards achieving the plans that were agreed with the community in the 2018-28 Long Term Plan. The 2018/19 financial year is Year One of the Long Term Plan.

Project Thrive, our strategic framework for transformation and governance, continues to deliver significant transformation for our district. Our journey to excellence was first recognised in the 2018 Local Government Excellence Awards for Best Practice in Governance, Leadership and Strategy, when we were nominated as finalists for our work on Project Thrive. We were also awarded a BB rating by the CouncilMARK™ local government excellence programme in 2018. This external and independent assessment of our progress to date and our priorities for the future, gives us assurance and our community confidence that we are on the right path.

Securing external funding streams to support growth in our district has been a key focus over the last year, and this year our efforts paid well! In June we celebrated a successful application and grant of \$35.5 million from Central Government's Provincial Growth Fund (PGF) for Central Hawke's Bay. Our funding allocation will see the district benefit from a \$20 million transport package alongside \$14.7 million investment in water security initiatives. It also granted \$250k for the development of our first economic development action plan, and \$100k for a partnership project between local iwi and Council to bring the stories of local pa sites back to life. These grants will be received in future years.

Another huge milestone this year was the review of our draft District Plan. Our District Plan is the 'rule book' that

directs how we will use, develop and subdivide our land over the next 10 years. In June and July we asked residents for their views on the draft Plan and received approximately 100 submissions. Informal hearings will take place later in 2019 and the plan is on track to be delivered in 2020.

Planning and developing durable infrastructure to future proof our district and support growth has been another huge focus for us over the last year. We've made some significant progress on the #bigwaterstory, with many projects kicking off in early 2019 including work to build the Otane Alternate Water Supply and upgrades to Water Treatment Plants in Takapau and Porangahau.

Another win for our community was celebrating the opening of the Waipawa and Districts pool in March. Stage Two of this redevelopment is planned for the coming year and we look forward to seeing plans unfold in this space.

So much of what we do as a Council is a reflection of the skills and expertise of Council staff, elected members and volunteers working alongside members of the public. We thank you all for your service and achievements. You are all fantastic ambassadors for our district and work hard to look after the place we love.

Now the hard work continues – to deliver against our Long Term Plan, a bold and ambitious work programme that establishes a platform for social and economic growth while protecting and promoting our unique environment and landscape.

Together we will thrive!

**E ora ngatahi ana!**



*Alex Walker*

Alex Walker  
Mayor of Central Hawke's Bay



*Monique Davidson*

Monique Davidson  
Chief Executive Officer



Central Hawke's Bay District Council

## About this summary

This summary is a snapshot of the Council's activities and finances for the period ending 30 June 2019. The information it contains has been extracted from our 2018/19 Annual Report which was prepared in accordance with NZ GAAP and in compliance with PBE IPSAS and contains detailed information about our finances and service performance.

This summary financial report has been prepared in accordance with PBE FRS – 43, but cannot be expected to provide as complete an understanding as provided by the full financial report of the financial and service performance, financial position and cash flows of the Central Hawke's Bay District Council.

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 1 entity.

This summary financial report is for an individual entity.

The financial statements are presented in the functional currency of New Zealand, which is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$'000).

Copies of the full 2018/2019 Annual Report can be obtained from the Council office, Ruataniwha Street, Waipawa or viewed online at [www.chbdc.govt.nz](http://www.chbdc.govt.nz). This summary represents fairly and consistently the major matters dealt with in the Annual Report 2018/19 which was issued on 26 September 2019. The Annual Report was audited and received an unmodified audit opinion.

## Key Initiatives and Projects

### Waipukurau, Waipawa and Otane Wastewater Treatment Plants

The Waipukurau and Waipawa Wastewater Treatment Plants were upgraded in 2013 and 2014 to meet new resource consent requirements. Despite supplementary investment, the plants continued to breach consent requirements. In March 2017, Council was prosecuted for breaching E.Coli limits at Waipawa which resulted in a court enforced review of the treatment plant.

At the same time, we received significant complaints regarding odour at the Waipukurau Treatment Plant and continued Ammonia exceedances. As a result an independent review was commissioned for both plants with the resulting report released publicly in November 2017.

The Council commissioned a community reference group and specialist advisers to finalise a robust and sustainable option for these two plants going forward. Seven community reference group meetings, and one Taiwhenua meeting were held over 2018/19 to refine and develop a package of solutions going forward.

In June 2019 the Council endorsed a report outlining a package of solutions, which were put forward in a response to Environment Court Orders for the Waipawa Wastewater Treatment Plant.

The report outlined the process CHBDC followed to develop the proposed solutions including community reference group engagement to develop solution options; significant scientific and engineering research; funding and affordability assessments; interim improvements; and consultation with key stakeholders.

Long term, the community vision for this project is to treat effluent in a sustainable way that creates a resource, protects the environment, and continues to do so for generations to come. The report recommends a staged approach to delivering this long term solution which will go back out for community consultation as the design, investigation and funding options progress.

The report has been lodged with the environment court, and in the interim, Council focusses on undertaking improvements at the two plants to ensure steps to improve compliance are undertaken whilst the larger project progresses.

The Otane system was added into the wider review in late 2018, and is currently under investigation to understand the feasibility of piping to Waipawa versus upgrading in Otane.

Over the next financial year 2019/20 the Council will continue to progress the investigation and design of the proposed staged upgrades to these networks, whilst developing and progressing funding sources to ensure the upgrades remain as affordable as possible to the community.

Formal consultation is likely to take place in 2020 as the project options are refined and designed to a point where consultation is required for additional funding and before the project can progress to the next steps.

## The District Plan Review

The District Plan is an important document that provides for change, development and use of the environment in our district, while protecting and safeguarding it for future generations.

Our District Plan is the 'rule book' that directs how we will use, develop and subdivide our land over the next 10 years. Required by law, it describes policies, rules and standards to ensure we balance economic and residential growth with protecting Central Hawke's Bay's natural environment for future generations.

It had been some time since the last review of the District Plan so the Council decided a full review would ensure that a revised District Plan is fit for purpose and includes best practice.

Elected members were committed to engaging the community in the development of the draft District Plan before the formal and legal phases of the review begin in 2020. Several public meetings and Hui were held across the district in June and July 2019 to meet with community members and discuss the draft Plan.

Approximately 100 submissions were received on the draft District Plan which commented on a wide range of resource management issues in the document. In November / December 2019 Council will hold informal hearings to provide an opportunity for anyone who made a submission on the draft District Plan to present their submission to an informal hearings panel. Deliberations on all submissions received on the draft District Plan will take place in early 2020. Any necessary amendments will be made to the draft document before it is notified as a Proposed Plan later in 2020.

The review of the District Plan is on track for delivery of a Proposed Plan in 2020. The District Plan review has cost \$467K to date and the extent to which future funding outside that detailed in the Long Term Plan will depend on the requirements following the formal notification of the plan.



In August 2018 the Council launched its capital programme of works under the umbrella of the #thebigwaterstory.

Since then, our attention and focus has shifted from discussion and consultation to planning and delivery. In late 2018 officers procured, planned and designed numerous projects for the first delivery year of #thebigwaterstory.

In early 2019 the first of our #thebigwaterstory projects kicked off with the renewal of nearly a kilometre of water main in Mackie Street and McLean Terrace, Waipukurau. This was followed by the start of other projects including the water treatment plant upgrades in Takapau and Porangahau. By the end of June 2019, eight physical projects outlined in #thebigwaterstory were underway - many expected to be completed by the end of 2019.

The focus for 2019/20 is on the completion and continued delivery of the following key projects: the Otane Alternate Water Supply; Waipukurau stormwater improvements; Waipukurau water SH2 borefield upgrade; Waipukurau firefighting network improvements; Waipukurau stormwater upgrades; and Waipawa sewer main renewal.

Longer term the Waipukurau second supply and CHB Wastewater Project will continue to develop and progress as we invest in key projects that ensure smart growth, sustainability and provide for generational longer term durable infrastructure for the district.

This programme delivers to ensure that the drinking water, wastewater and stormwater infrastructure is fit for purpose and able to meet the current and future generational needs of the community

## Waipawa and District Centennial Memorial Baths

In late 2017, significant age related defects were identified when old paint work was removed for repainting. Due to the poor condition of the Waipawa and District Centennial Memorial Pool, was closed for the 2017/2018 summer period. Following a strong response from the Central Hawke's Bay community in early 2018, a two stage project was considered as part of the 2018 – 2028 Long Term Plan.

Council approved funding of \$650,000 for Stage One totalling \$1.2 million, underwriting the completion of the installation of a new 25 metre pool and play pool with accessible ramps and new filtration and treatment. In March 2019, Mayor Alex Walker and Bruce Stephenson, Chair of the Pool Project Reference Group officially opened the Waipawa and Districts pool, along with local iwi and over 200 members of the community.

The community funds of \$550,000 to be raised for Stage One by the Community Project Reference Group at the end of the financial year was just shy of this target, but achieved the total in August 2019.

Planning is now underway for Stage Two of the project by the Community Project Reference Group, with consultation with the community on a master plan planned over the summer period.



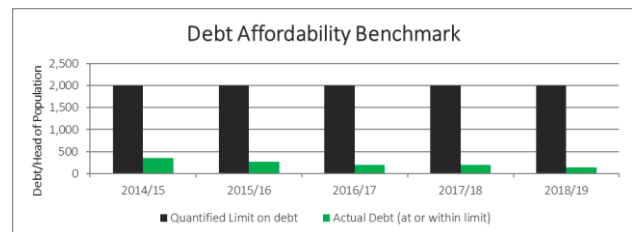
## About this summary

The following graphs are examples of recently introduced benchmark reporting requirements that Council must now report against in the full Annual Report. The full set of benchmark disclosures is included in the full Annual Report.

### Debt affordability benchmark

The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

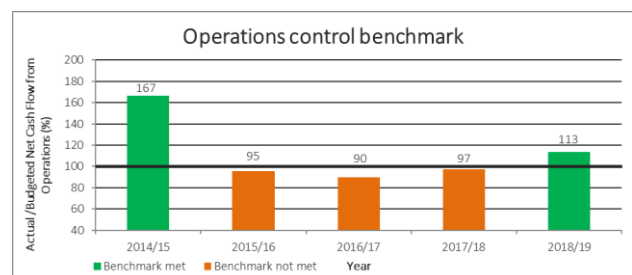
The following graph compares the council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the council's long-term plan. The quantified limit as detailed in the financial strategy is that Council's total debt per head of population will not exceed \$2,000.



Council consistently performs well against this quantified limit as set in the Financial Strategy due to well managed and prudent debt management.

### Operational Control benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



In 2015/16, 2016/17 and 2017/18 Renewal expenditure was reallocated to operational. Full details are available in the Annual Report 2017/18.



## Summary of Financial Statements for the period ending 30 June 2019

Statement of Comprehensive Revenue and Expense			
	2018 Council Actual \$'000	2019 Council Budget \$'000	2019 Council Actual \$'000
Total Revenue	31,555	30,225	35,754
Finance Costs	195	264	173
Other Operating expenditure	31,550	29,817	34,130
Net Operating Surplus/(Deficit)	(190)	144	1,451
Other (Gains)/Losses	53	-	22
Income Tax	-	-	-
Net Surplus/(Deficit)	(243)	144	1,429
Movements in PPE revaluations	11,529	13,777	47,287
<b>Total Comprehensive Revenue and Expense</b>	<b>11,286</b>	<b>13,921</b>	<b>48,716</b>

Statement of Financial Position Summary			
	2018 Council Actual \$'000	2019 Council Budget \$'000	2019 Council Actual \$'000
Total Current Assets	8,393	5,713	10,422
Total Non-Current Assets	794,561	816,485	846,190
<b>Total Assets</b>	<b>802,954</b>	<b>822,198</b>	<b>856,612</b>
Total Current Liabilities	6,019	5,607	9,504
Total Non-Current Liabilities	4,032	9,097	5,489
<b>Total Liabilities</b>	<b>10,051</b>	<b>14,704</b>	<b>14,993</b>
Special & Other Funds	6,835	6,461	6,900
Trust Funds	186	154	182
Revaluation Reserve of Assets	542,188	556,189	589,475
Ratepayers' Equity	243,694	244,690	245,062
<b>Total Equity</b>	<b>792,903</b>	<b>807,494</b>	<b>841,619</b>
<b>Total Liabilities and Equity</b>	<b>802,954</b>	<b>822,198</b>	<b>856,612</b>

Statement of Changes in Equity Summary			
	2018 Council Actual \$'000	2019 Council Budget \$'000	2019 Council Actual \$'000
<b>Equity at the Beginning of the Year</b>	<b>781,617</b>	<b>793,573</b>	<b>792,903</b>
Total Comprehensive Revenue and Expense	11,286	13,921	48,716
<b>Equity at the End of the Year</b>	<b>792,903</b>	<b>807,494</b>	<b>841,619</b>

Statement of Cash Flows Summary			
	2018 Council Actual \$'000	2019 Council Budget \$'000	2019 Council Actual \$'000
Net Cash from Operating Activities	11,758	12,197	13,815
Net Cash from Investing Activities	(10,255)	(16,995)	(10,469)
Net Cash from Financing Activities	-	4,798	(684)
<b>Net Increase/(Decrease) in Cash</b>	<b>1,503</b>	<b>-</b>	<b>2,662</b>
Cash at the Beginning of the Year	2,453	2,453	3,956
<b>Cash at the End of the Year</b>	<b>3,956</b>	<b>2,453</b>	<b>6,618</b>

## Financial Performance Overview

For the financial year Council had a surplus of \$1,429k compared to a budget surplus of \$144k. Overall income was above budget by \$5.5m with total operating expenditure over budget by \$4m. The table and explanations below illustrate this.

Financial Overview			
	2018 Council Actual \$'000	2019 Council Budget \$'000	2019 Council Actual \$'000
Total Revenue	31,555	30,225	35,754
Operating expenditure	19,674	17,789	22,184
Finance Cost	195	264	173
Other (Gains) and Losses	53	0	22
<b>Net Surplus/(Deficit) excluding non cash movements</b>	<b>11,633</b>	<b>12,172</b>	<b>13,375</b>
<b>Non Cash Movements</b>			
Depreciation	11,876	12,028	11,946
Other Gains and Losses	0	0	0
<b>Net Surplus/(Deficit)</b>	<b>(243)</b>	<b>144</b>	<b>1,429</b>

### Explanations

- Subsidies received from NZTA were higher by \$3.9m primarily to cover expenditure for the two flooding events during the 2018/19 year
- Income from Fees and Charges were above budget by \$471k due to increased income from Solid Waste Charges with refuse from out of the district and from Wastewater for trade waste.
- Other Revenue for the year was \$480k higher from Wastewater and donations for the Waipawa and Districts Centennial Memorial Pool upgrade.
- Operating expenditure is above budget due to the following:
  - Higher Personnel Costs of \$373K
  - Land Transport cost for maintenance were higher by \$712k which is offset by a reduction in renewals approved by NZTA
  - Land Transport cost for maintenance were higher by \$1.329m due to the flooding events mainly offset by subsidy from NZTA
  - Economic Development cost for projects were higher by \$301k which is primarily offset from funding from Provincial Growth Fund
  - Solid Waste costs were higher by \$394K including the increase prices for Carbon Credits for extra waste not anticipated
  - Water Supply Costs were higher than budget by \$405K due to increased compliance costs and other remedial work required in the network. This was offset by extra Water Meter Rates of \$42K and savings for loan repayments. The net deficit of \$267K has been loan funded.

## Non-Financial Performance Overview

Overall we achieved good results this year in terms of the non-financial performance measures. However, there were some areas that we did not achieve what we set out to do in the 2018-28 Long Term Plan, as identified below.

In Brief the Council Achievements are as follows

GROUP	TARGET ACHIEVED	TARGET NOT ACHIEVED
Community Leadership and Governance Group	11 (65%)	6 (35%)
Planning and Regulatory Group	11 (59%)	8 (41%)
Land Transport Group	3 (50%)	3 (50%)
Solid Waste Group	4 (80%)	1 (20%)
Water Supply Group	5 (50%)	5 (50%)
Wastewater Group	6 (100%)	0 (0%)
Stormwater Group	3 (75%)	1 (25%)
Recreation and Community Facilities Group	14 (58%)	10 (42%)

### Community Leadership and Governance

We set a target that 70% of people consider that Council has communicated well on Council business. During the Independent Survey in June 56% of people considered Council communicates well about Council business. This is up from 47% in 2018. Council is developing a Communications Strategy to ensure the community stays informed of key information

### Planning and Regulatory

We set a target that 100% of building consents would be processed within 20 working days. 365 Building Consents were processed in the year with 362 (99%) processed within the 20 day statutory timeframes in the reporting period.

### Land Transport

We set a target that we would reduce fatalities and serious injury crashes on the local road network to 0. During the year 1 fatalities and 4 serious injury crashes were recorded within the reporting period. In reviewing the crash reports, road factors (excluding weather) were not the main contributing factor in the crashes.

### Solid Waster

We set a target that 90% of users satisfied with the solid waste service provided. During the independent Annual Residents Survey in June, 81% of users were satisfied with the solid waste service provided.

### Water Supply

We set a target that all water supplies comply with Part 4 of the Drinking water Standard. Of the six supplies, this was achieved with Takapau and Porangahau. While bacterial compliance have not been achieved at treatment plants in the reporting period, full compliance in reticulated networks was achieved. In all other supplies there was an issue identified with data capture interval (5 minutes rather than the required 1 minute) This has now been rectified.

We also set a target for  $\leq 5$  complaints relating to drinking water received. 14 complaints per 1,000 connected customers were received in the period. A total of 58 complaints were received against a total of 4,073 connections. The complaints primarily related to water taste and colour and are from known problem areas that are being addressed through significant capital investment in treatment and reticulation infrastructure.

### Stormwater

We set a target that 90% of users satisfied with the solid stormwater service provided. During the independent Annual Residents Survey in June, 85% of users were satisfied with the stormwater service provided. The score is a decrease but within the margin of error of last years score (87%).

### Recreation and Community Facilities

Within the Park, Reserves and Swimming Pools activity, a total of 2881 people used the Waipawa Pool for the 2018/19 year against a target of 3000. Following the upgrade to the pool complex during 2018/19, the pool was opened in March 2019, at the end of the summer season.

Within the Public Toilets a target was set that 90% of the public satisfied with the cleanliness and provision of public toilets. During the independent Annual Residents Survey in June, 87% were satisfied in comparison with 91% in the 2018/19.

Within the Libraries activity, we set a target that 65% of the Central Hawke's Bay population will use the library services. During the independent Annual Residents Survey in June, 59% of those surveyed had used the service. This does not provide for any users under the age of 15 as they were specifically excluded from the sample.

For the complete list of measures and outcomes, please refer to the full Annual Report 2018/19 on our website [www.chbdc.govt.nz](http://www.chbdc.govt.nz).

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Audit Report



Building a better  
working world

**INDEPENDENT AUDITOR'S REPORT**

**TO THE READERS OF  
CENTRAL HAWKE'S BAY DISTRICT COUNCIL'S  
SUMMARY OF THE ANNUAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019**