
Thursday, 8 December 2022

Te Hui o Te Kaunihera ā-Rohe o Heretaunga

Hastings District Council

Council Meeting

Kaupapataka

Agenda Item 12

Adoption of the Annual Report and Summary 2021/22

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HASTINGS DISTRICT COUNCIL
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TE KAUNIHĒRA Ā-ROHE O HERETAUNGA

Thursday, 8 December 2022

Item 12

Te Hui o Te Kaunihera ā-Rohe o Heretaunga
Hastings District Council: Council Meeting

Te Rārangi Take

Report to Council

Nā: Aaron Wilson, Financial Controller
From: Jess Noiseux, Financial Improvement Analyst

Te Take: Adoption of the Annual Report and Summary 2021/22
Subject:

1.0 Purpose and summary - Te Kaupapa Me Te Whakarāpopototanga

- 1.1 The purpose of this report is to obtain a decision from Council on the adoption of the 2021/22 Annual Report and 2021/22 Summary Annual Report.
- 1.2 Attached as **Attachment 1** is the Closing Report to Council for the year ended 30 June 2022 from Council's auditors EY.
- 1.3 The adoption of this Annual Report is later than normal due to staff shortages with our former auditors Audit New Zealand and the late change to our new auditors Ernst Young (EY). Prior to the previous Council completing its triennium, Council acknowledged that the completed and audited Annual Report was not available to adopt but did provide the following resolution supporting its adoption when the audit process had been completed.

That the Council receive the report titled Draft Annual Report and Summary for the Year Ended 30 June 2022 dated 4 October 2022.

That the Council endorse the adoption of the Annual Report and Summary for the year ended 30 June 2022 subject to any changes as required through the audit process.

2.0 Recommendations - Ngā Tūtohunga

- A) That Council receives the report titled Adoption of the Annual Report and Summary 2021/22 dated 8 December 2022.
- B) That Council adopts the 2021/22 Annual Report with any minor amendments made at the meeting and any necessary drafting corrections delegated to the Chief Executive.
- C) That Council adopts the 2021/22 Summary Annual Report with any minor amendments made at the meeting and any necessary drafting corrections delegated to the Chief Executive.

3.0 Background – Te Horopaki

- 3.1 This report enables Council to meet the legislative requirements of the Local Government Act 2002 which requires Council, through section 98 of the Local Government Act 2002, to adopt the Annual Report within four months of the end of the financial year (by 31 October). This normal deadline has, however, been extended to 31 December 2022 due to the impacts of COVID and the shortages of audit staff.
- 3.2 Council is also required to produce an Annual Report Summary that must represent fairly and consistently, the information regarding the major matters dealt with in the Annual Report.
- 3.3 The reports must comply with generally accepted accounting practice as determined by various financial reporting standards. A number of other statutory requirements must also be met.

4.0 Discussion – Te Matapakitanga

- 4.1 Now that the financial result has been audited a summary table below has been added, this updates the result provided for the Council meeting dated 4th October 2022.

Statement of comprehensive revenue and expense for the year ended 30 June 2022	Actual Council 2022 \$'000
Revenue	167,911
Expenses	135,397
Surplus/Deficit	32,514
Revaluations & other movements	550,439
Total Comprehensive revenue & Expense	582,953

Audit Opinion

- 4.2 Council has received an unqualified audit opinion on the financial statements and other statutory reporting. However, audit will be required to issue a qualified opinion over performance information in relation to certain 3 Water performance information as a consequence of the matters highlighted in 2021's audit report that in one circumstance remains in place in 2022.

- 4.3 The comparative information, which received a qualified opinion in 2021, related to how 3 waters complaints were recorded, and the accuracy of the reported water loss in the service performance measure section of the Annual Report. The performance matter remaining in 2022 relates to 3 Waters Customer complaints.
- 4.4 Attached as **Attachment 1** is the Closing Report to Council for the year ended 30 June 2022 from Council's auditors EY. This level of reporting from Council's auditors is new and provides Council with a good overview of the audit process and outcomes.
- 4.5 Without modifying their opinion, audit have also added an emphasis of matter paragraph, drawing attention to the disclosure in Note 8 on the "Three waters reform programme" which outlines the impact of the reform once legislated. All councils impacted by the 3 waters changes are receiving this modification.
- 4.5.1 Water Loss – staff have undertaken to improve the quality of the information gathered to support the amount of water loss that is estimated to occur. However, despite those efforts, it is currently not feasible to accurately report that information and the most effective way of improving that data is to install a large number of water meters. An installation programme of water meters across the district for this purpose is currently underway and will take at least two years to complete.
- 4.5.2 3 Water Complaints – as discussed above, audit have qualified their opinion on this matter, and while audit found improved mechanisms have been put in place by management to collect and collate complaints, the afterhours call service by Palmerston North City Council has not moved to providing complaint information on a call by call basis and remains focused on service requests.
- 4.5.3 Revaluations – The 2021/22 year end process included two substantial revaluations for Three Waters and Transportation assets. With regard to the transportation revaluation audit have noted that the revaluation of the roading assets reflects movements in line with their expectations. With regards with the 3 waters revaluation there has been a significant uplift in value and audit have placed increased focus on gaining assurance on the appropriateness of those numbers. At the time of writing audit have noted that they are comfortable with the underlying assumptions that have informed the value of this asset class. Audit have however recommended that Council include some further independence into the revaluation process to further support valuation uplifts, particularly when those increases are substantial.
- 4.6 Infrastructure assets are the most significant balance on Council's balance sheet with a 30 June 2022 carrying value of \$2,640 million (2021: \$2,044 million).
- 4.7 Through the audit process a number of adjustments have been identified as is quite normal through the audit process and explanations for these are provided in the attached report from EY.
- 4.8 The 2021/22 Annual Report (**Attachment 3**) is circulated under separate cover. At the time of preparing this report, the Annual Report was in the final stages of review with EY. If any further changes are required, they are expected to be minor and will be available at the Council meeting.
- 4.9 The 2021/22 Summary Annual Report (**Attachment 2**) is attached.

Attachments:

1	HDC Final Audit Close Report 2022 - EY	FIN-07-01-22-471	
2	Summary Annual Report 2022	CG-16-2-01297	
3	Annual Report 2022	CG-16-2-01296	Under Separate Cover



Hastings District Council

Closing Report to Council for the year
ended 30 June 2022



WELCOME



Dear Councillors

We have substantially completed our audit of Hastings District Council ('Council') for the year ended 30 June 2022.

We confirm that we are prepared to issue an unqualified audit opinion on the financial statements and other statutory reporting provided management, or yourselves as Council make no further changes to the Annual Report information before the Council adopts the Annual Report.

We are satisfied that the performance information of Council is also largely appropriate for reporting purposes. However, we expect to be required to issue a qualified opinion over performance information in relation to certain 3 Water performance information as a consequence of the matters highlighted in 2021's audit report that in one circumstance remains in place in 2022.

In addition, the audit report will include an Emphasis of Matter paragraph drawing the readers attention to the disclosures in the financial statements in regards to the proposed changes to the management of 3 Waters assets.

We have provided this report in our role as the appointed auditor of the Council on behalf of the Auditor-General in accordance with the Public Audit Act 2001. This report would normally be directed to the Risk & Assurance Committee ('the Committee'), other members of Council and senior management, and should not be used for any other purpose nor given to any other party without our prior written consent.

We would like to thank your staff for the assistance provided to us during the engagement, especially Jessica Noiseux, Aaron Wilson and Ash Dunstan. We would particularly like to acknowledge the patience and willingness to support our first audit of Council. We look forward to carrying out the audit in a more structured and less time restrained manner in 2023.

I look forward to the opportunity of discussing with you any aspects of this report or any other issues arising from our work. If you have any queries in the meantime, please feel free to contact Stuart on 027 489 9378 or Matthieu on 021 229 8956

Yours faithfully



Stuart Mutch
Partner
8 December 2022



Matthieu Poulain
Manager

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Management Representation Letter



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Hastings District Council

For the year ended 30 June 2022

AREAS OF AUDIT FOCUS

6

Key areas of focus where there are potential risks and exposure



The areas of audit focus and level of complexity or management judgement applied are:

- | | | | |
|--|--------|---------------------------------------|--------|
| ▶ Infrastructure assets and Property Plant and Equipment | HIGH | ▶ Non-financial performance reporting | HIGH |
| ▶ Rates strike, invoicing and collection | MEDIUM | ▶ Other matters including Provisions | MEDIUM |
| ▶ Grants and subsidies | MEDIUM | ▶ Debt | LOW |

Our audit covered a wide range of the elements within the Annual Report and the underlying systems and processes supporting your reporting.

STATUS OF AUDIT

6

The outstanding matters that we need to resolve are listed in the Appendices section of this report



Apart from the signed Annual Report, management representation letter and completion of our subsequent event procedures, the outstanding items are listed in the [Appendices](#) of this report.

AUDIT DIFFERENCES

\$2.1M

Current year unadjusted audit differences

Refer to [Audit Differences](#) section for the summary of unadjusted audit differences in the current year. The uncorrected difference is principally related to the identification of grant revenue recognised during the 2022 financial year that should have been recognised as at 30 June 2021. We have accepted that this would not have been material to the 2021 financial statements and hence have not requested a prior period adjustment to be recorded.



MATERIALITY

\$3.64M

Our audit procedures have been performed using a materiality of \$3,636K

Our audit procedures have been performed using a materiality based on 2.5% of expenditure of \$145m.

The threshold for reporting audit differences which impact the income statement is \$181K.

Materiality has also been set for each significant performance measure selected to test.



INDEPENDENCE

We confirm that we have complied with *NZICA Code of Ethics and the Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand)* independence requirements and the OAG's own independence standards, and in our professional judgement, the engagement team and EY as a firm is independent.



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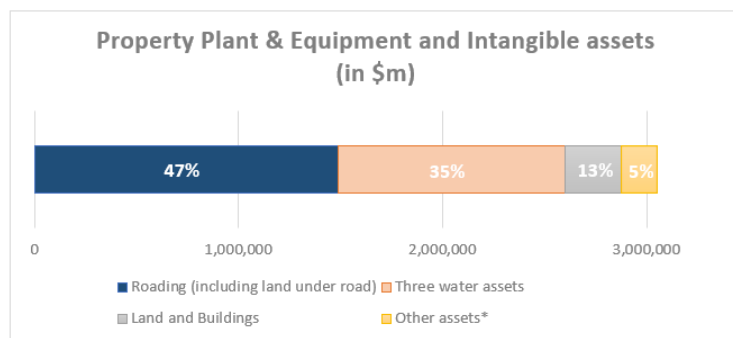
EY | Hastings District Council | For the Year ended 30 June 2022

Infrastructure assets

Our Understanding

Infrastructure assets are the most significant balance on Council's balance sheet with a 30 June 2022 carrying value of \$2,644 million (2021: \$2,044 million).

Council has continued its significant investment in capital expenditure in the current year with \$93m of spending in FY22, principally focused on roading and 3 Water assets. Significant elements of this spending has been funded by Waka Kotahi or other central government agencies, particularly DIA. Capital Work in Progress at 30 June 2022 amounted to \$56 million, principally made up of Councils major Water Supply projects.



*Other assets include Solid Waste, Landfill, Software and other operating assets

Infrastructure assets are revalued regularly in accordance with Council's revaluation policy and IPSAS 17. Revaluations are either completed internally or by external valuation professionals.

In the current year, the roading assets (excluding land under roads) of \$1,275m were revalued by BECA giving rise to a \$167 m revaluation uplift recognised in the financial statements.

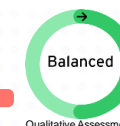
More significantly Hastings DC has carried out a revaluation of its own 3 Water Assets. As at 30 June these were valued at \$1,113 m following a revaluation of \$388m.

Council have also undertaken an assessment of the potential uplift in land & building assets but have not recorded a valuation in 2022.

EY Perspective

Level of complexity or management judgement:

HIGH



Valuations

There are a number of key assumptions that valuers are required to make based on their experience in their respective fields, and each of these judgements has the potential to materially impact the resulting valuations.

We have obtained the roading and 3 Waters valuation reports and performed the following audit procedures with regard to the valuation:

- ▶ Tested, on a sample basis, key inputs to the valuations including unit costs and useful lives. For the roading valuation the valuer derived unit rates from the previous valuation and applied an uplift of these using NZTA cost indices.
- ▶ Assessed whether the asset information used by the valuer was reflective of the asset data maintained in the Council's Asset Management Systems for roads and 3 water assets,
- ▶ Obtained assurance that all material assets within the asset classes were included in the valuations and considered the completeness of total assets valued.
- ▶ Performed procedures to obtain assurance that the results of the internal and external valuations had been appropriately recorded in the fixed asset register and general ledger.
- ▶ Reviewed the valuation reports against those undertaken by other valuation firms for Councils of a similar nature to Hastings District Council to assess the appropriateness and consistency of assumptions applied.
- ▶ Reviewed the assessment of the potential uplift of land & building assets for appropriateness.
- ▶ Obtained a reliance letter confirming the independence and expertise of Beca as valuers of the Roading asset portfolio.
- ▶ Obtained a reliance letter confirming the independence and expertise of Waugh to complete an independent review of the 3 Water valuation.
- ▶ Reviewed the integrity and completeness of the valuations with reference capital works and vested assets recorded in the 2022 financial year.

Roading

The revaluation of the roading assets reflects movements in line with our expectations. The uplift in replacement costs of roads, due to the increasing cost of construction and in particular the impact of increased oil prices on bitumen have given rise to significant asset valuation movements. These increases have been only partially offset by a heightened consumption of asset useful lives. The diminishing comparative level of depreciated replacement costs to replacement cost reflects that assets are on average further through their expected useful lives and that renewal expenditure is not keeping roading assets at a stable point of asset conditioning.



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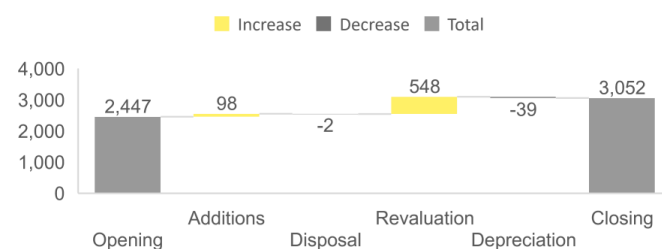
EY | Hastings District Council | For the Year ended 30 June 2022



Infrastructure assets and Property, Plant & Equipment

Our Understanding

Movement of property, plant and equipment (\$m)



As all members of Council will be fully aware, the ownership and management of three water assets is currently going through a major change including the establishment of a dedicated national water regulator and four multi-regional entities responsible for ownership and delivery. While the reform process is still in progress and certain key decisions are yet to be made / passed into legislation there will be significant change for local authorities in this space.

Management have included an appropriate disclosure in relation to this matter in the financial statements. We will include an emphasis of matter paragraph in our Audit Report. All Councils impacted by the 3 Waters changes is receiving this modification.

Emphasis of matter - The Government's three waters reform programme

Without further modifying our opinion, we draw attention to note [x] on page [x], which outlines that, in June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. The bill is currently before Parliament and has been subject to its third reading. It has yet to receive its Royal Assent from the Governor-General. Additional legislation is expected in 2023 that will provide detail on the transfer of assets and liabilities to the water service entities.

EY Perspective

Valuation of Three Water Assets

- ▶ Council have undertaken their own valuation of 3 Water assets. This review has sought to capture input from Stantec in relation to unit pricing and has received an independent review by Waugh.
- ▶ We have reviewed the quantity data used by Council to undertake the valuation of their own asset class. We are satisfied that this quantity data is appropriate for use within the valuation.
- ▶ We have undertaken an overall analysis of the valuation and the independent elements of the support Council has received.
- ▶ The key driver of the valuation uplift has been significant increases in the unit prices applied by Council. We have examined this pricing against comparative Councils and found the pricing to be high, particularly in relation to sewer pipeline replacement costs.
- ▶ Council can support the values using recent contract pricing and reflect that the values are not dissimilar to Stantec pricing indices movements. We have reviewed the unit pricing methodology in detail. Whilst Council would ideally have more example price points for pipeline assets, we have accepted councils position. Given the significance of the value to council of these assets and the level of change occurring in this sector we recommend that Council obtain an external valuation in 2023. We also recommend that Council move away from using CPI as an adequate indicator of price change when reviewing valuation movements between years, as was undertaken in 2021.
- ▶ Council will need to manage the impact of the significantly increased depreciation charge that will impact the 3 water assets in the 2023 financial year.

Capital additions, disposals, work in progress, and depreciation

- ▶ We selected a sample of material infrastructure and property asset additions during the year and vouched these to supporting documentation and obtained assurance that costs were only capitalised which fulfilled the capitalisation criteria under PBE IPSAS 17 *Property, Plant and Equipment*.
- ▶ We reviewed and tested a sample of asset disposals during the year to ensure they have been appropriately removed from use by Council. We also determined that any gain or loss on sale/disposal has been appropriately recorded.
- ▶ We obtained assurance in relation to the appropriateness of work in progress (WIP) cut-off at balance date and confirmed the carrying value of WIP is in line with PBE IPSAS 17.

Key Judgements: Assumptions used in valuations and classification of capital and maintenance costs

Relevant accounting standards: PBE IPSAS 17 *Property, Plant and Equipment*

Level of complexity or management judgement: HIGH



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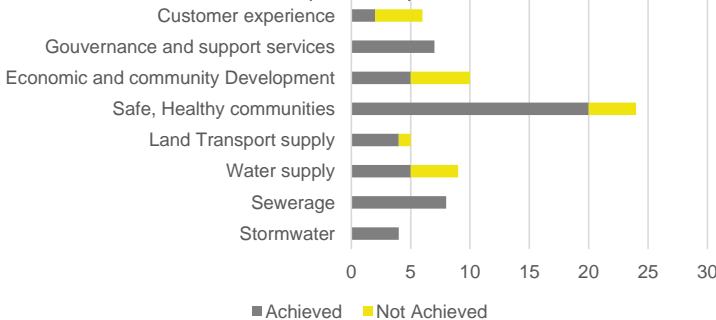


Service Performance reporting

Our Understanding

- ▶ The accurate reporting of performance is critical to external and internal stakeholders view of Council. The Department of Internal Affairs publish a set of key measures, which require consistent methodologies for the reflection of critical components of Councils operations.
- ▶ Council is required to report its performance against performance measures included in the Long-Term Plan (LTP). These measures are key to the Council providing a 'performance story' to the community.
- ▶ Our audit opinion on the service performance reporting covers compliance with generally accepted accounting practice, and whether or not the service performance report fairly reflects the Council's actual service performance for the period.
- ▶ The performance framework set as part of the 2021/31 LTP is applicable to the current financial year.

Non-Financial Performance result by Group (Level 2)_



EY Perspective

We have carried out the following audit procedures in assessing completeness and effectiveness of the Council's non-financial performance reporting:

- ▶ Documented an understanding of key performance reporting processes and reviewed the collation methodologies applied by Council.
- ▶ Examined, on a sample basis, the Statement of Service Performance to determine that the measures have been reported on and outputs and activities have been achieved where stipulated. For selected measures this included obtaining the underlying supporting documentation and re-performing the calculations.
- ▶ Assessed the completeness and effectiveness of the performance framework utilised.
- ▶ Checked whether all mandatory performance measures stipulated by the Non-Financial Performance Measures rules 2013 have been included in Council's reporting.
- ▶ Applied specific procedures in relation to Water Quality performance measures in accordance with recently documented OAG expectations.
- ▶ Reviewed the report prepared by the independent reviewer appointed by Council of water quality standards.
- ▶ Reviewed the broader Annual Report for consistency and appropriateness in consideration of our sector and Hastings District Council focused understanding.

Key judgements: Selection of measures relevant to reporting non-financial performance
Level of complexity or management judgement: **HIGH**



EY | Hastings District Council | For the Year ended 30 June 2022

Service Performance reporting

Our Understanding

Water Loss

- ▶ In 2021 Council received a qualification of its audit report as a result of the degree of variability that might exist within the water loss reporting due to the small number of water metres in place to effectively measure water loss.

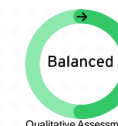
Customer Complaints: 3 Waters

- ▶ In 2021 Council received a qualified audit report in relation to the classification of complaints received across the provision of 3 waters.
- ▶ Council have taken steps to mitigate this and have reported performance at a more granular level for calls received by Council during operational hours. However, after hours calls have been found to still only be capturing requests for service, as compared to complaints. A disclosure has been made by Council reflecting on this.

Water Quality Measures

- ▶ The ongoing changes in the water sector and the increased need for better quality water reporting has resulted in the Office of the Auditor-General taking a much deeper look at reporting against NZ drinking water standards (DWSNZ) compliance in 2022.
- ▶ Historically a number of Councils and auditors have relied upon independent water quality assessors from the Ministry of Health to review and report on water quality performance. However, the new government agency Taumata Arowai does not have a similar system in place. The Auditor-General has recommended Councils obtain an independent review of their performance against DWSNZ. If such a review is not available auditors have been asked to undertake a much more deeper dive into processes and reported performance.
- ▶ Hastings DC have chosen to obtain a report from an independent water quality assessor to examine and conclude on Councils reported results for the period.

EY Perspective



We have met with management to discuss each of these specific areas of performance reporting and reviewed processes and documents obtained by Council in support of its reported 2022 performance.

Water Loss

Council have undertaken a detailed investigation as to whether water loss could be measured using night time usage volumes, as compared to a reliance on the small number of water meters in place across the sector. This has shown Council that there is a very high level of water usage overnight. This either suggest a very high level of water loss (unlikely) or significant commercial and private use across Councils urban supply network (likely).

Council have therefore concluded that the planned increase in water metres will be the most efficient mechanism for improving water loss reporting. However, whilst plans are in place to install more metres, this did not occur in sufficient numbers in 2022 to minimise the potential variability in any reported result.

Management have reported that they have not measured performance in this area in 2022. We will be required to reference the prior periods qualification in our audit report. The specific nature of this qualification is being discussed with the Audit Generals technical team.

Customer Complaints: 3 Waters

We have reviewed the improved mechanisms put in place by management to collect and collate complaints in regards to 3 Water services. Information is being captured during day time activity. However, the call service provided by Palmerston North City has not moved to providing complaint information on a call by call basis and remains focused on service requests. This will require the retention of the qualification noted on the 2021 performance information.

At the time of writing we are finalise our documentation of Councils audit trail for complaints to support monthly summarised data at a call by call level. We will provide a verbal update on how we've resolved this matter to Council when we meet on 8 December 2022.

Water Quality Measures

We have reviewed the independent water quality review document. We are satisfied Council have made available the right information to the reviewer and that the reviewer is qualified to undertake the role. We are satisfied the results of this review and the water quality reporting has been appropriately reflected in the Level 2 Activity performance information.



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Rates strike, invoicing and collection

Our Understanding

- ▶ Rates income levied represents Hastings District Council's primary revenue source.
- ▶ The requirement for there to be consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the long-term plan is fundamental because this is the thread that links community consultation to the rates levied by Council.

The following is a summary of the rates revenue and debtors recognised by the Council.

\$000's	30 June 2022	30 June 2021
General rates	70,626	63,806
Targeted rates	24,657	23,800
Rate remitted, discounts and writes offs	(105)	(303)
Total Value	94,974	87,303
Rates Debtors	2,328	1,894

- ▶ There is specific legislation in place which must be adhered to for the rates strike to be lawful. Failure to comply with rating law and the associated consultation requirements can create risks to the integrity of rates revenue.
- ▶ The requirement for there to be consistency between the rates resolution, the Funding Impact Statement for that year, and the Revenue and Financing Policy in the long-term plan is fundamental because this is the thread that links community consultation to the rates levied by Council.
- ▶ The accuracy of rates revenue is dependent on the integrity of the rates database. The reliability of the rates billing system is also key to rates being billed appropriately.
- ▶ Hastings DC does not have a history of rates debtor collections representing a significant challenge.

EY Perspective



Our work in relation to rates revenue and debtors included:

- ▶ Testing Council's controls over the rate setting and billing processes including testing the underlying valuation information.
- ▶ Reviewing Council's procedures for ensuring the rates set is compliant with the Local Government Rating Act.
- ▶ Performing checks on the documentation in place to support the rates resolution.
- ▶ Examining the application of the rates set to the rating database to ensure consistency and their collection.
- ▶ Reviewing, on a sample basis, billings to ratepayers and the type and value of rates applied across the rating database and Councils activities. A significant focus has been placed on obtaining assurance that valuations have been applied based on the local and connectivity of each property and consequently recorded correctly.
- ▶ We reviewed the ageing analysis of the current rates book against prior period to determine if Council has any concerns over the collectability of outstanding rates invoices.
- ▶ Underlying substantive analytical procedures to assess that the rate take actually realised was in line and consistent with that expected when Council resolved to strike rates in June 2021 for the year ended 30 June 2022.

We are satisfied that no matters have come to our attention in relation to the management of rates that we need to bring to the attention of Council.

Key judgements: Compliance with the Local Government (Rating) Act and provisioning for outstanding rates debtors.

Relevant accounting standards: PBE IPSAS 23 *Revenue from Non-Exchange Transactions*

Level of complexity or management judgement: MEDIUM



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Grants and Subsidies

Our Understanding

- ▶ Council receive ongoing Waka Kotahi / NZTA funding to subsidise costs associated with local roads. The funding assistance rate is typically 54% with higher amounts being available in certain circumstances such as for emergency works.
- ▶ During the year, Council has received additional grants from a number of others government schemes as the Crown has sought to stimulate regions in the post Covid era. These grants typically require funding to be spent on a particular project or area of Council's operations to be paid.
- ▶ Details of significant Grants and Subsidies and their financial statement impacts are below:

Grant / Subsidy Type	Revenue \$000's	Debtors \$000's
Three waters asset reform	6,911	
NZTA	16,338	4,268
Job for Heretaunga	1,119	
Crown Infrastructure Partners	921	
Other	890	
Total Value	29,179	

EY Perspective

We carried out the following audit procedures in assessing completeness and effectiveness of the Council's management of grants and subsidies:

Waka Kotahi / NZTA Funding

- ▶ Developed our understanding of the processes utilised by HDC to support the collection of costs and the preparation of subsidy claims to Waka Kotahi.
- ▶ Reviewed the integrity of the year end process to prepare Claim 12 and an additional accrual for Waka Kotahi funding at year end.
- ▶ Validated that funds have been received in line with claims during the period.

Other Funding Streams

- ▶ During the period Council have undertaken significant capital expenditure in line with the pre-arranged programme of work agreed with the respective central government funding entities.
- ▶ We have reviewed that the nature of the capital work undertaken is in line with the intended purpose of the funds and confirmed the receipt of funds through the year.
- ▶ We have placed a specific focus on the year end cut-off and recognition of revenue. Through this work we have identified audit differences relating to both 30 June 2021 and 30 June 2022, with cut-off issues at both balance dates giving rise to understatements of revenue in each respective period. The key element of this error was the late recognition of revenue from the 2021 year in the current year, overstating 2022 revenue. This prior period issue has been resolved through the recognition of the revenue in the 2022 year and will not carry forward into future periods..

\$k	FY22 total claims	FY22 revenues corrected	Variance
DIA water funding	6,911	7,681	770
Crown Infrastructure Partners	921	4,102	3,181
Total	7,832	11,783	3,951

Key Judgements: Appropriateness and measurement of costs included in claims, Funding Assistance Rates applied within the NZTA claims

Relevant accounting standards: PBE IPSAS 23 Revenue from Non-Exchange Transactions

Level of complexity or management judgement: **MEDIUM**



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Debt

Our Understanding

- ▶ Council are liable for \$238m of debt through a number of drawdowns with the Local Government Funding Agency (LGFA).
- ▶ During 2022, Council obtained new loans amounting to \$55m and repaid \$23m in the normal course of business and in line with expectations. The overall increase in debt has been principally applied to capital works.
- ▶ The Council is responsible for preparing Reporting Certificates to the Trustee in accordance with the requirements of the Trust Deed and we are required to report to the Trustee with respect to the reporting certificates.

EY Perspective



We carried out the following audit procedures with regard to debt:

- ▶ Developed our understanding of current debt agreements and the processes for managing drawdowns.
- ▶ We have considered the term and classification of debt for financial reporting purposes.
- ▶ Obtained an external confirmation direct from LGFA of the outstanding debt position at year end with Council.
- ▶ Reviewed the disclosures in relation to debt in the financial statements for reasonableness and consistency with accounting standards including the disclosures in regards to IPSAS 41.

We are in the process of completing the procedures required of us by the debenture trust deed. Our procedures include reporting to the Trustee based on the work performed and whether anything has come to our attention that indicates the statements made in the reporting certificates issued by the Council are materially misstated. Subject to the completion of certain procedures, we expect to issue an unqualified report to the Trustee.

Key Judgements: Completeness and classification of debt

Relevant accounting standards: PBE IPSAS 41 *Financial Instruments*

Level of complexity or management judgement: **LOW**



EXECUTIVE SUMMARY

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EY | Hastings District Council | For the Year ended 30 June 2022

Landfill aftercare provision

Our Understanding

- ▶ Council operate a significant landfill activity for Council and Napier City, that leads to future aftercare costs once the “valleys” of the landfill are full.
- ▶ Hastings District Council holds a provision for aftercare costs as a liability. The key component of this is based on the valuation of future closure and post closure costs by Tonkin+Taylor in regards to the 2 “valleys” under management.

EY Perspective

- ▶ We have reviewed Tonkin+Taylor’s valuation report and obtained a reliance letter from them to ensure that they are aware their findings are being used for financial reporting purposes.
- ▶ We reviewed the model used by HDC to determine the actual provision booked at the end of FY22.
- ▶ We reviewed the calculation and assumptions used in the model, including the expected inflation rate, discount rate and the expected remaining life of the landfill.
- ▶ We identified that the first calculation:
 - ▶ Did not inflate costs provided in current dollars to reflect appropriate cost values in future years.
 - ▶ Did not reflect a current percentage for the degree to which Valley D had been utilised to date.
 - ▶ The discount rate applied was that drawn from when the model was first created and did not reflect current market conditions.
- ▶ We recalculated Councils model considering those differences and estimated an under-provision of \$1,146k
- ▶ Management has corrected this in the final version of the financials.

ETS - Accounting for ETS Units

Our Understanding

- ▶ Council is required to return Emission Trading Scheme credit Units in line with landfill usage.
- ▶ The amount of credit carbon pays every year is determined by calculating the tons of waste placed in the landfill.
- ▶ The price of Units on the market has increased significantly over the last 24 months
- ▶ Council has two contracts in place to purchase Units at a future agreed price as the landfill use requires Units to be returned annually. These contracts have not been accounted for historically as derivatives.

EY Perspective

- ▶ We reviewed the purchase of units during the period and their formal return.
- ▶ We reviewed the value of units held on hand, but unrecognised for financial reporting purposes at year end and have recommended an adjustment to the financial statements.
- ▶ We have reviewed accounting standards against the Councils practices. We accept that based on the fact that Council does not trade in units, settle purchase agreements net in cash and only holds units to support its underlying management of the landfill, that this allows Council to avoid classifying and valuing its current forward contracts as derivatives.
- ▶ We reviewed the provision maintained by Council in relation to the volume of landfill usage and the weighted average Unit price based on the agreed contracts.
- ▶ The financial statements have been updated for the impact of audit differences identified in this area.



EY | Hastings District Council | For the Year ended 30 June 2022

Audit Differences

Summary of Unadjusted Differences

The following differences have been identified during the course of our audit and have not been considered material by management or by us for adjustment. We are bringing these to Councils attention to enable you to form your own view on these items:

Account 30 June 2022 (\$000's)	Surplus - CY (increase)/Decrease	% of Surplus
Opening adjustment on accrued subsidies	2,391 ▼	8%
Evaluation of ETS liabilities	(265) ▲	-1%
Total audit differences after tax (after turnaround)	2,126	7%

Key: ▲ Increase to profit ▼ Decrease to profit

Summary of Adjusted Differences

The following table contains a list of corrected adjustments in the income statement and Other Comprehensive Income that have been adjusted by management in the current period:

Account 30 June 2022	Surplus \$000's (Increase)/Decrease
Accruals on water capital works subsidy revenues	(3,951)
Aftercare provision - adjustment	1,146
Gain from valuation of unlisted shares	(252)
Accounting for ETS assets	(505)
Recognition of a Provision for mediated settlement of an obligation at balance date	850
Net (increase) decrease in current period surplus	(2,977)
Revaluation of roadings assets	4,068
Net (increase) decrease in comprehensive income	1,091

The following table contains a list of corrected reclassification in the balance sheet that have been corrected by management in the current period but have no impact on the surplus / (deficit) result

Account 30 June 2022	\$000's (Increase)/Decrease
Land held for sale	(3,638)
Land - non current assets	3,638
Accumulated depreciation of assets	385
Asset value	(385)
Investment in associate (HBAL equity difference (group level))	1,825
Equity (HBAL equity difference (group level))	(1,825)



EY | Hastings District Council | For the Year ended 30 June 2022

Assessment of Control Environment

Internal Controls

As part of our audit of the financial statements, we obtained an understanding of the internal control environment in order to sufficiently plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Throughout our audit we communicate to management observations regarding control matters and other issues arising from our interim or FY22 and year end substantive procedures.

Following the finalisation of our audit procedures we will provide management with a detailed report on our recommendations for ongoing improvement by management using the following framework.

- H** High Risk - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.
- M** Medium Risk - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within 6 months.
- L** Low Risk - A weakness which does not seriously detract from the internal control framework. If required, action should be taken within 6-12 months.

Items raised considered of moderate and low risk ranking are items which provide management with improvement opportunities within their processes, however were not considered to represent such a risk to the business that immediate management attention was considered necessary. Addressing these points assists management in further improving the processes and controls already in place and strengthens the control environment.

Controls Reliance

Set out below is the level of controls reliance we achieved over the key financial statement processes.

Process	Internal Control	Audit Strategy
Financial statement close process		Substantive
Other revenue (fees and subsidies)		Substantive
Non-financial performance reporting		Substantive
Infrastructure assets management		Substantive
Rates setting and collection		Rely on controls
Expenses and payables		Rely on controls
Payroll		Substantive



Assessment of Control Environment

Internal Controls

As part of our audit of the financial statements and performance information, we obtained an understanding of the internal control environment in order to sufficiently plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control we are required to communicate to you significant deficiencies in internal control.

Throughout our audit we communicate to management observations regarding control matters and other issues arising from our interim or [period] and year end substantive procedures. We are currently collating our report to management following the completion of our detailed work. We will be utilising the following framework for our reporting to Council

- H** High Risk - Matters and/or issues are considered to be fundamental to the mitigation of material risk, maintenance of internal control or good corporate governance. Action should be taken either immediately or within 3 months.
- M** Medium Risk - Matters and/or issues are considered to be of major importance to maintenance of internal control, good corporate governance or best practice for processes. Action should be taken within 6 months.
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Items raised considered of moderate and low risk ranking are items which provide management with improvement opportunities within their processes, however were not considered to represent such a risk to the business that immediate management attention was considered necessary. Addressing these points assists management in further improving the processes and controls already in place and strengthens the control environment.

An example of some of the matters that we have identified is included in the following table. We will complete our reporting in this area during December and provide a full report to management.

Area	Rating	Observation
Revenue recognition: grants & subsidies	M	We identify that no accruals were calculated for some subsidies to be received at 30 June. This leads to an understatement of revenue.
3 Waters valuation	M	We identify that the rate use in the internal report on the valuation of the 3 waters assets have been derived from a small sample set. We recommend for such a critical asset class in a fast moving environment that more detailed work is done in this area, or an independent valuation obtained.
Gratuity leave entitlements	L	We have identified that the assumptions for the calculation of the gratuity leave has not been updated since the early 2010's. We recommend Council update the assumptions and mortality tables used.



APPENDICES	A. Other Required Audit Committee Communications	16
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Appendices

A. Other Required Audit Committee Communications

Auditing Standards require us to report to you certain matters that are not otherwise detailed in this report.






Matter	How matter was addressed
Material uncertainty related to going concern	No conditions or events were identified, either individually or in aggregate, that may cast significant doubt about Hastings District Council ability to continue as a going concern for 12 months from the date of our report.
Disagreements with management	During our audit we had no unresolved difference.
Compliance with laws and regulations	We have not identified any material instances of non-compliance with laws and regulations.
Fraud and illegal acts	<p>We have made enquiries of management regarding:</p> <ul style="list-style-type: none">► Knowledge of any fraud or suspected fraud affecting the entity involving Management, employees who have significant roles in internal control; or others where fraud could have a material effect on the financial report► Knowledge of any allegations of fraud, or suspected fraud, affecting Hastings District Council financial information. <p>Based on our enquiries and audit procedures, we did not become aware of any fraud or illegal acts during our audit.</p>



Appendices

B. Outstanding Matters

The following items relating to the completion of our audit procedures are outstanding at the date of the release of this report:

Matter	How matter was addressed	Responsibility	
Final Annual Report	Review of Final Version of the Annual Report and management of any editorial changes to the version of the Annual report to be considered by Council.	EY	
3 Water Complaints	We are currently finalising our review of the integrity of the compilation of 3 water complaints	EY	
Financial Prudence Regs	Finalisation of our audit procedures on the financial Prudence Measures subsequent to the completion of audit adjustments	EY	
Audit Report	We are currently finalising our Audit Report with the Office of the Auditor-General (OAG)	EY	OAG
Signed financial report	Receipt of the signed Annual Report		
Management representation letter	Receipt of signed Management representation letter		
Subsequent events review	Completion of subsequent events procedures to the date of signing the audit report	EY	



Management Responsibility



EY responsibility



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C. Auditor Fees and Independence

There are no matters that, in our professional judgement, bear on our independence which need to be disclosed to Council.

We identify in the table the threats to our independence from the services we provide or relationships with the entity and the safeguards adopted to reduce or eliminate those threats. We consider that our independence in this context is a matter that should be reviewed by both you and ourselves. It is therefore important that you and your Board consider the facts of which you are aware and come to a view. Should you have any specific matters that you wish to discuss, please contact us.

We are satisfied that the services provided by EY during the FY22 do not impact our independence.

We are not aware of any other relationships between the Firm or other firms that are members of the global network of EY firms and Hastings District Council that, in our professional judgment, may reasonably be thought to bear on independence.

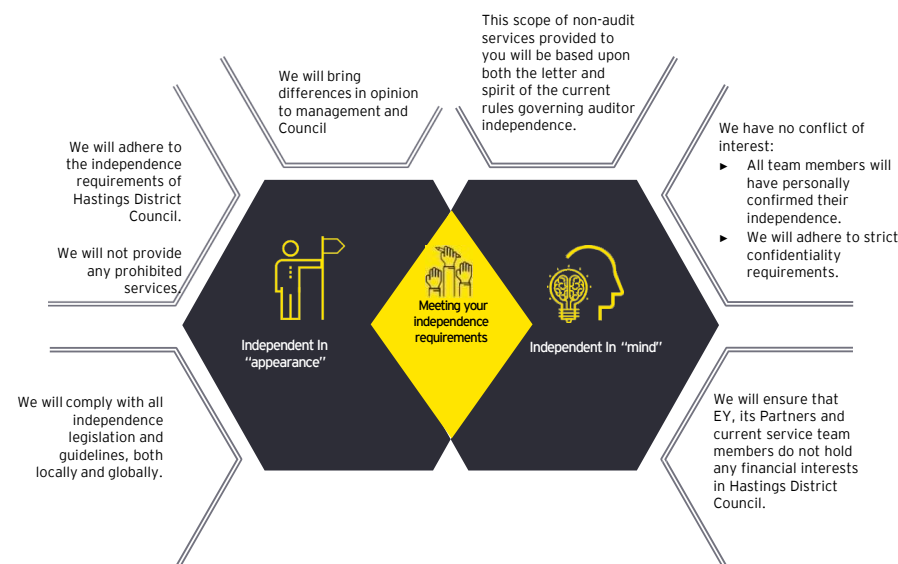
Description of relationship or service	Period provided	Fees	Safeguards adopted
Debenture Trust Deed reporting	FY22	\$2.5k	Independence assurance services
Total fees		\$2.5k	

We consider that our independence in this context is a matter that should be

Our audit fee for the statutory audit of Council is \$150k excluding disbursements.

Independence

We confirm that we have complied with NZICA Code of Ethics and the Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners (Including International Independence Standards)* (New Zealand) independence requirements, and in our professional judgement, the engagement team and the Firm are independent.



D. Focused on Your Future

Explanation

FRS 48 Service Performance Reporting

Applicable for the year ending 30 June 2023

Impact on Your Business

Accounting

FRS 48 Service Performance Reporting

The NZASB has issued a new accounting standard for PBEs, FRS 48 Service Performance Reporting. This new standard requires the preparation of Statements of Service Performance for PBEs that report in accordance with Tier 1 and Tier 2 PBE standards.

The Standard describes service performance information as information about what an entity has done during the reporting period in working towards its broader aims and objectives, together with supporting contextual information. The standard establishes principles and high-level requirements for the reporting of service performance information rather than specifying detailed reporting requirements. This is due to the standard being applied to a wide range of PBEs.

An explanatory guide to FRS 48, called EG A10, has been issued by the XRB and is published on their website (<https://www.xrb.govt.nz/accounting-standards/not-for-profit/explanatory-guide-eg-a10/>).

The Council is required to prepare a Statement of Service Performance under legislation and the new standard will primarily result in disclosure changes as opposed to the content of the existing Statement of Service Performance changing. Likely disclosure changes include providing the details of the judgements associated with selecting and measuring performance metrics.

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ED 0922

This report is intended solely for the information and use of the Audit and Risk Committee, other members of Council and senior management of Hastings District Council and should not be used for any other purpose nor given to any other party without our prior written consent. We disclaim all responsibility to any other party for any loss or liability that the other party may suffer or incur arising from or relating to or in any way connected with the contents of this report, the provision of this report to the other party or the reliance upon this report by the other party.

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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 Toitū – 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.

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.

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 Tarbet 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.



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, Arapaoanui, Lambs Hill No.2, Black and Awanui bridges got underway.

Significant rural 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.

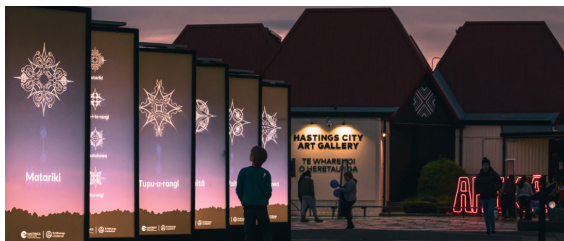
The Waiaroha water storage and treatment facility build got underway with one of the five million litre reservoirs almost complete and the other underway, and work began on the treatment plant building.

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 cafes 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 Hasting 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.

Financial Statements for the Year Ended 30 June 2022

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		178,450	167,911	170,583
-	(136)	(i)	-	-	(314)
137,158	138,283	(ii)	140,855	141,029	142,315
5,106	5,106	(iii)	7,747	5,932	5,932
-	-		-	411	411
(8,010)	(8,010)		-	(11,974)	(11,974)
34,603	34,987		29,848	32,513	34,213
34,603	34,987		29,848	32,513	34,213
101,331	101,247	(iv)	52,259	550,440	551,789
135,934	136,234		82,107	582,953	586,002
34,603	34,987		29,848	32,513	34,213
34,603	34,987		29,848	32,513	34,213
135,934	136,234		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 income 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) Expenses are lower due to increased staff vacancies and decreased Council activities reflective of the impact of COVID-19.
- (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.

Statement of Financial Position

\$'000	\$'000	Notes	\$'000	\$'000	\$'000
55,546	57,469	(i)	17,434	55,580	57,425
2,435,822	2,460,169		2,485,852	3,042,287	3,067,999
2,491,368	2,517,638		2,503,286	3,097,867	3,125,424
57,442	58,736	(ii)	51,755	55,848	56,929
195,235	195,366	(i)	219,422	218,961	219,071
252,677	254,102		271,177	274,809	276,000
2,238,691	2,263,536		2,232,109	2,823,058	2,849,424
2,238,691	2,263,536		2,232,107	2,823,058	2,849,424
2,238,691	2,263,536		2,232,107	2,823,058	2,849,424

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.

Statement of Changes in Equity

\$'000	\$'000	Notes	\$'000	\$'000	\$'000
2,102,757	2,127,302		2,150,000	2,238,691	2,263,536
	-		-	125	2,294
2,102,757	2,127,302		2,150,000	2,238,816	2,265,830
34,603	34,987		29,848	32,513	34,213
101,332	101,247		52,259	550,440	551,789
135,934	136,234		82,107	582,953	586,002
2,238,691	2,263,536		2,232,107	2,821,769	2,851,832
1,274,751	1,297,027		1,234,342	1,306,959	1,333,104
3,577	3,577		2,785	4,007	4,007
960,363	962,932		994,980	1,510,803	1,514,721
2,238,691	2,263,536		2,232,107	2,821,769	2,851,832

Statement of Cash Flows

\$'000	\$'000	Notes	\$'000	\$'000	\$'000
62,109	63,459		65,414	51,861	53,019
(74,552)	(75,229)		(127,709)	(90,091)	(91,271)
51,372	51,372		62,295	30,994	30,990
38,929	39,602		-	(7,236)	(7,262)
(254)	282		1,265	38,675	39,884
38,675	39,884		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.

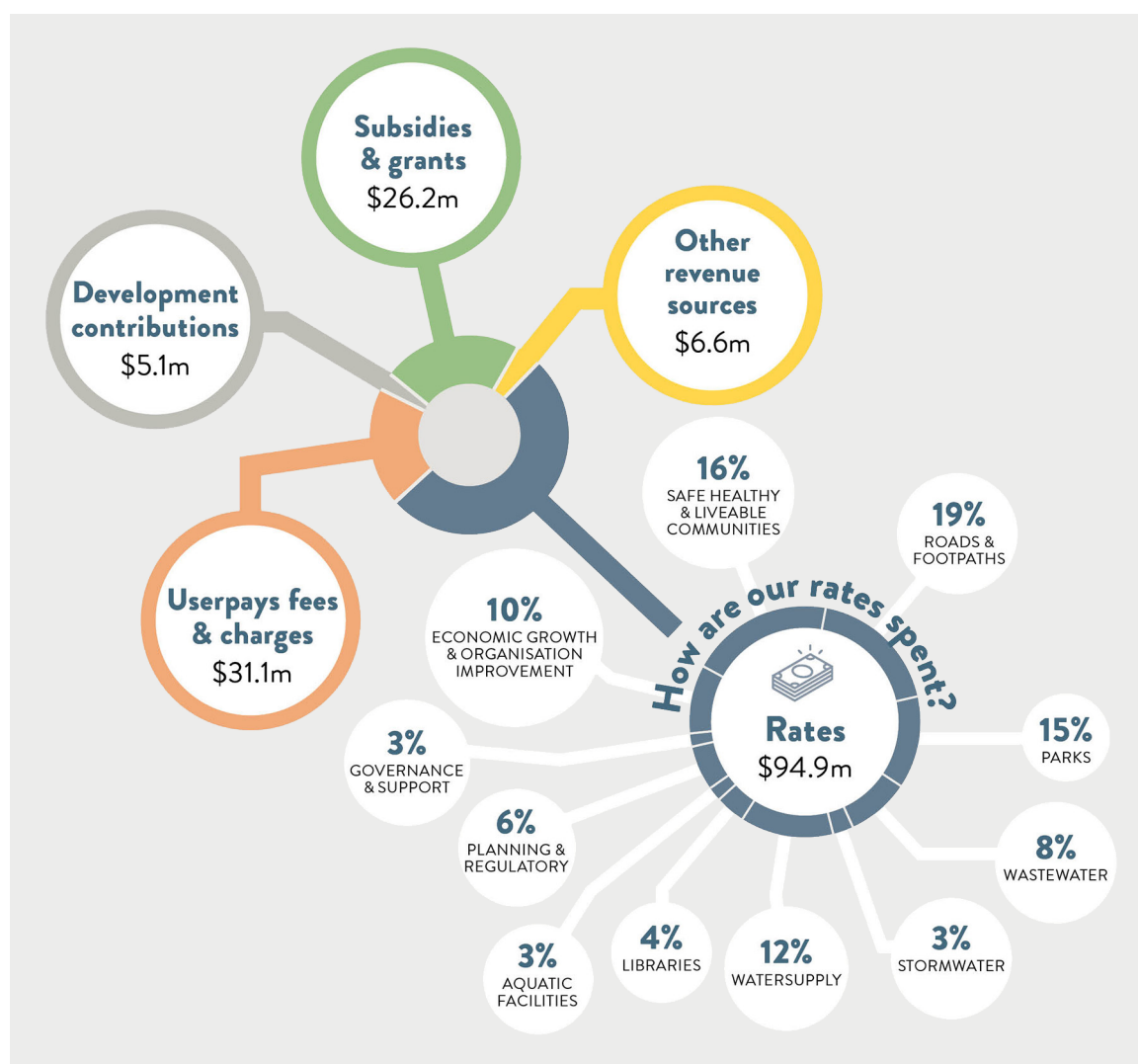
The information contained in this summary financial statements and full financial statements is prepared in accordance with all measurement and recognition requirements under NZ GAAP.

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?



ANNUAL REPORT SUMMARY 2021/2022 // 5

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 (63 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 (7 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:

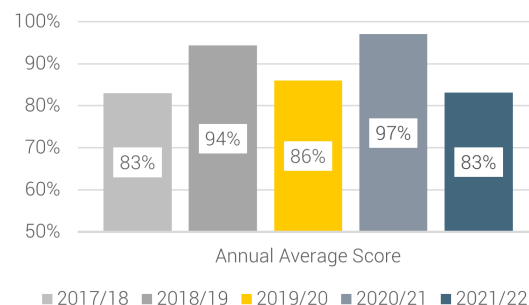
(i) Mystery Shopper satisfaction survey not undertaken at the Call Centre due to impact of Covid-19.

(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

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.

Image to be updated

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.



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Independent Auditor's Report

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