

SUMMARY ANNUAL REPORT

2022 - 2023



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About the Summary Annual Report

The full Annual Report provides information about our performance during the 2022/2023 financial year.

This document is a summary of that report intended to quickly provide an overview of the full report.

If you wish to know more, then the full Annual Report is available on the Council's website at www.hurunui.govt.nz

From the Mayor and Chief Executive Officer

This Annual Report presents Hurunui District Council's progress against the second year of the Long Term Plan for the 2021-2031 period.

The 2022/2023 year for the Hurunui District has been a productive one, Hurunui District Council (Council) has ticked off some major capital projects with a particular emphasis on upgrading and improving the Three Waters network.

Council continued the process of upgrading its water supplies to meet Drinking Water Standards for New Zealand. Commencing in 2015, during the 2022/2023 year of this project it was subject to significant advancements through Stimulus Funding provided by government and latterly through the use of debt.

Further work is planned for the 2023/2024 year, again being funded predominantly by debt, which is pushing Council close to its self-imposed debt ceiling, a position forecasted in 2015.

Affordable Waters Reform

The Affordable Waters Reform programme has continued to move through the legislative process. The legislation as it currently stands will mean that the responsibility for the service delivery and infrastructure for three waters for the Hurunui District will be transferred on or before 1 July 2026 to a water service entity that will consist of Canterbury's and West Coast's councils.

Conclusion

There is no doubt that the major decisions around the Affordable Waters Reform and the Resource Management Act, along with the Future for Local Government, may significantly change the context of how Council will function in the future. Low commodity prices, high interest rates and a high cost of living are factors to add to the prediction that challenges will be ongoing for all in local government.

Although all councils have legislative requirements to meet, this Council remains united in collectively ensuring Hurunui District offers a place of prosperity and connections. There is a commitment to educate, inform and lead the district into the future, no matter what that looks like.

In supporting these choices, Council is very aware of the responsibility to supply key services that meet the desired needs of everyone who chooses this district as their place of choice to live, work and play.



Mayor
Marie Black



Hamish Dobbie
Chief Executive Officer

End of year financial performance

Operating revenue \$58.4 million

- Subsidies and Grants were \$2.1 million greater than budgeted due to grants received for the Mayors Taskforce for Jobs Programme (MTFJ) and a range of transitional funding from the Affordable Waters Reform Programme.
- Significant development in the district's South Ward has meant that both development contributions and the level of assets vested in Council from developers have been well up on the level budgeted for.

Operating expenditure \$61.0 million

- Employment costs were \$0.76 million greater than budget. This represents the return to full operations for the Hanmer Springs Thermal Pools and Spa, the increased activity in the Regulatory area and the additional wages costs attached to MTFJ.
- Operating costs were \$3.6 million ahead of budget. A significant portion of the increase was in the roading area, a result of repair work from various flooding events over the past 18 months.
- Depreciation was \$4.5 million ahead of budget. The significant revaluation of Council's Roothing Assets in the 2021/2022 year has resulted in a greater level of depreciation for the 2022/2023 year.

Net deficit after tax \$2.6 million

- The deficit recorded was less than the budgeted surplus of \$1.8 million due to the factors outlined above.

Comprehensive revenue and expense \$23.7 million

- Council revalued its land and buildings at the end of June 2023 which resulted in a \$22.1 million increase. In addition, further adjustments were made to the value of its Roothing Assets to reflect its current fair value, increasing the value of this area by \$4.2 million.

Council owned assets \$708.6 million

- Total Council assets sat at \$709 million as at 30 June 2023, some \$36 million greater than last year. This reflects a combination of the increase of capital expenditure carried out over the financial year and the increase in the value of land and buildings.

Debt \$47.5 million

- Council budgeted that total debt as at 30 June 2023 would be \$54 million. Due to timing of capital expenditure, the balance of debt at the end of June 2023 was \$47.5 million.

Council activities summary for the year to 30 June 2023

Water Supply

Overall, an operating deficit of \$1,150,177 was recorded against a budgeted operating deficit of \$848,640. The key variances from budget are:

- Rates are \$164,545 lower than budget due to the lower level of water usage rated for than was budgeted.
- Other Income was \$478,572 greater than budget due to a greater level of connection fees being received as well as the remaining three waters stimulus funding and an allowance from central government to assist the three waters transition process.
- Vested Assets Income was \$289,574 greater than budget due to the higher level of growth experienced, particularly in Amberley Township, over the past 24 months with the assets created by developers being formally vested in Council during the 2022/23 year.
- Employment Costs were \$150,810 greater than budget due to additional staffing required to support the three waters transition process that was not budgeted for.
- Other Direct Expenditure was \$341,177 lower than budget due to: Electricity costs being \$222,604 lower than budget; Maintenance cost being \$101,462 lower than budget; and Compliance Testing being \$96,237 lower than budget. These are offset by total Insurance costs being \$102,954 greater than budget.
- Internal Interest Paid is \$524,193 greater than budget due to the increased external interest rates passed on from the Council.
- Depreciation is \$515,903 greater than budget due to the effects of the revaluation of water assets in 2021.
- Capital Expenditure was \$3,073,393 greater than budget due to the decision to undertake the works on the Waikari Basin water supplies, which was not allowed for in the Annual Plan.

Sewerage

Overall, an operating surplus of \$830,609 was recorded against a budgeted operating surplus of \$420,616. The key variances from budget are:

- Vested Assets Income was \$661,731 greater than budget due to the higher level of growth experienced, particularly in Amberley Township, over the past 24 months with the assets created by developers being formally vested in Council during the 2022/23 year.
- Internal Interest Paid is \$163,481 greater than budget due to the increased external interest rates passed on from the Council.
- Depreciation is \$181,607 greater than budget due to the effects of the revaluation of water assets in 2021.
- Capital Expenditure was \$945,184 greater than budget due to the higher level of Vested Assets that the Council assumed ownership of during the year.

Stormwater and Drainage

Overall, an operating surplus of \$402,009 was recorded against a budgeted operating surplus of \$530,515. The key variances from budget are:

- Vested Assets are \$228,646 lower than budget due to specific stormwater assets to be transferred to Council at a vastly lower level than previously budgeted for.
- Capital Expenditure is \$1,401,655 lower than budget due to deferring the budgeted works at Hanmer Springs until the 2024/25 year.

Roads and Footpaths

Overall, an operating deficit of \$3,784,016 was recorded against a budgeted operating surplus of \$1,243,477. The key variances from budget are:

- Vested Asset Income is \$589,141 greater than budget due to the recognition of new roading assets being transferred from developers to Council once the respective maintenance periods have been completed.
- Other Direct Costs are \$1,534,499 greater than budget due to the costs relating to storm events incurred in the 2022/23 year.
- Depreciation is \$4,022,179 greater than budget due to the effects of the revaluation of Roothing Assets undertaken for the 2021/22 Annual Report.
- Capital Expenditure was \$841,553 lower than budget due to resources being placed on emergency works following storm events and communities not undertaking the level of new footpath construction that was budgeted for.

Coastal Hazards

Overall, an operating surplus of \$7,648 was recorded against a budgeted operating surplus of \$18,033. There are no significant variances from budget.

Public Services

Overall, an operating deficit of \$1,048,484 was recorded against a budgeted operating deficit of \$1,133,269. The key variances from budget are:

- Rates are \$103,238 greater than budget due to a greater number of properties rated for than was allowed for in the budget.
- Other Income is \$1,443,618 greater than budget due to a range of unbudgeted grants being received during the year for new programmes.
- Internal Interest Received is \$94,156 greater than budget due to the increased external interest rates being passed onto those activities holding funds.
- Development Contributions are \$156,775 greater than budget due to a higher level of growth experienced than was predicted.
- Other Direct Expenditure is \$1,462,179 greater than budget due to expenditure incurred for programmes that Council received grants that was not budgeted for.
- Capital Expenditure was \$390,165 lower than budget due to various reserve development projects being deferred during the year.

Regulatory Services

Overall, an operating deficit of \$453,938 was recorded against a budgeted operating deficit of \$102,969. The key variances from budget are:

- Other Direct Expenditure is \$468,734 greater than budget due to the cost relating to defending resource consent decisions and the additional external costs incurred in processing building consents.

Hanmer Springs Thermal Pools and Spa

Overall, an operating surplus of \$1,331,450 was recorded against a budgeted operating surplus of \$1,464,596. Excluding internal charges and transfers to offset reserve costs, the surplus recorded by the Hanmer Springs Thermal Pools and Spa facility was \$2,416,701 which was greater than the budget of \$2,364,581.

Corporate Governance

Overall, an operating surplus of \$1,321,574 recorded against a budgeted deficit of \$107,652 for the year. The key variances from budget are:

- Rates are \$164,825 greater than budget due to a greater number of properties and capital value being rated for than was budgeted.
- Other Income is \$946,431 greater than budget due to the increase in the value of derivatives and the receipt of the first tranche of Better Off Funding
- Internal Interest Received is \$1,022,218 greater than budget due to the increased interest rates being charged to activities holding debt.
- Employment Costs are \$140,678 greater than budget due to increased staffing in Information Technology and Health and Safety.
- Other Direct Expenditure is \$653,744 greater than budget due to increased interest rates have resulted in an increase to the interest cost for the year.
- Internal Interest Paid is \$234,940 greater than budget due to increased interest rates being paid to those activities that hold funds.
- Depreciation is \$328,192 lower than budget due to a change to the recognition of the Vehicles and Plant relating to the three waters activity.
- Capital Expenditure was \$575,221 lower than budget due to recognising the vehicle and plant purchases for this year relating to the utilities department in the Water Supplies activity.

Earthquake Recovery

Overall, an operating surplus of \$261,370 was recorded against a budgeted surplus of \$344,963 for the year. There are no significant variances from the budget for 2022/23.

Explanatory notes to the summary financial statements

The summary financial statements:

- Are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's).
- Were approved for issue by the Hurunui District Council on 31 October 2023. The specific disclosures included in the summary financial statements have been extracted from the full Annual Report.
- Cannot be expected to provide as complete an understanding as provided by the full Annual Report.
- Comply with Financial Reporting Standard No. 43 - Summary Financial Statements.

The full Annual Report:

- Was approved for issue on 31 October 2023. Section 98 of the Local Government Act 2002 requires that Council adopt its annual report within four months after the end of the financial year.
- Has been audited and the auditors have provided an opinion with an emphasis of matter with respect to the Government's water services reform programme.

The full financial statements have been prepared in accordance with Tier 1, PBE accounting standards.

The Hurunui District Council is a public benefit entity.

Contingent assets

As at 30 June 2023, the Council had no outstanding contingent assets. (2022: \$Nil).

Contingent liabilities

Local Government Funding Agency

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Fitch Ratings of AA+ and Standard and Poor's of AAA for local currency and AA+ for foreign currency.

As at 30 June 2023, the Council is one of the participating authorities of the LGFA. In that regard, it has uncalled capital of \$1.0 million. When aggregated with the uncalled capital of other shareholders, \$20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of the LGFA's borrowings. At 30 June 2023, the LGFA had borrowings totalling \$17.684 billion (2022: \$15.789 billion).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value of the guarantee, and therefore has not recognised a liability. The Council considers the risk of the LGFA defaulting on repayment of interest or capital very low on the basis that:

- It is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Riskpool

Hurunui District Council was previously a member of the New Zealand Mutual Liability Riskpool scheme ('Riskpool'). The Scheme is in wind down; however, the Council has an ongoing obligation to contribute to the scheme should a call be made in respect of any historical claims (to the extent those claims are not covered by reinsurance), and to fund the ongoing operation of the scheme. The likelihood of any call, in respect of historical claims diminishes with each year as limitation periods expire. However, as a result of the Supreme Court decision on 1 August 2023 in *Napier City Council v Local Government Mutual Funds Trustee Limited*, it has been clarified that Riskpool has a liability for that member's claim in relation to non-weather-tight defects (in a mixed claim involving both weather-tight and non-weather-tight defects). Riskpool has advised that it is working through the implications of the Supreme Court decision. At this point any potential liability is unable to be quantified.

Impairment of buildings

Council has started a process of reviewing all of its buildings for earthquake strengths. Currently the Council's policy is to ensure that buildings are at least 67% of New Building Standard (NBS), however, central government is in the process of reviewing this standard nationally. The Council has identified some buildings that are less than 33% NBS, which is the level that the current valuation for buildings has been assumed. Council has had some indicative costings on certain buildings to bring them up to the new standard of 67% NBS, however, there is not enough reliability to determine what level of costs would be required to match the level that the buildings were previously valued at and as a result, no specific impairment assessment has been allowed for in this Annual Report.

Water services reform programme

The New Zealand Government is implementing a water services reform programme that is intended to ensure all New Zealanders have safe, clean and affordable water services. The Government believes this will be achieved by establishing new public entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand. The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022, which (as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023) establishes ten publicly owned water services entities and sets out their ownership, governance and accountability arrangements. A water services entity is established (for transitional purposes) on the date on which the appointment of the entity's establishment board takes effect, and its establishment date (operational date) will be a date between 1 July 2024 and 1 July 2026.
- The Water Services Legislation Act 2023, which amended the Water Services Entities Act 2022 on 31 August 2023 to provide for the transfer of water services assets and liabilities to the water services entities.
- The Water Services Economic Efficiency and Consumer Protection Act 2023, which provides the economic regulation and consumer protection framework for water services. The consumer protection framework will come into force on 1 July 2024 and the rest of the Act came into force on 31 August 2023

Events after balance date

A separate disclosure has been made above for the Affordable Waters Reform programme.

Between late June and early August 2023, high seas eroded an area of Claverley Road - a coastal road north of Cheviot. To provide access to the properties, the Council agreed on 22 August 2023 to incur up to \$520,000 to rebuild the road and protect the coastline road directly to the north and south of the wash out by continuing a rock revetment for up to an additional 120 metres.

(2022: COVID-19 and Affordable Water Reform).

Overall Service Performance for the year to 30 June 2023

In the Council's Long Term Plan for 2021-2031, there are 63 non-financial performance measures in place to gauge the service performance of the Council's seven groups of activities. The full analysis of the performance is included on pages 13 to 56 of the full Annual Report. The summary is as follows:

Activity	Targets Achieved	Targets Not Achieved	Not Measured	Total Targets
Water Supplies	11	3	1	15
Sewerage	10	2	0	12
Stormwater and Drainage	5	3	0	8
Roading and Footpaths	4	5	0	9
Public Services	1	3	6*	10
Regulatory Services	1	5	0	6
Hanmer Springs Thermal Pools & Spa	1	2	0	3
Total – 2022/2023	33	23	7	63

The summary of results for the 63 performance measures for the 2021/2022 year was as follows:

Activity	Targets Achieved	Targets Not Achieved	Not Measured	Total Targets
Water Supplies	12	2	1	15
Sewerage	11	1	0	12
Stormwater and Drainage	8	0	0	8
Roading and Footpaths	6	3	0	9
Public Services	5	5	0	10
Regulatory Services	1	5	0	6
Hanmer Springs Thermal Pools & Spa	0	3	0	3
Total – 2021/2022	43	19	1	63

* To measure the quality of our outputs, we use the ratepayers' and residents survey to obtain customers, citizens and community views on Council services and their experiences with Council. This helps us to assess the quality of the service provided. As there is a significant cost of this process, Council has determined that the survey shall only be carried out every two years and as the last survey related to the 2021/22 year, the statement of service performance will record a number of performance targets that have not been measured in the 2022/23 year.

Following is a selection of eleven of the performance measures – five relating to Water supply, three for Sewerage, two for Roothing and one for the Hanmer Springs Thermal Pools and Spa. The full analysis of the performance is included on pages 13 to 60 of the full Annual Report.

Water supply: Safety – supply safe drinking water

The national compliance standard for drinking water changed during the reporting period. The Drinking Water Standards for New Zealand (DWSNZ) were in force pre 14th November 2022 and Drinking Water Quality Assurance Rules (DWQAR) were in force from 14th November 2022. There are significant differences in the two standards that made this year's compliance assessment complex and also resulted in a substantial change with respect to the number of water supplies that were capable of achieving compliance. The national water regulator, Taumata Arowai, requires compliance to be reported as days or months of the year compliant out of the total days or months in the compliance period.

Performance measure Description	Performance target issue	Performance target outcomes
Meet bacterial compliance under the DWSNZ. Less than 1 e-coli per 100ml of drinking water tested.	Bacteria compliance	LTP target: No failed tests* Department of Internal Affairs (DIA) target: 100% bacterial compliance
Measurement method	Water Outlook records, Laserfiche records and Laboratory records, 3 rd party independent review report (Matt Molloy Consulting Ltd)	
End of year performance	<p>2023 (Pre Nov 2022, under DWSNZ) – <u>LTP target</u>: Target achieved, no samples contained E.coli. <u>DIA target</u>: Target achieved, 20 of 20 treatment plants complied.</p> <p>2023 (Post Nov 2022, under DWQAR) – <u>LTP target</u>*: 1 E.Coli was detected in a single Cheviot WTP sample. <u>DIA target</u>: Target not achieved. An independent expert was engaged by the Council to review the results of compliance testing for 2023 and the results appear in the table on pages 17 and 18.</p> <p>2022 <u>Target achieved against both LTP and DIA targets</u> – no E.coli failures (performance measured against DWSNZ).</p>	

Performance measure Description	Performance target issue	Performance target outcomes
Meet protozoal compliance under the DWSNZ. Accredited treatment system in place to meet log-credit rating of receiving environment providing the drinking water.	Protozoa compliance	LTP target: 8 of the 20 water supplies are compliant* DIA target: 100% of water supplies are compliant
Measurement method	Water Outlook records, Laserfiche records and Laboratory records.	
End of year performance	<p>2023 (Pre Nov 2022, under DWSNZ) – <u>LTP target:</u> Target not achieved <u>DIA target:</u> Target not achieved Protozoa compliance was achieved against the DWSNZ for 5 of 20 treatment plants. The treatment plants that achieved protozoa compliance were Amberley (Kowai), Amberley (Racecourse), Amberley (Leithfield Beach), Culverden and Ashley Rural.</p> <p>2023 (Post Nov 2022, under DWQAR) – <u>LTP target*</u> and <u>DIA target:</u> Targets not achieved HDC is on track to achieve protozoa compliance by December 2024 for all water supplies. An independent expert was engaged by the Council to review the results of compliance testing for 2023 and the results appear in the tables on pages 17 and 18.</p> <p>2022 <u>Target not achieved against both LTP and DIA targets</u> (performance measured against DWSNZ).</p>	

* These performance measures were set before the introduction of the new rules by Taumata Arowai (effective from 14 November 2022). Therefore, we are reporting our performance against two different requirements. Compliance against both requirements was independently assessed and verified by Matt Molloy Consulting Ltd, an independent drinking water compliance specialist. Note: from 1 July 2022 – 13 November 2022 we measured compliance against Parts 4 and 5 of the Drinking Water Standards 2005, (revised 2018) with a target of no failed tests for bacteria compliance (which was achieved) and 8 of the 20 water supplies compliant for protozoa compliance (which was not achieved). From 14 November 2022 – 30 June 2023 we measured compliance against DWQAR.

Table of the results for the period 1 July 2022 to 13 November 2023:

Water Supply	Treatment Plants	Treatment Plant	
		Bacterial	Protozoa
Amberley (AMB001)	Amberley – Racecourse Road (TP02280)	✓	✓
	Amberley – Leithfield Beach (TP01082)	✓	✓
	Amberley – Kowai (TP02294)	✓	✓
Amuri (AMU001)	Amuri (TP01076)	✓	X
Ashley Rural (ASH002)	Ashley Rural (TP00191)	✓	✓
Balmoral (BAL003)	Balmoral (TP01077)	✓	X
Blythe (BLY001)	Blythe (TP00970)	✓	X
Cheviot (CHE001)	Cheviot (TP00198)	✓	X
Culverden (CUL001)	Culverden (TP01080)	✓	✓
Hanmer Springs (HAN001)	Hanmer Springs (TP00197)	✓	X
Hawarden (HAW001)	Hawarden/Waikari (TP00195)	✓	X
Hurunui #1/Motonau (MOT016)	Hurunui #1 (TP00196)	✓	X
Kaiwara (KAI039)	Kaiwara (TP00971)	✓	X
Lower Waitohi (LOW001)	Lower Waitohi (TP01084)	✓	X
Parnassus (PAR009)	Parnassus (TP01083)	✓	X
Peaks (PEA001)	Peaks (TP00972)	✓	X
Upper Waitohi (WAI066)	Upper Waitohi (TP01084)	✓	X
Waiau Rural (WAI067)	Waiau Rural (TP01085)	✓	X
Waiau Town (WAI026)	Waiau Town (TP00433)	✓	X
Waipara (WAI068)	Waipara (TP01086)	✓	X

✓ = compliant with DWSNZ requirements for the full period

X = not compliant with the DWSNZ requirements for one or more days in the period

Table of the results for the period 14 November 2022 to 30 June 2023:

Water Supply	Treatment Plants	Treatment Plant	
		Bacterial	Protozoa
Amberley (AMB001)	Amberley – Racecourse Road (TP02280)	228/229 d	221/229 d
	Amberley – Leithfield Beach (TP01082)	228/229 d	223/229 d
	Amberley – Kowai (TP02294)	0/132 d	0/132 d
Amuri (AMU001)	Amuri (TP01076)	0/229 d	0/229 d
Ashley Rural (ASH002)	Ashley Rural (TP00191)	229/229 d	229/229 d
Balmoral (BAL003)	Balmoral (TP01077)	0/8 m	0/8 m
Blythe (BLY001)	Blythe (TP00970)	0/8 m	0/8 m
Cheviot (CHE001)	Cheviot (TP00198)	0/229 d	0/229 d
Culverden (CUL001)	Culverden (TP01080)	23/229 d	0/229 d
Hanmer Springs (HAN001)	Hanmer Springs (TP00197)	229/229 d	227/229 d
Hawarden (HAW001)	Hawarden/Waikari (TP00195) -Bakers Ford	0/38 d	0/38 d
	Hawarden/Waikari (TP100255)-Waikari Basin	207/207 d	207/207 d
Hurunui #1/Motonau (MOT016)	Hurunui #1 (TP00196)	227/229 d	0/229 d

Kaiwara (KAI039)	Kaiwara (TP00971)	0/8 m	0/8 m
Lower Waitohi (LOW001)	Lower Waitohi (TP01084)	72/229 d	0/229 d
Parnassus (PAR009)	Parnassus (TP01083)	0/8 m	0/8 m
Peaks (PEA001)	Peaks (TP00972)	0/8 m	0/8 m
Upper Waitohi (WAI066)	Upper Waitohi (TP01084)	132/229 d	0/229 d
Waiau Rural (WAI067)	Waiau Rural (TP01085)	229/229 d	0/229 d
Waiau Town (WAI026)	Waiau Town (TP00433)	0/8 m	0/8 m
Waipara (WAI068)	Waipara (TP01086)	0/8 m	0/8 m

d = days operating
m = months operating

Notes: The number of treatment plants increased from 20 to 21 post November 2022 due to the commissioning of a new water treatment plant for Hawarden-Waikari (Waikari Basin plant). This was a temporary increase in treatment plants, as the old plant for Hawarden-Waikari (Bakers Ford), was decommissioned later in the period.

The 16 water treatment plants that are not compliant under the DWQAR are as follows:

Amberley (Kowai) and Culverden– These plants were capable of achieving compliance under the DWSNZ via secure groundwater criteria, but ‘secure groundwater’ is not a compliance option under the DWQAR. Plant upgrade work is underway to install UV disinfection equipment.

Amuri during the compliance period the plant had an unvalidated UV unit which was incapable of achieving protozoa or bacterial compliance.

Hawarden-Waikari (Bakers Ford) this plant was operational during part of the compliance monitoring period and had an unvalidated UV unit which was incapable of achieving protozoa or bacterial compliance. The plant was decommissioned during the compliance period.

Waiau Town – during the compliance period the treatment plant did not have a UV unit installed and the UF membrane filter is incapable of achieving compliance under the new rules.

Cheviot, Hurunui #1, Upper Waitohi, Balmoral, Blythe, Lower Waitohi, Kaiwara, Parnassus, Peaks, Waiau Rural and Waipara – These treatment plants did not have a protozoa treatment barrier during the compliance period and were therefore incapable of achieving protozoa compliance.

Water supply: Maintenance – maintain water systems so water is not wasted or lost

Performance measure Description	Performance target issue	Performance target outcomes
<p>The percentage of real water loss from the local authority’s networked reticulation system. Real water loss is losses through leaks, meter inaccuracies or water theft, but excludes 'unauthorised consumption'.</p>	<p>Water loss from metered town supplies (on demand water)</p>	<p>To lose no more than 20% volume of water</p>
<p>Measurement method</p>	<p>From meter reading and SCADA or relevant monitoring system will be used to determine the water volume pumped in an on-demand and combined water system</p>	
<p>End of year performance</p>	<p>2023 Target achieved - The real losses were 18.1%. Information from all metered (on-demand) water supplies was used to determine real water losses across the Hurunui District using a ‘top-down’ approach (water balance) for identifying where water supplied into a water supply distribution network is utilised and is typically used to establish the level of water loss occurring in a water supply network. 2022 Target achieved – The real losses were 13.2%. Information from all metered (on-demand) water supplies was used to determine real water losses across the Hurunui District using a ‘top-down’ approach (water balance) for identifying where water supplied into a water supply distribution network is utilised and is typically used to establish the level of water loss occurring in a water supply network.</p>	

Water supply: Response time – to respond quickly to water supply call outs

Performance measure Description	Performance target issue	Performance target outcomes
Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured: <ul style="list-style-type: none"> attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site 	Urgent fault responsiveness	To respond within 4 hours
Measurement method	The Customer Service Request (CSR) system will be used to measure the time from when the customer's call was first received and when an officer arrives at the site to investigate the request for service.	
End of year performance	2023 Target achieved - The median response time was 1.00 hour. Council reviewed the reporting category to include restricted supply as part of urgent classification. 95 urgent restricted and on-demand requests were responded to. 2022 Target achieved - The median response time was 1.5 hours. Council reviewed the reporting category to include restricted supply as part of urgent classification. 143 urgent restricted and on-demand requests were responded to.	

Water supply: Customer satisfaction – reduce the number of water-related complaints

Performance measure Description	Performance target issue	Performance target outcomes
The total number of complaints received by the local authority about drinking water clarity.	Drinking water clarity	No more than 23 complaints per annum
Measurement method	The measure is total number of requests for service logged into the CSR system relating to clarity issues.	
End of year performance	2023 Target achieved - 17 complaints were received relating to clarity. 2022 Target achieved – 18 complaints were received relating to clarity.	

Sewerage: System and adequacy – sewerage systems to operate as they should

Performance measure Description	Performance target issue	Performance target outcomes
Measuring the number of sewage overflows to the environment resulting from system inadequacy under 'normal' operating circumstances.	The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	No more than 2 dry weather sewerage overflows per 1,000 connections
Measurement method	The CSR system will be used to measure the total number of 'dry weather' sewage overflows divided by the total number of wastewater rated properties divided by 1000.	
Current performance	2023 Target achieved – 1.17 overflows per 1,000 connections have been experienced (5 overflows for 4,269 connections). 2022 Target achieved – 1.42 overflows per 1,000 connections have been experienced (6 overflows for 4,214 connections).	

Sewerage: Response time – to quickly respond to and resolve sewerage systems faults

Performance measure Description	Performance target issue	Performance target outcomes
Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured: <ul style="list-style-type: none"> attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site. 	Call-out attendance time period	To respond within 2 hours
Measurement method	The CSR system will be used to measure the time from when the customer's call was first received and when an officer arrives at the site to investigate the request for service.	
Current performance	2023 Target achieved - The median response time for blockages and mechanical and electrical faults was 0.38 hours (8 total requests for service). 2022 Target achieved - The median response time for blockages and mechanical and electrical faults was 1.58 hours (6 total requests for service).	

Sewerage: Customer satisfaction – reduce the number of sewerage-related complaints

Performance measure Description	Performance target issue	Performance target outcomes
The total number of complaints received by the territorial authority about sewage odour	The number of complaints about sewerage odour	No more than 3 complaints per annum
Measurement method	The CSR system will be used to measure the total number of requests for service relating to sewage odour.	
Current performance	<p>2023 <u>Target achieved</u> - No complaints were received relating to odour.</p> <p>2022 <u>Target achieved</u> - 1 complaint was received relating to odour.</p>	

Roading: Road safety – have roads which are safe to drive on

Performance measure description	Performance target issue	Performance target outcomes
Measure of fatalities and serious injuries on local roads assessed by NZ Police as being attributable to poor or negligent road maintenance outcomes.	The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	No fatalities and serious injury crashes on local (HDC) roads
Measurement method	Measured by statistics provided by NZTA (Crash Accident Statistics data) for Hurunui's local roads, linked to NZ Police reports of 'findings of investigation - most likely cause of accident'.	
End of year performance	<p>2023 <u>Target not achieved</u> - CAS shows 4 serious and no Fatal crashes in the Hurunui District for the 2022/23 financial year. None of the reported crashes were attributed to poor or negligent road maintenance outcomes and a decrease in the number fatal and serious crashes compared to prior year.</p> <p>2022 <u>Target not achieved</u> - CAS shows 6 serious and 1 Fatal crash in the Hurunui District for the 2021/22 financial year. None of the reported crashes were attributed to poor or negligent road maintenance outcomes.</p>	

Roading: Road maintenance – maintain our roads to be in good condition

Performance measure description	Performance target issue	Performance target outcomes
Measured as the percentage of sealed roads resealed each financial year.	The percentage of the sealed local road network that is resurfaced.	To reseat more than 5% of our local roads every year
Measurement method	RAMM provides reseat data through the Pavement & Surfacing module	
End of year performance	<p>2023 Target not achieved – 4.49% (28.2km was resealed of the 628km of sealed roads in the network). The 5% target was not met due to the new maintenance contract rates dictating the total % able to be completed, coupled with weather delays.</p> <p>2022 Target not achieved – 3.88% of the local roads network was resealed, (157,220m²/4,052,112m² completed). Approx 94% of programmed m2 were completed, with 3 sites held over due to Covid resourcing and weather delays. Note that the financial allocation would only allow for 4% of network to be sealed, so unable achieve target any way.</p>	

Hanmer Springs Thermal and Spa: Profitability – achieve our business plan

Performance measure Description	Performance target issue	Performance target outcomes
Measurement of results compared to the Council approved business plan.	Profit	To make the profit which is forecast for each year
Measurement method	As recorded in financial reports for the Business Unit.	
End of year performance	<p>2023 Target not achieved – A surplus after depreciation and interest of \$1,681,221 was achieved against budgeted surplus of \$1,699,144. The target was not achieved due to the increase in interest rates charged on the internal debt between Council and the Hanmer Springs Thermal Pools and Spa.</p> <p>2022 Target not achieved – A surplus after depreciation and interest of \$108,408 was achieved against budgeted surplus of \$1,836,701. This result was affected by COVID-19 restrictions in place for the majority of the 2021/22 year.</p>	

Statement of Service Performance Policies, Critical Judgement and Assumptions

The service performance reporting has been disclosed for as part of the Groups of Activities included in the full Annual Report on Pages 13 to 57.

The Statement of Service Performance of the Hurunui District Council has been prepared in accordance with the requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The Statement of Service Performance has been prepared in accordance with Tier 1 PBE financial reporting standards (PBR FRS 48), which have been applied consistently throughout the period, and complies with PBE financial reporting standards.

Service performance reporting judgements

PBE FRS 48 requires the disclosure of judgements used in the selection, measurement and aggregation of service performance information in Council's full Annual Report 2022/23.

In the preparation of the performance framework in the Long Term Plan 2021-2031 and the Annual Plan 2022/23, Council has made the following judgments in the selection of our service performance measures:

- We have reflected on the extent to which the levels of service we planned to provide to the community were best captured by performance measures.
- We have retained the levels of service and performance measures consulted on with our community during the preparation of the Long Term Plan 2021-2031, and these were carried through into the Annual Plan 2022/23. The measures are those that Council needs to report against in the full Annual Report 2022/23.
- We have analysed the levels of service and performance measures and noted areas where we will propose improving them during the upcoming Long Term Plan 2024-2034 and consult with our community on them through that process.
- Every two years, we have surveyed our community on how we are going against some of the performance measures through our ratepayers' and residents' survey, and have considered the views and feedback expressed by our residents.
- We have ensured that the performance measures adequately inform progress towards delivering the outcomes in Council's Long Term Plan.

The performance framework links to Council's vision and community outcomes and these can be found in the Long Term Plan 2021-2031.

Changes to performance framework from the 2021/22 year

There are no changes to the performance framework from the previous year.

Mandatory performance measures for transport, water supply, wastewater, stormwater and flood protection

Under section 261B of the Local Government Act 2002, the Secretary for Local Government made the Non-Financial Performance Measures Rules 2013. These rules outline mandatory performance measures for all councils to include in their Long Term Plans and to report on through their Annual Reports. The purpose was to enable the public to compare across councils the level of service provided in relation to the following groups of activities: transport, water supply, wastewater,

stormwater, and flood protection. Council has no discretion on these mandatory performance measures and is reporting on them in this Annual Report.

Measures to demonstrate statutory compliance

We are also required to demonstrate compliance against some of our statutory requirements (such as percentage of both building consents and resource consents applications processed within 20 statutory days). Including performance measures on these matters helps demonstrate to our community how we comply with our statutory obligations.

Other judgements

Further to the above judgements being made in the selection of performance measures, we also apply judgements on how we report against the range of other services we provide to our community. We make judgements on what we will measure, how we will measure the levels of service, and on the aggregation and presentation of service performance information relating to those activities.

These judgements may be informed by a range of factors including:

- levels of satisfaction with Council services received in residents' surveys and other sources
- implementation of Council policies and plans
- areas where Council is investing additional funding in order to see the impact that has on levels of service and satisfaction with services
- areas where Council is interested in monitoring changing behaviours and attitudes in the community in relation to the services it delivers
- the effectiveness of expenditure in terms of delivering on outcomes.

Setting funding levels for services

As part of setting funding levels Council has considered the impact on services and their related performance measures. Despite funding pressures across Council, we determined through the Annual Plan 2022/23 process, it was determined that the levels of service will remain at current levels and as such they did not need to be adjusted for funding reasons.

Material judgements

Material judgements have been applied as follows:

Surveys

To measure the quality of our outputs, we use the ratepayers' and residents survey to obtain customers, citizens and community views on Council services and their experiences with Council. This helps us to assess the quality of the service provided.

- These surveys are carried out independently by external parties.
- They have also been designed to measure changes in perception of service delivery over time.
- As there is a significant cost of this process, Council has determined that the survey shall only be carried out every two years and as the last survey relating to the 2021/22 year, the statement of service performance will record a number of performance targets that have not been measures in the 2022/23 year. This does not include the survey performance measure relating to the Hanmer Springs Thermal Pools and Spa, which is carried out annually.

Customer Service Requests

A number of measures refer to Customer Service Requests (CSRs). These are requests received via a range of methods (telephone, email, snap-send-solve, direct referral to staff). All CSRs are entered into the Council's Enterprise System (Magiq) and tracked through to completion. The assumption is that all CSRs are managed through this process and not dealt with by staff independently.

External implications for statements about performance

There are conditions that affect the service performance results and may result in a variation from the anticipated or forecasted results. These are ones which are outside the control of the Council. For example, in previous years, the performance of the Hanmer Springs Thermal Pools and Spa has been substantially affected by the restrictions imposed under the Covid-19 protocols.

Statement of comprehensive revenue and expense for the year ended 30 June 2023

	Group		Council		
	Actual 2023 \$000's	Actual 2022 \$000's	Actual 2023 \$000's	Budget 2023 \$000's	Actual 2022 \$000's
Revenue					
Rates, excluding targeted water supply rates	25,589	22,725	25,589	25,457	22,725
Targeted rates for water supply	829	932	829	883	932
Subsidies and grants	6,552	12,506	6,552	4,406	12,506
Development and financial contributions	1,198	1,955	1,198	1,020	1,955
Fees and charges, excluding those for water supplies	19,836	15,729	19,836	19,410	15,729
Fees and charges for water supplies	199	453	199	93	453
Interest revenue	134	22	134	0	22
Other revenue	4,065	6,794	4,065	2,476	6,794
	58,401	61,117	58,401	53,745	61,117
Less Expenditure					
Employee benefits	17,460	17,332	17,460	16,705	17,332
Other expenses	25,813	24,007	25,813	22,165	24,007
Finance expenses	1,659	1,167	1,659	1,424	1,167
Depreciation, amortisation and loss on disposal	16,090	13,100	16,090	11,620	13,100
Total operating expenditure	61,021	55,607	61,021	51,915	55,607
Operating surplus/(deficit) before tax	(2,621)	5,510	(2,621)	1,830	5,510
Share of associates surplus/(deficit)	17	1	0	0	0
Net surplus/(deficit) before tax	(2,603)	5,511	(2,621)	1,830	5,510
Tax expense	0	0	0	0	0
Net surplus/(deficit) after tax	(2,603)	5,511	(2,621)	1,830	5,510
Add other comprehensive revenue and expense					
Gains/(losses) on asset revaluation	26,309	154,039	26,309	0	154,039
Gains/(losses) in fair value of shares	(35)	(14)	(35)	0	(14)
Impairment to property plant and equipment	0	0	0	0	0
	26,274	154,025	26,274	0	154,025
Total comprehensive revenue and expense	23,670	159,536	23,653	1,830	159,536

Statement of financial position as at 30 June 2023

	Group		Council		
	Actual 2023 \$000's	Actual 2022 \$000's	Actual 2023 \$000's	Budget 2023 \$000's	Actual 2022 \$000's
Assets					
Current assets					
Cash and cash equivalents	1,201	3,044	1,201	87	3,044
Trade and other receivables	4,358	4,034	4,358	4,285	4,034
Inventories	155	130	155	125	130
Non-current assets held for sale	0	0	0	0	0
Other financial assets	3	0	3	0	0
Derivative financial instruments	16	5	16	0	5
Total current assets	5,734	7,214	5,734	4,497	7,214
Non-current assets					
Property, plant and equipment					
- Operational	64,304	54,927	64,304	56,548	54,927
- Restricted	61,256	48,162	61,256	52,019	48,162
- Infrastructure	573,873	558,909	573,873	433,142	558,909
Intangible assets	617	937	617	392	937
Forestry assets	326	295	326	460	295
Other financial assets	1,452	1,008	1,452	991	1,008
Investments in associates	283	265	0	0	0
Derivative financial instruments	992	683	992	0	683
Total non-current assets	703,102	665,186	702,819	543,552	664,921
Total assets	708,836	672,400	708,553	548,049	672,135
Liabilities					
Current liabilities					
Payables and deferred revenue	12,269	9,394	12,269	10,431	9,394
Landfill aftercare provision	123	8	123	0	8
Employee entitlements	1,750	1,633	1,750	1,987	1,633
Current portion of term debt	13,500	14,000	13,500	0	14,000
Derivative financial instruments	0	9	0	0	9
Total current liabilities	27,642	25,044	27,642	12,418	25,044
Non-current liabilities					
Term debt	34,000	24,000	34,000	54,000	24,000
Payables and deferred revenue	0	0	0	0	0
Landfill aftercare provision	172	98	172	0	98
Employee entitlements	88	94	88	0	94
Derivative financial instruments	0	56	0	889	56
Total non-current liabilities	34,260	24,249	34,260	54,889	24,249
Total liabilities	61,903	49,293	61,903	67,307	49,293
Net assets	646,933	623,107	646,650	480,742	622,842
Equity					
Asset revaluation reserve	468,166	441,857	468,166	237,079	441,857
AFS investments revaluation reserve	238	273	238	0	273
Special fund reserves	8,004	6,554	8,004	0	6,554
Rate reserve funds	(63,051)	(49,100)	(63,051)	(57,886)	(49,100)
Retained earnings	233,576	223,522	233,293	301,549	223,257
Total equity	646,933	623,107	646,650	480,742	622,842

Statement of changes in equity for the year ending 30 June 2023

	Group		Actual 2023 \$000's	Council	
	Actual 2023 \$000's	Actual 2022 \$000's		Budget 2023 \$000's	Actual 2022 \$000's
Equity at start of year	623,107	462,083	622,842	478,912	461,818
Add total comprehensive revenue and expense for year	23,670	159,536	23,653	1,830	159,536
Found assets	155	1,488	155	0	1,488
Equity at end of year	646,933	623,107	646,650	480,742	622,842

Statement of cash flows for the year ending 30 June 2023

	Group		Actual 2023 \$000's	Council	
	Actual 2023 \$000's	Actual 2022 \$000's		Budget 2023 \$000's	Actual 2022 \$000's
Cash flows from operating activities					
Revenue	55,408	55,847	55,408	51,932	55,847
Agency receipts	4,320	4,128	4,320	2,243	4,128
Interest received	85	22	85	0	22
Dividends received	220	197	220	180	197
Payments to suppliers and employees	(40,997)	(41,788)	(40,997)	(38,553)	(41,788)
Interest and other costs of finance paid	(1,399)	(1,086)	(1,399)	(1,425)	(1,086)
Agency payments	(4,320)	(4,128)	(4,320)	(2,243)	(4,128)
Net GST movement	(336)	79	(336)	0	79
Net cash from operating activities	12,981	13,271	12,981	12,134	13,271
Cash flows from investing activities					
Payment on loan	0	5	0	0	5
Proceeds from the sale of plant, property & equipment	331	793	331	0	793
Proceeds on sale of investments	0	0	0	0	0
Insurance recoveries	0	0	0	0	0
Payment for purchase of investments	(478)	0	(478)	0	0
Payment for plant, property & equipment	(24,177)	(17,976)	(24,177)	(26,097)	(17,976)
Net cash from investing activities	(24,324)	(17,178)	(24,324)	(26,097)	(17,178)
Cash flows from financing activities					
Proceeds from the issue of debt securities	9,500	0	9,500	13,500	0
Repayment of loans	0	0	0	0	0
Net cash from financing activities	9,500	0	9,500	13,500	0
Increase/(decrease) in cash & cash equivalents	(1,843)	(3,907)	(1,843)	(463)	(3,907)
Cash and cash equivalents as 1 July	3,044	6,951	3,044	550	6,951
Cash and cash equivalents as 30 June	1,201	3,044	1,201	87	3,044

The GST (net) component of operating activities reflect the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

Other Annual Report Disclosures for the year to 30 June 2023

Rating base information:

The following rating base information for Hurunui District Council is disclosed based on the rating base information at the end of the **preceding** financial year:

	30 June 2022
Number of rating units within the district	9,905
Total Capital Value of rating units within the district	\$9,221,301,650
Total Land Value of rating units within the district	\$6,090,424,989

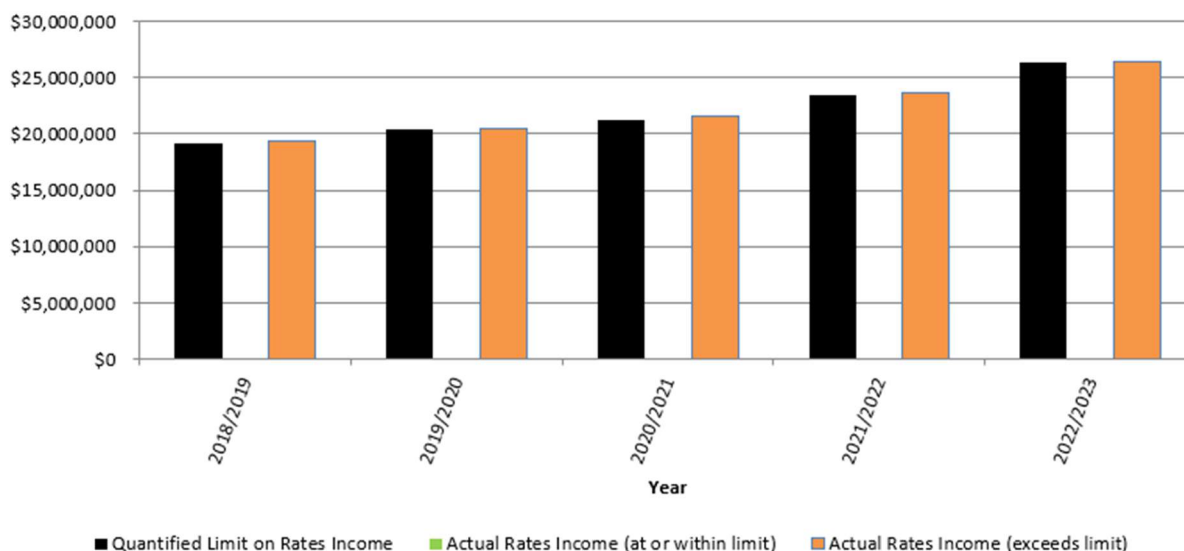
Key Benchmarks:

Under the Local Government (Financial Reporting and Prudence) Regulations 2014, the full Annual Report is required to provide a series of benchmarking graphs to enable the assessment of whether the Council is prudently managing its revenues, expenses assets, liabilities, and general financial dealings.

Below is a selection of those benchmark graphs:

Rates (income) affordability

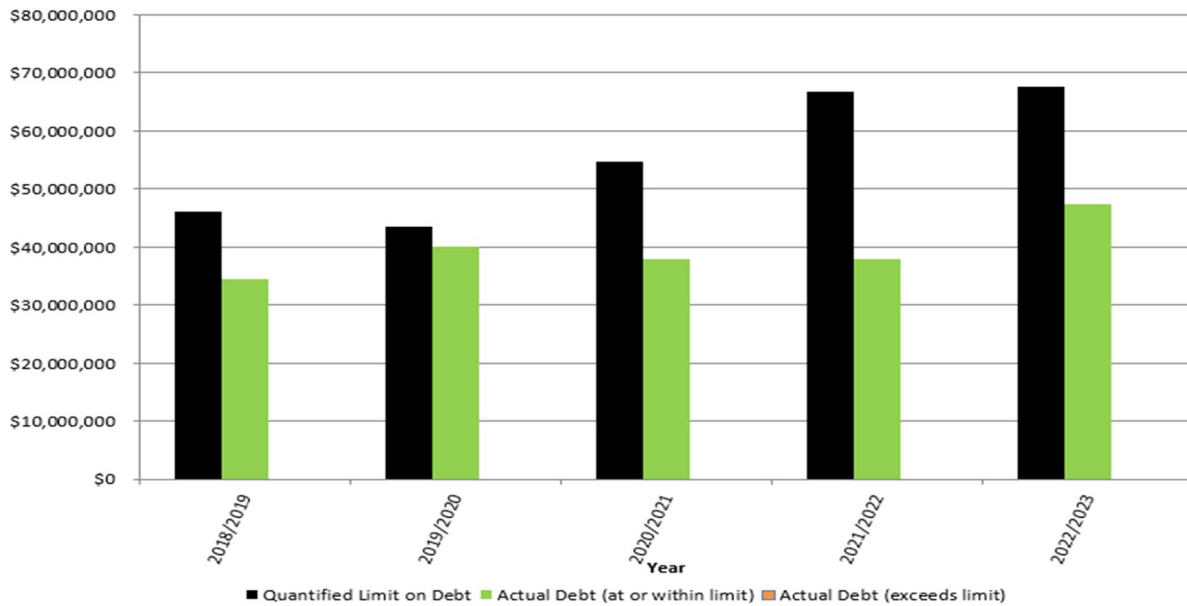
The following graph compares the council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the council’s long-term plan.



Note: The actual rates for 2022/2023 has exceeded the limit due to growth in the rating base being higher than was predicted in the Annual Plan.

Debt affordability benchmarks

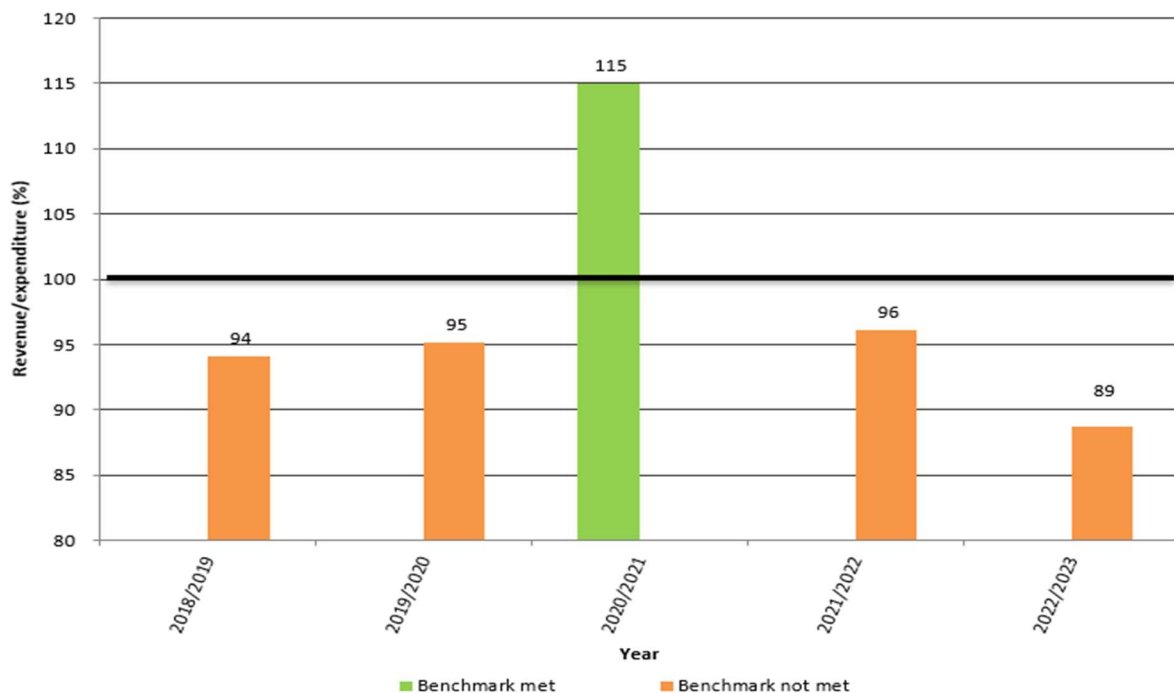
The council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The key benchmark is that total debt is no more than 125% of total income.



Note: the measure was amended in 2021/2022 from total debt is no more than 100% of total income to total debt is no more than 125% of total income.

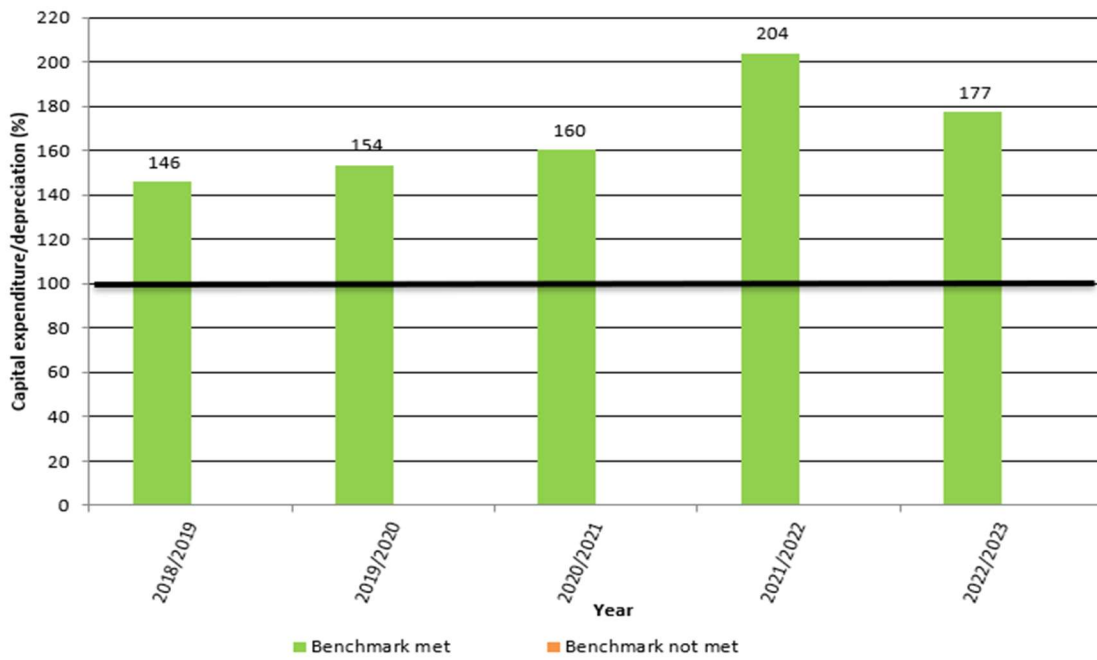
Balanced budget benchmark

The following graph displays the council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment). The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the council’s capital expenditure on network services as a proportion of depreciation on network services. The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Independent Auditor's Report

To the readers of Hurunui District Council and group summary of the annual report for the year ended 30 June 2023

The summary of the annual report was derived from the annual report of the Hurunui District Council (the District Council) and its subsidiaries and controlled entities (the Group) for the year ended 30 June 2023.

The summary of the annual report comprises the following information on pages 3 to 22:

- the summary of the statement of financial position as at 30 June 2023;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2023;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS-43: *Summary Financial Statements*.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2023 in our auditor's report dated 31 October 2023

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the Government's three waters reform programme. The Water Services Entities Act 2022, as amended by the Water Services Entities Amendment Act 2023 on 23 August 2023 and the Water Services Legislation Act 2023 on 31 August 2023, establishes ten publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. Water services entities' establishment dates are staggered, with all the water services entities becoming operational between 1 July 2024 and 1 July 2026. The financial impact of the water services reform on the District Council as outlined on page 9 remains uncertain until the relevant water services entity's establishment date is known, and the allocation schedule of assets, liabilities, and other matters to be transferred is approved.

Council's responsibility for the summary of the annual report

The District Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out a limited assurance engagement in respect of the District Council's Debenture Trust Deed, which is compatible with those independence requirements. Other than these engagements we have no relationship with, or interests in the District Council.



Christ Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
31 October 2023