



ORDINARY MEETING of Council AGENDA

Time: 1:00 pm
Date: Wednesday, 29 November 2023
Venue: Waiata House, 27 Lincoln Road,
Masterton

MEMBERSHIP

Mayor Gary Caffell (Chairperson)

Councillor Bex Johnson
Councillor Craig Bowyer
Councillor Brent Goodwin
Councillor David Holmes

Councillor Tom Hullena
Councillor Stella Lennox
Councillor Tim Nelson
Councillor Marama Tuuta

Values

1. **Public interest:** members will serve the best interests of the people within the Masterton district and discharge their duties conscientiously, to the best of their ability.
2. **Public trust:** members, in order to foster community confidence and trust in their Council, will work together constructively and uphold the values of honesty, integrity, accountability and transparency.
3. **Ethical behaviour:** members will not place themselves in situations where their honesty and integrity may be questioned, will not behave improperly and will avoid the appearance of any such behaviour.
4. **Objectivity:** members will make decisions on merit; including appointments, awarding contracts, and recommending individuals for rewards or benefits.
5. **Respect for others:** will treat people, including other members, with respect and courtesy, regardless of their ethnicity, age, religion, gender, sexual orientation, or disability. Members will respect the impartiality and integrity of Council staff.
6. **Duty to uphold the law:** members will comply with all legislative requirements applying to their role, abide by this Code, and act in accordance with the trust placed in them by the public.
7. **Equitable contribution:** members will take all reasonable steps to ensure they fulfil the duties and responsibilities of office, including attending meetings and workshops, preparing for meetings, attending civic events, and participating in relevant training seminars.
8. **Leadership:** members will actively promote and support these principles and ensure they are reflected in the way in which MDC operates, including a regular review and assessment of MDC's collective performance.

These values complement, and work in conjunction with, the principles of section 14 of the LGA 2002; the governance principles of section 39 of the LGA 2002; and our MDC governance principles:

Whakamana Tangata	Respecting the mandate of each member, and ensuring the integrity of the committee as a whole by acknowledging the principle of collective responsibility and decision-making.
Manaakitanga	Recognising and embracing the mana of others.
Rangatiratanga	Demonstrating effective leadership with integrity, humility, honesty and transparency.
Whanaungatanga	Building and sustaining effective and efficient relationships.
Kotahitanga	Working collectively.

Order Of Business

1	Conflicts of Interest	5
2	Apologies	5
3	Public Forum.....	5
4	Items not on the Agenda	5
5	Reports for Decision.....	6
5.1	Annual Report 2022/2023	6
6	Reports for Information	47
	Nil	
7	Public Excluded	47
	Nil	

1 CONFLICTS OF INTEREST

Members are reminded of the need to be vigilant to stand aside from decision making when a conflict arises between their role as a member and any private or other external interest they might have.

2 APOLOGIES

The Chair invites notice from members of:

- leave of absence for future meetings of Masterton District Council
- apologies, including apologies for lateness and early departure from the meeting where leave of absence has not previously been granted.

3 PUBLIC FORUM

4 ITEMS NOT ON THE AGENDA

The Chairperson will give notice of items not on the agenda as follows:

Matters requiring urgent attention as determined by resolution of the Council

- The reason why the item is not on the agenda; and
- The reason why discussion of the item cannot be delayed until a subsequent meeting.

Minor matters relating to the general business of Council

No resolution, decision or recommendation may be made in respect of the item except to refer it to a subsequent meeting of Masterton District Council for further discussion.

5 REPORTS FOR DECISION

5.1 ANNUAL REPORT 2022/2023

File Number:

Author: David Paris, Manager Finance

Authoriser: Kym Fell, Chief Executive

PURPOSE

The purpose of this report is to present Council's 2022/2023 Annual Report for adoption, following the completion of the audit undertaken by Audit New Zealand.

RECOMMENDATIONS

That Council

1. Adopts the Annual Report for 2022/2023.
2. Notes that the statutory deadline for adoption of the Annual Report for 2022/2023 was 31 October 2023, however due to a combination of factors that impacted finalisation of the report, adoption was delayed.
3. Notes that the Annual Report and a Summary of that document must be published within one month of adoption.
4. Delegates authority to the Mayor and Chief Executive to approve any changes requested by Audit New Zealand and/or minor edits prior to publication that do not change the intent of the document.

CONTEXT

The Local Government Act 2002 (LGA) requires all councils to prepare an Annual Report at the end of each financial year. Council's financial year end was 30 June 2023.

Under the LGA Council is required to adopt the Annual Report by 31 October. As noted in the report to Council's Audit and Risk Committee on 15 November 2023 (Report 6.5) finalisation of the report was delayed due to a number of factors including valuation delays, and resourcing and capacity challenges across the organisation.

A final draft copy of the Annual Report 2022/23 is provided under separate cover (Attachment 1). The report remains a final draft as late changes (such as additional disclosures) may still be requested/agreed as we finalise the audit process. It is expected that Council's auditors (Audit New Zealand) will have issued an unqualified opinion on the Report by the meeting date. This means that in the opinion of the auditors, the financial statements and reporting of performance measures, fairly reflect the financial performance and position of the Council for the year ended 30 June 2023.

A draft version of the Summary Annual Report is also provided (Attachment 2).

ANALYSIS AND ADVICE

The purpose of an annual report is:

- to compare the actual activities and performance of the Council against what was planned for that year in the Long-Term Plan and the annual plan; and
- to promote accountability to the community for the decisions made throughout the year.

The 2022/23 Annual Report is reporting on Year 2 of the 2021-2031 Long-Term Plan and against the 2022/23 Annual Plan. The Annual Report document includes an introductory section with highlights of the year's achievements and also detailed commentary at the activity level, of the achievements of the organisation as well as full financial reporting that meets Public Benefit Entity (PBE) financial reporting standards.

The Annual Report includes detailed commentary of the performance and achievements of the organisation during the year.

Financial Summary

The Council's financial performance has been sound, despite some major weather event shocks. These events have been able to be responded to without significant adverse impacts on the Council's financial position.

- Council has recorded an operating surplus of \$10.56 million which includes \$5.44 million of vested assets from subdivision developers and financial instrument revaluation gains of \$0.74 million;
- Operating expenditure (excluding depreciation and other losses) of \$49.5 million is 17.6% more than planned, due largely to the extra costs of responding to the weather events;
- Operating income (excluding other gains) of \$73.5 million is 10.2% more than planned, largely due to additional roading subsidies
- Council's external debt is \$51.7m versus the Plan of \$55.2m.

The accounting surplus after excluding vested assets and valuation gains and losses was \$6.73 million, compared to the planned \$8.62 million. It should be noted that this surplus represents funding that is applied to capital expenditure (asset renewals) and is not available to reduce the reliance on rates revenue.

Total capital expenditure (excluding vested assets) was \$28.95 million against the planned total of \$40.91 million - some 70.8% (well up on last year's 59.3%). This included the replacement of the eastern bridge over the Waipoua on Colombo Road at a cost of \$4.17 million. Delays and slow progress on several major projects have contributed to that lower overall level of capital spending, in particular the Animal Shelter and the Airport upgrade account for much of the underspent capital budget.

The 2021-31 Long Term Plan (year 2) anticipated some \$1.835 million to be borrowed from Reserve funds as part of smoothing rates increases over the ten years of the LTP. Only \$1.355 million has been required as operational savings were achieved in some areas. The weather events resulted in high levels of unbudgeted expenditure on rural roads. This attracted higher subsidy rates, but Council has also had to carry a share of those unbudgeted costs. This has

resulted in a \$1.85 million draw on the Storm/Flood Damage reserve fund, leaving that fund in deficit by \$1.62 million.

2022-23 has again seen the capital expenditure on sewer main renewals exceed planned levels (\$3.15 million vs plan of \$1.52 million). This has occurred as a response to the weather-related flooding and sewer overflow events. The extra expenditure has been an attempt to reduce storm and ground water entering the wastewater network. The extra funding needed has come from Government's Three Waters 'Better Off' funding, Council's depreciation funds and new loans. The success of the additional renewals work has yet to be assessed, but the infiltration issues do not have a 'quick fix' and will require a long-term renewal strategy, including renewing pipes on private properties.

The level of subdivision activity and new residential building remained high during the year. This is seen in financial contributions from developers being \$3.66 million, or \$0.8 million more than last year. Income from building consent fees was \$1.44 million, or 12 per cent less than planned and last year.

Non-Financial Performance Measures Update

The Annual Report contains full reporting against non-financial performance measures. There were 43 performance targets and Council achieved 33 of them (76.7%).

Audit New Zealand have asked that a disclosure be added to the water loss measure. This measure tracks unexplained water losses as a percentage of total water produced. We have used the following methodology: the result is based on the single lowest night-time flow, which was recorded on 31 July 2022 at 4am with 75.3l/s being minimum night flow. Allowances were made for real use for key users, including the hospital, schools and JNL ltd and for households. This resulted in a final real loss of 57.71 l/s or 32.42% of the total flow. This methodology has also been used in past years.

The Department for Internal Affairs (DIA) Water Loss Guidelines 2010 (WLG) sets out two approaches for calculating water loss: a water balance methodology, and a night flow measurement (the approach taken by MDC). The WLG notes that any water loss calculation that "is not based on an annual water balance can only be regarded as an indicative value". As we have not taken a water balance approach, there is inherent uncertainty in the reported result.

It is our intention to move to a water balance approach for future water loss, which will be supported by water meters.

Audit of the Annual Report

Under the Public Audit Act 2001, the Auditor-General is required to carry out annual audits of all public organisations. Audit New Zealand undertake Masterton District Council's audit on behalf of the Auditor General.

An auditor gives an independent opinion on an organisation's financial and service performance statements. These statements are an important part the annual report. The auditor's opinion provides guidance on the reliability of the information in the annual report and must be completed prior to the adoption of the annual report.

Audit New Zealand undertook their audit of the 2022/23 Annual Report over October-November 2023.

Publishing the Annual Report

Once adopted it is a legal requirement for Council to publish the document, and a summary of this, within one month. The final published version will include images and formatting to enhance the aesthetic look and readability of the document. Proof-reading will also be completed.

A draft copy of the Summary document is attached. Audit NZ also review the summary document to ensure consistency with the Annual Report.

OPTIONS CONSIDERED

This is the only option considered because adoption of the Annual Report is a statutory requirement.

SUMMARY OF CONSIDERATIONS

Strategic, Policy and Legislative Implications

Sections 98 and 99 of the Local Government Act 2002 require councils to prepare an Annual Report for the financial year just ended and in accordance with the information required by Part 3 of Schedule 10 of the same Act. The report has been prepared in accordance with the legislation.

For 2022/23 the Local Government Act 2002 required Council to adopt its audited Annual Report by 31 October 2023. As reported to Audit and Risk in November 2022, the report was delayed due to a number of factors including valuation delays, resourcing and capacity challenges across the organisation.

Significance, Engagement and Consultation

The decision to adopt the Annual Report is a statutory requirement. No consultation is considered necessary as the intent of the Annual Report is to inform the community. It is noted that the Annual Report is an important element of Council's accountability to the community. The Annual Report and a Summary of it will be published and made available to the community within one month of adoption.

Financial Considerations

The Annual Report includes extensive financial information on the Council's performance in the 2022/23 year. There are no financial considerations beyond the report itself.

Implications for Māori

The decision to adopt the Annual Report does not have any implications specific to Māori.

Communications/Engagement Plan

No communication or engagement plan is required. Council is required to publish the Annual Report and Summary document and make these available to the public within one month of adoption. For the 2022/23 Annual Report adopted 29 November, publication is required by 29 December 2023.

Environmental/Climate Change Impact and Considerations

There are no environmental/climate change impacts or considerations arising from the adoption of the Annual Report. The publication of the Annual Report and Summary documents will be done principally via the Council's website. Minimal hard copies will be printed.

ATTACHMENTS

1. **Final Draft Annual Report 2022/2023 (under separate cover)** 
2. **Draft Summary Annual Report** [↓](#) 



HE WHAKARĀPOPOTOTANGA
O TE PŪRONGO Ā-TAU 2022/23
**ANNUAL REPORT
SUMMARY 2022/23**



MSTN.GOV.T.NZ
f @MastertonDC



Please Note: this document contains summary financial statements that do not include all the disclosures provides in the full financial statements and cannot be expected to provide as complete an understanding as provided in the full financial statements.

The Annual Report for the 2022/23 year, including full financial statements can be found on the Council's website www.mstn.govt.nz



NGĀ HUA O ROTO

CONTENTS

Our vision and community outcomes	3
Key highlights	4
Mayor’s foreword	7
Our performance.....	10
Non-financial performance	14
Roads, streets, footpaths and parking areas.....	16
Water supplies (urban and rural).....	17
Wastewater services	18
Stormwater.....	19
Solid waste management	20
Community facilities and parks.....	21
Regulatory services	22
Financial summary	24
Independent auditor’s report.....	32



TE MOEMOEĀ ME NGĀ HUA A TE HAPORI

OUR VISION AND COMMUNITY OUTCOMES

Masterton/Whakaoriori: providing the best of rural, provincial living



An Engaged and Empowered Community

Masterton/Whakaoriori is a positive, strong, inclusive and self-determining community, with equitable opportunities for everyone.



Pride in our Identity and Heritage

Masterton/Whakaoriori values the place and role of tangata whenua, and is proud of our cultural identity and heritage.



A Sustainable and Healthy Environment

Masterton/Whakaoriori has rivers we can swim in and drink from, clean air to breathe, green and blue spaces that we can enjoy and share with future generations.



A Thriving and Resilient Economy

Masterton/Whakaoriori has a strong, sustainable low-carbon economy that supports our people and places.



Efficient, Safe and Effective Infrastructure

Masterton/Whakaoriori has high-quality and cost-effective infrastructure that meets the current and future needs of our community.

NGĀ KAUPAPA TĪPAKO

KEY HIGHLIGHTS



An Engaged and Empowered Community

- Continued support for the Rural Advisory Group, Refugee Resettlement steering group, and recruitment and establishment of the Masterton District Youth Council.
- Supported Youth Week alongside the Masterton District Youth Council, including an event at the skatepark featuring skate competitions, spot prizes, VR experiences delivered by the library, art activities, live music and a sausage sizzle.
- Continued to be part of Welcoming Communities | Te Waharoa ki ngā Hapori, a programme to support newcomers to feel welcome and able to participate in the economic, civic, cultural and social life of their new community.
- Continued work on a new engagement framework for iwi, hapū, marae and hapori Māori.
- Delivered over 680 programmes to 9,000 people at Masterton District Library. Just under 100,000 people visited the library in person and around 229,000 accessed our services online.
- Worked with dog owners, the SPCA, and wider community to rehome 18 dogs and return 188 dogs to their owners.



Pride in our Identity and Heritage

- Promoted Te Wiki o Te Reo Māori 2022 (Māori Language Week 2022).
- Celebrated Matariki at our library and provided funding totaling \$3,850 for eleven community Matariki events.
- The archive continued sharing our stories, publishing a range of articles and presenting throughout the community.
- Completed the Whitipoua walking and cycling bridge across the Waipoua River, collaborating with nine mana whenua artists to tell the stories of Masterton's past, present and future through 50 engraved paewhiri (totara boards).



A Sustainable and Healthy Environment

- Introduction of new planting themes at Queen Elizabeth Park, reflective of climate impact and future sustainability.
- Established the Masterton District Climate Advisory Group to provide Council with advice, information and recommendations on climate change issues.
- Leased an electric bike for staff travel in Masterton.
- Ordered two hybrid vehicles to replace petrol vehicles in our fleet. Due to supply constraints these will be delivered in the next financial year.
- Continued installation of smart water meters.
- Progressed work to review and update the Wairarapa Combined District Plan.
- Continued work to develop wetlands at the Homebush Treatment Plant.
- Provided funding to eight groups from the inaugural Masterton District Council Community Climate Fund. The funding was allocated to groups undertaking projects that met the themes and goals of the Council's Climate Change Action Plan.



A Thriving and Resilient Economy

- Processed 154 resource consents and 649 building consents.
- Progressed the Hood Aerodrome Masterplan.
- Provided funding to both Destination Wairarapa and Business Wairarapa to support tourism and business development in the district.
- Contributed to the Wellington Leadership Committee Economic Development workstream, including being part of the Wellington Regional Economic Development Plan Steering Group.



Efficient and Effective Infrastructure

- Completed 2.55km of sewer main renewals and 1.43km of water mains renewals (plus another 1.6km of work in progress).
- Resealed 10.5 km of roads and completed 19,660 cubic metres of unsealed metalling.
- Undertook response work in the wake of Cyclone Gabrielle in February 2023, with the initial focus being on bringing major roads to a safe level of service, reinstating bridge abutments, removing forestry slash and setting up temporary traffic management measures on roads with washouts and dropouts.
- Supplied 4.22 billion litres of safe drinking water to the community.
- Progressed work under the Hood Aerodrome Masterplan to support development of the aerodrome.
- Commenced work to add 16 new car parks at Panama Village for use by tenants and caregivers.

We also provided Community Wellbeing, Events, and Arts funding to a number of individuals, community groups and organisations over the 2022/23 year supporting them to undertake projects and initiatives that support the wellbeing of our community:

- Community Wellbeing Grants – 34 out of 36 applicants were allocated community wellbeing funding, with a total amount of \$126,240. The grants, ranging from \$1,000 to \$12,000, provided assistance towards operating expenses, training, programmes and community needs-related projects.
- Community Events Fund – 18 of 19 applicants were allocated community events funding totaling \$78,026. Funding applications were for sporting, community, and cultural-related events.
- Masterton Arts Fund – four applicants were allocated Masterton Arts Funding. This included funding for: 2023 Young Readers Programme; Masterton Theatre Company's Aladdin and the Curse of Qataban performance; Preserving our Cinematic Stories; and Yarns in Barns as part of the Wairarapa Festival of Reading.

In addition, funding arrangements confirmed through the 2021-31 Long-Term Plan process continued for a range of groups that contribute to wellbeing in our community. These groups include Masterton Foodbank, Waiwaste Food Rescue, Riversdale Beach Surf Lifesaving Club, Fab Lab, and Te Āwhina Community Hub.



KŌRERO WHAKATAKI A TE KOROMATUA

MAYOR'S FOREWORD

E ngā iwi, e ngā karangataha, te iti me te rahi, tēnā koutou, tēnā tātou.

Over the year to 30 June 2023, Masterton District Council has continued its commitment to serve the community. Our financial plan and performance measures, set through our Long-Term Plan process, have guided our actions and our accomplishments. These achievements underscore how our efforts have contributed to improvements for our community. However, as we reflect on the year, it is important to also acknowledge some of the challenges that have confronted our community.

The COVID-19 pandemic situation has moved on and evolved, with the bulk of controls and restrictions that were put in place to manage the outbreak, lifted. However, our ability to deliver has been impacted by several associated factors. The high levels of inflation have led to increased costs across the board, making it more expensive to deliver services. Resourcing remains a challenge, with the tight labour market and low levels of immigration through the COVID period presenting employment challenges for both the Council and contractors. Plant and materials supply has remained constrained as operations across the globe slowly return to normal.

Weather challenges were significant this year, from June/July 2022 and a very wet winter through to January/February 2023 where we felt the impact of both Cyclone Hale and Cyclone Gabrielle. Cyclone Gabrielle in particular hit parts of the district hard with extensive flooding in the Tinui district, major rural road damage and coastal settlements being cut-off. Our initial response was designed to re-establish the road access for those isolated communities and provide a welfare response for the people impacted.

Following the initial Civil Defence and roading response, work transitioned into recovery, with the establishment of the Wairarapa Recovery Office, a joint venture by all three Wairarapa district councils, but based in Masterton. One of the first tasks of that unit was to run a process to distribute donations made to a Mayoral Storm Relief fund. Our roading team has worked progressively since then to repair and re-establish the network and the job remains on-going into 2024. Our thoughts are with those who were impacted by these weather events, particularly those who suffered damage to houses, properties and livelihoods.

The severe and repeated wet weather events have impacted the ability of the Masterton wastewater network to cope with infiltration and inundation of stormwater and groundwater. The results have seen a number of occasions where areas of the town had surcharging sewers, with some residents not able to use the wastewater system for days at a time and some of those having wastewater discharge on their properties. Council has responded to these events by providing interim solutions and cleanup on private properties as well as focusing on medium-term solutions to reduce the infiltration. The sewer renewal programme was ramped up during the year, while Government Three Waters 'Better Off' funding was also channeled into this work.

The difficulties our community encountered over the past year have been formidable. Nevertheless, amidst these challenges, we have also found reasons to celebrate some successes.

The 2022 Local Government election included, for the first time, a Māori ward, which enhances representation at the Council table for Māori in our community. Mana whenua representatives have continued to participate in and contribute to Council decision making. We also provided grants to support Matariki events and support the celebration of our Māori culture and heritage.

The new Colombo Road bridge over the Waipoua was completed on schedule. The Lansdowne Mountain Bike Park was opened. This project illustrated the power of community and Council working together.

We continued our work in the climate space, with the Masterton District Climate Change Action Plan adopted by Council in September 2022. A Climate Advisory Group, made up of community members, to provide Council with advice, information and recommendations on issues associated with climate change that are affecting the Masterton District.

We've continued to deliver business-as-usual services, including processing close to 400 Land Information Memorandums (LIMs), more than 640 building consents, and completing on average more than 100 building inspections each week.

Despite the challenges posed by rising costs, resourcing constraints and high levels of rainfall, our teams resealed 10.05 kilometres of roads, delivered 4.22 billion litres of safe drinking water, and continued the ambitious programme of renewing of sewer and water mains.

The Council's financial performance has been sound with an operating surplus of \$10.56 million generated by revenue received to fund capital and renewal projects.

It has been another busy and successful year for the Council which included a local government election and continued prudent financial management, but it was impacted by weather events which created challenges for the Council and many residents of our District.

Thank you for working with us.



A handwritten signature in black ink, which appears to read "Garry Caffell". The signature is written in a cursive, flowing style.

Garry Caffell, Mayor

TAUĀKI PAEARU MAHI

OUR PERFORMANCE

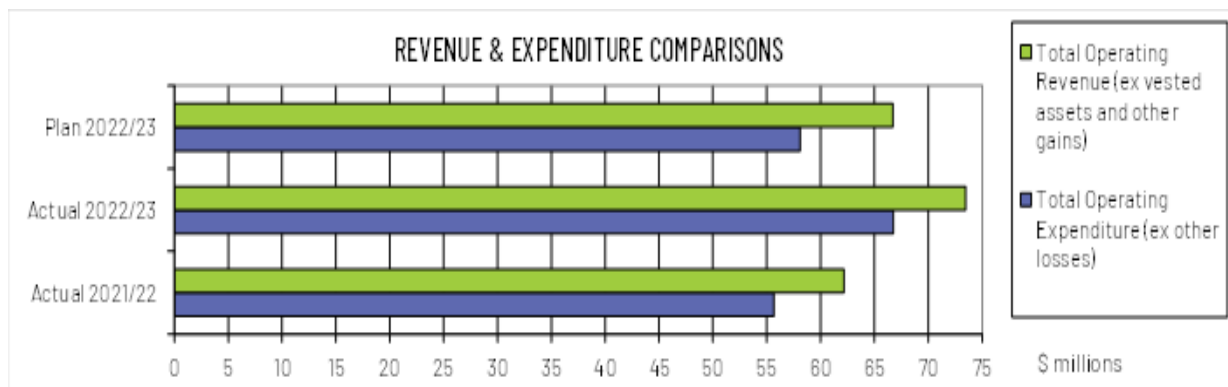
Overall financial and non-financial results

The Council's financial performance has been sound with an operating surplus of \$10.56 million generated by revenue received to fund capital and renewal projects. The impact of the weather events can be seen in the operating expenditure (excluding depreciation and other losses) at \$49.5 million or 17.6 per cent more than planned. Offsetting this operating income (excluding other gains) of \$73.5 million or 10.2 per cent more than the planned level.

The operating surplus of \$10.56 million includes \$5.44 million of assets vested from subdivision developers and financial instrument revaluation gains of \$0.74 million. The surplus after excluding vested assets and valuation gains and losses was \$6.73 million, compared to the planned \$8.62 million.

Total capital expenditure (excluding vested assets) was \$28.95 million against the planned total of \$40.91 million - some 70.8% (last year 59.3 per cent). Delays and slow progress on several major projects have contributed to that lower level of spending, in particular the Animal Shelter and the Airport upgrade account for much of the under-spent capital budget.

The graph that follows shows the 2022/23 financial performance compared to the Annual Plan and prior year. In summary, both expenditure and revenue are more than planned, resulting in a surplus of \$6.73 million (before vested assets and other gains and losses). The planned and actual surplus represents external funding that has helped fund capital expenditure, particularly to reinstate roading assets.



Rates revenue made up 47 per cent of effective operating revenue and rates arrears were 1.7 per cent of the amount levied, an increase from 1.3 per cent at the same time last year. The slowing economy and impacts of inflation on many households is likely to be the reason for the small increase in numbers and value of rates arrears.

We revalued our infrastructural assets as at 30 June 2023 and land and buildings assets as at 30 June 2021. The 2023 revaluation resulted in a further uplift in these asset values of 8.7 per cent following a fair value increase that was allowed for in 2022. The Plan did not anticipate a value increase.

We continued to deliver on our maintenance and renewal programmes for roads and other assets within the road corridor, water supplies, wastewater systems and stormwater assets, and we've continued our catch-up on maintenance and renewals of our district facilities.

We spent 70.8 per cent of the capital expenditure programme (\$28.95 million) and had \$5.44 million added to the Council's assets as infrastructure vested as part of subdivision developments. This compares to the prior year where \$24.6 million was achieved. Three capital projects - the animal shelter, airport upgrade and Millard Avenue urbanisation - were not progressed as quickly as anticipated and these make up a large proportion of the under-spent capital. More than planned capital expenditure was expended on water and wastewater network renewals due to both project delivery timing and decisions to increase the programme of work on these asset renewals.

We completed \$10.3 million of subsidised roading renewals and upgrading work, including the Colombo Road bridge replacement. This was which is 89 per cent of planned as contractor resources were diverted into emergency response and repairs to roads more major storm events that followed on from February 2022. Events in July 2022, January and February 2023 resulted in further damage to the network. \$3.5 million of unplanned work was completed on retaining walls and road renewals as a response to the storm events. Funding assistance from Waka Kotahi allowed this work to proceed with haste.



Our 2021-31 Long-Term Plan identified three major projects:

- Through the 2021-31 LTP process Council resolved to make the vacant land at Panama Village on Ngaumutawa Road available for someone else to build public housing on. Following the LTP amendment in 2021/22, Council has been progressing work for the High Court application to seek permission to sell the vacant land.
- Funding for the Civic Facility project, which includes the Masterton District Library and Archive, was a topic for consultation in the 2021-31 Long-Term Plan (LTP). The Council's 2020/21 Annual Plan resolution committed to building a new civic centre. Following the receipt of updated cost estimates for the Civic Facility in 2022, and public consultation as part of the 2023/24 Annual Plan process, Council has resolved to explore alternative options ahead of consultation as part of the 2024-34 Long-Term Plan.
- We also consulted on options for the Town Centre Revamp project as part of the 2021-31 LTP process. The decision was made to defer the start of significant work to 2024, and then proceed with the full Masterton Revamp programme of work over a 10-year period. This will be revisited as part of the 2024-34 Long-Term Plan process.

2022-23 has again seen the capital expenditure on sewer main renewals exceed planned levels (\$3.15 million vs plan of \$1.52 million). This has occurred as a response to the weather-related flooding and sewer overflow events. The extra expenditure has been an attempt to reduce storm and ground water getting into the wastewater network. The extra funding needed has come from Government's Three Waters 'Better Off' funding, Council's depreciation funds and new loans. The success of the additional renewals work has yet to be assessed, but the issues do not have a 'quick fix' and will require a long term renewal strategy, including renewing pipes on private properties.

The level of subdivision activity and new residential building remained high during the year. This is seen in financial contributions from developers being \$3.66 million, or \$0.8 million more than last year. Income from building consent fees was \$1.44 million, or 12 per cent less than planned and last year. Assets worth \$5.44 million have been vested in the Council from subdivision development.

We met 79.1 per cent of our non-financial performance measures, and improvement on the previous year. In particular, community facilities and activities have seen an increase in the number of measures that have been achieved, associated with increasing usage trends in the Library and Recreation Centre compared to the previous Covid-19 impacted years. Highlights in our non-financial reporting include strong results in our water supply activity with eight out of nine measures (88.9 per cent) achieved, stormwater with four out of five measures achieved (80 per cent) and in roading where five out of six measures (83.3 per cent) were achieved.



Cyclone Gabrielle and weather response and impacts

The Masterton District has been significantly impacted by rain and weather events over the past 18 months. Cyclone Gabrielle, which hit the district in February 2023, had a particularly devastating impact in areas like Tinui, where floodwaters impacted homes and businesses, with many still feeling the effects. These events have impacted our ability to deliver some aspects of our business-as-usual work, as efforts have been directed to response and recovery.

The Masterton urban area has also been impacted by the weather events, with heavy rain and continually high groundwater conditions causing the wastewater network to not cope due to infiltration. There have been properties which have not had wastewater services on three or four separate occasions over the course of the year for periods of several days. Temporary services such as portaloos have been provided and property cleanups have been done following overflow events. At the end of June 2023, installation of improved mitigations had started, including back-flow valves and emergency holding tanks on the worst affected properties.

The financial impacts of the weather events have come through additional spending on:

1. Roading maintenance (\$5.13 million of emergency response costs) and unplanned roading capital expenditure on assets such as retaining walls (\$4.7 million)
2. Wastewater network renewals (\$3.9 million versus the plan of \$1.52 million)
3. Operating costs in the wastewater reticulation and stormwater activities being \$0.9 million more than planned (some 53%)

COVID-19 response and impacts

In March 2023, the World Health Organization (WHO) declared that Covid-19 no longer represented a “global health emergency”. The statement represented a major step towards ending the pandemic, three years after WHO first declared its highest alert level for the virus.

The economic impacts in the aftermath of the pandemic have seen inflation spike and supply chain shortages. The costs of many projects the Council has had planned have escalated and this has resulted in reconsideration of some of them.

PAEARU MAHI KORE PUTEA **NON-FINANCIAL PERFORMANCE**

Our 2021-31 LTP defines the level of service we aim to achieve for each of our eight activity areas. Performance targets are set that assist us to measure how well we are delivering that level of service.

The LTP includes 43 performance targets across council activities.

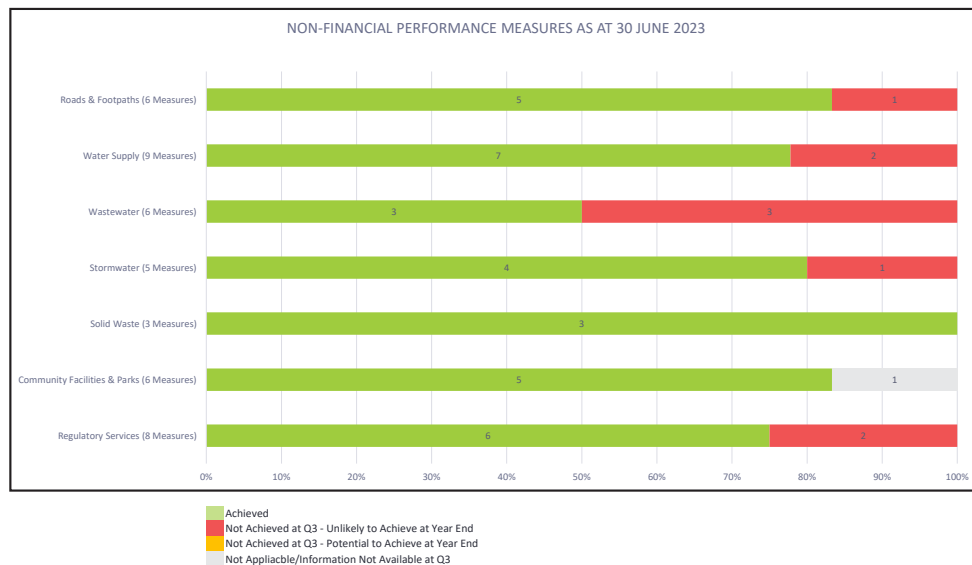
The graph that follows shows that we achieved 33 of our 43 targets (76.7 per cent) and did not achieve 9 targets (20.9 per cent). One measure (2.3 per cent) was not available to report.

This is the second year of reporting against the 2021-31 LTP.

Our water infrastructure activities have generally performed well against targets. However, the higher than usual rainfall experienced in the district since February 2022 impacted wastewater and stormwater results in 2022/23. Three of the six wastewater measures, and one of the five stormwater measures, were not achieved.

We received a higher number of complaints about our wastewater service, primarily related to continued issues with the wastewater network resulting from high groundwater tables. In the February heavy rainfall events, 29 portaloos were deployed on a pre-emptive basis.

The COVID-19 pandemic situation has evolved, with the bulk of the controls and restrictions put in place by the Government to manage the outbreak now lifted. However, there remains a long tail to the impact, with economic and social disruption. Global supply lines for goods continue to be impacted, contributing to the high levels of inflation that we are seeing both nationally and internationally. Despite the recent upturn in immigration, many sectors are still facing staffing challenges due to the delayed impacts of previously closed borders.



Resident satisfaction

Key Research, an independent research company, undertook a Resident's Satisfaction Survey on behalf of Council. Data was collected in two waves, between 20 Feb – 22 March (wave 1) and 3-31 May 2023 (wave 2). The results of the survey will help to inform our long-term planning.

A total of 3,000 invitations were posted to Masterton residents randomly selected from the electoral roll, and 490 responses were received. Highlights of the 2023 Satisfaction Survey included:

Overall performance

- Overall Satisfaction with Masterton District Council - 41%
- Satisfaction with Reputation - 46%
- Satisfaction with Services and Facilities - 57%
- Satisfaction with Value for Money - 45%

Overall Satisfaction with Services by Category

- Parks, Reserves & Open Spaces - 74%
- Waste Management - 69%
- Water Management (water, stormwater and wastewater) - 52%
- Regulatory Services - 47%
- Roads and Footpaths - 31%

Within service categories satisfaction ratings overall were highest for:

- Parks, Reserves and Green Spaces - 82%
- Sports fields and Playgrounds - 75%
- Library and Archive - 74%
- Kerbside Recycling Collection - 74%
- Kerbside Rubbish Collection - 72%

Within service categories satisfaction ratings overall were lowest for:

- Roads throughout the district - 27%
- Ease of moving around district - 35%
- Planning Services - 35%
- Stormwater Services - 36%
- Building Services - 39%
- Hood Aerodrome - 39%



NGĀ HUARAHI WAKA, ARA-HIKOI, ME NGĀ TŪRANGA WAKA
ROADS, STREETS, FOOTPATHS
AND PARKING AREAS



We provide a safe and efficient local transport network throughout the Masterton District. This involves the construction, management, and maintenance of road, street and footpath networks including pavements, bridges, traffic services, on and off-street parking and streetlights.

Measures of success in this area include:

- quality of ride on sealed local road network
- reducing the number of serious crashes
- road resurfacing
- condition of footpaths
- customer service requests responded to within specified timeframes.

Five of the six performance measures for this activity (83 per cent) were achieved in 2022/23.

While the impacts of Cyclone Gabrielle were felt across the district, Tinui and surrounding areas were the worst impacted.

The initial response focused on bringing major roads to a safe level of service, reinstating bridge abutments, removing forestry slash and setting up temporary traffic management measures on roads with washouts and dropouts. Moving into the recovery phase, specialist assessment is taking place to identify the type and scope of the work required, and the associated costs.

KEY HIGHLIGHTS

RESEALING OF
10KM
OF ROADWAY

REPLACEMENT
OF THE SOUTH BOUND LANE OF
COLOMBO ROAD
BRIDGE

REHABILITATION OF
1.6KM
OF SEALED ROAD
PAVEMENT

RESURFACED
4.3KM
OF SEALED FOOTPATH

19,660
CUBIC METRES
OF UNSEALED
METALLING
COMPLETED

HOPUA WAI (TĀONE ME TE TAIWHENUA)
WATER SUPPLIES (URBAN AND RURAL)



Water is provided to the Masterton urban reticulation system, Tinui, and the Waingawa industrial area. In rural areas, we provide non-drinking water to rural water schemes and water race supplies. We own and maintain a network of water mains, trunk mains, tanks, reservoirs, and water treatment facilities at Kaituna and Tinui.

Measures of success in this area include:

- reducing the number of complaints about clarity, taste, pressure etc
- improving our response time for urgent and non-urgent callouts
- reducing the percentage of water lost from Council’s reticulation system
- compliance with drinking water standards.

Seven of the nine performance measures for this activity (78 per cent) were achieved in 2022/23. One not achieved relates to the average consumption of drinking water per day per resident within the district.

The other not achieved relates to the Drinking Water Quality Assurance Rules (DWQAR) - Bacterial Compliance, due to the need to install new monitoring equipment for this standard. This equipment has now been installed. It is expected that this measure will be achieved for next year.

It is important to note that the non-achievement of the two measures does not reflect any issues with the safety of Masterton’s drinking water.

KEY HIGHLIGHTS

CONTINUED ACCESS PROVIDED TO A SEPARATE
FLUORIDE-FREE WATER SUPPLY



THE SUPPLY OF **4.22** BILLION OF SAFE DRINKING WATER LITRES TO THE COMMUNITY

TĪNUI WATER TREATMENT PLANT BACK UP AND OPERATIONAL WITHIN **24 HOURS** AFTER DAMAGE CAUSED BY CYCLONE GABRIELLE

RATONGA WAI PARU

WASTEWATER SERVICES



Wastewater services are provided to approximately 9,600 residential, commercial, and industrial properties in the urban area, Waingawa industrial area, Riversdale, Castlepoint, and Tinui. This includes maintaining our network of pipes, pump stations, treatment plants, wetland cells, and a waste stabilisation pond.

Measures of success in this area include:

- reducing the total number of complaints related to odour, system faults, blockages, etc
- reducing the time taken to resolve complaints
- reducing number of dry-weather overflows
- compliance with resource consents
- alternative system provided where loss of service exceeds 24 hours.

Three of the six performance measures for this activity were achieved (50 per cent) in 2022/23.

Cyclone Gabrielle, which struck New Zealand in February 2023, impacted results for this activity and contributed to the non-achievement of targets in 2022/23.

The number of complaints about our wastewater service increased, from 152 in 2021/22 to 257 in 2022/23. The higher number of complaints were primarily related to continued issues with the wastewater network resulting from high groundwater tables. The higher than usual rainfall over the last year has resulted in overflows of the wastewater network.

KEY HIGHLIGHTS

THE RENEWAL OF
2KM OF SEWER MAINS IN MASTERTON

\$2.675
MILLION
THREE WATERS
BETTER OFF FUNDING
ALLOCATED TO
WASTEWATER
RENEWALS
\$\$\$\$\$

AVERAGE RESPONSE TIME FOR COMPLAINTS:
52 MINUTES

WAIMARANGAI **STORMWATER**



We own and maintain a network of pipes, manholes, and river stopbanks along the Waipoua and Ruamāhanga Rivers. We also contribute to designated stopbank protection works on the Measures of success in this area include:

- reducing the number of complaints received about performance of the stormwater system
- reducing the number of flooding incidents and impact on buildings
- improving our response time in attending a flooding event.

Four of the five performance measures for this activity (80 per cent) were achieved in 2022/23.

KEY HIGHLIGHTS

100% ✓✓✓
**COMPLIANCE WITH
RESOURCE CONSENTS**

**RESPONDED TO
300MM 24
OF RAIN OVER HOURS
DURING CYCLONE GABRIELLE**



TARI WHAKARITE PARAPARA

SOLID WASTE MANAGEMENT



The current refuse collection and transfer station operations, gate fee collection, composting, and recycling services at Nursery Road, and in rural areas, are carried out under performance-based contracts let by competitive tender to the private sector.

We own, maintain, and manage a main transfer and recycling station (Nursery Road, Masterton), and two rural transfer stations (Castlepoint and Riversdale), including associated buildings and the weighbridge at the urban transfer station.

Measures of success in this area include:

- reducing waste to landfill
- reducing number of call backs due to noncollection of official rubbish bags
- operating within our resource consents.

All three performance measures were achieved for this activity, which is an improvement on the two of the three (67 per cent) achieved in 2020/21 and 2021/22.

KEY HIGHLIGHTS

9,478
PROPERTIES
PROVIDED WITH
KERBSIDE RUBBISH
AND RECYCLING
COLLECTION



100% ✓✓
COMPLIANCE WITH
RESOURCE CONSENTS



NGĀ WHARE O TE HAPORI ME NGĀ PĀKA
**COMMUNITY FACILITIES
AND PARKS**



We provide and support a wide range of facilities and parks throughout the district for use by the community. The facilities we provide include:

- Library and archive.
- Property (76 senior housing units, 13 public toilets, seven rural halls, rural holding paddocks, small roadside forestry blocks, Mawley Holiday Park camping ground, and other rental properties).
- 215 hectares of urban and rural parks, reserves and sports fields.
- Trust House Recreation Centre (including a stadium and a range of indoor and outdoor pools).
- Five cemeteries.
- Hood Aerodrome.

Measures of success in this area include:

- Percentage of Council parks and open spaces urgent customer service requests resolved within 4 work hours
- Number of people using the recreational trails that are part of our parks and reserves network
- number of people using the Trust House Recreation Centre.

Five of the six performance measures for this activity (83.3 per cent) were achieved in 2022/23. The final measure was not able to be reported on.

KEY HIGHLIGHTS


WHITIPOUA
BRIDGE OPENED

680
ACTIVITIES AND EVENTS
DELIVERED BY THE LIBRARY 

COMPLETED UPGRADES TO
**TRUST HOUSE
REC CENTRE**


1088 DELIVERIES OF BOOKS  TO THOSE WHO ARE UNABLE TO LEAVE THEIR HOMES

MANA WHAKARITERITE **REGULATORY SERVICES**



We provide regulatory services in order to sustainably manage the development and protection of natural and physical resources and to protect the safety and wellbeing of the community.

Regulatory Services have responsibilities under legislation, including in the following areas:

- Resource Management and Planning
- Building Control
- Environmental Health and Alcohol Licensing
- Bylaws
- Parking Control
- Animal Control
- Civil Defence and Emergency Management.

Measures of success in these areas include:

- response time to attend Priority 1 urgent callouts (e.g., dog attacks)
- response time to attend noise control callouts
- number of animal control community education and engagement activities
- percentage of building consents processed within regulatory timeframes
- percentage of code compliance certificates processed within regulatory timeframes
- percentage of resource consents processed within regulatory timeframes
- percentage of commercial Building Warrant of Fitness' (BWOFs) that have been reviewed within 20 working days of their due date.
- proportion of known swimming pools that have been inspected.

Six of the eight performance measures for this activity (75 per cent) were achieved in 2022/23.

KEY HIGHLIGHTS

649 
BUILDING CONSENTS PROCESSED

WITH AN AVERAGE PROCESSING TIME OF
17 DAYS 

AND 5728 
BUILDING INSPECTIONS

18 DOGS  **188** RETURNED TO THEIR OWNERS DOGS 

187 OF FOOD, PERSONAL 
INSPECTIONS OR SERVICES AND ALCOHOL PREMISES

154  **AND 390** 
RESOURCE CONSENTS LAND INFORMATION MEMORANDUM (LIMS) PROCESSED



HE WHAKARĀPOPOTOTANGA PŪTEA **FINANCIAL SUMMARY**

Summary financial statements

The specific disclosures included in these summary financial statements have been extracted from the full financial statements adopted by the Council on 29 November 2023.

The full financial statements of the Council were prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP), and in accordance with the PBE (public benefit entity) standards for a Tier 1 entity.

The summary financial statements comply with the PBE Tier 1 Standards (IPSAS) as they relate to summary financial statements. They are presented in New Zealand dollars and all values are rounded to the nearest thousand (\$000).

- The Summary Statements of Financial Performance, Comprehensive Revenue and Expense, and Changes in Equity present the financial performance and equity movements of the Council. These statements summarise operating income and expenditure as well as other financial transactions that have impacted on the Council's net equity.
- The Summary Statement of Financial Position presents the assets we own and the liabilities we owe to other parties.
- The Summary Statement of Cashflows shows how we generated and used cash.

Summary statement of comprehensive revenue and expense

for the year ended 30 June 2023 - Masterton District Council

This statement shows the revenue Council received and what was spent on delivering services during the year.

Overall Council has achieved a surplus higher than budget for the year, mainly due to higher capital revenues received from capital contributions, Waka Kotahi subsidies and assets vested from new subdivisions.

	Actual 2022/23 \$000	Budget 2022/23 \$000	Actual 2021/22 \$000
REVENUE			
Rates revenue	37,753	37,679	34,776
Other operating revenue (incl roading subsidies)	34,709	28,676	26,979
Finance revenue	1,027	357	418
Capital revenue (incl vested assets & valuation gains)	6,452	4,369	6,300
TOTAL REVENUE	79,941	71,081	68,473
EXPENSES			
Finance costs	2,538	1,709	1,904
Depreciation & amortisation	17,226	15,967	14,527
All Other Expenses	46,995	40,420	39,242
Other losses (incl write offs on disposal)	2,623	-	2,884
TOTAL EXPENSES	69,382	58,096	58,557
NET SURPLUS/(DEFICIT)	10,559	12,985	9,916
Income Tax Expense	-	-	-
NET SURPLUS/(DEFICIT) AFTER TAX	10,559	12,985	9,916
OTHER COMPREHENSIVE REVENUE AND EXPENSE			
Increase/(decrease) in asset valuations	76,544	-	129,409
Change in value of financial assets at fair value through comprehensive revenue & expense	-	-	(4)
TOTAL COMPREHENSIVE INCOME AND EXPENSE	87,103	12,985	139,321

EXPLANATION OF THE MAJOR VARIANCES

Operating revenue - is \$8.9m or 12.5% more than planned. Subsidies & grants of \$20.6m was \$6.3m (43.8%) more than planned. The majority of this variance is due to Waka Kotahi roading subsidy of \$17.5m vs a Plan of \$10.4m - the extra being due to subsidies on storm damage costs incurred during the year (and not planned).

Capital revenue - this includes \$5.44m of infrastructural assets vested in the Council from new subdivisions and gains on revaluation of other assets of \$0.85m. Finance revenue of \$0.67m due to higher interest rates and interest from drawn down funds prior to debt repayment.

All Other Expenses - \$6.6m or 16.3% more than planned. Roading operating costs, excl depreciation, were \$5.9m (75.4%) more than planned. This variance is largely the result of storm damage response and cleanup costs of \$5.1m (unplanned). Waka Kotahi subsidy has been taken into account to fund a high proportion of this cost, but the Council has had to draw on the Flood Damage Reserve to fund the balance, leaving that reserve in deficit.

Operating costs across the 3 waters, excluding depreciation, totalled \$9.6m (last year \$8.2m). This was 30% more than planned. Additional revenue of \$0.5m (including stimulus funding) helps offset some of this extra spending, but costs associated with responding to the weather events during the year have resulted in this significant over-expenditure. Less funds have been able to be put aside into depreciation reserves as a result of the higher operating costs

Other losses were not allowed for in the 2022/23. Other losses include writing off residual value of assets renewed (\$2.27m) and a loss of \$0.18m against the carrying value of the bond investment funds. Carbon credits on forestry assets also lost value.

Depreciation - increased following an unplanned fair value adjustment as at 30 June 2022 on infrastructural assets.

Summary statement of financial position

as at 30 June 2022 - Masterton District Council

What we own and what we owe to other people is summarised below.

	Actual 2022/23 \$000	Budget 2022/23 \$000	Last Year 2021/22 \$000
Current assets	22,912	16,999	20,974
Non-current assets	1,116,266	992,057	1,025,757
TOTAL ASSETS	1,139,178	1,009,056	1,046,731
Current liabilities	20,027	18,874	19,283
Non-current liabilities	46,720	53,187	42,120
Ratepayers' equity	1,072,430	936,995	985,328
TOTAL LIABILITIES AND EQUITY	1,139,178	1,009,056	1,046,731

EXPLANATION OF THE MAJOR VARIANCES ARE:

Current assets - higher than planned as there were more receivables, particularly Waka Kotahi roading subsidies on storm damage work.

Non-current assets - infrastructural assets are \$133.5m (16.1%) more than planned due to the revaluation of this class of assets being more than was anticipated in the Plan. The increase in value reflects the higher costs of replacing these assets in the current high inflationary environment

Current liabilities - Creditors & other payables are \$13.76m which is 35.3% more than the last year due to the higher value of construction work underway at 30 June 2023. Employee liabilities have increased 4.8% on last year. This includes holiday pay liability increasing 0.3%.

Non-current liabilities - less than budgeted due to less borrowing for capital projects. The valuation of derivative financial instruments reflects the financial market-based valuation where these instruments are now 'in the money'.

Summary statement of changes in equity

for the year ended 30 June 2023 - Masterton District Council

Changes in equity shows the movement in the net assets that ratepayers own. The variance in special funds and restricted reserves (actual vs budget) is a result of greater financial contributions, less capital expenditure being drawn from these funds than planned and surplus funds identified to carry forward. The large increase in the revaluation reserve is due to the out-of-cycle valuation of infrastructural assets to recognise fair value at 30 June 2022.

	Actual 2022/23 \$000	Budget 2022/23 \$000	Last Year 2021/22 \$000
Equity at the beginning of the year	985,328	924,010	846,007
Total Comprehensive Revenue & Expense	87,103	12,985	139,321
EQUITY AT THE END OF THE YEAR	1,072,431	936,995	985,328
Comprising:			
Retained earnings (ratepayers' equity)	472,930	477,197	456,715
Revaluation reserves	574,738	436,969	500,293
Special funds & restricted reserves	24,763	22,829	28,320
EQUITY AT THE END OF THE YEAR	1,072,431	936,995	985,328

Summary statement of cashflows

for the year ended 30 June 2023 - Masterton District Council

The following table summarises how the Council generated and used cash during the respective financial years. Cash from operating activities was within 1% of the the level budgeted. Cash applied to investing activities is less than plan due a number of capital projects not proceeding as planned. The budget for cash flow from financing activities anticipated borrowing externally which wasn't required due to the delay in progressing some larger projects .

	Actual 2022/23	Budget 2022/23	Last Year 2021/22
	\$000	\$000	\$000
Net cash flow from operating activities	26,981	29,393	18,295
Net cash flow from investing activities	(30,909)	(35,498)	(20,499)
Net cash flow from financing activities	1,700	5,194	1,500
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(2,228)	(911)	(704)
Cash and cash equivalents at beginning of the year	6,323	13,359	7,027
CASH, CASH EQUIVALENTS AND BANK ACCOUNTS AT THE END OF THE YEAR	4,094	12,449	6,323

Summary statement of capital expenditure

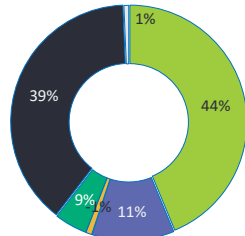
for the year ended 30 June 2023 - Masterton District Council

The table below shows a capital expenditure total of \$34.4 million against a Budget of \$40.9 million.

	Actual 2022/23	Budget 2022/23	Last Year 2021/22
	\$000	\$000	\$000
Roading renewals programme	4,923	5,801	5,049
Other roading, streetlighting & footpaths	10,372	11,985	3,508
Town centre renewal project	168	667	248
Water supply renewals & land for water storage	3,651	2,905	5,149
Wastewater treatment & disposal renewals	398	1,655	488
Sewerage network renewals	3,863	1,524	1,975
Stormwater upgrades	475	475	498
Riversdale & Castlepoint sewerage schemes	63	355	32
Solid waste management projects	18	170	181
Parks, Reserves & Sports facilities upgrades	1,035	2,290	2,893
Recreation Centre renewals	288	625	126
Waiata House & Civic Centre	357	470	410
Airport upgrades & renewals	1,550	6,718	643
Other property	365	1,796	489
Library books & other capital	832	850	215
Other assets	592	2,620	970
Vested Assets	5,440	-	1,724
TOTAL CAPITAL EXPENDITURE	34,390	40,906	24,597

Note: explanation of variances against Plan can be found in Note 31 in the Annual Report.

Operating revenue \$62.2m



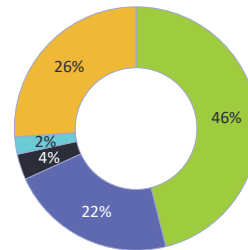
- Targeted Rates, value-based
- Targeted Rates, uniform charges
- NZTA subsidies
- Regulatory user charges & contributions
- Other services user charges & income
- Interest income

56% of revenue came from rates. The Council sets targeted rates, split between urban and rural wards and uses both land value and capital value of properties to base the rates payable. Uniform charges are also used to spread a portion of the costs of Council services across properties, also on a targeted basis.

NZTA subsidies were \$1.7m more than planned due to additional revenue relating to flood and storm damage recovery, while regulatory & other contribution income was 9% of total revenue (\$5.6m).

Not included in the graph above is income of \$1.7m which recognised the value of vested assets taken over by the Council from developers of subdivisions and \$2.9m of losses and \$4.6m of gains due to valuation changes and residual value of assets on disposal.

Costs incurred \$55.7m



- Expenditure on operating activities
- Employees & elected representative costs
- Interest expense
- Grants & funding to external organisations
- Depreciation

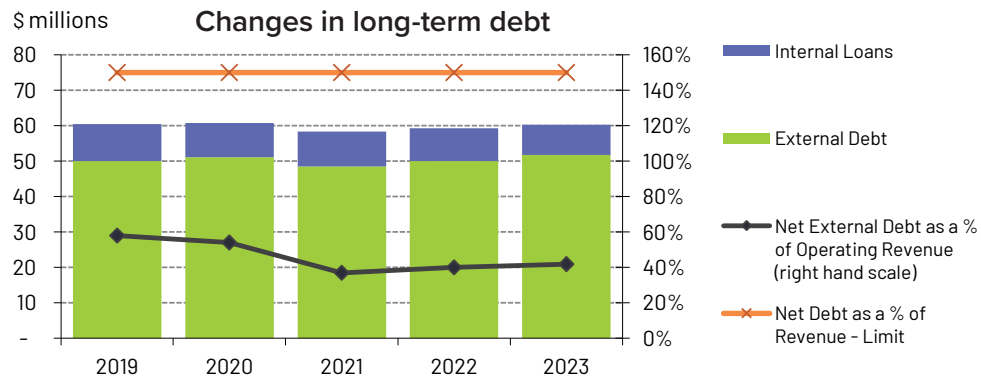
Council incurs costs to provide services necessary for the district to function. These include maintenance of infrastructure for water supply, wastewater and solid waste services, roads and footpaths, sporting and recreational facilities and Council property such as housing for the elderly and public toilets.

Personnel costs at 22.1% of total operating costs compare to the budgeted level of 24.1%. Overall operating expenditure was up 2.5% on the budgeted level of \$54m.

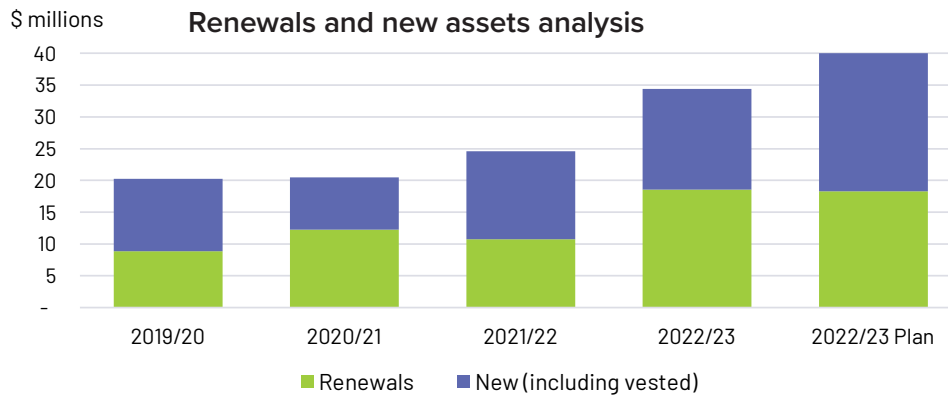
Interest expense of \$1.9m is less than last year by \$0.24m, and was 5.8% more than budget.

Long-term debt

The graph below shows the changes in the Council's long-term debt over the last five years. We have made planned repayments and we borrowed externally to fund a small portion of the 2022/23 capital project work. Interest rate risk is managed by using swaps to fix a portion of the debt portfolio. The Council policy maximum is for net debt not to exceed 150% of operating revenue. Net debt is defined as external debt, less any financial assets (excluding trade and other receivables).



Capital expenditure



This year Council spent \$18.6m on renewals which is more than the \$10.7m spent in the previous financial year and slightly more than planned. Renewals is expenditure to maintain or extend the life of existing assets and is generally funded from depreciation reserves (ex rates) and roading subsidies. New asset capital expenditure includes Retaining walls (\$4.7m), water meter installations (\$0.6m), Archive shelving (\$0.6m), expansion and upgrades at Hood Aerodrome (\$1.6m), upgrades of Wainuioru water supply (\$0.2m) and assets vested in the Council from subdivision development (\$5.4m).

Other disclosures

Related Parties – the Annual Report includes disclosure of the nature and value of transactions the Council had with other entities where those entities had a direct relationship with a Councillor or senior staff member. Entities include Masterton Trust Lands Trust, Masterton A&P Association, Wairarapa Youth Charitable Trust, Te Hapori Skatepark group and Digital Seniors Trust. The transactions disclosed were effectively ‘at arms length’. The individuals involved were either not part of the decision-making process, or did not vote on the Council resolution where a decision affecting their interests was made. Agendas at Council meetings include an opportunity to declare any potential conflicts of interest.

Commitments – There were a total of 24 contract commitments for capital work with a value of \$8.62 million at 30 June 2023. Operating contract commitments were also in place at 30 June 2023 as well as operating lease commitments as a lessee (not later than 5 years - \$0.7 million) and as a lessor (not later than 5 years - \$1.4 million).

Contingencies – The full Annual Report contains a description of matters relating to earthquake prone impairment of the Town Hall and District Building, contaminated sites, the Local Government Funding Agency guarantee and a range of court proceedings, settled and current, in which the Council has had an involvement. There is no financial provision been made for any of the current court proceedings as there is no indication of the likelihood of the Council’s defence being successful or otherwise. One contingent asset relates to an insurance claim that has yet to have confirmation that insurance cover is applicable.

Events after balance date

The following events after balance date are worthy of noting.

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. Their 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.

Cyclone Gabrielle in February 2023 had a devastating impact on the Tinui area of our District. A number of homes have been flooded and are no longer able to be lived in. A Crown-supported process of categorisation of affected properties has been undertaken, with Category 3 residential properties potentially subject to a voluntary buy-out. The funding for the buy-out is to be shared 50/50 between Central and Local Government, after insurance has been taking into account.

The Council has, at time of adopting the Annual Report, not yet committed to the voluntary buy-out approach for the 12 houses that have been identified as Category 3. The Council has identified a sum of up to \$2.5 million which it may need to contribute and it wishes to consult the community about whether there is support for the buy-out option. In addition, and not tied to the categorisation process, the Council has allocated \$18.5 million for road repairs and anticipates Waka Kotahi subsidies at 76 per cent of that expenditure, but that subsidy rate has yet to be confirmed.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Masterton District Council's summary of the annual report for the year ended 30 June 2022

The summary of the annual report was derived from the annual report of the Masterton District Council (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following summary statements on pages 10 to 40:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary 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 2022 in our auditor's report dated 24 May 2023.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to developments in the Government's water services reform programme which will affect the District Council in future years. Legislation passed in December 2022 established four 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. A water services Bill to enable the transfer of these assets and liabilities to the water services entities is currently before Parliament. Until the Bill is passed, the financial impact of the transfer on the District Council remains uncertain. On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed. This matter is disclosed on page 40 of the summary financial statements.

Council's responsibility for the summary of the annual report

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

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 performed a limited assurance engagement related to the District Council's Debenture Trust Deed. Other than these engagements, we have no relationship with, or interests in, the District Council.

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Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
29 November 2023



Phone

06 370 6300 - 8am to 5pm except Tuesdays 9am to 5pm
06 378 7752 after hours

Email

mdc@mstn.govt.nz

Visit

Masterton District Council
161 Queen Street, Masterton
9am - 4pm

Write to

Masterton District Council
PO Box 444, Masterton 5840
www.mstn.govt.nz

MSTN.GOV.T.NZ

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6 REPORTS FOR INFORMATION

Nil

7 PUBLIC EXCLUDED

Nil