

TE RĪPOATA
WHAKARAPOOTO A TAU

ANNUAL
REPORT
SUMMARY
2021/22



Te Rīpoata Whakarapopoto a Tau Annual Report Summary 2021/22

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As noted in its report, Deloitte Limited has reviewed this summary for consistency with the full Annual Report and has confirmed that it fairly and consistently represents the major matters dealt with in the full report for the year ended 30 June 2022.

Ngā karere o te Koromatua me te Kaiwhakahaere Matua Message from the Mayor and Chief Executive Officer

Kia ora koutou

Welcome to the Far North District Council's Annual Report 2021/22. This is where we look back on our achievements on behalf of ratepayers over the past financial year.

The financial year began positively in July 2021 with news that State Highway 1 at Mangamuka Gorge was reopening after being closed for almost a year following "a one-in-500-year storm event" the previous July. Kaitāia, which had already been hit hard by COVID-19 pandemic restrictions, was significantly impacted by the isolation the highway closure caused. A little over a year later and the same stretch of State Highway is again closed indefinitely due to multiple slips caused by storms.

The COVID-19 pandemic continued to impact and disrupt our operations during the 2021/22 financial year, adding an extra layer of complexity to the delivery of many services. However, by delivering a suite of new online services, we largely achieved our goal of ensuring services continued to be provided to customers. For example, our online portal for dog registration renewals came online in July 2021 and library staff introduced a range of online resources, such as a click and collect services, so customers could pick up items without coming into the library. Despite those adaptations, some service centre and library services were reduced due to staff absences at the height of the COVID-19 Omicron wave early in 2022.

In response to challenges created by the pandemic, the Government provided significant funding to help deliver numerous economic recovery projects across the district. These were projects ratepayers could not have financed alone and will continue to benefit our district for many years to come. You can find out more about those projects in this report, but it is worth noting some of the key successes here.

A major extension to the waterfront boardwalk at Mangōnui was completed in May 2022. It includes a new jetty and pontoon providing water access for boating, fishing, and swimming. The project was funded through our Long-Term Plan and the government's COVID-19 Response and Recovery Fund.

We completed a new water source for Kaitāia in June 2022. This can add up to 5000 cubic metres of extra water a day from two bores at Sweetwater near Awanui and will provide much-needed certainty to Kaitāia households, businesses and industry.

Key sections of a \$3 million project to revitalise Kerikeri Domain were completed, adding a new skate park, full-sized basketball court, seating, drinking fountains and pathways. The final stage – a \$800,000 playground – has now also been completed.

Despite these and other successes, we were unable to deliver all that we promised for year one in our Long Term Plan 2021-31. The impacts of the COVID-19 pandemic, global supply chain disruptions, skilled worker shortages, plus uncertainty created by the February 2022 invasion of Ukraine, have all contributed to delays and increased costs. As a result, we have carried forward some infrastructure projects to the 2022/23 financial year. These are detailed more fully on page 12.

While the October 2022 local body election falls outside the timeframe of this report, we have been busy preparing for changes that the representation review we completed in 2021 will usher in. For the first time, electors will have the option of voting for four councillors standing in our new Māori ward, Ngā Tai o Tokerau. This will increase the total number of councillors from nine to 10. We produced our own video to promote the election and to inform residents about the new Māori ward and proportional voting system. In a first for us, and possibly for any New Zealand council, the election video was translated into Te Reo Māori and New Zealand Sign Language.

To complement introduction of the Māori ward and to boost iwi and hapū interests on decision making, we appointed five Māori representatives to our Infrastructure, Regulatory Compliance, Strategy & Policy, and Assurance, Risk and Finance committees in June 2022.

In December 2021, a new Chief Executive was appointed to lead council operations. Blair King, who was formally CEO of Tararua District Council, took up his new role in April 2022 and has focused on improving the council's service delivery. His aim is to more effectively deliver on the commitments made to councillors, ratepayers, business owners and contractors in the council's Long Term Plan.

Ngā mihi.



Moko Tepania
Mayor



Jill Coyle
Chief Executive Officer (Acting)

Ngā Manu Mātārae Civic Leadership

as at 30 June 2022



Hon John Carter
QSO
Mayor



Cr Ann Court
Deputy Mayor
Bay of Islands-
Whangaroa Ward



Cr Rachel Smith
Bay of Islands-
Whangaroa Ward



Cr David Clendon
Bay of Islands-
Whangaroa Ward



Cr Kelly Stratford
Bay of Islands-
Whangaroa Ward



Cr Moko Tepania
Kaikohe-Hokianga
Ward



Cr John Vujcich
Kaikohe-Hokianga
Ward



Cr David Collard
Te Hiku Ward



Cr Felicity Foy
Te Hiku Ward



Cr Mate Radich
Te Hiku Ward

Ngā Rāngai Hapori Community Boards

Bay of Islands - Whangaroa Ward

Belinda Ward (Chair)
Paihia

Lane Ayr
Kerikeri

Manuela Gmuer-Hornell
Russell-Ōpua

Dave Hookway
Kerikeri

Bruce Mills
Whangaroa

Frank Owen (Deputy Chair)
Kerikeri

Manuwai Wells
Kawakawa-Moerewa

Kaikohe - Hokianga Ward

Mike Edmonds (Chair)
Kaikohe

Laurie Byers
Kaikohe

Emma Davis (Deputy Chair)
North Hokianga

Louis Toorenburg
South Hokianga

Alan Hessel
South Hokianga

Kelly van Gaalen
Kaikohe

Te Hiku Ward

Adele Gardner (Chair)
Kaitāia

Darren Axe
North Cape

Jaqi Brown (Deputy Chair)
Kaitāia

Sheryl Bainbridge
Doubtless Bay

John Stewart
Kaitāia

Bill Subritzky
Whatuwhiwhi

Ā mātou pitopito mahi

Our performance in brief

As outlined in the Long Term Plan (LTP) 2021-31, the aim was to achieve a balanced budget, ensuring that projected operating revenues are sufficient to meet the year's projected expenses. The rates increase was 3.4% reported in the LTP 2021-31 for Year 1.

The financial strategy in the LTP outlined the challenges the District faces, in particular water resilience, given that recent years had led to droughts and water shortages. We committed to delivering a capital works programme that included developing the Sweetwater borefield and pipeline and upgrading the Moerewa stormwater network, amongst many other projects.

After two years of COVID-19 lockdowns and restrictions, Aotearoa is now opening itself to the world and we are seeing a renewed sense of optimism in the Far North, especially within our tourism and hospitality sectors. While impacts of the pandemic will continue to challenge us, the Northland economy has emerged in better shape than predicted, with a high rate of employment and a booming construction sector, which can be seen in these achievements completed throughout the year:

- A new \$1.5million animal shelter was opened in Kaitāia in July 2021, catering up to 20 dogs and has outdoor and indoor kennels, three exercise areas, separate quieter areas for elderly or more anxious dogs and quarantine, veterinary and storage facilities. It was built ahead of time and within budget.
- We are heavily involved in delivering sports infrastructure throughout our communities. Sports hubs are being developed in each of our three wards:
 - Initial construction is underway on the much-needed Te Puāwaitanga - Bay of Islands Sports Hub at Waipapa. It will provide facilities for rugby league, football, hockey, cricket, gymnastics, softball and croquet.
 - Rapid progress is being made on the community led Te Hiku Sports Hub and Aquatics Centre. It is scheduled to be opened in early 2023. It will provide new heated pools, physiotherapy quality hydrotherapy pool and toddlers water area, and multi sports facilities and fields, fitness gym, team changing rooms and function rooms to the local community.
 - In Kaikohe, we are poised to begin a \$12.5million upgrade to Lindvart Park. The project will turn our existing high-quality sports fields, courts and pavilion into a premier sporting facility. It will become a

magnet for sports people and a focal point for the Kaikohe-Hokianga community.

- Two competition-grade pump tracks at Kaitāia and Ahipara, and a new skate park and basketball court at Kerikeri Domain, opened in early 2022, all proving an instant hit for youth in both wards.
- The new 14km pipeline from Sweetwater, near Awanui, to the town of Kaitāia was blessed at the end of June, which brought the project to its completion. When it becomes operational in the coming months, it will provide an additional 5,000 cubic metres of water per day, which will significantly boost the town's water resilience, having suffered six droughts in nine years.
- The new waterfront boardwalk at Mangonui is now complete. It includes a dual walking and cycling boardwalk, a 364 metre extension and a new jetty and pontoon. It was 5 years in the making, involving the Mangonui Waterfront Facilities Working Group, Kenana Marae, local iwi and the community.

However, despite these successes, we acknowledge that we have not delivered on all that we promised in year 1 of the LTP 2021-31. At the time of publication of the LTP, we recognised there would be economic disruption, and that the impacts of the COVID-19 pandemic would continue to add challenges. Global supply chain disruptions combined with a shortage of skilled workers across the country have fuelled high rates of inflation, as well as the day to day hit on productivity caused by high numbers of COVID-19 infections. Fuel charges have also increased as a result of global events which ultimately impact supply costs. Collectively, all of these have added substantial costs and delays to some of our infrastructure projects, putting us in an environment that is challenging our delivery programmes.

The result is a revised work programme for 2022/23 and beyond, that carries forward projects that were delayed this year. Here are a few examples of these delayed projects:

| Project Name | LTP 2021-31 Year 1 (\$000s) | Retime/ Move to | Revised budget (\$000s) | Reason |
|--|-----------------------------|-----------------|-------------------------|--|
| Pou Herenga Tai (Twin Coast Cycle trail) Ōpua to Taumarere replacement | 3,075 | 2024/25 | Same | An alternative route had to be developed via Oromahoe and Whangae Roads due to design complexities and inflationary pressures on the construction costs of the original plan, which was for the cycle trail to run alongside the railway. Weather has impacted construction, and negotiations continue with landowners. The Project Manager is confident that progress can now be made. |
| Paihia maritime facilities, waterfront storm mitigation | 12,551 | Removed | Removed | Due to escalating construction costs, Council accepted advice to end the project. The project was to be jointly funded via MBIE and Council funds; the MBIE grant will not now be available and potential coastal projects across the District could use the Council's share. |
| Hihi WWTP upgrade | 2,500 | 2024/25 | 2,500 | The upgrade was initially delayed to allow greater engagement with the community and hapū groups. Through the course of that engagement, a different approach to the plant upgrade was proposed with the first stage to be the replacement of an at-risk tank. That replacement is planned to occur during 2022/23, with the remainder of the project to be designed in parallel to this activity. |
| Lindvart Park pavilion, Kaikohe | 8,925 | 2022/23 | 8,075 | Delays to the design phase and building consents have delayed the project start, with work due to commence September 2022 following the dawn blessing that was held on 8 June 2022. |
| Te Haumi Beach seawall and carpark renewals | 470 | 2022/23 | 2,500 | There needs to be significant engagement with the community, iwi and hapū before work can commence on this project. |
| Stormwater improvements, Moerewa | 1,006 | 2022/23 | 736 | Retiming the Moerewa stormwater improvements to 2022/23 reflects the complex nature of ongoing engagement with an extensive range of stakeholders and the need to satisfy multiple legal requirements in order to develop a feasible solution. The proposed work has support from the community, iwi, Regional Council, KiwiRail and the Ministry of Education with data gathering for detailed design already underway. |
| District-wide sludge management equipment | 2,905 | Removed | Removed | Global supply issues will not enable us to take delivery of this equipment and use it in any meaningful fashion prior to 3-Waters Reform. |
| Southern animal shelter | 953 | 2022/23 | 700 | Delays due to weather, availability of materials and increase in materials costs have all combined to delay the project start. Works have now started. |
| Civil defence tsunami sirens | 400 | Unknown | 2,500 | Shipping delays due to the pandemic have forced the project to be carried over, but when exactly is not entirely known. This project will be delivered through a shared services arrangement with Northern Regional Council as lead. |
| Housing for the Elderly (HFTE), Kaikohe | 474 | 2022/23 | 433 | This project relates to the Ōmāpere site and the conversion of a heritage listed property to HFTE units. Construction is due to commence during 2022/23 due to the time required for design, heritage, structural and geotechnical works, with some delays being attributable to the effects of the pandemic. |

Throughout the year, Council celebrated awards and achievements for:

- Kaitāia winning Most Beautiful Small Town award. This was because of the public artworks and projects delivered by the community as part of the Te Hiku Open Place Revitalisation Project.
- The project also led to Council being awarded the LGFA Taituara Local Government Excellence Award, for its collaboration with the Kaitāia Business Association, Te Hiku iwi, Te Hiku Community Board and the wider community.
- Our hybrid working model was named the country's Best Workplace Flexibility Program at the annual HRD Awards NZ, beating off AIA New Zealand and McDonald's Restaurants (NZ).

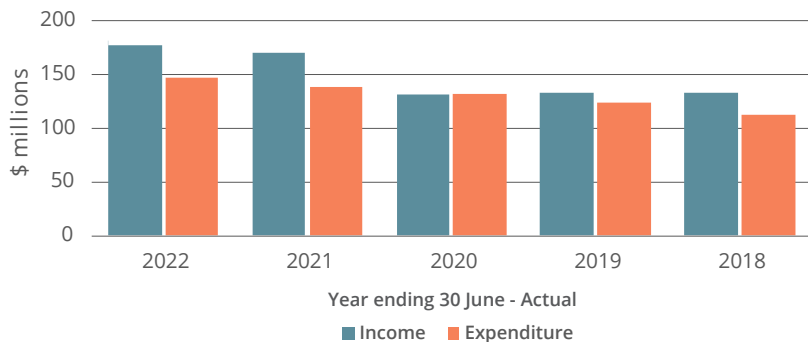
Financial overview

Our operational result for the 2021-22 financial year shows a net surplus of \$26.509m compared to a budgeted net surplus of \$44.392m.

Financial trends

| | Budget | 2022 | 2021 | 2020 | 2019 | 2018 |
|-------------|--------|------|------|------|------|------|
| Income | 185 | 176 | 171 | 132 | 133 | 133 |
| Expenditure | 140 | 149 | 136 | 130 | 122 | 111 |
| Surplus | 45 | 27 | 35 | 2 | 11 | 22 |

Operational performance



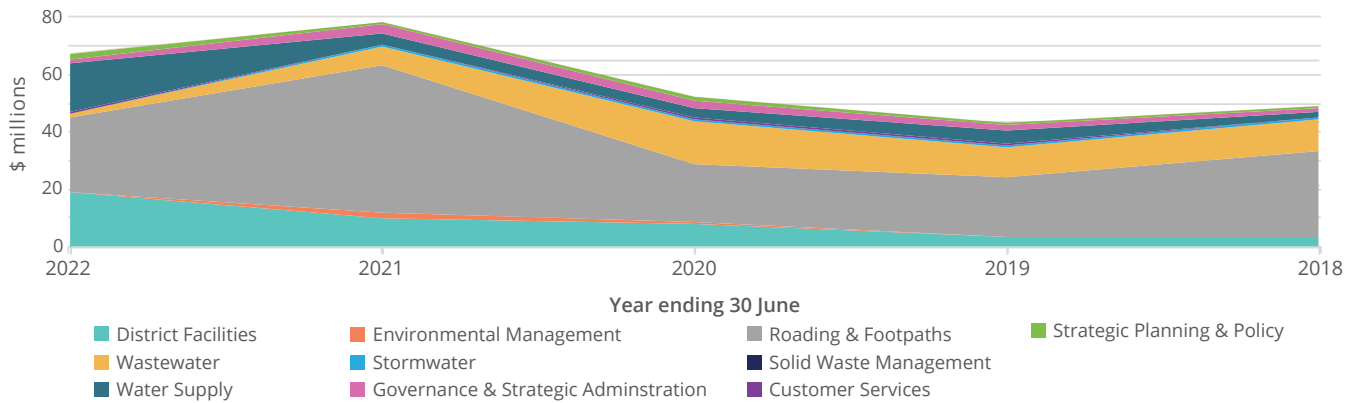
- The council ended the year with a strong cash position of \$13.3m (2021 \$5.4m) due to prudent cash management.
- Debt remained at a steady level of \$81.5m (2021 \$63.5m), including short term borrowings of \$10m (2021 \$22m).

Capital works programme

Capital expenditure of \$61.8m for the year was lower than expected reflecting rising inflation, disruptions to supply chains and the impact on productivity due to high numbers of COVID-19 infections.

| | 2022 Budget | 2022 Actual | 2021 Actual | 2020 Actual | 2019 Actual | 2018 Actual |
|---|---------------|--------------|--------------|--------------|--------------|--------------|
| Roading and Footpaths | 43.28 | 24.06 | 47.66 | 18.54 | 19.14 | 27.64 |
| Water Supply | 11.57 | 15.65 | 3.47 | 2.98 | 4.24 | 1.62 |
| Wastewater | 13.05 | 1.21 | 5.61 | 13.45 | 9.20 | 9.69 |
| Stormwater | 3.67 | 0.34 | 0.94 | 1.00 | 1.07 | 0.77 |
| Solid Waste Management | 0.77 | 0.15 | 0.10 | 0.14 | 0.16 | 0.01 |
| District Facilities | 62.82 | 17.38 | 9.28 | 7.64 | 3.20 | 3.45 |
| Customer Services | 0.99 | 1.26 | 0.60 | 0.64 | 0.46 | 0.28 |
| Environmental Management | 0.98 | 0.14 | 1.61 | 0.70 | 0.28 | 0.02 |
| Strategic Planning and Policy | - | 0.06 | - | - | - | - |
| Governance and Strategic Administration | 3.41 | 1.55 | 3.01 | 2.85 | 1.98 | 1.60 |
| Total | 140.54 | 61.80 | 72.28 | 47.94 | 39.73 | 45.08 |





Non financial overview

The Council records a variety of key performance indicators (KPIs) to report our non-financial outcomes for Levels of Service. Individual KPIs for Levels of Service are reported by activity group within the Statement of Service Performance.

| | Achieved | Not achieved | Not assessed |
|--------------------------|-----------|--------------|--------------|
| Rooding and Footpaths | 5 | 3 | - |
| Water Supply | 5 | 4 | - |
| Wastewater | 6 | 4 | - |
| Stormwater | 7 | 1 | - |
| Solid Waste Management | 2 | 2 | - |
| District Facilities | 4 | 4 | - |
| Customer Service | 1 | 2 | - |
| i-SITEs | 1 | 2 | - |
| Libraries | 4 | - | - |
| Museums | 1 | 1 | 1 |
| Environmental Management | 4 | 5 | - |
| Total | 40 | 28 | 1 |

Outlook

In an ideal world, we should have maintained a steady course for year one of the current Long Term Plan (LTP). However, as we all know, the world has changed and the local government sector, like many others, is experiencing significant disruption. As explained already in Our Performance in Brief (pages 11-12), our capital programme was hugely affected this year by sharply rising inflation, unpredictable and unreliable supply chains, workforce availability within our supply networks and the day-to-day hit on productivity caused by high numbers of COVID-19 infections.

We expect that this will continue, with budgets being revised upwards to accommodate cost increases. To counteract this, a revised work programme has been set in place for 2022/23 where projects have been carried over from 2021/22, and with revised timeframes for planned work that we are unlikely to have sufficient capacity to deliver. Council may even have to consider postponing non-essential projects if supply chain issues don't resolve soon.

Despite these market uncertainties, our renewed focus is on delivery and quality, and addressing outstanding water and wastewater compliance issues and the impacts of increasing demands for services because of land development and population growth. Our intention is to deliver better service outcomes to our communities.

Three Waters Reform, launched by the Government in 2020, is a programme that rethinks the service delivery for water, wastewater and stormwater. Whilst we agree that Aotearoa needs to change the way three waters assets are operated, there is still uncertainty regarding representation and funding. The transfer of responsibilities to the new super water entities is due to occur in 2024/25, however what those changes will be is still uncertain whilst Government navigates the concerns of not only us but other councils around the country.

The ongoing Government inquiry into the future of local government continues, where the role and function of councils is under the spotlight, with an aim to deliver enhanced community wellbeing outcomes for our communities. This comes at the same time as an overhaul of the Resource Management Act that could result in regionalized arrangement for land-use planning and regulatory activities. It is still very much a "watch and wait" situation.





































Mahinga whakarato

Statement of service provision

Community outcomes

The work and activities that the council provides are guided by community outcomes - the set of aspirations or goals that the community as a whole said were important to the District. Although each activity contributes in some way to these outcomes, this varies from high in some areas, to not significant in others.

In the table below are our group of activities and their alignment with our community outcomes.

| What we do | How our community outcomes link to our activities | | | | | |
|--|---|---|---|---|---|---|
| | Communities that are healthy, safe, connected and sustainable | Connected and engaged communities prepared for the unexpected | Proud, vibrant communities | Prosperous communities supported by a sustainable economy | A wisely managed and treasured environment that recognises the special role of tangata whenua as kaitiaki | We embrace and celebrate our unique culture and heritage and value it as a source of enduring pride |
| Roading and Footpaths |  | |  | |  | |
| Water Supply |  | |  |  |  | |
| Wastewater |  | |  |  |  | |
| Stormwater |  | |  | |  | |
| Solid Waste Management |  | |  | |  | |
| District Facilities |  |  |  | |  |  |
| Customer Services |  | |  | |  |  |
| Environmental Management |  | |  | |  | |
| Strategic Planning and Policy |  |  |  |  |  |  |
| Governance and Strategic Administration | | |  | | | |

Summary dashboard

Annual resident survey result comparisons 2021 to 2022.

| Service / facility / activity | 2022 % very satisfied / satisfied | 2021 % very satisfied / satisfied |
|--|---|---|
| Roads | 25 | 38 |
| Footpaths | 30 | 42 |
| Water supply | 50 | 57 |
| Wastewater | 65 | 66 |
| Stormwater | 37 | 35 |
| Refuse transfer stations | 80 | 79 |
| Community recycling stations | 71 | 81 |
| Cemeteries | 83 | 90 |
| Libraries | 84 | 96 |
| Public toilets | 47 | 55 |
| Parks and reserves | 57 | 63 |
| Coastal access | 45 | 55 |
| Carparking facilities | 43 | 44 |
| How the Council's animal management team manages dogs in the district | 35 | new |
| How the Council's animal management team manages livestock in the district | 44 | new |
| Community board awareness in your area | 76 | 82 |
| Informed about the District Plan (land use) | 11 | 15 |
| Aware of changes to the District Plan | 11 | 20 |
| Informed about what the council is doing (all residents) | 16 | 25 |
| Informed about what the council is doing (Māori respondents) | 18 | 22 |
| Overall performance of the council | 26 | 25 |

Community wellbeing

Schedule 10, clause 23 (d) of LGA 2002 requires us to "describe any identified effects that any activity within the group of activities has had on the social, economic, environmental, or cultural well-being of the community".

What are the four aspects of wellbeing?



Social

involves individuals, their families, whanau, iw/hapū and a range of communities being able to set goals and achieve them, such as education, health, the strength of community networks, financial and personal security, equity of opportunity, and rights and freedoms.



Economic

looks at whether the economy can generate the employment and wealth necessary to provide many of the requirements that make for social well-being, such as health, financial security, and equity of opportunity.



Environmental

considers whether the natural environment can sustainably support the activities that constitute healthy community life, such as air quality, fresh water, uncontaminated land, and control of pollution.



Cultural

looks at the shared beliefs, values, customs, behaviours and identities reflected through language, stories, visual and performing arts, ceremonies and heritage that make up our communities.

| Activity | S | E | E | C | Narrative |
|---|---|---|---|---|---|
| 1 Roading and Footpaths | ● | ● | ● | | Efforts were made to tackle the increasing road toll by trialling a WOF and rego ticketing officer to help ensure vehicles driven on our roads are safe. In this vein, speed reviews for the state highways in our region are still being considered and a roundabout and two-lane bridge is under construction north of Kāeo, both aimed at making the roads a safer environment to use. More than 40 roads were prioritised for upgrades, many of which are high volume tourist routes. These are renowned for dust and these upgrades will help improve air quality and water tank contamination. |
| 2 Water Supply | ● | ● | ● | ● | The opening of the Kaitāia water project completed a project that now significantly boosts the town's water resilience, having suffered multiple droughts over the last decade. More clean water will be provided to our residents, businesses and industry in Kaitāia than ever before. Delays in reading water meters caused water bills to be issued for 12 months to Kerikeri residents at the beginning of the year, due to staff absences as a result of the pandemic. |
| 3 Wastewater | ● | ● | ● | ● | Improvements to the wastewater treatment plants around the district are needed, to help sustain the local environment for which they service, and a working group has been established between Council and hapū. Reforms for three waters from central government continue, much needed investment is required to improve water quality, but Council has raised concerns regarding its representation in the new water entity and how the entity is to be funded. |
| 4 Stormwater | ● | ● | ● | | Although there weren't any serious flooding events during the year, Council is actively working on improvements to Moerewa. Due to the project's complexity, this work will be ongoing into next year. Safety of residents was paramount when a track to a popular Kerikeri waterfall and watering hole had to be closed due to damage caused by erosion from stormwater. |
| 5 Solid Waste Management | ● | ● | ● | | Turning waste into a resource is the main focus of new initiatives at the Russell Landfill and Recycling Centre, with greater community involvement in recycling, waste education and sustainability opportunities. This is further enhanced with the introduction of smart bins across the district, which help eliminate overflow problems and reduce Council's carbon footprint by emptying them only when necessary, and the opening of a new recycling centre at Waitangi, making it easier for residents to recycle and reduces waste going to landfill. |
| 6 District Facilities | ● | ● | ● | ● | Council-owned pensioner housing has been upgraded throughout the year, with improved heating and ventilation, making them warmer and healthier for residents. Our younger residents were the main focus behind new pump tracks and playgrounds that opened throughout the year at Awanui, Ahipara, Kerikeri and Kaikohe, bringing communities together not just in enjoying them but also by being involved with the construction and installation. |
| 7 Customer Services | ● | | | ● | Contactless technology was installed across the Far North libraries, making the library experience much easier, less time-consuming and enjoyable for residents. In addition to this, more Council services are available online than ever before - tracking RFS, payments, rates information, consent applications, park/open space bookings to name but a few. |
| 8 Environmental Management | ● | | ● | | With a new electric vehicle charging station installed at Paihia, massive benefits to the environment, economy and social wellbeings can be leveraged. A new animal shelter was opened in Kaitāia, providing quarantining facilities, exercise areas and veterinary facilities, preventing the spread of parvovirus. And the nation's first region-wide climate adaptation strategy was adopted by the three Northland district councils and Northland Regional Council, a joint Council working group established to align climate adaptive change across Northland. |
| 9 Strategic Planning and Policy | ● | ● | ● | ● | Following the adoption of Māori wards in May 2021, a new Māori ward has been added to the district, Nga Tai o Tokerau, which was approved by the Local Government Commission. The proposed Far North District Plan has now progressed to the next stage in its 10 year review, with the public invited to make their submissions. |
| 10 Governance and Strategic Administration | ● | ● | | ● | Following on from the success of the hybrid working model from previous years, it has now become common place for elected members to attend council meetings remotely. Despite business interruptions with the pandemic and staff absences, council meetings can still forge ahead. This in itself has led to more community funding being made available by elected members for community projects. This year of course the local elections are being held in October and a major campaign was launched in June promoting these. Video was chosen as the best way to inform the widest possible audience about them and to convey the changes, namely more councillors, a new voting system and most importantly a new Māori ward. |

Arotake pūtea

Financial Performance

A full copy of the Annual Report can be viewed at the Far North District Council offices, our service centres, libraries or on our website: www.fndc.govt.nz. You can also call us and a copy will be sent out to you.

Deloitte Limited has audited Council's full Annual Report and has issued an unmodified report. As part of the audit, the auditors looked at whether the financial statements fairly reflect Council's financial performance and position and comply with generally accepted accounting practice. Additionally they looked at Council's non-financial performance and how fairly it has monitored and reported on its activities. The summary cannot be expected to provide as complete an understanding of the financial and non-financial performance of Council as the full Annual Report. The full Annual Report for the year ended 30 June 2022 was adopted by the Council on 23 March 2023.

These summary financial statements for the Far North District Council and Group are summarised from the full financial statements. The consolidated financial statements reflect the operations of Far North District Council and its subsidiaries, Far North Holdings Limited (FNHL), its wholly owned subsidiaries Bay of Islands Marina Ltd and Far North Housing Ltd, and its 50% equity shareholding of its associate Far North Skincare Limited, council controlled organisations Pou Herenga Tai Twin Coast Cycle Trail Charitable Trust (Pou Herenga), and council organisation Te Ahu Charitable Trust (TACT). Far North District Council's equity share of 33.3% of its associate Northland Inc. has been equity accounted into the parent entity financial statements. The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete understanding as provided in the full financial statements.

The summary financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand. The information included in this summary has been prepared in accordance with PBE FRS 43: Summary Financial Statements. The full financial statements have been prepared in accordance with Tier 1 Public Benefit Entity accounting standards.

Basis of preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the year.

Statement of comprehensive revenue and expense

For the year ended 30 June 2022

| | Note | Council | | | Group | |
|---|-------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Actual 2022 \$000s | Budget 2022 \$000s | Actual 2021 \$000s | Actual 2022 \$000s | Actual 2021 \$000s |
| Total revenue | | 175,829 | 184,878 | 171,127 | 214,899 | 206,911 |
| Expenses | | | | | | |
| Personnel costs | 4 | 32,606 | 32,305 | 30,974 | 37,202 | 35,165 |
| Depreciation and amortisation expense | 14 | 36,956 | 37,569 | 34,122 | 38,186 | 35,266 |
| Finance costs | 6 | 2,499 | 2,282 | 2,174 | 4,097 | 3,394 |
| Other expenses | 5 | 77,259 | 68,329 | 68,707 | 84,832 | 75,197 |
| Total expenses | | 149,320 | 140,486 | 135,977 | 164,317 | 149,022 |
| Surplus / (deficit) before tax | | 26,509 | 44,392 | 35,149 | 50,582 | 57,888 |
| Items that will not be reclassified to surplus | | | | | | |
| Gain / (loss) on asset revaluations | 16/24 | 193,749 | 81,895 | 130,753 | 196,556 | 133,341 |
| Movement to retained earnings | | - | - | - | 125 | 413 |
| Tax on revaluation | | - | - | - | (274) | (503) |
| Total other comprehensive revenue and expense | | 193,882 | 81,895 | 130,998 | 196,673 | 133,499 |
| Total comprehensive revenue and expense | | 220,391 | 126,287 | 166,147 | 247,078 | 191,311 |

Statement of changes in equity

For the year ended 30 June 2022

| | Note | Council | | | Group | |
|--|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Actual 2022 \$000s | Budget 2022 \$000s | Actual 2021 \$000s | Actual 2022 \$000s | Actual 2021 \$000s |
| Opening balance 1 July | | 2,101,172 | 2,016,641 | 1,935,025 | 2,181,509 | 1,990,198 |
| Total comprehensive revenue and expense for the year | | 220,391 | 126,287 | 166,147 | 247,078 | 191,311 |
| Closing balance 30 June | | 2,321,561 | 2,142,928 | 2,101,172 | 2,428,587 | 2,181,509 |

Statement of financial position

as at 30 June 2022

| | Note | Council | | | Group | |
|-------------------------|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Actual 2022 \$000s | Budget 2022 \$000s | Actual 2021 \$000s | Actual 2022 \$000s | Actual 2021 \$000s |
| Public equity | | 2,321,561 | 2,142,928 | 2,101,170 | 2,428,587 | 2,181,510 |
| Assets | | | | | | |
| Current assets | | 44,820 | 79,642 | 46,196 | 52,070 | 53,649 |
| Non-current assets | | 2,387,166 | 2,249,858 | 2,158,055 | 2,564,378 | 2,292,553 |
| Liabilities | | | | | | |
| Current liabilities | | 37,137 | 53,114 | 61,030 | 59,795 | 71,860 |
| Non-current liabilities | | 73,287 | 133,458 | 42,051 | 128,066 | 92,833 |
| Net assets | | 2,321,561 | 2,142,928 | 2,101,170 | 2,428,587 | 2,181,509 |

Statement of cash flows

For the year ended 30 June 2022

| | Note | Council | | | Group | |
|--|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | Actual 2022 \$000s | Budget 2022 \$000s | Actual 2021 \$000s | Actual 2022 \$000s | Actual 2021 \$000s |
| Net cash inflows from operating activities | | 51,720 | 81,170 | 74,135 | 65,773 | 101,088 |
| Net cash inflows / (outflows) from financing activities | | 18,000 | 73,066 | (7,000) | 29,364 | (7,147) |
| Net cash inflows / (outflows) from investing activities | | (61,809) | (140,533) | (72,366) | (86,867) | (99,164) |
| Opening balances 1 July | | | | | | |
| Cash and cash equivalents | | 5,442 | 23,097 | 10,673 | 6,087 | 11,310 |
| Less balances 30 June | | | | | | |
| Cash and cash equivalents | 8 | 13,353 | 36,801 | 5,442 | 14,357 | 6,087 |
| | | 13,353 | 36,801 | 5,442 | 14,357 | 6,087 |
| Cash movements for the year | | 7,911 | 13,704 | (5,231) | 8,270 | (5,223) |

Variations to Annual Plan

| Council | |
|---|----------------|
| 2022 | |
| \$000s | |
| Statement of comprehensive revenue and expense | |
| Long Term Plan surplus | 44,392 |
| Annual Report surplus / (deficit) | 26,509 |
| Net operating surplus / (deficit) variance | 17,883 |
| Variance represented by: | |
| Variance area | |
| Rates | 1,115 |
| Other | 7,934 |
| Total revenue variance | 9,048 |
| Variance represented by: | |
| Variance area | |
| Personnel costs | (301) |
| Depreciation and amortisation expense | 613 |
| Finance costs | (217) |
| Other expenses | (8,930) |
| Total expenditure variance | (8,835) |
| Net operating surplus variance | 17,883 |

Significant variances to Annual Plan budget - statement of financial position

The major variances to long term plan budget arise mainly because the budgeted figures were based upon the audited closing balances for June 2020, adjusted for activity that was expected to occur during the 2020-21 financial year. The closing balances for June 2021 were not known at the time the budgets were approved. The current economic climate of sharply rising inflation, unpredictable and uncertain supply chains, and the impact on productivity caused by high numbers of Covid infections have all contributed towards higher asset revaluations and less capital projects being completed.

Other reserves were \$190.0m higher than expected as a result of actual asset revaluation information. Cash and cash equivalents were \$25.4m less than predicted as cash was used in lieu of borrowing.

In total, borrowings were \$77.3m less than expected due to capital work not being completed as expected.

Events after balance sheet date

Extreme weather events

After the balance sheet date, there have been multiple significant storm events that have impacted the Far North District, one each in July & August 2022 and January 2023, and Cyclone Gabrielle in February 2023. Significant rainfall fell in the region, causing widespread damage and disruption to the road network. The 2022 storm events resulted in State Highway 1 through the Mangamuka Gorge and West Coast Road near Kohukohu being closed indefinitely. The alternative route for State Highway 1 is State Highway 10 through Kaeo which is adding extra pressure and traffic to that route. Cyclone Gabrielle delivered even more rainfall and severe winds, causing power outages and property damage and a state of emergency to be declared, not just within the Far North District but nationally, its impact highlighting how fragile the main roading options in and out of the district are. Council is requesting government to investigate permanent suitable alternative routes. The financial impact of the damage is yet to be determined, but Council expects these costs to be significant and is expecting to recover many of these costs through insurance and from central government agencies.

3 Waters Reform

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The legislation received Royal assent from the Governor-General on 14 December 2022. The impact of these reforms will mean that Council will no longer deliver three water services or own the assets required to deliver these services. In December 2022, the Government introduced two additional water services Bills, one of which will enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on Far North District Council remains uncertain.

Breach Statement

Far North District Council was required under the Local Government Act 2002 to complete its audited financial statements and service performance report by 31 December 2022. This timeframe was not met due to the late appointment of the auditor, as a result of the auditor shortage in New Zealand.

Financial prudence benchmarks

This section discloses the council's financial performance in relation to various benchmarks to enable an assessment of whether the council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

The council is required to include this statement in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

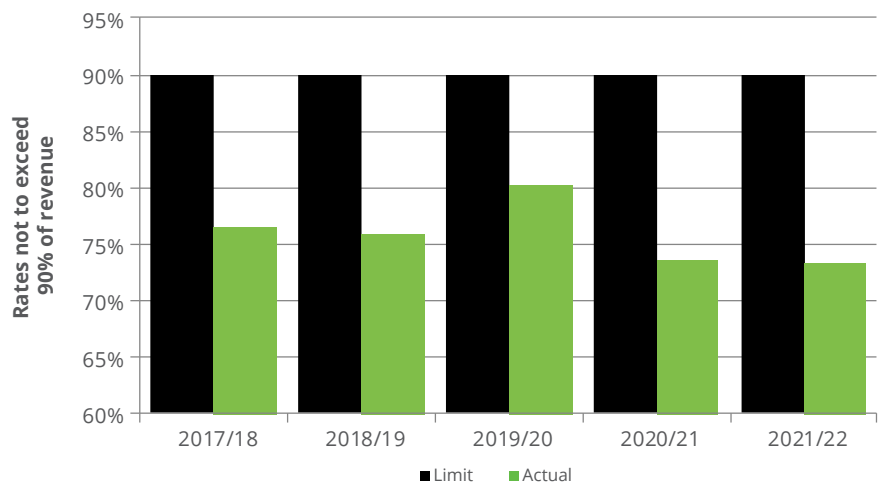
Rates affordability benchmarks

The council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

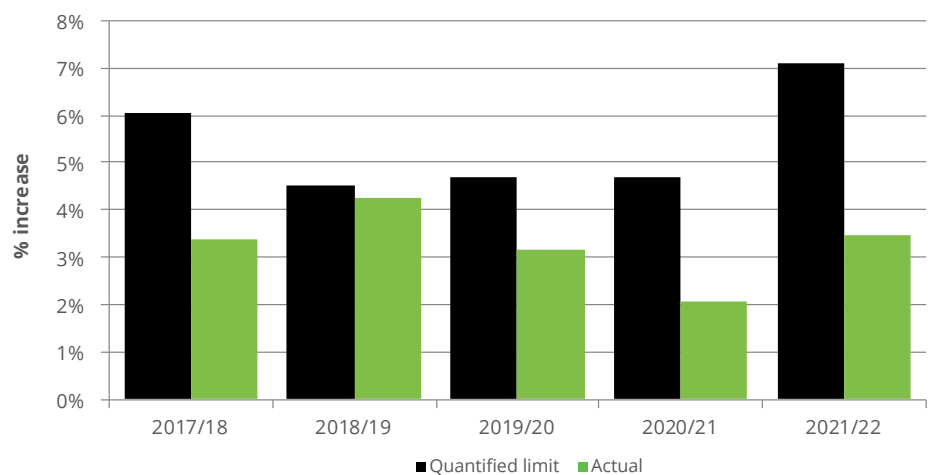
Rates (income) affordability

This graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's LTP 2021-31. The quantified limit is that rates revenue (excluding subsidies and capital income) will not exceed 90% of total revenue. The graph shows the budgeted rates proportion of revenue measured against the actual proportion achieved. Council has achieved this benchmark.



Rates (increase) affordability

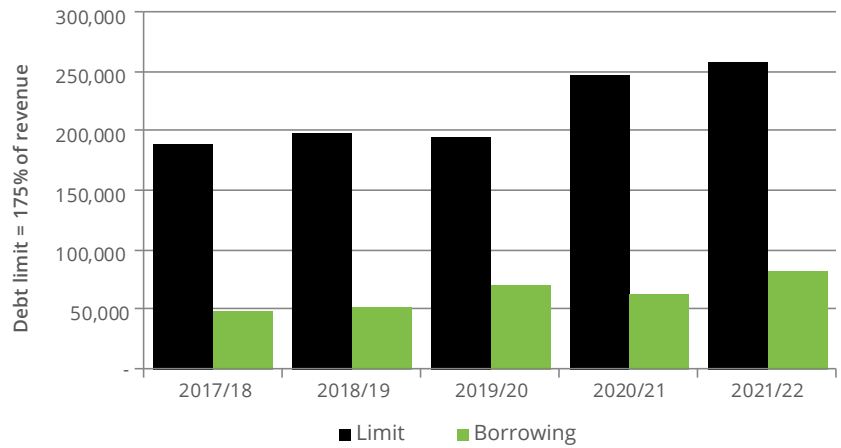
This graph compares the Council's actual rate increases with a quantified limit on rates increases included in the financial strategy included in the Council's LTP 2021-31. The quantified limit is that total rates increase should not exceed LGCI (Local Government Cost Index) plus 3.5%. The graph shows the actual rate increase percentages measured against the predicted rate percentage increases. Council has achieved this benchmark.



Debt affordability benchmark

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

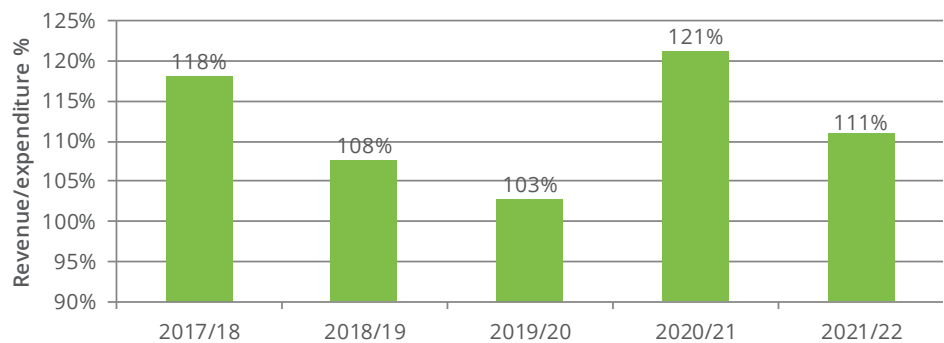
This graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's LTP 2021-31. The quantified limit is that debt be no higher than 175% of total revenue (excluding subsidies and capital income). The graph shows the actual borrowing measured against the maximum borrowing determined by the quantified limit. Council has achieved this benchmark.



Balanced budget benchmark

This graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment).

The Council meets this benchmark if its revenue equals or is greater than its operating expenses. Council has achieved this benchmark.

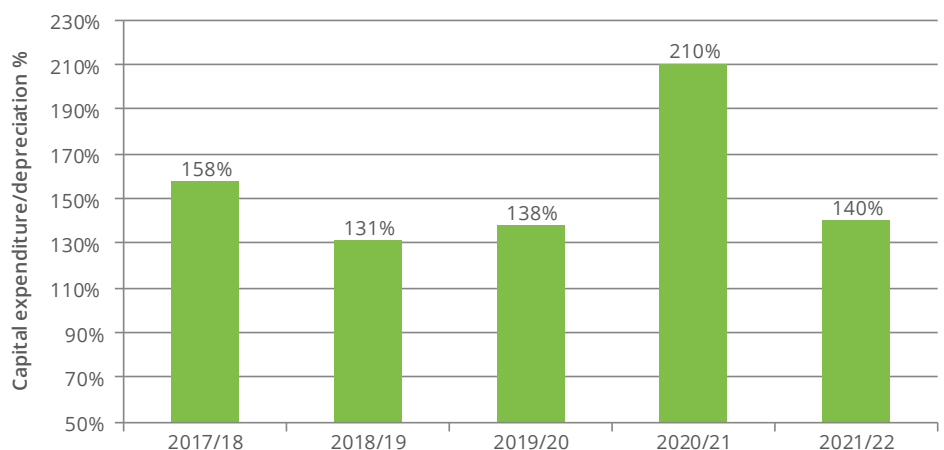


Essential services benchmark

This graph displays the council's capital expenditure on network services as a proportion of depreciation on network services. Network services are defined as:

- • Water supply
- • Sewerage and treatment and disposal of sewage
- • Stormwater drainage
- • The provision of roads and footpaths

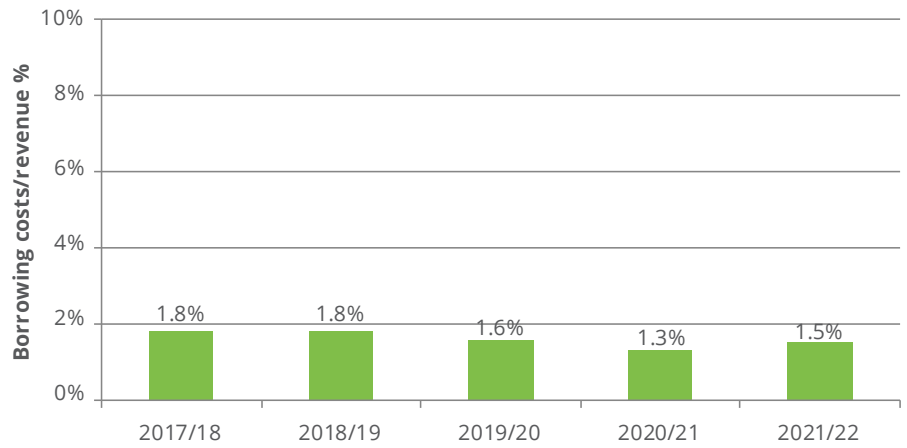
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. The council has achieved this benchmark.



Debt servicing benchmark

This graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment).

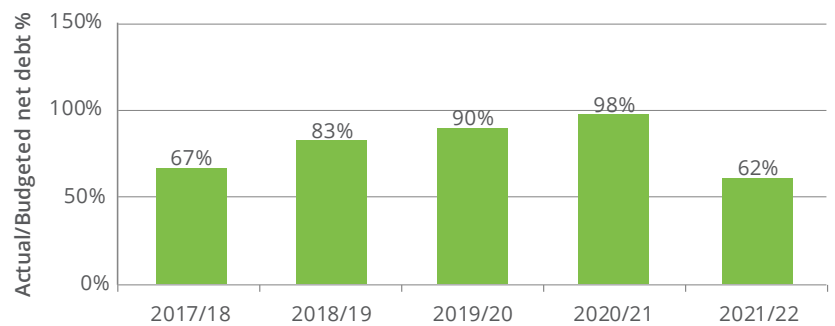
Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue. Council has achieved this benchmark.



Debt control benchmark

This graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

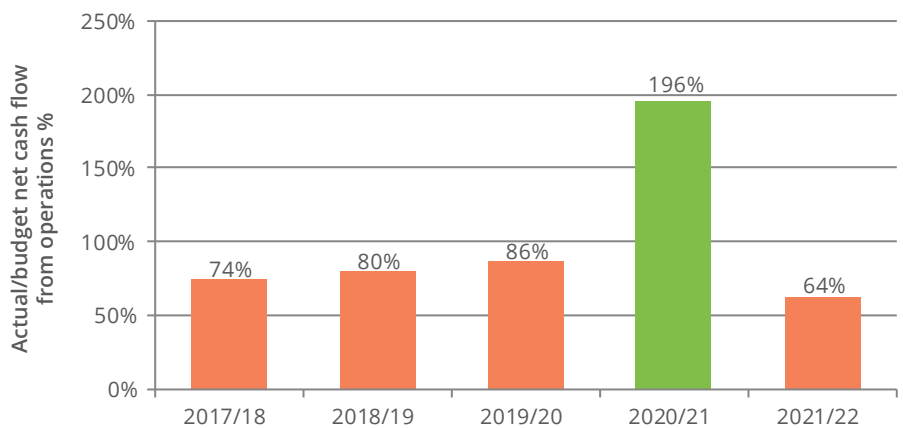
Council meets the debt control benchmark if its actual net debt is equal or is less than its planned net debt. Council has achieved this benchmark.



Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations. Council has not achieved this benchmark in 2021/22 primarily due to the impact of not completing projects at balance sheet date, resulting in lower subsidies and grants received than planned. This includes projects like Lindvart Park and Paihia waterfront which have been removed from the capital works program (Paihia) or carried forward to the next financial year (Lindvart Park).



Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF FAR NORTH DISTRICT DISTRICT COUNCIL'S ANNUAL REPORT For the year ended 30 June 2022

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

The summary of the annual report comprises the following information on pages 7 to 12:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expenses, 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 performance of services activities.

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 23 March 2023. We acknowledge that our audit was completed later than required by the Act. This was due to the timing of our appointment due to the auditor shortage in New Zealand.

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

Without modifying our opinion, we draw attention to page 12 which outlines that the Water Services Entities Act 2022 received royal assent on 14 December 2022. The Act establishes four publicly owned water services entities to take over responsibilities for three waters service delivery and infrastructure from local authorities from 1 July 2024, or earlier by Order in Council. In December 2022, the Government introduced two additional water services Bills, one of which will enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on the Far North District Council remains uncertain.

Extent of damage from extreme weather events is yet to be determined

Page 12 outlines that extreme weather events, which occurred after 30 June 2022 in the Far North District, caused significant damage to the Council's assets. The financial impact of the damage is yet to be determined, but the Council expects these costs to be significant. The Council expects to recover many of the costs through insurance and from central government agencies.

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 carried out an assurance engagement on trustee reporting, which is compatible with those independence requirements. Other than this engagement we have no relationship with or interests in the District Council.



Bennie Greyling

for Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand

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CREATING GREAT PLACES**
Supporting our people