



Mackenzie
DISTRICT COUNCIL

Mackenzie
District Council
2021/22
Annual Report Summary

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A quick note from your Chief Executive

This Annual Report provides an overview on what we have achieved in the last financial year compared to what we said we would do in the Annual Plan. It includes our service performance and financial results.

Revenue for the year is less than forecast mainly due to lower subsidies and grant receipts and timber sales; offset by unbudgeted carbon credits, higher development and financial contributions and vested assets.

Expenditure higher than forecast included forestry cost, corporate planning support and consultancy fees, road floods repairs and signage replacement. Unbudgeted Mayors Taskforce costs were offset by associated grant income and personnel costs were underbudget as vacant positions were covered by contractors.

It is pleasing to note we successfully completed and progressed some key projects:

- We secured \$500,000 grant funding which enabled the placement of 25 youth in employment within the district under the Mayor's taskforce for Jobs Scheme.
- We completed the Te Manahuna Ki Uta/Destination Management plan, a multiagency strategic planning process for the Mackenzie District. The plan creates a 100 year vision for tourism in Te Manahuna.
- Twizel Events Centre upgrade – we completed essential remedial works addressing fire safety, compliance matters, and roofing repairs.
- We introduced a kerbside collection for organic waste. This collects food waste, lawn clippings and garden waste and helps reduce the residual waste to landfill.
- Activity started on the review of our outdated District Plan. Council agreed to work on a staged approach to the review, with each stage being progressed via a series of Plan Changes.

- We have completed projects funded from the stimulus funding and Department of Internal Affairs Tranche 1 Three Waters Funding including: preliminary design for the Fairlie Water Treatment plant, water pipe replacement in Twizel, Lake Tekapo/Takapō and Fairlie, Rural Water Safety Plans.

The unprecedented reform agenda being driven by central government includes a review of the ownership of water infrastructure, changes to the Resource Management Act (RMA) and a review of Local Government.

I am proud of the progress we have made delivering for Mackenzie District despite challenges and that we continue to voice our concerns on the reforms. We will remain focussed on making the right choices for our District – remembering that the hard choices today will be the ones that will create tomorrow's future for the next generation.

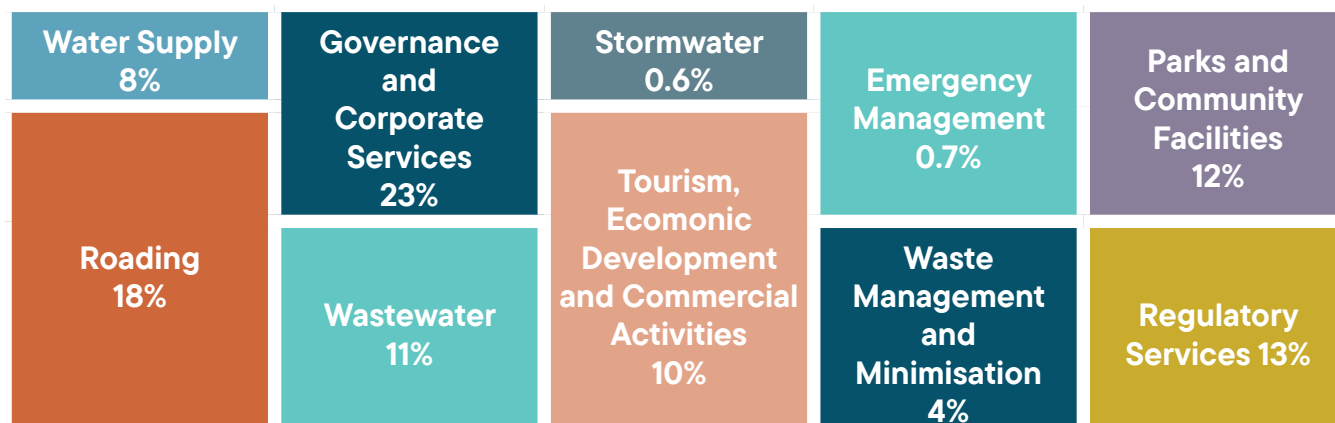


Angela Oosthuizen
Chief Executive



Photo credit: Sue Wilkins

How we invested your rates (operating expenditure)



Highlighting our achievements

Infrastructure Delivery

Fairlie Water Treatment Plant: This year we began pre-construction work on the new Fairlie Water treatment Plant, scheduled for completion in June 2024. This included completing preliminary designs to go out to market for expressions of interest for the design and build contract.

Compliance with Drinking Water Standards: We completed Water Safety Plans for all five Council owned water supplies and the Albury supply. Water Safety Plans identify areas of risk within a water system.

Water Pipe Replacement in Twizel, Lake Tekapo/Takapō and Fairlie: We replaced 10,256m of water mains in Twizel and Lake Tekapo and 2,876m in Fairlie as part of an accelerated mains renewal programme.

Wastewater Pipe Replacement Programme: During 2021/22 all pre-1970 wastewater mains in Fairlie and Tekapo were inspected using CCTV technology to identify sections that were no longer functioning as designed. CCTV inspection of the Twizel mains will continue in 2022/23.

Transportation

Streetlighting replacement programme: All of the Council overhead street lights are now upgraded to the new fittings, along with the majority of the bollard lights.

Regulatory Services

District Plan Review: A project team has been established with the intent of progressing the plan changes over the coming financial years (2022/23 to 2024/25).

Parks and Community Facilities

Twizel Events Centre Upgrade: Council's priority for this year was to address the essential works required to ensure the facility's Certificate of Public Use (CPU) could be maintained.

Lake Ruataniwha Development: The preparation of a draft Reserve Management Plan (RMP) was completed in 2021/22 and public consultation on this plan was undertaken from November 2022 to January 2023.

Waste Management and Minimisation

Introduction of an organics kerbside collection service: In March 2022, Council introduced green lidded wheelie bins for organic waste for the kerbside collection of food waste, lawn clippings and garden waste.

Tourism, Economic Development and Commercial Activities

Alps2Ocean: During 2021/22 resource consent was granted for a 23.1km section from Mt Cook Station to Bolton Gully and we finalized a land use easement with LINZ.

Te Manahuna Ki Uta/ Mackenzie Destination Management Plan (TMKU): TMKU has been a multiagency strategic planning process for the Mackenzie District led by Mackenzie District Council. The aspirational vision for tourism in TMKU aligns a strong return of visitors with higher value experiences, longer stays and sustainable practices.

Performance Measures

This is the first financial year reporting against the performance targets set in the 2021/31 LTP, and includes new measures that were not reported on in with previous years.

The late adoption of the 2021/31 LTP meant some performance targets for the financial year were not set until December 2021 almost half way through the financial year.

Water Supplies: We did not meet our annual targets for Bacterial or Protozoal compliance but have put in place monitoring and documentation systems during 2022/23 to improve both the operation of treatment plants and record keeping for performance audits. We did not meet our targets for water loss from the reticulation systems or the average consumption of drinking water. We will continue to monitor for leaks in our reticulation and raise awareness about water consumption and conservation.

Wastewater: We did not meet our target of full compliance with our resource consents due to six minor non-compliances at Burkes Pass treatment ponds which have since been actioned or are in progress. Our median sewerage attendance time of 1.5 hours exceeded the target of 1 hour due to geographic size of the district.

Emergency Management: The number of performance

Services for our District

Each year we measure ourselves against the goals in our Long Term Plan (LTP)

Last year (2020/21) we:

Achieved: 42 out of 56 (75%)

Did not achieve: 14 out of 56 (25%)

This year (2021/22) we:

Achieved: 34 out of 72 (47%)

Did not achieve: 33 out of 72 (46%)

We did not collect data for 5 out of 72 (7%)

measures for this activity increased to 11 from 2 in 2020/21. Record keeping systems for 3 of these new measures were not kept for the full year. Targets for community presentations, EOC exercises and council staff training were not met but we have focussed on these in 2022/23. We did not meet our target for 100% Duty Officer availability but this has been achieved during 2022/23 via a roster system agreement with Timaru and Waimate District Councils.

This year's residents' opinion survey differs from previous years in two respects:

1. The survey was primarily conducted through a web portal rather than being a phone survey as in previous years.
2. The mid-point of the Likert scale used to measure many of the question responses was re-categorised as 'neutral' and not included in the tallies for either positive or negative performance rating. This means our survey achievement rating levels were lower than recorded for 2020/21 when the neutral responses were included in the positive tallies.

Governance and Corporate Services



Achieved 5 of 10 measures

Transportation



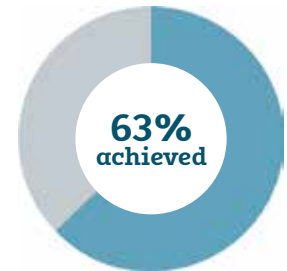
Achieved 5 of 9 measures

Water Supply



Achieved 1 of 7 measures

Regulatory Services



Achieved 5 of 8 measures

Wastewater



Achieved 2 of 5 measures

Emergency Management



Achieved 3 of 11 measures

Waste Management and Minimisation



Achieved 4 of 5 measures

Stormwater



Achieved 5 of 6 measures

Parks and Community Facilities



Achieved 2 of 6 measures

Tourism, Economic Development and Commercial Activities



Achieved 2 of 5 measures

Financial Highlights

- Our total revenue was \$31.8 million.
- Our total expenditure was \$29.8 million.
- We had an overall surplus of \$2.01 million. This surplus includes income received during the financial year from non-operating sources like property sales and revenue that is allocated to capital projects or future work streams.

We borrowed for the first time

- Our external debt at 30 June 2022 was \$10.4 million which was lower than the \$17 million we had budgeted to borrow.

Our rates remain low

- We collected \$12.4 million in rates.
- We predicted a 11.9% average rates rise, and struck at 12.5% for 2021/22 (for properties existing at 1 July 2021).

We are growing

- We have 41 new rating units.
- We processed 312 building consents.
- We granted 151 resource consents.

We continue to invest in our infrastructure

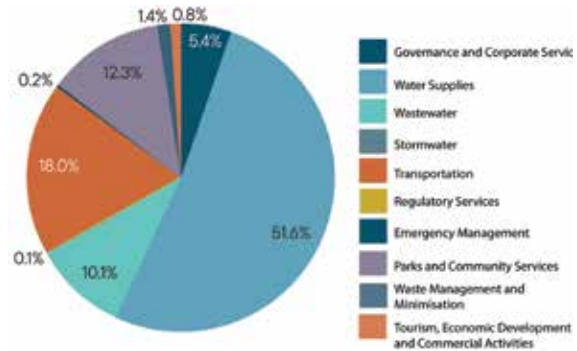
- We currently own \$338 million of assets including infrastructure
- We invested \$10.7 million in capital expenditure (excluding vested assets) on our infrastructure and other assets. \$8.6 million of this was on our core infrastructure
- We received \$3.9 million of vested assets including land, road, water, wastewater, stormwater and resource recovery park infrastructure.
- We received water services reform programme funding of \$4.3 million during the year. This has been invested in our 3 Waters activities. In total we will received \$5.2 million to invest in our 3 Waters infrastructure.

Annual Report Disclosure Statement

1. These disclosures are a summary of the Annual Report 2021/22, prepared in accordance with PBE Standards Reduced Disclosure Regime. This summary is an overview of our financial performance & position. It does not give a complete understanding. For further information refer to the Annual Report 2021/22 adopted 16 May 2023.
2. The financial statements are for the Council and group.
3. Financial statements have been prepared in compliance with PBE FRS 43: Summary Financial Statements & are presented in NZ dollars rounded to the nearest thousand unless otherwise stated.
4. All financial statements have been examined by an external auditor, Audit NZ, on behalf of the Auditor General and

Capital expenditure (excluding vested assets)

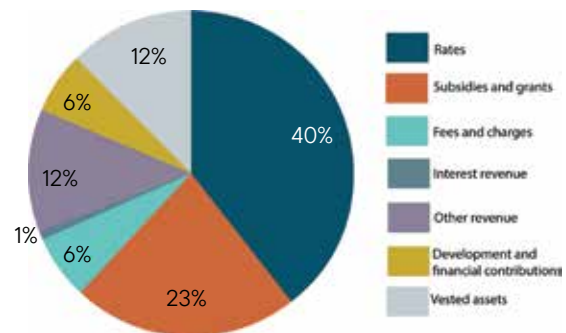
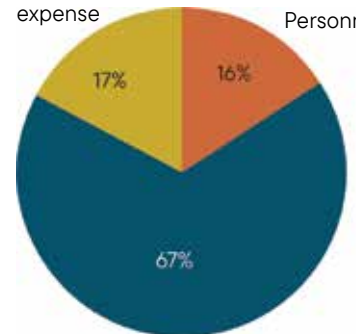
Overall the total capital expenditure for the year of \$10.7 million was only 44% of the 2021-2022 budget of \$24.6 million.



Operating expenditure (excluding other losses)

Overall total operating expenditure (excluding other losses) of \$26.9 million exceeded the budget of \$24.8 million by 9%.

Depreciation and amortisation expense



Revenue (excluding other gains)

Mackenzie District Council rates contributed 40% of revenue totalling \$31.4 million for the 2021-2022 financial year. Revenue from subsidies and grants increased to 23% from 18% from the prior financial year. Development and financial contributions increased to 6% from 4% and non-cash revenue from vested assets increased to 12% from 2%. Timing of the completion of subdivision work, the vesting of assets and payment of contributions is outside Council's control.

received an unmodified audit opinion on 16 May 2023. It is our opinion that the summary financial statements represent fairly & consistently the financial performance and position of the Council as detailed in the Annual Report 2021/22

5. The financial statements for the year ended 30 June 2022 were authorised for issue by the Council on 16 May 2023. We are not aware of any events subsequent to 30 June 2022 that require adjustment of, or disclosure in the financial statements.

Summary Financials

\$'000	Actual 2022	Budget 2022	Actual 2021
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
Total revenue	31,824	31,283	25,672
Total Expenses	29,814	24,849	23,933
Surplus/(deficit) before tax	2,010	6,434	1,739
Income tax credit/(expense)	-	-	-
Surplus/(deficit)	2,010	6,434	1,739
Total other comprehensive revenue and expenses	78,107	11,930	3,059
Total comprehensive revenue and expenses	80,117	18,365	4,798
STATEMENT OF CHANGES IN EQUITY			
Equity at the beginning of year	294,383	294,483	289,740
Total comprehensive revenue and expense	80,117	18,365	4,798
De-recognition of Albury Water Supply	-	-	(155)
Equity at end of year	374,501	312,847	294,383
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Total current assets	28,026	24,028	24,993
Total non-current assets	362,784	311,511	276,982
Total assets	390,810	335,539	301,975
LIABILITIES			
Total current liabilities	15,831	8,232	7,503
Total non-current liabilities	478	14,460	89
Total liabilities	16,309	22,692	7,592
Net assets	374,501	312,847	294,383
EQUITY			
Accumulated funds	124,858	122,866	125,393
Reserves	19,087	25,094	15,937
Revaluation reserves	230,556	164,886	153,053
Total equity	374,501	312,846	294,383
STATEMENT OF CASHFLOWS			
Net cash inflow/(outflow) from Operating Activities	2,147	5,733	5,637
Net cash inflow/(outflow) from Investing Activities	(15,174)	(29,609)	3,074
Net cash inflow/(outflow) from Financing Activities	10,426	17,080	-
Net increase/(decrease) in cash held	(2,601)	(6,796)	8,710
Opening cash balance 1 July	11,607	11,647	2,897
Closing cash balance	9,006	4,851	11,607

Events after Balance Date

Weather events

A multitude of weather events occurred during post balance date resulting in widespread damage across the network from the 19 July 2022 and subsequent damage since.

These events (3 flood events - July 2022, November 2022, and December 2022) culminated in widespread and recurring damage across various infrastructure.

A lot of infrastructure was overwhelmed as a result of trying to cope with the flows. This caused widespread road closures across the network. This caused widespread road closures across the network.

Emergency reinstatement funding was applied for to reinstate like for like to reflect today's standard. The damage has been assessed at \$4.45 million, and at 31 March 2023 actual expenditure incurred to date was \$2.3 million.

Outside of this it was recommended to Council to undertake improvements outside emergency works reinstatement post event. Also it was recommended and agreed, that local share funding be over and above current funding levels of the transport activity to maintain level of service and fully recover.

Water Services reform programme

Legislation passed in December 2022 established 4 publicly owned water services entities to carry out responsibilities for three waters service delivery and infrastructure. This means that Council will no longer deliver three waters services or own the assets required to deliver these services. 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 these transfers on the district council remain uncertain.

Continued on next page



Photo credit: Sue Wilkins

Events after Balance Date (continued)

On 13 April 2023, the Minister of Local Government announced further proposed amendments to the number of water services entities, increasing it from 4 water services entities to 10 entities to plan and implement three waters services. These entities will be closely based around existing regions, having a close relationship with communities to strengthen local representation. Each entity will be governed by a professional board, and each council will be represented on the entity boards with equal numbers of mana whenua. The proposed new publicly owned Water Services Entities (WSEs) will have staggered establishments starting from early 2025 and implemented by 1 July 2026 at the latest. The timing of the transfer of these assets and liabilities is uncertain until amendments to existing legislation are passed.

Annual Report Audit Time frame

Mackenzie District Council was required under section 98(7) (a) of the Local Government Act 2002 to complete its audited financial statements and services performance information by 31 December 2022. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of Covid-19.

Summary of Major Variances Against our Budget

Revenue

Revenue was \$31.8 million compared to the budgeted revenue of \$31.3 million.

- Subsidies and grants were lower by \$2.4 million: \$1.2 million less from Waka Kotahi due to lower capital expenditure; \$1.2 million lower Tourism Infrastructure Funding (TIF) for Public Toilets.
- Revenue from other sources was higher by \$1.2 million: \$1.5 million of unbudgeted carbon credits were received and were offset by timber sales which were lower by \$264,000.
- Development and financial contributions were higher by \$288,000 and vested assets higher by \$992,000, because of greater amounts of development activity.
- Other gains were up by \$410,000 as a result of a gain on investment property. Gains are not budgeted due to difficulty in forecasting market conditions.

Expenditure

Expenditure was \$29.8m compared to the budgeted \$24.8m.

- Although personnel costs were \$625,000 lower than planned (due to an increased use of contractors to fill vacant positions), other expenses were higher by \$2.5 million. Additional costs were incurred because: Building Control was contracted out at an additional \$129,000,

Roading flood repairs and signage replacement were an additional \$425,000, audit fees were an additional \$202,000, consultancy was an additional \$497,000, corporate planning support \$465,000, higher forestry costs were \$759,000, and unbudgeted Mayors Taskforce costs were \$277,000 (offset by grant income received that was also not budgeted).

- Other losses were \$2.9 million: these unbudgeted losses relate to retiring property, plant and equipment and fair value changes in forestry assets. Fair value changes are not budgeted due to the difficulty in forecasting market conditions.

Other comprehensive revenue and expenses

The total of other comprehensive revenue and expenses was \$78.1 million compared to the budgeted of \$11.9 million. This increase in revenue was because of:

- Fair value movements of financial Assets higher by \$500,000 - attributable to the annual revaluation of Council's share of Alpine Energy Limited.
- Gains on revaluation of Assets more favourable by \$66.15 million - as a result of the three yearly infrastructural asset revaluation.

These gains were reduced by:

- Fair value movement of bonds lower \$473,000.

Statement of Financial Position

- Cash and cash equivalents were \$4.2 million higher than planned - mainly as a result of two term investments classified as cash equivalents (maturity within 90 days)
- Receivables \$564,000 were higher as a result of Government grant funding being accrued.
- Current financial assets were lower by \$800,000 owing to two term investments which were classified to cash equivalents (maturity within 90 days).
- Property, Plant and Equipment was higher by \$51.9 million - owing to revaluation of infrastructure especially within the roading area.
- Intangible assets were higher by \$1.5 million - because Council did not sell Carbon Credits as planned.
- The value of Council's forestry assets was lower by \$2.9 million - owing to a decrease in log prices and an increase in harvesting costs.
- The value of Council's investment property portfolio was \$767,000 higher - owing to an increase in the number and the value of the properties.
- Payables and deferred revenue were higher by \$323,000 - mainly owing to a need to reimburse Waka Kotahi NZTA for a previous overclaim.
- Owing to the timing of the repayment of Council's external loan current borrowings were \$7.3 million over budget and non-current borrowings \$13.9 million lower.

Council Spending at a Glance

Area of spend		Capital Spend	Operating Spend
Governance and Corporate Services	<ul style="list-style-type: none"> • Governance • Administration • Chief Executive Office • Finance • IT 	\$575,000	\$6.151m
Water Supplies	<ul style="list-style-type: none"> • Water treatment and storage • Reticulation 	\$5.538m	\$2.547m
Wastewater	<ul style="list-style-type: none"> • Sewage treatment • Reticulation 	\$1.085m	\$3.043m
Stormwater	<ul style="list-style-type: none"> • Urban stormwater • Stormwater treatment 	\$6,000	\$550,000
Transportation	<ul style="list-style-type: none"> • Roothing • Footpaths • Parking • Cycleways • Walkways 	\$1.929m	\$4.860m
Regulatory Services	<ul style="list-style-type: none"> • Building control • District planning • Animal control • Environmental health 	\$7,000	\$3.428m
Emergency Management	<ul style="list-style-type: none"> • Civil Defence and Emergency Management 	\$24,000	\$180,000
Parks and Community Facilities	<ul style="list-style-type: none"> • Cemeteries • Toilets • Halls • Libraries • Medical centres • Parks and swimming pools • Pensioner housing 	\$1.320m	\$3.154m
Waste Mangement and Minimisation	<ul style="list-style-type: none"> • Solid waste • Recycling 	\$150,000	\$1.174m
Tourism, Ecomonic Development and Commercial Activities	<ul style="list-style-type: none"> • Real estate • Forestry • Investments • Pukaki Airport • Economic development and tourism promotion 	\$90,000	\$4.979m

Independent Auditor's Report

To the readers of Mackenzie 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 Mackenzie 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 5 to 9:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary of service provision.

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 16 May 2023.

Our auditor’s report on the full annual report also includes an emphasis of matter paragraph drawing attention to development 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 pages 7 and 8 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.

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council.



Chris Genet
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand
12 June 2023



Photo credit: Sue Wilkins



Mackenzie
DISTRICT COUNCIL

mackenzie.govt.nz