



Chatham Islands Council
Unaudited Summary Annual Report
2020/21



chatham islands council

Our people, our Islands, our future

Profile of the Chatham Islands

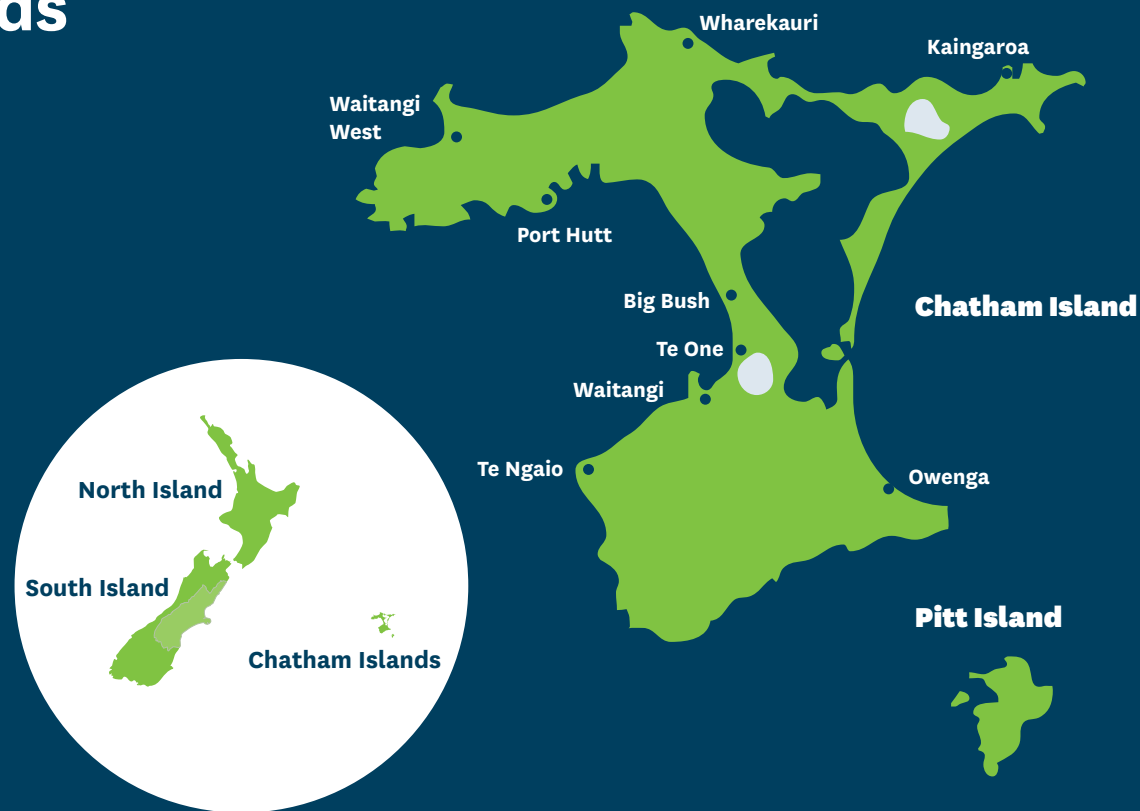
The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

The Chatham Islands consist of two main inhabited islands, Chatham Island and Pitt Island. Pitt Island lies 23km south east of Chatham Island and both islands are surrounded by a number of smaller islands, all within a radius of approximately 50km. The main island, Chatham, has an area of 90,000 hectares. Pitt Island has an area of 6,300 hectares.

The Islands were formed by a volcanic up-thrust and the land surface is predominantly flat with a number of peaks, the largest peak rising to 188 metres. A significant landmark of Chatham Island is 'Te Whanga' which is a large lagoon that covers approximately 20,000 hectares or about one-fifth of the Island. There are five settlement areas on the main Island – Waitangi, Te One, Owenga, Port Hutt and Kaingaroa.

The 'livelihood' for the majority of Islanders is dependent on fishing and farming. Their continued welfare and the Islands' viability are linked with the sustainable management of the natural and physical resource base.

Chatham Islands Council is the smallest local authority in New Zealand. It has both district and regional council responsibilities.



The Islands at a glance

Usually 660 people live in the Chatham Islands.

Its population is the smallest in size out of the 78 Councils in New Zealand.

In total, 57% of households have access to the Internet, compared with 79% of households throughout New Zealand.

In the Chatham Islands, 5% of households have access to a cellphone, compared with 85% for New Zealand. This is because there is no cell phone coverage on the Chatham Islands.

Among households in private occupied dwellings, 38% own the dwelling, with or without a mortgage; the equivalent figure is 44% for New Zealand as a whole.

The unemployment rate in Chatham Islands territory is 1.6% for people aged 15 years and over, compared with 4.0% for all of New Zealand.

Source: Statistics New Zealand 2018 Census Data

Mayor and Chief Executive's report

Kioranga, kia ora, greetings,

It is with pleasure that we present the 2020/21 Unaudited Annual Report for the Chatham Islands Council, thank you for taking the time to read it. Our auditors have deferred the audit, because of an auditor shortage in New Zealand as a result of COVID-19 border restrictions. This delay has resulted in the Council being unable to meet its statutory reporting deadline of 31 December 2021. Council has elected to publish an unaudited version in the intervening period, to ensure greater transparency to its community in a timely manner. Your interest in the position of the Chatham Islands means a lot to us.

Once again, the Chatham Islands Council has done its best to provide a great service to its community in the face of many challenges. We are grateful that we have all worked together in the Islands amidst a global pandemic to keep our population safe. Alongside the challenges that COVID-19 presented, a lack of funding continues to be an ongoing barrier to offering comparable experiences to that of mainland New Zealand.

As always, our Council relies heavily on funding from central government to operate, as we do not have the population to fund our work through rates. We are careful to not unfairly burden our ratepayers, but in doing so, our funding situation remains unpredictable and may delay desired projects, including infrastructural upgrades.

As such, the work we have been able to achieve, and have not been able to achieve, over the last year, is largely due to external constraints and limited funds. It is important to us that our roading, water and wastewater networks and other facilities are fit for purpose, and that we can afford to pay for them, so we have continued to lobby government for further funding to enable us to meet our goals.

We acknowledge the frustration at not being able to work in a way that is fully reflective of our community's voiced desires. Included in this is the delay in upgrading our Three Waters infrastructure, and extending our waste management and minimisation facilities.

Despite the challenges we've faced, we are proud of what we have achieved. The Chatham Islands Council is pleased to have a continuing strong standard of navigational safety, especially given the importance of maritime activities to the Islands.

Additionally, we're pleased that the results of our annual residents and ratepayers survey shows our residents feel confident in their preparedness in case of an emergency. Having robust plans and procedures in place to deal with disaster is important to us, and we're glad that is reflected in how the residents feel.

A key focus for Council has been engaging with the community, both through receiving submissions on our Long-Term Plan, and our annual residents and ratepayers survey. The more we listen to and understand our community, the better we can work together, and we aim to further develop our engagement and implement more opportunities for residents to be better informed and to have a say.

We have continued to build relationships with our regional partners including the Chatham Islands Enterprise Trust, Hokotehi Moriori Trust, Ngati Mutunga o Wharekauri Iwi Trust and other central government agencies.

This year has seen a lot of hard work go into delivering the Long-Term Plan 2021-31, as well as other important strategic documents including the Regional Land Transport Programme 2021-31, Pest Management Strategy, and the Navigational Safety Bylaws. Thanks to all involved for their mahi on these important documents.

The year to come will bring further changes and uncertainties as central government introduces new reforms, including a review of the Resource Management Act 1991, and Local Government 2002, as well as changes in the water space, with the Three Waters reforms and the Essential Freshwater package. We will continue to do our best to navigate these changes, effectively communicate impacts and bring positive outcomes for our community.

Finally, a heart-felt thank you to all the members of Council, staff, and external supporters who have worked hard over the last year to serve the community. We greatly appreciate the dedication and support of all those who work for and with the Council, including the various Government agencies for their ongoing financial assistance.

Monique Croon
Mayor

Owen Pickles MNZM JP
Chief Executive

2020/21 in review

The 2020/21 financial year was one of change and uncertainty, not only for the Council, but around the world.

Sustainable water and wastewater

As a result of aging infrastructure, and partially due to legislative changes, Council's water and wastewater schemes all currently require significant upgrades. The purpose of the water upgrades is to address issues of non-compliance with minimum water standards, while responding to community concerns on the impacts of water quality on health and safety. Council has been working to secure funding from central government to support water scheme upgrades for Waitangi and Te One in particular, to remedy disparities in our current services.

Council has estimated the cost of providing these upgrades for the purposes of updating the Long-Term Plan 2021-31, with costs ultimately excluded due to funding for the projects being yet unsecured. Council received \$553 thousand from the Ministry of Health and the Department of Internal Affairs (as part of the Three Waters programme) allowing us to fund prioritised maintenance repairs.

If the Three Waters reforms proceed, it is likely four publicly-owned water services entities will be created, with the Chatham Islands Council encompassed in an entity including the Wellington, Hawkes Bay, Tasman, Nelson and Marlborough regions. These legislatively formed services entities will take over the responsibilities for the service delivery and infrastructure of our Three Waters assets. These responsibilities are likely to transfer from our Council from 1 July 2024, although the exact size, shape and design of these entities remains unclear.

Waste management strategy and progress

Managing our waste material effectively continues to be a focus for the Council as the Waste Management Strategy is substantially operative. Council remains focused on establishing greater efficiencies with the Waste Management Strategy, including contracting out these services.

The sanitary landfill is expected to become operative in the latter half of 2021. The sanitary landfill was constructed in 2014 as part of the strategy at a cost of just over \$1 million. The first cell is expected to last 7 to 10 years when the construction of a second cell will be required. This will require significant capital funding to make happen. The process will then be repeated every 7 to 10 years.

Council is exploring the viability of incineration as a waste disposal means. The original intentions were to export recyclable products. However, with there being no markets and shipping costs being high, incineration is looking to be a more financially attractive option.

Roading programme of works

Roading works have progressed in accordance with our asset management plan. Roothing is the Council's largest area of expenditure with an approved programme of approximately \$4 million annually. Roothing is supported by Waka Kotahi as part of the Land Transport Programme, with a financial assistance rate of 88%.

Council office

The Ngati Mutunga O Wharekauri Iwi Trust Asset Holding Company started construction on the new Council office and museum space in December 2020, with expectation that the building will be completed late in 2021. It is likely other Island entities will join in renting this space once completed. The Museum section of the building has been funded by grants from the Ministry of Arts, Culture and Heritage and New Zealand Lotteries Commission.

Predator free 2050

Council has been working with other Island stakeholders to establish a predator free 2050 programme, focusing on the eradication of possums, rats, and cats from the Island. Council has employed one staff member to coordinate this initiative. Additional funding as part of the COVID-19 stimulus package (Jobs for Nature) has been provided, with focus attributed to cat trapping works.

Community programmes

Funding has been provided allowing us to commence some exciting community projects:

- The Provincial Growth Fund supported the refurbishment of the Town Hall frontage and the Squash Court building on the Norman Kirk Memorial Reserve.
- Mayor's Task Force for Jobs provided funding to employ a coordinator, and to support a project which enabled Chatham Islanders to travel to New Zealand to take driver's licence testing.
- Funding from Ministry of Business, Innovation and Employment as part of a tourism infrastructure grant fund, has allowed for the purchase and installation of green waste toilets on the Island.
- Increased funding in the 2020/21 budget for Heartlands project has been particularly welcome given the COVID-19 response resulted in a large community demand for this service.



Statutory documents

Progress by Council on our key documents:

- Council's Resource Management Document was approved by Hon. Eugene Sage on 10 June 2020. The Government has proposed new changes to our Resource Management Document with the introduction of National Policy Statements. The full impact of these changes has not been assessed, but if compliance is required, it is likely additional costs will be incurred to meet requirements.
- The Long-Term Plan 2021-31 was audited and adopted within statutory timeframes, without qualification. Two particular matters were noted: uncertainty over the Three Waters reforms and Council's reliance on the Crown appropriation and other Government funding.
- Legislation has been passed to support Council's regional maritime safety activities. The Navigation Safety Bylaw document has since been reviewed and updated.

Other Island infrastructure

The Council has been working with other Island groups and Government to upgrade the airport runway, improve broadband and mobile telephone services and to find a sustainable and affordable source of electricity. These projects were supported with grants from the Government's Provincial Growth Fund.

Council is now the owner of the Kaingaroa wharf following a ceremonial handover from the Hokotehi Moriori Trust. A committee has been formed to evaluate engineering advice, with a view to forming an agreed preference to an affordable wharf structure on the Islands. Council will begin looking for funding opportunities to either repair or replace this facility with urgency as the Kaingaroa community is reliant on having a functioning wharf.

Improving Owenga wharf with a loading ramp was raised with Waka Kotahi NZ Transport Agency. A ramp is required to enable the loading of the barge that carries freight between Chatham and Pitt Islands. Funding was initially declined, and therefore Council is considering other funding opportunities.

Resilience and climate change

As a group of islands, we are increasingly vulnerable to the impacts of climate change. Any changes to the land or water level pose a threat to our way of life for current and future generations. Council is committed to taking a collaborative approach to addressing any identified local causes and impacts of climate change, which includes strategically varying our core Council infrastructure and internal policies to reduce or mitigate any greenhouse gas emissions. We are also working to protect and enhance our natural environment to ensure we meet our obligations. We take these steps to enable our community to remain buoyant in response to any climate changes.

Looking forward

Over the next ten years Council will endeavour to progress current projects that contribute to enhancing the wellbeing of the community and realising the community outcomes.

Key projects include:

- The completion of a water project that provides a sustainable and compliant water supply for Te One, Owenga, Kaingaroa and Waitangi.
- A new Emergency Management Operations Centre.
- An extension to the new Council office and museum facility, with a community complex.
- Roding projects.
- The implementation of the Islands' Housing Solutions project.

Overview of our financial performance

Our aim, as part of our financial strategy is to ensure Council can continue to provide effective services now and into the future by:

- Managing funds in a financially prudent manner with the aim of achieving a balanced budget each year, and ensuring projected operating revenues are at a level sufficient to meet that year's projected operating expenses.
- Advocating for sustainable and committed funding from the Government and to fully utilise available subsidies and, where possible, searching for alternative sources of funding through user pays or other partnerships.
- Ensuring rates and council dues are affordable by limiting rates increases to align with expected rates of inflation and not adjusting council dues charges.
- Maintaining current levels of service provided, with an expectation that service levels will only increase where external support is provided.
- Focusing on maintaining core services and infrastructure as cost-effectively and efficiently as possible, ensuring that funding efficiencies remain of paramount importance.
- Developing Council's capacity and capability to build, maintain and renew assets by limiting expenditure to where it is reasonable and economic to do so. Council interprets this as only progressing projects which are fully funded either by way of capital grant or where Council has an ability to borrow and repay debt. Such an approach may defer projects, which may result in a higher risk of asset failure and the asset deteriorating at a faster rate over time.

Our financial performance

This overview provides a summary of our unaudited results for the 2020/21 financial year.

Our focus during the year has been on managing our finances prudently and operating within the confines of our financial assistance packages provided by the Crown and rates received from our community. This is also known as achieving a balanced budget. With a recognised net surplus of \$1.2 million, Council has achieved that balanced budget for the year.

The Council's unaudited financial result is also better than initially forecast in the 2020/21 Annual Plan, which estimated a surplus of \$0.5 million. This achievement is due in part to the advocacy work completed by the Council, which has resulted in an increase to the Crown's annual appropriation and several grants provided to the Council to enhance and support our community and environmental objectives.

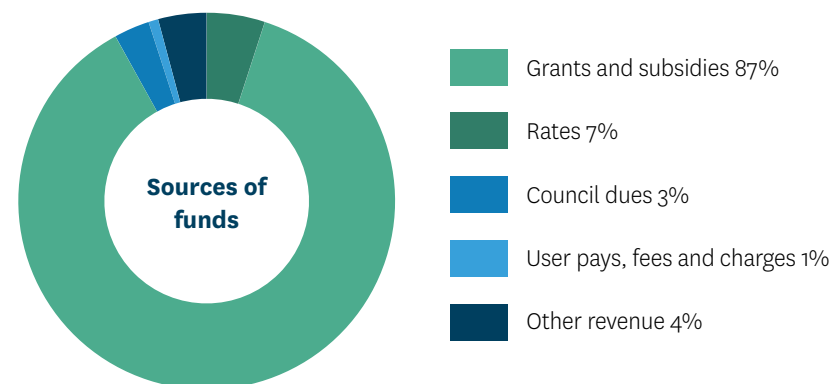
Our Council rates remain in line with inflationary movements and council due charges remain unchanged for the year. Council remains committed to ensuring rates paid by our community remain affordable and comparable with other similar Councils.

The Council ended the year with an improved cash position, moving from an overdraft of \$0.4 million in 2019/20, to an overdraft of \$0.3 million, which was consistent with the closing cash position expected in the 2020/21 Annual Plan. This has been achieved, due to Council's prudent approach to cash management.

Our sources of funds

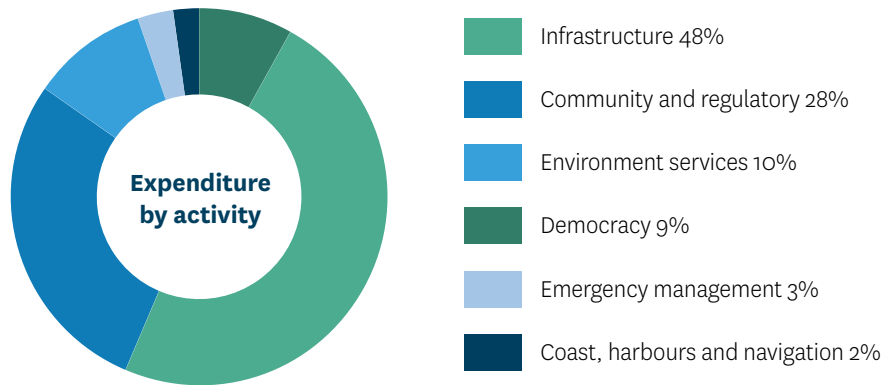
Council receives income from a range of sources but is primarily reliant on central government grants to remain operational. The budget assumed funding would be provided during the year to support on-island projects, including infrastructural development integral to improving facilities for our community.

A summary of our funding sources for the year is detailed in the graph below:



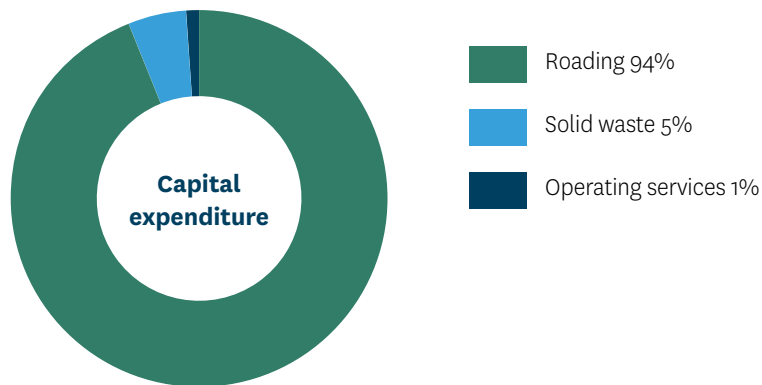
Our allocation of funds

Operating expenditure by activity is summarised in the graph below; the largest portion of expenditure relates to on-Island infrastructure works, particularly the roading network.



Our capital expenditure

The graph below summarises the Council’s capital expenditure programme by area. Our capital expenditure primarily relates to maintaining and improving our roading infrastructure.



Our assets and capital works programme

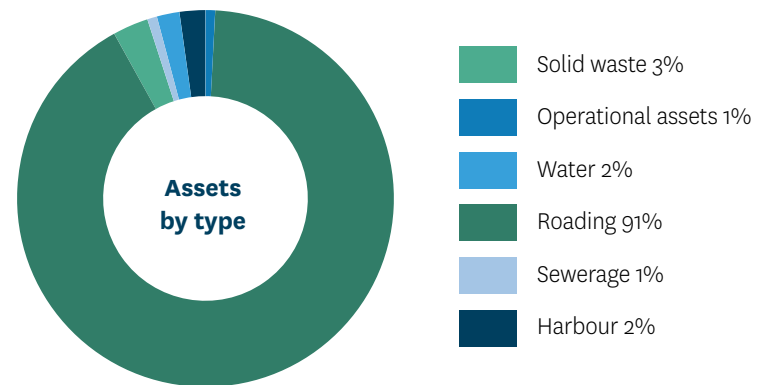
Council holds long-term assets of \$84.6 million, including operational and infrastructure assets. When investing in infrastructure, we consider affordability to the Council and ratepayers, electing to defer capital works until funding can be secured. This means our financial position remains healthy and debt low. However, the cost to the community is that critical work where funding cannot be secured, such as with our water and wastewater infrastructure is often delayed, with levels of service experienced by our community being below expectation.

Our 2018-28 Long-Term Plan highlighted \$1.2 million in critical repairs required to our assets over the 10-year period of the plan. The level of assessed critical repairs assumed a proposed \$3 million upgrade to the Waitangi water treatment plant would be completed. With no external funding commitment, Council was unable to invest in these improvements, resulting in the upgrade at Waitangi being further deferred. Consequently, the assessed critical repairs to our infrastructure are likely to be higher with additional expenditure in other areas being required to retain a status quo level of service.

The assessed level of investment excluded potential ramifications arising from the Havelock North gastroenteritis outbreak of 2016, resulting in a higher level of compliance being set, with the Three Waters reforms. This has resulted in additional costs to meet statutory compliance levels, which will require additional support from central government for Council to meet.

With the Council unable to invest in infrastructure outside of roading works, asset quality is likely to deteriorate over time. In addition, this reduces the quality of service that we can offer to our residents and increases the risk of asset failure. Our last infrastructural asset revaluation in 2018 identified several water and wastewater assets with an assessed life expectancy of one year. Due to lack of funds, Council has been unable to repair or replace these assets in the year, and therefore the risk of these assets failing is assessed as high. Council continues to work with central government agencies to secure funding to address these concerns, reflecting budgeted minimal requirements.

The graph below summarises the Council’s capital expenditure programme by area. Our capital expenditure primarily relates to maintaining and improving our roading infrastructure.



Council performance during 2020/21

The Council has six groups of activities, over which we set our desired performance targets to the community. The summary of our unaudited level of service performance against these targets, is included below:

Democracy services

0 of 2 targets met

We aim to meet our statutory responsibilities and provide effective governance and leadership

- All annual planning, reporting and Council meeting responsibilities were met.
- Our 2020/21 survey highlighted that better communication, through meetings and hui along with an increase in transparency is desired by our residents. Based on this feedback, next year we will look to hold community consultation afternoons and other engagement opportunities.

Community and regulatory services

3 of 5 targets met

We aim to promote community development and provide community and regulatory services that meet the community's needs

- We are processing liquor licences within statutory timeframes and are monitoring and enforcing compliance with liquor licence conditions. There were no issues of non-compliance identified with our food premises for the year.
- Our 2020/21 survey highlighted residents appreciation of the work provided by the dog and stock control officer and the library service provided in conjunction with Wellington City Library. Council will continue to work on improving these services with the funding it has.

Infrastructure services

18 of 27 targets met

We aim to meet our statutory responsibilities and provide access to quality infrastructure services

- All roading and footpath projects were maintained in accordance with the Council's roading and maintenance specifications as set out in the three year roading strategy.
- The condition of our roads is assessed as "good".
- Our waste management strategy has been completed. However, the landfill commissioning in Owenga has been delayed until Christmas 2021.
- Water supplies were not fully compliant with the drinking water standards for the 2020/21 year. Council are considering sustainable solutions to mitigate or resolve the issues associated with water shortages. This year Council received Ministry of Health funding to address urgent issues with both water schemes in Waitangi and Kaingaroa and to improve the reliability of its drinking water supply in terms of quantity and quality. Given Council's financial position, Council is unable to guarantee continuity of water supply.
- The level of service experienced by our residents is also unlikely to improve. The trend of increasing summer tourist numbers puts further pressure on the water supply.
- Council is participating in the Three Waters Reform Programme, receiving funding for projects due for completion in 2021/22. Funding from the Ministry of Health has also been received during the year. Wastewater projects are aimed at improving, or designing improvements to, the wastewater system.

Environmental services

7 of 12 targets met

We aim to maintain, sustain and protect our natural resources now and for future generations

- We are effectively monitoring the water quality and hydrology of Chatham Islands waterways, with results displayed on our website:
- Our Chatham Islands Resource Management Document is fully operative and was updated during the year for new requirements set by the National Environmental Standards. Looking forward, the Resource Management Document will need further updates by 2024 to give effect to the Essential Freshwater Package. Based on the indicated future funding assistance package, there is currently insufficient funding to complete this expected work by 2024. Negotiations between the Council and the Department of Internal Affairs to support this project are ongoing. Effective Freshwater policies are a priority for the Council and an area of special interest for imi and iwi. Council plan to work in co-operation with interested parties to ensure mutually beneficial outcomes are achieved.
- We have proactively managed on-Island and marine pest threats, focusing on quarterly site visits to at risk sites on land and twice annual surveys of island ports to maintain an internal border between Chatham Island, Pitt Island and mainland New Zealand. Public education and regular training of SPS Biosecurity staff has also minimised the threat of pest outbreak.

Emergency management

4 of 4 targets met

We aim to provide emergency management that responds effectively to the needs of the community

- All emergency management plans are up to date and were completed within statutory timeframes.
- Our 2020/21 survey highlighted 80% of the residents who completed the annual satisfaction survey felt they were prepared or well prepared for an emergency. The Council remains focused on prioritising emergency management preparedness due to the importance of the Island being ready for any emergency, given the Island's level of isolation.

Coasts, harbours and navigation

2 of 2 targets met

We aim to promote, maintain and sustain a safe environment for both commercial and recreational maritime activities

- Our navigational safety documents remain up to date and in line with leading practice, they reflect the appropriate needs of the Islands and have been reviewed within cyclical timeframes.
- Owenga Wharf, which provides lifeline access to Pitt Island from Chatham Island, remained open with no safety or inefficiency complaints received.

Financial overview



The full financial statements are prepared in accordance with the requirements of the Local Government Act 2002, which requires information to be prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), and comply with Public Benefit Entity International Public Sector Accounting Standards (PBE IPSAS). The Chatham Islands Council has elected to prepare the financial statements in accordance with Tier 2 PBE accounting standards as it is not publicly accountable or large. The summary financial statements are for the year ended 30 June 2021 and are presented in New Zealand dollars with all values rounded to the nearest thousand (\$000). The summary financial statements comply with PBE FRS-43, but not the Local Government Act 2002, which requires the Annual Report and Summary Annual Report to be audited. The financial statements were authorised for issue by Council on 16 December 2021.

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2021

	Unaudited actual 2020/21 \$000	Annual plan 2020/21 \$000	Actual 2019/20 \$000
Rates	625	577	592
Grants & subsidies	10,524	7,412	7,133
Other revenue	998	697	616
Total revenue	12,147	8,686	8,341
Financial costs	11	24	7
Other expenditure	10,920	8,145	8,064
Total expenditure	10,931	8,169	8,071
Total surplus/(deficit)	1,216	517	270
Increase/(decrease) in revaluation reserve	-	-	-
Total Comprehensive Revenue and Expense	1,216	517	270

Statement of Changes in Equity for the year ended 30 June 2021

	Unaudited actual 2020/21 \$000	Annual plan 2020/21 \$000	Actual 2019/20 \$000
Equity at the start of the year	82,398	84,683	82,128
Total comprehensive revenue and expense	1,216	517	270
Equity at the end of the year	83,614	85,200	82,398

Statement of Financial Position as at 30 June 2021

	Unaudited actual 2020/21 \$000	Annual plan 2020/21 \$000	Actual 2019/20 \$000
Current assets	1,772	1,065	2,490
Non-current assets	84,666	86,926	84,058
Total assets	86,438	87,991	86,548
Current liabilities	2,668	2,791	3,968
Non-current liabilities	156	-	182
Total liabilities	2,824	2,791	4,150
Net assets	83,614	85,200	82,398
Total public equity	83,614	85,200	82,398

Statement of Cash Flows for the year ended 30 June 2021

	Unaudited actual 2020/21 \$000	Annual plan 2020/21 \$000	Actual 2019/20 \$000
Net cash flow from operating activities	2,156	2,807	2,634
Net cash flow from investing activities	(1,989)	(2,538)	(2,806)
Net cash flow from financing activities	(37)	(62)	-
Increase/(decrease) in cash held	130	207	(172)
Opening cash balance	(391)	(462)	1,024
Closing cash balance	(261)	(255)	852

The summary unaudited financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. A copy of the full 2020/21 Annual Report can be found on our website or at our office.

The organisation

Council

Mayor

Monique Croon

Deputy Mayor

Greg Horler

Councillors

Keri Lea Day

Celine Gregory-Hunt

Graeme Hoare

Amanda Horler

Steve Joyce

Oscar Nilsson

Jason Seymour

Council Staff

Chief Executive

Owen Pickles

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Operations Manager

Colette Peni

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Emergency Manager/Controller

Rana Solomon

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Engineers

Stantec Ltd (Christchurch)

Nigel Lister, Shaun Boshier, Ali Siddiqui

Bryan Peters – Roads and bridges

Richard Bennett, Kristen Norquay –

Water and wastewater

Phil Landmark –

Waste management and minimisation

Contractors

Environment Canterbury

Fulton Hogan Ltd

Resource management

Beca Ltd

Solicitors

Wynn Williams

Bankers

ANZ (Waitangi – Chatham Islands)

Auditors

Audit New Zealand

(on behalf of the Auditor-General)





chatham islands council

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