

Chatham Islands Council

Unaudited Summary Annual Report

2021/22



chatham islands council

Our people, our Islands, our future

Profile of the Chatham Islands

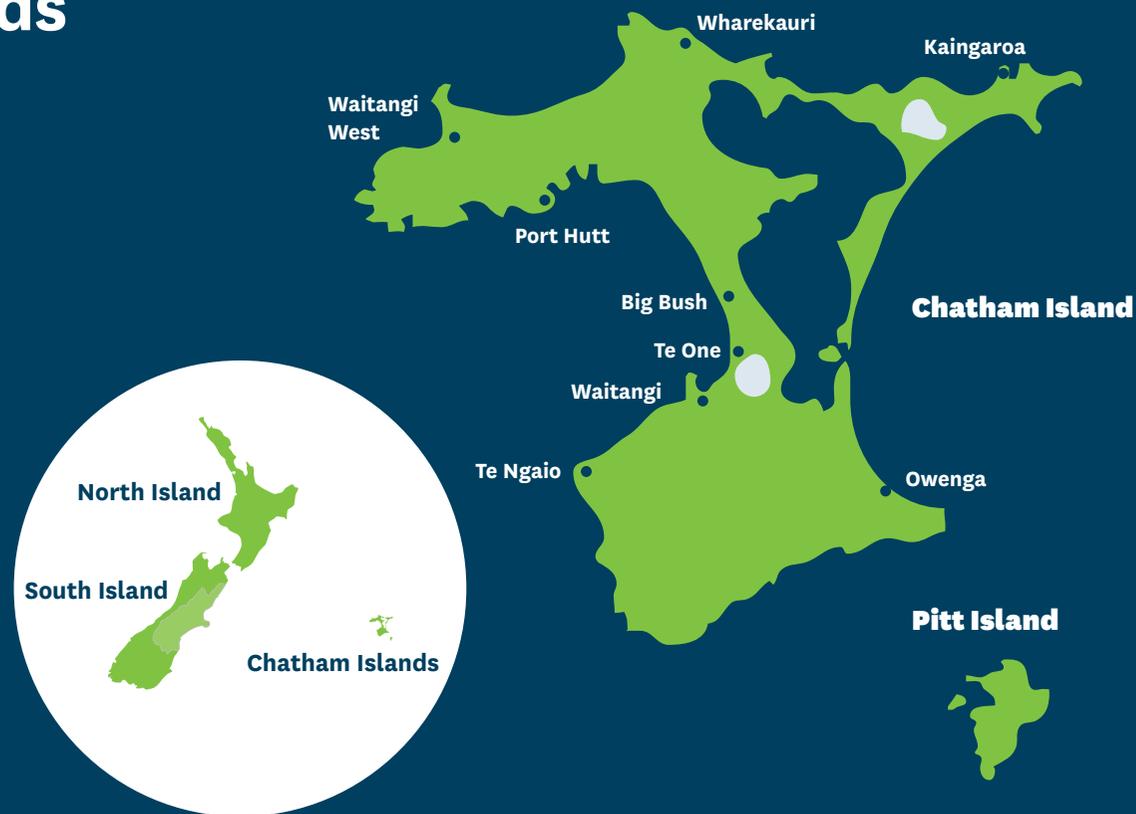
The Chatham Islands and its people are a unique community, isolated by 800 kilometres of ocean from mainland New Zealand.

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 2021/22 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 again resulted in the Council being unable to meet its statutory reporting deadline of 31 December 2022.

Council has elected to publish an unaudited version in the intervening period, to ensure transparency and accountability to its community in a timely manner. Your interest in the Chatham Islands Council 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 the population safe. Our weekly regional leadership group meetings allowed us to be adequately informed and to respond as needed. We thank all of those involved.

Alongside the challenges that COVID-19 presented, a lack of funding continues to be an ongoing barrier to offering comparable services to that of mainland New Zealand. As always, the Council relies heavily on funding from central government to operate, as we don't 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 infrastructure upgrades.

Government reforms have been plenty, all providing different challenges for the community. Reforms in the Resource Management space and as a response to climate change have been both challenging and costly while other reforms like the Three Waters proposals have provided the Council with additional funds to enable infrastructure upgrades to occur. The "better off" allocation will provide the Council with approximately \$9m to spend on community good projects in the years ahead.

A highlight has been the relocation of the Council office in January 2022 into the new building. This was built by Ngati Mutunga O Wharekauri Iwi Trust and leased to the Council. It is pleasing to see the meeting facilities being well used by the community.

We were also pleased to see the RB2 completed delivering the Islands cell phone coverage and improved broadband facilities. With these services going live in December 2021 it completed nearly 10 years of lobbying efforts.

We have continued to build relationships with our regional partners including Hokotehi Moriori Trust, Ngati Mutunga O Wharekauri Iwi Trust, and Chatham Islands Enterprise Trust. We also continue to maintain good relationships with the Government and its officials and acknowledge local MP Paul Eagle for his assistance with this. There are many changes being imposed by the Government that will affect the way the Council operates that flow into the community. We continue to advocate for the Islands interests where we can.

Finally, we thank councillors, staff and our external support providers. All have worked hard for the betterment of the Chatham Islands community. We greatly appreciate the dedication and support of all.

Monique Croon
Mayor

Owen Pickles MNZM JP
Chief Executive

2021/22 in review

The 2021/22 financial year was another impacted by the uncertainties generated by COVID-19 where virtual meeting became normal. It was also an exciting time for the Council as it moved into its new accommodation.

Sustainable water and wastewater

The proposed Government Three Waters Reform progressed with the Chatham Islands being included in Entity C. Lots of information requests were responded to as the new entity started to gain an understanding of commitments and responsibilities that will transfer to it.

As part of the Reforms some funding in the form of the Three Waters Stimulus Fund became available. This together with a grant from the Ministry of Health enabled the Council to complete urgently required upgrades to its water and wastewater networks which was most appreciated.

There is still much to be done to address source and capacity issues in Waitangi which will become a task for the new entity.

Waste management strategy and progress

In August 2021 the Council contracted Fulton Hogan Ltd to operate its waste management activities.

Working closely with Fulton Hogan, Council's engineers Stantec, and the Ministry for the Environment, the waste management activity made substantial progress during the year under review. Funding for a weigh bridge facility and a new waste recovery building was secured. The sanitary landfill began to receive waste.

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 \$4m 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 funded new office facility was completed in December 2021 with the Council moving into the facility in January 2022.

The building along with the adjoining museum were officially opened by the Prime Minister Rt Hon Jacinda Aderm on 25 November 2022.

Communications upgrade

In December 2021 cell phone coverage went live on the Chatham Islands as part of the Governments RB2 project which also provided improved broadband services.

While not funded by the Council, the completion of this project was the result of nearly 10 years of lobbying, so it was very satisfying to see this finally happen.

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 poses a threat to our way of life for current and future generations. Council is committed to taking a collaborative approach to addressing and identifying 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 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 the Council will endeavour to progress current projects that contribute to enhancing the wellbeing of the community and realizing community outcomes.

Key projects include:

- Making safe repairs to Kaingaroa wharf
- Repairs to Owenga wharf
- Community housing upgrades
- A new emergency management operations centre
- Roothing projects



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 2021/22 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 \$0.03 million, Council has achieved that balanced budget for the year.

The Council's unaudited financial result is unfavourable compared with the 2021/22 year of the 2021-31 Long-Term Plan, which estimated an operating surplus of \$1.88 million. This is due in part to the additional non-capital elements of expenditure related to the Museum community complex costs, increased expenditure on Insurance which is reflective of the higher risk of natural disaster and the enhanced repair costs, and lastly, increased travel expenditure related to the Kiwi Can Do programme.

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.

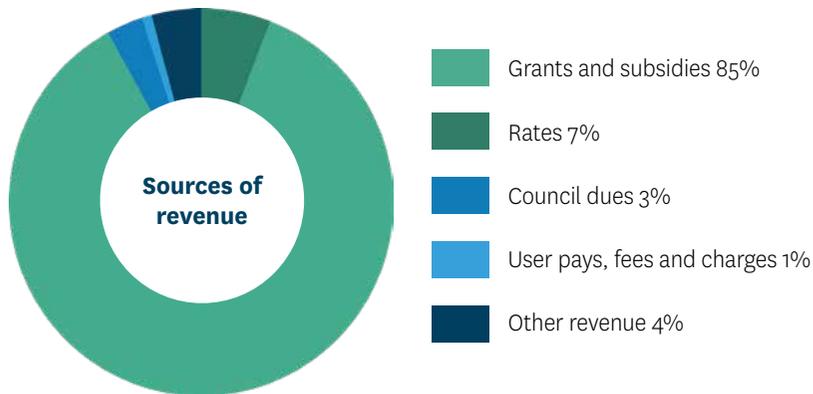
The Council ended the year with an improved cash position, moving from an overdraft of \$0.26 million in 2020/21, to a positive balance of \$0.05 million, which was below the closing cash position expected in the 2021/22 year of the 2021-31 Long-Term Plan.

Overview of our financial performance

Our sources of funds

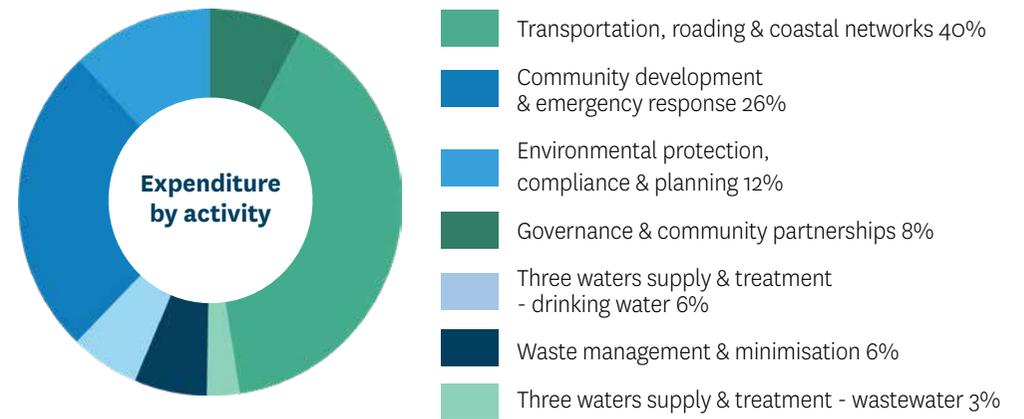
Council receives income from a range of sources but is primarily reliant on central government grants to remain operational. The budget assumed funding would be provided during the year to support on-Island projects, including infrastructural development integral to improving facilities for our community.

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



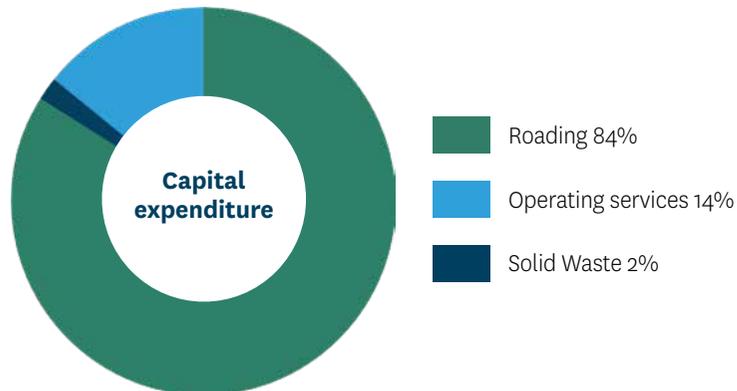
Our allocation of funds

Operating expenditure by activity is summarised in the graph below; the largest portion of expenditure relates to on-island transportation, roading and coastal networks, with particular emphasis on 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.



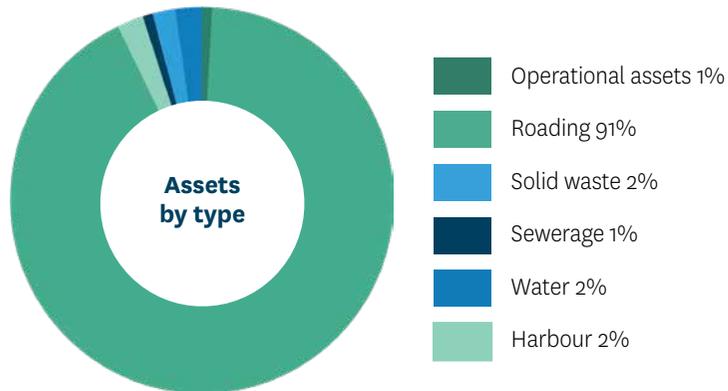
Council performance during 2021/22

Our assets and capital works programme

Council holds long-term assets of \$98.7 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.

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. Infrastructural assets were revalued as at 30 June 2022, with an increase in value of \$14.2 million recognised.

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



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:

Leadership and Community Partnerships

4 of 4 targets met

Our leadership and governance function comprises of elected representatives from the Island. They are provided with guidance and other support to enable them to carry out their legislative responsibilities, making informed decisions on behalf of our people. These activities enable the interests of our Islanders to be represented in a fair and equitable manner and provides opportunities for the community to partner in our decision-making processes.

- All annual planning, reporting and Council meeting responsibilities were met.
- Our 2021/22 survey highlighted that enhanced communication to residents was received throughout the financial year. Residents felt council decisions captured the voice of the community during the decision-making process.

Transportation, roading and coastal networks

4 of 7 targets met

The aim of the transportation, roading and coastal networks group of activities is to link our populated communities and Islands, keep our people connected, safe and active, and contribute to the sustainability and growth of our local economy. Harbour control is undertaken primarily to ensure safety in our waterways. The Chatham Islands have approximately 360km of coastline that is used extensively for commercial fishing, along with some recreational and aquaculture industries. A core function of Council is the maintenance and management of the local roading network (there are no State Highways), including street lighting, footpaths, and signage. A well-planned, safe, and integrated network for walking contributes to our communities' quality of life.

- Low levels of harm were experienced on the roads in the financial year.
- The road roughness was maintained at an acceptable level per the standards on the NAASRA road classification system.
- Council staff responded to all customer service requests relating to the road or footpath network within five working days.
- There were no instances of the Owenga wharf being unavailable during suitable sea and weather conditions.

Council performance during 2021/22 (continued)

Three Waters Supply and Treatment

11 of 14 targets met

Safe drinking water and appropriate collection, treatment and disposal of wastewater are essential to the health and wellbeing of our people and our environment. The Government has launched the Three Waters Reform programme, which reviews how local government delivers its Three Waters service delivery arrangements. The Three Waters supply and treatment activity contributes to the resilient community and sustainable action community outcomes as these services and assets enhance community wellbeing.

- The Council responded in a timely manner to reports of faults or unplanned interruption to its networked reticulation system. Resolution of urgent callouts were all completed within the desired timing of 8 hours. In addition, no reports of faults were noted for the wastewater system.
- Residents were satisfied with the storm water management with no complaints received.
- A temporary boil water notice was issued in the 2021/22 financial year for the Kaingaroa Water Supply Scheme from February to March 2022. This boil water notice was prolonged in part due to COVID-19 restrictions at the time.
- The majority of surveyed residents noted that they were satisfied with the wastewater system. There were no complaints received regarding the sewerage system in the financial year. The Council continues to seek funding to carry out remedial works to maintain an appropriate level of service.
- Storm water discharge remained compliant with the Resource Management Document. No discharge notices issued, or other noncompliance event identified in the financial year.

Waste Management and Minimisation

2 of 8 targets met

Waste management facilities provide refuse and recycling services to protect the health of our communities and our environment. Waste management and minimisation contributes to the embracing diversity and sustainable action community outcomes. Our solid waste and minimisation structure allows material delivered to Council facilities to be processed or disposed of in an appropriate and sustainable manner. These activities will be managed to minimise the impact on the environment.

- Surveyed residents noted that 66% of respondents were generally satisfied or very satisfied with the landfill and recycling service, and associated ease of use.
- Ensured communication and engagement activities were undertaken regularly with the Council providing a monthly newsletter which gave residents information on waste management services. Additionally, signs have recently been installed at the transfer stations to assist residents with understanding what materials can be recycled and where they need to be deposited.

Community Services and Emergency Management

2 of 7 targets met

Council provides facilities for the enjoyment and use of our community, including community housing, parks and reserves, sports fields, the library, and emergency management services. These contribute to the development of a healthy, active, functioning community. Council also seeks to provide an efficient and effective system of emergency management response and planning that minimises the potential effect of all hazards on the community and the environment.

- Our 2021/22 survey highlighted 76% 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.
- All complaints about operations and facilities were investigated and responded to in a timely manner.

Environmental management, protection and monitoring

13 of 14 targets met

Council has responsibilities under legislation to safeguard public health, safety, and welfare.

Biodiversity, biosecurity and regulatory activities, such as the identification and management of pests, issue of consents, the enforcement of bylaws, and the provision of liquor licenses are undertaken for the benefit of our communities and to ensure that everyone enjoys our Islands. The Chatham Islands' isolation has meant that many of the animal and plant pests common in New Zealand are not present on the Islands. We are also fortunate to have many indigenous plants and native animals on the Islands. Many of our flora and fauna species and ecosystems are endemic to the Chatham Islands and if adversely affected by pests, could disappear from their natural habitats.

- No breaches of the Resource Management Act 1991 or consent conditions were reported in 2021/2022 to investigate further.
- We are processing liquor licences within statutory timeframes. There were no issues of non-compliance identified with our food premises for the year.
- The Council has undertaken the underwater surveillance programme on all ports on Chatham and Pitt Islands, notifying the Ministry for Primary Industries of any pest incursions.

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 2022 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 15 December 2022.

Statement of Comprehensive Revenue and Expense for the year ended 30 June 2022

	Unaudited actual 2021/22 \$000	Long term plan 2021/22 \$000	Unaudited 2020/21 \$000
Rates	708	631	625
Grants & subsidies	9,031	9,421	10,524
Other revenue	829	919	998
Total revenue	10,568	10,971	12,147
Financial costs	9	6	11
Other expenditure	10,529	9,080	10,920
Total expenditure	10,538	9,086	10,931
Total surplus/(deficit)	30	1,885	1,216
Increase/(decrease) in revaluation reserve	14	-	-
Total Comprehensive Revenue and Expense	14,237	1,885	1,216

Statement of Changes in Equity for the year ended 30 June 2022

	Unaudited actual 2021/22 \$000	Long term plan 2021/22 \$000	Unaudited 2020/21 \$000
Equity at the start of the year	83,614	84,683	82,398
Total comprehensive revenue and expense	14,237	1,885	1,216
Equity at the end of the year	97,851	86,568	83,614

Statement of Financial Position as at 30 June 2022

	Unaudited actual 2021/22 \$000	Long term plan 2021/22 \$000	Unaudited 2020/21 \$000
Current assets	898	1,784	1,772
Non-current assets	98,855	86,225	84,666
Total assets	99,753	88,009	86,438
Current liabilities	1,762	1,875	2,668
Non-current liabilities	140	567	156
Total liabilities	1,902	2,442	2,824
Net assets	97,851	85,567	83,614
Total public equity	97,851	85,567	83,614

Statement of Cash Flows for the year ended 30 June 2022

	Unaudited actual 2021/22 \$000	Long term plan 2021/22 \$000	Unaudited 2020/21 \$000
Net cash flow from operating activities	3,065	4,231	2,156
Net cash flow from investing activities	(2,734)	(3,776)	(1,989)
Net cash flow from financing activities	(21)	(34)	(37)
Increase/(decrease) in cash held	310	421	130
Opening cash balance	(261)	91	(391)
Closing cash balance	49	512	(261)

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 2021/22 Annual Report can be found on our website or at our office.

The organisation

Council

Mayor

Monique Croon

Deputy Mayor

Keri Lea Day

Councillors

Celine Gregory-Hunt

Graeme Hoare

Greg Horler

Richard Joyce

Judy Kamo

Nigel Ryan

Amanda 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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