



# KAWERAU DISTRICT COUNCIL

## Annual Report Summary

For the Year Ended 30 June 2019



## **MAYOR'S MESSAGE**

Welcome to Council's annual report summary for the year ended 30 June 2019. This summary enables residents to determine how well Council has performed for the year as well as inform readers the state of Council's finances.

For the year, Council had an operating deficit of \$1,514,590 compared to a budgeted surplus of \$820. However, the gain on the revaluation of Council's assets meant there was an overall surplus of \$5,074,717.

The reasons for the operating deficit were:

- Clean-up and repair costs following storm damage events
- Unplanned asbestos removal costs to ensure the safety of both staff and the community
- Reduced revenue which resulted from roading and stormwater projects being deferred to the following year and therefore Council did not receive the corresponding subsidy associated with this work

There were some significant achievements during 2018/19 which included:

- Ongoing successful management, as well as securing additional funding, of the iconic events for Kawerau including Woodfest, King of the Mountain Race and Christmas in the Park.
- Significant improvements to the level of service for Councils' regulatory services, particularly dog control and building consents.
- Completion of various asset renewal projects, to ensure that Council continues to deliver high quality services to the community
- Council achieved 76% of its performance targets, and was close to achieving the remaining targets.

The major projects undertaken during the year, included:

- Continued progress on the renewal of damaged and dangerous footpaths.
- Extending the road along Spencer Avenue
- New lime and chlorine dosing plant to improve the health of the town's water supply
- Renewal of the stormwater pipes in the town centre
- Upgrades to the recreation centre including the toilets and acoustics

Council had set aside reserves to fund these projects.

Also at the beginning of the year, Council introduced chlorine into the water supply, primarily to reduce the potential risks to the health of residents. Initially, there was significant discolouration of the water for some residents, and staff undertook immediate measures to fix this. My thanks goes to the community for their patience during this period and hopefully this problem has now been resolved.

Finally, I would like to acknowledge the ongoing contributions made by both elected members and staff towards Council's achievements during the year. Also I would like to thank the residents of Kawerau for their contributions throughout the year and helping to make this a great place to live.



M J Campbell, JP  
**MAYOR**



This Summary Annual Report was authorised by:  
Russell George, Chief Executive Officer on 31 October 2019 at Kawerau.

## **Independent Auditor's Report**

### **To the readers of Kawerau District Council's summary of the annual report for the year ended 30 June 2019**

The summary of the annual report was derived from the annual report of the Kawerau District Council (the District Council) for the year ended 30 June 2019.

The summary of the annual report comprises the following summary statements on pages 4 to 9:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2019;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement 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 2019 in our auditor's report dated 31 October 2019.

## **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.



B H Halford,  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
31 October 2019

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2019

<u>2017/18</u>		<u>Budget</u>	<u>2018/19</u>
	<b>Revenue</b>		
9,520,685	Rates	9,941,630	9,999,467
872,179	Subsidies and grants	1,117,270	897,366
1,234,330	Fees and charges	1,358,460	1,380,915
236,259	Interest revenue	220,040	170,278
67,533	Other revenue	402,500	68,953
<b>11,930,986</b>	<b>Total Revenue</b>	<b>13,039,900</b>	<b>12,516,979</b>
	<b>Expense</b>		
4,391,409	Personnel costs	4,762,610	4,792,509
3,032,886	Depreciation and amortisation expense	2,783,120	3,135,731
6,226	Finance costs	6,790	6,124
6,231,184	Other expenses	5,486,560	6,025,634
108,720	Loss on disposal of property, plant and equipment	0	71,571
<b>13,770,425</b>	<b>Total Expense</b>	<b>13,039,080</b>	<b>14,031,569</b>
<b>(1,839,439)</b>	<b>SURPLUS/(DEFICIT)</b>	<b>820</b>	<b>(1,514,590)</b>
0	Gain on revaluation	2,296,440	6,589,307
<b>(1,839,439)</b>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>2,297,260</b>	<b>5,074,717</b>

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2019

<u>2017/18</u>	<b>Total Equity</b>	<u>Budget</u>	<u>2018/19</u>
68,564,818	Balance at 1 July	67,881,118	66,725,379
<b>(1,839,439)</b>	Total Comprehensive Revenue and Expense	2,297,260	5,074,717
<b>66,725,379</b>	<b>Closing Balance</b>	<b>70,178,378</b>	<b>71,800,096</b>
	<b>Equity represented by:</b>		
35,678,738	Accumulated funds	38,679,764	34,741,518
31,046,641	Other reserves	31,498,614	37,058,578
<b>66,725,379</b>		<b>70,178,378</b>	<b>71,800,096</b>

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

<u>2017/18</u>		<u>Budget</u>	<u>2018/19</u>
	<b>ASSETS</b>		
8,433,363	Current assets	6,698,227	6,788,573
61,954,131	Non-current assets	66,389,379	68,105,850
<b>70,387,494</b>	<b>TOTAL ASSETS</b>	<b>73,087,606</b>	<b>74,894,423</b>
	<b>LIABILITIES</b>		
3,278,847	Current liabilities	2,543,779	2,806,438
383,268	Non-current liabilities	365,449	287,889
<b>3,662,115</b>	<b>TOTAL LIABILITIES</b>	<b>2,909,228</b>	<b>3,094,327</b>
	<b>EQUITY</b>		
35,678,738	Accumulated funds	38,679,764	34,741,518
31,046,641	Other reserves	31,498,614	37,058,578
<b>66,725,379</b>	<b>TOTAL EQUITY</b>	<b>70,178,378</b>	<b>71,800,096</b>

## STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2019

<u>2017/18</u>		<u>Budget</u>	<u>2018/19</u>
1,171,039	Net cash from operating activities	2,016,455	1,553,236
(1,386,123)	Net cash to investing activities	(5,208,010)	(1,671,245)
22,031	Net cash from financing activities	(18,700)	(14,896)
<b>(193,053)</b>	<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(3,210,255)</b>	<b>(132,905)</b>
2,426,460	Cash, cash equivalents and bank overdrafts at the beginning of the year	7,684,502	2,233,407
<b>2,233,407</b>	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>4,474,247</b>	<b>2,100,502</b>

## **REPORTING ENTITY**

Kawerau District Council (KDC) is a local authority in terms of the Local Government Act 2002. The financial statements, for the year ended 30 June 2019, have been prepared in terms of section 98 of the Local Government Act 2002 and in accordance with generally accepted accounting practice.

The full financial statements have been prepared in accordance with tier 2 Public Benefit Entities (PBE) Reduced Disclosure Regime (RDR) accounting standards (for reporting periods beginning on or after 1 July 2014) and Council confirms in the statement of compliance (in the full financial statements) compliance with these accounting standards for the period covered by this annual report summary.

These summary financial statements comply with Public Benefit Entity report standard 43: Summary Financial Statements.

The full financial statements for the period ended 30 June 2019 were authorised for issue by Council on 31 October 2019. The financial statements for each period presented in the Summary have been audited by Audit New Zealand and received an unmodified audit opinion.

The full Annual Report is available online at [www.kaweraudc.govt.nz](http://www.kaweraudc.govt.nz) or can be obtained at the Council office.

## **BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property and financial instruments. The figures in the financial statements have been rounded to the nearest dollar (\$).

The Council is a public benefit entity and the financial statements have been prepared in New Zealand dollars. The functional currency of KDC is New Zealand dollars.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements and these summary 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.

## **EXPLANATION OF SIGNIFICANT VARIANCES**

Explanations for major variations from Council's estimated figures for 2018/19 are as follows:

### **Statement of Comprehensive Revenue and Expense**

The significant variances from KDC's estimated figures include: reduced income for interest revenue which resulted from lower rates and reduced investment, reduced income for subsidy resulting from a large roading stormwater project being deferred until 2019/20 and the anticipated sales from residential sections being delayed.

There was additional expenditure for increased refuse volumes, storm damage repairs and asbestos removal costs as well as increased depreciation.

Detailed revenue and expense are disclosed in the Notes to the Financial Statements in the full Annual Report.

### **Statement of Financial Position**

Inventory was lower than budget as the work due to be undertaken for the residential developments was delayed.

Property Plant and Equipment was quite a bit higher than budget because the revaluation at 30 June 2019 increased the values of the assets (particularly land) by more than anticipated.

Liabilities were higher than the budget due to more creditors at year end.

Finally, the ratepayers equity was overall higher than budget as a result of the valuation increase for council assets being a lot higher than anticipated.

### **Statement of Cash Flow**

Cash flow from operating activities is lower than budget because:

- Cash flow from rates was more than budget because of improved collection and additional rates paid in advance.
- Interest received was lower than budget because of less funds being available for investment and lower interest rates than anticipated.
- Subsidies and grants were lower than budget because a couple of roading capital projects were deferred to the following year, and no subsidy was received for them.
- Receipts from fees and charges were higher than budget because of increased transfer station revenue and insurance recoveries for some storm damage costs
- Payments to employees were higher than budget because of a resignation of an employee with long service and a change in how some services were delivered
- Purchase of plant, property and equipment was less than budget because some projects were deferred to the following year.
- Funds from the Purchase of Investments exceeded the budget because Council had invested more of its funds in the previous year, for longer than 90 days to get the best interest rates

### **STATEMENT OF COMMITMENTS**

Council had capital commitments at 30 June 2019 of \$2,079,914 for residential development work (2018 - \$0).

### **STATEMENT OF CONTINGENT LIABILITIES**

Council had no contingent liabilities at 30 June 2019 (2018 - nil)

### **POST BALANCE DATE EVENTS**

For 2018/19 there were no significant events after balance date (2017/18 nil).



## STATEMENTS OF SERVICE PERFORMANCE

During the 2018/19 year, Council achieved 77% of its non-financial performance targets which was a 10% reduction on what was achieved for the previous year. However, a lot of the targets that were not achieved were closed to being achieved.

Activity	2018/19 No. of Targets	2018/19 Results (Targets achieved)		2017/18 Achievement Rate
Democracy	5	3	60%	100%
Economic & Community Development	7	7	100%	100%
Environmental Services	18*	13	72%	84%
Roading	7	3	43%	55%
Stormwater	3	3	100%	100%
Water Supply	12	9	75%	77%
Wastewater	7	6	86%	100%
Solid Waste Management	4	4	100%	100%
Leisure and Recreation	16	12	75%	92%
<b>TOTAL*</b>	<b>79</b>	<b>60</b>	<b>76%</b>	<b>87%</b>

\*excludes the N/A targets

The following is a brief explanation of the targets that were not achieved and the actions being undertaken.

### Democracy

Only 105/139 (75.5%) of the annual works programme was completed. This was mainly as a result of two senior operations staff resigning during the year and there being a period before replacements were employed. Council has since created an additional operations position to ensure this target will be met. Also there were only 42,300 visits (target: >44,000) to the Council website. Council has recently engaged a communication manager to ensure that the website is kept up to date and the information is relevant to the community. Also Council will be looking at more options for residents to do business on-line.

### Environmental Services

There was 15/16 inspections of registered food premises. The owner of the premise was unable to be contacted (despite 3 separate visits) but this target is expected to be achieved for future.

There were 25 noise complaints and 8 dog complaints that were responded to outside the target timeframes. These responses mostly resulted from the transition from the previous contractor to a new contractor. Now that the new contractor is established it is expected that these targets will be achieved.

### Civil Defence

Council continues to improve its planning to respond to civil defence emergencies. There were still 2 civil defence plans that had not been reviewed in the last 3 years, but it is intended that they will be reviewed during the 2019/20 year. Also it is expected that at least 85% of staff will have been identified and trained for their respective civil defence roles.

### Roading

Council did not achieve the targeted timeframes for responding to all streetlight outages and also there was 1 footpath that exceeded the timeframe for repairs. Council is working with its contractors to address these delays.

Council only resurfaced 4% of its sealed roads during the year (Target: 5.0% - 6.5%). NZTA has recently reviewed the quality of the district's roads and determined that Council does not need to resurface roads as often as it has been doing. Therefore, it will fund a reduced portion of road reseals and Council is unlikely to achieve this target for the future (unless it decides to fund all the additional reseals from rates). Also the districts roads ride quality was less than 95% (93%) which reflects the reduced amount of resealing.

### Water Supply

Council commenced chlorinating the water supply from 1 July 2018 but ceased chlorinating during part of the year while trying to resolve the discoloured water. During this time, there was one incident of protozoal non-compliance. Also, there were numerous complaints about the taste and "dirty water" after the release of built-up manganese from the water reticulation pipes. Council has since completed a programme of "air scouring" the water mains to remove this build-up, and is confident that most of the discoloured water issues have been addressed.

Also there were 13 shutdowns of the water reticulation system during the year, which resulted from contractors thrusting fibre cable. (the contractor has been charged for the cost of the repairs). Once this project is completed it is expected that there will significantly less shutdowns occurring during the year.

### Wastewater

Council was issued with an abatement notice for exceeding total suspended solids on waste water disposed to land. Council has addressed the issue and does not expect it to occur again.

### Leisure and Recreation

Council achieved most of its targets in the leisure and recreation activity apart from the availability of the town hall for the year (it was available for 48 weeks, not at least 50 weeks) as it was needed to be closed for an extended period for maintenance and strengthening works. Also the number of visitors to the library was below the target for the year. This resulted from the library needing to be closed for approximately four weeks while alterations were being carried out.

Only 157 objects were accessioned into the museum for the year (target: at least 200), which was due to both museum staff resigning during the year and there being a delay prior to appointing replacements. Finally, there was only 7 playground inspections (target: at least 12) done during the year. This was due to staff shortages in this area during the year.

