



KAWERAU DISTRICT COUNCIL

Annual Report Summary

For the Year Ended 30 June 2018



MAYOR'S MESSAGE

2017/18 was a good year for Council with a number of projects being completed and residents seeing a number of improvements for the town.

For the year Council had an operating deficit of \$1,839,439 for the year compared to a budgeted deficit of \$683,700.

The reasons for this increased operating deficit were:

- Clean-up and repair costs following storm damage events
- Additional depreciation and loss on disposal of assets
- Additional consultants costs mostly for the building control activity so Council could meet the additional workload and retain its accreditation
- Additional costs for responding to noise and dog complaints
- Increased cleaning costs for public toilets and pool

However, there were some major achievements for 2017/18 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.
- 87% of Council's performance targets were achieved and most of those that were not achieved were very close to the target.
- Completion of various asset renewal projects, to ensure that Council continues to deliver high quality services to the community

The major renewal projects completed during the year, included:

- Renewal and upgrade of the town's streetlights to LED which resulted improved lighting and lower electricity consumption
- Significant progress on the renewal of damaged and dangerous footpaths.
- Extended water supply and wastewater pipeline along Tamarangi Drive
- New lime and chlorine dosing plant to improve the health of the town's water supply
- Renewal of the wastewater pipe along Plunket Street and Glasgow Street
- Construction of a new BBQ area in the swimming pool complex as well as renewal of the cobblestones
- Completion of the museum storage and archives building
- Earthquake strengthening of the concert chamber to enable it to be an Emergency Operations Centre in the event of a civil defence emergency
- Renewal of two of the bridges along Stoneham Walk

Council had set aside reserves to fund these projects, so loans were not needed

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 30 October 2018 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 2018

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 2018.

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 2018;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance.

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 2018 in our auditor's report dated 30 October 2018.

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
30 October 2018

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2018

<u>2016/17</u>		<u>Budget</u>	<u>2017/18</u>
	Revenue		
9,211,671	Rates	9,477,847	9,520,685
861,796	Subsidies and grants	476,250	872,179
1,220,256	Fees and charges	947,330	1,234,330
277,295	Interest revenue	329,850	236,259
65,980	Other revenue	61,150	67,533
11,636,998	Total Revenue	11,292,427	11,930,986
	Expense		
4,189,274	Personnel costs	4,454,130	4,391,409
2,845,263	Depreciation and amortisation expense	2,694,450	3,032,886
2,639	Finance costs	13,907	6,226
5,267,902	Other expenses	4,813,640	6,231,184
56,330	Loss on disposal of property, plant and equipment	0	108,720
12,361,408	Total Expense	11,976,127	13,770,425
(724,410)	SURPLUS/(DEFICIT)	(683,700)	(1,839,439)
0	Gain on revaluation	0	0
(724,410)	TOTAL COMPREHENSIVE REVENUE AND EXPENSE	(683,700)	(1,839,439)

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2018

<u>2016/17</u>	<u>Total Equity</u>	<u>Budget</u>	<u>2017/18</u>
69,289,228	Balance at 1 July	68,866,638	68,564,818
(724,410)	Total Comprehensive Revenue and Expense	(683,700)	(1,839,439)
68,564,818	Closing Balance	68,182,938	66,725,379
	Equity represented by:		
37,016,580	Accumulated funds	36,356,834	35,678,738
31,548,238	Other reserves	31,826,104	31,046,641
68,564,818		68,182,938	66,725,379

STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

<u>2016/17</u>		<u>Budget</u>	<u>2017/18</u>
	ASSETS		
9,261,096	Current assets	10,076,420	8,433,363
<u>62,057,025</u>	Non-current assets	<u>61,173,193</u>	<u>61,954,131</u>
<u>71,318,121</u>	TOTAL ASSETS	<u>71,249,613</u>	<u>70,387,494</u>
	LIABILITIES		
2,386,141	Current liabilities	2,714,246	3,278,847
<u>367,162</u>	Non-current liabilities	<u>352,429</u>	<u>383,268</u>
<u>2,753,303</u>	TOTAL LIABILITIES	<u>3,066,675</u>	<u>3,662,115</u>
	EQUITY		
37,016,580	Accumulated funds	36,356,834	35,678,738
<u>31,548,238</u>	Other reserves	<u>31,826,104</u>	<u>31,046,641</u>
<u>69,564,818</u>	TOTAL EQUITY	<u>68,182,938</u>	<u>66,725,379</u>

STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2018

<u>2016/17</u>		<u>Budget</u>	<u>2017/18</u>
2,727,069	Net cash from operating activities	2,104,497	1,171,039
(1,145,024)	Net cash to investing activities	(2,293,440)	(1,386,123)
(19,537)	Net cash from financing activities	(15,000)	22,031
1,562,508	Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(203,943)	(193,053)
863,952	Cash, cash equivalents and bank overdrafts at the beginning of the year	8,726,353	2,426,460
<u>2,426,460</u>	Cash, cash equivalents and bank overdrafts at the end of the year	<u>8,522,410</u>	<u>2,233,407</u>

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 2018, 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) 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 2018 were authorised for issue by Council on 30 October 2018. 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 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 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 2017/18 are as follows:

Statement of Comprehensive Revenue and Expense

The significant variances from KDC's estimated figures include: additional grants received for events and projects undertaken during the year, increased transfer station revenue and additional funding received to compensate Council for the repairs needed following damage to the water pipe bridge.

There was corresponding additional expenditure for events and projects, refuse disposal as well as the repairs to the water pipe bridge which was offset by the additional funding. There was less interest revenue resulting from lower interest rates and less funds.

Also there was additional expenditure for flooding clean up and repairs as well increased expenditure for consultants, cleaning and depreciation.

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

Statement of Financial Position

Current assets are lower than budget because there was less cash than was budgeted as a result of additional unplanned expenditure.

Also, Property Plant and Equipment is greater than budget following the revaluation of Council's assets (@ 30 June 2016) being higher than anticipated.

Current liabilities are higher than budget mostly as a result of the timing of the expenditure, while the non-current liabilities are close to budget.

Statement of Cash Flow

Cash flow from operating activities is lower than budget because:

- additional expenditure for storm damage repairs,
- additional expenditure for damage to water supply bridge
- additional expenditure for refuse disposal, events, cleaning and consultants (for building control activity)
- there was some additional grant revenue for events and also additional rates revenue resulting from less arrears and increased rates paid in advance

Cash out-flow from investing activities was lower than budget as Council reduced the amount of fixed term investments (> 90 days) by \$1.2 million for the year, and receiving \$58k for the sale of vehicles. This was offset by Council spending an additional \$351k on capital projects which included projects carried forward from the previous year and some additional projects that were added during the year.

The net cash in-flow for financing activities was finance leases received (less the lease repayments made during the year) to fund some office equipment.

STATEMENT OF COMMITMENTS

Council had no capital commitments at 30 June 2018 (2017 - \$60,500).

STATEMENT OF CONTINGENT LIABILITIES

Council had no contingent liabilities at 30 June 2018 (2017 - nil)

POST BALANCE DATE EVENTS

In 2017/18 there were no significant events after balance date (2016/17 nil).



STATEMENTS OF SERVICE PERFORMANCE

During the 2017/18 year, Council achieved 87% of its non-financial performance targets which was a 13% improvement on what was achieved for the previous year.

Activity	2017/18 No. of Targets	2017/18 Results (Targets achieved)		2016/17 Achievement Rate
Democracy	5	5	100%	75%
Economic & Community Development	13	13	100%	92%
Environmental Services	31	26	84%	69%
Roading	11	6	55%	77%
Stormwater	4	4	100%	100%
Water Supply	13	10	77%	71%
Wastewater	8	8	100%	89%
Solid Waste Management	3	3	100%	86%
Leisure and Recreation	24	22	92%	76%
TOTAL*	112	97	87%	77%

*excludes the N/A targets

The following actions are being taken to address the 15 targets that were not achieved.

Environmental Services

There was one user (of those surveyed) of the building services activity that was not satisfied with the service they received. Since this survey was undertaken Council has significantly improved the level of service for this activity and expects to achieve 100% satisfaction in future.

There was only 1/5 audits undertaken of food premises due to insufficient resourcing. Additional resources have since been added so this target is expected to be achieved for future.

There were 22 noise complaints and 20 dog complaints were responded to outside the target timeframes. This issue has been raised with the contractor and it is expected that performance will improve.

Civil Defence

Council continues to improve its planning to respond to civil defence emergencies. There were 5 civil defence plans that had not been reviewed in the last 3 years, but it is intended that they will be reviewed during the 2018/19 year.

Roading

Council did not achieve the target of repairing 90% of reported potholes within 14 days and also there were 2 dangerous footpaths that exceeded the timeframe for repairs. Council is working with its contactors to address these delays.

Council only resurfaced 1.4% of its sealed roads during the year, however, these were the hotmix surfaces, which are considerably more expensive than chip seal. Council will achieve this target in future years, when it resurfaces other roads.

Water Supply

There were 2 instances of bacterial non-compliance and one for protozal, during the year. Council commenced chlorinating the water supply from 1 July 2018 and therefore it is expected that these targets will be achieved.

Also there were 12 complaints (4.44 per 1,000 connections) during the year concerning water clarity. Staff will ensure that quality (including clarity) of the water supply is excellent.

Finally, the leakage of water exceeded Council's target and staff will investigate where leaks occur and fix them as soon as possible.

Leisure and Recreation

Council achieved most of its targets in the leisure and recreation activity apart from the availability of the concert chambers for the year (was available for 46 weeks, not, at least 50 weeks) as it was needed to be closed for an extended period for earthquake strengthening work. Also the number of active library users was below the target for the year. This reflects the changing demographic of the community and leisure pastimes.

