



# KAWERAU DISTRICT COUNCIL

## Annual Report Summary

For the Year Ended 30 June 2017



## MAYOR'S MESSAGE

2016/17 was another fairly successful year for Council with a number of projects being completed while maintaining a strong financial position despite there being some unanticipated expenditure resulting from storms and flooding.

For the year Council had an operating deficit of \$724,410 for the year compared to a budgeted deficit of \$454,840.

The reasons that Council had an increased operating deficit were:

- Clean-up and repair costs following the flooding in February
- Additional engineering resource and consultants to deliver projects and services during the year
- Additional depreciation following the revaluation of Council's asset at 30 June 2016

Some of the major achievements for 2016/17 included:

- Ongoing successful management, as well as securing additional funding for the iconic events for Kawerau including Woodfest, King of the Mountain Race and Christmas in the Park.
- 77% of Council's performance targets were achieved and most of those that were not achieved were very close to the target.
- Council elections in October 2016 which saw two new councillors being elected
- Completion of various asset renewal projects and very good progress on others, to ensure that Council continues to deliver high quality services to the community
- Taking the information centre back in-house and obtaining i-site accreditation

There were also a number significant construction projects undertaken during the year which have greatly enhanced the town and will benefit residents. These included:

- Construction of new splash-pad at the swimming pool complex (which is part of the second stage of the pool redevelopment programme)
- Completion of Firmin Lodge from rugby clubrooms into an events and accommodation facility.
- Completion of the new swimming pool changing rooms
- Construction of new high tech public toilets in response to submissions from the community
- New lighting for the netball and tennis courts at the entrance to our town
- Conversion of the shop space at 16 – 18 Jellicoe Court into a museum storage and archives building

Council was fortunate to be able to obtain grants as well as use 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 31 October 2017 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 2017**

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 2017.

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 2017;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2017;
- 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 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 2017 in our auditor's report dated 31 October 2017.

### **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 2017

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2017

<u>2015/16</u>		<u>Budget</u>	<u>2016/17</u>
	<b>Revenue</b>		
9,024,746	Rates	9,051,280	9,211,671
924,942	Subsidies and grants	451,760	861,796
726,169	Fees and charges	938,310	1,220,256
356,232	Interest revenue	294,320	277,295
61,572	Other revenue	59,830	65,980
<b>11,093,661</b>	<b>Total Revenue</b>	<b>10,795,500</b>	<b>11,636,998</b>
	<b>Expense</b>		
3,852,651	Personnel costs	4,062,680	4,189,274
2,765,401	Depreciation and amortisation expense	2,567,580	2,845,263
3,298	Finance costs	2,710	2,639
4,547,303	Other expenses	4,617,370	5,267,902
25,591	Loss on disposal of property, plant and equipment	0	56,330
<b>11,194,244</b>	<b>Total Expense</b>	<b>11,250,340</b>	<b>12,361,408</b>
<b>(100,583)</b>	<b>SURPLUS/(DEFICIT)</b>	<b>(454,840)</b>	<b>(724,410)</b>
4,128,227	Gain on revaluation	0	0
<b>4,027,644</b>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(454,840)</b>	<b>(724,410)</b>

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2017

<u>2015/16</u>	<b>Total Equity</b>	<u>Budget</u>	<u>2016/17</u>
65,261,584	Balance at 1 July	66,573,090	69,289,228
4,027,644	Total Comprehensive Revenue and Expense	<b>(454,840)</b>	<b>(724,410)</b>
<b>69,289,228</b>	<b>Closing Balance</b>	<b>66,118,250</b>	<b>68,564,818</b>
	<b>Equity represented by:</b>		
37,325,994	Accumulated funds	35,942,993	37,016,580
31,963,234	Other reserves	30,175,267	31,548,238
<b>69,289,228</b>		<b>66,118,260</b>	<b>68,564,818</b>

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

<u>2015/16</u>		<u>Budget</u>	<u>2016/17</u>
	<b>ASSETS</b>		
10,485,155	Current assets	9,593,130	9,261,096
61,757,645	Non-current assets	59,301,184	62,057,025
<b>72,242,800</b>	<b>TOTAL ASSETS</b>	<b>68,894,314</b>	<b>71,318,121</b>
	<b>LIABILITIES</b>		
2,619,866	Current liabilities	2,612,447	2,386,141
333,706	Non-current liabilities	163,607	367,162
<b>2,953,572</b>	<b>TOTAL LIABILITIES</b>	<b>2,776,054</b>	<b>2,753,303</b>
	<b>EQUITY</b>		
37,325,994	Accumulated funds	35,942,993	37,016,580
31,963,234	Other reserves	30,175,267	31,548,238
<b>69,289,228</b>	<b>TOTAL EQUITY</b>	<b>66,118,260</b>	<b>68,564,818</b>

## STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2017

<u>2015/16</u>		<u>Budget</u>	<u>2016/17</u>
2,161,454	Net cash from operating activities	2,136,860	2,727,069
(3,388,395)	Net cash to investing activities	(2,342,000)	(1,145,024)
(17,116)	Net cash from financing activities	(13,557)	(19,537)
<b>(1,244,057)</b>	<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(218,697)</b>	<b>1,562,508</b>
2,108,009	Cash, cash equivalents and bank overdrafts at the beginning of the year	8,348,707	863,952
<b>863,952</b>	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>8,130,010</b>	<b>2,426,460</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 2017, 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 2017 were authorised for issue by Council on 31 October 2017. 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 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 2016/17 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 remove tyres on Council land.

There was corresponding additional expenditure for events and projects, refuse disposal as well as the removal of tyres which was offset by the additional funding.

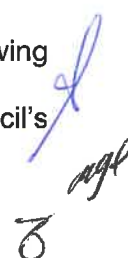
Also there was additional expenditure for flooding clean up and repairs as well increased expenditure for consultants and additional engineering resource.

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 were less outstanding rates at year end following the sale of some properties with long outstanding rates.

Also, Property Plant and Equipment is greater than budget following the revaluation of Council's assets being higher than anticipated.



Current liabilities are lower than budget while the non-current liabilities are lower mostly resulting from the timing of expenditure.

### **Statement of Cash Flow**

Cash flow from operating activities is higher than budget because:

- increased rate income received which included some long overdue rates,
- additional grants received to fund events and projects, and
- additional fees received for refuse disposal.

Cash out-flow from investing activities was lower than budget as Council reduced the amount of fixed term investments (> 90 days) by \$2.5 million for the year. This was offset by Council spending an additional \$1.3 million on capital projects which included projects carried forward from the previous year and some additional projects that were added during the year.

The cash out-flow for financing activities was to repay finance leases used to fund some office equipment

### **STATEMENT OF COMMITMENTS**

Council had capital commitments of \$62,500 for the archives and museum storage building and playground fence at 30 June 2017 (2016 - \$200,757).

### **STATEMENT OF CONTINGENT LIABILITIES**

Council had no contingent liabilities at 30 June 2017 (2016 - nil)

### **POST BALANCE DATE EVENTS**

In 2016/17 there were no significant events after balance date (2015/16 nil).





## STATEMENTS OF SERVICE PERFORMANCE

During the 2016/17 year, Council achieved 77% of its non-financial performance targets.

Activity	2016/17 No. of Targets	2016/17 Results		2015/16 Achievement Rate
		(Targets achieved)		
Democracy	8	6	75%	80%
Economic & Community Development	13	12	92%	85%
Environmental Services	35	24	69%	79%
Roading	13	10	77%	73%
Stormwater	4	4	100%	75%
Water Supply	14	10	71%	85%
Wastewater	9	8	89%	88%
Solid Waste Management	7	6	86%	100%
Leisure and Recreation	38	29	76%	91%
<b>TOTAL*</b>	<b>141</b>	<b>109</b>	<b>77%</b>	<b>83%</b>

As part of the 2016/17 non-financial performance targets, Council carried out its three yearly community satisfaction survey (with council services).

Highlights of the survey were:

- Council continued to maintain or increase community satisfaction for most of the measures since 2011.
- The community satisfaction rating with Council is higher than the peer group and national averages for most measures.
- Community satisfaction with the performance of the Mayor and Councillors is 89% higher than peer group average and 78% above the national average.

The only activities that had 10% or more not very satisfied were Dog Control (29%), Public Toilets (22%), Footpaths (14%) and Storm water removal and protection from flooding (10%).

Overall there were 32 targets that were not achieved, but for most of the targets that were not achieved, Council was close to achieving them.

For the democracy activity Council had a target of completing >90% of its annual works programme for the year, but only 69% of the programme by year end. However, a number of the major items were in progress, and are expected to be completed early in the New Year. Also Council has allocated additional resources to assist with the annual works programme. The other target that was not achieved was community satisfaction with council consultation (target >71%). There was 63% community satisfaction with council consultation, and Council will continue to review its consultation methods to improve the level of engagement with the community.

For the economic and community development activity there was only one target not achieved. Council had intended to deliver all youth programmes during the year as agreed with the Ministry of Youth Development. However, two programmes were delivered after the end of the year.

For environmental services, while there were eleven targets which were not achieved, this was as a result of timeframes just being exceeded or satisfaction levels being slightly lower than the target. Council will be reviewing both the resourcing for the environmental services activities and the targets during the upcoming year.

For the roading activity, three targets were not achieved, the survey of footpaths was not carried out until July 2017, 10.7% of total roads were resealed (target between 5 – 6.5%) and one reported streetlight outage was repaired outside the 28 day target. Council is confident these targets will be achieved in the upcoming year.

Council did not achieve four of its targets for the water supply activity. Council achieved 96% community satisfaction for water supply (target was >97%) which was still a very good result. There were three instance of e-coli contamination and one instance of protozoal non-compliance, there were eight complaints about water pressure (target <6) and there were two unplanned shutdowns of the water pump station. Council is reviewing the treatment methods for the water supply to ensure the delivery of high quality drinking water for residents.

For the wastewater activity one target was not achieved: community satisfaction with the wastewater service was 91% (target >97%). While for the solid waste activity the target requiring compliance with the resource consent was not achieved. Staff are in the process of reviewing the consent conditions with the Regional Council.

For the leisure and recreation activities nine targets were not achieved. Eight of the not achieved targets were because the community and user satisfaction levels were below the target and only 27.5% of the population were active users of the library compared to a target of 35%.

Council will be undertaking a comprehensive review of its non-financial performance targets during the upcoming year to ensure that they are achievable and the community wants the level of service that is being delivered.

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