



**KAWERAU DISTRICT COUNCIL**  
**Annual Report Summary**  
For the Year Ended 30 June 2022



## MAYOR'S MESSAGE

Kia Ora and welcome to Council's annual report summary for the year ended 30 June 2022.

Overall, it was a good year with Council continuing to maintain excellent services for residents while still being in a reasonably strong financial position.

For the 2021/22 year Council there was a deficit of \$110.9k which was only \$2.9k more than budget. During the year Council spent an additional \$745.6k more than budget on operations, but also received \$742.7k more revenue than budget. This additional revenue resulted from additional grants income received for: swimming pool renovations, 3 waters reforms and employment initiative funding. The additional expenditure mostly resulted from the increased cost of solid waste disposal (both increased volume and the cartage & disposal costs)

COVID-19 pandemic continued to impact on Council and the community during the year with projects from the previous year having to be carried out during the year and some projects being delayed due to shortages in materials.

For the 2021/22 financial year, Council spent \$6.0 million on capital/renewal projects.

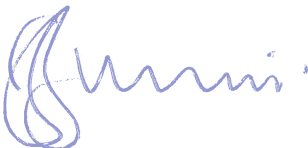
The major achievements during the 2021/22 financial year included:

- Continued delivery of council services to a high standard throughout the year
- Construction and sale of eight units in the Porritt Glade Lifestyle Village. The total number of units in the village is 18
- Renewal of 4.9 kms of watermains in the Plunket Street and Onslow Street areas
- Replacement of 2.5 kms of wastewater pipes in the CBD and Plunkett Street
- Construction of a new entranceway and staffroom at the Aquatic Centre
- Continued progress and renewal of damaged and dangerous footpaths as well as kerb and channels

There were some significant changes announced for local government during the previous year, including: 3 waters reforms, reviewing the Resource Management Act and the Future of Local Government reform. However, there are concerns that these reforms may not result in the best outcomes for Council or the community. Council will continue to inform the community on likely future impacts of these reforms as soon as they are known.

Also the community's biggest ratepayer announced that it was ceasing operating from 30 June 2021, but there was no impact on rates for 2021/22. However due to the reduced valuation for this ratepayer, Council had to consult the community and determine how the resulting rating shortfall for 2022/23 was going to be allocated.

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.



F K N Tunui  
**MAYOR**

This Summary Annual Report was authorised by:  
Russell George, Chief Executive Officer on 15 March 2023 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 2022

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 2022.

The summary of the annual report comprises the following information on pages 6 to 11:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- 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 2022 in our auditor's report dated 26 April 2023.

Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the water services reform programme. Legislation passed in December 2022 established four publicly owned water services entities to carry out responsibilities for the delivery of three water services and related assets and liabilities currently controlled by local authorities. A water services Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament. Until the Bill is passed, the financial impact of the transfer on the District Council, remains uncertain.

On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.

Our auditor's report on the full annual report also includes a paragraph acknowledging that our audit was completed later than required by section 98(7) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

### **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.

In addition to our audits of the District Council and our report on the disclosure requirements, we have performed a limited assurance engagement related to the District Council's debenture trust deed, which are compatible with those independence requirements. Other than these engagements, we have no relationship with or interests in the District Council.



René van Zyl,  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand  
26 April 2023

## **IMPACT OF COVID-19**

The lockdown in the previous financial year and early in 2021/22, restricted some Council services and delayed some capital projects. Some projects and corresponding revenue were delayed until 2021/22. Also the restrictions put in place by the Government continued to impact Council's revenue and expenditure during the 2021/22 financial year.

## **SIGNIFICANT RATEPAYER**

In the previous year Norske Skog, which paid approximately 20% of Council's total rates, announced that it was ceasing operations and selling the site and assets. This significantly impacted Council's rates for the 2022/23 financial year and during the year Council consulted the community on options for spreading the rating shortfall over the various ratepayer groups.

## **LEGISLATIVE REFORMS**

Government previously announced that it was reviewing three significant areas of local government. These included:

- The three waters reforms
- Review of the Resource and Management Act 1991
- Review of the functions undertaken by local government

The 3 waters reform proposal by Government is that local authorities would no longer be responsible for delivering these activities and the assets would transfer to 4 entities to deliver the services. Council does not believe this reform will be in the best for the community and has joined Communities 4 Local Democracy with 33 other councils which are opposing the Government's reform.

Also a ministerial enquiry into the future of local government was undertaken during the previous year focusing on council's roles, functions and partnerships, representation and governance and funding and finance. A report with recommendations was scheduled for September 2022.

A resource review panel was appointed at the beginning of the financial year, to undertake a comprehensive review of the Resource Management Act and the relationship between affected parties. Government confirmed that the RMA will be repealed and replaced with 3 new acts.

## **Assumptions**

There is the possibility that the COVID-19 pandemic will further impact the community in the future and in turn this will affect Council's revenue, however, this risk is considered to be low. The district's industry continues to operate without reduction to their operations or workforce numbers. In addition, rate collection percentages are similar to previous years. Council continues to encourage ratepayers to let us know if they are having difficulties. Only a small percentage of Council's revenue is dependent on visitor numbers and while there may be temporary reduction in this revenue, it is likely to be minimal.

The three waters reform will have a significant impact for local government and their respective communities. No doubt this will influence the future of the Local Government reforms as councils will have significantly reduced activities and revenue unless other functions are given to them.

The RMA reforms are unlikely to impact significantly on the district

Council has prepared these accounts under a going concern assumption and at the time of preparing this report, it is planning to continue to deliver the services as provided in Council's 2021 – 31 Long Term Plan.

Council is confident it can continue providing excellent services to the community, at a cost the community is able to afford.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2022

\$		\$	\$
<u>2020/21</u>		<u>Budget</u>	<u>2021/22</u>
	<b>Revenue</b>		
10,673,155	Rates	11,244,050	11,296,785
3,178,444	Subsidies and grants	1,241,850	1,518,712
1,644,801	Fees and charges	1,800,300	2,235,266
17,574	Interest revenue	16,990	16,770
956,628	Other revenue	670,000	560,732
0	Vested assets	0	88,600
<u>16,470,602</u>	<b>Total Revenue</b>	<u>14,973,190</u>	<u>15,715,865</u>
	<b>Expense</b>		
5,203,731	Personnel costs	5,868,230	5,703,185
3,375,028	Depreciation and amortisation expense	3,238,240	3,518,140
2,602	Finance costs	28,980	1,472
6,311,527	Other expenses	5,945,730	6,473,822
152,420	Loss on disposal of property, plant and equipment	0	130,173
<u>15,045,308</u>	<b>Total Expense</b>	<u>15,081,180</u>	<u>15,826,792</u>
<b>1,425,294</b>	<b>SURPLUS/(DEFICIT)</b>	<b>(107,990)</b>	<b>(110,927)</b>
13,780,169	Gain on revaluation	1,750,190	18,817,736
<u>15,205,463</u>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<u>1,642,200</u>	<u>18,706,809</u>

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2022

\$		\$	\$
<u>2020/21</u>		<u>Budget</u>	<u>2021/22</u>
	<b>Total Equity</b>		
71,035,964	Balance at 1 July	71,392,484	86,241,427
15,205,463	Total Comprehensive Revenue and Expense	1,642,200	18,706,809
<u>86,241,427</u>	<b>Closing Balance</b>	<u>73,034,684</u>	<u>104,948,236</u>
	<b>Equity represented by:</b>		
37,211,385	Accumulated funds	35,190,673	37,258,721
49,030,042	Other reserves	37,844,011	67,689,515
<u>86,241,427</u>		<u>73,034,684</u>	<u>104,948,236</u>



## STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

\$ <u>2020/21</u>		\$ <u>Budget</u>	\$ <u>2020/21</u>
	<b>ASSETS</b>		
7,476,762	Current assets	7,354,974	6,821,559
85,536,874	Non-current assets	71,511,495	106,791,648
<b>93,013,636</b>	<b>TOTAL ASSETS</b>	<b>78,866,469</b>	<b>113,613,207</b>
	<b>LIABILITIES</b>		
6,546,344	Current liabilities	3,577,176	8,453,652
225,865	Non-current liabilities	2,254,609	211,319
<b>6,772,209</b>	<b>TOTAL LIABILITIES</b>	<b>5,831,785</b>	<b>8,664,971</b>
	<b>EQUITY</b>		
37,211,385	Accumulated funds	35,190,673	37,258,721
49,030,042	Other reserves	37,844,011	67,689,515
<b>86,241,427</b>	<b>TOTAL EQUITY</b>	<b>73,034,684</b>	<b>104,948,236</b>

## STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2022

\$ <u>2020/21</u>		\$ <u>Budget</u>	\$ <u>2021/22</u>
5,205,942	Net cash from operating activities	3,351,504	1,985,306
(3,862,799)	Net cash to investing activities	(3,491,450)	(2,920,338)
(20,053)	Net cash from financing activities	2,037,000	(14,875)
<b>1,323,090</b>	<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>1,897,054</b>	<b>(949,907)</b>
3,293,541	Cash, cash equivalents and bank overdrafts at the beginning of the year	2,942,640	4,616,631
<b>4,616,631</b>	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>4,839,694</b>	<b>3,666,724</b>

### Breach of Statutory Deadline

Kawerau Council was required under section 98 (7) (a) of the Local Government Act 2002 to complete and adopt its audited financial statements and service performance information by 31 December 2022. This time frame was not met because Audit New Zealand was unable to complete the audit due to auditor shortage and the consequential effects of Covid-19 including lockdowns.

## 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 2022, 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 2022 were authorised for issue by Council on 15 March 2023. 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 2021/22 are as follows:

### Statement of Comprehensive Revenue and Expense

The significant variances from the estimated figures include: additional income for subsidy and grants resulting from: "Pathways to Work" and "Mayor's Taskforce for Jobs" programmes and additional "other" revenue from disposal of sections at Central Cove.

There was additional expenditure for the employment schemes, waste disposal cost increases and removal of contaminated material from Central Cove.

### Statement of Financial Position

Cash and cash equivalents and other financial assets overall, were lower than budget due to additional expenditure for waste disposal and removal of contaminated material.

Non-current assets (as well as reserves) were higher than budget due to the revaluation of assets to 30 June 2022.

Liabilities overall were higher than the budget due to recognising the retirement village resident's liability – this had been anticipated to be an asset sale.



## **Statement of Cash Flow**

Subsidies and grants were higher than budget because additional grants were received for employment programmes.

Receipts from fees and charges were lower than budget however increased receipts from other sources offset this.

Payments to employees were lower than budget because there were some vacancies during the year.

There were 10 retirement units sold during the year, whereas the budget had anticipated 11 units being sold.

Also Council did not raise any loan funds as they were not needed during 2021/22.

## **STATEMENT OF COMMITMENTS**

Council had capital commitments at 30 June 2022 of \$2,923,800 for construction of 11 retirement units. (2021 - \$886,951.00).

## **STATEMENT OF CONTINGENT LIABILITIES**

Council had no contingent liabilities at 30 June 2022 (2021 - nil)

## **POST BALANCE DATE EVENTS**

The post balance date events included:

Legislation passed in December 2022 established four publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. A water services Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament. Until the Bill is passed, the financial impact of the transfer on the District Council, remains uncertain.

On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and staggering their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.

The other event after balance date included the increase in the OCR (Official Cash Rate) to 4.25% (and predicted to be 5.5% in 2023)

## STATEMENTS OF SERVICE PERFORMANCE

During the 2021/22 year, Council achieved 65% of its non-financial performance targets compared to 68% for the previous year.

Activity	2021/22 No. of Targets	2021/22 Results (Targets achieved)		2020/21 Achievement Rate
Democracy	3	1	33%	80%
Economic & Community Development	5	4	80%	86%
Environmental Services	11	7	64%	56%
Roading	7	4	57%	33%
Stormwater	3	3	100%	100%
Water Supply	12	10	83%	75%
Wastewater	7	3	43%	57%
Solid Waste Management	2	1	50%	100%
Leisure and Recreation	12	7	58%	63%
<b>TOTAL*</b>	<b>62</b>	<b>40</b>	<b>65%</b>	<b>68%</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

50% (target >90%) of the annual works programme was completed for the year to 30 June 2022. The reason the target was not achieved was due to the disruptions caused by the COVID-19 pandemic, and the resulting backlog of projects as well as shortage of materials faced by contractors. Also public forums were not held for the year due to the COVID19 pandemic.

### Economic and Community Development

The Covid-19 lockdown impacted on the delivery of events for December 2021, otherwise all targets would have been achieved.

### Environmental Services

There were four targets that were not achieved:

- Response times for dog complaints
- Response times to noise complaints
- Satisfaction with building consent process
- Response times to other environmental health complaints

The reason that most of these targets were not achieved was due resourcing shortages. Some of these shortages will be addressed for the 2022/23 year, so it is anticipated there will be less targets not achieved for the next financial year.

### Roading

Council did not achieve the targeted timeframes for responding to all streetlight outages. Council continues to work with the contactor to address the delays.

Also, Council resurfaced 1.2% of its sealed roads during the year (Target: 5.0% - 6.5%) and the road roughness score was 93% (Target: >95%).

Waka Kotahi (NZTA) has reviewed the quality of the district's roads and considered them to be in very good order and therefore Council does not need to resurface roads as often as it has been doing.

### Water Supply

Council received 2.9 complaints per 1,000 connections about water pressure during the year (target < 2 per 1,000). Staff are working with consultants to increase the water pressure for specific properties. Also there was 2 technical breaches for protozoal compliance, which will be remedied for the future.

### Wastewater

Council received fourteen infringement notices and consequently did not comply with the resource consent for wastewater due to material and volumes that were received from the dairy factory. Council has since entered to an agreement with the dairy factory to ensure that the resource consent is complied with and no further infringements are received, otherwise Council will stop any further trade waste being sent to the waste water treatment plant.

Also, Council had 4 dry weather during the year (Target: 0) due a sewer line collapse. Council has replaced the sewer line and is carrying an assessment programme to determine the remaining life of its pipes. Finally, Council took longer than 8 hours to resolve a sewer overflow due to the deterioration of the pipe, which was subsequently was renewed.

### Leisure and Recreation

Council achieved 58% of its targets for leisure and recreation during the year.

The COVID-19 restrictions resulted in some targets not being achieved. Also resourcing shortages and extended repairs needed for the pool contributed to other targets not being achieved.