

South Waikato District Council

SUMMARY
Annual Report 2021-22
Pūrongo ā-tau

Year 1 of the Long Term Plan 2021-31



SECURING **TODAY**. SHAPING **TOMORROW**. STRONG **FUTURE**.

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The council adopted the audited annual report for the 2021/22 year 15 March 2023 and authorised it for issue.

This summary provides the key points extracted from the full annual report. As a summary it cannot be expected to provide a complete understanding of the performance of the Council for the year.

Message from the Mayor and Chief Executive

The 2021-22 year was an exciting year, dominated by challenges, change and opportunity for Council and our community.

The COVID-19 recovery period continued to impact our ability to deliver our wide range of activities and projects as we negotiated through supply shortages, staff absenteeism and contractor availability.

Amid the challenges of COVID, Central Government made progress on several significant proposed changes to local government that will heavily impact our organisation going forward – namely three waters, review of the Resource Management Act (RMA) and the future of local government.

Since the initial announcement on the three waters reform, there has been a lot of frustration from both Council and our community. We still have a lot of unanswered questions.

The Government is proposing to establish four large entities to own and operate water supply, wastewater and stormwater across the country. Our Council joined Communities 4 Local Democracy (C4LD), along with 30 other councils. C4LD is trying to get the Government to slow down and look at some alternative models that may be a better fit for our country, and our District.

Three waters accounts for some 32% of our operating costs and 18% of our assets. Based on this, the impact on our Council and how we operate will be significant. Our most significant concerns remain. These are losing our local voice, loss of control of our assets, risk of privatisation and that the current proposed model may not be the best or only suitable model.

If the reforms do go ahead, our waters infrastructure will be handed to the new entity in a good state to continue to serve South Waikato communities.

The review of the RMA is also underway. This will likely affect how much of a say Council and our community has in how we tackle critical national issues like land use, housing, biodiversity management, climate change and

freshwater quality. It may also mean less community input into planning matters.

Council is focussed on promoting the South Waikato as a great place to live, work and invest through our Space to Grow business development programmes. We have worked hard with our partners and stakeholders to bring in new jobs and development to the District and attract Central Government funding.

The OFI dairy factory getting underway, Toi Ohomai Trade Training Centre start of construction, Impact Hub South Waikato opening, Putāruru retirement village announced, to name just a few, are all putting the South Waikato on the map.

Council's collaboration with the South Waikato Investment Fund Trust (SWIFT) continues. We work together on a range of initiatives such as attracting new businesses, business training and positioning the South Waikato to attract business investment.

Growth cells identified in Putāruru are under development and on the market. Our residential stock is expanding to support both our community growth and attract new residents.

Over and above our day-to-day service delivery, we also completed a number of large or high interest projects, including:

- commissioning the \$9.6m Tokoroa wastewater digester,
- successfully delivering over 18,000 wheelie bins to our urban properties,
- completing the Tīrau Domain,
- restoring our beloved Pineman,
- upgrading the dog pound,
- supporting our community through our digital partnership programme,
- refurbishing the Tīrau i-SITE,
- adopting our Annual Plan 2022-23,
- launching our Discover Different marketing campaign.
- and we successfully delivered 75 permanent placement positions for young people in the District as part of the WOKRIT project.

It's been a big year, full of change and opportunity.

Council took the bull by the horns in 2021-22 by supporting, facilitating, attracting and seeking economic opportunities to grow and improve our District and respond to our growing population and towns.

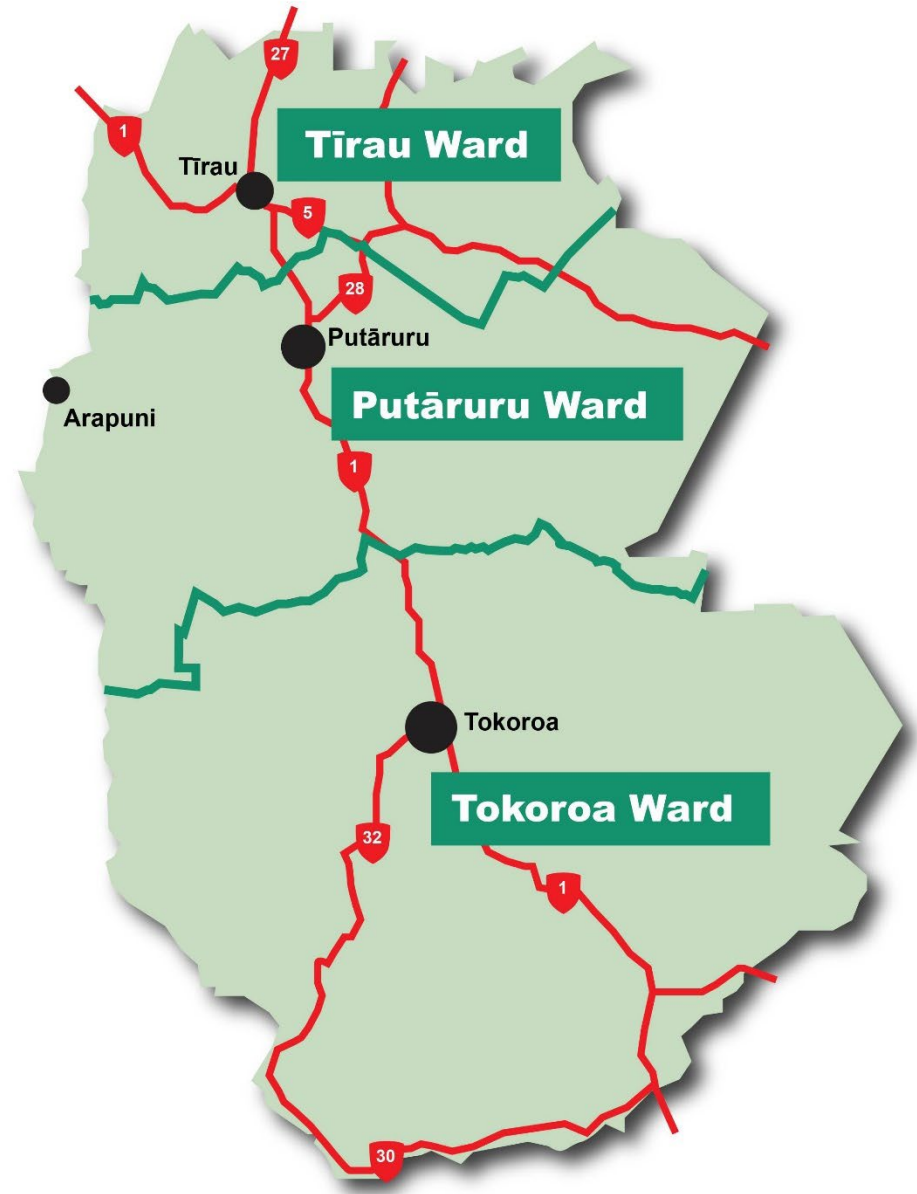
We can't slow down even in these uncertain times. We are rising to the challenge and 2022-23 looks set to be our biggest year yet.



Gary Petley
MAYOR



Susan Law
CHIEF EXECUTIVE



Mayor and Elected Member details

Elected Member Contact Details	Phone contact	E mail contact
Mayor		
Gary Petley	0272 343 370	gary.petley@southwaikato.govt.nz
Councillors		
Sandra Wallace	0273 365 094	sandra.wallace@southwaikato.govt.nz
Marie Farrell	0273 369 257	marie.farrell@southwaikato.govt.nz
Hans Nelis	0273 365 826	hans.nelis@southwaikato.govt.nz
Maria Te Kanawa	0273 368 750	maria.tekanawa@southwaikato.govt.nz
Hamish Daine	0273 361 676	hamish.daine@southwaikato.govt.nz
Thomas Lee	0273 178 758	thomas.lee@southwaikato.govt.nz
Bill Machen	0272 295 526	bill.machen@southwaikato.govt.nz
Rebekah Garner	0273 140 887	rebekah.garner@southwaikato.govt.nz
Josiah Teokotai	0272 121 326	josiah.teokotai@southwaikato.govt.nz
Kerry Purdy	0273 364 541	kerry.purdy@southwaikato.govt.nz
Tirau Community Board Members		
Kevin Slater		kevin.slater@southwaikato.govt.nz
Gaby Bond		gaby.bond@southwaikato.govt.nz
Graham Singers		graham.singers@southwaikato.govt.nz
Jessica Wanden		jessica.wanden@southwaikato.govt.nz

Our strategic direction




For more detail see page 12 - 20 of our 2021/22 Annual Report

Our Vision, Community Outcomes and Strategies were adopted as part of the 2021/31 Long Term plan and were in place for the 2021/22 year.

To put it simply, everything that Council does aligns with its strategies, outcomes and vision.
Our Council Vision:

'Healthy people thriving in a safe, vibrant and sustainable community.'

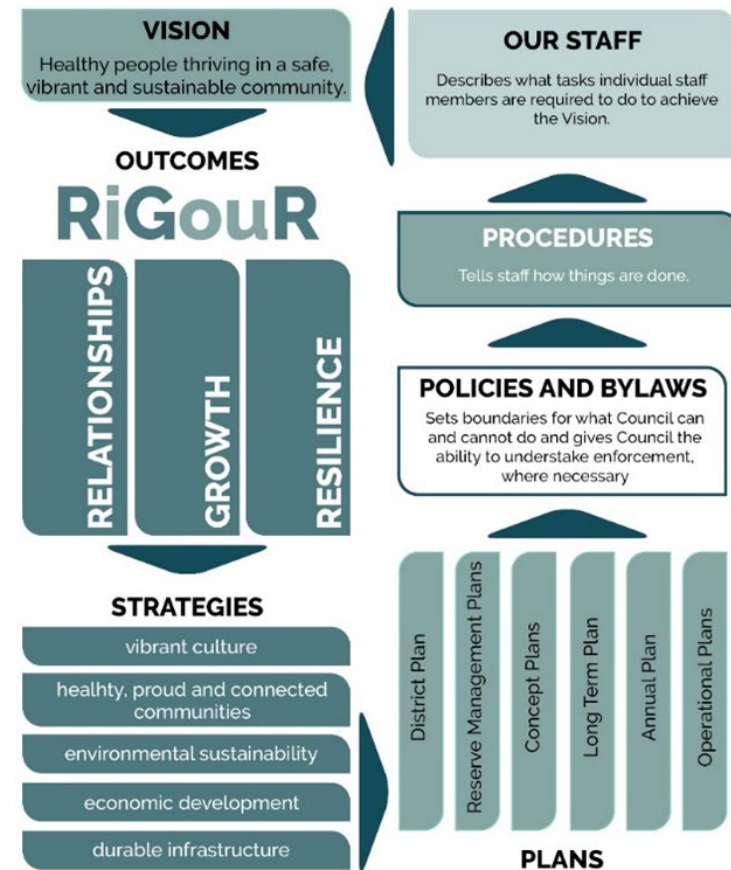
Aligning with our community outcomes, a high level set of goals that we aim to provide outputs and outcomes to provide a positive effect on our communities.

- Growth - to implement activities that facilitate sustainable economic growth to guide the activities, investments and projects undertaken by Council. 
- Resilience - to anticipate, resist, respond to and recover from significant change or events. Including storm events, financial management, rates, affordability, asset replacement, environmental sustainability, and climate change. 
- Relationships - to continue building stronger relationships with Iwi, Māori, Pacifica, community and businesses to achieve growth, resilience and collaboration. 

And aligning to our five key strategies:

- A vibrant culture
- A healthy, proud and connected community
- Environmental sustainability
- Economic development
- And durable infrastructure

And in turn providing outcomes contributing to the four Government wellbeing's.



Major budget variations

Statement of comprehensive revenue and expense

Subsidies and grants received for the year include unbudgeted funding from the Department of Internal Affairs for Three Waters capital projects.

Finance revenue includes unrealised gains on revaluation of interest rate swaps where no budget allowance is made due to unpredictability of interest rate movements.

Statement of Financial Position

Total equity is \$94.4m greater than budget due to asset revaluations being completed for Roding and Three Waters asset classes during a period of very rapid price increases for infrastructure assets.

Property, Plant and Equipment shows the equivalent effect of the revaluation outcome noted above, tempered by the capital expenditure programme lagging budgeted spend which also means our debt is lower than budget and cash held is greater than budget.

Statement of Cashflows

Purchase of property plant and equipment is greater than budget due to catching up on some of the previous year's capital expenditure programme. Loans raised and repaid are significantly different from budget due to the rolling over (repaying on due date and contracting to new loans) of short-term debt instruments.

COVID-19 Impact

New Zealand has been impacted by the COVID-19 pandemic but the effect on revenue for Council has not been significant. The impact of the changes in alert levels has been relative to the facilities not being able to be used by the public, resulting in a reduced number of pool attendees and library patrons. The use of the South Waikato Sports and Events Centre for events such as weddings and significant birthdays was impacted by regional lockdowns, travel restrictions and level changes because family was unable to travel to attend. The most significant effect that the COVID-19 pandemic

has had is the delay in the sourcing of materials and resources for the completion of capital projects. A lot of the budgeted funds for the projects have been committed through various contracts This has resulted in a need to carryover budgets from the 2021-22 year to the 2022-23 to complete the projects.

Basis of preparation

The Summary Annual Report has been prepared in accordance with Public Benefit Entities Financial Reporting Standard No.43 Summary Financial Statements (PBE FRS 43).

The presentation currency of the financial statements is New Zealand dollars and values are rounded to the nearest thousand dollars.

The specific disclosures included in the Summary Report have been extracted from the corresponding full Annual Report, which was authorised for issue by Council on 15 March 2023.

South Waikato District Council has designated itself as a public benefit entity for the purposes of financial reporting. The full financial statements included in the full Annual Report have been prepared in accordance with NZ GAAP and they comply with Tier 1 Public Benefit Entity (PBE) Standards.

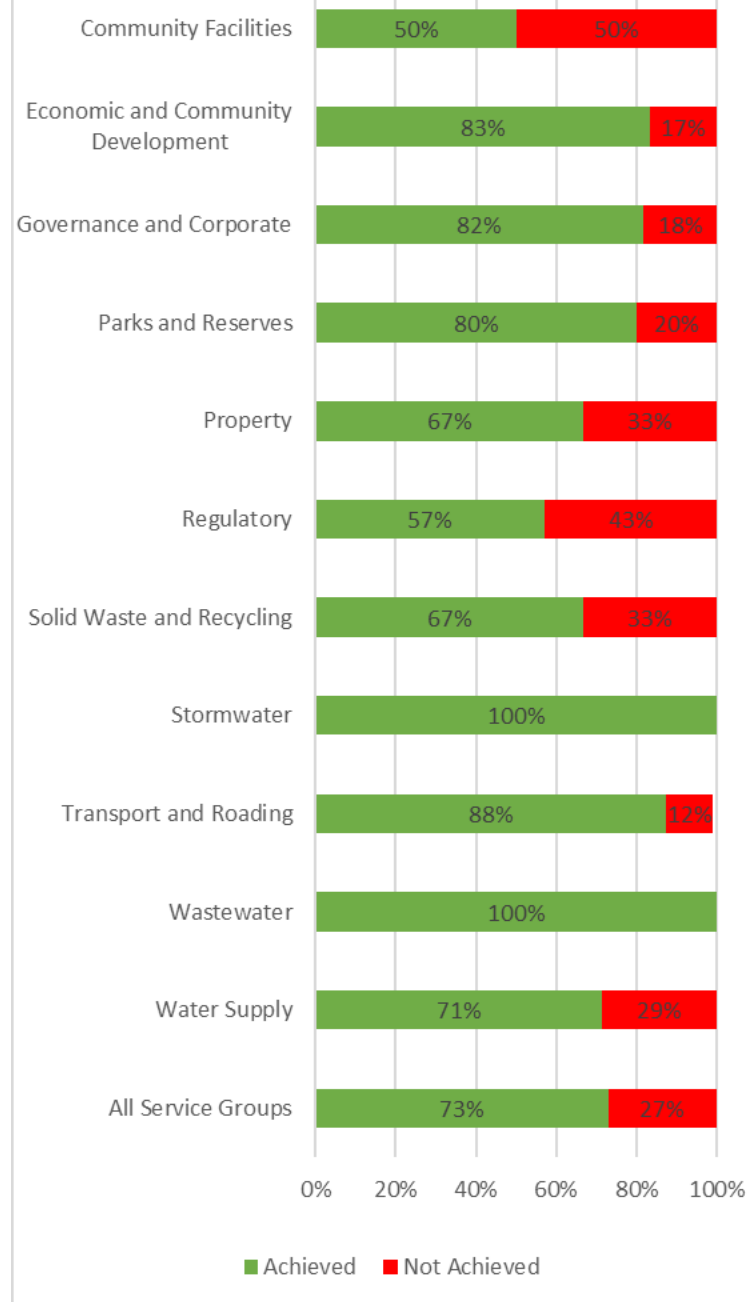
This summary cannot be expected to provide a complete understanding of the comprehensive revenue and expense, financial position and cash flow as indicated in the full Annual report of the South Waikato District Council. Please note that this summary of financial statements does not include all disclosures provided in the full financial statements.

The full and summary financial statements presented are for the Council.

The full financial statements were audited by Deloitte on behalf of the Office of the Auditor General, and an unmodified opinion was issued on 15 March 2023.

Performance of our services and activities

(Achievement of our KPI's)



Capital projects.

Capital Projects	Actual Spend 2022 \$000s	Budget Spend 2022 \$000s	Actual Spend 2021 \$000s
Community Facilities	451	3,752	281
Economic and Community Development	2,934	3,910	315
Governance and Corporate	1,042	792	456
Parks and Reserves	3,044	2,290	990
Property	693	561	153
Regulatory	137	126	109
Solid Waste and Recycling	1,523	5	2,445
Stormwater	487	213	315
Transport and Roding	2,853	4,245	4,761
Wastewater	8,464	3,226	8,102
Water Supply	2,230	1,304	1,500
Total	23,858	20,424	19,427

Consolidated statements

Statement of comprehensive revenue and expenses

For the year ended 30 June 2022				
CONSOLIDATED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE	Note No.	Actual 2022 \$000s	Budget 2022 \$000s	Actual 2021 \$000s
Revenue				
Rates, excluding targeted water supply rates	4	30,619	31,050	28,227
Fees, charges, and targeted rates for water supply		3,163	5,265	4,755
Development and financial contributions		333	227	188
Subsidies and grants	5	8,306	4,933	4,283
Finance income	6	1,942	376	716
Other revenue	7	2,608	2,099	2,119
Total revenue	3	46,971	43,950	40,288
Expenditure				
Employee benefits expense	8	11,899	11,756	10,953
Depreciation and amortisation expense	15/16	8,013	8,566	8,685
Finance costs	6	597	531	591
Other expenses	9	23,020	23,302	21,099
Total expenditure		43,529	44,155	41,328
Surplus/(Deficit)		3,442	(205)	(1,040)
Other comprehensive revenue and expense				
Gain/loss in Asset Revaluation Reserve	21	97,024	5,464	17,159
Gain/loss in Investment Revaluation Reserve	21	(2,471)	-	2,380
Total other comprehensive revenue and expense		94,553	5,464	19,539
Total comprehensive revenue and expense		97,995	5,259	18,499

Statement of changes in equity

For the year ended 30 June 2022							
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY							
	Note No.	Restricted Reserves \$000s	Council Created Reserves \$000s	Property Revaluation Reserves \$000s	Investment Revaluation Reserves \$000s	Retained Earnings \$000s	Total \$000s
Balance at 30 June 2020		21,897	529	278,570	3,416	151,817	456,229
Net profit/(deficit) for the year	21	-	-	-	-	(1,040)	(1,040)
Transfers to retained earnings on disposal		-	-	(257)	-	257	-
Transfers to General Equity		13,255	888	-	-	(14,143)	-
Transfers from General Equity		(13,038)	(987)	-	-	14,025	-
Other comprehensive revenue and expense							
Gain/(loss) in Asset Revaluation Reserve	21	-	-	17,159	-	-	17,159
Gain/(loss) in Investment Revaluation Reserve	21	-	-	-	2,380	-	2,380
Total comprehensive revenue and expense		217	(99)	16,902	2,380	(901)	18,499
Balance at 30 June 2021		22,114	430	295,472	5,796	150,916	474,728
Net profit/(deficit) for the year	21	-	-	-	-	3,442	3,442
Transfers to retained earnings on disposal		-	-	(188)	-	188	-
Transfers to General Equity		5,275	1,311	-	-	(6,586)	-
Transfers from General Equity		(10,475)	(2,700)	-	-	13,175	-
Other comprehensive revenue and expense							
Gain/loss in Asset Revaluation Reserve	21	-	-	97,024	-	-	97,024
Gain/loss in Investment Revaluation Reserve	21	-	-	-	(2,471)	-	(2,471)
Total comprehensive revenue and expense		(5,200)	(1,389)	96,836	(2,471)	10,219	97,995
Balance at 30 June 2022		16,914	(959)	392,308	3,325	161,135	572,723

Statement of Financial Position

As at 30 June 2022			
CONSOLIDATED BALANCE SHEET			
	Actual 2022 \$000s	Budget 2022 \$000s	Actual 2021 \$000s
Equity			
Retained earnings	161,135	166,791	150,916
Other reserves	411,588	311,503	323,812
Total equity	572,723	478,294	474,728
Assets			
Current assets			
Cash and cash equivalents	8,712	2,333	8,497
Receivables from non-exchange transactions	3,349	3,540	3,016
Receivables from exchange transactions	1,345	-	1,242
Inventories	105	171	141
Other financial assets	280	-	280
Current assets held for sale	1,760	-	904
Derivative Financial Instruments	534	-	-
Total current assets	16,085	6,044	14,080
Non-current assets			
Property, plant and equipment	584,424	499,100	474,625
Other financial assets	20,902	24,920	22,498
Derivative Financial Instruments	1,377	-	48
Intangible assets	17	328	33
Total non-current assets	606,720	524,348	497,204
Total assets	622,805	530,392	511,284
Liabilities			
Current liabilities			
Payables and deferred revenue from non-exchange transactions	1,805	6,965	1,517
Payables and deferred revenue from exchange transactions	6,935	-	7,634
Employee benefit obligations	1,388	859	1,255
Borrowings	5,000	2,248	9,000
Provision for landfill closure	38	948	1,052
Trust accounts	-	-	10
Total current liabilities	15,166	11,020	20,468
Non-current liabilities			
Provision for landfill closure	649	673	805
Borrowings	34,000	40,155	15,000
Derivative Financial Instruments	-	-	3
Employee benefit obligations	267	250	280
Total non-current liabilities	34,916	41,078	16,088
Total liabilities	50,082	52,098	36,556
Net assets	572,723	478,294	474,728

Statement of Cashflows

For the year ended 30 June 2022			
CONSOLIDATED CASH FLOW STATEMENT	Actual 2022 \$000s	Budget 2022 \$000s	Actual 2021 \$000s
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Rates	29,018	31,050	30,099
Subsidies and grants	7,917	4,933	4,695
Fees and charges	3,357	7,362	4,852
Other income	2,591	603	2,103
Dividends received	-	-	2
Interest received	1,942	-	716
	<u>44,825</u>	<u>43,948</u>	<u>42,467</u>
<i>Cash was applied to:</i>			
Interest paid	597	531	591
Net GST paid	11	-	797
Payment to suppliers and employees	33,188	35,058	29,488
	<u>33,796</u>	<u>35,589</u>	<u>30,876</u>
Net cash inflows/(outflows) from operating activities	11,029	8,359	11,591
Cash flow from investing activities			
<i>Cash provided from:</i>			
Proceeds from investments	-	693	1,240
Property, plant and equipment sales	60	-	63
	<u>60</u>	<u>693</u>	<u>1,303</u>
<i>Cash was applied to:</i>			
Purchase of investments	2,741	-	-
Purchase of property, plant and equipment	23,133	20,424	(17,383)
	<u>25,874</u>	<u>20,424</u>	<u>(17,383)</u>
Net cash inflows/(outflows) from investing activities	(25,814)	(19,731)	(16,080)
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Loans raised	32,000	9,879	24,000
	<u>32,000</u>	<u>9,879</u>	<u>24,000</u>
<i>Cash was applied to:</i>			
Loans repaid	17,000	2,026	17,000
	<u>17,000</u>	<u>2,026</u>	<u>17,000</u>
Net cash inflows/(outflows) from financing activities	15,000	7,853	7,000
Net increase/(decrease) in cash and cash equivalents	215	(3,519)	2,511
Cash and cash equivalents at the beginning of the year	8,497	5,852	5,986
	<u>-</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents at the end of the year	8,712	2,333	8,497

Three Waters Service Delivery Reforms

Following the announcement by the Local Government Minister on 27 October 2021 regarding central government proceeding with the three waters service delivery reforms using a legislated “all in” approach Council continues to recognise its three waters assets at 30 June 2022 in accordance the accounting policies set out on pages 94 to 105 of the full annual report. There has been no adjustment in these financial statements to reflect the expected future transfer of assets to the new water entity.

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The Water Services Entities Act 2022 received royal assent from the Governor-General on 14 December 2022. The Act establishes four publicly owned water services entities to take over responsibilities for three waters service delivery and infrastructure from local authorities from 1 July 2024, or earlier by Order in Council. In December 2022, the Government introduced two additional water services Bills, one of which will enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on South Waikato District Council remains uncertain.

Breach of statutory reporting deadline

South Waikato District was required under the Local Government Act 2002 to complete its audited financial statements and service performance information by 31 December 2022. This timeframe was not met due to the late completion of the audit.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF SOUTH WAIKATO 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 South Waikato District Council (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information on pages 7 to 12.

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expenses, 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 performance of services activities.

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 15 March 2023. We acknowledge that our audit was completed later than required by the Local Government Act 2022. This was due to the auditor shortage in New Zealand.

Emphasis of matter - Uncertainty over the financial impact of three waters reform

Without modifying our opinion, we draw attention to page 12 outlines that the Water Services Entities Act 2022 received royal assent on 14 December 2022. The Act establishes four publicly owned water services entities to take over responsibilities for three waters service delivery and infrastructure from local authorities from 1 July 2024, or earlier by Order in Council. In December 2022, the Government introduced two additional water services Bills, one of which will

enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on South Waikato District Council remains uncertain.

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 audit and our report on the disclosure requirements, we have carried out an assurance engagement on trustee reporting, which is compatible with those independence requirements. Other than this engagement we have no relationship with or interests in the District Council.



Bruno Dente

for Deloitte Limited

On behalf of the Auditor-General

Hamilton, New Zealand

15 March 2023

How to obtain a full 2021-22 Annual Report

The full Annual Report is Council's key accountability document. Full copies of the Annual Report can be obtained by:

- Visiting our website: www.southwaikato.govt.nz to download a copy
- Calling our Customer Services staff on (07) 885 0340 during normal business hours
- Emailing us at: info@southwaikato.govt.nz
- Writing to us at: South Waikato District Council, Private Bag 7, Tokoroa 3444
- Viewing a hard copy at our Council offices and library sites (located in Tokoroa, Putāruru or Tīrau)