

summary

Annual Report

2018-19



South
Waikato
District
Council

Message from the Mayor

Due to the scale and complexity of activities that Council delivers to residents of the South Waikato, the 2018-19 year was another big, but positive year for Council and our community.

Council remains in a strong financial position with only a slight increase in debt from \$15.2m to \$15.6m. We do have investments of \$20.7m set aside for replacement of our assets.

Our operating surplus was \$2.1m against a budget of \$1.0m. This was mainly due to the \$1.0m received for the sale of the trees at Whakamaru reserve, and assets vested from subdivisions of \$1.1m.

Council made progress on some significant projects and outcomes over the course of the year.

Our work on the district's four wastewater treatment plant upgrades and consent renewals continued following significant consultation over 18 months with Raukawa, other iwi, major stakeholders and our community at large. We have now decided on the best options to reduce nutrient levels in our wastewater, help return mana and mauri to the river and meet legislative requirements at each of the plants. The wastewater upgrade programme will be spread over many years to ensure the upgrades remain affordable for our community.

Council consulted our community regarding the possibility of closing the Tokoroa landfill and transporting waste out of the district versus building a new landfill cell. Ultimately Council decided that closing its landfill was the best option. The cost and risks of managing a landfill continues to escalate due to the stringent environmental controls and monitoring and increasing cost of carbon credits; over which we have no control. Council will begin the construction of a transfer station later this calendar year in preparation for the landfill closure in October 2020.

Responding to economic growth - both population and business - has been a focus of Council over the past two years. Staff have made progress on a District Plan review in Putāruru to rezone land for residential and business development. This work continues with broad infrastructure assessments now complete. Final planning to confirm the areas to be rezoned and the changes to the District Plan document are nearly complete. Growth planning is not isolated to Putāruru; with investigation work beginning for other towns in the district.

Physical work begun on the Tokoroa CBD upgrade project during the year. Council is pleased to report on the good progress being made and looking forward to completion of the upgrade. After deciding to not construct a new i-SITE building due to changing needs and costs, Council has redesigned the Leith Place area to address car parking, improved lighting, new toilets and a versatile Plaza area. Swanston Street and SH1 stormwater improvements are also underway. The stormwater improvements will address the on-going flooding issues along SH1 and local roads.

There has been significant business investment interest in the South Waikato and Council has worked hard to bring in new jobs to the district and attract Central Government funding. Council continues to collaborate with the SWIF Trust on a range of initiatives from attracting new business to business training to positioning the South Waikato to attract business investment.

Council successfully adopted its Annual Plan 2019-20 following a period of community engagement. The Annual Plan had not changed substantially from Year 2 of the LTP 2018-28, so was adopted without formal consultation. The Plan continues to identify strategies and projects that will stand the district in very good stead over the next 10 years based on Council's Growth, Resilience and Relationship outcomes. Work on the next LTP 2021-31 has already started.

A number of other significant projects for the 2018-19 financial year are highlighted below:

Due to changing world markets, Council can no longer process plastics 3 – 7 and has been running an intensive campaign in this regard for the past nine months. This education will continue.

SH1 through Tokoroa was changed to a single lane traffic in both directions as a trial to improve accessibility onto state highway off local roads. Despite the mixed feedback from our community regarding the change, Council together with NZTA have agreed to permanently implement the changes once the pavement upgrade is complete.

There was a change of Chief Executive during the past year, following the resignation of Craig Hobbs who had been at the helm for the past five years. After a robust recruitment process, Deputy CE Ben Smit was appointed to the role of Chief Executive and has been in the role for nine months now.

Following the resignation of a Tirau Community Board member, Council held a by-election and were thrilled to have Holly Blair join the team, elected unopposed.

District revaluations were conducted late in 2018 and revaluation notices sent to ratepayers. Overall, the South Waikato Region has increased in value from \$6 billion to \$6.8 billion, an increase of \$800 million. Increased property values are exciting news for owners. Residential and lifestyle properties increased the most, by an average of 71% and 44%

respectively. Commercial properties increased by 19% and forestry by 8%. Decreasing in value are dairy farms by -5% and other farms by -9% (pastoral). Increased property values do and have affected the amount of rates for ratepayers.

Council has added weekly and fortnightly debits to the existing monthly, quarterly and annual debit order service, making it easier for our community to plan their rate instalment payments.

Council has decided to close the Tokoroa i-SITE service and recognise the outstanding service our community and visitors have enjoyed over the years from the contractor Switched on Tourism. The i-SITE in Tokoroa handles about 20% of visitor enquires and 80% of local enquiries. These local enquiries can be delivered from Council offices and the Tokoroa Library, including the purchase of bus tickets and other services. We are confident that our community won't lose the services, they will just be delivered from a different site.

Council also migrated its website to a new platform to give it a fresh new look. The new website reflects changing user requirements, and national and international trends. It features a search function more prominently, has improved functionality, embedded online services forms and formats seamlessly for all device types, among other features.

The second nation-wide Civil Defence emergency alert went to almost twice as many people in New Zealand as the first alert a year prior. Six out of ten Kiwis received the test alert, a significant increase from 34%.

Staff became aware that several trees in the Whakamaru Reserve were becoming unstable and when the adjoining forestry block was felled and the reserve effectively lost its windbreak, Council realised that its only option was to close the reserve until the trees were felled. The reserve remained closed throughout the summer period for health and safety reasons. The trees have been felled and the reserve will be opened for use this Christmas.

Council successfully installed and opened brand new facilities in three of our reserves – Little Waipa, Jones Landing and Dunham's Point. The new shower blocks, bbqs, rubbish and recycling stations and shelters are a great addition to our local reserves. We have had tremendous feedback from locals and visitors alike.

Staff worked closely with the Putāruru Community Garden Trust to relocate the gardens to the Grey Street Reserve.

Council supported a number of community events this year including but not limited to ANZAC Day services, the Putāruru Waterfest, Festival of Cultures and Shining Light on the Dark. Our Council continues to take these opportunities to interact with others in our community as part of our focus on building sustainable partnerships.

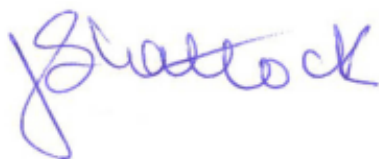
Council held its first ever dog pool parties this year and they were hugely popular with our doggie owners and their doggies. Following the closure of our summer pools in Tirau and Putāruru to our human community, the pools were opened up for what proved to be two excellent dog pool parties. Owners and pooches alike had a brilliant time. This is definitely something the Council will undertake again.

Following a public consultation process that attracted 154 submissions we amended our Class 4 and Racing Board Venue Policy (Gambling Policy). Council retained its Sinking Lid Clause and tightened the Policy controls around site location and club mergers; and included reference to the impact of gambling on vulnerable people.

A message in this Annual Report would sadly not be complete without mentioning the tragic events of 15 March 2019. The terrible act of terrorism on this day affected every New Zealander and people in our beautifully multi-cultural community were no different. Hundreds of people participated in two local community vigils.

Council's focus on improving relationships are on-going and continues to grow from strength to strength. Staff have held successful workshop and seminar sessions with individuals, groups and organisations from business sectors including forestry, estate agents and agricultural; and with our Pacific Island communities. Relationships with Raukawa and other iwi continues to improve. Partnerships and relationships play an important role in our collaborative delivery of programmes, events and initiatives for our community. This in turn enhances our resilience as a community, as a district and as a Council.

The 2018-19 year has certainly been a massive one. Council has taken the bull by the horns in terms of supporting, facilitating, attracting and seeking economic opportunities to grow and improve our district and respond to our growing population and towns. This has put pressures on the organisation, but we are rising to the challenge and already 2019-20 looks set to be another positive year.



Jenny Shattock QSM JP

MAYOR

Councillors and their contact details



Councillors from left to right back row: Jeff Gash (Deputy Mayor), Bill Machen, Marin Glucina, Peter Schulte, Gray Baldwin and Herman Van Rooijen

Left to right front row: Wendy Cook, Adrienne Bell, Jenny Shattock (Mayor) and Arama Ngapo-Lipscombe

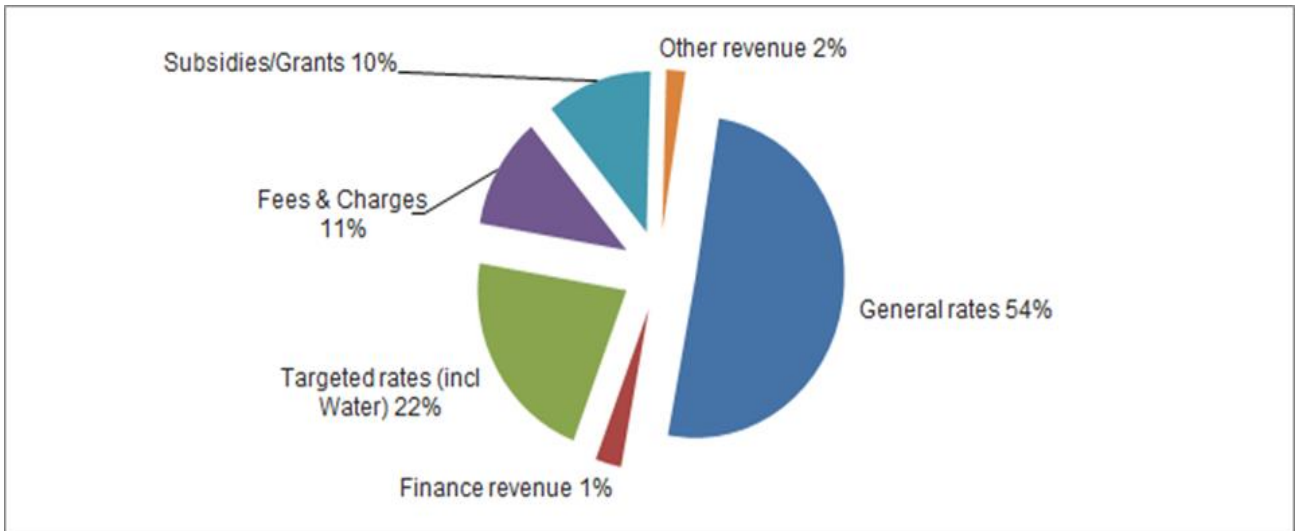
Councillor Name	Phone number	Email Address	Ward
Jenny Shattock	885 0716 027 441 6230	jenny.shattock@southwaikato.govt.nz	Mayor
Jeff Gash	021 974 327	jeff.gash@outlook.com	Tokoroa
Gray Baldwin	027 239 0497	gray.baldwin@icloud.com	Putāruru
Adrienne Bell	027 471 2404	adriennejb@yahoo.co.nz	Putāruru
Herman Van Rooijen	027 246 6601	vanrooijen@xtra.co.nz	Putaruru
Wendy Cook	021 719 093	wendy@pockets.co.nz	Tokoroa
Marin Glucina	021 416 076	glu-@hotmail.com	Tokoroa
Thomas Lee	027 332 1292	lee.whanautk@clear.net.nz	Tokoroa
Bill Machen	027 471 5899	lilyandbill@xtra.co.nz	Tokoroa
Arama Ngapo-Lipscombe	027 533 9988	arama@nll.co.nz	Tokoroa
Peter Schulte	021 434 933	peter@otobahncoffee.com	Tīrau

Tīrau Community Board members

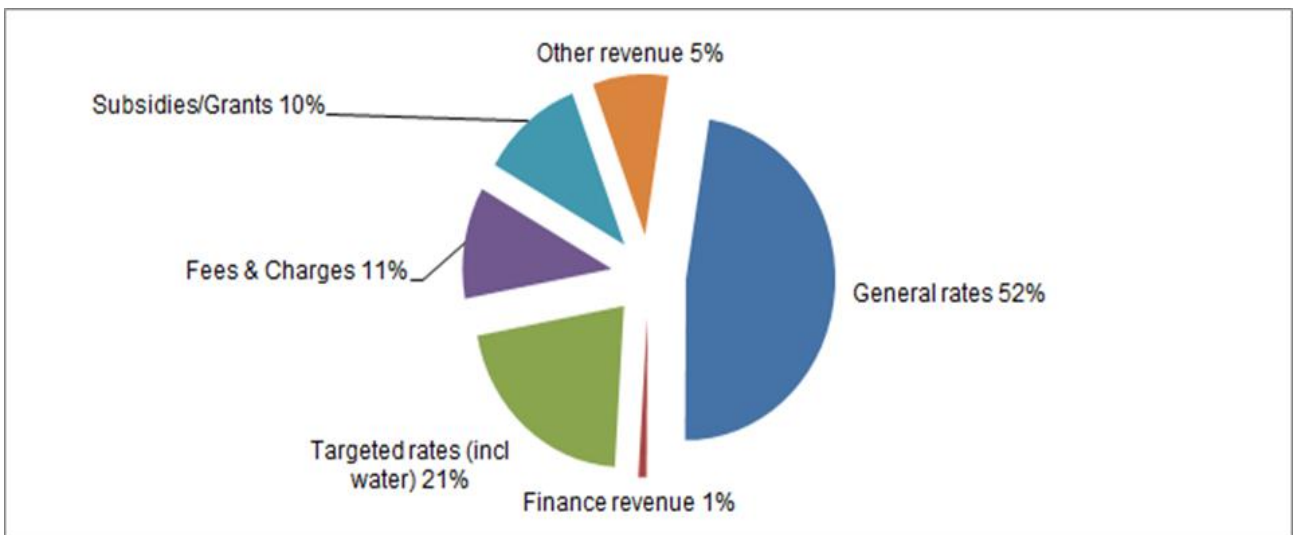
Name	Phone Number	Email Address
Cassandra Robinson (Chair)	027 243 4931	cassandra.r@xtra.co.nz
Clive Collingwood	027 245 8027	noddy_collingwood@clear.net.nz
Sharon Burling-Claridge	07 883 1776	cadillacafe@xtra.co.nz
Holly Blair	021 259 1914	ewanandholly@hotmail.com

Summary of actual and target revenue sources

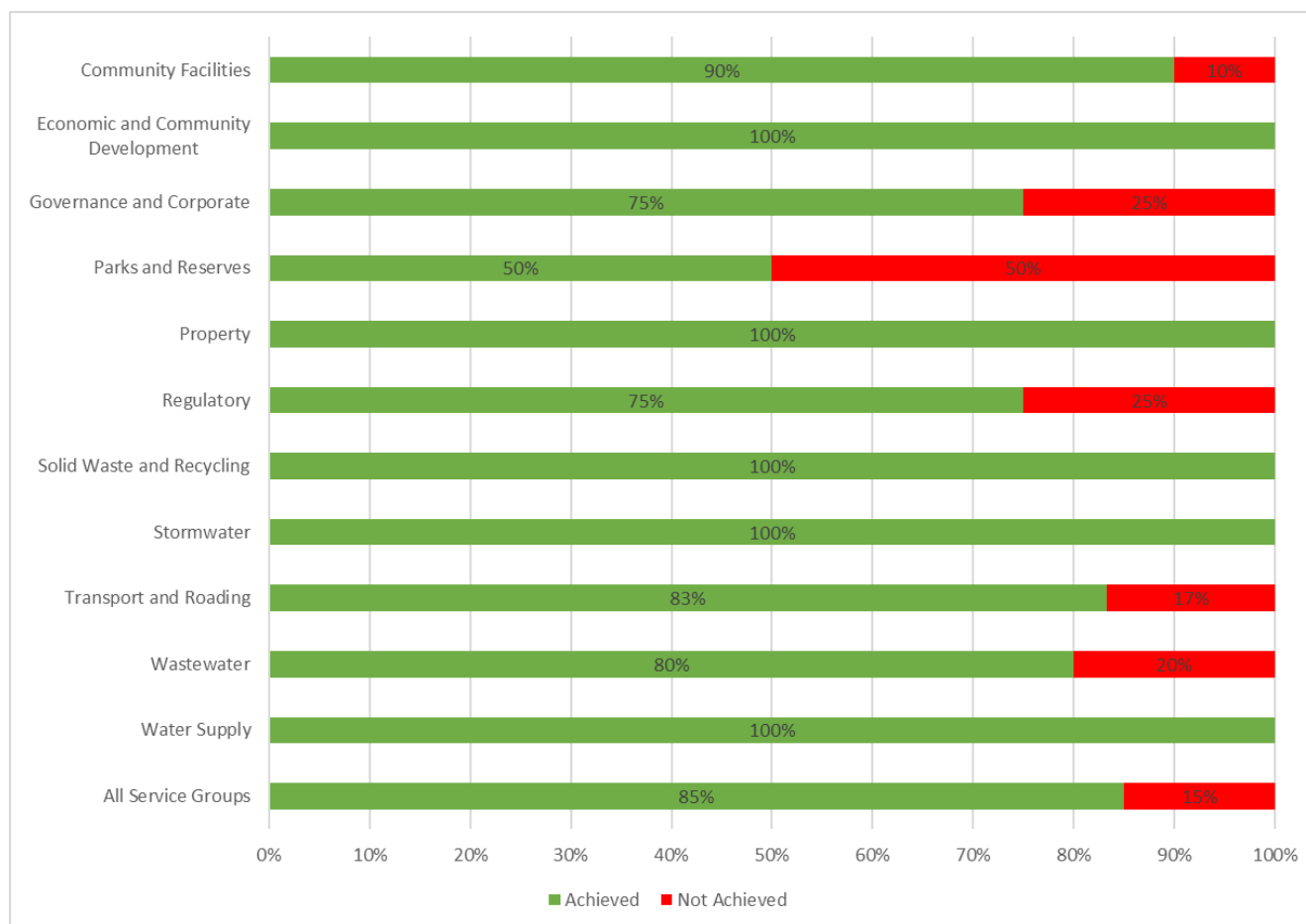
Funding revenue source - budgeted 2018-19



Funding revenue source - actual 2018-19



Performance of our services and activities (achievement of our KPIs)



Capital Projects

	Actual Spend 2019 \$000	Budget Spend 2019 \$000	Actual Spend 2018 \$000
Community Facilities	537	845	222
Economic and Community Development	7	315	39
Governance and Corporate	896	348	2,041
Parks and Reserves	914	882	1,036
Property	608	1,015	483
Regulatory	22	123	5
Solid Waste and Recycling	213	368	175
Stormwater	381	256	109
Transport and Roding	3,846	5,062	6,324
Wastewater	937	445	406
Water Supply	490	1,686	565
Total	8,851	11,345	11,405

Consolidated statements

Statement of comprehensive revenue and expense

	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Revenue			
Rates, excluding targeted water supply rates	26,078	26,520	24,335
Fees, charges, and targeted rates for water supply	4,356	4,176	4,147
Development and financial contributions	126	23	96
Subsidies and grants	4,311	4,259	6,045
Finance income	293	582	475
Other revenue	3,713	1,555	2,510
Total revenue	38,877	37,115	37,608
Expenditure			
Employee benefits expense	9,620	10,351	9,101
Depreciation and amortisation expense	7,376	7,939	7,036
Finance costs	673	854	602
Other expenses	19,074	17,004	17,308
Total expenditure	36,743	36,148	34,047
Surplus/(Deficit)	2,134	967	3,561
Other comprehensive revenue and expense			
Gain/loss in Asset Revaluation Reserve	10,044	21,135	5,680
Gain/loss in Investment Revaluation Reserve	868	-	468
Total other comprehensive revenue and expense	10,912	21,135	6,148
Total comprehensive revenue and expense	13,046	22,102	9,709

Statement of changes in equity

	Restricted Reserves	Council Created Reserves	Property Revaluation Reserves	Investment Revaluation Reserves	Retained Earnings	Total
Balance as at 30 June 2017	17,426	2,531	244,826	1,167	146,974	412,924
Net profit for the year	-	-	-	-	3,561	3,561
Transfers to retained earnings on disposal	-	-	(943)	-	943	-
Transfers to General Equity	4,208	1,226	-	-	(5,434)	-
Transfers from General Equity	(4,096)	(1,313)	-	-	5,409	-
Other comprehensive revenue and expense						
Gain/loss in Asset Revaluation Reserve	-	-	5,680	-	-	5,680
Gain/loss in Investment Revaluation Reserve	-	-	-	468	-	468
Total comprehensive revenue and expense	112	(87)	4,737	468	4,479	9,709
Balance at 30 June 2018	17,538	2,444	249,563	1,635	151,453	422,633
Net profit for the year	-	-	-	-	2,134	2,134
Transfers to retained earnings on disposal	-	-	(665)	-	665	-
Transfers to General Equity	5,212	1,117	-	-	(6,329)	-
Transfers from General Equity	(3,550)	(2,427)	-	-	5,977	-
Other comprehensive revenue and expense						
Gain/loss in Asset Revaluation Reserve	-	-	10,044	-	-	10,044
Gain/loss in Investment Revaluation Reserve	-	-	-	868	-	868
Total comprehensive revenue and expense	1,662	(1,310)	9,379	868	2,447	13,046
Balance at 30 June 2019	19,200	1,134	258,942	2,503	153,900	435,679

Statement of financial position

	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Equity			
Retained earnings	153,900	157,536	151,453
Other reserves	281,779	268,589	271,180
Total equity	435,679	426,125	422,633
Assets			
Current assets			
Cash and cash equivalents	5,234	5,578	5,142
Receivables from non-exchange transactions	2,457	3,100	2,037
Receivables from exchange transactions	1,894	-	1,518
Inventories	132	203	189
Other financial assets	185	-	-
Current assets held for sale	938	-	1,205
Total current assets	10,840	8,881	10,091
Non-current assets			
Property, plant and equipment	426,545	423,821	414,622
Other financial assets	20,512	15,197	19,924
Intangible assets	600	136	298
Total non-current assets	447,657	439,154	434,844
Total assets	458,497	448,035	444,935
Liabilities			
Current liabilities			
Payables and deferred revenue from non-exchange transactions	1,267	3,001	1,303
Payables and deferred revenue from exchange transactions	3,681	-	3,618
Employee benefit obligations	844	993	1,058
Borrowings	1,381	948	1,188
Provision for landfill closure	703	140	15
Trust accounts	-	-	2
Total current liabilities	7,876	5,082	7,184
Non-current liabilities			
Provision for landfill closure	454	618	913
Borrowings	14,228	16,088	14,033
Employee benefit obligations	260	122	172
Total non-current liabilities	14,942	16,828	15,118
Total liabilities	22,818	21,910	22,302
Net assets	435,679	426,125	422,633

Statement of cashflows

	Actual 2019 \$000	Budget 2019 \$000	Actual 2018 \$000
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Rates	25,842	26,520	24,446
Subsidies and grants	4,442	4,259	5,522
Fees and charges	3,851	4,176	4,241
Other income	2,438	1,116	1,352
Dividends received	147	462	263
Interest received	293	582	475
	37,013	37,115	36,299
<i>Cash was applied to:</i>			
Interest paid	673	854	601
Net GST paid	1,589	-	1,541
Payment to suppliers and employees	26,719	27,355	22,549
	28,981	28,209	24,691
Net cash inflows/(outflows) from operating activities	8,032	8,906	11,608
Cash flow from investing activities			
<i>Cash provided from:</i>			
Proceeds from investments	96	-	-
Property, plant and equipment sales	30	-	30
	126	-	30
<i>Cash was applied to:</i>			
Purchase of investments	-	620	5,378
Purchase of property, plant and equipment	8,455	11,344	11,049
	8,455	11,964	16,427
Net cash inflows/(outflows) from investing activities	(8,329)	(11,964)	(16,397)
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Loans raised	1,874	5,024	3,791
	1,874	5,024	3,791
<i>Cash was applied to:</i>			
Loans repaid	1,485	1,179	1,137
	1,485	1,179	1,137
Net cash inflows/(outflows) from financing activities	389	3,845	2,654
Net increase/(decrease) in cash and cash equivalents	92	787	(2,135)
Cash and cash equivalents at the beginning of the year	5,142	4,791	7,277
Cash and cash equivalents at the end of the year	5,234	5,578	5,142

Major budget variations

Statement of comprehensive revenue and expense

Other revenue is \$1.8m higher than budgeted. This is due to \$1.1m of vested asset income and \$1.0m from the sale of the trees from Whakamaru reserve offset by \$0.3m less finance revenue than budgeted.

Personnel costs are \$0.7m less than expected. This was due to significant vacancies during the year, and an organisational restructure.

Depreciation is \$0.6m less than expected. This was due to the delays in the capital expenditure programme being completed

Other expenses is \$2.1m higher than expected. This is due to loss on sale of property, plant and equipment of \$0.5m, and additional expenses in Solid Waste of \$1.6m which are being recovered through increased revenue.

Statement of Financial Position

Other reserves are \$13.2m higher than expected. This is partly due to the increase in revaluation reserves being \$5m more than expected and asset replacement reserves being \$5m higher than expected. This has been offset by other financial assets being \$5.5m higher due to a higher balance in the BNZ private bank.

Total borrowings are \$1.4m lower than expected. This is mainly due to the delays in the capital expenditure programme being completed.

Statement of Cashflows

Other income is \$1.3m higher than expected. This is mainly due to the sale of the Whakamaru trees.

Purchase of property plant and equipment is \$2.9m lower than expected. This is due to the delays in the capital expenditure programme being completed.

Loans raised are \$3.1m lower than expected. This is due to the delays in the capital expenditure programme being completed.

Basis of Preparation

This 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 3 October 2019.

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 as complete understanding as provided by the full annual report on the financial and service performance, financial position and cash flows of South Waikato District Council. Please note that summary financial statements do 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 3 October 2019.

How to obtain or view a full Annual Report

The full annual is our key accountability document. You can obtain a full Annual Report 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
- View a hard copy of the full report at our Council offices and library sites (located in Tokoroa or Putāruru)



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF SOUTH WAIKATO 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 South Waikato 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 6 to 11:

- the summary statement of financial position as at 30 June 2019;
- 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 2019;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary performance of services and 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 2019 in our auditor's report dated 3 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.

Bruno Dente,
for Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand
3 October 2019