

Summary

ANNUAL REPORT

2019-20

year 2 of the LONG TERM PLAN 2018-28



South
Waikato
District
Council

MESSAGE FROM THE MAYOR

The 2019-20 financial year was certainly unusual with Council activities and projects progressing as normal until early 2020 when the COVID-19 pandemic emerged. This pandemic impacted our Council and community significantly, as it did across New Zealand and around the world.

Council remains in a strong financial position despite the fact that our debt increased this year from \$15.6m to \$17m. This increase was mainly due to the major project work undertaken to date in the Wastewater Services area in relation to the Sludge and Digester upgrade. We do have investments of \$21m set aside for replacement of our assets.

Our operating deficit was lower than expected at \$0.1m deficit against a budget of \$1.1m surplus. Most of this was because of the operating expenses in our Water and Wastewater services to meet compliance requirements and lower than expected finance revenue with lower interest income earned on operational bank accounts and the BNZ Portfolio.

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

Every three years we hold triennial elections and our community votes in a new Council. In October 2019 we saw five new faces welcomed to the Council table and said goodbye to several others who had served our organisation and community well over many decades. Changing faces bring opportunities, challenges, a new focus and fresh ideas.

Following 18 months of engagement and collaboration with our iwi partner Raukawa, other iwi stakeholders, expert consultants and public consultation we made key decisions regarding the future of our wastewater treatment plants. The first of these capital works projects – a new digester at the Tokoroa Wastewater Treatment Plant, valued at \$9.6 million, started prior to 1 July this year. Over the next 20 years we will be spending around \$30 million on various components including plant upgrades, wetlands and discharge improvements. The wastewater upgrade programme will be funded and actioned over many years to ensure the upgrades remain affordable for our community.

Following Council's consultation with our community regarding the urban household rubbish and recycling collection service in 2018, where options included combinations of the current rubbish bags, current recycling crates and new wheelie bins. The community's overwhelming response was to move to wheelie bins for both rubbish and recycling, retaining the crates for glass only. This decision was set for implementation in October last year but was later postponed due to COVID-19 and will now be introduced next July.

Work continues towards closing the Tokoroa landfill, with the construction of a new Tokoroa Transfer Station at the landfill site. From October 2020, our rubbish will be transported out of the district. 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 and operations over which we have no control.

Responding to economic growth - both population and business - has been a focus of Council over the past two years. Staff have made significant progress on two District Plan Changes in Putāruru to rezone land for residential and business development and fund infrastructure upgrades. Identifying water, wastewater and stormwater capacity is also well underway in Tokoroa, Tīrau and Arapuni to establish our capacity in these towns for increased population and business growth.

The long-awaited Tokoroa CBD upgrade was delayed during the COVID-19 lockdown. This has pushed construction through winter months, which is never ideal with weather related delays. The project is on track to be open in November and the project is also under budget. We are looking forward to having our beautiful new CBD area, new toilets and grassed plaza area available for our community and visitors to enjoy.

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 South Waikato Investment Fund Trust (SWIFT) on a range of initiatives such as attracting new businesses, business training and positioning the South Waikato to attract business investment. Economic development, recovery and business assistance was a key focus pre and post-lockdown. We continue to provide support and advocacy for businesses in the South Waikato.

We successfully adopted our Annual Plan 2019-20 following a period of community consultation. The Annual Plan changed from Year 3 of the LTP 2018-28 in that Council was determined to deliver a zero per cent rate revenue

increase. We achieved this by postponing the introduction of the wheelie bins, postponing some projects to later years, staging several projects over more than one year and not funding some three waters replacement reserves for just one year. This doesn't mean we're not actually carrying out actual asset replacements.

Work on the next LTP 2021-31 has already started.

A number of other projects for the 2019-20 financial year are highlighted below:

The Tīrau Walkway was opened in July last year. This walkway is part of the wider Tīrau Domain project. Further improvements are budgeted for future years.

We launched our new attraction website in March this year, Space to Grow, coupled with social sites including Facebook and Instagram. This new website delivers a separate brand to improve our economic profile with a focus on who we are, why we're a great place to invest and to showcase the great opportunities we have in our district.

While the Tīrau i-SITE continues to operate, we closed the Tokoroa i-SITE in September, delivering services from businesses in town and via Council offices and library. Council couldn't justify an i-SITE service when visitor numbers using the service as a tourist centre were extremely low.

Following the resignation of a Tīrau Community Board member, we held a by-election during June and were thrilled to have Christine Brasell join the team, elected unopposed. At the same time Kerry Purdy was elected as TCB Chair.

Council announced its two new Mayoral Scholarship recipients in November last year, congratulating Ryan Hall of Forest View High School and Eshrita Lata of Tokoroa High School.

Recycling world markets continue to provide complexities for Council and our community. Plastics recycling especially is an increasingly costly venture and we all need to make improvements in the quality of the recycling product we put in our crates and drop off at the recycling zones. World markets dictate what product can be sold and processed. If Council can't sell the product, we can't collect it.

Our focus on improving relationships is going from strength to strength. We held successful meetings and sessions with individuals, groups and organisations from business sectors including forestry, estate agents and agricultural, and with our Pacific Island communities. Our relationship with Raukawa and other iwi continues to improve. Improved 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.

Our Annual Report message looking back at 2019-20 wouldn't be complete without expressing our huge appreciation to our community for their lockdown efforts. Special thanks and appreciation to the many community groups and individuals who stepped into the role of supporting others in the community, coordinating and delivering food parcels, checking in with elderly neighbours and spending local when and where you can. Extra special gratitude to our own Council staff, who worked long hours on the Civil Defence response, while keeping many of our services on track. The pressures of lockdown on families, businesses and our economy has been tremendous, and it's not over. Recovery is going to take years. We tackled COVID-19 together, and together we can tackle the future.

The 2019-20 year has certainly been a massive one, complicated by a world-wide pandemic that at the time of writing is still a significant issue in many countries. 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 and we can't slow down, even in these uncertain times. We are rising to the challenge and 2020-21 already looks set to be another huge year.



Jenny Shattock QSM JP

MAYOR



Ben Smit

CHIEF EXECUTIVE

COUNCILLORS AND THEIR CONTACT DETAILS | NGĀ KAİKAUNIHERA



Councillors from left to right back row: Gary Petley, Marin Glucina, Peter Schulte, Hamish Daine, Hans Nelis, Alex Jansen, Deputy Mayor William (Bill) Machen.

Left to right front row: Arama Ngapo-Lipscombe, Her Worship the Mayor Jenny Shattock, Thomas Lee, Sandra Wallace

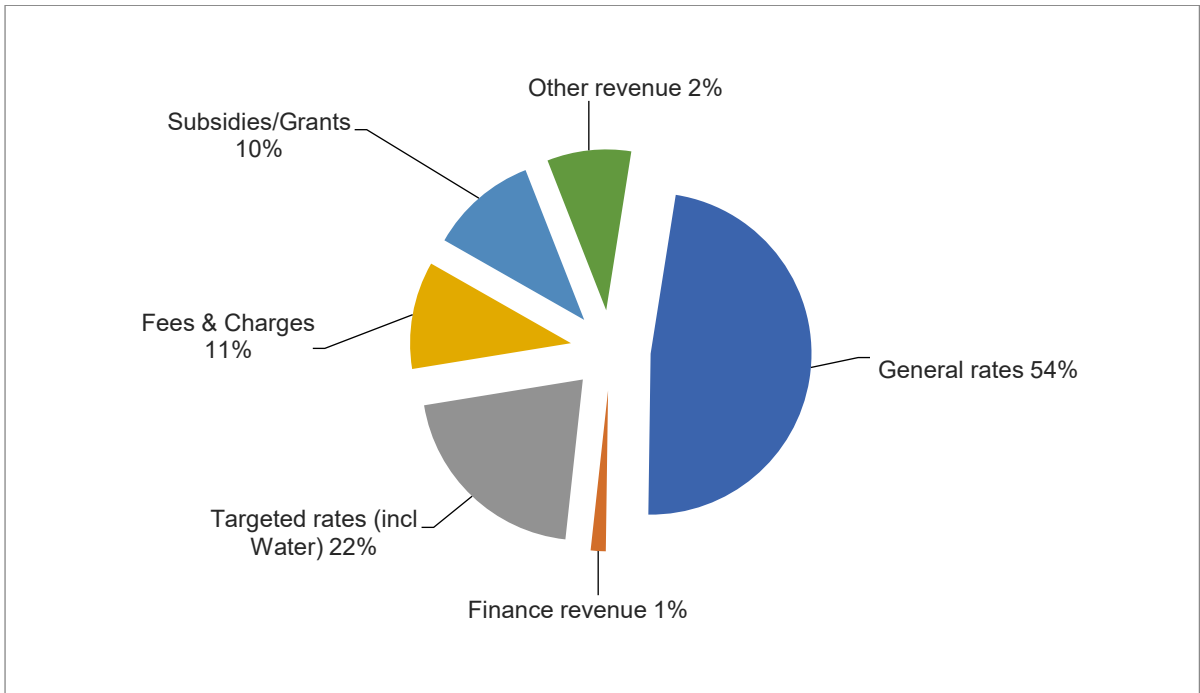
Councillor Name	Phone number	Email Address	Ward
Jenny Shattock QSM JP	0274416230	Jenny.Shattock@southwaikato.govt.nz	Mayor
William (Bill) Machen	0274715899	Bill.Machen@southwaikato.govt.nz	Deputy Mayor
Hamish Daine	0211259225	Hamish.Daine@southwaikato.govt.nz	Tokoroa
Marin Glucina	021416076	Marin.Glucina@southwaikato.govt.nz	Tokoroa
Alex Jansen	0279581906	Alex.Jansen@southwaikato.govt.nz	Tokoroa
Thomas Lee	0273321292	Thomas.Lee@southwaikato.govt.nz	Tokoroa
Hans Nelis	0210552306	Hans.Nelis@southwaikato.govt.nz	Putaruru
Arama Ngapo-Lipscombe	0275339988	Arama.Ngapo-Lipscombe@southwaikato.govt.nz	Tokoroa
Gary Petley	0274836809	Gary.Petley@southwaikato.govt.nz	Putaruru
Peter Schulte	021434933	Peter.Schulte@southwaikato.govt.nz	Tīrau
Sandra Wallace	02102913702	Sandra.Wallace@southwaikato.govt.nz	Putaruru

TĪRAU COMMUNITY BOARD MEMBERS

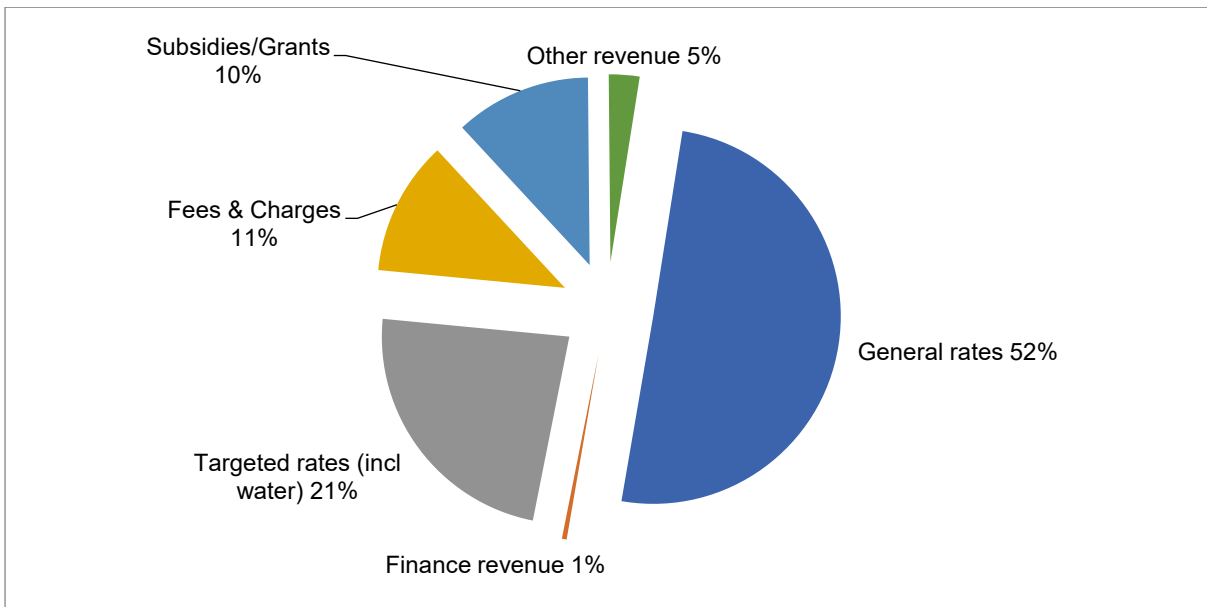
Name	Phone Number	Email Address
Kerry Purdy	0275427158	Kerry.Purdy@southwaikato.govt.nz
Kevin Slater	0272402267	Kevin.Slater@southwaikato.govt.nz
Sharon Burling-Claridge	078831776	Sharon.Burling-Claridge@southwaikato.govt.nz
Christine Brasell	021849417	Christine.Brasell@southwaikato.govt.nz

SUMMARY OF ACTUAL AND TARGET REVENUE SOURCES

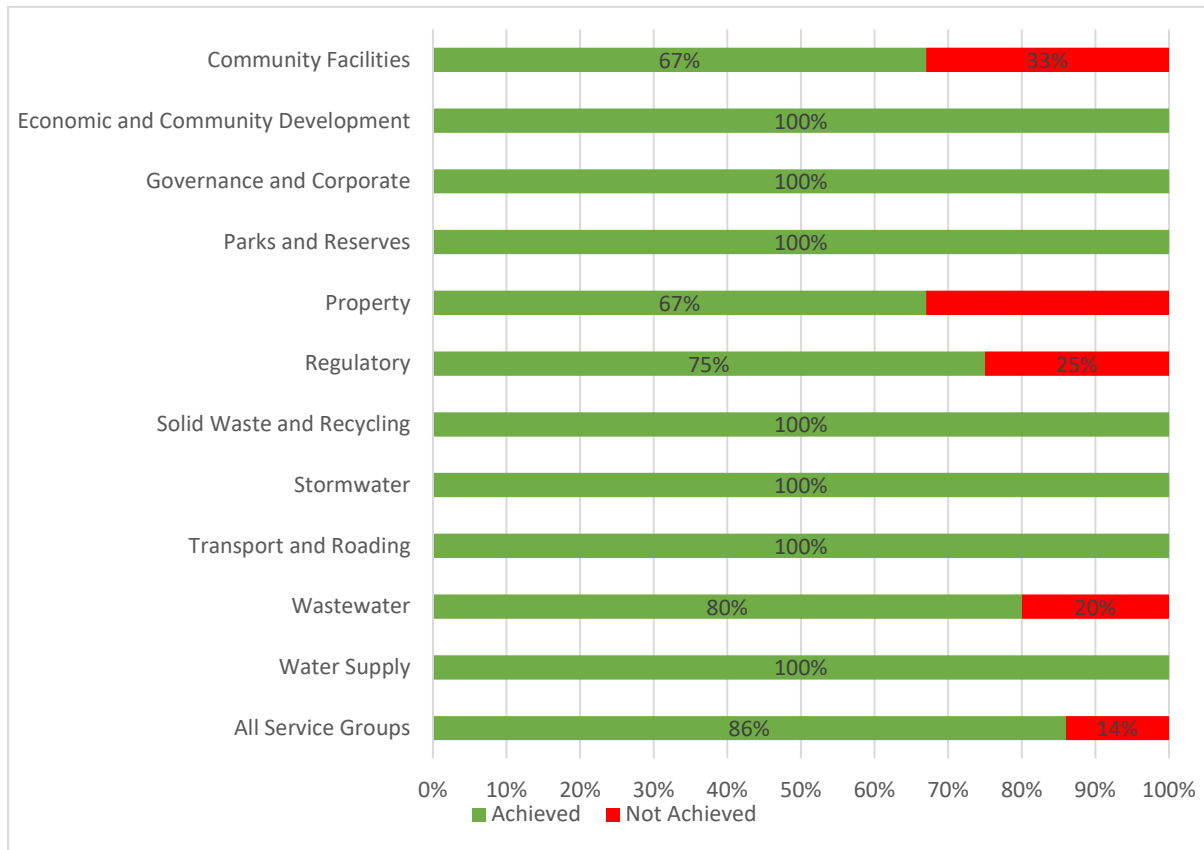
Funding revenue source – budgeted 2019-20



Funding revenue source – actual 2019-20



PERFORMANCE OF OUR SERVICES AND ACTIVITIES (ACHIEVEMENT OF OUR KPIs)



CAPITAL PROJECTS

	Actual Spend 2020 \$000	Budget Spend 2020 \$000	Actual Spend 2019 \$000
Community Facilities	236	673	537
Economic and Community Development	1	315	7
Governance and Corporate	349	400	698
Parks and Reserves	477	560	914
Property	370	386	806
Regulatory	92	12	22
Solid Waste and Recycling	1,432	2,288	213
Stormwater	1,010	499	381
Transport and Roothing	4,132	3,571	3,846
Wastewater	1,640	10,992	937
Water Supply	703	1,082	490
Total	10,442	20,778	8,851

CONSOLIDATED STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES

For the year ended 30 June 2020

	Note No.	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Revenue				
Rates, excluding targeted water supply rates	4	28,023	28,566	26,078
Fees, charges, and targeted rates for water supply		4,451	4,241	4,356
Development and financial contributions		122	23	126
Subsidies and grants	5	4,579	4,249	4,311
Finance income	6	223	592	293
Other revenue	7	1,534	1,586	3,713
Total revenue	3	38,932	39,257	38,877
Expenditure				
Employee benefits expense	8	10,661	10,328	9,620
Depreciation and amortisation expense	15/16	7,940	1,031	7,376
Finance costs	6	1,343	8,370	673
Other expenses	9	19,183	18,428	19,074
Total expenditure		39,127	38,157	36,743
Surplus/(Deficit)		(195)	1,100	2,134
Other comprehensive revenue and expense				
Gain/loss in Asset Revaluation Reserve	21	19,832	18,637	10,044
Gain/loss in Investment Revaluation Reserve	21	913	-	868
Total other comprehensive revenue and expense		20,745	18,637	10,912
Total comprehensive revenue and expense		20,550	19,737	13,046

STATEMENT OF CHANGES IN EQUITY

	Restricted Reserves	Council Created Reserves	Property Revaluation Reserves	Investment Revaluation Reserves	Retained Earnings	Total
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
Balance at 30 June 2019	19,200	1,134	258,942	2,503	153,900	435,679
Net profit for the year	-	-	-	-	(195)	(195)
Transfers to retained earnings on disposal	-	-	(204)	-	204	-
Transfers to General Equity	5,743	121	-	-	(5,864)	-
Transfers from General Equity	(3,046)	(726)	-	-	3,773	-
Other comprehensive revenue and expense	-	-	-	-	-	-
Gain/loss in Asset Revaluation Reserve	-	-	19,832	-	-	19,832
Gain/loss in Investment Revaluation Reserve	-	-	-	913	-	913
Total comprehensive revenue and expense	2,697	(605)	19,628	913	(2,082)	20,550
Balance at 30 June 2020	21,897	529	278,570	3,416	151,818	456,229

STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Note No.	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Equity				
Retained earnings	21	151,817	161,657	153,900
Other reserves	21	304,412	287,518	281,779
Total equity		456,229	449,175	435,679
Assets				
Current assets				
Cash and cash equivalents	10	5,986	4,376	5,234
Receivables from non-exchange transactions	11	2,601	3,625	2,457
Receivables from exchange transactions	11	1,862	-	1,894
Inventories	12	171	189	132
Other financial assets	13	278	-	185
Current assets held for sale	14	890	-	938
Total current assets		11,788	8,190	10,840
Non-current assets				
Property, plant and equipment	15	448,291	456,622	426,545
Other financial assets	13	21,404	18,775	20,512
Intangible assets	16	328	298	600
Total non-current assets		470,023	475,695	447,657
Total assets		481,811	483,885	458,497
Liabilities				
Current liabilities				
Payables and deferred revenue from non-exchange transactions	17	1,283	4,983	1,267
Payables and deferred revenue from exchange transactions	17	4,310	-	3,681
Employee benefit obligations	19	1,100	1,075	844
Borrowings	20	1,694	1,624	1,381
Provision for landfill closure	18	671	(575)	703
Trust accounts	17	17	-	-
Total current liabilities		9,075	7,107	7,876
Non-current liabilities				
Provision for landfill closure	18	938	1,515	454
Borrowings	20	15,306	25,918	14,228
Employee benefit obligations	19	263	170	260
Total non-current liabilities		16,507	27,603	14,942
Total liabilities		25,582	34,710	22,818
Net assets		456,229	449,175	435,679

STATEMENT OF CASHFLOWS

For the year ended 30 June 2020

	Note No.	Actual 2020 \$000	Budget 2020 \$000	Actual 2019 \$000
Cash flow from operating activities				
<i>Cash was provided from:</i>				
Rates		27,719	28,566	25,842
Subsidies and grants		4,560	4,249	4,442
Fees and charges		4,869	5,827	3,851
Other income		1,376	23	2,438
Dividends received		149	-	147
Interest received		223	50	293
		<u>38,896</u>	<u>38,715</u>	<u>37,013</u>
<i>Cash was applied to:</i>				
Interest paid		1,343	1,030	673
Net GST paid		1,589	-	1,589
Payment to suppliers and employees		27,024	28,756	26,719
		<u>29,956</u>	<u>29,786</u>	<u>28,981</u>
Net cash inflows/(outflows) from operating activities	22	8,940	8,929	8,032
Cash flow from investing activities				
<i>Cash provided from:</i>				
Proceeds from investments		-	542	96
Property, plant and equipment sales		210	-	30
		<u>210</u>	<u>542</u>	<u>126</u>
<i>Cash was applied to:</i>				
Purchase of investments		72	2,200	-
Purchase of property, plant and equipment		9,718	20,778	8,455
		<u>9,790</u>	<u>22,978</u>	<u>8,455</u>
Net cash inflows/(outflows) from investing activities		(9,580)	(22,436)	(8,329)
Cash flow from financing activities				
<i>Cash was provided from:</i>				
Loans raised		3,111	13,883	1,874
		<u>3,111</u>	<u>13,883</u>	<u>1,874</u>
<i>Cash was applied to:</i>				
Loans repaid		1,719	1,578	1,485
		<u>1,719</u>	<u>1,578</u>	<u>1,485</u>
Net cash inflows/(outflows) from financing activities		1,392	12,305	389
Net increase/(decrease) in cash and cash equivalents		752	(1,202)	92
Cash and cash equivalents at the beginning of the year	10	5,234	5,578	5,142
Cash and cash equivalents at the end of the year	10	5,986	4,376	5,234

MAJOR BUDGET VARIATIONS

Statement of comprehensive revenue and expense

Subsidies and grants revenue is \$0.2m higher than budgeted. This is due to the additional funding received from NZTA for the completion of State Highway 1 stormwater work during the financial year offset by lower NZTA subsidies for other roading work affected by Covid 19 delays.

Depreciation is \$0.4m less than expected. This was due to the delays in the capital expenditure programme being completed

Other expenses are \$0.7m higher than expected. This is due to an increase in chemical, laboratory services and energy costs in the water and wastewater activities, an increase in refuse collection costs as part of the open spaces contract and general operational increases in the infrastructure and maintenance areas,

Statement of Financial Position

Other reserves are \$17m higher than expected. This is mainly due to the increase in the property revaluation and investment revaluation reserves by \$20m offset by the \$3m reduction in restricted reserves and council created reserves.

Property, plant and equipment non-current assets at balance date is \$8.3m less than expected due to the delays in the completion of capital projects.

Total borrowings are \$10.5m lower than expected. This is mainly due to the delays in the capital expenditure programme being completed.

Statement of Cashflows

Purchase of property plant and equipment is \$10.6m lower than expected. This is due to the delays in the capital expenditure programme being completed.

Loans raised are \$10.6m lower than expected. This is due to the delays in the capital expenditure programme being completed.

COVID-19 IMPACT

During 2019-20 there was a period of time where New Zealand was in varying stages of lockdown. The effect on revenue for the South Waikato District Council was not significant as it mainly related to the hire of the Events Centre, pool attendees and the borrowing of books. Part of the revenue effect was offset by casual staff which were not required during this period. The Landfills were not open during this time either but there was a significant catch up period when we entered Level 2.

During this year's transport asset revaluation process the potential impacts of Covid-19 were evaluated and it was determined that the impact was not significant. The quantum of assets remains appropriate and optimised from a valuation and financial reporting perspective.

The most significant effect was the delay in completing capital works and this has resulted in a larger carryover budget from the 2019-20 year to the 2020-21 year than expected.

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 22 October 2020.

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 22 October 2020.

HOW TO OBTAIN OR VIEW A FULL 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)

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

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 2020.

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 2020;
- 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 2020;
- 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 2020 in our auditor's report dated 22 October 2020.

Emphasis of Matter - Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out in the notes to the summary financial statements.

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

22 October 2020