



# KAWERAU DISTRICT COUNCIL

## Annual Report Summary

For the Year Ended 30 June 2016



## **MAYOR'S MESSAGE**

2015/16 was another successful year for Council with good progress on a number of projects while maintaining a strong financial position.

There was an operating deficit of \$100,583 for the year compared to a budgeted deficit of \$459,540.

Council budgeted for a deficit because it does not fund all the depreciation on some buildings (halls, library, pensioner houses, depot, swimming pool and office) which are unlikely to be replaced with similar buildings.

The reasons that Council achieved a reduced operating deficit were:

- Reduced costs for insurance and electricity for the year
- Lower staffing costs
- Additional rate penalties, interest and other revenue

The major achievements during the 2015/16 financial year included:

- Continuation of the "Neighbourhoods of Healthy Homes" project which is helping improve the home environment for Kawerau residents and developing the sense of "community" among the neighbourhoods where this programme has been undertaken.
- Successful management as well as securing additional funding for the iconic events for Kawerau including Woodfest, King of the Mountain Race and Christmas in the Park.
- A winner of the 2016 Local Government NZ awards for the "seamless boundaries" project which assists local youth into employment. These awards recognise and celebrate the outstanding leadership role local government plays within communities.
- 83% of Council's performance targets were achieved and good progress was made for the targets that were not achieved.
- Completion of various asset renewal projects and very good progress on others, to ensure that Council continues to deliver high quality services to the community

There were two significant construction projects undertaken during the year which will greatly enhance the town and benefit residents. These include:

- Construction of new swimming pool changing rooms (which is stage one of the pool redevelopment programme)
- Conversion of the Firmin Field clubrooms into an events and accommodation facility.

Council was fortunate to be able to obtain grants to help fund these projects and reduce what was needed to be funded from the community.

Finally, I would like to acknowledge the ongoing contributions made by elected members and staff towards Council's achievements during the year. Also I would like to thank the residents of Kawerau for their contributions throughout the year and helping to make this a great place to live.



M J Campbell, JP  
**MAYOR**



This Summary Annual Report was authorised by:  
Russell George, Chief Executive Officer on 25 October 2016 at Kawerau.

## Independent Auditor's Report

### To the readers of Kawerau District Council's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Kawerau District Council (the District Council) for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 4 to 9:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service performance of the District Council Type.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 25 October 2016.

### Opinion

In our opinion:

- the summary 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.

### Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: Engagements to Report on Summary Financial Statements. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary

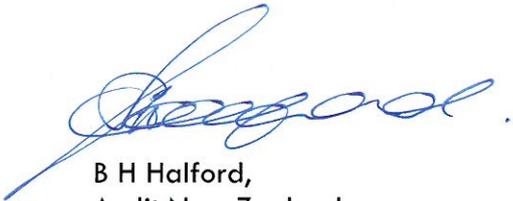
statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

### **Responsibilities of the Council and the Auditor**

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council.



B H Halford,  
Audit New Zealand  
On behalf of the Auditor General  
Tauranga, New Zealand  
25 October 2016

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2016

<u>2014/15</u>		<u>Budget</u>	<u>2015/16</u>
	<b>Revenue</b>		
8,641,069	Rates	8,820,250	9,024,746
530,549	Subsidies and grants	426,270	924,942
842,363	Fees and charges	837,910	726,169
403,247	Interest revenue	333,400	356,232
502,435	Other revenue	59,000	61,572
<b>10,919,663</b>	<b>Total Revenue</b>	<b>10,476,830</b>	<b>11,093,661</b>
	<b>Expense</b>		
3,636,020	Personnel costs	3,949,720	3,852,651
2,649,816	Depreciation and amortisation expense	2,493,640	2,765,401
4,479	Finance costs	3,010	3,298
4,163,085	Other expenses	4,490,000	4,547,303
35,759	Loss on disposal of property, plant and equipment	0	25,591
<b>10,489,159</b>	<b>Total Expense</b>	<b>10,936,370</b>	<b>11,194,244</b>
<b>430,504</b>	<b>SURPLUS/(DEFICIT)</b>	<b>(459,540)</b>	<b>(100,583)</b>
0	Gain on revaluation	2,694,770	4,128,227
<b>430,504</b>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>2,235,230</b>	<b>4,027,644</b>

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

<u>2014/15</u>	<b>Total Equity</b>	<u>Budget</u>	<u>2015/16</u>
64,831,080	Balance at 1 July	64,337,860	65,261,584
430,504	Total Comprehensive Revenue and Expense	2,235,230	4,027,644
<b>65,261,584</b>	<b>Closing Balance</b>	<b>66,573,090</b>	<b>69,289,228</b>
	<b>Equity represented by:</b>		
37,613,935	Accumulated funds	36,806,173	37,325,994
27,647,649	Other reserves	29,766,917	31,963,234
<b>65,261,584</b>		<b>66,573,090</b>	<b>69,289,228</b>

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

<u>2014/15</u>		<u>Budget</u>	<u>2015/16</u>
	<b>ASSETS</b>		
11,140,351	Current assets	9,768,837	10,485,155
56,919,468	Non-current assets	59,538,681	61,757,645
<b>68,059,819</b>	<b>TOTAL ASSETS</b>	<b>69,307,518</b>	<b>72,242,800</b>
	<b>LIABILITIES</b>		
2,429,118	Current liabilities	2,565,248	2,619,866
369,117	Non-current liabilities	169,180	333,706
<b>2,798,235</b>	<b>TOTAL LIABILITIES</b>	<b>2,734,428</b>	<b>2,953,572</b>
	<b>EQUITY</b>		
37,613,935	Accumulated funds	36,806,173	37,325,994
27,647,649	Other reserves	29,766,917	31,963,234
<b>65,261,584</b>	<b>TOTAL EQUITY</b>	<b>66,573,090</b>	<b>69,289,228</b>

## STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2016

<u>2014/15</u>		<u>Budget</u>	<u>2015/16</u>
3,001,499	Net cash from operating activities	2,023,479	2,161,454
(1,621,251)	Net cash to investing activities	(2,332,340)	(3,388,395)
(15,189)	Net cash from financing activities	(17,568)	(17,116)
<b>1,365,059</b>	<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(326,429)</b>	<b>(1,244,057)</b>
742,950	Cash, cash equivalents and bank overdrafts at the beginning of the year	8,675,136	2,108,009
<b>2,108,009</b>	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>8,348,707</b>	<b>863,952</b>

## **REPORTING ENTITY**

Kawerau District Council (KDC) is a local authority in terms of the Local Government Act 2002. The financial statements, for the year ended 30 June 2016, have been prepared in terms of section 98 of the Local Government Act 2002 and in accordance with generally accepted accounting practice.

The full financial statements have been prepared in accordance with tier 2 Public Benefit Entities (PBE) accounting standards (for reporting periods beginning on or after 1 July 2014) and Council confirms in the statement of compliance (in the full financial statements) compliance with these accounting standards for the period covered by this annual report summary.

These summary financial statements comply with Public Benefit Entity reporting standard 43: Summary Financial Statements.

The full financial statements for the period ended 30 June 2016 were authorised for issue by Council on 25 October 2016. The financial statements for each period presented in the Summary have been audited by Audit New Zealand and received an unmodified audit opinion.

The full Annual Report is available online at [www.kaweraudc.govt.nz](http://www.kaweraudc.govt.nz) or can be obtained at the Council office.

## **BASIS OF PREPARATION**

The financial statements have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property and financial instruments.

The Council is a public benefit entity and the Financial Statements have been prepared in New Zealand dollars. The functional currency of KDC is New Zealand dollars.

The specific disclosures included in the summary financial statements have been extracted from the full financial statements and these summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

## **EXPLANATION OF SIGNIFICANT VARIANCES**

Explanations for major variations from Council's estimated figures for 2015/16 are as follows:

### **Statement of Comprehensive Revenue and Expense**

The significant variances from Council's budgeted figures are: additional grant funding received for events and projects undertaken during the year, increased interest revenue resulting from greater funds being available for investment and increased rate penalties. Also there was reduced expenditure for insurance, power and chemicals.

Council revalued specific classes of assets as at 30 June 2016 and the resulting gain on revaluation was \$1,433,457 more than the budget.

Detailed revenue and expense are disclosed in the Notes to the Financial Statements in the full Annual Report.

### **Statement of Financial Position**

Current assets are higher than budget because it had been anticipated that there would be more expenditure on capital projects in the previous year which would have been funded from Council's reserves.

Also, Property Plant and Equipment is greater than budget because the assets which were revalued at year end had higher values than budgeted.

Current liabilities are higher than budget because of additional creditors at year end resulting from the timing of expenditure.

### **Statement of Cash Flow**

Cash flow from operating activities is higher than budget because:

- increased rate revenue including penalties received,
- higher interest revenue resulting from more funds being available for investment,
- unbudgeted grants received to fund events and projects, and
- reduced payments to employees arising from vacancies.

Cash out-flow from investing activities was higher than budget as Council undertook two major projects during the year (swimming pool changing room and Firmin Lodge) which had been budgeted in the previous year. Also invested an additional \$300,000 (net) in fixed term investments for the year.

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

### **STATEMENT OF COMMITMENTS**

Council had capital commitments of \$200,757 for the swimming pool changing room and splash pad at 30 June 2016 (2015 – nil).

### **STATEMENT OF CONTINGENT LIABILITIES**

Council had no contingent liabilities at 30 June 2016 (2015 \$Nil)

Council used to subscribe to Riskpool (a mutual liability fund) for its professional indemnity and public liability insurance. As a result of claims arising for housing weather tightness issues, Council previously incurred additional costs to meet these claims. The administrators of the fund have indicated there may be further instalments to be charged in the future.

### **POST BALANCE DATE EVENTS**

In 2015/16 there were no significant events after balance date (2014/15 nil).

## **STATEMENTS OF SERVICE PERFORMANCE**

Council had a total 112 performance targets for all groups for the 2015/16 year (excluding those which were not applicable) and managed to achieve 93 (83%) of them, which was a good result.

There were 19 targets that were not achieved.

For the Democracy activity, Council achieved 4 of the targets and failed to achieve one target. Council had a target of completing its annual works programme for the year, but due to a number of delays this did not occur. Council has subsequently allocated additional resources to assist with the annual works programme.

For the Economic and Community Development activities Council achieved eleven out of thirteen of the targets. Council had intended that: community development, healthy homes and age and disability friendly strategies would be adopted. However, these strategies are now programmed to be completed early in the new year.

For Environmental Services there were twenty six targets achieved and seven targets which were not achieved. This was as a result of timeframes being exceeded or audits/inspections being done after year end. Council has recently changed the way some of the environmental services are delivered which should result in a greater number of targets being achieved.

For the Roding activity, three targets were not achieved, there was one serious injury as a result of a road accident, the ride quality was 94% (compared to a target of 95% or better) and 3 reported streetlight outages were repaired outside the 28 day target. Also for stormwater the response time took longer than 1 hour following a flooding event. Council is improving the ride quality of its roads with its resealing programme, and has spoken to the contractor about response time for street light outages.

Council achieved eleven targets for the Water Supply activity. However, it did not achieve its target relating to the quality of the drinking water with one instance of e-coli contamination and it did not achieve the target of water loss being less than 200 litres per connection per day (226.7 litres per connection per day). Council has taken measures (covering the reservoirs with tarpaulins) to prevent e-coli contamination, and will be investigating potential areas of water loss.

For the Wastewater activity Council achieved seven targets with one target not being achieved: 20 per 1,000 sewerage system faults reported (target 15 per 1,000) and 17 per 1,000 sewerage system blockages (target 15 per 1,000). Council will be undertaking CCTV of sewer lines to identify areas of potential blockage/faults before they occur.

NB For the targets in the water and wastewater activities that relate to response and resolution times, the results are based on times recorded by Council staff responsible for responding to call-outs and Council does not have a process to independently verify this data.

For the Leisure and Recreation Group of activities Council achieved twenty of its targets. Council missed the target for active users of the Library, with 29% of the population being active users compared to a target of 35% of the population. Also there were only 147 objects accessioned into the Museum collection for the year compared to a target of 200 objects. A vacancy at the Museum has now been filled so the accessioning targets should be achieved.

The following graph shows for each activity the number targets were achieved and those that were not achieved for 2015/16.

**Targets Achieved for 2015/16**

