



KAWERAU DISTRICT COUNCIL
Annual Report Summary
For the Year Ended 30 June 2021



MAYOR'S MESSAGE

Kia Ora and welcome to Council's annual report summary for the year ended 30 June 2021.

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

For the 2020/21 year Council managed to achieve a surplus of \$1.4 million which was \$1.1 million higher than budget. This resulted from additional subsidies and grants income for the 3 waters reforms, an insurance payment for the netball pavilion which was destroyed by fire and reduced staffing costs resulting from vacancies. The additional revenue meant Council was able to improve some facilities and services during the year for the community. Council undertook the planned water pipe replacements which was the first year of a 6 year programme to replace all metal and AC pipes in the district.

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 2020/21 and some other projects being delayed due to shortages in materials.

For the 2020/21 financial year Council spent \$7.2 million on capital projects.

The major achievements during the 2020/21 financial year included:

- Continued delivery of council services to a high standard throughout the year
- Upgrading the culverts on River Road to reduce the likelihood of future flooding of residences in the area
- Upgrading of the town centre (stage 1) and improving the safety for residents
- Construction and sale of eight units in the Porritt Glade Lifestyle Village. The total number of units in the village is 12
- Renewal of 3.9 kms of water mains in the Massey Street/Bell Street area as well as installing a new riser main to the Monica Lanham reservoirs
- Renewal and upgrade of Wastewater Treatment Plant
- Continued progress and renewal of damaged and dangerous footpaths as well as kerb and channels

There were some significant changes announced for local government announced during the year, which included:

3 waters reforms, reviewing the Resource Management Act and the Future of Local Government reform. The future impact of these reforms is likely to be significant for both Council and the community.

Also the community's biggest ratepayer announced that it was ceasing operating from 30 June 2021. Council will be reviewing its services during the year to see if any savings can be achieved and also determining how the remaining rating shortfall will be spread.

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.



M J Campbell, JP

MAYOR

This Summary Annual Report was authorised by:
Russell George, Chief Executive Officer on 25 July 2022 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 2021

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 2021.

The summary of the annual report comprises the following summary statements on pages 5 to 10:

- the summary statement of financial position as at 30 June 2021;
- 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 2021;
- 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 2021 in our auditor's report dated 28 June 2022. Our auditor's report on the full annual report includes an emphasis of matter paragraph drawing attention to the

uncertainties over the Government’s three waters reform programme announcement. The impact of these reforms, once legislated, will mean that the District Council will no longer deliver three waters services. These matters are addressed on page 4 and 8 of the summary financial statements.

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 audited the District Council’s 2021-31 long-term plan and 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.



J R Smail
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
25 July 2022

IMPACT OF COVID-19

COVID continued to impact on Council throughout the year although there were no lockdowns during the year.

COVID delayed some programmed capital projects due to shortage of materials or contractors to undertake the project. These projects and corresponding revenue are expected to be undertaken during the 2021/22 year and no losses are anticipated as a result of COVID-19.

SIGNIFICANT RATEPAYER

During the year Norske Skog, which pays approximately 20% of Council's total rates, announced that it was ceasing operations and selling the site and assets. This means that there will be a significant impact for Council rates for the 2022/23 financial year and Council will be considering options to mitigate this.

LEGISLATIVE REFORMS

During the year, Government 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

Government announced during the year, that it was undertaking a review of the 3 waters (water, wastewater and stormwater) which are mostly owned and managed by the 67 local authorities throughout the country. The proposal by Government was that local authorities would no longer be responsible for delivering these activities and the assets would transfer to 4 entities to deliver the services. Councils were initially given the option of opting in or out of the reform proposal, but the Government has since mandated these reforms for all Councils.

Also a ministerial enquiry into the future of local government was undertaken during the year focusing on council's roles, functions and partnerships, representation and governance and funding and finance. A report with recommendations is 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 review 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 2021

\$		\$	\$
<u>2019/20</u>		<u>Budget</u>	<u>2020/21</u>
	Revenue		
10,370,965	Rates	10,751,220	10,673,155
1,001,280	Subsidies and grants	1,393,820	3,178,444
1,395,185	Fees and charges	1,784,730	1,644,801
100,609	Interest revenue	28,310	17,574
524,547	Other revenue	1,069,000	956,628
13,392,586	Total Revenue	15,027,080	16,470,602
	Expense		
5,239,940	Personnel costs	5,366,150	5,203,731
3,247,020	Depreciation and amortisation expense	3,082,300	3,375,028
4,935	Finance costs	6,210	2,602
5,287,076	Other expenses	6,215,870	6,311,527
377,747	Loss on disposal of property, plant and equipment	0	152,420
14,156,718	Total Expense	14,062,590	15,045,308
(764,132)	SURPLUS/(DEFICIT)	356,550	1,425,294
0	Gain on revaluation	0	13,780,169
(764,132)	TOTAL COMPREHENSIVE REVENUE AND EXPENSE	356,550	15,205,463

STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2021

\$		\$	\$
<u>2019/20</u>		<u>Budget</u>	<u>2020/21</u>
	Total Equity		
71,800,096	Balance at 1 July	70,399,400	71,035,964
(764,132)	Total Comprehensive Revenue and Expense	356,550	15,205,463
71,035,964	Closing Balance	70,755,950	86,241,427
	Equity represented by:		
35,665,388	Accumulated funds	36,651,760	37,211,385
35,370,576	Other reserves	34,104,190	49,030,042
71,035,964		70,755,950	86,241,427

STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

\$		\$	\$
<u>2019/20</u>		<u>Budget</u>	<u>2020/21</u>
	ASSETS		
6,566,566	Current assets	5,522,540	7,476,762
68,098,004	Non-current assets	68,639,100	85,536,874
74,664,570	TOTAL ASSETS	74,161,640	93,013,636
	LIABILITIES		
3,371,208	Current liabilities	3,146,600	6,546,344
257,398	Non-current liabilities	256,090	225,865
3,628,606	TOTAL LIABILITIES	3,405,690	6,772,209
	EQUITY		
35,665,388	Accumulated funds	36,651,760	37,211,385
35,370,576	Other reserves	34,104,190	49,030,042
71,035,964	TOTAL EQUITY	70,755,950	86,241,427

STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2021

\$		\$	\$
<u>2019/20</u>		<u>Budget</u>	<u>2020/21</u>
2,828,303	Net cash from operating activities	3,421,740	5,205,942
(1,617,117)	Net cash to investing activities	(4,490,250)	(3,862,799)
(18,147)	Net cash from financing activities	(20,030)	(20,053)
1,193,039	Net increase/(decrease) in cash, cash equivalents and bank overdrafts	(1,088,540)	1,323,090
2,100,502	Cash, cash equivalents and bank overdrafts at the beginning of the year	3,737,490	3,293,541
3,293,541	Cash, cash equivalents and bank overdrafts at the end of the year	2,648,950	4,616,631

Breach of Statutory Deadline

Kawerau District Council was required under section 98 (7) (a) of the Local Government Act 2022 to complete and adopt its audited financial statements and service performance information by 31 December 2021. This timeframe 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 2021, 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 2021 were authorised for issue by Council on 28 June 2022. 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 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 2020/21 are as follows:

Statement of Comprehensive Revenue and Expense

The significant variances from the estimated figures include: reduced income for interest revenue resulting from lower rates and reduced investment, additional income for: subsidy and grants resulting from the 3 waters assistance and "Pathways to Work" programme and "other" revenue from insurance proceeds for the netball pavilion.

There was additional expenditure for the Mayor's Taskforce for Jobs scheme, as well as losses for assets that were disposed of during the year. Council also undertook an unplanned re-valuation of its land due to the significant increase in these values which resulted in a much greater total comprehensive revenue and expense surplus than budgeted.

Statement of Financial Position

Cash and cash equivalents and other financial assets overall, were higher than budget due to additional funds being received for the 3 waters grants and insurance payout for the netball pavilion.

Non-current assets were higher than budget due to additional capital expenditure resulting from grants received for renewals during the year and the re-valuation of land.

Liabilities were higher than the budget due to more creditors and additional deferred revenue for the retirement village – resident's liability.

Finally, reserves were higher than budget as a result of grants being available to fund some capital projects

Statement of Cash Flow

The main variances when compared to budget in the cash flow statement, were as follows:

- Subsidies and grants were higher than budget because additional grants received for 3 waters and subsidy 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 more retirement units (8 units) sold during the year, whereas the budget had anticipated 6 units being sold.
- Purchase of plant, property and equipment was higher than budget because some projects were carried over from the previous year and there was additional expenditure following the receipts of grants for the 3 waters
- Funds from the Purchase of Investments exceeded the budget because Council had invested \$500k in the previous year, for longer than 90 days to get the best interest rates, whereas there were no investments for greater than 90 days at 30 June 2021

STATEMENT OF COMMITMENTS

Council had capital commitments at 30 June 2021 of \$886,951 for water pipe renewals and the town centre paving. (2020 - \$756,200.00).

STATEMENT OF CONTINGENT LIABILITIES

Council had no contingent liabilities at 30 June 2021 (2020 - nil)

POST BALANCE DATE EVENTS

The Government passed legislation during October 2021 to mandate the transfer all 3 waters assets to the four new entities from 1 July 2024. This will have a significant impact on Council and also the community. (2019/20 nil).



STATEMENTS OF SERVICE PERFORMANCE

During the 2020/21 year, Council only achieved 67% of its non-financial performance targets compared to 51% for the previous year, however, many of the non-achieved targets for 2019/20 were impacted by the COVID- 19 lockdowns.

Activity	2020/21 No. of Targets	2020/21 Results (Targets achieved)		2019/20 Achievement Rate
Democracy	5	4	80%	38%
Economic & Community Development	7	6	86%	67%
Environmental Services	18	10	56%	37%
Roading	6	2	33%	44%
Stormwater	3	3	100%	100%
Water Supply	12	9	75%	77%
Wastewater	7	4	57%	63%
Solid Waste Management	4	4	100%	63%
Leisure and Recreation	16	10	63%	40%
TOTAL*	78	52	67%	51%

*excludes the N/A targets

The following is a brief explanation of the targets that were not achieved and the actions being undertaken.

Democracy

86.1% (target >90%) of the annual works programme was completed for the year to 30 June 2021. 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.

Economic and Community Development

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

Environmental Services

There were eight targets that were not achieved which were:

1. Review of civil defence plans
2. Training of civil defence staff
3. Response times for dog complaints
4. Response times to noise complaints
5. Response times to other environmental health complaints
6. Satisfaction with the building consent processes
7. Satisfaction with environmental health inspection processes
8. Inspection of licensed premises

The reason that most of these targets were not achieved was due to resourcing shortages. Some of these shortages have been addressed for 2021/22, 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 contractor to address the delays.

Also Council resurfaced 3.75% of its sealed roads during the year (Target: 5.0% - 6.5%) and the road roughness score was 76.9% (Target: >95%).

Waka Kotahi 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 in the past.

Water Supply

Council commenced chlorinating the water supply from 1 July 2018 and since then there have been incidences of discoloured water. There were subsequent complaints about the taste and "dirty water" after the continuing release of built-up manganese from the water reticulation pipes. However, the reports of discoloured water has been reducing following ongoing flushing of pipes.

Also there was 1 technical protozoal non-compliance as well as 16 unplanned shutdowns (target:<13 shutdowns). There had been a staff vacancy for part of the year, which was has since been filled.

Wastewater

Council 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 did not resolve a sewer blockage until 2 weeks (Target: <8 hours) due a sewer line collapse. Council will be carrying out condition assessment on its pipes over the next year to ensure that collapses don't occur before they are replaced.

Leisure and Recreation

Council achieved 63% of its targets for leisure and recreation during the year.

COVID-19 has resulted in some targets not being achieved due to fear in the community and also a shortage of resourcing.

