



# KAWERAU DISTRICT COUNCIL

## Annual Report Summary For the Year Ended 30 June 2020





## **MAYOR'S MESSAGE**

Kia Ora and welcome to Council's annual report summary for the year ended 30 June 2020. This summary is a brief overview on how Council performed for the year as well as informing readers the state of Council's finances.

Council managed to have a successful year despite having to close some of the facilities and activities during the COVID-19 lockdown. The community especially is to be congratulated for its efforts and patience during this period, which went a long way to keeping all residents safe.

The Council elections were held in October 2019, and one new councillor Aaron Rangihika was elected. Chris Marjoribanks decided not to stand for election and he is thanked for his contribution and service to the community.

The major achievements during 2019/20 included:

- Ongoing successful management and securing funding for the iconic events: Woodfest, King of the Mountain Race and Christmas in the Park.
- Completion of residential developments at Central Cove and Te Arika Place and the subsequent sale of 6 sections in these developments
- Construction of 6 retirement units in Porritt Glade which all had been committed to by potential residents
- While Council only achieved 51% of its performance targets, a number of these targets were impacted by the COVID-19 lockdown and most of the other targets that were not achieved were close to being achieved.
- Maintained a high level of community satisfaction with council services/activities which exceeded the national average for just about every activity

The major renewal projects undertaken during the year, included:

- Ongoing renewal of damaged and dangerous footpaths throughout the district
- Programmed replacement of seal and kerb and channels of the district's roads
- Construction of stormwater bunds at the top of Beattie, Hardie and Valley roads to capture and slow floodwater following heavy rainfall. This will reduce the likelihood of flooding to residential property.
- Reinstatement of Tarawera water supply bores to ensure the town has sufficient capacity for the future
- Repairs to the water reservoir rooves to reduce the likelihood of contamination to the water supply
- Upgrade to the sewer plant and pump station to ensure the continuity of this service
- Programmed renewals to the swimming pool complex so this facility remains available for residents
- Renewal of the Cobham Street playground
- Upgrades to the library and district office counter space to make these safer for staff

Council used its depreciation reserves as well as subsidies and grants to fund these projects.

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 15 December 2020 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 2020

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 2020.

The summary of the Annual Report comprises the following summary statements on pages 7 to 12:

- the summary statement of financial position as at 30 June 2020;
- 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 2020;
- 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 2020 in our auditor's report dated 15 December 2020. That report also includes an emphasis of matter paragraph drawing attention to the disclosures about the impact of Covid-19 on the Council as set out in full Annual Report in note 33 of the financial statements and pages 56 to 58 of the statement of service performance. An extract of this information is included in the summary of the Annual Report on page 5.

## **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.



J R Smaill  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand  
18 December 2020

## **IMPACT OF COVID-19**

During COVID-19 alert levels 3 and 4 Council provided only essential services and during alert level 2, non-essential services were restricted to ensure the safety of staff and the community. During the COVID-19 lockdown period council staff performed above and beyond to support the emergency management efforts and ensure all essential services were provided and other public services delivered according to central government's guidelines.

The COVID-19 lockdown resulted in Council not achieving at least 21 of its non-financial performance targets. Most of these targets related to the continuity of (non-essential) Council services. Overall, Council achieved 51% of all targets for the year.

The lockdown also delayed some programmed capital projects, which impacted on Council's revenue for the year. This included the stormwater culvert replacements for River Road and the corresponding NZTA subsidy, and the completion of the Porritt Glade Lifestyle Village retirement units. These projects and corresponding revenue are expected to be undertaken during the 2020/21 and no losses are anticipated as a result of COVID-19.

The initial impact on residents and the community with the shutdown of all but essential businesses and organisations was significant. However, the ongoing effects of COVID-19 on businesses and employment in Kawerau has not been significant. It is expected that that this will remain the case. Surveys of local business and employment in Kawerau since the COVID-19 lockdown have indicated there is no serious impact directly attributable to COVID-19.

The Council's subsequent rate revenue collection has remained similar to previous years. This is a positive indication that residents can still sustain those rates payments.

Looking forward, the environment caused by COVID-19 means the Kawerau District Council like many local government organisations face levels of uncertainty about the economy, future revenue and asset and liability values.

### **Assumptions**

While there is the possibility that the COVID-19 pandemic will negatively impact the community in future and this in turn will affect Council's revenue, the risk is considered low. The district's industry and significant ratepayers continue to operate without reductions to their operations or workforce numbers. In addition, rate collection percentages are similar to previous years. Council continues to encourage ratepayers to get in touch 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, overall it is minimal.

Latest figures from Jobseeker support numbers, shows that Kawerau had an increase of 19% in the numbers looking for work when compared to the same period last year and this ranks Kawerau as the best performing area in the Eastern Bay. Some of this increase in job seeker numbers may be attributed to family members returning home during the global pandemic.

Council is confident it can continue providing excellent services to the community for a reasonable cost, which the community will be able to afford.

## STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the Year Ended 30 June 2020

\$		\$	\$
<u>2018/19</u>		<u>Budget</u>	<u>2019/20</u>
	<b>Revenue</b>		
9,999,467	Rates	10,393,760	10,370,965
897,366	Subsidies and grants	876,750	1,001,280
1,380,915	Fees and charges	2,115,660	1,395,185
170,278	Interest revenue	152,500	100,609
68,953	Other revenue	66,000	524,547
<b>12,516,979</b>	<b>Total Revenue</b>	<b>13,604,670</b>	<b>13,392,586</b>
	<b>Expense</b>		
4,792,509	Personnel costs	5,053,200	5,239,940
3,135,731	Depreciation and amortisation expense	2,942,820	3,247,020
6,124	Finance costs	5,500	4,935
6,025,634	Other expenses	6,061,070	5,287,076
71,571	Loss on disposal of property, plant and equipment	0	377,747
<b>14,031,569</b>	<b>Total Expense</b>	<b>14,062,590</b>	<b>14,156,718</b>
<b>(1,514,590)</b>	<b>SURPLUS/(DEFICIT)</b>	<b>(457,920)</b>	<b>(764,132)</b>
6,589,307	Gain on revaluation	0	0
<b>5,074,717</b>	<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b>(457,920)</b>	<b>(764,132)</b>

## STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2020

\$		\$	\$
<u>2018/19</u>		<u>Budget</u>	<u>2019/20</u>
	<b>Total Equity</b>		
66,725,379	Balance at 1 July	71,103,177	71,800,096
5,074,717	Total Comprehensive Revenue and Expense	(457,920)	(764,132)
<b>71,800,096</b>	<b>Closing Balance</b>	<b>70,645,257</b>	<b>71,035,964</b>
	<b>Equity represented by:</b>		
34,741,518	Accumulated funds	39,333,233	35,665,388
37,058,578	Other reserves	31,312,024	35,370,576
<b>71,800,096</b>		<b>70,645,257</b>	<b>71,035,964</b>

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

\$ <u>2018/19</u>		\$ <u>Budget</u>	\$ <u>2019/20</u>
	<b>ASSETS</b>		
6,788,573	Current assets	6,584,885	6,566,566
68,105,850	Non-current assets	67,168,389	68,098,004
<b>74,894,423</b>	<b>TOTAL ASSETS</b>	<b>73,753,274</b>	<b>74,664,570</b>
	<b>LIABILITIES</b>		
2,806,438	Current liabilities	2,778,547	3,371,208
287,889	Non-current liabilities	329,470	257,398
<b>3,094,327</b>	<b>TOTAL LIABILITIES</b>	<b>3,108,017</b>	<b>3,628,606</b>
	<b>EQUITY</b>		
34,741,518	Accumulated funds	39,333,233	35,665,388
37,058,578	Other reserves	31,312,024	35,370,576
<b>71,800,096</b>	<b>TOTAL EQUITY</b>	<b>70,645,257</b>	<b>71,035,964</b>

## STATEMENT OF CASHFLOWS

For the Year Ended 30 June 2020

\$ <u>2018/19</u>		\$ <u>Budget</u>	\$ <u>2019/20</u>
1,553,236	Net cash from operating activities	2,394,920	2,828,303
(1,671,245)	Net cash to investing activities	(3,737,970)	(1,617,117)
(14,896)	Net cash from financing activities	(19,600)	(18,147)
<b>(132,905)</b>	<b>Net increase/(decrease) in cash, cash equivalents and bank overdrafts</b>	<b>(1,362,650)</b>	<b>1,193,039</b>
2,233,407	Cash, cash equivalents and bank overdrafts at the beginning of the year	5,409,245	2,100,502
<b>2,100,502</b>	<b>Cash, cash equivalents and bank overdrafts at the end of the year</b>	<b>4,046,595</b>	<b>3,293,541</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 2020, 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 2020 were authorised for issue by Council on 15 December 2020. 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 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 2019/20 are as follows:

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

The significant variances from KDC's estimated figures include: reduced income for interest revenue which resulted from lower interest rates, additional income for subsidy and grants resulting from increased subsidies for events and the "Pathways to Work" programme, and the anticipated sales from residential sections being less than budgeted.

There was additional expenditure for personnel costs resulting from increased remuneration for elected members and the "Pathways to Work" programme as well as increased depreciation resulting from the increase in values following the revaluation of Council's assets at 30 June 2019.

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

### **Statement of Financial Position**

Cash and cash equivalents and other financial assets overall, were close to budget.

Non-current assets were higher than budget due the revaluation of these assets at 30 June 2019.

Liabilities were higher than the budget due to more creditors and increased deferred revenue at year end.

### **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 events and subsidy received for the Pathways to work programme.
- Receipts from fees and charges were lower than budget because facilities were closed for part of the year due to COVID and the delay in the completion of a long term lease
- Payments to employees were higher than budget because of additional costs for the Pathways to work programme and the increased remuneration for elected members
- Purchase of plant, property and equipment was less than budget because some projects were delayed (resulting from COVID-19) to the following year.
- Also there was a delay in the completion and sale of retirement units (assets) due to COVID-19
- Funds from the Purchase of Investments exceeded the budget because Council had invested more of its funds in the previous year, for longer than 90 days to get the best interest rates.

### **STATEMENT OF COMMITMENTS**

Council had capital commitments at 30 June 2020 of \$756,200.00 for retirement units and the town centre paving. (2019 - \$2,079,914).

### **STATEMENT OF CONTINGENT LIABILITIES**

Council had no contingent liabilities at 30 June 2020 (2019 - nil)

### **POST BALANCE DATE EVENTS**

For 2019/20 there were no significant events after balance date (2018/19 nil).



## STATEMENTS OF SERVICE PERFORMANCE

During the 2019/20 year, Council only achieved 51% of its non-financial performance targets compared to 76% for the previous year. The Covid-19 lockout mean that 21 targets (mostly relating to the on-going provision of council services) were not achieved, and many of the other targets not achieved, were close to being achieved.

Activity	2019/20 No. of Targets	2019/20 Results (Targets achieved)		2018/19 Achievement Rate
Democracy	8	3	38%	60%
Economic & Community Development	9	6	67%	100%
Environmental Services	19	7	37%	72%
Roading	9	4	44%	43%
Stormwater	3	3	100%	100%
Water Supply	13	10	77%	75%
Wastewater	8	5	63%	86%
Solid Waste Management	8	5	63%	100%
Leisure and Recreation	30	12	40%	75%
<b>TOTAL*</b>	<b>107</b>	<b>55</b>	<b>51%</b>	<b>76%</b>

\*excludes the N/A targets

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

### Democracy

Only 61.5% (75/122) of the annual works programme was completed for the year compared to a target of >90%. This was mainly as a result of the COVID-19 lockdown when no capital or maintenance projects could be undertaken.

There were also 3 meetings where Council could not provide a public forum due to the lockdown.

Finally, Council did not achieve the targets of community satisfaction for:

- Mayor and councillors 83% (target: >88%)
- Level of council consultation 65% (target >69%)
- Way rates are spent 89% (target >91%)

Council has since initiated a programme to keep the community better informed through a fortnightly council newsletter and regular updates to the website and social media.

### Economic and community development

The Covid-19 lockdown impacted on the delivery of events and the number of days that the I-Site was open to the public.

Also not all Toi EDA Trust meetings were attended by council staff. This resulted from a restructure of the trust and a change to whom was permitted to attend.

### Environmental Services

There were eight targets that were not achieved due to the impact of COVID-19. These were:

- Dog Registrations by 30 April 2020
- Audit of food premises
- Review of civil defence plans
- Training of civil defence staff

- Litter patrols
- Dog control patrols
- Inspections of pool fences
- Auditing of building warrant of fitness

Other targets that were not achieved were: response times for dog and noise complaints, satisfaction with the building inspection process and level of household emergency preparedness. The contractor responsible for the provision of dog and noise complaints has been spoken to about the delays and there will be more publicity with the community on the need to be prepared in case of an emergency.

### Roading

Council did not achieve the targeted timeframes for responding to all streetlight outages and pothole repairs. Council is working with its contactors to address these delays. Also Council only resurfaced 0.5% of its sealed roads during the year (Target: 5.0% - 6.5%). These were mostly intersections which were resurfaced with asphaltic cement - NZTA had previously reviewed the quality of the district's roads and determined that Council does not need to resurface roads as often as it has been doing.

### Water Supply

Council commenced chlorinating the water supply from 1 July 2018 and following this there have been complaints about the taste and "dirty water" after the release of built-up manganese from the water reticulation pipes. Council has since completed a programme of "air scouring" the water mains to remove this build-up, and is confident that most of the discoloured water issues have been addressed. The addition of chlorine and subsequent water discoloration has contributed lower satisfaction with water by the community

Also there was 1 instance of bacterial non-compliance for the water supply and 10 instances where the monitoring system was not operating.

### Wastewater

Council received two infringements and also did not comply with the resource consent for wastewater due to the 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.

### Solid Waste

Council did not achieve the targets for: the provision of recycling and collecting a minimum of 143.3 kg of recycling annually per household, which was due to the COVID-19 lockdown restrictions.

Also the community satisfaction with the refuse collection and disposal was just under the target of >92%.

Council will carry out a programme of better informing the community about the service, and encouraging more recycling.

### Leisure and Recreation

Council only achieved 40% of the targets for leisure and recreation during the year. The main reason for many targets not being achieved was due to the COVID-19 lockdown and facilities or activities not being available during this period.

Also many of the community satisfaction targets for these activities were not achieved. However, most satisfaction scores were close to the target and well above the national average for community satisfaction. Council will be reviewing the levels of satisfaction and also looking at keeping the community better informed via Council media sources.