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talking...



SUMMARY
Annual Report 2023-24
Pūrongo ā-tau

Year 3 of the Long Term Plan 2021-31

SECURING **TODAY**. SHAPING **TOMORROW**. STRONG **FUTURE**.

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The council adopted the audited annual report for the 2023-2024 year on 27 November 2024 and authorised it for issue.

This summary provides the key points extracted from the full 2023-24 annual report.



Message from the Mayor

2023-24 was a year of transition for the council, dominated by challenges and opportunity for all of us in the South Waikato District.

As councillors, we made some tough decisions for the future of our district when we considered the work for this plan, and I am pleased to say the council has made deliberate strides forward during this period.

Like many in our communities, the pressure is on, to do more and to do it better. Proof we are heading in the right direction comes through delivery and this council has successfully delivered its most significant capital works program for 5 years.

Simply put, we have put more pipes in the ground and the borrowing we are doing is paying for the future through intergenerational equity and ensuring most of that financial burden is carried by future users and residents.

Better project and financial management do not happen by accident, and I am pleased to confirm we are now seeing the efficiency gains being driven into the organisation by our chief executive Susan Law and her team coming through.

The financial result for 2023-24 has come in more than \$1.5m under budget and reflects the hard work and decisions, in reforming the way council does business.

Our financial strategy for the next 10 years laid its foundation during this reporting year. While I acknowledge the rates increase was considerable for our communities, it was a pain needed to reset and arrive better positioned into the 2024-34 Long-Term Plan setting and adoption.

I have said it many times and I will continue to do so, as we could not afford to just keep kicking the can down the road in the hope that we would get different results.

Financially we are now funding our operations appropriately and are proactively managing our way towards balanced budgets by 2028.

After a better than budgeted operating result and adoption of the 2024-34 Long Term Plan this year, Council is now boldly chasing a thriving community with a robust economy that out-paces the rest of New Zealand so we can advocate, support and shift the dials for our people and businesses.

As a region we are lagging behind the rest of New Zealand in economic growth and subsequently lacked the positive social drivers that come with a healthy economy. The political change of the Central Government has impacted the council in several ways with the earlier Three Waters program scrapped and Local Waters Done Well and other legislation working its way through parliament during this period.

South Waikato District Council is maintaining a working relationship with other councils in the region as we all consider what a regional Waikato Waters Done Well could be in the future.

While the council organisation is evolving internally, publicly there has been a disturbing rise in criticism and mentioning staff members names and titles in some forums and interactions in the community.

Staff are here to do the job for us all and many of them are community members and ratepayers who work diligently and loyally in their roles. As mayor, I acknowledge and thank the staff for their contribution to our district.

Finally, I want to thank my fellow elected members for their contribution to this year on behalf of our communities and district.

Being a leader is not always easy and at times we can all be challenged by our views and interactions around the table.

Different points of view help us make better overall decisions. However, once made these are the democratic decisions of the council and the directions set for the organisation to operationalise and councillors to lead and support.

I look forward to working on your behalf as mayor for the remainder of the triennium.



Gary Petley
Mayor
27 November 2024

~ 3 ~



Gary Petley
Mayor

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(Deputy Mayor)

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Our Strategic Direction

Our Vision, community outcomes and Strategies were adopted as part of the 2021-2031 Long Term plan and were in place for the 2023-2024 year. To put it simply, everything that Council does aligns with its strategies, outcomes and vision.

Our Council Vision:

Healthy people thriving in a safe, vibrant and sustainable community.

Aligning with our community outcomes, a high-level set of goals that we aim to provide outputs and outcomes to provide a positive effect on our communities.

Growth - to implement activities that facilitate sustainable economic growth to guide the activities, investments and projects undertaken by Council.

Relationships - to continue building stronger relationships with Iwi, Māori, Pacifica, community and businesses to achieve growth, resilience and collaboration.

Resilience - to anticipate, resist, respond to and recover from significant change or events. Including storm events, financial management, rates, affordability, asset replacement, environmental sustainability and climate change.

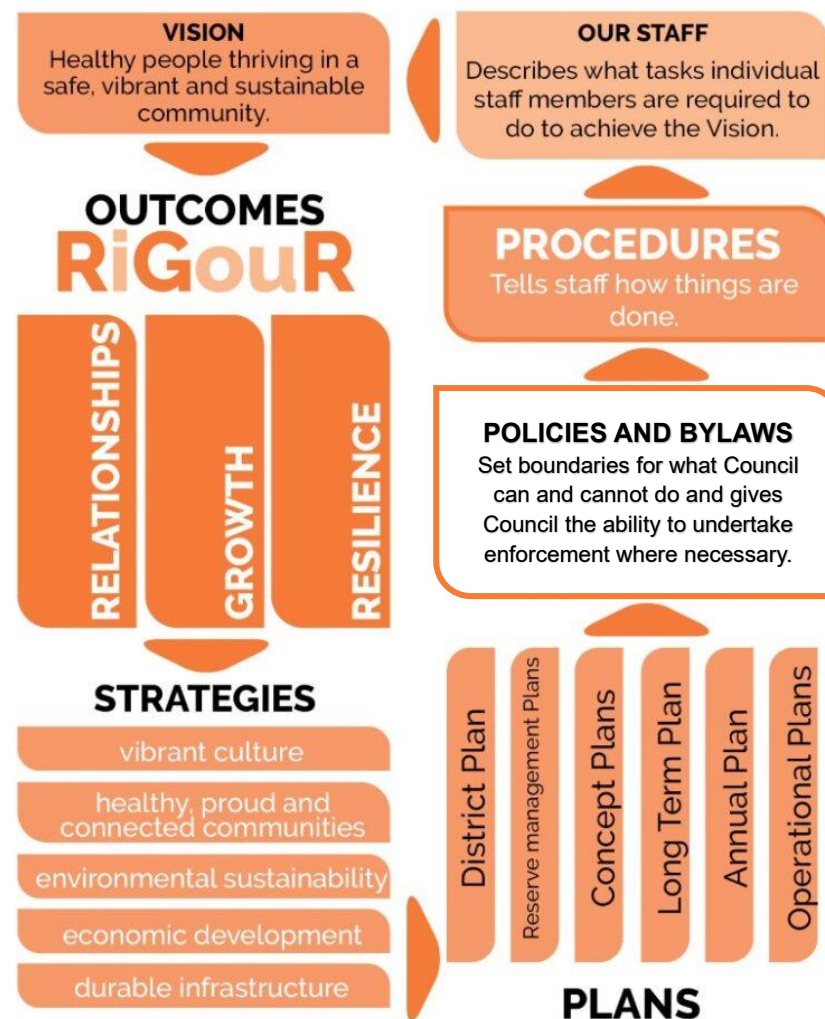
And aligning to our five key strategies of

- A vibrant culture
- A healthy, proud and connected community
- Environmental sustainability
- Economic Development
- Durable infrastructure

In turn, providing outcomes contributing to the four Government Wellbeings.



The following Community Outcomes table described the activities Council has undertaken in 2023-2024 and the outcomes achieved.



Major budget variations

Statement of comprehensive revenue and expense

Subsidies and grants received for the year include unbudgeted funding from the New Zealand Transport Agency (NZTA) of over \$3m for both capital and operational work, Kanoa funding for the Maraetai Road Intermodal Business Park of \$1.2m and for the Mayoral Task Force for Jobs (MTFJ) programme initiative of \$270k.

The depreciation and amortisation expenses are higher than budgeted by \$2m due to the revaluation of the roading and footpath assets in the 2022-23 year that would not have been catered for as part of the 2023-24 annual plan budgets due to the timing of the revaluation and the legislative requirement of the adoption of the 2023-24 annual plan.

Other expenses are higher than budget by \$700k due to increased energy costs to operate service facilities and higher insurance costs as a result of global and national weather and political events.

Statement of financial position

Total equity is \$75m less than budget mainly due to the smaller than expected movement in property revaluation reserves after the revaluations that took place during 2023-24. The budget movement anticipated a revaluation in the transport and roading space but the indices movements during 2023-24 didn't justify a need for the revaluation of this asset class.

Property, plant and equipment shows the effect of the lower revaluation outcome noted above along with the capital expenditure programme lagging behind expected budgeted spend. This is also reflected in lower-than-expected borrowings.

Statement of cashflows

Subsidies and grants income is higher than budgeted due to the timing of transport, roading and footpath maintenance and unbudgeted funding received as noted above in the Statement of Comprehensive Revenue and Expense commentary.

Purchase of property, plant and equipment is lower than budget due to capital programme delivery capabilities by contractors. In saying that, 2023-24 has been a better year for programme delivery as can be seen in the variance between 2023-24 and 2022-23 of over \$7m.

Basis for 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 27 November 2024.

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 a complete understanding of the comprehensive revenue and expense, financial position and cash flow as indicated in the full Annual report of the South Waikato District Council.

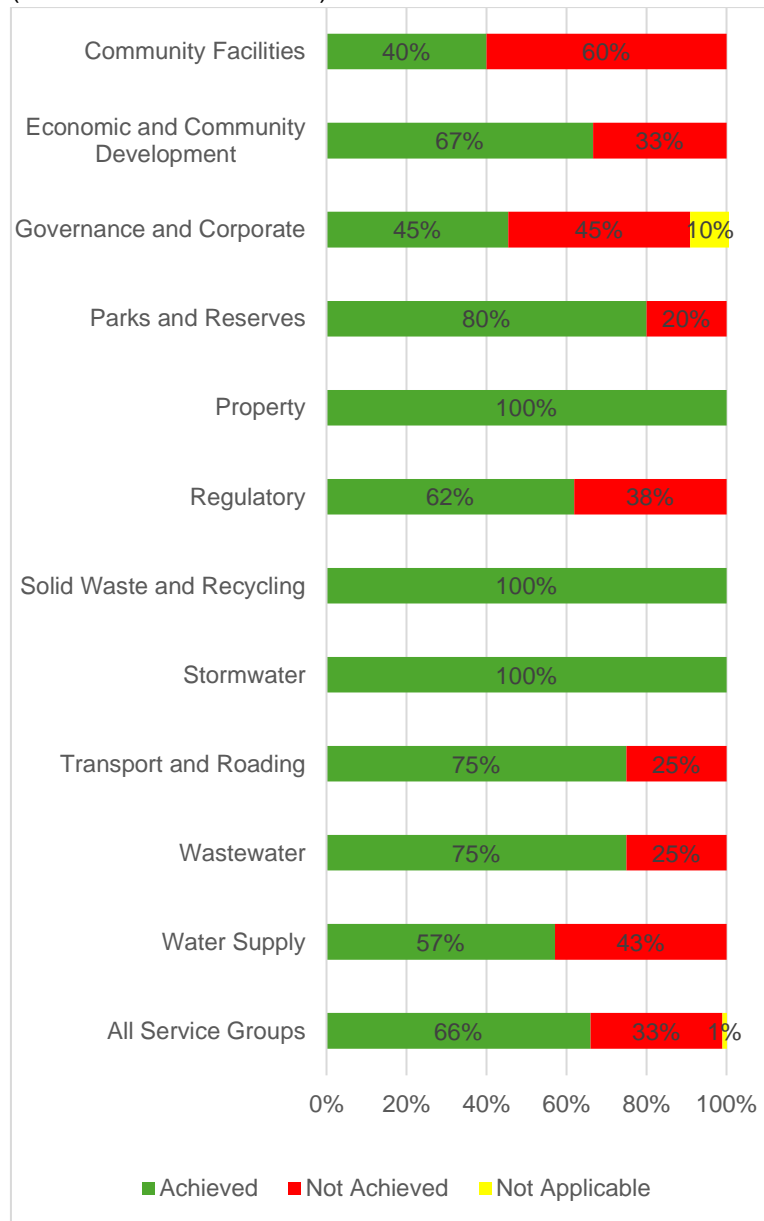
Please note that this summary of financial statements does not include all disclosures provided in the full financial statements.

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 27 November 2024.

Performance of our services and activities

(Achievement of our KPI's)



Capital Projects

Capital Projects	Actual Spend 2024 \$000s	Budget Spend 2024 \$000s	Actual Spend 2023 \$000s
Community Facilities	1,119	670	642
Economic and Community Development	2,010	413	854
Governance and Corporate	1,978	555	979
Parks and Reserves	996	924	1,335
Property	1,551	411	847
Regulatory	-	88	10
Solid Waste and Recycling	201	200	186
Stormwater	711	2,455	225
Transport and Roothing	5,497	4,717	3,499
Wastewater	4,113	3,644	2,867
Water Supply	2,105	2,858	1,825
Total	20,281	16,935	13,269

Statements

Statement of Comprehensive Revenue and Expense

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE For the year ended 30 June 2024	Actual 2024 \$000s	Budget 2024 \$000s	Actual 2023 \$000s
Revenue			
Rates, excluding targeted water supply rates	39,895	40,468	32,987
Fees, charges, and targeted rates for water supply	4,597	4,397	4,537
Development and financial contributions	579	437	793
Subsidies and grants	10,090	5,168	7,819
Finance income	836	431	899
Other revenue	3,171	889	2,410
Total revenue	59,168	51,790	49,445
Expenditure			
Employee benefits expense	15,161	12,944	13,828
Depreciation and amortisation expense	12,467	10,422	11,726
Finance costs	2,604	1,727	1,773
Other expenses	28,566	27,871	28,612
Total expenditure	58,798	52,964	55,939
Surplus/(Deficit)	370	(1,174)	(6,494)
Other comprehensive revenue and expense			
Gain/loss in Asset Revaluation Reserve	9,145	40,000	6,288
Gain/loss in Investment Revaluation Reserve	1,131	-	1,602
Total other comprehensive revenue and expense	10,276	40,000	7,890
Total comprehensive revenue and expense	10,646	38,826	1,396

Statement of Changes in Equity

STATEMENT OF CHANGES IN EQUITY						
For the year ended 30 June 2024						
	Restricted Reserves	Council Created Reserves	Property Revaluation Reserves	Investment Revaluation Reserves	Retained Earnings	Total
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
Balance at 30 June 2022	16,914	(959)	392,308	3,325	161,135	572,723
Net profit/(deficit) for the year	-	-	-	-	(6,494)	(6,494)
Transfers to retained earnings on disposal	-	-	63	-	(63)	-
Transfers to General Equity	3,172	(266)	-	-	(2,906)	-
Transfers from General Equity	(6,906)	(383)	-	-	7,289	-
Other comprehensive revenue and expense						
Gain/(loss) in Asset Revaluation Reserve	-	-	6,288	-	-	6,288
Gain/(loss) in Investment Revaluation Reserve	-	-	-	1,602	-	1,602
Total comprehensive revenue and expense	(3,734)	(649)	6,351	1,602	(2,174)	1,396
Balance at 30 June 2023	13,180	(1,608)	398,659	4,927	158,961	574,119
Net profit/(deficit) for the year	-	-	-	-	370	370
Transfers to retained earnings on disposal	-	-	(21)	-	21	-
Transfers to General Equity	7,155	6,245	-	-	(13,400)	-
Transfers from General Equity	(20,335)	(3,773)	-	-	24,108	-
Other comprehensive revenue and expense						
Gain/loss in Asset Revaluation Reserve	-	-	9,145	-	-	9,145
Gain/loss in Investment Revaluation Reserve	-	-	-	1,131	-	1,131
Total comprehensive revenue and expense	(13,180)	2,472	9,124	1,131	11,099	10,646
Balance at 30 June 2024	-	864	407,783	6,058	170,060	584,765

Statement of Financial Position

STATEMENT OF FINANCIAL POSITION For the year ended 30 June 2024			
	Actual 2024 \$000s	Budget 2024 \$000s	Actual 2023 \$000s
Equity			
Retained earnings	170,060	162,798	158,961
Other reserves	414,705	497,340	415,158
Total equity	584,765	660,138	574,119
Assets			
Current assets			
Cash and cash equivalents	9,174	1,435	8,392
Receivables from non-exchange transactions	4,512	3,680	3,839
Receivables from exchange transactions	1,218	-	1,428
Inventories	104	171	106
Other financial assets	218	-	266
Non-current assets held for sale	5,792	-	1,905
Derivative Financial Instruments	665	-	868
Total current assets	21,683	5,286	16,804
Non-current assets			
Property, plant and equipment	602,704	699,827	590,156
Other financial assets	15,189	16,575	20,829
Derivative Financial Instruments	509	-	1,048
Intangible assets	577	328	6
Total non-current assets	618,979	716,730	612,039
Total assets	640,662	722,016	628,843
Liabilities			
Current liabilities			
Payables and deferred revenue from non-exchange transactions	2,192	7,085	2,197
Payables and deferred revenue from exchange transactions	7,169	-	6,293
Employee benefit obligations	1,632	893	1,391
Borrowings	6,000	6,000	6,000
Provision for landfill closure	38	50	37
Total current liabilities	17,031	14,028	15,918
Non-current liabilities			
Provision for landfill closure	563	600	573
Borrowings	38,000	47,000	38,000
Derivative Financial Instruments	-	-	-
Employee benefit obligations	303	250	233
Total non-current liabilities	38,866	47,850	38,806
Total liabilities	55,897	61,878	54,724
Net assets	584,765	660,138	574,119

Statement of Cashflows

STATEMENT OF CASH FLOWS For the year ended 30 June 2024	Actual 2024 \$000s	Budget 2024 \$000s	Actual 2023 \$000s
Cash flow from operating activities			
<i>Cash was provided from:</i>			
Rates	39,450	40,468	32,588
Subsidies and grants	10,480	5,168	7,697
Fees and charges	5,061	5,286	5,447
Other income	1,204	437	2,407
Interest received	836	30	899
	57,031	51,389	49,038
<i>Cash was applied to:</i>			
Interest paid	2,604	1,727	1,772
Payment to suppliers and employees	42,640	40,815	43,026
	45,244	42,542	44,798
Net cash inflows/(outflows) from operating activities	11,787	8,847	4,240
Cash flow from investing activities			
<i>Cash provided from:</i>			
Proceeds from investments	7,561	401	1,684
	7,561	401	1,684
<i>Cash was applied to:</i>			
Purchase of investments	-	131	-
Purchase of property, plant and equipment	18,566	27,617	11,244
	18,566	27,748	11,244
Net cash inflows/(outflows) from investing activities	(11,005)	(27,347)	(9,560)
Cash flow from financing activities			
<i>Cash was provided from:</i>			
Loans raised	6,000	24,500	5,000
	6,000	24,500	5,000
<i>Cash was applied to:</i>			
Loans repaid	6,000	6,000	-
Net cash inflows/(outflows) from financing activities	-	18,500	5,000
Net increase/(decrease) in cash and cash equivalents	782	-	(320)
Cash and cash equivalents at the beginning of the year	8,392	1,435	8,712
Cash and cash equivalents at the end of the year	9,174	1,435	8,392

Water services reform programme

The Government's Local Water Done Well policy means councils across New Zealand will need to assess whether their water services delivery arrangements are, and will continue to be, financially sustainable over the medium to longer-term.

The Local Government (Water Services Preliminary Arrangements) Act 2024 requires the development of water service delivery plans (WSDP) describing how territorial authorities propose to ensure that the delivery of water services will be financially sustainable by 30 June 2028.

Councils will also need to consider whether existing service delivery arrangements will continue to meet community expectations regarding levels of service and affordability.

The Local Government (Water services Preliminary Arrangements) Act 2024 requires territorial authorities to submit WSDPs by 3 September 2025. The plans are to provide detailed information on the current state of each council's water service delivery arrangements (water supply, wastewater and stormwater) and set out a strategy for how they will achieve financial sustainability. This will include a high-level assessment of network performance, level of service, asset condition, regulatory compliance (including future consent requirements), investment needs, financial projections and affordability of water rates and charges.

Other considerations include inflationary pressures, population changes, impacts of climate change, the council's financial position and borrowing capacity, and the potential for additional costs or efficiencies associated with alternative delivery models.

Assessing the viability and sustainability of standalone service delivery for South Waikato District Council will be a precursor to the development of the WSDP. This information will also inform the Council's determination of the appropriate model to deliver water services into the future, such as a stand-alone or joint Council Controlled Organisation.

The reforms to date have had no effect on the 2024 financial statements or performance information.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2024

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 2024).

The summary of the annual report comprises the following information on pages 6 to 12:

- the summary statement of financial position as at 30 June 2024;
- 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 2024;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary performance of service 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 2024; in our auditor's report dated 27 November 2024.

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 audit and our report on the disclosure requirements and long term plan audit, we have carried out an assurance engagement on Trustee Reporting, which is compatible with those independence requirements. Other than this engagement we have no relationship with or interest in the District Council.

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

27 November 2024

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How to obtain a copy of the full 2023-24 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, Tīrau)