

# Annual Report

## Summary

### 2017-18



## Message from the Mayor

Due to the scale and complexity of activities that Council delivers to residents of the South Waikato, the 2017-18 year was another big, but positive year for Council and our community.

Council remains in a strong financial position despite the fact that our debt increased this year from \$12.567m to \$15.221m. This increase was mainly due to repaying our internal loans of \$1.7m and replacing these with external loans. We do have investments of \$18.1m set aside for replacement of our assets.

Our operating surplus was abnormally high at \$3.6m against a budget of \$0.3m. Most of this was because of the additional New Zealand Transport Agency (NZTA) subsidy received for the LED street lighting capital expenditure.

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

Our work on the districts four wastewater treatment plant upgrades and consent renewals continued alongside Raukawa, iwi and other stakeholders to determine the best options to reduce nutrients to the level that will achieve pending legislation under Healthy Rivers.

We continue to investigate the optimum solutions to manage solid waste in the district, which includes recycling, kerbside rubbish collection and the future of our landfill.

The new Tokoroa Skatepark was constructed and opened in June 2018. This facility has seen significant use by locals and visitors alike. With its location so visible from State Highway 1, it has attracted interest from passing motorists and presents a very positive and attractive introduction to Tokoroa. We are confident that the Tokoroa CBD upgrade will have a similar effect. This major project has started with the removal of the trees and some Talking Poles (either relocated or stored ready to be reinstated). The building consenting process has been slower than hoped due to the challenges presented by this unique building and project, but we anticipate this will be signed off in the third quarter 2018.

An E.coli issue in the Putāruru Water Supply occurred, requiring a boiled water notice to be issued. The E.coli was treated very effectively and we have identified areas where communications to residents and businesses can improve. Already in the plans - and now commissioned - is ultra-violet and micro-filtration at the Glenshea water supply and chlorine treatment at Te Waihou works, ensuring Council meets its obligations under the Drinking Water Standards.

Responding to economic growth - both population and business - has been a focus of Council over the past year. A 30 year growth strategy for Putāruru was adopted by Council in July 2017. A District Plan change to rezone land for residential and business land in Putaruru is being developed.

Council continues to collaborate with the SWIF Trust on a range of initiatives from business training to positioning the South Waikato to attract business investment.

Council successfully reviewed, consulted on and adopted 13 Bylaws. In addition, we also adopted an Easter Trading Policy allowing retailers to trade on Easter Sunday if they wish to. And we carried out a comprehensive review of the Gambling Class 4 and Racing Board Venue Policy. The review attracted considerable community interest. Council retained its Sinking Lid clause and strengthened other parts of the Policy.

Council successfully adopted its Long Term Plan 2018-28 - this is a short sentence, backed by hundreds of hours of work from Council staff and Elected Members. Good to see we got it over the line again by year end. The Long Term Plan is future focussed without losing sight of immediate opportunities. It identifies strategies and projects that will stand the district in very good stead over the next 10 years based on Council's Growth, Resilience and Relationship outcomes.

We resolved to improve our engagement framework rather than introduce Māori seats on Council. The question to introduce Māori seats or not was evenly split across our community.

Our district is certainly embracing technology when and where it can. Over the year we installed free WiFi in the Tokoroa CBD, along with new CCTV cameras; and an upgrade to CCTV cameras in Putāruru. While not a Council project, it is pleasing to see that Putāruru and Tīrau are currently having UltraFast Fibre installed as part of the government's broadband initiative.

### **A number of other significant projects for the 2017-18 financial year are highlighted below:**

The accelerated street light replacement programme across the district was completed with over 2,000 old lamps replaced with LED lights. This project was 85% funded by NZTA with total budget set at \$2.6m, meaning a significant discount for ratepayers. Council is especially proud of this project.

The completion of the Tīrau rail crossing safety improvements will now provide safe crossing passage to the Tīrau Domain over the railway line. This project was 100% NZTA and Kiwi Rail funded. Upon completion of the ramp at the crossing, work can continue on the Tīrau Walkway and Domain project.

Patronage at all district pools facilities and the South Waikato Sport and Events Centre increased in the 2017-18 year compared the 2016-17 year. Despite fees remaining the same, revenue also increased at the pools, with a small decrease at the Events Centre.

The Our Neighbourhood series of events was successfully carried out in partnership with key stakeholders. The series was again used to promote council leisure and recreational facilities.

In collaboration with Pride in Putāruru, Putāruru Moving Forward and SWIF the Putāruru Concept Plan was developed and consulted on. This is a great example of a community taking the lead in driving their town forward with the support of and working collaboratively with Council.

A new Library Management System (Kotui) was scoped and implemented for the District libraries, providing an improved library experience for our library customers.

A sub-regional development plan (the Southern Waikato Economic Development Action Plan) for the South Waikato, Waitomo and Otorohanga Districts was progressed. This is a joint project for councils, Waikato Means Business and other stakeholders and gives Council a direct relationship with MBIE which will be very important as our district population continues to grow.

Council participated in the development of and is now a part funder of a new Waikato Regional Economic Development Agency.

Business Case Management continues to produce positive results in streamlining business aspirations of the community, by acting as a liaison between customers and the various Council departments for over 60 new business proposals for the district.

Council continues to support environmental sustainability and is pleased that over 30,000 native plants were planted on farms to improve water quality in the district through the South Waikato Environmental Initiatives (SWEI) funding and joint funded projects with the Waikato River Authority (WRA). Council also continues to support eight schools in the South Waikato through the Enviroschools Programme.

Increasing levels of community engagement over the 2017-18 year has been encouraging. This has resulted in the need to grow resource into the area of information sharing, engagement, response and media liaison. Digital engagement and information platforms continue to be developed and implemented.

Council has undertaken a significant investment to upgrade its phone system technology to ensure we continue to improve productivity and customer service, like any system it is taking time to bed in and to be utilised fully but we believe it will add significant value in the near future.

We made improvements to a number of processes over the year, including project management, the procurement process, project framework and have established new Key Performance Indicators to ensure Council delivers on its identified district and operational outcomes.

***The 2017-18 year has certainly been a massive one. 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. This has put pressures on the organisation, but we are rising to the challenge and already 2018-19 looks set to be another positive year.***



Jenny Shattock QSM JP

**MAYOR**

4 October 2018

## Councillors and their contact details



Councillors from left to right back row: Jeff Gash (Deputy Mayor), Bill Machen, Marin Glucina, Peter Schulte, Gray Baldwin and Herman Van Rooijen

Left to right front row: Wendy Cook, Adrienne Bell, Jenny Shattock (Mayor) and Arama Ngapo-Lipscombe

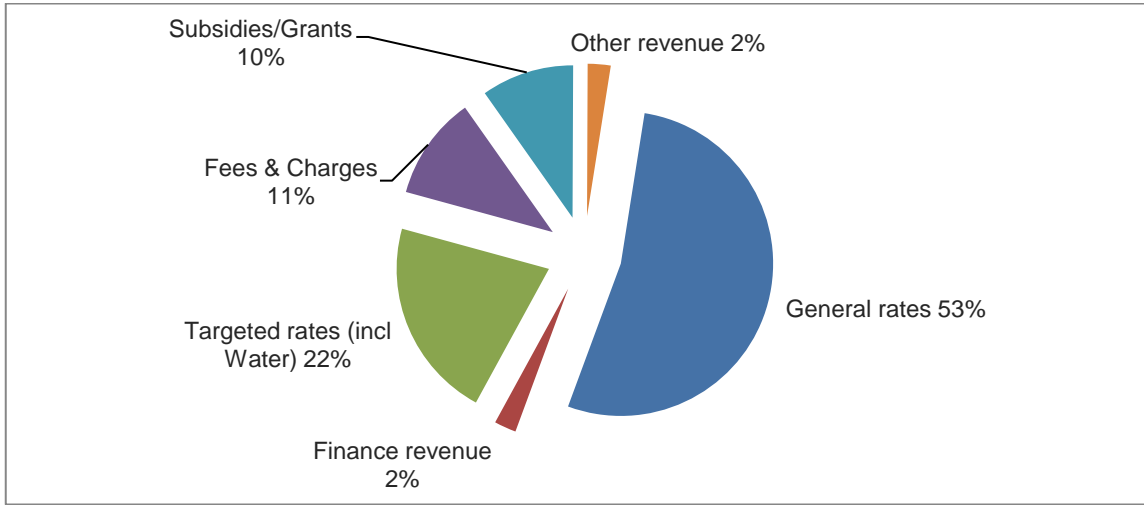
Councillor Name	Phone number	Email Address	Ward
<b>Jenny Shattock</b>	885 0716 027 441 6230	jenny.shattock@southwaikato.govt.nz	Mayor
<b>Jeff Gash</b>	027 589 9472	jeff.gash@outlook.com	Tokoroa
<b>Gray Baldwin</b>	027 239 0497	baldwin@xtra.co.nz	Putāruru
<b>Adrienne Bell</b>	027 471 2404	adriennejb@yahoo.co.nz	Putāruru
<b>Wendy Cook</b>	021 719 093	wendy@pockets.co.nz	Tokoroa
<b>Marin Glucina</b>	021 416 076	glu-@hotmail.com	Tokoroa
<b>Thomas Lee</b>	027 332 1292	lee.whanau@clear.net.nz	Tokoroa
<b>Bill Machen</b>	027 471 5899	lilyandbill@xtra.co.nz	Tokoroa
<b>Arama Ngapo-Lipscombe</b>	027 533 9988	arama@nll.co.nz	Tokoroa
<b>Peter Schulte</b>	021 434 933	peter@otobahncoffee.com	Tīrau
<b>Herman Van Rooijen</b>	027 246 6601	vanrooijen@xtra.co.nz	Putaruru

## Tīrau Community Board members

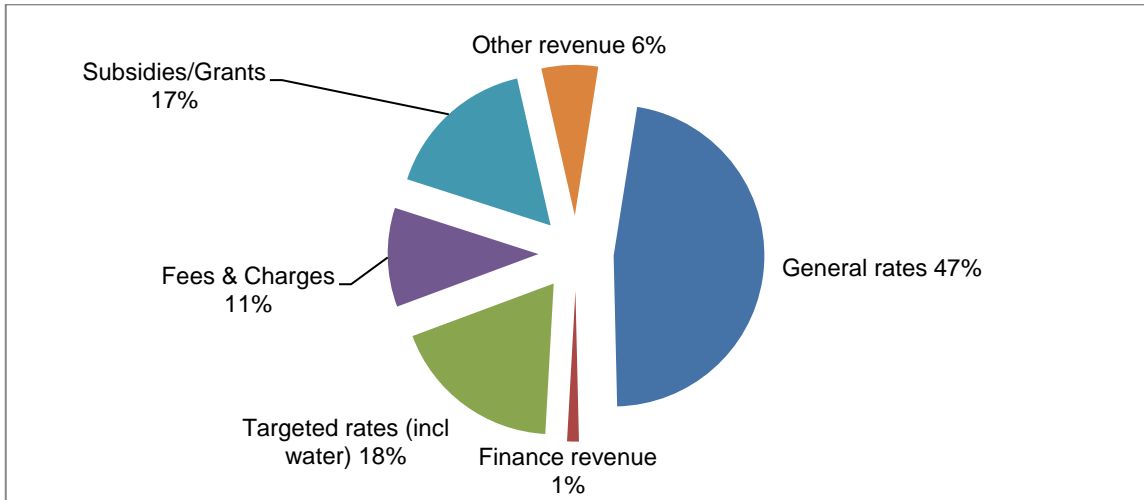
Name	Phone Number	Email Address
<b>Cassandra Robinson (Chair)</b>	027 243 4931	cassandra.r@xtra.co.nz
<b>Clive Collingwood</b>	027 245 8027	noddy_collingwood@clear.net.nz
<b>Sharon Burling-Claridge</b>	07 883 1776	cadillacafe@xtra.co.nz

**Summary of actual and target revenue sources**

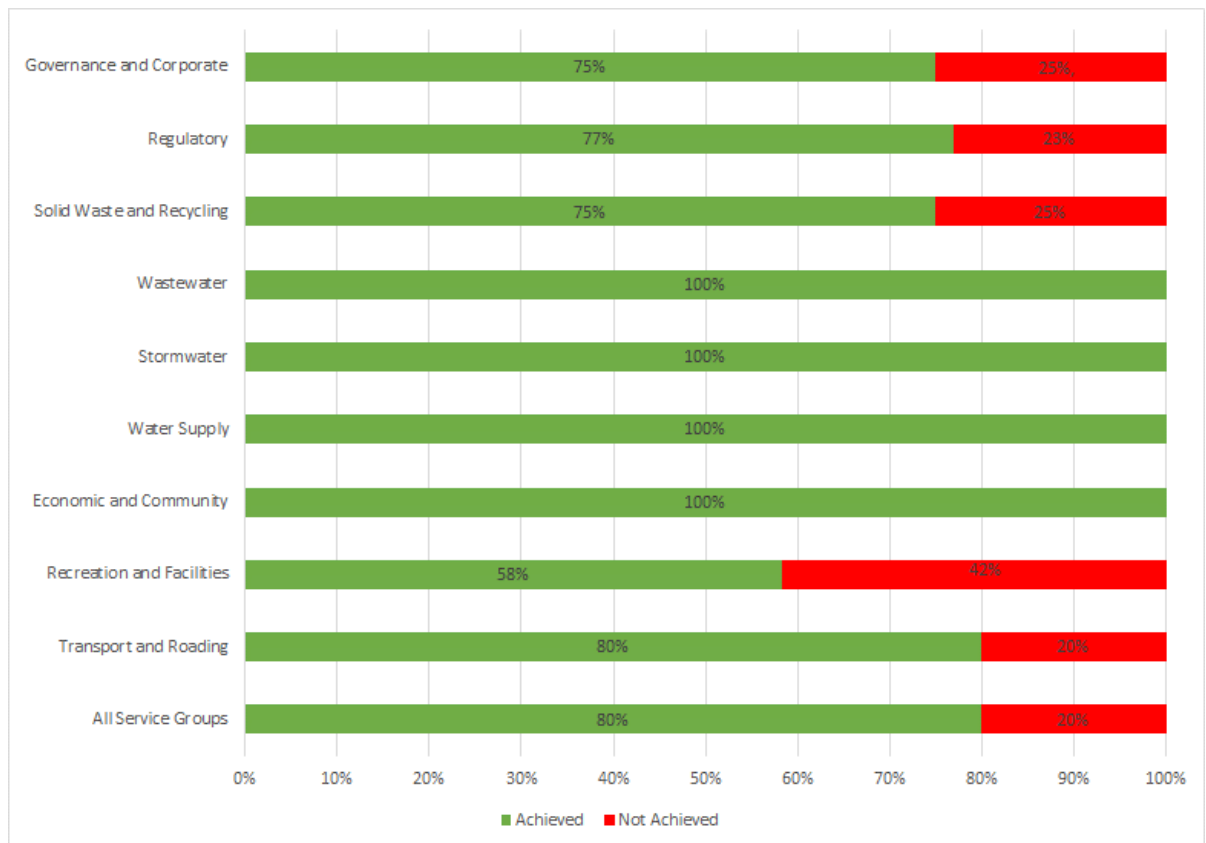
**Funding impact revenue source - budgeted 2017-18**



**Funding impact revenue source - actual 2017-18**



**Performance of our services and activities (achievement of our KPIs)**



**Capital Projects**

	<b>Actual Spend 2018 \$000</b>	<b>AP Budget Spend 2018 \$000</b>	<b>Actual Spend 2017 \$000</b>
Economic and Community Development	39	93	136
Governance and Corporate	2,041	495	676
Facilities, Properties and Amenities	493	128	790
Leisure Services	1,248	830	720
Regulatory	5	21	-
Solid Waste and Recycling	175	209	137
Stormwater	109	111	36
Transport and Rooding	6,324	3,208	3,236
Wastewater	406	2,421	441
Water Supply	565	725	515
<b>Total</b>	<b>11,405</b>	<b>8,241</b>	<b>6,687</b>

## Consolidated statements

### Statement of comprehensive revenue and expense

	Note No.	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Revenue</b>				
Rates, excluding targeted water supply rates	4	24,659	24,630	23,649
Fees, charges, and targeted rates for water supply		4,147	3,633	3,825
Development and financial contributions		96	21	124
Subsidies and grants	5	6,045	3,257	3,284
Finance income	6	475	770	445
Other revenue	7	2,186	785	1,779
<b>Total revenue</b>	<b>3</b>	<b>37,608</b>	<b>33,096</b>	<b>33,106</b>
<b>Expenditure</b>				
Employee benefits expense	8	9,101	9,837	9,009
Depreciation and amortisation expense	15/16	7,036	7,599	6,891
Finance costs	6	602	736	647
Other expenses	9	17,308	14,666	15,038
<b>Total expenditure</b>		<b>34,047</b>	<b>32,838</b>	<b>31,585</b>
<b>Surplus/(Deficit)</b>		<b>3,561</b>	<b>258</b>	<b>1,521</b>
<b>Other comprehensive revenue and expense</b>				
Gain/loss in Asset Revaluation Reserve	21	5,680	7,276	22,659
Gain/loss in Investment Revaluation Reserve	21	468	-	100
<b>Total other comprehensive revenue and expense</b>		<b>6,148</b>	<b>7,276</b>	<b>22,759</b>
<b>Total comprehensive revenue and expense</b>		<b>9,709</b>	<b>7,534</b>	<b>24,280</b>

**Statement of changes in equity**

	Note No.	Restricted Reserves \$000	Council Created Reserves \$000	Property Revaluation Reserves \$000	Investment Revaluation Reserves \$000	Retained Earnings \$000	Total \$000
<b>Balance as at 30 June 2016</b>		<b>15,840</b>	<b>3,456</b>	<b>222,897</b>	<b>1,067</b>	<b>145,384</b>	<b>388,644</b>
Net profit for the year	21	-	-	-	-	1,521	1,521
Transfers to retained earnings on disposal		-	-	(730)	-	730	-
Transfers to General Equity		4,519	559	-	-	(5,078)	-
Transfers from General Equity		(2,933)	(1,484)	-	-	4,417	-
<b>Other comprehensive revenue and expense</b>							
Gain/loss in Asset Revaluation Reserve	21	-	-	22,659	-	-	22,659
Gain/loss in Investment Revaluation Reserve	21	-	-	-	100	-	100
<b>Total comprehensive revenue and expense</b>		<b>1,586</b>	<b>(925)</b>	<b>21,929</b>	<b>100</b>	<b>1,590</b>	<b>24,280</b>
<b>Balance at 30 June 2017</b>		<b>17,426</b>	<b>2,531</b>	<b>244,826</b>	<b>1,167</b>	<b>146,974</b>	<b>412,924</b>
Net profit for the year	21	-	-	-	-	3,561	3,561
Transfers to retained earnings on disposal		-	-	(943)	-	943	-
Transfers to General Equity		4,208	1,226	-	-	(5,434)	-
Transfers from General Equity		(4,096)	(1,313)	-	-	5,409	-
<b>Other comprehensive revenue and expense</b>							
Gain/loss in Asset Revaluation Reserve	21	-	-	5,680	-	-	5,680
Gain/loss in Investment Revaluation Reserve	21	-	-	-	468	-	468
<b>Total comprehensive revenue and expense</b>		<b>112</b>	<b>(87)</b>	<b>4,737</b>	<b>468</b>	<b>4,479</b>	<b>9,709</b>
<b>Balance at 30 June 2018</b>		<b>17,538</b>	<b>2,444</b>	<b>249,563</b>	<b>1,635</b>	<b>151,453</b>	<b>422,633</b>



**Statement of financial position**

	Note No.	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Equity</b>				
Retained earnings	21	151,453	146,643	146,974
Other reserves	21	271,180	249,618	265,950
<b>Total equity</b>		<b>422,633</b>	<b>396,261</b>	<b>412,924</b>
<b>Assets</b>				
<b>Current assets</b>				
Cash and cash equivalents	10	5,142	4,791	7,277
Receivables from non-exchange transactions	11	2,037	2,685	1,918
Receivables from exchange transactions	11	1,518	-	1,183
Inventories	12	189	219	203
Other financial assets	13	-	-	2
Current assets held for sale	14	1,118	-	981
<b>Total current assets</b>		<b>10,004</b>	<b>7,695</b>	<b>11,564</b>
<b>Non-current assets</b>				
Property, plant and equipment	15	414,622	395,430	405,447
Other financial assets	13	19,924	12,022	14,078
Non-current assets held for sale	14	87	-	228
Intangible assets	16	298	2	136
<b>Total non-current assets</b>		<b>434,931</b>	<b>407,454</b>	<b>419,889</b>
<b>Total assets</b>		<b>444,935</b>	<b>415,149</b>	<b>431,453</b>
<b>Liabilities</b>				
<b>Current liabilities</b>				
Payables and deferred revenue from non-exchange transactions	17	1,303	3,605	1,243
Payables and deferred revenue from exchange transactions	17	3,618	-	2,847
Employee benefit obligations	19	1,058	978	993
Borrowings	20	1,188	880	904
Provision for landfill closure	18	15	209	18
Trust accounts	17	2	-	1
<b>Total current liabilities</b>		<b>7,184</b>	<b>5,672</b>	<b>6,006</b>
<b>Non-current liabilities</b>				
Provision for landfill closure	18	913	626	738
Borrowings	20	14,033	12,440	11,663
Employee benefit obligations	19	172	150	122
<b>Total non-current liabilities</b>		<b>15,118</b>	<b>13,216</b>	<b>12,523</b>
<b>Total liabilities</b>		<b>22,302</b>	<b>18,888</b>	<b>18,529</b>
<b>Net assets</b>		<b>422,633</b>	<b>396,261</b>	<b>412,924</b>

**Statement of cashflows**

	Note No.	Actual 2018 \$000	Budget 2018 \$000	Actual 2017 \$000
<b>Cash flow from operating activities</b>				
<i>Cash was provided from:</i>				
Rates		24,446	24,630	24,088
Subsidies and grants		5,522	3,257	3,125
Fees and charges		4,241	3,633	3,688
Other income		1,352	21	1,288
Interest received		475	770	445
Dividend received		263	-	337
		<u>36,299</u>	<u>32,311</u>	<u>32,971</u>
<i>Cash was applied to:</i>				
Interest paid		601	736	569
Net GST paid		1,541	-	1,854
Payment to suppliers and employees		22,549	24,503	21,597
		<u>24,691</u>	<u>25,239</u>	<u>24,020</u>
<b>Net cash inflows/(outflows) from operating activities</b>	22	<b>11,608</b>	<b>7,072</b>	<b>8,951</b>
<b>Cash flow from investing activities</b>				
<i>Cash provided from:</i>				
Proceeds from investments		-	800	466
Property, plant and equipment sales		30	-	457
		<u>30</u>	<u>800</u>	<u>923</u>
<i>Cash was applied to:</i>				
Purchase of investments		5,378	-	-
Purchase of property, plant and equipment		11,049	8,137	5,972
		<u>16,427</u>	<u>8,137</u>	<u>5,972</u>
<b>Net cash inflows/(outflows) from investing activities</b>		<b>(16,397)</b>	<b>(7,337)</b>	<b>(5,049)</b>
<b>Cash flow from financing activities</b>				
<i>Cash was provided from:</i>				
Loans raised		3,791	248	-
		<u>3,791</u>	<u>248</u>	<u>-</u>
<i>Cash was applied to:</i>				
Loans repaid		1,137	935	609
		<u>1,137</u>	<u>935</u>	<u>609</u>
<b>Net cash inflows/(outflows) from financing activities</b>		<b>2,654</b>	<b>(687)</b>	<b>(609)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(2,135)</b>	<b>(952)</b>	<b>3,293</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,277</b>	<b>5,743</b>	<b>3,984</b>
<b>Cash and cash equivalents at the end of the year</b>	10	<b>5,142</b>	<b>4,791</b>	<b>7,277</b>

## Other Notes

### Major budget variations

#### Statement of comprehensive revenue and expense

Fees and charges are \$363,000 more than budgeted. This is due to \$197,000 additional revenue from Solid Waste (mainly from Landfill charges), \$148,000 from building and planning consents and \$18,000 additional revenue from Tokoroa pool admissions.

Subsidies and Grants are \$2.788m more than budgeted. This is due to \$2.836m additional NZTA subsidy funding relating to the LED lighting programme and additional subsidy received for work completed in 16/17, and \$21,000 from donations, koha and additional Waikato Regional Council subsidies.

Other revenue is \$1.401m higher than budgeted. This is due to \$571,000 of vested asset income for service infrastructure, an unbudgeted grant of \$100,000 from Trust Waikato for the skatepark, \$437,000 from Business Unit chargeouts to capital projects, \$262,000 from dividends, and \$68,000 income from the sale of the trees at Amisfield.

Other expenses were higher than budgeted by \$2.642m. This is due to \$1.07m of a loss on disposal of assets, \$639,000 of additional consultancy work required for growth modelling, service projects and remedial work, and \$771,000 of operational expenditure in services. Most of the \$771,000 related to additional operational costs at the landfill due to higher volume, and Health and Safety requirements.

#### Statement of Financial Position

Current assets are \$2.3m higher than expected due to an increase in receivables and current assets held for sale which was not budgeted for.

Property Plant and Equipment is \$19.2m more than expected due to the revaluation in buildings and land, higher than expected purchases of assets across the board and the increase in vested assets to council.

#### Statement of Cashflows

Payments to suppliers and employees was under budgeted in year 3 of the LTP. Cash applied to purchase of investments was not budgeted for in the annual plan.

### Basis of Preparation

This 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 4 October 2018.

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 4 October 2018.

#### How to obtain a full Annual Report

The full annual is our key accountability document. You can obtain a full Annual Report by:

- Visiting our website - [www.southwaikato.govt.nz](http://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](mailto:info@southwaikato.govt.nz)
- Writing to us at: South Waikato District Council, Private Bag 7, Tokoroa 3444
- Visiting one of our Council offices (located in Tokoroa or Putāruru)

If requesting a full Annual Report, please state whether you require the Annual Report in CD or hard copy format.



**INDEPENDENT AUDITOR'S REPORT  
TO THE READERS OF SOUTH WAIKATO DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR  
THE YEAR ENDED 30 JUNE 2018**

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 2018.

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 2018;
- 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 2018;
- 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 2018 in our auditor's report dated 4 October 2018.

**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.

Melissa Youngson  
**Deloitte Limited**  
On behalf of the Auditor-General  
Hamilton, New Zealand, 4 October 2018