

Otorohanga District Council

Summary Annual Report for the year ended 30 June 2017

COMMENTS FROM THE MAYOR AND THE CHIEF EXECUTIVE

The 2016/17 year saw Council move further away from its previous very stable 'business as usual' mode into a more dynamic state where there was greater emphasis on new activities to support potential population and economic growth.

This was reflected in the undertaking of an amendment to Council's Long Term Plan during the year to enable a number of significant growth related projects to commence, the most notable of which was Council-funded residential subdivision development in Otorohanga.

The decision to sell Council's Te Raumauku Road farm property was another significant event in the year, a decision based on the limited financial return being achieved from that property and a belief that greater benefit would be achieved by investing in assets with more growth potential.

Council's financial results for the year were very sound, with expenditures generally very much in line with or below set budgets. A notable saving of more than \$500,000 was made in respect of sealed road resurfacing for the year, largely due to improvements in the method of assessing when resurfacing is required.

The most notable over-expenditures during the year were in respect of water supplies where higher than expected costs have been associated with the continuing challenge of meeting increasingly stringent standards. These challenges seem likely to further grow in the future as government responses to the Havelock North water contamination event shape the associated regulatory systems.

Overall Council recorded a surplus for the year of \$1.44 million against a budget figure of \$925,000, a satisfactory result. Council's external debt was \$9.6 million at the year end, but with over \$4 million of cash held at that time, and hence Council's real exposure to debt is presently only a little over \$6 million, which is again a very comfortable level.

Satisfactory levels of service and organisational performance also continue to be achieved, with 76% of applicable performance targets for the year being met or exceeded.

The transition to growth has however highlighted some weaknesses of the Council organisation, particularly in relation to staffing levels. Council's staff numbers have remained little changed over the last 20 years and have generally been considered adequate to support 'business as usual' operation despite steadily increasing regulatory complexity.

The additional need to support growth has however brought the organisation to the point where it is over-stretched and this has been reflected in slower than desired progress of some matters, and there is a considered need to bring ODC's human resources closer to the levels generally found in other councils of similar size.



Max Baxter
MAYOR



Dave Clibbery
CHIEF EXECUTIVE

24th October 2017



Summary Financial Statements

OTOROHANGA DISTRICT COUNCIL SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES FOR THE YEAR ENDED 30 JUNE 2017

Actual 30 June 2016 (000's)		Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
	Revenue		
11,768	Rates revenue	12,232	12,107
4,802	Other income	5,040	5,644
16,570	Total income	17,272	17,751
	Expenses		
440	Finance Costs	563	436
15,376	Other Expenditure	15,784	15,878
15,816	Total expenditure	16,347	16,314
754	Surplus/(deficit) for the year	925	1,437
	Other Comprehensive Revenue and Expenses		
(103)	Gain/(loss) on property revaluation	23,285	(31)
3	Gain/(loss) on available for sale financial assets	-	(1)
(100)	Total other comprehensive revenue and expenses	23,285	(32)
654	Total Comprehensive Revenue and Expenses for the year	24,210	1,405

OTOROHANGA DISTRICT COUNCIL SUMMARY BALANCE SHEET AS AT 30 JUNE 2017

Actual 30 June 2016 (000's)		Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
	Assets		
5,093	Total current assets	6,574	7,188
299,450	Total non-current assets	303,630	298,929
304,543	Total assets	310,204	306,117
	Liabilities		
2,739	Total current liabilities	2,786	2,997
9,731	Total non-current liabilities	9,675	9,642
12,470	Total liabilities	12,461	12,639
292,073	Net Assets	297,743	293,478
	Equity		
155,333	Accumulated comprehensive revenue and expenses	153,925	156,993
136,740	Reserves	143,818	136,485
292,073	Total equity attributable to ODC	297,743	293,478



**OTOROHANGA DISTRICT COUNCIL
SUMMARY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2017**

Actual 30 June 2016 (000's)	Note	Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
291,419	Balance at 1 July	273,533	292,073
654		24,210	1,405
Balance at 30 June		297,743	293,478

**OTOROHANGA DISTRICT COUNCIL
SUMMARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

Actual 30 June 2016 (000's)		Budget 30 June 2017 (000's)	Actual 30 June 2017 (000's)
6,071	Net cash provided by Operating Activities	5,639	6,035
(4,845)	Net cash used in Investing Activities	(5,323)	(4,520)
(93)	Net cash provided by/(used in) Financing Activities	(86)	(86)
1,133	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	230	1,429
	Made up as follows:		
1,133	Net (decrease)/increase in cash, cash equivalents and bank overdrafts	230	1,429
1,704	Cash, cash equivalents and bank overdrafts at the beginning of the year	2,973	2,837
2,837	Cash and cash equivalents at the end of the year.	3,203	4,266

Explanation of major variances against budget

Explanations for major variations from the Council estimate figures in the 2016/17 Annual Plan are as follows:

Statement of Comprehensive Revenue and Expenses

Total other income was \$604,000 above budget. This is due to a number of factors, including contributions from Waikato Regional Council being up on budget, vested assets of \$332,000, income from interest being \$49,000 over budget and increased regulatory revenue.

Total other expenses were \$94,000 above budget. This is due to a number of factors, mostly due to increased depreciation costs as a result of the change in methodology around disposing of some roading assets. Also road maintenance costs were higher than budgeted, which was offset by savings in other activities.

Finance costs are \$127,000 under budget. This is due to savings in interest costs made from borrowing from the Local Government Funding Agency, as well as an overall reduction in external borrowing.

Balance Sheet

Total current assets are up on the budgeted figure by \$614,000. This is mainly due to an increase in the cash and cash equivalent of \$1,063,000 above budget, offset by reductions in trade and other receivables.

Non-current assets are below budget by \$4,701,000 due to higher than budgeted property, plant and equipment revaluation figures in the previous years.

Total current liabilities are \$211,000 above budget and non-current liabilities is \$33,000 below budget. This is predominantly due to the timing of end of year creditor payments, as well as a movement in income in advance.



Statement of Cash flows

Cash flows from operating activities were above budget by \$396,000, as a result of decreased payments to suppliers and increased cash revenue inflows.

Cash flows from investing activities were \$803,000 below budget due to the deferral of some capital expenditure projects, as well as property sales being budgeted that did not eventuate due to the development project being delayed.

Basis of Preparation

These summary financial statements and summary statement of service performance (the Summary Report) have been prepared in accordance with PBE FRS-43: Summary Financial Statements. The Summary Report cannot provide as complete an understanding as the full Annual Report which is available at the Council Offices and District Libraries. This Summary report is for the year ended 30 June 2017. All figures are in New Zealand dollars rounded to the nearest \$1,000.

The Summary Report has been extracted from the full Otorohanga District Council 2016/17 Annual Report which was authorised for issue on 24th October 2017. The full financial statements received an unmodified audit opinion dated 24th October 2017. The summary financial statements are presented in New Zealand dollars. The Summary Report was adopted and authorised by the Otorohanga District Council on 24th October 2017.

The primary objective of Otorohanga District Council is to provide goods or services for the community or social benefit rather than making a financial return. The Otorohanga District Council is an individual entity for reporting purposes.

Otorohanga District Council has been determined to be a Tier 2 Public Benefit Entity and therefore has applied reduced disclosure requirements as it sees fit.



Summary of Other Notes

Reserves

	Actual 2016 (000's)	Actual 2017 (000's)
Restricted reserves	1,045	824
Available for Sale Revaluation Reserves	11	10
Asset Revaluation Reserves	135,684	135,651
Total Reserves	136,740	136,485

The movement in restricted reserves related to subdivision financial contributions received with resource consents and interest earned on those restricted reserves. There was also a transfer of money to cover some capital expenditure in the Otorohanga Community.

Events after balance sheet date

In October 2017, a sale and purchase agreement for the sale of the property at Waiwera Street went unconditional. This sale was for \$400,000 and has a settlement date of 3 November 2017. This transaction will be reflected in the 30 June 2018 financial statements. (2016: Sale of one property at Progress Park for \$100,000)



Summary of Significant Activities

Summary of Significant Service Levels and Performance Targets

Activity	Number of Performance Targets	Achieved	Partially Achieved	Not Measured	Not Achieved
Roads and Footpaths	6	3	-	-	3
Water Supply	7	2	1	2	2
Sewerage Treatment and Disposal	4	3	1	-	-
Flood Protection and Control Works	1	-	-	-	1
Stormwater Drainage	4	3	-	-	1
Community Services	21	16	-	1	4
Regulatory Services	17	12	-	1	4
Community Development	3	-	-	1	2
Governance & Leadership	14	11	-	3	-

Roads and Footpaths

Roads and Footpaths targets achieved included change in total number of fatalities and serious injuries, average quality of ride, and unsealed road metalling. Targets not achieved include percentage of sealed road network resealed, and footpath network condition.

Water Supply

Water Supply targets achieved included the compliance with drinking water standards for bacteria and number of complaints received per 1000 connections. The measure around median response times was partially achieved, as targets were met for urgent call-outs but not for non-urgent call-outs. Not achieved measures related to drinking water standards for protozoa and average consumption per resident per day.

Sewerage Treatment

Sewerage Treatment targets achieved relate to compliance with resource consents, dry weather overflows and complaints per 1000 connections. Targets partially achieved related to median response and times for overflows, where attendance was not achieved but resolution was achieved.

Flood Protection

The Flood Protection target not achieved was regarding an assessment of the flood protection assets.

Stormwater Drainage

The Stormwater drainage targets achieved were for median response time to attend a flooding event, number of flooding events in the district and compliance with resource consents. The not achieved target related to number of complaints of flooding.

Community Services

Overall across all community activities a total of 21 performance targets exist, of which sixteen were achieved, four were not achieved and two were not measured. Those achieved included safe outdoor structures, safe and high quality park furniture, adequate paths and tracks, publication dates of library books, pensioner housing occupancy rates, swimming pool water quality tests, cemetery website visits, compliance with resource consents for closed landfills and complaints about kerbside collection and roadside litter.

The targets not achieved were increase in recycling volumes, cemetery website visits, library materials issued and library visits per capita, and the one not measured related to



Sport Waikato, due to no contract currently existing with them.

Regulatory Services

There are seventeen performance measures across Regulatory Services, which covers Building Control, Planning & Development, Environmental Health, Rural Fire, Civil Defence, Dog Control and Stock Ranging. Of these measures, twelve were achieved, one was not applicable due to changes in legislation and four were not achieved. These related to swimming pool inspections, formal civil defence training exercises, processing times for resource consents and rural fire permits issued within 3 days.

Some of the targets achieved for Regulatory Services included processing days for building consents, percentage of dogs impounded, complaints about roaming dogs, stock wandering on roads and liquor licensing.

Community Development

There are three performance measures for Community Development, of which none was achieved during the year. Of the measures, the Otorohanga District Development Board providing quarterly reports to Council and Tourism Waikato providing 6 monthly reports was not achieved, and the measure regarding property development was not measured.

Governance and Leadership

Governance and Leadership covers Democratic Process, Policy Development, Council Support, Corporate Planning and Support Services. There are fourteen performance targets across Governance and Leadership, and of these eleven were achieved during the year and three were not measured.

Some of the major performance targets related to Council business conducted in open meetings, availability of meeting agendas, provision of Council grants, adopting of Annual Plan and Annual Report, and reviews of bylaws

Statement of Compliance

The Council and Management of Otorohanga District Council confirm that all the statutory requirements of the Local Government Act 2002, regarding financial management and borrowing, have been complied with.

Statement of Responsibility

The Council and Management of Otorohanga District Council accept responsibility for the preparation of the annual Summary Financial Statements and the judgements used in them.

The Council and Management of Otorohanga District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the opinion of the Council and Management of Otorohanga District Council, the Summary Financial Statements for the year ended 30 June 2017 fairly reflect the financial position and operations of Otorohanga District Council.

Max Baxter

MAYOR

Dave Clibbery

CHIEF EXECUTIVE

Graham Bunn

**FINANCE AND
ADMINISTRATION
MANAGER**

24th October 2017



Otorohanga District Statistics

Area and Population

Area (Square kilometres)	1,976
Population (2013 Census figures)	9,513

Communities

	Area	Population
Otorohanga	507 ha	2,568
Kawhia	161 ha	345
Rural	196,932 ha	6,600
	197,600 ha	9,513

Valuation

Rateable Properties (No. of)	4,903
Non Rateable Properties (No. of)	298
Rateable Capital Value	\$4,151,977,825
Date of Last revision of Values	1 Sept 2016

Rates and Rating 2016/17

Total Rates(Excluding GST)	\$12,107,017
System of Rating	Capital Value

Public Debt Outstanding as at 30/06/17

Public Debt Outstanding	\$9,574,071
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Date of Constitution of District

1 November 1989

Contact Information

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Audit Report

Deloitte.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTOROHANGA DISTRICT COUNCIL'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2017

The summary of the annual report was derived from the annual report of Otorohanga District Council (the District Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 2 to 7:

- the summary Balance Sheet as at 30 June 2017;
- 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 2017;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary Statement of Service Performance (Referred to as 'Summary of Significant Activities') of the District Council.

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 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 2017 in our auditor's report dated 24 October 2017.

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.

Bruno Dente,
for Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand
24 October 2017