



Waimate
District Council



**ANNUAL
REPORT
SUMMARY
2021-2022**

Message from the Mayor and Chief Executive

Welcome to the Waimate District Council's Annual Report Summary for 2021/22. This summary provides an overview of Council and its groups' activities and services for the year ended 30 June 2022. For a complete understanding of Council's performance, please refer to the full 2021/22 Annual Report which is available at waimatedc.govt.nz or at Council's reception (125 Queen Street, Waimate).

The full Annual Report provides a snapshot of our performance over the past financial year and celebrates some of the key highlights that have been achieved. While we will continue to progress a number of significant projects in the coming months and years, our focus remains heavily on delivering quality infrastructure, public and regulatory services that are both cost-effective and efficient for the community.

As a district, we have continued to navigate the uncertain landscape driven by Central Government, including the Three Waters Reform Programme, the Resource Management Act Reform and the Future of Local Government Review. Add to that a return bout of COVID-19, vaccine mandates and other compliance and it is fair to say it has been somewhat of a turbulent year for many.

In fact, the only constant for local government appears to be the requirement to work with change. As we have seen on multiple fronts, reform is the order of the day and these reforms will have a significant impact upon how councils across the country will operate, lead and serve their communities going forward – ourselves included.

As your council, our role is to ensure we continue to lobby for the best interests of our district, ensuring we consult with you as residents and at every possible opportunity, inform you of what any change might mean for the Waimate District. Though, while the landscape may still be unclear, let's reflect on what has been a productive and largely successful year for Council.

On the finance front, Council recorded a surplus of \$2.461 million compared to a forecast deficit of \$1.208 million. This was largely due to increased water, sewer and subdivision contributions, increased subsidies and grants from Three Waters Stimulus Funding, increased fees and charges revenue, gains on sale of assets, reduced expenditure and electricity costs following a contract pricing and supplier review.

Mayor Craig Rowley (left)
and Chief Executive Stuart Duncan (right)

Refer to note 31 in the full Annual Report for the explanations of major variances against budget.

Looking ahead

As we navigate what's ahead, the district will continue to push forward with some exciting developments on the horizon. While this summary briefly touches on some of the major projects and developments administered by the Council in the last financial year, we invite you to read the full Annual Report for more detail and highlights achieved throughout the year.

Together with the community, our small, hard-working and tight-knit team will continue to champion opportunities for the betterment of the Waimate District and its community, ensuring this district is the best place to live, work, visit and play.



Craig Rowley
Mayor



Stuart Duncan
Chief Executive



Key Achievements

Three waters stimulus funding

Council has continued with an ambitious asset renewal programme, alongside delivering additional capital and project works associated with the COVID-19 Three Waters Stimulus Funding. Projects such as replacing asbestos cement pipes, reservoir and break tank upgrades, treatment plant upgrades and hydraulic modelling are now adding to both resilience and higher levels of compliance.

Some of the major projects that received stimulus funding include:

Hook and Lower Waihao water treatment plant upgrades

Hook and Lower Waihao water treatment plant upgrades were awarded to Filtec in September 2021. The contract is an early contractor involvement and design build contract. Design of Lower Waihao has been completed and approved, while Hook is still in the design phase due to assessing raw water quality.

Queen Street infrastructure

Funding provided for a significant upgrade of the Queen Street stormwater infrastructure with the replacement of an aged brick arch culvert with an upsized concrete pipe, new large capacity sumps and associated road infrastructure renewals. This upgrade has been tested by a number of rain events and is performing as designed. Further work to divert some upstream flows will realise further capacity in the network and facilitate future development of the central business district.

Urban water meters

Water meters were installed within the urban supply for the purposes of water loss identification and management. These meters are smart meters that can be read remotely, allowing illegitimate water use to be identified and dealt with quickly to ensure efficient water use in the future.

Sewage network investigation

The COVID-19 stimulus funding also assisted with a full inflow investigation of the sewer network. Inflow and infiltration of stormwater quickly absorbs any available capacity and can result in sewage spills during rainfall events. The results of this survey have:

1. identified the most affected catchment that will be targeted first; and
2. informed the detailed design of the Edward Street sewer upgrade.

Upsizing of some infrastructure is necessary to allow for growth and to ensure that community outcomes are achieved. Council's approach is to minimise investment in upsized infrastructure by reducing inflow over time.

Mayor's Taskforce for Jobs

The Mayor's Taskforce for Jobs, in partnership with the Ministry of Social Development and Local Government New Zealand, extended the Community Recovery Programme for a further 12 months to 30 June 2022.

An initial amount of \$250,000 was granted to place 25 people into full-time employment (30 hours minimum). This target was met in November 2021 and an additional \$250,000 received for the remaining six months. Not all funds were spent and just under \$100,000 was returned.

The Employment Coordinator placed people into 56 full-time roles, 29 part-time and 30 casual/temporary roles.



Happy in her work, Keeley found employment with Matai Nurseries through the Mayor's Taskforce for Jobs initiative, administered by Council's employment coordinator Lisa Dobson.



The first of a 15 year waste management contract was successfully completed in 2021/22, in collaboration with Envirowaste, Timaru and Mackenzie district councils.

Waste management contract

The first year of the new waste management contract was successfully completed in 2021/22. The contract has achieved significant diversion from landfill through the introduction of an organic waste collection. Approximately 30% of waste leaving the district is destined for landfill as opposed to 50-60% under the previous waste collection methodology. Further improvement is possible and staff will continue to assess available recycling options over the remaining 14 years of the contract.

Local Government Funding Agency (LGFA)

Following consultation in February and March 2022, Council agreed to join the LGFA as a guaranteeing member. Membership of the LGFA will allow Council to borrow funds at more favourable interest rates than the banking sector and provides greater certainty and duration of funding. The accession to the LGFA was completed in June 2022, with borrowings first acquired in July 2022.

Animal control

A significant milestone was achieved by the animal control team for 2021/22. With the support and cooperation of all known dog owners throughout the Waimate District, Council was able to achieve a 100% dog registration – something that has not previously been achieved.

Crouches Bridge replacement

The old timber bridge on Youngs Road over the Hook River was replaced with a new two span concrete single lane bridge. This has been the most substantial roading renewal project that the Council has undertaken for 30 years. The new bridge accommodates high productivity motor vehicles (HPMV) loading and has an increased flood capacity.



Crouches Bridge on Youngs Road was replaced with a two span concrete single lane bridge, marking the district's most substantial roading renewal project for three decades.

Service Performance

Council uses a number of measures to track our performance. Every three years they are reviewed in conjunction with our Long Term Plan. The 2021-31 Long Term Plan measures are being used in the 2021/22 financial year.

Each year we report on this progress in our Annual Report. Below is a snapshot of our performance measures achievement. To view the full list of measures please refer to the full Annual Report at waimatedc.govt.nz.



Water Supply
Achieved 9 of 13 measures



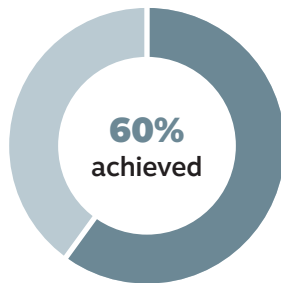
Waste Management
Achieved 3 of 6 measures



Stormwater
Achieved 5 of 6 measures



Sewerage
Achieved 6 of 7 measures



Roading and Footpaths
Achieved 6 of 10 measures



Organisation and Governance
Achieved 2 of 6 measures



District Planning and Regulatory Services
Achieved 8 of 16 measures



Community Services
Achieved 4 of 15 measures



Community Facilities
Achieved 7 of 14 measures

Rates Allocation



Water Supply

Operational spend: \$1,297,000
Capital spend: \$3,595,000



Waste Management

Operational spend: \$1,238,000
Capital spend: \$92,000



Stormwater

Operational spend: \$26,000
Capital spend: \$427,000



Sewerage

Operational spend: \$195,000
Capital spend: \$732,000



Roading and Footpaths

Operational spend: \$2,499,000
Capital spend: \$3,218,000



Organisation and Governance

Operational spend: \$4,650,000
Capital spend: \$197,000



District Planning and Regulatory Services

Operational spend: \$658,000
Capital spend: \$0



Community Services

Operational spend: \$1,160,000
Capital spend: \$65,000



Community Facilities

Operational spend: \$1,797,000
Capital spend: \$280,000

Operational spend includes payments to staff and suppliers, and finance costs.

Financial Statements

Summary financial statements

Waimate District Council is a territorial local authority governed by the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. The Downlands Rural Water Scheme is a joint committee domiciled and operating in New Zealand and established under the LGA. The relevant legislation governing the Council's operations includes the LGA and the Local Government (Rating) Act 2002.

Council is a separate legal entity and does not have any subsidiaries.

The primary objective of the Council is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, the Council has designated itself as a public benefit entity (PBE) for the purposes of PBE IPSAS.

The summary financial statements of the Council are for the year ended 30 June 2022, are in New Zealand dollars and rounded to the nearest thousand (\$000). The full financial statements of the Council have been prepared in accordance with the requirements of the LGA, which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP) and in accordance with Tier 2 Public Benefit Entity accounting standards.

The 2021/22 Annual Report and the 2020/21 Annual Report have been audited by Audit New Zealand and received unmodified opinions for each report.

The full financial statements were authorised for issue by Council on 30 May 2023.

The summary financial statements are in compliance with Public Benefit Entity Financial Reporting Standard 43 (PBE FRS 43).

The full financial statements comply with PBE Standards.

The following information has been extracted from the full Annual Report. Readers of the Annual Report Summary should note that the financial information contained herein cannot be expected to provide as complete an understanding as that provided by the full financial reports contained in the full Annual Report. The full Annual Report is available at waimatedc.govt.nz.

Other disclosures

Capital commitments

There were seven capital commitments in relation to projects from Council's capital programme (2021: Six).

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred. Please refer to Note 22 of the full 2021/22 Annual Report for more information.

Contingent assets

There are no Contingent Assets as at 30 June 2022 (30 June 2021: Nil).

Contingent liabilities

Council has a potential liability under the Emissions Trading Scheme if any forests on Pre90 Forest Land are not replanted to the required standard within four years of harvest.

Council is a participating employer in the DBP (Defined Benefit Plan) Contributions Scheme (the scheme), which is a multi-employer defined benefit scheme. If the other participating employers cease to participate in the scheme, Council could be responsible for any deficit of the scheme. Similarly, if a number of employers cease to participate in the scheme, Council could be responsible for an increased share of any deficit.

Waimate District Council is a guarantor (not shareholder) of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a local currency rating from Standard and Poor's of AAA and a foreign currency rating of AA+ LGFA has a local currency rating from Fitch of AA+ and a foreign currency rating of AA.

As at 30 June 2022, Waimate District Council is one of 38 local authority guarantors and there are 30 local authority shareholders. In that regard it has uncalled capital of \$1 million. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Waimate District Council is a guarantor of all of LGFA's borrowings. At 30 June 2022, the LGFA had borrowings totalling \$15,789 million (2021: \$13,605 million). Financial reporting standards require Waimate District Council to recognise the guarantee liability at fair value.

However, Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability.

Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- It is not aware of any local authority debt default events in New Zealand; and
- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Council is not aware of any other contingent assets or contingent liabilities at 30 June 2022 (2021: \$Nil). There are no unfulfilled conditions and other contingencies attached to New Zealand Transport Agency subsidies recognised.

Related parties

The Timaru District Council (TDC) is a related party of the Council through the Downlands Rural Water Scheme (DRWS). Council collects rates on behalf of the DRWS and distributes them exactly to TDC.

Insurance

The Council has insurance policies covering water network; property, plant and equipment; motor vehicles and moving plant; and forestry assets. There is currently no council insurance on roading assets or any other self insurance funds maintained by Council.

During the 2021/22 year Council had cover in place for its below ground infrastructure assets, provided by the Local Authority Protection Programme Disaster Fund (LAPP). The Council insures 40% of its value of underground water network assets with LAPP with the remaining 60% being funded by Central Government.

Late adoption

Council was required under section 98(7)(b) of the Local Government Act 2002 to complete and adopt its Annual Report by 31 December 2022. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of COVID-19, including lockdowns.

Events after balance date

Water services reforms

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. This legislation received royal assent on 14 December 2022. Subsequently two additional Bills (Water Services Legislation Bill and Water Services

Economic Efficiency and Consumer Protection Bill) have been introduced and these are presently with the Finance and Expenditure Select Committee. Concurrently, during April 2023 the Government proposed significant changes to the reforms that would influence both the Bills and require changes to the Water Services Entities Act. This has effectively slowed the reform process with all legislation intended to be enacted prior to the October general election. Proposed changes include an increased number of entities, removal of Tranche 2 Better Off funding, go live dates up to 1 July 2026 and better connection with local communities.

Local Government Funding Agency (LGFA)

In June 2022, Council became a guaranteeing member of the Local Government Funding Agency. In July 2022 Council repaid its bank debt after acquiring its first loans from the LGFA, as follows:

- Loan 1 – \$2m, maturity 15 April 2025, floating interest rate
- Loan 2 – \$1.5m, maturity 15 April 2027, fixed interest rate of 4.7%.

Associated borrower notes of \$50,000 and \$37,500 were subscribed to for each loan respectively, simultaneously with the loan drawdowns. Borrower notes are used by the LGFA as a source of capital to ensure there is sufficient capital to match the growth in their balance sheet.

Downlands Water Scheme – Goods & Services Tax (GST)

Timaru District Council has identified issues with the completion of GST returns for the Downlands Water Scheme going back to July 2020. PwC has been appointed to review the returns submitted. Any amounts due to/receivable from the Inland Revenue Department resulting from this review is yet to be communicated to Waimate District Council.

Major financial variances

- Financial contributions exceeded budget mainly due to increased Water and Sewer activity contributions, along with some large subdivisions.
- Subsidies and grants income exceeded the budget mainly due to the Mayors Taskforce for Jobs community recovery initiative (Actual \$415,000; LTP budget \$250,000), Three Waters Stimulus funding (Actual \$1,250,000; LTP budget \$680,000) and the Ministry of Health Drinking Water Standards upgrades funding for Lower Waihao (Actual \$137,000; LTP budget \$Nil), offset partially by the Tourism Infrastructure Fund income not yet received (Actual \$Nil; LTP budget \$187,000).
- Fees and charges income exceeded the budget due to higher levels of camping revenue and

increased income for building consents and the Resource Recovery Park.

- There was a loss recorded for changes in fair value of forestry assets mainly due to log prices.
- The sale of assets has resulted in gains recorded, which were not included in the budget. The largest gains being on the sale of land at Gorge Road.
- Employment benefit expenses were below budget as a result of some vacancies and the timing of replacements.
- Depreciation expenses were below budget for the Water Supply activity due to the timing and delay of some large capital works.
- Finance costs were below budget due to positive cash reserves following reduced operational and capital spends, therefore only a minor portion of borrowings were required during 2021/22 as planned.
- Electricity costs were below budget following a contract pricing and supplier review.
- Roothing operational maintenance spends were below budget, with increased focus on capital spends.
- The Waste Management activity exceeded budgeted contractor costs mainly due to the increased frequency of servicing the rural recycling drop off depots, compared to the budgeted frequency.
- There were only minor District Plan Review expenses incurred this year, with the budget for the 2019/20, 2020/21 and 2021/22 financial years to be carried forward.

Statement of Comprehensive Revenue and Expenditure for the year ended 30 June 2022

	Actual 30 June 2022 \$000	LTP 30 June 2022 \$000	Actual 30 June 2021 \$000
Total operating revenue	21,938	19,102	20,117
Finance costs	161	245	101
Other operating expenses	19,316	20,065	18,700
Operating Surplus / (Deficit) before Taxation	2,461	(1,208)	1,315
Taxation expense	-	-	-
Total Surplus / (Deficit)	2,461	(1,208)	1,315
Other Comprehensive Revenue and Expenditure			
Increase / (decrease) in revaluation reserves	60,154	-	4,320
Financial assets at fair value through other comprehensive revenue and expenditure	731	624	1,035
Total other comprehensive revenue and expenditure	60,885	624	5,354
Total Comprehensive Revenue and Expenditure	63,346	(583)	6,669

Statement of Changes in Equity for the year ended 30 June 2022

	Actual 30 June 2022 \$000	LTP 30 June 2022 \$000	Actual 30 June 2021 \$000
Equity at start of year	452,578	450,466	445,908
Total comprehensive revenue and expenditure	63,346	(583)	6,669
Downlands Joint Operation - Share adjustment	-	-	-
Equity at end of year	515,924	449,882	452,578

Statement of Financial Position as at 30 June 2022

	Actual 30 June 2022 \$000	LTP 30 June 2022 \$000	Actual 30 June 2021 \$000
Current assets	8,093	3,969	6,217
Non-current assets	517,308	462,879	453,571
Total assets	525,402	466,848	459,788
Current liabilities	6,853	2,445	4,696
Non-current liabilities	2,626	14,520	2,514
Total liabilities	9,478	16,966	7,209
Equity	515,924	449,882	452,578
Total liabilities and equity	525,402	466,848	459,787

Statement of Cash Flows for the year ended 30 June 2022

	Actual 30 June 2022 \$000	LTP 30 June 2022 \$000	Actual 30 June 2021 \$000
Cash at start of year	3,768	3,917	3,837
Cash flows from operating activities	7,278	3,148	7,951
Cash flows from investing activities	(7,719)	(16,290)	(7,949)
Cash flows from financing activities	2,491	11,430	(71)
Cash at end of year	5,818	2,205	3,768

Funding Impact Statement for the year ended 30 June 2022

	Annual Plan 30 June 2021 \$000	Actual 30 June 2021 \$000	Annual Plan 30 June 2022 \$000	Actual 30 June 2022 \$000
Total sources of operating funding	14,727	16,730	16,128	16,683
Total application of operating funding	(12,594)	(13,651)	(14,490)	(13,518)
	2,133	3,079	1,638	3,165
Total sources of capital funding	9,182	2,629	11,352	7,538
Total application of capital funding	(11,315)	(5,708)	(12,989)	(10,702)
	(2,133)	(3,079)	(1,638)	(3,165)
Funding balance	-	-	-	-

In a LTP year, the first year of the LTP serves as the Annual Plan

Independent Auditor's Report

To the readers of Waimate District Council's summary of the annual report for the year ended 30 June 2022

The summary of the annual report was derived from the annual report of Waimate District Council (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information of the District Council on pages 5 and pages 7 to 11:

- The summary statement of financial position as at 30 June 2022.
- The summaries of the statement of comprehensive revenue and expenditure, statement of changes in equity and statement of cash flows for the year ended 30 June 2022.
- The notes to the summary financial statements that include explanatory information.
- 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 2022 in our auditor's report dated 30 May 2023.

Emphasis of matter – Uncertainty over the water services reform programme

Our auditor’s report on the full annual report also includes an emphasis of matter paragraph drawing attention to development in the Government’s water services reform programme which will affect the District Council in future years. Legislation passed in December 2022 established four publicly owned water services entities to carry out responsibilities for the delivery of three waters services and related assets and liabilities currently controlled by local authorities. A water services Bill to enable the transfer of these assets and liabilities to the water services entities, is currently before Parliament. Until the Bill is passed, the financial impact of the transfer on the District Council, remains uncertain.

On 13 April 2023, the Government announced further proposed amendments to the number of water services entities and to stagger their establishment dates starting from early 2025, with all the water services entities to be established by 1 July 2026. The timing of the transfer of assets and liabilities is therefore uncertain until amendments to existing legislation are passed.

This matter is disclosed on page 8 of the summary financial statements.

Our audit was completed late

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.

Other than the audit, we have no relationship with, or interests, in the District Council.



Rudie Tomlinson
Audit New Zealand
On behalf of the Auditor-General
Dunedin, New Zealand
15 June 2023

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