



ANNUAL REPORT SUMMARY 2013-14

IN BRIEF



Executive summary

Collaborative working has been the key theme of the past year.

We've built on the excellent work being done within the Mayoral Forum and are working with our neighbouring councils to streamline what we're doing so we are more efficient and can produce savings.

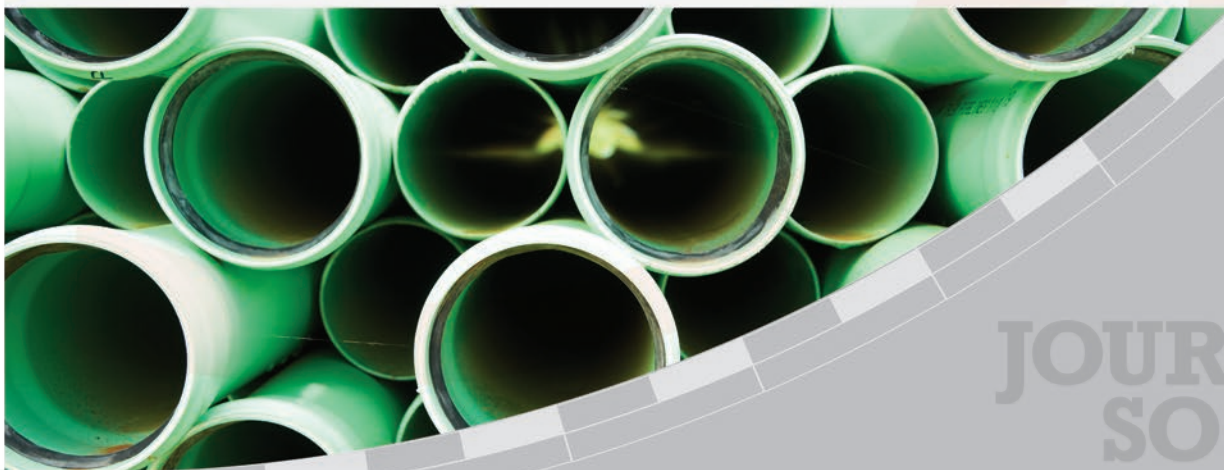
This sense of collaboration is evident at a local level as well. We've been working for some time on a draft Community Engagement Strategy, which we consulted on in the 2014/15 Annual Plan. While that isn't yet in place, we've taken a deliberate stance of taking our work to the community so we're more accessible and can get a better sense of what you want and your views of what you want for your communities. The 755 submissions to our Draft Annual Plan is a good sign that we're doing the right thing.

Our Annual Plan was about consolidation, dealing with legislative changes and preparing for growth. Our economic development initiative forms a big part of that response. Our ETu event in October, which is co-hosted with Waikato-Tainui, aims directly at attracting new business and people to our district. We have a lot to offer and we want to broadcast it.

During the past year, we've stayed on track, keeping to our strategic direction and dealing with the legislative changes that were signalled and keeping to our intention of maintaining what we have.

Last year we talked about the executive team review and subsequent restructure. Over the past year, this has resulted in some major changes within our staff. It's been a big upheaval both for individuals and for the organisation and change is never easy. Our ultimate aim is to be better and more efficient at what we do and improving our service to you. This is complementary to how we communicate with you and develop constructive conversations across the district.

You'll notice the 'ratepayer's diary' overleaf: we're conscious that there's a huge number of ways that what we do touches everybody, every hour of every day. We want every one of those interactions to be positive. We hope by the end of this summary, you'll have a good appreciation of what we've done over the past year and how we're tracking towards an even better year for 2014/15.



NAVIGATING THE FUTURE
**OUR
JOURNEY
SO FAR**

A ratepayer's diary

6.15am: Didn't sleep well. The neighbours had a loud party that went on till 1am, so called the Council's noise control.

7.30am: Left for work after the usual routine – shower and breakfast. Still dark. Put the rubbish and recycling out to the footpath for collection. Thank goodness we have decent street-lights. The roads were good this morning, not like during the winter with the storms and flooding causing slips. A good thing the Council was quick to clear them and the stormwater drained away reasonably quickly.

8.15am: Have to get the dog registered. We're on the approved owners' list which makes it cheaper. Must find out more about resource and building consents for the new property while I'm about it. Going rural, so have to find out more about the water and wastewater and whether we can connect to the Council's systems or not. Have to look at the District Plan to see what the rules are for the rural zone as well.

11.50am: Forgot my lunch. Darn – have to buy it now. There's that new place down the road from work I might try. The food looks good and it's lovely and clean. Not like the other place where the Council inspectors found them preparing food near the loos. They had to clean up their act pretty quickly!

2.35pm: Should call the neighbours and see if they want to come along to the Heritage Strategy workshop at the community hall tomorrow. It sounds different to the usual Council plans etc. Really good to see the Council's getting more involved with the community and finding out our views. Like with the Annual Plan and the Psychoactive Substances Policy. Was quite interested in hearing what people had to say about those. Thinking of making a submission to their Long Term Plan next year, especially now they have so much available on line through their website. You can use a webchat thing if you have a problem and need help fast.

They're even getting locals involved in civil defence, where you can take part in exercises and be trained as a volunteer for when there's an emergency.

3.30pm: Hope the kids remember it's practice tonight at the sports ground. Now it's been upgraded it's a lot better there. And they'd better have taken their library books back as well and got new ones out.

4.45pm: Might go for a swim at the pool after work to freshen up before going home and getting dinner on.

6pm: Just remembered – going to the community board meeting because someone from the Council's going to be talking about economic development. Want to hear more about that given we're going to move and there's a rumour going around about a new plant going to be built near our land.

8.30pm: The rates need to be paid. Next instalment coming up soon. Need to ask my councillor what I get for my money.



Disclaimer

The specific disclosures included in this Summary Annual Report have been extracted from the full Annual Report which was authorised for issue on 13 October 2014.

The summary cannot be expected to provide a complete understanding as provided by the full Annual Report of the financial and service performance, financial position and cash flows of Waikato District Council.

The summary has been examined for consistency with the full Annual Report and was audited by Audit New Zealand on behalf of the Auditor General. The full Annual Report and summary received an unmodified audit opinion on 13 October 2014.

The full Annual Report may be accessed at any of the Council's offices or online at www.waikatodistrict.govt.nz

Ngaruawahia Office
15 Galileo Street
Ngaruawahia

Huntly Office
142 Main Street
Huntly

Raglan Office
7 Bow Street
Raglan

Tuakau Office
2 Dominion Road
Tuakau

Te Kauwhata Office
1 Main Road
Te Kauwhata

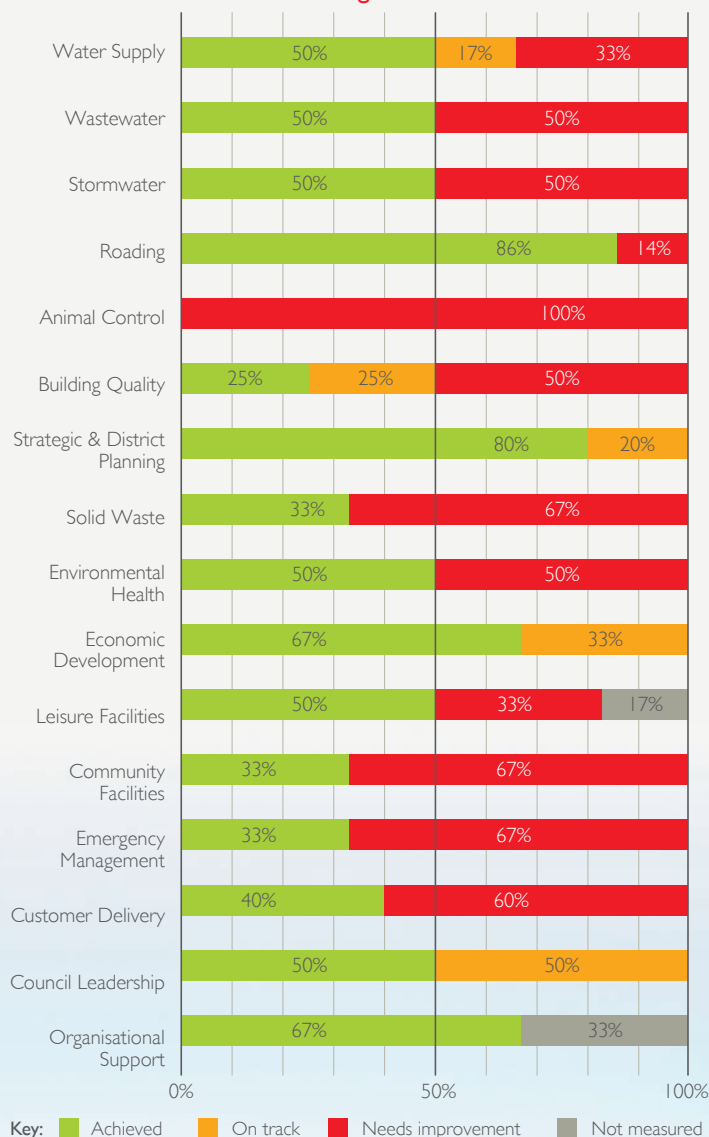
Or call us on 0800 492 452

How we did

Our projects and work programmes are contained in eight groups of activities. You'll find the details in the Annual Report at www.waikatodistrict.govt.nz

This graph summarises how we did, where we met expectations and where we need to improve. Our performance measures provide us with targets to meet, covering aspects such as responsiveness, safety, timelines, meeting statutory requirements and compliance. In some areas we've done well, in other areas we need to improve on what we're doing.

Performance Target Results



Our finances in brief

\$88.5
million operating
expenditure

\$42.8
million capital
expenditure

\$103.6
million income

1.87%
general rate increase
for 2013/14

\$37.5
million of borrowings

73%
of operations funded
from rates



Financials

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2014

	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Total income	103,646	99,812	109,158	108,916	114,897
Finance costs	(2,251)	(3,818)	(2,163)	(2,461)	(2,405)
Operating expenditure excluding finance costs	(86,235)	(80,995)	(82,455)	(90,378)	(87,068)
Share of joint venture's surplus (deficit)	-	-	-	80	(68)
Surplus (deficit) before tax	15,160	14,999	24,540	16,157	25,356
Income tax expense	-	-	-	(129)	(260)
Surplus (deficit) after tax wholly attributable to Waikato District Council	15,160	14,999	24,540	16,028	25,096
Other comprehensive income					
Gain (loss) on property revaluations	12,084	50,824	32,408	12,084	32,408
Revaluation reserve – landfill	10	-	(58)	10	(58)
Financial assets at fair value through other comprehensive income	1	-	(16)	1	(16)
Total other comprehensive income	12,095	50,824	32,334	12,095	32,334
Total comprehensive income wholly attributable to Waikato District Council	27,255	65,823	56,874	28,123	57,430

SUMMARY STATEMENT OF FINANCIAL POSITION

As at 30 June 2014

	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Current assets	17,271	15,991	17,968	22,046	22,559
Non-current assets	1,512,311	1,603,372	1,478,811	1,519,037	1,485,508
Total assets	1,529,582	1,619,363	1,496,779	1,541,083	1,508,067
Current liabilities	28,965	20,336	21,519	29,422	25,822
Non-current liabilities	36,586	93,115	38,484	40,072	38,779
Total liabilities	65,551	113,451	60,003	69,494	64,601
Net assets	1,464,031	1,505,912	1,436,776	1,471,589	1,443,466
Total equity	1,464,031	1,505,912	1,436,776	1,471,589	1,443,466



SUMMARY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2014

	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Balance at start of year					
Accumulated funds including share of joint venture	885,542	907,080	850,582	889,271	853,755
Reserves	551,234	533,009	529,380	554,195	532,341
Balance at 1 July as previously reported	1,436,776	1,440,089	1,379,962	1,443,466	1,386,096
Total comprehensive income for the year wholly attributable to Waikato District Council	27,255	65,823	56,874	28,123	57,430
Other equity movements	-	-	(60)	-	(60)
Balance at 30 June wholly attributable to Waikato District Council	1,464,031	1,505,912	1,436,776	1,471,589	1,443,466
Represented by equity at the end of the year					
Accumulated funds	909,588	934,904	885,542	913,308	889,271
Other reserves	554,443	571,008	551,234	558,281	554,195
Balance at 30 June wholly attributable to Waikato District Council	1,464,031	1,505,912	1,436,776	1,471,589	1,443,466

SUMMARY STATEMENT OF CASH FLOWS

For the year ended 30 June 2014

	COUNCIL			GROUP	
	2013/14 Actual \$'000	2013/14 Budget \$'000	2012/13 Actual \$'000	2013/14 Actual \$'000	2012/13 Actual \$'000
Net cash from operating activities	33,701	35,657	28,380	34,632	29,765
Net cash from investing activities	(31,363)	(66,975)	(42,275)	(31,906)	(43,198)
Net cash from financing activities	(2,273)	30,900	14,167	(2,773)	13,417
Net (decrease) increase in cash and cash equivalents	65	(418)	272	(47)	(16)

Summary accounting policies

Waikato District Council is a territorial authority governed by the Local Government Act 2002 (LGA 2002) and is domiciled in New Zealand.

The Waikato District Council Group (the Group) consists of the ultimate parent Waikato District Council (Council), its 100% owned subsidiary Strada Corporation Limited (Strada) and the Waikato District Community Wellbeing Trust. Strada is a 50% party to a Joint Venture Agreement, Waikato Quarries Limited. All the companies in which Council has an interest, directly or through Strada, are incorporated and domiciled in New Zealand.

The primary objective of Council and the Group is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, Council has designated itself and the Group as Public Benefit Entities (PBE) for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Council and the Group have been prepared in accordance with the requirements of LGA 2002 which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP). Council's full financial statements contain an explicit and unreserved statement of compliance with IFRS's.

Council's summary annual report complies with Financial Reporting Standard 43 Summary Financial Statements and therefore complies with NZ GAAP as it relates to summary financial statements.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000's).

The summary financial statements of Council are for the year ended 30 June 2014. The full annual report and summary financial statements were authorised for issue by Council on 13 October 2014.

Summary additional disclosures

Contingencies

Contingent liabilities for Council at balance date are \$1,500,000 (2013: \$1,500,000). The Group's contingent liabilities at balance date are: \$2,059,000 (2013: \$1,875,000). They include guarantees, uncalled capital contributions, outstanding insurance and other claims.

Council is a 35 per cent capital beneficiary of the WEL Energy Trust. The life of the Trust ends in 2073 unless terminated earlier if its purpose is completed. Given the uncertainty surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of the 35 per cent share.

Commitments

Council has \$12,252,000 (2013: \$6,755,000) of capital commitments. Strada had capital commitments of \$191,028 (2013: \$nil).

Events after balance date

On 10 July 2014 the New Zealand Transport Agency (NZTA) revoked 25.19 kms of state highway to be vested in Council. The vestment has followed the completion by NZTA of the Ngaruawahia by-pass.

The fair value of the assets transferred to Council has been assessed at \$17,500,000.

On 5 September 2014 settlement was reached on a "leaky home" claim. Total cost to Council is subject to negotiation with another party. Council's maximum exposure is \$283,000.

There were no events which would have a material effect on the performance or position as presented for 2013.

Explanation of major variances

The major variance explanations set out below explain the significant differences between:

- Actual results for 2013/14 compared to the budget for 2013/14 and
- Actual results for 2013/14 compared with those for 2012/13

There was an increase between actual income and budgeted income from unbudgeted changes to the fair value of Council's interest rate instruments, more rates income and a subvention payment from Strada Corporation. Both general rate and targeted rate income was higher than the previous year due to increases in the number of charges through growth in the district along with the budgeted increases required to cover expenditure requirements. Targeted rates in particular have been increased to reduce deficits within the operating reserves over the period of the Long Term Plan. Strada Corporation will make a subvention payment to Council for 2013/14 in excess of the budgeted dividend payment.

Other activity income encompasses Council's fees and charges including infringements, consent applications, dog registrations, service connections and other regulatory function income. This category also covers cost sharing arrangements for capital work programmes; this is where the main difference has been between 2012/13 and 2013/14 actuals in relation to a major roading intersection at Horotiu. These miscellaneous recoveries also account for the variance to budget, again on cost sharing of roading infrastructure and recovery of election costs from other bodies that shared in our contract. Subsidies and grant income is sourced mainly from the New Zealand Transport Agency in relation to the roading work programmes. The variance between budget and actual is due to timing and the remaining subsidy has been redistributed in the 2014/15 programme.

Contribution income was higher than the previous year but was still below budget due to staging of development and related timing of uplift of consents. Last year field inspections led to a number of culverts, retaining walls and storm water channels being added to the roading and bridges database. These assets, as found assets, increase the revenue. This income type is not budgeted for but has been significantly lower for the 2013/14 year. Vested asset income, also unbudgeted, arises when infrastructure is transferred to Council to maintain following completion of development works.

During the 2013/14 year residential development in Pokeno and industrial development in Horotiu contributed to another \$2 million on top of what was received in 2012/13. Gains on Council's financial instruments, revaluation of interest rate derivatives, are not budgeted for hence the \$1.3 million variance.

There was more depreciation and amortisation expense compared to the previous year, reflecting the increased asset base following revaluation and additions during the year. Depreciation was below budget as a number of capital projects were not completed as planned. Delays in the capital work programme meant that no further external borrowing was raised during the year; this has led to lower than anticipated finance costs.

Asset write-offs were not budgeted for and arise as assets are disposed because they have reached the end of their useful lives, been replaced or transferred. In 2012/13 the final drainage district transfers to the Waikato Regional Council occurred. Personnel costs were lower than both the previous year and budget due to savings related to the review of the Service Delivery and Customer Support team structures and delays in recruitment.

The gain on property, plant and equipment revaluations was significantly lower than expected mainly due to differences in predictive cost indices compared to actual cost escalations and relative completion of budgeted works. There was a decline in the rates for valuing pipes which were last valued in 2011. The main difference when comparing this year's revaluation gain to the previous year's figure arises from actual increase in costs being lower than the predictive indices used in budgeting, construction date updates for bridges and adjustments to the width of footpaths within the asset management database.

At balance date, cash and cash equivalents on hand are higher than at the same time last year due to normal working capital fluctuation. Council utilises funds on hand ahead of increased borrowing, which is in line with budget. Debtors are slightly lower than the previous year reflecting the write down of some of the outstanding rates accounts and an increased provision for impairment on rates and trade receivables. This is still higher than budget due to timing differences for development works.

Creditors are significantly higher than both budget and last year's figure due to the timing of physical works reconciliations for Horotiu and Pokeno. Borrowings decreased over the year as no new debt was raised and in fact a small amount of debt was repaid, again significantly less than budget due to the relative timing of capital work programmes.

The year in summary

While our strategic direction is to maintain what we have, there is an underlying theme of growth which we've been preparing for, for the past few years.

During the past financial year, our projects and initiatives have reflected this theme. The highlight around growth is our Open Waikato initiative where we've been developing strong relationships within the district's business community. Our focus is to attract business from outside the district, companies that will bring economic benefits and jobs and the E Tu event in October 2014 is the highpoint we've been working towards throughout the year.

Of course, growth brings benefits and challenges. Benefits for our district are that we have new companies moving into our district, with the Yashili milk powder plant now a landmark in the Pokeno area, and Concretec moving into the same area as well as the new subdivisions that are filling more quickly than anticipated.

Challenges for us included dealing with a big increase in consents, but we still managed to keep up. There were up to 60 more consents over the previous year, which translates to around 480 more inspections, which is a lot. It did mean we had to prioritise our other work, but with efficiencies we managed the extra workload.

Water: We've been expanding our local water pipe network in Pokeno. We also decided the best option for us to have a reliable service in the Pokeno and Tuakau areas while keeping costs down would be to have a contract with Watercare to use their water treatment plant and buy our water from them.

The Raglan water treatment plant upgrade was set in motion and when it's finished the water from that plant will meet the drinking water standards. The other major benefit is that we'll also comply with our resource consent conditions.

Wastewater: We carried out a major review of all our water and wastewater treatment plants' operations and risks and as a result, we're making changes. These changes range across the board, from improving our operations and maintenance to how we respond to alarms for overflows, such as that at Raglan in 2013, and other issues.

We've also created a Water Compliance Officer role to make sure we can meet our resource consent conditions.

Our new projects include the pipeline to take wastewater from Tuakau and Pokeno to the Watercare plant east of Tuakau and this will be finished soon.

There was some local discussion in the Pokeno village about the new wastewater system for the existing township. We've now started work on the first phase, which will get properties in the heart of the village onto the new system.

In Raglan, the Whaanga Coast reticulation system got under way after years of discussion and debate. By the end of the financial year, there were already more than a dozen properties connected to the system and operating.

Roading: We found there were just not enough contractors to go around during the peak construction season. This meant we had to reschedule works and some of the projects we had planned could not be completed before the end of the financial year. That unspent roading subsidy will still be available until those works are finished.

Animal control: When there are more than 13,000 dogs in the district, it's not surprising the emphasis of animal control is on our canine friends. The bad news was that we had a staff member attacked and injured by an impounded dog. We quickly made changes in how we handle them in the pound so this doesn't happen again. But there's plenty of good news: around 80 strays went to new homes, we hired three Animal Control Officers for Tuakau, which complements our taking over the management of the Pukekohe dog pound. And the number of dog registrations rose by 519, while there was a drop in dogs seized for being unregistered.

Planning: Whether there's growth or not, our communities need to continue developing. We've started drafting a District Development Strategy, which used to be referred to as a growth strategy. But development is a better description because even where there's no growth expected, our communities want to develop their potential. This project was launched in 2014 and should be finished by the end of 2015.

Developing potential is also what the Tuakau and Ngaruawahia structure plans are all about. In Tuakau, there's opportunity with Aucklanders looking for more affordable options for living and working. Ngaruawahia is looking at how it is going to develop with the Waikato Expressway relocation providing an impetus to look again at what opportunities there are.

Meanwhile, with change being experienced in Huntly, they're developing a new community plan, focusing on the yet-unrecognised benefits this historic area offers.

Emergency management: When there's an emergency, most of us take it for granted someone will be there to help. That someone is most likely to be the Council and we've taken our civil defence and shaken it up. After a major review, we've made major changes. We went into partnership with the Waikato Regional Council and the Group Emergency Management Office to reinvigorate our civil defence capabilities.

We now have a new staff member dedicated to civil defence and emergency management. As a result, we've put in a lot of new initiatives. One key move was to get local people involved as volunteers, and supporting communities with advice and guidance so they can produce their own community response plans. More than 100 staff members have also put up their hands to get actively involved. A fully-equipped, dedicated emergency operations centre provides us with the tools for on the day. Part of any response is having somewhere to go to get welfare help. We've developed a detailed database of buildings that can serve as welfare centres and provide shelter when it's most needed.



Independent Auditor's Report

To the readers of Waikato District Council and group's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Waikato District Council (the District Council) and group for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3 to 6:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 13 October 2014.

Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with FRS-43 (PBE): *Summary Financial Statements*.

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council and group.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): *Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council or any of its subsidiaries.



Leon Pieterse,
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand
13 October 2014