

ANNUAL REPORT
SUMMARY 2019

Introduction from the Mayor and Chief Executive

The last financial year was an incredibly busy one for Waipa District Council as the organisation responded to unprecedented growth.

Growth had, and will continue to have, a huge impact on our district. Last year, we saw a 1.9 per cent increase in population as more people than ever before chose to make Waipā home. In turn, business units grew by 1.4 per cent and the economy grew by 4.7 per cent.

While the benefits of growth are well-understood, growth continued to present both opportunities and challenges for our Council. Last year in particular represented a step change in our capital works programme as we continued to prepare our district for mammoth growth ahead.

During 2018/19, the first year of our 10-Year Plan, we delivered \$55.1 million of capital works and services as we continued to invest in core infrastructure, primarily water, wastewater, stormwater and roads.

Delivering such a large and complex capital works programme was not without its challenges. To deliver what was required by our community, we were forced to navigate an extremely tight contracting market where specialist skills were – and continue to be – in high demand.

We performed particularly well in the renewals area as we over-delivered a comprehensive programme focused on the maintenance of our existing assets. Ageing infrastructure like pipes, roads, treatment plants and reservoirs demands continued investment to ensure our assets do the job they were designed for. During the year we invested \$21.6 million to protect and extend the life of our existing assets and get maximum value from them on behalf of our ratepayers. In all, completing the intended renewals programme, as well as carry-over work from the prior year, saw us spending 120 per cent of our renewals budget.

In comparison, we spent 88 per cent of our growth budget and 47 per cent of our levels of service improvement budget. This level of service improvement budget was impacted more than any other by the contracting market. Market challenges meant we ended the year with around \$23.4 million of capital works deferred until the 2019/2020 year including the Cambridge Pool development, Parallel Road treatment plant, improvements to the Kihikihi water supply and some work around wastewater projects in Hautapu.

This delay in capital expenditure, along with issues including land acquisition, has impacted on our debt levels. As a result we have ended the year with our external debt lower than forecast in our 10-Year Plan. It has also impacted on our 2019/20 and future years capital programmes as we reprioritise and ensure planned work is manageable.

One thing, however, is certain. Because of the growth forecast for our district, our ongoing emphasis on capital work will not dissipate any time soon. In the coming year, we will be taking steps to increase our in-house capacity and grow our own people to ensure we are in a stronger position to deliver capital works, when needed. It is important to reduce our reliance on outside expertise; both to drive costs down and to ensure that we have expertise on-hand, when we need it.

We also know that over the next decade, debt levels (as forecast) will continue to rise as investment into core infrastructure continues. Council will continue to uplift contributions from developers in key areas to ensure growth pays for growth.

Community connectivity continued to be an important priority for Council during the year and we continued our efforts to better engage the community, earlier, on a range of issues. This included discussing a range of heritage initiatives, including work on Te Ara Wai, the new museum and discovery centre planned for Te Awamutu. The Te Ara Wai Governance Committee, which met for the first time in August last year, continues to provide specialist heritage expertise.

This renewed focus on heritage has brought Waipā's Iwi relationships, in particular, into sharp focus. We are well aware of our deep obligations to Iwi, and of our responsibility as a Council to work with our Treaty partners and we look forward to working more closely with Iwi in the future.

It is pleasing to report that Waipa District Council has again ended with the year in a positive financial position. Prudent financial management over many years has seen Waipa District Council retain a robust balance sheet. The strength of our financial position has enabled us to continue to invest in core infrastructure as well as some of the community facilities like playgrounds, sports facilities and parks and reserves that make Waipā so liveable. Financial results and measurements are outlined clearly in this report and we encourage you to read them.

We would like to end by thanking all members of the wider community for their ongoing commitment to our organisation and to our district. We are reliant on a range of partners to make the changes necessary to ensure our district continues to deliver what our community wants and needs and we look forward to working with you closely in the future to do exactly that.

Jim Mylchreest.

Jim Mylchreest JP
MAYOR



Garry Dyet

Garry Dyet JP
CHIEF EXECUTIVE



Financial summary 2018/19

The following summary financial statements were extracted from the full audited financial report of Waipa District Council for 30 June 2019. The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements.

This summary and the full annual report were authorised for issue by the Council on 24 September 2019. The full annual report is available from Council offices or can be downloaded at www.waipadc.govt.nz.

An unmodified audit report was issued on the full financial statements.

Financial summary statements

	Parent & Group 2019 Actual \$000's	Parent 2019 Budget \$000's	Parent & Group 2018 Actual \$000's
Statement of Comprehensive Revenue and Expense for the year ended 30 June 2019			
Operating Income	122,111	101,681	105,179
Operating Expenditure	86,822	79,014	76,158
Finance costs	1,294	873	1,326
Operating Surplus	\$33,995	\$21,794	\$27,695
Other Comprehensive Revenue and Expense recognised directly in Equity			
Property Plant and Equipment Revaluation gains / (losses) taken to equity	110,731	12,736	12,266
Intangible gains / (losses) taken to equity	33	-	64
Investment gains / (losses) taken to equity	1,283	-	324
Cash flow hedges gains / (losses) taken to equity	(135)	250	11
Total Other Comprehensive Revenue and Expense for the Year	\$111,912	\$12,986	\$12,665
Total Comprehensive Revenue and Expense for the Year	\$145,907	\$34,780	\$40,360
Statement of Changes in Equity for the year ended 30 June 2019			
Balance at 1 July	1,571,187	1,577,388	1,530,827
Total Comprehensive Revenue and Expense for the year	145,907	34,780	40,360
Total Equity at End of the Year	\$1,717,094	\$1,612,168	\$1,571,187
Equity represented by:			
Retained Earnings	507,321	478,469	463,144
Council Created Reserves	40,866	39,664	38,547
Revaluation Reserves	1,170,228	1,093,785	1,070,681
Cashflow Hedge Reserve	(1,321)	250	(1,185)
Total Equity	\$1,717,094	\$1,612,168	\$1,571,187
Statement of Financial Position as at 30 June 2019			
Current Assets	12,102	6,634	26,492
Non current Assets	1,743,305	1,672,328	1,576,086
Total Assets	1,755,407	1,678,962	1,602,578
Current Liabilities	17,713	16,308	21,308
Non Current Liabilities	20,600	50,485	10,083
Total Liabilities	38,313	66,793	31,391
Equity and Net Assets	\$1,717,094	\$1,612,169	\$1,571,187
Statement of Cash Flows for the year ended 30 June 2019			
Net Cash Flows from Operating Activities	32,047	38,232	36,789
Net Cash Flows used in Investing Activities	(45,029)	(77,071)	(34,703)
Net Cash Flows used in Financing Activities	1,973	36,000	(24)
Net Increase/(Decrease) in Cash and Cash Equivalents	(11,009)	(2,839)	2,062
Cash and Cash Equivalents at the beginning of the year	12,331	6,034	10,269
Cash and Cash Equivalents at the end of the year	\$1,322	\$3,195	\$12,331

Net Costs

2019

Net Movement

	2019	2019
	Parent Actual	Parent Budget
	000s	000s
Governance	(7,641)	(9,000)
Planning and Regulatory	(1,832)	(2,312)
Community Services and Facilities	(15,483)	(18,264)
Roads and Footpaths	(16,099)	(13,083)
Stormwater	(5,214)	(3,554)
Wastewater Treatment & Disposal	(8,401)	(6,695)
Water Treatment & Supply	(1,225)	(988)
Support Services	(12,458)	(12,237)

Additional disclosures and accounting policies

Reporting entity

Waipa District Council is a territorial local authority governed by the Local Government Act 2002. The group consists of the ultimate parent, Waipa District Council, and the Waipa Community Facilities Trust. These summary financial statements are for the group. The full Financial Statements have been prepared in accordance with the requirements of the Local Government Act 2002, which include the requirement to comply with generally accepted accounting practice in New Zealand. The full financial statements have been prepared in accordance with Tier 1 PBE accounting standards and comply with PBE standards. This summary complies with FRS 43 and this Standard does not include a requirement to comply with New Zealand GAAP or PBE standards. These summary financial statements are for the year ended 30 June 2019.

Measurement base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain assets. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$000).

Significant Variances Against Budget Include:

Statement of Comprehensive Revenue and Expense

- Fees and charges were \$3.8 million higher than budget mainly due to \$1.4 million of revenue from the Community Facilities Trust on consolidation, \$1.1 million of revenue from Fonterra transferred from Rates, \$813,000 of additional revenue from regulatory income, \$388,000 in additional revenue mainly from Palmer Street Pensioner Housing delayed sale, \$77,000 in additional revenue from non-core paper road sales.
- Development contributions were \$2.2 million lower than budget due to timing of developments.
- Discovered assets were \$16.5 million higher than budget due to database improvement work being undertaken.
- Increase in finance revenue of \$679,000 mainly due to short term arbitrage arrangements. This has been offset by an increase in finance costs of \$421,000.
- Subsidies and grants are \$1.3 million less than budget mainly due to delay in timing of Cambridge Pool external funding.
- Other revenue is \$2.3 million higher than budget mainly due to gain on sale of Addison Street development.
- Employee benefit expenses are \$406,000 higher than budget due to growth in staff numbers. This has allowed Council to decrease reliance on external consultants and contractors.
- Depreciation is \$714,000 higher than budget. This is due to higher than anticipated asset values from valuations.
- Other expenses are \$6.7 million higher than budget. This is made up of:
 - Loss on disposal of infrastructure assets being \$4.9 million higher than budget.
 - Transfer and impairment of assets and prior year capital costs for capital projects that are no longer proceeding or the scope has significantly changed of \$4.1 million.
 - These increases have been offset by net savings in other areas.
- Increase of \$421,000 in finance costs mainly due to short term arbitrage arrangements. Finance income has increased by \$679,000.
- Gain on revaluation of Property Plant and Equipment was \$97.1 million higher than budget. This largely relates to increases in roading asset replacement costs.

Statement of Financial Position

- Property, plant and equipment was \$69.9 million greater mainly due to higher than anticipated asset revaluations for roading.

- Borrowings at year end are \$33.9 million lower than budget. This is due to delayed timing of capital works.

Capital commitments

Council has contracts committing it to spend \$55.2 million on future capital works (2018 \$39.3 million).

	2019 Actual \$000	2018 Actual \$000
<i>Capital Commitments</i>		
Roading network	10,777	17,494
Drainage network	1,370	392
Wastewater treatment and disposal	5,180	1,917
Water treatment and supply	23,948	3,495
Community Facilities	13,813	15,936
Property development	180	115
Total capital commitments	55,268	39,349

Contingent liabilities

	2019 Actual \$000	2018 Actual \$000
a) Guarantees	66	95
b) Waipa Community Trust	-	-
c) Waipa Community Facilities Trust	148	174
d) Outstanding legal matters	-	-
	214	269

Council is listed as sole guarantor for a number of community organisation bank loans. The Council is obligated under each guarantee to make loan payments in the event that the organisation defaults on a loan arrangement.

Contingent liabilities not able to be quantified

Local Government Funding Agency

Council is a shareholder of the New Zealand Local Government Funding Agency Limited (NZLGFA) and is party to the guarantee of all borrowings of the entity.

Council is one of 30 local authority shareholders and 14 local authority guarantors of the NZLGFA. In that regard, the LGFA has total uncalled capital of \$20 million of which Council's portion is \$100,000. 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, Council is a guarantor of all of the LGFA's borrowings. At 30 June 2019, NZ LGFA had borrowings totalling \$9,531m (2018 \$8,272m).

Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low.

Carter Holt Harvey

In 2013, the Ministry of Education (MOE) initiated High Court proceedings against Carter Holt Harvey (CHH) and others alleging inherent defects in the shadowclad plywood cladding sheets manufactured and distributed by CHH. The MOE's original claim against CHH was for 833 school buildings, 48 of which are located within the Waipa District.

In 2016, CHH commenced proceedings against 48 Councils, including Waipa District Council, alleging a breach of duty in the processing of building consents, undertaking building inspections and issuing Code Compliance Certificates.

During the 2017/18 year the Councils sought to strike out CHH's claims against them. The High Court declined the strike out of the claim, but struck out proceedings in relation to 28 school buildings (2 in Waipa District) built outside the 10 year long stop contained within the Building Act 2004. CHH has undertaken to confirm by 30 June 2019 which schools it accepts are excluded from the claim or reasons for still including them. Staff anticipate that the number of claims for Waipa could reduce to approximately 15 if those outside the 10 year limitation period are excluded.

An initial trial on whether or not the cladding product is defective is set down for April 2020 and is between MOE and CHH rather than the councils. In the interim, Council has joined two fourth parties to the proceedings, as a reasonably inexpensive insurance against the risk that Council is found liable for any deficiencies in the building work. CHH is also joining councils as third parties to actions against them by homeowners, this involves possibly 20 councils. As yet, Waipa District Council has not been served any proceedings.

At present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Le Quesnoy Place Slip

In April 2017 a slip occurred on Le Quesnoy Place in Cambridge and the owners of the property above the slip are claiming that the Council, during the consent process, ought to have directed water was piped off the property rather than being held in attenuation tanks.

Remedial work to stabilise the Claimants' land and the Council Reserve was estimated to be \$885,000. The Council completed the work to restore the reserve only and informed the Claimants' that they will need to complete remedial work to their own land.

In December 2018 the Claimants' Solicitor wrote to Waipa District Council demanding that it complete the stabilisation work to their land. A response, reiterating the Council's denial of liability was sent to the Claimants' Solicitor in February 2019. In further correspondence the Claimants' Solicitor has argued that permitting discharge of stormwater from a neighbouring property in the vicinity of the slope that may have contributed to the landslip was negligent. The denial of liability has been maintained by Council.

No proceedings have been issued as yet and at present, there is still insufficient information to conclude on potential liability and claim quantum, if any.

Contingent assets

Council is a 2% 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 uncertainties surrounding the life of the Trust, Council is unable to accurately establish the appropriate value of the 2% shareholding.

Related parties

Council entered into a lease arrangement with Waipa Community Facilities Trust in 2013, for the Trust to occupy the Trust Waikato Te Awamutu Event Centre and the Cambridge Swimming Pool Complex. The lease covers a term of twenty years and attracts a rental charge of one dollar plus GST per annum, payable on 16 September each year.

Senior management and councillors' compensation

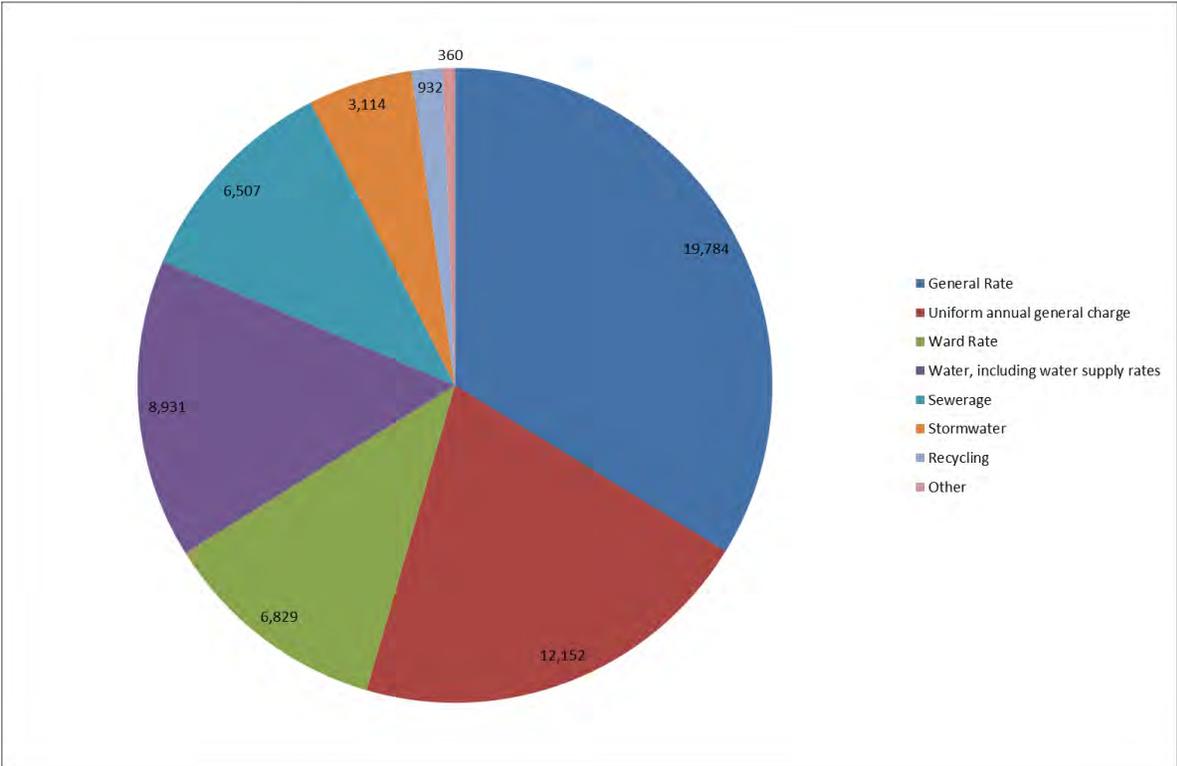
	2019 Actual \$000	2018 Actual \$000
<i>Councillors</i>		
Remuneration	572	561
Full-time equivalent members*	13	13
<i>Executive Team, including Chief Executive</i>		
Remuneration	1,092	1,032
Full-time equivalent members	6	4
Total key management personnel remuneration	1,664	1,593
Total number of members	19	17

*Due to difficulty in determining the full-time equivalent for Councillors, the full-time equivalent is taken as the number of Councillors.

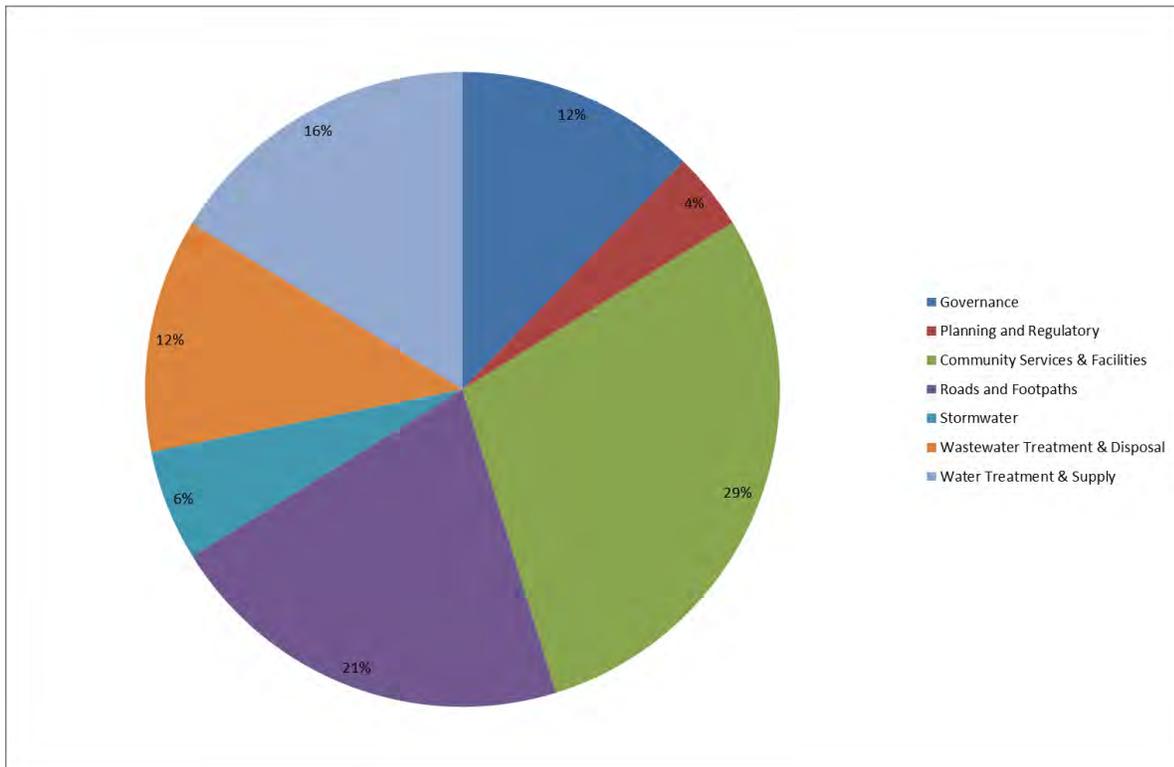
Events after balance date

There were no significant events after balance date.

Rates Collected



What were the rates spent on?



How we did

Our projects and work programmes are contained in eight groups of activities. This table summarises how we did, where we met expectations and where we need to improve. Our performance measures provide us with targets to meet, such as responsiveness, safety, timeliness, meeting statutory requirements and compliance.

Non-Financial Summary

Group of Activity	Achieved	Not Achieved	Unable to Assess
Governance	3	0	1
Planning and Regulatory	8	3	0
Community Facilities	14	8	5
Roads and Footpaths	4	5	1
Stormwater	8	0	0
Wastewater	7	1	0
Water Supply	25	7	0
Support Services	3	0	0

Community feedback

Each year we check in with our community to see how satisfied residents and ratepayers are with their council's performance.

Key results

- Overall 2019's results are largely consistent with the 2018 year with some minor drops and gains across areas.
- Residents remain very proud of their district (75%). Our reputation is still considered 'Excellent'. The majority of residents are still classified as 'Champions' (62%), trusting and supporting our vision and leadership.
- Satisfaction with services, infrastructure and public facilities remains relatively strong (43%). In particular;
 - Satisfaction with stormwater systems has increased significantly from 2018 (57% up from 47%).
 - Relative to 2018, satisfaction with swimming pools and playgrounds have also significantly increased.

Overall performance summary

	Poor (% 1-4)	Indifferent (% 5-7)	Satisfied (% 8-10)	2018	2017	Satisfaction by ward (% 8-10)		
						Cambridge	Te Awamutu	Don't know
Pride in the Waipa District	22%	75%		76%	73%	79%	72%	0%
Satisfaction with community boards	12%	53%	35%	37%	32%	38%	32%	31%
Overall reputation	8%	52%	40%	43%	39%	39%	41%	2%
- Leadership	10%	51%	39%	42%	41%	43%	36%	5%
- Trust	13%	53%	35%	35%	35%	38%	31%	4%
- Financial management	14%	61%	25%	28%	28%	28%	22%	13%
- Service quality	8%	54%	43%	46%	42%	47%	38%	2%
Overall value for money	17%	60%	22%	31%▲	28%▲	25%	20%	12%
Service, infrastructure and public facilities	8%	54%	43%	46%	42%	47%	38%	2%
- Overall water management	11%	38%	51%	46%	46%	61%	42%	11%
- Overall roads and footpaths	9%	46%	45%	48%	45%	50%	40%	1%
- Overall public facilities	30%	68%		69%	65%	67%	69%	5%
- Regulatory services	10%	45%	46%	49%	37%	47%	45%	16%

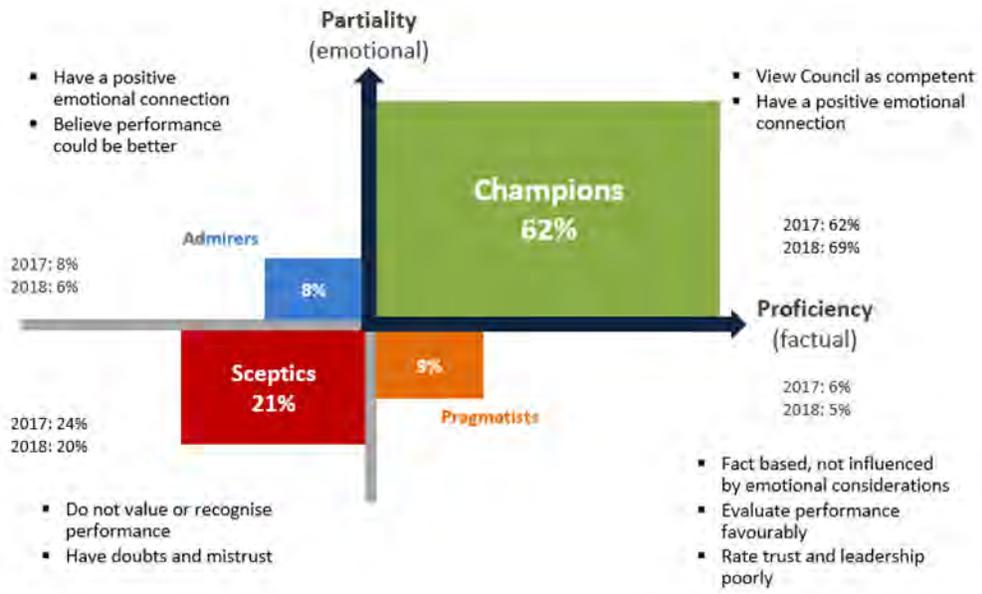
NOTES:
 1. Sample: 2017 n=401; 2018 n=409; 2019 n=402
 2. Excludes 'Don't know' responses

▲ Significantly higher
▼ Significantly lower

Source: Waipa District Council Annual Residents Survey Report. Key Research June 2019

4. We have also maintained our strong reputation with the majority of residents classified as 'Champions' (62%), trusting and supporting our vision and leadership. Our reputation is still considered 'Excellent'.

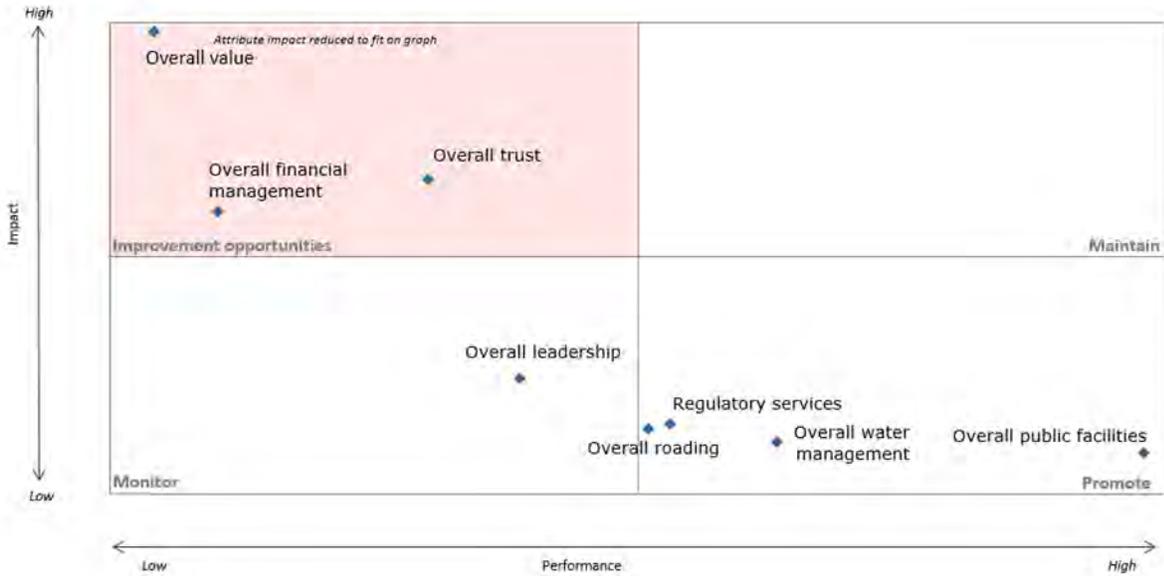
Reputation profile



Source: Waipa District Council Annual Residents Survey Report. Key Research June 2019

5. Educating residents on how we provide value for money in regards to rates and other fees and demonstrating how we are prudent in our financial management remain areas on which we need to focus.

Overall level performance: Improvement opportunities



Source: Waipa District Council Annual Residents Survey Report. Key Research June 2019

- The proportion of residents who believe they know a great deal about the Council and what it does has been gradually increasing since 2017 (16% in 2017, 25% in 2018 and 26% in 2019), however a fifth (20%) still have little knowledge which remains a challenge.

For a full presentation of the results please see Council's website.

A 12 month snapshot

JULY 2018

Out of the Shadows

Council won national praise for its successful campaign to highlight the district's heritage, including its role in the New Zealand Land Wars.

The 'Out of the shadows' campaign received the Fulton Hogan Excellence Award for Community Engagement for its work in sharing and promoting Waipā's history. Judges said Waipa District Council's work had generated an important community conversation which had already spread well beyond the district.

The campaign resulted in support for heritage projects in Council's 2018-28 10-Year Plan. A proposal to invest in Waipā's heritage sites was supported by 71 percent of submitters.

AUGUST 2018

Experts drive Te Ara Wai development

The high-powered Te Ara Wai Governance Committee met for the first time in August, charged with driving the multi-million dollar museum and discovery centre development.

Located in Te Awamutu, Te Ara Wai will be a space where the community and visitors can discover the district's diverse and largely unknown social, cultural and natural history.

The committee is chaired by LeeAnn Muntz, a director of Aotearoa Experience and chair of Tainui Waka Tourism.

SEPTEMBER 2018

First water rates bills sent

The first water rates bills were received by Waipā residents, following the installation of water meters across the district.

Property owners were sent two mock invoices before their first 'real' bill to help them understand their water use.

The first bills showed that the average daily water use dropped by 20 per cent across the Waipā district following the installation of water meters.

OCTOBER 2018

Garage sale diverts 15 tonnes from landfill

More than 500 people attended the first Great DIY Garage Sale, saving 15 tonnes – around 13 skip bins – of construction waste from landfill and into the hands of keen DIYers. Construction waste makes up around 11.5 per cent of waste in the greater Waikato region.

Leftover building products from construction sites were donated by local companies and sold at the event, raising \$11,000 for Cambridge East School's PTA.

The event was driven by Cambridge-based Rob May Builders and supported by Waipa District Council.

NOVEMBER 2018

Extra Councillor confirmed

An extra Councillor was added to the Cambridge Ward, following a review of how Council is made up.

Legally, all councils in New Zealand must review their make-up every six years to ensure representation is fair and effective. Waipa District Council's review showed that, because of population growth, the Council needed one more Cambridge councillor and an additional community board member to comply with the law.

The change means following the election in October 2019 there will be five Cambridge ward councillors, four Te Awamutu ward councillors, two in Pirongia and one each in Kakepuku and Maungatautari.

DECEMBER 2018

Free buses for Cambridge swimmers

Council announced a short-term free bus service between Cambridge and Te Awamutu during the summer months so Cambridge residents could use the Livingstone Aquatic Centre.

Cambridge's public pool is currently closed for major redevelopment and will reopen mid-2020. The new complex will include a new 10-lane indoor pool and learners' pool, a hydrotherapy pool, spa and sauna and a children's splash pad.

The bus service ran three days a week to and from the Te Awamutu Pool to Cambridge i-SITE during December and January.

JANUARY 2019

Cycling festival in Waipā

Waipā welcomed the Three Peaks Ride: New Zealand Cycling Festival to the district for the first time.

The festival aims to encourage people of all ages and abilities to get out and cycle more regularly and included various opportunities for aspiring cyclists to get involved.

It was also a chance for the community to see some of the world's best riders in action, competing in the New Zealand Cycling Classic as part of the festival.

FEBRUARY 2019

Online building consents launched

Council launched its new online building consent system, enabling Waipā builders to apply for, process and finalise their building consents completely online.

The move was in response to customer feedback that the current system wasn't working for them. The new system is more efficient and easy to use.

It also enables staff to process an increasing number of building consents to cater for the district's growth.

MARCH 2019

Wheeling into Waipā

On 1 March, Council entered into a new kerbside recycling contract with Metallic Sweeping Ltd.

The contract included replacing the blue recycling crates with purpose-built wheelie bins for each household from 1 July; a 140-litre bin for glass (collected monthly) and a 240-litre bin for plastic, tins, cans, paper and cardboard (collected fortnightly).

The change was prompted by the collapse of the international recycling market which drove up recycling costs around the country. Wheelie bins are also considered best practice among the waste minimisation industry.

APRIL 2019

Drones changing leak detection

A trial project led by Council's water services team used ground-breaking drone technology to detect leaks in a Pirongia water main.

The drone, fitted with a thermal imaging camera, was flown along the water main running from the Te Tahi water treatment plant to Pirongia and Te Awamutu, spotting cold water leaks against the background of the warm soil.

The information from the drone is now being used to identify and fix the leaks until the pipe is eventually replaced. The pipe replacement project is estimated to cost \$6.6 million and is scheduled to start in 2022.

MAY 2019

Total Mobility for Waipā

A total mobility scheme was launched in Waipā, giving residents living with mobility challenges better access to their communities.

The transport scheme provides subsidised taxi and door-to-door transport with registered Total Mobility providers. Under the scheme, Waipa District Council and NZ Transport Agency will pay half the fare, up to a \$12.50 subsidy per trip. The user pays the remainder.

The scheme is already well-used with eligible residents enthusiastically embracing the new service.

JUNE 2019

New playground for Pirongia

Pirongia residents celebrated the opening of their brand new playground at Rangimarie Reserve. Several hundred excited kids braved the rain to test out the new swings, slides and balance equipment.

The playground was a collaborative effort and joint-funded by Council and the Pirongia community.

It is one of several changes planned for Pirongia including path upgrades and new public toilets to replace the existing ones.