



2019/20

SUMMARY

ANNUAL REPORT

2019/20 PŪRONGO-Ā-TAU

CONTENTS

INTRODUCTION	4
FROM THE MAYOR AND CHIEF EXECUTIVE	5
IMPACT OF COVID-19 ON OUR SERVICES.....	6
OUR IMPACT ON THE DISTRICT.....	8
OUR COMMUNITY OUTCOMES	9
OUR FOCUS AREAS	10
SERVICE PERFORMANCE	11
PERFORMANCE SUMMARY	12
FINANCES	13
WHERE THE MONEY WENT.....	14
OUR FINANCIAL PERFORMANCE	15
SUMMARY FINANCIAL STATEMENTS.....	18
OUR FINANCIAL STRATEGY	20
AUDIT	22
AUDITORS REPORT	23

2019/20

Everything we do at Waitomo District Council is linked to our vision.

“ **CREATING A BETTER FUTURE WITH VIBRANT COMMUNITIES AND THRIVING BUSINESS.** ”

Our aim is to make the District an attractive place that people will want to come and visit, work and live in. The intention is to enhance the liveability of our District, facilitate our communities to be vibrant and thriving and to do this in a financially prudent and sustainable manner. Waitomo District Council has set areas of focus to drive this vision and guide our efforts.

These are:

- facilitate economic development,
- encourage and support community connectivity and development, and
- good stewardship and development of assets.

We have made excellent progress in our focus areas in the 2019/20 year.

Key highlights are included in the following pages with further detail of our achievements in the activity areas included in the 'Service Performance' section of the full Annual Report available at www.waitomo.govt.nz/council/publications

INTRODUCTION

KŌRERO WHAKATAKI

FROM THE MAYOR AND CHIEF EXECUTIVE

The past year was a challenge in ways many of us could never have imagined. When the COVID-19 global pandemic reached New Zealand shores none of us knew exactly what the impact would be. A nation-wide lock down and subsequent restrictions meant it has affected and changed almost every aspect of our operation. During Level Four, a national State of Emergency was declared, and we could only operate essential services. This reinforced the important role we play in our residents' day to day lives.

This year we welcomed two new elected members to council. Like any new team we have had to learn how to navigate together, but we have remained committed to our vision of creating a better future with vibrant communities and thriving businesses.

We've continued to invest in our district to provide safe, reliable and well managed infrastructure. As well as supporting our communities through grants. Our support continues for the Vibrant Safe Waitomo strategy, Te Waka Business Growth Advisory Services, Sport Waikato and Hamilton Waikato Tourism.

For the financial year we've reported a **net surplus of \$4.6 million**, compared to a forecast surplus of \$5.1 million. **Revenue was \$2.3 million** lower than forecast as a result of reduced NZTA subsidy on roads capital expenditure. The physical works programme was delayed due to the impact of COVID-19 lockdown and will now be completed in the 2020/2021 financial year. In turn, **expenditure was lower** at \$28.5 million (compared to the budget \$30.3 million).

This year has seen our **debt levels reduce** from \$40.3 million to \$37.3 million. There were a number of contributing factors including favourable interest rates and a lower opening debt position, delays in progressing capital works due to the impact of COVID-19 and the Game On Charitable Trust not requiring grant payment until 2020/2021.

This year was a year like no other. We saw events such as The Great New Zealand Muster cancelled, schools closed, jobs lost and uncertainty. But we also saw incredible strength and determination which the Waitomo District is well known for. It's those characteristics that will help us recover from the impacts of COVID-19 and continue to make our District great.

As we look towards our 10 Year Plan (2021 – 2031) being prepared, financial prudence and strong governance will continue to be our focus as we move into the future.



John Robertson
Mayor



Chris Ryan
Chief Executive

IMPACT OF COVID-19 ON OUR SERVICES

In response to the global COVID-19 Pandemic, the New Zealand Government implemented a COVID-19 Alert System, which specifies the public health and social measures to be taken in the fight against COVID-19. A state of National Emergency was declared during alert levels 4 to 2.

As directed by the Government during alert levels 4 to 3, resulted in Waitomo District Council temporarily ceasing the provision of all non-essential services, the office closing and staff working remotely to continue non-essential services i.e. finance, governance, planning, etc. where practicable.

Council activities considered essential services were defined by the Government's 'COVID-19 Local Government Response Unit', comprising members of the Department of Internal Affairs, Local Government New Zealand (LGNZ), Society of Local Government Managers (SOLGM), the National Emergency Management Agency (NEMA) and other relevant government agencies.

While overall the organisation functioned relatively well, there were technology challenges, disruption to usual work practices, and disruption to the progression of a range of planned projects.

In addition, there was a significant amount of additional unplanned and un-resourced work to respond to the COVID-19 emergency, including a number of staff being required to work in the Civil Defence Emergency Management Emergency Operating Centre (EOC). Cumulatively, this meant that across the organisation some planned project delivery work, and normal non-essential operations had to be re-prioritised during lockdown.

CUSTOMER SERVICES

The Customer Services Team remained operating, in various forms, throughout all alert levels.

For the period 26 March to 29 April 2020, the Customer Services Team responded to 2,163 phone calls, an average of 98 calls per workday to address increased demand relating to council services and EOC service queries during lockdown. Whilst the number of calls per day varies based on the time of the year, 98 calls per day is out of the ordinary, as March/April is generally a quieter period. On average, WDC receives approximately 60 calls per day during this time.

WASTE MINIMISATION

Operation of the Waitomo District Landfill, Transfer Stations (TS), refuse collection and recycling services was challenging to manage during the lockdown period.

The Waitomo District Landfill (open only for commercial operators) and all Transfer Stations were closed during alert level 3 and 4.

Kerbside "refuse" collection (with the exception of Maniaiti /Benneydale) remained unchanged. An

additional kerbside refuse collection was subsequently initiated for Maniaiti/Benneydale comprising a weekly blue bag only rubbish collection. This temporary change in level of service decision was made due to several factors including the transfer station closure, Maniaiti/Benneydale's location and community environmental health concerns.

All kerbside "recycling" services ceased at alert level 4 due to the closure of material recovery facilities (MRF) where all materials are sorted and processed.

Due to the continued alert level 4 lockdown and community feedback, the rural transfer stations were opened for the disposal of official blue bags on 8th, 9th and 10th April. All were opened for a three hour period, with strict control measures in place, such as a minimum of two staff at each location equipped with PPE and restricted vehicle movements. This exercise was repeated again two weeks later.

WATER SERVICES (WATER, WASTEWATER AND STORMWATER)

The Water Services Team operated as an essential service and continued to operate the 3-waters networks/treatment plants by having staff assigned to a specific treatment plant. This enabled the team to work in isolation and reduce movements across the District that would otherwise be part of normal duties. Local contractors continued to support maintenance activities.

PROPERTY

The Property Team closed WDC facilities such as playgrounds, public toilets and holiday parks during the transition to alert level 4. Both team members were engaged in EOC duties throughout alert level 4.

COMMUNITY DEVELOPMENT

Community Development services were delivered by establishing remote working procedures and protocols and community engagement was continued via video and audio conference calls.

During alert level 3 Waitomo District Library introduced click and collect service and managed library entry and exits with reduced operating hours and a temporary cancellation of library programmes and public computer access.

STRATEGY AND ENVIRONMENT

Animal Control was considered an essential service only for responding to dog attacks and assisting the NZ Police. All other services were suspended during alert level 4 and 3. COVID-19 protocols were introduced for contractors across alert levels, should a response be required for a dog attack.

Health and liquor licensing was not considered an essential service. Staff worked remotely and used video or audio conferencing to assess liquor licensing if

required. Site visits were suspended under alert level 4, and protocols for sites visits were developed and used for alert levels 2 and 4.

Building control was not considered an essential service, except for consents related to hospitals or dangerous buildings. Inspections were suspended under alert level 4; and protocols for inspections were developed and used for alert levels 2 and 3.

INTERNAL SERVICES BUSINESS UNIT (ISBU)

WDC's ISBU performs mowing, gardening and interment duties. Most of these services were stood down during the alert level 4 lockdown as they were not considered essential services. However, burials recommenced as permitted. It is noted that there were three burials during alert level 4, one of which took place at an urupa.

ROADING

The Roading Team worked remotely where possible during the alert levels 3 and 4 lockdown. Network maintenance activities were initially suspended however checks were carried out in alert level 3 on known hot spots and arterial routes, with only minor issues requiring following up. WDC's Road Maintenance Contractor responded to various incidents ranging from slips, fallen trees and overflowing litter bins. Fortunately, there were no extreme weather events impacting the network during the lockdown period. Remote working was enabled for Network Inspectors.

CIVIL DEFENCE EMERGENCY MANAGEMENT

The Western Waikato EOC (WWEOC) was established at the Waipā District Council Chambers, with staff from across the three Councils (Waipā, Waitomo and Ōtorohanga) rostered to work at the WWEOC throughout the response.

During the COVID-19 alert period (the seven weeks comprising alert levels 4 and 3) the WWEOC was operating in formal response mode.

At the Group Controller's direction, on the 13th May 2020, the four Emergency Operating Centers (EOC) were merged into two EOCs, Southern and Northern. The WWEOC became part of the Southern EOC, with resourcing provided by staff from Waitomo, Waipā, Ōtorohanga, South Waikato and Taupō District Councils.

FINANCIAL IMPACT

Whilst the impact of the COVID-19 pandemic containment measures were widely felt across the organisation, the overall financial performance of the council was not materially impacted despite disruption to some activities.

Revenue and Expenditure

Revenue was below budget mainly arising from reduced subsidy revenue. Progress on the subsidised roads capital expenditure programme, which was initially delayed by internal resourcing capacity, was further impacted by the COVID-19 pandemic response. This capital expenditure is eligible for NZTA subsidy at 73% so as the physical works programme was not fully spent, the

associated subsidy was not received. This expenditure has been deferred to the 2020/21 financial year.

Investment income was also impacted by COVID-19 as the dividend revenue forecast from our investment in Inframax Construction Ltd was not received. Due to the difficult operating conditions from the impact of the COVID-19 pandemic, the subsidiary directors made the decision to cancel the forecast dividend payment to the shareholder.

Overall operational expenditure was not significantly impacted as a result of the pandemic response.

Financial Position

Overall council's financial position was not significantly impacted as a result of the pandemic response at 30 June 2020.

Non current assets were below forecast due in part to the impact of COVID-19. The valuation of the investment in Inframax Construction Ltd resulted in a reduction in the value of the subsidiary by \$2.6 million. The value of the investment was impacted by the ongoing uncertainty within the construction environment and the subsidiary's revenue forecasts.

Property, plant and equipment and intangible assets were also less than forecast at balance date as progress on the capital expenditure programme was delayed with only 49% of the planned expenditure completed. The remaining physical works expenditure has been deferred to the next financial year. Overall borrowings were less than forecast and this was impacted in part by the delayed capital works programme.

Group

The Group consists of the Council and its 100% owned subsidiary, Inframax Construction Ltd. The Group's overall performance for the year was an **after-tax surplus of \$4.9 million**.

Inframax Construction Ltd reported a net profit after tax of \$0.76 million for the year ended 30 June 2020. This was a positive result given a challenging year for the subsidiary which was impacted by a tragic workplace incident and the effect of the COVID-19 pandemic on revenue and business operations.

Due to the difficult operating conditions from the impact of the COVID-19 pandemic, both revenue and operating expenditure were below forecast for the subsidiary. The subsidiary was eligible and received the initial wages subsidy of \$1 million which supported the subsidiary operations during ongoing uncertainty in the contracting environment. Further to this the subsidiary has also received the wages subsidy extension for the eight week period from 1 July 2020.

OUR IMPACT ON THE DISTRICT

Here's a sample of our performance and what we delivered last year across the district. For a comprehensive view, please see the Groups of Activities sections.



OUR COMMUNITY OUTCOMES

Our Community Outcomes and Focus Areas describe what we aim to achieve for our community and what the community can expect us to work towards.

These outcomes and focus areas shaped the development of the 2018-28 10 Year Plan. All our activities contribute to the overall achievement of our community outcomes and our vision – *creating a better future with vibrant communities and thriving business.*

Our outcomes are:



Vibrant Communities

- *A place where the multicultural values of all its people and, in particular, Māori heritage and culture is recognised and valued.*
- *A place where all age groups have the opportunity to enjoy social, cultural and sporting activities within our District.*
- *A place where young people have access to education, training and work opportunities.*
- *A place where young people feel valued and have opportunities for input into the decisions for the District.*
- *A place where we preserve the natural environment for future generations, ensuring that natural resources are used in a sustainable manner.*

Thriving Business

- *A place that attracts more people who want to live, work and play, and raise a family.*
- *A place where wealth and employment are created through local businesses and tourism opportunities and facilities are developed, facilitated and encouraged.*

Effective Leadership

- *A place where the development of partnerships for the delivery of programmes and services is encouraged and pursued.*
- *A place where the governance actively seeks to participate and take a leadership role in regional and national initiatives aimed at the development of the District.*

Sustainable Infrastructure

- *A place that provides safe, reliable and well managed infrastructure which meets the District community needs and supports maintenance of public health, provision of good connectivity and development of the District.*

OUR FOCUS AREAS



Community Connectivity and Development

Since receiving the Safe Community accreditation for our Vibrant Safe Waitomo, we have adopted the **Vibrant Safe Waitomo Strategy and Action Plan**, which is led by the Regional Coalition to support a structure to review and implement the Action Plan.

The Waitomo District Council was invited to deliver a presentation on the Course of Life Safety Matrix and the development of Vibrant Safe Waitomo at the Safe Communities Foundation National Conference in Wellington.

Since the adoption of the Strategy, the Regional Coalition has agreed to a temporary change of focus to include COVID-19 recovery into the 2020/21 Action Plan.

Council looks to strengthen partnerships in order to assist communities through co-funding arrangements. \$47,000 was allocated through the Community Partnerships grant towards 8 projects. The total value of these projects was \$377,000 and Council considers its contribution of grant funding as an investment in the community.

Economic Development

Our aim is to promote and support sustainable development in the Waitomo District.

We are continuing to work with Te Waka – the Waikato Regional Economic Development Agency on COVID-19 recovery initiatives. This work aims to support existing local businesses and potential future business opportunities within the District.

We will continue with District promotion and marketing initiatives and providing facilities and services that support industry.

Good Asset Stewardship and Management

Maintaining and managing our core infrastructure well so it is available for use by future generations continues to form a vital part of Council's service delivery.

The completion of the upgrade for the Te Kuiti water treatment plant has meant that we now have improved compliance against the requirements of the drinking water standards and our environmental consents. We are continuing to improve the Supervisory Control and Data Acquisition (SCADA) system across the district.

We are continuing to investigate an alternative source of water supply in Te Kuiti.

We have been granted a new resource consent to enable the extension of the life of the Waitomo District Landfill.



SERVICE PERFORMANCE
PAEARU MAHI RATONGA

PERFORMANCE SUMMARY

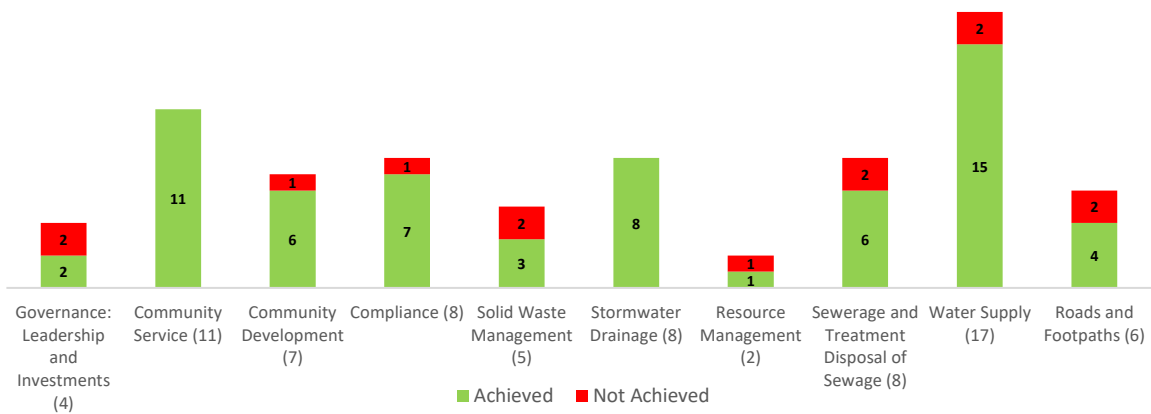
Our 2018-28 10 Year Plan divided the business into 10 activity groups that contribute to the delivery of our community outcomes. Each group has performance measures that show how well we are delivering our services to the community.

The performance measures and targets are from year two (2019/20) of our 2018-28 10 Year Plan,

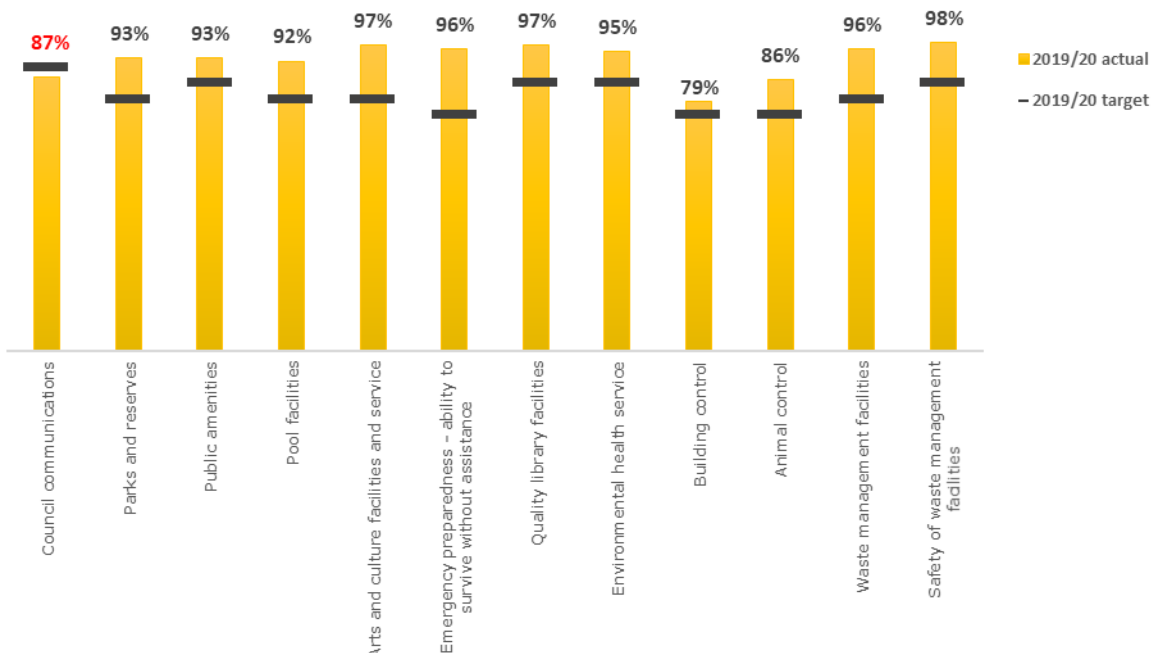
Of the 76 measures that we use to track performance, the summary graph below shows that:

- We have met the target for 63 measures (83%)
- We have not met the targets for 13 measures (17%)

PERFORMANCE RESULTS SUMMARY BY GROUPS OF ACTIVITIES



PERFORMANCE AGAINST RESIDENT SURVEY



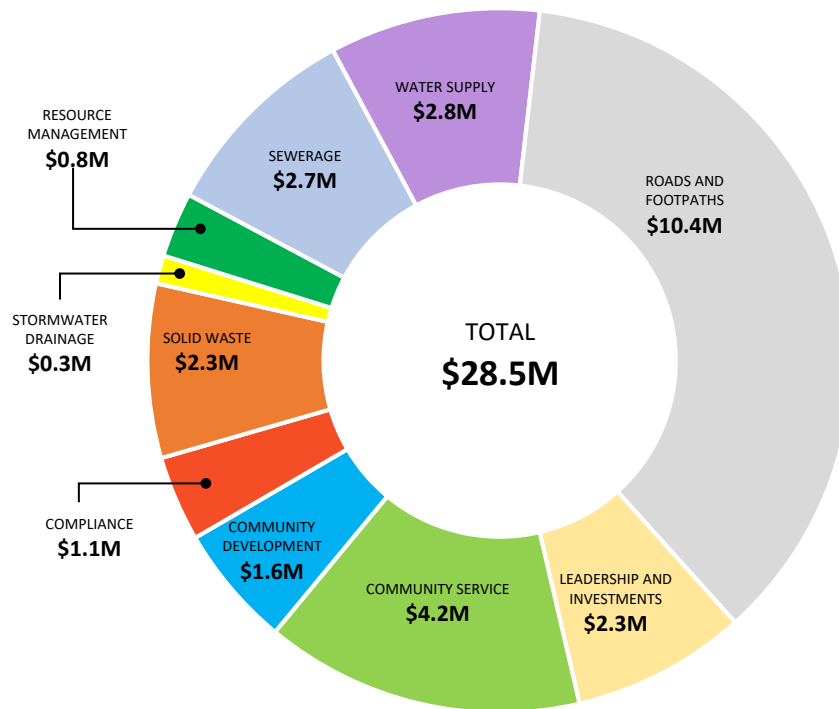
The full Annual Report provides more detail for each of these activity groups including an overview of the year that has been.



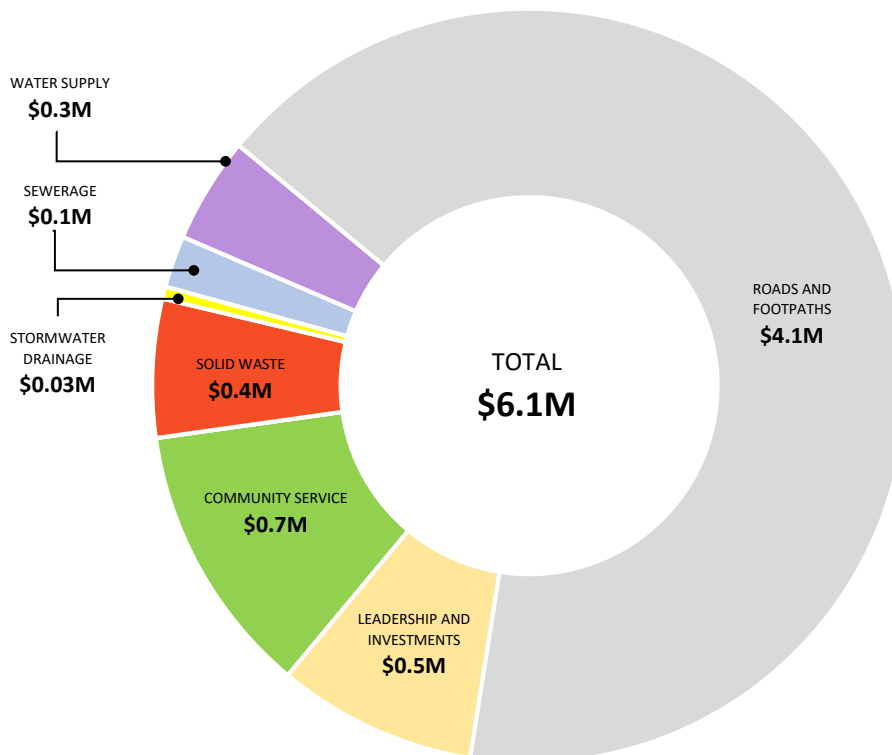
FINANCES
PŪTEA

WHERE THE MONEY WENT

OPERATING EXPENDITURE BY ACTIVITY 2019/20



CAPITAL EXPENDITURE BY ACTIVITY 2019/20



OUR FINANCIAL PERFORMANCE

This section of the report provides an overview of our financial performance for the year ended 30 June 2020. This overview provides an explanation to our financial statements and notes on pages 59 to 119 in the full Annual Report.

OVERALL RESULTS

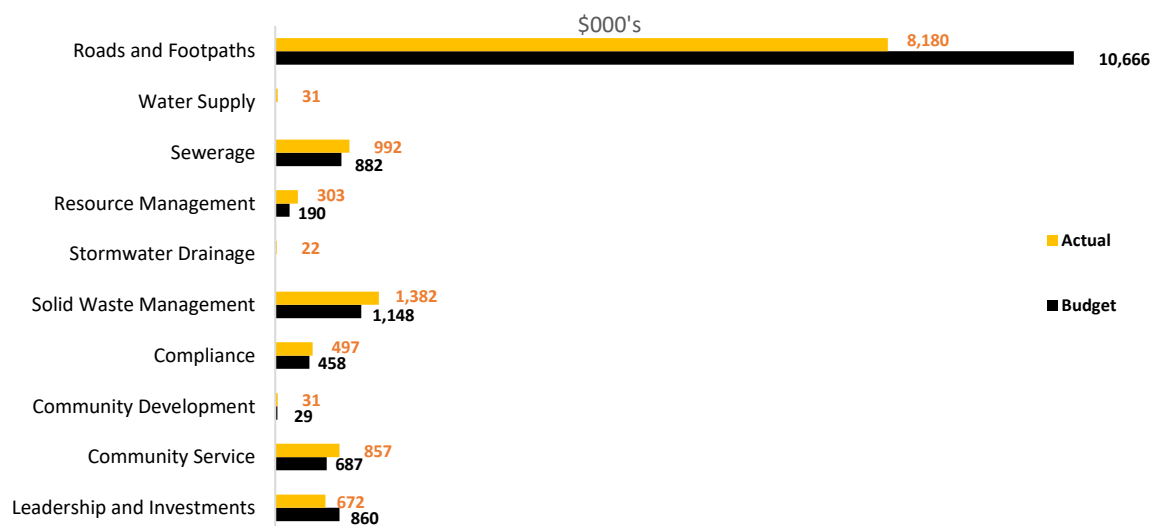
For the financial year WDC reported a net surplus of \$4.6 million compared to a budgeted surplus of \$5.1 million.

(\$000's)	2020 COUNCIL BUDGET	2020 COUNCIL ACTUAL	2019 COUNCIL ACTUAL
Total Revenue	35,458	33,150	33,491
Total Expenditure	30,333	28,533	28,567
Net surplus/(deficit)	5,125	4,617	4,924

REVENUE

Total revenue for the year was \$33.2 million against a budget of \$35.5 million. Total revenue includes both rates revenue and operating revenue (such as fees and charges, grants and subsidies, other gains and losses and rates penalties) from each activity.

- **Rates revenue** was \$0.3 million less than budget as rates paid on council owned properties are excluded in calculating the actuals however are included in the budgets.
- The graph below shows for each activity how our forecast **operating revenue** compared to the actual revenue we received. The main reasons for the difference of \$2.0 million in operating revenue are detailed in the following pages.



- **Roads and Footpaths** activity revenue was \$2.5 million below budget as only 49% of the forecast physical works programme was completed. This meant the NZTA subsidy revenue was significantly reduced for the year. The completion of the capital expenditure programme was impacted by available internal capacity which initially delayed project delivery. Progress was further impacted by the COVID-19 pandemic response. The delayed projects will now be undertaken in the 2020/21 year and the associated subsidy will also be received in that year.
- Trade waste revenue and connection fees were the main drivers for the increased revenue within the **Sewerage** activity.

- **Resource management** revenue was above budget due to an increase in revenue for planning consultants to process complex consents (which is recovered from resource consent applicants) and a funding contribution from Waikato Regional Council towards some of the costs associated with the District Plan Review.
- There was an increase in revenue in the **Solid Waste** activity from landfill users as higher volumes of refuse was disposed.
- During the year Council was the recipient of additional grant funding that was recognised within the **Community Service** activity. This funding was used for the renewal of the netball

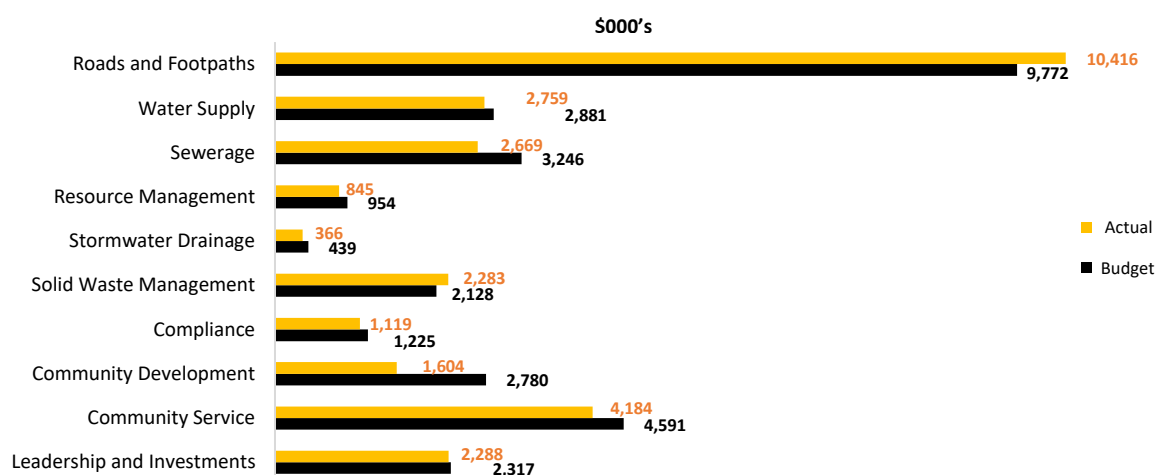
courts, to fund operational costs incurred over the peak season for some of our tourism facilities and construction of toilets at Kiritehere and Waikawau. A gain on the revaluation of investment property was also recognised within this activity.

- **Leadership and Investments** activity revenue was \$0.2 million below budget. The forecast dividend of \$0.3 million from Inframax Construction Ltd was not received due to the impact of COVID-19 on the subsidiary's revenue and increased business uncertainty. This reduction was partly offset by increased royalties from council owned quarries and a gain on the disposal of motor vehicles.

OPERATING EXPENDITURE

Operating expenditure was \$28.5 million against a budget of \$30.3 million. Operating expenditures are the day to day costs that are necessary to deliver the level of services agreed with our community, such as the costs of maintaining our road network, parks and property repairs and maintenance, audit and compliance fees, insurance, energy costs, organisational resourcing, grants expenditure, landfill operations and the costs of maintaining our water and wastewater schemes.

The graph below shows budgeted expenditure compared to what was spent, for each significant activity.



The main reasons for the difference between the budgeted and actual expenditure were:

- **Road and Footpaths** activity expenditure was above budget arising from unpredictable weather events. The resulting damage to the network required additional emergency reinstatement (first response) expenditure. Sealed pavement maintenance and environmental maintenance expenditure were also more than budget. These increases were partly offset by reduced unsealed pavement maintenance, structures maintenance and reduced finance costs arising from favourable loan interest rates and a lower debt position

than forecast. Roads and footpaths depreciation expense was more than budget for the year.

- **Water Supply** activity expenditure was below budget due to reduced financing costs, depreciation expense and rates on council properties being excluded, the budget included rates on council properties.
- Overall operations and maintenance costs were below budget for all schemes within the **Sewerage** activity. In particular expenditures for electricity, sludge disposal, sampling and chemicals were less for Te Kuiti. Favourable loan interest rates and a lower debt position than forecast reduced finance costs within this

activity and rates on council properties were also excluded in calculating actual expenditure, the budget included rates on council properties.

- **Solid Waste** activity expenditure was above budget. Landfill operational costs were higher as greater volumes of refuse were received into the landfill and additional expenditure was incurred for waste minimisation initiatives. These initiatives are funded by the waste minimisation levy received from central government.
- **Community development** activity expenditure was below budget as the grant forecast for the Game On Charitable Trust's North King Country Indoor Sports and Recreation Centre was not spent at 30 June as

at that time the Trust had not met all funding conditions. Subsequent to year end, Council agreed to provide the full \$1.5 million grant that was included in the 2018-28 10 Year Plan in the 2020/21 year subject to the signing of the funding agreement.

- **Community service** activity costs were below budget for the year. Repairs and maintenance costs were not fully spent during the year, electricity costs and emergency management costs were less. Favourable loan interest rates and a lower debt position than forecast reduced finance costs within this activity and rates on council properties were also excluded in calculating actual expenditure, the budget included rates on council properties.

CAPITAL EXPENDITURE

The 2019/20 approved capital budget was \$12.4 million, the actual spend for the capital portfolio was \$6.1 million or 49% of our forecast programme.

Projects were deferred due to the COVID-19 pandemic, which brought a halt to capital works and the related tenders during the lockdown and a sluggish restart in the final quarter of the year. These projects have now been deferred to the 2020/21 year. Project deferrals reduced the level of borrowings at 30 June 2020, however, this is largely only a timing impact as the expenditure will still be incurred, although later than originally planned.

Some key projects undertaken were:

- The resource consent for the landfill volume expansion was granted during the year.
- The construction of the Kiritehere and Waikawau toilets were completed. This project was fully funded by a grant from the Tourism Infrastructure Fund.
- Aerodrome safety improvements were completed.
- Completed road pavement rehabilitation of a 1.4km long section of Totora Road.
- 0.3km of previously narrow footpaths were widened on Te Kumi Road.
- Resurfaced 25.7km of sealed roads
- Re-metalled 51km of unsealed roads
- Reactive and planned road maintenance of urban roads (50km sealed and 3km unsealed)
- Maintenance of 162 bridges
- Renewal of 1110 metres of drainage and culverts
- Maintained and/or replaced 323 signs/markers and 94 posts.
- Installed additional monitoring instruments at the Mokau and Piopio Water Treatment Plants.
- Improvement of SCADA across all Water Treatment Plants undertaken.
- Monitoring bore drilled at the Te Kuiti Domain to investigate alternative water supply.
- Improvements to council's website.
- Alpha One integration for building consent applications.
- Improvements to our cyber security and end point virus protection for Council's information systems.

SUMMARY FINANCIAL STATEMENTS

The following pages present in summary, the financial results for the 2019/20 year.

The financial statements at 30 June 2020 comprise the Waitomo District Council (Council) and its wholly owned subsidiary Inframax Construction Limited incorporated in New Zealand (Group). Waitomo District Council has designated itself as a public benefit entity for the purposes of financial reporting.

The full financial statements included in the full Annual Report have been prepared in accordance with NZ GAAP and they comply with Tier 1 Public Benefit Entity (PBE) Standards. The summary annual report has been prepared in accordance with Public Benefit Entities Financial Reporting Standard No.43 Summary Financial Statements (PBE FRS 43). The presentation currency of the financial statements is New Zealand dollars and values are rounded to the nearest thousand dollars.

The summary financial statements have been extracted from the corresponding full Annual Report which was authorised for issue on 27 October 2020 by the Mayor and Chief Executive. An unmodified audit report was issued and signed as part of the Annual Report on 27 October 2020. Deloitte have audited this Summary Report and have issued an unmodified opinion on 19 November 2020.

The 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. The full financial statements contained within the 2019/20 Annual Report can be viewed and downloaded from our website www.waitomo.govt.nz/council/publications.

SUMMARY OF COMPREHENSIVE REVENUE AND EXPENSE FOR YEAR ENDED 30 JUNE 2020

For the financial year WDC reported a net surplus of \$4.6 million compared to a budgeted surplus of \$5.1 million.

(\$000's)	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Total Revenue and Gains/(Losses)	35,458	33,150	33,491	56,472	63,719
Total Other Expenses	28,298	27,098	26,860	50,165	55,835
Finance Costs	2,035	1,435	1,707	1,648	1,967
Surplus/(Deficit) Before Tax	5,125	4,617	4,924	4,659	5,917
Income tax expense/(revenue)	0	0	0	(233)	487
Surplus/(Deficit)	5,125	4,617	4,924	4,892	5,430
Other Comprehensive Revenue and Expenditure					
Revaluation of property, plant and equipment	6,004	16,004	0	17,600	83
Gains/(Losses) from cashflow hedges	0	(420)	(727)	(420)	(727)
Revaluation of available for sale assets	0	(2,610)	(365)	0	0
Income tax relating to components of other comprehensive revenue and expense	0	0	0	0	(23)
Total Other Comprehensive Revenue and Expense	6,004	12,974	(1,092)	17,180	(667)
Total Comprehensive Revenue and Expense	11,129	17,591	3,832	22,072	4,763

SUMMARY STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2020

(\$000's)	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Current Assets	5,956	8,601	7,112	13,088	12,208
Non Current Assets	375,228	371,905	358,606	376,592	359,325
Total Assets	381,184	380,506	365,718	389,680	371,533
Current Liabilities	29,960	17,368	15,492	21,164	20,203
Non Current Liabilities	21,882	27,627	32,306	30,795	35,681
Total Liabilities	51,842	44,995	47,798	51,959	55,884
Net Assets	329,342	335,511	317,920	337,721	315,649
Total Equity	329,342	335,511	317,920	337,721	315,649

SUMMARY STATEMENT OF CHANGES IN EQUITY FOR YEAR ENDED 30 JUNE 2020

(\$000's)	COUNCIL		GROUP	
	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Total Equity				
Balance at 1 July	317,920	314,088	315,649	310,886
Total Comprehensive Revenue and Expense for the year	17,591	3,832	22,072	4,763
Balance at 30 June	335,511	317,920	337,721	315,649

SUMMARY CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2020

(\$000's)	COUNCIL			GROUP	
	2020 BUDGET \$000	2020 ACTUAL \$000	2019 ACTUAL \$000	2020 ACTUAL \$000	2019 ACTUAL \$000
Net Cash Inflow from Operating Activities	11,080	12,079	10,969	14,888	14,028
Net Cash Outflows from Investing Activities	(12,379)	(6,651)	(9,437)	(7,333)	(12,481)
Net Cash Inflow/(outflow) from Financing Activities	1,299	(3,004)	(1,475)	(4,693)	(1,107)
Net increase/(decrease) in cash and cash equivalents	0	2,424	57	2,862	440
Cash and cash equivalents at the beginning of the year	537	1,819	1,762	2,153	1,714
Cash at Bank and In Hand	537	4,243	1,819	5,015	2,154

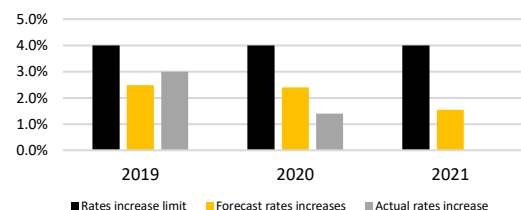
OUR FINANCIAL STRATEGY

Our 2018-28 10 Year Plan includes a financial strategy that sets out the important financial aspects of Council’s planned direction and how it intends to manage its financial performance. It also provides the financial parameters that will guide Council’s journey over the next 10 years. Council made a commitment through its financial strategy to reducing debt. The financial strategy’s guiding principles are:

- Provide amenities, facilities and services to the District community that contribute to and align with Council’s Vision.
- Undertake good asset stewardship management.
- Maintain affordable rates increases.
- Ensure financial sustainability – by ensuring that our revenue is sufficient to cover an efficient operating expense base, all funding sources are being used optimally and financial management is prudent.

The Financial Strategy can be read in full in the 2018-28 10 Year Plan or on our website.

We have stayed well within these limits. The actual rates revenue increase for 2018/19 and 2019/20 were respectively 3.0% and 1.4%. The 2020/21 Annual Plan confirmed a rate revenue increase of 1.5%.



RATES AFFORDABILITY

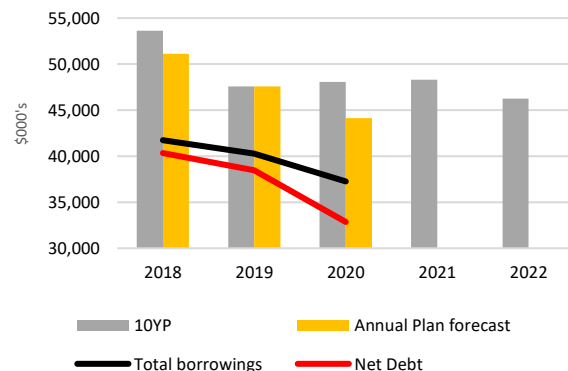
The 10 Year Plan sets the limits on rate revenue increases. Under the plan, rates revenue increases were limited to 4% from 2018/19 to 2024/25. And then 5% from 2025 onwards.

The actual rates revenue increase for the prior year was above forecast as more metered water revenue was received than expected. This reduced the percentage increase in actual rates revenue for the 2020 year resulting in a 1.4% actual rates revenue increase compared to a 2.4% forecast.

DEBT

Council borrows externally to fund assets or services that will provide benefit well into the future.

We ended the financial year with an external debt position of **\$37.3 million**, which was significantly lower than the forecast target in the 2019/20 Annual Plan of \$44.1 million. Against the strategy, our external borrowing was \$6.8 million less than forecast.



Net debt at 30 June 2020 was **\$32.9 million**. We consider net debt as total borrowings less liquid financial assets (which are cash with no restrictions and LGFA borrower notes).

Debt has been reduced by:

- Favourable interest and borrowing conditions
- A lower opening debt position than forecast
- Delays in our physical works programme as a result of internal resourcing capacity, extended consultation for Te Ara Tiki pedestrian overbridge project and the impact of COVID-19 pandemic response on progressing some of the planned capital projects.
- Direct savings and unspent operational budgets have reduced the need to borrow externally
- The grant forecast to be paid to Game On Charitable Trust for the North King Country Indoor Sports and Recreation Centre was not paid during the year (this expenditure is loan funded).

BORROWING LIMITS

Council remains committed to reducing external debt in order to reduce the debt servicing burden on the community. The following borrowing parameters are set in the Finance Strategy to ensure investment priorities are carefully managed and affordable to the community.

	LIMIT	2020 COUNCIL ACTUAL	2019 COUNCIL ACTUAL
Total borrowing cost/total revenue	<10%	4%	5%
Total borrowing/total assets	<20%	10%	11%
Net borrowings/total revenue	<170%	64%	56%
Net interest/total revenue	<20%	4%	5%
Net interest/annual rates	<20%	7%	8%

GROUP PERFORMANCE

The Group consists of the Council and its 100% owned subsidiary, Inframax Construction Ltd. The Group's overall performance for the year was an **after-tax surplus of \$4.9 million**.

Inframax Construction Ltd reported a net profit after tax of \$0.8 million for the year ended 30 June 2020. This was a positive result given a challenging year for the subsidiary which was impacted by a tragic workplace incident and the effect of the COVID-19 pandemic on revenue and business operations.

The subsidiary was eligible and received the initial wages subsidy which supported the subsidiary operations during ongoing uncertainty in the contracting environment. Due to the difficult operating conditions from the impact of the COVID-19 pandemic, revenue was below forecast and the directors made the decision to cancel the forecast dividend payment to the shareholder. Despite these challenging conditions, the equity position of the subsidiary improved with an increase in the equity ratio to 57% and an increase in total equity of the subsidiary to \$11.0 million.

At 30 June 2020, total equity for the Group was **\$337.7 million**, an increase of \$22.1 million from the prior year. This increase in equity reflects the following net asset increases:

- The Group's after tax surplus of \$4.9 million.
- Current assets increase of \$0.9 million arising from the increase in cash and cash equivalents at balance date offset partly by reduced receivables owing.
- Current liabilities increase of \$1.0 million. A portion of non current Council borrowings was reclassified as current borrowings, offset in part by the repayment of some debt by the Council and Group. There were also increases in employee entitlements owing at year end and derivative financials instruments.

- Non current assets increase of \$17.3 million arising mostly from the revaluation of roads and solid waste assets.
- Non current liabilities decrease of \$4.9 million due mainly to a portion of Council's borrowings reclassified to current borrowings.

Contingencies

As at 30 June 2020, there was a contingent liability outstanding in relation to a workplace accident that occurred in October 2019. It is not possible to quantify what if any liability will arise from the very distressing event. Worksafe have advised that they intend to pursue formal proceedings against Inframax Construction Limited. The subsidiary is seeking legal advice regarding this matter.



AUDIT



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF WAITOMO DISTRICT COUNCIL AND GROUP'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The summary of the annual report was derived from the annual report of the Waitomo District Council (the "District Council") and subsidiaries (the "Group") for the year ended 30 June 2020.

The summary of the annual report comprises the following summary statements on pages 11 to 21:

the summary statement of financial position as at 30 June 2020;

the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2020;

the notes to the summary financial statements that include accounting policies and other explanatory information; and

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 2020 in our auditor's report dated 27 October 2020.

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 carried out a limited independent assurance engagement on certain matters stated in the District Council's Debenture Trust Deed. Other than this engagement, we have no relationship with, or interests in the District Council or its subsidiaries.



Bruno Dente

for Deloitte Limited on behalf of the Auditor-General
Hamilton, New Zealand

19 November 2020



www.waitomo.govt.nz