



Ōpōtiki District Council
STRONG COMMUNITY STRONG FUTURE

Ōpōtiki District Council 2018/19 Draft Summary Annual Report

October 2019



Summary of the Ōpōtiki District Council 2018/19 Annual Report

What you'll find in this report

- A message from our Mayor and CEO
- A non-financial performance overview
- Highlights and significant events
- A graph showing where your rates dollars are spent
- Financial reporting and prudence information
- Financial strategy information
- Our finances in brief
- A financial summary
- Summary Accounting Policies, Additional Disclosures, Disclaimer
- Our summary audit report

From the Mayor and CEO

We are pleased to present you with our summary annual report for 2018/19. Over the last year, we have made inroads into improving the resilience of our services, from improved functioning of our sewer to better resilience and extensions to our potable water supply. The large improvements in these services are the result of our investment into asset data and systems, and the result will be better functioning, more resilient services designed to last into the long term.

Detailed work has been carried out on reducing the cost of the harbour, through design changes, rock availability and on operational costs. The outcomes of this work will be presented to government in the 19-20 financial year.

A great deal of planning work has been underway over the last 12 months that will give rise to actions in the 2019/20 financial year. Detailed planning around the future of our library has meant a decision has been able to be made to progress to the full development. A redesign of the rose gardens was undertaken with public input and a significant extension to the Motu trails Cycleway has been scoped with a major funding application in process.

On the regulatory front we have faced a number of challenges to implement regulation changes handed to us by government and worked our way through the many audits of our processes.

Following our decision to increase resourcing in the area, animal control has seen significant gains, both in the statistics we gather but also in the community perception survey.



John Forbes, MAYOR



Aileen Lawrie, CEO

Farewell from John Forbes

It may be opportune to make a short comment on my time at the Ōpōtiki District Council which spans the last thirty years.

The changes over this time have been remarkable. In 1986 there was one tier of local government and virtually all services, particularly around the maintenance of infrastructure, were provided in-house. My perception is that regulatory function was carried out with a much greater degree of local discretion whereas today it has a much greater degree of prescription from central government.

The development and adoption of technology have aided greatly in a much better understanding of assets and asset maintenance. Local knowledge around systems and their functioning used to be carried mainly in people's heads. While this is still the case to some degree mostly computers have taken over which allows for significantly improved asset management.

A great change has occurred in the professionalism of the staff that serves local government. This has occurred in concert with the increasing complexity of the environment in which we work. This change in complexity should not be underestimated and the skills that have evolved to keep abreast of change is a credit to the people involved and the sector.

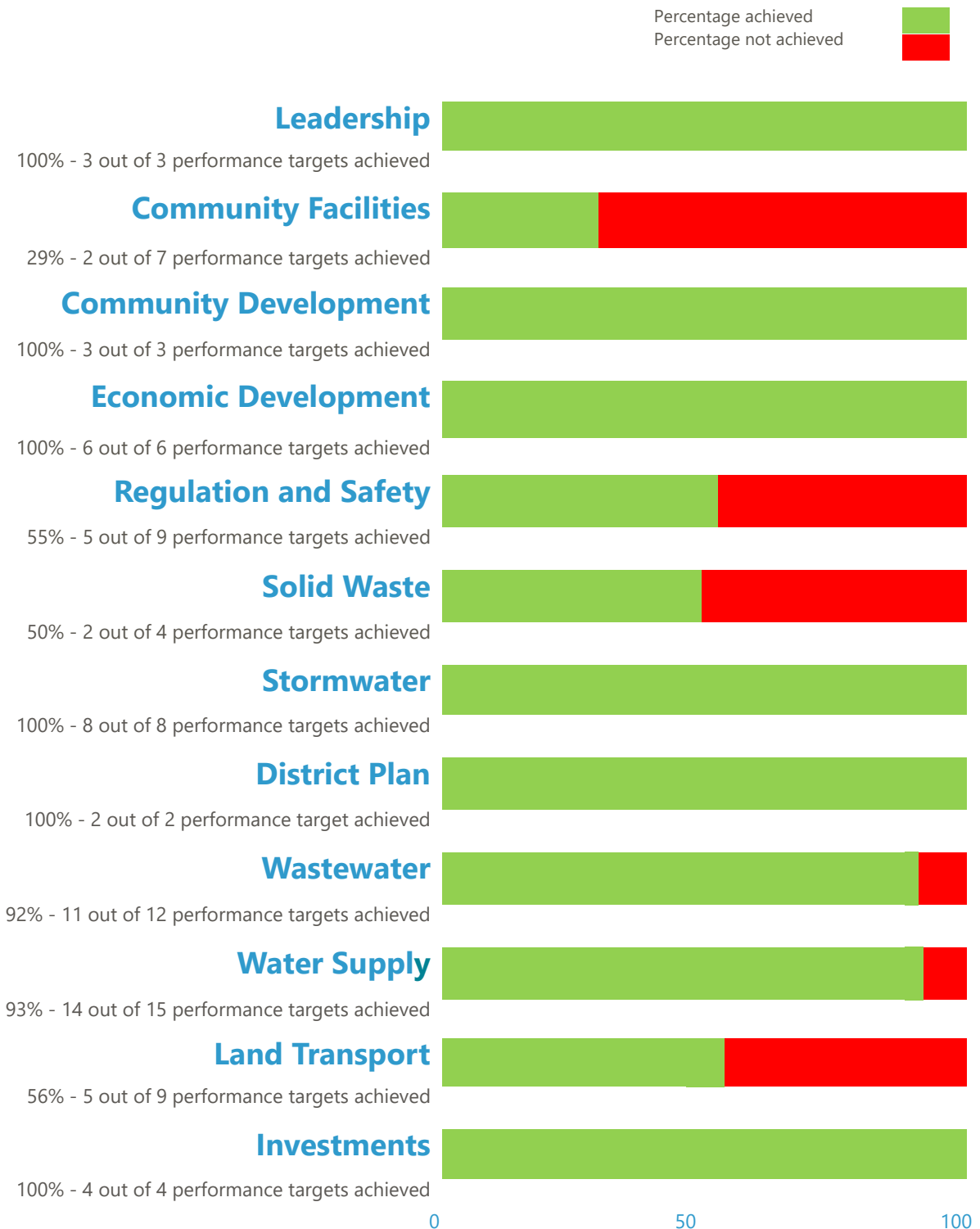
One area of lag has been the community's understanding of both the functions of councils and the role of public good. Greater effort will be required to keep ratepayers and residents informed of the challenges faced by their local council.

Our performance

Our projects and work programmes are contained in 12 groups of activities.

In our Long Term Plan, we set 87 measures which we use to report back on our service performance across these activities. 82 of these measures were applicable for this financial year and are highlighted below. Our performance measures provide us with targets to meet, covering things such as responsiveness, safety, timeliness, meeting statutory requirements, and compliance. This graph shows the percentage of targets achieved and not achieved. The calculation does not include, or take in to account, the performance measures that were not applicable (did not need to be reported on or were not measurable) for the 2018/19 year.

Detailed reporting on the individual measures can be found in our full Annual Report along with information on how our measures help us achieve our community outcomes and what progress has been made towards achieving the outcomes.



Highlights

Harbour Development Project

Work undertaken on a revised costing for the fully consented and “spade ready” Ōpōtiki Harbour Development.

Significant funding was announced for Whakatōhea Mussels (Ōpōtiki) Limited to prepare a business case for a local mussel processing plant, and for the Whakatōhea Māori Trust Board to advance other applications for aquaculture space and to create a marine spatial plan.

A successful application to the Provincial Growth Fund (PGF) provided a \$1M budget (\$750k PGF and \$250k Ōpōtiki District Council) co-funding) for our work this year.

Council signed a funding agreement with the PGF in May 2019 and got a contract underway with HEB Construction, our preferred tenderer, to refine the design and costings.

Council also undertook a registration of interest and tender process in relation to the supply of rock for the harbour construction, to generate interest in rock supply much closer to Ōpōtiki (with the expectation of lowering costs through reduced transport costs). Outcomes are expected in the 2019/20 financial year.



Image: Welding of pipes to replace the ageing raw water supply main along Otara Road from Clarks Cross Road to the pump station is in progress.

Water Supply

Critical trunk mains now have redundancy.

This year we completed the raw water line renewal and additional resilience work on Waioeka Road and St John Street. This work, alongside works completed in previous years, means that we have further options to keep the supply going if there is a failure in the critical trunk mains from the Ōpōtiki Township bores to the Otara booster

station, and from the booster station to the township. This is important in the event of an earthquake with the new lines having much greater flexibility so they can survive much larger shakes than the old pipes.

Ōpōtiki Research and Technology Library

Community asked whether we should fund the bulk of the proposal by loan.

Following unsuccessful attempts to secure significant grant funding for Te Tāhuhu o Te Rangi for our community, the Council carried out a consultation process to ask our community whether we should fund the bulk of the proposal via a loan.

Early in the 2019/20 year Council resolved to proceed with the full development.



Image: Architect drawings of proposed Te Tāhuhu o Te Rangi Research and Technology Library

Stormwater

Initial stages of upgrades programme completed for Ōpōtiki stormwater scheme.

The advanced modelling and design work was completed to allow the major upgrades projects to begin over the next two years.

Goring Street, Payne Ave and Buchanan Street all received pipe upgrades which will connect into the major trunk main upgrades along Richard, Ford and St John Streets. These three pipes will deliver flood waters to Tarawa Creek much more efficiently and from where the

final upgrade components including the Tarawa Creek basin and the Tarawa Creek pump station upgrade will detain and discharge the water when the rivers are high.

In the 2019/20 year work will begin on the Richard St stormwater trunk main and completion of pipe upgrades along the rest of Goring St in line with our street upgrade programme.

Solid Waste

Roll out of new crates and refuse bins decisions made.

This year we put together a plan on how we would deliver the bins and crates for the new urban kerbside recycling and refuse collection. We investigated numerous options for the refuse bins, deciding on a 45L bin manufactured in Italy. It included all the features sought through the LTP consultation including a lockable lid to help stop animal

strike. The bins came at significantly less cost than those available from New Zealand manufacturers – who did not have standard 45L production models.

During the year the cost of disposing of waste at a landfill in the Waikato went up significantly.

Asset Renewal

Council completed its programmed works to maintain and upgrade its assets including:

- Reseal of sections of urban and rural pavements, re-metalling of unsealed road surfaces in accordance with the asset management plan programme
- The annual rehabilitation / upgrade urban street project as per the asset management plan programme
- Close to 30% of Council's wastewater pipelines under the Wastewater Rehabilitation Project
- Various stormwater and water supply plant components to ensure optimal operation.

Sewerage

We have now completed the second year of the Wastewater Rehabilitation Project.

We have now completed the second year of the Wastewater Rehabilitation Project and are seeing less groundwater infiltration coming into the pump stations, which results in less pumping hours.

Great progress is being made with 60% of inflow sources addressed. It will take the final year of work though to see the real benefits and identify any areas that may have been missed.

This financial year we will be continuing the on-property repairs work. Also Council may consider running a communications initiative to remind users of the system about the importance of not plumbing stormwater downpipes into wastewater gully traps. The community will need to be vigilant to help us identify any illegally plumbed downpipes.



Image: Council staff undertake confined spaces training.

Building Control Authority

Council partners up to improve service.

The number of building consents received during the year was down 25% on last year's unusually high amount.

We are working closely with Western Bay of Plenty District Council who are assisting us with processing of consents and site inspections when required. This should improve our resilience and ability to respond when we have a spike in applications.

This relationship also means we can fill any gaps in technical knowledge that may come up in a small team.

Our International Accreditation New Zealand (IANZ) inspection took place in August 2018. After addressing several non-compliances Council received confirmation of continued accreditation in December.

Animal Control

New initiatives improve registration rates.

New initiatives have improved registration rates and this year 1,591 dogs were registered. That's the highest number of dogs ever registered in a financial year.

As a result of Council's decision to fund de-sexing programmes for dangerous and menacing breeds, the numbers of these dogs being impounded has

significantly declined. It means more of the dogs that are impounded are suitable for rehoming.

Our communities perception of the service continues to improve with an increase in the number of people satisfied with the service in Council's annual customer survey.

Food Control

Inspectors report continued improvement in operating practices and compliance.

The number of food premises registered within the district has increased to 64 and all food premises, operating under food control plan templates, were inspected during the financial year.

Council currently uses consultants to carry out inspections and verification of food control plan

templates for food businesses. The inspectors are reporting continued improvement in operating practices and compliance with the Food Act. 50% of businesses have received an acceptable outcome following their initial visit. Businesses have the frequency of verification visits reduced as practice and compliance improves.

District Plan

Appeal matters agreed by parties.

The district plan appeal matters have been agreed by parties after court assisted mediation and the consent orders are in the process of being drafted and signed off accordingly. This means that we should see a fully

operative District plan in the coming months that sets a refreshed blueprint for the protection and development of our district.

Walkways/Coastal Access

Business plan for proposed cycle trail extension adopted by both Whakatāne and Ōpōtiki Councils.

Council, working with the Department of Conservation, continued to support the Motu Trails Trust in their marketing of the Motu Trails as a Great Ride. This included trail enhancement works and building two new shelters.

Opotiki and Whakatāne District Councils developed and adopted a business plan for the proposed cycle trail extension from Ōpōtiki to Whakatāne. This has been submitted to the Ministry of Business Innovation and Employment for funding from the New Zealand Cycle Trail Enhancement and Extension Fund. The proposed

55km trail will generally follow the coastline between Ōpōtiki and the Whakatāne River mouth. It will build on the success of the existing Dunes Trail providing a unique coastal, cultural and conservation experience and provide a link between the communities of Ōpōtiki, Waiōtahe, Ōhiwa, Kutarere, Ōhope and Whakatāne as well as other smaller settlements on the way. It will be directly accessible by five popular campgrounds and include some of NZ's most popular beaches to grow visitor experiences provided in the district.

Evolution Networks

Tender won for roll out of new towers across Eastern Bay of Plenty.

In October 2016 Council purchased a 30% shareholding in Evolution Networks Limited, a local wireless internet provider, to help provide better connectivity to our communities and the wider Eastern Bay of Plenty.

Investing in Evolution Networks (a company that spans across the Eastern Bay of Plenty) means that the company and the Council can get income from outside the district, effectively subsidising Ōpōtiki ratepayers.

This year the company won a tender with Central Government to roll out a number of new towers across the

Eastern Bay of Plenty. When Evolution Networks first started, those that wanted connectivity needed to co-fund the build of the towers. Now, with government money, this no longer needs to happen, so the roll out of high speed internet to the community should speed up.

As part of the project this year there were significant upgrades to existing infrastructure, new tower builds, new software and reconfiguration of the network.

Rose Garden Reserve

Staged implementation plan being actioned.

Detailed design for the upgrade works to Church St Reserve (Rose Gardens) has been completed. The initial plan had to be changed due to funding constraints. We're now implementing the plan in stages. The first stage involves moving the existing rose gardens to Bridge St Reserve and this is already underway. The next phase is about to commence and includes removal of the derelict

fountain and construction of new pathways with surrounding landscaping. Further work to enhance the reserve, including adding public toilets, additional play equipment and additional facilities for community use, will proceed on a staged basis as funding becomes available.



Image: Council staff from our Animal Control team set up a public information session in Te Kaha.

Staffing

Council invests in new health and safety system to meet legislation requirements.

Council employed 18 new staff over the 12 months including an applicant who moved from Australia back home to New Zealand. While the majority of these were full-time permanent roles, some were part-time and fixed-term to meet business needs.

Recruitment in the Engineering area has been challenging with the applicants either not meeting the minimum criteria, or we have not been able to meet remuneration expectations.

Changes to health and safety legislation have required us to take a much more pro-active approach to managing health and safety obligations, and in particular risk. To support Council to meet these requirements we have been implementing a new health and safety information management system SHE Assure. The SHE Assure system is user-focused and flexible so it can be adapted for our particular needs.

RAPID numbering

Project progressing well.

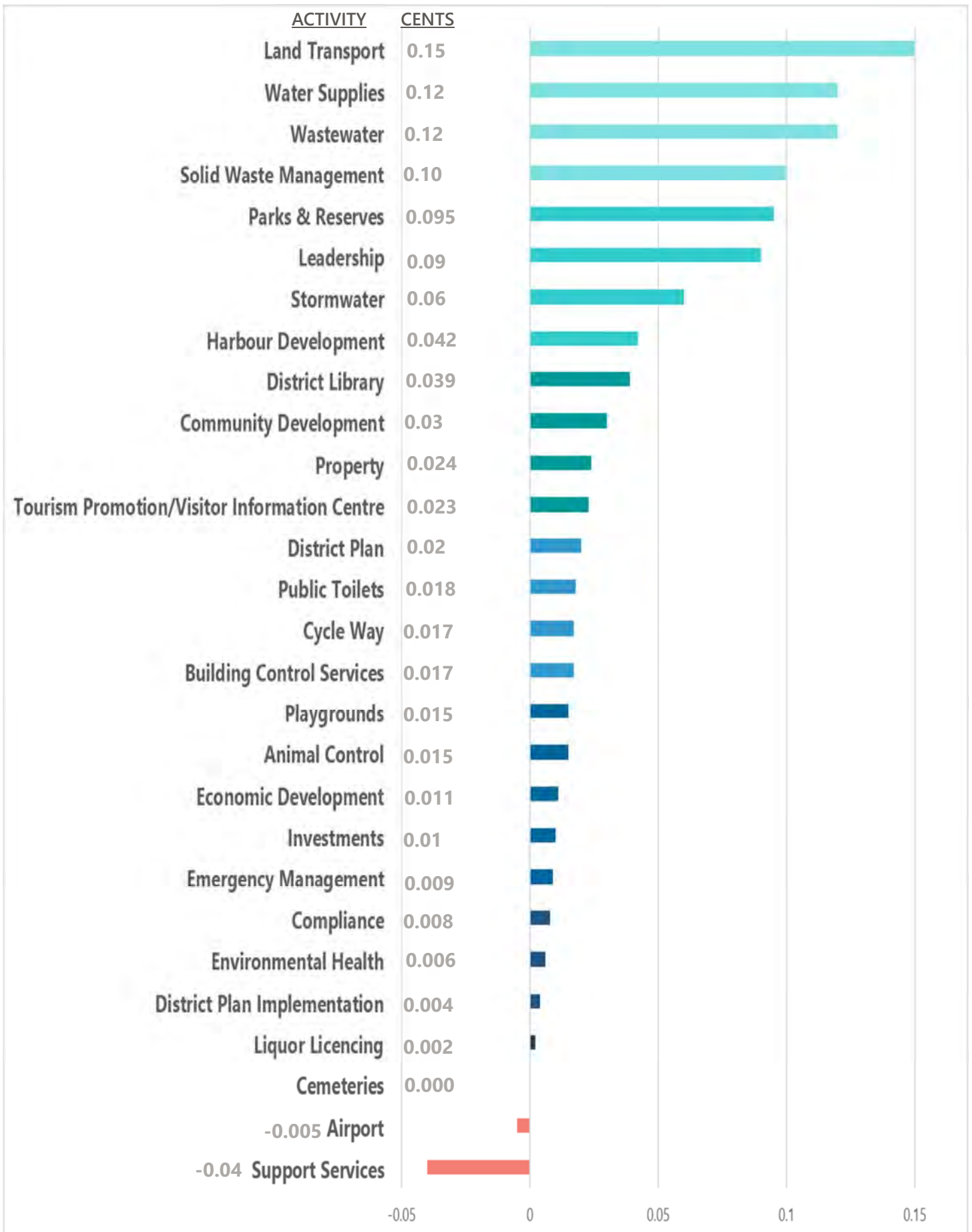
All properties to the west and south of Ōpōtiki Township having been given new RAPID numbers leaving the

properties of State Highway 35 to be done in the 2019/20 financial year.



Our vision: STRONG COMMUNITY STRONG FUTURE

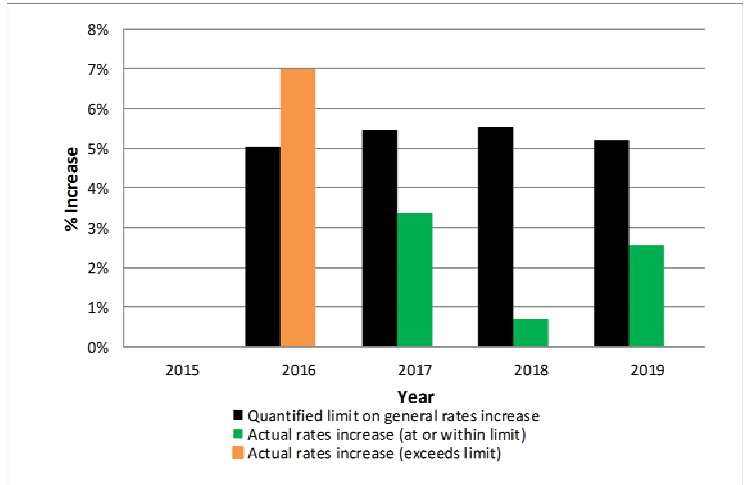
Where your rate dollar goes



Financial Reporting and Prudence

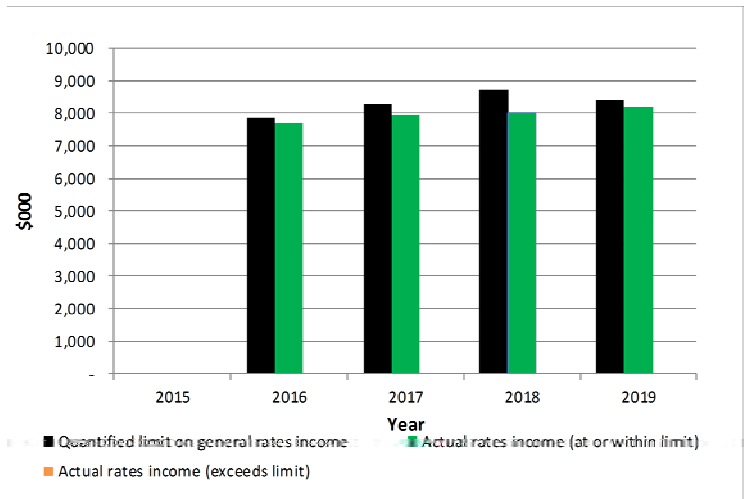
Rates (increases) Affordability Benchmark – General Rates

The following graph compares the council's actual general rates increases with a quantified limit on general rates increases included in the financial strategy included in the council's long-term plan. The quantified limit is LGCI plus 3%.



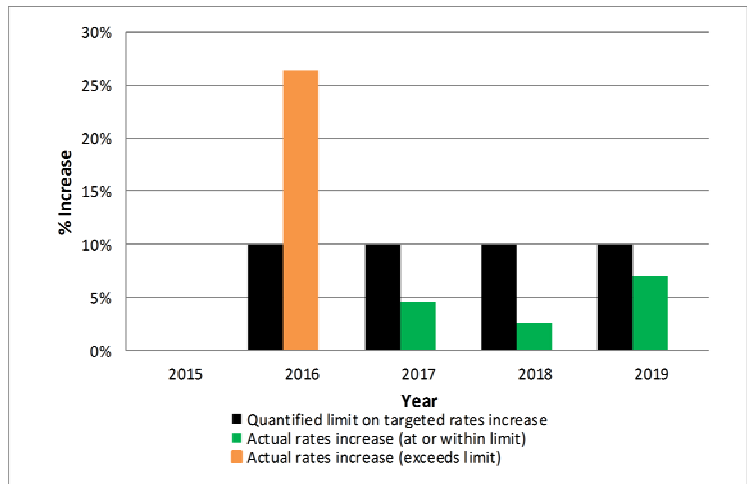
Rates (Income) Affordability Benchmark – General Rates

The following graph compares the council's general rates income with a quantified limit on general rates contained in the financial strategy included in the council's long-term plan. The quantified limit is prior year general rates plus (LGCI plus 3%).



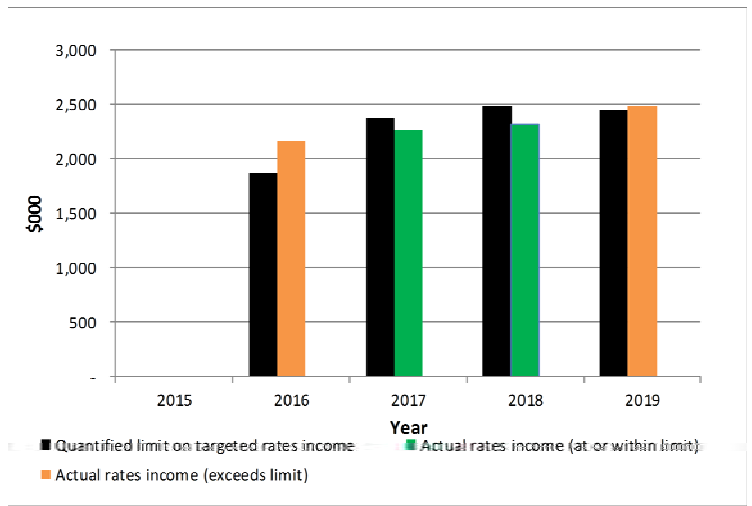
Rates (increases) Affordability Benchmark – Targeted Rates

The following graph compares the council's targeted rates increases with a quantified limit on targeted rates increases contained in the financial strategy included in the council's long-term plan. The quantified limit is 10%.



Rates (Income) Affordability Benchmark – Targeted Rates

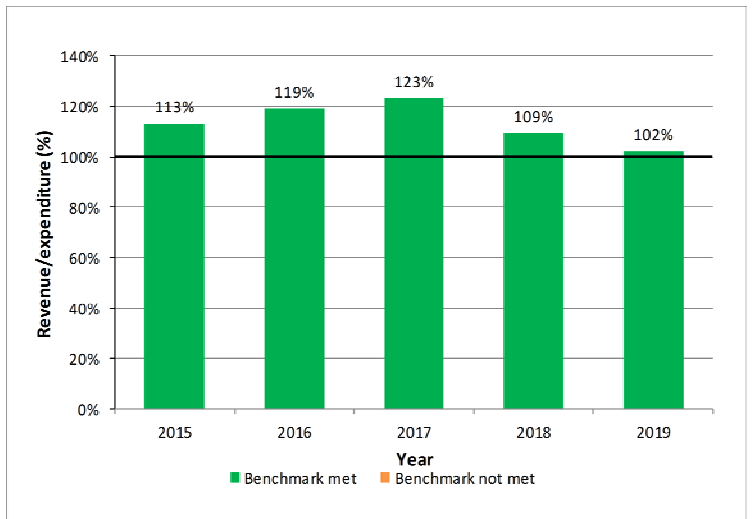
The following graph compares the council's targeted rates income with a quantified limit on targeted rates contained in the financial strategy included in the council's long-term plan. The quantified limit is prior year targeted rates plus 10%.



Balanced Budget Benchmark

The following graph displays the council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

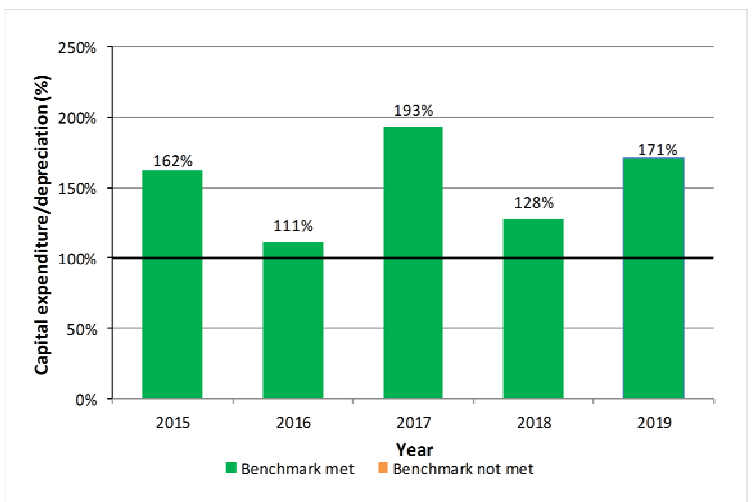
The council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential Services Benchmark

The following graph displays the council's capital expenditure on network services as a proportion of depreciation on network services.

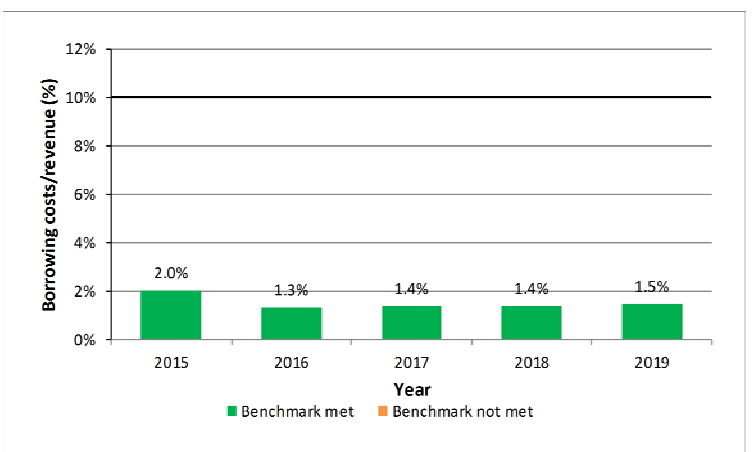
The council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt Servicing Benchmark

The following graph displays the council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and costs equal revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the district's population will grow more slowly than the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

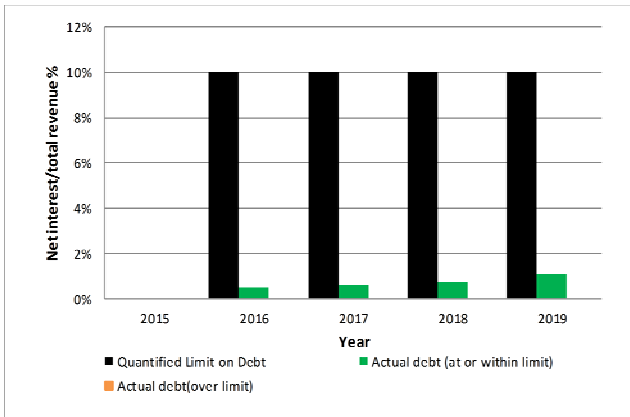


Debt Affordability Benchmark

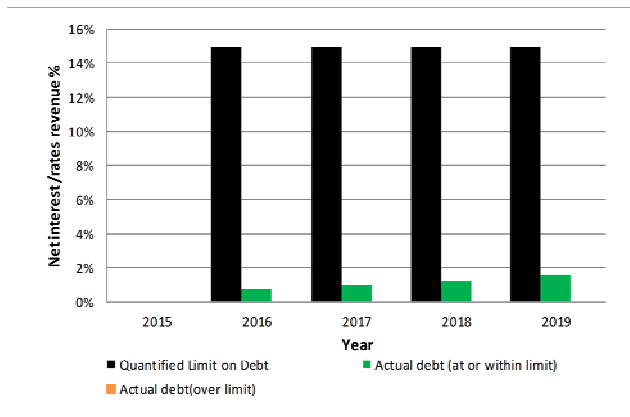
The Council meets the debt affordability benchmark if its borrowings is within each quantified limit on borrowing. The following graphs compare the Council's actual debt with the quantified limits on borrowing contained in the financial strategy included in the long term plan.

The quantified limits are:

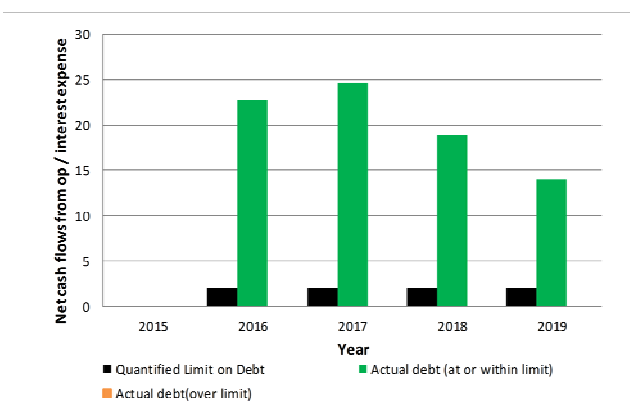
Net interest expense/total revenue less than or equal to 10%.



Net interest expense/rates revenue less than or equal to 15%.



Net cash flows from operating/interest expense greater than or equal to 2.

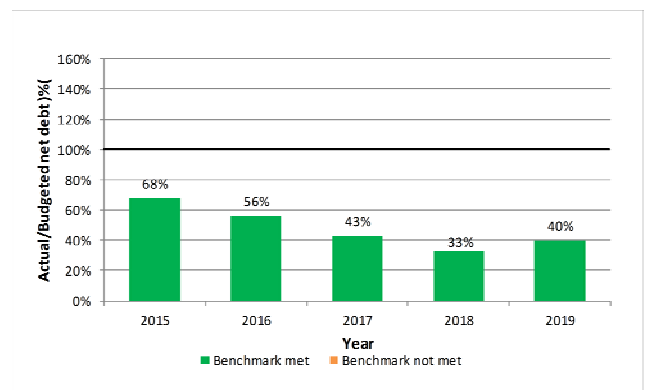


Debt Control Benchmark

The following graph displays the council's actual net debt as a proportion of planned net debt.

In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

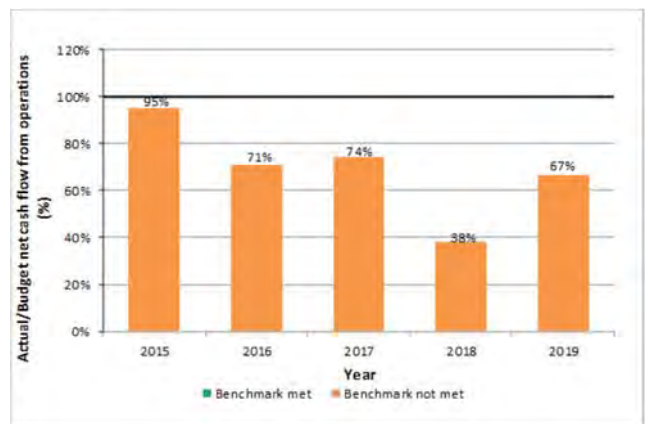
The council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations Control Benchmark

This graph displays the council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Our finances in brief

\$16 Million operating revenue

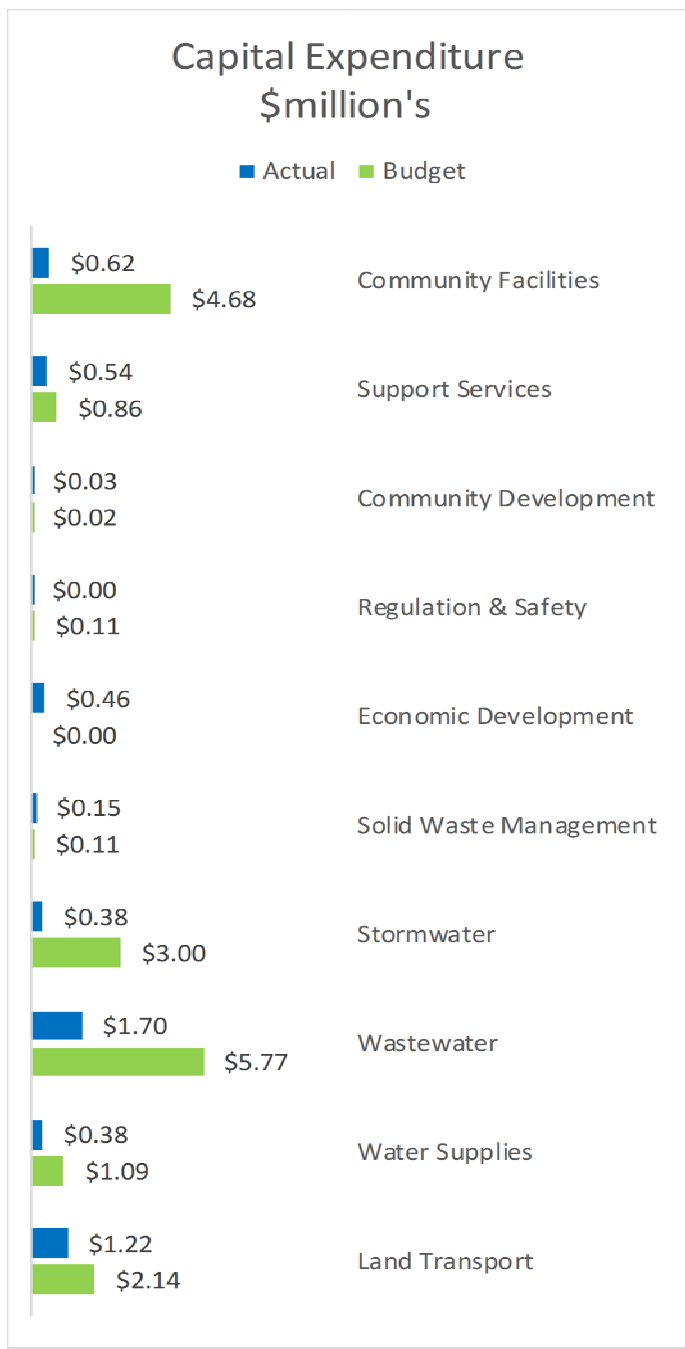
\$15.7 Million operating expenditure

\$5.5 Million capital expenditure

\$0.4 Million rate increase for 2018/19

\$5.0 Million of borrowings

\$212 Million of assets



Major Variances

Community facilities—library development project delayed.

Stormwater—projects delayed trying to obtain comprehensive resource consent

Wastewater—Ōpōtiki reticulation project progressing well and under budget.

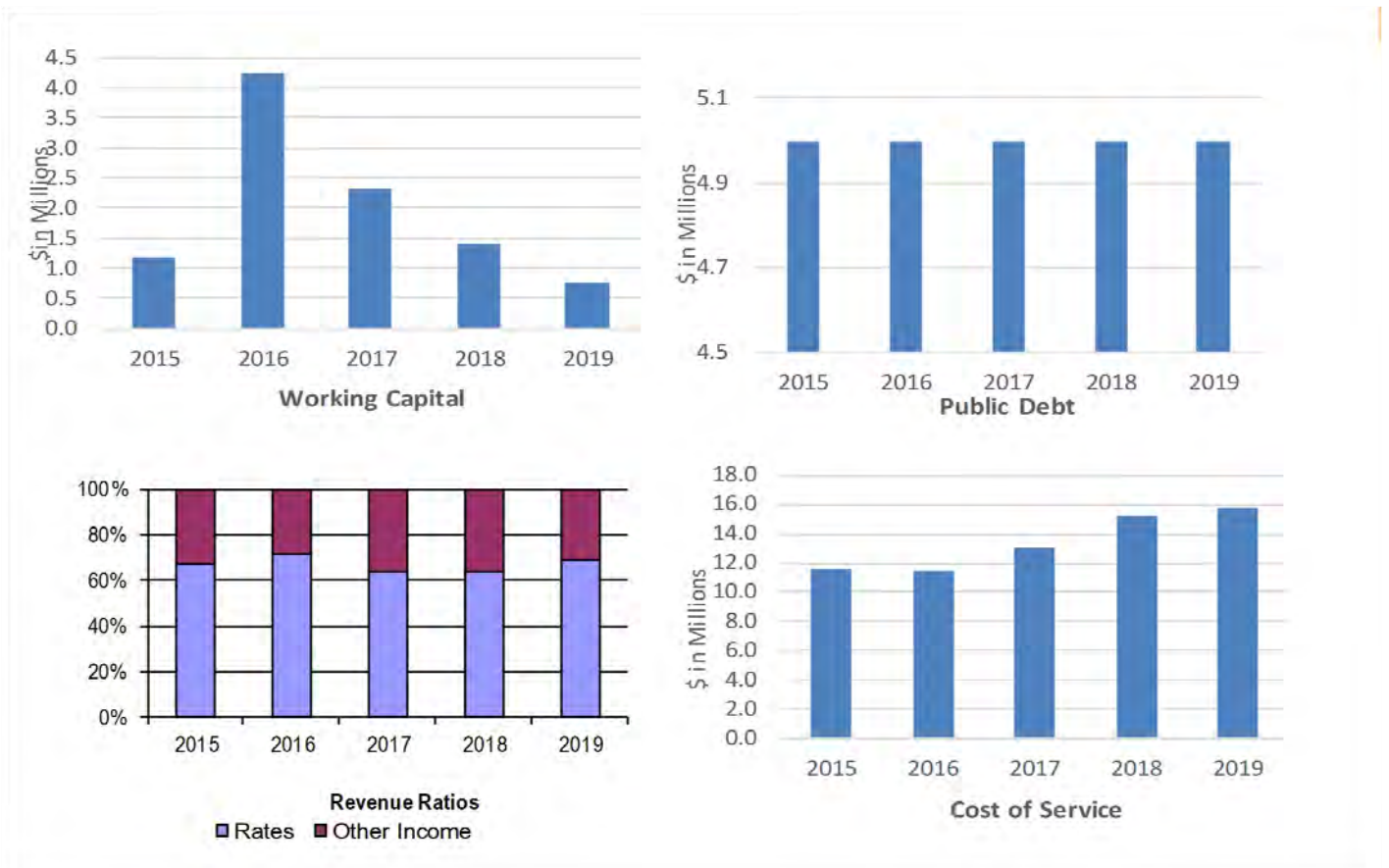
Financial strategy

The graphs and summary tables below demonstrate Council's financial prudence over time. Council is focused on keeping levels of debt as low as possible before the two large capital expenditure projects of the harbour and wastewater replacement begin. There is always a lot of public scrutiny on Council debt levels nationally, and there are a number of cases where some Councils have let debt levels get out of hand. Sustainable debt levels and debt management is extremely important to Council, and is an area which is managed well. Debt levels for Ōpōtiki are some of the lowest in the country currently and as the financial prudence measures outline are very sustainable in terms of Councils ability to meet its financial obligations.

It does need to be mentioned that the appropriate utilisation of debt means that rates increases can be managed more effectively over a longer term. Take for example Council undertaking a capital project costing \$100,000. This represents over a 1% increase in rates. But if it was funded by borrowing, then the impact on rates would be 0.1% of rates, meaning we could undertake \$1,000,000 worth of projects for the same rating impact of one \$100,000 project. The use of debt also helps smooth rate increases out between years, by spreading the impact of a large capital project over a

number of rating years. This reduces the lumpiness and rate increases of big projects.

Whilst debt is crucial to ensuring the Council is managing its assets appropriately, it also plays a significant role in ensuring that Council meets the service level needs of its community. Where there are new requirements for services driven by growth, Council needs to be able to respond to these needs. Debt is the appropriate tool to fund this response as the cost is spread over a long period. This promotes the term intergenerational equity. Intergenerational equity is a term used widely in Local Government because the assets we tend to build last many generations. Sometimes three or more generations. It is fair that the cost of the future benefit received by future generations is paid by future generations. Otherwise it would be the "now" generation paying for the benefit that those in the future would receive.



Financial summary

Variance Comments

Income

Overall Council has achieved an operating surplus of \$0.277 million for the year against a budgeted surplus of \$2.15 million.

Operating revenue is \$0.424 million lower than budgeted for the year mainly due to subsidies.

Fees and charges revenue was \$134k lower than budget due to a reclassification of rental revenue from fees and charges to other revenue. Regulatory fee income was otherwise higher than budget. Other revenue is \$346k higher than budgeted because of this and an increase in the fair value of investment property.

Finance revenue is less than budget \$38k due to interest rates, and Council using available cash as much as possible before raising external debt. Conversely, finance costs are underspent due to low interest rates and the delay in completing a number of debt funded capital projects.

Expenditure

Other operating expenditure is \$1.5 million higher than budget for the year due mostly as a result of costs related to wastewater rehabilitation works, some of which was undertaken on private property.

Depreciation and amortisation is \$494k higher than budgeted due to the revaluation as of 1 July 2017.

Employee benefit costs are lower than budget by \$499k due to a number of budgeted roles not being filled.

Statement of Financial Position

Total assets are lower than budget because of the delays to significant capital projects.

This year we did not need to borrow any additional funds for capital expenditure as budgeted due to the delays.

Statement of Cash Flows

Net cash from operations for the year was lower than budgeted by \$1.4 million due to a reduced level of subsidy and external revenue to fund the capital projects that Council proposed to undertake.

Net cash from investing activities was higher than budget by \$12.5 million as we did not complete all of the capital projects that we proposed to do. As with

Ōpōtiki District Council	Actual	Budget	Actual
Summary Statement of Comprehensive	2019	2019	2018
Revenue and Expense for the year ended 30			
June 2019	\$000	\$000	\$000
Total Revenue	16,009	16,433	16,535
Operating Expenditure	15,493	13,986	14,907
Finance Costs	236	297	229
Operating Surplus/(Deficit)	280	2,150	1,399
Share of Associate Surplus/(Deficit)	(3)	-	(22)
Other Comprehensive Revenue			
Gain on Asset Revaluations	-	-	15,843
Total Comprehensive Revenue and Expense	277	2,150	17,220

Ōpōtiki District Council	Actual	Budget	Actual
Summary Statement of Changes in	2019	2019	2018
Equity for the year ended 30 June 2019	\$000	\$000	\$000
Equity at the Beginning of the Year	203,053	199,768	184,720
Total Comprehensive Revenue and Expense	277	2,150	17,220
Transfers to/from Equity	6	(425)	1,113
	203,336	201,493	203,053
Equity - Closing Balances			
Accumulated Funds	135,596	134,275	132,122
Asset Reserves	66,369	65,988	66,451
Council Created Reserves	1,371	1,230	4,480
Equity at the End of the Year	203,336	201,493	203,053

Ōpōtiki District Council	Actual	Budget	Actual
Summary Statement of Financial	2019	2019	2018
Position as at 30 June 2019	\$000	\$000	\$000
Total Current Assets	4,816	9,008	7,124
Total Non-Current Assets	207,661	215,532	205,287
Total Assets	212,477	224,540	212,411
Total Current Liabilities	4,046	6,218	5,724
Total Non-Current Liabilities	5,095	16,829	3,634
Total Liabilities	9,141	23,047	9,358
Net Assets/Equity	203,336	201,493	203,053

above a lot was based on receiving external funding which did not happen.

Net cash from financing activities was lower than budget by \$13.1 million as we did not borrow any additional funds during the year.

Summary Accounting Policies

The information included in this summary has been extracted from the audited full financial information in the Ōpōtiki District Council 2018/19 Annual Report. It is prepared on an individual entity basis as Ōpōtiki District Council does not have a group. This Summary Annual Report was authorised for issue on 31 October 2019 by the former Mayor and Chief Executive of the Council.

Ōpōtiki District Council	Actual	Budget	Actual
Summary Statement of Cash Flows	2019	2019	2018
for the year ended 30 June 2019	\$000	\$000	\$000
Net Cash from Operating Activities	3,310	4,734	4,328
Net Cash from Investing Activities	(5,277)	(17,789)	(5,299)
Net Cash from Financing Activities	-	13,181	-
Net Increase/(Decrease) in Cash	(1,967)	126	(971)
Cash at the Beginning of the Year	3,630	4,601	4,601
Cash at the End of the Year	1,663	4,727	3,630

The Council's full Annual Report has been audited by Audit New Zealand and an unmodified opinion was issued on 31 October 2019.

The full financial statements have been prepared in accordance with Tier 2 PBE accounting standards. This Summary Annual Report has been prepared in accordance with PBE FRS-43 Summary Financial Statements.

The approval by the Council on 31 October 2019 of the Financial Statements for the year ended 30 June 2019 is within the statutory deadline for adoption established by the Local Government Act 2002, which requires that the financial statements are completed and adopted by Council before 31 October each year.

The presentational currency is the New Zealand Dollar NZD.

Summary Additional Disclosures

Contingencies

We have contingent liabilities at year end of \$16,000 (2018: \$50,000) which relate to a weathertightness claim in for a leaky building within the district.

We have contingent assets at year end of \$2,439 (2018: \$14,439) which relate to Tamatari Enterprises for the construction of a public toilet at Waihou Bay.

Commitments

Council has capital commitments at 30 June 2019 of \$1.86 million (2018:\$1.14 million). These relate to the capital works for the following asset classes

Council has operating commitments at 30 June 2019 of \$2.12 million (2018: \$2.27 million). These relate to non-cancellable contracts that have been entered into during the current financial years. These contacts have the following maturity;

Less than 1 year \$2.12 million (2018: \$2.27 million)

Events after balance date

There are no significant events after balance date.

Disclaimer

This document is a summary of the full Annual Report, and as such does not include all of the detail and disclosures of the full Annual Report. It cannot be expected to provide as complete an understanding as provided by the full Annual Report. Copies of the full Annual Report are available from Ōpōtiki District Council Customer Services or Library. It is also available for viewing or downloading from Council's website at www.odc.govt.nz



Audit Report

AUDIT NEW ZEALAND
Mana Arotake Aotearoa