



Manawatu District Council

Annual Report Summary

For the year ended 30 June 2016

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Our goals — the Mayor's message

Our vision is to be connected, vibrant, thriving Manawatu – the best rural lifestyle in New Zealand. Our purpose is to make this a reality for our residents our businesses in Feilding, our villages and our rural district.

This is the first year of our 2015-2025 Long Term Plan and we have consulted widely with our community as to what was needed. We listened through the Long Term Plan consultation and have implemented many of the submissions throughout the year, and we listened through the Annual Plan process. As a result of submissions we have some additional projects for the coming year sealing Cole road, contribute to Te Manawa Art, Science and History Museum recognising the regional value of this facility for our community, and assist in revitalising the Rongotea Community Pool.

We have focussed on reviewing aspects of our district plan to ensure that what makes Manawatu unique is retained to promote our social and economic wellbeing, now and into the future. We are fortunate that as a community we have the opportunity to identify what we need to protect and project our growth responsibly. We are growing; we are attracting many more residents and businesses, unlike many of our neighbouring territorial authorities.

We have all the ingredients for a flourishing agri-economy: first class soils, disease free status, abundant water, average rainfall and proximity to the university and research centres in Palmerston North.

We have identified our special character areas that will attract tourism. The proposed District Plan revision incorporates these key items to guide our future development, ensuring that we have the space and resources for everything we want to achieve.

When I look around, I see the new faces of individuals and families who are moving into our town and rural communities. In Feilding our residential areas are growing, our schools are growing and producing talented young people who are achieving nationally and internationally.

We have established, in collaboration with Palmerston North City, the Central Economic Development Agency (CEDA) to lead economic development and tourism in the region. We have engaged with central government to create a regional growth strategy and adopted its action plan – Accelerate 25 – to ensure our region can maximize the returns on our resources.

As an agile council we are responding to our community's requests and creating opportunities for growth, while still being on track with our priorities as set out in the Long Term Plan.

We remain mindful of affordability as we commit to ensuring that we deliver quality services in the most cost effective way to our community.



Margaret Kouvelis
Manawatu District Mayor

Our Performance – the Chief Executive’s report

The Manawatu District Council is a complex and dynamic organisation providing services to nearly 30,000 people. During a single term the Council will make hundreds of decisions that affect the lives of district residents.

This Annual Report looks back over the year at what Council has done, and how it has performed against its goals.

The Council’s aim is to remain an agile and effective organisation that delivers great customer service.

Our projects reflect this aim and include an upgraded Makino Aquatic Centre that is welcoming, with modern facilities and space to learn, a library that emphasises contemporary communication and information, improvements to our information management system and well-designed infrastructure and community facilities that fit the needs of our vibrant community’s future. We have also been dealing with unplanned events that occur, such as flooding and the effects on our communities and infrastructure.

All of these projects keep moving the district towards our vision of being a connected, vibrant and thriving Manawatu.

While this report is looking back at our performance over the previous year, it also informs about what we need to be aware of and areas we can improve our performance for the coming year.

I am always happy to listen to suggestions and comments about what and how we are doing, and to answer questions. My team is dedicated and are prepared to meet the challenge of looking critically at what and how we do things, and make any changes necessary to make a difference in our community.



Richard Templer
Chief Executive

Our District

Stretching from the rugged and picturesque Ruahine Ranges in the north to the sands of Himatangi Beach in the south, and most of the area between the Rangitikei River in the west and Manawatu River in the east, the Manawatu District is called home by approximately 29,300¹ people.

At its heart is Feilding, which is the centre of this highly productive farming district. Feilding has been named New Zealand's most beautiful town 14 times, is home to iconic attractions including the saleyards in the centre of town, the Coach House Museum, Manfeild Park and arguably the best farmer's market in New Zealand.

Established on 1 November 1989, today's Manawatu District is an amalgamation of the five former authorities of Oroua, Kiwitea, Pohangina, Manawatu and Feilding.

The district is experiencing strong population growth, growing by five per cent between 2006 and 2013, adding 1,400 people to the area.

Your Council – who are we?

Manawatu District Mayor

Margaret Kouvelis

Northern Manawatu Rural Ward
2 Elected Members

Steve Bielski, Alison Short

Southern Manawatu Rural Ward
3 Elected Members

Jo Heslop, Howard Voss, Andrew Quarrie

Feilding Ward
5 Elected Members

Tony Jensen (Deputy Mayor), Barbara Cameron, Shane Casey, Wayne Ellery, Albert James

The map shows the following locations within the wards:
Northern Manawatu Rural Ward: Rangiwahia, Rewa, Waituna West, Kimbolton, Apiti.
Southern Manawatu Rural Ward: Halcombe, Cheltenham, Pohangina, Sanson, Feilding, Awahuri, Rongotea, Tangimoana, Himatangi Beach.
Feilding Ward: Feilding, Colyton.

¹ Infometrics district population 2015 estimate. NZ Census data states 27,456 for 2013

Vision and Council outcomes

As part of preparations for the 2012–2022 Long Term Plan, Council created a vision statement for Manawatu District. It is a stated desire for the future, and helps guide Council with the decisions it needs to make.

Connected, vibrant, and thriving Manawatu – the best rural lifestyle in New Zealand

This statement is supported by vision statements for the District's villages, rural communities and Feilding.

Villages' vision

Attractive and prosperous communities that offer lifestyle choices and business opportunities within a unique environment.

Rural vision

The food basket of New Zealand within a sustainable rural landscape that offers outstanding recreational opportunity.

Feilding vision

A thriving community enjoying the most vibrant country town in New Zealand, servicing the regional rural sector.

Council outcomes

The following Council outcomes underpin Manawatu District's vision:

- Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga
- Manawatu District will attract and retain residents
- Manawatu District develops a broad economic base from its solid foundation in the primary sector
- Manawatu and its people are connected via quality infrastructure and technology
- Manawatu's built environment is safe, reliable and attractive
- Manawatu District Council is an agile and effective organisation

Our year in review

Makino Aquatic Centre

For just over 10 months the indoor pools at Makino Aquatic Centre were closed while they underwent a major redevelopment. This was a \$6m project delivered on time and on budget. The new look facility will have better sound control, energy efficiency, an indoor wet play area for youngsters and, significantly, a new learn to swim pool. This will enable us to double the number of learn to swim and aquatic programmes when it re-opens at the end of July 2016.

Library

Our Feilding Library has undergone a significant transformation from being a traditional book based facility to being an information hub. We have installed electronic book issue and return that makes it faster to obtain and return books, we have free WiFi that enables people to access information on their own devices, we have more computers that allow access to the databases and information for learning or leisure. We have more programs for the community ranging from sewing, art and music to providing a place where toddlers and their parents to interact.

District Plan

District planning is important so that we have the space to grow and that industry, agriculture and residential spaces are suitable while at the same time ensuring that natural features and important productive land are not lost.

This year we have had conversations with the community about a range of proposals including: Rural Environment, Outstanding Natural Features and Landscapes, Coastal Environment, Natural Hazards, Industrial Zone and District Wide Rules.

Central Economic Development Agency (CEDA) Established

Economic growth in the Manawatu took a step forward with the establishment of the Central Economic Development Agency Ltd to manage economic development and tourism.

The new company is a collaboration between both the Manawatu District and Palmerston North City Councils' with the primary objective to drive and facilitate creation and growth of economic wealth for Manawatu and beyond.

CEDA's role will be to identify and capitalise the resources of the district and the city.

Feilding Waste Water Treatment

The treatment of Feilding's waste water continues to challenge us as we worked through the resource consenting process through the environment court for discharge onto land and into the Oroua River. We are also working on the technology and processes used to ensure the discharge meets the standards required.

Community

We have vibrant positive communities that are actively engaging with Council and taking responsibility for their towns and villages. They have partnered with Council to produce a 10 Year Roadmap for Council contributions to Community Plans.

We have been able to support twenty people in achieving their goal of representing the district or New Zealand through grants from our Representative Fund. This has included attendance at; swimming, canoe polo in Italy, robotics, junior cycling in Switzerland, youth rugby in Japan, Jump Jam in Christchurch and many others in New Zealand and internationally.

We have been strengthening our cultural links with local iwi. Nga Manu Taiko is the new name for the Council committee that links the Manawatu District Council with local marae and hapu representatives on issues. This will help our community to move forward together.

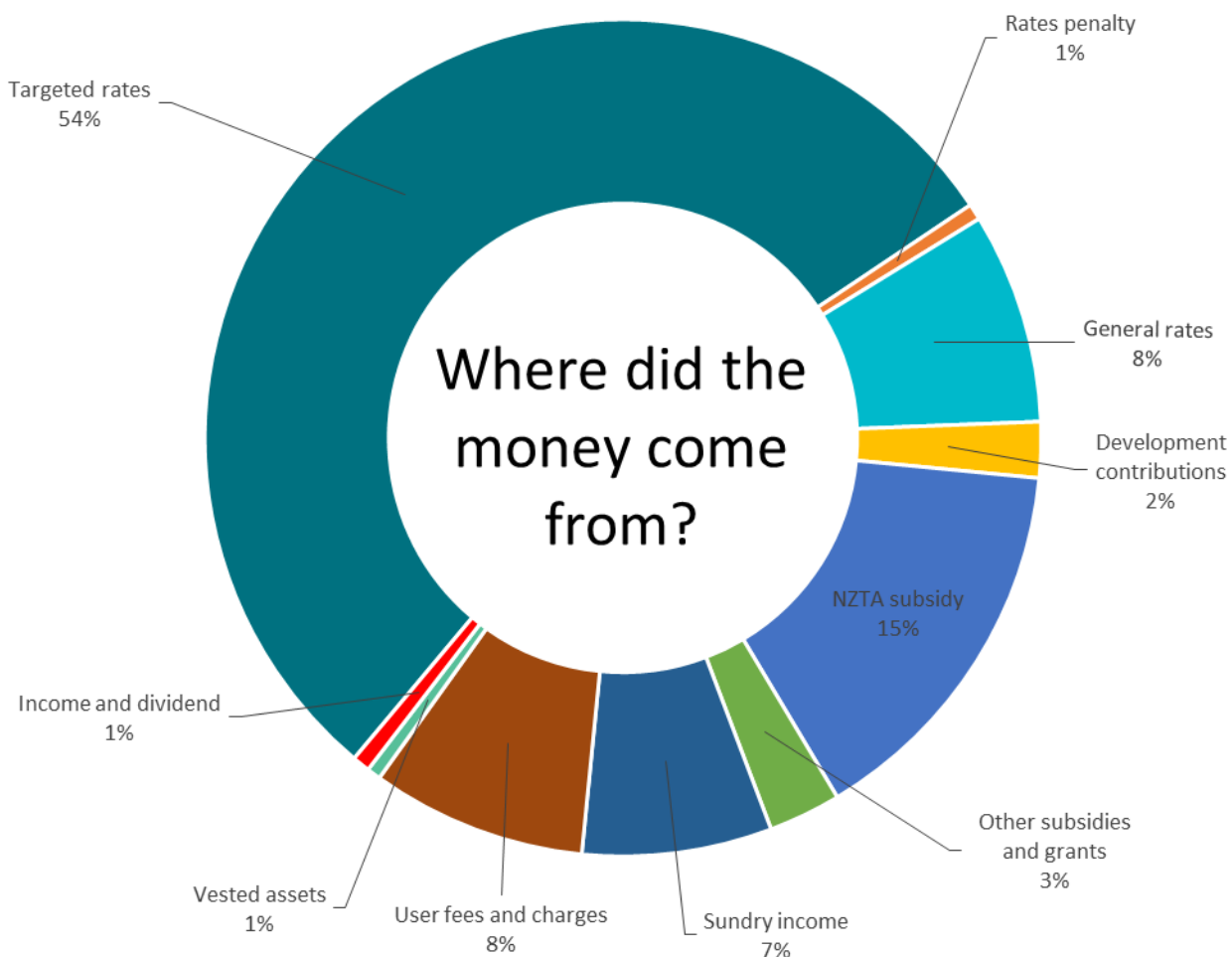
2015 flood recovery

The June 2015 flooding caused extensive damage throughout the district that has disrupted lives both during the event and in the following months. Our Infrastructure team was faced with repairing roads, bridges and retaining walls, clearing slips and reinstating drains.

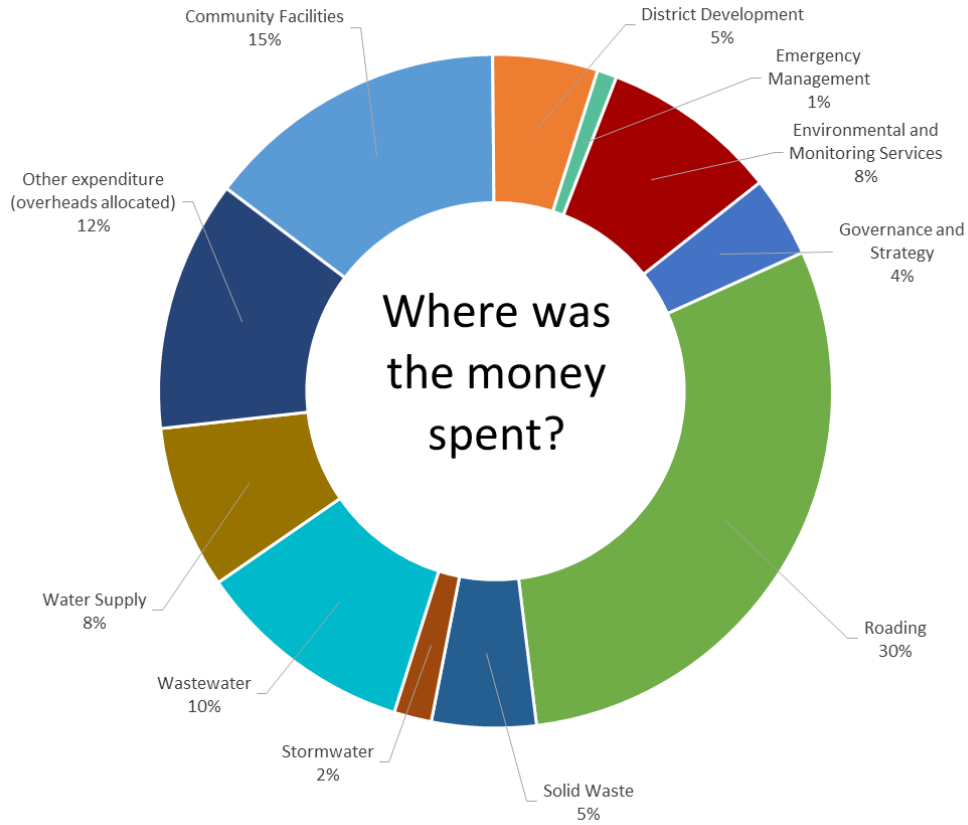
While the work is still to be finished, slips and drainage reinstatement is 99% complete, 95% of the retaining walls have been completed and design and consenting is underway for the replacement of three bridges to be carried out this summer (2016/17).

Financial overview

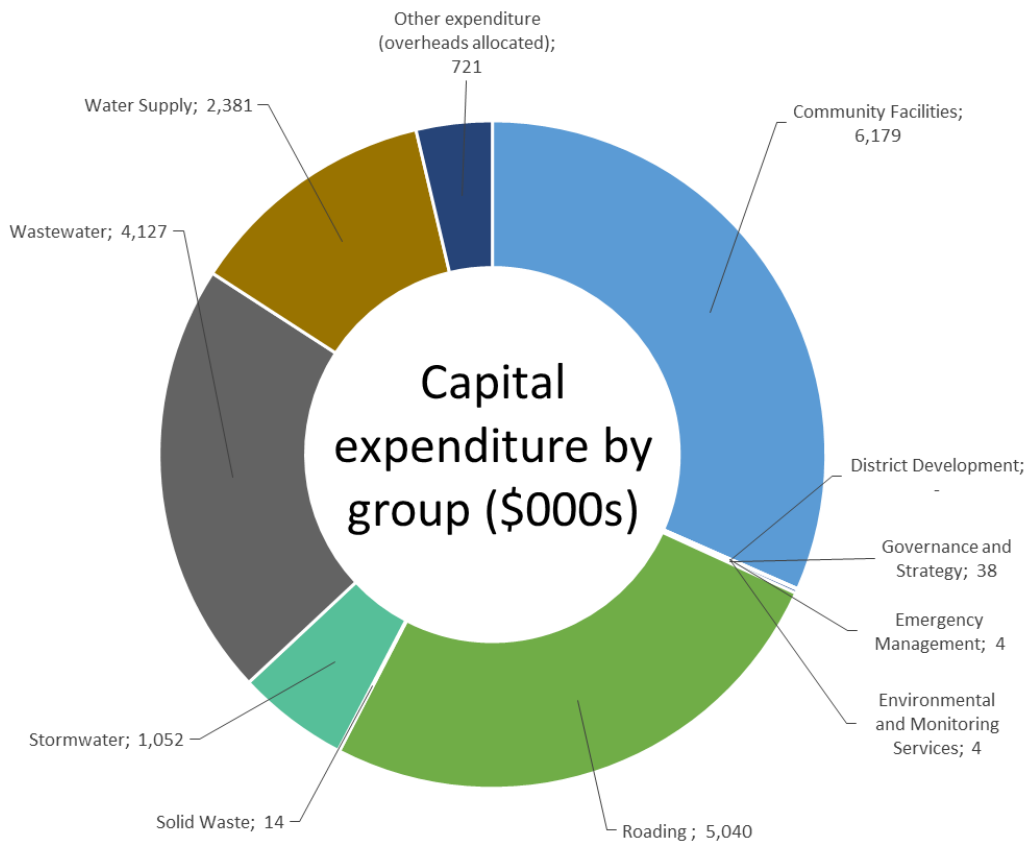
Revenue by source



Operating expenditure



Capital Expenditure



Performance overview

Council includes Key Performance Indicators (KPIs) in its Long Term and Annual Plans to assess how well it is delivering services to the community. For the 2015/16 year, Council reported against 75 KPIs, achieving the majority (60%) of the KPIs.



Council has met 60% of its measured performance targets. While this leaves a number of targets not being achieved, the shortfall in achieving some targets is very small. Council acknowledges that these need to be improved and is working towards a better outcome.

In some instances, the target has only just been missed. For example:

For animal control the target is 90% of issues responded to within a set timeframe. We achieved a response of 86.4%. The cause of the failure to meet the target relate to difficulties in contacting, or being able to make appointments to meet with, dog owners.

Council reports response times for a number of performance measures. There were four roading measures, two wastewater measures and four water supply measures where data was omitted or not accurately recorded during the year. Consequently we are unable to reliably report against these measures. The measures are included above as “not achieved”.

In other instances, changes are required to achieve KPIs. For example:

The statutory requirement for the issue of building consents and code of compliance is 100% issued within the prescribed timeframes. On a monthly basis we achieved between 76% – 100% due to staffing levels, competing demands for processing officers and an increasing number of consents being received.

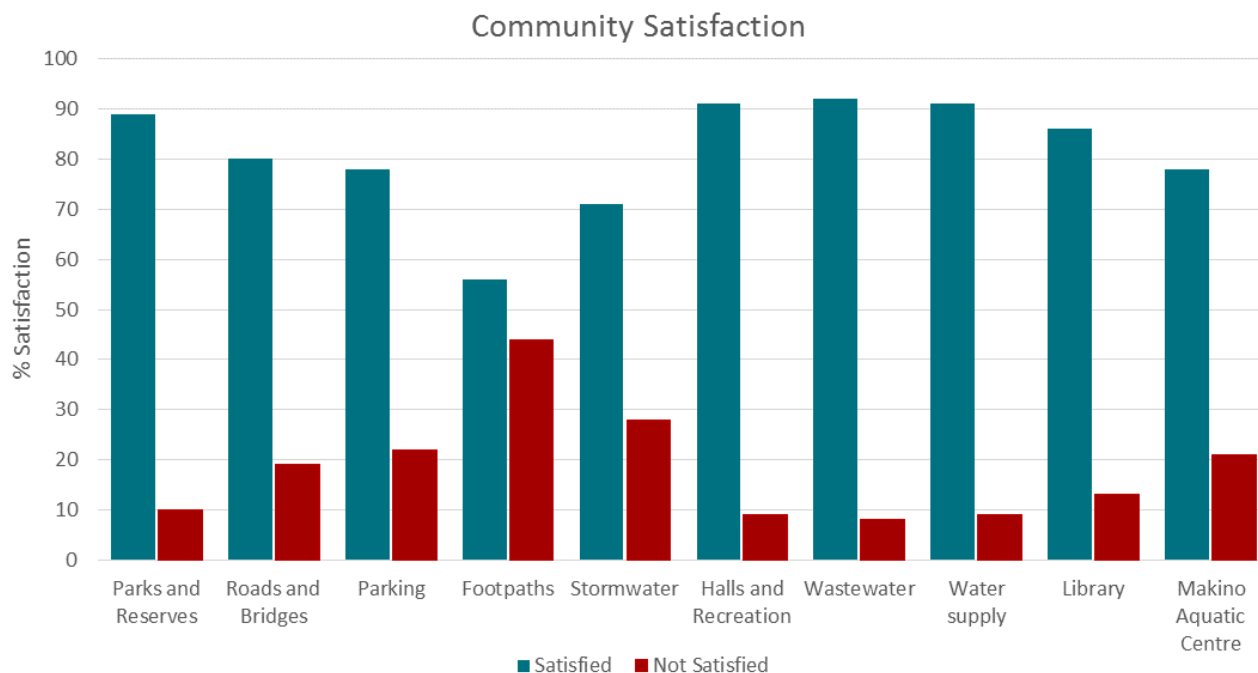
All KPIs are reviewed as part of the LTP process to ensure Council is providing the level of service the community wants.

Community survey

The Council uses community surveys to measure a number of KPIs. A panel of Manawatu residents has been recruited to fairly represent the local demographic.

There are currently about 1020 panel members. In the surveys conducted over the past year, the response rate has been approximately 39%.

The surveys looked at the satisfaction levels with ten Council services. All ten services received satisfaction levels between 56% (Footpaths) and 92% (Wastewater).



Note:

- 'Not Applicable' results represent those who do not use the service or have chosen not to quantify their level of satisfaction.
- Where community satisfaction levels are required for KPIs, results are shown in Section Two of the full report under the appropriate activity.

Explanation of major variances

Explanations for major variations between the actual results and the estimated figures in the 2014/15 Annual Plan, which is the third year of the Long Term Plan 2012-2022, are detailed below.

Statement of Comprehensive Revenue and Expense

The operating deficit for the year is \$1.7 million, against a budgeted surplus of \$0.6 million. The following are the most significant variances:

- Revenue from development contributions is \$267,000 above budget. This reflects the building activity within the district.
- Finance costs are \$1.1 million lower than budgeted. The external loans raised for the year were also at a lower interest rate than budgeted. The amount of loans raised during the year were lower than expected as a result of not completing the budgeted capital programme (see comment below).
- Roading expenditure included \$2.9 million expenditure as a result of the June 2015 floods. This is offset by an increase in the subsidy from NZTA.
- As a result of past decisions to extend the interest and principal holiday, the loan to Manfeild Park Trust was impaired by \$2 million to \$nil. The amount owing by the Trust at balance date remains at \$2.9 million.

Statement of Financial Position

The most significant movements are:

- Capital expenditure is only 58% of the work planned at the beginning year. A number of projects have been carried forward to the 2016/17 financial year. The level of capital expenditure has resulted in property, plant and equipment, intangible assets and the associated borrowing being lower than budgeted. Individual variations are documented with the individual activity reports.
- Council revalued its infrastructural assets on 1 July 2015. This revaluation resulted in an increase in the asset value \$10 million less than budgeted. As a result both the asset value and the asset revaluation reserve are lower than expected.
- Cash and cash equivalents are \$9.9 million greater than planned. This is primarily a result of reduced capital expenditure and the timing of raising loans. The movements are documented in the Statement of Cash Flows.

Statement of Cash Flows

The variances in the statement of cash flow are a direct result of the items mentioned above.

Additional notes

- This summary financial report is for Manawatu District Council and Group and is presented in New Zealand Dollars rounded to \$000s.
- This Annual Report Summary was authorised for issue on 6 October 2016 by the Mayor and Chief Executive. The full Annual Report was authorised for issue on 6 October 2016.
- The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), as appropriate for a public benefit entity. The summary financial statements comply with PBE FRS-43 Summary Financial Statements.
- The specific disclosures included in the summary financial report have been extracted from the full financial report.
- These summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements.
- The financial statements comply with New Zealand Public Benefit Entities International Public Benefit Entities (PBE IPSAS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.
- The summary has been examined for consistency with the full Annual Report and was audited by Audit New Zealand on behalf of the Office of the Auditor-General. The full annual report received an modified audit opinion on 6 October 2016.

A full copy of the report can be obtained from the website www.mdc.govt.nz or there are copies available for viewing at the Feilding Library and our offices at
135 Manchester Street Feilding

Summary Financial Statements

Summary Statement of Financial Position

As at 30 June 2016

	Council			Group	
	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Total current assets	18,015	8,971	11,901	18,611	14,361
Total non-current assets	622,888	653,293	616,006	639,312	626,926
Total assets	640,903	662,264	627,907	657,923	641,287
Total current liabilities	14,082	10,653	8,492	14,587	8,955
Total non-current liabilities	51,337	57,157	43,512	54,694	44,102
Total liabilities	65,419	67,810	52,004	69,281	53,057
Total equity	575,484	594,454	575,903	588,642	588,230
Total Liabilities and Equity	640,903	662,264	627,907	657,923	641,287

Summary Statement of Comprehensive Revenue and Expense

For year ended 30 June 2016

	Council			Group	
	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Total revenue	46,703	45,868	45,951	48,859	47,143
Total expenses*	48,366	45,252	43,917	49,692	44,856
Operating surplus/(deficit) before tax	(1,663)	616	2,034	(833)	2,287
Income tax expense	0	0	0	0	0
Surplus/(deficit) after tax	(1,663)	616	2,034	(833)	2,287
Other comprehensive revenue and expense	1,244	11,257	24,696	1,244	24,696
Total comprehensive revenue and expense for the year	(419)	11,873	26,730	411	26,983
*This includes finance costs as follows:	1,895	3,039	1,954	1,994	1,958

Summary Statement of Cash Flows

For year ended 30 June 2016

	Council			Group	
	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Net cash from operating activities	15,271	12,321	13,738	16,490	14,312
Net cash from investing activities	(19,165)	(31,397)	(21,439)	(25,350)	(20,131)
Net cash from financing activities	9,701	15,451	4,724	12,747	4,716
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	5,807	(3,625)	(2,977)	3,887	(1,103)
Cash, cash equivalents and bank overdrafts at the beginning of the year	5,409	4,900	8,386	8,024	9,127
Cash, cash equivalents and bank overdrafts at the end of the year	11,216	1,275	5,409	11,911	8,024

Summary Statement of Changes in Net Assets / Equity

For year ended 30 June 2016

	Council			Group	
	Actual 2016 \$000	Budget 2016 \$000	Actual 2015 \$000	Actual 2016 \$000	Actual 2015 \$000
Balance at 1 July	575,903	582,581	549,173	588,231	561,247
Total comprehensive revenue /(expense) for the year	(419)	11,873	26,730	411	26,983
Balance as at 30 June	575,484	594,454	575,903	588,642	588,230

Equity comprises of

Retained Earnings	462,063	458,936	463,470	473,144	473,721
Restricted Reserves	1,670	1,512	1,925	1,673	1,928
Revaluation Reserves	111,751	134,006	110,508	113,825	112,581
	575,484	594,454	575,903	588,642	588,230

Independent Auditor's Report

To the readers of Manawatu District Council and group's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Manawatu District Council (the District Council) and group for the year ended 30 June 2016. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 7 to 13:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in net assets/equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include other explanatory information; and
- the summary performance overview of the District Council.

We expressed a qualified audit opinion on the District Council's full audited statement of service performance and an unmodified audit opinion on the District Council and group's full audited financial statements and other audited information in our report dated 6 October 2016. The nature of the qualified audit opinion is explained below.

Opinion

In our opinion:

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

However, the summary performance overview includes a limitation in scope to the equivalent extent as the full audited statement of service performance. The limitation in scope of the full audited statement of service performance is described in our qualified audit opinion dated 6 October 2016 and is explained below.

An important part of the District Council's service provision is the response time it takes to attend to and resolve service and fault requests. This is significant because response times are indicative of the quality of services received by ratepayers.

The District Council reported on a number of response time related performance measures included in its long-term plan in accordance with the *Non-Financial Performance Measures Rules 2013* made by the Secretary for Local Government. The system for recording the data to report on these performance measures for the roading, wastewater and water supply groups of activities was not reliable for most of the year due to inaccurate or omitted source data. As a result, the District Council has been unable to report completely on these response time performance measures for the year. Our work was limited and there were no audit procedures we could apply to the information on response times.

Our qualified opinion states that, except for the matter explained above for response time performance measures, the statement of service performance complies with generally accepted accounting practice in New Zealand and presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2016.

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 6 October 2016 on the full audited statements.

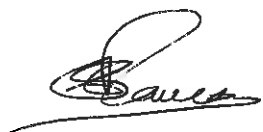
The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council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

Responsibilities of the Council and the Auditor

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

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

In addition to reporting on the summary annual report, we have reported on the full annual report and carried out an independent assurance engagement of the District Council's Debenture Trust Deed. These engagements are compatible with the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this reporting and these engagements, we have no relationship with or interests in the District Council or any of its subsidiaries.

A handwritten signature in black ink, appearing to read 'Clint Ramoo', with a long horizontal flourish underneath.

Clint Ramoo,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
4 November 2016