



Manawatu District Council

Summary Annual Report

For the period ending 30 June 2014

Message from the Mayor

Thank you for taking time to read about your Council's activities throughout this past year.

We have faced a year of new challenges and much change. Changes around the Council table, changes in the local government environment and organisational change. Despite these changes, the Manawatu District Council has been committed to ensure progress towards a connected, vibrant and thriving community. Contrary to the decline in growth in many rural towns and districts throughout our country, we have seen encouraging economic development, steady population growth and affordable living. This puts us in a great position to attract more residents to one of the best rural lifestyles in New Zealand.

The community elected five new Councillors in the local body elections last October. While this provided some fresh perspective to Council decisions, it meant we lost the experience and wisdom of four retiring Councillors. My sincere thanks goes to former Deputy Mayor Matt Bell and Councillors John Salmon, John Baxter and Margaret Giles for their dedicated service and legacy that we continue to build on in our community.

Shortly after the new Council was sworn in, Councillors toured the district and updated themselves on our community's facilities and key projects. This was a valuable exercise, enabling us to appreciate where each project was at, the future developments and costs that lay ahead. It was also a good opportunity for us to build our team.

The statutory purpose of local government is to "meet the current and future needs of communities for good quality infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses". The past year was the first full year we operated under the new purpose statement.

I am pleased to report that we have remained within the debt and rate increase limits set by our financial strategy and met the majority of funding splits set by our revenue and financing policy. This is a reflection of our continued commitment to prudent financial management and affordability; ensuring we are living within our means.

The only certainty we have about the future is that it is uncertain. As a Council, we must be mindful that the significant problems we face cannot be solved at the same level of thinking that created them.

If we shift our paradigms, our behaviour and results change as well. We need to seize the opportunities that lie ahead that will make our district the best place to work, live and raise our children.

We will know if we have succeeded if the young people of tomorrow can say that we cared about their futures today.

A portrait of Margaret Kouvelis, the Mayor. She is a woman with short, styled grey hair, wearing glasses and a black jacket over a green sash adorned with several gold medals. She is smiling warmly at the camera.

Margaret Kouvelis

Margaret Kouvelis

MAYOR

Our District

The Manawatu District was established on 1 November 1989 when the five authorities of Oroua, Kiwitea, Pohangina, Manawatu and Feilding amalgamated. It stretches from the Ruahine Ranges in the north to the coast at Himatangi Beach in the south. The Rangitikei River forms a boundary on the west, and the ranges a boundary on the east. At its heart is Feilding, named New Zealand's most beautiful town 14 times. Feilding is home to iconic attractions including the saleyards, the Coach House Museum, Manfeild Park and for the past three years the best Farmer's Market in New Zealand.

Manawatu District is home to 27,456 people. The district is experiencing strong growth – the district grew by five per cent between 2006 and 2013 – adding 1,400 people to the area.

Council profile – who are we?

Manawatu District Mayor



Margaret Kouvelis

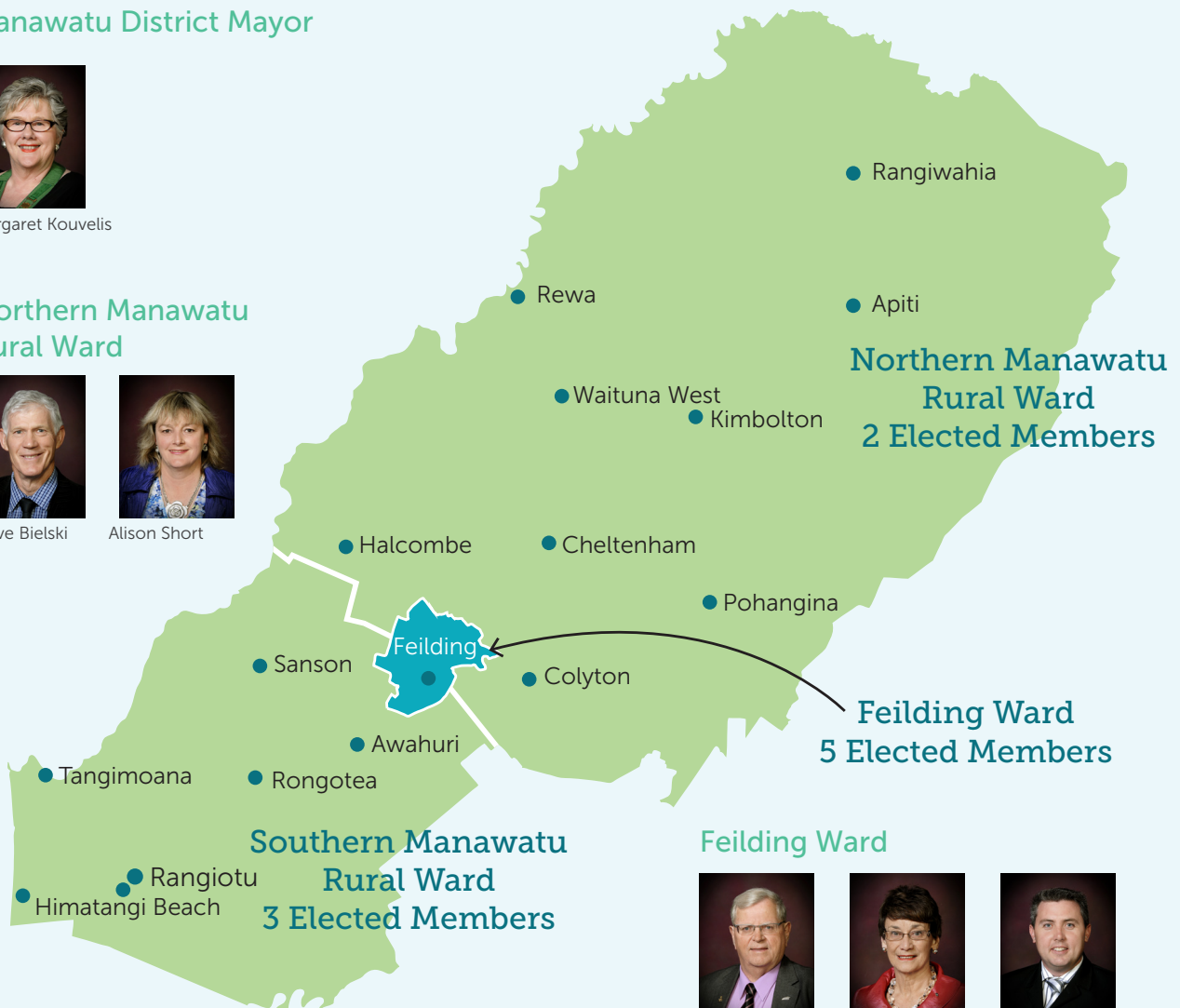
Northern Manawatu Rural Ward



Steve Bielski



Alison Short



Southern Manawatu Rural Ward



Jo Heslop



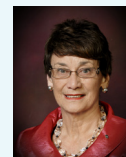
Howard Voss



Andrew Quarrie



Tony Jensen
(Deputy Mayor)



Barbara Cameron



Shane Casey



Wayne Ellery



Albert James

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 statement:

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

Rural vision statement:

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

Feilding vision statement:

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

Council outcomes

The following Council outcomes underpin the Manawatu District's Vision:

- Manawatu District will improve the natural environment, stewarding the district in a practice aligned to the concept of kaitiakitanga
- The 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 highlights

Feilding Wastewater Treatment Plant upgrade

Council has continued to upgrade the Feilding Wastewater Treatment Plant to provide better quality treated effluent. An application is under consideration to Horizons Regional Council for a Resource Consent to allow spray irrigation of a significant proportion of the treated effluent to land. This indicates an ongoing commitment to the Manawatu River Accord by removing significant volume of treated effluent currently being discharged into the Oroua River.



Kimbolton and Denbigh Road upgrades

Reconstruction of the full length of Denbigh Street is now complete. New services and renewal of existing services were combined with a lowered road formation to provide an urban street reflecting its function and residential location.

Main South Rd sealed

The final sealing of 8kms of Main South Road in northern Manawatu will unleash potential economic benefits for the region. Sealing this section of the road opens up the Ruahine Ranges through to Pohangina Valley for cyclists and tourists. The Council and community is working with Destination Manawatu to promote this part of our district.



Creation of Kitchener Park Trust

Kitchener Park is a scenic reserve located on Kawakawa Road, Feilding and is well-recognised and important remnant of lowland semi-swamp podocarp forest. The park suffered considerable damage in the 2004 floods and has since been part of a restoration project.

After proposing the establishment of a trust to progress the restoration and development of the park in our Annual Plan, it was a proud moment when five trustees signed the Kitchener Park Trust Deed in July 2014.

The Trust is responsible for managing the park's day-to-day operations, which continues to be provided by Council's parks and reserves maintenance contractor, Fulton Hogan.



Himatangi Beach Community Sewerage Scheme

The scheme is now complete, with 301 properties connected, and 200 pump station units and 17km of pipework installed. It has been 10 years since the community first asked the Council to investigate the service, with the Ministry of Health's funding approved in 2012. Construction of the scheme started in 2013 and was completed and opened in April.



Community Planning

Kimbolton, Apiti and Pohangina Valley took part in community planning programmes this year, each making presentations to Council on their vision for the future of their villages. Last year Sanson and Halcombe were the first communities to undertake the programme. Some significant improvements have already arisen from the community plans and we look forward to seeing more come to fruition.

Halcombe's Community Plan included a plan enhancing the Halcombe Domain and the adjacent railway corridor to incorporate a walkway connecting Monteith Street to Stanway Road. The walkway reflects Halcombe as a safe, supportive and progressive community. There has been good community support during the working bees along the walkway.



District Plan changes – Inner and Outer Business Zones and Heritage

After public consultation, District Plan changes relating to the Business Zone and historic heritage buildings in Feilding's town centre were introduced.

Two business zones – Inner and Outer are now in place. The objective of the two zones is to achieve a comprehensive and consistent planning framework for all activities in the town centre. The Inner Business Zone relates to the heart of Feilding's town centre, retaining boutique-style and character of the town centre, while allowing first floor levels to be used for dwellings. The Outer Business Zone allows for larger scale activities and provides for a specific area for large format retail activities.

The Historic Heritage Building Chapter 46 introduced protection to significant heritage places and the promotion of a greater public awareness of heritage places.



Green Spine

Construction of the Green Spine (the railway land beautification and walkway) started at the end of June 2014. The three-metre wide asphalt trail will connect existing walkways to create a network throughout Feilding. The trail caters for everyone including pedestrians, mobility scooter users, cyclists and families with baby buggies.

Community groups have actively supported planting programmes and there has already been a positive public response to the new trail.



Our performance – the Chief Executive's Report

Mahatma Gandhi said, "Be the change that you wish to see in the world".

We see a world that is constantly changing, one that expects instant response and accessibility. We need to be an organisation that is relevant, able to meet changing behaviours and expectations and business-like. Our recent reorganisation has been sculptured to move Manawatu District Council into a modern, more responsive space.

It is still a work in progress but the changes include giving priority to project implementation and reacting quicker to economic development opportunities. Administration has centralised to a Business Support Hub.

Our community can expect to see improved cross-organisation connection and the introduction of new technologies and processes to lift our response and service over the next 12 months.

While the reorganisation was a priority area for most of the second half of the year, the Council still managed to lift its performance, as measured by the proportion of targets it met compared to the past few years. A couple of key developments are highlighted:

Rubbish and recycling

The introduction of wheelie bins and bottle crates continues to be well-received with a significant increase in all volumes of kerbside recyclables. There has also been an increase in the amount of rubbish collected.

Makino redevelopment

Approval was given for the upgrade of Makino Aquatic Centre. Following completion of final design drawings, and subject to meeting third party funding, work on the upgrade is planned to start towards the end of the 2014/15 financial year. The development secured a funding commitment on 3 June 2014 from Eastern and Central Community Trust (\$400,000) and work continues on further funding applications.

Earthquake-prone buildings

The Government has introduced legislation into Parliament to change the system for managing earthquake-prone buildings.

The changes follow recommendations by the Canterbury Earthquakes Royal Commission and a comprehensive review (including consultation) by the Ministry of Business, Innovation and Employment (MBIE).

The new system is designed to strike a better balance between protecting people from harm in an earthquake and managing the costs of strengthening or removing earthquake-prone buildings.

Council is waiting for Central Government to provide a definitive guide before implementing its own earthquake-prone standards. In the meantime, the Feilding Civic Centre was in need of strengthening work to bring the building up to the earthquake building code requirements.



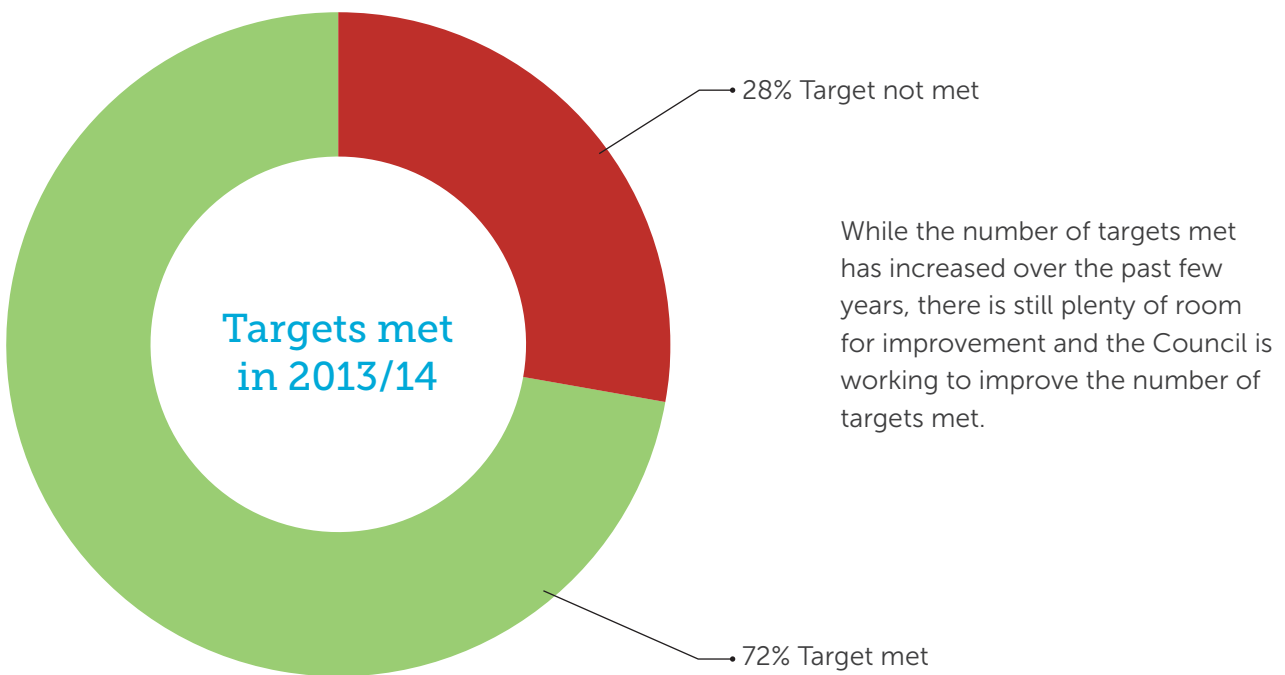
Lorraine Vincent

CHIEF EXECUTIVE

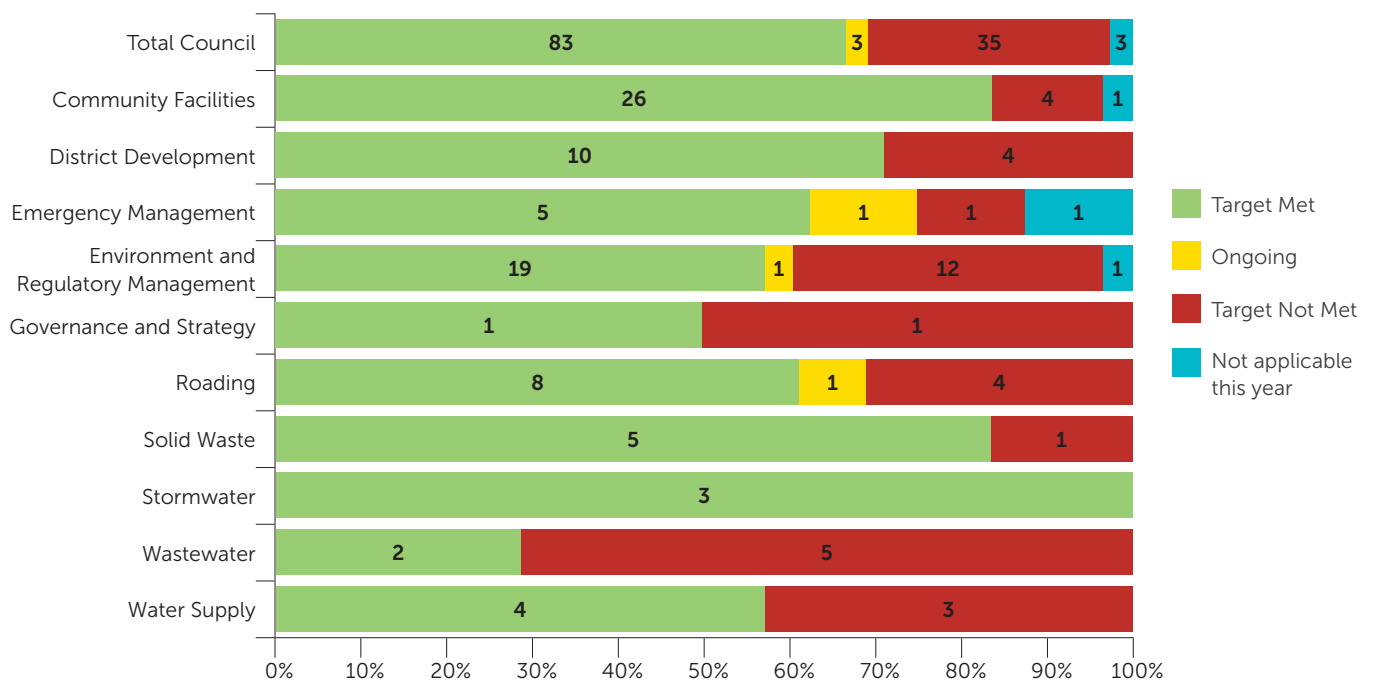
Performance overview

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 2013/14 year, the Council reported against 124 KPIs, which are detailed in Section Two of the full Annual Report, which is available at www.mdc.govt.nz. The graph below shows the Council met the majority (72%) of its KPIs – indicated by the term 'Target Met'. The graph also shows 28% of KPIs were not met – indicated by the term 'Target not met'.



Key performance indicators by activity



Performance highlights

District development: The community planning programme has delivered community plans for Sanson, Halcombe, Kimbolton, Pohangina and Apiti. Projects identified in these plans are now underway, including walkways in Sanson and Halcombe.

District Planning: Council was 100% compliant in meeting statutory timeframes for processing resource consents. 185 resource consents were received, up from 161 last year.

Solid Waste: Total recycling increased by 322 tonnes or 12% to 2,760 tonnes (target 5% year on year increase in tonnage of recyclables).

Property (civic and community buildings): 94% of those surveyed were satisfied with civic and community buildings, up from 87% last year (target 80%).

Makino Aquatic Centre: 96% of those surveyed were satisfied with the Makino Aquatic Centre facilities, up from 93% last year (target 90%).

Roading: 83% of those surveyed were satisfied with the roading network, up from 79% last year (target 80%).

Areas for improvement

Animal Control: 35% of the 470 calls Animal Control responded to during the year were not responded to within the target timeframe of 15 minutes. Animal Control also needs to increase the number of properties and dwellings it visits to check for unregistered dogs. Animal Control Officers visited 480 properties this year. To achieve its target, 576 were required to be visited. Council is increasing efforts to respond to callouts within this timeframe.

Environmental Health: Council has not met its target for inspections of high risk (inspected twice a year) and low risk (annual inspections) premises.

Solid Waste: Waste tonnage to landfill has increased by 3.4%, following a 6.7% increase last year (target 5% year on year decrease in waste tonnage taken to landfill). Increased waste can be the result of increasing population and residents choosing to use Council's rubbish and recycling collection service rather than private wheelie bin services. Council is investigating this further.

You can view all KPIs in the full Annual Report, which includes explanations for why or why not targets were met. All KPIs are reviewed as part of the Long Term Plan process to ensure the Council is providing the level of service the community wants, and is measuring its performance in an appropriate and relevant way.

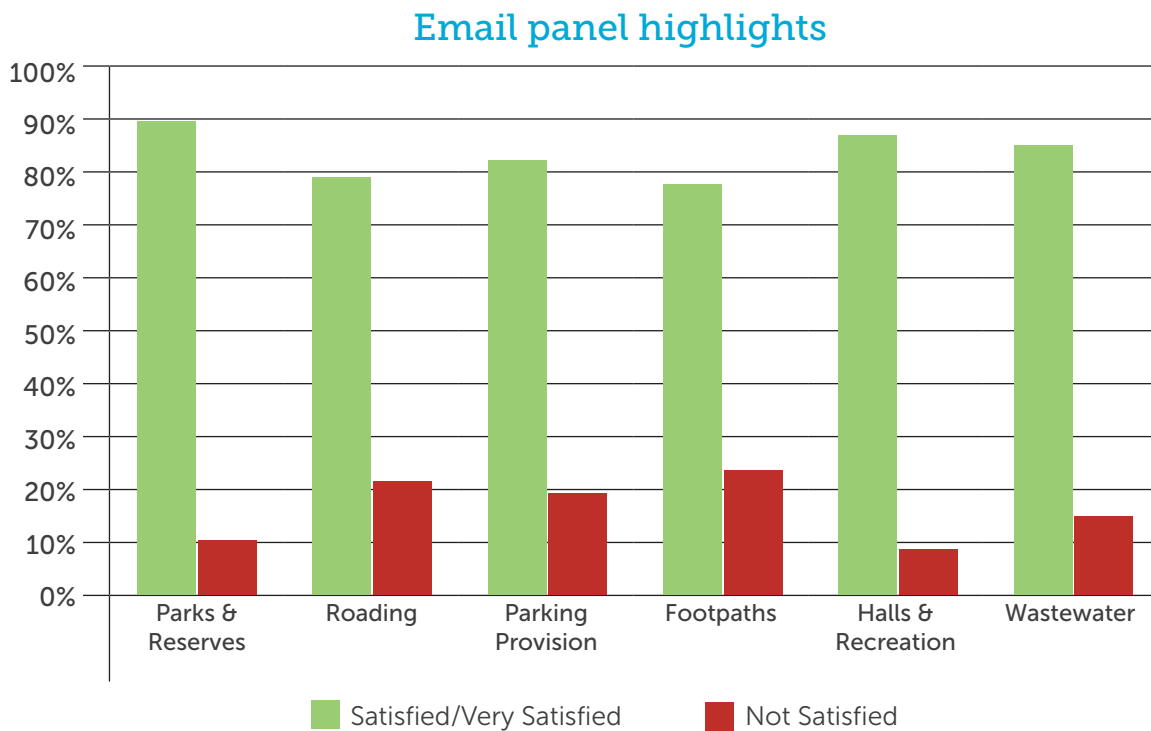
Email Panel

Since 2012, the Council has used the Email Panel, administered by Lower Hutt-based research company Public Voice, to measure a number of KPIs.

The Email Panel is a random selection of Manawatu District residents which Public Voice recruited by phone to participate in surveys via email, and fairly represent the local demographic. There are currently about 592 panel members. In the two surveys conducted over the past year, the number of completed surveys were 180 and 159 – that is approximately a 30% response rate. The Council is concerned about the email panel’s low response rate. It will review the tools it uses for community engagement and surveys as part of the Long Term Plan process. An email panel recruitment drive is planned for the 2014/15 year to increase numbers and engagement.

The two email panels surveyed satisfaction levels with eight Council services. All eight services received satisfaction levels between 75% (footpaths) and 93% (halls and recreation complexes and wastewater).

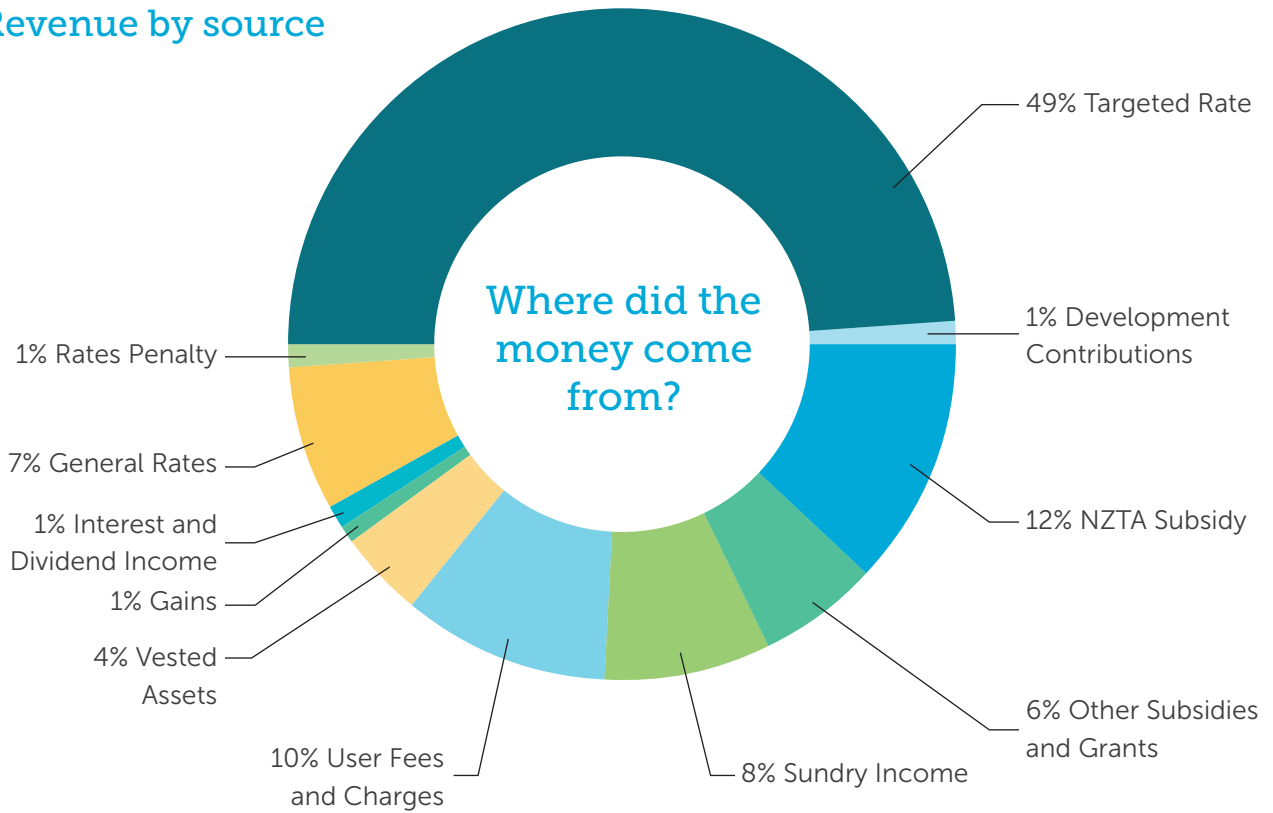
Results are shown in the graph below.



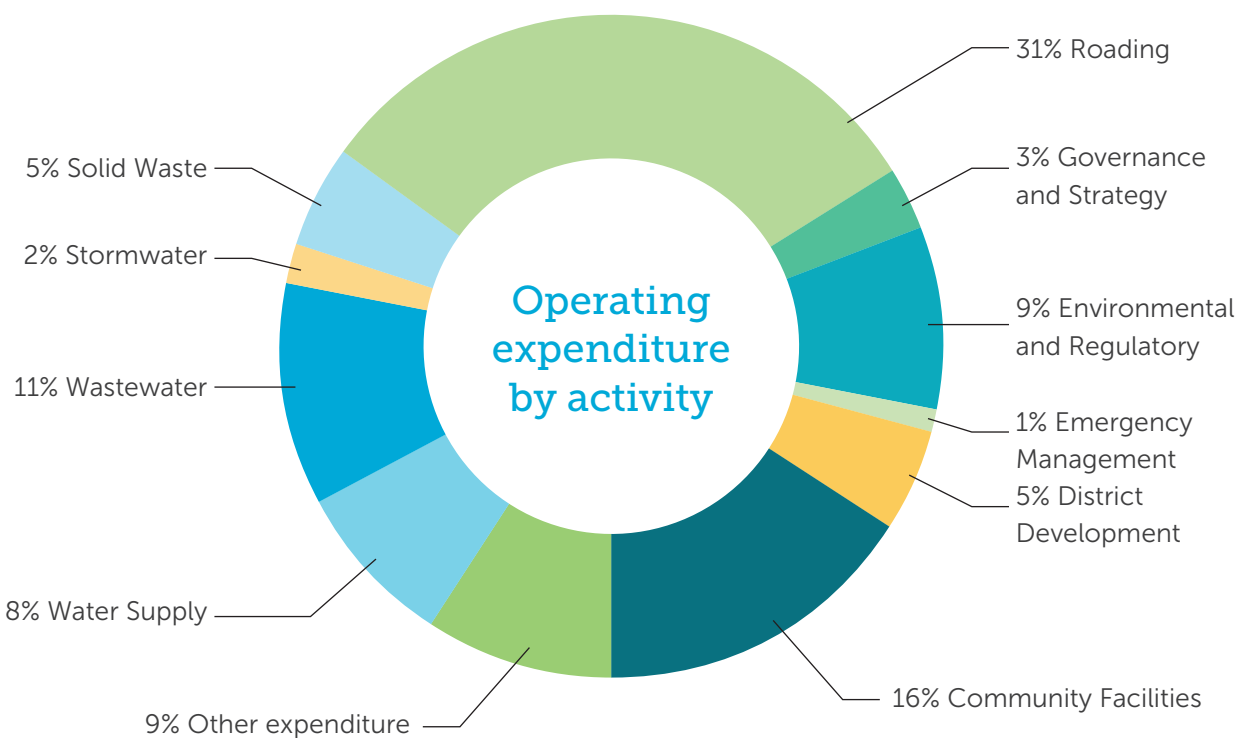
Where community satisfaction levels are required for KPIs, results are shown in Section Two of the full Annual Report under the appropriate activity.

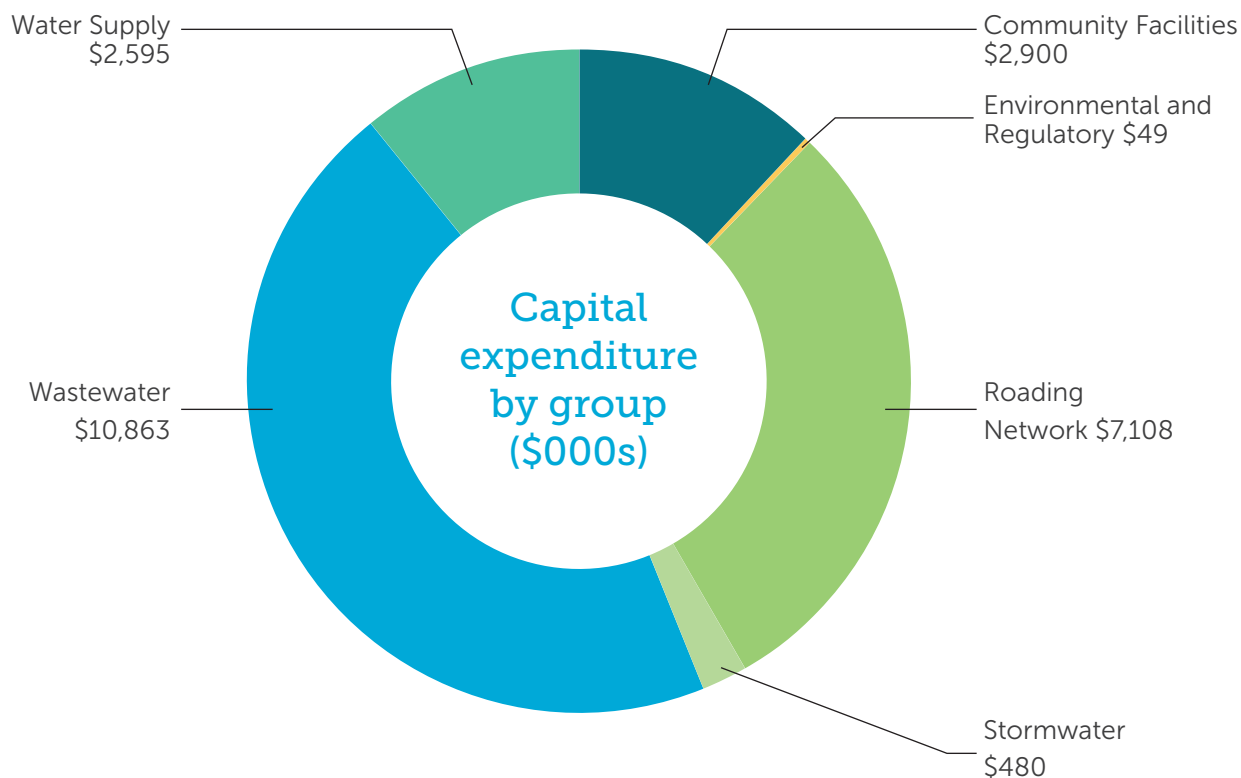
Financial overview

Revenue by source



Where was the money spent?





Explanation of Major Variances against Budget

Explanations for major variations between the actual results and the estimated figures in the 2013/14 Annual Plan, which is the second year of the Long Term Plan 2012-2022, are detailed below.

Income Statement

The operating surplus before losses and tax for the year is \$4.9m, against a budgeted surplus of \$3.4m. The following are the most significant variances:

Revenue from Development Contributions is \$221k below budget. This is a result of fewer subdivision applications being received or approved subdivision consents that have not yet been actioned.

Finance costs are \$0.6m lower than budgeted. Council has elected to fund a portion of its capital work through internal borrowing instead of fully funding through external sources. The external loans raised this period were at a lower interest rate than budgeted. In addition, the loans raised were lower than budgeted by \$4.2m (see comments below).

Existing funds were used to fund capital expenditure therefore; investment balances during the year were lower than budgeted. As a result, interest received is \$0.4m lower than budgeted for.

The loan to the Manawatu Community Trust for the Feilding Integrated Family Health Centre has not been uplifted. This has impacted on Council's interest income and interest expense this year. The project is now scheduled to commence in December 2015.

Roading operational expenditure is \$0.8m greater than planned. This is as a result of storm events in July and October 2013. This was funded by increased subsidies from the New Zealand Transport Agency.

The budget included \$1.1m subsidy from the Ministry of Health for the Rongotea Water Supply project. The project has commenced and carried forward to the 2014/15 financial year. Only \$54,000 has been received in the 2013/14 financial year.

Due to a decrease in the valuation of infrastructural assets (1 July 2013), the depreciation expenditure is \$0.6m lower than budgeted.

Balance Sheet

The most significant movements are:

Only 73% of the planned capital work was completed during the year (including intangibles assets), resulting in property, plant and equipment and the associated borrowing being lower than budgeted. Individual variations are documented within the individual activity reports.

Council revalued its infrastructural assets on 1 July 2013 and land and buildings on 30 June 2014. This resulted in a decrease in the asset valuation and corresponding revaluation reserve of \$10m. The budget provided for a revaluation increase of \$22m. When budgeting for revaluation, Council used the planned inflation rate. Infrastructural assets are revalued annually and the land and buildings are revalued every three years. The revaluation is based on actual contract rates, technology changes and changes in the property market.

Investments in Council Organisations is below budget as the Manawatu Community Trust has not uplifted the agreed loan of \$2.5m for the Feilding Integrated Family Health Centre. This is offset by borrower notes from the Local Government Funding Agency. Council is required to invest in borrow notes when it raises debt from the Agency.

Creditors are lower than the previous year but higher than budget. Creditors are affected by the the timing of large capital projects. At 30 June 2013 there were significant capital projects in progress.

The Annual Plan included \$4m of assets "held for sale" (\$1.5m current and \$2.5m non-current). This related to the land associated with the Manfeild Park Development. At balance date, the subdivision of this land had not been finalised and consequently the land is included as operational land as part of property, plant and equipment. The assets included as "held for sale" relate to the Sanson Hotel site and adjacent land.

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 16 October by the Mayor and Chief Executive. The full Annual Report was authorised for issue on 16 October 2014.
- 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 FRS-43.
- 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 NZIFRS 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 unqualified audit opinion on 16 October 2014.
- The Council has not made the Summary Annual Report publicly available within one month of the adoption of the full Annual Report as required by section 98(4)(b) of the Local Government Act 2002.

Summary Balance Sheet

For the year ended 30 June 2014

	Council			Group	
	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000	Actual 2014 \$000	Actual 2013 \$000
Total current assets	14,600	7,747	15,646	15,259	16,247
Total non-current assets	581,981	611,326	578,459	593,639	590,461
Total assets	596,581	619,072	594,105	608,898	606,708
Total current liabilities	15,597	13,053	16,668	15,839	16,711
Total non-current liabilities	31,811	36,177	23,256	31,811	23,256
Total liabilities	47,408	49,230	39,924	47,650	39,967
Total equity	549,173	569,842	554,181	561,248	566,741
Total Liabilities and Equity	596,581	619,072	594,105	608,898	606,708

Summary Statement of Comprehensive Income

For the year ended 30 June 2014

	Council			Group	
	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000	Actual 2014 \$000	Actual 2013 \$000
Total revenue	45,493	45,280	43,698	46,294	44,239
Total operating expenditure	40,605	41,824	37,495	41,891	38,199
Operating surplus/(deficit) before tax & gifting of assets	4,888	3,456	6,203	4,403	6,040
Income tax expense	-	-	-	-	-
Surplus/(deficit) after tax	4,888	3,456	6,203	4,403	6,040
Other comprehensive Income	(9,896)	21,970	(14,013)	(9,896)	(14,013)
Total comprehensive income for the year	(5,008)	25,426	(7,810)	(5,493)	(7,973)
*This consists of finance costs as follows:	1,552	2,190	1,176	1,552	1,176

Summary Statement of Cash Flows

For the year ended 30 June 2014

	Council			Group	
	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000	Actual 2014 \$000	Actual 2013 \$000
Net cash from operating activities	16,309	16,232	14,038	16,969	14,542
Net cash from investing activities	(22,536)	(32,310)	(23,783)	(22,948)	(23,974)
Net cash from financing activities	9,041	13,278	13,727	9,041	13,727
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	2,814	(2,800)	3,982	3,062	4,295
Cash, cash equivalents and bank overdrafts at the beginning of the year	5,572	4,486	1,590	6,065	1,770
Cash, cash equivalents and bank overdrafts at the end of the year	8,386	1,686	5,572	9,127	6,065

Summary Statement of Changes in Equity

For the year ended 30 June 2014

	Council			Group	
	Actual 2014 \$000	Budget 2014 \$000	Actual 2013 \$000	Actual 2014 \$000	Actual 2013 \$000
Balance at 1 July	554,181	544,416	592,051	566,741	604,774
Total recognised income/(expense) for the year ended 30 June	(5,008)	25,426	(7,810)	(5,493)	(7,973)
Net assets transferred to PNCC on boundary change	0	-	(30,060)	0	(30,060)
Balance as at 30 June	549,173	569,842	554,181	561,248	566,741

Independent Auditor's Report

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

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

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 7 to 14:

- the summary balance sheet as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014; and
- the summary statement of service provision (performance overview) of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 16 October 2014.

Opinion

In our opinion:

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

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 16 October 2014 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

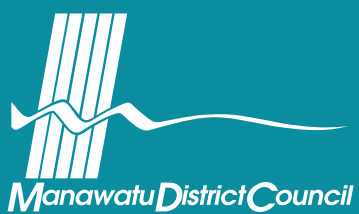
The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements in accordance with FRS-43 (PBE): *Summary Financial Statements*. The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

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

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



Phil Kennerley
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
24 November 2014



Manawatu District Council
135 Manchester Street
Private Bag 10001
Feilding 4743

P 06 323 0000
F 06 323 0822
E public@mdc.govt.nz
www.mdc.govt.nz