

TARARUA DISTRICT COUNCIL
SUMMARY
OF THE ANNUAL REPORT
2014/15



FROM YOUR MAYOR AND CHIEF EXECUTIVE

2014/15 was the third year of your 2012–2022 Long Term Plan, focused on improved core infrastructure, prudent financial management, and more emphasis on economic development.

We have made good progress to achieve the strategies set out in our 2012–2022 Long Term Plan. This could not have happened without the efforts from staff, the leadership of councillors and support from the community. This report proudly reflects their efforts.

Key results achieved this year against the agreed targets were:

- Creating a new roading maintenance alliance with endorsement from our major funding agency, the NZ Transport Agency (NZTA). This collaborative agreement brought together members of the existing Council Engineering Services Team and Downer New Zealand Ltd to form a single delivery team to undertake all facets of the transportation infrastructure – including asset management, regulatory functions, design, physical works and performance management.
- We advocated on behalf of the community on the Rooding Funding Assistance Rate and have secured a higher subsidy for all approved renewal and maintenance work on our roading infrastructure (increased from 58% to 62% in 2014/15, increasing to 65% in three years). This a great outcome given our very large roading network.
- The Forestry Committee contracted a new forest manager and, with better management of the forestry operations, Council was able to create a reserve of \$836,000 at year-end.

“
... a new roading maintenance
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”

- Setting up the Tararua Business Network (previously known as Tararua Business Hub) as a stand-alone operational unit to link, support, facilitate and enable small to medium business growth within the district. Additionally, the business incubation service within the Business Network was

developed in order to help fledging businesses to grow and establish themselves.

- Desludging and placing plastic liners into our wastewater ponds, plus adding new treatment processes to minimise environmental impacts from the urban wastewater treatment plants. This was significantly subsidised by a Ministry for the Environment grant, administered by Horizons Regional Council.

“
Setting up the Tararua Business
Network ... as a stand-
alone operational unit ...
”

- Submitting on many of the multitude of new Central Government legislation changes and policies that often incrementally add overhead costs to services we deliver.
- Optimising options for shared services with other Councils. This included an assessment of outsourcing our staffing resources, along with better project management and contract management disciplines, to rein in rate increases whilst still delivering on strategies in our Long Term Plan.
- Providing cost effective services focused on the core services ratepayers should expect of a rural Council.
- Consulting with ratepayers and residents on what they believe are the priorities for the 2015–2025 Long Term Plan, which also received a clean audit opinion.

The use of a remotely controlled underground pipe-camera inspection system continues to pay significant dividends to Council. The evidence obtained from the camera system highlighted the significant damage to the Eketahuna wastewater piped network in the February 2014 earthquake. This helped Council process the insurance claim, receiving the full insurance payout of \$760,000 covering Council's 40% contribution to costs, and secured a 60% subsidy from Central Government for the remainder of the damages.

We made a commitment to do things better and went through several changes to staffing and organisational structure to improve the way we deliver our services. For example, establishing the Tararua Alliance, restructuring the Regulatory Department and bringing the Water and Wastewater maintenance team in-house.

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We made a commitment to do things better ... to improve the way we deliver our services.

”

During the transition phase of these changes, there have been challenges in delivering against the formal performance targets in some activities. As a result, Council's achievement against its service performance measures reduced from 2013/14. This year we achieved 73% of service performance measures compared to 83% in prior year. The number of measures not achieved was 16, compared to 14 last year.

Infracon Limited (the Company), owned by Tararua District Council and Central Hawkes Bay District Council, was placed into liquidation on 25 August 2014, with PricewaterhouseCoopers appointed as liquidators of the Company. The liquidators closed parts of the business that were not financially viable and the remaining parts and assets of the business were put up for sale as a going concern. There were conditional offers from four interested parties. After due diligence an offer from Higgins Aggregates Limited that was accepted by the liquidators on 16 October 2014 for an amount of \$7.35 million.

The liquidators six monthly progress report for the period ending 24 August 2015 indicated that there are still outstanding creditors' claims, a small amount of residual stock to be sold and unpaid receivables to finalise before the liquidation is completed. The report showed that the liquidators anticipate making a distribution to the shareholders. However, no distributions can be made until all creditor claims have been determined and paid. Council's will receive 66% of any cash balance remaining on finalisation of the liquidation.

We thank staff and Councillors for their commitment to delivering services within the financial constraints placed upon them and for the continued support from the community and other agencies.



Roly Ellis
Mayor



Blair King
Chief Executive

ABOUT THIS ANNUAL REPORT SUMMARY

This Annual Report Summary is the year end snapshot of the Council's activities and the group's finances for the financial year ended 30 June 2015.

The information this Summary contains is taken from the Annual Report 2014/15 itself, which was finalised on 28 October 2015. The Annual Report 2014/15 provides detailed information on the Council's service and financial performance at year end.

This summary report cannot be expected to provide as complete an understanding as provided by the Annual Report of the full financial statements and service performance of the Council. Both this summary and the full Annual Report can be viewed on the Council's website: www.tararua.govt.nz

This summary has been audited by the Council's independent auditors to ensure consistency with the full Annual Report for 2014/15. The Council received an "unmodified" opinion on the 2014/15 full Annual Report and Summary.

OUR YEAR AT A GLANCE

This is a quick summary of what we have been doing for the year, and how we have performed against what we said we would do.

What We Said We Would Do

● Achieved ● Almost achieved ● Not achieved

● Decreasing rates increases

● Continued investment in our core infrastructure

We carried over \$8.8 million* to be completed in the next three years.

● Continue to address the water supply and quality issues

● Delivery on service level performance targets

We did not achieve 16 out of 87 of our service performance measures.

● Reduce environmental impact from our waste management practices

● Increase levels of service for Solid Waste Management in an efficient and cost effective way

● Debt managed within Long Term Plan forecast

● Operating cost does not exceed budget

Operating expenses for Roading exceeded budget due to flood and earthquake damage repairs.

● Branding of each town and promotion of Tararua

● Promote economic development

● Improve relationships and collaboration with other organisations

We continue to work on new projects with MW LASS, and collaborative work with several MW LASS Councils in Building Control and Information Technology. We have established a working party to review and strengthen iwi relationships and consider establishing memorandums with both iwi.

Financial Overview

Overall Operating Result **\$1.7 million UNFAVOURABLE** ●

Operating Revenue **\$657,000 UNFAVOURABLE** ●

Operating cost **\$745,000 UNFAVOURABLE** ●

Total External Debt **\$1.2 million FAVOURABLE** ●

Capital Expenditure **\$8.8 million* UNFAVOURABLE** ●

Net Debt **\$3.5 million FAVOURABLE** ●

Net Interest **\$200,000 FAVOURABLE** ●

* \$8.8 million is made up of \$4.1 million carry forward and \$4.7 million of authorised revision from the Capital Expenditure Report.

External Core Debt

Our core external debt at year-end was \$10 million, which was \$1.2 million under budget. The average cost of debt for Council was 4.9% (5.5% in last year) as at 30 June 2015.

Infrastructure Investments

We are significantly under budget. Our total investment during the year to maintain, and in some activities increase the service levels, was \$13.5 million, which was 59% of the budgeted \$22.9 million. The delays were due to reprioritising projects, changes in some of the major assumptions, and insufficient staff resources to deliver all the projects.

Big-Ticket Items of Capital Investment

Roading and Footpath – total was \$7.7 million

- Saddle Road – \$1.9 million*
- Pavement rehabilitation – \$2.2 million
- Road reseal – \$1.3 million
- Minor safety improvements – \$715,000
- Sub-structures components replacement – \$416,000
- Unsealed road metaling – \$355,000
- Drainage renewals – \$318,000

* Total work completed was \$2.8 million, but \$1 million related to work on the Palmerston North City and Manawatu District Councils' roading network and not included.

Wastewater – total was \$3.2 million

- Dannevirke oxidation pond remedial work – \$1.2 million
- Woodville treatment plant upgrade and oxidation pond remedial work – \$513,000
- Pahiatua treatment plant upgrade and oxidation pond remedial work – \$816,000
- District-wide mains replacements – \$379,000

Water – total was \$373,000

- District-wide mains replacements – \$212,000

Parks and Reserves – total was \$415,000

- Dannevirke camping ground new house – \$263,000

Support activities – total was \$838,000

- Information systems renewals – \$386,000
- Vehicle replacements – \$187,000
- Information systems development – \$99,000

Service Performance

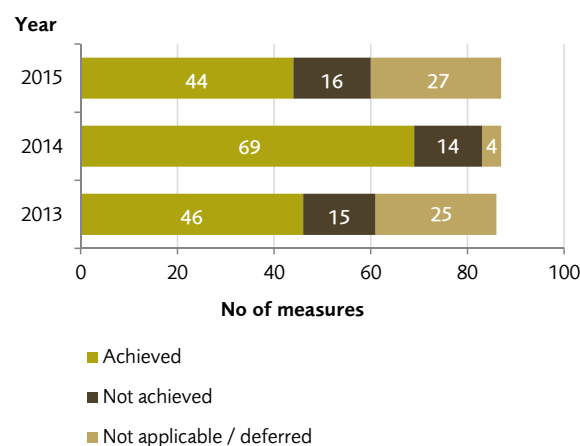
We use a range of service performance measures to monitor the service levels we deliver to our customers.

Overall, Council's performance has declined. This year, we achieved 73% of the service performance measures compared to 83% in the prior year and 76% in 2012/13. Twelve out of our 22 activities met all of their service performance measures. The number of measures not achieved was 16, compared to 14 last year.

It should be noted that 29 measures were not applicable, this year, and not included in the calculation.

Of these, 22 measures relate to the community survey, which is done once every three years. The next survey will be conducted in 2016/17.

OVERALL SERVICE PERFORMANCE MEASURES



This table shows what each resident owns, owes and spent for the last three years.

	2012/13	2013/14	2014/15
Number of residents	17,450	17,350	17,350
Assets	\$50,689	\$51,712	\$51,728
Liabilities	\$855	\$953	\$955
Equity	\$49,834	\$50,759	\$50,773
Debt per rate payer	\$586	\$639	\$604
Operating cost	\$1,909	\$1,986	\$2,020
Capital expenditure	\$720	\$640	\$782
Interest cost	\$31	\$33	\$30
Cash investments	\$466	\$729	\$569

PROGRESS TOWARDS OUR STRATEGIES

In the 2012-2022 Long Term Plan, Council developed a vision for the district:

A growing and prosperous district providing a wide range of employment opportunities that is underpinned by highly efficient, capable and affordable infrastructure.

Underpinning this vision was a Future State and Strategic Focus for Council.

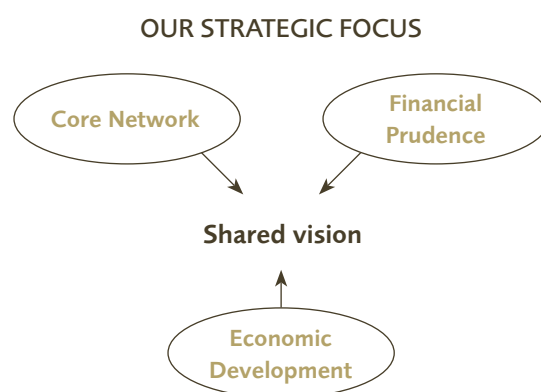
The Future State: Tararua in 10 Years – 2022

By 2022, the Council wanted to achieve the following key strategic goals and be in a sound financial position:

The Future State	Progress 2014/15
Water and waste water infrastructure upgraded – to meet legislative requirements, businesses and ratepayers needs.	●
Maintain the district's infrastructure – to facilitate, encourage and attract businesses to grow and invest in the district.	●
Provide good amenities and recreational assets – so that people can have a great lifestyle in our rural townships and rural areas, and give residents a sense of pride and belonging.	●
Keep costs affordable – operating expenditure (and rates) increases will be limited to inflation plus the impacts of growth and enhanced levels of service.	●
Decreasing debt – by the end of 2022 debt levels are declining and are at a comfortable level.	●
Adequate investments levels – cash reserves for future asset replacements are adequate through prudent financial management.	●

Strategic Focus

The strategy we adopted had three limbs – core network infrastructure, financial prudence, and economic development.



Council, in the 2012–2022 Long Term Plan, proposed to slowly reduce some roading levels of service to concentrate on urban water supply upgrades and improved wastewater treatment, with the additional emphasis to provide more focussed efforts on economic development and promotion to attract and retain residents and businesses. These strategic goals were together seen as critical to the future prosperity of the district.

A highlight of the year was the signing of the new Alliance agreement, between Downer New Zealand Limited and Council, for the management and delivery of the Roothing, Footpath and Stormwater activities. Council is already seeing improvements in asset management, and expects to be able to improve the service levels and performance in these activities in the medium term.

The 2014/15 Annual Report is Year 3 of the 2012–2022 Long Term Plan. The following table summarises our progress, and the details of our achievements are explained further in the 'Highlights of the Year' section of the full 2014/15 Annual Report on pages 19 to 29.

Strategy 1: Core Infrastructure

Legend: ● On Track ● Need to catch up ● Needs more effort

Strategy	Progress 2013/14	Progress 2014/15	Comments
Maintain current infrastructure to a good standard			
<i>To facilitate, encourage and attract businesses to grow and invest in the district.</i>	●	●	<ul style="list-style-type: none"> Dannevirke impounded supply has provided security of water supply to residents and businesses. Established the Tararua Business Network (formerly the Tararua Business Hub). Roading network is maintained to the agreed standard to facilitate commerce and travel. Upgrades to footpath and town centre mainstreets are progressing as planned for Eketahuna and Pahiatua. Over the past three years the Dannevirke, Woodville and Eketahuna camping grounds have progressively been upgraded. Visitor numbers have improved significantly.
<i>Water and Wastewater infrastructure upgraded</i>	●	●	<ul style="list-style-type: none"> Upgrades to urban water treatment in Eketahuna, Woodville, and Dannevirke completed. A preferred upgrade option has been developed for Pongaroa Water and Ministry of Health subsidy of 85% was applied for during the year. The subsidy was approved in August 2015. Delay in ensuring resilience to supply and storage for Pahiatua, Woodville, and Eketahuna. But these projects are planned for completion over the next three years. Three out of five water schemes fully comply with New Zealand Drinking Water Standards and Health Act 1956. Progress on wastewater upgrades to improve discharge into rivers and increase treatment capacity has been hampered by weather, sludge disposal and staff resource issues. Council has spent \$6.1 million, and received subsidies of \$1.7 million.
<i>Provide Good Amenities and Recreational Assets</i>	●	●	<ul style="list-style-type: none"> Upgrades to community buildings, camping grounds and playgrounds are being completed as planned. A total of \$1.9 million has been spent over the last three years.
Prioritise new infrastructure investment in assets			
<i>Major public safety issues</i>	●	●	<ul style="list-style-type: none"> No fatal accidents on roads due to road factors. Playground equipment meet standards and are regularly maintained. Trees in parks and reserves that were hazards have been pruned. Identified Council's buildings that are classified as being earthquake prone buildings and programmed their upgrade. A total of \$168,000 has been spent on the upgrade and maintenance of urban footpaths this year. Traffic Management Plans and work safety training, practices and culture are enforced.
<i>Resource consent requirements</i>	●	●	<ul style="list-style-type: none"> Except for a minor non-compliance for increasing the extraction from the Tamaki River during the March 2015 water issue in Dannevirke, we met all resource consents for urban water supplies. Even though four of the eight wastewater schemes do not have renewed consents, they meet the conditions of the expired resource consents.
<i>Other legislation requirements</i>	●	●	<ul style="list-style-type: none"> Several performance measures relating to legislated requirements in the Water and Wastewater activities (as noted above), Health and Safety activity (for example, processing of building consents and swimming pools/spas inspection) and in the Animal Control activity were not met.
<i>Discretionary upgrades, building resilience, and managing water demand and supply</i>	●	●	<ul style="list-style-type: none"> The second bore and storage in Pahiatua was pushed out to 2015/16 by agreement with our funding partner, the Ministry of Health. Upgrades to improve water storage were delayed. Discussions on historic agreements for water has commenced.

Strategy 2: Financial Prudence

Legend: ● On Track ● Need to catch up ● Needs more effort

Strategy	Progress 2013/14	Progress 2014/15	Comments
Maintain a strong balance sheet and low operating costs to allow future financial flexibility and affordability of rates.	●	●	<ul style="list-style-type: none"> Overall operating expenditure excluding depreciation was \$21 million in Year 1, \$20 million in Year 2, and \$23 million in Year 3 (2014/15). This equated to an increase of 9.3% over the three years. Rates increases for the last three years have reduced from 4% in Year 1 to 3.5% in Year 3. Council has the capacity within its prudent borrowing limits to increase borrowing to \$30 million if required to fund capital development.
Maintain modest debt levels within financial strategy limits allowing capacity for future developments.	●	●	<ul style="list-style-type: none"> Debts level has remained well within limits in the Long Term Plan. Council's core external debt at year end was \$10 million.
Adequate Investments Levels – cash reserves for future asset replacements are adequate through prudent financial management.	●	●	<ul style="list-style-type: none"> Council is in a net cash position – i.e. cash investments are higher than core external debt. Depreciation reserves for future asset replacements have increased by \$3.5 million. Adequate insurance policies are in place to mitigate risk of unplanned asset replacements due to natural disasters.
Subsidiary ownership decisions results in maximising value of our investments.	●	●	<ul style="list-style-type: none"> Forestry activity generated positive net returns to Council. Council continues to rationalise its commercial investment portfolio to maximise returns.

Strategy 3: Economic Development

Support and facilitate growth in local business.	●	●	<ul style="list-style-type: none"> In 2014 Council established the Tararua Business Network (as a stand-alone operational unit) to link, support, facilitate and enable small to medium business growth within the district. The business incubation service within the Tararua Business Network was set up, in order to help fledging businesses to grow and establish themselves. Facilitated seven (total of 17 over the three years) business applications to the Ministry of Science and Innovation Subsidy scheme. The GO! Project – with help from NIWA, HortResearch, and Crop and Food Research – has identified opportunities for land owners to diversify into crops that are best suited for the Tararua district.
Build district identity and promote the district by telling our story.	●	●	<ul style="list-style-type: none"> Working with the four major towns on branding and developing an identity. For example the Woodville "Wood You" and in Dannevirke the "Viking Country". Promoting Tararua Country through videos, website, local newspaper, Facebook, and advertising. New Zealand Motor Caravan Association (NZMCA) has accredited Dannevirke and Woodville as "Motor Home Friendly" towns. Developed and successfully organised the national Provincial Conference in April 2015 to profile issues within the rural sector of New Zealand.
Develop a clear economic development plan.	●	●	<ul style="list-style-type: none"> Economic Development Plan 2013–2018 adopted by Council.
Provide business friendly and welcoming support for new residents.	●	●	<ul style="list-style-type: none"> Welcome wagon for new residents to the district is operational. Welcome packs sent out to 227 new residents. Working closely with Fonterra in Pahiatua for accommodation, housing and recreation for the new staff employed in the Fonterra factory expansion.

SERVICE PERFORMANCE

We use a range of service performance measures to monitor the service levels we deliver to our customers.

Overall, Council achievement against its service performance measures reduced from 2013/14. This year we achieved 73% of service performance measures compared to 83% in prior year and 76% in 2012/13.

- Delays in capital projects resulted in the Pahiatua and Dannevirke water supplies not complying with NZ Drinking Water Standards and Health Act 1956. These two projects are priority for 2015/16.

Achievements

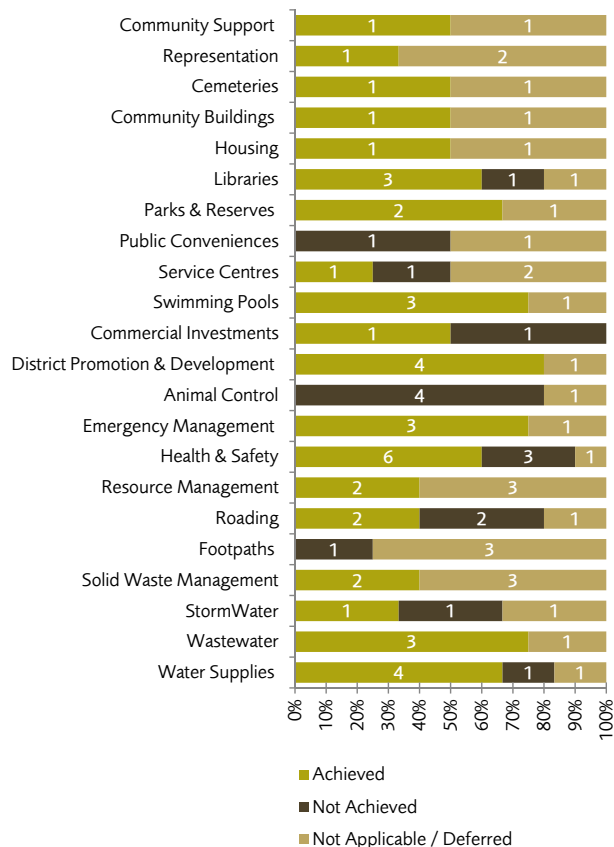
- The number of incidents of unplanned loss and overflows of our wastewater systems continue to be well below our targets. The education programme for the public addressing the infiltration issue, and installing overload switches in the pump station is paying dividends.
- All wastewater schemes meet resource consent conditions, as opposed to 4 out of 7 in 2013/14.
- Water flows, taste, and clarity measures were all met as a result of the upgrades to our water treatment plants.
- The utilisation of our community buildings continue to improve. This is the third year in a row the total number of hours per annum community buildings are booked through Council has increased.
- The earthquake repairs on the Eketahuna swimming pool were completed in time for the summer, meaning all outdoor pools were able to be open to the public for longer than 10 weeks.
- We facilitated another five applications from businesses in the district this year, to the Ministry of Science and Innovation Subsidy.

Areas for Improvements

- Due to staff resignations in the animal control officer roles in the last half of the year, Council had insufficient resources to achieve its targets.
- The targets not achieved in Health and Safety were; the issuing of building consents, inspection of swimming and spa pool fencing, and responding to noise complaints within agreed timeframes.
- The percentage of requests to fix road surface faults and unsafe footpaths were not completed within the specified timeframes, and the targets of the road roughness survey were not met. The liquidation of Infracon, and the change over to the Alliance resulted in a period of disruption to operations.

SUMMARY OF SERVICE PERFORMANCE RESULTS FOR THE YEAR

This graph shows a summary of our service performance results for each of our activities.



HOW WE SPENT YOUR RATES

We provide a variety of services to the district ranging from animal control, consenting authority, libraries, service centres, public conveniences, sports and recreation facilities, emergency management, and maintaining our infrastructure like roading, footpaths, water and stormwater.

This page presents the significant projects we delivered to our community this year, and the amount spent providing Council services to the community, based on average yearly rates for a ratepayer in the district.

2%
\$42



DISTRICT PROMOTION AND ECONOMIC DEVELOPMENT

Significant projects: Establishing the Tararua Business Network; Return the forestry activity to profit.

21%
\$391



COMMUNITY AND RECREATION FACILITIES

Significant projects: Upgraded facilities; Upgrade of camping facilities and playgrounds.

6%
\$111



REGULATORY SERVICES

Significant projects: Streamline business processes; Engaging early with businesses for consents and working with "cluster groups" to better deliver services.

36%
\$667



ROADING AND FOOTPATHS

Significant projects: Saddle Road; Flood damage repairs across the district; Reseals and culverts across the district.

8%
\$154



BUILDING COMMUNITIES AND LEADERSHIP

Significant projects: Community grants; CCTV for main streets.

6%
\$109



SOLID WASTE MANAGEMENT

Significant projects: Capping of cells in the Eketahuna landfill.





STORMWATER

Significant projects: District-wide renewals.



4%
\$70

WASTEWATER

Significant projects: Dannevirke, Woodville, and Pahiatua oxidation ponds; District-wide renewals; Eketahuna earthquake damage pipe replacements.



10%
\$190

WATER SUPPLIES

Significant projects: District-wide renewals.



7.5%
\$141

TREASURY AND SUPPORT

Significant projects: Achieved higher revenue; Debt levels and interest cost were well within budget.



-0.5%
-\$10

The symbols indicate the locations of significant projects.

FINANCIAL OVERVIEW AND MAJOR VARIANCES

Statement of Comprehensive Revenue and Expense – Revenue

Rates Revenue

Due to the transition to PBE IPSAS, rates revenue is showing as \$440,000 under budget.

Rates revenue is now presented less internal rates, remissions and discounts, and inclusive of rates penalties.

Grants and Subsidies

Grants and subsidies are lower than budget by \$1.052 million.

Subsidies for water projects were below budget, by \$530,000, for the subsidised Pahiatua second bore water upgrade project. The test bore did not strike the required volume of ground water. That led to the expected capital expenditure being halted, and the consequent delay in receiving the approved subsidy.

We budgeted for \$2 million subsidy from the NZ Transport Agency for the Saddle Road upgrade. However, we were only able to recognise \$1.5 million, as part of the upgrade relates to sections of road belonging to Manawatu District Council and Palmerston North City Council. We also deferred a significant portion of our road resealing programme, resulting in a further \$600,000 under budget.

This reduction in subsidies received is offset by higher subsidies received from Ministry for the Environment for wastewater projects (\$150,000), and additional NZ Transport Agency subsidies relating to flood damages (\$400,000).

Fees & Charges

Fees and Charges are below budget for the year by \$1.5 million. This mainly relates to \$1.29 million of budgeted internal charges and revenue for the previous Engineering Services department. These charges are internal charges and have been excluded from the comprehensive revenue and expense.

We received unbudgeted revenue from the new Water and Wastewater team of \$44,000, and additional revenue of \$30,000 from the Dannevirke Camping Ground.

Due to the transition to the new PBE standards, \$301,000 of rates penalties have been reclassified to rates revenue.

Other Revenue Sources

Revenue from interest, forestry and other revenue is higher than budget by \$2.36 million due to:

- Revenue from forestry sales of \$1.95 million was over budget by \$1.4 million. This is budgeted for in other revenue net of expenses but is now reported on a separate line as gross revenue.
- Unbudgeted insurance payments for the Eketahuna wastewater pipes (\$760,000) damaged in the January 2014 earthquake, and initial insurance payments for the replacement of the Pahiatua Recycling Centre (\$69,000).
- Higher than budgeted interest revenue of \$97,000 – a result of the favourable interest rates, compared to those assumed in the budget, and higher cash balances due to delay/deferring of capital projects.

Statement of Comprehensive Revenue and Expense – Expenses

Operating Expenses

Overall, total operating expenditure was over budget by \$745,000.

Significant variance (higher than budget) was noted in the following activities:

- Forestry (\$1.74 million) due to harvesting costs. These were budgeted for as net forestry revenue.
- Housing (\$35,000) for higher maintenance costs.
- Parks and Reserves (\$109,000) of which \$50,000 relates to Domain Board expenditure (offset by increased revenue of \$50,000) with the remainder due to the increase in contract costs for parks maintenance.
- Water Supplies (\$147,000) due to the unbudgeted initial costs of bringing in-house the new Water and Wastewater Team. These cost increases relate mainly to hireage of equipment and contracted staff cost.
- Wastewater (\$123,000) are over budget due to the unbudgeted initial costs of bringing in-house the new Water and Wastewater Team and unexpected costs of \$57,000 related to resource consent renewals.
- Roothing operating expenditure was higher than budget by \$490,000 mainly due to:
 - Additional flood damage work.
 - Increase in pre-seal work in preparation for the 2015/16 reseals.
- District Promotion & Development (\$62,000) due to the unbudgeted cost of operating the new Business Network.

These were offset by savings in operating costs in other activities, reduction in staff costs mainly due to restructuring and resignations (\$363,000), and depreciation expense (\$188,000).

Also, due to the transition to the new PBE IPSAS standards, Council has removed rates remissions and discounts, as well as internal rates revenue and reported these with rates revenue. \$850,000 was budgeted for as an operational expense.

Finance Costs

Finance costs are higher than budget by \$297,000. Due to unrealised loss from the fair value movement of interest rate swaps of \$395,000, with interest cost from term debt of \$522,000 being \$104,000 lower than budget due to lower external debt and lower than planned market interest rates.

Statement of Financial Position

Cash and Cash Equivalent

Cash and Cash Equivalent including Other Financial Assets (current) is higher than budget due to delay and/or deferring of capital renewal projects.

Non-Current Other Financial Assets

Non-current other financial assets are lower than budget due to the liquidation of Infracon Limited. Council's investment of \$3.65 million was written down to NIL in 2013/14 due to Company's ability to pay all its liabilities.

Debtors and Other Receivables

Debtors and other receivables are higher than budget by \$168,000 mainly due to higher NZ Transport Agency subsidies accruals and higher rate debtors at year end.

Payables and Deferred Revenue

Payables are higher than budget by \$1.4 million due to higher than expected contract payments at year end. The increase in payables is mainly due to completing large capital and operational projects in the last two months prior to year end.

Property, Plant and Equipment

Property, plant & equipment was \$1.8 million higher than last year and \$40.5 million lower than budget at year end. An analysis of the variances between the budget value and the actual year end value of property, plant and equipment is outlined below:

- Asset additions were lower than budget by \$8.2 million due to delay in the completion and capitalisation of capital projects.
- Infrastructure assets are being valued on 1 July. Previously this was completed 30 June and was budgeted for as such.

Therefore the planned increase in asset values due to revaluation are lower than budget by \$21 million.

- The budget also assumed that capital projects in 2013/14 would also be completed.

Borrowings (Current and Non-Current)

Total borrowings were lower than budget by \$1.2 million due to delay and/or deferring of capital renewal projects. The classification of current and non-current is different to budget due to short term borrowing from Westpac of \$1 million.

Accumulated Funds

Accumulated funds are \$12 million lower than budget. This is mainly due to:

- Opening accumulated funds being lower than forecast for the budget.
- Transfer from accumulated funds to special Reserves higher due to delay/deferring in renewal expenditure.

Asset Revaluation Reserves

The asset revaluation reserve is lower than budget by \$35 million due to a change in revaluation date from 30 June to 1 July and the opening balance being lower than forecast by \$14 million.

Special Funded Reserves

Special Funds are \$4.9 million above budget at year end. This is due to the actual opening balance for special funds being higher than forecast, and transfers to special funds of \$3.7 million were higher than budget by \$1.5 million.

Statement of Cash Flows

Overall net increase in cash balances held were lower than budget by \$154,000.

Significant variances are:

Operating Activities

- Overall cash flow was \$2 million lower than budget due to lower Council's portion of the NZ Transport Agency subsidy for the Saddle Road, higher flood damage expenditure, and increased cost for roading pre-seals.

Investing Activities

- Overall cash flow is \$1.3 million over budget
- This is mainly due to a higher cash outflow due to more investing in term deposits.

Financing Activity

- Cash outflow of \$1 million as opposed to budgeted cash inflow of \$1 million is due to lower external debt required. This is due to lower capital expenditure than budgeted.

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Comprehensive Revenue and Expense

	2013/14 Council Actual \$000's	2014/15 Council Actual \$000's	2014/15 Council Plan \$000's
Operating Revenue			
Rates	18,926	19,630	20,070
Grants and subsidies	8,964	9,504	10,556
Interest and dividends	372	450	353
Other revenue	4,207	5,633	4,895
Total operating revenue	32,469	35,217	35,874
Expenditure			
Other operating expenses	14,064	17,528	16,529
Depreciation and amortisation	11,300	11,532	11,720
Employee benefit costs	4,933	4,812	5,175
Finance cost	498	923	626
Total operating expenditure	30,795	34,795	34,050
Other asset gains/(losses)	(3,663)	(251)	30
Surplus/(deficit) before tax	(1,990)	172	1,854
Taxation expense	-	-	-
Net surplus/(deficit)	(1,990)	172	1,854
Other Comprehensive Revenue and Expense			
Gains on Infrastructure assets revaluation	13,052	73	21,323
Fair value through equity	-	-	-
Tax on Equity Items	-	-	-
Total Comprehensive Revenue and Expense	11,062	244	23,177

Summary Statement of Financial Position

	2013/14 Council Actual \$000's	2014/15 Council Actual \$000's	2014/15 Council Plan \$000's
Current assets	16,941	15,349	13,287
Non-current assets	880,260	882,132	926,155
Total assets	897,203	897,481	939,442
Current liabilities	10,015	5,694	3,403
Non-current liabilities	6,521	10,878	13,123
Total liabilities	16,537	16,572	16,526
Equity	880,666	880,910	922,916
Total equity	880,666	880,910	922,916
Total liabilities and equity	897,203	897,481	939,442

Summary Statement of Changes in Equity

	2013/14 Council Actual \$000's	2014/15 Council Actual \$000's	2014/15 Council Plan \$000's
Balance at 1 July	869,604	880,666	899,739
Total comprehensive revenue and expense previously reported	11,062	244	23,177
Total Balance at 30 June	880,666	880,910	922,916
Comprising of:			
Accumulated Funds	350,455	346,912	358,816
Asset Revaluation Reserves	504,901	504,973	539,980
Special Funded Reserves	25,260	28,976	24,072
Trust Funds	50	49	48
Total Equity	880,666	880,910	922,916

Summary Statement of Cash Flows

	2013/14 Council Actual \$000's	2014/15 Council Actual \$000's	2014/15 Council Plan \$000's
Net cash flow from operating activities	14,653	11,635	13,544
Net cash flow from investing activities	(10,233)	(15,812)	(14,516)
Net cash flow from financing activities	856	(1,000)	1,034
Net increase/(decrease) in cash held	5,276	(5,177)	62
Opening balance	4,242	9,518	4,433
Total cash resources at 30 June 2010	9,518	4,341	4,495

ACCOUNTING DISCLOSURES

These summary financial statements are a summary of the 2014/15 Annual Report and cover the period from 1 July 2014 to 30 June 2015. These summary financial statements do not provide as complete an understanding as provided by the full 2014/15 Annual Report. A full copy is available on the Council website at www.tararua.govt.nz. The information included in this report has been prepared in accordance with PBE FRS 43; Summary Financial Statements.

The Summary reports were authorised for issue on 25 November 2015.

Reporting Entity

Tararua District Council is a New Zealand territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The Council and group provides local infrastructure, local public services, and performs regulatory functions to the community. The Council does not operate to make a financial return. Accordingly, Council has designated itself and the group as public benefit entities for financial reporting purposes.

The group consists of Tararua District Council, its subsidiaries. They are domiciled and incorporated in New Zealand.

The group consists of:

- Infracon Limited (in Liquidation), a 66% owned subsidiary – profit orientated entity.
- Manawatu-Wanganui LASS Limited, a 14% owned associate – public benefit entity.

Infracon Limited (the Company) was placed into liquidation effective 25 August 2014 by the Company's Shareholders, Tararua District Council and Central Hawkes Bay District Council, and PricewaterhouseCoopers was appointed as liquidators of the Company.

At 30 June 2015, Council no longer had control over Infracon Limited and had no subsidiaries. Therefore, Council is not required to prepare consolidated financial statements.

The financial statements of Council are for the year ended 30 June 2015. The financial statements were authorised for issue by Council on 28 October 2015.

Basis of Preparation

The financial statements have been prepared on the going concern basis, and the accounting policies have been applied consistently throughout the period.

Statement of Compliance

The financial statements of Tararua District Council in the full Annual Report have been prepared in accordance with the requirements of the Local Government Act 2002, which includes the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP). These financial statements in the full Annual Report have been prepared in accordance with NZ GAAP. They comply with NZ Public Benefit Entity International Public Sector Accounting Standards, and are prepared in accordance with Tier 1 PBE Standards.

Measurement Base

The financial statements have been prepared on an historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property, forestry assets, and financial instruments (including derivative instruments).

Functional and Presentation Currency

The financial statements are presented in the functional currency, which is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$'000).

Commitments

Council's commitments on projects where contracts have been entered into but goods or services have not been received are:

	2014 Council	2015 Council
	\$000's	\$000's
Capital Commitments	4,566	1,892
Operating Leases as Lessor	63	100
Operating Leases as Lessee	-	1,175

Contingent Liabilities

Council has the following significant contingent liabilities:

- Council has a contingent liability for a claim relating to Weathertightness under the Funding Assistance Package. Under this programme, Council agrees to fund 25% of the cost to remedy the weathertightness defect.

Council has one claim for a potential cost of \$125,000. Council is working with the Ministry of Business, Innovation and Employment and the owners to confirm the design and cost to remedy the weathertightness defect. As Council

is not able to reliably quantify the potential liability given the complexity of the claims, a contingent liability has been recognised for the value of \$50,000 to also account for any further increases in cost.

Contingent Asset

Infracon Limited (the Company) was placed into liquidation effective Monday 25 August 2014 by the Company's Shareholders, Tararua District Council and Central Hawkes Bay District Council. The Shareholders also resolved to appoint PricewaterhouseCoopers as liquidators of the Company.

The Liquidator's second six-monthly report showed that the Liquidators anticipate making a distribution to the shareholders. However, no distributions can be made until all creditor claims have been determined and paid. Council will receive 66% of any cash balance remaining on finalisation of the liquidation. The liquidators six monthly progress report for the period ending 24 August 2015 indicated that there are still outstanding creditors' claims, a small amount of residual stock to be sold and unpaid receivables to finalise before the liquidation is completed.

Council is only able to reliably quantify the shareholder distribution once the liquidation is completed given the complexity of some of the claims and the potential further cost that will be incurred by the liquidators in resolving the claims.

Related Party Disclosure

Council has entered into related party transactions during the year but they were within "a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Council would have adopted in dealing with the party at arm's length in the same circumstances".

Adjustments to the Comparative Year Financial Statements

The Council has adjusted its comparative year financial statements for the year ended 30 June 2014 due to reclassification, adjustments and transition to the new PBE accounting standards. The adjustments are shown in Note 38 of the full Annual Report.

Events After Balance Date

There are no post balance date events.

To the readers of Tararua District Council summary annual report for the year ended 30 June 2015

The summary annual report was derived from the annual report of the Tararua District Council (the Council) for the year ended 30 June 2015. 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 9 and 12 to 18:

- the summary statement of financial position as at 30 June 2015;
- 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 2015;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision of the Council.

We expressed an unmodified audit opinion on the Council's full audited statements in our report dated 28 October 2015.

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.

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 28 October 2015 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 Council.

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 a range of other assurance engagements in the areas of the audit of the District Council's 2015–25 Long Term Plan and an independent assurance review of the District Council's Debenture Trust Deed, which are compatible with those independence requirements. Other than this reporting and these assignments, we have no relationship with or interests in the District Council.



Clint Ramoo
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
25 November 2015

OUR DISTRICT



Resident population (2015)	17,350
Number of rateable properties	10,763
Area (ha)	427,000
Net capital value (\$m)	\$4,570
Total roading network (km)	1,957
Elected representatives (Council and Community Boards)	17

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