

SUMMARY OF THE ANNUAL REPORT **2017/18**

ABOUT THIS ANNUAL REPORT SUMMARY

This Annual Report Summary is the year end snapshot of the Council's activities, finances, and performance results for the financial year ended 30 June 201



FROM YOUR MAYOR AND CHIEF EXECUTIVE

This Annual Report highlights our performance for the third and final year of our 2015–2025 Long Term Plan. Council continues to progress our three core strategies of investment in core infrastructure, facilitating economic development, and prudent financial management.

Community engagement in developing new 10 year plan

One of the highlights was hearing the views of our community during the planning process for the 2018–2028 Long Term Plan. We started our consultation with two workshops where a range of stakeholders provided their thoughts on what they loved about Tararua, where our challenges lay and what our opportunities are. The feedback we received highlighted connectivity as the number one issue that needs to be addressed; whether physical connectivity with the closure of the Manawatu Gorge or digital connectivity via mobile phone and internet coverage.

With the initial feedback from stakeholders, and following a series of Council workshops, we completed our Draft Long Term Plan and public Consultation Document. Both of these documents are formally audited by Audit NZ before being made available to the public for feedback. We're delighted to say we received an unmodified audit report based on the hard work from councillors and the staff.

We then embarked on a district-wide Consultation Roadshow to hear what the community thought of our priority projects for the Long Term Plan. We were very pleased with the positive response to both the projects and our consultation process.

We received a total of 90 submissions to our Long Term Plan, with the vast majority being in support of the preferred options put forward by Council. These submissions influenced the final plan – for example, changing our proposal to seal approximately 1km of unsealed roads per annum with a contribution from third parties such as affected landowners. Following the submission hearings, Council decided to increase the unsealed road strengthening budget, and double the length to be sealed, without the need for third party contributions. This is a fantastic example of the submission process in action.

We continue to work hard on improving our engagement with both Rangitane o Tamaki nui-a-Rua and Ngati Kahungunu ki Tamaki nui-a-Rua. We are all committed to working constructively for the benefit of all that call Tararua home.

Our performance

Improved completion rates for capital expenditure for the year have contributed to good results over the entire three years of the 2015–2025 Long Term Plan. This highlights that Council is providing sufficient investment into maintaining assets for future generations. Council completed \$16.2 million of a budgeted \$20.3 million worth of capital projects. This resulted in an underlying 80% completion rate versus 78% for the previous year.

In addition to the budgeted capital projects, Council has undertaken emergency roading renewals during the period of \$3.7 million, versus a budget of \$550,000. When taking this additional capital expenditure into account, Council has delivered a total of \$19.8 million of capital work, versus a budget of \$20.9 million, or 95% completion rate.

Total capital expenditure over the past three years was 100% of budget at \$53.6 million, however, adjusting for roading emergency renewals, the completion rate was 89%. Depreciation expenditure over the three year period was \$34.6 million and renewals were \$32.7 million, or 94%.

Operationally, the year was challenging with significantly higher expenditure related to the supply of water. New testing and compliance regimes that reflected best practice following the Havelock North Water Inquiry added costs to our operations. We were also unsuccessful in our application for a subsidy towards a new wastewater treatment plant at Eketahuna, which meant \$650,000 less revenue than budget.

Offsetting these costs were additional roading revenue of \$3.2 million for emergency repairs and \$1.2 million for Saddle Road upgrades, both from NZ Transport Agency.

The net effect of these adjustments was a surplus of \$2.35 million, which was \$1.95 million more than budgeted.

Due to the level of capital projects undertaken, we have increased Council debt from \$11 million to \$17 million. Our net position overall, however, remains very strong with \$5.9 million in cash held at year end. The average interest rate on our debt of 4.22% was much lower than the budgeted rate of 4.9%, largely due to a continuation of a

low interest rate environment and Council using a mix of short and long-term borrowing.

We improved our overall performance in meeting our service levels to 79% from 76% the previous year. Helping to achieve this improvement was increasing the frequency of customer survey to quarterly – we now survey a total of 450 residents over four quarterly surveys. This enables Council to react more promptly to trends as they emerge.

We are happy with the overall trends our survey results are showing. Overall, Council performance has increased to 85% from 75% a year ago and the result for Vision and Leadership improved to 80% from 74%, which was especially pleasing given the priority Council has placed on this during our Long Term Plan process.

The results also showed that the community is generally satisfied with the majority of Council services, with parks and reserves, community facilities and waste management scoring particularly well. Areas of lower satisfaction included some aspects of water management and roading infrastructure. The closure of the Manawatu Gorge and the number of significant weather events have undoubtedly been contributing factors to this.

Prudent financial management

Rates affordability is key for Council. We continue to work hard to keep rates increases low while ensuring prudent long-term investment in new infrastructure and meeting the operational costs of Council. We are also aware of external influences on the budgets of our ratepayers, such as the impact of Horizons Regional Council's One Plan and the closure of the Manawatu Gorge. Despite all of these competing needs and influences, we believe we have struck the right balance in recent years, with average rates increases over the last three years of 2.91%, 1.72% and 2.32%.

Our recent history of financial prudence has resulted in Council maintaining a strong balance sheet with low debt. This has enabled us to continue to consider significant investments in digital connectivity, Route 52, and wastewater treatment upgrades in our 2018–2028 Long Term Plan. These investments will underpin growth for the future and, in the case of digital connectivity, provide significant economic development opportunities.

Infrastructure investments

As the largest co-funder of our district's roading network, we are pleased that the NZ Transport Agency support the continuation of the Tararua Alliance model for asset management and delivery. Council is receiving excellent information on the condition of our roading network, ensuring we gain maximum benefit for the investments made.

The Tararua Alliance team have maintained their programme of work during the year while also attending to the challenges posed by the severe weather events we continue to experience. The delivery of the planned works programmes, in addition to the emergency repairs due to severe weather events, is a credit to the Tararua Alliance team and demonstrates the value of this relationship. They continue to deliver the best results for the network overall, today and for the future, rather than just the cheapest option for today.

Further evidence of the value of this relationship is the confidence signalled in our asset management information by NZ Transport Agency, who have increased our funding assistance rate from 64% to 66%. This means Council's share of road funding reduces slightly, allowing further investment in the network.

This strong relationship, improved asset data held and delivery on emergency works while maintaining the roading network results in favourable outcomes when seeking funding as demonstrated by the indicative approval of our 2018–2021 Land Transport funding block, where we received the funding sought in our application.

During the year, Council has taken every opportunity to provide assistance to the communities and businesses affected by the closure of the Manawatu Gorge. The Deputy Mayor Allan Benbow is a member of the NZ Transport Agency group that has been advising on the proposed new route. His voice at the table has been invaluable in ensuring the needs of Tararua are fully considered. We are pleased that the development of the new route has been given the highest priority and look forward to the opportunities that it will offer.

Water treatment and storage are two areas where significant projects have either been completed or are underway. The Akitio water treatment plant was installed during the year and Pongaroa's plant was almost complete at the end of the reporting year. Water storage projects in Pahiatua and Woodville commenced as a result of strategic planning in 2012. Both experienced ongoing delays during the year due to events outside Council's control, predominantly weather. Subject to no further adverse delays we anticipate these projects will be finalised in the coming year.

Council has improved the treatment of our wastewater during the year, however, we are still working on the three resource consent renewals required for Eketahuna, Pahiatua and Woodville. Capital investment for these renewals is included in the 2018–2028 Long Term Plan.

The last of our major town upgrades, which started with Dannevirke in 2008, is underway in Pahiatua. Extensive community consultation has been undertaken during the year and the project is almost at the stage of providing final design concepts. Community feedback to the consultation process has been extremely positive and support for the overall concepts is high. Council plans to extend the town

From Your Mayor and Chief Executive

upgrade strategy to a number of our smaller settlements and has provided for funding in the 2018–2028 Long Term Plan for this.

Economic development and growth

We await the latest census data with great interest as we anticipate it will confirm our view that our population has not only stabilised but is showing strong signs of growth. If our apparent shortage of housing and rental properties is anything to go by the population figures could well surprise us all.

Council plans to play its part in helping to ease the current housing shortage by making a modest investment to expand the utility networks over coming years to enable development. In addition to reversing our earlier decision to sell our pensioner housing stock, we now plan to add new units now that waiting lists have evolved. This is a good example of listening to the community and responding to market demand.

We believe the district has some exciting opportunities to build on our population growth ahead as the Manawatu Gorge replacement is constructed and eventually opened. This vital arterial route, with reliable travel times, will open up the district's affordable housing to new markets.

We continue to place strong importance on investment in economic development for the district. Our economic development team continues to exceed its targets to support businesses, events and community organisations. One significant economic development project supported by Council during the year was the Pongaroa Fuel Stop. A grant of \$70,000 by Council enabled this vital service for both locals and visitors to become a reality.

Attracting visitors to Tararua is another key function of our economic development team and the jewel in the crown is our new i-SITE Visitor Information Centre in Woodville. The i-SITE is receiving extremely positive results from visitor satisfaction surveys. In addition to being the welcoming face of our district for visitors, the team travel to events such as the 'Covi Motorhome Caravan and Outdoor SuperShow' to tell our story to continue to increase visitor numbers.

Looking ahead we are seeking opportunities to invest in events in the district to both help attract new visitors and provide activities for our local communities. We are also investing in planning for new tourism opportunities, including the development of a district-wide cycleway and walkway strategy. We have sought assistance from central government's new Provincial Growth Fund to increase the total investment we can make in this important work.

The Provincial Growth Fund offers the Tararua District significant opportunities to undertake investment in projects that are beyond our financial capacity to achieve. We have already made two

applications to the Fund and are busy undertaking the early planning stages of further projects for submission for funding over the year ahead.

International relations

During the year Council undertook a review of its international relations strategy. While the review initially considered an Asia focus we have ultimately decided to prioritise our natural heritage relationships, which include existing district connections to Scandinavia, Poland and the Czech Republic.

The first opportunity to deepen one such relationship was our first ever mayoral reception as a district. We hosted the Czech Consul, Hana Flanderova, at a formal reception that included the Lindauer artist-in-residence, Jana Hylmarova and her parents, along with representation from iwi and 1st Battalion, Royal New Zealand Infantry Regiment. It was particularly great to see present at the reception all of the Mayors since Tararua District was established nearly 30 years ago.

We have also accepted an opportunity to develop a "twin towns" relationship between Pahiatua and Kazimierz Dolny in Poland. This relationship acknowledges the strong connection Pahiatua has with Poland after the establishment of the Polish Children's Camp during World War II. We look forward to the ongoing development of this twin town relationship.

Challenges

The closure of the Manawatu Gorge road has had, and continues to have, a significant impact on our district. The economic and social impacts will be with us for some time and Council is not immune from these. Many of our roads around the Gorge are experiencing higher than normal traffic flows and this increases wear and tear and results in higher costs for repairs and maintenance.

While we still have a significant period of time before the situation is remedied by the completion of the Manawatu Tararua Highway, we must remain mindful of the benefits this will bring to the district. We anticipate benefiting from the construction of the road as new workers come to town and we expect to see new residents take advantage of our affordable housing once it is completed. Council will continue to explore opportunities to seek benefits for the Tararua District as construction commences.

While the decision to not reopen the Gorge has been a difficult one for us all to face, the potential tourism opportunities along with the benefits of the new route – dare we say the Manawatu-Tararua Highway – will be significant.

Another major challenge facing not just our farming communities but all of the Tararua District is the impact of the Horizons One Plan.

As we all know, anything that impacts our farmers flows throughout our economy. It is for this reason we continue to keep a close eye on proposed development changes related to the One Plan.

The results of the Havelock North Water Inquiry continue to have a significant impact on Council. We have increased our resources in this vital area and have a Quality Management System process underway. We are seeking to continuously improve our Water Safety Plans, including increased chlorination and water sampling, all of which increases our operating costs.

With central government reviewing water management the future is somewhat unknown but we will continue to deliver on our capital programmes as planned, and respond to changes as they eventuate.

Stormwater management and associated drainage is another area that has experienced increased costs during the year, largely due to adverse weather events. As a result, we completed an additional \$5 million in emergency road works over and above that planned. The disruption these weather events cause contribute to the low customer satisfaction both in our stormwater systems, and our rural roading network. Investment in this area is an ongoing balance between affordability and the likelihood that climate related events are going to increase, both in frequency and intensity. We have provided more emphasis on drainage to increase our resilience in the 2018–2028 Long Term Plan.

We continue to review our capacity to deliver our services in the face of ever increasing demand and compliance requirements. One area that has experienced increased demand is enquiries for building work and applications for building consents during the year. Despite these increases we have not compromised on the quality of our service. Likewise, we have responded to new testing and treatment requirements for water. Where necessary we have increased resources and/or reorganised teams to create greater efficiency to meet these demands.

Delivering on our capital programme is always a challenge when unplanned events arise. We have increased our project management capabilities over the last three years and this has resulted in improved completion outcomes, but there is more to do. We plan to place further focus on smarter procurement processes and increased project management capability through the creation of a Project Management Office team.

Looking ahead

A number of challenges lie ahead and we believe each of these will be overcome and result in opportunity for the Tararua District to benefit as a whole. We are in a sound financial position with a strong balance sheet – this gives us room to respond to unforeseen events and take advantage of opportunities as they arise.

We have a strong and united council fully aligned to the vision and objectives we have set ourselves. We are continuing to build strong relationships with our communities, iwi, NZ Transport Agency, our neighbours and central government, ensuring that the voice of the Tararua District is considered when crucial decisions are made.

As we look ahead, our key strategies of improving core infrastructure, facilitating economic development, and prudent financial management will remain our focus. We anticipate continuing improved results in our capital programme as we embed project management disciplines through our Project Management Office team.

We are looking forward to the results of the recent assessment of our Council through Local Government New Zealand's CouncilMARK™ programme. The programme provides an independent assessment of Council in four key areas of operation and provides a fantastic opportunity for continuous improvement, transparency and confidence to ratepayers.

Finally, we would like to thank councillors, staff, and contractors for their ongoing efforts in delivering on the vision and strategies of Council. All of us are proud to work for and on behalf of the Tararua District.

With so many opportunities ahead, and as our 30th anniversary approaches in 2019, we must continue to build and celebrate our unique identity and continue to put Tararua District on the map.



Tracey Collis
Mayor



Blair King
Chief Executive

STRATEGIC FOCUS

Council first adopted its Vision and the underlying three limbs of strategy in the 2012–2022 Long Term Plan – Core Network Infrastructure, Economic Development and Financial Prudence. In the three years that followed, Council made significant progress on these strategies.

The 2015–2025 Long Term Plan maintained the same three strategies but, through consultation with the community, prioritised, refocussed, and expanded on the strategies given new challenges and achievements.

The following summarises our progress towards the Council's strategies for the first three years of the 2015–2025 Long Term Plan.

Strategy 1: core infrastructure

Continued investment in core infrastructure:

To build resilience in water, wastewater, stormwater, and roading networks.

Progress:



2017/18



2016/17



2015/16

This Year

- We continued with our infrastructure strategy and invested \$18 million this year, in our core infrastructure, to ensure we continue to have the capability to deliver the agreed service levels.
However, we had to defer and carry forward 46 capital projects totalling \$4.4 million to 2018/19.
- Our roading network continued to be severely impacted by recent weather events, which resulted in over \$5 million of additional work. We were successful in applying for enhanced funding that resulted in a 20% increase in the Financial Assistance Rate for this work.
This resulted in an unplanned increase in workload (approximately 30%) over the year with 1,054 individual flood damage faults being recorded. The Tararua Alliance, with the assistance of various consultants and subcontractors, have completed 866 of these faults. Of those remaining, many were made safe and only require minor site works to complete, while others required engineering investigation, survey, and design. These sites are continuing with work over the next 12 months to increase resilience.
- A major area of focus for the Tararua Alliance has been on improving processes, systems and tools to enable better investment decisions to be made, informed by accurate asset inventory data. Examples include developing a system that allows the Tararua Alliance to record and manage all faults with a weather event in a map format, improving our ability to respond, prioritise and manage subsequent repairs in the most effective and efficient way, reducing cost and delays. This same system has enabled better communication through the Tararua District Council website by being able to show the status of roads visually on a map as opposed to the traditional list format.
- Six of our seven water schemes now have a current Water Safety Plan. Ongoing work is now required to address a number of safety risks identified in the plans. Akitio's Water Safety Plan will be completed in early 2018/19 after the new water treatment plant is commissioned.

Legend:

● On Track

● Need to catch up

● Needs more effort

- The Pahiatua and Woodville water treatment and storage upgrades were expected to be completed by 2017/18. These are both under construction and are expected to be completed in the early part of the 2018/19 year.
- Stormwater modelling completed by the Tararua Alliance has resulted in a review of our historic capital programme. The modelling has allowed Council to model the anticipated outcome of the stormwater infrastructure concepts and designs to ensure we are making the right decisions that produce the most benefit for the community and provide value for money solutions. We have identified 13 new potential projects and we are in the process of completing feasibility studies. These findings will form the basis of Council's long term planning for stormwater infrastructure.

Long Term Plan Achievement

- The first three years of the 2015–2025 Long Term Plan have seen Council make significant progress on improving resilience to core infrastructure. Council has spent \$41.5 million against a budget of \$46.8 million for the three years.
- We have substantially progressed our strategy of improving drinking water resilience. We started this process with the construction of the impounded supply for Dannevirke during the 2010/11 financial year, providing 18 days storage. Significant water storage projects that are under construction, but will not be completed until the 2018/19 year, include the Pahiatua and Woodville water storage upgrades. Once completed, these will provide seven and 27 days storage respectively. We have also upgraded treatment facilities at six of our schemes, to improve the quality and safety of drinking water. The commissioning of the new water treatment plants at Pongaroa and Akitio will occur in early 2018/19 and we plan to construct a new treatment plant for Pahiatua in 2018/19.
- Significant weather events resulted in emergency works of \$6.4 million spent on the roading network.
- The frequency and severity of the climate related events are increasing. This has put increased pressure on the resilience of both our roading and stormwater infrastructure, as well as our wastewater treatment plants by way of stormwater infiltration. Funding has been increased in the 2018–2028 Long Term Plan to further improve the resilience of these core infrastructure groups.
- We deferred from our originally planned stormwater upgrades to undertake detailed stormwater modelling. The results from the stormwater modelling showed that the originally planned projects would not create the benefits originally planned. We are using the results of the modelling to see the long-term implications of proposed solutions to ensure the benefits desired to minimise the effects of heavy rain events are achieved.

Strategic Focus

Continued investment in core infrastructure:

To improve our environment and meet our commitments to the Manawatu River Accord

Progress:



2017/18



2016/17



2015/16

This Year

- The Ministry for Environment funded wastewater treatment plant upgrade at Eketahuna did not progress as planned in 2017/18. We are in the process of obtaining a new resource consent (conditions regards to treatment) to determine the design of the treatment plant.
- Three of our seven wastewater schemes are currently operating on temporary consents. The terms and conditions of new consents will be more rigorous than previous consents due to increased environmental standards under the provisions of the new regional 'One Plan'. We are going through consent hearings for both the Pahiatua and Eketahuna wastewater schemes, and will be lodging a consent application for Woodville in early 2018/19.
- The lining of the Dannevirke wastewater treatment plant was completed in July 2017. This was a major multi-year project that has resulted in increased storage capacity, allowing Council to minimise the effect of discharge on the receiving environment.
- Council has established the Mana Whenua working party to work closely with Iwi members from Rangitane o Tamaki nui a Rua and Ngati Kahungunu ki Tamaki nui-a-Rua to address Iwi concerns over Council's wastewater point discharge into our rivers.

Long Term Plan Achievement

- Council made significant investments totalling \$4.6 million to improve our wastewater treatment plants over the three years of the Long Term Plan.
- Notable achievements were the deepening and relining of the wastewater ponds in Dannevirke, Pahiatua, Eketahuna and Woodville. This eliminates any potential for wastewater leaching through the bottom of the ponds and into water tables. It also enables more storage of treated wastewater so that we can discharge to the river at times of least environmental impact.

Legend:

On Track Need to catch up Needs more effort

Continued investment in core infrastructure:

To increase public safety in Council roads, footpaths, recreation facilities, and public buildings

Progress:



2017/18



2016/17



2015/16

This Year

- One fatal accident was recorded on local roads during the year, however the cause was not due to road factors.
- The overall condition of our footpaths is close to the best we can get – only a small number of defects noted. What the results shows is, of the 301,638m² of footpaths in the database for the district, only 2,646m² (0.9%) has a defect severity grading of 4 or 5 (5 being the highest).
- However, public satisfaction continues to be low in this area because of two issues – lichen and vehicle entranceways. Lichen can cause the footpath to become slippery, therefore we are increasing our maintenance to address this issue in 2018/19. Vehicle entranceways can cause safety issues to those with mobility scooters and push-chairs as they transition from footpaths to the road. Vehicle entranceways are the responsibility of property owners, but Council is investigating appropriate strategies to improve these due to the safety issues caused.
- We continue to maintain our parks, reserves, playground equipment and sports facilities to relevant safety standards.
- Health and safety remains the highest priority for the Tararua Alliance, where a positive zero harm culture continues to be developed. In the 2017/18 year, 541 "safe behaviour observations" were recorded, and 85 temporary traffic management sites were audited (both Tararua Alliance sites and others working in the road corridor). One medically treated injury occurred, with no lost time injuries.
- Council invested \$1.2 million in minor safety projects during 2017/18. This includes \$368,000 on converting streetlights to LED bulbs.
- Council also invested another \$1.2 million in the Saddle Road (a total to-date of \$6.4 million) to mainly improve safety.
- Council's Health and Safety Coordinator was recognised nationally for establishing a positive health and safety culture, being a finalist for the NZISM Health and Safety Practitioner of the Year.
- As Council works with a large number of contractors, it was recognised that we are a key influencer for health and safety within our district. Although our original efforts were to ensure contractors met their health and safety obligations, we have been able to provide support by way of templates and advice to small businesses to help them understand their health and safety obligations.
- We are mid-way through completion of water and wastewater treatment plants Hazardous Substances review to comply with the Hazardous Substances Regulations (2017). The regulations came into force in December 2017 with a transitional period for certain aspects of the regulations up until December 2019.
- We have implemented a programme of works to comply with the Asbestos Regulations (2016), which came into effect in April 2018. WorkSafe NZ identifies asbestos exposure as the leading cause of death from workplace related disease. Having an asbestos management plan for all Council sites will reduce workplace related health risks, keeping our staff, contractors, and visitors to our sites safe from ill health caused by exposure to asbestos.

Strategic Focus

Continued investment in core infrastructure:

To increase public safety in Council roads, footpaths, recreation facilities, and public buildings

Long Term Plan Achievement

- The previous three years have seen significant legislated changes in all areas of Health and Safety, with the introduction of the new Health and Safety at Work Act. As a result Council has employed a dedicated Health and Safety Officer to ensure we meet our obligations under the new legislation.
- Safety is a major focus for the Tararua Alliance, both for staff and for the public. With a high number of work sites in public areas, Tararua Alliance has strict controls and processes to ensure safety at its work sites. Audits are completed on work sites to ensure the safety controls and processes are followed at all times, as well as regular education on safe working practices.
- We have spent \$2.2 million on minor safety improvements in the last three years. The 2018–2028 Long Term Plan will see an increase in investment in minor safety improvements from \$600,000 per year to \$1.2 million by 2019/20. This will also allow sealing of specific unsealed sections of road to improve safety.

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

Continued investment in core infrastructure:

To meet legally required performance standards

Progress:



2017/18



2016/17



2015/16

This Year

- Three of our seven wastewater schemes are operating under temporary consents (current consents have expired). We are currently going through the Pahiatua and Eketahuna wastewater consents renewal process. We will be submitting to Horizons the renewal for the Woodville wastewater consent early next year. We continue to monitor our impact on the receiving environment whilst operating under these consent conditions to ensure we are minimising our impact on the receiving environment.
- We continue to meet all resource consent conditions for both our urban water and wastewater schemes.
- We did not comply with all of the requirements of Part 4 and Part 5 of the Drinking Water Standards. We did not comply with Part 4 of the Drinking Water Standards due to not meeting the minimum testing requirements for three of our schemes. Part 5 was non-compliant as this requires 24 hour monitoring of our water schemes. We have SCADA systems installed that will enable us to do 24 hour monitoring, with the process currently being trialled for the Woodville water scheme.
- We received a non-compliance notice on our resource consent conditions for our two landfill sites, Eketahuna and Pongaroa. Pongaroa consent conditions were not met as Horizons did not receive the Landfill Monitoring Report in the allotted timeframe. We now have procedures in place to ensure it is documented when sent and acknowledge receipt. The reports were provided to Horizons in July, ensuring we will be compliant. Eketahuna consent conditions were not met because of minor operational issues. Actions were taken to rectify these issues.

Long Term Plan Achievement

- The previous three years proved challenging for Council in relation to meeting its mandatory compliance measures. However, significant emphasis is being placed on meeting these measures. We are progressing with renewing resource consents for our three wastewater schemes operating under temporary consents, and are committed to reducing the impact of wastewater entering the receiving environment. In water supply, we are ensuring we have the correct processes and resources in place, as well as investing in upgrading our treatment plants to ensure we provide drinking water that is safe to drink.

Strategy 2: economic development

Promoting and facilitating economic development:

Supporting and facilitating growth in local business

Progress:



2017/18



2016/17



2015/16

This Year

- The closure of State Highway 3 through the Manawatu Gorge severely impacted local businesses and service providers throughout the district, with Woodville particularly hard-hit, and the effects will continue to be felt as the alternate route is constructed.
- Immediately following advice that the Gorge would be closed for a significant amount of time, the Mayor, councillors and staff conducted visits to affected communities, walking the main streets and attending various community meetings to discuss the effects of the closure.
- Council staff remained in contact with local businesses via regular email updates and appointed a staff member to work at the Tararua i-SITE in Woodville to meet with anyone requiring support or advice. In addition to this we organised and delivered a free cashflow management seminar and sponsored advertising to promote Woodville, including the installation of new signage on the Saddle Road encouraging traffic to "Experience Woodville."
- We continue to experience exceptional visitor growth to our camping grounds in the district with a 31% increase over the previous year. Our visitor numbers for the previous three years have been: 14,322 in 2015/16; 15,046 in 2016/17, and 19,676 in 2017/18.
- The Tararua Business Network has worked alongside 48 businesses, providing support and enabling growth, and hosted 84 events in the Training/Seminar Room, with the Board Room used for business meetings on 61 occasions. Of the 48 businesses supported, nine were existing small-medium enterprises, 10 were new start-ups, and 29 new ideas.
- A total of 47 businesses who contacted the Business Network for assistance, received support and training, and were presented with opportunities that varied according to the requirements of their business. Of these, fourteen were existing small-medium enterprises (SMEs); thirteen were new start-ups and twenty new ideas.
- The Regional Business Partner Network is a nationwide network of organisations delivered by New Zealand Trade and Enterprise (NZTE) to support business growth and innovation in New Zealand.
- The Central Economic Development Agency (CEDA) is the Regional Business Partner for the Manawatu-Whanganui region and provides information, mentoring, marketing and economic leadership to businesses, as well as access to potential funding streams. This year five businesses were referred by the Business Network, as they qualified for support from CEDA.

Long Term Plan Achievement

- Council has focused strongly on supporting and facilitating growth in local business. We have worked alongside 140 business in the last three years, supporting them to succeed by such initiatives as providing training opportunities, tailored business advice, and linking businesses with other agencies such as CEDA for further business growth and innovation.

Legend:

On Track

Need to catch up

Needs more effort

Promoting and facilitating economic development:

Build district identity

Promote the district by telling our story

Progress:



2017/18



2016/17



2015/16

This Year

- Over 10,000 people came to the district to attend major events, such as Woodville Motocross, Wheels with Attitude, and Dannevirke A & P Show.
- Council continued to participate in national trade shows and this year also attended Hilux New Zealand Rural Games. These events provide the platform necessary to promote our district for those considering visiting or relocating here for lifestyle, business and/or investment. Over 75,000 people attended these trade shows.
- To be able to maximise and measure the benefit of attending these shows, Council produced a "Tararua Passport" that used a targeted monitoring system to capture and record how many visitors came to the district from the show. The Passport focused on promoting tourism attractions and featured discounted offers from iconic businesses in the district. We will be able to measure the success of attending these national events.
- The i-SITE assisted with the "Win in Woodville" promotion and the "Mad Hatters Day". Both of these events supported the local businesses of Woodville by encouraging visitors to stop and shop in Woodville.
- Based on Paymark and BNZ MarketView, the total value of spending in the district has increased by 5.6% compared to last year, and is above the New Zealand average increase in spending of 4.4%. Woodville showed growth of 2.3% despite the closure of the Manawatu Gorge route, and the closure of three retail shops.

Long Term Plan Achievement

- We have promoted Tararua to a wide range of audiences as a great place to live, play and visit. We have done this by attending a number of trade shows, including the Auckland Home Show and Mystery Creek Field Days. It is often difficult to measure the success of attending these events and in 2017/18 we developed the 'Tararua Passport' as a method of both attracting visitors to our district and measuring the success of attending these national events.
- Over 10,000 people annually continue to attend major local events, such as the Woodville Motocross, Wheels with Attitude, and the Dannevirke A & P Show.
- Discussions held during the 2018–2028 Long Term Plan stakeholder meetings highlighted the need for a clear identity. Council is in the process of removing the "Tararua Country" branding with a focus on promoting the "Tararua District" to improve our identity.
- Based on Paymark and BNZ MarketView, the total value of spending in the district has increased by 9.9% since 2015/16.

Strategic Focus

Promoting and facilitating economic development:

Provide business friendly and welcoming support for new residents

Progress:



2017/18



2016/17



2015/16

This Year

- Welcome packs sent out to 344 new residents.

Long Term Plan Achievement

- We have sent 1,104 welcome packs to new residents over the prior three years.
- The population of the Tararua District declined over the 12 years to 2014. Since then, our population has stabilised and shown modest signs of growth with population increasing by 150 residents from 2014, to 17,600 in 2016.

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

Strategy 3: financial viability

Continued financial viability through sustainable growth and investment:

Cost control

Progress:



2017/18



2016/17



2015/16

This Year

- Operating expenditure, excluding depreciation and fair value movement of derivatives, was \$23.9 million (\$22.3 million last year). The main driver for this increase was the additional unbudgeted expenditure for emergency repairs on the roading network from the storms in July and March. This amounted to \$1.4million, but with an enhanced subsidy of 84%. Another area where we significantly exceeded our budget was in Water Supply due to responding to the Havelock North inquiry by increasing compliance, monitoring, and chlorination costs.

Long Term Plan Achievement

- Overall, we have performed well in managing cost control for the previous three years. Our rates requirement in 2017/18 was \$21.5 million compared to the 2017/18 Long Term Plan budget of \$22 million.
- Current and future challenges include responding to increasing cost pressures from increasing demand for services, compliance costs for wastewater and water supplies, and as new plants being constructed become operational.

Affordability

Progress:



2017/18



2016/17



2015/16

This Year

- Rates increases have declined from 4.26% in Year 2011/12 to 2.23% for the 2017/18 year.

Long Term Plan Achievement

- During the three year period of the 2015–2025 Long Term Plan, we achieved a combined rates increase of 6.92% against a planned combined increase of 9.41%. We achieved this by finding efficiencies, better cost management and changes to delivery of services.

Strategic Focus

Continued financial viability through sustainable growth and investment:

Reducing financial and business risk

Progress:



2017/18



2016/17



2015/16

This Year

- Council's current external borrowing is \$17 million. This is held as a combination of short and long term debt, with appropriate risk management strategies in place to achieve low interest costs to rate-payers and minimise impacts of future rate increases.
- Adequate insurance policies are in place to mitigate risk of unplanned asset replacements due to natural disasters.

Long Term Plan Achievement

- Brought in-house the management of the forestry operations and have accumulated net cash returns of \$567,000 from this activity.
- Council introduced an Audit and Risk Committee in 2015, which is led by an independent chair. This committee provides an oversight of the Council's approach to risk and compliance.
- Our average interest rate on debt for the year was significantly lower than planned at 4.22% compared to a budgeted rate of 4.9%, and has reduced from 5.63% in 2015/16. This is due to the continued low Reserve Bank OCR rate of 1.75% making debt less expensive to finance, and Council using a mixture of short and long term borrowing.
- Council maintained significant debt headroom compared to the debt limits set in the Treasury Risk Management Policy as part of the 2015–2025 Long Term Plan. During the update of this policy, we reduced the limit of debt not exceeding total revenue to less than 50%, and in 2017/18 achieved 34%. This has enabled Council to maintain a strong balance sheet leading into the 2018-2028 Long Term Plan.

Legend:

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

Continued financial viability through sustainable growth and investment:

Financial sustainability (long-term financial health)

Progress:



2017/18



2016/17



2015/16

This Year

- Total debt levels (external and internal) continue to be within the limits in the Long Term Plan.
- External debt increased from \$11 million to \$17 million, with \$2 million of short term borrowing.

Long Term Plan Achievement

- Despite the heavy investment in infrastructure, Council has maintained a very healthy balance sheet, with low debt levels. This has left Council strongly placed in the 2018–2028 Long Term Plan to be able to respond to the future needs of the community and to emerging challenges such as increasing climate related events.

HOW WE SPENT YOUR RATES

We provide a variety of services to the district ranging from animal control, building 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.



● | 4% | \$69

DISTRICT PROMOTION AND ECONOMIC DEVELOPMENT

Significant activities: Continued business development and connecting communities; Production of the 2018 Tararua District Visitor Guide; Supported businesses by providing free training/seminars and Biz Mentors.



● | 5% | \$107

REGULATORY SERVICES

Significant activities: Recruited 5 more staff (Animal Control Officer, District Planner and three in the Building team); Completed the District Plan change; Developed the Welfare Plan and Civil Defence Centre Guides; Eight schools trained in operating the Civil Defence radios.



● | 22% | \$443

COMMUNITY AND RECREATION FACILITIES

Significant activities: Upgrade of camping facilities included new cabins and toilets; Heat pumps and significant upgrades to pensioner housing; Radio frequency identification and self-check kiosk implemented in libraries.



● | 9% | \$176

BUILDING COMMUNITIES AND LEADERSHIP

Significant activities: 80% community satisfaction with vision and leadership, \$70,000 grant for Pongaroa fuel stop; further 13 CCTV installed; Provided \$309,000 in community grants; Invested in drones and gained international reputation as a "smart city" for its innovative use of drones.



● | 7% | \$131

SOLID WASTE MANAGEMENT

Significant activities: Developed and adopted a new Waste Management and Minimisation Plan; Completed constructing the Eketahuna Transfer Station; Constructed infrastructure for glass recycling which included bins and containers and the new glass transfer station.



● | -3% | -\$51

TREASURY AND SUPPORT

Significant activities: Interest costs were well within budget.



● = decrease from 2016/17

● = increase from 2016/17



● | 31% | \$620



● | 4% | \$71

ROADING AND FOOTPATHS

Significant activities: Miller Street realignment, Route 52 washout repairs, Saddle Road repairs and improvements; Over \$5 million of flood damage repairs across the district; Reseals and culverts across the district; District-wide mobility scooter footpath assessments completed; District-wide LED street lights replacement; Approximately 59km (more than 350,000m²) of road was resurfaced; 3.1km of pavement rehabilitation was completed; 2,024km of grading of roads was carried out.



● | 10% | \$191

WASTEWATER

Significant activities: renewal of Eketahuna and Pahiatua wastewater discharge consents; District-wide renewals; Established the Mana Whenua Working Party to facilitate and encourage local iwi involvement; Purchased a jetting unit to respond effectively to blockages in the wastewater pipe network; Smoke testing for inflow and infiltration was carried out.



● | 11% | \$214

WATER SUPPLIES

Significant activities: 2 new staff recruited to assist in compliance work; District-wide renewals; Akitio and Pongaroa water treatment plant near completion; Made significant progress in the Woodville impounded supply project; Investing in staff to have qualified reticulation technicians and treatment plant operators.

The symbols indicate the locations of significant projects.

LEADING THE WAY

Tararua Alliance

Unique structure

Four years ago, Council entered into an Alliance partnership for roading and footpath infrastructure, as well as water, wastewater and stormwater reticulation with Downer NZ Ltd. Tararua District Council was one of the first Councils to adopt the alliance model of service delivery, and although this model is now not uncommon in New Zealand, the Tararua Alliance structure is still unique. The Tararua Alliance Manager, a Downer employee, is a member of Council's Senior Leadership Team. With Council's lead supplier embedded within the organisation, they are better able to understand Council's strategic context, have a direct relationship with governance, and influence from within the Downer organisation. This ensures that "best for alliance" and "best for asset" decisions are being made whilst also having a direct understanding of the various constraints such as affordability, adding value for both Council and Tararua ratepayers.

The awareness of the alliance model is increasing within New Zealand. With more Council's looking at the benefits generated, the Tararua Alliance have been approached by staff from a number of Council's wanting to know more about how an Alliance works. At the same time the confidence in the Tararua Alliance with other key stakeholders, such as the NZ Transport Agency, continues to grow, contributing to a positive Long Term Plan result and National Land Transport Programme submission (securing central government investment in Tararua's roads). While final funding approval will not be confirmed until the end of August, indicative funding approval has been provided by NZ Transport Agency. This indicated that Council's funding application of approximately \$34 million would be approved. It also confirmed that Council's Financial Assistance Rate (FAR) would be increased from 64% in 2017/18 to 66% in 2018–2021.

Asset management excellence

A key role of the Tararua Alliance is to improve Council's asset management maturity, ensuring effective long term decisions are made while considering whole of life costs and risks, which are founded by robust asset data and information. Like many Councils in New Zealand, Tararua's asset management maturity has historically been low, with deliverables met out of compliance and decisions based on anecdotal evidence. The Tararua Alliance is focussed on improving this, making asset management an integral part of everything we do. The first step is having a robust understanding of the assets Council has, their condition and expected life, and what they will cost to replace. Thousands of changes have been made to Council's asset registers over recent years, with further updates and improvements being made on a weekly basis. This work was recently recognised by industry, with the Tararua Alliance (Tararua

District Council and Downer) named a finalist in the 2018 Institute of Public Works Engineers Australasia (IPWEA) New Zealand Excellence Awards for "excellence in strategic planning".

Innovation and new technology

Expectations of continuous improvement in everything the Alliance does is built into the culture of our staff and our key supply partners. Innovation and new technology is everywhere and can have significant cost reductions and efficiency improvements. The following highlights some of the new innovations and technology being used by the Alliance:

- We have automated the water meter reading process by introducing a digital data collection tool. The next stage we are trialling is the use of radio frequency water meters, a relatively new technology beginning to be utilised more throughout New Zealand and other countries, as a cost effective and time efficient means of collecting usage data for water consumption. The Tararua Alliance have purchased these new type of meters and are trialling them on the Eketahuna water scheme. This is expected to significantly reduce both time and effort in physically reading water meters, while improving billing accuracy and providing meaningful data for analytics of water consumption and water leakage. The findings of this trial will determine whether other schemes would benefit from this new technology, with the possibility of applying this methodology to the entire district.
- Collecting various forms of "work completed" data using tablets and digital devices to improve accuracy, reduce administration time, and ultimately improve delivery of services including urban street sweeping, rural maintenance grading, rural roadside mowing and vegetation trimming activities. Working alongside our various supply partners, we are reducing both parties' administrative efforts enabling them to focus on their core functions, quality of work and productivity.
- We are using advanced computer modelling software to simulate "design storms" or large rainfall events to improve our understanding of stormwater networks and schemes. In doing this we are able to direct Council's capital investment to where it provides the most benefit to the community.
- With nationally recognised in-house expertise in pavement deterioration modelling (dtims), the Alliance is leading the way using these tools to enable effective asset management of our roads and other assets, by ensuring decisions around treatments are evidence based and best for network.
- Spatial analytics using geographic information systems (gis) is becoming normal practice for managing activities where

travel and distance are significant cost contributors. The Alliance are proactively using GIS and spatial tools to better manage our networks by:

- improving planning of physical works;
 - performing trend analysis across the Tararua network to identify "hot-spots" and target areas;
 - modelling both deterioration and predicted demand changes such as forestry heavy traffic and water reticulation pressure and flow.
- Recent implementation of a job management system has improved the way we manage work requests, record work done on utilities assets and build maintenance history for reticulation assets. This is a first for Tararua utilities networks.
 - New grading machinery and techniques, implemented since the start of the Tararua Alliance, continues to provide value by reducing both grading frequencies and metalling needs – reducing costs to Tararua ratepayers. This includes the scarifying "teeth" and walk behind rollers on the graders to effectively utilise and compact existing pavement material, and the grader operators having the flexibility to grade and shape roads to keep the water off the surface.
 - Using acoustic inspection tools to inspect and analyse waste water pipes to more effectively and efficiently determine CCTV inspections needs. By crudely inspecting a whole network very quickly, we can ensure our more time intensive inspecting by CCTV can be utilised where it is most needed.

Drone technology

Council has gained an international reputation as a "smart city" for its innovative use of drones, considered a leader in its managed use of drone-captured data. Our work to develop practical applications for drones have featured in numerous articles, including software vendor Pix4D, Local Government Magazine. Our experiences were also presented at a recent ALGIM Conference (Association of Local Government Information Managers) where Council was a finalist for the 2018 GIS Project of the Year.

In 2016, Council began the process of investing in drone technology. This required an investment in drones and camera equipment of \$52,000 (three different sized drones and four cameras), as well as the training of operators on the rules and regulations of flying drones. In the 2017/18 financial year, we employed a Projects Specialist to operate the drones.

The purpose of the drones is to use aerial data to update the district-wide GIS mapping information, plan and track construction projects, including road wash-outs, bridge inspections, and capturing

infrared imagery for fire and heat loss detection including people and livestock.

All of the drones are capable of measuring volumes of earthworks, improving the planning for civil projects. The major washout at Route 52 highlighted the effectiveness of the drone technology. The road washout was mapped in under two hours with the drone and eliminated potential safety issues of manually surveying this site. Previously, it would have taken two people approximately 8 hours to conduct this complex site survey. Furthermore, the drone was beneficial in communicating progress of the re-construction to the Council. As we capture more drone footage, we will be able to further improve our communication to ratepayers of the progress of complex capital projects.

Another example of the value created by using drones is in the area of bridge inspections. Previously, bridge inspections required closure, or part closure of the bridge and the use of specialised equipment such as ab-sailing gear to enable access beneath it. The drones can be flown under bridges in a fraction of the time and capture high quality imagery. They are a much safer method in undertaking detailed bridge inspections and result in significantly reduced disruption to motorists.

The cameras attached to the drones are capable of taking stunning images and film footage, perfect for showcasing the Tararua District and promoting tourism. They have already been used to take film footage of the Waihi Falls, which was used at the Covi Motorhome Show to promote the district.

Health and safety

Health and safety is an activity that focuses on ensuring that everyone who comes to work goes home healthy and safe. There are direct financial and productivity rewards to the organisation for keeping our workers healthy and safe.

To achieve this, Council has strived to establish a positive health and safety culture. Continued drive with the "stand in the gap" ethos assisted Council in changing the view of health and safety in the work place. Throughout the 2017/18 year, health and safety training has been made available to all staff to help support our journey to a mature health and safety culture.

Health and Safety Coordinator, Sandy Lowe, was recognised nationally for this in the 2018 Safeguard Awards as a finalist in the category 'NZISM Health and Safety Practitioner of the Year'.

Pahiatua photograph preservation project

Records and information Management is not always just about filing and folders. The recent Pahiatua Photograph Preservation Project was about telling our story by preserving our history.

The council photographs on display within the Pahiatua Council Chambers needed to be removed while restoration work on the period panels was completed. This was an opportunity to ensure the images were digitised to ensure the preservation of this history. It was also a perfect time to identify and remedy any gaps in the collection. This project was completed with the help of Archives Central (our Shared Services Archives facility), Jean Eddie (a founding member of the Pahiatua Museum), and local picture framer (and ex councillor) Nick Hill. While there was originally some public concern that the photographs were being removed and would not be returned, this concern soon changed to delight when the newly collated and framed collection was again available for public viewing.

The positive feedback to date from the community has been overwhelming, and perhaps more surprising has been the national recognition. This relatively small project was awarded second place at the ALGIM IRM Project of the Year Awards held in May this year and recently featured in the Local Government national publication 'LG News'.

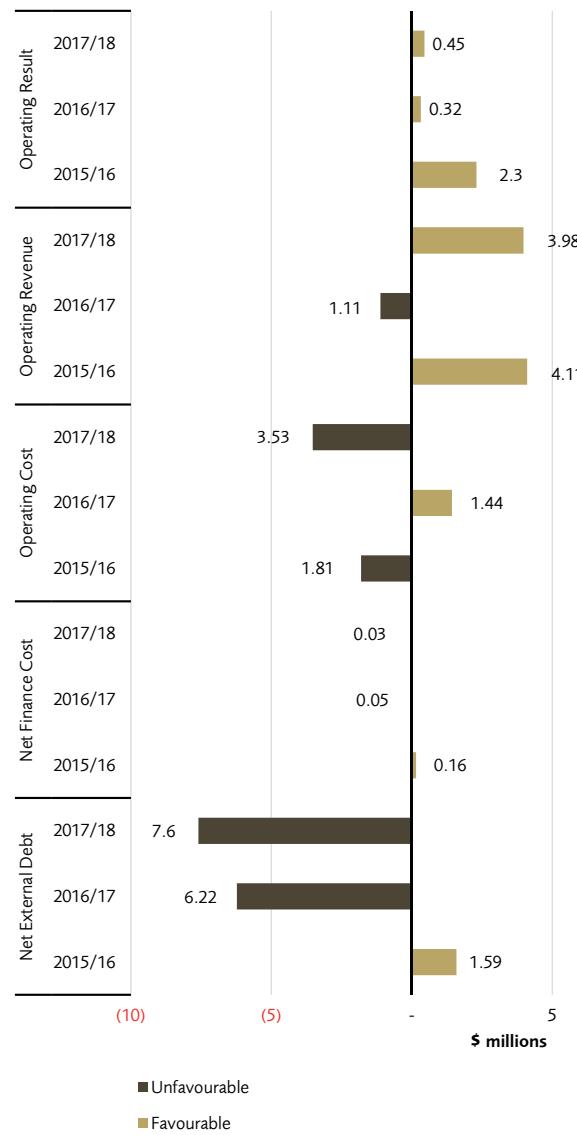
Other Council staff leading the way

In addition to the major projects identified above, the following Council staff are recognised in various institutions as leading the way:

- Violet Christison, IT Projects – ALGIM 2018 Information and Records Manager of the Year – (Winner)
- Heather Taylor, District Librarian – Public Libraries of New Zealand, Outstanding Service to Public Libraries – (Winner)
- Chris Chapman, Tararua Alliance Manager – Elected a board member for a two year term for the Institute of Public Works Engineers Australasia (IPWEA)

FINANCIAL PERFORMANCE OVERVIEW

FINANCIAL PERFORMANCE ACTUAL VS BUDGET VARIANCE



Operating performance

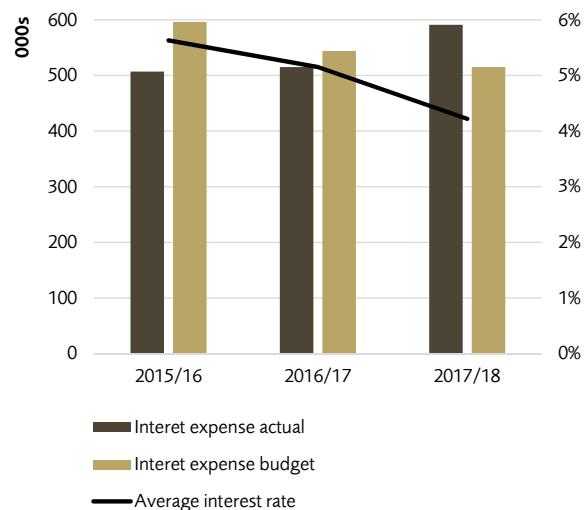
One of our focuses in the 2015–2025 Long Term Plan was cost control through operational efficiencies whilst still delivering agreed levels of service. We have performed well against this objective, with the average rates increase for the prior three years being 2.31% – significantly lower than the 3.14% average increase planned in the Long Term Plan. Despite the low rates increases, our overall operating performance has been favourable compared to plan over the last three years, exceeding the planned operating result each year.

The 2017/18 operating result was boosted by receiving \$3.2 million unbudgeted subsidies from the NZ Transport Agency (NZTA) for emergency renewals following wet weather events.

Excluding this unbudgeted work highlights some areas of unfavourable operating variances. We incurred significantly higher expenditure in Water Supply as we implemented new testing and compliance regimes, and added chlorine to previously unchlorinated supplies such as Pahiatua. These were direct consequences following the Havelock North Water Inquiry and were necessary to continue to ensure safe drinking water. The ongoing wastewater consent renewal process also had a significant effect on this year's operating result. The planned wastewater treatment plant upgrade for Eketahuna was put on hold until new consent conditions are known, meaning the budgeted subsidy revenue of \$650,000 from the Ministry for the Environment has not been received.

Financial Performance Overview

INTEREST RATE PERFORMANCE

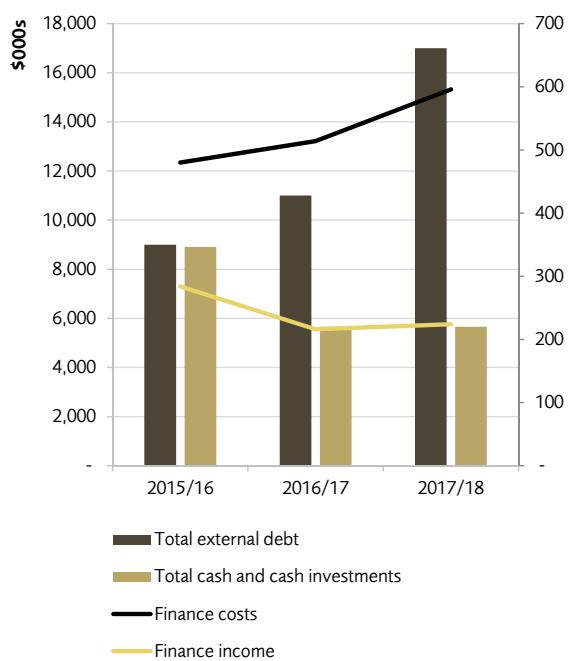


Treasury performance

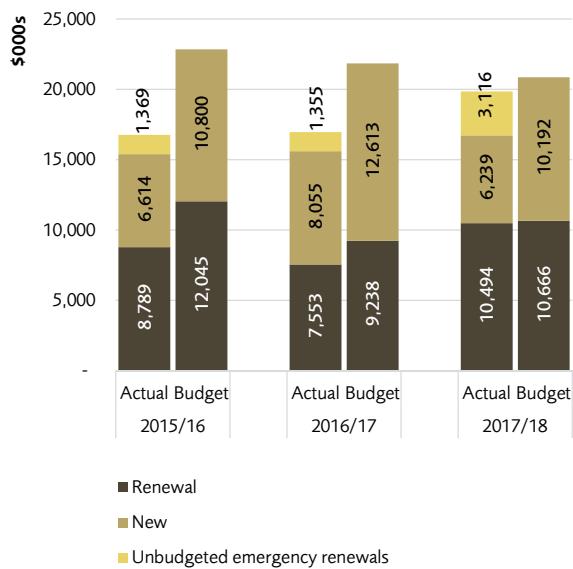
A strategic focus for Council is cost control. We have actively managed our cost of debt by having strategies that allow participation in the current low interest rate environment, and ensuring sufficient long-term protection from the risk of increasing interest rates by utilising swap instruments. The Interest Rate Performance graph highlights that we have been able to achieve reducing average interest rate costs year-on-year for the prior three years, from 5.63% to 4.22%.

Our external debt increased higher than expected this year, from \$11 million to \$17 million. This was due to a higher capital spend than planned due to the end of year carry-forwards and emergency works. Our closing cash balance for the 2016/17 year was lower than expected. This impacted our opening cash balance in the 2017/18 by being lower than what was planned in the Annual Plan, contributing to the higher external debt than planned. Despite the higher than planned net debt, our strong balance sheet leaves us well placed to achieve Council's long-term strategy by having sufficient headroom to invest in core infrastructure going forward.

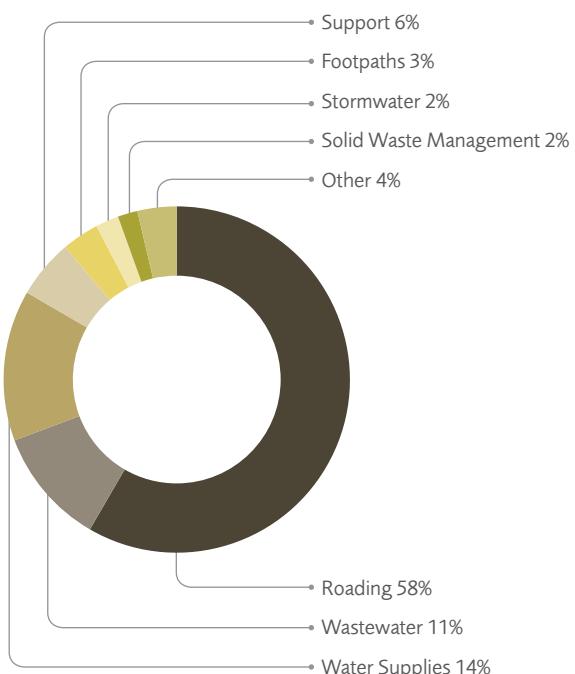
DEBT AND CASH INVESTMENT POSITION



HOW MUCH CAPITAL EXPENDITURE WAS SPENT?



WHERE WAS CAPITAL EXPENDITURE SPENT?



Capital expenditure performance

One of the three limbs in Council's strategy set in the 2015–2025 Long Term Plan has been on core infrastructure. In the 2017/18 year, 90% of spending was on core infrastructure (roading, footpaths, water, wastewater, stormwater, and solid waste).

Total capital expenditure for 2017/18 was \$19.82 million against a \$20.86 million budget. \$3.2 million consisted of unplanned emergency renewals in the Roading activity. Over the last three years Council spent \$5.84 million in unplanned emergency renewals from significant weather events. More emphasis on drainage and resilience works is planned in the 2018–2028 Long Term Plan to reduce the impact on service levels as a result of increased weather related events.

A strong focus for Council has been on improving the delivery of the planned capital programme. Excluding unplanned emergency works our capital expenditure delivery has increased from 67% in 2015/16 to 80% in 2017/18. This improvement reflects the investment Council has made to improve the capability to deliver capital projects.

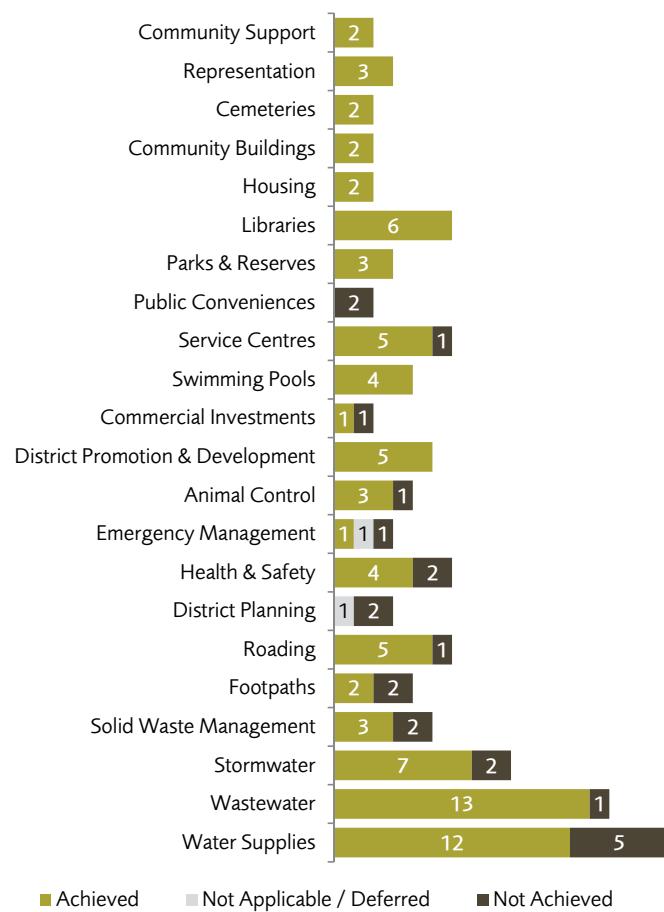
This year, the Tararua Alliance delivered on the planned roading capital expenditure, despite the significant unplanned emergency repairs. The unplanned work was equivalent to 30% of the total planned roading programme for 2017/18.

SERVICE PERFORMANCE

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

The following graph summarises the service performance results for the year by Council Activities. For details on Council performance for the service performance measures, refer to the 'Activities and Service Performance' section of this report.

SERVICE PERFORMANCE RESULTS FOR THE YEAR BY COUNCIL ACTIVITIES



Achievements

- The community's satisfaction with the councillors and community boards exceeded our target and are the highest to-date.
- We met 24 out of the 27 measures for the Community and Recreation Facilities group of activities.
- Animal control achieved the greatest improvement in customer satisfaction with an increase of 15% from 2016/17.

- We exceeded all targets for the District Promotion and Development activity.
- The response times to wastewater and water customer service requests continue to be well below our targets.
- Customer requests for the Roading activity were high as a result of adverse weather events. Despite receiving 1,674 customer requests, we significantly exceeded our response targets.
- 98% of Council's footpaths met the required condition standards.

Areas for improvements

- Due to a high level of customer requests for maintenance of public toilets, we did not meet the targets for public satisfaction and number of customer service requests.
- The targets for occupancy for our commercial buildings were not met, mainly due to the inability to find suitable tenants.
- Due mainly to staff resources and increase in customer service request/applications, the Regulatory Department did not achieve six out of 16 targets.
- Three out of the seven wastewater schemes require renewed consents. Two of the schemes are currently in the consent hearing process, with the third scheme's consent to be lodged in 2018/19.
- Three* out of the seven water schemes did not comply with the drinking water standards, as the required number of samples were not collected and tested. Council missed six out of 262 required samples. All of the tested samples met the Drinking Water Standards.
- 68% and 64% residents indicated through the community survey that they were not satisfied with footpaths and roads respectively.
- We did not meet our targets for water loss. We achieved 12% compared to a target of 7%.
- Due to the severe weather events we exceeded our targets for the number of customer requests for issues with our stormwater network and water clarity issues with our water network.
- Pongaroa and Eketahuna landfills did not comply with resource consent conditions because of some minor operational issues.

*The Drinking Water Standards require a testing regime with a minimum number of samples per week, plus two random samples for each plant. Council did not collect the random samples for the Dannevirke, Pahiatua, and Eketahuna schemes.

COMMUNITY SURVEY

This year we engaged external research provider, Key Research, to undertake the community survey despite not planning to do so. Therefore, we have measured the actual results against the same targets applied in the 2016/17 Annual Report. Four surveys were completed over the prior 12 months – October, February, April, and June/July. Total residents surveyed was 450, split evenly with roughly 113 people surveyed each quarter. The reason for doing the survey at different times in the year is to see trends and seasonal impact on resident satisfaction.

The results are an indication of ratepayers' general satisfaction with the various services, infrastructure, and facilities that are provided and maintained by Council.

COMMUNITY SURVEY RESULTS



The results of the surveys are included in the service performance measures detailed in the 'Activities and Service Performance' section of this report. We also took the opportunity to seek feedback on other aspects of Council. The notable results are (by percentage satisfied):

Key:
■ Dissatisfied ■ Somewhat satisfied ■ Satisfied

- 1 Vision and leadership – 80% (2017: 74%)
- 2 Overall Council performance – 85% (2017: 75%)
- 3 Satisfied with staff – 86% (2017: 90%)
- 4 Availability of water – 85% (2017: 89%)
- 5 Financial management – 74% (2017: 65%)
- 6 Ability to protect property from flooding – 75% (2017: 74%)
- 7 Quality of water – 73% (2017: 72%)
- 8 Feel safe from dogs – 77% (2017: 77%)
- 9 Satisfied with Council recreational facilities – 94% (2017: 91%)
- 10 Satisfied with Council community facilities – 93% (2017: 93%)
- 11 Percentage that have used Council recreational facilities in the last year – 86% (2017: 80%)

- 12 Library opening hours and range of books/other materials – 95% (2017: 93%)
- 13 Managing and issuing building consents – 88% (2017: 86%)
- 14 Provision of dedicated walkways/cycleways – 73% (2017: 36%)
- 15 Satisfied with rural roads – 54% (2017: 55%)

Feedback from the results of the survey have been used to determine appropriate strategies to address and/or manage the community expectations. We have increased funding significantly in the Long Term Plan to improve service levels in the following areas:

- Roading – to improve resilience in the roading network by increasing drainage maintenance, minor safety improvements, and a major upgrade of Route 52 – from Wimbledon to Central Hawkes Bay District boundary.
- Footpaths – tripled the maintenance budget to address areas of high dissatisfaction including lichen.
- Completing water treatment plant and water storage upgrades that have been progressed during the current Long Term Plan.
- Stormwater – using the recently completed stormwater modelling to develop a series of projects to improve the urban stormwater systems.

FINANCIAL OVERVIEW AND MAJOR VARIANCES

Explanations for major variances from Council's budget figures in the 2017/18 Long Term Plan are detailed below.

Statement of comprehensive revenue and expense

Revenue

- Rates revenue is lower than budget by \$92,000 due to writing off non-recoverable penalties.
- Subsidies are \$4.2 million higher than budgeted. This is driven from NZ Transport Agency subsidies for Saddle Road development of \$1.2 million budgeted in 2016/17, and emergency work subsidy of \$3.7 million. A significant portion of the emergency work subsidy was at an enhanced rate of 84%. This is partially offset by the Eketahuna wastewater treatment plant subsidy of \$650,000 not being realised, as the plant was not built as planned.
- Fees and charges are under budget by \$430,000. This is predominantly due to not recovering expenses from Fire and Emergency New Zealand, as Council's actual expenses were lower than budget.
- Finance Revenue is \$17,000 greater than budget. This is due to holding slightly more cash than anticipated during the year.
- Other revenue is lower than budget due to inclusion of budgeted forestry revenue – see below. This is offset by domain boards receiving \$80,000 more revenue, \$87,000 of insurance proceeds, \$20,000 revenue from honey sales, \$15,000 water storage tank sales and \$95,000 of various other revenue.
- Forestry Revenue has been budgeted under Other Revenue. Total revenue is lower than budgeted by \$228,000 as planned harvesting operations in Kaiparoro forest did not proceed due to bad weather and difficulty in attracting suitable harvesting operators.

Expenses

- Other operating expenditure is higher than budget by \$1.2 million. Significant variances are explained below:

	\$000s
Deduct unfavourable budget variances	
Roading emergency works as explained under subsidies	(1,425)
Add favourable budget variances	
Lower harvesting expenses as explained under forestry revenue	187
Budget variance	(1,238)

- Depreciation and amortisation is higher than budget by \$1.6 million. This is driven from found assets increasing the valuation and subsequent depreciation expense. The asset data improvement work by the Alliance identified numerous historic assets in the roading network that were not recorded in the asset register, and subsequently never valued or depreciated. These assets were recognised to accurately model the Long Term Plan 2018/28 financials.
- Personnel costs are higher than budget by \$357,000. This is driven from reclassifying \$291,000 of staff seconded to the Alliance from budgeted operational costs to personnel costs. The balance is additional resource in frontline customer services to manage higher customer requests, employing an additional staff member instead of engaging a consultant for marketing, and staff time to manage additional water testing.
- Finance cost is higher than budget by \$164,000. This is driven from interest on higher external debt balance and an unbudgeted non-cash adjustment of fair value of derivatives (swaps) which decreased in value.

Other gains/(losses)

- The favourable variance is driven from a significant increase in forestry valuation driven by higher log prices. This is partially offset by losses on assets as rural fire plant and equipment was gifted to Fire and Emergency New Zealand (FENZ).

Gain/(loss) on asset revaluations

- Gain on asset revaluation was \$26.2 million greater than budgeted. As explained in depreciation and amortisation cost above, a significant number of found assets were included in the Roading revaluation. Council also revalued its building stock which resulted in a significant increase due to higher property values.

Statement of financial position

Assets

- Debtors and other receivables is \$2.2 million higher than budget, made up of the June 2018 claim from NZ Transport Agency. Due to the volume of emergency work late in the season, the claim was significantly higher than budgeted.
- Other financial assets (current portion) is lower than budgeted by \$1.2 million. This is due to holding less term deposits as cash was required to fund debtors at year end (see above).
- Inventory is lower than budget by \$23,000 due to gifting rural fire inventory to Fire and Emergency New Zealand and holding slightly less material stock.
- Other financial assets (non-current portion) is lower than budget by \$42,000 as Council holds fewer borrower notes than planned.
- Forestry Assets are higher than budgeted by \$623,000 due to a favourable valuation movement (see 'Other gains/losses' above) and delays with harvesting mean less stock was extracted.
- Intangible assets are higher than budgeted \$75,000 mainly due to increase in value of carbon credits Council holds.
- Property, plant and equipment is significantly higher than budgeted due to revaluation movements being larger than budgeted. As explained in gains and losses on asset revaluation above, Roading included found assets and buildings had significant value increases.

Liabilities

- Payables and deferred revenue is \$1.5 million greater than budgeted, due to timing of payments at year end.
- Borrowings (both current and non-current) are \$6.4 million greater than budgeted. This is due to significant capital works and utilising in the year
- Employee entitlements are higher than budget by \$57,000 due to timing of accrued pay and slightly higher leave balance.

- Tenant contributions are lower than budgeted due to switching tenant contribution units to standard rental agreements.

Equity

- Accumulated funds are lower than budgeted due to the opening balance being lower than planned.
- Asset revaluation reserves are greater than budgeted due to the revaluation resulting in significantly higher gain than planned. See Other gains/losses on asset revaluation above.
- Special funded reserves are higher than budgeted predominantly due to Roading revaluation resulting in higher depreciation transferred into the depreciation reserve.

Statement of cash flows

Operating activities

Net cash inflow from operating activities is higher than budget by \$2.5 million. This is driven from higher subsidies from NZ Transport Agency for emergency works in the Roading network.

Investing activities

Net cash outflow from investing activities is higher than budget by \$4 million. As mentioned above, roading emergency works was significantly higher than planned.

Financing activity

Net cash inflow from investing activities is higher than budget by \$4.8 million, driven by higher borrowings to fund capital development projects.

SUMMARY FINANCIAL STATEMENTS

Summary statement of comprehensive revenue and expense

	2016/17 Council Actual	2017/18 Council Actual	2017/18 Council Plan
	\$000's	\$000's	\$000's
Operating Revenue			
Rates	21,005	21,409	21,501
Grants and subsidies	9,438	13,161	8,949
Finance revenue	216	192	175
Other revenue	2,874	3,077	3,442
Total operating revenue	33,533	37,839	34,067
Expenditure			
Other operating expenses	16,175	17,947	16,683
Depreciation and amortisation	11,610	13,120	11,473
Employee benefit costs	5,112	5,352	4,995
Finance cost	171	679	515
Total operating expenditure	33,068	37,098	33,666
Other asset gains/(losses)	557	129	64
Surplus/(deficit) before tax	1,022	870	465
Taxation expense	-	-	-
Net surplus/(deficit)	1,022	870	465
Other Comprehensive Revenue and Expense			
Gains on Infrastructure assets revaluation	25	41,063	14,811
Fair value through equity	-	-	-
Tax on Equity Items	-	-	-
Total Comprehensive Revenue and Expense	1,047	41,933	15,212

Summary statement of financial position

	2016/17 Council Actual	2017/18 Council Actual	2017/18 Council Plan
	\$'000's	\$'000's	\$'000's
Current assets	10,424	12,178	11,206
Non-current assets	884,374	932,344	902,353
Total assets	894,798	944,522	913,559
Current liabilities	7,765	10,374	6,671
Non-current liabilities	9,567	14,750	10,665
Total liabilities	17,332	25,123	17,336
Equity	877,466	919,400	896,223
Total equity	877,466	919,400	896,223
Total liabilities and equity	894,798	944,522	913,559

Summary statement of changes in equity

	2016/17 Council Actual	2017/18 Council Actual	2017/18 Council Plan
	\$'000's	\$'000's	\$'000's
Balance at 1 July	876,419	877,466	881,011
Total comprehensive revenue and expense previously reported	1,047	41,933	15,212
Total Balance at 30 June	877,466	919,400	896,223
Comprising of:			
Accumulated Funds	348,461	344,809	354,207
Asset Revaluation Reserves	497,368	538,431	512,154
Special Funded Reserves	31,595	36,114	29,812
Trust Funds	42	46	50
Total Equity	877,466	919,400	896,223

Summary statement of cash flows

	2016/17 Council Actual	2017/18 Council Actual	2017/18 Council Plan
	\$000's	\$000's	\$000's
Net cash flow from operating activities	11,460	14,306	11,874
Net cash flow from investing activities	(15,948)	(17,048)	(13,051)
Net cash flow from financing activities	2,003	6,000	1,177
Net increase/(decrease) in cash held	(2,485)	3,258	-
Opening balance	2,762	277	3,518
Total cash resources at 30 June	277	3,535	3,518

ACCOUNTING DISCLOSURES

These summary financial statements are a summary of the 2017/18 Annual Report and cover the period from 1 July 2017 to 30 June 2018. These summary financial statements do not provide as complete an understanding as provided by the full 2017/18 Annual Report. A full copy is available on the Council website at www.tararuadc.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 28 November 2018.

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.

Council 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 as a public benefit entity for financial reporting purposes.

Tararua District Council has an associate, Manawatu-Wanganui LASS Limited, a 14% owned associate – public benefit entity. They are domiciled and incorporated in New Zealand.

The financial statements of Council are for the year ended 30 June 2018. The financial statements were adopted by Council on 31 October 2018.

Basis of preparation

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, financial instruments (including derivative instruments), and carbon credits.

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:

	2016/17 Council	2017/18 Council
	\$'000's	\$'000's
Capital Commitments	2,514	2,313
Operating Leases as Lessor	60	46
Operating Leases as Lessee	927	865

Contingent liabilities

Council has the following significant contingent liabilities:

- Council has one claim, for a potential cost of \$125,000, relating to weathertightness under the Funding Assistance Package. Under this programme, Council agrees to fund 25% of the 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.

Related party disclosure

Council has not entered into any related party transactions during the year that falls outside 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.

Events after balance date

There are no post balance date events.

INDEPENDENT AUDITOR'S REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

To the readers of Tararua District Council's summary of the annual report for the year ended 30 June 2018

The summary of the annual report was derived from the annual report of the Tararua District Council (the District Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 26 to 33:

- the summary statement of financial position as at 30 June 2018;
- 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 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary service performance of the District Council

Opinion

In our opinion:

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

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 31 October 2018.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS-43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS-43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

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



John Whittall,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
20 November 2018

OUR DISTRICT



Resident population (2015)	17,350
Number of rateable properties	10,906
Area (ha)	427,000
Net capital value (\$m)	\$5,027
Total roading network (km)	1,957
Elected representatives (Council and Community Boards)	17

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