

SUMMARY OF THE ANNUAL REPORT 2015/16

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 2016.

The information this Summary contains is taken from the Annual Report 2015/16 itself, which was adopted on 26 October 2016. The Annual Report 2015/16 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 2015/16. The Council received an "unmodified" opinion on the 2015/16 full Annual Report and Summary.

The 2015/16 year was the first year of delivering the 2015–2025 Long Term Plan. The focus continues to be on improving core infrastructure and increasing efforts in economic development within a prudent financial management framework. This has been a consistent strategic focus since 2012.

Highlights of the Year

Iwi relationships

A significant milestone for local iwi was achieved with the treaty settlement signed with Government in August 2016. Council has worked closely with both Rangitane and Ngati Kahungunu Iwi, the Office of Treaty Settlements and the Minister for Treaty of Waitangi Settlements on matters relating to the two local Iwi's treaty claims. The settlement is a major benefit to local iwi and Council looks forward to developing partnership opportunities in the future that are likely to generate benefits for all residents.

Rates affordability

As the district was impacted by historically low dairy prices, and the flow-on impacts of this on dairy farming and support business incomes, we were faced with some tough funding decisions when planning our services and activities as part of the 2015-2025 Long Term Plan. The impacts spread through to retailers, professional support businesses and those who work in these industries.

Councillors worked hard to hold the rate increase to 2.91%, while continuing with the infrastructure upgrade programme. For 2016/17, the rate increase is just 1.71%, with a rural sector rate increase of 0.96%. We are proud of these lower-than-forecast rate increases and our efforts to deliver modern and affordable services to residents.

Business and employment growth

The district has been struggling with population and employment decline for many years. Recent renewed efforts and strategic focus in economic development services have started to show some promising signs. Population, school student numbers and employment have all recorded positive trends in the last year. The significant positive change to migration trends, with families coming to live in Tararua from Australia and elsewhere, is a welcome sign and gives us confidence in the future of Tararua.

A stable to growing population is critical to rural communities in order to provide affordable services and infrastructure that meet accepted standards. Council recognises that business support and

facilitation is integral to drive new employment opportunities, while visitor and resident attraction is an important component of the overall economic strategy.

“
Councillors worked hard to hold the rate increase to 2.91%, while continuing with the infrastructure upgrade programme.
”

It is important that the district continues to have an economic development team with a strong business focus, as well as sufficient resources to provide strategic direction and support local events, business and the wider community. Over the past year, the team has exceeded our targets and have some exciting programmes underway, including providing regular services through the Pahiatua Service Centre on a one-day-a-fortnight basis. To this end, Council has provided a modest increase in resources to deliver better outcomes.

Financial prudence

As a result of many years of hard work, the Council has a strong financial foundation. The 2015–2025 Long Term Plan features another prudent financial strategy. This great work has allowed us to continue with our significant investments in core infrastructure, while at the same time maintaining sufficient capacity for future development.

Infrastructure and partnerships

Council had an ambitious investment programme in urban water and wastewater networks to meet new mandatory standards and to improve the resilience and quality of the services.

Worth noting are Council's continued partnerships with Horizons Regional Council (or "Horizons"), Ministry of Health and the Ministry for the Environment, who support the planning and funding of these upgrade projects. Without their support and subsidies, the impact on the affordability of rates would have been significant.

“
... a year of solid achievements
underpinning a clear vision
and sound strategies.
”

A major highlight, and one that is ongoing, is the increased NZ Transport Agency (NZTA) subsidies for road maintenance that Council lobbied for in 2013/14 and commenced in 2014/15. This has resulted in substantial savings for local ratepayers to maintain the roading network.

The third town upgrade project was carried out in Eketahuna and involved substantial input from residents. Council is now planning for the Pahiatua Town Upgrade, which will complete the programme of upgrades over the four major townships.

Council has seen considerable improvement in the condition and investment value of the Council owned Birch North commercial forest. Revenue from the harvesting activities has built up cash reserves and further investments have been made in roading and replanting.

Improved governance

This year, following the review of our governance process undertaken by Local Government New Zealand, Council established an Audit and Risk Committee in a manner consistent with sector best practice. An independent chairperson was appointed to bring sector knowledge and experience to guide the committee in fulfilling its functions.

The challenges

We had a long term goal to complete the water and wastewater upgrades this year - unfortunately, this has not been possible. A range of issues has delayed some of the upgrade projects and the upgrades will now be largely completed in the 2016/17 and 2017/18 years.

Last year we saw the "changing of the guard" in the delivery and management of roading services with the liquidation of Infracon and the establishment of a collaborative working agreement with Downer NZ Ltd (or "Downer"), known as the "Tararua Alliance", which continues to deliver great results.

All in all, a year of solid achievements underpinning a clear vision and sound strategies.



Tracey Collis
Mayor

FROM YOUR CHIEF EXECUTIVE

The 2015/16 year saw Council make significant gains in operational capability and efficiency gains from structural changes.

Council staff were focused on the delivery of services in the most affordable way by reducing costs where possible. The key achievements were:

- A large capital investment programme in place;
- The Tararua Alliance bedding in and delivering increased efficiencies. During the year, stormwater, asset management and renewals for water and wastewater were added to the Tararua Alliance contract;
- An expansion of the economic development service with the Tararua Business Network established;
- Increased staff capability in project management; and
- Ongoing shared service investigations to improve efficiency.

“
A major focus on best practice project management and reporting skills was implemented
”

Infrastructure Investments

The Council had approved an ambitious capital investment programme for 2015/16, with a focus on the water and wastewater network upgrades. We delivered \$16.8 million of projects, significantly more than in the previous year (\$13.6 million). While an improvement, there was \$6 million of approved projects carried forward to the 2016/17 year. Many of these projects involve partnerships with Horizons, Ministry of Health and Ministry for the Environment.

A major focus on best practice project management and reporting skills was implemented across the Council this year. This move to build staff capability is delivering results and will take full effect in the 2016/17 year.

Details of specific projects are set out in the 'Highlights' section – including details of key investments in roading, solid waste and the three waters.

Structural changes and the benefits

We continue to strive for efficiencies within the organisation in order to provide affordable services. This focus is now a continuous process where we ensure that we are making efficiencies where we can and are open to providing services through different models. Over the last two years, there has been pressure from central government to reduce costs and – at the same time – increase service levels.

“
The benefits of the Tararua Alliance have been substantial
”

A number of new processes to review our services are now legally required. We have been doing this as normal business practice for some time and are incorporating the new review processes into our work programme. In most cases, further reviews will not be required and we are already moving forward on a number of shared services options.

Council has indicated that a review of how we deliver and fund our regulatory services will be undertaken over the next year. Throughout the year, structural changes put in place (or reviewed) included:

- Tararua Alliance (collaborative working agreement with Downer), operating on roading, footpaths and stormwater activity. This year, we have added to the partnership the management of assets and reticulation network for water and wastewater;
- Shared service investigations with MW LASS for building consent processing and information technology; and
- A Heads of Agreement was signed with Horowhenua District Council to explore shared services.

The benefits of the Tararua Alliance have been substantial, with Council gaining access to skilled staff, management processes and systems through Downer. This includes best practice asset management systems that will drive further efficiencies over time.

We are anticipating improved asset information that will underpin the next Long Term Plan process in 2017/18.

We are fortunate to have the services of some highly skilled staff that are recognised as experts in their fields on a national scale, including asset management, risk management, earthquake prone buildings and rating policies.

Financial Strength and Prudence

This year saw one of the largest infrastructure investment programmes the district has ever seen. Despite the large investment in infrastructure, Council is in a very strong financial position with low debt, positive internal cash balances and low rate increases. The outlook is stable and the new elected Council will have options for the future direction of the Council when developing the 2018–2028 Long Term Plan.

The hard work over the last few years, focusing on sound and prudent financial management places us in a position of strength going forward. Whilst work will always be required to reduce costs and deliver low rates increases, we now have healthy reserves and are in a position to respond to unexpected shocks and natural disasters; not all councils are in this position.

Challenges

As often happens with such a diverse and challenging range of services and projects, not everything has gone to plan. There have been a number of issues in delivering the water and wastewater upgrade projects on time and on budget.

“
This year saw one of the largest infrastructure investment programmes the district has ever seen
”

Despite additional resources allocated, the programme was too ambitious relative to the staff resources available. In addition, problems with ground conditions, design regulations, bores being unsuitable and new design options have resulted in various changes in scope and costs required for a number of key projects.

These sorts of issues are common with projects involving underground services, the actual impact on each project is only known in hindsight. In order to optimise the design solution, reduce

the risks and improve project time and cost forecasts, Council has increased staff capability and support in project management and business case development. This will improve the planning process and risk management for all significant capital projects, as well as ensure timely, accurate advice and information for Councillors to make decisions.

Looking Ahead

Council is facing a number of potentially significant challenges over the next few years. Proposed new legislation could change how roading and the three waters are delivered and governed. The drive to share services across Councils and further reduce costs could also impact on staff. We will continue to provide advice to elected Councillors on how to deliver services in a manner that provides optimal benefits to residents.

Finally, I would like to acknowledge the efforts made by Council staff in implementing the plans and actions on the Council's behalf. They are tremendous ambassadors for our district and work hard to ensure we all remain proud to call the district home.



Blair King
Chief Executive

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

- **Progress against our Vision and Strategy**
Refer to pages 15 to 21, 'Our Progress Towards the Strategies in the Long Term Plan' in the full Annual Report for details of our achievements.
- **Reducing rates increases**
Rates increases have gradually reduced from 4.04% in 2012/13 to 2.91% in 2015/16. The rates increase for 2016/17 has continued to reduce – 1.71% overall rates increase.
- **Promote economic Development**
Over 10,000 people came to the district to attend major events and we achieved accreditation this year for Pahiatua as "Motorhome Friendly". Through our nationwide events, workshops and programmes we have given 22 start-ups and 13 Small Medium Enterprises access to the expertise, networks and support needed to achieve their growth aspirations.
- **Improve relationships and collaboration with other organisations**
We signed a heads of agreement with Horowhenua District Council to explore shared services and continue to work collaboratively with the MW LASS Councils in building control, information technology services, and archive management.
- **Debt managed within Long Term Plan forecast**
Our external debt was \$9 million, compared to a budget of \$13.1 million.



ALMOST ACHIEVED

- **Continued investment in our core infrastructure**
We completed \$16.7 million of capital work (\$13.6 million last year) but had to carry over \$6 million to be completed in the next year.
- **Continue to address the water supply and quality issues**
The Dannevirke water treatment and Pahiatua water supply projects were delayed. But we completed Eketahuna water storage and brought forward to this year the design of the Woodville water storage with the aim of completing this project next year – two years ahead of schedule.
- **Reduce environmental impact from our waste management practices**
We have completed the upgrading of Dannevirke oxidation ponds 2, 3 & 4, and the Pahiatua wastewater treatment system. Woodville and Dannevirke No.1 ponds were delayed due to weather and changes to project scope.



NOT ACHIEVED

- **Delivery of service level Performance targets**
We did not achieve 18 out of 108 of our service level measures. We achieved 32 out of 38 of the mandatory measures Legislated by Parliament.
- **Operating expenses does not exceed budget**
Operating expenses for several activities exceeded budgets. Depreciation expense also exceeded budgets due to valuation increases higher than predicted.

Financial Overview

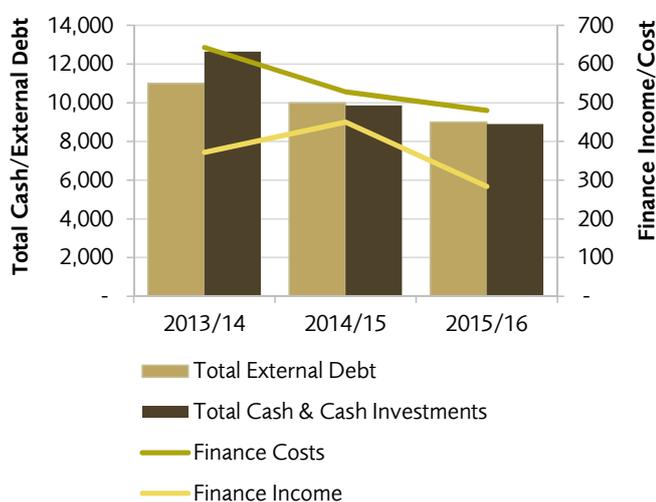
Financial Results Compared Against Budgets

	This year	Compared to last year
Overall Operating Result \$2.9 million – favourable	✓	↑
Operating Revenue \$4.1 million – favourable	✓	↑
Operating cost \$1.8 million – unfavourable	✗	↓
Total External Debt \$3.2 million – favourable	✓	↑
Capital Expenditure \$6.1 million – unfavourable	✗	↑
Net Debt \$1.6 million – favourable	✓	↓
Net Interest (excluding derivative valuation) \$128,000 – favourable	≈	↓

Treasury Management

Capital expenditure funded by loans (levels of service increases, and growth) were higher than budgeted. However, as Council borrowed these funds internally, external debt was lower than budget. As a result of the internal borrowing, cash investments were lower than budgeted. These, together with fixed interest rates for external borrowing and overall lower market interest rates, resulted in the favourable net debt but an unfavourable net interest position (as indicated above).

DEBT AND CASH INVESTMENT POSITION (\$000s)



Infrastructure Investments

Our total investment for the year to maintain, and in some activities increase, the service levels was \$16.8 million, which was 74% of the budget including carry forwards and authorised budget revisions of \$22.8 million. Delays to projects resulting in \$6.1 million of unspent budget were due to reprioritising projects, changes to project scope and insufficient staff resources to deliver all of the planned projects.

BIG-TICKET ITEMS



Service Performance

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

This year we are also reporting on the mandatory performance measures introduced by Parliament in the 2014 amendments to the Local Government Act 2002.

We performed well, overall achieving 79% of our performance measures compared to 73% last year. Thirteen of the 22 activities of Council met all of their service performance measures (excluding those that are not applicable). The number of measures not achieved was 18 compared to 16 last year.

	2015/16		
	2014/15	Council	Mandatory
Total number of measures			
Achieved	42	37	32
Not achieved	16	12	6
Not applicable	29	21	N/A
Total	87	70	38

HIGHLIGHTS OF THE YEAR

This section highlights the key achievements and challenges faced during the year as Council worked towards achieving the three strategic objectives of its Vision.

Strategy 1: Core Infrastructure

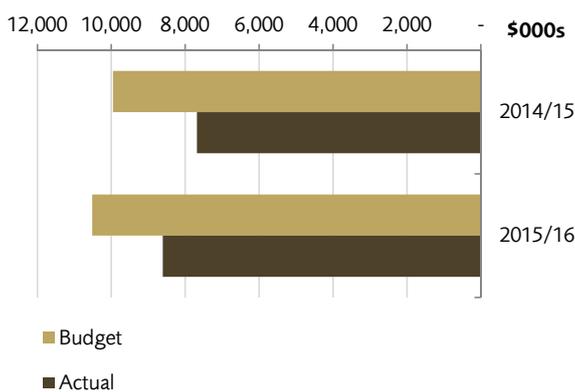
Investment in our Infrastructure

The capital investment Council has made over the last three years has been significant. On average, the capital investment was \$13.8 million with this year being the highest spend with \$16.8 million. The capital investments in the core infrastructure for this year account for 87% of the total capital spend for the year. This level of capital investment is consistent with Council's Vision and strategies.

Roading and Footpaths

Focus for the roading activity has been on the Manawatu/Hawkes Bay alternate route (Saddle Road), safety improvements, emergency reinstatement and rehabilitation, and resealing. Total spend this year was \$8.6 million, compared to \$7.7 million last year.

ROADING AND FOOTPATHS



* Budget includes carry forward budgets and authorised revisions.

Wastewater

We made significant progress on the joint projects with Horizons and Ministry for the Environment. We have spent \$4 million over the last two years and spent another \$2.1 million this year. We have budgeted to spend another \$1 million in the next two years.

We spent a further \$1.1 million dollars either replacing or relining the wastewater pipes in Eketahuna damaged in an earthquake in 2014.

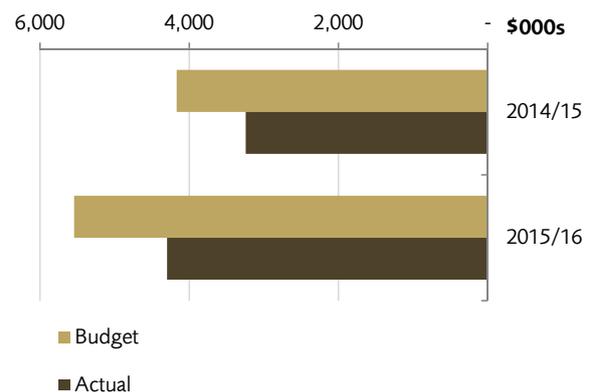
Fresh Start for Fresh Water Clean-up Project Capital Expenditure

In 2015/16, Council progressed the upgrades of the wastewater ponds in the towns of Dannevirke, Woodville, and Pahiatua as part of the Ministry for the Environment (MfE) Fresh Water Clean-up Project.

Council authorised an additional budget of \$3 million for these upgrades. The additional budget was required due to a change in scope and design for Pond No.1 in Dannevirke.

Across all towns in 2015/16, Council spent \$2,101,000, with \$389,000 subsidy being provided from MfE.

WASTEWATER



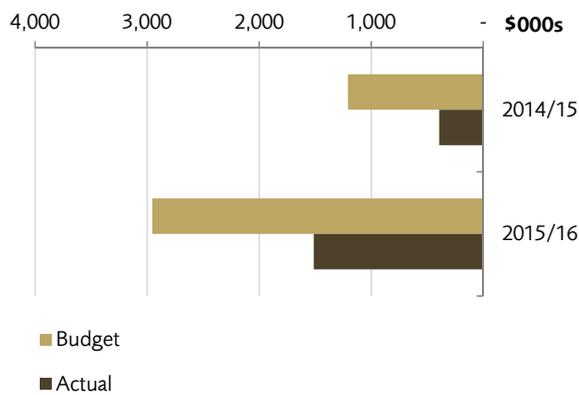
* Budget includes carry forward budgets and authorised revisions.

Water Supplies

Work on both the Pahiatua water storage and Dannevirke Treatment plant has commenced. Eketahuna water storage project was completed giving the town two days storage of water.

We spent \$1.5 million this year compared to \$400,000 last year.

WATER SUPPLIES



*Budget includes carry forward budgets and authorised revisions.

Approach to the Roding Programme

The key philosophy of the Tararua Alliance is to combine the right people, making the right decisions and undertaking the right work at the right time of the year. The Tararua Alliance is now completing its second year of operation. The team have established a condition rating data driven approach to managing the Tararua road network.

This approach has been two-fold:

- Updating council's asset databases to ensure that the asset information is accurate and complete to allow best for network decisions.
- Generating foundation strategies such as a 30-year Infrastructure Strategy and Activity Management Plans, to improve overall asset stewardship.

All Faults Programme

The Alliance has developed and implemented an "All Faults" programme in Tararua. This innovative approach gives the ability to identify network deterioration early and is a key indicator to the health of the network. An "All Faults" programme details all of the faults on the network at any given time and provides a near real-time view of the current state of the network.

By using this approach, the Tararua Alliance can detect faults or defects at an early stage and have the ability to monitor any deterioration and better schedule any required intervention in a more structured manner. Forward works programmes are developed annually for all activities, with the intention being to focus more on preventative maintenance and drastically reduce the number of immediate priority repairs required for safety intervention.

New Asset Management Tool

To further assist programme delivery and asset management, the Tararua Alliance has also implemented the new Downer asset management software, Fuse. This will provide the Tararua Alliance with a powerful visual asset management tool that will also be the front end interface to manage the Customer Request Management (CRM) process. This software allows the team to visually track and manage all work, including CRMs, forward works programmes and asset registers.

Maintenance Grading System

The Alliance has introduced the scarifying maintenance grading system with walk behind rollers to improve the grading methodology and reduce the amount of maintenance metal required. This has resulted in a large reduction in heavy metal overlays and a 44% reduction on maintenance metal spend between 2014/15 and 2015/16 financial years.

LED Lighting

Upgrading the district's street lighting assets with new LED lighting is continuing. The purpose of the upgrade is to increase the operating life of the street lights, while reducing energy use.

Pre-reseal Pavement Repairs

A new strategy has been put in place by the Tararua Alliance. Prior to resealing activities, pre-reseal pavement repairs are now undertaken the year before the resealing is planned. The benefits of this strategy has allowed the Tararua Alliance to complete the majority of the pre-reseal repairs 12 months in advance of resealing.

This is allowing the pre-reseal repairs to be undertaken at the right time of the year, improving overall quality and efficiency.

Saddle Road Reconstruction

Tararua District Council has continued to manage the Saddle Road Upgrade on behalf of NZ Transport Agency. This project is a joint initiative between Palmerston North City Council, Manawatu District Council and Tararua District Council. The Tararua Alliance has been working in collaboration with all stakeholders to give regional resilience and as an alternate route to the Manawatu Gorge.

Feedback and comments from motorists and regional groups have been very positive towards the improvements that have been completed to date.

Highlights of the Year

The Tararua Alliance Customer Feedback

The customer request completion rate and feedback scores continue to trend well. A real focus on the response and completion of customer requests has resulted in a significant improvement in customer services.

Customer request response times were another significant improvement for the year. Overall, 96% of all customer requests were responded to within the five day timeframe.

One Network Road Classification

Over the past 12 months the Tararua Alliance has been working with the NZ Transport Agency and the Road Efficiency Group to implement the NZ Transport Agency's new One Network Road Classification (ONRC). The ONRC is a joint initiative of NZ Transport Agency and Local Government NZ. It has been developed to streamline the operation, maintenance and management of NZ road networks.

Key outcomes include consistent, fit for purpose levels of service for the road network and a mechanism to allocate funding more effectively and efficiently based on the function of the road.

The One Network Road Classification project comprises three distinct elements:

- classifying roads into categories based on their main function in the national network
- establish national Customer Levels of Service, which define what the fit for purpose outcomes are for each category in terms of mobility, safety, accessibility and amenity
- develop performance measures and targets which will effectively determine how the categories and customer levels of service translate into specific maintenance, operational and investment decisions.

Woodville Water Supply

Council has decided to bring forward the Woodville impounded supply upgrade project by one year, into 2016/17, to address the current summer water quality and quantity issues.

A 5,000m³ secondary lined impounded supply next to the treatment plant will also be constructed to ensure another three days of stored raw water is available for the town during the construction period.

The dam size will be increased to 75,000m³ and a floating cover will be installed. The new dam will be able to store up to an average of 27 days storage for the town.

Pahiatua Water

The Pahiatua water supply upgrade is focused on increasing water storage. Additional storage is needed so that river water is no longer needed to supplement the existing bore supply. Council has resolved to construct a 6,000m³ additional water storage tank.

A geotechnical report, obtained in July 2016, indicated that the soil structure at the site was not suitable to support the tank (investigation into a new site is in progress).

Dannevirke Water supply

During the year, Council also completed a project to lift the height of the water level in the impounded water supply by one metre. This has increased the storage capacity of the water storage in the reservoir by an additional 5 days.

The installation of a new treatment plant is also well underway. The project involves a new shed, pipework and valves and a UV disinfection plant. This is stage one in a two stage project which will see a filtration plant installed in the future, to make the supply compliant with the NZ Drinking Water Standards.

Infiltration and Maintenance in Wastewater

We also brought forward a significant amount of money to reline pipes in the Woodville reticulation network to address infiltration issues. Infiltration problems occur when the water table is high and also when heavy rainfall occurs. This was putting pressure on the wastewater plant to treat these high flows.

Pahiatua Recycling Centre

The rebuild of the Pahiatua Recycling Centre was completed with the manned facility officially opening in December 2015. The general feedback from the public has been very positive.

Managing Stormwater

Operations completed this financial year were concentrated on spraying of all open drains twice within the urban areas. Work also involved the clearance of open drains, reshaping scallop drains and water channels behind berms.

This has achieved better flow levels through these drains resulting in lesser flooding of areas in all townships.

Strategy 2: Economic Development

Enabling

Tararua Business Network continues to support the district's business community – providing economic knowledge, statistical data and project management support to community stakeholders, local business and industry.

Working to support business growth and investment attraction, Tararua Business Network has worked alongside 53 businesses this year – providing support and enabling growth.

To date, four businesses have been incubated at the Tararua Business Network – incubation entails linking, enabling and facilitating the businesses growth and development.

A key function of the Business Network is to provide facilities and services that will facilitate the appropriate support to enhance performance and drive growth in small and medium business. This year, the Business Network hosted 152 events in the Training/Seminar Room and the Board Room was utilised for business meetings on 208 occasions.

Supporting

Tararua Business Network provided learning opportunities for seven individuals through work placements via Work and Income, and ACC agencies.

Of these seven placements, three were able to be placed into full-time work; two are currently situated in the Business Network undergoing 'Work Ready' training; and one is seeking training for a new career.

Through our nationwide events, workshops and programmes we had given 22 start-ups and 13 SMEs (small medium enterprises) access to the expertise, networks and support to achieve their growth aspirations.

Facilitating

Following the success of the Tararua Business Network office in Dannevirke, an additional business support office (or "satellite office") was established within the Pahiatua Service Centre.

This satellite office provides the same service (on a fortnightly basis) with the objective being to create a centre that is more accessible to residents in the southern ward.

Events Programme

Flow on effects from local events and training support schemes are integral to district growth – developing a more stable economy and enhancing district opportunities.

Training Events

Tararua Business Network hosted a number of popular technology training and entrepreneurial connection events that encouraged local businesses, youth and entrepreneurs to share knowledge and ideas.

Events hosted during the year included training seminars and workshops for business, as well as regional collaboration workshops and meetings.

Visitor Attraction

Over 10,000 people came to the district to attend major events, such as Woodville Motocross, Wheels with Attitude, and Dannevirke A & P Show.

This volume of visitors to the district has a positive flow on effect to local business and reaffirms Council's sponsorship of these events.

Connecting Communities

The world of communications has changed – social media is driving a new wave of communications where it is as important to listen, as it is to speak; where everyone can have their point of view heard and where open consultation and transparency in decision-making is creating more engaged and empowered communities.

Tararua District Council has recognised this change in the way people communicate and is leading the district further into the digital age with the introduction of an online community news service called 'Talking Tararua – more than just words'.

Talking Tararua showcases Council news and profiles the district's attractions and events – as well as providing opportunities in every issue for readers to engage with Council through polls and surveys, asking questions and making comments.

Attracting People to the Region

Mobilising our district promotion and economic development strategy has proved a valuable enterprise. Over 241,000 attendees at national trade shows provided the platform necessary to promote our district for those considering visiting or relocating here for lifestyle, business and/or investment.

Tararua is recognised as embracing motorhome friendly opportunities and we have achieved accreditation this year for Pahiatua as "Motorhome Friendly". Enquiries regarding Eketahuna were made and the response received indicated that the town was too small to qualify.

Highlights of the Year

Achieving accreditation recognises that these towns provide a set of amenities and services that guarantee motorhome travellers a warm welcome and an enjoyable visit.

Motorhome travellers are self-contained and generally stay longer, making a significant economic contribution to our towns, which has a flow-on effect to our district.

The town centre upgrade programme was focused on Eketahuna this year. The Tararua Alliance has worked in close consultation with the Eketahuna Community Board to develop the town centre upgrade. The focus has been on creating a 'real kiwi country' theme to the town centre. Work included developing a new site for the town's iconic Kiwi that will encourage more visitors to stop in town, pedestrian crossing upgrades, new entrance signs at either end of the township, reinvigorating the toilet block area and developing the War Memorial site to highlight the importance of this area to the community.

Land Utilisation – Contributions to Sustainability

Continuing to maximise land-utilisation opportunities by building on the GO! Project – a cropping initiative for Tararua district.

The results of establishing a Feijoa Grower Led Group, has seen two landowners develop new plantations. Workshops were held to encourage additional growers to join the Feijoa Grower Led Group.

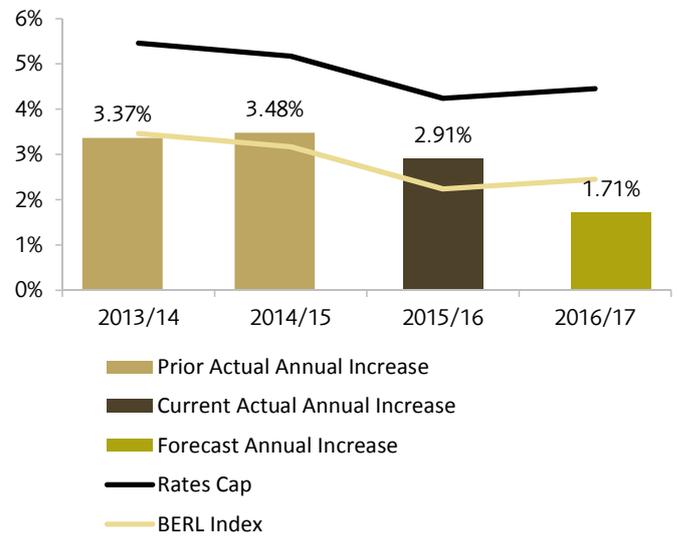
Focus has also been on hemp, hazelnut, and manuka honey as potential new income for landowners.

Strategy 3: Financial Viability

Rates affordability

In the 2015-2025 Long Term Plan, Council resolved to maintain rates increases close to BERL Local Government Cost Index. Through efficiencies and cost savings, Council has been able to have a reducing rates increase – from 4.4% in 2011/12 to 2.91% this year. The rate increase adopted for the 2016/17 year is 1.71%.

ANNUAL RATES INCREASES



Funding Sources

The following table summaries the funding sources to deliver on the service levels for the last two years.

All amounts are GST exclusive

Funding Sources	Actual 2014/15	Actual 2015/16
Uniform Annual General Charge	11%	11%
General Rates	6%	7%
Targeted rates	40%	37%
Total Rates*	57%	55%
Fees & charges	6%	6%
Subsidies	27%	29%
Other Revenue	10%	10%
Total Revenue†	35,217	37,233

* Total rates is the subtotal of rates revenue as a percentage of total revenue.

† Total revenue excludes "other gain and losses" in the Statement of Comprehensive Revenue and Expense.

In the 2015-2025 Long Term Plan, Council recognised the change in the funding sources percentage and the growing reliance on rates.

The budgeted funding source for the 2015/16 year differed from the actual results due to the Saddle Road subsidies from NZ Transport Agency. Once this project and other water and wastewater projects are completed, Council's funding proportion from rates will increase.

Council's application of funding has remained consistent. Reducing rates increases indicates Council is managing its cost and has started realising savings from efficiencies and improved ways in delivering service levels.

Expenditure Analysis

Type of Expense	Actual 2014/15	Actual 2015/16
Operations	50%	50%
Employee Benefit costs	14%	14%
Depreciation	33%	34%
Finance Cost	3%	2%
Total Expense	34,795	32,924

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.



● | 3% | \$65

DISTRICT PROMOTION AND ECONOMIC DEVELOPMENT

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



● | 6% | \$116

REGULATORY SERVICES

Significant projects: Working with "cluster groups" to better deliver services; Commenced construction of new dog pound; Developed Civil Defence Plan with various community groups.



● | 22% | \$431

COMMUNITY AND RECREATION FACILITIES

Significant projects: Upgrade of camping facilities and playgrounds.



● | 33% | \$650

ROADING AND FOOTPATHS

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



● | 8% | \$153

BUILDING COMMUNITIES AND LEADERSHIP

Significant projects: Community grants; CCTV for main streets.



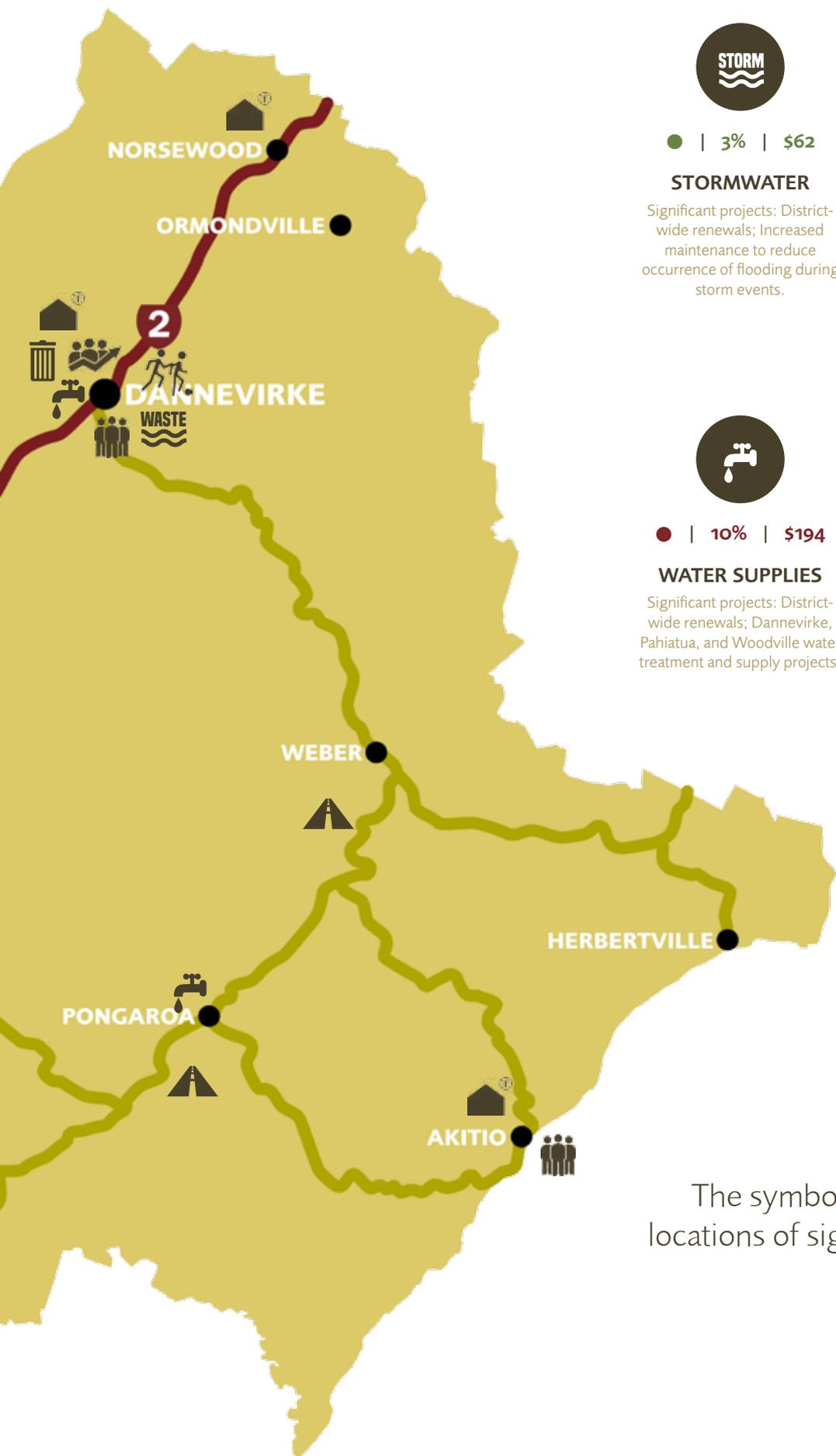
● | 7% | \$133

SOLID WASTE MANAGEMENT

Significant projects: Rebuild of Pahiatua recycling centre; Sealed roadway to Dannevirke transfer station.



● = decrease from 2014/15 ● = increase from 2014/15



● | 3% | \$62

STORMWATER

Significant projects: District-wide renewals; Increased maintenance to reduce occurrence of flooding during storm events.



● | 10% | \$193

WASTEWATER

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



● | 10% | \$194

WATER SUPPLIES

Significant projects: District-wide renewals; Dannevirke, Pahiatua, and Woodville water treatment and supply projects.



● | 0% | -\$2

TREASURY AND SUPPORT

Significant projects: Debt levels and interest cost were well within budget.

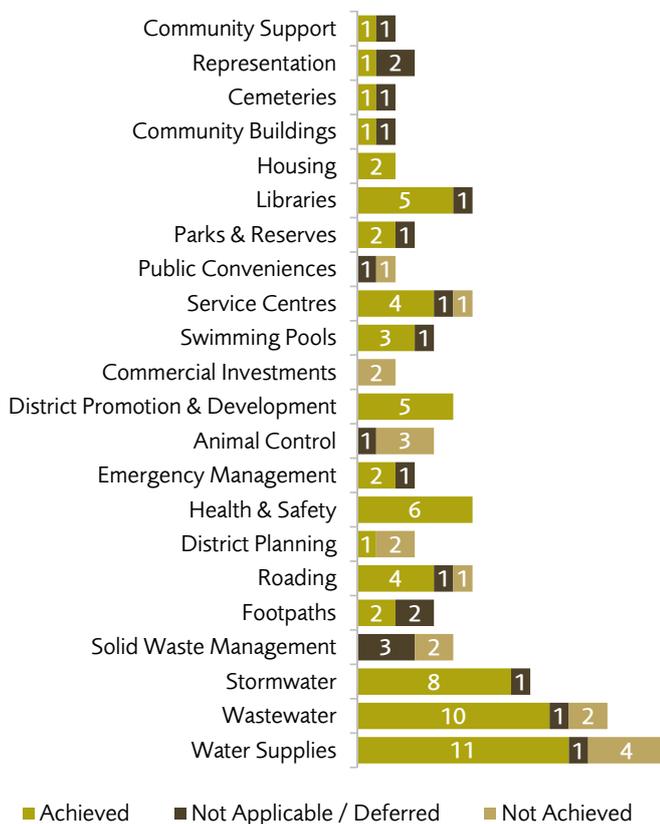
The symbols indicate the locations of significant projects.

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



- The total number of hours community and recreational facilities were booked increased another 5% this year.
- We exceeded all targets for the District Promotion and Development activity
- Met all targets for the Stormwater, Building, Environmental Health, Liquor Licensing and General Compliance activities
- The response time to wastewater and water faults continue to be well below our targets.
- 99% of Council's footpath met the conditions standards

Areas for Improvements

- 4 out of the 7 wastewater schemes do have renewed consents. We are working with Horizons to renew our consents.
- 2 out of the 6 water schemes did not comply with the bacteria compliance criteria as the required number of samples were not collected and tested. However, no bacteria was found in the supplies. The sampling regime has been compliant since.
- 4 out of the 6 water schemes did not comply with the protozoal compliance criteria, as required by the new drinking water standards. Council is progressively upgrading its water schemes to meet the new standards.
- The targets for occupancy and net operating surplus for our commercial investments were not met. This is mainly due to the inability to find suitable tenants and significant replanting and silviculture for the forestry activity.
- Due to lack of staff resources early in the year and the reorganisation in the Regulatory Department, Council did not achieve its targets for the Animal Control Activity. The targets were met for the last 4 months when vacant staff positions were filled.
- The average quality of the ride on Council's sealed network was 90% compared to a target of 95%. This is mainly due to the change in the way Council is currently measuring the smooth travel exposure for its sealed network.
- Due to higher volumes of rubbish the tonnage of waste taken to landfill and resource conditions for the Eketahuna landfill were not met.

Achievements

- We met 18 out of the 19 measures for the Community and Recreation facilities Group of Activity
- The average call waiting time reduced from 26 seconds to 15 seconds.
- Enrolment in Library programmes increased by 17% to 1,757 participants

FINANCIAL OVERVIEW AND MAJOR VARIANCES

Explanations for major variances from Council's budget figures in the 2015/16 Long Term Plan are detailed below.

Statement of Comprehensive Revenue and Expense

Revenue

- Rates revenue is showing as \$554,000 less than budgeted, as the budget figure is the gross rates strike. The actuals are presented less rates remissions, internal rates, and inclusive of rates penalties.
- Fees and charges are under budget by \$215,000. This is due to the reclassification of rates penalties to rates.
- Subsidies are over budget by \$2.04 million. Subsidies Council has received from NZ Transport Agency are higher than budget by \$2.16 million. This is due to higher subsidies from flood damage (\$900,000) and the Saddle Road project carried forward from last financial year with \$1.1 million additional subsidy received.
- Council also received unbudgeted subsidy of \$430,000 from the Ministry for the Environment for wastewater projects carried forward.
- Council has yet to commence the Pahiatua new bore and treatment project, therefore, Council has not received any of the \$530,000 budgeted subsidy. The scope and timelines have significantly changed, as the second bore option was not viable.
- Other revenue is higher than budget due to receipt of \$243,000 for insurance proceeds for the Pahiatua Recycling Centre fire, accrual of \$588,000 for a claim to Central Government for repair of earthquake damaged pipes from the 2014 Eketahuna earthquake, \$87,000 unsecured creditor distribution from Infracon.
- Council received gross forestry sales of \$1.98 million. This was budgeted for as the \$325,000, nett of harvesting expenses. The operating result of a \$19,000 loss for forestry was significantly under the budgeted surplus of \$237,000 due to increased costs for harvesting and recognising the cost of logs harvested.

Expenses

- Depreciation and amortisation is higher than budget as a result of the infrastructure valuation on 1 July 2015.
- Finance costs are over budget by \$339,000. Lower interest expense on loans of \$89,000 is due to lower interest expense

during the year, mainly due to lower external debt than planned. The items exceeding budget are due to unbudgeted non-cash adjustments of fair value of derivatives (swaps), which has decreased in value by \$443,000, and landfill discount unwinding of negative \$15,000.

- Personnel costs are showing higher than budget due to reclassifying \$305,000 of seconded Alliance staff budgeted as operating expenditure to personnel costs.
- Other expenses is higher than budget by \$942,000. The table below highlights the major variances:

Add back reclassified items	
Rates debits	483,000
Rates internal	342,000
Alliance salary reclassification	305,000
Less major unfavourable variance	
Additional provision for doubtful debts	(239,000)
Grossing up of forestry expense as explained under revenue	(1,910,000)
Write-off of historical debtor balance error	(221,000)
Add favourable budget variance	
Roading: mainly due to the reclassification of emergency works from operational cost to renewal	160,000
Solid Waste: mainly due to lower refuse tonnage, resulting in lower disposal and transport costs and lower kerbside recycling costs	144,000

Other Gains/(Losses)

- The main reason for the favourable variance is due to receiving an unexpected cash distribution of \$680,000 from the liquidation of Infracon. Other items in other gains/(losses) are made up of gains/(losses) on disposal of fixed assets, investment property valuation movements, and the forestry valuation.

Gain/(loss) on Asset Revaluations

- Council had an infrastructure revaluation completed as at 1 July 2015. The result of the valuation was a decrease of \$7.6 million,

Financial Overview and Major Variances

whereas an increase of \$12.9 million had been budgeted. Valuation adjustments are non-cash.

Statement of Financial Position

Assets

- Cash and cash equivalents is lower than budget due to utilising cash to keep external borrowings minimised.
- Other financial assets (current) are lower than budgeted due to holding less term deposits as cash has been utilised to keep external debt minimised.
- Investment property is lower than budget but higher than previous year. This is due to revaluation.
- Property, plant and equipment is lower than budget, mainly due to the infrastructure revaluation resulting in a decrease, rather than the budgeted increase.

Liabilities

- Borrowings are under budget by \$3.2 million due to delay in completion of capital projects. Also, Council received cash proceeds from the liquidation of Infracon and sale of Hovding Court, which has resulted in lower external debt and due to actively managing cash reserves to keep borrowings lower.

Equity

- Asset revaluation reserves are lower than budget due to the budgeted infrastructure valuation increase of \$12.9 million, actually resulted in being a \$7.6 million decrease.
- Accumulated funds are higher than budgeted due to a higher surplus than budgeted.
- Special funded reserves are \$1.3 million above budget due to a higher opening balance than budgeted.

Statement of Cash Flows

Overall net increase in cash balances held were lower than budget by \$755,000.

Significant variances are:

Operating Activities

- Overall cash flow was \$4.9 million higher than budget due to higher grants and subsidies received than budget. This is due to mainly to the Saddle Road project.

Investing Activities

- Overall cash flow is \$1.7 million over budget.
- This is mainly due to a higher capital expenditure than budgeted. This is due a larger capital programme than budgeted due to previous year carry forwards.

Financing Activity

- Overall cash flow is \$4.8 million under budget.
- This is due to lower net borrowing. Through better cash management, we have been able to better utilise cash to keep debt low. Also, we received more subsidies for the Saddle Road. We also received unbudgeted funds from the proceeds from Infracon, and sale of Hovding Court.

SUMMARY FINANCIAL STATEMENTS

Summary Statement of Comprehensive Revenue and Expense

	2014/15 Council Actual \$000's	2015/16 Council Actual \$000's	2015/16 Council Plan \$000's
Operating Revenue			
Rates	20,106	20,622	21,176
Grants and subsidies	9,504	10,778	8,740
Interest and dividends	450	284	245
Other revenue	5,157	5,549	2,961
Total operating revenue	35,217	37,233	33,122
Expenditure			
Other operating expenses	17,528	17,538	16,596
Depreciation and amortisation	11,532	11,368	11,092
Employee benefit costs	4,812	4,891	4,640
Finance cost	923	935	596
Total operating expenditure	34,795	34,732	32,924
Other asset gains/(losses)	(251)	640	45
Surplus/(deficit) before tax	172	3,141	243
Taxation expense	-	-	-
Net surplus/(deficit)	172	3,141	243
Other Comprehensive Revenue and Expense			
Gains on Infrastructure assets revaluation	73	(7,631)	12,918
Fair value through equity	-	-	-
Tax on Equity Items	-	-	-
Total Comprehensive Revenue and Expense	244	(4,490)	13,161

Summary Statement of Financial Position

	2014/15 Council Actual \$000's	2015/16 Council Actual \$000's	2015/16 Council Plan \$000's
Current assets	15,349	13,427	14,496
Non-current assets	882,132	878,679	898,453
Total assets	897,481	892,106	912,949
Current liabilities	5,694	4,618	4,015
Non-current liabilities	10,878	11,067	14,576
Total liabilities	16,572	15,685	18,591
Equity	880,910	876,419	894,358
Total equity	880,910	876,419	894,358
Total liabilities and equity	897,481	892,106	912,949

Summary Statement of Changes in Equity

	2014/15 Council Actual \$000's	2015/16 Council Actual \$000's	2015/16 Council Plan \$000's
Balance at 1 July	880,666	880,909	881,197
Total comprehensive revenue and expense previously reported	244	(4,490)	13,161
Total Balance at 30 June	880,910	876,419	894,358
Comprising of:			
Accumulated Funds	346,912	350,302	348,816
Asset Revaluation Reserves	504,973	497,343	517,813
Special Funded Reserves	28,976	28,730	27,679
Trust Funds	49	44	50
Total Equity	880,910	876,419	894,358

Summary Statement of Cash Flows

	2014/15 Council Actual \$000's	2015/16 Council Actual \$000's	2015/16 Council Plan \$000's
Net cash flow from operating activities	11,635	16,185	11,290
Net cash flow from investing activities	(15,812)	(16,565)	(14,873)
Net cash flow from financing activities	(1,000)	(1,198)	3,583
Net increase/(decrease) in cash held	(5,177)	(1,578)	-
Opening balance	9,518	4,341	3,518
Total cash resources at 30 June 2010	4,341	2,763	3,518

ACCOUNTING DISCLOSURES

These summary financial statements are a summary of the 2015/16 Annual Report and cover the period from 1 July 2015 to 30 June 2016. These summary financial statements do not provide as complete an understanding as provided by the full 2015/16 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 26 November 2016.

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 and its 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 2016. The financial statements were adopted by Council on 26 October 2016.

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:

	2014/15 Council	2015/16 Council
	\$000's	\$000's
Capital Commitments	1,892	3,724
Operating Leases as Lessor	100	76
Operating Leases as Lessee	1,175	1,035

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 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".

Events After Balance Date

There are no post balance date events.

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

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

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 16 to 22:

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

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 26 October 2016.

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 26 October 2016 on the full audited statements.

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

Responsibilities of the Council and the Auditor

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

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

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



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



OUR DISTRICT

Resident population (2015)	17,350
Number of rateable properties	10,595
Area (ha)	427,000
Net capital value (\$m)	\$4,570
Total roading network (km)	1,957
Elected representatives (Council and Community Boards)	17

26 Gordon Street
Dannevirke

Phone 06 374 4080