

ANNUAL REPORT 2020/21 - SUMMARY



TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL

Welcome to the summary of our 2020/21 Annual Report.

An Annual Report compares Council's performance against the objectives, performance measures and budgets set in the Long Term Plan and Annual Plan for the year. It also gives details of the Council's overall financial performance for the year together with its financial position as at 30 June 2021 along with other financial data and information. The summary Annual Report is audited by Audit New Zealand and their opinion is included.

From our Mayor and Chief Executive

Tēnā koutou katoa

Just as last year's annual report was heavily overshadowed by the impacts of Covid-19 on our business, district and community, so too does this year's report demonstrate the continuing impact of Covid-19. This year's report also reflects the broad range of other external influences that have demanded the attention and time of elected members and council staff in addition to the business as usual provision of council services.

The vast majority of external influences have been positive in their impact, some however have been quite controversial. All in all and in no particular order these were:

- Applications for government funding and subsequent delivery of projects, including:
 - the new children's bike park and half basketball court
 - the new swimming pool
 - upgrades of community halls,
 - the second trunk main between the Stratford treatment plant and Stratford township, and
 - the sealing of the final stretch of SH43.
- The establishment of a Māori ward which will see the number of councillors increase from 10 to 11, plus the mayor, at the next local government election.
- Unprecedented growth in building and subdivision activities, which stretched our staff but is great for the community overall.
- The impacts forestry harvesting has on our road network, particularly remote, unsealed roads continues to put a strain council's finances as we try to maintain these roads as well as possible.
- Central government reforms, particularly:
 - the proposal regarding the restructuring of council's three water services,
 - the Resource Management Act reforms, and
 - the Future of Local Government consumed a significant amount of time and resources.

Council, once again worked through the pandemic to deliver all of its core services (Water Supply, Wastewater, Stormwater, Roding and Solid Waste) as well as a number of activities that enabled businesses and residents to retain at elements of normality throughout Covid-19 Alert Levels. This work included:

- Our Customer Service Centre, who did everything in their power to support customers, whether the call was about council business, pandemic related information or just for a friendly chat.
- Governance – with elected members unable to meet in person, meetings were held online.
- Building control – the team managed to process consents throughout Alert Levels and while things slowed down a little bit, activity returned to strong levels once restrictions were lifted.

Operating Results

We finished the year with a net surplus of \$10,120,000, compared to a budgeted net surplus of \$7,894,000. This was due to a significant amount of unbudgeted government funding received to pay for capital projects. Additionally, the unexpected pace at which sections in the Council subdivision sold enabled council to repay the debt related to the subdivision faster than anticipated.

The council-owned farm exceeded its production target and produced 150,918kg of milk solids. This, combined with a higher than expected pay out, saw this activity create an operating profit of \$266,000, of which \$53,000 went towards subsidising general rates, and the remainder repaying farm debt and investing in new farm infrastructure.



Financial Position

All LGFA lending covenants were met during the 2020/21 financial year with budgeted gross debt (\$24,536,000) vs actual gross debt (\$22,200,000).

Due to significant grant funding received during the year and not all loan funded capital projects being delivered as budgeted, Council debt is lower than anticipated. This is despite a loan of \$7,180,000 to the Stratford A&P Association in December 2020 which is being treated as a financial investment incurring interest revenue of cost plus an administration fee, and included in net debt.

General Performance

Responses from our annual customer survey once again showed residents consider Stratford to be an attractive place to live (90% agreed), a safe place (93% agreed), and offering a healthy lifestyle (92% agreed). A higher number of non-financial performance measures than in previous years were not met. This was largely due to the impact of Covid-19 on activities as well as an exceptionally high numbers of building and resource consent applications.

Neil Volzke
District Mayor

Sven Hanne
Chief Executive

Your elected members



District Mayor

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A year in review - highlights



Good progress was made on the swimming pool development despite the disruptions of Covid-19.



Drinking water compliance – all three of our water schemes achieved provisional full compliance again.



Sale of all Council-led residential subdivision sections off Pembroke Road were completed.



Sealing of State Highway 43 was confirmed and has since started in late 2021.



The delivery of the 2021-31 Long Term Plan in which elected members determined what council's focus is going to be for the next 10 years.



Staff worked through the pandemic to deliver all of Council's core services (Water Supply, Wastewater, Stormwater, Roading and Solid Waste) as well as a number of activities that enabled businesses and residents to retain elements of normality throughout Covid-19 Alert Levels.



The children's bike park being almost complete, awaiting some final touches held up by Covid-19 restrictions.



The establishment of a Māori ward which will see the number of councillors increase from 10 to 11, plus the mayor, at the next local government election.



Responses from our annual customer survey once again showed residents consider Stratford to be an attractive place to live (90% agreed), a safe place (93% agreed), and offering a healthy lifestyle (92% agreed).



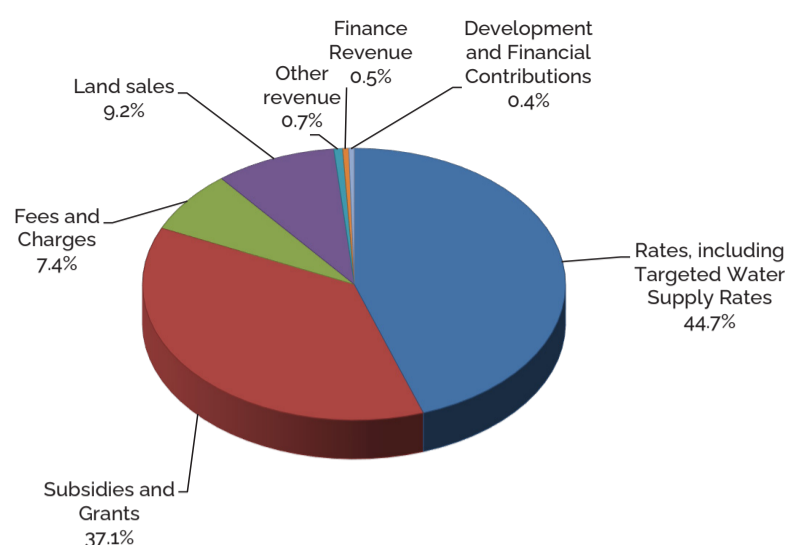
Summer Nights concert in King Edward Park.



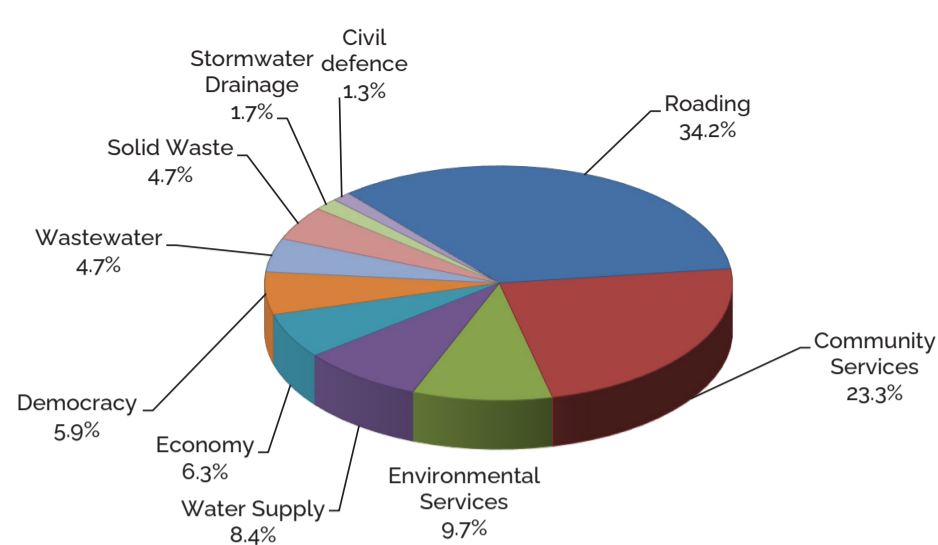
The council-owned farm exceeded its production target and produced 150,918kg of milk solids, creating an operating profit of \$266,000, of which \$53,000 went towards subsidising general rates.

Financial overview

Source of revenue - Council only



Operating Expenditure (Where the money is spent) – Council Only



Financial Performance

The following table provides a summary of the comparative financial performance for the Council and Group for the last two financial years.

The consolidated figures comprise those of Council and its Council Controlled Organisation, the Percy Thomson Trust.

Summary of Statement of Comprehensive Revenue and Expense & Statement of Changes in Equity For the Year Ended 30 June 2021	Council			Group	
	Actual 2020/21	Budget 2020/21	Actual 2019/20	Actual 2020/21	Actual 2019/20
	\$000	\$000	\$000	\$000	\$000
Operating Revenue	30,046	27,005	27,762	30,157	27,870
Less: Finance Costs	447	665	398	447	398
Less: Other Expenditure	19,479	18,446	19,342	19,681	19,534
Surplus (Deficit) before and after income tax	10,120	7,894	8,022	10,029	7,937
Revaluation of financial assets at fair value through other comprehensive revenue and expense	9	-	(61)	9	(61)
Staff Gratuities	-	(48)	-	-	-
Gains/(Losses) on Property, Plant and Equipment Revaluation	37,875	-	1,154	37,875	1,344
Total comprehensive revenue and expense	48,004	7,846	9,116	47,913	9,220
Equity at the Beginning of the Year	321,230	315,812	312,114	324,193	314,972
Equity at the End of the Year	369,234	323,658	321,230	372,105	324,193
Comprising:					
Accumulated Funds	189,944	181,362	181,353	191,609	183,109
Reserves and Special Funds	7,911	7,099	6,383	7,911	6,383
Revaluation of financial assets at fair value through Other Comprehensive Revenue and Expense	(401)	-	(410)	(401)	(410)
Asset Revaluation Reserves	171,779	135,197	133,904	172,986	135,111
Equity at the End of the Year	369,234	323,658	321,230	372,106	324,193

Capital Expenditure

In 2020/21, Council spent \$13,121,000 on capital expenditure. Budgeted capital expenditure was \$21,910,000.

To meet new growth	\$94,000 (remaining subdivision costs)
To improve service levels	\$9,631,000
To replace existing assets	\$3,396,000

Council received \$8,872,000 in subsidies and grants for capital expenditure.

Total capital expenditure was under budget by \$8,788,000. Although there were unders and overs across the Council Activities, the Swimming Pool (under Property), contributed most to the variance and was under budget by \$10,456,000. This is a result of not progressing with the new swimming pool development within the year as originally anticipated in the LTP 2018-28.

The implications of the variance for new projects that are funded by loans is that Council will have rated in the 2020/21 year for interest on the expenditure. If a project was expected to be completed in 2020/21, then Council will have also rated for 50% of the depreciation.

Summary of Financial Position

Summary of Statement of Financial Position	Council			Group	
	Actual 2020/21	Budget 2020/21	Actual 2019/20	Actual 2020/21	Actual 2019/20
As at 30 June 2021	\$000	\$000	\$000	\$000	\$000
Current Assets	15,536	5,007	9,664	15,971	10,008
Non-current Assets	383,717	345,455	330,175	386,174	332,825
Total Assets	399,253	350,462	339,838	402,145	342,832
Current Liabilities	9,751	3,695	6,517	9,771	6,544
Non-current Liabilities	20,270	23,108	12,094	20,270	12,094
Total Liabilities	30,021	26,803	18,611	30,041	18,638
Equity	369,234	323,658	321,230	372,105	324,193
Total Liabilities and Equity	399,253	350,462	339,838	402,145	342,832

Summary of Cash Flows

The Cash Flows table summarises how Council and the Group generated and used cash during the respective financial years. In both years cash surpluses from operating activities were invested in the district's assets.

Summary Statement of Cash Flows	Council			Group	
	Actual 2020/21	Budget 2020/21	Actual 2019/20	Actual 2020/21	Actual 2019/20
For the year ended 30 June 2021	\$000	\$000	\$000	\$000	\$000
Net Cash Flow from Operating Activities	14,821	8,829	8,453	14,801	8,419
Net Cash Flow from Investing Activities	(23,347)	(18,073)	(7,193)	(23,237)	(7,313)
Net Cash Flow from Financing Activities	6,700	10,036	1,000	6,700	1,000
Net Increase (decrease) in Cash, Cash Equivalents and Bank Overdrafts	(1,826)	792	2,260	(1,736)	2,106
Cash, Cash Equivalents and Bank Overdrafts at the beginning of the year	5,082	3,189	2,822	5,123	3,017
Cash, Cash Equivalents and Bank Overdrafts at the end of the year	3,256	3,981	5,082	3,387	5,123

Key Projects:

Community Hall renovations	\$329,678
Library Upgrade	\$70,056
Council Subdivision	\$94,000
Rooding Safety Improvements	\$2,057,240
Water – zone valves	\$378,553
Children's Bike Park	\$1,385,800 (not completed)
Aquatic Centre	\$4,856,100 (not completed)
Council also started planning the second trunk main for Water Supply.	

Operating Results

Actual Revenue	\$30,046,000
Budgeted Revenue	\$27,005,000
Actual Expenses (opex)	\$19,926,000
Budgeted Expenses	\$19,111,000
Net Surplus	\$10,120,000
Budgeted Net Surplus	\$7,894,000

Net Surplus

The Net Surplus of \$10,120,000 is made up of capital revenue including the following:

	000's
Roading subsidy for capital expenditure	2,682
Government funding for the swimming pool	4,856
Government funding for the bike park	935
Government funding for community hall upgrades	326
TET funding for capital expenditure	60
Sale of residential sections	2,779
Financial contributions	127
	11,765

In addition, part of roading depreciation is funded from reserves (government subsidised portion). In 2020/21, this made up \$1,448,000 of total depreciation.

Benchmarks

Council is required to report against eight financial benchmarks in its Annual Report. Two benchmarks were not met, and both relate to rates increases.

	Limit	Actual	Outcome
Rates (income) affordability	<\$13,317,000	\$13,437,000	Not met
Rates (increases) affordability	<4.45%	5.39%	Not met
Debt affordability	\$30,046,000	\$18,944,000	Met
Balanced budget	>100%	150%	Met
Essential services	>100%	168%	Met
Debt Servicing	<10%	1.5%	Met
Debt Control	<100%	37%	Met
Operations Control	>100%	168%	Met

Variations to the Annual Plan

Explanations for major variations from Council's estimated figures in the 2020/21 Annual Plan are as follows:

Statement of Comprehensive Revenue and Expense

Income is higher than anticipated due to the following:

- Revenue received from the sale of land in the council led subdivision was less than budget, as at the time the budget was set, it was assumed that not as many sections would have sold prior to 30 June the previous year.
- Grant revenue was higher than budget due to the receipt of Provincial Growth Funding that was not budgeted for.
- Roading infrastructure assets were revalued at fair value as at 30 June 2021. As there was a significant increase over the carrying amount this has been reflected in these accounts.

Statement of Financial Position

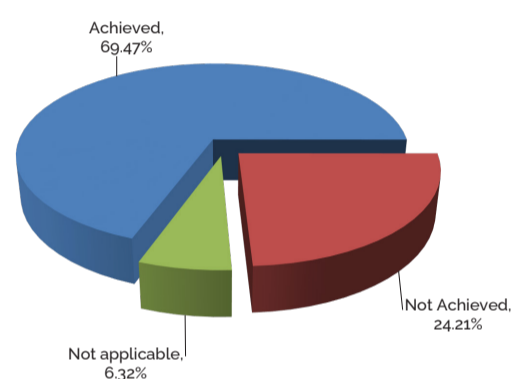
- Cash was less than budget as surplus funds were placed on short term deposits.
- Short term deposits were higher than budget due to the additional funds council received during the year for Provincial Growth Fund and central government stimulus funding.
- Receivables were higher than budget due to further funds invoiced for the above projects.
- Other financial assets include the loan to the Stratford A & P Association, which was not budgeted.
- Roading infrastructure assets were revalued at fair value as at 30 June 2021, and as there was a significant increase over the carrying amount this has been reflected in these accounts.
- Payables are higher than budget due the portion of government grant funding for projects that was received in advance, in addition to the higher than normal value of trade creditors at year end as a direct result of the extra capital projects in progress.



Non-financial performance measures

Council has 95 performance measures which were set by Council during the LTP 2018-28 process.

Of these, 66 measures were achieved, and 23 measures were not achieved.



Activity	Achieved	Not applicable	Not achieved
Aerodrome	1	0	0
Civic Amenities	5	0	1
Community Development	4	0	0
Library	2	0	2
Parks/Reserves/Cemeteries	4	1	1
TSB Pool Complex	3	1	0
Democracy	3	0	1
Economic Development	3	0	1
Information Centre	2	0	1
Rental properties	2	0	0
Building services	3	0	3
Planning and Bylaws	3	2	1
Emergency Management	1	0	0
Community Health and Safety	3	0	4
Roading	3	2	4
Stormwater	6	0	0
Wastewater	5	0	0
Solid Waste	1	0	2
Water Supply	12	0	2
TOTAL	66	6	23



Notes

1. Part 6 Section 98(4)(b) of the Local Government Act 2002 requires councils to make publicly available a summary of the information contained in its Annual Report.
2. The full financial statements of Stratford District Council have been prepared in accordance with the requirements of the Local Government Act 2002 and with New Zealand's generally accepted accounting practice. They comply with tier 2 PBE accounting standards and other applicable financial reporting standards, as appropriate for public benefit entities. The financial statements include a Statement of Compliance to this effect. Specific disclosures included in the summary financial statements have been extracted from the full financial statements.
3. Stratford District Council's summary annual report is in compliance with PBE FRS-43 Summary Financial Statements and the financial statements have been prepared in New Zealand dollars. All values have been rounded to the nearest thousand dollars (\$000).
4. The summary annual report does not include all disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding of the Council's financial performance as the full financial statements.
5. The full financial statements on which this summary is based received an unmodified opinion with an emphasis of matter and were authorised for issue by the Council on 14 December 2021.
6. This summary financial report has been examined by the auditor for consistency with the full financial report. An unmodified auditor's report is included with this summary.

7. The above is a summary of the Annual Report, but you can view the full report by going to our website, www.stratford.govt.nz or phone, (06) 765 6099.

Local Government Funding Agency (LGFA)

The Council is a guarantor of the New Zealand Local Government Funding Agency (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a current credit rating from Standard and Poor's of AAA for local currency and a foreign currency rating of AA+as at 22 February 2021.

As at 30 June 2021, the Council is one of 63 local authority guarantors with NZ LGFA. Together with the other guarantors, the Council is a guarantor of all of the LGFA's borrowings. At 30 June 2021, NZ LGFA had borrowings totalling \$14.42 billion (2020: \$11.90 billion).

PBE Accounting Standards require the council to recognise the guarantee liability by applying the 12-month expected credit loss (ECL) model (as fair value could not be reliably measured at initial recognition), and subsequently at the higher of the provision for impairment at balance date determined by the ECL model and the amount initially recognised. The Council has assessed the 12-month ECL of the guarantee liability, based on market information of the underlying assets held by the LGFA. The estimated 12-month expected credit losses are immaterial due to the very low probability of default by the LGFA in the next 12 months. Therefore, the Council has not recognised a liability.

The Council considers the risk of the LGFA defaulting on repayment of interest or capital to be very low on the basis that:

- it is not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to raise sufficient funds to meet any debt obligations if further funds were required.

Events after Balance Date

On 17 August 2021 New Zealand moved to Covid Delta Alert Level 4. On the 31st of August all of New Zealand south of Auckland moved to Alert Level 3. On the 7th of September 2021 New Zealand except Auckland moved into Alert Level 2 on which the Stratford District still complies with. No significant impact of these level changes are anticipated.

On 27 October 2021, the Local Government Minister announced that central government will proceed with the three waters service delivery reforms using a legislated "all in" approach. The three waters reform involves the creation of four statutory water services entities to be responsible for the service delivery and infrastructure from local authorities from 1 July 2024. There is still a number of uncertainties associated with the new three waters delivery model including the mechanism for how assets will be transferred to the newly established entities and the control and governance of these entities. Notwithstanding the current uncertainty the announcement once legislated will mean Council is no longer responsible for the delivery and infrastructure of three water services from 1 July 2024.

Auditor's Opinion

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Stratford District Council and group's summary of the annual report for the year ended 30 June 2021

The summary of the annual report was derived from the annual report of the Stratford District Council and group (the District) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 3 to 5:

- the summary statement of financial position as at 30 June 2021;
- 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 2021;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary non-financial performance measures.

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 2021 in our auditor's report dated 14 December 2021. Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the disclosures about the Government's three waters reform programme announcement as set out in the full annual report in note 27 to the financial statements. The Government announced it will introduce legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities from 1 July 2024. The impact of these reforms, once legislated, will mean that the District Council will no longer deliver three waters services. These matters are addressed in note 7 of the summary financial statements.

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 or its subsidiaries and controlled entities.



Chris Webby
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
13 January 2022



View our full Annual Report online at stratford.govt.nz

Or read a copy of the report at the Stratford Library and Visitor Information Centre or Council's Service Centre at 63 Miranda Street.