



TE KAUNIHERA Ā ROHE O
WHAKAAHURANGI
STRATFORD
DISTRICT COUNCIL

ANNUAL REPORT 2021/22 - SUMMARY



Welcome to the summary of our 2021/22 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 2022 along with other financial data and information. The summary Annual Report is audited by Deloitte and their opinion is included.

From our Mayor and Chief Executive

Tēnā koutou katoa

A lot has happened in the past 12 months. While Covid-19 is still around, its impact on our daily lives has reduced significantly. The same is true for council operations and projects. Most things are "back to normal" or at least close to that. Council is back to meeting in person and all of our facilities are open for business.

Our key milestones for the last financial year were:

- Completion of the new children's bike park and half basketball court
- Near-completion of the new swimming pool, on budget and on time
- Significant progress on the second water trunk main between the Stratford water treatment plant and Stratford township
- Sealing work progressing on the historically unsealed stretch of State Highway 43 along with a suite of other safety improvements.

The 2021/22 financial year was the first year of Council's 2021-2031 Long Term Plan. As a result of the projects listed above, and with many of them benefiting from substantial government grants, this year saw the largest ever delivery of capital projects in the history of Stratford District Council. Despite the various challenges to the construction sector as well as in general, we managed to deliver 86% of the overall work programme, with the remainder rolled over into the following year for completion.

Operating Results

We finished the year with a net surplus of \$7,777,000. Revenue was slightly below budget due to a reduction of fees and charges and MBIE funding being lower than what was budgeted. Expenditure shows slightly over budget due to increased depreciation, increased operational costs and higher interest rates.

The council-owned farm exceeded its production target and produced 154,000kg of milk solids. Combined with a higher than expected pay out, this created an operating profit of \$291,000, of which \$51,000 went towards subsidising general rates, and the remainder repaying farm debt and investing in new farm infrastructure.

Financial Position

All Local Government Funding Agency (LGFA) lending covenants were met during the 2021/22 financial year with budgeted gross debt (\$36,521,000) vs actual gross debt (\$32,200,000). Taking into consideration the loan to the Stratford A&P Association and existing term deposits, council's net debt was \$17,020,000 at year end.

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.



General Performance

Responses from our annual customer survey showed residents consider Stratford to be an attractive place to live (77% agreed), a safe place (77% agreed), and offering a healthy lifestyle (81% agreed). Residents were particularly impressed with the level of service in the Library (97% satisfied), Visitor Information Centre (96% satisfied) and our parks and walkways (92% satisfied). 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

Elected members as at 30 June 2022



District Mayor

Neil Volzke, JP
M. 027 6317 418
E. nvolzke@stratford.govt.nz

Rural Ward Councillors

Grant Boyde, JP
P. 027 603 2842
E. grant.boyde@stratford.govt.nz

Rick Coplestone
Councillor Coplestone did not seek re-election in October 2022.

Amanda Harris
P. (06) 762 3520
E. amanda.harris@stratford.govt.nz

Vaughan Jones
P. 027 620 2106
E. vaughan.jones@stratford.govt.nz

Urban Ward Councillors

Peter Dalziel
Councillor Dalziel did not seek re-election in October 2022.

Jono Erwood
P. 027 640 4008
E. jono.erwood@stratford.govt.nz

Alan Jamieson, Deputy Mayor, JP
Deputy Mayor Jamieson did not seek re-election in October 2022.

Min McKay
P. 027 357 6060
E. min.mckay@stratford.govt.nz

John Sandford, JP
P. 027 496 2278
E. john.sandford@stratford.govt.nz

Gloria Webby
Councillor Webby did not seek re-election in October 2022.

View our full Annual Report online at [Stratford.govt.nz](https://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.

A year in review - highlights



Near-completion of the new swimming pool, on budget and on time.



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



Completion of the new children's bike park and half basketball court.



Significant progress on the second water trunk main between the Stratford water treatment plant and Stratford township.



Sealing work progressing on the historically unsealed stretch of State Highway 43 along with a suite of other safety improvements.



Responses from our annual customer survey showed residents were particularly impressed with the level of service in the Library (97% satisfied), Visitor Information Centre (96% satisfied) and our parks and walkways (92% satisfied).



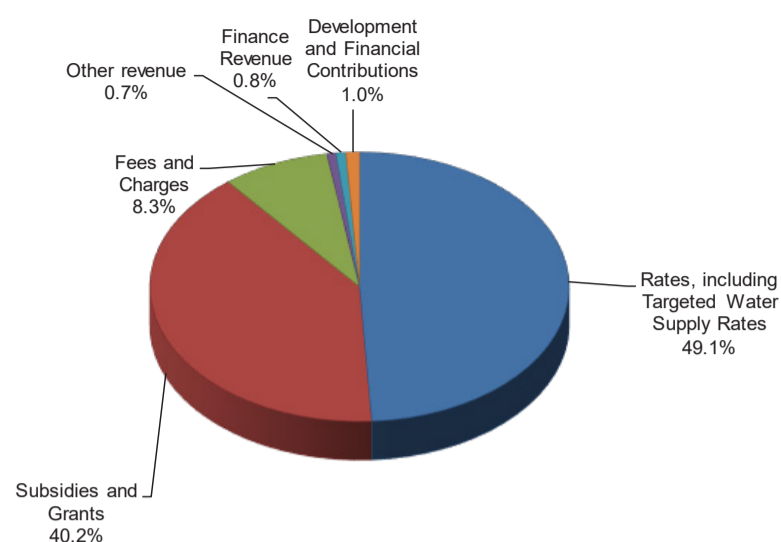
Puanga celebrations in Prospero Place.



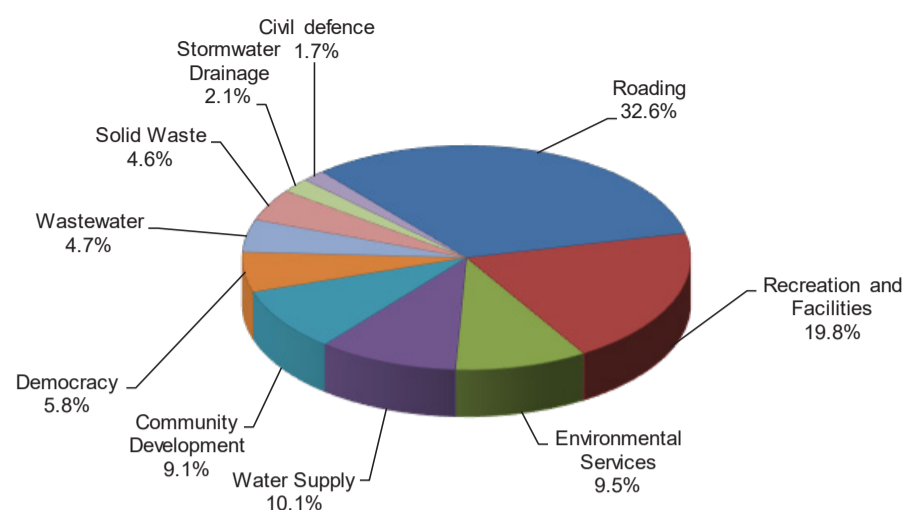
The council-owned farm exceeded its production target and produced 154,000kg of milk solids. It had a total profit of \$291,000, of which \$51,000 went towards subsidising general rates.

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 2022	Council			Group	
	Actual 2021/22	Budget 2021/22	Actual 2020/21	Actual 2021/22	Actual 2020/21
	\$000	\$000	\$000	\$000	\$000
Operating Revenue	28,929	29,390	30,046	29,071	30,157
Less: Finance Costs	552	477	447	552	447
Less: Other Expenditure	20,600	19,508	19,479	20,817	19,681
Surplus (Deficit) before and after income tax	7,777	9,404	10,120	7,702	10,029
Revaluation of financial assets at fair value through other comprehensive revenue and expense	(135)	-	9	(135)	9
Gains/(Losses) on Property, Plant and Equipment Revaluation	54,587	7,708	37,875	54,587	37,875
Total comprehensive revenue and expense	62,229	17,113	48,004	62,154	47,913
Equity at the Beginning of the Year	369,234	326,680	321,230	372,105	324,193
Equity at the End of the Year	431,463	343,793	369,234	434,267	372,105
Comprising:					
Accumulated Funds	197,109	193,974	189,944	198,703	191,609
Reserves and Special Funds	8,524	8,206	7,911	8,524	7,911
Revaluation of financial assets at fair value through Other Comprehensive Revenue and Expense	(536)	-	(401)	(536)	(401)
Asset Revaluation Reserves	226,366	141,612	171,779	227,573	172,986
Equity at the End of the Year	431,463	343,793	369,234	434,267	372,105

Capital Expenditure

In 2021/22, Council spent \$24,375,000 on capital expenditure, being 87% of budgeted capital expenditure of \$27,991,000.

To meet new growth	\$6,000 (preliminary subdivision costs)
To improve service levels	\$19,298,000
To replace existing assets	\$5,070,000

Council received \$10,620,000 in subsidies and grants for capital expenditure.

Total capital expenditure was under budget by \$4,228,000. Although there were unders and overs across the Council Activities, the Swimming Pool (under Recreation and Facilities), contributed most to the variance and was under budget by \$2,536,000. The Swimming Pool project is now complete.

The implications of the variance for new projects that are funded by loans is that Council will have rated in the 2021/22 year for interest on the expenditure. If a project was expected to be completed in 2021/22, then Council will have also rated for 50% of the depreciation.

Summary of Financial Position

Summary of Statement of Financial Position	Council			Group	
	Actual 2021/22	Budget 2021/22	Actual 2020/21	Actual 2021/22	Actual 2020/21
As at 30 June 2022	\$000	\$000	\$000	\$000	\$000
Current Assets	12,200	13,884	15,536	12,762	15,971
Non-current Assets	456,978	370,523	383,717	459,234	386,174
Total Assets	469,178	384,407	399,253	471,996	402,145
Current Liabilities	14,002	7,665	9,751	14,016	9,771
Non-current Liabilities	23,713	32,949	20,270	23,713	20,270
Total Liabilities	37,715	40,614	30,021	37,729	30,041
Equity	431,463	343,793	369,234	434,267	372,105
Total Liabilities and Equity	469,178	384,407	399,253	471,996	402,145

Summary of Cash Flows

The Cash Flows table summarises how Council and the Group generated and used cash during the respective financial years.

Summary Statement of Cash Flows	Council			Group	
	Actual 2021/22	Budget 2021/22	Actual 2020/21	Actual 2021/22	Actual 2020/21
For the year ended 30 June 2022	\$000	\$000	\$000	\$000	\$000
Net Cash Flow from Operating Activities	15,686	14,310	14,821	15,679	14,801
Net Cash Flow from Investing Activities	(25,533)	(28,535)	(23,347)	(25,383)	(23,237)
Net Cash Flow from Financing Activities	10,000	13,821	6,700	10,000	6,700
Net Increase (decrease) in Cash, Cash Equivalents and Bank Overdrafts	153	(404)	(1,826)	296	(1,736)
Cash, Cash Equivalents and Bank Overdrafts at the beginning of the year	3,256	1,079	5,082	3,388	5,123
Cash, Cash Equivalents and Bank Overdrafts at the end of the year	3,409	675	3,256	3,684	3,388

Key Projects:

Demolish Bell Tower	\$52,042
Victoria Park Bike Park	\$446,959 (remaining funds to complete project)
New Swimming Pool (Wai o Rua)	\$14,295,205 (remaining funds to complete project)
In-Shed Feeding (Farm)	\$54,192
Yard Upgrade (Farm)	\$127,876
Road to Zero projects (Rooding)	\$475,238
Wastewater Treatment Plant Upgrade	\$105,021 (not completed, partway through project)
Second Trunkmain	\$3,276,264 (project is 80% complete)
Water Meter upgrade	\$61,130 (work in progress)

Operating Results

Actual Revenue	\$28,930,000
Budgeted Revenue	\$29,389,000
Actual Expenses (opex)	\$21,153,000
Budgeted Expenses	\$19,985,000
Net Surplus	\$7,777,000
Budgeted Net Surplus	\$9,404,000

Net Surplus

The Net Surplus of \$7,777,000 is made up of capital revenue including the following:

	000's
Roading subsidy for capital expenditure	2,746
Government funding for the swimming pool	1,744
Other external funding for the swimming pool	1,911
Government funding for the bike park	447
Government funding for water supply - second trunk-main	2,151
Financial contributions	300

In addition, part of roading depreciation is funded from reserves (government subsidised portion). In 2021/22, this made up \$1,614,000 of total depreciation.

Benchmarks

Net debt levels are within the targeted limits. Council has gross borrowings of \$32.2 million at interest rates ranging from 1.04% to 4.30% and financial investments of \$15.2 million.

The actual rates increase of 5.62% was higher than budgeted, but within the LTP limit. This was due to more new subdivisions than anticipated, and higher water consumption than expected.

		Council's Target (limits)	LTP - 2021-31	Actual - 2021/22
Debt	Net debt as a % of total annual revenue	<130%	84%	64%
Income & Affordability	% Rates Increase	<6%	4.63%	5.62%

Variations to the Long Tem Plan

Net Operating Costs

Recreation and Facilities

Civic Amenities is over budget due to the need to relocate CCTV cameras following demolition of the bell tower. Parks and Reserves is over budget due to unbudgeted repairs and maintenance and ongoing operating costs related to the Bike Park. The TSB Pool Complex is over budget due to the reduced revenue resulting from various closures in addition to increased energy and staff costs.

Roading

The Net operating cost of Roothing is overbudget due to the reduction in funding from Waka Kotahi (NZTA) for both maintenance and capital expenditure.

Stormwater

Stormwater is over budget due to the increased depreciation from the revaluation.

Solid Waste

Solid Waste is over budget due to the increased cost of bin repairs, and additional costs of disposal.

Water Supply

Water Supply is over budget due to the increased depreciation from the revaluation; together with the necessity to use consultants to ensure full compliance in the activity where necessary.

Capital Expenditure

Total capital expenditure was under budget by \$4,228,000. Although there were unders and overs across the Council Activities, the Swimming Pool (under Recreation and Facilities), contributed most to the variance. This is a result of not completing the new swimming pool within the year as originally anticipated in the LTP 2021-31. Also, council set aside \$1,200,000 for the purchase of property for a residential subdivision which wasn't spent by 30 June 2022. Negotiations have taken place and the funds will be carried forward to 2022/23.

The implications of the variance for new projects that are funded by loans is that Council will have rated in the 2021/22 year for interest on the expenditure. If a project was expected to be completed in 2021/22, then Council will have also rated for 50% of the depreciation.

Roading

Expenditure is under budget due to the reduction of funding from Waka Kotahi (NZTA) for renewal work, after the Long Term Plan was adopted.

Stormwater

Expenditure was under budget, and has been carried forward to 2022/23, due to resourcing constraints.

Water Supply

Expenditure is over budget as the delivery of the second trunkmain project was accelerated, and there was also a project cost escalation.

Wastewater

Expenditure is under budget due to the late start of the Diatomix Upgrade project, and other projects that will be carried forward to 2022/23, all due to the shortage of resources.

Parks, Reserves and Cemeteries

This over-expenditure is primarily due to cost of the new bike park, which was completed and opened in October 2021. This project was entirely grant funded.

Recreation and Facilities

This expenditure was under budget as the pool project was carried over to 2022/23, and due for completion in October 2022.

Community Development

This is under budget as the funding set aside for the residential subdivision has been carried over to 2022/23 while negotiations continue to take place.

Non-financial performance measures

Council has 95 performance measures which were set by Council during the LTP 2021-31 process.

Of these, 59 measures were achieved, 34 measures were not achieved, and 3 measures were not applicable.

Activity	Achieved	Not applicable	Not achieved
Aerodrome	0	0	2
Civic Amenities	3	0	3
Community Development	1	0	1
Library	3	0	0
Parks/Reserves/Cemeteries	2	0	4
TSB Pool Complex	3	0	2
Democracy	3	0	1
Economic Development	3	0	0
Information Centre	1	0	1
Rental properties	3	0	0
Building services	2	0	4
Planning and Bylaws	1	2	3
Civil Defence and Emergency Management	1	0	1
Community Health and Safety	5	0	2
Roading	5	0	4
Stormwater	5	1	0
Wastewater	4	0	3
Solid Waste	3	0	0
Water Supply	11	0	3
TOTAL	59	3	34



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 financial statements of the Council and group have been prepared in accordance with the requirements of the LGA and Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with New Zealand generally accepted accounting practice (NZ GAAP).

The financial statements have been prepared in accordance with and comply with Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) and disclosure concessions have been applied. The Council is eligible and has elected to apply the PBE Standards RDR because its expenses are less than \$30 million and it does not have public accountability as defined by XRB A1 Application of the Accounting Standards Framework.

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 13 December 2022.

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.

New Zealand Local Government Funding Agency (NZLGFA)

The Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. NZLGFA has a local currency rating from Standard and Poor's of AAA and a foreign currency rating of AA+. NZLGFA has a local currency rating from Fitch of AA+ and a foreign currency rating of AA.

As at 30 June 2022, the Council is one of 30 local authority shareholders and 38 local authority guarantors of the NZLGFA. When aggregated with the uncalled capital of other shareholders, \$20m is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, the Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2022, NZLGFA had borrowings totalling \$15,789m (2021: \$13,605m).

Financial reporting standards require the Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA 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 recover sufficient funds to meet any debt obligations if further funds were required.

Events after Balance Date

Following the announcement by the Local Government Minister on 27 October 2021 regarding central government proceeding with the three waters service delivery reforms using a legislated "all in" approach, Council continues to recognise its three waters assets at 30 June 2022 in accordance with the accounting policies set out in Note 15. There has been no adjustment in these financial statements to reflect the expected future transfer of assets to the new water entity.

In June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the Council will no longer deliver three waters services or own the assets required to deliver these services. The Water Services Entities Bill had its Third Reading on 7 December 2022 and is awaiting Royal Assent. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.

Auditor's Opinion

Deloitte.

Independent Auditor's Report

To the readers of Stratford District Council's summary of the annual report for the year ended 30 June 2022

The summary of the consolidated annual report was derived from the annual report of the Stratford District Council (the District Council) and its subsidiary and controlled entity (the Group) for the year ended 30 June 2022.

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

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2022;
- 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 2022 in our auditor's report dated 13 December 2022.

Without modifying our opinion, we draw attention to note 27 on page 110 of the full annual report, which outlines that, in June 2022, the Government introduced legislation to establish four publicly owned water services entities to take over responsibilities for service delivery and infrastructure from local authorities with effect from 1 July 2024. The impact of these proposed reforms, once legislated, will mean that the District Council will no longer deliver three waters services or own the assets required to deliver these services. The Water Services Entities Bill had its Third Reading on 7 December 2022 and is awaiting Royal Assent. In December 2022, the Government introduced the Water Services Legislation Bill, which will transfer assets and liabilities to the water services entities.

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.

In addition to our audit and our report on the disclosure requirements, we have carried out an assurance engagement on trustee reporting, which is compatible with those independence requirements. Other than this engagement we have no relationship with or interests in the District Council or its subsidiary and controlled entity.

Pam Thompson

Pam Thompson
for Deloitte Limited
On behalf of the Auditor-General
Hamilton, New Zealand
16 December 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.