



Mackenzie
DISTRICT COUNCIL

Mackenzie
District Council
2020/21
Annual Report Summary

Contents

A quicknote from your Mayor and Chief Executive	3
How we invested your rates	4
Highlighting our achievements	4
Infrastructure Delivery	
Forestry Harvesting and Carbon Credits	
Tourism Services, Promotion and Economic Development	
Community and Township Facilities	
District Plan Review	
Services for our District	5
Financial Highlights	6
Summary Financials	7
Annual Report Disclosure Statement	7
Summary of Major Variances Against our Budget	8
Events after Balance Date	8
Council Spending at a Glance	9
Independent Auditors' Report	10

Laying the Foundations

We are proud to present the 2020/2021 Annual Report to you, our community.

Council revenue increased compared to budgets due to higher grants and subsidies than anticipated, offset by lower financial contributions due to decreased subdivision activity. However, additional expenditure was incurred due to higher building control costs and accreditation compliance costs and costs associated with Te Manahuna Ki Uta project - fully funded by the Provincial Growth Fund.

The management team worked on finalizing and delivering our Long Term Plan 2021 -2031 during 2020/2021, with the final plan being adopted in December 2021.

We actively progressed our Te Manahuna Ki Uta project as we partnered with Iwi and other key stakeholders to develop a destination plan for Tourism for our district.

The spatial planning project went through a multistage process for each township that included substantial engagement with each community. This consultation culminated in the adoption of the Spatial Plans by Council on 29 June 2021.

In the local government sector there is significant reform and change with the Three Waters Reform, ongoing reviews into the Resource Management Act and the Future of Local Government. We continue to monitor and provide feedback on these reforms as maintaining a strong local voice for our communities needs remains paramount.

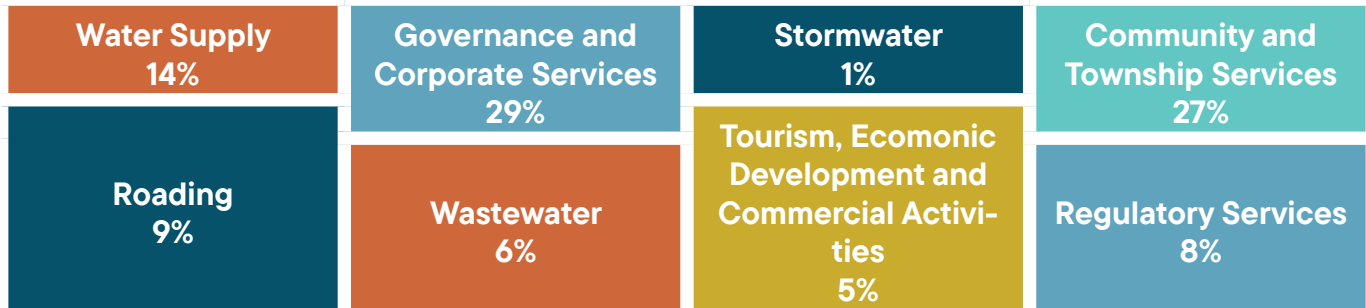


Graham Smith
Mayor



Angela Oosthuizen
Chief Executive

How we invested your rates (operating expenditure)



Highlighting our achievements

Infrastructure Delivery

Water supply project planning: Design of the new Fairlie water treatment plant has progressed; the new water reservoir and concrete pipe replacements in Fairlie and AC pipe replacements in Twizel have been bought forward within the 2021-2031 LTP program.

Burkes Pass water supply treatment upgrade: We indicated last year that our planned upgrade to the Burkes Pass water supply treatment would be delayed until 2020/21. This work was substantially completed during the year.

Roading - Minor improvements and safety improvements: In response to COVID-19, we have prioritised key shovel ready projects with a safety stimulus package.

Forestry Harvesting and Carbon Credits

We completed the delayed harvesting and some additional areas in 2020/21. This activity has generated additional revenue which has been reinvested in forestry as well as to offset rates requirements. Our forestry estate qualifies for carbon credit allocations and we applied carbon credits to offset rates in 2020/21 by an additional \$671,000.

Tourism Services, Promotion and Economic Development

We provided a free Wi-Fi zone in Market Place, Twizel.

We reviewed our contracts for tourism promotion and economic development and make some changes to the way we provide these services to our communities.

Community and Township Facilities

Mackenzie Community Centre, Fairlie: We are progressing the improvements to our Community Centre to increase its usability. This year we prepared plans to upgrade the kitchen, safety improvements to the theatre and other minor improvements.

Twizel Events Centre: In 2020/21 we resurfaced the sports hall floor and made security and access improvements.

Fairlie Dog Park: The Fairlie Community Board is planning on establishing a dog park on Allandale Road. Concepts and layouts were developed in partnership with the Board.

Tekapo Development Plan: We continued to progress the Tekapo Development Plan including undertaking consultation with our community and the community board.

District Plan Review

We have made good progress on our spatial Planning in 2020/21 and the spatial plan was substantially completed this year.

Services for our District

Each year we measure ourselves against the goals in our Long Term Plan.

Last year (2019/20) we:

Achieved: 43 out of 56 (77%)
Did not achieve: 11 out of 56 (20%)
Not applicable: 2 out of 56 (3%)

This year (2020/21) we:

Achieved: 42 out of 56 (75%)
Did not achieve: 14 out of 56 (25%)
Not applicable: 0 out of 56 (0%)

Governance and Corporate Services



Achieved 4 of 5 measures

Water Supply



Achieved 6 of 10 measures

Wastewater



Achieved 8 of 9 measures

Stormwater



Achieved 7 of 8 measures

Roading



Achieved 5 of 8 measures

Regulatory Services



Achieved 6 of 10 measures

Community and Township Services



Achieved 4 of 4 measures

Tourism, Economic Development and Commercial Activities



Achieved 2 of 2 measures

Financial Highlights

- We had an overall surplus of \$1.74 million, with a total revenue of \$25.67 million.
- Our total expenditure was \$23.93 million.
- The surplus includes income received during the financial year from non-operating sources like property sales and revenue that is allocated to capital projects or future work streams.

We remain debt free

- Our external debt at 30 June 2021 stands at nil.

Our rates remain low

- We collected \$11.1 million in rates.
- We predicted 4.48% average rates rise, and struck at 5.6% rise for 2020/21 (for properties existing at 1 July 2020).

We are growing

- We have 190 new rating units.
- We processed 383 building consents.
- We granted 147 resource consents.

We continue to invest in our infrastructure

- We currently own \$252 million of assets including infrastructure.
- We invested \$6 million in capital expenditure (excluding vested assets) on our infrastructure and other assets. \$5.1 million of this was on our core infrastructure.
- We received \$330,000 of vested assets including land, road, water, wastewater infrastructure and the Fairlie skatepark.
- We received stimulus funding of \$2.6 million during the year, of which we have spent \$800,000. This has been invested in our 3 Waters activities. All up we will receive \$5.2 million to invest in our 3 Waters infrastructure.

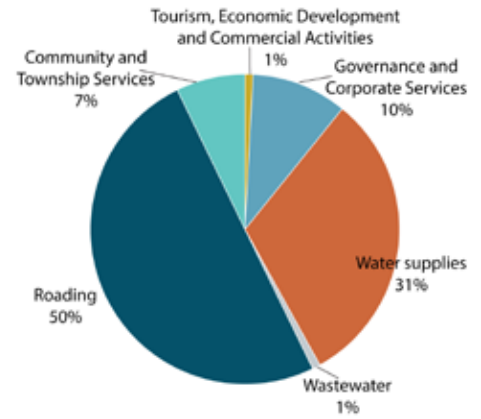
Impacts of COVID-19

Our country and district have experienced significant challenges from COVID-19. To find out more about how we responded to COVID-19 and how it has impacted on our Council activities during 2020/21 check out our Annual Report - Note 32: Impacts of COVID-19 on Mackenzie District Council.

We have also accelerated key projects and established a Recovery Stimulus Fund to help our district recover. You can find out more about these in our Annual Plan 20/21.

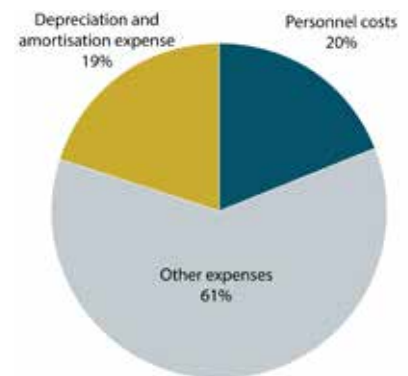
Capital expenditure (excluding vested assets)

Overall the total capital expenditure for the year of \$6.2 million was only 43% of the 2020-2021 budget of \$14.3 million.



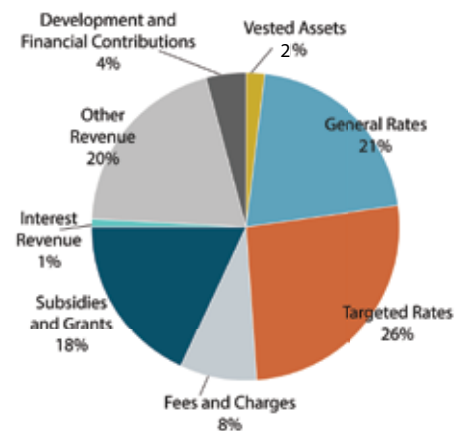
Operating expenditure

Overall total operating expenditure of \$23.9 million exceeded the budget of \$21.1 million by 13%.



Revenue (excluding other gains/(losses))

Mackenzie District Council rates contributed 47% of revenue totalling \$23.4 million for the 2020-2021 financial year. Revenue from subsidies and grants increased to 18% from 11% from the prior financial year. Development and Financial



contributions decreased to 4% from 13% and non-cash revenue from vested assets decreased to 2% from 6%. Timing of the completion of subdivision work, the vesting of assets and payment of contributions is outside Council's control.

Summary Financials

\$000	Actual 2021	Budget 2021	Actual 2020
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
Total revenue	25,672	22,550	24,456
Total Expenses	23,933	21,101	19,426
Surplus/(deficit) before tax	1,739	1,449	5,030
Income tax credit/(expense)	-	-	-
Surplus/(deficit)	1,739	1,449	5,030
Total other comprehensive revenue and expenses	3,059	519	1,769
Total comprehensive revenue and expenses	4,798	1,968	6,799
STATEMENT OF CHANGES IN EQUITY			
Equity at the beginning of year	289,740	258,980	282,941
Total comprehensive revenue and expense	4,798	1,968	6,799
Total revenue and expense	4,798	1,968	6,799
De-recognition of Albury Water supply	(155)	-	-
Equity at end of year	294,383	260,948	289,740
STATEMENT OF FINANCIAL POSITION			
ASSETS			
Total current assets	24,993	13,727	23,156
Total non-current assets	276,982	261,355	270,726
Total assets	301,975	275,082	293,882
LIABILITIES			
Total current liabilities	7,503	3,560	4,063
Total non-current liabilities	89	10,574	79
Total liabilities	7,592	14,134	4,142
Net assets	294,383	260,948	289,740
EQUITY			
Accumulated funds	125,393	124,290	126,124
Reserves	15,937	12,571	13,622
Revaluation reserves	153,053	124,087	149,994
Total equity	294,383	260,948	289,740
STATEMENT OF CASHFLOWS			
Net cash inflow/(outflow) from Operating Activities	5,637	4,965	6,569
Net cash inflow/(outflow) from Investing Activities	3,074	(15,541)	(12,087)
Net cash inflow/(outflow) from Financing Activities	0	10,500	0
Net increase/(decrease) in cash held	8,710	(76)	(5,518)
Opening cash balance 1 July	2,897	7,325	8,415
Closing cash balance	11,607	7,249	2,897

Annual Report Disclosure Statement

1. These disclosures are a summary of the Annual Report 2020/21, prepared in accordance with PBE Standards Reduced Disclosure Regime. This summary is an overview of our financial performance & position. It does not give a complete understanding. For further information refer to the Annual Report 2020/21 adopted 12 April 2022.
2. The financial statements are for the Council & group.
3. Financial statements have been prepared in compliance with PBE FRS 43: Summary Financial Statements & are presented in NZ dollars rounded to the nearest thousand unless otherwise stated.
4. All financial statements have been examined by an external auditor, Audit NZ, on behalf of the Auditor General and received an unmodified audit opinion on 12 April 2022. It is our opinion that the summary financial statements represent fairly & consistently the financial performance & position of the Council as detailed in the Annual Report 2020/21.
5. The financial statements for the year ended 30 June 2021 were authorised for issue by the Council on 12 April 2022. We are not aware of any events subsequent to 30 June 2021 that require adjustment of, or disclosure in the financial statements.
6. COVID-19 has resulted in revaluation uncertainty as detailed in Note 32 of the Annual Report 2020/21.



Photo credit: Aston Yao / Unsplash

Summary of Major Variances Against our Budget

Revenue

Revenue was \$25.7m compared to the budgeted revenue of \$22.6m.

- Subsidies and Grants higher, \$641,000, due to unbudgeted funding.
- Other Gains/(losses) higher by \$2.2 million. Gains relate to fair value changes in forestry assets, investment property, and gain on sale of Property, Plant and Equipment.
- Gains on Revaluations of Assets more favourable by \$1.8 million on Land and Buildings Revaluation.
- Interest Revenue \$270,000 lower than budget due to decrease in term deposits held and consistent low rates.
- Other Revenue \$2 million more favourable than budget attributable to receipt of Carbon Credits, \$671,000, and sale of sections, \$1.3 million.
- Financial Assets at Fair Value more favourable by \$671,000 attributable to the annual revaluation of Council's share of Alpine Energy Limited.

Expenditure

Expenditure was \$23.9m compared to the budgeted \$21.1m.

- Other Expenses higher due to: Building Control being contracted out, \$1 million higher; higher forestry costs, \$1.5m; higher Community and Townships - Operations and Maintenance, \$447,000 higher; 3 Waters consultancy costs \$317,000; and higher other commercial and operations and maintenance expenses of \$632,000. These increases were offset by lower planning and regulation costs,

\$446,000, mainly due to lower than expected legal and less consultancy costs arising from the Destination Mackenzie project, \$480,000.

- Personnel costs \$431,000 lower than budget due to increased use of contractors to fill vacant positions.

Statement of Financial Position

- Cash on Hand higher, \$4.4 million, due to timing of Term Deposits maturing.
- Property, Plant and Equipment \$9.6 million higher due to revaluation of infrastructure, land and building after budget prepared.
- Receivables \$685,000 more favourable than budget. These are highly dependent on timing of services performed and other activities.
- Inventory lower by \$2.3 million. Sales of sections in 2021 year was ahead of forecast.
- Intangible assets \$809,000 higher than budget, attributable to Council not selling received Carbon Credits, \$671,000.
- Forestry Assets \$1.5 million higher due to increase in log prices and maturing of stands.
- Investment Property is \$4.3 million higher than budget due to a reclassification during the 2020 Annual Report which was adopted 8 months after the 2021 Annual Plan.
- Payables and deferred revenue higher, \$3.9 million, due to 3 Waters Stimulus Funding, \$1.7 million; Destination Mackenzie unused funding, \$200,000, and contract payments for Capital Works.
- Borrowing \$10.5 million less than budget due to delay in key Water Project and use of Council funds for other capex.

Events after Balance Date

On 17 August 2021 all of New Zealand Moved to Covid Delta alert level 4. On 31 August 2021, all of New Zealand south of Auckland moved to alert level 3. On 7 September 2021 New Zealand, except for Auckland, moved to alert level 2. In response to the different threat of the Omicron variant of the Covid, Government introduced the traffic light system on 3 December 2021 for which the Mackenzie moved into the orange setting. At 11.59pm 23 January, all of New Zealand moved into the red setting under the traffic light system. The Council anticipates no significant impact to its levels of service or work programme.

On 27 October 2021, the Minister for Local Government 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 1 July 2024. There are 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.

The Council's 2021-31 Long Term Plan was adopted on 14 December 2021. This breached section 93(3) of the Local Government Act 2002, as the Long Term Plan was not adopted before the commencement of the first year to which it relates.

The Mackenzie District Council was required under section 98(7)(a) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 31 December 2021. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of Covid-19, including lockdowns.

Council Spending at a Glance

Area of spend		Capital Spend	Operating Spend
Governance and Corporate Services	<ul style="list-style-type: none"> • Governance • Administration • Chief Executive Office • Finance • IT 	\$642,000	\$3.666m
Water Supply	<ul style="list-style-type: none"> • Water treatment • Reticulation 	\$1.929m	\$1.990m
Wastewater	<ul style="list-style-type: none"> • Sewage treatment • Reticulation 	\$70,000	\$1.111m
Stormwater	<ul style="list-style-type: none"> • Urban stormwater • Stormwater treatment 	\$0	\$120,000
Roading	<ul style="list-style-type: none"> • Roothing • Footpaths • Parking • Cycleways • Walkways 	\$3.109m	\$4.282m
Planning and Regulatory Services	<ul style="list-style-type: none"> • Building control • District planning • Animal control • Environmental health • Civil Defence and Emergency Management 	\$4,000	\$3.711m
Community and Township Services	<ul style="list-style-type: none"> • Cemeteries • Toilets • Halls • Libraries • Medical centres • Parks and swimming pools • Pensioner housing • Solid waste 	\$450,000	\$3.957m
Tourism, Economic Development and Commercial Activities	<ul style="list-style-type: none"> • Real estate • Forestry • Investments • Pukaki Airoport • Economic development and tourism promotion 	\$53,000	\$5.095m

Independent Auditor's Report

To the readers of Mackenzie District Council'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 Mackenzie District Council (the District Council) for the year ended 30 June 2021.

The summary of the annual report comprises the following summary statements on pages 5 to 9:

- 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 of service provision.

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 12 April 2022. Our auditor's report on the full annual report also includes an emphasis of matter paragraph drawing attention to the uncertainties over the Government's three waters reform programme announcement. The impact of

these reforms, once legislated, will mean that the District Council will no longer deliver three waters services. These matters are addressed on page 8 of the summary financial statements.

We also drew specific attention to the following matter due to the significant level of uncertainty caused by the Covid-19 pandemic:

- **Investment property**

Note 21 on page 96 of the Annual Report describes significant valuation uncertainties highlighted by the valuer, related to estimating the fair value of the District Council's investment property.

Council's responsibility for the summary of the annual report

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

Auditor's responsibility

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

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

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



Photo credit: Tonia Kraakman / Unsplash



Mackenzie
DISTRICT COUNCIL

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