

A Summary of the 2016/2017 Annual Report



November 2017

THE YEAR IN BRIEF

Masterton District Council / Te Kaunihera ā-rohe o Whakaoriori is pleased to provide a summary of our Annual Report for the year 1 July 2016 to 30 June 2017. The Annual Report provides information about the performance of the Council compared to Year Two of the 2015-2025 Long-Term Plan.

MAYOR & CHIEF EXECUTIVE'S REPORT

Tēnā koutou katoa. Our report reflects on some highlights or key changes that have occurred over the past year.

We are pleased to report a positive financial outcome, with an end of year surplus of \$307,642 (before other gains and losses) significantly ahead of our budgeted deficit of \$136,535. This is on a turnover of close to \$40 million with 68% coming from rates. This result comes from careful financial management and reflects our commitment to provide ratepayers with value for money.

Highlights of the year have included the completion of community-led, council-supported initiatives such as the Riversdale Beach Surf Lifesaving Club Project and

the Lansdowne Shopping Village Upgrade. The Netball facility upgrade has also made significant progress during the year with a substantial Lotteries grant now confirmed. These projects are great examples of what can be achieved when we work in partnership with our communities.

In October 2016 we welcomed a new Council, which includes four new elected members. A comprehensive induction programme was undertaken by newly elected and returning elected members. An election year is a busy time and we would like to acknowledge the hard work of the staff that supported the election process and the induction of the new Council.

It has been particularly exciting to lead the renewed focus on the wellbeing of our people and communities through the development of our *My Masterton Our People Our Land* Strategy. Once finalised, this strategy will guide Council's ongoing contribution to supporting the four wellbeings – social, cultural, environmental and economic. In the meantime, we continued to progress our work in these areas during the year.

The district's economy has continued to perform well in 2016-17. We are pleased to have supported this growth through our investment in economic initiatives such as the My Masterton Campaign, our local economic development programme and the Accelerate Wairarapa programme.

The social and cultural wellbeings were supported through the provision of community grants, investing in arts, culture and heritage events, and the many programmes offered for all ages by our library. In addition, we increased accessibility to digital technology through our Queen Street Wai-Fi initiative and the establishment of an e-centre at Te Āwhina Cameron Community House.

Finally, we have continued to focus on protecting our environment and through the provision of funding to local environmental initiatives, and education programmes to improve air quality. We have made a commitment towards climate change action via the Mayoral Declaration on Climate change and our participation in the Certified Emissions Measurement and Reduction Scheme which is a significant step and will guide actions toward lowering our carbon emissions.

We are a small Council which means we have to continually find ways to work smarter to continue providing an efficient service that provides value for money for our ratepayers. To achieve this, we have continued to invest in the capability of the organisation.

Key to this was the new organisation structure that came into place on 1 July 2016. This change, though difficult, has enabled us to work more effectively. It has resulted in an improved organisational culture with the staff survey undertaken in early 2017 showing increasing levels of staff satisfaction and engagement.

In addition, we invested in new technology, including the introduction of a new document management system and significant steps towards completion of our website upgrade.

Council committee structure was also changed to align with the development of My Masterton Our People Our Land Strategy. The Policy and Finance Committee has been replaced with three committees, namely Infrastructure, Community Wellbeing and Strategic Planning.

This drive for continuous improvement was behind our decision to become a founding member of the Local Government Excellence Programme. We went through an intensive two-day review by a team of assessors in February 2017 and achieved a BB rating. We are confident that our participation in this programme will allow us to continue to improve on our services to the community.

Amalgamation of the three Wairarapa councils has been topical during the year. In July 2017, the Local Government Commission released the final proposal to combine the three Wairarapa District Councils. In September our community successfully petitioned for a poll so the Wairarapa community can determine whether the final proposal is supported or not. The postal voting papers will be sent in late November with the result being known on polling date of 12 December 2017.

What this will look like is still unknown. What we do know is that in the meantime, it is business as usual here at Council. We will continue to work hard to make Masterton a great place to live, visit, do business and provide the best of rural provincial living.

Ahutahi ki mua – Moving forward together



Lyn Patterson
Mayor

Pim Borren
Chief Executive

MESSAGE FROM THE KAUMATUA

Tēnā tātou katoa.

Reflecting on the 2016-17 year, key highlights for me include holding the inaugural council meeting on 26 October 2016 at Te Rangimārie Marae. Te Kura Kaupapa Māori o Wairarapa led our haka pōwhiri to welcome our new council. Ra Smith (Kahungunu ki Wairarapa) and Mihirangi Hollings (Rangitāne o Wairarapa) were reappointed as our iwi representatives on council. Our iwi representatives continue to add value to discussion and debate at committee and council meetings. I commend and acknowledge Council's decision in making these reappointments.

I have worked on a range of projects over the past 12 months. These include leading the cultural development component to the draft My Masterton Our People Our Land Strategy, and providing translation services for bilingual signage at Trust House Recreation Centre. I have presented and provided support at strategic planning workshops with the Senior Management Team and Council. I have been involved in the quarterly citizenship ceremonies that more recently are being held at Marae. In addition, both myself and our Kaitakawaenga (Māori Liaison Advisor) have provided tikanga Māori support for our staff pōwhiri.

There have been some exciting things happening in our community. An example is the achievement of a Guinness World Record on 2 November 2016 with a performance of the haka 'Ko Wairarapa' by approximately 7,000 children, parents and teachers. What a wonderful reflection of bicultural awareness from our current and future leaders and something that we as a community can be so proud of. Another example is the Aratoi – Wairarapa Museum of Art and History exhibition Te Marae o Rongotaketake - Redressing our Kahungunu History, the largest exhibition of Ngāti Kahungunu taonga ever held.

In the Treaty Settlement space, the Ngāti Kahungunu ki Wairarapa Tamaki Nui-ā-Rua Trust are progressing their settlement. The Crown and Ngāti Kahungunu ki Wairarapa Tamaki Nui-ā-Rua Trust reached Agreement in Principle in May 2016.

The Crown, Rangitāne o Wairarapa and Rangitāne o Tamaki Nui-ā-Rua signed a Deed of Settlement on 6 August 2016. On 10 August 2017 the third reading for the Rangitāne o Wairarapa Tamaki-Nui-ā-Rua Claims settlement bill was passed through parliament. It was signed by the Governor General on 14 August 2017 and is now an Act of Parliament, the Rangitāne Tū Mai Rā Claims Settlement Act 2017.



Nā reira e te iwi whānui o Whakaoriori, mā Rongomatāne tātou e ruruhau ka tū te winiwini, ka tū te wanawana, tū hikitia, tū hāpainga, tihei mauri ora ki a tātou katoa.

Nāku iti nei, nā

Mike Kawana, Kaumatua

HIGHLIGHTS

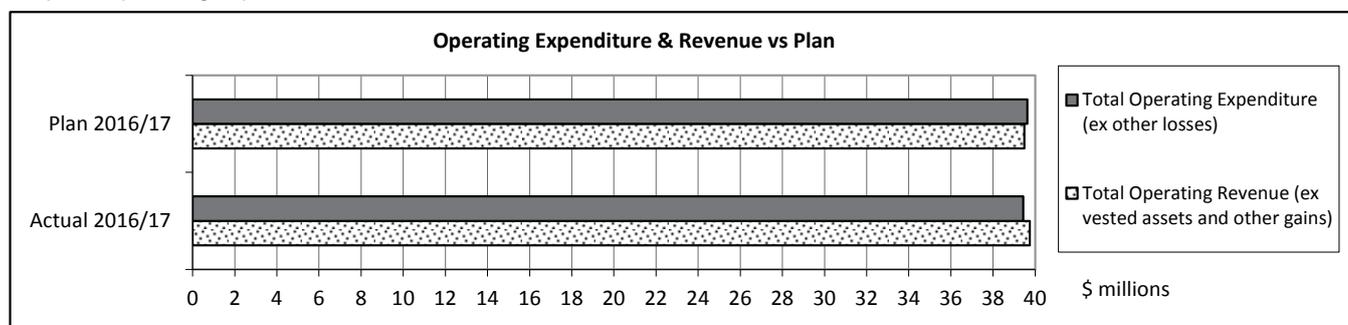
The year to 30 June 2017 reflects Year 2 of the Council’s 2015-2025 Long-Term Plan. The Council has maintained its focus on delivering the services that were set out in that Plan. Overall, those services have been delivered within the budget that was set in the Long-Term Plan.

FINANCIAL SUMMARY

The Council had an operating expenditure budget of \$39.6 million. Actual operating expenditure for the 2016-17 financial year was very close to that budget, at \$40.0 million. The accounting surplus for the year was \$1.7 million, but after eliminating the other gains and losses, the surplus was \$307,642. This compares to the budget which anticipated a small accounting deficit of \$136,535.

This is a very good overall financial result. Both operating revenue and expenditure are close to the budgeted Annual Plan levels and incorporate some unders and overs in the activity areas. The Rates Requirement Statement (Note 1 in the full report) shows a close to breakeven result, but this is after transferring some \$661,000 of rates funding (some 2.5%) to reserves to carry forward for projects in 2017-18.

Graph 1: Operating Expenditure & Revenue vs Plan



There is \$11.7 million of capital expenditure recorded in this Annual Report while \$17.76 million was allowed for in the Annual Plan. A number of large projects did not proceed, including the water trunk main upgrade (\$1.45m), the netball courts upgrade (\$0.67m) and the extension of the irrigation area at Homebush wastewater treatment plant (\$1.45m). More detail of the reasons for capex deferrals is included in the commentary on the following pages.

The Council took the opportunity to purchase three strategic pieces of land when they came on the market. Two are adjoining and across the Ruamāhanga River from the Homebush wastewater treatment plant and have the potential to be used to extend the land disposal options. The third piece of land is next to Hood Airport and it has the potential to be used for a range of airport developments.

A revaluation of infrastructural assets has added some \$19.8 million (3.1%) to those asset values. The Council’s financial accounts at 30 June 2017 now reflect the writing down, due to impairment, of the Town Hall and District Building. The earthquake-prone status of the older part of the buildings and the high indicative cost to strengthen has resulted in a downward valuation adjustment, through the Revaluation Reserve, of \$3.06m. Also, as part of the redevelopment of the Colombo Road netball facility, the value of the netball building has been written down to zero (from \$0.225m).

GOVERNANCE

Our 2017-18 Annual Plan, outlining our key activities for the year ahead, was adopted on 28 June 2017. MDC opted to consult on the Annual Plan as part of our commitment to hearing the views of our community.

During the four week submission period in April/May 2017, we received 75 submissions. Hearings were held on the 31st May and 1st June 2017, where 42 submitters were heard.

MDC staff supported the local government elections process from 16 September to 8 October 2016. The election resulted in four new elected members joining the Council.

Following an amendment to the Shop Trading Hours Act 1990, MDC adopted an Easter Sunday Shop Trading Policy, allowing shops across the district to open on Easter Sunday.



COMMUNITY SERVICES

Community Services covers a range of activities including community development, arts and culture, economic development, district promotion and environmental initiatives. MDC plays a major role in identifying, initiating and supporting activities through projects, partnerships and funding agreements. In particular, MDC manages partnerships with Destination Wairarapa, Sport Wellington Wairarapa, Aratoi and Connecting Communities Wellington.

Strategic Planning

A key focus during the year has been the development of strategies that will guide our contribution to improving the wellbeing of our residents and communities.

Our My Masterton, Our People, Our Land Strategy proposes a long-term strategic direction for the Masterton district across four priority development areas - social, cultural, environmental and economic. Alongside this, is an Education Strategy which identifies the essential educational needs of the Masterton district and how we can best support the delivery of these priorities. We will be consulting with our community on these strategies in 2017-18.

Community Development Grants

Community development grants were provided to 33 of 39 applicants. The remaining six applicants were referred to other funding avenues, including the Annual Plan, Events Fund and the Environmental Task Group. Grants ranging from \$500 to \$5,000 were allocated to community projects, welfare and services.

Investment into Arts, Culture and Heritage Initiatives

We supported local involvement in arts, culture and heritage through investing in a number of events, including the Waitangi Day Festival, Matariki Festival, and The Night Before Christmas. In addition, we invested in event promotion in order to boost the visibility of a range of arts and cultural opportunities that the community could engage with.

This investment has resulted in increased satisfaction with community events, with 92% of residents very satisfied/satisfied with community events (up from 89% in 2016).

Investment in Economic Development

We continued funding Destination Wairarapa (Wairarapa's Regional Tourism Organisation) and also provided grants to events and Pukaha Mount Bruce. In addition, our economic development priorities influenced investment into Wai Connect, Accelerate Wairarapa Business and Investment Attraction programme, and the My Masterton promotional campaign.

The impact of this investment is continued economic growth across the district. The Infometrics Masterton District Quarterly Economic Monitor reports that in the 12 months to June 2017:

- Gross Domestic Product (GDP) increased by 3.4%
- Retail trade increased by 5.4%
- Traffic flow increased by 6.3%
- Guest nights increased by 4.3%

Investment in Environmental Initiatives

We continued to invest in environmental initiatives during the year and, while the nature of this work means it will take some time to accurately measure its impact, we are confident that the community will see tangible and increasing benefit over the next one to three years.

Key investment and focus areas during 2016-17 included:

- The appointment of a full-time Environmental and Sustainability Advisor in February 2017, which has significantly increased our capability in this area.
- Finalising the Certified Emissions Measurement and Reduction Scheme (CEMARS) contract. Participation in the programme will allow us to calculate our carbon footprint and provide tools that will assist in setting achievable goals to manage our carbon emissions in the future. This is a significant step towards achieving MDC's pledge, via the 2015 Mayoral Declaration for Climate Change, to move towards a low-carbon future.
- Improving Masterton's air quality. This included promotion of 'clean burning' over winter through the My Masterton Facebook page and local newspapers as well as liaising with GWRC to explore a community education programme that aims to develop behaviours that will improve air quality.

In addition, we continued funding the Enviroschools Programme, which aims to create healthier and more sustainable communities. We signed a Memorandum of Understanding with Enviroschools, Carterton District Council and South Wairarapa District Council, confirming our commitment for the continued delivery of the programme across the Wairarapa.



COMMUNITY FACILITIES & ACTIVITIES

Key highlights in the Community Facilities and Activities area for 2016/17 include:

- Technology and digital literacy was a focus for the Library. Learning opportunities were provided for our young people through the introduction of coding classes, Lego Club, Minecraft Club and unmaking programmes (where electronic items are taken apart to see how they work) for children aged 7-10. For the wider community a wi-fi service and e-centre was established at the Te Āwhina Cameron Community House in Masterton East and a successful outreach programme was delivered to rest homes.
- The Wairarapa Archive has contributed to the Ngati Kahungunu Aratoi exhibition, Te Marae o Rongotaketake. In addition to the usual research support the Archive provides to Aratoi for historical exhibitions, our District Archivist researched and wrote the content for the panels relating to pakeha farming establishment and the impact that had on Māori in the 1800s as well as the panels accompanying the portraits in the Lindauer room.
- Due to seismic issues with the Municipal building, it was necessary to relocate some staff into alternative locations in July 2016. The main customer service centre was moved to Queen Street and some staff were moved into offices in the Public Trust building. Teams settled quickly into their new offices and, while there are challenges associated with being spread across multiple sites, we are lucky to have found locations within short distance.
- Detailed planning, including drawings and costings, for stage five of the Queen Elizabeth Park Rejuvenation Plan were commenced, plus for younger children new play equipment was installed at the Kids Own playground.
- Extension of the recreational trail network between Fourth Street and Gordon Street.
- Trust House Recreation Centre continues to provide a valuable service and is well supported by our community. A full review of how we deliver services at the recreation centre was completed in 2016-17, in accordance with requirements of the LGA and a new contractor commenced management of the facility on 1 May 2017.

MASTERTON WASTEWATER UPGRADE

In the capital programme the next stage of upgrading the Homebush treatment plant was planned at \$1.45m, but a decision was made by the Homebush Working Group and Council, not to proceed with the treatment upgrade as planned, but to take a new approach to expanding the land area used for disposal. In addition, two pieces of land neighbouring the Homebush plant were purchased during the year with a view to potential future wastewater disposal, although the land is not currently designated for wastewater use.

WATER & SEWERAGE SYSTEM RENEWALS

Capital expenditure for water renewal work was less than planned due to not progressing the trunk main renewal that was planned (\$1.45m), doing less reticulation renewals work than planned and the water take consent renewal not costing as much as planned. Deferring the trunk main renewal is regarded as prudent while new technologies are developed and the asset continues to perform adequately. The sewer reticulation renewal programme was \$0.2m more than planned, but saw the completion of nearly 3.0km of renewals.

ROAD UPGRADES

The completion of the First Street project at the Lansdowne Shopping Village, with the official opening held on 15 October 2016. The village upgrade included road improvements, landscaping and traffic calming measures. The project, which aims to breathe new life into Lansdowne Village, was a community collaboration between MDC, Connecting Communities Wairarapa and Lansdowne residents and retailers. Roading work included resealing 31km of roadway, rehabilitation of 3.8km of sealed road pavement, construction of 1km of kerb and channel and completion of hotmix surfacing on 6.3km of footpath. Completion of minor safety improvements were also completed at Castlepoint, including separated pedestrian access and speed control tables. A new footpath on the section of Colombo Road (west) from the Waipoua River to Te Ore Ore Road was completed during the year.

SOLID WASTE

The Regional Waste Assessment and Regional Waste Management and Minimisation Plan was prepared during the year. Changes in the waste and recycling operations will be included in the 2018-2028 LTP. 5.3% more tonnes of waste were transferred to Bonny Glen than planned and this generated revenue ahead of planned, while costs were also higher. With the gate fees set to recover fixed overheads, the extra volumes generated lower rates required than planned.

REGULATORY

The Planning and Building Control functions of the Council have been busy with 674 building consents, 77 non-notified resource consents and 503 Land Information Memorandums (LIMs) processed. The Building Control department was audited by IANZ and the Council has maintained its accreditation for the next two years (the maximum allowed).

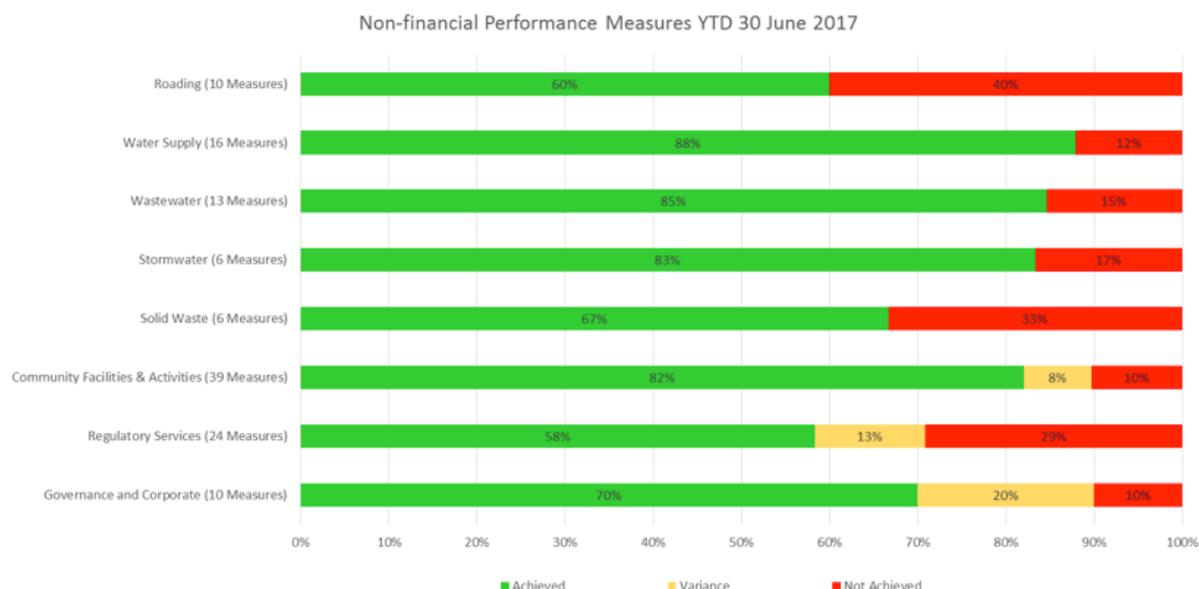
The new structure of the Environmental Health team came into effect on 1 July 2016. During the year, the team has been focused on developing new and improved processes to increase efficiency. The new Food Act 2014 came into effect on 1 March 2016. The Environmental Health team has been busy completing the first year transitions for food premises to ensure the new requirements are being met.

The new structure of the Animal Services team came into effect on 1 July 2016. In this first year, the team has had an increasing focus on education to promote responsible dog ownership in the district. We were also successful in securing funding from the Department of Internal Affairs (DIA) which allowed us to run the "Get Kuri Fixed" campaign, which encourages owners of menacing breeds to have their dog desexed, free of charge. The campaign was a great success, with 43 dogs desexed under the programme by the end of June 2017.



MEASURING PERFORMANCE

The Annual Report includes information reporting achievement against the performance measures which were set in the 2015-25 Long-Term Plan. The graph below summarises the performance results:



Rooding

Road resurfacing, quality of ride performance and footpath condition targets across MDC’s network were achieved, however resident satisfaction with roads and footpaths is declining. Compared to the previous year, there were three less serious injury crashes but three more fatalities. Compared to a target of 95%, 98% of urgent requests were responded to within the target of two days, but only 78% of non-urgent requests were responded to within the targeted 10 day timeframe.

Water services

Drinking water standards were met 100% of the time and response times to a fault or unplanned interruption were all achieved well within the service timeframes which are one hour for urgent calls and 7 days for non-urgent callouts. Complaints relating to drinking water pressure or flow and continuity of supply were higher than targeted.

Sewerage services

The Council complied with its consents for discharge from its sewerage systems. The number of complaints relating to the sewerage system was higher than targeted. This was due to a higher number of localised sewer blockages than usual, generally on private property. Response times to faults were all achieved well within the service timeframes of less than 6 hours. All known trade waste premises were inspected and complied.

Stormwater

Satisfaction with stormwater decreased from previous years, primarily due to concerns about surface flooding and blocked drains during rainfall events. The response time to flooding events was achieved well within the target of one hour and there were no consent breaches for discharges from the stormwater system.

Solid waste services

Customer satisfaction targets were achieved, but the target to reduce tonnes of landfill was not achieved. Tonnage to landfill increased 5% compared to the previous year. Test results at the closed Nursery Road landfill showed presence of e-coli, which meant there was a minor non-compliance with the resource consent conditions.

Community facilities and activities

Participants in various library programmes reported 100% satisfaction. Senior housing occupancy increased to 99%. Resident satisfaction with parks and reserves was 86%, (maintained) and 74% expressed satisfaction with the service at the swimming pools (also maintained from the prior year).

Regulatory services

Of 77 non-notified resource consents, 96% were processed within required timeframes. All 503 Land Information Memorandums (LIMs) and 99% of the 674 building consents were processed within required timeframes. Of 145 registered food premises, 95% were inspected. Of 485 urgent noise complaints, 92% were responded to within one hour. Response time targets were met for 142 (92%) urgent dog complaints. This is below the target of 100% within one hour, but considerably improved compared to the previous year.

Governance

The 2015/16 Annual Report and 2017/18 Annual Plan were adopted within statutory timeframes. A range of communication methods were employed to communicate with ratepayers and households. Māori involvement in decision making has continued to be enhanced.

SUMMARY FINANCIAL STATEMENTS

Introduction

The Council's overall financial result for the 2016/17 year was a \$1.7 million surplus of revenue over expenditure, but after excluding one-off valuation gains and losses, the result is a surplus of \$0.31 million which compares to a planned deficit of \$0.14million. Both operating revenue and expenditure are close to the budgeted Plan levels and incorporate some unders and overs in the activity areas. Other gains are a result of revaluation of cash flow hedges (\$1.8 million). Other losses are largely from writing down the value of assets that were replaced (\$0.58 million).

What your rates were spent on

TABLE 1 shows the rates cost per resident for Council activities.

| TABLE 1 | | | |
|-----------------------------|----------------|----------------|--|
| Net Rates cost per resident | | | |
| Group of activities | 2016/17 | 2015/16 | |
| | Actual | Actual | |
| Roading | \$228 | \$232 | |
| Water services | \$124 | \$127 | |
| Sewerage services | \$260 | \$285 | |
| Stormwater services | \$18 | \$19 | |
| Solid waste services | \$32 | \$39 | |
| Community facilities | \$361 | \$338 | |
| Regulatory services | \$69 | \$76 | |
| Governance | \$26 | \$23 | |
| | <u>\$1,118</u> | <u>\$1,140</u> | |

| SUMMARY STATEMENT OF COMPREHENSIVE REVENUE & EXPENSE | | | | |
|---|-----------|------------------|-----------------|-------------------|
| for the year ended 30 June 2017 | NZ\$ 000s | Actual | Plan | Last Year |
| REVENUE | | 2016/17 | 2016/17 | 2015/16 |
| Rates revenue | | 26,945 | 26,882 | 26,077 |
| Other operating revenue | | 12,665 | 12,523 | 12,763 |
| Other gains & vested assets | | 2,000 | - | 1,120 |
| Capital rates & subsidy - Rural sewerage | | 135 | 83 | 161 |
| Total operating revenue | | 41,745 | 39,488 | 40,120 |
| EXPENDITURE | | | | |
| Operating expenditure | | 25,798 | 25,837 | 24,597 |
| Finance costs | | 2,633 | 2,852 | 2,847 |
| Depreciation & amortisation | | 11,006 | 10,936 | 10,898 |
| Other losses (including write offs on disposal) | | 597 | - | 3,155 |
| Total operating expenditure | | 40,034 | 39,625 | 41,497 |
| Net surplus/(deficit) before taxation | | 1,711 | (137) | (1,377) |
| Provision for taxation | | - | - | - |
| Net surplus/(deficit) after taxation | | 1,711 | (137) | (1,377) |
| Other Comprehensive Revenue & Expense Items | | | | |
| Infrastructure Asset valuation changes | | 19,809 | | |
| Write down revaluation reserve impaired assets | | (3,066) | | |
| Land & Building Asset valuation changes | | | 32 | |
| Change in value of financial assets at fair value through comprehensive revenue & expense | | 23 | | 66 |
| Total Comprehensive Revenue & Expense | | \$ 18,477 | (\$ 105) | (\$ 1,311) |

| SUMMARY STATEMENT OF CHANGES IN EQUITY | | | | |
|--|-----------|----------------|----------------|----------------|
| for the year ended 30 June 2017 | NZ\$ 000s | Total | Plan | Last Year |
| | | 2016/17 | 2016/17 | 2015/16 |
| Equity at the beginning of the year | | 684,170 | 687,014 | 685,481 |
| Total Comprehensive Revenue & Expense | | 18,477 | (105) | (1,311) |
| Equity at the end of the year | | 702,647 | 686,910 | 684,170 |
| Equity at the end of the year comprises of: | | | | |
| Retained earnings (ratepayers' equity) | | 424,575 | 430,850 | 424,669 |
| Revaluation reserves | | 254,152 | 237,736 | 237,619 |
| Special funds & restricted reserves | | 23,920 | 18,324 | 21,882 |
| Equity at the end of the year | | 702,647 | 686,910 | 684,170 |

| SUMMARY STATEMENT OF FINANCIAL POSITION | | | | |
|---|-----------|-------------------|-----------------|----------------------|
| | NZ\$ 000s | Actual 2016/17 | Plan 2016/17 | Last Year 2015/16 |
| Current assets | | 19,657 | 8,901 | 12,491 |
| Non-current assets | | 752,837 | 745,339 | 735,699 |
| Total assets | | 772,494 | 754,240 | 748,190 |
| Current liabilities | | 14,041 | 8,611 | 9,214 |
| Non-current liabilities | | 55,807 | 58,719 | 54,806 |
| Total liabilities | | 69,847 | 67,330 | 64,020 |
| Net assets/Ratepayers' equity | | 702,647 | 686,910 | 684,170 |

The above table provides a summary of the Council's financial position (that is what is owned and what is owed) at the end of the financial year. Current assets are higher than planned levels with more cash and financial assets held than expected. This is largely due to \$5m of funds drawn early in anticipation of making a loan repayment in July 2017. Also, more short term investments were held as the flat yield curve has not justified using longer term deposits. Non-current assets are more than planned as \$19m revaluation of infrastructural assets was not allowed in the plan. Current liabilities are more than plan largely due to the \$5m drawn in advance to repay a bond in July. Non-current liabilities are less than plan due to the capital expenditure that was due to be loan funded, not being spent.

The following table summarises how Council generated and used cash during the respective financial years. The figures show the cash position at the start of the year quite different from plan.

| SUMMARY STATEMENT OF CASH FLOWS | | | | |
|---|-----------|-------------------|-----------------|----------------------|
| for the year ended 30 June 2017 | NZ\$ 000s | Actual 2016/17 | Plan 2016/17 | Last Year 2015/16 |
| Net cash flow from operating activities | | 11,823 | 11,301 | 10,520 |
| Net cash flow from investing activities | | (17,352) | (18,150) | (9,244) |
| Net cash flow from financing activities | | 6,750 | 5,152 | (1,979) |
| Net increase/(decrease) in cash | | 1,221 | (1,698) | (703) |
| Cash and cash equivalents at beginning of the year | | 3,619 | 7,970 | 4,322 |
| Cash and cash equivalents at the end of the year | | 4,840 | 6,272 | 3,619 |

Note: Events After Balance Date

Wairarapa Council Amalgamation - on 19 July 2017, the Local Government Commission (LGC) released the final proposal on the amalgamation of Carterton, Masterton and South Wairarapa District Councils to create the Wairarapa District Council. A valid petition was submitted to the LGC calling for a poll to be held. That Poll will close at midday on Tuesday 12 December.

If more than 50 percent of ballots from across the Wairarapa oppose the proposal, it will not go ahead and there is no further action. If more than 50 percent support the proposal, it goes ahead and the process of setting up a new combined Wairarapa District Council will start. The proposed new Wairarapa District Council would come into existence no earlier than 1 November 2018 and until that point in time the existing Councils would continue to be responsible for carrying out the day-to-day operations until their disestablishment. All assets, liabilities and services delivered by the three Councils are assumed to be taken over by the new Council entity. For more information please refer to the Local Government Commission.

The outcome of the amalgamation proposal and the impact on Masterton District Council's long term future will only be known once the poll results are known. Therefore, at the time of adopting this Annual Report, there remains uncertainty about the future of the District Council arising from the amalgamation proposal.

Office Building - the Council has recognised, in its 2016/17 Annual Report, the impairment of the Town Hall and District Building due to the low earthquake rating and high projected cost of strengthening. In order for the Council to move forward with consulting the community on the options for the replacement of the Town Hall, the decision was made in September 2017 to purchase an office building (Waiata House). The purchase has been confirmed and settlement will take place in early April 2018.

CAPITAL EXPENDITURE

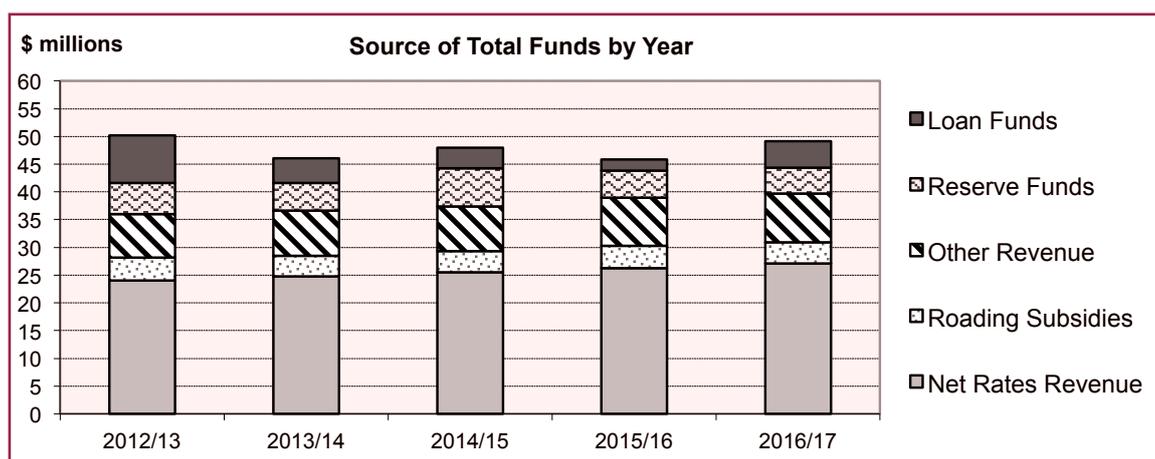
The table below shows a capital expenditure total of \$11.8 million against a Plan of \$17.8 million.

| Capital Expenditure | | | | |
|--|-----------|---------------|---------------|--------------|
| for the year ended 30 June 2017 | | | | |
| | NZ\$ 000s | Actual | Plan | Last Year |
| | | 2016/17 | 2016/17 | 2015/16 |
| Roading renewals programme | | 3,555 | 3,659 | 3,851 |
| Other roading & footpaths | | 879 | 1,082 | 752 |
| CBD footpaths & parking meters | | 71 | 109 | 252 |
| Urban water supply renewals | | 1,029 | 3,260 | 566 |
| Urban waste water treatment & disposal upgrade | | 303 | 1,640 | 425 |
| Urban sewerage network renewals | | 1,296 | 1,175 | 2,402 |
| Urban stormwater upgrades | | 37 | 150 | 89 |
| Riversdale sewerage scheme | | 17 | 12 | 47 |
| Solid waste management projects | | 20 | 585 | 136 |
| Parks, Reserves & Sports facilities upgrades | | 331 | 2,487 | 130 |
| Trust House Recreation Centre upgrades | | 97 | 130 | 64 |
| District Building and Town Hall stage upgrades | | 15 | 510 | 23 |
| Town Square & decorative lighting | | 72 | 25 | |
| Airport upgrades & renewals | | 252 | 355 | - |
| Other property | | 3,231 | 1,666 | 349 |
| Library books & other capital | | 205 | 326 | 246 |
| Other assets | | 388 | 594 | 305 |
| Total | | 11,798 | 17,764 | 9,637 |

Note: explanation of variances against Plan can be found in the Cost of Services Statements in the Annual Report.

SOURCES OF FUNDING

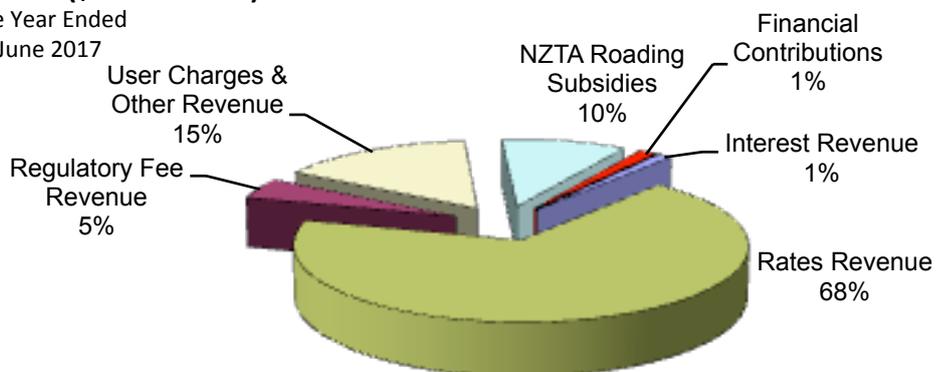
The graph below illustrates the sources of funds that have been used to pay for Council services and assets. Note that Other Revenue is largely user pays income for solid waste and Regulatory Services. Use of loan funding in 2016/17 was largely for Land purchases adjoining the Homebush sewerage treatment plant.





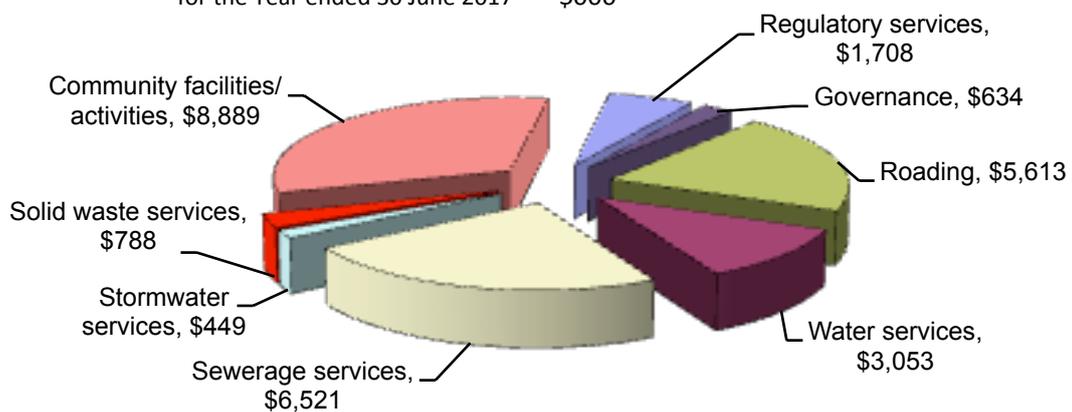
Operating Revenue (\$39.7 million)

for the Year Ended
30 June 2017



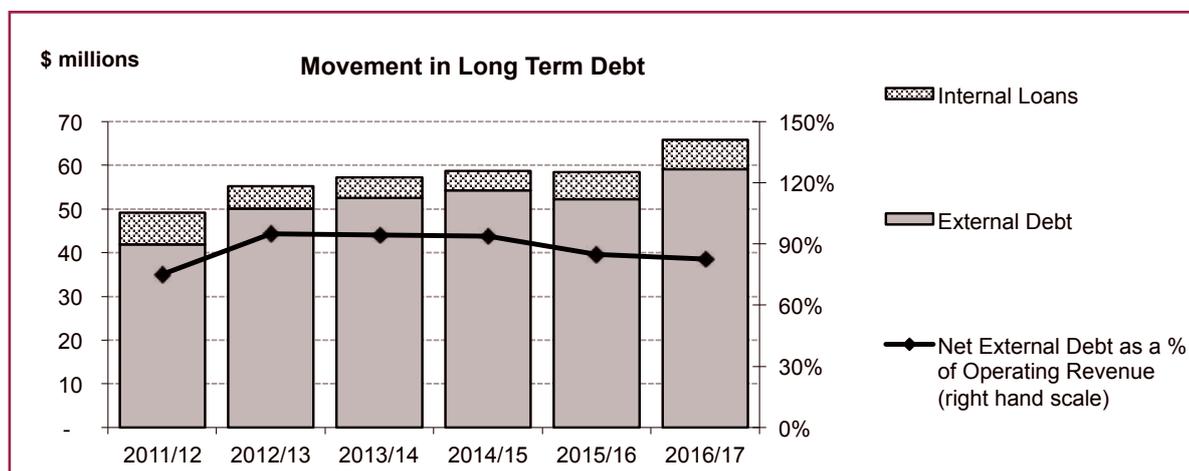
What Rates were applied to (a total of \$27.655 million)

for the Year ended 30 June 2017 \$000



LONG-TERM DEBT

The graph below shows the increase in the Council's long term debt over the last six years. The debt has increased since 2011 to fund infrastructure projects, with a mix of external and internal loans and a planned debt repayment programme. The external debt increased by \$6.7 million during 2016/17 with \$5m being funds borrowed in advance to refinance an existing loan due in July 2017. Interest rate risk is managed by using swaps to fix interest on a portion of the debt portfolio. The Council policy maximum is for net debt not to exceed 150% of operating revenue. Actual at 30 June 2017 is 82.6%. Net debt is defined as external debt, less any financial assets (excluding trade and other receivables). Net debt at 30 June 2017 was \$32.8 Million.



INDEPENDENT AUDITOR'S REPORT

To the readers of Masterton District Council's summary of the annual report for the year ended 30 June 2017

The summary of the annual report was derived from the annual report of the Masterton District Council (the District Council) for the year ended 30 June 2017.

The summary of the annual report comprises the following summary statements on pages 8 to 10:

- the summary statement of financial position as at 30 June 2017;
- 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 2017;
- the notes to the summary financial statements that include other explanatory information; and
- the summary Measuring Performance of the District Council.

Opinion

In our opinion:

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

Summary of the annual report

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

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

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2017 in our auditor's report dated 25 October 2017. That report also includes an emphasis of matter paragraph on the proposal for an amalgamated Wairarapa District Council. Note 34 on page 150 of the audited financial statements explains the proposal to amalgamate Carterton, Masterton and South Wairarapa District Councils into a single Wairarapa District Council. As a valid petition was submitted to the Local Government

Commission, a poll will be held to determine the outcome. The poll will close on 12 December 2017. As the outcome of the amalgamation proposal will not be determined until poll results are known, there is uncertainty about the future of the Masterton District Council arising from the amalgamation proposal. Information on the proposal for an amalgamated Wairarapa District Council is also disclosed in the events after balance date disclosure on page 10 of the summary annual report.

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 reporting on the summary annual report, we have reported on the full annual report, and carried out a Limited Independent Assurance Engagement in relation to the District Council's Debenture Trust Deed. Other than this reporting and this engagement, we have no relationship with or interests in, the District Council.



Mari-Anne Williamson,

Audit New Zealand

On behalf of the Auditor-General

Wellington, New Zealand

17 November 2017

ABOUT THIS SUMMARY

This summary Annual Report has been extracted from the full annual report and is designed to give an overview of the Council's operations as a legal entity for the year to 30 June 2017. The full Annual Report contains detailed information about our finances and service performance and was adopted by Council and approved for issue on the 25 October 2017.

This summary report has been prepared in accordance with PBE FRS 43: Summary Financial Statements. It cannot be expected to provide as complete an understanding as provided by the full financial report of the financial and service performance, financial position and cash flow of the Council.

The full financial statements for the year ended 30 June 2017 have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

They comply with NZ PBE IPSAS Tier 1, and other applicable Financial Reporting Standards, as appropriate for public benefit entities. The functional and presentation currency of the Council is New Zealand dollars. Although the full financial statements are rounded to the nearest dollar, the summary report is rounded to the nearest thousand dollars.

Masterton District Council confirms that all other statutory requirements relating to the Annual Report have been complied with.

Audit New Zealand has audited the full financial statements and issued an unmodified report with an emphasis of matter paragraph in relation to the final proposal on the Wairarapa amalgamation. More information can be found on page 10. This Summary has been examined by Audit New Zealand for consistency with the full Annual Report.

This summary Annual Report was authorised for issue on by the Mayor and Chief Executive on 15 November 2017.

A copy of the full Annual Report can be obtained from the Council offices at 161 Queen Street, from our website www.mstn.govt.nz or by calling us on 06 370 6300.



