

Masterton District Council

Annual Report

2010/11

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**MASTERTON
DISTRICT COUNCIL**
As at 30 June 2011

HIS WORSHIP THE MAYOR

Mr G (Garry) Daniell

DEPUTY MAYOR

Cr J (Jane) Terpstra

AT LARGE COUNCILLORS

Cr J (Judith) Callaghan

Cr P (Pip) Hannon

Cr D (David) Holmes

Cr C (Chris) Peterson

Cr J (Jane) Terpstra

URBAN COUNCILLORS

Cr D (Doug) Bracewell

Cr G (Gary) Caffell

Cr J (Jonathan) Hooker

Cr L (Lyn) Patterson

RURAL COUNCILLOR

Cr G (Graham) McClymont

DIRECTORY
Council Office
64 Chapel Street
Masterton

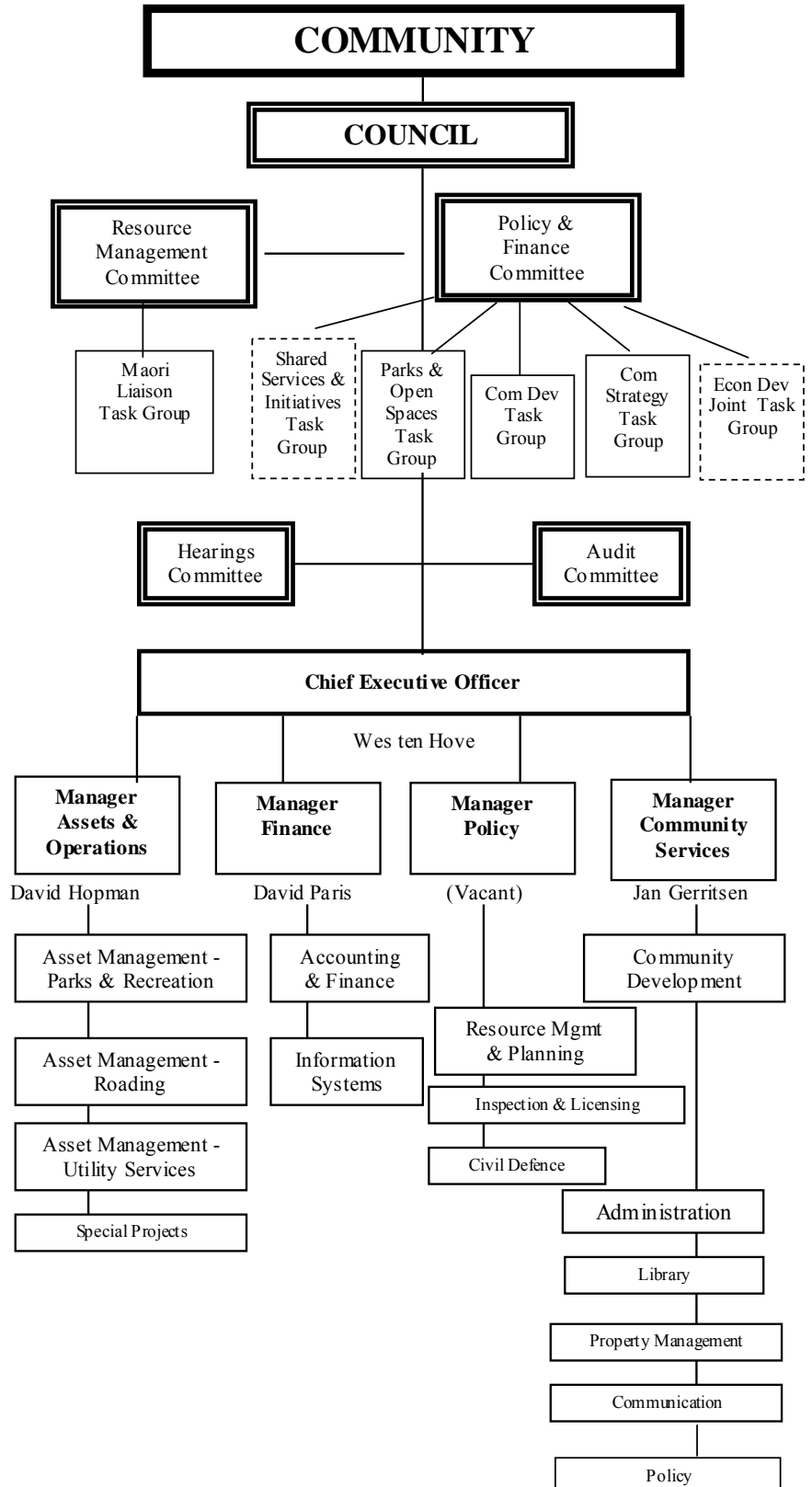
Auditor
Audit New Zealand, Wellington
on behalf of the Auditor
General

Bankers
Westpac, Masterton

Solicitors
Gawith Burridge, Masterton

Insurance Broker
Jardine Risk Consultants Ltd

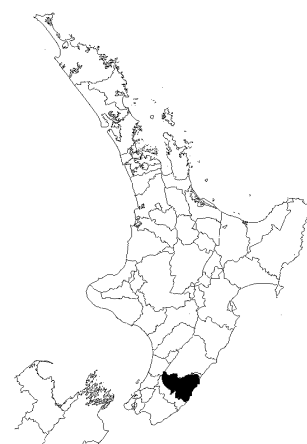
Organisation Structure



MASTERTON DISTRICT COUNCIL

Masterton District Council was formed on 1st April, 1989 with the union of the Masterton Borough and County Councils. The Masterton District (with amended boundaries) was constituted from 1st November, 1989 as part of the reorganisation of local government at that time.

Masterton District comprises one large urban town and a large rural area which stretches from the Tararua ranges to the Pacific Ocean coast, within the central Wairarapa region. The land area is 229,500 hectares with land use ranging from sheep and beef farming to forestry, cropping and horticulture. The population at the 2006 census was 22,620, with close to 18,000 residing in the Masterton urban area.



Mission Statement

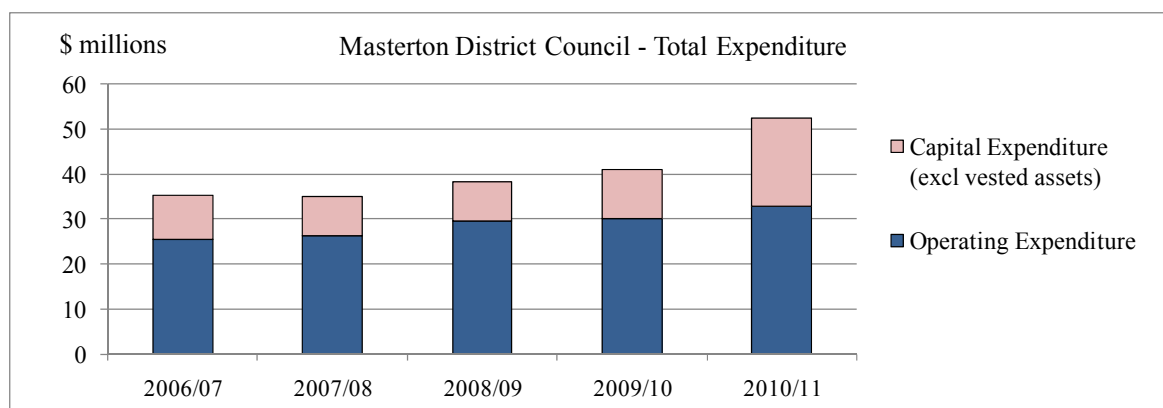
To manage and develop resources so as to ensure the environmental, cultural, social and economic well being of the District and its people.

MAYOR & CHIEF EXECUTIVE'S REPORT

We are proud to introduce the Annual Report of the Masterton District Council for the 2010/11 year. In this report you will find information about the performance of the Council compared to our Annual Plan and Long Term Council Community Plan (LTCCP). The achievements listed in this report have come about through teamwork. In particular it has been teamwork between Councillors and Council staff, between staff and contractors, through working with the other local authorities in the Wairarapa and with various other local organisations.

The Council has been able to maintain good progress on the key infrastructural projects that were the focus of the LTCCP. The economic downturn has shown little sign of easing its grip on the local, national or world economies, but there remains a resilience within the Wairarapa economy that gives us confidence to continue with our progressive focus. The Council's financial result again demonstrates our fiscally prudent approach to managing the business of service delivery and project management for our community.

The 2010/11 year has seen the Council's total expenditure increase to over \$50 million – its highest ever level (as per the graph below) – and largely due to the major capital projects being undertaken.



The Highlights section of the report provides more detail, but we wish to bring the following to your attention:

- The Homebush wastewater treatment plant upgrade continued to dominate the work of the Council. The resource consent required a review process be undertaken. That culminated in September 2010 where the Council, after much debate and deliberation, decided to stay with its consented land disposal methodology of border strips.
- During the review process, significant progress was made on the design and tendering of the new ponds at Homebush. Hopper Construction won the tender for stage 1 and quickly established a site office and began earthworks to make the most of the summer construction season.
- The Canterbury earthquake in September 2010 highlighted the issue of liquefaction and designs for the new pond walls were revised, in-line with building consent requirements, to include a greater degree of undercut and compaction than allowed initially. This increased the overall scheme cost by \$1.6 million.
- The Council also had to deal, in January 2011, with our consultant's under-estimation of some aspects of the structural, mechanical and electrical (SME) components of the project. The total project estimate (including a contingency) went up to \$30 million. Including the undercut issue above, this was an increase of \$6 million over the project costs accepted by the Council in September 2010. The Council is seeking legal redress on this matter.

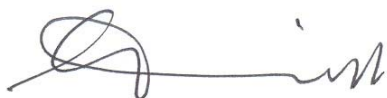
- Construction of the Riversdale Beach wastewater scheme was largely completed during the year, with commissioning of the scheme scheduled for the spring of 2011. We have been pleased with the work done by the contractor, Hopper Construction. Riversdale Beach ratepayers responded in good numbers to the choice of paying capital contributions to a 95% level rather than over time. Also, the Council and Riversdale Terraces owners negotiated a beneficial position for both parties for them to join the community scheme.
- The programme of sewer main renewals continued during the year, while some 2.68km of water mains were also renewed.
- Stage 2 of the seawall at Castlepoint was completed during the year, with significant input from the local ratepayers.
- The upgrade of Mawley Park has progressed during the year, with nearly \$1million being spent on refurbishing this key facility for visitors to our district.
- A significant regional recycling facility worth over \$1 million was completed at the Nursery Road transfer station during the year. The Council's partnership with our contractor, Earthcare Environmental has been crucial in designing this facility with a view to improving our levels of service in this important aspect of Council services.

The Council has continued to look for efficiencies through working more closely with the other Wairarapa Councils and remains open to future structural changes to local governance.

The local body elections in October 2010 saw the retirement of Roddy McKenzie after serving 30 years on the Masterton County and District Councils. Roddy McKenzie's long and valued contribution representing the rural people of our District has been appreciated and just recognition was given in the Queen's Birthday honours list where Roddy was awarded a Queen's Service Medal (QSM). The Council also acknowledged the valuable contributions of Councillors Brent Goodwin and Edwin Perry who were not re-elected.

In October 2010, we welcomed four new councillors around the Council table and they have all enthusiastically grasped the challenge of learning and understanding the many aspects and nuances of local government while contributing fresh ideas to the way the services of Council can be delivered.

We are proud of the achievements of the Council over the past year. We wish to sincerely thank the staff of the Council and our contractors – we can assure you that both groups work very hard to deliver the best value for the ratepayers of our District.



G E (Garry) Daniell
Mayor



Wes ten Hove
Chief Executive Officer

HIGHLIGHTS

The past year has seen the Council continue to deliver a range of services to Masterton's residents as well as make significant progress on a number of major projects. The Council's work programme was based on 'Year 2' of the 2009-19 Long Term Council Community Plan (LTCCP). While not all work in the programme was completed, the following information describes some of the major achievements.

FINANCIAL SUMMARY

The Council is in a sound financial position after achieving a better than planned surplus and having most operational areas come in close to or less than budget. Good progress was made on a number of large infrastructural asset projects.

Operating revenue was \$36.4m (excluding one-off gains) compared to a Plan of \$35.7m.

Operating expenditure was \$31.1m (excluding one-off losses) compared to a Plan of 31.9m.

A surplus of operating revenue over expenditure of \$3.5m was achieved, but after excluding one-off gains and losses the surplus is \$4.7m versus a Plan of \$3.8m.

Capital expenditure was \$19.45m compared to a Plan of \$38.9m.

Areas where variances from Plan have occurred include:

- Riversdale Beach sewerage rates \$368,000 (13.6%) more income as more ratepayers took advantage of the early payment option for their capital contributions
- Riversdale Beach government subsidy \$305,000 more income – a timing variance
- interest income \$302,000 more than planned – generated by having more funds than planned on deposit earning interest, in part due to loan funds drawn down before being required
- roading subsidy income from NZTA \$892,000 less than planned – a proportion of road renewal work was deferred so subsidies on this work cannot be claimed
- personnel costs \$141,000 (2.8%) less than planned
- grants of \$222,000 (16.8%) were not given as planned, including \$150,000 to the All Weather Track Trust and \$50,000 to the Wairarapa Community Centre
- interest costs were \$353,000 (19.4%) less than planned as a result of later and lower drawing of loan funding for the major capital projects
- depreciation expense was \$523,000 (6.1%) more than planned due to an anticipated reduction in depreciation (linked to extended roading asset lives) not being generated
- a net \$400,000 (2.6%) of savings have been made against other operating expenditure items, including expenditure in some areas higher than planned
- Urban wastewater upgrade project capital expenditure is \$6.3m against a plan of \$19.8m as the project start was delayed by the Council's further consideration of disposal options
- A number of roading projects have been deferred, as was the airport runway reseal and parking meter replacements.

On the Statement of Financial Position (Balance Sheet) at 30 June 2011 the Council has a higher level of cash and financial assets (\$18.1m) than both the prior year (29%) and the level planned (107%). This is due to a number of reasons, including funding for roading and other projects being carried forward and loan funding drawn down in anticipation of using it to pay for capital projects. Creditors at 30 June 2011 of \$7.6m are \$2.2m more than the prior year and \$2.7m more than planned – reflecting the high value capital projects underway at year end. Loans (financial liabilities) of \$26.8m are less than the planned \$43.0m due to the urban wastewater upgrade project not being as far advanced as expected.

A revaluation of infrastructural assets has been done as at 30 June 2011 and resulted in a \$65.5 increase

in the DRV (depreciated replacement value), a 12.5% increase. This increase in asset value has been reflected directly through an increase in the Council's equity. Also in equity, the special funds and restricted reserves have finished the year at \$18.2m, some 45% more than the \$12.5m planned. This result reflects less drawing on those funds for asset renewal and other projects and more funding carried forward to be used in future years.

MASTERTON WASTEWATER UPGRADE

The Council gained a resource consent in April 2009 to upgrade the urban wastewater treatment plant with new oxidation ponds, a new river diffuser and disposal of treated effluent to land using border strips at times of low river flow. The estimated construction cost of the project was \$23m. The process of appeals, mediation and modification of the consent was completed by December 2009, a further consent for increasing the height of a stopbank was needed and a review process was undertaken to determine whether an alternative land disposal method should be used. A construction contract was let to Hopper Construction in September 2010, with two further contracts (for border strips and structural/mechanical/electrical (SME) work) let subsequently. The delays caused by the uncertainties of the review process meant the construction period over the summer could not be taken full advantage of. Other delays occurred around awarding the SME contract, including a forecasting error by our engineering consultants meaning the scheme capital project sum needed to be revised to \$30m. Issues around liability and legal redress related to their error are being addressed, but the project has continued to be built, with a total of \$6.3m worth of work capitalised to the 30 June 2011.

RIVERSDALE BEACH COMMUNITY SEWERAGE SCHEME (RBCSS)

Hopper Construction began work on installing a gravity reticulation sewerage scheme at Riversdale Beach in April 2010. Construction work has progressed well throughout the 2010/11 financial year to the point where, at 30 June 2011, the only aspect of the \$9m scheme to be completed is the oxidation ponds. The scheme will be commissioned in mid October 2011, following testing of all aspects of the reticulation, treatment and disposal components. During the year extensive efforts were put into discussions with the Riversdale Terraces owners with the view to their subdivision joining the community scheme. The outcome of those discussions has been an agreement for them to join up, with benefits to all of Riversdale Beach ratepayers in the future.

The 2010/11 Annual Plan allowed for the charging of capital contributions to Riversdale Beach property owners, based on a funding model that took account of the number of residential equivalent properties and subsidies from the Ministry of Health's Sanitary Works Subsidy Scheme (SWSS) and the Council. Four payment options were offered, being a 95% lump sum, over 2 years, over 5 years and over 20 years. The GST increase from 1 October 2010 convinced more people than expected to take the 95% lump sum option. The final costs of the scheme were largely settled at the time of the Draft Annual Plan for 2011/12, so a final figure was set for the capital contribution per residential equivalent. This figure of \$14,756 plus GST is very close to the forecast figure used to set the contributions in 2010/11. After spending \$4.03m constructing the scheme in 2010/11 and receiving \$1.8m of the SWSS funding and \$3.1m of ratepayer contributions, some \$0.6m was able to be repaid to the Council to reduce the deficit the scheme has built up. At 30 June 2011, the Council is carrying a debt of \$2.69m on behalf of the RBCSS. This will be repaid by ratepayers who are paying off their contributions and by contributions paid by future joiners to the scheme.

WATER & SEWERAGE MAINS RENEWED

During 2010/11 some 2.68km of water mains were renewed at a value of \$363,700. Water mains were replaced in Kuripuni, King Edward, Jordan, Essex and Michael Streets. This length makes up 1.67% of the network.

At 30 June 2010 a major sewer renewal contract was underway. It was completed in 2010/11 and

further work identified during the year was tendered and completed. Across the two years, some 8.85km of sewer mains were renewed or relined at a value of \$3.7m. These lengths make up 6.5% of the sewer network. This work has been undertaken with a mix of external and in-house contract supervision and follows through on the commitments made in the 2009 Long Term Plan to address the aspects of the reticulation networks that need renewal. Sewer mains were replaced in Kummer Cres, Stamford Place, Durham, Bentley, Devon, Harley, Johnstone, French, Renall, Essex and Perry Streets. Sewers were relined in Nguamutawa Road and Papawai Place.

WAIRARAPA COMBINED DISTRICT PLAN

During 2010/11 the three Wairarapa Council's were able to clear the one remaining appeal and adopt the Plan, converting it from its 'proposed' status to being 'operative'. Work continued on the biodiversity strategy and landscape study aspects of the Plan, while a number of Plan amendments were worked on and will be consulted on through 2011/12.

CASTLEPOINT BEACH SEAWALL – STAGE II

Stage II of the seawall at Castlepoint was a long time in the gestation as agreement was reached on the shape of a constructed solution to the erosion issues at the eastern end of the beach. A resource consent was obtained following resolution with interested parties, including the Department of Conservation. A funding solution was agreed with the ten land owners whose properties are receiving direct benefit from the seawall. The wall was constructed in November 2010 and shaping and planting of the dunes above the wall is being coordinated by the Castlepoint Residents & Ratepayers Association.

ROAD UPGRADES

Early in the year, a key change was made to the assumptions which underpin the road renewals programme. This was to increase the economic life of the roading seal coat from 13 to 16 years. This has created a year in which the reseal programme could be put on hold. The NZTA share of funding for this work has been carried over into the 2011/12 year and the rates share that was budgeted has been carried forward to be applied next year also. The subsidised road renewal programme of \$3.6m was \$0.68m underspent. Other items not progressed in the year were footpath resurfacing and a CBD footpath upgrading project. Both items were put 'on hold' awaiting the outcome of the Government's broadband initiative. The Council has been reluctant to do work on footpath surfaces to then have it dug up as broadband cables are laid.

RECYCLING CENTRE

The Council tendered its solid waste contracts in 2010 and delayed the construction of a recycling centre so it could work with the new contractor on the design and layout of the new facility. The facility was completed in June 2011 and came in a little over the budgeted \$1.05m. The contractor, Earthcare Environmental is now undertaking recycling collection and processing for all the Wairarapa Councils and operating out of the Council's new facility.

MAWLEY HOLIDAY PARK UPGRADE

Based on a business plan to improve the usage and turnover, the Council has allowed \$1.2m in the 2010/11 Annual Plan to upgrade this facility. By 30 June 2011 \$0.924m had been spent, with several construction contracts still in progress.

SUSTAINABLE USE OF THE ENVIRONMENT

All Council policies delivering water, wastewater and solid waste services have an environmentally sustainable focus that ranks equally with a service delivery/economic focus.

The Council's regulatory functions of administering the Wairarapa Combined District Plan, the Resource Management Act, Building Act and other legislation are designed to ensure an equitable

balance between development, heritage and the environment.

The Council continues to collaborate with other agencies and organisations such as Iwi, government departments, funding groups and businesses. All three Wairarapa councils have been collaborating on issues such as climate change and energy efficiency.

The Council has continued to support the Wairarapa Healthy Homes initiative, which attracted a 60% subsidy from the Energy Efficiency Conservation Authority (EECA) for the retrofit of homes of residents with low incomes and/or high health needs. A contract to prepare a sustainable development strategy was let during the year.

COLLABORATIVE ACTIVITIES

The Council has been working with the Councils in the Wairarapa and the wider Wellington region on a number of initiatives to achieve efficiencies through collaboration. The award winning Wairarapa Combined District Plan is reported above.

Opportunities for shared services across the Wairarapa Region have been progressed in the areas of insurance and valuations. We have participated in Wellington shared services initiatives.

A business-case for more extensive collaboration within the Wairarapa in building control and other regulatory activities is being prepared. Emergency management services are being run from 1 July 2011 as a shared service across the Wairarapa.

Considerable progress has been made on the shared library service with Porirua, Hutt City, Kapiti Coast District Councils and Weltec who share the same systems provider for managing their collections. Residents will eventually be able to borrow and return materials at any of their libraries. This will increase the collection available to borrowers as well as to achieve savings in buying of special interest materials.

MASTERTON DISTRICT COUNCIL
STATEMENT OF COMPLIANCE AND RESPONSIBILITY
FOR THE YEAR ENDED 30TH JUNE 2011

COMPLIANCE

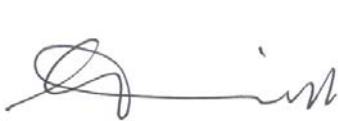
The Council and management of Masterton District Council certify that all the statutory requirements of the Local Government Act 2002 regarding financial management and borrowing have been complied with.

RESPONSIBILITY

The Council and management of Masterton District Council accept responsibility for the preparation of the annual Financial Statements and Statements of Service Performance and the judgements used in them.

The Council and management of Masterton District Council accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial statements and statements of service performance.

In the opinion of the Council and management of Masterton District Council, the annual Financial Statements and Statements of Service Performance for the year ended 30th June 2011 fairly reflect the financial position and operations of Masterton District Council.



.....
G E Daniell
Mayor



.....
W ten Hove
Chief Executive Officer



.....
D E Paris
Manager Finance

Date: 26 October 2011
.....

MASTERTON DISTRICT COUNCIL

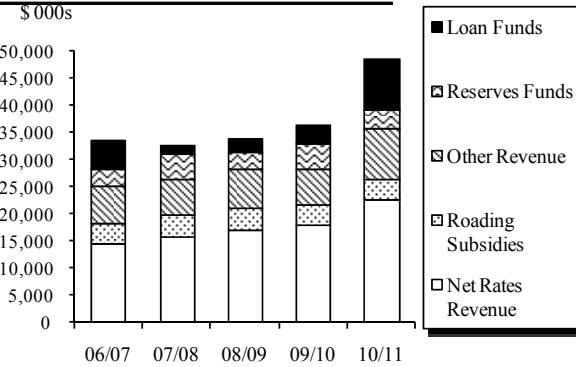
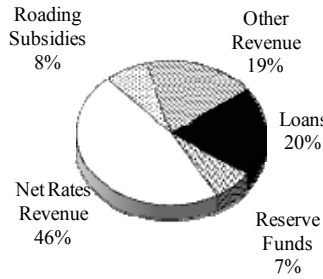
FINANCIAL STATISTICS

Last Year
2009/10

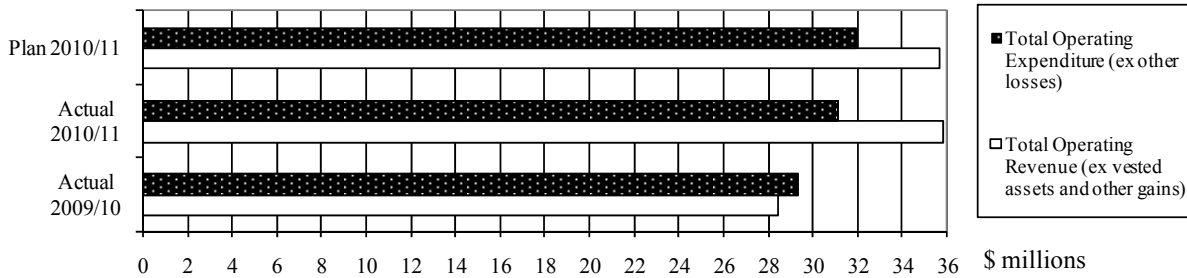
		Actual 2010/11	Plan 2010/11
Total Expenditure (incl Capital items)		\$ 48,835,766	\$ 65,051,440
\$ 36,654,847	Funded by: Net Rates Revenue*	\$ 22,788,753	\$ 22,522,905
\$ 18,202,808	Roading Subsidies	\$ 3,658,121	\$ 4,550,500
\$ 3,624,864	Other Revenue	\$ 9,359,338	\$ 8,618,555
\$ 6,609,241	Loans	\$ 9,631,749	\$ 25,853,600
\$ 3,500,000	Reserve Funds	\$ 3,397,805	\$ 6,177,400
\$ 4,717,934			
\$ 36,654,847		\$ 48,835,766	\$ 67,722,960

* Includes Borrowings of Cash, as well as some capital contributions

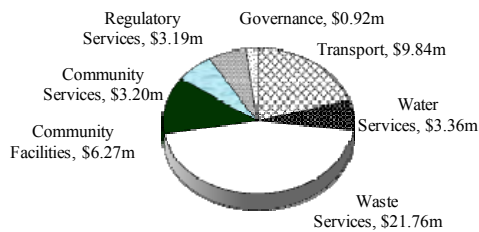
Source of Funds Comparison



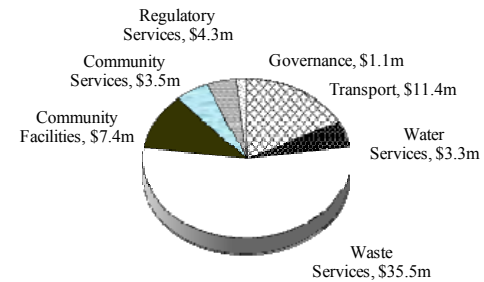
Revenue & Expenditure Comparisons



Total Expenditure by Activity Actual 2010/11



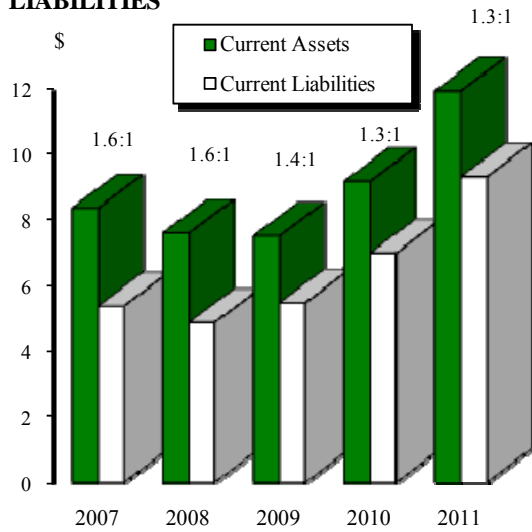
Plan 2010/11



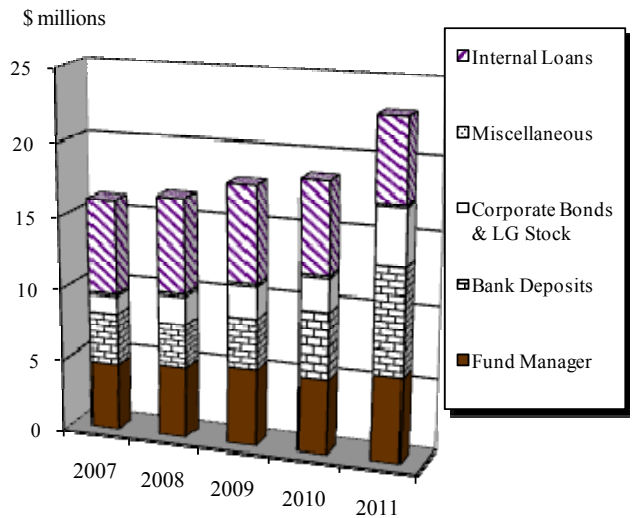
Financial Ratios

	2008/09	2009/10	2010/11	Plan 10/11
Current Ratio	1.4	1.3	1.3	0.9
Liquidity Ratio	1.5	1.5	1.4	1.2
Long Term Debt (external) per rateable property	\$1,220	\$1,450	\$2,153	\$3,407
Long Term Debt (external) per capita	\$641	\$764	\$1,142	\$1,807
Interest costs as % of rates income	8.2%	7.3%	9.0%	11.2%
Debt servicing costs as % of rates income	12.5%	11.8%	17.4%	17.0%
Reserve Funds as % of rates income	90.6%	86.5%	92.4%	62.7%
Investments (external) as % of rates income	71.7%	77.2%	91.7%	44.1%
Rates receivable as % of rates levied	1.1%	1.0%	1.1%	1.5%

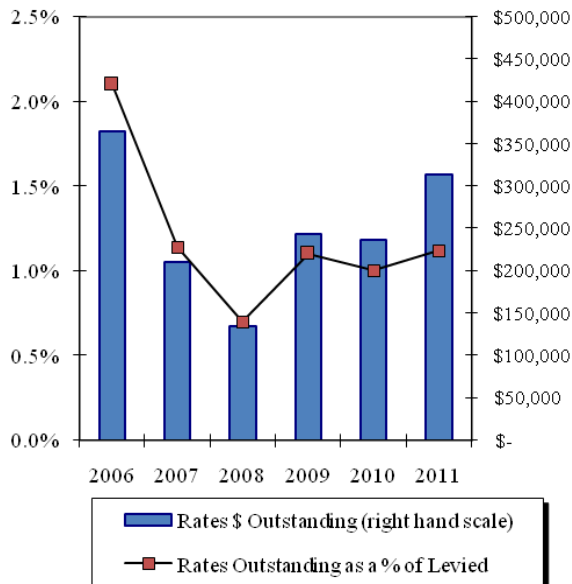
CURRENT ASSETS TO CURRENT LIABILITIES



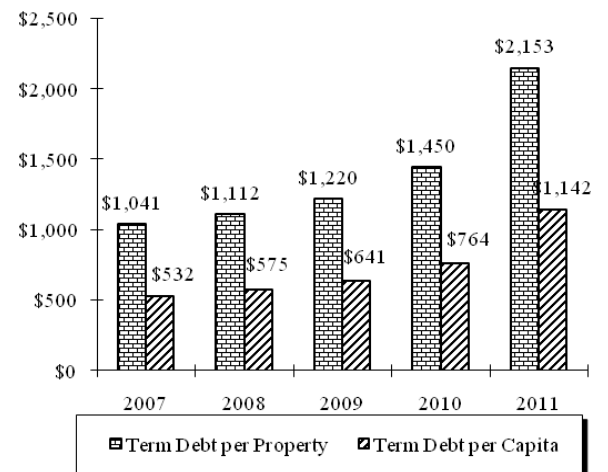
INVESTMENTS



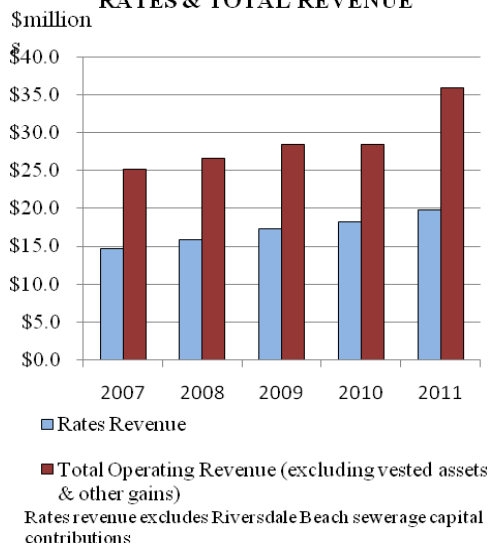
RATES ARREARS



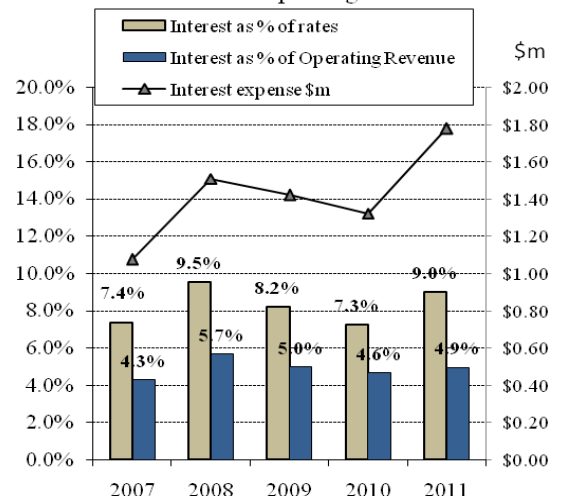
TERMLIABILITIES (external) per Ratepayer and per Capita



RATES & TOTAL REVENUE



INTEREST (external & internal) as a % of Rates Revenue & Operating Revenue



STATEMENT OF RESOURCES

Year Ended 30th June 2011

Masterton District Council provides a wide range of services to the residents, businesses and visitors to the area. In order to meet its objectives and provide the services required, the Council employs a large number of resources. Although some of these resources are valued within the Statement of Financial Position, in many cases the quantitative information is more meaningful.

This statement therefore tends to reflect in quantitative terms those resources the Council uses in its day-to-day activities in order to service the community.

Statistics

Population (Census 2006)

Masterton	Rural area	4,956	<u>Area</u>	229,500 ha
	Urban area	<u>17,664</u>		(urban area – 1,796 ha)
		<u>22,620</u>		

District Rateable Valuations (June 2010)

Land Value	Rural	\$1,902,700,000	Capital Value	Rural	\$2,655,000,000
	Urban	\$1,016,400,000		Urban	\$2,225,600,000

No. Rateable Properties	Rural	3,744
	Urban	<u>8,177</u>
		11,921

Staff

	<u>Male</u>	<u>Female</u>	<u>Total</u>
Full time	37	29	66
Part time	3	11	14

Water Reticulation (urban only)

Storage capacity (megalitres)	12
Kaituna	9
Lansdowne	3

Length of watermains (kms)	160
Storage reservoirs and tanks (megalitres)	12
Hydrants	1,051
Valves	819
Peak daily demand (Mstn) (m ³)	29,550
Water treatment plant at Kaituna	

Sewage Reticulation (urban only)

Length of sewers (kms)	137
Number of pumping stations	2
Number of manholes	1,760
Qty treated daily (average) (m ³)	14,600

Roading

System length (kilometres)	801
Sealed	516
Metalled	285

Buildings (owned)

District Building (including offices, town hall, council chambers and meeting rooms)	8
Rental houses	0
Retail outlets	86
Residential flats	9
Public halls	1
Library	12
Sports/recreation facilities	845
Off-street carpark	5
Fire stations	1
First aid post	13
Public toilets	
Camping ground & cabins	24
Camping ground ancillary	5
Landfill buildings	6
Bentley Street ex-depot	1
Parks buildings	

Vehicles

Fleet number	26
Utilities/vans	9
Cars	8
Fire engines	7
Tractors	2

Recreation Reserves

Total Area (hectares)	205	
	<u>Urba</u>	<u>Rural</u>
	<u>n</u>	
Natural Bush	2	39
Beach Front esplanades	-	9
Nursery, cemeteries/sports grounds/formal gardens	54	5
Neighbourhood reserves	49	47

MAP OF DISTRICT

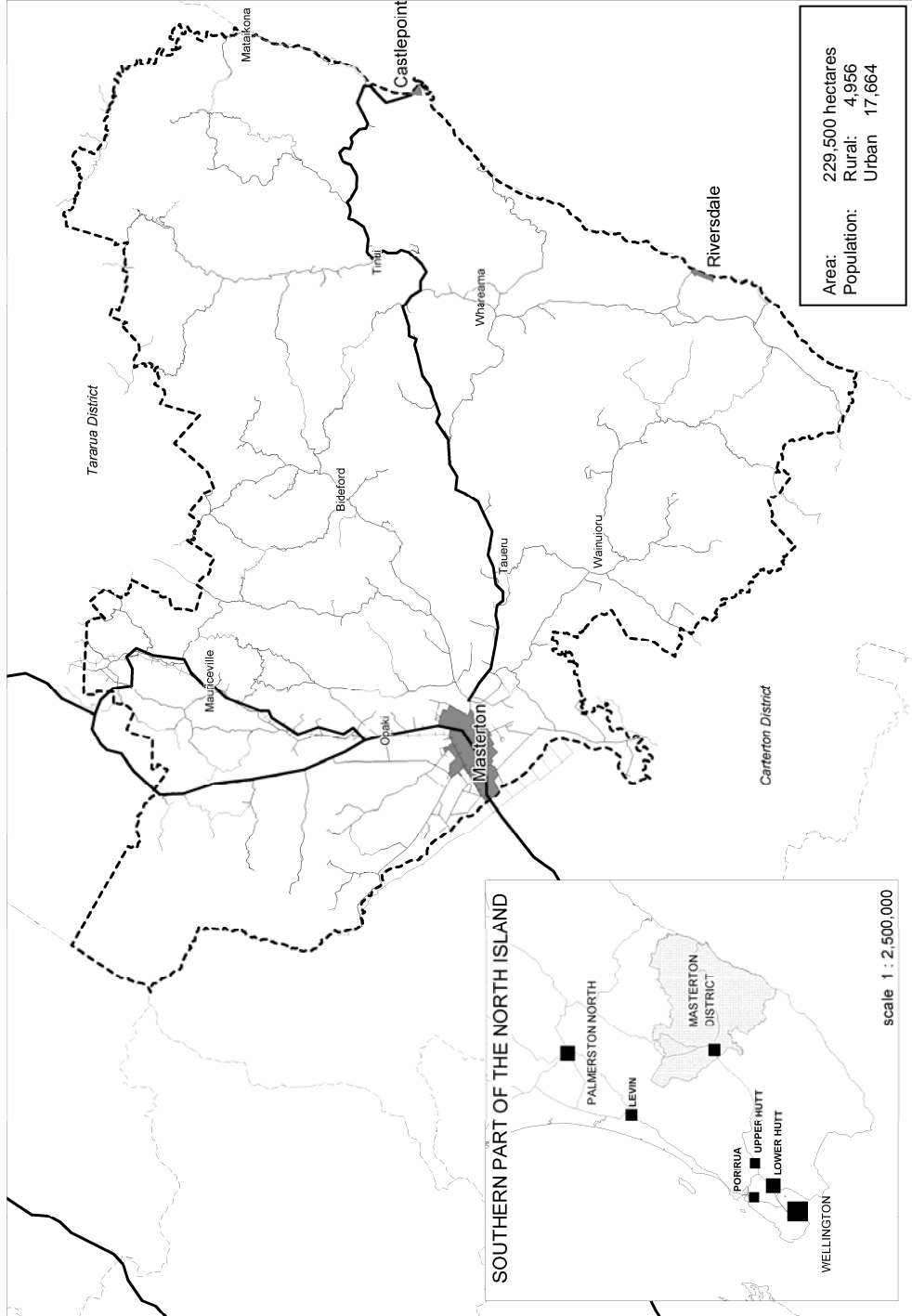


MASTERTON DISTRICT

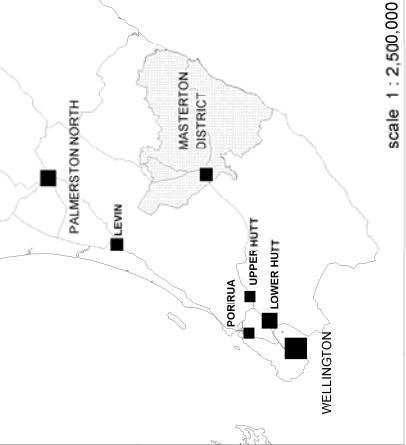
SCALE 1 : 400,000



Masterton
District
Council



SOUTHERN PART OF THE NORTH ISLAND



scale 1 : 2,500,000