

Wairoa District Council

SUMMARY ANNUAL REPORT

For the year ending 30 June 2014



 *Te Wairoa Hōpūpū Hōnengenenge
Matangirau*

Adopted 25 November 2014



Wairoa District Council 2014 ©

JOINT STATEMENT FROM THE MAYOR AND THE CHIEF EXECUTIVE OFFICER

Kia ora tātou and welcome to the Wairoa District Council's 2013/2014 Summary Annual Report. The past year can be characterised by two main themes for the Wairoa District Council: the achievement of goals, and looking to the future. The year's most significant milestone came in March, when we appointed Fergus Power as Chief Executive Officer of the Wairoa District Council. Mr Power has a wealth of knowledge and experience, which we are sure will serve our district well as we head into the future. We would also like to pay tribute to the service of outgoing CEO Peter Freeman for the dedication and hard work he has put into the district and community. Peter Freeman leaves a legacy that the new Chief Executive and Council will continue to build on.

A draft proposal for the reorganisation of local government in Hawke's Bay was released earlier this year and the Wairoa District Council and the Māori Standing Committee of Council in both its submissions sought to challenge the Local Government Commission to develop a model for a proposed Hawke's Bay unitary authority that protects the social and cultural fabric of Wairoa both now and for the future. It is Council's considered opinion that the interests of the Wairoa community are far better served with a modified model to the proposal and we have endeavoured to signal this in our submissions.

As advised by the Local Government Commission throughout this process to reorganise local government in Hawke's Bay, it has been business as usual at the Wairoa District Council and we have been in the spotlight over the last year. This report will focus on the work we have done over the last year and we are pleased to say that the Wairoa District Council continues to be on track to achieve its milestones.

Transformation and investment into the community are key themes in the 2014/2015 Annual Plan released in June and this is certainly the direction that the Wairoa District Council will be taking into the future. The Annual Plan presents a need to arrest population decline and to build our economic capabilities. The Council and staff have produced an Annual Plan that will reflect the desire of the whole community to re-energise the district and we are excited by the opportunity to be the architects of Wairoa's future. A lot of time and energy has been put into producing the Annual Plan, and we would like to thank all those who contributed to, and participated in the process with the end result being a plan that will guide Council operations over the coming year.

Council commends the work of our staff that are at the forefront of providing the necessary services to our community. To further improve these services a functional review was undertaken to better understand what we really need to do to improve services to our community. The Chief Executive Officer will work alongside staff to implement the recommendations of the functional review with the ultimate goal being to provide the best possible services needed to take our community forward.

Below are some facts and figures that form the key points of this report:

Financials

Overall Council completed the year with an Operating surplus of \$2,385,654 (2013: surplus of \$5,751,053).

A 0.36% increase in rates revenue (\$34,170) and a decrease in operating costs (\$283,484) were offset by decreases in fees and charges (\$16,494), investment income (\$913,012) and subsidies received (\$2,830,667).

Working capital of \$13,805,884 was \$5,668,087 up on 2013 (\$8,137,797) whilst cash flow from operations of \$8,926,030 was \$2,609,639 down on 2013 (\$11,535,669) due primarily to movements on services provided and subsidies.

Capital expenditure fell to \$9,936,248 (\$2013: \$13,176,327) and there was a net increase in financial assets of \$1,850,470.

During the year Council obtained a loan of \$5 million.

All the above led to an increase in cash balances of \$2,386,082.

Performance Management

Of the 151 identified service levels and targets, 109 were achieved, an overall score of 72% compared with 76% last year.

Quality Roothing and Services (Wairoa) Limited

Quality Roothing and Services (Wairoa) Limited's Annual Report shows an operating surplus before tax of \$496,849. The after-tax profit was \$356,673 which represents a 6.3% return on equity of \$5.63 million. A dividend of \$165,000 has been declared but only the amount received during the financial year of \$158,478 has been reflected within the 2014 accounts.

Roothing

In 2013/14 Council added 0.92km of new roads and resurfaced 32.5km of roads. Also Council rehabilitated 5.4km of roads and built up with metal 15.2km of unsealed roads.

Stormwater

In 2013/14 Council piped a further 158m of open drains.

Mahia Beach Community Sewage Scheme

During 2013/14 Council continued the installation of the Mahia Beach Sewage Scheme which consists of One pump station, 9km of Community Reticulation, 1.7km length Rising Main (between Pump Station and Treatment Ponds), Three Treatment Ponds with 31,500m³ combined volume, and an Irrigation System.

Opoutama Community Wastewater Scheme

During 2013/14 Council purchased and re-commissioned a wastewater treatment plant and installed 3 small pump stations together with 3km of community reticulation.

We reflect on 2013/2014 with a great sense of pride and achievement. We now look to the future, and to the Wairoa District Council's role in shaping the direction and future for the Wairoa community. On behalf of Council and the management team we wish to acknowledge the contribution of staff, consultants and contractors for the achievements outlined in this Annual Report. We are honoured to be associated with the Wairoa District Council as it extends its rich heritage of service to the Wairoa community.



Chief Executive
Fergus Power



Mayor
Craig Little

Community Outcomes

The Local Government Act 2002 requires Council to report measures taken and progress made towards achieving the community outcomes stated in the Long-Term Plan at least once every three years.

Council in consultation with the community has identified the following community outcomes to guide its services and the work that it does:

1. A strong, prosperous and thriving economy.
2. A safe and secure community.
3. A lifetime of good health and well-being.
4. An environment that is appreciated, protected and sustained for future generations.
5. Supportive, caring and valued communities.
6. A safe and integrated transport system.
7. Strong district leadership and a sense of belonging.
8. Safe and accessible recreational facilities.
9. A community that values and promotes its culture and heritage.

It is important to note that Council is not solely responsible for the delivery of these community outcomes. Council will work with the community, key organisations and stakeholders to achieve the community outcomes together. Council's role therefore will vary, depending on the specific outcomes and the activities involved.

More information on the outcomes and the way in which Council will work towards achieving them can be found in the LTP 2012-2022 on Council's website or from Council's office.

Council Activities

Council activities are divided into two strategic goal areas being:

- **Community Development & Participation**
Council's aim is to provide services and facilities to encourage community focus, ensuring access to information and leisure opportunities and to promote the expansion of the economy by encouraging tourism options and business development.
- **Safe Living Environment**
Council's aim is to provide services and facilities which contribute to community health and safety and ensure that the natural and physical resources of the district are preserved for future generations.

These are in turn supported by:

- management services
- investments.

Survey results relating to outcomes:

Every year Council conducts a survey of residents to ensure we keep track of how well we are doing in meeting the community outcomes and having a positive impact on the quality of life in Wairoa. Detailed below are the results from this year along with those from recent years. The relevant community outcomes are also identified. Highlights this year include an increase in the number of people agreeing that the quality of life in Wairoa is very good (up by 13% from 2012). Other areas of note include a 16% improvement from the levels of 2012 of people agreeing that Wairoa has a supportive, caring and valued community, and a 12% improvement from 2012 of people agreeing that Wairoa is generally a safe place to live.

Is Wairoa a better place to live than it was three years ago? (All outcomes)			
	2012	2013	2014
Yes	22%	27%	28%
The same	64%	62%	52%
Worse	6%	8%	13%
Unable to comment	8%	4%	7%

Is Wairoa District generally a safe place to live? (A safe and secure community)			
	2012	2013	2014
Yes, definitely	40%	49%	52%
Yes, mostly	57%	49%	47%
Not really	2%	1%	1%
No, definitely not	1%	1%	0%

Satisfaction with the way in which Council involves the public in the decisions it makes. (Strong leadership and a sense of belonging; Supportive, caring and valued)			
	2012	2013	2014
Very Satisfied	13%	9%	10%
Satisfied	42%	44%	50%
Neither satisfied nor dissatisfied	33%	32%	20%
Dissatisfied	7%	9%	9%
Very dissatisfied	2%	1%	2%
Don't know	3%	5%	9%

Quality of Life. (All outcomes)			
	2012	2013	2014
Very Good	38%	44%	51%
Good	46%	47%	41%
Fair	12%	5%	6%
Poor	4%	3%	2%
Don't know	0%	1%	0%

Community Spirit. (Supportive, caring and valued communities)			
	2012	2013	2014
Very Good	26%	35%	42%
Good	53%	51%	48%
Neither good nor bad	14%	12%	7%
Not very good	5%	2%	2%
Poor	1%	0%	1%
Don't know			

Natural Environment. (An environment that is appreciated, protected and sustained for future generations)			
	2012	2013	2014
Very Satisfied	21%	17%	22%
Satisfied	54%	53%	52%
Neither satisfied nor dissatisfied	15%	18%	10%
Dissatisfied	5%	8%	7%
Very dissatisfied	3%	2%	6%
Don't know	1%	2%	3%

Summary Financial Report for the year ended 30th June 2014

The information contained in this report has been extracted from the audited Annual Report of the Wairoa District Council for the year ended 30th June 2014. An unqualified audit report was signed on 28th October 2014. Ernst & Young, on behalf of the Auditor- General has reviewed this summary report and has confirmed that it fairly and consistently represents the full annual report for the year.

A summary report cannot be expected to provide as complete an understanding of the financial and non-financial performance of the Council as the full Annual Report. A copy of the full report is available from Wairoa District Council, Coronation Square, Wairoa (PO Box 54 Wairoa) or by visiting the Wairoa District Council website at www.wairoadc.govt.nz

The financial statements comprise the Wairoa District Council and its Council controlled trading organisation, Quality Roding and Services (Wairoa) Ltd.

Changes in Accounting Policies:

All accounting policies have been applied on a consistent basis throughout the year.

Overview

The summary financial statements comply with Financial Reporting Standard 43: This standard requires that the specific disclosures included in the summary financial statements be drawn from and be consistent with the full financial statements.

The financial statements are prepared in New Zealand dollars. The financial statements are rounded to the nearest whole dollar.

The summary financial statements were authorised for issue on 25th November 2014, by the Mayor Craig Little, and the Chief Executive Officer Fergus Power.

The full financial statements were authorised for issue on 28th October 2014. The Wairoa District Council is a public benefit entity. The full financial statements comply with NZ IFRS (NZ equivalents to international financial reporting standards), and other applicable financial reporting standards, as appropriate for public benefit entities.

Summary of Council Revenue for the year ended 30th June 2014

	\$	%
Rates	10,134,170	42.18%
Subsidies	10,569,157	44.00%
Petrol Tax	61,100	0.25%
Fees and Charges	1,936,990	8.06%
Investment Income	1,322,671	5.51%
	<u>24,024,088</u>	<u>100.00%</u>

Subsidies and rates make up over 86% of the revenue of Council. The bulk of subsidies are received from Land Transport New Zealand to subsidise the cost of maintaining the local roading infrastructure. Council receives petrol tax as its share of the regional income based on the relative rating income of local authorities in the East Coast region. Fees and charges are the costs charged directly to consumers of Council services including landfill. Investment Income includes income from interest on investments and dividends from Quality Roding and Services (Wairoa) Limited. Rates are charged to all residents owning land within the Wairoa district, and include uniform charges for running Council, and for services such as water and sewerage. Targeted rates are charged for roading, stormwater, parks and reserves and services.

Summary of Council Expenditure for the year ended 30th June 2014

	\$	%
Water Services	3,752,648	17.28%
Solid Waste	1,017,773	4.69%
Transport	11,105,327	51.11%
Community Facilities	1,849,453	8.52%
Planning and Regulatory	1,216,238	5.60%
Leadership and Governance	1,858,598	8.56%
Investments	127,220	0.59%
Property	789,549	3.64%
Corporate	2,062	0.01%
	21,718,868	100.00%

Water services include the cost of supplying and reticulating water to residents, and collecting storm water and sewerage.

Waste management includes the collection of rubbish and recyclables, the management of the landfill and control of litter.

Transport includes the cost of maintaining local roads, and parking facilities plus the safe operation of the airport.

Community facilities include maintaining cemeteries, parks and reserves, pensioner housing plus funding of the library, museum, community centre and community halls.

Planning and regulatory includes planning, health, building, livestock and dog control plus bylaw enforcement, liquor licensing, safer communities and emergency management.

Leadership and governance includes community representation, Māori liaison, and economic development.

Investments include commercial and sundry properties, funds management and dividends.

Corporate includes management, administration, finance, asset information and information systems.

Summary of Council Assets as at 30th June 2014

	\$	%
Property, Equipment, and Intangibles	244,653,245	90.74%
Investment Properties	277,000	0.10%
Investment in Subsidiaries	1,250,000	0.46%
Cash and Cash Equivalents and other Financial assets	17,454,819	6.47%
Trade and other Receivables	5,792,551	2.15%
Other Assets	202,948	0.08%
	<u>269,630,563</u>	<u>100.00%</u>

Council property includes land and buildings, vehicles, furniture and office equipment plus infrastructure assets such as roading, bridges, and water reticulation, and computer software.

Investment properties is the enterprise building that houses the information centre.

Investment in subsidies is the initial investment Council made in its subsidiary Quality Roothing and Services (Wairoa) Limited.

Cash and cash equivalents and financial assets includes cash, investments, and assets held for sale.

Trade and other receivables includes all accounts outstanding as at year end.

Other assets include inventories, loans and other receivables, and forestry, a biological asset.

Summary of Council Liabilities as at 30th June 2014

	\$	%
Trade and Other Payables	4,228,703	41.38%
Landfill Aftercare	859,226	8.41%
Employee Benefit Liabilities	131,549	1.29%
Borrowings	5,000,000	48.92%
	<u>10,219,478</u>	<u>100.00%</u>

Trade and other payables include all accounts owing to creditors at year end.

Landfill aftercare is the liability Council has for ongoing maintenance of the landfill.

Employee benefit liabilities represents the liability for annual leave, long service leave, gratuities, sick leave and accrued pay.

Borrowings represent the liability for repayment of loans.

Explanation of major variances against budget

Explanation for major variations from Council's estimated figures in the 2013/2014 Annual Plan are as follows:

	2014 Annual Plan \$
Income Statement	
2014 plan net surplus	4,538,744
Higher (lower) subsidy revenue (regional projects, emergency works)	(607,734)
Higher (lower) income from investments	238,321
Higher (lower) income from fees & charges (water production, waste management)	(1,333,160)
Higher income from rates	415,936
Increase in costs due to additional roading work, operating deficits from production of water and sewerage	(937,987)
Gain / (Loss) on revaluation of woodlots	80,434
Other	(8,900)
2014 actual net surplus	<u>2,385,654</u>
Capital expenditure	
2014 plan	10,861,080
Additional projects approved	(819,954)
Actual expenditure 2014	<u>10,041,126</u>

Summary Financial Statements for the Year Ending 30th June 2014

	COUNCIL 2014 ACTUAL \$	COUNCIL 2014 ANNUAL PLAN \$	COUNCIL 2013 ACTUAL \$	GROUP 2014 ACTUAL \$	GROUP 2013 ACTUAL \$
Summary Statement of Comprehensive Revenue and Expense					
Rates Revenue	10,134,170	9,718,234	10,100,302	10,134,170	10,100,302
Other Revenue	13,889,918	15,601,391	17,653,103	17,323,835	20,437,019
Total Operating Revenue	24,024,088	25,319,625	27,753,405	27,458,005	30,537,321
Total Finance Expense	-	-	-	75,116	116,531
Total Operating Expense (excluding finance expense)	21,718,868	20,780,881	22,002,352	24,854,710	24,758,967
(Increase)/decrease in biological asset	(80,434)	-	-	(80,434)	-
Capital Gain on Asset Sales	-	-	-	-	-
Operating Surplus/(Deficit) before taxation	2,385,654	4,538,744	5,751,053	2,608,613	5,661,823
Taxation	-	-	-	140,176	94,627
Net Surplus/(Deficit) after taxation	2,385,654	4,538,744	5,751,053	2,468,437	5,567,196
Property, Plant and Equipment - Vested asset	-	-	6,227,983	-	6,227,983
Gain on revaluation of Infrastructural assets	31,930,712	-	-	31,930,712	-
Total	34,316,366	4,538,744	11,979,036	34,399,149	11,795,179
Summary Statement of Changes in Equity					
Equity opening balance	225,094,719	200,221,741	213,115,683	228,869,021	217,073,842
Net Surplus/(Deficit)	2,385,654	4,538,744	5,751,053	2,468,437	5,567,196
Property, Plant and Equipment - Vested asset	-	-	6,227,983	-	6,227,983
Gain on revaluation of Infrastructural assets	31,930,712	-	-	31,930,712	-
Equity closing balance	259,411,085	204,760,485	225,094,719	263,268,170	228,869,021
Comprising:					
Accumulated Funds and Retained Earnings	136,490,113	186,397,109	140,279,119	139,596,664	143,062,887
Revaluation Reserves	101,810,808	-	70,146,362	102,801,342	71,136,896
Special Fund Reserves	21,110,164	18,363,376	14,669,238	20,870,164	14,669,238
Sinking Fund Reserves	-	-	-	-	-
Total	259,411,085	204,760,485	225,094,719	263,268,170	228,869,021
Summary Statement of Financial Position					
Current Assets	18,034,587	21,267,498	12,650,434	21,577,616	16,542,357
Non-current Assets	251,595,976	198,370,384	217,964,367	253,743,728	220,494,364
Total assets	269,630,563	219,637,882	230,614,801	275,321,344	237,036,721
Current Liabilities	4,228,703	5,504,346	4,512,637	5,708,323	5,879,987
Non-current Liabilities	5,990,775	9,373,051	1,007,445	6,344,851	2,287,713
Total Liabilities	10,219,478	14,877,397	5,520,082	12,053,174	8,167,700
Total Equity	259,411,085	204,760,485	225,094,719	263,268,170	228,869,021

	COUNCIL 2014 ACTUAL \$	COUNCIL 2014 ANNUAL PLAN \$	COUNCIL 2013 ACTUAL \$	GROUP 2014 ACTUAL \$	GROUP 2013 ACTUAL \$
Summary Cash Flow Statement					
Cash Flow from Operating Activities	8,926,030	10,132,780	11,535,669	10,361,433	12,865,794
Cash Flow from Investing Activities	(11,539,948)	(12,106,445)	(10,823,720)	(12,159,650)	(11,399,438)
Cash Flow from Financing Activities	5,000,000	(1,012,994)	-	3,980,172	(166,579)
Net Increase/(Decrease) in Cash and Cash Equivalents	2,386,082	(2,986,659)	711,949	2,181,955	1,299,777
Plus Opening Cash and Cash Equivalents	3,497,607	3,334,761	2,785,658	5,186,115	3,886,338
Closing Cash and Cash Equivalents	5,883,689	348,102	3,497,607	7,368,070	5,186,115

In the opinion of Council and the management of Wairoa District Council, the summary financial report for the year ended 30th June 2014 fairly reflects the financial position and operations of Wairoa District Council.



Chief Executive
Fergus Power
25th November 2014



Mayor
Craig Little
25th November 2014

Summary of Performance Measures

Every three years Council is required to define within its Long Term Plan a range of service delivery measures against which its actual performance can be assessed. Each of these measures is linked to the Council community outcomes in order that the measure may act as one of the main drivers of community outcome performance. Each year these measures are reviewed within the Annual Plan and subsequently reported against within the Annual Report. Council monitors actual performance through the customer service request system (CSR's) and annual surveys.

The table below summarises Council performance across all of its performance measures and Activities.

Activity Group	Achieved	Not Achieved	Not Measured
Transport, Water and Waste			
Water Reticulation and Production	9	3	
Storm Water and Drainage	4	3	
Sewerage	7	4	
Waste Management	10	5	
Roads	9	6	
Airport	5	1	
Community Services			
Cemeteries	4	2	
Parks and Reserves	1	5	
Library	3	4	
Community Support	3	2	
Planning and Regulatory			
Resource Planning	7		
Environmental Health	6		
Dog Control	3		
Livestock Control	1		
Bylaw Compliance General	2		
Building Inspection	4	2	1
Liquor Control	5		
Emergency Management	9	1	2
Leadership and Governance			
Community Representation	5	2	
Māori Liaison	6		
Economic Development	4		
	107	40	3

Each year Council engage an Independent survey company to provide unbiased community feedback on each of its core Activity areas. The results of this public satisfaction survey are incorporated within the overall Council performance measures (summarised on page 13) and as such help inform overall Council performance.

Council sets a minimum satisfaction level of 80% within its performance measures and will be working hard in those areas currently reporting below this level to improve the public satisfaction level.

The table below summarises the results of this annual community survey.

Community Survey Results	2014			2013		
	Very satisfied/Fairly satisfied	Not Very satisfied	Don't Know	Very satisfied/Fairly satisfied	Not Very satisfied	Don't Know
Water Services	92%	8%	0%	95%	5%	0%
Stormwater and Drainage	56%	34%	10%	79%	20%	1%
Sewerage	89%	7%	4%	86%	13%	0%
Waste Management	67%	28%	5%	74%	22%	4%
Roads	71%	27%	2%	75%	25%	0%
Parks and Reserves	70%	24%	6%	87%	11%	2%
Library	93%	3%	4%	98%	1%	1%
Dog Control	71%	24%	5%	65%	31%	4%
Mayor and Councillors	85%	4%	11%	90%	6%	4%

* Includes 67% Very good/fairly good plus 18% Just acceptable (2013 -63% Very good/fairly good plus 27% Just acceptable)

INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
WAIROA DISTRICT COUNCIL AND GROUP'S
SUMMARY ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The summary annual report was derived from the annual report of the Wairoa District Council (the District Council) and group for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 6 to 14:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- The summary statement of service provision made up of the Community Outcomes and Summary of Performance Measures of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 28 October 2014.

Opinion

In our opinion:

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

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 28 October 2014 on the full audited statements.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council and group.



Building a better
working world

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with FRS-43 (PBE): *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with FRS 43 (PBE): *Summary Financial Statements*.

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council or any of its subsidiaries.

A handwritten signature in blue ink, appearing to be 'Grant Taylor', with a long horizontal flourish extending to the right.

Grant Taylor
Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand
25 November 2014