

WAIROA DISTRICT COUNCIL

**SUMMARY ANNUAL
REPORT**

**FOR THE YEAR ENDING 30 JUNE
2015**

JOINT STATEMENT FROM THE MAYOR AND THE CHIEF EXECUTIVE OFFICER

Kia ora tātou and welcome to the Wairoa District Council's 2014/2015 Summary Annual Report. The past year can be characterised by two main themes for the Wairoa District Council: maintaining sound infrastructure and core services as well as looking for new and creative solutions to see Wairoa prosper. This report will focus on our achievements and progress towards outcomes as per our Annual Plan (2014/15), essentially a summary of the Council's activities, performance and financial situation.

Notable highlights and achievements are as follows;

Council signed off its 2015-2025 Long Term Plan this year, with a focus on ensuring that ratepayers and the community have an affordable strategy now and for future growth. The LTP continues the theme of maintaining sound infrastructure and core services whilst planning for Wairoa's future.

The Wairoa District Council has actively participated in the efforts of Hawke's Bay Local Authorities Shared Services (HB LASS), and is pleased with the results to date. These shared services have brought improved services and cost savings to Wairoa and has allowed Wairoa District Council to work collaboratively and across Hawke's Bay with other councils. The savings and value of improvement in services identified and delivered to date for Wairoa district alone include, joint regional purchase of insurance - \$110,000, regional GIS cooperation (approximately) - \$90,000, and joint regional purchase of energy - \$60,000 (over three years).

Council was certainly pleased with the outcome of the New Zealand Transport Agency's (NZTA) review of Funding Assistance Rates (FAR) with the Wairoa district moving from a funding assistance rate of 68% to 75%. Council staff were integral to this positive outcome and we commend staff for their work in achieving this great result for Wairoa.

Road sealing at Whakamahia signalling the intent to upgrade and develop this part of the township and the handing over of the management of a portion State Highway 38 by the NZTA to Council have also been highlights in the 2014/2015 year.

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 \$777,130 (2014– surplus of \$2,385,654).

A 10.1% increase in rates revenue (\$1,027,302) which includes target rates of the Mahia and Opoutama Wastewater Schemes of \$439,628, increase in fees and charges (\$2,246,640) which includes \$2,446,100 of Mahia and Opoutama Wastewater Scheme Lump Sum contributions, decrease in Investment Income (\$88,253) and an increase in operating costs (\$3,992,107) including \$4,702,505 of Mahia and Opoutama Wastewater Scheme costs transferred to operating costs from Capital were partially offset by a reduction in Subsidies received (\$737,855).

Working capital of \$14,144,830 was \$338,946 up on 2014 (\$13,805,884) whilst cash flow from Operations of \$8,276,383 was \$649,647 down on 2014 (\$8,926,030) due primarily to increases in operating costs which include \$1,837,101 of costs associated with the Mahia and Opoutama Wastewater Schemes.

Capital Expenditure fell to \$4,894,492 2014 –(\$9,936,248) a contributory factor being the transfer of Mahia and Opoutama Wastewater scheme costs to operating, and there was a net decrease in financial assets of \$2,881,611 whilst shorter term Term Deposits increased by \$3,298,509.

Performance Management

Of the 150 identified service levels and targets, 106 were achieved, a score of 71% compared with 72% last year.

Quality Rooding and Services (Wairoa) Limited

Quality Rooding and Services (Wairoa) Limited Annual Report shows an operating surplus before tax of \$113,305. The after tax profit was \$79,302 which represents a 1.4% return on equity of \$5.83million. A dividend of \$145,000 has been declared and reflected within the 2015 Accounts.

Rooding

9.7km rehabilitated roads
26.65km resurfaced roads
18.14km unsealed road metal buildup

Stormwater

172m open drains piped

Mahia Beach Community Sewage Scheme

9km community reticulation
1 large pump station
1.7km rising/pumping main
15,000m² treatment pond

Opoutama Community Wastewater Scheme

4km community reticulation
Purchased treatment plant
3 small pump stations

This Summary Annual Report provides insight into the activities of Council and is a review of the work undertaken on behalf of the people of Wairoa. On behalf of Council and the management team we wish to acknowledge the contribution of staff and contractors for the achievements outlined in this Summary Annual Report. We are pleased to be associated with the Wairoa District Council as it continues to maintain sound infrastructure and core services whilst planning for Wairoa's future.


C Little
MAYOR


F Power
CHIEF EXECUTIVE

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 2015-2025 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.

Is Wairoa a better place to live than it was three years ago? (All outcomes)			
	2013	2014	2015
Yes	27%	28%	24%
The same	62%	52%	52%
Worse	8%	13%	17%
Unable to comment	4%	7%	7%

Is Wairoa District generally a safe place to live? (A safe and secure community)			
	2013	2014	2015
Yes, definitely	49%	52%	53%
Yes, mostly	49%	47%	41%
Not really	1%	1%	5%
No, definitely not	1%	0%	1%

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 communities)			
	2013	2014	2015
Very Satisfied	9%	10%	11%
Satisfied	44%	50%	42%
Neither satisfied nor dissatisfied	32%	20%	28%
Dissatisfied	9%	9%	11%
Very dissatisfied	1%	2%	5%
Don't know	5%	9%	3%

Quality of Life. (All outcomes)			
	2013	2014	2015
Very Good	44%	51%	43%
Good	47%	41%	43%
Fair	5%	6%	11%
Poor	3%	2%	3%
Don't know	1%	0%	0%

Community Spirit. (Supportive, caring and valued communities)			
	2013	2014	2015
Very Good	35%	42%	39%
Good	51%	48%	46%
Neither good nor bad	12%	7%	10%
Not very good	2%	2%	4%
Poor	0%	1%	1%
Don't know			

Natural Environment. (An environment that is appreciated, protected and sustained for future generations)			
	2013	2014	2015
Very Satisfied	17%	22%	19%
Satisfied	53%	52%	48%
Neither satisfied nor dissatisfied	18%	10%	23%
Dissatisfied	8%	7%	8%
Very dissatisfied	2%	6%	1%
Don't know	2%	3%	1%

Summary Financial Report for the year ended 30th June 2015

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 2015. An unqualified audit report was signed on 18th December 2015. 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 Roading and Services (Wairoa) Ltd.

Changes in Accounting Policies:

The accounting policies are now in accordance with Tier 2 PBE accounting standards. Prior to 1 July 2014, Council financial statements were prepared in accordance with NZ IFRS accounting policies.

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

Overview

The summary financial statements comply with Public Benefit Entity 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 summary financial statements are prepared in New Zealand dollars. The summary financial statements are rounded to the nearest whole dollar.

The summary financial statements were authorised for issue on 22nd January 2016, by the Mayor Craig Little, and the Chief Executive Officer Fergus Power.

The full financial statements were authorised for issue on 18th December 2015 by the Mayor Craig Little, and the Chief Executive Officer Fergus Power. The Wairoa District Council is a public benefit entity. The full financial statements comply with PBE standards and other applicable financial reporting standards, as appropriate for public benefit entities. These summary financial statements are the first summary financial statements complying with PBE standards as they relate to summary financial statements. There have been no material adjustments arising on transition to the new PBE Standards.

Both the full and summary Annual Report and Accounts have been adopted after the due date.

Summary of Council Revenue for the year ended 30th June 2015

	\$	%
Rates	11,161,472	42.14%
Subsidies	9,831,302	37.12%
Petrol Tax	77,283	0.29%
Fees and Charges	4,183,630	15.79%
Investment Income	1,234,418	4.66%
	26,488,105	100.00%

Subsidies and rates make up over 79% 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. In the current year this figure also includes charges made to homeowners for the Mahia and Opoutama sewerage schemes. 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 2015

	\$	%
Water Services	8,244,032	32.06%
Solid Waste	1,108,734	4.31%
Transport	10,565,859	41.10%
Community Facilities	1,827,224	7.11%
Planning and Regulatory	1,415,565	5.51%
Leadership and Governance	1,986,708	7.73%
Investments	(68,163)	-0.27%
Property	628,455	2.44%
Corporate	2,561	0.01%
	25,710,975	100.00%

Water services include the cost of supplying and reticulating water to residents, and collecting storm water and sewerage. The current year costs also include the cost of installation of sewerage scheme infrastructure on homeowner's properties at both Mahia and Opoutama.

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 2015

	\$	%
Property, Equipment, and Intangibles	246,199,651	90.36%
Investment Properties	-	0.00%
Investment in Subsidiaries	1,250,000	0.46%
Cash and Cash Equivalents and other Financial assets	17,871,717	6.56%
Trade and other Receivables	6,847,636	2.51%
Other Assets	303,702	0.11%
	<u>272,472,706</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 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 2015

	\$	%
Trade and Other Payables	4,236,096	43.07%
Landfill Aftercare	478,126	4.86%
Employee Benefit Liabilities	121,063	1.23%
Borrowings	5,000,000	50.84%
	<u>9,835,285</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 2014/2015 Annual Plan are as follows:

	2014/2015 Annual Plan \$
Income Statement	
2015 plan net surplus	7,255,593
Higher (lower) subsidy revenue (regional projects, emergency works)	(1,586,149)
Higher (lower) income from investments	109,694
Higher (lower) income from fees & charges (water production, waste management)	(1,345,211)
Higher income from rates	450,148
Increase in costs due to additional roading work, operating deficits from production of water and sewerage (including transfer of Capital Costs ex Mahia and Opoutama Wastewater Schemes).	(4,119,228)
Capital gain on asset sales	-
Other	12,283
2015 actual net surplus	<u>777,130</u>
Capital expenditure	
2015 plan	14,385,329
Additional projects approved	(6,532,762)
Actual expenditure 2015	<u>7,852,567</u>

Summary Financial Statements for the Year Ended 30th June 2015

	COUNCIL 2015 ACTUAL \$	COUNCIL 2015 ANNUAL PLAN \$	COUNCIL 2014 ACTUAL \$	GROUP 2015 ACTUAL \$	GROUP 2014 ACTUAL \$
Summary Statement of Comprehensive Revenue and Expense For the year ended 30 June 2015					
Rates Revenue	11,161,472	10,711,324	10,134,170	11,161,472	10,134,170
Other Revenue	15,326,633	18,136,016	13,889,918	19,636,854	17,323,835
Total Operating Revenue	26,488,105	28,847,340	24,024,088	30,798,326	27,458,005
Total Finance Expense	-	-	-	-	-
Total Operating Expense (excluding finance expense)	25,710,975	21,591,747	21,718,868	30,104,866	24,929,826
(Increase)/decrease in biological asset	-	-	(80,434)	-	(80,434)
Capital Gain on Asset Sales	-	-	-	-	-
Operating Surplus/(Deficit) before taxation	777,130	7,255,593	2,385,654	693,460	2,608,613
Taxation	-	-	-	34,003	140,176
Net Surplus/(Deficit) after taxation	777,130	7,255,593	2,385,654	659,457	2,468,437
Property, Plant and Equipment - Vested asset	-	-	-	-	-
Gain on revaluation of Infrastructural assets	2,449,206	22,779,578	31,930,712	2,449,206	31,930,712
3,226,336	30,035,171	34,316,366	3,108,663	34,399,149	

**Summary Statement of Changes in Equity
For the year ended 30 June 2015**

Equity opening balance	259,411,085	225,094,719	225,094,719	263,268,170	228,869,021
Net Surplus/(Deficit)	777,130	7,255,593	2,385,654	659,457	2,468,437
Property, Plant and Equipment - Vested asset	-	-	-	-	-
Gain on revaluation of Infrastructural assets	2,449,206	22,779,578	31,930,712	2,449,206	31,930,712
Equity closing balance	262,637,421	255,129,890	259,411,085	266,376,833	263,268,170

Comprising:

Accumulated Funds and Retained Earnings	135,198,972	233,987,797	136,490,113	138,187,850	139,596,664
Revaluation Reserves	104,260,014	-	101,810,808	105,250,548	102,801,342
Special Fund Reserves	23,178,435	21,142,093	21,110,164	22,938,435	20,870,164
Sinking Fund Reserves	-	-	-	-	-
262,637,421	255,129,890	259,411,085	266,376,833	263,268,170	

**Summary Statement of Financial Position
As at 30 June 2015**

Current Assets	18,380,926	26,436,802	18,034,587	21,941,057	21,577,616
Non-current Assets	254,091,780	242,727,041	251,595,976	257,038,178	253,743,728
Total assets	272,472,706	269,163,843	269,630,563	278,979,235	275,321,344
Current Liabilities	4,236,096	5,691,893	4,228,703	6,267,661	5,708,323
Non-current Liabilities	5,599,189	8,342,060	5,990,775	6,334,741	6,344,851
Total Liabilities	9,835,285	14,033,953	10,219,478	12,602,402	12,053,174
Total Equity	262,637,421	255,129,890	259,411,085	266,376,833	263,268,170

	COUNCIL 2015 ACTUAL \$	COUNCIL 2015 ANNUAL PLAN \$	COUNCIL 2014 ACTUAL \$	GROUP 2015 ACTUAL \$	GROUP 2014 ACTUAL \$
Summary Cash Flow Statement					
For the year ended 30 June 2015					
Cash Flow from Operating Activities	8,276,383	13,060,484	8,926,030	8,270,493	10,361,433
Cash Flow from Investing Activities	(4,977,874)	(11,965,414)	(11,539,948)	(6,714,582)	(12,159,650)
Cash Flow from Financing Activities	-	2,334,615	5,000,000	1,018,487	3,980,172
Net Increase/(Decrease) in Cash and Cash Equivalents	3,298,509	3,429,685	2,386,082	2,574,398	2,181,955
Plus Opening Cash and Cash Equivalents	5,883,689	3,497,607	3,497,607	7,368,070	5,186,115
Closing Cash and Cash Equivalents	9,182,198	6,927,292	5,883,689	9,942,468	7,368,070

In the opinion of Council and the management of Wairoa District Council, the summary financial report for the year ended 30th June 2015 fairly reflects the financial position and operations of Wairoa District Council.



Chief Executive
Fergus Power
22nd January 2016



Mayor
Craig Little
22nd January 2016

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	8	4	
Storm Water and Drainage	3	4	
Sewerage	6	5	
Waste Management	9	6	
Roads	12	3	
Airport	5	1	
Community Services			
Cemeteries	4	2	
Parks and Reserves	6	0	
Library	5	2	
Community Support	4	1	
Planning and Regulatory			
Resource Planning	4	3	
Environmental Health	5	1	
Dog Control	2	1	
Livestock Control	1		
Bylaw Compliance General	2		
Building Inspection	4	2	1
Liquor Control	4	1	
Civil Defence and Rural Fire	9	1	2
Leadership and Governance			
Community Representation	4	3	
Māori Liaison	6		
Economic Development	3	1	
	106	41	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	2015			2014		
	Very satisfied/Fairly satisfied	Not Very satisfied	Don't Know	Very satisfied/Fairly satisfied	Not Very satisfied	Don't Know
Water Services	93%	7%	0%	92%	8%	0%
Stormwater and Drainage	72%	25%	3%	56%	34%	10%
Sewerage	81%	12%	7%	89%	7%	4%
Waste Management	75%	15%	10%	67%	28%	5%
Roads	80%	20%	0%	71%	27%	2%
Parks and Reserves	89%	9%	2%	70%	24%	6%
Library	98%	0%	2%	93%	3%	4%
Dog Control	63%	29%	8%	71%	24%	5%
Mayor and Councillors *	82%	15%	3%	85%	4%	11%

* Includes 57% Very good/fairly good plus 25% Just acceptable (2014 -67% Very good/fairly good plus 18% 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 2015

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 2015. 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 13:

- the summary statement of financial position as at 30 June 2015;
- 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 2015;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision referred to as 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 18 December 2015.

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 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.

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.



Grant Taylor
Ernst & young
On behalf of the Auditor-General
Wellington, New Zealand
22 January 2016