


Wairoa District Council

SUMMARY ANNUAL REPORT

2006-2007



 *Te Wairoa Hōpūpū Hōnengenenge
Matangirau*

Adopted 11 December 2007



Wairoa District Council 2007 ©
Photography by Kerry Fox

JOINT STATEMENT FROM THE MAYOR AND THE CHIEF EXECUTIVE OFFICER

This report covers year one of council's 2006-2016 Long Term Council Community Plan (LTCCP). It is also the first year that Council has been required to report to the New Zealand International Financial reporting Standards (NZIFRS).

Statutory Deadline

Council has failed to meet the statutory deadline of 31 October 2007 in which to complete and adopt the Annual Report, as required by section 98(3) of the Local Government Act 2002. The reason for non-compliance is the additional demands on staff from the introduction of NZ IFRS combined with local government elections.

Performance Management

The LTCCP showed many more performance measures than previously and also included measures that in many cases were beyond the ability of Council staff to influence (e.g. reducing number of criminal offences.) There are also a number of targets that do not have appropriate metrics to support them.

In reviewing the 2007 performance measures it should be noted that while some targets were not met, others were not yet measurable and many had a very high or optimistic level of expectation. Refinement of the measures and implementation of measurement systems will improve accountability in the future.

Highlights

- While Dividends paid during the year from Quality Roothing and Services (Wairoa) Limited total \$633,214 against a budget of \$300,000, \$298,345 is 2006 Final Dividend and \$104,869 Extraordinary Dividend from 2006. Actual dividend for 2006/07 is \$280,000. This is slightly under budget and represents a return on equity of 12.5% against a target of 13%.

Roading

- 24.5km of reseal completed
- 4 bridge renewals

Planning

- The Mahia Community Isthmus Structure Plan has been completed.
- Plan Change 1B (Coastal Protection) has been notified and appeals are currently being processed.
- Plan Change 2 (Indigenous Vegetation) is on hold awaiting Government announcements on the Carbon Tax regime.
- Reserve Management Plans have been completed for Pohutukawa/Mokotahi and Opoutama Reserves. These are in the final stages of adoption.
- Council in partnership with the HBRC and Federated Farmers successfully opposed an appeal to the Environment Court by D.O.C. against Council's decision to allow clearance of second growth bush on Waikatea Station.
- Three successful prosecutions were brought during the year for earthworks in breach of the District Plan.

Mahia Wastewater Scheme

Consultation was undertaken during the year and it is anticipated that an application for Resource Consent will be made to HBRC in the near future.

Building Accreditation

Good progress has been made towards the attainment of accreditation as a Building Council Authority with documentation being submitted on 22 June 2007.

Waste Management

Council has yet to meet the expectation of the community in providing Waste Management Services. Several different approaches have been tried but another review of Waste Management is planned.

The results of the year's activities have been somewhat obscured by the imprecise nature of some of the measures used but the overall performance remains satisfactory. We acknowledge the contribution of Councillors, Staff, Consultants and Contractors in completing the year's work programme.



L. Probert, JP
MAYOR



P J Freeman
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS

This is a brief summary of progress on some of the significant projects and initiatives that were highlighted in the Long Term Council Community Plan for 2006-2007.

Waste Management:

A new landfill cell was proposed to be built in 2006/07 and funding was budgeted for this purpose. This project has been able to be deferred following discussions with Hawke's Bay Regional Council that have resulted in an extended life for the existing cell. Further deferral may be possible as waste minimisation efforts increase the amount of waste that is diverted from landfills.

Mahia Sewerage Collection & Treatment:

2006/07 saw Council undertake public consultation on a 'working proposal' for the community wastewater scheme at Mahia. The scheme is proposed to service Opoutama, Mahia Beach and Oraka. Some valid questions and concerns were raised during this preliminary consultation phase that led to some minor changes to the proposal and some additional investigation in some areas – particularly ground water modelling and odour dispersion.

A notice of requirement has been lodged with Wairoa District Council to allow the use of the proposed site for the purposes of a wastewater treatment plant. Council will shortly lodge resource consent applications with Hawke's Bay Regional Council for discharge permits. We expect the applications to be notified for public consultation before the end of 2007.

Note that the applications will most likely be heard in a combined hearing presided over by independent commissioners

Mahia Stormwater:

During the past year Council consulted on the Mahia Stormwater Management Plan. Following hearings in February Council adopted the draft Plan with amendments. Both the cost of the work and Council's proposed funding of the work are significantly different to what was signalled in the LTCCP and therefore an amendment to the LTCCP was prepared and adopted in June. Preliminary design work is underway and work is likely to commence during 2008.

Roading:

New Footpaths: A contract was awarded to Works Infrastructure for the construction of 1410m of concrete footpath at a tendered sum of \$133,871 excl GST. Of this 995m was completed and the remainder was held over to the 2007/08 year due to adverse weather conditions. This work has now re-commenced. Additional to this a further 206m of new footpath was constructed as part of the upgrade contract for Somerville Street.

Flood Damage: Four contracts were awarded for flood damage repairs totalling \$1,257,223 excl GST with an additional site being added to the value of \$86,339 excl GST. Flood damage sites were also negotiated under the maintenance contracts and ongoing slip clearance was carried out.

Bridge Repairs: Bridge repair work for the 2006/07 financial year was all negotiated under the maintenance contracts. Sites included Deep Creek Bridge, Ohuka Bridge, Riverine Bridge, Platform 1 and 2 Bridges. All other bridge work was of a maintenance nature.

The only other work on bridges was the awarding of a contract for the fire damaged Nuhaka River Bridge where consultancy costs were incurred but physical work didn't start until the 2007/08 financial year. The contract was awarded at a sum of \$76,392 excl GST.

COMMUNITY OUTCOMES

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

Survey results relating to Outcomes:

Is Wairoa a better place to live than it was three years ago? (All Outcomes)			
	2005	2006	2007
Yes	44%	39%	36%
The Same	40%	41%	49%
Worse	10%	10%	9%
Unable to comment	6%	10%	6%

Is Wairoa District generally a safe place to live? (A safe and secure community)			
	2005	2006	2007
Yes, definitely	28%	31%	27%
Yes, mostly	54%	59%	67%
Not really	13%	6%	4%
No, definitely not	4%	3%	2%
Unsure	1%	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)			
	2005	2006	2007
Very satisfied	9%	6%	6%
Satisfied	49%	47%	42%
Neither satisfied nor dissatisfied	28%	26%	25%
Dissatisfied	6%	14%	18%
Very dissatisfied	5%	4%	4%
Don't know	3%	3%	5%

Quality of Life (All Outcomes)			
	2005	2006	2007
Very Good	42%	37%	30%
Good	43%	44%	56%
Fair	10%	16%	11%
Poor	5%	2%	3%
Don't know		1%	

Summary Financial Report for the year ended 30 June 2007

The information contained in this report has been extracted from the audited Annual Report of the Wairoa District Council for the year ended 30 June 2007. An unqualified audit report was signed on 11 December 2007. Ernst and Young, on behalf of the Auditor General, have reviewed this summary report and have 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 (P O 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.

Restatement of prior year numbers: Some prior year numbers have been restated to enable them to be reported against accurately in the current financial year.

Changes in Accounting Policies: Accounting policies have been changed to comply with NZ IFRS. All accounting policies have been applied on a consistent basis throughout the year.

Overview

This is the first summary annual report prepared under the New Zealand International Financial Reporting Standards (NZ IFRS). Council adopted NZ IFRS as the basis for accounting from 1 July 2006. The summary financial statements comply with FRS 43: Summary Financial Statements.

The financial statements are prepared in New Zealand dollars. The financial statements are rounded to the nearest whole dollar, with amounts under 50 cents rounded down and amounts of 50 cents or more rounded up.

The summary financial statements were authorised for issue on 11 December 2007, by the Mayor, Les Probert, and the Chief Executive Officer, Peter Freeman.

The full financial statements were authorised for issue on 11 December 2007. The Wairoa District Council is a public benefit entity. The full financial statements comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

Summary of Council Revenue

	\$	%
Rates	7,773,908	36.09%
Subsidies	9,816,579	45.58%
Petrol Tax	67,897	0.32%
Fees and Charges	2,027,356	9.41%
Investment Income	1,848,151	8.58%
Miscellaneous Income	4,507	0.02%
	<u>21,538,398</u>	<u>100.00%</u>

Subsidies and Rates make up over 80% of the revenue of Council. The bulk of subsidies are received from Land Transport New Zealand to subsidise the cost in 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 the Landfill. Investment Income includes income from interest in 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

	\$	%
Water Services	2,469,258	14.86%
Solid Waste	1,021,365	6.15%
Transport	8,715,642	52.46%
Community Facilities	1,626,533	9.79%
Planning & Regulatory	1,366,331	8.22%
Leadership & Governance	1,139,823	6.86%
Investments	206,127	1.24%
Corporate	69,110	0.42%
	<u>16,614,189</u>	<u>100.00%</u>

Water Services includes the cost of supplying and reticulating water to residents, and collecting stormwater 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 includes 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, maori liaison, and economic development. Investments includes commercial and sundry properties, funds management and dividends. Corporate includes management, administration, finance, asset information and information systems.

Summary of Assets

Property, Equipment and Intangibles	150,382,154	86.13%
Investment Properties	260,000	0.15%
Investment in Subsidiaries	1,250,000	0.72%
Cash and Cash Equivalents and other		
Financial Assets	18,478,037	10.58%
Trade and other Receivables	3,702,861	2.12%
Other Assets	516,986	0.30%
	<u>174,590,038</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 subsidiaries is the initial investment Council made in it's subsidiary Quality Roding 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 includes inventories, loans and other receivables, and forestry, a biological asset.

Summary of Liabilities

Trade and Other Payables	3,999,523	69.12%
Landfill Aftercare	808,671	13.98%
Employee Benefit Liabilities	477,886	8.26%
Borrowings	500,000	8.64%
	<u>5,786,080</u>	<u>100.00%</u>

Trade and other payables includes 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 is the total amount of public debt owed by Council at year end.

Explanation of major variances against budget

Explanation for major variations from WDC's estimated figures in the 2006/2007 Long Term Council Community Plan are as follows:

Income Statement

2007 plan net surplus	75,761
Higher subsidy revenue (regional projects, emergency works)	5,013,568
Higher income from investments	270,690
Higher income from fees & charges due to increased water sales and additional regulatory work	310,567
Increase in costs due to additional roading and regulatory work	(732,700)
Capital gain on asset sales	64,280
Other	(13,678)
2007 actual net surplus	<u><u>4,988,488</u></u>

Capital expenditure

Annual Plan	4,169,000
Projects deferred	(1,091,500)
Additional projects approved	3,941,107
Projects under/over spent	(33,220)
Actual expenditure as per Projects in LTCCP	<u><u>6,985,387</u></u>

2006 Council	2006 Group		2007 Budget	2007 Council	2007 Group
Summary Income Statement					
7,658,362	7,658,362	Rates Revenue	7,789,990	7,773,908	7,773,908
12,584,182	20,886,489	Other Revenue	8,167,260	13,764,490	21,788,776
20,242,544	28,544,851	Total Operating Revenue	15,957,250	21,538,398	29,562,684
56,455	155,125	Total Finance Expense	76,014	68,286	157,802
16,296,880	23,805,379	Total Operating Expense (excluding finance expense)	15,805,475	16,545,903	24,540,207
243,547	315,955	Capital Gain on Asset Sales	0	64,280	69,080
4,132,756	4,900,302	Operating Surplus/ (Deficit) before taxation	75,761	4,988,489	4,933,755
	(517,664)	Taxation			(279,156)
4,132,756	4,382,638	Net Surplus / (Deficit)	75,761	4,988,489	4,654,599
Summary Statement of Recognised Income & Expense					
142,890,977	145,318,353	Equity opening balance	159,330,903	163,681,769	166,987,353
4,132,756	4,382,638	Net Surplus / (Deficit)	75,761	4,988,489	4,654,599
16,658,036	17,286,362	Revaluations	0	133,700	133,700
163,681,769	166,987,353	Equity closing balance	159,406,664	168,803,958	171,775,652
Comprising:-					
118,937,866	121,615,123	Accumulated Funds and Retained Earnings	114,221,655	123,235,074	125,578,442
32,793,784	33,422,110	Revaluation Reserves	32,589,153	32,927,484	33,555,810
11,667,339	11,667,339	Special Fund Reserves	12,274,858	12,322,697	12,322,697
282,780	282,781	Sinking Fund Reserves	320,998	318,703	318,703
163,681,769	166,987,353		159,406,664	168,803,958	171,775,652
Summary Balance Sheet					
13,453,933	16,235,685	Current Assets	11,803,711	12,436,571	15,426,540
156,055,499	158,862,069	Non-current Assets	154,033,337	162,153,467	165,052,350
169,509,432	175,097,754	Total Assets	165,837,048	174,590,038	180,478,890
4,104,748	5,464,030	Current Liabilities	4,210,430	4,524,976	6,461,576
1,722,915	2,646,371	Non-current Liabilities	2,219,954	1,261,104	2,241,662
5,827,663	8,110,401	Total Liabilities	6,430,384	5,786,080	8,703,238
163,681,769	166,987,353	Total Equity	159,406,664	168,803,958	171,775,652
Summary Cash Flow Statement					
6,809,298	7,785,028	Cash Flow from Operating Activities	3,466,445	9,270,883	9,677,025
(5,034,054)	(5,797,511)	Cash Flow from Investing Activities	(4,100,641)	(6,608,533)	(7,389,543)
(120,000)	(210,367)	Cash Flow from Financing Activities	720,000	(315,000)	(232,252)
1,655,244	1,777,150	Net Increase/(Decrease) in Cash and Cash Equivalents	85,804	2,347,350	2,055,230
1,485,790	1,341,920	Plus Opening Cash and Cash Equivalents	3,071,500	3,141,034	3,119,070
3,141,034	3,119,070	Closing Cash and Cash Equivalents	3,157,304	5,488,384	5,174,300

In the opinion of Council and management of Wairoa District Council, the summary financial report for the year ended 30 June 2007 fairly reflects the financial position and operations of the Wairoa District Council.



Mayor
L Probert
11th December 2007



Chief Executive
Peter Freeman
11th December 2007

Financial Impact of the First-Time Adoption of NZ IFRS - Equity

The following tables show a summary of the changes in equity resulting from the transition to the new accounting standards, from the previous NZ GAAP to NZ IFRS as at 1 July 2005 and 30 June 2006. These tables explain how we have calculated the '2006 actual' columns on the prior pages. For a full explanation of the effects of transition from previous NZ GAAP to NZ IFRS refer to pages 90 to 95 of the full Annual Report.

Summary Reconciliation of Equity

	Effect on			Effect on		
	Previous NZ GAAP 1 July 2005	transition to NZ IFRS 1 July 2005	NZ IFRS 1 July 2005	Previous NZ GAAP 30 June 2006	transition to NZ IFRS 30 June 2006	NZ IFRS 30 June 2006
Council						
Current Assets	9,486,302	(563,500)	8,922,802	13,471,933	(18,000)	13,453,933
Non-current assets	139,658,024	110,356	139,768,380	156,101,598	(46,099)	156,055,499
Total Assets	149,144,326	(453,144)	148,691,182	169,573,531	(64,099)	169,509,432
Current Liabilities	4,240,780	94,471	4,335,251	4,021,395	83,353	4,104,748
Non-current liabilities	1,464,954		1,464,954	1,722,915		1,722,915
Total Liabilities	5,705,734	94,471	5,800,205	5,744,310	83,353	5,827,663
Equity	143,438,592	(547,615)	142,890,977	163,829,221	(147,452)	163,681,769
Group						
Current Assets	12,285,622	(563,500)	11,722,122	16,253,685	(18,000)	16,235,685
Non-current assets	141,876,677	123,275	141,999,952	158,895,091	(33,022)	158,862,069
Total Assets	154,162,299	(440,225)	153,722,074	175,148,776	(51,022)	175,097,754
Current Liabilities	6,024,945	133,619	6,158,564	5,341,046	122,984	5,464,030
Non-current liabilities	2,245,157		2,245,157	2,646,371		2,646,371
Total Liabilities	8,270,102	133,619	8,403,721	7,987,417	122,984	8,110,401
Equity	145,892,197	(573,844)	145,318,353	167,161,359	(174,006)	166,987,353

As at 1 July 2005 and 30 June 2006 adjustments were made to both asset and liability accounts to reflect the transition from previous GAAP to NZ IFRS. On transition certain assets and liabilities were reclassified. These include intangibles and employee benefits, while fair value adjustments have been made to loans and other receivables, investment property, biological asset, and revaluation reserves.

Financial Impact of the First-Time Adoption of NZ IFRS - Surplus

The following table shows a summary reconciliation of the surplus, resulting from the transition from previous GAAP to NZ IFRS for the year ended 30 June 2006.

Summary Reconciliation of the Surplus for the year ended 30 June 2006

	Council			Group		
	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS	Previous NZ GAAP	Effect on transition to NZ IFRS	NZ IFRS
Revenue	19,709,027	533,517	20,242,544	28,011,334	533,517	28,544,851
Expenditure	16,364,453	(11,118)	16,353,335	23,971,622	(11,118)	23,960,504
Net Operating Surplus before taxation	3,344,574	544,635	3,889,209	4,039,712	544,635	4,584,347
Capital gain on sale of assets	243,547		243,547	315,955		315,955
Taxation				(517,664)		(517,664)
Net Surplus	3,588,121	544,635	4,132,756	3,838,003	544,635	4,382,638

At 30 June 2006 adjustments were made to reflect the transition from previous GAAP to NZ IFRS. These resulted in changes to revenue and expenditure. The changes included amortisation of loans receivable, fair value gain adjustments on financial assets, revaluations for investment property included in profit and loss rather than revaluation reserves, adjustment of doubtful debts in line with historic collection rates, and accruing employee costs.

AUDIT REPORT**TO THE READERS OF WAIROA DISTRICT COUNCIL AND GROUP'S
SUMMARY ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2007**

We have audited the summary annual report.

Unqualified 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 information reported in the summary financial statements complies with FRS-43: *Summary Financial Statements* and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 11 December 2007, on:

- the full financial statements; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of Opinion

The audit was conducted in accordance with the Auditor-General's Auditing Standards, which include New Zealand Auditing Standards. Other than the audit and in conducting the audit of the Long Term Council Community Plan, we have no relationship with or interests in the Council or its subsidiary.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.



Marcus Henry, Ernst & Young
On behalf of the Auditor-General
Wellington, New Zealand
11 December 2007