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Each year, local authorities are required to present an annual report that includes a set of audited financial statements. Our Annual Report 2019/20 was adopted by Council on 30 October 2020, with an unmodified audit opinion.

Copies of the full Annual Report 2019/20 and this summary are available at twww.wairoadc.govt.nz

Wairoa District Council is a public benefit entity for financial reporting purposes. The financial statements within the Annual Report were prepared in accordance with and comply with New Zealand Generally Accepted Accounting Principles (GAAP) and comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity.

The financial statements in this summary of the 2019/20 Annual Report do not include all of the disclosures provided in the full report and therefore cannot be expected to provide as complete an understanding of the Council's financial position.



HE WHAKARĀPOPOTOTANGA I TĀ TĀTAU TAU

SUMMARY OF OUR YEAR

SUMMARY OF OUR YEAR

This section includes a message from the Mayor and interim Chief Executive, our highlights and financial summaries.

Our mission and vision is the Council's long-term aspiration for the district. We actively monitor our service performance measures which allows us to assess progress towards these longterm aspirations and respond to challenges. Council will use this strategic reference point to ensure that its ongoing approach to funding and financial management is prudent and delivers infrastructure and services at desired levels to the community in a financially sustainable manner.



OUR MISSION

To support the Wairoa Community through decision-making that promotes the social, economic, environmental and cultural well-being of the district now and in the future.



OUR VISION

- Desirable Lifestyles
- Thriving Economy
- Treasured Environments
- Connected Communities



COMMUNITY OUTCOMES

Economic wellbeing

• Strong and prosperous economy.

Social wellbeing

• Safe, supported and well-led community.

Environmental wellbeing

Protected and healthy environment.

Cultural wellbeing

• Protected and healthy environment.

OUR VALUES

- Whanaungatanga Connectedness
- Auahatanga Creativity
- Iwi Whānui Inclusiveness
- Rangatiratanga Leadership
- Oranga Well-being
- Aroha Compassion

HE KARERE HONONGA NO TE KAHIKA ME TE TUMU WHAKARAE TAUPUA

JOINT STATEMENT FROM THE MAYOR AND THE INTERIM CHIEF EXECUTIVE OFFICER

Kia ora tātou and welcome to the Wairoa District Council's 2019/2020 Annual Report summary.

2020 has seen unprecedented challenges caused by COVID-19 and

we are positioning ourselves to rebuild in the wake of this virus. We are tremendously proud of our community and its resilience, and the hundreds of people who worked to ensure our community was kept safe and well. A special thanks to our Council staff who ensured there was no disruption to our essential services. It is this infrastructure and provision of service that has formed the foundation to allow our community to navigate through a COVID-19 recovery. This report is a summary of the Council's activities, performance and financial situation.

The pandemic has allowed us to demonstrate our rangatiratanga and what can be achieved by working in a collaborative manner. Wairoa's economic recovery is a partnership journey by the Wairoa District Council, Tātau Tātau o Te Wairoa Trust and Ngāti Pāhauwera Development Trust. Together we have developed Whakamanahia a Te Wairoa: Empowering Wairoa, which will tap into Wairoa's potential to develop a community driven, aligned, focussed and coordinated socio-economic response to COVID-19. Council is continuing to work across the community to assist in post-pandemic recovery including the Tautoko Wairoa Buy Local campaign.

Significant infrastructure work includes:

- The Wastewater Discharge consent application has been progressing with two prehearing meetings held in late 2019 and February 2020. The draft consent conditions have been updated to reflect greater participation and acknowledgement of the need to restore the mauri of the Wairoa River. These are yet to be confirmed by the Hawke's Bay Regional Council. Wairoa District Council has been conducting preparation work as the new consent has significantly more operating conditions to meet.
- The five councils of Hawke's Bay welcomed the announcement of \$1.55 million in Government funding to progress the regionwide review of Three Waters service delivery.
- Wairoa District Council, Central Hawke's Bay District Council, Hastings District Council, Hawke's Bay Regional Council and Napier City Council are working together to review the current and potential Three Waters (drinking, waste and storm) service delivery options for the region.
- Māhia's connectivity and roading network reliability received a massive boost through an \$8.3 million Central Government investment. Work on the Māhia Roading Resilience grant will see traction sealing, drains, culverts, safety and traffic improvements on the Māhia East Coast Road. The funding included \$300,000 to investigate options for access into the Peninsula and realignment of the Nuhaka/Ōpoutama Road.
- In January 2020 Wairoa received approval for a \$4.8 milliondollar Provincial Growth Fund investment to transform Wairoa's main street into a thriving town centre delivering retail, employment and educational services through the Te Wairoa E Whanake project.
- Continuation of the Inflow and Infiltration project (stormwater out of the sewer network).
- Continuation of the Bridge Strengthening programme with

\$2.2 million funding approved through the Provincial Growth Fund

Council is thrilled to have further evidence of Wairoa's growing population. The 2018 Census population data shows Wairoa's population increased by 477 (to 8,367) compared to the 2013 census (7,890). Our 'Estimated Resident Population' for 2019 is 8,680.

Enhancing and growing our district has been a major Council focus and we have continued examining opportunities for Wairoa to prosper as a district, as well as maintaining infrastructure and core levels of service in an affordable way.

Council is reviewing its current rating model to ensure the appropriate formula is being used and is establishing a Wairoa Ratepayer Stakeholder Group to enable a community voice to be part of the process.

Council has partnered with iwi and local and regional organisations and continues to work collaboratively to secure funding to assist in the district's growth.

These relationships are future focused and ensure Wairoa is well positioned to drive and benefit from any opportunities that present themselves. Council is continuing to work with the Government to look at opportunities through the Provincial Growth Fund, and other funds, to support projects that would bring significant benefit and employment to the Wairoa district.

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 and the full Annual Report. The Wairoa District Council continues to adapt its operations to be best placed for the uncertain social and economic environment ahead, as it works to maintain infrastructure, deliver core services and plan for Wairoa's future in an affordable and meaningful way.



Chittle Craig Little Kahika

Mayor



Kitea Tipuna Tumu Whakarae Taupua Interim Chief Executive Officer

NGĀ HIRAHIRA I TĀ TĀTAU TAU

HIGHLIGHTS OF OUR YEAR



\$20 MILLION PGF funding secured



72.23 TONNES of waste diverted from landfill



91 archive enquiries 161 files digitised



2,346 museum visits



3,184 dogs registered



29,339 library visits



23KM sealed road resurfaced



18 open sewer pipes capped



111 building consents issued



2.9 MILLION LITRES drinking water produced

per day



120 official information requests received



\$12.55 MILLION value of building consents issued



17,619 M³ maintenance metal applied to roads



8 MARAE registered with Para Kore (Zero Waste)



350 rates rebate applications assisted with

OUR FINANCES



Our total operating expenses for the year were \$32 million which represents the cost of running the district for the year.



This is an increase of \$4 million from last year which equates to \$1,036.87 per person in the district. We use borrowing to spread the cost of new facilities or infrastructure over multiple generations that will benefit from the projects. We believe this is the fairest way to do things.



In the 2019/20 year we spent \$16.46 million on building new assets for the district. Despite COVID-19 and other delays requiring the re-phasing of some capital projects, we competed a number of initiatives in our transport and leadership and governance activities that meant total spend was \$40k more than our planned \$16.42 million.



The Council provides services to the district through a range of infrastructure networks and facilities (Council assets). These have been built up over many generations and equate to around \$31,677 net worth of value for every person in the district.

For the financial year to date, Council has achieved a net surplus of \$3.52 million. Despite the impacts of COVID-19, Council debt is within Council's borrowing policy and we have investments that provide returns exceeding debt servicing costs.

During the COVID-19 pandemic, Wairoa District Council successfully implemented its business continuity plans and most staff were able to work from home during the lockdown period. No employees were reported to be infected with COVID-19. The Council's administrative operations were largely unaffected by lockdown measures. Roading and other project-based activities saw delays in achievement of milestones, particularly as contractors were not working during the lockdown. Following the easement of restrictions efforts were intensified to catch up on delayed projects, however there has been some impact in deferring capital and operational expenditure which has flowed through to the 20/21 Annual Plan. More information is available in note 5.

During lockdown there were significant changes to levels of service in customer-facing operations. The library, museum and community centre were closed during level 3 and 4 lockdown. During level 3 the library was able to engage with patrons electronically, and at level 2 a 'Click and Collect' service was introduced to all patrons. Lockdown also had impacts on performance measures, most noticeably on visits to the Museum and Community Centre. Response times to non-essential service issues were also impacted. However all core Council services including waste management and water production continued with little or no interruption.

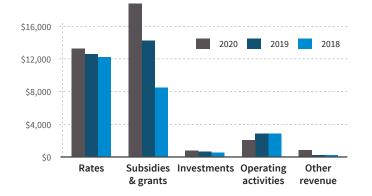
Council's infrastructure assets were revalued as at 30 June 2020. The valuers expect limited impact from the COVID-19 pandemic on depreciated replacement cost (DRC) values. Key drivers of a DRC valuation are replacement cost, useful life and remaining useful life. The valuers do not envisage significant changes to these factors from COVID-19 issues. Council's forestry assets were also revalued as at 30 June 2020, with no major COVID-19 impacts identified.

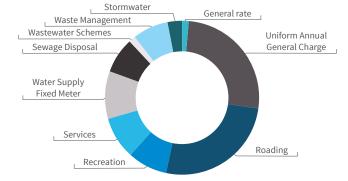
As a result of COVID-19, the uncertainty attached to accounting estimates, such as debtor payments and future demand for services has increased. However we are confident that our assets have not been impaired as a result of the pandemic, and that the necessary processes and contingencies are in place to take advantage of Central Government relief projects, such as "shovelready" initiatives, that will not only secure funding for the Council but also boost employment opportunities within the district. Despite the impacts of COVID-19, management are confident they have access to enough funding to meet any liquidity challenges that might arise in the 2020/21 financial year, including another severe COVID-19 related lockdown or contraction in demand for services.

Our subsidiary Quality Roading and Services (Wairoa Limited accessed \$600,000 of wage subsidies during the COVID-19 lockdown and continued to pay their staff 80% of their normal income over this time. During lockdown an emergency response team operated to enable essential service provision.

The company has taken advantage of local roading infrastructure improvements as a result of the Government's COVID-19 stimulus package. No material uncertainty exists over the company's ability to continue as a going concern.

WHERE OUR MONEY COMES FROM



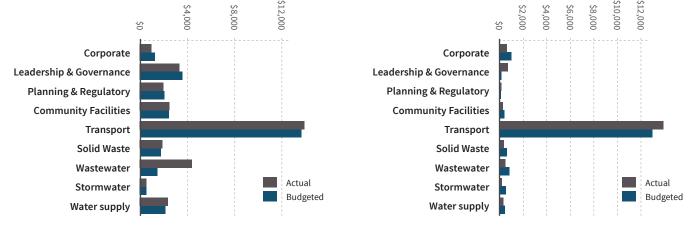


Overall Sources of Revenue (\$000) for the Past 3 Years

Figure 1 shows that subsidies and grants are our main source of funding (52%), with revenue from rates the next largest source (38%). We also receive revenue from operating activities (including user fees) and investments.

Components of Council Rates Revenue for the Year

Figure 2 shows that the Council's rates revenue for the year (based on the Annual Plan) is mainly made up of the uniform general charge. Other key components are roading, water supply and sewerage targeted rates.



WHERE OUR MONEY COMES FROM

Difference Between Actual & Budgeted Operating Expenditure (\$000)

Figure 3 summarises the difference between the actual and budgeted operating expenditure for each group of activities. It shows how the Council has prioritised its spending to support the operational and strategic direction that has been set during the Annual Plan process.

Difference Between Actual & Budgeted Capital Expenditure (\$000)

Figure 4 shows a summary of capital expenditure by activity. We have a comprehensive renewal and upgrade programme for our assets and have completed \$16.46 million of capital expenditure during the 2019/20 year. Delays in a number of projects occurred during the year due to COVID-19, changes in design, negotiations or consultation and consents requirements. Some projects that could not be started have been deferred to the Annual Plan 2020/21. Other projects were brought forward, therefore the total capital spend for the year equates to 100% of the budget.

OVERVIEW OF PERFORMANCE MEASURES AGAINST 2019/20 TARGETS

Our key performance measures and their targets are how we track and assess the delivery of Council services. Our 10-year plan 2018-2028 included a comprehensive update of the Council's suite of performance indicators and measures. These measures were implemented for the first time during the 2018/19 year.

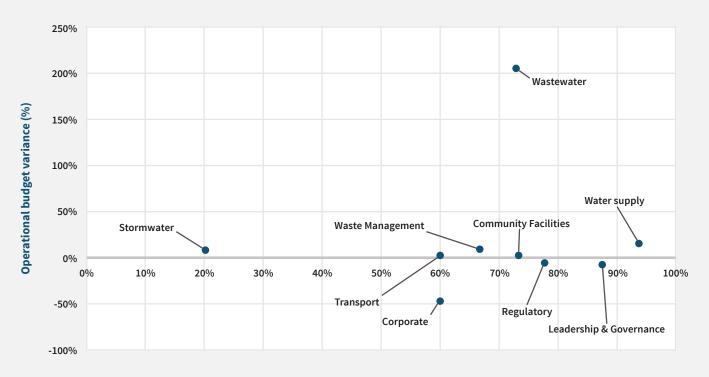
The total measures reported here include individual components of measures with multiple targets.

\bigotimes	\oslash	Θ	
Not met	Met	Not measured	Grand total
30	66	8	104

We can compare our achievement of performance targets to operational budget variance to demonstrate how economically each department is performing against their targets. Our goal is to see high achievement with little or no budget overspend.

In the below graph we compare variance in actual operational spend vs budget per the annual plan with performance measures achieved (excluding those not measured). The Wastewater activity is an outlier, as the decision was made to the impair a number of capital project costs incurred to date.

OPERATIONAL BUDGET VARIANCE/PERFORMANCE MEASURES ACHIEVED (*)



(%) performance measures achieved

SERVICE PERFORMANCE BY ACTIVITY

	\otimes	\oslash	Θ	
	Not met	Met	Not measured	Total measures
Water Supply	1	15	2	18
Stormwater	8	2	1	11
Wastewater	4	10	0	14
Solid waste	3	6	0	9
Transport	4	7	0	10
Community facilities	4	11	3	18
Planning and regulatory	2	7	0	9
Leadership and governance	1	7	0	8
Corporate	2	3	2	7

OPERATIONAL EXPENDITURE BY ACTIVITY AREA (\$000)

	2020 Actual	2020 Budget	Variance
Water Supply	2,369	2,140	229
Stormwater	554	554	-
Wastewater	4,393	1,458	2,935
Solid waste	1,900	1,752	148
Transport	13,862	13,587	275
Community facilities	2,508	2,438	70
Planning and regulatory	1,980	2,081	(101)
Leadership and governance	3,348	3,601	(253)
Corporate	980	1,284	(304)

CAPITAL EXPENDITURE BY ACTIVITY AREA (\$000)

	2020 Actual	2020 Budget	Variance
Water Supply	289	390	(101)
Stormwater	139	494	(355)
Wastewater	439	798	(359)
Solid waste	312	570	(258)
Transport	13,704	12,775	929
Community facilities	211	351	(140)
Planning and regulatory	111	62	49
Leadership and governance	665	22	643
Corporate	580	953	(373)

Ā MĀTAU WHAKAAROTAU

OUR PRIORITY AREAS

		ACTIVITTY	1	2	3	4
		Water Supply	*	*	*	
	WATER SERVICES	Stormwater	*	*	*	*
		Wastewater	*	*	*	*
	WASTE MANAGEMENT	Waste Management	*	*	*	*
	TRANSPORT	Land Transport	*	*	*	*
	IRANOPORT	Airport	*	*	*	*
		Cemeteries	*		*	*
	COMMUNITY	Library	*		*	*
J	FACILITIES	Parks & Reserves	*		*	*
		Community Support (Community Centre, Museum, Mobility Bus, RoadSafe HB)	*			*
		Resource Planning			*	*
		Environmental Health	*		*	
		Building Control	*	*	*	*
_ 	PLANNING &	Liquor Control			*	*
<u> </u>	REGULATORY	Bylaw Compliance: Dog Control			*	
		Bylaw Compliance: Livestock Control			*	
		Bylaw Compliance: General Bylaw Enforcement			*	
		Emergency Management			*	
•	LEADERSHIP &	Community Representation (Long Term Planning & Reporting, Policy Development, Official Information Requests, Elections, Governance, Legal Compliance)	*	*	*	*
	GOVERNANCE	Māori Relationships				*
		Economic Development		*		
	CORPORATE	Corporate Services (Customer Services, Finance, Information Technology, Business Support, Human Resources, Records & Archives, Project Support, Rates Services)	*	*	*	*
	FUNCTIONS	Property	*	*	*	*
		Corporate & Funds Management	*	*	*	*

ECONOMIC WELLBEING



Strong and prosperous economy.

SOCIAL WELLBEING

2 Safe, supported and well-led community.



3 Protected and healthy environment.

CULTURAL WELLBEING

4 Protected and healthy environment.

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NGĀ TAUĀKĪ PŪTEA

SUMMARY FINANCIAL STATEMENTS

This section is a summary of our financial results, including statements. For more detail, see section "Financial Statements" from page 53 of the full Annual Report.

HE TAUĀKĪ PŪTEA WHIWHI ME TE PŪTEA WHAKAHAERE

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

for the year ended 30 June 2020

	COUNCIL				GROUP	
	Actual 2020 \$000	AP 2020 \$000	LTP 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000
Total revenue	35,215	33,343	26,267	30,289	47,520	44,362
Total expense (excluding finance expense)	(31,419)	(28,190)	(24,754)	(28,095)	(43,431)	(40,485)
Total finance expense	(475)	(705)	(771)	(347)	(552)	(466)
Net surplus / (deficit) before taxation	3,321	4,448	742	1,847	3,537	3,411
Subvention income	200	-	-	-	-	-
Taxation	-	-	-	-	(170)	(444)
Net surplus / (deficit) for the year	3,521	4,448	742	1,847	3,367	2,967
Other comprehensive revenue and expense						
Fair value movement – property, plant and equipment	6,050	15,073	15,288	-	6,050	-
Fair value movement in equity investments	(13)	-	-	-	(13)	-
Total comprehensive revenue and expense for the year	9,558	19,521	16,030	1,847	9,404	2,967

ΗΕ ΤΑυΑΚΙ ΤΟ ΡŪΤΕΑ

SUMMARY STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2020

		COUNCIL				GROUP	
	Actual 2020 \$000	AP 2020 \$000	LTP 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000	
Current assets	12,250	2,952	4,797	8,945	16,432	14,599	
Non-current assets	286,063	305,000	302,360	273,708	289,925	277,327	
Total assets	298,313	307,952	307,157	282,653	306,357	291,926	
Current liabilities	8,988	9,531	8,785	7,473	11,347	10,652	
Non-current liabilities	9,263	9,050	8,366	4,676	10,045	5,713	
Total liabilities	18,251	18,581	17,151	12,149	21,392	16,365	
Total Equity	280,062	289,371	290,006	270,504	284,965	275,561	

SUMMARY STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2020

		COUNCIL				GROUP	
	Actual 2020 \$000	AP 2020 \$000	LTP 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000	
Total equity - opening balance	270,504	269,850	273,976	268,657	275,561	272,594	
Net surplus (deficit) for period	3,521	4,448	742	1,847	3,367	2,967	
Other comprehensive income	6,037	15,073	15,288	-	6,037	-	
Total comprehensive revenue and expense	9,558	19,521	16,030	1,847	9,404	2,967	
Total equity - closing balance	280,062	289,371	290,006	270,504	284,965	275,561	
Equity - closing balance			•	k			
Ratepayer's equity - closing balance	143,500	145,742	145,337	135,156	147,412	139,222	
Special funds - closing balance	20,756	16,643	17,468	22,076	20,756	22,076	
Revaluation reserves - closing balance	115,806	126,986	127,201	113,272	116,797	114,263	
Total equity - closing balance	280,062	289,371	290,006	270,504	284,965	275,561	

HE TAUĀKĪ KAPEWHITI

SUMMARY STATEMENT OF CASHFLOWS

for the year ended 30 June 2020

		COUNCIL				GROUP	
	Actual 2020 \$000	AP 2020 \$000	LTP 2020 \$000	Actual 2019 \$000	Actual 2020 \$000	Actual 2019 \$000	
Net cash flows from operating activities	11,506	11,351	6,672	5,720	13,421	7,487	
Net cash flows used in investing activities	(15,184)	(14,905)	(8,783)	(6,667)	(16,136)	(7,605)	
Net cash flows from/(used in) financing activities	4,000	1,648	962	(12)	3,448	(659)	
Net increase/(decrease) in cash and cash equivalents	322	(1,906)	(1,149)	(959)	733	(777)	
Cash and cash equivalents at beginning of year	2,473	2,316	2,286	3,432	4,372	5,149	
Cash and cash equivalents at end of year	2,795	410	1,137	2,473	5,105	4,372	

HE TAUĀKĪ KAUPAPA HERE MŌ TE KAUTE ME NGĀ PITOPITO KŌRERO KI NGĀ TAUĀKĪ PŪTEA

ACCOUNTING POLICIES AND NOTES TO THE FINANCIAL STATEMENTS

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1. REPORTING ENTITY STATEMENT AND PREPARATION OF THE FINANCIAL STATEMENTS

BASIS OF PREPARATION

The Council group consists of Wairoa District Council and its 100% owned subsidiary, Quality Roading and Services (Wairoa) Limited. The consolidated financial statements comprise the financial statements of WDC (the Council) and its subsidiary QRS Ltd (collectively the Group) as at 30 June 2020.

The financial statements within the Annual Report were prepared in accordance with and comply with New Zealand Generally Accepted Accounting Principles (GAAP) and comply with Public Sector Public Benefit Entity Accounting Standards (PBE accounting standards) for a Tier 1 entity. The financial statements are presented in New Zealand dollars, rounded to the nearest thousand (\$000), unless otherwise stated.

These summary financial statements have been prepared in accordance with Public Benefit Entity Financial Reporting Standard 43.

2. TRANSACTIONS WITH RELATED PARTIES

Related parties arise where one entity has the ability to affect the financial and operating policies of another through the presence of control or significant influence. Related parties include all members of the Group (Council and controlled entities) and key management personnel. Key Management Personnel include the Mayor and Councillors as elected members of the governing body of the Council reporting entity, the Chief Executive and all members of the Executive Leadership Team, being key advisors to the Council and Chief Executive.

There were close family members of Key Management Personnel employed by the Council and Group. The terms and conditions of those arrangements are no more favourable than the Council and Group would have adopted if there was no relationship to the Key Management Personnel.

MATERIAL RELATED PARTY TRANSACTIONS - KEY MANAGEMENT PERSONNEL OF COUNCIL

During the year key management personnel, as part of normal local authority relationships, were involved in transactions with the Council such as payment of rates and purchases of rubbish bags or other Council services. These transactions were on normal commercial terms. Except for these transactions no key management personnel have entered into related party transactions with the Group. The Mayor and Councillor's disclose their personal interests in a register available on the Council website. There are no commitments from Council to key management personnel.

Material Related Party Transactions - QRS

Council's purchase of services and sales income from QRS Ltd for the year were as follows:

	2020 \$	2019 \$
Revenue received by Council for services provided to QRS Ltd	3,149	23,946
Expenditure payments made by Council for services provided by QRS Ltd	13,154,373	10,073,582
Dividend received from QRS Ltd	350,000	110,000
Subvention payment from QRS Ltd	200,000	-
Current receivables and recoverables owing to the Council from QRS Ltd	6,798	625
Current payables owed by the Council to QRS Ltd	2,420,900	1,593,375

The receivable and payable balances are non-interest bearing and are to be settled on normal trading terms and conditions, except for \$345,454 (2019: \$244,076) of contract retentions which are payable at closure of defects liability period.

No related party transactions were forgiven or written off during the period (2019: nil).

Material Related Party Transactions - QRS Directors and CEO

G E Gaddum, a Director of QRS Ltd and Director/Owner of Gaddum Construction Limited, has not purchased any services from QRS on normal trading terms in 2020 (2019: \$27,633).

3. CONTINGENCIES

Contingent liabilities and contingent assets are disclosed at the point at which the contingency is evident. Contingent liabilities are disclosed if the possibility they will crystallise is not remote. Contingent assets are disclosed if it is probable the benefits will be realised.

CONTINGENT ASSETS

A contingent asset is a future expected cashflow arriving out of council operations that has an inherent factor of uncertainty.

WDC entered into a 30 year targeted capital rating repayment plan for the connections of private individual's properties to a centralised wastewater network owned by the Council in the Māhia and Ōpoutama catchment areas. In terms of repayment of that cost, ratepayers were eligible to select an upfront payment, or to nominate between 3 and 30 years to repay the cost, plus interest through rates. The ordinary recovery of capital under a capital rating scheme is an instalment charged as a targeted rate, set with each year's rating resolution. In addition, an early repayment policy was adopted in 2016/17 for ratepayers to clear the remaining cost, exclusive of any future interest charges. The costs for the work commissioned by WDC on behalf of the ratepayers for these schemes were recognised as operating costs in the 2014/15 financial year.

The calculated value represents the amount owed and repayable under the scheme as at 30 June:

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Balance at 1 July	1,245	1,462	1,245	1,462
Less: Charged through rates this financial year	(106)	(135)	(106)	(135)
Add back: Interest charged in rates	36	84	36	84
Less: Early repayment policy payments	(26)	(166)	(26)	(166)
Balance at 30 June	1,150	1,245	1,150	1,245

CONTINGENT LIABILITIES

A contingent liability is a debt that maybe incurred in the future, but for which there is no current actual liability owing or an event giving rise to an obligation.

The Council has identified historical errors in the Fringe Benefit Tax calculations which result in a core liability owing to the Inland Revenue Department. A declaration has been made to the Council's tax advisors. This liability cannot be accurately measured at balance date, but is estimated at \$67,154 net of penalties and interest (if any).

QRS Ltd has a contingent liability relating to a claim brought forward by a subcontractor regarding a contractual dispute. The value of the claim has not yet been determined due to a lack of verifiability in relation to the claimant's proclaimed losses. The claim is disputed and QRS Ltd will look to resolve the matter within twelve months of balance date.

4. COMMITMENTS

FUTURE CONTRACTUAL COMMITMENTS

	Council		Group	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Capital commitments				
Infrastructural assets - Water system	1,410	3,571	1,410	3,571
Infrastructural assets - Roading network	13,871	25,204	4,457	25,204
Other	-	-	15	818
Total capital commitments	15,281	28,775	5,882	29,593
Operational commitments				
Maintenance and service contracts	6,469	8,089	6,469	8,089
Total operational commitments	6,469	8,089	6,469	8,089
Total contractual commitments	21,750	36,864	12,351	37,682

The capital commitments above represent signed contracts in place at the end of the reporting period.

The contracts will often span more than one financial year and may include capital expenditure carried forward from 2019/20 to future years.

NON-CANCELLABLE OPERATING LEASE COMMITMENTS

WDC leases photocopy machines and a building in the ordinary course of its business. New leases for each were negotiated in the current year for a 5 year term. Leases are generally renewable at the end of the lease period at market rates.

The amount of minimum payments for non-cancellable operating leases is recognised as an expense in Note 3. The future expenditure committed by these leases is analysed in the following table:

	Council		Gro	oup	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000	
Office equipment and vehicles					
Up to one year	34	30	124	181	
Later than one year and not later than five years	126	-	135	191	
Later than five years	-	-	-	-	

Buildings				
Up to one year	32	-	32	-
Later than one year and not later than five years	117	-	117	-
Later than five years	-	-	-	-
Total non- cancellable operating lease commitments as lessee	309	30	408	372

The leases have the following characteristics:

- The lease does not transfer substantially all the risks and rewards incidental to ownership;
- The lease does not transfer ownership to the Council or Group at the end of the lease term;
- The leased asset is not of a specialised nature that only the lessee can use without modifications;
- The lessee cannot cancel the lease unilaterally unless the lessor is in material breach of contract, and gains and losses in the value of the equipment remain the risk of the lessor.

5. THE EFFECTS OF COVID-19 ON THE COUNCIL

On 11 March 2020, the World Health Organisation declared the outbreak of COVID-19 a pandemic and two weeks later the New Zealand Government declared a State of National Emergency. The country was in lockdown at Alert Level 4 from 26 March to 27 April, and then remained in lockdown at Alert Level 3 until 13 May.

During this period, the Council closed certain facilities. Most staff moved to a "work from home" model, while staff involved in providing essential services continued. After 13 May, the Council has operated during Level 2 and Level 1. The main impacts on the Council's financial statements due to COVID-19 are explained below:

- A reduction in capital and operating expenditure as some work programmes were put on hold during lockdown (refer page 7, individual activity performance reports and note 25).
- There will likely be a higher level of collectability issues for rates and some other revenue streams as a result of some sections of the community being under increased financial pressure.
- Additional costs of \$196,000 relating to Civil Defence Emergency Management (CDEM). Some costs arising from welfare packages distributed within the community were reimbursed by the National Emergency Management Agency. However, most costs remained as Council-only costs, relating to Council's CDEM responsibilities.

The effect on our operations is reflected in these financial statements, based on the information available to the date these financial statements are signed. At this time, it is difficult to determine the full on going effect of COVID-19 and therefore some material uncertainties remain. There could also be other matters that affect the Council in future, of which we are not yet aware. To the extent possible we have considered the likely impact of COVID-19 on areas such as our provisioning for doubtful debts to date there has not been a significant impact on Council's financial performance or position.

6. EVENTS SUBSEQUENT TO BALANCE DATE

There have been no events subsequent to balance date that would have a material effect on the 30 June 2020 Annual Report.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF WAIROA DISTRICT COUNCIL'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2020

The Auditor-General is the auditor of Wairoa District Council (the District Council) and its subsidiary and controlled entity (the Group). The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 19 November 2020. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 56 to 96:
 - present fairly, in all material respects:
 - the District Council and Group's financial position as at 30 June 2020;
 - the results of the operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 102, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the statement of service provision included as Our Performance in Detail section of the Annual Report on pages 18 to 51:
 - presents fairly, in all material respects, the levels of service for each group of activities for the year ended 30 June 2020, including:



- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
- complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 112 to 113, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's annual plan; and
- the funding impact statement for each group of activities on pages 103 to 111, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about performance against benchmarks as required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 97 to 100, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council and Group's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for our opinion on the audited information

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. We describe our responsibilities under those standards further in the "*Responsibilities of the auditor for the audited information*" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Emphasis of Matter

Impact of Covid-19

Without modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the District Council as set out in the notes to the financial statements, including Note 28.



Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council and the Group or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan and long term plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council and Group's internal control.



- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the statement of service provision of the District Council included as the Our Performance in Detail section of the Annual Report, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant doubt on the District Council and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council and the Group to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.
- We obtain sufficient appropriate audit evidence regarding the entities or business activities within the Group to express an opinion on the consolidated audited information.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 16 but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

We are independent of the District Council and Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of



Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out an engagement in the area of debenture trust deed reporting during the period, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the District Council or its subsidiary and controlled entity.

Stuart Mutch Ernst & Young Chartered Accountants On behalf of the Auditor-General Wellington, New Zealand

GETTING IN TOUCH

Your feedback plays a big role in making our district a better place to live, work and play. We are keen to hear from you, and welcome your ideas and comments.

Here's how you can get in touch:





P.O. Box 54, Wairoa 4160

