



Kaipara District Council

Annual Report 2013/2014



Kaipara te Oranganui • Two Oceans Two Harbours

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Part One – Introduction

Kaipara District



Stretching from coast to coast, Kaipara District is located at the entrance to Northland at the top of the North Island. Travelling from east to west, the Kaipara is a district of contrasts and spectacular scenery. Residents and visitors enjoy the magic of the east coast settlement of Mangawhai, the peacefulness of New Zealand's largest harbour – the Kaipara – and the wild beauty of the west coast beaches.

Kaipara's economy has historically been based around pastoral farming and to a lesser extent horticulture and forestry. However, developments in tourism are growing in importance and there is a trend toward small mixed-use farm holdings. The District's rural nature, especially in the heartland, is one of the charms residents are keen to preserve.

Kaipara District Council is the seat of local government for the District. Councils exist to provide a broad role in meeting the current and future needs of their communities as outlined in Council outcomes, for good quality local infrastructure, local public services, and the performance of regulatory functions.

Commissioners Foreword

We were appointed as Commissioners by the Minister of Local Government to Council on 6 September 2012. This is our second year in office. We are responsible for the governance of the Council. During the year one of the Commissioners, Colin Dale, resigned to take up the position of Acting Chief Executive at the Far North District Council. Three of us remain.

In our Terms of Reference we are required to perform a number of tasks, including:

- **Address the financial risks faced by Council by working through the financial issues raised by the Long Term Plan 2012/2022 and the Annual Report 2011/2012**

This has been achieved. Our first priority has always been getting Council's finances stable.

The Statement of Comprehensive Income for the year ending 30 June 2014 advises of rate revenues of \$27.3 million (\$24.5 million 2013), of total revenues of \$43.3 million (\$42.0 million 2013), and of total expenditure of \$42.2 million (\$41.0 million 2013). Thus we ended the year with a net surplus of \$1.1 million.

Small surpluses are forecasted to continue.

The Statement of Financial Position as at 30 June 2014 shows overall external debt has been reduced to \$76.3 million, an improvement of \$1.2 million over the 30 June 2013 position.

- **Address the problems created by invalidly set rates and other legal compliance issues**

The Council took action during the year to contain expenditure and cap debt. The need to promote a Local Bill to address historical rating irregularities and to defend the Judicial Review proceedings initiated by the Mangawhai Ratepayers and Residents Association in the High Court, added to pressures on expenditure during the year. A concerted campaign by a number of ratepayers to withhold the payment of rates impacted on Council cash flows. At year end rates overdue, relating to the 2013/2014 year, totalled \$6.3 million. The gap in cash flows resulting from rates being withheld was accommodated by deferring capital expenditure.

The task has been achieved. The irregular rates and other compliance issues have been validated with the passing of the Kaipara District Council (Validation of Rates and Other Matters) Act 2013.

- **Undertake actions to enforce the payment of 2012/2013 rates and any unpaid rates from previous years**

Now that the enforceability of rates has been confirmed with the passing of the *Kaipara District Council (Validation of Rates and Other Matters) Act 2013* and release of the High Court Judicial Review decision, we have begun the process of enforcing payment of all outstanding rates. Commissioners are determined that this process be completed quickly and efficiently.

- **Identify the capacity and quality of the Mangawhai Community Wastewater Scheme and determine the ideal funding model for the Scheme for the future**

Work is being undertaken on the future of this Scheme and the information and options will be discussed with the community.

- **Identify and address any other problems faced by the Council**

The Office of the Auditor-General Inquiry identified past weaknesses of the Council. We have a plan to address all of them. Most improvements are well advanced.

- **Engage with the community and Iwi to rebuild confidence and trust in the Council**

The Commissioners continue to engage extensively with members of the community and Iwi, pro-actively meeting with community groups and following up inquiries from individuals. This work continues. We have initiated a community planning and engagement programme where we listen and respond to issues identified by local communities. By 30 June 2014 five community action plans were in place. A further five are planned for 2014/2015.

- **Build capability and capacity within the Council organisation including asset and financial management**

We have received monthly financial reports for 18 months. We have a far better knowledge of our assets and much improved asset management. While we are progressing well, we also have a plan in place to make further improvements.

- **Review the Council's strategic and policy framework and consider whether an amendment is required to the adopted Long Term Plan 2012/2022 to provide Council with a more sustainable operating model and equitable funding base for the future**

This has been achieved. We completed an amendment to the Long Term Plan 2012/2022 in June 2013 that established a sustainable and prudent financial base, with debt reducing to \$50 million by 2022. We are currently developing a new Long Term Plan for 2015/2025.

We are rapidly attending to past problems. Our aim is to increasingly look to the future.

We continue to work hard to build a Council organisation that the people of Kaipara respect, and which will support the elected representatives when transition back to democracy occurs.

When we complete our term in October 2015, the Kaipara District Council will have in place an excellent Long Term Plan 2015/2025, signalling a clear, robust and fair future direction.

A handwritten signature in black ink, reading "John Robertson". The signature is written in a cursive, flowing style.

John Robertson

Chair of Commissioners

Your Commissioners



John Robertson QSO Chair

John has public sector experience as a former Member of Parliament, as a former Mayor of Papakura, and Chair of Infrastructure Auckland. He is an accredited member of the Institute of Directors, is a Chartered Accountant and a professional Director.



Peter Winder

Peter is a former Chief Executive Officer of the Auckland Regional Council, Director of Transport at the Auckland Regional Council, and Chief Executive Officer of Local Government New Zealand. He is a Director of McGredy Winder & Co, advisers to local and regional government authorities.



Richard Booth

Richard is a Whangarei-based horticulturalist and farmer, with considerable experience in the dairy industry and as a Director. He is Chair of Delta Produce and the Northland Dairy Development Trust, and the farmers' representative on the Northland Regional Council Environmental Committee.

Chief Executive's Overview

Welcome to the 2013/2014 Annual Report.

Kaipara District Council has had a busy year. A lot has occurred to resolve historical issues, and we have continued to invest in improvements to the services we deliver and the way in which we work as an organisation. Our financial status is secure and the debt reducing as planned. We are well on track to becoming a high performing organisation able to meet the needs of our community.

Responding to matters from the past

Auditor-General Inquiry

The Auditor-General released her report into management of the Mangawhai Community Wastewater Scheme in December 2013. She summarised the history of the Scheme as a “*woeful saga*” characterised by a failure to attend to fundamental legal and accountability obligations. She thought it illustrated an organisation out of its depth without the skills needed to manage a project of this nature.

In her report the Auditor-General recommended a number of improvements that she saw as necessary to ensure that the mistakes of the past cannot be repeated. These included:

- Formal processes and records to support decision-making, with decision-makers not making a decision until they had, and understood the information needed to make an informed and considered decision
- Less contracting out, with greater competence held within the organisation especially in financial management, project management and leadership.

By the time the report was released we had already made a large number of changes. In her report the Auditor-General indicated that “KDC is now quite a different organisation to the one that embarked on the wastewater project”. While we have made a number of improvements, there are more to come.

A new executive team is in place and important pieces of work which the Council needs to control, which was previously done by Contractors, has been bought back in-house. Financial management and reporting has been improved and we have a Business Plan that outlines the tasks that need to be completed before we transition back to democracy.

Kaipara District Council (Validation of Rates and Other Matters) Act 2013

To address a number of the rating and other errors which occurred in the past we promoted a Local Bill which was passed into law in December 2013. Passing of this legislation was important to ensuring that there was no doubt about the need to pay rates which had been set in the past.

Judicial Review

The Mangawhai Ratepayers and Residents Association (MRRA) lodged Judicial Review proceedings against the Council in March 2013. The case was heard in the Whangarei High Court by Justice Heath in February 2014. A decision has now been delivered which, in summary:

- Confirms that previous Councils breached the Local Government Act 2002 when making the decision to enter into the contract to construct the Mangawhai Community Wastewater Scheme. Council and the MRRA had already agreed that this was the case.
- Confirms that the debt incurred to build the Scheme is valid and as such needs to be repaid by Council.
- Confirms that the *Kaipara District Council (Validation of Rates and Other Matters) Act 2013* validated all of the previously irregular rates and not just those matters in the preamble as claimed by the MRRA.
- Confirms that we did not breach the Bill of Rights Act in asking Parliament to pass the Local Bill into law.

The MRRA was awarded costs as a way of recognising that the community had not been well served by its Council in the past and that substantial parts of their case had been removed by the passing of the *Kaipara District Council (Validation of Rates and Other Matters) Act 2013*.

The MRRA has now lodged an appeal against the High Court decision. While it will take some time for this appeal to be heard we are able to move forward and enforce the payment of outstanding rates.

Caring for the District's infrastructure

Council has invested in a considerable 'step-up' of the quality of our Asset Management Plans this year. This has included condition assessments that mean we are in a far better position to plan ahead for maintenance and renewals. Draft Asset Management Plans also now cover more assets including the first Plan for reserves and open space infrastructure. Our financial constraints mean that while this year's improvements are good, these Plans will still need further development and will continue to be improved as funds allow over the next few years.

Community Planning

Council has launched a community planning initiative. At public meetings, that have been extremely well attended to date, we ask the people of a locality what they want to see in their community and develop Action Plans to deliver their priorities. Up until 30 June 2014, Action Plans have been developed for Tinopai, Bayllys, Pahi, Whakapirau, Te Kopuru and Paparoa. Progress on the actions within the Plans is reported back to each community on a regular basis. By and large, the requests from communities are modest and reflect the community spirit of the District as a place that does things themselves, and the understanding of the financial constraints we are working under.

Financial Performance

This year was the last year of a rates revenue increase above inflation. This means that we have now established a balanced budget, although the service levels do remain low. Debt is within manageable limits and reducing more quickly than predicted in the Long Term Plan 2012/2022. It will be within prudent levels by the end of the 2014/2015 year.

Towards the end of the year we also refinanced the Mangawhai Community Wastewater Scheme loan of \$53 million with the ANZ. The refinancing of this loan was affected by the fact that we remain in Court with the MRRA which has meant that we are still unable to join the Local Government Funding Agency (LGFA) and benefit from the lower interest rates this would bring. We estimate that being able to join the LGFA would reduce our rating requirements by some 2 per cent per annum. Rates arrears remain higher than usual with a total of \$6.3 million rates arrears at 30 June 2014. Now that the collectability of rates has been confirmed via the *Kaipara District Council (Validation of Rates and Other Matters) Act 2013* and the Judicial Review decision, we will be moving to enforce the payment of all outstanding rates.

Conclusion

Over the last twelve months we have made considerable progress in addressing the historical issues facing Council. The publication of the Auditor-General's Inquiry Report was a significant milestone in explaining to the community what went wrong in the past. Its implications go beyond the findings related to the Mangawhai Community Wastewater Plant, and send a warning to all local authorities of the importance of ensuring legal compliance, and retaining sufficient in-house capability. The passage of the *Kaipara District Council (Validation of Rates and Other Matters) Act 2013* and the issuing of the High Court decision in the MRRA Judicial Review proceedings were also important milestones to put behind us.

During the year we have also continued to improve organisational capability and the way in which we deliver our services. The implementation of the AlphaOne electronic building consent system, for example, will bring about very real and tangible efficiency gains for both building consent applicants and Council.

While there is still a way to go to create the high performing organisation with strong community and mana whenua support that the Commissioners want to see in place before they leave, we know what is required and there is a clear plan in place that will take the organisation there.

Unfortunately, this will be my last Annual Report as I leave shortly to take up a new role as Chief Executive of the Southland District Council. While I will be sad to leave, I do so knowing that we have addressed a number of the complex issues that existed when I arrived and that the organisation is in good heart with significantly improved capability.

The communities of Kaipara have a strong community spirit and sense of self-help. They deserve to have a Council that is able to deliver the services they need effectively and efficiently and earn their respect in doing so. If this simple goal is to be achieved it is important that the organisation be allowed to focus on the future rather than the past. If they continue to be 'pulled back' into yesterday then all of the hard work and pain of the last three years will have been in vain and the communities of Kaipara will be all the poorer.

I wish the Council and communities of Kaipara well for the future.

A handwritten signature in black ink, appearing to read 'S Ruru', with a long horizontal flourish extending to the right.

Steve Ruru

Chief Executive

Statement of Compliance

The Kaipara District Council hereby confirms that all statutory requirements in relation to the preparation and publication of information required to be included in the Report as outlined in the Local Government Act 2002 have been complied with.



John Robertson

Chair

30 September 2014



Steve Ruru

Chief Executive

30 September 2014



INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF
KAIPARA DISTRICT COUNCIL'S ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of Kaipara District Council (the District Council). The Auditor-General has appointed me, Peter Gulliver, using the staff and resources of Deloitte to audit:

- the financial statements of the District Council that comprise:
 - the statement of financial position as at 30 June 2014 on page 27;
 - the statement of comprehensive income on page 24, statement of changes in equity on page 30 and statement of cash flows on page 31 for the year ending 30 June 2014; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 37 to 93;
- the statement of service provision (referred to as performance measures) of each group of activities carried out by the District Council on pages 99 to 157;
- the funding impact statements in relation to each group of activities of the District Council on pages 99 to 157;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 99 to 157;
- the funding impact statement of the District Council on page 97; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 32 to 36.

In addition, the Auditor-General has appointed me to report on whether the District Council's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
 - reserve funds on pages 59 to 61;
 - remuneration paid to the elected members and certain employees of the District Council on page 87;
 - employee staffing levels and remuneration on page 87; and
 - severance payments on page 87;



- rating base units on page 57; and
- insurance of assets on page 79;
- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 158; and
- a statement of compliance signed by the Chairperson of the Council, and by the District Council's chief executive on page 11.

Opinion

Audited information

In our opinion:

- the financial statements of the District Council on pages 24 to 31 and pages 37 to 93:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council's financial position as at 30 June 2014; and
 - the results of its operations and cash flows for the year ended on that date.
- the performance measures of the District Council on pages 99 to 157:
 - complies with generally accepted accounting practice in New Zealand; and
 - fairly reflects the District Council's levels of service for the year ended 30 June 2014, including:
 - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
 - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 99 to 157, fairly reflects by each group of activities, 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.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 99 to 157, fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.
- the funding impact statement of the District Council on page 97, fairly reflects 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 disclosures on pages 32 to 36 represent a complete list of required disclosures and accurately reflects the information drawn from District Council's audited information.

Judicial Review Proceedings

Without modifying our opinion, we draw your attention to the disclosure in note 1 on pages 39 and 40 concerning the significant financial impact that could arise if the ruling on the Mangawhai Ratepayers and Residents Association's appeal to the Court of Appeal was not in favour of the District Council. This would overturn the High Court's judgment in relation to the District Council's ability to use rates revenue, both past and future, to service the debt raised to fund the Mangawhai Community Wastewater Scheme.

Compliance with the other requirements of schedule 10

In our opinion, which is not an audit opinion, the District Council's annual report complies with the *Other Requirements* of schedule 10 that are applicable to the annual report.

Our audit was completed on 30 September 2014. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and performance measures. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council's preparation of the information we audited that fairly reflect the matters to which they relate. We consider internal control in order to design procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;



- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of all disclosures in the information we audited;
- determining the appropriateness of the reported performance measures within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the *Other Requirements* of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; *The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements*. As a result we do not express an audit opinion on the District Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and performance measures that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that fairly reflects by each group of activities 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;
- statements about budgeted and actual capital expenditure in relation to each group of activities that fairly reflects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;
- a funding impact statement that fairly reflects 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;



- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error.

The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

The Council's responsibilities arise under the Local Government Act 2002.

Responsibilities of the Auditor

We are responsible for expressing an independent opinion on, the information we are required to audit, and whether the Council has complied with the *Other Requirements* of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001 and section 99 of the Local Government Act 2002.

Independence

When carrying out this audit, which includes our report on the *Other Requirements*, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board.

In addition to this audit, which includes our report on the *Other Requirements*, we have carried out an assignment in the area of fraud risk assessment, which was compatible with those independence requirements. Other than this assignment, we have no relationship with or interests in the District Council.

A handwritten signature in blue ink, appearing to read "P. Gulliver".

Peter Gulliver

Deloitte

On behalf of the Auditor-General

Auckland, New Zealand

Readers Guide

The Annual Report sets out Council's achievements for the year and reports on whether we reached the targets forecasted in our Annual Plan.

What does the Annual Report include?

The first part of this Report introduces Kaipara District Council and provides an overview of events during 2013/2014. It also includes the Audit Report. The second part contains the financial results for the year to June 2014. It also includes the accounting policies and notes to the financial statements. The third part includes the Council's Groups of Activity Statements.

Activities

Based on the performance targets listed in the second year of the Long Term Plan 2012/2022, Council's work programme is divided into 10 significant activities and individually assessed to determine how well targets have been met. Performance ratings used in this Report are as follows:

- **Achieved:** All aspects of the performance target were achieved (including time, cost, quality, quantity and location).
- **Not achieved:** The activity was not significantly progressed or the work undertaken did not meet the requirements of the target (e.g. where the target stipulates a customer satisfaction rating of 80 per cent and a rating of 73 per cent was achieved then the measure would be rated as not achieved).
- **Not formally measured:** Performance could not be conclusively reported on (e.g. systems were not in place to measure performance or carrying out the target could have led to a duplication of activities).
- **Not applicable:** Due to events beyond Council's control, the activity was no longer relevant and the work was not carried out.

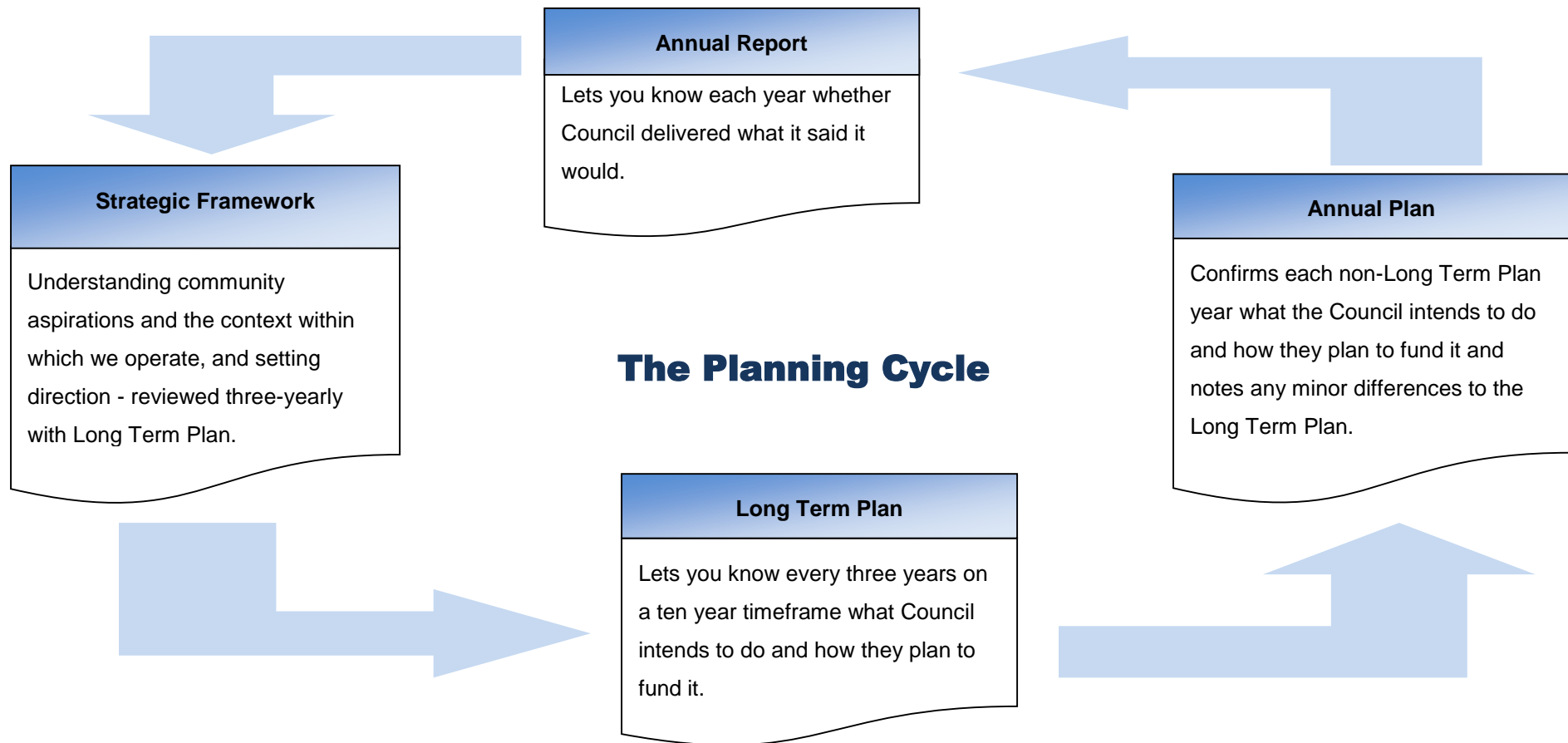
Where does the Annual Report fit in the planning and reporting cycle?

This Annual Report is reporting on the delivery of year two of Council's Long Term Plan 2012/2022 (as amended in June 2013).

Setting the Scene

The purpose of this Annual Report is to tell you whether we did what we said we would in the 2013/2014 year. This is the second year of the Kaipara District Council Long Term Plan 2012/2022 adopted by Council in August 2012 and modified in conjunction with the Annual Plan 2013/2014. It sets out what was achieved and not achieved and the associated costs as compared to what was signalled in the Long Term Plan.

Consequently, this Annual Report needs to be read in conjunction with the Long Term Plan 2012/2022.



The Year in Review

Customer service improvements have begun

The Council is determined to improve its customer service. This has begun with improvements in the Dargaville Office front counter, the issuing of uniforms for frontline staff, and improvements in telephone services. More improvements are planned for the future.

Building consent processing has gone to the Cloud!

During the year Council made the decision to invest in a new building control processing and inspections software (software as a service) package AlphaOne. The change means that we now receive and process consent applications electronically and officers use tablets and mobile telephones for recording on-site inspections. The change will bring increased efficiencies for both Council and our regular users of these services.

We know much more about the condition of our infrastructure

Council has invested in a considerable 'step-up' of the quality of our Asset Management Plans this year. This has included condition assessments that mean we are in a far better position to plan ahead for maintenance and renewals. Draft Asset Management Plans also now cover more assets including the first Plan for reserves and open space infrastructure. Our financial constraints mean that while this year's improvements are good, these Plans will still need further development and will continue to be improved as funds allow over the next few years.

We are engaged more with our communities

Council has launched a community planning initiative. At public meetings, that have been extremely well attended to date, we ask the people of a locality what they want to see in their community and develop Action Plans to deliver their priorities. Up until 30 June 2014, Action Plans have been developed for Tinopai, Baylys, Pahi, Whakapirau, Te Kopuru and Paparoa. Progress on the actions within the Plans is reported back to each community on a regular basis. By and large, the requests from communities are modest and reflect the community spirit of the District as a place that does things themselves, and the understanding of the financial constraints we are working under.

The capability and capacity as an organisation has improved

During this financial year Council has added to its internal capability by recruiting a:

- Planning and Design Engineer, an Operations Engineer and an Asset Management Information Officer in Water Services

- Principal Planner in Resource Consents
- Corporate Planning Manager
- Building Compliance Officer in Building Control
- Community Planner and a Community Facilitator in Community Planning
- Parks and Reserves Officer
- Customer Services Manager
- Revenue Manager, and
- An Information Technology Help Desk Officer.

In addition to investing extensively in the professional development of individual employees, Council has also run organisation-wide development programmes in customer service; values based behaviour and Microsoft Excel skills.

Risks have been reduced

- The Commissioners receive monthly financial reports which include statements of financial and capital performance, statement of cash flows and public debt schedules. The debt is now \$76.3 million.
- Council has renewed the debt facility it has with the ANZ. Because Council has not been able to join the Local Government Funding Agency (LGFA) the interest rate is around 1 per cent higher than was forecast (which has added approximately 2 per cent to rates) until at least October 2015.
- The Commissioners, in partnership with the local Member of Parliament and the Minister of Local Government, have achieved the enactment of a Local Bill to validate past errors in setting and assessing rates and other associated matters.
- The Office of the Auditor-General Inquiry into the Mangawhai Community Wastewater Scheme has been completed and released. Council is investigating options for pursuing those accountable for the errors made.

We are living within our means

The Commissioners see it as important that we pay our way and balance the books. This has now been achieved; a rate revenue increase of 2.3 per cent is all that was required for the 2014/15 year. A balanced budget is maintained over the ten years.

The results can be summed up like this:

- The 2013/2014 rates rise allowed the Council to run a balanced budget, reduce financial risk and live within our means. It was the final big rates rise. From now on, rates rises can be more in line with predicted increases of the Local Government Cost Index (LGCI).

Kaipara District Council is operating significantly better than it was a year ago and, while challenges remain, the outlook for the Council is increasingly positive.

Part Two - Finances

Statement of Comprehensive Income for the Year Ended 30 June 2014

The Statement of Comprehensive Income details income and expenditure relating to all activities of the Council. The supporting Funding Impact Statements for each activity provide further details as to the costs and revenues of each activity.

For the year ending:			Annual	Annual
30 June		Actual	Plan	Report
		2013-2014	2013-2014	2012-2013
		\$'000	\$'000	\$'000
Revenue		Note		
	Rates	3	27,322	26,810
	Subsidies and Grants	2a,4	6,454	9,950
	Activity Income	2a	6,887	6,407
	Contributions	2a	941	1,177
	Investments and Other Income	2a,5,6	1,680	421
	Total Revenue		43,284	44,765
Expenditure				
	Activity Costs	2b	23,660	20,612
	Employee Benefits	2b	5,277	5,303
	Finance costs	2b	3,853	4,027
	Depreciation	2b, 20,21	9,414	14,070
	Total Expenditure		42,204	44,012
	Net Surplus/(Deficit)		1,080	753
Other Comprehensive Income				
(Items that will not be reclassified subsequently to profit or loss)				
	Gain/(Loss) on Revaluation	9,20	12,719	9,977
	Total Comprehensive Income		13,799	11,642

The accompanying notes form part of these financial statements.

Explanation of Major Revenue against Plan:

Rates: Rates revenue is \$0.5 million higher than budget primarily due to higher penalty revenue, some of which was remitted during the year, as explained below.

Subsidies and Grants: NZ Transport Agency roading subsidies are \$3.5 million lower than budget due to delayed capital spend by Council. In 2012/2013 Council decided to defer capital expenditure in order to stay within projected debt levels (debt had not reduced as expected due to rating issues resulting in higher debtor balances). Council continued with this approach until June 2014 when progress on rating issues saw debtor balances begin to decline.

Activity Income: Activity income is \$0.4 million above budget. Significant favourable variances to note are:

- Revenue adjustment for historical GST \$0.9 million.
- Higher than budgeted Regulatory income of \$0.2 million primarily from increased building and resource consent fees and cost recoveries.
- Bonds and retentions transferred to revenue to cover costs incurred in completing contracts that had been abandoned by the initial contractor \$0.1 million.

These favourable variances are partially offset by lower than budget income due to a forestry harvest which was incorrectly budgeted in the 2013/2014 year \$0.7 million. It should be noted that the forestry harvest revenue variance is substantially offset by a lower than budget harvest costs, as explained below.

Investment and Other Income: The favourable variance against budget of \$1.3 million is due to a higher than budget gain on the fair valuation of interest rate swap derivatives \$1.1 million, an unbudgeted gain on the fair valuation of New Zealand Emission Trading Scheme units \$0.1 million, and assets vested to Council during the year \$0.1 million.

Explanation of Major Expenditure Variances against Annual Plan:

Activity Costs: The major factors contributing to the unfavourable variance of \$3.0 million are:

- Additional rates penalty remissions as a result of the Kaipara District Council (Validation of Rates and Other Matters) Act 2013 \$0.5 million.
- Consultancy and legal advice to support Council with rating issues, the Judicial Review and other organisational service delivery matters \$0.6 million.
- Historical adjustments for GST and higher than budget bad debts and provision for doubtful debts \$1.0 million.
- Higher resource consent costs (which are largely recoverable), appeal costs and Building Consent Authority accreditation costs \$0.5 million.
- Revaluation deficit on Sewerage and Treatment and Disposal of Sewerage \$1.6 million.

- Higher expenditure professional services \$0.2 million, sealed pavement maintenance and rehabilitation due to planned capital works having been put on hold \$0.8 million, and more drainage maintenance and slip prevention work required \$0.3 million. These higher than budget costs are partially offset by higher than budget revenue from operational grants and subsidies.
- Higher repairs and maintenance costs in Water Services \$0.2 million.

Partially offsetting these increases were below budget costs for:

- Desludging at the Dargaville Wastewater Treatment plant as a result of employing a different method to desludge (\$0.4 million), and lower plant running, maintenance and consultancy costs across the Sewerage and Treatment and Disposal of Sewage activity as a whole (\$0.7 million).
- Maintenance in the Stormwater Drainage activity due to prolonged dry weather conditions over the summer months and lower Asset Management Improvement and engineering consultancy costs (\$0.4 million).
- Asset Management Improvement and engineering consultancy costs in the Water Services activity (\$0.3 million).
- Some repairs and maintenance roading projects due to weather limitations in the latter months of the financial year (\$0.4 million).
- Harvesting costs associated with the forestry harvest that was incorrectly budgeted in the 2013/2014 year as explained above (\$0.5 million).

Finance Costs: The favourable variance in Finance costs of \$0.2 million is due to lower than budget external interest costs as a result of lower debt levels, partially offset by unbudgeted line facility fees.

Depreciation: Annual depreciation is \$4.6 million lower than budget due to the reassessment and subsequent adjustment of Roothing asset useful lives and condition by independent engineers at 30 June 2013.

Gain on Revaluation: The favourable variance of \$2.7 million is due to higher than budget gain on revaluation of Council's infrastructure, particularly for land under roads, as assessed by independent engineers at 30 June 2014. Please refer to Note 20 for further details.

Reclassification of some items have been made in the Council's financial statements and the Funding Impact Statement.

Statement of Financial Position as at 30 June 2014

As at		Actual	Annual	Annual
30 June		2013-2014	Plan	Report
		\$'000	\$'000	\$'000
Equity	Note			
Accumulated Funds	9	391,050	263,595	391,072
Asset Revaluation Reserves	9	157,936	180,948	145,217
Restricted Reserves	9	5,618	5,726	5,542
Council Created Reserves	9	-50,154	3,883	-51,177
Public Equity		504,450	454,152	490,654
<i>represented by</i>				
Current Assets				
Cash and Cash Equivalents	10	4,588	225	438
Other Financial Assets	11	15	2	2
Trade and Other Receivables	12	7,398	8,943	8,079
Accrued Revenue	13	1,536	564	1,387
Non Current Assets Held for Sale	14	380	0	175
Total Current Assets		13,917	9,734	10,081
<i>less</i>				
Current Liabilities				
Trade and Other Payables	15	7,549	8,849	7,342
Provisions	16	182	0	529
Employee Entitlements	17	514	349	398
Public Debt	18	59,190	1,462	4,081
Total Current Liabilities		67,435	10,660	12,350
Working Capital / (Deficit)		-53,518	-926	-2,269
<i>plus</i>				
Non Current Assets				
Property, Plant, Equipment	20	576,257	532,944	568,706
Biological Assets	22	2,289	1,834	2,200
Derivative Financial Assets	29	463	0	0
Other Financial Assets	11	173	139	135
Total Non Current Assets		579,182	534,917	571,041
<i>less</i>				
Non Current Liabilities				
Public Debt	18	17,109	76,268	73,459
Provisions	16	4,056	3,571	4,027
Derivative Financial Liabilities	29	49	0	632
Total Non Current Liabilities		21,214	79,839	78,118
Net Assets		504,450	454,152	490,654

The accompanying notes form part of these financial statements.

Explanation of Major Variances against Plan:

Equity: The favourable variance of \$50.3 million primarily reflects a higher opening position than budgeted. Additionally, Council operations for 2013/2014 have resulted in a \$1.1 million operating surplus, as against a budget estimate of \$1.0 million surplus.

Cash and Cash Equivalents: Cash and Cash Equivalents are \$4.4 million higher than budget due to overdue land rates collected in June 2014 following the Kaipara District Council (Validation of Rates and Other Matters) Act 2013 being passed, the May 2014 NZ Transport Agency subsidy being received earlier than usual and lower spending on roading capital works.

Trade and Other Receivables: Trade and Other Receivables are \$1.5 million lower than budget due to the reduction in land rates debtors balances explained above partially offset by a higher than usual GST refund owing due to historical adjustments which have been submitted to Inland Revenue.

Accrued Revenue: Accrued Revenue is higher than budget by \$1.0 million primarily due to an unbudgeted accrual for the June 2014 NZ Transport Agency subsidy.

Non-Current Assets Held for Sale: These are non-strategic property assets that were budgeted to have been disposed of at balance date but for various reasons the disposal has not yet progressed. Disposal of these items is expected within the next 12 months.

Property, Plant and Equipment: The primary reason for the favourable variance of \$43.3 million is attributed to the effects of prior period adjustments in 2012/2013 \$45.0 million, lower than budget annual depreciation of \$4.9 million. Offsetting these increases by \$7.5 million were below budget 2013/2014 fixed asset acquisitions owing to changes in Council's capital spending programme (deferral of non-essential works), and the reclassification of non-current assets held for disposal \$0.2 million.

Biological Assets: Higher than budget Biological Assets reflects the increase in fair value of Council's forestry assets following an independent forestry valuation at 30 June 2014.

Derivative Financial Assets and Liabilities: Council uses interest rate derivatives to assist in achieving a long term stable interest rate on debt. Higher than budget derivative assets of \$0.4 million is due to the nature of these financial instruments whereby their value is not able to be budgeted with certainty due to the unpredictability of interest rates. Derivatives are marked to market at each balance date, and as the floating interest rate is higher than at last balance date the interest rate derivatives were valued at more than they were when Council entered into the agreements on them. This resulted in a reduction in the liability Council has on some derivatives and created an asset to Council on others.

Trade and Other Payables: The reduction in capital expenditure during 2013/2014 resulted in substantially lower creditors, particularly for roading related activities.

Public Debt: Approximately \$1.2 million of existing debt was retired following changes in Council's approach to debt and cash flow management. Council is now, in keeping with its Treasury Policies, utilising surplus cash to reduce external borrowing. Council is ensuring that it maintains adequate working capital by having committed bank short term borrowing facilities in place. \$53.0 million of the variance to budget on both the Public Debt in Non-Current Liabilities and the Public Debt in Current Liabilities is due to the reclassification of a loan that matured and was refinanced in July 2014. It is expected that all of the current portion loans will be fully re-financed on their maturity dates by utilising existing undrawn facilities.

Provisions: The release of \$0.5 million of provisional GST and desludging liability has been offset by a further \$0.1 million provision for landfill aftercare.

Statement of Changes in Equity for the Year Ended 30 June 2014

For the year ending:		Actual	Annual
30 June		2013-2014	Report 2012-2013
		\$'000	\$'000
Balance at 1 July	Note		
Opening Equity		490,654	479,014
Comprehensive Income			
Surplus/(Deficit) for the year		1,080	982
Other Comprehensive Income			
Surplus on Revaluation of Infrastructure	20	12,719	10,358
Surplus on Revaluation of MEF Property	20	0	302
<i>sub total</i>		12,719	10,660
Total comprehensive Income		13,799	11,642
Public Equity		504,450	490,654

The accompanying notes form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 June 2014

For the year ending:	Actual	Annual	Annual
30 June	2013-2014	Plan	Report
	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000
Operating Activities			
<i>Cash provided from:</i>			
Rates	26,577	26,600	22,192
Fees, Charges and Other	8,742	7,899	9,105
Grants and Subsidies	6,644	9,950	7,262
Interest Received	20	104	60
<i>sub total</i>	<u>41,983</u>	<u>44,553</u>	<u>38,619</u>
<i>Cash applied to:</i>			
Suppliers and Employees	26,711	25,814	26,805
Taxes (including the net effect of GST)	-29	0	223
Interest Expense	3,853	4,027	4,109
<i>sub total</i>	<u>30,535</u>	<u>29,841</u>	<u>31,137</u>
Net Cash from/(to) Operating Activities	11,448	14,712	7,482
Investing Activities			
<i>Cash provided from:</i>			
Sale of Property, Plant and Equipment	61	15	330
Mortgage Repayments Received	2	0	51
Short term investment at bank	0	0	0
<i>sub total</i>	<u>63</u>	<u>15</u>	<u>381</u>
<i>Cash applied to:</i>			
Property, Plant and Equipment Purchases	6,081	13,693	6,574
<i>sub total</i>	<u>6,081</u>	<u>13,693</u>	<u>6,574</u>
Net Cash from/(to) Investing Activities	-6,018	-13,678	-6,193
Financing Activities			
<i>Cash provided from:</i>			
Loans Raised (Net)	0	0	0
<i>Cash applied to:</i>			
Loan Repayments (Net)	-1,280	-941	-2,017
Net Cash from/(to) Financing Activities	-1,280	-941	-2,017
Net Increase/(Decrease) in cash held	<u>4,150</u>	<u>93</u>	<u>-728</u>
Cash at 1 July	438	131	1,166
Cash at 30 June	<u>4,588</u>	<u>225</u>	<u>438</u>

The accompanying notes form part of these financial statements.

Annual Report Disclosure Statement for the year ending 30 June 2014

What is the purpose of this Statement?

The purpose of this Statement is to disclose the Council's financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this Statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the **regulations**). Refer to the regulations for more information, including definitions of some of the terms used in this Statement.

Rates affordability benchmark

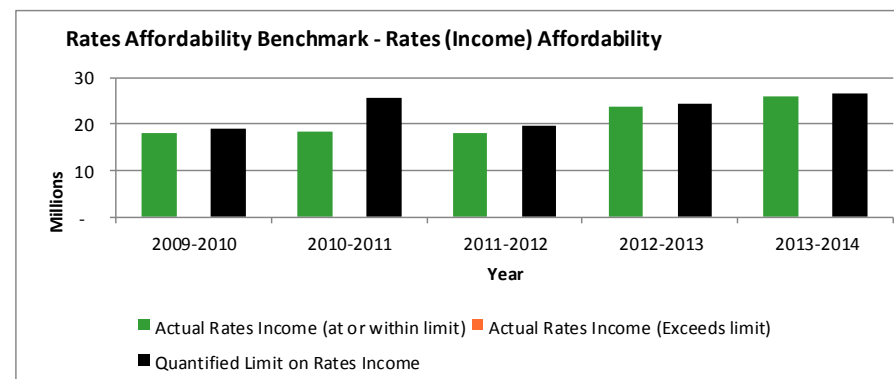
The Council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

Rates (income) affordability

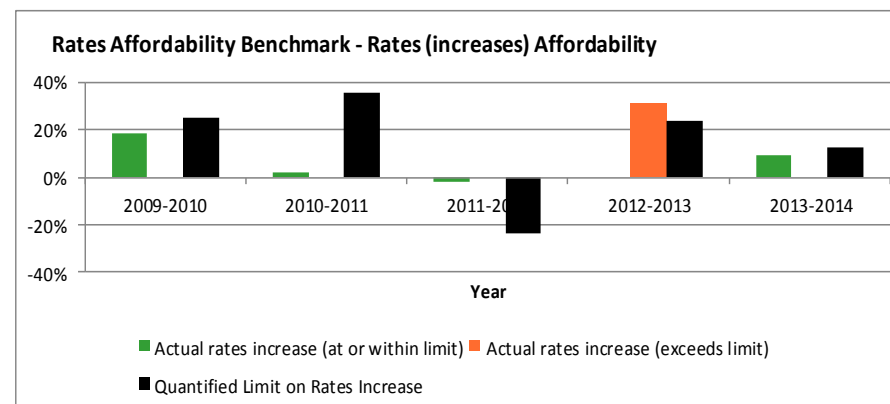
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's Long Term Plan. The quantified limit for 2013/2014 was 12.5% over the previous year's rates of \$23.8 million which equates to \$26.8 million¹.

¹ Note: in 2012/2013 the quantified limit was over planned rather than actual rates income.



Rates (increases) affordability

The following graph compares the Council's actual rates increases with a quantified limit on rates increases included in the financial strategy included in the Council's Long Term Plan. The quantified limit for 2013/2014 was 12.5% above the previous year's rates.

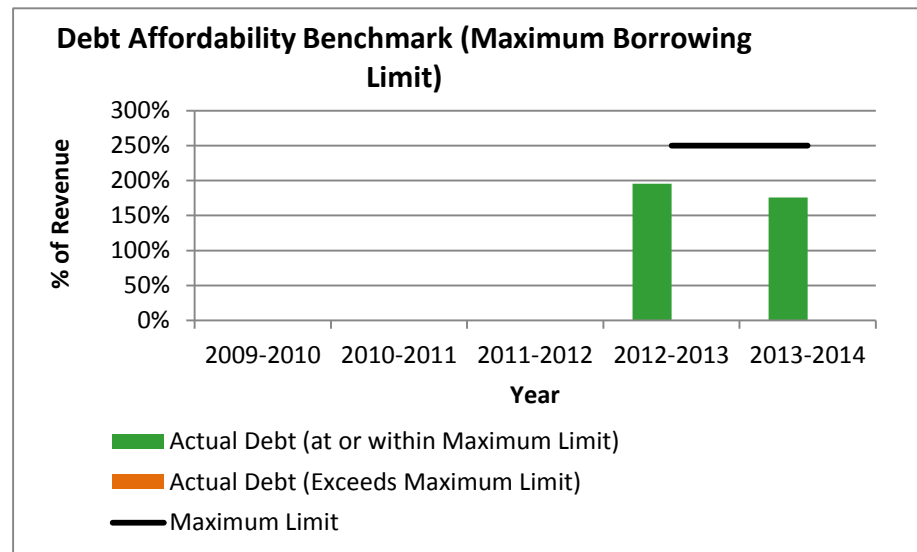


Rates exceeded the limit in 2012/2013 as the actual rates for 2011/2012 were well below the planned level.

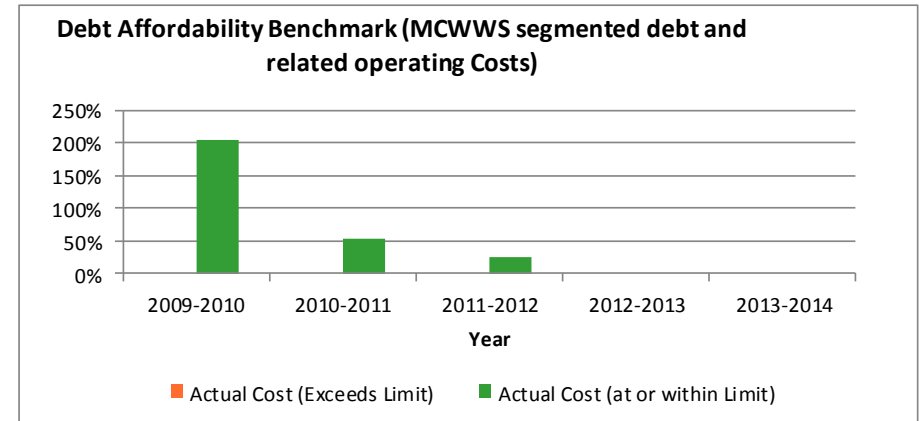
Debt affordability benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

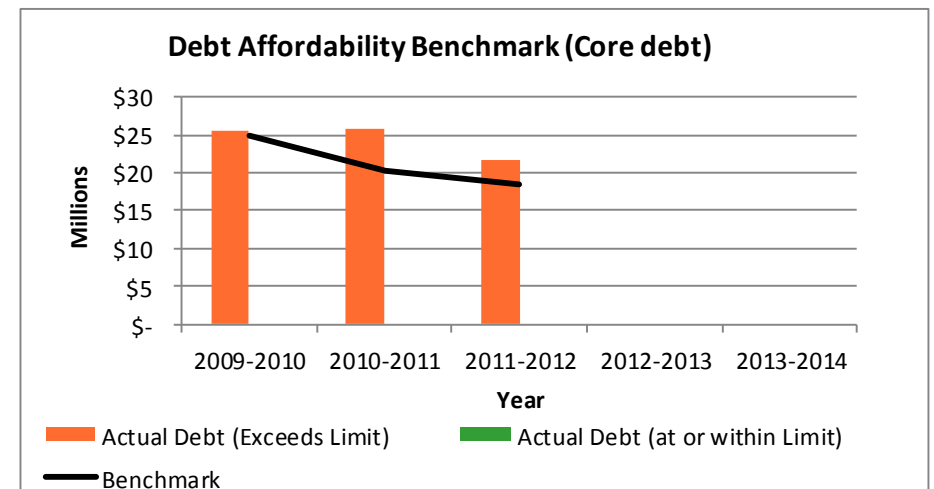
The following graphs compare the Council’s actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council’s Long Term Plan.



From 01 July 2012, the quantified limits are a preferred limit of 170% of total revenue (excluding development and financial contributions, vested assets and non-cash revenue) and a maximum limit of 250% of the total revenue measure.



Prior to 30 June 2012, Council operated a segmented debt policy for debt associated with the Mangawhai Community Wastewater Scheme (MCWWS). There was no quantified limit for this.

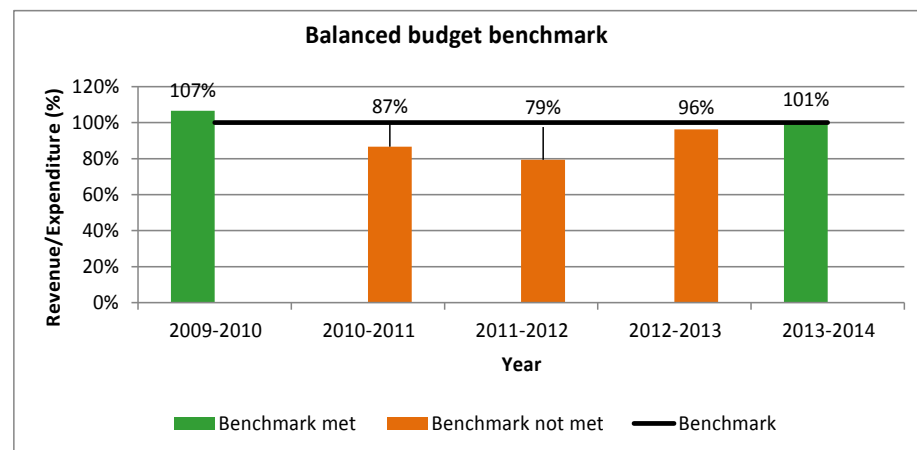


The balance of debt (“core debt”) was subject to 2:1 ratio of “normal operating revenue” to debt.

Balanced budget benchmark

The following graph displays the Council’s revenue (excluding Development Contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

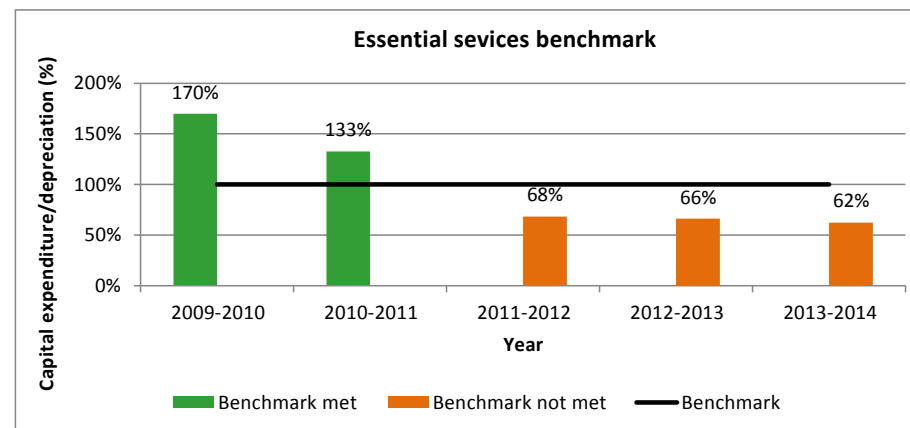
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the Council’s capital expenditure on network services as a proportion of depreciation on network services.

The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



In 2012/2013, with the Long Term Plan 2012/2012, Council introduced a policy of funding depreciation to the level of renewals and progressively funding depreciation to 100% from year 4 through to year 10. This policy was to recognise the financial challenges that Council was operating in at the time and affordability issues. This is primarily the reason this benchmark is not met for the 2012/2013 and 2013/2014 years. Further, there are low levels of new capital expenditure over these two years.

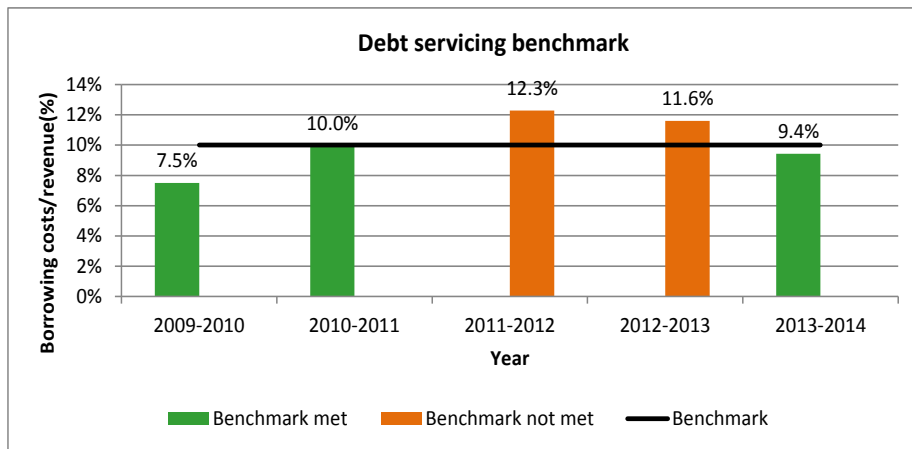
Debt servicing benchmark

The following graph displays the Council’s borrowing costs as a proportion of revenue (excluding Development Contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

Because Statistics New Zealand projects the Council’s population will grow more slowly than the national population growth rate, it meets the debt

servicing benchmark if its borrowing costs equal or are less than 10% of its revenue.

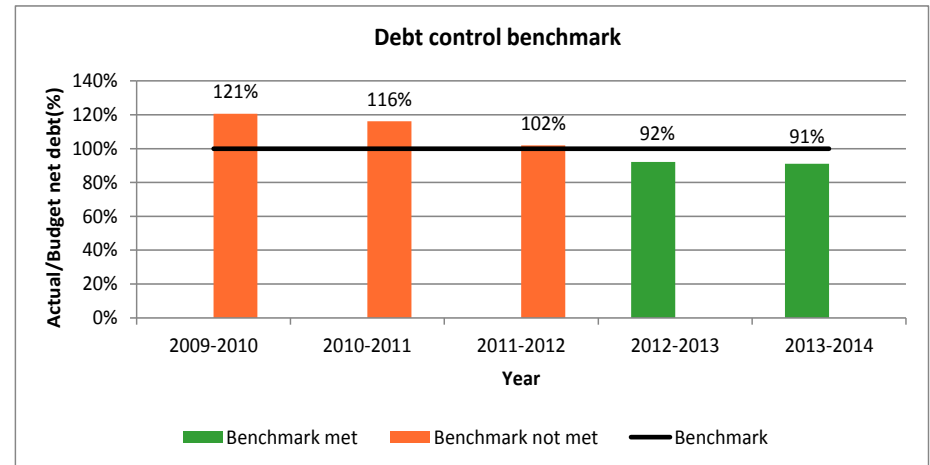
Note: Statistics New Zealand information shows that the total growth rate for New Zealand between 2006 and 2013 was 5.1%. Kaipara’s overall growth for the same period was 3.8%. Within this 3.8%, growth rates ranged from negative 9.7% for Maungaturoto to positive 44.8% for Mangawhai.



Debt control benchmark

The following graph displays the Council’s actual net debt as a proportion of planned net debt. In this statement, **net debt** means financial liabilities less financial assets (excluding trade and other receivables).

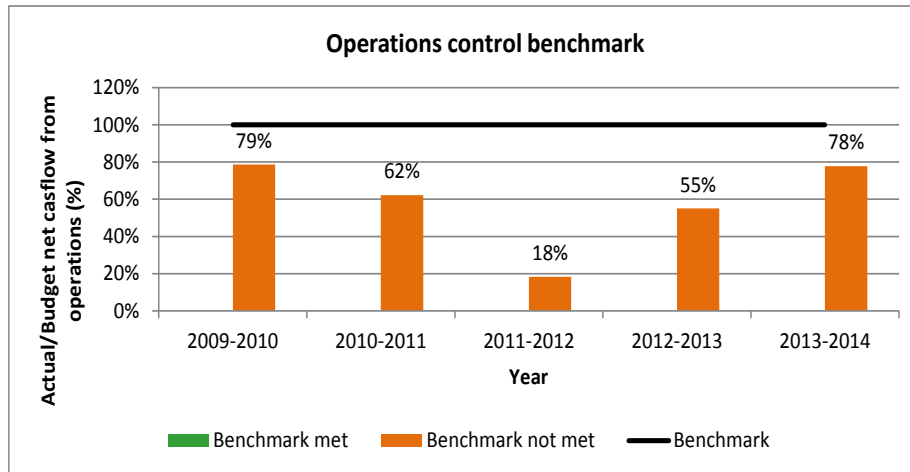
This Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the Council’s actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



For the 2012/2013 and 2013/2014 years, the lower than planned NZTA funding due to deferred expenditure and the higher than planned level of rate arrears are the primary reasons for the operations control budget not being met.

Notes to Financial Statements

1 Statement of Accounting Policies for the Year Ended 30 June 2014

Reporting Entity

Kaipara District Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of Kaipara District Council is to provide goods or services for the community or social benefit rather than making a financial return.

Accordingly, Kaipara District Council has designated itself as a public benefit entity for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The financial statements of Kaipara District Council are for the year ended 30 June 2014. The financial statements were authorised for issue by the Commissioners on 30 September 2014.

Basis of Preparation

Statement of Compliance

The financial statements of Kaipara District Council have been prepared in accordance with the requirements of the Local Government Act 2002 which includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

These financial statements have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Measurement Base

The financial statements have been prepared on a historical cost basis, modified by the revaluation of certain infrastructural assets, biological assets and derivative financial instruments.

Functional and Presentation Currency

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000). The functional currency of Kaipara District Council is New Zealand dollars.

Changes in Accounting Policies

Standards, amendments and interpretations issued but not yet effective that have not been early adopted, and which are relevant to the Council

The Minister of Commerce has approved a new Accounting Standards Framework developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council is classified as a Public Benefit Entity (PBE) and will be required to apply PBE Accounting Standards (Tier 1) and other New Zealand accounting standards and pronouncements that have authoritative support and are applicable to entities that apply the PBE Accounting Standards. The new standards are effective for periods beginning or after 1 July 2014.

Due to the change in the Accounting Standards Framework for PBE's, all new NZ IFRS and amendments to existing NZ IFRS are not applicable to PBE's. Therefore, the XRB has effectively frozen the financial reporting requirements for public benefit entities up until the new Accounting Standards Framework is effective. Accordingly, no disclosure has been made about new or amended NZ IFRS that exclude PBE's from their scope.

The following standard has been amended and published and is applicable, but the Council has not early adopted it:

“NZ IFRS 9 Financial Instruments (effective 1 January 2015). This standard will eventually replace NZ IAS 39 Financial Instruments – Recognition and Measurement and may be adopted by the Council for the year ending 30 June 2016, subject to the implementation of the new PBE standards. Management will assess the impact of this standard.”

Going Concern

This Annual Report has been prepared on the assumption that the Council is a going concern. The Council has a reasonable expectation that the Kaipara District Council has adequate resources to continue operations for the foreseeable future. The Council has reached this conclusion by giving consideration to the circumstances which it considers likely to affect the Council during the period of one year from the date of signing the 2013/2014 financial statements, and to circumstances which it knows will occur after that date which could affect the validity of the going concern assumption. As such, adoption of the assumption has been based on the provisions of NZ IAS 1 *Presentation of Financial Statements* in addition to the key consideration set out below.

Mangawhai Ratepayers and Residents Association Judicial Review Proceedings

As outlined in Note 26 below the Mangawhai Ratepayers and Residents Association lodged Judicial Review proceedings (CIV-2013-488-00152) in the High Court challenging, amongst other matters, the ability of the Council to set rates to service debt raised to fund construction of the Mangawhai Community Wastewater

Scheme. In its decisions² the High Court has determined that despite a failure on the part of the Council to comply with Part 6 of the Local Government Act 2002 when it made decisions to enter into the EcoCare Agreements and to adopt Modification 1, the loan agreements that the Council entered into are “protected transactions”. The effect of the decisions is that the Council has a legal obligation to repay the debt. The Court also made a finding that the Council is able to set rates to service the debt. The decision of the Court does not affect the Council’s ability to use other sources of revenue to service the debt.

The Mangawhai Ratepayers and Residents Association has appealed to the Court of Appeal. A decision of the Court of Appeal which overturns the decision of the High Court regarding whether the Council can set rates would create a number of financial challenges for the Council. The Council would not be able to raise revenue via rates to meet its debt servicing obligations. If the Council was to default on its obligations, the creditors of the debt would be able to accelerate the debt repayments and the Trustee, which holds security for the debt on behalf of the creditors, would be able to enforce the security. This gives the Trustee, amongst other powers, the ability to collect revenue from rates the Council could set for other purposes and/or appoint a receiver who would have powers to set rates to recover the secured amount.

Significant Accounting Policies

Revenue

Revenue is measured at the fair value of consideration received or receivable.

Rates Revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised when payable. Rates collected on behalf of the Northland Regional Council are not recognised in the financial statements as the Council is acting as an agent.

Grants Revenue

Kaipara District Council receives government grants from the NZ Transport Agency, which subsidises part of the Kaipara District Council’s costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

² Mangawhai Ratepayers and Residents Association v Kaipara District Council (CIV 2013-488-152), Judgement (No 3) of Heath J dated 28 May 2014 and Judgement (No 4) of Heath J dated 25 July 2014.

Other Revenue

Water billing revenue is recognised on an accrual basis. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.

Provision of Service

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Sales of Goods

Sales of goods are recognised when a product is sold to the customer. Sales are all in cash. The recorded revenue is the gross amount of the sale.

Vested Assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in Kaipara District Council are recognised as revenue when control over the asset is obtained.

Interest and Dividend Income

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Development Contributions

The revenue recognition point for development and financial contributions is when Kaipara District Council provides or is able to provide the service for which the contribution was levied. Otherwise, development or financial contributions are recognised as liabilities until such time as the Council provides, or is able to provide the service.

Borrowing Costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Grant Expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where Kaipara District Council has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the Kaipara District Council's decision.

Operating Leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term.

Cash and Cash Equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less.

Trade and Other Receivables

Trade and other receivables are initially measured at fair value, less any provision for impairment.

A provision for impairment of receivables is established when there is objective evidence that Kaipara District Council will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy, receivership or liquidation, and default in payments are considered indicators that the debt is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is reflected in the surplus/(deficit). When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been negotiated are reclassified as current (that is, not past due).

Financial Assets

Kaipara District Council classifies its financial assets into the following four categories: financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets and liabilities are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the surplus/(deficit).

Purchases and sales of investments are recognised on trade-date, the date on which Kaipara District Council commits to purchase or sell the asset. Financial assets are no longer recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Kaipara District Council has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used is the current bid price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Kaipara District Council uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The four categories of financial assets are:

1 Financial Assets At Fair Value Through Profit Or Loss

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus/(deficit).

2 Loans and Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/(deficit).

Loans, including loans to community organisations made by Kaipara District Council at nil, or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Income as a grant.

3 Held to Maturity Investments

Held to maturity investments are assets with fixed or determinable payments and fixed maturities that Kaipara District Council has the positive intention and ability to hold to maturity.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or derecognised are recognised in the surplus/(deficit).

4 Financial Assets At Fair Value Through Other Comprehensive Income

Financial assets at fair value through other comprehensive income are those that are designated into the category or are not classified in any of the other categories above.

This category encompasses:

- Investments that Kaipara District Council intends to hold long-term but which may be realised before maturity; and
- Shareholdings that Kaipara District Council holds for strategic purposes.

After initial recognition these investments are measured at their fair value.

Gains and losses are recognised directly in other comprehensive income except for impairment losses, which are recognised in the surplus/(deficit).

On derecognition the cumulative gain or loss previously recognised in equity is recognised in the surplus/(deficit).

Impairment of Financial Assets

At each balance sheet date Kaipara District Council assesses whether there is any objective evidence that a financial asset or group of financial assets is impaired. Any impairment losses are recognised in the surplus/(deficit). The impairment test is applied to loans and other receivables, and quoted and unquoted equity investments, as follows:

- **Loans and Other Receivables**

Impairment of a loan or a receivable is established when there is objective evidence that Kaipara District Council will not be able to collect amounts due according to the original terms. Significant financial difficulties of the debtor/issuer, probability that the debtor/issuer will enter into bankruptcy, and default in payments are considered indicators that the asset is impaired. The amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate. For debtors and other receivables, the carrying amount of

the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the surplus/(deficit). When the receivable is uncollectable, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (ie not past due). For term deposits, local authority stock, government stock and community loans, impairment losses are recognised directly against the instruments carrying amount.

Impairment of term deposits, local authority, government stock, and related party and community loans is established when there is objective evidence that the Council will not be able to collect amounts due to the original terms of the instrument. Significant financial difficulties of the issuer, probability the issuer will enter into bankruptcy, and default in payments are considered indicators that the instrument is impaired.

- **Quoted and Unquoted Equity Investments**

For equity investments classified as fair value through other comprehensive income, a significant or prolonged decline in the fair value of the investment below its cost is considered an indicator of impairment. If such evidence exists the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income) is removed from equity and recognised in the surplus/(deficit). Impairment losses recognised in the surplus/(deficit) on equity investments are not reversed through the surplus/(deficit).

Accounting for Derivative Financial Instruments and Hedging Activities

The Council's activities expose it primarily to the financial risks of changes in interest rates. The Council uses interest rates swaps to manage its exposure. Derivative financial instruments are recognised initially at fair value. The Council has elected not to hedge account for these derivative financial instruments. Changes in the fair value of the derivative financial instruments are recognised in the surplus/(deficit).

Non-Current Assets Held for Sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current assets held for sale are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs of non-current assets held for sale are recognised in the surplus/(deficit).

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, Plant and Equipment

Property, plant and equipment consist of:

Operational Assets

These include land, buildings, plant and equipment, and motor vehicles.

Restricted Assets

Restricted assets are elderly persons housing and parks and reserves owned by Kaipara District Council which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure Assets

Infrastructure assets are the fixed utility systems owned by Kaipara District Council. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to Kaipara District Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost such as a vested asset, it is recognised at fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Kaipara District Council and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus/(deficit). When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent Costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to Kaipara District Council and the cost of the item can be measured reliably.

Assets Under Construction

Assets under construction are not depreciated. The total cost of a project is transferred to the relevant asset class on its completion and then depreciated. The current carrying amount of items under construction is disclosed in Note 20.

Revaluation

Infrastructural assets are revalued with sufficient regularity by independent valuers to ensure that their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive income and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive income.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

	Expected Life Years	Depreciation Straight Line		Expected Life Years	Depreciation Straight Line
Roading			Water	20-80	1.25%-4%
Top Surface (seal)	4-20	5%-25%	Wastewater	14-80	1.25%-7%
Pavement (basecourse)			Stormwater	40-80	1.25%-2.5%
• Urban Sealed	40-80	1.25%-2.5%	Landfills and Transfer Stations	33.3	3.0%
• Rural Sealed	40-80	1.25%-2.5%	Halls	50	2%
• Unsealed	2-6	5%	Elderly Persons Housing	50	2%
Foundation and Unsealed Subgrade	n/a ³	-	Plant, Equipment and Motor Vehicles	5-10	10%- 20%
Culverts	25-100	1%-4%	Buildings	50	2%
Kerb and Channel	25-80	1%-1.25%	Building Contents	10	10%
Bridges	40-100	1%-2.5%	Other Plant	5	20%
Signs	12	8.3%	Computer and Office Equipment	5	20%
Lights	15-40	2.5%-6%	Library Collection	5	20%
Footpaths	25-80	1.25%-4%			
Drainage	15-100	1%-6%			

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

³Not depreciated

Intangible Assets

Software Acquisition and Development

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by Kaipara District Council, are recognised as an intangible asset. Direct costs include the software development employee costs and an appropriate portion of relevant overheads.

Easements

Easements are recognised at cost, being the costs directly attributable in bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in the surplus/(deficit).

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Computer software	3 years	33%
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Biological (Forestry Assets)

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus/(deficit).

The costs to maintain the forestry assets are included in the surplus/(deficit).

New Zealand Units (Forestry) – Emissions Trading Scheme

Emission Trading Units allocated under the Emissions Trading Scheme are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The credits are recognised when they have been received and are recognised as income in the Statement of Comprehensive Income. Gains and losses on

disposal are determined by comparing the disposal proceeds with the carrying amount of the NZU. Gains and losses on disposals are reported in the surplus or deficit.

After initial recognition, Emission Trading Scheme credits are measured at their fair values with gains or losses on re-measurement recognised in the surplus or deficit.

Impairment of Non-Financial Assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount.

For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus/(deficit).

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus/(deficit).

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in the surplus/(deficit), a reversal of the impairment loss is also recognised in the surplus/(deficit).

For assets not carried at a revalued amount the reversal of an impairment loss is recognised in the surplus/(deficit).

Creditors and Other Payables

Creditors and other payables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method.

Employee Benefits

Short-term Benefits

Employee benefits that Kaipara District Council expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date.

Superannuation Schemes

Defined Contribution Schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Income.

Provisions

Kaipara District Council recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "Finance Costs".

Financial Guarantee Contracts

A financial guarantee contract is a contract that requires Council to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract was issued in a stand-alone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received a provision is recognised based on the probability Council will be required to reimburse a holder for a loss incurred discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting at fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation, however if Council assessed that it is probable that expenditure will be required to settle a guarantee, then the provision for the guarantee is measured at the present value of the future expenditure.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless the Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of balance date.

Equity

Equity is the community's interest in Kaipara District Council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of reserves.

The components of equity are:

- Accumulated funds
- Restricted reserves
- Council created reserves
- Asset revaluation reserves.

Restricted and Council Created Reserves

Restricted and Council Created Reserves are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Kaipara District Council.

These Reserves are subject to specific conditions accepted as binding by Kaipara District Council and which may not be revised by Kaipara District Council without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met. The Mangawhai Endowment Fund referred to in this document includes the Mangawhai Endowment Lands Account referred to in section 8 of the Mangawai Lands Empowering Act 1966.

Also included are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

Asset Revaluation Reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

Good and Service Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the balance sheet.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Statement of Cash Flows. Commitments and contingencies are disclosed exclusive of GST.

Budget Figures

The budget figures are those approved by the Council and reflect Year 2 of the Long Term Plan 2012/2022. All references to Annual Plan 2013/2014 relate to Year 2 of the Long Term Plan 2012/2022. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by Kaipara District Council for the preparation of the financial statements.

Cost Allocation

Kaipara District Council has derived the cost of service for each significant activity of Kaipara District Council using the cost allocation system outlined below:

- Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity
- Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost allocations determined by management.

Critical Accounting Estimates and Assumptions

In preparing these financial statements Kaipara District Council has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations or future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Closure and Post-Closure Provisions

Landfill closure and post-closure provisions were first established by Kaipara District Council in 2002. Costs, deferred closure and post closure costs and the resulting provisions were assessed and valued as at the date of adoption (June 2002) and recognised in the accounts on that basis.

All Council landfills are now closed. Provision has been made for the future costs of closing the Dargaville and Hakaru landfills being the aftercare of the landfill for the prescribed period. Estimated costs, adjusted for inflation, have been built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment and the anticipated remaining lives of the landfills are performed regularly.

The impact of changes to the provision arising from the reassessment of the life of the landfill and estimated future costs are capitalised to deferred closure and post-closure costs within property, plant and equipment in the Statement of Financial Position. The annual change in the net present value of the provision due to the passage of time is recorded as the time value adjustment of provisions in the Statement of Comprehensive Income. Financial reporting standards require this to be disclosed as an interest cost in the Statement of Comprehensive Income.

Infrastructural Assets

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example the Council could be carrying an asset at an amount that does not reflect its actual condition. This is particularly so for those assets, which are not visible, for example underground stormwater, wastewater and water supply pipes. This risk is minimised by Council performing a combination of physical inspections and condition modelling assessments of underground assets;
- estimating any obsolescence or surplus capacity of an asset; and
- estimates are made when determining the remaining useful lives over which the asset will be depreciated. These estimates can be impacted by the local conditions, for example weather patterns and traffic growth. If useful lives do not reflect the actual consumption of the benefits of the asset, then Kaipara District Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise this risk Kaipara District Council's infrastructural asset useful lives have been determined with reference to the New Zealand Infrastructural Asset Valuation and Depreciation Guidelines published by the National Asset Management Steering Group, and have been adjusted for local conditions based on

past experience. Asset inspections, deterioration and condition modelling are also carried out regularly as part of the Kaipara District Council's asset management planning activities, which gives Kaipara District Council further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Critical Judgements in applying Kaipara District Council's Accounting Policies

Management has exercised the following critical judgements in applying the Kaipara District Council's accounting policies for the period ended 30 June 2014:

- **Classification of Property**

Kaipara District Council owns a number of properties, which are maintained primarily to provide housing to pensioners.

The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the Kaipara District Council's social development policy. These properties are accounted for as property, plant and equipment.

2 Income and Expenditure Summary for Groups of Activities

Operating Result for the Year

- (i) In describing the operating result for the year, all revenue and expenditure directly related to a significant activity has been included in the Funding Impact Statement for that activity.
- (ii) The allocation of Corporate Services has been applied based on Council budgeted activities.

2(a) Revenue Summary (excluding Rates)

For the year ending:	Actual	Annual Plan	Annual Report
30 June	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000

by Groups of Activities

	Note		
Community Activities	1,668	1,255	1,325
Regulatory Management	1,842	1,709	1,775
District Leadership	1,526	1,289	3,252
Emergency Management	163	104	-1
Solid Waste	191	63	145
Roads and Footpaths	6,663	10,169	6,987
Stormwater Drainage	2	31	0
Flood protection and control works	5	0	0
Sewerage and the treatment and disposal of sewage	1,271	666	1,454
Water Supply	2,631	2,669	2,549
Total Groups of Activities Revenue	15,962	17,955	17,486

2(b) Cost of Service Summary

For the year ending:	Actual	Annual	Annual
30 June	2013-2014	Plan	Report
	\$'000	2013-2014	2012-2013
	\$'000	\$'000	\$'000
by Groups of Activities			
Community Activities	3,566	3,958	3,304
Regulatory Management	2,811	2,067	2,018
District Leadership	6,397	4,259	4,768
Emergency Management	415	353	249
Solid Waste	546	685	2,305
Roads and Footpaths	16,187	20,507	17,187
Stormwater Drainage	1,007	1,338	953
Flood protection and control works	486	460	532
Sewerage and the treatment and disposal of sewage	8,088	7,719	6,644
Water Supply	2,701	2,666	3,009
Total Groups of Activities Costs	42,204	44,012	40,969

2(c) Cost of Service Summary - Analysis

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
	\$'000	\$'000
Analysis of Expenditure		
Depreciation and Amortisation	9,414	9,291
Employee Benefit Expenses	5,277	4,503
Finance costs	3,853	4,580
Impairment of Property, Plant and Equipment	0	415
Asset revaluation through Profit and Loss	1,608	0
Other Expenses	22,052	22,180
Total Expenditure	42,204	40,969

Salaries and Wages also include employer contributions to Kiwisaver which is a Defined Contribution Plan. Employer contributions totalled 2014: \$123,000 (2013: \$66,000).

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
	\$'000	\$'000
Analysis of Employee Benefit Expenses		
Salaries and Wages	4,763	4,443
Increase/(Decrease) in Annual Leave Provision	514	60
Total Employee Benefit Expenses	5,277	4,503

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
	\$'000	\$'000
Analysis of Finance Costs		
Interest on Bank Loans	3,252	3,696
Unwind of Commitment Fees	39	465
Interest on Local Government Stock	413	413
Discount unwind on provisions	149	0
Fair value loss on Interest rate swap derivatives	0	0
Capitalised Interest on Forestry Loan	0	6
Total Finance Costs	3,853	4,580

3 Rates Revenue

For the year ending:	Actual	Annual	Annual
30 June	2013-2014	Plan	Report
	\$'000	2013-2014	2012-2013
		\$'000	\$'000
General Rate allocation			
Community Activities	2,671	2,653	2,066
Regulatory Management	351	329	326
Emergency Management	286	286	263
District Leadership	4,766	4,226	4,623
Solid Waste	745	694	590
Roads and Footpaths	10,051	10,102	483
Stormwater Drainage	135	135	109
Flood Protection and Control Works	7	7	6
Sewerage and the Treatment and Disposal of Sewage	1,419	1,419	910
Water Supply	0	0	22
Total General Rate	20,431	19,851	9,398
Targeted Rates			
Sewerage and the Treatment and Disposal of Sewage	4,888	4,977	4,250
Stormwater Drainage	1,190	1,174	991
Flood Protection and Control Works	527	526	543
Roads and Footpaths	0	0	8,620
Water Supply	0	0	0
<i>Community Activities :</i>			
Mangawhai Harbour Restoration Rate	271	267	259
Dargaville Amenity Rate	0	0	389
Ruawai/Tokatoka Hall Rate	15	15	15
Total Targeted Rates	6,891	6,959	15,067
Total Rates	27,322	26,810	24,465

3 (a) Rates Base Information

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 30A of Schedule 10.

	As at 30 June 2013	As at 30 June 2012	
a	Number of rating units within the Kaipara District at 30 June 2013	14,764 units of which 13,958 are rateable	14,685 units, of which 13,885 are rateable
b	Total capital value of rating units within the Kaipara District at 30 June 2013	\$6,131,774,700 of which \$5,962,959,650 is rateable	\$6,076,827,550, of which \$5,909,799,500 is rateable
c	Total land value of rating units within the Kaipara District at 30 June 2013	\$3,620,788,100 of which \$3,553,872,550 is rateable	\$3,611,792,950 of which \$3,544,949,400 is rateable

4 Subsidies and Grants

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Subsidies and Grants		
New Zealand Transport Rooding Subsidies	6,454	6,819
Cadet Career Programme	0	17
Total Subsidies and Grants	6,454	6,836

5 Investments and Other Income

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Investments and Other Income		
Petrol Tax	149	149
Emission Trading Scheme NZUs	89	77
Insurance recoveries	0	28
Gain on Disposal on Property, Plant and Equipment	44	169
Unrealised Gain on Forestry Revaluation	89	568
Unrealised Loss on Shareholding valuation	-1	-6
Finance Income	1,064	1,215
Lump sum contributions	57	713
Vested Assets	115	5
Sundry Income	74	28
Total Investment and Other Income	1,680	2,946

6 Finance Income

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Finance Income		
Interest - Call and Short Term Investment Accounts	20	60
Unrealised Gain on Revaluation of Interest Rate Swaps	1,044	1,155
Total Finance Income	1,064	1,215

7 Expense Item Disclosure

The following items of expenditure are included in the Statement of Comprehensive Income, and are shown separately in compliance with New Zealand Generally Accepted Accounting Practice.

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Fees Paid to Principal Auditor		
Fees for audit of the Long Term Plan	0	131
Fees for audit of the Annual Report	181	176
Fees for other services	46	0
Total Fees Paid to Principal Auditor	227	307
Other Expenses		
Interest Expense on Borrowing	3,665	4,115
Mayor and Councillors Fees	0	62
Commissioners Fees	373	327
Change to Provision for Doubtful Debts	183	81
Rental Expense on Operating Leases	158	198
Insurance Premiums	283	230
Legal and Consulting	2,399	1,705

The auditor of Council is Deloitte for and on behalf of the Auditor-General.

8 Income Tax

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
Net Surplus (Deficit)		
Net Surplus (Deficit)	1,080	982
Plus (less) tax effect of:		
Non taxable items	-1,080	-982
Tax Expense	0	0
Current tax	0	0
Deferred tax	0	0
Tax Expense	0	0

9 Ratepayers Equity

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
Accumulated Funds		
Balance at 1 July	391,069	334,847
plus Surplus/(Deficit) For Year	1,080	982
Transfers from Accumulated Funds to:		
Restricted Reserves	205	525
Council Created Reserves	12,155	5,006
Total Transfers from Accumulated Funds	12,360	5,531
Transfers to Accumulated Funds from:		
Restricted Reserves	129	709
Council Created Reserves	11,132	60,065
Total Transfers to Accumulated Funds	11,261	60,774
Closing Balance as at 30 June	391,050	391,072
Asset Revaluation Reserves		
Balance at 1 July	145,217	134,557
Revaluation Gains/(Losses)	12,719	10,660
Closing Balance as at 30 June	157,936	145,217
Asset Revaluation Reserves		
Operational Assets:		
Land	302	302
Buildings	0	0
Total Operational Assets	302	302
Infrastructural Assets:		
Roads and Footpaths	139,909	127,190
Water Supply	7,192	7,192
Sewerage and the treatment and disposal of sewage	0	0
Stormwater Drainage	10,042	10,042
Flood Protection and control works	491	491
Total Infrastructural Assets	157,634	144,915
Total Asset Revaluation Reserves	157,936	145,217

Comparative information has been restated

9(a) Equity Reserve Movements

	Balance 1 July \$'000	Transfers Into fund \$'000	Transfers Out of fund \$'000	Balance 30 June \$'000
Reserves Movements for 2014				
Restricted Reserves				
Mangawhai Endowment Fund	5,542	205	-129	5,618
Council Created Reserves				
Depreciation (Asset Renewal) Reserve	237	4,944	-2,306	2,875
Land Subdivision Reserve	3,962	596	-66	4,492
Special Loans Reserve	0			0
Dargaville Wharf Reserve	0			0
Flood protection and control works - Retained Earnings	534	112	-90	556
MCWWS Sewerage and the treatment and disposal of sewage - Retained Earnings	-7,848	0	-3,897	-11,745
Other Sewerage and the treatment and disposal of sewage - Retained Earnings	185	1,725	-1,565	345
Water Supply - Retained Earnings	30	1,255	-1,410	-125
Stormwater drainage - Retained Earnings	304	1,059	-714	649
Roads and Footpaths Contributions	1,068	313	-276	1,105
MCWWS Development Contributions	-25,937	148	0	-25,789
Other Development Contributions	1	12	-1	12
MCWWS User Capital Reserve	-13,220	719	0	-12,501
MCWWS District Capital Reserve	-11,300	1,272	0	-10,028
Debt Repayment Reserve	807	0	-807	0
Total Council Created Reserves Movements for 2014	-51,177	12,155	-11,132	-50,154

	Balance 1 July \$'000	Opening Transfers \$'000	Transfers Into fund \$'000	Transfers Out of fund \$'000	Balance 30 June \$'000
Reserves Movements for 2013					
Restricted Reserves					
Mangawhai Endowment Fund	5,726	0	525	-709	5,542
Council Created Reserves					
Depreciation (Asset Renewal) Reserve	19	0	237	-19	237
Land Subdivision Reserve	3,768	0	489	-295	3,962
Special Loans Reserve	94	0	0	-94	0
Dargaville Wharf Reserve	2	0	0	-2	0
Flood protection and control works - Retained Earnings	0	514	81	-61	534
Sewerage and the treatment and disposal of sewage - Retained Earnings	0	-7,100	340	-903	-7,663
Water Supply - Retained Earnings	0	0	139	-109	30
Stormwater drainage - Retained Earnings	0	0	304	0	304
Roads and Footpaths Contributions	0	1,507	140	-579	1,068
MCWWS Development Contributions	0	-26,200	263	0	-25,937
Other Development Contributions	0	0	4	-3	1
MCWWS User Capital Reserve	0	-13,400	180	0	-13,220
MCWWS District Capital Reserve	0	-11,300	0	0	-11,300
Debt Repayment Reserve	0	0	807	0	807
Total Council Created Reserves Movements for 2013	3,883	-55,979	2,984	-2,065	-51,177

Purpose of each Reserve Fund:

Mangawhai Endowment Fund Reserve relates to assets vested to the Council from the Mangawhai Harbour Board via the Mangawhai Lands Empowering Act 1966. The Act requires the Fund (assets) to be held for county (or Council) purposes that are of benefit to the Mangawhai area.

Depreciation (Asset Renewal) Reserves are used for the funding of capital renewals and/or to repay loans and are derived from the funding of depreciation within each asset carrying activity in accordance with the existing revenue and financing policies.

Retained earnings reserves ensure that targeted rate funded activities have their operating surpluses and deficits separated for the future application towards those targeted areas of benefit.

Contributions towards infrastructure growth through the provisions of Council's Development Contributions Policy are separately recognised and accounted for in Contribution Reserves based on the specified activities.

Scheme Capital Reserves recognise the two ratepayer reserves that distinguishes their respective contributions in accordance with the Long Term Plan 2012/2022. The deficits in capital and operating costs of the Mangawhai Community Wastewater Scheme are recognised as debit balances in Council Created Reserves. The Funding Impact Statement set out in the Amendment to the Long Term Plan 2012/2022 establishes Council's strategy to address the deficit balance.

10 Cash and Cash Equivalents

As at 30 June	Actual 2013-2014 \$'000	Annual Report 2012-2013 \$'000
Cash and Cash Equivalents		
Cash at Bank and In Hand	4,588	438
Total Cash and Cash Equivalents	4,588	438

The carrying value of short-term deposits with maturity dates of three months or less approximates their fair value. There were no cash or cash equivalent balances held at 30 June 2014 that were not available for use by Council. The weighted average interest rate for the year for cash and cash equivalents was 3.86 per cent (2013: 3.17 per cent).

11 Other Financial Assets

Other financial assets are valued at fair value. Mortgages are measured at amortised cost using the effective interest method, and taking full account of impairment if applicable.

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Other Financial Assets		
Current Portion of Investments		
Property Mortgage	0	2
Loan	15	0
Total Current Financial Assets	15	2
Non Current Portion of Investments		
Emission Trading Scheme - NZU's	158	68
Shares	15	16
Property Mortgage	0	51
Total Non Current Financial Assets	173	135

11(a) Repricing Maturities

Repricing maturities of investments were:

	< 1 Year	1-2 Years	2-5 Years	> 5 Years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Repricing Maturities (2014)					
Loans	15	0	0	0	15
	15	0	0	0	15
Repricing Maturities (2013)					
Loans	53	0	0	0	53
	53	0	0	0	53

11(b) Shareholdings

New Zealand Local Government Insurance Corporation Limited:

- 13,629 shares of \$1.00 each. Council holds 0.1 per cent of the issued shares.

An estimate of the fair value is based on the Council's share of the net assets.

11(c) Emissions Trading Scheme

The Council has 649 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand Emissions Trading Scheme (ETS). The ETS units had a market value of \$4.05 as at 30 June 2014 (2013: \$1.75). The implication of this for the financial statements is two-fold:

- Should the land be deforested (that is, the land is changed from forestry to being used for some other purpose), a deforestation penalty will arise; and
- As a result of the deforestation restriction, compensation units are being provided by the Government.

Compensation is provided to forestry owners via the allocation of compensation units known as New Zealand Units (NZUs) in two tranches. Council received the first tranche of 14,927 units in December 2012 and the second tranche of 24,013 in February 2013.

Compensation units are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The units are recognised when they have been received and are recognised as income in the Statement of Comprehensive Income. Gains and losses are determined by comparing the disposal proceeds with the carrying amount of the NZU. Gains and losses on disposals are reported in the surplus or deficit. After initial recognition NZUs are measured at fair value with gains or losses on re-measurement recognised in the surplus or deficit.

12 Trade and Other Receivables

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
<i>Trade and Other Receivables</i>		
Sundry Debtors	1,122	2,477
Land Rates and Penalties	6,277	6,045
Water Rates and Charges	1,022	656
Dog Licences and Dog Infringements	157	156
Prepayments	899	641
Gross Trade and Other Receivables	9,477	9,975
less Provision for Impairment- Land Rates	-1,796	-1,874
less Provision for Impairment - Other Debtors	-283	-22
Total Trade and Other Receivables	7,398	8,079

As at 30 June 2014 all overdue receivables, including rates, have been assessed for impairment and appropriate provisions applied. Council holds no collateral as security or other credit enhancements over receivables, but does have rates recovery powers under the Local Government (Rating) Act 2002. Those powers are exercised to recover all rates other than on some Maori land with multiple owners, impairment of which is included in the Council's doubtful debt provision.

12(a) Movement in Impairment Provision

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Movement in Impairment Provision		
<i>Opening Balance - Impairment Provision</i>	-1,896	-1,815
Estimated Increase/Decrease in Doubtful Debts	-183	-81
Closing Balance - Impairment Provision	-2,079	-1,896

The carrying value of trade and other receivables approximates their fair value.

12(b) Analysis of Total Trade and Other Receivables Ageing

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Not past due	1,768	1,916
Past due 1-30 days	27	1,556
Past due 31-60 days	929	89
Past due 60 days	4,674	4,518
Total Trade and Receivables Ageing	7,398	8,079

13 Accrued Revenue

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Accrued Revenue		
Water Charges	570	521
Petrol Tax	25	25
New Zealand Transport Agency Subsidies	672	647
Other	269	194
Total Current Financial Assets	1,536	1,387

14 Non-Current Assets Held for Sale

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Non-Current Assets Held For Sale		
Land	0	0
Building	380	175
Total	380	175

Prior year comparatives have been reclassified.

15 Trade and Other Payables

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
Trade and Other Payables		
Trade Creditors	2,913	3,390
Accrued Expenses	2,548	1,956
Deposits Held	1,568	1,598
Receipts Held in Advance	484	340
Income in Advance	36	58
Total Trade and Other Payables	<u>7,549</u>	<u>7,342</u>

Trade and Other Payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

16 Provisions

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
Current Provisions		
Landfill closure and aftercare	119	122
Desludging provision to satisfy consents	0	227
Building repairs	63	65
Provision for GST Liability	0	115
Total Current Provisions	<u>182</u>	<u>529</u>
Non Current Provisions		
Landfill closure and aftercare	4,056	4,027
Total Non Current Provisions	<u>4,056</u>	<u>4,027</u>
Total Provisions	<u>4,238</u>	<u>4,556</u>

16(a) Provisions – Movement in the Provision

	Landfill Closure & Aftercare \$'000	Building Repair \$'000	Legal Claims \$'000	Loan Guarantee \$'000	Desludging Works \$'000	Provision for GST Liability \$'000	Total \$'000
The movement in the provisions are represented by:							
2014							
Balance as at 1 July 2013	4,149	65	0	0	227	115	4,556
Additional provisions made	148	0	0	0	0	0	148
Amounts used	-124	0	0	0	-227	-115	-466
Unused amount reversed	0	0	0	0	0	0	0
Balance at 30 June 2014	4,173	65	0	0	0	0	4,238
2013							
Balance as at 1 July 2012	2,431	78	15	258	0	0	2,782
Additional provisions made	1,876	0	0	0	227	115	2,218
Amounts used	-158	0	0	0	0	0	-158
Unused amount reversed	0	-13	-15	-258	0	0	-286
Balance at 30 June 2013	4,149	65	0	0	227	115	4,556

Landfill Aftercare Provisions

The Council has Resource Consents to operate landfills at Dargaville and Hakaru. These landfills are now closed. Council has responsibility under the Resource Management Act (1991) to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

The provision for Hakaru closure and post-closure costs was increased in 2012/2013 following an independent assessment by VK Consulting Environmental Engineers Ltd. A number of Hakaru landfill closure options were presented to Council's management including maintaining the status quo (which requires the continuation of leachate removal) through to the excavation and removal of all refuse from the site in 2025. Apart from the refuse removal option, all other options require ongoing cost to Council. Council's management preferred the removal option on the basis that it was the only option that will enable Council to eliminate the ongoing liability. The cost of the removal option was provided for in the 2012/2013 financial statements.

Closure and Post-Closure Responsibilities include the following:

- Final cover and vegetation
- Drainage control features to minimise infiltration of stormwater
- Completing facilities for leachate collection and treatment
- Ongoing monitoring as per discharge consent conditions; and
- Completing facilities for monitoring of landfill gas and ensuring no hazard exists.

Post-Closure Responsibilities

- Treatment and monitoring of leachate
- Groundwater and surface water monitoring
- Gas monitoring and flaring if required
- Implementation of remedial measures such as needed for settlement and cracking of capping layer
- Ongoing site maintenance for drainage systems, final cover and vegetation; and
- Ensure closed landfill is suitable for intended future use.

Provision

The cash flows for the landfill post-closures, particularly for Hakaru, are expected to occur up to 2026. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred. The provision has been estimated taking into account existing technology and is discounted using a discount rate of 7 per cent.

The following major assumptions have been made in the calculation of the provision:

- The cost of monitoring of surface/groundwater including the removal of leachate
- No major remedial works being required at any of the sites; and
- Costs associated with the removal of refuse from Hakaru to remain at current day levels adjusted only for inflation (3 per cent).

17 Employee Entitlements

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Employee Entitlements		
Salaries and Wages Due 30 June	129	105
Holiday Pay Accrued Due	385	293
Total Employee Entitlements	514	398

18 Public Debt

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
Opening Balance		
	77,540	79,086
add Funds Raised	45,840	35,850
add Amortisation Loan Commitment Fees	39	465
add Capitalised Interest on Forestry Loan at 7%	0	6
	123,419	115,407
less Repayments	-47,120	-37,867
Closing Balance	76,299	77,540
Current Portion	59,190	4,081
Non-Current Portion	17,109	73,459
Total Public Debt	76,299	77,540
Balances are represented by:		
Bank Loans	69,712	70,953
Local Government Stock	6,587	6,587
	76,299	77,540

Term Liabilities include Local Authority Loan and Bank Loans with maturity dates from 2015 to 2016. Interest rates for Local Authority Loan and Bank Loans range from 3.93 per cent to 7.33 per cent. Mangawhai Community Wastewater Scheme was refinanced in July 2014 with a loan interest rate set quarterly based on the bank bill rate plus a margin of 1.50 per cent (2013:0.55 per cent). All term liabilities are secured by either rates levied by Council, property rentals or future harvesting of trees from Council's forests.

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
<i>Maturity Dates and Interest Rates for Term Debt</i>		
Current Portion (3.93% to 7.33%)	59,190	4,081
2 to 5 years at 6.0% to 6.52%	17,109	73,459
Total	<u>76,299</u>	<u>77,540</u>

Undrawn Facilities

Undrawn Facilities of \$16.0 million were available at 30 June 2014 (2013: \$18.3 million).

Interest Rate Risk

The interest rates on Kaipara District Council's borrowings are disclosed above, and the rates applicable to Council's investments are disclosed in Note 11(a).

Fair Value Interest Rate Risk

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings issued at fixed rates expose the Council to fair value interest rate risk. Council's Liability Management Policy outlines the level of borrowing that is to be secured using fixed rate instruments. Investments at fixed interest rates expose the Council to fair value interest rate risk. If interest rates on investments at 30 June 2014 had fluctuated by plus or minus 0.5 per cent the effect would have been to decrease/increase the fair value held for maturity reserve by \$Nil (2013: \$Nil).

The fair value of the debt is not considered to be materially different from the carrying amount.

Cash Flow Interest Rate Risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose the Council to cash flow interest rate risk. Such risk is considered to be low given Council has utilised interest rate swaps to manage these risks.

The Council raises long term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if the Council borrowed at fixed rates directly. Under the interest rate swaps the Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts (2014: \$79 million, 2013: \$50 million).

Loan Covenant

The Council has loans that amount to \$76.3 million at 30 June 2014 (2013: \$77.5 million). There are a number of covenants included within the loan agreements that Council has with its bankers. These include a requirement to adopt an Annual Report within four months of the end of the financial year and then forward a copy of that Annual Report to the Bank. No breach of these loan covenants has occurred during the period.

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
	\$'000	\$'000
<i>Weighted Average Effective Interest Rates</i>	3.99%	4.33%

18(a) Compliance with Liability Management Policy

	Target	Achievement	Policy Compliance	Comment
	%	%	Y/N	
<i>Overall Fixed: Floating Mix</i>	60%-90%	73%	Yes	Achieved
<i>Debt and Facilities/Current External Debt</i>	110%	121%	Yes	Achieved
<i>Net Debt as a percentage of Total Revenue</i>	<250%	178%	Yes	Achieved
<i>Net Interest as a percentage of Total Revenue</i>	<20%	9%	Yes	Achieved
<i>Net Interest as a percentage of Annual Rates Income</i>	<30%	15%	Yes	Achieved
<i>Fixed Rate Debt Maturity Profile:</i>				
1 - 3 years	15% - 60%	19%	Yes	Achieved
3 - 5 years	15% - 60%	27%	Yes	Achieved
5 - 10 years	0% - 60%	54%	Yes	Achieved
<i>Debt Maturity Profile:</i>				
0 - 3 years	15% - 60%	84%	Yes	Out of policy position approved by Council 29 April 2014
3 - 5 years	15% - 60%	16%	Yes	Out of policy position approved by Council 29 April 2014
5 years plus	10% - 40%	0%	Yes	Out of policy position approved by Council 29 April 2014

19 Financial Instruments

All financial instruments in the Financial Statements are carried at their amortised costs with the exception of shares in companies, interest rate swaps and ETS units (refer Note 11). Financial Instruments, which potentially subject Council to credit risk, consist of bank and debtor balances. Rates debtors are secured by a lien over land. There is no collateral for other debtors. Council is not exposed to any concentration of credit risk.

The Council is risk averse and seeks to minimise exposure arising from its treasury activities. To this end, the Council invests funds in deposits with registered banks.

20 Property, Plant and Equipment

	Opening Cost \$'000	Opening Accumulated Depreciation & Impairment Charges \$'000		Carrying Amount \$'000	Additions Current Year \$'000	Reclass Current Year \$'000	Disposals Current Year \$'000	Transfer to Assets Held for Sale \$'000	Impairments Current Year \$'000	Depreciation Current Year \$'000	Revaluation Surplus/(Loss) Current Year \$'000	Closing Accumulated Depreciation & Impairment Charges \$'000		Carrying Amount \$'000	
		Opening 1-Jul-13	1-Jul-13									30-Jun-14	30-Jun-14		
		1-Jul-13	1-Jul-13									30-Jun-14	30-Jun-14		
Property, Plant and Equipment: 2014															
<i>Infrastructural Assets</i>															
Roads and Footpaths	415,625	0	415,625	3,640	618	-5	0	0	0	-6,086	12,719	426,511	0	426,511	
Stormwater Drainage	21,372	0	21,372	0	0	0	0	0	0	-364	0	21,372	-364	21,008	
Flood Protection and Control Works	12,240	0	12,240	45	0	0	0	0	0	-101	0	12,285	-101	12,184	
Sewerage and the Treatment and Disposal of Sewage Plant	54,952	-3,706	51,246	415	0	0	0	0	0	-1,288	-1,608	48,765	0	48,765	
Sewerage and the Treatment and Disposal of Sewage Land	4,548	0	4,548	0	0	0	0	0	0	0	0	4,548	0	4,548	
Water Supply	27,053	0	27,053	778	0	0	0	0	0	-1,110	0	27,831	-1,110	26,721	
Solid Waste	1,314	-1,194	120	0	0	0	0	0	0	0	0	1,314	-1,194	120	
Work in Progress	618	0	618	698	-618	0	0	0	0	0	0	698	0	698	
Total Infrastructural Assets	537,722	-4,900	532,822	5,576	0	-5	0	0	0	-8,949	11,111	543,324	-2,769	540,555	
<i>Restricted Assets</i>															
Reserves	17,450	0	17,450	52	0	0	-21	0	0	0	0	17,481	0	17,481	
Social Housing	2,238	-257	1,981	0	0	0	0	0	0	-44	0	2,238	-301	1,937	
Swimming Pool (old)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
MEF Property	817	0	817	0	0	0	0	0	0	0	0	817	0	817	
Halls	2,220	-434	1,786	0	0	-112	0	0	0	-42	0	2,108	-476	1,632	
Total Restricted Assets	22,725	-691	22,034	52	0	-112	-21	0	0	-86	0	22,644	-777	21,867	
<i>Operational Assets</i>															
Land	8,115	-102	8,013	0	0	-9	-190	0	0	0	0	7,916	-102	7,814	
Buildings	6,072	-1,067	5,005	72	0	0	0	0	0	-122	0	6,144	-1,189	4,955	
Building Contents	1,323	-1,083	240	65	0	0	0	0	0	-26	0	1,388	-1,109	279	
Mobile Plant (incl MV's)	946	-688	258	33	0	0	0	0	0	-67	0	979	-755	224	
Static Plant	106	-106	0	0	0	0	0	0	0	0	0	106	-106	0	
Library Books	130	-6	124	53	0	0	0	0	0	-31	0	183	-37	146	
Office Equipment	2,930	-2,720	210	340	0	0	0	0	0	-133	0	3,270	-2,853	417	
Total Operational Assets	19,622	-5,772	13,850	563	0	-9	-190	0	0	-379	0	19,986	-6,151	13,835	
Total Property, Plant and Equipment	580,069	-11,363	568,706	6,191	0	-126	-211	0	0	-9,414	11,111	585,954	-9,697	576,257	

	Opening Cost \$'000	Opening Accumulated Depreciation & Impairment Charges \$'000	Carrying Amount \$'000	Additions Current Year \$'000	Reclass Current Year \$'000	Disposals Current Year \$'000	Transfer to Assets Held for Sale \$'000	Impairments Current Year \$'000	Depreciation Current Year \$'000	Revaluation Surplus/(Loss) Current Year \$'000	Closing Cost/ Revaluation \$'000	Closing Accumulated Depreciation & Impairment Charges \$'000	Carrying Amount \$'000
	1-Jul-12	1-Jul-12	1-Jul-12								30-Jun-13	30-Jun-13	30-Jun-13
Property, Plant and Equipment: 2013													
Infrastructural Assets													
Roads and Footpaths	426,664	-21,102	405,562	4,582	1,055	0	0	-313	-6,115	10,854	415,625	0	415,625
Stormwater Drainage	23,144	-619	22,525	30	0	0	0	0	-364	-819	21,372	0	21,372
Flood Protection and Control Works	11,754	0	11,754	95	0	0	0	0	-100	491	12,240	0	12,240
Sewerage and the Treatment and Disposal of Sewage Plant	54,792	-2,456	52,336	160	0	0	0	0	-1,250	0	54,952	-3,706	51,246
Sewerage and the Treatment and Disposal of Sewage Land	4,548		4,548								4,548		4,548
Water Supply	29,729	-1,833	27,896	418	0	0	0	0	-1,093	-168	27,053	0	27,053
Solid Waste	1,314	-1,194	120	0	0	0	0	0	0	0	1,314	-1,194	120
Work in Progress - Roads and Footpaths	1,055	0	1,055	618	-1,055	0	0	0	0	0	618	0	618
Total Infrastructural Assets	553,000	-27,204	525,796	5,903	0	0	0	-313	-8,922	10,358	537,722	-4,900	532,822
Restricted Assets													
Reserves	17,450	0	17,450	0	0	0	0	0	0	0	17,450	0	17,450
Social Housing	2,238	-212	2,026	0	0	0	0	0	-45	0	2,238	-257	1,981
Swimming Pool (old)	0	0	0	0	0	0	0	0	0	0	0	0	0
MEF Property	672	0	672	0	0	-157	0	0	0	302	817	0	817
Halls	2,220	-399	1,821	0	0	0	0	0	-35	0	2,220	-434	1,786
Total Restricted Assets	22,580	-611	21,969	0	0	-157	0	0	-80	302	22,725	-691	22,034
Operational Assets													
Land	8,290	0	8,290	0	0	0	-175	-102	0	0	8,115	-102	8,013
Buildings	5,984	-951	5,033	88	0	0	0	0	-116	0	6,072	-1,067	5,005
Building Contents	1,110	-1,076	34	213	0	0	0	0	-7	0	1,323	-1,083	240
Mobile Plant (incl MV's)	782	-639	143	178	0	-14	0	0	-49	0	946	-688	258
Static Plant	106	-106	0	0	0	0	0	0	0	0	106	-106	0
Library Books	0	0	0	130	0	0	0	0	-6	0	130	-6	124
Office Equipment	2,868	-2,609	259	62	0	0	0	0	-111	0	2,930	-2,720	210
Total Operational Assets	19,140	-5,381	13,759	671	0	-14	-175	-102	-289	0	19,622	-5,772	13,850
Total Property, Plant and Equipment	594,720	-33,196	561,524	6,574	0	-171	-175	-415	-9,291	10,660	580,069	-11,363	568,706

The Council has applied the deemed cost exemption that is available under NZ IFRS for buildings and land other than land under roads. Land under roads will, like all other Infrastructural Assets, continue to be revalued periodically, but at least every three years. The deemed cost exemption allows Council to measure an item of property, plant and equipment at its fair value and use that fair value as its deemed cost on transition to NZ IFRS.

Restricted assets are held by the Council for the benefit of the community and are not, because of their nature or the title to their ownership, generally available for disposal by the Council.

Land associated with Sewerage and the Treatment and Disposal of Sewage has been reclassified in both the current year and the comparatives.

Urban Portions of the State Highway Network

The ownership of urban portions of the State Highway network is unclear although there is legal opinion indicating that the ownership rests with local authorities. NZ Transport Agency (NZTA) maintains these highways in their entirety without any costs accruing to local authorities. The Kaipara District contains 17.7 kilometres of urban State Highway.

As a consequence, even if ownership resides with local authorities, in practice NZTA controls the economic resources. Pending clarification of ownership and further consideration of the accounting issue which may arise, the Council has not recognised the urban portion of the State Highway network as an asset in these financial statements.

Accounting for Revaluations

The most recent valuations were effective as at 30 June 2014. The names, and asset responsibility, of the Valuers engaged are as follows:

Valuer	Asset Responsibility
MWH New Zealand Limited (Independent external professional engineers and valuers)	Roads and Footpaths and Sewerage and the treatment and disposal of sewage

The methodology base of all infrastructural valuations was Depreciated Replacement Cost, with reference as necessary to the following standards - NZ IAS16 (Property, Plant and Equipment), NZ IAS36 (Impairment of Assets), National Asset Management Steering Group (NAMS Group), NZ Infrastructural Asset Valuation and Depreciation Guidelines (version 2), the Local Government Act 2002 and NZPI Standards.

Infrastructure Valuations

Roads and Footpaths, Stormwater Drainage, Flood Protection and Control Works, Sewerage and the Treatment and Disposal of Sewage and Water Supply assets

are valued under at least a three-yearly valuation cycle. Stormwater Drainage, Flood Protection and Control Works and Water Supply assets were not revalued as at 30 June 2014. They were revalued at 30 June 2013. These will be revalued in 2015/2016.

The previous valuations for Roads and Footpaths was completed 30 June 2013 by MWH New Zealand Limited and Sewerage and the Treatment and Disposal of Sewage assets was completed by CPG New Zealand Limited and MWH New Zealand Limited 1 July 2010, both of whom are independent firms of professional advisors.

There are a number of estimates and assumptions exercised when valuing infrastructure assets using the Depreciated Replacement Cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement costs of the asset. The replacement cost is derived from recent contracts in the region for similar assets.
- Estimating the remaining useful life over which the asset will be depreciated. If useful lives do not reflect the actual consumption of the benefits of the asset the Council could be over or under-estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Income. To minimise the risk infrastructure asset useful lives have been determined with reference to the NZ Infrastructure Asset valuation and Depreciation Guidelines published by the NAMS Group and have been adjusted for local conditions based on past experience.

Community Halls

Council is currently in the process of handing back community halls to local communities. Matakohe War Memorial Hall, Tinopai Hall and Hakaru Hall are expected to be granted to the community in the 2014/2015 financial year. There has been no adjustment to the fixed assets (Note 20) in the 2013/2014 financial year to reflect the pending transfer of assets back to the community.

Impairment

Impairment losses of \$nil (2013: \$415,000) have been recognised for property, plant and equipment.

20(a) Property, Plant and Equipment - Analysis

	Closing Book Value	Acquisitions Constructed	Acquisitions Vested	Latest Estimate of Replacement Cost
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment: 2014	30-Jun-14	30-Jun-14	30-Jun-14	30-Jun-14
Infrastructural Assets				
Roads and Footpaths	426,509	4,143	115	524,638
Stormwater Drainage	21,005	0	0	30,432
Flood Protection and Control Works	12,185	45	0	16,102
Sewerage and the Treatment and Disposal of Sewage				
Treatment Plants and Facilities	34,048	324	0	45,057
Other Assets	19,264	91	0	29,538
Water Supply				
Treatment Plants and Facilities	13,791	404	0	29,764
Other Assets	12,930	374	0	38,582
Property, Plant and Equipment: 2013				
Infrastructural Assets				
Roads and Footpaths	415,625	5,632	5	510,592
Stormwater Drainage	21,372	30	0	30,432
Flood Protection and Control Works	12,240	95	0	16,102
Sewerage and the Treatment and Disposal of Sewage				
Treatment Plants and Facilities	35,472	125	0	53,700
Other Assets	20,322	35	0	25,599
Water Supply				
Treatment Plants and Facilities	13,897	217	0	29,764
Other Assets	13,156	201	0	38,582

20(b) Capital Expenditure (Disposals) for Year

For the year ending:	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
Capital Expenditure		
Community Activities	52	460
Regulatory Management	0	4
Emergency Management	0	0
District Leadership	563	207
Solid Waste	0	0
Roads and Footpaths	4,093	5,200
Stormwater Drainage	36	30
Flood Protection and Control Works	45	95
Sewerage and the Treatment and Disposal of Sewage	507	160
Water Supply	895	418
Total Capital Expenditure	6,191	6,574
Disposals		
Community Development	-112	0
MEF Property	0	-157
Other	-15	-14
Total Disposals	-127	-171

Explanations - Significant Variances from Plan

Non-essential capital expenditure has been deferred by Council on infrastructure programmes due to increasing debtor balances as a result of rating issues. Management is currently focused on maintenance related operations. This demonstrates prudent control of Council's finances pending resolution of these issues.

21 Depreciation Summary

For the year ending:	Actual	Annual	Annual
30 June	2013-2014	Plan 2013-2014	Report 2012-2013
	\$'000	\$'000	\$'000
<i>by Groups of activities</i>			
Community Activities	136	168	106
Regulatory Management	14	30	13
Emergency Management	0	27	0
District Leadership	315	220	250
Solid Waste	0	29	0
Roads and Footpaths	6,086	10,913	6,115
Stormwater drainage	364	321	364
Flood protection and control works	101	0	100
Sewerage and the treatment and disposal of sewage	1,288	1,404	1,250
Water Supply	1,110	958	1,093
Total Groups of activities Depreciation	9,414	14,070	9,291

21(a) Insurance of Assets

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 31A of Schedule 10

	2014 \$000's	2013 \$000's
a Total value of all assets that are covered by insurance contracts	108,067	116,273
Maximum amount to which these assets are insured	88,586	91,687
b Total value of all assets that are covered by financial risk sharing arrangements	Nil	Nil
Maximum amount available to Council under those arrangements	Nil	Nil
c Total value of all assets that are self-insured	488,823	479,219
Value of any fund maintained by Council for that purpose	Nil	Nil

22 Biological Assets

In accordance with Council's Accounting Policy requiring annual revaluations, Chandler Fraser and Keating (Forestry Consultants) performed an independent Desk-Top valuation of the forests as at 30 June 2014. The calculation of the revaluation was fair value less estimated point of sale costs. Fair value was determined based on:

- The present value of expected net cash flows discounted at a current market determined rate of 12% (2013:12%) for mature trees, and
- The replacement cost method for younger trees.

The movement in asset value is as follows:

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
	\$'000	\$'000
Forestry Assets Movements		
Opening balance	2,200	1,675
Annual revaluation movement	169	568
Harvesting removals	-80	-43
Closing balance	2,289	2,200

Council acquired the Hobson County Council forest estate as a consequence of the 1989 Local Government Amalgamation process which formed Kaipara District Council.

Council owns and leases nine small forestry blocks of radiata pine (656 productive hectares) which are strongly biased toward young replanted strands (0-13 years) and an area of 20-21 year strands. The overall weighted average is 10 years.

Valuation assumptions

- A discount rate of 12% (2013: 12%) has been used in discounting the present value of future cash flows
- Notional land rental costs have been included for freehold land
- The forest has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis

- Log prices are based upon the valuer's latest survey supplemented by local prices to reflect the Northland market and takes in account key price drivers (market prices, exchange rates and shipping). It is assumed beyond five years prices remain flat;
- The replacement cost methodology has been applied for the younger strands at \$1,250 per hectare to provide a 'floor value'.

Financial risk management strategies

The Council is exposed to financial risks arising from changes in timber prices, foreign exchange rates, disease, climatic conditions and potential plagues (rodent and insect). Council reviews these risks regularly in considering the need for active financial management.

Council strategy in respect of these forestry assets involves outsourcing the annual maintenance and harvesting of all the individual blocks to a specialist firm of forest management professionals, with a view to maximising financial returns. Such returns are then utilised on an annual basis for capital improvements across the District. There is no rating input into the operation of this activity.

23 GST in Statement of Cash Flows

The GST (net) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

24 Reconciliation of Net Surplus/(Deficit) to Net Cash Flow from Operating Activities

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
		\$'000
Net Surplus (Deficit)	Note	
Net Surplus (Deficit)	1,080	982
add Non-cash Items		
Property, Plant and Equipment vested to Council	-115	-5
Gain/(Loss) on sale of assets	65	0
Forest Estate and Shareholding Revaluations	-89	-519
Grants made for divestment of community halls	100	0
Amortisation of loan commitment fees	39	465
Asset revaluation through Profit and Loss	1,608	415
Increase/(Decrease) in Provisions	-318	1,855
Depreciation	20, 21 9,414	9,291
Unrealised (gain)/loss on interest rate swaps	-1,044	-1,155
Allocation of Emission Trading Scheme NZUs	-89	-77
Mortgages received	0	-100
Other	38	0
Capitalised interest	0	6
Total Non Cash Items	9,609	10,176
less Movement in Investment Activities		
Gain on disposal of Property, Plant and Equipment	0	169
Total Movement in Investment Activities	0	169
add Movement in Working Capital Items		
Trade and Other Receivables	681	-1,547
Accrued Revenue	-149	-823
Employee Entitlements	116	60
Trade and Other Payables (net of capital accruals)	110	-1,535
Total Movement in Working Capital Items	758	-3,845
Net Cash Inflow from Operating Activities	11,447	7,482

25 Capital Commitments and Operating Leases

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
		\$'000
Capital commitments		
Property, Plant and Equipment	1,366	820
Total Capital commitments	1,366	820
Operational non-cancellable contracts		
Not later than one year	13,827	7,760
Later than one year and not later than five years	4,668	6,635
Later than five years	277	1,168
Total Operational non-cancellable contracts	18,772	15,563
Operating leases as lessee		
Not later than one year	158	198
Later than one year and not later than five years	253	203
Total Operating leases as lessee	411	401
Operating leases as lessor		
Not later than one year	60	80
Later than one year and not later than five years	94	192
Later than five years	76	0
Total Operating leases as lessor	230	272

The operating leases are in relation to Council properties.

26 Contingent Liabilities

For the year ending:	Actual	Annual
30 June	2013-2014	Report
	\$'000	2012-2013
	\$'000	\$'000
Contingent Liabilities		
Guarantees to other organisations	1,003	1,003
Targeted rates lacking sufficient statutory authority	0	17,000
Total Contingent Liabilities	1,003	18,003

Guarantees

The Council has given a \$750,000 guarantee to Westpac Banking Corporation Ltd on loan advances to the Mangawhai Harbour Restoration Society. The purpose of the loan advance was to fund the Society's harbour restoration project. The Society funds the loan repayments from Council grants. Council has for many years and plans to continue to rate properties in the catchment area of the Mangawhai Harbour to fund the grants. The Society controls all of the activities of the restoration project. The Society's loan balance at 30 June 2014 was \$193,103.

Council has given a \$100,000 guarantee to the ASB Bank Limited in respect of their loan to the Mangawhai Club Incorporated.

In 1998 a \$108,000 letter of credit was issued in favour of the Northland Regional Council, being a performance bond, in respect of the future capping of District landfills.

A \$45,000 guarantee to the Bank of New Zealand exists, for Council credit card limits.

In respect of all of the above guarantees, Council has assessed the risk factor and any uncertainty at zero. Therefore any question of reimbursement is not applicable.

Judicial Review

The Mangawhai Ratepayers and Residents Association laid Judicial Review proceedings (CIV- 2013-488-00152) against Council in the High Court in March 2013. The proceedings originally had three causes of action. The first relates to the decision-making process followed by Council in approving construction of the

Mangawhai Community Wastewater Scheme and entering into the borrowing arrangements required to finance the scheme. The second relates to historical rating irregularities and the third to the 2009 Development Contributions Policy.

The matter was heard by Justice Heath in February 2014 and decisions subsequently issued on 28 May 2014 and 18 July 2014. In its decisions the Court has found that:

- The decisions made by the Council in 2006 and 2007 to enter into agreements which provided for the construction of the Mangawhai Scheme and its funding were entered into in breach of Part 6 of the Local Government Act 2002 and were therefore unlawful.
- Notwithstanding this finding the agreements constitute protected transactions, under the Local Government Act 2002, and hence the Council has an obligation to repay the debt.
- That the previous rating and development contribution irregularities had been validated with the passing of the Kaipara District Council (Validation of Rates and Other Matters) Act 2013.

The Mangawhai Ratepayers and Residents Association have now appealed the High Court decision to the Court of Appeal. If Mangawhai Ratepayers and Residents Association were to win, the Council may need to refund historical rates. Council could also be prevented from setting rates to service the debt (see the Going Concern comment on page 38 for further information). The Council considers it unlikely that the Association will be granted the relief they are seeking. A date has yet to be set for hearing of the appeal.

Building weather tightness claims

Council is subject to two building claims in respect of repair costs for leaky buildings. At balance date there was one claim for \$7,000 which has been inactive for several years, being dealt with through the Weathertight Homes Resolution Service. There has been no activity on the other claim of \$25,000 since December 2007. This claim is being handled through Council's insurers.

The Council no longer has insurance cover for any weather tightness claims received after 30 June 2009. No provision has been made due to the low likelihood of any additional claims in relation to weather tightness.

Other legal claims

In addition to the weather tightness building defect claims, there are a small number of potential legal claims against Council as at 30 June 2014. All seek compensation related to resource consents, property damage, contractual disputes, or other aspects of Council's operations which the claimants believe have caused them loss. Council will vigorously defend all claims and expects its actual liability to be minimal, if indeed there is any liability at all.

Social housing caveat

Council undertook the modernisation of 34 of its social housing units, which works programme was completed in March 2009. The programme was funded by the Housing New Zealand Corporation by way of an interest-free suspensory loan, conditional on the completion of the work, after which the liability ceased. A caveat remains, however, requiring Council to neither withdraw from providing social housing, nor significantly altering its investment in this joint-funded housing modernisation programme.

At this time Council does not expect to withdraw or significantly alter its investment in social housing. The total value of the interest free suspensory loan is \$1,020,000 which was previously recognised as revenue.

Riskpool exposure

New Zealand Mutual Liability Riskpool (Riskpool) provides public liability and professional indemnity insurance for its members. The Council is a member of Riskpool. The Trust Deed of Riskpool provides that if there is a shortfall (whereby claims exceed contributions of members and re-insurance recoveries) in any fund year, then the Riskpool may make a call on members for that fund year. Council received a call of \$37,074 for the 2013 financial year. Council has no knowledge of any further calls.

Earthquake risk to buildings

The Council is required, under the Building Act 2004 to have an Earthquake Prone Buildings Policy. Under this policy the Council is required to assess whether there is any risk to buildings in the Kaipara District. At this point Council has only just begun the task of evaluating buildings to determine if they may be earthquake prone. The former Dargaville Municipal Building has been identified as having an earthquake risk and is defined as earthquake prone under the building code New Building Standard (N.B.S). Assessments by qualified building engineers estimated structural repairs could cost up to a maximum of \$425,000. The chances of a moderate earthquake that would cause structural damage actually occurring in Dargaville are deemed to be a low risk.

27 Related Party Transactions

As at	Actual	Annual
30 June	2013-2014	Report 2012-2013
	\$'000	\$'000
Key Management Personnel Compensation		
Salaries and other short term employee benefits	1,102	889
Total Key Management Personnel Compensation	1,102	889

Key management personnel include the Chief Executive, Senior Management and, up to the end of February 2014, a team of four Commissioners. At the end of February 2014 this team of Commissioners was reduced to three members with the departure of Mr Dale to take up a position at Far North District Council. In 2014 the Key Management Team was increased to five members (2013: four members).

During the year Council purchased no services from any key management personnel other than as disclosed in this note. During the year the Commissioners and Senior Management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment or rates etc.).

28 Statutory Disclosures and Remuneration

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
Chief Executive Remuneration:		
Steve Ruru		
Salary	222,453	220,000
Lump sum payment	15,000	0
Vehicle	20,000	20,000
Other Benefits	10,925	10,313
Total Chief Executive Remuneration	268,378	250,313
Commissioners Remuneration:		
Chairperson of Commissioners:		
John Robertson	194,600	163,800
Commissioners:		
Richard Booth	48,825	45,000
Colin Dale	41,625	67,950
Peter Winder	52,533	50,400
Total Commissioners Remuneration	337,583	327,150
Elected Representatives Remuneration:		
Mayor:		
Neil Tiller	0	16,484
Deputy Mayor:		
Julie Geange	0	8,717
Councillors:		
John Blackwell	0	4,948
Hal Harding	0	4,948
Jonathan Larsen	0	5,221
Wayne Linton	0	4,948
Brian McEwing	0	6,048
Julia Sutherland	0	6,108
Andrew Wade	0	4,572
Total Elected Representatives Remuneration	0	61,994

For the year ending:	Actual	Annual Report
30 June	2013-2014	2012-2013
Council Employees remuneration:		
Annual Remuneration by band:		
\$0 - \$60,000	45	47
\$60,000 - \$80,000	21	10
\$80,000 - \$100,000	7	9
\$100,000 - \$120,000	7	
\$120,000 - \$160,000	4	
\$100,000 - \$160,000		6
\$240,000 - \$280,000	1	1
Total Employees by remuneration band	85	73
Number of Employees:		
Full time employees	68	55
Part time employees (FTE)	9.2	9.6
Total Employees (FTE)	77.2	64.6
Severance Payments to Employees	21,000	25,000
Number of Employees	1	1

29 Categories of Financial Assets and Liabilities

For the year ending:		Actual	Annual
30 June		2013-2014	Report
		\$'000	2012-2013
		\$'000	\$'000
Loans and Receivables			
Cash and Cash Equivalents	10	4,588	438
Trade and Other Receivables	12	7,398	8,079
Property Mortgage	11	0	53
Loan	11	15	0
Total Loans and Receivables		12,001	8,570
Financial assets:			
Fair Value through Profit and Loss			
Interest Rate Swaps	29	463	0
Financial Assets - Shares	11	15	16
Emission Trading Scheme - NZU's	11	158	68
Total Fair Value through Profit and Loss		636	84
Financial Liabilities measured at Amortised Cost			
Trade and Other Payables	15	7,549	7,342
Public Debt	18	76,299	77,540
Total Financial Liabilities measured at Amortised Cost		83,848	84,882
Financial Liabilities at Fair Value through Profit and Loss			
Interest Rate Swaps	29	49	632
Total Financial Liabilities at Fair Value through Profit and Loss		49	632

Fair Value Hierarchy

ETS - NZU's	Level 1
Interest Rate Swaps	Level 2
Financial Assets - shares	Level 3

Financial Instrument Risks

Council has a series of policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Kaipara District Council has established Council approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Maximum exposure to credit risk

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, Council invests surplus cash into term deposits and local authority stock which gives rise to credit risk.

Council's Investment policy limits the amount of credit exposure to any one financial institution or organisation. Investments in other Local Authorities are secured by charges over rates. Other than other local authorities, the group only invests funds with entities that have a Standard and Poor's credit rating of at least AA-.

Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

29(a) Financial Instrument Risks

For the year ending:		Actual	Annual
30 June		2013-2014	Report
		\$'000	2012-2013
			\$'000
Council's maximum credit exposure by class			
	Note		
Cash and Cash Equivalents	10	4,588	438
Trade and Other Receivables	12	7,398	8,079
Interest Rate Swaps	29	463	0
Total Council's maximum credit exposure by class		12,449	8,517

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard and Poor's credit rating (if available) or to historical information about counterparty default rates:

For the year ending:		Actual	Annual
30 June		2013-2014	Report
		\$'000	2012-2013
			\$'000
Counterparties with Credit Ratings			
Cash and Cash Equivalents:			
	AA	0	0
	AA-	4,588	438
Total Cash and Cash Equivalents		4,588	438
	AA	0	0
	AA-	463	0
Total Interest Rate Swaps		463	0
Total Financial Instrument Assets		5,051	438

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables. The Local Government (Rating) Act 2002 provides powers to recover outstanding debts from ratepayers.

29(b) Contractual Maturity of Financial Liabilities

The table below analyses Council's non-derivative financial liabilities to relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

		Principal Carrying Amount \$'000	Contractual Cash Flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Maturity Analysis Financial Liabilities							
<i>Council 2014</i>							
Trade and Other Payables	15	7,549	7,549	7,549	0	0	0
Public Debt	18	76,299	78,667	60,847	17,820	0	0
Total Council 2014		83,848	86,216	68,396	17,820	0	0
<i>Council 2013</i>							
Trade and Other Payables	15	7,342	7,342	7,342	0	0	0
Public Debt	18	77,540	82,174	7,010	57,797	17,367	0
Total Council 2013		84,882	89,516	14,352	57,797	17,367	0

Note: Contractual Cash Flows includes principal and interest.

29(c) Contractual Maturity of Derivative Financial Liabilities

	Notional Value \$'000	Fair Value \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Maturity Analysis - Council 2014						
<i>Derivative Financial Assets</i>						
Interest Rate Swaps	35,000	463	14	25	157	267
Total Derivative Financial Assets	35,000	463	14	25	157	267
<i>Derivative Financial Liabilities</i>						
Interest Rate Swaps	44,000	49	0	0	13	36
Total Derivative Financial Liabilities	44,000	49	0	0	13	36
Maturity Analysis - Council 2013						
<i>Derivative Financial Liabilities</i>						
Interest Rate Swaps	50,000	632		61	157	414
Total Derivative Financial Liabilities	50,000	632	0	61	157	414

Liquidity Risk

Management of Liquidity Risk

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements Council maintains a target level of investments that must mature within the next 12 months. Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management Policy. These policies have been adopted as part of Council's Long Term Plan 2012/2022.

29(d) Sensitivity Analysis

The following table illustrates the potential profit and loss and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on Council's non-derivative financial instrument exposures at balance date.

	Actual 2013-2014 \$'000 -100bps Profit	Actual 2013-2014 \$'000 -100bps Equity	Actual 2013-2014 \$'000 +100bps Profit	Actual 2013-2014 \$'000 +100bps Equity	Actual 2012-2013 \$'000 -100bps Profit	Actual 2012-2013 \$'000 -100bps Equity	Actual 2012-2013 \$'000 +100bps Profit	Actual 2012-2013 \$'000 +100bps Equity
Interest Rate Risk								
Financial Assets								
Cash and Deposits	-46	-46	46	46	-4	-4	4	4
Total Financial Assets	-46	-46	46	46	-4	-4	4	4
Financial Liabilities								
Public Debt	213	213	-213	-213	275	275	-275	-275
Total Financial Liabilities	213	213	-213	-213	275	275	-275	-275
Total Sensitivity to Interest Rate risk	167	167	-167	-167	271	271	-271	-271

30 Capital Management

The Council's capital is its ratepayers' equity, which comprise retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 (the Act) requires the Council to manage its revenues, expenses, assets, liabilities, investments, and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments, and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the Act and applied by the Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising the Council's assets and not expecting them to meet the full cost of long-term assets that will benefit ratepayers in future generations. Additionally, the Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. And the Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in Council's Long Term Plan.

Details of Council's various reserves can be found in Note 9.

31 Service Concession Arrangement

Council has a service concession arrangement, with the Water Infrastructure Group (WIG), in respect of operation of the Mangawhai Community Wastewater Scheme. The obligation on Council, under the arrangement, is the payment of an annual operating toll for a period of ten years, which period commenced on 1 August 2009. The total financial commitment during those ten years, excluding the annual inflation adjustments which apply to the contract, is approximately \$9.3 million spread fairly evenly by year. The \$9.3 million in the present value, includes a quantum of asset renewal expenditure being provided by, and paid for, by Water Infrastructure Group.

There have been no changes in the service arrangement since its inception.

The arrangement may, or may not, be renegotiated toward the end of the ten year period. Council has a contractual option to require the operator to enter a new arrangement, for a further five years, on the same terms and conditions, subject to agreement on the quantum of toll payments.

The services arrangement reflects in these annual accounts only to the extent of the \$1,047,447 booked as wastewater operating expenses for 2013/2014 (2013: \$1,071,000).

32 Events after the Balance Date

On 18 July 2014 the High Court held a further hearing in relation to the Judicial Review proceedings (refer to Note 26 above) taken by the Mangawhai Ratepayers and Residents Association (MRRA). Following this hearing a final decision was issued on 25 July 2014 which is also discussed in Note 26.

Other than the matter described above, there have been no other significant events following balance date that would affect the result for the year.

Part Three – Groups of Activity Statements

How to Read this Section

What we do

This section includes a description of the services offered in each activity.

Why we do it

This section includes a brief description of why we undertake this activity on your behalf, including the benefits to the community and which Community Outcome the activity contributes to.

What we did this year

This section includes a brief description of what we did in that activity over the last year.

What levels of service we agreed to provide

This section includes service level statements, our targets for performance against each service level, and our measure on how we performed against those targets. Where targets are not achieved, an explanation is provided.

A number of these performance measures are based on the Communitrak Survey 2014 which was completed in January this year. The survey was conducted via telephone interviews with 303 respondents, 76 from the Dargaville Ward, 122 from the Otamatea Ward and 105 from the West Coast/Central Ward. This survey is intended to give an indication of residents' satisfaction with Council services.

Significant negative effects

This note outlines the significant negative effects (if any) from the activity and the initiatives planned or in place to address these effects.

Operating expenditure and revenue

This section details the expenditure and revenue for each group of activities, and how the financial performance compares to what was budgeted for the year. Variances are explained.

Funding Impact Statement – Whole of Council – Operating and Capital

For the year ending:	Actual	Annual	Annual	Annual
30 June 2014	2013-2014	Plan	Report	Plan
	\$'000	2013-2014	2012-2013	2012-2013
		\$'000	\$'000	\$'000
Operating funding				
Sources of operating funding				
General rates, uniform annual general charges, rate penalties	20,431	19,851	9,398	9,284
Targeted rates (other than a targeted rate for water supply)	6,891	6,959	15,067	14,680
Subsidies and grants for operating purposes	4,254	3,658	4,103	3,657
Fees, charges and targeted rates for water supply	6,887	6,407	7,008	6,714
Interest and dividends from investments	1,064	105	1,215	110
Local authorities fuel tax, fines, infringement fees and other receipts	616	316	1,731	358
Total operating funding	40,143	37,296	38,522	34,803
Application of operating funding				
Payments to staff and suppliers	28,937	26,112	27,098	23,862
Finance costs	3,853	4,027	4,580	4,133
Other operating funding applications	0	0	0	0
Total applications of operating funding	32,790	30,139	31,678	27,995
Surplus (deficit) of operating funding	7,353	7,157	6,844	6,808

For the year ending:	Actual	Annual	Annual	Annual
30 June 2014	2013-2014	Plan	Report	Plan
	\$'000	2013-2014	2012-2013	2012-2013
		\$'000	\$'000	\$'000
Capital funding				
Sources of capital funding				
Subsidies and grants for capital expenditure	2,200	6,292	2,733	5,775
Development and financial contributions	941	1,177	696	1,155
Increase (decrease) in debt	-1,280	-950	-1,546	-877
Gross proceeds from sale of assets	134	15	330	15
Lump Sum Contributions	0	0	0	0
Total sources of capital funding	1,995	6,534	2,213	6,068
Applications of capital funding				
Capital Expenditure - to meet additional demand	152	185	12	249
Capital Expenditure - to improve the level of service	1,347	3,129	1,626	2,773
Capital Expenditure - to replace existing assets	4,692	10,377	4,936	9,588
Increase (decrease) in reserves	2,984	0	2,370	266
Increase (decrease) of investments	173	0	113	0
Total applications of capital funding	9,348	13,691	9,057	12,876
Surplus (deficit) of capital funding	-7,353	-7,157	-6,844	-6,808
Funding Balance	0	0	0	0

Reconciliation of Funding Impact Statement to Comprehensive Income

For the year ending:	Actual	Annual Plan	Annual Report
30 June	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000
Revenue			
Statement of Comprehensive Income			
<i>Total Revenue</i>	<u>43,284</u>	<u>44,765</u>	<u>41,951</u>
Funding Impact Statement			
Total Operating Funding	40,143	37,296	38,522
Sources of Capital Funding	3,141	7,469	3,429
<i>Total Sources of Funding</i>	<u>43,284</u>	<u>44,765</u>	<u>41,951</u>
<i>Total Revenue</i>	<u>43,284</u>	<u>44,765</u>	<u>41,951</u>
Expenditure			
Statement of Comprehensive Income			
<i>Total Expenditure</i>	<u>42,204</u>	<u>44,012</u>	<u>40,969</u>
Funding Impact Statement			
Total applications of operating funding	32,790	29,942	31,678
add Depreciation Expense	9,414	14,070	9,291
<i>Total Expenditure</i>	<u>42,204</u>	<u>44,012</u>	<u>40,969</u>

Community Activities

What we do

Community activities that Council supports or delivers include an open space network, libraries, community spaces, street amenity, public toilets, community housing, and grants. Council owns the Northern Wairoa War Memorial Hall. Other halls in the District are now owned and/or managed by community volunteer organisations.

Community Assistance

Council offers grants to community organisations that apply under the Policy, and meet the criteria. The grants are discretionary and the final decision is made as a Council resolution. Council continues to distribute the income from the Mangawhai Endowment Land Account. Decisions are made by the Mangawhai Endowment Land Account Committee which consists of two Commissioners and two appointed members from the Mangawhai community.

Open Spaces

Council provides a network of open spaces to cater for physical exercise, visual amenity, and environmental protection. The maintenance is contracted out through competitive tender, with the exception of some development work at Taharoa Domain (Kai Iwi Lakes) which is done directly by Council.

Council has two camp grounds, Mangawhai Heads and Taharoa Domain (Kai Iwi Lakes), that it owns and operates and four that are owned by Council but are run by independent operators under lease or other contractual agreements.

Community Housing

Council owns 56 residential units in Dargaville, Ruawai and Mangawhai for single person accommodation. Tenants need to be over the age of 55 and capable of independent living.

Libraries

Council operates the Dargaville Library. This is the only Council library within Kaipara. There are a further four volunteer libraries in:

- Paparoa
- Maungaturoto
- Kaiwaka
- Mangawhai

There is a joint school/community library in Ruawai.

All libraries share a catalogue, and collection. All libraries except Ruawai use the same computer system.

Why we do it

Most functions within this activity are discretionary. However, there is significant community support for many of the functions and most are listed in the Local Government Act 2022 as core services for a Council. Reserve contributions are collected from property development under provisions in the Resource Management Act and Kaipara District Plan, for investment in open space enhancements and must be used for that purpose.

What we did this year

Community Assistance

A policy for community assistance to guide the allocation of funding to community groups was completed and consulted on during the year. The Policy was used to call for applications in October 2013. The applicants for operational one-off grants were considered and funds allocated in February 2014. Applicants for other forms of assistance were considered and agreed as part of the Annual Plan 2014/2015. This year the following organisations received Council funding support:

<i>Christmas in the Gardens</i>	<i>(photocopying)</i>	\$0
<i>Progressive Paparua Inc. and Paparua Lions Club</i>		\$1,500
<i>Northern Wairoa Maori, Maritime & Pioneer Museum Inc. Society (in part)</i>		\$5,000
<i>Maungaturoto Residents Association</i>		\$2,000
<i>Kumarani Productions Trust</i>	<i>(photocopying)</i>	\$0
<i>Kauri Coast Promotion Society</i>		\$3,000
<i>Northern Wairoa A&P Association (Inc.)</i>		\$1,792

Open Spaces

As signalled in the Long Term Plan 2012/2022, Council is reviewing its management of and investment in camp grounds. The two camp grounds managed by Council are in need of improvements. An Expression of Interest was issued for the management of the Mangawhai Heads Camp Ground as signalled in the Long Term Plan 2012/2022. A preferred Tenderer has been identified and parties are in negotiation. New toilets were provided for this year in Memorial Park in Dargaville, but will not be installed until next year.

Other deferred works include:

<i>Memorial Park Reserve Management Plan</i>	<i>\$50,000</i>
<i>Omnibus Reserve Management Plan for similar types of reserves</i>	<i>\$80,000</i>
<i>Reserves projects identified through Community Planning</i>	<i>\$60,000</i>
<i>Mangawhai Tracks Charitable Trust</i>	<i>\$5,000</i>
<i>Mangawhai Holiday Park Renewal of northern ablution block</i>	<i>\$155,000</i>
<i>Public toilet and park surround renewal</i>	<i>\$150,000</i>

Council agreed to joint governance of Harding Park in Dargaville with Te Uri O Hau. There is already a requirement for joint management of the adjacent Pa site – Pou Tu O Te Rangī. All other work on reserves and open space was as planned.

Community Housing

The units are fully occupied. There has been some turnover during the year, with units being refurbished between tenancies. During the year a request was received from the Dargaville Community Foundation to manage the community houses in Dargaville and Ruawai. Council has agreed to a six-month due diligence period for the Foundation to work with Council to further develop their Business Case. The planned shower renewals programme valued at \$22,000 for the Mangawhai community housing units has been deferred until next year.

Libraries

Libraries were operated as usual for this year. Some complaints were received during the year that the Dargaville Library was too small. While there are aspirations to grow the service, there is currently no ability for Council to fund any service improvements.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Provides open spaces and facilities that encourage tourism, visitors and travellers.
Strong communities	Provides open spaces and facilities that encourage social interaction and healthy pursuits.
Safety and good quality of life	Provides open spaces and facilities that are safe and meet community expectations.
Special character and healthy environment	Provides open spaces and facilities that safeguard the environment.

Community Activities – Funding Impact Statements – Operating and Capital

For the year ending:	Actual	Annual Plan	Annual Plan	For the year ending:	Actual	Annual Plan	Annual Plan
30 June 2014	2013-2014	2013-2014	2012-2013	30 June 2014	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	2,671	2,653	2,362	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	286	282	486	Development and financial contributions	596	270	270
Subsidies and grants for operating purposes	63	0	0	Increase (decrease) in debt	0	228	217
Fees, charges and targeted rates for water supply	1,009	980	975	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	363	248	244	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	5	5	Total sources of capital funding	596	498	487
Total operating funding	4,392	4,168	4,072	Applications of capital funding			
Application of operating funding				Capital Expenditure - to meet additional demand	12	0	0
Payments to staff and suppliers	3,129	3,376	3,333	Capital Expenditure - to improve the level of service	46	458	295
Finance costs	168	168	200	Capital Expenditure - to replace existing assets	0	170	233
Internal charges and overheads applied	496	494	498	Increase (decrease) in reserves	1,137	0	0
Other operating funding applications	0	0	0	Increase (decrease) of investments	0	0	0
Total applications of operating funding	3,793	4,038	4,031	Total applications of capital funding	1,195	628	528
Surplus (deficit) of operating funding	599	130	41	Surplus (deficit) of capital funding	-599	-130	-41
				Funding Balance	0	0	0

Financial Comment

- Payments to staff and suppliers is \$0.3 million lower than budget due to lower maintenance costs on campgrounds, parks and reserves, the cessation of the Cadet Career Scheme in September 2013, unbudgeted depreciation on library books which had previously been treated as operating expenditure and unbudgeted grants paid to district libraries.
- Capital funding is \$0.3 million above budget due to higher financial and development contributions received.
- Capital expenditure is below budget due to timing issues affecting public toilet renewal works and the decision by Council to defer capital projects until rating issues have been resolved.

Community Activities – Performance Measures

Community Assistance					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Council supports the assistance of its communities by enabling them to implement their own community initiatives.	Percentage of Council local grant funding is distributed to local organisations for specific projects or for the maintenance of a facility which is of benefit to the community.	100%	100%	82%	Not Achieved. Council has not allocated the full grant fund available due to the current financial constraints facing Council.

Community Spaces					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Community Benefits To provide and enhance open spaces, linkages and facilities to promote community well-being and enjoyment.	Percentage of residents who are very/fairly satisfied with their local parks and sports fields.	85%	76%	85%	Achieved.
	Percentage of residents who are very/fairly satisfied with their public conveniences.	65%	64%	67%	Achieved.
	User satisfaction with cleanliness and lack of litter and graffiti.	70%	80%	83%	Achieved.

Facilities					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actuals		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Affordability To provide housing suitable for the elderly who have difficulty providing it themselves.	Percentage of tenants satisfied with standard of accommodation and services.	95%	94%	95%	Achieved.
	Percentage of tenants who rate responses as excellent/good.	94%	92%	90%	Not Achieved. There is a temporary manager in place while Council considers a proposal to outsource management of community housing.
	Net cost to ratepayers for Council's housing services.	Zero	Zero	Zero	Achieved.
	Annual occupancy rate.	90%	100%	90%	Achieved. There was a very high turnover of tenants during this period.

Libraries					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actuals		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Accessibility To provide accessible library services to the residents of Kaipara.	Percentage of households that have used the District's libraries in the past 12 months.	75%	52%	53%	Not Achieved. Only Dargaville has a professional library service. This limits access to libraries for people outside the Dargaville catchment.
Quality To provide a range of quality resources and material relevant to the residents of Kaipara.	Percentage of residents who are very/fairly satisfied with Kaipara District's library services.	81%	78%	89%	Achieved.
	To comply with Library and Information Association of New Zealand Aotearoa (LIANZA) guidelines for populations of 5,000 or more the Public Library in Dargaville is open for 43 hours per week including Saturdays.	Achieved	Achieved	Achieved	Achieved.

Community Activities – Significant Negative Effects

- Sometimes when the Council takes a step in providing support it can create an expectation of ongoing assistance – dependency can be created. This is the opposite of what Council seeks to achieve – resilient, vibrant, sustainable communities albeit supported strategically by Council
- The desire by the community to access the coast can raise cultural issues if access is close to sacred Māori land
- Insufficient parking provided at parks can cause spill-over onto adjacent roads
- Traffic management issues can arise from significant community events.

Regulatory Management

What we do

Council delivers:

- Building Control Services – Council processes building consents and undertakes inspection work. Council issues Property Information Memoranda (PIMs)
- Resource Management Services – processing of resource consent applications, issuing Land Information Memoranda (LIMs)
- Environmental Health Services – controlling food safety, sale of liquor, registering premises where there is a restricted use, monitoring gambling and responding to complaints
- Animal Management Services – including dog licensing, managing through contract impounding facilities for stock and dogs, responding to complaints and public education.

Council is an accredited Building Control Authority and, as part of this, intends to continually improve consent processing times, quality assurance systems and address the backlog of outstanding Code Compliance Certificates.

Why we do it

Council delivers regulatory services as required under multiple Acts and regulations on behalf of central government. These include:

- Building Act 2004, and associated regulations including the New Zealand Building Code
- Resource Management Act 1991 and the Kaipara District Plan
- Sale and Supply of Alcohol Act 2012
- The Health Act 1956
- The Food Act 1981
- The Dog Control Act 1996
- The Impounding Act 1955.

What we did this year

This has been a busy year for Council's Regulatory Team. In the IANZ audit of the Building Control function carried out in December 2013, 13 corrective actions were identified that needed to be addressed. All corrective actions and further recommendations have been addressed. The Council also decided to install a new software as a service (AlphaOne) consent processing and inspections system. This went "live" in June 2014 and all building consent applications are now processed through the new system.

The new liquor legislation - Sale and Supply of Alcohol Act 2012 – was implemented by Council this year. This required the setting up of a new Committee, increased reporting requirements and new systems.

The dog database has been cleansed and is much more accurate.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Strong communities	Provides for community participation in resource management issues.
Safety and good quality of life	Public health and safety protected through administration of rules, and monitoring of standards.
Special character and healthy environment	Work within development framework to ensure the environment is protected.

Regulatory Management – Funding Impact Statements – Operating and Capital

For the year ending:	Actual	Annual	Annual	For the year ending:	Actual	Annual	Annual
30 June 2014	2013-2014	Plan	Plan	30 June 2014	2013-2014	2013-2014	Plan
	\$'000	2013-2014	2012-2013		\$'000	\$'000	2012-2013
		\$'000	\$'000				\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	351	329	356	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	0	0	0	Development and financial contributions	0	0	0
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	0	-1	0
Fees, charges and targeted rates for water supply	1,837	1,633	1,514	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	174	180	168	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	5	76	45	Total sources of capital funding	0	-1	0
Total operating funding	2,367	2,218	2,083	Applications of capital funding			
Application of operating funding				Capital Expenditure - to meet additional demand	0	0	0
Payments to staff and suppliers	2,585	1,853	1,743	Capital Expenditure - to improve the level of service	0	0	0
Finance costs	0	0	0	Capital Expenditure - to replace existing assets	0	0	0
Internal charges and overheads applied	386	364	340	Increase (decrease) in reserves	-604	0	0
Other operating funding applications	0	0	0	Increase (decrease) of investments	0	0	0
Total applications of operating funding	2,971	2,217	2,083	Total applications of capital funding	-604	0	0
Surplus (deficit) of operating funding	-604	1	0	Surplus (deficit) of capital funding	604	-1	0
				Funding Balance	0	0	0

Financial Comment:

- Total operating funding is \$0.1 million higher than budget primarily due to lower overhead cost recoveries offset by higher consent application cost recoveries.
- Payments to staff and suppliers are \$0.7 million higher than budget primarily due to higher resource consent costs (which are largely recoverable), appeal costs and Building Consent Authority accreditation costs.

Regulatory Management – Performance Measures

Building Control					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Customer Benefits Ensure effective response to customer enquiries about building standards.	Percentage of customers who rate Request for Service responses as excellent/good.	90%	64%	Not formally measured	This question was not included in this year's Communitrak Survey.
Responsiveness To process applications in accordance with statutory timeframes.	Percentage of Building Consents processed within 18 working days.	95%	98%	92%	Not Achieved. The availability of resources and spread of work volumes thwarted achieving target.
	Percentage of Project Information Memoranda processed within 18 working days.	95%	98%	100%	Achieved.
	Percentage of Code Compliance Certificates (CCC) issued within 20 working days.	100%	96%	99%	Not Achieved. The availability of resources and spread of work volumes thwarted achieving 100%.
Quality Monitoring Building Consent applications and inspections to ensure projects comply with New Zealand Building Code.	Advise building owners / occupiers of the expiry date of their Warrant of Fitness one month before the expiry date.	95%	100%	100%	Achieved.

Part of Council's role is the monitoring and enforcement of building standards. This is achieved through on-site inspections and where necessary by the requirement for Certificates of Acceptances to be applied for, or by the issuing of Notices of Fix.

Resource Consents					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Customer Benefit Ensure effective response to customer enquiries about District Plan/Resource Consent requirements.	Percentage of customers who rate Request for Service responses as excellent/good.	90%	51%	Not formally measured	This question was not included in this year's Communitrak Survey.
Responsiveness To process applications in accordance with statutory timeframes.	Percentage of non-notified Resource Consents processed within 18 working days.	95%	88%	43%	Not Achieved. Compliance within statutory timeframes of 20 days was 94%. The 196 Resource Consents issued was a 62% increase over the 121 processed in 2012/2013.
	Percentage of Resource Consents notified by Council subject to objections/appeals against consent condition.	3%	66%	33%	Achieved. Of 3 notified Resource Consents, 1 has been appealed. This represents 0.5 per cent of all consents processed in 2013/2014.
	Percentage of Land Information Memoranda processed within 10 working days.	100%	100%	100%	Achieved.

Resource Consents					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Quality Resolving of complaints concerning breaches of earthwork and sediment control conditions.	Percentage of complaints concerning breaches of resource consent conditions for earthworks and/or sediment control that are resolved to ensure compliance within 5 working days.	96%	94%	62%	Not Achieved. The availability of resources and spread of work volumes thwarted achieving target.

In addition to responding to and monitoring complaints about breaches of resource consent conditions, Council also undertake proactive monitoring of compliance some of which is covered by fees and charges.

Environmental Health					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Health and Safety Customer Service Regulate commercial operations to protect public health.	Percentage of food premises inspected at least once per year.	100%	100%	100%	Achieved.
	Percentage of liquor premises inspected at least once per year.	100%	100%	100%	Achieved.
Reliability Respond to environmental issues in the interest of protecting public health.	Percentage of customers who rate Requests for Service responses as excellent/good.	95%	Not measured	Not measured	Not Measured. The number of survey responses remains too small to produce any statistically significant result.

Animal Management					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Reliability Respond to animal management issues. (Note: This performance statement has changed as the previous statement repeated that for Reliability under Environmental Health).	Percentage of customers who rate Requests for Service responses as excellent/good.	95%	53%	47%	Not Achieved. A very small sample of those surveyed responded and of those only 11% rated service poor.

Regulatory Management – Significant Negative Effects

- There are no significant negative effects arising from provision of this activity. The provision of regulatory services may, however, cause a negative reaction against Council as a regulatory authority determining what people can or cannot do on private land or as part of a private business or for the level of charges levied for these services.
- There may be potential adverse economic effects if the processing of consents is carried out in a non-efficient or non-timely manner.

Emergency Management

What we do

Emergency Management consists of two activities – civil defence and rural fire. In civil defence, Council's role is to increase community awareness, understanding and preparedness for emergencies, reduce the risk from natural hazards to the District and enhance the District's capability to manage and recover from emergencies. In rural fire, Council's role is to safeguard life, property and the environment by firstly, prevention and secondly, the control of fires if they occur, in forest and rural areas within the Kaipara District Council Rural Fire Authority boundaries.

Why we do it

These duties are defined by statute in the Civil Defence Emergency Act 2002, the Forest and Rural Fires Act 1977 and the Forest and Rural Fire Regulations 2005.

What we did this year

We continued to work with communities to assist them to plan to mitigate risks, and improve their preparedness for emergency situations. We also made provision for emergency power supply and telecommunications backup for us to function as headquarters. We have continued to upgrade rural fire equipment on a planned basis, recruit and train volunteers and provide rural fire forces with depots for housing fire appliances and equipment.

The development of a Community Response Plan for civil defence purposes for Dargaville has been completed. Community Response Plans are already in place for Aranga, Mangawhai, Kaiwaka, Maungaturoto and Ruawai. No more are scheduled.

A civil defence emergency exercise was carried out in March 2014. The exercise involved a tsunami on the east coast. As a result, it was agreed that such exercises were vital to maintain capability and were needed more often.

It was a busy fire season, with the largest fire (Kai Iwi Lakes) costing over \$50,000 to extinguish. Drought conditions two years in a row caused increased risk. All fires were fought successfully.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Provide safe and efficient management in times of emergencies and effective response times so as to minimise impact on local economy.
Strong communities	Provides for community participation in emergency management planning and response.
Safety and good quality of life	Communities can feel safe in any emergency event.

Emergency Management – Funding Impact Statements – Operating and Capital

For the year ending:	Actual	Annual Plan	Annual Plan	For the year ending:	Actual	Annual Plan	Annual Plan
30 June 2014	2013-2014	2013-2014	2012-2013	30 June 2014	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	286	286	286	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	0	0	0	Development and financial contributions	0	0	0
Subsidies and grants for operating purposes	5	0	0	Increase (decrease) in debt	0	1	1
Fees, charges and targeted rates for water supply	158	104	90	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	0	0	0	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	Total sources of capital funding	0	1	1
Total operating funding	449	390	376	Applications of capital funding			
Application of operating funding				Capital Expenditure			
Payments to staff and suppliers	376	287	311	- to meet additional demand	0	0	0
Finance costs	0	0	0	Capital Expenditure			
Internal charges and overheads applied	39	39	41	- to improve the level of service	0	0	0
Other operating funding applications	0	0	0	Capital Expenditure			
Total applications of operating funding	415	326	352	- to replace existing assets	0	65	25
Surplus (deficit) of operating funding	34	64	24	Increase (decrease) in reserves	34	0	0
				Increase (decrease) of investments	0	0	0
				Total applications of capital funding	34	65	25
				Surplus (deficit) of capital funding	-34	-64	-24
				Funding Balance	0	0	0

Financial Comment

- Total operating funding is \$0.1 million higher than budget due to more rural fire incidents resulting in higher cost recoveries from external parties. This higher revenue is offset by higher than budget expenditure on attending rural fires \$0.1 million.
- Capital expenditure is \$0.1 million lower than budget due to the planned replacement of a fire engine not being required as the number of volunteer fire forces in the district has decreased.

Emergency Management – Performance Measures

Civil Defence					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Reliability To build a resilient and safer Kaipara District with communities understanding and managing their hazards and risks.	Number of civil defence training exercises conducted per annum.	1	1	1	Achieved.
	Time taken to activate the emergency Operations Centre after notification of a local civil defence emergency.	<1 hour	n/a	n/a	Not measured as no emergencies occurred.

Rural Fire					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Health and Safety To protect life and property from rural fires with trained personnel within the Kaipara District Rural Fire Authority Area.	Percentage of fire fighters who meet the National Rural Fire Authority Training Standards.	53%	71%	100%	Achieved.

Emergency Management – Significant Negative Effects

- Extinguishing rural fires may require the use of chemical suppressants resulting in some release of chemicals to the environment. This is mitigated through limiting the use of suppressants to essential requirements and in compliance with National Rural Fire Authority standards.
- Setting aside budgets for emergency management ties up funds that could be allocated to other activities. A risk associated with this is that funds spent on preparing for an emergency may not be recoverable in the event that the emergency never eventuates.

Flood Protection and Control Works

What we do

We aim to protect people and property from flooding caused by severe weather events, and possible damage caused by coastal erosion. Flood control activity includes

- Flood control schemes
- Rivers alignment control
- Land drainage.

Land drainage work is undertaken in 29 drainage districts, each of which is currently self-funded and self-managed. The Raupo Drainage District, administered by a committee of Council, is the largest.

Why we do it

Council has a long history of involvement in this activity. It was historically done through Drainage Boards. Only the Raupo Drainage District continues under a similar model in Kaipara. Responsibilities are also mixed between the Council and the Northland Regional Council. Council has chosen to continue with drainage districts across parts of the District, in addition to the Raupo area and areas managed by the regional council. The rationale for this was the importance to the District that people and property, especially productive land and infrastructure, are protected from flooding and tidal flows.

What we did this year

Activities to maintain the current capacity of the land drainage network included

- Weed spraying
- Drain cleaning
- Floodbank and stopbank maintenance.

Flood protection is carried out through control schemes and a system of stopbanks. Rivers are also monitored in storms events to warn of potential flooding. The Council also:

- Maintains floodgates
- Monitors floodbank settlement rates.

This year we completed the replacement of the floodgate at Wilson Landing Road. The drainage network was inspected twice to ensure it was working well, and the Raupo stopbank system had its annual inspection.

The Raupo Drainage Committee met quarterly.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Provides safe and efficient management in times of flood protection and effective response times so as to minimise impact on local economy.
Strong communities	Provides for community participation in flood protection management planning and response.
Safety and good quality of life	Communities can feel safe in any emergency event.

Flood Protection and Control Works – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual Plan	Annual Plan	For the year ending:	Actual	Annual Plan	Annual Plan
30 June 2014	2013-2014	2013-2014	2012-2013	30 June 2014	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	7	7	7	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	527	526	542	Development and financial contributions	0	0	0
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	0	-73	-86
Fees, charges and targeted rates for water supply	5	0	0	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	0	0	0	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	0	0	Total sources of capital funding	0	-73	-86
Total operating funding	539	533	549	Applications of capital funding			
Application of operating funding				Capital Expenditure	0	0	0
Payments to staff and suppliers	286	360	362	- to meet additional demand	0	0	0
Finance costs	0	0	0	Capital Expenditure	45	0	0
Internal charges and overheads applied	99	100	101	- to improve the level of service	0	0	0
Other operating funding applications	0	0	0	Capital Expenditure	0	0	0
Total applications of operating funding	385	460	463	- to replace existing assets	109	0	0
Surplus (deficit) of operating funding	154	73	86	Increase (decrease) in reserves	0	0	0
				Increase (decrease) of investments	0	0	0
				Total applications of capital funding	154	0	0
				Surplus (deficit) of capital funding	-154	-73	-86
				Funding Balance	0	0	0

Financial Comment

- Payments to staff and suppliers are \$0.1 million below budget due to the timing of stopbank maintenance and machine cleaning undertaken during the year.

Flood Protection and Control Works - Performance Measures

Flood Protection and Control Works					
Levels of Service Statement	Performance Measure	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Reliability Monitor drainage of rivers and streams. Ensure minimal flood risk and coastal erosion to the community.	Land drains contain a one in five year flood.	100%	100%	100%	Achieved. Weather events this past year have proven that the network can cope, minimising flood risk to the community.

Flood Protection and Control Works – Significant Negative Effects

- Channelisation of natural water courses and the loss of wetlands associated with construction of drainage schemes have resulted in loss of indigenous habitat.
- Rapidly draining flood-prone areas, instead of allowing them to flood and withhold water, increases flood peaks and river flows downstream during storm events. This results in higher river levels and flooding risk downstream. What is more, the loss of water storage in wetlands and flood plains results in significantly lower base flows during dry periods. Not allowing land to flood also prevents the supply of natural river sediment to the plains while allowing it to accumulate in waterways.
- A well working flood protection system often creates a false sense of security among local residents. They begin to forget that a flood risk exists. This may lead them to build valuable infrastructure in flood plains and to oppose obtrusive maintenance of flood control works such as stopbank heightening or drain cleaning on private land.

District Leadership

What we do

Representation

Through its governance activities, Council plans, makes decisions and takes action for and on behalf of communities to promote the well-being of the Kaipara District now and for the future.

A key part of Council's representation work is to ensure that Council and Committee meetings are well run and managed. Council staff provide advice, information and administration support to enable these functions to occur. They make sure that meetings follow correct processes and comply with legislation, record decisions and subsequently communicate these decisions to the community and other stakeholders.

Officers involved with District Leadership support and enable Council (and Commissioners) to make plans that are in line with strategic goals and to make appropriate decisions.

Forward Planning

Change in the Kaipara District is ongoing. Over recent years we have seen population growth in some communities, while experiencing population decreases in others.

Forward planning deals with managing and providing Council's strategic and corporate policy development and assisting resource and district planners in their roles.

This includes documents internal to the organisation, like Business Plans, as well as external documents like Council's Long Term Plan, Annual Plan, Annual Report and the District Plan.

The Council no longer has a direct provision of economic development services, but has incorporated local economic development outcomes into community planning work.

Why we do it

Council is required to work in compliance with multiple Acts of Parliament including:

- Local Government Act 2002
- Local Government (Rating) Act 2002

- Resource Management Act 2007
- Local Government Official Information and Meetings and Act 1987
- Public Records Act 2005
- Local Authorities (Members' Interests) Act 1968
- Kaipara District Council (Validation of Rates and Other Matters) Act 2013.

What we did this year

Overall, Council delivered the current levels of service within this Activity. It reviewed its approach to economic development and has combined it with its community planning programme.

The aim is to produce useable advice and documents so that the organisation can focus on implementation. The Kaipara District Plan was made operative this year, with the exception of one appeal remaining on a single property.

Council has:

- Undertaken research into growth trends including population, dwellings, business, and land availability
- Drafted a Freedom Camping Bylaw, but put this on hold pending the Court decision on the Thames-Coromandel challenge to their bylaw from the NZ Motor Caravan Association
- Made progress towards a vehicle speed limit on Ripiro Beach
- Created a register of bylaws and policies and a review programme
- Held community planning meetings at Baylys, Tinopai, Pahi, Whakapirau, Paparoa and Te Kopuru
- Commenced reserve planning work for Taharoa Domain and Memorial Park, Dargaville
- Commenced plan changes to the District Plan to make it more workable, and processed a private plan change for land in Tinopai.

Commissioners appointed by the Minister of Local Government continue to govern the District, replacing the elected representatives until new elections scheduled for October 2015. One of the four Commissioners resigned during the year and the Minister for Local Government made the decision not to replace him.

Governance activities outlined in the Annual Plans give the Commissioners the support required to enable them to fulfil the various roles which they undertake.

Governance arrangements continue to be open and transparent. A Council Code of Conduct was adopted.

The Commissioners have had many engagements with communities, public interest groups and key stakeholders to identify their priorities and preferences, and keep people informed of Council activities. This helps to ensure that decisions are made that take into consideration the preferences of the wide range of communities across the District.

Significant milestones were achieved during the year addressing past issues.

- The Kaipara District Council (Validation of Rates and Other Matters) Act 2013 was passed into law in December 2013
- The Report on the Inquiry by the Auditor-General on the Mangawhai Community Wastewater Scheme was released in December 2013
- A Court decision on the Judicial Review taken by the Mangawhai Ratepayers and Residents Association (MRRA), found that Council's debt was legally enforceable, that past rates were valid and awarded costs but no damages to MRRA. The MRRA has subsequently filed a notice of appeal on the decision.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Provides regular, timely, transparent and accessible communication along with clear and simple procedures. Enables commercial and industrial development to occur without undue restrictions.
Strong communities	Encourages communities to work together in moving forward by actively providing various methods of support. Providing the community with the opportunity to be involved in decisions which affect them. Providing support to the business community to develop.
Special character and healthy environment	Reflects the Kaipara culture with a small friendly approachable organisation which tailors services to cater for Kaipara's unique needs. Provides a development framework while safeguarding the environment. Economic growth enables improved social conditions.

District Leadership – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual	Annual	For the year ending:	Actual	Annual	Annual
30 June 2014	2013-2014	Plan	Plan	30 June 2014	2013-2014	Plan	Plan
	\$'000	2013-2014	2012-2013		\$'000	2013-2014	2012-2013
		\$'000	\$'000			\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	4,767	4,227	3,907	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	0	0	0	Development and financial contributions	0	0	0
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	-1,280	-1,333	-2,191
Fees, charges and targeted rates for water supply	1,010	1,007	1,359	Gross proceeds from sale of assets	134	15	15
Internal charges and overheads recovered	4,580	4,498	4,345	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	516	282	357	Total sources of capital funding	-1,146	-1,318	-2,176
Total operating funding	10,873	10,014	9,968	Applications of capital funding			
Application of operating funding				Capital Expenditure	61	0	0
Payments to staff and suppliers	10,187	8,023	7,160	- to meet additional demand			
Finance costs	51	265	101	Capital Expenditure	201	0	5
Internal charges and overheads applied	426	257	295	- to improve the level of service			
Other operating funding applications	0	0	0	Capital Expenditure	402	151	154
Total applications of operating funding	10,664	8,545	7,556	- to replace existing assets			
Surplus (deficit) of operating funding	209	1,469	2,412	Increase (decrease) in reserves	-1,774	0	77
				Increase (decrease) of investments	173	0	0
				Total applications of capital funding	-937	151	236
				Surplus (deficit) of capital funding	-209	-1,469	-2,412
				Funding Balance	0	0	0

Financial Comment

- Total operating funding is \$0.9 million higher than budget due to higher rates penalties due to higher rates debtor levels during the year, a release into revenue of a bond received last financial year and unbudgeted gains on investments.
- Payments to staff and suppliers are \$2.2 million higher than budget due to penalty remissions applied as a result of the Kaipara District Council (Validation of Rates and Other Matters) Act 2013, consulting and legal advice required to support Council with rating issues, the Local Bill, Judicial Review and other organisational service delivery projects, and a higher level of doubtful and bad debts. These unfavourable variances are partially offset by lower than budget expenditure on forestry.
- Finance Costs are \$0.2 million lower than budget due to lower than budget public debt levels during the year.
- Capital expenditure is \$0.5 million higher than budget primarily due to necessary computer system upgrades which had not been budgeted.
- The increase in investments of \$0.2 million reflects the increase in the fair value of Council's Swap derivatives.

District Leadership - Performance Measures

Representation					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Community Benefits To promote community spirit and participation.	Percentage of residents who are very/fairly satisfied with how rates are spent on services and facilities provided by Council.	70%	47%	56%	Not Achieved. Levels of satisfaction are rebounding as community confidence in Council is rebuilt.
	Percentage of residents who are very/fairly satisfied with the way Council involves the public in the decisions it makes.	60%	35%	33%	Not Achieved. The Commissioners are neither local nor elected. Much of their focus has been on resolving matters of the past leaving reduced opportunity to engage with the community.
	Percentage of residents who rate the performance of the Commissioners as very good/fairly good.	60%	39%	41%	Not Achieved. As the issues of the past come to resolution the focus is turning to a more forward looking approach.
Community Benefits Assisting Council in building strong relationships with the Maori community by providing advice on matters that impact on local iwi.	Commissioners are very/fairly satisfied with the level of liaison with local iwi.	75%	75%	75%	Achieved. Commissioners are keen to see the implementation of the Iwi Engagement Plan and look forward to a richer engagement with local iwi.

Forward Planning					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Customer Service Clear, timely and useful information is available to the public/stakeholders.	Compliance with legislative planning requirements.	Achieved	Achieved	Achieved	Achieved. All planning requirements have been met during the 2013/2014 year.
	Of those who have a view, the percentage of resident and non-resident ratepayers who have some level of confidence in the Council to make plans for the future that are in the best interests of the District.	Increasing trend	38%	43%	Not Achieved. As the issues of the past come to resolution the focus is turning to a more forward looking approach.

Economic Development					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Deliver advice, information and programmes to attract new business investment, develop and grow a skilled workforce.	Percentage of stakeholders who are pleased with provision of business advice, start-up, training and mentoring programmes.	85%	Not measured	Not measured	Council no longer provides economic development services.

Economic Development					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
	Increase growth in tourism by measuring the number of accommodation beds being utilised within the District.	Increasing Trend	4.3% increase	Not measured	Council no longer provides economic development services.

District Leadership – Significant Negative Effects

- By its very nature, future planning requires balancing the desires of some citizens with the desires of the wider community. This often takes the form of influencing or controlling development activities so that the development of a property does not unreasonably detract from the quality of life of their neighbours or the wider community. These controls can be seen as inhibiting for some whose aspirations do not fit within Council's plans.
- Where Council's plans are too lenient, economic activity without regard to environmental values in ecologically sensitive areas could result in adverse economic and environmental outcomes.
- The significant resourcing needed to address matters of the past makes it challenging for Commissioners and officers to maintain an equal focus on future planning. Commissioners are bound by their Terms of Reference which could create a perception that they are less able to represent the community on issues that fall outside those Terms of Reference.
- Continued legal proceedings against Council have taken a financial toll on Council's ability to provide current levels of service. As rating arrears return to near normal levels, deferred capital projects can proceed.

Solid Waste

What we do

Solid waste activities include:

- Kerbside refuse bag collection
- Recycling collection in key urban areas
- Two transfer stations for residential and residual waste disposal
- Public litterbins
- Illegally dumped rubbish (often referred to as “fly tipping”)
- Abandoned vehicles
- Supporting waste minimisation initiatives
- Monitoring, maintaining and management of a number of closed landfills in the District.

The aims and objectives of the solid waste activity are outlined in the Refuse Asset Management Plan for the District.

Why we do it

We said we would deliver affordable, hygienic, refuse collection and disposal that is environmentally sustainable, meets our statutory requirements and meets the needs of our communities, at the current levels of service.

The statutory requirements are defined in the following Acts:

- Local Government Act 2002
- Waste Minimisation Act 2008
- Resource Management Act 1991
- Hazardous Substances and New Organisms Act 1996
- Litter Act 1979.

What we did this year

Private operators are responsible for all waste collection, recycling and disposal services for Council. A new contract for Eastern and Western waste and recycling collection, and the operation of the Dargaville Transfer Station was awarded this year. The Council owns two transfer stations in the District, the other being at Hakaru. There are no operational landfills in the Kaipara District.

Council has made significant progress in leachate disposal of Hakaru landfill, including improved understanding of the causes. Resolution of the challenges facing Council in management of this closed landfill is expected next year.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Safety and good quality of life	Communities are able to dispose of refuse in a hygienic and sustainable manner.
Special character and healthy environment	Transfer stations, landfills and removal of illegally dumped rubbish minimise possible environmental impacts.

Solid Waste – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual Plan	Annual Plan	For the year ending:	Actual	Annual Plan	Annual Plan
30 June 2014	2013-2014	2013-2014	2012-2013	30 June 2014	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	745	694	644	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	0	0	0	Development and financial contributions	130	0	0
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	0	102	191
Fees, charges and targeted rates for water supply	61	60	60	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	523	0	0	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	3	10	Total sources of capital funding	130	102	191
Total operating funding	1,329	757	714	Applications of capital funding			
Application of operating funding				Capital Expenditure	0	0	0
Payments to staff and suppliers	940	724	562	- to meet additional demand	0	0	0
Finance costs	47	47	67	Capital Expenditure	0	0	0
Internal charges and overheads applied	82	82	81	- to improve the level of service	0	0	0
Other operating funding applications	0	0	0	Capital Expenditure	0	6	6
Total applications of operating funding	1,069	853	710	- to replace existing assets	0	6	6
Surplus (deficit) of operating funding	260	-96	4	Increase (decrease) in reserves	390	0	189
				Increase (decrease) of investments	0	0	0
				Total applications of capital funding	390	6	195
				Surplus (deficit) of capital funding	-260	96	-4
				Funding Balance	0	0	0

Financial Comment

- Total operating funding is \$0.6 million higher than budget due to changes made during the year to the reporting of internal charges and overheads recovered for Roads and Footpaths and Solid Waste. This is a presentation variance between the two activities only, and has no effect on Council's overall performance.

Solid Waste - Performance Measures

Solid Waste					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Reliability To provide community recycling facilities and regular kerbside collections to encourage recycling and waste reduction.	Percentage of customers who rate Request for Service responses as excellent/good.	89%	Not measured	Not formally measured	Council measures residents who rate recycling as very/fairly satisfied. This year 49% of residents were very/fairly satisfied.
	Percentage of residents who are very/fairly satisfied with rubbish collection.	73%	74%	66%	Not Achieved. While fewer residents are satisfied, the percentage of residents dissatisfied remains the same as the previous survey.
Health and Safety To provide clean safe litterbins and to ensure litter free public places.	Litterbins in townships and reserves in urban areas are emptied on a weekly basis.	Achieved	Achieved	Achieved	Achieved.

Contractor's levels of service are monitored by way of percentage of residents who are very/fairly satisfied with rubbish collection. Along with this, regular meetings are held with the contractor. These meetings are used to discuss, amongst other things, any issues arising from general public feedback.

Waste minimisation is achieved by provision of a recycling service. Last year recycling in the Kaipara resulted in 530 tonnes being diverted from landfill.

Solid Waste – Significant Negative Effects

- Leachate production is a significant negative effect and is a by-product of landfills. While Council has no active landfills, closed landfills still require monitoring and leachate disposal.
- Rubbish left on the street for collection can be unsightly for residents. This is mitigated by a prompt collection service.
- Street-side collection of refuse by heavy vehicles can be disruptive to other traffic and the community. This is mitigated by implementing proper practice and the use of reflective warning signs.
- Illegally dumped rubbish is a significant negative effect of solid waste activity. This is mitigated by Contractors collecting and disposing of this rubbish. Where identifiable, infringements are sent to offenders of this behaviour.

Roads and Footpaths

What we do

Council Roads and Footpaths activity consists of:

- Managing all the District's roads and footpaths except State Highways
- Promoting road safety
- Advocating on Kaipara's behalf to central government on transport matters, especially in response to the reduction in the NZ Transport Agency subsidy
- Extending seal where there is local (residents or developers) and/or NZ Transport Agency funding
- Resealing approximately 30 kilometres of road annually
- Responding to damage from storm events
- Improving road signage
- Upgrading footpaths as funding allows.

Why we do it

Roading is Council's core business. It is the service most used by people of the District and is essential for communication, social connection and doing business. Nearly 75 per cent of Council's capital programme is on roads, accounting for nearly 48 per cent of Council's total expenditure.

What we did this year

Because it is such a high spending activity, and given the financial challenges Council currently faces caused by greater than average rates arrears, this activity has been subject to transfer of works to 2014/2015 to keep Council operating within budget. The value of deferred works is \$5,737,000 made up of:

<i>Sealed Road Rehabilitations</i>	<i>\$3,610,000</i>
<i>Structural Component Replacements</i>	<i>\$152,000</i>
<i>Minor Improvements</i>	<i>\$1,102,000</i>
<i>Emergency Works Final Repairs</i>	<i>\$251,000</i>

<i>Preventive Maintenance</i>	<i>\$170,000</i>
<i>Drainage Renewals</i>	<i>\$412,000</i>
<i>New Footpaths</i>	<i>\$40,000</i>

Progress has still been made on improving the Asset Management Plan, and a new contract for road maintenance was issued in August 2013 that included greater ability for Council to monitor contractor performance. The deferred works will be completed during the 2014/2015 financial year.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Provides for safe and efficient transport of people, goods and materials. This is achieved by maintaining pavement surfaces, replacing one lane and weight restricted bridges and removing road hazards.
Strong communities	Appropriate transportation links between and within communities and access to properties. This is achieved by maintaining all-weather surfaces, providing adequate directional signage and by repairing road instabilities.
Safety and good quality of life	Safe road network that is well delineated and minimises road hazards. This is achieved by providing skid resistant surfaces, improving warning signage and markings, and by removing roadside hazards.
Special character and healthy environment	Provides access and directional signage to key areas of natural, cultural and historic significance.

Roads and Footpaths – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual Plan	Annual Plan	For the year ending:	Actual	Annual Plan	Annual Plan
30 June 2014	2013-2014	2013-2014	2012-2013	30 June 2014	2013-2014	2013-2014	2012-2013
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	10,051	10,102	587	Subsidies and grants for capital expenditure	2,200	6,292	5,775
Targeted rates (other than a targeted rate for water supply)	0	0	8,578	Development and financial contributions	55	214	211
Subsidies and grants for operating purposes	4,186	3,658	3,657	Increase (decrease) in debt	0	-203	-112
Fees, charges and targeted rates for water supply	107	0	271	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	0	523	502	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	115	5	4	Total sources of capital funding	2,255	6,303	5,874
Total operating funding	14,459	14,288	13,599	Applications of capital funding			
Application of operating funding				Capital Expenditure - to meet additional demand	78	0	0
Payments to staff and suppliers	6,640	6,651	6,498	Capital Expenditure - to improve the level of service	453	1,835	1,670
Finance costs	88	88	106	Capital Expenditure - to replace existing assets	3,457	8,644	7,995
Internal charges and overheads applied	3,373	3,373	3,204	Increase (decrease) in reserves	2,625	0	0
Other operating funding applications	0	0	0	Increase (decrease) of investments	0	0	0
Total applications of operating funding	10,101	10,112	9,808	Total applications of capital funding	6,613	10,479	9,665
Surplus (deficit) of operating funding	4,358	4,176	3,791	Surplus (deficit) of capital funding	-4,358	-4,176	-3,791
				Funding Balance	0	0	0

Financial Comment

- Total operating funding is higher than budget due to more maintenance work required during the year (arising from capital expenditure being deferred) which resulted in higher operating subsidies from NZ Transport Agency, bonds and retentions released to revenue to cover expenditure incurred in completing work where a contractor had defaulted, and gains on sales of assets disposed of by Council during the year. These favourable variances are partially off-set by lower than budgeted internal charges and recoveries which are shown in the Solid Waste (Roads and Footpaths and Solid Waste activities share staff and therefore overheads) activity as a result of changes made to Council's financial reporting system during the year.
- Capital expenditure is \$6.5 million lower than budget and related capital funding is \$4.0 million lower than budget as a result of Council's decision to defer capital spending until rating issues had been resolved

Roads and Footpaths – Performance Measures

Roading					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Reliability and Responsiveness The transportation network is reliable and travel times are predictable.	Percentage of customers who rate Requests for Service responses as excellent/good for roading.	70%	53%	48%	Not Achieved. As road condition worsens because of the deferral of maintenance, Requests for Service have increased, and are unable to be responded to because of the shortage of funds.
Quality and Quantity The transportation network and its facilities are up to date, in good condition and 'fit for purpose'.	Percentage of residents who are very/fairly satisfied with Council roads (excluding State Highways).	74%	78%	70%	Not Achieved. The deferral of roading budgets had a tangible effect on how our stakeholders experience our service. Work is planned to be back on track by the end of the 2014/2015 year.

Roading					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
	Smoothness within average range as below: <90 Smooth 90-110 average >110 rough	90-110	99	98	Achieved. Provided from the RAMM local Authority Statistics Report December 2013 roughness results.
	Minimum reseal length of 30 kilometres shall be undertaken each year to keep up with surface determination rates.	30km	22km	27km	Not Achieved. Reseal length was not achieved due to reprioritisation of budgets.
Safety The transportation network is designed and managed for safe use with low crash and injury rates.	Number of road fatalities caused by road factors.	Zero	Zero	Zero	Achieved. No fatal crashes on local roads.

Footpaths					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Quality and Quantity Facilities are up to date, in good condition and 'fit for purpose'.	Percentage of residents who are very/fairly satisfied with footpaths.	73%	56%	62%	Not Achieved. The deferral of roading budgets had a tangible effect on how our stakeholders experience our service. Work is planned to be back on track by the end of the 2014/2015 year.

Roads and Footpaths – Significant Negative Effects

- Significant negative effects from the roading network and vehicles using the roads include traffic hazards and accidents, dust, noise, emissions and other amenity effects and environmental effects. Council's Roding Asset Management Plan describes its roading assets and details the practices used to manage those assets which helps to reduce possible negative effects and risks.
- The quality of surface runoff from roads that discharges into adjacent coastal or other waters is also an issue.

Sewerage and the Treatment and Disposal of Sewage

What we do

Council provides wastewater collection and treatment systems in:

- Dargaville – servicing the urban area except part of the Beach Road industrial area. The system includes around 40 kilometres of pipeline, 15 pump stations and a treatment plant (oxidation pond, maturation pond and wetland) with a continuous discharge to the Northern Wairoa River
- Glinks Gully – servicing 24 houses. The system includes around 450 metres of pipeline and 1 pump station to a treatment plant and disposal area
- Kaiwaka – servicing around 163 houses. The system includes around 5.3 kilometres of pipeline, 1 pump station and a treatment plant (oxidation pond and wetland) discharging to the Kaiwaka Stream
- Maungaturoto – servicing approximately 369 sites. The system includes around 12 kilometres of pipeline, 3 pump stations and a treatment plant (oxidation pond) discharging into the Wairoa River on each outgoing tide
- Te Kopuru – servicing the urban area. The system includes around 6.3 kilometres of pipeline and a treatment plant (oxidation pond and wetland) discharging to the Northern Wairoa River
- Mangawhai – servicing or able to service around 1,617 users in the Mangawhai Village and Heads areas. The system includes around 112 kilometres of pipeline and 18 pump stations, a water reclamation plant, and a transfer main to Lincoln Downs where the treated water is stored awaiting irrigation to pasture
- Council also regulates trade waste discharges to the wastewater system.

Council's Wastewater Services Asset Management Plan determines wastewater standards, levels of service, and funding levels to maintain sustainable and affordable services in the above communities.

Why we do it

We provide services to ensure that the District's wastewater is collected, treated and disposed of in a cost-effective, sustainable and environmentally friendly manner. The provision also protects public and environmental health through economic and environmentally sustainable treatment and disposal of wastewater.

What we did this year

The following capital projects were carried out during the year:

Project	Contract Value	Completion
Rising Main from PS 1 to Oxidation Pond at Dargaville Wastewater Treatment Plant	\$169,849	100%
Pipe Renewals – Portland Street, Awakino Road and Tuna Street	\$133,563	100%
Raising the bund of Oxidation Pond at Dargaville Wastewater Treatment Plant	\$2,300	100%
Installation of SCADA system – Dargaville Wastewater Treatment Plant	\$140,000	60%
Minor Reticulation extension of Thelma Road, Sunlea Lane and Jack Boyd Drive - Mangawhai	\$72,000	100%
Condition Assessment (Opex) Stage 3 – CCTV Wastewater and Stormwater Dargaville	\$52,980	50%

Capital projects started but not completed this year include the desludging – enzyme treatment will continue for a few years - of Dargaville oxidation ponds and pipe renewals. Budgets will be carried over as follows:

<i>De-sludge Oxidation Pond (Wastewater – Dargaville)</i>	<i>\$400,000</i>
<i>Pipe Renewal (Wastewater – Maungaturoto)</i>	<i>\$50,000</i>

The increasing cost of wastewater infrastructure and environmental compliance is continuing to place a considerable amount of pressure on communities.

Mangawhai Community Wastewater Scheme

In the last year the Water Infrastructure Group has operated the Wastewater Treatment Plant system achieving targets established under the contract deed. The Resource Consent conditions have been met, however there have been some issues with total dissolved solids. There were also seven reported and resolved sewerage spills.

All major pump stations operated without fault. There were some issues throughout the year with the mono grinder pumps which were resolved as they were reported. Over the year we have continued to upgrade these grinder pumps to the latest version.

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	To process the wastewater generated from industry and commercial activities.
Safety and good quality of life	To maintain a good standard of public health.
Special character and healthy environment	Treatment of pollutants to reduce the impact on the environment.

Sewerage and the Treatment and Disposal of Sewage – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual	Annual	For the year ending:	Actual	Annual	Annual
30 June 2014	2013-2014	Plan	Plan	30 June 2014	2013-2014	Plan	Plan
	\$'000	2013-2014	2012-2013		\$'000	2013-2014	2012-2013
		\$'000	\$'000			\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	1,419	1,419	992	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	4,888	4,978	4,076	Development and financial contributions	154	644	625
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	0	498	1,430
Fees, charges and targeted rates for water supply	73	9	9	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	0	0	0	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	1,044	13	12	Total sources of capital funding	154	1,142	2,055
Total operating funding	7,424	6,419	5,089	Applications of capital funding			
Application of operating funding				Capital Expenditure - to meet additional demand	0	70	104
Payments to staff and suppliers	3,517	3,071	2,404	Capital Expenditure - to improve the level of service	93	565	655
Finance costs	2,868	2,829	2,884	Capital Expenditure - to replace existing assets	414	611	692
Internal charges and overheads applied	415	415	405	Increase (decrease) in reserves	271	0	0
Other operating funding applications	0	0	0	Increase (decrease) of investments	0	0	0
Total applications of operating funding	6,800	6,315	5,693	Total applications of capital funding	778	1,246	1,451
Surplus (deficit) of operating funding	624	104	-604	Surplus (deficit) of capital funding	-624	-104	604
				Funding Balance	0	0	0

Financial Comment

- Total operating funding is higher than budget primarily due to the unrealised gain of \$1.0 million on interest rate swaps. Council uses interest rate derivatives to assist in achieving a long term stable interest rate on debt.
- Payments to staff and suppliers are \$0.4 million higher than budget due to a revaluation deficit of \$1.6 million partially offset by lower desludging costs as a result of using an enzyme treatment rather than mechanical desludging. Engineering consultancy, plant running costs and maintenance costs are also lower than budget.
- Capital expenditure is \$0.7 million lower than budget primarily due to the deferral of the Mangawhai irrigation extension while Council considered alternative effluent disposal options, and timing of the Dargaville mains upgrade and installation of the SCADA system.

Sewerage and the Treatment and Disposal of Sewage – Performance Measures

Sewerage and the Treatment and Disposal of Sewage					
Levels of Service Statement	Performance Measures	Target Year 2 2014/2015	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Reliability Provides a modern and convenient way to use wastewater reticulation system which protects public health.	Number of Requests for Service regarding odours.	<32	10	26	Achieved.
	Number of Requests for Services regarding blockages.	<105	38	35	Achieved.
	Percentage of residents who are very/fairly satisfied with the Kaipara District's sewerage system.	55%	44%	75%	Achieved.
Quality To protect the physical environment through the treatment and discharge of effluent.	Compliance with outfall waste consent conditions.	90%	81%	91%	Achieved.
	The annual number of events where sewage is discharged from Council's reticulation into rivers or streams.	<5	4	11	Not Achieved. During severe weather events and power failure the wastewater system overflowed.

Sewerage and the Treatment and Disposal of Sewage – Significant Negative Effects

- Possible negative effects of this activity could include system failure or pipeline breakages that result in contamination of public waterways which results in an environmental or public health risk.
- Sewage spills to water can affect public access for bathing and recreational shellfish collection, as well as commercial oyster farming and tourism.
- Council's Wastewater Asset Management Plan describes its wastewater assets and details the practices used to manage those assets which helps to reduce possible negative effects and risks.

Stormwater Drainage

What we do

The primary stormwater system consists of pipes, drains, swales, sumps and channels.

The secondary stormwater system comes into play during significant heavy rain events, and carries excess stormwater which the primary system cannot contain. This consists of stormwater overland flowpaths through reserves, private properties and along road corridors.

Stormwater is managed differently across the District:

- Council provides a piped stormwater system in Dargaville urban area with some open drains
- Stormwater control in Mangawhai is provided by a combination of soakage, stormwater reticulation and open drains
- Stormwater systems in Baylys, Te Kopuru, Kaiwaka, Pahi, Whakapirau, Tinopai, Paparoa and Maungaturoto are predominantly related to the road network
- Road culverts are provided in Tinopai, Kelly's Bay and Glinks Gully
- Stormwater management in Ruawai is integrated into the Raupo Drainage District works.

The Stormwater Asset Management Plan has been developed alongside an Engineering Standard (2011) to determine priorities and maintenance activities. Investment is balanced against a community's ability to pay. The stormwater quality is regularly monitored across the District.

Planning and building controls are used to reduce harm to property in flood-prone areas by, for example, imposing minimum floor levels and other building restrictions.

Why we do it

Stormwater is managed to protect people and property from flooding, and to ensure roads remain safe in most weathers. Stormwater is piped in most urban areas where open drains are a safety hazard and road reserves are needed for foot traffic.

What we did this year

Council continued to deliver the current levels of service for stormwater drainage, to ensure that stormwater flooding and discharge to the environment is contained and managed to minimise the impact on people, property and the environment.

Pollutants in stormwater that is discharged into natural waterways is reduced by measures such as swale drains, green infrastructure (such as wetlands, low impact design and soakage) and education.

Council has improved its knowledge of its assets and started to build an asset management information system. Works were implemented to renew some pipes in Dargaville and Baylys.

Council has carried out further investigation into stormwater infiltration into the wastewater network (sewerage system). Other planned work has been deferred while Council renews consents for stormwater discharges. These deferred works include:

<i>AMP Improvements (Stormwater – Dargaville)</i>	<i>\$100,000</i>
<i>AMP Improvements (Stormwater – Kaiwaka)</i>	<i>\$15,000</i>
<i>AMP Improvements (Stormwater – Mangawhai)</i>	<i>\$45,000</i>

The contribution of this activity to community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Minimising flood damage to properties by ensuring stormwater systems have adequate capacity.
Safety and good quality of life	Minimises flooding of dwellings by ensuring stormwater overland flowpaths have adequate freeboard to buildings. Ensuring that stormwater systems do not present a safety hazard.
Special character and healthy environment	Minimising scour from stormwater by controlling and discharging stormwater flows at protected outfalls.

Stormwater Drainage – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual	Annual	For the year ending:	Actual	Annual	Annual
30 June 2014	2013-2014	Plan	Plan	30 June 2014	2013-2014	Plan	Plan
	\$'000	\$'000	\$'000		\$'000	\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	135	135	119	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	1,190	1,174	998	Development and financial contributions	2	13	13
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	0	-75	-221
Fees, charges and targeted rates for water supply	0	0	0	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	0	0	0	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	18	16	Total sources of capital funding	2	-62	-208
Total operating funding	1,325	1,327	1,133	Applications of capital funding			
Application of operating funding				Capital Expenditure - to meet additional demand	0	50	50
Payments to staff and suppliers	245	619	395	Capital Expenditure - to improve the level of service	0	97	38
Finance costs	283	283	337	Capital Expenditure - to replace existing assets	33	101	20
Internal charges and overheads applied	115	115	85	Increase (decrease) in reserves	651	0	0
Other operating funding applications	0	0	0	Increase (decrease) of investments	0	0	0
Total applications of operating funding	643	1,017	817	Total applications of capital funding	684	248	108
Surplus (deficit) of operating funding	682	310	316	Surplus (deficit) of capital funding	-682	-310	-316
				Funding Balance	0	0	0

Financial Comment

- Payments to staff and suppliers are \$0.4 million lower than budget due to lower maintenance costs attributed to dry weather conditions and lower Asset Management Improvement and engineering consultancy costs.
- Capital expenditure is \$0.2 million lower than budget due to timing of planned capital works.

Stormwater Drainage – Performance Measures

Stormwater Drainage					
Levels of Service Statement	Performance Measures	Target Year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Sustainability The removal of stormwater and contaminants to protect dwellings, people, private property and public areas from flooding.	Number of Requests for Service regarding blockages.	<70	38	123	Not Achieved. Increase in requests due to weather events, mainly substantial district-wide flooding.
	Number of Requests for Service regarding emergency repairs.	<50	0	0	Achieved.
	Percentage of customers who rate Request for Service responses as excellent/good.	73%	76%	76%	Achieved.
	Percentage of Operational Resource Consent conditions complied with throughout the year.	90%	100%	100%	Achieved.
	Percentage of Operational Resource Consent conditions complied with throughout the year.	100%	100%	100%	Achieved.

Stormwater Drainage – Significant Negative Effects

- The greatest significant negative effect occurs when high levels of stormwater enter the wastewater reticulation. When this happens the wastewater system at Dargaville can be overloaded, requiring wastewater to be directly discharged into the Northern Wairoa River to deal with the overload. To respond to this issue, parts of Dargaville have been investigated and a number of issues confirmed which need to be rectified to reduce the stormwater infiltration into the wastewater network. Repairs to both the public stormwater system and privately owned stormwater pipes and gully traps still need to be completed.
- A further negative effect is the amount of gross pollutants (bottles, plastics, rubbish, hydrocarbons and various other pollutants) discharged into the natural receiving environment from the stormwater system.

Water Supply

What we do

Communities with water supplied are Dargaville (including Baylys), Maungaturoto, Ruawai, and Glinks Gully. Fonterra receives untreated (raw) water from the Maungaturoto supply. A smaller scheme at Mangawhai services the Mangawhai Heads Camp Ground, Wood Street shops, public toilets, community houses and 17 other connections. Council's Water Supply Asset Management Plan defines the levels of service and funding requirements, including an engineering standard to guide maintenance.

Water is also available for firefighting in Dargaville.

Why we do it

To ensure communities with public water reticulation have a reliable supply of potable water, Council is continuing to improve levels of service to implement the 2005 (Dargaville scheme only) or 2000 New Zealand Drinking Water Standards. Those who receive this water pay the cost of its production.

What we did this year

The existing service levels were delivered for water supply. However, planned improvements were not all able to be delivered this year. A contract for a new UV treatment was let for the Dargaville Plant and 85 per cent of work was completed in this financial year. Works were delivered to renew assets including meters, valves and pipes. Knowledge of the condition of water infrastructure was improved and entered into a new asset management information system.

The following capital projects were carried out during the year:

Project	Contract Value	Completion
UV Plant at Dargaville Water Treatment Plant	\$480,000	85%
Valve (scour/air) replacement on raw water line at Dargaville Water Treatment Plant	\$30,000	100%
Water meter renewals - Baylys	\$25,000	100%
Rotu Intake Upgrade	\$40,000	100%

Installation of SCADA system at Dargaville Water Treatment Plant	\$70,000	75%
Water meter renewals - Maungaturoto	\$17,000	100%
Replacement of pipeline – Whaka Street to State Highway 12 - Design and secured pipes	\$73,000	100%
Pipeline renewal - Mangawhai	\$25,000	100%
Installing Booster Pump - Ruawai	\$44,000	100%
Condition Assessment (Opex)		
Stage 1 – Raw water lines of Dargaville, Maungaturoto and Ruawai	\$24,760	100%
Stage 2 – Treatment Plants and Pumping Stations	\$20,820	60%
Water Safety Plans – a requirement of compliance of NZDWS 2005 (2008) for Dargaville, Maungaturoto and Ruawai		100%

Projects deferred for a year include:

<i>Asset Management Plan Improvements (Water – Dargaville)</i>	\$25,000
<i>Renewal of Maungaturoto Railway Village pipeline and bulk meters</i>	\$100,000

The contribution of this activity to Community Outcomes

Community Outcome	How this activity or service contributes
Sustainable economy	Reliable and regularly available potable water supplies for commercial and industrial activity.
Strong communities	Promote community growth by providing a safe and reliable water supply.
Safety and good quality of life	Raw water is treated to a sustainable standard against waterborne diseases.

Water Supply – Funding Impact Statement – Operating and Capital

For the year ending:	Actual	Annual	Annual	For the year ending:	Actual	Annual	Annual
30 June 2014	2013-2014	Plan	Plan	30 June 2014	2013-2014	Plan	Plan
	\$'000	2013-2014	2012-2013		\$'000	2013-2014	2012-2013
		\$'000	\$'000			\$'000	\$'000
Operating funding				Capital funding			
Sources of operating funding				Sources of capital funding			
General rates, uniform annual general charges, rate penalties	0	0	24	Subsidies and grants for capital expenditure	0	0	0
Targeted rates (other than a targeted rate for water supply)	0	0	0	Development and financial contributions	4	37	36
Subsidies and grants for operating purposes	0	0	0	Increase (decrease) in debt	0	-91	-103
Fees, charges and targeted rates for water supply	2,627	2,614	2,436	Gross proceeds from sale of assets	0	0	0
Internal charges and overheads recovered	0	0	0	Lump Sum Contributions	0	0	0
Local authorities fuel tax, fines, infringement fees and other receipts	0	18	19	Total sources of capital funding	4	-54	-67
Total operating funding	2,627	2,632	2,479	Applications of capital funding			
Application of operating funding				Capital Expenditure - to meet additional demand	0	65	95
Payments to staff and suppliers	1,031	1,148	1,100	Capital Expenditure - to improve the level of service	509	175	110
Finance costs	349	349	436	Capital Expenditure - to replace existing assets	386	630	463
Internal charges and overheads applied	211	211	208	Increase (decrease) in reserves	145	0	0
Other operating funding applications	0	0	0	Increase (decrease) of investments	0	0	0
Total applications of operating funding	1,591	1,708	1,744	Total applications of capital funding	1,040	870	668
Surplus (deficit) of operating funding	1,036	924	735	Surplus (deficit) of capital funding	-1,036	-924	-735
				Funding Balance	0	0	0

Financial Comment

- Payments to staff and suppliers are \$0.1 million lower than budget due to lower Asset Management Improvement and engineering consultancy costs, partially off-set by higher maintenance and chemicals costs.

Water Supply – Performance Measures

Water Supply					
Levels of Service Statement	Performance Measures	Target year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Health and Safety Provide water that is clean and safe to drink, bathe and wash in.	Number of complaints per annum regarding water quality for Council-owned controlled water supply.	Decreasing trend (<21)	12	9	Achieved.
	Compliance with New Zealand Drinking Water Standards (NZDWS)	Dargaville compliant with 2005 NZDWS and all other schemes compliant with 2000 NZDWS	All schemes comply with 2000 NZDWS	Dargaville Plant is being upgraded to meet the Protozoa compliance and NZDWS.	In progress. The upgrade of the Dargaville Plant was completed in August 2014. Compliance with 2000 NZDWS was not achieved in Year 2: <i>E Coli Criteria:</i> Compliant all plants except Mangawhai. <i>Protozoa Criteria:</i> Non-compliant all plants. <i>Distribution Zones:</i> Full compliance with NZDWS 2000.

Water Supply					
Levels of Service Statement	Performance Measures	Target year 2 2013/2014	Actual		Comments
			Year 1 2012/2013	Year 2 2013/2014	
Quality Water is available at an appropriate pressure, free from waste and odours and produced in an environmentally sustainable and affordable manner.	Number of Requests for Service regarding water leaks for Council-owned and controlled water supply.	<100	226	185	Not Achieved. Work to reduce leaks is underway. Progress is noted with a decline in Requests for Service.
	Percentage of residents who are very/fairly satisfied with the water supply.	82%	40%	74%	Not Achieved. Water restrictions in Dargaville over the summer were viewed negatively by customers.
	Percentage of Operational Resource Consent conditions complied with throughout the year.	100%	New measure	100%	Achieved.

Water Supply – Significant Negative Effects

- Possible negative effects of this activity could include water treatment system failure that could affect dialysis patients or the flooding of property due to a breakage in the pipeline. Council's Contractors have a list of patients on dialysis and notify them immediately of any outages, supplying them with water if needed.
- Breaks in the lines are unpredictable however Council has an alarm activation system that triggers any change to the plant and a 24 hour service to repair faults.
- Council's Water Asset Management Plan describes its water assets and details the practices used to manage those assets which helps to reduce possible negative effects and risks.

Council working with Maori

Council recognises its obligations to Maori under the Local Government Act 2002 and the Resource Management Act 1996, and continues to look for ways to facilitate Maori input into decision-making.

Council recognises the importance of its relationships with Te Uri o Hau, Ngati Whatua, and Te Iwi O Te Roroa.

Kaipara District Council is a member of the Northland Iwi and Local Government Chief Executives' Forum. This group meets quarterly with the key objective of bringing consistency to approaches across the iwi organisations and councils.

Council's commitment to partnership with Iwi on matters of importance to Maori is further illustrated by:

- Council's contribution to the Integrated Kaipara Harbour Management Group (IKHMG) project which is led by Te Uri o Hau
- Iwi are given the opportunity for input into the Long Term Plan and Annual Plans during the Draft Plan consultation process.
- Council and Te Iwi O Te Roroa joint management of the Taharoa Domain.
- Council and Te Uri o Hau joint management of Harding Park and Pou Tu o Te Rangi in Dargaville

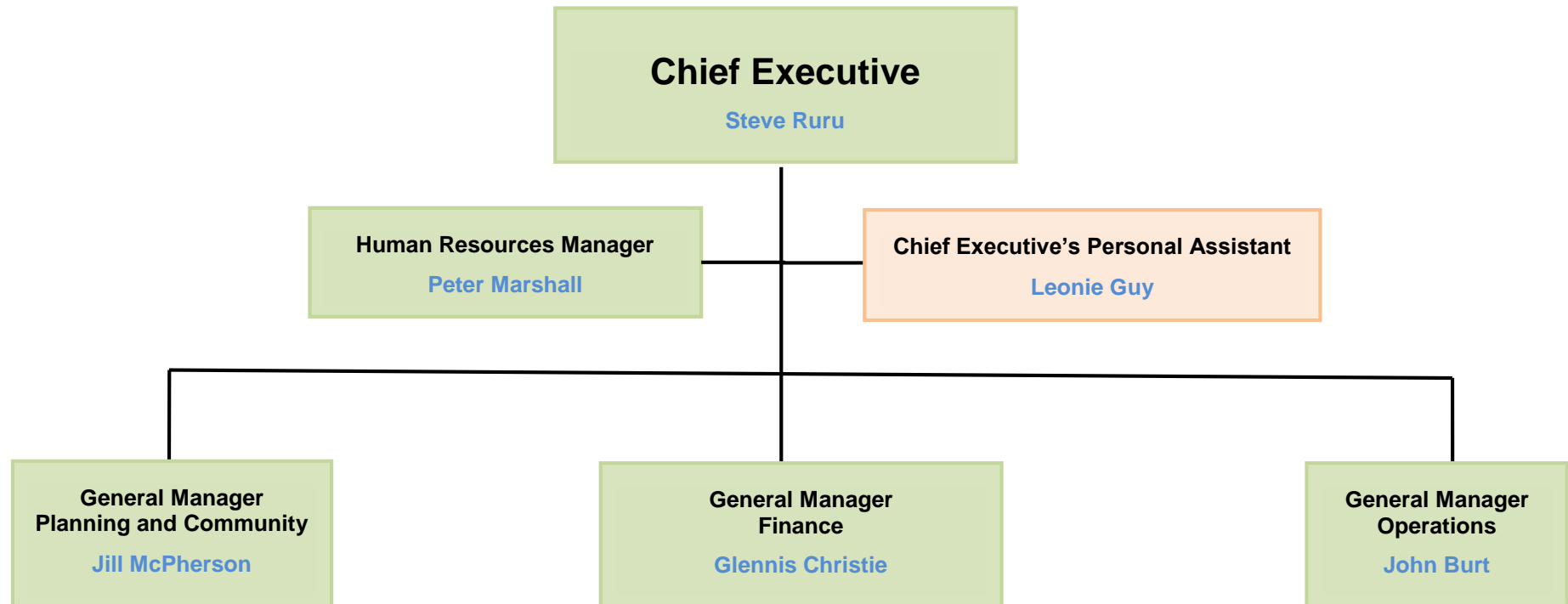
Council remains open to considering further ways of supporting Iwi to improve their ability to contribute to decision-making processes that is mutually beneficial to both parties.

Appendix

Council Directory

Address:	Main Office 42 Hokianga Road Dargaville 0310	Mangawhai Service Centre Unit 6 The Hub 6 Molesworth Drive Mangawhai 0505
Postal Address:	Private Bag 1001 Dargaville 0340	
Telephone:	(09) 439 3123 or 0800 727 059	
Facsimile:	(09) 439 6756	
Email:	council@kaipara.govt.nz	
Web Site:	www.kaipara.govt.nz	
Bankers:	Bank of New Zealand 69 - 71 Victoria Street Dargaville Northland 0310	
	ANZ National Bank Corporate Banking 23-29 Albert Street Auckland 1010	
Auditors:	Deloitte on behalf of the Auditor-General Private Bag 15033 Auckland 1140	

Organisational Structure



Council/Committee Structures

Each Commissioner cannot be expected to have an in-depth knowledge of all components of Council's business. The appointment to both internal and external committees means that each Commissioner gains an in-depth knowledge of his/her committee(s) which they in turn impart to their fellow Commissioners. A Committee Holder is the champion of the subject(s) of his/her Committee. There should be a close relationship with the relevant Manager(s) with the Commissioner providing the governance and political input and the Manager providing the technical and operations input. Together they should work to advance solutions and successes.

The following is a list of the current Committees and Committee holders. It should be noted that Commissioner Colin Dale resigned from his position as a Commissioner at Kaipara District Council on 26 February 2014. As the Minister for Local Government made the decision not to replace him his positions on Council Committees were filled by other Commissioners as shown below:

Council

John Robertson (Chair)

Richard Booth

Peter Winder

Chief Executive's Performance Review Committee

The Chief Executive's Performance Review Committee meets twice yearly.

The purpose of the Committee is to comply with the provisions of the local government and employment legislation and the requirements set out in the contract between the Chief Executive and Council which specifies bi-annual performance reviews.

John Robertson (Chair)

Richard Booth

Peter Winder

Audit and Risk Committee

The Audit and Risk Committee meet as and when required, but generally once a quarter.

The purpose of this Committee is to ensure that Council has appropriate financial, risk management and internal control systems in place to provide:

- an overview of the financial performance of the organisation;
- effective management of potential opportunities and adverse effects; and
- reasonable assurance as to the integrity and reliability of Council's financial and non-financial reporting.

Members: Commissioners Richard Booth (Chair of the Committee), John Robertson and Peter Winder.

Meetings: The Committee will meet as and when required.

Raupo Drainage Committee

This Committee makes recommendations to Council on the maintenance of drains, floodgates and stopbanks in the Raupo Drainage District.

Members: Brian Madsen (Chair), Ian Beattie, David Hart, Ross McKinley, Ken Whitehead and Peter Wilson. Commissioner Richard Booth has been appointed as Council's representative.

Meetings: The Committee meets every third Thursday in the months of February, May, August and November.

Mangawhai Endowment Lands Account Committee

The Mangawhai Endowment Lands Account Committee was created from the disestablishment of the Mangawhai Harbour Board, which held extensive residential lands at Mangawhai. Council calls for applications for grants from the Fund each year and these are assessed by the Mangawhai Endowment Lands Account Committee, which then recommends to Council how the available funds should be disbursed.

Members: Commissioners John Robertson (Chair) and Richard Booth
Joanna Roberts and Alan Russek (community representatives).

Meetings: The Committee will meet as and when required.

Taharoa Domain Governance Committee

This Committee governs the Taharoa Domain on behalf of Council and in accordance with the Taharoa Domain Reserve Management Plan.

Members: Ric Parore (Chair), Alan Nesbit, Commissioners John Robertson and Peter Winder.

Meetings: Normally every last Monday of the months of February, April, June, August, October, and second Monday in December.

Internal Committee Appointments

Raupo Drainage Committee

Mangawhai Endowment Lands Account Committee

Sport NZ Local Funding Allocation Committee

Creative Communities Local Funding Allocation Committee

Taharoa Domain Governance Committee

Local Government New Zealand Zone One

Local Government New Zealand Rural Sector

Pou tu o te Rangi Committee

District Licensing Committee

Commissioner/s

Richard Booth

John Robertson and Richard Booth

Richard Booth

Peter Winder

John Robertson and Peter Winder

John Robertson (alternative: Peter Winder)

John Robertson (alternative: Richard Booth)

Peter Winder and Richard Booth

Peter Winder

External Committee Appointments

Civil Defence Emergency Management Group (NRC)

Regional Policy Committee (NRC)

Regional Transport Committee (NRC)

Environmental Management Committee (NRC)

Kaihu River Liaison Committee (NRC)

Matakohe Church and Reserve Committee

Paparoa Depot Trust

Commissioner/s

Peter Winder (alternative: Richard Booth)

Richard Booth

Peter Winder

Richard Booth

Richard Booth

Chief Executive or nominee

Chief Executive or nominee

Kaipara Harbour Joint Political Committee	Richard Booth
Sport Northland	Richard Booth
Pouto Catchment Group	Richard Booth

Council's Decision-making Function for Resource Consents Requiring Hearings

At its meeting dated 23 March 2011 the past Council resolved to appoint a panel of Independent Commissioners, any one of whom will act on Council's behalf in determining Resource Consent applications which require a Hearing in terms of Council's delegations. Unless specifically requested otherwise by a party to an application, the Independent Commissioner will be assisted by a Commissioner. The Independent Commissioner will Chair the Hearing Panel when not sitting alone.

Having independent professionals involved will produce consistent, high quality decisions, and will ensure transparency in separating the Regulatory decision-making function from Council's other roles. The involvement of Commissioners in the process will provide local knowledge and ensure community representation in Resource Consent decisions.

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