



KAIPARA DISTRICT COUNCIL

Summary Annual Report

2014/2015



Kaipara te Oranganui

**KAIPARA
DISTRICT**

Two Oceans Two Harbours

A word from the Commissioners

We were appointed as Commissioners by the Minister of Local Government to Council on 06 September 2012. This is our third year in office. We have full responsibility for governance of the Council until our term ends in October 2016.

Addressing the financial state of Council

One of our first priorities was getting Council's finances stable. This was achieved by the end of the 2013/2014 financial year. Kaipara District Council is now running and can continue to run a balanced budget and is reducing debt.

The Statement of Comprehensive Revenue and Expense for the year ending 30 June 2015 advises of rate revenues of \$27.8 million (\$27.3 million 2014), of total revenues of \$49.4 million (\$43.3 million 2014), and of total expenditure of \$45.9 million (\$42.7 million 2014). Thus the net surplus in the year under review was \$3.6 million compared to the 2014 year surplus of \$0.6 million. Surpluses are forecasted to continue.

The Statement of Financial Position as at 30 June 2015 shows a working capital deficit of \$14.5 million (\$53.5 million 2014). This improvement in working capital largely represents the restructuring of bank debt. External debt has been reduced to \$75.9 million, an improvement of \$0.4 million over the 30 June 2014 position.

Increasing connections to the Mangawhai Community Wastewater Scheme

This year, we have added 139 new connections to the Mangawhai Community Wastewater Scheme (MCWWS). Next year we expect continued growth at a steady pace.

During the year we appointed a Community Advisory Panel to assist Council with decision-making on future connections. The work of the Panel has been completed and their recommendations received by Council. The Panel put in many hours of voluntary work to understand how the scheme functions and the options for the future. We thank them for their work.

Council will consider these recommendations. Once considered we will develop a Statement of Proposal for consultation with the Mangawhai community early in 2016.

Engagement with the community and Iwi

The Commissioners continue to engage extensively with members of the community, proactively meeting with community groups and following up inquiries from individuals. In this year under review, further community planning programmes were rolled out to Kaiwaka, Maungaturoto, Wood Street shops in Mangawhai, Dargaville and Ruawai. By 30 June 2015 twelve community action plans were in place. A further five are planned for 2015/2016. We then propose to start a Marae community planning programme within the Kaipara District.

Building capability and capacity within the Council organisation

There is now a mixture of improvement programmes in place, including a continuous improvement process to embed this in our everyday operations. Our improved performance as a Building Control Authority won us a highly commended award at the Society of Local Government Managers' awards this year.

Completing the Long Term Plan 2015/2025

We completed our Long Term Plan, adopting it in June this year. This was the first year of applying the new processes for all councils stemming from the amendments to the Local Government Act 2002. The audit of the Plan was clean, except for mention of the risks posed by the Mangawhai Ratepayers and Residents Association appeal that was heard late August in the Court of Appeal in Wellington.

Legal action continues

Although our focus is on the future, there is still significant time and cost being spent on defending the Council against court action initiated by the Mangawhai Ratepayers and Residents Association.

Our pursuit of the former Chief Executive and the Auditor-General also continues. Progress in these cases is slow and the time for resolution is uncertain.

We continue to work hard to build a Council that is well prepared for the return of elected representatives in October 2016.

We thank the people of Kaipara for their support.



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 a 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.

The year that was...

The past year has seen further change within Council as we strive to become a high-performing organisation that can better serve Kaipara and make a positive difference to the District's future success.

Chief Executive Stephen Ruru left in October 2014 to go to Southland District Council and the Commissioners appointed General Manager Planning and Community Jill McPherson as Acting Chief Executive.

The Associate Minister for Local Government also extended the Commissioners' term for another year, because of prevailing uncertainty around amalgamation proposals and unresolved legal action. This now aligns the Kaipara District Council elections with the rest of the country, in October 2016.

The amalgamation proposals which were being discussed during the 2014/2015 year were also shelved, with the Local Government Commission deciding not to proceed with its draft proposal for a single council. Instead, it wants to pursue other options for Northland.

During the 2014/2015 year, we adopted a new vision - "Kaipara – where it's easy to live" which provides our staff with a strong focus on what we need to do to achieve the results you expect of us. This means working with you to help make it easy to enjoy nature, to join in, and to do business. The emphasis is on partnership, working with you as well as for you to do the things needed to make Kaipara's communities strong and successful.

Improved customer services

Following the changes at the Dargaville office's front counter, we have revamped the reception area at the Mangawhai office as well, as part of our drive to improve our customer service at every level. The customer service system encompasses email, telephones and web inquiries, and is integrated across both sites. With these changes, we are now providing a much more consistent and efficient service for our customers which, with more planned system changes, will further improve.

Community engagement a strong focus

Over the past year, we have put a strong focus on talking directly with members of the community in a variety of ways. We decided it was time to use new ways to generate conversations, such as a 'pop-up' shop in Dargaville, and in Maungaturoto, a café community drop-in session, a public meeting, street survey, dropping in to the market day and school visits across four days. We want to make it easy for residents to tell us what they think about what's happening in their communities. Five Community Action Plans were written for Kaiwaka, Maungaturoto, Wood Street Shops (Mangawhai), Dargaville and Ruawai.

Staff and commissioners talked about progress on actions in the various community plans and listened to peoples' views on what else could be done. Eleven plans were updated, all showing great progress towards completion.

Reserve management planning has also been progressing well. We have finished a Reserve Management Plan (RMP) for Memorial Park. This is one of the District's key reserves.

Plan Change 2 Fire Safety Rule to the Kaipara District Plan was notified in December.

Working in partnership with the community

Kaipara has many people who volunteer their services to the community, and to make it easier for them to work with Council, the community assistance funding model has been put in place. This provides funds to community groups to do things they have identified as needed but which Council would not usually carry out, and which adds to the level of service to the community as a whole. This is working well, with a good range of organisations applying for funding.

Another aspect of working in partnership with the community was the establishment of advisory groups and panels, for specific projects, such as the panel for the Mangawhai Community Wastewater Scheme extension. This group of ratepayers was appointed in October 2014 to give Council recommendations relating to the scheme's capacity and performance, reflecting an independent community viewpoint on the scheme's future.

Council works in partnership with the community to make decisions around what happens within the priority parks in the District.

The Mangawhai Community Park is co-governed by the community and Council, with a Friends of the Park set up with representatives for the Park. Similarly, we are partners with Te Uri o Hau to run Harding Park/Pou Tu o Te Rangi, with an Advisory Panel established for the Park. For Taharoa Domain (Kai Iwi Lakes), we work in partnership with Te Roroa and Te Kuihi.

Financial position improved

Council's position has significantly improved now that the irregular rates have been validated and the decision from the Judicial Review in the High Court has been released, although there has been an appeal on the decision. Our net debt to revenue ratio, at 143% for the year end 30 June 2015, is well below the 175% level set down by the Local Government Funding Agency (LGFA) and is expected to be for the duration of the Long Term Plan 2015/2025.

More value for money on roads

Roads took around 79% of our capital expenditure for 2014/2015, so it is important we spend our funds wisely. To that end, we have started using a new method of road 'rehabilitation' which stretches the life of the road as well as the amount we are spending. During 2014/2015, we rehabilitated 13 kilometres of sealed road, and spent around \$11.5 million of our roading budget, which was set at \$17.6 million in the Annual Plan.

Bridges are a vital part of our transport infrastructure and we have an annual inspection programme to ensure their safety. Part of our works programme for the year included replacement of bridge components on around five bridges, at \$248,000. Another \$423,000 went towards bridge replacements.

We have appointed a roads specialist as a field officer to better deal with your roading questions and concerns.

Water and wastewater improvements

One of our objectives is to ensure we provide a reliable and sustainable infrastructure for Kaipara District. During the past year, we have installed a new telemetry system, SCADA (Supervisory Control and Data Acquisition) at the Dargaville and Maungaturoto water and wastewater treatment plants. This has been a significant initiative to replace old and outdated systems that posed high risks. With SCADA, we can now monitor the systems in real time and have much better reporting capabilities.

A highlight of the year was reducing the amount of water delivered to the Mangawhai Heads Camp Ground/community during the peak summer period, down from 60 trucks to two trucks, thanks to a recent pipeline upgrade.

We have also been working with Fonterra on options to make the most of our raw water supply take for both Fonterra and the Maungaturoto community.

Savings through business improvement

As part of our aim to make a positive difference and provide better service for Kaipara District, we have instituted a business improvement programme which has already achieved savings. Through process changes we were able to save about \$200,000 and our improvements won us a Highly Commended Society of Local Government Managers' award for our Building Act processes.

Now we are applying this business improvement programme to other areas, such as resource consenting, animal control, health and alcohol licensing.

Cameras set to catch illegal tippers

People who illegally dump their rubbish are now running the risk of getting caught and fined. We have set up two cameras to catch out residents who dump and drive off at random locations. The cameras are set at the known drop-off places and people are being caught out and fined for their dumping.

Innovative project at Baylys Beach completed

In July 2014, we began work on the Baylys Beach restoration projects. This was a real community/Council team effort. The community asked us if we would work with them to install a wall of tailor-made sandbags to help prevent washouts and erosion at the entrance. This beach is an important part of our environment and our community for fishing and recreation, so the Northland Regional Council (NRC) and the NZ Transport Agency (NZTA) contributed funds as well. In time, the sand should settle around the wall and planting will help keep it all stable.

Dargaville Library upgrade for better security

In February 2015, we upgraded the Dargaville Library to improve the safety and security of library users and staff. This included the installation of a new emergency exit door and new security cameras provide us with much better quality in coverage. Maori Wardens also help us out in the late afternoons so that library users can browse without being disturbed.

Making sure Kaipara's looking good

Community facilities are an important part of every community. We have refurbished the Maungaturoto and Papanoa public toilet facilities, and graffiti incidents are also low.

Another Parks Officer was also employed, for four months, so we have better coverage of the District and can improve our contract monitoring.

Economic growth increases

A positive sign for 2014/2015 was an increase in residential building consents, which were up 23%. Kaipara's economic growth accelerated in the second half of 2014, the GDP rising by 4.3% in the December 2014 year. The majority of spending and investment indicators were exceptionally strong, despite lower dairy prices weighing on confidence in parts of the primary sector. In this environment, Kaipara's unemployment rate is estimated to have averaged 6.6% in 2014, compared with a peak of 7.8% over the March 2013 year.

We have done a lot of hard work to get the organisation on to an even keel with a sound financial position, and our achievements over the past year demonstrate that we are well on the way to being a council you can be proud of.

Summary Statements of Service Performance

Council has a number of performance measures by which it monitors its progress during the year. These performance measures are derived from the Long Term Plan 2012/2022. A summary of some of the key measures are listed below. For the full list of measures refer to the full Annual Report.

Status Key



Achieved



Not Achieved



Not Measured

Community Activities

Council has applied its Community Assistance Policy this year. Organisations throughout the district received a total of \$476,000 funding support.

The capital works programme was not fully completed in the year with a large part being transferred to the 2015/2016 year.



Levels of service statement	Performance measures	Status	Comments
Community Assistance			
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.		Achieved.
Community Spaces			
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		Some parks required deferred maintenance at several high profile areas such as Taharoa Domain, Selwyn Park, Taha Awa Gardens and Mangawhai Heads. Active auditing of the main contractor has been lifted to ensure the specifications are being delivered.

Levels of service statement	Performance measures	Status	Comments
Community Spaces			
	Percentage of residents who are very/fairly satisfied with their public conveniences.		There is a toilet upgrade programme to meet customer expectations. Selwyn Park and Victoria Street were refurbished. New hand driers and soap dispensers were installed in high profile locations.

Regulatory Management

Council's Regulatory Team achieved a clean IANZ audit for its building function.

The activity introduced further technology capability with the addition of Alpha One (online building services) and Reg the Dog (online dog registration).



Levels of service statement	Performance measures	Status	Comments
Building control			
Responsiveness To process applications in accordance with statutory timeframes.	Percentage of building consents processed within 18 working days.		Achieved.
	Percentage of project information memoranda processed within 18 working days.		Achieved.
	Percentage of code compliance certificates (CCC) issued within 20 working days.		Achieved.
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.		Achieved.

Levels of service statement	Performance measures	Status	Comments
Resource consents			
Responsiveness To process applications in accordance with statutory timeframes.	Percentage of non-notified resource consents processed within 18 working days.		Achieved.
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.		Achieved.

Emergency Management

A Civil Defence Community Response Plan for Dargaville was completed and the activity tested Council's ability and capability to establish its Emergency Operations Centre with exercise 'Cyclone Sally'.



Levels of service statement	Performance measures	Status	Comments
Civil defence			
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.		Achieved. Exercise conducted in May.
	Time taken to activate the Emergency Operations Centre after notification of a local civil defence emergency.		Not measured as no emergencies occurred.
Rural fire			
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.		Achieved. 100% trained.

Flood Protection and Control Works

In addition to the scheduled works, a review of this activity was undertaken. No legal issues were raised and the improvement actions identified are to be considered late 2015.



Levels of service statement	Performance measures	Status	Comments
<p>Reliability</p> <p>Monitor drainage of rivers and streams. Ensure minimal flood risk and coastal erosion to the community.</p>	<p>Land drains contain a one in five year flood.</p>		<p>Achieved.</p>

District Leadership

The Commissioners appointment to govern the district has been extended by one year until the October 2016 Local Government elections.

The historic issues are continuing to be addressed.

Levels of service statement	Performance measures	Status	Comments
Customer service Clear, timely and useful information is available to the public/stakeholders.	Compliance with legislative planning requirements		Achieved.

Solid Waste

The Council owns two transfer stations in the District, one in Dargaville and the other at Hakaru. Council is continuing to monitor and manage leachate disposal from the closed Hakaru landfill. There are no operational landfills in the Kaipara District.



Levels of service statement	Performance measures	Status	Comments
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.

Roads and Footpaths

Maintaining the District’s extensive roading network remains Council’s core business and the single biggest cost to ratepayers.

Council was unable to complete all the backlog work deferred from previous years before June 2015. Council’s funding for this work has been carried forward into the next three year programme. Council will be seeking further NZTA funding support to supplement the ongoing programme.



Levels of service statement	Performance measures	Status	Comments
Roads			
<p>Reliability and responsiveness</p> <p>The transportation network is reliable and travel times are predictable.</p>	<p>Percentage of customers who rate requests for service responses as excellent/good for roading.</p>		<p>Dissatisfaction is likely to be related to no action taken because requests exceed the level of service provided, e.g. request for dust suppression.</p> <p>The recent introduction of an Infrastructure Field Officer is helping improve customer service relationships.</p>

Levels of service statement	Performance measures	Status	Comments
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).		The rates strike has affected the road rehabilitation programme and may have contributed to the slight decline in satisfaction. Council is spreading deferred works from this year over the 2015/2018 period to catch up on the deferred works.
	Smoothness within average range as below: <90 smooth 90-110 average >110 rough		Achieved. Note that Council undertakes a roughness survey every alternate year and these measures are based on the 2013/2014 survey. The next roughness survey is programmed for the 2015/2016 financial year.
	Minimum reseal length of 30kms shall be undertaken each year to keep up with surface determination rates.		Achieved
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.		Achieved.

Levels of service statement	Performance measures	Status	Comments
Footpaths			
<p>Quality and quantity</p> <p>Facilities are up to date, in good condition and 'fit for purpose'.</p>	<p>Percentage of residents who are very/fairly satisfied with footpaths.</p>		<p>Council will need to consider increasing its budget to renew or provide new footpaths to achieve a higher satisfaction rating.</p> <p>Council has refocused its footpath budgets in the Long Term Plan 2015/2025 to renew or provide new footpaths to address the performance measure result.</p>

Sewerage and the Treatment and Disposal of Sewage

Council's wastewater services continued to operate successfully over the 2014/2015 financial year.



Mangawhai Community Wastewater Scheme

A Community Advisory Panel was appointed to recommend to Council how the scheme might be extended to cater for more connections in the future, the Panel will report its findings in July 2015.

Levels of service statement	Performance measures	Status	Comments
Quality To protect the physical environment through the treatment and discharge of effluent.	Compliance with outfall waste consent conditions.		Achieved.
	The annual number of events where sewage is discharged from Council's reticulation into rivers or streams.		Five overflows discharged into the Northern Wairoa River in May 2015 because of heavy rainfall. Discharges because of heavy rain and power failure are provided for under the resource consent and this does not result in non-compliance.

Stormwater Drainage

Council continued to deliver the current levels of service for stormwater drainage.



Levels of service statement	Performance measures	Status	Comments
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.		Achieved.
	Number of requests for service regarding emergency repairs.		Achieved.
	Percentage of customers who rate requests for service responses as excellent/good.		72% rate the response to requests at least very/fairly satisfied or better. However only 49% rate the response to requests as excellent/good
	Percentage of operational resource consent conditions complied with throughout the year.		Achieved.

Water Supply

The existing service levels were delivered for water supply. Knowledge of the condition of water infrastructure was improved again this year and a much improved Asset Management Plan produced. All systems operated without fault.



Levels of service statement	Performance measures	Status	Comments
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.		Need to monitor the actuals for a number of years to establish a realistic trend (target).
	Compliance with New Zealand Drinking Water Standards (NZDWS)		Water supply systems are operated according to the NZDWS – no instructions have been received from the NDHB with regard to water quality. The 2014/2015 Annual Report has been submitted to the NDHB.

Summary Statement of Comprehensive Revenue and Expense for the year ended 30 June 2015

The Statement of Comprehensive Revenue and Expense shows the revenues received and expenditure paid by the Council for the financial year.

For the year ended:	Actual	Annual Plan	Annual Report
30 June	2014-2015	2014-2015	2013-2014
	\$'000	\$'000	\$'000
Revenue			
Rates	27,838	27,110	27,322
Subsidies and Grants	11,971	14,378	6,454
Activity Income	7,066	6,723	6,887
Contributions	1,595	1,423	941
Investments and Other Income	962	402	1,680
Total Revenue	49,432	50,036	43,284
Expenses			
Activity Costs	25,974	19,953	24,161
Employee Benefits	6,016	5,790	5,277
Finance costs	4,119	4,504	3,853
Depreciation	9,747	10,001	9,414
Total Expenses	45,856	40,248	42,705
Surplus/(Deficit) for the period	3,576	9,788	579
Other Comprehensive Revenue and Expense (Items that will not be reclassified subsequently to profit or loss)			
Gain/(Loss) on Revaluation	25,713	0	12,719
Total Comprehensive Revenue and Expense for the period	29,289	9,788	13,298

Explanation of major revenue and expenditure variances against Annual Plan

Revenue

Rates: Rates revenue is \$0.7 million higher than budget primarily due to higher penalty revenue.

Subsidies and grants: NZ Transport Agency (NZTA) roading subsidies are \$2.4 million lower than budget. Council planned for an accelerated works programme due to delayed capital spend in prior years. However, resource was not available to complete all planned work and the balance will be completed in the next three years.

Activity income: Activity income is \$0.3 million above budget due to increased building control and resource consent income, along with higher revenues from forestry harvesting.

Investment and other income: The favourable variance against budget of \$0.6 million is due to the revaluation of forestry assets and emission trading shares.

Expenditure

Activity costs: The major factors contributing to the unfavourable variance of \$6.0 million are:

- Revaluation of interest rate swap derivatives to fair market value \$3.2 million;
- Higher roading maintenance costs of \$1.6 million for costs associated with 2014 winter storms and pre-seal repairs completed prior to rehabilitation works commencing;
- Consultancy and legal advice to support Council with rating issues, the Judicial Review and other organisational service delivery matters \$0.8 million;
- Revaluation deficit on land under Sewerage and Treatment and Disposal of Sewage plant \$0.9 million; and
- Higher forestry costs relating to the harvest \$0.1 million.

Partially offsetting these increases were below Plan costs for:

- Desludging at the Dargaville Wastewater Treatment Plant as a result of employing a different method to desludge (\$0.1 million);
- Lower maintenance costs in the Stormwater Drainage activity due to lower asset management improvement and engineering consultancy costs (\$0.3 million); and
- Lower costs surrounding Solid Waste leachate removal (\$0.2 million).

Finance costs: The favourable variance in Finance costs of \$0.4 million is due to lower than budget external interest costs as a result of lower debt levels.

Gain on revaluation: The favourable variance of \$25.7 million is due to higher than budget gain on revaluation of Council's roading infrastructure, as assessed by independent engineers at 30 June 2015.

Statement of Changes in Net Assets/Equity for the Year Ended 30 June 2015

For the year ended:	Actual	Annual Report
30 June	2014-2015	2013-2014
	\$'000	\$'000
Balance at 1 July	503,949	490,651
Comprehensive Revenue and Expense for the period		
Surplus/(Deficit) for the period	3,576	579
Other Comprehensive Revenue and Expense for the period		
Surplus on Revaluation of Infrastructure	25,713	12,719
Total Comprehensive Revenue and Expense for the period	29,289	13,298
Balance at 30 June	<u>533,238</u>	<u>503,949</u>

Note: Total Comprehensive Revenue and Expense is entirely attributable to the Kaipara District Council.

Summary Statement of Financial Position as at 30 June 2015

The Statement of Financial Position outlines the resources of the Council and its liabilities. The difference between the assets and liabilities is the ratepayers' equity.

As at	Actual	Annual	Annual
30 June	2014-2015	Plan	Report
	\$'000	2014-2015	2013-2014
		\$'000	\$'000
Net Assets/Equity			
Accumulated Comprehensive Revenue and Expense	362,805	400,664	390,549
Asset Revaluation Reserves	183,649	157,017	157,936
Restricted Reserves	5,693	5,542	5,618
Council Created Reserves	-18,909	-48,919	-50,154
Total Net Assets/Equity	533,238	514,304	503,949
<i>represented by</i>			
Current Assets			
Cash and Cash Equivalents	9,926	393	4,588
Other Financial Assets	115	2	15
Trade and Other Receivables	7,208	7,700	7,398
Accrued Revenue	1,079	700	1,536
Non Current Assets Held for Sale	380	0	380
Total Current Assets	18,708	8,795	13,917
<i>less</i>			
Current Liabilities			
Trade and Other Payables	9,611	7,300	7,549
Provisions	185	529	182
Employee Entitlements	545	413	514
Public Debt	22,889	2,822	59,190
Total Current Liabilities	33,230	11,064	67,435
Working Capital / (Deficit)	-14,522	-2,269	-53,518
<i>plus</i>			
Non Current Assets			
Property, Plant, Equipment	604,882	590,325	575,756
Biological Assets	2,697	2,283	2,289
Derivative Financial Assets	0	148	463
Other Financial Assets	273	85	173
Total Non Current Assets	607,852	592,841	578,681
<i>less</i>			
Non Current Liabilities			
Public Debt	52,978	73,046	17,109
Provisions	4,295	3,222	4,056
Derivative Financial Liabilities	2,819	0	49
Total Non Current Liabilities	60,092	76,268	21,214
Net Assets	533,238	514,304	503,949

Explanation of major variances against Annual Plan

Equity: The favourable variance relates to the revaluation of roading.

Cash and cash equivalents: Cash and cash equivalents are \$9.5 million higher than planned due to collection of rates arrears and the lack of resources available to complete the capital works programme. The cash has been retained to meet capital commitments now planned for the next three years.

Trade and other receivables: Trade and other receivables are \$0.5 million lower than budget due to the reduction in land rates debtors.

Accrued revenue: Accrued revenue is higher than budget by \$0.4 million primarily due to higher than planned levels of roading activity resulting in an increased accrual for the June 2015 NZTA subsidy.

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

Trade and other payables: Increased activity in the latter months of the year, especially in roading, have increased the year end payables value.

Property, plant and equipment: The primary reason for the favourable variance of \$14.6 million is attributed to the effects of the revaluation of roading assets as at 30 June 2015.

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 2015.

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 liabilities of \$2.8 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 lower than at last balance date, the interest rate derivatives were valued at less than they were when Council entered into the agreements on them. This resulted in an increase in the liability Council has on some derivatives.

Public debt: Approximately \$0.4 million of existing debt was retired during the year. 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. 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 has recently been renegotiated.

Summary Statement of Cash Flows for the Year Ended 30 June 2015

The Cash Flow Statement summaries the cash movements in and out of the Council through the year. It takes no account of monies owed or owing but not paid, and therefore differs from the Statement of Comprehensive Revenue and Expense.

For the year ended:	Actual	Annual	Annual
30 June	2014-2015	2014-2015	2013-2014
	\$'000	\$'000	\$'000
Cash Flow from Operating Activities			
Receipts:			
Rates	28,929	29,410	26,577
Fees, Charges and Other	8,230	8,465	8,742
Grants and Subsidies	11,250	14,378	6,644
Interest Received	70	72	20
<i>sub total</i>	48,479	52,253	41,983
Payments:			
Suppliers and Employees	24,772	25,770	26,711
Taxes (including the net effect of GST)	-250	0	-29
Interest Expense	4,119	4,504	3,853
<i>sub total</i>	28,641	30,274	30,535
Net Cash Flow from/(to) Operating Activities	19,838	21,979	11,448
Cash Flow from Investing Activities			
Receipts:			
Sale of Property, Plant and Equipment	57	15	61
Mortgage Repayments Received	0	0	2
<i>sub total</i>	57	15	63
Payments:			
Mortgage Advances	100	0	0
Property, Plant and Equipment Purchases	14,025	22,274	6,081
<i>sub total</i>	14,125	22,274	6,081
Net Cash Flow from/(to) Investing Activities	-14,068	-22,259	-6,018
Cash Flow from Financing Activities			
Receipts:			
Loans Raised (Net)	0	0	0
Payments:			
Loan Repayments (Net)	-432	-1,032	-1,280
Net Cash Flow from/(to) Financing Activities	-432	-1,032	-1,280
Net Increase/(Decrease) in cash and cash equivalents	5,338	-1,312	4,150
Cash and cash equivalents at beginning of period	4,588	1,705	438
Cash and cash equivalents at end of period	9,926	393	4,588

Disclosures to the Summary Financial Statements

This Summary Annual Report for the Kaipara District Council was authorised for issue by the Acting Chief Executive on 27 October 2015. The specific disclosures included in this Report have been extracted from the full Annual Report which was adopted by the Council on 29 September 2015. The Summary Annual Report does not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full Annual Report of the financial and service performance, financial position, movements in equity and cash flows of the Council. This Summary Annual Report has been audited for consistency with the full annual report and the audit opinion issued by Deloitte, on behalf of the Auditor-General, is included as part of this document.

The presentation currency is New Zealand dollars, and the rounding is to the nearest thousand dollars. This is the first set of financial statements of the Council that is presented in accordance with PBE standards. There have been no material adjustments to the opening balance sheet on adoption of PBE standards.

Subsequent Events

There has been no significant events following balance date that would affect the result for the year.

Full Annual Report

A copy of the full Annual Report and Audit Report from which this Summary is prepared, is available on Council's website www.kaipara.govt.nz and at Council's offices in Dargaville and Mangawhai.

The full Annual Report received an unmodified Audit Report and was adopted by Council on 29 September 2015. The Audit Report drew readers' attention to the disclosures in the report relating to 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.

The full financial statements have been prepared on a historical cost basis, modified by the revaluation of certain infrastructural assets, biological assets and derivative financial instruments. They have also been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, Section 98 and Part 3 of Schedule 10, which includes the requirement to comply Tier 1 Public Benefit Entity Standards (PBES).

This is the first set of financial statements that is presented in accordance with PBE Standards.

The accounting policies set out in the full Annual Report have been applied consistently to all periods presented in these financial statements.

Going Concern

This Annual Report has been prepared on the assumption that Council is a going concern. Council has a reasonable expectation that Council has adequate resources to continue operations for the foreseeable future. Council has reached this conclusion by giving consideration to the circumstances which it considers likely to affect Council during the period of one year from the date of signing the 2014/2015 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 PBE IPSAS 1.

Mangawhai Ratepayers and Residents Association Judicial Review Proceedings

The Mangawhai Ratepayers and Residents Association (MRRA) 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:

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

The MRRA has now appealed the High Court decision to the Court of Appeal. If the MRRA was to win, Council may need to refund historical rates. Council could also be prevented from setting rates to service the debt. Council considers it unlikely that the MRRA will be granted the relief it is seeking. The hearing dates for of the appeal were 25 and 26 August 2015.

Mangawhai Ratepayers and Residents Association and RB and HE Rogan (CIV–2015–488–95)

On 16 July 2015 Northland Regional Council and Kaipara District Council were served with a Notice of Proceeding by Mangawhai Ratepayers and Residents and Richard Bruce Rogan and Heather Elizabeth Rogan who have applied for a Judicial Review in regard to the validity of rates from 2011/2012 to 2015/2016. The proceeding is being jointly defended by Northland Regional Council and Kaipara District Council. Council has assessed the risk and does not consider this to be a material issue. A date has yet to be set for a hearing.



**INDEPENDENT AUDITOR'S REPORT
TO THE READERS OF KAIPARA DISTRICT COUNCIL'S
SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015**

The summary annual report was derived from the annual report of the Kaipara District Council (the Council) for the year ended 30 June 2015. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 1 to 26:

- the summary statement of financial position as at 30 June 2015;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2015;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision (referred to as performance measures) of the District Council;

We expressed an unmodified audit opinion on the Council's full audited statements in our report dated 29 September 2015 however our audit opinion included an emphasis of matter in relation to the judicial review proceedings on the Mangawhai Ratepayers and Residents Association's appeal to the Court of Appeal as outlined below.

Opinion

In our opinion:

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

Judicial Review Proceedings

Without modifying our opinion, we draw attention to the disclosure on page 26 (and note 26 of the full audited statements) 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 Council. This could overturn the High Court's judgement in relation to the Council's ability to use rates revenue, both past and future, to service the debt raised to fund the Mangawhai community Wastewater Scheme.

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 29 September 2015 on the full audited statements.

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

Responsibilities of the Council and the Auditor

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

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

Independence

We draw your attention to the fact that the Council has filed a claim in the High Court against the Auditor-General in relation to previous audits of the Council by her service provider Audit New Zealand. In December 2012, the Auditor-General appointed Peter Gulliver and subsequently for the year ended 30 June 2015 Bruno Dente of Deloitte to carry out audits of the Council on her behalf to reduce any independence threat to an acceptable level.

Other than in our capacity as auditor, the above-mentioned claim, and the provision of fraud awareness training to the Council, the Auditor General and her service providers have no relationship with or interests in the Council.



Bruno Dente

Deloitte

On behalf of the Auditor-General

Hamilton, New Zealand

28 October 2015

Council Directory

Address:	Main Office 42 Hokianga Road Dargaville 0310	Mangawhai Service Centre Unit 6 The Hub 6 Molesworth Drive Mangawhai 0505
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Facsimile:	(09) 439 6756	
Email:	council@kaipara.govt.nz	
Website:	www.kaipara.govt.nz	
Bankers:	Bank of New Zealand 69 - 71 Victoria Street Dargaville 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	