

# Central Hawke's Bay District Council 2014/2015 Annual Report Summary

## *From your Mayor and Chief Executive*

We are pleased to present the 2014/15 Annual Report for Central Hawke's Bay District Council.

Continuing strong financial management has been a focus for the year which represents year three of the 2012-22 Long Term Plan. Maintaining the current Levels of Service was a clear message from the community and the affordability of rates was recognised, from the feedback, as a higher priority than increasing Levels of Service.

We continued with the implementation of the Treasury review and have proactively restructured our debt and investment portfolio. Through the utilisation of cash investments, we reduced external debt from \$7.43m at 30 June 2014 to \$4.75m at 30 June 2015.

Funds of \$250,000 were transferred into the catastrophic reserve fund to build up this reserve to a level to compensate for the NZTA threshold changes for road infrastructure funding in an adverse or catastrophic event.

Our continued focus on efficiency gains, joint ventures, whole of life asset management and more innovative contracts are seeing greater value for money outcomes for our community. We have also carried out a procurement process review and strengthened its practices as part of the continual review of procedures.

On August 25th 2014 Infracon Limited was placed into liquidation. Central Hawke's Bay District Council held a 34% share in Infracon and as a consequence at 30 June 2014 Council decided to write \$3.718m off its investment, of which \$921,000 related to Central Hawke's Bay's share of losses incurred by Infracon Limited in 2013/14. During 2014/15 the Liquidators completed the sale of the Infracon to Higgins Ltd and continued to deal with Infracon outstanding credit and debt. At the time of writing this report we understand that there will be funds coming back to Council, however this has yet to be finalised and therefore cannot be included in the 2014/15 accounts.

Throughout 2014/15 a major focus continued on the completion of the Wastewater Treatment facilities and installing the Lamella primary filters at both the Waipawa and Waipukurau facilities. Both facilities are now operating, and we have met the 30th September 2014 regulatory deadline.

We continued to maintain our other core infrastructure with water treatment improvements, completion of a new

landfill cell extension and other projects listed in the report to ensure that our infrastructure renewals are done in a controlled and affordable manner. Upgrades to community facilities have also occurred during the year with Nelly Jull toilets, Tikokino toilets, Otane toilets, completion of the Russell Park playground and the start of the Waipukurau Library upgrade and earthquake strengthening.

The development of the Ruataniwha Water Storage Scheme (RWSS) moved a step closer with consent conditions being confirmed. It is now up to the farmers to sign water take contracts and for investors to commit to the project. HBRIC have a deadline of November 2015 for these commitments. Council is in discussion with HBRIC about the possibilities of taking water from the RWSS for urban water supplies for Takapau, Otane, Waipawa and Waipukurau.

The outcome of the HB local government reorganisation was NO to amalgamation. We continue to explore opportunities for shared services and shared procurement with the other Hawke's Bay councils.

This Annual Report provides a good insight into the activities of Council and is a representation of the good work undertaken by the Central Hawke's Bay District Council staff and the prudent guidance provided by the elected members, for which we are very grateful.



*Peter Butler*

**Peter Butler**  
Mayor



**John Freeman**  
Chief Executive

### About this summary

This summary is a snapshot of the Council's activities and finances for the period ending 30 June 2015. The information it contains has been extracted from our 2014/2015 Annual Report which was prepared in accordance with NZ GAAP and in compliance with PBE FRS applicable to a Public Benefit Entity, and contains detailed information about our finances and service performance.

This summary financial report has been prepared in accordance with PBE FRS – 43, but cannot be expected to provide as complete an understanding as provided by the full financial report of the financial and service performance, financial position and cash flows of the Central Hawke's Bay District Council.

The financial statements have been prepared to comply with Public Benefit Entity Standards (PBE Standards) for a Tier 2 entity. The Council falls within the classification of Tier 2 as it has expenditure less than \$30 million. The Council is adopting the public sector PBE Standards for the first time. The financial statements incorporated within the Annual Report have been prepared in compliance with PBE Financial Reporting Standards 46: *First-time Adoption of PBE Standards by Entities Previously Applying NZ IFRSs* (PBE FRS 46).

This summary financial report is for an individual entity. The 2013/14 Annual Report was prepared for a group of entities based on the Council's 34% ownership of Infracon. On August 25th 2014, the shareholders placed Infracon into liquidation and the 2013/14 Annual Report showed a \$3.7m impairment on the investment taking the expected value down to zero.

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

Copies of the full 2014/2015 Annual Report can be obtained from the Council office, Ruataniwha Street, Waipawa or viewed online at [www.chbdc.govt.nz](http://www.chbdc.govt.nz). This summary represents fairly and consistently the major matters dealt with in the Annual Report 2014/2015 which was issued on 21 October 2015. The Annual Report was audited and received an unmodified audit opinion.

### Key Initiatives and Projects

#### Lamella Clarifiers

During the year there were breaches of the consents for the Waipukurau and Waipawa Wastewater Treatment Plants. Soluble reactive phosphorus (SRP) limits in



each consent were not being met due to overloading of the filtration plants at each site. Lamella Clarifiers have been installed to remove

solids in the wastewater that were clogging up the sand filters and allowing contaminants through the filtration process. These clarifiers have now been installed and SRP results are now being achieved under the consent limits.

#### Freyberg Terrace



Working with Land transport, Utilities took the opportunity to replace the ring main around the turning circle at the top of Freyberg Terrace. All the service laterals were

replaced and new tobies installed. This is part of a full upgrade which will be completed within the next two years.

#### Tutanekai Street

Investigation work carried found an issue with the Stormwater Trench Line in Tutanekai Street,



Waipukurau. The trench backfill had consolidated over the past 20 plus years leaving a cavity underneath the cement stabilized

layer. There had already been a couple of slumps within the road caused by the leaking water pipes. The stormwater trench was rebuilt and the affected potable water laterals replaced.

### River Terrace

A new 100 ml water main was installed along River Terrace linking the mains on State Highway 2 and St Joseph Street. Valves were installed at either end and the service laterals and tobies were replaced.



### Racecourse Road & Goodger Street Pavement Upgrades

Work was completed on Racecourse Road & Goodger Street pavement upgrades including the strengthening of the sealed pavements. During the work the Utility Department took the opportunity to upgrade/renewal water and storm water underground services at these locations.

Previous localised urban flooding concerns on Racecourse Road at the bottom of Reservoir Road and Gaisford Terrace were addressed with the instigation of 'super sumps' that have a larger inlet capacity than normal street sumps.



### Sewer Reline 2014/15 Year

We continue to identify sewer gravity pipes that require upgrading by relining. During the past year a total of 522m of pipe relining was completed. Part of the work undertaken included the installing of new or replacement sewer manholes along the reline routes. It is proposed a further 1385m be relined in the next financial year.



### Russell Park Upgrade

The upgrade of Russell Park began this year with the addition of the playground equipment, the concrete path around the outside of the park and the design and construction of the exercise equipment.

In 2015/16 the upgrade will continue with the installation and extension of the exercise equipment and the construction of a splash pad.



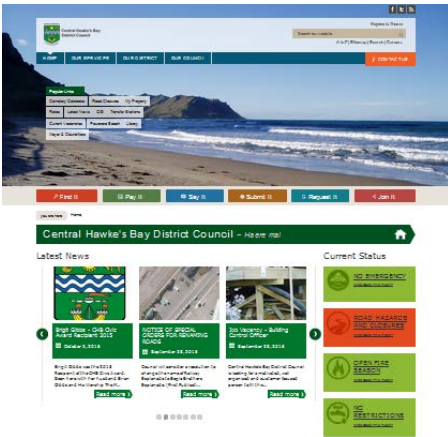
**Landfill Extension** - The landfill extension at the Central Hawke's Bay District landfill on Farm Road was completed during the year. This extension will provide approximately 130,000m<sup>3</sup> of landfill space, which is expected to last up to 16 years at the current fill rate. There is still room for further cells within the current site.



**Website Upgrade**

This year Council updated its website as a part of a Shared Service with Napier City Council. Napier have provided us with a backend site structure and enhanced Content Management System (CMS) along with their site design. Facilities have been developed which pull data directly from Council's data for property information, rating information, impounded dogs, notified consents, and cemetery information.

Among its many good features are the "Find it, Pay it, Say it..." links under the banner image. These link to page which are dynamically created from other pages with in the site. The items on it are automatically ordered by how popular they are. In other words, the more views a page receives the higher up the list it will appear.



**SPCA Compound Upgrade**

The Central Hawke's Bay District Council pound was built in October 1998 on land owned by the SPCA. It comprises of 4 kennels and another cage to house dangerous dogs. Extra cages are available from the SPCA when required.

The area in front of the Council and SPCA kennels, was concreted in October 2014 with pipe and netting fences erected to allow better segregation and safety when dealing with difficult dogs. The area was previously shingle. The concrete has eliminated problems experienced with health and safety and cleaning the pound.



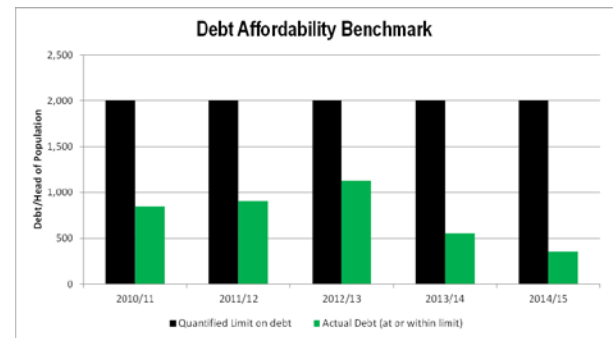
**Annual Report Benchmark Disclosures**

The following graphs are examples of recently introduced benchmark reporting requirements that Council must now report against in the full Annual Report. The full set of benchmark disclosures are included in the full Annual Report.

**Debt affordability benchmark**

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

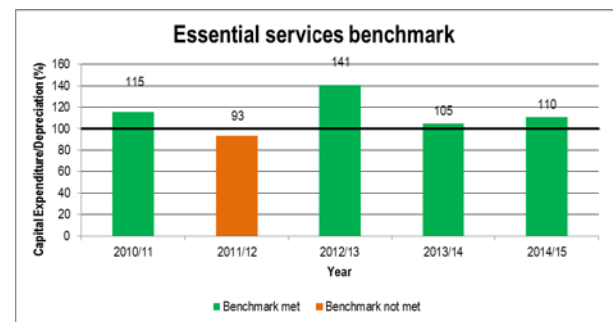
The following graph compares Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in Council's Long Term Plan. The quantified limit as detailed in the financial strategy is that Council's debt service costs will not exceed 10% of total revenue.



Council consistently performs well against this quantified limit as set in the Financial Strategy due to well managed and prudent debt management.

**Essential Services benchmark**

The following graph displays Council's capital expenditure on network services as a proportion of depreciation on network services. Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



## Summary of Financial Statements for the period ending 30 June 2015

Statement of Comprehensive Revenue and Expense				
2014	2014		2015	2015
Council Actual \$'000	Group Actual \$'000		Council Budget \$'000	Council Actual \$'000
28,470	28,470	Total Revenue	27,155	29,508
808	808	Finance Costs	600	499
24,861	24,861	Other Operating expenditure	27,528	27,037
2,801	2,801	Net Operating Surplus/(Deficit)	(973)	1,972
3,356	3,356	Other (Gains)/Losses	-	(78)
-	-	Income Tax	-	-
(555)	(555)	Net Surplus/(Deficit)	(973)	2,050
35,085	35,085	Movements in PPE revaluations	25,335	10,168
34,530	34,530	Total Comprehensive Revenue and Expense	24,362	12,218

Statement of Financial Position Summary				
2014	2014		2015	2015
Council Actual \$'000	Group Actual \$'000		Council Budget \$'000	Council Actual \$'000
4,737	4,737	Total Current Assets	8,805	5,340
757,014	757,014	Total Non-Current Assets	783,432	767,132
761,751	761,751	Total Assets	792,237	772,472
7,408	7,408	Total Current Liabilities	9,413	6,646
6,523	6,523	Total Non-Current Liabilities	10,837	5,836
13,931	13,931	Total Liabilities	20,250	12,482
747,820	747,820	Total Equity	771,987	759,990
761,751	761,751	Total Liabilities and Equity	792,237	772,472

Statement of Changes in Equity Summary				
2014	2014		2015	2015
Council Actual \$'000	Group Actual \$'000		Council Budget \$'000	Council Actual \$'000
713,290	713,290	Equity at the Beginning of the Year	747,625	747,820
34,530	34,530	Total Comprehensive Revenue and Expense	24,362	12,218
-	-	Recognition of funds as a liability	-	(48)
34,530	34,530	Total Change in Equity	24,362	12,170
747,820	747,820	Equity at the End of the Year	771,987	759,990

Statement of Cash Flows Summary				
2014	2014		2015	2015
Council Actual \$'000	Group Actual \$'000		Council Budget \$'000	Council Actual \$'000
15,172	15,172	Net Cash from Operating Activities	8,143	13,573
(15,239)	(15,239)	Net Cash from Investing Activities	(11,274)	(10,073)
(6,344)	(6,344)	Net Cash from Financing Activities	-	(2,655)
(6,411)	(6,411)	Net Increase/(Decrease) in Cash	(3,131)	845
8,041	8,041	Cash at the Beginning of the Year	9,019	1,630
1,630	1,630	Cash at the End of the Year	5,888	2,475

## Financial Performance Overview

For the financial year Council had a Surplus of \$2.050m compared to a \$973k budgeted deficit. Overall income was above budget by \$2.353m with operating expenditure over budget by \$214k. The table and explanations below illustrate this.

Financial Overview				
2014	2014		2015	2015
Council Budget \$'000	Council Actual \$'000		Council Budget \$'000	Council Actual \$'000
27,287	28,470	Total Revenue	27,155	29,508
14,839	13,690	Operating expenditure	15,152	15,366
1,068	808	Finance Cost	600	499
11,380	13,972	Net Surplus/(Deficit) excluding non cash movements	11,403	13,643
Non Cash Movements				
11,234	11,171	Depreciation	12,376	11,671
-	3,356	Other Gains and Losses	-	(78)
146	(555)	Net Surplus/(Deficit)	(973)	2,050

## Explanations

- Subsidies received were higher than budgeted by \$1.6million. 2014/15 was the final year in the 2012-15 NZTA Funding Programme. Due to delays by contractors and major work scheduled for this year to make use of economies of scale, the funding and corresponding expenditure was completed in the 2014/15.
- Income from fees and charges were above budget due to increased income from Consents for the Regulatory Group and Trade Waste.
- Operating expenditure in the Financial Performance Overview is above budget due to the timing of works over the three year New Zealand Transport Agency claim period. Unspent money from last year was carried forward and the work was completed in the 2014/2015 period.
- Net Cash from Financing Activities. We continued with the implementation of the Treasury review and have proactively restructured its debt and investment portfolio. Through the utilisation of cash investments, we reduced external debt from \$7.43m at 30 June 2014 to \$4.75m at 30 June 2015.
- On August 25th 2014 the shareholders placed Infracon into liquidation and the 2013/14 Annual Report showed a \$3.7m impairment on the investment taking the expected value down to zero. It is still possible that CHBDC will receive some repayment of equity interest, however as at 30th June 2015, the timing or value of any such return cannot be determined.

## Non-Financial Performance Overview

Overall we achieved great results this year in terms of the non-financial performance measures. However, there were some areas that we did not achieve what we set out to do in the 2012-22 Long Term Plan, as identified below.

### Community Leadership

In the Community Leadership Group we set a measure to submit 5 formal submissions to Central Government, Local Government NZ and other similar advocacy institutions. In 2014/15 we completed 4 submissions.



We did however comment on a number of submissions being presented by sector groups.

Annual Lamb Country festival was not run during the 2014/2015 due to public concern over welfare of lambs during the event and the loss of Silver Fern farms sponsorship.

A plan for the development of Economic Development Strategy was prepared in 2013 with the following work streams identified: business development, community support, tourism and employment and training. This plan is still to be completed.

### Planning and Regulatory

In the Planning and Regulatory Group under the area of District Planning we set a target to notify a new District Plan., This timeline has been changed by the District Plan Working Party as a result of Council altering the staff priorities to work on the proposed Ruataniwha Water Storage Scheme.

In Public Health we set a target to complete 100% of the annual inspection programme. We achieved 96% of the environmental health inspections. Due to the Environmental Health Officer only working two days a week, postponements of scheduled inspections due to illness, were not able to be rescheduled within the financial year.

### Land Transport

For the measure of road roughness on arterial roads,

our target is to have a rating less than 70, our rating for the year was 81. We had six measures around accident statistics and targeted to have reducing trends in all areas of road accidents. Records have shown an increasing trend in the areas of "Pedestrian Casualties". They fell from 2 to 1 this year however the 10 year trend is increasing overall.

### Water Supply

In the Water Supply Group we set a measure that 100% of the water outages would be repaired within the contractual timeframes, however we only managed to repair 94.46% within this timeframe. Due to outages requiring ordering of non-standard parts, organising specialist machinery to do the work, scheduling work to fix higher priority outages and planning water shut downs 5.96% of outages were outside contractual timeframes.

### Wastewater

In the Wastewater Group we set a measure of no more than minor breaches on our consent conditions. There were breaches during 2014/15 that resulted in an abatement notice being issued by Hawkes Bay Regional Council in January 2015. These breaches primarily apply to the Waipukurau and Waipawa Wastewater Treatment Plants. Soluble reactive phosphorus (SRP) limits in each consent were not being met due to overloading of the filtration plants at each site. Lamella Clarifiers have been installed to remove solids in the wastewater that were clogging up the sand filters and allowing contaminants through the filtration process. These clarifiers have now been installed and SRP results are now being achieved under the consent limits.



### Recreation and Community Facilities

In the Recreation and Community Facilities Group and within the Parks, Reserves and Swimming Pools activities a target was set that the Waipawa swimming pool would be open for 672 hours during the year, however it was only open for 594 hours. While the hours are contracted, they are subject to weather and swimmer numbers.

## Independent Auditor's Report



### TO THE READERS OF CENTRAL HAWKE'S BAY DISTRICT COUNCIL SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2015

The summary annual report was derived from the annual report of the Central Hawkes Bay District Council (the District 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 2 to 6:

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

We expressed an unmodified audit opinion on the District Council full audited statements in our report dated 21 October 2015.

#### Opinion

In our opinion:

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

#### Basis of opinion

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

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

#### 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*.

In addition to reporting on the summary annual report, we have reported on the full annual report, and carried out an audit of the District Council's 2015-2025 Long Term Plan, which are compatible with those independence requirements. Other than this reporting and these assignments, we have no relationship with or interests in the District Council.

A handwritten signature in blue ink, appearing to read 'Stuart Mutch', with a long horizontal stroke extending to the right.

Stuart Mutch,  
Ernst & Young  
On behalf of the Auditor-General  
Wellington, New Zealand  
21 October 2015