

# Central Hawke's Bay District Council



## SUMMARY ANNUAL REPORT for the year ended 30 June 2007

### Introduction

The 2006/07 financial year is the first full year following the adoption of the 10 year planning document – the 2006/16 LTCCP.

The year has been one of consolidation with a focus on –

- Planning for the water upgrades in Waipukurau and Waipawa/Otane
- Attention to Stormwater issues in Takapau and Waipawa
- The beginning of the process to find an economic option for waste water treatment in Waipukurau and Waipawa, as required under our resource consents
- Stormwater infiltration studies
- Consulting on a proposed Coastal Strategy
- Analysis of water use and charging
- A full maintenance review of all Council owned buildings.

Much of this work has been completed in house, following the separation of Engineering and Operational responsibilities. This has resulted in more “home grown” options and a significant decrease in consultant costs.

2006/07 was also the triennial District property revaluation, carried out on our behalf by QV and reviewed by Valuation NZ. There was an overall increase in capital value of 42% and a 52% increase in land value. However some towns had a greater increase in value which has meant proportionately larger rate increases, particularly in Coastal areas.

Council will therefore carry out a review of our rating structures in October/December this year in time for the development and

consultation on the 2008/09 Annual Plan. It is hoped that Central Government's response to its Rates Inquiry will assist our review.

We will continue to consider shared service opportunities with other Councils as well as any cost reduction or efficiency gains which might be made. That said however, our staffing numbers are extremely small when compared to similar sized Councils and I believe our staff are committed and dedicated and achieve a high standard for the benefit of the community. I would like to thank them for their efforts.

I would also like to thank the elected members for their contribution over the past year and I am looking forward to working with the new Council following the October elections.

**John Freeman**  
Chief Executive

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### About this summary

This summary is a snapshot of the Council's activities and finances for 2006/2007. The information it contains has been extracted from our 2006/2007 Annual Report which contains detailed information about our finances and service performance.

This summary financial report can not 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.

Copies of the full 2006/2007 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 2006/2007.

Chief Executive  
**John Freeman**  
4 October 2007

Mayor  
**Tim Gilbertson**  
4 October 2007

Corporate Services Manager  
**Kevin Brown**  
4 October 2007

## Major Achievements of 2006/2007

### Waste Water Consents

Consents for the Otane, Waipukurau and Waipawa waste water systems were received in December 2006.

### Coastal Strategy

A draft Coastal Strategy was completed and final consultation with the community commenced.

### Property Valuation

Triennial property valuations were completed by June 2007.

### Waipukurau Bypass

A one year trial of a traffic bypass for Waipukurau was commenced to reduce heavy traffic flows in the main street.

## Audit Report



v Chartered Accountants

### TO THE READERS OF CENTRAL HAWKE'S BAY DISTRICT COUNCIL AND GROUP'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2007

We have audited the summary annual report.

### Unqualified Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements complies with FRS-39: *Summary Financial Reports* and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 4 October 2007, on:

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

### Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which include New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in Central Hawke's Bay District Council or its subsidiary.

### Responsibilities of the Council and the Auditor

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

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

## Financial Overview

### Introduction

The year ended 30 June 2007 is the first year financial reports have been prepared using NZ IFRS. This has resulted in relatively minor change for CHB District Council's financial reports but has significantly increased the detail required in the note disclosure.

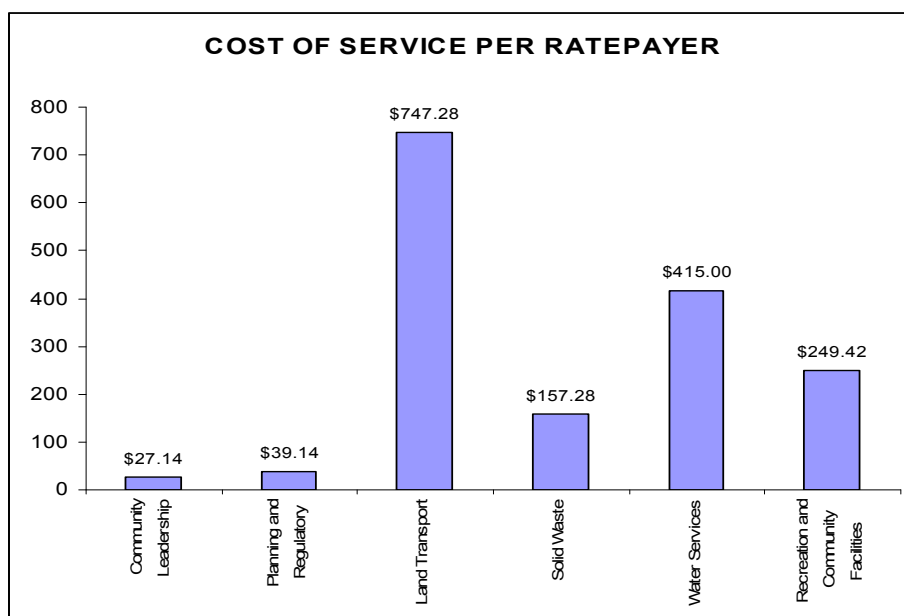
June 2007 is also the first time that Group financial reports have been prepared, following the transfer in October 2006 of Council's shareholding in Infracon Limited, into a wholly owned subsidiary – Tamatea Limited. Subsequent to the 30 June 2007, Tamatea declared a dividend effectively passing the Infracon dividend to Council.

The rating deficit of \$1.1m forecast in the 2006/2016 LTCCP was fortunately not realised – a reconciliation between the accounting surplus and Rating deficit is included at the foot of the Income Statement and shows a rating deficit of \$599k. This is largely attributable to better investment returns (including Infracon) and higher levels of subsidies achieved.

The Balance Sheet remains strong with investments which back up the Special Funds set aside by Council, short term cash investments and the investment in Infracon (now held through Tamatea Limited) exceeding Long Term Debt by \$1.8m. However this is due in part to the deferral of borrowing for water treatment plant upgrades in Waipukurau and Waipawa/Otane whilst Council seeks to determine what level of subsidy is available through Central Governments TAPS/CAPS scheme. Debt will also rise significantly once waste water upgrades are commenced to meet the consent requirements.

Council has met its obligations under the Local Government Act to be financially prudent by funding the rating deficits of 2006 and 2007 by not setting asides funds for the payment of maturing debt and relying on future "surpluses" to fund these shortfalls. However rate funding for the capital renewal of core infrastructure is of concern. This may require a review of levels of service in future years. Council is following a program of review of the condition of its core infrastructural assets to better forecast the future maintenance requirements.

### Running the District – what it costs each ratepayer



### Financial Performance at a glance

- Table 1 provides a comparative summary of Council's financial performance for the 2006/2007 and 2005/2006 financial years.
- Table 2 provides a comparative summary of Councils' statement of movement in equity.
- Table 3 provides a comparative summary of Council's financial position as at 30 June 2007 and 30 June 2006.
- Table 4 summarises how Council generated and used cash during the respective financial periods.

**Table 1 Financial Performance**

	<b>Group Actual 2007 \$000's</b>	<b>Council Actual 2007 \$000's</b>	<b>Council LTCCP 2007 \$000's</b>	<b>Council 2006 \$000's</b>
<b>Operating Revenue</b>	20,223	19,816	19,324	18,050
<b>Operating Expenditure</b>	19,300	19,291	19,060	19,339
<b>Net Surplus/(Deficit) before income tax</b>	923	525	264	(1,289)
<b>Less Taxation</b>	0	0	0	0
<b>Net Surplus/(Deficit) after income tax</b>	923	525	264	(1,289)

**Table 2 Movements in Equity**

	<b>Group Actual 2007 \$000's</b>	<b>Council Actual 2007 \$000's</b>	<b>Council LTCCP 2007 \$000's</b>	<b>Council 2006 \$000's</b>
<b>Equity at the beginning of the year</b>	547,352	547,352	524,916	523,982
Increase in Asset Revaluation Reserves	50,489	50,326	15,955	24,659
Net Surplus (Deficit) before and after income tax	923	525	263	(1,289)
<b>Total recognised revenue and expenditure</b>	51,412	50,851	16,218	23,370
<b>Equity at end of the year</b>	598,764	598,203	541,134	547,352

**Table 3 Financial Position**

	<b>Group Actual 2007 \$000's</b>	<b>Council Actual 2007 \$000's</b>	<b>Council LTCCP 2007 \$000's</b>	<b>Council 2006 \$000's</b>
Current Assets	4,869	4,715	2,557	3,375
Non Current Assets	606,192	605,785	553,594	555,544
<b>Total Assets</b>	<b>611,061</b>	<b>610,500</b>	<b>556,151</b>	<b>558,919</b>
Current Liabilities	3,997	3,997	5,429	5,657
Non Current Liabilities	8,300	8,300	9,588	5,910
<b>Total Liabilities</b>	<b>12,297</b>	<b>12,297</b>	<b>15,017</b>	<b>11,567</b>
<b>NET ASSETS / EQUITY</b>	<b>598,764</b>	<b>598,203</b>	<b>541,134</b>	<b>547,352</b>

**Table 4 Cash Flows**

	<b>Group Actual 2007 \$000's</b>	<b>Council Actual 2007 \$000's</b>	<b>Council LTCCP 2007 \$000's</b>	<b>Council 2006 \$000's</b>
Net Cash from Operating Activities	8,869	8,869	7,388	7,178
Net Cash Outflow from Investing Activities	(7,846)	(7,846)	(8,240)	(7,817)
Net Cash Inflow from Financing Activities	22	22	838	898
<b>Net Cash Inflow (Outflow) for the year</b>	<b>1,045</b>	<b>1,045</b>	<b>(14)</b>	<b>259</b>

The full Financial Report can be found on pages 53 - 79 of our *Annual Report 2006/2007* – available in hard copy by telephoning 06 857 8060, and on our website [www.chbdc.govt.nz](http://www.chbdc.govt.nz).

## Summary of Service Performance

<b>COMMUNITY LEADERSHIP GROUP</b>			
<b>CORE VALUES</b>	<b>SERVICE LEVEL STATEMENT</b>	<b>WHAT WE EXPECT</b>	<b>PRESENT LEVEL OF SERVICE</b>
<b>Leadership, Governance and Consultation</b>			
Affordability/Price	The cost of providing this activity is controlled.	Cost of activity per ratepayer remains below \$72.	Current cost is \$42 per ratepayer.
Customer Service	Regularly provide a page of Council news and discussion in the local newspaper.	A page of Council news is provided in the local newspaper at least 11 times per year.	The Council Community Newspaper was printed 11 times this year. Articles were published in The CHB Mail on 11 July 2006, 8 August 2006, 12 September 2006, 10 October 2006, 7 November 2006, 12 December 2006, 13 February 2007, 20 March 2007, 10 April 2007, 8 May 2007 and 12 June 2007.
Sustainability	Maori are provided with opportunities for full participation in accordance with their status as tangata whenua.	At least four meetings of the Maori Consultative Committee are held annually.	2 Maori Consultative Meetings were held in the 2006/2007 year.
<b>Economic Development</b>			
Affordability/Price	The cost of providing the Economic Development Activity is controlled.	Cost of activity per ratepayer remains below \$22.	Current cost is \$16 per ratepayer.
Responsiveness	Develop service agreements with organisations that foster economic growth to ensure they are supported.	Provide \$95,000 per year to CHB Promotions and \$10,000 per year to Hawke's Bay Inc.	CHB Promotions received a grant of \$100,500 in the current year. \$10,000 was paid to Hawke's Bay Inc.

<b>PLANNING AND REGULATORY GROUP</b>			
<b>CORE VALUES</b>	<b>SERVICE LEVEL STATEMENT</b>	<b>WHAT WE EXPECT</b>	<b>PRESENT LEVEL OF SERVICE</b>
<b>Resource and Subdivision Consents</b>			
Sustainability	Growth is managed through the resource consent process to ensure minimal effect on environment and residents.	160 resource consents are processed annually.	164 resource consents were processed this year. Two subdivisions were notified for consenting purposes this year, and a hearing for a carparking waiver. Designation alterations to the District Plan were approved for Moturoa Curve, Otane Intersection (2) and Terrace School. One additional application for a cattery was also notified this year, but will be processed in the next financial year.
Responsiveness	Resource consent applications are processed within the statutory timeframe where possible.	80% of resource consent applications processed within statutory timeframes.	84% of resource consent applications were processed within statutory timeframes this year.
<b>Building Control</b>			
Responsiveness	100% of building consent applications are processed within the statutory timeframe each year.	90% of building consents are processed within the statutory timeframe.	85.96% of building consents were processed within statutory timeframes.

<b>Animal Control</b>			
Community Control	All dogs are registered demonstrated by a reducing trend in the proportion of known unregistered dogs.	The number of known unregistered dogs each year is less than 1% of registered dogs.	There are approximately 200 dogs out of 5800 which are believed to be unregistered. This is 0.45%.
Reliability and Responsiveness	Dog owners are aware of their responsibilities demonstrated by a reducing trend in the number of infringement notices and SP10 reminders issued.	Less than 50 infringement notices/SP10 reminder notices issued each year.	52 infringement notices were issued. Dog control remains at a similar level to last year. The major problems that were being experienced - biting, stock attacks and aggressive behaviour, have decreased significantly. Barking is still a concern and every endeavour is made to reduce the noise by whatever method works best.
<b>Bylaws, Parking and Litter Control</b>			
Sustainability	There is a reducing trend in the number of infringements for illegal parking and littering/illegal dumping.	Less than 35 infringement notices issued for illegal parking per year.  Less than 30 infringement notices issued for illegal dumping/littering per year.	59 infringement notices have been issued for illegal parking. The number of Parking Infringement Notices issued increased during this year due to two parking blitzes being carried out in the Waipukurau CBD as a result of complaints about a perceived parking problem. While several infringements were issued during the blitzes it did not reveal that a major problem existed.  6 letters have been issued for illegal dumping/littering. For the first time in many years a Litter Infringement Notice was issued during the year when a person was actually seen throwing glass onto the roadside from a moving vehicle.

<b>LAND TRANSPORT GROUP</b>			
<b>CORE VALUES</b>	<b>SERVICE LEVEL STATEMENT</b>	<b>WHAT WE EXPECT</b>	<b>PRESENT LEVEL OF SERVICE</b>
<b>Land Transport</b>			
Quality	Transport corridor users (of different types) are provided with a smooth and comfortable ride.	Smooth travel exposure over sealed roads shall exceed 95% as reported from RAMM Manager LTNZ Condition reports.  Road condition defects as measured by: <ul style="list-style-type: none"> <li>• The Surface Condition Index remains within envelope of 9 to 5 overall.</li> <li>• Condition Index remains within component envelope 3 to 5.</li> </ul> RAMM Pavement Integrity remains within envelope 1 to 2.	Smooth travel exposure over sealed roads is 98% as reported from RAMM Manager LTNZ Conditions report.  <ul style="list-style-type: none"> <li>• The Surface Condition Index is 5.6. Urban = 6.4 Rural = 5.4</li> <li>• Condition Index is 2.5. Urban = 4.0 Rural = 2.2</li> <li>• RAMM Pavement Integrity is 0.8. Urban = 1.4 Rural = 0.7</li> </ul>

<b>WATER SERVICES GROUP</b>			
<b>CORE VALUES</b>	<b>SERVICE LEVEL STATEMENT</b>	<b>WHAT WE EXPECT</b>	<b>PRESENT LEVEL OF SERVICE</b>
<b>Water Supply</b>			
Reliability	To ensure that the water reticulation is maintained and renewed to minimise interruptions to service.	Less than 50 mains breakages per 100km of pipe occur each year.	29 main breakages for 137.537 km of pipe occurred this year.
<b>Wastewater</b>			
Reliability	To ensure that the wastewater reticulation is maintained and renewed to minimise interruptions to service.	Less than 100 sewer blockages per 100km of pipeline per year.	8 pump stations failures. 7 related to Redwood Drive where there has been continual problems with rags and matter being discharged into the reticulation and causing the pump to block. A flyer has been sent to all residents in the Redwood Drive area, advising of the ongoing problems and requesting that rags etc are not flushed into the reticulated system.
	To ensure that wastewater infrastructure is maintained and renewed to minimise interruptions to service.	Less than 5 sewer pump station failures occur each year.	91.3% of sewer blockages cleared within timeframes.  100% of other faults repaired within 1 day.
<b>Stormwater</b>			
Quality	100% compliance with resource consent conditions for stormwater systems.	100% compliance with resource consent conditions on stormwater discharge.	5 resource consents required stormwater discharge conditions.  100% compliance with resource consent conditions.

<b>RECREATION AND COMMUNITY FACILITIES GROUP</b>			
<b>CORE VALUES</b>	<b>SERVICE LEVEL STATEMENT</b>	<b>WHAT WE EXPECT</b>	<b>PRESENT LEVEL OF SERVICE</b>
<b>Parks, Reserves and Swimming Pools</b>			
Accessibility	Passive and active recreation areas are provided around the District.	A minimum of 15 ha of parks and reserves per 1,000 residents is maintained each year to 2009.	There is currently 33.84 ha of parks and reserves per 1000 ratepayers.
Affordability	The cost of providing parks, reserves and swimming facilities is controlled.	The cost of maintenance and renewals per hectare of parks remains below \$3,500. The cost of maintenance and renewals for swimming facilities per ratepayer remains below \$30.	The cost of maintenance and renewals per hectare of parks was \$2,202.55 for the year.  The cost of maintenance and renewals for swimming facilities per ratepayer was \$23.33 for the year.
<b>Retirement Housing</b>			
Affordability	The use or rates funding of the Retirement Housing Activity is minimised.	Less than 12% of the Retirement Housing Activity is funded by rates each year until 2009.	No rate money was spent on retirement housing this year.

<b>Libraries</b>			
Availability	The Libraries provide an up to date range of material.	At least one item added for every three residents each year.	4713 books purchased this year. This exceeded the 1 new item per 3 residents target.
Affordability/Price	The cost of providing this Activity will be controlled.	Cost per issue to remain below \$3.00	Cost per issue was \$2.89.
<b>Theatre and Halls</b>			
Reliability	Provide cinema and touring show services for the community.	At least 12,000 film and touring show attendances each year at the Civic Theatre.	17,903 film and touring show attendance at the Civic Theatre this year.
<b>Property and Buildings</b>			
Reliability	District museums will be supported.	The cost of museum support per ratepayer will remain below \$8 per year.	The cost of museum support per rate payer was \$10.85.

For a full description of service performance, please see pages 11 - 48 of our *Annual Report 2006/2007* – available in hard copy by telephoning 06 857 8060, and on our website [www.chbdc.govt.nz](http://www.chbdc.govt.nz).