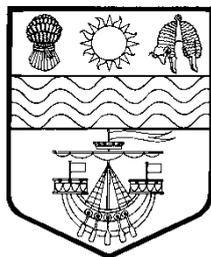




Central Hawke's Bay District Council

2013/2014 Annual Report

Central Hawke's Bay District Council



2013/2014 Annual Report

Our mission statement:

"The Central Hawke's Bay District Council will be accountable to its citizens for the good management of the public assets of the District and provide open local government at minimum economic cost, with the least possible intervention in the private lives of residents."

ISSN 1171-4883 (Print)
ISSN 2253-2900 (Online)

2013/2014 Annual Report

Every year the Council produces a document (The Annual Report), which records whether or not the Council has done what it said it would do in the Annual Plan.

This Annual Report relates to the second year of the 2012 - 2022 Long Term Plan (from 1 July 2012 to 30 June 2022).

How Does it Affect You?

The Annual Report records how money from ratepayers, financial institutions and other governmental agencies was spent. It provides information on projects that were completed, delayed, postponed or abandoned.

Get Involved!

If you want to have a say on what projects Council undertakes and how Council spends its money, then you can make a submission to the Long Term Plan or Annual Plan. The next opportunity will be the 2015/2025 Long Term Plan (from 1 July 2015 to 30 June 2025). Keep a look out for it in April 2015.

Contents

Contents	3
Introduction from the Mayor and Chief Executive	4
Key Initiatives and Project	5
Key Issues	8
Financial Performance	10
Annual Report Disclosure Statement for the year ended 30 June 2014	11
Non-Financial Performance	17
Statement of Maori Contribution to Decision-Making	18
Statement of Compliance and Responsibility	19
Audit Report	20
Activities	24
Community Leadership Group	25
Planning and Regulatory Group	31
Land Transport Group	39
Solid Waste Group	43
Water Supplies Group	47
Wastewater (Sewerage) Group	51
Storm Water Group	55
Recreation and Community Facilities Group	58
Consolidated Statement of Comprehensive Income	68
Consolidated Statement of Changes in Equity	69
Consolidated Statement of Financial Position	70
Consolidated Statement of Cash Flows	71
Council Funding Impact Statement	72
Statement of Accounting Policies	73
Consolidated Notes to the Financial Statements	83
Supplementary Information	104
Elected Council Members	105
Management Structure	106
Acknowledgements	107
Glossary	108

Introduction from the Mayor and Chief Executive

We are pleased to present the 2013/14 Annual Report for Central Hawke's Bay District Council.

Strong financial management has been a focus for the year which represents year two of the 2012-22 Long Term Plan. Council has made good progress in implementing a review of its Treasury function and has proactively restructured its debt and investment portfolio. Through the utilisation of cash investments, Council has reduced external debt from \$11.63m at 30 June 2013 to \$7.17m at 30 June 2014 and through that made interest cost savings against budget of \$260,000.

This saving was transferred into the catastrophic reserve fund to build up this reserve to a level consistent with Council's Special Fund Policy.

Council considers these changes in treasury management to be an excellent result. This along with a continuous 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.

On August 25th 2014 Council was extremely disappointed to have to make the very difficult decision along with Tararua District Council to place Infracon Limited into liquidation. Central Hawke's Bay District Council held a 34% share in Infracon and after a number of discussions with the liquidators and fellow shareholder Tararua District Council it was decided to write off Council's investment in Infracon. As at the time of preparing the annual accounts there was insufficient information to suggest any return to the shareholders following the liquidation process. As a consequence Council has written \$3.718m off its investment, of which \$921,000 relates to Central Hawke's Bay's share of losses incurred by Infracon Limited in 2013/14.

Throughout 2013/14 a major focus was on establishing the Waipawa Wastewater Treatment facility and constructing a replica facility for Waipukurau, albeit somewhat larger. Both facilities are now operating, and Council has met the 30th September 2014 regulatory deadline.

Council has continued to maintain its other core infrastructure with Waipukurau water treatment improvements, commencement of a new landfill cell extension and the construction of two roundabouts in Waipukurau during the year. Upgrades to community facilities have also occurred during the year with Pourerere camping ground, Takapau toilets, Elsthorpe Cemetery and the start of the Russell Park playground.

The development of the Ruataniwha Water Storage Scheme (RWSS) continues to loom large on our minds with the impacts on our community from such a project many and varied. Staff and Councillors will continue to assess the future impact of the RWSS on Council's infrastructure and that of the Central Hawke's Bay economy as we develop the 2015-25 Long Term Plan.

While the outcome of the current local government reorganisation process continues to be unknown, we do expect that a poll will be undertaken sometime in early 2015. Meanwhile Council continues to explore opportunities for shared services and shared procurement with the other Hawke's Bay councils and with Tararua District Council.

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



A handwritten signature in blue ink, appearing to read 'John Freeman'.

John Freeman
Chief Executive

Key Initiatives and Project

Measuring our performance is an important part of ensuring that the Council's operations are being managed effectively and that the community's needs are being met or enhanced.

A number of significant projects were completed or are ongoing during this financial year.

Takapau Toilets

Takapau was the only township in Central Hawke's Bay not to have a public toilet. After submissions and consultation with the community, Council jointly worked with the community to provide a toilet and rest area complete with a shelter on a disused Council property on the corner of Charlotte and Sydney Streets.

The official opening of the toilet included a Karakia, a ribbon cutting ceremony and performances from the local schools.



Herbert Street – During investigation work for the Peel Street intersection upgrade by the New Zealand Transport Agency, the service connections to the eastern side properties were found to be in poor condition. It was decided to install a new water rider main along the eastern side and hook up the properties to this rider main via new service lateral connections. Council worked in tandem with Centralines who employed the services of Council's contractor to install power and communication ducting in the grass berm at the same time.



Utility Services Upgrades

Porangahau Road – Utility Services were upgraded during the Porangahau Road area wide pavement treatment contract. Technical Services worked in tandem with Council's Land Transport department to carry out the replacement of the sewer gravity main and the property service laterals. At the same time the water network was upgraded with new water valves and fire hydrants. Each property serviced within this section had their individual service connections upgraded.

Coughlan Road – A replacement water rider main was installed along the western side of Coughlan Road to replace an old galvanized pipe. The old pipe had proven to be problematic over the past few years with numerous water leaks. All properties on the western side were reconnected via new service laterals and manifolds.



Mount Herbert Road – Stage three of the Mount Herbert storm water upgrade was carried out using trenchless technology. While Council has been using trenchless methods over the past four years in the sewer main relining program, it would be the first time within the storm water network. For this, Council selected Interflow New Zealand to install their spiral wound Rib-Loc product.



Sewer Reline 2013/14 Year – Council continues to identify sewer gravity pipes that require upgrading by relining. During the past year a total of 700m of pipe relining was completed. Part of the work undertaken included the installing of new or replacement sewer manholes along the reline routes.

Council continues to identify pipes for relining and it is proposed a further 900m be carried out in the next financial year.



Landfill Extension

A landfill extension at the Central Hawke's Bay District landfill on Farm Road was substantially completed by Infracon during the 2013/2014 financial year. This extension will provide approximately 130,000m³ of landfill space, which is expected to last up to 14 years at the current fill rate. The extension is scheduled to be completed by the end of 2014.



Playground Upgrades

The Takapau and Otane playgrounds got much needed facelifts in 2013. This work included the removal and replacement of some of the older worn out and dangerous equipment, safety improvements to the playground surface and revamping the existing equipment. The equipment is now bright and inviting and is getting well used by the communities.



Elsthorpe Cemetery Upgrade

As part of the cemetery renewal programme the Elsthorpe cemetery received a long overdue makeover. A new access track, off road car parking, tree work and fencing were all completed to make the cemetery more usable and preserve the history of the area. This tranquil rural setting offers a cemetery option for local and coastal communities.



Roundabouts

During the year two roundabouts have been installed in Waipukurau.

The roundabout connecting Wellington Road, Holyrood Terrace and Wallace Street to Porangahau Road was done by the Council to improve safety while the Ruataniwha Street, Herbert Street, Porangahau Road roundabout was done in conjunction with NZTA for improved traffic flow and safety.



Key Issues

Outlined below are some of the key issues that Council and the District have faced over the past year and are also facing going into the future. These are included to generate discussions and provide ratepayers with an understanding of these issues so that we can work on resolving these together in the Long Term Plan. The issues have been grouped into three categories, External, Capital, and Operational.

- External – Issues that affect Council and the District that are out of our control.
- Capital – Issues around capital expenditure within the District.
- Operational – Issues that affect the Council and District at an operational level.

EXTERNAL

Affordability

Affordability is one of the key areas that were identified as important for Council in the 2012-22 Long Term Plan, it will again be a focus for the 2015-25 Long Term Plan. Council made a commitment to maintain the levels of service it provides to the community and will be looking to do the same in the upcoming Long Term Plan. Council will need to balance the affordability of maintaining the current levels of service and the communities expectations when the Long Term Plan is developed and the community will be consulted if any changes to levels are proposed.

Amalgamation

The proposal looked to combine the five Hawke's Bay Councils; Napier, Hastings, Wairoa, Central Hawke's Bay and the Hawke's Bay Regional Council into one Unitary Authority continues to be investigated by the Local Government Commission.

The final decision of the Local Government Commission in relation to the Hawke's Bay proposal is now not due until late 2014 with a public referendum, if required, not likely until early 2015.

CAPITAL

Ruataniwha Water Storage Project

There are four areas of significance that this project will contribute towards resolving within this district.

- 1) Water Storage – To supply irrigation to the agricultural industry, and to alleviate the impacts that the summer droughts have had upon the district.
- 2) Job Creation – The project will create jobs in the construction phase and also long term with increased on farm production, change in land use and an increase in off farm support businesses.
- 3) River Quality – The dam will allow better control of flows within the rivers, allowing control of the aquatic environment and quality of the water.
- 4) Electricity Generation - providing a local generation source in Central Hawke's Bay.



The 2015-25 Long Term Plan will be considering the impact of the dam on the Central Hawke's Bay community and economy. However at this stage it is not known if the dam will proceed and scenarios of with or without the dam are being considered.

Earthquake Prone Buildings

Council has identified buildings that it owns that are earthquake prone. The Waipukurau Memorial Hall and the Waipukurau Library remain earthquake prone and Council is working through its options for both of these buildings.

OPERATIONAL

Levels of Service

In the 2012-22 Long Term Plan Council said that it would not increase levels of service in activities in order to keep rates increases as low as possible with any development expenditure undertaken to maintain levels of service or comply with Central Government legislation or environmental expectations. Increasing the levels of service provided to the community means that Council either has to increase the operational expenditure to deliver those services or create new assets, both of these options has an impact on rates required. Council made a commitment to not increase the levels of service so that rates increases were confined to the increases brought about by inflationary impacts upon council and also the capital works that Council are required to complete to be compliant with legislation. These works involve the upgrade to both the Waipawa and Waipukurau wastewater treatment plants in the first two years of the Plan, and the treatment plants of Otane, Takapau, Porangahau, and Te Paerahi from 2015 onwards. It is also expected that new drinking water standards to come into effect from 2015 which may require further upgrades the Waipawa, Waipukurau, and Kairakau water supply systems.



Shared Services

There has been a focus within the Local Government Sector and also in the public arena around utilising shared services to generate savings. The Better Local Government Reform also places additional pressure on Councils to work more efficiently and actively pursue savings by exploring better ways to do things. In the last financial year we made considerable change to the way that we do business so savings can be made.



The Hawke's Bay Local Authority Shared Service company (HBLASS) was established in December 2012 with its primary function to work with the Hawke's Bay Councils to try to find efficient ways to do things collaboratively through shared services. The five Councils already work together on a number of activities with CHBDC involved in nine of these. There are several projects that the company is currently looking at where savings and efficiencies can be achieved. Some of these are; a regional GIS role, regional fleet vehicle management and a regional building control authority.

Council also has a Civil Defence shared service arrangement with Hawke's Bay Regional Council and has recently entered into a shared service arrangement with Hastings District Council to provide financial services support.

Financial Performance

This section of the report provides an overview of our financial performance for the year ended 30 June 2014. This overview provides an explanation to our financial statements and notes on pages 66 to 99.

Overall Results

For the financial year Council had a deficit of \$555,000 compared to a \$146,000 budgeted surplus. Overall income was above budget by \$1,183,000 with operating expenditure under budget by \$1,151,000. The table and explanations below illustrate this.

FINANCIAL OVERVIEW				
2013 Budget \$'000	2013 Actual \$'000		2014 Budget \$'000	2014 Actual \$'000
26,361	27,025	Total Revenue	27,287	28,470
14,283	13,309	Operating expenditure	14,839	13,689
765	825	Finance Cost	1,068	808
11,313	12,891	Operating Surplus excluding non cash movements	11,380	13,973
Non-cash Movements				
10,916	11,345	Depreciation	11,234	11,171
-	(522)	Other Gains and Losses	-	3,357
397	2,068	Operating Surplus/(Deficit)	146	(555)

Explanations

- Subsidies received were higher than budgeted due to the receipt of \$860,000 of additional revenue received from NZTA that primarily related to the prior year and a grant of \$190,000 received from the Department of Conservation for stormwater work behind the Pourerere camping ground.
- Income from fees and charges were below budget due to the loss of significant income in the Solid Waste activity. The budget included significant revenue from out of district waste, particularly from Tararua District Council, however this revenue did not eventuate.
- Operating expenditure is below budget due to the timing of works over the three year New Zealand Transport Agency claim period. Unspent money has been carried forward and the work is expected to be completed in the 2014/2015 period.
- Other gains and losses include a one off impairment of Council's 34% share in Infracon. The Annual Report has taken a \$3.7m impairment on this investment taking the expected value down to zero. On August 25th 2014 the shareholders placed Infracon into liquidation and at the time of preparing this Annual Report Council did not expect to receive any value from the liquidation process.

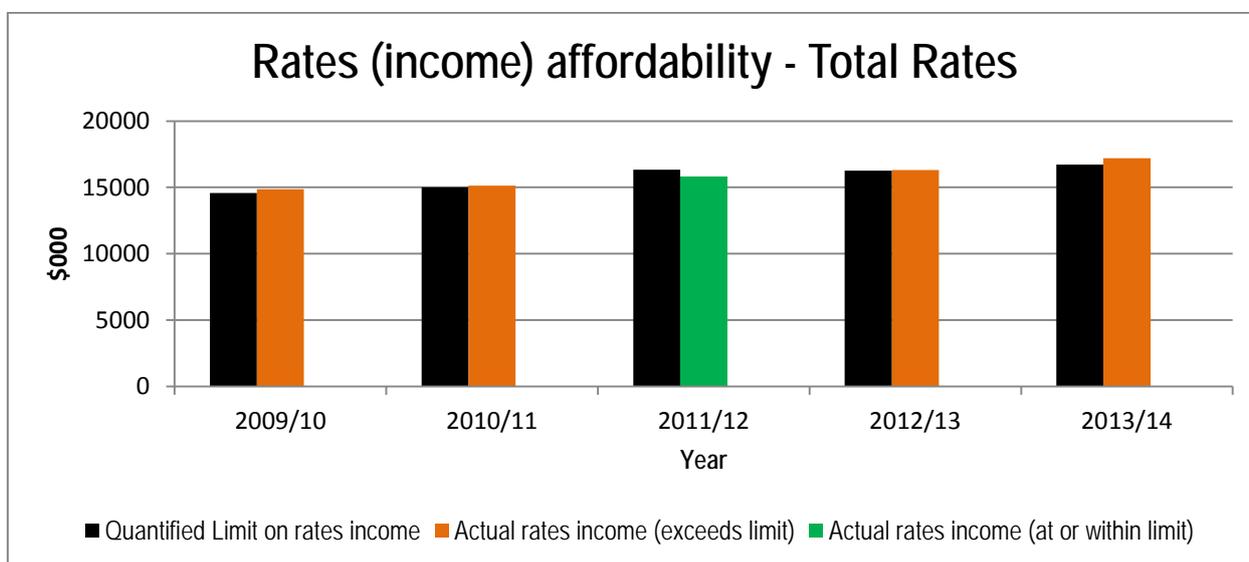
Annual Report Disclosure Statement for the year ended 30 June 2014

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

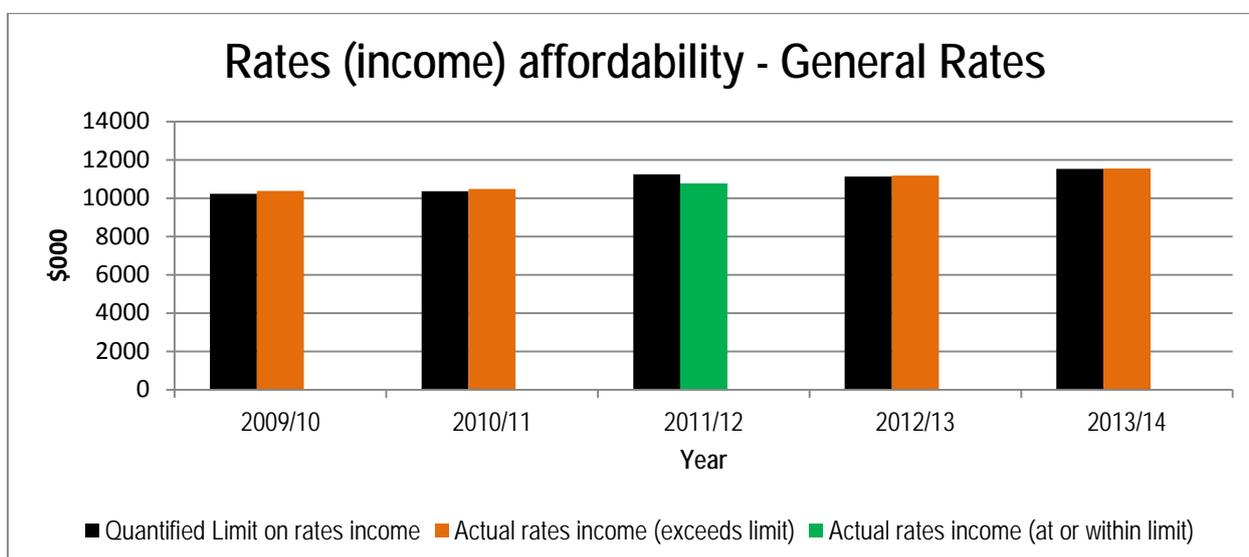
Council is required to include this statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

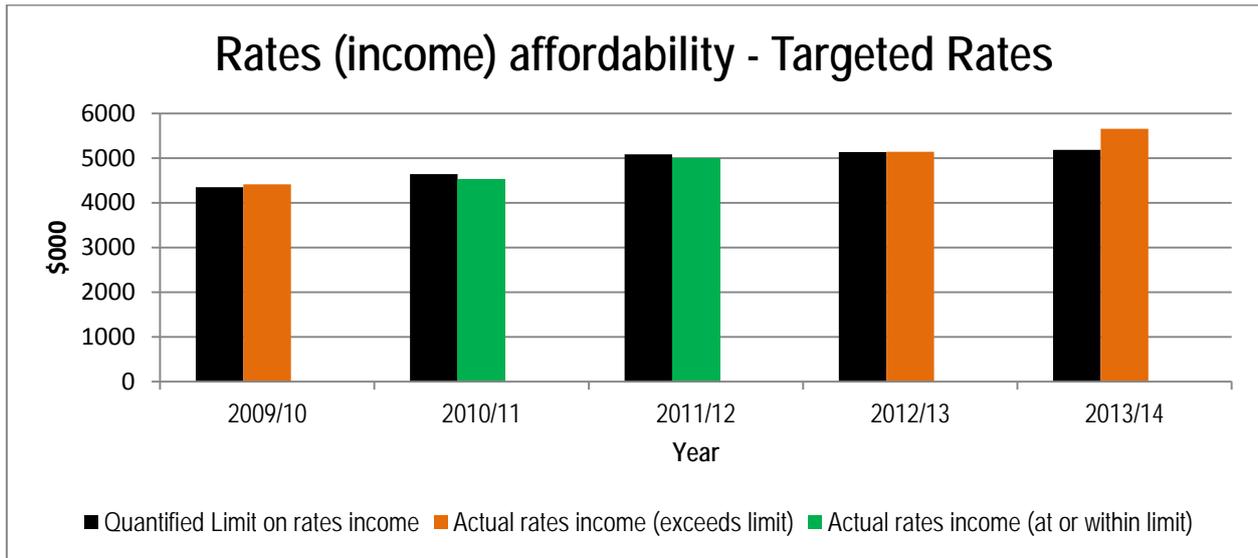
Rates (income) affordability benchmark

The following graphs compare Council's actual rates income with a quantified limit on rates contained in the financial strategy included in Council's Long Term Plan. The quantified limit is the total rates, general rates and targeted rates as forecast in the 2009-2019 Long Term Council Community Plan (LTCCP) and 2012-2022 Long Term Plan (LTP).



Total rates income in 2013/14 are \$489,000 more than forecast in the 2012-22 LTP due to a decision made by Council to bring forward capital expenditure relating to the Waipukurau and Waipawa sewer treatment facilities in 2013/14. While the impact of this decision increases total rates income for that period, it was through the Sewerage Targeted Rate that this additional rates revenue was gathered.





Targeted rates were \$468,000 more than the quantified benchmark in 2013/14 due to the decision made by Council to bring forward capital expenditure.

Rates (increases) affordability benchmark

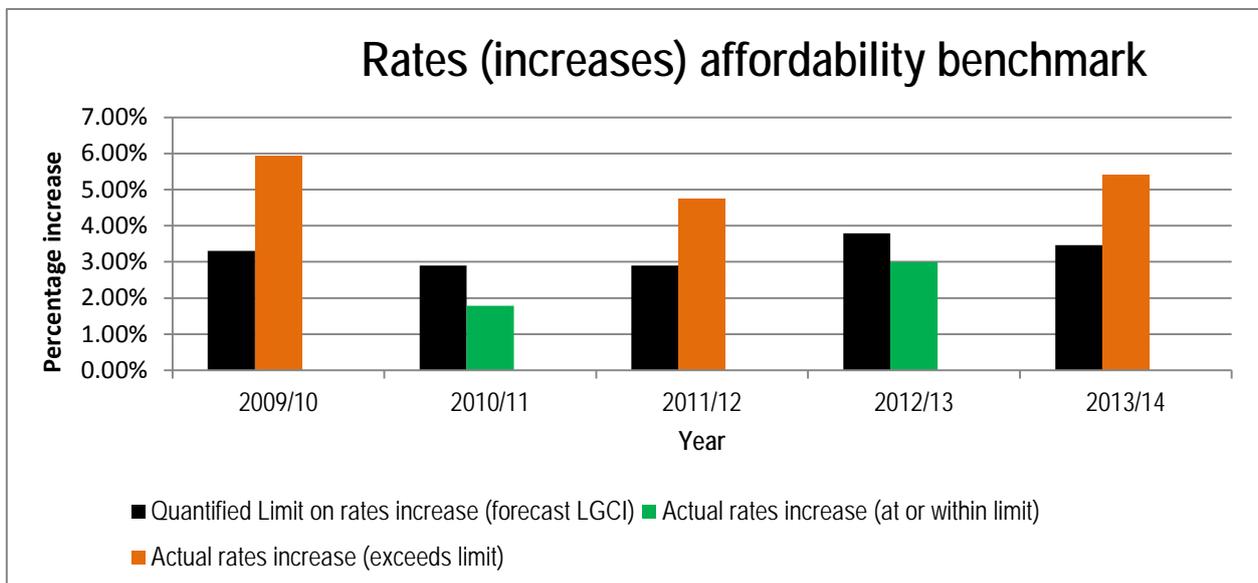
The following graph compares Council's actual rates increases with a quantified limit on rates increases contained in the financial strategy included in Council's Long Term Plan. The quantified limit as stated in Council's financial strategy is:

"... Council aims to maintain an overall increase in rate requirement at the annual Local Government Cost Index (ie LG CPI)

The actual rate increases we are proposing however will vary dependent on:

- *Increases in targeted rates where Council is required to meet consent or legislative requirements (eg Waipukurau/Waipawa sewer consents or meeting the Drinking Water Standard)*
- *When three yearly increases in NZTA funding require an increase in equivalent rate funding in that year"*

The quantified limit used for this benchmark is the LG CPI as forecast in the 2009-2019 LTCCP for the three years to 2011/12 and the 2012-22 Long Term Plan for 2012/13 and 2013/14. Note that an overall LG CPI was not available for the 2009-2019 LTCCP and for the purpose of this period the inflation forecast for Land Transport has been used as this activity represents more than half of Council's expenditure.



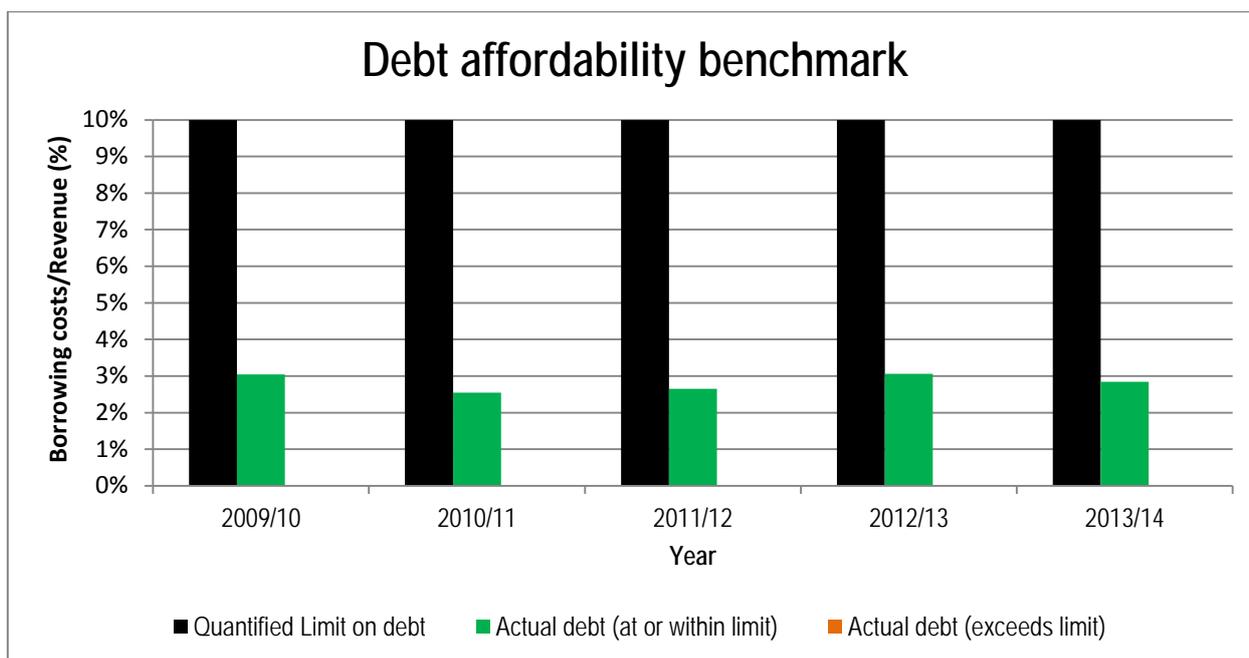
In 2013/14 rates increased by 5.4%, well ahead of the forecast LG CPI due to a decision made by Council to bring forward capital expenditure on the Waipukurau and Waipawa wastewater treatment facilities. This expenditure had previously been included in Year 3 (2014/15) of the 2012-22 LTP.

The rates increases incurred from 2009/10 to 2011/12 were years when a financial strategy was not a requirement of the LTCCP. Council therefore did not have a financial strategy or any quantified limits on rates increases.

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.

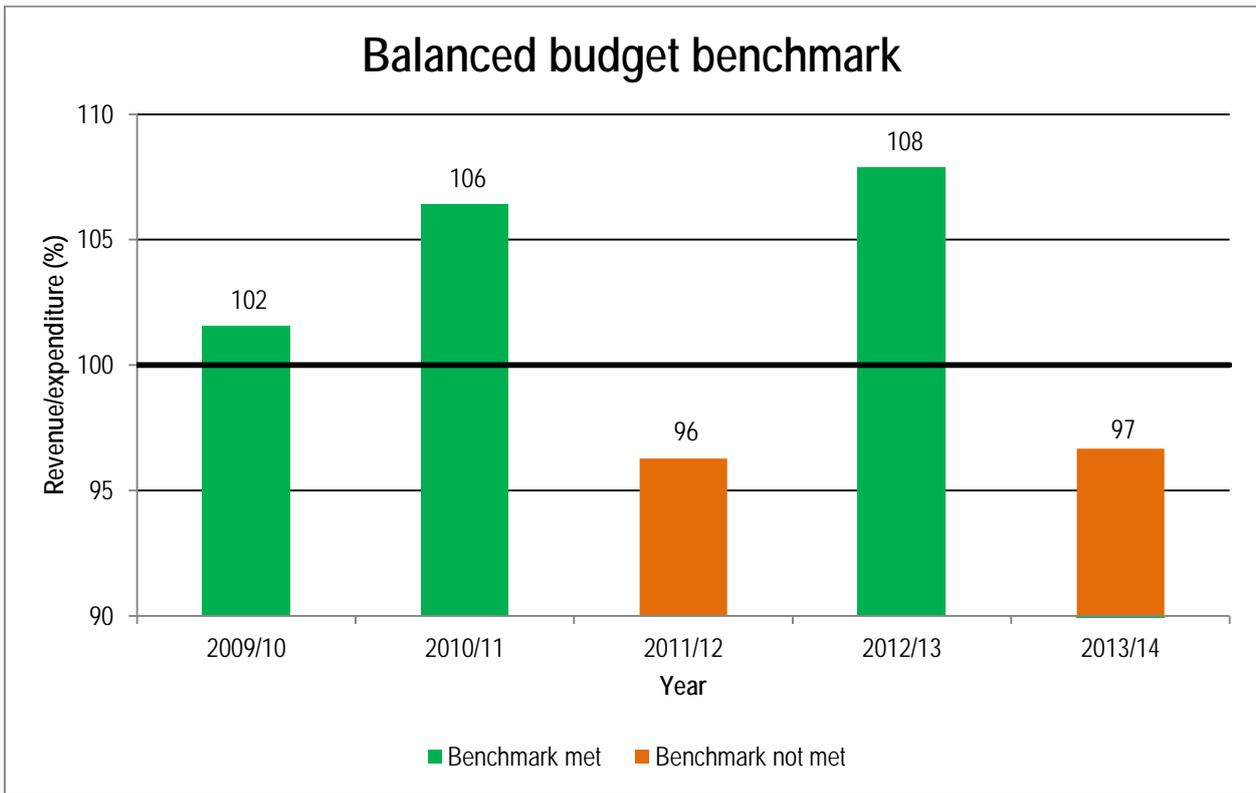


Council consistently performs well against this quantified limit as set in the Financial Strategy due to well managed and prudent debt management.

Balanced budget benchmark

The following graph displays 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).

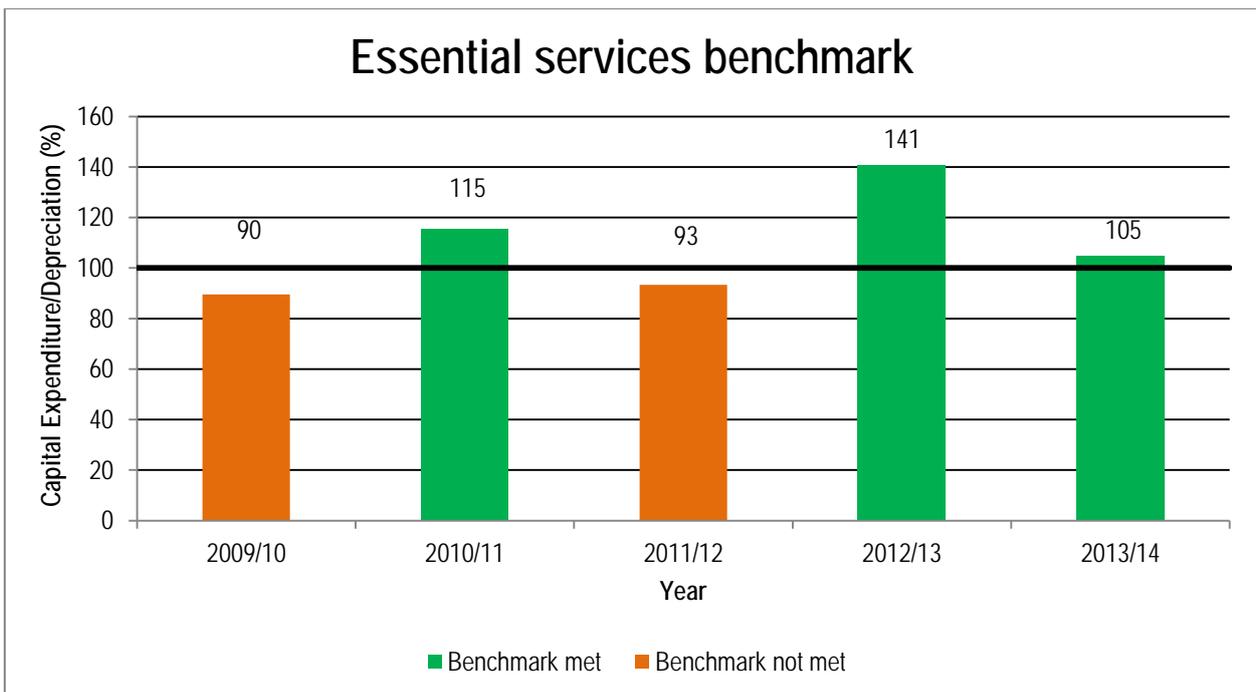
Council meets this benchmark if its revenue equals or is greater than its operating expenses.



In 2011/12 Council's operating revenue accounted for only 96% of its operating expenditure due to a decision of Council to write-off \$1.06m of expenditure previously incurred on the development of a wastewater treatment facility that did not go ahead. In 2013/14 Council incurred a write down of its investment in Infracon Limited of \$3.7m which was unbudgeted due to the company being put into liquidation on 25 August 2014.

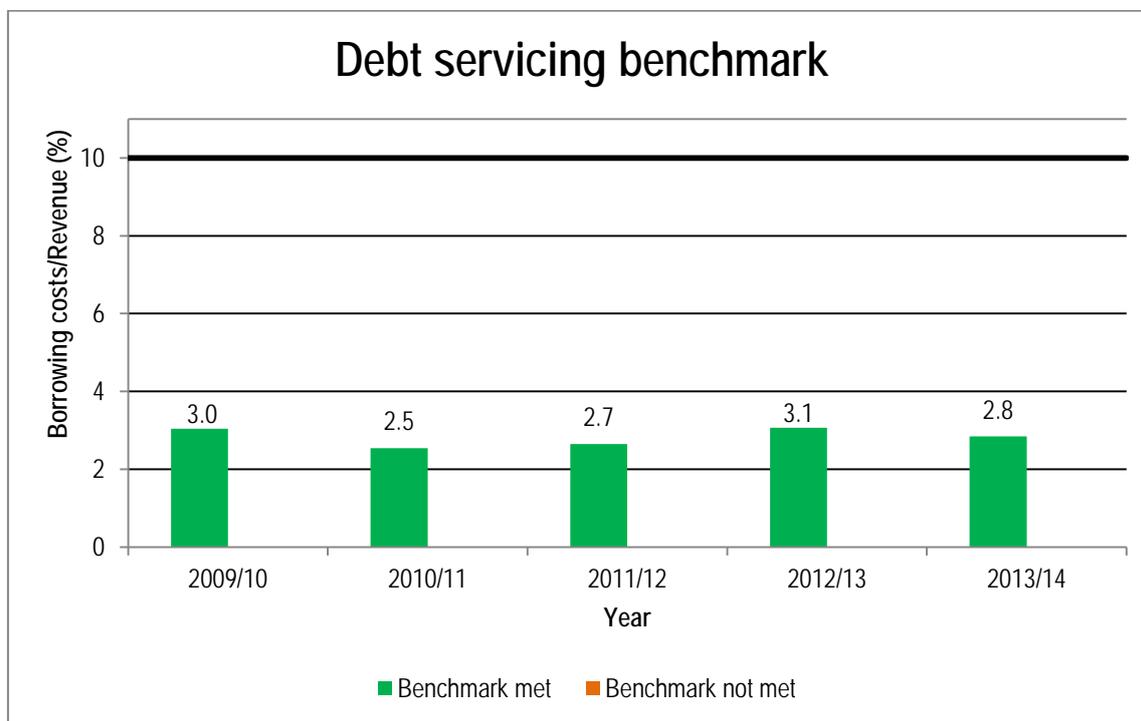
Essential Services benchmark

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.



Debt servicing benchmark

The following graph displays 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). Council meets this benchmark if its borrowing costs equal or are less than 10% of its revenue.

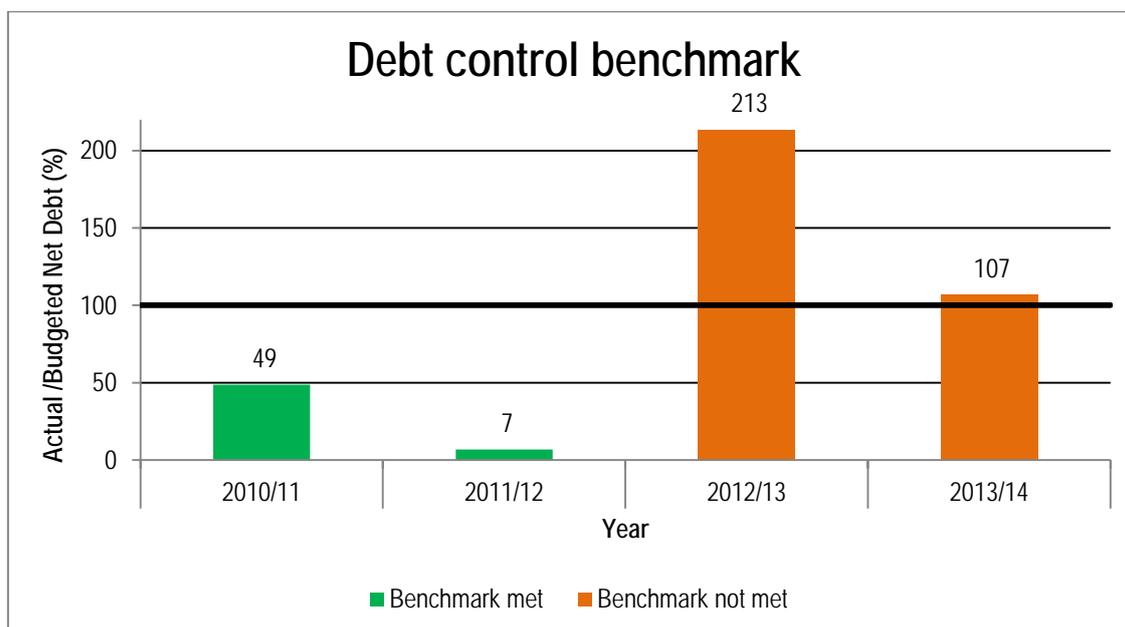


Council's borrowing costs are well below the prescribed benchmark of being equal or less than 10% of revenue. This highlights Council's prudent financial management of its debt.

Debt control benchmark

The following graph displays 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).

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



From 2009 to 2013 Council had a financial asset in the form of a \$4m loan to its subsidiary Tamatea Limited. This loan represented the funding required by Tamatea to hold Council's share of Infracon. During 2013/14 Council's share of Infracon was transferred back to Council and the loan was recalled. The inclusion of this investment in this benchmark significantly reduces Council's actual and planned debt and makes any variation from what was planned quite pronounced.

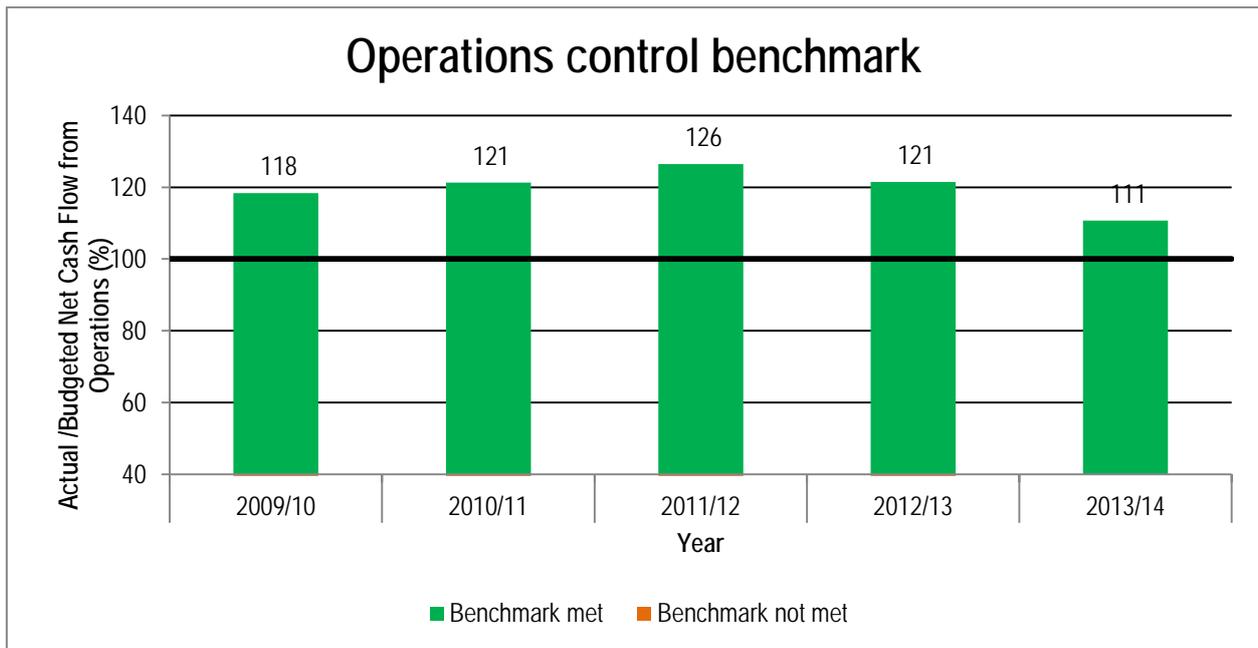
Actual net debt in 2009/10 was in fact a net investment due to the loan to Tamatea Ltd and hence this ratio was not applicable in that period and has not been included.

This benchmark was not met in 2012/13 due to the decision made by Council to bring forward capital expenditure on the Waipukurau and Waipawa wastewater treatment facilities a year earlier than originally planned. This resulted in actual net debt being higher than planned net debt in 2012/13. The 2013/14 result shows actual net debt exceeded planned debt which was a result of the loan to Tamatea being repaid. This was not budgeted therefor increasing Council's net debt position.

Operations control benchmark

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

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.



Council performs consistently well above this benchmark and typically receives more revenue from non rates sources than budgeted while keeping tight control over operating expenditure.

Non-Financial Performance

Overall Council 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 meet Local Government Act 2002 statutory reporting requirements. The 2012/2013 Annual Report was adopted on 20 November 2013 outside of the statutory deadline of 30 October 2013, due to Infracon Limited information not being available.

CHB Promotions closed the Information Centre on weekends due to low usage and therefore did not meet their original contract objectives, however in light of the actual weekend usage Council agreed to a variation in their contract. It has also been decided to review the Annual Lamb Country Festival with the possibility of it becoming a biennial event.

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 Building Control there is a target to have all consents issued within 20 days of receiving the application. Council fell just short of this, achieving 244 out of 245 (99.59%) of consents within the timeframe.

In Public Health we set a target to complete 100% of the annual inspection programme. We achieved 99% of the environmental health inspections, but only achieved 38% of the liquor license inspections due to changes in the delivery of this service during the year. Staffing arrangements have been changed to improve the delivery of this service.

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 77. 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 "poor observation and loss of control bends" which are not necessarily a reflection on the safety of the roads, but driver error. These areas are set to be targeted through national education campaigns.

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 92.86% within this timeframe. The contractual timeframes vary depending on the complexity and severity of the outage.

We complied with the Drinking Water Standards except for an interpretation on plumbosolvency (the ability of water to dissolve lead) awareness notification. The notification process has subsequently been reviewed.

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 550 hours during the year, however it was only open for 208 hours. This was due to continuing issues with the paint oxidizing in the pool. Council along with the painting contractor are working to find a solution to this problem.

We set a target that 100% of requests for service are completed within timeframes. We achieved 90% for the Parks, Reserves and Swimming Pools activity.

Statement of Maori Contribution to Decision-Making

Maori Consultative Committee

Council earlier had a Maori Consultative Committee which consisted of up to seven representatives of Marae of the District. The term of office of committee members expired at the end of each year in which the triennial local authority elections are held.

The purpose of the Maori Consultative Committee was to provide advice to Council.

The selection of members was determined by a process agreed between Council and the Committee. If the Committee has less than seven members, the Committee shall have the power to co-opt.

The committee did not meet regularly as it was difficult to find a quorum.

During the year Council has developed a much stronger relationship with Te Taiwhenua o Tamatea, who represent all 9 marae in Central Hawke's Bay.

Te Taiwhenua o Tamatea have appointed Morry Black as their representative at every scheduled ordinary and extraordinary meeting of full Council. This representative does not vote.

Maori Wards

The Local Electoral Act 2001 gives Council the ability to establish separate wards for Maori electors. Council is required to review its representation arrangements at least once every six years. This review must include deciding whether or not to have separate wards for electors on the Maori roll.

The formula to establish the number of Maori seats is governed by population. Based on the population of this district it may be possible that one Maori seat could be established.

Council conducted a representation review in 2011 and resolved that "Council does not establish Maori ward/s as provided for in the Local Electoral Act 2001, at this time."

However Council is working closely with Te Taiwhenua o Tamatea to develop a memorandum of understanding to improve communication and ensure that the views of Maori are considered in Council decision making.

Statement of Compliance and Responsibility

Compliance

Council and management of the Central Hawke's Bay District Council confirm that all the statutory requirements of section 283 of the Local Government Act 2002, which includes the requirement to comply with Part VIIA of the Local Government Act 1974 regarding financial management and borrowing, have been complied with.

Responsibility

1. The Central Hawke's Bay District Council and its management accept responsibility for the preparation of the annual Financial Statements and non-financial performance information and the judgements used in them.
2. The Central Hawke's Bay District Council and its management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting and non-financial performance information.
3. In the opinion of the Central Hawke's Bay District Council and its management the annual Financial Statements and the results of its operations and the service performance achievements for the year ended 30 June 2014 fairly reflect the financial position of Central Hawke's Bay District Council.



Chief Executive
John Freeman
31 October 2014



Mayor
Peter Butler
31 October 2014

Audit Report



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF CENTRAL HAWKE'S BAY DISTRICT COUNCIL AND GROUP'S ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

The Auditor-General is the auditor of Central Hawke's Bay District Council (the District Council) and group. The Auditor-General has appointed me, Stuart Mutch, using the staff and resources of Ernst & Young to audit:

- the financial statements of the District Council and group that comprise:
 - the statement of financial position as at 30 June 2014 on page 70;
 - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2014 on pages 68 to 69 and page 71;
 - the funding impact statement of the District Council on page 72;
 - the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 24 to 67; and
 - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 73 to 103;
- The statement of service provision referred to as "Activities" made up of reporting on community outcomes and a performance report and funding impact statement of each group of activities carried out by the District Council on pages 24 to 67; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 11 to 16 and on pages 73 to 103.

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

- information about:
 - internal borrowing on page 93;
 - reserve funds on pages 93 to 96;
 - each group of activities carried out by the District Council on pages 24 to 67;
 - remuneration paid to the elected members and certain employees of the District Council on pages 98 to 99;
 - employee staffing levels and remuneration on page 98;
 - severance payments on page 98;
 - rating base units on page 104; and
 - insurance of assets on page 104;
- a report on the activities undertaken by the District Council and group to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on page 18; and
- a statement of compliance signed by the mayor of the Council, and by the District Council and group's chief executive on page 19; and

Opinion

Audited information

In our opinion:

- the financial statements of the District Council and group on pages 68 to 71 and 73 to 103:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the District Council and group'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 funding impact statement of the District Council on page 72, 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 statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 24 to 67, 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 statement of service provision referred to as "Activities" made up of reporting on community outcomes and service performance reports of the District Council on pages 24 to 67:
 - 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 24 to 67, 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 disclosures on pages 11 to 16 and on pages 73 to 103 represent a complete list of required disclosures and accurately reflects the information drawn from District Council's audited information.

Compliance with the other requirements of schedule 10

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

Uncertainty over the valuation of the District Council's investment in Infracon Limited

Without modifying our opinion, we draw your attention to the disclosures made in note 4 on pages 86 and 87 about the District Council's decision to write-down the value of its investment in Infracon Limited to nil. This decision was made in response to the resolution to place Infracon Limited into liquidation on 25 August 2014. The outcome of the liquidation process is uncertain and the value of the District Council's investment could be different than the nil value that has been recognised in the financial statements.

Our audit was completed on 31 October 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 statement of service provision referred to as "Activities" made up of reporting on community outcomes and service performance reports. 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 and group'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 and group'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 statement of service provision referred to as "Activities" made up of reporting on community outcomes and performance reports 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 statements of service provision referred to as "Activities" made up of reporting on community outcomes and service performance reports that:
 - comply with generally accepted accounting practice in New Zealand;
 - fairly reflect the District Council and group's financial position, financial performance and cash flows;
 - fairly reflect its service performance, including achievements compared to forecast;
- 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;
- 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;
 - 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.

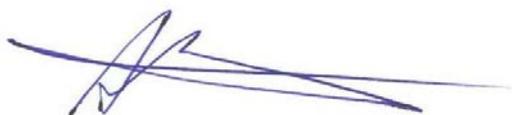
The Council's responsibilities arise under the Local Government Act 2002.

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. Other than this audit, which includes our report on the *Other Requirements*, we have no relationship with or interests in the District Council or any of its subsidiaries.



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

Activities

The Local Government Act 2002 requires Council to identify and outline the activities that it carries out. The Central Hawke's Bay District Council's activities fall into the following eight groups:

1. Community Leadership
2. Planning and Regulatory
3. Land Transport
4. Solid Waste
5. Water Services
6. Wastewater (Sewerage)
7. Stormwater
8. Recreation and Community Facilities

These eight groups cover twenty one separate activities as follows:

COMMUNITY LEADERSHIP GROUP

1. Leadership, Governance and Consultation
2. Economic and Social Development

PLANNING AND REGULATORY GROUP

3. District Planning
4. Land Use and Subdivision Consents
5. Building Control
6. Public Health
7. Animal Control
8. Emergency Management
9. Bylaws

LAND TRANSPORT GROUP

10. Land Transport

SOLID WASTE GROUP

11. Solid Waste

WATER SERVICES GROUP

12. Water Supplies

WASTEWATER (SEWERAGE) GROUP

13. Wastewater

STORMWATER GROUP

14. Storm Water

RECREATION AND COMMUNITY FACILITIES GROUP

15. Parks, Reserves and Swimming Pools
16. Public Toilets
17. Retirement Housing
18. Libraries
19. Theatres, Halls and Museums
20. Cemeteries
21. Property and Buildings

Community Leadership Group

Leadership, Governance and Consultation

What does this activity involve?

The Leadership, Governance and Consultation Activity include the following components:

- Facilitating Council decision making by running elections, holding meetings and maintaining standing committees to ensure the good governance of the District, providing information to elected representatives, secretarial support, minute taking, and providing notice of meetings.
- All local authorities now have more stringent consultation requirements, in addition the public and elected members demand better communication and information flows both to and from the public.
- Council provides and administers grant and scholarship schemes to provide individuals and groups with financial assistance. The Central Hawke's Bay District Council has two Council Controlled Organisations and three Council Organisations. The Council Controlled Organisations are Infracon Limited and HB LASS Limited – a joint local authority shared service initiative among the five Hawke's Bay Councils. The three Council Organisations are CHB Promotions Inc., CHB Early Settlers Museum Society, and the Howard Estate Advisory Board.

Why are we involved?

Community Outcomes that this activity contributes to
Safe and healthy communities through a range of Council regulatory responsibilities
Risks to public health are identified and appropriately managed
People are involved in their local community and have a vision for their future
People have a range of opportunities to participate in leisure, cultural and learning activities
Our historic and cultural heritage is protected for future generations
Central Hawke's Bay District is well promoted as a good place to do business and visit
Central Hawke's Bay District has an efficient and affordable roading, waste and water infrastructure
We plan to develop sustainably and with minimal environmental impact
We encourage recycling, and manage the rest in a sustainable way
We plan and manage water use and wastewater disposal to minimize the effect on the environment

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Advocate on local, regional and national issues for the Central Hawke's Bay District on appropriate Central Hawke's Bay Community issues.	5 formal submissions to Central Government, Local Government NZ and similar advocacy institutions	<p>Target achieved.</p> <p>9 formal submissions were made during the 2013/2014 year on issues which could affect the ratepayers of Central Hawke's Bay.</p> <p>These covered:</p> <ul style="list-style-type: none"> • Environmental Protection Authority TukiTuki Catchment Proposal. • Ministry of Business Innovation and Employment on Petroleum Exploration Permitting Round Block Offer 2014. • Hawke's Bay Regional Council on HB CDEM Group Plan 2014-2019. • The Law Commission on the Cemeteries and Crematoria Act Review. • Hastings District Council on the Proposed District Plan. • NZTA on Overweight and high-productivity motor vehicles legislation. • FAR Review options discussion document. • EPA on the Tukituki catchment proposal. • Hawke's Bay Regional Council on the proposal to invest in the Ruataniwha water storage scheme.
Develop Policy and make decisions for the benefit of the Central Hawke's Bay Community by holding Council and Committee meetings	8 annual meetings	<p>Target achieved.</p> <p>A total of 22 Council and Committee meetings were held in 2013/2014.</p> <p>These included: 9 Council, 1 inaugural Council, 2 Extraordinary Council, 7 Finance and Services Committee, 1 Audit Committee meeting, 1 Annual Plan Submission Hearing and 1 Draft Local Alcohol Policy Submission Hearing.</p>
Communicate and consult with the Central Hawke's Bay Community on key issues by ensuring that Statements of Proposal requiring consultation using Special Consultative Procedures are made available on the Council website, at Council libraries and offices, and to be discussed in public meetings.	100% compliance of statutory requirements	<p>Target achieved.</p> <p>Consultation on the Draft Annual Plan 2014/2015 was held during the year, prior to the adoption of the Annual Plan on 19 June 2014.</p> <p>Information was available on council website, offices and libraries. A Draft Annual Plan summary was posted to all ratepayers. A public meeting was held at Waipawa.</p>
Meet Local Government Act 2002 statutory reporting requirements by producing Annual Plans, Annual Reports and Long Term Plans	100% compliance of statutory deadlines	<p>Target not achieved.</p> <p>The 2014/2015 Annual Plan was adopted within statutory timeframes.</p> <p>The 2012/2013 Annual Report was adopted on 20 November 2013 outside of the statutory deadline of 30 October 2013, due to Infracon Limited information not being available.</p>

Economic and Social Development

What does this activity involve?

Economic and social development within Central Hawke's Bay is undertaken by or with a number of outside organisations on behalf of Council. These organisations include:

- CHB Promotions Inc. - including the operation of the District's Visitor Information Centre, and business promotion.
- Department of Internal Affairs – funds a Community Development Coordinator based at the Waipawa council offices, supervised by Council. The Community Development Coordinator focuses on analysing and facilitating strategies that help existing organisations address identified strands of Community Development, Hapu Development, Positive Ageing, Economic Development, Youth Development and Safer Communities.
- Joint study of Hawke's Bay's economic and social performance, by the five Hawke's Bay Councils.
- Part of Business Hawke's Bay Advisory Group, which includes representatives from Regional and Local Councils, Hawke's Bay Tourism, Food HB and Work and Income Department.

Council's role also includes:

- Development of a Central Hawke's Bay Economic Development Strategy.
- Rates postponement policy includes provision for a Rates Holiday to assist existing ratepayers to establish businesses which support Council's economic development initiatives.
- Implementing a Positive Ageing Strategy adopted in 2011.
- Development and implementation of a Youth Strategy for Central Hawke's Bay.
- Development and implementation of Safer CHB Strategic Plan.
- Council will be working with Central Government, in particular the Ministry of Social Development (MSD), to consult with communities and help MSD develop social service support plans and Community Response forums.
- Development of opportunities for the district that may come from the Ruataniwha Water Storage Scheme.

Community Development Co-ordinator contract was completed in January 2014 and projects included:

- Safer CHB – Safe Communities
 - Pan Pacific Accreditation – June 2012
 - Strategy development
 - Annual Report signed off by Safe Communities Foundation NZ
 - Part funded by ACC
- Youth Development.
 - Strategy developed and adopted by Council
 - Implementation Plan developed and currently being implemented
 - Youth contract with Connecting for Youth Employment
- Positive Ageing
 - Strategy developed with implementation ongoing
 - Working to bring strategy under Safer CHB and the Positive Aging Trust
- Economic Development
 - Strategy developed with implementation ongoing
 - Work streams identified include Business Development and Community Support, Tourism and Employment and Education.
 - Business Growth programme – working with Icehouse and Business Hawke's Bay.

Why are we involved?

Community Outcomes that this activity contributes to
People are involved in their local community and have a vision for their future
Central Hawke's Bay District is well promoted as a good place to do business and visit

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
CHB Promotions fulfils its contract obligations	Contractual objective are met including: Running Visitor Information Centre Running annual Lamb Country Festival	Target not achieved. The Information Centre has not been open during weekends. This is as a result of a variation in the contract after a report of low usage. Annual Lamb Country festival was not run during the 2013/2014 year. This may become a biennial event starting in 2015.
Community Development Coordinator completes the project	Project plan milestones including: <ul style="list-style-type: none"> • Development of a Central Hawke's Bay Economic Development Strategy • Implementing a Positive Aging Strategy adopted in 2011 • Development of a Youth Strategy for Central Hawke's Bay • Developing the Council / Taiwhenua relationship 	Target achieved. <ul style="list-style-type: none"> • An Economic Development Strategy has been developed, with the following work streams identified: business development, community support, tourism and employment and training • The Economic Development Strategy is being implemented. • The implementation of the Positive Aging Strategy is ongoing. • The Youth Strategy has been developed.

Community Leadership Group Funding Impact Statement

For the year ending 30 June 2014

	2013 Annual Plan Budget \$'000	2013 Actual \$'000	2014 LTP Budget \$'000	2014 Annual Plan Budget \$'000	2014 Actual \$'000
Sources of Operating Funding					
Non targeted Rates	657	672	682	703	702
Targeted Rates	25	25	25	25	25
Fees and Charges	-	-	-	-	30
Subsidies and Grants for operating purposes	101	143	61	63	65
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	-	-	-	-
Total operating funding	783	840	768	791	822
Applications of operating funding					
Payments to staff and suppliers	588	575	563	580	570
Finance costs	-	-	-	-	-
Other operating funding applications	195	211	205	211	194
Total applications of operating funding	783	786	768	791	764
Surplus/(Deficit) of operating funds	-	54	-	-	58
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	-
Increase/(decrease) in Debt	-	-	-	-	-
Development Contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	-	-	-	-	-
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	-	-	-	-
to replace existing assets	-	-	-	-	11
Increase/(decrease) in Reserves	-	54	-	-	47
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	-	54	-	-	58
Surplus/(Deficit) of capital funding	-	(54)	-	-	(58)
Funding balance	-	-	-	-	-

Depreciation Funding

	2013 Annual Plan Budget	2013 Actual	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	-	-	-	-
Funded depreciation	-	-	-	-
Unfunded depreciation to reduce rates	-	-	-	-

The three year community development contract with Department of Internal Affairs was completed in January 2014.

Income was received for election costs (\$30,000).

Surplus funding was carried forward as general reserves.

Planning and Regulatory Group

District Planning

What does this activity involve?

Council is required to provide a comprehensive District Plan that meets the needs of the community. The activity goal is to implement the Resource Management Act 1991.

Council has committed to a full review of the District Plan commencing in 2011 to comply with the Resource Management Act (RMA) requirements to review the Plan every ten years.

Council recognises that matters pertaining to the Tukituki Plan Change, the Environmental Protection Authority's decision on the Regional Water Storage Project consent application, any outcomes from the Local Government reorganisations and the RMA review may impact on the priorities of the review of the District Plan during the 2013/14 and 2014/15 years.

Why are we involved?

Central Hawke's Bay District Council has a statutory responsibility to undertake certain functions through the RMA. One of Council's functions is to prepare a District Plan providing controls for land use and subdivision.

Community Outcomes that this activity contributes to

We plan to develop sustainably and with minimal environmental impact

Central Hawke's Bay District is well promoted as a good place to do business and visit – we plan to facilitate growth and development, in a managed way

What we delivered

Level of Service to be delivers	How will we measure our success in 2013/2014?	Achieved level of service
Full review of the District Plan within required timeframes	Milestones met to complete new plan for notification in 2013/2014	<p>Target not achieved</p> <p>The milestones and timeline have slipped as a result of Council altering the staff priorities to work on the proposed Ruataniwha Water Storage Project.</p> <p>The Rural Zone Review is on hold to allow the Urban Zone Review to respond to residential and growth demands from the proposed Ruataniwha Water Storage Project.</p> <p>Draft reports on the Urban Zone Review and the Coastal Zone Review have been presented to the working party.</p>
Ongoing monitoring of the Plan including compliance, effectiveness of revised Plan and updates for new issues.	Modifications, updates carried out as required	<p>Target not applicable 2013/2014.</p> <p>Measure not applicable until the new District Plan is adopted.</p>

Land Use and Subdivision Consents

What does this activity involve?

The District Plan establishes specific rules around subdivision and land use activities. When applications for subdivision and land use activities are received, they are assessed against the requirements of the District Plan. This will determine the appropriate conditions to apply to the application.

Council processes resource consent applications and monitors conditions of consent.

Why are we involved?

Council is required under statute to provide a regulatory function which includes provision and administration of the District Plan under the Resource Management Act 1991.

This activity ensures that growth and development is facilitated in a managed and sustainable way.

Community Outcomes that this activity contributes to
Central Hawke's Bay District is well promoted as a good place to do business and visit
We plan to develop sustainably and with minimal environmental impact

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Legislative timeframes and other requirements are fulfilled when processing planning and resource consents.	100% compliance with the completion of resource consents and other development applications within statutory timeframes	Target achieved. 100% compliance with statutory timeframes achieved for the processing of planning and resource consents.
Planning complaints are responded to efficiently and effectively in a manner that is fair to all parties	All complaints responded to within 10 working days	Target achieved. No complaints relating to resource consents received during the year.

Building Control

What does this activity involve?

Building Control is responsible for administering and enforcing the Building Act 2004 (and related legislation). This includes –

- Processing applications for building consents
- Monitoring compliance through inspections and the issue of Code Compliance Certificates
- Enforcing the provisions of the Building Act 2004 and associated regulations
- Processing Land Information Memoranda

While the activity goals are to ensure that the Building Act is applied with minimal compliance costs and that nuisance or objectionable effects on human health and safety are minimised, changes to the Act have required Council to follow an accreditation process. Over time the level of performance of a Building Control Authority to retain accreditation is being increased, therefore higher levels of quality control and documents is required, incurring additional costs. This process

is subject to audit to ensure that due process is followed. All Building Officers are required to be accredited under the Act.

Why are we involved?

This activity promotes the safety of people living and working in buildings and homes, and provides information on request to applicants who intend carry out a building project.

Community Outcomes that this activity contributes to
Safe and healthy communities through a range of Council regulatory responsibilities
Risks to public health are identified and appropriately managed

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Process PIMs, LIMs, CCCs and building consents in an efficient and timely manner	All consents issued within 20 days to comply with statutory timeframe	Target not achieved. 244 out of 245 consents issued within 20 days. Weekly reports are run to maintain compliance
Ensure the safety of buildings through the Building Warrant of Fitness (BWOFF) regime	Advice to owners (or their agents) of BWOFF liability issues within one month of BWOFF expiry of non compliance	Target achieved. The schedule is checked monthly for buildings requiring a BWOFF. 20 owners were advised that they had not provided Council with a copy of their updated BWOFF within one month of the expiry date.
Carry out building inspections in a compliant manner	95% compliance with audit of inspection records against the inspection regime	Target achieved. 100% compliance of audit inspection records against the inspection regime.
Provide advice and education of building matters through Council's website and offices	90% satisfaction level for customers satisfaction surveys (annual survey of building consent applications)	Target achieved. 94% satisfaction level achieved in the survey.

Public Health

What does this activity involve?

The Public Health Activity covers the following services –

- Environmental Health – this administers the requirements of statutes and health regulations that cover subjects such as implementation and verification of Food Control Plans, safe water, disease containment, environmental nuisance, public accommodation and private housing.
- Liquor Licensing – the licensing and monitoring of premises under the provisions of the Sale of Liquor Act 1989, Sale and Supply of Alcohol Act 2012, and the establishment of a District Licensing Committee
- Hazardous substances – the control of hazardous substances has been taken over by the Environmental Risk Management Authority, ERMA, but Council will continue to provide local support at emergency incidents involving hazardous substances because of our local knowledge, expertise and proximity.
- Monitoring and response regarding the Gambling Act 2003 and Prostitution Reform Act 2003.
- Noise control responsibilities.

Why are we involved?

This activity promotes safe food, liquor outlets and minimises other environmental hazards such as noise.

The delivery of this activity has changed during the year and is now provided in-house following an attempt to provide this through a shared service arrangement with Tararua District Council.

Community Outcomes that this activity contributes to
Safe and healthy communities through a range of Council regulatory responsibilities
Risks to public health are identified and appropriately managed

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Provide an assurance that premises supplying food and licensed premises selling/supplying liquor, meet required standards	100% completion of annual inspection programme for compliance and follow up procedures for non compliant premises	Target not achieved. 99% of environmental health inspections and 38% of liquor inspections completed. Due to changes in the delivery of this service during the year, the number of liquor inspections completed is low.
Provide advice on environmental health matters and respond to complaints	All complaints responded to within 5 working days	Target achieved. 7 environmental health complaints were received during the year. 100% were responded to within 5 working days. No liquor complaints were received.

Animal Control**What does this activity involve?**

Council is required under statute to provide a regulatory function of Animal Control for dog and stock control. This is a requirement of the Dog Control Act 1996 and Council's Dog Control Bylaw and Livestock Movements and Animals in Public Places Bylaw both of which were adopted in June 2008.

One Animal Control Officer manages the control and registration of dogs with backup available from other regulatory staff as required. Ranging for control of other stock is undertaken between the Animal Control Officer and other regulatory staff.

An animal pound is operated in cooperation with the SPCA and Council has its pound kennels on the SPCA land in Coughlan Road, Waipukurau. The SPCA staff service the pound on a cost recovery basis.

Why are we involved?

Council is required under statute to provide a regulatory function of Animal Control.

This activity ensures that:

- Dog owners are held responsible for their pets and do not cause a nuisance to people and property.
- Roadside grazing and wandering stock are controlled to avoid risks to public safety.

Community Outcomes that this activity contributes to
Safe and healthy communities through a range of Council regulatory responsibilities – through dog registration
Risks to public health are identified and appropriately managed

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Provide education and advice on dog control to the community to ensure owners of animals keep their pets registered and under control	>95% of dogs registered	Target achieved. 99.5% of known dogs are registered in the district.
Control of stock on roads and public places by responding to stock on roads causing a hazard to traffic and managing roadside stock grazing	100% response rate to all complaints and requests within 24 hours	Target achieved. 13 complaints were received during the year. 100% of complaints and requests were responded to within 24 hours.

Emergency Management

What does this activity involve?

Council is required to meet its responsibilities under the Civil Defence Emergency Management Act 2002 and the Forest and Rural Fires Act 1977. The activity goals are to provide an effective Civil Defence and Rural Fire organisation to minimize the effects of disasters.

Civil Defence Centre's and Rural Fire forces are established throughout the District. Central Hawke's Bay District Council is an active member of the Hawke's Bay Civil Defence Emergency Management Group.

Civil Defence is now carried out through a shared service arrangement with Hawke's Bay Regional Council. They employ one officer based in Central Hawke's Bay to carry out education of the community.

Why are we involved?

Council is statutorily required to provide these services through the Civil Defence Emergency Management Act 2002 and Forest and Rural Fires Act 1977.

Through this activity:

- Provide a network of trained volunteers with appropriate resources
- Promote a safer, more resilient community by enabling communities to prepare for and reduce the threat of fire and natural disaster

Community Outcomes that this activity contributes to
Safe and healthy communities through a range of Council regulatory responsibilities
Risks to public health are identified and appropriately managed

What we delivered

Level of Service to be delivered	How will we measure our success 2013/2014?	Achieved level of service
Emergency responders are suitably trained and equipped to respond to disaster	Civil Defence – Annual exercise rated moderate	Target not applicable Exercises are run nationally and any exercise has been postponed until 2015. Welfare centre training was carried out regionally and was attended by Council staff.
	Rural Fire – fire teams training levels meet industry standards	Target achieved. Industry training being delivered on an ongoing basis as required.

Bylaws**What does this activity involve?**

Council is required to implement Bylaws.

The activity goals are to ensure that all controlled activities are managed in a manner appropriate to local requirements with the least possible intervention in the private lives of residents.

Council currently employs one staff member to cover bylaws as well as other duties.

Why are we involved?

To improve community safety through the enforcement of Council Bylaws. This includes liquor bans and traffic infringements.

Community Outcomes that this activity contributes to
Safe and healthy communities through a range of Council regulatory responsibilities
Risks to public health are identified and appropriately managed

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Enforcement – through education – of Council bylaws and related legislation with the least possible intervention on private lives	100% compliance with responses to complaints and requests within 5 working days	Target achieved. 398 complaints received during the year. 100% of complaints were responded to within 5 working days.

***Planning and Regulatory Group* Funding Impact Statement**

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	675	672	723	751	757
Targeted Rates	-	-	-	-	-
Fees and Charges	703	670	709	652	669
Subsidies and Grants for operating purposes	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	-	-	-	8
Total operating funding	1,378	1,342	1,432	1,403	1,434
Applications of operating funding					
Payments to staff and suppliers	1,074	1,008	1,113	1,075	987
Finance costs	-	-	-	-	-
Other operating funding applications	294	316	309	318	290
Total applications of operating funding	1,368	1,324	1,422	1,393	1,277
Surplus/(Deficit) of operating funds	10	18	10	10	157
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	-
Increase/(decrease) in Debt	-	-	-	-	-
Development Contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	-	-	-	-	-
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	-	-	-	-	-
to replace existing assets	10	92	10	10	9
Increase/(decrease) in Reserves	-	(138)	-	-	148
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	10	(46)	10	10	157
Surplus/(Deficit) of capital funding	(10)	(18)	(10)	(10)	(157)
Funding balance	-	-	-	-	-

The result of this group of activities is a combination of the following at an activity level;

Revenue

Overall revenue for the Planning and Regulatory Group was above budget with Building activity revenue \$19,000 above budget and Dog Control revenue \$15,000 above budget.

District Planning

District Plan Review expenditure was underspent by \$70,000, however this was partially offset by increased planning costs due to the Ruataniwha Water Storage Scheme.

Public Health

Less expenditure was incurred compared to budget due to the delay in establishing the District Liquor Licensing Committee creating a saving of \$32,000.

The group carry forward for operational costs was \$165,000 for district planning, building and emergency management.

Depreciation Funding

	2013 Annual Plan Budget \$'000	2013 Actual \$'000	2014 Annual Plan Budget \$'000	2014 Actual \$'000
Depreciation expense for the year	-	-	56	35
Funded depreciation	-	-	10	9
Unfunded depreciation to reduce rates	-	-	46	26

Land Transport Group

What does this activity involve?

Council owns and maintains the district road network. Network maintenance and renewals are funded by rates with substantial funding assistance from the New Zealand Transport Agency (NZTA). The assistance rate is 58% for the 2012-2015 period when it will be again reviewed. Council staff, assisted by consultants, manage the various aspects of the district road asset. All physical work that is carried out on the network is done by contractors. These methods will continue into the future although minor changes will be made to obtain better value for money with the intent of lowering the costs to the ratepayer.

A comprehensive Land Transport Activity Management Plan has been written and is updated regularly to ensure it meets the requirements of the district. The road network is maintained on an "in perpetuity" basis and no significant capital works are planned such as constructing new roads or sealing new roads. Council bridges are ageing and will be in need of major repairs or replacement in the future. Council has started and will continue an investigation programme to define and implement maintenance and rehabilitation solutions to continuously extend the life of our bridge infrastructure.

Council continues to work with NZTA and the NZ Police to improve safety for all road users throughout the district and has an annual minor safety improvement programme to provide engineered solutions to unsafe areas on the network.

Why are we involved?

Community Outcomes that this activity contributes to

Risks to public health are identified and appropriately managed

Central Hawke's Bay District has an efficient and affordable roading infrastructure

Major contracts tendered during the year 2013/14

Area Wide Pavement Treatment – Porangahau Road

District Road Maintenance

Vegetation Control

Area Wide Pavement Treatment – Long Range and Motere Roads

Bridge Maintenance

Agreed Pricing

\$ 793,007

\$3,496,515

\$ 422,017

\$1,192,757

\$ 896,974

Key achievements during the year

- This year saw the retendering of the multiyear District Road Maintenance Contract which was won by Fulton Hogan. Council is working with Fulton Hogan to bring them up to speed with the requirements of the Council's expectations.
- The reseal work was completed to the general satisfaction of the district with few issues outstanding.
- The Area Wide Pavement Treatment projects encompassed two separate contracts one for Porangahau Road and included the District's first two roundabouts; the other for sections of Long Range Road and Motere Road. Both contracts were completed on time and to specification.
- The District was challenged by two major initiatives from NZTA. The first was a review of the Funding Assistance Rate (FAR) which has the potential of lowering the amount of funding available from NZTA and could have a negative impact on the funding of the district's road network. At this stage the figures being discussed do not look like they will adversely affect CHBDC, however the results will be known in October or November 2014. The second initiative being proposed by NZTA is the One Road Network Classification (ONRC) which is being setup to align service levels of similar type roads across the country and assist NZTA in making investment decisions. The preliminary results of this could see the roughness of the District's roads increase which could also have a negative impact on the funding of the district roads.
- Numerous small safety improvements were carried out throughout the district including one traction seal on Ellison Road and the two roundabouts.

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
<p>Roads are maintained to community expectations with ongoing inspection, maintenance, upgrades and renewals</p>	<p>Road roughness rating (NAASRA rating)</p> <p>Note a lower score indicates better condition</p> <p><70 arterial roads</p> <p><100 other sealed roads</p> <p><120 unsealed roads</p>	<p>Target not achieved.</p> <p>Arterial Roads: 77 (previous year 76). There has been increased heavy commercial vehicle flow on arterial roads. Further maintenance work is planned on these roads for 2014/2015.</p> <p>Other Sealed Roads: 92 (previous year 89)</p> <p>Unsealed Roads: 116 (previous year 116)</p>
<p>Safe and efficient road network</p> <p>The district produces a rolling 10 year monitoring programme of accident statistics in the following categories:</p> <ul style="list-style-type: none"> • Poor observation • Loss of control bends • Road factors • Injury crashes minor, serious and fatal • Pedestrian casualties • Cyclist casualties 	<p>The district will show a reducing trend in the activities monitored</p>	<p>Target not achieved</p> <p>Poor observation – increasing trend</p> <p>Loss of control bends – increasing trend</p> <p>Road factors – reducing trend</p> <p>Injury crashes, minor, serious and fatal – reducing trend</p> <p>Pedestrian casualties – reducing trend</p> <p>Cyclist casualties – reducing trend</p> <p>Both poor observation and loss of control on bends are related to driver error eg speed, drunk driving and will be targeted nationally through education programmes.</p>
<p>Risks to Public Health are identified and appropriately managed with all identified safety risks are listed on the minor improvements programme and prioritised</p>	<p>The minor safety programme funding is applied to the prioritised risks on an annual basis with projects completed and the risk minimised.</p>	<p>Target achieved</p> <p>Prioritised projects completed during the year.</p>

Land Transport Group Funding Impact Statement

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	6,061	6,076	6,179	6,179	6,230
Targeted Rates	76	76	76	76	76
Fees and Charges	9	-	152	152	14
Subsidies and Grants for operating purposes	2,153	3,969	2,153	2,153	2,916
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	138	116	-	-	135
Total operating funding	8,437	10,237	8,560	8,560	9,371
Applications of operating funding					
Payments to staff and suppliers	4,111	3,615	4,127	4,127	3,389
Finance costs	27	29	24	24	24
Other operating funding applications	796	862	836	836	416
Total applications of operating funding	4,934	4,506	4,987	4,987	3,829
Surplus/(Deficit) of operating funds	3,503	5,731	3,573	3,573	5,542
Sources of Capital Funding					
Subsidies and grants for capital purposes	4,538	2,889	4,538	4,538	4,635
Increase/(decrease) in Debt	(49)	(49)	(52)	(52)	(52)
Development Contributions	4	45	4	4	37
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	4,493	2,885	4,490	4,490	4,620
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	533	326	-	-	902
to replace existing assets	7,459	8,259	8,009	8,009	6,885
Increase/(decrease) in Reserves	4	31	54	54	2,375
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	7,996	8,616	8,063	8,063	10,162
Surplus/(Deficit) of capital funding	(3,503)	(5,731)	(3,573)	(3,573)	(5,542)
Funding balance	-	-	-	-	-

Subsidy income received for the Land Transport activity is \$860,000 over budget for operating and capital works due primarily to a late claim in 2013 that related to prior year works.

Operational expenditure for the year is below budget due to the timing of the works over the three year NZTA claim period. Unspent operating and renewal expenditure has been carried forward to 2014/15 and work is programmed to be undertaken over that period. The carry forward of \$2,143,000 is made up of \$1,300,000 capital, \$85,000 operational and \$758,000 for future emergency works.

Depreciation Funding

	2013 Annual Plan Budget	2013 Actual	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	8,946	8,888	8,898	8,205
Funded depreciation	3,991	3,991	7,476	6,885
Unfunded depreciation to reduce rates	4,955	4,897	1,422	1,320

The Land Transport activity is the largest infrastructure asset that Council owns and manages, and contributes to the majority of the depreciation expenditure of Council. Because this activity receives a subsidy from NZTA for the management, renewal and upgrades that are undertaken on our road network Council does not have to fund all of the depreciation resulting in a significant portion of depreciation that does not require ratepayer funding.

Solid Waste Group

What does this activity involve?

The solid waste (refuse) collection and disposal services include:

- Litter Collection
- Refuse Collection
- Kerbside Recycling (Waipawa and Waipukurau only)
- Recycling Centres
- Transfer Stations
- Green Waste
- Beach Refuse Collection Contractors
- Landfill
- Education and Enforcement

Why are we involved?

To minimise health risks through collection and correct disposal of waste, and management of landfills. To avoid adverse environmental effects by recycling and management of waste.

Community Outcomes that this activity contributes to
Risks to public health are identified and appropriately managed
Central Hawke's Bay District has an efficient and affordable waste infrastructure
We encourage recycling, and manage the rest in a sustainable way



Work on the construction of a new landfill cell at Farm Road

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Provide reliable and responsive kerbside collection services with kerbside collection services completed on the designated day at a regular time	¹ Less than 2 missed collections per month recorded in the Request For Service system	Target achieved. No missed collections were reports during the year.
Ensure that the community are very satisfied with Council's Solid Waste services and facilities	More than 90% of survey respondents are satisfied or very satisfied with Council's solid waste services and facilities	Target – not applicable for 2013/2014 95% satisfaction level achieved in the bi-annual survey conducted in March 2013.
CHB waste to be diverted from landfill through provision of reuse, recycling and compost programmes	² Volume of waste from transfer stations to landfill <3500 cubic metres per year	Target achieved 1,718 tonnes of waste from transfer stations to landfill for the year. (An estimated tonnes per cubic metre is 0.5)
Environmental effects reduced through compliance with Resource Consents for the landfill	100% compliance with Resource Consents for the landfill	Target achieved. 100% compliance with resource consents was achieved.

¹ Two missed collections per month judged by the number of Requests for Service or Service Requests sent out

² Previously measured by volumes of organic matter and other recycling diverted from landfill

***Solid Waste Group* Funding Impact Statement**

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	1,191	1,193	1,306	1,303	1,311
Targeted Rates	245	245	252	255	255
Fees and Charges	1,256	917	1,292	1,180	931
Subsidies and Grants for operating purposes	-	-	-	-	41
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	-	-	-	-
Total operating funding	2,692	2,355	2,850	2,738	2,538
Applications of operating funding					
Payments to staff and suppliers	1,812	1,611	1,865	1,842	1,707
Finance costs	182	200	230	230	261
Other operating funding applications	375	402	393	404	368
Total applications of operating funding	2,369	2,213	2,488	2,476	2,336
Surplus/(Deficit) of operating funds	323	142	362	262	202
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	-
Increase/(decrease) in Debt	1,440	(240)	(276)	(276)	735
Development Contributions	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	1,440	(240)	(276)	(276)	735
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	-	-	-	-
to improve the level of service	1,680	163	-	-	1,012
to replace existing assets	83	-	86	86	47
Increase/(decrease) in Reserves	-	(261)	-	(100)	(122)
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	1,763	(98)	86	(14)	937
Surplus/(Deficit) of capital funding	(323)	(142)	(362)	(262)	(202)
Funding balance	-	-	-	-	-

The income from fees and charges derived from waste from outside the district was less than budgeted with less waste received.

The operational costs were less than budget due to less waste coming into the landfill, but were comparable to last year. The ability of this activity to reduce costs is somewhat limited due to the high proportion of fixed costs.

Capital expenditure of \$1,012,000 relates to the landfill cell extension which was budgeted for in 2012/13, work continues on this project and will be completed in 2014.

Depreciation Funding

	2013 Annual Plan Budget	2013 Actual	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	117	96	95	198
Funded depreciation	117	96	86	135
Unfunded depreciation to reduce rates	-	-	9	63

Depreciation for the solid waste activity was partially funded this year. The funded depreciation will increase next year once the cell extension is completed.

Water Supplies Group

What does this activity involve?

Councils have the obligation to identify where a provision for potable water is required, and to either provide it directly themselves, or to maintain an overview of the supply if it is provided by others.

In Central Hawke's Bay, there are currently seven public water supply systems located at Otane, Waipawa, Waipukurau, Takapau, Porangahau, Te Paerahi and Kairakau. Non potable water has also been supplied to the Pourerere Camping Ground and toilet block.

The quality of water supplied fully meets the New Zealand Drinking Water Standards 2005 (NZDWS) at Takapau, Te Paerahi and Porangahau. Other supplies meet most of the requirements, but not all protozoa identification requirements. Government has passed legislation making compliance with the NZDWS mandatory. This will require installation of new treatment plants at some sites. Comprehensive Activity Management Plans have been compiled for all water supplies, these are being updated as required.

Why are we involved?

The provision of systems for the extraction, treatment and distribution of water is a function of Councils permitted and governed by the Local Government Act 2002 and the Health Act 1956.

Community Outcomes that this activity contributes to
Risks to public health are identified and appropriately managed
Central Hawke's Bay District has an efficient and affordable water infrastructure – by ensuring continuity of supply
We plan and manage water use to minimize the effect on the environment – through measures to manage water demand

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Compliance with Drinking Water Standards (DWS) through upgrading all water systems and monitoring and testing of supplied water.	Continued compliance with DWS form compliant systems	<p>Target not achieved.</p> <p>Council complied with the DWS, except for an interpretation on plumbosolvency (the ability of water to dissolve lead) awareness notification.</p> <p>All ratepayers are now being individually notified via their rates statements as well as through the paper and water invoices.</p>
Ensure compliance with resource consents and the sustainable management of the water tanks through monitoring and compliance and managing water takes in periods of low flow in the District's rivers	No more than minor breaches (ie not sufficient to attract a fine) of resource consent conditions	<p>Target achieved.</p> <p>There were no consent condition breaches during the 2013/2014 year.</p>
Continuity of supply by working with contractor to ensure a continuous improvement in outages caused through leaks, breaks and pump failures	100% of outages caused through leaks, breaks, pump failures, etc are repaired within contractual timeframes	<p>Target not achieved.</p> <p>92.86% of faults fixed within timeframes during the year.</p>

Note: The above timeframes vary from 3 hours to 3 days depending on the extent and location of the leak.

***Water Supplies Group* Funding Impact Statement**

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	-	-	-	-	-
Targeted Rates	2,002	2,017	2,121	2,097	2,103
Fees and Charges	200	285	206	206	330
Subsidies and Grants for operating purposes	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	-	-	-	7
Total operating funding	2,202	2,302	2,327	2,303	2,440
Applications of operating funding					
Payments to staff and suppliers	1,122	1,009	1,166	1,137	1,052
Finance costs	160	171	152	150	150
Other operating funding applications	304	328	320	330	302
Total applications of operating funding	1,586	1,508	1,638	1,617	1,504
Surplus/(Deficit) of operating funds	616	794	689	686	936
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	-
Increase/(decrease) in Debt	(82)	(102)	(155)	(155)	(155)
Development Contributions	3	17	3	3	7
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	(79)	(85)	(152)	(152)	(148)
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	6	-	-	-
to improve the level of service	20	275	-	-	101
to replace existing assets	514	180	534	534	544
Increase/(decrease) in Reserves	3	248	3	-	143
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	537	709	537	534	788
Surplus/(Deficit) of capital funding	(616)	(794)	(689)	(686)	(936)
Funding balance	-	-	-	-	-

Targeted rates revenue is higher than budget due to increased revenue from water by meter rates.

Operating expenditure was below budget with savings in electricity costs achieved through improvements made to the efficiency of the water pumps in Waipukurau.

Unbudgeted expenditure relating to capital expenditure improving the level of service relates to water treatment work completed in Waipawa and Waipukurau. This was budgeted for in 2012/13.

\$140,000 was carried forward for future operational costs.

Depreciation Funding

	2013 Annual Plan Budget	2013 Actual	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	544	603	582	602
Funded depreciation	514	514	534	602
Unfunded depreciation to reduce rates	30	89	48	-

Wastewater (Sewerage) Group

What does this activity involve?

In Central Hawke's Bay, there are currently six public sewage collection and treatment systems located at Otane, Waipawa, Waipukurau, Takapau, Porangahau, and Te Paerahi.

The wastewater treatment plants will be completed in 2014, rather than 2015 as in the Long Term Plan. This will allow completion of both Waipukurau and Waipawa plants to be completed prior to the deadline of September 2014.

The new resource consent for discharge into the Waipawa and Tukituki River must be met by that date.

\$7.2 million was budgeted for these projects. Further investigation work done by the Council saw the project cost decrease to \$6.9 million.

Bringing this project forward by a year has meant that the targeted rate for loans and operational costs of the wastewater project impacted on the 2013/2014 year instead of the 2014/2015 year.

This equated to an additional \$153 (including GST) being added to the targeted rate per connection or \$518,000 per annum across the districts connected properties.

Comprehensive Activity Management Plans have been compiled for all wastewater supplies.

Why are we involved?

The Wastewater Activity provide benefits to the community through reliable, safe, effective and efficient management of collection and disposal of sewerage and trade waste to ensure that the capacity of available facilities is optimised and that neither public health nor the environment is compromised.

Community Outcomes that this activity contributes to
Risks to public health are identified and appropriately managed
Central Hawke's Bay District has an efficient and affordable wastewater infrastructure
We plan and manage wastewater disposal to minimize the effect on the environment

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Ensure compliance with resource consents by ongoing monitoring of treatment plants and compliance with consent requirements	No more than minor breaches on consent conditions reported to Hawke's Bay Regional Council	Target achieved. Although there were 33 consent condition breaches during the 2013/2014 year, all were classed as minor.
Maintain capacity of the wastewater systems for existing users and to meet future demand with ongoing inspection, maintenance, upgrade and renewal	Less than 100 blockages of pipes per annum	Target achieved. 20 sewer blockages during the year.
	Less than 5 sewer pump station malfunctions per annum	Target achieved. There were no sewer pump station malfunctions during the year.
Continuity of service by working with our contractor to ensure continuous improvement in outages caused through leaks, breaks and pump failures	100% of outages caused through leaks, breaks, pump failure are repaired within contractual timeframes	Target achieved. 100% of faults fixed within timeframes during the year.

Wastewater (Sewerage) Group Funding Impact Statement

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	-	-	-	-	-
Targeted Rates	2,254	2,247	2,259	2,778	2,782
Fees and Charges	100	151	103	103	171
Subsidies and Grants for operating purposes	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	-	-	-	-
Total operating funding	2,354	2,398	2,362	2,881	2,953
Applications of operating funding					
Payments to staff and suppliers	691	680	714	859	971
Finance costs	318	340	289	576	576
Other operating funding applications	378	405	396	408	370
Total applications of operating funding	1,387	1,425	1,399	1,843	1,917
Surplus/(Deficit) of operating funds	967	973	963	1,038	1,036
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	-
Increase/(decrease) in Debt	1,760	4,407	(373)	2,683	668
Development Contributions	14	32	14	14	17
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	1,774	4,439	(359)	2,697	685
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	5	-	-	-
to improve the level of service	2,432	5,168	-	3,131	1,233
to replace existing assets	568	523	590	590	573
Increase/(decrease) in Reserves	(259)	(284)	14	14	(85)
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	2,741	5,412	604	3,735	1,721
Surplus/(Deficit) of capital funding	(967)	(973)	(963)	(1,038)	(1,036)
Funding balance	-	-	-	-	-

Fees and charges income was higher than budgeted through increased discharges from trade waste users.

Increased operating costs relate to the upgrade of the Waipukurau waste water treatment facility.

Capital expenditure is under budget due to the capital works relating to the upgrades of the Waipukurau and Waipawa waste water treatment facilities being undertaken in advance of budget.

Depreciation Funding

	2013 Annual Plan Budget	2013 Actual	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	581	853	789	852
Funded depreciation	581	581	590	573
Unfunded depreciation to reduce rates	-	272	199	279

Completion of the wastewater treatment plants in Waipawa and Waipukurau have meant that the focus for rates funding has been on these rather than renewal of other assets. Once the upgrades are completed, then more renewal work will proceed.

Storm Water Group

What does this activity involve?

The catchments in Waipawa consist of open watercourses and piped reticulation. They drain into the Waipawa River through either Coronation Park, the Bush Drain, or to the north to the Papanui Stream.

The catchments in Waipukurau consist of open watercourses and piped reticulation. They drain into the Tuki Tuki River through a number of systems including the Pah Flat Stream, or to the south and east to the Mangatarata Stream system. Flooding is not a major problem, except in excessive rainfall events.

The reticulation in Otane, Tikokino, Onga Onga, Takapau, Porangahau, Te Paerahi, and beach settlements consist of open drains with some piped sections, generally being road drainage.

Why are we involved?

The Storm Water Activity provides collective benefits to the community by collecting storm water and directing it to rivers to mitigate flooding or erosion and minimising any impact on the community and the environment.

Community Outcomes that this activity contributes to
Risks to public health are identified and appropriately managed
Central Hawke's Bay District has an efficient and affordable water infrastructure
We plan and manage water use and wastewater disposal to minimize the effect on the environment

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Maintain storm water systems to design levels with ongoing inspection, maintenance, upgrades and renewal	No more than 5 incidences of surface ponding, or flooding of properties reported in a 1 in 5 year rainfall event for residential areas, as a result of the storm water network	Target achieved. There were no incidents of heavy rain causing surface ponding issues during the 2013/2014 year.
Meet customer queries and complaints in a timely and efficient manner	90%+ rate service as "good" in the biennial customer satisfaction surveys or targeted survey of customers who have used the services	Target not applicable for 2013/2014. 100% satisfaction level achieved in the March 2013 survey.
	100% of blockages and other faults repaired within contractual timeframes	Target achieved. 100% of faults fixed within timeframes during the year.

***Storm Water Group* Funding Impact Statement**

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	-	-	-	-	-
Targeted Rates	528	531	451	444	452
Fees and Charges	-	-	-	-	-
Subsidies and Grants for operating purposes	-	-	-	-	-
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	-	-	-	-
Total operating funding	528	531	451	444	452
Applications of operating funding					
Payments to staff and suppliers	158	103	164	154	125
Finance costs	11	12	6	6	6
Other operating funding applications	80	85	84	88	79
Total applications of operating funding	249	200	254	248	210
Surplus/(Deficit) of operating funds	279	331	197	196	242
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	-
Increase/(decrease) in Debt	(94)	(94)	(5)	(5)	(5)
Development Contributions	1	3	1	-	-
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	(93)	(91)	(4)	(5)	(5)
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	15	-	-	-
to improve the level of service	-	1	193	-	-
to replace existing assets	185	228	1	191	144
Increase/(decrease) in Reserves	1	(4)	(1)	-	93
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	186	240	193	191	237
Surplus/(Deficit) of capital funding	(279)	(331)	(197)	(196)	(242)
Funding balance	-	-	-	-	-

Operational expenditure was below budget due to lower operational costs in all systems.

The budgeted capital expenditure was not required this year, so \$90,000 has been carried forward to fund future replacement work.

Depreciation Funding

	2013 Annual Plan Budget	2013 Actual	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	189	199	197	199
Funded depreciation	185	185	192	144
Unfunded depreciation to reduce rates	4	14	5	55

Recreation and Community Facilities Group

Parks, Reserves and Swimming Pools

What does this activity involve?

Council provides parks, reserves, swimming pools, and camping grounds for the leisure use of the community.

- Council actively maintains 48 parks, reserves, war memorials and the Waipawa Memorial Pool. These are maintained through the Facilities Management (FM) contract.
- Council provides funding to the CHB Community Trust which owns and operates the A W Parsons Heated pool in Waipukurau.
- Camping grounds are operated by lessees.
- War memorials are maintained through the Facilities Management (FM) contract.

Council also provide financial assistance to:

- Sport Hawke's Bay – for promotion of sport and leisure
- Forest Gate Domain Committee – to mow the Domain
- Takapau Rec Ground Committee – operational grant
- Lindsay Bush Reserve – maintained by Forest and Bird

Why are we involved?

Where vested under the Reserves Act 1977, Council is statutorily required to manage these reserves. The Resource Management Act 1991 and Council's District Plan require any esplanade strips or reserves created to be administered under the Reserves Act 1977.

Community Outcomes that this activity contributes to
People are involved in their local community
People have a range of opportunities to participate in leisure, cultural and learning activities
Our historic and cultural heritage is protected for future generations
Central Hawke's Bay District is well promoted as a good place to visit

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Parks (including sports grounds), reserves, war memorials and pools are well maintained by contractors employed to manage these facilities	Contractors met the requirements of the twice yearly independent audit of management contract	Target achieved Independent audits of the management contract were completed in November 2013 and June 2014 and contractors were meeting the requirements.
	100% of Requests For Service are completed within timeframes	Target not achieved. 11 requests for service received during the year. 90% of requests were completed within timeframes.

Residents and visitors have access to affordable beach accommodation via provision of camp grounds under lease agreements	Requirements of the current lease agreements are met	Target achieved. We have four camp grounds open with facilities available to the public, all operating as per their lease agreements.
Swimming Pool facilities are available to the community with a suitable range of opening hours to maintain community access	Facilities are open for advertised or contracted hours	Target not achieved. The Waipawa pool opened during January 2014 and was closed again in February. There were continuing issues with the paint oxidizing in the pool. The pool was open for 208 hours and was contracted to be open for 540 hours. Paint trials have been started to ensure that the pool will be repaired before the coming summer.

Public Toilets

What does this activity involve?

Council is required by community expectation to provide public conveniences for the use of the public within the district. Council operates 24 permanent public toilets, as well as temporary toilets for freedom camping over the summer holiday period.

A refurbishment programme is in place with the objective of upgrading two to three toilet blocks each year.

Why are we involved?

To provide and maintain public toilets which contribute to public hygiene.

Community Outcomes that this activity contributes to

Risks to public health are identified and appropriately managed

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Clean facilities provided to the public	Contractors met the requirements of the twice yearly independent audit of management contract	Target achieved. Independent audits of the management contract were completed in November 2013 and June 2014 and contractors were meeting the requirements.
	100% of Requests For Service are completed within timeframes	Target achieved. 17 requests for service received during the year. 100% of requests were completed within timeframes.

Public toilets are well maintained and upgrades carried out as needed	Upgrades carried out as required	<p>Target achieved.</p> <p>The upgrade of the Otane toilet block was completed in March 2014.</p> <p>The upgrade of the Tikokino toilet block was completed in April 2014.</p> <p>The upgrade of the Onga Onga toilet block was completed in May 2014.</p>
-----------------------------------------------------------------------	----------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Retirement Housing

What does this activity involve?

Retirement housing is provided for people aged 60 and over, who don't own property.

Council owns 48 flats. The flats are managed on a self funding basis with rental income covering operating and renewal costs.

- The management and letting of the flats is included as part of the Facilities Management Contract. Each tenant has a separate tenancy agreement with Council.
- Grounds maintenance is carried out by contract through a Facilities Management Contract.
- Day to day maintenance, refurbishing or upgrading of the buildings is carried out by contractors and is managed as part of the Facilities Management Contract.

Why are we involved?

The activity is provided to fulfil a need for safe and affordable housing for Central Hawke's Bay residents aged 60 and over.

Community Outcomes that this activity contributes to
Risks to public health are identified and appropriately managed
People are involved in their local community

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Units are fully occupied and meet demand	95% occupancy rates	<p>Target achieved.</p> <p>99% occupancy of the retirement housing units for the 2013/2014 year.</p>
Quality units are provided for tenants	All units meet minimum standards in the 6 monthly inspections	<p>Target achieved.</p> <p>Six monthly inspections were carried out in November 2013 and June 2014, and all properties met minimum standards of safety and maintenance.</p>

Libraries

What does this activity involve?

- Central Hawke's Bay District Libraries are situated in Council owned buildings in Waipukurau and Waipawa. This activity covers the daily running of the library services. The buildings are operated and maintained under the Properties and Buildings activity.
- The library services offered include various fiction and nonfiction collections, reference material, children and youth sections, magazines, large print, talking books, various electronic databases, DVDs, e-books, inter loan material, and networked computers offered through Aotearoa Peoples Network.
- The library service is a keen facilitator of community initiatives, particular through the Eastern and Central Community Trust sponsored EC Read 'n literacy programs, as well as other sponsored events and relationships with schools, retirement homes and elderly people.
- More than 50% of library users live outside Waipukurau and Waipawa.
- Funding is derived from rates, rental of books, tapes and DVDs, grants from various sources, and fund raising organised by library staff.

Why are we involved?

The libraries provide venues where the community can meet, read and study, and provide an essential service for recreational information, and the cultural and educational needs of the Central Hawke's Bay community.

Community Outcomes that this activity contributes to
People have a range of opportunities to participate in leisure, cultural and learning activities
Central Hawke's Bay District is well promoted as a good place to visit

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Availability of Library Services by being open specified hours to the public and thorough the Council website	Libraries will be open for a minimum of 3,950 hours per annum	Target achieved. Libraries have been open 4,050 hours during 2013/2014.
Quality, safe and up to date library facilities and materials provided by carrying out a work program which ensure library fit outs and assets are adequately maintained. Buying and providing up to date publications and databases.	90% satisfaction levels achieved in the biennial satisfaction surveys	Target not applicable for 2013/2014. 99% satisfaction level was achieved in the bi-annual survey conducted in March 2013.

Provide active education / recreational programs and other services including children's holiday programs and other reader services	Four holiday and other programs provided annually	Target achieved. 59 holiday and other programs were run during the year, including: <ul style="list-style-type: none"> • Maths is Fun • Winter Warmers • Preschool Programmes • NZ Post bookmarks presentation • Book Club • Rhyme Time • Tiny Tots • Craft programs • Author evenings • Storytellers and entertainers • Summer Reading Program • iRead and Read+ • Holiday programs • Smartphone sessions
-------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

Theatres, Halls and Museums

What does this activity involve?

Council owns 12 buildings that are used to provide meeting places for the community. These are:

CHB Municipal Theatre: Leased to a private operator.

Waipukurau Civic Theatre: Managed by an independent manager who operates the theatre including showing movies and providing meeting facilities. Council pays the manager an annual fee for operating the theatre. The theatre is maintained jointly by council staff and the manager, with Council providing funding for renewal or replacement of assets.

Community Halls managed by Committees: Otane, Tikokino, Onga Onga, Takapau, Elsthorpe, Wallingford and Waipukurau Memorial Hall.

In addition three halls not owned by Council are supported financially by Council: Omakere (owned by Waiapu Board of Diocesan Trust), Sherwood (owned by the Ashley Clinton – Makaretu Hall Society), and Flemington (owned by the Flemington Community Trust).

Halls leased to Community Groups: Argyll, Porangahau and Otawhao Halls.

Museums – CHB Settlers Museum, managed by a committee and Onga Onga Museum, where a grant is provided.

Why are we involved?

The halls are provided as places where the community can meet for community events, meetings and leisure activities. Museums meet the historic and cultural needs of the community.

Community Outcomes that this activity contributes to
People are involved in their local community
People have a range of opportunities to participate in leisure, cultural and learning activities
Our historic and cultural heritage is protected for future generations
Central Hawke's Bay District is well promoted as a good place to visit

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Theatres and hall provide a community focus and promote their heritage with communities managing their own facilities	85% of community halls are managed by community hall committees	Target achieved. 100% of community halls are managed by community hall committees.
Theatres, halls and CHB Settler's Museum provide safe places for the community	Monthly Building Warrant of Fitness (BWOFF) checks are carried out and all facilities have a current BWOFF	Target achieved. BWOFF checks were carried out on all buildings that the Council is responsible for – seven Council managed halls and the CHB Settlers Museum have a current BWOFF. The remaining halls are done by independent contractors, arranged by the committees.
CHB Settler's Museum is available to the community through the provision of a management contract	Management contract requirements are met including opening hours reported in monthly reports	Target achieved. The requirements of the CHB Settler's Museum management contract were met.

Cemeteries

What does this activity involve?

Council is required by community expectation and by the Burial and Cremation Act 1964 to provide burial and memorial facilities for the district's communities.

Council provides and maintains ten operational cemeteries and four closed cemeteries.

All Council owned cemeteries are managed by Council staff and maintenance is contracted out.

Why are we involved?

The Burial and Cremations Act 1964 requires local authorities to ensure sufficient cemeteries are provided within the District.

- To provide local burial spaces
- To provide places for remembrance and an important historical record for future generations

Community Outcomes that this activity contributes to

Risks to public health are identified and appropriately managed

People are involved in their local community

Our historic and cultural heritage is protected for future generations

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Well maintained and attractive facilities provided to the public including maintenance of lawn plots and grounds to contract specifications, with capital work programs to maintain the assets	Contractors met the requirements of the twice yearly independent audit of management contract	Target achieved. Independent audits of the management contract were completed in January 2014 and June 2014 and requirements were met.
	100% of Requests For Service are completed within timeframes	Target achieved. 24 requests for service received during the year. 100% of requests were completed within timeframes.
Accurate and complete historical records available to the public via the internet	100% of burial records available to be viewed on the internet	Target achieved. 100% of burial records are available to view on the internet.

Property and Buildings**What does this activity involve?**

Council owns a number of properties and buildings that are used to provide services to the public, but do not fit into a specific activity grouping. These are owned for administrative or social reasons.

The properties included in this activity are:

- Administration Building in Waipawa
- Waipukurau and Waipawa Libraries
- CHB Community Rooms (in Hunter Park Waipukurau)
- Takapau Plunket Rooms
- Otane Library Building
- Miscellaneous sections

Why are we involved?

Community Outcomes that this activity contributes to
Risks to public health are identified and appropriately managed – by ensuring the safety of public buildings
People are involved in their local community

What we delivered

Level of Service to be delivered	How will we measure our success in 2013/2014?	Achieved level of service
Ensure safe buildings for public use via building inspections	Monthly Building Warrant of Fitness (BWOFF) checks are carried out and all facilities have a current BWOFF	Target achieved. BWOFF checks were carried out on the four buildings that the Council are responsible for and all have a current BWOFF. Other buildings are checking for compliance by the Building Control staff.
All properties not required for Council or community use will be leased where possible	2% of the total funding required is achieved through lease income	Target achieved. 3.7% of the total funding required was achieved through lease income.

Recreation and Community Facilities Group Funding Impact Statement

For the year ending 30 June 2014

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	2,549	2,559	2,633	2,634	2,643
Targeted Rates	-	-	-	-	-
Fees and Charges	327	361	336	422	396
Subsidies and Grants for operating purposes	-	12	-	2	204
Interest and dividends	-	-	-	-	-
Local authorities fuel tax, fines, infringements and other receipts	-	282	-	-	5
Total operating funding	2,876	3,214	2,969	3,058	3,248
Applications of operating funding					
Payments to staff and suppliers	1,876	1,964	1,947	2,043	2,114
Finance costs	66	75	66	82	83
Other operating funding applications	350	384	369	379	353
Total applications of operating funding	2,292	2,423	2,382	2,504	2,550
Surplus/(Deficit) of operating funds	584	791	587	554	698
Sources of Capital Funding					
Subsidies and grants for capital purposes	-	-	-	-	2
Increase/(decrease) in Debt	45	121	(34)	(42)	(42)
Development Contributions	1	5	1	-	3
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	46	126	(33)	(42)	(37)
Application of capital funding					
Capital Expenditure					
to meet additional demand	-	-	60	60	-
to improve the level of service	75	447	-	-	76
to replace existing assets	552	613	522	512	625
Increase/(decrease) in Reserves	3	(143)	(28)	(60)	(40)
Increase/(decrease) in Investments	-	-	-	-	-
Total application of capital funding	630	917	554	512	661
Surplus/(Deficit) of capital funding	(584)	(791)	(587)	(554)	(698)
Funding balance	-	-	-	-	-

Overall income and expenditure for this group of activities was in line with budget. However there were some variances to budget within this group which are detailed below.

Parks, Reserves and Swimming Pools

The major project completed was the restoration of the Pourerere Camping Ground, primarily funded by the Earthquake Commission and a grant from the Department of Conservation. The EQC grant was received in a previous years.

The new Russell Park playground has been started and will be completed in the 2014 year.

Public Toilets

The new Takapau toilets were completed and upgrades of the Otane, Tikokino and Onga Onga toilets carried out.

Retirement Housing

Retirement housing is a self-funding activity. Fees and charges were higher than budgeted due to good occupancy rates for the retirement housing.

The renewal work is spent as needed or when flats become vacant. Due to high demand there were few chances for renewal work.

Parking pads and safety improvements were completed for the Waipukurau retirement houses.

Theatres, halls and museums

The Civic Theatre lease expired on 30 June 2014 and there has been a new contract put in place for 1 July.

There has been minimal spending on halls, with the required earthquake strengthening for the Waipukurau Memorial Hall to commence in the 2014/15 year.

Cemeteries

Income was lower than budgeted.

Elsthorpe Cemetery upgrade was carried out. The CHB District Cemetery development was completed with the first burial taking place.

Property and Buildings

Refurbishment of the Council administration building has been deferred until a decision on amalgamation has been made.

The earthquake strengthening for the Waipukurau Library will be considered by Council in the next few months. Renewal money has been carried forward for this work.

There was a group carry forward of \$180,000 for renewals. This was for retirement housing, administration building, district halls, and the Waipukurau Memorial Hall and Waipukurau Library earthquake strengthening.

Depreciation funding

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation expense for the year	621	689		713	991
Funded depreciation	412	409		420	701
Unfunded depreciation to reduce rates	209	280		293	290

The shortfall in depreciation funding was due to a change in valuation method for the library book stock.

Consolidated Statement of Comprehensive Income

2013 Council Actual \$'000	2013 Group Actual \$'000		Note	2014 Council Annual Plan \$'000	2014 Council Actual \$'000	2014 Group Actual \$'000
Revenue						
16,313	16,313	Rates		17,245	17,665	17,665
620	620	Interest		499	511	511
7,043	7,043	Subsidies		6,756	7,861	7,861
2,562	2,562	Fees and Charges		2,716	2,212	2,212
103	103	Development Contributions		21	64	64
102	102	Dividends		50	-	-
282	282	Donation - Central Hawke's Bay Municipal Theatre		-	2	2
-	-	Other Income		-	155	155
27,025	27,025	Total Revenue	1	27,287	28,470	28,470
Expenditure						
575	584	Leadership/Governance		595	605	605
211	211	Economic Development		182	171	171
1,376	1,376	Planning and Regulatory		1,403	1,318	1,318
12,774	12,532	Land Transport		13,885	11,899	11,899
2,310	2,310	Solid Waste		2,570	2,572	2,572
2,112	2,112	Water		2,198	2,116	2,116
2,277	2,277	Waste Water		2,631	2,780	2,780
400	400	Stormwater		461	409	409
1,067	1,067	Parks/Reserves		1,041	1,397	1,397
216	216	Public Toilets		199	197	197
246	246	Retirement Housing		238	284	284
562	562	Libraries		477	799	799
653	653	Theatres/Halls		800	673	673
146	146	Cemeteries		183	158	158
221	221	Property		278	291	291
332	332	Tamatea Impairment		-	-	-
-	-	Infracon Impairment		-	2,797	2,797
-	698	Share of Associate Earnings		-	921	921
(256)	(256)	Unrealised (gains)/losses on Public Debt		-	(344)	(344)
(265)	(265)	Unrealised (gains)/losses on Investments		-	(18)	(18)
24,957	25,422	Total Expenditure	1	27,141	29,025	29,025
2,068	1,603	Net Surplus/(Deficit)		146	(555)	(555)
-	-	Taxation		-	-	-
2,068	1,603	Operating Surplus		146	(555)	(555)
2,068	1,603	Net Surplus/(Deficit)		146	(555)	(555)
Other Comprehensive Income						
Property, Plant and Equipment						
1,548	1,548	Revaluations	9	30,069	35,085	35,085
-	28	Share of Associates Revaluation Reserve		-	-	-
3,616	3,179	Total Comprehensive Income		30,215	34,530	34,530
11,345	11,345	Depreciation and Amortisation	5	11,234	11,171	11,171
825	825	Finance Costs		1068	808	808

Consolidated Statement of Changes in Equity

2013 Council Actual \$'000	2013 Group Actual \$'000	Note	2014 Council Annual Plan \$'000	2014 Council Actual \$'000	2014 Group Actual \$'000
709,674	710,109		787,436	713,290	713,288
3,616	3,179		30,215	34,530	34,532
713,290	713,288		817,651	747,820	747,820
Components of Equity					
239,469	239,181		238,506	242,762	242,009
3,293	2,828		942	3,212	3,965
242,762	242,009		239,448	245,974	245,974
9,515	9,515		10,571	8,281	8,281
(1,234)	(1,234)	9	(796)	(3,766)	(3,766)
8,281	8,281		9,775	4,515	4,515
187	187		187	195	195
8	8	9	-	-	-
195	195		187	195	195
460,503	461,226		538,172	462,051	462,802
1,548	1,576		30,069	35,085	35,085
-	-		-	-	(751)
462,051	462,802		568,241	497,136	497,136
713,290	713,288		817,651	747,820	747,820

Consolidated Statement of Financial Position

2013 Council Actual \$'000	2013 Group Actual \$'000		2014 Council Annual Plan \$'000	2014 Council Actual \$'000	2014 Group Actual \$'000
ASSETS					
Current Assets					
2,627	2,627	Trade and other receivables	2 4,990	2,822	2,822
8,041	8,041	Cash and cash equivalents	3 9,232	1,630	1,630
226	226	Prepayments	164	283	283
3,717	-	Loan to Tamatea Limited	4 4,056	-	-
1	1	Stock on Hand	1	2	2
14,612	10,894	Total Current Assets	18,443	4,737	4,737
Non Current Assets					
6,400	6,400	Investments	4 6,862	5,461	5,461
-	3,717	Shares in Infracon Limited	4 -	-	-
-	-	Shares in HBLASS	4 -	1	1
1	-	Shares in Tamatea Limited	4 1	-	-
34	34	Shares in Local Govt Insurance	4 34	32	32
715,511	715,511	Property Plant and Equipment	5 817,292	751,520	751,520
721,946	725,662	Total Non Current Assets	824,189	757,014	757,014
736,558	736,556	TOTAL ASSETS	842,632	761,751	761,751
LIABILITIES					
Current Liabilities					
6,383	6,383	Trade and other payables	6 7,854	4,389	4,389
245	245	Employee benefit liabilities	6 286	266	266
3,409	3,409	Current Portion of Public Debt	6 3,266	2,753	2,753
10,037	10,037	Total Current Liabilities	11,406	7,408	7,408
Non Current Liabilities					
11,627	11,627	Public Debt	7 13,458	4,674	4,674
1,604	1,604	Provision for Landfill Post-closure Costs	8 114	1,849	1,849
13,231	13,231	Total Non Current Liabilities	13,572	6,523	6,523
23,268	23,268	TOTAL LIABILITIES	24,978	13,931	13,931
PUBLIC EQUITY					
8,281	8,281	Special Funds	9 9,775	4,515	4,515
195	195	Trust Funds	9 187	195	195
462,051	462,802	Revaluation Reserve of Assets	9 568,241	497,136	497,136
242,762	242,009	Ratepayers' Equity	239,451	245,974	245,974
713,290	713,288	Total Public Equity	817,654	747,820	747,820
736,558	736,556	TOTAL LIABILITIES & PUBLIC EQUITY	842,632	761,751	761,751

Consolidated Statement of Cash Flows

2013 Council Actual \$'000	2013 Group Actual \$'000		2014 Council Annual Plan \$'000	2014 Council Actual \$'000	2014 Group Actual \$'000
		Note			
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from					
16,590	16,590	Rates	17,245	17,597	17,597
7,092	7,092	Subsidies and Grants	6,756	7,664	7,664
630	630	Interest	499	511	511
2,597	2,597	Fees and Charges	2,716	2,219	2,219
-	-	Other income	-	157	157
103	103	Developer Contributions	21	64	64
282	282	Donations	-	2	2
102	102	Dividends	50	-	-
27,396	27,396		27,287	28,214	28,214
Cash was applied to					
(8,771)	(9,249)	Payments to Suppliers of Goods and Services	(8,873)	(8,788)	(8,788)
(3,370)	(3,370)	Payments to employees	(3,643)	(3,454)	(3,454)
(825)	(825)	Interest paid	(1,068)	(800)	(800)
(12,966)	(13,444)		(13,584)	(13,042)	(13,042)
14,430	13,952	Net Cash from Operating Activities	10	13,703	15,172
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from					
Cash was applied to					
(15,865)	(15,387)	Purchase of Fixed Assets	(13,123)	(15,239)	(15,239)
(15,865)	(15,387)	Net Cash Flow from Investing Activities	(13,123)	(15,239)	(15,239)
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from					
6,000	6,000	Loans Raised	7	2,153	2,000
-	-	Decrease in Investments	-	921	921
Cash was applied to					
(14)	(14)	Increase in Investments	-	-	-
(2,926)	(2,926)	Loans Repaid	7	(1,754)	(9,265)
3,060	3,060	Net Cash Flow From Financing Activities	399	(6,344)	(6,344)
1,624	1,624	NET INCREASE/ (DECREASE) IN CASH HELD	979	(6,411)	(6,411)
6,417	6,417	Plus total cash resources at 1 July	3	8,041	8,041
8,041	8,041	NET CASH RESOURCES AT 30 JUNE	9,233	1,630	1,630
Represented by					
8,041	8,041	Cash and Short Term Investments	3	1,630	1,630
8,041	8,041		9,233	1,630	1,630

Council Funding Impact Statement

	2013 Annual Plan Budget	2013 Actual	2014 LTP Budget	2014 Annual Plan Budget	2014 Actual
WHOLE OF COUNCIL	\$'000	\$'000	\$'000	\$'000	\$'000
Sources of Operating Funding					
Non targeted Rates	11,132	11,172	11,522	11,569	11,642
Targeted Rates	5,130	5,141	5,184	5,676	6,023
Fees and Charges	2,734	2,572	2,800	2,716	2,211
Subsidies and Grants for operating purposes	2,254	4,153	2,214	2,218	3,227
Interest and dividends	550	722	601	549	511
Local authorities fuel tax, fines, infringements and other receipts	-	282	-	-	157
Total operating funding	21,800	24,042	22,321	22,728	23,771
Applications of operating funding					
Payments to staff and suppliers	11,483	13,469	11,661	11,818	13,619
Finance costs	765	826	767	1,068	841
Other operating funding applications	2,770	-	2,912	2,972	-
Total applications of operating funding	15,018	14,295	15,340	15,858	14,460
Surplus/(Deficit) of operating funds	6,782	9,747	6,981	6,870	9,311
Sources of Capital Funding					
Subsidies and grants for capital purposes	4,538	2,889	4,538	4,538	4,637
Increase/(Decrease) in Debt	3,028	3,074	(895)	2,153	1,149
Development Contributions	22	103	23	21	64
Other dedicated capital funding	-	-	-	-	-
Total sources of capital funding	7,588	6,066	3,666	6,712	5,850
Application of capital funding					
Capital Expenditure					
to meet additional demand	73	26	60	60	-
to improve the level of service	4,740	6,382	-	-	3,324
to replace existing assets	9,217	10,002	9,973	13,063	8,995
Increase (decrease) in Reserves	(210)	(597)	13	(90)	2,842
Increase (decrease) in Investments	550	-	601	549	-
Total application of capital funding	14,370	15,813	10,647	13,582	15,161
Surplus (deficit) of capital funding	(6,782)	(9,747)	(6,981)	(6,870)	(9,311)
Funding balance	-	-	-	-	-

Statement of Accounting Policies

1. Reporting Entity

Central Hawke's Bay District Council (CHBDC) is a territorial local authority governed by the Local Government Act 2002 and is domiciled in New Zealand.

The Central Hawke's Bay District Council Group consists of Central Hawke's Bay District Council and its subsidiary – Tamatea Limited (100% owned). Tamatea Limited (Tamatea) was incorporated in New Zealand on 26 October 2006.

The primary objective of CHBDC is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, CHBDC 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 CHBDC are for the year ended 30 June 2014. These financial statements were authorised for issue by Council on 31 October 2014.

2. Summary of Significant Accounting Policies

2.1 Statement of Compliance and basis of preparation

The financial statements of CHBDC have been prepared in accordance with the Local Government Act 2002, which includes the requirement to comply with Generally Accepted Accounting Practice in New Zealand (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 financial statements are presented in New Zealand Dollars (NZD). The functional currency of CHBDC is New Zealand Dollars.

2.2 Basis of Financial Statement Preparation and Measurement Base

In respect of CHBDC the measurement base adopted is that of historical cost basis modified by the revaluation of certain assets as specifically stated in these accounting policies.

2.3 Basis of Preparation of the Forecast Information

In September 2011, the External Reporting Board issued a position paper and consultation papers proposing a new external reporting framework for public benefit entities (PBEs). The papers proposed that accounting standards for PBEs would be based on International Public Sector Accounting Standards, modified as necessary. At that time the proposals in these papers did not provide certainty about any specific requirements of future accounting standards. Therefore, the accounting policies on which the forecast information for 2012-22 was prepared are based on the current New Zealand equivalents to International Financial Reporting Standards. The new accounting standards were issued on May 2013 and come into effect on 1 July 2014 and will be required to be incorporated in the June 2015 Annual Report.

2.4 Critical Accounting Estimates and Assumptions

In preparing these financial statements CHBDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions 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 –

Landfill aftercare provision

Note 8 presents an analysis of the exposure of CHBDC in relation to the estimates and uncertainties surrounding the landfill aftercare provision.

Valuation of Investment in Infracon Limited

Refer to Section 2.7 of the Statement of Accounting Policies and Note 4 of the Consolidated Notes to the Financial Statements. Council held a 34% ownership in Infracon Limited as at 30 June 2014. Infracon Limited was placed in liquidation on 25 August 2014, and Council does not expect to receive any funds from the liquidation process and has therefore valued the investment in Infracon Limited as nil.

Infrastructural assets

There are a number of assumptions and estimates used when performing DRC 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 stormwater, wastewater and water supply pipes that are underground. This risk is minimised by Council performing a combination of physical inspections and condition modeling 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 CHBDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of financial performance. To minimise this risk CHBDC's infrastructural asset useful lives have been determined with reference to the NZ 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 modeling are also carried out regularly as part of the CHBDC's asset management planning activities, which gives CHBDC further assurance over its useful life estimates. Experienced independent valuers assist in performing the Council's infrastructural asset revaluations.

2.5 Investment in Subsidiary

Council has consolidated its investment in its subsidiary – Tamatea – as it had the capacity to control that company's financing and operating policies so as to obtain benefits from the activities of the entity. This existed because Council, as the sole shareholder, controlled the voting power of the governing body. Tamatea is currently in the process of being wound up.

2.6 Basis of Consolidation

The consolidated financial statements are prepared by adding together like items of assets, liabilities, equity, income and expenses on a line by line basis. All significant intragroup balances, transactions, income and expenses are eliminated on consolidation.

2.7 Investment in Associates

CHBDC accounts for its investment in Infracon Limited in the group financial statements using the equity method.

An Associate is an entity over which CHBDC has significant influence, and where this entity is neither a subsidiary nor Joint Venture. The investment is initially recognised at cost and the carrying value is increased or decreased to recognise CHBDC's share of the surplus or deficit of the associate after the date of acquisition. CHBDC's share of the surplus or deficit is recognised in CHBDC's profit and loss. Distributions received from the associate reduce the carrying value of the investment.

The investment is tested at each reporting date to determine if there is any objective evidence that the investment in the associate is impaired. If this is the case, where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the profit or loss. The recoverable amount is the higher of the investment's fair value, less costs to sell and its value in use.

In testing for impairment, CHBDC has made estimates and assumptions concerning the future which may differ from subsequent actual results. Refer to note 4 of the Consolidated Notes to the Financial Statements.

2.8 Equity

Equity is the community's interest in CHBDC and is measured as the difference between total assets and total liabilities. Public equity is disaggregated and classified into a number of reserves to enable clearer identification of the specified uses that CHBDC make of its accumulated surpluses.

The components of equity are:

- Accumulated funds
- General Reserves
- Trust Funds
- Revaluation Reserves

2.9 Reserves

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 the Council.

2.9.1 Council Created Reserves

These are reserves established by Council decision. The Council may alter them without reference to any third-party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

2.9.2 Trust Funds

These are funds received by the Council over time, usually by way of donation or bequest, which restrict the use of the funds. All such funds are separately invested and are not available for any other purposes. The interest earned is credited to the funds.

2.9.3 Revaluation Reserves

These reserves relate to the revaluation of Property, Plant and Equipment to Fair Value.

2.10 Overhead Allocations

The costs of providing support services for the Council are accumulated and then allocated to each significant activity using appropriate allocation bases which reflect usage and/or capacity for each significant activity.

2.11 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Council and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised –

Rates revenue is recognised when payable.

Revenue from the sale of goods and services is recognised in the profit and loss when the significant risks and rewards of ownership have been transferred to the buyer or the obligation to pay arises. In the case of Licence fees, upon renewal of the licence.

Revenue from services rendered is recognised when invoiced. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of the goods.

Government grants and subsidies are recognised as revenue when entitlement has been established by the grants agency, and are recognised at their fair value.

Dividends are recognised when the shareholder's right to receive payment is established.

Interest income is recognised using the effective interest method.

Revenue from developer contributions is recognised when it is acknowledged that the liability of payment exists to the Council based on the completion of the subdivision or connection to service.

Vested assets are recognised when the significant risks and rewards of ownership have been transferred to the Council and when the obligation to accept the transfer of the assets to the Council has been determined.

2.12 Valuation

2.12.1 Current Assets

Debtors and other receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Where fair value cannot be readily determined, as in the case of certain investments, the asset is recognised at cost.

Cash and Short Term Investments in the balance sheets comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

2.12.2 Financial Assets

Financial Assets are initially recognised at fair value plus transaction costs unless they are carried at fair value through the profit and loss in which case the transaction costs are recognised in the profit and loss.

Purchases and sales of financial assets are recognised on trade-date, the date on which CHBDC commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and CHBDC has transferred substantially all the risks and rewards of ownership.

CHBDC classifies its financial assets into the following categories - fair value through the profit and loss, loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets at fair value through the profit and loss

Financial assets at fair value through the profit and loss include financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term.

After initial recognition they are measured at their fair values with gains or losses on re-measurement recognised in the profit and loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance date, which are included in noncurrent assets. CHBDC's loans and receivables comprise cash and cash equivalents, debtors and other receivables.

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 profit and loss.

Fair value

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. CHBDC 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 discounted expected cash flows, are used to determine fair value for the remaining financial instruments.

2.12.3 Impairment of Financial Assets

At each balance sheet date CHBDC 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 profit and loss.

Loans and other receivables

Impairment of a loan or a receivable is established when there is objective evidence that CHBDC 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 statement of financial performance. When the receivable is uncollectible, it is written off against the allowance account. Overdue receivables that have been renegotiated are reclassified as current (i.e. 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, bonds and notes and related party loans is established when there is objective evidence that the CHBDC 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.

2.12.4 Non Current Assets

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Noncurrent 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 noncurrent assets held for sale are recognised in the profit and loss.

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.

(a) Work In Progress

Work in progress is treated as a non current asset on the basis that there is a high likelihood that it will be capitalised. This covers work on infrastructural assets, plant, property or equipment that is incomplete at balance date, and excludes borrowing costs.

On completion the total cost of the project is transferred to the relevant asset class and then depreciated.

(b) Land and Buildings

Land and Buildings are re-valued on a maximum of a three yearly cycle, or more frequently where market evidence reflects that the current values of land and buildings is materially different to their fair value. The valuation uses the depreciated replacement cost method, based on currently accepted valuation methodology.

The results of revaluing are credited or debited to an asset revaluation reserve included in other comprehensive income for that class of asset. Where revaluing results in a debit balance in the asset revaluation reserve for a particular class of asset, this balance is expensed to profit and loss rather than other comprehensive income.

Land under Roads is revalued annually based on the fair value of adjacent land.

(c) Property, Plant and Equipment (Fixed Assets)

On acquisition, all fixed assets are initially stated at cost.

Plant and Machinery are stated at historical cost less accumulated depreciation and any impairment in value.

Library Books are valued at historical cost. All subsequent and future additions are recognised at cost. Depreciation is provided over the asset's useful lives.

(d) Infrastructural Assets

Infrastructural Assets: water, stormwater, and waste/sewerage are revalued on a three yearly cycle, or more frequently where the value has changed significantly, using the depreciated replacement cost method, based on currently accepted valuation methodology.

The results of revaluing are credited or debited to an asset revaluation reserve included in other comprehensive income for that class of asset. Where revaluing results in a debit balance in the asset revaluation reserve for a particular class of asset, this balance is expensed to profit and loss rather than other comprehensive income.

The Landfill and Transfer Stations are revalued on a three yearly cycle, using the depreciated replacement cost method.

Roading and its networks are revalued each year using the depreciated replacement cost method.

All subsequent additions to Infrastructural Assets are stated at depreciated cost.

2.13 Depreciation

2.13.1 Property, Plant and Equipment (Excluding Infrastructural Assets)

Council's fixed assets, with the exception of infrastructural assets and land, are depreciated on a straight line basis at rates, which will write off their cost or value over their estimated useful economic lives. This depreciation charge is reflected in the appropriate cost of service statement.

The expected lives of major fixed asset classes are:

	Years
• Buildings	6 - 165
• Emergency Equip, Misc Plant, Computer Equip, Office Equip	4 - 5
• Office furniture, Library Books	4 - 10
• Land is considered to have an indefinite useful life and is not depreciated	

2.13.2 Infrastructural Assets

(a) Water, Sewerage and Stormwater Assets

Water, Sewerage and Stormwater Assets are the utility systems, which provide continuing services to the community and are not generally regarded as tradable.

Depreciation is calculated using useful life of components as provided by Opus International Consultants Asset Valuation Reports and in accordance with the standard NZ Infrastructure Asset Valuation and Depreciation Guidelines (NZIAVDG).

The expected lives of major fixed asset classes are:

	Years
Water Systems	
• Pipes	50 - 100
• Valves, Hydrants, Meters, Toby's	10 - 75
• Reservoirs	40 - 100
Sewerage Systems	
• Pipes	60 - 135
• Manholes	60 - 100
• Valves	20 - 50
• Treatment plants	15 - 100
Stormwater Systems	
• Pipes	25 - 100
• Manholes	60 - 100
• Open Channels	60 - 100

(b) Roading Assets

Roading Assets is the roading network, which provides continuing services to the community and is not generally regarded as tradable.

Depreciation is calculated using useful life of components as provided by GHD Ltd Asset Valuation Reports and in accordance with the standard NZ Infrastructure Asset Valuation and Depreciation Guidelines (NZIAVDG).

The expected lives of major fixed asset classes are:

	Years
• Pavement Maintenance - Unsealed	7
• Pavement Maintenance - Sealed	70
• Chip Seals	10
• Area Wide Pavement Treatment	
Surface	10
Base course	70
Sub base	Not depreciated
Wearing Course	7
• Bridges	50
• Traffic – pavement marking	1
• Traffic – signs	15
• Footpaths	50 - 70

(c) Landfill and Transfer Stations

The Landfill and Transfer Stations are the individual facilities which provides continuing services to the community and are not generally regarded as tradable. The expected future life of the Landfill is dependent on the resource consent which currently ends in 2030. For Transfer Stations it is 50 years.

2.14 Borrowings

Borrowings are initially recognised at fair value and any related transaction costs are expensed to profit and loss. After initial recognition, borrowings are recognised at fair value through profit and loss with any resultant gains or losses recognised in profit and loss.

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

2.15 Goods and Services Tax

These financial statements have been prepared exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

2.16 Employee Entitlements

Long term benefits

Provision is made in respect of the Council's liability for long service leave. Long service leave, has been calculated on a probability basis, which takes into consideration the likelihood that the Council will be obligated to make the payments.

Short term benefits

Wages, salaries, and annual leave are measured at nominal values on actual entitlement basis at current rates of pay.

A liability for sick leave is recognised to the extent that absences in the coming year are expected to be greater than the sick leave entitlements earned in the coming year. The amount is calculated based on the unused sick leave entitlement that can be carried forward at balance date, to the extent that Council anticipates it will be used by staff to cover these future absences.

2.17 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.

2.18 Landfill Post-Closure Provision

Council as operator of the district landfill has a legal obligation to apply for resource consents when the landfill reaches the end of its operating life. The resource consents will set out the closure requirements and requirements for ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability when the obligation for post closure arises. The provision is measured based on the present value of future cash flows expected to be incurred, taking into account future events including known changes to legal requirements and technological improvements.

The provision includes all costs associated with landfill post closure, final cover application and vegetation, fencing off, completing facilities for leachate collection and the monitoring of gas systems, stormwater systems, and vegetation systems. Amounts provided for landfill post closure are capitalised to the landfill asset where they give rise to future economic benefits or if they are incurred to enable future economic benefits to be obtained. The capitalised landfill asset is depreciated over the life of the landfill based on the anticipated capacity used.

2.19 Statement of Cash Flows

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Operating activities include cash received from all income sources and record the cash payments made for the supply of goods and services. Agency transactions are not recognised as receipts and payments in the Statement of Cash Flows as they do not represent transactions that Council can control.

Investing activities are those activities relating to the acquisition and disposal of non-current assets. Investing and financing activity transactions have had their respective sources and applications of cash netted off where rollover of financing has occurred and where there have been transfers between Council bank accounts.

Financing activities comprise activities that change the equity and debt capital structure of the Council.

2.20 Income Tax

The income tax expense recognised in the profit and loss is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

The nature of the Council's taxable earnings is such that it does not give rise to deferred tax assets or liabilities.

2.21 Capital Management Policy

The Council's capital is its equity (or ratepayers' funds), 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. Ratepayer's funds are largely managed as a byproduct 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 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 programs, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

2.22 Changes in Accounting Policies

There have been no changes in accounting policies during the financial year.

Standards, amendments, and interpretations issued that are not yet effective and have not been early adopted.

- NZ IFRS 9 *Financial Instruments* will eventually replace NZ IAS 39 *Financial Instruments: Recognition and Measurement*. NZ IAS 39 is being replaced through the following 3 main phases: Phase 1 Classification and Measurement, Phase 2 Impairment Methodology, and Phase 3 Hedge Accounting. Phase 1 on the classification and measurement of financial assets has been completed and has been published in the new financial instrument standard NZ IFRS 9. NZ IFRS 9 uses a single approach to determine whether a financial asset is measured at amortised cost or fair value, replacing the many different rules in NZ IAS 39. The approach in NZ IFRS 9 is based on how an entity manages its financial instruments (its business model) and the contractual cash flow characteristics of the financial assets. The financial liability requirements are the same as those of NZ IAS 39, except for when an entity elects to designate a financial liability at fair value through the surplus/deficit. The new standard is required to be adopted for the year ended 30 June 2016. However, as a new Accounting Standards Framework will apply before this date, there is no certainty when an equivalent standard to NZ IFRS 9 will be applied by public benefit entities.
- *Public Benefit Entity Accounting Standards* The Minister of Commerce has approved a new Accounting Standards Framework (incorporating a Tier Strategy) developed by the External Reporting Board (XRB). Under this Accounting Standards Framework, the Council will be eligible to apply the reduced disclosure regime (Tier 2 reporting entity) of the public sector Public Benefit Entity Accounting Standards. The effective date for the new standards for public sector entities is for reporting periods beginning on or after 1 July 2014. Therefore, the Council will transition to the

new standards in preparing its 30 June 2015 financial statements. The Council has not assessed the implications of the new Accounting Standards Framework at this time.

Due to the change in the Accounting Standards Framework for public benefit entities, new NZ IFRS and amendments to existing NZ IFRS will not be applicable to public benefit entities. 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 public benefit entities from their scope.

Consolidated Notes to the Financial Statements

1 Operating Expenses

This note lists items requiring separate disclosure, having not been disclosed on the face of the statement of comprehensive income or in other notes.

- (a) Pursuant to Section 98 of the Local Government Act 2002, Council incurred the following expenses.

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Expenses				
Insurance premiums	301	321	301	325

- (b) Pursuant to NZ IAS 1, issued by the New Zealand Institute of Chartered Accountants, Council and the Group incurred the following expenses.

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Expenses				
Audit Fees – for statutory services	87	80	87	85
Other fees paid to Auditor	-	-	-	-
Depreciation	11,171	11,345	11,171	11,345

- (c) Budget Variance
Variances to forecast budgets are explained in the Funding Impact Statements earlier in these financial reports.

- (d) Income
Income included in the profit and loss includes amounts where the associated expenditure has been or will be capitalised. In the current year \$333,000 of interest income has been credited to Special Funds following recognition in the Income Statement, and \$64,000 from Developer Contributions will be held to meet future capital upgrades.

- (e) Revenue from Metered Water

	2014 Council \$'000	2013 Council \$'000
Metered Water Revenue	330	285

2 Trade and other receivables

	2014	2013	2014	2013
	Council	Council	Group	Group
	\$'000	\$'000	\$'000	\$'000
Rates Debtors	1,058	997	1,058	997
NZ Transport Agency Subsidies	688	490	688	490
General Debtors	1,239	1,241	1,239	1,261
	2,985	2,728	2,985	2,748
Less Provision for Impairment of Receivables	(163)	(101)	(163)	(101)
	2,822	2,627	2,822	2,647

Fair value

Debtors and other receivables are noninterest bearing and receipt is normally on 30 day terms, therefore the carrying value of debtors and other receivables approximates their fair value.

Impairment

CHBDC has various powers under the Local Government (Rating) Act 2002 to recover any outstanding rating debts, however it still provides for an impairment on receivables. Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to their present value of future payments if the impact of discounting is material.

These powers allow CHBDC to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgement, then CHBDC can apply to the Registrar of the High Court to have the judgement enforced by sale or lease of the rating unit.

No receivables (2013 nil) whose carrying amount would otherwise be past due or impaired, have terms which have been renegotiated.

The status of receivables as at 30 June 2014 and 2013 are detailed below:

	2014	2014	2014	2013	2013	2013
	Gross	Impairment	Net	Gross	Impairment	Net
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Council						
Not Past Due	2,202	-	2,202	2,051	-	2,051
Past Due 30-60 days	78	-	78	54	-	54
Past Due 61-90 days	3	-	3	31	-	31
Past Due 90-120 days	702	(163)	539	592	(101)	491
Total	2,985	(163)	2,822	2,728	(101)	2,627
Group						
Not Past Due	2,202	-	2,202	2,051	-	2,051
Past Due 30-60 days	78	-	78	54	-	54
Past Due 61-90 days	3	-	3	31	-	31
Past Due 90-120 days	702	(163)	539	592	(101)	491
Total	2,985	(163)	2,822	2,728	(101)	2,627

The impairment provision has been calculated based on a review of specific overdue receivables and a collective assessment. The collective impairment provision is based on an analysis of CHBDC's losses in previous periods, and review of specific debtors as detailed below:

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Individual impairment	163	101	163	101
Collective Impairment	-	-	-	-
Total provision for impairment	163	101	163	101

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor.

Movements in the provision for impairment of receivables are as follows:

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
At 1 July	101	234	101	234
Additional provision made during the year	73	90	73	90
Provisions reversed during the year	(10)	(24)	(10)	(24)
Receivable written off during the period	(1)	(199)	(1)	(199)
At 30 June	163	101	163	101

CHBDC holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

3 Cash and cash equivalents

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Cash and cash equivalents				
Cash at bank and in hand	1	(8)	1	(8)
Short term deposits maturing 3 months or less from date of acquisition	1,629	8,049	1,629	8,049
Total Cash and Cash Equivalents	1,630	8,041	1,630	8,041

The carrying value of cash at bank and term deposits with maturities less than three months approximate their fair value.

The total value of cash and cash equivalents that can only be used for a specified purpose as outlined in the relevant trust deeds is \$195,000 (2013 \$195,000).

4 Investments

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Bank Deposits and Notes	-	568	-	568
Bank Bonds	1,617	1,695	1,617	1,695
Corporate Bonds	1,828	1,993	1,828	1,993
Local Government Stock	2,016	2,144	2,016	2,144
	<u>5,461</u>	<u>6,400</u>	<u>5,461</u>	<u>6,400</u>
Shares				
NZ Local Government Insurance Corp. Limited	32	34	32	34
	<u>32</u>	<u>34</u>	<u>32</u>	<u>34</u>
Total Term Investments	<u>5,493</u>	<u>6,434</u>	<u>5,493</u>	<u>6,434</u>
Investments in Subsidiaries and Associates				
Investments in Tamatea Limited	-	1	-	-
Investments in Infracon Limited	-	-	-	3,717
HB LASS	1	1	1	1
Total Investments	<u>5,494</u>	<u>6,436</u>	<u>5,494</u>	<u>10,152*</u>

* This has been corrected from stated value of \$10,151 in 2012/13

Fair Value

The fair value of local authority and bonds/notes is reflected in the above values which are based on current market values.

In order to improve overall governance, Council and the Board of Tamatea Limited resolved for Tamatea Limited to transfer its 34% shareholding in Infracon Limited back to Council in March 2014. Tamatea Limited was 100% owned by Council and was incorporated to oversee Council's investment in Infracon Limited through a Statement of Intent approved by Council annually. Council and the Board of Tamatea Limited determined that this extra layer of governance was no longer required.

The loan from Council to Tamatea Limited was repaid upon the transfer of shares in Infracon back to Council.

Summarised Financial Information of Infracon Limited	(Unaudited)	
	2014	2013
	\$'000	\$'000
Assets	18,903	21,346
Liabilities	6,709	6,442
Revenue	33,857	35,023
Surplus / (Deficit)	(2,709)	(2,405)
Group Interest	4,146	5,067
Carrying amount at beginning of year	3,717	4,489
Dividend Received	-	(102)
Share of Revaluation Reserve	-	148
Share of Retained Surplus/Deficit	(921)	(818)
Impairment of Investment	(2,796)	-
Carrying amount at end of year	-	3,717
Share of Capital expenditure commitments	-	-
Share of Contingent Liabilities	769	871
Aggregate amount of liabilities for which the Council is jointly and severally liable	-	-

Review of Impairment of the Investment in Infracon Limited

Council equity accounts for its investment in Infracon Limited. Infracon was placed into Liquidation by its shareholders on 25 August 2014 after the company failed to secure bank funding to enable it to continue trading.

The summarised financial information for Infracon Limited presented above have been taken from the company's unaudited annual accounts as at 30 June 2014. Due to the timing of the liquidation process, the audit of the company's annual report was never completed.

In the three years prior to being liquidated, Infracon incurred operating losses in excess of \$6m which had been incurred in part due to the loss of major maintenance contracts with Hastings, CHB and Tararua District Councils. This left the company unable to fund the necessary restructuring costs required to enable the business to downsize and continue trading.

Reporting from Infracon's liquidators indicate that the company is likely to be sold as a going concern, however for the purposes of assessing the likely impairment of Council's investment, it has been assumed that there will not be any distribution to shareholders following the liquidation process. Council therefore does not expect there to be any residual value remaining in the company once all secured and unsecured creditors and staff liabilities have been met. Council has taken the prudent approach of fully writing down their investment in Infracon Limited.

	2014	2013	2014	2013
	Council	Council	Group	Group
	\$'000	\$'000	\$'000	\$'000
Loan to Tamatea Limited	-	3,717	-	3,717

The loan represented the value of Council's shareholding in Infracon Limited transferred to Tamatea Limited at cost in May 2007. The loan was interest free and was on call. The loan from Council to Tamatea Limited was repaid upon the transfer of shares in Infracon back to Council in 2014.

5 Property Plant and Equipment

2014

Infrastructural Assets		Opening Cost 1 July 2013	Opening Accum. Deprn.	Opening Book Value 1 July 2013	Additions*	Disposals	Deprn. Expense	Deprn offset in revaln	Revaluation	Transfer	Closing Cost 30 June 2014	Closing Accum. Deprn.	Closing Book Value 30 June 2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Water	Treatment	2,501	(130)	2,371	133	-	(67)	197	615	-	3,249	-	3,249
	Reticulation	20,030	(1,038)	18,992	1,078	-	(535)	1,573	5,025	-	26,133	-	26,133
Wastewater	Treatment	4,928	(276)	4,652	6,164	-	(143)	419	2,825	-	13,917	-	13,917
	Reticulation	24,405	(1,365)	23,040	755	-	(709)	2,074	5,472	-	30,632	-	30,632
Stormwater		13,230	(396)	12,834	144	-	(199)	595	1,962	-	15,336	-	15,336
Roading**		620,529	-	620,529	7,754	-	(8,183)	8,183	6,145	-	634,428	-	634,428
Landfill		4,204	(28)	4,176	259	-	(198)	-	-	-	4,463	(226)	4,237
Total		689,827	(3,233)	686,594	16,287	-	(10,034)	13,041	22,044	-	728,158	(226)	727,932

Property, Plant And Equipment Assets		Opening Cost 1 July 2013	Opening Accum. Deprn.	Opening Book Value 1 July 2013	Additions*	Disposals	Deprn. Expense	Deprn offset in revaln	Revaluation	Transfer	Closing Cost 30 June 2014	Closing Accum. Deprn.	Closing Book Value 30 June 2014
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Land		9,826	-	9,826	10	-	-	-	-	-	9,836	-	9,836
Buildings		11,449	-	11,449	313	-	(601)	-	-	-	11,762	(601)	11,161
Emergency Equipment		223	(174)	49	-	-	(9)	-	-	-	223	(183)	40
Motor Vehicles		733	(263)	470	100	(58)	(43)	-	-	-	775	(306)	469
Misc Plant		894	(607)	287	81	-	(85)	-	-	-	975	(692)	283
Computer Equipment		398	(340)	58	38	-	(31)	-	-	-	436	(371)	65
Office Furniture and Equipment		539	(461)	78	3	-	(21)	-	-	-	542	(482)	60
Library Books		1,230	(529)	701	72	-	(347)	-	-	-	1,302	(876)	426
Total		25,292	(2,374)	22,918	617	(58)	(1,137)	-	-	-	25,851	(3,511)	22,340
Total		715,119	(5,607)	709,512	16,904	(58)	(11,171)	13,041	22,044	-	754,009	(3,737)	750,272
Work in Progress		5,999	-	5,999	(4,751)	-	-	-	-	-	1,248	-	1,248
Overall		721,118	(5,607)	715,511	12,153	(58)	(11,171)	13,041	22,044	-	755,257	(3,737)	751,520

Additions* All assets are constructed by Council.

Roading** Land under roads has not been revalued this year.

2013													
Infrastructural Assets		Opening Cost	Opening	Opening			Depr.	Depr offset in			Closing	Closing	Closing Book
		1 July 2012	Accum. Depn.	Book Value	Additions*	Disposals	Expense	revaln	Revaluation	Transfer	Cost 30	Accum. Depn.	Value
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	June 2013	\$'000	30 June 2013
Water	Treatment	2,460	(65)	2,395	41	-	(65)	-	-	-	2,501	(130)	2,371
	Reticulation	19,698	(516)	19,182	332	-	(522)	-	-	-	20,030	(1,038)	18,992
Wastewater	Treatment	4,485	479	4,964	443	-	(755)	-	-	-	4,928	(276)	4,652
	Reticulation	24,204	(1,271)	22,933	201	-	(94)	-	-	-	24,405	(1,365)	23,040
Stormwater		12,986	(197)	12,789	244	-	(199)	-	-	-	13,230	(396)	12,834
Roading**		619,740	-	619,740	8,327	-	(8,870)	8,870	(7,538)	-	620,529	-	620,529
Landfill		3,013	(167)	2,846	1,634	-	(83)	222	(443)	-	4,204	(28)	4,176
Total		686,586	(1,737)	684,849	11,222	-	(10,588)	9,092	(7,981)	-	689,827	(3,233)	686,594

Property, Plant And Equipment Assets		Opening Cost	Opening	Opening			Depr.	Depr offset in			Closing	Closing	Closing Book
		1 July 2013	Accum. Depn.	Book Value	Additions*	Disposals	Expense	revaln	Revaluation	Transfer	Cost 30	Accum. Depn.	Value
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	June 2014	\$'000	30 June 2014
Land		10,478	-	10,478	6	-	-	-	(658)	-	9,826	-	9,826
Buildings		8,258	(952)	7,306	3,598	(24)	(487)	-	(383)	1,439	11,449	-	11,449
Emergency Equipment		223	(165)	58	-	-	(9)	-	-	-	223	(174)	49
Motor Vehicles		596	(230)	366	209	(72)	(33)	-	-	-	733	(263)	470
Misc Plant		732	(528)	204	162	-	(79)	-	-	-	894	(607)	287
Computer Equipment		360	(311)	49	38	-	(29)	-	-	-	398	(340)	58
Office Furniture and Equipment		585	(467)	118	2	(48)	6	-	-	-	539	(461)	78
Library Books		1,158	(403)	755	72	-	(126)	-	-	-	1,230	(529)	701
Total		22,390	(3,056)	19,334	4,087	(144)	(757)	-	(1,041)	1,439	25,292	(2,374)	22,918
Total		708,976	(4,793)	704,183	15,309	(144)	(11,345)	9,092	(9,022)	1,439	715,119	(5,607)	709,512
Work in Progress		3,439	-	3,439	2,560	-	-	-	-	-	5,999	-	5,999
Overall		712,415	(4,793)	707,622	17,869	(144)	(11,345)	9,092	(9,022)	1,439	721,118	(5,607)	715,511

Additions* All assets are constructed by Council.

Work in Progress

Description	2014 \$'000	2013 \$'000
Water Supply - Waipukurau upgrade	-	602
Waste Water - Waipawa	-	2,435
Waste Water - Waipukurau	-	2,720
Landfill Cell extension	1,004	-
Russell Park Playground	1	-
Nellie Jull Toilets	1	-
Land Transport - Minor Works	242	242
	<u>1,248</u>	<u>5,999</u>

Depreciation by Activity

	2013 Annual Plan Budget \$'000	2013 Actual \$'000	2014 Annual Plan Budget \$'000	2014 Actual \$'000
COMMUNITY LEADERSHIP GROUP				
Depreciation expense for the year	-	-	-	-
Funded depreciation	-	-	-	-
Unfunded depreciation to reduce rates	-	-	-	-
REGULATORY GROUP				
Depreciation expense for the year	-	-	56	35
Funded depreciation	-	-	10	9
Unfunded depreciation to reduce rates	-	-	46	26
LAND TRANSPORT GROUP				
Depreciation expense for the year	8,946	8,888	8,898	8,205
Funded depreciation	3,991	3,991	7,476	6,885
Unfunded depreciation to reduce rates	4,955	4,897	1,422	1,320
SOLID WASTE GROUP				
Depreciation expense for the year	117	96	95	198
Funded depreciation	117	96	86	135
Unfunded depreciation to reduce rates	-	-	9	63
WATER GROUP				
Depreciation expense for the year	544	603	582	602
Funded depreciation	514	514	534	602
Unfunded depreciation to reduce rates	30	89	48	-
WASTEWATER GROUP				
Depreciation expense for the year	581	853	789	852
Funded depreciation	581	581	590	573
Unfunded depreciation to reduce rates	-	272	199	279
STORMWATER GROUP				
Depreciation expense for the year	189	199	197	199
Funded depreciation	185	185	192	144
Unfunded depreciation to reduce rates	4	14	5	55
RECREATION AND COMMUNITY GROUP				
Depreciation expense for the year	621	689	713	991
Funded depreciation	412	409	420	701
Unfunded depreciation to reduce rates	209	280	293	290
OVERHEADS				
Depreciation expense for the year	-	-	-	89
Funded depreciation	-	-	-	89
Unfunded depreciation to reduce rates	-	-	-	-
TOTALS				
Depreciation expense for the year	10,998	11,328	11,330	11,171
Funded depreciation	5,800	5,776	9,308	9,138
Unfunded depreciation to reduce rates	5,198	5,552	2,022	2,033

6 Trade and other payables

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Trade Creditors	3,998	5,381	3,998	5,381
	<u>3,998</u>	<u>5,381</u>	<u>3,998</u>	<u>5,381</u>
Other				
Current Portion Public Debt	2,753	3,409	2,753	3,409
Employee benefit liabilities	266	245	266	245
Other Accounts Payable and Accrued Expenses	391	1,002	391	1,002
	<u>3,410</u>	<u>4,656</u>	<u>3,410</u>	<u>4,656</u>
Total Current Liabilities	<u><u>7,408</u></u>	<u><u>10,037</u></u>	<u><u>7,408</u></u>	<u><u>10,037</u></u>

Creditors and other payables are noninterest bearing and are normally settled on 30 day terms, therefore the carrying value of creditors and other payables approximates their fair value.

7 Public Debt

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Loans as at 1 July	15,036	12,218	15,036	12,218
Fair Value Adjustments	(344)	(256)	(344)	(256)
Plus Loans raised during the year	2,000	6,000	2,000	6,000
Less Loans repaid during the year	(9,265)	(2,926)	(9,265)	(2,926)
Less Loans repayable within 12 months	(2,753)	(3,409)	(2,753)	(3,409)
Non Current Public Debt	<u>4,674</u>	<u>11,627</u>	<u>4,674</u>	<u>11,627</u>

Interest rates payable are in the range 5.0% to 7.1%. The average interest rate payable is 6.24%.

Public Debt is due for repayment in the following periods:

Current	2,753	3,409	2,753	3,409
One to Two years	1,217	2,850	1,217	2,850
Two to Five years	3,457	5,989	3,457	5,989
More than Five years	-	2,788	-	2,788
	<u>7,427</u>	<u>15,036</u>	<u>7,427</u>	<u>15,036</u>

Amounts shown as due for repayment are based on the contractual maturity profile of the loans.

None of the fair value movements in public debt related to credit risk (2013 nil).

Internal Borrowings

Internal borrowings are eliminated on consolidation of activities in the Council's financial statements.

	Council Balance 1 July 2013 \$'000	Borrowed \$'000	Interest \$'000	Repaid \$'000	Council Balance 30 June 2014 \$'000
Cemeteries	145	-	12	(10)	135
Properties and Buildings	288	-	23	(9)	279
Parks and Reserves	204	-	16	(8)	196
Public Conveniences	212	-	17	(6)	206
Retirement Housing	33	-	3	(9)	24
Land Transport	270	-	22	(52)	218
Solid Waste	1,019	1,012	122	(276)	1,755
Stormwater	72	-	6	(5)	67
Theatres, Halls, and Museums	-	-	-	-	-
Wastewater	6,035	1,116	527	(448)	6,703
Water Supplies	1,805	-	144	(155)	1,650
Total	10,083	2,128	892	(978)	11,233

2013/2014 opening balances have been reclassified to correct presentation errors.

8 Provision for Landfill Decommissioning and Aftercare Cost

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Opening Balance	1,604	107	1,604	107
Effect of Discounting	30	-	30	-
Additional Provisioning	215	1,497	215	1,497
Closing balance	1,849	1,604	1,849	1,604

Central Hawke's Bay District Council gained resource and land use consents for the district landfill in 1995. The landfill opened for operation in July 1996. Council has a responsibility for closure of the landfill and ongoing maintenance and monitoring after the closure. To determine the financial provision that should be made for the post closure maintenance and monitoring requirements, the discounted cash flow model is used. The model is used to calculate the present value of the cost of closure and capping of the landfill, and the aftercare costs for the 30 year consent period post closure. This is then capitalised as an asset which will be depreciated up until the point of closure. This depreciation expense should then be funded annually and a reserve put aside to cover these costs when they occur.

9 Public Equity

(a) Council Special Funds

Special funds are established by Council resolution restricting how the funds may be used. To show independence from general ratepayers' equity, a separate account is maintained for each fund.

	Council Balance 1 July 2013	Council Transfers from Ratepayers Equity	Council Transfers to Ratepayer Equity	Council Balance 30 June 2014
	\$'000	\$'000	\$'000	\$'000
Te Aute Drain Channel Clearing Reserve	42	5	(4)	43
Te Aute Koiri Reserve	16	-	-	16
Waipukurau Marae Building Trust	32	2	(1)	33
	90	7	(5)	92

(c) Trust Funds

Trust Funds are set up to account for grants to Council with restrictions on their use. They usually consist of donations and bequests.

	Council Balance 1 July 2013	Council Transfers from Ratepayers Equity	Council Transfers to Ratepayer Equity	Council Balance 30 June 2014
	\$'000	\$'000	\$'000	\$'000
Waipawa Building Society Scholarship Trust	111	6	(4)	113
Eric Tate Scholarship Trust	73	4	(4)	73
Settlers Museum Trust Fund	7	-	-	7
Creative NZ Grants unspent	4	12	(14)	2
	195	22	(22)	195

*(d) Asset Revaluation Reserve**Asset Revaluation Reserve**Infrastructure*

	Water, Wastewater, Storm Water, Solid Waste	Roading	Total
	\$'000	\$'000	\$'000
Opening Balance 2013	40,966	407,693	448,659
Revaluation	-	-	-
Revaluation Reserve Change	20,757	14,328	35,085
Transfer from/(to) Ratepayers Equity	-	-	-
Closing Balance 2014	61,723	422,021	483,744

<i>Other Property Plant and Equipment</i>	Land	Buildings	Total
	\$'000	\$'000	\$'000
Opening Balance 2013	7,613	5,779	13,392
Disposal of Asset (Write Back)	-	-	-
Current Year Revaluation	-	-	-
Closing Balance 2014	<u>7,613</u>	<u>5,779</u>	<u>13,392</u>

<i>Total Revaluation Reserve</i>	Council	Group
	\$'000	\$'000
Opening Balance 2013	462,051	462,051
Transfer from Ratepayers Equity	35,085	35,085
Share of movement of Associates Revaluation Reserve	-	-
Closing Balance 2014	<u>497,136</u>	<u>497,136</u>

2013/2014 opening balances adjusted to correct presentation errors.

10 Reconciliation of Net Surplus on Operations to Net Cash from Operating Activities

	2014	2013	2014	2013
	Council	Council	Group	Group
	\$'000	\$'000	\$'000	\$'000
Operating Surplus/(Deficit) After Taxation	(555)	2,068	(555)	1,603
	<u>(555)</u>	<u>2,068</u>	<u>(555)</u>	<u>1,603</u>
Plus/(less) Non-Cash Items				
Depreciation	11,171	11,345	11,171	11,345
Fair value adjustments to investments/public debt	(362)	(521)	(362)	(521)
Infracon impairment & share of associate	3,718	-	3,718	-
	<u>14,527</u>	<u>10,824</u>	<u>14,527</u>	<u>10,824</u>
Add/(less) Movements in Other Working Capital Items				
Increase/(Decrease) in Accounts Payable	1,431	1,565	1,431	1,552
Increase/(Decrease) in Employee Benefit Liabilities	21	(25)	21	(25)
(Increase)/Decrease in Accounts Receivable	(195)	67	(195)	67
(Increase)/Decrease in Prepayments	(57)	(69)	(57)	(69)
	<u>1,200</u>	<u>1,538</u>	<u>1,200</u>	<u>1,525</u>
Add/(less) Items Classified as Investing Activity Net				
Infracon - Share of income	-	-	-	-
Net Cash from Operating Activities	<u>15,172</u>	<u>14,430</u>	<u>15,172</u>	<u>13,952</u>

11 Related Party Transactions

Council, through its 100% ownership of Tamatea Limited, owns 34% of Infracon Limited. Infracon performed construction work and facilities management for Council.

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Charges made to Council by Infracon Ltd	6,395	7,527	6,395	7,527
Charges made by Council to Infracon Ltd	10	48	10	48
Amounts owed to Council by Infracon Ltd	5	9	7	9
Amounts owed by Council to Infracon Ltd	780	1,099	780	1,099
Salaries and other short term employment benefits paid to key management, CE and Councillors	808	1,071	808	1,071

During the year Councillors and key management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates, purchase of rubbish bags etc).

During the year Council purchased legal services from McKay Mackie – Waipawa. Councillor M J Waite is a principal of that firm. Amounts paid in 2014 was nil (for legal advice) (2013 \$555).

Council also purchased rural fire training services and equipment from RFNS Training and Consultancy Services. Regulatory Services Manager Te Arohanui Cook is a director of the company. Amounts paid in 2014 were \$3,312 (2013 \$575).

Council owned Waipukurau Holiday Park is leased by Phoenix Ventures Waipukurau Limited. Regulatory Services Manager Te Arohanui Cook is a director of this company.

During the year Council purchased pharmaceutical services from Unichem Chemist - Waipukurau. Councillor I Sharp is an owner of the business. Amounts paid in 2014 were \$1,325 (2013 \$20).

During the year Council funded various youth services from Connecting For Youth Employment Trust - Waipukurau. Councillor K Annand is the Settlor of this Trust. Amounts paid in 2014 were \$17,828 (2013 \$ nil).

During the year Council purchased Services from Watwill Partnership of which Councillor M Williams is a partner. Amounts paid in 2014 was \$3,335 (2013 \$2,530) for mowing council reserves.

No provision has been required, nor any expense recognised for impairment of receivables for any loans or other receivables to related parties (2013 \$nil).

12 Statement of Commitments

Non Cancellable Lease Commitment	2014 Council \$'000	2013 Council \$'000
Less than 1 year	138	110
1 – 2 years	137	110
3 – 5 years	364	252
Over 5 years	2,801	2,382

Note:

Land

Landfill rental of \$75k per annum (inflation adjusted) plus a turnover rent of \$5/tonne (also inflation adjusted) for quantities of over 7,000 tonnes in any 12 month period.

Further terms = 10 years

Final expiry date = 28 November 2045

Takapau Transfer Station

Rent reviews are carried out at 5 yearly intervals from 11 September 1995.

Amounts are subject to these reviews.

Further terms = 2 of 10 years

Final expiry date = 11 September 2025

Annual rental = \$1,820 plus GST

Carbon Credits

We have current contracts to purchase carbon credits from ANZ bank for the next six years at fixed prices. The table below outlines the number and price of the units and when we are purchasing them.

Date	Number of Units	Contracted Price
22 July 2014	6,000	\$0.15 per Unit
2 May 2016	12,000	\$3.87 per Unit
2 May 2018	6,000	\$4.77 per Unit
2 May 2019	6,000	\$7.70 per Unit

13 Employee Staffing Levels and Remuneration

The Chief Executive of Council appointed under Section 42 of the Local Government Act 2002, received a salary of \$183,000 (2013 \$179,000).

The Chief Executive has full access to use of a Council vehicle, the cost of the deemed private benefit is deducted from the Chief Executive's salary.

Annual Remuneration Bands	As at 30 June		Annual Remuneration Bands	As at 30 June 2013	
	2014				2013
\$59,999 and under	29		\$59,999 and under		31
\$60,000 - \$79,999	16		\$60,000 - \$79,999		14
\$80,000 - \$159,999	7		\$80,000 - \$159,999		6
\$160,000 - \$189,999	1		\$160,000 - \$189,999		1
Total Employees	53		Total Employees		52

	Number of Employees		As at 30 June 2014		Number of Employees		As at 30 June 2013	
	FTE	Head Count	FTE	Head Count	FTE	Head Count	FTE	Head Count
Number of full time employees	31	31	Number of full time employees	28	28			
Number of part time employees	10	22	Number of part time employees	11	24			
Total Employees	41	53	Total Employees	39	52			

Employee staffing levels and remuneration is required to be disclosed under Clause 32A, Schedule 10 of the Local Government Act 2002.

Definitions used in this disclosure are those contained in Clause 32A.

14 Severance Payments to Staff

During the financial year, a severance payment of \$29,000 was made to one former staff (2013 \$107,000).

15 Councillors Fees

	2014 \$'000	2013 \$'000
P Butler – Mayor	75	73
Councillors		
Sally Butler	23	24
Terry Kingston	23	24
Maitland Manning	23	24
Hilary Pedersen	7	24
Ian Sharp (Deputy Mayor)	28	24
Terry Story	23	24
Michael Waite	10	29
Mark Williams	23	24
Kelly Annand	16	-
Andrew Watts	16	-
Total cost of remuneration for the Mayor and Councillors	267	270

No Directors fees are paid from Tamatea Limited.

16 Financial Instrument Categories

The accounting policies for financial instruments have been applied to the line items below:

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Financial Assets				
Fair Value through profit and loss				
Local Authority Stock, Bonds	5,461	6,400	5,461	6,400
Loans and Receivables				
Cash and Cash Deposits	1,630	8,041	1,630	8,041
Debtors and Other Receivables	2,822	2,647	2,822	2,647
Loan to Tamatea	-	3,717	-	-
Financial Assets at cost				
Unlisted Shares	33	50	33	50
Financial Liabilities				
Fair Value through the profit and loss				
Secured Loans	7,427	15,036	7,427	15,036
Financial Liabilities at amortised cost				
Creditors and other payables	7,408	10,037	7,408	10,037

17 Fair Value Hierarchy Disclosures

For those instruments recognised at fair value in the statements of financial position, fair values are determined according to the following hierarchy:

- Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in an active market
- Valuation techniques using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in active markets and financial instruments valued using models where all significant inputs are observable.
- Valuation techniques with significant non observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of valuation of classes of financial instruments measured at fair value in the Statement of Financial Position:

30 June 2014 - Council	Total	Quoted market price	Valuation Technique	
			Observable inputs	Significant non-observable inputs
Financial Assets				
Local Authority Stock	2,016	-	2,015	-
Stocks and Bonds	4,035	2,167	1,868	-
Financial Liabilities				
Secured Loans	7,427	-	7,427	-

30 June 2013 - Council	Total	Quoted market price	Valuation Technique	
			Observable inputs	Significant non-observable inputs
Financial Assets				
Local Authority Stock	2,144	-	2,144	-
Stocks and Bonds	4,256	1,695	2,561	-
Financial Liabilities				
Secured Loans	15,036	-	15,036	-

18 Financial Instruments

Financial Instruments Risks

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

Market Risks

Price Risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. CHBDC is exposed to equity security price risks on its investments, which are classified as financial assets held at fair value through equity. This price risk arises due to market movements in listed securities. This price risk is managed using consultants to ensure diversity of CHBDC's investment portfolio in accordance with limits set out in CHBDC's investment policy.

Currency Risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to change in foreign exchange. CHBDC is not exposed to currency risk, as it does not enter into foreign currency transactions.

Interest Rate Risk

The interest rates on CHBDC's investments are disclosed in note 4 and on borrowing in note 7.

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. Borrowing issued at fixed rates expose CHBDC to fair value interest rate risk. Investments at fixed interest rates expose CHBDC to fair value interest rate risk.

Credit Risk

Credit risk is the risk that a third party will default on its obligations to CHBDC, causing CHBDC to incur a loss. CHBDC has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

CHBDC invests funds only in deposits with registered banks and Risk Free/Near Risk Free investments as described in its Investment Policy, which also limits the amount of credit exposure to any one institution or organisation.

Accordingly, CHBDC does not require any collateral or security to support these financial instruments.

CHBDC's maximum credit exposure for each class of financial instrument is as follows:

	2014 Council \$'000	2013 Council \$'000	2014 Group \$'000	2013 Group \$'000
Cash at bank and term deposits	1,630	8,041	1,630	8,041
Debtors and other Receivables	2,822	2,647	2,822	2,647
Local Authority Stock, Bonds, Bank Deposits and NZ Local Government Insurance Corp	5,461	6,400	5,461	6,400
HB LASS Shares	32	34	32	34
Loan to Tamatea	1	1	1	1
Investment in Infracon	-	3,717	-	-
Total Credit Risk	9,946	20,840	9,946	17,123

Credit Quality of Financial Assets	2014 \$'000	2013 \$'000
Fair Value through profit and loss		
AA-	1,024	1,123
A+	-	311
A	1,074	1,023
A-	-	-
BBB+	593	601
BBB-	754	630
Not Rated	2,016	2,144
	5,461	5,832

*Liquidity Risk**Management of liquidity risk*

Liquidity risk is the risk that CHBDC 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. CHBDC aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, CHBDC maintains a target level of investments that must mature within the next 12 months. CHBDC 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 the CHBDC's Long Term Plan.

CHBDC has a maximum amount that can be drawn down against its vehicle loan facility of \$200,000 (2013 \$200,000).

Sensitivity analysis

If interest rates on investments at 30 June 2014 had fluctuated by 1%, the effect would have been to increase/decrease the fair value through the profit and loss by \$54,610 (2013 \$64,000).

19 Contingencies

In the ordinary course of business Council can be subject to claims from clients utilising the services of Council. Council do not consider that any liabilities will arise as a consequence of outstanding claims as at 30 June 2014 (2013 Nil).

20 Events Subsequent to Balance Date

On 25 August 2014 the Shareholders of Infracon Limited, Central Hawke's Bay District Council (34%) and Taranua District Council (66%), resolved to place Infracon Limited into liquidation. At the time of preparing the Annual Report, Council was not aware of the final outcome of the liquidation process.

Supplementary Information

In accordance with the Local Government Act 2002 Schedule 10 section 30A and 31A.

Rating Base Information

For all rating units for the district

1 July 2013

Number of rating units	7,569
Capital Value	3,604,498,350
Land Value	2,315,344,250

Insurance Information

Assets

Year ending June 2014

	Total Value Covered \$'000	Maximum Amount Available \$'000
Insurance Contracts -Buildings, Plant and Equipment	60,874	60,874
-Infrastructure	157,551	20,000 Loss Limit
Financial Risk Sharing	-	-
Self Insured	-	-

Year ending June 2013

	Total Value Covered \$'000	Maximum Amount Available \$'000
Insurance Contracts -Buildings, Plant and Equipment	60,681	60,874
- Infrastructure	120,000	12,500 Loss Limit
Financial Risk Sharing	-	-
Self Insured	-	-

Total Replacement Cost of Infrastructure

Activity	Total Replacement Cost (TRC)
Water	56,826,670
Wastewater	79,720,635
Stormwater	23,597,847
Roading	817,543,136
Totals	977,688,288

Elected Council Members

MAYOR

Peter Butler
699 Tikokino Road
Ngamaunga, RD3
Waipawa

Phone: 857 8194
Fax: 857 7005
peter.butler@chbdc.govt.nz

The Central Hawke's Bay District Council comprises of His Worship the Mayor and eight elected members representing the district's two wards. Elections are held every three years. Why not get involved next time?

ARAMOANA/RUAHINE WARD

Sally Butler
'Glenalvon', 492 State Highway 50,
RD 3, Waipawa

Phone: 856 5840
sally.butler@chbdc.govt.nz

Maitland Manning
'Homewood', 145 Elsthorpe Road,
RD 2, Otane

Phone: 856 8511
maitland.manning@chbdc.govt.nz

Terry Story
27 Onga Onga Road
Waipawa

Phone: 857 8391
terry.story@chbdc.govt.nz

Mark Williams
209 Williams Road,
Black Dog Cottage, RD14
Havelock North

Phone: 858 4947
mark.williams@chbdc.govt.nz

RUATANIWHA WARD

Kelly Annand
3 Francis Drake Street
Waipukurau

Phone: 858 5225
kelly.annand@chbdc.govt.nz

Terry Kingston
1 Bibby Street
Waipawa

Phone: 857 8392
terry.kingston@chbdc.govt.nz

Ian Sharp
44 Mangatarata Road
RD5, Waipukurau

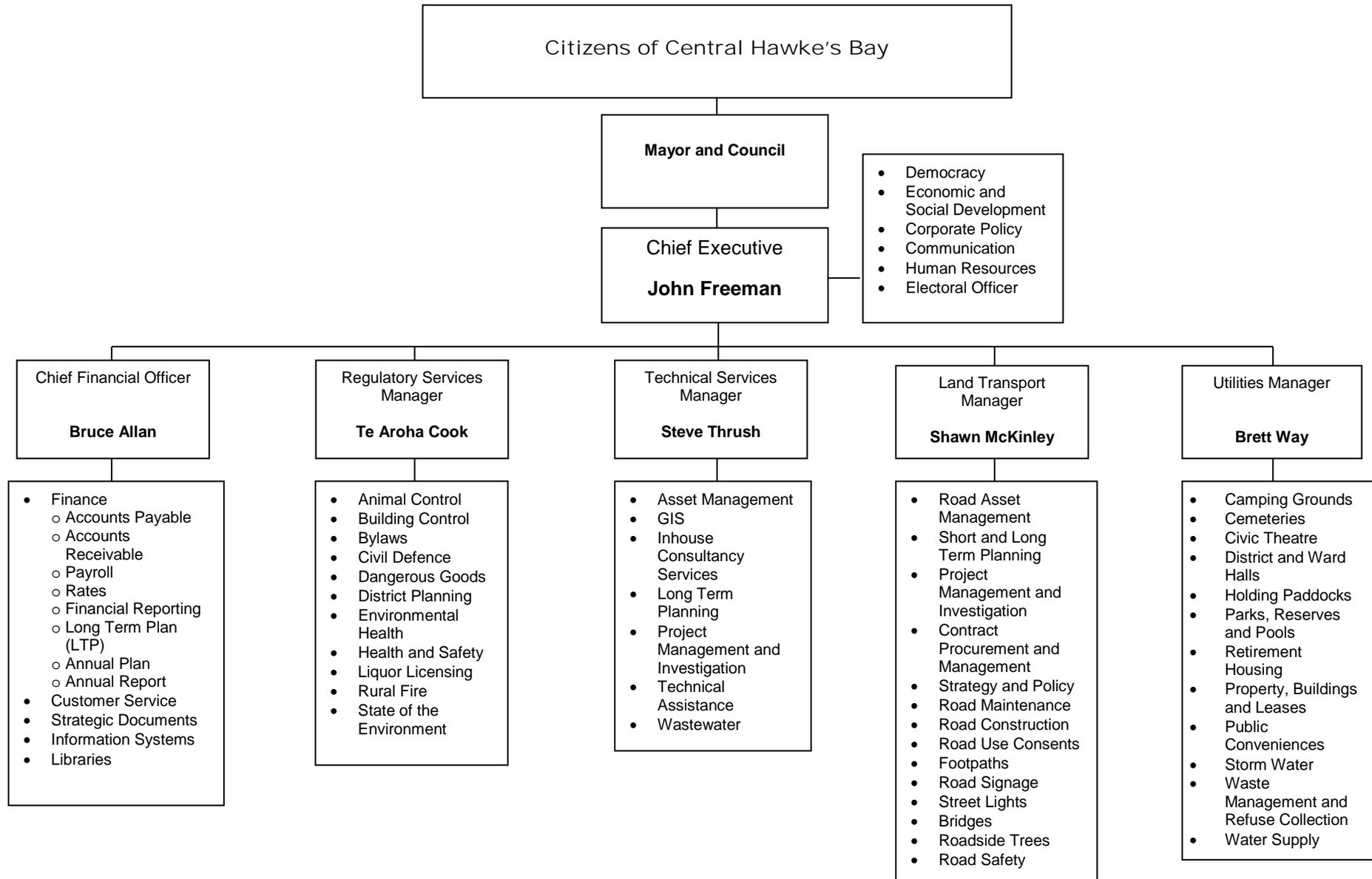
Phone: 858 8877
ian.sharp@chbdc.govt.nz

Andrew Watts
141 Mill Road, RD1
Takapau

Phone: 855 6585
andrew.watts@chbdc.govt.nz

For more information about the Council structure please refer to our Local Governance Statement, available from the Council on request or on our website: www.chbdc.govt.nz

Management Structure



Acknowledgements

Council acknowledges the contributions made by individuals and organisations both within the district and outside that have helped make Central Hawke's Bay a vibrant and enjoyable place to live.

Summer Reading



Eastern & Central have again generously supported the E.C. READ'N summer reading programmes in our libraries and those throughout the region.

Glossary

Activity – Services, projects or goods provided by, or on behalf of, Council (eg libraries). These activities are then combined into groups of activities.

Annual Plan – The Annual Plan is produced in the intervening years between Long Term Plans. It includes the work programme for the year and financial statements.

Annual Report – Reports on the performance of Council against the objectives, policies, activities, performance measures, indicative costs, and sources of funds outlined in the Annual Plan and the Long Term Plan.

Asset – Something of value that Council owns on behalf of the people of Central Hawke's Bay such as roads, drains, parks and buildings.

Asset Management Plan – A long term plan for managing an asset to ensure that its capacity to provide a service is kept up and costs over the life of the asset are kept to a minimum.

Borrowing – Refers to the raising of loans for capital items, such as the sewerage scheme.

Capital Expenditure – Expenditure that will increase the value of Council's assets.

Capital Value – Value of land including any improvements.

Community Boards – Local elected bodies set up under the Local Government Act. Community Boards are consulted by Council and can represent community concerns to Council. Central Hawke's Bay District has no community boards.

Community Outcomes – Goals that the community believe are important for its present and future economic, social, cultural and environmental well-being.

Council Controlled Organisations – Council controlled organisations are organisations in which one or more local authorities control 50% or more of the voting rights or appoint 50% or more of the directors.

Financial Year – Council's financial year runs from 1 July to 30 June of the following year.

General Rate – A rate levied across all properties for activities that benefit the whole District.

Group of Activities – Several activities combined together (eg cultural and community facilities).

Land Value – Value of land, excluding any improvements.

Local Government Act 2002 – The key legislation that defines the powers and responsibilities of local authorities like Central Hawke's Bay District Council.

Long Term Plan (LTP) – A ten year plan that sets out Council's response to community outcomes and how Council will manage its finances and the community's resources. The requirement for the LTP was introduced by the Local Government Act 2002.

Operating Expenditure – Money Council spends on such items as salaries, materials, electricity and plant hire.

Operating Revenue – Money earned through the activities in return for a service provided, or by way of a grant or subsidy to ensure particular services or goods are provided. Examples include New Zealand Transport Agency subsidies, rental income, permits and fees.

Operating Surplus (Deficit) – The expressions 'operating surplus' and 'operating deficit' are accounting terms meaning the excess of income over expenditure and excess expenditure over income respectively. Income and expenditure in this context exclude 'capital' items such as the receipt or repayment of loans, the cost of capital works and transfers to and from Reserves. An operating surplus/deficit is inclusive of non-cash items such as income and expenditure owing but not paid (Debtors and Creditors) and depreciation.

Performance Measure – A measure that shows how well Council is doing in achieving the objectives it has set for itself.

Rates – Funds collected by Council from levies on property. These are based on the Capital and Land value of the property but the term is often used to include Uniform Annual General Charges and Targeted Rates.

Revenue and Financing Policy – This describes how the Council's work will be paid for and the mechanisms for gathering the funds (such as general rate, targeted rates, user charges, grants).

Significance – Degree of importance of the issue, proposal, decision or matter as assessed by the local authority in terms of its likely consequences for the current and future social, economic, environmental, or cultural wellbeing of the community.

Subsidies – Amounts received from other agencies for the provision of services (eg NZ Transport Agency roading subsidies).

Targeted Rates – Any rate levied other than the general rate, which is targeted at users of a service such as water supply, wastewater and solid waste.

Transfer to/from Reserves – Transfer of funds to reserves are generally surpluses on operations. Transfers from reserves assist to fund capital expenditure.

User Charges – The charges levied for use of Central Hawke's Bay District Council services (eg building consent fees, health inspections).

Working Capital – These are Council's net current assets that are held in cash or can be readily converted to cash, less liabilities due for payment within a year. This is indicative of Council's ability to meet its obligations as they become due.