

Horowhenua District Council
**Annual Report
Summary**
2013-2014

Horowhenua

Horowhenua
DISTRICT COUNCIL 

HOROWHENUA DISTRICT COUNCIL SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2014

About This Summary

The Council adopted the audited annual report for 2013/14 on 29 October 2014 and authorised it for issue. The Report details Council's achievements against the measures and budgets for the year. The full report received an unqualified audit opinion. Copies are available from the Council on request (refer to page 27 of this report for contact details).

This summary provides the key points extracted from full annual report. As a summary it cannot be expected to provide a complete understanding of the performance of the council for the year. This summary was authorised for release by the Council from 29 October 2014.

Introduction from the Mayor and Chief Executive

The financial year ending 30 June 2014 has seen a continuation of Council achievements in providing a range of services within the Horowhenua District. The Annual Report contains considerable financial and non-financial information that indicates a significantly improved financial result for the year and the completion of several major water infrastructure renewal projects.

Financial Performance

Benchmarks

As a result of legislative changes in 2014, Council is now required to disclose its financial performance in relation to rates and debt affordability, balanced budget, essential services, debt servicing, debt control and operations control.

Council is pleased that each self-imposed target or benchmark and those prescribed in legislation, apart from Debt Control, have been met for the 2013/14 year. The most significant achievement is that of Council achieving a balanced budget for the 2013/14 year.

Graphs detailing Council's performance against each benchmark are on pages 19-25 for the Summary Annual Report.

There have been a considerable number of achievements in the year that we are extremely proud to report on:

District Plan Review

The proposed District Plan was adopted by Council prior to the October 2013 Local Government election. There were only four appeals to the proposed District Plan, which is a significant achievement that followed an extensive consultative process during the District Plan review.

Parks and Recreation Activity

The Foxton Cemetery land development and resurfacing of the netball courts at Donnelly Park in Levin were completed within budget during the financial year.

Shannon Water Treatment Plan Upgrade

The new Shannon water treatment plant was officially opened on Monday 17 March 2014. The \$3.39M project was assisted by a \$2.13M capital works assistance subsidy from the Ministry of Health. A 12 month period of water quality monitoring is expected to result in water grading of 'A', up from the current 'E' grading.

Foxton and Foxton Beach Water Treatment Plants

Both the Foxton and Foxton Beach water treatment plant upgrades were successfully completed during the year. A 12 month period of water quality monitoring should also result in an 'A' grading for both supplies.

Wastewater

The replacement pipeline to 'The Pot' from the Levin Wastewater Treatment Plant was completed during the year.

Consultation with a range of stakeholders regarding solutions to the disposal of treated effluent from the Shannon wastewater treatment plant continued during the year. By the end of 2014 we hope to have received Environment Court agreement to consent conditions, this being to dispose of treated effluent to land on Velvaleen farm, this will be on a trial basis.

Consultation on proposed options for effluent disposal for Foxton commenced during the 2014 year.

Levin Landfill

The construction of Stage Three of the Levin Landfill was successfully completed during the year.

Te Awahou Nieuwe Stroom

Council purchased the old Mitre 10 building in Foxton for the proposed development of a multi-purpose community and tourist facility. Work on this project continues.


Te Waiora Community Health Service

Council made a significant contribution to the development of the new Foxton community health service through the sale of the land on Lady's Mile.

Local Government Elections

The Local Government elections were successfully held in October 2013 resulting in the election of six new Councillors to Council and two new members to the Foxton Community Board.

We would sincerely like to thank Councillors, Foxton Community Board members and Council staff for their support during the financial year and the commitment they continue to give to the Horowhenua District.



Brendan Duffy, JP
District Mayor



David Clapperton
Chief Executive Officer

SUMMARY OF THE FINANCIAL STATEMENTS

These summary statements cover the Horowhenua District Council (Council) and the Horowhenua District Council Group, comprising the Council and the Te Horowhenua Trust (formerly Horowhenua Library Trust) (Group). The full financial statements have been prepared in accordance with the public benefit entity provisions of NZIFRS and NZGAAP. These summary financial statements are in compliance with FRS-43 (Summary Financial Statements). These financial statements have been prepared on the basis that the council is a going concern.

The reporting presentation is New Zealand dollars, rounded to the nearest \$000.

SUMMARY STATEMENT OF COMPREHENSIVE INCOME

The Income and Expenses for the Year Ending 30 June 2014

	Council Actual \$000 30 June 2014	Council Budget \$000 30 June 2014	Council Actual \$000 30 June 2013	Group Actual \$000 30 June 2014	Group Actual \$000 30 June 2013
Revenue					
Rates revenue	27,494	27,434	26,692	27,494	25,840
Other revenue	1	15,805	15,598	13,508	16,226
Total income	43,299	43,032	40,200	43,721	41,136
Expenditure					
Finance costs	2,751	2,901	2,057	2,751	2,054
Other expenses	2	39,803	40,659	41,567	40,287
Total expenses	42,554	43,560	43,624	43,038	44,010
Operating Surplus / (deficit) before taxation	745	(528)	(3,424)	683	(2,874)
Income Tax Expense	-	-	-	-	-
Operating Surplus (deficit) after taxation	745	(528)	(3,424)	683	(2,874)
Loss on Revaluation of assets for which there is no Revaluation Reserve:					
Loss on Land and Buildings Revaluation	3	(2,964)	3,465	-	(2,964)
<i>Surplus/(Deficit) attributable to:</i>					
Horowhenua District Council	(2,219)	2,937	(3,424)	(2,281)	(2,874)
Other Comprehensive Income					
Loss on Infrastructural Assets Revaluations	3	(63,392)	35,413	-	(63,392)
Gain on Restricted Assets Revaluation	3	1,883	-	-	1,883
Total Comprehensive Income for the year	(63,728)	38,350	(3,424)	(63,789)	(2,874)

SUMMARY STATEMENT OF CHANGES IN RATEPAYERS' EQUITY

The ratepayers' stake in the council's assets for the Year Ended 30 June 2014

	Council Actual \$000 30 June 2014	Council Budget \$000 30 June 2014	Council Actual \$000 30 June 2013	Group Actual \$000 30 June 2014	Group Actual \$000 30 June 2013
Equity at 1 July	485,248	483,615	488,672	485,916	488,793
Total Comprehensive Income	(63,728)	38,350	(3,424)	(63,789)	(2,874)
Equity at 30 June	421,521	521,965	485,248	422,127	485,916
<i>Total Comprehensive Income attributable to:</i>					
Horowhenua District Council	(63,728)	38,350	(3,424)	(63,789)	(2,874)
Equity is represented by:					
Retained Earnings	269,134	268,479	271,308	269,743	271,979
Revaluation reserve	147,449	247,860	208,956	147,449	208,959
Reserves and Special Funds	4,936	5,626	4,982	4,936	4,982
	421,519	521,965	485,247	422,128	485,916

SUMMARY STATEMENT OF FINANCIAL POSITION

The assets and liabilities as at 30 June 2014

	Council Actual \$000 30 June 2014	Council Budget \$000 30 June 2014	Council Actual \$000 30 June 2013	Group Actual \$000 30 June 2014	Group Actual \$000 30 June 2013
Assets:					
Current	4 13,402	12,750	14,394	13,482	14,500
Non-current	5 478,235	590,144	538,465	478,712	539,038
Total assets	491,637	602,894	552,859	492,194	553,538
Liabilities and ratepayers' equity:					
Current	6 20,595	20,454	17,322	20,481	17,268
Non-current	7 49,523	60,475	50,291	49,585	50,354
Total liabilities	70,118	80,929	67,613	70,066	67,622
Ratepayers' equity	421,519	521,965	485,248	422,128	485,916
	491,637	602,894	552,861	492,194	553,537

SUMMARY STATEMENT OF CASH FLOWS

The inflows and outflows of cash for the Year Ended 30 June 2014

	Council Actual \$000 30 June 2014	Council Budget \$000 30 June 2014	Council Actual \$000 30 June 2013	Group Actual \$000 30 June 2014	Group Actual \$000 30 June 2013
Net cash flows from:					
- operating activities	10,275	9,152	8,135	10,418	8,267
- investing activities	(16,184)	(23,667)	(21,883)	(16,341)	(22,400)
- financing activities	4,000	15,000	16,250	4,000	16,250
Net increase in cash and bank	(1,909)	485	2,501	(1,924)	2,120
Cash and cash equivalents at the beginning of the year	7,346	5,381	4,845	7,404	5,283
Cash and cash equivalents at the end of the year	5,435	5,866	7,346	5,480	7,403

Funding Impact Statement for the year ended 30 June 2014 (whole of Council)

	Annual Report 2013 \$000	LTP Forecast 2013 \$000	LTP Forecast 2014 \$000	Annual Plan Forecast 2014 \$000	Actual 2014 \$000	Variance 2014 \$000
Sources of Operating Funding						
General rates, uniform annual general charges, rates penalties	6,700	6,582	7,200	7,655	7,742	87
Targeted rates (other than a targeted rate for water by meter supply)	19,140	19,132	20,717	19,779	19,752	(27)
Subsidies and grants for operating purposes	1,058	1,174	1,016	1,004	1,245	241
Fees, charges and targeted rates for water by meter supply	6,028	8,464	5,879	6,089	6,007	(82)
Interest and dividends from investments	89	110	99	99	175	76
Local authorities fuel tax, fines, infringement fees, and other receipts	3,780	2,394	2,530	2,737	2,947	210
Total Operating Funding (A)	36,795	37,856	37,441	37,363	37,868	505
Applications of Operating Funding						
Payments to staff and suppliers	29,798	28,523	28,860	29,084	28,463	(621)
Finance Costs	2,060	2,243	3,039	2,901	2,751	(150)
Total applications of operating funding (B)	31,858	30,766	31,899	31,985	31,214	- 771
Surplus (deficit) of operating funding (A - B)	4,937	7,090	5,542	5,378	6,654	1,276
Sources of capital funding						
Subsidies and grants for capital expenditure	1,726	3,724	1,399	2,409	4,191	1,782
Development and financial contributions	784	1,366	1,413	1,366	516	(850)
increase (decrease) in debt	11,669	11,799	3,126	14,000	4,000	(10,000)
Gross proceeds from sale of assets	584	1,418	1,311	1,274	1,403	129
Total sources of capital funding (C)	14,763	18,307	7,249	19,049	10,110	(8,939)
Applications of capital funding						
Capital expenditure						
- to meet additional demand	1,745	1,759	760	1,714	1,051	(663)
- to improve the level of service	11,110	12,186	4,215	11,966	7,756	(4,210)
- to replace existing assets	12,369	11,319	8,551	10,886	7,645	(3,241)
Increase (decrease) in reserves	(5,983)	-	-	(513)	(222)	291
Increase (decrease) of investments	459	133	(735)	374	533	159
Total applications of capital funding (D)	19,700	25,397	12,791	24,427	16,764	(7,663)
Surplus (deficit) of capital funding (C - D)	(4,937)	(7,090)	(5,542)	(5,378)	(6,654)	(1,276)
Funding Balance ((A-B)+(C-D))	-	-	-	-	-	-
Depreciation	11,541	11,828	12,142	11,575	10,708	(867)
Loans						
		External				
		\$000				
Loans as at 1/07/2013		52,750				
Raised during year		15,000				
Repaid During Year		(11,000)				
Loans as at 30/06/2014		56,750				
Interest Expense		2,751				

Explanations for variances: Statement of Comprehensive Income

1. Other Revenue

For a breakdown of other revenue included under this heading refer to explanations of the variations from budgets detailed in the relevant Funding Impact Statements included in the Full Annual report.

Explanations of significant variances between the Council's Actual results and the Council's Budget for 2013-14.

Revenue

A breakdown of the revenue included under this heading is provided in Note 2 of the full Annual Report. Explanations of the variations from the budgets in the relevant Funding Impact Statements included in Section C of this report are also detailed in the full Annual Report. Further explanation follows:

Subsidy Income – This is higher than budget due to the delays in the finalisation of the projects for Shannon water and wastewater. The subsidy received for Foxton Water was greater than expected.

Other Income – Higher than budget due to a number of unbudgeted miscellaneous recoveries in a number of activities.

Vested Assets – Less than anticipated due to little subdivision activity in the year.

Development Contributions – Lower than budgeted due to decreased subdivision activity in the year.

Gain in Fair Value (Forestry) – There was no budgeted amount due to the volatility of the forestry markets which have shown a recent up-turn.

Gain on Disposal of Assets – Less than anticipated due to fewer sales of the Forbes Road subdivision properties. Gains on those properties sold, were not as high as anticipated due to slow property market conditions

2. Other Expenditure

Employee Benefit Expenses – Lower than budget as Governance salaries were included in the budget but for clarity, are now shown in Other Expenses.

Loss on Disposal of Assets – The unbudgeted loss on sale was due to the sale of a property for removal.

Loss on Revaluation of Commercial Land and Buildings – Reflects the lower market value as a result of the recession. No budget was prepared for this.

Other Expenses – A breakdown of the expenditure included under this heading is provided in Note 5 and explanations of the variations from the budgets are detailed in the relevant Funding Impact Statements included in Section C in the full Annual Report.

Depreciation and Amortisation – This is less than budgeted overall. Depreciation was reduced as a result of a new Roding Valuation by \$1.018M; there were smaller increases as with the introduction of a new software program, depreciation is now charged immediately on new assets.

Increase in Landfill Provision – Because of the difficulty of prediction, no budget is generally set for this. Each year the provision is calculated: based on the closure costs at the time and aftercare cost for the Levin landfill.

Finance Costs – Reduced costs due to lower interest rates (Actual 5.32% vs Budget 5.50%) repayment of higher interest rate loans and lower borrowing than budgeted due to lower capital expenditure spending.

3. Other Comprehensive Income

For details of the valuation differences see the Variance explanations on the Consolidated Statement of Financial Position, under the Non-current Assets heading.

Explanations for variances: Statement of Financial Position

4. Current Assets

Cash and Cash Equivalents and Other Financial Assets – Other financial assets is above budget as this includes \$350K held on behalf of the Shannon Community Trust. Cash and cash equivalents are below budget by the same amount.

5. Non-Current Assets

Non-current Assets Held for Sale – This consists of the expected sale of the Forbes Road subdivision land and buildings, and the buildings and improvements at Foxtan Beach Holiday Park. The figure is greater than budgeted because two show homes were built on the Forbes Road subdivision to facilitate sales. See Note 10 in the full Annual Report for further details of the assets for sale.

Non-current Assets – Valuations of the Council's land and buildings, restricted assets and infrastructural assets were carried out at 30 June 2014. This resulted in reductions in the value of Roading Assets (\$70M), Land (\$1.3M), Buildings (\$1.6M), and Stormwater (\$311K). Roading valuations have reduced because of the refining of cost structures to reflect the contour of the roads; and as the districts roads are mainly on flat land this reduced the cost markedly. The land and buildings reduction reflected the decline in commercial property. Further information on the valuation can be found in Note 11 in the full Annual Report.

Restricted assets (\$1.9M), Water (\$4.5M), Wastewater (\$1.8M) and Solid Waste (\$606K) assets all had increases overall.

Investments in CCO's and other similar entities are above budget due to holding LGFA borrowers notes (\$551K).

6 and 7. Liabilities

Borrowings – These are below budget by \$11M due to having a higher cash balance than planned at 01/07/2013 (\$1.965M), and lower capital expenditure (\$8.2M) – because of delays in various projects.

Revaluation Reserves – Lower by \$100M because of the revaluation effects detailed above.

Key Performance measures

Full details of all key performance measures are in the 2013/14 Annual Report.

Environmental Services

District Planning

- A total of 138 applications were accepted, being 38 subdivision consents, 85 land use consents and 15 other RMA applications have been approved and processed within the statutory time frames and budget. A total of 93 monitored consents, in which 39 complied, and there were 54 warnings issued.
- 32 complaints were received with all complaints of non-compliance with the District Plan were responded in two working days.

Liquor, Food Safety and Health and Safety Licensing

All licensed premises are monitored to ensure full compliance with the Sale of Liquor Act and License conditions. As at 30 June 2014 there were 76 licensed premises. All premises have been inspected.

- A Controlled Purchase Operation (CPO) in conjunction with Police and Public Health partner agencies was conducted on 6th December 2013 on 13 "off Licence" premises with one enforcement action, and 2 May 2014 on 15 "off Licence" premises, all complied.

Compliance with Food Safety legislation is monitored and enforced in all relevant premises. Monitoring is undertaken by an inspection and/or audit process of 154 registered premises.

- All food premises are graded annually – 131 A Grade, 17 B Grade, 1 Ungraded, 4 New, 1 grade not required.
- A noise complaint service has been provided. There have been 2,298 complaints, resulting in 354 verbal directions being given, 198 Noise Abatement Notices being issued, and there were 13 equipment seizures. Police assistance has been required on 30 occasions and 2 Infringements were issued.

Building Control

- Council is an accredited Building Consent Authority (BCA). The last assessment was held 16-18 April 2013 and the BCA received reassessment without receiving any Corrective Action Requirements. This is the second time assessed with no corrective actions required since last accreditation being in 2009. The next BCA accreditation assessment is due in 2015/16.
- 554 building consents were granted all being processed within 20 working days.
- 2,742 inspections were booked with all (100%) conducted at the agreed booked time. A new booking system was implemented partway through the financial year resulting in more accurate booking numbers recorded. Between July-November, using the old booking system, there were 1,090 bookings. Between December-June there were 1,652 bookings using the new system.
- There were 439 CCC Applications received, with all issued within 20 working days
- Currently they are 190 Pools on the Register with 89 (46.8%) inspections carried out in the year.
- 335 Building warrant of Fitness are on the Register. 41 renewed at 30 June 2014.
- 94 Earthquake-Prone Buildings are on the Register.

Animal Control

- As at 30 June 2014, there are 6,239 dogs which have been registered. 405 infringement notices have been issued to owners of dogs.
- Dog classifications: Dangerous = 20, Menacing by Breed = 188, Menacing by Deed = 65
- Owners of known errant dogs will be prosecuted where appropriate. There are currently one probationary dog owner and one disqualified dog owner. There were 8 stock impounding's and 619 dog impounding's.

Parking Enforcement

- Parking enforcement was conducted each working day.

Parks and Recreation

Sports Grounds

- As at 30 June 2014, all sports fields were available for 95% of the time for planned/normal use.

Aquatics

- Number of participants in learn to swim classes per school term exceeded 400 with 410 participants for Term 2 2014.
- The Annual Customer Satisfaction Survey was undertaken in July 2014, and the results have yet to be analysed.
- The Levin and Foxton pool is 100% compliant. Both pools have received Pool Safe Accreditation for March 2014 to April 2015 for the following:
 - Health and Safety
 - Pool Alone policy
 - Water quality/Cryptosporidium
 - Supervision standards and training
 - Emergency Action Plan
- Number of users of the Council pools in the district:
 - Levin 126,253
 - Foxton 8,402
 - Shannon 608

Cemeteries

- All arrangements and interments were carried out in a timely manner. There have been no complaints in the year.

Roading and Stormwater

Roads

- 87% of urban roads meet the NAASRA smoothness rating of 100 (target for 2013/14 was 91%).
- 95% of rural roads meet the NAASRA smoothness rating of 100 (target for 2013/14 was 91%).
- Amount of defects in sealed surface with a target of 99% Urban/99% Rural roads. This relates to the networks Surface Condition. In 2013/14 percentages achieved were 99.2% of urban roads and 98.6% of rural roads. The higher the number the better the condition of the road.
- Integrity of pavement target of 99% Urban/99% Rural roads. This relates to condition of the pavement. In 2012/13 percentages achieved were 96.4% Urban Roads and 93.3% Rural Roads. This target was not achieved. The survey was performed by Briken Ltd in January 2014 and covered half of the district. The other half of the district will be done in 2014/2015.
- 100% of calls relating to weather events were responded to within 30 minutes to the contractor.
- 25km of roading resealing was completed in the year. Work was carried out in the district to maintain footpath safety during the year such as renewals due to injury or safety concerns, misalignment of footpath concrete sections, pedestrian ramps from footpath to the road, holes and other damage across the district.

Stormwater drainage

- A Stormwater Management Strategy was to be developed and adopted, but this was not achieved. However it is expected to be completed in 2014/15.
- As at 30 June 2014, there is 100% compliance with three consents held, which were received in 2008 and 2009, being:
 - 104442 – Construction and use of stormwater discharge structure
 - 104795 – Disturbance of sand dunes for construction of stormwater discharge structure
 - 104223 – Discharge of stormwater to water (Manawatu River) – not currently used
- The Annual Customer Satisfaction Survey was undertaken in July 2014, and the results have yet to be analysed.

Water Supply

- Compliance with appropriate Drink Water Standards for New Zealand 2005 (revised 2008) bacterial compliance criteria. The target 99% was achieved regarding compliance.
 - Levin – we have not fully complied with the drinking water standard due to lack of treatment for the Protozoa. However, complied fully with the LTP target and all practicable measures were taken to ensure compliance with Drinking Water Standards New Zealand as assessed by the Drinking Water Assessor.
 - Foxton – the upgraded Foxton water supply has been fully compliant with Drinking Water Standards New Zealand for part of the year (March to June 2014) as assessed by the Drinking Water Assessor. A Project completion report was issued to the Ministry of Health in May 2014.
 - Foxton Beach – the upgraded Foxton Beach water supply has been fully compliant with Drinking Water Standards New Zealand for the year 2013/14 as assessed by the Drinking Water Assessor.
 - Shannon – the new Shannon treatment plant was commissioned in December 2013 and has been fully compliant with Drinking Water Standards New Zealand for part of the year (February to June 2014) as assessed by the Drinking Water Assessor.
 - Tokomaru – we have not fully complied with the drinking water standard due to lack of treatment for the Protozoa. However, complied fully with the LTP target and all practicable measures were taken to ensure compliance with Drinking Water Standards New Zealand as assessed by the Drinking Water Assessor.
- Compliance with appropriate Drink Water Standards for New Zealand 2005 (revised 2008) Protozan compliance criteria. Foxton Beach water supplies were fully compliant for the year. Foxton and Shannon water supplies were fully compliant for the second half of the year. All practicable steps have been undertaken to ensure compliance for Levin and Tokomaru water supplies.
- There were a total of 20 shutdowns in the period with the maximum shutdown being 2.25 hours. The main reason for shutdowns, were burst pipes which have been replaced or scheduled for replacement.
 - Levin – 13 shutdowns
 - Shannon – 6 shutdowns
 - Foxton Beach – 1 shutdown
- The actual results for the performance measure of all urban fire district fire hydrants tested will provide flows in accordance with the NZ Fire Service Fire Fighting Water Supplies Code of Practice SNZ 4509.2003. Tests have been carried out on 1,413 fire hydrants, of which 1,017 (72%) had flows at or above 25 litres per second.
- As at 30 June 2013, 100% of water takes complied with consent limits of Health (DW) Amendment Act 2007.
- As at 30 June 2014, 100% of water takes complied with resource consent limits. There are ten water take consents. This does not include consents for park bores as this is not under Water activity.

Wastewater Disposal

- The performance measure of 99.5% of connected properties being protected from system related overflows during the year was achieved. Of the 11,488 properties connected, 81 properties were affected by overflow. This gives a percentage of 99.3% of properties were unaffected. The types of blockages reported were commonly fat and other materials, roots, sand, collapsed pipe and unknown causes of overflow.
- Council through the resource consent conditions provides compliance data to Horizons on a frequent basis. The Levin, Shannon and Waitarere wastewater consents require preparation and presentation of Annual Compliance Reports.

The following consent were assessed by Horizons Regional Council and complied.

- 102220 – Waitarere – Discharge to Land
- 102249 – Foxton Beach Discharge to Land
- 103925 & 103926 – Foxton – Discharge to Water and Discharge to Land
- 6920 – Levin – Discharge to Air
- 6624 – Levin – Discharge to Land
- 103285 – Levin – Discharge to Air
- 6921 – Levin – Discharge to Air

The following consents were assessed by Horizons Regional Council and were assessed non-compliant:

- 101227 & 101228 – Tokomaru – Discharge to Land and Water
- 6610 – Levin – Discharge to Land
- Wastewater Asset management Plan provides a 20 year planning horizon and is reviewed on a three yearly basis. This was held over to be reviewed as part of the LTP.
- The Annual Customer Satisfaction Survey was undertaken in July 2014, and the results have yet to be analysed

Solid Waste Management

Landfill

- Council provides compliance reports to Horizons quarterly as well as an annual comprehensive compliant. Consent complied for the following:
 - Consent 7289 discharge to liquate waste to land. Currently there is no liquid waste being discharged to land.
 - Consent 6009 discharge solid waste to land.
 - Consent 6010 discharge lechate to land.
 - Consent 6012 divert stormwater.
 - Consent 102259 discharge to land.
 - Consent 106129 discharge to air, expired.

Recycling

- The 2,295 tonnes of recycling material received for the year exceeded the target of 2,000 tonnes.
- Kerbside Recycling service is offered to 95.3% of survivable household in the district.
- Council has over 13,000 recycling creates in service throughout the district and collects on average 6,700 rubbish bags per month.

All Solid Waste

- As at 30 June 2014, the average person diverted 80.91kg of recycling and the average person disposed of 33kg of rubbish.
- Waste Education being successfully carried out in Schools throughout the District.

Community Support

Emergency Management and Rural Fires

- In excess of five media messages promoting preparedness for an emergency were made to residents and ratepayers during the year. All media messages were viewable on the Horowhenua District Councils website – <http://www.horowhenua.govt.nz/>

Marketing

- The target of eleven monthly Council newsletters to be published each year was not achieved. Six Community Connections were published and distributed to 23,000 ratepayers and residents.

Tourism and Economic Development

- The Economic Development Strategy has commenced. Portfolio based initiatives have been developed, and wide ranging actions are currently being implemented. Quarterly update results from Infometrics show that economic conditions in Horowhenua are improving across many key areas.

Properties

Halls

- The Levin Memorial Hall was used 296 times during the period, equating to 5.69 times per week. The target of seven times per week was not achieved. Foxton Memorial Hall was used 113 times during the period, equating to 2.17 times per week, and Shannon Memorial Hall used 222 times, equating to 4.27 times per week. This exceeded the target of at least twice per week.

Residential Housing

- There has been 97.31% occupancy during the period of available pensioner accommodation.

All Property

- All HDC owned buildings with Compliance Schedules have current Building Warrant of Fitness. This means all specified systems including fire alarms have been maintained and inspected in accordance with the compliance schedule. This meets the requirement of the Building Act 2004.

Representation and Governance

- Local body elections were held in October 2013.
- The Annual Plan adopted by Council on 4 June 2014
- An unqualified 2012/13 Annual Report adopted by Council on 6 November 2013.

Events after Balance Sheet date

There were no events after the balance sheet date

Capital Commitments and Operating Leases

Capital expenditure contracted at balance date for (but not yet incurred for) property, plant and equipment

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000	Group Actual 30 June 2014 \$000	Group Actual 30 June 2013 \$000
Capital commitments				
Shannon Water Treatment Plant	993	1,997	993	1,997
Levin Water Reticulation Renewals	111	-	111	-
Levin Rising Main and New Pump House	-	1,397	-	1,397
Levin Wastewater Reticulation Renewals	776	-	776	-
Total	1,820	3,394	1,820	3,394

Refer to Note 14 in the full Annual Report for capital commitments for investment properties.

Operating leases as Lessee

HDC leases property, plant and equipment in the normal course of its business. The majority of these leases have a non-cancellable term of 36 months. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

Non-cancellable operating leases as Lessee	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000	Group Actual 30 June 2014 \$000	Group Actual 30 June 2013 \$000
Capital commitments				
Less than one year	333	497	340	504
Later than one year but not more than five years	152	424	152	434
Later than five years	-	-	-	-
Total non-cancellable operating leases	485	921	492	935

Leases can be renewed at HDC's option, with rents set by reference to current market rates of equivalent age and condition. HDC does have the option to purchase the asset at the end of the lease term.

There are no restrictions placed on HDC by any of the leasing arrangements.

Operating leases as lessor

HDC leases its investment properties, Foxton Beach endowment land and other property under operating leases. The majority of the investment and endowment property leases are leases in perpetuity and therefore non-cancellable; the majority of the other leases are cancellable. The future aggregate minimum lease payments to be collected under non-cancellable operating leases are as follows:

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000	Group Actual 30 June 2014 \$000	Group Actual 30 June 2013 \$000
Capital commitments				
Less than one year	961	865	961	865
Later than one year but not more than five years	1,892	1,625	1,892	1,625
Later than five years	1,483	1,613	1,483	1,613
Total non-cancellable operating leases	4,336	4,103	4,336	4,103

Figures for later than five years are impracticable because most of the leases are in perpetuity. The total annual lease amounts are expected to be at least those indicated above.

No contingent rents have been recognised in the statement of financial performance during the period.

CONTINGENCIES

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000	Group Actual 30 June 2014 \$000	Group Actual 30 June 2013 \$000
Guarantees	37	42	37	42
Government Grant	5,219	5,219	5,219	5,219

Guarantees

The value of guarantees disclosed as contingent liabilities reflects HDC's assessment of the undiscounted portion of financial guarantees that are not recognised in the Statement of Financial Position. See Note 17 in the full Annual Report. Provisions for information on recognised financial guarantees. The maximum financial exposure the Council is open to is \$65,000.

Government grant

The value of Government grants disclosed as a contingent liability is the sum of what is notionally an interest-free, suspensory loan from Housing NZ, but is for all practical intents and purposes a grant. The sum advanced is part of a \$10M programme for the construction and modernisation of HDC's flats for the elderly. The sums advanced are repayable, with interest, primarily in the event of HDC selling the flats within 20 years and are registered as mortgages over the relevant properties. Currently HDC has no intention of selling the flats.

Contingent Liability

Horowhenua District Council obtained public liability and professional indemnity insurance cover from New Zealand Mutual Liability Risk Pool. The Council has now withdrawn from the Risk Pool. Risk Pool operates as a mutual fund where each member makes an annual contribution to obtain cover; however should claims exceed contributions then calls can be made on the members of that fund year for the shortfall amount. Risk Pool have advised that further calls may be made to the Council for past pool periods. Horowhenua District Council has budgeted monies in its current LTP to cover these calls.

The site of the Foxton Mitre 10 building is included in the designs for the new Te Awahou Nieuwe Stroom facility. The Mitre 10 building is partly constructed on land owned by neither Mitre 10 nor Horowhenua District Council (HDC). HDC has applied to the Māori Land Court for relief from this encroachment. The Owners remain committed to reaching a negotiated outcome to this matter. The maximum potential liability for HDC is \$20,000 and a piece of land, being a purchase negotiated with the Owners

Horowhenua District Council is a guarantor of the New Zealand Local Government Funding Agency Limited (NZLGFA). The NZLGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poor's of AA+.

Horowhenua District Council is one of 30 local authority shareholders and 8 local authority guarantors of the NZLGFA. In that regard it has uncalled capital of \$100K. When aggregated with the uncalled capital of other shareholders, \$20M is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Horowhenua District Council is a guarantor of all of NZLGFA's borrowings. At 30 June 2014, NZLGFA had borrowings totalling \$3,728M (2013: \$2,475M).

Financial reporting standards require Horowhenua District Council to recognise the guarantee liability at fair value. However, the Council has been unable to determine a sufficiently reliable fair value for the guarantee, and therefore has not recognised a liability. The Council considers the risk of NZLGFA defaulting on repayment of interest or capital to be very low on the basis that:

- We are not aware of any local authority debt default events in New Zealand; and
- Local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Building Act Claims

The Building Act of 2004 imposes certain obligation and liabilities on local authorities in respect to the issue of Building Consents and inspections of work done.

HDC has one claim with the Weathertight Homes Resolution Service (WHRS claim 06649). This claim has been accepted as valid and will be liable for 25% of the value of repairs; being \$14,237. HDC is not expected to be covered under its insurance policies. HDC is also exposed to potential claims which have not been advised. The amount of these claims and any potential liability are not able to be reliably measured and are therefore not quantifiable.

Contingent assets

Third parties including sports clubs and community groups are able to construct facilities (e.g. club rooms) on HDC owned land. The third parties control the use of these facilities and HDC will only gain control of the asset if the third party vacates the facility. Unless, and until, such event occurs these assets are not recognised as assets in the Statement of Financial Position. As at 30 June 2014 there were 24 facilities having an approximate value of \$8,020M (2013: 24 facilities, \$8,020M). This estimate has been based on district rating valuations

HDC also has a contingent asset in the land sold to the Foxton Medical Trust, which, should the Foxton Medical Trust sell the land, the market value of the land at transfer time is repayable.

Related party Transactions

Te Horowhenua Trust (formerly Horowhenua Library Trust)

In 1996 Council set up the Horowhenua Library Trust (HLT).

The primary objective of HLT is the delivery of library services on behalf of the Council.

HLT is considered to be a Council Controlled Organisation under the Local Government Act 2002. A description of the library activities and comparisons between the actual performance and the Key Performance measures set out in the LTP 2012-2022 is contained in Section 01 under the Community Support Group of Services, in the full Annual Report.

Manawatu/Wanganui Local Authorities Shared Services Ltd

This Company was set up in 2008 by seven local Councils to investigate the possibilities of economies of scale by joint procurement.

To date there has been one call on share capital and the company is now trading. Horowhenua District Council owns one seventh or 14% of this Company and has a \$1,000 share capital.

The Company is considered to be a Council Controlled Organisation under the Local Government Act 2002 but the member Councils have resolved that it is exempt for the purposes of Section 6(4)(i) of that Act for 2010/11, 2011/12, 2012/13 and 2013/14.

The following transactions were carried out with related parties:

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000
Te Horowhenua Trust		
Grant received from Council	1,500	1,350
Contract income provided by HDC to Te Horowhenua Trust	214	90
Other Grants and Income received by Te Horowhenua Trust from HDC	68	26
Other Services to Te Horowhenua Trust from HDC	77	32
Accounts payable to Te Horowhenua Trust	1	-
Accounts receivable by HDC	7	-
Payment for services provided by HDC	79	-

The Council does not receive rental payments from the Te Horowhenua Trust for the building Te Takere occupies and the Council owns.

Manawatu/Wanganui Local Authorities Shared Services Ltd

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000
E-Road Hardware	9	-
Regional Archives Project	59	60
Benchmarking Project	4	-
Valuation services and share of fixed charges	5	11
Consultant expenses share	6	1

Key management personnel

During the year key management personnel (the mayor, councillors and senior managers) were involved in minor transactions with HDC (e.g. payment of rates, purchase of rubbish bags, and registration of dogs) as part of a normal customer relationship. In addition the following transactions were conducted with key management personnel:

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000
Canvasland Holdings Ltd (in which Mayor B Duffy is a shareholder) Expenditure incurred in the year ended 30 June 2014	11	13
Canvasland Sunshades Ltd (in which Mayor B Duffy is a shareholder) Expenditure incurred in the year ended 30 June 2014	1	1

No provision has been required, nor any expense recognised, for impairment of receivables for any related party (2013: nil)

Key Management Personnel Compensation

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000
Salaries and other short-term employment benefits	1,445	1,325
Post-employment benefits	-	11
Other long-term benefits	-	-
Termination benefits	-	-
	1,445	1,336

For the purposes of this table 'Key Management Personnel' comprise the Chief Executive Officer and other Senior Executives and the Mayor and Councillors.

	Council Actual 30 June 2014
Council Employees	
Total annual remuneration by band for employees as at 30 June	
<60,000	80
\$60,000 - \$79,999	23
\$80,000 - \$99,999	11
\$100,000 - \$119,999	6
\$120,000 - \$240,000	5
Total Employees	125

	Council Actual \$ 2013
<60,000	68
\$60,000 - \$79,999	22
\$80,000 - \$99,999	14
\$100,000- \$220,000	7
Total Employees	111

At balance date, the Council employed 86 (2013: 90) full-time employees, with the balance of staff representing 21 (2013: 14) full-time equivalent employees. A full-time employee is determined on the bases of a 40-hour working week.

Insurance of Assets

	Council Actual 30 June 2014 \$000	Council Actual 30 June 2013 \$000
Total value of assets covered by insurance contracts	92,402	94,652
Maximum amount of insurance	166,033	146,172
Total value of assets covered by financial risk sharing arrangements	126,993	119,446
Maximum amount available under those arrangements	118,481	110,081
Total value of assets that are self-insured	258,258	322,871
The value of funds maintained for that purpose	-	-

It is anticipated (but cannot be guaranteed) that under the terms contained in the Guide to the Civil Defence Emergency Plan, central government may fund 60% of the qualifying cost of reinstating essential infrastructure assets in the event of a major disaster.

Replacement Cost of Infrastructural Assets

	Council Actual 30 June 2014 \$000
Waste Water Treatment	34,085
Water Other	80,231
Water Treatment	27,082
Wastewater Other	112,649
Stormwater	45,113
Solid Waste	7,670
Roading	300,973
	<u>607,803</u>

Benchmarks Disclosure Statement For the year ending 30 June 2014

The purpose of this statement is to disclose the Council's financial performance in relations to rates affordability, debt affordability, balanced budget, essential services, debt servicing, debt control, and operations control.

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

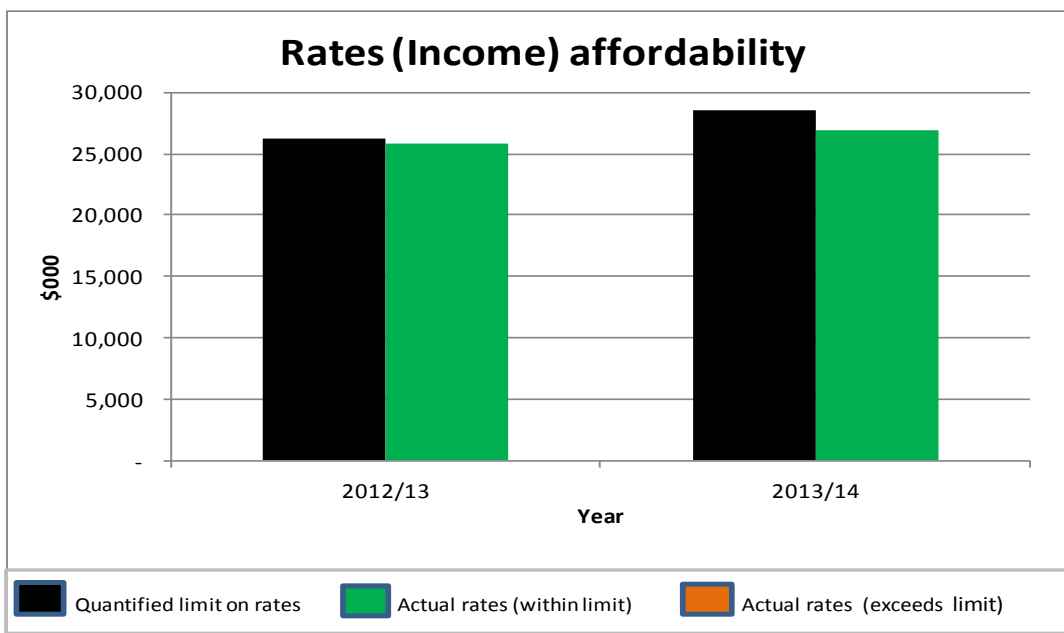
Rates Affordability Benchmarks

The Council meets the rates affordability benchmark if it's:

- Actual or planned rates income for the year equals or is less than each qualified limit on rates; and
- Actual or planned rates increases for the year equal or are less than each qualified limit on rates increases.

Rates (Income) affordability

The following graph compare the Council's actual rates income for 2012/13 and 2013/14 years with a quantified limit on rates contained in the Financial Strategy included in the Council's Long-Term Plan 2012-2022. All limits are based on the previous years' actual rates income adjusted for the projected maximum rates increase noted in Rates Increases Affordability benchmark. The quantified limit in the 2012-2022 Long-Term Plan is \$26,216,000 (2012/13) and \$28,465,000 (2013/14).

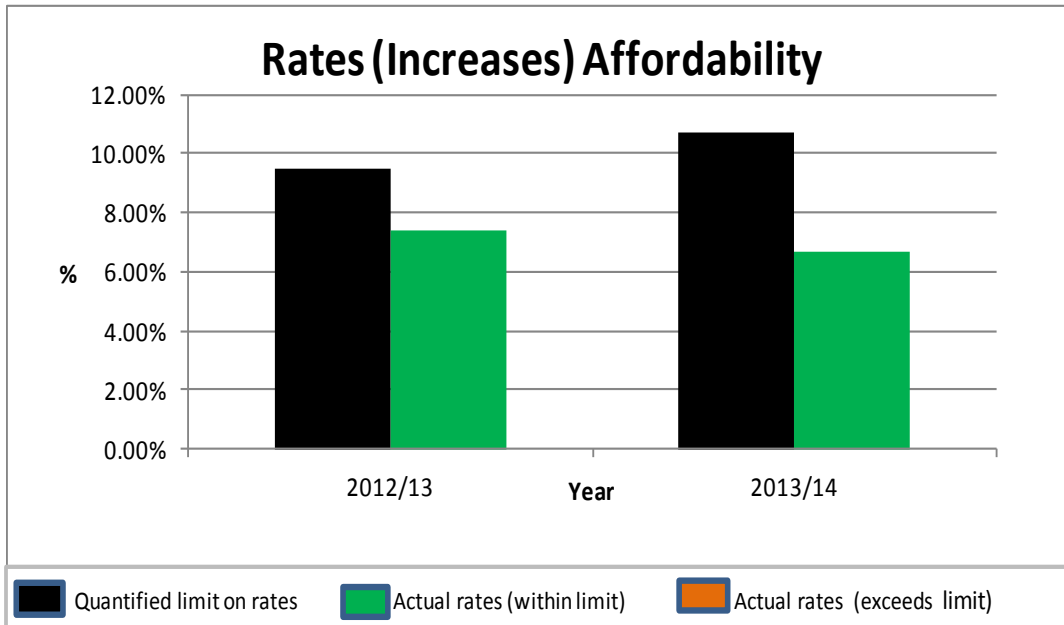


Rates Increases Affordability

The following graph compares the Council's actual rate increase for the 2012/13 and 2013/14 years with a quantified limit on rates increases contained in the Financial Strategy included on the Council's Long Term Plan 2012-2022. The Financial Strategy was adopted in the Long Term Plan 2012-2012 therefore no comparatives are available for 2011/12 2010/11 and 2009/10.

The quantified limits are as follows:

- 2012/13 9.50%
- 2013/14 10.70%



Debt Affordability Benchmark

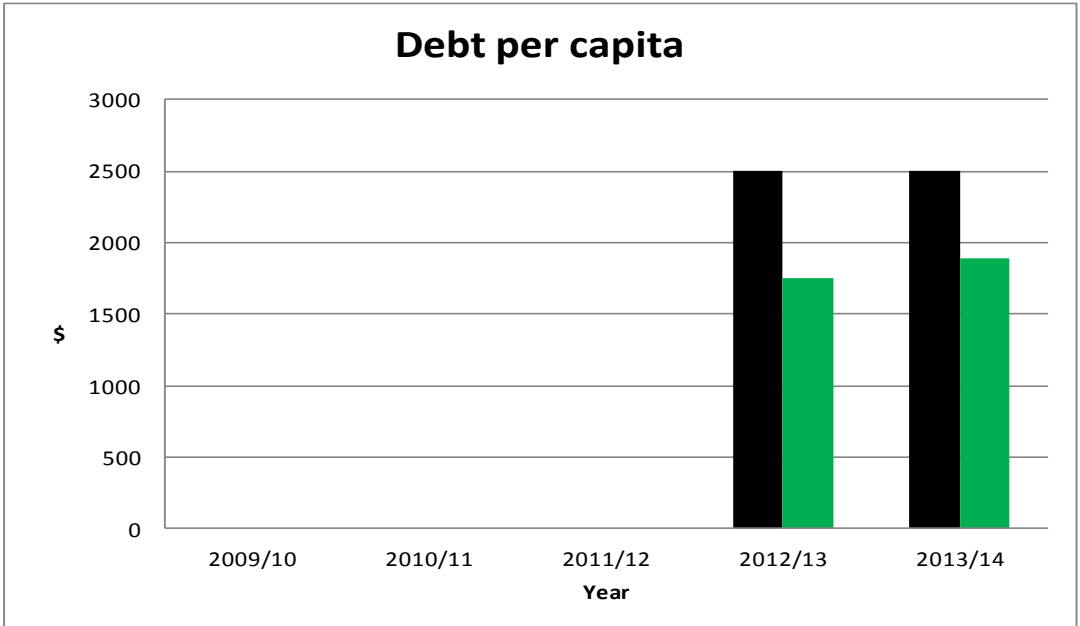
The Council meet the debt affordability benchmark for a year if actual or planned borrowing for the year is within each quantified limit on borrowing.

The Council quantified limits on borrowing are found in Liability Management Policy in the Long Term Plan 2012-2022 for 2012/13 and 2013/14. The three previous year limits are found in the Liability Management Policy in the Long Term Council Community Plan 2009-2019. These limits are decided on by Council. Where previous years are not shown it indicated a quantified limit had not been set at that time.

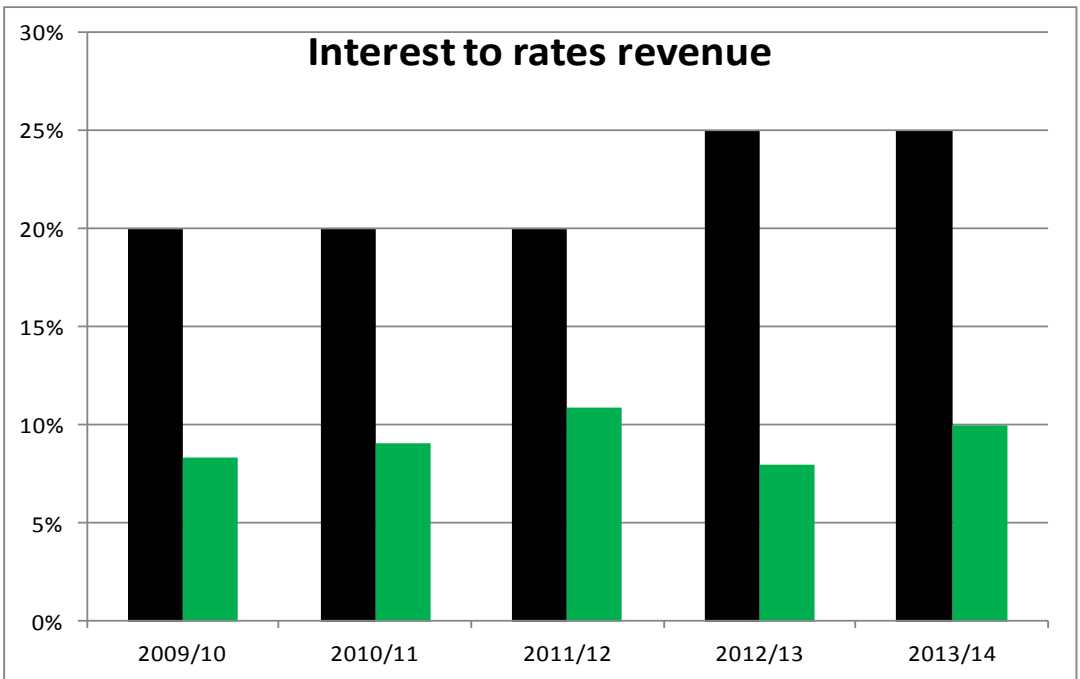
The limits are as follows:

- Debt per capita shall not exceed \$2,500.00
- Gross annual interest costs debt will not exceed 25% of total rates revenue
- Total debt as a percentage of total assets will not exceed 15%

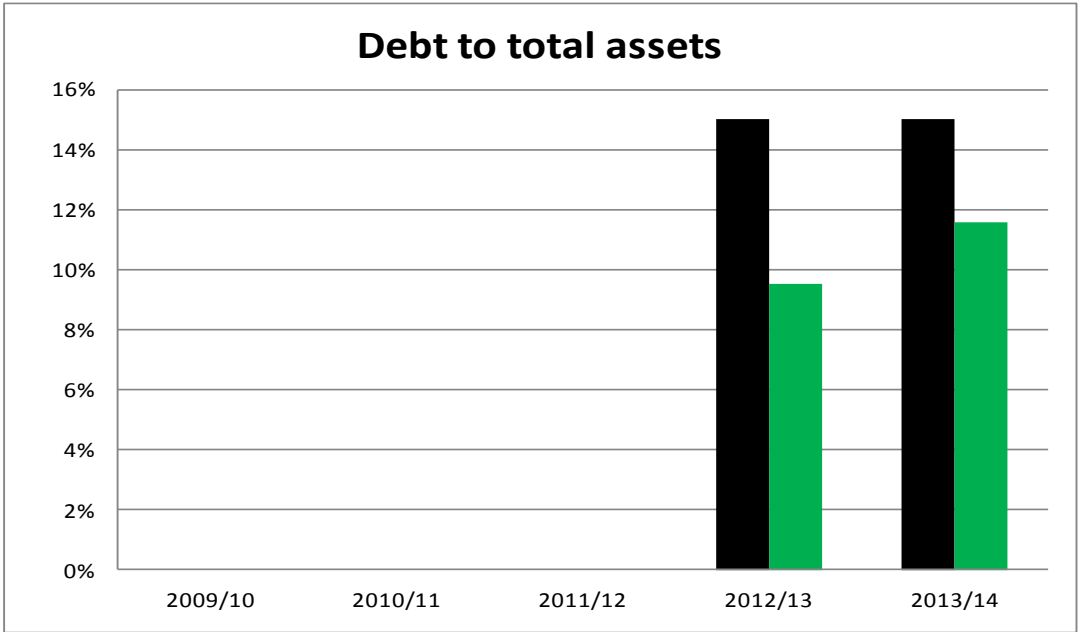
The following graph compares the Council's gross debt divided by the total population of the district to provide a per capita outcome.



The following graph compares the Council's Gross annual interest cost as a proportion of annual rates income.



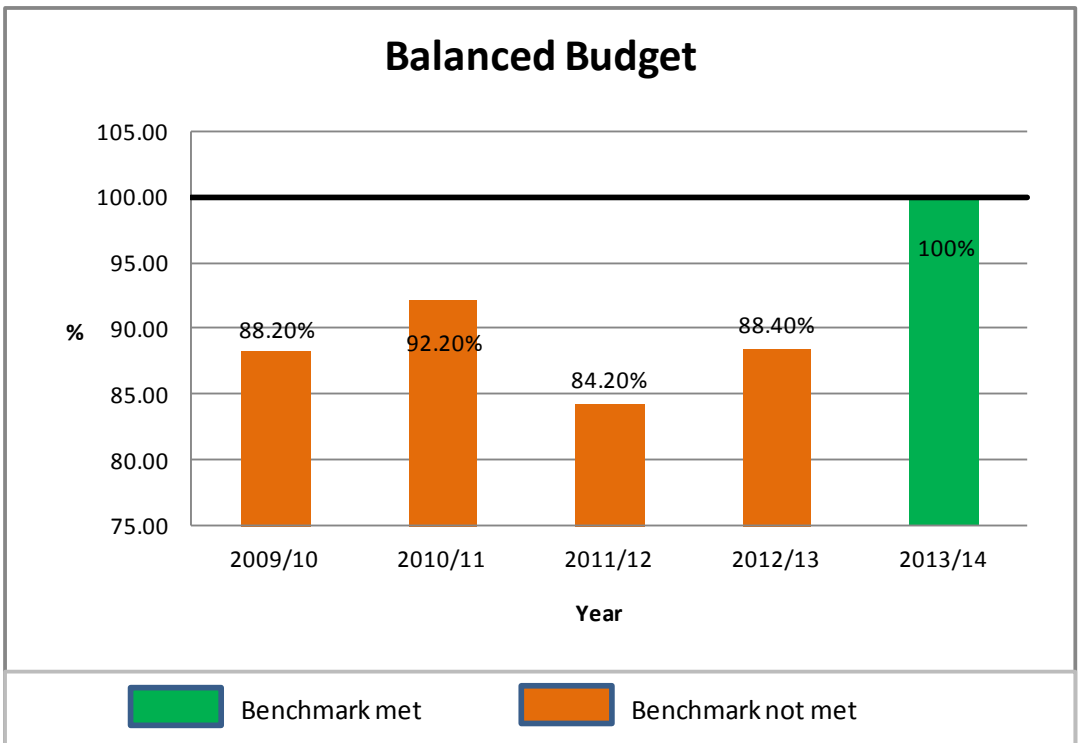
The following graph compares the Council's total debt divided by the total assets excluding trade and other receivables.



Balanced Budget Benchmark

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

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



Explanation on Balanced Budget Benchmark

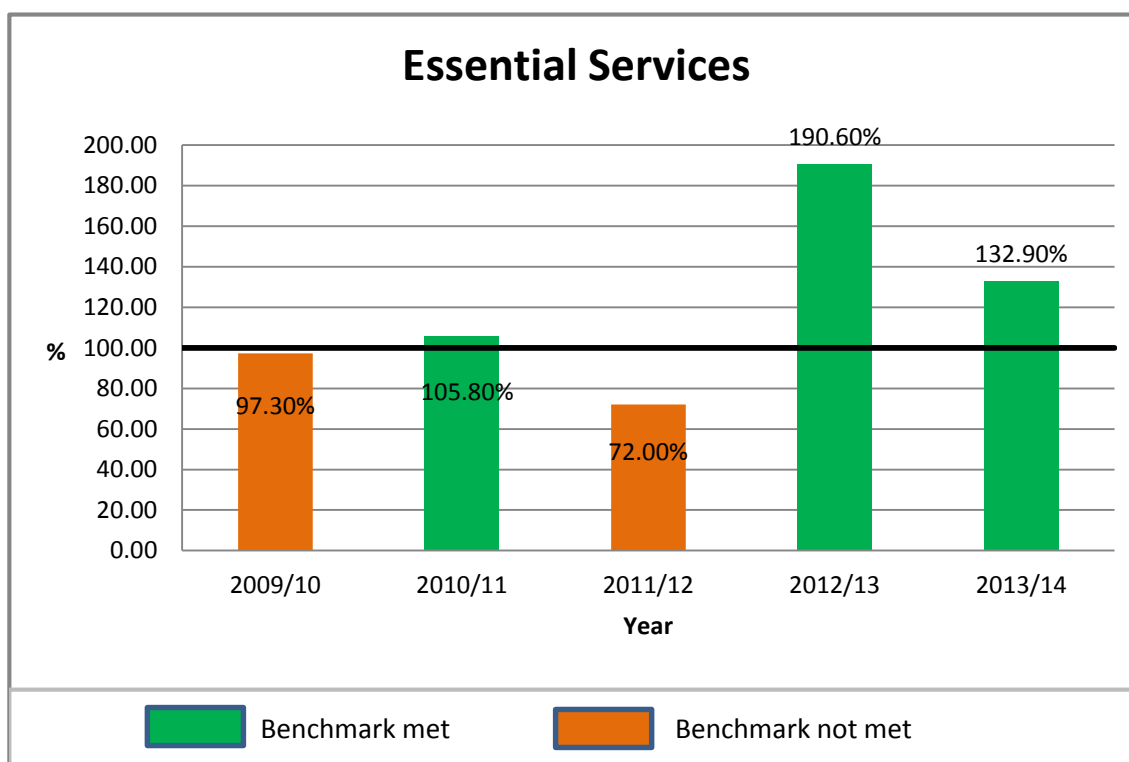
In order to keep the level of rate increases to an affordable level, Council has, for some years, not been fully funding depreciation. Funding depreciation creates a reserve to cover the cost of replacing Council's assets, especially infrastructural assets. Under funding this reserve is possible only in the short-term. Council has been progressively increasing the funding of depreciation since the 2009/10 financial year with the view of fully funding depreciation by the 2019/20 financial year. The major cause of Council's above inflation rate increases has been the need to increase depreciation funding. The underfunding of depreciation is the major reason for Council not meeting this benchmark.

Essential Services Benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. Capital work includes both renewals of existing infrastructure and new capital works undertaken.

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

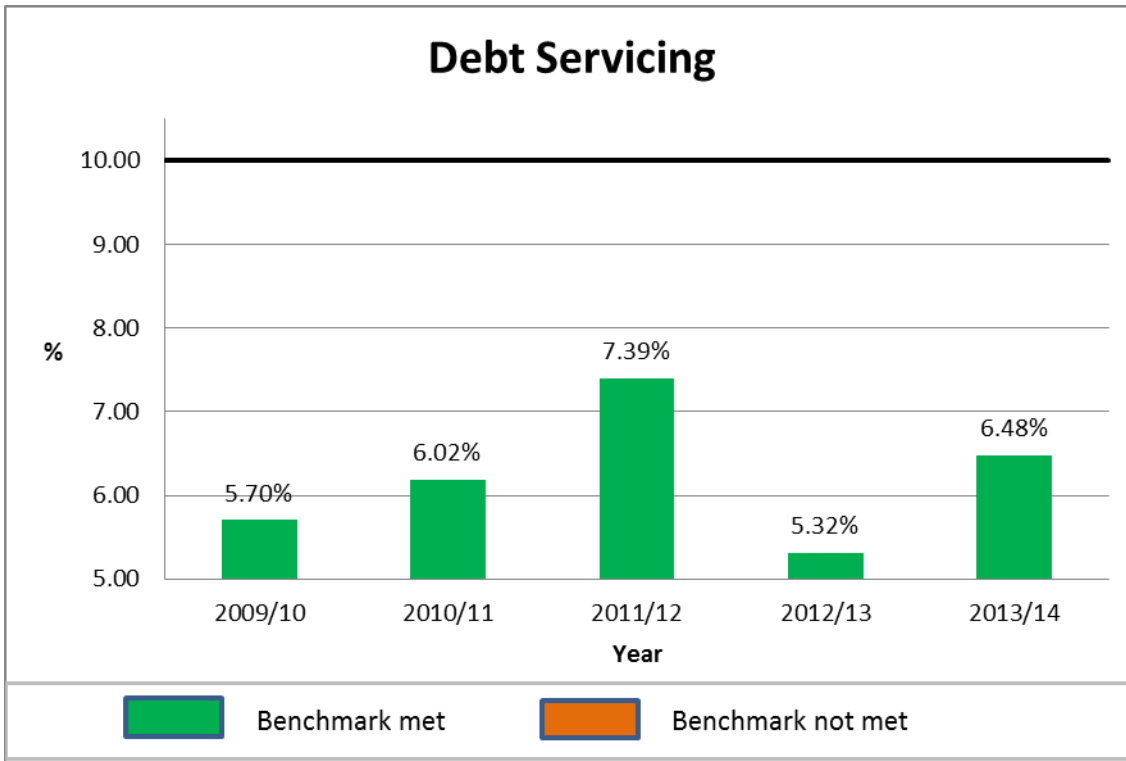
Network services is defined in the regulations as infrastructure relating to water supply, sewage and the treatment and disposal of sewage, storm water drainage, flood protection and control works and the provision of roads and footpaths. The Council owns no infrastructure relating to flood protection and control work.



Debt Servicing Benchmark

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

Because Statistics New Zealand projects the Council's population will grow more slowly than the national population growth rate it meets the debt control benchmark if its borrowing costs are equal or less than 10% of its revenue, (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant or equipment).

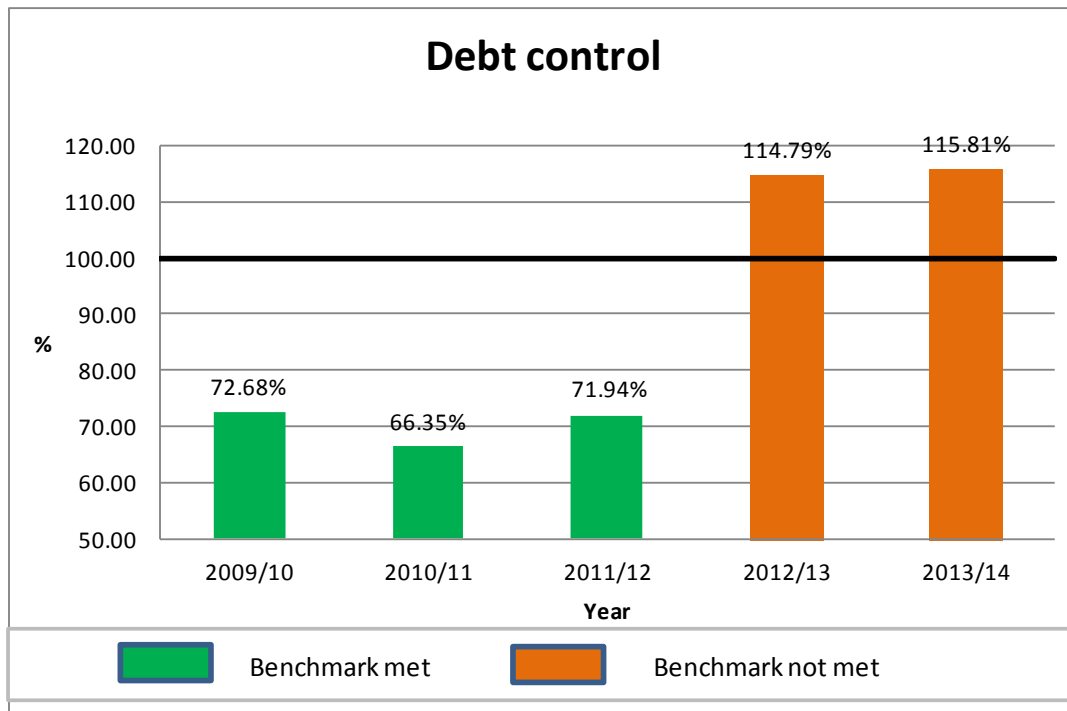


Debt Control Benchmark

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

The Council meets the debt control benchmark if its actual net debt is less than or equal to the net debt planned for the year in its long term plan.

This benchmark has used the projected debt levels in 2009-2019 Long Term Council Community Plan 2009-2019 for the first three years and the Long Term Plan 2012-2022 for 2012/13 and 2013/14.



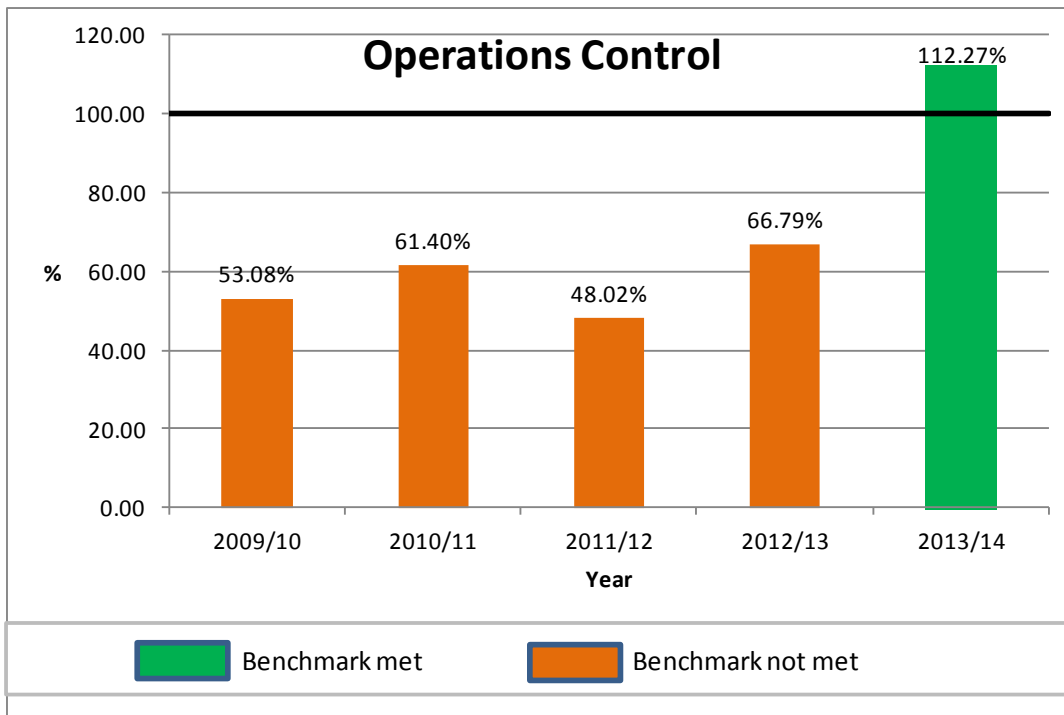
Explanation on Debt control Benchmark

The reason for not meeting the benchmark in the 2012/13 and 2013/14 financial years is due to the purchase of the land for the Shannon wastewater treatment project. Council purchased this property ahead of when it was programmed to take advantage of the property coming on the market.

Operations Control Benchmark

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

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



Independent Auditor's Report

To the readers of Horowhenua District Council and group's summary annual report for the year ended 30 June 2014

The summary annual report was derived from the annual report of the Horowhenua District Council (the District Council) and group for the year ended 30 June 2014. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 3 to 25:

- the summary statement of financial position as at 30 June 2014;
- the summaries of the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2014;
- the notes to the summary financial statements that include other explanatory information; and
- the summary statement of service provision (referred to as performance measures) of the District Council and group.

We expressed an unmodified audit opinion on the District Council and group's full audited statements in our report dated 29 October 2014.

Opinion

In our opinion:

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

Basis of opinion

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

The summary statements and the full audited statements from which they were derived, do not reflect the effects of events that occurred subsequent to our report dated 29 October 2014 on the full audited statements.

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

Responsibilities of the Council and the Auditor

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

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

Other than in our capacity as auditor we have no relationship with, or interest in, the District Council or any of its subsidiaries.



Phil Kennerley,
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand
14 November 2014

Contact Us

Horowhenua District Council
126 Oxford Street
Levin 5510
Private Bag 4002, Levin 5540

Ph: 06 366 0999
Fax: 06 366 0983
enquiries@horowhenua.govt.nz
www.horowhenua.govt.nz



HOROWHENUA DISTRICT COUNCIL
Whakarua - Whakarua