



KAWERAU DISTRICT COUNCIL

Annual Report

For the Year Ended 30 June 2012



KAWERAU DISTRICT COUNCIL

ANNUAL REPORT FOR 2011/2012

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MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE

Welcome to Council's annual report for the year ended 30 June 2012. The purpose of the annual report is to inform the Community and the wider public about Council's activities, the levels of service we delivered and the cost of providing those services. The report compares Council's achievements and results against the financial and the non-financial performance forecast in the annual plan. This gives a framework for the reader to assess how well Council has performed in relation to the stewardship of Kawerau's community assets, and the efficiency and effectiveness of Council's operations.

Major achievements during the 2011/2012 financial year included:

- Completing the last significant planting to develop the Monika Lanham Reserve. This was the culmination of 11 years' work.
- Development of the Industrial Symbiosis project, and launching communications and marketing resources.
- Undergrounding the power lines in Cobham Drive. \$128,000 was spent by Council on this project during the year and it was the combination of previous years programmed undergrounding.
- Taking ownership of one of the clubrooms on Tarawera Park, completing a major upgrade of the grounds and the building, and leasing the building to the newly formed Kawerau Sports Club Incorporated. Council received grants of: \$151,900 from NZ Lottery Grants Board, \$48,424 from Eastern Bay Energy Trust and \$43,382 from the Kawerau Sports Club to help fund this project.
- The District Plan becoming operative from 1 May 2012.

Council continued to maintain a very strong financial position during the year. The operating deficit for the year was \$848,327 compared to a budgeted deficit of 705,130. The main reasons for the increased operating deficit were:

- Rate refund liability resulting from appeal of valuation
- Power undergrounding project which had been budgeted in previous years
- District Plan Review and rezoning project as this land was recently transferred from the Whakatane district and no provision had been made for costs.

The following is a brief summary of the financial results for 2011/12:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Income	8,731,380	9,495,478	764,098
Operating Expenditure	9,436,510	10,343,805	(907,295)
Operating Deficit	(705,130)	(848,327)	(143,197)
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Assets	63,282,410	63,307,825	25,415
Liabilities	1,756,240	1,686,926	69,314
Ratepayers Equity	61,526,170	61,620,899	94,729

Other achievements during the year were:

- Becoming a sponsor and coordinating the 'Neighbourhoods of Healthy Homes' project with BayTrust, the Eastern Bay Energy Trust (EBET) and the Energy Options Charitable Company Limited.
- Adopting a new Positive Ageing Strategy and establishing the Kawerau Seniors Forum.
- Implementing a Smoke-Free Public Places Policy to discourage people from smoking in playgrounds and parks used mainly by our children and young people.
- The Putauaki Industrial Zone change being notified.
- Developing the Sir James Fletcher Kawerau Museum by employing a second staff member, purchasing a computer management system and purchasing a vacant shop in Jellicoe Court for possible relocation of the museum.
- Re-assessment by International Accreditation NZ confirming the accreditation of Council's Building Consent Authority.

We would like to acknowledge the ongoing contributions made by elected members and staff toward Council's achievements during the year. Council also benefits greatly from the valuable efforts of volunteers and the goodwill of the Kawerau Community. To you we also say a big "Thank You".

Malcolm Campbell, JP
MAYOR



Russell George, CA
CHIEF EXECUTIVE OFFICER



<p style="text-align: center;">KAWERAU DISTRICT COUNCIL COUNCIL & STAFF INFORMATION</p>

The Council is made up of a Mayor and 8 Councillors. A Committee has been established with full delegated authority to make most decisions.

Mayor : M J (Malcolm) Campbell, JP 323-7772

Deputy Mayor : B H (Bernie) Joyes 322-8851

Councillors :

R J (Russell) Chase	323-7288
A J (Alistair) Holmes	323-7817
C J (Carolyn) Ion	323-9046
B J (Berice) Julian	323-9190
A L (Anita) Moore, QSM, JP	323-8704
R G K (Rex) Savage	323-7287
S H (Stephen) Tuhoro	323-9373

Committee: Regulatory & Services (Chairperson: Cr A J Holmes)

Chief Executive Officer and Heads of Departments:

Chief Executive Officer	R B (Russell) George, CA
Manager, Operations & Services	T D (Tom) McDowall, BE(Civil), NZCE
Manager, Regulatory & Planning	C W (Chris) Jensen
Manager, Finance & Corporate Services	P J (Peter) Christophers, BBS, ACA

MISSION STATEMENT

1. To provide a base within the District for the pulp, paper and timber industries and supporting activities and in particular, the best possible living environment for the employees of these industries, their families and all other residents.
2. To identify and respond to the needs and aspirations of the residents of the District and in particular provide the required services and facilities to enhance the quality of life of all the District's residents.
3. To ensure that the independence of the District is maintained.
4. To promote the virtues of Kawerau and encourage industries of all types to the District.

STATEMENT OF PRINCIPLES

To achieve its Mission, the Council will -

1. Communicate and liaise with the major industries and other industrial and commercial interests located within the District and Local Authorities in the Bay of Plenty.
2. Maintain a flexible approach to the changing needs of the Kawerau community and listen to and communicate with the Kawerau community in order to identify and evaluate the needs and aspirations of the residents of the District.
3. Engender an attitude of cost effectiveness, service and responsiveness to the community.
4. Remain sensitive to and supportive of the cultural, social, educational and environmental issues affecting the District.
5. Adopt a realistic annual budget which will allow for the adequate maintenance of all existing services and facilities and the continual development of new and improved services and facilities.
6. Communicate with the residents of the District, information on the Council's present and future activities.
7. Liaise with the residents and the industries on environmental issues.
8. Maintain a fair system of rating to ensure that the District's facilities are maintained to the highest standard possible.
9. Communicate and liaise with industries located outside the District so as to promote Kawerau as a base to set up and trade from.

COMPLIANCE WITH COUNCIL POLICIES

All local authorities are required to prepare the following funding and financial policy documents:

- Revenue and Financing Policy
- Investment Policy
- Liability Management Policy
- Development Contributions or Financial Contributions Policy
- Partnerships with the Private Sector Policy
- Rates Remission and Rates Postponement on Maori Freehold Land Policy

This report provides an overview of the extent to which Council has complied with its policies.

REVENUE AND FINANCING POLICY

Council adopted its Revenue and Financing Policy in June 2009 as part of the 2009-2019 Long Term Plan. The objective of this policy is to ensure that the costs of Council's programmes are met by those benefiting from, or contributing to, the need for the programme.

The overall funding mix achieved by Council was consistent with its Funding Policy.

INVESTMENT POLICY

Council delegates responsibility for the management, monitoring and reporting of its investments to its Regulatory and Services Committee. The Investment Policy document sets out the parameters for the operation of the investments that Council will be involved with. The mix of investments between current and non-current is determined according to Council's working capital needs.

There were no significant variations or material departures from Council's objectives for its investment activities as reported in the 2009 - 2019 Long Term Plan. Council's investments returned \$212,041 compared to the Long-Term Plan estimate of \$202,520.

LIABILITY MANAGEMENT POLICY

Council's Liability Management Policy was adopted in June 2009. The policy ensures that Council's debt and associated risks are maintained at prudent levels.

There were no significant variations or material departures from Council's Liability Management Policy as reported in the 2009 - 2019 Long Term Plan.

FINANCIAL CONTRIBUTIONS POLICY

Council's Financial Contributions Policy retains the provisions of its District Plan that allows the assessment of financial contributions.

No financial contributions were payable in the 2011/2012 financial year.

PARTNERSHIPS WITH THE PRIVATE SECTOR POLICY

Council's Partnerships with the Private Sector Policy sets out the circumstances in which Council will enter into partnerships, consultation and conditions that will apply, risk assessment and management requirements and monitoring and reporting that will occur.

Council has not entered into any partnerships with the private sector.

RATES REMISSION AND POSTPONEMENT FOR MAORI FREEHOLD LAND POLICY

This Policy sets out the conditions and criteria for the remission and postponement of rates on Maori Freehold Land.

There were no variations or departures from Council's policy as reported in the 2009 - 2019 Long Term Plan.

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

COMPLIANCE

The Council and Management confirm that all statutory requirements in relation to the Annual Report, as outlined in the Local Government Act 2002, have been complied with.

RESPONSIBILITY

The Council and Management accept responsibility for the preparation of the Annual Report and the judgement used in it.

The Council and Management accept responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of the financial and non financial reporting.

In the opinion of the Council and Management, the Annual Report for the year ended 30 June 2012 fairly reflects the financial position and operations of the Council.

M J Campbell, JP
MAYOR

R B George, CA
CHIEF EXECUTIVE OFFICER

AUDIT REPORT

KAWERAU DISTRICT COUNCIL STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2012

<u>2010/11</u>		<u>Note</u>	<u>Budget</u>	<u>2011/12</u>
	Income			
7,151,950	Rates revenue	3	7,474,690	7,535,781
1,664,638	Other revenue	4	1,256,690	1,959,697
8,816,588	Total Income		8,731,380	9,495,478
	Expenditure			
3,280,324	Employee benefit expenses	5	3,261,320	3,528,469
2,370,962	Depreciation and amortisation	12, 13	2,348,520	2,434,996
3,782,709	Other expenses	6	3,817,000	4,295,587
1,113	Finance costs	7	9,670	2,185
0	Loss on disposal of property, plant and equipment		0	82,568
9,435,107	Total Operating Expenditure		9,436,510	10,343,805
(618,519)	OPERATING SURPLUS/(DEFICIT)		(705,130)	(848,327)
0	Gain on Asset Revaluation		0	0
(618,519)	TOTAL COMPREHENSIVE INCOME		(705,130)	(848,327)

Explanations of significant variances against budget are detailed in Note 28

The accompanying notes, including Accounting Policies, form part of these financial statements.

KAWERAU DISTRICT COUNCIL STATEMENT OF FINANCIAL POSITION

As at 30 June 2012

<u>2010/11</u>		<u>Note</u>	<u>Budget</u>	<u>2011/12</u>
ASSETS				
Current assets				
5,154,554	Cash and cash equivalents	8	55,770	138,718
1,004,489	Trade and other receivables	9	991,220	1,112,168
49,816	Inventories	10	49,070	50,256
0	Other financial assets	11	4,440,000	5,150,000
<u>6,208,859</u>	Total current assets		<u>5,536,060</u>	<u>6,451,142</u>
Non-current assets				
57,864,997	Property, plant and equipment	12	57,616,290	56,787,980
59,049	Intangible assets	13	97,900	36,542
32,161	Other financial assets	11	32,160	32,161
<u>57,956,207</u>	Total non-current assets		<u>57,746,350</u>	<u>56,856,683</u>
<u>64,165,066</u>	TOTAL ASSETS		<u>63,282,410</u>	<u>63,307,825</u>
LIABILITIES				
Current liabilities				
1,095,136	Trade and other payables	14	1,086,230	1,068,391
10,000	Provisions	15	9,070	10,000
376,998	Employee benefit liabilities	16	397,400	396,293
2,259	Borrowings	17	2,250	4,074
<u>1,484,393</u>	Total current liabilities		<u>1,494,950</u>	<u>1,478,758</u>
Non-current liabilities				
98,325	Provisions	15	109,150	92,504
112,277	Employee benefit liabilities	16	151,830	101,365
845	Borrowings	17	310	14,299
<u>211,447</u>	Total non-current liabilities		<u>261,290</u>	<u>208,168</u>
<u>1,695,840</u>	TOTAL LIABILITIES		<u>1,756,240</u>	<u>1,686,926</u>
EQUITY				
42,866,849	Retained earnings	18	45,648,530	39,153,788
19,602,377	Other reserves	18	15,877,640	22,467,111
<u>62,469,226</u>	TOTAL EQUITY		<u>61,526,170</u>	<u>61,620,899</u>

M.J. Campbell, JP
MAYOR

R.B. George, CA
CHIEF EXECUTIVE OFFICER

Date:

The accompanying notes, including Accounting Policies, form part of these financial statements.

KAWERAU DISTRICT COUNCIL STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2012

<u>2010/11</u>	Total Equity	<u>Note</u>	<u>Budget</u>	<u>2011/12</u>
63,087,745	Balance at 1 July		62,231,300	62,469,226
<u>(618,519)</u>	Total Comprehensive Income		<u>(705,130)</u>	<u>(848,327)</u>
<u>62,469,226</u>	Closing Balance		<u>61,526,170</u>	<u>61,620,899</u>

The accompanying notes, including Accounting Policies, form part of these financial statements.

KAWERAU DISTRICT COUNCIL STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2012

<u>2010/11</u>		<u>Note</u>	<u>Budget</u>	<u>2011/12</u>
	CASH FLOWS FROM OPERATING ACTIVITIES			
7,202,359	Receipts from rates revenue		7,407,250	7,480,420
210,623	Interest received		217,020	169,451
0	Dividends received		0	0
1,932,131	Receipts from other revenue		1,020,360	1,820,730
(7,036,912)	Payments to suppliers and employees		(6,964,440)	(7,845,027)
(1,115)	Interest paid		(9,670)	(2,185)
(63,437)	Goods and services tax (net)		0	(29,856)
(40,804)	Regional Council rates		0	11,235
2,202,845	Net cash from operating activities	19	1,670,520	1,604,768
	CASH FLOWS FROM INVESTING ACTIVITIES			
0	Proceeds from sale of property, plant and equipment		0	15,237
0	Proceeds from sale of investments		0	0
(3,818)	Purchase of intangible assets		0	(15,850)
3,900,000	Purchase of investments		40,000	(5,150,000)
(1,049,436)	Purchase of property, plant and equipment		(1,760,510)	(1,485,260)
2,846,746	Net cash to investing activities		(1,720,510)	(6,635,873)
	CASH FLOWS FROM FINANCING ACTIVITIES			
0	Proceeds from borrowings		0	20,449
(507)	Repayment of borrowings		(500)	(550)
(20,891)	Repayment of finance lease liabilities		0	(4,630)
(21,398)	Net cash from financing activities		(500)	15,269
5,028,193	Net increase/(decrease) in cash, cash equivalents and bank overdrafts		(50,490)	(5,015,836)
126,361	Cash, cash equivalents and bank overdrafts at the beginning of the year		106,260	5,154,554
5,154,554	Cash, cash equivalents and bank overdrafts at the end of the year	8	55,770	138,718

The accompanying notes, including Accounting Policies, form part of these financial statements.

KAWERAU DISTRICT COUNCIL

NOTES TO FINANCIAL STATEMENTS

1. Statement of accounting policies for the year ended 30 June 2012

Reporting Entity

Kawerau District Council (KDC) is a territorial local authority governed by the Local Government Act 2002.

The primary objective of KDC is to provide goods and services for the community or social benefit rather than making a financial return. Accordingly, KDC 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 KDC are for the year ended 30 June 2012. The financial statements were authorised for issue by Council on 30 October 2012.

Basis of preparation

The financial statements of KDC have been prepared in accordance with the requirements of the Local Government Act 2002: Part 6, section 98 and Part 3 of Schedule 10, which includes the requirement to comply with New Zealand generally accepted accounting practice (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 have been prepared on a historical cost basis, modified by the revaluation of land and buildings, certain infrastructural assets, investment property and financial instruments.

The financial statements are presented in New Zealand dollars. The functional currency of KDC is New Zealand dollars.

Changes in Accounting Policies

There have been no changes in accounting policies during the financial year. The Council has adopted the following revision to accounting standards during the year which only has a presentational or disclosure effect:

- FRS 44 New Zealand Additional Disclosures. FRS 44 sets out the disclosures for entities that have adopted the New Zealand equivalents to the International Financial Reporting Standards. The main effect of this reporting standard on Council is that certain information about property valuations is no longer required to be disclosed.

Standards, amendments and interpretations issued that are not yet effective and have not been early adopted and which are relevant to the KDC include:

- 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 new standard also requires a single impairment method to be used, replacing the many different impairment methods in NZ IAS 39. The new standard is required to be adopted for the year ended 30 June 2014. KDC has not yet assessed the effect of the new standard and expects it will not be early adopted.

Revenue

Revenue is measured at the fair value of consideration received.

Rates revenue

Rates are set annually by a resolution from Council and relate to a financial year. All ratepayers are invoiced within the financial year for which the rates have been set. Rates revenue is recognised when payable.

Other revenue

Water meters are read, and the usage billed, on the last day of each quarter. Unbilled usage at the year end is accrued based on the actual reading at 30 June.

Government grants

KDC receives government grants from Land Transport New Zealand, which subsidises part of KDC's costs in maintaining the local roading infrastructure. The subsidies are recognised as revenue upon entitlement as conditions pertaining to eligible expenditure have been fulfilled.

Provision of services

Revenue from the rendering of services is recognised by reference to the stage of completion of the transaction at balance date, based on the actual service provided as a percentage of the total services to be provided.

Where revenue is derived by acting as an agent for another party, the revenue that is recognised is the commission or fee on the transaction.

Sales of goods

Sales of goods are recognised when a product is sold to the customer. Sales are usually in cash or by credit card. The recorded revenue is the gross amount of the sale.

Vested assets

Where a physical asset is acquired for nil or nominal consideration the fair value of the asset received is recognised as revenue. Assets vested in KDC are recognised as revenue when control over the asset is obtained.

Interest and dividends

Interest income is recognised using the effective interest method.

Dividends are recognised when the right to receive payment has been established.

Financial contributions

The revenue recognition point for financial contributions is at the later of the point when KDC is ready to provide the service for which the contribution was levied, or the event that will give rise to a requirement for a development or financial contribution under the legislation.

Financial contributions are classified as part of "Other Revenue".

Construction contracts

Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract at balance date. The stage of completion is measured by reference to the contract costs incurred up to balance date as a percentage of total estimated costs for each contract.

Construction work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. If there are contracts where progress billings exceed the aggregate costs incurred plus profits less losses, the net amounts are presented under other liabilities.

Borrowing costs

The Council has elected to defer the adoption of NZ IAS 23 Borrowing Costs (Revised 2007) in accordance with its transitional provisions that are applicable to public benefit entities.

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

Grant expenditure

Non-discretionary grants are those grants that are awarded if the grant application meets the specified criteria and are recognised as expenditure when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants where KDC has no obligation to award on receipt of the grant application and are recognised as expenditure when a successful applicant has been notified of the KDC's decision.

Leases

Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred.

At the commencement of the lease term, KDC recognises finance leases as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether KDC will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

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.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Trade and other receivables

Trade 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.

A provision for impairment of receivables is established when there is objective evidence that KDC will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the effective interest method.

Inventories

Inventories (such as spare parts and other items) held for distribution or consumption in the provision of services that are not supplied on a commercial basis, are measured at the lower of cost and current replacement cost. The cost of purchased inventory is determined using the FIFO method.

The write down from cost to current replacement cost is recognised in the surplus or deficit.

Financial assets

KDC classifies its financial assets into the following four categories; financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables and financial assets at fair value through other comprehensive income. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through profit or loss in which case the transaction costs are recognised in the surplus or deficit.

Purchases and sales of investments are recognised on trade-date, the date on which KDC 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 the KDC has transferred substantially all the risks and rewards of ownership.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance date. The quoted market price used is the current bid price.

The four categories of financial assets are:

- Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit 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 or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of short term

profit taking. Derivatives are also categorised as held for trading unless they are designated into a hedge accounting relationship for which hedge accounting is applied. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance date.

After initial recognition they are measured at their fair values. Gains or losses on re-measurement are recognised in the surplus or deficit.

Currently, KDC does not hold any financial assets in this category.

- Loans and receivables

These 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 non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Currently, KDC does not hold any financial assets in this category.

- Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that KDC has the positive intention and ability to hold to maturity. They are included in current assets except for maturities greater than 12 months after the balance date which are included in non-current assets.

After initial recognition they are measured at amortised cost using the effective interest method. Gains and losses when the asset is impaired or derecognised are recognised in the surplus or deficit.

Financial assets in this category include short term deposits (maturities 4 – 12 months).

- Fair value through other comprehensive income

Financial assets at fair value through other comprehensive income are those that are designated into the category at initial recognition or are not classified in any of the other categories above. They are included in non current assets unless Management intends to dispose of the share investment within twelve months of balance date.

This category encompasses:

- Investments that Kawerau District Council intends to hold long term, but which may be realised before maturity.
- Shareholdings that it holds for strategic purposes.

These investments are measured at their fair value with gains and losses recognised in other comprehensive income except for impairment losses which are recognised in the surplus or deficit. On de-recognition the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to the surplus or deficit.

Financial assets in this category include KDC's investment in BOPLASS Ltd and the Local Government Insurance Corporation.

Impairment of financial assets

At each balance date, KDC 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 surplus or deficit.

Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. Non-current 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 non-current assets held for sale are recognised in the surplus or deficit.

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.

Currently, KDC does not have any assets in this category.

Property, plant and equipment

Property, plant and equipment consist of:

Operational assets — these include land, buildings, library books, plant and equipment, and motor vehicles.

Restricted assets — restricted assets are parks and reserves owned by KDC which provide a benefit or service to the community and cannot be disposed of because of legal or other restrictions.

Infrastructure assets — infrastructure assets are the fixed utility systems owned by KDC. Each asset class includes all items that are required for the network to function, for example, sewer reticulation includes reticulation piping and sewer pump stations.

Property, plant and equipment are shown at cost or valuation, less accumulated depreciation and impairment losses.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential associated with the item will flow to KDC and the cost of the item can be measured reliably.

Work in progress is recognised at cost, less impairment and is not depreciated. Property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to KDC and the cost of the item can be measured reliably.

Depreciation

Depreciation is provided on either the straight-line (SL) or diminishing value (DV) basis on all property, plant and equipment other than land and pavement formation, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The estimated useful lives, associated depreciation rates and depreciation basis for each major class of assets are as follows:

	Estimated Useful Life	Depreciation Rate	Basis
Operational			
Buildings	40-67 years	1.5-2.5%	SL
Computer/Electronic Office Equipment	3-5 years	20.0-33.3%	SL
Fixtures, Fittings & Equipment	5 years	20.0%	DV
Plant (vehicles)	5 years	20.0%	DV
Library Collections (excluding special collections)	7 years	15.0%	DV
Infrastructural			
Roading Network			
Street lighting	6-30 years	3.3-16%	SL
Kerb, channel & footpath	28-95 years	1.1-3.6%	SL
Pavement surface	1-13 years	7.7-100%	SL
Pavement structure	6-74 years	1.3-16.7%	SL
Stormwater	4-62 years	1.6-25%	SL
Water Systems			
Collection & Storage	5-79 years	1.3-20%	SL
Local Distribution	7-79 years	1.3-14%	SL
Sewerage System			
Reticulation system	4-68 years	1.5-25%	SL
Pumping & Treatment	2-70 years	1.4-50%	SL
Restricted			
Buildings & Other	40-53 years	1.9-2.5%	SL

The residual value and useful life of an asset is reviewed, and adjusted if applicable, at each financial year end.

Revaluation

Those asset classes that are revalued are valued on a three yearly valuation cycle on the basis described below. All other asset classes are carried at depreciated historical cost. The carrying values of revalued items are reviewed at each balance date to ensure that those values are not materially different to fair value.

Operational land and buildings

Are shown at fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by CB Richard Ellis, and the valuation is effective as at 30 June 2010.

Restricted land and buildings

Are shown at fair value as determined from market-based evidence by an independent valuer. The most recent valuation was performed by CB Richard Ellis, and the valuation is effective as at 30 June 2010.

Infrastructural asset classes: roads, water reticulation, sewerage reticulation and stormwater systems

Are recorded at fair value determined on a depreciated replacement cost basis by an independent valuer. At balance date KDC assesses the carrying values of its infrastructural assets to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then the off-cycle asset classes are revalued. The most recent valuation was performed by CB Richard Ellis, and the valuation is effective as at 30 June 2010. All infrastructural asset classes carried at valuation were valued.

Land under roads

Land under roads, was valued based on fair value of adjacent land determined by CB Richard Ellis, effective 1 July 2004. On transition to NZ IFRS, KDC elected to use the fair value of land under roads as at 30 June 2005 as deemed cost. Additions are recorded at cost. Land under roads is no longer revalued.

Library collections

Library books were valued at deemed cost as at 1 July 1991, by Beca Carter Hollings and Ferner, (Registered Valuers). Library additions are recorded at cost less accumulated depreciation on the diminishing value basis.

Accounting for revaluations:

KDC accounts for revaluations of property, plant and equipment on a class of asset basis.

The results of revaluing are credited or debited to an asset revaluation reserve for that class of asset. Where this results in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive income, but is recognised in the surplus or deficit.

Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed then recognised in other comprehensive income.

Intangible assets

Software acquisition and development

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Costs associated with maintaining computer software are recognised as an expense when incurred. Costs that are directly associated with the development of software for internal use by KDC, are recognised as an intangible asset. Direct costs include the software development, employee costs and an appropriate portion of relevant overheads.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each period is recognised in surplus or deficit.

The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

	Estimated Useful Life	Amortisation Rate	Basis
Computer Software	3 - 8 years	12.5 – 33.3%	SL

Impairment of property, plant and equipment and intangible assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that have a finite useful life are reviewed for impairment at balance date. When there is an indicator of impairment, the asset's recoverable amount is estimated.

The impairment amount is the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Value in use is depreciated replacement cost for an asset where the future economic benefits or service potential of the asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Council would, if deprived of the asset, replace its remaining future economic benefits or service potential.

The value in use for cash-generating assets is the present value of expected future cash flows.

If an asset's carrying amount exceeds its recoverable amount the asset is impaired and the carrying amount is written down to the recoverable amount. For revalued assets the impairment loss is recognised against the revaluation reserve for that class of asset. Where that results in a debit balance in the revaluation reserve, the balance is recognised in the surplus or deficit.

For assets not carried at a revalued amount, the total impairment loss is recognised in the surplus or deficit.

The reversal of an impairment loss on a revalued asset is credited to the revaluation reserve. However, to the extent that an impairment loss for that class of asset was previously recognised in surplus or deficit, a reversal of the impairment loss is also recognised in the surplus or deficit. For assets not carried at a revalued amount (other than goodwill) the reversal of an impairment loss is recognised in the surplus or deficit.

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Investment property is measured initially at its cost, including transaction costs.

After initial recognition, KDC measures all investment property at fair value as determined annually by an independent valuer.

Gains or losses arising from a change in the fair value of investment property are recognised in the surplus or deficit.

Currently, KDC does not have any investment property.

Creditors and other payables

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

Employee benefits

Short-term benefits

Employee benefits that KDC expects to be settled within 12 months of balance date are measured at nominal values based on accrued entitlements at current rates of pay.

These include salaries and wages accrued up to balance date, annual leave earned to, but not yet taken at balance date, retiring and long service leave entitlements expected to be settled within 12 months.

KDC recognises a liability for sick leave 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 KDC anticipates it will be used by staff to cover those future absences. As the amount of sick leave used during the year did not exceed the entitlements earned, no liability for sick leave has been recognised at 30 June 2012.

KDC recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

Long-term benefits

Long service leave and retirement leave.

Entitlements that are payable beyond 12 months, such as long service leave and retirement leave, have been calculated on an actuarial basis.

The calculations are based on:

- Likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement and contractual entitlements information; and
- The present value of the estimated future cash flows. A discount rate of 6.0%, and an inflation factor of 2.5% were used. The discount rate is based on the weighted average of Government interest rates for stock with terms to maturity similar to those of the relevant liabilities. The inflation factor is based on the expected long-term increase in remuneration for employees.

Superannuation schemes

Defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the statement of comprehensive income as incurred.

Defined benefit schemes

KDC belongs to the Defined Benefit Plan Contributors Scheme (the scheme), which is managed by the Board of Trustees of the National Provident Fund. The scheme is a multi-employer defined benefit scheme.

Insufficient information is available to use defined benefit accounting, as it is not possible to determine from the terms of the scheme, the extent to which the surplus/deficit will affect future contributions by individual employers, as there is no prescribed basis for allocation. The scheme is therefore accounted for as a defined contribution scheme.

Provisions

KDC recognises a provision for future expenditure of uncertain amount or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditures will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in finance costs.

Landfill

KDC has a responsibility under its resource consent to provide ongoing maintenance and monitoring of the Kawerau landfill after the site is closed.

KDC recognises a liability for these costs. The long term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred and the provision has been estimated taking account of existing technology and using a discount rate of 4.25%.

Financial guarantee

A financial guarantee contract is a contract that requires KDC to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are initially recognised at fair value. If a financial guarantee contract were issued in a standalone arm's length transaction to an unrelated party, its fair value at inception is equal to the consideration received. When no consideration is received, a provision is recognised based on the probability that KDC will be required to reimburse a holder for a loss incurred, discounted to present value. The portion of the guarantee that remains unrecognised, prior to discounting to fair value, is disclosed as a contingent liability.

Financial guarantees are subsequently measured at the initial recognition amount less any amortisation. However, if KDC assesses that it is probable that expenditure will be required to settle a guarantee then the provision for the guarantee is measured at the present value of the future expenditure.

Borrowings

Borrowings are initially recognised at their fair value. After initial recognition, all borrowings are measured at amortised cost using the effective interest method.

Equity

Equity is the community's interest in KDC and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- Retained earnings
- Restricted reserves
- Fair value and hedging reserves
- Asset revaluation reserves

Restricted and Council Created Reserves

Restricted 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 KDC.

Restricted reserves are those subject to specific conditions accepted as binding by KDC and which may not be revised by KDC without reference to the Courts or a third party. Transfers from these reserves may be made only for certain specified purposes or when certain specified conditions are met.

Also included in restricted reserves are reserves restricted by Council decision. The Council may alter them without references to any third party or the Courts. Transfers to and from these reserves are at the discretion of the Council.

KDC's objectives, policies and processes for managing capital are described in Note 27.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are stated on a GST inclusive basis. Where GST is not recoverable as input tax then it is recognised as part of the related asset or expense.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department (IRD) is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from the IRD, including the GST relating to investing and financing activities, is classified as an operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Budget figures

The budget figures are those approved by the Council in its 2011/2012 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by KDC for the preparation of the financial statements.

Cost allocation

KDC has derived the cost of service for each significant activity of KDC using the cost allocation system outlined below.

Direct costs are those costs directly attributable to a significant activity. Indirect costs are those costs, which cannot be identified in an economically feasible manner, with a specific significant activity.

Direct costs are charged directly to significant activities. Indirect costs are charged to significant activities using appropriate cost drivers such as actual usage, staff numbers and floor area.

Critical accounting estimates and assumptions

In preparing these financial statements KDC has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of 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 15 provides information about the estimates and assumptions surrounding the landfill after care provision.

Infrastructural assets

There are a number of assumptions and estimates used when performing Depreciated Replacement Costs (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 modelling 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 KDC could be over or under estimating the annual depreciation charge recognised as an expense in the statement of comprehensive income. To minimise this risk, KDC'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 modelling are also carried out regularly as part of the KDC's asset management planning activities, which gives KDC further assurance over its useful life estimates.

Experienced independent valuers perform the Council's infrastructural asset revaluations.

Critical judgements in applying KDC's accounting policies

Management has exercised the following critical judgements in applying the KDC's accounting policies for the period ended 30 June 2012:

Classification of property

KDC owns a number of properties, which are maintained primarily to provide housing to pensioners. The receipt of market-based rental from these properties is incidental to holding these properties. These properties are held for service delivery objectives as part of the KDC's social housing policy. They are leased to and operated by the Kawerau Social Services Trust in order to meet these objectives. The properties are accounted for as property, plant and equipment.

2. Summary cost of service

<u>2010/11</u>		<u>Budget</u>	<u>2011/12</u>
	Income		
20,058	Democracy	1,890	3,799
74,372	Economic Development	13,960	249,710
205,791	Environmental Services	173,160	198,626
468,633	Transport Management	437,480	467,942
223,735	Water Supply	260,350	260,017
1,069,456	Waste Disposal	1,154,190	1,219,835
193,471	Leisure & Recreation	90,110	425,219
184,632	Non-Significant Activities	169,110	158,659
2,440,148	Total activity income	2,300,250	2,983,807
(40,767)	Eliminations	(86,960)	(61,455)
6,417,207	General rates and penalties	6,518,830	6,573,126
8,816,588	Total income	8,732,120	9,495,478
	Expenditure		
552,404	Democracy	511,450	537,103
659,264	Economic Development	624,420	928,838
954,569	Environmental Services	855,380	1,006,693
1,623,691	Transport Management	1,736,310	1,873,255
1,014,807	Water Supply	1,090,060	1,081,101
2,502,025	Waste Management	2,558,190	2,615,482
2,626,295	Leisure & Recreation	2,823,150	2,811,285
209,363	Non-Significant Activities	(5,600)	244,833
10,142,418	Total activity expenditure	10,193,360	11,098,590
(707,311)	Less internal expenditure	(756,110)	(754,785)
9,435,107	Total expenditure	9,437,250	10,343,805
(618,519)		(705,130)	(848,327)

Each significant activity is stated gross of internal costs and revenues, and includes targeted rates attributable to activities (see Note 3). In order to reflect the total external operations for Council in the Statement of comprehensive income, these transactions are eliminated as shown above.

3. Rates revenue

<u>2010/11</u>		<u>2011/12</u>
6,308,466	General rate	6,458,424
	Targeted rates attributable to activities:	
116,232	Water	148,466
183,968	Wastewater	427,096
434,543	Refuse Collection	387,093
108,741	Rate penalties	114,702
<u>7,151,950</u>	Total revenue from rates	<u>7,535,781</u>

Rate Remissions

Rates revenue is shown net of rates remissions. KDC's rate remission policy allows KDC to remit rates on the categories shown below:

<u>2010/11</u>		<u>2011/12</u>
7,187,895	Total rates revenue	7,572,779
	Rates remissions	
0	Land used for sport	0
0	Developments	0
35,945	Higher value properties	36,998
<u>35,945</u>	Total remissions	<u>36,998</u>
<u>7,151,950</u>	Rates revenue net of remissions	<u>7,535,781</u>

In accordance with the Local Government (Rating) Act 2002 certain properties cannot be rated for general rates. This includes schools, places of religious worship, public gardens & reserves. These non-rateable properties, where applicable, may be subject to targeted rates in respect of water, wastewater and refuse collection. Non-rateable land does not constitute a remission under KDC's remission policies.

4. Other revenue

<u>2010/11</u>		<u>2011/12</u>
995,715	User charges	1,347,373
356,468	Land Transport NZ government grants	334,403
38,073	Other government grants & subsidies	8,550
63,759	Petrol Tax	57,330
210,623	Interest income	212,041
<u>1,664,638</u>	Total other revenue	<u>1,959,697</u>

There are no unfulfilled conditions and other contingences attached to government grants recognised.

5. Employee benefit expenses

<u>2010/11</u>		<u>2011/12</u>
3,261,896	Salaries & Wages	3,480,002
8,562	Employer contributions to multi-employer defined benefit plans	8,779
30,617	Employer contributions to Kiwisaver	31,305
(20,751)	Increase/(decrease) in employee benefit liabilities	8,383
<u>3,280,324</u>	Total employee benefit expenses	<u>3,528,469</u>

6. Other expenses

<u>2010/11</u>		<u>2011/12</u>
	Fees paid to principal auditor:	
74,434	Audit fees for financial statement audit	76,932
0	Audit fee for Long Term Plan	82,468
3,708,275	Other operating expenses	4,136,187
<u>3,782,709</u>		<u>4,295,587</u>

7. Finance costs

<u>2010/11</u>		<u>2011/12</u>
	Interest expense	
32	Interest on borrowings	42
1,081	Finance charges leased assets	2,143
<u>1,113</u>		<u>2,185</u>

8. Cash and cash equivalents

<u>2010/11</u>		<u>2011/12</u>
449,554	Cash at bank and in hand	138,718
4,705,000	Short term deposits with maturities of 3 months or less	0
<u>5,154,554</u>	Total cash and cash equivalents	<u>138,718</u>

The carrying value of short-term deposits with maturity dates of 3 months or less approximates to their fair value.

9. Trade and other receivables

<u>2010/11</u>		<u>2011/12</u>
405,352	Rates receivable	432,179
329,410	Other receivables	376,225
87,237	Sundry debtors	113,093
24,343	Prepayments	3,000
161,480	GST receivable	191,336
1,007,822		1,115,833
(3,333)	Less provision for impairment of receivables	(3,665)
<u>1,004,489</u>	Current portion	<u>1,112,168</u>

Debtors and Other receivables are non-interest bearing and receipt is normally on 30-day terms.

The carrying value of trade and other receivables approximates their fair value.

There is no concentration of credit risk with respect to receivables, as KDC has a large number of customers.

KDC does not provide for any impairment on rates receivable as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts.

These powers allow KDC to commence legal proceedings to recover any rates that remain unpaid 4 months after the due date for payment. If payment has not been made within 3 months of the Court's judgment then KDC can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

The age of rates receivable overdue, is as follows:

<u>2010/11</u>		<u>2011/12</u>
381,573	< 12 months	403,883
16,487	1 to 2 years	15,840
7,098	2 to 3 years	8,980
194	> 3 years	3,476
<u>405,352</u>		<u>432,179</u>
0	Less impairment	0
<u>405,352</u>	Carrying amount	<u>432,179</u>

Ageing of receivables (excluding rates)

<u>2010/11</u>	Gross	Impairment	Net
< 30 days	288,276		288,276
31-60 days	27,495		27,495
61-90 days	0		0
> 90 days	13,639	(3,333)	10,306
	<u>329,410</u>	<u>(3,333)</u>	<u>326,077</u>
<u>2011/12</u>	Gross	Impairment	Net
< 30 days	336,879		336,879
31-60 days	4,822		4,822
61-90 days	0		0
> 90 days	34,524	(3,665)	30,859
	<u>376,225</u>	<u>(3,665)</u>	<u>372,560</u>

As at 30 June 2012, all overdue receivables have been assessed for impairment and appropriate provisions applied. KDC holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

The impairment provision has been calculated based on expected losses for KDC's pool of debtors. Expected losses have been determined based on an analysis of KDC's losses in previous periods and review of specific debtors.

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

<u>2010/11</u>	<u>2011/12</u>	
10,355	At 1 July	3,333
0	Additional provisions made during the year	332
(7,022)	Receivables written off during the period	0
<u>3,333</u>	At 30 June	<u>3,665</u>

10. Inventories

<u>2010/11</u>		<u>2011/12</u>
23,673	Water & sewerage reticulation spare parts	25,342
26,143	Other	24,914
<u>49,816</u>		<u>50,256</u>

11. Other financial assets

<u>2010/11</u>		<u>2011/12</u>
	Current portion	
	<i>Loans and receivables</i>	
0	Short term deposits with maturities of 4 -12 months	5,150,000
<u>0</u>	Total loans and receivables	<u>5,150,000</u>
	Non-current portion	
	<i>At cost</i>	
31,161	Investment in Local Government Insurance Corporation	31,161
1,000	Investment in BoPLASS Ltd	1,000
<u>32,161</u>		<u>32,161</u>

There were no impairment provisions for other financial assets.

Shares in Local Government Insurance Corporation are held at cost. Asset backing for those shares at 31 Dec 2011 was \$1.58 (2010-\$2.42).

Maturity analysis and effective interest rates

The maturity dates for all other financial assets with the exception of equity investments, and advances to, subsidiaries and associates are as follows:

<u>2010/11</u>	Short Term Deposits	<u>2011/12</u>
0	Average investment-152 days (2010/11 all investments < 90 days)	5,150,000
<u>0</u>		<u>5,150,000</u>

**12. Property, plant and equipment
2011**

	Cost/ revaluation 30- Jun-10	Accum Depn and Imp. Chgs 30-Jun-10	Carrying Amount 30-Jun-10	Revaluation surplus	Curr. Yr Additions	Curr. Yr Disposals (Cost)	Curr. Yr Disposals (Cum Depn)	Curr. Yr Depn	Cost/ revaluation 30-Jun-11	Accum Depn and Imp Chgs 30-Jun-11	Carrying Amount 30-Jun-11
Council operational assets											
Land	2,124,000.00	0.00	\$2,124,000		0.00			0.00	2,124,000	0	2,124,000
Buildings	4,188,310.62	(72,954.76)	\$4,115,356		32,219.00			(269,975.46)	4,220,529	(342,930)	3,877,599
Plant, machinery and vehicles	1,131,670.01	(646,502.79)	\$485,167		36,921.00			(84,201.34)	1,168,591	(730,704)	437,887
Fixtures, fittings and equipment	2,757,842.23	(1,937,657.54)	\$820,185		211,730.00			(156,767.83)	2,969,572	(2,094,425)	875,147
Library collections	1,136,017.27	(922,747.11)	\$213,270		47,468.00			(36,289.95)	1,183,485	(959,037)	224,448
Leased assets	98,025.59	(80,006.76)	\$18,019		0.00			(17,323.08)	98,026	(97,330)	696
Total operational assets	11,435,866	(3,659,869)	7,775,997	0	328,338			(564,558)	11,764,203	(4,224,427)	7,539,777
Council infrastructural assets											
Roading network	14,851,732	(75,258)	14,776,474		376,886			(635,029)	15,228,618	(710,287)	14,518,331
Water systems	9,305,788	0	9,305,788		298,347			(421,571)	9,604,135	(421,571)	9,182,564
Sewerage system	11,106,966	0	11,106,966		63,993			(381,564)	11,170,959	(381,564)	10,789,395
Stormwater	5,885,657	0	5,885,657		55,338			(218,225)	5,940,995	(218,225)	5,722,770
Total infrastructural assets	41,150,143	(75,258)	41,074,885	0	794,564			(1,656,390)	41,944,707	(1,731,648)	40,213,060
Council restricted assets											
Land	7,990,924		7,990,924		0			0	7,990,924	0	7,990,924
Buildings	2,126,876		2,126,876		0			(112,583)	2,126,876	(112,583)	2,014,293
Library - Special Collection	12,300		12,300		0			0	12,300	0	12,300
Other	97,581		97,581		0			(2,937)	97,581	(2,937)	94,644
Total restricted assets	10,227,681	0	10,227,681	0	0			(115,520)	10,227,681	(115,520)	10,112,160
Total property, plant and equipment	62,813,690	(3,735,127)	59,078,563		1,122,902			(2,336,468)	63,936,591	(6,071,595)	57,864,997

2012

	Cost/ revaluation July	Accum Depn and Imp. Chgs July	Carrying Amount July	Revaluation Surplus	Curr. Yr. Additions	Curr. Yr. Disposals (Cost)	Curr. Yr. Disposals (Cum Depn)	Curr. Yr. Depn	Cost/ revaluation June	Accum Depn and Imp. Chgs 30 June	Carrying Amount June
Council operational assets											
Land	2,124,000	0	\$2,124,000		3,500	0	0	0	\$2,127,500	0	2,127,500
Buildings	4,220,529	(342,930)	\$3,877,599		461,078	0	0	282,442	\$4,681,607	(625,372)	4,056,235
Plant, machinery and vehicles	1,168,591	(730,704)	\$437,887		95,457	(162,083)	139,415	79,914	\$1,101,965	(671,203)	430,762
Fixtures fittings and equipment	2,969,572	(2,094,425)	\$875,147		184,392	0	0	193,854	\$3,153,965	(2,288,279)	865,685
Library collections	1,183,485	(959,037)	\$224,448		47,728	0	0	37,247	\$1,231,213	(996,284)	234,929
Leased assets	98,026	(97,330)	\$696		20,449	0	0	4,786	\$118,475	(102,115)	16,359
Total operational asset	11,764,203	(4,224,427)	7,539,777	0	812,604	(162,083)	139,415	598,243	12,414,725	(4,683,253)	7,731,470
Council infrastructural assets											
Roading network	15,228,618	(710,287)	14,518,331		389,688	0	0	644,450	\$15,618,306	(1,354,737)	14,263,569
Water systems	9,604,135	(421,571)	9,182,564		132,975	(84,873)	23,800	433,029	\$9,652,237	(830,800)	8,821,436
Sewerage system	11,170,959	(381,564)	10,789,395		60,998	(5,976)	460	386,357	\$11,225,981	(767,461)	10,458,520
Stormwater	5,940,995	(218,225)	5,722,770		21,175	(10,455)	1,896	219,041	\$5,951,716	(435,371)	5,516,345
Total infrastructural assets	41,944,707	(1,731,648)	40,213,060	0	604,836	(101,304)	26,156	1,682,877	42,448,239	(3,388,369)	39,059,870
Council restricted assets											
Land	7,990,924		7,990,924		0	0	0	0	\$7,990,924	0	7,990,924
Buildings	2,126,876	(112,583)	2,014,293		0	0	0	112,583	\$2,126,876	(225,166)	1,901,710
Library - special collection	12,300		12,300		0	0	0	0	\$12,300	0	12,300
Other	97,581	(2,937)	94,644		0	0	0	2,937	\$97,581	(5,875)	91,706
Total restricted assets	10,227,681	(115,520)	10,112,160	0	0	0	0	115,520	10,227,681	(231,041)	9,996,640
Total property plant & equipment	63,936,591	(6,071,595)	57,864,997	0	1,417,440	(263,387)	165,571	2,396,640	65,090,644	(8,302,663)	56,787,980

Council's infrastructural assets, operational and restricted land and buildings were revalued on the depreciated cost basis as at 30 June 2010 by C B Richard Ellis Limited in accordance with New Zealand International Accounting Standard 16, Property, Plant and Equipment (NZIAS16) issued by the Institute of Chartered Accountants of New Zealand in November 2004.

Impairment

There were no impairment losses incurred as the result of the revaluations performed in the year to 30 June 2012 (2011 – nil).

13. Intangible assets

<u>2010/11</u>		<u>2011/12</u>
	Acquired computer software	
	Balance at 1 July	
251,472	Cost	255,290
(161,747)	Accumulated amortisation and impairment	(196,241)
89,725	Opening carrying amount	59,049
3,818	Additions	15,850
(34,494)	Amortisation charge	(38,357)
59,049	Closing carrying amount	36,542
	Balance at 30 June	
255,290	Cost	271,140
(196,241)	Accumulated amortisation and impairment	(234,598)
59,049	Closing carrying amount	36,542

14. Trade and other payables

<u>2010/11</u>		<u>2011/12</u>
466,265	Trade payables	150,303
32,796	Deposits and bonds	29,125
172,051	Accrued expenses	400,400
341,238	Income in advance	415,187
30,358	Rates due to BOP Regional Council	41,593
52,428	Other payables	31,783
1,095,136	Total trade and other payables	1,068,391

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates to their fair value.

15. Provisions

<u>2010/11</u>		<u>2011/12</u>
	Current provisions are represented by:	
10,000	Landfill aftercare provision	10,000
<u>10,000</u>		<u>10,000</u>
	Non-current provisions are represented by:	
98,325	Landfill aftercare provision	92,504
<u>98,325</u>		<u>92,504</u>
	Landfill aftercare provision	
112,228	Opening balance	108,325
(4,600)	Amount utilised	(2,178)
6,097	Discounting changes	0
(5,400)	Increase/(Decrease) in provision	(3,643)
<u>108,325</u>	Closing Balance	<u>102,504</u>

KDC gained a resource consent in late 2002 to operate the Kawerau Landfill. KDC has responsibility under the resource consent to provide ongoing maintenance and monitoring of the landfill after the site is closed.

The landfill closed in July 2006 and the cash outflows for landfill post-closure are expected to occur until 2024/25.

The long-term nature of the liability means that there are inherent uncertainties in estimating costs that will be incurred.

The provision has been estimated at \$130,000 (2011 - \$140,000) over the remaining life of the resource consent. This liability has been discounted to a current value of \$102,504 (2011 - \$108,325) using a discount rate of 4.25% (2011 – 4.25%).

16. Employee Benefit Liabilities

<u>2010/11</u>		<u>2011/12</u>
238,421	Annual leave	232,666
112,277	Retirement gratuities	101,365
138,577	Accrued salaries	163,627
0	Sick leave	0
<u>489,275</u>	Total employee benefit liabilities	<u>497,658</u>
	Comprising:	
376,998	Current	396,293
112,277	Non-current	101,365
<u>489,275</u>	Total employee benefit liabilities	<u>497,658</u>

Note: No provision has been made for sick leave liability as the number of sick days taken by all employees during 2011/12 did not exceed the sick leave entitlement for the year.

17. Borrowings

<u>2010/11</u>		<u>2011/12</u>
	Current	
518	Secured loans	536
<u>1,741</u>	Finance leases	<u>3,538</u>
<u>2,259</u>	Total current borrowings	<u>4,074</u>
	Non-current	
845	Secured loans	277
<u>0</u>	Finance leases	<u>14,022</u>
<u>845</u>	Total non-current borrowings	<u>14,299</u>

Security

KDC's loan is secured over either targeted or general rates of the District.

Lease liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

Refinancing

KDC 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 KDC's Long Term Plan.

Maturity analysis and effective interest rates

The following is a maturity analysis of KDC's borrowings (excluding finance leases, which are shown separately below).

<u>2010/11</u>		<u>2011/12</u>
518	Less than one year	536
<u>845</u>	Later than one year, but not more than five years	<u>277</u>
<u>1363</u>		<u>813</u>
	Fair values of non-current borrowings are as follows:	
<u>816</u>	Secured loans	<u>272</u>
<u>816</u>	Total	<u>272</u>

The fair values are based on cash flows discounted using a rate based on the borrowing rate of 3.5% (2010/11 – 3.5%)

The carrying amounts of borrowings repayable within one year approximate their fair value.

Analysis of finance lease liabilities

<u>2010/11</u>		<u>2011/12</u>
	Total minimum lease payments are payable	
1,741	Not later than one year	5,472
<u>0</u>	Later than one year and not later than five years	<u>16,873</u>
1,741	Total minimum lease payments	22,345
<u>(15)</u>	Future finance charges	<u>(4,785)</u>
<u>1,726</u>	Present value of minimum lease payments	<u>17,560</u>

	Present value of minimum lease payments are payable	
1,741	Not later than one year	3,538
<u>0</u>	Later than one year and not later than five years	<u>14,022</u>
<u>1,741</u>	Total	<u>17,560</u>
1,741	Current	3,538
<u>0</u>	Non-current	<u>14,022</u>
<u>1,741</u>	Total	<u>17,560</u>

Description of material leasing arrangements

KDC has entered into finance leases for various items of equipment. The net carrying amount of the leased items within each class of property, plant and equipment is shown in Note 12.

The finance leases can be renewed at KDC's option with the agreement of the lessor, with rents equal to the original terms. KDC does not have the option to purchase the assets at the end of the lease terms.

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

18. Equity

<u>2010/11</u>		<u>2011/12</u>
	RETAINED EARNINGS	
43,485,368	As at 1 July	42,866,849
	Transfers to:	
0	Council created reserves	(3,978,682)
	Transfers from:	
	Restricted reserves	0
0	Council created reserves	1,113,948
(618,519)	Total Comprehensive Income	(848,327)
<u>42,866,849</u>	As at 30 June	<u>39,153,788</u>
	OTHER RESERVES	
	Restricted reserves	
0	As at 1 July	0
	Transfers from:	
0	Retained earnings	0
<u>0</u>	As at 30 June	<u>0</u>
	Restricted reserves in 2008/09 related to: Sinking funds to provide for the repayment of internal loans.	
	Council created reserves	
3,724,742	As at 1 July	3,724,742
	Transfers to:	
0	Retained earnings	(1,113,948)
	Transfers from:	
0	Retained earnings	3,978,682
<u>3,724,742</u>	As at 30 June	<u>6,589,476</u>
	Asset revaluation reserves	
15,877,635	As at 1 July	15,877,635
0	Total Comprehensive Income	0
<u>15,877,635</u>	As at 30 June	<u>15,877,635</u>
<u>19,602,377</u>	TOTAL OTHER RESERVES	<u>22,467,111</u>

<u>2010/11</u>		<u>2011/12</u>
	Asset revaluation reserves consist of:	
	Operational Assets	
465,000	Land	465,000
74,549	Landscaping	74,549
926,949	Buildings	926,949
102,433	Other Equipment	102,433
<u>1,568,931</u>		<u>1,568,931</u>
	Infrastructural Assets	
4,292,267	Roading Network	4,292,267
2,454,209	Water System	2,454,209
1,386,435	Wastewater System	1,386,435
1,560,918	Stormwater Network	1,560,918
<u>9,693,829</u>		<u>9,693,829</u>
	Restricted Assets	
3,896,950	Land	3,896,950
717,925	Buildings	717,925
<u>4,614,875</u>		<u>4,614,875</u>
<u>15,877,635</u>		<u>15,877,635</u>

19. Reconciliation of net surplus/(deficit) to net cash flow from operating activity

<u>2010/11</u>		<u>2011/12</u>
(618,519)	Surplus/(Deficit)	(848,327)
	Add/(less) non-cash items:	
2,370,962	Depreciation and amortisation	2,434,996
	Add/(less) items classified as investing or financing activities	
0	Losses on disposal of property, plant and equipment	82,568
	Add/(less) movements in working capital items	
437,347	Trade & other receivables	(107,679)
(5,604)	Inventory	(441)
43,313	Trade & other payables	41,089
(3,903)	Provisions	(5,821)
(20,751)	Employee benefits	8,383
<u>2,202,845</u>	Net cash inflow/(outflow) from operating activities	<u>1,604,768</u>

20. Capital commitments and operating leases

<u>2010/11</u>		<u>2011/12</u>
	Capital Commitments	
<u>0</u>	Capital expenditure contracted for at balance date but not yet incurred for property, plant and equipment	<u>0</u>

21. Contingencies

Contingent liabilities

<u>2010/11</u>		<u>2011/12</u>
<u>8,656</u>	Loan guarantee	<u>0</u>

In November 2003, KDC agreed to act as guarantor for a bank loan to Kawerau Bowling Club Inc. Based on experience to date and annual reviews of the Club's accounts, KDC is confident that it will not be required to take responsibility for repayment of the loan. The amount outstanding at the year end is therefore reported only as a contingent liability.

Council subscribes to Riskpool (a mutual liability fund) for its professional indemnity and public liability insurance. As a result of claims arising for housing weather tightness issues against Councils, Kawerau District Council (along with other Councils subscribing to Riskpool) incurred an annual cost of \$21,984.00 p.a to meet these claims initially until July 2012. However, the administrators have indicated there will be a further annual instalments totaling approximately \$53,739 to be charged.

22. Multi Employer Defined Benefit Scheme

KDC is a participating employer in the DBP Contributors Scheme ("the Scheme") which is a multi-employer defined benefit scheme. If the other participating employers ceased to participate in the Scheme, KDC could be responsible for the entire deficit of the scheme. Similarly, if a number of employers ceased to participate in the Scheme, KDC could be responsible for an increased share of the deficit.

Insufficient information is available to use defined benefit accounting as it is not possible to determine from the terms of the Scheme the extent to which the deficit will affect future contributions by employers, as there is no prescribed basis for allocation.

As at 31 March 2009, the Scheme had a past service surplus of \$15.3 million (5.7% of the liabilities). This amount is exclusive of Employer Superannuation Contribution Tax. This surplus was calculated using a discount rate equal to the expected return on the assets, but otherwise the assumptions and methodology were consistent with the requirements of NZ IAS 19. The Actuary to the Scheme has recommended the employer contribution continues at 1 times contributors' contributions. This is inclusive of Employer Superannuation Contribution Tax.

23. Related Party Transactions

<u>2010/11</u>		<u>Company</u>	<u>Related Party</u>	<u>2011/12</u>
	Goods/Services purchased during year:			
1,071	Meat Products	Campbell's Meat Market	M J Campbell	586
12,171	Disposal of Sewerage Screenings	T&J McDowall	T D McDowall (Staff)	17,505
19,662	Shared services annual levies	BOPLASS Ltd		26,894
1,000	Share of Directors' fees	Bay Broadband		0
	Goods/Services provided during year:			
	<p>Related party transactions were conducted on terms equivalent to those prevailing in an arm's length transaction. Balances owed to/by KDC at 30 June 2012 by/to any of the related parties' companies - T & J McDowell \$2,314.96 (2011 - Nil).</p>			
	Key management personnel compensation			
692,592	Salaries and other short term employee benefits			694,733
40,261	Post employment benefits			43,436
8,892	Other long term benefits			9,276
0	Termination benefits			0

Key management personnel include the Mayor, Elected Members, Chief Executive Officer and other senior management.

During the year Elected Members and key management were involved in minor transactions with KDC, such as payment of rates as part of a normal customer relationship.

24. Remuneration

<u>2010/11</u>		<u>2011/12</u>
182,537	Chief Executive Officer	191,230

The Chief Executive Officer received no additional benefits.

<u>2010/11</u>		<u>2011/12</u>
	<i>Elected Members</i>	
55,234	Mayor - M J Campbell JP	57,167
19,757	Deputy Mayor - B H Joyes	20,130
19,757	Chair of Committee - A J Holmes	20,130
3,319	Councillor - W G Allen	-
11,379	Councillor - R J Chase	11,594
11,379	Councillor - C J Ion	11,594
11,189	Councillor - B J Julian	11,594
11,379	Councillor - A L Moore	11,594
11,379	Councillor - S H Tuhoro	11,594
8,060	Councillor - R G K Savage	11,594

25. Severance Payments

During the year, there were no severance payments made to Council employees (2010/11 nil)

26. Events after balance date

In 2011/12 there were no significant events after balance date (2010/11 nil).

27. Financial Instruments
Financial instrument categories

<u>2010/11</u>		<u>2011/12</u>
	Financial Assets	
	Loans and receivables	
5,154,554	Cash and cash equivalents	138,718
1,004,489	Debtors and other receivables	1,112,168
0	Short term deposits with maturities of 4-12 months	5,150,000
6,159,043	Total loans and receivables	6,400,886
	Fair value through other comprehensive income	
32,161	Investments in unlisted shares	32,161
32,161	Total fair value through other comprehensive income	32,161
6,191,204	Total financial assets	6,433,047
	Financial Liabilities	
	Financial liabilities at amortised cost	
1,095,136	Creditors and other payables	1,068,391
10,000	Provisions	10,000
376,998	Employee entitlements	396,293
2,259	Borrowings	4,074
1,484,393	Total financial liabilities at amortised cost	1,478,758
	Non-current liabilities	
98,325	Provisions	92,504
112,277	Employee entitlements	101,365
845	Borrowings	14,299
211,447	Total non-current liabilities	208,168
1,695,840	Total financial liabilities	1,686,926

For those instruments recognised at fair value in the statement 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 active markets.

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 inactive markets and financial instrument values 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 the valuation of classes of financial instruments measured at fair value in the statement of financial position.

Valuation Technique

	Total \$	Quoted market price \$	Observable inputs \$	Significant non- observable inputs \$
30 June 2011				
Financial assets				
Shares	<u>32,161</u>		<u>32,161</u>	
30 June 2012				
Financial assets				
Shares	<u>32,161</u>		<u>32,161</u>	

There were no transfers between the different levels of the fair value hierarchy.

Valuation techniques with significant non-observable inputs (level 3).

There were no movements in financial instruments for level 3 fair value measurements in either 2011 or 2012.

Financial instrument risks

Maximum exposure to credit risk

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

<u>2010/11</u>		<u>2011/12</u>
5,154,554	Cash at bank and term deposits	5,288,718
1,004,489	Debtors and other receivables	1,112,168
8,656	Financial guarantees	0
<u>6,167,699</u>	Total credit risk	<u>6,400,886</u>

Credit quality of financial assets

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit ratings or to historical information about counterparty default rates.

Counterparties with credit ratings

Cash at bank and term deposits		
4,454,554	AA	5,288,718
700,000	AA -	0
<u>5,154,554</u>		<u>5,288,718</u>

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

Market risk

Price risk

Price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices. KDC is exposed to equity securities price risk on its investments, which are classified as financial assets held at fair value through other comprehensive income. This price risk arises due to market movements in listed securities.

Equity securities price risk is not managed as the only quoted share investments are in BOPLASS Ltd and the Local Government Insurance Corporation which are held for strategic reasons.

Currency risk

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

Interest rate risk

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 and investments issued at fixed rates exposes the KDC to fair value interest rate risk.

KDC's Liability Management policy outlines the level of borrowing that is to be secured using fixed rate instruments.

During the current and previous years, KDC's investments have been held mainly in bank deposits with less than 6 months term. As a result, there has been no significant interest rate risk in either year.

Cash flow interest rate risk

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose KDC to cash flow interest rate risk.

During the current and previous years KDC's borrowing and investments have been held at fixed rates over their terms and there has been no significant cash flow interest rate risk.

Credit risk

Credit risk is the risk that a third party will default on its obligation to KDC, causing KDC to incur a loss.

KDC has no significant concentrations of credit risk, as it has a large number of credit customers, mainly ratepayers, and KDC has powers under the Local Government (Rating) Act 2002 to recover outstanding debts from ratepayers.

In 2011 and 2012, KDC invested its funds only in deposits with registered banks and its Investment policy limits the amount of credit exposure to any one institution or organisation. Accordingly, KDC does not require any collateral or security to support these financial instruments.

Liquidity risk

Liquidity risk is the risk that KDC 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.

KDC aims to maintain flexibility in funding by keeping committed credit lines available.

In meeting its liquidity requirements, KDC maintains a target level of investments that must mature within the next 12 months.

KDC manages its borrowings in accordance with its funding and financial policies, which includes a Liability Management policy. These policies have been adopted as part of the KDC's Long Term Plan.

KDC has a maximum amount that can be drawn down against its overdraft facility of \$1,000,000 (2011, \$1,000,000). There are no restrictions on the use of this facility.

The maturity profiles of the KDC's interest bearing investments and borrowings are disclosed in Notes 8 and 11 respectively.

Contractual maturity analysis of financial liabilities

The table below analyses KDC's financial liabilities into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	>5 years
<u>2010/11</u>						
Creditors and other payables	1,095,136	1,095,136	1,095,136	0	0	0
Finance leases	1,726	1,741	1,741	0	0	
Secured loans	1,334	1,363	518	536	309	0
	1,098,196	1,098,240	1,097,395	536	309	0
<u>2011/12</u>						
Creditors and other payables	1,068,391	1,068,391	1,068,391	0	0	0
Finance leases	17,560	22,345	5,472	5,472	11,401	0
Secured loans	813	845	536	309	0	0
	1,086,760	1,091,581	1,074,399	5,781	11,401	0

Contractual maturity analysis of financial assets

The table below analyses KDC's financial assets into relevant maturity groupings based on the remaining period at the balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	Carrying amount	Contractual cash flows	< 1 year	1-2 years	2-5 years	>5 years
2010/11						
Cash and cash equivalents	5,154,554	5,154,554	5,154,554	0	0	0
Debtors and other receivables	1,004,489	1,004,489	1,004,489	0	0	0
Short term deposits with maturities of 4-12 months	0	0	0	0	0	0
	6,159,043	6,159,043	6,159,043	0	0	0
2011/12						
Cash and cash equivalents	138,718	138,718	138,718	0	0	0
Debtors and other receivables	1,112,168	1,112,168	1,112,168	0	0	0
Short term deposits with maturities of 4-12 months	5,150,000	5,150,000	5,150,000	0	0	0
	6,400,886	6,400,886	6,400,886	0	0	0

Sensitivity analysis

Short term deposits total \$5,150,000 and a movement in the interest rates of plus or minus 1% has an effect on interest income of \$51,500.

Cash and cash equivalents include deposits at call of \$10,118 (2011 - \$373,531) which are at floating rates. A movement in the interest rates of plus or minus 1% has an effect on interest income of \$101 (2012 - \$3,735).

KDC has no financial assets or liabilities which would expose it to foreign exchange or equity price risks.

27. Capital management

The Council's capital is its equity (or ratepayers' funds), which comprises 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. Ratepayers' funds are largely managed as a by-product 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 the 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 programmes, to ensure ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The Act requires the Council to make adequate and effective provision in its Long-Term Plan and in its Annual Plan (where applicable) to meet the expenditure needs identified in those plans. The Act sets out the factors that the Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in the Council's Long-Term Plan.

KDC has the following Council created reserves:

Plant Replacement Funds
Depreciation Reserves

Plant replacement funds and depreciation reserves have been set up to maintain the funds necessary for the replacement of assets. Interest is added to the funds/reserves and deductions made when assets are replaced.

28. Explanation of major variances against budget

Explanations for major variations from KDC's estimated figures in the 2011/12 Annual Plan are as follows:

Statement of comprehensive income

The significant variances from KDC's estimated figures include: some additional revenue for community programmes, an economic development project, a community sports facility and additional income for waste disposal because of increased volumes. Correspondingly there was additional expenditure for community programmes, waste disposal, district plan review/rezoning and economic development project.

Detailed descriptions of variances in expenditure are disclosed in the Cost of Service Statements.

Statement of financial position

Cash and Cash Equivalent was lower than 2010/11 and Other Financial Assets was higher than 2010/11. This was because \$5.15 million of the short term deposits were invested for periods longer than 90 days to obtain the best rates, and therefore are classified as being "Other Financial Assets" for the purposes of the Statement of Financial Position.

Also Property Plant and Equipment was less than budget because less water pipework renewals were undertaken during the year than planned as there were less breakages and it was decided to defer the replacement for a further year.

Statement of cash flow

Cash flow from rates was less than budget because unpaid rates were \$26,800 more than the previous year and the rates received in advance were \$28,500 less than at 30 June 2011.

Interest received was less than budget because the rates were lower than anticipated and also funds were invested for longer periods to obtain a better return.

Receipts from Other Revenue and also Payments to Suppliers and Employees exceeded the budget as Council received during the year a number of unbudgeted grants to undertake community programmes and projects.

Expenditure for Purchase of Investments exceeded the budget because short deposits were invested for longer periods (> 90 days) to obtain the best interest rates.

Groups of Activities

STATEMENTS OF SERVICE PERFORMANCE & COST OF SERVICE STATEMENTS

Council is responsible and accountable for giving effect to identified Community Outcomes and priorities in an efficient and effective manner. Council operations have been divided into seven significant activities.

Each activity has a limited amount of funding and resources to achieve the identified outcomes.

This section of the Annual Report details:

- The achievement of both financial and performance targets of the activities and their respective functions.
- The reasons for any significant variance between actual service provision and expected service provision.
- The reasons for any significant changes in the capital acquisitions and replacement programmes.

QUALITY

Each significant activity includes performance measures which incorporate elements of quality. Quality processes are a standard feature of management control systems.

Specifically:

- **Capital Works** - are constructed to design specifications. Inspection of works is undertaken by suitably qualified engineers.
- **Maintenance Works** - are undertaken by employees or by contract under the supervision of suitably qualified and experienced engineers and monitored thereafter in accordance with maintenance programmes.
- **Regulatory Functions** - are undertaken by suitably qualified and experienced employees in accordance with legislative requirements.

DEMOCRACY

ACTIVITIES IN THE GROUP

The Democracy group of activities is the political arm of Kawerau District Council. It includes five activities:

The Council

Comprising the Mayor and eight Councillors, Council meets monthly to develop and monitor policy, objectives and outcomes for the District. The Mayor and eight Councillors are elected by registered electors in the District every three years.

Regulatory and Services Committee

As its name suggests, this standing committee is responsible for matters relating to Council regulation and services. The Committee meets monthly on alternate fortnights to Council meetings. All nine Elected Members of Council automatically become members of the Regulatory and Services Committee, which then elects a Chairperson.

Kawerau Youth Council

Established in 2009, the Youth Council aims to create self confident youth leaders who will monitor successive generations. Members meet each month to organise activities and provide a voice on matters affecting youth in our District. The Youth Council has up to 20 members aged between 14 and 24 years, for whom nominations are called each year.

Community Engagement

The consideration of Community views is fundamental to Council decision making. Legislation requires Council to use a special consultative procedure in some circumstances. A Community consultation process contained in Council's consultation policy is used to seek input into other decisions.

Local Elections

Council is responsible for holding the elections for District Council representatives every three years, concurrent with Regional Council and District Health Board elections.

The triennial Council elections were undertaken during October. All but one Councillor was returned to office which tends to indicate a high level of Community satisfaction with Council's performance.

NATURE AND SCOPE

Democracy is the political arm of Council. It involves the elected members making decisions to promote the social, economic, environmental, and cultural well-being of the Kawerau Community both in the present and for the future.

CONTRIBUTION TO COMMUNITY OUTCOMES

The Democracy group of activities contributes principally to Kawerau's Community Outcomes of:

- *Clean, accessible, respected environment*
- *Strong and prosperous economy aligned to Community values*
- *Focused Community leadership and governance*
- *Continued independence and viability*
- *Education and training opportunities for all*
- *Healthy people and housing*
- *Safe caring communities*
- *Reliable and affordable infrastructure*
- *Diverse, creative and vital communities*

SIGNIFICANT EFFECTS

The Democracy activity includes balancing the needs and wants of community members when making decisions.

Council endeavours to achieve the best outcome for the community and maximise the community's wellbeing.

THE YEAR IN SUMMARY

Highlights for the Democracy group of activities in 2011/2012 were:

- Developing and adopting the Long Term Plan 2012-2022. Key deliverables in this major project included developing a new Council Vision, Mission and Statement of Principles, identifying a new set of Kawerau Community Outcomes and designing a new Activity Structure.
- Completing the review of all Council bylaws, a process which had taken two years
- Reviewing a number of policies and making a new policy for smoke-free outdoor places.

In 2011/2012, Council used the special consultative procedure and/or Community consultation process when making the following:

- Long Term Plan 2012-2022
- Significance Policy
- Consultation Policy
- Dangerous and Insanitary Buildings Policy
- Earthquake-Prone Buildings Policy
- Smoke-Free Public Places Policy
- Speed Limits Bylaw 2011
- Traffic and Parking Bylaw 2011

DEMOCRACY

PERFORMANCE

During the year there were eleven ordinary Council meetings, eleven Regulatory and Services Committee meetings and twelve Youth Council meetings.

Levels of Service	Measures	Target 2011/12	Result	Comment
The Community receives quality democracy and representation	Number of Council meetings	At least 11 meetings	Achieved.	There were 11 Ordinary Council meetings held during 2011/12.
Council complies with legislative requirements	Community notification of meetings	100% publicly notified	Achieved.	All meetings were publically notified in accordance with the legislative requirements.
	Planning and reporting within legislative requirements	100% Achievement	Achieved.	The 2010/11 Annual Report and the 2012-2022 Long Term Plan were adopted within legislative timeframes
The Community receives regular communication about key issues.	Frequency of newsletters	At least two per year	Achieved.	Ten newsletters were produced and circulated to the Community during the year.
Support young people to develop the skills and attitude needed to take a positive part in society.	Youth Council	At least nine meetings held	Achieved.	12 meetings of the Youth Council were held in 2011/12

DEMOCRACY

COST OF SERVICE

<u>2010/11</u>		<u>Estimate</u>	<u>2011/12</u>
	INCOME		
540,443	Rates Income	509,500	509,568
20,058	Other Revenue	1,890	3,799
<u>560,501</u>	Total Income	<u>511,450</u>	<u>513,367</u>
	EXPENDITURE		
340,055	Employee benefit expenses	319,810	334,138
22,054	Depreciation and amortisation	23,180	21,438
190,295	Other expenses	168,460	181,527
<u>552,404</u>	Total Expenditure	<u>511,450</u>	<u>537,103</u>
<u>8,097</u>	Net Surplus/(Deficit)	<u>0</u>	<u>(23,736)</u>

Other expenses were slightly higher than budget as a result of the Kawerau Newsletter being published monthly instead of 6 monthly and also there were unbudgeted costs associated with the appointment of the Chief Executive Officer. There was no capital expenditure for this activity in the current year.

ECONOMIC AND COMMUNITY DEVELOPMENT

ACTIVITIES IN THE GROUP

Economic Development

Council is involved in economic development activity at the sub-regional level and is also taking a leadership role in local economic development initiatives.

Council works closely with the Whakatane and Opotiki District Councils and the BOP Regional Council as an active member of the Eastern BOP economic development agency, Toi EDA.

Events Management

Council supports a diverse range of events in the District and provides a strategic framework to meet future needs and demands. Council's involvement in events management takes advantage of and showcases the District's resources and helped to build capability and capacity of Community volunteers.

Grants and Funding

Council administers various grants which help to:

- Support Community organisations to help maintain Community services
- Promote artistic development
- Assist event organisers to organise new and innovative Community-run events, and
- Fund small business entrepreneurs to conduct feasibility studies of proposed new business ventures in the District.

Information Centre

The Information Centre provides services to residents and visitors ranging from tourism information, event information, travel bookings and forest permits and information. The Centre also maintains the town centre public toilets.

Youth Development

Council's youth development activities include selecting recipients and presenting Young Achievers Awards, coordinating activities during school holidays and supporting Kawerau Youth Council activities, which are funded by the Ministry of Youth Development.

NATURE AND SCOPE

Council considers it appropriate that it should be involved in local economic development. Activities in this group focus on promoting and encouraging industrial development, marketing the District as a desirable place to live and developing and extending current event activities.

CONTRIBUTION TO COMMUNITY OUTCOMES

The Economic and Community Development group of activities contributed mainly to Kawerau's Community Outcomes of:

- *Strong and prosperous economy aligned to community values*
- *Diverse, creative and vital communities*
- *Continued independence and viability*

SIGNIFICANT EFFECTS

The Economic Development activity provides funding to a number of agencies that seek to further economic development in the District including the Eastern Bay of Plenty Regional Economic Development Trust.

THE YEAR IN SUMMARY

Major highlights for the Economic and Community Development group of activities in 2011/2012 were:

- Development of the Industrial Symbiosis project, including the launch of communications and marketing resources
- Agreement to sponsor and coordinate the 'Neighbourhoods of Healthy Homes' project with BayTrust, the Eastern Bay Energy Trust (EBET) and the Energy Options Charitable Company Limited.

Other achievements included:

- Delivering a strong calendar of events
- Assuming full ownership of the events of Kawerau Christmas in the Park and Woodfest
- Adopting a set of criteria to determine the level of Council support for events
- Updating Council's Positive Ageing Strategy
- Establishing a Seniors Forum
- Continued support of the Kawerau Youth Council and its activities.

ECONOMIC AND COMMUNITY DEVELOPMENT

PERFORMANCE

Levels of Service	Measures	Target 2011/12	Result	Comment
Information Centre – Outstanding customer service every time	Proactive, fully-trained staff provide accurate advice and information, a full range of regional maps and brochures and appropriate online booking system	100% compliance with contract	Achieved	12 reports received regarding levels of service.
Information Centre – Public access to Information Centre at times relevant to customer needs	Compliance with contract	98% compliance with contract	Achieved	100% compliance with contract & public access
Events Management – Maintain a contestable fund for new events	Retention events provided with funding	Retention of 65% of funded events	Achieved	3/4 events retained (Ultramarathon, 6hr adventure race and Skateboard Jam)
Youth Development – Support young people to develop skills and attitudes needed to take a positive part in society	Actively support the objects of the Council-adopted Youth Policy	Annual reappointments made. Nine meetings p.a.	Achieved	Appointments made and Youth Council sworn in. 12 meetings held
Youth Development – Provide a School Holiday Programme based on recreational pursuits and social connection	Appropriate activities delivered within a structured programme	Four holiday programmes held per annum	Not Achieved	3/4 programmes held. January programme was cancelled due to a lack of demand.
Economic and Community Development – Continue work undertaken in 2007/08 and complete Economic and Community Development Strategy	Economic and Community Development Strategy document that clearly defines action points	Implementation of prioritised action points	Achieved	All economic initiatives implemented through Industrial Symbiosis project which completed stage 1 objectives 2010/2011.
Economic and Community Development – On ratification of the Economic and Community Development Strategy, seek funding to undertake prioritised feasibility studies	Completion of prioritised documents. Support for investment opportunities and information to underpin Economic Development initiatives	Feasibility Studies prioritised and at least one study commissioned	Achieved	Waste to Energy feasibility study report received.
Economic and Community Development – Work with Toi EDA, KEA and other EDAs to ensure the initiatives identified in the above documents benefit the wider region	Integration of relevant Kawerau District Strategic Economic Development Initiatives into the Toi EDA short and long term plans	Integration of initiatives	Achieved	KDC represented and participated in Toi-EDA and 2 of the 4 Bay of Connections Energy groups. (The Growth and Resources Action Groups)
Economic and Community Development – Identify and develop strategic relationships aligned with the initiatives adopted in the Economic and Community Development Strategic Plan	Relevant Partnerships established with Key Stakeholders	Relationships maintained/developed	Achieved	Representation on Industrial Symbiosis Committee also Bay of Connections Energy. Relationships maintained with all strategic partners.
Economic and Community Development – Identification of infrastructure required to accommodate the developments proposed in the Strategic Plan and supported by a feasibility study	Detailed planning undertaken and project(s) scheduled for implementation	Relevant infrastructure requirements prioritised and high level plans developed	Achieved	<ul style="list-style-type: none"> Review of district plan Putauaki Industrial Zoning Change notified High-speed Broadband being installed

Levels of Service	Measures	Target 2011/12	Result	Comment
Events Management – Support of established community events able to attract significant attendance from the wider area and encourage and support the independent event managers to utilise the district's facilities and natural resources	Higher awareness of: Events outside the area. Events managers of the District's facilities and resources	Benchmarking procedures adhered to.	Achieved	Benchmarks established and resolved by Council in March 2012. Monitoring of events being undertaken.
Facilities Development – In conjunction with recognised organisations, identify suitable venues and establish facilities that will be well used by the local Community and have potential to attract interest from outside the District	Appropriate facilities are well constructed and maintained	Maintained facilities are used to a minimum of 70% of benchmark.	Not achieved	Benchmarks not established and have decided not to establish them for facilities.
Promotional Activity – Maintain a positive district profile both within and outside of the District	All communication messages reinforce brand message and website visitor levels increase	Benchmarking procedures adhered to.	Achieved	Benchmarks adhered to. Website visitors trending upwards.
Community well-being – Promote a healthy, active Community through having programmes and support available to encourage residents of all ages to be more active more often	Retention of P2H Co-ordinator	P2H Co-ordinator retained	Achieved	Sports and physical activity co-ordinator appointed to 30/6/2013.
Community well-being – Support the enrichment of the Community through the participation of art and cultural events in the District	Facilitation of the NZ Creative Communities Scheme available to non-profit organisations for the promotion of art and culture	Facilitate fund	Achieved	Two funding rounds undertaken in 2011/12 and \$3,520 was distributed to organisations.
Community well-being – Encourage an environment where residents work to establish initiatives that support community well-being and promote a safe and secure Community	Provide funding for and facilitate a contestable fund available for non-profit organisations	Facilitate fund	Achieved	Two funding rounds undertaken in 2011/12. \$17,704 was distributed to organisations during the year.
CBD Rejuvenation – Support initiatives that promote the Central Business District as a vibrant area of the Community	Demonstrable work with organisations and groups to establish initiatives to revitalise and improve the aesthetic appeal of the area	Assistance with the determination of what measures need to be instigated	Achieved	Purchase of premises in Jellicoe Court. Council investigating option of using it as a Museum facility.
Retirement – Ensure District amenities are suitable for the use of senior citizens and encourage retirees to participate in initiatives that enhance the well-being of the Community	Regular consultation with appropriate organisations as to the needs of older people and initiate projects where feasible	Benchmarking procedures adhered to.	Achieved	Positive Ageing Strategy adopted by Council in March 2012.

ECONOMIC AND COMMUNITY DEVELOPMENT

COST OF SERVICE

<u>2010/11</u>		<u>Estimate</u>	<u>2011/12</u>
	INCOME		
513,180	Rates Income	528,120	528,120
<u>74,372</u>	Other Revenue	<u>13,960</u>	<u>249,710</u>
<u>587,552</u>	Total Income	<u>542,080</u>	<u>777,830</u>
	EXPENDITURE		
270,726	Employee benefit expenses	241,630	288,368
95,256	Depreciation and amortisation	94,530	96,373
293,282	Other Expenses	288,260	544,097
<u>659,264</u>	Total Expenditure	<u>624,420</u>	<u>928,838</u>
<u>(71,712)</u>	Net Surplus/(Deficit)	<u>(83,340)</u>	<u>(151,008)</u>

Increased expenditure was incurred for projects and community programmes which was offset by higher income from grants received.

Expenditure capitalised during the year that relates to this activity is as follows:

15,650	Acquisition - 5A Porritt Drive	0	0
<u>0</u>	Acquisition – 16-18 Jellicoe Court	<u>0</u>	<u>25,000</u>
<u>(15,650)</u>	FUNDED BY:	<u>0</u>	<u>(25,000)</u>
	Depreciation Reserve Funding		

During the year Council approved additional funding of \$25,000 from Depreciation Reserves to acquire 16-18 Jellicoe Court.

ENVIRONMENTAL SERVICES

ACTIVITIES IN THE GROUP

The activities in the Environmental Services group are:

Resource Management Planning

Resource Management Planning aims to ensure responsible stewardship of natural and physical resources. Council's resource management responsibilities include ongoing review of policies, objectives and rules contained in the District Plan and, information management and associated environmental monitoring.

Resource Consents

Council issues land use and subdivision consents for activities which balance development opportunities against the need to minimise adverse environmental effects. Consents are issued with regard to policies, objectives and rules in the District Plan.

Building Control

The Building Control activity regulates buildings to ensure public safety and health. Council's functions are to consent, inspect, monitor and certify building work and building safety.

Environmental Health Services

This activity promotes, safeguards and enhances public health by achieving compliance with environmental health and associated legislation and bylaws in particular food safety, water supply, noise control, liquor licensing and gambling.

Dog Registration and Control

Dog Registration activity is a statutory obligation under the Dog Control Act 1996 for Council to keep a register of dogs kept in the District. Dog Control activity is a community safety service focused on the control of dogs in the District and the enforcement of the Dog Control Act and Council's Dog Control Bylaw.

Civil Defence

The Civil Defence activity provides local planning for and management of civil defence emergencies. It relates to readiness, response, reduction and recovery.

NATURE AND SCOPE

Council has regulatory and enforcement duties and powers under several acts of Parliament including the Local Government Act, the Health Act, the Building Act, the Dog Control Act and the Resource Management Act. Warranted officers work autonomously and in conjunction with enforcement authorities such as the police and public health to uphold environmental, health and safety standards.

CONTRIBUTION TO COMMUNITY OUTCOMES

The Environmental Services group of activities contributes primarily to the Community Outcomes of:

- *Clean, accessible, respected environment*
- *Healthy people and housing*
- *Safe, caring communities*

SIGNIFICANT EFFECTS

Council is committed to the protection and enhancement of the environment, and the promotion, protection and enhancement of public health and safety.

THE YEAR IN SUMMARY

Major highlights for the Environmental Services group of activities in 2011/2012 were:

- The District Plan was made operative from 1 May 2012
- The Putauaki Industrial Zone change was notified in May 2012
- Council's Building Consent Authority was reassessed and its accreditation was confirmed by International Accreditation NZ

Other achievements included:

- Meeting all performance targets in the Resource Management Planning, Resource Consents, Dog Control and Registration and Civil Defence activities
- Reviewing the policy for earthquake-prone buildings and making continued progress on its implementation
- Inspecting or auditing all registered food premises in the District for compliance with food handling requirements
- Carrying out, on average, more than one patrol each day to identify illegally dumped litter, abandoned vehicles, fire hazards and health nuisances
- All dogs in listed in Council's register being registered by the target date of 30 April 2012
- On average, more than two patrols being carried out each day to detect unregistered dogs and breaches of dog-related legislation and bylaws
- Impounding 460 dogs during the year for various statutory breaches
- Making a series of minor changes to the Dog Control Bylaw and General Bylaw which included clarifying the responsibilities of dog owners and adding a new dog exercise area
- Responding to and investigating notified complaints in accordance with statutory requirements and practice guidelines
- Continuing to support a shared service arrangement to deliver civil defence management capability across the Eastern Bay of Plenty
- Conducting a local civil defence exercise in March 2012

Other achievements included:

- All performance targets for the activities of Resource Management Planning, Resource Consents, Dog Control, Dog Registration and Civil Defence were met
- All resource consents were processed in accordance with statutory timeframes
- All building consents and code compliance certificates issued by Council were processed in accordance with statutory timeframes
- All dogs listed in Council's database were registered by the end of April 2012, two months before the deadline
- On average, more than two patrols were carried out each day to detect unregistered dogs and breaches of dog-related legislation and bylaws
- All registered food premises were inspected or audited for compliance with food handling requirements
- On average, more than one patrol was carried out each day to identify illegally dumped litter, abandoned vehicles, fire hazards and health nuisances
- Council responded to and investigated notified complaints in accordance with statutory requirements and practice guidelines

ENVIRONMENTAL SERVICES

PERFORMANCE

Resource Management

Levels of Service	Measures	Target 2011/12	Result	Comments
Council maintains a District Plan (DP) prepared in accordance with the Resource Management Act 1991 – Reviews and Changes are carried out in the manner set out in Schedule 1	District Plan reviews and changes comply with legislation	100% compliance	Achieved	<ul style="list-style-type: none"> District Plan achieved operative status May 2012. Putauaki Industrial change notified May 2012, submissions closed 20 June 2012, 7 to consider. Commercial Zoning correction change notified May 2012, submissions closed 20 June 2012, none received.
Resource consents are processed in accordance with the District Plan and the RMA 1991	Resource consents inspected	100% inspected	Achieved	All resource consents inspected.
	Monitoring of resource consents for compliance	100% monitored	Achieved	777 resource consents monitored for compliance.
Council maintains a District Plan prepared in accordance with the Resource Management Act 1991 - Reviews are commenced within ten years of the Plan becoming operative	District Plan review within deadline	Maintain DP	Achieved	<ul style="list-style-type: none"> District Plan achieved operative status May 2012. Putauaki Industrial change notified May 2012, submissions closed 20 June 2012, 7 to consider. Commercial Zoning correction change notified May 2012, submissions closed 20 June 2012, none received.
Resource consents are processed in accordance with the District Plan and the RMA 1991	Resource consents processed within timeframes	100% within timeframes	Achieved	8/8(100%)

Building Control

Levels of Service	Measures	Target 2011/12	Result	Comments
Council maintains customer satisfaction levels for users of Environmental Services	Satisfaction of service users – Building Inspection Processes	90% satisfaction	Achieved	96%
	Satisfaction of service users – Building Consents Processes	90% satisfaction	Achieved	100%
Building consents and project information memoranda are processed and inspections of completed work are carried out in accordance with the Building Act 2004, any relevant Regulations and the New Zealand Building Code	BCA accreditation maintained	Accredited and registered	Achieved	Continued accreditation confirmed by IANZ May 2012
Building warrants of fitness are renewed annually and notified to Council in accordance with the Building Act 2004	Building WOF renewals checked	100% of renewals checked	Achieved	65/65 (100%) Checked 11 renewals outstanding all 11 expired 30/6/12. 2 cancelled.
	Buildings monitored for compliance with WOF	25% monitored	Achieved	Target 17 29/65 (46%)
Swimming pools in the District are inspected for compliance with the provisions of the Fencing of Swimming Pools Act 1987	Percent of swimming pools checked annually for fencing compliance	25% annually	Achieved	Target 11 46/57 (81%)
	New notified swimming pools inspected	100% of new notified pools inspected	Achieved	22/22 (100%)
	Three-yearly survey to identify swimming pools	Survey completed	Achieved	Survey completed October 2011
Building consents and project information memoranda are processed and inspections of completed work are carried out in accordance with the Building Act 2004, any relevant Regulations and the New Zealand Building Code	Building consents processed within timeframes	100% within 20 working days	Not Achieved	90/92 (98%) One at 26 days and one at 27 days due to failure to notify in writing further information request placing consent processing on hold.
	Project Information Memoranda (PIMs) issued within timeframes	100% within 20 working days	Achieved	0/0 (100%)
	Code Compliance Certificates issued within timeframes	100% within 20 working days	Achieved	103/103 (100%)
	Compliance schedules notified within timeframes	100% within five working days	Achieved	1/1 (100%)

Environmental Health

Levels of Service	Measures	Target 2011/12	Result	Comments
Council maintains customer satisfaction levels for users of Environmental Services	Satisfaction of service users – Environmental health inspection processes	90% satisfaction	Achieved	100% satisfaction of users completing satisfaction questionnaire.
Registered food premises are inspected for compliance with all statutory requirements	Food premises (other than mobile) inspected	100% twice-yearly	Achieved	35/34 first inspections 31/29 second inspections Note: Inspections exceed number of premises due to premises changing ownership.
	Audits of food premises operating Food Control Plans	100% annually	Achieved	13/11 (100%) Note: Inspections exceed number of premises due to premises changing ownership.
	Other registered premises (including mobile) inspected	100% annually	Achieved	13/12 (100%) Additional inspection with change of ownership
Public areas are monitored and kept litter free	Weekday daily litter patrols	Weekday daily litter patrols	Achieved	490/490 (100%)
Any nuisance or condition likely to be injurious to health or offensive is investigated	Response time for nuisance conditions (Environmental Health)	100% within one working day	Achieved	18/18 (100%)
Noise complaints are investigated in accordance with the Resource Management Act 1991	Response to noise complaints	100% response in accordance with contract terms	Not Achieved	499/500 (99.8%) Complaint telephoned to contractor (March 2012) was neither logged nor actioned. The noise issue was addressed as it was the subject of a separate complaint.

Levels of Service	Measures	Target 2011/12	Result	Comments
Liquor licence applications are processed in accordance with the Sale of Liquor Act 1989 and within five working days after receipt of all reports and required information, unless subject to objection	Liquor licence applications processed within timeframes	100% within five working days	Achieved	34/34 (100%)
Motor vehicle accidents and property damage caused by straying stock are prevented	Response to complaints of straying stock	100% immediate response	Achieved	37/37 (100%)
Public areas are monitored and kept litter free	Removal of notified litter and abandoned cars	100% within two working days	Achieved	2/2 (100%)

Dog Control and Registration

Levels of Service	Measures	Target 2011/12	Result	Comments
Conduct regular routine patrols and door-to-door survey annually to detect unregistered dogs and to identify their owners	No unregistered dogs listed in database	No unregistered dogs listed by 30 April annually	Achieved	1298/1298 (100%)
Minimise intimidation of the Community by uncontrolled dogs and conduct regular routine patrols to detect nuisances caused by dogs	Response to dog control complaints	100% responded to, investigated, records of action taken and complainant advised of the outcome/ progress (where applicable) within 24 hours	Achieved	944/944 (100%)
Conduct regular routine patrols and door-to-door survey annually to detect unregistered dogs and to identify their owners	Annual survey of properties to detect unregistered dogs	Survey completed	Achieved	Survey completed October 2011
Dog owners are provided with areas of public domain to meet their recreational needs	Inspection of dog exercise areas	100% inspected annually	Achieved	12/12 (100%)
Conduct regular routine patrols and door-to-door survey annually to detect unregistered dogs and to identify their owners	Frequency of dog patrols	No less than 460 weekday and 340 after hours dog patrols	Achieved	466 weekday and 355 after hours patrols to date

Civil Defence

Levels of Service	Measures	Target 2011/12	Result	Comments
Plan and provide for civil defence emergency management within the District as required by the Civic Defence Emergency Management Act 2002 – Maintain emergency management and recovery plans and standard operating procedures	Annual review of emergency management and recovery plans	Annual reviews completed	Achieved	5/5 (100%) Note: Kawerau CDEM draft plan and SOPs subject to final review on adoption of BOP CDEM Plan.
Ensure the Council is able to function to the fullest possible extent during and after an emergency	Annual review of Council's business continuity plan	Annual reviews completed	Achieved	1/1 (100%)
Support the effective operation of the Bay of Plenty Civil Defence Emergency Management (BOP-CDEM) Group	Participation in BOP-CDEM Group exercises	100% participation	Achieved	Not applicable No exercises held
Plan and provide for civil defence emergency management within the District as required by the Civic Defence Emergency Management Act 2002 – Maintain a Local Emergency Incident Response Centre with functional equipment and resources	Frequency of Civil Defence Centre tests	Four-monthly tests	Achieved	3/3 completed on 09/09/11, 07/03/12 and 19/06/12
	Frequency of Civil Defence training exercises.	Training exercise undertaken.	Achieved	Local exercise undertaken 29/03/12

ENVIRONMENTAL SERVICES

COST OF SERVICE

<u>2010/11</u>		<u>Estimate</u>	<u>2011/12</u>
	INCOME		
598,427	Rates Income	682,220	682,224
205,791	Other Revenue	173,160	198,626
<u>804,218</u>	Total Income	<u>855,380</u>	<u>880,850</u>
	EXPENDITURE		
414,808	Employee benefit expenses	413,100	440,667
23,146	Depreciation and amortisation	25,820	23,944
516,615	Other Expenses	416,460	542,082
<u>954,569</u>	Total Expenditure	<u>855,380</u>	<u>1,006,693</u>
<u>(150,351)</u>	Net Surplus/(Deficit)	<u>0</u>	<u>(125,843)</u>

Other expenses were higher than estimate due to: District Plan review and rezoning costs being higher than budgeted (\$62K) and additional costs for specialist building inspectorate (\$67K).

No capital expenditure related to this activity in the current year.

TRANSPORT MANAGEMENT

ACTIVITIES IN THE GROUP

The Transport Management group of activities aims to provide and maintain a system of roads and footpaths which provides safe and comfortable passage for all users. Activities in the group are:

- Managing and monitoring the transport network
- Repairing and maintaining assets and structures
- Operating transport activity assets, and
- Planning to improve operations and meet future requirements.

STRATEGY

Council has developed a Roding Asset Management Plan which provides for the efficient and effective management of the roading asset. This Plan allows Council to allocate detailed funding to properly maintain the asset while also making provision for the longer term financing required.

NATURE AND SCOPE

The transport network comprises approximately 42 kilometres of roads and associated infrastructure such as bridges, street lights, kerbing, signs and markings, car parks and footpaths. Kawerau's stormwater system, a network of pipes, manholes and cesspits that collects stormwater from roads and transports it to a natural water course, is also part of the transport network.

Control over the District's roads is vested in Council by the Local Government Act 2002. Land Transport New Zealand subsidises much of Council's roading expenditure, including street cleaning and the maintenance of roads and associated stormwater and lighting systems. In addition to this work, Council also maintains Kawerau's footpaths and a substantial paved area in the town centre. NZTA is responsible for State Highway 34.

GOALS

To provide and maintain a system of roads/footpaths for the safe and comfortable passage of vehicles, pedestrians, cyclists and other vulnerable road users (including mobility scooters) in and through the District.

CONTRIBUTION TO COMMUNITY OUTCOMES

The Transport Management activity contributes mainly to Kawerau's Community Outcomes of:

- *Reliable and affordable infrastructure, and*
- *Safe, caring communities*
- *Clean, accessible, respected environment*
- *Strong and prosperous economy aligned to Community values*
- *Healthy people and housing*
- *Continued independence and viability*

SIGNIFICANT EFFECTS

The Transport Management activity delivers an efficient transport network that has minimal impact on the environment. During the year, Council carried out its programmed reseals, street lighting upgrades, road marking and safety improvements.

Significant negative effects on the roading network are traffic accidents. To reduce numbers and severity, Council is a partner in the Eastern Bay of Plenty Road Safety Management System. Council has developed the Eastern Bay of Plenty Road Safety System, undertakes safety audits and provides street lighting, signage and pavement marking.

ACTIVITIES IN THE GROUP

Council's Transport Management group of activities provides a network of roads/footpaths for the safe and comfortable passage of vehicles and vulnerable road users such as pedestrians, cyclists and mobility scooters in and through the District.

THE YEAR IN SUMMARY

Achievements for the Transport Management group of activities in 2011/2012 were:

- Undergrounding the power lines in Cobham Drive. (At a cost of \$127,700 this was a 3 year programme which had been deferred in previous years.
- Installing four additional security cameras in the town centre and upgrading a number of existing cameras
- Replacing several manholes near the swimming pool complex which had reached the end of their useful lives
- Ongoing asset renewals including pavement reseals, footpaths, kerbing and street lights.

TRANSPORT MANAGEMENT

PERFORMANCE

Levels of Service	Measures	Target 2011/12	Result	Comments
Provide and maintain an appropriate network of roading assets that includes the provision of access to all District properties	Number of justified complaints regarding the road network	No justified complaints	Achieved	No justified complaints received.
Contribute to road safety within the District - Maintain the road carriageway to a District-wide average roughness rating of lower than 90 (0 = flat, 400 = dangerous)	Road roughness rating	< 90	Achieved	Overall road roughness grading was 78.9
Provide and maintain an adequate system to remove stormwater	Number of complaints regarding stormwater problems	No more than ten events per annum that incur complaints	Achieved	No stormwater complaints but high groundwater in Hardie Ave caused requests for assistance
Properties protected from flooding	Number of dwellings flooded	No flooded dwellings	Achieved	
Provide and maintain an adequate system of footpaths for pedestrians	Repair time for hazardous CBD footpaths	Hazard isolated within one day and repaired within ten days	Achieved	All hazardous footpaths in CBD isolated and repaired within the timeframes.
Provide and maintain an adequate system of footpaths for pedestrians	Repair time for other hazardous footpaths	Hazard isolated within three days and repaired within one month	Achieved	All other hazardous footpaths isolated and repaired within timeframe.
Provide and maintain an adequate system to remove stormwater	Timeliness of service requests for stormwater issues (urgent)	99% within one hour of notification (urgent requests)	Achieved	All urgent requests responded to within 1 hour.
	Timeliness of service requests for stormwater issues (not urgent)	90% within one week of notification (non-urgent requests)	Achieved	All non-urgent requests responded to within timeframe.
Provide and maintain an appropriate network of roading assets that includes the provision of access to all district properties	Repair time for roading issues (e.g. reports of potholes)	90% within 14 days	Not Achieved	Repairs were undertaken within 14 days, however recording mechanisms could not support this result.

Note: “Justified” complaints mean complaints that are found to be in relation to Council assets and/or services.

“Hazardous” refers to footpath lips greater than 50mm. Council aims to remove all lips greater than 20mm.

TRANSPORT MANAGEMENT

COST OF SERVICE

2010/11		Estimate	2011/12
	INCOME		
940,480	Rates Income	1,063,980	1,063,980
468,633	Other Revenue	437,480	467,942
<u>1,409,113</u>	Total Income	<u>1,501,460</u>	<u>1,531,922</u>
	EXPENDITURE		
254,914	Employee benefit expenses	293,920	256,654
805,546	Depreciation and amortisation	835,000	825,434
563,231	Other Expenses	607,390	782,608
0	Loss on disposal of assets	0	8,559
<u>1,623,691</u>	Total Expenditure	<u>1,736,310</u>	<u>1,873,255</u>
<u>(214,578)</u>	Net (Deficit)	<u>(234,850)</u>	<u>(341,333)</u>

Other Expenses were higher than estimated mainly as a result of the undergrounding project (\$128K) which had been budgeted in 2010/11.

Expenditure capitalised during the year that relates to this activity is as follows:

26,220	Streetlights renewals	71,580	72,202
66,063	Kerbs & Footpaths renewals	85,970	89,788
4,812	Massey Street Walkway	0	0
175,615	Reseals	152,090	153,539
55,338	Pipework renewals	56,000	21,176
0	New pipework	0	0
110,461	Other renewals	56,630	108,795
<u>438,509</u>	Total Infrastructural	<u>416,270</u>	<u>445,500</u>

FUNDED BY:

219,109	Depreciation Reserve Funding	240,760	250,865
219,400	Other	175,510	194,635
<u>438,509</u>		<u>416,270</u>	<u>445,500</u>

During the year, Council put up decorative lights (\$13k), installed CCTV cameras (\$34k) and undertook more footpath repairs (\$19k), which was approved by Council.

WATER SUPPLY

ACTIVITIES IN THE GROUP

The Water Supply group of activities is concerned with sourcing, treating and supplying potable (drinkable) water to more than 2400 households, four large industries and approximately 200 other businesses in the District.

NATURE AND SCOPE

The District water supply is sourced from two springs on privately owned land, one in town and the other 3.5 km to the south west. From there, water is pumped to a treatment plant for UV disinfection to comply with Drinking Water Standards of NZ guidelines. After treatment, water is pumped to three reservoirs, two on Monika Lanham Reserve and one above Beattie Road, and then gravity-fed to premises around Kawerau.

In times of peak demand, additional water can be obtained from a bore field in Tarawera Park.

The Water Supply activity also involves:

- Managing Water Supply assets: pipes, structures and plant
- Monitoring and reporting water quality
- Planning to improve operations and meet future requirements.

CONTRIBUTION TO COMMUNITY OUTCOMES

The supply of good quality water is fundamental to Community wellbeing. This group of activities contributes mainly to the Community Outcomes of:

- *Healthy people and housing*
- *Reliable and affordable infrastructure*
- *Continued independence and viability*
- *Clean accessible respect environment*
- *Safe caring communities*

SIGNIFICANT EFFECTS

The provision of potable water is fundamental to community well-being.

The supply is not considered a “secure” supply as defined by the Drinking Water Standards New Zealand (DWSNZ) due to historical detection of faecal coliforms in the source water and the inability to prove that the water has been underground for more than twelve months or is not directly affected by surface or climate influences in the environment. Contaminations, when detected, are treated with chlorine.

In 2005/2006, Council considered several options for treating the water supply in order to improve the quality of water in line with the DWSNZ. Council decided to implement ultraviolet disinfection treatment of the source water and continue its current practice of treating contaminations in the water reticulation (pipes from the reservoir to taps) with chlorine on an “as required” basis.

THE YEAR IN SUMMARY

Achievements for the Water Supply group of activities in 2011/2012 were:

- Constructing river bank protection under the Tarawera River water supply bridge
- Installing variable speed drives at the main pump house on the Dump Reserve to match water flow with UV plant capacity.

A budgeted \$400,000 pipe replacement programme was able to be deferred because no breakages occurred.

WATER SUPPLY

PERFORMANCE

Levels of Service	Measures	Target 2011/12	Results	Comments
Human health is not compromised by the quality of water supplied	Water supply health risk grading	Bb	Not Achieved	Regrading did not occur and still graded Ee.
	Instances of non-compliance with DWSNZ	No instances of non-compliance with DWSNZ	Not Achieved	One instance of E coli detected in March 2012. Subsequent retests clear.
	Frequency of bacteriological monitoring	At least twice per month	Achieved	Monitoring done at least weekly.
Water is provided in an environmentally friendly manner	Compliance with water supply resource consents	100%	Achieved	BOP Regional Council confirmed compliance with resource consent.
Water is delivered to customers at a suitable pressure and flow	Water pressure	No instances of daily samples showing pressure lower than 40 psi	Not Achieved	A section of the town had very low water pressure when large water meters were installed in September 2011.
Minimal disruptions to supply	Frequency of unplanned shutdowns of water supply reticulation	No more than 12 unplanned shutdowns	Achieved	No unplanned shutdowns during year.
	Frequency of unplanned shutdowns of water supply pump stations	No unplanned shutdowns	Achieved	No unplanned shutdowns during year.
Reliability of supply	Number of water main breaks	No more than 14 per annum	Achieved	There were 3 water main breaks during year.
	Response times for water supply requests/ repairs	95% responded to within two hours	Achieved	98% 1 repair outside 2 hours
Complaints are dealt with promptly	Complaints about water supply safety	100% responded to within one hour	Achieved	No complaints about water safety
	Complaints about water supply pressure	95% responded to by the end of next working day	Achieved	A number of complaints received about pressure during meter change. All responded to immediately with information

WATER SUPPLY

COST OF SERVICE

2010/11		Estimate	2011/12
	INCOME		
791,795	Rates Income	829,710	829,716
116,232	Targeted Rates	147,490	148,466
107,503	Other Revenue	112,860	111,551
<u>1,015,530</u>	Total Income	<u>1,090,060</u>	<u>1,089,733</u>
	EXPENDITURE		
139,766	Employee benefit expenses	134,900	127,926
430,229	Depreciation and amortisation	428,500	440,642
444,812	Other Expenses	526,660	451,460
0	Loss on disposal of assets	0	61,073
<u>1,014,807</u>	Total Expenditure	<u>1,090,060</u>	<u>1,081,101</u>
<u>723</u>	Net Surplus/(Deficit)	<u>0</u>	<u>8,632</u>

Electricity, chemicals and sundry costs were less than budget (\$75k). However, the renewal of the water infrastructure resulted in a "loss on disposal" of \$61k which was the book value of those assets that were replaced.

Expenditure capitalised during the year that relates to this activity is as follows:

8,732	UV Tube Replacement	0	0
271,428	Pipework renewals	481,000	47,177
6,290	Toby renewals	6,290	6,290
11,897	Other renewals	12,070	79,508
<u>298,347</u>	Total Infrastructural	<u>499,360</u>	<u>132,975</u>
	FUNDED BY:		
<u>298,347</u>	Depreciation Reserve Funding	<u>499,360</u>	<u>132,975</u>

During the year, Council only carried out \$47k of pipework renewals in zone 1. Some of the pipe was found to be in better condition than initially anticipated so less renewals was undertaken. Also a variable speed drive (\$61k) was installed which was approved by Council.

WASTE MANAGEMENT

ACTIVITIES IN THE GROUP

The Waste Management group of activities involves the collection and disposal of waste and wastewater to maintain public health, avoid public nuisance and retain aesthetic values in the District. The activities are:

Refuse Collection and Disposal

Council provides weekly residual (household) waste collection and operates a local transfer station which accepts all types of waste. Residual waste is transported from the transfer station to the Tirohia Landfill on the Hauraki Plains.

Wastewater Collection and Disposal

Council's wastewater system is a network of pipes, manholes, cleaning eyes, pumps and a treatment plant. Wastewater is collected from almost all properties in the District and treated and disposed of in accordance with consent conditions.

Zero Waste

Council operates a weekly kerbside collection of recyclable materials (glass, paper, plastics and cans) and a fortnightly green waste collection. Recyclable materials are taken to a sorting facility in Tauranga from where they go into the various reuse streams. Green waste is composted in the District. Public education encourages the Community to reduce and recycle household and other waste.

NATURE AND SCOPE

Refuse collection and disposal are important services which maintain public health standards. Recycling collection helps to reduce the volume of waste going to landfill, thereby minimising the negative impacts of human consumption on the local environment.

Council is involved in wastewater collection and disposal to fulfil a range of legislative duties imposed by the Health Act, the Building Act and the Local Government Act. Council's aims in providing a wastewater disposal system are to enhance public health in the District and to safeguard the local environment.

CONTRIBUTION TO COMMUNITY OUTCOMES

The Waste Management group of activities contributes mainly to Kawerau's Community Outcomes of:

- *Reliable and affordable infrastructure*
- *Healthy people and housing*
- *Clean, accessible, respected environment.*

SIGNIFICANT EFFECTS

The Waste Management activity contributes to the good health and safety of the Community. During the year, zero waste initiatives were undertaken to promote environmentally friendly waste disposal practices.

The operation of the transfer station as a means of disposing solid waste could result in some negative environmental effects. These effects are not considered significant and have been

managed via operating procedures and a monitoring regime. Noise, odour, dust, litter and vermin are nuisance elements commonly linked to transfer stations. However, in general, due to the low volumes of refuse deposited and the regular removal to an out of district landfill, very few nuisance problems occur with the Kawerau site.

THE YEAR IN SUMMARY

Achievements in the Waste Management group of activities in 2011/2012 were:

- Reviewing transfer station fees to simplify the structure and make fees better reflect disposal costs. Minor changes were made as a result.
- Achieving compliance with all resource consents for wastewater, the transfer station and the closed landfill site
- Ongoing recycling of household waste, green waste, wood and concrete

WASTE MANAGEMENT

PERFORMANCE

Wastewater

Levels of Service	Measures	Target 2011/12	Result	Comment
Operation of treatment plant	Compliance with wastewater resource consents	100% compliance	Achieved	Council complied with conditions of resource consent (confirmed by BOP Regional Council).
	Number of complaints about wastewater system odours	No more than one justified complaint per annum	Achieved	No complaints received during the year.
Minimise losses of wastewater services	Number of disruptions to wastewater services	< 50 per annum	Achieved	There was 41 disruptions to the Wastewater service during the year.
Provision of domestic wastewater collection and primary treatment	Continuity of wastewater collection	Service provided 365 days	Achieved	
Minimise losses of wastewater services	Response time for disruptions to wastewater services	Within one hour on 95% of notifications	Achieved	All notifications were responded to within 1 hour (41/41).
Restore road openings due to repair	Timeliness of restoration	Within one month	Achieved	No road restoration work required.

Note: "Justified" complaints mean complaints that are found to be in relation to Council assets and/or services.

Refuse Collection

Levels of Service	Measures	Target 2011/12	Result	Comment
Provision of a cost effective refuse collection system that will encourage a healthy clean and tidy District	Frequency of refuse collection	Weekly residual refuse collections from residential properties	Achieved	All weekly refuse collections undertaken.

Refuse Disposal

Levels of Service	Measures	Target 2011/12	Result	Comment
Waste generated by the Community is disposed of safely	Refuse disposal complies with resource consents	100% compliance	Achieved	Council complied with the conditions of the resource consent. (Confirmed by BOP Regional Council)

Zero Waste

Levels of Service	Measures	Target 2011/12	Result	Comment
Provide information and education about waste minimisation opportunities	Zero Waste targets (reductions in volume of refuse to landfill)	72% reduction compared to 1999/00	Not Achieved	70% reduction in refuse volume. (Close to target)
Provide information and education about waste minimisation opportunities	Annual recycling volumes	520 tonnes	Achieved	1,733 tonnes was recycled during 2011/12. (Includes 1,100 tonnes of greenwaste)

WASTE MANAGEMENT

COST OF SERVICE

2010/11		Estimate	2011/12
	INCOME		
1,352,507	Rates Income	1,404,000	1,404,000
618,511	Targeted Rates	808,370	814,189
450,945	Other Revenue	345,820	405,646
<u>2,421,963</u>	Total Income	<u>2,558,190</u>	<u>2,623,835</u>
	EXPENDITURE		
570,259	Employee benefit expenses	547,790	630,010
437,109	Depreciation and amortisation	436,210	445,349
1,494,657	Other Expenses	1,574,190	1,534,607
0	Loss on disposal of assets	0	5,516
<u>2,502,025</u>	Total Expenditure	<u>2,558,190</u>	<u>2,615,482</u>
<u>(80,062)</u>	Net Surplus/(Deficit)	<u>0</u>	<u>8,353</u>

Other Revenue exceeded the budget because of increased volumes going to the landfill. There was a loss on the disposal of assets of \$5k which was the remaining book value for those assets that were renewed.

Capital expenditure during the year that relates to this activity is as follows:

45,516	Wastewater Treatment Plant Upgrades	0	
14,917	Wastewater Pipework	107,000	35,616
3,359	Electric Gate	0	0
7,378	Other renewals	0	25,382
<u>71,170</u>	Total Infrastructural	<u>107,000</u>	<u>60,998</u>

FUNDED BY:

<u>71,170</u>	Depreciation Reserve Funding	<u>107,000</u>	<u>60,998</u>
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Less pipework replacement was undertaken than budgeted (\$71k), as pipework was in better condition than anticipated. However, refurbishment of pumps, bearings and the installation of a holding tank were required (\$25k).

LEISURE & RECREATION

ACTIVITIES IN THE GROUP

The Leisure and Recreation group of activities includes Community halls and facilities, the District Library and museum, Kawerau's many parks and gardens and the Kawerau Cemetery. The activities are:

Community Halls and Public Facilities

Council owns and maintains three large public halls for recreational and cultural pursuits, four clubroom/pavilion buildings on reserves used by various sporting codes and 3 public toilet facilities on reserves. All these halls and facilities are available for public hire at reasonable rates.

District Library and Museum

The Kawerau District Library and Sir James Fletcher Kawerau Museum is a key facility which supports Community information needs, recreation, cultural interests and lifelong learning.

Parks and Reserves

Council owns and maintains a number of recreation reserves which include sports fields, passive reserves and children's playgrounds. Specimen trees and flowerbeds on roadside and amenity reserves further enhance the visual beauty of the District. Council also provides the Kawerau Cemetery to accommodate Community interment needs.

Swimming Pools Complex

Popular both with locals and visitors, the Maurie Kjar Memorial Swimming Pools Complex is a year-round facility with geothermally-heated swimming and spa pools. Entry is free.

NATURE AND SCOPE

Council maintains sporting, leisure and recreational facilities to enhance the nature of Kawerau as a recreation and leisure-conscious Community and to maximise opportunities for the Community to participate in recreational and cultural pursuits. Because this group of activities can potentially improve the quality of life of the whole Community in some way, it is important to Council that a wide range of services is provided.

CONTRIBUTION TO COMMUNITY OUTCOMES

The Leisure and Recreation group of activities contributes mainly to Kawerau's Community Outcomes of:

- *Healthy people and housing*
- *Diverse, creative and vital communities*
- *Education and training opportunities all*
- *Clean, accessible, respected communities*

SIGNIFICANT EFFECTS

The Leisure and Recreation activity supports Council's Vision of providing the people of Kawerau with a quality of life second to none. The level of quality and extent of these services directly improves the quality of life of the Community.

THE YEAR IN SUMMARY

Major highlights for the Leisure and Recreation Group of Activities in 2011/2012 were:

- Taking ownership of a clubrooms on Tarawera Park, completing a major upgrade of the building and the grounds, and leasing the building back to the club
- Engaging a museum technician at the Sir James Fletcher Kawerau Museum and purchasing a management system for collections
- Conducting the last significant planting in the development of the Monika Lanham Reserve, the culmination of a 12 year project.

Other achievements included:

- Purchasing a shop in Jellicoe Court for possible relocation of the museum
- Fencing the Waterhouse Street Reserve to prevent vehicles from being ridden on the grounds
- Attracting a high level of youth participation in the library's summer reading programme and the Duffy Books trial
- Deciding to investigate developments at the swimming pool complex.

LEISURE & RECREATION

PERFORMANCE

Library/Museum

Levels of Service	Measures	Target 2011/12	Result	Comment
Provide a public library/museum	Provision of library/museum service	Library/ museum open 50 weeks per year	Achieved	Museum closed for one week leading up to Woodfest.

Swimming Pools

Levels of Service	Measures	Target 2011/12	Result	Comment
Carry out daily water quality checks in the main pool	Daily water quality checks (swimming pools)	Checks carried out daily	Achieved	All water quality checks carried out daily.
	Compliance with water quality standards	95% compliance	Achieved	99.6% compliance with water standards.
Make the Swimming Pool Complex available for use at least 48 weeks of the year	Provision of public swimming pools	At least 48 weeks per year	Achieved	Open every day except 15 day maintenance period in October, 1 day to clean up paint vandalism and 1 day for pump failure

Public Halls and Facilities

Levels of Service	Measures	Target 2011/12	Result	Comment
Three Community halls available for hire: Ron Hardie Recreation Centre, Town Hall and Concert Chambers	Provision of public halls	Halls available 50 weeks per year	Achieved	Halls available for 52 weeks of year.
Public toilets are provided in high use areas	Availability of public toilets when booked	Public toilets available when booked	Achieved	
	Cleaning frequency and standards are monitored and compliant for all public toilets	100% compliant with standards	Achieved	Standards (within contract) were complied with during year.
Town Centre Toilets open 7 days a week 8.00am to 4.00pm (except Christmas Day)	Toilet staffed 7 days per week (except Christmas Day)	Staffed 7 days per week (except Christmas Day)	Achieved	Toilets staffed every day of year except Christmas.

Parks and Reserves

Levels of Service	Measures	Target 2011/12	Result	Comment
Maintain sports fields to the requirements that each code demands	Frequency and standard of grass mowing for parks and reserves	100% compliant with standards	Achieved	Parks and Reserves were mowed in accordance with the established standards.
	Reports on the conditions of sports fields from the New Zealand Turf Institute.	Two favourable reports	Achieved	Two favourable reports received.
Road berms are mowed on a regular basis	Frequency and standard of grass mowing for road berms	All road berms mowed at least 14 times per year	Achieved	All road berms were mowed 22 times during year.
The District's street trees are maintained in a safe, healthy and sustainable condition	Number of instances of street trees being managed in contravention of policy or good practice	No instances of streets trees being managed in contravention of policy or good practice	Achieved	All street trees managed according to policy and best practice.
Attractive bedding displays in the District	Flowering bedding displays	Flowering bedding displays changed in high profile areas twice per year	Achieved.	One bedding display completed in October; Summer bedding display in January/February
Playgrounds maintained to a safe standard	Playground inspections	Bi-monthly inspections of all play-grounds	Achieved	All playgrounds inspected at least bimonthly.
	Response time for notifications to remedy playground safety	100% within one working day	Achieved	All notifications regarding playground safety were responded to within timeframe.

Provision of a cemetery that accommodates the burial needs of the Community	Number of complaints about burial services	No complaints	Achieved	No complaints received.
Vandalism is attended to on a timely basis	Graffiti removal – general	100% of graffiti removed within timeframes	Achieved	Offensive graffiti removed within timeframes.
Vandalism of Council property is attended to within seven days	Graffiti removal – Council property	100% within seven days	Achieved	All graffiti removed from Council property within 7 days.

LEISURE & RECREATION

COST OF SERVICE

<u>2010/11</u>		<u>Estimate</u>	<u>2011/12</u>
	INCOME		
2,403,524	Rates Income	2,645,100	2,645,088
193,471	Other Revenue	90,110	425,219
<u>2,596,995</u>	Total Income	<u>2,735,210</u>	<u>3,070,307</u>
	EXPENDITURE		
1,287,716	Employee benefit expenses	1,295,530	1,449,233
464,051	Depreciation and amortisation	505,280	490,684
874,528	Other Expenses	1,022,340	871,368
<u>2,626,295</u>	Total Expenditure	<u>2,823,150</u>	<u>2,811,285</u>
<u>(29,300)</u>	Net Surplus/(Deficit)	<u>(87,940)</u>	<u>259,022</u>

Additional (unbudgeted) revenue was received for: Pathway to Health funding (\$54K), reserve plantings (\$37k) and funding from NZ Lotteries, Eastern Bay Energy Trust and Kawerau Sports Club for the renewal of the clubrooms on Tarawera Park (\$243k).

There was additional employee costs for Pathways to Health and the Library/Museum activities. While there was less "Other Expenses" for passive reserves (\$72k) and the swimming pool (\$30k) than budgeted.

Expenditure capitalised during the year that relates to this activity is as follows:

47,468	Library Stock Renewals	46,270	47,728
8,707	Library Building Upgrade	0	0
4,129	Other Library/Museum	18,880	17,866
4,582	Swimming Pool Upgrades	46,820	52,953
15,168	Swimming Pool Fences	10,870	11,581
0	Recreation Centre Upgrades	100,340	53,719
0	Town Hall Upgrades	50,590	17,855
672	Concert Chamber Upgrade	14,400	17,197
18,804	Sportsfields Improvements	11,920	0
34,966	Passive Reserves Improvements	22,560	82,635
0	Field Amenity Building Renewals	0	288,436
35,711	Playground Renewals	17,800	0
0	Cemetery	4,000	0
<u>170,207</u>	Total Operational	<u>344,450</u>	<u>589,970</u>

FUNDED BY:

170,207	Depreciation Reserve Funding	344,450	346,263
<u>0</u>	Grant	<u>0</u>	<u>243,707</u>
<u>170,207</u>		<u>344,450</u>	<u>589,970</u>

Council took over the ownership of the Kawerau Sports and Cultural Clubrooms at Tararwera Park and renovated the building (\$288k) which was funded by grants (\$243k) and Council reserves (\$45k). Also there were a number of projects which have been deferred to 2012/13 including: Library Building upgrade \$9k, Recreation Centre floor \$40k, Sportsfield improvements \$12k, Playground and Cemetery renewals \$22k.

COUNCIL CONTROLLED ORGANISATIONS

BAY OF PLENTY LOCAL AUTHORITY SHARED SERVICES

Background

The Council Controlled Organisation was formally established in January 2008. The Company was set up by the eight local authorities in the Bay of Plenty region to foster collaboration between Councils in the delivery of services particularly back office or support services.

As a Council Controlled Organisation, the Bay of Plenty Local Authority Shared Services (BOPLASS) is a separate legal entity from Council and is responsible for delivering in accordance with an agreed Statement of Intent. The Company is governed by a Board of Directors who are the Chief Executives of the constituent local authorities.

FINANCIAL PERFORMANCE FOR THE YEAR ENDED 2012				
	Parent 2010/11 \$000's	Parent 2011/12 \$000's	Consolidated 2010/11 \$000's	Consolidated 2011/12 \$000's
Revenue	1387	2180	1386	2180
Expenditure	(1405)	(2188)	(1405)	(2188)
Net (Deficit)/Surplus Year	(19)	(8)	(19)	(8)

Statement of Intent and Performance

The company has complied with section 64 of the Local Government Act 2002 (LGA) and has had the Statement of Intent for 2011/12 and associated budget formally adopted by the directors at the meeting held on 10 May 2012.

The following is a report of performance against targets set in the Statement of Intent for 2011/12.

Performance Targets for 2011/2012		
Outcomes	Measure	Progress as at 30 June 2012
Initiate at least one shared service each year and no less than two shared services successfully implemented within three years.	Number of Shared Services	Rates initiated 2011. Inter-council network implemented 2010. Information Services Strategic Plan (ISSP) completed 2011, implementation commenced 2011. Establishment of ISSP foundation services initiated 2011/12. Geographic Information Services (GIS) initiated 2009/10. Inception report completed 2010, significant progress on implementation. Inter-council video conferencing implemented 2010/11.
Implement Share Services demonstrating best practice and added value to participating Councils and stakeholders.	Implementation Programme incorporates best practice	GIS Inception plan developed with external support and peer review. Information Services Strategic Plan (ISSP) developed with external support and internal review. Video conferencing network established with external support and internal review.
Facilitate a minimum of 4 joint procurement initiatives per year for goods and services from sources offering best value, service, and or continuity of supply.	Number of procurement initiatives investigated and/or completed	GPS vehicle tracking, accommodation, travel, P-cards, reprographic, postal services, courier, after-hours phone services, spatial data software, raster

		analysis software, health insurance.
Communicate with each shareholding Council at appropriate levels	At least one meeting with each Council at Council and/or Management Team level	Meetings with all councils.
Ensure sufficient income is available from activities to sustain a viable Company.	Income received from contributing Councils and funding from activities to meet operational budget	Council contributions levied, activity groups levied, contributions received from activities producing savings.

Toi-EDA (Economic Development Agency)

Toi-EDA is the Eastern Bay of Plenty Regional Economic Development Agency. It was set up by the three territorial authorities (Kawerau, Opotiki and Whakatane), the regional council (Bay of Plenty Regional Council) and Te Rūnanga o Ngati Awa on behalf of Mataatua Iwi Forum.

Toi-EDA operates under a Deed of Trust. It has six experienced business people and community leaders as board members or trustees. The Trust operates under the umbrella of the new Bay of Plenty regional partnership with two other groups: Tauranga's Priority One and Destination Rotorua Economic Development.

Toi-EDA is now only responsible for economic development activities across the Eastern Bay of Plenty Region.

Toi-EDA adopted a three-year strategic plan with a strong focus on enhancing the Eastern Bay of Plenty's economic growth and resultant wealth for its people. It is a conduit in the Eastern Bay for Central Government economic development funding, and has been involved in designing an action plan of projects for funding from New Zealand Trade and Enterprise.

The work of Toi-EDA supports Kawerau District Council's community outcome "Strong and prosperous economy aligned to Community values."

MĀORI CONTRIBUTION TO DECISION-MAKING

During The 2011/2012 financial year, Council continued to build on processes to provide opportunities for Māori to contribute to its decision-making.

Council recognises Ngati Tuwharetoa as tangata whenua of the Kawerau District. In October 2011, a review of Council's consultation policy formalised the status of the three Ngati Tuwharetoa organisations (the Ngati Tuwharetoa Settlement Trust, TOHU Marae Trust and Ngati Tuwharetoa Health, Education and Social Services) as consultation partners. Consultation partners are acknowledged to represent or reflect key interests or elements of the make-up of the Kawerau Community. As part of its Community consultation process, Council may meet with consultation partners to seek their views on matters under consideration before drafting a proposal for wider consultation. Council sought to engage with the three organisations in this way when developing Council plans during the year, including the Long Term Plan.

Other activities to engage with Ngāti Tuwharetoa have included meeting with the Settlement Trust on two occasions as part of an ongoing relationship-building strategy and facilitating representation of that organisation on the steering group of the Industrial Symbiosis Project, intended to stimulate industrial development in the District. Each of the Ngati Tuwharetoa organisations was also included in the special consultation process used to develop bylaws, policies and other Council documents throughout the year.

Council has also increased the level and range of involvement with the iwi of Ngāti Awa, which has a historical tribal interest and owns some land in the District. Council included Te Rūnanga o Ngāti Awa in the industrial symbiosis project and worked closely with one of the iwi's land trusts over a boundary alteration to make more industrial land available in the District. Council's revised consultation policy also recognises the runanga as a consultation partner.

One of the means by which Council provides opportunities for Māori people who originate from other areas to contribute to decision-making has been via the Rautahi Marae, an urban marae in the District. The marae committee is another of Council's consultation partners who have been invited to share their views about Council policies, plans and bylaws.

Because Māori people make up a significant proportion of the Kawerau Community, Council increasingly involves Māori in decision making as part of the mainstream Community, rather than as a separate group. This is particularly true in the case of our young people, who have the opportunity to engage with Council decision making through the Kawerau Youth Council.

MONITORING OF PROGRESS TOWARDS ACHIEVING COMMUNITY OUTCOMES

One of the approaches Council uses to determine how well it is performing is the National Research Bureau's 'Communitrak' survey. Results of the survey commissioned in January 2011, the Community Outcome to which each measure primarily contributes and results from the last survey are shown in the table below.

Measure	Primary Community Outcome Contribution	Very/Fairly Good/Satisfied 2011 %	Very/Fairly Good/Satisfied 2009 %
Performance of the Mayor and Councillors in the last year	<i>Focused Community leadership and governance</i>	91	78
The way rates are spent on services and facilities provided by Council		93	89
Consultation and Community Involvement - The way Council involves the public		76	71
Public Library	<i>Education and training opportunities for all</i>	89	84
Refuse disposal (Refuse Transfer Station)	<i>Clean, accessible, respected environment</i>	72	65
Rubbish collection		95	79
Recycling services		95	85
Community attractiveness and beautification		97	NA
Dog Control	<i>Safe, caring communities</i>	79	78
Quality of life in Kawerau		93	88
Kawerau is definitely or mostly a safe place to live		88	88
Kawerau as a place to live is the same or better than it was three years ago		93 (agree)	88 (agree)
Emergency management – Percentage of households which have an emergency management kit		50	NA
Water supply	<i>Healthy people and housing</i>	99	97
Parks and reserves		94	93
Swimming pool		94	91
Roading	<i>Reliable and affordable infrastructure</i>	89	91
Footpaths		80	73
Wastewater (sewage disposal)		96	99
Cemetery		83	77
Public toilets		60	NA
Community spirit		88	84
Public halls	<i>Diverse, creative and vital Communities</i>	82	80

Council also undertook monthly surveys of users of its services throughout the 2011/12 year. There continued to be a high level of user satisfaction with all Council services. The Summary of these survey results is as follows:

ALL SERVICES

Customer Service Satisfaction Survey (CSSS) 2011/12	
CSSS forms posted out	778
CSSS forms returned	247
Response rate	32%
Feedback received from Customers	
Predominantly Excellent	168
Predominantly Good	64
Predominantly Only Fair	2
Predominantly Poor	7
Not applicable	2
No boxes ticked	4
Conclusion	
% customers satisfied	*95%
% customers unsatisfied	*3%

*The not applicable boxes or no boxes categories have not been included in the percentage figures