

PART TWO

Financials

Statement of Comprehensive Revenue and Expense for the Year Ended 30 June 2020

The Statement of Comprehensive Revenue and Expense details income and expenditure relating to all activities of Council. The supporting Funding Impact Statements for each activity provide further details as to the costs and revenues of each activity.

For the year ended:		Actual	Annual Plan	Annual Report
30 June		2019-2020 \$'000	2019-2020 \$'000	2018-2019 \$'000
Revenue	Note			
Rates	2a	37,688	36,884	35,526
Subsidies and grants	2c	13,098	32,005	12,152
Activity income		6,282	6,499	5,962
Contributions		2,395	3,019	3,871
Investments and other income	2c	693	340	2,272
Total revenue	2a	60,157	78,746	59,783
Expenses				
Activity costs		23,695	28,663	26,049
Employee benefits		12,912	12,692	11,250
Finance costs		2,284	2,780	2,510
Depreciation	10a, 11	10,889	11,010	10,647
Total expenses	3	49,780	55,145	50,457
Surplus/(deficit) for the period		10,377	23,601	9,326
Other comprehensive revenue and expense (Items that will not be reclassified subsequently to surplus or deficit)				
Gain/(loss) on revaluation	4a	85,287	13,311	49,865
Total comprehensive revenue and expense for the period		95,664	36,912	59,191

The accompanying notes form part of these financial statements.

Explanation of major revenue and expenditure variances against Annual Plan

Revenue

Subsidies and grants: Roading and PGF projects were temporarily paused or slowed due to the COVID-19 pandemic, resulting in less NZTA subsidy and PGF grants than projected for the 2019/2020 year.

Activity income: Slight decreased in building and resource consenting income during COVID-19 lockdown period.

Contributions: Overall decrease in development contributions due to economic uncertainties and lower number of subdivisions.

Investments and other income: There was \$369,406 of additional reserves and roads vested assets by developers in Council ownership.

Expenses

Activity costs: Overall all activities costs are lower than budget due to the impact of COVID-19, purchase of goods were not made to the normal extend during the lockdown period.

Employee benefits: Additional cost of staff provision.

Finance costs: These were less due to capital projects not being completed in the initial timeframe.

Statement of Financial Position as at 30 June 2020

As at	Actual	Annual Plan	Annual Report
30 June	2019-2020 \$'000	2019-2020 \$'000	2018-2019 \$'000
Accumulated comprehensive revenue and expense	402,620	425,697	401,364
Asset revaluation reserves	353,888	245,084	268,601
Restricted reserves	5,612	5,389	5,574
Council created reserves	(5,695)	(14,550)	(14,777)
Total net assets/equity represented by	756,425	661,620	660,762
Current assets			
Cash and Cash Equivalents	4,398	563	1,926
Trade and Other Receivables	7,681	6,548	8,317
Accrued Revenue	1,679	3,438	1,641
Other Financial Assets - Current	115	115	115
Non Current Assets Held for Sale	127	186	186
LGFA Borrower notes	400	0	32
Total current assets	14,400	10,849	12,217
<i>less</i>			
Current liabilities			
Trade and Other Payables	11,265	13,329	11,219
Provisions	609	148	135
Employee Entitlements	845	1,111	905
Public debt	25,000	600	1,000
Total current liabilities	37,719	15,188	13,259
Working capital/(deficit)	(23,319)	(4,340)	(1,042)
<i>plus</i>			
Non current assets			
Property, plant, equipment	805,493	720,724	714,402
LGFA Borrower notes	304	704	672
Biological Assets	815	1,017	1,045
Other financial assets	270	278	279
Total non current assets	806,882	722,723	716,398
<i>less</i>			
Non current liabilities			
Public debt	19,000	47,657	44,000
Provisions	1,173	4,679	4,599
Derivative Financial Liabilities	6,965	4,427	5,995
Total non current liabilities	27,138	56,763	54,594
Net assets	756,425	661,620	660,762

Explanation of major variances against Annual Plan

Equity: The favourable variance relates to the higher revaluation of infrastructure assets.

Cash and cash equivalents: Cash and cash equivalents are higher than planned. Cash is being retained to meet capital commitments planned for the next year.

Trade and other receivables: Decrease overall due to improvements made in collection process in rates revenue and increased provision for impairment provided.

Trade and other payables: Lower than budget due to roading and PGF projects temporarily paused or slowed due to COVID-19.

Employee entitlements: Reduction in holiday pay to employees.

Property, plant and equipment: Higher than budgeted due to revaluation of infrastructure assets.

Biological assets: Lower than budget biological assets reflects the decrease in fair value of Council's forestry assets due to significant short-term uncertainty in log pricing, which is a factor in the valuation.

Derivative financial liabilities: Derivatives are marked to market value at each balance date. Higher than budget derivative liabilities of \$2.5 million is due to the nature of these financial instruments. Council uses interest rate derivatives to assist in achieving a long term stable interest rate on debt and minimise the risks.

Public debt: The total of \$1.0 million existing debt was retired during the year. At year end the debt was lower than had been anticipated as loans were not taken out as capital work was unable to be carried out.

Statement of Changes in Net Assets/Equity for the Year Ended 30 June 2020

As at	Actual	Annual Plan	Annual Report
30 June	2019-2020 \$'000	2019-2020 \$'000	2018-2019 \$'000
Balance at 1 July	660,762	624,708	601,571
Comprehensive revenue and expense for the period			
Surplus/(deficit) for the period	10,377	23,601	9,326
Other comprehensive revenue and expense for the period			
Surplus on Revaluation of infrastructure	85,286	13,311	49,865
Total comprehensive revenue and expense for the period	95,663	36,912	59,191
Balance at 30 June	756,425	661,620	660,762

The accompanying notes form part of these financial statements. (p.20-53)

Statement of Cash Flows for the Year Ended 30 June 2020

For the year ended:	Actual	Annual Plan	Annual Report
30 June	2019-2020 \$'000	2019-2020 \$'000	2018-2019 \$'000
Cash Flow from Operating Activities			
<i>Receipts:</i>			
Rates	37,998	36,884	34,228
Fees, charges and other	9,022	9,837	8,603
Grants and subsidies	13,060	32,005	13,949
Interest received	0	20	19
<i>sub total</i>	60,080	78,746	56,798
<i>Payments:</i>			
Suppliers and employees	38,038	41,290	35,902
Taxes (including the net effect of GST)	(19)	0	578
Interest expense	2,284	2,780	2,510
<i>sub total</i>	40,303	44,070	38,990
Net Cash Flow from/(to) Operating Activities	19,777	34,676	17,808
Cash Flow from Investing Activities			
<i>Receipts:</i>			
Sale of property, plant and equipment	21	175	468
<i>sub total</i>	21	175	468
<i>Payments:</i>			
Property, plant and equipment purchases	16,327	38,597	18,927
<i>sub total</i>	16,327	38,597	18,927
Net Cash Flow from/(to) Investing Activities	(16,306)	(38,422)	(18,459)
Cash Flow from Financing Activities			
<i>Receipts:</i>			
Loans raised	0	3,809	16,500
<i>Payments:</i>			
Loan repayment	(1,000)	0	(17,500)
LGFA Borrower notes	0	0	(64)
Net Cash Flow from/(to) Financing Activities	(1,000)	3,809	(1,064)
Net Increase/(Decrease) in cash and cash equivalents	2,472	63	(1,715)
Cash and cash equivalents at beginning of period	1,926	500	3,641
Cash and cash equivalents at end of period	4,398	563	1,926

The accompanying notes form part of these financial statements. (p.20-53)

Annual Report Disclosure Statement for the year ending 30 June 2020

What is the purpose of this Statement?

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

The Council is required to include this Statement in its Annual Report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this Statement.

Rates affordability benchmark

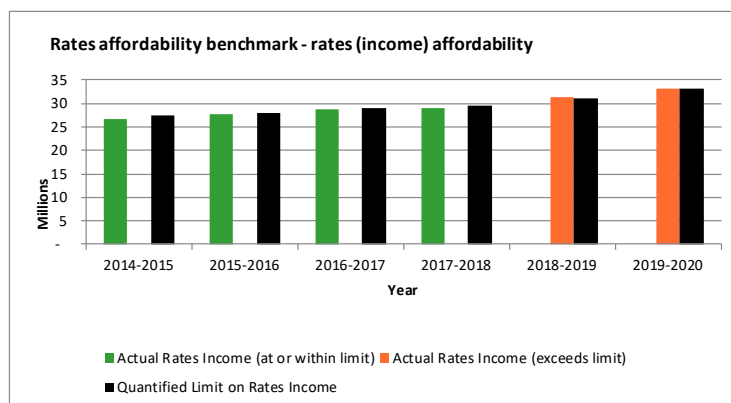
The Council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increase equal or are less than each quantified limit on rates increases.

Rates (income) affordability

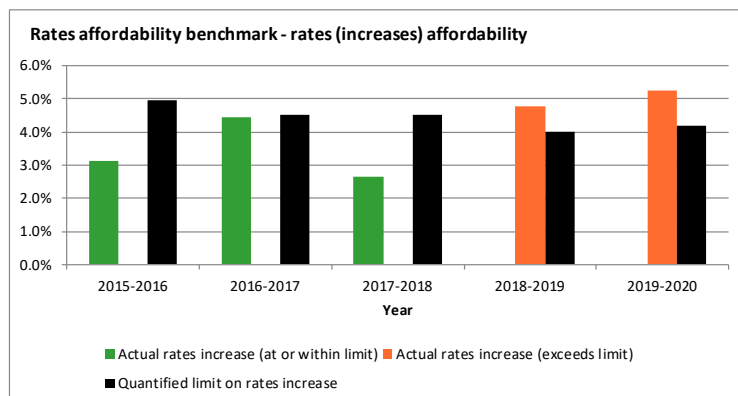
The following graph compares the Council's actual rates income with a quantified limit on rates contained in the Financial Strategy included in the Council's Long Term Plan. The quantified limit for 2019/2020 was set in the Long Term Plan at \$33.2 million excluding water meter billing.

The Long Term Plan 2018/2028 predicted the ceiling to be exceeded in each of the first three years. Over the 10 year long term plan period cumulative increases will be less than the ceiling.



Rates (increases) affordability

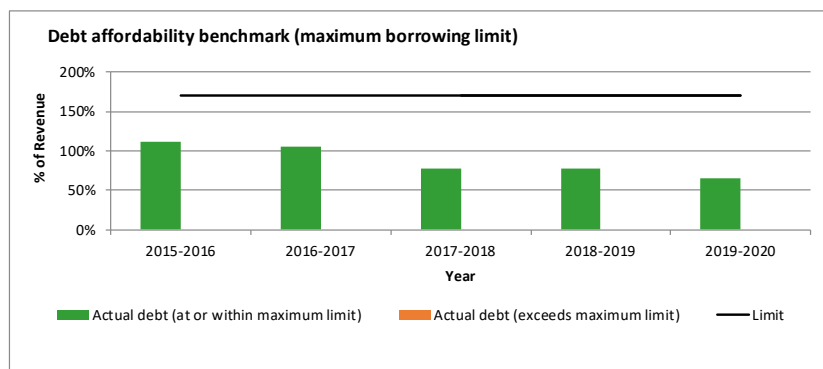
The following graph compares the Council's actual rates increases with a quantified limit on rates as stated included in the Financial Strategy, included in the Council's Long Term Plan.



Debt affordability benchmark

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

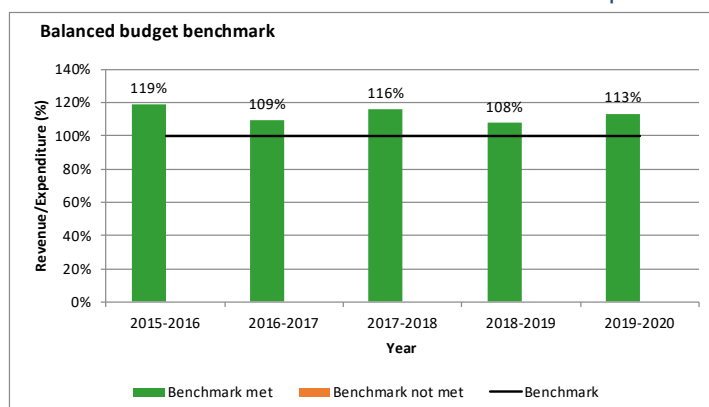
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the Financial Strategy included in the Council's Long Term Plan.



Balanced budget benchmark

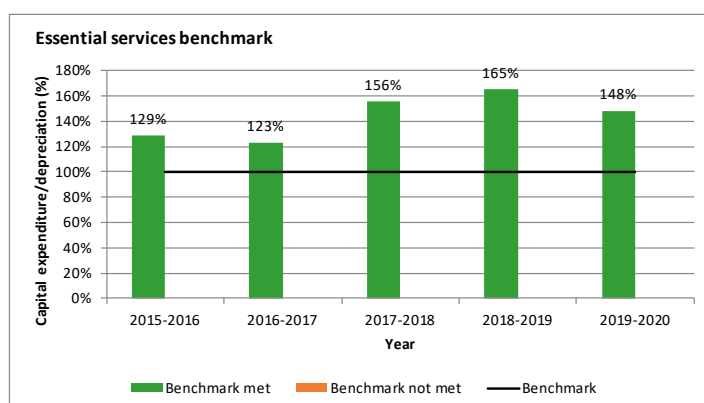
The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

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



Essential services benchmark

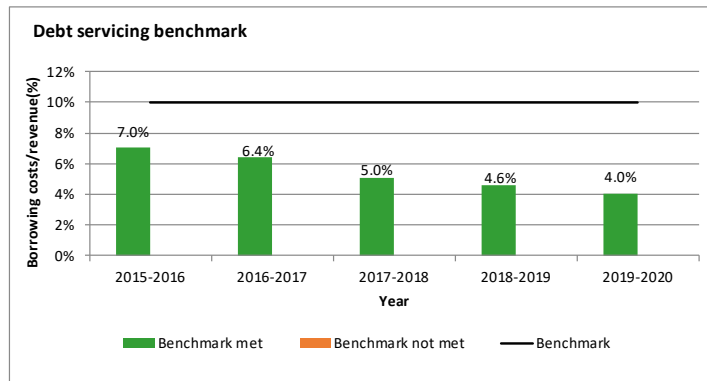
The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services. The Council meets this benchmark if its capital expenditure on network services equals or is greater than depreciation on network services.



Debt servicing benchmark

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

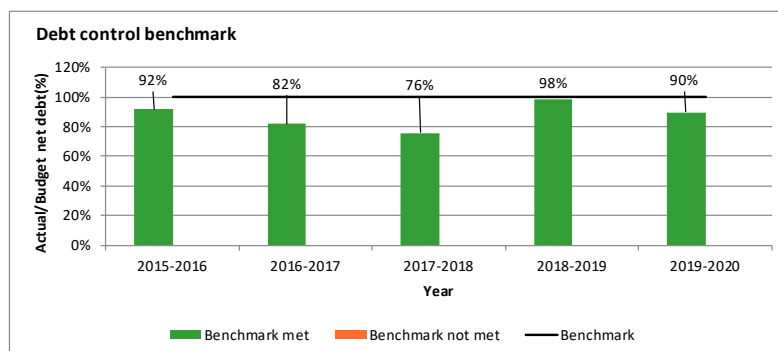
Council meets the debt servicing benchmark if it's borrowing costs equal or are less than 10% of its revenue.



Debt control benchmark

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

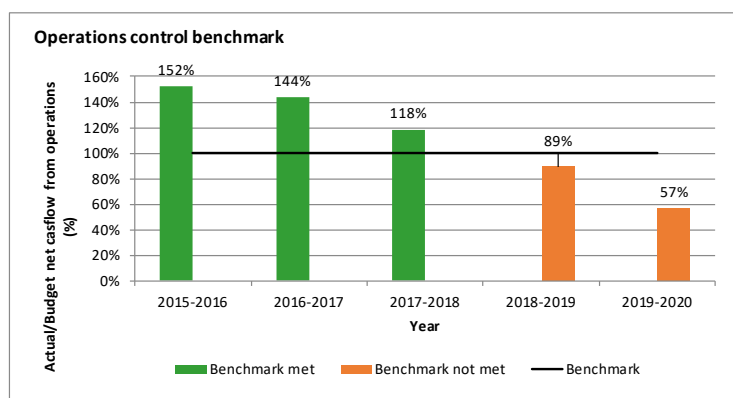
This Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

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

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



Notes to Financial Statements

1 Statement of Accounting Policies for the year ended 30 June 2020

Reporting entity

Kaipara District Council is a territorial local authority governed by the Local Government Act 2002.

The primary objective of Kaipara District Council is to provide core services for the community, which focus on a social benefit rather than making a financial return. Accordingly, Kaipara District Council has designated itself as a Public Sector Public Benefit Entity (PS PBE).

The financial statements of Kaipara District Council are for the year ended 30 June 2020. The financial statements were authorised for issue by Council on 26 September 2020.

Basis of preparation

These financial statements have been prepared in accordance with the requirements of the Local Government Act 2002 and in accordance with generally accepted accounting practice (GAAP). For the purposes of complying with GAAP, Council is a Tier 1 Public Benefit Equity.

These financial statements are expressed in New Zealand dollars, which is Kaipara District Council's functional currency. All financial information has been rounded to the nearest thousand, unless otherwise stated. The measurement basis adopted in the preparation of these financial statements is historical cost, modified by the revaluation of infrastructure assets and certain financial instruments as identified in the specific accounting policies below and the accompanying notes.

Going concern

This Annual Report has been prepared on the assumption that Council is a going concern. This means Council has a reasonable expectation there are adequate resources to continue operations, having regard to known circumstances, in the next year and those events known to occur further in the future. As such, adoption of the assumption has been based on the provisions of PBE IPSAS 1.

Significant Accounting Policies

Revenue

Revenue is measured at fair value.

Revenue is comprised of exchange and non-exchange transactions. Exchange transaction revenue arises when one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value in exchange.

Non-exchange transaction revenue arises from transactions without an apparent exchange of approximately equal value. Non-exchange revenue includes rates, grants, subsidies, fees and user charges derived from activities that are partially funded by rates. Revenue relating to non-exchange transactions is recognised as conditions, if any exist, are satisfied.

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 and are considered to be fair value. Rates revenue is recognised when payable. Rates collected on behalf of Northland Regional Council (NRC) are not recognised as rates revenue as Council is acting as an agent.

Grants revenue

Council receives Government grants from NZTA, which subsidises part of Council'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.

Other revenue

Other revenue comprises amounts received and receivable from water revenue at balance date for water supplied to customers in the ordinary course of business. As meter reading is cyclical, management must apply judgement when estimating the water consumption of customers between meter readings. Unbilled revenues as a result of unread meters at year end, is accrued on an average usage basis,

Provision of service

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.

Sales of goods

Sales of goods are recognised when the product is sold to the customer. Sales are all in cash. 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 Kaipara District Council are recognised as revenue when control over the asset is obtained.

Interest and dividend income

Interest income is recognised using the effective interest method.

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

Development and financial contributions

The revenue recognition point for development and financial contributions is when Council provides or is able to provide the service for which the contribution was levied. Otherwise, development or financial contributions are recognised as liabilities until such time as Council provides, or is able to provide, the service.

Borrowing costs

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

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 include cash on hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less.

Trade and other receivables

Trade and other receivables are measured at fair value, less any provision for impairment. Council maintains a provision for impairment losses when there is objective evidence of debtors being unable to make required payments and no other recourse available to Council.

When the receivable is uncollectable, it is written off against the provision. Overdue receivables which have been negotiated are reclassified as current (that is, not past due).

Financial assets

Financial assets are classified at fair value through surplus or deficit, loans and receivables, held to maturity and available for sale. The classification depends on the purpose for which the financial assets or liabilities are held. Council determines the classification of financial assets and liabilities at initial recognition.

The applicable categories of financial assets are:

1 Financial assets at fair value through surplus or deficit

Either, financial assets held for trading or those designated at fair value through surplus or deficit at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges. 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 sheet date.

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

2 Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition they are measured at amortised cost using the effective interest method, less impairment. Gains and losses when the asset is impaired or de-recognised are recognised in the surplus/(deficit).

Loans, including loans to community organisations made by Council at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar asset/investment. They are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of expected future cash flows of the loan is recognised in the Statement of Comprehensive Revenue and Expense as a grant.

Impairment

Financial assets carried at amortised cost are assessed each reporting date for impairment. If there is objective evidence of impairment, the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, where appropriate, is recognised in the surplus/(deficit).

Non-financial assets are reviewed at each reporting date to determine whether there are any indicators that the carrying amount may not be recoverable. If any such indicators exist, the asset's recoverable amount is estimated. 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 assets ability to generate net cash inflows and where the entity 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.

An impairment loss is recognised in the surplus/(deficit) for the amount by which the asset's carrying amount exceeds its recoverable amount. For the purposes of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash-generating units). 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 the surplus/(deficit), a reversal of the impairment loss is also recognised in the surplus/(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/(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. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Property, plant and equipment

Property, plant and equipment consist of:

- ***Operational Assets***
These include land, buildings, plant and equipment, and motor vehicles.
- ***Restricted Assets***
Restricted assets are community housing and parks and reserves owned by Council, 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 Council. Each asset class includes all items 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 Council and the cost of the item can be measured reliably.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost such as a vested asset, it is recognised at fair value as at the date of acquisition.

Work in progress is recognised at cost less impairment and is not depreciated.

- *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/(deficit). When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

- *Subsequent Costs*

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

Revaluation

Infrastructural assets are revalued with sufficient regularity by independent valuers to ensure their carrying amount does not differ materially from fair value and at least every three years. All other asset classes are carried at depreciated historical cost.

The carrying values of revalued assets are assessed annually 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.

Revaluations of property, plant and equipment are accounted for on a class-of-asset basis.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity for that class of asset. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus/(deficit). Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the surplus/(deficit) will be recognised first in the surplus/(deficit) up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Creditors and other payables

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

Employee benefits

Employee benefits that Council 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.

Superannuation schemes - defined contribution schemes

Obligations for contributions to defined contribution superannuation schemes are recognised as an expense in the Statement of Comprehensive Revenue and Expense.

Provisions

Council 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, and 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 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".

Financial guarantee contracts

New Zealand Local Government Funding Agency

Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a local currency rating from Fitch Ratings and Standard & Poor's of AA+ and a foreign currency rating of AA.

Council is one of 52 local authority guarantors of LGFA. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all LGFA's borrowings. At 30 June 2020, LGFA had borrowings totalling \$11.908 billion (2019: \$9.53 billion).

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

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

Borrowings

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

Borrowings are classified as current liabilities unless Council has an unconditional right to defer settlement of the liability for at least 12 months after balance date or if the borrowings are expected to be settled within 12 months of balance date.

Net assets/equity

Net assets/equity is the community's interest in Council and is measured as the difference between total assets and total liabilities. Net assets/equity is disaggregated and classified into a number of reserves.

The components of net assets/equity are:

- Accumulated comprehensive revenue and expense;
- Restricted reserves;
- Council-created reserves; and
- Asset revaluation reserves.

Restricted and Council created reserves

Restricted and Council created 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 Council.

Restricted reserves are subject to specific conditions accepted as binding by Council and which may not be revised by Council 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. The Mangawhai Endowment Fund referred to in this document includes the Mangawhai Endowment Lands Account (MELA) referred to in section 8 of the Mangawai Lands Empowering Act 1966 (*sic*).

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

Asset revaluation reserves

These reserves relate to the revaluation of property, plant and equipment to fair value.

Goods and Services Tax (GST)

All items in the financial statements are stated exclusive of Goods and Services Tax (GST), except for receivables and payables, which include GST invoiced.

Budget figures

The budget figures have been prepared using accounting policies that are consistent with those adopted by Council for the preparation of the Financial Statements.

Cost allocation

Council has derived the cost of service for each significant activity of Council 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 allocations determined by management.

Critical accounting estimates and assumptions

In preparing these financial statements, Council 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 or future events 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.

Critical judgements in applying Council's accounting policies

Management has exercised the following critical judgements in applying Council's accounting policies for the period ended 30 June 2020.

The Council is required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and judgements are based on historical experience and other relevant factors. Actual results may differ from the estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Revisions to estimates are recognised in the period in which the estimate is revised or in the current and/or future period(s) which the revisions affect. Refer to the notes below for a discussion of estimates and judgements in applying the accounting policies.

Revaluation of infrastructure assets - Note 10(a), page 38

There are a number of assumptions and estimates used when performing Depreciated Replacement Cost valuations over infrastructural assets. These include:

- the physical deterioration and condition of an asset, for example 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 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 Council could be over

or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. To minimise this risk Council's infrastructural assets useful lives have been determined with reference to the New Zealand 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 Council's asset management planning activities, which gives Council further assurance over its useful life estimates.

Experienced independent valuers perform Council's infrastructural asset revaluations.

Unbilled water revenue estimate - Note 1, page 21

Closure and post-closure provisions - Note 8(a), page 35

All Council landfills are now closed. Provision has been made for the future costs of closing the Dargaville and Hakaru landfills being the aftercare of the landfill for the prescribed period. Estimated costs, adjusted for inflation, have been built up on an item by item basis. The provision held, at each balance date, represents the net present value of the estimated future costs. A detailed reassessment and the anticipated remaining lives of the landfills are performed regularly.

The impact of changes to the provision arising from the reassessment of the life of the landfill and estimated future costs are capitalised to deferred closure and post-closure costs within property, plant and equipment in the Statement of Financial Position. The annual change in the net present value of the provision due to the passage of time is recorded as the time value adjustment of provisions in the Statement of Comprehensive Revenue and Expense.

Impact of Covid-19

Covid-19 and the Government mandated lockdown periods has not had a significant impact on the Council given it provides essential services. The Infometrics report showed that the impact of Covid-19 on the Council was minimal due to the makeup of our ratepayers base. Only 3.9% of the Council ratepayers are businesses which is the sector that was most impacted by the lockdown. The majority of our individual ratepayers are in the agricultural and construction sector. The key areas impacted are listed below:

- *Revaluation of infrastructure assets as at 30 June 2020 as detailed in Note 10*
- *Biological asset valuation being impacts as detailed in Note 13.*
- *Provision for uncollectability of rates receivable and other debtors as at 30 June 2020 as detailed in Note 6.*

The key risk to Council finances going forward after June 2020 balance date will be driven by:

- Loss of fees and charges income particularly resource consents as there may be less confidence in the economy going forward
Council is fortunate these are only 8% of our income – This is likely to mean a lower but corresponding reduction in costs through use of consultants
- Impact on timing of collection of rates revenue and therefore slight increase in Council debt levels
- Loss of development and financial contributions as less confidence in the economy -These are linked to future subdivisions.

2 Income and Expenditure Summary

2(a) Non-exchange revenue summary

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Non exchange revenue		
Rates	37,688	35,526
Resource consents	1,567	1,495
Solid waste recoveries	82	66
Subsidies and grants	13,098	12,152
Total Non exchange revenue	52,436	49,239
Exchange revenue	7,721	10,544
Total revenue	60,157	59,783

2(b) Rating base information

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 30A of Schedule 10.

	As at 30 June 2019	As at 30 June 2018
Number of rating units within the Kaipara District	15,532 units of which 14,432 are rateable	15,306 units of which 14,416 are rateable
Total capital value of rating units within the Kaipara District	\$9,007,678,600 of which \$8,806,247,800 is rateable	\$8,828,908,200 of which \$8,628,086,400 is rateable
Total land value of rating units within the Kaipara District	\$5,136,244,500 of which \$5,044,477,500 is rateable	\$5,070,792,000 of which \$4,979,713,500 is rateable

2(c) Revenue Summary – analysis

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Subsidies and grants		
NZTA Rooding Subsidies	13,098	12,152
Total Subsidies and grants	13,098	12,152
Investments and Other Income		
Petrol tax	238	215
Gain on disposal of property, plant and equipment	18	317
Unrealised gain on forestry revaluation	(79)	28
Finance income	18	19
Vested assets	369	1,560
Sundry income	128	133
Total Investment and Other Income	693	2,272

2(d) Targeted rates for metered water supply

The Local Government (Financial Reporting and Prudent) Regulations 2014 require, from 1 July 2015, Water by Meter charges to be classified in rating income.

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Targeted Rates for metered water supply		
Water Supply	3,256	2,975
Total Targeted Rates for metered water supply	3,256	2,975

3 Cost of service summary – analysis

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Analysis of expenditure		
Depreciation and amortisation	10,889	10,647
Swaps revaluation through revenue and expense	970	1,569
Other expenses	22,538	24,235
Employee benefit expenses		
Salaries and wages	12,912	11,250
Finance costs		
Interest on loans	1,391	1,346
Interest on Local Government stock	893	1,164
Fees paid to Principal Auditor		
Fees for audit of the Annual Report	166	183
Fees for OAG disbursements	11	0
Fees for other assurance services	10	11
Fees for other services	0	52
	49,780	50,457

The auditor of Council is Deloitte Limited who is acting for and on behalf of the Auditor-General. The fees paid to Deloitte Limited for the other services for the year ending 30 June 2020 are for the audit compliance report prepared in respect to Council's debenture trust deed and a 'tip off' whistleblower service.

Salaries and wages also includes employer contributions to KiwiSaver which is a Defined Contribution Plan. Employer contributions totalled 2020: \$331,766 (2019: \$294,324).

4(a) Ratepayers Equity

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Accumulated Comprehensive Revenue and Expense		
<i>Balance at 1 July</i>	401,364	390,533
plus Surplus/(deficit) for the period	10,377	9,326
Transfers from Accumulated Revenue and Expense to:		
Restricted reserves	157	384
Council created reserves	14,908	7,210
Total Transfers from Accumulated Comprehensive Revenue and Expense	15,065	7,594
Transfers to Accumulated Funds from:		
Restricted reserves	119	0
Council created reserves	5,825	9,099
Total Transfers to Accumulated Comprehensive Revenue and Expense	5,944	9,099
Closing balance as at 30 June	402,620	401,364
Asset Revaluation Reserves		
<i>Balance at 1 July</i>	268,601	218,736
Gain/(loss) on revaluation	85,287	49,865
Closing balance as at 30 June	353,888	268,601
Asset Revaluation Reserves		
Operational assets:		
Land	302	302
Buildings	0	0
Total Operational assets	302	302
Infrastructural assets:		
The Provision of Roads and Footpaths	304,486	219,199
Water Supply	15,546	15,546
Sewerage and the treatment and disposal of sewage	7,019	7,019
Stormwater Drainage	21,730	21,730
Flood Protection and control works	4,805	4,805
Total Infrastructural assets	353,586	268,299
Total Asset Revaluation Reserves	353,888	268,601

4(b) Statement of reserve fund activities

For the year ended:	Community Activities	Regulatory Management	Flood Protection and Control Works	District Leadership, Finance and Internal Services	Solid Waste	The Provision of Roads and Footpaths	Sewerage and the Treatment and Disposal of Sewage	Stormwater Drainage	Water Supply	Total Reserves Funds
30 June	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000	2019-2020 \$'000
Restricted Council Reserves										
Restricted Reserve										
Mangawhai Endowment Lands Account										
Opening Balance	0	0	0	5,574	0	0	0	0	0	5,574
Deposited	0	0	0	157	0	0	0	0	0	157
Withdrawn	0	0	0	(119)	0	0	0	0	0	(119)
Closing Balance	0	0	0	5,612	0	0	0	0	0	5,612
Council Created Reserves										
Depreciation Reserve										
Opening Balance	256	31	264	721	14	0	(136)	407	192	1,745
Deposited	638	101	331	1,130	1	5,476	1,434	437	1,746	11,293
Withdrawn	(165)	0	0	(124)	0	(1,695)	(396)	(45)	(195)	(2,623)
Closing Balance	729	132	595	1,726	15	3,781	897	799	1,743	10,414
Development Contribution Reserve										
Opening Balance	0	0	0	(0)	0	78	(24,452)	(50)	29	(24,396)
Deposited	0	0	0	0	0	100	905	10	0	1,014
Withdrawn	0	0	0	0	0	(1)	(1,320)	(0)	0	(1,321)
Closing Balance	0	0	0	(0)	0	177	(24,867)	(40)	29	(24,703)
Financial Contribution Reserve										
Opening Balance	6,738	0	0	0	0	810	0	0	0	7,549
Deposited	2,250	0	0	0	0	40	0	0	0	2,289
Withdrawn	(1,816)	0	0	0	0	0	0	0	0	(1,816)
Closing Balance	7,172	0	0	0	0	850	0	0	0	8,023
Provision Expenditure Reserve										
Opening Balance	0	0	0	0	484	0	(159)	0	0	325
Deposited	0	0	0	0	250	0	61	0	0	311
Withdrawn	0	0	0	0	(65)	0	0	0	0	(65)
Closing Balance	0	0	0	0	669	0	(98)	0	0	571

Council has set aside reserves funds for the purposes of asset renewal (Depreciation Reserve), Development Contributions, Financial Contributions and Provision Expenditure. These funds are grouped under the heading of Council Created Reserves. The funds are required by the Local Government Act 2002 to be separately disclosed for each activity to which they pertain.

Purpose of each Reserve Fund:

Restricted Reserve is for the Mangawhai Endowment Fund which relates to assets vested to the Council from the Mangawhai Harbour Board via the Mangawai Lands Empowering Act 1966 (sic). The Act requires the Fund (assets) to be held for county (or Council) purposes that are of benefit to the Mangawhai area.

Council Created Reserves:

Depreciation (Asset Renewal) Reserves are used for the funding of capital renewals and/or repay loans and are derived from the funding of depreciation within each asset carrying activity in accordance with the existing revenue and financing policies.

Contributions towards infrastructure growth through the provisions of Council's Development Contributions Policy are separately recognised and accounted for in **Development Contribution Reserves** based on the specified activities.

Financial Contributions towards infrastructure growth through the provisions of the Resource Management Act are separately recognised and accounted for in **Financial Contribution Reserves** based on the specified activities.

Provision Expenditure Reserves are Council funds reserved for expenditure provisioned to be spent in future years.

5(a) Other financial assets

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Current portion of investments		
Loan	115	115
Total Current financial assets	115	115
Non-current portion of investments		
Emission Trading Scheme - NZU's	257	257
Civic Financial Services Limited	13	22
Total Non-current financial assets	270	279

5(b) Emissions Trading Scheme (ETS)

Emission Trading Units allocated under the Emissions Trading Scheme (ETS) are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The units are recognised when they have been received and are recognised as income in the Statement of Comprehensive Revenue and Expense. After initial recognition ETS units are recognised at cost and reviewed annually for impairment.

Council has 135.5 hectares of pre-1990 forest land. This land is subject to the provisions of the New Zealand ETS. The implication of this for the financial statements is two-fold:

- should the land be deforested (that is, the land is changed from forestry to being used for some other purpose) a deforestation penalty will arise; and
- as a result of the deforestation restriction, compensation units are being provided by the Government.

Compensation is provided to forestry owners via the allocation of compensation units known as New Zealand Units (NZUs) in two tranches. Council received the first tranche of 14,927 units in December 2012 and the second tranche of 24,013 in February 2013.

Compensation units are recognised at deemed cost based on the fair value at the date of receipt (that is, historic value). The units are recognised when they have been received and are recognised as income in the Statement of Comprehensive Revenue and Expense. After initial recognition NZUs are measured at cost with an annual review for impairment.

5(c) Shareholdings

Civic Financial Services Limited:

- 13,629 shares of \$1.00 each. Council holds 0.1% of the issued shares.

An estimate of the fair value is based on the Council's share of the net assets.

6 Trade and other receivables

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Sundry debtors	2,753	2,625
Land rates and penalties	6,937	7,389
Water rates and charges	899	803
Dog licences and dog infringements	261	264
Prepayments	1,132	999
Gross Trade and other receivables	11,982	12,080
less Provision for impairment- Land rates	(3,764)	(3,098)
less Provision for impairment - Other debtors	(537)	(665)
Total Trade and other receivables	7,681	8,317

The COVID-19 pandemic has directly and indirectly impacted Council's projected revenue for 2019/2020.

Rates receivable

Debt collection was put on hold during the COVID-19 Alert Levels 4 and 3. Staff encouraged ratepayers facing financial hardship to enter into payment plans and, where they were unable to make any payments, they were advised that penalties would continue to be added to their account but that these penalties would be reviewed under the existing Rates Postponement and Remission Policy once rates are paid up-to-date.

There were also additional practical difficulties. Council offices were closed or had reduced hours preventing some customers from being able to come into the office to make payments.

Water meter readings were unable to be taken during Alert Level 4, and affected ratepayers were advised that invoices would not be issued and were encouraged to make payment to reduce the amount payable on the next invoice. The Council has estimated the amount of water consumption for the COVID-19 lockdown months where a ready was unable to be taken.

The overall impact of the measure above has resulted in a decrease in rates receivable.

Other revenue receivable: fees and charges, development and financial contributions, regulatory fines

Economic activity was depressed due to the COVID-19 restrictions, resulting in lowered revenue in other areas of Council business.

- Some Council services (Kai Iwi Lakes campground, Dargaville Library and Northern Wairoa War Memorial Hall) that would have normally generated income were temporarily closed.
- Property development was slowed, generating less development and financial contributions income.
- Regulatory function was restricted to mitigate health and safety risks for the public and staff, resulting in less fines than projected.

PART TWO - FINANCIALS

As at 30 June 2020 all overdue receivables, including rates, have been assessed for impairment and appropriate provisions applied. Council holds no collateral as security or other credit enhancements over receivables, but does have rates recovery powers under the Local Government (Rating) Act 2002. Those powers are exercised to recover all rates other than on some Māori land with multiple owners, impairment of which is included in Council's doubtful debt provision.

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Movement in Impairment Provision		
<i>Opening balance - Impairment provision</i>	(3,764)	(3,089)
Estimated (increase)/decrease in doubtful debts	(537)	(675)
Total Non-current financial assets	(4,301)	(3,764)

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

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Analysis of Total Trade and Other Receivables Ageing		
Not past due	3,583	3,338
Past due 1-30 days	1,245	1,130
Past due 31-60 days	120	132
Past due 60 days	2,733	3,717
Total trade and receivables ageing	7,681	8,317

7 Trade and other payables

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Trade and Other Payables		
Trade creditors	4,861	3,052
Accrued expenses	2,395	4,419
Deposits held	2,313	2,300
Receipts held in advance	627	765
Income in advance	1,069	682
Total Trade and other payables	11,265	11,219

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 their fair value.

8(a) Provisions

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Current provisions		
Landfill closure and aftercare	609	135
Total Current provisions	609	135
Non-current provisions		
Landfill closure and aftercare	1,173	4,599
Total Non-current provisions	1,173	4,599
Total Provisions	1,782	4,734

Council established a COVID-19 business support package to ease financial hardship for businesses hardest hit by the lockdown. The package focused on local commercial businesses that could not operate during the lockdown by offsetting targeted Council fees and costs and by subsidising professional advice costs. This comprised one-off grants of \$500 to offset rates, \$1,500 to offset health, food or alcohol licence fees and \$1,000 subsidy for professional advice (accountant fees).

8(b) Provisions - movement in provisions

	Landfill closure & aftercare	Building repair	Provision for desludging costs	Total
	\$'000	\$'000	\$'000	\$'000
The movement in the provisions are represented by:				
2020				
<i>Balance as at 1 July 2019</i>	4,734	0	0	4,734
Amounts used	(135)	0	0	(135)
Release of provision	(2,817)	0	0	(2,817)
Funding increase	0	0	0	0
<i>Balance at 30 June 2020</i>	1,782	0	0	1,782
2019				
<i>Balance as at 1 July 2018</i>	4,691	17	130	4,838
Passage of time adjustment	250	0	0	250
Amounts used	(142)	(17)	(130)	(289)
Discount rate adjustment	(65)	0	0	(65)
Funding increase	0	0	0	0
<i>Balance at 30 June 2019</i>	4,734	0	0	4,734

Landfill Aftercare Provisions

Council has resource consents to operate landfills at Dargaville and Hakaru. These landfills are now closed. Council has responsibility under the Resource Management Act (1991) to provide ongoing maintenance and monitoring of the landfills after the sites are closed.

The provision for Hakaru closure and post-closure costs was increased in 2012/2013 following an independent assessment by VK Consulting Environmental Engineers Ltd. A number of Hakaru landfill closure options were presented to Council's management including maintaining the status quo (which requires the continuation of leachate removal) through to the excavation and removal of all refuse from the site in 2025. Apart from the refuse removal option, all other options require ongoing costs to Council. Council's management preferred the removal option on the basis that it was the only option that will enable Council to eliminate the ongoing liability. The cost of the removal option was provided for in the 2012/2013 financial statements. Options for the Dargaville landfill are about to be considered and works undertaken in the next two to three years.

Closure and post-closure responsibilities include the following:

- Final cover and vegetation;
- Drainage control features to minimise infiltration of stormwater;
- Completing facilities for leachate collection and treatment;
- Ongoing monitoring as per discharge consent conditions; and
- Completing facilities for monitoring of landfill gas and ensuring no hazard exists.

Post-closure responsibilities

- Treatment and monitoring of leachate;
- Groundwater and surface water monitoring;
- Gas monitoring and flaring if required;
- Implementation of remedial measures such as needed for settlement and cracking of capping layer;
- Ongoing site maintenance for drainage systems, final cover and vegetation; and
- Ensure closed landfill is suitable for intended future use.

Provision

The cash flows for the landfill post-closures, particularly for Hakaru, are expected to occur up to 2026. 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 taking into account existing technology and is discounted using a discount rate of 5.06% (2019: 5.06 %).

The following major assumptions have been made in the calculation of the provision:

- The cost of monitoring of surface/groundwater including the removal of leachate; and
- No major remedial works being required at any of the sites; and
- Costs associated with the removal of refuse from Hakaru to remain at current day levels adjusted only for inflation per latest Annual Plan.

9(a) Public debt

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Opening balance	45,000	46,000
add Funds raised	6,800	16,500
Total Funds	51,800	62,500
less Repayments	(7,800)	(17,500)
Closing balance	44,000	45,000
Current portion	25,000	1,000
Non-current portion	19,000	44,000
Total Public debt	44,000	45,000
Balances are represented by:		
Bank Loans	0	0
Local Government Funding	44,000	45,000
	44,000	45,000

All term liabilities are secured under a Debenture Trust Deed.

For the year ended:	Maturity	Interest Rates	Actual	Annual Report
30 June			2019-2020 \$'000	2018-2019 \$'000
Maturity and Interest Rates for Public Debt				
Local Government Funding	2019 to 2020	2.14% to 2.38%	0	1,000
Local Government Funding	2021 to 2027	2.44% to 2.84%	0	44,000
Local Government Funding	2020 to 2021	1.94% to 2.11%	25,000	0
Local Government Funding	2022 to 2027	1.16% to 2.59%	19,000	0
Total			44,000	45,000

Undrawn facilities

Undrawn facilities of \$10 million were available at 30 June 2020 (2019: \$10 million).

Loan Covenant

Council has loans that amount to \$44 million at 30 June 2020 (2019: \$45 million). There are a number of covenants included within the loan agreements that Council has with its lenders. These include a requirement to adopt an Annual Report within four months of the end of the financial year and then forward a copy of that Annual Report to the bank.

The LGFA requirement is to deliver a copy of the Annual Report within five months of the financial year end.

Council anticipates that debt scheduled to expire within twelve months of the balance date will be refinanced using existing facilities or through obtaining additional funding through the LGFA.

9(b) Compliance with Liability Management Policy

	Target	Achievement	Policy Compliance	Comment
	%	%	Y/N	
Debt ratios and limits:				
Net Debt as a percentage of Total Revenue	<170%	59%	Yes	Achieved
Net Interest as a percentage of Total Revenue	<15%	4%	Yes	Achieved
Net Interest as a percentage of Annual Rates Income	<20%	6%	Yes	Achieved
Liquidity (per Treasury policy)	>110%	123%	Yes	Achieved
Debt Interest Rate Policy Parameters				
(calculated on a rolling monthly basis):				
Less than 12 months	50% - 95%	76%	Yes	Achieved
12 - 36 months	40% - 90%	55%	Yes	Achieved
37 - 60 months	30% - 80%	48%	Yes	Achieved
Greater than 60 month	Nil - 50%	30%	Yes	Achieved
Liquidity/funding Maturity Profile:				
0 - 3 years	15% - 60%	83%	No	Not achieved
3 - 5 years	15% - 60%	9%	No	Not achieved
5 years plus	10% - 60%	7%	No	Not achieved

Council primarily borrows from the LGFA who provides the cheapest debt financing and longest maturity terms for debt financing available. Since 2016 Council has progressively refinanced and repaid debt.

Council borrowed two tranches of \$15 million and \$10 million with maturity date of 15 May 2021, this existing funding maturity is now due within the period of 0 to 3 years, breaching Council's funding and liquidity position. Council is working together with PWC to refinance the borrowings ahead of 15 May 2021.

10(a) Property, plant and equipment

	Opening Cost	Opening Accumulated Depreciation & Impairment Charges	Carrying Amount	Additions Current Year	Reclass Current Year	Net Disposals Current Year	Transfer to Assets Held for Sale	Impairments Current Year	Depreciation Current Year	Revaluation Surplus/(loss) Current Year	Closing Cost/Revaluation	Closing Accumulated Depreciation & Impairment Charges	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	1-Jul-19	1-Jul-19	1-Jul-19								30-Jun-20	30-Jun-20	30-Jun-20
Property, Plant and Equipment: 2020													
<i>Infrastructural assets</i>													
Roads and Footpaths	526,913	0	526,913	10,441	0	0	0	0	-6,618	85,287	616,024	0	616,010
Stormwater Drainage	33,736	-514	33,222	203	0	0	0	0	-515	0	32,909	0	32,909
Flood Protection and Control Works	16,653	0	16,653	73	0	0	0	0	-173	0	16,553	0	16,553
Sewerage and the Treatment and Disposal of Sewage	61,901	0	61,901	2,092	0	0	0	0	-1,379	0	62,614	0	62,614
Water Supply	36,139	0	36,139	1,003	0	0	0	0	-1,068	0	36,074	0	36,074
Solid Waste	1,628	-1,202	426	65	0	0	0	0	-11	0	481	0	481
Work in Progress	1,904	-309	1,595	-703	0	0	0	0	0	0	1,200	-309	892
Total Infrastructural assets	678,874	-2,025	676,849	13,174	0	0	0	0	-9,763	85,287	765,856	-309	765,532
<i>Restricted assets</i>													
Reserves	19,938	-111	19,827	719	0	0	0	0	-69	0	20,656	-180	20,476
Community Housing	2,320	-531	1,789	0	0	0	0	0	-46	0	2,320	-577	1,742
MEF Property	387	0	387	0	0	0	0	0	0	0	387	0	387
Halls	1,775	-554	1,221	0	0	0	0	0	-36	0	1,775	-589	1,185
Total Restricted assets	24,420	-1,196	23,224	719	0	0	0	0	-151	0	25,139	-1,347	23,791
<i>Operational assets</i>													
Land	6,809	0	6,809	181	0	0	0	0	0	0	6,990	0	6,990
Buildings	7,411	-1,882	5,529	348	0	0	0	0	-151	0	7,759	-2,033	5,726
Building Contents	1,553	-1,289	264	354	0	0	0	0	-67	0	1,907	-1,356	551
Mobile Plant (incl MV's)	1,301	-924	377	325	0	3	0	0	-162	0	1,711	-1,165	546
Static Plant	106	-106	0	0	0	0	0	0	0	0	106	-106	0
Library Books	507	-336	171	67	0	0	0	0	-66	0	575	-402	173
Office Equipment	5,138	-3,959	1,179	1,535	0	0	0	0	-529	0	6,674	-4,488	2,185
Total Operational assets	22,825	-8,496	14,329	2,811	0	3	0	0	-974	0	25,721	-9,550	16,171
Total Property, plant and equipment	726,116	-11,717	714,402	16,704	0	3	0	0	-10,889	85,287	816,716	-11,206	805,493

	Opening Cost	Opening Accumulated Depreciation & Impairment Charges	Carrying Amount	Additions Current Year	Reclass Current Year	Net Disposals Current Year	Transfer to Assets Held for Sale	Impairments Current Year	Depreciation Current Year	Revaluation Surplus/(loss) Current Year	Closing Cost/Revaluation	Closing Accumulated Depreciation & Impairment Charges	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	1-Jul-18	1-Jul-18	1-Jul-18								30-Jun-19	30-Jun-19	30-Jun-19
Property, Plant and Equipment: 2019													
<i>Infrastructural assets</i>													
Roads and Footpaths	477,330	0	477,330	14,373	0	0	0	0	-6,719	41,928	526,913	0	526,913
Stormwater Drainage	32,660	0	32,660	1,076	0	0	0	0	-514	0	33,736	-514	33,222
Flood Protection and Control Works	15,162	0	15,162	108	0	0	0	0	-172	1,555	16,653		16,653
Sewerage and the Treatment and Disposal of Sewage	59,241	0	59,241	2,546	0	0	0	0	-1,326	1,440	61,901	0	61,901
Water Supply	30,627	0	30,627	1,617	0	0	0	0	-1,047	4,942	36,139	0	36,139
Solid Waste	1,317	-1,195	122	311	0	0	0	0	-7	0	1,628	-1,202	426
Work in Progress	4,368	-309	4,060	-2,463	0	0	0	0	0	0	1,904	-309	1,595
Total Infrastructural assets	620,705	-1,504	619,202	17,568	0	0	0	0	-9,785	49,865	678,874	-2,025	676,849
<i>Restricted assets</i>													
Reserves	19,052	-57	18,995	886	0	0	0	0	-54	0	19,938	-111	19,827
Community Housing	2,320	-485	1,834	0	0	0	0	0	-46	0	2,320	-531	1,789
MEF Property	387	0	387	0	0	0	0	0	0	0	387	0	387
Halls	1,763	-519	1,244	12	0	0	0	0	-35	0	1,775	-554	1,221
Total Restricted assets	23,522	-1,061	22,460	898	0	0	0	0	-135	0	24,420	-1,196	23,224
<i>Operational assets</i>													
Land	5,861	0	5,861	948	0	0	0	0	0	0	6,809	0	6,809
Buildings	7,392	-1,736	5,655	158	0	-139	0	0	-146	0	7,411	-1,882	5,529
Building Contents	1,507	-1,242	265	46	0	0	0	0	-47	0	1,553	-1,289	264
Mobile Plant (incl MV's)	1,152	-785	367	161	0	-12	0	0	-139	0	1,301	-924	377
Static Plant	106	-106	0	0	0	0	0	0	0	0	106	-106	0
Library Books	434	-278	156	73	0	0	0	0	-58	0	507	-336	171
Office Equipment	4,503	-3,622	881	635	0	0	0	0	-337	0	5,138	-3,959	1,179
Total Operational assets	20,955	-7,769	13,185	2,021	0	-151	0	0	-727	0	22,825	-8,496	14,329
Total Property, plant and equipment	665,179	-10,334	654,847	20,487	0	-151	0	0	-10,647	49,865	726,119	-11,717	714,402

Property, plant and equipment (continued)

Council has applied the historical cost method under PBE IPSAS for buildings and land. This does not include land associated with infrastructure assets. Land associated with infrastructure assets like all other infrastructural assets, continue to be revalued periodically, but at least every three years.

Restricted assets are held by Council for the benefit of the community and are not, because of their nature or the title to their ownership, generally available for disposal by Council.

Accounting for revaluations

The most recent valuations were effective as at 30 June 2020. The names, and asset responsibility, of the Valuers engaged are as follows:

Valuer	Asset Responsibility
WSP New Zealand Limited (Independent external professional engineers and valuers)	Valuations and cost escalation adjustments were made to the following asset classes in the 2019/2020 year: <ul style="list-style-type: none">Roads and footpathsWater and Stormwater

The methodology base of all infrastructural valuations, other than land, was depreciated replacement cost with reference as necessary to the following standards - PB IPSAS17 (Property, Plant and Equipment), PB IPSAS21 (Impairment of Assets), National Asset Management Steering Group (NAMS Group), NZ Infrastructural Asset Valuation and Depreciation Guidelines (version 2), the Local Government Act 2002, and NZPI Standards.

Land is revaluated primarily with reference to comparable sales.

Roads and footpaths, stormwater drainage, flood protection and control works, sewerage and the treatment and disposal of sewage and water supply assets are valued under at least a three-yearly valuation cycle.

There are a number of estimates and assumptions exercised when valuing infrastructure assets using the Depreciated Replacement Cost method. These include:

- Estimating any obsolescence or surplus capacity of the asset.
- Estimating the replacement costs of the asset. The replacement cost is derived from recent contracts in the region for similar assets.
- Estimating the remaining useful life over which the asset will be depreciated. If useful lives do not reflect the actual consumption of the benefits of the asset Council could be over or under estimating the annual depreciation charge recognised as an expense in the Statement of Comprehensive Revenue and Expense. To minimise the risk, infrastructure asset useful lives have been determined with reference to the International Infrastructure Management Manual for roading assets and the Institute of Public Works Engineering Australasia (IPWEA) guidelines and have been adjusted for local conditions based on past experience.

Category	Methods and key assumptions
Roading	Unit costs are sourced from recent contract costs. Where not available, previous valuation unit rates were updated using an overall indicator of sector escalation developed by combining the movements of the underlying labour, other current costs and capital expenditure components. Remaining useful lives have been determined by calculating the difference between the respective asset's Total Useful Life (TUL) and the age of the asset. Note that where an asset's age is unknown, both engineering judgement and local knowledge have been used to assign a remaining life.

Category	Methods and key assumptions
Water assets (Sewerage and the treatment and disposal of sewage, Water Supply, Stormwater Drainage) and Flood Protection and Control Works	<p>Depreciated replacement cost is determined through comparing unit replacement values per the previous valuation to recent construction, operation and maintenance costs incurred by Council, and either updating to reflect significant changes or previous valuation unit rates were updated using an overall indicator of sector escalation developed by combining the movements of the underlying labour, other current costs and capital expenditure components.</p> <p>Remaining useful lives have been determined by calculating the difference between the respective asset's Total Useful Life (TUL) and the age of the asset. Note that where an asset's age is unknown, both engineering judgement and local knowledge have been used to assign a remaining life.</p>

The impact of COVID-19 has created additional reliance on estimation over the Council's estimation in considering whether its infrastructure assets are recorded at fair value given the largely yet unknown impacts on the domestic and global construction industry. The Council has taken all practical steps and engaged experts where necessary to ensure all estimates and judgements are reasonable.

WSP undertook an assessment of carrying value of water infrastructure assets at 30 June 2020. Full valuation was undertaken in 2018 for stormwater and 2019 for wastewater, water supply and land drainage. WSP performed a valuation of the Council roading assets in 2020.

WSP noted two potential impacts of the COVID-19 pandemic on the valuation: market prices for construction of infrastructure and level of demand for use.

The COVID-19 pandemic has increased the cost of infrastructure construction due to shortage of skill labour and supply (including temporary immigrant workers), extra health and safety requirements, supply chain disruptions, rising exchange rate leading to higher cost of materials, and more complicated contractual procurement arrangements. However, this increase is likely to be short term and uncertain in the long term.

COVID-19 is unlikely to lead to any reduction in demand for water infrastructure assets.

10(b) Property, plant and equipment analysis

	Closing Book Value	Acquisitions Constructed	Acquisitions Vested	Latest Estimate of Replacement Cost
	\$'000	\$'000	\$'000	\$'000
Property, Plant and Equipment: 2020	30-Jun-20	30-Jun-20	30-Jun-20	30-Jun-20
<i>Infrastructural assets</i>				
Roads and Footpaths	616,009	10,132	309	753,296
Stormwater Drainage	329,091	203	0	0
Flood Protection and Control Works	16,553	73	0	18,666
<i>Sewerage and the Treatment and Disposal of Sewage</i>				
Treatment plants and facilities	22,788	1,988	0	28,063
Other assets	39,826	103	0	59,526
<i>Water Supply</i>				
Treatment plants and facilities	9,181	219	0	16,060
Other assets	2,689	784	0	61,472
Property, Plant and Equipment: 2019	30-Jun-19	30-Jun-19	30-Jun-19	30-Jun-19
<i>Infrastructural assets</i>				
Roads and Footpaths	526,913	13,761	612	663,075
Stormwater Drainage	33,222	1,076	0	0
Flood Protection and Control Works	16,653	108	0	18,593
<i>Sewerage and the Treatment and Disposal of Sewage</i>				
Treatment plants and facilities	21,635	959	0	26,074
Other assets	40,266	1,587	0	59,423
<i>Water Supply</i>				
Treatment plants and facilities	8,674	81	0	15,841
Other assets	27,465	1,536	0	60,687

10(c) Capital expenditure and disposals for year

For the year ended:	Actual	Annual Report
30 June	2019-2020	2018-2019
	\$'000	\$'000
Capital expenditure		
Community Activities	1,410	1,095
Regulatory Management	0	0
District Leadership, Finance and Internal Services	2,121	1,806
Solid Waste	65	311
The Provision of Roads and Footpaths	9,738	11,928
Stormwater Drainage	203	1,076
Flood protection and control works	73	108
Sewerage and the Treatment and Disposal of Sewage	2,092	2,546
Water supply	1,003	1,617
Total Capital expenditure	16,704	20,487
Disposals		
Community Development	0	0
MELA Property	0	0
Other	(3)	(151)
Total Disposals	(3)	(151)

11 Depreciation summary

Depreciation

Depreciation is provided on a straight line basis on all property, plant and equipment other than land, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives.

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

	Expected life years	Depreciation straight line		Expected life years	Depreciation straight line
Roading			Water Supply	60-70	1.25%-4%
Top surface (seal)	5-100	5%-25%	Wastewater	25-80	1.25%-4%
Pavement (basecourse)			Stormwater	40-80	0.50%-2%
Urban sealed	40-100	1.25%-2.5%	Landfills and transfer stations	10-100	0%-10%
Rural sealed	40-100	1.25%-2.5%	Halls	50	2%
Unsealed	20-60	1.67%-5%	Community housing	50	2%
Foundation and unsealed subgrade	n/a ¹	-	Plant, equipment and motor vehicles	5-10	10%-20%
Culverts	40-100	1%-4%	Buildings	50	2%
Kerb and channel	25-100	1.25%-4%	Building contents	10	10%
Bridges	40-100	1%-2.5%	Other plant	5	20%
Signs	12	8.3%	Computer and office equipment	5	20%
Lights	15-100	2.5%-6%	Library collection	5	20%
Footpaths	25-100	1.25%-4%			
Drainage	20-100	1%-6%			

¹ Not depreciated

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

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000

by Groups of activities

Community Activities	377	329
Regulatory Management	52	49
District Leadership, Finance and Internal Services	684	484
Solid Waste	11	7
The Provision of Roads and Footpaths	6,631	6,719
Stormwater Drainage	515	514
Flood protection and control works	172	172
Sewerage and the treatment and disposal of sewage	1,379	1,326
Water supply	1,068	1,048
Total Groups of activities depreciation	10,889	10,647

12 Insurance of assets

The following disclosures are made in accordance with the Local Government Act 2002 Amendment Act 2014, clause 31A of Schedule 10.

	2020 \$000's	2019 \$000's
A Total value of assets that are covered by insurance contracts	140,380	138,735
Maximum amount to which these assets are insured	62,461	80,179
B Total value of all assets that are covered by financial risk sharing arrangements	Nil	Nil
Maximum amount available to Council under those arrangements	Nil	Nil
C Total value of all assets that are self-insured	741,383	634,223
Value of any fund maintained by Council for that purpose	Nil	Nil

13 Biological Assets

Council acquired the Hobson County Council forestry estate as a consequence of the 1989 Local Government amalgamation process which formed Kaipara District Council.

Council owns and lease three forest blocks with net stocked area of 127.7 hectares (all excluding Taharoa Domain estate). The 7.8 hectares within the Catchment forest was harvested in the 2020 financial year.

Council's accounting policy requires annual revaluations of Biological Assets.

Forestry assets are independently revalued annually at fair value less estimated point of sale costs. Fair value is determined based on the present value of expected net cash flows discounted at a current market determined pre-tax rate.

Gains or losses arising on initial recognition of biological assets at fair value less estimated point of sale costs and from a change in fair value less estimated point of sale costs are recognised in the surplus/(deficit). The costs to maintain the forestry assets are included in the surplus/(deficit).

Valuation

Woodlands Pacific International Forestry Consultants (WPC) performed an independent Desktop valuation of the forests as at 30 June 2020. The calculation of the revaluation was fair value less estimated point of sale costs.

Valuation assumptions:

- A discount rate of 9.5% (2019: 9.5%) has been used in discounting the present value of future cash flows;
- Notional land rental costs have been included for freehold land;
- The forest has been valued on a going concern basis and includes only the value of the existing crops on a single rotation basis; and
- Log prices are based upon the valuers latest survey supplemented by local prices to reflect the Northland market and takes into account key price drivers (market prices, exchange rates and shipping).

WPC has noted significant financial uncertainty at the time of valuation as the COVID-19 pandemic has created uncertainty within global financial markets and travel and work restrictions, including in New Zealand. There is significant short term uncertainty in log pricing, which is a factor in valuation, though prices are expected to stabilise over the long term. In the short term, some forestry sales are progressing with timeframes and prices affected. However, the forestry industry can operate under COVID-19 Alert Level 3 or lower and is likely to be positively impacted by the global and New Zealand economic stimulus policies.

The movement in asset value is as follows:

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Forestry assets movements		
<i>Opening balance</i>	1,045	1,017
Annual revaluation movement	(79)	28
Harvesting removals	(151)	0
<i>Closing balance</i>	815	1,045

Financial risk management strategies

Council is exposed to financial risks arising from changes in timber prices, foreign exchange rates, disease, climatic conditions and potential plagues (rodent and insect). Council reviews these risks regularly in considering the need for active financial management.

Council's strategy in respect of these forestry assets involves outsourcing the annual maintenance and harvesting, of all the individual blocks, to a specialist firm of forest management professionals, with a view to

maximising financial returns. Such returns are then utilised on an annual basis for capital improvements across the district. There is no rating input into the operation of this activity.

Net income from forest harvesting for the year was \$118,000 (2019: \$nil)

14 Reconciliation of surplus/(deficit) to net cash flow from operating activities

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Surplus/(deficit) for the period		
Surplus/(deficit) for the period	10,377	9,326
add/(deduct) Non-cash movements		
Property, Plant and Equipment vested to Council	(369)	(1,560)
(Gain)/Loss on sale of assets	(18)	(317)
Forestry revaluation (Gain)/Loss	230	(28)
Increase/(decrease) in Provisions	(2,416)	858
Depreciation	10,889	10,647
Unrealised (gain)/loss on interest rate swaps	970	1,568
Other Financial Assets	68	0
Total Non-cash movements	9,353	11,168
add/(deduct) Movements in working capital items		
Trade and other receivables	100	(2,900)
Accrued Revenue	(38)	1,797
Employee Entitlements	(60)	239
Trade and other payables (net of capital accruals)	46	(1,533)
Provisions	0	(289)
Total Movement in working capital items	0	(2,686)
Net Cash Inflow from Operating Activities	19,777	17,808

15 Capital commitments and operating leases

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Capital commitments		
Property, Plant and Equipment	23,169	1,829
Total Capital commitments	23,169	1,829
Operational non-cancellable contracts		
Not later than one year	1,269	2,472
Later than one year and not later than five years	1,226	2,102
Later than five years	227	227
Total Operational non-cancellable contracts	2,722	4,801
Operating leases as lessee		
Not later than one year	211	161
Later than one year and not later than five years	153	265
Total Operating leases as lessee	364	426
Operating leases as lessor		
Not later than one year	196	169
Later than one year and not later than five years	722	445
Later than five years	687	792
Total Operating leases as lessor	1,605	1,406

The operating leases are in relation to Council properties.

16 Contingent liabilities

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Contingent Liabilities		
Guarantees to other organisations	903	903
Total Contingent Liabilities	903	903

Guarantees

New Zealand Local Government Funding Agency

Council is a guarantor of the New Zealand Local Government Funding Agency Limited (LGFA). LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand. LGFA has a local currency rating from Fitch Ratings and Standard & Poor's of AA+ and a foreign currency rating of AA.

Council is one of 52 local authority guarantors of LGFA. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all LGFA's borrowings. At 30 June 2020, LGFA had borrowings totalling \$11.908 billion (2019: \$9.53 billion).

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

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

Other

Council has given a \$750,000 guarantee to Westpac Banking Corporation Ltd on loan advances to the Mangawhai Harbour Restoration Society. The purpose of the loan advance was to fund the Society's harbour restoration project. The Society funds the loan repayments from Council grants. Council has for many years and plans to continue to rate properties in the catchment area of the Mangawhai Harbour to fund the grants. The Society controls all of the activities of the restoration project. The Society's loan balance at 30 June 2020 was \$84,482.

In 1998 a \$108,000 letter of credit was issued in favour of the Northland Regional Council (NRC), being a performance bond in respect of the future capping of district landfills.

A \$45,000 guarantee to the Bank of New Zealand exists for Council credit card limits.

In respect of all of the above guarantees, Council has assessed the risk factor and any uncertainty at zero. Therefore, any question of reimbursement is not applicable.

RB & HE Rogan

RB and HE Rogan v KDC and NRC (CIV-2015-288-182), being an appeal by the ratepayers of a decision from the District Court awarding judgement to the KDC and NRC for unpaid rates. This proceeding was heard in May 2016 and reheard in May 2017. The case was appealed by the Rogan's and was heard in the Court of Appeal on 11 September 2018. The Court of Appeal dismissed the appeal on 6 November 2018. The Rogan's subsequently made various applications to the Court of Appeal for recall and/or review of that Court's decision, these applications were dismissed. The Rogan's applied to the Supreme Court for leave to extend time to

appeal which was also dismissed. The Supreme Court awarded costs have been paid to the Council. The two remaining stayed proceedings related to this case are scheduled for a Case Management Conference on 22 September 2020. If settlement cannot be reached, these matters will proceed to a hearing.

Weathertightness Northern Wairoa War Memorial Hall

Council had provided a budget of \$500,000, to be collected over a three year period, to fix the weathertightness issues at the Northern Wairoa War Memorial Hall. More precise estimates were gained once the designs had been completed and the cost is now estimated at \$4,038,432. Council has again deferred this work while the options for the future of this building are considered.

Replacement/reinstatement of Murphy/Bowers Stopbank

Council needs to replace/reinstate a section of the existing stopbank on this property which was removed by a previous owner. A workable solution with the current owner has not been obtainable and Council has indicated it will proceed with reinstatement under the Public Works Act. Under this Act Council will be expected to pay fair and reasonable compensation to the owner for any relevant losses incurred through this process.

Building Weathertightness claims

Council has one potential claim which to date has not been lodged, however, may be at any time as Council is aware of a report commissioned by MBIE on the dwelling that identified the building as requiring a full re-clad. The value of this potential claim has been estimated in the report at \$240,000.

Other legal claims`

Council has in progress a claim that has been lodged with the High Court for foundation failure. Council was originally named as the fifth of six defendants, however, the owners withdrew their claim against certain parties and now Council is the second of two defendants. Council is in a strong position due to the admission of fault by the first defendant a Chartered Professional Geotechnical Engineer upon which Council based its decision to issue the consent. A settlement offer has been made to the claimants jointly by Council and the designer of the dwelling.

Community housing caveat

Council undertook the modernisation of 34 of its community housing units, the works programme being completed in March 2009. The programme was funded by the Housing New Zealand Corporation by way of an interest-free suspensory loan, conditional on the completion of the work, after which the liability ceased.

A caveat remains, however, requiring Council to neither withdraw from providing community housing, nor significantly altering its investment in this joint-funded housing modernisation programme.

At this time Council does not expect to withdraw or significantly alter its investment in community housing. The total value of the interest-free suspensory loan is \$1,020,000 which was previously recognised as revenue.

Riskpool exposure

New Zealand Mutual Liability Riskpool (Riskpool) provides public liability and professional indemnity insurance for its members. Council is a member of Riskpool. The Trust Deed of Riskpool provides that if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the Board may make a call on members for that fund year.

Earthquake risk to buildings

Council is required, under the Building Act 2004, to have an earthquake-prone buildings policy. Under this policy Council is required to assess whether there is any risk to buildings in the Kaipara district. At this point Council has only just begun the task of evaluating buildings to determine if they may be earthquake-prone. The former Dargaville Municipal Building has been identified as having an earthquake risk and is defined as earthquake-prone under the building code New Building Standard (NBS). Assessments by qualified building

engineers estimated structural repairs could cost up to a maximum of \$425,000. The chances of a moderate earthquake that would cause structural damage actually occurring in Dargaville are deemed to be a low risk.

Council is in the process of re-writing its Earthquake-prone Buildings Policy as a result of the Earthquake-prone Buildings Amendment Act 2016. The policy will detail a strategy to identify earthquake-prone buildings within Kaipara in accordance with the legal timeframes specified in the Act.

17 Statutory disclosures and remuneration and related party transactions

For the year ended:	Actual	Annual Report
30 June	2019-2020	2018-2019
Chief Executive Remuneration:		
<i>Chief Executive</i>		
Salary	283,692	204,615
Other Benefits	11,579	16,817
Total Chief Executive Remuneration	295,271	221,432
<i>Acting Chief Executive</i>		
(4 June 2019 - 23 September 2019)		
Salary	0	75,548
Other Benefits	0	2,266
Total Acting Chief Executive Remuneration	0	77,814

For the year ended:	Actual	Annual Report
30 June	2019-2020	2018-2019
	\$'000	\$'000
Key management personnel compensation		
Salaries and other short term employee benefits	1,898	1,726
Total Key management personnel compensation	1,898	1,726

Key management personnel include the Chief Executive, senior management, and the Mayor and Councillors. During the year Council did not purchase any services from any key management personnel other than as disclosed in this note. During the year the Mayor, Councillors and senior management, as part of a normal customer relationship, were involved in minor transactions with Council (such as payment of rates etcetera).

There are no material amounts owing to related parties at year end.

For the year ended:	Actual	Annual Report
30 June	2019-2020	2018-2019
	\$'000	\$'000
Severance Pay		
Number of Employees	1	1
Redundancy Payments to Employees	2	0

Severance Pay was paid in the following amount: \$23,570 (2019: \$6,664).

PART TWO - FINANCIALS

For the year ended:	Actual	Annual Report
30 June	2019-2020	2018-2019
Elected Representatives Remuneration:		
Mayor:		
Jason Smith	113,800	100,624
Deputy Mayor:		
Anna Curnow	48,500	35,263
Councillors:		
Peter Wethey	50,235	58,772
Jonathan Larsen	40,626	29,668
Karen Joyce-Paki	39,792	29,518
Victoria Del La Varis-Woodcock	40,764	29,949
Mark Vincent	29,939	0
David Wills	29,939	0
Eryn Wison-Collins	29,939	0
Andrew Wade	9,853	30,368
Libby Jones	10,954	32,670
Julie Geange	12,001	35,535
	456,342	382,367
Crown Manager Remunerations:		
Peter Winder	4,050	13,699
	4,050	13,699
Audit, Risk and Finance Committee		
Chair Remuneration:		
Stana Pezic	3,600	4,000
	3,600	4,000

Please refer to the Elected Members Meeting Attendance in the Appendix for further information.

As at:	Actual	Annual Report
30 June	2019-2020	2018-2019
Council Employees remuneration:		
Annual remuneration by band:		
\$0 - \$60,000	49	39
\$60,001 - \$80,000	46	40
\$80,001 - \$100,000	33	27
\$100,001 - \$120,000	15	10
\$120,001 - \$140,000	5	3
\$140,001 - \$200,000	4	7
\$200,001 - \$300,000	2	1
Total Employees by remuneration band	154	127
Number of Employees:		
Full time employees	139	117
Part time employees (FTE)	11.0	5.8
Total Employees (FTE)	150.0	122.8

Fixed term and casuals are excluded from the Total Employees (FTE) above.

18(a) Categories of financial assets and liabilities

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Cash and cash equivalents	4,398	1,926
Trade and other receivables	7,681	8,317
LGFA Borrower notes	704	704
Loan	115	115
Total Loans and Receivables	12,898	11,062
Financial assets:		
Fair value through revenue and expense		
Civic Financial Services Ltd	13	22
Total Fair value through revenue and expense	13	22
Financial liabilities measured at amortised cost		
Trade and other payables	11,265	11,219
Public debt	44,000	45,000
Total Financial liabilities measured at amortised cost	55,265	56,219
Financial liabilities measured at fair value through revenue and expense		
Interest rate swaps	6,965	5,995
Total Financial liabilities at fair value through revenue and expense	6,965	5,995
Fair Value Hierarchy		
	Actual	Level
	2019-2020	2019-2020
	\$'000	
Interest rate swaps	6,965	Level 2
Civic Financial Services Ltd	13	Level 3

Financial instrument risks

Council has a series of policies to manage the risk associated with financial instruments. Council is risk averse and seeks to minimise exposure from its treasury activities. Council 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.

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. Borrowings issued at fixed rates expose Council to fair value interest rate risk. Council's Liability Management Policy outlines the level of borrowing that is to be secured using fixed rate instruments. Investments at fixed interest rates expose Council to fair value interest rate risk.

The fair value of the debt is not considered to be materially different from the carrying amount."

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 Council

to cash flow interest rate risk. Such risk is considered to be low given Council has utilised interest rate swaps to manage these risks.

Council raises long term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates. Under the interest rate swaps Council agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts of \$54 million (2019: \$64 million). Included in these totals are forward start interest rate swaps with notional principal of \$17 million (2019: \$17 million).

Financial instruments

Liquidity risk

Council is exposed to liquidity risk as a guarantor of all LGFA's borrowings. This guarantee becomes callable in the event of LGFA failing to pay its borrowings when they fall due. Information about this is explained in Note 16.

Maximum exposure to credit risk

Credit risk is the risk that a third party will default on its obligation to Council, causing Council to incur a loss. Due to the timing of its cash inflows and outflows, Council invests surplus cash into term deposits and local authority stock which gives rise to credit risk.

Council's investment policy limits the amount of credit exposure to any one financial institution or organisation. Investments in other local authorities are secured by charges over rates. Other than other local authorities, the group only invests funds with entities that have a Standard & Poor's credit rating of at least AA-.

Council has no collateral or other credit enhancements for financial instruments that give rise to credit risk.

18(b) Financial instrument risks

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Council's maximum credit exposure by class		
Cash and cash equivalents	4,398	1,926
Trade and other receivables	7,681	8,317
LGFA Borrower notes	704	704
Loan	115	115
Total Council's maximum credit exposure by class	12,898	11,062

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to Standard & Poor's credit rating (if available) or to historical information about counterparty default rates:

For the year ended:	Actual	Annual Report
30 June	2019-2020 \$'000	2018-2019 \$'000
Counterparties with Credit Ratings		
Cash and cash equivalents and LGFA borrower notes:		
AA	0	0
AA-	5,102	2,630
Total cash and cash equivalents and LGFA borrower notes	5,102	2,630

Debtors and other receivables mainly arise from Council's statutory functions, therefore there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to

internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables. The Local Government (Rating) Act 2002 provides powers to recover outstanding debts from ratepayers.

Credit Risk

Council is exposed to credit risk as a guarantor of all LGFA's borrowings. Information about this is explained in Note 16.

18(c) Contractual maturity of financial liabilities

The table below analyses Council's non-derivative financial liabilities to 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.

	Principal Carrying Amount \$'000	Contractual Cash Flows \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Maturity analysis Financial liabilities						
Council 2020						
Trade and Other Payables	11,776	11,776	11,776	0	0	0
Public Debt	44,000	44,078	25,854	415	13,695	4,114
Total Council 2020	55,776	55,854	37,630	415	13,695	4,114
Council 2019						
Trade and Other Payables	11,219	11,219	11,219	0	0	0
Public Debt	45,000	48,749	2,149	26,069	13,213	7,318
Total Council 2019	56,219	59,968	13,368	26,069	13,213	7,318

Note: Contractual cash flows includes principal and interest.

18(d) Contractual maturity of derivative financial liabilities

	Notional Value \$'000	Fair Value \$'000	Less than 1 year \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Maturity analysis - Council 2020						
Derivative financial liabilities						
Interest rate swaps	54,000	6,965	64	632	5,045	1,224
Total Derivative financial liabilities	54,000	6,965	64	632	5,045	1,224
Maturity analysis - Council 2019						
Derivative financial liabilities						
Interest rate swaps	64,000	5,995	139	125	1,964	3,766
Total Derivative financial liabilities	64,000	5,995	139	125	1,964	3,766

The fair value of forward start interest rate swaps is \$17 million (2019: \$17 million).

Liquidity risk

Management of liquidity risk

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

18(e) Sensitivity analysis

The following table illustrates the potential surplus and deficit and equity (excluding retained earnings) impact for reasonable possible market movements, with all other variables held constant, based on Council's non-derivative financial instrument exposures at balance date.

	Actual 2019-2020 \$'000 -100bps Profit	Actual 2019-2020 \$'000 -100bps Equity	Actual 2019-2020 \$'000 +100bps Profit	Actual 2019-2020 \$'000 +100bps Equity	Actual 2018-2019 \$'000 -100bps Profit	Actual 2018-2019 \$'000 -100bps Equity	Actual 2018-2019 \$'000 +100bps Profit	Actual 2018-2019 \$'000 +100bps Equity
Interest rate risk								
Financial assets								
Cash and deposits	-44	-44	44	44	-19	-19	19	19
Total financial assets	-44	-44	44	44	-19	-19	19	19
Financial liabilities								
Public debt	7	7	-7	-7	-20	-20	20	20
Swaps interest rate	-8,967	-8,967	5,278	5,278	-3,358	-3,358	3,108	3,108
Total financial liabilities	-9,004	-9,004	5,315	5,315	-3,397	-3,397	3,147	3,147
Total sensitivity to interest rate risk	-9,004	-9,004	5,315	5,315	-3,397	-3,397	3,147	3,147

19 Capital management

The Council's capital is its ratepayers' equity, which comprises retained earnings and reserves. Equity is represented by net assets.

The Local Government Act 2002 requires 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 Local Government Act 2002 and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, 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 Local Government Act 2002 requires 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 Local Government Act 2002 sets out the factors that 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 Council's Long Term Plan.

Details of Council's various reserves can be found in Note 4.

Funding Impact Statement - Whole of Council - Operating and Capital

As at	Actual	Annual Plan	Annual Report	Annual Plan
30 June	2019-2020 \$'000	2019-2020 \$'000	2018-2019 \$'000	2018-2019 \$'000
Operating funding				
Sources of operating funding				
General rates, uniform annual general charges, rate penalties	25,169	24,669	23,519	22,930
Targeted rates	12,519	12,214	12,006	12,099
Subsidies and grants for operating purposes	6,871	8,786	5,038	4,584
Fees and charges	6,282	6,499	5,962	5,204
Interest and dividends from investments	18	20	19	20
Local authorities fuel tax, fines, infringement fees and other receipts	393	320	664	320
Total operating funding	51,252	52,508	47,208	45,156
Application of operating funding				
Payments to staff and suppliers	38,152	41,690	35,005	33,548
Finance costs	2,284	2,780	2,510	2,950
Other operating funding applications	0	0	0	0
Total applications of operating funding	40,436	44,470	37,516	36,498
Surplus (deficit) of operating funding	10,816	8,037	9,693	8,658
Capital funding				
Sources of capital funding				
Subsidies and grants for capital expenditure	6,228	23,219	7,115	8,276
Development and financial contributions	2,395	3,019	3,871	2,494
Increase (decrease) in debt	(1,000)	919	(1,000)	1,037
Gross proceeds from sale of assets	89	175	430	175
Lump sum contributions	0	0	0	0
Other dedicated capital funding	0	0	0	0
Total sources of capital funding	7,712	27,332	10,416	11,982
Applications of capital funding				
Capital expenditure				
- to meet additional demand	2,457	4,772	1,494	5,593
Capital expenditure				
- to improve the level of service	4,203	18,666	6,975	5,969
Capital expenditure				
- to replace existing assets	9,140	14,821	10,416	11,532
Increase (decrease) in reserves	2,728	(2,890)	1,224	(2,455)
Increase (decrease) of investments	0	0	0	0
Total applications of capital funding	18,528	35,369	20,109	20,640
Surplus (deficit) of capital funding	(10,816)	(8,037)	(9,692)	(8,658)
Funding Balance	0	0	0	0

Reconciliation of Funding Impact Statement to Statement of Comprehensive Revenue and Expense

For period ended:	Actual	Annual Plan	Annual Report
30 June	2019-2020	2019-2020	2018-2019
	\$'000	\$'000	\$'000
Revenue			
Statement of Comprehensive Revenue and Expense			
<i>Total revenue</i>	<u>60,157</u>	<u>78,746</u>	<u>59,783</u>
Funding Impact Statement			
Total operating funding	51,252	52,508	47,208
Total sources of capital funding	8,623	26,238	10,416
add Provisions	281	0	2,159
<i>Total revenue</i>	<u>60,157</u>	<u>78,746</u>	<u>59,783</u>
Expenses			
Statement of Comprehensive Revenue and Expense			
<i>Total expenses</i>	<u>49,780</u>	<u>55,145</u>	<u>50,457</u>
Funding Impact Statement			
Total applications of operating funding	40,436	44,470	37,515
less Internal professional services	(411)	(337)	(66)
add Depreciation expense	10,889	11,010	10,647
add Provisions	(1,134)	2	2,361
<i>Total expenses</i>	<u>49,780</u>	<u>46,382</u>	<u>50,457</u>