



# 1. Adoption of Draft Annual Plan 2010/2011 and an Amendment to the 2009-2019 Long Term Council Community Plan



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**Reporting Officer:** Bernard Murphy

**Date:** 19 March 2010

## Introduction

Subsequent to the printing of the draft Annual Plan further feedback from Audit New Zealand has been received that has resulted in a number of changes being requested. Additionally the document has been edited and minor errors have been identified. Attached are the pages that contain key changes as a result of this process. The draft document will be amended accordingly.

A verbal clearance has been received from Audit New Zealand their written opinion will be included on page 156 of the final document.

## Attachments

1. [Variations to the 2009 LTCCP](#) (pages 35)
2. [Accounting Policies](#) (pages 111 & 112)
3. [Financial Statements](#) (page 127)
4. [Proceeds of sales – Property Reinvestment Reserve Fund](#) (page 149)

## FULL TABLE REPLACEMENT

### Variations to the 2009-2019 LTCCP

Year Ending	Annual Plan 2010-11 \$000	LTCCP 2010-11 \$000
<b>REVENUE</b>		
Rates & Levies	65,366	67,811
Other Revenue	55,558	55,739
Gain/(Loss) on Investment Property Revaluation	1,530	1,530
Other Gains	11,143	6,258
<b>Total Revenue</b>	<b>133,597</b>	<b>131,338</b>
<b>Expenditure</b>		
Other Expenditure	49,232	50,395
Depreciation & Amortisation	31,084	29,614
Employee Benefits	21,649	21,677
Financial Costs	8,749	7,153
<b>Total Expenditure</b>	<b>110,714</b>	<b>108,839</b>
<b>Net surplus/(Deficit)</b>	<b>22,883</b>	<b>22,499</b>
Gain on Infrastructure Assets Revaluation	32,188	36,212
Transfer to reserve	8,720	-
<b>Total Net surplus/(Deficit)</b>	<b>46,351</b>	<b>58,711</b>

Year Ending	Annual Plan 2010-11 \$000	LTCCP 2010-11 \$000
Capital Expenditure	68,004	49,132

## Accounting Policies

### Reporting Entity

Whangarei District Council is a territorial local authority governed by the Local Government Act 2002. These financial statements are for Council as a separate legal entity and exclude any of council's other group figures. Its country of domicile and incorporation is New Zealand.

The primary objective of Whangarei District Council is to provide goods or services for the community or social benefit rather than making a financial return. Accordingly, Whangarei District Council has designated itself and the group as public benefit entities for the purposes of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS).

The council approved the release of the draft Annual Plan 2010/11 for consultation on 22 March 2010. The final prospective financial statements are scheduled to be approved and adopted by the council on 17 June 2010, together with the setting of the rates for the period 1 July 2010 to 30 June 2011.

### Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand and comply with New Zealand equivalents to IFRS (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

The preparation of the financial statements is in accordance with the Financial Reporting Act 1993 and the Local Government Act 2002: Part 6, section 98 and Part 3 of Schedule 10, which

includes the requirement to comply with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

The financial statements are prepared under the historical cost convention, as modified by the revaluation of:

- available for sale financial assets
- financial assets and liabilities (including derivative instruments) at fair value through profit or loss
- certain classes of property, plant and equipment
- investment property
- forestry assets

All figures are presented in New Zealand dollars and are rounded to the nearest thousand dollars (\$'000). The Whangarei District Council Group does not transact in foreign currency.

### Judgement and Estimations

The preparation of prospective financial statements in conformity with NZ IFRS requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates and may include material variations.

The prospective financial statements were authorised for issue on 24 June 2009 by resolution of council. Council is responsible for the prospective financial statements presented including the appropriateness of the assumptions



underlying the prospective financial statements and all other required disclosures. These factors, and the assumptions made in relation to the sources of uncertainty and potential effect are outlined within the Long Term Council Community Plan see page 199.

The notes to the financial statements will detail areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant. Estimates and underlying assumptions are regularly reviewed.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### Changes in Accounting Policies

There have been no changes in accounting policies.

An amendment to NZ IAS 2 requires inventory that is held for distribution be measured at cost adjusted, where applicable, for loss of service potential instead of the lower of cost and current replacement cost. No adjustment was required to prior year comparatives as a result of the initial application of this change in policy.

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

NZ IAS1 Presentation of financial statements as revised in 2007 becomes effective for reporting periods beginning on or after 1 January 2009. This revised standard requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. This statement can be presented as a single statement of comprehensive income with subtotals or in two separate statements (a statement of financial

performance and a comprehensive income statement). Whangarei District Council intends to adopt this standard for the year ending 30 June 2010 and has yet to decide whether to use a single statement or separate income and comprehensive income statements.

NZ IAS 3 Business Combinations revised in 2008 and amendments to NZ IAS 27 Consolidated and Separate Financial Statements are effective for reporting periods beginning on or after 1 July 2009 and must be applied from that date. Whangarei District Council will adopt the new standards for the year ending 30 June 2010, which will impact on business combinations that occur on or after 1 July 2009.

NZ IFRS 7 Financial Instruments Disclosures (issued March 2009) is effective for reporting periods beginning after 1 January 2009. The amendments introduce a three-level fair value disclosure hierarchy that distinguishes fair value measurements by the significance of the inputs used. These disclosures are expected to provide more information about the relative reliability of fair value measurements.

In addition, the amendments enhance disclosure requirements on the nature and extent of liquidity risk arising from financial instruments to which an entity is exposed. The amendments clarify current requirements to address application issues. The amendments also reinforce the principles of NZ IFRS 7 to ensure that information disclosed enables users to evaluate the nature and extent of liquidity risk arising from financial instruments and how the entity manages this risk.

## Significant Accounting Policies

### Revenue Recognition

Revenue is measured at the fair value of consideration received or receivable.

## Financial Statements

### Whangarei District Council Prospective Statement of Comprehensive Income

Year Ending	Annual Plan 2010-11 \$000	LTCCP 2010-11 \$000
<b>Revenue</b>		
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Other Revenue	55,558	55,739
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Other Gains	11,143	6,258
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<b>Expenditure</b>		
Other Expenditure	49,232	50,395
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the investment in its existing form as part of a portfolio of investments.

The realisation of the capital held in this part of the investment portfolio will help Council to meet present and future development possibilities without compromising the return on investment currently received – in fact the return on investment should be much improved.

### Proceeds of sales – property reinvestment reserve fund

The proceeds of the proposed property sales are to be placed in a property reinvestment reserve fund. This will be a capital fund which over time will be used for the finance and/or purchase and development of land and buildings. However, where money is available in the fund pending future property purchases or development, the funds may be used to offset external debt. Any internal lending of this type would be at interest rates based on Council's Cost of Capital and would be repaid to the property reinvestment reserve within a seven year period, or at the time of future property acquisitions or development if required earlier.

If the appropriate legal authority is obtained, the proceeds from the sale of endowment property will be used for the full range of investments and developments undertaken by the fund. However, if that legal authority is not obtained then the remaining proceeds will only be used from the fund in a manner that is consistent with the original endowment purpose.

Council's revenue and financing and investment policies in the 2009-2019 LTCCP, while generally indicating that commercial property might be sold for debt reduction or for other investments, state that funds received from the sale of investment properties could be used to repay existing debt unless Council specifically directed that the funds be put to another use.

### Properties to be sold

Council proposes to sell the following properties over a period of time, provided satisfactory sale agreements are achieved.

1. The properties at **5, 6, 8, 9, 10, 11, 13 and 15 Fraser Street** being Lot 1 DP 110824, Lot 1 DP 78822, Lot 5 DP 348283 **Lot 35 DP 57216** and part Lot 15 DP 57216, Lot 1 DP 357603 and Lots 2, 3, 4, 5 and 6 DP 92455.
2. The properties at **3, 4, 5, 6, 8, 10, 14, 17, 18, 19, 23, 25 and 29 Hewlett Street** being Lots 1, 16, 18, 19, **21**, 27, 28, 29, 30, 32, **34** and **37** DP 57216, Lot 1 DP 92455 and Lot 1 DP 208370.
3. The properties at **2-4, 18, 28, 36- 50, 58-74 and 86 Kloreroa Road** being Lots 2 and 3 DP 132212, Lot 1 DP 65086, Lot 1 DP 109005, Lot 2 DP 91131 and Lots 2, 3, **4** and 5 DP 96181.
4. The properties at **201, 211 – 219, 229, 231, 235, 237, 239, 241, 243, 245, 253, 255, 257, 259, 261, 267, 269, 271, 273 and 275 Lower Port Road** being Lot 1 DP 55192 and Lot 5 DP 417346, Lot 1 DP 32339, **Lot 1 DP 208563** and Lots **6-7, 9-14, 18-22 and 25-29** DP 53274.

Council proposes to offer these properties first to the existing lessees, but if satisfactory terms are not negotiated it reserves the right to sell them on the open market, at a price to be determined by Council with the advice of a registered valuer.

Any sales of these properties will follow only if Council resolves, following this Amended LTCCP process, to proceed with them. While it has had expressions of interest from some lessees it will make no decision, and reserves its right not to sell, until it has heard and considered public submissions on this proposal. The particulars of the possible terms of sale and of the commercial parameters to be considered are not provided for reasons of commercial sensitivity.