

OIR: 2223/586

28 June 2023

[REDACTED]  
[REDACTED]

Tēnā koe [REDACTED]

**Request for Information under the Local Government Official Information and Meetings Act 1987 (the Act) (the LGOIMA)**

Thank you for your email dated **31 May 2023** providing feedback on the draft 2023/24 Annual Plan and requesting additional information. Our Corporate Planning and Reporting Manager responded to you by email on **6 June 2023** advising you of our Annual Plan process regarding responses to feedback and confirming that we would respond once the Annual Plan is adopted on **29 June 2023**. We intend to do this separately.

Similarly, thank you for your email of **21 June 2023** requesting information relating to the Council's Statement of Financial Position. The Statement of Financial Position provides a summary of the Council's financial position at a particular date. This response includes the Council's financial position at 31 March 2023, with annual prior year comparatives. Given this is not Council's 30 June 2023 position, this has not yet been subject to external audit. Nevertheless, we always follow the applicable accounting recognition, measuring and disclosure standards as ratified by the New Zealand professional accounting bodies, and ensure that all public information is complete and as accurate as possible.

The Council is a public benefit entity (PBE) for the purposes of the accounting standards framework applicable to public sector accounting and Council applies the generally accepted accounting practice (NZ GAAP) principles. The Council therefore must comply with the International Public Sector Accounting Standards (IPSAS) to its recognition, measurement and disclosures within its financial statements.

The Council's accounts are independently audited every financial year, and as such I would refer you to the published 2021-22 Annual Report for a more comprehensive understanding of the Council's accounting policies and disclosure notes. The Annual Report provides a plain English financial overview for non-accountants as well as additional notes to the financial statements that allows the reader to understand the details behind the numbers and how valuations have been made.

*Please note that any information provided in response to your request may be published on the Council website, with your personal details removed.*

The 2022-23 Annual Report will be available to the public from November 2023. The remainder of this response is to your email dated **21 June 2023** and provides the information that you have requested, in your numerical order.

**1. (Cash and cash equivalent) What are the cash equivalents?**

Cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. It includes cash on hand, deposits held on-call with banks, other short-term highly liquid investments with maturities of three months or less.

**2. (Trade and other receivables) Is there a contra with 11? Some detail please.**

No, there is no contra as they are two completely separate accounting concepts. Receivables are money owed to the Council, such as outstanding Rates and other invoices raised through normal business which have yet to be paid. Trade and other receivables are initially measured at their face value, less any provision for impairment.

**3. (Inventories) Of what? Some detail please**

This represents consumable stock on hand at the end of the period. This includes items held at the Swimming Pool's (swimming goggles, towels, etc), Cafés (coffee, food, etc) and the Council Depot sites (water tanks, etc). These items are available for sale but had not yet been sold as at balance date.

**4. (Non-current assets held for sale) No question asked**

**5. (Property Plant and Equipment) Categories and basis of valuation (e.g. realisation on sale or other).**

		Movements in Cost						Closing Cost	Closing Accumulated Depreciation	Closing Carrying Amount
		Additions	Vested Assets Transferred to the Council	Disposals	Revaluation	Impairment	Transfers to and from			
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Operational Assets</b>										
Buildings and Improvements	63,457	0	0	0	0	0	1,650	65,107	-6,521	58,586
Computers and Office Equipment	3,064	0	0	0	0	0	149	3,213	-2,484	729
Furniture and Chattels	2,808	0	0	0	0	0	37	2,845	-1,667	1,178
Land	38,519	729	0	0	0	0	1,294	40,542	0	40,542
Library Collections	3,762	0	0	0	0	0	224	3,987	-2,162	1,825
Motor Vehicles	3,454	264	0	-139	0	0	-1	3,579	-2,198	1,381
Plant and Machinery	3,507	0	0	-139	0	0	114	3,482	-2,581	902
Items Under Construction	7,524	14,502	0	0	0	0	-3,661	18,365	-7	18,358
<b>Total Operational Assets</b>	<b>126,096</b>	<b>15,495</b>	<b>0</b>	<b>-277</b>	<b>0</b>	<b>0</b>	<b>-194</b>	<b>141,119</b>	<b>-17,619</b>	<b>123,500</b>
<b>Infrastructural Assets</b>										
Bridges	18,308	0	0	0	0	0	0	18,308	-2,842	15,466
River Flood Protection and Control Works	1,280	0	0	0	0	0	0	1,280	-16	1,263
Roading - Land Under Road	767,738	0	0	0	0	0	0	767,738	0	767,738
Roading and Footpaths	413,677	198	0	0	0	0	82	413,956	-5,266	408,690
Seawalls	9,119	0	0	0	0	0	108	9,228	-487	8,741
Stormwater Drainage	80,005	0	0	0	0	0	0	80,005	-934	79,070
Wastewater - Other Assets	136,817	0	0	0	0	0	0	136,817	-2,611	134,206
Wastewater Treatment Plants and Facilities	27,012	0	0	0	0	0	0	27,012	-1,106	25,906
Water - Other Assets	111,453	0	0	0	0	0	0	111,453	-2,034	109,419
Water Treatment Plants and Facilities	29,226	0	0	0	0	0	0	29,226	-1,012	28,213
Items Under Construction	47,996	26,210	0	0	0	0	-82	74,124	-36	74,089
<b>Total Infrastructural Assets</b>	<b>1,642,628</b>	<b>26,408</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>108</b>	<b>1,669,145</b>	<b>-16,344</b>	<b>1,652,800</b>
<b>Restricted Assets</b>										
Buildings and Improvements	37,065	207	0	0	0	0	4	37,276	-6,700	30,576
Land	58,927	0	0	0	0	0	46	58,973	0	58,973
Items Under Construction	1,868	2,146	0	0	0	0	-18	3,996	0	3,996
<b>Total Restricted Assets</b>	<b>97,860</b>	<b>2,353</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>100,245</b>	<b>-6,700</b>	<b>93,545</b>
<b>TOTAL PROPERTY AND EQUIPMENT</b>	<b>1,866,584</b>	<b>44,256</b>	<b>0</b>	<b>-277</b>	<b>0</b>	<b>0</b>	<b>-54</b>	<b>1,910,509</b>	<b>-40,664</b>	<b>1,869,845</b>

Basis of valuation: There are three main aspects to the Assets value, this is in accordance with the accounting standards.

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#### Initial measurement

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Property, plant and equipment is initially recognised at cost, or in the case of vested assets that are acquired for nil or nominal cost, at fair value. The initial cost includes all costs (other than borrowing costs) that are directly attributable to constructing or acquiring the asset and bringing it into the location and condition necessary for its intended use.

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#### Carrying value

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Property, plant and equipment is carried at historical cost less accumulated depreciation and impairment, except for land, buildings, infrastructural assets and park assets which are carried at fair value less depreciation and impairment.

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#### Revaluation

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Valuations for Council's land, buildings, park assets and infrastructural assets are performed with sufficient regularity to ensure their carrying amounts are maintained at fair value. The valuations are performed by independent qualified valuers.

Fair value is determined by reference to the depreciated replacement cost or market value on an asset class basis. Optimised depreciated replacement cost is a valuation methodology where the value of an asset is based on the cost of replacement with an efficient modern equivalent making allowance for obsolescence or surplus capacity. The remaining life of the asset is estimated, and straight-line depreciation applied to bring the replacement cost to a fair value.

In addition, the carrying values are assessed annually to ensure that they do not differ materially from the asset's fair values. If there is a material difference, then off-cycle revaluations are performed on the relevant asset class.

### **6. *(Forestry Assets) How valued? Felled and milled for sale?***

Forestry assets are carried at fair value less estimated costs to sell. This is in accordance with the applicable accounting standards.

The Forestry assets were last valued as at 30 June 2020 by an independent registered valuer and due to the assets immaterial value, it was agreed with the Council's external auditors that their continual revaluation was no longer required.

### **7. *(Intangible assets) Details please***

I would refer you to the Annual Report for the full disclosure of the Intangible Assets, Note 12. A full disclosure as at 30 June 2023 will be contained within the 2022-23 Annual Report.

An intangible asset is an identifiable non-monetary asset without physical substance. An asset is a resource that is controlled by the entity as a result of past events and from which future economic benefits are expected.

Intangible Assets are carried at cost, less any accumulated amortisation and impairment losses.

The Council has three main intangible assets which it accounts for, these are:

- Computer Software,

- Right of use: Kapiti Performing Arts Centre, and
- Right of use: Otaki Gymnasium

#### 8. (Other financial assets) Categories please

Other financial assets		
2021/22 Actual \$000		Mar'23 Actual \$000
	<b>Deposits</b>	
65,000	Term deposits	60,000
	<b>Shares</b>	
100	NZ Local Government Funding Agency	100
15	Civic Financial Services	15
	<b>Notes</b>	
5,250	NZ Local Government Funding Agency	5,680
20	Fonterra perpetual	20
70,385	<b>Total other financial assets</b>	65,815

Please note, these assets are independently valued as at 30 June each year, and as such the March 2023 amounts stated are materially correct management estimates.

As per the above schedule these have been broken down into the following categories:

#### Bank Deposits

Term deposits are made with a registered bank, with a credit rating of at least A+. Council holds term deposits as part of its overall liquidity risk management programme, whereby it pre-funds upcoming debt maturities. The carry amount of term deposits approximates their fair value.

#### Shares

The Council holds the following shares:

- The New Zealand Local Government Funding Agency (LGFA), 100,000 ordinary shares and 100,000 ordinary unpaid shares.
- Civic Financial Services Limited (formerly Civic Assurance), 14,909 shares.

#### Notes

The Council holds the following notes:

- The LGFA Borrower Notes are subordinated convertible debt instruments which each council that borrows from LGFA must subscribe for. LGFA will redeem Borrower Notes when the councils' related borrowings are repaid or no longer owed to LGFA.
- Fonterra Co-Operative Group Ltd Perpetual Capital Note.

9. ***(Loans) To whom and for what purpose***

Loans		
2021/22 Actual \$000		Mar'23 Actual \$000
146	Water conservation loans	112
618	Loans to external organisations	613
(443)	Impairments	(TBC)
321	Total loans	725

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Water conservation loans

Council provides interest-free loans (up to \$5,000) to property owners who wish to install approved water conservation devices to reduce water use. The Council recovers the loans by way of a targeted rate on the property. The period of repayment is up to 10 years.

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Loans to external organisations

- Loan to the Kāpiti Hockey Turf Trust for laying artificial turf and construction of a new pavilion to meet standards for hosting national and international tournaments. The interest rate of 4.90% was applied to this loan at the time of issuing.
- Council provided a \$500,000 **concessionary** loan to Air Chatham's in November 2020 to maintain a minimum level of air services between the Kāpiti Coast airport and Auckland airport. The loan is interest-free with a repayment term of up to 5 years. Given the significant challenges faced by the airline industry in the COVID-19 environment, the Council elected to fully impair this loan in 2021-22. This does **not** alter Air Chatham's obligation under the loan. For the 2022-23 Financial year, this loan has yet to be tested for impairment, this process will be completed during the year end accounting processes.

10. ***(Derivative financial instruments) What underlies this entry?***

The Council uses derivative financial instruments in the form of interest rate swaps to manage interest rate risks arising from borrowing activities. In accordance with its treasury management policy, council does not hold or issue derivative financial instruments for trading purposes. These are recognised at Fair Value at balance date with reference to the market-to-market value of same instruments at reporting date. This gives rise to unrealised losses or gains to the Council and is recognised in the Statement of Comprehensive Revenue and Expense.

11. ***(Trade and other payables) Refer to 2 please, contra?***

As per question 2 – No, there is no contra entry with Trade and other Receivables. The Trade and other payables amount represent invoices sent to Council, or obligations incurred, but are yet to be paid as at the end of the period. This is consistent with the application of accrual accounting. Trade and other payables are initially recognised at fair value, where those with maturities beyond

12 months are subsequently measured at amortised cost using the effective interest rate method.

**12. (Employee Benefit) Holiday pay? Some detail please**

Employee benefit liabilities		
2021/22 Actual \$000		Mar'23 Actual \$000
109	Long service leave	109
564	Salaries	83
110	Sick leave	110
2,539	Annual leave	2,740
54	Retirement gratuities	54
321	<b>Total loans</b>	<b>3,096</b>

Employee benefits include, employee entitlements for salaries and wages, annual leave, long service leave, sick leave, and other such benefits and are recognised in surplus or deficit when they accrue to employees.

Please note, these benefits will be reassessed and valued as at 30 June each year, and as such the March 2023 amounts stated are materially correct management estimates.

**13. (Deposits) What is this?**

Deposits represent money that has been given to the Council as a means of incentive to ensure certain conditions are complied with. Examples include Hall booking bonds which are to ensure a hall has been left in a clean state and that no damage has been incurred by those booking the venue, or Infrastructure deposits whereby the deposit is released once the work is complete and there has been no damage to the roading infrastructure. They are non-interest-bearing financial instruments and are reassessed as part of the end of year processes.

Deposits		
2021/22 Actual \$000		Mar'23 Actual \$000
	<b>Deposits</b>	
15	Hall deposits	19
16	Miscellaneous deposits	35
670	Resource consent planning bonds	1,420
991	Infrastructure deposits	1,016
1,692	<b>Total deposits</b>	<b>2,490</b>

**14. (Borrowings) Details please, from whom, interest rates etc**

Borrowings are primarily used to fund the purchase of new assets or upgrades to existing assets that are approved through the Annual Plan and Long-term Plan processes.

The Council joined the NZ Local Government Funding Agency (LGFA) as a shareholder in October 2012 and has borrowed longer term funding through the LGFA to make savings on interest rate margins.

As at 31 March 2023, \$265 million of Council's total borrowings were funded through LGFA.

The Council's borrowings from the LGFA are secured by a Debenture Trust Deed over Council rates revenue.

**15. (Provisions) Just for bad debts? More detail please**

The Council recognises a provision for future expenditure of uncertain amounts or timing when there is a present obligation (either legal or constructive) as a result of a past event, it is probable that expenditure will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

<b>Provisions</b>		
<b>2021/22 Actual \$000</b>		<b>Mar'23 Actual \$000</b>
	<b>Landfill aftercare</b>	
2,505	Opening balance	2,505
(18)	Increase/(decrease) in provision	(18)
(412)	Expenditure	(412)
<b>2,075</b>	<b>Closing balance 30 June</b>	<b>2,075</b>
	<b>Other provisions</b>	
91	Opening balance	341
289	Increase/(decrease) in provision	(243)
(39)	Expenditure	(TBC)
<b>341</b>	<b>Closing balance 30 June</b>	<b>97</b>
<b>2,416</b>	<b>Total provisions</b>	<b>2,172</b>

Provisions are assessed as part of the year end accounting processes, therefore as at 31 March there has been little movement except for the release of those provisions identified as at 30 June 2022.

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**Landfill**

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The Council's accounts recognise the Council's obligations to the Landfill aftercare. Council currently operates the Otaihangā landfill and also manages the Ōtaki and Waikanae sites which are now closed.

Council obtained a resource consent for 35 years in 1994 to operate the Otaihangā landfill. Council has responsibility under the Resource Management Act 1991 to provide ongoing maintenance and monitoring of landfills after closure.

Please refer to the 2021-2022 Annual Report for a greater explanation of how the Landfill aftercare valuation is calculated.

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**Other Provisions**

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Contained within this category are other general provisions that the Council has assessed as future expenditure due to a present obligation being established as at balance date. Such examples include Grants provided but expenditure is in the proceeding financial year, and other contractual obligations.



**16. (Derivative financial instruments) No question asked**

**17. (Accumulated funds) How accumulated? In what form?**

Accumulated funds form part of the Council's Equity calculation. Equity is the community's interest in council and is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into a number of components to enable clearer identification of the specified uses of equity.

The components of public equity are accumulated funds, revaluation reserves and reserves and special funds.

Equity accumulates, both increases and decreases depending on the performance of the Councils which is found in the Statement of Comprehensive Revenue and Expense and has accumulated since the Council's formation and will do so until the Council dissolves.

**18. (Reserves and special funds) Reserved for what? What are the special funds for?**

18. Reserves and special funds				
				Closing balance 2021/22 Actual \$000
<b>Restricted reserves</b>				
Plant purchase and renewal fund				1,167
Waikanae property fund				171
Waikanae capital improvements fund				913
<b>Total restricted reserves</b>				<b>2,251</b>
<b>Council-created reserves</b>				
Contingency fund				744
Paekākāriki Camp Estate				107
Roading reserve				787
Election reserve				(22)
LTP Reserve				(113)
Financial contribution reserve				5,878
<b>Total council-created reserves</b>				<b>7,381</b>
<b>Total reserves and special funds</b>				<b>9,632</b>

The Reserves and special funds balances are adjusted as part of the end of year accounting processes, and therefore their stated balance reflects the position as at 30 June 2022. The 30 June 2023 position will be updated and included in the 2022-23 Annual Report.

Details of these funds are as follows:

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**Plant purchase and renewal fund**

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The purpose of the reserve is to fund the ongoing replacement of plant and vehicles when they fall due. The reserve is funded from depreciation charges on our current plant and vehicles.



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#### Waikanae property fund

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The purpose of the reserve is to fund improvements to council-owned properties in Waikanae. The source of funds are from the proceeds from sale of other council property in the Waikanae Ward (excluding districtwide funded properties).

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#### Waikanae capital improvements fund

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The purpose of the reserve is to fund capital improvements in the Waikanae ward and also to provide capital grants to Waikanae organisations in accordance with approved criteria. The source of funds is Waikanae Ward's share of the property assets of the Horowhenua County Council and interest earned on the capital sum.

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#### Contingency fund

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This is a discretionary fund for the purpose of funding unexpected legal expenditure across the district, e.g., leaky home claims, flood events and insurance excess.

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#### Paekākāriki Campe Estate

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The purpose of the reserve is to fund administration of the Paekākāriki Campe Estate for the benefit of the youth of Kāpiti. The source of the funds was from the proceeds from sale of property owned by Mr Campe plus interest on the capital sum.

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#### Road reserve upgrading contributions

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The purpose of the reserve is to fund road upgrading works. The source of funds was road upgrading development contributions from developers.

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#### Election reserve

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The purpose of the reserve is to fund the three yearly election cycle.

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#### LTP reserve

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The purpose of the reserve is to fund the three yearly Long-term Plan.

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#### Financial contribution reserve

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Financial contributions are a contribution of money, land, or a combination of both. The purpose of a financial contribution (consisting mainly of reserves contributions) is to address the specific adverse effects generated by a land use activity or subdivision. This includes effects on open spaces and reserves; upgrading off-site infrastructure, before programmed works that will address any environmental effects created by the proposed development; significant heritage and ecological features; and riparian margins.

This includes effects on open spaces and reserves; upgrading off-site infrastructure, before programmed works that will address any environmental effects created by the proposed development; significant heritage and ecological features; and riparian margins.

## 19. (Revaluation reserve) To offset/cover what eventualities/situations?

The revaluation reserves are used to record accumulated increases and decreases in the fair value of certain asset classes. Revaluation movements are non-cash in nature and represent the restating of the Council's assets, subject to revaluation, into current dollar values after taking into account the condition and remaining lives of the assets.

The Revaluation reserve is calculated as part of the year end asset valuation processes and consequently the 31 March balance reflects the position as at 30 June 2022. The 30 June 2023 position will be updated and included in the 2022-23 Annual Report in due course. Below are the details of how this balance was calculated, which was contained within note 19.

19. Revaluation reserve				
	Opening balance Actual \$000	Increase Actual \$000	Decrease Actual \$000	Closing balance 2021/22 Actual \$000
Land and buildings	64,225	-	(174)	64,051
Roading and bridges	725,784	52,829	-	778,613
Water	19,713	21,740	-	41,453
Wastewater	74,695	33,001	-	107,696
Stormwater and river control	37,695	9,501	-	47,196
Total revaluation reserve	922,112	117,071	(174)	1,039,009

The revaluations are performed by independent registered valuers, and are currently scheduled to be performed on the follow basis or as and when the market conditions dictate;

Asset classification	Next revaluation	Subsequent revaluation
Water, wastewater, and stormwater (including seawalls and river control)	30 June 2023	Every three years thereafter
Roading and bridges (excluding land under roads)	30 June 2023	Every two years thereafter
Land and buildings (including land under roads revaluations)	30 June 2023	Every three years thereafter
Parks and reserves structures	30 June 2023	Every three years thereafter

To further understand the Council's revaluation methodology please refer to Note 11 in the 2021-22 Annual report.

As part of your email of 21 June 2023 you also commented on the following:

***In my submission of 31 May 2023 to KCDC, I wrote: "Due to the assistance of an elected member, I was able to access the website reports as at 31 March 2023. The search engine on the KCDC website is "clunky" and does not work well". I am disappointed that the General Manager Corporate Services has not responded to inform the ratepayers and elected members as to what work (if any) is being undertaken to remedy the problem and current time frame for completion of same***

Thank you for your feedback on navigating our website. All agendas and minutes from the start of the 2019-2022 triennium have been loaded into a new system which makes them searchable via filters. This can be found on the Council page under 'Meetings and agendas' or clicking on the link [www.kapiticoast.govt.nz/your-council/meetings/meetings-and-agendas/](http://www.kapiticoast.govt.nz/your-council/meetings/meetings-and-agendas/)

Your feedback regards accessibility is invaluable and this will be considered as part of our regular website monitoring and improvement process.

Once again, thank you for your enquiries into matters related to the Council's 2023/24 Annual Plan and Council's financial position. As you are aware, Council's financial performance and financial position is reported publicly and is subject to rigorous audit by the Officer of the Auditor General (OAG).

Should you have any further queries, I would like to extend an invitation to you to meet directly with myself and my Chief Financial Officer, at a mutually convenient time, to discuss them

Ngā mihi nui



**Mark de Haast**  
Group Manager Corporate Services  
Te Kaiwhakahaere Rōpū Ratonga Tōpū