

Palmerston North City Council Annual Report 2007/2008 SUMMARY



Looking Back – Message from the Mayor and Chief Executive

It has been a challenging year for the Council, which is in its first year as a newly elected Council. The public was made aware that the Council faced major financial challenges last year with several external factors affecting the City. As a consequence Council had to assess the level of service we sought to deliver with reduction in some areas. Despite this we believe the standard of services and facilities offered to the community continue to be of the highest standard despite the limitations forced on us.

The Council had budgeted for a surplus of \$3.9 million for the 2007/08 year but achieved a net deficit of \$2.4 million, and acknowledges that this figure is significantly different. Of this some \$4 million is largely the result of annual accounting valuation adjustments and has no immediate cash impact.

The net deficit is largely the result of an expectation that inflation could be absorbed, under budgeting of water and waste services, excessive interest costs, Land Transport New Zealand revenue being less than budgeted and annual accounting valuation adjustments. Some of these were largely outside the control of the Council.

Abnormal economic and climatic impacts have had a big impact on the Council during the year, for example the drought necessitated greater waste water and water treatment while at the same time the cost of those chemicals increased substantially. At the same time increasing oil costs increased the cost of bitumen and roading costs. Increasing interest rates affected us all and the Council wasn't immune with interest expense increasing.

Some of these factors had the potential to increase the deficit further. Mid year Council evaluated the ongoing impact to assess the necessity of planned activity. This resulted in a reduction in the amount of capital expenditure (reduced by \$16 million) avoiding higher interest costs plus some programmes were cancelled or deferred to contain the deficit to this amount. While doing this Council ensured that essential services were maintained at the higher cost than budgeted.

Key causes of the variation from the June 2007 prepared 2007/08 Annual Plan were:

- Rising roading costs (fuel, bitumen, construction costs etc)
- Under budgeting of water and waste services
- The lower than expected revenue from the Council's investment fund of \$700,000
- The capital write-down of the Long Term Investment Fund of \$2.6 million as interest rates rose and the share market fell
- Increased interest costs which have added \$1 million to budget
- The forest revaluation which resulted in a write-down of \$1.5 million.

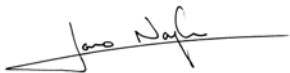
The Council acknowledges that this deficit is not sustainable going forward. We are approaching the 2008/09 financial year with the intention of managing within budget. Hopefully the economy improves so that accounting valuation year end changes will not again be unfavourable.

Council has also announced that in formulating the 10 Year Plan this financial year a zero-based approach to all spending is being adopted. As part of this Council will be assessing all services provided and the ability of Council to deliver these. Rate payers will have the opportunity to review these important issues during the normal consultation period prior to adoption by 30 June 2009.

Some key achievements during the past year have been:

- A stock take of the Council's actions in response to climate change was completed, with a commitment made to join Communities for Climate Protection - New Zealand.
- The original Highbury Whanau Centre was transformed into a new branch library. They are welcoming an increasing number of people from the Highbury/Takaro suburb to use the new facility and enjoy the services and resources on offer.
- The Council became the first council in New Zealand to be accredited as a Building Consent Authority in July 2007. During this year we also contracted to provide Building services for the Manawatu District Council. In total 1,447 Building Consents with a value of \$227 Million were issued during the year.
- Another successful year was had in terms of waste minimisation objectives, with increased amounts of recycling, further developments at Awapuni, and the first year of the schools environmental education programme being delivered. Sales of recycling materials, mulch and compost from Awapuni also increased. Sites were leased to a metal recycler and a tyre recycler.

We would like to thank the incoming Councillors, both the re-elected and the new, and each and every staff member, for their hard work and commitment throughout the year. We would also like to thank the community for its continuing participation and contributions in the Council's process and activities.



Paddy Clifford
Chief Executive
29 October 2008



Jono Naylor
Mayor
29 October 2008



ABOUT THIS SUMMARY

This Summary Annual Report has been extracted from the full Annual Report and is designed to give an overview of the Council's operations as a legal entity and also those for its "group" for the year to 30 June 2008. The Annual Report contains detailed information about our finances and service performance and was adopted by Council and approved for issue on 29 October 2008.

This summary report has been prepared in accordance with FRS-43: Summary Financial Statements. It cannot be expected to provide as complete an understanding as provided by the full financial report of the financial and service performance, financial position and cash flow of the Council.

The full financial statements for the year ended 30 June 2008 have been prepared in accordance with NZ GAAP. They comply with NZ IFRS, and other applicable Financial Reporting Standards, as appropriate for public benefits entities. The functional currency of PNCC is New Zealand dollars with all values rounded to the nearest thousand dollars.

The Council of Palmerston North City Council confirms that all other statutory requirements relating to the Annual Report have been complied with.

Audit New Zealand has audited the full financial statements and issued an unqualified report. This Summary has been examined by Audit New Zealand for consistency with the full Annual Report.

The full Annual Report can be obtained from the Council's Customer Service Centre, Civic Administration Building, Palmerston North, or from our website www.pncc.govt.nz

ABOUT THE COUNCIL

The Council is made up of 16 elected members - The Mayor and 15 Councillors. It's their job to approve budgets, decide the range of services and activities the Council will provide to set the City's overall strategic direction, and to set the policy for these services and activities to be provided to achieve that direction. It's also their role to enable democratic local decision making to promote the social, economic, environmental and cultural wellbeing of Palmerston North City in the present and for the future.

The elected members are supported by a Chief Executive and around 600 staff, who provide advice, implement Council decisions, and look after the City's day-to-day operations.

The Council shares the commitment to making Palmerston North a safer, healthier, easier and more enjoyable place to live.

FINANCIAL STATEMENTS

Summary Statement of Financial Performance

for the year ended 30 June 2008

The Summary Statement of Financial Performance shows what income PNCC received and what was spent, plus for the Group. For the year PNCC incurred a net deficit, primarily as a result of accounting year end adjustments, an expectation that inflation could be absorbed, under budgeting of water and waste services and excessive interest costs.

	COUNCIL			GROUP	
	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000	Actual 2008 \$000	Actual 2007 \$000
Rates revenue	53,386	53,183	49,501	53,189	49,319
Finance income	2,649	5,820	4,499	2,429	4,353
Other revenue	36,782	36,665	37,372	43,321	48,188
Total income	92,817	95,668	91,372	98,939	101,860
Finance costs	11,799	10,839	7,077	12,446	7,762
Depreciation & amortisation	19,760	19,702	17,029	20,759	17,964
Other expenses	63,729	61,207	66,645	66,561	72,182
Total expenses	95,288	91,748	90,751	99,766	97,908
Net surplus/(deficit) before tax	(2,471)	3,920	621	(827)	3,952
Income tax expense/(refund)	(135)	-	(274)	484	298
Net surplus/(deficit) after tax	(2,336)	3,920	895	(1,311)	3,654
Attributable to:					
Palmerston North City Council	(2,336)	3,920	895	(1,311)	3,580
Minority interest	-	-	-	-	74

Summary Statement of Financial Position

as at 30 June 2008

The Summary Statement of Financial Position shows what we own and what we owe to other people.

	COUNCIL			GROUP	
	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000	Actual 2008 \$000	Actual 2007 \$000
Current Assets	8,767	8,391	7,010	13,686	10,058
Non-current Assets	1,318,447	1,221,499	1,220,335	1,358,258	1,261,093
Total Assets	1,327,214	1,229,890	1,227,345	1,371,944	1,271,151
Current Liabilities	18,247	19,361	19,847	19,939	22,530
Non-current Liabilities	156,453	173,613	138,750	165,254	147,373
Equity Attributable to PNCC	1,152,514	1,036,916	1,068,748	1,186,751	1,101,248
Total Liabilities & Equity	1,327,214	1,229,890	1,227,345	1,371,944	1,271,151

During the year PNCC invested in \$37m of plant, property and equipment plus investments to provide capability for future services to the city. This was funded from an increase in net borrowing of \$28m and the balance from operating cashflows. Other assets were revalued with an increase of \$86m increasing the equity of PNCC.

In 2007 PNCC acquired all the shares in Palmerston North Airport Ltd not previously owned. As a consequence there is no longer any minority interest.

Summary Statement of Changes in Equity

for the year ended 30 June 2008

This shows the movement in the net assets that ratepayers own. These increased substantially with the value of assets increasing following revaluation by \$86m.

	COUNCIL		GROUP	
	Actual 2008 \$000	Actual 2007 \$000	Actual 2008 \$000	Actual 2007 \$000
Equity at beginning of the year	1,068,748	995,591	1,101,248	1,022,554
Equity Adjustments	-	-	-	(161)
Amended equity at the start of the year	1,068,748	995,591	1,101,248	1,022,393
Revaluation gains recognised directly in equity	86,102	72,262	86,814	77,981
Surplus/(deficit) for the year	(2,336)	895	(1,311)	3,654
Other movements - purchase of minority interest	-	-	-	(2,700)
Dividends to minority interest	-	-	-	(80)
Equity at the end of the year	1,152,514	1,068,748	1,186,751	1,101,248
Comprising:				
Retained earnings	993,858	996,194	1,019,684	1,021,119
Special funds	0	0	254	130
Revaluation reserves	158,656	72,554	166,813	79,999
Equity at the end of the year	1,152,514	1,068,748	1,186,751	1,101,248

Events after the balance sheet date

Subsequent to 30 June 2008 the market indexes of world share markets have continued to decline. At 17 October 2008 this has the effect of reducing the reported fair value of overseas shares held in the Long Term Investment Fund by approximately \$1 million.

A bill has been introduced into Parliament for the dissolution of the Palmerston North Showgrounds Board of Control. This is to enable the operations of Arena Manawatu to become part of PNCC. The bill is currently being considered by the Local Government and Environmental Select Committee, but is unlikely to be considered again by Parliament until next year.

Summary Statement of Cash Flows

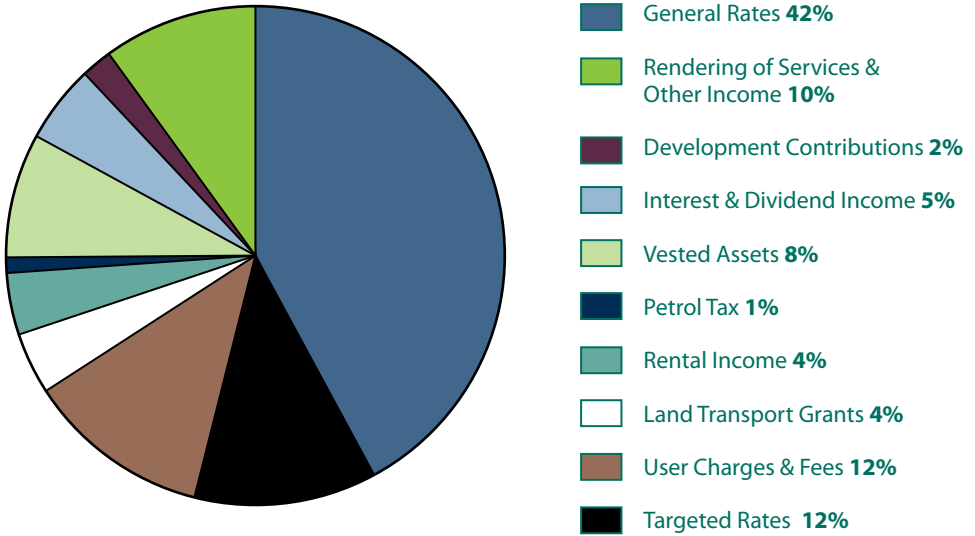
for the year ended 30 June 2008

The Council receive and pay out substantial sums during the year. This shows what we received, how it was used, what amounts were spent on assets to provide services in the future and how they were funded, whether from operations or borrowed.

	COUNCIL			GROUP	
	Actual 2008 \$000	Budget 2008 \$000	Actual 2007 \$000	Actual 2008 \$000	Actual 2007 \$000
Net cash from operating activities	11,251	17,561	12,970	13,185	14,826
Net cash from investing activities	(38,655)	(54,022)	(48,140)	(37,898)	(50,863)
Net cash from financing activities	27,940	36,461	31,224	27,560	30,331
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	536	-	(3,946)	2,847	(5,706)
Cash, cash equivalents and bank overdrafts at the beginning of the year	(617)	2,000	3,329	1,344	7,169
Less Cash of Trust ceased being a CCO	-	-	-	-	(119)
Cash, cash equivalents and bank overdrafts at the end of the year	(81)	2,000	(617)	4,191	1,344

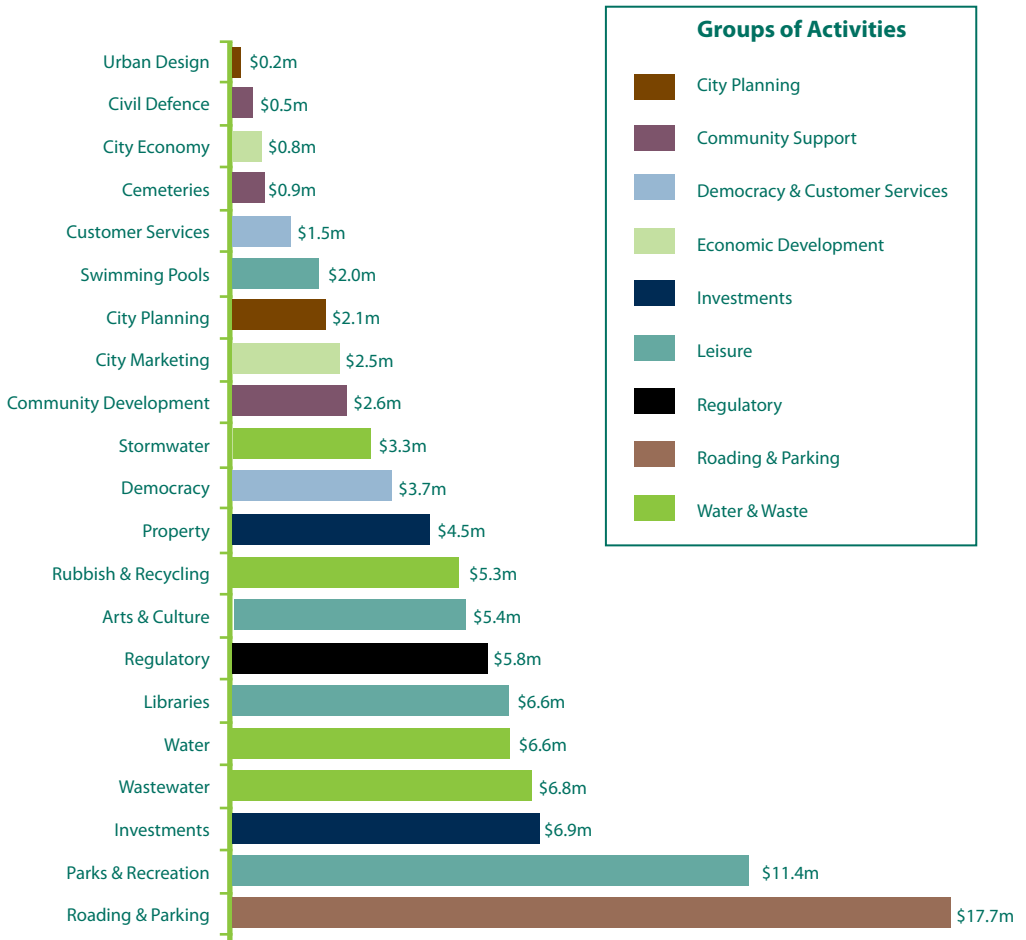
FINANCIAL OVERVIEW

Where did Revenue come from?



Rates are the primary revenue source of the Council, but represents only 54% of total revenue, having reduced from 60% in 2004. Other key sources of revenue are user fees and charges, vested assets, interest and dividends, government transport subsidies and rendering of services and other income.

How was Operating Expenditure spent?



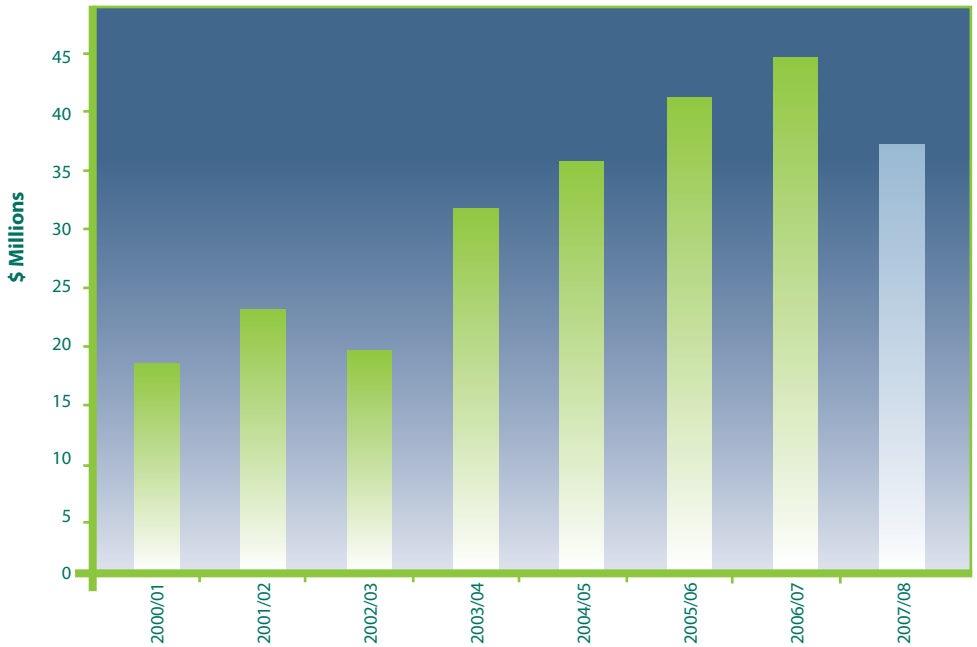
Total operating expenditure was \$97.1 million in the 2007/08 financial year.

Council responsibility encompasses a large range of activities. Costs are incurred to maintain, manage, develop and provide services and facilities in accordance with the annual plans and the long term council community plan.

The largest area of expenditure is Roading and Parking. Council is required to manage and develop a network of 450km of roads, 98 bridges, 490km of footpaths, over 7,000 streetlights, 3,700 car parking spaces and other amenities, such as street trees, gardens etc.

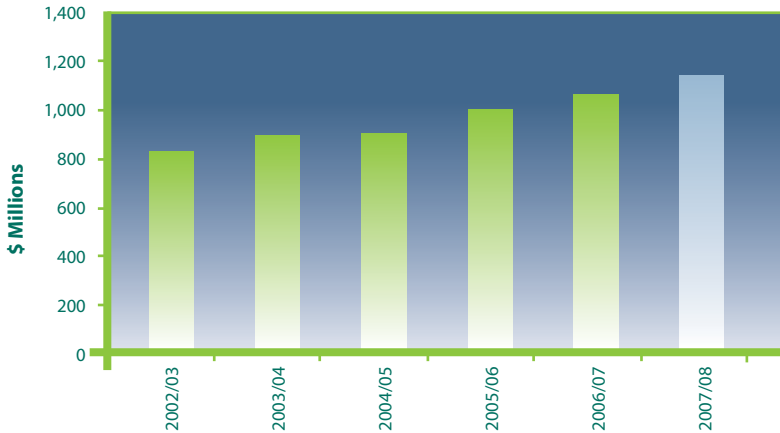
Costs are incurred for the ongoing maintenance and operation of this considerable network.

How much Capital Expenditure was spent?



Council has had a large capital works programme throughout the year and was able to complete \$37m of works and investments. This compares with \$44m last year and a budget of \$54m this year. During the year Council reviewed the necessity to continue with the planned programme following substantial increases in costs and interest rates which would have increased costs substantially. As a result the amount intended to be invested was reduced while ensuring essential services were continued.

Equity



Equity in the Council has grown steadily over the past five years, 43%, with an increase, 8%, in the 2007/08 financial year.

The key reason for this was due to the substantial increase in construction costs to replace infrastructural assets with periodic revaluations of our assets increasing equity.

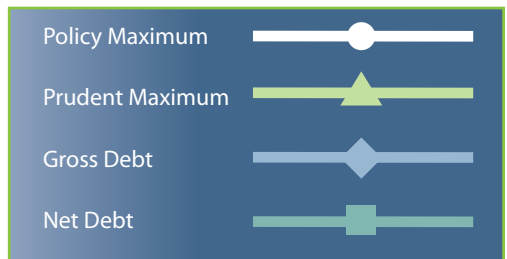
Statistics on equity per rateable property and per resident for the past three years are provided in the table below.

	2005/06	2006/07	2007/08	% change last year
Per rateable property:	33,635	35,792	38,213	7%
Per resident:	12,650	13,572	14,417	6%

Gross & Net Debt to Total Assets (<15%)



Through a period of intensive capital investment in infrastructure the Council's gross debt has risen from \$60m to \$154m. Council financial policies set out criteria for debt and maximum debt levels. The net debt represents the total debt less the value of the long term investment fund.



Variations from 2007/08 Annual Plan

For the year ended 30 June 2008

Summary Cost of Services	Actual 2008 \$000	Budget 2008 \$000	Variance 2008 \$000	Variance 2008 %
ACTIVITY OPERATING INCOME				
City Planning	92	65	27	42%
Community Support	1,402	1,394	8	1%
Democracy & Customer Service	256	204	52	25%
Economic Development	624	456	168	37%
Investments	10,095	11,167	(1,072)	(10%)
Leisure	976	1,335	(359)	(27%)
Regulatory	4,100	3,859	241	6%
Roading & Parking	6,691	5,567	1,124	20%
Water & Waste	4,451	4,265	186	4%
Total Activity Income	28,687	28,312	375	1%
Rates collection income and petrol tax	602	594	8	1%
External general rates	41,833	41,742	91	0%
Targeted rates	11,228	11,191	37	0%
Penalties	325	250	75	30%
Total Operating Income	82,675	82,089	586	1%
ACTIVITY OPERATING EXPENDITURE				
City Planning	2,298	3,154	856	27%
Community Support	3,967	4,017	50	1%
Democracy & Customer Service	5,177	5,090	(87)	(2%)
Economic Development	3,351	4,131	780	19%
Investments	11,436	8,830	(2,606)	(30%)
Leisure	25,358	25,346	(12)	(0%)
Regulatory	5,814	5,788	(26)	(0%)
Roading & Parking	17,684	16,867	(817)	(5%)
Water & Waste	22,047	18,438	(3,609)	(20%)
Total Activity Expenditure	97,132	91,661	(5,471)	(6%)
Rates collection income and petrol tax	93	88	(5)	(6%)
Total Operating Expenditure	97,225	91,749	(5,476)	(6%)
Operating Surplus / (Deficit)	(14,550)	(9,660)	(4,890)	(51%)
Development contributions	1,647	2,512	(865)	(34%)
Land Transport NZ capex subsidies	1,392	3,030	(1,638)	(54%)
Revenue for capital expenditure	1,449	1,978	(529)	(27%)
Vested assets	7,591	6,060	1,531	25%
Taxation losses received	135	-	135	-
Net Result - Surplus / (Deficit)	(2,336)	3,920	(6,256)	(160%)

Key reasons for variances:

Significant **revenue** variances:

- 1 Parking (meter takings and parking rentals) (Roading and Parking) (favourable):** Actual revenue \$3.7m, budget \$3.3m. Greater revenues earned this year than last and above budget however offset by higher maintenance costs on old meters.
- 2 Roading and Parking:** Revenues were higher than budget due to a capital profit on sale of land and is not expected to repeat.
- 3 Rubbish & Recycling (Water and Waste):** Actual revenue \$1.8m, budget \$1.8m. Awapuni Landfill generated higher revenue than budget from greater greenwaste fees collected however this was offset by continuing lower revenue from rubbish bag sales. Both these services are external cash income sources to PNCC.
- 4 Regulatory (favourable):** Actual revenue \$4.1m, budget \$3.8m. This increase is primarily a one-off recognition of prior year Building Control completed inspections. The favourable cash variance is also due to a greater volume of work being undertaken for Manawatu District Council.
- 5 Investment Funds (unfavourable):** Actual revenue \$1.8m, budget \$5.2m. The performance of the fund did not meet budget expectations with increasing interest rates and falls in share markets resulting in unrealised capital losses.
- 6 Derivative Financial Instruments (unfavourable) (Investments - debt management):** Downward revaluations of derivatives was a charge of \$614k. This is a non-cash write down of the unrealised gain last year in the fair value of the derivatives and is partially offset by cash receipts from delivery of settlements during the year.
- 7 Investment Property Portfolio (favourable):** A year-end upward revaluation of the property portfolio captured an unrealised \$28k (non-cash) gain in the value of investment properties.
- 8 Forestry loan write-off (favourable):** MAF has written-off a loan made to PNCC for the initial development of the Turitea Forest, recognising that the forest was uneconomic to harvest. This has been removed from Council's balance sheet and the value of the write-off treated as operating revenue.
- 9 Rates (favourable):** Actual revenue \$53.4m, budget \$53.2m. Revenue was higher than budget due to more penalties received than was budgeted together with higher targeted rates.
- 10 Te Manawa (Leisure) (unfavourable):** Income budgeted for development was not received as the development did not occur during the year.

Significant **operating expenditure** variances:

- 1 Biological (forestry) Portfolio (Investments and Leisure) (unfavourable):** A year-end downward revaluation of the biological asset portfolio resulted in an unrealised charge of \$1.5m (non-cash) loss in the value of the forestry crops.
- 2 City Planning (favourable):** Actual expenditure \$2.3m, budget \$3.2m. The \$856k variance relates mainly to reduced use of consultants and underspending of labour. The latter has resulted in review of core policies not occurring. Review is required and so increased costs will be necessary in 2009.
- 3 Economic Development (favourable):** Actual expenditure \$3.4m, budget \$4.1m. Expenditure is \$700k lower than budget. In particular, expenditure on City Marketing is lower than budget as budget for a major event was not spent, Convention Centre costs were lower than budget and use of consultants was lower than in the budget.
- 4 Investment Property (unfavourable):** Actual expenditure \$4.5m, budget \$2.2m. Main contributors to this variance are higher expenditure on the CAB Building (both depreciation and energy are higher than budget), and forestry write down above.
- 5 Roading & Parking (unfavourable):** Actual expenditure \$17.7m, budget \$16.9m. Largely due to depreciation, maintenance, and finance costs being higher than was budgeted.
- 6 Waste Minimisation (Water and Waste) (unfavourable):** Actual expenditure \$3.3m, budget \$2.2m. Expenditure is \$1.1m higher than budget with higher costs in recycling collection and processing, largely related to the increased volumes than budgeted.
- 7 Stormwater (Water and Waste) (unfavourable):** Costs higher due to higher labour, plant, material costs in maintenance of the network plus higher consultancy fees than budget for stormwater catchment planning.
- 8 Water (Water and Waste) (unfavourable):** Actual expenditure \$6.6m, budget \$5.8m. Costs have increased in the management of the Turitea Reserve for water collection and in water treatment plant where chemical unit costs almost doubled those in the budget.
- 9 Wastewater (Water and Waste) (unfavourable):** Actual expenditure \$6.8m, budget \$5.6m. Expenditure is \$1.2m higher than budget. Costs higher due to higher labour, plant, material costs in maintenance of the wastewater reticulation system and higher costs of chemicals and labour in the treatment plant.
- 10 Interest expense:** With the increase in interest rates the interest cost on loans was \$305 higher than budget (excluding derivatives above).

Significant variances within the **net result**:

Development Contributions (unfavourable): Actual revenue \$1.6m, budget \$2.5m. This year-end variance reflects the development slowdown and is an inter-period timing issue as it can take upward of eight years for PNCC to collect contributions from developers and therefore can be inherently difficult to budget.

Vested Assets: \$7.6m of infrastructure assets were vested to Council during the 2008 year. The budget for vested assets was \$6.1m, so a year-end favourable variance of \$1.5m has occurred from more subdivisions generating more assets being vested than expected in the budget.

Tax Loss Received: Council was able to convert to cash, (through a transaction involving Council, Palmerston North Airport Ltd and the Inland Revenue Department), \$135k of previously unrecognised tax loss credits owed to Council by the IRD. This non-operating revenue is recognised in the net result after taxation.

Capital Expenditure Statement	Actual	Budget	Variance	Variance
	2008	2008	2008	2008
	\$000	\$000	\$000	%
City Planning	352	2,050	1,698	83%
Community Support	628	457	(171)	(37%)
Democracy & Customer Service	125	83	(42)	(51%)
Economic Development	24	27	3	11%
Investments	7,334	10,319	2,985	29%
Leisure	8,147	12,647	4,500	36%
Regulatory	14	-	(14)	
Roading & Parking	8,319	16,813	8,494	51%
Water & Waste	12,080	11,626	(454)	(4%)
Total Activity Capital Expenditure	37,023	54,022	16,999	31%

Significant **capital expenditure** variances:

- 1 City Planning:** Expenditure lower due to deferral of City Heart.
- 2 Airport Capital Investment:** Payment of the PNAL uncalled share capital was made during the year to fund development however additional funding budgeted was not made and deferred.
- 3 Parks & Recreation (Leisure):** Actual expenditure \$6.4m, budget \$9.5m. Expenditure was lower than budget due mainly to the halting of two major projects and savings in others.
- 4 Rooding & Parking:** Actual expenditure \$8.3m, budget \$16.8m. Lower than budget due to reduced projects following a cost savings exercise. Projects were reprioritised and this indicated that some could be either completed in future years or amalgamated into future projects.
- 5 Water and Waste:** Expenditure is higher than budget due to additional stormwater and wastewater work on Railway Rd.

WHAT COUNCIL DOES

Council has a key role in promoting the social, economic, environmental and cultural wellbeing of the City in the present and for the future.

This is achieved through the services it provides to the community called Activities.

CITY PLANNING

The City Planning Group of Activities contributes to the planning of Palmerston North. Cities are big, complicated places. To be successful they need to be well planned, well designed and consider the social, economic, environmental and cultural well-being of current and future communities.

During the year a draft tourism and visitor strategy was developed, and review of recreation strategies and gambling policy commenced. The Council joined Communities for Climate Protection - New Zealand as part of its commitment to climate change.

Land use planning addressed provision for large format retail, and completion of the joint industrial land study with Manawatu District Council. Residential development at Cloverlea and Te Matai did not proceed because the Council committed to a review of the future urban growth strategy.

A review of heritage buildings in the City commenced and will feed into the District Plan Review. The commencement of the first stage of upgrading the CBD road around The Square was well received.

Performance Measures - CITY PLANNING	Result
Main plans and policies are properly developed (10 Year Plan, District Plan, Social Policy, Economic Development Policy, Leisure Policy and the Natural and Built Environmental Policy).	Core policies were not due for update however they need early review due to other strategy development.
Council implements City Heart Stages 4-6.	Substantial CBD streetscape work was deferred to enable budgetary savings due to increasing costs.
Crime in the CBD continues to drop to improve safety.	Safety increased with SafeCity Hosts attending less incidents in 2007/08.
Number of heritage buildings and objects protected maintained.	60 buildings maintained but likely to increase following review of heritage buildings.

COMMUNITY SUPPORT

Community Support Activities contribute to community well-being and safety. The Council provides them because it wants to help make Palmerston North a more supportive community where people and groups work together to achieve common goals and feel safe.

The Council continues to fund community agencies to provide a wide range of services to the Palmerston North community, including Youth One Stop Shop, Highbury Whanau Centre, Youthline Kelvin Grove, Age Concern, Te Aroha Noa, Palmerston North Community Services Council, Ethnic Centre, Safe City Hosts and Youth Council. Two community services training courses have been held in governance and management for local groups plus a forum to develop a partnership between the Council and community agencies.

Nine housing units at the Council's Wood Street Community Housing facility were upgraded to better meet the needs of people with impaired mobility.

There were significant improvements to the cemetery to improve external and internal access and sanitation. The cemetery database was transferred to the Council's new website with headstone photographs to be loaded on to the database. For the future the cemetery and crematorium bylaws are to be reviewed.

There were no Civil Defence events in the Palmerston North area during the year however the Rescue Emergency Response Team assisted other emergency services. To ensure future capability the Council exercised their Civil Defence Emergency Centre Operations over 18 and 19 June 2008 as part of a regional exercise based on a pandemic scenario.

Performance Measures - COMMUNITY SUPPORT	Result
<p>The cemeteries and crematorium comply with legislative and regulatory requirements and have adequate capacity to meet future burial and cremation needs.</p>	<p>All cemeteries and the crematorium comply with legislative requirements and have expected capacity until 2089.</p>
<p>Civil Defence and Emergency Services Team have plans to cope with emergencies, with an ability to respond within an acceptable time and educate the public on emergency readiness.</p>	<p>104 education presentations were given during the year however a household readiness survey was not completed. In June 2008 the emergency team attended an exercise to test readiness and plans.</p>
<p>Funds for grants are properly administered with contracted community organisations meeting agreed targets.</p>	<p>Funding has followed policy with accepted reports to Council from the organisations showing compliance with requirements.</p>
<p>Community Centres are used by the public with a minimum of 360 hours use per annum per centre.</p>	<p>A survey evidences substantial use with an average 30 hours per week or 1,560 per year.</p>

DEMOCRACY AND CUSTOMER SERVICES

Democracy and Customer Services are about the Council’s relationships with people so they have confidence in Council’s consultation and engagement processes. Democratic Services is about how the Council involves people in its decision making. Customer Services is about understanding the needs of customers and providing services that meet their needs.

During the year The Customer Services Centre successfully relocated into The Square. With the call centre they responded to 277,000 calls and processed 72,000 receipts.

The Council’s new website was launched in April 2008 and has received excellent feedback from both the business and the community, also winning two national awards.

The year saw elections held with a new Mayor and group of Councillors being sworn in. Formal committee and Council meetings have continued throughout the period, with only a short break for the elections. In addition pre-election seminars, “Meet the Candidates” meetings, and post-election orientation workshops were held for Councillors.

Hearings Committee and Commissioner hearings were conducted during the year covering from resource consents to Plan Changes to exemptions from the provisions of the Fencing of Swimming Pools Act 1987.

Four Citizenship Ceremonies were held during the year, where 353 residents became citizens.

Performance Measures - DEMOCRACY & CUSTOMER SERVICE	Result
Customer Services provides services to customers that are acceptable to those customers achieving a high service quality.	Generally the service provided achieved standards required with only a small number of phone calls not answered within 15 seconds.
Satisfaction with the way the Council involves the public in its decision making is maintained or increased with the Council achieving all statutory requirements for Committee and Council meetings.	Communitrak survey satisfaction increased from 47% to 51% with all meetings advertised and properly held.
Satisfaction with the level of information provided by the Council is maintained or increased with 12 editions of the Square Circular published annually.	A satisfaction rate of 70% has been achieved over the last 6 years and 12 issues of the Square Circular issued.

ECONOMIC DEVELOPMENT

The Economic Development Group of Activities consists of the City Economy and City Marketing Activities.

Economic Development is about Council working with other organisations to make sure that Palmerston North has a strong economy. The main community benefit of economic development is an increase in jobs, resulting in more income and wealth. This means that the community will have a higher general standard of living.

Goals in this area are for the Council to have a business friendly environment, there are a range of business support initiatives, that Palmerston North is a desirable destination for businesses, students, the skilled workforce and is a desirable destination for visitors.

The Council commenced implementation of its Business Friendly Plan with a very successful meeting with property developers and those in the building industry as the Council looks for better ways to work with the business community.

Vision Manawatu has increased its membership and is continuing to work closely with the Chamber of Commerce to ensure strong business linkages are forged within the business sector. Vision Manawatu also operated a range of programmes such as the Business Mentor and the young enterprise scheme with schools as well as 39 courses for the Enterprise Training Programme.

The City Marketing Strategy was adopted with a leadership group meeting to take an overview of the strategy and undertake a stock take of marketing research that has been completed by various organisations. This will assist in focusing coordinated effort into the future.

Overcoming traditional perceptions of Palmerston North remain a major concern and a priority. The focus for the City's key agencies has been to build on our traditional strengths as a central location for conventions and events, such as sports tournaments, and we have seen relative growth in our share of this market. Work has been undertaken in developing facilities, such as Arena Manawatu and Te Manawa/Rugby Museum which will contribute to the perception of the City by residents and visitors in the coming few years.

Destination Manawatu continues to market the City and the region to visitors and, more especially, to event and conference managers with success.

Performance Measures - ECONOMIC DEVELOPMENT	Result
Contracted organisations, Vision Manawatu and Destination Manawatu, meet KPI's.	Reports are received every 6 months demonstrating that KPI's are being achieved to grow the economy and increase visitors to the city.
The number of conferences and events at the Convention Centre is maintained or increased.	The number of events decreased from 433 last year to 373 however revenue exceeded budget.
Develop a City Marketing Plan and a Visitor Industry Strategy with detailed KPI's.	These are not as advanced as was sought. The marketing plan was adopted by Council in October 2007 with development of a leadership group and ambassadors for the City progressing. The draft visitor strategy received public comment in June 2008.

INVESTMENTS

The Investments Group consists of the Investments and Property Activities and includes Human Resources and Information Technology. These Activities are internal support Activities supporting the Council's other Activities.

Retirement of Corporate Vision, the Council's core regulatory and financial system, was completed and all modules moved across to the new system Ozone.

A number of virtual servers and a virtual desktop tool have been developed, the latter enabling staff in remote locations to access services as if they were in the office.

The Council's City Contact Unit delivered a number of services to external agencies, namely Building and Animal Control services to Manawatu District Council (MDC), after hours call centre services to 15 other councils throughout New Zealand (144,000 calls responded to), hazardous substance services on behalf of the Department of Labour and parking enforcement services to Palmerston North Airport. Demand for the call centre services has grown over the last year and is expected to grow further.

During the year the Council decided that the Investment Fund should be progressively wound down and used to retire term debt thereby reducing borrowing and interest expense.

The fire in the Civic Administration Building (CAB) basement on 23 July 2007 has resulted in a major overhaul of the building electrical system with other downstream effects on other areas, for example heating and ventilation.

Performance Measures - INVESTMENTS	Result
Investment Fund returns meet annual budget expectations.	Budget assumed net revenue of \$5.13m. With the Fund to be progressively wound down net revenue of \$4.26m was received but with investment market valuations falling the Fund capital value reduced by \$2.56m.
20 year asset management plan is in place for the Property Activity.	Assets are being properly managed and maintained to retain future value.

LEISURE

The Leisure Group of Activities consists of the Arts and Culture, Events and Festivals, Libraries, Parks and Recreation, and Swimming Pools Activities. The Council is involved in this area to provide people with lots of fun and healthy things to do.

Highlights include:

- New Zealand Rugby Museum to move onto the Te Manawa site and expected to provide an exciting new visitor opportunity in the City.
- The da Vinci Machines exhibition was a major event for Te Manawa with joint events with the Library and Regent Theatre (“Cats” performed) attracting a high number of out of town visitors.
- Other highlights by Council funded facilities include: “Select” and “John Bevan Ford” exhibitions at Te Manawa, “High School Musical” at the Regent, “Stiff” at The Globe, and the annual “Wine Women and Song” event at Caccia Birch.
- Creative Sounds, aka “The Stomach”, continues to provide recording, rehearsal and performance space to non-mainstream and aspiring young musicians.
- Redevelopment of the ground floor of Square Edge was completed providing a light modern setting for arts related gallery space.
- Centrepont has continued to provide professional theatre to Palmerston North while Caccia Birch and the Globe Theatre continue to provide venues for community activities, events and theatre.
- The Council’s core event programme consists of Summer Concerts, Esplanade Day, Waitangi Day Celebrations, Children’s Day, Christmas Parade, New Years Eve, Festival of Cultures, and the Manawatu Jazz Festival. They are offered to the community free of charge (with the exception of the Jazz Festival which has some ticketed shows) with the aim of building community pride, and giving people fun things to do.
- The Council also supports a variety of other smaller events by administering an event funding scheme and funding was provided to help stage 24 events throughout the community.
- Significant projects were the transformation of the Highbury Whanau Centre into a new branch library and the upgrade of the Sound and Vision Zone in the Central Library.
- Major projects included the replacement of one of the artificial hockey turfs (with E&CC Trust assistance) and the renewal of the changing rooms at Ongley Park. Sportsfield drainage upgrade was continued at Colquhoun Park.
- Playgrounds at Colquhoun Park and Bill Brown Park were renewed with Cambridge Reserve and Matheson Reserve developed further.
- Arena Manawatu Master Plan was completed and adopted as a site guide for future development. Upgrades continued including new wooden floors being installed in the B and M Centre.

Performance Measures - LEISURE	Result
Funded agencies and organisations meet their agreed performance targets.	Reports are received 6 monthly or annually demonstrating that targets are being achieved.
Satisfaction with the Regent Theatre and Te Manawa are maintained or increased.	Historic survey results have been maintained of 85% and 77% respectively showing a high level of public satisfaction.
The number of people attending Council's core events is increased with more events in The Square.	The number of people attending events has increased substantially from 38,200 in 2006/07 to 67,350 in 2007/08 with an increase in events in the Square from 95 to 226.
That the Library continues free membership with a sufficiently modern, up to date collection to satisfy requirements.	Membership grew by 12,000 residents over the year to 71% of residents (target 75%) with 3.2 items held per capita (target 3) and 26,506 new items purchased during the year (target 25,000).
Parks, reserves and sportsfields are available for use as feasibly required and considered to be safe and well maintained.	Availability of sportsfields has increased with reduced sportsfields complaints received. For parks more complaints have been received about overgrown gardens, broken glass and dumped rubbish. These were all acted on. A review of playground compliance with standards was completed finding 61% compliance. A large proportion of the non-compliance will be rectified within current budgets over the next 2 years. A national parks survey showed our parks amongst the safest of those councils included.
Aquatic facilities satisfaction is maintained and considered as value for money.	Satisfaction with the aquatic facilities has generally been maintained however satisfaction at Freyberg has reduced (to 94.5% due to limited carparking) and value for money has fallen from 95% to 91% due to price increases.

REGULATORY

The Regulatory Activity helps provide a safe, healthy, well-planned and orderly City.

Within the Natural and Built Environment Policy we set out to ensure our statutory environmental obligations are met, resources are protected and restored, the city's growth occurs sustainably and that the natural and built environment is managed sustainably within a business friendly environment.

In a typical month the Council deals with about 120-160 Building Consent applications, 30-35 Land Use consent applications, 60 complaints about overgrown trees, 10 complaints about dog attacks, 250 noise complaints and has to recover 45 abandoned vehicles, many using the after hours services.

The Regulatory Activity helps meet the Council's obligations under a range of key legislation: Health Act, Building Act, Hazardous Substances and New Organisms Act, Sale of Liquor Act, Dog Control Act, Resource Management Act, Gambling Act, Prostitution Reform Act, and Bylaws.

The Council became the first council in New Zealand to be accredited as a Building Consent Authority in July 2007. During this year the Council also contracted to provide Building services on behalf of the Manawatu District Council.

Performance Measures - REGULATORY	Result
100% of resource consent and building consent applications are processed to meet the statutory timeframes.	This was not measured but procedures have now been implemented for the future.
100% of all actions outlined in audits of the Building and Planning areas are addressed.	Audits are conducted to ensure the quality of work. To date audit procedures within building have been completed and will be in planning in the next year.
100% of complaints regarding dangerous dogs or dog attacks are responded to within 30 minutes of the call being received.	All complaints were acted upon with the Communitrak survey resulting in an increase from 76% to 77% satisfaction.
100% of 'high risk' food premises are inspected twice a year.	To ensure appropriate food standards Council have inspected twice all food premises open for 12 months or longer.
Satisfaction with the Council's noise control is maintained or increased.	Excess noise continues to be a problem however the Communitrak survey shows an increase from 80% to 82% satisfaction with the Council's actions.

ROADING AND PARKING

The Roading and Parking Activity purpose is to provide safe, convenient and orderly transportation in the City.

The Council manages and develops a network of 450 km of roads, 98 bridges, 490 km of footpaths, over 7,000 streetlights, 3,700 car parking spaces and other amenities, such as street trees, gardens, etc.

The Council also works with groups like the Disabled Persons Assembly to make sure that roads and footpaths are accessible to everybody.

The past 12 months has proved difficult, with many transport changes being introduced by central Government, increased fuel and bitumen costs being reflected, through to construction prices and the shortage of skilled professional resources.

Major improvements around the Foodstuffs development on Roberts Line have been well advanced to be completed in time for the facility's opening in October 2008.

Substantial effort has been put in to developing alternative transport modes particularly supporting Horizons Regional Council in encouraging the continuing growth in passenger transport and continued improvement to cycle facilities despite a decline in commuter cycle use.

Performance Measures - ROADING AND PARKING	Result
Roads are maintained within a 20 year asset management plan so that satisfaction is maintained or increased.	Roads have been adequately maintained with Communitrak survey resulting in an increase from 79% to 81% satisfaction.
Hold or reduce the number of injury vehicle crashes and cyclist casualties at or below the five year average.	Cyclist casualties were down however vehicle crashes were up despite safety improvements due to users abusing traffic regulations. Further education programmes are being reviewed.
At least 900 off street car parks are provided in the CBD.	There are currently 1,071 parks in 8 dedicated areas.

WATER AND WASTE

Water and Waste consists of the Rubbish and Recycling, Stormwater, Wastewater and Water Activities. These Activities are all about providing infrastructure for a healthy community and a healthy environment.

The Council achieved another successful year in terms of waste minimisation objectives, with increased amounts of recycling (25% higher volumes), further developments at Awapuni, and the first year of the schools environmental education programme being delivered. Recycling is now subject to a review of the Waste Minimisation Plan by the Council due to the increased collection and processing costs.

A large amount of stormwater work prompted by development and roading upgrades occurred, such as work undertaken along Botanical Road, Railway Road, and James Line. A significant amount of minor works to address localised problems was also undertaken. The new 'Trade Waste and Stormwater Bylaw' also allowed Council powers to regulate stormwater discharges from properties for the first time.

Issues relating to the quality of water in the open drains and channels were highlighted during the year. The Council will work closely with Horizons Regional Council to control this issue.

Delays to the completion of the wastewater phosphorus removal project and extended low flows in the Manawatu River meant that a temporary dosing system to remove phosphorus was utilised, and for a longer period than anticipated. Chemical price rises were also an issue.

The cogeneration operation utilising landfill gas worked effectively throughout the year, saving electricity costs at the Totara Road plant and exporting power to the local grid. 'Carbon Credits' from the 2006 year were sold with credits from 2007 yet to be sold. From 1 January 2008, the Council began meeting its obligation under the Kyoto Protocol to sell credits to the Austrian Government.

The major issue with the water system remains the ongoing challenge to reduce the number of consumers affected by discoloured water. The capital works programme designed to begin to control this issue was commenced, with the works planned for the year largely completed.

Performance Measures - WATER AND WASTE	Result
<p>A satisfactory rubbish collection service is achieved with less than 400 complaints per year with an increase in tonnage of recyclables collected while complying with rubbish resource consents.</p>	<p>Recyclables volumes have increased by 26% over 2006/07 however satisfaction has reduced due to the expectation of a wheelee bin service. Rubbish collection complaints were satisfactory with 291 out of 1.4 million pickups (target less than 400).</p>
<p>Stormwater facilities are maintained so that greater than 98% of properties are protected from a 100 year flood event with less than 10 flooding incidents occurring per year due to drain failure.</p>	<p>Analysis indicates no major issues to achieve protection from flooding. During the year 11 complaints were received over drain failure (10 in 2006/07).</p>
<p>Wastewater facilities enable wastewater collection with minimal sewer overflows or blockages with no contaminated discharges likely to affect aquatic life or discolour water.</p>	<p>Wastewater is being adequately collected and disposed of. During the year complaint numbers for sewer overflows received fell (from 21 to 19), there were 11 blockages per 100km of sewer (target less than 20) and the satisfaction rate increased (from 92% to 94%).</p>
<p>To supply water complying 100% with Drinking Water Standards and maintain customer satisfaction.</p>	<p>Water is supplied at a satisfactory pressure meeting drinking water standards however satisfaction has reduced from 86% to 79% due to the discoloured water problems. Complaints on discoloured water have decreased from 1,377 to 930. The Council is in year 3 of a 5 year programme to remedy the discoloured water problem.</p>

AUDIT REPORT

TO THE READERS OF PALMERSTON NORTH CITY COUNCIL AND GROUP'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2008

We have audited the summary annual report.

Unqualified Opinion

In our opinion:

- the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the information reported in the summary financial statements complies with FRS-43: Summary Financial Statements and is consistent with the full financial statements from which it is derived.

We expressed an unqualified audit opinion, in our report dated 29 October 2008, on:

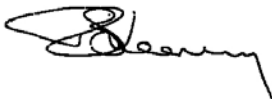
- the full financial statements; and
- the Council and group's compliance with the other requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report.

Basis of Opinion

Our audit was conducted in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards. Other than in our capacity as auditor, we have no relationship with or interests in Palmerston North City Council or any of its subsidiaries.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report and we are responsible for expressing an opinion on that report. These responsibilities arise from the Local Government Act 2002.



Bede Kearney, Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand
29 October 2008

Matters Relating to the Electronic Presentation of the Summary Annual Report

This audit report relates to the summary annual report of Palmerston North City Council and group for the year ended 30 June 2008 included on the Palmerston North City Council and group's website. The Palmerston North City Council and group's Council is responsible for the maintenance and integrity of the Palmerston North City Council and group's website. We have not been engaged to report on the integrity of the Palmerston North City Council and group's website. We accept no responsibility for any changes that may have occurred to the summary annual report since they were initially presented on the website.

The audit report refers only to the summary annual report named above. It does not provide an opinion on any other information which may have been hyperlinked to or from the summary annual report. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited summary annual report as well as the related audit report dated 29 October 2008 to confirm the information included in the audited summary annual report presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

