WHANGAREI DISTRICT COUNCIL

VERSION FOR ADOPTION

Pre-audit clearance

22 September

2016 ANNUAL REPORT 2017 SUMMARY

HOW WE SPENT EACH DOLLAR*

TRANSPORTATION
28c
on roads, cycleways, footpaths, streetlighting, parking and more

WATER
7c on treatment and supply

PROPERTY
4c on Council-owned properties

SOLID WASTE
4c on dealing with rubbish & recycling

WASTEWATER
9c on disposal and treatment

ECONOMIC GROWTH
2c on encouraging people to live, work, play & invest in our district

STORM WATER
3c on drainage systems and flood minimisation

COMMUNITY SERVICES
2c on enhancing & strenghtening our communities

LIBRARIES
4c learning reading & leisure

PARKS
11c on parks, reserves, sportsfields, playgounds & more

VENUES & EVENTS
TICKET **2c** for venue management & producing events

PLANNING & REGULATORY
7c for planning monitoring & enforcement activities

SUPPORT SERVICES
17c on keeping Council running

* Figures are calculated using the activity Funding Impacts Statements and are a combination of operational and capital expenditure.

CONTENTS

Our Summary Document. 3

Introduction 4

Our Achievements 5

Meeting our Targets 7

Highlights from the Annual Report 8

Summary Financial Statements. 11

Independent Auditor's Report 14

OUR SUMMARY DOCUMENT

This is a summary of Council's activities for the year 1 July 2016 to 30 June 2017. The information has been extracted from our 2016-17 Annual Report, which was adopted on 28 September 2017. It has been prepared in accordance with FRS-43: Summary Financial Statements.

The Summary does not provide detailed information about our finances and service performance. This can be obtained from the Annual Report available on our website (www.wdc.govt.nz) or at any Council office. Audit NZ has audited the full financial statements and issued an unqualified report. This Summary has been examined by Audit NZ for consistency with the full Annual Report. This report was authorised for issue by Council resolution on 28 September 2017.

Sheryl L Mai
Mayor

Rob Forlong
Chief Executive

Whangarei 28 September 2017

INTRODUCTION

Whangarei district is going through an exciting time. Our population is growing, our economy is improving, and we are looking forward to significant improvements to our infrastructure.

Whangarei District Council has also had a successful 2016-17 financial year and we have finished in a very pleasing position.

Financially we put in another strong performance with an operating surplus ($9.6 million against the $2.5 million budgeted) and debt is well within the conservative limits set by Council. Following accounting adjustments we finished with a $19.2 million deficit. This was primarily due to Council passing over the Mangakahia Road to the New Zealand Transport Agency (NZTA) which, while it took a $38.9 million asset off Council's books it also saved ratepayers over $1.2 million per annum in maintenance costs which are now paid for by NZTA.

Our strong financial management has resulted in another AA grade from international credit rating agency Standard and Poors.

While achieving these positive financial results, and maintaining our services levels, we also churned through an impressive line-up of regulatory and policy work, infrastructure improvements, extensions and upgrades.

Ten significant plan changes for Rural, Coast, Minerals and Landscapes were notified and heard.

We're improving our services and building a district that we can all be proud of.

We completed the Mill / Nixon intersection improvements that started in 2014-15 and the NZTA's State Highway One / Kensington Avenue roundabout project.

Stage one of the Kamo cycle track, from Rust Ave to Manse Street, began. This is part of some big-picture work gaining real momentum in the centre of the district, connecting outlying suburbs with the centre of Whangarei, and via the centre to each other.

Recycling tonnage has increased significantly this year, a strong indication that attitudes towards recycling and waste continue to improve.

The McLeod Bay sewer network was extended to serve beachside properties that had on-site systems and a new sewage pump station was constructed at Crisp Rd (Parua Bay) to serve local properties.

Flood protection remains an important part of our Hikurangi flood works. This year the work included creating wetlands to improve natural ecosystems and installing eel-friendly gates to allow their safe passage when pumps are running.

We embraced new technology at our Kioreroa wastewater treatment plant too, by installing a biogas generator converting waste methane into electricity.

New sports-fields and associated lighting were completed on Pohe Island in time for the British & Irish Lions touring team to use them for training. This event was of course, a major highlight in a dynamic programme of events managed by our Venues and Events team.

In addition to these public-facing projects we also went through a significant restructure of our organisation's operations in a bid to bring an even higher level of service to our residents.

It has been a good year of achievements and it makes us proud to be residents of Whangarei district. We live in a place where we can honestly say – We "Love it Here".

HER WORSHIP THE MAYOR
SHERYL MAI

CHIEF EXECUTIVE
ROB FORLONG

OUR ACHIEVEMENTS

- **Reduced net debt** by $15.8 million to $120.5 million.
- **Operating surplus** of $9.6 million – $7.1 million better than budget.
- Standard and Poors **Credit Rating reaffirmed** as AA.
- Met **100% of our targets** for Flood Protection and Control Works, Community Property, Community Services, Parks and Recreation, Stormwater, Venues and Events and Resource Consents areas.
- Met **77% of our non-financial targets** and service levels.
- **Overall satisfaction** with Council steady at 91% .*

*2017 Resident Satisfaction Survey

$138.9 million
Operational revenues

$129.3 million
Operational spending

$9.6 million
Operating surplus

$120.5 million
Net external debt

$38.6 million
Capital works completed

AA
Credit rating

KEY PROJECTS

- Completion of Mill / Nixon intersection improvements that started in 2014-15 and the New Zealand Transport Agency's (NZTA's) State Highway One / Kensington Avenue roundabout project.
- Stage one of the Kamo cycle track underway, with plans in place for Stage 2 enabling work to begin in 2017-18.
- Extension of the McLeod Bay sewer network to serve beachside properties and a new sewage pump station was constructed at Crisp Rd (Parua Bay).
- Installation of a biogas generator at Kioreroa Rd wastewater treatment plant to create electricity from waste methane produced during the sludge digestion process.
- Hikurangi flood works to create wetlands to improve the natural ecosystems and installation of eel-friendly gates to allow their safe passage when pumps are running.
- New sports-fields and associated lighting were completed on Pohe Island.
- Area lighting and associated amenities were installed along the Hatea Loop.
- A new mobile library was launched and the library's public internet access was upgraded.
- Plan changes for Rural, Coast, Minerals and Landscapes were notified and heard.
- Resource consent applications increased by 22% with a total of 660 applications received compared to 542 in the 2015-16 year and 431 applications in the 2014-15 year.
- Trilogy, a project to move Council's Enterprise Resource Planning computer system into The Cloud was completed on time and on budget.

MEETING OUR TARGETS

WE'VE MET SIX OF OUR SEVEN FINANCIAL TARGETS

- Achieve a balanced budget – Not achieved
- Limit rates revenue to maximum of 70% of total revenue - Achieved
- Net debt no higher than 150% of total revenue - Achieved
- Maintain net interest costs at less than 25% of rates revenue - Achieved
- Net debt per capita level below $2,150 - Achieved
- Provide sufficient cash surpluses without asset sales to fund planned capital expenditure – Achieved.

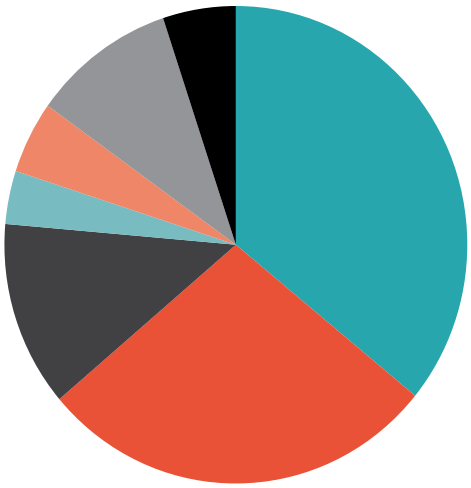
WE'VE MET 53 OF OUR 69 NON-FINANCIAL TARGETS (77%)

- 100% of targets were met in the Flood Protection and Control Works, Community Property, Community Services, Parks and Recreation, Stormwater, Venues and events and Resource Consents areas
- Performance improved or was maintained against 53% of our targets
- The Resident Satisfaction Survey shows that overall satisfaction with Council has remained steady at 91%
- We acknowledge that there is room for improvement in some activities and believe that initiatives in place for the next financial year will continue to improve performance going forward.

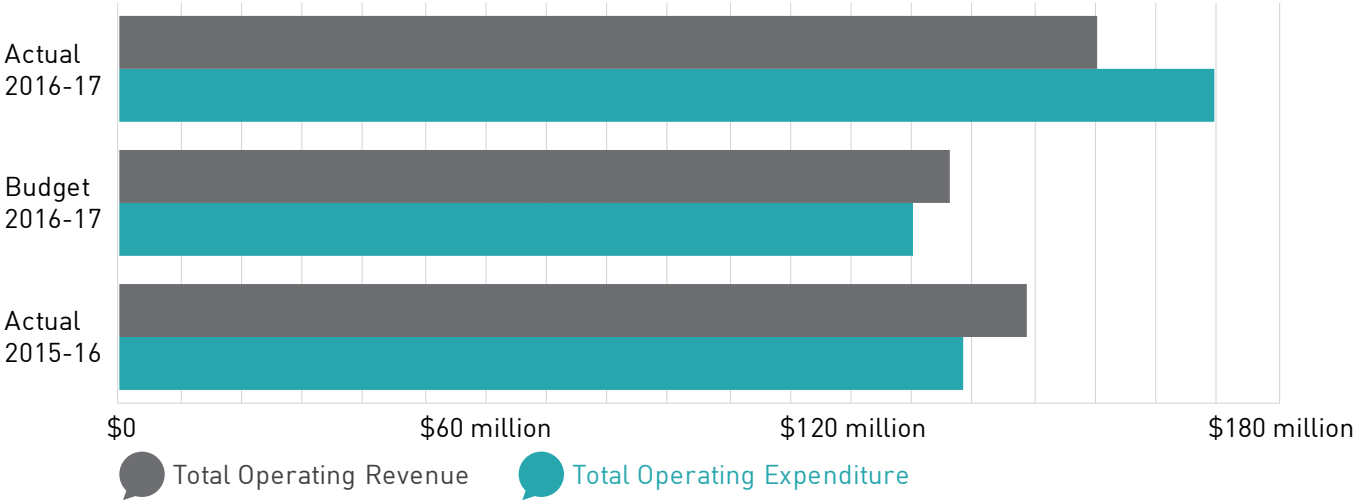
We have managed our operations effectively, met 86% of our financial targets and made an operating surplus of $9.6 million

HIGHLIGHTS FROM THE ANNUAL REPORT

WHERE THE MONEY CAME FROM

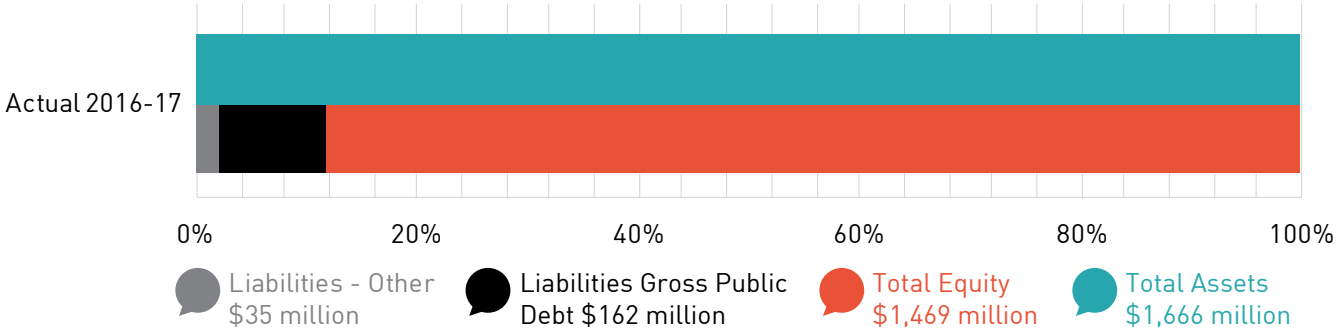


BALANCING THE BUDGET



WHAT WE OWN – WHAT WE OWE

Total assets, liability & equity



HOW THE MONEY WAS SPENT ON ACTIVITIES

Operational expenditure

FUNDING OUR DAY-TO-DAY OPERATIONS

- Transportation **18%**
- Water **7%**
- Solid Waste **5%**
- Wastewater **7%**
- Stormwater **3%**
- Flood Protection and Control Works **1%**
- Community Facilities and Services **21%**
- Economic Growth **2%**
- Planning and Regulatory Services **15%**
- Support Services **21%**

*Figures are calculated using the activity Funding Impacts Statements.

Capital expenditure

BUILDING OR REPLACING OUR ASSETS

- Transportation **52%**
- Water **8%**
- Wastewater **13%**
- Stormwater **2%**
- Community Facilities and Services **14%**
- Support Services **11%**

Although the Economic Growth and Solid Waste activities had a small amount of capital expenditure, they each represented 0.1% of total capital expenditure and do not appear on the above graph due to rounding. Flood Protection and Control Works and Planning and Regulatory Services had no capital expenditure.

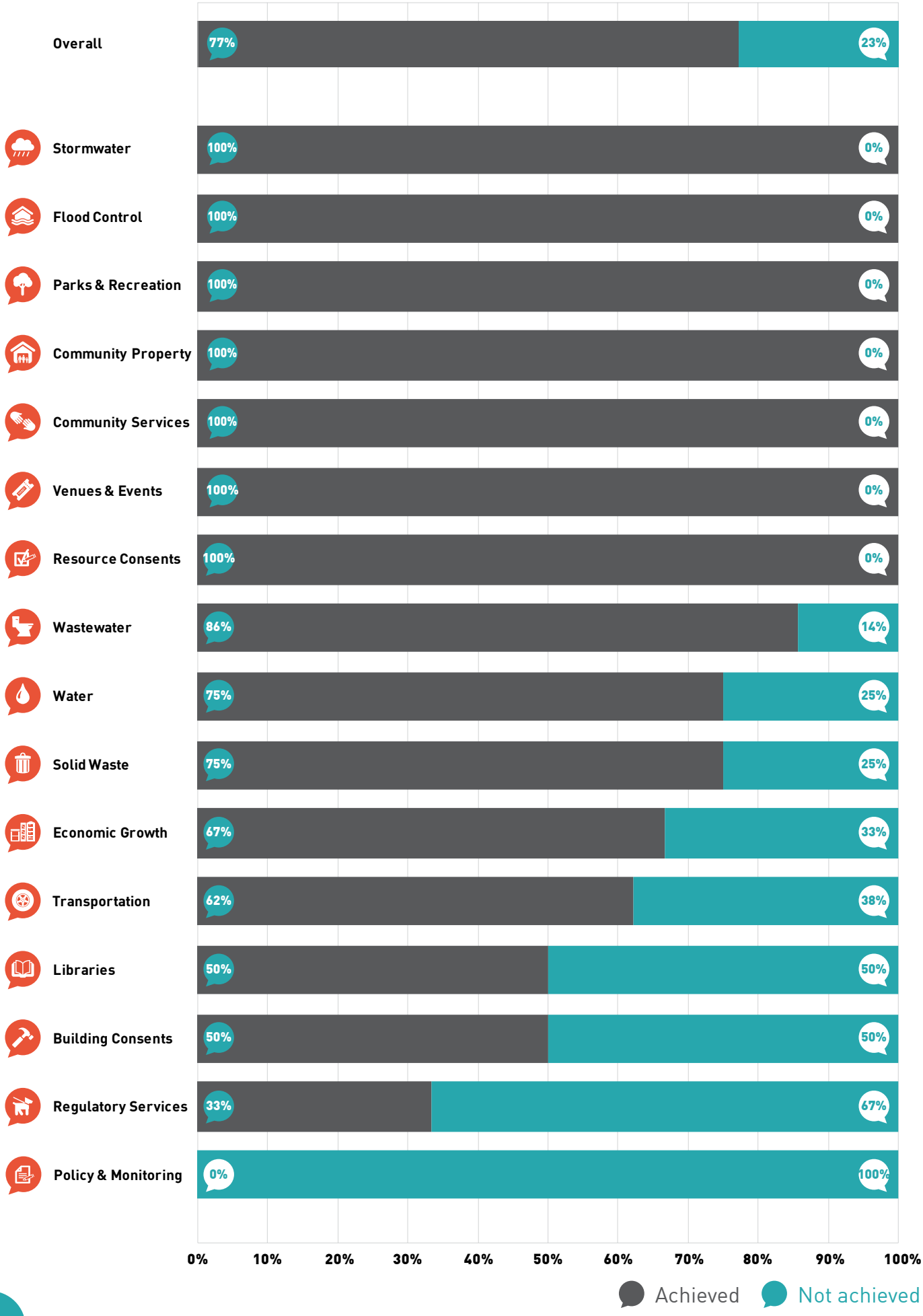
*Figures are calculated using the activity Funding Impacts Statements.

OUR FINANCES

Council uses funding through rates, user fees and government subsidies, to provide day-to-day services, maintain our assets and build new ones to cater for the current and future needs of our community.

The graphs on these pages are key indicators of our financial performance and show you where our income came from, how it was spent across all areas of Council, how much we own (our assets) and how much debt we have.

OVERALL SERVICE PERFORMANCE



SUMMARY FINANCIAL STATEMENTS

SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

For the year ended 30 June 2017

	COUNCIL			GROUP	
	ACTUAL 2017 $'000	BUDGET 2017 $'000	ACTUAL 2016 $'000	ACTUAL 2017 $'000	ACTUAL 2016 $'000
REVENUE					
Rates	89,002	88,303	84,329	89,002	84,329
Other revenue	70,727	47,118	63,423	71,599	63,920
Share of profit/(loss) from joint ventures	765	586	857	765	855
Total income	160,494	136,007	148,609	161,366	149,104
EXPENSES					
Finance costs	7,789	8,086	8,337	7,789	8,336
Other expenses	171,876	122,323	128,229	171,994	128,419
Total operating expenditure	179,665	130,409	136,566	179,783	136,755
Operating (surplus) / deficit before taxation	(19,171)	5,598	12,043	(18,417)	12,349
Taxation charge	-	-	-	50	(48)
Operating (surplus) / deficit after taxation	(19,171)	5,598	12,043	(18,467)	12,397
Gain / (Loss) on infrastructure asset revaluation	(13,478)	37,743	3,363	(13,478)	3,363
Gain / (Loss) on other asset revaluations	(5)	-	(37)	(5)	(37)
Adjustment to investment in joint venture	878	-	-	(617)	-
Total comprehensive income	(31,776)	43,341	15,369	(32,567)	15,723

SUMMARY STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	COUNCIL			GROUP	
	ACTUAL 2017 $'000	BUDGET 2017 $'000	ACTUAL 2016 $'000	ACTUAL 2017 $'000	ACTUAL 2016 $'000
Opening balance as at 1 July 2016	1,500,991	1,492,558	1,486,282	1,502,902	1,487,839
Total comprehensive revenue and expense	(31,776)	43,341	15,369	(32,567)	15,723
Adjustments and contributions to equity	-	-	(660)	-	(660)
Dividends paid	-	-	-	(52)	-
Total recognised equity as at 30 June 2017	1,469,214	1,535,899	1,500,991	1,470,284	1,502,902

SUMMARY STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	COUNCIL			GROUP	
	ACTUAL 2017 $'000	BUDGET 2017 $'000	ACTUAL 2016 $'000	ACTUAL 2017 $'000	ACTUAL 2016 $'000
ASSETS					
Total current assets	58,147	19,620	34,195	59,917	35,398
Total non-current assets	1,607,825	1,704,368	1,660,670	1,608,819	1,662,295
Total assets	1,665,972	1,723,988	1,694,865	1,668,736	1,697,693
LIABILITIES					
Total current liabilities	51,709	39,976	42,424	52,976	42,965
Total non-current liabilities	145,049	148,113	151,450	145,476	151,826
Total liabilities	196,758	188,089	193,874	198,452	194,791
Total equity	1,469,214	1,535,899	1,500,991	1,470,284	1,502,902

DEBT SUMMARY

As at 30 June 2017

	COUNCIL			GROUP	
	ACTUAL 2017 $'000	BUDGET 2017 $'000	ACTUAL 2016 $'000	ACTUAL 2017 $'000	ACTUAL 2016 $'000
Public debt - current portion	30,000	19,275	20,052	30,000	20,000
Public debt - term portion	132,000	136,804	132,000	132,000	132,000
Total debt	162,000	156,079	152,052	162,000	152,000

SUMMARY CASH FLOW STATEMENT

For the year ended 30 June 2017

	COUNCIL			GROUP	
	ACTUAL 2017 $'000	BUDGET 2017 $'000	ACTUAL 2016 $'000	ACTUAL 2017 $'000	ACTUAL 2016 $'000
Net cash from operating activities	51,195	42,382	46,458	52,683	47,081
Net cash used in investment activities	(55,573)	(51,994)	(40,895)	(56,591)	(40,973)
Net cash used in financing activities	10,239	9,353	7,766	10,234	7,766
Net increase / (decrease) in cash and cash equivalents for the year	5,861	(259)	13,329	6,326	13,874
Cash and cash equivalents at the beginning of the year	15,681	651	2,352	16,871	2,997
Total cash and cash equivalents at the end of the year	21,542	392	15,681	23,197	16,871

STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with Tier 1 PBE Standards and comply with NZ GAAP. They also comply with the requirements of the Local Government Act 2002.

VARIANCE EXPLANATIONS

KEY FINANCIAL INFORMATION	ACTUAL 2017 $'000	BUDGET 2017 $'000	COMMENTS
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE			
Total revenue	160,494	136,007	Total revenue was higher than budget by $24.5 million including: • development contributions were $3.8 million higher than budget • metered water supply was higher than budget by $1.1 million • interest received was $0.8 million higher than budget due to prefunding future debt repayments • vested and found asset income was higher than budget by $7.7 million • an unbudgeted investment property revaluation gain of $3.3 million • an unbudgeted gain on derivatives of $6.3 million.
Total expenses	179,665	130,409	Total operating expenses were higher than budget by $49.3 million including: • an unbudgeted loss on disposal of $38.9 million due to the divestment of Otaika Valley and Mangakahia Roads to NZTA to form State Highway 15 • unbudgeted losses on disposal of other assets of $9.0 million.
Surplus/(deficit)	(19,171)	5,598	
STATEMENT OF FINANCIAL POSITION			
Total assets	1,665,970	1,723,988	Total assets are lower than budget by $58.0 million including: • cash and cash equivalents are $21.2 million above budget due to prefunding of future debt that has been placed on term deposit, as well as additional deposits in regards to excess cash from short term debt not yet required • other financial assets are $19.5 million above budget due to prefunding of future debt that has been placed on term deposit • property, plant and equipment was $93.7 million below budget due to a loss on infrastructure asset revaluation, the divestment of Mangakahia Road to NZTA and carry forwards of capital expenditure • investment properties are $3.5 million below budget due to unbudgeted sales as well as some properties being reclassified as property, plant and equipment.
Total liabilties	(196,758)	(188,089)	Total liabilities are higher than budget by $8.7 million including: • borrowings were $5.9 million higher than budget primarily due to prefunding of future debt that has been placed on term deposit • derivative financial instruments were $1.8 million higher than budget as a consequence of valuing them to market at year end. The budget figure also excludes the 2015-16 valuation movement as the information was not available at the time of adopting the 2016-17 Annual Plan.
Net assets	1,469,214	1,535,899	
CASH FLOW STATEMENT			
Net cash flows from operating activities	51,195	42,382	Net cash flows from operating activities was higher than budget by $8.8 million including: • development contributions were higher than budget by $2.6 million • metered water supply was higher than budget by $1.1 million • subsidies and grants were higher than budget by $1.1 million due to timing of subsidy receipts • interest received was higher than budget by $0.8 million due to prefunding future debt repayments.
Net cash flows from investing activities	(55,573)	(51,994)	Net cash flows from investing activities was lower than budget by $3.6 million including: • purchase of property, plant and equipment was lower than budget by $11.2 million due to deferred capital works • proceeds from sale of property, plant and equipment was higher than budget by $5.3 million due to unbudgeted property sales • this is offset by purchase of investments being higher than budget by $20.0 million due to term deposits undertaken as part of prefunding future debt requirements.
Net cash flows from financing activities	10,239	9,353	Net cash flows from financing activities was higher than budget by $0.9 million due to additional proceeds from borrowings to prefund future debt requirements.
Net (decrease)/increase in cash, cash equivalents and bank overdrafts	5,861	(259)	

EVENTS AFTER BALANCE DATE

There were no significant events after the balance sheet date (2016: nil).

INDEPENDENT AUDITOR'S REPORT

WHANGAREI
DISTRICT COUNCIL

Private Bag 9023, Whangarei 0148, New Zealand
Forum North Building, Rust Avenue, Whangarei
Ruakaka Service Centre, Takutai Place, Ruakaka
P: +64 9 430 4200 | F: +64 9 438 7632
E: mailroom@wdc.govt.nz | W: www.wdc.govt.nz
Facebook & Twitter: WhangareiDC