



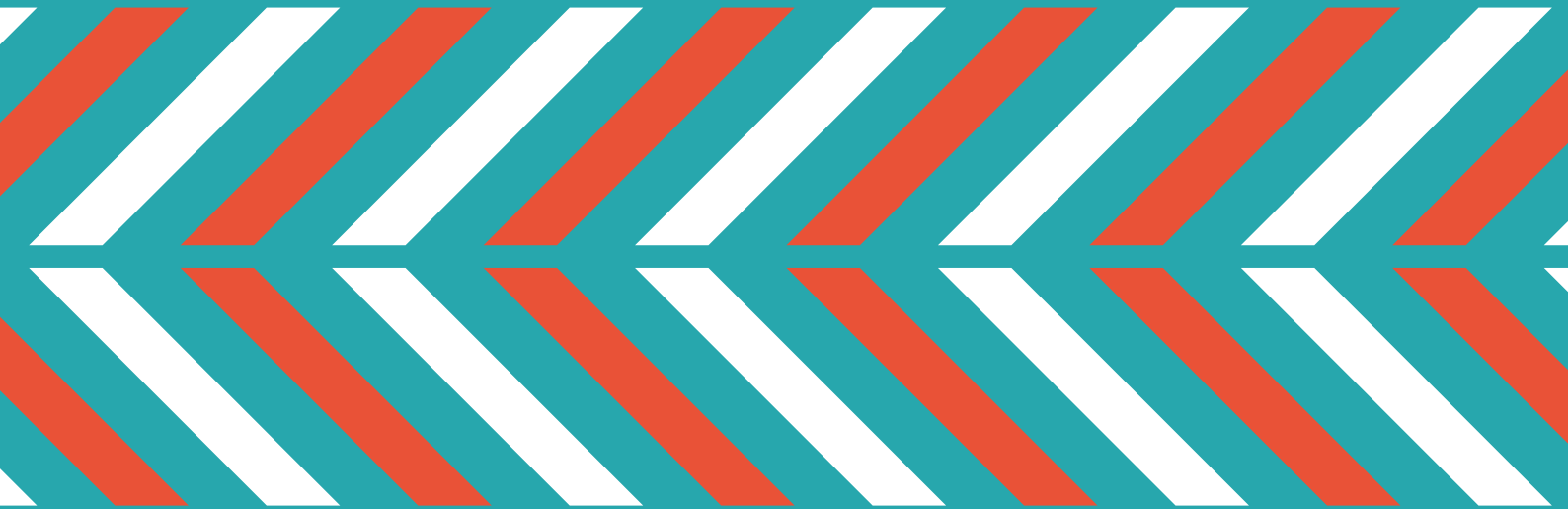
WHANGAREI
DISTRICT COUNCIL

VERSION FOR ADOPTION

Pre-audit clearance

22 September

2016 ANNUAL REPORT 17



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WELCOME

This 2016-17 Annual Report sets out what Whangarei District Council (Council) has achieved in the past financial year (from 1 July 2016 to 30 June 2017), why these things were done, how well we did them, what they cost and how they were paid for.

It communicates our performance in year two of the 2015-25 Long Term Plan (LTP) by outlining our set targets, performance results and key achievements for that year.

This Annual Report is laid out in the following sections:

Introduction

This high-level review of our role, political and organisational structures includes a financial and service performance overview.

Our work in detail

This section outlines the key achievements of each Council Activity Group (CAG) and details performance for the year against targets set through the 2015-25 LTP.

Financial statements

Here are detailed financial statements and a report on Council Controlled Organisations (CCOs).

Audit report

This section contains the Independent Auditor's Report provided by Audit New Zealand for the year ended 30 June 2017.

General information

This section details abbreviations and acronyms used throughout this report, including a glossary and index.

STATEMENT OF COMPLIANCE AND RESPONSIBILITY

FOR THE YEAR ENDED 30 JUNE 2017

Council confirms meeting all the statutory requirements in relation to the Annual Report, as outlined in Schedule 10 of the Local Government Act 2002.

Responsibility

Council accepts responsibility for preparation of annual financial statements and the judgements used in them.

Council accepts internal responsibility for providing reasonable assurance of the integrity and reliability of financial and nonfinancial reporting.

Council believes the annual financial statements for the year ended 30 June 2017, fairly reflect our financial position and operations.



Sheryl L Mai
Mayor



Rob Forlong
Chief Executive

Whangarei, 28 September 2017



PART ONE

INTRODUCTION



MESSAGE FROM THE MAYOR

What a significant year it's been.

We got a new state highway at the start of the financial year, with the New Zealand Transport Agency taking over operation and maintenance of Mangakahia Road. This transferred \$38.9 million worth of assets off our books, but the ongoing financial benefit to ratepayers is considerable. It represents a saving of \$1.2 million in annual maintenance costs.

It was all-hands-on-deck preparing for one of this year's major highlights – hosting the first game of the international DHL New Zealand Lions Series. The NZ Provincial Barbarians vs. the British & Irish Lions game brought more than 20,000 visitors to our region and injected serious dollars into our local economy. A further 270 million people watched the game on television globally. It was heart-warming to see how Whangarei's people got behind the event – attending the game, soaking up the Laneway Late Lunch atmosphere and enjoying the colourful fan trail created along the Hatea Loop by local school children.

Other vibrant events organised and hosted by Council this year included the Endless Summer Festival, Lions Fireworks Extravaganza, Christmas Festival, International Rally of New Zealand, Matariki Whanau Festival and the record breaking fifth annual Fritter Festival. We also used Toll Stadium to host The Winery Tour and the high-octane Nitro Circus.

We continued focusing on core business too, by taking care of all the services that keep our district running smoothly i.e. roads, water, sewage, stormwater, rubbish and recycling.

Several major projects were also completed to improve traffic flow around our central city. These include the Mill Road / Nixon Street intersection and the State Highway One / Kensington Avenue roundabout.

It gave me great pleasure to turn the first sod for the Kamo Shared Path, a new project linking Kamo with Whangarei's CBD. This will combine with the Onerahi cycleway and Raumanga / Maunu cycleway to provide amazing connectivity and encourage more people from cars onto bikes.

Flood protection remains important. Part of our Hikurangi flood works this year 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.

Council invested in new community recreational facilities, including new sports fields plus lighting on Pohe Island in time for the touring British & Irish Lions team to use. Improvements to the Hatea Loop included more lighting, new climbing equipment beside the BMX track and a new jetty on the river's western side. And we opened the colourful Pocket Park linking Port Road to the Hatea Loop.

Making the most of our district's beautiful landscape and environment will always be a high priority. We continued maintaining parks, reserves and improving accessibility. Walking tracks in the Coronation, Otuihau Whangarei Falls and A. H. Reed Memorial Kauri Park were upgraded together with mountain bike tracks in Parihaka Scenic Reserve.

It's been a busy year for resource and building consents too, as our district continues to rapidly grow. Resource consents alone increased by 22%, with a total of 660 applications.

I am extremely proud of the latest survey results, which showed Whangarei' people are pleased with the work we are doing on their behalf. The Resident Satisfaction Survey shows overall satisfaction with Council remained steady at 91%.

I am very pleased that people feel we are working hard for them and improving the services we provide. Let's keep up the good work!

**HER WORSHIP THE MAYOR
SHERYL MAI**



MESSAGE FROM THE CHIEF EXECUTIVE

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.

We had a successful 2016-17 financial year, resulting in excellent operating surplus before non-cash adjustments (\$9.6 million against the \$2.5 million budgeted) and debt well within the conservative limits set by our Council. Following accounting adjustments, we finished with an operating deficit after tax of \$19.2 million. This was primarily due to Council passing over Mangakahia Road to the New Zealand Transport Agency (NZTA) which, while it took a \$38.9 million asset off WDC's books, also saves ratepayers \$1.2 million per annum in maintenance costs which are now covered by NZTA.

A prudent approach to spending throughout the year, means we have not had to increase debt to fund works programmes as happened in some previous years. This resulted in our closing debt being \$35.2 million lower than last financial year, which allows us to make net interest savings of \$1.1 million this year.

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

In terms of our non-financial performance overall, we achieved 75% of our targets, a very slight increase on the 74% achieved in the 2015-16 year. Flood Protection and Control Works, Community Property, Policy and Monitoring, Resource Consents, Community Services, Parks and Recreation, Stormwater, Venues and Events – all achieved 100% of their annual targets.

The recent boom for the economy saw a significant increase in resource consent activity, building consents and the construction industry. On the downside, this put significant strain on our building sector and Council's ability to process consents within statutory timeframes too. It also gives us a good indication of areas to gear-up in coming years.

While achieving these positive financial and service level results, we also churned through an impressive line-up of administrative, regulatory and policy work, infrastructure improvements, extensions and upgrades.

All this work continues to help build our district and provides a solid foundation for growth. We sometimes forget that the work we do will outlive many of us and in years to come, future generations will continue to benefit from the work done today.

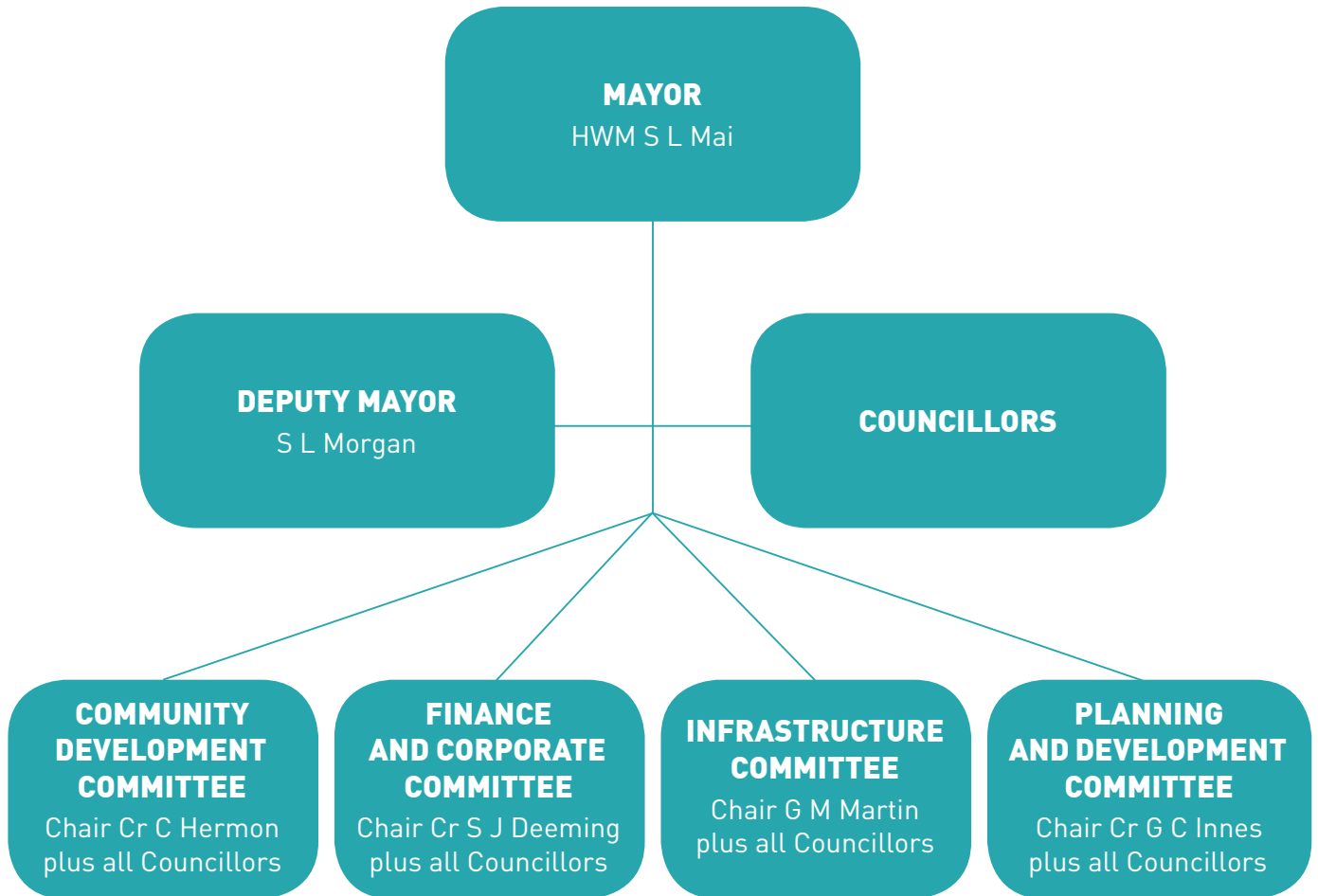
In addition to the many public-facing projects, we went through a significant restructure of our organisation's information systems and operations in a bid to bring an even higher level of service to our residents.

It has been a good year of achievements and it makes me proud to be a resident of Whangarei district. We live in a place where we can honestly say that we "love it here".



**CHIEF EXECUTIVE
ROB FORLONG**

COUNCIL STRUCTURE – POLITICAL



SPECIALIST COMMITTEES

DISTRICT LICENSING COMMITTEE

Chair Commissioner

AIRPORT NOISE MANAGEMENT CONSULTATIVE COMMITTEE

Chair Independently Appointed

AUDIT AND RISK COMMITTEE

Chair Deputy Mayor S L Morgan

CIVIC HONOURS SELECTION COMMITTEE

Chair Cr C B Christie

CE REVIEW COMMITTEE

Chair HWM S L Mai

EXEMPTIONS AND OBJECTIONS SUBCOMMITTEE

Chair Cr G C Innes

COMMUNITY FUNDING COMMITTEE

Chair Cr C Christie

MĀORI LIAISON

TE KĀREAREA STRATEGIC PARTNERSHIP FORUM

Co-Chair HWM S L Mai

MAYOR AND COUNCILLORS

**MAYOR SHERYL MAI**

All communications to Her Worship go to the Mayor's personal assistant.
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Email mayor@wdc.govt.nz

**COUNCILLOR SUE GLEN**

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**DEPUTY MAYOR SHARON MORGAN**

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**COUNCILLOR JAYNE GOLIGHTLY***

Denby Ward

*Councillor Golightly resigned on 6/09/2017.

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**COUNCILLOR GREG MARTIN**

Hikurangi – Coastal Ward

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**COUNCILLOR SHELLEY DEEMING**

Bream Bay Ward

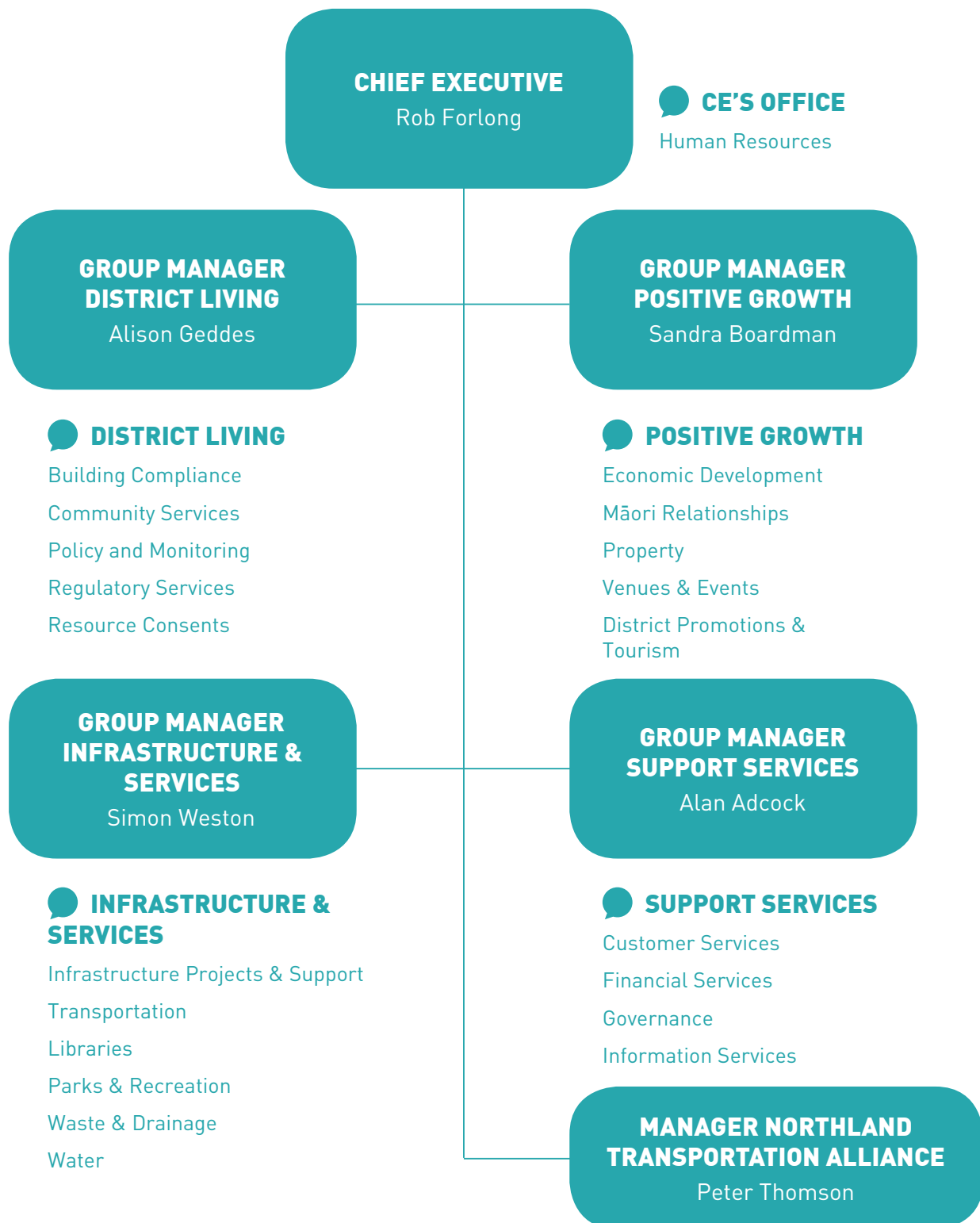
Home Phone 09 432 3779
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**COUNCILLOR ANNA MURPHY**

Hikurangi – Coastal Ward

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COUNCIL STRUCTURE – ORGANISATIONAL



Please note: this was the structure as at 30 June 2017. The structure changed as the result of an organisational review on 1 July 2017.

GROUP ENTITIES

COUNCIL CONTROLLED ORGANISATIONS

Whangarei District Council (Council) currently delivers a variety of services through Council Controlled Organisations (CCOs).

Council delivers strategic services or initiatives through a CCO where it considers this is a more effective, efficient and financially viable option compared to other means of delivery.

The Local Government Act 2002 defines a CCO as either:

A company:

- in which equity securities carrying 50% or more of the voting rights at a meeting of the shareholders of the company are:
 - » held by one or more local authorities; or
 - » controlled, directly or indirectly, by one or more local authorities; or
- in which one or more local authorities have the right, directly or indirectly, to appoint 50% or more of the directors; or

An entity in respect of which one or more local authorities have, whether or not jointly with other local authorities or persons:

- control, directly or indirectly, of 50% or more of the votes at any meeting of the members or controlling body of the organisation; or
- the right, directly or indirectly, to appoint 50% or more of the trustees, directors or managers (however described) of the entity.

Council has responsibility for four CCOs:

- Whangarei Waste Ltd
- Whangarei Art Museum Trust
- Northland Event Centre Trust
- Whangarei District Airport.

Each of these CCOs is required to complete a Statement of Intent, unless an exemption under the Local Government Act 2002 has been granted. Whangarei Waste Ltd, Whangarei Art Museum Trust and Northland Event Centre Trust are exempt entities.

COUNCIL CONTROLLED TRADING ORGANISATIONS


A Council Controlled Trading Organisation (CCTO) is a CCO that operates a trading operation for the purpose of making profit.

Whangarei District Council has responsibility for one CCTO: the Northland Regional Landfill Limited Partnership.

COUNCIL ORGANISATIONS

Council has responsibility for one Council Organisation: the Whangarei Quarry Gardens Trust.

OUR PERFORMANCE AT A GLANCE



This year we effectively managed our operations with a cash operating surplus

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

- Our 'core operating surplus' (before various non-cash adjustments) for the year was \$7.1 million better than budget.
- Net external debt this year reduced by \$15.8 million, from \$136.3 million to \$120.5 million.
- A prudent approach to spending means we have not had to increase debt to fund works programmes as happened in some previous years.
- While our debt was less than planned, it will be required in future years to complete scheduled projects. But, it has allowed us to make net interest savings of \$1.1 million this year.

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

- 100% of targets were met in the Flood Protection and Control Works, Community Property, Policy and Monitoring, Community Services, Parks and Recreation, Stormwater, Resource Consents and Venues and Events 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.

FINANCIAL PERFORMANCE

OPERATING RESULT – BEFORE ACCOUNTING ADJUSTMENTS

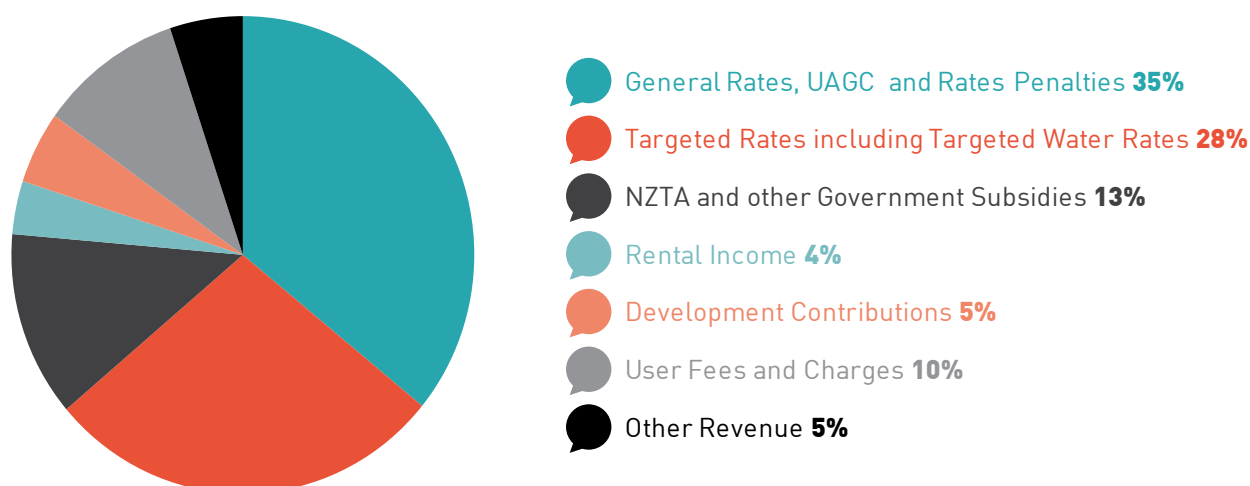
Confirming Council's financial position at the year's end, is a two-step process. First establishing the core operating results (income versus expenses), then applying some additional accounting adjustments as required by the International Public Sector Accounting Standards (IPSAS).

For the 2016-17 year, our core operating result was \$7.1 million better than budget, with a net operating surplus of \$9.6 million compared with the forecast surplus of \$2.5 million.

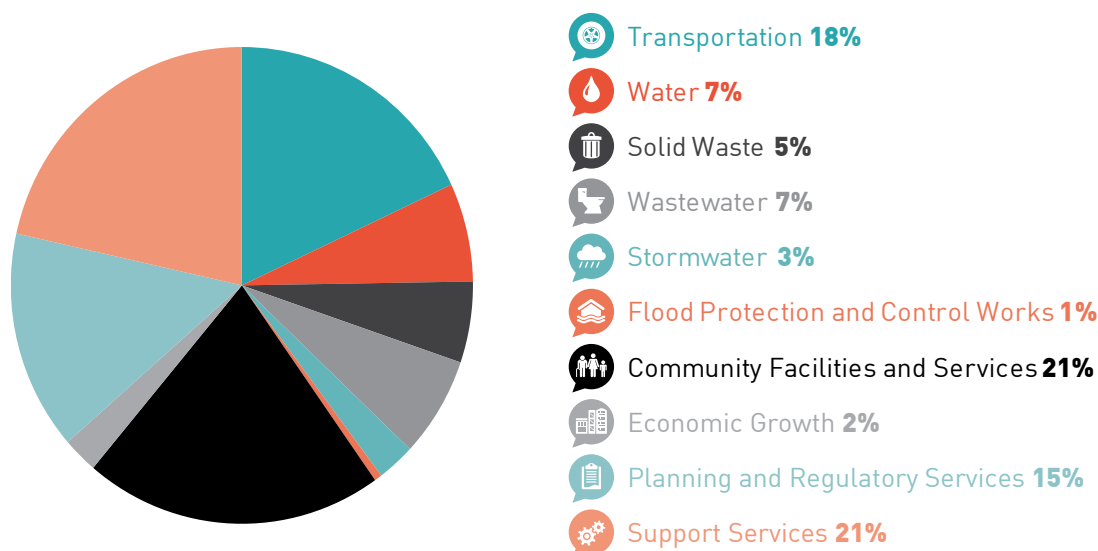
| | ACTUAL (MILLIONS) | BUDGET (MILLIONS) | VARIANCE (MILLIONS) |
|---|----------------------|----------------------|------------------------|
| OPERATING RESULT - BEFORE NON-CASH ADJUSTMENTS | | | |
| Operational Revenues | 138.9 | 132.9 | |
| Operational Costs | (129.3) | (130.4) | |
| Operating Surplus - before Non-Cash Adjustments | 9.6 | 2.5 | 7.1 |

The following charts show operating revenue and expenses from a daily perspective:

Council's sources of funding and revenue



Council's operational expenditure by activity



*Figures are calculated using the Funding Impact Statements.

OPERATING RESULT – INCLUDING ACCOUNTING ADJUSTMENTS

Having established the core operating position, several accounting adjustments that do not impact on our cashflow or debt are made to meet accounting standards. The table below shows that after making these adjustments, there is a total operating deficit of \$19.2 million, a variance of \$24.8 million (including accounting adjustments) when compared to the budget surplus of \$5.6 million.

| | NOTE | ACTUAL (MILLIONS) | BUDGET (MILLIONS) | VARIANCE (MILLIONS) |
|---|------|----------------------|----------------------|------------------------|
| Operating surplus - before non-cash adjustments | | | | |
| Add: Income from vested assets | 6 | 8.9 | 2.5 | 7.1 |
| Add: Income from found assets | | 1.3 | | |
| Add: Revaluation of debt instruments (SWAPs) | 6 | 6.3 | | |
| Add: Investment property revaluation | | 3.3 | | |
| Add: Income from joint ventures | | 0.8 | 0.6 | |
| Less: Loss on sale (divestment Mangakahia Road to NZTA) | | (38.9) | | |
| Less: Loss on disposal of assets | | (8.7) | | |
| Less: Provision for loan | | (0.5) | | |
| Less: Prior period opex in capex (not material) | | (1.7) | | |
| Less: Other adjustments | | 0.4 | | |
| Total non-cash adjustments | | (28.8) | 3.1 | (31.9) |
| Operating surplus/(deficit) | | (19.2) | 5.6 | (24.8) |
| Less: Movement in asset revaluation reserve | | (13.5) | | (13.5) |
| Total Comprehensive Revenue | | (32.7) | 5.6 | (38.3) |

The major accounting adjustment items were as follows:

- Council recognised income of \$8.9 million from vested assets. Vested assets are infrastructure such as roading, water, wastewater and stormwater assets, which are assets created as part of commercial or private developments that then transfer to Council at the completion of the development. During the year, Council also found \$1.3 million of assets that were not recorded in our asset management systems.
- There was a \$6.3 million revaluation gain of debt instruments (swaps), on the back of historically low global interest rates. Council's treasury operations are complex and serve to ensure our ongoing liquidity, with a core component being the prudent use of debt at an acceptable cost. Council purchases swaps to provide a 'corridor of certainty' for the short-to-long term funding of its operations and capital programme. Swaps allow us to lock-in interest rates for several years ahead. We are required to revalue these on an annual basis based on financial market movements. These value movements reflect the difference between current floating rates and the long term fixed rates our swaps provide. If the value goes up we disclose a gain and if the value goes down we disclose a loss, although these are never actually realised unless the swap is terminated early. This process can create large swings in value from year to year. These movements do not have a cash impact on Council and net out to zero on expiry. Full disclosure of this year's movements has been made in note 28 on page 148.148.
- Council's investment properties had a revaluation gain of \$3.3 million over the year.
- Council recognised a loss on sale of \$38.9 million to reflect the divestment of Mangakahia Road to NZTA, so that NZTA could take over responsibility and funding for the road's maintenance as a state highway, to provide more resilience to Northland's roading network.

- There were other disposals of assets (mainly infrastructure), that contributed to the overall loss on sale by \$8.7 million. These were:
 - » \$3.6 million of assets disposed of because of review of the non-roading infrastructure asset management system data during 2016-17. Council is continuously reviewing and improving the accuracy of this data. Council's asset management systems hold a significant number of assets, with approximately 163,000 asset lines for non-roading infrastructure. This data reflects assets accumulated by Council since initial infrastructure was constructed in the district through to 2016-17
 - » \$2.0 million due to 2016-17 non-roading infrastructure capital works. If there is any value attributed to assets that have been replaced when assets are renewed, it is disposed of
 - » \$2.3 million because of 2016-17 roading capital works. When assets are renewed if there is any value attributed to assets that have been replaced this is disposed of \$0.6 million of operational assets, the majority being the result of pensioner housing renewals
 - » \$0.2 million relating to loss on disposal on harvesting of Parihaka forest. This is offset by Council generating \$0.5 million revenue from the harvest.

TOTAL COMPREHENSIVE REVENUE

After the Operating Surplus is calculated, we recognise another category of items that go towards our Total Comprehensive Revenue position. This is the movement in the Asset Revaluation Reserve, which was a reduction of \$13.5 million for the year. This reflects the theoretical movement in the value of our core infrastructure assets, which can never be realised as cash but is disclosed under IPSAS requirements. Council records assets at fair value in accordance with its accounting policy. This process enables a better understanding of the value of Council's asset network, as it assists us in developing plans for future asset renewal and allows us to calculate annual depreciation charges with more accuracy.

EXTERNAL NET DEBT

Closing external net debt for the 2016-17 financial year, was budgeted to be \$155.7 million. Actual closing debt was \$35.2 million lower at \$120.5 million. This positive variance can largely be attributed to the following:

- Opening net debt was \$136.3 million versus a budgeted opening net debt of \$146.1 million, meaning opening net debt was \$9.8 million lower than budget
- \$5.4 million positive cash impact from the operating surplus, compared to budget
- \$5.5 million of unbudgeted property sales
- \$14.6 million of unspent capital works compared to the Annual Plan (note: this includes both carry-forwards and savings).

CREDIT RATING REMAINS AA

- In May 2017, Standard and Poors reconfirmed Council's credit rating as AA, with a credit rate outlook of 'stable'. This was primarily in recognition of our continued strong financial management and very strong budgetary flexibility.
- Standard and Poors' independent evaluation compares our financial policies and practices, budgetary performance, liquidity, debt and revenue drivers against local government peers domestically and internationally.
- Re-achieving this rating continues to affirm the approach Council has taken to financial management, indicating that we are in a sound financial position, supported by a clear financial strategy and strong financial management.
- This rating is at the highest level in the New Zealand local government sector.

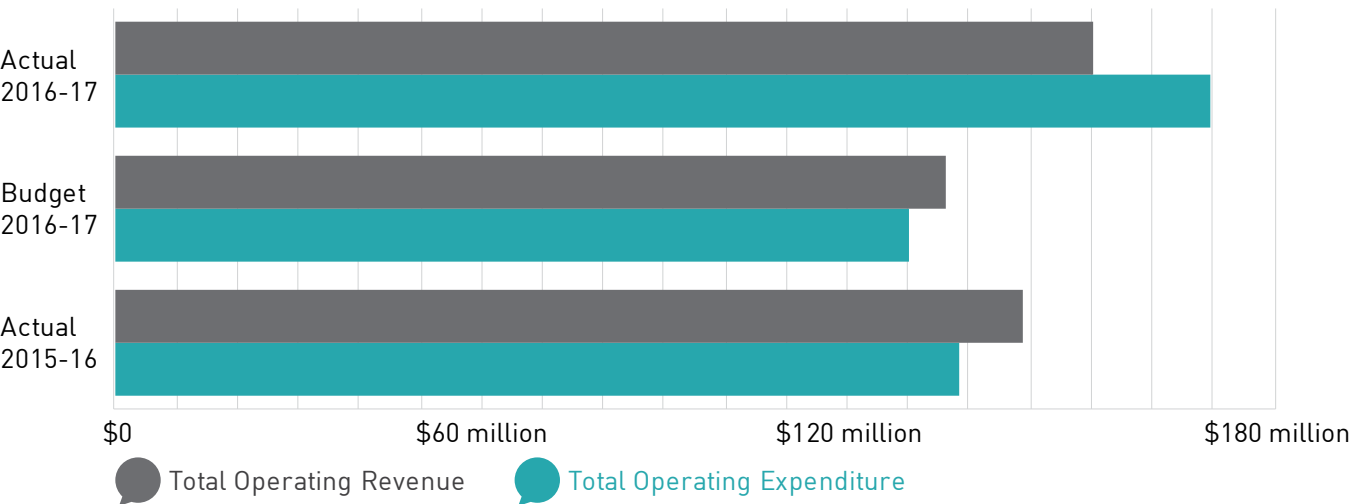
WATER RESERVE

The Water Reserve reflects a surplus of water revenue, mainly volume usage based targeted rates, over and above operating and capital water expenditure. During the year, the water reserve increased by \$6.7 million from \$20.2 million to end at \$26.9 million. Although Water has some significant capital projects in the next 10 years (including the upgrade of the Whau Valley water treatment plant as part of the process for the 2018-2028 Long Term Plan), the Water targeted rate will be assessed to ensure that any increases are supported by projected operational and capital expenditure over the next 10 to 20 years.

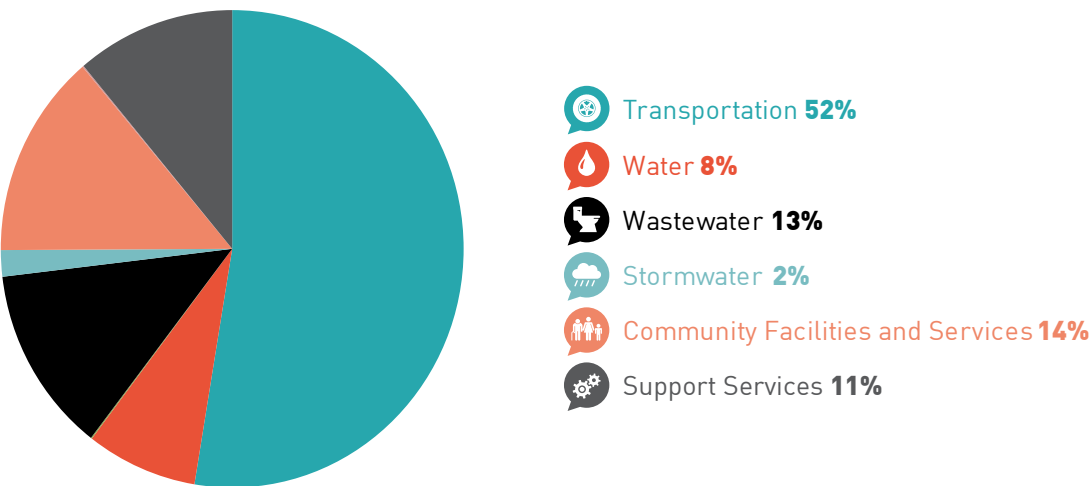
FINANCIAL DETAILS

The following graphs provide additional financial information.

Total operating expenditure and revenue



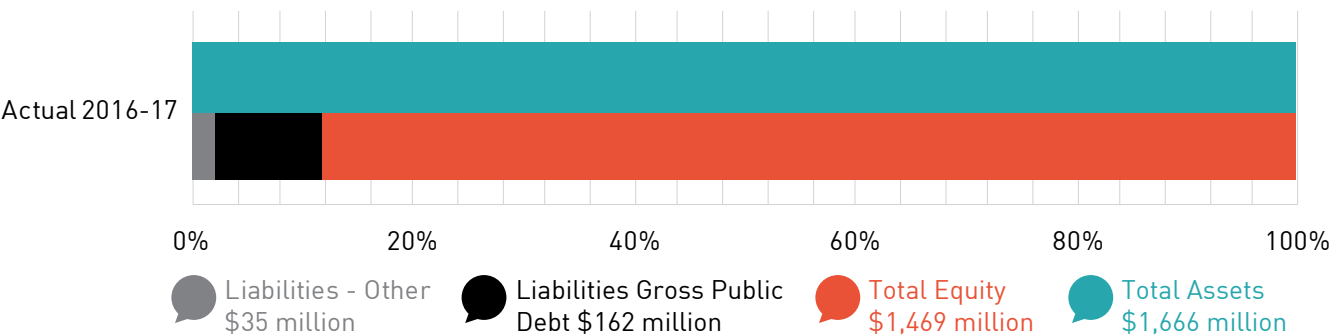
Capital expenditure by activity – total \$38.6 million



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 Funding Impact Statements.

Total assets, liabilities and equity



OUR FINANCIAL STRATEGY

The Financial Strategy in the 2015-25 Long Term Plan contains a set of financial parameters that Council works within. The table below shows the current performance against the targets set:

| FINANCIAL LIMIT | TARGET 2016-17 | ACHIEVED | CURRENT PERFORMANCE |
|---|----------------|----------|---------------------|
| Achieve a balanced budget | => 100% | No | 76% |
| Limit rates income (excluding water) to maximum of 70% of total revenue | <= 70% | Yes | 37.3% |
| External net debt no higher than 150% of total revenue | < 150% | Yes | 86.8% |
| Maintain net interest costs at less than 25% of rates revenue | < 25% | Yes | 10.4% |
| External net debt per capita level below \$2,150 (87,600) | < \$2,150 | Yes | \$1,375 |

Achievement of the balanced budget was significantly impacted by the unbudgeted divestment of Mangakahia Road (with the associated loss on sale of \$38.9 million) and other unbudgeted disposals of mainly infrastructure assets as part of the revaluation process (with further losses on sale of \$8.7 million).

FINANCIAL PRUDENCE BENCHMARKS

This section discloses Council's financial performance in relation to various benchmarks to enable an assessment of whether Council is prudently managing its revenues, expenses, assets, liabilities and general financial dealings.

Council is required to include this statement in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014.

Annual report disclosure statement for year ending 30 June 2017

WHAT IS THE PURPOSE OF THIS STATEMENT?

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

The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations).

RATES AFFORDABILITY BENCHMARKS

Council meets the rates affordability benchmark if:

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

Rates (income) affordability

The following graph compares Council's actual rates with a quantified limit on rates contained in the Financial Strategy included in Council's Long Term Plan. In the graph below, actual rates income (excluding water) is within the rates income limit of 70% of total revenue.

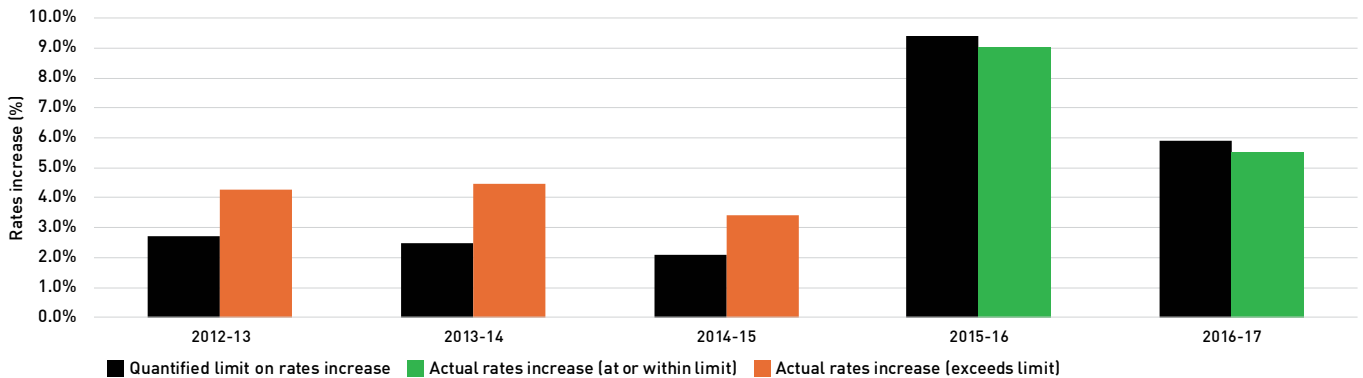
Prior to the 2015-16 year this benchmark included water rates and the benchmark was 65% of total revenue.



Rates (increases) affordability

The following graph compares Council's actual general rates increases with a quantified limit on rates increases contained in the Financial Strategy included in Council's Long Term Plan. The quantified limit for the 2016-17 year was that the general rates increase should not exceed LGCI plus 4.5% (prior to the 2015-16 year the quantified limit was that the general rates increase should not exceed LGCI). Council has achieved this benchmark.

Results prior to the 2015-16 year show an increase in excess of the policy limit in the first three years of the Financial Strategy. Actual fixed rates were increased by the forecast LGCI rate plus an additional 1.0% for growth. This growth factor was not specified in the 2012 Financial Strategy, which was set before the benchmarks were introduced.



DEBT AFFORDABILITY BENCHMARKS

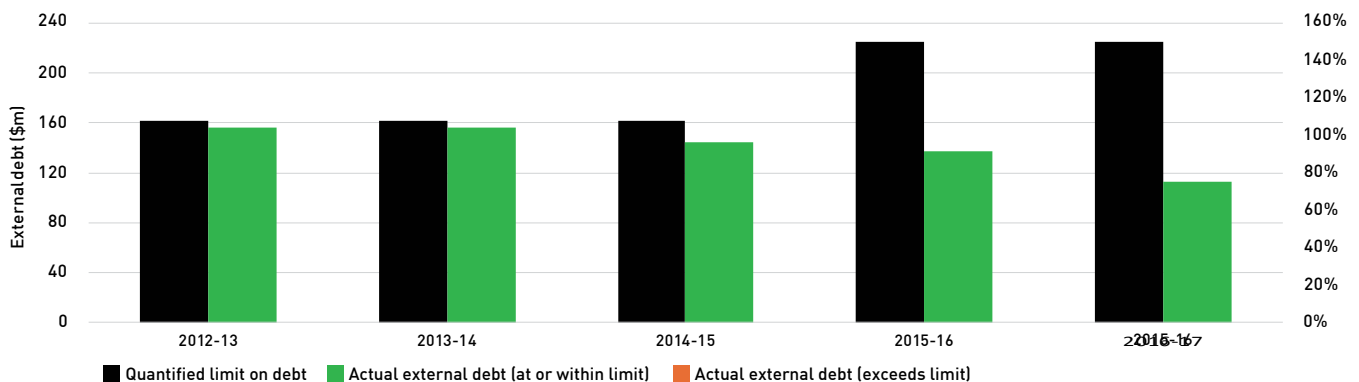
Council meets the debt affordability benchmarks if its actual borrowing is within each quantified limit on borrowing.

External net debt

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

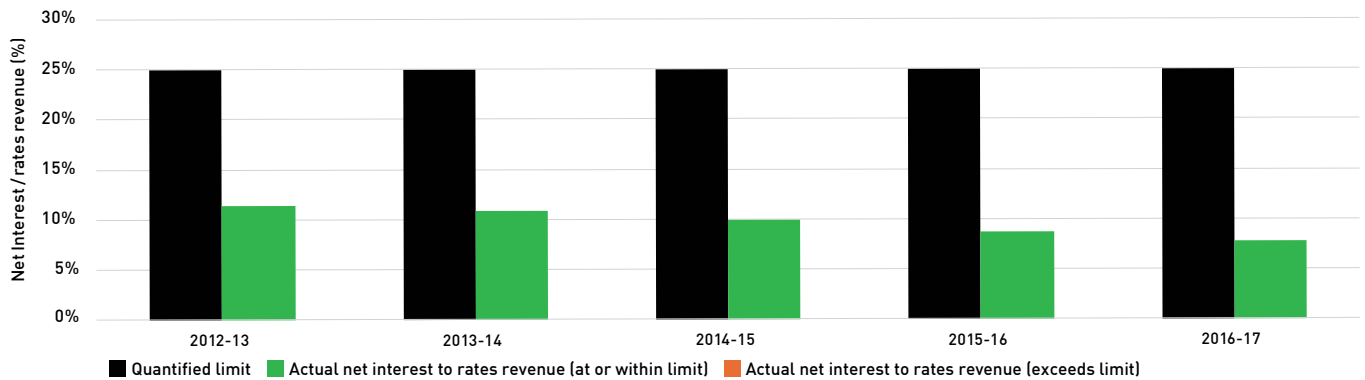
- The quantified limit prior to the 2015-16 year was that external debt be no higher than \$161.5 million (left hand axis). This benchmark has been amended in Council's 2015-25 Long Term Plan.
- The quantified limit in the 2016-17 year was that external net debt be no higher than 150% of total revenue (right hand axis).

Council has achieved this benchmark.



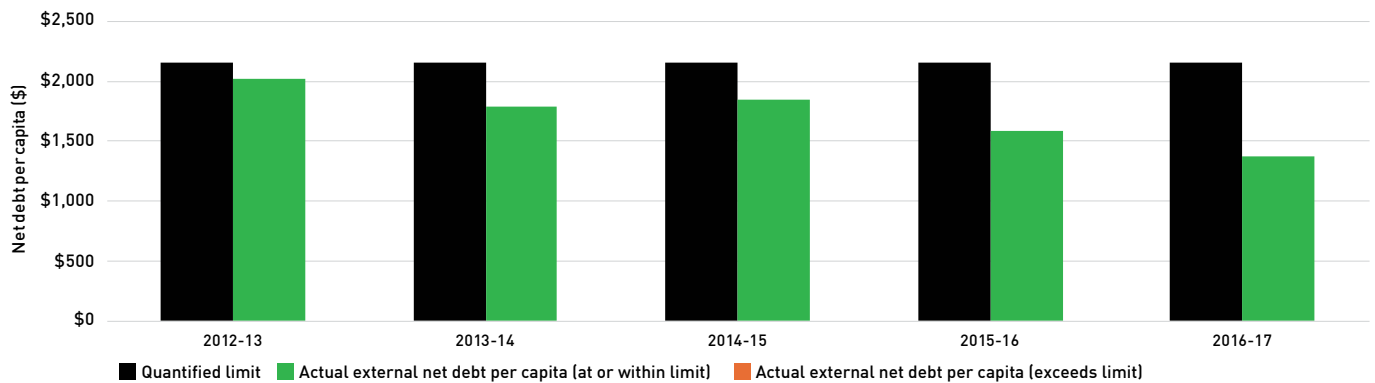
Net interest to rates revenue

The following graph compares Council's actual net interest on debt with a quantified limit on borrowing contained in the Financial Strategy included in the Long Term Plan. The quantified limit is that actual net interest should not exceed 25% of total rates revenue. The following graph indicates achievement of this benchmark.



External net debt per capita

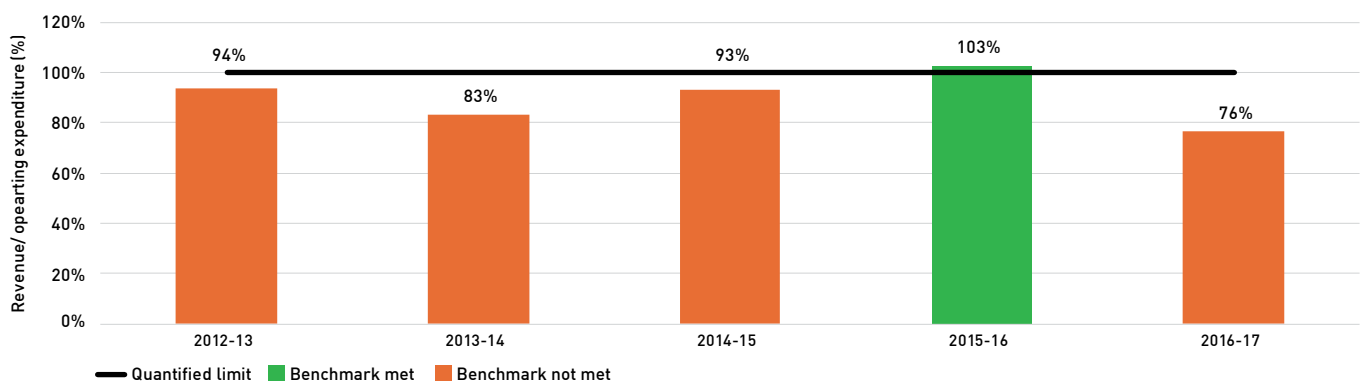
The following graph compares Council's actual external net debt with a quantified limit on borrowing contained in the Financial Strategy included in the Long Term Plan. The quantified limit is that net debt per capita be less than \$2,150. In 2016-17 the population of Whangarei estimated by Statistics New Zealand using census data was 87,600. Council has achieved this benchmark.



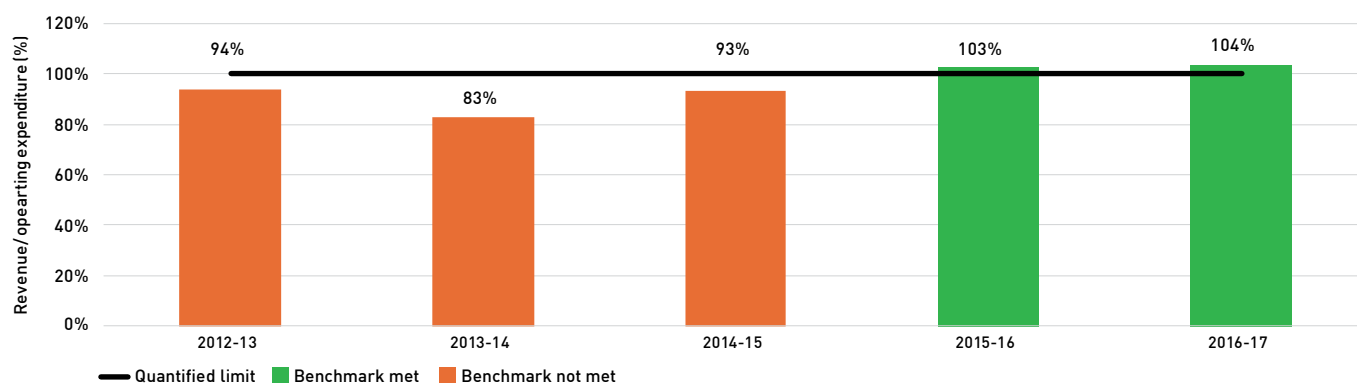
BALANCED BUDGET BENCHMARK

The following graph displays Council's actual revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments and revaluations of property, plant and equipment) as a proportion of actual operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant and equipment). Council meets this benchmark if its actual revenue equals or is greater than its actual operating expenses.

Council has not achieved this benchmark.

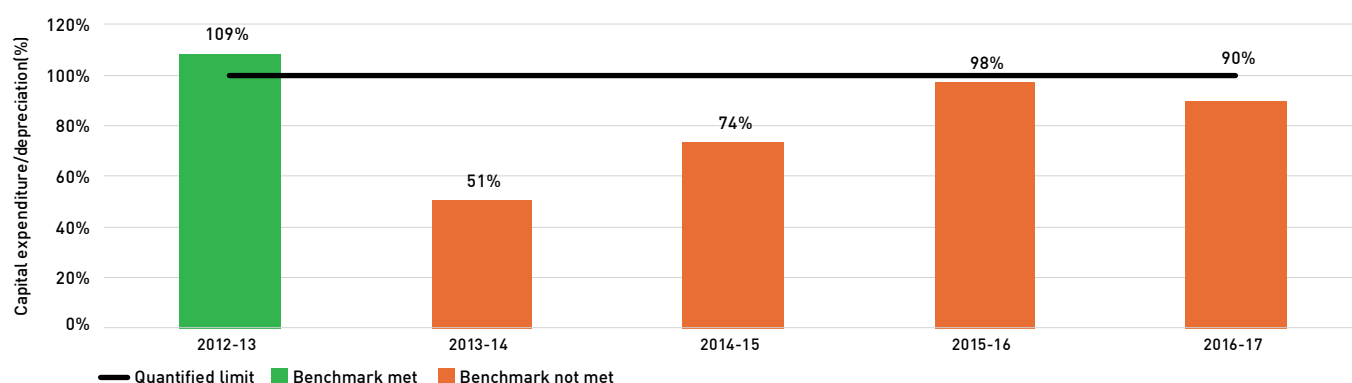


Excluding the loss on assets divested to NZTA (\$38.9 million) and the loss of disposal of assets (\$8.7 million), Council's balanced budget benchmark would have been 104%. See adjusted graph below.



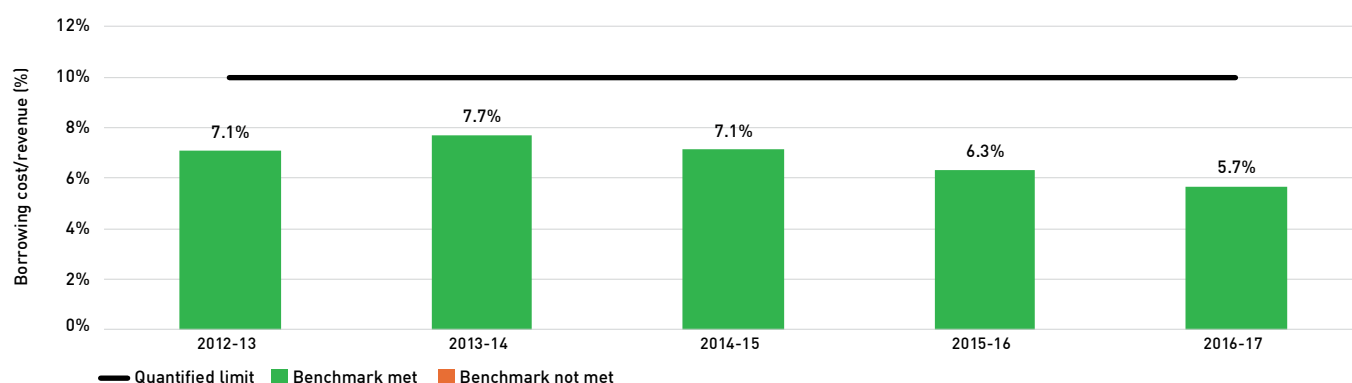
ESSENTIAL SERVICES BENCHMARK

The following graph displays Council's capital expenditure on network services as a proportion of depreciation on those same network services. Council meets the essential services benchmark if its capital expenditure on network services equals or is greater than depreciation on network services. Council has not achieved this benchmark in four out of five years. Delays in capital expenditure during 2016-17, mostly out of Council's control, has resulted in this benchmark not being achieved in the 2016-17 year.



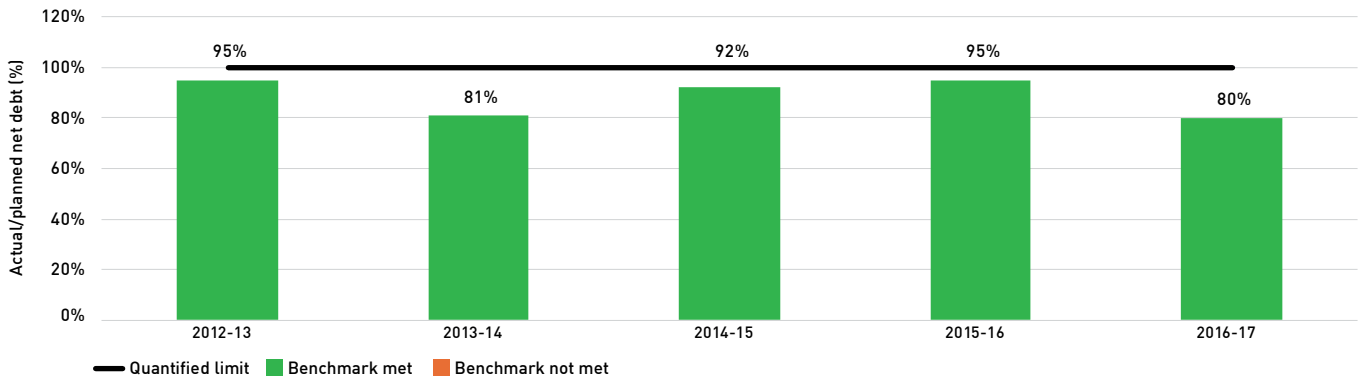
DEBT SERVICING BENCHMARK

The following graph displays Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant and equipment). Because Statistics New Zealand projects Council's population will grow more slowly than the national population is projected to grow, it meets the debt servicing benchmark if its borrowing costs equal or are less than 10% of its revenue. Council has achieved this benchmark for a number of years.



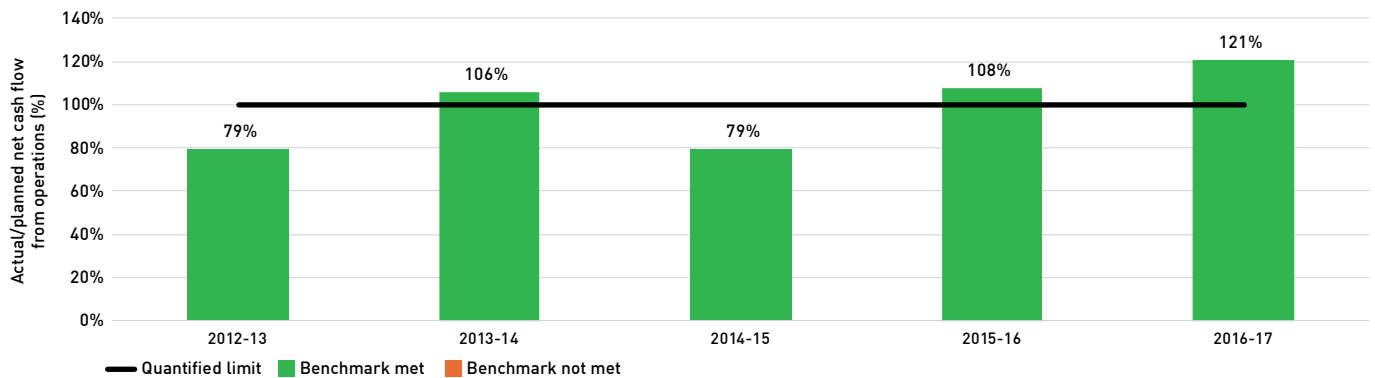
DEBT CONTROL BENCHMARK

The following graph shows Council's actual net debt as a proportion of planned net debt. For the purposes of this benchmark, net debt means financial liabilities less financial assets (excluding trade and other receivables). Council achieves this benchmark if actual net debt equals or is less than planned net debt. Council has achieved this benchmark.



OPERATIONS CONTROL BENCHMARK

This graph shows Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations. Council meets the operations control benchmark if actual net cash flow from operations equals or is greater than planned net cash flow from operations. Council has achieved this benchmark.



NON-FINANCIAL PERFORMANCE

Overall, 77% of targets were achieved, which is a 3% increase on the 74% achieved in the 2015-16 year.

Performance improved or stayed the same for 53% of measures over the course of the year, compared to 46% the previous year.

Flood Protection and Control Works, Community Property, Policy and Monitoring, Resource Consents, Community Services, Parks and Recreation, Stormwater, Venues and Events – all achieved 100% of their annual targets.

Some activity groups did not achieve all their targets or achieved lower achieved results than last year.

In a few cases measures carry an unrealistic target, or the target measure itself does not accurately reflect performance expectations. These will be reviewed as part of the LTP 2018-28.

More information about performance for each activity can be found in Part Two of this report.

SIGNIFICANT DELIVERIES

A description of Council's performance in each activity area is included in pages 33 to 79 of this report, but some highlights for the 2016-17 year are outlined below:

- Several major traffic congestion projects were completed including the 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 from Rust Ave to Manse Street began. We also completed the plans and designs for Stage two enabling work to begin on this stage in 2017-18
- 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 on-site systems and new sewage pump station was constructed at Crisp Rd (Parua Bay) to serve local properties
- A biogas generator was installed at Kioreroa Rd wastewater treatment plant and produces up to 80 kilowatts of electricity from waste methane produced during the sludge digestion process. This gas was burnt (flared) in the past
- On the Hikurangi Flood management scheme areas of council-owned grazing land were converted into ephemeral wetlands to improve the wellbeing of natural ecosystems on the plain and restore endangered mud fish habitat. Eel friendly gates were installed in most major pump stations to allow safe passage of eels when pumps are running
- New sports-fields and associated lighting were completed on Pohe Island in time for the British and Irish Lions touring team use them for training
- Area lighting and associated amenities along the Hatea Loop were completed as part of the wider William Fraser Memorial Park on Pohe Island development plan
- Whangarei Libraries' new mobile library was launched and the public internet upgraded, both in time and within budget. The new mobile library generated a significant amount of interest throughout the country due to the unique nature of the design and build
- Ten significant plan changes for Rural, Coast, Minerals and Landscapes notified and heard
- Resource consent applications increased by 17% with a total of 669 applications received compared to 574 in the 2015-16 year and 436 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

SERVICE LEVELS

Of the 69 targets – 53 were achieved, 15 were not achieved and one was not measured.

The Resident Satisfaction Survey revealed some very positive changes in public perception this year, with overall satisfaction with Council remaining steady at 91%. Overall, satisfaction with Whangarei's parks and recreational facilities remains extremely high, with 96% of users satisfied with Council playgrounds and neighbourhood, city and district parks. The safety of our roads and parking in the CBD also received increased satisfaction ratings of 87% and 64% respectively, up from 70% and 55% respectively in the previous year.

Improvements were also seen in Community Development, with an increase in satisfaction for new initiatives to create a safe and crime-free district up from 74% to 85%. People's feelings of safety in the district have also improved from 82% in 2016, to 86% this year.

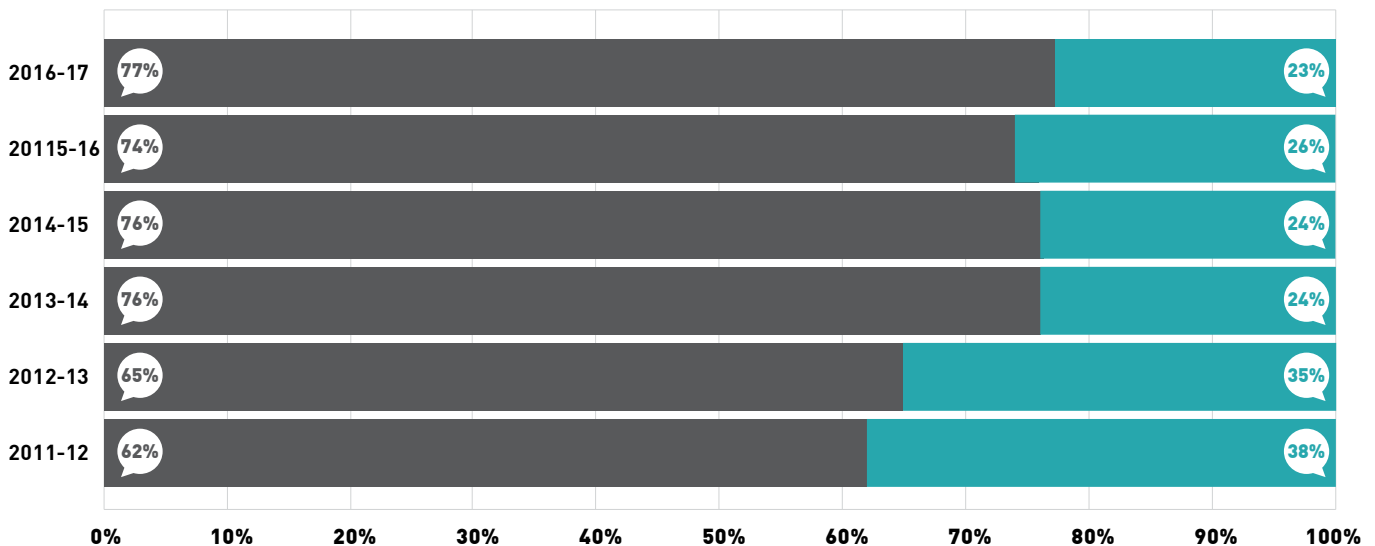
Some key areas for improvement were also identified through the Resident Satisfaction Survey. Improvements could be made in maintenance of unsealed roads (51% satisfaction), relationship with Māori residents (48% satisfaction) and the management of traffic flow peaks (51%* satisfaction).

*Indicative only due to questionnaire changes

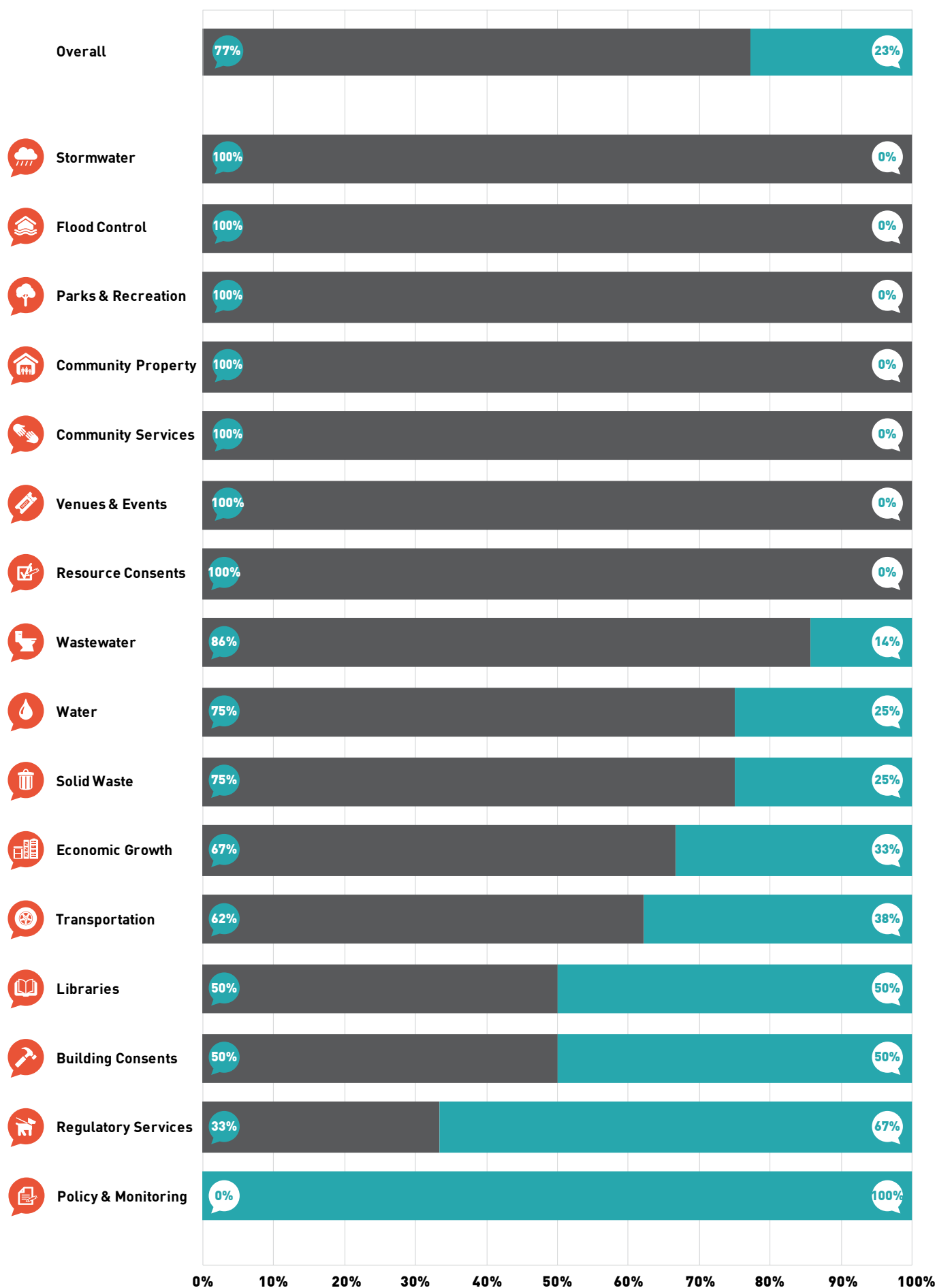
OVERALL NON-FINANCIAL PERFORMANCE

The following graphs summarise our overall performance.

Overall service performance by year Achieved Not achieved



Overall service performance by activity Achieved Not achieved



Comparative performance results

The table below provides comparative data of performance results along with explanatory commentary. For further details please see each activity.


| ACTIVITY | 2016-17 | 2015-16 | COMMENT |
|------------------------------------|---|---|--|
| 1 Transportation | 13 Measures 8 Achieved 62% | 13 Measures 6 Achieved 46% | Several non-achievements in asset based performance measures continues to relate to reduced funding that occurred over previous years in this activity. However, an increase in funding over the next 10 years as indicated in the Draft LTP should see a significant improvement in these activities. Overall resident satisfaction across the Roding activity has improved, however the major projects undertaken by both Council and NZTA on the roading network that have just been completed at year end have seen significant traffic congestion. This again had an impact on satisfaction levels. Although fatal accidents on our network have reduced from the previous year this is still well above target levels and continues to be a significant driver in Council's Road Safety programme together with all Road Safety stakeholders in Northland. |
| 2 Water | 12 Measures 9 Achieved % | 12 Measures 12 Achieved 100% | Two similar measures (ours and MPM) not achieved were associated with compliance with the Drinking Water Standards due to one positive E. coli sample in Bream Bay. No effects detected. The other was a higher than target number of watermain breaks. However, customer satisfaction was still high. |
| 3 Solid Waste | 4 Measures 3 Achieved 75% | 4 Measures 3 Achieved 75% | As for 2015-16 the customer satisfaction levels with the service is high. As was identified last year waste reduction targets are difficult to achieve and this is largely associated with growth and the general increase in per capita rubbish production nationwide. Council has consulted extensively on its waste management and minimisation plan in 2017 and new targets have been developed to better reflect actual rubbish production and link it to a per capita basis rather than tonnes. |
| 4 Wastewater | 7 Measures 6 Achieved 86% | 7 Measures 6 Achieved 86% | Performance in 2016-17 was very similar to last year. The residents' satisfaction with the wastewater remained steady and aligns with Council's investment to reduce storm related wastewater spills. |
| 5 Stormwater | 5 Measures 5 Achieved 100% | 5 Measures 4 Achieved 80% | All performance targets met. |
| 6 Flood Protection & Control Works | 2 Measures 2 Achieved 100% | 2 Measures 2 Achieved 100% | All performance targets met. |
| 7 Community Facilities & Services | | | |
| Parks & Recreation | 6 Measures 6 Achieved 100% | 6 Measures 5 Achieved 83% | All performance targets met. |
| Libraries | 2 Measures 1 Achieved 50% | 2 Measures 1 Achieved 50% | Only one of libraries measures was measured this year. |
| Community Property | 2 Measures 2 Achieved 100% | 2 Measures 2 Achieved 100% | All performance targets met. |
| Community Services | 3 Measures 3 Achieved 100% | 3 Measures 2 Achieved 67% | All performance targets met. |
| Venues & Events | 2 Measures 2 Achieved 100% | 2 Measures 1 Achieved 50% | All performance targets met. |
| 8 Economic Growth | 3 Measures 2 Achieved 67% | 3 Measures 1 Achieved 33% | We did achieve positive GDP growth of 2.7% in the 2016-17 year which was second to Tauranga City of the comparative G9 regions; the positive aspects of population growth in the district continues to contribute to the social, environmental and economic aims of the community, being people and place development. |
| 9 Planning & Regulatory | | | |
| Policy & Monitoring | 1 Measures 0 Achieved 0% | 1 Measure 1 Achieved 100% | The performance measure was not achieved due to the statutory requirement to review the District Plan in a 10-year period. Council is undertaking a rolling review of the plan, which has not been completed within the 10-year period since the district plan became operative on 3 May 2017. All plan changes continue to be researched, proposed, consulted and reported on in accordance with the statutory requirements of the RMA. |
| Resource Consents | 2 Measures 2 Achieved 100% | 2 Measures 2 Achieved 100% | All performance targets met. |
| Building Compliance | 2 Measures 1 Achieved 50% | 2 Measures 1 Achieved 50% | Overall performance stabilized considerably this year. The industry has continued to see a sustained growth and this growth has been addressed with continuous improvements in systems and processes and increased utilization of new technology. The mobility technology for inspections has been successful and the E portal remains popular. |
| Regulatory Services | 3 Measures 1 Achieved 33% | 3 Measures 2 Achieved 67% | The drop in performance is across environmental health and compliance functions. An increase in workload due to the implementation of the Food Act 2014 has seen some verification schedules required by the Act not met. Likewise, an increasing workload relating to the monitoring of resource consent conditions meant that monitoring schedules were not met. In both areas staff resourcing reviews are underway with the aim of ensuring that performance measures are met. |

PART TWO
**OUR WORK IN
DETAIL**



ABOUT THIS SECTION

Whangarei District Council (Council) work is grouped into nine key activities in this 2016-17 Annual Report.

| ACTIVITY NUMBER | GROUP OF ACTIVITIES | ACTIVITY |
|-----------------|---|---|
| 1 |  Transportation | Transportation |
| 2 |  Water | Water |
| 3 |  Solid Waste | Solid Waste |
| 4 |  Wastewater | Wastewater |
| 5 |  Stormwater | Stormwater |
| 6 |  Flood Protection & Control Works | Hikurangi Swamp |
| 7 |  Community Facilities & Services |  Parks & Recreation |
| | |  Libraries |
| | |  Community Property |
| | |  Community Services |
| | |  Venues & Events |
| 8 |  Economic Growth | Economic Growth |
| 9 |  Planning & Regulatory Services |  Policy & Monitoring |
| | |  Resource Consents |
| | |  Building Compliance |
| | |  Regulatory Services |
| |  Support Services | |

Some information is also included about the support services provided to the rest of Council – enabling services such as information technology, human resources and financial management. The costs for these activities are apportioned over the nine significant activity areas.

INFORMATION IN THIS SECTION

The information provided about each of the nine activities includes:

- what we do
- identified effects on the community
- which community outcomes the activity primarily contributes to
- the key achievements of the reporting year
- levels of service (what Council provides and to what extent)
- the performance measures, targets and results for 2016-17 year (how you will be able to tell whether we have done what we said we would do – noting we provide comments where we have not achieved a set target, or the results require further explanation)
- where appropriate, an explanation of any variance in the operational and capital expenditure budgets from that planned.

For more detailed information on the performance measures, associated targets and background information on the levels of service, please refer to the relevant sections of the 2015-25 Long Term Plan (LTP).

OUR COMMUNITY OUTCOMES

All Council's work and activities are guided by five community outcomes – the set of aspirations or goals that the community told us are the most important for Whangarei.

Each activity contributes in some way to these community outcomes and the level to which each activity contributes to the following outcomes is indicated in this section.

EASY AND SAFE TO MOVE AROUND



There is a range of private and public transport options including walkways and cycleways. Our travel times are predictable and our transport network is well managed, safe and efficient.

A GROWING, RESILIENT ECONOMY



We have more successful businesses and more jobs. Skilled people are attracted to our district to work, live, play, visit and invest.

Our economy is vibrant and education and career opportunities match the region's needs.

CLEAN, HEALTHY AND VALUED ENVIRONMENT



As our district grows, our natural and created environment is protected, maintained and enhanced to reflect our Sense of Place, mauri and identity.

Our harbour, foreshore and waterways are clean and healthy.

VIBRANT AND HEALTHY COMMUNITIES



Our communities are safe, we have a strong sense of identity and belonging. We value and enhance our culture by working together to make a difference.

Our district is full of life, activities and opportunities. Young people feel they belong, our leaders are nurtured and communities and Māori assist in shaping the direction of 'our place'.

WELL MANAGED GROWTH



The city centre provides a strong heart for our district – it is vibrant and attractive, supporting the district's growth. We have a variety of connected public spaces that enhance how we live.

In our district existing settlements are consolidated and we ensure that new residential areas are sustainable. Our infrastructure is aligned to our growth and there is variety both in type and location of housing.

SERVICE DELIVERY

This report details 30 levels of service with 69 associated performance measures and targets.

Of these measures, 20 are obtained through surveying the general community or specifically targeted individuals (such as users of the libraries), to gauge their satisfaction with specific Council services. The annual Resident Satisfaction Survey is a telephone-based survey (using computer assisted telephone interviewing) conducted by independent market research company Versus Research Limited. The questions asked remain static throughout the first three years of the current Long Term Plan.

Interviewing is carried out over a two-week period. Respondents are selected at random with a sample size of 400 giving a maximum margin of error of +/- 4.8% at the 95% confidence interval. The survey records responses on a scale of one to 10, with results of five to 10 being an indicator of satisfaction.

The remaining measures are 'output' measures. Output measures are usually quantitative rather than qualitative in nature and these measures often provide a baseline for the community to gauge Council's performance. Examples include the length of walking/cycling tracks built each year, or the percentage of building consents processed within statutory time frames.

FUNDING IMPACT STATEMENTS

Movements in general rates, debt and reserves

General rates are allocated across all activities at the end of the year, with allocation significantly dependent on the operating position per activity before rates are allocated. This can vary from the budgeted allocation due to other movements in revenue and expenditure.

Debt in Council's Funding Impact Statement relates to the movement in total external debt between the last financial year and this financial year. It has been allocated between Transportation, Wastewater, Community Facilities and Services, Solid Waste and Flood Protection and Control Works. The remaining major infrastructure activities are funded via targeted rates. Movements in internal debt are allocated evenly between Transportation, Community Facilities and Services and are classified as an increase/(decrease) in reserves.

The movement in reserves relates to the net movement in operating surplus, capital funding and capital expenditure. This can vary from budgeted movement in reserves as other balances change.

SUMMARY FUNDING IMPACT STATEMENT FOR WHANGAREI DISTRICT COUNCIL

| | 2015-16 LTP \$000 | 2015-16 ANNUAL REPORT \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-----------------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | | |
| General rates, uniform annual general charge, rates penalties | 47,593 | 47,146 | 51,020 | 50,429 |
| Targeted rates | 36,357 | 37,156 | 37,316 | 38,564 |
| Subsidies and grants for operating purposes | 6,312 | 7,610 | 6,575 | 6,678 |
| Fees and charges | 18,319 | 19,624 | 20,073 | 22,058 |
| Interest and dividends from investments | 313 | 1,012 | 691 | 1,743 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 4,072 | 4,378 | 3,797 | 3,700 |
| Total Operating Funding | 112,966 | 116,926 | 119,472 | 123,172 |
| APPLICATIONS OF OPERATING FUNDING | | | | |
| Payments to staff and suppliers | 77,691 | 77,121 | 83,629 | 85,187 |
| Finance costs | 8,395 | 8,300 | 8,086 | 7,798 |
| Other operating funding applications | - | - | - | - |
| Total Applications of Operating Funding | 86,086 | 85,421 | 91,715 | 92,985 |
| Surplus / (Deficit) of Operating Funding | 26,880 | 31,505 | 27,757 | 30,187 |
| SOURCES OF CAPITAL FUNDING | | | | |
| Subsidies and grants for capital expenditure | 14,777 | 11,376 | 11,006 | 10,882 |
| Development and financial contributions | 2,120 | 4,627 | 3,000 | 6,912 |
| Increase / (decrease) in debt | (391) | 7,550 | 9,353 | 9,948 |
| Gross proceeds from sale of assets | - | 1,937 | - | 5,460 |
| Other dedicated capital funding | - | - | - | - |
| Lump sum contributions | - | 106 | 49 | 194 |
| Total Sources of Capital Funding | 16,506 | 25,596 | 23,408 | 33,396 |
| APPLICATIONS OF CAPITAL FUNDING | | | | |
| Capital expenditure | | | | |
| to meet additional demand | 10,671 | 8,616 | 4,182 | 1,616 |
| to improve levels of service | 19,290 | 13,870 | 11,316 | 7,153 |
| to replace existing assets | 28,635 | 22,864 | 36,496 | 29,819 |
| Increase / (decrease) in reserves | (15,210) | 11,751 | (829) | 24,995 |
| Increase / (decrease) of investments | - | - | - | - |
| Total Applications of Capital Funding | 43,386 | 57,101 | 51,165 | 63,583 |
| Surplus / (Deficit) of Capital Funding | (26,880) | (31,505) | (27,757) | (30,187) |
| Funding Balance | - | - | - | - |



1. TRANSPORTATION

WHAT WE DO

Transport is all about getting people and things around the place. Motor vehicles, public transport, freight vehicles, cyclists and pedestrians, residents, visitors and people travelling – use the transport network that Council provides.

Transportation is one of the most important functions we provide and is vital to the effectiveness and efficiency of our district. It benefits business and personal users and has a major influence on the overall shape of the community.

Our roading network:

- allows people and things to be moved from place to place
- provides access to properties
- caters for pedestrians and cyclists
- provides parking spaces
- enables community, commercial events and activities.

Providing an integrated, safe, responsive and sustainable land transport system is a fundamental requirement of every district council under the Local Government Act 2002. We are the road-controlling authority for our district and are responsible for planning, creating, operating, maintaining and rehabilitating all roads (except State Highways) in Whangarei, in a financially responsible manner.

IDENTIFIED EFFECTS ON THE COMMUNITY

Council is engaged in this activity because the provision of an integrated, safe, responsive and sustainable land transport system is a fundamental requirement of every local authority. The provision of a safe, reliable roading network ensures that our residents and visitors can move freely around the district in an efficient, safe manner. It also enables economic growth.

KEY ACHIEVEMENTS

In the 2016-17 year, we finished several traffic congestion projects. These included the 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. These projects provided much needed capacity and safety improvement to the north of the city. The bulk of the work on improvements to the Hospital Road / State Highway 14 intersection was completed, supporting access to and from the expanding hospital.

The Walking and Cycling Strategy programme continued. Stage one of the Kamo cycle track from Rust Ave to Manse Street began and we completed the plans for Stage two – enabling work to begin on this stage in 2017-18.

We continued our capital renewals programme, rehabilitating 8.33 km of sealed road and resealing 128.5 km of road. Capital renewals of footpaths saw improvements to Rathbone Street, new footpaths constructed on Russell Road, Argyle Street, Kiteone Road, Whareora Road, Rawhiti Street and Austin Road. Work with the NZTA continued to allow further improvements to the network, starting with the State Highway One / Tarewa Road intersection in 2017-18.

CONTRIBUTION TO COMMUNITY OUTCOMES



EASY AND SAFE TO MOVE AROUND

Transportation provides a roading and footpath network for commercial and residential purposes. Roads are built and maintained with a focus on the road user's safety.



GROWING RESILIENT ECONOMY

The primary transport network (roads) is the key support for the district's economic activities. This includes commercial use, private use to get to/ from local business, plus domestic and international visitors.



WELL MANAGED GROWTH

Growth is supported through appropriate planning mechanisms to ensure the provision of sufficient, appropriate transport networks for the existing and growth communities.

● High contribution ● Medium contribution

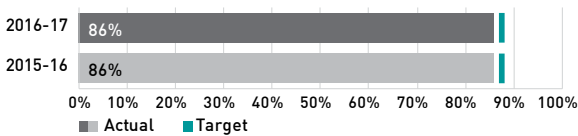
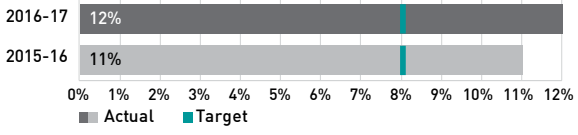
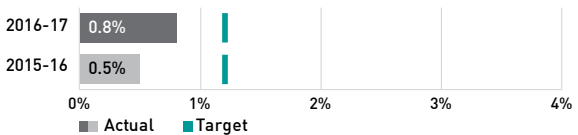
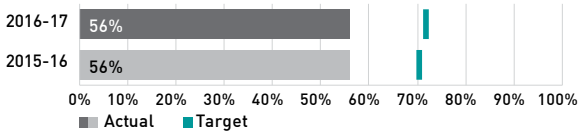
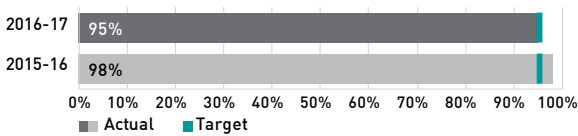
HOW WE PERFORMED

Levels of Service

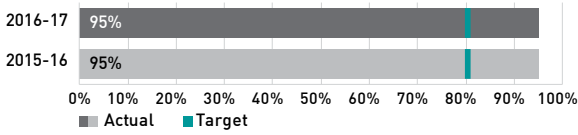
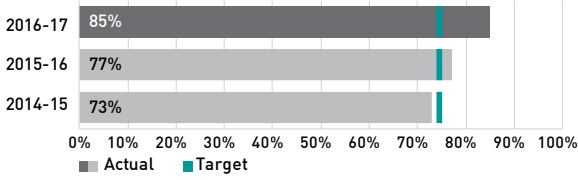
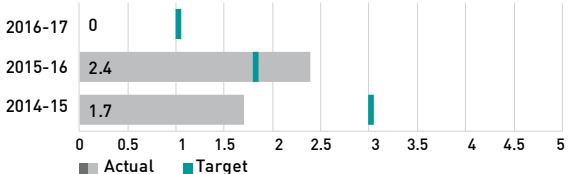
● Local Government Mandatory Performance Measure (MPM)

1.1 The district's roading network will be maintained in a satisfactory condition and in accordance with national safety and engineering standards.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|--|--------|--------|--------|---------|------|-----|---------|-------|-----|---------|------|-----|
| <p>1.1.1 Percentage of road accidents with contributing roading factors. (Target: less than 9%)</p> <p>ACHIEVED</p> <p>2016 has seen a marked reduction in the percentage of road crashes where roading was a contributing factor. This is still well above historical levels pre-2015. We will continue to monitor and work in this area to reduce the percentage.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>3.0%</td><td>9%</td></tr><tr><td>2015-16</td><td>6.5%</td><td>9%</td></tr><tr><td>2014-15</td><td>1.6%</td><td>9%</td></tr></table> | Year | Actual | Target | 2016-17 | 3.0% | 9% | 2015-16 | 6.5% | 9% | 2014-15 | 1.6% | 9% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 3.0% | 9% | | | | | | | | | | | |
| 2015-16 | 6.5% | 9% | | | | | | | | | | | |
| 2014-15 | 1.6% | 9% | | | | | | | | | | | |
| <p>1.1.2 The change from the previous financial year in the number of fatalities and serious injury crashes on local road network, expressed as a number. (Target: 0)</p> <p>ACHIEVED</p> <p>Road safety improvement works and road safety promotions have been targeted to our high-risk areas of speed, alcohol, young drivers, crashes on rural bends and urban intersections. Using an evidence based approach to target risk we have seen an improvement in this measure and subsequently the target being achieved.</p> <p>We will continue to work with our stakeholder organisations such as the NZTA, Road Safe Northland and the Police to assist us in finding ways to further reduce our serious and fatal crashes on our network.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>-6</td><td>0</td></tr><tr><td>2015-16</td><td>11</td><td>0</td></tr></table> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | Year | Actual | Target | 2016-17 | -6 | 0 | 2015-16 | 11 | 0 | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | -6 | 0 | | | | | | | | | | | |
| 2015-16 | 11 | 0 | | | | | | | | | | | |
| <p>1.1.3 Residents' satisfaction with the roading network. (Target: 61%)</p> <p>ACHIEVED</p> <p>This result combines the satisfaction levels of both sealed and unsealed roads per the annual Residents' Survey. The satisfaction with unsealed roads has increased from 48% in 2015-16 to 51% in 2016-17, but is still down from 54% in 2014-15, which makes up 50% of this measure. The satisfaction with sealed roads has increased from 69% in 2015-16 to 77% in 2016-17. The main reasons for dissatisfaction with unsealed roads were that roads were not maintained properly and the presence of potholes. There has been no change in the level of service on the unsealed roads over the course of the year, although the increased effort in road reseals and rehabilitation over recent years may have contributed to the increase in sealed road satisfaction.</p> <p>Note: Prior year comparatives include 'don't knows' in the calculations whereas this years doesn't.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>71%</td><td>61%</td></tr><tr><td>2015-16</td><td>58.5%</td><td>61%</td></tr><tr><td>2014-15</td><td>61%</td><td>61%</td></tr></table> | Year | Actual | Target | 2016-17 | 71% | 61% | 2015-16 | 58.5% | 61% | 2014-15 | 61% | 61% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 71% | 61% | | | | | | | | | | | |
| 2015-16 | 58.5% | 61% | | | | | | | | | | | |
| 2014-15 | 61% | 61% | | | | | | | | | | | |

| PERFORMANCE MEASURE | RESULT |
|---|---|
| <p>1.1.4 The average quality of ride on a sealed local road network, measured by smooth travel exposure. (Target: 87%)</p> <p>NOT ACHIEVED</p> <p>This result remains unchanged from last year. This indicates the smooth travel of the network is being maintained with no marked deterioration in the quality of ride for the customer. This also indicates that the funding over the last two years has been targeted in the right areas and that the level of investment is only enough to maintain current service standard and not bring this back to the service target.</p> |  <p>2016-17 86%</p> <p>2015-16 86%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |
| <p>1.1.5 The percentage of the sealed local road network that is resurfaced. (Target: 8%)</p> <p>ACHIEVED</p> <p>As noted last year the backlog continues to be cleared. The forward work programme shows a total reduction in length to be resurfaced over the next three years which will start to match the steady state target of 8% per annum.</p> |  <p>2016-17 12%</p> <p>2015-16 11%</p> <p>0% 1% 2% 3% 4% 5% 6% 7% 8% 9% 10% 11% 12%</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |
| <p>1.1.6 The percentage of the sealed local road network that is rehabilitated. (Target: 1.2%)</p> <p>NOT ACHIEVED</p> <p>This year saw an expensive urban project, rural works with significant portions slip repairs resulting in more expensive rehabilitations that reduced the amount of rehabilitations undertaken. The deferral of one major project contributed to the failure to meet the 1.2% target.</p> |  <p>2016-17 0.8%</p> <p>2015-16 0.5%</p> <p>0% 1% 2% 3% 4%</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |
| <p>1.1.7 The average quality of ride on the unsealed local road network, measured by the % of road as smooth travel. (Target: 75%)</p> <p>NOT ACHIEVED</p> <p>This result has remained constant with no improvements from previous years. This is an area we are targeting for improvements with the development of the unsealed road strategy.</p> |  <p>2016-17 56%</p> <p>2015-16 56%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |
| <p>1.1.8 The percentage of customer service requests relating to roads and footpaths to which Council responds within the time frame specified in the LTP (15 Days). (Target: 95%)</p> <p>ACHIEVED</p> <p>Council has seen significant increases in CRM's in certain months going from the average of 400 to 700. We have also seen a significant increase in the safety related CRM's. We will continue to monitor this and investigate options to deal with the increase in work load to bring this measure back on target.</p> |  <p>2016-17 95%</p> <p>2015-16 98%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |

1.2 We will support alternative transport methods.

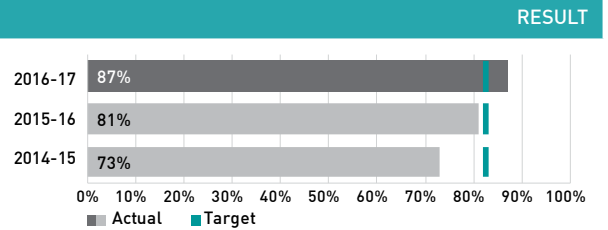
| PERFORMANCE MEASURE | RESULT |
|---|---|
| <p>1.2.1 The percentage of footpaths within the district that fall within the level of service or service standard for the condition of footpaths set out in Council's relevant document (such as its annual plan, activity management plan, asset management plan, annual works programme or LTP). (Target: ≥ 80% in fair or better condition)</p> <p>ACHIEVED</p> <p>Improvements to the footpaths have continued into 2016-17 which has resulted in a high percentage of footpath remaining in good condition.</p> |  <p>2016-17 95%</p> <p>2015-16 95%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |
| <p>1.2.2 Residents' satisfaction with footpaths in the urban area. (Target: 74%)</p> <p>ACHIEVED</p> <p>Continued focus on trip hazard management and renewal of footpaths in poor to very poor conditions has improved satisfaction. Council also allocated \$440,000 to new footpath construction during the past year.</p> |  <p>2016-17 85%</p> <p>2015-16 77%</p> <p>2014-15 73%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> |
| <p>1.2.3 Length (km) of walking and cycling dedicated network built each year. (Target: 1.8km)</p> <p>NOT ACHIEVED</p> <p>2016-17 saw the design and approvals for Kamo route Stage one and two but the complexity surrounding the rail crossings, land requirements and approvals needed delayed the start of this project until June 2017.</p> |  <p>2016-17 0</p> <p>2015-16 2.4</p> <p>2014-15 1.7</p> <p>0 0.5 1 1.5 2 2.5 3 3.5 4 4.5 5</p> <p>■ Actual ■ Target</p> |

PERFORMANCE MEASURE

1.2.4 Residents' satisfaction with street lighting in urban areas.
(Target: 82%)

ACHIEVED

There has been a significant increase in resident satisfaction with street lighting in the district over the last year indicating that we are attending to public concerns and that the target set should be achieved in due course. There are several factors that led to an increase in satisfaction, including the gradual replacement of old lighting technology with LED, improving brightness and reducing outages. Increased focus on our contractors' customer service and responsiveness all positively received.



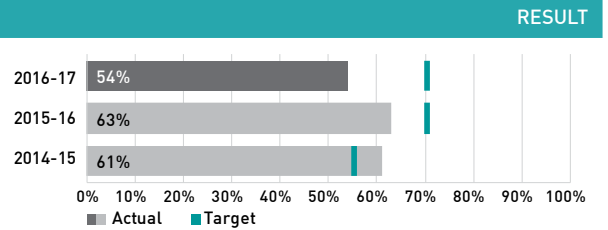
1.3 Travel times in and around the network will be predictable and disruptions to the network will be well managed and communicated.

PERFORMANCE MEASURE

1.3.1 Residents' satisfaction with the way the district is managing its morning and evening traffic flows.
(Target: 70%)

NOT ACHIEVED

During the past year three major roading projects have been undertaken simultaneously on the Whangarei roading network causing significant peak time congestion on the town's major roads. Council's project on Mill and Kamo roads was completed in December 2016 – providing a significant improvement to traffic flows at that location. Completion of the Kensington roundabout on SH1 was delayed six months to June 2017 and combined with new traffic signals at the Hospital Rd / SH14 intersection constructed over the same period to cause significant peak traffic congestion throughout the town. Both projects are now completed and we anticipate performance against this measure will continue to improve.



WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | 14,074 | 14,509 | 14,160 |
| Targeted rates | 55 | 39 | 34 |
| Subsidies and grants for operating purposes | 6,254 | 6,351 | 6,550 |
| Fees and charges | 1,789 | 1,791 | 2,585 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 2,426 | 2,471 | 3,281 |
| Total Operating Funding | 24,598 | 25,161 | 26,610 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 14,341 | 15,014 | 17,441 |
| Finance costs | 3,936 | 4,075 | 3,858 |
| Internal charges and overheads applied | 1,177 | 1,292 | 1,222 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 19,454 | 20,381 | 22,521 |
| Surplus / (Deficit) of Operating Funding | 5,144 | 4,780 | 4,089 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | 14,777 | 12,737 | 10,881 |
| Development and financial contributions | 815 | 822 | 3,039 |
| Increase / (decrease) in debt | 643 | (1,365) | 4,540 |
| Gross proceeds from sale of assets | - | 5,250 | 716 |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | 10 |
| Total Sources of Capital Funding | 16,235 | 17,444 | 19,186 |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | 8,130 | 1,938 | - |
| to improve levels of service | 6,977 | 5,198 | 1,478 |
| to replace existing assets | 10,704 | 14,326 | 18,825 |
| Increase / (decrease) in reserves | (4,432) | 762 | 2,972 |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 21,379 | 22,224 | 23,275 |
| Surplus / (Deficit) of Capital Funding | (5,144) | (4,780) | (4,089) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS:

Payments to staff and suppliers are unfavourable due to flood damage, costs of the Northland Transport Alliance which was established this year, and operational costs budgeted as part of capital projects.

CAPITAL VARIANCE EXPLANATIONS:

Subsidies and grants for capital expenditure are unfavourable against LTP due to the HPMV bridge strengthening project that did not go ahead. Total capital expenditure is also favourable due to this project. Gross proceeds from sale of assets is unfavourable due to the sale of Old Boys not going through.



2. WATER

WHAT WE DO

We provide fresh, clean, healthy water to about 80% of the people in our district via a network of treatment plants, reservoirs, pump stations and pipelines. Our water consistently meets or exceeds to Ministry of Health standards. The water supply provides water for households to drink and use and it plays an important role in many industrial, commercial and some agricultural businesses. Water is freely available to fight fires within the extent of our network. For those who on tank supplies, our treated water can be purchased and delivered by tanker.

IDENTIFIED EFFECTS ON THE COMMUNITY

The water activity provides for adequate supply of safe, clean, potable water as needed by the community, with the key driver being health and wellbeing. Water is also provided for fire-fighting purposes within reticulated areas and is available to those with alternate supplies during times of drought via water tankers.

Various statutes set out Council's responsibilities for water supply. These include the Local Government Act 2002, the Resource Management Act 1991 and the Health Act 1956.

KEY ACHIEVEMENTS

Water Services continued to produce A Grade water from all seven of the district's water treatment plants. All plants have both chlorine and ultra violet (UV) disinfection to ensure full compliance with the New Zealand Drinking Water Standards.

Progress towards developing a new water treatment plant at Whau Valley to replace the existing plant built in the 1950s, saw land purchased and a designated, professional services contract for the preliminary design. A pilot plant was constructed at the old plant to trial the proposed treatment process. The trial's results are expected later in 2017. Construction is planned to start towards the end of 2018.

Asset renewal projects completed during the year included replacing the water mains in Rathbone Street and Argyle Street. Nearly 1000 water meters were renewed as part of our ongoing meter replacement programme.

We have also completed reviews of our Water Safety Plans and updated our ISO manual to comply with the new ISO 9001:2015 standard.

CONTRIBUTION TO COMMUNITY OUTCOMES



A GROWING, RESILIENT ECONOMY

The water activity provides water to the district – supporting commercial, industrial and agricultural activities. The supply of water is managed and planned in such a way that it can continue in times of drought and emergencies.



VIBRANT AND HEALTHY COMMUNITIES

The provision of clean, potable water is fundamental to healthy communities.



WELL MANAGED GROWTH

Growth is supported through appropriate planning mechanisms to ensure the provision of sufficient, appropriate water supplies for the existing and growth communities.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

Local Government Mandatory Performance Measure (MPM)

2.1 Council will provide safe drinking water with adequate pressure to the residents of the district connected to the water supply system.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|--|------------|--------|--------|---------|---------|------------|---------|---------|------------|---------|------------|------------|
| <p>2.1.1 Whangarei district's water quality will comply with the Ministry of Health's Drinking Water Standard for New Zealand requirements for bacterial monitoring. (Target: 100%)</p> <p>NOT ACHIEVED</p> <p>One positive E. coli sample in Bream Bay, Chlorine residual reading high. Three consecutive days of clear samples.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>98.8%</td><td>100%</td></tr><tr><td>2015-16</td><td>100%</td><td>100%</td></tr><tr><td>2014-15</td><td>100%</td><td>100%</td></tr></table> | Year | Actual | Target | 2016-17 | 98.8% | 100% | 2015-16 | 100% | 100% | 2014-15 | 100% | 100% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 98.8% | 100% | | | | | | | | | | | |
| 2015-16 | 100% | 100% | | | | | | | | | | | |
| 2014-15 | 100% | 100% | | | | | | | | | | | |
| <p>2.1.2 The extent to which Council's drinking water supply complies with: (a) part 4 of the drinking water standards (bacteria compliance criteria); and (b) part 5 of the drinking water standards (protozoal compliance criteria). (Target: 100%)</p> <p>NOT ACHIEVED</p> <p>One positive E. coli sample in Bream Bay, Chlorine residual reading high. Three consecutive days of clear samples.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>0%</td><td>100%</td></tr><tr><td>2015-16</td><td>100%</td><td>100%</td></tr><tr><td>2014-15</td><td>No results</td><td>No results</td></tr></table> <p>New measure in 2015-16. No results held for 2014-15.</p> | Year | Actual | Target | 2016-17 | 0% | 100% | 2015-16 | 100% | 100% | 2014-15 | No results | No results |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 0% | 100% | | | | | | | | | | | |
| 2015-16 | 100% | 100% | | | | | | | | | | | |
| 2014-15 | No results | No results | | | | | | | | | | | |
| <p>2.1.3 Residents' satisfaction with the water supply. (Target: 95%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>97%</td><td>95%</td></tr><tr><td>2015-16</td><td>98%</td><td>95%</td></tr><tr><td>2014-15</td><td>98%</td><td>95%</td></tr></table> | Year | Actual | Target | 2016-17 | 97% | 95% | 2015-16 | 98% | 95% | 2014-15 | 98% | 95% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 97% | 95% | | | | | | | | | | | |
| 2015-16 | 98% | 95% | | | | | | | | | | | |
| 2014-15 | 98% | 95% | | | | | | | | | | | |
| <p>2.1.4 The total number of complaints received by Council about any of the following: (a) drinking water clarity (b) drinking water taste (c) drinking water odour (d) drinking water pressure or flow (e) continuity of supply; and (f) Council's response to any of these issues expressed per 1000 connections to Council's networked reticulation system. (Target: less than 17)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>12</td><td>< 17</td></tr><tr><td>2015-16</td><td>13</td><td>< 17</td></tr><tr><td>2014-15</td><td>No results</td><td>No results</td></tr></table> <p>New measure in 2015-16. No results held for 2014-15.</p> | Year | Actual | Target | 2016-17 | 12 | < 17 | 2015-16 | 13 | < 17 | 2014-15 | No results | No results |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 12 | < 17 | | | | | | | | | | | |
| 2015-16 | 13 | < 17 | | | | | | | | | | | |
| 2014-15 | No results | No results | | | | | | | | | | | |
| <p>2.1.5 The number of water main breaks per 100km of pipe per year will not increase beyond the benchmarked figure set. (Target: less than 30)</p> <p>NOT ACHIEVED</p> <p>A dry summer causing more ground movement than normal and aging infrastructure combined to see a slight increase in mains breaks.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>32.4</td><td>< 30</td></tr><tr><td>2015-16</td><td>29.2</td><td>< 30</td></tr><tr><td>2014-15</td><td>27</td><td>< 30</td></tr></table> | Year | Actual | Target | 2016-17 | 32.4 | < 30 | 2015-16 | 29.2 | < 30 | 2014-15 | 27 | < 30 |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 32.4 | < 30 | | | | | | | | | | | |
| 2015-16 | 29.2 | < 30 | | | | | | | | | | | |
| 2014-15 | 27 | < 30 | | | | | | | | | | | |
| <p>2.1.6 Where Council attends a callout in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:</p> <p>(a) attendance for urgent callouts: from the time Council received notification to the time service personnel reach the site. (Target: less than 60 minutes)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>26</td><td>< 60</td></tr><tr><td>2015-16</td><td>21</td><td>< 60</td></tr><tr><td>2014-15</td><td>No results</td><td>No results</td></tr></table> <p>New measure in 2015-16. No results held for 2014-15.</p> | Year | Actual | Target | 2016-17 | 26 | < 60 | 2015-16 | 21 | < 60 | 2014-15 | No results | No results |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 26 | < 60 | | | | | | | | | | | |
| 2015-16 | 21 | < 60 | | | | | | | | | | | |
| 2014-15 | No results | No results | | | | | | | | | | | |
| <p>(b) resolution of urgent callouts: from the time Council received notification to the time that service personnel confirm resolution of the fault or interruption. (Target: less than four hours)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>63 mins</td><td>< 240 mins</td></tr><tr><td>2015-16</td><td>56 mins</td><td>< 240 mins</td></tr></table> <p>New measure in 2015-16. No results held for 2014-15.</p> | Year | Actual | Target | 2016-17 | 63 mins | < 240 mins | 2015-16 | 56 mins | < 240 mins | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 63 mins | < 240 mins | | | | | | | | | | | |
| 2015-16 | 56 mins | < 240 mins | | | | | | | | | | | |

| PERFORMANCE MEASURE | RESULT |
|---|--|
| <p>(c) attendance for non-urgent callouts from the time that Council receives notification to the time that service personnel reach the site. (Target: less than 12 hours)</p> <p>ACHIEVED</p> | <p>2016-17 120 mins</p> <p>2015-16 134 mins</p> <p>0 2 4 6 8 10 12 14</p> <p>■ Actual ■ Target</p> <p>New measure in 2015-16. No results held for 2014-15.</p> |
| <p>(d) resolution of non-urgent callouts: from the time that Council receives notification to the time that service personnel confirm resolution of the fault or interruption. (Target: less than 24 hours)</p> <p>ACHIEVED</p> | <p>2016-17 60 mins</p> <p>2015-16 54 mins</p> <p>0 5 10 15 20 25</p> <p>■ Actual ■ Target</p> <p>New measure in 2015-16. No results held for 2014-15.</p> |

2.2 Water supply is managed in a sustainable manner and in times of emergency there is adequate water supply available.

| PERFORMANCE MEASURE | RESULT |
|---|---|
| <p>2.2.1 The amount of raw water available as a percentage of predicted demand during drought conditions. (Target: 83%)</p> <p>ACHIEVED</p> | <p>2016-17 95%</p> <p>2015-16 95%</p> <p>2014-15 91%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> |
| <p>2.2.2 The percentage of real water loss from Council's networked reticulation system. (Target: less than 25%)</p> <p>ACHIEVED</p> | <p>2016-17 20%</p> <p>2015-16 21%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> <p>New measure in 2015-16. No results held for 2014-15.</p> |
| <p>2.2.3 The average consumption of drinking water per day per resident within the Whangarei district. (Target: less than 500 litres)</p> <p>ACHIEVED</p> | <p>2016-17 446</p> <p>2015-16 405</p> <p>0 100 200 300 400 500 600</p> <p>■ Actual ■ Target</p> <p>New measure in 2015-16. No results held for 2014-15.</p> |

WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | - | - | - |
| Targeted rates | 13,060 | 13,461 | 14,604 |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 297 | 328 | 409 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 730 | 824 | 1,057 |
| Total Operating Funding | 14,087 | 14,613 | 16,070 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 5,659 | 6,008 | 5,932 |
| Finance costs | - | - | - |
| Internal charges and overheads applied | 2,127 | 2,290 | 2,404 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 7,786 | 8,298 | 8,336 |
| Surplus / (Deficit) of Operating Funding | 6,301 | 6,315 | 7,734 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | 548 | 553 | 1,953 |
| Increase / (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | 548 | 553 | 1,953 |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | 200 | - | 1,238 |
| to improve levels of service | - | - | 172 |
| to replace existing assets | 6,090 | 8,530 | 1,585 |
| Increase / (decrease) in reserves | 559 | (1,662) | 6,692 |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 6,849 | 6,868 | 9,687 |
| Surplus / (Deficit) of Capital Funding | (6,301) | (6,315) | (7,734) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS:

Targeted rates are higher than budget due to increased water consumption.

CAPITAL VARIANCE EXPLANATIONS:

Total capital expenditure is favourable against LTP, primarily due to delays in the Whau Valley Water Treatment Plant Upgrade project.



3. SOLID WASTE

WHAT WE DO

We provide the systems for collecting, processing, disposing of and recycling solid waste. Our aim is to do this in a way that, will reduce the amount of waste we are required to process over time. This helps to maintain public health, safety and the environment.

IDENTIFIED EFFECTS ON THE COMMUNITY

The aim of the Solid Waste activity is to ensure the sanitary, safe collection and disposal of recycling and solid waste to protect the community and our environment.

Various statutes set out Council's responsibilities for solid waste management, including the Waste Minimisation Act 2008 and the Local Government Act 2002 and its amendments. Because landfills generate methane, we are also required to meet the requirements of the New Zealand Emissions Trading Scheme (ETS) as part of the fight to minimise global warming.

Operators of waste disposal facilities producing greenhouse gas must account for the emissions that result directly or indirectly from their activities. Council adopted its Solid Waste Management Plan in 2007 and the plan forms the basis for ongoing waste management strategies and operation.

KEY ACHIEVEMENT

Northland Regional Landfill Limited Partnership (NRLLP), a 50:50 partnership between Council and Northland Waste Limited, had another successful year. Good trading results were achieved and distributions made to partners.

Waste diversion initiatives continue to have good results at the district's main transfer station, ReSort. Stage two of the landfill was filled and we commenced filling stage three, with the design of stage four underway. Tonnages to landfill are influenced by population growth and increased economic activity in Northland and North Auckland, so development work is based on demand.

There were no major changes to rubbish and recycling collection. Customer satisfaction with these improved, while satisfaction with litter collections remained the same. Health and Safety systems were reviewed regularly to ensure continuous improvement. Transfer stations operated well. Regular summer and winter operating hours were adopted.

EcoSolutions continued delivering waste minimisation lessons to school children and supported schools' waste minimisation programmes.

Recycling tonnage has increased significantly this year, a strong indication that attitudes towards recycling and waste continue to improve. The consultation phase of the Waste Management and Minimisation Plan was completed and the finalised will be adopted by Council by the end of 2017. Further investigations into landfill gas management at Pohe Island have been completed and peer reviewed and the plan will be implemented in 2017-18.

CONTRIBUTION TO COMMUNITY OUTCOMES



CLEAN, HEALTHY AND VALUED ENVIRONMENT

Reliable collection and cleaning minimises effects on the physical environment from pollution and with recycling services, excess waste to landfill is limited.



VIBRANT AND HEALTHY COMMUNITIES

A clean environment contributes to district pride and the wellbeing of its residents and visitors.



WELL MANAGED GROWTH

Growth is supported through appropriate planning mechanisms to ensure the provision of sufficient, appropriate solid waste collection and disposal plus recycling systems for the existing and growth communities.

● High contribution ● Medium contribution

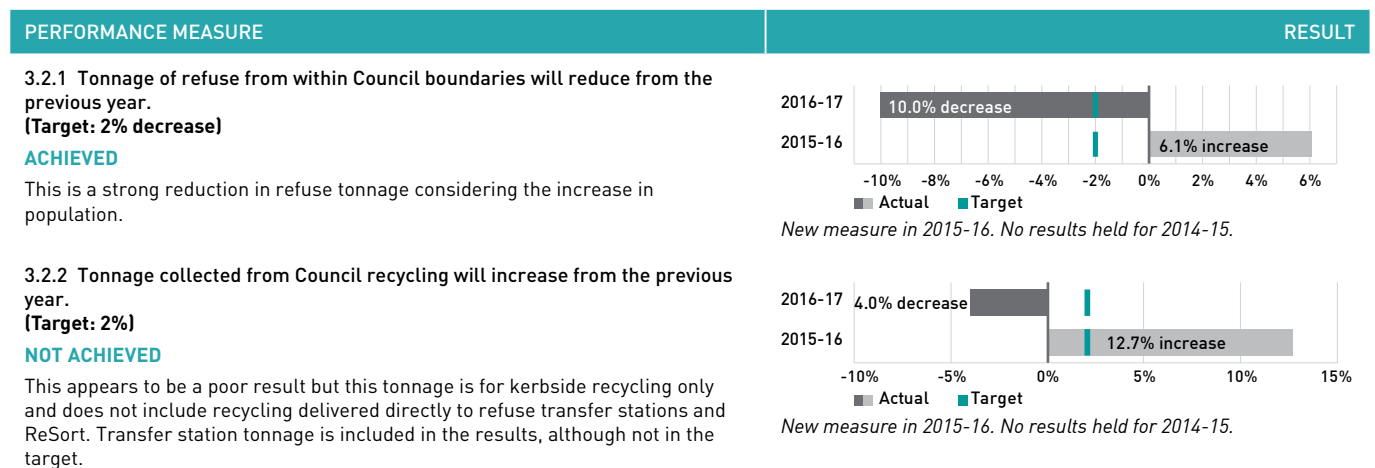
HOW WE PERFORMED

Levels of Service

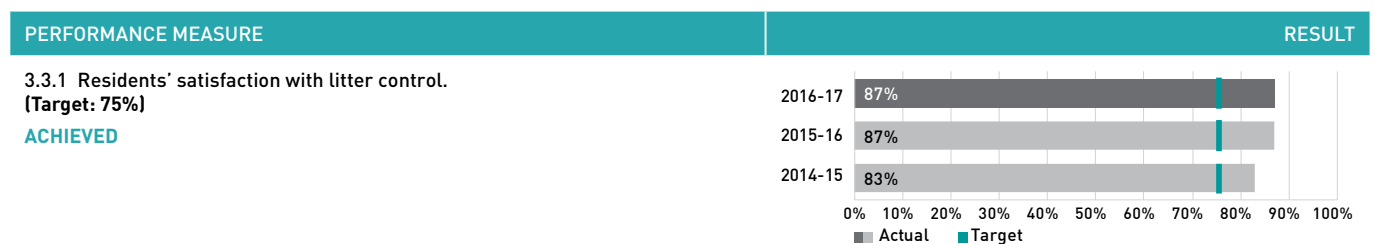
3.1 Council will provide kerbside refuse and recycling collection services to all properties in the district and transfer stations will be operated throughout the district.



3.2 Council will foster waste minimisation by supporting recycling and waste reduction practices so that a continued reduction in refuse sent to landfill occurs.



3.3 Council will provide and empty public rubbish bins and undertake litter control throughout public places in the district.



WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | - | - | - |
| Targeted rates | 5,881 | 6,256 | 6,278 |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 3,085 | 3,171 | 3,140 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 5 | 5 | 64 |
| Total Operating Funding | 8,971 | 9,432 | 9,482 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 6,043 | 6,286 | 6,164 |
| Finance costs | 678 | 615 | 401 |
| Internal charges and overheads applied | 283 | 310 | 293 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 7,004 | 7,211 | 6,858 |
| Surplus / (Deficit) of Operating Funding | 1,967 | 2,221 | 2,624 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | 17 |
| Increase / (decrease) in debt | (1,685) | (1,943) | (2,611) |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | (1,685) | (1,943) | (2,594) |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | - | - | - |
| to improve levels of service | 761 | 278 | - |
| to replace existing assets | - | - | 30 |
| Increase / (decrease) in reserves | (479) | - | - |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 282 | 278 | 30 |
| Surplus / (Deficit) of Capital Funding | (1,967) | (2,221) | (2,624) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS

No material variances.

CAPITAL VARIANCE EXPLANATIONS

No material variances.



4. WASTEWATER

WHAT WE DO

Wastewater management is all about keeping our district safe, healthy and clean.

Collectively, our population produces an enormous amount of wastewater every year. Our job is to develop and manage the systems to collect this wastewater and treat and dispose of it in a way that meets a range of legal standards. This protects the health and wellbeing of our communities and the environment.

Our wastewater network (sewerage system) comprises nine wastewater systems and treatment plants, processing wastewater from over 23,000 connections across the district.

We also provide a network of 64 public toilets which contribute to the health of visitors and tourists as well as the local community.

IDENTIFIED EFFECTS ON THE COMMUNITY

The Wastewater activity ensures the collection, treatment and disposal of wastewater to ensure public safety across the district. The provision of effective wastewater services enables communities to function in a healthy environment while at the same time disposing of wastewater in an environmentally sustainable way.

Various statutes set out Council's responsibilities for wastewater management. These include the Local Government Act 2002, Resource Management Act 1991 and the Health Act 1956. The authority for Council to discharge treated effluent from treatment plants is subject to resource consents granted by the Northland Regional Council. The legal authority for Council to be involved in the provision of wastewater systems and ownership of assets is contained in the Local Government Act 2002 and its amendments.

KEY ACHIEVEMENTS

Stage One of the Hikurangi Wastewater scheme renewal was due to be completed in August 2017. Work includes building two new pump stations and two kilometres of rising mains and gravity lines. Stages Two and Three will focus on replacing or renewing damaged sections of the gravity sewer reticulation system in 2018-20.

The tender to construct the Tarewa Sewage Overflow Tank was awarded and construction will commence in spring.

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

A biogas generator was installed at Kioreroa Rd wastewater treatment plant and produces up to 80 kilowatts of electricity from waste methane produced during the sludge digestion process. This gas was burnt (flared) in the past.

Two new public toilets were built, one at the Ruakaka Skateboard Park and the other at the Parihaka carpark.

CONTRIBUTION TO COMMUNITY OUTCOMES



CLEAN, HEALTHY AND VALUED ENVIRONMENT

By treating wastewater to agreed standards, discharges from wastewater treatment plants have no detrimental environmental impact.



VIBRANT AND HEALTHY COMMUNITIES

Appropriate collection, treatment and disposal of sewage assists our community to be healthy, by avoiding exposure to potential health risks.



WELL MANAGED GROWTH

Growth is supported through appropriate planning mechanisms, to ensure the provision of sufficient and appropriate wastewater systems for current and future communities.

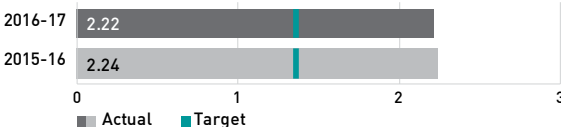
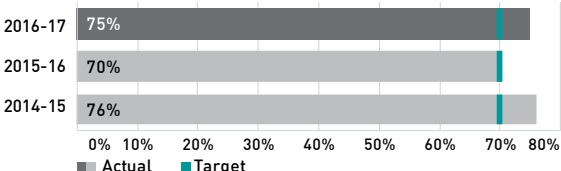
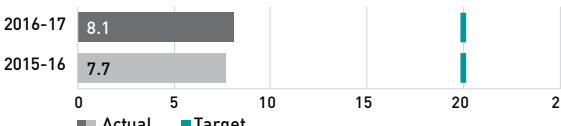
● High contribution ● Medium contribution

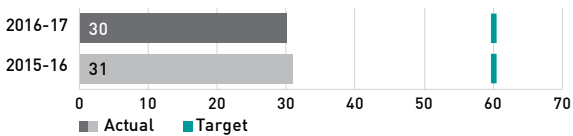

HOW WE PERFORMED

Levels of Service

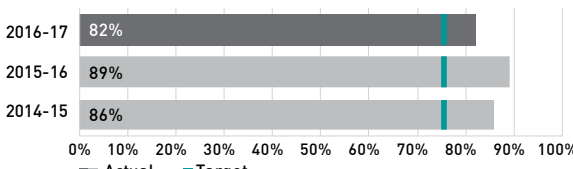
● Local Government Mandatory Performance Measure (MPM)

4.1 Council will collect, treat and dispose of wastewater through a reliable wastewater network which is managed to ensure blockages, breaks or spillages are kept to a minimum.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|---|---|--------|--------|--------|---------|------|------|---------|------|------|---------|-----|-----|
| <p>4.1.1 Compliance resource consents for discharge from Council’s sewerage system measured by the number of:</p> <p>(a) abatement notices</p> <p>(b) infringement notices</p> <p>(c) enforcement orders</p> <p>(d) convictions</p> <p>(Target: 0)</p> <p>ACHIEVED</p> | <p>0 notices or convictions (2015-16: 0)</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | | | | | | | | | | | | |
| <p>4.1.2 The number of dry weather sewerage overflows from Council’s sewerage system, expressed per 1000 sewerage connections to that sewerage system.</p> <p>(Target: less than 1.35)</p> <p>NOT ACHIEVED</p> <p>Similarly to last year, the performance for this year was good, but we did not achieve this new performance measure and we will be reviewing future targets to reflect a more appropriate target level.</p> |  <table><thead><tr><th>Year</th><th>Actual</th><th>Target</th></tr></thead><tbody><tr><td>2016-17</td><td>2.22</td><td>1.35</td></tr><tr><td>2015-16</td><td>2.24</td><td>1.35</td></tr></tbody></table> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | Year | Actual | Target | 2016-17 | 2.22 | 1.35 | 2015-16 | 2.24 | 1.35 | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 2.22 | 1.35 | | | | | | | | | | | |
| 2015-16 | 2.24 | 1.35 | | | | | | | | | | | |
| <p>4.1.3 Residents’ satisfaction with sewerage reticulation, treatment and disposal services.</p> <p>(Target: 70%)</p> <p>ACHIEVED</p> |  <table><thead><tr><th>Year</th><th>Actual</th><th>Target</th></tr></thead><tbody><tr><td>2016-17</td><td>75%</td><td>70%</td></tr><tr><td>2015-16</td><td>70%</td><td>70%</td></tr><tr><td>2014-15</td><td>76%</td><td>70%</td></tr></tbody></table> | Year | Actual | Target | 2016-17 | 75% | 70% | 2015-16 | 70% | 70% | 2014-15 | 76% | 70% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 75% | 70% | | | | | | | | | | | |
| 2015-16 | 70% | 70% | | | | | | | | | | | |
| 2014-15 | 76% | 70% | | | | | | | | | | | |
| <p>4.1.4 The number of complaints received by Council about any of the following:</p> <p>(a) sewage odour</p> <p>(b) sewerage system faults</p> <p>(c) sewerage system blockages; and</p> <p>(d) Council’s response to issues with its sewerage system expressed per 1000 connections to Council’s sewerage system.</p> <p>(Target: less than 20)</p> <p>ACHIEVED</p> |  <table><thead><tr><th>Year</th><th>Actual</th><th>Target</th></tr></thead><tbody><tr><td>2016-17</td><td>8.1</td><td>20</td></tr><tr><td>2015-16</td><td>7.7</td><td>20</td></tr></tbody></table> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | Year | Actual | Target | 2016-17 | 8.1 | 20 | 2015-16 | 7.7 | 20 | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 8.1 | 20 | | | | | | | | | | | |
| 2015-16 | 7.7 | 20 | | | | | | | | | | | |

| PERFORMANCE MEASURE | RESULT |
|---|---|
| <p>4.1.5 Where Council attends to sewerage overflows resulting from a blockage or other fault in Council's sewerage system, the following median response times measured:</p> <p>(a) attendance time: from the time that Council receives notification to the time that service personnel reach the site (Target: less than 60 minutes) ACHIEVED</p> |  <p>2016-17 30 2015-16 31</p> <p>0 10 20 30 40 50 60 70</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |
| <p>(b) resolution time: from the time that Council receives notification to the time that services personnel confirm resolution of the blockage or other fault. (Target: less than seven hours) ACHIEVED</p> |  <p>2016-17 1.8 2015-16 1.5</p> <p>0 1 2 3 4 5 6 7 8</p> <p>■ Actual ■ Target</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> |

4.2 Council will provide well maintained and accessible public toilets in high use areas.

| PERFORMANCE MEASURE | RESULT |
|---|---|
| <p>4.2.1 Residents' satisfaction with public toilets. (Target: 75%) ACHIEVED</p> |  <p>2016-17 82% 2015-16 89% 2014-15 86%</p> <p>0% 10% 20% 30% 40% 50% 60% 70% 80% 90% 100%</p> <p>■ Actual ■ Target</p> |

WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | - | - | - |
| Targeted rates | 15,979 | 16,815 | 16,689 |
| Subsidies and grants for operating purposes | - | - | 60 |
| Fees and charges | 945 | 1,066 | 1,033 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 605 | 616 | 724 |
| Total Operating Funding | 17,529 | 18,497 | 18,506 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 5,026 | 5,306 | 6,113 |
| Finance costs | 1,828 | 1,901 | 1,169 |
| Internal charges and overheads applied | 1,251 | 1,369 | 1,211 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 8,105 | 8,576 | 8,493 |
| Surplus / (Deficit) of Operating Funding | 9,424 | 9,921 | 10,013 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | 654 | 660 | 1,163 |
| Increase / (decrease) in debt | [4,658] | [682] | 1,726 |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | 184 |
| Total Sources of Capital Funding | [4,004] | [22] | 3,073 |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | 1,492 | 41 | - |
| to improve levels of service | 2,989 | 349 | 1,557 |
| to replace existing assets | 3,222 | 9,577 | 3,336 |
| Increase / (decrease) in reserves | [2,283] | [68] | 8,193 |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 5,420 | 9,899 | 13,086 |
| Surplus / (Deficit) of Capital Funding | [9,424] | [9,921] | [10,013] |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS:

No material variances.

CAPITAL VARIANCE EXPLANATIONS:

Development and financial contributions are favourable against LTP due to increased subdivision activity. Total capital expenditure is favourable against LTP due to delays in budgeted capital works.



5. STORMWATER

WHAT WE DO

Rainfall varies widely in our district and through the seasons, creating flood and drought conditions. We provide stormwater drainage systems that drain water from public and private property to minimise flooding and the harm it does to people and to property.

We manage the city's 11 major stormwater catchments and those in 17 smaller settlements.

Part of our job is also to predict and cater for growth and other community concerns, so to help with this we develop Catchment Management Plans (CMPs). Although much of our work focuses on flood protection, managing stormwater quality is becoming a closer focus for our work.

IDENTIFIED EFFECTS ON THE COMMUNITY

Effective stormwater disposal ensures the safety and protection of people and property during wet weather events, ensuring runoff and surface flooding is effectively and efficiently dealt with.

Various statutes set out Council's responsibilities for stormwater management, including the Local Government Act 2002, the Resource Management Act 1991 and the Health Act 1956. A territorial authority may provide all drainage works necessary for the efficient drainage of the district. However, a territorial authority is not obligated to construct stormwater reticulation systems unless specifically directed under the Health Act.

KEY ACHIEVEMENTS

A topographical and condition survey of stormwater network in Morningside catchment was completed this year and will be used to improve the stormwater infrastructure in the area in future.

Plans are underway to include modifications to the Teal Bay stormwater system to reduce flooding. This project will be included in the 2018-28 LTP.

CONTRIBUTION TO COMMUNITY OUTCOMES



GROWING RESILIENT ECONOMY

Effective stormwater infrastructure allows the district's economic activities to continue to operate in all but extreme storm events.



CLEAN, HEALTHY AND VALUED ENVIRONMENT

Environmental impacts of stormwater runoff are managed through resource consents and impacts of development are mitigated through Catchment Management Plans and Environmental Engineering Standards.



VIBRANT AND HEALTHY COMMUNITIES

Effective stormwater infrastructure reduces the risk of health issues arising from ponding water and flooding.



WELL MANAGED GROWTH

Growth is supported through appropriate planning mechanisms to ensure the provision of sufficient and appropriate stormwater systems for the existing and growth communities.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

Local Government Mandatory Performance Measure (MPM)

5.1 Council will provide a stormwater network that minimises flood risks and environmental impacts.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|--|--------|--------|--------|---------|-----|------|---------|-----|------|---------|-----|-----|
| <p>5.1.1 Compliance with Council’s resource consents for discharge from the stormwater system, measured by the number of:</p> <p>(a) abatement notices</p> <p>(b) infringement notices</p> <p>(c) enforcement orders</p> <p>(d) convictions</p> <p>(Target: 0)</p> <p>ACHIEVED</p> | <p>0 notices or convictions (2015-16: 0)</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | | | | | | | | | | | | |
| <p>5.1.2 Residents’ satisfaction with stormwater drainage service.</p> <p>(Target: 70%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>74%</td><td>70%</td></tr><tr><td>2015-16</td><td>68%</td><td>70%</td></tr><tr><td>2014-15</td><td>76%</td><td>70%</td></tr></table> | Year | Actual | Target | 2016-17 | 74% | 70% | 2015-16 | 68% | 70% | 2014-15 | 76% | 70% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 74% | 70% | | | | | | | | | | | |
| 2015-16 | 68% | 70% | | | | | | | | | | | |
| 2014-15 | 76% | 70% | | | | | | | | | | | |
| <p>5.1.3 The number of complaints received by Council about the performance of its stormwater system, expressed per 1,000 properties connected to Council’s stormwater system.</p> <p>(Target: less than 15.7 complaints in total per 1,000 properties)*</p> <p>ACHIEVED</p> <p><i>*Note: in the LTP this was expressed as 400 properties across the district.</i></p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>2.1</td><td>15.7</td></tr><tr><td>2015-16</td><td>1.9</td><td>15.7</td></tr></table> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | Year | Actual | Target | 2016-17 | 2.1 | 15.7 | 2015-16 | 1.9 | 15.7 | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 2.1 | 15.7 | | | | | | | | | | | |
| 2015-16 | 1.9 | 15.7 | | | | | | | | | | | |
| <p>5.1.4 (a) The number of flooding events that occur in the Whangarei district; and (b) For each flooding event the number of habitable floors affected. Expressed per 1000 properties connected to Council’s stormwater system. *</p> <p>(Target: 0)</p> <p>ACHIEVED</p> <p><i>*Note: Only calls to Council were recorded but calls to the New Zealand Fire Service and to other agencies were not captured in this measure.</i></p> | <p>0 flooding events (2015-16: 0)</p> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | | | | | | | | | | | | |
| <p>5.1.5 The median response time to attend a flooding event, measured from the time that Council receives notification to the time that service personnel reach the site.</p> <p>(Target: less than one hour)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>32</td><td>60</td></tr><tr><td>2015-16</td><td>36</td><td>60</td></tr></table> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | Year | Actual | Target | 2016-17 | 32 | 60 | 2015-16 | 36 | 60 | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 32 | 60 | | | | | | | | | | | |
| 2015-16 | 36 | 60 | | | | | | | | | | | |

WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | 327 | 1,782 | 2,879 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 6 | 6 | 49 |
| Internal charges and overheads recovered | 711 | 755 | 949 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 95 | 95 | 110 |
| Total Operating Funding | 1,139 | 2,638 | 3,987 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 510 | 742 | 1,677 |
| Finance costs | - | - | 127 |
| Internal charges and overheads applied | 1,183 | 1,260 | 1,505 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 1,693 | 2,002 | 3,309 |
| Surplus / (Deficit) of Operating Funding | (554) | 636 | 678 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | 11 |
| Increase / (decrease) in debt | 1,254 | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | 1,254 | - | 11 |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | - | - | - |
| to improve levels of service | 3,220 | 636 | 204 |
| to replace existing assets | - | - | 485 |
| Increase / (decrease) in reserves | (2,520) | - | - |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 700 | 636 | 689 |
| Surplus / (Deficit) of Capital Funding | 554 | (636) | (678) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS:

Payments to staff and suppliers is unfavourable due to Marsden City works budgeted as capital expenditure.

CAPITAL VARIANCE EXPLANATIONS:

No material variances.



6. FLOOD PROTECTION & CONTROL WORKS

WHAT WE DO

The Hikurangi Swamp Scheme helps to minimise flooding across the 5,600 hectares of farmland within the Hikurangi Swamp area. The aim of the scheme is to protect the farming productivity of land within the swamp area. This is highly productive agricultural land that generates considerable economic benefit to the region. We are responsible for managing, operating and maintaining the Hikurangi Swamp Scheme to ensure the required environmental, cultural and economic results are achieved. The scheme is funded by targeted rates from properties within the scheme's area.

IDENTIFIED EFFECTS ON THE COMMUNITY

Council's activities in this area are intended to provide flood mitigation to the community within the Hikurangi Swamp area and improve the agricultural potential of land within that area to protect the livelihoods of affected ratepayers.

While the Hikurangi Swamp Scheme only affects a small number of ratepayers, its operation has high impact on their farming operations. There is consequently significant interest in how the scheme is administered, how contributions (through targeted rates) are assessed and the way the physical assets of the scheme are managed. Council will continue to work with the scheme's beneficiaries to improve information and understanding about this activity.

KEY ACHIEVEMENTS

Areas of council-owned grazing land were converted into ephemeral wetlands, to improve the wellbeing of natural ecosystems on the plain and restore endangered mud fish habitat. Eel friendly gates were installed in most major pump stations, to allow safe passage of eels when pumps are running.

CONTRIBUTION TO COMMUNITY OUTCOMES



GROWING RESILIENT ECONOMY

The flood protection activity provides protection to pastoral farming land and provides resilience following flood events to an area of highly productive land.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

- Local Government Mandatory Performance Measure (MPM)

6.1 Council will provide a reliable and sustainable flood protection scheme which is managed to mitigate flooding within the Hikurangi Swamp Scheme area to an acceptable level.

| PERFORMANCE MEASURE | RESULT |
|--|--|
| 6.1.1 The major flood protection and control works are maintained, repaired and renewed to the key standards defined in Council's relevant planning documents (such as its Asset Management Plan, annual works programme or LTP). (Target: Yes) ACHIEVED | Yes (2015-16: Yes) <i>New measure in 2015-16. No results held for 2014-15.</i> |
| 6.1.2 The number of infringement or abatement notices issued by Northland Regional Council in relation to the scheme's consent. (Target: 0) ACHIEVED | 0 infringements or abatement notices (2015-16: 0, 2014-15: 0) |

WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | - | - | - |
| Targeted rates | 888 | 959 | 959 |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 43 | 73 | 59 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 1 | 1 | 7 |
| Total Operating Funding | 932 | 1,033 | 1,025 |
| Applications of Operating Funding | | | |
| Payments to staff and suppliers | 649 | 735 | 585 |
| Finance costs | 112 | 109 | 62 |
| Internal charges and overheads applied | - | - | - |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 761 | 844 | 647 |
| Surplus / (Deficit) of Operating Funding | 171 | 189 | 378 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase / (decrease) in debt | (171) | (189) | (378) |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | (171) | (189) | (378) |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | - | - | - |
| to improve levels of service | - | - | - |
| to replace existing assets | 30 | 30 | - |
| Increase / (decrease) in reserves | (30) | (30) | - |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | - | - | - |
| Surplus / (Deficit) of Capital Funding | (171) | (189) | (378) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS

No material variances.

CAPITAL VARIANCE EXPLANATIONS

No material variances.



7. COMMUNITY FACILITIES & SERVICES

Our community facilities and services are based around the more recreational, cultural and social aspects of life in our district – the things that make Whangarei a great place to work, live, play and invest. They provide an additional quality of life aspect to the foundation of good infrastructure (roads, waste management, water supply and drainage) already covered. Pensioner housing, libraries, parks and reserves, community property, venues and events have been part of our work for decades.



PARKS & RECREATION

WHAT WE DO

Council provides parks and reserves for sport and recreation, landscapes and green places that are restful plus enhance the visual amenity and burial amenities. We also provide public amenities to support the community's health and wellbeing; the comfort and convenience of visitors and residents and to protect and enhance key historic features.

Our parks and associated facilities are significant assets which are used and appreciated by residents and visitors. The overall objective is to create, operate, maintain, renew and dispose of assets to provide for existing and future users in the most cost effective manner.

The Reserves Act 1977 requires land administered by Council to be managed in accordance with the Act. Among other requirements, Council must prepare and approve reserve management plans to set the direction for the management and control of administered reserves. Ongoing management must then be consistent with those plans, or the Act in lieu of a plan.

IDENTIFIED EFFECTS ON THE COMMUNITY

Council provides parks and reserves to support the health and wellbeing of the community through the provision of leisure facilities such as sports fields, playgrounds and green places that are restful and enhance the visual amenity.

KEY ACHIEVEMENTS

One of the highlights of the year was completing staged development of the new Pohe Island sports fields and associated lighting in time for the British and Irish Lions touring team use them for training. Area lighting and associated amenities along the Hatea Loop were completed as part of the wider William Fraser Memorial Park on Pohe Island' development plan.

At Horahora, a new sports field was completed and another was near completion.

Access ways and carparks were resurfaced at Kensington Stadium, Ormiston tennis court, Ruakaka Lifesaving and Old Boys.

The Coronation, Otuihau Whangarei Falls and McKinnon tracks were upgraded. The Otuihau Whangarei Falls project was timed to complement recently upgraded park facilities. Existing mountain bike tracks were renewed in preparation for the second stage of new mountain bike track development.

The Stuart Rd pontoon was replaced and several seawalls were renewed. Frying Pan corner at Tutukaka was renewed with new platforms and a lookout tower added.

CONTRIBUTION TO COMMUNITY OUTCOMES



EASY AND SAFE TO MOVE AROUND

Parks and Recreation provides various walking and cycling tracks for recreational and transportation purposes. Tracks and open spaces are planned with a focus on the safety of the community.



GROWING RESILIENT ECONOMY

This outcome is supported through the provision of suitable recreation and leisure opportunities that assist in attracting new residents as well as visitors to the district.



CLEAN, HEALTHY AND VALUED ENVIRONMENT

The Parks and Recreation Department undertakes a range of activities that support the environment, such as weed, pest and animal control activities, plus working closely with other agencies to support their environmental protection work programmes.



VIBRANT AND HEALTHY COMMUNITIES

The provision of suitable recreation and leisure opportunities such as sports parks and playgrounds allows our communities to engage in healthy activities, plus enjoy positive experiences in the natural environment. Major facilities provide central points of contact for various community groups and clubs.



WELL MANAGED GROWTH

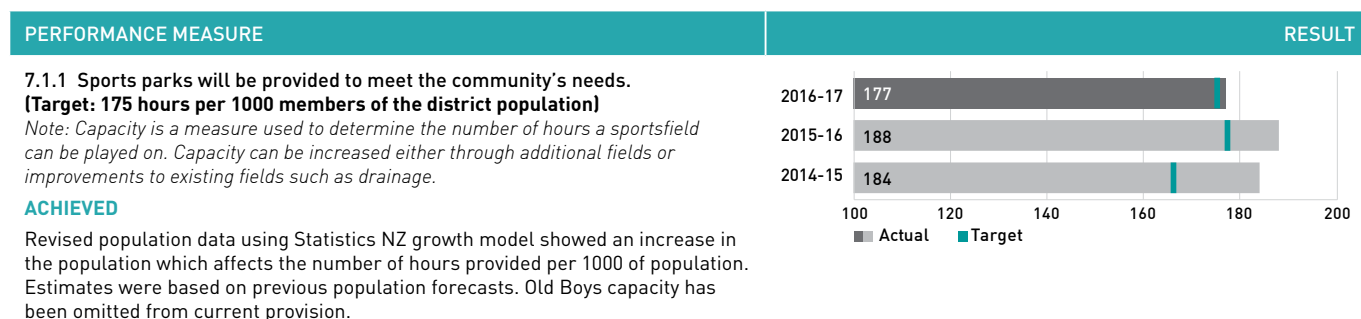
Growth is supported through appropriate planning mechanisms to ensure sufficient and appropriate recreation and leisure opportunities exist for current and future communities.

● High contribution ● Medium contribution

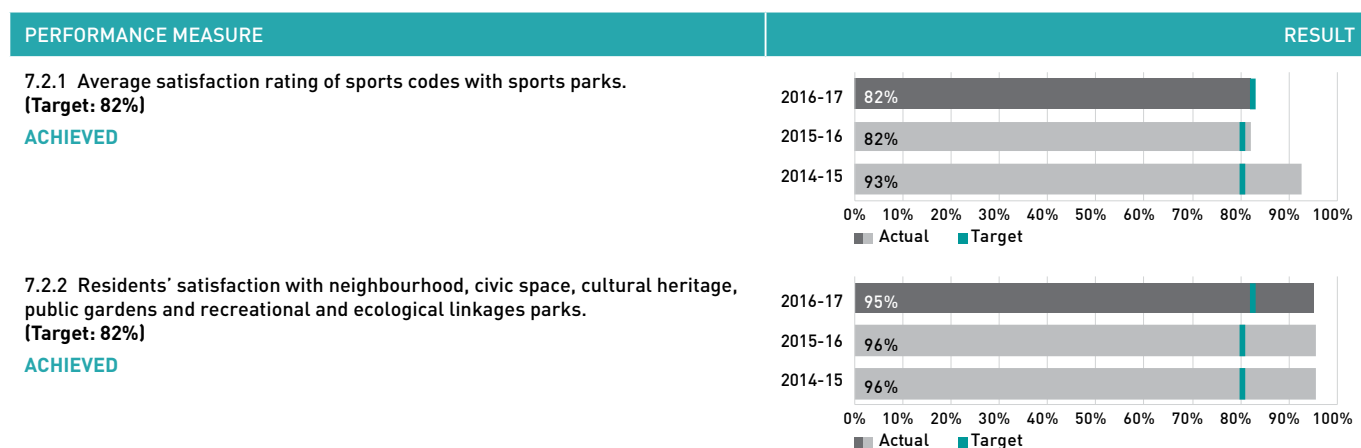
HOW WE PERFORMED

Levels of Service

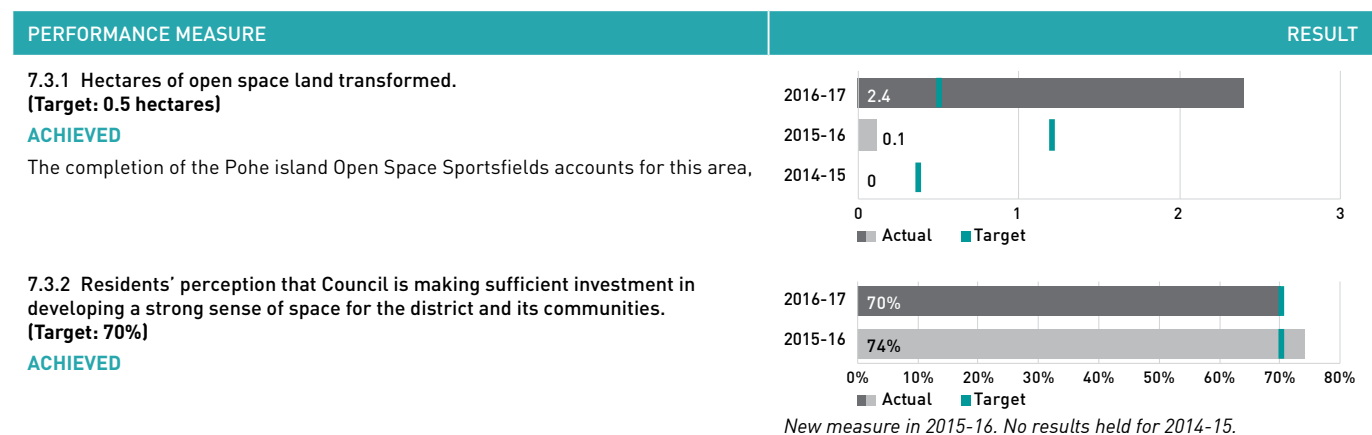
7.1 Council will provide and maintain outdoor sporting facilities to support and promote active recreation of the community through participation in both organised and informal sporting activities.



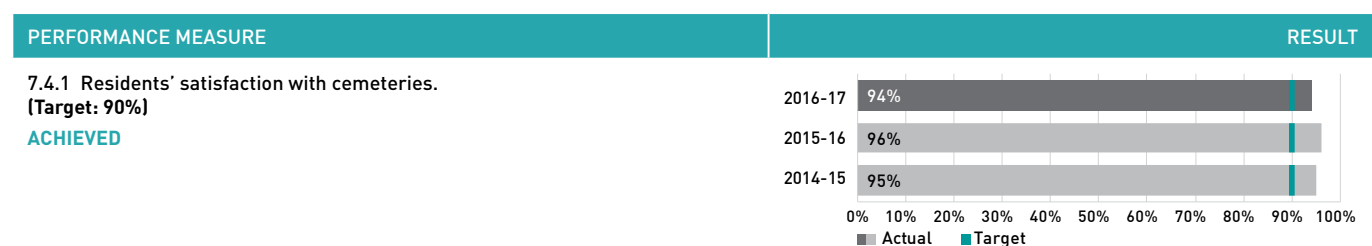
7.2 Council will provide and maintain a range of reserves, including built facilities, to meet the recreational and leisure needs of the community as well as protecting and enhancing the natural environment for its intrinsic value.



7.3 Council will convert or upgrade identified existing open spaces to provide a wider range of high quality recreational and leisure opportunities within the district for our community and visitors.



7.4 Council will provide and maintain cemeteries and a crematorium in a satisfactory manner.





WHAT WE DO

We provide the people in our community with opportunities for life-long learning, access to information, leisure and reading. Public libraries provide free and open access to knowledge and services for all residents regardless of income, race or age. They are a neutral, respected gateway to information and a safe place between work and home for community members.

Most local authorities provide a public library service. The Local Government Act 2002 requires that where such a service is provided, residents can join the library free of charge. Whangarei Libraries also administer grants for and offers professional support to, eight volunteer libraries in the district.

IDENTIFIED EFFECTS ON THE COMMUNITY

Library services in the Whangarei district provide the community with opportunities for life-long learning, access to information, leisure and reading, ensuring these are available to all members of our community.

KEY ACHIEVEMENTS

The use of all our libraries remains steady and customer satisfaction with the service is reflected in the survey results.

Over the past year, a total of 818,312 (2015-16 771,445) items were borrowed from Whangarei Libraries, which is an average of 68,192 per month. The visitor count for the year was 535,982 (2015-16 508,228), which is an average 44,665 per month.

The major capital expenditure projects for the year were the new mobile library and the public internet upgrade, both of which were completed on time and within budget. The new mobile library generated a significant amount of interest throughout the rural areas due to the unique nature of the design and build. The third project, installing radio frequency identification RFID, will be completed by early October this year.

To accommodate the way advances in technology have changed library use, we reorganised the library layout. This has increased the use of the non-fiction, which is now all together on the first floor. The teens' area was also moved to a larger space allowing more room for activities.

Although books and the focus on lifelong learning remained core functions of our library service, we increased the emphasis on the library as a community hub and continued promoting plus staging events and activities to suit all sections of the community.

CONTRIBUTION TO COMMUNITY OUTCOMES



GROWING RESILIENT ECONOMY

Libraries contribute significantly to a well educated community which supports a growing resilient economy. A high standard of community facilities such as libraries, assists in attracting new people to the district.



VIBRANT AND HEALTHY COMMUNITIES

Libraries are key community facilities providing equitable access to the opportunity of life-long learning, as well as fulfilling leisure and recreational needs.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

7.5 Council will provide library services to the district via the Central Library, the mobile and branch libraries.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|---|--------|--------|--------|---------|--------------|-----|---------|------|-----|---------|-----|-----|
| <p>7.5.1 Percentage of population who have used a library in the past year. (Target: 60%)</p> <p>NOT MEASURED</p> <p>A different question was included in the annual Residents Survey which did not address this measure</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>Not Measured</td><td>60%</td></tr><tr><td>2015-16</td><td>56%</td><td>60%</td></tr><tr><td>2014-15</td><td>55%</td><td>60%</td></tr></table> | Year | Actual | Target | 2016-17 | Not Measured | 60% | 2015-16 | 56% | 60% | 2014-15 | 55% | 60% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | Not Measured | 60% | | | | | | | | | | | |
| 2015-16 | 56% | 60% | | | | | | | | | | | |
| 2014-15 | 55% | 60% | | | | | | | | | | | |
| <p>7.5.2 Residents' satisfaction with the resources (books, magazines etc.) the library service provides. (Target: 95%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>96%</td><td>95%</td></tr><tr><td>2015-16</td><td>100%</td><td>95%</td></tr><tr><td>2014-15</td><td>99%</td><td>95%</td></tr></table> | Year | Actual | Target | 2016-17 | 96% | 95% | 2015-16 | 100% | 95% | 2014-15 | 99% | 95% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 96% | 95% | | | | | | | | | | | |
| 2015-16 | 100% | 95% | | | | | | | | | | | |
| 2014-15 | 99% | 95% | | | | | | | | | | | |



COMMUNITY PROPERTY

WHAT WE DO

Council is committed to providing appropriate pensioner housing and other community venues for use by community groups, clubs and organisations to meet. The aim is to provide a property service that helps to build strong and connected communities. Where community halls are not Council-owned, grants may be provided to assist in the maintenance of these important community facilities.

IDENTIFIED EFFECTS ON THE COMMUNITY

Council's property department focuses on ensuring that all Council-owned properties are properly maintained and managed, with a focus on the provision of housing to pensioners.

The activities of this department, including commercial and community property, provide direct and indirect contribution to all six community outcomes. Activity related to Commercial Property is covered in the Support Services section on page 79.

KEY ACHIEVEMENTS

In the 2016-17 year, we continued our programme of internal upgrades. Sixteen units received total upgrades including new kitchens and bathrooms. All units have security doors installed which completes the program started in 2014-15. Four villages had external repaints which completed all the priority one repaints. Repaints for the last three villages are not urgent but will need to be scheduled in the new LTP. Two more villages have been re-roofed which completes the priority one roofing maintenance. A further four non-urgent re-roofs will be scheduled in the next LTP. The Annual Tenant Survey results were pleasing with 90% general satisfaction with the accommodation and services provided. Ninety-seven per cent of tenants agreed that their units were affordable and 86% said their units were warm and dry. The survey highlighted issues to consider in future forecasting, including ramp and path upgrades and extension of car parks. These will be considered for inclusion in the next LTP.

CONTRIBUTION TO COMMUNITY OUTCOMES



VIBRANT AND HEALTHY COMMUNITIES

The provision of pensioner housing supports our elderly population. Community halls contribute to the foundation of the community because they give people a place to meet and feel connected.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

7.6 Council will provide rental accommodation that meets the specific needs of eligible elderly members of the community.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|---|---|--------|--------|--------|---------|-----|-----|---------|-----|-----|---------|------|-----|
| <p>7.6.1 Percentage occupancy rate of pensioner housing. (Target: 98%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>98%</td><td>98%</td></tr><tr><td>2015-16</td><td>98%</td><td>98%</td></tr><tr><td>2014-15</td><td>100%</td><td>98%</td></tr></table> | Year | Actual | Target | 2016-17 | 98% | 98% | 2015-16 | 98% | 98% | 2014-15 | 100% | 98% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 98% | 98% | | | | | | | | | | | |
| 2015-16 | 98% | 98% | | | | | | | | | | | |
| 2014-15 | 100% | 98% | | | | | | | | | | | |
| <p>7.6.2 Pensioner housing residents' satisfaction with the standard of accommodation. (Target: 80%)</p> <p>ACHIEVED</p> <p>This is a slight drop from previous years as for the first time 7% of tenants scored neither satisfied nor dissatisfied with their units.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>90%</td><td>80%</td></tr><tr><td>2015-16</td><td>95%</td><td>80%</td></tr></table> <p>New measure in 2015-16. No results held for 2014-15.</p> | Year | Actual | Target | 2016-17 | 90% | 80% | 2015-16 | 95% | 80% | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 90% | 80% | | | | | | | | | | | |
| 2015-16 | 95% | 80% | | | | | | | | | | | |



COMMUNITY SERVICES

WHAT WE DO

The aim of our community services work is to enhance and strengthen our communities, ensuring that people feel safe and able to participate in activities that benefit everyone. It covers community safety activities and crime prevention programmes; working with the young, the elderly and disabled; plus supporting community based organisations and managing funding processes.

IDENTIFIED EFFECTS ON THE COMMUNITY

Community groups are supported by this activity to ensure that people have access to and can participate in, Council processes and to promote an environment where Council and community work together to achieve community outcomes. The activities in this area contribute to all community outcomes and many have been provided over several years. They are now established as part of Council's service to the community and recognised as a good public investment for Council.

KEY ACHIEVEMENTS

Our community services work was greatly enhanced by our local Community Advisory Groups, demonstrating strong community involvement and participation in community initiatives. The Positive Ageing Advisory Group (PAAG) has worked to develop a new district Positive Ageing Strategy following the review of the earlier 2005-2015 strategy. The group worked with local rest homes and students from the Northtec Sports and Recreation programme, assisted by members of Sixties Up to hold another successful Whangarei Rest Home Olympics.

The Disability Advisory Group (DAG) continued to support council, making site visits to identify barriers to accessibility and inclusion for those using mobility aids in Central Whangarei, coordinating activities on International Day of Persons with Disabilities, supporting NRC's administration of the Total Mobility Scheme.

The Youth Advisory Group (YAG) produced the 2017 Jewel of the City report on the public utility of the Hatea Loop, held activities during Youth Week 2017 and planned the 2017 Youth awards.

Community Services distributed \$1.8 million in grants, concessions and loans during this year's funding rounds.

Our activities included administering the 2015 Civic Honour Awards, organising various community funding workshops and coordinating Council's presence on Neighbourly.co.nz. We also fostered closer working relationships with the Whangarei Quarry Gardens Trust and KiwiNorth.

Our community safety programme (City Safe), collaborative projects have resulted in a safer city. Four hundred fewer graffiti calls and 2,000 fewer tags. There were no thefts from vehicles during the seventh Summer Safe Carpark programme, involving 1,800 hours of service over 300 days by volunteer community ambassadors. Our City Safe call centre received more than 3,200 reports and the central business district business community appreciated our Community Officers work in the CBD.

Effective use of the CCTV network by the police volunteers, downloads by the CCTV Activate contractor and ongoing fibre optic upgrade to the CCTV cameras in the CBD increased our work with the police.

CONTRIBUTION TO COMMUNITY OUTCOMES



CLEAN, HEALTHY AND VALUED ENVIRONMENT

The promotion of graffiti removal as well as community development work in identified communities, enhances our physical environment.



VIBRANT AND HEALTHY COMMUNITIES

All the department's work is based on the support and creation of vibrant and healthy communities.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

7.7 Council will promote and support community safety.



7.8 Council will support the district's social and cultural wellbeing through its involvement in activities and programmes which support and develop the community.



7.9 Council is actively involved in youth, positive ageing and accessibility sector issues.





VENUES AND EVENTS

WHAT WE DO

We provide venues, while managing and producing events that contribute to the cultural and social fabric of our community. Events are held at Council-owned or controlled venues or other locations throughout the district and help to attract domestic and international visitors.

This helps to create a vibrant district with varied recreational opportunities for residents and visitors who contribute to the district's economy. Toll Stadium and Forum North include rooms and venues for hire to the local community as well as local, national and international commercial users. The events catered for include theatre, meetings, sports events, weddings and conferences.

IDENTIFIED EFFECTS ON THE COMMUNITY

Our work contributes to the district and its communities in economic terms as well as creating a vibrant district with varied recreational opportunities for residents and visitors to enjoy.

KEY ACHIEVEMENTS

Venues and Events experienced an extremely busy year with a large number of events being held at Toll Stadium, Forum North and in the Community.

Successful community events included the Endless Summer Festival, Lions Fireworks Extravaganza the annual Christmas Festival, International Rally of Whangarei and the Matariki Whanau Festival and Toll Stadium hosted a Winery Tour, Nitro Circus and a fifth anniversary for the Fritter Festival.

A highlight was successfully executing the first game of the DHL New Zealand Lions Series 2017 between the NZ Provincial Barbarians and the British and Irish Lions on 3 June at Toll Stadium – attracting more than 20,000 patrons to our region. Reports indicate that approximately 270 million people tuned into this game globally through various media platforms.

CONTRIBUTION TO COMMUNITY OUTCOMES



GROWING RESILIENT ECONOMY

Attracting events supports our economy by enhancing revenue streams, including spending from outside the district.



VIBRANT AND HEALTHY COMMUNITIES

Varied and numerous events in the district support communities to participate and engage at the local and district level, which further supports social cohesion.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

7.10 Our venues will encourage high use and satisfaction levels.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|---|--|--------|--------|--------|---------|-----|-----|---------|-----|-----|---------|-----|-----|
| <p>7.10.1 Number of attendees over all facilities. (Target: 65% - 3% increase on previous year's result of 62%)</p> <p>ACHIEVED</p> <p>This past year has achieved record ticket sales exceeding 105%. This achievement can be attributed to attracting a large number of good quality events that are selling out i.e. Dave Dobbyn, Mamma Mia and the Topp Twins.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>65%</td><td>65%</td></tr><tr><td>2015-16</td><td>60%</td><td>65%</td></tr><tr><td>2014-15</td><td>62%</td><td>65%</td></tr></table> | Year | Actual | Target | 2016-17 | 65% | 65% | 2015-16 | 60% | 65% | 2014-15 | 62% | 65% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 65% | 65% | | | | | | | | | | | |
| 2015-16 | 60% | 65% | | | | | | | | | | | |
| 2014-15 | 62% | 65% | | | | | | | | | | | |
| <p>7.10.2 Satisfaction with quality of venues and events. (Target: 80%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>84%</td><td>80%</td></tr><tr><td>2015-16</td><td>92%</td><td>80%</td></tr><tr><td>2014-15</td><td>91%</td><td>80%</td></tr></table> | Year | Actual | Target | 2016-17 | 84% | 80% | 2015-16 | 92% | 80% | 2014-15 | 91% | 80% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 84% | 80% | | | | | | | | | | | |
| 2015-16 | 92% | 80% | | | | | | | | | | | |
| 2014-15 | 91% | 80% | | | | | | | | | | | |

WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | 22,962 | 23,672 | 23,103 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | 57 | 59 | 68 |
| Fees and charges | 2,088 | 2,139 | 2,260 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 531 | 545 | 860 |
| Total Operating Funding | 25,638 | 26,415 | 26,291 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 15,800 | 16,309 | 16,935 |
| Finance costs | 4,013 | 4,328 | 4,399 |
| Internal charges and overheads applied | 4,725 | 5,184 | 4,744 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 24,538 | 25,821 | 26,078 |
| Surplus / (Deficit) of Operating Funding | 1,100 | 594 | 213 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | 1 |
| Development and financial contributions | 103 | 104 | 729 |
| Increase / (decrease) in debt | 4,026 | 1,805 | 6,673 |
| Gross proceeds from sale of assets | - | 5,250 | 7 |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | 4,129 | 7,159 | 7,410 |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | 505 | - | 378 |
| to improve levels of service | 3,980 | 2,267 | 939 |
| to replace existing assets | 6,290 | 4,724 | 4,043 |
| Increase / (decrease) in reserves | (5,546) | 762 | 2,263 |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 5,229 | 7,753 | 7,623 |
| Surplus / (Deficit) of Capital Funding | (1,100) | (594) | (213) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS

No material variances.

CAPITAL VARIANCE EXPLANATIONS

Gross proceeds from sale of assets is unfavourable due to sales of Old Boys not going through. Capital expenditure is favourable due to delays in budgeted capital works.



8. ECONOMIC GROWTH

WHAT WE DO

This part of our work focuses on encouraging people to work, live, play, visit and invest in our district to improve our district's prosperity and promote economic growth. We invest in economic development to provide local economic leadership in collaboration with key partners such as central government, the community and industry, ultimately to improve people's standard of living with better employment opportunities, amenities, facilities and improved wellbeing.

IDENTIFIED EFFECTS ON THE COMMUNITY

Council invests in economic development to increase prosperity within the district and improve our community's standard of living with better employment opportunities, amenities, facilities and improved wellbeing.

KEY ACHIEVEMENTS

Destination marketing activity focused primarily on internet and social media digital channels, to grow awareness in Auckland of the Whangarei district as a desirable place to visit.

WhangareiNZ.com migrated to a new platform to align ongoing development with the regional tourism website NorthlandNZ.com and to continue to benefit from content provided via Tourism New Zealand's destination marketing website NewZealand.com.

CONTRIBUTION TO COMMUNITY OUTCOMES



GROWING RESILIENT ECONOMY

The Department's activities in this area include attracting increased visitor numbers which will facilitate further growth.



VIBRANT AND HEALTHY COMMUNITIES

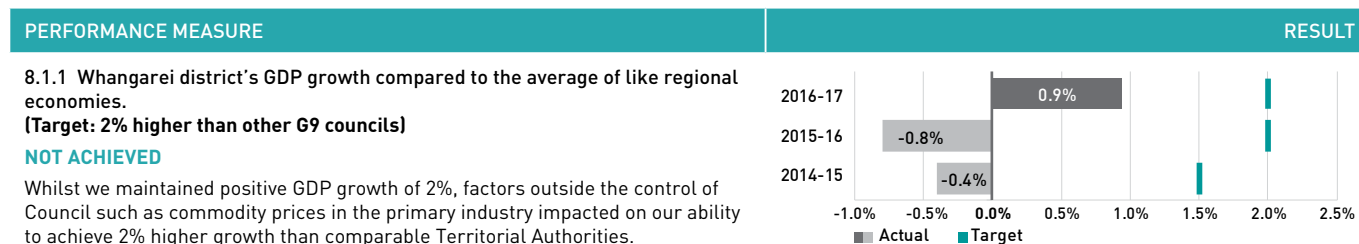
Economic growth enriches people's lives through employment and business opportunities.

● High contribution ● Medium contribution

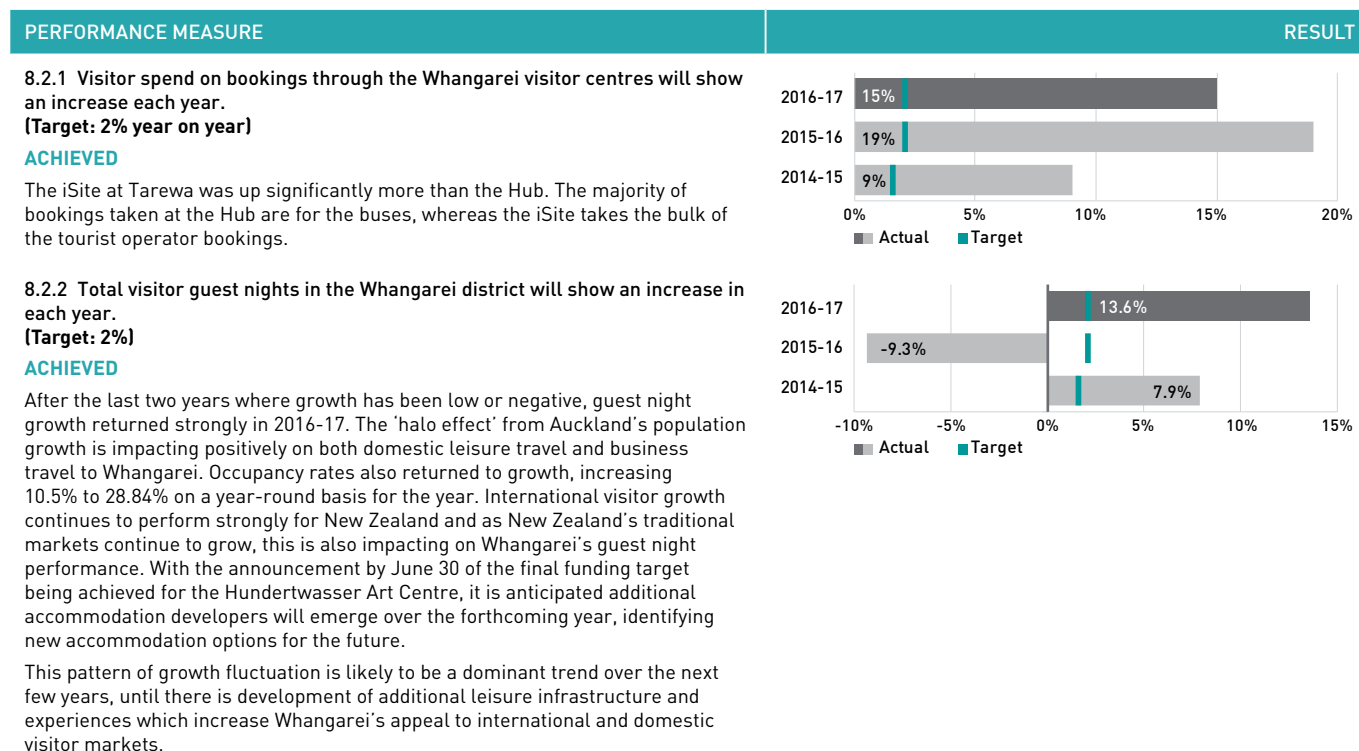
HOW WE PERFORMED

Levels of Service

8.1 Council will promote and provide a service which encourages, enables and facilitates economic activity leading to economic growth in the district.



8.2 Council will provide, through the Whangarei visitor centres, an accurate booking and information service which influences more visitors to stay longer and spend more.



WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | 2,614 | 2,633 | 1,493 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | - | - | 1 |
| Internal charges and overheads recovered | - | - | - |
| Local authorities fuel tax, fines, infringement fees and other receipts | 1,148 | 1,166 | 1,602 |
| Total Operating Funding | 3,762 | 3,799 | 3,096 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 2,249 | 2,291 | 2,056 |
| Finance costs | 363 | 363 | 270 |
| Internal charges and overheads applied | 1,019 | 1,119 | 736 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 3,631 | 3,773 | 3,062 |
| Surplus / (Deficit) of Operating Funding | 131 | 26 | 34 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase / (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | - | - | - |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | 20 | 5 | - |
| to improve levels of service | - | - | 25 |
| to replace existing assets | 110 | 20 | 9 |
| Increase / (decrease) in reserves | 1 | 1 | - |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 131 | 26 | 34 |
| Surplus / (Deficit) of Capital Funding | (131) | (26) | (34) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS

Local authorities fuel tax, fines, infringement fees and other receipts are favourable against budget due to increased profit share from the Northland Regional Landfill Limited Partnership.

CAPITAL VARIANCE EXPLANATIONS

No material variances.



9. PLANNING & REGULATORY SERVICES

We are required to undertake planning, monitoring and enforcement activities that meet the requirements of a wide range of statutes. This includes issuing resource and building consents and ensuring they meet required conditions; providing health and liquor licences; monitoring and enforcing bylaws such as animal and noise control, health, liquor and parking; plus undertaking district planning and non-statutory strategic planning.

The functions within this activity are covered by four separate departments: Policy and Monitoring, Resource Consents, Building Compliance and Regulatory Services.



POLICY & MONITORING

WHAT WE DO

The population of Whangarei is growing, creating demand for the strategic management of the district's resources. Policy and Monitoring develops long term, medium and short term strategies and policies that assist Council in setting future directions for the resources it manages. Other aspects support this through land use planning, plus environmental regulation, monitoring and reporting.

IDENTIFIED EFFECTS ON THE COMMUNITY

Council needs to develop strategies and prepare and implement the District Plan to assist in providing for the future growth of the district, while ensuring the sustainable management of natural and physical resources to support community requirements.

Strategic planning enables development to be located appropriately and ensures that adequate infrastructure services are provided.

Much of the rationale for this activity is linked to the legislative requirements of the Resource Management Act 1991 (RMA). Sections 31 and 72 require councils to develop a District Plan and Section 35 prescribes duties regarding monitoring requirements under the RMA. It also provides future direction through State of the Environment monitoring.

KEY ACHIEVEMENTS

Our District Plan Rolling Review continued with 10 significant plan changes for Rural, Coast, Minerals and Landscapes notified and heard. The Papakainga plan change was heard and the decision was notified. Drafting plan changes for Coastal Hazards, Transportation, Residential and Business zone review continued and the Ruakaka Equine Environment plan change become operative.

The Blue Green Network Strategy was adopted by Council and swiftly moved into implementation planning. Whangarei 20/20 Momentum was also adopted by Council following a very successful engagement process. The Whangarei District Growth Strategy: Sustainable Futures 30/50 was reviewed considering more up-to-date data from Statistics New Zealand. Work began on implementing the requirements of the National Policy Statement on Urban Development Capacity which has identified Whangarei as a 'high growth' area. The first stage of the Bank Street Revitalisation Project was completed with new street furniture. Key Village Plan projects were completed, including the Hikurangi Entranceway and mural art in Kamo.

CONTRIBUTION TO COMMUNITY OUTCOMES



EASY AND SAFE TO MOVE AROUND

The department’s planning activities ensure appropriate support and planning for all transportation modes throughout the district.



GROWING RESILIENT ECONOMY

Effective district planning enables the sustainable and economic development of the district.



CLEAN, HEALTHY AND VALUED ENVIRONMENT

The District Plan is a key vehicle for environmental protection mechanisms in the district.



VIBRANT AND HEALTHY COMMUNITIES

The support of planning functions such as urban design and crime prevention through environmental design (CPTED) supports positive environments for our communities to live in.



WELL MANAGED GROWTH

The Sustainable Futures 30/50 Growth Strategy is a key tool of Council to support well-managed growth.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

9.1 Develop, implement and maintain a District Plan in accordance with the RMA whilst reflecting the desires of the community and issues of sustainability.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|---|--------|--------|--------|---------|-----|------|---------|------|------|---------|------|------|
| <p>9.1.1 Plan changes are researched, proposed, consulted and reported on as required by Council in accordance with the relevant statutory requirements. (Target: 100%)</p> <p>NOT ACHIEVED</p> <p>Under section 79 of the RMA Council must review every district plan provision within a 10-year period. The District Plan became operative on 3 May 2007. The rolling review of the District Plan has reviewed a third of the plan content. All plan changes are processed to comply with the RMA requirements and timeframes.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>35%</td><td>100%</td></tr><tr><td>2015-16</td><td>100%</td><td>100%</td></tr><tr><td>2014-15</td><td>100%</td><td>100%</td></tr></table> | Year | Actual | Target | 2016-17 | 35% | 100% | 2015-16 | 100% | 100% | 2014-15 | 100% | 100% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 35% | 100% | | | | | | | | | | | |
| 2015-16 | 100% | 100% | | | | | | | | | | | |
| 2014-15 | 100% | 100% | | | | | | | | | | | |



RESOURCE CONSENTS

WHAT WE DO

Our goal mirrors that of the Resource Management Act (RMA). We aim to promote the sustainable management of natural and physical resources in the district. We do this by processing resource consents and associated applications. This includes processing resource consents and post-approval subdivision certificates (s223 and 224) within statutory timeframes, consistently and at a fair and reasonable cost; and providing consistent and timely advice on District Plan and Development Contribution matters.

IDENTIFIED EFFECTS ON THE COMMUNITY

The principal objectives of the department are to process resource consent and post approval subdivision certificates within statutory timeframes, consistently and at a fair plus reasonable cost. This ensures our district develops in a sustainable and controlled manner, thus protecting the lifestyles of those in our communities, now and in the future.

KEY ACHIEVEMENTS

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. Over a two-year period, the number of consents increased by 65%, reflecting the current economic environment. The increased activity corresponded with a nation-wide shortage of planning staff and staff leaving to pursue other options. The additional applications received, coupled with staff resourcing issues, resulted in approximately a third of all applications being processed by external contractors. This enabled the level of service goals to be met, but does impact on cost recovery.

Improvements to hearing processes including circulating evidence before hearings, bedded in and we began changing processes to accommodate the Resource Legislation Amendment Act 2017 coming into force. These included simplifying minor consent processes, 10-day consents for some activities and changes to notification processes.

CONTRIBUTION TO COMMUNITY OUTCOMES



CLEAN, HEALTHY AND VALUED ENVIRONMENT

The resource consent process secures the long-term maintenance and protection of significant stands of bush, outstanding landscapes and other natural features that contribute to a valued environment.



VIBRANT AND HEALTHY COMMUNITIES

Ensuring compliance with District Plan rules and conditions of resource consents contributes to the community's Sense of Place and enjoyment of life whilst protecting our physical environment.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

9.2 Council will process resource consent and associated applications within statutory time frames.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|--|--------|--------|--------|---------|-----|-----|---------|-----|-----|---------|-----|-----|
| <p>9.2.1 Percentage of non-notified resource consent applications processed within statutory time frames. (Target: 95%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>97%</td><td>95%</td></tr><tr><td>2015-16</td><td>99%</td><td>95%</td></tr><tr><td>2014-15</td><td>99%</td><td>95%</td></tr></table> | Year | Actual | Target | 2016-17 | 97% | 95% | 2015-16 | 99% | 95% | 2014-15 | 99% | 95% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 97% | 95% | | | | | | | | | | | |
| 2015-16 | 99% | 95% | | | | | | | | | | | |
| 2014-15 | 99% | 95% | | | | | | | | | | | |
| <p>9.2.2 Percentage of Section 223 and Section 224 applications for subdivision consents under the RMA within statutory time frames. (Target: 95%)</p> <p>ACHIEVED</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>99%</td><td>95%</td></tr><tr><td>2015-16</td><td>99%</td><td>95%</td></tr><tr><td>2014-15</td><td>98%</td><td>95%</td></tr></table> | Year | Actual | Target | 2016-17 | 99% | 95% | 2015-16 | 99% | 95% | 2014-15 | 98% | 95% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 99% | 95% | | | | | | | | | | | |
| 2015-16 | 99% | 95% | | | | | | | | | | | |
| 2014-15 | 98% | 95% | | | | | | | | | | | |



BUILDING COMPLIANCE

WHAT WE DO

We ensure that buildings in our district are designed and constructed to agreed standards and quality. The healthy design and construction of our homes is important to us and has a direct bearing on our residents' health and perspective on life.

We promote the safe and sanitary use of living and public facilities, plus access for people with disabilities. We will act against owners of buildings that pose a risk to the safety of the general public.

The department also has responsibilities for monitoring buildings that may be earthquake prone to ensure identified risks are addressed.

IDENTIFIED EFFECTS ON THE COMMUNITY

Our work in this area ensures that our community lives, works and plays in safe and healthy buildings which are built to the appropriate quality standards. To ensure a strong foundation for the provision of this, Council is an accredited Building Consent Authority undertaking building related activities like consent processing and inspections.

To keep our accreditation, we must maintain adequate capacity and capability to undertake these activities competently for the full range of residential, commercial and industrial building work. Systems and processes are maintained to handle fluctuations in work volumes and to ensure functions are carried out efficiently and effectively.

KEY ACHIEVEMENTS

This year the Ministry of Business Innovation and Employment (MBIE) reviewed the technical function of the building control department. It assessed how we perform our Territorial Authority functions and commended us for dedicating staff resources to these functions.

Further development and integration of the mobility inspection module saw it configured to deliver a high level of service in a digital format. This provided better capability for the building industry and was well received.

We introduced technical vetting which ensured we received better quality applications and ensured poor applications were not accepted. This was received well and provided a higher level of compliance with the building code.

Compliance with the 20-day time frame slipped and we introduced several initiatives including developing our own staff, recruiting additional staff and improving internal processes to increase efficiency and capability.

CONTRIBUTION TO COMMUNITY OUTCOMES



CLEAN, HEALTHY AND VALUED ENVIRONMENT

Building controls ensure waste outputs are confined within standards to ensure no adverse impact on our waterways and natural environment.



VIBRANT AND HEALTHY COMMUNITIES

Ensuring that our homes are constructed for durability and health supports our communities.



WELL MANAGED GROWTH

Building compliance ensures that buildings, commercial and residential, are durable for future residents.

● High contribution ● Medium contribution

HOW WE PERFORMED

Levels of Service

9.3 Council will responsively and accurately manage the building consent and compliance process.

| PERFORMANCE MEASURE | RESULT | | | | | | | | | | | | |
|--|--|--------|--------|--------|---------|-----|-----|---------|-----|-----|---------|-----|-----|
| <p>9.3.1 Percentage of building consent applications processed within statutory time frames. (Target: 96%)</p> <p>NOT ACHIEVED</p> <p>There has been an increase in business activity, particularly new residential buildings. Council has not met this requirement for processing timeframes so several initiatives have been introduced to address this shortfall including developing our staff, recruiting additional staff and improving internal processes to increase efficiency and capability.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>82%</td><td>96%</td></tr><tr><td>2015-16</td><td>94%</td><td>96%</td></tr><tr><td>2014-15</td><td>90%</td><td>96%</td></tr></table> | Year | Actual | Target | 2016-17 | 82% | 96% | 2015-16 | 94% | 96% | 2014-15 | 90% | 96% |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 82% | 96% | | | | | | | | | | | |
| 2015-16 | 94% | 96% | | | | | | | | | | | |
| 2014-15 | 90% | 96% | | | | | | | | | | | |
| <p>9.3.2 Percentage of inspections completed within two days. (Target: 95%)</p> <p>ACHIEVED</p> <p>This has been achieved by shifting resources to meet business activity, adding an additional vehicle and inspection run to the building control department.</p> | <table><tr><th>Year</th><th>Actual</th><th>Target</th></tr><tr><td>2016-17</td><td>98%</td><td>95%</td></tr><tr><td>2015-16</td><td>99%</td><td>95%</td></tr></table> <p><i>New measure in 2015-16. No results held for 2014-15.</i></p> | Year | Actual | Target | 2016-17 | 98% | 95% | 2015-16 | 99% | 95% | | | |
| Year | Actual | Target | | | | | | | | | | | |
| 2016-17 | 98% | 95% | | | | | | | | | | | |
| 2015-16 | 99% | 95% | | | | | | | | | | | |



REGULATORY SERVICES

WHAT WE DO

The Regulatory Services department undertakes monitoring and enforcement functions across a wide cross-section of statutes focused on the protection of community health, safety and amenity. We have three teams:

- Environmental Health are responsible for health and liquor licensing and monitoring
- Compliance are responsible for enforcement work under the Resource Management Act 1991 and the Building Act 2004. This includes monitoring land use and building consent conditions and investigating complaints about non-compliance with regulations and bylaws
- Environmental Monitoring and Noise and Animal Management are responsible for services relating to dog and stock control, parking enforcement, excessive noise control and general bylaw enforcement.

IDENTIFIED EFFECTS ON THE COMMUNITY

The work of Regulatory Services enables Council to improve our communities through the regulation and control of social issues via bylaws, making a safer and enjoyable district for all. Many activities carried out by this department are mandatory or legislatively required, but the underlying theme is the protection and safety of our communities and the creation of greater social well-being.

KEY ACHIEVEMENTS

The Food Act 2103 came into force in March 2016. Our department had participated in a voluntary implementation programme with the Ministry for Primary Industries (MPI), so was well positioned to implement transition of food businesses into a new, quality-based management system. Around 80% of food businesses had transferred early into the new system by March 2016. However, ongoing implementation required staff to spend much more time than anticipated transitioning other businesses as the new requirements were rolled out. A shortage of third party verifiers of National Programmes in Northland, also provided a barrier to small businesses. To assist these businesses (primarily dairies, coffee carts, early childhood centres), Council gained approval from MPI to offer a verification service. Council's environmental health team developed and implemented a quality management system, to undertake the National Programme work.

Council used a contractor to provide round-the-clock enforcement services relating to dog and stock control, parking and bylaw enforcement, fencing of swimming pools and control of excessive noise. The contract term is for five years and Council was required to tender this contract early in 2016 to meet procurement policy requirements. Armourguard Security were awarded the contract and started providing these services in September 2016.

In October 2015, we adopted a provisional Local Alcohol Policy under the Sale and Supply of Alcohol Act 2012 after a public consultation process. Elements of the Policy have been appealed to the Alcohol Regulatory and Licensing Authority. The appeal process is set down in the Act and during the year mediation was undertaken with appellants as the process moves forward to hearing the appeal in early 2018.

CONTRIBUTION TO COMMUNITY OUTCOMES



CLEAN, HEALTHY AND VALUED ENVIRONMENT

The enforcement of bylaws and consent conditions ensures that our environment is protected as planned.



VIBRANT AND HEALTHY COMMUNITIES

The enforcement of bylaws, particularly in the areas of animal and noise control, ensures the safety of the people in our communities.



High contribution

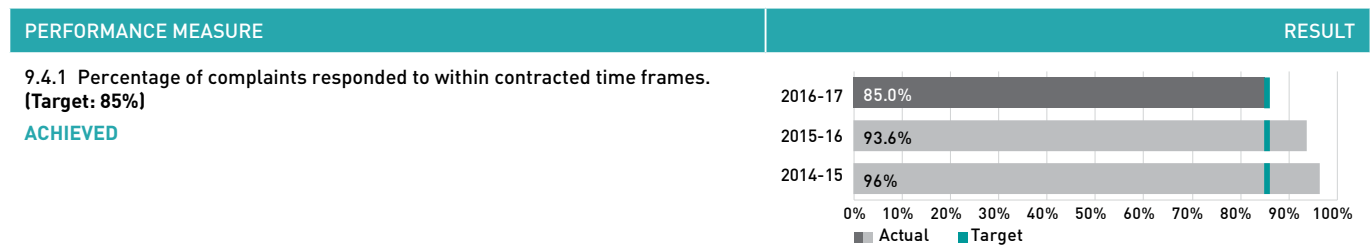


Medium contribution

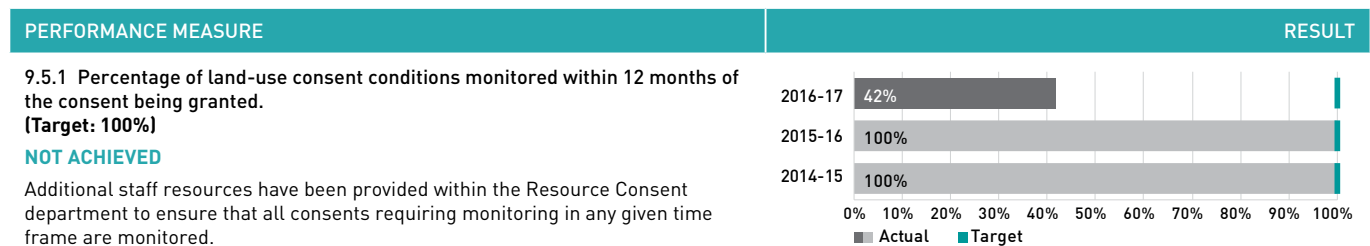
HOW WE PERFORMED

Levels of Service

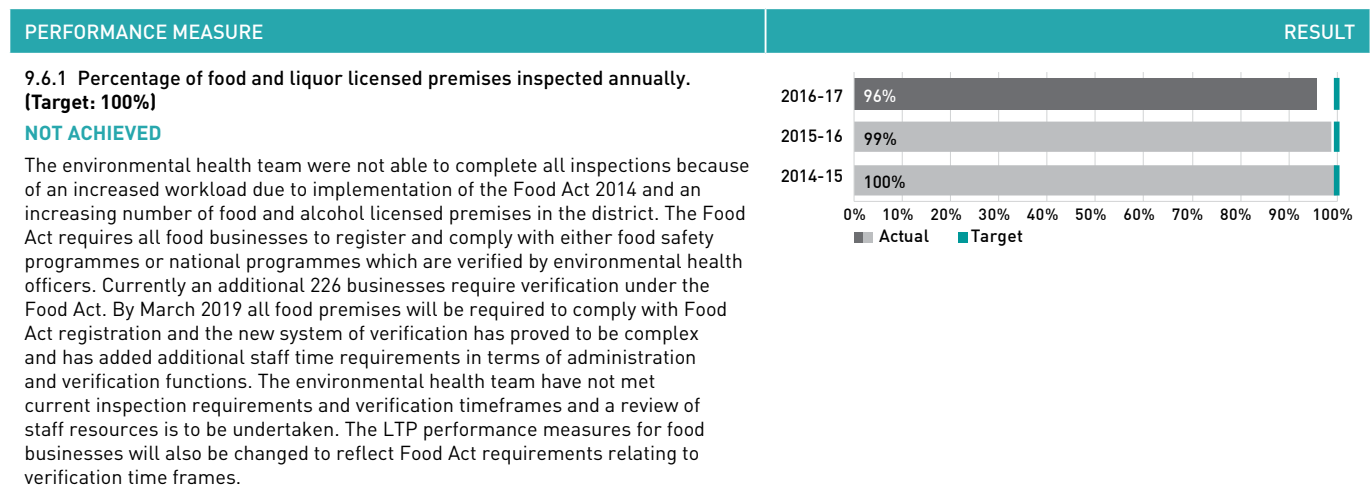
9.4 Council will ensure responses to complaints relating to parking, excessive noise, dogs, stock and bylaws are carried out within contracted time frames.



9.5 Council will ensure compliance with land-use consents by monitoring consents issued.



9.6 Council will protect, promote and monitor public health in the areas of food premises and liquor licensing.



WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | 7,486 | 7,776 | 6,940 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 6,125 | 6,615 | 7,692 |
| Internal charges and overheads recovered | 2,099 | 2,225 | 2,744 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 1,832 | 1,869 | 1,226 |
| Total Operating Funding | 17,542 | 18,485 | 18,602 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 9,126 | 9,274 | 9,653 |
| Finance costs | - | - | - |
| Internal charges and overheads applied | 8,416 | 9,211 | 8,949 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 17,542 | 18,485 | 18,602 |
| Surplus / (Deficit) of Operating Funding | - | - | (0) |
| Sources of Capital Funding | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase / (decrease) in debt | - | - | - |
| Gross proceeds from sale of assets | - | - | - |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | - | - | - |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | - | - | - |
| to improve levels of service | - | - | - |
| to replace existing assets | - | - | - |
| Increase / (decrease) in reserves | - | - | - |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | - | - | - |
| Surplus / (Deficit) of Capital Funding | - | - | - |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS

Fees and charges are favourable primarily due to increased inspection income. Local authorities fuel tax, fines, infringement fees and other receipts are unfavourable due to reduced infringement income. Payments to staff and suppliers is unfavourable due to additional operating expenditure.

CAPITAL VARIANCE EXPLANATIONS

No material variances.



SUPPORT SERVICES

WHAT WE DO

Support services are focussed on supporting the nine activity areas so that they are best positioned to deliver their various goods and services to the community.

The following provides a brief background to the various support activities.

Māori Relationships

The Resource Management Act 1991 (RMA) and the Local Government Act 2002 (LGA) place obligations on Council to establish formal, meaningful and sustainable relationships with whanau, hapū and iwi representatives and Māori organisations in the district. Our team supports Council to meet these obligations.

To achieve the objectives in the Long Term Plan and Annual Plan, we work across Council providing advice and training to assist Council staff and Councillors to build their own meaningful and trusting relationships with Māori. We also provide advice on all matters relating to Māori dynamics and tikanga.

We provide secretariat services and wider support to Council's Strategic Partnership Forum, Te Kārearea, made up of Councillors and mandated hapū representatives of Whangarei.

We also have in place a number of processes to provide opportunities for Māori to contribute to the decision-making processes of Council and have undertaken a range of associated activities throughout the year. They include kano ki te kano/face to face meetings of individuals, whanau, hapū and iwi and Māori organisations; engagement and consultation hui often in relation to legislative processes set out in the LGA and RMA e.g. Papakainga and Coastal Plan changes; electronic communications via email and social media; Council's tangata whenua website 'Te Whariki Tangata' which has linked Council information and services of interest to the Māori community; and a variety of print communications. Council established a Māori Advisor to the Planning Committee and hapū representatives to the Civic Honours Committee and 20/20 Inner City Revitalisation Committee who have contributed to the decision-making process.

One of Council's key forums has been Te Kārearea, the strategic partnership between Whangarei hapū representatives (Te Huinga) and Whangarei District Council representatives. The purpose of Te Kārearea is to enable hapū and Council to work closely together to achieve the agreed vision 'He Whenua Rangatira - Whangarei, a district of prosperity, well-being and empowered communities'. Monthly meetings were alternated between Marae and Council Chambers with five held on Marae (Pehiaweri, Te Tarai o Rahiri, Whakapara, Te Aroha and Takahiwai) and five in Chambers. The first part of each Marae meeting was allocated to the community to contribute to decision making by raising their issues of importance. A register of issues has been held including reporting back to the community. These included roading, signage, rubbish, rates, water management and quality, footpaths, resource management matters, Papakainga, Marae funding, wastewater, flooding, Annual Plan, Civil Defence, community consultation and early engagement.

Additionally, Council and hapū agreed a set of priorities, which informed work streams for 2015-16 being: Māori Representation, Planning and Policy, Hapū Resource Hub, Waioa – Otuihau, Hapū Growth Plan, 27B Memorialised Lands, Communication, Local Government Reform, Te Huinga Secretariat, Scholarships and Papakainga. To raise collective knowledge, numerous presentations were held between hapū, Council and other external parties such as the Office of Treaty Settlements, the Local Government Commission, Quotable Value and Nga Kaitiaki o nga Wai Māori. Te Huinga members also contributed significant time to the development of a range of Council policies, procedures and projects, many being in terms of tikanga, technical input and both general and specific cultural advice.

Civil Defence

Civil Defence provides emergency management services and rural fire services for the district. A comprehensive emergency management organisation is in place which encompasses the management of the Rural Fire Service and is focused around the four phases of the emergency management continuum known as the four R's (reduction, readiness, response and recovery). The intention is to encourage greater self-reliance in the community by developing and maintaining Community Response Plans for prompt and effective recovery in the event of a disaster.

Customer Services

We manage everyday customer interactions across Council. In addition to this, we look beyond the immediate needs of our customers to provide services in a way which exceed expectations. For this reason, our Customer Services tagline is "One team. Making it easy and getting it right".

The Frontline team focus on ensuring that all our customers are given informative, understandable advice. They are the front end of many of Council's processes. This allows us to assist our customers when it comes to the big picture, particularly when a request spans many different activities. The Contact Centre team are focused on reducing the number of customer queries transferred to the business units by answering queries at the first point of contact.

Financial Services

Financial Services plays a key stewardship role. As well as facilitating the development of an effective financial strategy, we support Council in managing its financial resources on a day-to-day basis, as well as in the long term. We provide services in respect of planning, monitoring and reporting of Council's financial and business resources and our treasury function actively manages Council's debt and investment positions for both the short and long-term.

We also administer transactional functions including rates, water billing, accounts receivable and receipting including the efficient administration and maintenance of property records by ensuring the Rating Information Database and other property information systems are kept up to date. Efficient billing processes are undertaken for land and water rates as well as sundry debt and receipting functions for all of Council. Direct debit processing and timely follow up of overdue amounts mean that arrears are kept to a minimum. Another service provided by our team is general procurement advice and management. Our team also supports some Council CCOs by providing shared financial services to them.

Human Resources

Our Human Resources team work across the business supporting and developing all of Council's employees. This support role spans the day-to-day recruitment and payroll, to longer-term strategic matters such as employee development and change management. Our vision is twofold: to have the right people, motivated, engaged and delivering and creating a workplace that will enable us to attract the right people into our business. To deliver good service to our ratepayers we need to attract good people, therefore it is important that Council is perceived as a good place to work.

Information Services

Information Services supports both the technical and informational function requirements of Council. From desktop systems to the management of data and documentation, we ensure accurate and up-to-date information is readily available and can be easily stored and accessed and that our technology and systems allow Council to comply with its legislative requirements. Council's website plays a vital role as an interactive service for providing extensive resources of public information, documents and publications, consultations and GIS mapping (including District Plan and hazard overlays).

We also ensure that the underlying structures for the storage and fast retrieval of all corporate data are stable and available 24/7, with the ability to recover vital systems in the event of a disaster or interruption to services. This includes the ongoing development and enhancement of existing software systems to enable Council to meet the growing consumer demands from our district for faster supply and faster access to information.

Governance

Governance assists in the democratic process as well as organisation-wide decision-making, accountability and change. It brings together functions from across the business including legal and democracy services, strategic planning, communications and business analysis.

The activity covers core statutory functions of Council such as meetings, workshops, agendas and elections under the legal and democracy arm and the Long Term Plan, Annual Plan and Annual Report under statutory planning. These are communicated to the community through the communications, graphics and online content functions, with business analysis providing a vehicle for achieving greater efficiencies across both the activity and the wider organisation.

Property (Commercial)

The commercial component of Property is responsible for Council-owned properties held as investments and able to provide a commercial return to Council. This includes a mix of commercial freehold and perpetual ground lease sites. Investment portfolio properties will generally not be sold unless Council identifies compelling reasons for re-investment, such as investment in future infrastructure. Non-strategic properties may be sold, provided due process is followed.

Infrastructure Projects and Support

Infrastructure Projects and Support provides technical and administrative support to the Infrastructure and Services group. This includes planning, contract and general administration, asset management systems and databases and project and contract management.

WHAT IT COST

| | 2015-16 LTP \$000 | 2016-17 LTP \$000 | 2016-17 ACTUAL \$000 |
|---|-------------------------|-------------------------|----------------------------|
| SOURCES OF OPERATING FUNDING | | | |
| General rates, uniform annual general charges, rates penalties | 130 | 513 | 1,854 |
| Targeted rates | - | - | - |
| Subsidies and grants for operating purposes | - | - | - |
| Fees and charges | 3,943 | 4,217 | 4,829 |
| Internal charges and overheads recovered | 19,348 | 21,256 | 20,220 |
| Local authorities fuel tax, fines, infringement fees and other receipts | 3,246 | 2,574 | 4,343 |
| Total Operating Funding | 26,667 | 28,560 | 31,246 |
| APPLICATIONS OF OPERATING FUNDING | | | |
| Payments to staff and suppliers | 21,975 | 22,518 | 23,415 |
| Finance costs | 11 | 289 | 559 |
| Internal charges and overheads applied | 1,976 | 2,199 | 2,848 |
| Other operating funding applications | - | - | - |
| Total Applications of Operating Funding | 23,962 | 25,006 | 26,822 |
| Surplus / (Deficit) of Operating Funding | 2,705 | 3,554 | 4,424 |
| SOURCES OF CAPITAL FUNDING | | | |
| Subsidies and grants for capital expenditure | - | - | - |
| Development and financial contributions | - | - | - |
| Increase / (decrease) in debt | 200 | 4,915 | - |
| Gross proceeds from sale of assets | - | - | 4,738 |
| Other dedicated capital funding | - | - | - |
| Lump sum contributions | - | - | - |
| Total Sources of Capital Funding | 200 | 4,915 | 4,738 |
| APPLICATIONS OF CAPITAL FUNDING | | | |
| Capital expenditure | | | |
| to meet additional demand | 324 | 128 | - |
| to improve levels of service | 1,362 | 2,424 | 2,778 |
| to replace existing assets | 2,190 | 5,914 | 1,508 |
| Increase / (decrease) in reserves | (971) | 3 | 4,876 |
| Increase / (decrease) of investments | - | - | - |
| Total Applications of Capital Funding | 2,905 | 8,469 | 9,162 |
| Surplus / (Deficit) of Capital Funding | (2,705) | (3,554) | (4,424) |
| Funding Balance | - | - | - |

OPERATIONAL VARIANCE EXPLANATIONS

Internal charges and overheads recovered is favourable due to less overheads to charge. Local authorities fuel tax, fines, infringement fees and other receipts is favourable due to harvesting revenue originally budgeted for in the 2015-16 financial year.

CAPITAL VARIANCE EXPLANATIONS

Gross proceeds from sale of assets is favourable due to unbudgeted sales of investment property. Capital expenditure is favourable due to delays in the Council Premises project.

PART THREE
**FINANCIAL
STATEMENTS AND
INFORMATION**



FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

| FOR THE YEAR ENDED 30 JUNE 2017 | | COUNCIL | | | GROUP | |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | NOTE | ACTUAL 2017 \$'000 | BUDGET 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| REVENUE | | | | | | |
| Rates | 2 | 89,002 | 88,303 | 84,329 | 89,002 | 84,329 |
| Development contributions | | 6,839 | 3,000 | 4,544 | 6,839 | 4,544 |
| Subsidies and grants | 3 | 17,555 | 17,581 | 18,648 | 17,557 | 18,659 |
| Fees and charges | 4 | 13,962 | 13,873 | 12,933 | 13,962 | 12,933 |
| Interest revenue | 5 | 883 | 55 | 963 | 911 | 981 |
| Other revenue | 6 | 31,488 | 12,609 | 26,335 | 32,330 | 26,803 |
| Share of profit / (loss) from joint ventures | | 765 | 586 | 857 | 765 | 855 |
| Total revenue | | 160,494 | 136,007 | 148,609 | 161,366 | 149,104 |
| EXPENSES | | | | | | |
| Personnel costs | 7 | 25,174 | 25,120 | 23,299 | 25,503 | 23,474 |
| Depreciation and amortisation | 19 | 37,043 | 38,713 | 37,376 | 37,212 | 37,475 |
| Finance costs | 5 | 7,789 | 8,086 | 8,337 | 7,789 | 8,336 |
| Other expenses | 8 | 109,659 | 58,490 | 67,554 | 109,279 | 67,470 |
| Total expenses | | 179,665 | 130,409 | 136,566 | 179,783 | 136,755 |
| Surplus/(deficit) before tax | | (19,171) | 5,598 | 12,043 | (18,417) | 12,349 |
| Income tax expense | 9 | - | - | - | (50) | (48) |
| Surplus/(deficit) after tax | | (19,171) | 5,598 | 12,043 | (18,467) | 12,397 |
| OTHER COMPREHENSIVE REVENUE AND EXPENSE | | | | | | |
| ITEMS THAT WILL NOT BE RECLASSIFIED TO SURPLUS/(DEFICIT) | | | | | | |
| Gain / loss on infrastructure revaluations | 25 | (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 revenue and expense | | (31,776) | 43,341 | 15,369 | (32,567) | 15,723 |

Explanations of major variances against budget are provided in note 31.

The Accounting Policies and Notes on pages 91-161 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

| FOR THE YEAR ENDED 30 JUNE 2017 | | COUNCIL | | | GROUP | |
|---|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | NOTE | ACTUAL 2017 \$'000 | BUDGET 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| OPENING BALANCE AS AT 1 JULY | | 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) | - |
| Balance at 30 June | 25 | 1,469,214 | 1,535,899 | 1,500,991 | 1,470,284 | 1,502,902 |

The Accounting Policies and Notes on pages 91-161 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | | COUNCIL | | | GROUP | |
|--------------------------------------|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | NOTE | ACTUAL 2017 \$'000 | BUDGET 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash and cash equivalents | 10 | 21,542 | 392 | 15,681 | 23,197 | 16,871 |
| Debtors and receivables | 11 | 15,175 | 17,436 | 16,867 | 15,289 | 16,879 |
| Derivative financial instruments | 20 | 1 | - | 55 | 1 | 55 |
| Other financial assets | 13 | 20,607 | 1,136 | 266 | 20,607 | 266 |
| Other current assets | 12 | 822 | 656 | 688 | 823 | 689 |
| Assets held for sale | | - | - | 638 | - | 638 |
| Total current assets | | 58,147 | 19,620 | 34,195 | 59,917 | 35,398 |
| NON-CURRENT ASSETS | | | | | | |
| Derivative financial instruments | 20 | 64 | - | - | 64 | - |
| Other financial assets | 13 | 13,543 | 12,018 | 12,998 | 11,343 | 12,316 |
| Property, plant and equipment | 17 | 1,536,582 | 1,630,280 | 1,590,451 | 1,539,776 | 1,592,758 |
| Intangible assets | 18 | 5,353 | 6,300 | 3,196 | 5,353 | 3,196 |
| Forestry assets | 16 | 787 | 800 | 800 | 787 | 800 |
| Investment properties | 15 | 51,496 | 54,970 | 53,225 | 51,496 | 53,225 |
| 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 | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Payables and deferred revenue | 21 | 18,829 | 18,442 | 19,543 | 20,091 | 20,123 |
| Derivative financial instruments | 20 | 395 | 28 | 311 | 395 | 311 |
| Current borrowings | 23 | 30,000 | 19,275 | 20,052 | 30,000 | 20,000 |
| Employee benefits liabilities | 24 | 2,380 | 1,912 | 2,174 | 2,385 | 2,187 |
| Provisions | 22 | 105 | 319 | 344 | 105 | 344 |
| Total current liabilities | | 51,709 | 39,976 | 42,424 | 52,976 | 42,965 |
| NON-CURRENT LIABILITIES | | | | | | |
| Derivative financial instruments | 20 | 11,073 | 9,601 | 17,450 | 11,073 | 17,450 |
| Non-current borrowings | 23 | 132,000 | 136,804 | 132,000 | 132,000 | 132,000 |
| Employee benefits liabilities | 24 | 355 | 412 | 351 | 355 | 351 |
| Provisions | | 1,465 | 631 | 1,060 | 1,465 | 1,060 |
| Payables and deferred revenue | | 156 | 665 | 589 | 156 | 589 |
| Deferred tax liability | | - | - | - | 427 | 376 |
| 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 |
| Net assets | | 1,469,214 | 1,535,899 | 1,500,991 | 1,470,284 | 1,502,902 |

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

| | | COUNCIL | | | GROUP | |
|---------------------------|------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | NOTE | ACTUAL 2017 \$'000 | BUDGET 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| EQUITY | | | | | | |
| Accumulated funds | 25 | 873,057 | 882,407 | 883,013 | 873,717 | 884,600 |
| Other reserves | 25 | 72,374 | 61,192 | 60,095 | 72,784 | 60,419 |
| Asset revaluation reserve | | 523,783 | 592,300 | 557,883 | 523,783 | 557,883 |
| Total equity | | 1,469,214 | 1,535,899 | 1,500,991 | 1,470,284 | 1,502,902 |

Explanations of major variances against budget are provided in note 31.

The Accounting Policies and Notes on pages 91-161 form part of these financial statements.

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 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from rates revenue | 89,358 | 88,018 | 82,808 | 89,358 | 82,958 |
| Subsidies and grants received | 18,635 | 17,500 | 15,044 | 19,780 | 15,044 |
| Other revenue including development contributions | 16,977 | 26,863 | 30,147 | 17,150 | 30,834 |
| Fees and charges received | 14,573 | - | - | 14,573 | - |
| Interest received | 828 | 55 | 858 | 854 | 876 |
| Dividends received | 94 | 50 | 48 | 94 | 48 |
| Payments to suppliers and employees | (81,526) | (82,018) | (74,130) | (81,383) | (74,362) |
| Interest paid | (7,744) | (8,086) | (8,317) | (7,743) | (8,317) |
| Net cash flow from operating activities | 51,195 | 42,382 | 46,458 | 52,683 | 47,081 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from fixed assets | 5,287 | - | 2,069 | 5,287 | 2,069 |
| Receipts from investments and loans | 300 | - | 400 | 399 | 400 |
| Purchase and development of fixed assets | (40,840) | (51,994) | (42,770) | (41,957) | (42,848) |
| Purchase of investments & loans provided | (20,320) | - | (594) | (20,320) | (594) |
| Net cash from investing activities | (55,573) | (51,994) | (40,895) | (56,591) | (40,973) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Proceeds from borrowing | 60,000 | 9,353 | 64,000 | 60,000 | 64,000 |
| Loan repayments received | 291 | - | 410 | 341 | 410 |
| Dividends paid | - | - | - | (52) | - |
| Repayment of borrowings | (50,052) | - | (56,450) | (50,055) | (56,450) |
| Loans granted | - | - | (194) | - | (194) |
| Net cash from financing activities | 10,239 | 9,353 | 7,766 | 10,234 | 7,766 |
| Net (decrease)/increase in cash, cash equivalents and bank overdrafts | 5,861 | (259) | 13,329 | 6,326 | 13,874 |
| Cash, cash equivalents and bank overdrafts at the beginning of the year | 15,681 | 651 | 2,352 | 16,871 | 2,997 |
| Cash, cash equivalents and bank overdrafts at the end of the year | 21,542 | 392 | 15,681 | 23,197 | 16,871 |

The net GST paid and received with Inland Revenue is classified within payments to suppliers and employees.

During the period property, plant and equipment totalling \$nil (2014: \$nil) was acquired by means of finance leases.

The Accounting Policies and Notes on pages 91-161 form part of these financial statements.

Reclassification of operating revenue

The cashflow classification of transactions has been reviewed and amended for the year ending 30 June 2017. This is to provide a cashflow statement that more accurately aligns with the Statement of Comprehensive Revenue and Expense. To provide like for like comparability, the 2017 budget and 2016 actuals have been restated. The main reclassifications include:

- removal of the rates lines in relation to receipts and payments of Northland Regional Council rates
- new classifications for operating activity revenue lines including:
 - » other revenue including development contributions
 - » fees and charges received
- removal of previous classifications for operating activity revenue lines including:
 - » other revenue
 - » receipts from customers
 - » rental of property.

SUMMARY OF RECLASSIFICATION

| | 2015-16 BEFORE ADJUSTMENTS \$'000 | RECLASSIFICATION ADJUSTMENTS \$'000 | 2015-16 AFTER ADJUSTMENTS \$'000 |
|---|---|---|--|
| COUNCIL | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Rates - Northland Regional Council | 12,103 | (12,103) | - |
| Other revenue | 3,304 | (3,304) | - |
| Other revenue including development contributions | - | 30,147 | 30,147 |
| Receipts from customers and services | 22,763 | (22,763) | - |
| Rental of property | 4,080 | (4,080) | - |
| Payments to suppliers and employees | (74,280) | 150 | (74,130) |
| Rates - Northland Regional Council | (11,953) | 11,953 | - |
| GROUP | | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Other revenue | 7,897 | (7,897) | - |
| Other revenue including development contributions | - | 30,834 | 30,834 |
| Receipts from customers and services | 22,937 | (22,937) | - |

RECONCILIATION OF NET SURPLUS/ (DEFICIT) TO NET CASH FLOW FROM OPERATING ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2017

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Surplus/(deficit) after tax | (19,171) | 12,043 | (18,467) | 12,397 |
| Share of associate's surplus | (765) | (857) | (765) | (857) |
| Depreciation and amortisation expense | 37,043 | 37,376 | 37,212 | 37,476 |
| Property, plant and equipment impairment | - | (327) | - | (327) |
| Net vested and found assets | (10,208) | (12,297) | (10,208) | (12,297) |
| Bad debts written off | - | 46 | - | 47 |
| (Gains)/losses in fair value of investments | (3,347) | (3,075) | (3,347) | (3,075) |
| Other non-cash items | 1,805 | 1,940 | 1,813 | 1,940 |
| Change in fair value of derivatives | (6,304) | 8,076 | (6,304) | 8,077 |
| Total non-cash items | 18,224 | 30,882 | 18,437 | 30,984 |
| ADD/(LESS) ITEMS CLASSIFIED AS INVESTING OR FINANCING ACTIVITIES | | | | |
| (Gains)/losses on disposal of property, plant and equipment | 47,461 | 3,072 | 47,461 | 3,072 |
| Receipts from joint ventures | 300 | - | 300 | - |
| | 47,761 | 3,072 | 47,761 | 3,072 |
| ADD/(LESS) MOVEMENTS IN WORKING CAPITAL ITEMS | | | | |
| (Inc)/Dec in debtors and other receivables | 1,695 | (1,674) | 1,493 | (1,568) |
| (Inc)/Dec in prepayments | (114) | (57) | (114) | (58) |
| (Inc)/Dec in inventory | (20) | - | (20) | - |
| Inc/(Dec) in creditors and other payables | 2,444 | 1,410 | 3,225 | 1,472 |
| Inc/(Dec) in provisions | 166 | 490 | 166 | 490 |
| Inc/(Dec) in employee entitlements | 210 | 292 | 202 | 292 |
| | 4,381 | 461 | 4,952 | 628 |
| Net cash inflow/(outflow) from operating activities | 51,195 | 46,458 | 52,683 | 47,081 |

NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1: STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2017

1.1 Reporting entity

Whangarei District Council (Council) is a territorial local authority established under the Local Government Act 2002 (LGA) and is domiciled and operates in New Zealand. Council provides local infrastructure, local public services and performs regulatory functions to the community.

Council is governed by the Local Government Act 2002 and the Local Government (Rating) Act 2002.

The Group financial statements provide the consolidated results of Council and its controlled entities (Springs Flat Contractors Limited, Whangarei Art Museum Trust, Northland Events Centre Trust, Whangarei Waste Limited and Whangarei Quarry Gardens Trust) and the equity accounted results of the joint venture entities in which the Council is a venturer (Whangarei District Airport and Northland Regional Landfill Limited Partnership).

For the purposes of complying with generally accepted accounting practice in New Zealand (NZ GAAP), the Council and Group are public benefit entities (PBEs).

The financial statements of Council and the Group are for the year ended 30 June 2017. The financial statements were authorised for issue by Council on 28 September 2017.

1.2 Basis of preparation

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Statement of compliance

The financial statements of the Council and Group have been prepared in accordance with the requirements of the LGA and the Local Government (Financial Reporting and Prudence) Regulations 2014 (LG(FRP)R), which include the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with and comply with PBE Standards.

Presentation currency and rounding

The functional currency of Council, each of its subsidiaries and each of the joint ventures in which Council is a venturer, is New Zealand dollars. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars (\$'000).

Standards issued and not yet effective that have been early adopted

IMPAIRMENT OF REVALUED ASSETS

In April 2017, the XRB issued 'Impairment of Revalued Assets', which now scopes in revalued property, plant and equipment into the impairment accounting standards. Previously, only property, plant and equipment assets measured at cost were scoped into the impairment accounting standard.

Council has early adopted this amendment in preparing its 30 June 2017 financial statements. From the 30 June 2017 year onwards, Council is required to assess at each reporting date whether there is any indication that an asset may be impaired. If any indication exists, Council is required to assess the recoverable amount of that asset and recognise an impairment loss if the recoverable amount is less than the carrying amount. Council can therefore impair a revalued asset without having to revalue the entire class-of-asset to which the asset belongs.

DISCLOSURE INITIATIVE

PBE IPSAS 1 Presentation of Financial Statements has recently been updated to address perceived impediments to preparers exercising their judgements in preparing financial statements.

Council has considered these amendments and reviewed how its financial statements are presented in preparing the 30 June 2017 financial statements. Council will continue to review and improve the information presented in its financial statements going forward.

OTHER AMENDMENTS

While there are other amendments issued and not yet effective, Council does not consider these to be relevant and therefore no information has been disclosed about these amendments.

Standards issued and not yet effective that have not been early adopted

2016 OMNIBUS AMENDMENTS

In January 2017, the External Reporting Board (XRB) issued the '2016 Omnibus Amendments to PBE Standards', which incorporates a range of amendments to the PBE Standards. These amendments apply to PBEs with reporting periods beginning on or after 1 January 2017. Council will apply these amendments in preparing its 30 June 2018 financial statements. Council expects there will be minimal effect in applying these amendments.

INTEREST IN OTHER ENTITIES

In January 2017, the XRB issued new standards for interest in other entities (PBE IPSAS 34 - 38). These new standards replace the existing standards for interest in other entities (PBE IPSAS 6 - 8). The new standards are effective for annual periods beginning on or after 1 January 2019, with early application permitted.

Council plans to apply the new standards in preparing the 30 June 2020 financial statements. Council and the Group have not yet assessed the effects of these new standards.

FINANCIAL INSTRUMENTS

In January 2017, the XRB issued PBE IFRS 9 Financial Instruments. PBE IFRS 9 replaces PBE IPSAS 29 Financial Instruments: Recognition and Measurement. PBE IFRS 9 is effective for annual periods beginning on or after 1 January 2021, with early application permitted. The main changes under PBE IFRS 9 are:

- new financial asset classification requirements for determining whether an asset is measured at fair value or amortised cost
- a new impairment model for financial assets based on expected losses, which may result in the earlier recognition of impairment losses
- revised hedge accounting requirements to better reflect the management of risks.

Council plans to apply this standard in preparing its 30 June 2022 financial statements. Council and the Group have not yet assessed the effects of the new standard.

Changes in accounting policies

Council's interest in the joint venture with Whangarei District Airport is now recognised in both Council and Group accounts using the equity method.

Summary of significant accounting policies

Significant accounting policies are included in the notes to which they relate.

Significant accounting policies that do not relate to a specific note are outlined below.

1.3 Basis of consolidation

Subsidiaries

A subsidiary is an entity that Council controls. Control is the capacity to govern an entity's financing and operating policies so as to obtain benefits from its activities.

This capacity exists where:

- Council controls the majority voting power of the governing body
- an entity's financing and operating policies have been irreversibly predetermined by Council
- the determination of such policies is unable to materially affect the level of potential ownership benefits that arise from the activities of the subsidiary
- Council benefits from the activities of the subsidiary.

Subsidiaries are consolidated into the Group financial statements from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The investment in subsidiaries is carried at cost in Council's financial statements.

Inter-entity transactions, balances and unrealised gains on transactions between the Group entities are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been aligned where necessary to ensure consistency with the policies adopted by Council and the group.

Joint venture

A joint venture is a binding arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control. Joint control is the agreed sharing of control over an activity. Council is a joint venturer in jointly controlled entities.

Council's interest in the Northland Regional Landfill Limited Partnership (NRLLP) and Whangarei District Airport (WDA) are equity accounted in both Council and the Group's financial statements. This means that the investments are initially recognised at cost and adjusted thereafter for the post-acquisition change in Council's share of the joint venture's net assets/equity. Council's share of the surplus or deficit of the joint ventures is included in Council and the Group's surplus or deficit.

Profits or losses on transactions establishing the jointly controlled entity and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the jointly controlled entity on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred. Accounting policies of jointly controlled entities have been aligned where necessary to ensure consistency with the policies adopted by Council and the Group.

1.4 Revenue

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts and after eliminating sales within the group.

Revenue may arise from exchange or non exchange transactions. Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange. Non exchange transactions are transactions that are not exchange transactions. In a non exchange transaction, an entity either receives value from another entity without directly giving approximately equal value in exchange, or gives value to another entity without directly receiving approximately equal value in exchange.

Where a non exchange transaction stipulates that the Group must provide specified services in exchange for revenue, the Group determines whether that stipulation constitutes a restriction or a condition:

- a restriction specifies the services that must be performed, but does not require funds to be returned if they are not spent as stipulated; revenue from a non exchange transaction with restrictions is recognised when received, or when the Group becomes entitled to it
- a condition specifies the services that must be performed and requires funds to be returned if they are not spent as stipulated; non exchange transactions with conditions are recognised as liabilities when received and revenue is recognised and the associated liability extinguished as the specified services are provided.

Revenue from non exchange transactions that do not stipulate that the Group must provide specified services in exchange for revenue is recognised on receipt.

Pledges are not recognised as revenue as the Group is unable to control the access to the funds. Pledges are disclosed as a contingent asset when the money is pledged and recognised as revenue when the pledged money is received.

1.5 Goods and services tax

Items in the financial statements are stated exclusive of goods and services tax (GST), except for receivables and payables, which are presented on a GST inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net amount of GST recoverable from or payable to Inland Revenue is included as part of receivables or payables in the statement of financial position.

The net GST paid to or received from Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cash flow in the Cash Flow Statement.

Commitments and contingencies are disclosed exclusive of GST.

1.6 Budget figures

The budget figures are those approved by Council in its 2016-17 Annual Plan. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Council in preparing these financial statements.

1.7 Critical accounting estimates and assumptions

In preparing these financial statements, estimates and assumptions have been made concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are:

- the assessed useful life of an item of property, plant and equipment impacts the carrying amount of that item and the amount of depreciation recognised in relation to that item (more information on the useful lives of items of property, plant and equipment is provided in note 17)
- assumptions and estimates are applied in determining the fair value of infrastructure assets (more information is provided in note 17)
- the impairment assessment of non-financial assets requires the use of key assumptions and estimates (more information is provided in note 13)
- the determination of the landfill aftercare provision requires the use of key assumptions and estimates (more information is provided in note 22)
- council relies on the assumptions and estimates made by external valuers when performing the investment property revaluation (more information is provided in note 15).

1.8 Critical judgements in applying accounting policies

Management has exercised the following critical judgements in applying accounting policies for the year ended 30 June 2017:

- classification of property: Council owns a number of properties held to provide housing to pensioners. The receipt of market based rental from these properties is incidental to holding them. The properties are held for service delivery objectives as part of Council's social housing policy. The properties are therefore accounted for as property, plant and equipment rather than as investment property
- revenue from exchange and non exchange transactions: Council has exercised professional judgement when determining whether the substance of a transaction is that of non exchange or exchange. Council has reviewed its revenue streams and referred to its Revenue and Financing Policy to identify activities partially funded by rates revenue. When this occurs, the revenue from that activity is treated as non exchange. Council believes revenue recognition materially complies with the PBE accounting standards
- determine control/joint control: Council has determined in respect to associated entities its control or joint control when deciding inclusion or non inclusion in the Council and Group's financials. Council considers various factors to determine control including: its capacity to control financing and operating policies, benefits obtained from the activities of the subsidiary, majority voting power on the governing body, trust deeds, as well as external advice.

NOTE 2: RATES

Accounting policy

The following policies for rates have been applied:

- General rates, targeted rates (excluding water-by-meter) and uniform annual general charges are recognised at the start of the financial year to which the rates resolution relates. They are recognised at the amounts due. Council considers that the effect of payment of rates by instalments is not sufficient to require discounting of rates receivables and subsequent recognition of interest revenue.
- Rates arising from late payment penalties are recognised as revenue when rates become overdue.
- Revenue from water-by-meter rates is recognised on an accrual basis based on usage. Unbilled usage, as a result of unread meters at year end, is accrued on an average usage basis.
- Rates remissions are recognised as a reduction of rates revenue when Council has received an application that satisfies its rates remission policy.
- Rates collected on behalf of Northland Regional Council (NRC) are not recognised in the financial statements, as Council is acting as an agent for NRC.

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| General rates | 52,266 | 49,756 | 52,266 | 49,756 |
| Less internal rates on Council properties | (1,398) | (1,341) | (1,398) | (1,341) |
| Total general rates revenue | 50,868 | 48,415 | 50,868 | 48,415 |
| TARGETED RATES: | | | | |
| Wastewater rates | 16,950 | 16,282 | 16,950 | 16,282 |
| District-wide refuse management | 6,450 | 6,170 | 6,450 | 6,170 |
| Metered water supply | 13,721 | 12,976 | 13,721 | 12,976 |
| Hikurangi swamp | 959 | 891 | 959 | 891 |
| Water rates | 811 | 735 | 811 | 735 |
| Parks coastal erosion | - | - | - | - |
| Roading scheme | 34 | 50 | 34 | 50 |
| Total targeted rates | 38,925 | 37,104 | 38,925 | 37,104 |
| Rate remissions | (1,372) | (1,746) | (1,372) | (1,746) |
| Rate penalties | 581 | 556 | 581 | 556 |
| Total rates | 89,002 | 84,329 | 89,002 | 84,329 |

Council is required by the Local Government Funding Agency (LGFA) Guarantee and Indemnity Deed to disclose in its financial statements (or notes), its annual rates revenue. The Indemnity Deed defines annual rates revenue as an amount equal to the total revenue from any funding mechanism authorised by the Local Government (Rating Act) 2002 together with any revenue received by Council from other local authorities for services provided by that Council for which those other Local Authorities rate. The annual rates revenue of Council for the year ended 30 June 2017 for the purposes of the LGFA Guarantee and Indemnity Deed disclosure is shown below:

| | COUNCIL | |
|----------------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Rates | 89,002 | 84,329 |
| Internal rates | 1,398 | 1,341 |
| Lump sum contributions | 54 | 106 |
| Total annual rates income | 90,454 | 85,776 |

Rating base information

The number of rating units within Council's district at the end of the year was 43,415 (June 2016: 43,077).

The total capital value of rating units within Council's district at the end of the year was \$20,413,808,255 (June 2016: \$20,073,642,815).

The total land value of rating units within Council's district at the end of the year was \$9,830,463,070 (June 2016: \$9,765,567,430).

NOTE 3: SUBSIDIES AND GRANTS

Accounting policy

Council receives funding assistance from the New Zealand Transport Agency, which subsidises part of the costs of maintenance and capital expenditure on the local roading infrastructure. The subsidies are recognised as revenue upon entitlement, as conditions pertaining to eligible expenditure have been fulfilled.

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| New Zealand Transport Agency roading subsidies | 17,431 | 18,532 | 17,431 | 18,532 |
| Other grants | 64 | 116 | 64 | 116 |
| Wastewater | 60 | - | 60 | - |
| Subsidiaries | - | - | 2 | 11 |
| Total subsidies and grants | 17,555 | 18,648 | 17,557 | 18,659 |

At balance date, there are no unfulfilled conditions and other contingencies attached to subsidies and grants recognised (2016: \$nil).

NOTE 4: FEES AND CHARGES

Accounting policy

Building and resource consent revenue

Fees and charges for building and resource consent services are recognised when complete.

Sale of goods

Revenue from the sale of goods is recognised when a product is sold to the customer.

| | COUNCIL | | GROUP | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Building and resource consent charges | 6,400 | 5,478 | 6,400 | 5,478 |
| Sale of goods | 2,516 | 2,708 | 2,516 | 2,708 |
| Other fees and charges | 3,220 | 3,005 | 3,220 | 3,005 |
| Parking fees | 1,298 | 1,283 | 1,298 | 1,283 |
| Landfill charges | 528 | 459 | 528 | 459 |
| Total fees and charges | 13,962 | 12,933 | 13,962 | 12,933 |

NOTE 5: INTEREST REVENUE AND FINANCE COSTS

Accounting Policy

Borrowing costs are expensed in the financial year in which they are incurred.

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| INTEREST REVENUE | | | | |
| INTEREST REVENUE | | | | |
| Term deposits | 867 | 939 | 870 | 940 |
| Community loans | 3 | 8 | 3 | 8 |
| Other | 13 | 16 | 38 | 33 |
| Total interest revenue | 883 | 963 | 911 | 981 |
| FINANCE COSTS | | | | |
| INTEREST EXPENSE | | | | |
| Discount unwind on provision (note 22) | 50 | 38 | 50 | 38 |
| Interest on bank borrowings | 4,182 | 5,566 | 4,182 | 5,565 |
| Interest paid on derivatives | 3,557 | 2,733 | 3,557 | 2,733 |
| Total finance costs | 7,789 | 8,337 | 7,789 | 8,336 |
| Net finance costs | 6,906 | 7,374 | 6,878 | 7,355 |

NOTE 6: OTHER REVENUE

Accounting policy

Vested or donated physical assets

For assets received for no or nominal consideration, the asset is recognised at its fair value when Council obtains control of the asset. The fair value of the asset is recognised as revenue.

The fair value of vested or donated assets is usually determined by reference to Council's most recent valuation rates and useful lives.

| | NOTE | COUNCIL | | GROUP | |
|---------------------------------------|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Forestry asset revaluation | 16 | 226 | - | 226 | - |
| Traffic and parking infringements | | 967 | 1,011 | 967 | 1,011 |
| Rental revenue | | 5,033 | 4,837 | 5,033 | 4,837 |
| Investment property revaluation gains | 15 | 3,347 | 3,075 | 3,347 | 3,075 |
| Donations and bequests | | 5 | 338 | 358 | 682 |
| Lump sum contributions | | 54 | 106 | 54 | 106 |
| Other | | 4,433 | 3,481 | 4,922 | 3,605 |
| Petrol tax | | 647 | 575 | 647 | 575 |
| Found assets | | 1,279 | 1,494 | 1,279 | 1,494 |
| Vested assets | | 8,929 | 10,802 | 8,929 | 10,802 |
| Dividend revenue | | 94 | 107 | 94 | 107 |
| Fair value gains | | 19 | 19 | 19 | 19 |
| Gains on property sales | | 151 | 490 | 151 | 490 |
| Gain on derivatives | | 6,304 | - | 6,304 | - |
| Total other revenue | | 31,488 | 26,335 | 32,330 | 26,803 |

* For the year ended 30 June 2016, the revaluation of derivatives (swaps) resulted in a loss on derivatives of \$8.1 million. Refer note 8.

NOTE 7: PERSONNEL COSTS

Accounting policy

Superannuation schemes

DEFINED CONTRIBUTION SCHEMES

Employer contributions to KiwiSaver, the Government Superannuation Fund and other defined contribution superannuation schemes are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Salaries and wages | 24,412 | 22,606 | 24,738 | 22,780 |
| Other personnel costs | 116 | 70 | 119 | 71 |
| Defined contribution plan employer contributions | 593 | 519 | 593 | 519 |
| Increase/(decrease) in employee entitlements/liabilities | 53 | 104 | 53 | 104 |
| Total personnel costs | 25,174 | 23,299 | 25,503 | 23,474 |

Remuneration

Key Management Personnel Remuneration

| Key Management Personnel Remuneration | | | COUNCIL | |
|--|--|--|--------------------------|--------------------------|
| | FULL TIME EQUIVALENT MEMBERS 2017 | FULL TIME EQUIVALENT MEMBERS 2016 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| ELECTED MEMBERS | | | | |
| Remuneration | 14 | 14 | 813 | 809 |
| EXECUTIVE LEADERSHIP TEAM, INCLUDING THE CHIEF EXECUTIVE | | | | |
| Remuneration | 5 | 5 | 1,410 | 1,195 |
| Total key management personnel | 19 | 19 | 2,223 | 2,004 |

Due to the difficulty in determining the full-time equivalent for Elected Members, the full-time equivalent figure is taken as the number of Elected Members.

During the year key management personnel as part of normal local authority relationships were involved in transactions of a minor and routine nature with Council (such as paying rates).

CHIEF EXECUTIVE REMUNERATION

The total remuneration (including any non-financial benefits) paid for the year to the Chief Executive was \$330,500 (2016: \$323,000).

| Elected Members | COUNCIL | |
|------------------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT ELECTED MEMBERS | | |
| Mayor - MAI | 138 | 135 |
| Councillor - BELL | 48 | 47 |
| Councillor - CHRISTIE | 48 | 47 |
| Councillor - COCURRELLO | 33 | - |
| Councillor - CUTFORTH | 48 | 47 |
| Councillor - DEEMING | 58 | 59 |
| Councillor - GLEN | 48 | 47 |
| Councillor - GOLIGHTLY* | 33 | - |
| Councillor - HALSE | 48 | 47 |
| Councillor - HERMON | 54 | 47 |
| Councillor - INNES | 58 | 60 |
| Councillor - MARTIN | 58 | 60 |
| Councillor - MORGAN | 59 | 58 |
| Councillor - MURPHY | 33 | - |
| PREVIOUS ELECTED MEMBERS | | |
| Councillor - BRETHERTON | 15 | 47 |
| Councillor - MCLACHLAN | 15 | 47 |
| Councillor - WILLIAMSON | 19 | 61 |
| Total elected members remuneration | 813 | 809 |

Remuneration is disclosed based on amounts paid for the financial year.

The Remuneration Authority is responsible for setting elected members' remuneration levels. In the case of Council, it was resolved that the chairs of the standing committees should receive a higher salary than the remaining Elected Members.

Variation in Elected Members remuneration is due to participation on additional committees, as well as their length of term.

*Councillor Golightly resigned 6/9/17

| Employees | NUMBER OF EMPLOYEES | |
|-----------------------|---------------------|------|
| | 2017 | 2016 |
| < \$60,000 | 217 | 215 |
| \$60,000 – \$79,999 | 90 | 88 |
| \$80,000 – \$99,999 | 45 | 38 |
| \$100,000 – \$119,999 | 13 | 15 |
| \$120,000 – \$159,999 | 9 | 7 |
| \$160,000 – \$339,999 | 7 | 5 |
| Total employees | 381 | 368 |

Total remuneration includes non-financial benefits provided to employees.

At balance date, Council employed 292 (2016: 278) full-time employees, with the balance of staff representing 57 (2016: 56) full-time equivalent employees. A full-time employee is determined on the basis of a 37.5 hour working week.

Severance payment

Council made no severance payments for the year ended 30 June 2017 (2016: Nil).

NOTE 8: OTHER EXPENSES

Accounting policy

Grant expenditure

Non discretionary grants are those grants that are awarded if the grant application meets the specified criteria. They are recognised when an application that meets the specified criteria for the grant has been received.

Discretionary grants are those grants that are awarded at the discretion of Council. They are recognised when a grant has been approved by Council and that approval has been communicated to the applicant. Council's grants awarded have no substantive conditions attached.

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset. Lease payments under an operating lease are recognised as an expense on a straight-line basis over the lease term. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Fees to Audit New Zealand for audit of the Council's financial statements* | 194 | 229 | 228 | 258 |
| Fees to Audit New Zealand for the review of the debenture trust deed | 4 | - | 4 | - |
| Councillor remuneration | 814 | 799 | 814 | 799 |
| Electricity costs | 2,899 | 2,703 | 2,899 | 2,703 |
| Impairment of receivables | 48 | (98) | 48 | (98) |
| Impairment of loans receivable | 500 | - | 500 | - |
| Operating lease expense | 725 | 798 | 725 | 798 |
| Repairs and maintenance expenses | 2,239 | 2,627 | 2,412 | 2,806 |
| Loss on derivatives** | - | 8,077 | - | 8,077 |
| Insurance premiums | 764 | 803 | 776 | 813 |
| General grants | 2,852 | 3,614 | 1,756 | 2,985 |
| Property, plant and equipment impairment | - | (327) | - | (327) |
| Software expenses | 1,871 | 1,728 | 1,871 | 1,728 |
| Loss on assets disposed of*** | 8,712 | 3,561 | 9,323 | 4,036 |
| Loss on assets divested**** | 38,900 | - | 38,900 | - |
| Bad debts written off | 53 | 46 | 54 | 47 |
| Professional fees and consultants | 4,210 | 3,332 | 4,210 | 3,332 |
| Legal fees | 1,070 | 1,045 | 1,071 | 1,045 |
| Contractors | 33,612 | 29,871 | 33,619 | 29,886 |
| Other expenses | 10,192 | 8,746 | 10,069 | 8,582 |
| Total other expenses | 109,659 | 67,554 | 109,279 | 67,470 |

*2016: The fees paid to Audit New Zealand for audit of Council's financial statements includes \$37,000 of audit fees relating to the 2014-15 Annual Report.

** For the year ended 30 June 2017, the revaluation of derivatives (swaps) resulted in a gain on derivatives of \$6.3 million. Refer note 6.

***The loss on assets disposed of (\$8.7 million) is made up of:

- \$3.6 million of assets disposed of as a result of review of the non-roading infrastructure asset management system data during 2016-17. Council is continuously reviewing and improving the accuracy of this data. Council's asset management systems hold a significant number of assets, with approximately 163,000 asset lines for non-roading infrastructure. This data reflects assets accumulated by Council since initial infrastructure was constructed in the district right up to 2016-17
- \$2.0 million due to 2016-17 non-roading infrastructure capital works. When assets are renewed if there is any value attributed to assets that have been replaced this is disposed of
- \$2.3 million as a consequence of 2016-17 roading capital works. When assets are renewed if there is any value attributed to assets that have been replaced this is disposed of
- \$0.6 million of operational assets, the majority being the result of pensioner housing renewals
- \$0.2 million relating to loss on disposal on harvesting of Parihaka forest. This is offset by Council generating \$0.6 million revenue from the harvest.

****The loss on assets divested is a result of the declaration of Loop, Otaika Valley and Mangakahia Rds becoming State Highway 15, a total of 55.3kms. These assets had a net book value of \$38.9 million and were divested to NZTA for no consideration, resulting in a loss of \$38.9 million. These assets cost Council approximately \$1.2 million per year to maintain. These cost savings are being redirected to maintenance costs of other roading projects.

NOTE 9: INCOME TAX

Accounting policy

Council is not subject to income tax except for revenue derived from Council Controlled Organisations (Northland Regional Landfill Limited Partnership and Whangarei District Airport).

Income tax expense includes components relating to both current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, plus any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the surplus or deficit for the period, except to the extent that it relates to items recognised in other comprehensive revenue and expense or directly in equity.

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| COMPONENTS OF TAX EXPENSE | | | | |
| Current tax | - | - | - | - |
| Deferred tax | - | - | 50 | (48) |
| Tax expense | - | - | 50 | (48) |
| RELATIONSHIP BETWEEN TAX EXPENSE AND ACCOUNTING PROFIT | | | | |
| Surplus/(deficit) before tax | (19,171) | 12,043 | (18,417) | 12,349 |
| Tax at 28% | (5,368) | 3,372 | (5,157) | 3,458 |
| Plus/(less) tax effect of: | | | | |
| Non-deductible expenditure | - | - | 15 | 10 |
| Non-taxable income | 5,368 | (3,372) | 5,395 | (3,296) |
| Council share of NRLLP revenue | 259 | 161 | - | - |
| Deferred tax adjustment | (259) | (161) | (203) | (220) |
| Other adjustments | - | - | - | - |
| Tax expense | - | - | 50 | (48) |

| | PP&E | OTHER | TAX LOSSES | TOTAL |
|---|----------------|----------|--------------|--------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| DEFERRED TAX ASSETS/(LIABILITIES) | | | | |
| COUNCIL | | | | |
| Balance at 30 June 2014 | - | - | - | - |
| Charged to surplus or deficit | - | - | - | - |
| Charged to other comprehensive revenue | - | - | - | - |
| Balance at 30 June 2016 | - | - | - | - |
| Opening balance 1 July 2016 | - | - | - | - |
| Charged to surplus or deficit | - | - | - | - |
| Charged to other comprehensive revenue | - | - | - | - |
| Balance at 30 June 2017 | - | - | - | - |
| GROUP | | | | |
| Balance at 30 June 2015 | (1,511) | 2 | 1,085 | (424) |
| Charged to surplus or deficit | (23) | (1) | 72 | 48 |
| Credited (charged) to other comprehensive revenue | - | - | - | - |
| Balance at 30 June 2016 | (1,534) | 1 | 1,157 | (376) |
| Opening balance 1 July 2016 | (1,534) | 1 | 1,157 | (376) |
| Charged to surplus or deficit | (55) | 3 | 2 | (50) |
| Credited (charged) to other comprehensive revenue | - | - | - | - |
| Balance at 30 June 2017 | (1,589) | 4 | 1,159 | (426) |

Council (the parent) has an unrecognised deferred tax asset in relation to tax losses of \$3.3 million (2015: \$3.3 million) with a tax effect of \$0.9 million (2015: \$0.8 million).

These losses have been recognised at the Group level.

NOTE 10: CASH AND CASH EQUIVALENTS

Accounting policy

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

The carrying value of cash at bank and short-term deposits with maturities less than three months approximates their fair value.

| | COUNCIL | | GROUP | |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Cash on hand | 6 | 6 | 6 | 6 |
| Bank balances - HWMAC | - | - | 1,409 | 945 |
| Bank deposits | 17,378 | 13,923 | 17,470 | 14,011 |
| Bank balances | 4,158 | 1,752 | 4,312 | 1,909 |
| Total cash and cash equivalents | 21,542 | 15,681 | 23,197 | 16,871 |

Group

For further information regarding the Hundertwasser Wairau Maori Arts Centre (HWMAC) refer to note 27.

NOTE 11: DEBTORS AND RECEIVABLES

Accounting policy

Short-term receivables are recorded at the amount due, less any provision for uncollectability.

A receivable is considered to be uncollectable when there is evidence that the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

| | COUNCIL | | GROUP | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Sundry debtors | 5,551 | 6,856 | 5,665 | 6,855 |
| Accrued revenue | 2,686 | 2,963 | 2,686 | 2,976 |
| Rates receivable | 7,333 | 7,394 | 7,333 | 7,394 |
| Less provision for impairment | (395) | (346) | (395) | (346) |
| Total debtors and receivables | 15,175 | 16,867 | 15,289 | 16,879 |

Exchange and non-exchange transactions

Receivables from exchange transactions of \$4.5 million (2016: \$4.0 million) include outstanding amounts for interest and fees and charges that have not been subsidised by rates.

The remaining debtors and receivables are from non-exchange transactions and include outstanding amounts for rates, grants, infringements and fees and charges that are partly subsidised by rates.

Fair value

Debtors and receivables (excluding community loans) are non-interest bearing and receipt is normally on 30 day terms, therefore the carrying value of receivables approximates their fair value.

Reclassification

\$2.8 million of 2016 balances have been reclassified from Sundry debtors to Accrued revenue.

Assessment for uncollectability

Council does not provide for any uncollectability on rates receivable, as it has various powers under the Local Government (Rating) Act 2002 to recover any outstanding debts. These powers allow Council to commence legal proceedings to recover any rates that remain unpaid four months after the due date for payment. If payment has not been made within three months of the Court's judgment, Council can apply to the Registrar of the High Court to have the judgment enforced by sale or lease of the rating unit.

Maori land rates without mortgages are recognised at fair value. Any rates not collected within six years are statutory barred and written off.

Ratepayers can apply for payment plan options in special circumstances. Where such repayment plans are in place, debts are discounted to the present value of future payments if the effect of discounting is material.

The ageing profile of receivables at year-end is detailed below:

| | 2017 | | | 2016 | | |
|------------------|-----------------|----------------------|---------------|-----------------|----------------------|---------------|
| | GROSS \$'000 | IMPAIRMENT \$'000 | NET \$'000 | GROSS \$'000 | IMPAIRMENT \$'000 | NET \$'000 |
| COUNCIL | | | | | | |
| Current | 9,780 | - | 9,780 | 11,137 | - | 11,137 |
| 30 days | 400 | - | 400 | 1,093 | - | 1,093 |
| 60 days | 695 | - | 695 | 1,107 | - | 1,107 |
| 90 days and over | 4,695 | (395) | 4,300 | 3,876 | (346) | 3,530 |
| Total | 15,570 | (395) | 15,175 | 17,213 | (346) | 16,867 |
| GROUP | | | | | | |
| Current | 9,786 | - | 9,787 | 11,149 | - | 11,149 |
| 30 days | 506 | - | 506 | 1,093 | - | 1,093 |
| 60 days | 695 | - | 695 | 1,107 | - | 1,107 |
| 90 days and over | 4,696 | (395) | 4,301 | 3,876 | (346) | 3,530 |
| Total | 15,683 | (395) | 15,289 | 17,225 | (346) | 16,879 |

The provision for uncollectability has been calculated based on a review of specific overdue receivables and a collective assessment. The collective assessment is based on an analysis of past collection history and debt write-offs.

Individually impaired receivables have been determined to be impaired because of the significant financial difficulties being experienced by the debtor.

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Individual provision for uncollectability | (111) | (91) | (111) | (91) |
| Collective provision for uncollectability | (284) | (255) | (284) | (255) |
| Total provision for uncollectability | (395) | (346) | (395) | (346) |

An analysis of impaired debtors is as follows:

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| 90 days and over | (395) | (346) | (395) | (346) |
| Total individual and collective impairment | (395) | (346) | (395) | (346) |

Council and the Group hold no collateral as security or other credit enhancements over receivables that are either past due or impaired.

NOTE 12: OTHER CURRENT ASSETS

Accounting policy

Inventories are held for distribution or for use in the provision of goods and services. The measurement of inventories depends on whether the inventories are held for commercial or non-commercial (distribution at no charge or for a nominal charge) distribution or use. Inventories are measured as follows:

- commercial (items sold at the clock museum and i-sites): measured at the lower of cost and net realisable value
- non-commercial (water treatment chemicals): measured at cost, adjusted for any loss of service potential.

Cost is allocated using the first-in-first-out (FIFO) method, which assumes the inventories that were purchased first are distributed or used first.

Inventories acquired through non-exchange transactions are measured at fair value at the date of acquisition.

Any write-down from cost to net realisable value or for the loss of service potential is recognised in surplus or deficit in the year of the write-down.

| | COUNCIL | | GROUP | |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Inventories | 196 | 176 | 196 | 176 |
| Prepayments | 626 | 512 | 627 | 513 |
| Total other current assets | 822 | 688 | 823 | 689 |

There were no write-downs, or reversals of write-downs of inventory during the year (2016 \$nil).

No inventories are pledged as security for liabilities (2016 \$nil).

NOTE 13: OTHER FINANCIAL ASSETS

Accounting policy

The Group classifies its financial assets in the following categories: financial assets at fair value through surplus or deficit, loans and receivables, held to maturity financial assets and financial assets at fair value through the statement of comprehensive revenue and expense. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its investments at initial recognition and re evaluates this designation at every reporting date.

Financial assets at fair value through surplus or deficit

This category has two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of balance date.

The Group's financial assets at fair value through surplus or deficit comprise in the money derivatives (principally interest rate swaps).

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after balance date, which are included in non current assets.

The Group's loans and receivables comprise cash and cash equivalents, trade and other receivables, loans to community organisations and related party loans.

Loans to community organisations at nil or below market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rate of return for a similar financial instrument. The difference between the face value and present value of expected future cash flows of the loan is recognised in surplus or deficit as a grant.

Held to maturity investments

Held to maturity investments are non derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity.

The Group currently has no financial assets classified as held to maturity.

Financial assets at fair value through the statement of comprehensive revenue and expense

Financial assets at fair value through the statement of comprehensive revenue and expense are non derivatives that are either designated in this category or not classified in any of the other categories. They are included in non current assets unless management intends to dispose of the investment within 12 months of balance date.

The Group's shares in public companies are included in this category as they are not classified in any other category. These are held for strategic purposes and there is no intention to sell.

Measurement

Purchases and sales of financial assets are recognised on trade date (which is the date on which the Group commits to purchase or sell the asset). Financial assets are initially measured at fair value plus transaction costs unless they are carried at fair value through surplus or deficit, in which case they are recognised at fair value and the transaction costs are expensed.

After initial recognition, all financial assets are measured at fair value. Council uses a variety of methods to determine fair value of financial assets. Some of these include quoted market prices and estimated discounted cashflows. Realised and unrealised gains and losses arising from changes in the fair value of financial assets are included in surplus or deficit in the period in which they arise.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment is recognised in surplus or deficit.

De-recognition

Financial assets are de recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT PORTION | | | | |
| Short term deposit | 20,000 | - | 20,000 | - |
| Community loans | 287 | 266 | 287 | 266 |
| LGFA borrower notes | 320 | - | 320 | - |
| Total current portion | 20,607 | 266 | 20,607 | 266 |
| NON-CURRENT PORTION | | | | |
| Community Loans | 728 | 1,524 | 647 | 1,524 |
| LGFA borrower notes | 1,952 | 1,952 | 1,952 | 1,952 |
| Shares held | 744 | 739 | 744 | 739 |
| Lease receivable | - | - | 60 | - |
| Investments held in joint ventures and subsidiaries | 10,119 | 8,783 | 7,940 | 8,101 |
| Total non-current portion | 13,543 | 12,998 | 11,343 | 12,316 |
| Total other financial assets | 34,150 | 13,264 | 31,950 | 12,582 |

Civic Assurance Limited

Shares held by Council: 63,524, \$97,000 (2016: 63,524, \$93,000) in Civic Assurance Limited.

New Zealand Local Government Funding Agency (LGFA)

Council is a shareholder in the LGFA. The LGFA was incorporated in December 2011 with the purpose of providing debt funding to local authorities in New Zealand and it has a current credit rating from Standard and Poors of AA+.

The carrying amount of shares in LGFA approximates their fair value. Shares held by Council: 1,492,784, \$0.6 million (2016: 1,492,784, \$0.6 million).

Council is one of 30 shareholders of the NZLGFA. When aggregated with the uncalled capital of other shareholders, \$20 million unpaid Ordinary Shares are available to be called where the NZLGFA Board has determined that there is an imminent risk of default. Also, together with other shareholders, Council is a guarantor of all NZLGFA's borrowings. As at 30 June, NZLGFA had issued bonds totalling \$7,946 million (2016: \$6,445 million).

Investments held in joint ventures and subsidiaries

- Council owns 100 shares (2016: 100) in Springs Flat Contractors Limited, valued at \$1 each. This is a dormant company.
- Council's investment in the joint venture with the Ministry of Transport in Whangarei District Airport is \$1.9 million (2016: \$1.0 million).
- Council's investment in the Northland Regional Landfill Limited Partnership is \$8.2 million (2016: \$7.8 million).

Impairment

An impairment of \$0.5 million was recognised against the \$1.2 million loan to Stonehaven Trust.

Community loans

- The fair value of community loans is \$1.0 million (2016: \$1.8 million). Fair value has been determined using cash flows discounted using a weighted average cost of capital 5.23% (2016: 5.25%).
- The face value of community loans is \$2.1 million (2016: \$2.4 million).
- Movements in the carrying value of loans are as follows:

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Opening Balance at 1 July | 1,789 | 1,987 | 1,790 | 1,987 |
| Amount of new loans granted during the year | - | 190 | - | 190 |
| Fair value adjustment on initial recognition | - | - | - | - |
| Loans repaid during the year (principal and interest) | (312) | (420) | (394) | (420) |
| Impairment loss recognised during the year | (500) | - | (500) | - |
| Unwind of discount and interest charged | 38 | 33 | 38 | 33 |
| Balance at 30 June | 1,015 | 1,790 | 934 | 1,790 |

NOTE 14: NON-CURRENT ASSETS HELD FOR SALE

Accounting policy

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment losses for write-downs are recognised in the surplus or deficit.

Any increases in fair value (less costs to sell) are recognised up to the level of any impairment losses that have been previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale.

| | COUNCIL | | GROUP | |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| NON-CURRENT ASSETS HELD FOR SALE | | | | |
| Opening balance | 638 | - | 638 | - |
| Transfers (to) / from PPE | - | 681 | - | 681 |
| Disposals | (638) | - | (638) | - |
| Impairment loss | - | (43) | - | (43) |
| Total assets held for sale | - | 638 | - | 638 |

Council currently has no assets classified as held for sale (2016: \$0.6 million)

NOTE 15: INVESTMENT PROPERTIES

Accounting policy

Investment properties are properties which are held either to earn rental revenue or for capital appreciation or for both and generate cash flows largely independent of other assets held by the entity.

An investment property is measured initially at its cost, including transaction costs. After initial recognition, investment property is measured at fair value at each reporting date. Gains or losses arising from a change in the fair value of investment property are recognised in surplus or deficit.

Investment properties do not include property held primarily for strategic purposes or to provide a social service (such as pensioner housing), even though such property may earn rentals or appreciate in value. Such properties are instead classified as items of property, plant and equipment.

When the use of a property changes from investment property to owner occupied property, the property is reclassified as owner occupied property and recorded at its fair value at the date of transfer.

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Opening balance at 1 July | 53,225 | 54,970 | 53,225 | 54,970 |
| Additions from acquisitions | 748 | 1,085 | 748 | 1,085 |
| Fair value gains / (losses) on valuation | 3,347 | 3,075 | 3,347 | 3,075 |
| Disposals and transfers | (5,824) | (5,905) | (5,824) | (5,905) |
| Balance at 30 June | 51,496 | 53,225 | 51,496 | 53,225 |

Council's investment properties are valued annually at fair value effective 30 June. Values for the investment properties have been assessed primarily on a market related basis where sufficient data is available for rentals, investment return rates and land and improvement levels related directly to a wide range of Northland sales evidence. The valuation was performed by a member of the Associate New Zealand Institute of Valuers (ANZIV) TelferYoung (Northland) Limited, an experienced valuer with extensive market knowledge of the types of investment property owned by Council.

Information about the revenue and expenses in relation to investment property is detailed below:

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Rental revenue | 3,017 | 2,760 | 3,017 | 2,760 |
| Direct operating expenses from investment property generating revenue | (1,564) | (1,435) | (1,564) | (1,435) |
| Direct operating expenses from investment property not generating revenue | (112) | (174) | (112) | (174) |

Council has contractual obligations for capital or operating expenditure for investment properties of \$0.1 million (2016: nil).

NOTE 16: FORESTRY ASSETS

Accounting policy

Standing forestry assets are independently revalued to fair value less estimated costs to sell for one growth cycle.

Gains or losses arising on initial recognition of forestry assets at fair value less estimated costs to sell and from a change in fair value less estimated costs to sell are recognised in the surplus or deficit when incurred.

Forestry maintenance costs are recognised in the surplus or deficit when incurred.

| | COUNCIL | | GROUP | |
|-------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Forestry assets | 787 | 800 | 787 | 800 |
| Balance at 30 June 2017 | 787 | 800 | 787 | 800 |

Council ownership of forestry assets

Council-owned forest estate comprises six separate tree crop areas planted between 1977 and 2008. Three additional sites (McLeod Bay, Manaia and Parihaka) are un-stocked.

No new planting has been undertaken in 2016-17 therefore the net stocked area has only changed as a result of harvesting Parihaka.

Valuation assumptions

Independent registered valuers, Woodlands Pacific Consulting Limited, have valued forestry assets as at 30 June 2017. The following significant valuation assumptions have been adopted in determining the fair value of forestry assets:

- a discount rate of 9.5% has been used in discounting the present value of expected future cash flows
- the area totals 98.4 planted hectares
- no allowance for inflation has been provided
- costs have been reviewed and updated based upon the current industry rates and the management regimes being applied
- notional land rental costs have been included for freehold land
- log prices are based upon a five-year export log price index series.

Financial risk management strategies

Council is exposed to financial risks arising from changes in timber prices. However, the sales value of harvested trees do not represent a significant proportion of Council's revenue stream so the potential financial risk involved is not considered material.

Forestry Assets

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Balance at 1 July | 800 | 800 | 800 | 800 |
| Gain/(losses) arising from changes in fair value | 226 | - | 226 | - |
| Decreases due to harvest | [239] | - | [239] | - |
| Balance at 30 June | 787 | 800 | 787 | 800 |

NOTE 17: PROPERTY, PLANT AND EQUIPMENT

Accounting policy

Property, plant and equipment is initially recognised at cost.

The cost of an item of property, plant and equipment includes its purchase/construction price and costs directly attributable to bringing it to the location and condition necessary for it to operate as intended. In the case of landfills, post closure costs and restoring the site on which it is located are included.

Where an item of property, plant and equipment is self constructed, its construction cost includes the cost of materials and direct labour and an appropriate proportion of production overheads. Costs are recognised as work in progress and are transferred to the relevant asset class only when construction is complete.

Where an item of property, plant and equipment is donated or received at a subsidised amount, it is initially recognised at fair value. This applies to some infrastructure assets and land which has been vested to the Group and as part of the subdivision consent process:

- the vested reserve land has been recognised at the time of transfer at market value, which is recognised as vested asset revenue and deemed to be its initial cost
- vested infrastructure assets have been valued on initial recognition based on the actual quantities of infrastructure components vested and the current 'in the ground' cost of providing identical services.

Revaluation

Property, plant and equipment that is carried under the revaluation model is revalued with sufficient regularity to ensure that the carrying amount does not materially differ from fair value. All revalued property, plant and equipment is revalued at least every three years, except for roading which is revalued annually and pensioner housing, which is revalued every five years. The valuation method employed is optimised depreciated replacement cost, except pensioner housing which is valued at market value.

Revaluations are accounted for on a class of asset basis.

An increase in carrying amount is recognised in an asset revaluation reserve in equity, except to the extent that it reverses a revaluation decrement for the same asset class previously recognised in surplus or deficit, in which case the increment is recognised in surplus or deficit. Decreases that offset previous increases of the same asset class are recognised in the asset revaluation reserve in equity; all other decreases are recognised in surplus or deficit. Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if and only if, it is probable that future economic benefits or service potential associated with the item will flow to Council and Group and the cost of the item can be measured reliably.

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

In most instances, an item of property, plant and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are recognised when the recognition criteria above is met. All other repair and maintenance costs are recognised in surplus or deficit as incurred.

The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to accumulated funds.

Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are carried under either the cost model (cost less accumulated depreciation and accumulated impairment) or the revaluation model (fair value at the date of the revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses).

When the use of a property changes from owner-occupied to investment property, the property is reclassified as an investment property at its carrying value at the date of the transfer and then revalued annually in line with the investment property accounting policy.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment (excluding land and work in progress), at rates that will write-off the cost (or valuation) of the assets to their estimated residual values over their useful lives. Where material parts of an item of property, plant and equipment have different useful lives, or where significant parts of an item of property, plant and equipment are required to be replaced at intervals, they are accounted for as separate items of property, plant and equipment.

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

| CLASS OF PP&E | ESTIMATED USEFUL LIFE |
|-------------------------------|-----------------------|
| OPERATING ASSETS | |
| Land | Indefinite |
| Buildings | 10-100 |
| Strategic land | Indefinite |
| Strategic buildings | 35-50 |
| Pensioner housing - land | Indefinite |
| Pensioner housing - buildings | 14-80 |
| Library books | 5 |
| Motor vehicles | 5 |
| Office furniture and fittings | 3-20 |
| Plant and equipment | 3-80 |
| INFRASTRUCTURAL ASSETS | |
| ROADING NETWORK | |
| Bridges | 15-100 |
| Carriageways | 4-70 |
| Formation | Indefinite |
| Culverts | 35-80 |
| Footpaths | 10-55 |
| Kerbs and channels | 60 |
| Street and road signs | 15 |
| Traffic services | 15-40 |
| WATER | |
| | |
| OPERATING ASSETS | |
| Land | Indefinite |
| Pipes | 50-107 |
| Plant and equipment | 5-80 |

| CLASS OF PP&E | ESTIMATED USEFUL LIFE |
|------------------------------|-----------------------|
| Treatment plant | 60 |
| WASTEWATER | |
| Pipes | 30-101 |
| Pumps and pump stations | 20-100 |
| Manholes | 80-101 |
| Treatment plant | 15-100 |
| STORMWATER | |
| Pipes | 11-125 |
| Manholes | 11-100 |
| PARKS AND RECREATION | |
| Walkways, reserves and sport | 10-100 |
| RESTRICTED ASSETS | |
| Heritage assets | Indefinite |
| Parks and reserve land | Indefinite |
| Marina structures | 40-44 |

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

* Land under roads was valued based on fair value of adjacent land, effective 30 June 2005. On transition to NZ IFRS Council elected to use the fair value of land under roads as at 30 June 2007 as deemed cost. Land under roads is no longer revalued.

** Valued at the estimated current market value as at 30 June 2002 by the Art Museum Curator. Subsequent additions are recorded at cost or market value. Donated assets do not form part of the cyclical valuation.

*** Historical assets situated at Whangarei Marina and Tutukaka Marina (under the management of the Whangarei Harbour Marina Trust and the Tutukaka Marina Management Trust respectively).

Impairment of property, plant and equipment

Property, plant and equipment that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual review of asset values, which is used as a source of information to assess for any indicators of impairment.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. Impairment losses for revalued items are recognised in the same manner as revaluation decrements. Impairment losses for items carried at cost are recognised in the surplus or deficit.

Value in use for non-cash-generating assets

Non-cash-generating assets are those assets that are not held with the primary objective of generating a commercial return.

For non-cash-generating assets, value in use is determined as the present value of the asset's remaining service potential, which is the depreciated replacement cost of the asset.

Value in use for cash-generating assets

Cash-generating assets are those assets that are held with the primary objective of generating a commercial return.

The value in use for cash-generating assets is the estimated present value of expected future cashflows.

| COUNCIL 2017 | COST / REVALUATION 1-JUL-16 \$'000 | ACCUMULATED DEPRECIATION 1-JUL-16 \$'000 | CARRYING AMOUNT 1-JUL-16 \$'000 | CURRENT YEAR ADDITIONS \$'000 | NET CURRENT YEAR DISPOSALS \$'000 | |
|-------------------------------|---|---|--|-------------------------------------|--|--|
| OPERATING ASSETS | | | | | | |
| AT COST & VALUATION | | | | | | |
| Land | 36,559 | - | 36,559 | 657 | (215) | |
| Buildings | 30,776 | (7,854) | 22,922 | 329 | (513) | |
| Strategic land | 1,849 | - | 1,849 | | (114) | |
| Strategic buildings | 415 | (75) | 340 | - | - | |
| Pensioner housing - land | 4,055 | - | 4,055 | - | - | |
| Pensioner housing - buildings | 11,642 | (596) | 11,046 | 785 | (350) | |
| Library books | 8,544 | (7,165) | 1,379 | 552 | - | |
| Motor vehicles | 2,101 | (1,370) | 731 | 545 | (34) | |
| Office furniture & fittings | 10,790 | (9,879) | 911 | 898 | (130) | |
| Plant & equipment | 4,838 | (3,005) | 1,833 | 419 | (8) | |
| Capital work in progress | 967 | - | 967 | 4,696 | (4,687) | |
| Total operating assets | 112,536 | (29,944) | 82,592 | 8,881 | (6,051) | |
| INFRASTRUCTURE ASSETS | | | | | | |
| AT COST & VALUATION | | | | | | |
| Land for roads | 33,983 | - | 33,983 | 495 | - | |
| Roading | 771,766 | - | 771,766 | 26,752 | (41,215) | |
| Stormwater | 192,801 | (15,187) | 177,614 | 6,959 | (824) | |
| Flood protection | 21,658 | (670) | 20,988 | - | - | |
| Solid waste | 1,396 | (106) | 1,290 | 18 | (39) | |
| Wastewater | 238,989 | (14,136) | 224,853 | 7,884 | 59 | |
| Parks and recreation | 32,110 | (3,099) | 29,011 | 8,037 | (2,351) | |
| Water | 199,507 | (12,919) | 186,588 | 6,727 | (2,136) | |
| Library buildings | 8,734 | (469) | 8,265 | - | - | |
| Capital work in progress | 29,796 | - | 29,796 | 31,504 | (48,599) | |
| Total infrastructure assets | 1,530,740 | (46,586) | 1,484,154 | 88,376 | (95,105) | |
| | | | | | | |
| RESTRICTED ASSETS | | | | | | |
| AT COST & VALUATION | | | | | | |
| Reserve land | 21,961 | - | 21,961 | - | - | |
| Heritage assets | 1,272 | - | 1,272 | 3 | - | |
| Marina facilities | 721 | (249) | 472 | - | - | |
| Total restricted assets | 23,954 | (249) | 23,705 | 3 | - | |
| Total Council assets | 1,667,230 | (76,779) | 1,590,451 | 97,260 | (101,156) | |

| | CURRENT YEAR IMPAIRMENT CHARGES \$'000 | CURRENT YEAR DEPRECIATION \$'000 | RECLASSIFICATIONS / TRANSFERS \$'000 | REVALUATION SURPLUS \$'000 | COST / REVALUATION 30-JUN-17 \$'000 | ACCUMULATED DEPRECIATION 30-JUN-17 \$'000 | CARRYING AMOUNT 30-JUN-17 \$'000 |
|--|---|--|--|----------------------------------|--|--|---|
| | | | | | | | |
| | | | 1,116 | - | 38,118 | - | 38,118 |
| | | (879) | 8,534 | - | 39,668 | (9,276) | 30,392 |
| | | | - | - | 1,735 | - | 1,735 |
| | - | (3) | - | - | 415 | (78) | 337 |
| | - | - | - | - | 4,055 | - | 4,055 |
| | - | (641) | - | - | 12,026 | (1,187) | 10,839 |
| | - | (501) | - | - | 9,096 | (7,666) | 1,430 |
| | - | (171) | (44) | - | 2,156 | (1,129) | 1,027 |
| | - | (454) | - | - | 6,608 | (5,383) | 1,225 |
| | - | (272) | - | - | 5,046 | (3,074) | 1,972 |
| | - | - | (584) | - | 392 | - | 392 |
| | - | (2,921) | 9,022 | - | 119,315 | (27,793) | 91,522 |
| | | | | | | | |
| | - | - | 193 | - | 34,671 | - | 34,671 |
| | - | (16,413) | (1,417) | 277 | 739,750 | - | 739,750 |
| | - | (3,281) | 429 | (125) | 180,779 | (7) | 180,772 |
| | - | (307) | - | 1,784 | 22,466 | (1) | 22,465 |
| | - | (37) | (227) | 94 | 1,099 | - | 1,099 |
| | - | (6,281) | (317) | (10,102) | 216,112 | (17) | 216,095 |
| | - | (1,628) | 1,342 | 2,421 | 36,837 | (5) | 36,832 |
| | - | (5,817) | (504) | (7,827) | 177,045 | (15) | 177,030 |
| | - | (84) | (8,181) | - | - | - | - |
| | - | - | (164) | - | 12,537 | - | 12,537 |
| | - | (33,848) | (8,846) | (13,478) | 1,421,296 | (45) | 1,421,251 |
| | | | | | | | |
| | - | - | 130 | - | 22,090 | - | 22,090 |
| | - | - | - | - | 1,275 | - | 1,275 |
| | - | (28) | - | - | 721 | (277) | 444 |
| | - | (28) | 130 | - | 24,086 | (277) | 23,809 |
| | - | (36,797) | 306 | (13,478) | 1,564,697 | (28,115) | 1,536,582 |

| GROUP 2017 | COST / REVALUATION 1-JUL-16 \$'000 | ACCUMULATED DEPRECIATION 1-JUL-16 \$'000 | CARRYING AMOUNT 1-JUL-16 \$'000 | CURRENT YEAR ADDITIONS \$'000 | NET CURRENT YEAR DISPOSALS \$'000 | |
|--|---|---|--|-------------------------------------|--|--|
| SUBSIDIARIES PROPERTY, PLANT AND EQUIPMENT | | | | | | |
| AT COST & VALUATION | | | | | | |
| Land | 255 | [98] | 157 | - | - | |
| Buildings | 121 | [57] | 64 | 1,283 | - | |
| Other plant & equipment | 1,102 | [462] | 640 | 3 | - | |
| Artworks | 639 | [85] | 554 | 272 | - | |
| Work in progress | 892 | - | 892 | 613 | [1,113] | |
| Total subsidiaries | 3,009 | [702] | 2,307 | 2,171 | [1,113] | |
| Total Group assets | 1,670,239 | [77,481] | 1,592,758 | 99,431 | [102,269] | |

Core infrastructure asset disclosures

Included within Council's infrastructure assets above are the following core Council assets:

| | CLOSING BOOK VALUE \$'000 | ADDITIONS CONSTRUCTED BY COUNCIL \$'000 | ADDITIONS TRANSFERRED TO COUNCIL \$'000 | REPLACEMENT COST \$'000 |
|---------------------------------|---------------------------------|--|--|-------------------------------|
| Water supply | | | | |
| Treatment plants and facilities | 12,878 | 444 | - | 22,210 |
| Other assets | 164,152 | 4,094 | 2,188 | 326,999 |
| Sewerage | | | | |
| Treatment plants and facilities | 30,734 | 500 | - | 49,710 |
| Other assets | 185,362 | 5,268 | 2,117 | 323,275 |
| Stormwater | 180,771 | 3,333 | 3,626 | 258,441 |
| Flood protection | 22,465 | - | - | 40,766 |
| Roads and footpaths | 739,750 | 25,001 | 1,751 | 1,065,982 |
| Total | 1,336,112 | 38,640 | 9,682 | 2,087,383 |

| | CURRENT YEAR IMPAIRMENT CHARGES \$'000 | CURRENT YEAR DEPRECIATION \$'000 | RECLASSIFICATIONS / TRANSFERS \$'000 | REVALUATION SURPLUS \$'000 | COST / REVALUATION 30-JUN-17 \$'000 | ACCUMULATED DEPRECIATION 30-JUN-17 \$'000 | CARRYING AMOUNT 30-JUN-17 \$'000 |
|--|---|--|--|----------------------------------|--|--|---|
| | - | - | - | - | 255 | (98) | 157 |
| | - | - | - | - | 1,404 | (57) | 1,347 |
| | - | (153) | - | - | 1,105 | (615) | 490 |
| | - | (16) | - | - | 911 | (101) | 810 |
| | - | - | - | - | 390 | - | 390 |
| | - | (169) | - | - | 4,065 | (871) | 3,194 |
| | - | (36,966) | 306 | (13,478) | 1,568,762 | (28,986) | 1,539,776 |

| COUNCIL 2016 | COST / REVALUATION 1-JUL-15 \$'000 | ACCUMULATED DEPRECIATION 1-JUL-15 \$'000 | CARRYING AMOUNT 1-JUL-15 \$'000 | CURRENT YEAR ADDITIONS \$'000 | NET CURRENT YEAR DISPOSALS \$'000 | |
|--------------------------------------|---|---|--|-------------------------------------|--|--|
| OPERATING ASSETS | | | | | | |
| AT COST & VALUATION | | | | | | |
| Land | 32,936 | - | 32,936 | 38 | (295) | |
| Buildings | 30,209 | (7,158) | 23,051 | 118 | (199) | |
| Strategic land | 2,010 | - | 2,010 | 242 | - | |
| Strategic buildings | 915 | (192) | 723 | 209 | (247) | |
| Pensioner housing - land | 4,055 | - | 4,055 | - | (1) | |
| Pensioner housing - buildings | 11,078 | (305) | 10,773 | 1,152 | (555) | |
| Library books | 8,094 | (6,661) | 1,433 | 449 | - | |
| Motor vehicles | 2,027 | (1,451) | 576 | 390 | - | |
| Office furniture & fittings | 10,377 | (9,557) | 820 | 415 | - | |
| Plant & equipment (incl Forum North) | 4,580 | (2,777) | 1,803 | 288 | - | |
| Capital work in progress | 374 | - | 374 | 4,586 | (3,438) | |
| Total operating assets | 106,655 | (28,101) | 78,554 | 7,887 | (4,735) | |
| INFRASTRUCTURE ASSETS | | | | | | |
| AT COST & VALUATION | | | | | | |
| Land for roads | 33,798 | - | 33,798 | 185 | - | |
| Roading | 783,251 | (16,836) | 766,415 | 19,903 | (883) | |
| Stormwater | 178,115 | (3,190) | 174,925 | 6,647 | (79) | |
| Flood protection | 21,658 | (380) | 21,278 | - | - | |
| Solid waste | 1,200 | (61) | 1,139 | 195 | - | |
| Wastewater | 221,180 | (6,218) | 214,962 | 16,847 | (574) | |
| Parks and recreation | 25,295 | (900) | 24,395 | 5,845 | (94) | |
| Water | 195,695 | (7,160) | 188,535 | 4,772 | (850) | |
| Library buildings | 8,734 | (235) | 8,499 | - | - | |
| Capital work in progress | 36,723 | - | 36,723 | 40,071 | (45,339) | |
| Total infrastructure assets | 1,505,649 | (34,980) | 1,470,669 | 94,465 | (47,819) | |
| | | | | | | |
| RESTRICTED ASSETS | | | | | | |
| AT COST & VALUATION | | | | | | |
| Reserve land | 21,877 | - | 21,877 | 83 | - | |
| Heritage assets | 1,270 | - | 1,270 | 2 | - | |
| Marina facilities | 721 | (222) | 499 | - | - | |
| Total restricted assets | 23,868 | (222) | 23,646 | 85 | - | |
| Total Council assets | 1,636,172 | (63,303) | 1,572,869 | 102,437 | (52,554) | |

| | CURRENT YEAR IMPAIRMENT CHARGES \$'000 | CURRENT YEAR DEPRECIATION \$'000 | RECLASSIFICATIONS / TRANSFERS \$'000 | REVALUATION SURPLUS \$'000 | COST / REVALUATION 30-JUN-16 \$'000 | ACCUMULATED DEPRECIATION 30-JUN-16 \$'000 | CARRYING AMOUNT 30-JUN-16 \$'000 |
|--|---|--|--|----------------------------------|--|--|---|
| | | | | | | | |
| | | | | | | | |
| | - | - | 3,880 | - | 36,559 | - | 36,559 |
| | - | (709) | 660 | - | 30,776 | (7,854) | 22,922 |
| | - | - | (403) | - | 1,849 | - | 1,849 |
| | - | 17 | (362) | - | 415 | (75) | 340 |
| | - | - | - | - | 4,055 | - | 4,055 |
| | - | (325) | - | - | 11,642 | (596) | 11,046 |
| | - | (504) | - | - | 8,544 | (7,165) | 1,379 |
| | - | (235) | - | - | 2,101 | (1,370) | 731 |
| | - | (323) | - | - | 10,790 | (9,879) | 911 |
| | - | (257) | - | - | 4,838 | (3,005) | 1,833 |
| | - | - | (555) | - | 967 | - | 967 |
| | - | (2,336) | 3,220 | - | 112,536 | (29,944) | 82,592 |
| | | | | | | | |
| | | | | | | | |
| | - | - | - | - | 33,983 | - | 33,983 |
| | - | (17,032) | - | 3,363 | 771,766 | - | 771,766 |
| | (504) | (3,376) | 1 | - | 192,801 | (15,187) | 177,614 |
| | - | (308) | 19 | - | 21,658 | (670) | 20,988 |
| | - | (45) | - | - | 1,396 | (106) | 1,290 |
| | 420 | (6,785) | (19) | - | 238,989 | (14,136) | 224,853 |
| | - | (1,136) | - | - | 32,110 | (3,099) | 29,011 |
| | - | (5,870) | - | - | 199,507 | (12,919) | 186,588 |
| | - | (234) | - | - | 8,734 | (469) | 8,265 |
| | - | - | (1,660) | - | 29,796 | - | 29,796 |
| | (84) | (34,786) | (1,659) | 3,363 | 1,530,740 | (46,586) | 1,484,154 |
| | | | | | | | |
| | | | | | | | |
| | - | - | - | - | 21,961 | - | 21,961 |
| | - | - | - | - | 1,272 | - | 1,272 |
| | - | (28) | - | - | 721 | (249) | 472 |
| | - | (28) | - | - | 23,954 | (249) | 23,705 |
| | (84) | (37,150) | 1,561 | 3,363 | 1,667,230 | (76,779) | 1,590,451 |

| GROUP 2016 | COST / REVALUATION 1-JUL-15 \$'000 | ACCUMULATED DEPRECIATION 1-JUL-15 \$'000 | CARRYING AMOUNT 1-JUL-15 \$'000 | CURRENT YEAR ADDITIONS \$'000 | NET CURRENT YEAR DISPOSALS \$'000 | |
|--|---|---|--|-------------------------------------|--|--|
| SUBSIDIARIES PROPERTY, PLANT AND EQUIPMENT | | | | | | |
| AT COST & VALUATION | | | | | | |
| Land | 255 | [98] | 157 | - | - | |
| Buildings | 121 | [57] | 64 | - | - | |
| Other plant & equipment | 1,094 | [375] | 719 | 8 | - | |
| Artworks | 621 | [73] | 548 | 18 | - | |
| Work in progress | 841 | - | 841 | 51 | - | |
| Total subsidiaries | 2,932 | [603] | 2,329 | 77 | - | |
| Total Group assets | 1,639,104 | [63,906] | 1,575,198 | 102,514 | [52,554] | |

Core infrastructure asset disclosures

Included within Council's infrastructure assets above are the following core Council assets:

| | CLOSING BOOK VALUE \$'000 | ADDITIONS CONSTRUCTED BY COUNCIL \$'000 | ADDITIONS TRANSFERRED TO COUNCIL \$'000 | REPLACEMENT COST \$'000 |
|---------------------------------|---------------------------------|--|--|-------------------------------|
| Water supply | | | | |
| Treatment plants and facilities | 13,596 | 334 | - | 34,158 |
| Other assets | 172,819 | 1,978 | 2,461 | 327,852 |
| Sewerage | | | | |
| Treatment plants and facilities | 30,132 | 3,115 | - | 46,183 |
| Other assets | 195,537 | 10,323 | 2,931 | 340,861 |
| Stormwater | 186,420 | 1,857 | 4,790 | 256,676 |
| Flood protection | 20,988 | - | - | 37,960 |
| Roads and footpaths | 771,766 | 17,814 | 2,090 | 1,105,412 |
| Total | 1,391,258 | 35,421 | 12,272 | 2,149,102 |

Valuation

Infrastructure assets

Council's infrastructural assets (excluding roading and land under roads) are valued at fair value.

Infrastructure assets (excluding roading)

Fair value is determined using market based evidence by an independent valuer. The most recent valuation is effective as at 30 June 2017. Council commissioned AECOM New Zealand Limited to develop unit rates and base lives for water utilities (water supply, wastewater and stormwater), flood protection, parks and solid waste infrastructure assets and then to carry out a review of the valuation calculations undertaken by Council staff.

Infrastructure assets are valued using the optimised depreciated replacement cost method. There are a number of estimates and assumptions exercised when valuing infrastructural assets using the depreciated replacement cost method. These include:

- estimating any obsolescence or surplus capacity of the asset (there have been no optimisation adjustments in the most recent valuation)
- estimating the replacement cost of the asset (the replacement cost is derived from recent construction contracts in the region for similar assets)

| | CURRENT YEAR IMPAIRMENT CHARGES \$'000 | CURRENT YEAR DEPRECIATION \$'000 | RECLASSIFICATIONS / TRANSFERS \$'000 | REVALUATION SURPLUS \$'000 | COST / REVALUATION 30-JUN-16 \$'000 | ACCUMULATED DEPRECIATION 30-JUN-16 \$'000 | CARRYING AMOUNT 30-JUN-16 \$'000 |
|--|---|--|--|----------------------------------|--|--|---|
| | - | - | - | - | 255 | (98) | 157 |
| | - | - | - | - | 121 | (57) | 64 |
| | - | (87) | - | - | 1,102 | (462) | 640 |
| | - | (12) | - | - | 639 | (85) | 554 |
| | - | - | - | - | 892 | - | 892 |
| | - | (99) | - | - | 3,009 | (702) | 2,307 |
| | (84) | (37,249) | 1,561 | 3,363 | 1,670,239 | (77,481) | 1,592,758 |

- estimates of the remaining useful life over which the asset will be depreciated. Useful lives have been determined with reference to the Infrastructure Valuation Guidelines and have been adjusted based on local conditions and past experience. Straight-line depreciation has been applied in determining the depreciated replacement cost value of the asset.

Land under roads

Land under roads was valued based on fair value of adjacent land, effective 30 June 2005. On transition to NZ IFRS Council elected to use the fair value of land under roads as at 30 June 2007 as deemed cost. Land under roads is no longer revalued.

Roading

Council's roading assets are valued at fair value as determined from market based evidence by an independent valuer. The most recent valuation was performed by Opus International Consultants and the valuation is effective as at 30 June 2017. Fair value was determined on an optimised depreciated replacement cost basis.

Operational assets

Pensioner Housing (non-investment) is valued at fair value on a five-year basis by independent registered valuers. Between valuations, expenditure on asset improvements is capitalised at cost. All other operational assets are carried at depreciated historical cost.

Impairment

Council's process for impairment assessment requires asset managers to assess for any impairment (including as a result of any seismic strengthening requirements) in their activity area on a regular basis. No impairment expense has been recorded as at 30 June 2017 (2016: \$0.3 million impairment expense reversal).

Insurance of assets

As at the end of the financial year:

- the total value of all assets of Council that are covered by insurance contracts and the maximum amount to which they are insured is \$818.3 million (2016: \$396.1 million)
- the total value of all assets of Council that are covered by financial risk sharing arrangements and the maximum amount available to Council under these arrangements is \$1,753.5 million (2016: \$2,074.9 million)
- the total value of all assets of Council that are self-insured and the value of any fund maintained by Council for this purpose is \$36.7 million (2016: \$35.3 million).

Work in progress

The total amount of PPE work in progress is \$12.9 million (2016: \$30.8 million). Work in progress are capital projects that have not been capitalised into Council's asset management system at 30 June.

PPE work in progress by asset class is detailed below:

| | COUNCIL | |
|------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Parks | 2,874 | 9,177 |
| Wastewater | 5,516 | 10,565 |
| Roading | 3,165 | 7,540 |
| Water | 981 | 2,631 |
| Other | 392 | 850 |
| Total work in progress | 12,928 | 30,763 |

NOTE 18: INTANGIBLE ASSETS

Accounting policy

Computer software

Acquired computer software licences are capitalised based on the costs incurred to acquire and prepare the software for use.

Costs directly associated with the development of identifiable and unique software products, where the criteria for capitalisation have been met, are recognised as an asset.

Staff training costs are recognised in the surplus or deficit when incurred.

Computer software assets are amortised using the straight line method over their estimated useful lives (three to ten years).

Easements

Easements are recognised at cost, being the costs directly attributable to bringing the asset to its intended use. Easements have an indefinite useful life and are not amortised, but are instead tested for impairment annually.

Carbon credits

The Group participates in the New Zealand Emission Trading Scheme (ETS). Purchased New Zealand Units (NZU's) are recognised at cost on acquisition and NZU's which represent carbon credits received from the Government are recognised at fair value as at the date of transfer. NZU's have an indefinite useful life and consequently aren't amortised, but are tested for impairment annually.

After initial acquisition, NZU's are recorded at the NZU spot rate at 30 June. This is considered to be fair value.

Amortisation

The carrying value of an intangible asset with a finite life is amortised on a straight-line basis over its useful life. Amortisation begins when the asset is available for use and ceases at the date that the asset is derecognised. The amortisation charge for each financial year is recognised in the surplus or deficit.

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

CLASS OF INTANGIBLE ASSET ESTIMATED USEFUL LIFE (YEARS)

Computer software 3-10

Impairment of intangible assets

Intangible assets that have an indefinite useful life, or are not yet available for use, are not subject to amortisation and are tested annually for impairment.

For further details, refer to the policy for impairment of property, plant and equipment in Note 17. The same approach applies to the impairment of intangible assets.

Movements in the carrying value for each class of intangible asset are as follows:

| COUNCIL AND GROUP | EASEMENTS \$'000 | INTANGIBLES WORK IN PROGRESS \$'000 | FORESTRY CARBON CREDITS \$'000 | SOFTWARE ASSETS \$'000 | TOTAL \$'000 |
|---|---------------------|--|---|------------------------------|-----------------|
| AT 1 JULY 2015 | | | | | |
| Cost or valuation | - | 647 | 224 | 5,418 | 6,289 |
| Accumulated amortisation and impairment | - | - | - | (5,291) | (5,291) |
| Net book amount | - | 647 | 224 | 127 | 998 |
| Additions | 38 | 1,995 | - | 692 | 2,725 |
| Transfers at costs | - | (674) | - | - | (674) |

| COUNCIL AND GROUP | EASEMENTS \$'000 | INTANGIBLES WORK IN PROGRESS \$'000 | FORESTRY CARBON CREDITS \$'000 | SOFTWARE ASSETS \$'000 | TOTAL \$'000 |
|---|---------------------|--|---|------------------------------|-----------------|
| Fair value gain | - | - | 373 | - | 373 |
| Amortisation charge | - | - | - | (226) | (226) |
| Closing net book amount 30 June 2016 | 38 | 1,968 | 597 | 593 | 3,196 |
| Opening net book amount | 38 | 1,968 | 597 | 593 | 3,196 |
| Additions | 25 | 2,402 | - | 3,859 | 6,286 |
| Transfers at cost | - | (3,884) | - | - | (3,884) |
| Fair value gain | - | - | 1 | - | 1 |
| Amortisation charge | - | - | - | (246) | (246) |
| Closing net book amount 30 June 2017 | 63 | 486 | 598 | 4,206 | 5,353 |
| AT 30 JUNE 2017 | | | | | |
| Cost or valuation | 63 | 486 | 598 | 9,219 | 10,366 |
| Accumulated amortisation and impairment | - | - | - | (5,013) | (5,013) |
| Net book amount | 63 | 486 | 598 | 4,206 | 5,353 |

Impairment

Easements

Easements are not cash-generating in nature, as they give Council the right to access private property where infrastructural assets are located. As such, impairment of an easement is determined by considering the future service potential of the easement. No impairment losses have been recognised for easements, as they all have ongoing service potential.

Easements have been assessed as having an indefinite useful life because they provide Council with access to infrastructural assets for an indefinite time period.

Carbon credits

Council considers that there is no impairment of carbon credits held, as they are expected to be fully utilised in satisfying carbon obligations from its landfill operations.

Carbon units have been assessed as having an indefinite useful life because they have no expiry date and will continue to have economic benefit as long as the Emissions Trading Scheme is in place.

NOTE 19: DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY

| | | COUNCIL | | GROUP | |
|--|------|--------------------------|--------------------------|--------------------------|--------------------------|
| | NOTE | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| DIRECTLY ATTRIBUTABLE DEPRECIATION AND AMORTISATION EXPENSE BY GROUP OF ACTIVITY | | | | | |
| Transportation | 17 | 16,443 | 17,067 | 16,443 | 17,067 |
| Water | 17 | 5,840 | 5,895 | 5,840 | 5,895 |
| Solid waste | 17 | 37 | 49 | 37 | 49 |
| Wastewater | 17 | 6,296 | 6,812 | 6,296 | 6,812 |
| Stormwater | 17 | 3,281 | 3,376 | 3,281 | 3,376 |
| Flood protection | 17 | 307 | 308 | 307 | 308 |
| Community facilities & services | 17 | 3,839 | 3,044 | 3,839 | 3,044 |
| Economic growth | 17 | 12 | 8 | 12 | 8 |
| Planning & regulatory | 17 | 67 | 68 | 67 | 68 |
| Support services | 17 | 675 | 523 | 675 | 523 |
| Subsidiaries | 17 | - | - | 169 | 99 |
| Total depreciation expense | | 36,797 | 37,150 | 36,966 | 37,249 |
| DIRECTLY ATTRIBUTABLE AMORTISATION EXPENSE BY GROUP OF ACTIVITY | | | | | |
| Support services | 18 | 246 | 226 | 246 | 226 |
| Total amortisation expense | | 246 | 226 | 246 | 226 |
| Total directly attributable depreciation and amortisation by group of activity | | 37,043 | 37,376 | 37,212 | 37,475 |

NOTE 20: DERIVATIVE FINANCIAL INSTRUMENTS

Accounting policy

The Group uses derivative financial instruments (principally interest rate swaps) to hedge various risks (principally those associated with borrowing at variable interest rates).

Derivatives are initially recognised at fair value on the date a derivative contract is entered into. Any associated transaction costs are expensed.

Derivatives are subsequently carried at fair value. In the money derivatives are classified as financial assets at fair value through surplus or deficit and out of the money derivatives are classified as financial liabilities at fair value through surplus or deficit.

The method of recognising changes in fair value depends on whether the derivative is designated as a hedging instrument and if so, the nature of the item being hedged. None of the Group's derivatives is designated as a hedging instrument. All changes in the fair value of the Group's derivatives are recognised in surplus or deficit and fair value is assessed annually.

| | COUNCIL | | GROUP | |
|--------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT ASSET PORTION | | | | |
| Interest rate swaps - fair value | 1 | 55 | 1 | 55 |
| Total current asset portion | 1 | 55 | 1 | 55 |
| NON-CURRENT ASSET PORTION | | | | |
| Interest rate swaps - fair value | 64 | - | 64 | - |
| Total non-current asset portion | 64 | - | 64 | - |
| CURRENT LIABILITY PORTION | | | | |
| Interest rate swaps - fair value | 395 | 311 | 395 | 311 |
| Total current liability portion | 395 | 311 | 395 | 311 |
| NON-CURRENT LIABILITY PORTION | | | | |
| Interest rate swaps - fair value | 11,073 | 17,450 | 11,073 | 17,450 |
| Total non-current liability portion | 11,073 | 17,450 | 11,073 | 17,450 |

The Group's derivative financial instruments such as interest rate swaps and forward rate agreements are used to manage interest rate risk of the Group's borrowings.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arms-length transaction. The fair values of all derivative financial instruments are determined using a discounted cash flows valuation technique based on the market values of the derivatives as at 30 June 2017. Due to fluctuations in interest rates the fair value of these instruments may change after being recognised as an asset or a liability in the Group's Financial Statement.

Gains and losses arising from changes in the fair value of derivatives are recognised in notes 6 and 8.

Interest rate swaps

The principal or notional amounts of derivative financial instruments as at 30 June 2017 for Council and the Group were \$244.5 million (2016: \$241.5 million). The majority of derivative financial instruments hedge floating rates to fixed rates, at rates between 3.86% to 5.99% (2016: 3.87% to 5.99%).

NOTE 21: PAYABLES AND DEFERRED REVENUE

Accounting policy

Short-term creditors and other payables are recorded at their face value.

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT PORTION | | | | |
| Trade and other payables | 1,795 | 2,259 | 1,575 | 2,148 |
| Revenue in advance | 3,131 | 2,633 | 4,561 | 3,295 |
| Accrued expenses | 8,562 | 10,112 | 8,614 | 10,141 |
| Rates paid in advance | 2,942 | 2,647 | 2,942 | 2,647 |
| Deposits held | 573 | 631 | 573 | 631 |
| Accrued interest on borrowings | 1,020 | 1,025 | 1,020 | 1,025 |
| Retentions | 806 | 236 | 806 | 236 |
| Total current portion | 18,829 | 19,543 | 20,091 | 20,123 |
| NON-CURRENT PORTION | | | | |
| Retentions | 156 | 589 | 156 | 589 |
| Total non-current portion | 156 | 589 | 156 | 589 |
| Total payables and deferred revenue | 18,985 | 20,132 | 20,247 | 20,712 |

Trade and other payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of creditors and other payables approximates their fair value.

Exchange and non-exchange transactions

\$10.6 million (2016: \$12.1 million) of trade payables, revenue in advance, accrued expenses, deposits held, accrued interest and retentions are classified as exchange payables. All other payables are non-exchange.

Reclassification

\$6.4 million of 2016 balances have been reclassified from trade and other payables to accrued expenses.

Group

Revenue in advance includes conditional donations to the Hundertwasser Wairau Maori Arts Centre (HWMAC). For further information refer to note 27.

NOTE 22: PROVISIONS

Accounting policy

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in "finance costs" (see note 5).

Pohe Island landfill post closure costs

As operator of the Pohe Island Landfill, Council has a legal obligation under its resource consent to provide ongoing maintenance and monitoring services at the landfill site after closure. A provision for post closure costs is recognised as a liability.

Puvera landfill aftercare costs

The Northland Regional Landfill Limited Partnership has an obligation under its resource consent to monitor and manage risks of the Puvera landfill post closure. The aftercare period is estimated to be 30 years.

| | COUNCIL | | GROUP | |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT PORTION | | | | |
| Landfill aftercare | 105 | 344 | 105 | 344 |
| Total current portion | 105 | 344 | 105 | 344 |
| NON-CURRENT PORTION | | | | |
| Landfill aftercare | 1,465 | 1,060 | 1,465 | 1,060 |
| Total non-current portion | 1,465 | 1,060 | 1,465 | 1,060 |
| Total provisions | 1,570 | 1,404 | 1,570 | 1,404 |

| MOVEMENT IN PROVISIONS | LANDFILL AFTERCARE \$'000 |
|--------------------------------|---------------------------------|
| COUNCIL AND GROUP 2016 | |
| Balance at 1 July 2015 | 914 |
| Additional provisions made | 759 |
| Amounts utilised | (182) |
| Unused amounts reversed | (125) |
| Discount unwind (note 5) | 38 |
| Balance at 30 June 2016 | 1,404 |

| MOVEMENT IN PROVISIONS | LANDFILL AFTERCARE \$'000 |
|-------------------------------|---------------------------------|
| COUNCIL AND GROUP 2017 | |
| Balance at 1 July 2016 | 1,404 |
| Additional provisions made | 472 |
| Amounts utilised | (101) |
| Unused amounts reversed | (255) |
| Discount unwind (note 5) | 50 |
| Balance at 30 June 2017 | 1,570 |

Provisions for landfill post closure costs - Council

Council gained a discharge permit from the Northland Regional Council to cease operating the Pohe Island Landfill in 1992. As operator of the landfill, Council has a legal obligation to provide ongoing maintenance and monitoring services at the site after closure.

The landfill closed in 2005 and after care costs have been calculated for 30 year period. The long-term nature of the liability means that there are inherent uncertainties in estimating costs that could be incurred. The provision has been estimated using known improvements in technology and known changes to legal requirements. Based on the projected cash flows, the total of this closure and aftercare liability at net present value to the year ended 30 June 2017 is \$1.6 million (2016: \$1.4 million). This represents Council's projection of the amount required to settle the obligation.

The following significant assumptions have been made in calculating the provision:

- the cash flows are assumed to occur at the end of the financial year
- the landfill has only one stage (the initial development as well as the ongoing development costs are assumed to relate to that one stage)
- the discount rate is calculated on the 10 year swap rate of 3.29% plus a margin of 74 basis points
- the September 2016 BERL inflation factor has been applied.

NOTE 23: BORROWINGS

Accounting policy

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

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

| | COUNCIL | | GROUP | |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT PORTION | | | | |
| Debentures | 30,000 | 20,052 | 30,000 | 20,000 |
| Total current portion | 30,000 | 20,052 | 30,000 | 20,000 |
| NON-CURRENT PORTION | | | | |
| Debentures | 132,000 | 132,000 | 132,000 | 132,000 |
| Secured loans | - | - | - | - |
| Total non-current portion | 132,000 | 132,000 | 132,000 | 132,000 |
| Total borrowings | 162,000 | 152,052 | 162,000 | 152,000 |

Secured loans

Council's secured loans consist of the drawn down balance on the committed cash advance facility. The total available for drawdown against this facility is \$30.0 million (2016: \$30.0 million). The interest rate is based on the BKBM (Bank Bill Reference Rate) rate plus a margin for credit risk.

Council's debentures are mostly issued at floating rates of interest. For floating rate debt, the interest rate is reset quarterly based on the 90-day bank bill rate plus a margin for credit risk.

Security

Council's external debt is secured by way of a debenture trust deed over the rates of Council.

Fair values

Due to interest rates on debt resetting to the market rate every three months, the carrying amounts of secured loans and debentures approximates their fair value.

Internal borrowings

Internal borrowings are eliminated on consolidation in Council's Summary Funding Impact Statement and in the main financial statement, but are not eliminated in the activity Funding Impact Statements.

Council uses its reserves and external borrowing to internally fund both capital expenditure and working capital. Council approves overall borrowing by resolution during the Annual Plan and/or LTP process.

The primary objective in funding internally is to use reserves and external borrowing effectively, by establishing a portfolio that provides funding to internal activity centres. This creates operational efficiencies, as savings are created by eliminating the margin that would be paid through Council separately investing and borrowing externally. In addition to external borrowing mechanisms all reserve accounts are used for internal borrowing purposes.

- Interest is set quarterly on all internal loans at the weighted average cost of external borrowing (including credit margin and other related costs).

- Interest on investment (reserve) balances is set quarterly at the 90 day Bank Bill rate. No adjustment is included for treasury related operational costs.
- Internal borrowing is repaid when funds are needed for the relevant activity. For example, as budgeted water projects are needed, funds previously advanced to another activity would be repaid (with external debt raised if necessary). The reserve would then be reduced as funds are expended.
- Where reserves have been created through a targeted rate (such as water), budgeted expenditure will always have priority over internal leading to another activity.

| | OPENING BALANCE 1 JULY 2016 \$'000 | LOANS REPAID \$'000 | LOANS RAISED \$'000 | CLOSING BALANCE 30 JUNE 2017 \$'000 |
|---------------------------------|--|---------------------------|---------------------------|---|
| Transportation | 29,065 | - | 5,938 | 35,003 |
| Community facilities & services | 29,065 | - | 5,938 | 35,003 |
| Total internal borrowings | 58,130 | - | 11,876 | 70,006 |

| | OPENING BALANCE 1 JULY 2015 \$'000 | LOANS REPAID \$'000 | LOANS RAISED \$'000 | CLOSING BALANCE 30 JUNE 2016 \$'000 |
|---------------------------------|--|---------------------------|---------------------------|---|
| Transportation | 25,461 | - | 3,605 | 29,065 |
| Community facilities & services | 25,461 | - | 3,605 | 29,065 |
| Total internal borrowings | 50,922 | - | 7,210 | 58,130 |

Interest on internal borrowings

| | COUNCIL | | GROUP | |
|---------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Transportation | 1,522 | 1,281 | 1,522 | 1,281 |
| Community facilities & services | 1,522 | 1,281 | 1,522 | 1,281 |
| Total interest on internal borrowings | 3,044 | 2,562 | 3,044 | 2,562 |

NOTE 24: EMPLOYEE ENTITLEMENTS

Accounting policy

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to, but not yet taken at balance date.

Long-term employee entitlements

Employee benefits that are due to be settled beyond 12 month after the end of the year which the employee provides the related service, such as long service leave, have been calculated on an actuarial basis

Loyalty and performance bonuses are one off payments to staff members who have provided ten or more years of service to Council and have attained the prerequisite performance achievements over the preceding three years of service. The liability is assessed using current rates of pay taking into account years of service, years to entitlement and likelihood that staff will reach the point of entitlement and achieve the targeted performance level. These estimated amounts are discounted to their present value using an appropriate discount rate.

Defined contribution schemes

Obligations for contributions to KiwiSaver are accounted for as defined contribution superannuation schemes and are recognised as an expense in the surplus or deficit when incurred.

| | COUNCIL | | GROUP | |
|------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| CURRENT PORTION | | | | |
| Accrued pay | 514 | 358 | 514 | 359 |
| Annual leave | 1,769 | 1,709 | 1,774 | 1,721 |
| Loyalty and performance bonuses | 97 | 107 | 97 | 107 |
| Total current portion | 2,380 | 2,174 | 2,385 | 2,187 |
| NON-CURRENT PORTION | | | | |
| Loyalty and performance bonuses | 339 | 335 | 339 | 335 |
| Gratuities | 16 | 16 | 16 | 16 |
| Total non-current portion | 355 | 351 | 355 | 351 |
| Total employee entitlements | 2,735 | 2,525 | 2,740 | 2,538 |

Accrued annual leave is calculated at the full amount owing at 30 June each year based on current pay rates. The net increase of \$60,000 (2016: \$111,000 increase) has been recognised in the Statement of Comprehensive Revenue and Expense.

Loyalty and performance bonuses are payable on completion of each 10 years of service and are subject to performance criteria. The provision is assessed based on the estimated staff eligibility over the next 10 years at an average salary rate to which inflation of 2% is applied. The total is discounted to present value using a discount rate of 5.23% (2016: 5.25%). The decrease in the value of the provision of \$6,000 (2016: \$8,000 decrease) has been recognised in the Statement of Comprehensive Revenue and Expense.

Gratuities entitlements are only applicable to a few long-serving staff. The provision is calculated at the full amount owing at 30 June each year at current pay rates. No change (2016: \$nil) has been recognised in the Statement of Comprehensive Revenue and Expense.

NOTE 25: EQUITY

Accounting policy

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 the following components:

- accumulated funds
- reserves and special funds
- asset revaluation reserve.

Reserves and special funds

These reserves and funds are a component of equity generally representing a particular use to which various parts of equity have been assigned. Reserves may be legally restricted or created by Council.

Some reserves and special funds are subject to specific conditions accepted as binding by Council and which may not be revised by Council without reference to the courts or a third party. Transfers to and from these reserves may be made only for specified purposes or when specified conditions are met.

Also included in reserves and special funds are reserves restricted by Council decision. Council may alter them without reference to any third party or the courts. Transfers to and from these reserves are at the discretion of Council.

Asset revaluation reserves

This reserve relates to the revaluation of property, plant and equipment to fair value.

| | COUNCIL | | GROUP | |
|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| RATEPAYERS' EQUITY | | | | |
| Accumulated funds | 873,057 | 883,013 | 873,717 | 884,600 |
| Reserves and special funds | 72,374 | 60,095 | 72,784 | 60,419 |
| Asset revaluation reserve | 523,783 | 557,883 | 523,783 | 557,883 |
| Balance at 30 June 2017 | 1,469,214 | 1,500,991 | 1,470,284 | 1,502,902 |

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| ACCUMULATED FUNDS | | | | |
| Balance at 1 July | 883,013 | 879,762 | 884,601 | 881,082 |
| Adjustments and contributions to equity | 878 | (660) | (617) | (660) |
| Transfer (to) / from special purpose reserves | (12,280) | (8,132) | (12,365) | (8,219) |
| Transfers from asset revaluation reserves on disposal | 20,617 | - | 20,617 | - |
| Dividends | - | - | (52) | - |
| Total surplus/(deficit) after taxation | (19,171) | 12,043 | (18,467) | 12,397 |
| Balance 30 June | 873,057 | 883,013 | 873,717 | 884,600 |

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| RESERVES AND SPECIAL FUNDS | | | | |
| Fishermen's levy | 109 | 106 | 109 | 106 |
| Trust funds | 20 | 20 | 20 | 20 |
| Community development fund 1 | 4,014 | 3,982 | 4,014 | 3,982 |
| Community development fund 2 | 6,308 | 6,053 | 6,308 | 6,053 |
| Community development fund 3 | 304 | 286 | 304 | 286 |
| Art acquisitions | 5 | 8 | 5 | 8 |
| Clock purchases | 51 | 51 | 51 | 51 |
| AH Reed reserve | 3 | 3 | 3 | 3 |
| Leonard library reserve | 296 | 337 | 296 | 337 |
| General reserve | 1,127 | 500 | 1,127 | 500 |
| Property reinvestment reserve | 33,139 | 28,263 | 33,139 | 28,263 |
| Water reserve | 26,888 | 20,196 | 26,888 | 20,196 |
| Dog reserve | 110 | 290 | 110 | 290 |
| Sundry asset replacement reserve | - | - | 410 | 324 |
| Total reserves and special funds | 72,374 | 60,095 | 72,784 | 60,419 |

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| ASSET REVALUATION RESERVE | | | | |
| Balance at 1 July | 557,883 | 554,557 | 557,883 | 554,557 |
| Transfer to accumulated funds on disposal of assets | (20,617) | - | (20,617) | - |
| Revaluations gains / (losses) on infrastructure assets* | (13,478) | 3,363 | (13,478) | 3,363 |
| Revaluations gains / (losses) on other assets | (5) | (37) | (5) | (37) |
| Balance at 30 June | 523,783 | 557,883 | 523,783 | 557,883 |

*2016: \$3.3 million relates to the revaluation of roading assets.

| RESERVE | PURPOSE | BALANCE 1-JUL-16 \$'000 | TRANSFERS INTO FUND \$'000 | TRANSFERS OUT OF FUND \$'000 | BALANCE 30-JUN-17 \$'000 |
|------------------------------|---|-------------------------------|----------------------------------|---------------------------------------|--------------------------------|
| 2017 | | | | | |
| Fishermen's Levy | To fund maintenance and upgrading of marine facilities for use by commercial fishing vessels. | 106 | 3 | - | 109 |
| Trust funds | Bequests held for specific purpose. | 20 | - | - | 20 |
| Community development fund 1 | To provide funding for land for reserves or community facilities on Council owned reserve land. | 3,982 | 32 | - | 4,014 |
| Community development fund 2 | To provide funding for community facilities on non-Council reserve land. | 6,053 | 255 | - | 6,308 |
| Community development fund 3 | To provide funding for performing art activities. | 286 | 18 | - | 304 |
| Art acquisitions | To fund acquisitions of artworks. | 8 | - | 3 | 5 |
| Clock purchases | To fund purchase of clocks for Claphams Clocks. | 51 | - | - | 51 |
| AH Reed Reserve | Residual balance. | 3 | - | - | 3 |

| RESERVE | PURPOSE | BALANCE 1-JUL-16 \$'000 | TRANSFERS INTO FUND \$'000 | TRANSFERS OUT OF FUND \$'000 | BALANCE 30-JUN-17 \$'000 |
|----------------------------------|---|-------------------------------|----------------------------------|---------------------------------------|--------------------------------|
| Leonard Library Reserve | Bequest for the purchase of library books. | 337 | 8 | 49 | 296 |
| General Reserve | To fund operational grants committed but not paid | 500 | 627 | - | 1,127 |
| Property Reinvestment Reserve | To fund property purchases for a commercial return. | 28,263 | 5,405 | 529 | 33,139 |
| Water Reserve | Holds any surpluses for future funding of Water activities. | 20,196 | 6,692 | - | 26,888 |
| Dog Reserve | Holds any surpluses for future funding of Dog activities. | 290 | - | 180 | 110 |
| Total reserves and special funds | | 60,095 | 13,040 | 761 | 72,374 |

| RESERVE | PURPOSE | BALANCE 1 JULY 2015 \$'000 | TRANSFERS INTO FUND \$'000 | TRANSFERS OUT OF FUND \$'000 | BALANCE 30 JUNE 2016 \$'000 |
|----------------------------------|---|----------------------------------|----------------------------------|---------------------------------------|-----------------------------------|
| 2016 | | | | | |
| Safer Communities Project | To fund projects for the enhancement of safer communities. | 5 | - | 5 | - |
| Fishermen's Levy | To fund maintenance and upgrading of marine facilities for use by commercial fishing vessels. | 103 | 3 | - | 106 |
| Trust funds | Bequests held for specific purpose. | 20 | - | - | 20 |
| Community development fund 1 | To provide funding for land for reserves or community facilities on Council owned reserve land. | 3,975 | 7 | - | 3,982 |
| Community development fund 2 | To provide funding for community facilities on non-Council reserve land. | 5,788 | 265 | - | 6,053 |
| Community development fund 3 | To provide funding for performing art activities. | 269 | 17 | - | 286 |
| Art acquisitions | To fund acquisitions of artworks. | 10 | - | 2 | 8 |
| Clock purchases | To fund purchase of clocks for Claphams Clocks. | 50 | 1 | - | 51 |
| Creative NZ | Residual balance. | 2 | - | 2 | - |
| AH Reed Reserve | Residual balance. | 3 | - | - | 3 |
| Leonard Library Reserve | Bequest for the purchase of library books. | 7 | 340 | 10 | 337 |
| Hihiaua Reserve | To reserve Council's grant for future funding of Hihiaua Cultural Centre Trust. | - | 500 | - | 500 |
| Property Reinvestment Reserve | To fund property purchases for a commercial return. | 27,133 | 1,859 | 729 | 28,263 |
| Water Reserve | Holds any surpluses for future funding of Water activities. | 14,436 | 5,760 | - | 20,196 |
| Dog Reserve | Holds any surpluses for future funding of Dog activities. | 162 | 128 | - | 290 |
| Total reserves and special funds | | 51,963 | 8,880 | 748 | 60,095 |

Capital management

Council's capital is its equity (or ratepayers' funds), which comprise accumulated funds and reserves. Equity is represented by net assets.

The Local Government Act 2002 (LGA) requires Council to manage its revenues, expenses, assets, liabilities, investments and general financial dealings prudently and in a manner that promotes the current and future interests of the community. Ratepayers' funds are largely managed as a by-product of managing revenues, expenses, assets, liabilities, investments and general financial dealings.

The objective of managing these items is to achieve intergenerational equity, which is a principle promoted in the LGA and applied by Council. Intergenerational equity requires today's ratepayers to meet the costs of utilising Council's assets and not expecting them to meet the full cost of long term assets that will benefit ratepayers in future generations. Additionally, Council has in place asset management plans for major classes of assets detailing renewal and maintenance programmes, to ensure that ratepayers in future generations are not required to meet the costs of deferred renewals and maintenance.

The LGA requires Council to make adequate and effective provision in its Long Term Plan (LTP) and in its annual plan (where applicable) to meet the expenditure needs identified in those plans. The LGA also sets out the factors that Council is required to consider when determining the most appropriate sources of funding for each of its activities. The sources and levels of funding are set out in the funding and financial policies in Council's LTP.

Council has the following Council created reserves:

- reserves for different areas of benefit are used where there is a discrete set of rate or levy payers as distinct from payers of general rates (any surplus or deficit relating to these separate areas of benefit is applied to the specific reserves)
- trust and bequest reserves are set up where Council has been donated funds that are restricted for particular purposes (interest is added to trust and bequest reserves where applicable and deductions are made where funds have been used for the purpose they were donated).

NOTE 26: CAPITAL COMMITMENTS AND OPERATING LEASES

Accounting policy

Operating leases

An operating lease is a lease that does not transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee.

THE GROUP AS A LESSEE

The Group is a lessee in operating leases. Lease payments under an operating lease are recognised on a straight-line basis over the term.

THE GROUP AS A LESSOR

The Group is a lessor in operating leases. Receipts from operating leases (net of incentives provided to lessees) are recognised on a straight line basis over the term of the lease.

Capital commitments

Capital commitments represent capital expenditure contracted for at balance date but not yet incurred.

| | COUNCIL | | GROUP | |
|----------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Roading | 5,775 | 3,119 | 5,775 | 3,119 |
| Parks | 839 | 1,034 | 839 | 1,034 |
| Waste | 5,828 | 1,034 | 5,828 | 1,034 |
| Library | 952 | 556 | 952 | 556 |
| Water | 453 | 842 | 453 | 842 |
| Information management | 1,216 | 748 | 1,216 | 748 |
| Other major projects | 44 | 62 | 44 | 221 |
| Total capital commitments | 15,107 | 7,395 | 15,107 | 7,554 |

Operating leases as lessee

The future aggregate minimum lease payments payable under non-cancellable operating leases are as follows:

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Not later than one year | 940 | 845 | 1,193 | 939 |
| Later than one year and no later than two years | 925 | 837 | 1,548 | 837 |
| Later than two years and not later than five years | 231 | 832 | 333 | 832 |
| Total non-cancellable operating leases | 2,096 | 2,514 | 3,074 | 2,608 |

Council

Council leases property, plant and equipment in the normal course of its business. The majority of these leases have a minimum non-cancellable term of 36 to 45 months. The total minimum future sublease payments expected to be received under non-cancellable subleases at balance date is nil (2016: nil). Leases can be renewed at Council's option, with rents set by reference to current market rates for items of equivalent age and condition. Council does not have the option to purchase the asset at the end of the lease term. There are no restrictions placed on Council by any of the leasing arrangements.

Group

Northland Events Centre Trust (NECT)

NECT leases property, plant and equipment in the normal course of its business.

Whangarei Art Museum Trust (WAMT)

WAMT's operating lease consists of the annual rental paid to Council and WAMT receives a rent concession of the same amount from Council.

Operating leases as lessor

The future minimum lease payments to be received under non-cancellable operating commitments are:

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Not later than one year | 2,601 | 2,432 | 2,601 | 2,432 |
| Later than one year and not later than two years | 2,157 | 2,171 | 2,157 | 2,171 |
| Later than two years and not later than five years | 4,575 | 4,981 | 4,575 | 4,981 |
| Later than five years | 8,590 | 10,131 | 8,590 | 10,131 |
| Total non-cancellable operating leases | 17,923 | 19,715 | 17,923 | 19,715 |

Council operating lease revenue commitments

Council operating lease revenue commitments relate to commercial lease revenue which is contractually owed until the next scheduled rent review.

NOTE 27: CONTINGENT ASSETS AND LIABILITIES

Contingent liabilities

| | COUNCIL | | GROUP | |
|------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Loan guarantees | 250 | 250 | 257 | 257 |
| Weathertightness | 1,547 | 2,457 | 1,547 | 2,457 |
| Total contingent liabilities | 1,797 | 2,707 | 1,804 | 2,714 |

Council loan guarantees

Council is guarantor to a number of community and sporting organisation bank loans. Should these organisations default on the loans, Council is obligated under the guarantee to make loan repayments. There is no evidence of potential default or any payments by Council being required. Whangarei Art Museum Trust's payroll services are outsourced to Payroll Plus Ltd, who require a letter of credit for \$7,000 as guarantee that any direct debits up to this amount will be honoured.

Weathertightness

Every Council with statutory responsibilities under the Building Act has been impacted by the leaky building issue that arose from building industry failures spanning the early 1990s to the mid-2000s. During this period legislation prescribed Council as the authority to issue building consents and code compliance certificates and allowed private certifiers to enter the market and perform other functions this resulted in consent decisions being made by multiple entities, including Council.

In 2009 Council's then insurer Risk Pool removed cover for weathertightness claims and capped all previously-lodged claims to \$250,000 per annum. There is no insurance cover for weathertight or leaky home claims.

In 2010 the Government launched the Financial Assistance Package (FAP) to assist the owners of leaky homes to carry out repairs. In this scheme, there was a provision or formal recognition of percentage values of contributions - 25% Crown, 25% Council and 50% home owner. Although this scheme encouraged local authorities to contribute funds to further supplement reparation costs, this Council decided not to join, as in most cases the consent issuer, inspector and certifier was one of two private certifiers. The FAP has been used by home owners in the district and is now coming to its end. This date has been extended from September 2016 in some circumstances. Over the years, the leaky claims process has evolved and matured in mediation, litigation, statement of claims, points of law and precedent. Many parties or respondents to a claim, such as designers, builders, plasterers, engineers and private certifiers, have ceased to trade or companies have shut down. This has left Council as the last man standing and Council is a party to the claim via the 'duty of care' precedent.

Council has seven current claims registered with Weathertight Homes Resolution Service (WHRS) as at 30th June 2017. These claims are in various stages of activity and it is yet to be determined under joint and severable liability what Council's liability may be if the claims are successful. It is difficult to forecast with certainty on the WHRS status as this is a mediation process.

In the 2016-17 financial year:

- seven claims are accepted and registered by WHRS
- two claims are current in WHRS however Council has mediated and paid a settlement by agreement; and
- one claim is being re-heard in the High Court
- this leaves four claims that are current with no mediated outcome in the WHRS.

Council has allowed a contingency of \$1.55 million (2016: \$2.5 million) for weathertightness claims. This assumes the total to settle all claims at their estimated values, with no allowance made for contributions from the FAP programme or other parties or professional fees.

In addition to this there is the Carter Holt Harvey (CHH) proceedings where WDC, together with 50 other Councils have been joined by CHH to the claim originally made by the Ministry of Education against CHH and others for the

alleged supply of faulty cladding products to schools. The claim against WDC is for five buildings in the district. The matter is currently before the Court and the claim has not yet been adequately quantified.

Large Commercial Development – Building Consent Claim

Council has been joined as a third party to a claim that relates to a large commercial development of car showrooms and workshops. It is alleged that the ground underneath the buildings has continued to settle since construction, causing significant damage. Council is alleged to have breached its statutory duty under the Building Act 2004 when issuing the building consents, conducting inspections and issuing the Code Compliance Certificate. The other parties to the claim are the engineers and the builders of the development. The claim is covered by Council's insurance and the value of the claim is yet to be quantified.

Unquantified contingent liabilities

There are various other claims that Council and the Group are currently contesting which have not being quantified due to the nature of the issues, the uncertainty of the outcome and/or the extent to which Council and the Group have a responsibility to the claimant.

Marsden City Industrial Subdivision

During 2016-17 Council completed contracts to upgrade defective stormwater pipes that were identified within the Marsden City development as defective. During this work a range of defects were identified associated the construction of roads and construction of wastewater of the wastewater network, in addition to the stormwater network as reported in the 2015-16 note.

The faults associated with the stormwater network appear due to design, construction and selection of materials, exacerbated by the local environment having a low pH groundwater and fine sand. These faults are more prevalent in the northern development. A consequence of the faults is the formation of voids underneath the road. These voids have caused the road surface to collapse in two locations and have been present in six of the manholes that were replaced.

It is considered highly likely that there are further voids throughout the development. Council has imposed a temporary 30 km/hr restriction on the site to minimise the risk to road users of the surface sinking.

During the repair of the stormwater manholes and voids it was evident that the road pavement strength varied throughout the North Holdings Development. Subsequent pavement testing identified the variation was beyond that expected for an industrial subdivision.

During repair of a stormwater pipeline a sewer line was found to be bent over a stormwater pipe. The degree to which the pipe was bent would likely have made it unable to convey sewage. Subsequently council undertook a detailed inspection of the wastewater network in North Holdings. Further defects were found throughout the development that included crushed pipes, bent pipes and displaced joins.

Council has subsequently amended its claim to include other factors and a hearing is scheduled for 7 May 2018. It is the expectation of the court that the parties will look at mediation as an outcome prior to the hearing.

The wastewater and stormwater defects were considered as part of the 2017 valuation and incorporated in assessing remaining asset life and condition.

Northland Events Centre Trust (NECT) underwrite

Council is responsible for underwriting any operating shortfalls in the NECT operations. This amounted to \$196,796 (2016: \$178,656). This amount cannot be quantified going forward.

New Zealand Local Government Funding Agency (LGFA)

Council is a shareholder of the LGFA and is party to the guarantee of all borrowings of the entity.

Council is one of 30 local authority shareholders. When aggregated with the uncalled capital of other shareholders, \$20.0 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all of the LGFA's borrowings. At 30 June, LGFA had issued bonds totalling \$7,946 million (2016: \$6,445 million).

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

- Council is not aware of any local authority debt defaults in New Zealand

- local government legislation would enable local authorities to levy a rate to recover sufficient funds to meet any debt obligations if further funds were required.

Airport feasibility project

In late 2013 Council staff raised concerns about the long term adequacy of the existing Onerahi airport and in particular the runway. In February 2014 Council formally resolved to commence a review to ensure that the district has an aerodrome facility to that was capable of meeting the long term needs of the its users and the district.

This first phase of this project entailed a detailed review of the adequacy of the Onerahi Airport together with possible options to overcome identified inadequacies. In conjunction with this work a preliminary analysis was undertaken of a possible alternative site centred on an area of land called Port Nikau. This was land previously associated with Port Whangarei. Both these investigations were undertaken by Beca Ltd and their two reports were presented to Council in December 2014. The report to Council did confirm a number of short and medium term inadequacies of the existing airport and some options to partially deal with them. It also concluded that the Port Nikau site had a number of short comings as an alternative airport; the most significant being ground penetrations of the obstacle limitation surfaces associated with a new airport. This would lead to real difficulties gaining regulatory approval for the Civil Aviation Authority.

Council resolved to proceed with phase two of the project which entailed the identification of a range of possible sites within the district, evaluation of those sites and the selection of a preferred site for further more detailed examination. Tenders were called for this second phase and Beca were awarded the contract.

Since awarding the phase two contract, Beca have progressed through the agreed methodology having completed tasks relating to:

- project objectives
- site evaluation criteria
- identification of a long list of potential sites
- analysis of the long list to identify a short list of five sites.

A short list of sites has been presented to Council. Work is being undertaken on the evaluation of those sites to determine the preferred location.

Hundertwasser Wairau Maori Arts Centre (HWMAC)

In 1993, artist Friedensreich Hundertwasser was invited by the then Mayor of Whangarei to design an art centre for the city. He chose the former Northland Harbour Board building in the Town Basin (the Building). After several years of debate a binding referendum was held in June 2015 in regards to the use of the Building. A majority voted for HWMAC as the Whangarei district community's preferred option for re-development.

Council considers that it is important to have a high level of transparency around the project and its funding.

If the project proceeds, it is proposed that Whangarei Art museum Trust (WAMT), a CCO of council will operate the HWMAC on an on-going basis once re-development is completed.

Prior to the referendum it was determined that circa \$16.3 million was required to fund the overall HWMAC project (the required funding) for the development costs / leasehold improvements of the Building. As a condition of the referendum, there was a two-year period to June 2017 in which to raise the required funding needed. By June 2017 WAMT with the assistance of the Prosper Northland Trust (PNT) reached the required funding target as per the fundraising below. Donations and pledges have come from the government, general public, community groups, corporates, businesses and the Lotteries Commission.

Council owns the land and the Building. The Building currently has nil value because it requires seismic strengthening and is presently not habitable. Council and WAMT have entered into an Intention to Lease the Building. The Intention to Lease sets a nominal annual rental of \$1 and a lease term of 34 years and 11 months. As part of the lease the responsibility of maintenance of the entire building will be WAMTs.

As a requirement of the lease only once the required funding, which will be confirmed by a tender process, is reached will a formal lease be entered into. At this point the project will be initiated and the re-development works can be commenced.

In March 2017 WAMT reassessed the original project costs and updated the estimate by \$4.7 million, to a total amount of \$20.9 million. The increased estimated costs consist of an additional \$3.6 million in engineering costs for seismic strengthening being additional structural foundations to support the building on the land which is

reclaimed, as well as increased construction costs of \$1.1 million. However, as mentioned above the final cost will be determined by the tender process.

Council spent an initial sum of \$1.1 million between 2011 to 2013 on consents and other pre project costs for the project. Council has provided for additional partial funding for Old Harbour Board Development in the 2015-25 Long-Term Plan of \$1.4 million in year three (2017-18 – inflated \$) and \$1.5 million in year four (2018-19 – inflated \$). This Council funding is factored in as part of the required funding for the project.

Once HWMAC is constructed and operating Council will have an investment in the Hundertwasser development to the tune of \$2.9 million. The form and value that this will take is still being worked through, although it will possibly be ownership of the foundations to ground level. The rest of the structure will be considered WAMTs leasehold improvements and be owned by WAMT. This may include council gifting the current building valued at nil to WAMT.

There is no intention for Council to provide funding for operating costs of the HWMAC. Once HWMAC begins operation PNT has underwritten the operating costs of the HWMAC up to \$500,000 per year and a total of \$2 million over a ten year period. Council is satisfied that the underwrites are appropriate and will be in place once HWMAC begins operation.

At 30 June 2017 there are five different types of donations or contributions that have been made. The total amount of money collected and held by WAMT combined with Council's contribution and the net pledges was \$21.7 million (including interest received of \$40,000). This is more than the \$16.3 million which was required to be raised by 30 June 2017 as a condition of the 2015 referendum.

| CATEGORY | AMOUNT (\$'000) |
|-------------------------|--------------------|
| Unconditional donations | 691 |
| Conditional donations | 1,357 |
| Council contribution | 4,077 |
| Pledges | 15,533 |
| | 21,658 |

(1) Unconditional donations

This is money received by WAMT with no conditions attached. If the project does not proceed the donations will be available to be used by WAMT at WAMTs board's discretion. These donations are treated by WAMT as income in the current year. At 30 June 2017 the total amount of unconditional donations collected was: \$681,000 (2016: 340,000).

(2) Conditional donations

This is money received by WAMT with conditions attached (donation returnable to the donor if the project does not proceed). These donations are treated as income in advance when the donation is made. These donations will be transferred to income if the total project funding required by the condition is reached. At 30 June 2017 the total amount of conditional donations collected was: \$1.4 million (2016: \$658,000).

(3) Council contribution

Council spent an initial sum of \$1.1 million between 2011 to 2013 on consents and other pre project costs.

Council has provided funding of the development of the Old Harbour Board Development in the 2015-25 Long-Term Plan of \$1.4 million in year three (2017-18 – inflated \$) and \$1.5 million in year four (2018-19 – inflated \$), a total of \$2.977 million. Note: The \$1.4 million in year three of the LTP has been included in the 17-18 Annual Plan under 'Old Harbour Board Building development' at \$1.469 million, the difference being inflation adjustor used (2016: \$4.1 million).

This funding is factored in as part of the required funding for the project. So at 30 June 2017 the total amount of council funding was \$4.1 million.

(4) Pledges

For some pledges, the entire amount is conditional. Some pledges are drip fed over a period of time with payments at differing intervals e.g. weekly, fortnightly, monthly, quarterly. When money is received as part of an overall pledge amount it becomes a conditional donation. Pledges do not meet the definition of an asset so the pledge is not recorded as an asset of WAMT. (as per IPSAS 23). Instead, pledges will be disclosed within the contingent asset note (as per IPSAS 19). At 30 June 2017 the total amount of pledges was: \$15.5 million. Pledges have an element of uncertainty of collection so the collectability of pledges needs to be assessed. As at 30 June 2017 the pledges have been assessed and analysed as follows:

| | PLEDGED \$'000 | COLLECTABILITY % | NET PLEDGE \$'000 |
|--------------------|-------------------|---------------------|----------------------|
| Government | 7,000 | 100 | 7,000 |
| Local government | 1,500 | 100 | 1,500 |
| Lotteries | 4,000 | 100 | 4,000 |
| Corporates | 335 | 100 | 335 |
| Charitable trusts | 2,115 | 100 | 2,115 |
| Professional firms | 193 | 100 | 193 |
| SMEs / Trusts | 21 | 90 | 19 |
| General public | 369 | 90 | 332 |
| Total | 15,533 | | 15,494 |

(5) 'In-kind' products and services

- There are in-kind trade products and services that have been or will be donated to the overall project. To 30 June 2017, the in-kind trade products and services provided were minor and so have not been quantified.
- Professional services – various professional services in the form of time have and will continue to be donated to the overall project. These include, legal, accounting, project and other management, planning, architectural, design etc. In-kind professional services provided to date will not have a value attributed to them by WAMT until the required funding has been reached and the project proceeding has been confirmed.

NOTE 28: FINANCIAL INSTRUMENTS

(a) Financial instrument categories

The accounting policies for financial instruments have been applied to the line items below:

| | COUNCIL | | GROUP | |
|---|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| FINANCIAL ASSETS | | | | |
| FAIR VALUE THROUGH SURPLUS OR DEFICIT – HELD FOR TRADING | | | | |
| Derivative financial instrument assets | 65 | 55 | 65 | 55 |
| LOANS AND RECEIVABLES | | | | |
| Cash and cash equivalents | 21,542 | 15,681 | 23,197 | 16,871 |
| Receivables | 15,175 | 16,867 | 15,289 | 16,879 |
| Other financial assets: | | | | |
| - term deposits | 20,000 | - | 20,000 | - |
| - community loans | 1,015 | 1,790 | 934 | 1,790 |
| - LGFA borrower notes | 2,272 | 1,952 | 2,272 | 1,952 |
| Total loans and receivables | 60,004 | 36,290 | 61,692 | 37,492 |
| FAIR VALUE THROUGH THE STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE: | | | | |
| Other financial assets: | | | | |
| - unlisted shares | 744 | 739 | 744 | 739 |
| FINANCIAL LIABILITIES | | | | |
| FAIR VALUE THROUGH SURPLUS OR DEFICIT – HELD FOR TRADING: | | | | |
| Derivative financial instrument liabilities: | 11,468 | 17,761 | 11,468 | 17,761 |
| FINANCIAL LIABILITIES AT AMORTISED COST: | | | | |
| Payables | 12,912 | 14,852 | 12,744 | 14,770 |
| Borrowings: | | | | |
| - debentures | 162,000 | 152,052 | 162,000 | 152,000 |
| Total financial liabilities at amortised cost: | 174,912 | 166,904 | 174,744 | 166,770 |

(b) Fair value hierarchy disclosures

For those instruments recognised at fair value in the Statement of Financial Position, fair values are determined according to the following hierarchy:

- quoted market price (level 1) – financial instruments with quoted prices for identical instruments in active markets
- valuation technique using observable inputs (level 2) – financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable
- valuation techniques with significant non-observable inputs (level 3) – financial instruments valued using models where one or more significant inputs are not observable.

The following table analyses the basis of the valuation of classes of financial instruments measured at fair value in the statement of financial position:

| | TOTAL | QUOTED MARKET PRICE | OBSERVABLE INPUTS | SIGNIFICANT NON-OBSERVABLE INPUTS |
|------------------------|--------|---------------------|-------------------|-----------------------------------|
| 30 JUNE 2017 - COUNCIL | | | | |
| FINANCIAL ASSETS | | | | |
| Derivatives | 1 | - | 1 | - |
| Unlisted shares | 744 | - | 744 | - |
| Total financial assets | 745 | - | 745 | - |
| FINANCIAL LIABILITIES | | | | |
| Derivatives | 11,468 | - | 11,468 | - |
| 30 JUNE 2016 - COUNCIL | | | | |
| FINANCIAL ASSETS | | | | |
| Derivatives | 55 | - | 55 | - |
| Shares | 739 | - | 739 | - |
| Total financial assets | 794 | - | 794 | - |
| FINANCIAL LIABILITIES | | | | |
| Derivatives | 17,761 | - | 17,761 | - |
| 30 JUNE 2017 - GROUP | | | | |
| FINANCIAL ASSETS | | | | |
| Derivatives | 1 | - | 1 | - |
| Listed shares | 744 | - | 744 | - |
| Total financial assets | 745 | - | 745 | - |
| FINANCIAL LIABILITIES | | | | |
| Derivatives | 11,468 | - | 11,468 | - |
| 30 JUNE 2016 - GROUP | | | | |
| FINANCIAL ASSETS | | | | |
| Derivatives | 55 | - | 55 | - |
| Shares | 739 | - | 739 | - |
| Total financial assets | 794 | - | 794 | - |
| FINANCIAL LIABILITIES | | | | |
| Derivatives | 17,761 | - | 17,761 | - |

There were no transfers between the different levels of the fair value hierarchy.

(c) Financial instrument risks

Council's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. Council and the Group has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from its treasury activities. Council has established Council-approved Liability Management and Investment policies. These policies do not allow any transactions that are speculative in nature to be entered into.

Market risk

PRICE RISK

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices. Equity securities price risks arise on share investments which are classified as financial assets held at fair value through other comprehensive income. Equity securities price risk is not managed as the only quoted share investments are in the Local Government Funding Agency and Civic Assurance Limited, which are held for strategic reasons.

CURRENCY RISK

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

Council purchases plant and equipment associated with the construction of certain infrastructure assets from overseas, which results in transactions denominated in foreign currencies. As a result of these activities, exposure to currency risk arises.

FAIR VALUE INTEREST RATE RISK

Council enters into a limited number of foreign transactions and therefore is exposed to minimal currency risk.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. Borrowings and investments issued at fixed rates of interest expose Council and the Group to fair value interest rate risk. Council's Liability Management Policy is to maintain between 50-95% of its current borrowings in fixed rate instruments. Fixed to floating interest rate swaps are entered into to hedge the fair value interest rate risk arising where Council has borrowed at fixed rates in excess of the 95% maximum.

CASH FLOW INTEREST RATE RISK

Cash flow interest rate risk is the risk that the cash flows from a financial instrument will fluctuate because of changes in market interest rates. Borrowings and investments issued at variable interest rates expose Council and the Group to cash flow interest rate risk.

Generally, Council and the Group raises long-term borrowings at floating rates and swaps them into fixed rates using interest rate swaps in order to manage the cash flow interest rate risk. Such interest rate swaps have the economic effect of converting borrowings at floating rates into fixed rates that are generally lower than those available if Council or the Group borrowed at fixed rates directly. Under the interest rate swaps, Council and the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating-rate interest amounts calculated by reference to the agreed notional principal amounts.

Credit risk

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

Council's Investment Policy limits the amount of credit exposure to any one financial institution or organisation to no more than \$20.0 million (except for LGFA which is no more than \$50.0 million). The Group invests funds only with entities that have a Standard and Poor's credit rating of at least A-1 for short-term and A for long-term investments.

MAXIMUM EXPOSURE TO CREDIT RISK

Council's maximum credit risk exposure for each class of financial instrument is as follows:

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| Cash at bank and term deposits | 21,542 | 15,681 | 23,197 | 16,871 |
| Receivables | 15,175 | 16,867 | 15,289 | 16,879 |
| Community and related party loans | 1,015 | 1,790 | 934 | 1,790 |
| Short term deposits | 20,000 | - | 20,000 | - |
| Derivative financial instrument assets | 65 | 55 | 65 | 55 |
| Financial guarantees | 250 | 250 | 257 | 257 |
| Total credit risk | 58,047 | 34,643 | 59,742 | 35,852 |

Council is exposed to credit risk as a guarantor of all of the LGFA's borrowings. Information about this exposure is explained in note 27.

CREDIT QUALITY OF FINANCIAL ASSETS

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

| | COUNCIL | | GROUP | |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| COUNTERPARTIES WITH CREDIT RATINGS | | | | |
| CASH AT BANK AND TERM DEPOSITS | | | | |
| AA- | 21,542 | 12,681 | 23,197 | 13,871 |
| A+ | 20,000 | 3,000 | (20,000) | 3,000 |
| Total cash at bank and term deposits | 41,542 | 15,681 | 3,197 | 16,871 |
| DERIVATIVE FINANCIAL INSTRUMENT ASSETS | | | | |
| AA- | 65 | 55 | 65 | 55 |
| Total derivative financial instrument assets | 65 | 55 | 65 | 55 |
| COUNTERPARTIES WITHOUT CREDIT RATINGS | | | | |
| COMMUNITY AND RELATED PARTY LOANS | | | | |
| Existing counterparty with no defaults in the past | 1,015 | 1,790 | 934 | 1,790 |
| Total community and related party loans | 1,015 | 1,790 | 934 | 1,790 |

Receivables arise mainly from Council's statutory functions. Therefore, there are no procedures in place to monitor or report the credit quality of debtors and other receivables with reference to internal or external credit ratings. Council has no significant concentrations of credit risk in relation to debtors and other receivables, as it has a large number of credit customers.

Liquidity risk

MANAGEMENT OF LIQUIDITY RISK

Liquidity risk is the risk that Council will encounter difficulty raising liquid funds to meet commitments as they fall due. Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Council aims to maintain flexibility in funding by keeping committed credit lines available.

Council manages its borrowings in accordance with its funding and financial policies, which include a Liability Management Policy which includes a liquidity ratio defined as "external debt plus committed loan facilities plus liquid investments, divided by external debt". The Policy requires the ratio to remain above 110%.

Council has a maximum that can be drawn down against its committed facility of \$30.0 million. (2016 \$30.0 million). There are no restrictions on the use of this facility.

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL LIABILITIES, EXCLUDING DERIVATIVES

The table below analyses Council and the group's financial liabilities into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest payments.

| | CARRYING AMOUNT \$'000 | CONTRACTUAL CASH FLOWS \$'000 | LESS THAN ONE YEAR \$'000 | GREATER THAN ONE YEAR \$'000 |
|----------------------|------------------------------|-------------------------------------|---------------------------------|------------------------------------|
| COUNCIL 2017 | | | | |
| Payables | 12,912 | 12,912 | 12,756 | 156 |
| Bank overdraft | - | - | - | - |
| Debentures | 162,000 | 180,572 | 33,816 | 146,756 |
| Financial guarantees | 250 | 250 | 250 | - |
| Total | 175,162 | 193,734 | 46,822 | 146,912 |
| COUNCIL 2016 | | | | |
| Payables | 14,852 | 14,852 | 14,263 | 589 |
| Bank overdraft | - | - | - | - |
| Debentures | 152,052 | 172,663 | 24,200 | 148,464 |
| Financial guarantees | 250 | 250 | 250 | - |
| Total | 167,154 | 187,765 | 38,713 | 149,053 |
| GROUP 2017 | | | | |
| Payables | 12,744 | 12,744 | 12,588 | 156 |
| Bank overdraft | - | - | - | - |
| Debentures | 162,000 | 180,572 | 33,816 | 146,756 |
| Financial guarantees | 257 | 257 | 257 | - |
| Total | 175,001 | 193,573 | 46,661 | 146,912 |
| GROUP 2016 | | | | |
| Payables | 14,770 | 14,770 | 14,181 | 589 |
| Bank overdraft | - | - | - | - |
| Debentures | 152,000 | 172,612 | 24,148 | 148,464 |
| Financial guarantees | 257 | 257 | 257 | - |
| Total | 167,027 | 187,639 | 38,586 | 149,053 |

Council is exposed to liquidity risks as a guarantor of the LGFA's borrowings. This guarantee becomes callable in the event of the LGFA failing to pay its borrowings when they fall due. Information about this exposure is explained in note 27.

CONTRACTUAL MATURITY ANALYSIS OF DERIVATIVE FINANCIAL INSTRUMENT LIABILITIES

The table below analyses Council and the group's derivative financial instrument liabilities into those that are settled on a net basis and those that will be settled on a gross basis into their relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

| | LIABILITY CARRYING AMOUNT \$'000 | CONTRACTUAL CASH FLOWS \$'000 | LESS THAN ONE YEAR \$'000 | GREATER THAN ONE YEAR \$'000 |
|------------------------------------|---|-------------------------------------|---------------------------------|------------------------------------|
| COUNCIL AND GROUP 2017 | | | | |
| Net settled interest rate swaps | 11,468 | 11,468 | 395 | 11,073 |
| COUNCIL AND GROUP 2016 | | | | |
| Net settled derivative liabilities | 17,761 | 17,761 | 311 | 17,450 |

CONTRACTUAL MATURITY ANALYSIS OF FINANCIAL ASSETS

The table below analyses Council and the group's financial assets into relevant maturity groupings based on the remaining period at balance date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows and include interest receipts.

| | CARRYING AMOUNT \$'000 | CONTRACTUAL CASH FLOWS \$'000 | LESS THAN ONE YEAR \$'000 | GREATER THAN ONE YEAR \$'000 |
|------------------------------------|------------------------------|-------------------------------------|---------------------------------|------------------------------------|
| COUNCIL 2017 | | | | |
| Cash and cash equivalents | 21,542 | 21,542 | 21,542 | - |
| Receivables | 15,175 | 15,175 | 15,175 | - |
| Net settled derivative assets | 65 | 65 | 65 | - |
| Other financial assets: | | | | |
| - term deposits | 20,000 | 20,560 | 20,560 | - |
| - community loans | 1,015 | 2,141 | 306 | 1,835 |
| - LGFA borrower notes | 2,272 | 2,708 | 384 | 2,324 |
| Total | 60,069 | 62,191 | 58,032 | 4,159 |
| COUNCIL 2016 | | | | |
| Cash and cash equivalents | 15,681 | 15,681 | 15,681 | - |
| Receivables | 16,867 | 16,867 | 16,867 | - |
| Net settled derivative assets | 55 | 55 | 55 | - |
| Other financial assets: | | | | |
| - term deposits | - | - | - | - |
| - community loans | 1,790 | 2,476 | 289 | 2,187 |
| - LGFA borrower notes | 1,952 | 2,392 | - | 2,392 |
| Total | 36,345 | 37,471 | 32,892 | 4,579 |
| GROUP 2017 | | | | |
| Cash and cash equivalents | 23,197 | 23,197 | 23,197 | - |
| Receivables | 15,289 | 15,289 | 15,289 | - |
| Net settled derivative liabilities | 65 | 65 | 65 | - |
| Other financial assets: | | | | |
| - term deposits | 20,000 | 20,560 | 20,560 | - |
| - community loans | 934 | 2,060 | 306 | 1,754 |
| - LGFA borrower notes | 2,272 | 2,708 | 384 | 2,324 |
| Total | 61,757 | 63,879 | 59,801 | 4,078 |
| GROUP 2016 | | | | |
| Cash and cash equivalents | 16,871 | 16,871 | 16,871 | - |
| Receivables | 16,879 | 16,879 | 16,879 | - |
| Net settled derivative liabilities | 55 | 55 | 55 | - |
| Other financial assets: | | | | |
| - term deposits | - | - | - | - |
| - community loans | 1,790 | 2,476 | 289 | 2,187 |
| - LGFA borrower notes | 1,952 | 2,392 | - | 2,392 |
| Total | 37,547 | 38,673 | 34,094 | 4,579 |

Sensitivity analysis

The tables below illustrate the potential effect on the surplus or deficit and equity (excluding accumulated funds) for reasonably possible market movements, with all other variables held constant, based on Council and the group's financial instrument exposures at balance date.

| | 2017 | | | | 2016 | | | |
|--------------------------------|-----------------------------|-------------------------------------|------------------------------|--------------------------------------|-----------------------------|-------------------------------------|------------------------------|--------------------------------------|
| | -50BPS SURPLUS \$'000 | -50BPS OTHER EQUITY \$'000 | +100BPS SURPLUS \$'000 | +100BPS OTHER EQUITY \$'000 | -50BPS SURPLUS \$'000 | -50BPS OTHER EQUITY \$'000 | +100BPS SURPLUS \$'000 | +100BPS OTHER EQUITY \$'000 |
| COUNCIL | | | | | | | | |
| INTEREST RATE RISK | | | | | | | | |
| FINANCIAL ASSETS | | | | | | | | |
| Cash and cash equivalents | -154 | - | 307 | - | -78 | - | 157 | - |
| Derivatives - held for trading | -398 | - | 694 | - | 36 | - | -73 | - |
| FINANCIAL LIABILITIES | | | | | | | | |
| Derivatives - held for trading | -3,279 | - | 6,185 | - | -4,048 | - | 7,637 | - |
| Borrowings: | | | | | | | | |
| - secured loans | - | - | - | - | - | - | - | - |
| - debentures | 795 | - | -1,590 | - | 745 | - | -1,490 | - |
| Total sensitivity | -3,036 | - | 5,596 | - | -3,345 | - | 6,231 | - |
| GROUP | | | | | | | | |
| 2017 | | | | | | | | |
| 2016 | | | | | | | | |
| INTEREST RATE RISK | | | | | | | | |
| FINANCIAL ASSETS | | | | | | | | |
| Cash and cash equivalents | -116 | - | 232 | - | -84 | - | 169 | - |
| Derivatives - held for trading | -398 | - | 694 | - | 36 | - | -73 | - |
| FINANCIAL LIABILITIES | | | | | | | | |
| Derivatives - held for trading | -3,279 | - | 6,185 | - | -4,048 | - | 7,637 | - |
| Borrowings: | | | | | | | | |
| - secured loans | - | - | - | - | - | - | - | - |
| - debentures | 795 | - | -1,590 | - | 745 | - | -1,490 | - |
| Total sensitivity | -2,998 | - | 5,521 | - | -3,351 | - | 6,243 | - |

EXPLANATION OF INTEREST RATE RISK SENSITIVITY

The interest rate sensitivity is based on a reasonable possible movement in interest rates, with all other variables held constant, measured as a basis points (bps) movement. For example, a decrease in 50 bps is equivalent to a decrease in interest rates of 0.5%.

The sensitivity for derivatives (interest rate swaps) has been calculated using a derivative valuation model based on a parallel shift in interest rates of -50bps/+100bps.

NOTE 29: RELATED PARTY TRANSACTIONS

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect Council and the Group would have adopted in dealing with the party at arm's length in the same circumstances.

Related party disclosures have also not been made for transactions with entities within Council group (such as funding and financing flows), where the transactions are consistent with the normal operating relationships between the entities and are on normal terms and conditions for such group transactions.

Group related party transactions

Northland Events Centre Trust (NECT)

Council is responsible for underwriting any operating shortfalls in NECT operations. Underwriting of \$197,000 (2016: \$179,000) was provided from Council to NECT. These amounts are disclosed in the Statement of Comprehensive Revenue and Expense. An amount of \$221,000 was outstanding at 30 June 2017 (2016: \$179,000).

Whangarei Art Museum Trust (WAMT)

WAMT received an annual operating grant from Council of \$483,000 (2016: \$450,684). An amount of \$31,833 was outstanding at 30 June 2017.

NOTE 30: EVENTS OCCURRING AFTER THE BALANCE DATE

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

NOTE 31: EXPLANATION OF MAJOR VARIANCES AGAINST BUDGET

| 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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 liabilities | [196,758] | [188,089] | Total liabilities are higher than budget by \$8.7 million including: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> 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) | |

NOTE 32: JOINT VENTURES

Whangarei District Airport (WDA)

WDA is a joint venture between Council and the Ministry of Transport that provides airport and landing facilities for the use of visitors, residents and ratepayers of the Whangarei district. WDA is incorporated in New Zealand. Council ownership is 100% of buildings and lighting, 50% interest of all other assets and liabilities and net surplus. WDA operates in New Zealand only. Pursuant to the Local Government Act 2002, WDA is Council-Controlled Organisation (CCO).

| NAME | PRINCIPAL ACTIVITY | 2017 OWNERSHIP % | 2016 OWNERSHIP % |
|----------------------------|---|------------------|------------------|
| Whangarei District Airport | Provision of airport and landing facilities | 50% | 50% |

The joint venture has a balance date of 30 June. Included in the financial statement are the following items that represent Council's interest in the assets, liabilities, revenue and expenditure of the joint venture.

| | COUNCIL | |
|--|--------------------|--------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| COUNCIL'S INTEREST IN THE JOINT VENTURE | | |
| Current assets | 276 | 440 |
| Non-current assets | 2,264 | 2,144 |
| Current liabilities | 33 | 63 |
| Non-current liabilities | - | - |
| Revenue | 266 | 279 |
| Expenses | 279 | 281 |

Northland Regional Landfill Limited Partnership (NRLLP)

NRLLP is a joint venture between Council and Northland Waste Limited and operates under a limited partnership. The principal activity of the partnership is the development and provision of landfill facilities for the Whangarei district. Ownership is 50% interest in all assets and liabilities and net surplus. NRLLP is governed by the Companies Act 1993 and operates in New Zealand only. Pursuant to the LGA, NRLLP is a Council-Controlled Trading Organisation (CCTO).

| NAME | PRINCIPAL ACTIVITY | 2017 OWNERSHIP % | 2016 OWNERSHIP % |
|---|--|------------------------|------------------------|
| Northland Regional Landfill Limited Partnership | Provision of waste and landfill facilities | 50% | 50% |

The joint venture has a balance date of 30 June. Included in the financial statements are the following items that represent Council's interest in the assets, liabilities, revenue and expenditure of the joint venture.

| | COUNCIL | |
|--|--------------------------|--------------------------|
| | ACTUAL 2017 \$'000 | ACTUAL 2016 \$'000 |
| COUNCIL'S INTEREST IN THE JOINT VENTURE | | |
| Current assets | 583 | 297 |
| Non-current assets | 11,488 | 10,965 |
| Current liabilities | 2,712 | 4,143 |
| Non-current liabilities | 1,132 | 443 |
| Revenue | 4,267 | 3,669 |
| Expenses | 3,403 | 2,811 |

NOTE 33: SUBSIDIARIES

The consolidated financial statements include the assets, liabilities and financial performance of the following subsidiaries in accordance with the accounting policies.

| SUBSIDIARY | GOVERNED BY | PRINCIPAL ACTIVITY | EQUITY HOLDING | |
|---|---|---|----------------|-----------|
| | | | 2017 % | 2016 % |
| Springs Flat Contractors Limited (SFCL) | Companies Act 1993 | SFCL is a limited liability shelf company. Council retains this company due to the unrealised tax losses held by SFCL. | 100% | 100% |
| Whangarei Art Museum Trust (WAMT) | Charitable Trusts Act 1957 of New Zealand | WAMT is a Charitable Trust and is operated by the Trustees of WAMT with the bulk of funding being received from Council. WAMT was established to maintain and display the district's art collection, the acquisition, collection, conservation and display of works of art; the promotion of the understanding, enjoyment and study of art in the Whangarei district and Northland region. WAMT is a fully controlled entity for financial reporting purposes. Whilst Council is not involved in the day-to-day operating activities, Council governs the overall financial management and benefits from the WAMT activities. WAMT with the assistance of the Prosper Northland Trust is fundraising for the Hunderwasser Wairau Maori Arts Centre [see note 28]. | Controlling | |
| Northland Events Centre Trust (NECT) | Charitable Trusts Act 1957 of New Zealand | NECT is a charitable trust that operates and maintains a multi-purpose centre for sports bodies, arts, musical, social and cultural events. NECT is a fully controlled entity for financial reporting purposes. Whilst Council is not involved in the day to day operating activities, Council governs the financial management and benefits from its activities. | Controlling | |
| Whangarei Waste Limited (WWL) | Companies Act 1993 | WWL is a partnership holding company for the Northland Regional Landfill Limited Partnership (NRLLP) joint venture between Council and Northland Waste Limited. WWL operates in New Zealand only. | 50% | 50% |
| Whangarei Quarry Gardens Trust (WQGT) | Charitable Trusts Act 1957 of New Zealand | WQGT is a charitable trust that operates a recreational facility. Council has a representative on the board of Trustees. WQGT was formed to develop the former metal quarry in Russell Road which is in Council ownership. WQGT has established a group of volunteers who assist in maintaining the grounds and have completed a master plan for the future development of the site as a horticultural and educational asset for the Whangarei district. | Controlling | |

NOTE 34: REPORT OF COUNCIL CONTROLLED ORGANISATIONS PERFORMANCE

Northland Regional Landfill Limited Partnership

| | RESULT 2017 | RESULT 2016 |
|--|-------------|-------------|
| COUNCIL CONTROLLED ORGANISATIONS | | |
| NORTHLAND REGIONAL LANDFILL LIMITED PARTNERSHIP | | |
| Objective | | |
| Operate at a profit | Achieved | Achieved |
| To open both the Puwera landfill and Re-Sort facilities for a minimum of 40 hours each week | Achieved | Achieved |
| NRLLP to ensure that its principal contractor employed to run Puwera and Re-Sort maintains ACC Accreditation standards for its Health and Safety Management System | Achieved | Achieved |
| Ensure no serious harm incidents occur at all operational sites owned by NRLLP | Achieved | Achieved |
| Ensure Re-Sort facilitates a minimum of 40% diversion away from landfill of all material being handled through the site | Achieved | Achieved |
| Maintain compaction of 0.7 tonnes of placed refuse per cubic metre of airspace used | Achieved | Achieved |
| Ensure six months landfill capacity is maintained at all times | Achieved | Achieved |
| Achieve a minimum of 70% landfill gas destruction | Achieved | Achieved |

Whangarei District Airport (WDA)

| | | | | COMMENT | | | |
|---|---|----------------|----------------|--|-------------|-------------|-------------|
| | PERFORMANCE TARGET | RESULT 2017 | RESULT 2016 | | ACTUAL 2017 | BUDGET 2017 | ACTUAL 2016 |
| 1 | To operate to financial budget | Target not met | Target not met | Revenue | \$532,757 | \$563,950 | \$554,087 |
| | | Target met | Target met | Expenditure | \$557,363 | \$560,100 | \$561,171 |
| 2 | To meet or exceed Airport Certification Standards as laid down by the Civil Aviation Authority for the airport and reported by random audit | Target met | Target met | WDA passed CAA audit in February and their own internal audit in June of this year. | | | |
| 3 | To conduct a survey of airport users and determine their views on Airport facilities and future facility developments | Target met | Target met | A survey was carried out in May of this year with 140 respondents. | | | |
| 4 | To implement the new Civil Aviation Authority (CAA) requirement for a Safety Management System (SMS) | In progress | In progress | WDA management have attended a SMS implementation workshop. The airport association is introducing a pilot programme to produce implementation plans at three airports. Upon completion, the airport association as well as an external consultant will assist WDA to produce an implementation plan incorporating learnings from the pilot programme. | | | |
| 5 | Engage third party quality auditor to report each June | Target met | N/A | Refer item two above. | | | |
| 6 | To manage the completion of the airport upgrade | Target met | In progress | Upgrade essentially completed. Opening ceremony was held in December. | | | |
| 7 | To implement necessary changes to Health and Safety policy / procedures to address any changes to legislation | Target met | Target met | Work place safety was reviewed and only minimal work was required to bring it in line with the new Health and Safety legislation. The SMS legislation will be merged with Work Place safety. WDA conducted various user meetings with tenants to align any changes in legislation and improve the overall culture around Health and Safety. | | | |

NOTE 35: CONTRACTUAL ARRANGEMENTS

Northland Regional Landfill Limited Partnership (NRLLP) has an agreement to accept bio solids (sludge) from Council's wastewater plants in exchange for Council accepting the Landfill's leachate for processing. This arrangement is of mutual benefit with neither party financially disadvantaged over the life of the landfill.

Council and Northland Waste Limited (NWL) have agreed to deliver waste and green waste under their contract to the landfill. This is an arms length transaction with the agreement dependent on NRLLP accepting the waste at market rates.



PART FOUR

AUDIT REPORT



INDEPENDENT AUDITOR'S REPORT

PART FIVE
**GENERAL
INFORMATION**



ABBREVIATIONS AND ACRONYMS

AMP

Activity or Asset Management Plan

BERL

Business and Economic Research Limited

CAA

Civil Aviation Authority

CCO

Council Controlled Organisation

CCTO

Council Controlled Trading Organisation

CE

Chief Executive

CO

Council Organisation

CPI

Consumer Price Index

DCP

Development Contributions Policy

FN

Forum North

GAAP

Generally Accepted Accounting Practice

GST

Goods and Services Tax

HWMAC

Hundertwasser Wairau Māori Art Centre

IPSAS

International Public Sector Accounting Standards

LA

Local Authority

LGA

Local Government Act 2002

LGCI

Local Government Cost Index

LGFA

Local Government Funding Agency

LTP

Long Term Plan

NEC

Northland Events Centre

NIF

Northland Intersectoral Forum

NRC

Northland Regional Council

NRLLP

Northland Regional Landfill Limited Partnership

NZIFRS

New Zealand International Financial Reporting Standards

NZTA

New Zealand Transport Agency

OCR

Official Cash Rate

PBE

Public Benefit Entity

PPE

Property, Plant and Equipment

RDF

Regional Development Fund

RPS

Regional Policy Statement

RFP

Request for Proposal

RMA

Resource Management Act

SOI

Statement of Intent

SCP

Special Consultative Procedure

SUIP

Separately Used or Inhabited Part

TA

Territorial Authority

UAGC

Uniform Annual General Charge

WAMT

Whangarei Art Museum Trust

WQGT

Whangarei Quarry Gardens Trust

GLOSSARY

Activity

The goods or services that Council provides to the community.

Activity Management Plan (AMP)

An operational plan that details policy, financial forecasting, engineering requirements and levels of service for non-asset-related Council activities.

Arrears

Money that is owed and should have been paid earlier.

Assets

Physical items owned by Council and used for the purpose of service provision to the community, for example property, plant and equipment.

Asset Management Plan (AMP)

An operational plan that details policy, financial forecasting, engineering requirements and levels of service for asset-related Council activities.

Annual Plan

An annual plan must be prepared by a council annually except in an LTP year and it must be adopted before the commencement of the year in which it operates. The purpose of the annual plan is set out in the Local Government Act 2002, section 95 (5).

Capital expenditure

The category of funding used for building new assets or increase the value of existing assets.

Capital Value

The total value of the land including improvements. This is the probable price that would have been paid for the property if it had sold at the date of the last general valuation.

Community

The people of the area covered by Council.

Community Outcomes

Outcomes that a local authority aims to achieve in meeting the current and future needs of communities for good-quality local infrastructure, local public services and performance of regulatory functions. A local authority will consider these outcomes in the course of its decision making.

Council Controlled Organisation (CCO)

An organisation of which Council maintains at least 50% voting rights to or has the right to appoint at least 50% of the directors or trustees. CCOs are generally operated without the objective of making a surplus or profit and are usually set up to independently manage Council facilities or deliver specific services.

Council Controlled Trading Organisation (CCTO)

As for a Council Controlled Organisation but with the objective of making a profit.

Depreciation

The accounting expense that reflects the annual consumption of an asset's economic life.

Development Contributions (DC)

Payments received from developers to fund growth-related capital expenditure. These charges recover part of the cost of additional or upgraded infrastructure that is required to service new developments, e.g. roading, water, wastewater.

General rate

The rates charge against each rateable unit. It comprises the Uniform Annual General Charge (UAGC) and the rate in the dollar calculated in accordance with Council rating policies.

Inflation

An increase in the cost to buy things and fall in what you can buy for a certain value of money. The Consumer Price Index (CPI) is the inflation rate that relates to household price increases while the Local Government Cost Index (LGCI) is the rate that relates to local government cost increases.

Infrastructure

Fixed utility assets including roads, sewerage, stormwater, water and waste.

Intergenerational equity

A common term used to express the spread of benefits across time. Much of the expenditure of a local authority is for infrastructure assets that have long service lives (such as roading networks). Current ratepayers should not be expected to fund all the benefits of future users, so costs are spread across current and future users.

Land Value

The assessment of the probable price that would have been paid for the bare land as at the date of the last general valuation.

Level of service

Describes in measurable terms the standard of services that Council will provide for each activity undertaken.

Local Authority (LA)

A regional council or territorial authority

Local Government Act 2002 (LGA)

The key legislation that defines what Council's purpose and responsibilities are to the community and how they must be fulfilled and reported on.

Long Term Plan (LTP)

A 10-year plan adopted every three years that sets out the planned activities, budgets and service provision of Council.

Official Cash Rate (OCR)

The interest rate set by the Reserve Bank to meet the inflation target specified in the Policy Targets Agreement. The Agreement, dated September 2002, requires the Reserve Bank to keep inflation at between 1% and 3% per annum.

Operating expenditure

The category of expenditure incurred as a result of Council's normal business operations.

Penalty (rates)

A charge that is added to rates that remain outstanding after the due date for payment.

Rating unit

One Certificate of Title equals one rating unit which will receive one rates assessment.

Rates postponement

A postponement delays the payment of rates until a later time (such as when the property is eventually sold).

Rates remission

Policies to provide assistance in the form of rates relief to ratepayers who meet specific criteria.

Regional Council

A council charged with managing the natural resources of its region including water, soil and air. Our regional council is the Northland Regional Council which represents the communities of the Far North, Kaipara and Whangarei districts.

Special Consultative Procedure (SCP)

The procedure that councils are required to undertake in certain decision-making circumstances, as defined by the Local Government Act 2002 (section 83).

Strategic asset

An asset or group of assets that the local authority needs to retain to maintain its capacity to promote any outcome it considers important to the current or future well-being of the community.

Targeted rate

A rate collected to fund a specific activity. A rate that is targeted can only be used for the purpose of which it was collected. Targeted rates are only charged to people who will benefit from the activity.

Territorial Authority (TA)

A city council or a district council.

Uniform Annual General Charge (UAGC)

A rate of fixed dollar amount applied to all properties. This is not related to the value of the property.

Valuation

An estimation of a property's worth. Council carries out property revaluations every three years.

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TO BE COMPLETED AT
THE END OF ALL EDITS



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