Whangarei District Council

2017 ANNUAL REPORT 18 SUMMARY

HOW WE SPENT EACH DOLLAR*

Transportation
31c
on roads, cycleways,
footpaths, streetlighting, parking and more

Water
7c *on treatment and supply*

Property
5c
on Council-owned properties

Solid Waste
4c *on dealing* ***with rubbish & recycling***

Wastewater
9c
on disposal ***and treatment***

Economic Growth
2c
on encouraging ***people to live, work, play & invest*** *in our district*

Storm Water
1c
on drainage systems and ***flood minimisation***

Community Services
2c
on enhancing & strenghtening ***our communities***

Libraries
2c
learning ***reading*** *& leisure*

Parks
12c
on parks, reserves, sportsfields, playgounds & more

Venues & Events
TICKET **1c**
for venue management & producing events

Planning & Regulatory
6c
for planning monitoring & enforcement activities

Support Services
18c
on keeping ***Council*** *running*

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

Contents

Our Summary Document 3

Introduction 4

Our Achievements 5

Meeting our Targets 7

Highlights from the Annual Report 8

Summary Financial Statements 11

Independent Auditor's Report. 14

Our Summary Document

This is a summary of Council's activities for the year 1 July 2017 to 30 June 2018. The information has been extracted from our 2017-18 Annual Report, which was adopted on 27 September 2018. It has been prepared in accordance with FRS-43: Summary Financial Statements.

This summary does not provide detailed information about our finances and service performance. This can be obtained from the Annual Report available on our website (www.wdc.govt.nz) or at any Council office. Audit NZ has audited the full financial statements and issued an unqualified report. This Summary has been examined by Audit NZ for consistency with the full Annual Report. This report was authorised for issue by Council resolution on 27 September 2018.



Sheryl L Mai
Mayor



Rob Forlong
Chief Executive

Whangarei 27 September 2018

Introduction

The 2017-2018 year has been one of solid progress and achievements for Whangarei District Council.

We had a successful 2017-18 financial year, resulting in an excellent operating surplus before non-cash adjustments ($12.9 million against the $3.2 million budgeted) and debt well within the conservative limits set by our Council.

Sound financial planning, together with a prudent approach to spending throughout the year, meant we could fund our works programmes without taking on more debt. With a number of uncompleted projects carried forward to next year, our closing net debt stayed at the same level as last year and was $37.6 million lower than budget, allowing us to make net interest savings of $1.3 million.

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

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

We've carried out a huge amount of work across the District - maintaining and improving roads, water, wastewater and stormwater infrastructure as well as our parks and reserves. It's also been a busy year for making plans with work going on behind the scenes across all areas of Council to make sure we are well set up for the future.

Our Long Term Plan (LTP) 2018-2028 was adopted, detailing all the major projects and work we will carry out over the next ten years. Councillors voted to increase funding for stormwater by 53% which means an extra $34 million will be spent on this important infrastructure.

Our District continues to grow in population and thrive economically. Overall, we are coping well with this growth. Our water and wastewater infrastructure is some of the best in the country – and our future drinking water supply will be safeguarded with the construction of the new Whau Valley water treatment plant. Our new Tarewa Park wastewater tank is nearly finished – the last of $60 million upgrades to reduce the risk of untreated sewage entering our harbour during storms. We have also completed a large amount of roading work, including resealing 92km (8.8%) of our sealed roads, and a 2.6km seal extension on Wright Rd.

Other highlights for the 2017-2018 year include the finalising of the new City Centre Plan aimed at creating a vibrant and attractive central city; adopting a new Waste Management and Minimisation Plan to reduce the amount of rubbish going to landfill; installing energy-saving LED bulbs in over half our street lights; and making excellent progress on the Kamo shared path.

We also completed major works in our parks and reserves, ranging from building new walking tracks, replacing playgrounds and upgrading sports fields, to installing new lighting on the Loop Walkway.

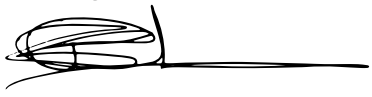
We once more proved we can successfully attract international sporting events with our hosting of the ICC U19 World Cup and our multi-use Northland Events Centre was put to good use for an eclectic mix of events.

Looking to the future, we will be continuing to keep our focus on maintaining and investing in core services while continuing our high levels of service for our community.

Her Worship the Mayor
Sheryl Mai



Chief Executive
Rob Forlong



Our Achievements

- **Reduced net debt** by $7.9 million to $112.6 million.
- **Operating surplus** of $12.9 million – $9.7 million better than budget.
- Standard and Poors **credit rating reaffirmed** as AA.
- Met **100% of our targets** for Water, Flood Protection and Control Works, Libraries, Resource Consents, Community Services, Parks and Recreation, and Venues and Events areas.
- Met **74% of our non-financial targets** and service levels.
- **Overall satisfaction** with Council at 86%.*

*2018 Resident Satisfaction Survey



$147.8 million
Operational revenues

$134.9 million
Operational spending

$12.9 million
Operating surplus

$112.6 million
Net external debt

$48.0 million
Capital works completed

AA
Credit rating

Key projects

- Resealing of 8.8% (92km) of sealed roads, a 2.6km seal extension on Wright Rd and new footpaths built at Austin Rd and Pipiwai Rd.
- Replacing more than half of the District's street lights with new efficient and cost saving LED technology.
- Excellent progress was made on the Kamo shared path project which once complete will create a dedicated cycle and pedestrian path between Kamo and the central city.
- Wastewater work including completing Stage 1 of the Hikurangi Sewer upgrade and repairing and improving a previously damaged main sewer line at Langs Beach.
- Improvements at parks and reserves including upgrades to sports fields at Horahora and Otaika, Parihaka walking tracks, resealing carparks and replacing playground equipment.
- The Whangarei City Centre Plan was adopted, outlining our plans to transform the city centre into a vibrant and attractive focal point for our District.
- Design of the new Whau Valley water treatment plant to replace the existing plant built in the 1950's.
- Adoption of the Waste Management and Minimisation Plan setting out how we will minimise waste to landfill.
- Northland Events Centre was used for several high-profile events supported by Council including Ngāpuhi Festival and Toi Ngāpuhi Māori Arts Exhibition, Fritter Festival and the Six60 concert. Other community events included Matariki Whānau Festival, International Rally of Whangarei, ANZAC Day, Wild Kiwi and Black Caps v West Indies.
- We developed a new Community Development framework, outlining a fresh approach to how Council will partner with our communities.
- We produced a new Whangarei Cultural Guide and video, telling the unique stories and legends of Whangarei Terenga Paraoa. Alongside this our Whangarei Visitor Guide was enhanced to showcase more attractions and activities to a wider audience.
- Both the Camping in Public Places Bylaw and Animal Bylaw were adopted, providing clarity around the rules and regulations for freedom campers and animal owners.







Meeting our Targets

We've achieved all six of our financial targets

Target	Result
Achieve a balanced budget	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

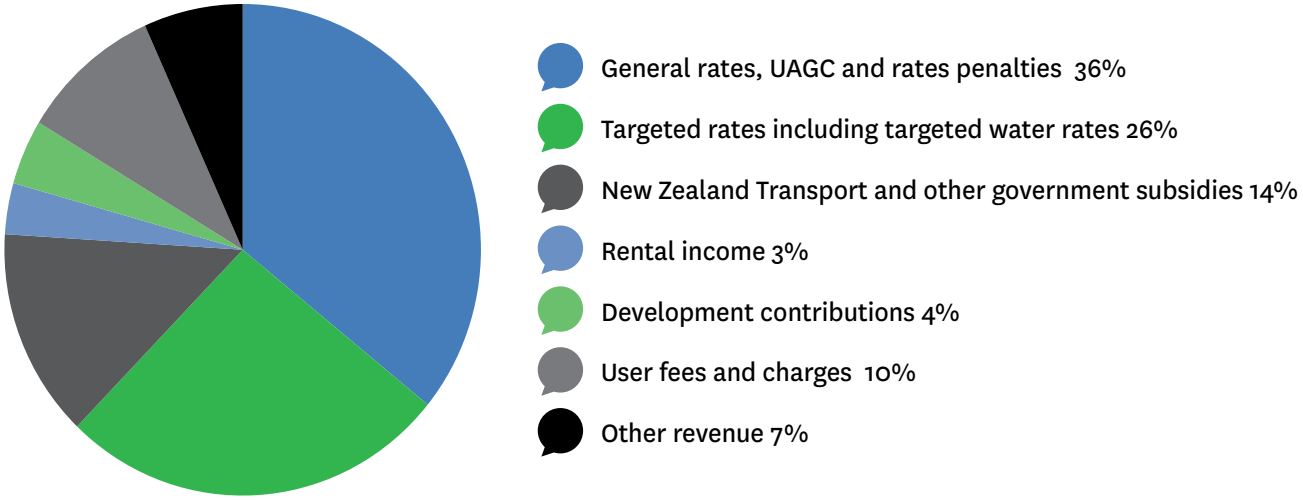
We have managed our operations effectively, met our financial targets and achieved an operating surplus

We've met 51 of our 69 non-financial targets (74%)

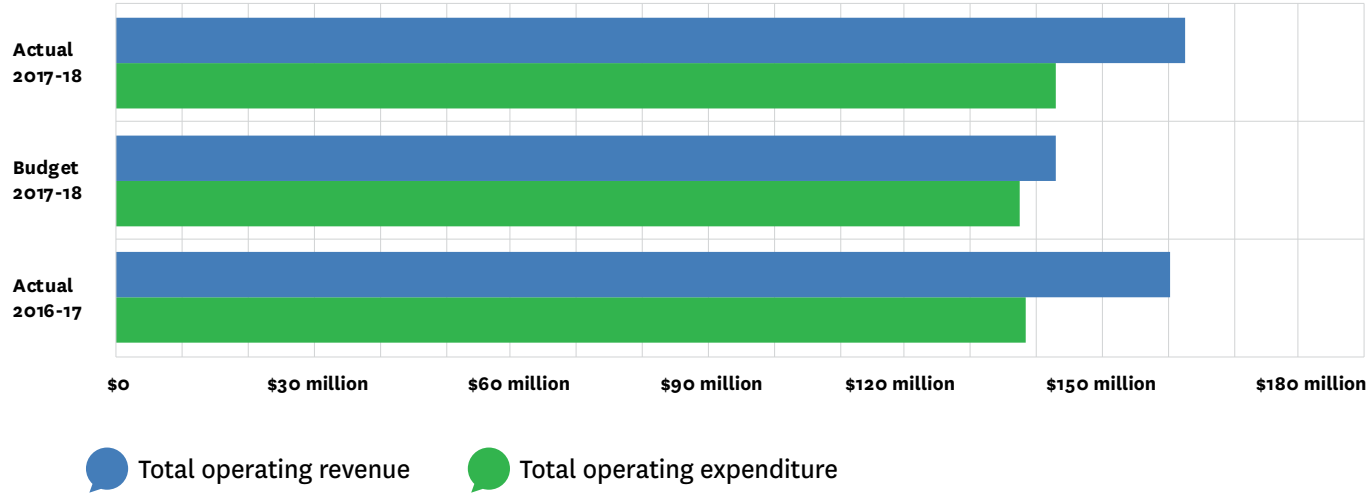
- 100% of targets were met in the Water, Flood Protection and Control Works, Libraries, Resource Consents, Community Services, Parks and Recreation, and Venues and Events areas.
- Performance improved or was maintained against 54% of our targets.
- The Resident Satisfaction Survey shows that overall satisfaction with Council has decreased from 91% in 2017 to 86%. This decrease is attributed to the change in survey methodology which has resulted in a more representative sample of the District.
- 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.

Highlights from the Annual Report

Where the money came from

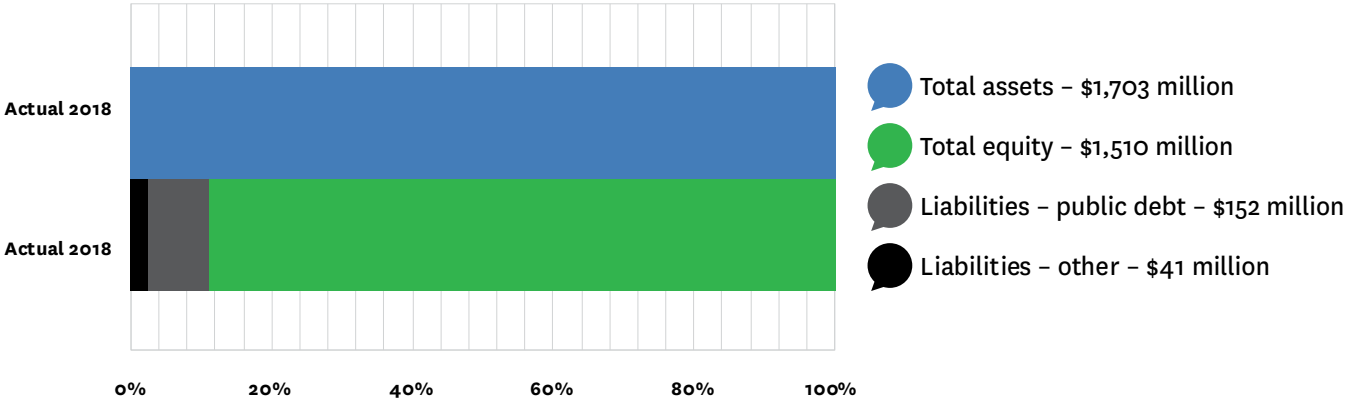


Balancing the Budget



What we own – what we owe

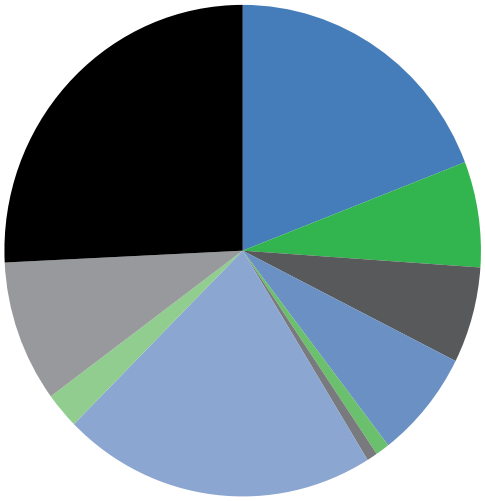
Total assets, liability & equity



How the money was spent on activities

Operational expenditure

Funding our day-to-day operations

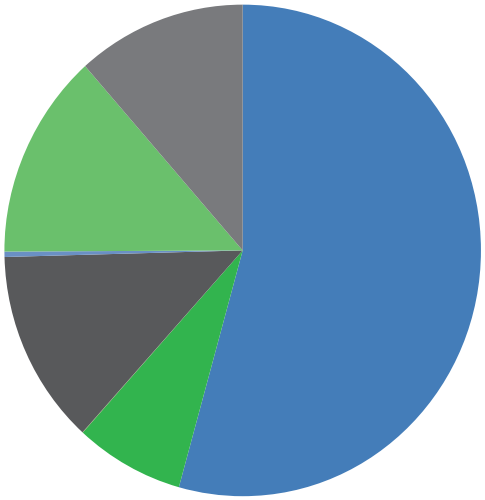


- Transportation 19%
- Water 7%
- Solid waste 6%
- Wastewater 7%
- Stormwater 1%
- Flood protection and control works 1%
- Community facilities and services 21%
- Economic growth 2%
- Planning and regulatory services 9%
- Support services 27%

*Figures are calculated using the activity Funding Impacts Statements.

Capital expenditure

Building or replacing our assets



- Transportation 54%
- Water 7%
- Wastewater 13%
- Stormwater 1%
- Community facilities and services 13%
- Support services 12%

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

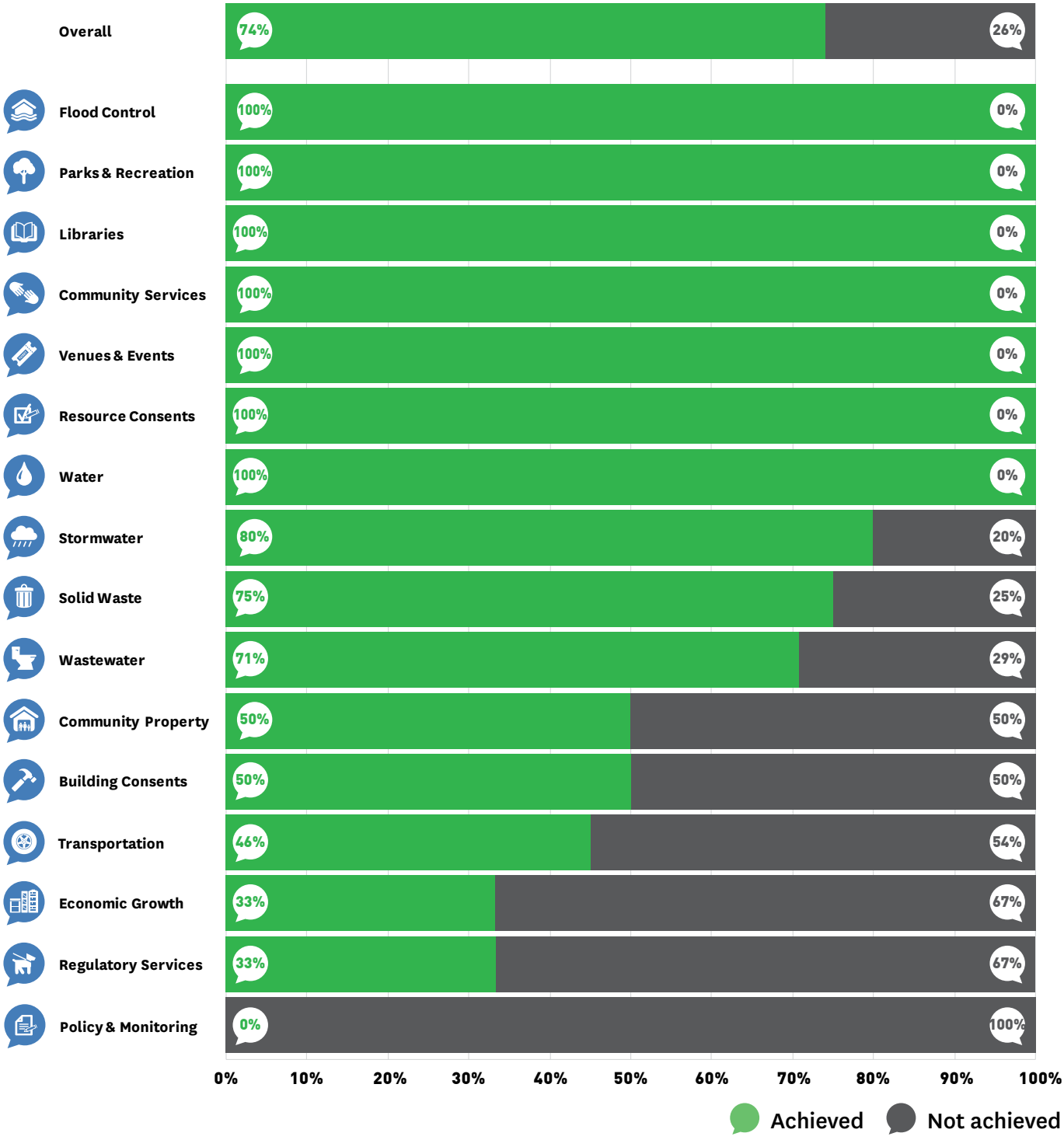
*Figures are calculated using the activity Funding Impacts Statements.

Our Finances

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

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

Overall Service Performance



Summary Financial Statements

Summary Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2018

	Council			Group	
	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Actual 2017 $'000
Revenue					
Rates	92,016	92,376	89,002	92,016	89,002
Other revenue	69,189	49,533	70,727	74,334	71,599
Share of profit/(loss) from joint ventures	1,304	1,075	765	1,344	765
Total income	162,509	142,984	160,494	167,694	161,366
Expenses					
Finance costs	7,731	8,059	7,789	7,731	7,789
Other expenses	135,067	129,247	171,876	132,218	171,994
Total operating expenditure	142,798	137,306	179,665	139,949	179,783
Operating (surplus) / deficit before taxation	19,711	5,678	(19,171)	27,745	(18,417)
Taxation charge	-	-	-	277	50
Operating (surplus) / deficit after taxation	19,711	5,678	(19,171)	27,468	(18,467)
Gain / (Loss) on infrastructure asset revaluation	12,996	-	(13,478)	12,996	(13,478)
Gain / (Loss) on other asset revaluations	7,997	-	(5)	7,997	(5)
Adjustment to investment in joint venture	-	-	878	-	(617)
Total comprehensive income	40,704	5,678	(31,776)	48,461	(32,567)

Summary Statement of Changes in Equity

For the year ended 30 June 2018

	Council			Group	
	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Actual 2017 $'000
Opening balance as at 1 July 2017	1,469,214	1,512,981	1,500,991	1,470,284	1,502,902
Total comprehensive revenue and expense	40,704	5,678	(31,776)	48,461	(32,567)
Adjustments and contributions to equity	-	-	-	-	-
Dividends paid	-	-	-	-	(52)
Total recognised equity as at 30 June 2018	1,509,916	1,518,659	1,469,214	1,518,745	1,470,284

Summary of commitments and contingent liabilities

Council has capital commitments of $15.0 million (2017: $15.1 million).

Council has contingent liabilities, the significant ones being weathertightness, Hundertwasser Wairau Māori Arts Centre (through Council's interest in WAMT) and also the Northland Events Centre Trust underwrite.

Summary Statement of Financial Position

As at 30 June 2018	Council			Group	
	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Actual 2017 $'000
Assets					
Total current assets	57,407	19,356	58,147	61,854	59,917
Total non-current assets	1,645,194	1,687,592	1,607,825	1,647,845	1,608,819
Total assets	1,702,601	1,706,948	1,665,972	1,709,699	1,668,736
Liabilities					
Total current liabilities	55,962	52,746	51,709	53,532	52,976
Total non-current liabilities	136,723	135,543	145,049	137,426	145,476
Total liabilities	192,685	188,289	196,758	190,958	198,452
Total equity	1,509,916	1,518,659	1,469,214	1,518,741	1,470,284

Debt Summary

As at 30 June 2018	Council			Group	
	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Actual 2017 $'000
Public debt - current portion	29,000	29,000	30,000	29,000	30,000
Public debt - term portion	123,000	121,477	132,000	123,000	132,000
Total debt	152,000	150,477	162,000	152,000	162,000

Summary Cash Flow Statement

For the year ended 30 June 2018	Council			Group	
	Actual 2018 $'000	Budget 2018 $'000	Actual 2017 $'000	Actual 2018 $'000	Actual 2017 $'000
Net cash from operating activities	52,599	43,280	51,195	57,034	52,683
Net cash used in investment activities	(35,555)	(61,994)	(55,573)	(37,281)	(56,591)
Net cash used in financing activities	(9,166)	18,314	10,239	(9,178)	10,234
Net increase / (decrease) in cash and cash equivalents for the year	7,878	(400)	5,861	10,575	6,326
Cash and cash equivalents at the beginning of the year	21,542	681	15,681	23,197	16,871
Total cash and cash equivalents at the end of the year	29,420	281	21,542	33,772	23,197

Statement of compliance

The financial statements have been prepared in accordance with Tier 1 PBE Standards and comply with NZ GAAP. They also comply with the requirements of the Local Government Act 2002. The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand dollars ('000).

Events after balance date

There were no significant events after the balance sheet date (2017: nil).

Variance Explanations

Key financial information	Actual 2018 $'000	Budget 2018 $'000	Comments
Statement of comprehensive revenue and expense			
Total revenue	162,509	142,984	Total revenue was higher than budget by $22.6 million: · development contributions were $3.3 million higher than budget · subsidies and grants was $2.2 million higher than budget · interest received was $0.9 million higher than budget due to prefunding future debt repayments · vested and found asset income was higher than budget by $11.0 million · an unbudgeted investment property revaluation gain of $3.3 million · an unbudgeted fair value gain of $0.5 million · other revenue was $1.1 million higher than budget.
Total expenses	142,798	137,306	Total operating expenses were higher than budget by $5.5 million: · personnel costs were $2.0 million lower than budget · depreciation and amortisation was $2.7 million lower than budget · general grants were higher than budget by $2.3 million · unbudgeted losses on disposal of other assets of $4.8 million · professional fees and consultants were $1.3 million higher than budget · contractor costs were $0.9 million lower than budget · other expenses were $2.8 million higher than budget, $1.5 million of which related to weathertightness provisions.
Surplus/(deficit)	19,711	5,678	
Statement of financial position			
Total assets	1,702,601	1,706,948	Total assets are lower than budget by $4.3 million: · cash and cash equivalents are $29.1 million above budget due to additional deposits from short term debt not yet required · other financial assets are $10.3 million above budget due to prefunding of future debt that has been placed on term deposit · property, plant and equipment is $42.1 million below budget due to carry forwards of capital expenditure and the loss on infrastructure asset revaluation in 2016-17 not available at the time of adopting the 2017-18 Annual Plan.
Total liabilities	(192,685)	(188,289)	Total liabilities are higher than budget by $4.4 million: · payables and deferred revenue is $1.9 million higher than budget due to the grant payable toward the Hundertwasser Wairau Māori Arts Centre · current provisions are $1.2 million higher than budget due to an unbudgeted weathertightness provision.
Net assets	1,509,916	1,518,659	
Cash flow statement			
Net cash flows from operating activities	52,599	43,280	Net cash flows from operating activities was higher than budget by $9.3 million: · development contributions were higher than budget by $3.3 million · receipts from rates revenue was higher than budget by $1.3 million · subsidies and grants were higher than budget by $1.9 million due to additional NZTA subsidies. · interest received was higher than budget by $0.9 million due to prefunding future debt repayments.
Net cash flows from investing activities	(35,555)	(61,994)	Net cash flows from investing activities was lower than budget by $26.4 million: · purchase and development of fixed assets was lower than budget by $15.6 million due to deferred capital works · receipts from investments and loans was higher than budget by $20.5 million due to maturity of term deposits undertaken as part of prefunding future debt requirements · this is offset by purchase of investments and loans which was higher than budget by $10.0 million due to new term deposits undertaken as part of prefunding future debt requirements.
Net cash flows from financing activities	(9,166)	18,314	Net cash flows from financing activities was lower than budget by $27.5 million due to budgeted borrowings not required as a result of carry forwards of capital expenditure.
Net (decrease)/ increase in cash, cash equivalents, and bank overdrafts	7,878	(400)	

Independent Auditor's Report

To the readers of Whangarei District Council's and group summary of the annual report for the year ended 30 June 2018

The summary of the annual report was derived from the annual report of the Whangarei District Council and group (the District Council) for the year ended 30 June 2018.

The summary of the annual report comprises the following summary statements on pages 11 to 13:

- the summary statement of financial position as at 30 June 2018;
- the summaries of the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended 30 June 2018;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary statement of service provision.

Opinion

In our opinion:

- the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report; and
- the summary statements comply with PBE FRS 43: Summary Financial Statements.

Summary of the annual report

The summary of the annual report does not contain all the disclosures required by generally accepted accounting practice in New Zealand. Reading the summary of the annual report and the auditor's report thereon, therefore, is not a substitute for reading the full annual report and the auditor's report thereon.

The full annual report and our audit report thereon

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2018 in our auditor's report dated 27 September 2018.

Council's responsibility for the summary of the annual report

The Council is responsible for preparing the summary of the annual report which includes preparing summary statements, in accordance with PBE FRS 43: Summary Financial Statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary of the annual report represents, fairly and consistently, the information regarding the major matters dealt with in the full annual report and whether the summary statements comply with PBE FRS 43: Summary Financial Statements.

Our opinion on the summary of the annual report is based on our procedures, which were carried out in accordance with the Auditor General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have audited the District Council's 2018-28 long term plan, and performed a limited assurance engagement related to the District Council's debenture trust deed. Other than these engagements, we have no relationship with, or interests in the District Council or its subsidiaries and controlled entities.

Athol Graham,
Audit New Zealand
On behalf of the Auditor General
Auckland, New Zealand
27 September 2018

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Whangarei District Council

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