



**Whangarei**  
District Council

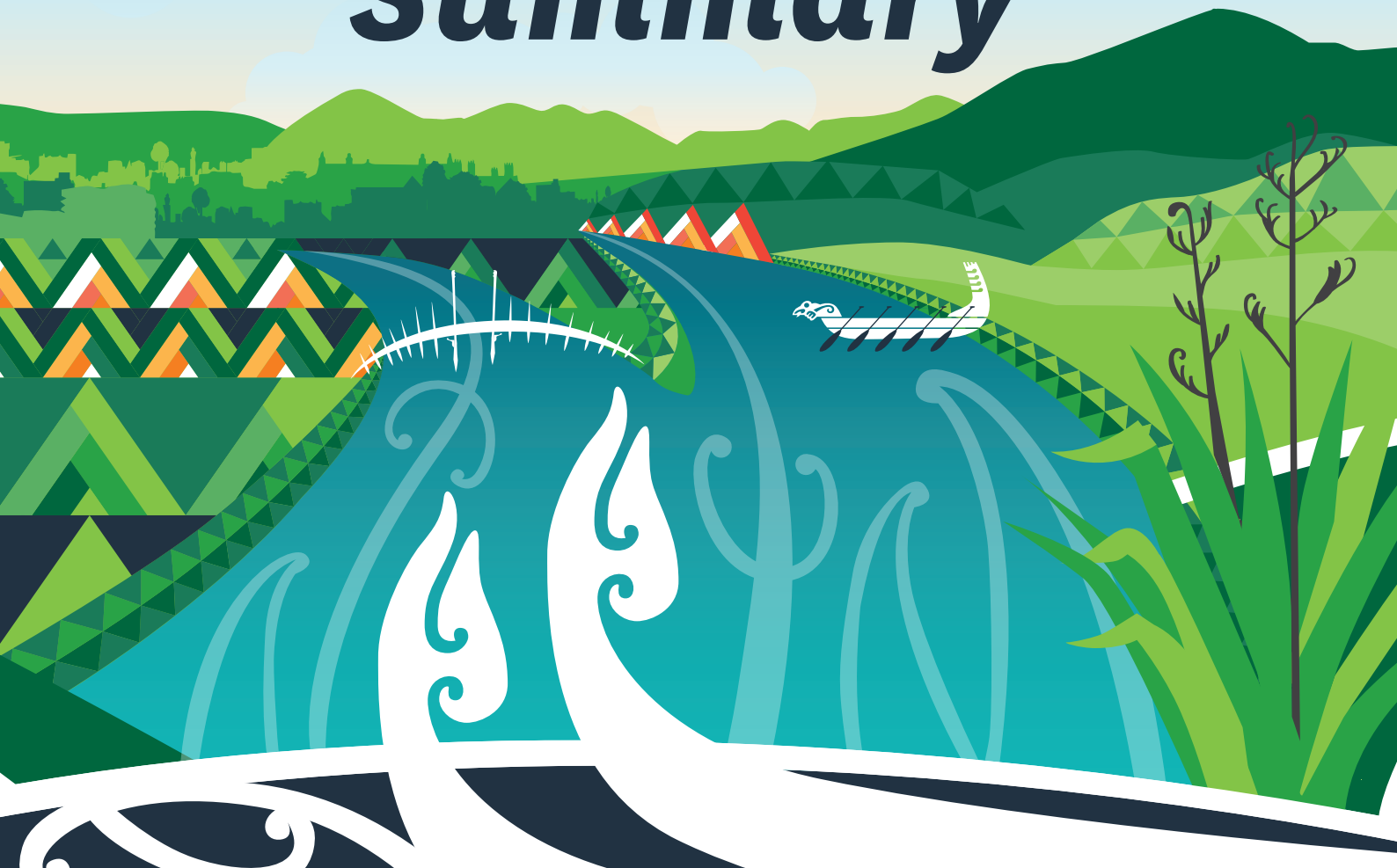


# ***Annual Report***

**2018-19**



## ***Summary***



# How we spent each dollar\*



## Transportation



**32c**

*on roads, cycleways,*

*footpaths, streetlighting, parking and more*

## Storm Water



*on drainage systems and flood minimisation*

## Parks



**13c**

*on parks, reserves, sportsfields, playgrounds & more*

## Water

**7c**



*on treatment and supply*

## Governance & Strategy

**5c**



*on our strategic and democratic functions*

## Community Services

**6c**



*on enhancing & strengthening our communities*

## Venues & Events



*for venue management & producing events*

## Wastewater

**7c**



*on disposal and treatment*

## Planning & Regulatory



*for planning monitoring & enforcement activities*



## Solid Waste

**4c**

*on dealing with rubbish & recycling*

## Libraries



*learning reading & leisure*

## Support Services

**15c**

*on keeping Council running*



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

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## Our summary document

This is a summary of Council's activities for the year 1 July 2018 to 30 June 2019. The information has been extracted from our 2018-19 Annual Report, which was adopted on Thursday 3 October 2019. 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](http://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 Thursday 3 October 2019.



Sheryl L Mai  
Mayor



Rob Forlong  
Chief Executive

Thursday 3 October 2019

# Introduction

We have completed the first year of the 2018-28 Long Term Plan largely on track and with some good wins.

Council's finances remain in excellent order, with strong financial controls and robust budgeting processes. Unlike some other local authorities, we also have the capacity to take on more debt to fund expansion of our growing District.

International credit rating agency Standard and Poors has again awarded an AA credit rating (with a positive outlook) to Council. This is the highest credit rating currently available to any public body in New Zealand.

Sustainability has been a major consideration this year, with Council adopting the Corporate Sustainability Strategy, which clarifies our internal policies in areas such as waste minimisation and energy conservation. We are all aware that our environmental impacts need to be more closely managed, and we are proud of the positive steps being taken by our Council in this area.

Our plans to transform our city centre into a vibrant and attractive focal point continued with the adoption of the City Core Precinct Plan. This is particularly exciting, as it is part of a larger vision for our District, encouraging a flow of pedestrian traffic through our city and waterfront areas.

We renewed playgrounds at Nixon Street, Jeeves Park, King Street and Norfolk Street (Reotahi), upgraded sportsgrounds at Ruakaka, Otaka, Otangarei, and built new playgrounds in Otangarei and Tikipunga.

Our District has more than \$1.79 billion worth of assets that we care for and maintain, and our capital works programme continues to add value. Though we've made some great progress across the board, we were unable to complete all capital projects outlined in year 1 of our Long Term Plan, which will be a focus for improvement moving forward.

We finished the year in a strong position. With an economy that continues to improve, a very good financial situation, an outstanding natural environment, better facilities for our citizens, most of the challenges we face (i.e. increasing population and higher expectations from citizens) are good problems to have.

This report highlights a year of commitment to a sustainable future, enhancing Whangārei District's reputation as a wonderful place to live, work and play.



**Her Worship the Mayor  
Sheryl Mai**

A handwritten signature in black ink, reading 'Sheryl Mai'.



**Chief Executive  
Rob Forlong**

A handwritten signature in black ink, reading 'Rob Forlong'.

# Our achievements

- **Reduced net debt** by \$9.8 million to \$102.8 million.
- **Operating surplus** of \$25.5 million – \$14.4 million better than budget.
- Standard and Poors **credit rating reaffirmed** as AA.
- **100% of targets** were met in the stormwater, flood protection, libraries, customer services, resource consents and building control areas.
- Met **69% of our non-financial targets** and service levels.
- Overall satisfaction with Council at **80%.**\*

\*2019 resident satisfaction survey



**\$173.6 million**

Revenue

**\$148.1 million**

Expenses

**\$25.5 million**

Operating surplus

**\$102.8 million**

Net external debt

**\$56.7 million**

Capital works completed

**AA**

Credit rating



## Key projects

### Core services

- Completed:
  - Porowini/ Tarewa intersection upgrade
  - 5.3km of rehabilitation on the sealed road network
  - 106km of resealing on the sealed road network
  - 4km of new seal on Wright Rd
  - sports facility upgrades at Ruakaka, Otaika and Otangarei
  - playground renewals at Nixon St, Jeeves Park, King St and Norfolk St (Reotahi)
  - playground installation in Tikipunga and Otangarei
  - 50% of stage 2 of the Hikurangi sewer network upgrade
  - Stages 1 and 2 of the Kamo Shared Path.
- Commenced work at the Porowini / Maunu Rd intersection
- Continued the \$6.6 million LED street light upgrade programme

### Planning for the future

- Adopted the:
  - City Core Precinct Plan which sets out a vision for the city centre to be a vibrant and attractive focal point for our District
  - Corporate Sustainability Strategy which focuses on our environmental impacts and our response to a changing climate.
- Awarded the contract for construction on the Whau Valley Water Treatment Plant and work has now commenced.

### Partnering with community

- Adopted a Whangarei Events Strategy to provide direction for events and maximize their benefits for our community.
- Allocated budget towards a new partnership fund. The fund enables Council to support a more diverse range of groups and initiatives.
- Reviewed Council's Advisory Groups with formal workplans being created which will inject renewed vigour into project and programme support.
- Adopted an Alcohol Control Bylaw, Easter Trading Policy, Smokefree District Policy and Class 4 Gambling Policy to assist in managing issues that are important to our community.



*Kamo Shared Path stages 1 and 2 opened*



*Playground renewals and installations across the District*



*Whangarei Events Strategy 'Experience Local' was adopted*

# Meeting our targets

**We've achieved all six of our financial targets**

Targets	Result
Achieve a balanced budget	
Limit rates revenue to maximum of 70% of total revenue	
Net debt no higher than 175% of total revenue	
Maintain net interest costs at less than 25% of rates revenue	
Net debt per capita level below \$2,193	
Provide sufficient funding to complete the planned capital expenditure programme without reliance on selling assets	

*We have achieved an operating surplus, while managing our operations effectively within our financial parameters.*

## **We've met 50 of our 73 non-financial targets**

Of the 73 Levels of Service targets 50 were achieved, 21 were not achieved and two were not measured. Overall, 69% of targets were achieved.



Performance improved or stayed the same for 48% of measures over the course of the year, compared to 54% the previous year.

Stormwater, flood protection, libraries, customer services, resource consents, and building control all achieved 100% of their annual targets.

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

In light of the improvements to the resident survey sampling methods, some measures may now carry an unrealistic target, or the target measure itself does not accurately reflect performance expectations. These will be reviewed as part of the 2021-31 Long Term Plan.

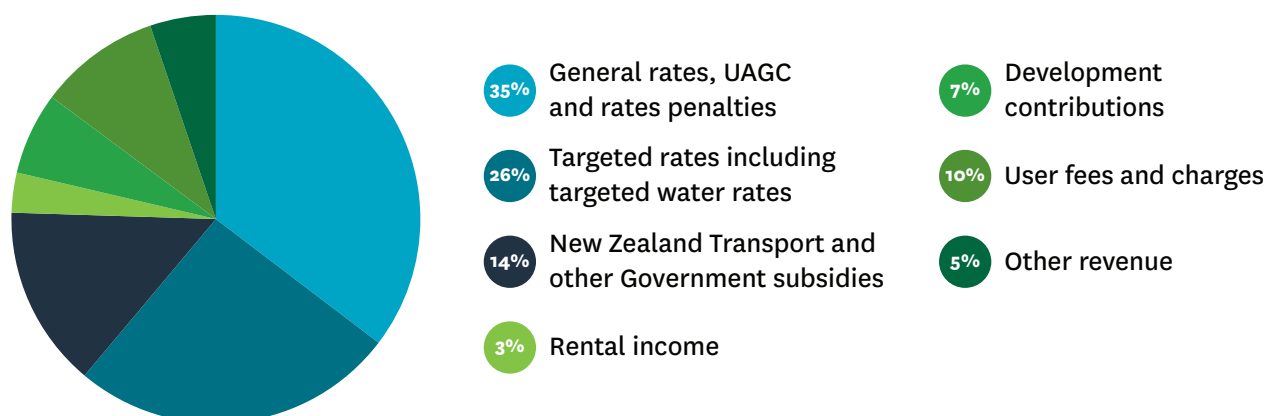
# Highlights from the Annual Report

## Our finances

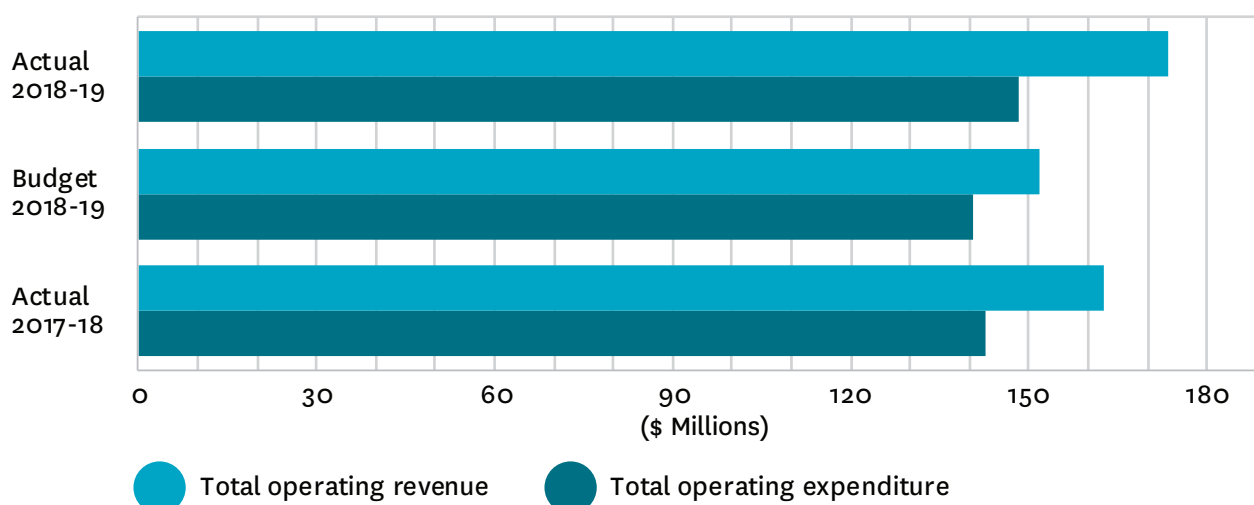
Council uses funding through rates, user fees and government subsidies, to provide day-to-day services, maintain our assets and build new ones to cater for the current and future needs of our community.

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.

## Where the money came from

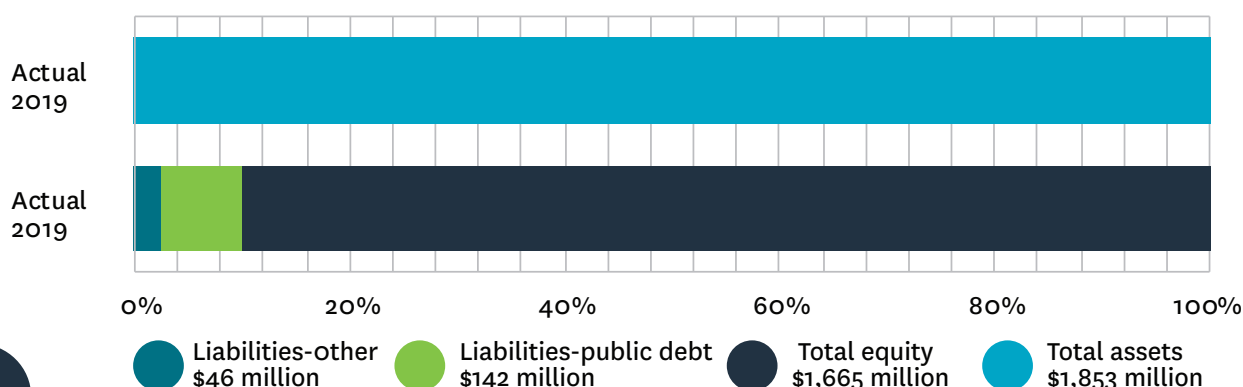


## Balancing the budget



## What we own – what we owe

### Total assets, liability & equity

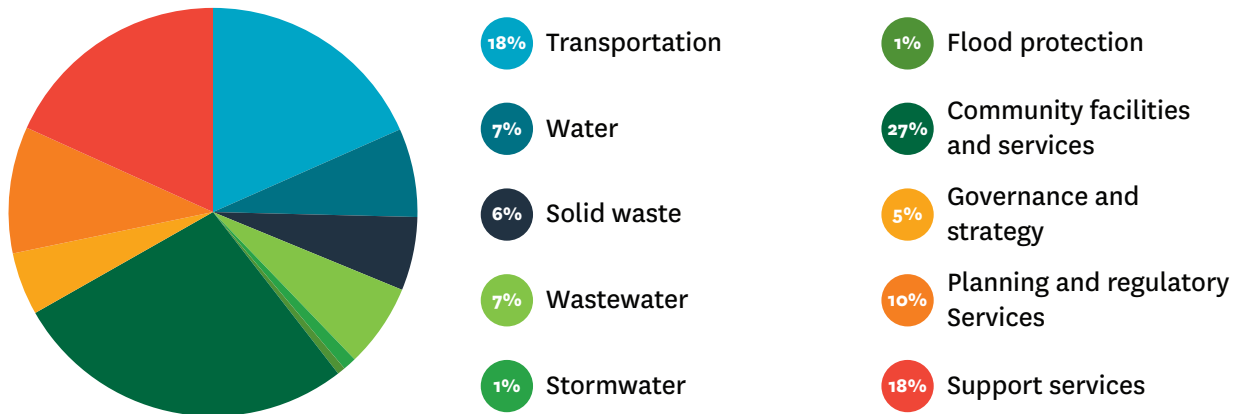




# How the money was spent on activities

## Operational expenditure

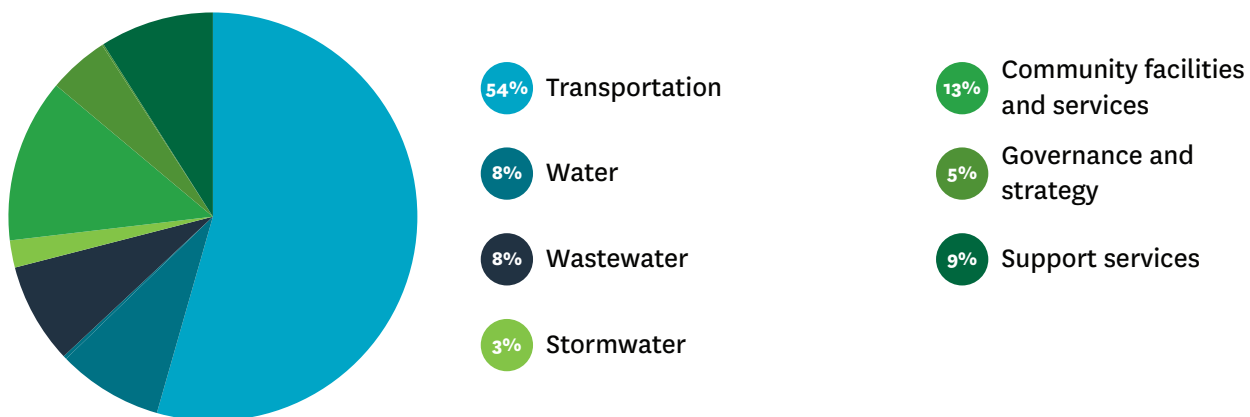
### Funding our day-to-day operations



\*Figures are calculated using the activity Funding Impacts Statements.

## Capital expenditure

### Building or replacing our assets

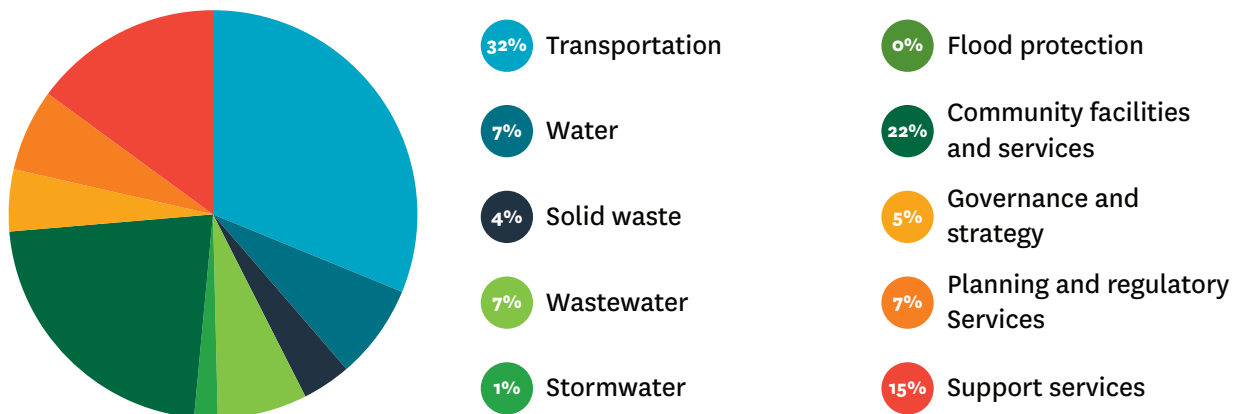


Although planning and regulatory and solid waste activities had a small amount of capital expenditure, they represented 0.1% and 0.3% of total capital expenditure respectively and do not appear on the above graph due to rounding. Flood protection had no capital expenditure

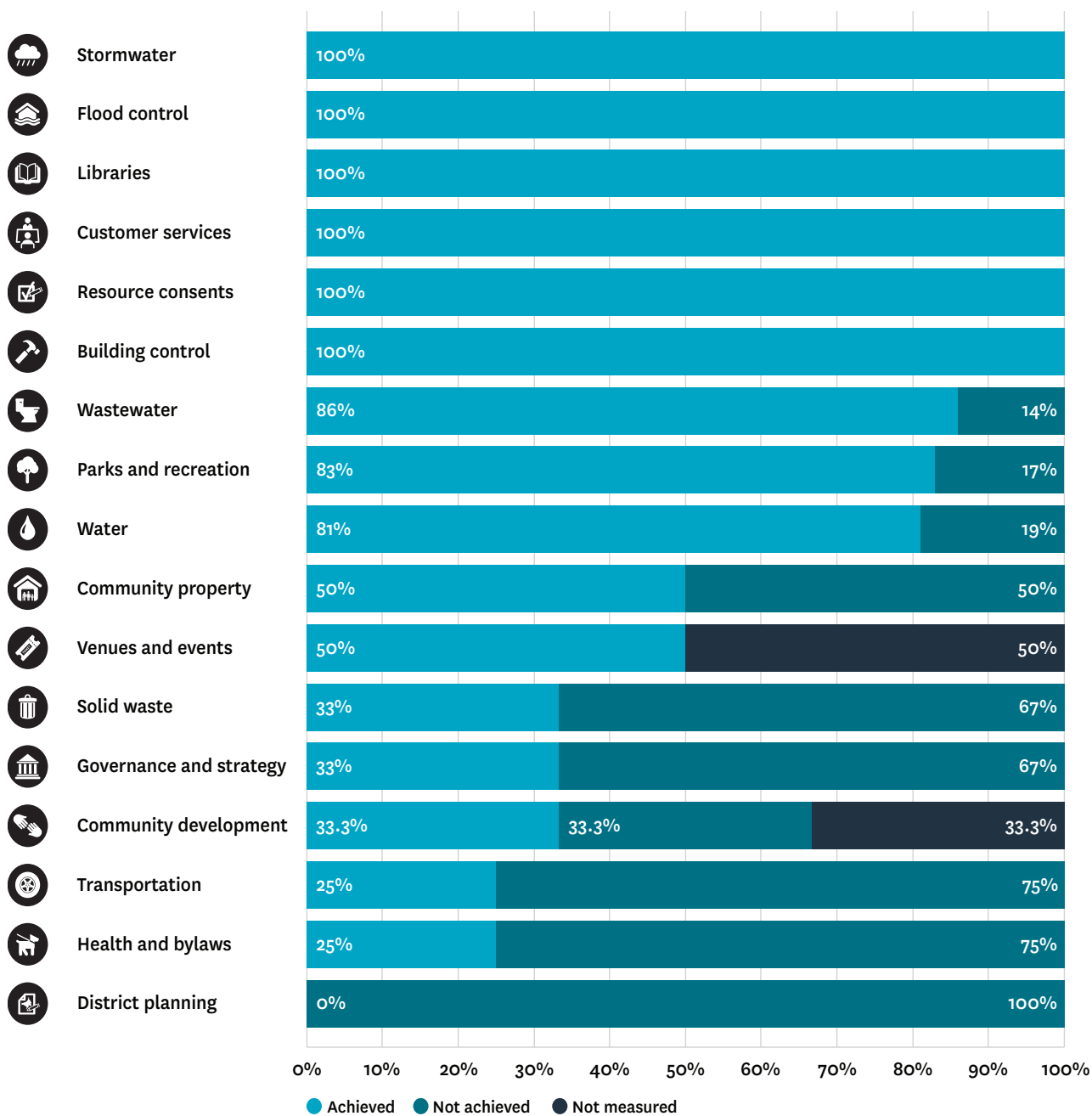
\*Figures are calculated using the activity Funding Impacts Statements.

## Total expenditure

### Operational expenditure + capital expenditure



## Overall service performance



# Summary Financial Statements

## Summary Statement of Comprehensive Revenue and Expense

For the year ended 30 June 2019

	Council			Group	
	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
<b>Revenue</b>					
Rates	97,733	97,322	92,016	97,733	92,016
Other revenue	74,918	54,374	69,189	83,191	74,334
Share of profit/(loss) from joint ventures	928	-	1,304	965	1,344
<b>Total income</b>	<b>173,579</b>	<b>151,696</b>	<b>162,509</b>	<b>181,889</b>	<b>167,694</b>
<b>Expenses</b>					
Finance costs	7,446	6,609	7,731	7,456	7,731
Other expenses	140,682	134,063	135,067	141,240	132,218
<b>Total operating expenditure</b>	<b>148,128</b>	<b>140,672</b>	<b>142,798</b>	<b>148,696</b>	<b>139,949</b>
<b>Operating (surplus) / deficit before taxation</b>	<b>25,451</b>	<b>11,024</b>	<b>19,711</b>	<b>33,193</b>	<b>27,745</b>
Taxation charge	-	-	-	(62)	277
<b>Operating (surplus) / deficit after taxation</b>	<b>25,451</b>	<b>11,024</b>	<b>19,711</b>	<b>33,255</b>	<b>27,468</b>
Gain / (Loss) on infrastructure asset revaluation	129,461	42,003	12,996	129,461	12,996
Gain / (Loss) on other asset revaluations	67	-	7,997	67	7,997
<b>Total comprehensive income</b>	<b>154,979</b>	<b>53,027</b>	<b>40,704</b>	<b>162,783</b>	<b>48,461</b>

## Summary Statement of Changes in Equity

For the year ended 30 June 2019

	Council			Group	
	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Opening balance as at 1 July 2018	1,509,919	1,480,857	1,469,214	1,518,745	1,470,284
Total comprehensive revenue and expense	154,979	53,027	40,704	162,783	48,461
<b>Total recognised equity as at 30 June 2019</b>	<b>1,664,898</b>	<b>1,533,884</b>	<b>1,509,918</b>	<b>1,681,528</b>	<b>1,518,745</b>

## Summary of commitments and contingent liabilities

Council has capital commitments of \$41.6 million (2018: \$15.0 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 2019*

	Council			Group	
	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
<b>Assets</b>					
Total current assets	56,355	18,786	57,407	64,530	61,854
Total non-current assets	1,796,620	1,690,599	1,645,194	1,806,377	1,647,845
<b>Total assets</b>	<b>1,852,975</b>	<b>1,709,385</b>	<b>1,702,601</b>	<b>1,870,907</b>	<b>1,709,699</b>
<b>Liabilities</b>					
Total current liabilities	57,498	53,484	55,961	58,161	53,531
Total non-current liabilities	130,579	122,016	136,723	131,220	137,426
<b>Total liabilities</b>	<b>188,077</b>	<b>175,500</b>	<b>192,684</b>	<b>189,381</b>	<b>190,957</b>
<b>Total equity</b>	<b>1,664,898</b>	<b>1,533,885</b>	<b>1,509,917</b>	<b>1,681,526</b>	<b>1,518,742</b>

## Debt Summary

*As at 30 June 2019*

	Council			Group	
	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Public debt - current portion	30,000	29,000	29,000	30,000	29,000
Public debt - term portion	112,000	108,860	123,000	112,000	123,000
<b>Total debt</b>	<b>142,000</b>	<b>137,860</b>	<b>152,000</b>	<b>142,000</b>	<b>152,000</b>

## Summary Cash Flow Statement

*For the year ended 30 June 2019*

	Council			Group	
	Actual 2019 \$'000	Budget 2019 \$'000	Actual 2018 \$'000	Actual 2019 \$'000	Actual 2018 \$'000
Net cash from operating activities	59,327	45,789	52,599	70,602	56,799
Net cash used in investment activities	(49,777)	(58,763)	(35,555)	(60,852)	(37,046)
Net cash used in financing activities	(9,740)	12,974	(9,166)	(9,806)	(9,178)
<b>Net increase / (decrease) in cash and cash equivalents for the year</b>	<b>(190)</b>	<b>-</b>	<b>7,878</b>	<b>(56)</b>	<b>10,575</b>
Cash and cash equivalents at the beginning of the year	29,420	300	21,542	33,772	23,197
<b>Total cash and cash equivalents at the end of the year</b>	<b>29,230</b>	<b>300</b>	<b>29,420</b>	<b>33,716</b>	<b>33,772</b>

## 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 (2018: nil).

# Variance Explanations

Key financial information	Actual 2019 \$'000	Budget 2019 \$'000	Comments
<b>Statement of comprehensive revenue and expense</b>			
Total revenue	173,579	151,696	Total revenue was higher than budget by \$21.9 million: <ul style="list-style-type: none"> <li>development contributions were \$5.8 million higher than budget reflective of the continuing growth in the region.</li> <li>subsidies and grants was \$2.6 million higher than budget.</li> <li>fees and charges revenue was \$1.2 million higher than budget.</li> <li>interest received was \$1.4 million higher than budget due to prefunding future debt repayments.</li> <li>vested asset income was higher than budget by \$7.1 million.</li> <li>an unbudgeted investment property revaluation gain of \$3.3 million.</li> <li>other revenue was \$0.4 million higher than budget.</li> </ul>
Total expenses	148,128	140,672	Total operating expenses were higher than budget by \$7.5 million: <ul style="list-style-type: none"> <li>personnel costs were \$2.4 million lower than budget.</li> <li>depreciation and amortisation was \$1.7 million higher than budget.</li> <li>unbudgeted loss on derivatives of \$5.9 million.</li> <li>unbudgeted losses on disposal of other assets of \$3.7 million.</li> <li>other expenses were \$1.4 million lower than budget.</li> </ul>
Surplus/(deficit)	25,451	11,024	
<b>Statement of financial position</b>			
Total assets	1,852,975	1,709,385	Total assets are higher than budget by \$143.6 million: <ul style="list-style-type: none"> <li>cash and cash equivalents are \$28.9 million above budget due to additional deposits from short term debt not yet required</li> <li>other financial assets are \$9.7 million above budget due to excess cash that has been placed on term deposit</li> </ul> Property, plant and equipment is \$106.0 million above budget: <ul style="list-style-type: none"> <li>Council's opening balance for year one of the 2018-28 LTP was \$25.2 million lower than 2017-18 actual results mainly due to roading and pensioner housing revaluation and higher than budgeted vested assets</li> <li>actual spend was \$8.2 million lower than budget due to assumptions regarding the timing of project completion including carry forwards and brought forwards.</li> <li>Council's 2018-19 actuals were \$88.3 million higher than budget due to vested assets (\$7.1 million higher than budget), infrastructure revaluation (\$87.5 million higher than budget), offset by \$4.4 million of disposals not budgeted and depreciation of \$1.8 million higher than budget.</li> <li>investment properties are \$3.5 million below budget due to unbudgeted sales as well as some properties being reclassified as property, plant and equipment.</li> </ul>
Total liabilities	(188,077)	(175,500)	Total liabilities are higher than budget by \$12.6 million: <ul style="list-style-type: none"> <li>non current derivative financial instruments are \$6.1 million over budget due to unrealised revaluation losses.</li> <li>borrowings are \$4.1 million over budget due to short-term borrowings placed on term deposit.</li> </ul>
Net assets	1,664,898	1,533,885	
<b>Cash flow statement</b>			
Net cash flows from operating activities	59,327	45,789	Net cash flows from operating activities was higher than budget by \$13.5 million: <ul style="list-style-type: none"> <li>other revenue including development contributions were higher than budget by \$6.2 million.</li> <li>fees and charges received were higher than budget by \$2.2 million.</li> <li>subsidies and grants were higher than budget by \$1.5 million due to the timing of completion of projects subject to NZTA subsidies.</li> <li>interest received was higher than budget by \$1.4 million due to prefunding future capital expenditure.</li> <li>payments to suppliers and employees were \$1.9 million lower than budget.</li> </ul>
Net cash flows from investing activities	(49,777)	(58,763)	Net cash flows from investing activities was lower than budget by \$9.0 million: <ul style="list-style-type: none"> <li>purchase and development of fixed assets was lower than budget by \$3.0 million due to deferred capital works.</li> <li>proceeds from sale of fixed assets were higher than budget by \$5.1 million due to the sale of investment properties.</li> </ul>
Net cash flows from financing activities	(9,740)	12,974	Net cash flows from financing activities was lower than budget by \$22.7 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	(190)	-	



# Independent Auditor's Report

## **To the readers of Whangarei District Council's summary of the annual report for the year ended 30 June 2019**

The summary of the annual report was derived from the annual report of Whangarei District Council (the District Council) for the year ended 30 June 2019.

The summary of the annual report comprises the following summary statements on pages 10 to 13:

- the summary statement of financial position as at 30 June 2019;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity, statement of cash flows and summary of commitments and contingent liabilities for the year ended 30 June 2019;
- 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 summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### **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 2019 in our auditor's report dated 3 October 2019.

### **Council's responsibility for the summary of the annual report**

The District 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.

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council.



Athol Graham,  
Audit New Zealand - On behalf of the Auditor-General  
Auckland, New Zealand  
3 October 2019





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