



WHANGAREI  
DISTRICT COUNCIL

# 2016

*Pre-Election*  
REPORT

WHANGAREI: LOVE IT HERE!



# CONTENTS

A Message from the  
Chief Executive . . . . . 4

Regional Collaboration and  
Shared Services. . . . . 6

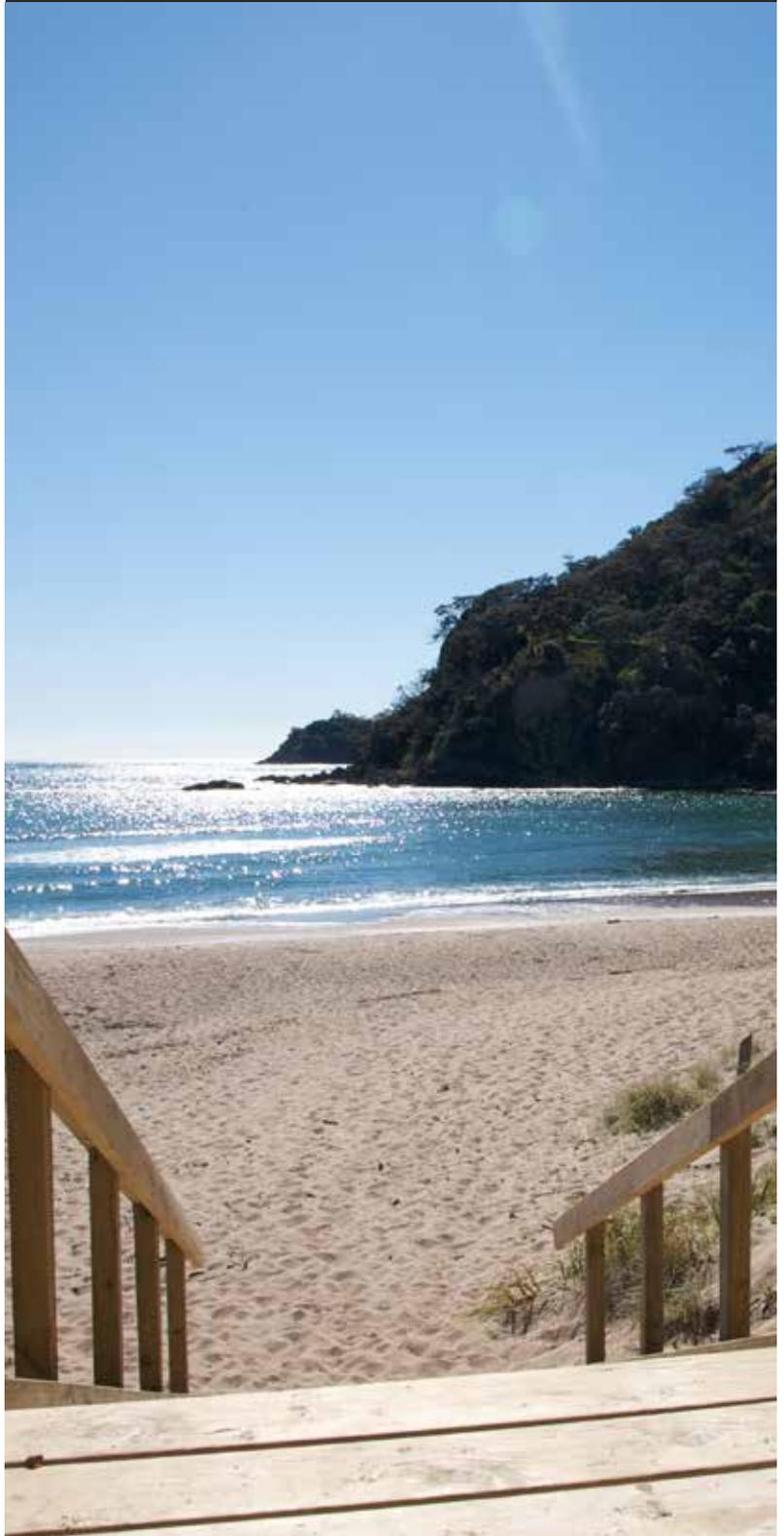
Our Major Achievements in  
the Past Three Years . . . . . 7

The Plan For This Year:  
2016-17 . . . . . 10

Major Projects for  
2017 to 2020. . . . . 11

Our Financial Strategy . . . 13

Past, Present and Future  
Financials . . . . . 17



# 2016 PRE-ELECTION REPORT

Tēnā koe mō tōu aronga mai ki te tirohanga ā mua o tōu takiwā.

Thank you for taking an interest in your District's future.

This Pre-election Report will help you learn more about Council's role in your District and inform you about the issues that Council faces and the services we provide. We hope it assists you to make a well-informed choice in the upcoming local body election on 8 October 2016.

This Report is a legal requirement and is prepared by the Chief Executive of Whangarei District Council. Current elected Council members have not been involved in its drafting, although the Report discusses the plans of previous Councils. The incoming Council may wish to take some activities, projects and policies in a new direction.

The Pre-election Report provides information about the past three years (from 2013-14 through to 2015-16), an overview of the 2016-17 year which begins on 1 July 2016, and Council's planned performance during the term of the next Council (from October 2016).

Several Council reports and plans inform this Report, including the 2012-22 and 2015-25 Long Term Plans (LTPs), the 2016-17 Annual Plan (year two of the 2015-25 LTP), and previous Annual Reports.

## ***Audit of financials***

Council's Long Term Plans and Annual Reports are audited by Audit New Zealand. This Pre-election Report is not audited, although the information used to prepare it has been. It should be noted, however:

- the 2015-16 financial year closes on June 30, after the release of this Report. The Annual Report for 2016-17 is due to be adopted in October. The information contained in this Report is actual data from Council financial systems, although the year end position has been estimated using actual figures from July 2015 – March 2016 and forecasts for April, May and June 2016. The year end and audit processes will not have been completed by the time this Report is released
- figures for the 2016-17 financial year, are based on the draft Annual Plan which is due to be adopted on 28 June. The Annual Plan is based on year two of the audited 2015-25 LTP.

## FURTHER INFORMATION

More information about Council's planned and past performances is on [www.wdc.govt.nz](http://www.wdc.govt.nz), or contact the Call Centre on 0800 WDC INFO (0800 932463). Documents available are:

- the Long Term Plan for 2015-25
- past Annual Reports
- 30/50 Sustainable Futures Growth Strategy

# A MESSAGE FROM THE CHIEF EXECUTIVE

## WHANGAREI IS DOING WELL.

Whangarei is on the up. Two years of economic growth, increasing population and falling unemployment are bringing significant benefits and new challenges for our District.

## RESPONDING TO URBAN GROWTH AND CHANGE

Over the last decade, our population has grown by about 1000 people a year. It is estimated that by 2060 around 135,000 people will live in the District, compared to 84,400 today. This growth rate means a constant challenge for Council to manage the District's infrastructure. Our transportation and roading network, water and wastewater services, parks and recreational facilities must operate and expand at the right rate to match the growth. This requires accurate predictions about future conditions and appropriate planning, then implementing and adjusting those plans as conditions change.

Traffic congestion, road works and parking hassles are some of the growing pains of our District. Everyone finds these frustrating, but they are good problems to have. Elsewhere, populations are falling and businesses declining in the so-called 'Zombie Towns', not so here. Whangarei City is changing into a significant urban centre. Suburbs are expanding and intensifying, and more rural dwellers are travelling in and out of the city every day. Ruakaka, Waipu, Hikurangi and Parua Bay are fast becoming fully-fledged urban centres.

Growth shifts our aspirations and expectations. We all expect excellent infrastructure and services – well-maintained sealed roads, recreational facilities, community services, and everything else Council provides.

## BALANCING EXPECTATIONS WITH INCOME

Top-quality services and systems come at a cost, and balancing ratepayers' expectations with Council's income is a key issue. Whangarei's rates are amongst the lowest in the country because our Council focuses on keeping rates as affordable as possible. Rates and the rating system are relatively blunt instruments and we will probably need to look closely at our rating system over the next couple of years.

We also focus on being smart in the ways we generate additional income, like through Government grants and subsidies. Once we have income streams flowing as well as we can, we then aim to get the best value for every dollar we receive.

Sometimes that means making compromises. While working on some priority areas we might 'make do' in others, continuing to patch some old infrastructure, delaying some projects or taking longer to complete a new project. Just now Council is catching up on some deferred work after a time of minimising expenditure, so our roads, parks and reserves are being brought back to the standards we want.

According to our most recent Residents' Satisfaction Survey, our ratepayers' top priorities are for Council 'to make Whangarei welcoming and nice' and to catch up on infrastructure like sealing roads and improving stormwater management, and there is good support for the things we do to make those happen.

In short, we make similar decisions for the District to those we all make for our households. We cannot afford everything we want so we have to make choices:

- we can increase rates or debt to pay for things the community wants
- we can do urgent jobs now and wait until we have the money to finish the job (the Riverside Drive roundabout is a good example – we could not afford the planned slip lane when it opened, so completed the job this year)
- we can have a lower level of service (such as more unsealed roads)
- we can go without until we can afford it.

The hard choices Council makes do pay off. Not only do we achieve the objectives our community sets, we also manage our funds in a professional way. Evidence of this is our strong balance sheet and AA credit rating from SaP Global Ratings. This is the highest credit rating we can receive as we can't exceed the NZ Government's rating.

## LONG-TERM FOCUS

The District Council is a long term business. We expect roads, water plants and sportsfields to last for many years. That means we need to keep them in good order, fix any problems, and pay the maintenance bills for generations. It also means we keep our long-term planning horizons to the fore and do not 'chop and

change' priorities. A stable and predictable Council programme allows suppliers, developers and community groups to plan with some certainty.

#### **STORMWATER**

Since about 2009, Council has invested in new wastewater (sewage) systems across the District. The benefits are clear, and there have been far fewer sewage spills into the harbour. Such investment has been possible, in part, because we have not spent much on the stormwater system over the same period. The two systems are closely connected and play critical roles in the health of our environment. Soon Council will need to address the significant matter of the back-log of work on the stormwater system.

#### **TRANSPORT**

Rally of Argentina winner, Hayden Paddon, described our gravel roads as among the best in the world. Not all our ratepayers would agree. With the 2015-25 Long Term Plan, Council commenced a programme of reinvestment in the roading network after a period of austerity.

Council has strong credibility and excellent working relationships with the New Zealand Transport Agency, and with contracting firms across New Zealand. With external funding, numerous major projects have been completed in the past decade, aimed at improving the increasing daily flow of people in and out of the District. Recently, we embarked on a shared services programme with Northland's other councils to improve coordination of spending, elevate and standardise quality, and get better value for ratepayers through efficiencies and buying power.

#### **TANGATA WHENUA, MANA WHENUA, IWI, HAPU, THE TREATY AND OUR DISTRICT**

Council and hapu of this rohe have been on a long and shared journey to work in partnership with each other, for the mutual benefit of all people of the District. Approaches taken have included working with Te Huinga, a mandated group of hapu representatives, signing up to a partnership agreement, and developing Te Kārearea, our strategic partnership forum. It is vital these relationships continue to develop in order to provide a solid foundation for partnership in the years ahead. Māori are the second largest ethnic group in Northland and, as Treaty Settlements proceed, will become an even stronger economic, social and cultural powerhouse for the District.

#### **COUNCIL PREMISES**

The project to bring all Council administration together in one location to create operational efficiencies will progress over the next few years, and public feedback will be sought closer to the time. Current options include rebuilding Forum North or leasing space in a private development.

#### **DEVELOPING THE FOUNDATION; PAINTING THE CANVAS**

I come back to where I started. Whangarei is a great place and it is on the up. We have a magnificent environment, strong communities and good infrastructure.

Council plays important roles: providing sound infrastructure and helping create an attractive environment for our community.

But it is the community itself that makes Whangarei an attractive place to live, work, play and invest. Now is a good time for local businesses and developers to step into the scene and to build on the foundations we have developed and the services we provide. Council's job is to draw the outline; it is up to our varied and vibrant community to colour the canvas.



**ROB FORLONG**

A stylized, handwritten signature in white ink, consisting of several loops and a long horizontal stroke at the end.

# REGIONAL COLLABORATION AND SHARED SERVICES

In June last year the Local Government Commission announced it had decided not to proceed with its draft proposal for a single unitary authority in Northland.

Following on from this, the four councils of Northland, the Northland Mayoral Forum and the Northland Local Government Chief Executive Forum began developing a programme of work to investigate opportunities for collaboration and shared services where there is a proven benefit to each district. The programme is managed by a structure calling on staff time and resources from across the four councils. Staff and resources from the four councils manage the programme.

The four councils have adopted a shared vision and objectives, as documented in "Northland | Forward Together; Tai Tokerau | Kokiri Ngatahi", with a joint commitment to work together to "lift the overall well-being of our people and our place".

The councils of Northland wish to apply their leadership, resources and advocacy to:

1. provide where it is our role, and advocate for when it is the role of others, a foundation of fit-for-purpose infrastructure
2. protect, sustain and support a high quality natural environment – our natural paradise
3. use our roles in leadership, provision of infrastructure and regulation, and advocate for others to join in to grow our economy in sustainable ways
4. use our roles in leadership, regulation and advocacy to build a resilient and strong social and cultural environment where people and their families thrive.

The current priorities for the programme are:

- successful establishment of the recently announced Northland Transportation Hub
- increasing digital engagement, especially across remote and rural areas of Northland
- shared back-of-house services where benefits are proven, including joint procurement where practical
- improved baseline knowledge of the state of, and issues related to, our Four Waters infrastructure and ICT infrastructure.

We are working with central government agencies, the NZ Transport Agency, the Local Government Commission, and iwi leaders and their chief executives to achieve our targets.

## KEY DISTRICT STATISTICS

Current GDP (year to December 2015)

*\$3.6 billion*

Annual GDP growth (year to December 2015)

*4.2%*

Land area

*270,000 hectares*

Population

*84,400 (estimated)*

Number of rateable properties

*39,870*

Land value of property in the District

*\$10.1 billion*

Capital value of property in the District

*\$18.5 billion*

Average residential rate

*\$1,717 (with sewerage)*

Average rural rate

*\$3,269*

Average commercial rate

*\$9,116*

Number of reserves and sports parks

*738*

Sealed roads

*1070 kilometres*

Unsealed roads

*705 kilometres*

Water distribution system

*737 kilometres*

Sewerage reticulation

*585 kilometres*

# OUR MAJOR ACHIEVEMENTS IN THE PAST THREE YEARS

The last three years have been busy. Several initiatives and projects are completed and operational, enabling us to achieve our community outcomes.

## *Easy and safe to move around*

- Te Matau ā Pohe (the Lower Hatea River Crossing) was completed and has had almost three years of use. It has won several awards for its design and construction.
- The new bridge on Rust Ave was completed in a joint effort by Council, NZTA and the Northland Regional Council in 2014.
- The Hatea Loop (Huarahi o te Whai), including the new walk/cycle bridge, Kotuitui Whitinga, was officially opened in September 2014. It is very popular with pedestrians, runners and cyclists, alike. External agencies and community groups have also enhanced the Loop experience by introducing fitness stations.
- The laneway project in the CBD was completed at the end of 2015, extending the Cameron St Mall while still enabling vehicle movements.
- The first stage of the new intersection at Kamo Rd and Kensington Ave, and Mill Rd and Nixon St was completed.
- The Beach Rd, Onerahi walking and cycling track and the Bernard St walkway in Maunu were completed, and we continued to work towards the goals for the Walking and Cycling Strategy.

## *A growing, resilient economy*

- The Endless Summer Festival continues to grow and provides entertainment and activities for our residents and visitors to our District.
- The Fritter Festival keeps growing in popularity. Over 5300 people attended in 2016 – up from 3600 at the first Festival in 2013 – and delivered over \$1 million of direct economic benefit to our District.
- Whangarei hosted the 2015 FIFA U-20 World Cup tournament and used the opportunity to make significant improvements to many sporting facilities, including new sportsfields at Springs Flat. The quality of our facilities has enabled us to win our bid to host the British and Irish Lions Tour in 2017.
- Whangarei once again hosted the International Rally of Whangarei which formed part of the inaugural Whangarei Festival of Motorsport.
- Improvements are being carried out at Whangarei Airport including expanding the terminus.
- An Investment Attraction service was established to support stronger direct investment into business.

## OUR COMMUNITY OUTCOMES

Council's role is very broad. Our responsibilities range from core infrastructure like building roads and treating water and sewage, to regulating how and where you can build or develop land and where you can buy alcohol and food. We also provide parks and playgrounds, sportsfields, libraries, visitor information centres and events.

Everything we do contributes to the outcomes we want to achieve for the community. These are:

### 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 for work, to visit and invest.

### 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.

### 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.

### WELL MANAGED GROWTH

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.

## ***Clean, healthy and valued environment***

- In the past three years new toilets have been constructed at Tikipunga, Kamo, Kensington and Te Matau ā Pohe, Onerahi (Sherwood Park), Pohe Island and the Mangakahia sports complex.
- In 2015, Council decided to build a new water treatment plant at Whau Valley rather than upgrade the existing one. Staff are working through preliminary activities such as consenting and initial design.
- Work has been completed on the Hikurangi Swamp stopbanks.
- The Denby sewer has been relined.
- The Waro rising main and pump station have been replaced.
- The transfer station at Hikurangi has been upgraded.
- The Maunu sewer has been extended.
- Once again we have achieved A-grade drinking water quality across all seven water treatment facilities.

## ***Vibrant and healthy communities***

- A focus on community safety has yielded positive results through City Safe, Summer Safe, the CCTV network and an increased anti-graffiti response. Our Parihaka Scenic Reserve won the internationally-significant 'Green Flag' award for the fourth consecutive year.
- The lookout on Parihaka was rebuilt, improving the facility for visitors. The site acknowledges Parihaka's history, restoring its correct name and its importance to the hapu of Whangarei.
- The Whangarei Falls/Otuhau carpark was extended to provide increased parking.
- We joined the communities of Parua Bay, Hikurangi and Otangarei on the 'Village Planning' programme to understand how Council and the community can work on together to improve the connections and sense of place in the areas.
- A rolling renewal programme for our pensioner housing units has been underway for the last couple of years, focusing on rooves.
- More people are visiting the District's libraries, and satisfaction with library resources continues to rise.
- The final touches were put on the new soccer and rugby fields at Springs Flat and Pohe Island.
- We have developed a Provisional Local Alcohol Policy following extensive consultation with the public. This is due to be finalised early-mid 2017.

## ***Well-managed growth***

- The Te Kārearea Strategic Partnership Agreement continues to strengthen the relationship between Council and Māori.
- International credit rating agency SaP Global Ratings have recently upgraded our rating to AA stable, supporting our approach to financial management.
- Council's investment in the Puwera Landfill is now paying off as the joint venture has become profitable.
- Council's visitor information centres and attendance at attractions such as Claphams Clocks and the Whangarei Art Museum have showed good growth both in visitor numbers and sales for the past few years.
- The on-going review of our District Plan ensures our rules and regulations around land use meet the needs of our community and allow for development in the right places.

## *The economic climate 2016*

Over the past three years the growth of the Whangarei economy has kept abreast of the overall national economy, and increasingly has exceeded it in most measured sectors. This is an encouraging result, but the District's labour market still needs improvement. This impacts on unemployment levels, plus activity in the building and general retail/commercial sectors.

Council alone cannot drive changes in these areas, but we have a critical role in providing the environment for other service providers to do their bit. We are focusing on a number of initiatives and operational approaches to enable positive change. These include:

- attracting skilled workers and new businesses to the District
- embarking on projects to develop significant assets and therefore stimulate economic activity
- working collaboratively with the regional economic development agency, Northland Inc, to achieve desired outcomes in line with the Te Tai Tokerau Northland Economic Action Plan
- forging strong partnerships and relationships with other parties such as other councils, UNISA (Upper North Island Strategic Alliance), central government, iwi/hapu and industry sectors such as tourism, agriculture and the industrial and retail sectors
- encouraging significant investment in the District
- maintaining an enabling business environment – a 'can-do' mind-set across our organisation to assist development within the District.

We have seen steady improvements over the past couple of years, but our actions and activities must continue to improve the well-being of the District and its people well into the future.

## CHANGES SINCE 2013

Of the future projects listed in the 2013 pre-election report, the following have not been done due to changes in direction or because funds were deferred:

### HUNDERTWASSER WAIRAU MĀORI ART CENTRE

In 2014 the current Council voted not to proceed with the Council-funded Hundertwasser Arts Centre project. Council then called for proposals from the public on the possible future use of the Old Harbour Board Building. Two of the proposals, and the option of demolition of the building, were put to the public in a binding referendum. The community chose the Hundertwasser Wairau Māori Arts Centre (HWMAC) project put forward by the Prosper Northland Trust. The building will continue to be owned by Council and the HWMAC will be operated by the Whangarei Art Museum Trust. Council will put \$2.9 million towards the development of the building, with the remaining funds raised by the Prosper Northland Trust by June 2017.

### TOWN BASIN CARPARK TO PARK CONVERSION

A new green space on the river's edge will provide a hub for activities, social interaction and events, and provide a stepping stone between the CBD and the Town Basin. The transformation from car park to park will create a regionally significant park to meet the needs of a growing city centre and busy waterfront. The design of this space will include opportunities for an events' space, youth and play facilities, connection to the Hatea River and water features and will integrate with the Canopy Bridge, Hatea Loop and other community facilities. This project was due to start in 2015 but was put on hold awaiting funding. It will commence in 2017.

# THE PLAN FOR THIS YEAR: 2016-17

Our plans continue to focus on consolidation – spending time and money on vital improvements to our infrastructure and services.

## ***Transportation***

We will continue with a business-as-usual roading programme focused on renewals. The Nixon St, Mill Rd and Kamo Rd intersection upgrade will be completed and work will continue on road rehabilitation across the District. We will invest in footpaths to address current safety concerns.

Further investment in our cycleways is underway, and much of the Onerahi, Raumanga and Kamo routes are due to be completed in the 2016-17 financial year.

## ***Water***

Council is working on the development of a new \$18.3 million water treatment plant on Whau Valley Rd, with construction due to start during the 2016-2107 financial year. Council has recently applied for the site to be designated for the water treatment plant and further work is being undertaken on the building design.

## ***Wastewater***

The Hikurangi sewer network upgrade will now span two years owing to the size of the project and the need to make the best use of the existing pipes and pumps. The project will rehabilitate the 60-year-old sewer network and reduce the amount of stormwater flowing into the sewers when it rains.

The major project is to build a wastewater storage and treatment tank in Tarewa Park. This is the last big project of Council's wastewater overflow management strategy.

## ***Solid Waste***

Work will be undertaken to manage the gas from the old landfill on Pohe Island to meet safety and environmental protection standards.

## ***Parks and Recreation***

The adoption of the Pohe Island Management Plan enables various recreation opportunities to be developed over the next four years. We will start creating a car park at the eastern entrance near the intersection of Riverside and Dave Culham Drives. This will be the hub for walking and cycling activities on Pohe Island, with connections to the new Onerahi Cycleway, Bike Northland facilities and the Hatea Loop. More connecting paths will link existing paths and allow access across Pohe Island. Work will also begin on the 'Emerald Necklace' – the waterways' beautification project .

## ***New Airport***

Our investigation of the potential development of a new airport is in its second year. The current location at Onerahi is expected to have inadequate runway length for commercial airline fleets within the next decade. We have two further years to investigate fully, find a suitable site and progress consenting.

## ***Council premises***

The project to bring all Council administration together in one location to create operational efficiencies will progress in 2016-17 and will span several years. Council is investigating options such as rebuilding Forum North or leasing space in a private development and will release further details during the year.

# MAJOR PROJECTS FOR 2017 TO 2020

## *Roading*

No new major roading projects are planned for 2017-20. Instead, the focus will be on managing safety improvements, pavement rehabilitation, resealing of existing sealed roads and maintenance of our unsealed roads.

Work started during 2015 on the Onerahi, Raumanga and Kamo cycle routes, due for completion over the next few years.

## *LED street lights*

Council plans to replace all street lights with LED (Light Emitting Diode) lamps. LED lights are capable of providing the same light output for about half the power demand, and last around four times as long. The power costs for Council's streetlights is about \$500,000 per year, so the savings would be significant.

## *Water*

Work will continue on the Whau Valley Treatment Plant which is due to start in 2016 and will be completed in 2018.

The Whau Valley dam embankment has an inclined chimney drain that provides seepage control and drainage from within the body of the dam. When the dam was built, designs did not require the drain to reach the top of the upper water level; current design standards now require this, so work is planned to rectify this in March 2018.

The reticulation network distributes drinking water to approximately 25,000 metered customers via over 730 kilometres of trunk mains, distribution mains and rider mains. We will renew pipeline assets at the end of their useful life.

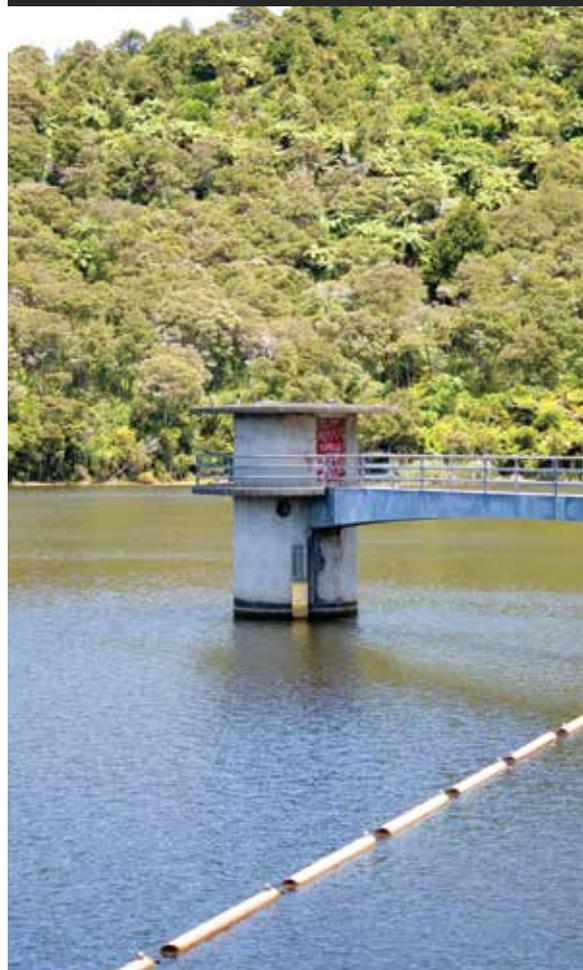
During 2017-20, several trunk main renewals and upgrades will be completed. The largest of these is the Ruddells raw waterline upgrade (\$1,052 million).

## *Wastewater*

Over the past 10 years, Council has spent over \$60 million on our wastewater system. We have addressed the major causes of uncontrolled wastewater spills to the harbour and, in recent years, focussed on smaller but equally important projects to improve service levels and incorporate growth-related works and renewals.

Work to be undertaken includes upgrading the sewer network at Hikurangi and the Whangarei Heads sewerage system.

Odour is an unfortunate by-product of collecting, conveying and treating wastewater. Treatment systems are typically located where the effects of odour are minimal, but this



environment can change over time. As more properties develop on Kioreroa Rd and traffic increases, tolerance for odour from the treatment plant is likely to reduce. Planned capital projects will allow for onsite odour control.

The long-term forecast is for the population in Ruakaka to grow, producing more wastewater. Council's long-term strategy is to provide for the re-use of treated effluent by installing further treatment processes that produce high quality treated wastewater as an end product. Discussions are currently underway with Refining NZ to use treated wastewater from Ruakaka.

### ***Town Basin Carpark to park conversion***

Originally planned for 2015 this will now go ahead in 2017-18. This project will see the area between Dent St, Riverside Drive, the Hatea River and the proposed Hundertwasser Wairau Art Centre transformed into a high quality urban space to link the CBD to the waterfront, and complete the Town Basin development up to Riverside Drive.

### ***Hatea Activity Loop***

The ever popular Hatea Loop has become a focal point for the community and visitors alike. Further work will extend the range of experiences and activities: intergenerational exercise areas, fitness trails, river piers, an expanded skatepark, additional walkways, sculptures, interpretative signage, meeting zones, parking and other recreational opportunities.

### ***Emerald Necklace***

The Emerald Necklace project refers to walk/cycle ways along the various waterways within the city. It is an opportunity to connect people to our waterways and create a stronger appreciation of these environments. Long term it is hoped this will reduce the amount of rubbish being deposited and offer people alternate travel paths.

### ***Hundertwasser Wairau Māori Arts Centre (HWMAC)***

Following the referendum in 2015, \$2.9 million of Council funding has been allocated to the Prosper Northland Trust for the development of the Hundertwasser Wairau Māori Arts Centre (HWMAC). The Old Harbour Board building will continue to be owned by Council and the HWMAC will be operated by the Whangarei Art Museum Trust.



A vision of the future - Water Street Carpark will form part of the Emerald Necklace project – a recreational pathway doubling as flood protection

# OUR FINANCIAL STRATEGY

Our 2015-25 Long Term Plan (LTP) sets out our Financial Strategy. This strategy outlines what Council believes to be appropriate levels of borrowing, rates and expenditure while also considering affordability and making sure we raise enough revenue to invest in our District.

Before we decide what we want to focus on, the projects we want to deliver, and the choices necessary to balance the needs of the community, we first evaluate and consider a complex set of financial factors. These include what sort of revenue we can raise, including user pays, rates, loans and government subsidies, and where best to spend that revenue.

We aim to do this in a way that ensures that:

- people pay a fair share of the costs through rates
- what we do matches what we can afford
- we are creating a sustainable financial platform for future generations.

The Financial Strategy recognises this District faces financial challenges now and in the future:

- our transportation and roading network, water and waste services, and parks and recreation facilities need to carry enough capacity to provide for expected growth over the next 40 years
- affordability and sustainability continue to be issues. The challenge is responding to the community's desire to keep debt and rates low while accommodating the increasing costs of delivering infrastructure and services and meeting our community's aspirations and expectations
- the Financial Strategy introduced a step change in rates in the 2015-16 financial year and commits to limiting increases to rates and most fees to the Local Government Cost Index (LGCI), plus 2%, plus growth for the remaining years of the plan
- Council is a long-term business with a responsibility to consider the interests of the community now and into the future. As far as possible we try to ensure today's ratepayers only pay for the services they are likely to consume, and not for the benefits that will be received by new ratepayers in the future. This concept of achieving fairness between ratepayers over time is called inter-generational equity, and one of the ways we achieve this equity is through the use of debt
- our District is susceptible to unexpected weather events that can have a big impact on our infrastructure, so we need to find the funding for unplanned works. These types of events are impossible to plan for, and when they do happen, the remedial works are funded out of existing budgets, often resulting in the deferral of other projects.

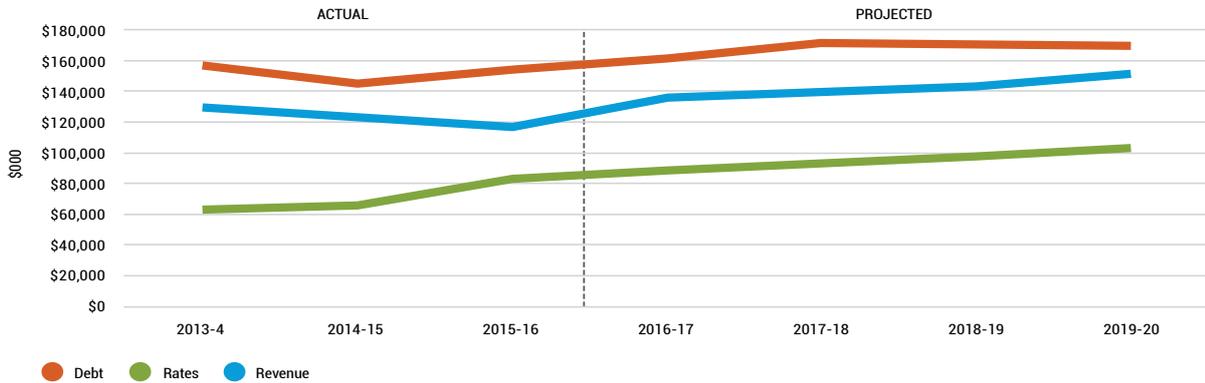
## THIS FINANCIAL STRATEGY AIMS

### TO:

- achieve a balanced budget in every year, where revenue exceeds expenditure (including depreciation)
- introduce a step change in most rates in 2015, with increases of 2% above inflation thereafter
- limit overall rates revenue (excluding water) to a maximum of 70% of total revenue
- have net debt no higher than 150% of total revenue
- have net debt peaking at \$171 million and then reducing to \$146 million by 2025
- maintaining interest costs at less than 25% of rates revenue (10.5% as at 30/6/14)
- have a net debt per capita level below \$2,150 (\$1,975 at 30/6/14)
- provide sufficient cash surpluses to fund the planned capital expenditure programme without reliance on asset sales.

# FUNDING OUR ACTIVITIES

General rates, debt and user charges are the major sources of funding available for projects and carrying out day-to-day operations.



Note that for all graphs and tables in this section, data for 2016-17 onwards is projected, data for 2015-16 is estimated.

## Rates

### CHANGES TO RATES

In the LTP we signalled overall general rates increases of 2% beyond inflation (as well as the normal growth in the number of ratepayers as our District grows), and we intend to go ahead with this. Inflation has dropped from 2.45% to 1.9%, so the increase will not be as much as anticipated.

### Impact of property revaluations

The three-yearly revaluation of all properties, completed in September 2015, led to individual movements of more or less than 3.9%. The new land values (as advised by Quotable Value as at 12 September 2015) will be used to set general rates for the next three years. The amount of an individual's rates rise is influenced by how much their property has changed in value compared to the average value movement. For example, a property's value that has increased by less than the average for its sector would have a smaller increase than others, while one that has increased by more than the average would have a greater increase.

We look at value movement within each sector separately, with the overall share of general rates for each sector remaining at:

- Residential 62%
- Rural 9.5%
- Commercial 28.5%

### Review of rating policies

Following the LTP deliberations in 2015 we indicated we would review some rating policies, particularly in relation to the commercial sector. After examining the issues it was decided no alteration would be made at this time, as changes requested to address specific issues for a relatively small number would have adverse impacts across the entire rating base. We will ensure the current policies are applied appropriately, particularly in relation to the assessment of multi-unit charges.

## Fees and Charges

Our fees and charges are reviewed on an annual basis. The majority of 2016-17 fees and charges have increased by the LGCI inflation rate (1.9%) from the 2015-16 year. A new fees schedule for food premises was introduced as the result of the Food Act 2014 coming fully into force on 1 March 2016. A new fee structure has also been introduced for premises registered under the Food Hygiene Regulations 1974. The setting of liquor licensing fees was undertaken separately under the Alcohol Fees Bylaw 2016.

## So what is LGCI?

Most people are familiar with the Consumer Price Index (CPI), the method used for calculating how the buying power of the average consumer's dollar has changed over time. CPI is based on common consumer items such as food and housing.

The inflation index used by most local authorities is the LGCI – Local Government Cost Index. Similar to the CPI, it measures the buying power of Council, e.g. oil prices, construction costs.

The Government forecasts inflation figures every year and provides actual figures as they become available. At the time the financial strategy was adopted, LGCI was forecast to increase at approximately 2.45% per annum. The latest forecast has reduced to 1.9%, which is the figure Council applies to general rate and fee increases for the 2016-17 year.

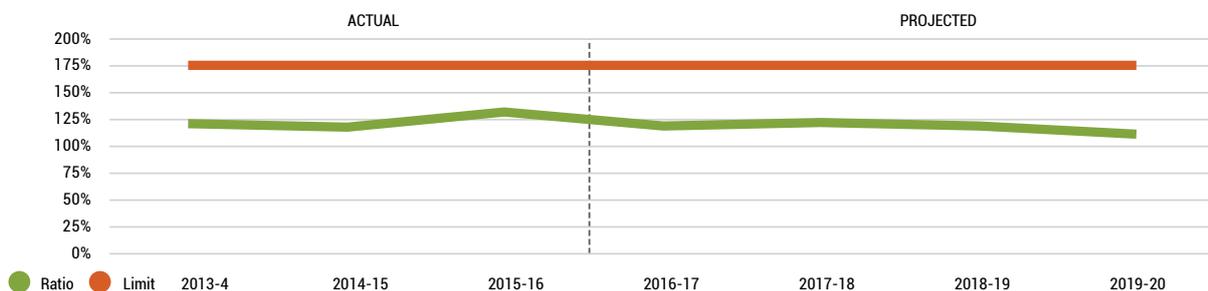
## Debt

We borrow money to pay for large items of expenditure that last for many years, such as the planned new wastewater treatment and storage plant at Tarewa Park. If these assets were paid for solely from rates for that year, today's ratepayers would be paying the entire cost of assets that our future ratepayers would use in the years ahead. Using debt to fund major assets allows us to share the assets cost between all users. In other words, all the people using an asset pay for it over its lifetime. Spreading of costs over multiple years is known as 'inter-generational equity' and is standard practice throughout the local government sector.

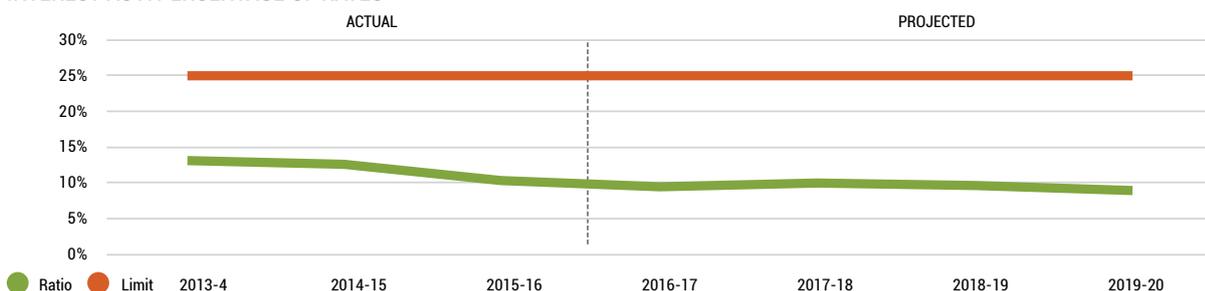
The financial strategy within the 2015-25 LTP sees net debt peak at \$171 million before reducing to \$146 million by 2025.

At the time of preparing this report, current performance against budgeted debt limits is favourable, with closing net debt at the end of April 2016 of \$136.7 million compared to a budget of \$158.0 million. The forecast net debt position for the end of the 2015-16 financial year is \$144.2 million compared to a budget of \$159.0 million.

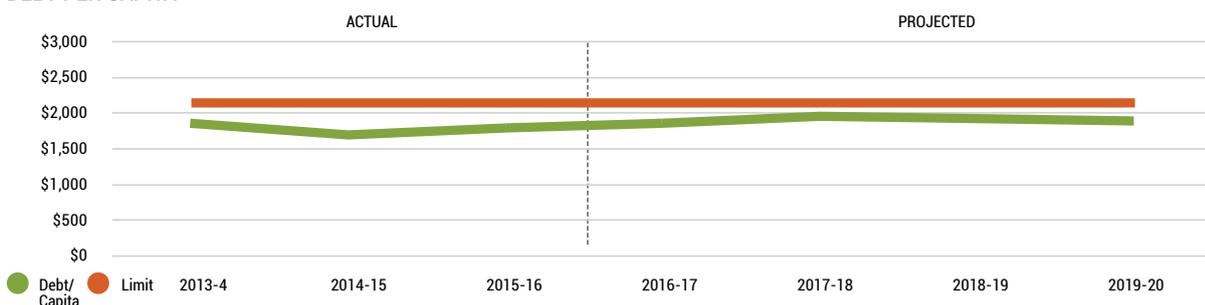
DEBT AS A PERCENTAGE OF TOTAL REVENUE



INTEREST AS A PERCENTAGE OF RATES



DEBT PER CAPITA



## Other Funding Sources

### DEVELOPMENT CONTRIBUTIONS

Council's practice is to fund most of the growth component of capital expenditure through Development Contributions, with the remainder funded through rates. Year to year, the level of Development Contributions can fluctuate, so Council has taken a conservative approach to forecasting revenues in this area.

### SUBSIDIES

Subsidies from Central Government via the New Zealand Transport Agency (NZTA) provide a significant source of funding for our transportation activities.

The New Zealand Transport Agency assists us in funding some of our roading projects, with these subsidies accounting for approximately 10-15% of our revenues. The funds must be spent on transportation projects and not all roading activities are eligible.

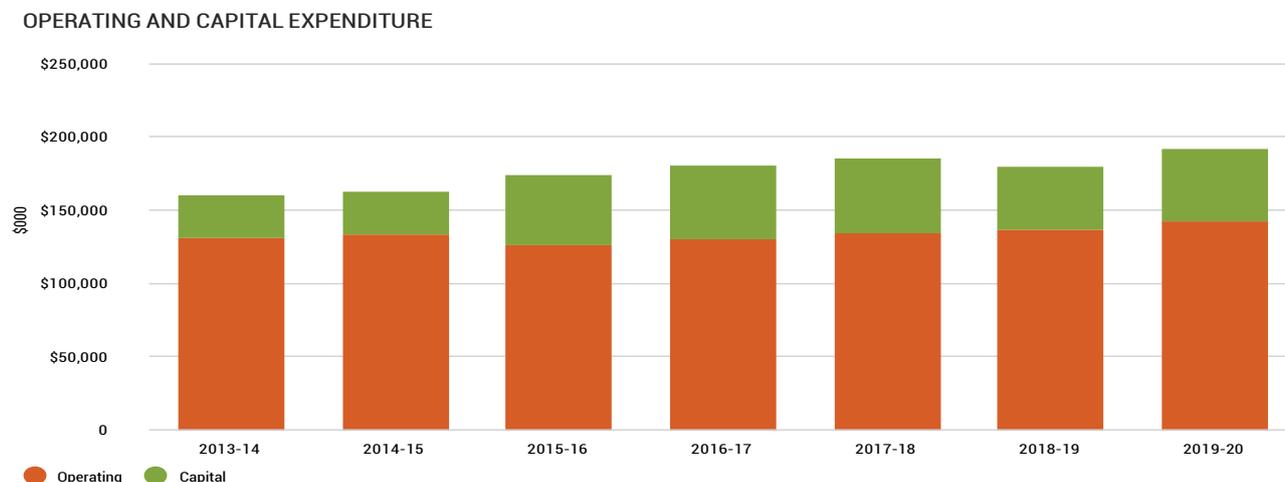
## EXPENDITURE

Council's expenditure is classified as either Operating (funding day-to-day operations) or Capital (acquiring, renewing and increasing the capacity of assets).

Council's approach to forecasting operational expenditure is a balancing act. Local government costs are rising faster than general consumer goods, and as a result, Council must rise to the challenge of meeting levels of service while at the same time looking for efficiencies in order to contain expenditure. We must allow for effects of population growth and operating costs associated with new assets in preparing our budgets.

Reviewing our supply chain so we can purchase at best prices is one of the best opportunities for limiting costs. Continuous improvement of our processes should mean lower costs and the best use of available funds (or, doing more with less). Council constantly reviews its operating costs with regular reviews of items such as bank charges, interest rates and preferred supplier arrangements.

The graph below shows that total expenditure has increased slightly in the past few years.



# PAST, PRESENT AND FUTURE FINANCIALS

This section provides an overview of the basis for preparation of the financial statements for 2013-14 to 2019-20:

- Council's audited financial position and performance taken from our Annual Reports from 2013-15
- information for 2015-16 has been estimated as this report was prepared prior to the end of the 2015-16 financial year. It uses information provided in the March 2016 monthly financial report, supplemented with full year forecasts and the most accurate information available at the time of this report
- years 2016-17 are based on the consultation document for the 2016-17 Annual Plan, this information has not yet been finalised and is unaudited
- the forecast financial position and performance for the next three years (2017-18, 2018-19 and 2019-20) has been extracted from the 2015-25 Long Term Plan and has been audited.

## Summary Funding Impact Statement

	Annual Report 2013-14 \$000	Annual Report 2014-15 \$000	Estimated Actuals 2015-16 \$000	Annual Plan 2016-17 \$000	LTP Year 3 2017-18 \$000	LTP Year 4 2018-19 \$000	LTP Year 5 2019-20 \$000
<b>Sources of Operating Funding</b>							
General rates, uniform annual general charges, rates penalties	41,986	43,100	47,700	50,815	53,753	57,118	60,469
Targeted rates*	21,222	22,356	36,165	37,259	38,978	40,704	42,569
Subsidies and grants for operating purposes	5,833	8,502	6,691	6,575	6,763	7,042	7,113
Fees and charges*	30,981	29,801	18,842	20,122	20,072	20,512	20,999
Interest and dividends from investments	217	671	1,080	855	308	305	303
Local authorities fuel tax, fines, infringement fees and other receipts	3,109	4,606	4,112	3,292	3,678	3,423	3,454
<b>Total Operating Funding</b>	<b>103,348</b>	<b>109,036</b>	<b>114,590</b>	<b>118,918</b>	<b>123,552</b>	<b>129,104</b>	<b>134,907</b>
<b>Applications of Operating Funding</b>							
Payments to staff and suppliers	72,674	77,418	81,259	83,036	83,230	84,080	86,366
Finance Costs	8,333	8,291	8,564	8,311	9,185	9,326	9,251
Other operating funding applications	-	-	-	-	-	-	-
<b>Total Applications of Operating Funding</b>	<b>81,007</b>	<b>85,709</b>	<b>89,823</b>	<b>91,347</b>	<b>92,415</b>	<b>93,406</b>	<b>95,617</b>
<b>Surplus / (Deficit) of Operating Funding</b>	<b>22,341</b>	<b>23,327</b>	<b>24,767</b>	<b>27,571</b>	<b>31,137</b>	<b>35,698</b>	<b>39,290</b>
<b>Sources of Capital Funding</b>							
Subsidies and grants for capital expenditure	6,075	7,167	11,068	11,106	11,354	9,400	11,448
Development and financial contributions	3,087	2,514	4,087	3,000	2,159	2,178	2,199
Increase / (decrease) in debt	764	(2,223)	9,710	8,054	9,047	(1,164)	(1,156)
Gross proceeds from sale of assets	6,718	2,625	-	-	-	-	-
Other dedicated capital funding	-	-	-	-	-	-	-
Lump sum contributions	-	-	96	49	-	-	-
<b>Total Sources of Capital Funding</b>	<b>16,644</b>	<b>10,083</b>	<b>24,961</b>	<b>22,209</b>	<b>22,560</b>	<b>10,414</b>	<b>12,491</b>
<b>Applications of Capital Funding</b>							
Capital expenditure							
to meet additional demand	3,719	11,317	8,561	4,250	2,572	2,740	6,380
to improve levels of service	14,500	5,231	14,371	11,296	11,710	10,045	16,372
to replace existing assets	11,010	14,930	22,399	35,034	38,615	32,116	28,809
Increase / (decrease) in reserves	10,056	1,932	4,397	(800)	800	1,211	220
Increase / (decrease) of investments	(300)	-	-	-	-	-	-
<b>Total Applications of Capital Funding</b>	<b>38,985</b>	<b>33,410</b>	<b>49,728</b>	<b>49,780</b>	<b>53,697</b>	<b>46,112</b>	<b>51,781</b>
<b>Surplus / (Deficit) of Capital Funding</b>	<b>(22,341)</b>	<b>(23,327)</b>	<b>(24,767)</b>	<b>(27,571)</b>	<b>(31,137)</b>	<b>(35,698)</b>	<b>(39,290)</b>
<b>Funding Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

\* In the 2013-14 and 2014-15 financial statements, metered water revenue was included in Fees and Charges. Due to a change in reporting standards, from the 2015-16 year onwards, metered water revenue is included in Rates. Metered water revenue 2014-15: \$12,354,475 (2013-14: \$12,039,646).

## Statement of Financial Position

	Annual Report 2013-14 \$000	Annual Report 2014-15 \$000	Estimated Actuals 2015-16 \$000	Annual Plan 2016-17 \$000	LTP Year 3 2017-18 \$000	LTP Year 4 2018-19 \$000	LTP Year 5 2019-20 \$000
<b>ASSETS</b>							
<b>Current Assets</b>							
Cash and Cash Equivalents	1,625	2,352	9,803	392	580	780	1,699
Debtors and Other Receivables	12,756	15,193	15,022	17,378	15,028	15,425	16,287
Prepayments	296	455	236	473	314	320	327
Inventories	187	176	176	183	198	202	206
Other Financial Assets	10,313	586	266	1,136	313	313	313
<b>Total Current Assets</b>	<b>25,177</b>	<b>18,762</b>	<b>25,503</b>	<b>19,562</b>	<b>16,433</b>	<b>17,040</b>	<b>18,832</b>
<b>Non-Current Assets</b>							
Investment Properties	57,214	54,970	50,670	54,970	56,267	56,267	56,267
Biological Assets	970	800	800	800	1,099	1,099	1,099
Property Plant and Equipment	1,595,251	1,572,869	1,585,632	1,631,719	1,681,486	1,686,059	1,794,763
Intangible Assets	1,061	998	2,127	6,341	3,967	3,647	3,273
Other Financial Assets							
Investment in CCO's and Other Similar Entities	7,797	7,797	8,007	8,007	7,797	7,797	7,797
Investment in Other Entities	4,004	4,011	4,114	4,011	4,004	4,004	4,004
Derivative Financial Assets	441	-	-	-	441	441	441
<b>Total Non-Current Assets</b>	<b>1,666,738</b>	<b>1,641,445</b>	<b>1,651,350</b>	<b>1,705,848</b>	<b>1,755,061</b>	<b>1,759,314</b>	<b>1,867,644</b>
<b>TOTAL ASSETS</b>	<b>1,691,915</b>	<b>1,660,207</b>	<b>1,676,853</b>	<b>1,725,410</b>	<b>1,771,494</b>	<b>1,776,354</b>	<b>1,886,476</b>
<b>LIABILITIES</b>							
<b>Current Liabilities</b>							
Creditors and Other Payables	13,679	15,982	17,086	18,356	19,382	18,688	20,167
Provisions	2,395	2,144	2,181	2,231	2,296	2,342	2,389
Current Borrowings	43,054	25,052	25,000	20,000	10,000	20,000	23,000
Derivative Financial Liabilities	41	28	28	28	41	41	41
<b>Total Current Liabilities</b>	<b>59,169</b>	<b>43,206</b>	<b>44,295</b>	<b>40,615</b>	<b>31,719</b>	<b>41,071</b>	<b>45,597</b>
<b>Non-Current Liabilities</b>							
Non-Current Trade and Other Payables	376	665	618	664	376	376	376
Non-Current Provisions	2,128	1,003	976	1,044	2,258	2,303	2,349
Non-Current Borrowings	113,671	119,450	129,211	141,319	161,120	149,955	145,799
Derivative Financial Liabilities	3,054	9,601	9,601	9,601	3,054	3,054	3,054
<b>Total Non-Current Liabilities</b>	<b>119,229</b>	<b>130,719</b>	<b>140,406</b>	<b>152,628</b>	<b>166,808</b>	<b>155,688</b>	<b>151,578</b>
<b>TOTAL LIABILITIES</b>	<b>178,398</b>	<b>173,925</b>	<b>184,701</b>	<b>193,243</b>	<b>198,527</b>	<b>196,759</b>	<b>197,175</b>
<b>NET ASSETS</b>	<b>1,513,517</b>	<b>1,486,282</b>	<b>1,492,152</b>	<b>1,532,167</b>	<b>1,572,967</b>	<b>1,579,595</b>	<b>1,689,301</b>
<b>EQUITY</b>							
Retained Earnings	912,861	879,762	883,440	878,868	928,942	932,768	938,360
Reserves and Special Funds	42,481	51,963	55,857	60,999	48,108	50,910	54,376
Asset Revaluation Reserve	558,175	554,557	552,855	592,300	595,917	595,917	696,565
<b>TOTAL EQUITY</b>	<b>1,513,517</b>	<b>1,486,282</b>	<b>1,492,152</b>	<b>1,532,167</b>	<b>1,572,967</b>	<b>1,579,595</b>	<b>1,689,301</b>

# Statement of Cash Flows

	Annual Report 2013-14 \$000	Annual Report 2014-15 \$000	Estimated Actuals 2015-16 \$000	Annual Plan 2016-17 \$000	LTP Year 3 2017-18 \$000	LTP Year 4 2018-19 \$000	LTP Year 5 2019-20 \$000
<b>Operating Activities</b>							
Cash was Provided From:							
Rates*	60,579	62,709	83,865	87,793	92,490	97,599	102,561
Rates received on behalf of Northland Regional Council	10,673	10,340	10,472	10,681	10,895	11,113	11,335
Subsidies received	10,318	14,457	17,760	17,610	18,060	16,390	18,449
Other income	5,562	3,952	4,208	3,327	3,655	3,402	3,410
Receipts from customers and services*	30,236	31,097	18,128	17,922	16,942	17,319	17,602
Interest from investments	36	594	782	55	58	55	53
Dividends from investments		803	298	250	250	250	250
Rental of property	4,164	2,671	4,801	5,134	5,168	5,260	5,356
Cash was Applied To:							
Payments to suppliers and employees	70,700	76,682	81,259	81,515	83,388	84,685	84,795
Rates paid to Northland Regional Council	10,279	10,423	10,472	10,681	10,895	11,113	11,335
Interest paid on public debt	8,568	8,390	8,564	8,311	9,185	9,326	9,251
<b>Net Cash Flow From Operating Activities</b>	<b>32,021</b>	<b>31,128</b>	<b>40,019</b>	<b>42,265</b>	<b>44,050</b>	<b>46,264</b>	<b>53,635</b>
<b>Investing Activities</b>							
Cash was Provided From:							
Proceeds from sale of property, plant and equipment	7,827	2,625	1,153		-	-	-
Maturity of investments and loans	45	10,448	448		-	-	-
Cash was Applied To:							
Purchase of investments and loans provided	10,000	480	384		-	-	-
Purchase and Development of Fixed Assets	29,288	31,034	43,565	50,579	52,897	44,900	51,560
<b>Net Cash Flow From Investing Activities</b>	<b>(31,416)</b>	<b>(18,441)</b>	<b>(42,348)</b>	<b>(50,579)</b>	<b>(52,897)</b>	<b>(44,900)</b>	<b>(51,560)</b>
<b>Financing Activities</b>							
Cash was Provided From:							
Loans Raised **	92,243	56,050	9,710	8,054	9,047	(1,164)	(1,156)
Loan Repayments Received	239	305	461		-	-	-
Cash was Applied To:							
Loans Repaid **	91,445	68,271	-				
Loans Granted	460	44	390		-	-	-
<b>Net Cash Flow From Financing Activities</b>	<b>577</b>	<b>(11,960)</b>	<b>9,781</b>	<b>8,054</b>	<b>9,047</b>	<b>(1,164)</b>	<b>(1,156)</b>
Net Increase / (Decrease) in Cash, Cash Equivalents and Bank Overdrafts	1,182	727	7,451	(260)	200	200	919
Cash, Cash Equivalents Bank Overdrafts at the Beginning of the Year	443	1,625	2,352	652	380	580	780
Cash, Cash Equivalents Bank Overdrafts at the End of the Year	1,625	2,352	9,803	392	580	780	1,699

\* In the 2013-14 and 2014-15 financial statements, metered water revenue was included in Fees and Charges. Due to a change in reporting standards, from the 2015-16 year onwards, metered water revenue is included in Rates. Metered water revenue 2014-15: \$12,354,475 (2013-14: \$12,039,646)

\*\* Prior to the 2015-16 financial statements, all debt refinancing was included in both loans raised and loans repaid. From the 2015-16 year, only the net movement in debt has been used.



**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 or 0800 WDC INFO | F: +64 9 438 7632

E: [mailroom@wdc.govt.nz](mailto:mailroom@wdc.govt.nz) | W: [www.wdc.govt.nz](http://www.wdc.govt.nz)

**f** [www.facebook.com/whangareidc](https://www.facebook.com/whangareidc) | **t** [www.twitter.com/whangareidc](https://www.twitter.com/whangareidc)

**WHANGAREI: AROHATIA!**