



Kaipara District Council - making a positive difference

KAIPARA DISTRICT COUNCIL 2016 PRE-ELECTION REPORT



Kaipara te Orangakui • Two Oceans Two Harbours

PURPOSE

Kaipara District Council is required to prepare a pre-election report under s99A of the Local Government Act. This report is prepared and published to meet these requirements.

This is an independent report, prepared by the Chief Executive, to provide useful information leading up to the 2016 elections.

Where available, information in this report has been taken from audited reports, specifically the 2014 and 2015 Annual Reports and the Long Term Plan 2015/2025. The information on the current year is taken from the Annual Plan 2016/2017. Where the information differs from any of these documents, it is highlighted. This mainly refers to the Annual Report for 2015/2016 which is not yet audited, and projected changes to 2017/2018 from changes included in the Annual Plan for this year.

Scope

The report covers all the operational activities of the Kaipara District Council, and the collaborative work we are involved in with the other councils of Northland.



BACKGROUND

The Kaipara District

The district was formed in 1989 with the amalgamation of three councils; Hobson, Dargaville and Otamatea. The boundaries of these councils are now ward boundaries for the election of Councillors.

Council's head office is located in Dargaville, the largest town in the district located in the west. There is a smaller branch office in Mangawhai in the east.

Kaipara is the fastest growing district in Northland, however this growth is not equal across the district, with the majority of growth being in the east – Mangawhai, Kaiwaka and Maungaturoto; the areas closest to Auckland. The challenge for Council is funding the infrastructure needed to cater for this growth, while maintaining the existing infrastructure, especially in the west where the infrastructure is the oldest.

Governance by Appointed Commissioners (2012/2016)

Kaipara District Council invited the Government to assist it by enquiring into its financial management and governance processes. This invitation was issued against a background of considerable community concerns about proposed rates increases and the validity of some rates. A Crown Review Team was appointed in June 2012 to review the performance of Kaipara District Council. Their report was presented to Council at its meeting on 12 August 2012.

At this meeting, on receipt of the Review Team Report, the then Council unanimously requested the Minister of Local Government to appoint Commissioners to perform the functions and powers of Council. In its report, the Kaipara Review Team also recommended that Commissioners be appointed as soon as practicable. The Review Team's key finding was that the governance and financial challenges facing Council were beyond the current elected representatives' ability to resolve.

Areas of focus for the Commissioners on appointment, as stated by the Minister included:

- governance;
- community engagement and relationships;
- financial management; and
- service delivery and asset management.

As part of the review, the Auditor-General was requested to complete an inquiry into the decision-making and development of the Mangawhai Community Wastewater Scheme (MCWWS). The Auditor-General released her report in December 2013. She summarised the history of the Scheme as a "*woeful saga*" characterised by a failure to attend to fundamental legal and accountability obligations. She thought it illustrated an organisation out of its depth without the skills needed to manage a project of this nature.

The Commissioners will have been in place for four years by the time of elections. The return to an elected council marks a significant step in Council's recovery. The finances are in good shape, and the organisation can ably support Council in its governance role.

Improved organisation capability and performance

Since 2012 the organisation has had many changes. The finances have been brought under control and Council is running a balanced budget with small surpluses; there is monthly reporting in place; the debt is reducing; and significant work has been transferred in-house from consultants and contractors including engineers, planners, policy analysts and project management. Legal compliance, continuous improvement and risk management processes have been embedded in the way we now do business.

Some comparative figures over the time since the last elections in October 2011 are illustrated below:

At 30 June (000's)	2012 Actual	2013 Actual	2014 Actual	2015 Actual	2016 Forecast
Rates¹	\$18,120	\$23,784	\$26,053	\$26,755	\$27,860
Rates arrears	\$3,645	\$6,045	\$6,277	\$5,033	\$4,500
Debt	\$79,086	\$77,540	\$76,299	\$75,867	\$64,961
Rating units	13,885	13,958	14,146	14,210	14,217
Debt/rating unit	\$5.70	\$5.56	\$5.39	\$5.34	\$4.57
Revenue	\$37,635	\$41,951	\$43,284	\$49,432	\$54,845
Debt: revenue ratio²	209%	187%	169%	138%	119%
Capital expenditure	\$9,481	\$6,574	\$6,191	\$14,093	\$16,183
Cost of activities	\$48,272	\$40,969	\$42,705	\$45,856	\$46,585
Operating surplus/deficit	-\$10,637	\$982	\$579	\$3,576	\$8,260

A history of legal action

There has been considerable legal work for Council in the previous few years. Some is still active. The work is a mix of correcting past errors; Council's desire to hold people accountable, where practical, for past inadequate performance; cases taken against Council by Mangawhai Ratepayers and Residents Association (MRRA); and legal work necessary to collect unpaid rates.

Kaipara District Council (Validation of Rates and Other Matters) Act 2013

Council received legal advice in February 2012 indicating that in past years a number of its rates had not been set in accordance with the relevant statutory provisions and that it was highly likely that all the rates identified would be invalidated if proceedings were brought in the High Court.

Council chose to address the rating irregularities by promoting the Kaipara District Council (Validation of Rates and Other Matters) Bill. The Commissioners approved notification of the Bill at the Council meeting on 29 April 2013. The Bill was formally introduced to Parliament on 02 June 2013 and enacted in December 2013.

¹ Total rates excluding water by meter rates and penalties

² Net debt/total revenue excluding development and financial contributions

MRRA Judicial Review 1

The MRRA lodged proceedings in the High Court in March 2013. The proceedings had three causes of action. The first related to the decision-making process followed by Council approving construction of the Mangawhai Community Wastewater Scheme (MCWWS) and entering into the borrowing arrangements required to finance the Scheme. The second related to historical rating irregularities since 2006 and the third to the 2009 Development Contributions Policy. The MRRA also challenged Council's promotion of the Validation Bill on New Zealand Bill of Rights Act grounds.

The case was heard in the Whangarei High Court by Justice Heath in February 2014. His decision, in summary was:

- That previous Councils breached the Local Government Act 2002 when making the decisions to enter into the contracts to construct the MCWWS and to undertake the variation known as Modification 1, and the contracts were therefore unlawful;
- To uphold the loan contracts entered into following the decisions to construct the MCWWS. This meant that the debt incurred to build the Scheme is valid and as such needs to be repaid by Council;
- To dismiss all other aspects of relief sought by the MRRA.

In doing so, the Court confirmed that the Kaipara District Council (Validation of Rates and Other Matters) Act 2013 validated all of the previously irregular rates and that there was no breach of the New Zealand Bill of Rights Act in asking Parliament to pass the Local Bill into law.

Notwithstanding the Court decision, Council was ordered to pay costs to the MRRA.

The MRRA appealed this decision to the Court of Appeal and lost, and was ordered to pay Council's costs. They then requested leave to appeal to the Supreme Court. This request was dismissed and Council was awarded costs on 03 May 2016.

Taking cases against the Auditor-General and the former Chief Executive

In December 2013, Council filed proceedings against the Controller and Auditor-General in the High Court, and against former Chief Executive in the Employment Relations Authority.

Council has since settled with the Auditor-General. The Auditor-General paid, without admission of liability, an amount of \$5.4 million to Council. The case against the former Chief Executive remains in process.

Collection of rates arrears

There are currently 1,870 properties with rates arrears (30 June 2016). Where there is a mortgage on the property, Council has collected the arrears from the bank holding the mortgage as provided for in the Local Government (Rating) Act 2002. Where there is no mortgage Council, jointly with the Northland Regional Council, has issued proceedings in the District Court. There are currently 25 proceedings against 28 property owners with rates arrears.

Some property owners jointly defended their non-payment of rates, claiming the rates were invalid and therefore did not have to be paid. One case of these (Rogan) was heard in the District Court, with the findings on this case then able to be applied to cases jointly issuing the same defence. The District Court found in favour of Council and ordered the property owner to pay the rates arrears, plus costs. The Rogans appealed this decision to the High Court. This appeal was heard in conjunction with a second Judicial Review lodged by MRRA, explained below.

MRRA Judicial Review 2

In July 2015 a second Judicial Review was lodged by MRRA and Mr and Mrs Rogan against Kaipara District Council and Northland Regional Council. The review requests that the Court declare rates imposed and penalties added in the 2011/2012 to 2015/2016 years as illegal because of the alleged invalidities set out in the claim, and questioned the legal right of Kaipara to collect rates on behalf of Northland Regional Council. The case was heard in the High Court in May 2016. The decision is pending.

Council governance

Council currently has six committees with distinct responsibilities and delegations.

Council					
Audit and Risk Committee Three Commissioners	Raupo Drainage Committee One Commissioner Four members elected by community	Pou Tu Te Rangi/Harding Park Committee Two Commissioners One Community Appointment Three Te Uri o Hau appointments	Mangawhai Community Park Committee Two Commissioners Two community appointments	Taharoa Domain Governance Committee Two Commissioners Two Iwi appointments (Te Roroa and Te Kuihi)	Mangawhai Endowment Lands Account Committee Two Commissioners Two community appointments

These committees with two exceptions are dissolved on Election Day. The Raupo Drainage Committee is set up by legislation. Pou Tu Te Rangi co-management is included in the Te Uri o Hau Settlement Act. Otherwise, the new Council will need to decide what committee structure is best for them.

Council has a Memorandum of Understanding (MoU) with Te Uri o Hau that includes a commitment for co-governance of Harding Park, jointly with Pou Tu Te Rangi. Co-governance of Taharoa Domain is longstanding. The Domain includes a Maori Native Reserve owned by Te Roroa. Council is currently negotiating a Mana Enhancing Agreement with Te Roroa which includes a commitment to this co-governance arrangement.

The involvement of community in decision-making is a key principle for Council, as illustrated in the Committee membership. Commissioners are also members of external boards/committees such as:

- Sport Northland;
- Northland Regional Transport Committee;
- Northland Environmental Management Committee.

Council also has the ability to appoint members to a number of community and business organisations in the district.

On behalf of Creative New Zealand and Sport New Zealand, Council also manages two further joint community/Council committees:

- Creative Communities Local Funding Scheme Assessment Committee;
- Sport NZ Rural Travel Fund Assessment Committee.

Working with communities

Other ways Council works with communities is through advisory panels, placemaking projects and community action plans.

Council has set up three advisory panels for the future management of the Mangawhai Community Wastewater Scheme, road maintenance and forestry owners.



We have transferred the management of our community housing in Ruawai and Dargaville to the Dargaville Community Development Trust. The tenants are enjoying the new arrangements, where they receive more wrap-around care from the Trust than Council was able to give. Council continues to own these units.

Placemaking

Placemaking in Dargaville and Kaiwaka continues. In both places we are working with Community Advisory Panels. In Dargaville, we are working to enliven the main street and waterfront. In Kaiwaka, our current emphasis is working with NZ Transport Agency (NZTA) to make it safer for pedestrians.

Mangawhai is experiencing rapid growth. Our investment in infrastructure has not always kept up. A Town Plan is in the early stages of being developed to guide infrastructure investment in the area to cater for the growth being experienced there. When we have a good base of information, we will work with the Mangawhai community to consider options. We welcome community input into our placemaking activities.

Community action plans

There are action plans in place for Tinopai, Pahi, Whakapirau, Maungaturoto, Kaiwaka, Mangawhai Village, Mangawhai Wood Street shops, Pouto Peninsula, Baylys and Paparoa. These action plans are available on the website at <http://www.kaipara.govt.nz/Your+Council/Community+Planning.html>

Working with Maori

Council recognises its obligations to Maori and continues to look for ways to facilitate Maori input into decision-making.

As mentioned earlier in this report, Council has an MoU with Te Uri o Hau Settlement Trust which formalises the way we work with them. We are members of the Iwi-led Integrated Kaipara Harbour Management Group (IKHMG) and co-govern Harding Park/Pou Tu Te Rangi. Environs Holdings, an Iwi-owned company, assists us with Iwi input into Resource Management Act processes as appropriate.

Council is currently negotiating a Mana Enhancing Agreement with Te Iwi o Te Roroa. Council co-governs Taharoa Domain; a mixture of Crown land and Iwi-owned land, with Te Roroa and Te Kuihi.

Hui are held quarterly with Kaumatua and Kuia from local Iwi and Hapu. While these hui have an open agenda, Council uses this forum to discuss Annual Plans, Long Term Plans and other policies that are of interest to Maori.

OUR STRATEGIES

Our vision for Kaipara

Our vision is Kaipara where it's easy to live - easy to do business, easy to join in and easy to enjoy nature. This is the vision and outcomes that formed the background to the choices made in the Long Term Plan 2015/2025.

<p><i>Outcome 1 - We will work with you to help make it easy to enjoy nature.</i></p> <p><i>We aspire to being a district that is renowned for our beautiful environment.</i></p>	<p>Our objectives are to:</p> <ul style="list-style-type: none"> • With your help, develop our premier parks • With your help, improve access to coasts and harbours • With your help, protect our environment
<p><i>Outcome 2 - We will work with you to help make it easy to join in.</i></p> <p><i>We aspire to being a district that has strong communities where people have a sense of belonging and work together.</i></p>	<p>Our objectives are to:</p> <ul style="list-style-type: none"> • With your help, ensure there is a wide variety of sport, recreation and leisure opportunities • With your help, support community involvement and volunteering • Make it easy for you to work with Council
<p><i>Outcome 3 - We will work with you to help make it easy to do business.</i></p> <p><i>We aspire to being a district that has sufficient economic activity to support the well-being of our communities and residents.</i></p>	<p>Our objectives are to:</p> <ul style="list-style-type: none"> • Provide a simple and efficient regulatory environment • With your help, provide the necessary infrastructure for business • With your help, promote the district

Our purpose is to make a positive difference for Kaipara. We aspire to work with:

Integrity

- ✓ We will do what we say we will
- ✓ We will act with good intent
- ✓ We will do the right thing in the right way

Team Work

- ✓ We will work together
- ✓ We will support each other

Delivering Value

- ✓ We will seek to understand needs and deliver to them
- ✓ We will apply our skills and knowledge for the benefit of others.

Our Financial Strategy

Local authorities need a sustainable funding base to continue delivering services to their communities in the future. This involves a balancing act of delivering services while keeping the income required affordable, ensuring equity between current and future generations, along with fairly sharing service delivery costs between different users.

Council has a set of policy criteria to guide decisions on the Financial Strategy and other financial matters. They are:

- Simplicity - Council's plans and policies should be clear and easy to understand. Overly complex plans and policies detract from this and have an unnecessary cost;
- Community support - the revised plans and policies should be acceptable to the community;
- Equity - Plans and policies should be fair and treat like with like both now and in the future. Further, those who contribute to the need for the activity should pay more;
- Stability/durability - The plans and policies should be stable and have longevity and so give some certainty to people over time;
- Affordability - The levels of services and costs of the activities needs to produce rates, fees and charges that are affordable for people;
- Fair distribution - Use the Uniform Annual General Charges (UAGC) to ensure a fair distribution of costs across all ratepayers given the marked difference in land values across the district.

It has been agreed as part of the LTP15 that Rates increases will be capped at the Local Government Cost Index (LGCI) plus 2%. Business & Economic Research Limited (BERL) sets the LGCI annually.

Infrastructure Strategy

There are significant infrastructure issues facing Council and ratepayers for three main reasons:

- The Three Waters infrastructure has had insufficient investment in it historically - it is getting old and is in need of costly renewal (with the exception of Mangawhai wastewater);
- The heavy traffic from forestry harvesting is damaging our roads and, for the next few years, the maintenance and renewals programme will not be sufficient to respond to this; and
- Customer expectations are in some areas above the ability of Council to supply e.g. sealing of roads and/or managing dust from unsealed roads.

Some communities will not be able to afford the upgrades required to maintain current service levels on their own.

The strategic targets are in brief:

- Within 30 years Council will have addressed the historical deficits in renewals in Three Waters infrastructure;
- Within five years all Three Waters infrastructure will be compliant with their consents;
- The Three Waters renewals programme will be based on robust asset knowledge to ensure efficient and targeted investment. The first six years will have significant condition assessments;
- Within 10 years the roads will meet all service levels set by NZTA as required for resilience, traffic volumes and safety (depending on the nature of the implementation of the new One Network Road Classification (ONRC) programme by NZTA);
- Depreciation will be fully funded by 2022;
- Response maintenance will continue as it is currently applied;
- No new piping of open stormwater drains will occur except where funded by development; and
- No extension of areas covered by each service will be considered with the exception of MCWWS service.

District planning and development control

The provisions within the Kaipara District Plan are intended to encourage residential and business development throughout the district and in particular, around those existing settlements identified as Growth Areas. The provisions of the Plan also seek to provide direction so as to avoid ad hoc expansion of settlements, the under-utilisation of current Residential and Business zoned land, and to avoid intensive developments in areas which may be more appropriate for lower density or rural uses in the future.

The regulatory functions of Council have their offices in Mangawhai Village.



REGIONAL COLLABORATION AND SHARED SERVICES

With support from the four Councils of Northland, the Northland Mayoral Forum and the Northland Local Government Chief Executive Forum are leading 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.

The four Councils have adopted a shared vision and objectives 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 shared service - Northland Transportation Alliance (NTA);
- 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; and
- 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, NZTA, the Local Government Commission, and Iwi leaders and their Chief Executives to achieve our targets.

WHAT IS IN OUR PLANS FOR THE NEXT THREE YEARS

2015/2016 is Year 2 of the Long Term Plan 2015/2025 (LTP15). The Annual Plan for 2016/2017 has no significant changes to Year 2 of this Plan. The LTP15 is due for review in 2018. It can be found on Council's website at www.kaipara.govt.nz / Forms and Documents / A-Z Documents under "A" / Annual Plan / Long Term Plan 2015/2025.

Our finances

Council runs a balanced budget, and has produced some surpluses each of the last three years. This has been possible because Council is careful in finding efficiencies every day in our operations, and limits the impact of spending on future rates increases.

Earlier this year we benefitted from:

- A reduction in debt of \$10.9 million including a settlement from the Office of the Auditor-General. Council has also had unbudgeted income from property sales;
- Joining the Local Government Funding Agency (LGFA) which has given Council access to lower interest rates on our debt.

This means we need less funding to service this lower, and cheaper, debt which will fund a reduced rates increase for 2016/2017.

We will also:

- Invest in reducing the backlog of maintenance;
- Improve organisation capability;
- Invest in better IT systems to improve customer service and system reliability.

Our approach to our assets and capital expenditure is to ensure that they operate and are maintained. There is very little expenditure for service level improvements or growth³, however where possible backlog expenditure is prioritised.

Our key financial parameters for the next three years are:

(\$000's)	2016/2017 Annual Plan	2017/2018 Long Term Plan ⁴	2018/2019 Long Term Plan
Operating expenditure	\$44,643	\$46,107	\$44,185
Capital expenditure	\$15,865	\$13,830	\$16,590
Rates Revenue ⁵	\$51,502	\$29,864	\$30,965
Total Assets	\$657,631	\$652,144	\$673,802
Borrowing	\$64,748	\$70,675	\$67,136
Total equity	\$573,362	\$566,755	\$591,719

³ The exception to growth and service level improvements is in community activities where funds have been collected as financial contributions.

⁴ The Long Term Plan figures for 2017/2018 will need to be reviewed in the light of the actual results for 2015/2016 and the Annual Plan for 2016/2017.

⁵ Total rates excluding water by meter rates and penalties.

Our compliance measures are projected to meet all required standards:

	2016/2017 Annual Plan	2017/2018 Long Term Plan ⁶	2018/2019 Long Term Plan	Policy Limit
Average rates increase	2.94%	3.65%	3.69%	n/a
Net debt as a percentage of revenue ⁷	133.58%	146.35%	128.78%	170%
Net interest as a percentage of revenue	7.24%	8.68%	6.99%	15%
Net interest as a percentage of rates ⁸	10.91%	12.72%	10.67%	20%

Activities

Community Activities

Council looks after about 165 parks and reserves. The emphasis for maintenance and development is on the parkland that abuts our coastline, and three premier parks; Mangawhai Community Park, Harding Park/Pou Tu Te Rangi and Taharoa Domain.

We have one library; in Dargaville. It is a well-used space and this year we plan to re-design it to make it easier to use. Our support for community libraries will continue.

We have transferred the management of our community housing in Ruawai and Dargaville to the Dargaville Community Development Trust. The tenants are enjoying the new arrangements, where they receive more wrap-around care from the Trust than Council was able to give. Council continues to own these units.

Placemaking in Dargaville and Kaiwaka continues. In both places we are working with Community Advisory Panels. In Dargaville, we are working to enliven the main street and waterfront. In Kaiwaka, our current emphasis is working with NZTA to make it safer for pedestrians.

Mangawhai is experiencing rapid growth. Our investment in infrastructure has not always kept up. A Town Plan is in the early stages of being developed to guide infrastructure investment in the area to cater for the growth being experienced there. When we have a good base of information, we will work with the Mangawhai community to consider options. We welcome community input into our placemaking activities.

The community activities capital expenditure programme is mainly funded from reserve contributions collected from fees charged for consents for subdivisions across the district. Maintenance and development works of the parks and community facilities is contracted out.

Community activities are otherwise funded by general rates.

⁶ The Long Term Plan figures for 2017/2018 will need to be reviewed in the light of the actual results for 2015/2016 and the Annual Plan for 2016/2017.

⁷ Where revenue is total revenue excluding development and financial contributions.

⁸ Total rates excluding water by meter rates and penalties.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
Kai Iwi facilities	150,000
Public Toilets - Alamar Crescent	120,000
Park Improvements (furniture/carpark/lighting/paths)	110,000
Harding Park/Pou Tu Te Rangi	100,000
Mangawhai Community Park - implement Master Plan	100,000
Memorial Park changing sheds	100,000
Taharoa Domain - implement Reserve Management Plan	100,000
2017/2018	
North Avenue/Alamar Crescent public space improvements	190,000
Kai Iwi facilities	150,000
Park improvements (furniture/carpark/lighting/paths)	150,000
Harding Park/Pou Tu Te Rangi	100,000
Mangawhai Community Park - implement Master Plan	100,000
Taharoa Domain - implement Reserve Management Plan	100,000
2018/2019	
Kai Iwi facilities	200,000
Reserves acquisitions	200,000
Mangawhai Coastal Tracks - links to existing network	140,000
Harding Park/Pou Tu Te Rangi	100,000
Mangawhai Community Park - implement Master Plan	100,000
Park improvements	100,000
Taharoa Domain - implement Reserve Management Plan	100,000

Regulatory Management

We have legislated responsibilities to manage regulation of building, land use, subdivision, alcohol sale and supply, excessive noise, Bylaw monitoring, parking, dogs and other animal management and food premises licensing. The work in this area has increased substantially over the last few years because of:

- Growth in the number of sections and houses in the east of the district, which has meant that we have needed to take on more staff to keep up with the workload;
- New legislation governing the way we manage alcohol regulations and food outlets.

We have also changed the way we manage this area of our work. In the past we have used contractors and consultants to carry out some of our resource consenting, environmental health activities and alcohol management. These functions have all been bought in-house and are now delivered by Council staff. The exceptions are animal management, excessive noise and parking enforcement which are still contracted out.

Regulatory activities are funded from fees and charges, and the general rate.



Emergency Management

Council has responsibilities for local emergency management. While we hope we never have an emergency we need to be prepared in case we do. Each year we have a local exercise to test our readiness. This year's exercise will be based on a tsunami. We rely heavily on communities to help us manage emergencies. The district has good involvement with most areas having a Community Response Plan for volunteers to action in an emergency event.

Funding is from the general rate, prior years' funds and subsidy from central government.

Capital expenditure planned for the next three years is as follows:

2016/2017	\$
New fire appliance	153,000

Flood Protection and Control

Council works with the community to help manage 28 drainage schemes. The largest of these is Raupo, which is managed by its own Committee of Council. There is work needed to understand the condition and future requirements of drainage assets.

We will:

- Continue with the renewal programme of floodgate structures;
- Develop Asset Management Plans (AMPs) for the land drainage schemes.

The key points to note are:

- AMPs will be developed for drainage areas, taking into account the potential for rising sea levels and for more, or higher intensity, storms;
- Otherwise, there are no changes planned. It will be business as usual.

There is a flood protection and land drainage capital expenditure programme. There were no projects listed in the Long Term Plan, however as part of this year's review and a reclassification of expenditure type, projects amounting to \$0.6 million have been included for the Annual Plan 2016/2017. They are to be funded from accumulated funds.

Flood protection is funded by targeted rates. The impact on rates will vary from scheme to scheme depending on the agreements with the constituent groups reached. Maintenance of the schemes is contracted out.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
Floodgate replacement	160,000
Replacement Murphy/Bowers stopbank	130,000
Floodgate N°53 replacement	102,000
Floodgate N°54 replacement	102,000

District Leadership

The Commissioners end their term at October this year, when a new elected Council will begin. Transition activities are in place to ensure this change happens smoothly.

The Council organisation is in good shape. While there are more staff working here, there is significantly less reliance on contractors and consultants. There is always room for continual improvement, and a culture of improving services every day is now well-embedded in the organisation. Investment in technology forms part of these improvement efforts.

The key points to note are:

- The return to democracy at the October 2016 local body triennial elections is eagerly anticipated. It will bring with it some small additional costs;
- Council is also investing in new information technology. A lack of past investment has meant that we are often operating with out-of-date equipment and software, some no longer served by the manufacturer. Our priorities for new investment are where it improved customer service, and where the current technology is no longer reliable or serviced.

District Leadership is also where responsibility for financial management and policy and rates policy sits. The reduced debt and interest costs means that Council has more financial resilience and capacity, leaving an opportunity to progress organisational efficiencies and capability.

The activities here are largely funded from the general rate including utilising savings from other areas.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
Electronic Document and Records Management (EDRM)	150,000
Contact Centre	119,400
Customer relationship management	111,200
Fleet replacement	100,000
2017/2018	\$
Electronic Document and Records Management (EDRM)	150,000
Fleet replacement	100,000
Library systems	100,000
2018/2019	\$
Data warehouse and management reporting	252,400
Fleet replacement	140,000

Solid Waste

Solid Waste Activity includes the following:

- Kerbside refuse bag collection in urban areas and at appointed collection sites in rural areas;
- Recycling collection in key urban areas;
- Two transfer stations for residential and residual waste disposal;
- Public litterbins;
- Illegally dumped rubbish (often referred to as “fly tipping”);
- Abandoned vehicles;
- Supporting waste minimisation initiatives; and
- Monitoring, maintaining and management of a number of closed landfills in the district.

Delivery of the contract is undertaken by Kaipara Refuse Limited district-wide, who began the contract in November 2013, for a period of three years with a possible right of renewal for an additional three years.

In general, most assets used for the delivery of the above services are not owned by Council, but rather by the appointed Contractors. This means that Council does not directly carry the capital costs of asset ownership, including finance charges, depreciation and renewal costs. The assets that are owned by Council are limited to land and minor site facilities.

We have an issue with one closed landfill site. The Hakaru closed landfill produces leachate that has to be collected and disposed of at a high operational cost to Council. A more permanent solution is required. This is likely to involve a treatment plant onsite.

Roads and Footpaths

Council manages 1,571 kilometres of roads, of which 72% is unsealed.

Our plans for the care of these roads remain constant:

- Continue with the rehabilitation programme of the sealed network;
- Continue with the heavy metalling programme of the unsealed network including forestry routes.

As part of the three-year seal extension programme, using financial and development contributions collected in past years, we will undertake a seal extension in Mangawhai of Black Swamp Road up to and including the intersection with Raymond Bull Road, and 1.1km of Settlement Road from the already sealed section in Kaiwaka.

The Northland Councils have resolved to progress a shared service – Northland Transportation Alliance (NTA) in Whangarei with satellite offices across the region. While professional staff will be co-located, including NZTA, customer contact will remain with each Council and local field officers will be based in the satellite offices to retain the current customer interface.

Each Council will still determine budgets for their respective district spend, and will set their own priorities. There will be no cross-subsidisation.

The key points to note are:

- We plan to continue with business as usual;
- A regional co-located business unit will be set up.

There is no change to funding sources for this activity. Funding is predominantly from NZTA with Council's share coming mainly from general rates. A targeted rate was introduced for roads used for the forestry industry in 2015/2016 and this continues.

The on-the-ground delivery of maintenance and capital works is contracted out.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
Unsealed network heavy metalling and rehabilitation	1,336,608
Sealed road pavement rehabilitation	1,164,253
Dunn Road 2016/2017	571,691
Hoanga Road 2016/2017	518,902
Tinopai Road 2016/2017	485,497
Tokatoka Road	370,000
Opanake Road - full length	290,000
Tramline Road	270,000
Black Swamp Road seal extension	250,000
Ford Road	250,000
Waihue Road 2016/2017	245,000

2016/2017	\$
Arapohue Road Culvert replacement 2016/2017	242,450
Paparoa-Oakleigh Road corner easing 2016/2017	225,900
Tangowahine Valley Road	224,500
FR Kirikopuni Valley Road	220,000
Traffic Services	189,572
Mangawhai Road 2016/2017	185,500
Mititai Road	184,320
FR Ounuwahao Road	180,000
272 Tangowahine Valley Road bridge N°03 - 2016/2017	165,000
276 Tangowahine Valley Road bridge N°07 - 2016/2017	165,000
Wairere/Causer/Paparoa Station Road Intersection/Bridge Approach 2016/2017	163,850
Whitcombe Road/Whenuanui Reserve Road	155,105
Golden Stairs Road	150,000
Turkey Flat Road/Tatarariki Spur Road	144,000
Black Swamp Road - intersection improvements	138,750
FR Opuna Road	138,000
Road Safety Promotion (RoadSafe Northland)	125,000
Bridge Approaches 2016/2017	121,030
Bridge Guardrail 2016/2017	113,540
Oneriri Road 2016/2017	113,000
Various - major drainage	109,852
Tinopai Road Seal Widening 1 - 2016/2017	107,200
Heavy metalling - various roads	104,180
Waihue Road slump	101,750
Tangowahine Valley Road slump	101,000
Black Swamp Road	100,000
2017/2018	\$
Sealed road pavement rehabilitation	1,290,000
Unsealed network heavy metalling and rehabilitation	1,128,864
Road renewal - forestry related	723,333
Settlement Road seal extension 2017/2018	590,000
Waihue Road	550,000
Ararua Road	497,000
2017/2018	\$
Bridge/Culvert replacements - sites to be finalised	428,000
Tinopai Road	414,372
Major Drainage - various sites	409,852
Bridges to be specified	322,218

Maropiu Road	300,000
Parore West Road 2016/2017	288,000
Mangatu Road - in association with heavy metalling	196,500
Traffic services	189,571
Mititai Road	180,000
Arapohue Road - emergency works and preventative maintenance	175,000
Mangawhai Heads Road (East)	160,000
Mangatu Road	154,263
Maropiu Settlement Road	150,000
Dunn Road 2017/2018	130,000
Road Safety Promotion (RoadSafe Northland)	125,000
Te Kowhai Road	120,000
Turiwiri West Road	120,000
266 Taipuha Station Road bridge	114,048
Tinopai Road - seal widening	107,200
Hoanga Road	100,000
Settlement Road	100,000
Te Kowhai Road	100,000
2018/2019	\$
Unsealed network heavy metalling and rehabilitation	2,442,725
Sealed road pavement rehabilitation	1,647,790
Minor improvements and safety projects	1,383,352
Chipseals	1,136,000
Forestry roading	1,000,000
Preventative maintenance	820,800
West Coast Road	640,000
Bridge replacements	592,250
Robertson Road 2018/2019	360,000
Structures strengthening	343,669
2018/2019	\$
Mangawhai Road	266,000
Waihue Road	264,000
Emergency works (local share)	250,000
Culvert replacement unsealed surface	194,334
Signs and markings renewals	185,400
Major drainage control	100,000
Road reconstruction/seal extensions - DC funded	100,000
Thin asphaltic surfacing	100,000

Wastewater

Council owns and manages five wastewater schemes. Because they include some older schemes, there is a backlog of maintenance and renewals needed.

We plan to:

- Continue with the renewals programme;
- Continue with the asset condition assessment programme;
- During last year, a community advisory panel worked with Council staff and experts to assess the future development of the Mangawhai Community Wastewater Scheme (MCWWS). We were all reminded that the scheme's intent remains true; to protect the Mangawhai Harbour and groundwater from pollution from human waste. The scheme has adequate capacity for some years to come at which time there will be a pinch point for a few days at summer peak. This peak will be managed without significant upgrades to the plant. There is also capacity on the farm to extend disposal. The decisions for any significant extensions will need to be made in the next five years, however are not needed now. We will:
 - Extend the MCWWS' land irrigation system to provide additional capacity to accommodate growth;
 - Undertake an assessment of environmental effects and apply to vary the MCWWS' resource consents authorising the discharge of treated effluent to land to maximise the ultimate capacity of the Council-owned land and the treatment plant.

All schemes will continue to be maintained to meet resource consent environmental conditions.

Two key points to note are:

- The Mangawhai scheme has sufficient capacity for some years as long as the disposal system on the farm is increased. This increase is planned for 2016/2017;
- Otherwise, no changes are planned for wastewater. It will be business as usual.

Targeted rates account for 75% of wastewater with the balance of 25% coming from general rates (to fund the district portion of the MCWWS). This varies from the projected 69% and 31% for targeted rates and general rates respectively as for the 2016/2017 year of the Long Term Plan as a result of the reduction of the MCWWS debt that is paid by all ratepayers across the district. The impact of targeted rates will vary from scheme to scheme.

Maintenance of the schemes is contracted out.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
Effluent Discharge Options MCWWS	445,000
P6: AC 150mm Renewal – First/Second/Third Avenues and Ranfurly Street - 995m	170,000
MCWWS Resource Consent Variation 2016/2017	150,000
P7: AC 150mm Renewal - Finlayson Park Avenue, Victoria/Mako/Jervois Streets - 850m	150,000

2017/2018	\$
P8: AC 150mm Renewal – Gordon/Bowen/Churchill/Jervois/Onslow/Grey Streets- 1500m	235,000
P9a: AC 150mm Renewal – Montgomery Avenue, Huia/Tui Crescents- 1000m	120,000
2018/2019	\$
Renewals per condition monitoring assessment	280,000
Provision for Mangawhai Extension	200,000

Stormwater

Council owns and manages three stormwater networks – where public drains are piped.

We intend to:

- Continue with the renewals programme;
- Continue with the asset condition assessment programme;
- Progress stormwater catchment management plans.

There are no changes planned for our management of stormwater networks.

Stormwater is funded primarily by targeted rates (90%) with general rates funding the balance (10%). The impact on rates will vary from scheme to scheme. Maintenance of the schemes is contracted out.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
P1: Conc Pipe Renewal -Stage 2	150,000
2017/2018	\$
P3: Conc Pipe (no joint) Renewal - Haimona Street - dia 225, 375, 425mm; length 600m	250,000
2018/2019	\$
Renewals per condition monitoring assessment	100,000

Water Supply

Council owns and runs five water supply schemes. They vary in age and standard. This is reflected in the level of maintenance and renewals each scheme needs. This year we will:

- Continue with the renewals programme;
- Continue with minor upgrades of the water treatment plants;
- Continue with the asset condition assessment programme to find out more about the state of our pipes and other assets.

There are no changes in the plans for management of our water schemes.

Water is funded by targeted rates and is based on volume or the amount used. The impact will vary from scheme to scheme. Maintenance of the schemes is contracted out.

Key capital expenditure planned for the next three years is as follows:

2016/2017	\$
Baylys trunk main Stage 1: Replace 3km of 8km 150mm AC	520,000
P4: AC 100mm Renewal - Lorne Street, Montgomery Avenue, Parore/Pirika Streets – 1,700m	230,000
AC 200mm Renewal - Raw water main - 400m of 8km	150,000
2017/2018	\$
Baylys trunk main Stage 2: Replace 3km of balance 5km 150mm AC	520,000
P5: AC 300mm Renewal - Beach Road - 406m	218,000
AC 200mm Renewal - Raw water main - 2nd 400m of 8km	150,000
2018/2019	\$
Renewals per condition monitoring assessment	1,220,000

FINANCIAL STATEMENTS

The following financial statements show:

- Actual results extracted from the adopted Annual Report for the 2013/2014 and 2014/2015 years;
- Forecast results for the 2015/2016 year;
- Budgets from the recently adopted Annual Plan 2016/2017;
- Projections for the years 2017/2018 to 2024/2025 from the Long Term Plan 2015/2025 adjusted as in the Annual Plan 2016/2017.



Statement of Financial Position at 30 June

As at	Annual Report	Annual Report	Forecast	Annual Plan	LTP	LTP
30 June	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Statement of Financial Position

Net assets/equity						
Accumulated comprehensive revenue and expense	391,050	362,805	370,730	375,819	379,998	388,061
Asset revaluation reserves	157,936	183,649	196,888	210,459	199,583	215,092
Restricted reserves	5,618	5,692	5,692	5,692	5,618	5,618
Council created reserves	-50,154	-18,909	-18,448	-18,408	-18,444	-17,052
Total net assets/equity	504,450	533,238	554,862	573,562	566,755	591,719
represented by						
Current assets						
Cash and cash equivalents	4,588	9,926	2,679	682	410	404
Trade and other receivables	7,398	7,208	7,222	7,410	8,100	8,335
Accrued revenue	1,536	1,079	1,946	1,946	2,700	2,700
Other financial assets	15	115	115	115	2	2
Non current assets held for sale	380	380	210	210	0	0
Total current assets	13,917	18,708	12,172	10,363	11,212	11,441
<i>less</i>						
Current liabilities						
Trade and other payables	7,549	9,611	9,146	9,386	7,883	8,115
Provisions	182	185	185	188	7	12
Employee entitlements	514	545	413	413	430	438
Public debt	59,190	22,889	929	1,064	3,539	3,997
Total current liabilities	67,435	33,230	10,674	11,051	11,859	12,562
Working capital/(deficit)	-53,518	-14,522	1,498	-688	-647	-1,121
<i>plus</i>						
Non current assets						
Property, plant, equipment	576,257	604,882	623,964	643,649	638,142	659,574
Cash and cash equivalents	0	0	0	560	0	0
Biological assets	2,289	2,697	2,697	2,786	2,557	2,554
Derivative financial assets	463	0	0	0	85	85
Other financial assets	173	273	273	273	148	148
Total non current assets	579,182	607,853	626,934	647,268	640,932	662,361
<i>less</i>						
Non current liabilities						
Public debt	17,109	52,978	64,032	63,684	67,136	63,139
Provisions	4,056	4,295	4,295	4,291	3,746	3,734
Other financial assets	49	2,819	5,243	5,243	2,648	2,648
Total non current liabilities	21,214	60,092	73,570	73,218	73,530	69,521
Net assets	504,450	533,238	554,862	573,362	566,755	591,719

Statement of Comprehensive Income for year ending 30 June

For the year ended:	Annual Report	Annual Report	Forecast Two	Annual Plan	LTP	LTP
30 June	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Statement of Comprehensive Revenue and Expense

Revenue							
	Rates	29,941	30,511	31,965	32,288	33,514	34,743
	Subsidies and grants	6,454	11,971	10,674	11,657	10,806	12,168
	Activity income	4,268	4,393	9,518	4,043	4,115	5,341
	Contributions	941	1,595	2,297	1,190	925	1,019
	Investments and other income	1,680	962	392	392	459	370
	Total revenue	43,284	49,432	54,845	49,570	49,819	53,641
Expenses							
	Activity costs	24,161	25,974	26,237	22,986	24,822	22,911
	Employee benefits	5,277	6,016	7,173	8,614	6,986	7,133
	Finance costs	3,853	4,119	3,717	3,440	4,166	3,623
	Depreciation	9,414	9,747	9,458	9,600	10,137	10,519
	Total expenses	42,705	45,856	46,585	44,640	46,111	44,186
	Surplus/(deficit) for the period	579	3,576	8,260	4,930	3,708	9,455
Other comprehensive revenue and expense							
(Items that will not be reclassified subsequently to profit or loss)							
	Gain/(loss) on revaluation	12,719	25,713	13,239	13,571	14,824	15,509
	Total comprehensive revenue and expense for the period	13,298	29,289	21,499	18,501	18,532	24,964

Note: Water by meter charges have been included in rates for each year to make comparison easy.

Funding Impact Statement Whole of Council for year ending 30 June

For the year ended:	Annual Report	Annual Report	Forecast Two	Annual Plan	LTP	LTP
30 June	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000

Funding Impact Statement - Whole of Council**Operating funding****Sources of operating funding**

General rates, uniform annual general charges, rate penalties	20,431	20,903	21,539	21,839	22,231	23,223
Targeted rates	9,510	9,607	10,426	10,449	11,283	11,521
Subsidies and grants for operating purposes	4,254	5,201	4,698	5,302	4,847	4,441
Fees and charges	4,268	4,393	9,518	4,043	4,115	5,341
Interest and dividends from investments	20	70	25	25	50	50
Local authorities fuel tax, fines, infringement fees and other receipts	439	384	278	278	315	323
Total operating funding	38,922	40,558	46,483	41,936	42,841	44,898
Application of operating funding						
Payments to staff and suppliers	28,870	28,205	30,912	31,601	31,803	30,042
Finance costs	3,853	4,119	3,717	3,440	4,166	3,623
Other operating funding applications	0	0	0	0	0	0
Total applications of operating funding	32,723	32,324	34,629	35,041	35,969	33,665
Surplus (deficit) of operating funding	6,198	8,234	11,854	6,895	6,872	11,233

Capital funding**Sources of capital funding**

Subsidies and grants for capital expenditure	2,200	6,770	5,976	6,355	5,959	7,727
Development and financial contributions	941	1,595	2,297	1,190	925	1,019
Increase (decrease) in debt	-1,280	-432	-10,128	1,313	68	-2,146
Gross proceeds from sale of assets	635	219	695	150	150	150
Lump sum contributions	0	0	0	0	0	0
Other dedicated capital funding	0	0	0	0	0	0
Total sources of capital funding	2,496	8,152	-1,160	9,008	7,102	6,750

Applications of capital funding

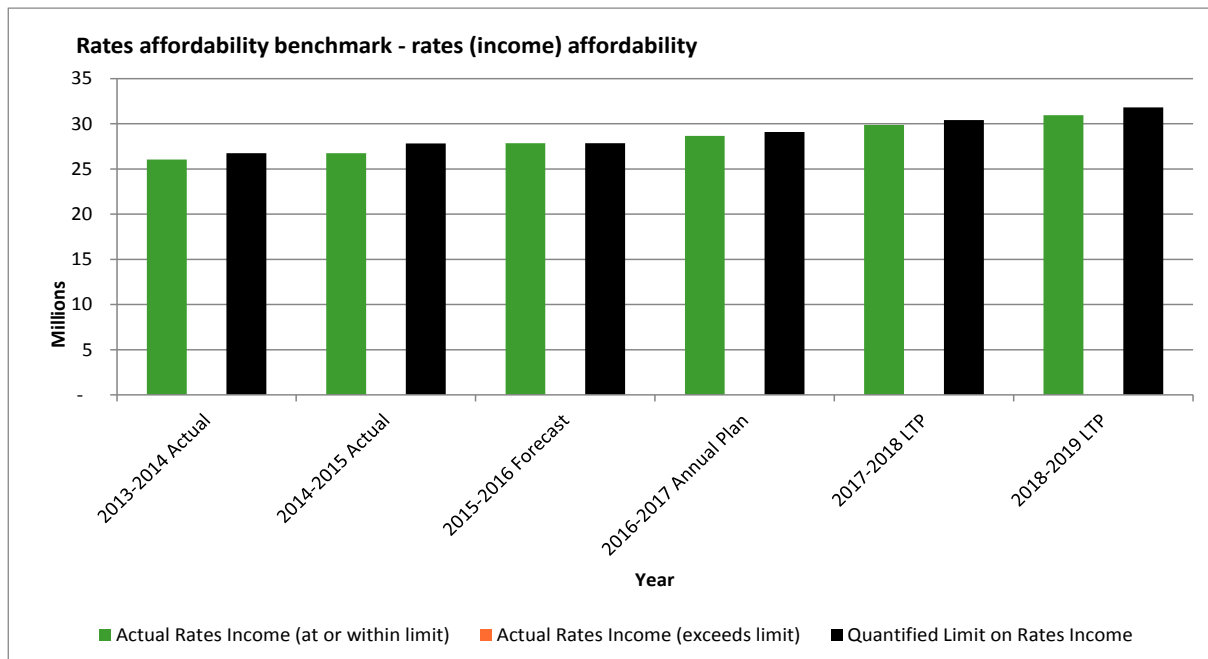
Capital expenditure - to meet additional demand	152	351	974	1,167	538	372
Capital expenditure - to improve the level of service	1,347	2,066	3,654	2,788	2,321	3,458
Capital expenditure - to replace existing assets	4,692	11,609	11,554	11,908	10,971	12,761
Increase (decrease) in reserves	2,504	2,360	-5,489	40	144	1,392
Increase (decrease) of investments	0	0	0	0	0	0
Total applications of capital funding	8,694	16,386	10,694	15,903	13,974	17,983
Surplus (deficit) of capital funding	-6,199	-8,234	-11,854	-6,895	-6,872	-11,233
Funding Balance	-1	0	0	0	0	0

Note: Water by meter charges have been included in rates for each year to make comparison easy.

Benchmarks

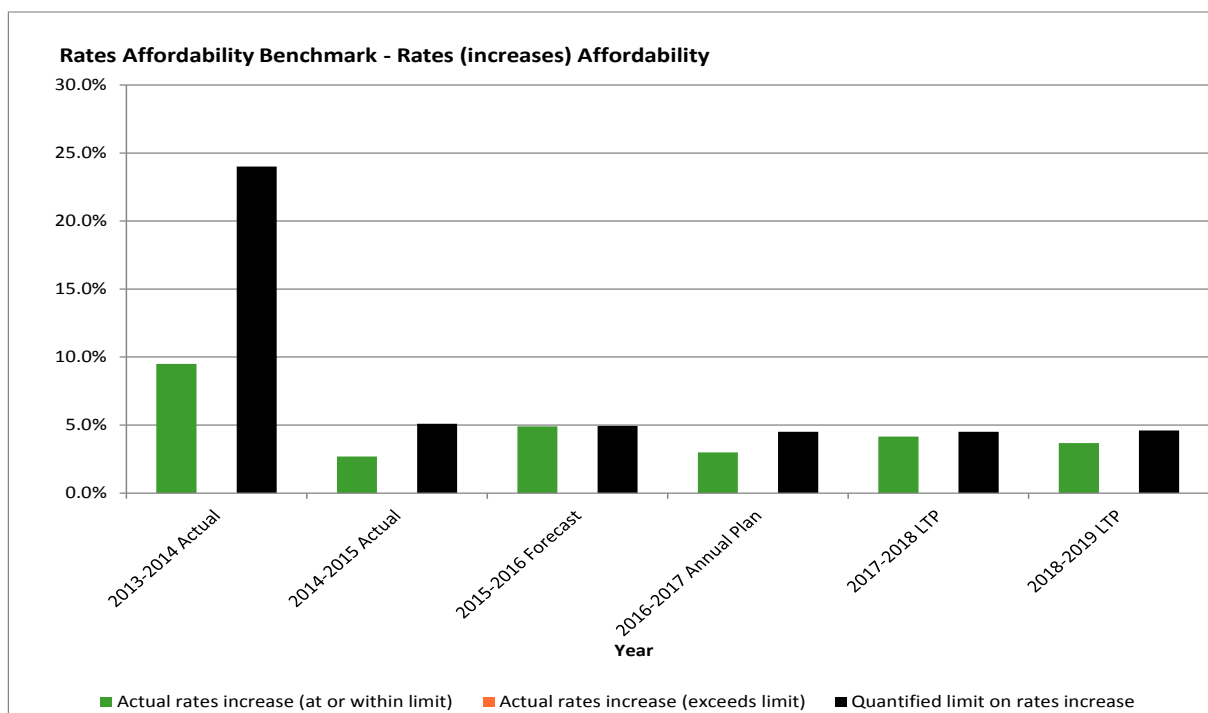
Rates (income) affordability

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



Rates (increases) affordability

The graph compares Council's actual rates increases with a quantified limit on rates increase included in the Financial Strategy included in Council's Long Term Plan.



Debt affordability benchmark

Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing stated in the Financial Strategy included in Council's Long Term Plan.

