

Kaipara te Oranganui

2017/2018

ANNUAL REPORT

SUMMARY



Kaipara te Orangakui • Two Oceans Two Harbours

For more information the full
Annual Report 2017/2018
is available on our website
www.kaipara.govt.nz

MAYOR'S FOREWORD



Kia ora

Exceptional times for Kaipara District Council make this Annual Report 2017/2018 a document the likes of which you'll never see again; after the longest local Council commission period in New Zealand's history this is the first normal Annual Report from a full year of an elected Kaipara District Council since 2011. The Kaipara Commissioners started in 2012 and concluded in late 2016, part-way into the 2016/2017 year.

So this Annual Report now marks a clear moment and a return to business-as-usual, though one highlighted with some very unusual and extraordinary events.

Three chief executives and two mayors in one year, in addition to a restructuring of the senior executive team, make 2017/2018 truly exceptional for its multiple leadership changes at the centre of Kaipara District Council. Rather than a period of damaging turbulence, paralysing instability or stuttering negativity, these changes have energised the organisation and successfully set it up for stability ahead.

Kaipara District Council arrived at 30 June 2018 in better shape than it had been for years having, among other achievements, completed its first Long Term Plan overseen by Elected Members and

New targets were set for Kaipara roads, Council's largest asset, with the highest capital works spend for six years.

A new, more stable and healthy time filled with all the abundant wellbeing promise of 'Kaipara te oranganui'.

adopted within statutory timeframes since 2009. Elected Members together in April selected a new Chief Executive to lead the Council forward, due to start in September 2018.

With full awareness of the deficiencies in our roading network, new targets were set for Kaipara roads, Council's largest asset, with the highest capital works spend for six years. We will continue to drive hard for a safe, efficient and resilient road network in Kaipara district. Our foundations are becoming stronger.

After nearly a decade of a rocking boat, it seems now that things are more plain sailing and rapidly progressing towards being shipshape. That's what you should see in the pages of this Annual Report 2017/2018 for Kaipara District Council. It charts the end of a turnaround in fortunes for Kaipara District Council. It also signals the start of a new, more stable and healthy time filled with all the abundant well-being promise of 'Kaipara te oranganui'. This is how you chart our fresh start.

Ngā mihi nui,

A handwritten signature in blue ink that reads "Jm-Smith".

Dr Jason Smith
Mayor

CHIEF EXECUTIVE'S OVERVIEW



The end of the 2017/2018 year for Kaipara District Council brought forth a cohesive and aligned direction for the future. New members to the senior leadership team, along with a new Mayor and the adoption of the Long Term Plan through to 2028 has afforded us the ability to keep Kaipara District on track and meeting the needs of our communities.

A highlight around our roads was achieving budgeted capital and operational spends on the network, and our success in maximising the uptake of the NZ Transport Agency's approved subsidy of 61% for the majority of Council's roading programme.

This year presented Council with a few opportunities such as the Aranga rock fall event involving an agile cross-departmental response from Council staff along with central government liaison, seeing the rock fall hazard removed and homeowners reinstated back into their homes in time for Christmas. This process took several months to work through and without the involvement and support of EQC, Civil Defence and Council's understanding of our residents and ratepayers, it would not have been completed as effectively and efficiently as it was with minimal disruption experienced.

Investment into IT and frontline customer service staff and technology was a focus in 2017/2018 that will improve efficiencies right across the business. While some of these changes aren't visual, as the business of Council becomes more and more digital we need to meet those step changes.

Council's debt position is lower than budgeted as a result of sticking to our plan and remaining resolute towards a goal of decreasing the debt level while maintaining our existing infrastructure.

This year was the third of the Long Term Plan 2015/2025 meaning it was also time to consult on our plan for 2018 to 2028, A Bright Future, the consultation document that fed into the decision making of the Long Term Plan for the Kaipara District. Our consultation document started out with a projected 5.45% average rates increase, which post consultation was worked down to an average increase of 4.97%. This adopted increase will set us in strong stead for the future.

Kaipara District Council has strived to meet community expectations and end the year in a positive position. Some of these changes can be seen in lifts in the quarterly residents' survey, some highlights below:

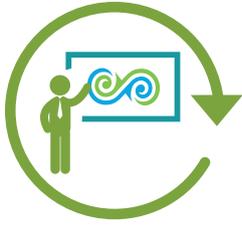
- An increase in residents' satisfaction on the previous year with local parks, sports fields and public conveniences, as well as the cleanliness and lack of litter and graffiti;
- Improved response times to service requests highlighting the improving communication both Council and our Contractors have with members of the public;
- Residents' perception of receiving value for money through Council Services with this result increasing by 66% on the result in the previous year's result; and
- The level of confidence in Council to plan for our future has increased by 20% compared to the previous year.

Internally there is a desire for improvement, to better our relationship with customers, and to provide the things our communities need to thrive. The change we have gone through in the last year has solidified our commitment to the district, and we look forward to the year ahead.

Acting Chief Executive

An aerial photograph of a coastal community. In the foreground, the water is a vibrant turquoise color, with several small boats scattered across it. A wide, sandy beach curves along the shoreline, where a cluster of colorful tents and small buildings is visible. The background features rolling hills covered in dense green forest, with a few bare hillsides visible in the distance under a clear blue sky. The text "Thriving Communities Working Together" is overlaid in the center of the image in a white, handwritten-style font.

• Thriving Communities
• Working Together



2017/2018

YEAR IN REVIEW

FINANCES AT GLANCE

We have improved in several ways since the start of the Long Term Plan 2015/2025, with 2017/2018 being the third year under this plan; we are pleased to report our debt has steadily reduced to what is considered an acceptable level for local government. Our continued prudent spending, receipt of development contributions and sale of property has enabled us to pay down debt to almost half of what it was at the beginning of the Long Term Plan in 2015. In the last year specifically we have seen a reduction from \$62 million to \$46 million, well below the \$58 million planned, with a positive flow-on in reducing interest costs and further improving the bottom line. This progress enables Council to catch up on projects that have been on hold and increases our confidence in embarking on new ones.

The district undertook its legislated revaluation of property in September 2017 and in November it was announced the

district had a 33.3% increase from its 2014 level of value with Kaipara now totalling \$5.0 billion. This growth in the property market is most likely attributed to the shift in population from Auckland to our towns and communities.

Under the Local Government financial reporting regulations in this annual report we have met our benchmarks that include rates increases and income affordability, debt affordability, a balanced budget, essential services provision and the control and servicing of our debt level. This kind of benchmark result combined with a 66% improvement in resident's perception of the value for money they are receiving through Council services is a great indication we are heading in the right direction.

RESPONDING TO GROWTH

Kaipara has had consistently high numbers of building development over the last three years which is showing no signs of slowing down. Specifically, in 2017/2018 there were 787 building consents issued and 339 new dwellings built. There is a growing trend to move north with the Northland region growing at 2.4% over the past year, just behind Auckland at 2.6% and among the highest in the country. This growth brings with it new challenges, but also new opportunities for Kaipara to develop.

Any population increase impacts how we provide services, where they are provided and how we plan for the future. A great deal of consideration and planning has been carried out to inform the Long Term Plan 2018/2028 (LTP) adopted in June 2018. A key decision made under the LTP is to undertake a comprehensive review of the District Plan

by allocating \$2.5 million in the first three years and \$4.82 million in the following seven years. A focus on growth areas as a priority will cater to new developments.

The Mangawhai Community Plan (MCP) is a fantastic example of Council and community collaborating to make things happen. The plan sets a vision for how Council and community can work together to facilitate and manage growth in the east, through infrastructure and planning. Mangawhai has been proactive in identifying their growth needs, consulting with the community and providing recommended options to Council. In the last year Council has investigated the community proposal, further resulting in formal consultation on options and decisions being reached on how to roll out a range of infrastructure builds and improvements.



CAPITAL WORKS HIGHLIGHTS

Capital works projects continued throughout the 2017/2018 year. The Roothing Team had a successful year spending \$21.6 million of the \$23.1 million budget. The weather provided some challenges and re-juggling of priorities resulting in resealing work delays, however 41 km of the network was completed and an increased focus on heavy metaling resulted in a really positive response from our communities.

A programme to upgrade pedestrian and vehicle category street lighting is on track with half of the work finished and the balance to be completed in 2018/2019. Funding of \$1.2 million dollars (85% from central government) has enabled Council to replace most of Kaipara's street lights with a more energy efficient alternative providing a clear bright light instead of the yellow glow from high pressure sodium lamps.

Other large capital projects included:

- A watermain renewal on Beach Road through to Baylys Coast Road to secure water supply for Dargaville and

Baylys Beach;

- Some wastewater reticulation extensions in various areas of Mangawhai, Maungaturoto and Dargaville completed;
- Stage Two of the irrigation extension to the Mangawhai Community Wastewater Scheme completed;
- New floodgates were installed during the year in the Raupo district;
- Stormwater Catchment Plans were designed for Mangawhai, along with construction designs for Quail Way Stormwater Improvements;
- Dargaville Placemaking, which is the new path from the rotunda to the wharf along Victoria Street; and
- Work on parks across the district from removing pest plants in Lincoln Street, Mangawhai, to picnic tables in Tinopai and installing shade sails at Selwyn Park.

COMMUNITY HIGHLIGHTS

In the last year we have enabled our communities with a variety of funding, project support and facilitation assistance.

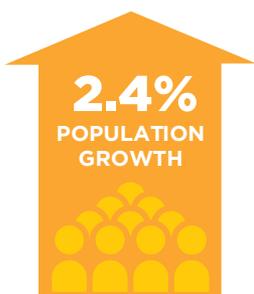
Over the last year we awarded:

- Community Grants to the value of \$59,040; and
- Mangawhai Endowment Lands Account Grants of \$129,940.

Along with facilitating access to Rural Sport Travel and Creative Communities funding.

The community team worked with the NZ Transport Agency and the community of Kaiwaka to improve their public spaces and provide safer pedestrian options as part of the Kaiwaka Improvement Plan.

There were meetings with groups to develop heritage walks, town signage along with enhancement of local recreation areas that included planting at a number of parks and open spaces.



ACTIVITY REPORT



49
projects
planned



120
performance
targets
measured



10
activity
groups



82
performance
measures
achieved

“Of the performance measures, 82 were achieved and 38 were not achieved. 20 projects were completed, and a further 14 progressed.”

PERFORMANCE MEASURES



■ Achieved ■ Not Achieved

PROJECTS



■ Completed ■ In Progress ■ Not Started ■ Deferred ■ Deleted

The table opposite provides a snapshot of target achievements at 30 June 2018. Council's activities are broken down into 10 groups that represent the different parts of Council's business.

Of the 122 performance measures 120 were calculated this year with two that were included in the Long Term Plan 2015/2025 not measured due to Council no longer being responsible for Rural Fire under the Emergency Management Activity. From 1 July 2017 Fire and Emergency New Zealand (FENZ) became responsible because of legislative changes that restructured fire services across the country.

The natural environment had a strong influence on Council's ability to meet infrastructure project timelines this year impacting performance for the roading team, where resealing of the sealed road network was impeded by weather. Council is working to minimise the impact these sorts of events will have in the future through various projects included in the work programme to improve stormwater, flood protection and roading networks.

SUMMARY TABLE OF ACTIVITY

ACTIVITY GROUP	PERFORMANCE MEASURES			PROJECTS				
	Achieved	Not Achieved	Not measured	Completed	In Progress	Not Started	Deferred	Deleted
Community Activities	14	4	-	<p>Activity groups manage a variety of projects across a year, however their size, and movement between business as usual and speciality projects means it can be hard to define the number of projects completed.</p> <p>You can find a list of work, funding awarded and other programmes of work for these activities in the full Annual Report.</p>				
Regulatory Management	9	11	-					
District Leadership	17	3	2					
The provision of Roads and Footpaths	4	5	-					
Water Supply	17	9	-	4	2	3	3	1
Sewerage and the Treatment and Disposal of Sewage	7	4	-	4	5	1	3	-
Solid Waste	2	2	-	-	2	-	-	-
Stormwater Drainage	8	-	-	4	-	-	-	-
Flood Protection and Control Works	4	-	-	3	-	-	3	-
Total	82	38	2	20	14	4	10	1

NB: Infrastructure based, capital expenditure projects often cross over financial years due to seasonal work availability, e.g. weather.

FINANCIAL OUTLINE

The following year-end financial results for Kaipara District Council are summarised from the full financial statements. The statements do not include all the disclosures provided in the full statements and cannot be expected to provide a complete understanding as provided in the Annual Report.

The table shows the financial year-end results as at 30 June 2018 and includes comparisons from the previous financial year and budget as outlined in the 2017/2018 Annual Plan.

The full report for the financial year to 30 June 2018 was authorised for issue by resolution of Kaipara District Council on 27 September 2018. The Annual Report Summary was issued by the Chief Executive on 5 November 2018.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest thousand. The information included in this summary has been prepared in accordance with PBE FRS 43 Summary Financial Statements. The full financial statements have been prepared in accordance with Tier 1 Public Benefit Entity accounting standards.

The Summary Annual Report has been audited for consistency with the full annual report and the audit opinion issued by Deloitte, on behalf of the Auditor-General, is included as part of this document. The full Annual Report received an unmodified Audit Report and was adopted by Council on 27 September 2018.

\$ NET ASSETS/ EQUITY



\$ TOTAL ASSETS



2017/2018 KEY METRICS

ACTUAL
\$'000
2017/2018

ANNUAL
PLAN
\$'000
2017/2018

ANNUAL
REPORT
\$'000
2016/2017

Comprehensive Revenue and Expense

Total Revenue	57,955	53,979	56,804
less Expenses	(44,281)	(42,575)	(41,416)
less Finance costs	(2,736)	(3,169)	(3,067)
Surplus/(deficit) for the period	10,938	8,235	12,321
Movement in Assets revaluation	12,982	14,922	6,255
Total comprehensive revenue and expense	23,920	23,157	18,577

Changes in Equity

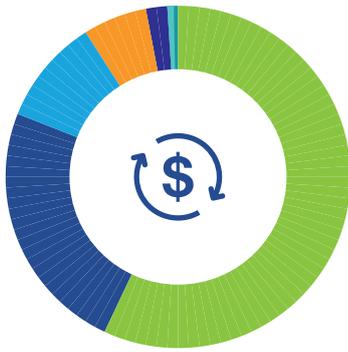
Equity at Start of Year	577,647	581,013	559,070
Total Comprehensive Income	23,920	23,157	18,577
Equity at the End of the Year	601,568	604,169	577,647

Financial Position

Current assets	13,504	11,207	19,195
Non current assets	656,750	672,746	640,081
Total Assets	670,254	683,953	659,276
Current liabilities	21,566	29,601	27,637
Non current liabilities	47,120	50,183	53,992
Total Liabilities	68,686	79,784	81,629
Net assets	601,568	604,169	577,647

Cash Flows

Operating Cash Flows	21,329	18,027	20,371
Investing Cash Flows	(13,435)	(19,978)	(12,948)
Financing Cash Flows	(16,127)	(3,832)	(2,834)
Net Cash Flow Increase/(Decrease)	(8,233)	(5,783)	4,589
Opening Cash Balance	11,874	6,366	7,285
Closing Cash Balance	3,641	583	11,874



REVENUE

A breakdown of where our revenue comes from

$$\begin{array}{rcl}
 \$33.4\text{m} & + & \$24.6\text{m} & = & \$58\text{m} \\
 \text{from rates} & & \text{other income} & & \text{TOTAL} \\
 & & & & \text{REVENUE}
 \end{array}$$



FINANCES AT A GLANCE



Operational Expenditure

Total expenses for the year (including finance costs) was \$45 million. A large portion of this is going to roading and transport services (\$16 million).

Overall operating expenditure (excluding finance costs) was marginally over budget.



Contingent Liabilities

A contingent liability represents future expenditure, which is dependent on an uncertain future event.

See overleaf for Kaipara's contingent liabilities.



Decreasing Debt

A positive result in debt reduction this year 21% ahead of what was planned. Debt reduced from \$62 million down to \$46 million.

Cash surplus, financial contributions and the sale of property all contributed to this positive result.



Cash Flow

Council's net cash flow was lower than anticipated by \$2.5 million in the Annual Plan.



Staff and Supplier

Operating costs related to staff and suppliers of Council was 3% less than what was set out in the Annual Plan.



LGFA Disclosure

Council is one of 45 local authority guarantors of the Local Government Funding Agency. When aggregated with the uncalled capital of other shareholders, \$20 million is available in the event that an imminent default is identified. Also, together with the other shareholders and guarantors, Council is a guarantor of all LGFA's borrowings. At 30 June 2018, LGFA had borrowings totalling \$8.3 billion (2017: \$7.9 billion).



Contingent Liabilities

Council has given a \$750,000 guarantee to Westpac Banking Corporation Ltd on loan advances to the Mangawhai Harbour Restoration Society. The purpose of the loan advance was to fund the Society's harbour restoration project. The Society funds the loan repayments from Council grants. Council has for many years and plans to continue to rate properties in the catchment area of the Mangawhai Harbour to fund the grants. The Society controls all of the activities of the restorations project.

In 1998 a \$108,000 letter of credit was issued in favour of the Northland Regional Council (NRC), being a performance bond in respect of the future capping of district landfills.

A \$45,000 guarantee to the Bank of New Zealand exists for Council credit card limits.

In respect of all of the above guarantees, Council has assessed the risk factor and any uncertainty at zero. Therefore, any question of reimbursement is not applicable.

RB & HE Rogan

The Court of Appeal upheld the Northland Regional Council (NRC) appeal in most respects, overturning the High Court decision and made an order validating the NRC rates for 2011/2012, 2012/2013 and 2013/2014 and the NRC penalty resolutions for the years 2011/2012, 2012/2013, 2014/2015 and 2015/2016. Kaipara District Council's penalty resolution for 2013/2014 was also confirmed as valid.

This has allowed Council to now pursue outstanding rates.

RB and HE Rogan

This case has been appealed by Rogan's to the Court of Appeal which is to be heard on 11 September 2018. Council does not consider this to be a material issue.

Building Weather tightness claims

Council has one potential claim which to date has not been lodged, however, may be at any time as Council is aware of a report commissioned by MBIE on the dwelling that identified the building as requiring a full re-clad. The value of this potential claim has been estimated in the report at \$250,000.

Other legal claims

Council has in progress a claim that has been lodged with the High Court for foundation failure. Council was originally named as the fifth of six defendants, however, the owners withdrew their claim against certain parties and now Council is the second of two defendants.

Council is in a strong position due to the admission of fault by the first defendant, a Chartered Professional Geotechnical Engineer upon which Council based its decision to issue the consent.

Community housing caveat

Council undertook the modernisation of 34 of its community housing units, the works programme being completed in March 2009. The programme was funded by the Housing New Zealand Corporation by way of an interest-free suspensory loan, conditional on the completion of the work, after which the liability ceased. A caveat remains, however, requiring Council to neither withdraw from providing community housing, nor significantly altering its investment in this joint-funded housing modernisation programme.

At this time Council does not expect to withdraw or significantly alter its investment in community housing. The total value of the interest-free suspensory loan is \$1,020,000 which was previously recognised as revenue.

Riskpool exposure

New Zealand Mutual Liability Riskpool (Riskpool) provides public liability and professional indemnity insurance for its members. Council is a member of Riskpool. The Trust Deed of Riskpool provides that if there is a shortfall (whereby claims exceed contributions of members and reinsurance recoveries) in any fund year, then the Board may make a call on members for that fund year. Council has no knowledge of any further calls.

Earthquake risk to buildings

Council is required, under the Building Act 2004 to have an earthquake-prone buildings policy. Under this policy Council is required to assess whether there is any risk to buildings in the Kaipara district. At this point Council has only just begun the task of evaluating buildings to determine if they may be earthquake-prone. The former Dargaville Municipal Building has been identified as having an earthquake risk and is defined as earthquake-prone under the building code New Building Standard (NBS). Assessments by qualified building engineers estimated structural repairs could cost up to a maximum of \$425,000. The chances of a moderate earthquake that would cause structural damage actually occurring in Dargaville are deemed to be a low risk.

Council is in the process of re-writing its EQPB policy as a result of the EQPB Amendment Act 2016. The policy will detail a strategy to identify EQPB's within Kaipara in accordance with the legal timeframes specified in the Act.



INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF KAIPARA DISTRICT COUNCIL'S SUMMARY ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2018

The summary annual report was derived from the annual report of the Kaipara District Council (the District Council) for the year ended 30 June 2018. We have considered whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report.

The annual report included full audited statements, and the summary annual report includes summary statements. We have audited the following summary statements reported in the summary annual report on pages 8 to 13:

- the summary Statement of Financial Position as at 30 June 2018;
- the summaries of the Statement of Comprehensive Revenue and Expense, Statement of Changes in Net Assets/Equity and Statement of Cash Flows for the year ended 30 June 2018;
- the Disclosures to the Summary Financial Statements; and
- the summary Statements of Service Performance of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 27 September 2018.

Opinion

In our opinion:

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

Basis of opinion

Our audit was carried out in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand), and in particular with the International Standard on Auditing (New Zealand) 810: *Engagements to Report on Summary Financial Statements*. These standards require us to carry out procedures to confirm whether the summary annual report contains the information necessary, and at an appropriate level of aggregation, so as not to be misleading.

The summary statements do not contain all the disclosures required for full audited statements under generally accepted accounting practice in New Zealand. Reading the summary statements, therefore, is not a substitute for reading the full audited statements in the annual report of the District Council.

Responsibilities of the Council and the Auditor

The Council is responsible for preparing the summary annual report so that it represents, fairly and consistently, the information regarding the major matters dealt with in the annual report. This includes preparing summary statements, in accordance with PBE FRS-43: *Summary Financial Statements*. The Council is also responsible for the publication of the summary annual report, whether in printed or electronic form.

We are responsible for expressing an opinion on whether the summary annual report represents, fairly and consistently, the information regarding the major matters dealt with in the annual report and whether the summary statements comply with PBE FRS 43: *Summary Financial Statements*.



Independence

We are independent of the District Council in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

In addition to our audit and our report on the disclosure requirements, we have carried out engagements in the areas of a limited assurance report pursuant to the District Council's Trust Deed, an audit of the District Council's maintenance of the Register of Stock, providing a whistle blower hotline service to Council and the audit of the 2018-28 long term plan, which are compatible with those independence requirements. Other than these engagements we have no relationship with or interests in the District Council.

A handwritten signature in black ink, appearing to be "PG", with a long horizontal stroke extending to the right.

Peter Gulliver
for Deloitte Limited

On behalf of the Auditor-General
Auckland, New Zealand
5th November 2018