



**Whangarei**  
District Council

**ANNUAL**

**REPORT**

**2021-22**

**SUMMARY**





# WHAT YOU'LL FIND INSIDE NGĀ MEA KEI ROTO

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This is a summary of Council's activities for the year 1 July 2021 to 30 June 2022. The information has been extracted from our 2021-22 Annual Report, which was adopted on 23 March 2023. It has been prepared in accordance with FRS-43: Summary Financial Statements.

This summary does not provide detailed information about our finances and service performance. This can be obtained from the Annual Report available on our website ([www.wdc.govt.nz](http://www.wdc.govt.nz)) or at any Council office. Audit NZ has audited the full financial statements and issued an unqualified report. This Summary has been examined by Audit NZ for consistency with the full Annual Report. This report was authorised for issue by Council resolution on 23 March 2023.

Vince Cocurullo  
Mayor

Simon Weston  
Chief Executive

23 March 2023



# MESSAGE FROM THE MAYOR AND CHIEF EXECUTIVE

This year our District, not to mention the nation, continued to deliver services and projects while adapting to COVID-19 implications, lockdowns, economic and logistical challenges.

The ways many of us carry out our functions had to change – probably enduringly, but we all still aimed to keep productivity and efficiency high.

Looking back, this was a year for addressing complex and controversial issues, completing long-awaited projects, starting new ones and planning the years to come. The opening of the Whau Valley Water Treatment Plant and Putahi Park were two significant highlights for Council and the community.

At a local level Waipu's new skatepark and activity zone was completed with significant input from the community, and locals enjoyed opening the completed Waipu River walkway on a fine day in June. Whangārei Heads Road users welcomed the redesign and sealing of the pull-over area at Tamaterau, and a new parking area and toilets were installed at Abbey Caves.

In the transport area our congestion relief work continued as we started building a second bridge (parallel to the existing one) on Port Road, spanning the Hāhā (Limeburners) Creek and laying the groundwork for a major intersection upgrade Port Rd / Kioreroa Rd intersection this coming year. Funded by MBIE, the improvements will provide two traffic lanes in each direction and a shared path extension.

Government's Three Waters Reform proposal was another topic of keen public interest. The proposal would see the District's water assets and services incorporated into an entity to control water from Auckland's southern boundary to Cape Reinga. Council took a strong stand against the reform, joining other lobbying councils campaigning as 'Communities 4 Local Democracy'. We also, along with other councils, challenged government in the High Court. A recent decision of the Court declined to make the formal declarations sought by the councils.

Work on our Climate Change adaptation as a region continued, bylaws were developed, reviewed and monitored, resource consents and building permits were issued and monitored, district and community developments and funding continued along with all the back-of-office work needed to run a well organised Council.

Within the 2021–22-year, history was made when Council appointed its first Council-Māori co-governance committee. The committee of Councillors and hapū representatives was given full delegation to set the strategic direction for and then to adopt the Whangārei Housing Strategy.

In March, we also were informed that we would have a new, District-wide Māori Ward with two Councillors in the 2022 elections. Achieving Māori representation through our ward structure followed years of work leading up to Council’s decision in November 2020 to introduce the wards.

This report is a reflection on the final year of the last term of the 2019-22 Council and we acknowledge the service of its Mayor and Councillors. We also pay tribute to those who left us during the October elections: Mayor Sheryl Mai, Deputy Mayor Greg Innes, Infrastructure Committee Chair Greg Martin, Strategy, Planning and Development Committee Chair Shelley Deeming, councillors Tricia Cutforth and Anna Murphy.

Thank you to everyone, the public, ratepayers, contractors, businesses, residents and staff for their contribution to making the District a great place.



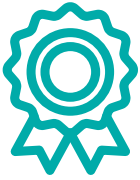
***His Worship the Mayor  
Vince Cocurullo***

A handwritten signature in black ink, appearing to read 'Vince Cocurullo', written over a white background.



***Chief Executive  
Simon Weston***

A handwritten signature in black ink, appearing to read 'Simon Weston', written over a white background.



# OUR ACHIEVEMENTS

- Operating surplus of \$59.5 million– \$19.4 million better than budget. This is mainly due to non cash accounting adjustments.
- 100% of financial targets achieved.
- S&P Global Ratings credit rating reaffirmed as AA+.
- 100% of targets were met in the Community Property, District Planning, Flood Protection, Resource Consents, Stormwater, Venues and Events, Democracy and Assurance and Strategy areas.
- Met 69% of our non-financial targets and service levels.
- 56% of residents satisfied or very satisfied with Council.\*

\*2022 resident satisfaction survey



**\$229.7 MILLION**  
REVENUE

**\$170.2 MILLION**  
EXPENSES

**\$59.5 MILLION**  
OPERATING SURPLUS

**\$160.1 MILLION**  
NET EXTERNAL DEBT

**\$87.1 MILLION**  
CAPITAL WORKS COMPLETED

**AA+**  
(NEGATIVE OUTLOOK)  
CREDIT RATING

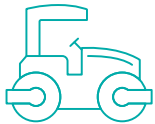
## KEY PROJECTS



### ***Improving our cycleway and shared path network***

The final stages of the Raumanga Shared Path, funded by the Ministry of Business, Innovation and Employment, were designed and constructed started. Planning was completed for the final stage of Kamo Shared Path, which will take the path right through to Kamo Village.

The world's first GiraGlob®, an art-covered interactive seating pod was installed on the Hātea Loop, near Bascule Park.



### ***Port Road bridge widening project***

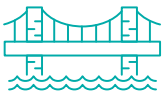
Significant progress was made in widening the Port Road Bridge over Hāhā (Limeburners Creek), which will minimise congestion in this increasingly busy part of the city.

The new bridge has a new shared walking and cycle path that provides safe access for pedestrians and cyclists accessing the port area. The project has also enabled Council to secure additional funding to construct an associated roundabout at the intersection of Port and Kioreroa Roads.



### ***Civic Centre***

Work continued on the new civic building on the old RSA site on Rust Ave. The building will provide a welcoming, inclusive and easily accessible customer experience for Whangārei residents and is due to open in early 2023.



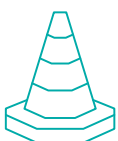
### ***Civic Precinct***

We planned landscaping improvements to the area surrounding the new Civic Centre (including around the Central Library, Old Library, and Lovers Lane) to ensure there is a cohesive civic precinct that connects the surrounding public spaces and facilities. Plans have been signed off to replace Lovers Lane Bridge, which connects Second Ave to the Civic Centre, Central Library and Rust Ave (which will link the Kamo and Raumanga Shared Paths) along with stormwater assets in the area.



### ***Funding for community***

Investment in community funding continued along with Community Led Project budgets in Tikipunga, Maungatapere, Raumaunga, Waipu and Onerahi.



### ***Ngunguru road safety improvements***

Work began installing three new, raised pedestrian crossings in the busy Ngunguru coastal area in time for the 2022-23 summer. The project included a raised crossing near the northern intersection of Kopipi Crescent, a raised zebra crossing by the shops and a raised crossing at the Shoebridge Crescent intersection.



## ***Skateparks and playgrounds***

We gathered feedback from the local community on what they'd like to see in the upcoming refresh of the Hikurangi skatepark, a new skatepark at Parua Bay and a new playground at Raumanga Valley Road. Funding was also allocated to a playground at Ōakura.



## ***Pohe Island development***

Many elements of the William Fraser Memorial Park on Pohe Island Master Plan were delivered. The old BMX track on Pohe Island was sealed and reopened as an easy bike, skate and scooter track. New/upgraded facilities included the 800m circuit track, pump track and the Bike Park building, which can be booked for events and includes lighting, power and toilets. Building advanced on the Pohe Island destination playground which is due to be completed at the end of 2022.



## ***Sportsfields***

We continued working with the Ministry of Education to develop a community sportsfield at Parua Bay. Work also progressed on plans for two new fields at Ruakākā and providing further support to the Tikipunga Football Hub.



## ***Rugby World Cup 2021***

Preparation was made for Whangārei and Auckland to co-host the Rugby World Cup 2021. To prepare for the event, improvements were made to the Northland Events Centre pitch and new \$3.38 million lights that meet international broadcasting standards were installed along with a new 46m<sup>2</sup> screen, a new scoreboard and sound system. Cobham carpark had a full upgrade with new pedestrian connections and landscaping.



## ***Pūtahi park***

The long-planned and eagerly awaited, \$5.2 million Pūtahi Park, featuring lawns, play equipment, a new boardwalk, tiered seating and a water park opened in March and proved an instant hit with families. A new mural by Flox was created next to the new boardwalk, facing the Hātea River.



## ***City centre revitalisation***

The first of a series of inner-city revitalisation projects included a tactical urbanism project on Vine Street to improve pedestrian flows to and from the bus station into the City Centre, and changes to John and Dent Streets to improve connections to the Town Basin.



## ***Visitor destinations***

Funding from the Tourism Infrastructure Fund enabled a new carpark and toilets to be built at Abbey Caves.

In partnership with Te Whānau a Rangiwhakaahu hapū, sand replenishment and other improvement works were completed at Matapōuri Beach, and plans were made for more work in the coming year.

The pull-in bay by Tamaterau Beach was sealed and made safer with water quality treatment, landscaping improvements, and new artworks adorning the bus shelter. Further upgrades to the beach and hall carpark are planned.

At Quarry Gardens the stream erosion suffered during a large flood event was fixed, in preparation for carpark and access upgrades.



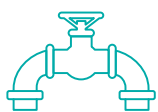
## ***Walkways and tracks***

The Tikipunga walkway was extended from Tikipunga Sports Park to Vinegar Hill and Gillingham Rd to Totara Parklands, extending the 56km of Council's walking tracks, and increasing low-cost opportunities for residents to enjoy nature and healthy activity.



## ***Three waters stimulus fund***

With \$11.78 million of funding from the Department of Internal Affairs, many extra three waters projects were delivered or brought forward to provide increased resilience during droughts. A second stage of works at Whau Valley Water Treatment Plant was completed. Design advanced on the Poroti Water Treatment Plant upgrades. Watermain renewals were completed at Kamo Rd, Rewarewa Rd, Whareora Rd and along SH1 between Portland and Maungakaramea Roads. New water filling points were constructed at Ruakākā, Kauri, and Maungatapere, while the Whangārei filling point was upgraded. Wastewater treatment plants at Ngunguru, Ōakura and Hikurangi were upgraded to improve discharge quality.



## ***Stormwater***

This year we invested \$1.1 million on stormwater lines and manhole renewals to help meet the challenges of climate change and to improve water quality.



## ***Drinking water***

The new \$30 million Whau Valley Water Treatment Plant was completed and commissioned, enhancing Whangārei City's main water supply for future decades.

A two-year project to upgrade the controls of all treatment plants and pump stations was also completed in 2022. The upgraded SCADA (Supervisory Control and Data Acquisition) system provided better control and monitoring of our treatment systems as required to meet enhanced drinking water standards and rules.





## ***Wastewater***

At Ruakākā wastewater treatment plant two oxidation ponds were reconfigured and new aerators were installed to increase treatment capacity. A new inlet screen and aerator were fitted at the Ngunguru wastewater treatment plant, efforts were made to reduce ammonia levels and a technology review of current plant and future treatment and capacity options was completed.

At the Hikurangi plant a new inlet screen was installed along with new “curtains” to reduce short-circuiting in the aeration basin. Filtration plant membrane failures were investigated.

The resource consent renewal application for the Kioreroa Road wastewater treatment plant was lodged with the Northland Regional Council in December 2021.

One Tree Point’s Pump Station was upgraded, the 4.5 km long Ruakākā rising main renewal was designed and tendered and work began. CCTV Investigations were completed in the Heretaunga catchment with mains upgrades completed along Heretaunga Drive, providing more capacity. At Waipu the rising main between the river and the plant inlet works was renewed.



## ***Airport location study***

Council agreed that factors outside its control could put domestic passenger services at the existing Onerahi Airport at risk in future, and that the best way to provide certainty for the District was to protect a suitable new site for a future airport, if needed.

In August 2022, Council confirmed that it will further investigate Site 9 at Ruatangata, near Kokopu Road, as its preferred location for a future Whangārei District airport.



## ***Animal bylaw updates***

Changes were introduced to ensure cats in Whangārei District must now be microchipped and desexed as part of changes to our Animals Bylaw. The change comes as a response to requests from the community and animal and wildlife groups over several years.



## ***New animal shelter***

Council has approved funding and entered into an agreement with a local supplier for the construction of a new animal shelter (dog pound) at a new site on Kioreroa Road. This new facility will replace our existing dog pound, which is ageing and often at capacity. Once completed this facility will offer increased capacity for dogs and smaller farm animals in a modern and animal welfare compliant environment.



### ***First region-wide climate adaptation strategy adopted***

Te Tai Tokerau councils celebrated a unique milestone in April after the adoption of New Zealand's first region-wide climate adaptation strategy.

The Te Tai Tokerau Climate Adaptation Strategy was developed by Climate Adaptation Te Tai Tokerau (CATT), a joint council working group, under the governance of the Joint Climate Change Adaptation Committee. The Strategy was formally adopted in April by the Northland Regional Council, Whangarei District Council, Kaipara District Council and Far North District Council, in a move that will allow the alignment of climate adaptation work across Northland.



### ***Online customer requests***

Council has upgraded our customer request system, allowing customers to report issues 24/7 on any device and provides increased management and scheduling of requests with automatic notifications.

Over 56,000 requests were logged after the system was introduced in October 2021, and we are now able to easily view and filter all requests by group, department, category etc. This gives us clear visibility of problem areas, and of teams that are performing well. We have plans for further improvements and increased functionality under phase 2 of this project.



### ***Building consents applications online***

To meet legislative requirements and enable internal and external management of building consents online, the Objective Alpha One project was initiated and went live in September 2021. The goals for this project were to capture consent data to allow for easier reporting and management of building consents. The system also needed to be easy enough for external customers to use as a self-service product without any training. Alpha One provided this and is a software tool used by many councils throughout New Zealand. The second phase of this project allowing full integration with our records has started.



### ***Telephony as a service***

We replaced an end of life, traditional PABX telephone system which (because of its age) posed a security risk. The team migrated critical areas dependent on the old system to the new telephony platform within three months. We modernised our way of working by moving to the Cloud, allowing Customers Services staff to work efficiently and effectively whether at their desk, away from their desk or out of the office. The project was delivered successfully within the deadline and met all deliverables with minimal disruption to the business.



# MEETING OUR TARGETS

## WE'VE ACHIEVED ALL OF OUR FINANCIAL TARGETS

Targets	Result
Achieve a balanced budget	✓
Limit rates revenue (excluding water) to maximum of 70% of total revenue	✓
External net debt no higher than 175% of total revenue	✓

## 69% OF NON-FINANCIAL TARGETS MET COMPARED WITH 68% LAST YEAR

49 of 71 non-financial targets were met and 100% of the targets were measured.

Performance improved or stayed the same for 54% of measures over the course of the year, compared to 66% last year and 48% in the 2019-2020 year.

Community Property, District Planning, Flood Protection, Resource Consents, Stormwater, Strategy, Venues & Events and Democracy and Assurance all achieved 100% of their annual targets.

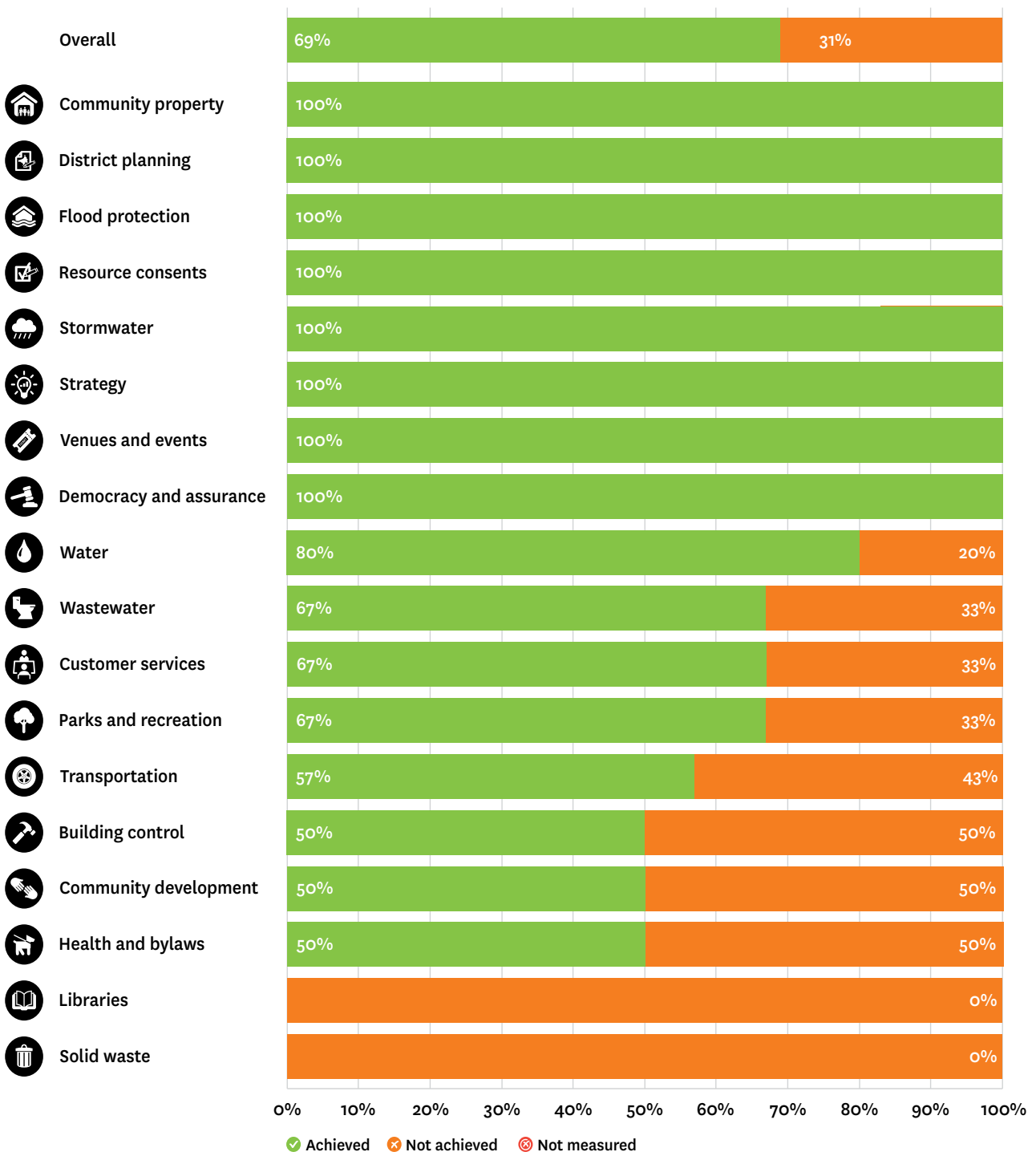
Only six activity groups achieved lower results than last year.

Residents identified transportation, promoting the District, tourism and economic development, and solid waste as the three most important forward planning priorities.



# HIGHLIGHTS FROM THE ANNUAL REPORT

## OVERALL SERVICE PERFORMANCE

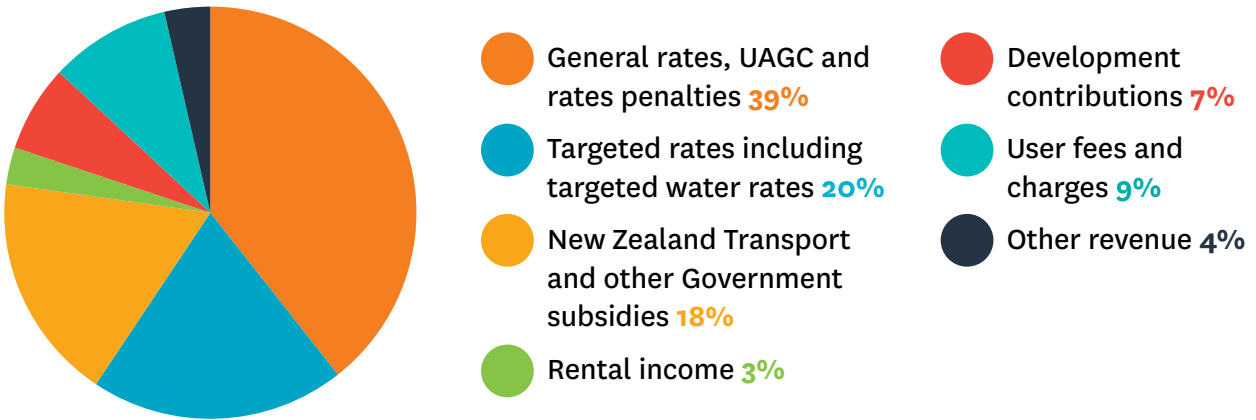


# OUR FINANCES

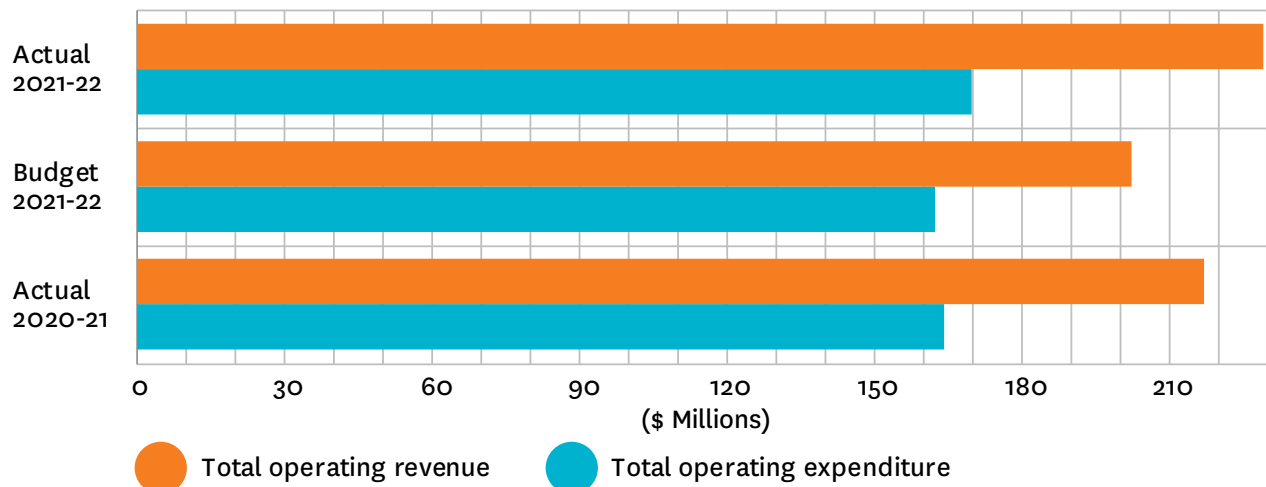
Council uses funding through rates, user fees and government subsidies, to provide day-to-day services, maintain our assets and build new ones to cater for the current and future needs of our community.

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

## Where the money came from

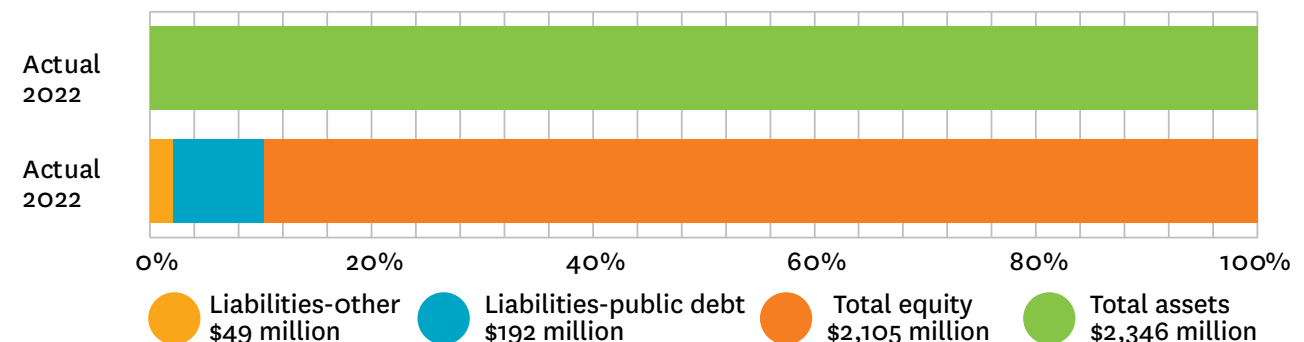


## Balancing the budget



## What we own – what we owe

### TOTAL ASSETS, LIABILITY & EQUITY



## How the money was spent on activities

### OPERATIONAL EXPENDITURE

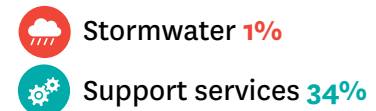
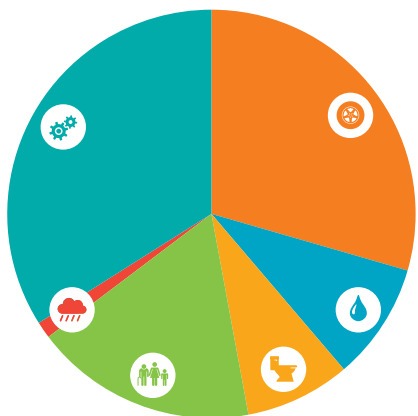
#### Funding our day-to-day operations



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

### CAPITAL EXPENDITURE

#### Building or replacing our assets

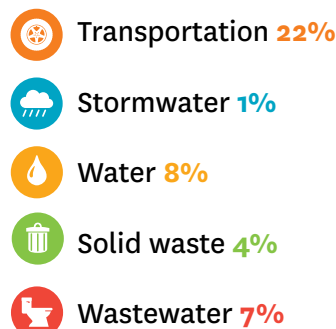
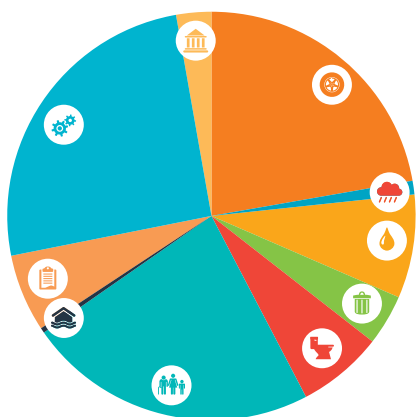


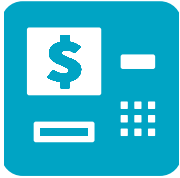
Although Planning and Regulatory and Governance and Strategy had a small amount of capital expenditure, it represented less than 1% of total capital expenditure and does not appear on the above graph due to rounding. Solid Waste and Flood Protection had no capital expenditure.

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

### TOTAL EXPENDITURE

#### Operational expenditure + capital expenditure





# SUMMARY FINANCIAL STATEMENTS

## SUMMARY STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE

<i>For the year ended 30 June 2022</i>	\$000				
	Council			Group	
	Actual 2022	Budget 2022	Actual 2021	Actual 2022	Actual 2021
<b>Revenue</b>					
Rates	<b>111,203</b>	111,033	102,372	<b>111,203</b>	102,372
Other revenue	<b>116,593</b>	91,776	113,883	<b>120,760</b>	124,652
Share of profit/(loss) from joint ventures	<b>1,855</b>	-	1,348	<b>1,870</b>	1,392
<b>Total income</b>	<b>229,651</b>	<b>202,809</b>	<b>217,603</b>	<b>233,833</b>	<b>228,416</b>
<b>Expenses</b>					
Finance costs	<b>5,671</b>	5,588	4,981	<b>5,671</b>	4,981
Other expenses	<b>164,518</b>	157,142	159,571	<b>167,216</b>	160,239
<b>Total operating expenditure</b>	<b>170,189</b>	<b>162,730</b>	<b>164,552</b>	<b>172,887</b>	<b>165,220</b>
<b>Operating (surplus) / deficit before taxation</b>	<b>59,462</b>	<b>40,079</b>	<b>53,051</b>	<b>60,946</b>	<b>63,196</b>
Taxation charge	-	-	-	<b>(137)</b>	(16)
<b>Operating (surplus) / deficit after taxation</b>	<b>59,462</b>	<b>40,079</b>	<b>53,051</b>	<b>61,083</b>	<b>63,212</b>
Gain/(Loss) on infrastructure asset revaluation	<b>290,073</b>	78,595	7,231	<b>290,073</b>	7,231
Gain/(Loss) on other asset revaluations	<b>20,316</b>	-	385	<b>20,316</b>	385
<b>Total comprehensive income</b>	<b>369,851</b>	<b>118,674</b>	<b>60,667</b>	<b>371,472</b>	<b>70,828</b>

## SUMMARY STATEMENT OF CHANGES IN EQUITY

<i>For the year ended 30 June 2022</i>	\$000				
	Council			Group	
	Actual 2022	Budget 2022	Actual 2021	Actual 2022	Actual 2021
Opening balance as at 1 July 2021	<b>1,735,613</b>	1,718,363	1,674,946	<b>1,767,823</b>	1,696,995
Total comprehensive revenue and expense	<b>369,851</b>	118,674	60,667	<b>371,472</b>	70,828
<b>Total recognised equity as at 30 June 2022</b>	<b>2,105,464</b>	<b>1,837,037</b>	<b>1,735,613</b>	<b>2,139,295</b>	<b>1,767,823</b>

## SUMMARY STATEMENT OF FINANCIAL POSITION

<i>For the year ended 30 June 2022</i>	\$000				
	Council			Group	
	Actual 2022	Budget 2022	Actual 2021	Actual 2022	Actual 2021
<b>Assets</b>					
Total current assets	<b>62,493</b>	49,062	44,930	<b>66,544</b>	50,084
Total non-current assets	<b>2,283,965</b>	2,050,774	1,915,059	<b>2,315,390</b>	1,944,027
<b>Total assets</b>	<b>2,346,458</b>	<b>2,099,836</b>	<b>1,959,989</b>	<b>2,381,934</b>	<b>1,994,111</b>
<b>Liabilities</b>					
Total current liabilities	<b>76,577</b>	61,913	68,249	<b>77,640</b>	69,442
Total non-current liabilities	<b>164,417</b>	200,886	156,127	<b>164,999</b>	156,846
<b>Total liabilities</b>	<b>240,994</b>	<b>262,799</b>	<b>224,376</b>	<b>242,639</b>	<b>226,288</b>
<b>Total equity</b>	<b>2,105,464</b>	<b>1,837,037</b>	<b>1,735,613</b>	<b>2,139,295</b>	<b>1,767,823</b>

## STATEMENT OF COMPLIANCE

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

### *Audit completed late*

The Whangarei District Council was required under section 98(4) of the Local Government Act 2002 to complete its audited financial statements and service performance information by 31 December 2022. This timeframe was not met because Audit New Zealand was unable to complete the audit within this timeframe due to an auditor shortage and the consequential effects of COVID-19.



## DEBT SUMMARY

As at 30 June 2022	\$'000				
	Council			Group	
	Actual 2022	Budget 2022	Actual 2021	Actual 2022	Actual 2021
Public debt - current portion	30,000	30,000	30,000	30,000	30,000
Public debt - term portion	162,000	179,000	142,000	162,000	142,000
<b>Total debt</b>	<b>192,000</b>	<b>209,000</b>	<b>172,000</b>	<b>192,000</b>	<b>172,000</b>

## SUMMARY CASH FLOW STATEMENT

For the year ended 30 June 2022	\$'000				
	Council			Group	
	Actual 2022	Budget 2022	Actual 2021	Actual 2022	Actual 2021
Net cash from operating activities	67,975	73,081	75,359	69,062	85,573
Net cash used in investment activities	(83,199)	(110,821)	(104,508)	(86,672)	(112,508)
Net cash used in financing activities	20,171	37,000	20,090	20,171	20,090
<b>Net increase / (decrease) in cash and cash equivalents for the year</b>	<b>4,947</b>	<b>(740)</b>	<b>(9,059)</b>	<b>2,561</b>	<b>(6,845)</b>
Cash and cash equivalents at the beginning of the year	27,001	27,305	36,060	32,075	38,920
<b>Total cash and cash equivalents at the end of the year</b>	<b>31,948</b>	<b>26,565</b>	<b>27,001</b>	<b>34,636</b>	<b>32,075</b>

## EVENTS AFTER BALANCE DATE

### Three Waters Reform

The New Zealand Government is implementing a water services reform that is intended to ensure all New Zealanders have safe, clean and affordable water services. This will be achieved by establishing four publicly owned water services entities to take on the delivery of drinking water, wastewater and stormwater services across New Zealand from 1 July 2024.

The reform will be enacted by three pieces of legislation:

- The Water Services Entities Act 2022: this contains the water entities' ownership, governance and accountability arrangements. This act received royal assent on 14 December 2022.
- The Water Services Legislation Bill: this provides water services entities with the necessary legislative functions, responsibilities, and powers to be fully operational from the 'go live' date on 1 July 2024. This is currently at select committee stage and was open for public submissions until 12 February 2023.
- Water Services Economic Efficiency and Consumer Protection Bill: this will provide the economic regulation and consumer protection framework for water services. It is also currently at select committee stage and was open for public submissions until 12 February 2023.

The impact of this reform will mean that Whangarei District Council will no longer deliver three waters services or own the assets required to deliver these services. Until the above bills receive royal assent, the financial impact of the transfer on Whangarei District Council remains uncertain.

### ***Three Waters Reform – Legal Action***

In November 2021, Council resolved to join the multi council campaign to convince the Government to alter its intention to proceed with legislation that will compel councils to transfer their Three Waters assets into the ownership and/or operational control of another legal entity without the agreement of an affected council to that transfer.

Timaru, Waimakariri and Whangarei District Councils filed proceedings in the High Court seeking declarations on ownership and property rights in relation to Three Waters assets. In February 2023 the High Court released its decision declining to make the declarations sought.

### ***COVID-19***

Our District continues to be impacted by COVID-19 but not significantly. Council anticipates potential issues with supply chain, cost escalations, and delays to project delivery over the coming year. The post 30 June 2022 changes in the COVID-19 alert levels had no impact on the financial statements for the year ended 30 June 2022.

### ***Interest Rate Swap Valuations***

At 30 June 2022, the Official Cash Rate (OCR) was at 2%, since then the OCR has increased to 4.75% in February 2023 with further increases expected. This has resulted in a change in the interest rate swap fair values from what was disclosed as at 30 June 2022.

The value of interest rate swaps has increased by \$5.1 million from \$5.3 million to \$10.4 million since the reporting date based on a valuation as at 28 February 2023.

### ***Hatea Art Precinct Trust (HAPT)***

COVID-19 has continued to impact on visitor numbers to the HAC-WMAG. International visitors, who are expected to make up a significant percentage of ticket sales, were not allowed to enter New Zealand until the end of July 2022. International visitor numbers are expected to increase gradually, although the pandemic continues to add uncertainty to the operating environment.

The underwrite arrangement with Westpac has been withdrawn by Westpac due to substantially changed trading conditions resulting from the COVID-19 pandemic. HAPT holds \$1.25 million in funds which was to provide the bond for the guarantee. A first guarantor to replace Westpac is being sought, with Council input. The second underwrite agreement for \$750 thousand, with the Ngatiwai Trust Board as guarantor, remains in place.

### ***Cyclone Gabrielle***

The North Island of New Zealand was impacted by Cyclone Gabrielle in February 2023. This significant weather event caused widespread damage to our region. The recovery costs will be substantial, however it will take some time to quantify these. Costs will include spend on the Emergency Operations Centre, recovery work, waste removal costs, and costs to repair and renew damaged assets. Council may need to reprioritise its capital programme in order to repair storm damaged assets.

Council will recover some of this cost from insurance. Certain emergency management costs are reimbursable by central government agencies, and transport related emergency works will be subsidised by Waka Kotahi New Transport Agency.

A Mayoral Relief Fund has been activated to support the Whangarei District in response to Cyclone Gabrielle.

# VARIANCE EXPLANATIONS

	\$'000		
Key financial information	Actual 2022	Budget 2022	Comments
<b>Statement of comprehensive revenue and expense</b>			
Total revenue	229,651	202,809	<p>Total revenue was higher than budget by \$26.8 million:</p> <ul style="list-style-type: none"> <li>• development contributions were \$5.6 million higher than budget, reflective of the continuing growth in the region and the recovery from COVID-19.</li> <li>• subsidies and grants were \$15.7 million lower than budget due to less subsidies received from the following: \$8.6 million less from Waka Kotahi NZTA re roading projects. \$0.7 million less from the Ministry of Health re Three Waters, \$5.2 million less from Crown Infrastructure Partners re shovel ready projects, and \$1.2 million less from Tourism Infrastructure Partners and other grants.</li> <li>• fees and charges revenue were \$1.5 million higher than budget due to COVID-19 not impacting Council's level of services as expected.</li> <li>• vested asset income was higher than budget by \$6.8 million due to the conservative nature of the budget and reflective of continued growth.</li> <li>• an unbudgeted investment property revaluation gain of \$9.0 million was due to the rapid increase of investment property values over the previous year.</li> <li>• an unbudgeted gain on derivatives of \$18.3 million due to rising interest rates.</li> <li>• an unbudgeted gain from share of joint venture profits of \$1.9 million.</li> </ul>
Total expenses	170,189	162,730	<p>Total operating expenses were higher than budget by \$7.5 million:</p> <ul style="list-style-type: none"> <li>• personnel costs were \$1.2 million lower than budget due to staff vacancies.</li> <li>• depreciation and amortisation was \$1.3 million higher than budget due to the roading revaluation increase being higher than budgeted. Because roading is revalued annually, the valuation impacts on the depreciation for the current year. This was partially offset by amortisation being less than budget due to the reclassification of a SaaS (software as a service) agreement.</li> <li>• unbudgeted losses on disposal of other assets of \$8.0 million which are not budgeted due to the uncertainty regarding timing of asset disposals. The main items being the disposal of the Whau Valley Treatment plant \$4.2 million and Roothing disposals of \$1.9 million.</li> </ul>
Surplus/ (deficit)	59,462	40,079	

\$'000

Key financial information	Actual 2022	Budget 2022	Comments
<b>Statement of financial position</b>			
Total assets	2,346,458	2,099,836	<p>Total assets are higher than budget by \$246.6 million:</p> <ul style="list-style-type: none"> <li>• cash and cash equivalents are \$5.4 million above budget.</li> <li>• debtors and receivables are \$7.5 million above budget due to a \$5.7 million insurance claim re damages awarded against Council.</li> <li>• derivative financial instruments are \$6.0 million above budget due to unrealised revaluation gains.</li> <li>• intangible assets are \$3.2 million below budget due to a prior period reclassification of a Software as a Service (SaaS) arrangement that is now classified as a prepayment.</li> <li>• prepayments are \$2.9 million above budget due to a prior period reclassification of a Software as a Service (SaaS) arrangement that is now classified as a prepayment not an intangible asset.</li> </ul> <p>Property, plant and equipment is \$207.3 million above budget:</p> <ul style="list-style-type: none"> <li>• This is due to much higher than budgeted revaluation increases for roading and infrastructure assets. This variance has been partially offset by capital projects not completed and carried forward into future years.</li> <li>• Investment properties are \$19.0 million above budget. In accordance with our significant forecasting assumptions, due to the inherent difficulties Council does not budget for valuation increases. The opening position was also higher than budgeted as a result of the 2021 valuation increase.</li> </ul>
Total liabilities	240,994	262,799	<p>Total liabilities are lower than budget by \$21.8 million:</p> <ul style="list-style-type: none"> <li>• payables and deferred revenue are \$8.6 million higher than budget mainly due to an \$8.4 million variance in the actual opening balance to what was assumed when preparing the 2021-31 Long Term Plan.</li> <li>• derivative financial instruments are \$20.2 million under budget due to unrealised revaluation gains.</li> <li>• borrowings are \$17.0 million under budget due to less new borrowing required than budgeted.</li> <li>• provisions are \$5.9 million higher than budget due to a \$5.7 million civil claim against Council.</li> </ul>
Net assets	2,105,464	1,837,037	

\$'000

Key financial information	Actual 2022	Budget 2022	Comments
<b>Cash flow statement</b>			
Net cash flows from operating activities	67,975	73,081	<p>Net cash flows from operating activities was lower than budget by \$5.1 million:</p> <ul style="list-style-type: none"> <li>• other revenue including development contributions were higher than budget by \$6.2 million reflective of the continuing growth in the region and the recovery from COVID-19.</li> <li>• rates received were higher than budget by \$0.9 million</li> <li>• subsidies and grants were \$15.7 million lower than budget due to less subsidies received from the following: \$8.6 million less from Waka Kotahi NZTA re roading projects, \$0.7 million less from the Ministry of Health re Three Waters, \$5.2 million less from Crown Infrastructure Partners re shovel ready projects, and \$1.2 million less from Tourism Infrastructure Partners and other grants, \$5.9 million is the difference in the balance sheet movement made up of \$2.6 million Revenue in advance not budgeted, NZTA accrual \$0.5 million not budgeted and other receivables \$2.8 million.</li> <li>• payments to suppliers and employees were \$9.2 million lower than budget due to a decrease in employee costs, professional services, contractors and consultants.</li> </ul>
Net cash flows from investing activities	(83,199)	(110,821)	<p>Net cash flows from investing activities was lower than budget by \$27.6 million:</p> <ul style="list-style-type: none"> <li>• This is due to capital projects not completed that will be carried forward to future years.</li> <li>• proceeds from sale of fixed assets were higher than budget by \$1.4 million due to the sale of properties and other assets.</li> <li>• net receipts from investments and loans was higher than budget by \$0.8 million due to distributions from Joint Ventures.</li> </ul>
Net cash flows from financing activities	20,171	37,000	<p>Net cash flows from financing activities was lower than budget by \$16.8 million.</p> <ul style="list-style-type: none"> <li>• net proceeds from borrowings were \$17.0 million lower than budget due to the shortfall in the purchase and development of fixed assets.</li> </ul>
Net (decrease)/increase in cash, cash equivalents, and bank overdrafts	4,947	(740)	

# INDEPENDENT AUDITOR'S REPORT

## TO THE READERS OF WHANGAREI DISTRICT COUNCIL AND GROUP'S SUMMARY OF THE ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2022

The summary of the annual report was derived from the annual report of the Whangarei District Council and group (the District Council) for the year ended 30 June 2022.

The summary of the annual report comprises the following information on page 12 and pages 15 to 21:

- the summary statement of financial position as at 30 June 2022;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and cash flow statement for the year ended 30 June 2022;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the overall service performance overview.

### OPINION

In our opinion:

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

### SUMMARY OF THE ANNUAL REPORT

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

The summary of the annual report does not reflect the effects of events that occurred subsequent to the date of our auditor's report on the full annual report.

### THE FULL ANNUAL REPORT AND OUR AUDIT REPORT THEREON

We expressed an unmodified audit opinion on the information we audited in the full annual report for the year ended 30 June 2022 in our auditor's report dated 23 March 2023.

Our auditor's report on the full annual report also includes emphasis of matter paragraphs drawing attention to the following disclosures.

### ***Uncertainty over the financial impact of three waters reform***

The Water Services Entities Act 2022 received royal assent on 14 December 2022. The Act establishes four publicly owned water services entities to take over responsibilities for three waters service delivery and infrastructure from local authorities from 1 July 2024, or earlier by Order in Council. In December 2022, the Government introduced two additional water services Bills, one of which will enable the transfer of three waters related assets and liabilities to the water services entities. Until the Bills receive royal assent, the financial impact of the transfer on the District Council remains uncertain. This matter is disclosed in the Events After Balance Date section of the summary financial statements.

### ***Extent of damage from extreme weather events is yet to be determined***

The extreme weather events, which occurred after 30 June 2022 in the Northland region, caused significant damage to the District Council's assets. The financial impact of the damage is yet to be determined, but the Council expects these costs to be substantial. The Council expects to recover some of the costs through insurance and from central government agencies. This matter is disclosed in the Events After Balance Date section of the summary financial statements.

### ***Our audit was completed late***

Our auditor's report on the full annual report also includes a paragraph acknowledging that our audit was completed later than required by section 98(7) of the Local Government Act 2002. This was due to an auditor shortage in New Zealand and the consequential effects of Covid-19, including lockdowns.

## **COUNCIL'S RESPONSIBILITY FOR THE SUMMARY OF THE ANNUAL REPORT**

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

## **AUDITOR'S RESPONSIBILITY**

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

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

Other than in our capacity as auditor, we have no relationship with, or interests in the District Council or its subsidiaries and controlled entities.

Carl Wessels,  
Audit New Zealand  
On behalf of the Auditor-General  
Auckland, New Zealand  
23 March 2023



AUDIT NEW ZEALAND  
Mana Arotake Aotearoa



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