



## WHAKATĀNE DISTRICT COUNCIL

# » Annual Report Summary «

## Rīpoata-Whakarāpopoto-ā-tau 2015/16

### Message From Marty - Chief Executive

*Nau mai, haere mai; ki tēnei tuituinga o te Pūrongo-Whakatātai-Pūtea - 2015 / 2016 - a te Kaunihera o Whakatāne. He mea whakaatu i ngā mahi hiringa, me ngā tūtukitanga, i roto i te tau kua pahure nei. I roto i tēnei tau kei runga noa atu te tiaki pai a te Kaunihera i ngā pūtea, tōna whakarite, me tōna whakatinana, i wētahi taunga mahi whakahirahira, otirā, kia piki ai ki runga te papai o ngā ratonga me ngā rawa e tohainatia ana ki te hāpori.*

Welcome to the Summary of the Whakatāne District Council Annual Report for the 2015/16 financial year. This document gives an overview of the Council's performance and achievements over 2015/16. The year saw us manage our finances responsibly, plan and progress some important projects, and continue to improve the essential services and facilities we deliver to our community.

For the fourth year in a row, we have finished the financial year with a rating surplus, confirming that we are setting our rates accurately and prudently managing our finances. We spent \$16.2 million on capital projects in 2015/16, and a main focus was upgrading our infrastructure to address flooding issues and increase community resilience. We achieved 83% of the 93 performance measures we set for the year, and the annual

community satisfaction survey showed that the overall perception of Council's performance has improved for the third year in a row. Through the survey, the community told us they wanted to see more spending on business, events, and tourism promotion, more effort to attract and retain residents, and improving our harbour facilities. These will continue to be areas of focus for Council in the future.

Looking forward, planned changes will enhance the organisation's ability to manage and deliver large capital projects; encourage and capitalise on growing tourism numbers; respond to the buoyant housing and development market; and improve our drinking water supply and standards. We will continue to create opportunities for residents, businesses and visitors to enjoy and benefit from the special qualities the Whakatāne District offers.

Marty Grenfell  
Chief Executive, Whakatāne District Council

# Overview of the year

Te arotake i te tau kua pahure



WE HAVE THE **TOP RANKED WEBSITE** OF ALL 78 LOCAL GOVERNMENT ENTITIES IN NZ – FOR THE SECOND YEAR IN A ROW

AIR CHATHAMS CARRIED



19,810

PASSENGERS

TO AND FROM WHAKATĀNE AIRPORT IN THEIR FIRST FULL FINANCIAL YEAR

RECYCLING LEVELS CONTINUE TO INCREASE, MAKING UP MORE THAN

50%

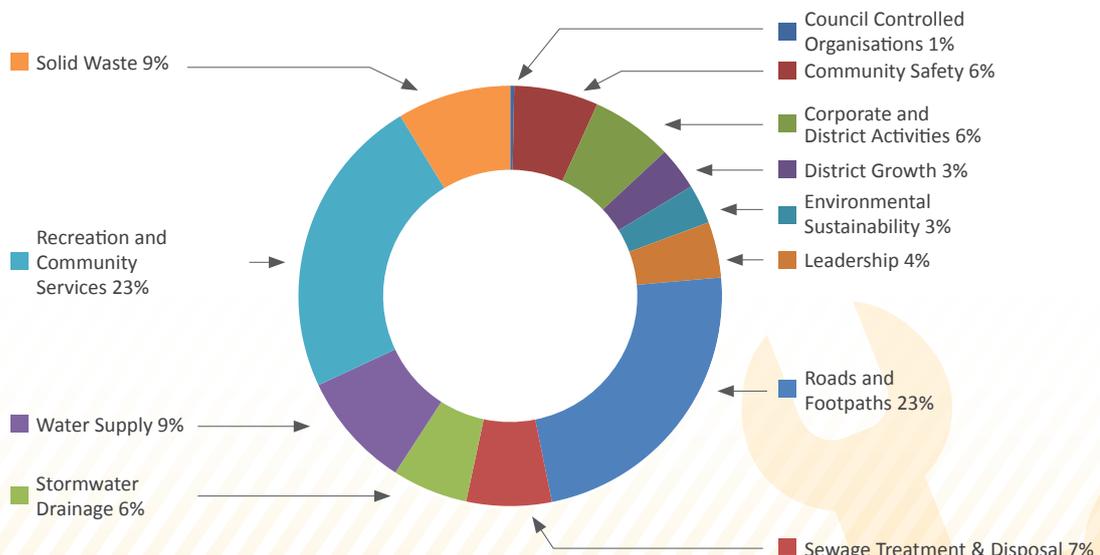
OF TOTAL SOLID WASTE FOR THE FIRST TIME IN 2015/16

## OPERATIONAL EXPENDITURE: Our day-to-day costs

Operating expenditure funds the day-to-day costs of delivering our services, maintaining existing assets, or other expenditure that does not buy or build a new asset.

The Council's total operating expenditure for the 2015/16 financial year was \$65.03 million. As shown by Figure 1 below, our 'core services' - water supply, sewage treatment and disposal, stormwater, roads and footpaths, and waste - accounted for the biggest spend, making up around 52% of our total operating expenditure for the 2015/16 year.

Figure 1: Where operating expenditure occurred in 2015/16



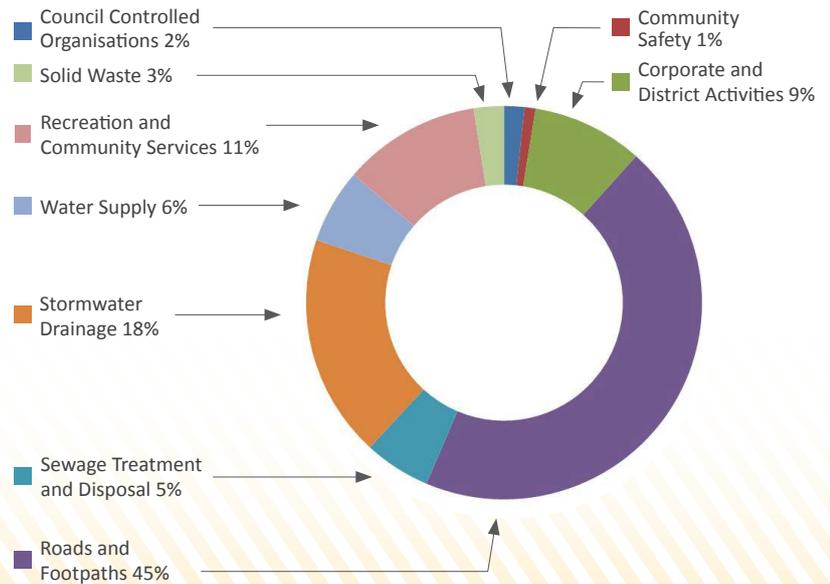
# CAPITAL EXPENDITURE: Buying, building and renewing assets

Capital expenditure is the cost of buying or building a new asset, renewing an existing asset, or improving an asset to deliver a better service.

In 2015/16, we spent \$16.2 million on capital expenditure projects. As shown by Figure 2 to the right, most of this was committed to core services, with a significant amount funding our renewals programme for roading and improvements to stormwater systems. Other major capital projects included the final stage of the Whakatāne - Ōhope walk and cycle path; development of a greenwaste processing facility; and improvements to Wainui Road.

Only around half of our capital projects budget was spent in 2015/16, because a number of projects did not progress as planned or started behind schedule. Many of these projects are very complex, and challenges with planning, obtaining necessary consents, and securing partnership funding were key reasons for delays.

Figure 2: Where capital expenditure occurred in 2015/16



A JOINT TŪHOE - TE URU TAUMATUA AND WHAKATĀNE DISTRICT COUNCIL

## PLAYGROUND

WAS OFFICIALLY OPENED AT THE JACK KNOWLES RESERVE IN TĀNEATUA

THE INSTALLATION OF UV WATER TREATMENT AND REDUCTION IN CHLORINE USE HAS SEEN A

## BIG IMPROVEMENT IN THE AIR AND WATER QUALITY

AT THE WHAKATĀNE AQUATIC AND FITNESS CENTRE

## TOURISM ACTIVITY



CONTINUES TO INCREASE TO RECORD HIGHS, CONTRIBUTING

# \$125M

TO THE LOCAL ECONOMY IN THE PAST YEAR

## A NEW CULVERT

AT THE DOUGLAS STREET BRIDGE WILL REDUCE RISK OF FLOODING FROM THE WAINUI TE WHARA STREAM



*'Everything Under the Sun'*

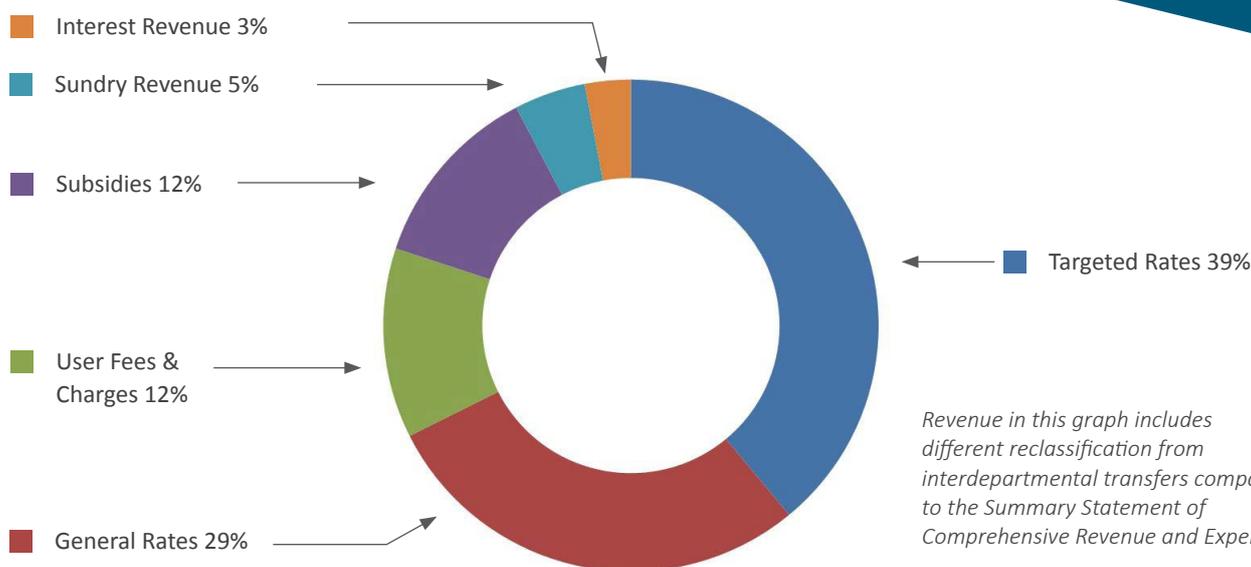
BRANDING WAS ROLLED OUT TO PROMOTE THE WHAKATĀNE DISTRICT AS A GREAT PLACE TO LIVE, WORK, PLAY AND INVEST

# 32% of our revenue came from sources other than rates

Wherever possible, we aim to secure funding from sources other than rates to keep Council services and facilities affordable.

As shown by Figure 3 below, in 2015/16 rates made up 68% of our revenue. The remaining 32% came from other sources, including subsidies and grants from the New Zealand Transport Agency, the Ministry of Health, the Lotteries Commission, local sponsors, and others.

Figure 3: Where our revenue came from in 2015/16



For every **\$10** of rates collected in 2015/16, we were able to deliver about **\$15** worth of services.

# We achieved 83% of our performance targets for the year

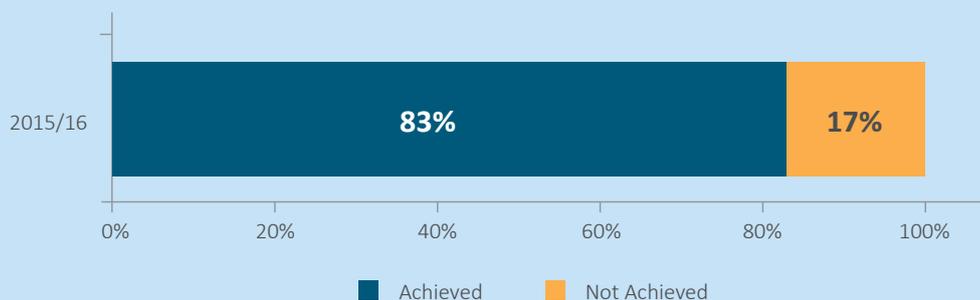
Our performance framework outlines the level of service that we aim to provide to the community, and includes a series of non-financial performance measures, with targets for each year. The framework is revised through each Long Term Plan (LTP).

For the 2015/16 year, we set out 93 performance targets. We are reporting back on the first year of the LTP 2015-25, so a number of these are new targets that we didn't report on last year. For a complete list of our performance targets and results for 2015/16, check out the 'Our Work in Detail' section of the Annual Report 2015/16.

Overall, of the 93 performance targets we set for the 2015/16 year, we achieved 83% (77 targets), and did not achieve 17% (16 targets). This is an improvement on the 2014/15 year, when we achieved 75% of the targets that we were able to measure.

Of the 17% of targets that we did not achieve in 2015/16, some areas showed relatively high results all the same. For example, satisfaction with roads in the District was 84%, but failed to meet our goal of 89%. Several measures that we did not achieve were within 5% of the target range, including the response time to attend urgent water call-outs, and the proportion of telephone calls answered by the Customer Services team within 30 seconds.

Figure 4: Performance against level-of-service targets 2015/16



# Satisfaction with Council services continues to improve

Every year, we survey of a random sample of 300 residents from across our District to help gauge how satisfied people are with our services. This survey is called 'Communitrak' and is conducted on our behalf by an independent survey provider.

The latest Communitrak results (August 2016) show an improvement across many of the services and facilities we deliver, continuing a positive trend from the previous two surveys.

This year, nine of our services and facilities ranked with a level of satisfaction over 90%. The average score across all Council services and facilities covered by the survey was 78% (78% of people very or fairly satisfied). This compares to 77% in 2015 and 75% in 2014. The biggest improvements over the past three years have been for business and economic development related activities, storm water services and engagement and consultation related factors.

The survey continues to indicate that the community considers economic development related outcomes and services to be a priority for the Council. The survey also continues to indicate that the perception of 'quality of life' for residents of the Whakatāne District is substantially higher than the national average.



# Summary Financial Statements and Notes

## Summary Statement of Comprehensive Revenue and Expense

This table presents the financial performance of the Council for the past year. It summarises operating revenue and expense, and other comprehensive revenue and expense for the 2015/16 financial year.

ACTUAL 2015 \$000		ACTUAL	BUDGET
		2016	2016
		\$000	
<b>REVENUE</b>			
38,694*	Rates	40,052	40,157
7,336	Subsidies and Grants	7,235	14,518
493	Development and Financial Contributions	(166)	87
4,719*	Fees and Charges	5,085	4,857
50	Interest Revenue	49	40
4,791	Other Revenue	3,987	4,287
776	Gains	691	443
<b>56,859</b>	<b>Total Revenue</b>	<b>56,933</b>	<b>64,389</b>
<b>EXPENSES</b>			
13,332	Personnel Costs	13,789	13,229
14,517	Depreciation and Amortisation Expense	14,533	14,949
2,269	Finance Costs	2,082	2,645
27,863	Other Expenses	28,955	27,021
2,035	Revaluation Losses	1,981	-
<b>60,016</b>	<b>Total Expenses</b>	<b>61,340</b>	<b>57,844</b>
(3,157)	Surplus (Deficit) Before Tax	(4,407)	6,545
(27)	Income Tax Expense (Benefit)	2	-
<b>(3,130)</b>	<b>Surplus (Deficit) After Tax</b>	<b>(4,409)</b>	<b>6,545</b>
<b>OTHER COMPREHENSIVE REVENUE AND EXPENSE</b>			
(21,819)	Gains (Loss) on Property, Plant and Equipment Revaluation	(500)	7,067
-	Tax on Revaluation Surplus	-	-
<b>(24,949)</b>	<b>Total Comprehensive Revenue and Expense</b>	<b>(4,909)</b>	<b>13,612</b>

\*2015 actual figures do not align with 2014/15 Annual Report due to volumetric water charges of \$2,617,000 being treated as Rates revenue rather than Fees and Charges revenue in 2015/16.

## Why is there an operating deficit for the year?

As shown by the table to the left, while a small rating surplus was achieved for the 2015/16 year, our final operating result was a net deficit of \$4.4 million. The largest contributing factor towards this deficit was that we had budgeted to receive \$7.3 million in subsidies towards a number of capital projects that did not proceed this year for various reasons. In most instances, these projects have been rescheduled into the 2016/17 Annual Plan and subsidies will be expected as the projects progress.

Other factors contributing to the deficit included the accounting treatment of pensioner housing income and the disposal of assets, as well as income from Fees and Charges (including Development Contributions) being lower than what was budgeted.

### MAJOR VARIANCES EXPLAINED:

#### Revenue: \$8.2 million (12.6% below budget)

- Subsidies and grants less than budgeted
- Other revenue less than budgeted, including income from fines

#### Expenditure: \$3.5 million (6% above budget)

- Losses of \$1.98 million on valuation of derivative financial instruments
- Increase in personnel costs due to restructuring, new positions, and overtime
- Depreciation under budget due to the sale of pensioner housing and underspend on capital projects
- Finance costs lower than budget owing to external borrowing being significantly lower than forecast in the Long Term Plan 2015-25.

## Summary Statement of Changes in Net Assets and Equity

These tables present the equity movements of the Council over the past financial year that have impacted on the Council's net worth.

ACTUAL 2015 \$000		ACTUAL	BUDGET
		2016	2016
		\$000	
615,547	Balance at 1 July	590,531	440,914
(24,949)	Total Comprehensive Revenue and Expense for the Year	(4,909)	7,284
(67)	Other Adjustment	463	182,478
<b>590,531</b>	<b>Balance at 30 June</b>	<b>586,085</b>	<b>630,676</b>

REPRESENTED BY:			
ACTUAL 2015 \$000		ACTUAL	BUDGET
		2016	2016
		\$000	
417,831	Accumulated Funds	412,054	431,800
17,211	Restricted Reserves	19,038	16,399
155,489	Asset Revaluation Reserves	154,993	182,477
<b>590,531</b>	<b>Total Public Equity</b>	<b>586,085</b>	<b>630,676</b>

### MAJOR VARIANCES EXPLAINED:

The Council's equity has been adjusted by the current year total comprehensive revenue and expense, a deficit of \$4.9 million, which is the net of the deficit after tax of \$4.4 million and a net loss on revaluation of \$500,000. The remaining movement of \$463,000 is a result of increases in restricted reserves and Council created reserves.

## Summary Statement of Financial Position

This table presents the assets we own and the liabilities we owe to other parties.

ACTUAL 2015 \$000		ACTUAL 2016	BUDGET 2016
		\$000	
<b>590,531</b>	<b>TOTAL EQUITY</b>	<b>586,085</b>	<b>630,676</b>
14,481	Total Current Assets	19,813	12,211
632,462	Total Non-Current Assets	624,613	683,249
<b>646,943</b>	<b>TOTAL ASSETS</b>	<b>644,426</b>	<b>695,460</b>
19,672	Total Current Liabilities	15,554	17,261
36,740	Total Non-Current Liabilities	42,787	47,523
<b>56,412</b>	<b>TOTAL LIABILITIES</b>	<b>58,341</b>	<b>64,784</b>
<b>590,531</b>	<b>NET ASSETS (Assets minus Liabilities)</b>	<b>586,085</b>	<b>630,676</b>

### MAJOR VARIANCES EXPLAINED:

Total assets were \$51.03 million (7.3 %) less than budget, mostly due to delays in planned capital expenditure. Investment property was less than budget mainly due to transferring the Piripai properties to the 'assets held for sale' category. Total liabilities were 9.9% less than budget, mainly due to lower than budgeted external borrowing due to delays in capital expenditure. Derivatives liability was \$3.4 million more than budget mainly owing to a revaluation loss of \$1.98 million.

## Summary Statement of Cashflows

This table shows how we generated and used cash. The overall net increase or decrease represents the change in our cash and cash equivalents arising from operating, investing and financing activities.

ACTUAL 2015 \$000		ACTUAL 2016	BUDGET 2016
		\$000	
<b>16,969</b>	<b>Net Cash Flows from Operating Activities</b>	<b>15,026</b>	<b>21,182</b>
<b>(15,203)</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(13,678)</b>	<b>(27,404)</b>
<b>(5,500)</b>	<b>Net Cash Flows from Financing Activities</b>	<b>(700)</b>	<b>7,076</b>
(3,734)	Net Increase (Decrease) in Cash, Cash Equivalents and Bank Overdrafts	648	854
4,737	Cash, Cash Equivalents and Bank Overdrafts at the Beginning of the Year	1,003	375
<b>1,003</b>	<b>Cash, Cash Equivalents and Bank Overdrafts at the End of the Year</b>	<b>1,651</b>	<b>1,229</b>

### MAJOR VARIANCES EXPLAINED:

At the end of the financial year, there was a positive variance of \$422,000 of cash held compared to the budget. Net cash flows from operating activities were \$6.2 million less than budget, predominantly owing to project subsidies not being received or no longer expected for the Matatā and Edgumbe water project, the Plains water project, and roading works.

Net cashflows from investing and financing activities were \$6.0 million less than budget owing to deferred capital expenditure.

# Summary Financial Notes

The Summary Financial Statements presented on these pages are for the Whakatāne District Council (the Council) for the year ended 30 June 2016. Summary information has been extracted from the full financial report (Annual Report 2015/16) adopted by Council on 15 September 2016.

### Significant Commitments

The Council has entered into capital commitments of \$2.44 million for work not commenced and has operating lease commitments of \$304,000. For more information, see Note 26 of the Council's full Annual Report 2015/16.

### Contingent Liabilities

The Council has no quantified contingent liabilities for 2015/16. However, the Council has identified several non-quantified contingencies. For more information, see Note 27 of the Council's full Annual Report 2015/16.

### Related Party Transactions

Related Party Transactions totalling \$101,633 were carried out during the year in relation to the Whakatāne Airport joint equity venture. For more information on this and other related party transactions, see Note 24 and Note 28 of the Council's full Annual Report 2015/16.

### Reporting Entity

The Council is a territorial local authority established under the Local Government Act 2002 and defined as a public benefit entity for financial reporting purposes. The Council's full financial statements incorporate information about the Whakatāne Airport, a joint venture between the Council and the Ministry of Transport.

### Basis of Preparation

The financial statements of the Council have been prepared in accordance with the requirements of the Local Government Act, which includes the requirement to comply with generally accepted accounting practice in New Zealand (NZ GAAP).

The financial statements have been prepared in accordance with Tier 1 PBE accounting standards. The full financial statements comply with PBE standards. The summary financial statements comply with PBE standards as they relate to summary financial statements.

Figures are presented in New Zealand dollars. Values are rounded to the nearest thousand dollars (\$000). Some rounding variances may occur in the summary financial statements due to the use of decimal places in the underlying financial data.

The summary financial statements do not include all the disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as is provided by the full financial statements.

Small adjustments have been made to comparative year (2014/15) Fees and Charges and Rates figures to take account of a subsequent restructure. The totals, however, remain the same.

The full financial statements can be found in the Annual Report 2015/16, which is available on the Whakatāne District Council's website, [www.whakatane.govt.nz](http://www.whakatane.govt.nz), or from libraries and service centres.

### Events after Balance Date

There were no significant events after balance date.

# Independent Auditor's Report

It is a legal requirement that our Annual Report is audited. This is to ensure that we are complying with accepted accounting practices and legal requirements and that our Annual Report is a fair and accurate reflection of the past year.

The full Annual Report received an unmodified (clear) Audit Report from Audit New Zealand, on behalf of the Auditor-General. This Summary has also been audited to ensure it is consistent with our full Annual Report.

## Want to know more?

For more detailed information about our performance over the past year, see the Whakatāne District Council's full Annual Report. Copies are available on our website, or from our service centres and libraries.

AUDIT NEW ZEALAND  
Mana Arotake Aotearoa

## Independent Auditor's Report To the readers of Whakatāne district council's summary annual report for the year ended 30 June 2016

The summary annual report was derived from the annual report of the Whakatāne District Council (the District Council) for the year ended 30 June 2016. 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 4 to 7:

- the summary statement of financial position as at 30 June 2016;
- the summaries of the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended 30 June 2016;
- the notes to the summary financial statements that include accounting policies and other explanatory information; and
- the summary key performance measures- results of the District Council.

We expressed an unmodified audit opinion on the District Council's full audited statements in our report dated 15 September 2016.

### 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.

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

B H Halford  
Audit New Zealand  
On behalf of the Auditor-General  
Tauranga, New Zealand  
13 October 2016



## How to contact us...

If you would like to contact the Council about the information contained in this Summary Annual Report, or for any other reason, please feel free to do so.

### WHAKATĀNE DISTRICT COUNCIL

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