



Whangarei District Council

... *"Finances and Future"*

Presentation

5th September 2012

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Introduction

- Background ... and Thanks
- Independent contestible public information
- Evidence and The Facts
- Local issues can be considered after this
- Northland Local Government challenges
- Whangarei DC ... "They" ... *don't want to know?*
- Today's Advocate Nickie Muir ... *"Masters of the Black Arts" ... Wow that's tellin em!*



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Introduction, Meeting schedule and two “issues”

- Larry ‘at’ ... www.kauriglen.co.nz & www.fcpp.org **“Base Stats with Trendz”** ... Council performance reports
- The *Northern Advocate* item last month
- The **“NZ LG League Table”**
- Some “Issues” for ... “The Reforms”
- Warren’s Discussion & audience participation
- *Hunterwasser* issue ... and Council debt position
- WDC ... an “AA-” credit agency rating 8th out of 10



Objectives of the session

- Sooo ... The objectives of this presentation are ...
- To conduct a review and a presentation ...
 - ... of the Whangarei District's "vital statistics" in financial and economic terms and
 - ... introduce a number of LG Reform Issues for wider debate and
 - ... facilitate a productive discussion and plan for the future ... Northland ... Whangarei ... NZ Inc/NZ Local Government reforms



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Where did this all begin?

- Whangarei District Councils League Table ranking
 - **63rd of 73 in 2011, this year 62nd of 63**
 - *Northern Advocate* July 27 article
 - ***"The Whangarei District Council is facing a financial "tsunami" but does not seem interested in sheltering from the storm, a local government expert says".***
- Councils response ... predictable?



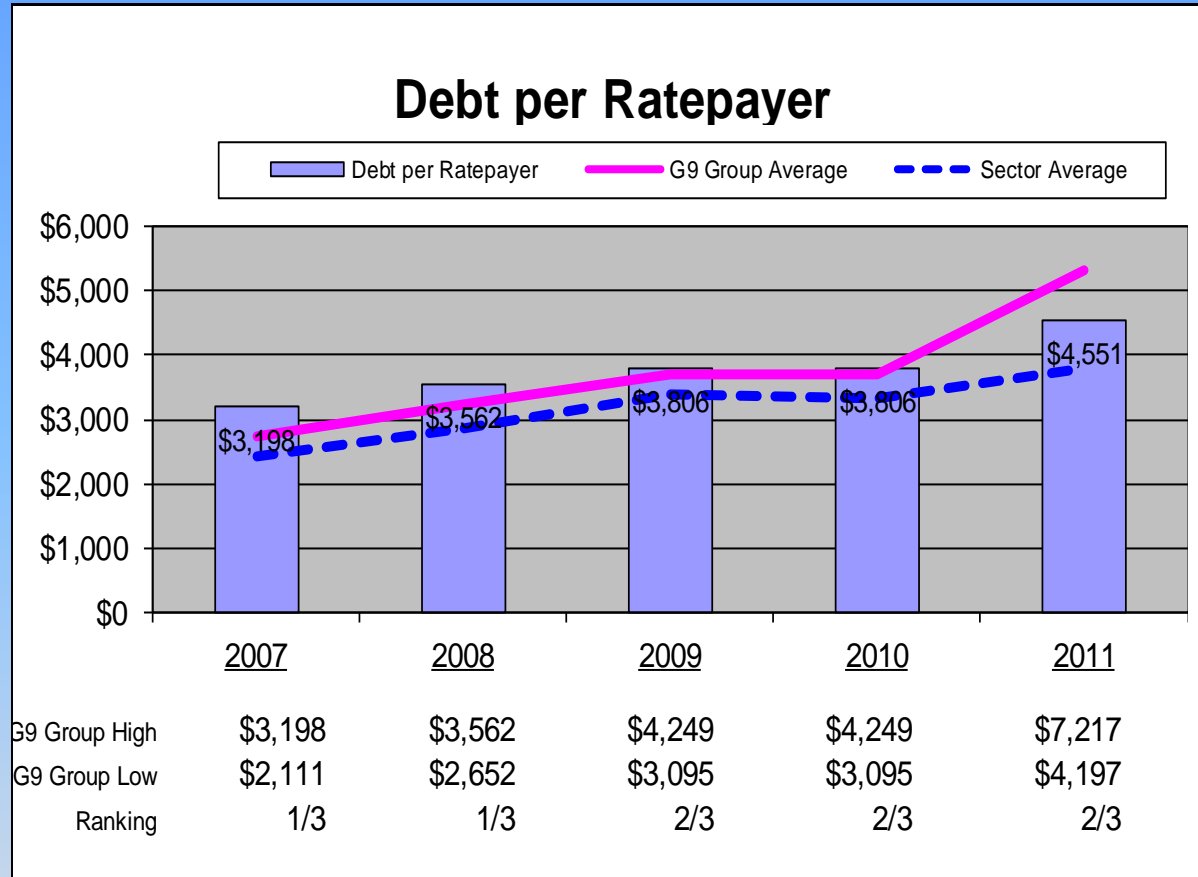
NZ Local Government League Table (the “LGLT”) Results

- Whangarei’s finances ... Debt and Financial position
- Peer Councils... “The G9” group
- Northland’s three TLA’s group
- Whangarei/Northland’s ... the local group and their stats ... including regional gdp



Whangarei's Debt per Ratepayer

'Trendz' Graph

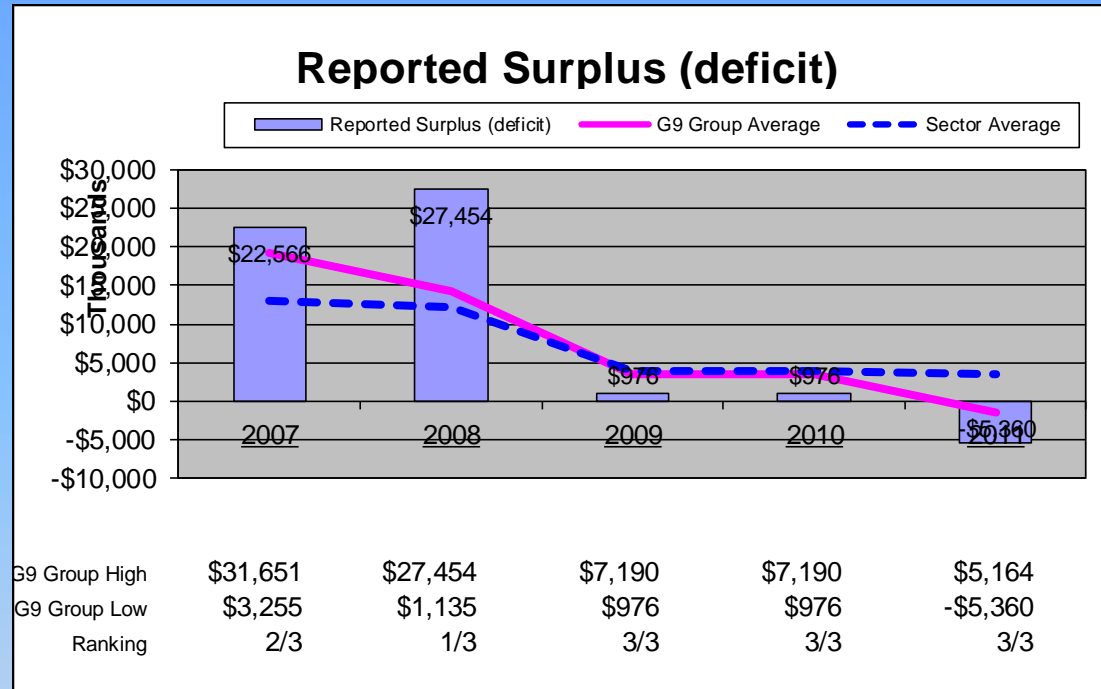


In 10 years time debt per ratepayer is estimated to be the same at \$4,444 (45 K ratepayers \$200 M debt) ref LTP 2012-2022



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Whangarei's recent financial results



Accumulating small deficits over the last three years ... Caution on variable data ... Second lowest (8th of 9 ... G 9) ratepayer equity per ratepayer



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Ratepayers Equity per Ratepayer

Measure: Ratepayers Equity per Ratepayer		5 Years						
Variables: Ratepayers Equity; Ratepayer Numbers								
Source: Base Stats 2012		\$	\$	\$	\$	\$	%	%
Period: 2007-2011		Ratepayers Equity per RatePayer 2007	Ratepayers Equity per RatePayer 2008	Ratepayers Equity per RatePayer 2009	Ratepayers Equity per RatePayer 2010	Ratepayers Equity per RatePayer 2011	Ratepayers Equity per Ratepayer Incr/Decr 2010-2011	Ratepayers Equity per Ratepayer Incr/Decr 2007-2011
Peer Group	Council Name							
City	Whangarei District	24,093	28,897	28,820	28,872	34,831	20.6%	44.6%
Prov/Rural	Far North District	39,375	43,842	46,457	47,864	42,614	-11.0%	8.2%
Prov/Rural	Kaipara District	23,088	30,678	30,081	30,215	30,554	1.1%	32.3%
Northland Group Stats								
	AVERAGE	28,852	34,472	35,119	35,651	36,000	3.6%	28.4%
	MEDIAN	24,093	30,678	30,081	30,215	34,831	1.1%	32.3%
	STDEV	9,127	8,163	9,839	10,599	6,114	15.9%	18.5%
Total of all Groups Stats								
	AVERAGE	41,777	44,852	46,311	46,720	48,647	4.6%	18.4%
	MEDIAN	39,058	42,841	44,841	45,276	45,987	2.8%	15.8%
	STD DEVIATION	14,480	14,562	14,640	14,960	15,320	8.3%	13.6%

Weak Northland TLA balance sheets ... Note Northland average Equity per Ratepayer (2011) at **\$36,000 (WDC \$34,831)** ... all of NZ average at **\$48,647**



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NZLG Sector deficits

Local authorities' operating deficit worsens

Local authorities total operating deficit (which occurs because spending exceeds income) worsened from \$0.2 billion in 2010 to \$0.6 billion in the year ended June 2011.

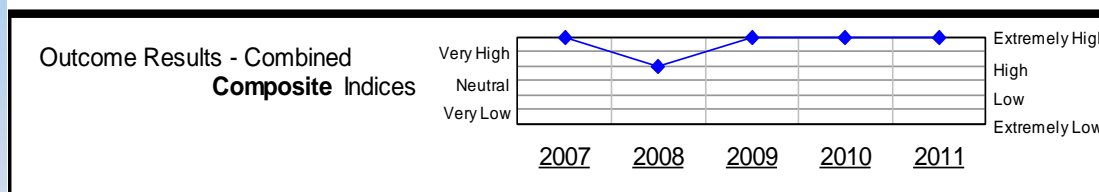
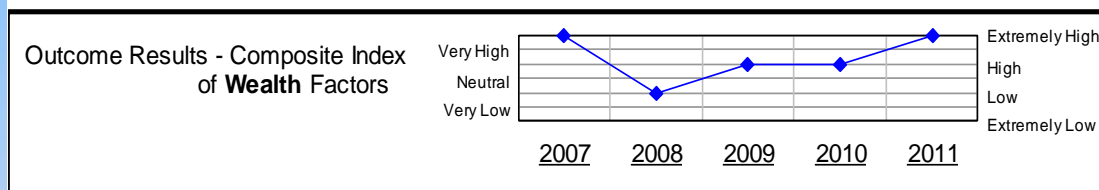
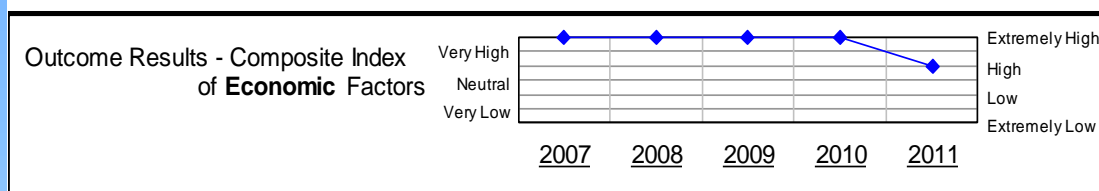
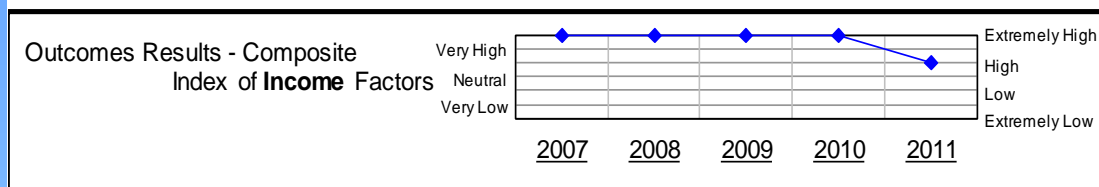


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Whangarei's mini-gdp

Outcomes-Results - Combined Composite Indices

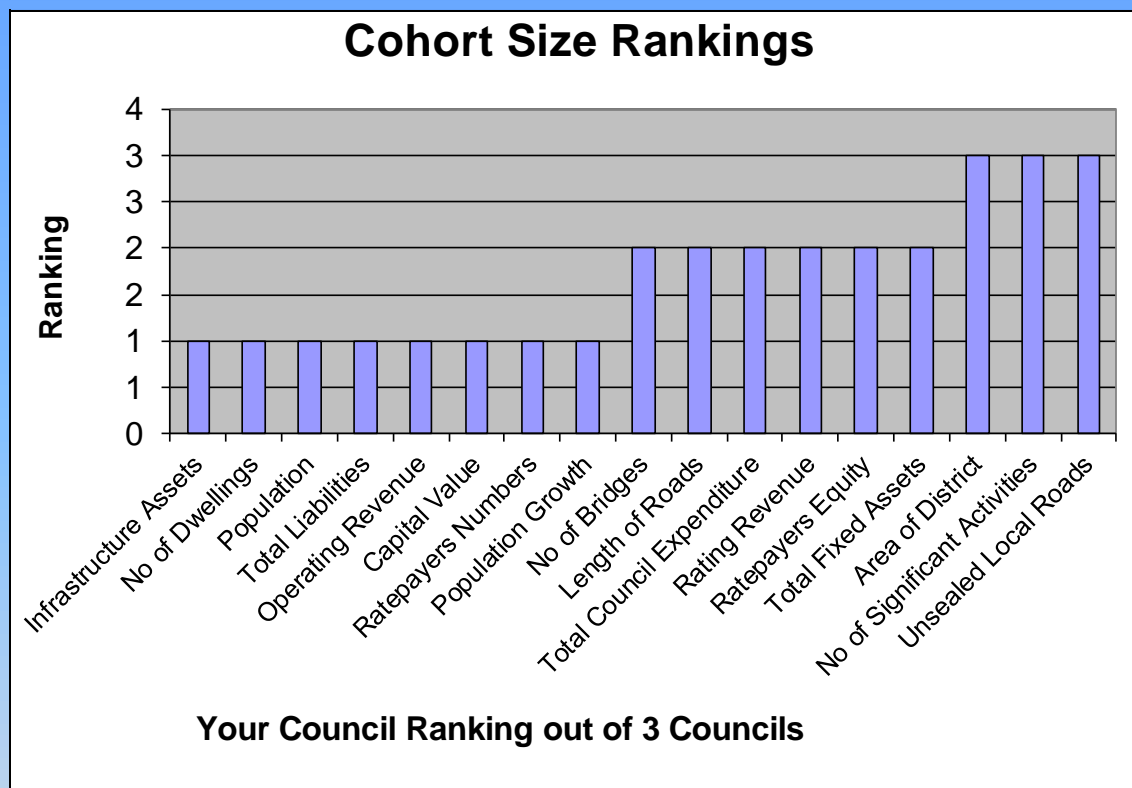


Best placed mini-gdp amongst Northland three but lowest amongst small city (true G9) peers



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17 key rankings

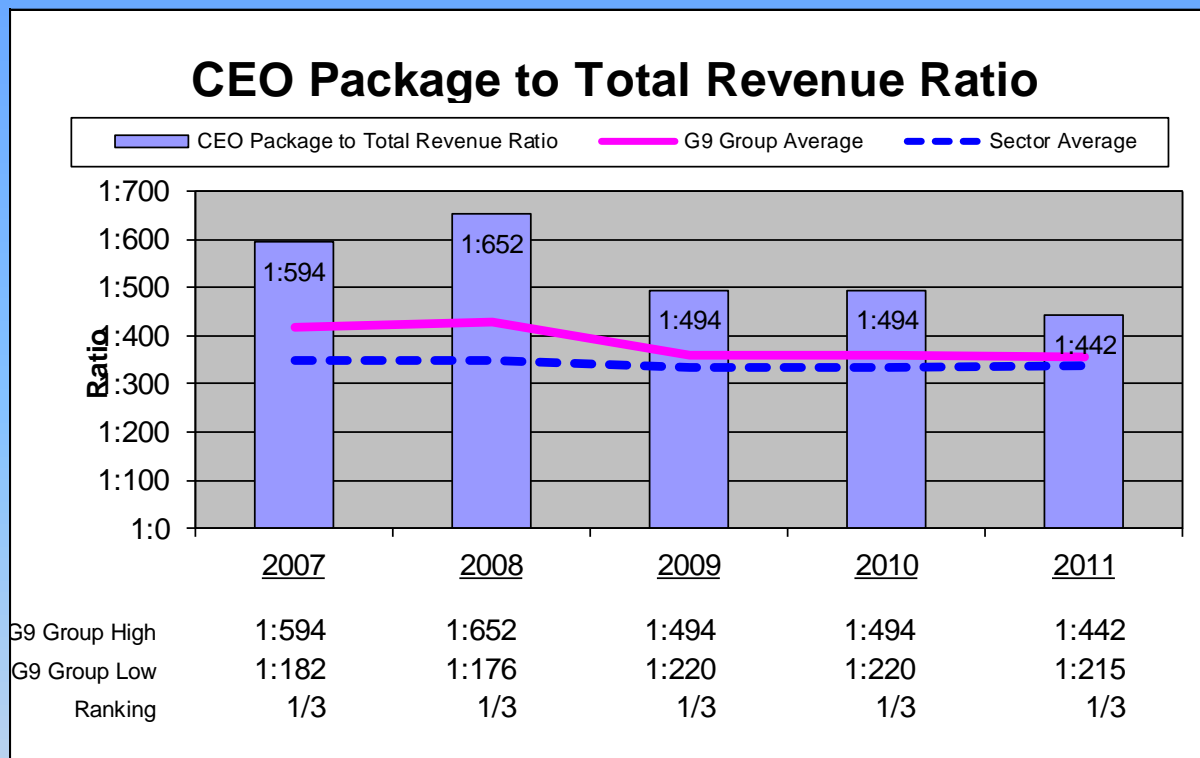


Information only (Northland 3rd) ... But lies 2nd or 3rd of 9 in size amongst true peers



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One of many available benchmarks

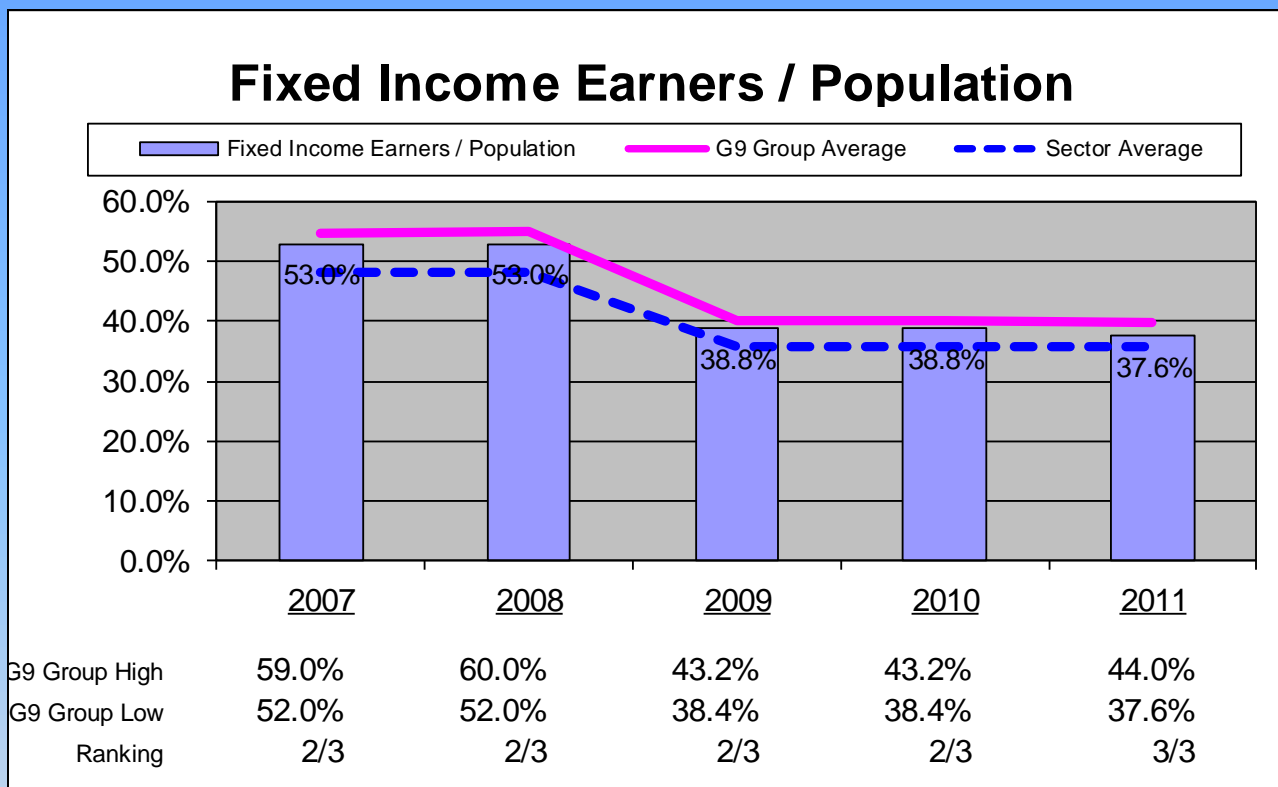


... and 2nd of 9 amongst true peers



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One Challenging Stat



Lowest (favourable) demographic/incomes stat compared to other Northland Councils ... 4th of 9 in larger group



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Council's Financial Sustainability Measures

Sustainability	2011 Average	2012 Average	% Movement	Worse/Better
Debt per Ratepayer	\$3,686	\$3,834	+4.0%	Worse
CAPEX to Depreciation (> 1.0 = 'at risk')	1.7	1.6	-5.9%	Worse
Surplus/Deficit	\$7,309,000	\$3,416,000	-53.3%	Worse
Debt Servicing to Rates Revenue	9%	9.1%	+1.1%	Worse (slightly)
Ratepayers Equity per Ratepayer	\$45,791	\$48,647	+6.2%	Better

- These are NZLG sector-wide averages stats
... 2011 v 2012 ... "Challenging" ... again



Community's Affordability Measures

Affordability	2011 Average	2012 Average	% Movement	Worse/Better
Household Income	\$67,153	\$68,940	+2.7%	Better
Property Value per Ratepayer	\$297,613	\$274,141	-7.9%	Worse
Rates per Ratepayer to Household Income	2.61%	2.61%	Same	Square (no census data issue)
Wages to Operating Expenditure	21.2%	20.0%	-5.7%	Better (slightly)
Workforce Unemployed	5.9%	6.2%	+5.1%	Worse

- The recession stubbornly persists ...
- Caution census data adjusted for incomes



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'Other Factors' Measures

Council Name	Audit Opinion 2011	Commercial Assets/Debt	Financial Assets	Investment Property	Very High Debt	Comments NK = Not Known	Surplus/Deficit 5 Yr Average \$000	Surplus/Deficit Result 2011 Financial \$000	Persistent Deficits	Poor Asset Backing (See Appendix 5)	Other Factors 2011	Other Factors 2012	Big Mover (Down)
		Good - Fair - Poor											
Far North	OT UNQ	G	P	F	Yes		14,135	\$6,765					
Kaipara	No Annual Report or Audit Opinion	P	F	P	Yes	EcoCare Debt issue – rates revolt	1,518	-\$3,976		**			Down
Whangarei	OT UNQ	P	P	G	Yes	Very low financial assets	10,852	-\$5,360		*			Down

- Earthquake and Leaky Buildings measures omitted
- Whangarei DC has a weaker financial position ...
Recall WDC Ratepayer Equity of only \$34,831



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The 2012 LT Composite Report

Council Name Big Mover Up Big Mover Down	Position last year out of 73	Position this year out of 67	Sustainability Overall Score High = 25 Low = 5		Affordability Overall Score High = 25 Low = 5		Composite Score High = 50 Low = 10		Other Factors		Final Assessment VG/G/F/P	Commentary These assessments relate to Composite Scores and with 'Other Factors' taken into account.
			2010	2011	2010	2011	2010	2011	2010	2011		
Far North	57	55	14	12	12	11	26	23	●	●	Fair	Steady - struggling
Whangarei	63	62	10	8	15	14	25	22	●	●	Poor	Some decline
Kaipara	16	65	16.5	7	17	12	33.5	19	●	●●	Poor or Worse	Debt bomb - disaster
Northland Average			14	9	15	12	28	21				Note the above mark up/down messages would result in adjustments to the metric scores ... By how much is a judgement.
National Average			14	15	16	14	30	29				
National Median			14	15	16	14	29	30				
National Std Dev			3	3	3	3	4	5				

All three Northland Councils score poorly with other factors being very influential

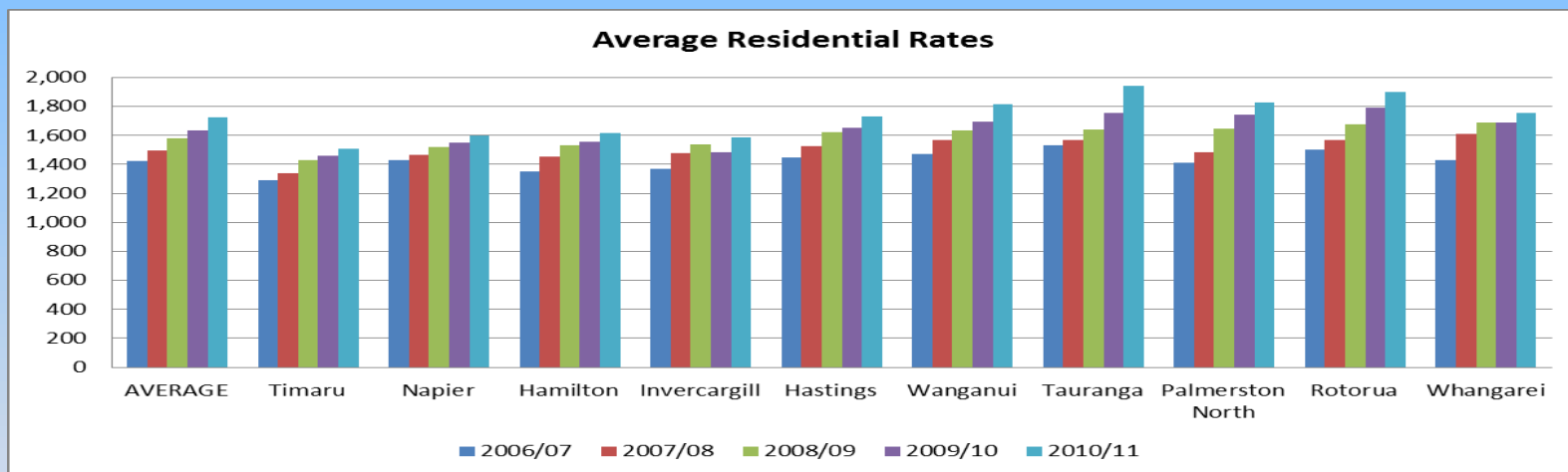


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Rates

	2006/07	% Increase 2007-2008	2007/08	% Increase 2008-2009	2008/09	% Increase 2009-2010	2009/10	% Increase 2010-2011	2010/11	5 yr % Increase 2007-2011
AVERAGE	1,424	5.0%	1,495	5.8%	1,582	3.5%	1,638	5.5%	1,728	21.3%
Timaru	1,292	3.5%	1,337	6.8%	1,428	2.5%	1,463	3.3%	1,511	17.0%
Napier	1,432	2.4%	1,467	3.6%	1,520	2.0%	1,550	3.2%	1,600	11.7%
Hamilton	1,350	7.8%	1,455	5.4%	1,533	1.4%	1,554	3.9%	1,614	19.6%
Invercargill	1,369	7.8%	1,476	4.1%	1,536	-3.2%	1,487	6.8%	1,588	16.0%
Hastings	1,449	5.5%	1,529	6.1%	1,623	1.8%	1,652	4.7%	1,729	19.3%
Wanganui	1,475	6.2%	1566	4.5%	1,636	3.5%	1,694	7.0%	1,813	22.9%
Tauranga	1,533	2.3%	1,569	4.5%	1,640	7.1%	1,757	10.4%	1,940	26.5%
Palmerston North	1,412	5.1%	1,484	10.8%	1,645	5.9%	1,742	5.0%	1,829	29.5%
Rotorua	1,502	4.5%	1570	6.9%	1,679	6.6%	1,789	6.1%	1,899	26.4%
Whangarei	1,430	12.7%	1,612	4.8%	1,689	0.1%	1,691	3.9%	1,757	22.9%



Whangarei DC is on the average for residential rates



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Better Local Government ... and Tactical Issues

- Where to for Whangarei and Northland
- Some positive suggestions for the Council
 - **Performance Improvement programme**
 - **Performance measurement and public awareness ... Public survey**
 - **Improved cost-effectiveness based on affordability**
 - **Audit activism internally**



The practical (“points on the board”) Issues

21

% Rates Increases ... Council public announcements
... *Councils presently have low or no accountabilities placed upon their % rates increase announcements.*

Audit Activism and credibility ... *public confidence in local government audit is at an all-time low.*

Council payroll non-accountability ... *lack of audit coverage coupled with an absence of adequate payroll-related definitions, for example full time employees.*

Adequacy of asset replacement financial reserves ... *annual reports do not presently disclose if adequate provisions raised from revenue sources have been provided currently to ensure that asset replacement reserves have been correctly funded (or if an infrastructure deficit-backlog is building)!*



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Proposal to Kick Start NZ Council reforms

The accompanying document titled "***A Practical-Tactical Policy Approach to NZ Local Government Reforms***" paper.

The rationale for the paper therefore is that:

- Central Government might wish, independent of the usual process and sectional interests to itself directly and positively act
- so as to galvanise (*Kick Start*) its Council Reforms and get some early *points on the board*
- whilst implementing a series of high return solutions to a number of critical issues facing the Local Government sector and
- thereby signalling that "this time" the Reforms are really underway.



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And now for



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End of Presentation

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'Spare' s



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