



CHAPTER ONE

Overview

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FINANCES AT A GLANCE

Comparison of District rates. All ratepayers contribute to Council's District rate, which is made-up of four different rates, i.e.:

- General Rate
- Library Rate
- Roading Rate
- Environmental Protection Rate

Council also levies targeted rates for services provided within a specific area of benefit.

The Western Bay of Plenty District is one of the country's fastest growing districts. While Council's costs will increase as a result, so will the ratepayer base over which those costs are spread.

To more fairly compare one year's budget with the next, Council makes an allowance for growth, which this year is 1.67%.

In Council's budget for 2017/18, District rates total \$35.9m, targeted rates total \$22.9m. The total proposed rates revenue of \$58.8m is 2.65% higher than last year. Of this, additional ratepayers will add 1.67% leaving 0.98% to be funded by existing ratepayers. Inflation is estimated at 1.9%, which means a real decrease of 0.92% in District rates.

This increase excludes the effect of changes to targeted rates, which are levied over many different areas of benefit, depending on the services received, including Community Boards.

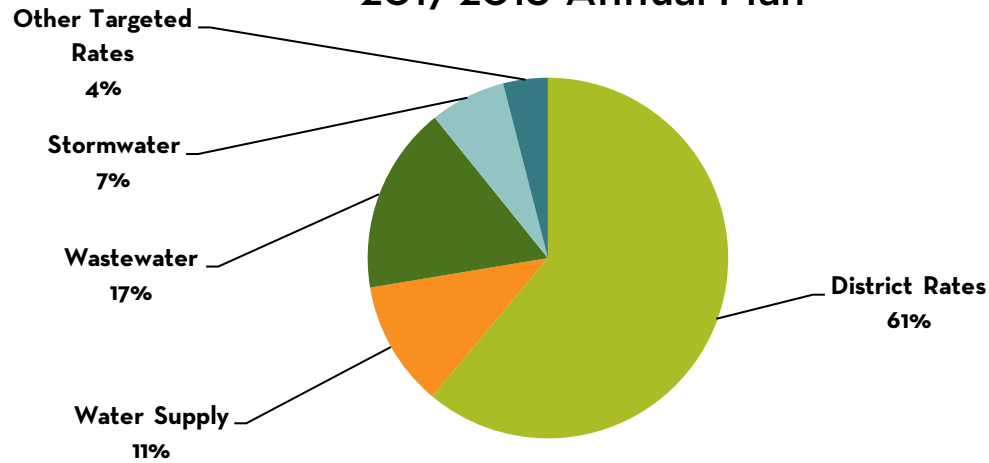
The figures below exclude a 2% bad debt provision on all rates.

2016/2017			2017/2018
Budget	Plus allowance for growth (1.67%)	Rate	Budget
\$	\$		\$
19,072,640	19,391,153	General Rate	19,704,075
1,733,514	1,762,464	Library Rate	1,618,225
20,806,154	21,153,617		21,322,300
13,608,888	13,836,156	Roading Rate	13,704,277
900,000	915,030	Environmental Protection Rate	900,000
35,315,042	35,904,803	Total	35,926,577

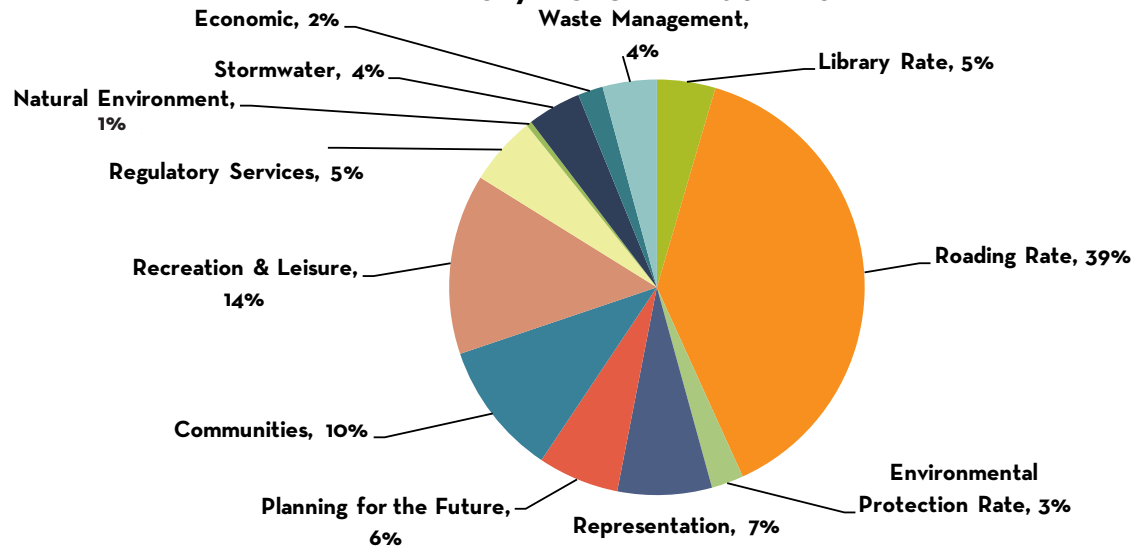
Increase in/addition on 2017/2018 Budget 611,535

Increase in/addition to growth allowance 589,761

Breakdown of total proposed rates income 2017-2018 Annual Plan



What makes up proposed District rates 2017-2018 Annual Plan



ANNUAL PLAN DISCLOSURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2018

WHAT IS THE PURPOSE OF THIS STATEMENT?

The purpose of this statement is to disclose the Council's planned financial performance in relation to various benchmarks to enable the assessment of whether the Council is prudently managing its revenues, expenses, assets, liabilities, and general financial dealings.

The Council is required to include this statement in its annual plan in accordance with the [Local Government \(Financial Reporting and Prudence\) Regulations 2014](#) (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

Benchmark		Planned	Met
Rates			Yes
• income	Rates will be at least 65% of total income	63%	No - this is due to increased subsidies and financial contribution income.
• increases	Total rates revenue will not increase by more than 4%	2.65%	Yes
Debt affordability benchmark	190% of revenue	137%	Yes
Balanced budget benchmark	100%	106%	Yes
Essential services benchmark	100%	169%	Yes
Debt servicing benchmark	15%	9.0%	Yes

Notes

1. Rates affordability benchmark

- 1.1 For this benchmark:
 - a. the Council's planned rates revenue, excluding metered water charges, will be equal to or greater than 65% of total planned revenue in the Annual Plan; and
 - b. the Council's planned rates increases for the year are compared with a 4% rates increase limit for the year contained in the financial strategy included in the council's 2015-2025 long-term plan.

- 1.2 The Council meets the rates affordability benchmark if -
 - a. its planned rates income for the year equals or is less than each quantified limit on rates; and
 - b. its planned rates increases for the year equal or are less than each quantified limit on rates increases.

2. Debt affordability benchmark

- 2.1 For this benchmark, the Council's planned borrowing is compared with a debt to revenue limit of 190% on borrowing contained in the financial strategy included in Council's long-term plan.
- 2.2 The Council meets the debt affordability benchmark if its planned borrowing is within each quantified limit on borrowing.

3. Balanced budget benchmark

- 3.1 For this benchmark, the Council's planned revenue (excluding development contributions, vested assets, financial contributions, gains on derivative financial instruments, and revaluations of property, plant, or equipment) is presented as a proportion of its planned operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).
- 3.2 The Council meets the balanced budget benchmark if its revenue equals or is greater than its operating expenses.

4. Essential services benchmark

- 4.1 For this benchmark, the Council's planned capital expenditure on network services is presented as a proportion of expected depreciation on network services.
- 4.2 The Council meets the essential services benchmark if its planned capital expenditure on network services equals or is greater than expected depreciation on network services.

5. Debt servicing benchmark

- 5.1 For this benchmark, the Council's planned borrowing costs are presented as a proportion of planned revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).
- 5.2 Because Statistics New Zealand projects that the Council's population will grow faster than the national population growth rate, it meets the debt servicing benchmark if its planned borrowing costs equal or are less than 15% of its planned revenue.

KEY RISKS AND GROWTH ASSUMPTIONS

When planning for the long term 2015-2025 (which is the basis for this Annual Plan), we need to make assumptions about future trends and events that are outside our control. When making assumptions it is important to recognise the possibility that, over time, the assumption may prove to be incorrect. We need to be clear about the potential consequences of assumptions being wrong, and what we will do to mitigate these consequences.

This section identifies key assumptions that underpin what is proposed in this plan. Other assumptions are identified in each group of activities, e.g. transportation, water supply and key financial assumptions are included in the Significant Accounting Policies from page 196-207.

KEY ASSUMPTIONS	DESCRIPTION	RISK																																																																										
GROWTH	In order to plan Council's expenditure and forecasting its revenue, we make projections about the numbers of rateable properties we will have each year.	<p>Level of uncertainty - significant.</p> <p>Growth is difficult to predict because unforeseen events can alter migration, settlement patterns or resource limitations.</p> <p>If population growth and the number of rateable properties are under-estimated, we would experience faster growth than planned. This could result in:</p> <ul style="list-style-type: none"> • Income growing faster than expected, so debt could be paid off faster which would reduce interest costs • Council services not keeping up with demand unless plans could be changed quickly • Financial contributions charges (which are set in advance based on growth assumptions) being set too high for that financial year. <p>In this situation future expenditure could be brought forward to meet the unexpected increase in demand and financial contributions charges adjusted the following year.</p> <p>If population growth and the number of rateable properties is over-estimated, (growth is slower than forecast) the consequences would be:</p> <ul style="list-style-type: none"> • Over-investment in infrastructure, for example developing capacity too early • Income from rates and financial contributions falling short of budget, which means debt is repaid more slowly and interest costs increase • For some types of infrastructure, financial contributions charges would have been set too low for that financial year. <p>In this situation we could fund the shortfall through rates, or defer expenditure.</p> <p>Review of assumptions</p> <p>Each year we re-forecast growth for the forthcoming year during development of our annual budget.</p>																																																																										
	This influences expected demand for services and helps forecast revenue from rates and financial contributions. Financial contributions are paid when properties are subdivided and sometimes when development occurs - most financial contributions are received from developers of subdivisions.																																																																											
	The District is recovering from the global economic recession, and we expect that growth will be 1.27% for 2017/18. This is 350 new lots, of which 260 is expected to be residential with the balance being rural, commercial/industrial.																																																																											
	<table border="1"> <thead> <tr> <th rowspan="2">Year end 30 June</th> <th colspan="4">Forecast in 2015-2025 Long Term Plan</th> </tr> <tr> <th>New lots created</th> <th>Growth rate</th> <th>Rateable properties</th> <th>District population</th> </tr> </thead> <tbody> <tr><td>2017</td><td>260</td><td>1.26%</td><td>20,884</td><td>48,326</td></tr> <tr><td>2018</td><td>265</td><td>1.27%</td><td>21,144</td><td>48,865</td></tr> <tr><td>2019</td><td>302</td><td>1.43%</td><td>21,409</td><td>49,506</td></tr> <tr><td>2020</td><td>303</td><td>1.42%</td><td>21,711</td><td>50,132</td></tr> <tr><td>2021</td><td>303</td><td>1.39%</td><td>22,014</td><td>50,758</td></tr> <tr><td>2022</td><td>303</td><td>1.38%</td><td>22,317</td><td>51,384</td></tr> <tr><td>2023</td><td>309</td><td>1.38%</td><td>22,620</td><td>52,032</td></tr> <tr><td>2024</td><td>297</td><td>1.31%</td><td>22,929</td><td>52,614</td></tr> <tr><td>2025</td><td>297</td><td>1.30%</td><td>23,226</td><td>53,218</td></tr> <tr><td>2030</td><td>290</td><td>1.20%</td><td>24,693</td><td>56,042</td></tr> <tr><td>2035</td><td>243</td><td>1.00%</td><td>26,011</td><td>58,200</td></tr> <tr><td>2040</td><td>174</td><td>0.70%</td><td>26,977</td><td>59,380</td></tr> <tr><td>2045</td><td>97</td><td>0.40%</td><td>27,535</td><td>59,830</td></tr> </tbody> </table>		Year end 30 June	Forecast in 2015-2025 Long Term Plan				New lots created	Growth rate	Rateable properties	District population	2017	260	1.26%	20,884	48,326	2018	265	1.27%	21,144	48,865	2019	302	1.43%	21,409	49,506	2020	303	1.42%	21,711	50,132	2021	303	1.39%	22,014	50,758	2022	303	1.38%	22,317	51,384	2023	309	1.38%	22,620	52,032	2024	297	1.31%	22,929	52,614	2025	297	1.30%	23,226	53,218	2030	290	1.20%	24,693	56,042	2035	243	1.00%	26,011	58,200	2040	174	0.70%	26,977	59,380	2045	97	0.40%	27,535	59,830
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KEY ASSUMPTIONS	DESCRIPTION	RISK
CURRENCY EXCHANGE RATES	<p>Council very rarely makes purchases in foreign exchange, except for the occasional purchase of equipment or services.</p> <p>Our Treasury Policy precludes the use of foreign exchange risk management products, except to hedge significant commitments (i.e. those over \$10,000).</p>	As a result of its limited use of foreign exchange, Council has little direct risk of changes in currency exchange rates.
RATES REMISSION AND DEFAULT CONTINGENCY	Council provides 2% of rates required as a contingency to cover non-payment of rates and remissions under its various rates remission policies.	<p>Level of uncertainty - low</p> <p>There is a risk that an unexpected event, such as an economic recession, could result in a higher than normal incidence of default in payment of rates. This is not considered likely, but if it occurred, Council debt would temporarily increase above forecast levels while it implemented legal action to recover outstanding amounts from ratepayers.</p>
STRATEGIC PROPERTY - TE TUMU	<p>In 2007 and 2008 Council entered into agreements to purchase a one third share in a property in Papamoa (Te Tumu) for \$5 million. Tauranga City Council purchased the other two thirds share of the property.</p> <p>The seller of the property has an option to purchase the property from the two councils at a fixed price between December 2016 and December 2026. If the option was exercised in the 2017/18 year, Western Bay of Plenty District Council would receive \$11.1 million for its share in the property.</p> <p>Council's financial forecasts include the assumption that the option would be exercised in 2026, at which time Council would receive \$19,996 million.</p>	<p>Level of uncertainty - low</p> <p>There is a possibility that the purchase option would be exercised earlier than 2026. If the option was exercised between 2016 and the last year of the Long Term Plan 2015 - 2025, then Council's income would be higher than forecast in the year the option was exercised and debt for every subsequent year would be lower.</p>
NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY	Council is a shareholder in the Local Government Funding Agency (LGFA). In future, Council expects to fund a portion of its borrowings from the LGFA. As a shareholder, Council has guarantee obligations, but it is difficult to reliably forecast the impact of this shareholding and guarantee in Council's long term plan financial statements.	<p>Level of uncertainty - low</p> <p>Council shareholding is expected to be reflected in an increase in financial assets, dividend receipts and guarantee liability. None of these impacts is considered significant in the context of the consolidated financial statements.</p>
LOCAL GOVERNMENT LEGISLATION	<p>This plan has been prepared on the basis of legislation governing the purpose and structure of local government that was in force as at June 2017.</p> <p>The government has signalled reforms of the Resource Management Act 1999 and continues to implement the Housing Accords and Special Housing Areas Act. At the time of this plan being prepared the full extent of the proposed reforms have not been determined.</p>	<p>Level of uncertainty - moderate</p> <p>The Resource Management Act reforms are intended to allow for more rapid progression of housing and commercial developments. Council may need to change its planning and processes in response to any legislative changes, however at this stage it is not clear what the reforms will entail.</p> <p>The Housing Accords and Special Housing Areas Act may result in development of some areas earlier than previously planned, which would mean that Council would need to alter the timing of some of the infrastructure activities projects in the structure plans. This is likely to have minimal impact as the structure plans are already reviewed regularly as part of the annual plan process.</p>

KEY ASSUMPTIONS	DESCRIPTION	RISK
DEMOGRAPHIC CHANGE	<p>The Western Bay of Plenty District is growing quickly. In 2013 the District had 43,695 people, and is expected to have over 57,000 residents by 2033.</p> <p>The population is also expected to include a larger proportion of people aged over 65 years. At the moment about 20% of people in the Western Bay District are over 65 years old. By 2033 this is expected to increase to about 33%.</p>	<p>Level of uncertainty - moderate</p> <p>The Long Term Plan and this Annual Plan have been prepared based on the assumption of a larger and ageing population. In particular, infrastructure planning has taken into account where the additional residents will live, and the need to plan for wider footpaths, changing use of roads, and additional bus shelters. Recreation planning has considered changing leisure preferences.</p> <p>An over or underestimation of the extent and pace of these demographic changes may result in the infrastructure that does not meet the needs of the population. In these situations, planned projects could be delayed or brought forward as updated demographic projections become available.</p>
TRANSPORTATION NETWORK - PERFORMANCE ONE NETWORK MAINTENANCE CONTRACT (ONMC)	<p>The transportation network is maintained through a nine year performance based roading contract. The contract has joint clients - Western Bay of Plenty District Council and the New Zealand Transportation Agency for State Highways (NZTA).</p> <p>Council is in a collaborative seven year (with the option to extend for another two years) performance based road maintenance contract with the NZ Transportation Agency. This expires in 2023.</p>	<p>Financial risk - moderate</p> <p>Road maintenance and renewal costs could increase significantly. It is very difficult to reliably predict the likely impact due to the end of the contract being so far into the future. However this would be mitigated by reviewing levels of service or decreasing capital expenditure to manage any potential rates increase.</p> <p>Level of service risk - moderate</p> <p>If funding is unavailable to cover the increased costs (either from rates or from NZTA subsidy) levels of service will have to be reduced.</p>
AMALGAMATION	<p>In 2012, changes to the Local Government Act 2002 provided an easier process for amalgamations of local authorities. A proposal for amalgamation of two or more councils, which can be initiated by anyone, would be considered by the Local Government Commission according to a legislated process. The Bay of Plenty region may be considered for future amalgamation</p>	<p>Level of uncertainty - medium</p> <p>The 2015-2025 Long Term Plan and this Annual Plan have been prepared on the assumption that the status quo will remain in place for the next 10 years.</p> <p>If amalgamation did occur within the Long Term Plan 2015-2025 timeframe, this would significantly impact the activities within the plan, and would require substantial review of all planned actions and projects.</p>
TREATY OF WAITANGI SETTLEMENTS	<p>The settlement of the Treaty of Waitangi (Te Tiriti o Waitangi) claims in the District will continue over the next ten years. This will change the economic landscape, and is likely to offer new opportunities for collaboration and partnership.</p>	<p>Level of uncertainty - moderate</p> <p>Council may need to change the way it manages its assets to provide for greater iwi involvement where required to by settlement legislation or where Council deems appropriate. For example, in 2013 a joint committee of iwi authorities and councils was set up to co-govern the Kaituna River. This may also impact on how we use natural resources, such as revised limitations on our water take.</p> <p>This will also be a key opportunity, as settlements will provide iwi organisations with the power to invest in economic and social development projects which will ultimately benefit our community as a whole.</p>

KEY ASSUMPTIONS	DESCRIPTION	RISK
CLIMATE CHANGE	<p>The Western Bay of Plenty District is expected to see several impacts of climate change in the coming years. This may include rising sea levels, an increase in the average temperature, changes in the number and intensity of storms and an increase in the frequency of extreme winds.</p>	<p>Level of uncertainty - moderate</p> <p>Climate change may impact on Council levels of service. For example, if the rainfall intensity events increase significantly then a greater percentage of the stormwater infrastructure will be under sized. As a result the levels of service may not be achieved, and the investment in stormwater infrastructure may need to increase.</p> <p>However, the impacts of climate change are expected to be felt over the longer term (50-100 years) and are unlikely to have a substantial impact during the Long Term Plan and this Annual Plan.</p>
ARRANGEMENTS FOR THE DELIVERY OF COUNCIL SERVICES	<p>Council is legislatively required to periodically review the way it delivers its services.</p> <p>Since November 2014 local authorities in and around the Bay of Plenty have been taking part in a research project to help them gain a greater understanding of the issues and opportunities related to the form and function of local government in the region. The research will consider alternative ways in which local public services could be delivered, to improve effectiveness and efficiency.</p> <p>This plan assumes that current service delivery arrangements will remain in place.</p>	<p>Level of uncertainty - moderate</p> <p>It is possible that changes will be made to service delivery arrangements in the medium term (about 3-4 years). Depending on the scale and type of change, there could be a material effect on patterns of council expenditure and the ways that revenue is collected. It is too early to predict how likely this might be.</p>
DATE OF ASSUMPTIONS	<p>The assumptions underlying this prospective financial information are as at 29 June 2017. The financial information contained within this Annual Plan may not be appropriate for purposes other than those described. Actual results to 30 June 2016 have been incorporated in this prospective information.</p>	