

CHAPTER ONE

Overview



CHAPTER ONE

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OVERVIEW OF COUNCIL'S PERFORMANCE

FIVE YEAR SUMMARY - FINANCIAL OVERVIEW

COUNCIL'S FIVE YEAR FINANCIAL PERFORMANCE SUMMARY

	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000
Rate revenue (excluding water by meter)	50,014	54,017	55,500	58,416	59,892
Vested assets revenue	1,345	979	720	42,408	3,658
Financial contributions revenue	4,833	4,177	2,607	7,862	10,993
Total expenditure	74,578	78,110	94,619	83,388	80,454
Total operating revenue	80,119	83,889	105,026	131,146	106,247
Operating surplus/(deficit)	5,541	6,124	10,338	47,733	25,587
Capital expenditure	15,424	18,378	15,449	17,142	26,826
Working capital/(deficit)	(15,478)	(4,425)	(12,104)	(17,068)	(12,663)
Total external debt	174,505	156,003	138,000	128,000	150,000
Net external debt	140,023	134,970	125,187	110,819	100,221
Fixed assets (net book value)	1,116,531	1,102,494	1,200,946	1,239,804	1,248,923
Short term investments	-	-	-	-	35,000
Cash on hand	9,482	21,033	12,813	17,181	14,779

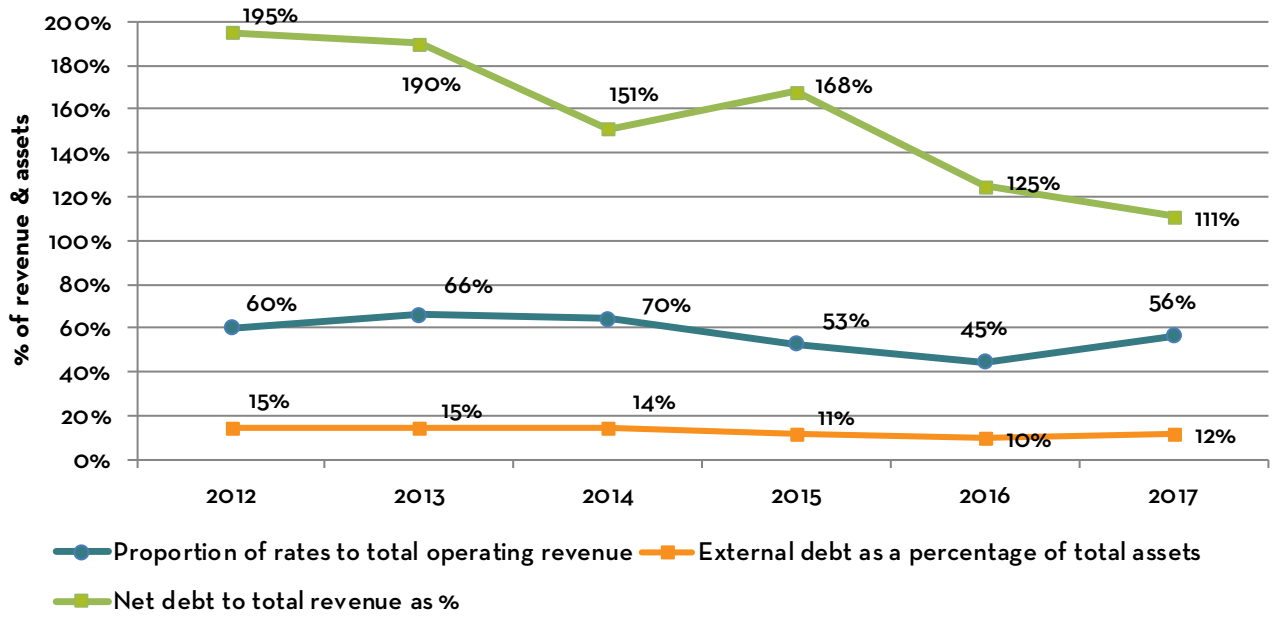
COUNCIL'S FIVE YEAR FINANCIAL STATISTICS SUMMARY

	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000
¹ Proportion of rates to revenue	68%	70%	72%	45%	56%
Total external debt as a percentage of total assets	15%	14%	11%	10%	12%
External debt per rateable property (\$'000s)	8.65	7.72	6.69	6.19	7.18
Net external debt per rateable property (\$'000)	6.94	6.67	6.07	5.35	4.80
² Net debt to revenue as a percentage	190%	151%	168%	125%	111%
Total capital value of rating units within the District (\$m)	12,525	12,594	14,207	14,820	14,820
Total land value of rating units within the District (\$m)	7,216	7,216	7,828	7,851	7,851
Rateable properties	20,185	20,207	20,621	20,696	20,884

¹Restated. Now agrees with Rates Income (affordability) Benchmark Revenue which excludes financial contributions, gains and vested assets (refer to page 22).

²Restated. Now agrees with Debt Affordability Benchmark Revenue which excludes financial contributions, gains and vested assets (refer to page 26).

TREASURY RATIOS



This graph shows that for each rateable property in the District there was \$4,799 of net debt at 30 June 2017 this is a reduction of \$556 per property.

SERVICE DELIVERY PERFORMANCE

Council has structured its activities into 12 groups which comprise a total of 32 activities. The 12 Activity Groups provide the main means of delivering Council's services and work programmes. Our Achievements section of this document (from page 34 provides a detailed assessment of how well Council's activities performed during 2016/17).

PERFORMANCE AGAINST 2016/17 TARGETS

The LTP 2015 - 2025 identifies performance measures and targets for each activity. These measures reflect the diversity of the activities and were developed from a range of sources. Opportunities to benchmark Council activities with other local authorities or external agencies have been used where data is available.

Our Achievements section (from page 34) provides detailed financial and non-financial results for each activity. A summary of Council's performance against the 2016/17 targets is shown in the table below.

ACTIVITY GROUP	TARGET MET	PARTIAL MET*	NOT MET	NOT MEASURED	TOTAL
Representation	11	4	3		18
Planning for future	4	1	-	1	6
Communities	16	3	1	1	21
Recreation and Leisure	9	6	-	2	17
Regulatory services	5	2	5		12
Transportation	7	6	-		13
Water supply	13	1	-		14
Stormwater	13	-	1		14
Natural environment	2	1	2		5
Wastewater	7	-	3		10
Solid waste	6	-	1		7
Economic	5	1	1	1	8
TOTAL	98	25	17	5	145

Target Met	Target has been achieved.
Partial Met	Target has not been fully achieved, it is within 5% of target.
Not Met	Target was not achieved.
Not Measured	No survey or review required during the financial year.

REPORT ON DEVELOPMENT OF MĀORI CAPACITY TO CONTRIBUTE TO DECISION MAKING 2016/2017

ON-GOING PROCESSES

Māori representation arrangements	Tauranga Moana / Te Arawa ki Takutai Partnership Forum	Following the local government elections held in 2016, iwi and hapū members were asked to confirm their mandate to participate in the Partnership Forums. There were very few responses to this request so Council leadership went about engaging with iwi and hapū to confirm their desire for strong relationships with iwi and hapū and to gauge their views on the best representation model going forward. As a result iwi and hapū confirmed their desire for a strong relationship with Council at both a governance and operational level. As a result the Partnership Forums were reconvened as a single entity as opposed to the two forums in the previous triennium. The strategic plan Te Ara Mua, was developed by the Partnership Forums outlining issues of significance for iwi and hapū and how they will work with Council to address them. This document forms the basis of the work program for the Partnership Forum going forward.
Formal relationship agreements	Te Arawa Māori Trust Board Maketu Committee	Te Arawa Māori Trust Board is not part of the newly established Partnership Forums.
Engagement with Māori communities	Tangata Whenua Consultation Guidelines	The Workforce Development and Cultural Advisor is in the process of reviewing the guidelines and protocols and how they are being used by staff members.
	Consultation Protocols	The Takawaenga unit (Māori Relationships and Engagement Advisor and Workforce Development and Cultural Advisor) are currently in the process of delivering the third phase of training to all staff, this third phase being on tikanga Māori including appropriate engagement with Tangata Whenua.
	Consideration of Māori Interests - Roading	Status quo.

ON-GOING PROCESSES

<p>Building relationships with our Māori communities</p>	<p>Marae Maintenance Fund</p>	<p>The Takawaenga Unit works closely with staff on issues requiring engagement with our Māori communities ensuring that we provide appropriate support. The unit also acts as a conduit for our Māori Communities as a means of building confidence for members of that community to engage with staff.</p> <p>A working example of this support can be seen in Council's recent application for a renewal of the Discharge Consents for Te Puke and Katikati Wastewater Treatment Plants. The Takawaenga Unit worked closely with staff involved in those applications as the Maori communities within those two areas were heavily involved in progressing the respective consent applications.</p> <p>Māori communities typically use Marae for community purposes (as opposed to community halls) despite paying the community hall rates. In recognition of this, the Marae Maintenance Fund provides a contestable fund for those Marae that have interests in Council's district to get financial support for maintenance work on their Marae. The fund is currently \$33,000.00 per annum.</p>
<p>Co-management regimes</p>	<ul style="list-style-type: none"> • Papamoa Hills Cultural Heritage Regional Park • TECT All Terrain Park • Panepane Point 	<p>Council is represented on Te Maru o Kaituna (the statutory co-governance established over the Kaituna River).</p> <p>Council will be represented on the Tauranga Moana Harbour co-governance body which has yet to be established.</p> <p>Council is continuing to work towards an agreement that would provide for the transfer of ownership of Panepane/ Purakau to an entity representative of relevant tangata whenua subject to certain principles being agreed including the retention of access to harbour navigational aids and that the land be used for protecting the harbour from erosion.</p> <p>A Panepane project group was established to progress the above resolution. This project group is made up of Council staff and representatives of the five hapū of Matakana and Rangiwaewa Islands. Work on this matter is ongoing and will ultimately involve a formal community consultation process.</p>

ON-GOING PROCESSES

SmartGrowth	Combined Tangata Whenua (CTWF)	<p>The Māori Relationships and Engagement Advisor provides support to the SmartGrowth Combined Tangata Whenua Forum, through attendance at meetings and advocating within Council relevant issues raised by the Forum.</p> <p>The Māori Relationships and Engagement Advisor together with colleagues from Tauranga City Council (TCC) and Bay of Plenty Regional Council (BOPRC) meets with CTWF members that are on the SmartGrowth implementation committee to provide support to those members where needed.</p>
Policy Development	Input to reviews of policies and strategies through Māori Forum workshops.	<p>Te Ara Mua has identified opportunities for policy development in line with the scope of the Partnership Forums' responsibilities.</p> <p>Council is progressing a Road Naming policy with input from iwi and hapū. The policy will be socialised at the first meeting of the Partnership Forum.</p> <p>Council is progressing a policy that considers using Council land to provide for the establishment of Urupa.</p> <p>Both of the above policies are in line with policy imperatives identified in Te Ara Mua.</p>
Strategic Planning	Hapū and Iwi management plans	<p>Council continues to support the development of Hapū and Iwi Management Plans through the provision of funding for this purpose.</p> <p>Council is in the process of developing clear procedural guidelines about the development and implementation of these plans, ensuring that iwi and hapū are involved in the process to ensure expectations are aligned.</p>

ANNUAL REPORT DISCLOSURE STATEMENT

ANNUAL REPORT DISCLOSURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2017

What is the purpose of this statement

The purpose of this statement is to disclose the Council's 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 report 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.

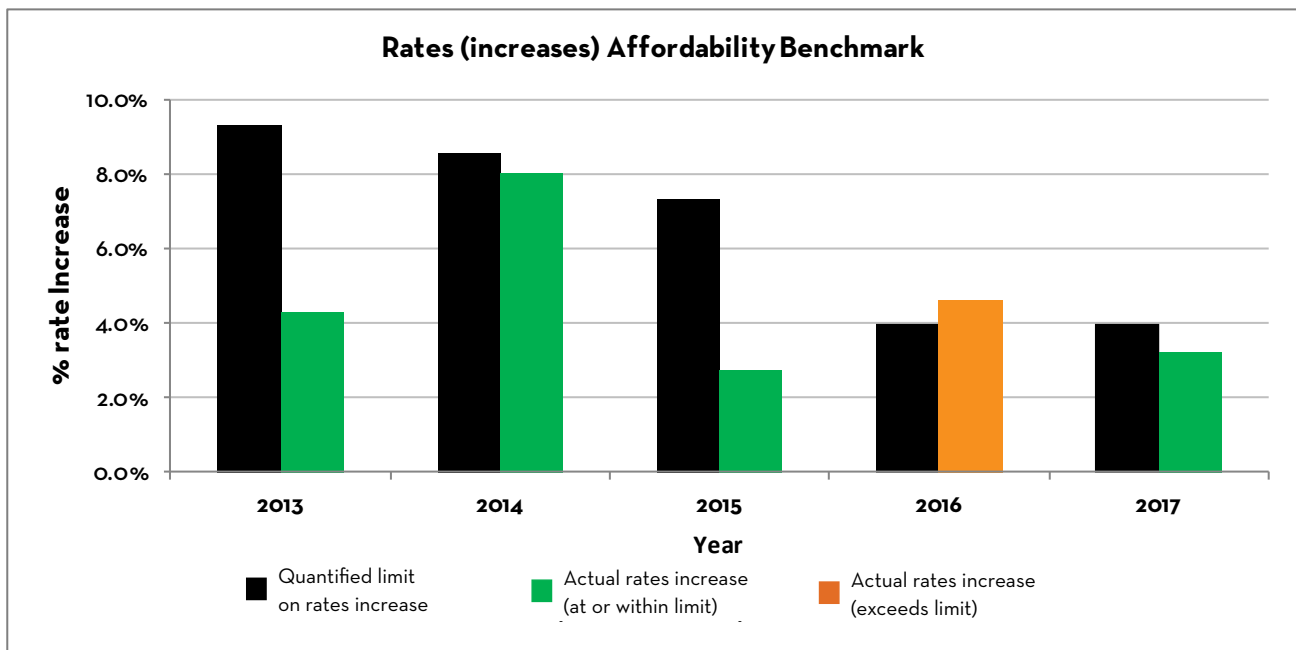
Page 26 provides a breakdown of how these benchmarks were calculated for 2016 and 2017.

Rates Affordability Benchmark

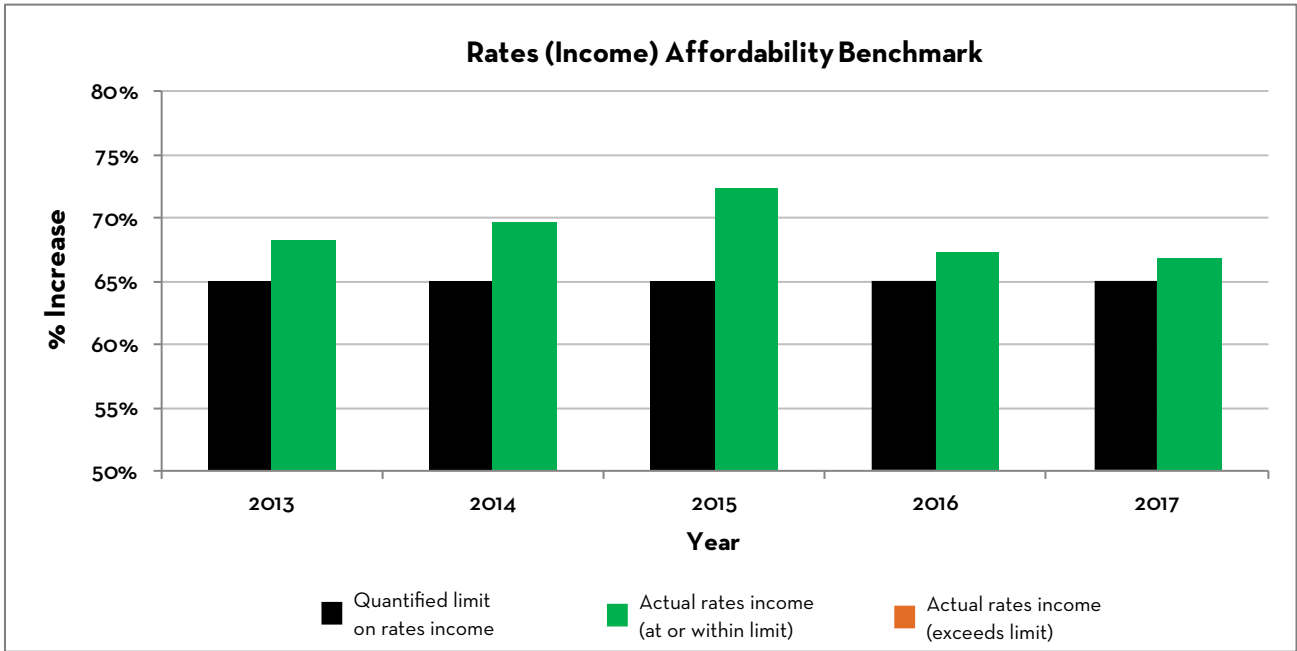
The Council meets the rates affordability benchmark if:

- its actual rates income equals or is less than each quantified limit on rates; and
- its actual rates increases equal or are less than each quantified limit on rates increases.

The following graph compares the Council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit for 2017 is 4%.



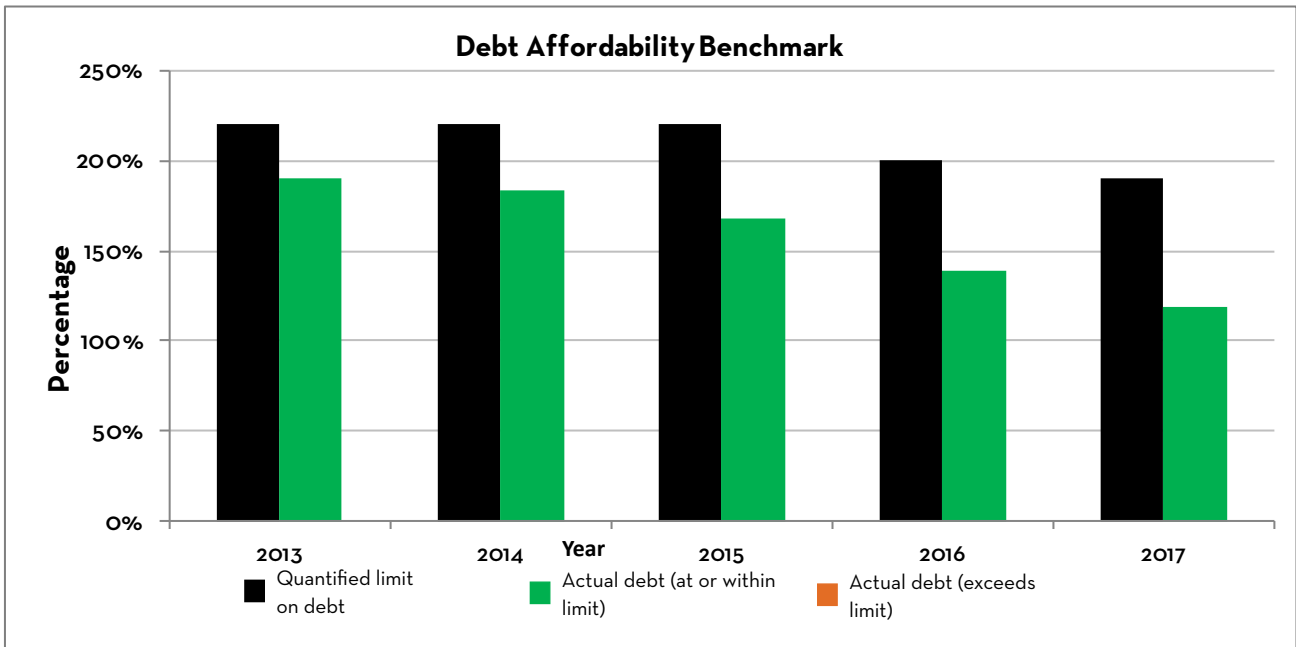
The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is that rates will be at least 65% of revenue. Revenue is defined as total revenue as per the Statement of Comprehensive Revenue and Expenditure less Financial Contributions, Gains and Vested Assets.



Debt Affordability Benchmark

The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing.

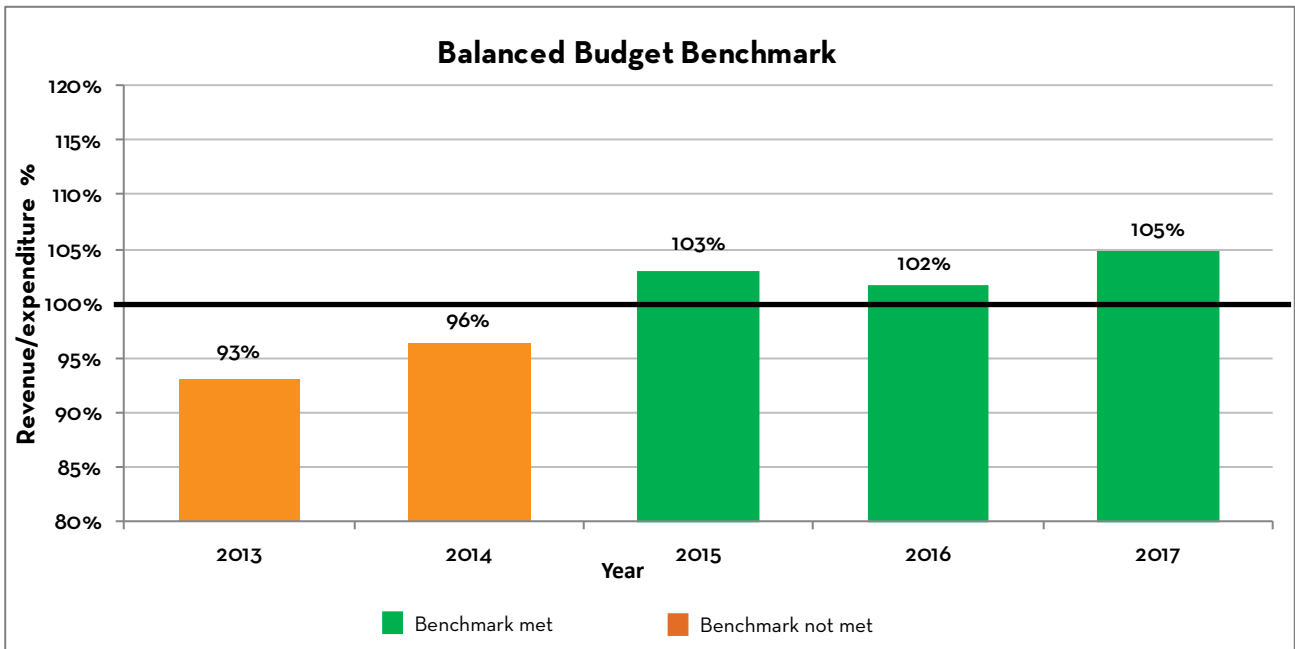
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's long-term plan. The quantified limit is that debt will not exceed 190% of revenue in 2017, reduced from 200% in previous years.



Balanced budget benchmark

The following graph displays the Council's revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial instruments and revaluations of property, plant, or equipment).

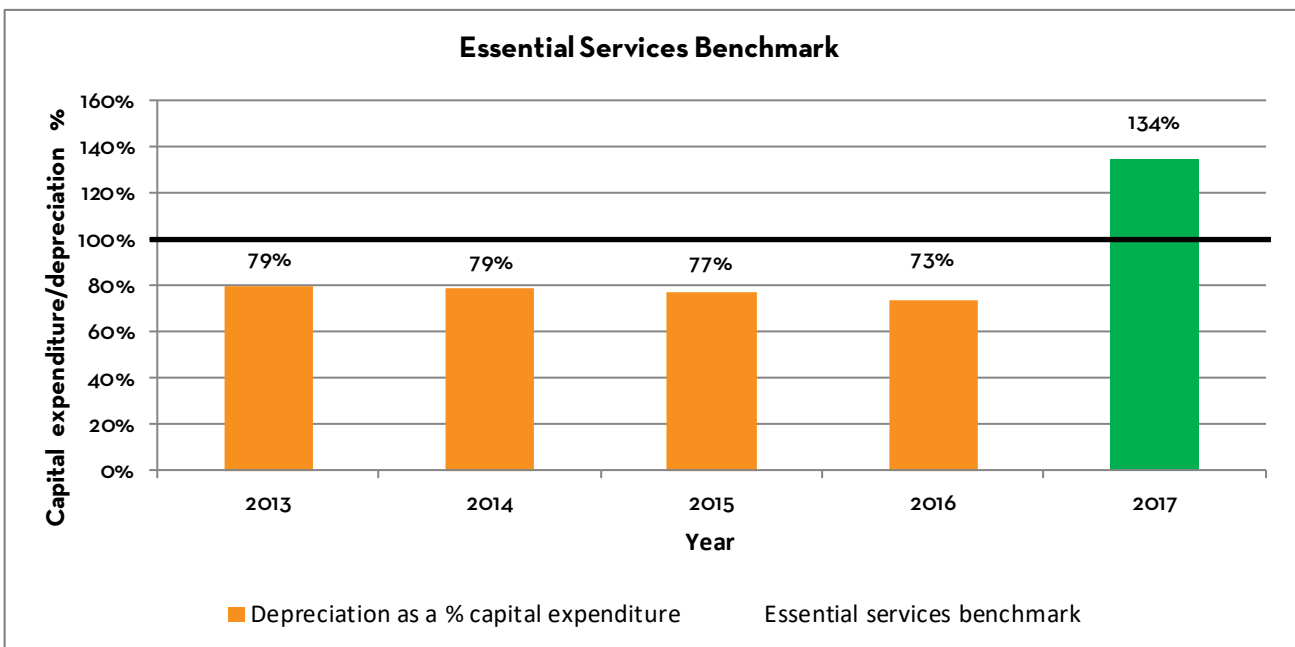
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

The following graph displays the Council's capital expenditure on network services as a proportion of depreciation on network services.

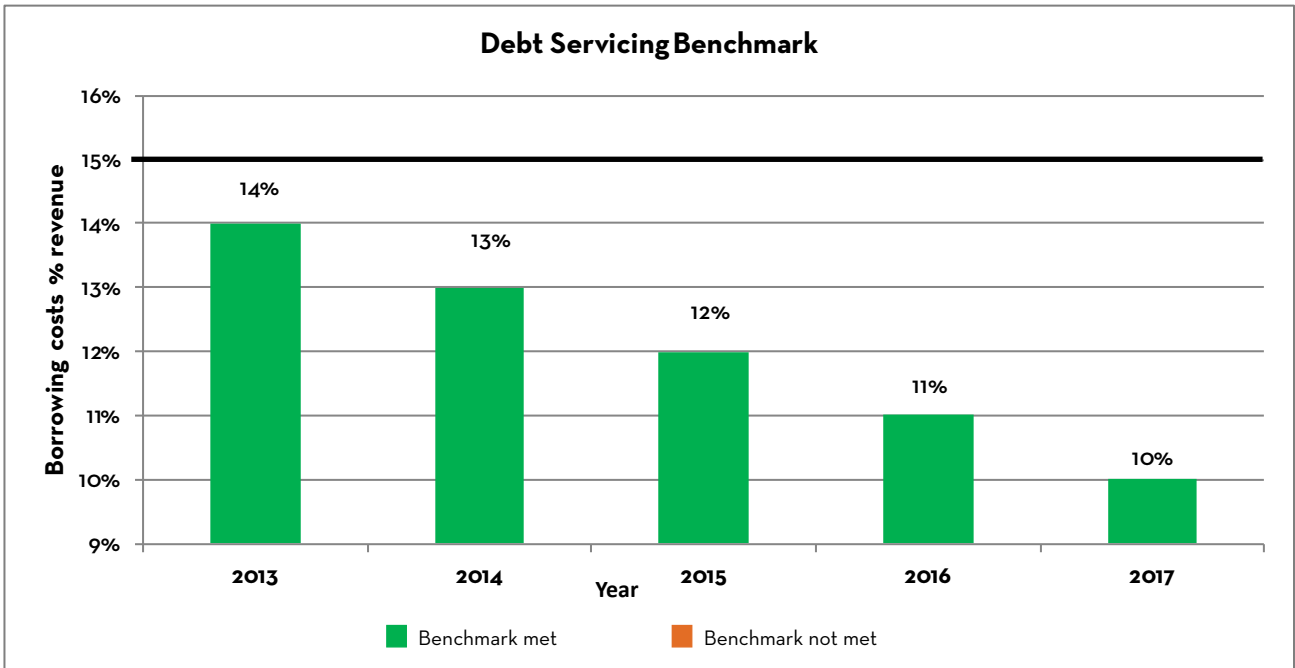
The Council meets this benchmark if its capital expenditure on network services (being; transportation, water, wastewater and Stormwater) equals or is greater than depreciation on network services.



Debt servicing benchmark

The following graph displays the Council's borrowing costs as a proportion of revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment).

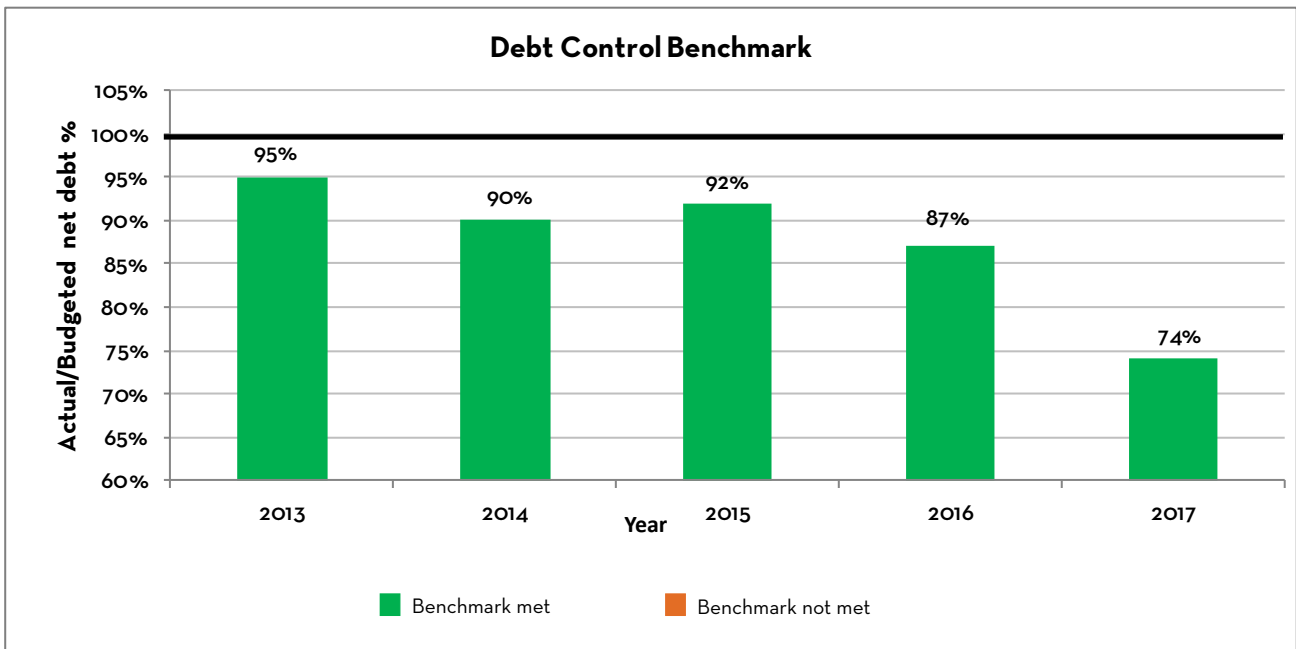
Because Statistics New Zealand projects the council's population will grow faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



Debt control benchmark

The following graph displays the Council's actual net debt as a proportion of planned net debt. In this statement, net debt means financial liabilities less financial assets (excluding trade and other receivables).

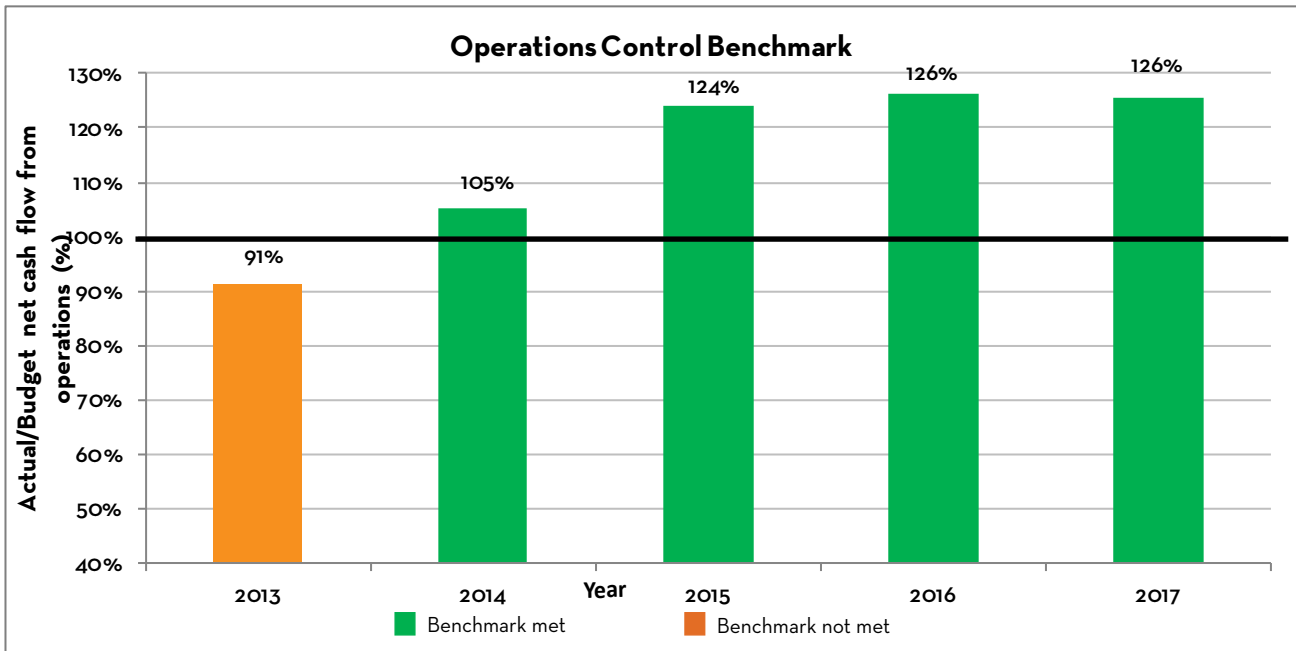
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



Operations control benchmark

This graph displays the Council's actual net cash flow from operations as a proportion of its planned net cash flow from operations.

The Council meets the operations control benchmark if its actual net cash flow from operations equals or is greater than its planned net cash flow from operations.



Additional information

Increased properties in the District and increased values of these properties has contributed to a 2.5% increase in rates income over the 2017 financial year. Rating penalties have been removed from the calculations as these are the result of non-payment of rates rather than an actual charge made up front.

The balanced budget benchmark was not met in 2013. This is due to the exclusion of financial contribution revenue from the benchmark. Had this income been included Council would have complied with the benchmark in all years.

The essential services benchmark was not met in 2013, 2014, 2015 and 2016. This was due to the completion of large scale infrastructure works in previous years, with the majority of works undertaken being renewals. In addition some growth related capital works were deferred as they were not required.

Debt control benchmark lower than previous years due to debt funded capex being deferred to later years due to weather and limited resources.

DISCLOSURE STATEMENT CALCULATIONS

	ACTUAL \$'000	ACTUAL \$'000
	2016	2017
Rates income	58,416	63,657
Penalty rates	(1,250)	(1,272)
Rates income excluding penalties	57,166	62,385
Rates affordability benchmark	4.6%	3.2%
Rates income	58,416	63,657
Total revenue	131,146	106,247
less - vested assets	(42,408)	(3,658)
less - unrealised income	(692)	(5,777)
less - gains	(1,079)	(1,542)
Revenue for benchmark	82,116	95,270
Rates income affordability benchmark	67%	67%
Total revenue	131,146	106,247
Less financial contributions	(7,862)	(10,993)
Less gains	(1,079)	(1,542)
Less vested assets	(42,408)	(3,658)
Less - unrealised income	-	(5,777)
Revised revenue	79,798	84,277
Total external debt	128,000	150,000
Less short term Investments	-	(35,000)
Less cash	(17,181)	(14,779)
Net borrowings	110,819	100,221
Debt affordability benchmark	139%	119%
Total revenue	131,146	106,247
Less - financial contributions	(7,862)	(10,993)
Less - vested assets	(42,408)	(3,658)
Less - revaluation adjustments	(1,079)	(1,542)
Less - unrealised income	-	(5,777)
Revenue for benchmark	79,798	84,277
Total expenditure	83,388	80,454
Less - revaluation adjustments	(124)	-
Less - unrealised interest/derivative loss	(4,851)	-
Expenditure for benchmark	78,413	80,454
Balanced budget benchmark	102%	105%
Capital expenditure		
Roading	6,639	13,970
Water	4,142	4,982
Wastewater	1,436	1,258
Stormwater	217	1,244
Total capital expenditure	12,433	21,454
Depreciation expense		
Roading	9,452	8,381
Water	2,828	2,929
Wastewater	3,501	3,783
Stormwater	1,156	1,144
Total depreciation	16,936	16,237
Essential services benchmark	73%	132%

	ACTUAL	ACTUAL
	\$'000	\$'000
	2016	2017
Total revenue	131,146	106,247
Less - financial contributions	(7,862)	(10,993)
Less - vested assets	(42,408)	(3,658)
Less - revaluation adjustments	(1,079)	(1,542)
Less - derivative gains	-	(5,777)
Revenue for benchmark	79,798	84,277
Interest expense	8,709	8,246
Debt servicing benchmark	11%	10%
Actual		
Liabilities		
Debt	128,000	150,000
Payables	11,413	14,548
Interest rate swaps	14,797	9,655
Assets		
Cash	(17,181)	(14,779)
Investment	(3,466)	(38,825)
Financial assets	(1,698)	(10,273)
Actual net debt	131,865	110,327
Budget		
Liabilities		
Debt	148,003	135,000
Payables	10,855	12,885
Interest rate swaps	3,831	9,946
Assets		
Cash	(5,940)	(2,895)
Investments	(3,357)	(3,469)
Financial assets	(957)	(2,673)
Budget net debt	152,435	148,794
Debt control benchmark	87%	74%
Budgeted cashflow from operations	23,752	28,785
Actual cashflow from operations	30,012	36,155
Operations control benchmark	126%	126%

AUDIT REPORT

AUDIT NEW ZEALAND
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Western Bay of Plenty District Council's annual report for the year ended 30 June 2017

The Auditor-General is the auditor of Western Bay of Plenty District Council (District Council). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, to report on the information in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the Act). We refer to this information as "the audited information" in our report.

We are also required to report on:

- whether the District Council has complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- the completeness and accuracy of the District Council's disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014.

We refer to this information as "the disclosure requirements" in our report.

We completed our work on 21 September 2017. This is the date on which we give our report.

Opinion on the audited information

In our opinion:

- the financial statements on pages 129 to 194:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2017;
 - the results of its operations and cash flows for the year ended on that date; and
 - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards;
- the funding impact statement on page 195 to 196, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's annual plan;
- the Service Performance results on pages 34 to 127:
 - presents fairly, in all material respects, the District Council's levels of service for each group of activities for the year ended 30 June 2017, including:1

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- the levels of service achieved compared with the intended levels of service and whether any intended changes to levels of service were achieved;
- the reasons for any significant variation between the levels of service achieved and the intended levels of service; and
 - complies with generally accepted accounting practice in New Zealand; and
- the statement about capital expenditure for each group of activities on pages 197 to 209, presents fairly, in all material respects, actual capital expenditure as compared to the budgeted capital expenditure included in the District Council's Long-term plan; and
- the funding impact statement for each group of activities on pages 197 to 209, presents fairly, in all material respects, the amount of funds produced from each source of funding and how the funds were applied as compared to the information included in the District Council's Long-term plan.

Report on the disclosure requirements

We report that the District Council has:

- complied with the requirements of Schedule 10 of the Act that apply to the annual report; and
- made the disclosures about its performance against benchmarks that are required by the Local Government (Financial Reporting and Prudence Regulations 2014) on pages 21 to 27, which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information and, where applicable, the District Council's long-term plan and annual plans.

Basis for opinion on the audited information

We carried out our audit 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. We describe our responsibilities under those standards further in the "Responsibilities of the auditor for the audited information" section of this report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the audited information.

Responsibilities of the Council for the audited information

The Council is responsible for meeting all legal requirements that apply to its annual report.

The Council's responsibilities arise under the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014.

AUDIT REPORT

The Council is responsible for such internal control as it determines is necessary to enable it to prepare the information we audit that is free from material misstatement, whether due to fraud or error.

In preparing the information we audit the Council is responsible for assessing its ability to continue as a going concern. The Council is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to amalgamate or cease all of the functions of the District Council or there is no realistic alternative but to do so.

Responsibilities of the auditor for the audited information

Our objectives are to obtain reasonable assurance about whether the audited information, as a whole, is free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of this audited information.

For the budget information reported in the audited information, our procedures were limited to checking that the budget information agreed to the District Council's annual plan.

We did not evaluate the security and controls over the electronic publication of the audited information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the audited information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District Council's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Council.
- We determine the appropriateness of the reported intended levels of service in the Service Performance results, as a reasonable basis for assessing the levels of service achieved and reported by the District Council.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Council and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast a significant

AUDIT REPORT

doubt on the District Council's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our audit report to the related disclosures in the audited information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our audit report. However, future events or conditions may cause the District Council to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the audited information, including the disclosures, and whether the audited information represents, where applicable, the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Council regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Information

The Council is responsible for the other information included in the annual report. The other information comprises the information included on pages 4 to 20 and 212 to 215, but does not include the audited information and the disclosure requirements.

Our opinion on the audited information and our report on the disclosure requirements do not cover the other information.

Our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the audited information and the disclosure requirements, or our knowledge obtained during our work, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independence

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

In addition to this audit which includes our report on the disclosure requirements, we have carried out engagements in the area of the Debenture Trust Deed, which is compatible with those independence requirements. Other than these assignments, we have no relationship with or interests in the District Council.



Clarence Susan
Audit New Zealand
On behalf of the Auditor-General
Tauranga, New Zealand