

# Chapter One

## Overview





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### Overview

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## Overview of Council's performance

### Five year summary - financial overview

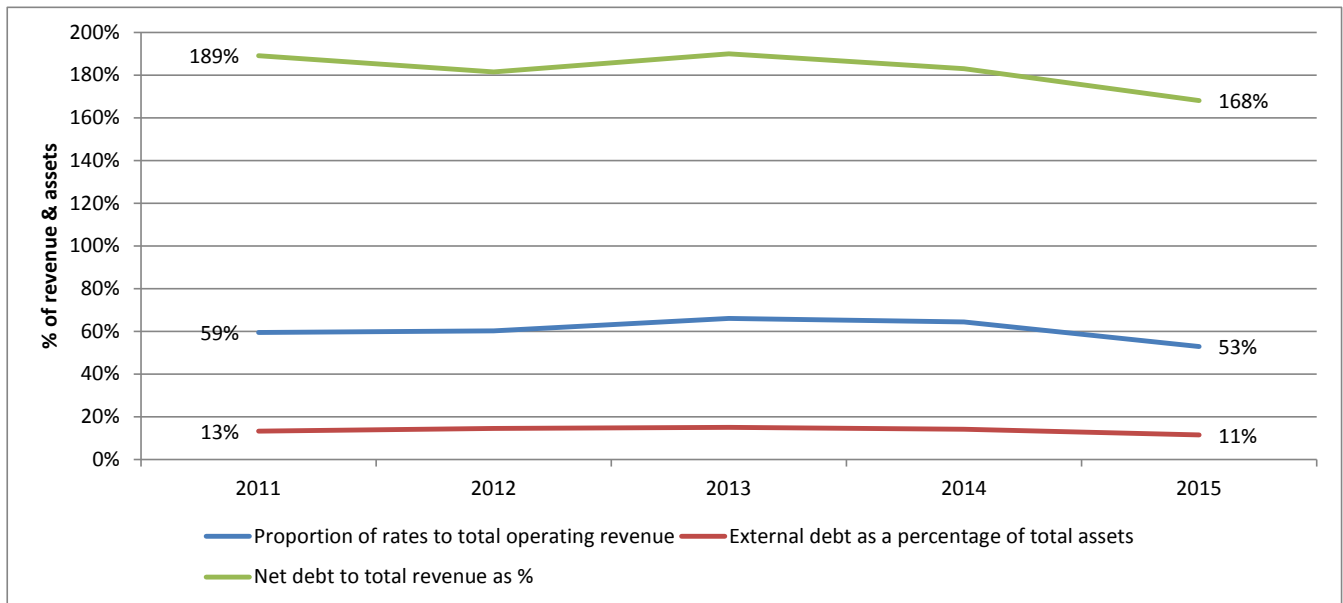
#### Council's five year financial performance summary

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Rate revenue (excluding water by meter)	45,483	47,958	50,014	54,017	55,500
Vested assets revenue	5,211	184	1,345	979	720
Financial contributions revenue	2,990	4,876	4,833	4,177	2,607
Total expenditure	69,896	107,532	74,578	78,110	94,619
Total operating revenue	76,518	79,703	80,119	83,889	105,026
Operating surplus/(deficit)	6,718	(27,843)	5,541	6,124	10,338
Capital expenditure	29,554	39,947	15,424	18,378	15,449
Working capital/(deficit)	(36,184)	(8,156)	(15,478)	(4,425)	(12,104)
Total external debt	150,437	155,508	174,505	156,003	138,000
Net external debt	134,800	144,274	140,023	134,970	125,187
Fixed assets (net book value)	1,129,392	1,066,945	1,116,531	1,102,494	1,205,563
Cash on hand	15,637	11,234	9,482	21,033	12,813

#### Council's five year financial statistics summary

	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000
Proportion of rates to total operating revenue	59%	60%	66%	70%	53%
Total external debt as a percentage of total assets	13%	15%	15%	14%	11%
External debt per rateable property (\$'000s)	7.54	7.75	8.65	7.72	6.69
Net external debt per rateable property (\$'000)	6.76	7.19	6.94	6.67	6.07
Net debt to total revenue as a percentage	189%	181%	190%	183%	168%
Total capital value of rating units within the District (\$m)	14,997	15,190	12,525	12,594	14,207
Total land value of rating units within the District (\$m)	9,187	9,234	7,216	7,216	7,828
Rateable properties	19,941	20,054	20,185	20,207	20,621

### Treasury ratios



This graph shows that for each rateable property in the District there was \$6,071 of net debt at 30 June 2015.




## 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 36 provides a detailed assessment of how well Council's activities performed during 2014/15).

## Performance against 2014/15 targets

The LTP 2012 - 2022 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 36) provides detailed financial and non-financial results for each activity. A summary of Council's performance against the 2014/15 targets is shown in the table below.

Activity Group	Target Met	Partial Met*	Not Met	Total
				
Representation	14	-	-	<b>14</b>
Planning for the future	5	-	1	<b>6</b>
Communities	15	3	2	<b>20</b>
Recreation and leisure	10	2	-	<b>12</b>
Regulatory services	4	6	-	<b>10</b>
Transportation	8	1	4	<b>13</b>
Water supply	8	2	-	<b>10</b>
Stormwater	2	1	1	<b>4</b>
Natural environment	3	-	2	<b>5</b>
Wastewater	3	1	-	<b>4</b>
Solid waste	5	1	1	<b>7</b>
Economic	6	1	-	<b>7</b>
<b>Total</b>	<b>83</b>	<b>18</b>	<b>11</b>	<b>112</b>

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.



# Report on development of Māori capacity to contribute to decision making 2014/2015

On-going Processes		
Māori representation arrangements	Establishment of Partnership Forums	<p>The Tauranga Moana Partnership Forum and the Te Arawa ki Takutai Partnership Forum had their inaugural meetings in October 2014.</p> <p>The forums have developed and adopted a terms of reference which outlines the make-up, function and scope of the forums. Each respective forum has elected a Chairperson and a total of three formal meetings and one workshop for each forum has been held to date.</p> <p>The forums are currently in the process of developing their work program.</p>
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 in the process of rolling out training of key Managers and staff on how to hold meetings with tangata whenua.
	Consideration of Māori Interests - Roading	Status quo.
Building relationships with our Māori communities		<p>The Workforce Development and Cultural Advisor has developed a training program regarding Marae protocols and Māori pronunciation which aims to improve relationships between Council staff and tangata whenua through improved language skills and cultural understanding.</p> <p>The Takawaenga Unit works closely with staff on issues requiring engagement with our Māori communities ensuring as a means of providing 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>

On-going Processes		
Co-management regimes	<ul style="list-style-type: none"> <li>▶ Papamoa Hills Cultural Heritage Regional Park</li> <li>▶ TECT All Terrain Park</li> </ul>	<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 has been approached regarding possible co-management regimes outside of ones provided by statute. These have triggered consideration of a policy for managing requests of this nature that may come up in the future. In the meantime Council must consider such requests on their merits having regard to Council's role and obligations to its Māori communities and the community at large.</p>
SmartGrowth	Combined Tangata Whenua	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.
Policy Development	Input to reviews of policies and strategies through Māori Forum workshops.	<p>The development of the Partnership Forums' work program will identify opportunities for policy development in line with the scope of the Partnership Forums' responsibilities.</p> <p>The Takawaenga Unit also seek out opportunities to improve or build Council policy that has a bearing on relationships with our Māori communities e.g. review of Council's koha policy.</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>



## Non-Financial Mandatory Measures

The Local Government Act 2002 Amendment Act 2010 recognised the need for standard performance measures for local authorities. The purpose is to enable the public to compare the level of service provided by the different local authorities.

In line with legislation the Secretary for Local Government has developed performance measures for water, wastewater (sewerage), stormwater, roads and footpaths. These rules came into force on 30 July 2014. This is the first report showing Council's results.

Water Supply	Result	Narrative
<b>Safety of drinking water</b>		
The extent to which the local authority's drinking water supply complies with:		
a. Part 4 of the drinking-water standards (bacteria compliance criteria); and	100%	
b. Part 5 of the drinking-water standards (protozoal compliance criteria.	100%	
<b>Maintenance of the reticulation network</b>		
The percentage of real water loss from the local authority's networked reticulation system (including a description of the methodology used to calculate this)	23%	The percentage water loss calculation is based on the NZ Water Standard annual balance criteria.
<b>Fault response times</b>		
Where the local authority attends a call-out in response to a fault or unplanned interruption to its networked reticulation system, the following median response times measured:		
a. Attendance for urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and	8 mins (median response time)	There were a total of 237 Urgent service requests and 6 did not record the time when contractors arrived at the site.
b. Resolution of urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption	228 mins (median resolution time)	
c. Attendance for non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel reach the site, and	1152 mins (median response time)	There were a total of 1443 non-urgent service requests and 33 did not record the time when contractors arrived at the site.
d. Resolution of non-urgent call-outs: from the time that the local authority receives notification to the time that service personnel confirm resolution of the fault or interruption.	1556 mins (median resolution time)	
<b>Customer satisfaction</b>		
The total number of complaints received by the local authority about any of the following:	18 complaints per 1000 connections	
a. Drinking water clarity		
b. Drinking water taste		
c. Drinking water odour		
d. Drinking water pressure or flow		
e. Continuity of supply, and		
f. The local authority's response to any of these issues.		
Expressed per 1000 connections to the local authority's net-worked reticulation system.		

<b>Water Supply <i>continued</i></b>	<b>Result</b>	<b>Narrative</b>
<b>Demand management</b>		
The average consumption of drinking water per day per resident within the territorial authority district.	Normal demand is 313 litres per person per day	This calculation was based on the 39,288 residents connected to Council's water supply.
<b>Sewerage and the treatment and disposal of sewage</b>	<b>Result</b>	<b>Narrative</b>
<b>System and adequacy</b>		
The number of dry weather sewerage overflows from the territorial authority's sewerage system, expressed per 1000 sewerage connections to that sewerage system.	3 per 1,000 connections	There were a total of 22 dry weather sewerage overflows.
<b>Discharge compliance</b>		
Compliance with the territorial authority's resource consents for discharge from its sewerage system measured by the number of:		
a. abatement notices	0	
b. infringement notices	0	
c. enforcement orders, and	0	
d. convictions.	0	
Received by the territorial authority in relation to those consents.		
<b>Fault response times</b>		
Where the territorial authority attends to sewerage overflows resulting from a blockage or other fault in the territorial authority's sewerage system, the following median response times measured:		
a. attendance time: from the time that the territorial authority receives notification to the time that service personnel reach the site; and	50 mins	On site information available for 92% of service requests received for sewerage overflows.
b. resolution time: from the time that the territorial authority personnel confirm resolution of the blockage or other fault.	221 mins	
<b>Customer satisfaction</b>		
The total number of complaints received by the territorial authority about any of the following:	11 complaints per 1,000 connections	
a. sewage odour;		
b. sewerage system faults;		
c. sewerage system blockages; and		
d. the territorial authority's response to issues with its sewerage system;		
Expressed per 1000 connections to the territorial authority's sewerage system.		

Stormwater drainage	Result	Narrative
<b>System adequacy</b>		
a. the number of flooding events that occur in a territorial authority district  NOTE: flooding event defined as a an overflow of stormwater enters a habitable floor.	0	There were no flooding events during the 2014/15 year.
b. for each flooding event, the number of habitable floors affected. (expressed per 1000 properties connected to the territorial authority's stormwater system).	0	
<b>Management of environmental impacts</b>		
Compliance with the territorial authority's resource consents for discharge from its stormwater system, measured by the number of:		
a. abatement notices	0	
b. infringement notices	0	
c. enforcement orders, and	0	
d. convictions	0	
received by the territorial authority in relation to those resource consents.		
<b>Response to stormwater issues</b>		
The median response time to attend a flooding event, measured from the time that the territorial authority receives notification to the time of that service personnel reach the site.	N/A	There were no floodable events during the 2014/15 year.
<b>Customer satisfaction</b>		
The number of complaints received by a territorial authority about the performance of its stormwater system, expressed per 1000 properties connected to the territorial authority's stormwater system.	5 complaints per 1,000 properties connected to stormwater	54 complaints were received about the performance of the stormwater system.
<b>The provision of roads and footpaths</b>		
<b>Road safety</b>		
The change from the previous financial year in the number of fatalities and serious injury crashes on the local road network, expressed as a number.	-5	In 2014 there were 17 serious injuries and fatalities compared with 12 in 2015.
<b>Road condition</b>		
The average quality of ride on a sealed local road network, measured by smooth travel exposure.	95%	
<b>Road maintenance</b>		
The percentage of the sealed local road network that is resurfaced.	0.05%	350,008m <sup>2</sup> surfacing renewal was completed in 2015.
<b>Footpaths</b>		
The percentage of footpaths within a territorial authority district that fall within the level of service or service standard for the condition of footpaths that is set out in the territorial authority's relevant document (such as its annual plan, activity management plan, asset management plan, annual works program or long term plan).	94.4%	
<b>Response to service requests</b>		
The percentage of customer service requests relating to roads and footpaths to which the territorial authority responds within the time frame specified in the long term plan	86% actioned within 10 days	

# Annual Report disclosure statement

## Annual Report disclosure statement for the year ended 30 June 2015

### 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.

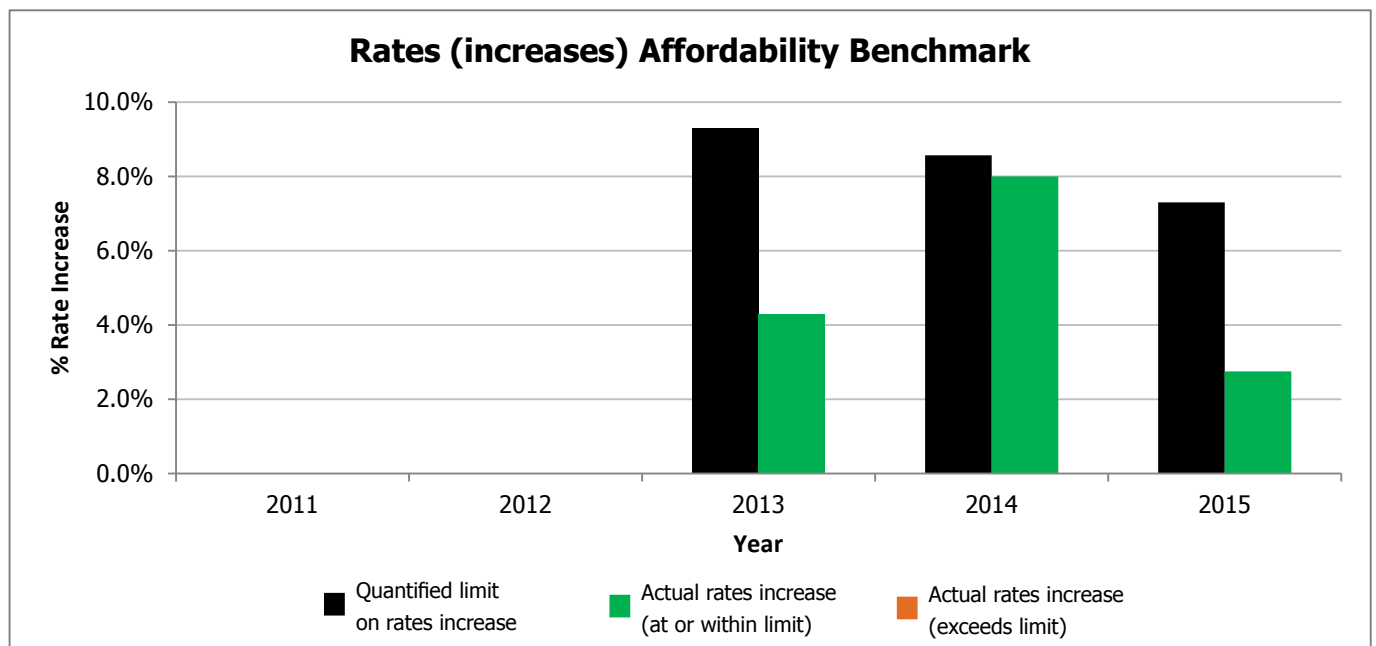
The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

### Rates Affordability Benchmark

The Council meets the rates affordability benchmark if:

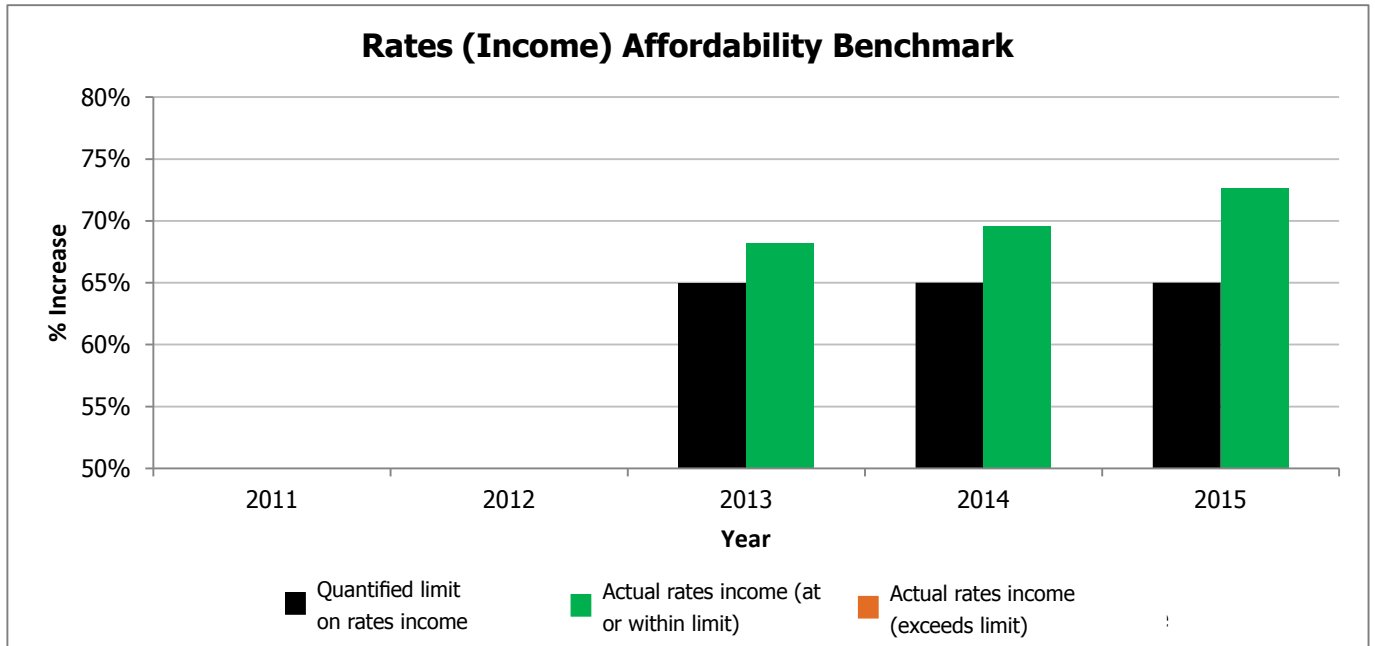
- ▶ its actual rates income equals or is less than each quantified limit on rates; and
- ▶ its actual rates increases equal or are less than each quantified limit on rates increases.

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 2015 is growth plus inflation plus 4.6%.



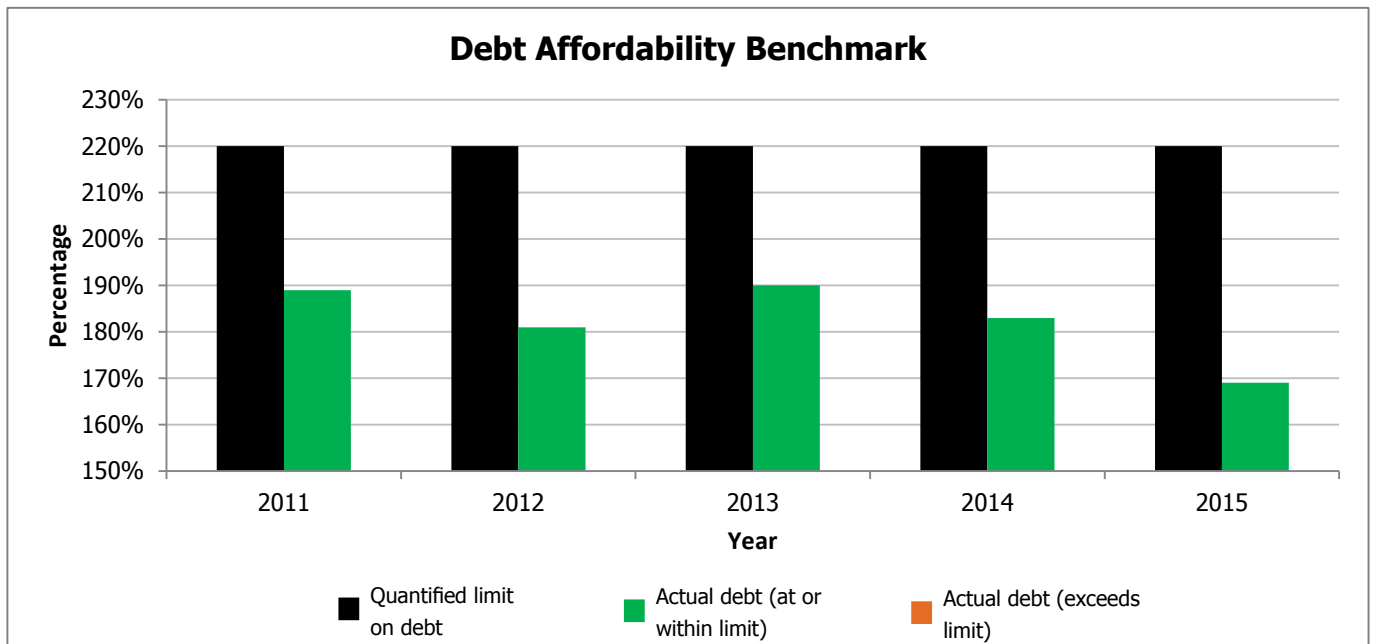


The following graph compares the council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the Council’s long-term plan. The quantified limit is that rates will be at least 65% of total revenue.



### Debt Affordability Benchmark

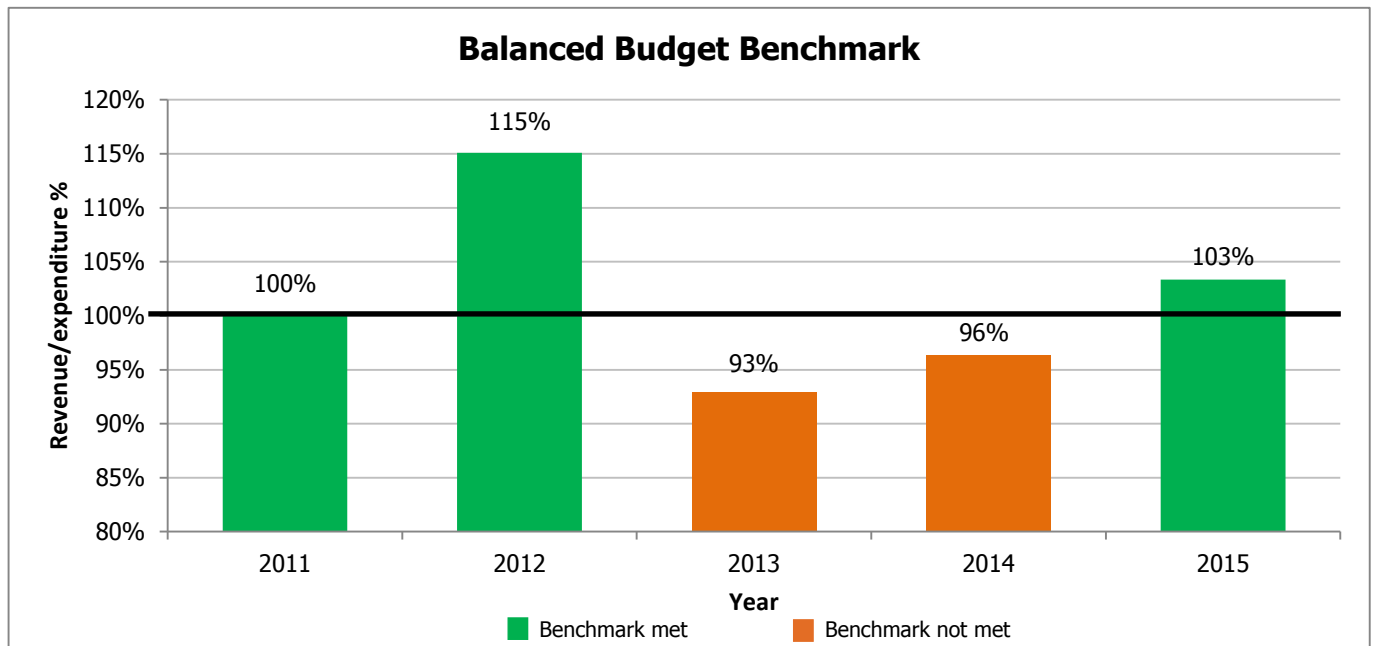
The Council meets the debt affordability benchmark if its actual borrowing is within each quantified limit on borrowing. The following graph compares the Council’s actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council’s long-term plan. The quantified limit is that debt will not exceed 220% of revenue.



**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).

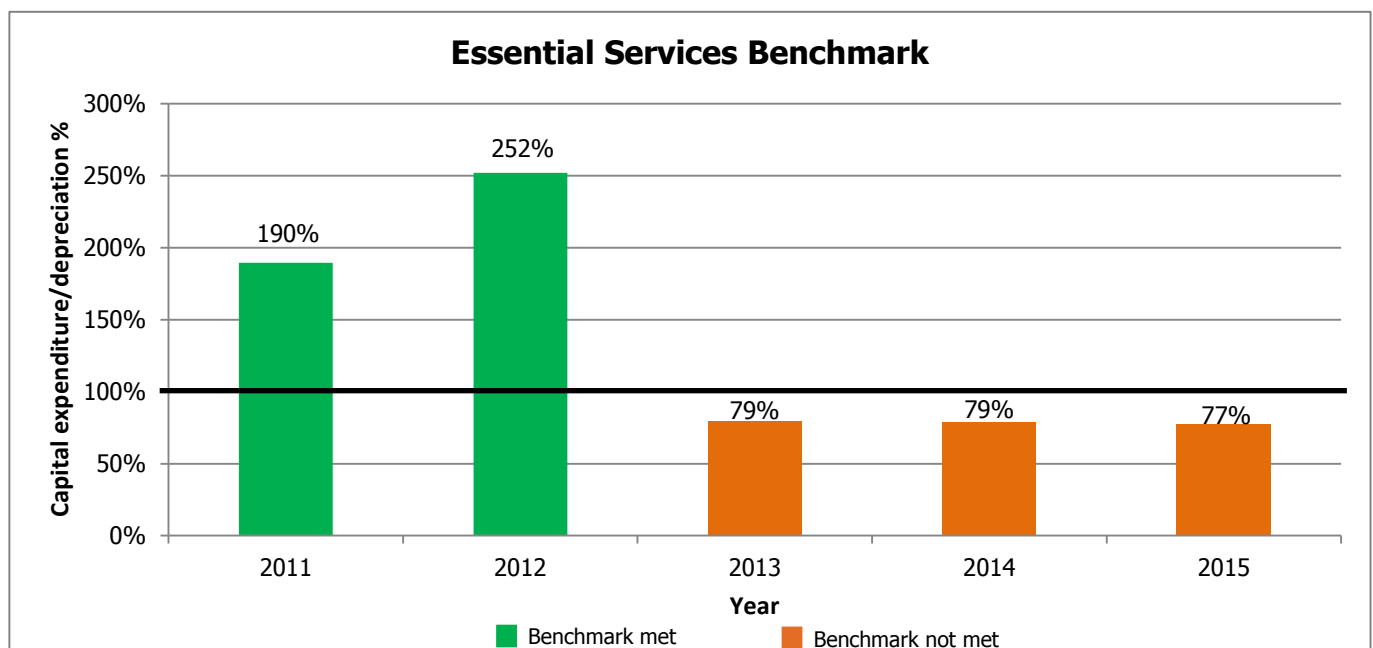
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



**Essential services benchmark**

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

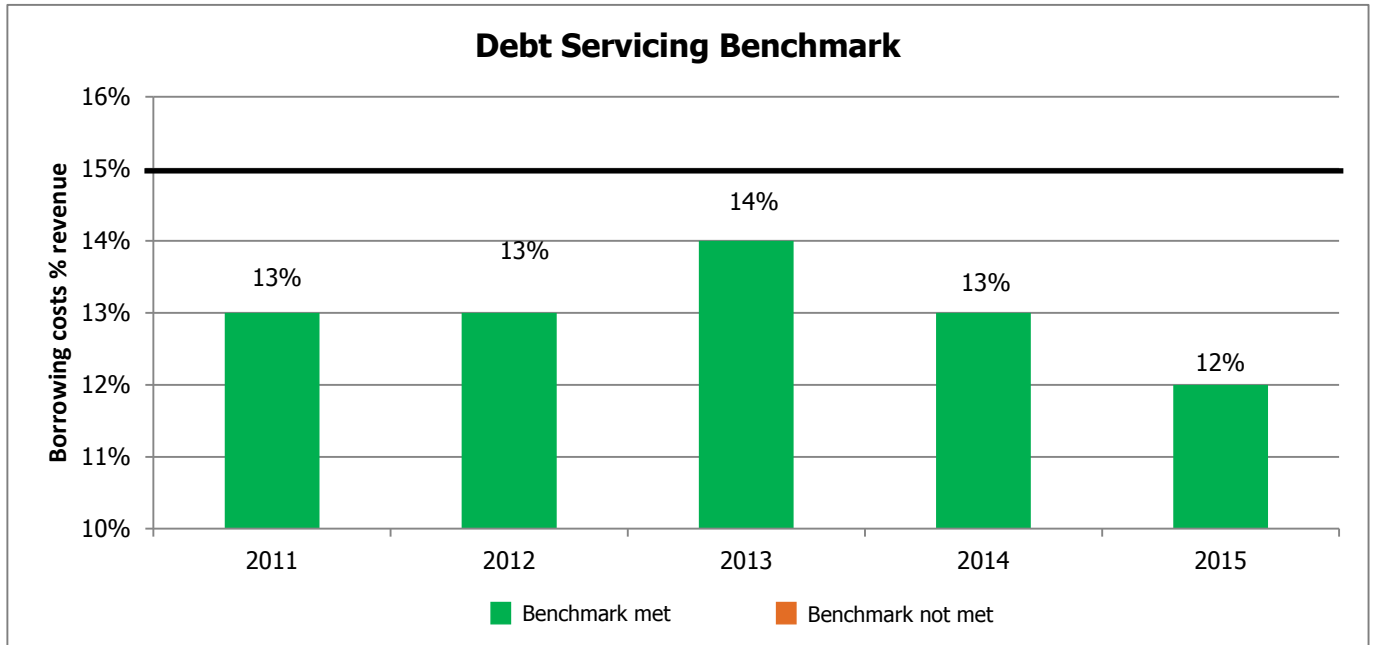
The Council meets this benchmark if its capital expenditure on network services (being; transportation, water, wastewater and Stormwater) equals or is greater than depreciation on network services.



**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).

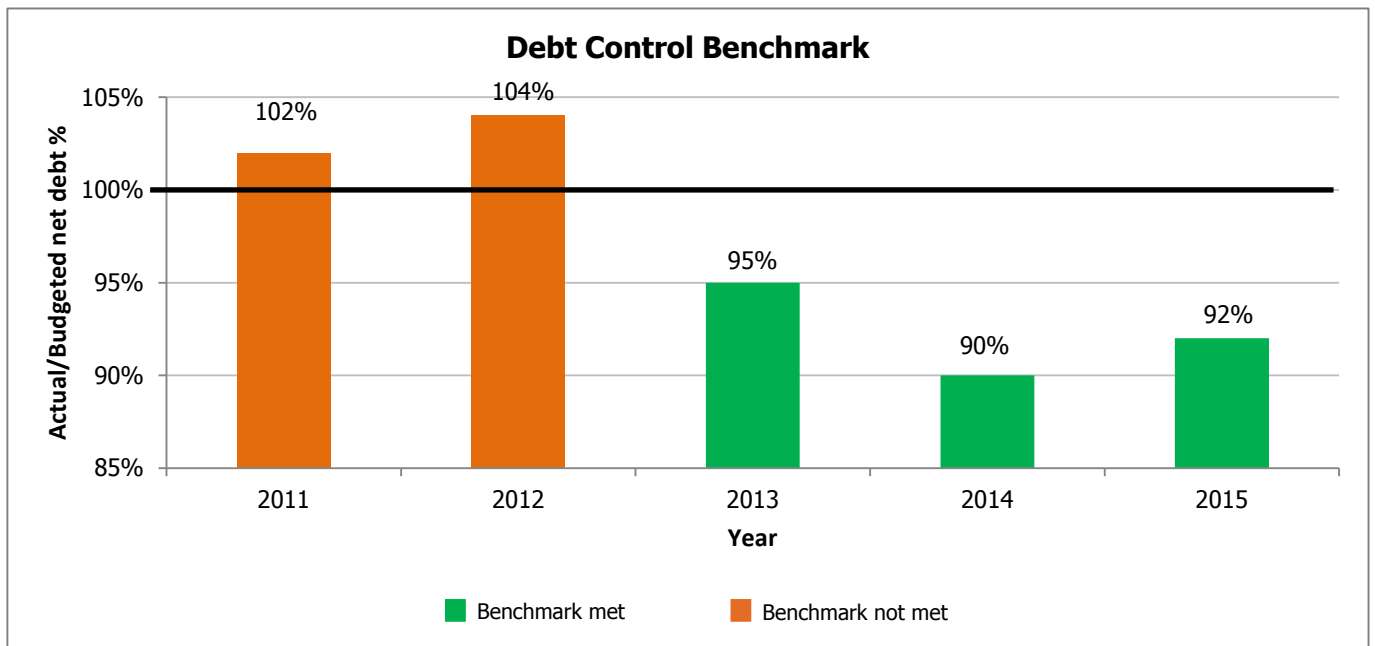
Because Statistics New Zealand projects the council’s population will grow faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



**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).

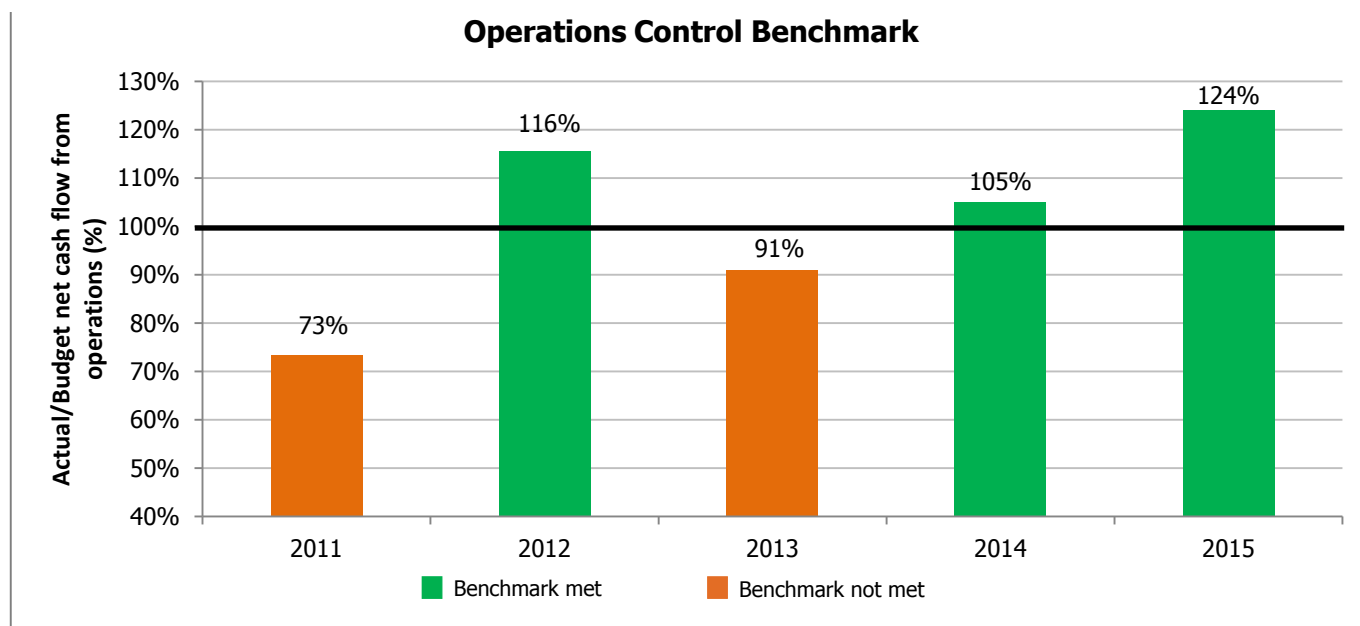
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



### 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

The balanced budget benchmark was not met in 2013 and 2014. 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 and 2015. 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.

The debt control benchmark was not met in 2011 and 2012. This was due to the movement in Council's interest rate swap derivatives being greater than budget. Given the volatile nature of interest rates and any interest rate based derivatives it is not practicable to determine their movement over a twelve month period. If these liabilities are excluded from the measure Council is compliant in all years.



# 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 2015

The Auditor-General is the auditor of Western Bay of Plenty District Council (the District Council). The Auditor-General has appointed me, B H Halford, using the staff and resources of Audit New Zealand to audit:

- the financial statements of the District Council that comprise:
  - the statement of financial position as at 30 June 2015 on page 121;
  - the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ending 30 June 2015 on pages 120, and pages 122 to 123; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 124 to 190;
- the statement of service provision (referred to as service performance results) of the District Council on pages 34 to 117;
- the funding impact statements in relation to each group of activities of the District Council on pages 193 to 205;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 193 to 205;
- the funding impact statement of the District Council on page 191 to 192; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 23 to 27.

In addition, the Auditor-General has appointed me to report on whether the District Council's annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, where applicable, by including:

- information about:
  - reserve funds on pages 160 to 167;
  - remuneration paid to the elected members and certain employees of the District Council on pages 177 to 179;
  - employee staffing levels and remuneration on page 180;
  - severance payments on page 180;

# Audit Report

- rating base units on page 14; and
- insurance of assets on page 149;
- a report on the activities undertaken by the District Council to establish and maintain processes to provide opportunities for Maori to contribute to the Council's decision-making processes on pages 18 to 19; and
- a statement of compliance signed by the mayor or chairperson of the Council, and by the District Council's chief executive on page 6.

## Opinion

### Audited information

In our opinion:

- the financial statements of the District Council on pages 120 to 123:
  - present fairly, in all material respects:
    - the District Council's financial position as at 30 June 2015;
    - 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.
- the service performance results of the District Council on pages 34 to 117:
  - presents fairly, in all material respects, the District Council's levels of service for the year ended 30 June 2015, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan;
    - the reasons for any significant variances between the actual service and the expected service; and
  - complies with generally accepted accounting practice in New Zealand.
- the funding impact statements in relation to each group of activities of the District Council on pages 193 to 205, presents fairly, in all material respects, by each group of activities, 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.
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 193 to 205, presents fairly, in all material respects by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan.

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- the funding impact statement of the District Council on page 191-192, 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 disclosures on pages 124 to 190 represent a complete list of required disclosures and accurately reflects the information drawn from District Council's audited information.

## Compliance with the other requirements of schedule 10

The District Council's annual report complies with the Other Requirements of schedule 10 that are applicable to the annual report.

Our audit was completed on 24 September 2015. This is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Council and our responsibilities, and we explain our independence.

## Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the information we audited is free from material misstatement.

Material misstatements are differences or omissions of amounts and disclosures that, in our judgement, are likely to influence readers' overall understanding of the financial statements and service performance results. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the information we audited. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the information we audited, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the District Council's preparation of the information we audited in order to design 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.

An audit also involves evaluating:

- the appropriateness of accounting policies used and whether they have been consistently applied;
- the reasonableness of the significant accounting estimates and judgements made by the Council;
- the adequacy of the disclosures in the information we audited;

# Audit Report

- determining the appropriateness of the reported service performance results within the Council's framework for reporting performance; and
- the overall presentation of the information we audited.

We did not examine every transaction, nor do we guarantee complete accuracy of the information we audited.

When reporting on whether the annual report complies with the Other Requirements of schedule 10 of the Local Government Act 2002, our procedures were limited to making sure the information required by schedule 10 was included in the annual report, where relevant, and identifying material inconsistencies, if any, with the information we audited. This work was carried out in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements. As a result we do not express an audit opinion on the District Council's compliance with the requirements of schedule 10.

We did not evaluate the security and controls over the electronic publication of the information we are required to audit and report on. We believe we have obtained sufficient and appropriate evidence to provide a basis for our opinion.

## Responsibilities of the Council

The Council is responsible for preparing:

- financial statements and service performance results that:
  - comply with generally accepted accounting practice in New Zealand;
  - present fairly the District Council's financial position, financial performance and cash flows;
  - present fairly its service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that presents fairly by each group of activities 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;
- statements about budgeted and actual capital expenditure in relation to each group of activities that presents fairly by each group of activities the capital expenditure spent as compared to the amounts budgeted and set out in the District Council's long-term plan or annual plan;
- a funding impact statement that presents fairly 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;
- disclosures in accordance with the requirements of the Local Government (Financial Reporting and Prudence) Regulations 2014; and
- the other information in accordance with the requirements of schedule 10 of the Local Government Act 2002.



# Audit Report

The Council's responsibilities arise under the Local Government Act 2002.

The Council is responsible for such internal control as it determines is necessary to ensure that the annual report is free from material misstatement, whether due to fraud or error. The Council is also responsible for the publication of the annual report, whether in printed or electronic form.

## Responsibilities of the Auditor

We are responsible for expressing an independent opinion on the information we are required to audit, and whether the Council has complied with the Other Requirements of schedule 10, and reporting that opinion to you. Our responsibility arises under section 15 of the Public Audit Act 2001.

## Independence

When carrying out this audit, which includes our report on the Other Requirements, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. Other than this audit, which includes our report on the Other Requirements, the audit of the District Council's 2015-25 Long Term Plan, and an independent assurance review of the District Council's Debenture Trust Deed, we have no relationship with, or interests, in the District Council.



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

