

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

	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000
Rate revenue (excluding water by meter)	47,958	50,014	54,017	55,500	58,416
Vested assets revenue	184	1,345	979	720	42,408
Financial contributions revenue	4,876	4,833	4,177	2,607	7,862
Total expenditure	107,532	74,578	78,110	94,619	83,388
Total operating revenue	79,703	80,119	83,889	105,026	131,146
Operating surplus/(deficit)	(27,843)	5,541	6,124	10,338	47,733
Capital expenditure	39,947	15,424	18,378	15,449	17,142
Working capital/(deficit)	(8,156)	(15,478)	(4,425)	(12,104)	(17,068)
Total external debt	155,508	174,505	156,003	138,000	128,000
Net external debt	144,274	140,023	134,970	125,187	110,819
Fixed assets (net book value)	1,066,945	1,116,531	1,102,494	1,200,946	1,239,804
Cash on hand	11,234	9,482	21,033	12,813	17,181

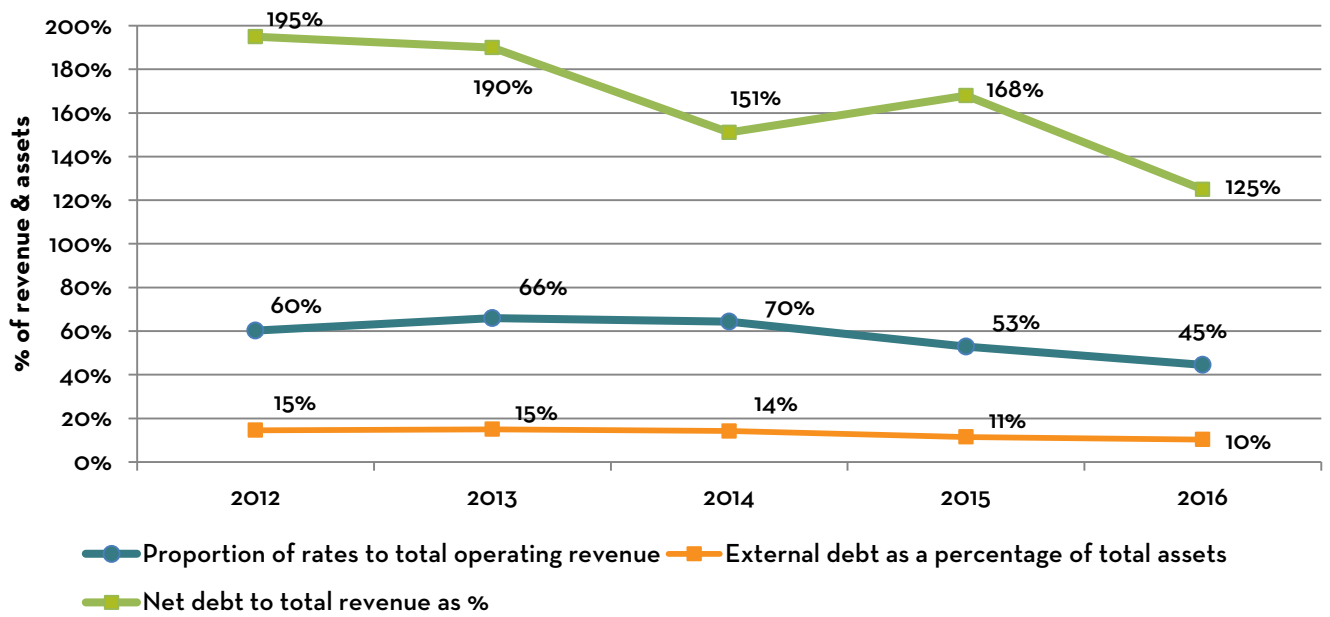
COUNCIL'S FIVE YEAR FINANCIAL STATISTICS SUMMARY

	2012 \$'000	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000
¹ Proportion of rates to revenue	61%	68%	70%	72%	45%
Total external debt as a percentage of total assets	15%	15%	14%	11%	10%
External debt per rateable property (\$'000s)	7.75	8.65	7.72	6.69	6.19
Net external debt per rateable property (\$'000)	7.19	6.94	6.67	6.07	5.35
² Net debt to revenue as a percentage	195%	190%	151%	168%	125%
Total capital value of rating units within the District (\$m)	15,190	12,525	12,594	14,207	14,820
Total land value of rating units within the District (\$m)	9,234	7,216	7,216	7,828	7,851
Rateable properties	20,054	20,185	20,207	20,621	20,696

¹Restated. Now agrees with Rates Income (affordability) Benchmark Revenue which excludes financial contributions, gains and vested assets (refer to page 26).

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 \$5,355 of net debt at 30 June 2016 this is a reduction of \$716 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 2015/16).

PERFORMANCE AGAINST 2015/16 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 2015/16 targets is shown in the table below.

ACTIVITY GROUP	TARGET MET	PARTIAL MET*	NOT MET	TOTAL
Representation	11	-	2	13
Planning for future	5	-	1	6
Communities	15	4	1	20
Recreation and Leisure	13	3	-	16
Regulatory services	5	3	3	11
Transportation	6	5	2	13
Water supply	12	2	-	14
Stormwater	14	-	-	14
Natural environment	3	-	2	5
Wastewater	7	-	3	10
Solid waste	6	-	-	6
Economic	8	-	1	9
TOTAL	105	17	15	137

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 2015/2016

ON-GOING PROCESSES		
Māori representation arrangements	Tauranga Moana Partnership Forum Te Arawa ki Takutai Partnership Forum	<p>The Forums have been working collectively on the development of an “issues of significance framework” which includes the work programme for the forums.</p> <p>This document is titled “Te Ara Mua” and was adopted in principle at the May/June meetings of the Partnership Forums.</p> <p>Te Ara Mua outlines the issues that the Partnership Forums see as ones that they need to address to improve outcomes for iwi/hapū and Māori within the District.</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	<p>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.</p> <p>A new approach to Te Reo Māori training will also focus on consultation with particular regard to appropriate ways to hold meetings.</p>
	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 \$32,000.00 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 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> <p>In December 2015 Council resolved to initiate work towards promoting a Local Act of Parliament that would provide for the transfer of ownership of Panepane/ Purakau to an entity representative of relevant tangata whenua subject to certain principles including the ability of Council to administer the land as a local purpose reserve, in partnership with tangata whenua, and retention of access to harbour navigational aids and certain identified parts of the land.</p>

ON-GOING PROCESSES

Co-management regimes (continued)		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 Rangiwaea Islands. Work on this matter is ongoing and will ultimately involve a formal community consultation process.
SmartGrowth	Combined Tangata Whenua	<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 TCC and BOPRC meets with CTWF members that are on the SG 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>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>

ANNUAL REPORT DISCLOSURE STATEMENT

ANNUAL REPORT DISCLOSURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

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.

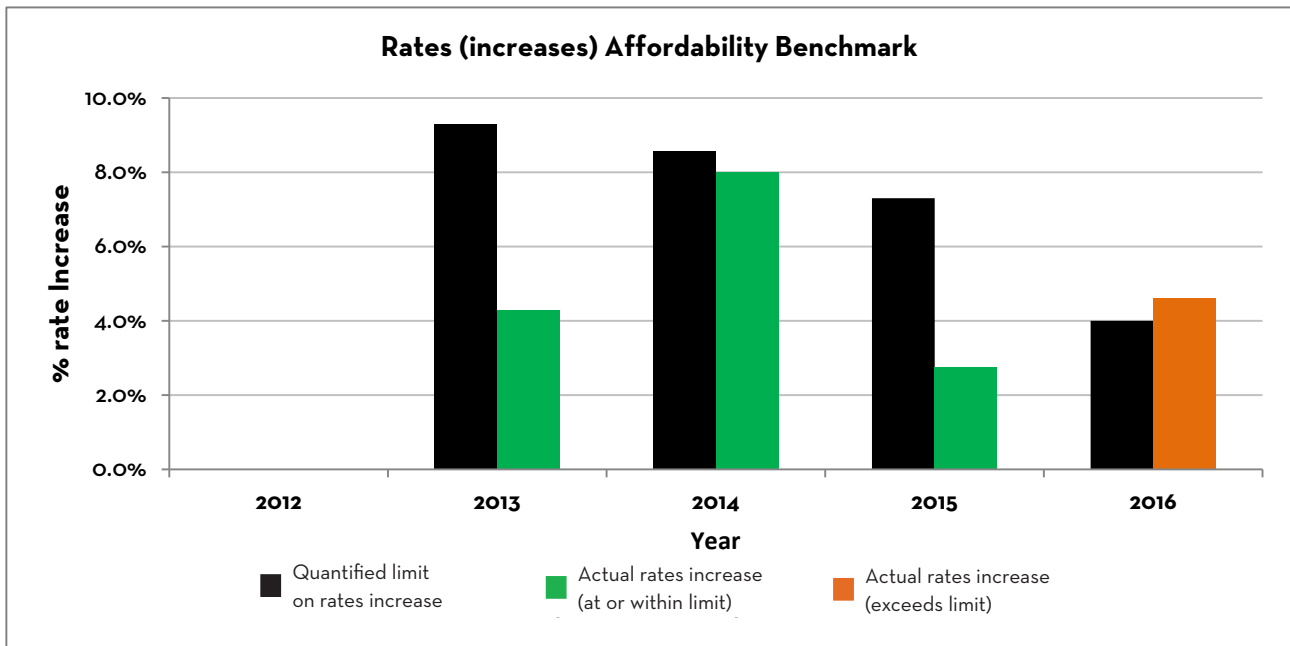
Page 26 provides a breakdown of how these benchmarks were calculated for 2015 and 2016.

Rates Affordability Benchmark

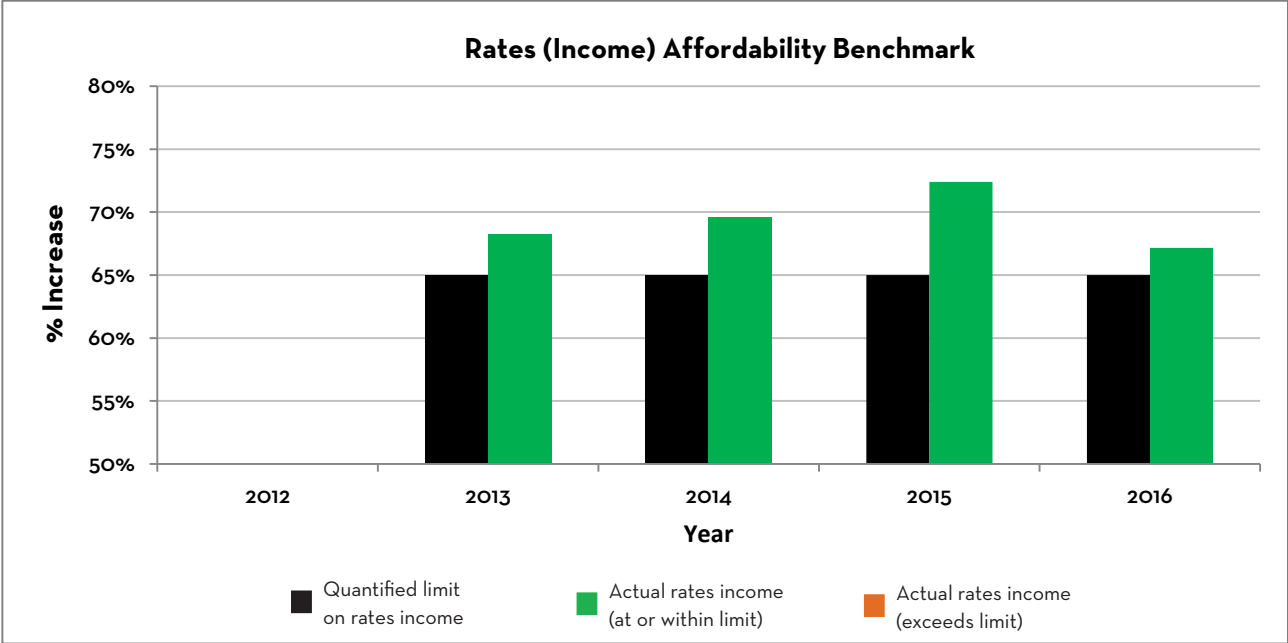
The Council meets the rates affordability benchmark if:

- 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 2016 is 4%.



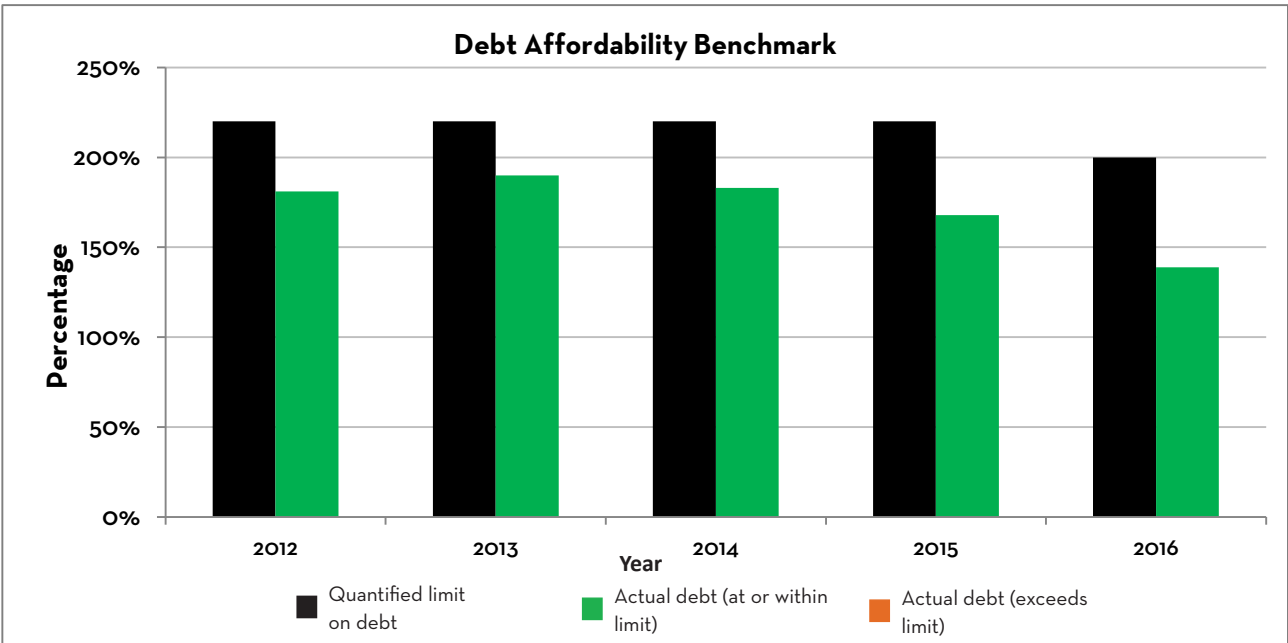
The following graph compares the council's actual rates income with a quantified limit on rates contained in the financial strategy included in the Council's long-term plan. The quantified limit is that rates will be at least 65% of revenue. Revenue is defined as total revenue as per the Statement of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

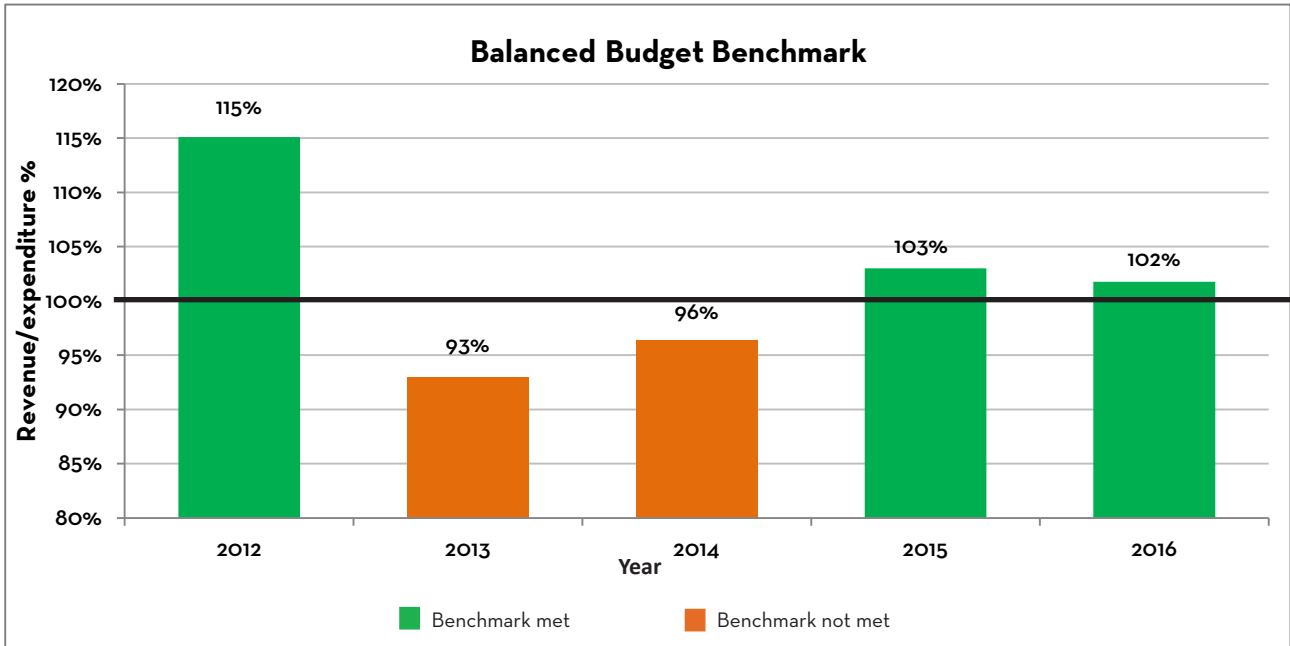
The following graph compares the Council's actual borrowing with a quantified limit on borrowing stated in the financial strategy included in the Council's long-term plan. The quantified limit is that debt will not exceed 200% of revenue in 2016, reduced from 220% in previous years.



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).

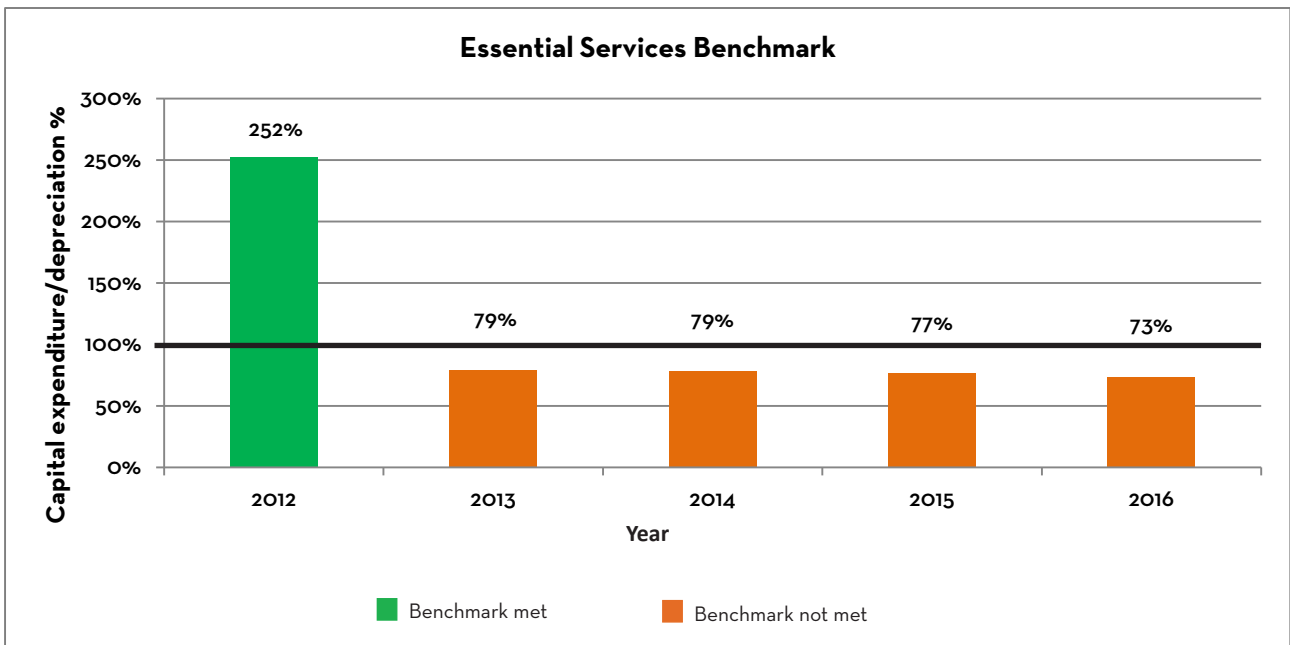
The Council meets this benchmark if its revenue equals or is greater than its operating expenses.



Essential services benchmark

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

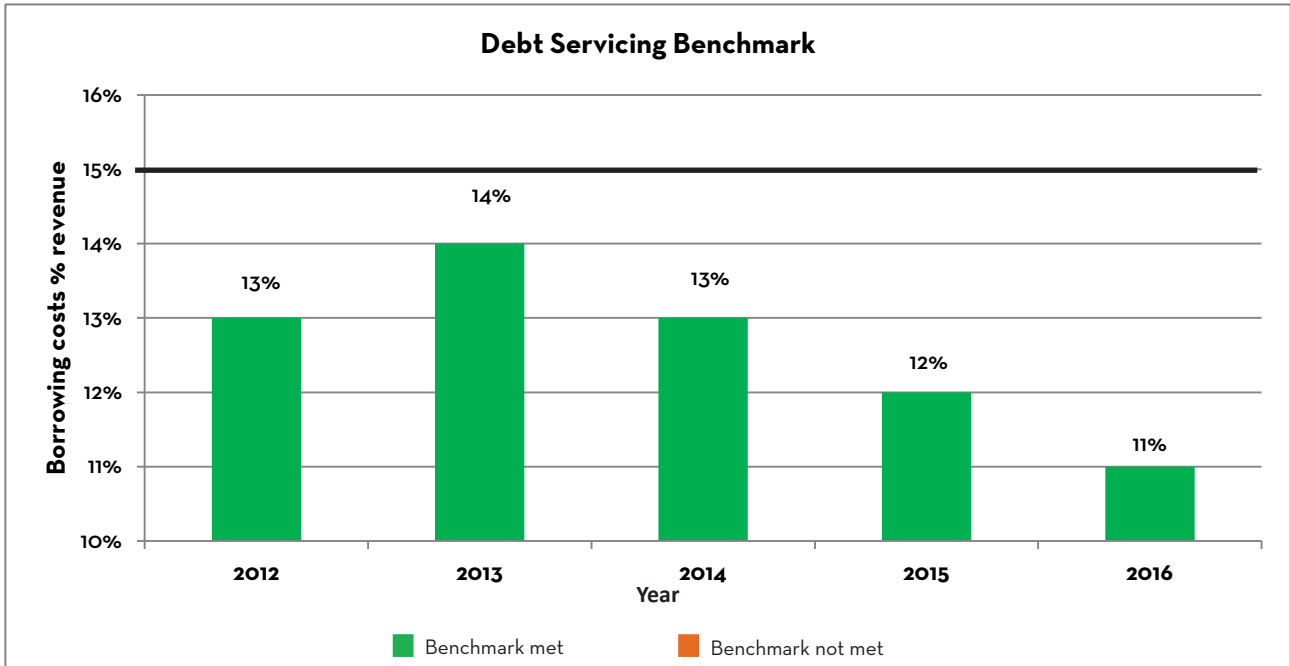
The Council meets this benchmark if its capital expenditure on network services (being; transportation, water, wastewater and Stormwater) equals or is greater than depreciation on network services.



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).

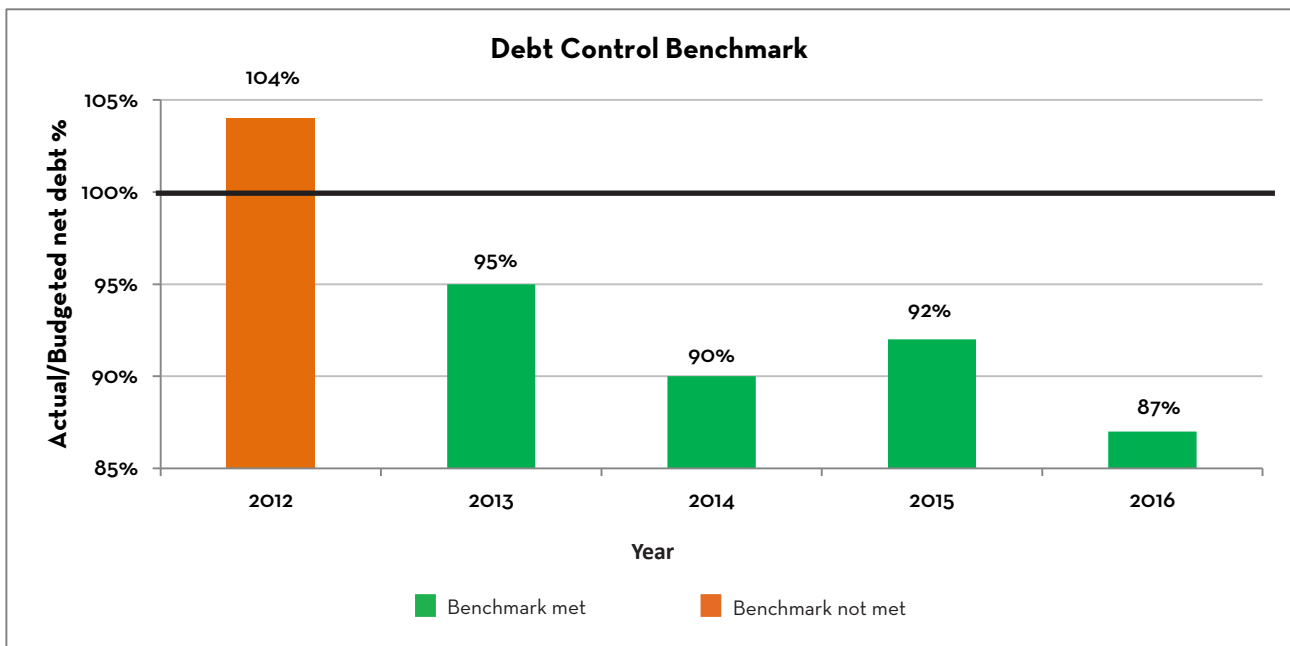
Because Statistics New Zealand projects the council's population will grow faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



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).

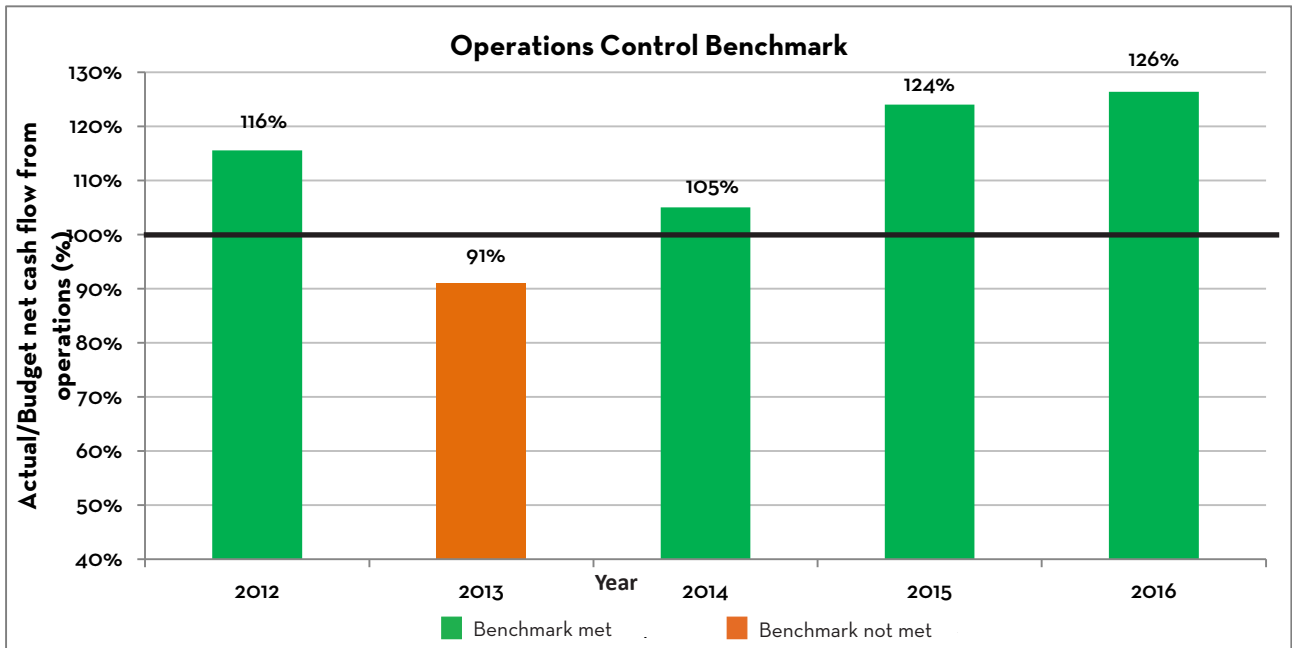
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



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 4.6% increase in rates income over the 2015 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 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, 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.

The debt control benchmark was not met in 2012. This was due to the movement in Councils 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.

DISCLOSURE STATEMENT CALCULATIONS

	ACTUAL \$'000	ACTUAL \$'000
	2015	2016
Rates income	55,500	58,416
Penalty rates	(853)	(1,250)
Rates income excluding penalties	54,647	57,166
Rates affordability benchmark	3.9%	4.6%
Rates income	55,500	58,416
Total revenue	105,026	131,146
less - vested assets	(720)	(42,408)
less - unrealised income	(553)	(692)
less - gains	(27,093)	(1,079)
Revenue for benchmark	76,660	82,116
Rates income affordability benchmark	72%	67%
Total revenue	105,026	131,146
Less financial contributions	(2,607)	(7,862)
Less gains	(27,093)	(1,079)
Less vested assets	(720)	(42,408)
Revised revenue	74,606	79,798
Total external debt	138,000	128,000
Less cash	(12,813)	(17,181)
Net borrowings	125,187	110,819
Debt affordability benchmark	168%	139%
Total revenue	105,026	131,146
Less - financial contributions	(2,607)	(7,862)
Less - vested assets	(720)	(42,408)
Less - revaluation adjustments	(27,093)	(1,079)
Revenue for benchmark	74,606	79,798
Total expenditure	94,552	83,388
Less - revaluation adjustments	(16,525)	(124)
Less - unrealised interest/derivative loss	(6,115)	(4,851)
Expenditure for benchmark	71,912	78,413
Balanced budget benchmark	104%	102%
Capital expenditure		
Roading	9,043	6,639
Water	2,081	4,142
Wastewater	509	1,436
Stormwater	137	217
Total capital expenditure	11,770	12,433
Depreciation expense		
Roading	7,875	9,452
Water	2,762	2,828
Wastewater	3,465	3,501
Stormwater	1,149	1,156
Total depreciation	15,251	16,936

	ACTUAL	ACTUAL
	\$'000	\$'000
	2015	2016
Essential services benchmark	77%	73%
Total revenue	105,026	131,146
Less - financial contributions	(2,607)	(7,862)
Less - vested assets	(720)	(42,408)
Less - revaluation adjustments	(27,093)	(1,079)
Less - derivative gains	-	-
Revenue for benchmark	74,606	79,798
Interest expense	9,136	8,709
Debt servicing benchmark	12%	11%
Actual		
Liabilities		
Debt	138,000	128,000
Payables	12,641	11,413
Interest rate swaps	9,946	14,797
Assets		
Cash	(12,813)	(17,181)
Investment	(3,571)	(3,466)
Financial assets	(1,426)	(1,698)
Actual net debt	142,777	131,865
Budget		
Liabilities		
Debt	146,505	148,003
Payables	13,315	10,855
Interest rate swaps	3,831	3,831
Assets		
Cash	(6,614)	(5,940)
Investments	(3,938)	(3,357)
Financial assets	(1,780)	(957)
Budget net debt	155,114	152,435
Debt control benchmark	92%	87%
Budgeted cashflow from operations	19,938	23,753
Actual cashflow from operations	24,728	30,012
Operations control benchmark	124%	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 2016

The Auditor-General is the auditor of Western Bay of Plenty District Council (the District Council). The Auditor-General has appointed me, Clarence Susan, using the staff and resources of Audit New Zealand, on her behalf, to:

- audit the information included in the District Council's annual report that we are required to audit under the Local Government Act 2002 (the audited information); and
- report on whether the District Council has complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report and the Local Government (Financial Reporting and Prudence) Regulations 2014.

Opinion on the audited information

In our opinion:

- the financial statements on pages 130 to 195:
 - present fairly, in all material respects:
 - the District Council's financial position as at 30 June 2016;
 - 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 and have been prepared in accordance with Public Benefit Entity Standards;
- the funding impact statement on page 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 Long-term plan;
- the Service Performance Results on pages 38 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 2016, including:
 - 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;
- the statement about capital expenditure for each group of activities on pages 198 to 210, 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;

AUDIT REPORT

- the funding impact statement for each group of activities on pages 197 to 210, 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; and
- the disclosures on pages 21 to 25 required by the Local Government (Financial Reporting and Prudence Regulations 2014) represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

Compliance with requirements

The District Council has:

- complied with the requirements of schedule 10 of the Local Government Act 2002 that apply to the annual report; and
- made the disclosures on pages 21 to 25 which are required by the Local Government (Financial Reporting and Prudence Regulations 2014) which represent a complete list of required disclosures and accurately reflects the information drawn from the District Council's audited information.

Our audit was completed on 15 September 2016. 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 audited information. 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 District 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 District Council complied with the requirements of Schedule 10 of the Local Government Act 2002 that apply to the annual report, we limited our procedures to making sure the annual report included the required information and identifying material inconsistencies, if any, with the information we audited. We carried out this work in accordance with International Standard on Auditing (New Zealand) 720; The Auditor's Responsibilities Relating to Other Information in Documents Containing Audited Financial Statements.

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 audit evidence to provide a basis for our audit opinion.

Responsibilities of the Council

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.

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 annual report in accordance with the reporting requirements of the Local Government Act 2002 and the Local Government (Financial Reporting and Prudence) Regulations 2014. Our responsibility arises from the Public Audit Act 2001.

Independence

When carrying out our audit, we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the External Reporting Board. In addition to this audit which includes our report on Other Requirements, we have carried out an assignment 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

