

# Chapter One

## Overview



## Chapter One Overview

	Page
Overview of Council's performance	14
Community outcomes monitoring	17
Report on development of Māori capacity to contribute to decision-making 2013/2014	18
Annual Report disclosure statement	19
Audit Report	24

# Overview of Council's performance

## Five year summary - financial overview

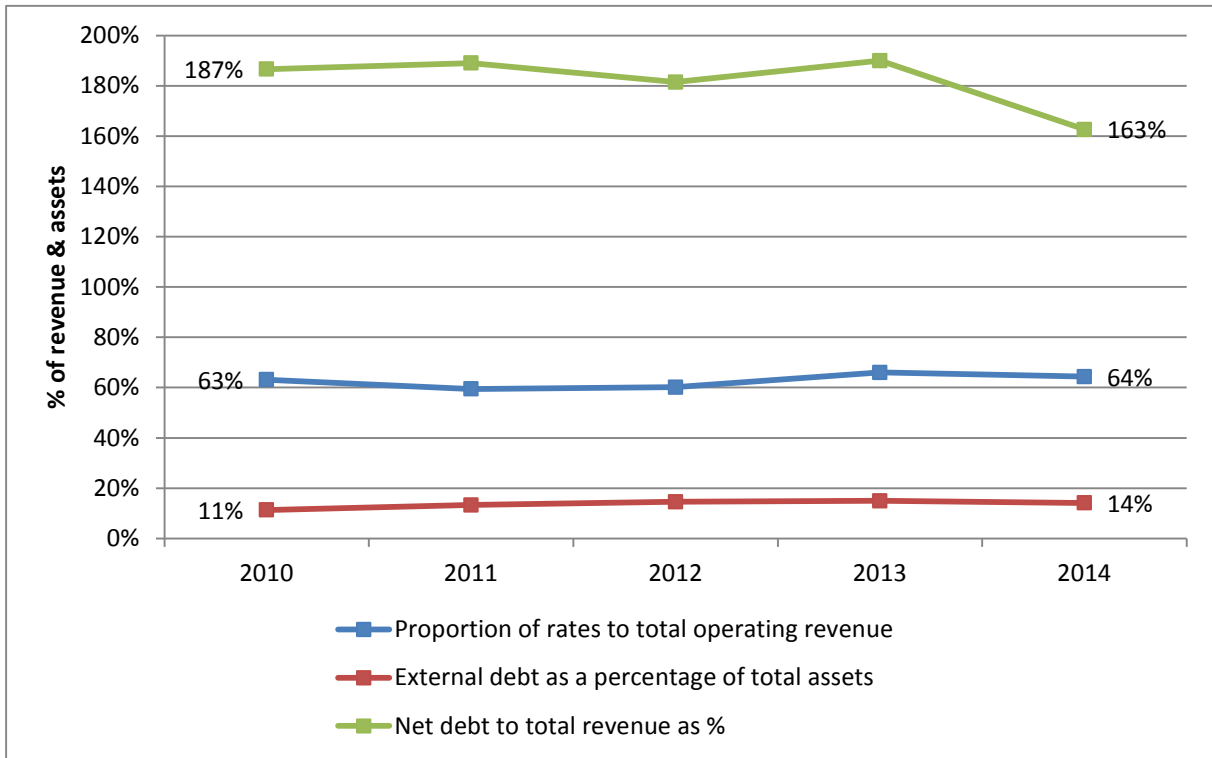
### Council's five year financial performance summary

	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
Rates revenue	42,899	45,483	47,958	50,014	54,016
Vested assets revenue	2,905	5,211	184	1,345	979
Financial contributions revenue	5,003	2,990	4,876	4,833	4,177
Total expenditure	67,096	69,896	107,532	74,578	78,110
Total operating revenue	67,928	76,518	79,703	80,119	83,888
Operating surplus/(deficit)	830	6,718	(27,843)	5,541	6,124
Capital expenditure	24,654	29,554	39,947	15,424	18,378
Working capital/(deficit)	(34,764)	(36,184)	(8,156)	(15,478)	(4,425)
Total external debt	122,514	150,437	155,508	174,505	156,003
Net external debt	121,326	134,800	144,274	140,023	134,863
Fixed assets (net book value)	1,082,876	1,129,392	1,066,945	1,116,531	1,102,494
Cash on hand	1,188	15,637	11,234	9,482	21,138

### Council's five year financial statistics summary

	2010 \$'000	2011 \$'000	2012 \$'000	2013 \$'000	2014 \$'000
Proportion of rates to total operating revenue	63%	59%	60%	66%	70%
Total external debt as a percentage of total assets	11%	13%	15%	15%	14%
External debt per rateable property (\$'000s)	6.23	7.54	7.75	8.65	7.72
Net external debt per rateable property (\$'000)	6.17	6.76	7.19	6.94	6.67
Net debt to total revenue as a percentage	187%	189%	181%	190%	183%
Total capital value of rating units within the District (\$m)	15,124	14,997	15,190	12,525	12,594
Total land value of rating units within the District (\$m)	9,346	9,187	9,234	7,216	7,216
Rateable properties	19,674	19,941	20,054	20,185	20,207

### Treasury ratios



This graph shows that for each rateable property in the District there was \$6,670 of net debt at 30 June 2014.




## 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 32 provides a detailed assessment of how well Council's activities performed during 2013/14).

## Performance against 2013/14 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 32) provides detailed financial and non-financial results for each activity. A summary of Council's performance against the 2013/14 targets is shown in the table below.

Activity Group	Target Met	Partial Met*	Not Met	Total
				
Representation	12	0	3	<b>15</b>
Planning for the future	4	1	0	<b>5</b>
Communities	17	2	0	<b>19</b>
Recreation and leisure	9	2	1	<b>12</b>
Regulatory services	9	0	1	<b>10</b>
Transportation	9	2	3	<b>14</b>
Water supply	9	0	0	<b>9</b>
Stormwater	1	0	3	<b>4</b>
Natural environment	2	0	2	<b>4</b>
Wastewater	2	1	1	<b>4</b>
Solid waste	5	0	2	<b>7</b>
Economic	7	0	0	<b>7</b>
<b>Total</b>	<b>86</b>	<b>8</b>	<b>16</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.

## Community outcomes monitoring

Historically Council has been required under the Local Government Act 2002 to facilitate a process for identifying community outcomes for its District at least every six years. Further, Council has been required to report on progress against those outcomes every three years.

However, recent changes to the Act have seen the repeal of sections 91 and 92 so that the obligation to facilitate the identification of community outcomes and then report on them every three years has been removed. Instead, Council is now only responsible for community outcomes where it has a direct involvement.

Council decided not to proceed with community outcomes monitoring scheduled for 2011 until the changes to the Act were confirmed.

Despite the changes to the Act, Council will continue to monitor its SmartFuture community outcomes noting that this data provides a useful tool for strategic planning both at a local and regional level. Council envisages that going forward the collection and interpretation of data for SmartFuture will continue to be led by the Community Outcomes Bay of Plenty (CoBoP) Monitoring and Reporting sub-group.



# Report on development of Māori capacity to contribute to decision making 2013/2014

On-going Processes		
Māori representation arrangements	Establishment of Partnership Forums	A review of Māori representation arrangements was concluded this year. The outcome of that review was that a more effective partnership framework needs to be established that is inclusive of both hapū and iwi. To this end, a Tauranga Moana Partnership Forum and a Te Arawa Partnership Forum will be established with full Council to progress agreed issues of significance. Work toward implementing the first meeting of each respective partnership forum has begun with a joint working party preparing draft Partnership Principles and general Terms of Reference. A wananga for elected members (on Tikanga Māori) was held on the 25 August 2014.
Formal relationship agreements	Te Arawa Māori Trust Board Maketu Committee	Status quo.
Engagement with Māori communities	Tangata Whenua Consultation Guidelines  Consultation Protocols  Consideration of Māori Interests - Rooding	A working party of Council staff and Te Komiti Māori members jointly progressed the development of the Tangata Whenua Engagement Guidelines.  Organisational protocols for hapū/iwi consultation in resource consent processes jointly reviewed with a delegation of Te Komiti Māori members.  Status quo.
Building relationships with our Māori communities		Building strong and resilient relationships with Māori is supported through the Māori Relationships & Engagement Advisor role. Similarly, the capacity and capability of staff to feel confident in their relationships with Māori is supported by our Workforce Development & Cultural Advisor role.
Co-management regimes	<ul style="list-style-type: none"> <li>▶ Papamoa Hills Cultural Heritage Regional Park</li> <li>▶ TECT All Terrain Park</li> </ul>	Tangata Whenua continue to participate in the development of a management plan for the parks with Environment Bay of Plenty (the Regional Council).
SmartGrowth	Combined Tangata Whenua	Hapū/iwi collective of representatives from Tauranga City Council and Western Bay of Plenty District Council formed to participate in the strategic plan and implementation of Tangata Whenua actions identified in the SmartGrowth sub-regional growth management strategy.
Policy Development	Input to reviews of policies and strategies through Māori Forum workshops.	Policy and strategy development.
Strategic Planning	Hapū and Iwi management plans.	Supporting the development of Hapū Management Plans.

# Annual Report disclosure statement

## Annual Report disclosure statement for the year ended 30 June 2014

### 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.

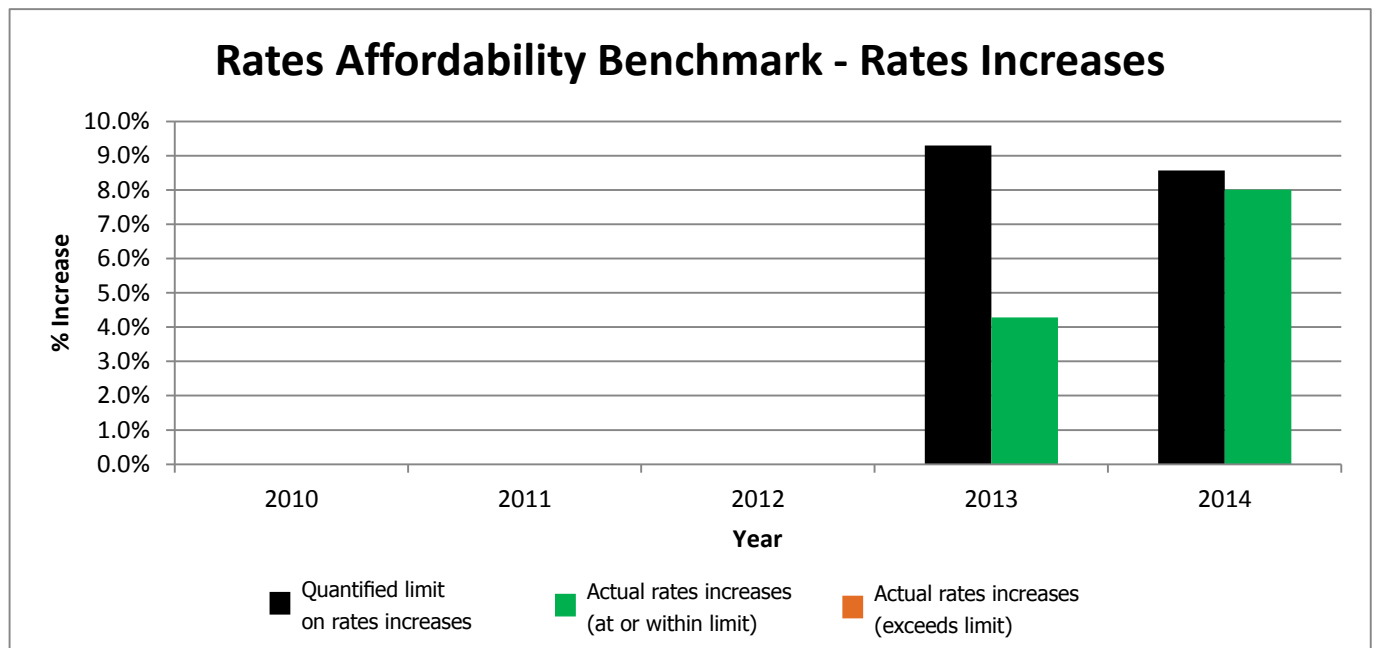
The Council is required to include this statement in its annual report in accordance with the Local Government (Financial Reporting and Prudence) Regulations 2014 (the regulations). Refer to the regulations for more information, including definitions of some of the terms used in this statement.

### Rates affordability benchmark

The Council meets the rates affordability benchmark if:

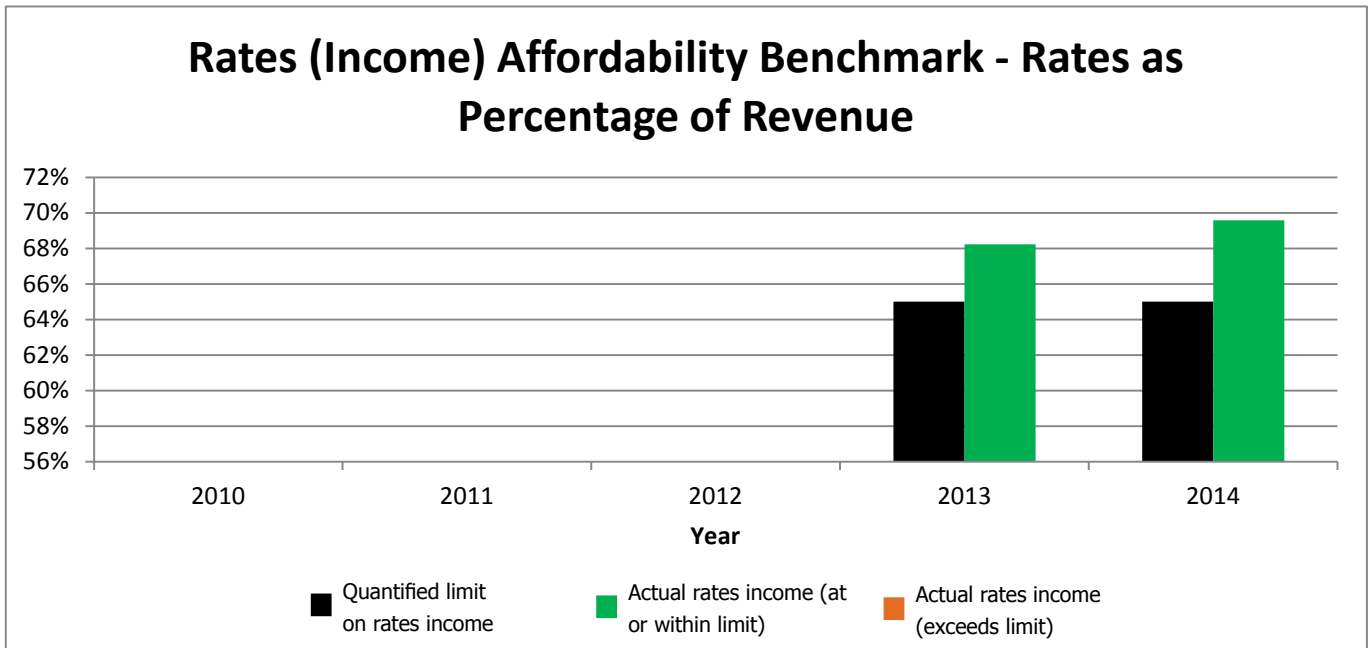
- ▶ its actual rates income equals or is less than each quantified limit on rates; and
- ▶ its actual rates increases equal or are less than each quantified limit on rates increases.

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 is growth plus inflation plus 4.6%.



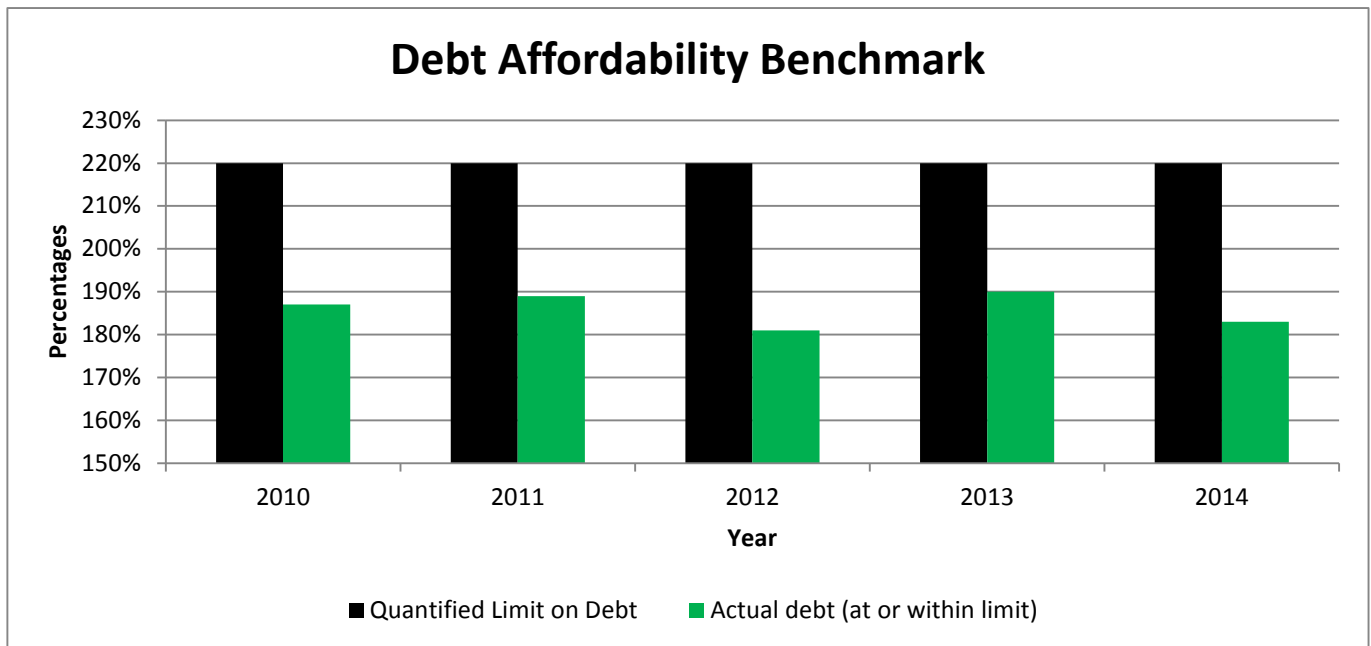


The following graph compares the council’s actual rates income with a quantified limit on rates contained in the financial strategy included in the Council’s long-term plan. The quantified limit is that rates will be at least 65% of total revenue.



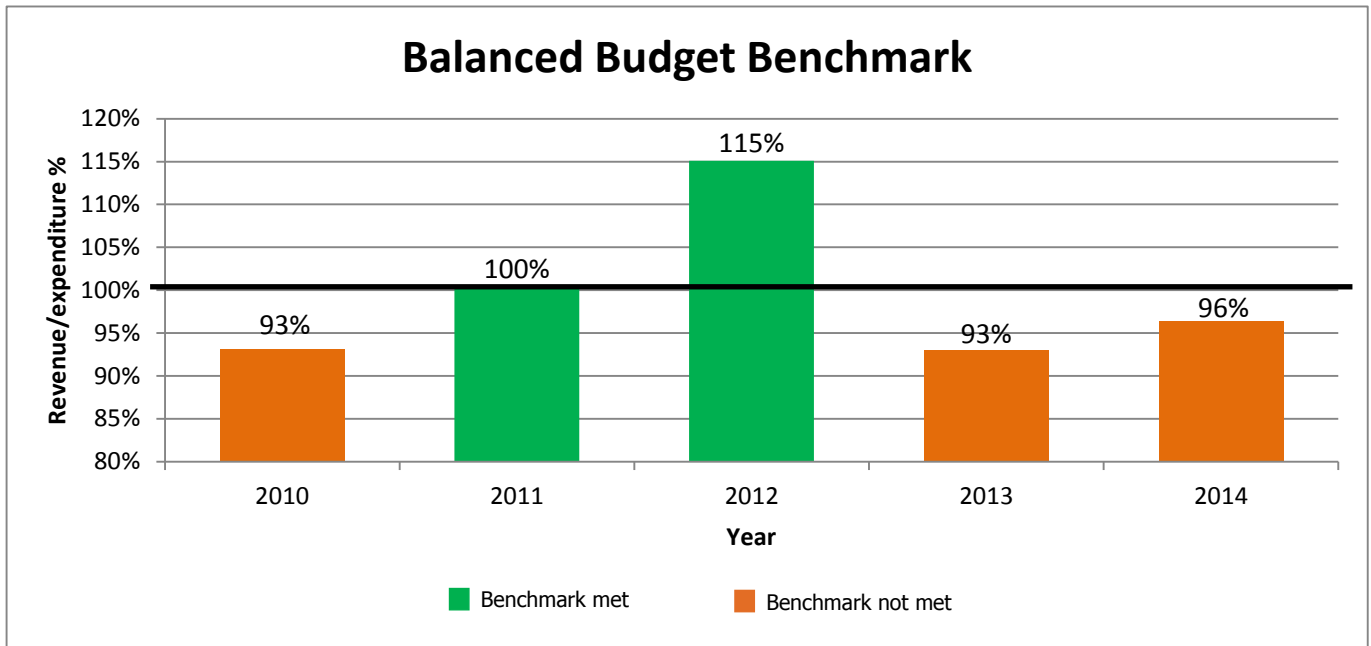
**Debt affordability benchmark**

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**

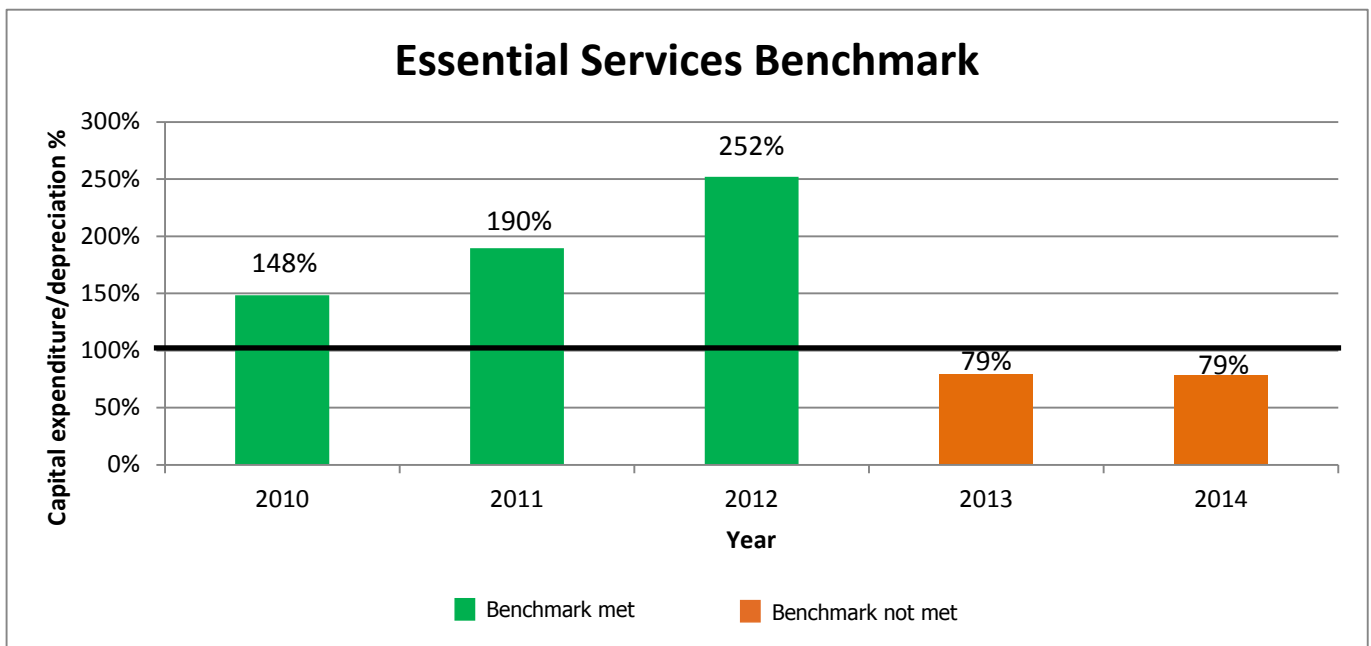
The following graph displays the Council’s revenue (excluding development contributions, financial contributions, vested assets, gains on derivative financial instruments, and revaluations of property, plant, or equipment) as a proportion of operating expenses (excluding losses on derivative financial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

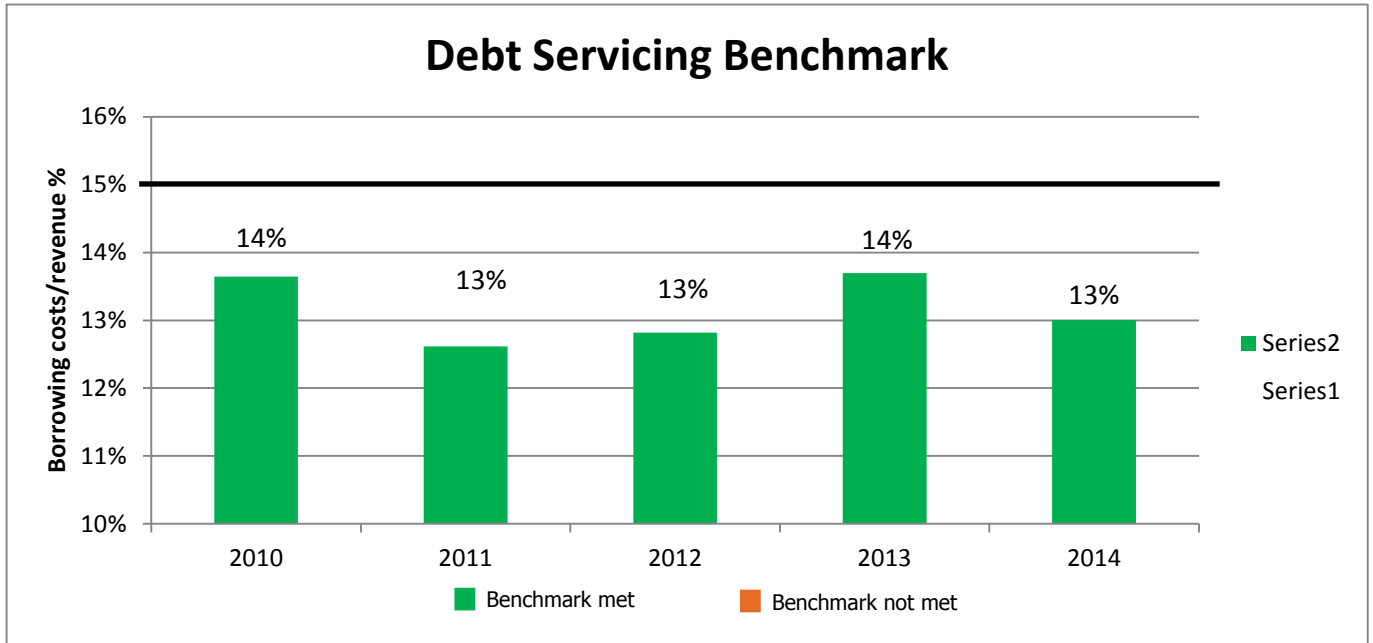
The Council meets this benchmark if its capital expenditure on network services (being; transportation, water, wastewater and Stormwater) equals or is greater than depreciation on network services.



**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).

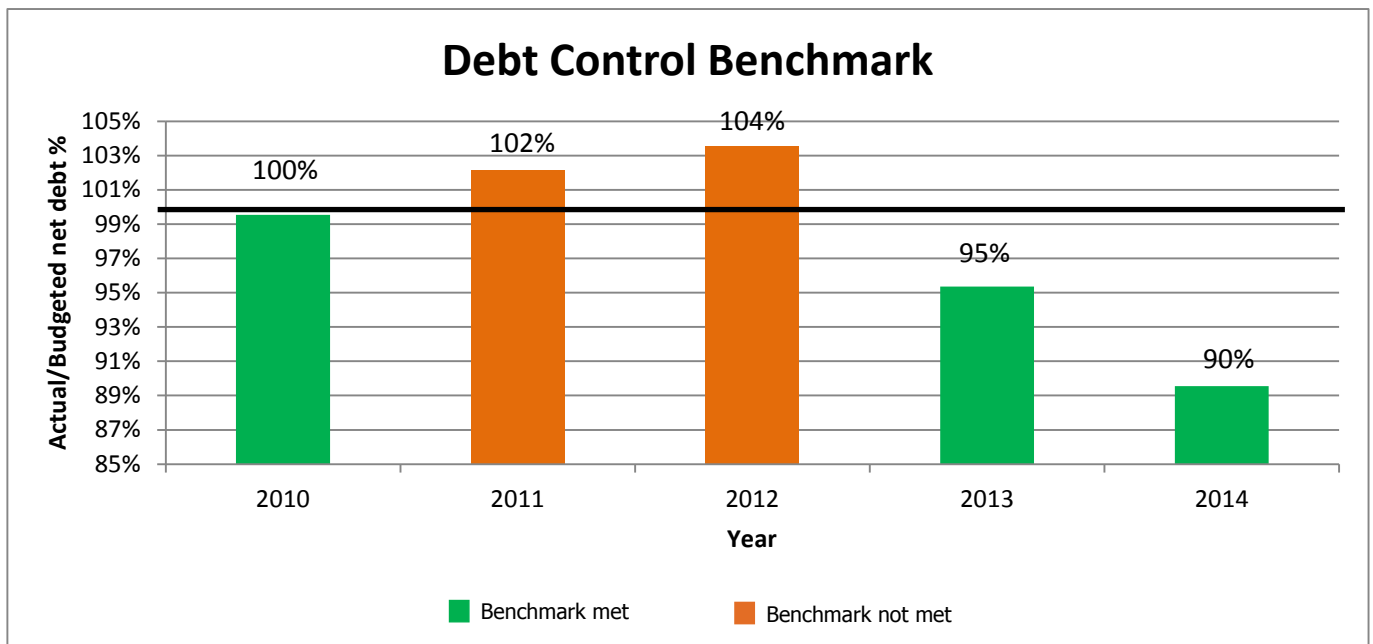
Because Statistics New Zealand projects the council’s population will grow faster than, the national population growth rate, it meets the debt servicing benchmark if its borrowing costs equal or are less than 15% of its revenue.



**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).

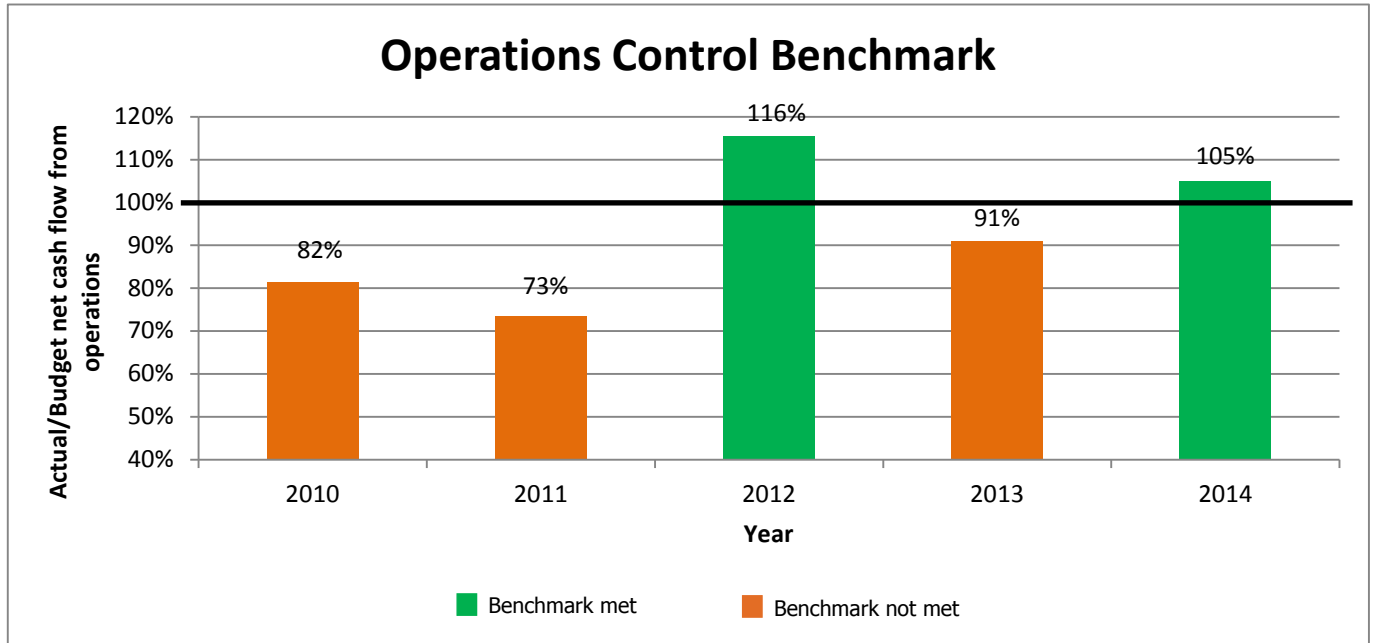
The Council meets the debt control benchmark if its actual net debt equals or is less than its planned net debt.



**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 2010, 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 and 2014. 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 Councils interest rate swap derivatives being greater than forecast. 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 2014

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 2014 on page 119;
  - the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ending 30 June 2014 on pages 118, and pages 120 to 121; and
  - the notes to the financial statements that include accounting policies and other explanatory information about the financial statements on pages 122 to 186;
- the statement of service provision (referred to as service performance results) of the District Council on pages 32 to 114;
- the funding impact statements in relation to each group of activities of the District Council on pages 189 to 201;
- the statements about budgeted and actual capital expenditure in relation to each group of activities of the District Council on pages 189 to 201;
- the funding impact statement of the District Council on page 187; and
- the disclosures of the District Council that are required by the Local Government (Financial Reporting and Prudence) Regulations 2014 on pages 19 to 23.

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 158 to 165;
  - remuneration paid to the elected members and certain employees of the District Council on pages 175 to 176;
  - employee staffing levels and remuneration on page 177; and

# Audit Report

- severance payments on page 177;
- 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 page 18; and
- a statement of compliance signed by the mayor 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 118 to 121:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflect:
    - the District Council's financial position as at 30 June 2014; and
    - the results of its operations and cash flows for the year ended on that date.
- the service performance results of the District Council on pages 32 to 114:
  - complies with generally accepted accounting practice in New Zealand; and
  - fairly reflects the District Council's levels of service for the year ended 30 June 2014, including:
    - the levels of service as measured against the intended levels of service adopted in the long-term plan; and
    - the reasons for any significant variances between the actual service and the expected service.
- the funding impact statements in relation to each group of activities of the District Council on pages 189 to 201, fairly reflects 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 189 to 201, fairly reflects 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.
- the funding impact statement of the District Council on page 187, fairly reflects 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.

# Audit Report

- the disclosures on pages 122 to 186 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

In our opinion, which is not an audit opinion, 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 25 September 2014. 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 that fairly reflect the matters to which they relate. We consider internal control 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 all disclosures in the information we audited;
- 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.

# Audit Report

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 have obtained all the information and explanations we have required and 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;
  - fairly reflect the District Council's financial position, financial performance and cash flows;
  - fairly reflect its service performance, including achievements compared to forecast;
- funding impact statements in relation to each group of activities that fairly reflects 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 fairly reflects 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 fairly reflects 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.

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.

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



# Audit Report

## 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 and section 99 of the Local Government Act 2002.

## 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, 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

