



**Report To:** Regional Council

**Meeting Date:** 26 September 2017

**Report From:** Mat Taylor, General Manager, Corporate Performance

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## **Annual Report and Annual Report Summary for 2016/17, and Capital Expenditure Budget Carry Forward from 2016/17 to 2017/18.**

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### **Executive Summary**

This report presents the Annual Report and Consolidated Financial Statements, and Annual Report Summary for 2016/17 to Council for adoption and provides an overview of the non-financial and financial performance in the reports. This report also includes a summary of the rates remissions by territorial authority for 2016/17 in addition to the Capital Expenditure Budget Carry Forward from 2016/17 to 2017/18.

The Annual Report contains both Council and Group results (group results include our subsidiary, Quayside Holdings Limited) and these results are outlined in detail in sections 3 and 4 of this report.

The group recorded an operating surplus of \$62.4 million after income tax. This is a decrease of \$1.7 million on the previous year. Port Operations contributed significantly to the profit result.

The Council's (parent only) 2016/17 operating deficit was \$13.2 million. This is compared to a budgeted deficit of \$12.2 million, a variation of \$1 million. Capital expenditure was \$16.7 million compared to a budget of \$23.6 million, a variation of \$6.9 million.

We measured our performance through 44 Key Performance Indicators (KPIs). We achieved 36, did not achieve six and data was not available for two KPIs, therefore we achieved 82% of our KPIs for 2016/17.

The main reasons for financial and non-financial variations are outlined in sections 4 and 5 of this report followed by highlights for each of the Groups of Activities in section 6.

Section 10 of this report includes a rates remission summary for 2016/17. Total remissions of \$459,000 were given during 2016/17 which equates to 1.3% of the total rates collected of \$36.0 million.

This report also seeks approval to carry forward unspent capital expenditure from the 2016/17 year of the Long Term Plan 2015-2025 to the Annual Plan 2017/18, and adjust the 2017/18 depreciation budget provision relating to Regional House. The list of capital projects that require approval to carry forward are provided within section 10 of this report.

At the time of writing this report Audit New Zealand are completing their final review of the

Annual Report. The Draft Annual Report and Summary were presented to the Audit and Risk Committee on the 19 September 2017 any key changes since will be tabled at this meeting.

Ben Halford (Director, Audit New Zealand) will present the audit report and audit opinion at this meeting. Audit Manager, Anton Labuschagne will also be attending the meeting.

The Annual Report 2016/17 and Summary Annual Report 2016/17 are available in electronic form in Stella library.

## **Recommendations**

**That the Regional Council:**

- 1 Receives the report, Annual Report, and Annual Report Summary for 2016/17, and Capital Expenditure Budget Carry Forward from 2016/17 to 2017/18;**
- 2 Receives the audit report and audit opinion from Audit New Zealand.**
- 3 Adopts the Bay of Plenty Regional Council Annual Report and Consolidated Financial Statements for the year 2016/17.**
- 4 Adopts the Bay of Plenty Regional Council Annual Report Summary 2016/17.**
- 5 Authorise the Chief Executive to make minor numerical, editorial or presentation amendments prior to final publication.**
- 6 Approves additional capital expenditure of \$1.167 million to be carried forward from 2016/17 to 2017/18.**
- 7 Confirms that the decision has a low level of significance.**

### **1 Introduction**

The Local Government Act 2002 s98(3) requires Council to adopt its Annual Report within four months of the financial year end. The draft Annual Report and Summary were presented for review to the Audit and Risk Committee on 19 September 2017.

Since that meeting, feedback from Councillors, further audit amendments and other enhancements have been made. The key changes will be tabled at the Regional Council meeting.

**At the time of writing this report Audit New Zealand are completing their final review of the Annual Report. Audit New Zealand will present their Audit Report at the meeting.**

### **2 Overview of Performance for 2016/17**

During 2016/17 the focus was on delivering commitments for Year Two of the Long Term Plan 2015-2025.

The draft Annual Report contains both Council and Group results (group results include our subsidiary, Quayside Holdings Limited).

The Council's 2016/17 draft operating deficit was \$13.2 million. This is compared to a budgeted deficit of \$12.2 million, a variation of \$1 million. Capital expenditure was \$16.7 million compared to a budget of \$23.6 million, a variation of \$6.9 million.

During the year we measured our performance through 44 Key Performance Indicators (KPIs). We achieved 36, did not achieve six and data was not available for two KPIs, therefore we achieved 82% of our KPIs for 2016/17. There were also three indicators which were not due to be reported on in 2016/17.

The main reasons for financial and non-financial variations are outlined in sections 4 and 5 of this report.

### **3 Group Financial Results**

The Annual Report contains both Council and Group results (group results include our 100 percent Council-owned subsidiary, Quayside Holdings Limited (QHL). QHL holds a 54.14 percent share in the Port of Tauranga Limited.

#### **3.1 Operating results**

The group recorded an operating surplus of \$62.4 million after income tax. This is a decrease of \$1.7 million on the previous year. Port Operations contributed significantly to the profit result.

Total operating revenue increased by \$12.8 million from \$342.7 million to \$355.5 million. This is due to an increase in Port services income.

Total operating expenditure (excluding tax) increased by \$11.1 million mainly due to an increase in Council trading expenses and depreciation.

### **4 Council Financial Results**

The Council's 2016/17 operating deficit was \$13.2 million. This compared to a budgeted deficit of \$12.2 million, a variation of \$1 million. Capital expenditure was \$16.7 million compared to a budget of \$23.6 million, a variation of \$6.9 million.

The main reasons for the variations are as follows:

#### **4.1 Operating Revenue**

Operating revenue is \$1.9 million less than budget. This is mainly due to:

- Subsidies and grant revenue - \$3 million less than budget. The first Rotorua Lakes Activity Land Use Incentive Scheme payments were deferred from 2016/17 to 2017/18 and the corresponding funding was not received in 2016/17 from the Ministry for the Environment (MfE).
- Changes to timing with the Kopeopeo Canal Remediation project have meant that funding from MfE was not received as planned.
- Rates revenue: \$0.7 million more than budget due to penalty income received.
- Trading and other revenue: \$0.3 million more than budget.
- Other gains: \$0.4 million more than budget from the revaluation of investments and gains from the sale of assets.

## 4.2 Operating Expenditure

Operating expenditure is \$0.9 million less than budget. This mainly relates to:

- Regional infrastructure funds of \$5.4 million were not released as planned
- Regional House is planned to undergo a major refurbishment. To reflect the current remaining economic benefit of the building, its depreciation rate has been increased. The additional depreciation for 2016/17 is \$3.7 million. This is shown in the annual report as additional non-cash expenditure.

## 4.3 Capital Expenditure

This year we spent \$6.9 million less than budget. Capital projects deferred to future years during the Annual Plan 2016/17 process included:

- Kaituna River Re-diversion
- Te Awa o Ngataroirangi/Maketū Estuary Enhancement Project
- Kopeopeo Canal Remediation project

Pages 7 to 9 of the full Annual Report (available in electronic form on the Stella library) provide explanations for the variations to budget.

## 5 Non-Financial performance results

We measure how we are performing through Key Performance Indicators (KPIs). This year we are reporting on 44 KPIs. We have achieved 36, did not achieve six and data was not available for two KPIs, therefore we achieved 82% of our KPIs for 2016/17.

In comparison, for 2015/16 we achieved 40 targets and did not achieved three. The following table includes the six KPIs that were not achieved during the year, and the two KPIs where no data was available. KPIs have been previously reported through the in-year Council Performance Monitoring Report (CPMR).

## 5.1 Key Performance Indicators not achieved

Activity	Level of service	Key Performance indicator	2016/17 Target	Comments
Rotorua Lakes	Water quality in the Rotorua lakes makes long-term progress towards each lakes Trophic Level Index (TLI) in the Regional Water and Land Plan.	Percentage reduction in exports of nitrogen from the Lake Rotorua catchment in accordance with the Integrated Framework and engineering solutions target.	12%	<p>The target has not been achieved with a 5.4% reduction achieved. This represents 17.15 tonnes of nitrogen (actual reduction achieved) calculated as a percentage of 320 tonnes of nitrogen (total reduction required by 2032 as set out in Regional Policy Statement).</p> <p>Although tracking behind target, progress has been made to deliver the large reductions required in the coming years to achieve the 2032 target. Reductions from the Tikitere plant will occur from 2019/2020; and some land use incentives agreements have reductions locked into title deeds, and will deliver actual reductions from 2018.</p> <p><i>Previous result 2015/16</i>  <i>Target: 6%</i>  <i>Result: 5.12%</i></p>
Other Eastern Catchments	The Council works with iwi, landowners and community groups to maintain and improve water quality, indigenous biodiversity and coastal margins in eastern Bay of Plenty catchments other than Rangitāiki.	Number of coastal, wetland, forest or geothermal High Value Ecological sites (HVES) where biodiversity is actively managed within the eastern Bay of Plenty catchments.	28	<p>27 High Value Ecological sites (HVES) are actively managed within the catchment; this is one less than the specified target.</p> <p>An additional HVES was identified; however an agreement for the site was not able to be reached before the end of the year.</p> <p><i>Previous result 2015/16</i>  <i>Target: 26</i>  <i>Result: 26</i></p>
Rotorua Air Quality	Air quality in the Rotorua Local Air Management Area (LAMA) meets the National Environmental Standard for Air Quality.	Number of exceedences of PM <sub>10</sub> in the Rotorua LAMA (exceedences of the NESAQ standard).	3	<p>The target of a maximum of 3 exceedences was not achieved. A total of 15 exceedences were recorded for the year, comprising 11 measured and 4 modelled exceedences. The trend for PM10 concentrations reducing over time is positive, and the Rotorua Air Activity remains focussed on working towards the National Environmental Standard for Air Quality timeframe and targets for 2020.</p> <p><i>Previous result 2015/16</i>  <i>Target: 20</i>  <i>Result: 5 (target achieved, lower result is better)</i></p>

Activity	Level of service	Key Performance indicator	2016/17 Target	Comments
Resource Consents	Decisions on resource consent applications are made in a timely manner following a robust process.	Percentage of applications processed within statutory timeframes.	99%	<p>299 of 449 (67%) consents for which decisions were made during the period were processed within statutory timeframes.</p> <p>Applications are prioritised to minimise impacts on consent applicants. For example, applicants who can continue to operate under their previous consents will be a lower priority.</p> <p>Council has appointed two more consents officers to meet process requirements for 2017/18 and will continue to improve our processes to reduce the amount of time it takes to process applications.</p> <p><i>Previous result 2015/16</i>  <i>Target: 99%</i>  <i>Result: 99%</i></p>
Passenger Transport	The Council provides a quality public transport system where fares cover a reasonable proportion of operating costs.	Fare Recovery Ratio	35%	<p>The annual regional fare recovery ratio was 31%, 4% below target. This is a reflection of the reductions in patronage across all services and a high concession-fare passenger mix in in Tauranga.</p> <p>Fares were increased at the beginning of 2017 and Council is looking at other options to increase fare revenue for 2017/18.</p> <p><i>Previous result 2015/16</i>  <i>Target: 34%</i>  <i>Result: 32%</i></p>
Governance Services	Council promotes good governance and democratic decision-making by being accessible to the regional community and by meeting its legislative responsibilities	Percentage of draft Council and Committee minutes that are published on the council website within five working days after the meeting.	95%	<p>The target was not met with 26 of 66 (39%) draft Council and Committee minutes published on the council website within five working days of the meeting.</p> <p>Additional demand including unexpected meetings, the impact of the election period and unexpected staff vacancies contributed to this result. Maintaining a full complement of staff in place together with process improvements is expected to deliver a stronger result for 2016/17.</p> <p><i>Previous result 2015/16</i>  <i>Target: 95%</i>  <i>Result: 40%</i></p>

## 5.2 Key Performance Indicators where data was not available

Activity	Level of service	Key Performance indicator	2016/17 Target	Comments
Regional Parks	Pāpāmoa Hills Cultural Heritage Regional Park, and the Onekawa Te Māwhai property are managed for the enjoyment of the community and to protect their heritage values.	Percentage of Regional Park users who rate their experience as satisfactory or higher. (Biennial Survey)	85%	Due to the closure of Pāpāmoa Hills from Oct 2016-June 2017, the survey was not carried out this year and is planned for 2017/18.  <i>Previous result 2015/16</i> <i>N/A – biennial survey</i>
Rivers and Drainage	Provide flood protection and drainage in scheme areas to mitigate the effect of flooding.	Number of failures of flood protection system below specified design standards.	0	Data not available. The result for this KPI is subject to the finalisation of reviews relating to the flood event that occurred in April 2017. Information was not available in time for reporting in the Annual report 2016/2017.  <i>Previous result 2015/16</i> <i>Target: 0</i> <i>Result: 0 (target achieved)</i>

## **6 Group highlights**

The highlights of each Group of Activity for 2016/17 are outlined in this section of the report.

### **6.1 Integrated Catchment Management Group of Activities highlights**

Strong progress was seen across the five catchments in the region and more than 124 additional kilometres of waterway margin were protected. Biodiversity was actively managed at 72 high value ecological sites and 116 other ecological sites.

To support the National Policy Statement for Freshwater Management requirements we continued to work with community groups in the Kaituna and Rangitāiki catchments to identify community values to inform Regional Water and Land Plan development. We also confirmed objectives for the Kaituna Catchment and progressed objectives for the Rangitāiki Catchment.

We worked in conjunction with the Department of Conservation to integrate our focus on how we meet the requirements for biodiversity management across the region. This integration underpinned the Biodiversity Policy review, which was completed and approved in June 2017.

The Rotorua Lakes Activity continued to deliver a co-ordinated programme of work in the catchment. Work focused on managing long term water quality through nutrient reduction targets (mainly nitrogen) set in the Regional Policy Statement for Lake Rotorua, and other lake action plans.

The Lake Rotorua Gorse Conversion Scheme secured significant nitrogen reductions with 440 hectares of gorse under control, of which 319 hectares were controlled under legal agreements, and 121 hectares controlled by over planting with plantation pines.

The Lake Rotorua Incentives Scheme was established to encourage land use change to permanently remove nitrogen from entering the lake. Work to support this scheme progressed throughout the year with five Incentives Scheme agreements signed in 2016/17 which will result in 8.435 tonnes of nitrogen being permanently removed from Lake Rotorua once they are fully implemented.

Activity in the Tauranga Harbour Catchment progressed well during 2016/17. We continued to coordinate and administer the Tauranga Moana Programme, including the Tauranga Moana Advisory Group.

We made progress across all of our planned key projects in the Kaituna Catchment area throughout 2016/17. Work on the Kaituna River Re-diversion and Ongatoro/Maketū Estuary Enhancement Project progressed. This work included the acquisition of 45 hectares of land; removal of the Papahikahawai Creek causeway and a bridge built; and detailed design and geotechnical investigations.

Progress continued throughout the year on the Rangitāiki River Forum and industry/iwi partnership projects, with Te Ara Whānui O Rangitāiki – Pathways to the Rangitāiki continuing to be delivered.

We continued work on the Ōhiwa Harbour Implementation Forum and industry/iwi partnership projects, with the Ōhiwa Harbour Strategy continuing to be delivered. Two hui were held with the Ōhiwa Harbour Implementation Forum reporting on the implementation of the Ōhiwa Harbour Strategy as well as wider catchment issues.



## 6.2 Flood Protection and Control Group of Activities highlights

We made progress in all the key projects for 2016/17 for the Flood Protection and Control Group of Activities. This included a floor repair project totalling \$2.1 million to repair river bank damages as a result of the June 2016 flood event. This project was nearing completion at the time of the April 2017 weather event (Cyclone Debbie).

The April 2017 weather event resulted in serious flooding in Edgecumbe and throughout our region. The damage to regions' flood defences was extensive and has had an impact on the work undertaken by the Flood Protection and Control Group of Activities. As a result, there has been increased expenditure in 2016/17 as we worked to urgently repair our flood protection schemes. Resources allocated from the Engineering Activity to the Regional Flood Risk Coordination Activity also significantly increased.

Remediation of the Kopeopeo Canal continued to be a high priority project for the Council. The head physical works contractor was appointed during the year and project management plans and detailed construction design was completed. Consent was sought and approved for an alternative dredging methodology, which will reduce risks associated with Kopeopeo Canal Remediation Project work.

We commenced construction on Containment Site 1, however, the flooding experienced in April 2017 and subsequent wet conditions have impacted the timing of the project. We have continued to update the community on progress through regular Community Liaison Group meetings, website updates, regular newsletters and technical report releases.

## 6.3 Resource Regulation and Monitoring Group of Activities highlights

We continued to deliver on core business activities including implementing the 2016/17 Operational Plan for the Bay of Plenty Regional Pest Management Plan 2011.

Work to eradicate catfish in the region has continued and a number of actions in the wallaby programme have been completed in support of the goal to contain the spread of dama wallaby.

We continued to administer the Rotorua Air Quality Working Party involving the Regional Council, Rotorua Lakes Council, Housing New Zealand and the Bay of Plenty District Health Board. We continued to administer the Hot Swap Loan Scheme with 115 loans being taken up. We also continued to implement the Low Income Heating Grant to provide heatpumps or ultra-low emission burners to eligible low income homes in return for their existing old fires and have provided rates remission for low-income ratepayers.

Resource consent work increased during 2016/17, 449 applications were processed which was an increase of 119 on the previous year. Customer satisfaction survey results showed that 72 percent of respondents were satisfied with the overall consent process.

Completion of an Environment Court hearing over the MV Rena Consent resulted in an interim decision to uphold Council's decision to grant consent for the remainder of the wreck to remain in place.

Pollution Prevention received 2,741 complaints via the Pollution Hotline, an increase of 16 percent on the previous year. We continued to deliver a high level of service to

customers, responding to 100 percent of all urgent complaints within 12 hours of receipt of the initial complaint.

We inspected and assessed resource consent compliance, carrying out 1,896 compliance inspections relating to 1,356 individual resource consents. Seventy-seven percent of consents inspected were fully compliant with consent conditions.

The review of the Navigation Safety Bylaw was completed, with 218 submissions received. Submissions were heard by independent commissioners. The Bylaw was adopted by Council on 24 February 2017 and made operative on 1 July 2017.

#### **6.4 Transportation Group of Activities highlights**

We continued to support the development, implementation and marketing of contracted passenger transport services and regional road safety campaigns during 2016/17. Bus services were provided for Tauranga, Rotorua, and rural areas with over 3.1 million passengers boarding the services. Additional public transport services were trialled between Te Puke, Paengaroa and Maketū; Waihī Beach and Katikati; and Ruatāhuna and Murupara.

In May 2017, Council conducted a public engagement exercise on the Western Bay of Plenty Public Transport Blueprint. The Blueprint is the name given to the business case to determine what the future Tauranga and Western Bay of Plenty District bus services should look like. We received 1,474 individual pieces of feedback on the Blueprint, through the website, via phone, email, letters, written feedback forms, and community sessions – the most that we have ever received when engaging on its transport activity.

#### **6.5 Regional Development Group of Activities highlights**

We continued to administer the Regional Infrastructure Fund (RIF), with the first drawdowns occurring in 2016/17. Progress during 2016/17 included:

- The Tauranga Marine Precinct project being delivered by Tauranga City Council has made progress with on-site works.
- Updated proposals for the SCION have been agreed by Council and funding has been re-phased to align with the updated delivery programme.
- Funding for the Te Puna West sewerage scheme, being delivered by WBOPDC, has been re-phased to align with their delivery programme.
- Council has continued to work with Government, Ōpōtiki District Council, Whakatōhea, and other parties on the Ōpōtiki Harbour Transformation. Ōpōtiki District Council, with the support of partners, has progressed to tender for main works and work is ongoing to secure a construction funding commitment from Government.

The Regional Parks Activity secured three significant land purchases during 2016/17, being:

- A carpark and associated 12.4 hectares of land stretching from the end of Poplar Lane to the ridgeline south of Karangaumu Pa.

- Twenty-five hectares of land adjoining Pāpāmoa Hills Regional Park at 8b Poplar Lane. The area is now incorporated into the park. This purchase adds significant scope for visitor facilities such as tracks and viewing areas.
- Nearly ten hectares of land adjoining Onekawa Te Mawhai Regional Park at Bryan's Beach, adding to the cultural, archaeological, and visitor track network values in the park.

We continued our role in leading and facilitating economic development in the Bay of Plenty, through the Bay of Connections portfolio. Implementation strategies are ongoing for Energy, Aquaculture, Forestry, Freight Logistics, Māori, and Rugby Sevens.

## 6.6 Regional Planning and Engagement Group of Activities highlights

The Regional Planning Activity progressed a number of key planning documents and delivered a steady stream of policy work during 2016/17. Regional Policy Statement related work included:

- Council continued to implement the Operative Bay of Plenty Regional Policy Statement, in accordance with the Regional Policy Statement Implementation Strategy. Implementation included applying the new Natural Hazard Risk Policy to proposed new growth areas in the western Bay of Plenty sub-region. Implementation of Method 40 (Rural Advisory Panel) and Method 44 (Mauri Model) was also a specific focus.
- Plan Change 2 (Natural Hazards), made operative in July 2016.
- Proposed Change 3 (Rangitāiki River), notified and received 19 submissions. Hearings were completed in June 2017.
- Preparation of Proposed Change 4 (Tauriko West) commenced.

Regional Water and Land Plan work included:

- Proposed Plan Change 9 - Region-wide Water Quantity notified, with 81 submissions received.
- Proposed Plan Change 10 - Lake Rotorua Nutrient Management notified, with hearings completed in June 2017.
- Consultation with the community on Regional Air Plan changes, ahead of notification scheduled for 2017/18.

We also assisted Te Maru o Kaituna in the development of the Kaituna, he taonga tuku iho - Kaituna River Document which was notified in May 2017, (the Tapuika Claims Settlement Act 2014 established Te Maru o Kaituna River Authority, and provides for the preparation of the Kaituna River Document).

The Environmental Enhancement Fund (EEF) was also administered with 18 successful applications and \$307,000 in funding allocated. A further \$122,000 was allocated to community initiatives and agreed milestones are on track to be met in 2017/18.

## 6.7 Emergency Management Group of Activities highlights

The Emergency Management Activity continued to provide Civil Defence Emergency Management (CDEM) services to the Council, as well as regional emergency management leadership. This included coordination and support to the Bay of Plenty CDEM Group and a support coordination service for the Bay of Plenty Lifelines Group.

In response to ex-tropical Cyclones Debbie and Cook, the Emergency Operation Centre and Group Emergency Coordination Centre operations involved over 900 people. The Ngāti Awa Volunteer Army in collaboration with Ngāti Awa, Bay of Plenty Regional Council and Whakatāne District Council provided an additional 1,466 people to assist with the clean-up of flood affected areas. On-going support has been provided to the Whakatāne District Council Recovery effort.

## 6.8 Technical Services Group of Activities highlights

The Geospatial Activity continued to provide geospatial services to council through online mapping tools and field capture solutions while also providing the community with direct access to information and data that we hold about our region through BOP-Maps (<http://maps.boprc.govt.nz/>).

The Engineering Activity experienced a significant increase in the number of resource consent technical reviews, District Council consent application reviews and flood level reports for resource consents, during 2016/17 with:

- 221 resource consent technical reviews undertaken, compared to 132 in the previous year.
- 265 District Council consent application reviews undertaken, compared to 201 in the previous year.
- 218 flood level reports completed, compared to 100 in the previous year.

The Data Services Activity included the installation of the Maketū estuary tidal site in 2016/17. Live data is now available on the BOPRC website. Other data collection, testing and deliver services work included:

- 9,604 laboratory samples accepted, with 65,193 tests performed on those samples, an increase of 8% for samples and 16% for tests compared to 2015/16.
- 53 coastal beach profiles along the Bay of Plenty coast line surveyed to identify coastal erosion and accretion.
- 81 representative coastal transects monitored for native vegetation species and coverage.
- 1,141 physical flow measurements undertaken in rivers and streams.
- 160 automated monitoring stations maintained in operation collecting and delivering in near-real time a wide range of environmental monitoring parameters.

We continued to expand our science and data collection capability to support good decision making. During 2016/17, an additional 19 sites were monitored by the Science Activity in the Kaituna Water Management Area for water quality on a monthly basis, including 13 tributary sites and six drain sites; and two deep groundwater bores were established at Katikati and Galatea to investigate the geology and monitor the water resources in the Kaituna and Tauranga Water Management Areas.

We completed an assessment of air quality monitoring needs for the Mount Manganui port and industrial area, resulting in funding for new continuous air quality monitoring sites.

## **6.9 Corporate Services Group of Activities highlights**

Overall we made significant progress during the year. In addition to delivering our regular services, key internal projects such as Project Upgrade and Project Accelerate have advanced.

Project Upgrade is the name we've given to the property work happening across the organisation. The project involves: refurbishment of the Regional House building in Tauranga to allow all Tauranga-based staff to work from the one location; modernisation of the Whakatāne office space, including changing the working space to open plan; and identifying a options for our Rotorua staff for when the lease on the existing building ends in 2020.

The design phases for the Whakatāne and Tauranga office upgrade projects were completed in 2016/17, and the interior strip-out of Regional House was completed ahead of the main construction tender being released.

Project Accelerate is our business transformation information technology project. Accelerate focuses on improving business processes across the Council and will deliver better mobile solutions and access to Council data for the public. Several teams across the Council contributed to the project during the year and project milestones have been achieved with the delivery of the Maritime, Integrated Catchment Management, and further Regulatory modules.

Council is committed to work place health and safety. During 2016/17, we transitioned to meeting the main requirements under the Health and Safety at Work Act 2015. Safety is being managed through a risk-based approach, where people are equipped with the competence and tools required to identify and manage the risks presented in their places of work.

## **7 Draft Annual Report**

The Draft Annual Report and Summary was presented to the Audit and Risk Committee on 19 September 2017 for formal discussion and review. Due to the close timing of the Audit and Risk Committee meeting and the Regional Council meeting, any significant changes since the Draft will be tabled at the Regional Council meeting.

## **8 Audit Opinion**

Ben Halford (Director, Audit New Zealand) will be present at this meeting, and will provide the audit opinion.

## **9 Next steps – Annual Report**

The Local Government Act requires Council to release the Annual Report and Summary to the public within one month of being adopted.

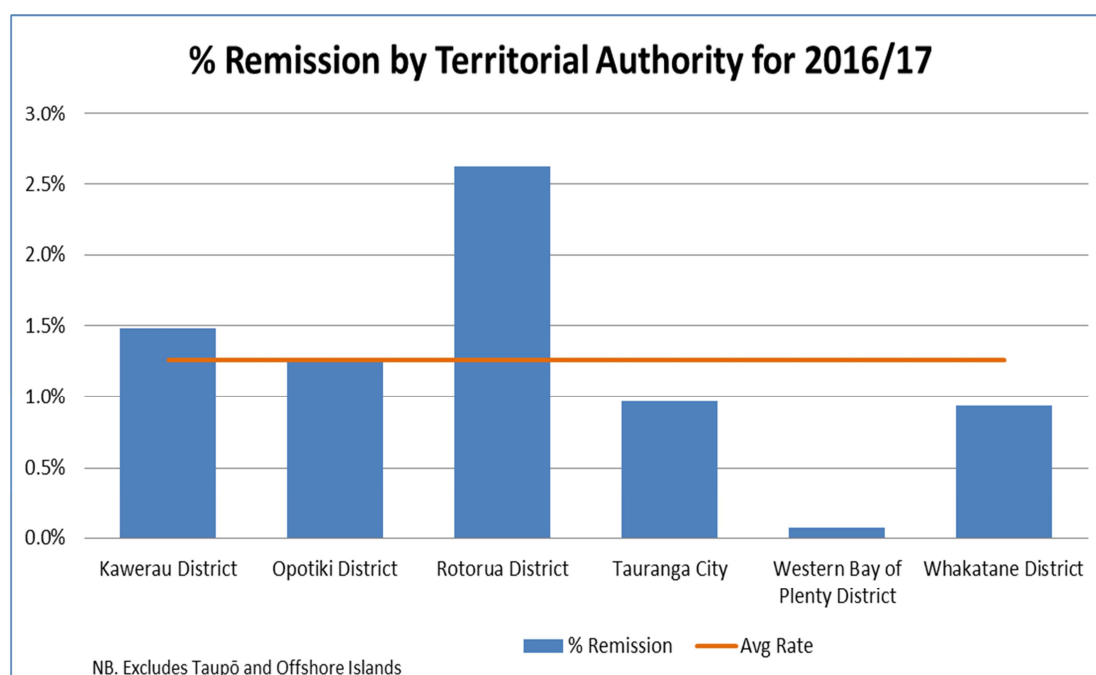
It is planned that the documents will be released on the website within a week, and printed copies will be available within a fortnight.

## 10 Rates Remission Summary

Total remissions of \$480,000 were given during 2016/17 which equates to 1.3% of the total rates collected of \$36.2 million.

The following table and graph shows the rates remissions approved per territorial authority as a percentage of rates collected.

Territorial Authority	Total Rates	Total	% Remission
	\$'000	Remissions \$'000	
Kawerau District	472	7	1.5%
Opotiki District	1,803	23	1.3%
Rotorua District	9,103	239	2.6%
Taupō District	159	0	0.0%
Tauranga City	12,375	120	1.0%
Western Bay of Plenty District	5,129	4	0.1%
Whakatāne District	7,125	67	0.9%
Offshore Islands	20	20	100.0%
<b>Total</b>	<b>36,186</b>	<b>480</b>	<b>1.3%</b>



## 11 Expenditure carry forward requests

### 11.1 2016/17 Capital Expenditure Budget

The capital expenditure budget for 2016/17 was \$23.6 million. During 2016/17, through the in-year financial monitoring Council Performance Monitoring Report (CPMR) a further \$5.6 million capital expenditure was approved resulting in a revised capital expenditure budget of \$29.1 million. Actual expenditure was \$16.7 million, which

resulted in a variance against revised budget of \$12.4 million. The variation to the Annual Plan budget is shown in the table below.

<b>2016/17 Summary</b>	<b>Annual Plan \$000</b>	<b>Revised Budget \$000</b>	<b>Actual \$000</b>	<b>Variance \$000</b>	
Capital Expenditure	23,561	29,149	16,685	(6,876)	Underspend

## 11.2 Additional Capital Items to be Carried Forward into 2017/18

Since the finalisation of the Annual Plan 2017/18, \$1.167 million requires approval to be carried forward to 2017/18.

<b>Activity</b>	<b>Description</b>	<b>2017/18 \$000</b>
Rivers and Drainage Schemes	Kaituna River Catchment - Kaituna stopbank works	267
Rivers and Drainage Schemes	Kopeopeo Canal Remediation	400
ICT	Accelerate project	500
<b>Total Capital Expenditure to be carried forward</b>		<b>1,167</b>

The additional deferred capital expenditure is funded by reserves and therefore any impact on rates relates to interest earned on amounts held in reserve until spent.

## 12 Financial Implications

### Current Budget

An additional \$3.7 million of unbudgeted depreciation is required in 2016/17. This will not require funding as this is a non-cash, accounting adjustment.

An additional \$1.167 million capital carry forward is required from 2016/17 to 2017/18. This is funded from reserves.

There are no further current budget implications resulting from the Annual Report 2016/17.

### Future Implications

There are no future budget implications relating to the Annual Report 2016/17 and Summary in addition to those identified within the report.

## 13 Council's Accountability Framework

### 13.1 Community Outcomes

This work directly contributes to the council's Long Term Plan 2015-2025.

### 13.2 Long Term Plan Alignment

This work is planned under the Finance Activity in the Long Term Plan 2015-2025.

**Current Budget Implications**

This work is being undertaken within the current budget for the Finance Activity in the Annual Plan 2017/18.

Debbie Hyland  
**Finance and Corporate Performance Manager**

**for General Manager, Corporate Performance**

**21 September 2017**